psp Swiss Property

12

2012 ANNUAL REPORT

COMPETENCE IN SWISS REAL ESTATE

KEY FIGURES

KEY FINANCIAL FIGURES	Unit	2011	2012	CHANGE IN %[1]
Rental income	CHF 1 000	270 675	272 849	0.8
EPRA like-for-like growth	%	2.0	1.5	
Net changes in fair value of real estate investments	CHF 1 000	325 068	266 851	
Income from property sales	CHF 1 000	7 504	12 924	
Total other income	CHF 1 000	10 337	8 351	
Net income	CHF 1 000	403 994	368 631	– 8.8
Net income excluding gains/losses on real estate investments[2]	CHF 1 000	149 020	161 614	8.5
EBITDA excluding gains/losses on real estate investments	CHF 1 000	232 532	238 624	2.6
EBITDA margin	%	81.5	81.1	
Total assets	CHF 1 000	6 050 916	6 354 173	5.0
Shareholders' equity	CHF 1 000	3 268 894	3 698 934	13.2
Equity ratio	%	54.0	58.2	
Return on equity	%	13.0	10.6	
Interest-bearing debt	CHF 1 000	1 946 894	1 808 286	– 7.1
Interest-bearing debt in % of total assets	%	32.2	28.5	
PORTFOLIO KEY FIGURES				
Number of properties	Number	168	163	
Carrying value properties	CHF 1 000	5 611 591	5 968 097	6.4
Implied yield, gross[3]	%	4.9	4.7	
Implied yield, net[3]	%	4.2	3.9	
Vacancy rate end of period (CHF)[3, 4]	%	8.3	8.0	
Number of sites and development properties	Number	9	9	
Carrying value sites and developments properties	CHF 1 000	346 879	314 430	– 9.4
EMPLOYEES				
End of period	Posts	84	84	
Full-time equivalents	Posts	77	78	
PER SHARE FIGURES				
Earnings per share (EPS)[5]	CHF	9.40	8.21	– 12.6
EPS excluding gains/losses on real estate investments[5]	CHF	3.47	3.60	3.9
Distribution per share	CHF	3.00	3.20[6]	6.7
Net asset value per share (NAV)[7]	CHF	75.28	80.64	7.1
NAV per share before deduction of deferred taxes[7]	CHF	89.02	95.21	7.0
Share price end of period	CHF	78.60	86.55	10.1

1 Change to previous year's period 2011 or carrying value as of 31 December 2011 as applicable.

2 See definition „Net income excluding gains/losses on real estate investments" on page 14, footnote 2.

3 For 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 2013 for the business year 2012: cash distribution out of capital contribution reserves.

7 Based on number of outstanding shares.

CONTENTS

IMAGE CONCEPT

A building is not just an empty shell of glass, concrete and steel. A building lives. It has a past, a present and a future. But above all it offers people room to live together, to work or to spend their leisure time. Each property accommodates its own, exciting microcosm of individuals with their unique desires, needs and goals. The image pages of this annual report offer a glance behind the facades of a number of selected PSP properties.

CHARTS/TABLES
Due to roundings, the sum of individual positions may be higher or lower than 100%.

ENGLISH TRANSLATION OF GERMAN ORIGINAL
This is an English translation of the German original (available from investor.relations@psp.info).
Only the German original is legally binding.

www.psp.info
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BOARD OF DIRECTORS’ STATEMENT ON THE BUSINESS YEAR 2012

TO OUR SHAREHOLDERS, BUSINESS PARTNERS AND STAFF

The Swiss economy remained on a solid growth path in the past two years, despite the global financial and debt crisis as well as recession in the Eurozone. In the first half of 2012, the Swiss economy performed particularly well, better, in any case, than had been widely expected. Only in the second half of the year, it slowed down, but even this slowdown was not as dramatic as feared. Overall, Switzerland was able to avoid a recession with an estimated 1% real growth in gross domestic product (GDP) for the whole of 2012 (after 2% in the previous year). Inflation is virtually non-existent in Switzerland; it was even slightly negative in 2012. And according to the Swiss National Bank, there is no risk of inflation in the foreseeable future. Consequently, interest rates also hardly budged and stayed at historically low levels. The commercial real estate sector – our line of business, which is only indirectly impacted by the strong franc and international problems – remained stable.

In this environment, PSP Swiss Property had another successful business year. We were again able to achieve a record operational result: net income (excluding net changes in fair values) reached CHF 161.6 million in 2012 (2011: CHF 149.0 million). Net income (excluding net changes in fair values) is the basis for the payouts to shareholders. This result enables us to propose to the upcoming Annual General Meeting of 9 April 2013 a cash payment of CHF 3.20 per share from the capital contribution reserves – an increase of 6.7% compared to the previous year’s distribution of CHF 3.00 per share. This corresponds to a cash yield of 3.7% on the 2012 year-end share price of CHF 86.55 (in addition to the rise in the share price by 10.1% in 2012). This means that PSP Swiss Property continues with its shareholder-friendly dividend policy and further strengthens its position as a predictable and stable core investment for Swiss real estate.

With regard to financing, PSP Swiss Property remains in a comfortable position: at the end of 2012, we had unused committed credit lines totalling CHF 500 million and a ratio of debt to total assets (loan-to-value) of 28.5%. Furthermore, PSP Swiss Property will continue to benefit from low interest rates in the medium term as well: 85.6% of the Company’s financial liabilities were at fixed interest rates respectively hedged by means of interest rate swaps at the end of 2012. Our solid financing and the strong equity base are reasons for our „A-/stable“ rating by the independent rating agency Fitch.

Change on the Swiss real estate market usually happens in slow motion. Therefore, it comes as no surprise that not much changed in our target regions and segments in 2012. Demand for investment properties remained high, particularly from Swiss institutional investors such as pension funds and insurance companies, but from abroad as well. The number of office buildings and retail areas put up for sale in preferred locations increased slightly in the reporting period. As in the previous year, we evaluated several acquisition opportunities; however, we again did not purchase any investment properties in 2012, mainly due to price considerations from a long point of view. On the other hand, we sold five smaller investment properties for a total of CHF 19.5 million to further optimise our portfolio. Early 2012, PSP Swiss Property decided to invest approximately CHF 26 million in a health spa on the grounds of the Lido Locarno. Construction of the building complex, which is already let to an expert operating company, will presumably last until mid-2013.

Despite successful leasing activities in 2012, letting has become a little more difficult even in central locations. On the one hand, this was due to new, additional office space which came on the market in peripheral regions and, on the other hand, it was the result of restructurings and the consolidation of organisational units and business divisions at various financial institutions and other companies.

In 2013, the business environment is unlikely to change fundamentally for the Swiss economy. While the forecasts for the current year are heterogeneous, most economists expect slightly higher GDP growth than in 2012; a slide into recession seems unlikely in Switzerland. No negative impact on the economy is expected from inflation in 2013. This means that the risk of interest rate hikes is remote and, consequently, companies, particularly in the real estate sector, will continue benefiting from a benign refinancing environment.

The additional office space which will come on the market in the next two or three years, particularly in the greater Zurich area, will intensify competition and tend to increase vacancies. Nevertheless, our Company's rental perspectives remain favourable. First, because we take good care of our properties with regular maintenance, renovations and improvements; second, because most of our properties are attractive premium buildings in top locations, which are less affected by oversupply or price pressure in other segments or regions. Our strategy, which is based on continuous and targeted investments of substantial amounts of money into renovations and modernisations of specific properties, entails, as a matter of course, additional vacancies in these objects in the short term; in the long term, however, it delivers considerable added value.

We will keep observing the economic environment and trends in Switzerland and abroad carefully and will stick to our acquisition strategy, which is focused on long-term value enhancement, and to our conservative financing policy. Consequently, overall and despite all the economic uncertainties, we remain confident for 2013 – both for Switzerland and, especially, for our Company.

With regard to the sites and projects, we will focus on the Löwenbräu site in Zurich, the Gurten site in Wabern near Bern, the new construction of the „Vorderer Sternen“ in Zurich, the new „Lido“ in Locarno and the large-scale „Salmen-Park“ project in Rheinfelden in 2013. The other sites are partly still in the planning phase.

Based on the assumption of an unchanged property portfolio, we expect an EBITDA (excluding gains/losses on real estate investments) of approximately CHF 240 million for 2013 (2012: CHF 238.6 million). With regard to vacancies, we expect a rate of approximately 10% at year-end 2013 (end of 2012: 8.0%).

Günther Gose	Luciano Gabriel
Chairman of the Board of Directors	Delegate of the Board of Directors and Chief Executive Officer

28 February 2013

HIGHLIGHTS IN BRIEF

KEY FACTS AND FIGURES 2012

PORTFOLIO VALUE: CHF 6.283 BILLION
The quality of the portfolio was further improved by specific renovations and other building adjustments totalling CHF 129.8 million as well as the sale of five investment properties for a total of CHF 19.5 million. The portfolio appreciated by CHF 266.9 million or 4.5%.

REDUCTION OF THE VACANCY RATE
Despite a challenging rental market, we were able to reduce the overall vacancy rate to 8.0% (end of 2011: 8.3%).

EQUITY BASE: CHF 3.699 BILLION
With an equity ratio of 58.2% and a loan-to-value ratio of 28.5%, PSP Swiss Property continues to have a very strong balance sheet.

SUCCESSFUL DEBT MANAGEMENT
At the end of 2012, unused committed credit lines amounted to CHF 500 million. Combined with the low loan-to-value, the Company has optimal financial flexibility for further growth.

EBITDA: CHF 238.6 MILLION
Due to an increase in income and lower financial expenses, the previous year's EBITDA of CHF 232.5 million was exceeded by 2.6%.

NET INCOME EXCLUDING GAINS/LOSSES ON REAL ESTATE INVESTMENTS: CHF 161.1 MILLION
Compared to the previous year, net income excluding gains/losses on real estate investments increased by 8.5% to CHF 161.6 million respectively CHF 0.13 per share to CHF 3.60 per share – another new record in PSP Swiss Property's history.

DISTRIBUTION OF CHF 3.20 PER SHARE
The Board of Directors will propose to the Annual General Meeting on 9 April 2013 a payment of CHF 3.20 per share, exceeding the previous year's payout by 6.7%. This corresponds to a cash yield of 3.7% on the 2012 year-end share price of CHF 86.55, respectively a total return of 13.8% (incl. the share price performance) for 2012.

AGENDA 2013

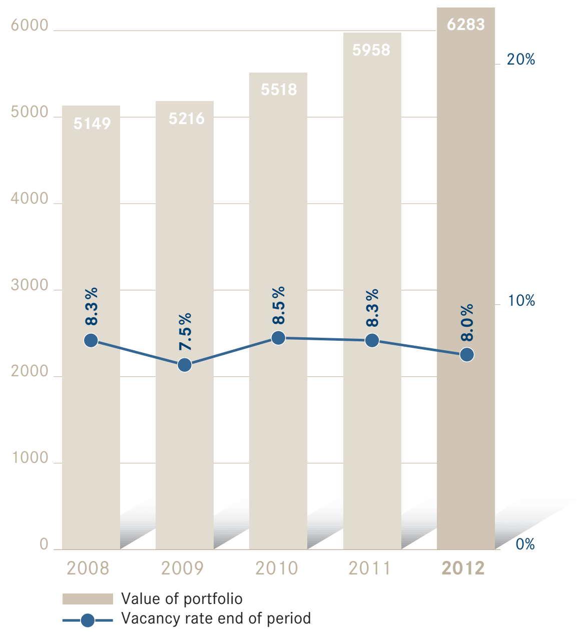
ANNUAL GENERAL MEETING 2013 9 April 2013, Kongresshaus Zurich

PUBLICATION OF QUARTERLY RESULTS Q1 2013 13 May 2013

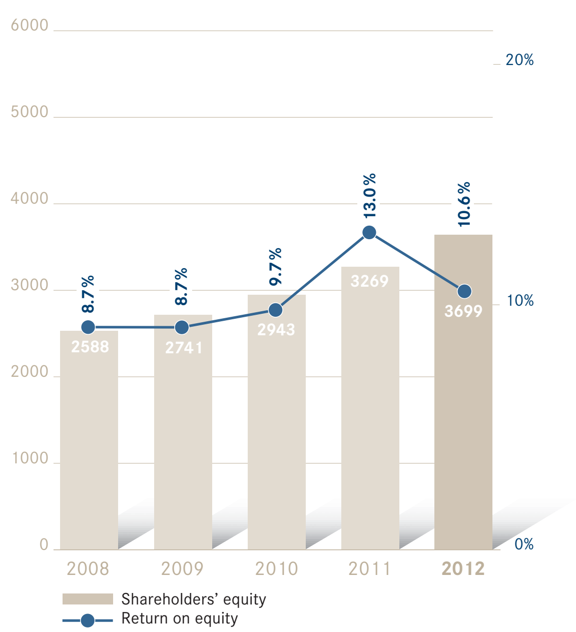
PUBLICATION OF 2013 HALF-YEAR RESULTS 16 August 2013

PUBLICATION OF QUARTERLY RESULTS Q3 2013 12 November 2013

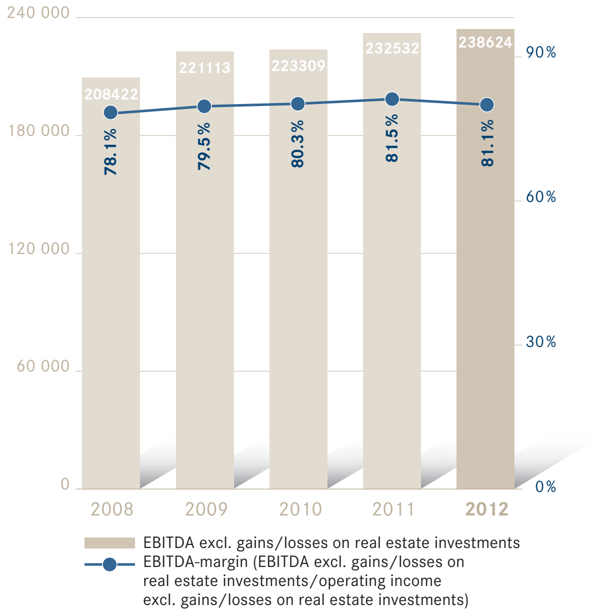
REAL ESTATE PORTFOLIO
(in CHF million, vacancy in %)



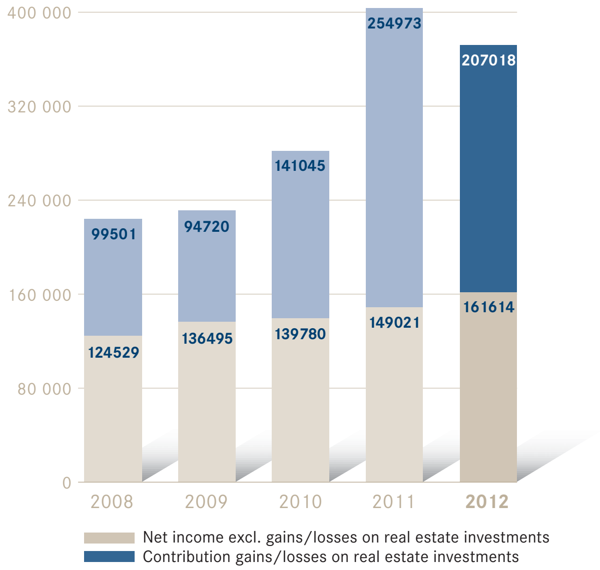
SHAREHOLDERS' EQUITY
(in CHF million, return in %)



EBITDA
(in CHF 1 000, margin in %)



NET INCOME COMPONENTS
(in CHF 1 000)



BOARD OF DIRECTORS AND EXECUTIVE BOARD

BOARD OF DIRECTORS

Günther Gose
Chairman

Luciano Gabriel
Delegate

Peter Forstmoser
Member

Nathan Hetz
Member

Gino Pfister
Member

Josef Stadler
Member

Aviram Wertheim
Member

Office of the Board of Directors
Samuel Ehrhardt, Secretary of the Board of Directors

EXECUTIVE BOARD

Luciano Gabriel
Chief Executive Officer

Giacomo Balzarini
Chief Financial Officer

Ludwig Reinsperger
Chief Investment Officer

COMPANY PORTRAIT

REAL ESTATE PORTFOLIO WITH A LONG-TERM PERSPECTIVE

PSP Swiss Property owns office and commercial properties throughout Switzerland worth CHF 5.968 billion. The properties are mainly in prime locations in Zurich, Geneva, Basel, Bern and Lausanne. In addition, the Company owns development sites and projects with a value of CHF 0.314 billion. With a portfolio totalling CHF 6.283 billion, PSP Swiss Property is one of the leading property companies in Switzerland.

The Company's strategic properties are managed and maintained with a long-term perspective. In addition to income and value appreciation through optimal use of the assets, cost factors receive special attention. The basic goal is cost optimisation for owner and tenants as well as a sustainable reduction of pollution with regard to energy, water and CO_2.

REGIONAL PRESENCE

Offices in Geneva, Olten and Zurich ensure a broad regional presence. As a result, our employees in property management, construction services and real estate asset management know the local markets well. They are thus able to manage the properties more efficiently, take better care of tenants and evaluate potential purchases more adequately.

VALUE ORIENTED GROWTH STRATEGY

PSP Swiss Property generates added value through optimising the existing investment and development portfolio (organic growth) as well as external growth.

Organic growth: the main focus in organic growth is on the quality and value oriented development of the property portfolio. Thereby, the professional collaboration between real estate asset management and property management is a crucial key to success. Intensive rental efforts as well as specific value-enhancing capital expenditures in selected properties remain the core activities in portfolio optimisation.

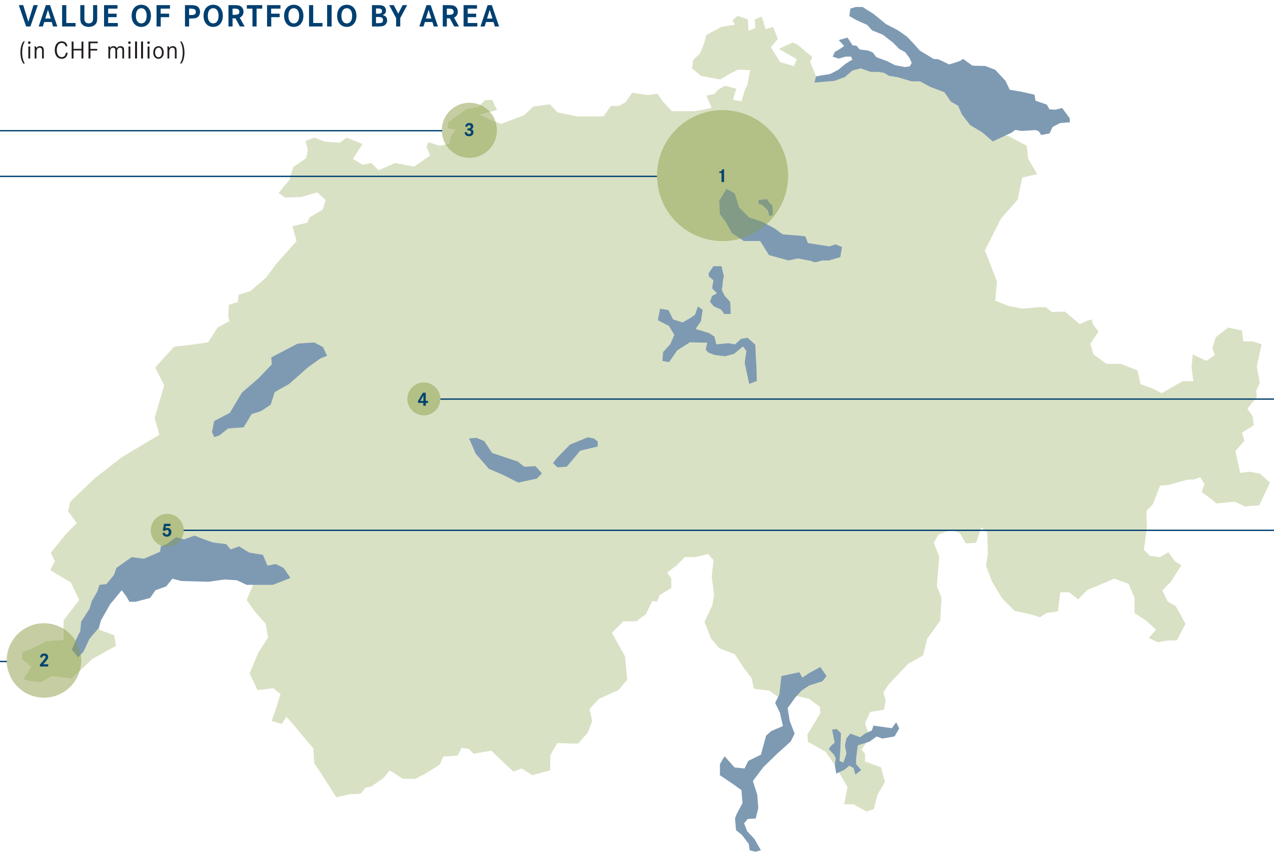
External growth: external growth may be achieved through company takeovers, property portfolio acquisitions or the purchase of individual properties. PSP Swiss Property is particularly meticulous in evaluating potential purchases, as size is not an end in itself for the Company. Acquisitions are only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

Furthermore, a successful real estate portfolio strategy also requires continuous optimisation and streamlining of the existing portfolio by way of property sales.

COMPANY PORTRAIT

VALUE OF PORTFOLIO BY AREA

(in CHF million)

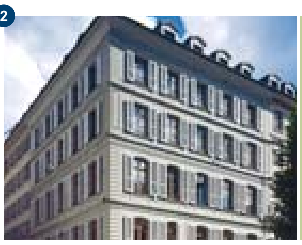


1 **Zurich area**
» CHF 3 946
» 62.8%

Binzring 15/17,
Zurich

4 **Bern area**
» CHF 222
» 3.5%

Seilerstrasse 8,
Bern

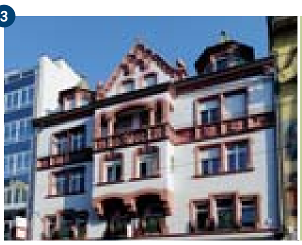


2 **Geneva area**
» CHF 846
» 13.5%

Place du Molard 7,
Genf

5 **Lausanne area**
» CHF 292
» 4.7%

Rue de Sébeillon 1/3/5,
Lausanne



3 **Basel area**
» CHF 376
» 6.0%

Falknerstrasse 31/
Weisse Gasse 16, Basel

Other locations
» CHF 286
» 4.6%

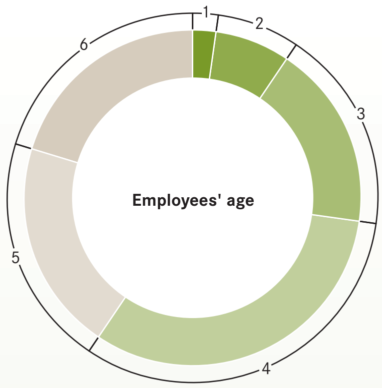
Sites and development properties
» CHF 314
» 5.0%

STRONG CAPITAL STRUCTURE

Financial strength and flexibility are crucial for every company. PSP Swiss Property takes the necessary measures early on to constantly safeguard its financial flexibility. This includes keeping the debt ratio low and pursuing a refinancing strategy reflecting PSP Swiss Property's conservative approach in real estate investing. Special emphasis is placed on the availability of sufficient committed credit lines and diversified financing sources.

With equity of CHF 3.699 billion – corresponding to an equity ratio of 58.2% – PSP Swiss Property had an extremely strong equity base at the end of 2012. Interest-bearing debt amounted to CHF 1.808 billion, corresponding to a mere 28.5% of total assets. The remaining 13.3 percentage points were mainly deferred tax liabilities which do not incur any interest charges. Furthermore, as per end of 2012, PSP Swiss Property had unused committed credit lines of CHF 500 million. Cash and cash equivalents amounted to CHF 33.6 million.

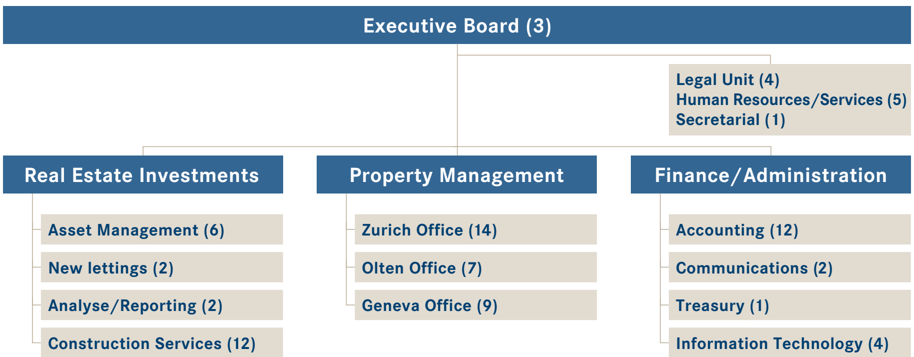
The conservative financing policy constitutes a significant competitive advantage, particularly with the current uncertainty in the capital and financial markets.



1	≤ 20:	2
2	21 to 25:	6
3	26 to 35:	15
4	36 to 45:	27
5	46 to 55:	17
6	> 55:	17

PERSONNEL

The following illustration shows the Group's management structure[1]:



Total number of employees: 84 (full-time employees 78)

1	≤ 5 years:	41
2	6 to 10 years:	25
3	11 to 15 years:	12
4	16 to 20 years:	4
5	> 20 years:	2

At the end of 2012, PSP Swiss Property had 84 employees (end of 2011: 84); the proportion of women was 43% (previous year: 48%). Fluctuation was a mere 11% (previous year: 7%).

For further information on the employees, see section „Social Sustainability“, page 123.

At the end of 2012, PSP Swiss Property also employed 28 full-time and part-time caretakers throughout Switzerland (end of 2011: 32). These caretakers carry out property-related work and are managed by PSP Management Ltd's property managers.

1 The Group's legal structure is shown in the corporate governance section, figure 1.1, page 104.

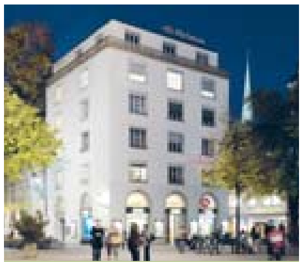
COMPANY PORTRAIT

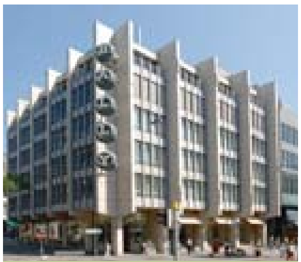
SELECTION OF PSP PROPERTIES


Richtistrasse 11,
Wallisellen


Bahnhofplatz 1,
Zurich

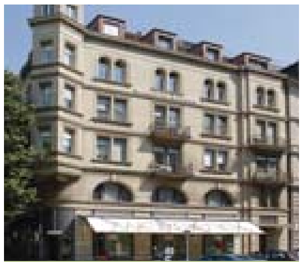

Bahnhofquai 15,
Zurich


Bahnhofstrasse 28a/
Waaggasse 6, Zurich


Bahnhofstrasse 66,
Zurich


Bahnhofstrasse 81/
Schweizergasse 2/4, Zurich


Binzring 15/17,
Zurich


Börsenstrasse 18,
Zurich


Brandschenkestrasse 110,
Zurich


Förrlibuckstrasse 10,
Zurich

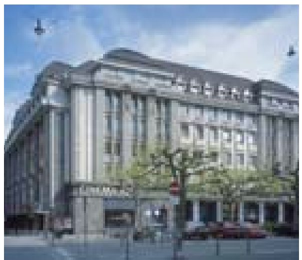

Hardturmstrasse 131 – 135,
Zurich


Schaffhauserstrasse 611,
Zurich

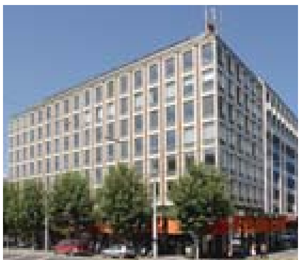

Seefeldstrasse 123,
Zurich

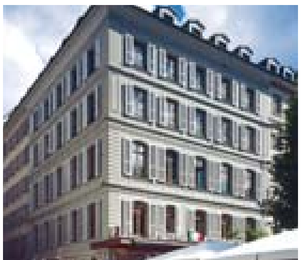

Theaterstrasse 12,
Zurich


Uraniastrasse 9,
Zurich


Waisenhausstr. 2/4,
Bahnhofquai 7, Zurich


Route des Acacias 50 – 52,
Carouge


Cours de Rive 13/15/Helv. 25,
Geneva


Place du Molard 7,
Geneva


Rue de la Corraterie 24 – 26,
Geneva


Rue de la Fontaine 5,
Geneva

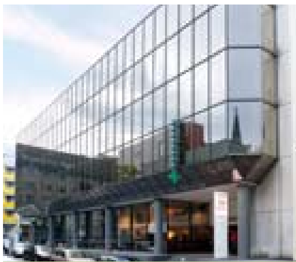

Rue des Bains 31 – 33/35,
Geneva


Avenue des Morgines 8 – 10,
Lancy

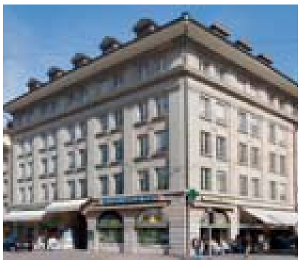

Falknerstrasse 31/
Weisse Gasse 16, Basel

Freie Strasse 38,
Basel

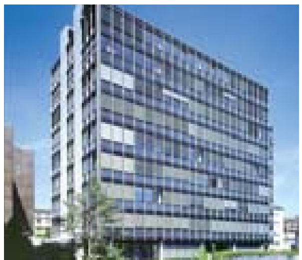

Grosspeterstrasse 18, 20,
Basel

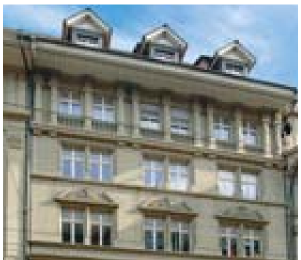

Kirschgartenstrasse 12 – 14,
Basel


St. Alban-Anlage 46,
Basel


Bollwerk 15,
Bern

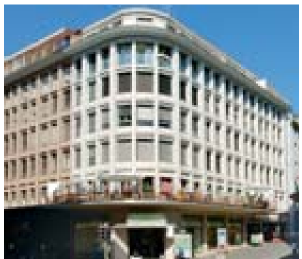

Laupenstrasse 18/18a,
Bern


Seilerstrasse 8,
Bern


Spitalgasse 9,
Bern


Zeughausgasse 26/28,
Bern


Place Saint-François 5,
Lausanne


Rue du Pont 22,
Lausanne


Rue de Sébeillon 1/3/5,
Lausanne


Bahnhofstrasse 29/33,
Aarau


Avenue de Beauregard 1,
Fribourg


Route des Arsenaux 41,
Fribourg


Marktgasse 74,
Winterthur

THE PSP SHARE

DIVIDEND POLICY

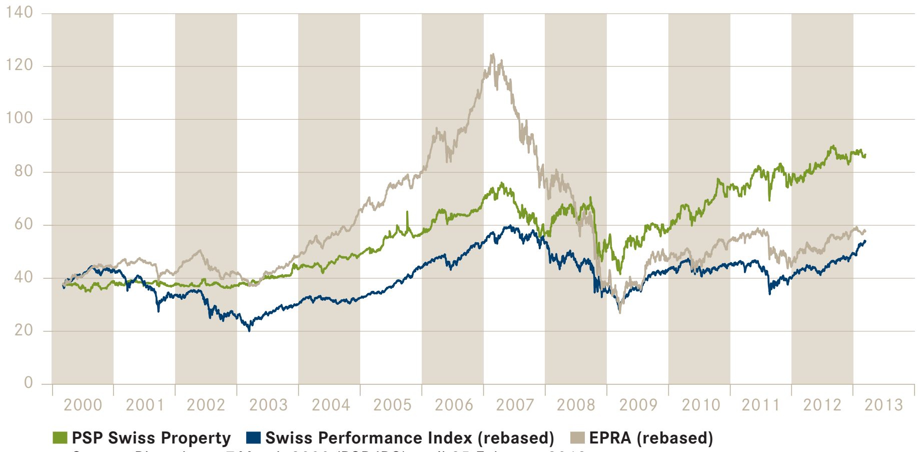
The annual distribution of PSP Swiss Property Ltd shall amount to at least 70% of the consolidated annual net income excluding gains/losses on real estate investments[2]. PSP Swiss Property strives to ensure a sustainable dividend trend – a goal, which the Company has achieved impressively throughout its corporate history.

REPAYMENT OF CAPITAL CONTRIBUTIONS

In early February 2011, the Swiss Federal Tax Authorities approved for PSP Swiss Property Ltd an amount of CHF 659.2 million capital contribution reserves. These reserves represent the amount that can be repaid in a tax-privileged way to shareholders.

In the reporting year 2012, a first distribution out of the capital contribution reserves was made instead of a dividend for the 2011 business year totalling CHF 131.4 million. As a result, as per year-end 2012, the capital contribution reserves amounted to CHF 527.862 million.

SHARE PRICE DEVELOPMENT
(in CHF)



Source: Bloomberg, 7 March 2000 (PSP IPO) until 25 February 2013

In 2012, the PSP share price rose by 10.1% from CHF 78.60 to CHF 86.55. In addition, a distribution of CHF 3.00 per share was made in April 2012. Since its listing on the SIX Swiss Exchange on 7 March 2000 to the end of 2012, the PSP share has risen 129.3%.

The PSP shares are very liquid: on average, 87 231 shares worth CHF 7.3 million were traded daily in 2012 (2011: 109 124 shares worth CHF 8.3 million). In 2012, the total trading volume of PSP shares on the SIX Swiss Exchange reached CHF 1.816 billion (2011: CHF 2.115 billion).

2 „Annual net income excluding gains/losses on real estate investments“ corresponds to the consolidated annual net income excluding net changes in fair values of the real estate investments, realised income on investment property sales and all of the related taxes. Income from the sale of properties which were developed by the Company itself is, however, included in the annual net income excluding gains/losses on real estate investments.

KEY FIGURES	Unit	2011	2012
SHARE PRICE			
High	CHF	83.50	89.95
Low	CHF	67.00	75.40
End of period	CHF	78.60	86.55
SIX Swiss Exchange: symbol PSPN, security number 1829415, ISIN CH0018294154			
MARKET CAPITALISATION			
High	CHF million	3 830.0	4 125.8
Low	CHF million	3 073.1	3 458.4
End of period	CHF million	3 605.2	3 969.9
NUMBER OF SHARES			
Issued shares	Number	45 867 891	45 867 891
Own shares	Number	2 446 896	0
Outstanding shares	Number	43 420 995	45 867 891
Average outstanding shares	Number	42 978 982	44 876 202
Reserved shares[1]	Number	8 126	8 126
PER SHARE FIGURES			
Earnings per shares (EPS)[2]	CHF	9.40	8.21
EPS excluding gains/losses on real estate investments[2, 3]	CHF	3.47	3.60
Distribution per share	CHF	3.00	3.20[4]
Payout ratio[5]	%	86.5	88.9
Cash yield[6]	%	3.8	3.7
Net asset value per share (NAV)[7]	CHF	75.28	80.64
Premium to NAV[8]	%	4.4	7.3
NAV per share before deduction of deferred taxes[7]	CHF	89.02	95.21
(Discount) to NAV before deduction of deferred taxes[8]	%	– 11.7	– 9.1

1 For the swap against REG shares which have not yet been exchanged.
2 Based on average number of outstanding shares.
3 See definition „Net income excluding gains/losses on real estate investments" on page 14, footnote 2.
4 Proposal to the Annual General Meeting on 9 April 2013 for the business year 2012: cash distribution out of capital contribution reserves.
5 Distribution per share in relation to EPS excluding gains/losses on real estate investments.
6 Distribution per share in relation to share price at end of period.
7 Based on number of outstanding shares, before distribution per share.
8 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 are shown in the corporate governance section, figure 1.2, pages 104 to 105.

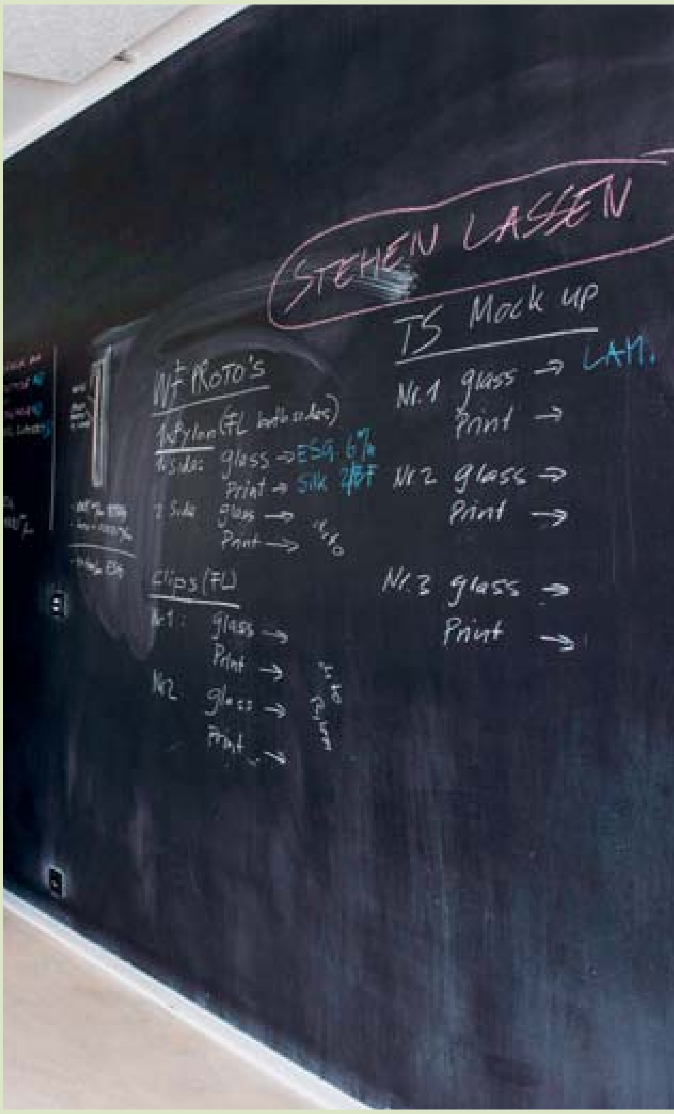
INVESTOR RELATIONS

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

PROPERTY PORTRAIT
HARDTURMSTRASSE 169 – 175, ZURICH

This property is located in Zurich West, one of the city’s most vibrant and up-and-coming districts.

The commercial property was completely renovated in 2006 and offers attractive premises with loft character. A significant proportion of the tenants work in creative professions such as architecture or design. Here, ideas are born in an environment where work and innovation go hand in hand.




creating
brand
experience

REPORT ON THE BUSINESS YEAR 2012

MARKET ENVIRONMENT

INVESTMENT MARKET

Investments in commercial properties have been popular in Switzerland for many years. This did not change in 2012. Demand still exceeds supply, particularly in top locations. However, recently the number of properties offered in in Zurich's Central Business District (CBD), where ownership changes were extremely rare in the past, increased compared to a year or two ago. Nevertheless, the absolute figure of such properties which are up for sale remains small. The demand for commercial real estate is comprehensible. Top properties with indexed, long-term leases, especially in city and economic centres, offer lasting value and an attractive risk/return profile. They are interesting investment alternatives for pension funds and other institutional as well as private investors because of their long-term steady rental income. The investors' yield expectations remained more or less unchanged in 2012.

Restraint is as important as ever with regard to property purchases, particularly with a view to the still high price expectations of many sellers. Real estate investments require a diligent evaluation and assessment of purchase price and potential returns. We only buy properties if we are convinced that they will generate stable cash-flows and a sustainable added value over the medium and long term. This value oriented acquisition policy has proven successful over the years. And this is why we again did not buy a single property in 2012. On the other hand, we sold five non-strategic properties to further optimise our portfolio.

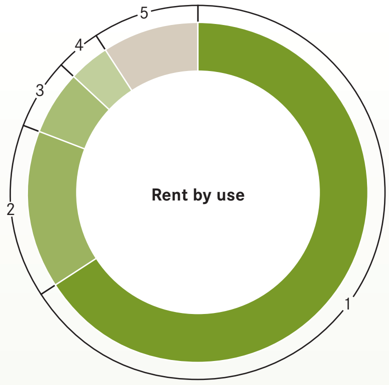
Thanks to this judicious acquisition strategy and our focus on high-quality properties in central locations, we remain well positioned for 2013 and beyond.

RENTAL MARKET

As in the past, there were no fundamental changes on the Swiss rental market for commercial properties in 2012. Overall, the demand for office and retails space remained stable.

Intense construction activity for office buildings continued and resulted in overcapacities in certain regions. The trend among many companies as well as state institutions to consolidate business or organisational units in state-of-the-art buildings in peripheral city locations, but with excellent transportation links, also continued unabated. Beneficiaries of this development are emerging outlying districts such as Zurich North (close to the airport) and Zurich West. Here, cost- and quality-conscious tenants find modern buildings with large, flexible floor plans, perfectly suited for space optimisations. Consequently, the region with the highest rate of new constructions, the greater Zurich area, was able to absorb the additional office space relatively well. The volume of vacant office space slightly increased in Zurich's CBD. Overall, office rents moved mostly sideways in the major centres. At the same time as the supply of office space increased on the periphery, jobs were cut in the financial-services sector in 2012, mainly in central locations in Zurich. However, many bankers who lost their jobs found new occupations in other sectors. As a result, additional vacancies in banking were, at least to some degree, compensated.

One could think that this combination of overcapacity and job cuts could lead to a severe storm on the office rental market. For three reasons, we don't feel quite as gloomy and expect some headwind but not a storm. First, because commercial leases are mostly fixed for several years, which means that economic ups and downs are not as relevant as in the residential sector; second, because all signs indicate that the economy will continue growing – the recent devaluation of the Swiss franc might back this development; and third, because it is foreseeable that new construction will decline starting around 2016. In any case, we do not expect rents to drop across the board in economic centres. However, times will become more difficult for office blocks from the 1970s and 1980s, particularly in remoter regions, which were not properly maintained and renovated in the past.



1	Office:	66 %
2	Retail:	15 %
3	Parking:	6 %
4	Gastronomy:	4 %
5	Other:	9 %

The rental market for retail space showed mixed trends in 2012: in border and tourism regions, rents were under pressure due to the strength of the Swiss franc. In the greater Zurich and Geneva regions, however (in Geneva, by the way, despite its proximity to the French border), the market went from strength to strength. Apart from regional exceptions, Switzerland's retail rental market remained remarkably solid during in 2012.

The rental market for commercial properties has not a uniform structure. The outlook depends to a large degree on general economic trends and forecasts. Overall, though, the demand for commercial properties in economic centres remains high. The additional space which has come or will come on the market will however intensify competition. However, only part of this additional supply will be in those market segments which are relevant for our Company.

Challenging times lie ahead for older and poorly maintained commercial properties in remoter areas and agglomerations. But quality in the right place – which is what PSP Swiss Property has to offer – will stay in demand in 2013 and beyond.

MAJOR OPERATIONAL ACTIVITIES IN THE BUSINESS YEAR 2012

In the past year, the following activities were at the top of our operational agenda:

- Optimisation of the investment properties
- Leasing current vacancies and management of expiring leases
- Further work on the development sites and projects
- Debt capital management

INVESTMENT PROPERTIES

Our real estate asset management unit constantly evaluates, which of our properties offer value-enhancing potential and optimisation opportunities for leases. We take concrete steps to realise this potential by means of conversions and other measures.

At the same time, it was and remains important to manage leases which expire in the coming months early and successfully.

REPORT ON THE BUSINESS YEAR 2012

SITE AND PROJECT DEVELOPMENTS

Overall, PSP Swiss Property owns and develops six sites (Hürlimann site in Zurich, Löwenbräu site in Zurich, Wädenswil site, „Paradiso“ site in Lugano, Gurten site in Wabern near Bern and „Salmen-Park“ in Rheinfelden) as well as three individual projects („Vorderer Sternen“ in Zurich, „Grosspeter Tower“ in Basel and the „Lido“ in Locarno).

Early 2012, PSP Swiss Property decided to invest approximately CHF 26 million in a health spa on the grounds of the Lido Locarno. Construction of the building complex, which is already let to an expert operating company, will presumably last until mid-2013.

The „Wollishofen“ site in Zurich with the project Seestrasse 339 was sold at the end of 2012.

New constructions and conversions on the other sites progressed as planned. For further information on the sites and projects see pages 22 to 25.

CAPITAL MANAGEMENT

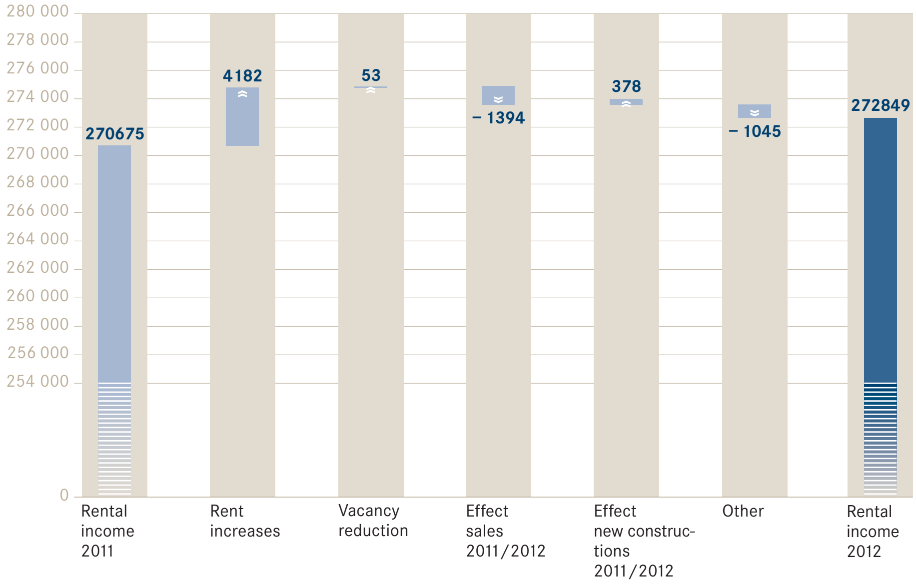
Due to the existing interest rate hedging transactions, PSP Swiss Property will continue to benefit from the historically low interest rate levels in the medium term as well. As at the reporting date at the end of 2012, the passing average interest rate was 2.20% (end of 2011: 2.49%), while the average fixed-interest period was 3.7 years (end of 2011: 2.9 years). No committed bank loans will be due until 2015. In the reporting period, fixed advances totalling CHF 525 million were raised within the framework of the existing credit lines and CHF 375 million were repaid. The bonds which matured on 5 April and 27 July 2012 totalling CHF 290 million were refinanced by means of committed credit lines. At the end of 2012, PSP Swiss Property had unused committed credit lines of CHF 500 million. This substantial amount allows the Company to continue to flexibly manage its capital and is an excellent basis for possible acquisitions.

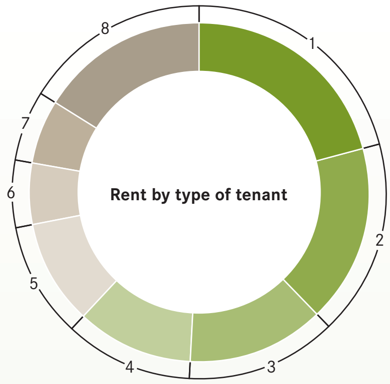
In September 2012, the rating agency Fitch confirmed PSP Swiss Property Ltd’s rating with an „A-“ and stable outlook.

With total equity of CHF 3.699 billion (end of 2011: CHF 3.269 billion) – corresponding to an equity ratio of 58.2% (end of 2011: 54.0%) – PSP Swiss Property had a very strong capital base at the end of 2012 compared to the industry average. Interest-bearing debt amounted to CHF 1.808 billion at the end of 2012, corresponding to 28.5% of total assets (end of 2011: CHF 1.947 billion respectively 32.2%).

REAL ESTATE PORTFOLIO

DEVELOPMENT OF RENTAL INCOME
(in CHF 1000)





1	Retail:	21 %
2	Services:	17 %
3	Telecommunication:	13 %
4	Financial services:	11 %
5	Technology:	10 %
6	Government:	6 %
7	Gastronomy:	6 %
8	Other:	16 %

PORTFOLIO

At the end of 2012, the real estate portfolio included 163 office and commercial properties in top locations. In addition, there were six sites with development projects and three individual projects. The carrying value of the total portfolio stood at CHF 6.283 billion (end of 2011: CHF 5.958 billion).

During the reporting year, we again evaluated several acquisition opportunities, but no purchases were made due to economic reasons.

Five investment properties were sold for a total of CHF 19.5 million to further streamline the portfolio; this corresponds to an average appreciation of 17.8 % compared to the last external valuations (see list of sales on pages 140 to 141).

At the end of 2012, three investment properties with a total value of CHF 9.7 million were earmarked for sale.

REPORT ON THE BUSINESS YEAR 2012

VALUATION OF PROPERTIES

The property portfolio is valued externally twice a year (end of June and end of December). Since 1 January 2009 and in accordance with IFRS, current site developments with later use as investment properties are also carried at fair value, if the fair value can be reliably determined.

The revaluation of the properties as at the end of 2012 resulted in an appreciation of CHF 266.9 million. This appreciation was mainly due to the following reasons: i) a decline in the average weighted discount rate by 22 basis points, ii) closing of new leases at higher rents than expected and iii) slightly higher market rents for sales spaces, particularly in the centre of Zurich. At the end of 2012, the portfolio's weighted average nominal discount rate was 5.03% (end of 2011: 5.25%).

VACANCY DEVELOPMENT

At the end of 2012, the vacancy rate stood at 8.0% (end of 2011: 8.3%). The decrease was mainly the result of larger lettings at the four following properties: Wallisellen, Richtistrasse 9; Bern, Laupenstrasse 18/18a; Biel, Aarbergstrasse 94 and Zurich West, Hardturmstrasse 131, 133, 135.

1.3 percentage points of the 8.0% were due to ongoing renovation work on various properties. Thereof 0.6 percentage points related to the property on Route des Acacias 50/52 in Carouge and 0.4 percentage points concerned the renovation of the property on Aarbergstrasse 94 in Biel. The properties in Zurich West and Wallisellen (carrying value CHF 0.9 billion) contributed 3.3 percentage points to the overall vacancy rate. The remaining properties with a carrying value of CHF 4.9 billion (i.e. the total investment portfolio excluding the objects under renovation as well as those in Zurich West and Wallisellen) made up 3.4 percentage points.

Of the lease contracts maturing in 2013 (CHF 42.0 million), 45% had already been renewed respectively extended at the end of 2012.

As at year-end 2013, we expect a vacancy rate of approximately 10%.

SITES AND DEVELOPMENT PROJECTS

HÜRLIMANN SITE, ZURICH

Construction of a unique health spa combined with a boutique hotel started at the beginning of 2009. The health spa opened for business at the end of 2010, the hotel on 1 March 2012. The total investment for this project amounted to approximately CHF 65 million (excl. land and infrastructure).

In the former heating room of the brewery („Kesselhaus"), approximately 700 m^2 of office space are being built. Construction started in October 2011; the conversion of the „Kesselhaus" will take until spring of 2013. The total investment for this project amounts to approximately CHF 5 million (excl. land and infrastructure). The entire space will be let to a single tenant from 1 April 2013.

Further details: www.huerlimann-areal.ch.

LÖWENBRÄU SITE, ZURICH

With planned total investments of approximately CHF 133 million (excl. land and infrastructure), 11 600 m^2 are earmarked for freehold apartments (58 units), 10 200 m^2 for offices and 9 400 m^2 for art museums and galleries. The whole project will be realised stepwise by summer of 2013.

The arts space with galleries and museums was sold with transfer of ownership to the buyer on 1 June 2012.

Of the 58 freehold apartments in the new apartment tower „Black", 45 units were sold by the end of 2012.

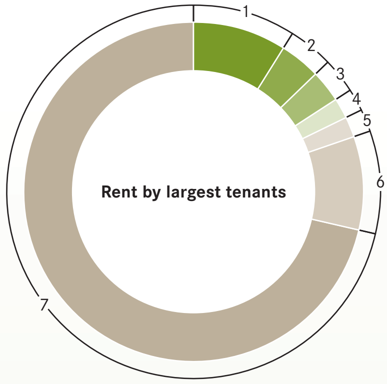
So far, we were able to let three of the four floors in the former main brewery building. In the newly constructed office building „Red", 100% of the space will be let to a single tenant from 1 February 2013. With the „Leed Gold" label, this building also meets the requirements with regard to a sustainable modern building.

Further details: www.loewenbraeu-black.ch.

GURTEN SITE, WABERN NEAR BERN

Of the total usable floor space of approximately 31 000 m^2, about half is allocated to freehold apartments and the other half to commercial use and services.

The back-row buildings were renovated in 2012 and made available for further commercial businesses. In addition, the heating systems of the commercial units in the existing buildings in the middle and front row are being modernised; they offer space for a variety of uses. A new annex is added to the former brewing house („Sudhaus") for state-of-the-art and flexible work spaces. In the front row, with a view on the city of Bern and the surrounding countryside, a high-quality new building with 99 freehold apartments and two studios is being built.



1	Swisscom:	9 %
2	Google:	4 %
3	Schweizer Post:	3 %
4	Bär & Karrer:	2 %
5	Bally:	2 %
6	Next five largest tenants:	9 %
7	Other:	71 %

REPORT ON THE BUSINESS YEAR 2012

Construction started in July 2011 and will presumably last until spring 2014. By the end of 2012, 75 freehold apartments and the two studios were already sold while five more freehold apartments could be reserved for sale. The investment total amounts to approximately CHF 93 million (excl. land and infrastructure).

Further details: www.gurtenareal.ch.

WÄDENSWIL SITE

The construction of the building complex „Refugium“ with 18 freehold apartments was completed in April 2011. At present, one apartment remains for sale. The investment total for this project amounted to approximately CHF 14 million (excl. land and infrastructure).

The remaining areas will be sold or possibly developed at a later stage.

PROJECT „VORDERER STERNEN“, ZURICH

In July 2011, construction began for the new „Vorderer Sternen“ on Theaterstrasse 22 at the Bellevue in Zurich. The new property with restaurants and office space will be completed by spring 2013.

The restaurant facilities will stretch over two floors: the popular „Sternen Grill“ will be located on the ground floor, while the „Sternen“ will offer its products with a new service concept on the first floor. On the 2nd, 3rd and 4th floors, offices with approximately 460 m^2 are being built. The „Vorderer Sternen“ will probably reopen for business in spring 2013. The investment total for this new building amounts to approximately CHF 12 million (excl. land and infrastructure).

„SALMEN-PARK“, RHEINFELDEN

On the Rheinfelden site (the former Cardinal site), directly on the River Rhine and close to the historic part of town, a complex is planned in several stages. The main use of the complex will be for residential units. The first stage of this project includes residential areas, retail spaces, a nursing home and offices.

PSP Swiss Property plans to integrate the office and small business properties into its own portfolio after completion and to sell the residential units. The planned investment total for the entire project is approximately CHF 240 million (excl. land and infrastructure).

Dismantling work for stage 1 is almost complete. Construction is planned to start in the second quarter of 2013. The entire project (stages 1 and 2) will be realised stepwise over several years. A rental agreement has already been signed for the nursing and care home „Salmen-Park“ (approximately 7 400 m^2), beginning on 1 April 2015 respectively after completion.

PROJECT „LIDO“, LOCARNO

Early 2012, PSP Swiss Property decided to invest approximately CHF 26 million in a health spa on the grounds of the Lido Locarno. Construction of the building complex, which is already let to an expert operating company, will presumably last until mid-2013.

„PARADISO“ SITE, LUGANO

The original brewery buildings on this site were demolished in 2005. Planning has been completed, but no legal building permit has yet been obtained.

The intention remains to realise, on the site near the lake, a project with 65 exclusive freehold apartments (11 200 m^2) as well as offices (1 400 m^2) and retail areas (750 m^2). The planned investment total amounts to approximately CHF 65 million (excl. land and infrastructure). PSP Swiss Property intends to sell all properties after their completion.

PROJECT „GROSSPETER TOWER“, BASEL

Since 2004, a building plan for the investment property on Grosspeterstrasse 18, 20 in Basel allows the construction of a high-rise building. PSP Swiss Property has drawn up a project for the undeveloped part of the plot and received the building permit at the end of 2012.

The project plans a mixed use for a hotel and office space on the upper floors. On the ground floor generous lobby and reception rooms may be realised. Alternatively, sales areas and/or restaurants would also be possible.

The usable floor space of approximately 18 000 m^2 is spread across 22 floors of a 78-meter-high building. The investment total for this new building is estimated at approximately CHF 100 million (excl. land and infrastructure).

If initial rental activities are successful, construction could start in spring of 2014. Construction would take around two years.

Further details: www.grosspetertower.ch.

SITE „WOLLISHOFEN“, ZURICH

The Wollishofen site in Zurich with the project Seestrasse 339 was sold at the end of 2012.

REPORT ON THE BUSINESS YEAR 2012

CONSOLIDATED ANNUAL RESULTS 2012

Net income excluding gains/losses on real estate investments[3] increased from CHF 149.0 million to CHF 161.6 million. Corresponding earnings per share amounted to CHF 3.60 (2011: CHF 3.47). For PSP Swiss Property, net income excluding gains/losses on real estate investments is the basis for the distribution to shareholders. Net income including net changes in fair values amounted to CHF 368.6 million (2011: CHF 404.0 million). Earnings per share including valuation differences amounted to CHF 8.21 (2011: CHF 9.40).

The rise in net income excluding gains/losses on real estate investments by CHF 12.6 million resulted mainly from the following: i) CHF 2.2 million higher rental income (2011: CHF 270.7 million), ii) CHF 9.5 million higher income from the sale of condominiums respectively the sale of the arts space on the Löwenbräu site (2011: CHF 3.3 million) and iii) CHF 7.0 million lower financial expenses (2011: CHF 44.3 million).

Rental income increased from CHF 270.7 million to CHF 272.8 million. The increase was mainly due to the following: i) new lettings on Richtistrasse 9 and 11 in Wallisellen and on Aarbergstrasse 94 in Biel, ii) rental income from the boutique hotel on the Hürlimann site in Zurich, which was opened in March 2012 and iii) additional rental income due to several new lettings. It must be kept in mind that extraordinary rental income in the amount of CHF 2.2 million occurred last year.

Financial expenses decreased by CHF 7.0 million respectively 15.9% to CHF 37.2 million due to the favourable interest rate environment respectively the attractive interest rate swaps now showing effect.

At the end of 2012, net asset value (NAV) per share was CHF 80.64 (end of 2011: CHF 75.28). NAV before deducting deferred taxes amounted to CHF 95.21 (end of 2011: CHF 89.02). The NAV based on EPRA standards (see also the EPRA table on pages 88 to 89) amounted to CHF 97.21 (end of 2011: CHF 91.49).

PROPOSAL TO THE ANNUAL GENERAL MEETING – DISTRIBUTION OUT OF CAPITAL CONTRIBUTION RESERVES

For the business year 2012, the Board of Directors will propose a cash payment out of the capital contribution reserves, of CHF 3.20 per share (previous year: CHF 3.00 per share) to the Annual General Meeting on 9 April 2013. In relation to net income excluding gains/losses on real estate investments, this amount corresponds to a payout ratio of 88.9%; in relation to the 2012 year-end share price of CHF 86.55, it corresponds to a yield of 3.7%.

3 See definition on page 14, note 2.

SUBSEQUENT EVENTS

The investment property on Chemin du Rionzi 52 in Lausanne was notarised for sale in the reporting period. Transfer of ownership will take place during the business year 2013. According to IFRS regulations, the income from the sale was recognised as gain from net changes in fair value of real estate investments as per 30 June 2012, as the sale had been contractually agreed at that time.

For the refinancing of financial liabilities, a 1.0% bond, 2013 to 2019, with a volume of CHF 120 million was issued on 8 February 2013.

There were no further subsequent events.

OUTLOOK 2013

Despite all the economic imponderabilities, we remain confident about the future: we are well established on the Swiss real estate market with a strong capital base and a high-quality property portfolio.

For sure, we stick to our long-term, value oriented and judicious acquisition strategy and to our conservative financing policy.

In 2013, we will continue to deploy our financial means mainly for the renovation and modernisation of selected properties to further enhance their attractiveness as well as the development of our sites and projects.

Based on the assumption of an unchanged property portfolio, we expect an EBITDA (excluding gains/losses on real estate investments) of approximately CHF 240 million for 2013 (2012: CHF 238.6 million). With regard to vacancies, we expect a rate of approximately 10% at year- end 2013 (end of 2012: 8.0%).

The Executive Board, February 2013

PROPERTY PORTRAIT
B2 HOTEL, HÜRLIMANN SITE, ZURICH

The conversion of this former industrial site in the city of Zurich was crowned by the completion of the B2 boutique hotel in March 2012.

The hotel in the „Sudhaus“ (brew house) of the former Hürlimann brewery welcomes its international guests with unique charm. Spacious rooms, stylish decor and warm hospitality turn every stay at the hotel into an unforgettable experience.

PROPERTY PORTRAIT
B2 HOTEL, HÜRLIMANN SITE, ZURICH

FINANCIAL STATEMENTS

PSP SWISS PROPERTY (CONSOLIDATED)

CONSOLIDATED INCOME STATEMENT AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED INCOME STATEMENT

OPERATING INCOME (in CHF 1 000)	1 JANUARY TO 31 DECEMBER 2011	1 JANUARY TO 31 DECEMBER 2012	NOTE
Rental income	270 675	272 849	1
Net changes in fair value of real estate investments	325 068	266 851	9
Income from property sales (inventories)	16 591	65 034	
Expenses from sold properties (inventories)	– 13 314	– 52 241	
Income from other property sales	4 227	130	2
Income from investments in associated companies	68	94	10
Capitalised own services	3 042	2 656	9
Other income	7 226	5 602	3
Total operating income	**613 584**	**560 975**	
OPERATING EXPENSES			
Real estate operating expenses	– 11 216	– 11 532	4
Real estate maintenance and renovation expenses	– 16 554	– 18 122	
Personnel expenses	– 18 203	– 18 518	5
Fees to subcontractors	– 69	– 52	
General and administrative expenses	– 6 823	– 7 414	6
Depreciation	– 666	– 567	
Total operating expenses	**– 53 531**	**– 56 205**	
Operating profit before financial expenses	**560 053**	**504 771**	
Financial income	3 236	2 162	7
Financial expenses	– 47 502	– 39 400	7
Operating profit before taxes	**515 786**	**467 533**	
Income taxes	– 111 792	– 98 902	8
Net income attributable to shareholders of PSP Swiss Property Ltd	**403 994**	**368 631**	
Earnings per share in CHF (basic and diluted)	9.40	8.21	26

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in CHF 1 000)	1 JANUARY TO 31 DECEMBER 2011	1 JANUARY TO 31 DECEMBER 2012	NOTE
Net income attributable to shareholders of PSP Swiss Property Ltd	**403 994**	**368 631**	
Movement of interest rate hedging	– 12 635	– 2 202	
Movement of financial investments	83	406	
Income taxes	983	141	
Comprehensive income attributable to shareholders of PSP Swiss Property Ltd	**392 425**	**366 976**	

The notes are part of these consolidated financial information.

PSP SWISS PROPERTY (CONSOLIDATED)
CONSOLIDATED BALANCE SHEET

ASSETS (in CHF 1 000)	1 JANUARY 2011	31 DECEMBER 2011	31 DECEMBER 2012	NOTE
Investment properties	5 230 904	5 572 616	5 942 645	9
Own-used properties	16 492	16 180	15 783	9
Sites and development properties	125 485	180 043	173 243	9
Investments in associated companies	21	9	12	10
Financial investments	7 270	7 353	9	11
Accounts receivable	15 370	12 245	9 757	12
Derivative financial instruments	254	0	0	13
Intangible assets	257	144	56	14
Furniture, fixtures and equipment	240	152	288	15
Deferred tax assets	13 106	11 650	10 933	16
Total non-currents assets	**5 409 400**	**5 800 391**	**6 152 725**	
Investment properties for sale	62 330	22 795	9 669	9
Sites and development properties for sale	83 109	166 837	141 188	9
Accounts receivable	11 896	15 792	8 240	12
Deferrals	9 673	14 107	8 748	
Cash and cash equivalents	12 778	30 994	33 603	
Total current assets	**179 786**	**250 525**	**201 447**	
Total assets	**5 589 187**	**6 050 916**	**6 354 173**	
SHAREHOLDERS' EQUITY AND LIABILITIES				
Share capital	133 017	4 587	4 587	17
Capital reserves	1 099 981	1 119 673	1 031 037	
Own shares	– 202 995	– 158 244	0	
Retained earnings	1 941 032	2 342 580	2 705 067	
Fair value reserves	– 28 133	– 39 702	– 41 757	18
Total shareholders' equity	**2 942 902**	**3 268 894**	**3 698 934**	
Debt	1 010 000	985 000	1 160 000	19
Bonds	935 248	647 298	498 360	19
Derivative financial instruments	28 683	41 815	46 014	13
Pension liabilities	3 508	3 451	3 462	20
Deferred tax liabilities	525 430	607 988	678 961	16
Total non-current liabilities	**2 502 868**	**2 285 553**	**2 386 796**	
Debt	50 000	25 000	0	19
Bonds	0	289 596	149 926	19
Derivative financial instruments	5 878	4 357	2 061	13
Accounts payable	22 521	90 561	45 818	22
Deferrals	49 374	65 613	45 408	
Current tax liabilities	15 373	19 816	25 086	
Provisions	271	1 526	143	21
Total current liabilities	**143 417**	**496 469**	**268 443**	
Total shareholders' equity and liabilities	**5 589 187**	**6 050 916**	**6 354 173**	

The notes are part of these consolidated financial information.
Zug, 28 February 2013, on behalf of the Board of Directors: Günther Gose, Chairman, and Luciano Gabriel, Delegate and Chief Executive Officer.

PSP SWISS PROPERTY (CONSOLIDATED)

CONSOLIDATED CASH FLOW STATEMENT

(in CHF 1 000)	1 JANUARY TO 31 DECEMBER 2011	1 JANUARY TO 31 DECEMBER 2012	NOTE
Total net income attributable to shareholders of PSP Swiss Property Ltd	403 994	368 631	
Net changes in fair value of investment properties	– 325 068	– 266 851	9
Capitalised/released rent-free periods	1 026	– 179	9
Income from other property sales	– 4 227	– 130	2
Income from investments in associated companies	– 68	– 94	10
Dividend payment from associated companies	80	91	10
Capitalised own services	– 3 042	– 2 656	9
Provisions expenses	1 255	– 956	21
Outflow of provisions	0	– 427	21
Changes in pension liabilities	– 57	11	
Depreciation	666	567	
Net financial expenses	44 267	37 238	7
Income taxes	111 792	98 902	8
Change in sites and development properties for sale	– 59 714	29 115	
Changes in accounts receivable	– 3 883	7 552	
Changes in accounts payable	68 018	– 44 767	
Changes in deferrals (assets)	– 4 699	5 246	
Changes in deferrals (liabilities)	16 677	– 16 272	
Interest paid	– 51 671	– 48 547	
Interest received	2 876	1 784	
Dividend received	369	377	
Taxes paid	– 24 797	– 28 346	
Cash flow from operating activities	**173 793**	**140 290**	
Purchases of development properties	0	– 169	9
Capital expenditures on investment properties	– 44 474	– 46 563	9
Capital expenditures on own-used properties	– 90	– 9	9
Capital expenditures on sites and development properties	– 54 788	– 46 593	9
Sales of properties	54 686	15 792	9
Sale of financial investment	0	7 750	11
Payout of loans	– 1 231	– 155	
Repayment of loans	4 347	2 643	
Purchases of intangible assets	– 8	0	14
Purchases of furniture, fixtures and equipment	– 53	– 9	15
Cash flow from investing activities	**– 41 611**	**– 67 314**	

(in CHF 1 000)	1 JANUARY TO 31 DECEMBER 2011	1 JANUARY TO 31 DECEMBER 2012	NOTE
Purchases of own shares	– 5	0	17
Sales of own shares	55 658	200 996	17
Increase in financial debt	330 000	525 000	19
Financial debt repayment	– 380 000	– 375 000	19
Bond repayment	0	– 290 000	
Distribution to shareholders	– 119 619	– 131 363	27
Cash flow from financing activities	**– 113 965**	**– 70 367**	
Changes in cash and cash equivalents	**18 217**	**2 609**	
Cash and cash equivalents at 1 January	12 778	30 994	
Cash and cash equivalents at 31 December	30 994	33 603	

The notes are part of these consolidated financial statements.

PSP SWISS PROPERTY (CONSOLIDATED)
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(in CHF 1 000)	SHARE CAPITAL	CAPITAL RESERVES
31 December 2010	**133 017**	**1 099 981**
Net income attributable to shareholders of PSP Swiss Property Ltd		
Movement of interest rate hedging		
Movement of financial investments		
Income taxes		
Other comprehensive income		
Comprehensive income attributable to shareholders of PSP Swiss Property Ltd	**0**	**0**
Nominal value reduction (payment to shareholders)	– 128 430	8 789
Compensation in own shares		263
Purchases of own shares		
Sales of own shares		10 639
Elimination tax effect on profits on own shares in statutory accounts		
31 December 2011	**4 587**	**1 119 673**
Net income attributable to shareholders of PSP Swiss Property Ltd		
Movement of interest rate hedging		
Movement of financial investments		
Income taxes		
Other comprehensive income		
Comprehensive income attributable to shareholders of PSP Swiss Property Ltd	**0**	**0**
Distribution to shareholders		– 131 388
Compensation in own shares		456
Sales of own shares		42 296
Elimination tax effect on profits on own shares in statutory accounts		
Realised price gain from sale of financial investment		
31 December 2012	**4 587**	**1 031 037**

The notes are part of these consolidated financial statements.

OWN SHARES	RETAINED EARNINGS	FAIR VALUE RESERVES	TOTAL SHAREHOLDERS' EQUITY
– 202 995	**1 941 032**	**– 28 133**	**2 942 902**
	403 994		**403 994**
		– 12 635	– 12 635
		83	83
		983	983
		– 11 569	**– 11 569**
0	**403 994**	**– 11 569**	**392 425**
			– 119 641
1 554			1 818
– 5			– 5
43 202			53 841
	– 2 445		– 2 445
– 158 244	**2 342 580**	**– 39 702**	**3 268 894**
	368 631		**368 631**
		– 2 202	– 2 202
		406	406
		141	141
		– 1 655	**– 1 655**
0	**368 631**	**– 1 655**	**366 976**
			– 131 388
1 316			1 772
156 928			199 224
	– 6 545		– 6 545
	400	– 400	0
0	**2 705 067**	**– 41 757**	**3 698 934**

PSP SWISS PROPERTY (CONSOLIDATED)
NOTES TO THE CONSOLIDATED 2012 FINANCIAL STATEMENTS

GENERAL INFORMATION

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

PSP Swiss Property Group owns 163 office and commercial properties as well as six development sites and three individual projects throughout Switzerland. The properties are mainly in prime locations in Zurich, Geneva, Basel, Bern and Lausanne. At the end of 2012, PSP Swiss Property had 84 employees, corresponding to 78 full-time positions (end of 2011: 84 respectively 77).

The consolidated 2012 financial statements are based on the annual accounts of the controlled individual subsidiaries at 31 December 2012 which have been prepared in accordance with uniform accounting policies and valuation principles.

The consolidated financial statements of PSP Swiss Property for the year ended 31 December 2012 were authorised for issue by the Board of Directors on 28 February 2013. The consolidated financial statements are subject to approval by the Annual General Meeting of PSP Swiss Property on 9 April 2013.

PRINCIPLES OF CONSOLIDATION

ACCOUNTING PRINCIPLES

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

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

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

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

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

MODIFICATIONS OF ACCOUNTING PRINCIPLES

The accounting policies adopted are consistent with those of the previous financial year, except for the following changes.

As per 1 January 2012, a number of minor amendments to existing IFRS and IAS standards came into force within the framework of the IASB's annual improvement programme. These concern in particular the following standard which is relevant for PSP Swiss Property:

- IAS 12 – Income Taxes: This amendment stipulates that the determination of deferred taxes for investment properties must basically be based on the assumption that a sale is realised. This is in line with the practice which PSP Swiss Property applies today. PSP Swiss Property has analysed the modification and concluded that it does not have an effect on the Group's current consolidated financial statements.

The following new or modified IFRS standards respectively interpretations were passed by the IASB, but will only be applicable from later periods.

The novelties respectively modifications which are relevant for PSP Swiss Property as well as their expected impact upon implementation are as follows:

- IAS 1 revised – Presentation of Items of Other Comprehensive Income (applicable for annual reporting periods from 1 July 2012): This amendment mainly addresses the presentation of items in comprehensive income. These items will now have to be split into two separate categories, depending on whether the amounts will be recycled to profit and loss in future periods or not. This amendment will lead to additional disclosures in the presentation of other comprehensive income.

- IFRS 10 – Consolidated Financial Statements (applicable from 1 January 2013): This new standard replaces IAS 27 „Consolidated and Separate Financial Statements" and includes a modified definition of „control". Besides having the ability to exercise power over an investee, it is also required that an investor is exposed to variable returns in order to fulfill the „control" criteria. This amendment will have no impact on the companies included in the consolidated financial statements of PSP Swiss Property, as the Company fulfills the new control criteria for all subsidiaries.

- IFRS 11 – Joint Arrangements (applicable from 1 January 2013): This new standard replaces IAS 31 „Joint Ventures" and SIC 13 „Jointly Controlled Entities". The standard distinguishes between „Joint Operations" (proportional recognition) and „Joint Ventures" (equity method). After analysing the new standard, PSP Swiss Property does not expect any changes with regard to the classification of its associated companies.

- IFRS 12 – Disclosures of Interests in Other Entities (applicable from 1 January 2013): This new standard contains additional disclosure requirements for interests in other entities. Due to the simple and straightforward group structure of PSP Swiss Property, no significant impact is expected.

- IFRS 13 – Fair Value Measurement (applicable from 1 January 2013): This new standard replaces the fair value guidance in IAS 40 regarding investment properties or other properties held at fair value. Besides a slight modification of the definition of fair value, the „Highest and Best Use" concept will have to be applied. PSP Swiss Property does not expect a significant impact on the fair values on a portfolio level. However, for selected properties the „Highest and Best Use" assumption may lead to higher fair values.

- IAS 19 revised – Employee Benefits (applicable from 1 January 2013): This amendment will remove the „Corridor Approach" currently applied by PSP Swiss Property for the recognition of actuarial gains and losses. Furthermore, certain remeasurement components will have to be recognised in comprehensive income. Due to the removal of the corridor approach, the volatility of the pension liabilities in the balance sheet will increase. However, the movements will primarily be recognised in comprehensive income and not in profit and loss. Another novelty will be the net interest expenses / net interest income approach. Different from the existing regulations, the expected return of the pension plan assets will no longer be defined based on the actual plan's asset allocation, but based on the discount rate for the cash value calculation of the pension liability. This change will have an impact on pension expenses respectively operational results as well as the pension liabilities in the balance sheet. Based on actuarial estimates, the early adoption of this new standard as per 1 January 2012 would have increased the pension liabilities in the balance sheet by approximately CHF 7.93 million.

- IFRS 7 revised – Disclosures – Offsetting Financial Assets and Liabilities (applicable from 1 January 2013): This amendment is related to the modification of IAS 32 as described below and requires disclosures with regard to the impact of netting agreements for financial instruments. If financial instruments are shown net in the balance sheet, the gross positions as well as collateral (if applicable) must be disclosed among others in the notes to the financial statements. At present, PSP Swiss Property records (derivative) financial instruments with their gross value.

- IAS 32 revised – Financial Instruments: Presentation – Offsetting Financial Assets and Liabilities (applicable from 1 January 2014): This amendment stipulates the specific conditions which allow a net presentation of financial assets and liabilities.

In the present consolidated financial statements, PSP Swiss Property did not early adopt these new respectively amended standards.

As from 1 January 2015 at the latest, IFRS 9 – Financial Instruments: Classification and Measurement – will have to be adopted. PSP Swiss Property has applied this standard since 1 January 2009.

PSP SWISS PROPERTY (CONSOLIDATED)
NOTES TO THE CONSOLIDATED 2012 FINANCIAL STATEMENTS

CRITICAL ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting 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

The value of the properties according to IAS 40 is assessed by an external, independent valuation company (see the Property Valuation Report of the valuation company Wüest & Partner on pages 83 to 85). Thereby, the appraiser applies assumptions of future cash flows and discount rates, which have a direct impact on the value of the properties.

For its impairment tests, the independent valuation company also values properties used by the Company itself as well as development properties which are still valued at historical costs.

INCOME TAXES

PSP Swiss Property is subject to income taxes in a number of Swiss cantons. The calculation of provisions for income taxes (current and deferred tax liabilities) is based on the respective cantonal laws. The applied parameters (tax rates and multipliers) are checked and, if necessary, adjusted regularly. This allows the minimisation of differences between calculated taxes and the final tax assessment. Where the final tax outcome differs from the amount which was initially recorded, the difference impacts the income tax and the deferred tax provisions in the period in which such determination is made.

Cantons with a monistic tax system charge a property gains tax with speculation supplements respectively deductions, depending on the effective holding period of a property. For properties earmarked for sale, PSP Swiss Property applies the effective holding period. For all other properties the applied holding period is either 20 years or the effective holding period, if it is more than 20 years.

METHOD OF CONSOLIDATION

SUBSIDIARIES

Subsidiaries are companies in which PSP Swiss Property Group directly or indirectly holds more than 50% of the voting rights or over which the Group exercises significant influence by other means. The method of consolidation used is the purchase method.

Intercompany transactions are eliminated on consolidation.

ASSOCIATED COMPANIES

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

CONSOLIDATED COMPANIES

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

The annual financial statements of the holding company PSP Swiss Property Ltd list all participations in note 2 on page 94.

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 at 31 December 2012, 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, properties used by the Company itself, 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).

- Real estate 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 real estate 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.

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 28 on pages 78 to 80.

RISK MANAGEMENT

BASIS

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

PSP SWISS PROPERTY (CONSOLIDATED)
NOTES TO THE CONSOLIDATED 2012 FINANCIAL STATEMENTS

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

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

TYPES OF RISK

The most important risks are associated with:

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

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 126 to 127), the lease expiry profile or the tenant structure (pages 140 to 141). This information shows that PSP Swiss Property has a well diversified and balanced portfolio within its defined strategy.

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

AVERAGE WEIGHTED DISCOUNT RATE (NOMINAL)	CHANGE MARKET VALUE IN %	CHANGE MARKET VALUE IN CHF	MARKET VALUE IN CHF
5.43%	– 8.4%	– 512 728 000	5 577 281 300
5.33%	– 6.4%	– 392 230 300	5 697 779 000
5.23%	– 4.4%	– 266 784 900	5 823 224 400
5.13%	– 2.2%	– 136 184 500	5 953 824 800
5.03% (Valuation as per 31 Dec. 2012)	**0.0%**	**0**	**6 090 009 300**
4.93%	2.3%	141 973 400	6 231 982 700
4.83%	4.8%	290 125 400	6 380 134 700
4.73%	7.3%	444 778 100	6 534 787 400
4.63%	10.0%	606 454 300	6 696 463 600

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 260 million at most (2011: CHF 240 million; assumption: all other valuation variables remain unchanged). This would result in a change in the Company's net income of +/- CHF 204 million (2011: CHF 188 million).

An increase in the structural vacancy rates on which the estimates are based for all properties from 4.0% to 7.0% (2011: from 3.2% to 6.2%) would result in a depreciation of the entire portfolio of approximately CHF 200 million at most (2011: CHF 190 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 157 million (2011: CHF 149 million)
- Change in net income excluding gains/losses on real estate investments: no impact (2011: 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.

As in the previous year, all guidelines established by the Board of Directors were fulfilled as at 31 December 2012.

FINANCIAL RISKS

Credit risk

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

PSP Swiss Property has a broadly diversified tenant base. Credit-worthiness is carefully checked and documented by the property management unit prior to signing any contracts, based on generally available market information. In general, three to six months gross rents are demanded as deposit or in the form of bank guarantees. As at the end of 2011, PSP Swiss Property had no significant concentration of credit risks from receivables at the end of 2012 (see also tenant structure on page 141). Due to the low default rate of 0.3% (previous year: 0.4%) on receivables from tenant contracts, credit risk is considered low. There are several loans granted to tenants among the accounts receivable. At the end of 2012, the biggest single position amounted to CHF 4.8 million (end of 2011: CHF 5.7 million); the counterparty has an „Aa2“ credit rating from Moody's. There are no signs for risk of default.

Working with approved banking institutions ensures that positive fair-value positions from derivative financial instruments (interest rate swaps) as well as cash and cash equivalents are only exposed to low credit risks. Financial standing plays an important role both in the selection of these banks and in their constant monitoring. The three largest banks all had at least an „A“ rating (S&P) at the end of 2012. At the end of 2012, these three accounted for CHF 23.6 million respectively 49.2% of all the derivative financial instruments (end of 2011: CHF 22.7 million respectively 49.5%) and CHF 30.0 million respectively 89.4% of cash and cash equivalents (end of 2011: CHF 29.9 million respectively 96.5%).

PSP SWISS PROPERTY (CONSOLIDATED)
NOTES TO THE CONSOLIDATED 2012 FINANCIAL STATEMENTS

Liquidity risk

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

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

PSP Swiss Property aims at having available liquidity (cash and cash equivalents plus free credit lines) of at least CHF 100 million at all times. At the end of 2012, available cash and cash equivalents amounted to CHF 33.6 million (end of 2011: CHF 31.0 million). At the end of 2012, PSP Swiss Property had unused credit lines amounting to CHF 500 million (end of 2011: CHF 780 million); thereof, all were committed credit lines (end of 2011: CHF 725 million).

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

- Credit lines: At the end of 2012, committed credit lines amounted to CHF 1.66 billion; thereof, none was subject to short-term notice (end of 2011: CHF 1.79 billion respectively CHF 80 million).
- Financing sources: PSP Swiss Property has bilateral business relations with nine Swiss banks. In addition, there is a syndicated loan with 16 Swiss cantonal banks. Furthermore, PSP Swiss Property basically has access to the money and capital markets.
- A netting agreement exists with one Swiss bank.

Market risk

Interest rate risk

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

PSP Swiss Property finances itself by means of long-term capital market bonds as well as long- and short-term bank loans (fixed-term loans on a floating basis). The latter are mostly hedged with interest rate swaps or forward starting interest rate swaps (cash flow hedges) over several years. The hedges are entered into on a rolling basis. All hedging transactions are arranged with first-class banking institutions which have at least an „A" (S&P) or „Aa1" (Moody's) rating. There are no significant counterparty or cluster risks.

Based on the debt outstanding as at 31 December 2012 with interest rates which are fixed for periods of less than twelve months, an interest rate change of 50 basis points (assumption: all other variables remain unchanged) would result in a change in annualised interest charges of approximately CHF 1.3 million (2011: CHF 1.7 million). This would have the following impact on the Company's results:

- Change in net income: CHF 1.0 million (2011: CHF 1.4 million)
- Change in net income excluding gains/losses on real estate investments: CHF 1.0 million (2011: CHF 1.4 million)
- Change in shareholders' equity (retained earnings): CHF 1.0 million (2011: CHF 1.4 million)

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

- Change in net income: no impact (2011: no impact)
- Change in net income excluding gains/losses on real estate investments: no impact (2011: no impact)
- Change in comprehensive income: CHF 17.6 million (2011: CHF 13.3 million)
- Change in shareholders' equity (fair value reserves): CHF 17.6 million (2011: CHF 13.3 million)

Overall, the financing structure as at 31 December 2012 can be described as well secured.

Equity market risk
In the reporting year, PSP Swiss Property sold the listed financial investment it had reported in the previous year's balance sheet. The Company does no longer hold a 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.

Equity risk

PSP Swiss Property pursues a conservative equity policy. Equity as reported in accordance with IAS/IFRS in the consolidated balance sheet is to be seen in this context. In particular, the Company ensures that it keeps enough flexibility in every market environment and that the dependence on individual banking institutions is limited. Equity risk management is controlled through the equity ratio respectively the relation between interest-bearing liabilities and balance sheet total.

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

With shareholders' equity of CHF 3.699 billion at the end of 2012 (end of 2011: CHF 3.269 billion) – corresponding to an equity ratio of 58.2% (end of 2011: 54.0%) – PSP Swiss Property has a strong equity base. Interest-bearing debt amounted to CHF 1.808 billion respectively 28.5% of the balance sheet total at the end of 2012 (end of 2011: CHF 1.947 billion respectively 32.2%). The remaining 13.3 percentage points (in relation to the balance sheet total) are mainly deferred tax liabilities, which do not trigger any interest charges.

GUIDELINES FOR FINANCIAL RISK MANAGEMENT

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 laid down by the Board of Directors were fulfilled as at 31 December 2011 and 31 December 2012.

PSP SWISS PROPERTY (CONSOLIDATED)
NOTES TO THE CONSOLIDATED 2012 FINANCIAL STATEMENTS

ACCOUNTING AND VALUATION PRINCIPLES

REAL ESTATE INCOME AND EXPENSES

Rental income includes rental income less vacancy losses, write-offs of defaulting tenants and other income. Income from operating-leasing activities is recorded in the income statement when the rent is due. If the tenants are given significant incentives (such as rent-free periods or graduated leases), the incentive's equivalent amount is recorded as an adjustment to rental income on a straight-line basis over the entire rental period.

At a few properties (see list of properties, footnote 5, pages 128 to 137), PSP Swiss Property is lessee of building leases. At two properties, PSP Swiss Property is lessor of building leases. According to IAS 17, it must be determined, if building leases are operating or financial leases. Based on analyses it was determined that all building lease contracts are operating leases. PSP Swiss Property records expenses respectively income from land lease contracts in „Other rental income“ when they are due.

Direct real estate expenses include real estate operating expenses (such as general operating expenses, insurance, taxes and fees as well as administrative expenses) as well as maintenance and renovation expenses. In this respect, maintenance expenses do not count as value-enhancing capital expenditures (see section „Acquisition costs“ on page 48) and are therefore charged to the income statement.

INCOME FROM PROPERTY SALES

Investment properties

Income from property sales equals the difference between the net proceeds from the sale and the investment properties' last reported market value. The income is posted at the time of the transfer of benefit and risk.

Sites and development projects earmarked for sale (inventories)

Income equals the difference between the sales price (less sales costs) and the acquisition costs (less any depreciations in value recorded in previous periods). The income is posted at the time of the transfer of benefit and risk and is recorded gross in the income statement.

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 are valued at production costs.

OTHER OPERATING INCOME

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

INTEREST EXPENSES

Interest expenses are accrued according to the effective interest rate method and charged directly to the income statement (financial expenses). The treatment of capitalised construction interest rates is explained in the section „Acquisition costs“ on page 48.

PROPERTIES

Investment properties

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

Investment properties earmarked for sale

Investment properties earmarked for sale are valued and recorded like other investment properties. However, investment properties earmarked for sale are reported separately under „Current assets" in accordance with IFRS 5.

Own-used properties

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

Sites and development properties

Sites and development properties are building land, sites and development properties held with the intention to be developed as future investment properties. According to IAS 40, these are shown in the balance sheet at their fair values, if the fair value can be reliably determined. PSP Swiss Property assumes that a reliable determination of the fair value according to IAS 40 is possible from the moment a concrete project with corresponding building permission is available. From that moment, the changes in valuation are recognised in the income statement. Until the requirements for a reliable determination of the fair value are met, the valuation during the development phase is made at historical cost. In addition, an impairment test is carried out for such objects, if there are signs for a possible impairment.

Sites and development properties earmarked for sale (inventories)

Sites and development properties which are built for sale are treated in accordance with IAS 2 (Inventories). These properties are reported in the balance sheet at historical costs or a possible lower realisable net value. This net value corresponds to the estimated sales price less expected pre-sale investments as well as sales costs. The sale of such properties is shown in the income statement according to the so-called „gross method" and reported in the cash flow statement under „Cash flow from operating activities".

Acquisition costs

All costs directly associated with the purchase or construction of properties as well as all subsequent value-enhancing capital expenditures qualify as acquisition costs and are capitalised. Value-enhancing investments are capitalised at varying rates. As a rule, the maximum capitalisation rate is 70%; in specific cases it may be up to 100%. Interest expenses are capitalised for financing development objects and renovations of investment properties and relieved in financial expenses. The applied interest rate is set periodically based on PSP Swiss Property Group's external financing structure; in the reporting year it averaged 2.6% (previous year: 2.6%).

PSP SWISS PROPERTY (CONSOLIDATED)
NOTES TO THE CONSOLIDATED 2012 FINANCIAL STATEMENTS

ASSOCIATED COMPANIES

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

FINANCIAL INVESTMENTS

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

ACCOUNTS RECEIVABLE

Accounts receivable are stated at amortised cost. Accounts receivable liable to default are evaluated on an individual basis, and provisions for bad debts are made accordingly (see section „Impairment" on page 50).

DERIVATIVE FINANCIAL INSTRUMENTS

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

Derivative financial instruments are used exclusively for hedging purposes (interest rate swaps) and serve as a hedge of future cash flows.

Changes in the fair values of derivatives which are designated as cash flow hedges and which are highly effective are recognised in shareholders' equity as fair value reserves. Amounts booked in shareholders' equity are transferred to the income statement and classified as income or expense in the same period during which the hedged cash flows affect the income statement. When a hedging contract expires or is sold or if a hedge no longer meets the criteria for hedge accounting according to IAS 39 (Financial Instruments) any cumulative profit or loss in the fair value reserves remains in shareholders' equity until the hedged cash flow is recognised in the income statement. However, if hedged cash flows are no longer expected to occur, the cumulative profit or loss which was reported in shareholders' equity is immediately released through the income statement. Changes in the fair values of any derivative financial instruments which do not qualify for hedge accounting are recognised immediately in the income statement.

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

INTANGIBLE ASSETS

Software

Software is recorded at historical cost less accumulated depreciation. Depreciation is calculated using the straight-line method based on the estimated useful life of five years.

FURNITURE, FIXTURES AND EQUIPMENT

Furniture, fixtures and equipment are recorded at historical cost less accumulated depreciation. Depreciation is calculated using the straight-line method based on the estimated useful life of five years.

TAXES

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

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

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

Deferred taxes are formed on temporary differences from participations in associated companies, except in cases where the Group is in a position to manage the chronological course of the reversal of the temporary difference and if it is likely that the temporary difference will not change in the foreseeable future.

TAX LIABILITIES

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

CASH AND CASH EQUIVALENTS

Liquid assets are shown in the balance sheet at their nominal value; they include cash, postal accounts and bank deposits as well as money market investments with maturities of 90 days or less.

PSP SWISS PROPERTY (CONSOLIDATED)
NOTES TO THE CONSOLIDATED 2012 FINANCIAL STATEMENTS

IMPAIRMENT

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

Sites and development properties earmarked for sale are recorded in the balance sheet at historical costs or a possible lower realisable net value. This corresponds to the estimated sales price minus expected pre-sale investments and sales costs.

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

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

SHAREHOLDERS' EQUITY

Own shares

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

Fair value reserves

The position „Fair value reserves“ in shareholders' equity includes, in particular, the change in valuation (after tax) of the derivative financial instruments which are held for interest rate hedging purposes, financial investments which are classified as „at fair value through the comprehensive income“ as well as appreciations related to utilisation changes of properties in accordance with IAS 40 para. 61.

FINANCIAL DEBTS

Short- and long-term financial debts in the form of bank credit lines and other loans as well as any bank debts in the form of current account overdrafts are stated at amortised cost.

BONDS

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

PENSION LIABILITIES

PSP Swiss Property funds various pension schemes for its employees which are legally independent from the Company. These pension schemes go beyond the requirements according to Federal Legislation on Pension Schemes in Switzerland (BVG). In accordance with IAS 19 (Employee Benefits), the pension schemes are qualified as defined benefit pension plans, whereby the pension liabilities are measured as the present value of accrued benefits. The valuation is based upon various statistical and actuarial assumptions which may differ from actual results. These differences could impact the amount of recognised pension contribution expenses. Pension contributions are charged to income in the relevant period.

PROVISIONS

Provisions are treated as follows: 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. For early contract terminations, the lower of the following amounts is provided for: cost of fulfilling the contract or cost of early contract termination.

SHARE PARTICIPATION PLAN

In principle, half of the bonuses of the members of the Executive Board are paid in Company shares with a blocking period of two years. There are no further limitations or conditions. The allocation of the shares is based on market prices minus a discount for the two-year blocking period according to fiscal regulations.

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

PSP SWISS PROPERTY (CONSOLIDATED)
NOTES TO THE CONSOLIDATED 2012 FINANCIAL STATEMENTS

SEGMENT INFORMATION FOR THE BUSINESS YEAR 2011

	1 JANUARY TO 31 DECEMBER 2011					
OPERATING INCOME (in CHF 1 000)	REAL ESTATE INVEST-MENTS	REAL ESTATE MAINTE-NANCE	HOLDING	SUBTOTAL	ELIMINA-TIONS	TOTAL GROUP
Rental income	272 253			272 253	– 1 578	270 675
Net changes in fair value of real estate investments	325 068			325 068		325 068
Income from property sales (inventories)	16 591			16 591		16 591
Expenses from sold properties (inventories)	– 13 314			– 13 314	1	– 13 314
Income from other property sales	3 119			3 119	1 108	4 227
Income from investments in associated companies		68		68		68
Real estate management services		12 784		12 784	– 12 784	0
Capitalised own services		3 042		3 042		3 042
Other income	6 293	1 289	15 959	23 541	– 16 315	7 226
Total operating income	**610 010**	**17 183**	**15 959**	**643 152**	**– 29 568**	**613 584**
OPERATING EXPENSES						
Real estate operating expenses	– 23 999			– 23 999	12 784	– 11 216
Real estate maintenance and renovation expenses	– 17 532			– 17 532	978	– 16 554
Personnel expenses		– 7 673	– 10 631	– 18 303	100	– 18 203
Fees to subcontractors		– 69		– 69		– 69
General and administration expenses	– 15 027	– 3 261	– 4 241	– 22 530	15 707	– 6 823
Depreciation	– 420	– 159	– 87	– 666		– 666
Total operating expenses	**– 56 978**	**– 11 162**	**– 14 959**	**– 83 099**	**29 568**	**– 53 531**
Operating profit before financial expenses	**553 032**	**6 021**	**1 000**	**560 053**		**560 053**
Financial income						3 236
Financial expenses						– 47 502
Operating profit before taxes						**515 786**
Income taxes						– 111 792
Net income attributable to shareholders of PSP Swiss Property Ltd						**403 994**
REVENUE						
With third parties	293 560	11	922	294 492		294 492
With other segments	1 578	17 103	15 037	33 719	– 30 676	3 042
Total revenue	**295 138**	**17 114**	**15 959**	**328 211**	**– 30 676**	**297 535**
Total assets	6 030 858	3 854	67 167	6 101 879	– 50 963	**6 050 916**
Liabilities	2 790 523	30 356	12 106	2 832 985	– 50 963	**2 782 022**
Capital expenditures	172 380	61	0	172 441		**172 441**
Associated companies	0	9	0	9		**9**

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

Revenue includes operationally billed products and services. The following positions in the income statement are not included in revenue: „Net changes in fair value of the properties“, „Expenses from sold properties (inventories)“, „Income from other property sales“ and „Income from participations in associated companies“.

SEGMENT INFORMATION FOR THE BUSINESS YEAR 2012

	1 JANUARY TO 31 DECEMBER 2012					
OPERATING INCOME (in CHF 1 000)	REAL ESTATE INVEST-MENTS	REAL ESTATE MAINTE-NANCE	HOLDING	SUBTOTAL	ELIMINA-TIONS	TOTAL GROUP
Rental income	274 423			274 423	– 1 573	272 849
Net changes in fair value of real estate investments	266 851			266 851		266 851
Income from property sales (inventories)	65 034			65 034		65 034
Expenses from sold properties (inventories)	– 53 615			– 53 615	1 374	– 52 241
Income from other property sales	– 137			– 137	267	130
Income from investments in associated companies		94		94		94
Real estate management services		13 429		13 429	– 13 429	0
Capitalised own services		2 656		2 656		2 656
Other income	4 412	1 573	17 387	23 372	– 17 771	5 602
Total operating income	**556 968**	**17 751**	**17 387**	**592 107**	**– 31 132**	**560 975**
OPERATING EXPENSES						
Real estate operating expenses	– 24 960			– 24 960	13 429	– 11 532
Real estate maintenance and renovation expenses	– 18 997			– 18 997	875	– 18 122
Personnel expenses		– 7 869	– 10 750	– 18 618	100	– 18 518
Fees to subcontractors		– 52		– 52		– 52
General and administration expenses	– 16 241	– 3 501	– 4 400	– 24 142	16 728	– 7 414
Depreciation	– 420	– 59	– 88	– 567		– 567
Total operating expenses	**– 60 618**	**– 11 481**	**– 15 237**	**– 87 336**	**31 132**	**– 56 205**
Operating profit before financial expenses	**496 350**	**6 271**	**2 150**	**504 771**		**504 771**
Financial income						2 162
Financial expenses						– 39 400
Operating profit before taxes						**467 533**
Income taxes						– 98 902
Net income attributable to shareholders of PSP Swiss Property Ltd						**368 631**
REVENUE						
With third parties	342 295	171	792	343 258		343 258
With other segments	1 573	17 259	16 596	35 429	– 32 773	2 656
Total revenue	**343 869**	**17 430**	**17 387**	**378 687**	**– 32 773**	**345 914**
Total assets	6 317 671	6 502	36 163	6 360 336	– 6 163	**6 354 173**
Liabilities	2 635 202	6 359	19 841	2 661 402	– 6 163	**2 655 239**
Capital expenditures	116 239	9	0	116 248		**116 248**
Associated companies	0	12	0	12		**12**

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

Revenue includes operationally billed products and services. The following positions in the income statement are not included in revenue: „Net changes in fair value of the properties“, „Expenses from sold properties (inventories)“, „Income from other property sales“ and „Income from participations in associated companies“.

PSP SWISS PROPERTY (CONSOLIDATED)

NOTES TO THE CONSOLIDATED 2012 FINANCIAL STATEMENTS

OTHER NOTES

1. RENTAL INCOME

(in CHF 1 000)	2011	2012
Potential rent	299 652	302 409
Vacancy	– 26 697	– 26 392
Write-offs of defaulting tenants	– 690	– 19
Net land lease interests	– 1 311	– 1 348
Other income	– 279	– 1 799
Total rental income	**270 675**	**272 849**

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

(in CHF 1 000)	31 DECEMBER 2011	31 DECEMBER 2012
Rental income < 1 year	217 887	214 675
Rental income 2 to 5 years	451 848	412 436
Rental income > 5 years	126 141	135 612
Accumulated future rental income	**795 875**	**762 723**

Lease contracts for commercial properties usually include an index clause, whereby rents can be raised on the basis of the consumer price index. The overwhelming majority of new contracts contains a clause for a 100% adjustment to the index; for the portfolio as a whole, 72.8% of contracts have a clause for a 100% indexation (end of 2011: 71.3%).

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

(in CHF 1 000)	2011	2012
Land lease interest expenses	1 373	1 519
Total land lease interest expenses for the period	**1 373**	**1 519**

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

(in CHF 1 000)	31 DECEMBER 2011	31 DECEMBER 2012
Interest payments < 1 year	1 373	1 582
Interest payments 2 to 5 years	6 867	8 409
Interest payments > 5 years	7 820	17 863
Accumulated future land lease interest expenses	**16 061**	**27 854**

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

(in CHF 1 000)	2011	2012
Land lease interest income	62	171
Total land lease interest income for the period	**62**	**171**

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

(in CHF 1 000)	31 DECEMBER 2011	31 DECEMBER 2012
Interest payments < 1 year	33	244
Interest payments 2 to 5 years	222	1 722
Interest payments > 5 years	1 330	12 686
Accumulated future land lease interest income	**1 585**	**14 652**

The existing land lease contracts will mature in the years 2018 to 2055. All contracts may be extended and are linked to the consumer price index.

2. INCOME FROM OTHER PROPERTY SALES

The following figures refer to disinvestments of properties which were not specifically constructed for sale, i.e. which were not treated as inventory according to IAS 2. Basically, these represent sales of investment properties.

(in CHF 1 000)	2011	2012
Sales proceeds	55 378	15 930
Transaction costs	– 692	– 138
Carrying value of sold properties	– 50 459	– 15 661
Total income from property sales	**4 227**	**130**

The profit of CHF 0.1 million (2011: CHF 4.2 million) consists of CHF 0.2 million profit (2011: CHF 4.2 million) and CHF 0.1 million loss (2011: no loss).

PSP SWISS PROPERTY (CONSOLIDATED)

NOTES TO THE CONSOLIDATED 2012 FINANCIAL STATEMENTS

3. OTHER INCOME

(in CHF 1 000)	2011	2012
VAT recovery	6 263	3 802
Fiduciary construction services	11	227
Other fees	952	1 572
Total other income	**7 226**	**5 602**

As in the previous year, the voluntary opting in of several rental contracts (VAT recovery) resulted in an extraordinary income of CHF 3.8 million (2011: CHF 6.3 million).

In the previous year, an unblocked purchase price escrow account generated other fees of CHF 0.95 million. In the reporting period, this again resulted in an income of CHF 0.60 million. Furthermore, the release of a number of provisions totalling CHF 0.62 million also had a positive effect. The remaining CHF 0.35 million were made up of various smaller sources of income.

4. REAL ESTATE OPERATING EXPENSES

(in CHF 1 000)	2011	2012
General operating expenses	4 236	4 487
Taxes and fees	2 968	3 304
Insurance premiums	1 843	1 750
Expenses for caretakers	882	1 052
Utilities and waste management	713	408
Letting expenses	411	385
Administrative expenses	380	371
Ancillary expenses received	– 217	– 225
Total real estate operating expenses	**11 216**	**11 532**

Real estate operating expenses for unrented objects amounted to CHF 3.5 million in the reporting year (2011: CHF 3.3 million). Thereof, CHF 3.1 million were for heating and general operating expenses (2011: CHF 2.9 million).

5. PERSONNEL EXPENSES

(in CHF 1 000)	2011	2012
Wages and salaries	15 446	15 804
Social security expenses	1 255	1 316
Expenses for staff pension schemes	1 284	1 308
Other expenses	217	90
Total personnel expenses	**18 203**	**18 518**
Employees at end of period (posts)	84	84
Equal full-time employees (posts)	77	78

6. GENERAL AND ADMINISTRATIVE EXPENSES

(in CHF 1 000)	2011	2012
Administrative expenses	3 622	3 924
General operating expenses	1 360	1 377
IT expenses	1 426	1 545
Current capital taxes	152	300
Occupancy expenses	263	268
Total general and administrative expenses	**6 823**	**7 414**

In the reporting year, general and administrative expenses rose by CHF 0.6 million, mainly due to capital tax adjustments in the previous year as well as a number of individual projects.

PSP SWISS PROPERTY (CONSOLIDATED)
NOTES TO THE CONSOLIDATED 2012 FINANCIAL STATEMENTS

7. FINANCIAL EXPENSES

(in CHF 1 000)	2011	2012
Financial income	2 867	1 784
Income from financial investments	369	377
Total financial income	**3 236**	**2 162**
Financial expenses	50 716	44 228
Capitalised interest expenses	– 4 859	– 6 220
Amortisation of issue expenses of bonds	1 646	1 392
Total financial expenses	**47 502**	**39 400**
Total net financial expenses	**44 267**	**37 238**
Overall financial expenses for financial instruments at amortised cost	**52 362**	**45 620**

Interest-bearing debt amounted to CHF 1.808 billion at the end of 2012 (end of 2011: CHF 1.947 billion). The average interest rate was 2.37% in the reporting year (2011: 2.56%). At the end of 2012, the average interest rate was 2.20% (end of 2011: 2.49%).

8. INCOME TAX EXPENSES

(in CHF 1 000)	2011	2012
Current income taxes of reporting period	27 209	27 464
Adjustments for current income taxes relating to other periods	– 421	– 425
Total current income taxes	**26 788**	**27 039**
Deferred income taxes from movement of temporary net changes in fair value of investment properties	83 346	71 122
Deferred income taxes from changes in tax rates	1 756	755
Deferred income taxes from movement of temporary net changes in fair value of other balance sheet positions	– 97	– 14
Total deferred income taxes	**85 005**	**71 863**
Total income tax expenses	**111 792**	**98 902**

Reconciliation to tax expenses:

(in CHF 1 000)	2011	2012
Operating profit before taxes	515 786	467 533
Current capital taxes	21.7%	21.6%
Income tax at reference rate	**112 115**	**101 095**
Changes in tax rates on temporary changes in fair value	1 756	755
Adjustments for current income taxes relating to other periods	– 421	– 425
Local tax rate differences	– 1 658	– 2 524
Total income tax expenses	**111 792**	**98 902**

The reference tax rate is a mixed rate. It takes into account that for profits which are taxable on the cantonal and communal levels an average tax rate of 21.6% (incl. direct federal tax) is currently applicable (2011: 21.7%). In the reporting year, the actual tax rate was 21.2% (2011: 21.7%).

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

(in CHF 1 000)	2011	2012
Taxes from movement of interest rate hedging	990	173
Taxes from movement of financial instruments	– 7	– 32
Total income tax expenses (directly reported in equity)	**983**	**141**

PSP SWISS PROPERTY (CONSOLIDATED)
NOTES TO THE CONSOLIDATED 2012 FINANCIAL STATEMENTS

9. REAL ESTATE INVESTMENTS

(in CHF 1 000)	INVESTMENT PROPERTIES	INVESTMENT PROPERTIES FOR SALES	OWN-USED PROPERTIES	SITES AND DEVELOPMENT PROPERTIES AT MARKET VALUE	SITES AND DEVELOPMENT PROPERTIES AT HISTORICAL COST	CURRENT DEVELOPMENT PROPERTIES FOR SALE	TOTAL REAL ESTATE INVESTMENT
	IAS 40	IFRS 5	IAS 16	IAS 40	IAS 40	IAS 2	
Carrying value 31 December 2010	**5 230 904**	**62 330**	**16 492**	**58 070**	**67 415**	**83 109**	**5 518 321**
Purchases	0	0	0	0	0	0	0
Capitalised/released rent-free periods[1]	– 1 026	0	0	0	0	0	– 1 026
Transfers	– 13 556	0	0	49 908	– 57 935	21 583	0
Capital expenditures	44 409	65	90	40 373	14 415	73 028	172 380
Capitalised own services	1 104	0	0	482	233	1 225	3 042
Capitalised interest expenses	1 352	1	0	1 899	402	1 206	4 859
Sales	– 8 716	– 41 743	0	0	0	– 13 313	– 63 772
Net changes in fair value of real estate investments	318 145	2 142	n.a.	4 781	n.a.	n.a.	325 068
■ Net changes in fair value of properties held at 1 January 2011	318 145	2 142	n.a.	583	n.a.	n.a.	320 870
■ Net changes in fair value of properties acquired/completed and transferred	0	0	n.a.	4 198	n.a.	n.a.	4 198
Depreciation	n.a.	n.a.	– 402	n.a.	n.a.	n.a.	– 402
Carrying value 31 December 2011	**5 572 616**	**22 795**	**16 180**	**155 513**	**24 530**	**166 837**	**5 958 470**
Historical cost			17 503				
Accumulated depreciation			– 1 322				
Carrying value, net			**16 180**				
Purchases	0	0	0	169	0	0	169
Capitalised/released rent-free periods[1]	179	0	0	0	0	0	179
Transfers	83 175	0	0	– 83 175	0	0	0
Capital expenditures	46 558	5	9	36 030	10 563	23 074	116 239
Capitalised own services	1 030	4	0	460	202	961	2 656
Capitalised interest expenses	1 619	1	0	1 842	253	2 505	6 220
Sales	– 385	– 15 276	0	0	0	– 52 188	– 67 850
Net changes in fair value of real estate investments	237 854	2 141	n.a.	26 856	n.a.	n.a.	266 851
■ Net changes in fair value of properties held at 1 January 2012	238 994	2 141	n.a.	23 246	n.a.	n.a.	264 381
■ Net changes in fair value of properties acquired/completed and transferred	– 1 140	0	n.a.	3 610	n.a.	n.a.	2 470
Depreciation	n.a.	n.a.	– 407	n.a.	n.a.	n.a.	– 407
Carrying value 31 December 2012	**5 942 645**	**9 669**	**15 783**	**137 695**	**35 548**	**141 188**	**6 282 527**
Historical cost			17 512				
Accumulated depreciation			– 1 729				
Carrying value, net			**15 783**				

1 Straightlining of incentives given to tenants.

Fire insurance value 31 December 2011							4 392 337
Fire insurance value 31 December 2012							4 261 610

PSP Swiss Property invests almost exclusively in the investment category commercial properties.

Property valuation differences: The property valuation report of the external, independent valuation company, Wüest & Partner AG, on pages 83 to 85, shows the basis and assumptions adopted for valuation purposes.

The revaluation of the properties as at the end of 2012 resulted in an appreciation of CHF 266.9 million. This appreciation was mainly due to changes in the discount rates, which were slightly lowered by the external valuation company as a result of lower yields in the real estate market. Within the framework of the revaluation, the level of the discount rates reflects the yields expected by real estate investors for the various property categories. At the end of 2012, the portfolio's weighted average nominal discount rate was 5.03% (end of 2011: 5.25%). In addition, successful closings of new leases respectively lease extensions at higher rents also had a positive effect on the valuation.

With regard to market value adjustments on the properties which were reported as at 1 January 2012, positive valuation changes at the end of 2012 totalled CHF 297.7 million (2011: CHF 341.8 million) and negative valuation changes totalled CHF 33.4 million (2011: CHF 21.0 million).

In accordance with the accounting and valuation principles for properties used by the Company itself, such properties are recorded at historical cost (IAS 16). The estimated market value for the own-used property („DL 4“, Brandschenkestrasse 152a, Zurich) was CHF 20.0 million at the end of 2012 (end of 2011: CHF 19.7 million).

Sites and development properties are recorded at market value (fair value), if the market value can be reliably determined; as at the end of 2012, this applied to the following objects: i) development projects „Kesselhaus“ (the brewery's former central heating plant) on the Hürlimann site in Zurich, ii) the office project „RED“ on the Löwenbräu site in Zurich, iii) the new building project „Vorderer Sternen“ on Theaterstrasse 22 in Zurich, iv) the conversion of the Gurten site in Wabern near Bern and, v) the new construction „Lido“ Locarno. The market value of all sites and development properties was estimated at CHF 358.5 million at the end of 2012 (end of 2011: CHF 408.5 million).

At the end of 2012, payment obligations for current development and renovation projects totalled CHF 53.3 million (end of 2011: CHF 111.7 million).

As at the end of 2012, notary and transfer fees in respect of the sale of all properties were estimated at approximately CHF 67 million (end of 2011: approximately CHF 72 million).

Information on financing is shown in note 19 on pages 69 to 71. Participations and investments as well as transactions with related parties are shown in notes 10 (page 62) and 28 (pages 78 to 80).

Further information in accordance with the Directive on Financial Reporting of the SIX Swiss Exchange can be found on pages 126 to 141. (This information is part of the notes to the consolidated financial statements.)

PSP SWISS PROPERTY (CONSOLIDATED)
NOTES TO THE CONSOLIDATED 2012 FINANCIAL STATEMENTS

10. INVESTMENTS IN ASSOCIATED COMPANIES

NAME (in CHF 1 000)	REGISTERED OFFICE	TOTAL ASSETS	LIABILITIES	REVENUES	INCOME	OWNERSHIP
31 December 2011						
IG REM	Zurich, Switzerland	99	25	525	449	n.a.
31 December 2012						
IG REM	Zurich, Switzerland	55	5	798	721	n.a.

(in CHF 1 000)	2011	2012
Carrying value 1 January	21	9
Proportional net income	68	94
Dividend payment	– 80	– 91
Carrying value 31 December	**9**	**12**

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 and is recorded according to the equity method.

Assets and liabilities as well as expenses and income are allocated according to various distribution keys (expenses and income are recognised in the business segment „Real estate management“). Therefore there is no percentual capital allocation amongst the three IG REM members.

11. FINANCIAL INVESTMENTS

(in CHF 1 000)	2011	2012
Carrying value 1 January	7 270	7 353
Market value adjustment	83	406
Outflow	0	– 7 750
Carrying value 31 December	**7 353**	**9**

The fair value of financial investments corresponds to their carrying value.

Positive changes in fair values of CHF 0.41 million before and after tax (2011: CHF 0.08 million) were directly booked through equity (fair value reserves).

The income from financial investments amounted to CHF 0.378 million (2011: CHF 0.369 million). Most of the financial investments reported as at the end of 2011 were sold by the end of the reporting year.

12. ACCOUNTS RECEIVABLE

(in CHF 1 000)	2011	2012
Resulting from business activities with third parties	30 943	20 349
Value adjustment (accumulated)	– 2 906	– 2 352
Carrying value 31 December	**28 037**	**17 997**
thereof long-term (non-current assets)	12 245	9 757
thereof short-term (current assets)	15 792	8 240

The long-term accounts receivable (non-current assets) are exclusively loans granted to tenants with interest rates between 0% and 6%; the short-term accounts receivable (current assets) are mainly outstanding rental payments, claims for ancillary expenses as well as claims on the pension foundation.

The accumulated impaired receivables changed as follows.

(in CHF 1 000)	2011	2012
Carrying value 1 January	2 439	2 906
Additions debited to income statement	1 166	554
Release credited to income statement	– 531	– 582
Write-off	– 168	– 526
Carrying value 31 December	**2 906**	**2 353**

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

PSP SWISS PROPERTY (CONSOLIDATED)
NOTES TO THE CONSOLIDATED 2012 FINANCIAL STATEMENTS

The accounts receivable had the following age structure:

(in CHF 1 000)	CARRYING VALUE AT 31 DEC. 2011	THEREOF VALUE-ADJUSTED AT REPORTING DATE	THEREOF NEITHER DUE NOR VALUE-ADJUSTED AT REPORTING DATE	THEREOF DUE BUT NOT VALUE-ADJUSTED < 30 DAYS	30 TO 60 DAYS	60 TO 90 DAYS	> 90 DAYS
Accounts receivable (non-current assets)	12 245	0	12 245	0	0	0	0
Accounts receivable (current assets)	18 698	3 031	14 057	812	230	270	298
Value adjustment	– 2 906						
Total accounts receivable	**28 037**						

(in CHF 1 000)	CARRYING VALUE AT 31 DEC. 2012	THEREOF VALUE-ADJUSTED AT REPORTING DATE	THEREOF NEITHER DUE NOR VALUE-ADJUSTED AT REPORTING DATE	THEREOF DUE BUT NOT VALUE-ADJUSTED < 30 DAYS	30 TO 60 DAYS	60 TO 90 DAYS	> 90 DAYS
Accounts receivable (non-current assets)	9 757	0	9 757	0	0	0	0
Accounts receivable (current assets)	10 592	2 406	6 545	1 315	135	55	137
Value adjustment	– 2 352						
Total accounts receivable	**17 997**						

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

As the Group has a broad client base, there is no cluster risk with respect to receivables. 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 rates of 0.3% (previous year: 0.4%), the quality of accounts receivable which are due and not value-adjusted is considered as good. At the end of 2012, guarantees (at fair value) totalled CHF 8.3 million on accounts receivable which were due and not value-adjusted of CHF 1.6 million (end of 2011: CHF 6.1 million for CHF 1.6 million).

13. DERIVATIVE FINANCIAL INSTRUMENTS

The replacement values of derivative financial instruments (interest rate swaps) are calculated as the present value of future cash flows. Replacement values are 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 (replacement value) corresponds to their carrying value.

The interest rate swaps as at the reporting date are used for hedging existing and future loans in the form of fixed advances against rising interest rates.

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

MATURITY YEAR (in CHF 1 000)	CONTRACT VOLUME	POSITIVE REPLACEMENT VALUE[1]	NEGATIVE REPLACEMENT VALUE[1]
31 December 2011			
2012	200 000	0	– 4 013
2013	150 000	0	– 5 984
2014	250 000	0	– 9 642
2015	300 000	0	– 13 964
2016	50 000	0	– 3 941
2017	200 000	0	– 8 209
2018	50 000	0	– 75
Total	**1 200 000**	**0**	**– 45 828**
MATURITY YEAR			
31 December 2012			
2013	150 000	0	– 2 061
2014	250 000	0	– 6 264
2015	300 000	0	– 11 942
2016	50 000	0	– 3 742
2017	200 000	0	– 11 825
2018	250 000	0	– 4 072
2019	250 000	0	– 5 917
2020	100 000	0	– 2 252
Total	**1 550 000**	**0**	**– 48 075**

1 Excl. accrued interest.

In the 2012 business year, interest rate swaps with a contract volume totalling CHF 200 million matured. One interest rate swap for CHF 50 million was newly signed at very favourable conditions. Furthermore, ten forward starting interest rate swaps totalling CHF 500 million were newly signed in the reporting period (beginning in the years 2013 to 2015 and maturing in the years 2018 to 2020).

In order to optimise the interest burden, PSP Swiss Property shortened, in the previous years, payment frequencies of already hedged cash flow positions from six months to one month by means of interest rate swaps (base swaps). The resulting economically positive effect for the reporting year amounted to CHF 0.3 million. As at the end of 2012, there were no more base swaps.

The contract volumes and replacement values of the base swaps are listed in the following table:

MATURITY YEAR (in CHF 1 000)	CONTRACT VOLUME	POSITIVE REPLACEMENT VALUE[1]	NEGATIVE REPLACEMENT VALUE[1]
31 December 2011			
2012	200 000	0	– 45
Total	**200 000**	**0**	**– 45**
MATURITY YEAR			
31 December 2012			
Total	**n.a.**	**n.a.**	**n.a.**

1 Excl. accrued interest.

PSP SWISS PROPERTY (CONSOLIDATED)
NOTES TO THE CONSOLIDATED 2012 FINANCIAL STATEMENTS

All interest rate swaps (pay fix / receive floating) fulfil the requirements for applying hedge accounting. The fixed interest rate basis for the interest rate swaps existing at the end of 2012 is 0.25% to 3.04% (end of 2011: 0.95% to 3.13%); 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 consolidated equity (see note 18 on page 69). Accrued interest is recognised directly as financial income. Consequently there are no transfers between equity and financial income. During the reporting year and the previous year there was no ineffectiveness.

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

14. INTANGIBLE ASSETS (SOFTWARE)

(in CHF 1 000)	2011	2012
Carrying value 1 January	257	144
Capital expenditures	8	0
Depreciation	– 122	– 88
Carrying value 31 December	**144**	**56**
Historical cost	3 440	3 440
Accumulated depreciation	– 3 296	– 3 384
Carrying value, net	**144**	**56**

Software includes the accounting programme Abacus and the capitalised development costs for the REM software.

15. FURNITURE, FIXTURES AND EQUIPMENT

(in CHF 1 000)	2011	2012
Carrying value 1 January	240	152
Sales	53	9
Appreciation	0	200
Depreciation	– 142	– 73
Carrying value 31 December	**152**	**288**
Historical cost	1 409	1 415
Appreciation	0	200
Accumulated depreciation	– 1 258	– 1 326
Carrying value, net	**152**	**288**
Fire insurance value 31 December	5 000	5 000

16. DEFERRED TAX ASSETS AND LIABILITIES

DEFERRED TAX ASSETS (in CHF 1 000)	31 DECEMBER 2011	31 DECEMBER 2012
Resulting from negative net changes in fair value of properties	7 253	6 405
Resulting from derivative financial instruments	3 594	3 766
Resulting from pension liabilities	759	762
Other deferred tax assets	44	0
Total	**11 650**	**10 933**
DEFERRED TAX LIABILITIES		
Resulting from positive net changes in fair value of properties	606 948	677 976
Resulting from accounts receivable	269	215
Resulting from intangible assets and furniture, fixtures and equipment	1	0
Resulting from provisions	770	770
Total	**607 988**	**678 961**
NET DEFERRED TAX LIABILITIES	**2011**	**2012**
Carrying value 1 January	512 323	596 338
Deferred taxes booked to income statement	85 005	71 863
Deferred taxes booked to shareholders' equity	– 990	– 173
Carrying value 31 December	**596 338**	**668 028**

As a result of applying the property gains tax rates which would theoretically be due if all properties had been sold as at 31 December 2012, tax liabilities would, compared to the reported deferred tax liabilities, increase by approximately CHF 62 million (end of 2011: approximately CHF 68 million).

Due to the classification of the investment properties in non-current and current assets, the expiration profiles with regard to deferred tax assets and liabilities are as follows:

EXPIRATION OF TAX ASSETS (in CHF 1 000)	31 DECEMBER 2011	31 DECEMBER 2012
< 1 year	734	554
> 1 year	10 916	10 379
Total	**11 650**	**10 933**
EXPIRATION OF TAX LIABILITIES		
< 1 year	9 414	6 001
> 1 year	598 574	672 960
Total	**607 988**	**678 961**

PSP SWISS PROPERTY (CONSOLIDATED)
NOTES TO THE CONSOLIDATED 2012 FINANCIAL STATEMENTS

17. SHARE CAPITAL

PSP SWISS PROPERTY LTD	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 2010	**45 867 891**	**2.90**	**133 017**
Capital decrease through nominal value reduction		– 2.80	– 128 430
31 December 2011	**45 867 891**	**0.10**	**4 587**
31 December 2012	**45 867 891**	**0.10**	**4 587**
Authorised share capital			
31 December 2010	**10 000 000**	**2.90**	**29 000**
Capital decrease through nominal value reduction		– 2.80	– 28 000
31 December 2011	**10 000 000**	**0.10**	**1 000**
31 December 2012	**10 000 000**	**0.10**	**1 000**
Conditional share capital			
31 December 2010	**2 000 000**	**2.90**	**5 800**
Capital decrease through nominal value reduction		– 2.80	– 5 600
31 December 2011	**2 000 000**	**0.10**	**200**
31 December 2012	**2 000 000**	**0.10**	**200**

In the reporting year, a total of 2 446 896 own shares were sold at an average price of CHF 82.28 per share totalling CHF 201.3 million and no own shares were purchased (2011: 692 053 own shares sold at an average price of CHF 80.42 and 64 own shares purchased at an average price of CHF 74.22).

Further details on changes in shareholders' equity can be found in the consolidated statement of shareholders' equity on pages 36 to 37.

Authorised capital is valid until 1 April 2013. Further details on authorised and conditional share capital are shown in the Corporate Governance section on page 107.

18. FAIR VALUE RESERVES

Fair value reserves (equity component) were made up as follows:

(in CHF 1 000)	REAL ESTATE APPRECIATION DUE TO CHANGE OF USE	INTEREST RATE HEDGING	FINANCIAL INVESTMENTS	TOTAL
31 December 2010	**2 551**	**– 30 634**	**– 51**	**– 28 133**
Changes current year	0	– 12 635	83	– 12 552
Income taxes	0	990	– 7	983
31 December 2011	**2 551**	**– 42 279**	**26**	**– 39 702**
Changes current year	0	– 2 202	– 28	– 2 230
Income taxes	0	173	2	175
31 December 2012	**2 551**	**– 44 309**	**0**	**– 41 757**

19. DEBT

(in CHF 1 000)	31 DECEMBER 2011	31 DECEMBER 2012
Long-term debt	985 000	1 160 000
Long-term bonds	647 298	498 360
Short-term debt	25 000	0
Short-term bonds	289 596	149 926
Total interest-bearing debt	**1 946 894**	**1 808 286**

Long- and short-term debt consists of loans borrowed from various banks in the form of unsecured advances. Long-term debt consists of loans which cannot be called in by a bank within twelve months. Bonds with a maturity term of over twelve months also belong to long-term debt. Short-term debt is any loan with a maximum term of one year. With the exception of the bonds (see note 23, page 74), the reported carrying value of the debt corresponds approximately to the debt's market value.

At the end of 2012 (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 two most important financial covenants concern the consolidated equity ratio and the interest cover.

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 2011	31 DECEMBER 2012
< 6 months	150 005	259 926
6 to 12 months	249 591	0
1 to 5 years	1 347 298	948 360
> 5 years	200 000	600 000
Total interest-bearing debt	**1 946 894**	**1 808 286**

At the end of 2012, the average fixed interest rate period of all debt was 3.7 years (end of 2011: 2.9 years).

PSP SWISS PROPERTY (CONSOLIDATED)
NOTES TO THE CONSOLIDATED 2012 FINANCIAL STATEMENTS

Details on the existing bonds are as follows:

SHORT-TERM BONDS (in CHF 1 000)	CARRYING VALUE 31 DEC. 2010	AMORTISATION OF ISSUE COSTS	REPAYMENT	CARRYING VALUE 31 DEC. 2011	NOMINAL VALUE 31 DEC. 2011
3.125% private placement, maturing 5 April 2012 (nominal on issuance CHF 40 000)	40 022	– 18		40 005	40 000
2.25% bond, maturing 27 July 2012 (nominal on issuance CHF 250 000)	248 890	701		249 591	250 000
Total	**288 912**	**684**		**289 596**	**290 000**
LONG-TERM BONDS					
2.875% bond, maturing 10 April 2013 (nominal on issuance CHF 150 000)	149 406	256		149 662	150 000
1.875% bond, maturing 1 April 2014 (nominal on issuance CHF 250 000)	248 793	363		249 156	250 000
2.625% bond, maturing 16 February 2016 (nominal on issuance CHF 250 000)	248 137	343		248 480	250 000
Total	**646 336**	**962**	**0**	**647 298**	**650 000**

SHORT-TERM BONDS (in CHF 1 000)	CARRYING VALUE 31 DEC. 2011	AMORTISATION OF ISSUE COSTS	REPAYMENT	CARRYING VALUE 31 DEC. 2012	NOMINAL VALUE 31 DEC. 2012
3.125% private placement, maturing 5 April 2012 (nominal on issuance CHF 40 000)	40 005	– 5	– 40 000	0	0
2.25% bond, maturing 27 July 2012 (nominal on issuance CHF 250 000)	249 591	409	– 250 000	0	0
2.875% bond, maturing 10 April 2013 (nominal on issuance CHF 150 000)	149 662	264		149 926	150 000
Total	**439 258**	**668**	**– 290 000**	**149 926**	**150 000**
LONG-TERM BONDS					
1.875% bond, maturing 1 April 2014 (nominal on issuance CHF 250 000)	249 156	371		249 527	250 000
2.625% bond, maturing 16 February 2016 (nominal on issuance CHF 250 000)	248 480	353		248 833	250 000
Total	**497 636**	**723**	**0**	**498 360**	**500 000**

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 %
3.125% private placement, maturing 5 April 2012				
31 December 2011	**40 000**	**100.60**	**40 240**	**3.08**
31 December 2012	**n.a.**	**n.a.**	**n.a.**	**n.a.**
2.25% bond, maturing 27 July 2012				
31 December 2011	**250 000**	**100.80**	**252 000**	**2.54**
31 December 2012	**n.a.**	**n.a.**	**n.a.**	**n.a.**
2.875% bond, maturing 10 April 2013				
31 December 2011	**150 000**	**102.58**	**153 870**	**3.06**
31 December 2012	**150 000**	**100.59**	**150 885**	**3.06**

	NOMINAL VALUE IN CHF 1 000	PRICE IN %	MARKET VALUE IN CHF 1 000	EFFECTIVE INTEREST RATE IN %
1.875% bond, maturing 1 April 2014				
31 December 2011	**250 000**	**101.80**	**254 500**	**2.03**
31 December 2012	**250 000**	**101.73**	**254 325**	**2.03**
2.625% bond, maturing 16 February 2016				
31 December 2011	**250 000**	**103.95**	**259 875**	**2.78**
31 December 2012	**250 000**	**105.00**	**262 500**	**2.78**

20. 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 project-unit-credit method, the following survey results:

(in CHF 1 000)	31 DECEMBER 2011	31 DECEMBER 2012
Pension liabilities (present value)	55 498	58 667
Pension assets at market value	– 43 530	– 45 077
Deficient cover	**11 968**	**13 590**
Unrecognised actuarial gains and losses	– 8 517	– 10 128
Pension liabilities (technical deficit)	**3 451**	**3 462**

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

(in CHF 1 000)	2011	2012
Actuarial pension expenses	2 106	2 182
Interest expenses	1 459	1 252
Expected income on plan assets	– 1 459	– 1 528
Amortisation actuarial gains and losses	100	323
Curtailment, settlement	11	0
Employees' contributions	– 799	– 804
Total expenses	**1 418**	**1 425**

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

(in CHF 1 000)	2011	2012
Carrying value at 1 January	3 508	3 451
Expenses for staff pension schemes debited to the income statement	1 418	1 425
Employer contributions	– 1 475	– 1 414
Carrying value at 31 December	**3 451**	**3 462**

PSP SWISS PROPERTY (CONSOLIDATED)
NOTES TO THE CONSOLIDATED 2012 FINANCIAL STATEMENTS

Pension liabilities and assets changed as follows:

(in CHF 1 000)	2011	2012
Pension liabilities (present value) 1 January	50 976	55 498
Actuarial pension expenses	2 106	2 182
Interest expenses	1 459	1 252
Curtailment, settlement	11	0
Paid coverage	– 1 313	– 1 968
Actuarial gains and losses	2 259	1 703
Pension liabilities (present value) 31 December	**55 498**	**58 667**
Pension assets at market value 1 January	41 681	43 530
Expected income on plan assets	1 459	1 528
Employer contributions	1 475	1 414
Employees' contributions	799	804
Paid coverage	– 1 313	– 1 968
Actuarial gains and losses	– 571	– 231
Pension assets at market value 31 December	**43 530**	**45 077**
Effective pension income	**888**	**1 297**

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

(in CHF 1 000)	31 DECEMBER 2008	31 DECEMBER 2009	31 DECEMBER 2010	31 DECEMBER 2011	31 DECEMBER 2012
Pension liabilities (present value)	47 679	48 920	50 976	55 498	58 667
Pension assets at market value	– 38 021	– 40 639	– 41 681	– 43 530	– 45 077
Deficient cover	**9 658**	**8 281**	**9 295**	**11 968**	**13 590**
Adjustments of pension liabilities by experience	137	– 384	791	1 267	1 415
Adjustments of pension liabilities caused by amended assumptions	0	277	– 2 023	– 3 526	– 3 118
Adjustments of pension assets by experience	– 2 382	1 371	170	– 571	– 231
Total actuarial gains and losses	**– 2 245**	**1 264**	**– 1 062**	**– 2 830**	**– 1 934**

The expected employer contributions for the business year 2013 amount to CHF 1.4 million.

Calculation of pension liabilities was based on the following assumptions:

	31 DECEMBER 2011	31 DECEMBER 2012
Discount rate	2.25%	1.75%
Expected return on pension assets	3.50%	3.50%
Expected future salary increases	2.00%	2.00%
Expected future pension increases	0.50%	0.50%
Life expectancy in years at age of retirement (man/woman)	20.52/22.9	22.15/24.68

100% of the assets are managed and invested by a reinsurance company. The asset allocation was as follows:

	31 DECEMBER 2011	31 DECEMBER 2012
Cash and cash equivalents	1.1%	1.3%
Bonds	46.9%	44.5%
Equities	20.0%	23.3%
Real estate	19.9%	19.0%
Other	12.1%	11.9%
Total	**100.0%**	**100.0%**

21. PROVISIONS

SHORT-TERM PROVISIONS (in CHF 1 000)	31 DECEMBER 2011	31 DECEMBER 2012
Litigation risk	1 326	143
Other provisions	200	0
Total	**1 526**	**143**

(in CHF 1 000)	CARRYING VALUE 31 DECEMBER 2010	ADDITIONS DEBITED TO INCOME STATEMENT	RELEASE CREDITED TO INCOME STATEMENT	OUTFLOW	CARRYING VALUE 31 DECEMBER 2011
Litigation risk	271	1 097	– 42	0	1 326
Other provisions	0	200	0	0	200
Total	**271**	**1 297**	**– 42**	**0**	**1 526**

(in CHF 1 000)	CARRYING VALUE 31 DECEMBER 2011	ADDITIONS DEBITED TO INCOME STATEMENT	RELEASE CREDITED TO INCOME STATEMENT	OUTFLOW	CARRYING VALUE 31 DECEMBER 2012
Litigation risk	1 326	60	– 821	– 422	143
Other provisions	200	0	– 195	– 5	0
Total	**1 526**	**60**	**– 1 016**	**– 427**	**143**

In the reporting year litigation risks were reappraised and adjusted. From today's perspective, ongoing proceedings will result in the outflow of the amounts provided for within a year.

PSP SWISS PROPERTY (CONSOLIDATED)
NOTES TO THE CONSOLIDATED 2012 FINANCIAL STATEMENTS

22. ACCOUNTS PAYABLE

(in CHF 1 000)	31 DECEMBER 2011	31 DECEMBER 2012
Resulting from business activities with third parties	5 840	6 123
Prepayments	84 721	39 695
Total	**90 561**	**45 818**

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

23. FINANCIAL INSTRUMENTS ACCORDING TO CATEGORIES

The carrying values and the fair values of all recorded financial instruments are listed in the following table.

FINANCIAL ASSETS (in CHF 1 000)	CARRYING VALUE 31 DECEMBER 2011	MARKET VALUE 31 DECEMBER 2011	CARRYING VALUE 31 DECEMBER 2012	MARKET VALUE 31 DECEMBER 2012
Accounts receivable at amortised cost	28 046	28 046	17 997	17 997
Financial investments at fair values through comprehensive income	7 353	7 353	9	9
Cash and cash equivalents	30 994	30 994	33 603	33 603
FINANCIAL LIABILITIES				
Debt at amortised cost	1 010 000	1 010 000	1 160 000	1 160 000
Bonds at amortised cost	936 894	960 485	648 286	667 710
Accounts payable at amortised cost	90 561	90 561	45 818	45 818
Derivative financial instruments (hedging)	46 172	46 172	48 075	48 075

24. FINANCIAL INSTRUMENTS – FAIR VALUE HIERARCHY

The financial instruments are valued according to a three-level fair value hierarchy. Thereby, the following distinction is made: level 1: valuation according to fair value for the specific financial instrument; level 2: valuation according to fair values for similar instruments or according to valuation models based on input parameters which can be observed on the market; level 3: valuation according to valuation models with significant input parameters which cannot be observed on the market.

The following table shows the market values (fair values) of all financial instruments recognised in the balance sheet.

ASSETS (in CHF 1 000)	LEVEL 1	LEVEL 2	LEVEL 3	MARKET VALUE 31 DECEMBER 2011
Financial investments	7 344	0	9	7 353
Total financial assets	**7 344**	**0**	**9**	**7 353**
LIABILITIES				
Derivative financial instruments (hedging)	0	46 172	0	46 172
Total liabilities	**0**	**46 172**	**0**	**46 172**

ASSETS (in CHF 1 000)	LEVEL 1	LEVEL 2	LEVEL 3	MARKET VALUE 31 DECEMBER 2012
Financial investments	0	0	9	9
Total financial assets	**0**	**0**	**9**	**9**
LIABILITIES				
Derivative financial instruments (hedging)	0	48 075	0	48 075
Total liabilities	**0**	**48 075**	**0**	**48 075**

PSP SWISS PROPERTY (CONSOLIDATED)
NOTES TO THE CONSOLIDATED 2012 FINANCIAL STATEMENTS

25. 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 AT 31 DEC. 2011	CASH FLOWS < 6 MONTHS INTEREST	< 6 MONTHS REPAY-MENT	6 TO 12 MONTHS INTEREST	6 TO 12 MONTHS REPAY-MENT	1 TO 5 YEARS INTEREST	1 TO 5 YEARS REPAY-MENT	> 5 YEARS INTEREST	> 5 YEARS REPAY-MENT
Debt	1 010 000	2 322	110 000	1 989	200 000	6 787	700 000	0	0
Bonds	936 894	16 813	40 000	5 625	250 000	39 938	650 000	0	0
Derivative financial instruments	46 172	9 038	0	9 029	0	38 149	0	3 661	0
Accounts payable[1]	5 840	0	5 840	0	0	0	0	0	0
Current tax liabilities	19 816	0	19 816	0	0	0	0	0	0
Development and renovation work[2]	0	0	39 700	0	33 800	0	38 200	0	0
Total	**2 018 722**	**28 172**	**215 356**	**16 643**	**483 800**	**84 874**	**1 388 200**	**3 661**	**0**

(in CHF 1 000)	CARRYING VALUE AT 31 DEC. 2012	CASH FLOWS < 6 MONTHS INTEREST	< 6 MONTHS REPAY-MENT	6 TO 12 MONTHS INTEREST	6 TO 12 MONTHS REPAY-MENT	1 TO 5 YEARS INTEREST	1 TO 5 YEARS REPAY-MENT	> 5 YEARS INTEREST	> 5 YEARS REPAY-MENT
Debt	1 160 000	2 886	0	2 886	0	20 753	900 000	977	260 000
Bonds	648 286	15 563	150 000	0	0	24 375	500 000	0	0
Derivative financial instruments	48 075	10 284	0	9 655	0	44 704	0	8 277	0
Accounts payable[1]	6 123	0	6 123	0	0	0	0	0	0
Current tax liabilities	25 086	0	25 086	0	0	0	0	0	0
Development and renovation work[2]	0	0	22 890	0	19 600	0	10 800	0	0
Total	**1 887 570**	**28 733**	**204 099**	**12 541**	**19 600**	**89 831**	**1 410 800**	**9 254**	**260 000**

1 Excluding prepaid rental payments, purchase prices and purchase price advance payments for sold properties.
2 Future obligations which were not recorded as per reporting date.

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

26. PER SHARE FIGURES

Earnings per share is calculated by dividing the reported net income by the average weighted number of shares, excluding own shares.

Earnings per share excluding gains/losses on real estate investments is based on the „Annual net income excluding gains/losses on real estate investments“[1]. Annual distribution – in the form of dividends or cash payments from the capital contributions reserves – of PSP Swiss Property Ltd is based on this figure.

	2011	2012
Net income in CHF 1 000	403 994	368 631
Number of average outstanding shares	42 978 982	44 876 202
Earnings per share in CHF (basic and diluted)	**9.40**	**8.21**
Net income excl. gains/losses on real estate investments in CHF 1 000	149 020	161 614
Net income excl. gains/losses on real estate investments in CHF (basic and diluted)	**3.47**	**3.60**

Equity per share changed as follows:

	31 DECEMBER 2011	31 DECEMBER 2012
Shareholders' equity in CHF 1 000	3 268 894	3 698 934
Deferred taxes in CHF 1 000	596 338	668 028
Number of issued shares	45 867 891	45 867 891
Number of own shares	2 446 896	0
Number of outstanding shares	43 420 995	45 867 891
Net asset value per share in CHF[1]	**75.28**	**80.64**
Net asset value per share before deduction of deferred taxes in CHF[1]	**89.02**	**95.21**

1 Based on number of outstanding shares.

27. DISTRIBUTION OUT OF CAPITAL CONTRIBUTION RESERVES

On 12 April 2012, PSP Swiss Property Ltd paid CHF 3.00 per share to its shareholders from its capital contribution reserves. The total amount paid was CHF 131.4 million (previous year: nominal value reduction of CHF 2.80 per share respectively a total of CHF 119.6 million).

For the business year 2012, the Board of Directors will propose to the Annual General Meeting of 9 April 2013 a cash distribution out of the capital contribution reserves, after booking into the free reserves, of CHF 3.20 per share respectively a total of CHF 146.8 million (in case of treasury shares not carrying dividend rights the total amount would be reduced accordingly).

1 „Annual net income excluding gains/losses on real estate investments“ corresponds to the consolidated annual net income excluding net changes in fair values of the real estate investments, realised income on investment property sales and all of the related taxes. Income from the sale of properties which were developed by the Company itself is, however, included in the annual net income excluding gains/losses on real estate investments.

PSP SWISS PROPERTY (CONSOLIDATED)
NOTES TO THE CONSOLIDATED 2012 FINANCIAL STATEMENTS

28. RELATED PARTIES

The disclosure of this note is made according to IFRS. Furthermore, disclosure of this note is according to Art. 663b[bis] of the Swiss Code of Obligations, which was introduced on 1 January 2007. 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 12.21% of the voting rights (as at the end of 2012), which is controlled by two members of the Board of Directors of PSP Swiss Property, 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 payment flows). Further details on the remunerations are shown in the Corporate Governance section on pages 114 to 115.

REMUNERATION TO MEMBERS OF THE BOARD OF DIRECTORS (NON-EXECUTIVE) BUSINESS YEAR 2011 (in CHF 1 000)	REMUNERATION	BONUS AS CASH PAYMENT	EMPLOYER PENSION SCHEMES SAVINGS CONTRIBUTIONS	OTHER BENEFITS	TOTAL SALARY AND SHORT-TERM BENEFITS	BONUS PAID IN CONTRACTUAL BLOCKED SHARES		TOTAL REMUNERATION
						AMOUNT	*(IN NUMBER OF SHARES)*	
Günther Gose, Chairman	160	0	0	0	160	0	0	160
Peter Forstmoser, Member	75	0	0	0	75	0	0	75
Nathan Hetz, Member	99	0	0	0	99	0	0	99
Gino Pfister, Member	75	0	0	0	75	0	0	75
Josef Stadler, Member	75	0	0	0	75	0	0	75
Aviram Wertheim, Member	99	0	0	0	99	0	0	99
Total	**583**	**0**	**0**	**0**	**583**	**0**	**0**	**583**

REMUNERATION TO MEMBERS OF THE EXECUTIVE BOARD (INCL. EXECUTIVE MEMBER OF THE BOARD OF DIRECTORS) BUSINESS YEAR 2011 (in CHF 1 000)	REMUNERATION	BONUS AS CASH PAYMENT	EMPLOYER PENSION SCHEMES SAVINGS CONTRIBUTIONS	OTHER BENEFITS	TOTAL SALARY AND SHORT-TERM BENEFITS	BONUS PAID IN CONTRACTUAL BLOCKED SHARES[1, 2]		TOTAL REMUNERATION[4]
						AMOUNT[3]	*(IN NUMBER OF SHARES)*	
Luciano Gabriel, Delegate of the Board of Directors and Chief Executive Officer	602	931	188	0	1 721	720	10 681	2 441
Giacomo Balzarini, Chief Financial Officer	314	605	54	0	973	468	6 943	1 441
Ludwig Reinsperger, Chief Investment Officer	302	559	57	0	918	432	6 409	1 350
Total	**1 218**	**2 095**	**299**	**0**	**3 612**	**1 620**	**24 033**	**5 232**

1 Allocation at market value less discount for the two-year blocked period (11%) according to fiscal regulations.
Additional amount excluding discount: L. Gabriel TCHF 89, G. Balzarini TCHF 58, L. Reinsperger TCHF 53; Total TCHF 200.
2 Allocated in week 50/2011 at the market value per share at allocation date (average share price week 50/2011 CHF 75.74).
3 Market value of allocated shares: L. Gabriel TCHF 809, L. Balzarini TCHF 526, L. Reinsperger TCHF 485, Total TCHF 1 820.
4 Includes the bonus in the form of shares at tax value.

REMUNERATION TO MEMBERS OF THE BOARD OF DIRECTORS (NON-EXECUTIVE) BUSINESS YEAR 2012 (in CHF 1 000)	REMUNERATION	BONUS AS CASH PAYMENT	EMPLOYER PENSION SCHEMES SAVINGS CONTRIBUTIONS	OTHER BENEFITS	TOTAL SALARY AND SHORT-TERM BENEFITS	BONUS PAID IN CONTRACTUAL BLOCKED SHARES	
						AMOUNT	*(IN NUMBER OF SHARES)*	TOTAL REMUNERATION
Günther Gose, Chairman	160	0	0	0	160	0	0	160
Peter Forstmoser, Member	75	0	0	0	75	0	0	75
Nathan Hetz, Member	107	0	0	0	107	0	0	107
Gino Pfister, Member	75	0	0	0	75	0	0	75
Josef Stadler, Member	75	0	0	0	75	0	0	75
Aviram Wertheim, Member	107	0	0	0	107	0	0	107
Total	**599**	**0**	**0**	**0**	**599**	**0**	**0**	**599**

REMUNERATION TO MEMBERS OF THE EXECUTIVE BOARD (INCL. EXECUTIVE MEMBER OF THE BOARD OF DIRECTORS) BUSINESS YEAR 2012 (in CHF 1 000)	REMUNERATION	BONUS AS CASH PAYMENT	EMPLOYER PENSION SCHEMES SAVINGS CONTRIBUTIONS	OTHER BENEFITS	TOTAL SALARY AND SHORT-TERM BENEFITS	BONUS PAID IN CONTRACTUAL BLOCKED SHARES[1, 2]		TOTAL REMUNERATION[4]
						AMOUNT[3]	*(IN NUMBER OF SHARES)*	
Luciano Gabriel, Delegate of the Board of Directors and Chief Executive Officer	602	871	182	0	1 655	702	9 043	2 357
Giacomo Balzarini, Chief Financial Officer	314	566	52	0	932	456	5 878	1 388
Ludwig Reinsperger, Chief Investment Officer	302	523	54	0	879	421	5 426	1 300
Total	**1 218**	**1 960**	**288**	**0**	**3 466**	**1 579**	**20 347**	**5 045**

1 Allocation at market value less discount for the two-year blocked period (11%) according to fiscal regulations.
Additional amount excluding discount: L. Gabriel TCHF 87, G. Balzarini TCHF 56, L. Reinsperger TCHF 52; Total TCHF 195.
2 Allocated in week 50/2012 at the market value per share at allocation date (average share price week 50/2012 CHF 87.22).
3 Market value of allocated shares: L. Gabriel TCHF 789, L. Balzarini TCHF 513, L. Reinsperger TCHF 473, Total TCHF 1 775.
4 Includes the bonus in the form of shares at tax value.

In the reporting year, no disclosable fees and compensation were paid to members of the Board of Directors or the Executive Board respectively their related parties for additional services to PSP Swiss Property Group (2011: legal consulting fees amounting to CHF 0.01 million to lawyers of the Niederer Kraft & Frey AG law firm in Zurich, where Prof. Dr. Peter Forstmoser holds the position of a partner). Furthermore there has been a lease contract for storage rooms with Niederer Kraft & Frey AG since 2001 with an annual rent of CHF 0.11 million in the reporting year.

PSP SWISS PROPERTY (CONSOLIDATED)
NOTES TO THE CONSOLIDATED 2012 FINANCIAL STATEMENTS

At the end of the respective periods, the non-executive members of the Board of Directors (including their related parties) held the following number of PSP shares:

PARTICIPATIONS OF MEMBERS OF THE BOARD OF DIRECTORS (NON-EXECUTIVE)		NUMBER OF SHARES
	31 DECEMBER 2011	31 DECEMBER 2012
Günther Gose, Chairman	28 093	28 093
Peter Forstmoser, Member	2 000	2 000
Nathan Hetz, Member[1]	7 000 000	5 600 000
Gino Pfister, Member	860	860
Josef Stadler, Member	168	168
Aviram Wertheim, Member[1]	0	0
Total	**7 031 121**	**5 631 121**

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

As at the end of 2011, the non-executive members of the Board of Directors (including their related parties) held no options on PSP shares at the end of 2012.

At the end of the periods, the executive member of the Board of Directors and the other members of the Executive Board (including their related parties) held the following number of PSP shares:

PARTICIPATIONS OF MEMBERS OF THE EXECUTIVE BOARD (INCLUDING THE EXECUTIVE MEMBER OF THE BOARD OF DIRECTORS)		NUMBER OF SHARES
	31 DECEMBER 2011	31 DECEMBER 2012
Luciano Gabriel, Delegate of the Board of Directors and Chief Executive Officer	143 251	152 294
Giacomo Balzarini, Chief Financial Officer	34 355	32 233
Ludwig Reinsperger, Chief Investment Officer	35 045	37 562
Total	**212 651**	**222 089**

As at the end of 2011, the executive member of the Board of Directors and the other members of the Executive Board (including their related parties) held no options on PSP shares at the end of 2012.

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 2012. As at 31 December 2011, there were no such accounts receivable from these groups of persons at the end of 2012.

As at the end of 2011, there were no claims on related parties at the end of 2012.

29. SUBSEQUENT EVENTS

The investment property on Chemin du Rionzi 52 in Lausanne was notarised for sale in the reporting period. Transfer of ownership will take place during the business year 2013. According to IFRS regulations, the income from the sale was recognised as gain from net changes in fair value of real estate investments as per 30 June 2012, as the sale had been contractually agreed at that time.

For the refinancing of financial liabilities, a 1.0% bond, 2013 to 2019, with a volume of CHF 120 million was issued on 8 February 2013.

There were no further subsequent events.

PSP SWISS PROPERTY (CONSOLIDATED)
REPORT OF THE STATUTORY AUDITOR

Report of the statutory auditor to the general meeting of PSP Swiss Property Ltd, Zug

REPORT OF THE STATUTORY AUDITOR ON THE CONSOLIDATED FINANCIAL STATEMENTS

As statutory auditor, we have audited the accompanying consolidated financial statements of PSP Swiss Property Ltd, which comprise the income statement, statement of comprehensive income, balance sheet, cash flow statement, statement of shareholders' equity, and notes (pages 32 to 81 and 126 to 141), for the year ended 31 December 2012.

Board of Directors' Responsibility
The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS), article 17 of the Directive on Financial Reporting (DFR) of the SIX Swiss Exchange and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements for the year ended 31 December 2012 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law and article 17 of the Directive on Financial Reporting (DFR) of the SIX Swiss Exchange.

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 consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Guido Andermatt Audit expert Auditor in charge	Markus Schmid Audit expert

Zurich, 28 February 2013

PSP SWISS PROPERTY (CONSOLIDATED)
PROPERTY VALUATION REPORT WÜEST & PARTNER AG

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 AG as at 31 December 2012 (reporting date). The valuation encompasses all investment properties as well as sites and development properties.

VALUATION STANDARDS

Wüest & Partner hereby confirms that the valuations were performed in accordance with national and international standards and guidelines in particular with the International Valuation Standards (IVS) and the Swiss Valuation Standards (SVS).

The market values determined for the investment properties conform with the concept of «fair value» as defined in the International Financial Reporting Standards (IFRS) on the basis of revised IAS 40, Paragraphs 33-55 (investment property). Sites and development properties intended for future use as investment properties are listed in PSP Swiss Property's balance sheet in accordance with IAS 40; sites and development properties held for sale are listed in accordance with IAS 2.

DEFINITION OF FAIR VALUE

«Fair value» is defined as the amount for which a property would most probably be exchanged on the open market on the valuation date between two independent and knowledgeable parties, willing to buy and sell respectively, with due allowance made for a reasonable marketing period.

In compliance with IAS 40 Paragraph 51, no allowance is made in the determination of fair value for value-enhancing investments (improvements), nor for any associated additional income. Likewise excluded are property transfer, real property gains and value-added taxes plus any other costs incurred, or commissions paid, during the process of selling real estate. Nor is any account taken of PSP Swiss Property's liabilities in respect of taxation (apart from ordinary property taxes) and financing costs.

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 (100 years) net earnings discounted to the valuation date. Net income is discounted separately for each property with due allowance for specific opportunities and threats, and adjustment in line with market conditions and risks.

BASIS OF VALUATION

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

Wüest & Partner inspects the properties at least once every three years as well as following purchase and upon completion of larger refurbishment and investment projects.

Within the review period from 1 July 2012 to 31 December 2012, Wüest & Partner visited two properties belonging to PSP Real Estate AG and one property belonging to PSP Properties AG.

RESULTS

A total of 161[1] investment properties and property units as well as five investment properties under construction were valued as at 31 December 2012 by Wüest & Partner. One investment property, which will be sold after the report date, is stated with the realisable value. The fair value of all 162 investment properties is estimated as at 31 December 2012 at 5 952 314 300 Swiss Francs and of the investment properties under construction in accordance with IAS 40 at 137 695 000 Swiss Francs.

1 Excluded is the property Brandschenkestrasse 152a, Zürich, which is owner-occupied as well as the property Chemin du Rionzi 52, Le Mont-sur-Lausanne, which will be sold after the reporting date.

PSP SWISS PROPERTY
PROPERTY VALUATION REPORT WÜEST & PARTNER AG

CHANGES DURING REPORTING PERIOD

Within the review period from 1 July 2012 to 31 December 2012, four investment properties were sold. These were the properties Parking Fröschweid, Rheinfelden, Marktgasse 36+38, Rheinfelden, Roberstenstrasse 95, Rheinfelden and Stalden 35, Solothurn. The property Chemin du Rionzi 52, Le Mont-sur-Lausanne notarised for sale will be sold after the reporting date.

INDEPENDENCE AND CONFIDENTIALITY

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

VALUATION FEE

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

Zurich, 23rd January 2013
Wüest & Partner

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

Peter Pickel
Chartered Surveyor MRICS; MSc Real Estate (CUREM); Dipl. Bauingenieur HTL; Manager

ANNEX: VALUATION ASSUMPTIONS

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

TABLE 1: REGION	MINIMUM DISCOUNT RATE (%)	MAXIMUM DISCOUNT RATE (%)	MEAN DISCOUNT RATE (%)[1]
Zurich	4.1	6.2	5.0
Geneva	4.4	5.6	4.9
Lausanne	4.6	6.7	5.2
Basel and Berne	4.5	5.3	5.0
Other regions	4.9	6.1	5.5
All regions	4.1	6.7	5.0

1 Average of discount rates for individual valuations, weighted by market value

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

TABLE 2: REGION	OFFICE CHF/m² P.A.	RETAIL CHF/m² P.A.	WAREHOUSING CHF/m² P.A.	OUTDOOR PARKING CHF/P. P.MO.	INDOOR PARKING CHF/P. P.MO.	HOUSING CHF/m² P.A.
Zurich	110 – 900	215 – 7 250	40 – 550	70 – 450	95 – 700	130 – 680
Geneva	300 – 820	330 – 4 400	25 – 600	130 – 450	100 – 540	250 – 350
Lausanne	80 – 370	200 – 1 100	40 – 200	80 – 240	80 – 460	130 – 440
Basel and Berne	180 – 350	90 – 3 200	35 – 425	80 – 180	100 – 300	170 – 380
Other regions	140 – 450	160 – 1 900	40 – 200	30 – 120	80 – 400	170 – 430
All regions	80 – 900	90 – 7 250	25 – 600	30 – 450	80 – 700	130 – 680

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

- The rent rolls from PSP Swiss Property used in the valuation are dated 1st January 2013.
- A one-phase DCF model was adopted. The valuation period extends for 100 years from the valuation date, with an implicit residual value in the 11th period.
- Discounting is based on a risk-adjusted interest rate. Rates are determined individually for each property on the basis of appropriate benchmarks derived from arm's-length transactions. They may be broken down as follows: risk-free interest rate + property risk (immobility of capital) + premium for macro-location + premium for micro-location depending on use + premium for property quality and income risk + any other specific premiums. Nominal discount rates range between 4.1% and 6.7% depending on the property, use and location (see Table 1).
- Unless otherwise stated, the valuations assume 1.0% annual inflation for income and all expenditure. Where a nominal discount rate is applied, this is adjusted accordingly.
- Credit risks posed by specific tenants are not explicitly factored into the valuation.
- Specific indexation of existing rental agreements is accounted for on an individual basis. After expiry of the contracts, an indexation factor of 80% (Swiss average) and an average contract term of 5 years are assumed.
- For existing tenancies, the timing of individual payments is assumed to comply with the terms of the lease. Following lease expiry, cash flows for commercial premises are taken to be quarterly in advance, for housing monthly in advance.
- In terms of running costs, entirely separate service charge accounts are assumed, with no tenancy-related ancillary costs to be borne by the owner.
- The maintenance (repair and upkeep) costs were calculated using a building analysis tool. This tool is used to estimate the remaining lifespan of individual components based on their present condition, to model periodic refurbishments and to calculate the associated annual renewal fund allowances. The calculated values are plausibility tested using cost benchmarks derived from Wüest & Partner surveys.

SITES AND DEVELOPMENT PROPERTIES

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

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

PSP SWISS PROPERTY (CONSOLIDATED)

VALUATION OF INVESTMENT PROPERTIES: DISCOUNT RATES

DISCOUNT RATES IN % (Market values in CHF)	ZURICH AREA NUMBER OF PROPERTIES	ZURICH AREA MARKET VALUE	GENEVA AREA NUMBER OF PROPERTIES	GENEVA AREA MARKET VALUE	BASEL AREA NUMBER OF PROPERTIES	BASEL AREA MARKET VALUE
4.00 – 4.24	2	294 360 000	0	0	0	0
4.25 – 4.49	3	230 640 000	1	154 080 000	0	0
4.50 – 4.74	15	841 223 000	4	242 580 000	1	30 710 000
4.75 – 4.99	19	945 058 000	0	0	5	67 396 000
5.00 – 5.24	18	517 781 300	9	401 020 000	5	216 620 000
5.25 – 5.49	9	282 640 000	1	14 210 000	2	61 520 000
5.50 – 5.74	13	615 780 000	1	33 700 000	0	0
5.75 – 5.99	5	168 504 000	0	0	0	0
6.00 – 6.24	1	34 200 000	0	0	0	0
6.25 – 6.49	0	0	0	0	0	0
6.50 – 6.74	0	0	0	0	0	0
Total	**85**	**3 930 186 300**	**16**	**845 590 000**	**13**	**376 246 000**

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 2012, the portfolio's average weighted nominal discount rate was 5.03% (end of 2011: 5.25%).

	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	2	294 360 000
	0	0	0	0	0	0	4	384 720 000
	5	80 153 000	1	41 870 000	0	0	26	1 236 536 000
	0	0	3	109 350 000	2	16 902 000	29	1 138 706 000
	5	112 960 000	2	18 459 000	5	59 105 000	44	1 325 945 300
	2	28 975 000	0	0	6	57 289 000	20	444 634 000
	0	0	6	89 642 000	3	105 120 000	23	844 242 000
	0	0	2	29 332 000	3	40 203 000	10	238 039 000
	0	0	0	0	2	7 432 000	3	41 632 000
	0	0	0	0	0	0	0	0
	0	0	1	3'500'000	0	0	1	3 500 000
	12	**222 088 000**	**15**	**292 153 000**	**21**	**286 051 000**	**162**	**5 952 314 300**

PSP SWISS PROPERTY (CONSOLIDATED)
EPRA PERFORMANCE KEY FIGURES

EPRA PERFORMANCE KEY FIGURES

In accordance with EPRA's Best Practice Recommendations, PSP Swiss Property discloses the EPRA Performance Key Figures. In summary, PSP Swiss Property's net asset value, net initial yield and vacancy rate disclosure is more conservative than the EPRA Best Practice Recommendations, as it does, for example, not consider market values of development properties held at cost or bases its calculation on effective and not market rents. With regard to the earnings per share calculation, PSP Swiss Property includes profits on sales of trading properties.

A. EPRA EARNINGS & EPRA EARNINGS PER SHARE (EPS) (in CHF 1 000)	2011	2012
Earnings per IFRS income statement	**403 994**	**368 631**
Adjustments to calculate EPRA earnings		
Exclude:		
Changes in value of investment properties, development properties held for investment and other interests	– 325 068	– 266 851
Profits or losses on disposal of investment properties, development properties held for investement and other interests	– 4 227	– 130
Profits or losses on sales of trading properties including impairment charges in respect of trading properties	– 3 277	– 12 793
Tax on profits or losses on disposals	2 072	2 843
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	72 092	59 724
Adjustments to above in respect of joint ventures	n.a.	n.a.
Minority interests in respect of the above	n.a.	n.a.
EPRA earnings	**145 586**	**151 424**
Average number of outstanding shares	42 978 982	44 876 202
EPRA EPS in CHF	**3.39**	**3.37**

B. EPRA NET ASSET VALUE (NAV) (in CHF 1 000)	31 DECEMBER 2011	31 DECEMBER 2012
NAV per the financial statements	**3 268 894**	**3 698 934**
Effect of exercise of options, convertibles and other equity interests	n.a.	n.a.
Diluted NAV, after the exercise of options, convertibles and other equity interests	**3 268 894**	**3 698 934**
Include:		
Revaluation of investment property under construction (IPUC) (if IAS 40 cost option is used)	11 840	10 840
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	49 739	33 184
Exclude:		
Fair value of financial instruments	46 172	48 075
Deferred tax	596 101	667 805
Goodwill as result of deferred tax	n.a.	n.a.
Include/exclude:		
Adjustments to above in respect of joint venture interests	n.a.	n.a.
EPRA NAV	**3 972 746**	**4 458 838**
Number of outstanding shares	43 420 995	45 867 891
EPRA NAV per share in CHF	**91.49**	**97.21**

C. EPRA TRIPLE NET ASSET VALUE (NNNAV) (in CHF 1 000)	31 DECEMBER 2011	31 DECEMBER 2012
EPRA NAV	**3 972 746**	**4 458 838**
Include:		
Fair value of financial instruments	– 46 172	– 48 075
Fair value of debt	– 23 591	– 19 424
Deferred tax	– 608 503	– 676 597
EPRA NNNAV	**3 294 480**	**3 714 742**
Number of outstanding shares	43 420 995	45 867 891
EPRA NNNAV per share in CHF	**75.87**	**80.99**

D. EPRA NET YIELD DISCLOSURE (in CHF 1 000)	31 DECEMBER 2011	31 DECEMBER 2012
Investment property – wholly owned	5 775 453	6 125 557
Less developments	– 180 043	– 173 243
Gross up completed property portfolio valuation (B)	**5 595 411**	**5 952 314**
Annualised cash passing rental income	267 333	271 513
Property outgoings	– 29 144	– 31 173
Annualised net rents (A)	**238 189**	**240 340**
Add: notional rent expiration of rent free periods or other lease incentives	3 801	5 086
Topped-up net annualised rent (C)	**241 990**	**245 426**
EPRA NIY (A/B)	**4.3%**	**4.0%**
EPRA „topped-up“ NIY (C/B)	**4.3%**	**4.1%**

E. EPRA VACANCY RATE (in CHF 1 000)	31 DECEMBER 2011	31 DECEMBER 2012
Estimated rental value of vacant space (A)	23 925	24 688
Estimated rental value of the whole portfolio (B)	312 828	322 341
EPRA vacancy rate (A/B)	**7.6%**	**7.7%**

F. EPRA LIKE-FOR-LIKE RENTAL GROWTH REPORTING (in CHF 1 000)	2011	2012
Rental income	**270 675**	**272 849**
Acquisitions	0	6
Disposals	– 1 474	– 252
Developments	– 2 342	– 2 624
Properties' operating expenses	– 11 216	– 11 532
Rent-Free-Periods	1 817	2 403
Other	– 1 171	– 639
Total EPRA like-for-like net rental income	**256 291**	**260 212**
EPRA like-for-like growth, absolute	**5 010**	**3 921**
EPRA like-for-like growth, relative	**2.0%**	**1.5%**

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

PROPERTY PORTRAIT
AARBERGSTRASSE 94, BIEL

This property consists of two complementary parts: on the one hand, the distinctive high-rise building visible from afar and, on the other hand, the vintage postal office with its modern annex. The property's attractiveness was enhanced considerably by a complete renovation in 2011 as well as the makeover of the train station and the station square.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BOSS
BOSS

PSP SWISS PROPERTY LTD (HOLDING)

INCOME STATEMENT

INCOME (in CHF 1 000)	1 JANUARY TO 31 DECEMBER 2011	1 JANUARY TO 31 DECEMBER 2012
Dividend income	225 864	229 075
Financial income	79 165	133 235
Other income	922	792
Total income	**305 951**	**363 101**
EXPENSES		
General and administrative expenses	– 3 961	– 4 073
Financial expenses	– 52 227	– 45 369
Taxes	– 4 017	– 8 535
Total expenses	**– 60 205**	**– 57 977**
Net income	**245 746**	**305 124**

The notes are part of these financial statements.

BALANCE SHEET

ASSETS (in CHF 1 000)	31 DECEMBER 2011	31 DECEMBER 2012
Investments	1 729 589	1 722 245
Loans to subsidiaries	1 534 700	1 696 100
Own shares	117 451	0
Issue and additional financial expenses to be amortised	3 111	1 714
Total assets	**3 384 850**	**3 420 059**
Accounts receivable from third parties	1 373	328
Accounts receivable from subsidiaries	233	234
Cash	25 909	23 518
Total current assets	**27 515**	**24 080**
Total assets	**3 412 366**	**3 444 139**
SHAREHOLDERS' EQUITY AND LIABILITIES		
Share capital	4 587	4 587
Legal reserves (general reserves)	2 000	2 000
Legal reserves (capital contribution reserves)	659 249	527 862
Legal reserves (reserves for own shares)	158 244	0
Free reserves	354 746	762 990
Retained earnings	251 619	306 743
Total shareholders' equity	**1 430 445**	**1 604 181**
Debt from third parties	985 000	1 160 000
Debt from subsidiaries	3 800	1 600
Bonds	650 000	500 000
Total non-current liabilities	**1 638 800**	**1 661 600**
Debt from third parties	25 000	0
Derivative financial instruments	300	0
Accounts payable to third parties	174	215
Accounts payable to subsidiaries	189	134
Bonds	290 005	150 000
Provisions	200	0
Other liabilities	27 254	28 010
Total current liabilities	**343 121**	**178 358**
Total shareholders' equity and liabilities	**3 412 366**	**3 444 139**

The notes are part of these financial statements.

PSP SWISS PROPERTY LTD (HOLDING)
NOTES TO THE 2012 FINANCIAL STATEMENTS

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 to purchase, hold and sell, directly or indirectly, investments in companies which are active in the real estate sector or which serve the Group's financing.

The financial statements of PSP Swiss Property Ltd for the year ended 31 December 2012 were authorised for issue by the Board of Directors on 28 February 2013.

OTHER NOTES

1. ACCOUNTING PRINCIPLES

The present annual report was prepared in accordance with the legal regulations of the Swiss Code of Obligations.

2. INVESTMENTS

COMPANY	REGISTERED OFFICE	SHARE CAPITAL		OWNERSHIP AT 31 DECEMBER 2011		OWNERSHIP AT 31 DECEMBER 2012		CONSOLIDATION
SUBSIDIARIES								
PSP Participations Ltd	Zug, Switzerland	CHF	1 000 000 000	100%	direct	100%	direct	Full
PSP Finance Ltd	Zug, Switzerland	CHF	1 000 000	100%	direct	100%	direct	Full
PSP Group Services Ltd	Zurich, Switzerland	CHF	100 000	100%	indirect	100%	indirect	Full
PSP Real Estate Ltd	Zurich, Switzerland	CHF	50 600 000	100%	indirect	100%	indirect	Full
PSP Management Ltd	Zurich, Switzerland	CHF	100 000	100%	indirect	100%	indirect	Full
PSP Properties Ltd	Zurich, Switzerland	CHF	9 919 140	100%	indirect	100%	indirect	Full
Immobiliengesellschaft Septima AG	Zurich, Switzerland	CHF	5 700 000	100%	indirect	100%	indirect	Full
SI 7 Place du Molard Ltd	Zurich, Switzerland	CHF	105 000	100%	indirect	100%	indirect	Full
ASSOCIATED COMPANIES								
IG REM	Zurich, Switzerland	CHF	n.a.	n.a.	n.a.	n.a.	n.a.	Equity

None of these investments is listed on a stock exchange.

Since the end of 2011, there were no changes in the capital structure.

Together with two other companies, 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".

3. OWN SHARES

	NUMBER OF REGISTERED SHARES WITH A NOMINAL VALUE OF CHF 0.10	COST IN CHF	TRANSACTION PRICE IN CHF
31 December 2010	**3 138 885**	**202 994 816**	**64.67**
Purchases	64	4 750	74.22
Sales	– 668 020	– 43 201 634	80.74
Bonus in shares for the executive Board	– 24 033	– 1 554 243	75.74
31 December 2011	**2 446 896**	**158 243 689**	**64.67**
Sales	– 2 426 549	– 156 927 824	82.24
Bonus in shares for the executive Board	– 20 347	– 1 315 865	87.22
31 December 2012	**0**	**0**	**n.a.**

4. AUTHORISED AND CONDITIONAL SHARE CAPITAL

The authorisation of the Board of Directors to use the authorised share capital expires on 1 April 2013.

AUTHORISED SHARE CAPITAL	NUMBER OF REGISTERED SHARES IN UNITS	NOMINAL VALUE PER REGISTERED SHARE IN CHF	TOTAL NOMINAL VALUE IN CHF 1 000
31 December 2010	**10 000 000**	**2.90**	**29 000**
Capital decrease through nominal value reduction		– 2.80	– 28 000
31 December 2011	**10 000 000**	**0.10**	**1 000**
31 December 2012	**10 000 000**	**0.10**	**1 000**
CONDITIONAL SHARE CAPITAL			
31 December 2010	**2 000 000**	**2.90**	**5 800**
Capital decrease through nominal value reduction		– 2.80	– 5 600
31 December 2011	**2 000 000**	**0.10**	**200**
31 December 2012	**2 000 000**	**0.10**	**200**

Further details on authorised and conditional share capital are shown in the Corporate Governance section on page 107.

PSP SWISS PROPERTY LTD (HOLDING)

NOTES TO THE 2012 FINANCIAL STATEMENTS

5. BONDS

SHORT-TERM BONDS (in CHF 1 000)	CARRYING VALUE 31 DEC. 2010	AMORTISATION OF ISSUE COSTS	REPAYMENT	CARRYING VALUE 31 DEC. 2011	NOMINAL VALUE 31 DEC. 2011
3.125 % private placement, maturing 5 April 2012 (nominal on issuance CHF 40 000)	40 022	– 18		40 005	40 000
2.25 % bond, maturing 27 July 2012 (nominal on issuance CHF 250 000)	250 000			250 000	250 000
Total	**290 022**	**– 18**	**0**	**290 005**	**290 000**
LONG-TERM BONDS					
2.875 % bond, maturing 10 April 2013 (nominal on issuance CHF 150 000)	150 000			150 000	150 000
1.875 % bond, maturing 1 April 2014 (nominal on issuance CHF 250 000)	250 000			250 000	250 000
2.625 % bond, maturing 16 February 2016 (nominal on issuance CHF 250 000)	250 000			250 000	250 000
Total	**650 000**	**0**	**0**	**650 000**	**650 000**

SHORT-TERM BONDS (in CHF 1 000)	CARRYING VALUE 31 DEC. 2011	AMORTISATION OF ISSUE COSTS	REPAYMENT	CARRYING VALUE 31 DEC. 2012	NOMINAL VALUE 31 DEC. 2012
3.125 % private placement, maturing 5 April 2012 (nominal on issuance CHF 40 000)	40 005	– 5	– 40 000	0	0
2.25 % bond, maturing 27 July 2012 (nominal on issuance CHF 250 000)	250 000		– 250 000	0	0
2.875 % bond, maturing 10 April 2013 (nominal on issuance CHF 150 000)	150 000		0	150 000	150 000
Total	**440 005**	**– 5**	**– 290 000**	**150 000**	**150 000**
LONG-TERM BONDS					
1.875 % bond, maturing 1 April 2014 (nominal on issuance CHF 250 000)	250 000			250 000	250 000
2.625 % bond, maturing 16 February 2016 (nominal on issuance CHF 250 000)	250 000			250 000	250 000
Total	**500 000**	**0**	**0**	**500 000**	**500 000**

In the reporting year, two bonds totalling CHF 290 million were redeemed. No new bonds were issued.

6. MAJOR SHAREHOLDERS IN ACCORDANCE WITH ART. 663C OF THE SWISS CODE OF OBLIGATIONS

As at 31 December 2012, PSP Swiss Property was aware of the following major shareholders in accordance with Art. 663c of the Swiss Code of Obligations (shareholders with more than 5% of the voting rights): the Israeli company Alony Hetz Properties & Investments Ltd with 12.21% of the voting rights as well as a nominee exempt from reporting requirements with 6.64% of the voting rights. 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 and 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 Art. 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 Art. 20 BEHG (Swiss Stock Exchange Law) are shown in the Corporate Governance section, figure 1.2, pages 104 to 105.

The disclosures required by the Swiss Code of Obligations on Board and Executive holdings are shown in the consolidated financial statements of PSP Swiss Property, note 28, pages 78 to 80.

7. TREATMENT OF DIVIDENDS FROM SUBSIDIARIES

PSP Swiss Property Ltd records dividends from subsidiaries in its income statement when payments are made.

8. BOARD AND EXECUTIVE COMPENSATION DISCLOSURE

The disclosures required by the Swiss Code of Obligations are shown in the consolidated financial statements of PSP Swiss Property, note 28, pages 78 to 80.

9. INFORMATION ON THE VALUATION OF RISK

PSP Swiss Property Ltd as the ultimate parent company of the PSP Group is fully integrated in the Group-wide risk assessment process. The risk assessment process consists of half-yearly reporting to the Board of Directors on substantial risks and management's reaction to them. The assessed areas are properties, tenant quality, financing and liquidity, operations and ICS (internal control system). Further information on risk management is shown in the consolidated financial statements of PSP Swiss Property, pages 42 to 46.

PSP SWISS PROPERTY LTD (HOLDING)

BOARD OF DIRECTORS' PROPOSAL CONCERNING APPROPRIATION OF PROFIT AND CAPITAL CONTRIBUTION RESERVES

The Board of Directors will propose to the Annual General Meeting on 9 April 2013 that the balance sheet profit for the financial year ended 31 December 2012 to the amount of CHF 306.743 million shall be used as follows:

(in CHF)	2011	2012
Profit carried forward at 1 January	5 872 806.67	1 618 866.99
Net income	245 746 060.32	305 123 910.75
Retained earnings at 31 December	**251 618 866.99**	**306 742 777.74**
Allocation to the free reserves	– 250 000 000.00	– 300 000 000.00
Balance carried forward	**1 618 866.99**	**6 742 777.74**

For the business year 2012, the Board of Directors will propose to the Annual General Meeting of 9 April 2013 a cash distribution out of the capital contribution reserves, after booking into the free reserves, of CHF 3.20 per share respectively a total of CHF 146.8 million (in case of treasury shares not carrying dividend rights the total amount would be reduced accordingly).

REPORT OF THE STATUTORY AUDITOR

Report of the statutory auditor to the general meeting of PSP Swiss Property Ltd, Zug

REPORT OF THE STATUTORY AUDITOR ON THE FINANCIAL STATEMENTS

As statutory auditor, we have audited the accompanying financial statements of PSP Swiss Property AG, which comprise the balance sheet, income statement and notes (pages 92 to 98), for the year ended 31 December 2012.

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 2012 comply with Swiss law and the company's articles of incorporation.

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 available earnings and capital contribution reserves complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Guido Andermatt Audit expert Auditor in charge	Markus Schmid Audit expert

Zurich, 28 February 2013

PROPERTY PORTRAIT
HEALTH SPA, HÜRLIMANN SITE, ZURICH

The „Aqua Spa Resort Zurich“ on the Hürlimann site opened in the winter of 2010. Together with the B2 boutique hotel, the various spa facilities as well as relaxation and treatment rooms were integrated harmoniously into the „Sudhaus“ (brew house) of the Hürlimann brewery. From the cellar vaults to the open pool on the roof with a stunning view on the city of Zurich, the health spa offers its guests a unique leisure experience.

PROPERTY PORTRAIT
HEALTH SPA, HÜRLIMANN SITE, ZURICH

ADDITIONAL INFORMATION

CORPORATE GOVERNANCE

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 at 31 December 2012	CHF 3.970 billion
Symbol	PSPN
Security number	1829415
ISIN	CH 0018294154

Non-listed participations

See note 2 on page 94 of PSP Swiss Property Ltd's annual financial statements.

1.2 MAJOR SHAREHOLDERS AS AT 31 DECEMBER 2012

(a) As at 31 December 2011, **Alony Hetz Properties & Investments Ltd** held 7 000 000 shares, corresponding to 15.26% of the voting rights. According to the disclosure notification of 4 September 2012, Alony Hetz Properties & Investments Ltd's participation fell below the notifiable threshold of 15% of the voting rights and it held 6 685 000 shares, corresponding to 14.57% of the voting rights. According to the information given by Alony Hetz Properties & Investments Ltd, the company held 5 600 000 shares, corresponding to 12.21% of the voting rights as at 31 December 2012.

(b) As at 31 December 2011, **PSP Swiss Property Ltd** held 2 446 896 shares, corresponding to 5.33% of the voting rights (own shares with suspended voting rights).

In the first half of 2012, 2 057 305 treasury shares were sold (publications of notifications on 16 March and 9 June 2012 regarding dropping below the notifiable thresholds of 5% respectively 3% of the voting rights); in the second half of the year, another 369 244 treasury shares were sold. PSP Swiss Property Ltd held no more own shares as at 31 December 2012.

(c) During the 2011 financial year, **BlackRock, Inc.,** New York, N.Y., United States, last reported a holding of 1 347 708 shares and 100 393 CFD, totalling 3.16% of the voting rights (publication of notification on 13 August 2011).

During the 2012 financial year, BlackRock, Inc. reported the following holdings: 1 378 327 shares and 67 783 CFD totalling 3.15% of the voting rights (publication of notification on 10 July 2012); 1 373 452 shares and 47 979 CFD totalling 3.1% of the voting rights (publication of notification on 13 September 2012); 1 377 073 shares and 61 857 CFD totalling 3.13% of the voting rights (publication of notification on 30 November 2012); and, finally, a voting rights total of 3.05%, made up of 1 348 334 shares (2.94% of the voting rights) and 51 605 CFD (0.11% of the voting rights) as at 22 November 2012 (publication of notification on 30 November 2012).

(d) Apart from the participations of Alony Hetz Properties & Investments Ltd to the extent of 12.21%, BlackRock, Inc. to the extent of 3.05% as well as two nominees exempt from reporting requirements to the extent of 6.64% respectively 3.75%, PSP Swiss Property Ltd was not aware of any shareholder with 3% or more of the voting rights as at 31 December 2012.

Further details on the notifications are shown under http://six-swiss-exchange.com/shares/companies/major_shareholders_en.html.

(e) There are no shareholders' agreements.

1.3 SHAREHOLDERS AS AT 31 DECEMBER 2012

DISTRIBUTION OF PSP SHARES NUMBER OF REGISTERED SHARES	REGISTERED SHARE-HOLDERS		REGISTERED SHARES		NON-REGISTERED SHARES		TOTAL NUMBER OF ISSUED SHARES
	NUMBER	%	NUMBER	% ISSUED SHARES	NUMBER	% ISSUED SHARES	
1 to 1 000	4 460	83.1	1 066 420	2.3			
1 001 to 10 000	660	12.3	2 046 615	4.5			
10 001 to 100 000	196	3.7	6 049 021	13.2			
100 001 to 1 000 000	48	0.9	11 915 788	26.0			
1 000 001 to 1 376 036	0	0.0	0	0.0			
1 376 037 (3%) to 2 293 394	1	0.0	1 718 976	3.7			
2 293 395 (5%) and above	2	0.0	8 196 752	17.9			
Total registered shareholders/shares	**5 367**	**100.0**	**30 993 572**	**67.6**			**30 993 572**
Total non-registered shares					**14 874 319**	**32.4**	**14 874 319**
Total			**30 993 572**		**14 874 319**		**45 867 891**

CORPORATE GOVERNANCE

REGISTERED SHAREHOLDERS AND SHARES	REGISTERED SHAREHOLDERS		REGISTERED SHARES	
	NUMBER	%	NUMBER	%
Individuals	4 733	88.2	3 536 285	11.4
Legal entities	634	11.8	27 457 287	88.6
(thereof nominees/trustees)	(53)	(1.0)	(8 308 587)	(26.8)
Total	**5 367**	**100.0**	**30 993 572**	**100.0**
Switzerland	5 142	95.8	17 043 535	55.0
Europe (excluding Switzerland)	172	3.2	6 062 896	19.6
North America	30	0.6	1 987 311	6.4
Other countries	23	0.4	5 899 830	19.0
Total	**5 367**	**100.0**	**30 993 572**	**100.0**

1.4 CROSS-SHAREHOLDINGS

There are no cross-shareholdings.

2 CAPITAL STRUCTURE OF PSP SWISS PROPERTY LTD

2.1 SHARE CAPITAL AS AT 31 DECEMBER 2012

(a) As at 31 December 2011, PSP Swiss Property Ltd's share capital amounted to CHF 4 586 789.10, divided into 45 867 891 registered shares with a nominal value of CHF 0.10 each, with an authorised share capital of CHF 10 000 000 and a conditional share capital of CHF 2 000 000.

The Annual General Meeting of 3 April 2012 did not change the capital structure.

(b) Consequently, the capital structure as at 31 December 2012 was as follows:

SHARE CAPITAL		TOTAL	NUMBER OF REGISTERED SHARES	NOMINAL VALUE PER SHARE
Share capital	CHF	4 586 789.10	45 867 891	CHF 0.10
Authorised share capital (until 1 April 2013)	CHF	1 000 000.00	10 000 000	CHF 0.10
Conditional share capital	CHF	200 000.00	2 000 000	CHF 0.10

For authorised and conditional share capital, see also the following section 2.2.

2.2 AUTHORISED AND CONDITIONAL SHARE CAPITAL IN PARTICULAR

The authorised and the conditional share capital are governed by Articles 5bis resp. 5ter of the Articles of Association:

„Article 5bis Authorised share capital

(1) The Board of Directors is authorised to increase the share capital, by no later than 1 April 2013, by an amount not exceeding CHF 1'000'000 by issuing a maximum of 10'000'000 fully paid-up registered shares with a nominal value of CHF 0.10 per share. An increase in partial amounts is permitted.

(2) Subscription and acquisition of the new shares, as well as each subsequent transfer of the shares, are subject to the restrictions set out in Article 7 of these Articles of Association.

(3) The Board of Directors shall determine the date of issue of new shares, their issue price, the allocation of the excluded pre-emptive rights, the method of payment and the start of dividend entitlement.

(4) The subscription rights of shareholders are excluded; the shares issued shall be used only as consideration for the acquisition of or (for example in the case of a placement of shares) for the financing of the acquisition of real estate by the Company or a subsidiary or as consideration for the takeover of or (for example in the case of a placement of shares) for the financing of the takeover of companies, parts of companies or participations by the Company or a subsidiary. Acquisition and takeover are only allowed within the framework of the purpose according to Article 4 of these Articles of Association.“

„Article 5ter 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 7 of these Articles of Association.“

CORPORATE GOVERNANCE

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 31 December 2010	**45 867 891**	**2.90**	**133 017**
Issued, fully paid-in share capital 31 December 2011	**45 867 891**	**0.10**	**4 587**
Issued, fully paid-in share capital 31 December 2012	**45 867 891**	**0.10**	**4 587**
LEGAL RESERVES (GENERAL RESERVES)			
31 December 2010			0
31 December 2011			2 000
31 December 2012			2 000
LEGAL RESERVES (CAPITAL CONTRIBUTION RESERVES)			
31 December 2010			659 249
31 December 2011			659 249
31 December 2012			527 862
LEGAL RESERVES (RESERVES FOR OWN SHARES)			
31 December 2010			202 995
31 December 2011			158 244
31 December 2012			0
FREE RESERVES			
31 December 2010			221 995
31 December 2011			354 746
31 December 2012			762 990
RETAINED EARNINGS BEFORE APPROPRIATION			
31 December 2010			95 873
31 December 2011			251 619
31 December 2012			306 743

2.4 SHARES, PARTICIPATION CERTIFICATES, BONUS CERTIFICATES

The 45 867 891 issued registered shares described in section 2.1 on page 106 are fully paid in. Each share carries the right to dividend payments. Voting rights are described in section 6.1 on page 115. No preferential rights or similar rights have been granted.

As at 31 December 2012, no participation certificates or bonus certificates were issued.

2.5 TRANSFERABILITY OF REGISTERED SHARES AND NOMINEE REGISTRATIONS

As regards share register and nominees, see Article 7 of the Articles of Association. As at 31 December 2012, one agreement was entered into with a nominee, regarding the requirements for registration and disclosure respectively, in line with Articles 7 (3) respectively 7 (5) second sentence of the Articles of Association.

2.6 CONVERTIBLE BONDS AND OPTIONS

As at 31 December 2012, no convertible bonds were outstanding.

As at 31 December 2012, no options were outstanding.

3 BOARD OF DIRECTORS

3.1 MEMBERS OF THE BOARD OF DIRECTORS

Günther Gose, 1944, CH and DE, Herrliberg, Dr. rer. nat., Chairman (Non-Executive Member since 7 February 2000, initially as Vice-Chairman and from 4 December 2001 as Chairman, appointed until the 2013 Annual General Meeting).

Education: Degree in mathematics from Munich University, assistant at the Institute of Numerical Mathematics at the Technical University at Braunschweig until 1976, doctoral thesis on numerical mathematics in 1974.

Professional activity: From 1976 to 1990 various positions at Allianz Group (until 1983 assignments in product development and accounting at Allianz Life, until 1987 Member of the Executive Board of Allianz Life, until 1990 Chief Executive Officer of the Nordrhein-Westfalen branch of Allianz). From 1990 Member of the Zurich Group Executive Board, until 1994 responsible for life insurance, from 1994 also responsible for the Northern and Eastern Europe region, Chief Financial Officer for the Group from 1998 until retirement in mid-2002.

Following his retirement from the Zurich Group in mid-2002, Mr. Gose has acted independently, rather than under delegated authority, in performing his function as a Member of the Board of Directors for PSP Swiss Property Ltd.

In addition to his mandate at PSP Swiss Property Ltd, Mr. Gose did not hold, as at 31 December 2012, other directorships which are subject to disclosure.

Luciano Gabriel, 1953, CH, Wollerau, Dr. rer. pol., Delegate and Chief Executive Officer of PSP Swiss Property Group (Executive Member since 4 April 2007, appointed until the 2013 Annual General Meeting).

Education: Mr. Gabriel completed his studies in economics at the Universities of Bern and Rochester (NY, USA) and his activity as assistant in economics at the University of Bern in 1983 with the title of Dr. rer. pol.

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.

As at 31 December 2012, Mr. Gabriel held directorships at PSP Swiss Property Ltd and the subsidiaries PSP Participations Ltd, PSP Finance Ltd, PSP Real Estate Ltd, PSP Properties Ltd, Immobiliengesellschaft Septima AG, SI 7 Place du Molard Ltd, PSP Management Ltd and PSP Group Services Ltd. He was also a member of the Executive Board of EPRA, European Public Real Estate Association, and held a directorship at Orascom Development Holding Ltd.

CORPORATE GOVERNANCE

Peter Forstmoser, 1943, CH, Horgen (Zurich), Dr. iur. University of Zurich, LL.M. Harvard Law School, Professor Emeritus University of Zurich (Non-Executive Member since 30 March 2010, appointed until the 2013 Annual General Meeting).

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 at 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 a Partner at the law firm Niederer Kraft & Frey AG in Zurich.

Apart from PSP Swiss Property Ltd, Prof. Forstmoser held, as at 31 December 2012, directorships at several companies, in particular at Hesta Ltd, Mikron Holding Ltd and EFG Financial Products Holding Ltd, and he is a member of the board of various foundations, in particular the Gebert-Rüf Foundation.

Nathan Hetz, 1952, IL, Ramat-Gan, B.A./CPA (Non-Executive Member since 4 April 2007, appointed until the 2013 Annual General Meeting).

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 of Alony Hetz Properties & Investments Ltd, Ramat-Gan, Israel.

In addition to his mandate at PSP Swiss Property Ltd, Mr. Hetz held, as at 31 December 2012, directorships at Alony Hetz Properties & Investments Ltd, Amot Investments Ltd, Equity One Inc., First Capital Realty Inc. and Energix Renewable Energies Ltd.

Gino Pfister, 1942, CH, Basel, degree in electrical engineering ETH (Non-Executive Member since 7 February 2000, appointed until the 2013 Annual General Meeting).

Education: After completion of his studies at ETH Zurich from 1962 to 1966, Mr. Pfister graduated as electrical and production engineer. In 1969 he obtained an MBA from INSEAD in Fontainebleau.

Professional activity: From 1970 Mr. Pfister held various positions at Ciba-Geigy/Novartis: 1971 in Summit (NJ, USA), from 1972 to 1974 in Vienna, 1975 in Göteborg, from 1976 to 1983 as Head of the Pharma Division in Athens, from 1984 to 1990 as Head of Ciba Vision Europe in Aschaffenburg, from 1991 to 1993 as Head of Planning and Control in the Pharmaceutical Division in Basel, from 1994 until his retirement in mid-2006 as Head Pension Fund/Real Estate in Basel.

In addition to his mandate at PSP Swiss Property Ltd, Mr. Pfister did not hold, as at 31 December 2012, any other directorships which are subject to disclosure.

Josef Stadler, 1963, CH, Grüningen (Zurich), lic. oec. HSG, MBA Harvard Business School (Non-Executive Member since 2 April 2009, appointed until the 2013 Annual General Meeting).

Professional activity: UBS AG, Member of the Executive Committee Wealth Management; previously Mr. Stadler was Head of JP Morgan Switzerland.

In addition to his mandate at PSP Swiss Property Ltd, Mr. Stadler did not hold, as at 31 December 2012, any other directorships which are subject to disclosure.

Aviram Wertheim, 1958, IL, Ramat Hasharon (Non-Executive Member since 2 April 2009, appointed until the 2013 Annual General Meeting).

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 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.

In addition to his mandates at PSP Swiss Property Ltd, Mr. Wertheim held, as at 31 December 2012, directorships at Alony Hetz Properties & Investments Ltd, Amot Investments Ltd and Energix Renewable Energies Ltd.

No Non-Executive Member of the Board of Directors belonged to the Executive Board of PSP Swiss Property Ltd or a subsidiary in the three years preceding the 2012 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 ELECTIONS AND TERMS OF OFFICE

The Annual General Meeting of 2 April 2009 decided on a reduction of the term of office of the Members of the Board of Directors from three years to one year, and that with immediate effect and termination of the running terms of office as per 2 April 2009 (Article 17 (2) of the Articles of Association).

Messrs. Günther Gose and Gino Pfister were first elected on 7 February 2000 by an Extraordinary General Meeting and re-elected by the Annual General Meetings on 8 April 2003 and 7 April 2006 for a three-year term each. They were re-elected by the Annual General Meetings on 2 April 2009, 30 March 2010, 1 April 2011 and 3 April 2012 for a one-year term each.

Messrs. Luciano Gabriel and Nathan Hetz were first elected by the Annual General Meeting on 4 April 2007 for a three-year term each. They were re-elected by the Annual General Meetings on 2 April 2009, 30 March 2010, 1 April 2011 and 3 April 2012 for a one-year term each.

Messrs. Josef Stadler and Aviram Wertheim were first elected by the Annual General Meeting on 2 April 2009 for a one-year term each; they were re-elected by the Annual General Meetings on 30 March 2010, 1 April 2011 and 3 April 2012 for a one-year term each.

At the Annual General Meeting on 30 March 2010, Prof. Peter Forstmoser was first elected to the Board of Directors for a one-year term; he was re-elected by the Annual General Meetings on 1 April 2011 and 3 April 2012 for a one-year term.

The Annual General Meeting of 3 April 2012 carried out all re-elections openly and globally.

All seven Members of the Board of Directors will be proposed for re-election for a one-year term each to the Annual General Meeting on 9 April 2013.

As at 31 December 2012 no limits regarding terms of office existed.

3.3 INTERNAL ORGANISATIONAL STRUCTURE

3.3.1 Allocation of tasks within the Board of Directors

The Board of Directors exercises the powers conferred to it under Article 15 of the Articles of Association as a body. Tasks among Board Members are not specifically allocated.

The individual Board Members have the following special competencies: Mr. Günther Gose, as Chairman, contributes his finance and management expertise gained in financial services companies. Mr. Luciano Gabriel, as Delegate and Chief Executive Officer of PSP Swiss Property Group, contributes his real estate expertise and financing know-how. Mr. Gino Pfister concentrates on institutional and investor aspects. 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, Prof. Forstmoser in strategic and corporate-governance issues.

In addition to sitting on the Board of Directors of PSP Swiss Property Ltd, Mr. Luciano Gabriel is also a Member of the Board of Directors of all PSP subsidiaries.

CORPORATE GOVERNANCE

3.3.2 Committees of the Board of Directors

In view of its current size, the Board of Directors sees basically no necessity to delegate tasks to Board Committees. The Board of Directors ensures that it has sufficient time to deal with all major business issues at meetings of the entire Board.

The Board of Directors has an **Audit Committee** as well as a **Remuneration Committee** with all Board Members except Mr. Luciano Gabriel. Mr. Günther Gose is Chairman of both Committees.

The Remuneration Committee deals mainly – with decision-making power – with questions regarding the remuneration of the Board of Directors and the compensation of the Executive Board. The Audit Committee submits recommendations to the Board of Directors with regard to the approval of the annual, interim and quarterly financial statements as well as with regard to the relationship with the external auditors.

3.3.3 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 Delegate of the Board of Directors.

Discussions of the Remuneration Committee take place as required, discussions of the Audit Committee mainly in preparing the annual, interim and quarterly reports.

In the 2012 business year, four ordinary Board meetings and one extraordinary Board meeting took place, lasting five hours on average. The Audit Committee met five times, the Remuneration Committee once, with a meeting lasting one hour on average.

With regard to the participation of Members of the Executive Board at the meetings of the Board of Directors and its Committees, see section 3.5 on page 113.

3.4 DEFINITION OF THE AREAS OR 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 Delegate of the Board of Directors (simultaneously Chief Executive Officer), respectively the Executive Board, based on the provisions of Article 16 of the Articles of Association 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 itself, by the Delegate in consultation with the Chairman and by the Delegate on his own, respectively in consultation with the Members of the Executive Board.

The duties of the Delegate of the Board of Directors 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):

Article 5 The Delegate of the Board of Directors

„(5.2) The Delegate is Chairman of the Executive Board (Chief Executive Officer / CEO) 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 Delegate 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 Delegate in consultation with the Chairman or (iii) the Delegate 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 Delegate 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 Delegate 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 Delegate makes his decision and reports to the Board of Directors immediately.

(5.3.3) The Delegate makes sure that an effective auditing concept for the Company and the Group is in place.

(5.3.4) The Delegate 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 Delegate, 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 or the Delegate."*

3.5 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.

The Board of Directors is regularly and within the framework of the quarterly, interim and annual reporting requirements informed of key financial figures and any financial and operational risks to which PSP Swiss Property Group may be exposed (pages 42 to 46 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 on page 116).

4 EXECUTIVE BOARD

4.1 MEMBERS OF THE EXECUTIVE BOARD

Luciano Gabriel, 1953, CH, Wollerau, Dr. rer. pol., Chief Executive Officer (has held this position since 1 April 2007). See section 3.1 on page 109.

Giacomo Balzarini, 1968, IT, Wollerau, lic. oec. publ., MBA, Chief Financial Officer (has held this position since 1 April 2007). Mr. Balzarini joined PSP Swiss Property on 1 December 2006.

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).

CORPORATE GOVERNANCE

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.

As at 31 December 2012, Mr. Balzarini did not hold any directorships which are subject to disclosure other than the positions held at the PSP subsidiaries PSP Participations Ltd, PSP Finance Ltd, PSP Real Estate Ltd, PSP Properties Ltd, Immobiliengesellschaft Septima AG, SI 7 Place du Molard Ltd, PSP Management Ltd and PSP Group Services Ltd.

Ludwig Reinsperger, 1961, AT, Wollerau, Dr. tech., MBA, Chief Investment Officer (has held this position since 1 January 2006). Mr. Reinsperger joined PSP Swiss Property Group at the beginning of 2002. Until the end of 2005 he was mainly responsible for building up the real estate asset management.

Education: Mr. Reinsperger studied technical mathematics at the Technische Universität Graz where he graduated in 1992 with the title of Dr. tech. In 1994 he obtained an MBA from Indiana University in Bloomington (Ind., USA).

Professional activity: Mr. Reinsperger worked in credit risk management and risk-capital measurement at Union Bank of Switzerland in Zurich from mid-1994 to mid-1998. In mid-1998 he joined Zurich Financial Services, where he was responsible for various quantitative projects such as dynamic financial analysis in the corporate-finance department until the beginning of 2002.

As at 31 December 2012, Mr. Reinsperger did not hold any directorships which are subject to disclosure other than the positions held at the PSP subsidiaries PSP Participations Ltd, PSP Finance Ltd, PSP Real Estate Ltd, PSP Properties Ltd, Immobiliengesellschaft Septima AG, SI 7 Place du Molard Ltd, PSP Management Ltd and PSP Group Services Ltd.

4.2 MANAGEMENT CONTRACTS

There were no management contracts with companies outside the Group.

5 COMPENSATIONS, SHAREHOLDINGS AND LOANS

5.1 CONTENT AND DETERMINATION OF THE COMPENSATIONS

The Non-Executive Members of the Board of Directors receive a remuneration which is determined by the Remuneration Committee of the Board of Directors at its discretion; the last modification was made on 18 August 2008, effective from 1 January 2009. Accordingly, the Non-Executive Members of the Board of Directors receive an annual gross remuneration 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 Chairman of the Board of Directors receives an annual gross remuneration of CHF 160 000, irrespective of the number of meetings.

The Executive Member of the Board of Directors and the other Members of the Executive Board receive an annual remuneration consisting of a base salary and a bonus payment. For the purposes of the pension scheme, only the base salary is insured. The contributions made by the Company to the pension schemes of these beneficiaries are presented separately for the 2012 business year (see section 5.2, page 115).

The Remuneration Committee of the Board of Directors decides on the base salary and bonus payments for the Members of the Executive Board at its discretion. The last time such decisions were made and the corresponding addenda to the employment contracts were signed was on 18/19 respectively 24 November 2009, with effect from 1 December 2009. All the Members of the Board of Directors have access to the minutes of the Remuneration Committee.

The bonuses for the Members of the Executive Board shall serve the sustainable maximisation of net earnings per share (EPS) and the net asset value per share (NAV). The size of the real estate portfolio itself is consciously not taken into account for the determination of the bonus, because acquisitions are not a primary goal but a means to increase EPS. The individual bonus is calculated independently from the base salary and is based on the EPS of the respective business year (thereof 80% based on EPS excl. gains/losses on real estate investments and 20% based on EPS incl. gains/losses on real estate investments) as well as on an individual factor set forth in the employment contract. The absolute amount of EPS and its change are equally important factors. 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 bonus payment. Basically, the bonus is paid in cash (one half) and in shares with a blocking period of two years (one half). With regard to accounting, the accrual method is used; see the consolidated financial statements, note 28, pages 78 to 80.

The employment contracts with the Members of the Executive Board are terminable with 18 months notice (amendment as of 1 December 2009). In the case of a successful public takeover (a majority of more than 50% or the fact of a merger), an individual special bonus is stipulated in the contracts on the amount by which the share purchase price exceeds the minimum offer price according to SESTL (Switzerland's stock exchange law); for a CHF 1.00 price increase per share, the special bonus for the entire Executive Board is CHF 0.0183. This special bonus shall be paid in cash within 10 working days after the successful completion of the public takeover.

The Members of the Executive Board are not present at the meetings of the Remuneration Committee of the Board of Directors which are concerned with work contracts of the Executive Board and, in particular, the Members' remuneration. The Delegate of the Board of Directors may be present by special invitation of the Chairman, but only in an advisory capacity.

There is no stock option plan.

5.2 2012 BUSINESS YEAR

With regard to compensations, shareholdings and loans in the 2012 business year, see in the consolidated financial statements, note 28, pages 78 to 80.

6 SHAREHOLDERS' PARTICIPATION RIGHTS

6.1 VOTING-RIGHTS RESTRICTIONS AND REPRESENTATION

According to Article 12 of the Articles of Association, 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 11 of the Articles of Association.

6.2 QUORUMS STIPULATED BY THE ARTICLES OF ASSOCIATION

No quorum exceeding that prescribed by law is required under the Articles of Association in order to pass resolutions at General Meetings. According to Article 14 (1) of the Articles of Association, 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.

6.3 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 9 and 10 of the Articles of Association.

6.4 RECORD DATE FOR ENTRIES IN THE SHARE REGISTER

According to Article 11 (1) of the Articles of Association, 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.

CORPORATE GOVERNANCE

For further information, we refer to Article 7 of the Articles of Association applying to the entry of shareholders and usufructuaries of PSP shares in the share register.

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 22 respectively 32 SESTL.

7.2 CHANGE OF CONTROL CLAUSES

With the exception of the salary guarantees and special bonuses as disclosed in section 5.1 above, no change of control clauses have been agreed upon.

8 STATUTORY AUDITORS

8.1 DURATION OF THE MANDATE AND TERM OF OFFICE OF THE HEAD AUDITOR

PricewaterhouseCoopers AG, Zurich, assumed its existing auditing mandate in February 2000 (registered in the Commercial Register of the Canton of Zug on 4 February 2000). It was last re-elected as Statutory Auditors for the 2012 business year by the Annual General Meeting on 3 April 2012.

The Lead Engagement Partner responsible for the existing auditing mandate took up office with the 2011 business year; the maximum term of office is determined by Article 730a para. 2 CO.

The Board of Directors will propose to the Annual General Meeting on 9 April 2013 to re-elect PricewaterhouseCoopers AG as Statutory Auditors for the 2013 business year.

8.2 AUDITORS' FEES

The costs for auditing the 2012 financial statements and the consolidated financial statements 2012 as well as for reviewing the interim financial statements as per 30 June 2012 and the quarterly financial statements as per 31 March and 30 September 2012 amounted to CHF 0.65 million (previous year: CHF 0.67 million).

8.3 ADDITIONAL FEES

For the reporting period 2012, additional fees of CHF 0.08 million (previous year: CHF 0.01 million) were charged by PricewaterhouseCoopers AG for advice in the segment sustainability reporting as well as in VAT.

8.4 SUPERVISORY AND CONTROL INSTRUMENTS VIS-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; in 2012 this concerned four meetings of the Board of Directors and four meetings of the Audit Committee.

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.

As mentioned under section 3.5 on page 113, the Board of Directors and its Audit Committee may entrust the Statutory Auditors with special reviews, if required.

Each year, when deciding on its proposal to the Annual General Meeting regarding the re-election of the Statutory Auditors, the Board of Directors analyses the auditors' performance.

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 in compliance with Swiss law and the standards laid down by the SIX Swiss Exchange's Listing Rules.

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Additional information and all publications **(including, in particular, the 2012 annual report and the Articles of Association of the Company)** are available under www.psp.info, link Investors / Reports, respectively link Company / Corporate Governance. **The publications may also be requested at the above Investor Relations address.**

PROPERTY PORTRAIT
KRAMGASSE 49, BERN

The „Unterer Junker“ is a slim yet very deep building in the historic part of town. In this heritage-protected property, also known as „Einstein House“, Albert Einstein lived and worked from 1903 to 1905. In addition to a restaurant and three apartments, it now houses the Albert Einstein Museum. In 2011, when the building was renovated, particular attention was paid to maintaining its historical substance. The new „Einstein coffee bar & smoking lounge“ has been pre-priced by „Best of Swiss Gastro“ as best 2013 Swiss coffee bar.


EINSTEIN
TELLER
KLEIN 15.-
MITTEL 17.-
GROSS 19.-

SUSTAINABILITY REPORT

ECOLOGICAL SUSTAINABILITY

For years, PSP Swiss Property has been striving to keep the Company's ecological footprint as small as possible.

For PSP Swiss Property, ecological sustainability means taking environmental factors into account at all stages of business activity:

- In the purchase respectively construction of properties (acquisitions and constructions).
- In capital expenditures for renovations and improvements (conversions).
- In the property management activities.

Two staff members in real estate asset management and the construction services unit are responsible for the ecological sustainability (analysis, planning and control). Implementation is mainly in the hands of employees in property management and construction services, in close cooperation with facility management.

Purchase respectively construction of properties, capital expenditures for renovations and improvements: In addition to economic and legal aspects, properties to be acquired as well as new buildings and conversions are also evaluated with regard to their impact on the environment. In other words: sustainability criteria and energy efficiency are taken into account in the evaluation of potential purchases and in the planning of new buildings and conversions. In new constructions and conversions, PSP Swiss Property basically follows the Swiss „Minergie“ standard (Minergie is a protected trademark for new buildings and conversions). In special projects, other certifications may be applied (e.g. LEED – Leadership in Energy and Environmental Design; LEED is an internationally recognised certification system developed by the U.S. Green Building Council).

Within the framework of the overall development of the former brewery areas (new buildings and conversions) and in the other projects, we apply a comprehensive approach. This includes optimising the properties' energy efficiency, an optimal connection to public transport and the impact on the town quarter's specific social environment.

In inner cities it is not always possible to implement all the desired measures for better energy efficiency. Here, the preservation of historical monuments and, consequently, social sustainability may be more important. On the other hand, such properties are very well placed with regard to the induced motorised mobility due to their excellent connections to public transport.

Property management: Property management activities and the maintenance of our property portfolio impact the environment in various forms. PSP Swiss Property tries to minimise pollution particularly in the following areas:

- Energy consumption
- Water consumption
- CO_2-eq output

To this end, PSP Swiss Property made an initial published survey and analysis of these environmental areas (including 167 properties respectively 922 448 m^2 usable floor space) in the 2010 business year. In the reporting period, 162 properties with 929 821 m^2 usable floor space were analysed (2011: 166 properties with 911 514 m^2 usable floor space). For the remaining properties (the portfolio included 168 investment properties at the end of 2011 and 163 at the end of 2012), the figures were outstanding at year-end due to purchases, conversions etc.; these properties will be evaluated later. New buildings and conversions will be added to the analysis after their completion.

The major environmental key figures were as follows:

	2011		2012	
	ABSOLUTE	SPECIFIC FIGURE PER m^2	ABSOLUTE	SPECIFIC FIGURE PER m^2
Heating[1]	78.26 Mio. kWh	85.9[2] kWh	78.17 Mio. kWh	84.1 kWh
Electricity[3]	25.35 Mio. kWh	27.8 kWh	25.44 Mio. kWh	27.4 kWh
Water consumption[4]	524 326 m^3	0.6 m^3	520 684 m^3	0.56 m^3
CO_2-eq (heating and electricity)[5]	15 851 t	17.4 kg	18 212 t	19.6 kg

1 Energy for heating, hot water, ventilation (incl. increased demand by gastronomic use).

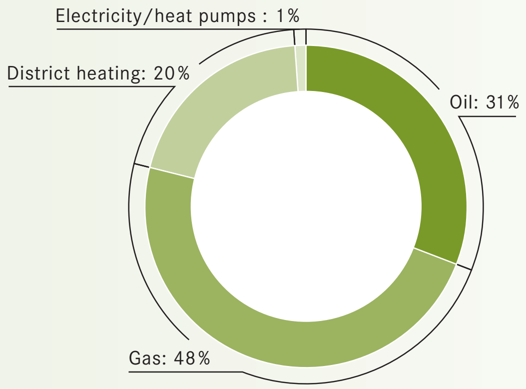
2 The data of 80.3 published in the 2011 Annual Report did not include the district heating form the Basel area. Consequently, the data has been adjusted accordingly.

3 Energy for general electrical use (incl. increased demand by air-conditioning, excl. direct energy use by tenants).

4 Overall water consumption (incl. increased consumption by gastronomic use).

5 In the calculation of the fuels' greenhouse gas emissions, only direct emissions were taken into account (scope 1), while for electricity and district heating all prior production stages were included (scope 2 and 3). The volumes of CO_2 output are now shown as CO_2 equivalents (CO_2-eq). With regard to the conversion factors for electricity, a more up-to-date electricity mix, which is more representative for Switzerland, was adapted. This means that for electricity we have to consider approximately four times more CO_2-eq emissions per energy unit. Applying the previous year's conversion factors, the specific CO_2-eq emission in 2012 would be around 16.8 kg per m^2, i.e. considerably less.

The following chart illustrates the energy sources for heating use for the 2012 business year:



In the previous year, the figures were as follows: 33% oil, 46% gas, 21% district heating.

Trend in environmental key figures: Compared to 2011, we were able to lower specific energy consumption due to a number of measures. While fewer objects were taken into account in 2012 than in the previous year because of sales, renovations and the construction of replacement buildings, the relevant rental area increased because a number of large properties were added (in particular Richtistrasse 9 and 11, Wallisellen). The fact that less energy was used for heating despite an overall rise in heated rental area is mainly due the Minergie standard of two new buildings as well as operational optimisations. Comparing 2011 to 2012 „like-for-like" and adjusted for heating degree days, the energy used for heating (absolute) reduced by 8.7% in 2012.

Renovations: In 2012 we continued with our proven strategy of going beyond the minimum with regard to energy efficiency in renovations: by means of effective, targeted measures we were again able to obtain significant energy savings. The following large-scale renovations, which we completed in the past business year, deserve special mention (the stated volumes are estimates of the expected savings):

SUSTAINABILITY REPORT

Efficient solutions in building engineering require an optimisation of measurement and control technology. A number of corresponding modernisation projects enabled us to reduce the overall demand for heating energy by a total of 370 000 kWh and the demand for electricity by 40 000 kWh annually in the following properties: Augustinergasse 25 in Zurich, Bahnhofstrasse 39 in Zurich, Rue du Grand Pré 54, 56 and 58 in Geneva, Grosspeterstrasse 18, 20 in Basel as well as Hochstrasse 16/Pfeffingerstrasse 5 in Basel.

By the first-time extensive use of LED in our portfolio, we were able to lower the electricity demand on Förrlibuckstrasse 10 in Zurich by 35 000 kWh annually. At the same time, this measure enhanced the property's reception area.

In the properties Brandschenkestrasse 152, 152a and 152b (conversion of the „Kesselhaus") in Zurich, 200 000 kWh of heating energy and 150 000 kWh of electricity will in future be saved annually by using ground water for heating and air conditioning.

On Route des Acacias 50/52 in Carouge and on Baslerstrasse 44 in Olten, a total of 550 000 kWh of heating energy will in future be saved annually due to facade renovations with correspondingly improved insulation values. In addition, CO_2-eq output was further reduced by switching from heating oil to gas.

These examples prove that our policy of ecological sustainability may, e.g. by means of targeted renovations, have positive results. It is not by chance that we always pay special attention to energy-improvement measures in our renovations. Operational improvements are made in properties which are not in need of immediate renovation but, nevertheless, have a deficit with regard to their environmental key figures.

Furthermore, the ongoing sensitising of our staff and tenants presumably also contributed to increased energy savings.

In addition, the properties are being integrated one by one into a central monitoring system. This allows us to optimise operations and ensures immediate reaction in the case of technical malfunctions.

In the future, we will continue to work out and implement measures to reduce energy and water consumption as well as CO_2-eq output. Thereby, the focus will be on technically optimal solutions in building engineering. We plan to periodically check and optimise all the properties, which are not converted in the regular renovation cycle, energy-wise, at least at an operational level.

In the past business year, the data quality was substantially improved by means of optimised collection and consolidation processes as well as the use of a corresponding collection software.

Waste: As landlord, PSP Swiss Property has no direct influence on the way its tenants deal with waste. We can only work towards reducing waste indirectly by offering the necessary infrastructure and by sensitising the tenants accordingly. Therefore, we have no key figures in this area.

External stakeholder communication: In the past business year, PSP Swiss Property again participated in a number of sustainability surveys, such as the „Carbon Disclosure Project (CDP)" or the „Global Real Estate Sustainability Benchmark (GRESB) Survey". Remarkably, we were able to reach 84 out of a possible 100 points in our first-ever CDP participation. Furthermore, PSP Swiss Property is in a continuing dialogue with various stakeholders (such as, e.g., investors, rating agencies and so on) with regard to ecological, economic and social sustainability.

ECONOMIC SUSTAINABILITY

It has always been PSP Swiss Property's goal to generate long-term added value for its shareholders and guarantee an attractive cash distribution (see section Dividend Policy on page 14). In this respect the following value drivers in our business model are relevant, which also relate to ecological and social sustainability:

- Disciplined implementation of our long-term oriented investment policy.
- Quality- and value-oriented portfolio optimisation through specific conversions of individual properties.
- Rigorous market orientation with an attractive portfolio of rental properties and active client care.
- Optimisation of administrative and property expenses as well as lowering the vacancy rate.
- Implementation of a long-term oriented and balanced financing policy.
- Strict cost management.

The real estate market rewards initiatives in the field of sustainability with higher rental and sales prices. Sustainability factors are also relevant in the valuation systems of real estate valuation companies. Consequently, it is important for us to take these aspects into account in our medium- and long-term property planning and to take measures to exploit value-enhancing potentials and to minimise valuation respectively depreciation risks.

Sustainability is also important for institutional investors. PSP Swiss Property has the same concerns – because it shares the same convictions, but also, for instance, to meet the high standards of those investment funds, which follow sustainability guidelines in their investment policy.

SOCIAL SUSTAINABILITY

The major stakeholders with regard to social sustainability are our employees, tenants respectively clients, suppliers as well as the public at large. PSP Swiss Property strives to achieve a balance between these various groups' needs and requirements. Eventually this also benefits the Company's competitiveness.

Employees: For PSP Swiss Property, keeping and further developing a strong corporate culture has a high priority. Working at our Company means benefiting from flat hierarchies, respect for all employees, performance and target-orientation, responsibility for one's own actions, a high degree of transparency and open communication. PSP Swiss Property wants to be the employer of choice for its employees and offer an interesting working environment. Furthermore, we promote our employees' professional and personal potential. And, since the 2010 business year, we again offer commercial apprenticeships. Through the financial support to our employees to use public transport, we make an additional contribution in the area of ecological sustainability.

Clients and suppliers: Reliability, fairness, quality and transparency in the business relationship on both sides form the basis for successful long-term collaboration. We want to be a solution-oriented partner for our tenants respectively clients, offering them competitive products and services (rental spaces and client care). This way, we also want to help our clients provide an optimal working environment. As a matter of course, PSP Swiss Property also wants good business relationships with its suppliers to reach the Company goals we strive for.

Public: Architecture is always in the public eye, particularly when historic buildings and newly built properties are concerned. With their spatial presence, these objects have an impact not only on their immediate environment and their tenants' daily life; they also affect the perception of their neighbours and passers-by. Consequently, PSP Swiss Property always strives for architectural quality in new buildings and conversions as well as substantial renovations; this approach should always result in an appreciation of the public space.

SUSTAINABILITY REPORT

INDEPENDENT ASSURANCE REPORT

TO THE MANAGEMENT OF PSP SWISS PROPERTY AG („PSP“)

We have performed assurance procedures to provide limited assurance on the sustainability reporting in PSP’s Annual Report 2012 (hereafter „subject matter“).

Subject matter

Data and information disclosed with the sustainability reporting of PSP for the reporting period from July 1, 2011 to June 30, 2012 include consideration of the following:

- The management and reporting processes to collect and aggregate the environmental key figures;
- The environmental key figures 2012 in the table on page 121 in the Annual Report 2012 as well as the related control environment in relation to data aggregation of these key figures.

Criteria

- Internal procedures on the reporting and consolidation of the environmental key figures of the subject matter.
- The ‘Sustainability Reporting Guidelines G3.1’ published in 2011 by the Global Reporting Initiative (GRI);

Responsibility and Methodology

The accuracy and completeness of sustainability related indicators are subject to inherent limitations given their nature and methods for determining, calculating and estimating such data. Our assurance report should therefore be read in connection with PSP’s internal guidelines, definitions and procedures on the reporting of its sustainability performance.

The management of PSP is responsible for both the subject matter and the criteria. This responsibility comprises also the design, implementation and maintenance of appropriate measures of the sustainability reporting.

Our responsibility is to provide a conclusion if any aspects have come to our attention that the content of the subject matter was not prepared with respect to the criteria, for the reporting year ended June 30, 2012. The selection of appropriate assurance procedures is in the responsibility of the assurance practitioner. We have provided the limited assurance engagement based on procedures in accordance with the International Standard on Assurance Engagements (ISAE) 3000.

Main Assurance Procedures

Our limited assurance procedures included the following work:

- **Interviews**
  Interviewing personnel responsible for the collection and reporting of the data in relation with the environmental key figures at the PSP’s offices in Geneva, Olten and Zurich;
- **Assessment of the key figures**
  Performing tests on a sample basis of evidence supporting the environmental key figures concerning completeness, accuracy, adequacy and consistency;
- **Review of the documentation and analysis of relevant policies and basic principles**
  Reviewing the relevant documentation on a sample basis, the management and reporting structures, and the documentation in relation with the sustainability reporting;
- **Assessment of the processes and data consolidation**
  Reviewing the appropriateness of the management and reporting processes for the environmental key figures of their sustainability reporting; and assessing the consolidation process of data at the group level.

Conclusions

While performing limited assurance procedures nothing has come to our attention that causes us to believe that

- the internal reporting system to collect the data for the environmental key figures is not functioning as designed and does not provide an appropriate basis for its disclosure; and
- the data and information mentioned in the subject matter does not present fairly, in all material respects PSP's sustainability performance.

PricewaterhouseCoopers AG

Dr. Marc Schmidli   Stefan Jonas Buol

Zurich, 21 February 2013

REAL ESTATE PORTFOLIO

KEY FINANCIAL FIGURES BY AREA

AREA	in CHF 1000, 31 December	NUMBER OF PROPERTIES	RENTAL INCOME	OPERATING EXPENSES	MAINTENANCE AND RENOVATION	NET RENTAL INCOME	IN % OF TOTAL	POTENTIAL RENT[1]	IN % OF TOTAL
ZURICH									
2012		86	174 278	12 481	7 986	153 812	66.7 %	191 139	63.1 %
2011		86	170 399	11 596	9 430	149 372	64.7 %	186 006	62.2 %
GENEVA									
2012		16	37 157	5 168	4 855	27 135	11.8 %	39 662	13.1 %
2011		16	38 116	5 316	2 466	30 334	13.1 %	39 150	13.1 %
BASEL									
2012		13	20 671	1 375	1 545	17 752	7.7 %	20 908	6.9 %
2011		13	19 890	1 321	1 728	16 840	7.3 %	20 701	6.9 %
BERN									
2012		12	10 304	1 137	518	8 648	3.8 %	13 143	4.3 %
2011		12	10 333	1 140	1 092	8 101	3.5 %	13 211	4.4 %
LAUSANNE									
2012		15	14 986	2 752	1 854	10 380	4.5 %	17 185	5.7 %
2011		15	14 728	2 457	790	11 481	5.0 %	16 718	5.6 %
OTHER LOCATIONS									
2012		21	16 487	1 449	1 826	13 213	5.7 %	18 685	6.2 %
2011		26	15 768	1 564	1 955	12 250	5.3 %	19 735	6.6 %
SITES AND DEVELOPMENT PROPERTIES									
2012		9	539	598	413	– 473	– 0.2 %	2 199	0.7 %
2011		9	3 018	605	71	2 343	1.0 %	3 312	1.1 %
OVERALL TOTAL PORTFOLIO									
2012		**172**	**274 423**	**24 960**	**18 997**	**230 466**	**100.0 %**	**302 920**	**100.0 %**
2011		**177**	**272 253**	**23 999**	**17 532**	**230 722**	**100.0 %**	**298 834**	**100.0 %**

1 Annualised rental income (market rent for vacant area).
2 According to the external property appraiser.
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.

	MARKET RENT[2]	IN % OF TOTAL	NET CHANGES IN FAIR VALUE[3]	VALUE OF PROPER-TIES	IN % OF TOTAL	IMPLIED YIELD GROSS[4]	IMPLIED YIELD NET[5]	VACANCY IN CHF[6]	VACANCY RATE (CHF)[6,7]	VACANCY IN m^2	VACANCY RATE (m^2)
	205 105	63.6 %	131 864	3 945 969	62.8 %	4.5 %	4.0 %	15 090	7.9 %	60 630	10.7 %
	196 657	62.9 %	223 976	3 708 336	62.2 %	4.7 %	4.1 %	16 002	8.6 %	60 638	11.0 %
	44 308	13.7 %	39 451	845 590	13.5 %	4.5 %	3.3 %	3 258	8.2 %	8 107	9.2 %
	43 761	14.0 %	41 571	795 653	13.4 %	4.9 %	3.9 %	1 158	3.0 %	2 545	2.9 %
	20 926	6.5 %	25 161	376 246	6.0 %	5.7 %	4.9 %	279	1.3 %	1 024	1.3 %
	20 524	6.6 %	13 275	349 428	5.9 %	5.8 %	4.9 %	501	2.4 %	2 128	2.7 %
	13 853	4.3 %	14 299	222 088	3.5 %	4.8 %	4.1 %	334	2.5 %	1 707	4.0 %
	13 730	4.4 %	9 091	202 787	3.4 %	5.3 %	4.2 %	1 838	13.9 %	6 824	15.9 %
	19 417	6.0 %	26 365	292 153	4.7 %	5.4 %	3.7 %	2 418	14.1 %	14 919	19.0 %
	18 470	5.9 %	23 604	262 166	4.4 %	5.9 %	4.6 %	1 713	10.2 %	11 539	14.9 %
	18 732	5.8 %	2 856	286 051	4.6 %	5.7 %	4.6 %	2 745	14.7 %	10 014	12.3 %
	19 686	6.3 %	8 770	293 221	4.9 %	5.5 %	4.3 %	3 178	16.1 %	12 683	14.7 %
	n.a.	n.a.	26 856	314 430	5.0 %	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	n.a.	n.a.	4 781	346 879	5.8 %	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	322 341	**100.0 %**	**266 851**	**6 282 527**	**100.0 %**	**4.7 %**	**3.9 %**	**24 123**	**8.0 %**	**96 401**	**10.3 %**
	312 829	**100.0 %**	**325 068**	**5 958 470**	**100.0 %**	**4.9 %**	**4.2 %**	**24 388**	**8.3 %**	**96 357**	**10.4 %**

REAL ESTATE PORTFOLIO

PROPERTY DETAILS

LOCATION, ADDRESS 31 December 2012	LAND AREA m²	OFFICE AREA m²	RETAIL AREA m²	GASTRONOMY AREA m²	OTHER AREA m²	TOTAL RENTABLE AREA m²
ZURICH AREA						
Kilchberg, Seestr. 40, 42	3 401	2 234	0	0	806	3 040
Rüschlikon, Moosstr. 2	6 798	5 228	0	0	3 914	9 142
Urdorf, Heinrich-Stutzstr. 27/29	30 671	42 167	0	163	3 228	45 558
Wallisellen, Handelszentrum	4 131	3 911	0	0	432	4 343
Wallisellen, Richtistr. 3	5 578	7 357	0	0	0	7 357
Wallisellen, Richtistr. 5	5 197	6 213	0	0	816	7 029
Wallisellen, Richtistr. 7	4 582	8 694	0	0	549	9 243
Wallisellen, Richtistr. 9	4 080	5 245	0	624	134	6 003
Wallisellen, Richtistr. 11	4 988	6 753	0	0	606	7 359
Zürich, Albulastr. 57	1 266	2 058	0	0	661	2 719
Zürich, Alfred Escherstr. 17	275	996	0	0	0	996
Zürich, Altstetterstr. 124/Herrligstr. 21	3 782	9 637	0	330	1 950	11 917
Zürich, Augustinergasse 25	236	277	0	314	123	714
Zürich, Bahnhofplatz 1	442	1 794	283	0	0	2 077
Zürich, Bahnhofplatz 2	572	1 435	0	663	685	2 783
Zürich, Bahnhofplatz 9	998	2 435	795	1 402	0	4 632
Zürich, Bahnhofquai 9, 11, 15	1 000	3 818	0	313	172	4 303
Zürich, Bahnhofstr. 28a/Waaggasse 6	763	2 390	160	419	262	3 231
Zürich, Bahnhofstr. 39	1 093	1 924	1 680	0	0	3 604
Zürich, Bahnhofstr. 66	627	0	4 516	0	0	4 516
Zürich, Bahnhofstr. 81/Schweizergasse 2/4	355	714	1 338	0	300	2 352
Zürich, Bernerstr. Süd 167/169	3 967	10 192	0	0	1 646	11 838
Zürich, Binzring 15/17	33 878	36 545	0	0	4 643	41 188
Zürich, Bleicherweg 10/Schanzengraben 7	1 155	4 636	213	0	0	4 849
Zürich, Bleicherweg 14	398	530	0	0	0	530
Zürich, Börsenstr. 18	344	1 036	487	0	0	1 523
Zürich, Brandschenkestr. 70 (KH)	298	0	0	0	0	0
Zürich, Brandschenkestr. 72 (KG)	247	0	0	0	0	0
Zürich, Brandschenkestr. 80, 82, 84 (Tertianum)	7 384	0	0	0	13 072	13 072
Zürich, Brandschenkestr. 90 (DL1)	12 770	11 672	0	0	0	11 672
Zürich, Brandschenkestr. 100 (DL2)	5 139	8 593	0	0	1 176	9 769
Zürich, Brandschenkestr. 110 (DL3)	5 860	15 979	0	0	0	15 979
Zürich, Brandschenkestr. 130/132 (Markt)	3 605	966	972	629	0	2 567
Zürich, Brandschenkestr. 150 (Markt)	3 693	3 443	1 343	0	169	4 955
Zürich, Brandschenkestr. 152 (Sudhaus)	5 194	0	0	3 802	4 943	8 745
Zürich, Brandschenkestr. 152a (DL4)[6]	583	2 441	0	0	0	2 441
Zürich, Dufourstr. 56	900	2 587	292	0	0	2 879
Zürich, Flüelastr. 7	1 296	2 561	433	0	330	3 324
Zürich, Förrlibuckstr. 10	4 122	7 520	0	0	644	8 164
Zürich, Förrlibuckstr. 60/62	10 382	14 644	0	877	8 551	24 072
Zürich, Förrlibuckstr. 66	2 055	4 696	0	0	2 431	7 127
Zürich, Förrlibuckstr. 110	2 963	9 518	360	410	1 510	11 798
Zürich, Förrlibuckstr. 151 (Parkhaus)	3 495	0	0	1 737	91	1 828

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]	OWNERSHIP STATUS[5]	OWNERSHIP PERCEN-TAGE
33	6.5 %	5.1 %	1966	2001	01.10.1999	PR	SO	100.0 %
121	16.2 %	4.5 %	1969|89	2010	01.06.2002	PR	SO	100.0 %
210	0.0 %	4.4 %	1976	2002|03|10|13	01.07.2004	PR	SO	100.0 %
90	10.8 %	3.9 %	1992	2010	01.10.1999	PR	CO	23.7 %
137	0.0 %	5.2 %	2000|01	2011	01.11.2001	PR	SO	100.0 %
126	38.0 %	3.1 %	2003	2011	01.04.2003	PR	SO	100.0 %
156	0.1 %	5.2 %	2003	2011	01.04.2003	PR	SO	100.0 %
105	0.6 %	3.6 %	2010		13.06.2008	PR	SO	100.0 %
123	34.9 %	3.7 %	2010		13.06.2008	PR	SO	100.0 %
51	32.1 %	1.8 %	1986	2005	31.12.2000	PR	SO	100.0 %
0	0.0 %	4.5 %	1907	2000	01.10.1999	PR	SO	100.0 %
124	2.2 %	5.0 %	1974|75	1997|2011	01.10.1999	PR	SO	100.0 %
1	0.0 %	3.6 %	1850	1994|2000|04	01.04.2004	PP	SO	100.0 %
2	0.0 %	4.2 %	1894	1990|2009	01.04.2004	PP	SO	100.0 %
0	0.0 %	3.8 %	1895	1985|89|2009	01.04.2004	PP	SO	100.0 %
1	0.0 %	3.2 %	1933	2003|04	01.04.2004	PP	SO	100.0 %
4	0.0 %	4.5 %	1894|99	1994|95	01.01.2004	PP	SO	100.0 %
0	0.0 %	3.5 %	1812	2005|10	01.04.2004	PP	SO	100.0 %
7	0.0 %	2.4 %	1911	1984|2003|13	01.01.2000	PR	SO	100.0 %
0	0.0 %	2.8 %	1967	1995	01.07.2005	PP	SO	100.0 %
0	9.2 %	2.5 %	1931	2001	01.04.2004	PP	SO	100.0 %
144	45.8 %	2.0 %	1974	1992|2006	01.10.1999	PR	SO	100.0 %
140	0.0 %	5.7 %	1992		01.04.2001	PR	SO	100.0 %
16	0.0 %	4.2 %	1930|76	1985|2006|09	01.10.1999	PR	SO	100.0 %
7	0.0 %	4.3 %	1857	1998|99	01.07.2005	PP	SO	100.0 %
0	0.0 %	3.7 %	1885	1984	01.10.1999	PR	SO	100.0 %
0	n.a.	0.0 %	1921	2003	01.04.2004	PP	FA	15.4 %
0	n.a.	0.0 %	2003		01.04.2004	PP	FA	10.8 %
56	0.0 %	4.7 %	2005		01.04.2004	PP	SO	100.0 %
272	0.0 %	4.3 %	2003		01.04.2004	PP	SO	100.0 %
0	0.0 %	4.6 %	2003		01.04.2004	PP	SO	100.0 %
0	0.0 %	3.8 %	2007		01.04.2004	PP	SO	100.0 %
0	0.0 %	4.1 %	1877|82	2004	01.04.2004	PP	SO	100.0 %
0	5.0 %	3.7 %	1882	2004	01.04.2004	PP	SO	100.0 %
0	0.5 %	3.1 %	1913	2012	01.04.2004	PP	SO	100.0 %
0	0.0 %	5.9 %	2008		01.04.2004	PP	SO	100.0 %
12	0.0 %	4.4 %	1950	1997|2006	01.10.1999	PR	SO	100.0 %
65	27.3 %	4.1 %	1982	2007	01.10.1999	PR	SO	100.0 %
85	22.1 %	4.2 %	1963	2002	29.06.2001	PR	SO	100.0 %
312	8.1 %	4.7 %	1989		01.04.2001	PR	SO	100.0 %
81	10.2 %	5.8 %	1969	1992|2003|04	01.12.2002	PR	SO	100.0 %
64	27.6 %	3.7 %	1962	2000	01.12.2002	PR	SO	100.0 %
1 137	0.7 %	4.0 %	1975	2000	01.12.2002	PR	SO	100.0 %

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

6 Own-used property.

7 See details on pages 138 to 139.

8 Purchase during reporting period.

9 Current development projects designed for sale.

10 Current development projects partially designed for sale.

REAL ESTATE PORTFOLIO

PROPERTY DETAILS

LOCATION, ADDRESS 31 December 2012	LAND AREA m²	OFFICE AREA m²	RETAIL AREA m²	GAS-TRONOMY AREA m²	OTHER AREA m²	TOTAL RENTABLE AREA m²
ZURICH AREA (CONTINUATION)						
Zürich, Förrlibuckstr. 178/180	3 564	8 453	0	1 080	1 356	10 889
Zürich, Förrlibuckstr. 181	1 789	4 785	0	0	273	5 058
Zürich, Freieckgasse 7	295	285	89	207	224	805
Zürich, Füsslistr. 6	907	1 245	995	71	673	2 984
Zürich, Gartenstr. 32	694	1 714	0	0	0	1 714
Zürich, Genferstr. 23	343	1 016	0	0	0	1 016
Zürich, Gerbergasse 5	606	1 770	795	0	89	2 654
Zürich, Goethestr. 24	842	0	0	279	661	940
Zürich, Gutenbergstr. 1/9	1 488	7 494	856	0	720	9 070
Zürich, Hardturmstr. 131, 133, 135	6 236	16 419	1 147	0	7 030	24 596
Zürich, Hardturmstr. 161/Förrlibuckstr. 150	8 225	30 136	937	131	6 420	37 624
Zürich, Hardturmstr. 169, 171, 173, 175	5 189	10 485	691	86	8 030	19 292
Zürich, Hardturmstr. 181, 183, 185	6 993	18 309	0	0	1 788	20 097
Zürich, Hottingerstr. 10 – 12	1 922	3 741	0	0	605	4 346
Zürich, In Gassen 16	331	0	0	488	610	1 098
Zürich, Konradstr. 1/Zollstr. 6	686	265	166	190	2 249	2 870
Zürich, Kurvenstr. 17/Beckenhofstr. 26	657	1 581	0	0	166	1 747
Zürich, Limmatquai 4	529	2 282	158	216	91	2 747
Zürich, Limmatquai 144/Zähringerstr. 51	429	1 476	0	228	341	2 045
Zürich, Limmatstr. 291	973	2 906	0	0	154	3 060
Zürich, Lintheschergasse 23	135	359	0	80	186	625
Zürich, Löwenstr. 16	206	652	0	141	118	911
Zürich, Löwenstr. 22	250	642	198	0	114	954
Zürich, Mühlebachstr. 6	622	621	0	0	0	621
Zürich, Mühlebachstr. 32	536	1 909	0	0	266	2 175
Zürich, Obstgartenstr. 7	842	1 876	0	0	0	1 876
Zürich, Poststr. 3	390	798	710	0	178	1 686
Zürich, Schaffhauserstr. 611	2 561	2 812	600	0	176	3 588
Zürich, Seebahnstr. 89	2 455	2 961	753	0	1 156	4 870
Zürich, Seefeldstr. 5	498	608	0	307	294	1 209
Zürich, Seefeldstr. 123	2 580	6 473	1 653	0	250	8 376
Zürich, Seestr. 353	3 593	6 830	0	0	1 029	7 859
Zürich, Sihlamtsstr. 5	354	450	0	140	359	949
Zürich, Splügenstr. 6	430	1 052	0	0	52	1 104
Zürich, Stampfenbachstr. 48/Sumatrastr. 11	1 589	4 279	260	0	403	4 942
Zürich, Stauffacherstr. 31	400	534	0	210	863	1 607
Zürich, Theaterstr. 12	1 506	2 244	4 323	0	40	6 607
Zürich, Uraniastr. 9	989	3 291	315	909	654	5 169
Zürich, Waisenhausstr. 2/4, Bahnhofquai 7	1 365	5 319	1 102	491	126	7 038
Zürich, Walchestr. 11, 15/Neumühlequai 26, 28	1 074	2 973	676	102	321	4 072
Zürich, Wasserwerkstr. 10/12	1 760	6 852	0	0	1 106	7 958
Zürich, Zurlindenstr. 134	487	1 235	133	0	165	1 533
Zürich, Zweierstr. 129	597	1 810	260	0	780	2 850
Total	**258 480**	**423 781**	**29 689**	**17 039**	**93 960**	**564 469**

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]	OWNERSHIP STATUS[5]	OWNERSHIP PERCEN-TAGE
101	22.4 %	4.4 %	1988		01.12.2002	PR	SO	100.0 %
32	0.0 %	5.3 %	2002		01.12.2002	PR	SO	100.0 %
0	0.0 %	2.6 %	1700	1992 | 2012	01.04.2004	PP	SO	100.0 %
3	0.3 %	3.1 %	1925	1998 | 2005	01.04.2001	PR	SO	100.0 %
21	0.0 %	4.5 %	1967	1986 | 2005	01.07.2005	PP	SO	100.0 %
0	0.0 %	5.1 %	1895	1998	01.10.1999	PR	SO	100.0 %
3	17.0 %	3.3 %	1904	1993 | 2010 | 12	27.05.2004	PP	SO	100.0 %
0	0.0 %	4.0 %	1874		01.04.2004	PP	SO	100.0 %
14	1.3 %	4.5 %	1969	1986 | 2008	31.12.2004	PR	SO	100.0 %
41	27.5 %	3.4 %	1982	2008	01.12.2002	PR	SO	100.0 %
88	14.7 %	4.8 %	1975	1999	01.12.2002	PR	SO	100.0 %
44	7.2 %	5.3 %	1952	1997 | 2006	01.12.2002	PR	SO	100.0 %
193	35.5 %	3.7 %	1989		01.12.2002	PR	SO	100.0 %
18	1.6 %	4.3 %	1914 | 40	1994	01.04.2001	PR	SO	100.0 %
0	0.0 %	3.7 %	1812	1984 | 2007	01.04.2004	PP	SO	100.0 %
7	0.7 %	3.7 %	1879 | 1982	1990	01.04.2004	PP	SO	100.0 %
35	0.9 %	2.0 %	1971	1999 | 2006 | 07 | 12	01.10.1999	PR	SO	100.0 %
0	0.0 %	3.7 %	1837	2000	01.01.2000	PR	SO	100.0 %
0	0.0 %	4.0 %	1888	1994	01.04.2004	PP	SO	100.0 %
7	0.0%	4.7 %	1985		01.04.2001	PR	SO	100.0 %
3	3.2 %	3.5 %	1879	2001	01.04.2004	PP	SO	100.0 %
1	9.3 %	4.0 %	1883		01.04.2004	PP	SO	100.0 %
4	2.7 %	4.0 %	1964	2003 | 07 | 11	31.12.2000	PR	SO	100.0 %
7	0.0 %	4.8 %	1975	1993	01.10.1999	PR	FA	29.8 %
21	0.0 %	4.5 %	1981	1999 | 2007	01.10.1999	PR	SO	100.0 %
16	0.0 %	4.4 %	1958	1981 | 2002	01.10.1999	PR	SO	100.0 %
0	0.0 %	3.5 %	1893	1999	01.10.1999	PR	SO	100.0 %
61	18.3 %	4.4 %	2001 | 02		01.07.2005	PP	SO	100.0%
76	4.7 %	4.6 %	1959	2003 | 08	01.04.2001	PR	SO	100.0 %
0	0.0 %	4.1 %	1840	2000	01.04.2004	PP	SO	100.0 %
90	1.1 %	4.6 %	1972	2004	01.10.1999	PR	SO	100.0 %
125	99.8 %	1.5 %	1981 | 2001	2010	01.04.2010	PR	SO	100.0 %
0	0.0 %	4.3 %	1950	2005	01.04.2004	PP	SO	100.0 %
8	42.3 %	0.9 %	1896	1998 | 2011	01.10.1999	PR	SO	100.0 %
35	1.1 %	3.5 %	1929	1999 | 2001 | 07	01.10.1999	PR	SO	100.0 %
4	0.0 %	4.3 %	1896	2000	01.04.2004	PP	SO	100.0 %
2	0.0 %	3.4 %	1973	1993 | 2004 | 07	01.10.1999	PR	SO	100.0 %
2	0.0 %	4.1 %	1906	1992 | 2002	01.04.2004	PP	SO	100.0 %
0	0.0 %	4.5 %	1913	1985	01.04.2004	PP	SO	100.0 %
6	0.0 %	4.3 %	1919	2000 | 08 | 09	01.10.1999	PR	SO	100.0 %
125	5.2 %	4.4 %	1981	2006	01.04.2004	PP	SO	100.0 %
18	4.4 %	4.7 %	1972 | 73	2006	01.10.1999	PR	SO	100.0 %
7	7.9 %	4.9 %	1958	2003	01.10.1999	PR	SO	100.0 %
4 900	**7.9 %**	**4.0 %**						

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

6 Own-used property.

7 See details on pages 138 to 139.

8 Purchase during reporting period.

9 Current development projects designed for sale.

10 Current development projects partially designed for sale.

REAL ESTATE PORTFOLIO

PROPERTY DETAILS

LOCATION, ADDRESS 31 December 2012	LAND AREA m²	OFFICE AREA m²	RETAIL AREA m²	GAS-TRONOMY AREA m²	OTHER AREA m²	TOTAL RENTABLE AREA m²
GENEVA AREA						
Carouge GE, Route des Acacias 50/52	4 666	9 120	0	0	369	9 489
Carouge GE, Rue de la Gabelle 6	990	1 017	0	0	0	1 017
Genève, Cours de Rive 13, 15/Helv. 25	882	4 463	1 164	0	23	5 650
Genève, Place du Molard 7	593	2 145	0	843	395	3 383
Genève, Rue de Berne 6	926	3 372	0	0	488	3 860
Genève, Rue de la Corraterie 24/26	1 005	1 664	591	0	160	2 415
Genève, Rue de la Fontaine 5	226	1 056	175	0	78	1 309
Genève, Rue des Bains 31bis 33, 35	3 368	11 180	875	0	2	12 057
Genève, Rue du Grand-Pré 54, 56, 58	2 864	5 763	0	0	470	6 233
Genève, Rue du Marché 40	798	3 085	2 184	0	81	5 350
Genève, Rue du Mont-Blanc 12	258	1 468	174	0	0	1 642
Genève, Rue du Prince 9/11	276	2 846	798	0	419	4 063
Genève, Rue du XXXI-Décembre 8	1 062	2 320	364	134	948	3 766
Genève, Rue F. Bonivard 12/Rue des Alpes 11	392	1 912	269	0	80	2 261
Genève, Rue Richard-Wagner 6	6 634	9 975	0	0	0	9 975
Petit-Lancy, Av. des Morgines 8/10	7 816	14 458	0	0	1 337	15 795
Total	**32 756**	**75 844**	**6 594**	**977**	**4 850**	**88 265**
BASEL AREA						
Basel, Barfüsserplatz 10	3 655	336	0	530	311	1 177
Basel, Dornacherstr. 210	4 994	7 748	4 440	0	1 311	13 499
Basel, Falknerstr. 31/Weisse Gasse 16	320	133	0	344	724	1 201
Basel, Freie Str. 38	299	1 058	242	0	56	1 356
Basel, Greifengasse 21	416	199	253	316	1 010	1 778
Basel, Grosspeterstr. 18, 20	8 062	12 794	0	0	726	13 520
Basel, Hochstr. 16/Pfeffingerstr. 5	7 018	15 220	0	0	0	15 220
Basel, Kirschgartenstr. 12/14	1 376	4 740	842	137	702	6 421
Basel, Marktgasse 4	272	363	373	0	323	1 059
Basel, Marktgasse 5	330	927	273	0	102	1 302
Basel, Marktplatz 30/30A	560	2 065	0	431	298	2 794
Basel, St. Alban-Anlage 46	1 197	3 279	0	194	345	3 818
Basel, Steinentorberg 8/12	2 845	7 058	0	281	7 353	14 692
Total	**31 344**	**55 920**	**6 423**	**2 233**	**13 261**	**77 837**

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
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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]	OWNERSHIP STATUS[5]	OWNERSHIP PERCEN-TAGE
178	42.0 %	2.2 %	1965	2006 | 10 | 13	31.12.2000	PR	SO	100.0 %
5	0.0 %	4.4 %	1987		01.01.2000	PR	SO	100.0 %
64	0.2 %	3.6 %	1981		01.10.1999	PR	SO	100.0 %
0	0.0 %	3.1 %	1975	2005 | 06	01.04.2004	SI	SO	100.0 %
0	0.5 %	4.4 %	1895	1999	01.04.2001	PR	SO	100.0 %
6	0.0 %	– 2.0 %	1825	1996	01.10.1999	PR	SO	100.0 %
0	0.0 %	3.0 %	1920	2000 | 01	01.10.1999	PR	SO	100.0 %
255	0.0 %	4.3 %	1994		01.07.2002	PR	SO	100.0 %
49	31.9 %	4.1 %	1984	1992 | 2007	01.12.2005	PR	SO	100.0 %
0	5.4 %	2.9 %	1972	2006	01.07.2002	PR	SO	100.0 %
0	1.5 %	4.1 %	1860	2000	01.10.1999	PR	SO	100.0 %
4	0.0 %	3.3 %	1966	2000 | 01 | 06	01.01.2000	PR	SO	100.0 %
0	0.0 %	3.9 %	1962	1992 | 2001 | 11	01.10.1999	PR	SO	100.0 %
0	20.9 %	– 2.7 %	1852	1995 | 2013	01.10.1999	PR	SO	100.0 %
69	0.0 %	3.9 %	1986		01.07.2004	PR	SO	100.0 %
186	3.6 %	5.2 %	2002 | 04		01.02.2004	PR	SO	100.0 %
816	**8.2 %**	**3.3 %**						
0	9.6 %	3.2 %	1914	1997 | 2006 | 11	01.04.2004	PP	SO	100.0 %
5	0.9 %	5.4 %	1969	1998 | 2004 | 06	31.12.2000	PR	SO	100.0 %
0	0.0 %	0.8 %	1902	1998 | 2005 | 08 | 12	01.04.2004	PP	SO	100.0 %
0	0.0 %	3.6 %	1896	1981 | 82 | 2005	01.07.2005	PP	SO	100.0 %
0	0.0 %	4.5 %	1930	1984 | 98	01.04.2004	PP	SO	100.0 %
239	1.8 %	6.5 %	1988		01.12.2005	PR	SO	100.0 %
227	0.0 %	5.1 %	1986	2000	01.01.2001	PR	SO	100.0 %
89	6.7 %	5.0 %	1978	2003 | 05 | 10	01.01.2000	PR	SO	100.0 %
0	0.0 %	4.8 %	1910	2002 | 08	01.04.2004	PP	SO	100.0 %
0	0.0 %	5.4 %	1924	1975 | 2002 | 05	01.10.1999	PR	SO	100.0 %
0	0.0 %	4.5 %	1936	2001 | 06	01.04.2004	PP	SO	100.0 %
53	0.0 %	4.2 %	1968	2000 | 11	01.10.1999	PR	SO	100.0 %
69	0.2 %	5.1 %	1991		01.12.2001	PR	SO	100.0 %
682	**1.3 %**	**4.9 %**						

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

6 Own-used property.

7 See details on pages 138 to 139.

8 Purchase during reporting period.

9 Current development projects designed for sale.

10 Current development projects partially designed for sale.

REAL ESTATE PORTFOLIO
PROPERTY DETAILS

LOCATION, ADDRESS 31 December 2012	LAND AREA m²	OFFICE AREA m²	RETAIL AREA m²	GAS-TRONOMY AREA m²	OTHER AREA m²	TOTAL RENTABLE AREA m²
BERN AREA						
Bern, Bollwerk 15	403	1 215	433	119	160	1 927
Bern, Eigerstr. 2	3 342	4 516	112	0	48	4 676
Bern, Genfergasse 4	325	949	0	544	291	1 784
Bern, Haslerstr. 30/Effingerstr. 47	2 585	6 057	0	0	878	6 935
Bern, Kramgasse 49	235	50	173	260	309	792
Bern, Kramgasse 78	241	178	517	0	325	1 020
Bern, Laupenstr. 10	969	1 697	0	569	178	2 444
Bern, Laupenstr. 18/18a	5 436	6 856	1 255	171	1 080	9 362
Bern, Seilerstr. 8	1 049	3 658	386	0	590	4 634
Bern, Spitalgasse 9	0	829	1 405	0	111	2 345
Bern, Waisenhausplatz 14	826	1 197	2 041	0	108	3 346
Bern, Zeughausgasse 26/28	629	704	395	1 755	622	3 476
Total	**16 040**	**27 906**	**6 717**	**3 418**	**4 700**	**42 741**
LAUSANNE AREA						
Lausanne, Av. de Cour 135	1 800	2 258	0	263	365	2 886
Lausanne, Avenue de Sévelin 40	3 060	1 698	0	0	5 652	7 350
Lausanne, Avenue de Sévelin 46	3 320	8 125	0	754	6 218	15 097
Lausanne, Avenue de Sévelin 54	1 288	544	0	0	2 489	3 033
Lausanne, Ch. du Rionzi 52, Depot	0	0	0	0	6 092	6 092
Lausanne, Chemin de Bossons 2	1 930	2 094	0	0	125	2 219
Lausanne, Grand Pont 1	371	0	919	0	0	919
Lausanne, Place Saint-François 5	1 070	2 322	1 636	1 561	368	5 887
Lausanne, Place Saint-François 15	5 337	8 713	1 616	0	41	10 370
Lausanne, Rue Centrale 15	486	1 571	538	0	224	2 333
Lausanne, Rue de Sébeillon 1, 3, 5	2 870	7 942	0	0	4 493	12 435
Lausanne, Rue de Sébeillon 2	5 955	747	0	0	196	943
Lausanne, Rue du Grand-Chêne 2	555	1 754	376	0	0	2 130
Lausanne, Rue du Pont 22	465	820	776	368	351	2 315
Lausanne, Rue Saint-Martin 7	2 087	2 852	312	755	637	4 556
Total	**30 594**	**41 440**	**6 173**	**3 701**	**27 251**	**78 565**
OTHER LOCATIONS						
Aarau, Bahnhofstr. 18	496	1 237	734	0	108	2 079
Aarau, Bahnhofstr. 29/33	1 375	2 132	1 602	0	591	4 325
Aarau, Igelweid 1	356	296	112	0	184	592
Aigle, Route Industrielle 20, Depot	11 955	0	0	0	2 213	2 213
Biel/Bienne, Aarbergstr. 94	4 928	6 814	3 421	0	2 811	13 046
Biel/Bienne, Aarbergstr. 107	5 352	14 263	514	0	3 516	18 293
Fribourg, Av. de Beauregard 1	1 657	3 119	0	0	127	3 246
Fribourg, Route des Arsenaux 41	4 310	8 696	337	509	1 205	10 747
Fribourg, Rue de la Banque 4/Rte d. Alpes	269	881	540	0	108	1 529
Gwatt (Thun), Eisenbahnstr. 95	14 291	0	0	0	8 769	8 769

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]	OWNERSHIP STATUS[5]	OWNERSHIP PERCEN-TAGE
0	0.0 %	4.4 %	1924	2002	01.10.1999	PR	SO	100.0 %
115	0.0 %	4.9 %	1964	1999 | 2005 | 11	01.10.1999	PR	SO	100.0 %
0	0.0 %	4.3 %	1899	1984 | 2005 | 06	01.04.2004	IS	SO	100.0 %
6	0.0 %	5.9 %	1964 | 76	1992 | 95 | 2006 | 09	01.12.2005	PR	SO	100.0 %
0	0.0 %	2.5 %	1900	2011 | 13	01.04.2004	IS	SO	100.0 %
0	14.9 %	3.9 %	before 1900	1991 | 92	01.07.2005	PP	SO	100.0 %
9	23.6 %	2.9 %	1965	1997 | 2004 | 11	01.07.2004	PR	SO	100.0 %
7	3.0 %	1.5 %	1935 | 60	1997 | 08 | 10 | 11 | 12	01.07.2004	PR	SO	100.0 %
75	0.0 %	5.6 %	1971	2001	01.10.1999	PR	SO	100.0 %
0	0.0 %	10.2 %	before 1900	2001 | 06	01.07.2005	PP	BL	100.0 %
0	0.0 %	3.5 %	1950	2001	01.10.1999	PR	SO	100.0 %
0	0.0 %	5.4 %	1900	1999	01.04.2004	IS	SO+BL	100.0 %
212	**2.5 %**	**4.1 %**						
23	0.4 %	5.3 %	1973	2001 | 04 | 05	01.10.1999	PR	SO	100.0 %
139	28.2 %	5.5 %	1992		01.12.2005	PR	SO	100.0 %
4	6.8 %	6.2 %	1994		01.12.2005	PR	SO	100.0 %
0	0.0 %	7.5 %	1932	1990 | 2002	01.12.2005	PR	SO	100.0 %
14	100.0 %	– 7.1 %	1971	1996	01.04.2004	IS	BL	100.0 %
8	0.0 %	6.3 %	1971	1998	01.04.2001	PR	SO	100.0 %
0	0.0 %	4.6 %	1957	2000	01.07.2005	PP	SO	100.0 %
0	0.0 %	3.4 %	1913	1989 | 2004	01.10.1999	PR	SO	100.0 %
63	0.0 %	4.4 %	1900	1998 | 2003 | 04	01.04.2001	PR	SO	100.0 %
0	63.1 %	– 7.3 %	1938	1987 | 2013	01.01.2000	PR	SO	100.0 %
61	9.2 %	4.7 %	1963	1998	01.12.2005	PR	SO	100.0 %
220	4.3 %	4.5 %	1930	1998	01.12.2005	PR	SO	100.0 %
0	33.2 %	1.5 %	1910 | 11	1985 | 2001	01.10.1999	PR	SO	100.0 %
0	0.0 %	3.9 %	1952	2003	01.07.2005	PP	SO	100.0 %
137	32.6 %	2.6 %	1962 | 63	1998 | 2002	31.12.2000	PR	SO	100.0 %
669	**14.1 %**	**3.7 %**						
34	1.0 %	3.5 %	1968	2001 | 02 | 06	01.01.2000	PR	SO	100.0 %
18	0.2 %	4.6 %	1971	2004 | 09 | 10	01.03.2008	PR	SO	100.0 %
0	0.0 %	4.9 %	1945	2000	01.07.2005	PP	SO	100.0 %
0	0.0 %	6.0 %	1985		01.04.2004	IS	SO	100.0 %
81	35.7 %	2.4 %	1928 | 62	1986 | 93 | 2011 | 12	01.08.2006	PR	SO	100.0 %
63	1.5 %	5.9 %	1994		15.12.2005	PR	SO	100.0 %
67	10.9 %	5.5 %	1993		01.10.1999	PR	SO	100.0 %
142	32.2 %	6.5 %	1997		15.12.2005	PR	SO	100.0 %
3	0.3 %	5.7 %	1970	2001	01.01.2000	PR	SO	100.0 %
0	0.0 %	4.0 %	1982	2012	01.10.2008	PR	SO	100.0 %

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

6 Own-used property.

7 See details on pages 138 to 139.

8 Purchase during reporting period.

9 Current development projects designed for sale.

10 Current development projects partially designed for sale.

REAL ESTATE PORTFOLIO

PROPERTY DETAILS

LOCATION, ADDRESS	31 December 2012	LAND AREA m²	OFFICE AREA m²	RETAIL AREA m²	GAS-TRONOMY AREA m²	OTHER AREA m²	TOTAL RENTABLE AREA m²
OTHER LOCATIONS (CONTINUATION)							
Interlaken, Bahnhofstr. 23		419	0	308	0	0	308
Lugano, Via Pessina 16		356	569	508	0	380	1 457
Luzern, Maihofstr. 1		930	2 254	334	0	599	3 187
Olten, Baslerstr. 44		657	2 074	407	0	596	3 077
Rheinfelden, Bahnhofstr. 21		11 473	1 394	0	162	2 207	3 763
Solothurn, Gurzelngasse 6		0	475	507	0	43	1 025
Uster, Bankstr. 11		960	0	207	201	557	965
Winterthur, Marktgasse 74		351	0	658	0	530	1 188
Winterthur, Untertor 34		146	449	0	95	220	764
Zug, Kolinplatz 2		285	793	119	0	180	1 092
Zurzach, Auf Rainen, Land		6 996	n.a.	n.a.	n.a.	n.a.	n.a.
Total		**67 562**	**45 446**	**10 308**	**967**	**24 944**	**81 665**
SITES AND DEVELOPMENT PROPERTIES[7]							
Basel, Grosspeterstr. 18, 20, «Grosspeter Tower»		3 978	n.a.	n.a.	n.a.	n.a.	n.a.
Locarno, Via Respini 7/9, Projekt «Lido»[8]		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Lugano, Via Bosia 5, Areal «Paradiso»[9]		11 117	n.a.	n.a.	n.a.	n.a.	n.a.
Rheinfelden, «Salmen-Park»[10]		53 765	n.a.	n.a.	n.a.	n.a.	n.a.
Wabern bei Bern, Gurtenareal[10]		67 099	n.a.	n.a.	n.a.	n.a.	n.a.
Wädenswil, Areal Wädenswil[9]		23 619	n.a.	n.a.	n.a.	n.a.	n.a.
Zürich, Brandschenkestrasse, Hürlimann-Areal		3 056	n.a.	n.a.	n.a.	n.a.	n.a.
Zürich, Limmatstrasse, Löwenbräu-Areal[10]		6 953	n.a.	n.a.	n.a.	n.a.	n.a.
Zürich, Theaterstr. 22, Projekt «Vorderer Sternen»		324	n.a.	n.a.	n.a.	n.a.	n.a.
Total		**169 911**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
Overall total Portfolio		**606 687**	**670 337**	**65 904**	**28 335**	**168 966**	**933 542**

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]	OWNERSHIP STATUS[5]	OWNERSHIP PERCEN-TAGE
0	0.0 %	4.5 %	1908	2003	01.07.2005	PP	SO	100.0 %
0	50.1 %	4.1 %	1900	1980	01.07.2005	PP	SO	100.0 %
44	0.6 %	3.9 %	1989	2010	01.10.1999	PR	SO	100.0 %
21	0.0 %	5.3 %	1964	1993|95|2009|11	01.01.2000	PR	SO	100.0 %
48	0.0 %	5.2 %	1934	2001	01.04.2004	PP	SO	100.0 %
0	5.3 %	2.0 %	1900	2001	01.07.2005	PP	BL	100.0 %
11	0.0 %	4.9 %	1928	1996	01.04.2004	PP	SO	100.0 %
0	0.0 %	3.4 %	1595	2002|03	01.07.2005	PP	SO	100.0 %
0	0.0 %	4.5 %	1879	1996	01.04.2004	PP	SO	100.0 %
1	0.0 %	4.9 %	1491	1925|70|2004|09	01.10.1999	PR	SO	100.0 %
n.a.	n.a.	n.a.	n.a.		01.04.2004	PP	SO	100.0 %
533	**14.7 %**	**4.6 %**						
n.a.	n.a.	n.a.	n.a.		01.12.2005	PR	SO	100.0 %
n.a.	n.a.	n.a.	n.a.		30.01.2012	PP	BL	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	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.		01.04.2004	PP	SO	100.0 %
n.a.	n.a.	n.a.	n.a.		01.10.2010	PP	SO	100.0 %
n.a.	n.a.	n.a.	n.a.		01.04.2004	PP	SO	100.0 %
n.a.	**n.a.**	**n.a.**						
7 812	**8.0 %**	**3.9 %**						

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

6 Own-used property.

7 See details on pages 138 to 139.

8 Purchase during reporting period.

9 Current development projects designed for sale.

10 Current development projects partially designed for sale.

REAL ESTATE PORTFOLIO

ADDITIONAL INFORMATION DEVELOPMENT PROJECTS

LOCATION, ADDRESS	STATE OF PROJECT	COMPLETION
HÜRLIMANN SITE Zurich, Brandschenkestrasse 152	**In construction**	
Project description: Conversion „Kesselhaus“	Project with approx. 700 m² office space Planned investment sum: approx. CHF 5 million (excl. land and infrastructure) Letting level: 100%	Spring 2013
LÖWENBRÄU SITE Zurich, Limmatstr. 264 – 268	**In construction**	
Project description: Conversion of existing and new buildings with mixed use (residential, office).	Project with approx. 11 600 m² usable floor space for 58 free-hold apartments, 10 200 m² for office and 9 400 m² for art museums and galleries Planned overall investment sum: approx. CHF 133 million (excl. land and infrastructure) Sale: 45 apartments; arts space with galleries and museums (transfer 1 June 2012) Letting level: 92%	Stepwise until 2013
GURTEN SITE Wabern near Bern	**In construction**	
Project description: Conversion of existing buildings and new development with mixed use (residential, office, trade and commerce).	Project with approx. 31 000 m² usable floor space for residential (50%; 99 free-hold apartments, 2 studios), office, trade and commerce (50%) Planned investment sum: approx: CHF 93 million (excl. land and infrastructure) Sale: 75 apartments and 2 studios sold, 5 apartments reserved	Spring 2014
PROJECT „VORDERER STERNEN“ Zurich, Theaterstr. 22	**In construction**	
Project description: New building with gastronomy and office surfaces.	Planned investment sum: approx. CHF 12 million (excl. land and infrastructure) Letting level: 68%	Spring 2013
PROJECT „LIDO“ Locarno, Via Respini 7/9	**In construction**	
Project description: New wellness/spa construction.	Planned investment sum: approx. CHF 26 million (excl. infrastructure) Letting level: 100%	Mid-2013

LOCATION, ADDRESS	STATE OF PROJECT	COMPLETION
«SALMEN-PARK» Rheinfelden	**In planning**	
Project description: Project with mixed use (main use residential, office, trade and commerce).	Project with approx. 59 000 m^2 usable floor space Construction start: Q2 2013 Planned investment sum: approx. CHF 240 million (excl. land and infrastructure) Sale/letting: n.a.	n.a.
«PARADISO» SITE Lugano, Via Bosia 5	**In planning**	
Project description: Project with free-hold apartments, office and retail space.	Project with 65 free-hold apartments (11 200 m^2) and floor space for office (1 400 m^2) and retail (750 m^2) Construction start: n.a. Planned investment sum: approx. CHF 65 million (excl. land and infrastructure) Sale: n.a.	n.a.
PROJECT «GROSSPETER TOWER» Basel, Grosspeterstrasse 18, 20	**In planning**	
Project description: New tower building with mixed use (hotel, office and sales/ gastronomy space).	Project with approx. 18 000 m^2 usable floor space Construction start: n.a. Planned investment sum: approx. CHF 100 million (excl. land and infrastructure) Letting: n.a.	n.a.
WÄDENSWIL SITE Wädenswil, Seestr. 23, 25, 29, 31	**In evaluation**	
	The area will be sold or possibly developed at a later stage.	

REAL ESTATE PORTFOLIO

PROPERTY PURCHASES IN 2012

LOCATION, ADDRESS	LAND AREA m²	OFFICE AREA m²	RETAIL AREA m²
Locarno, Via Respini 7/9, Projekt «Lido»	n.a.	n.a.	n.a.

PROPERTY SALES IN 2012

LOCATION, ADDRESS	LAND AREA m²	OFFICE AREA m²	RETAIL AREA m²
Rheinfelden, Marktgasse 36	415	0	0
Rheinfelden, Parking Fröschweid	0	0	0
Rheinfelden, Roberstenstr. 95/Rheinweg 42	3 760	0	0
Solothurn, Stalden 35	226	0	0
Wabern, Seftigenstr. 259	1 917	0	0
Zürich (Wollishofen), Seestr. 339	629	n.a.	n.a.
Zürich, Limmatstr. 268 – 270/Gerstenstr. 5	4 351	n.a.	n.a.

EXPIRY OF LEASE CONTRACTS AS AT 31 DECEMBER 2012

	MARKET ADJUSTMENT OPTION BY PSP SWISS PROPERTY	LEGAL TERMINATION OPTION BY TENANT
Contracts not limited in time, but subject to notice	8%	8%
2013	14%	15%
2014	14%	21%
2015	10%	11%
2016	18%	17%
2017	15%	10%
2018	4%	4%
2019	2%	2%
2020	2%	1%
2021	2%	1%
2022	3%	2%
2023+	8%	8%
Total	**100%**	**100%**

GASTRONOMY AREA m²	OTHER AREA m²	TOTAL RENTABLE AREA m²	PARKING SPACES	PURCHASE DATE
n.a.	n.a.	n.a.	n.a.	30.01.2012

GASTRONOMY AREA m²	OTHER AREA m²	TOTAL RENTABLE AREA m²	PARKING SPACES	PURCHASE DATE	SELLING DATE
292	786	1 078	0	01.04.2004	02.07.2012
0	0	0	10	01.04.2004	02.07.2012
343	1 255	1 598	20	01.04.2004	03.07.2012
326	138	464	0	01.04.2004	13.11.2012
726	1 201	1 927	52	01.04.2004	09.01.2012
n.a.	n.a.	n.a.	n.a.	01.04.2004	14.12.2012
n.a.	n.a.	n.a.	n.a.	01.04.2004	01.06.2012

TENANT STRUCTURE

	31 DECEMBER 2011	31 DECEMBER 2012
Swisscom	9%	9%
Google	4%	4%
Schweizer Post	3%	3%
Deutsche Bank	3%	n.a.
Bär&Karrer	2%	2%
Bally	n.a.	2%
Next five largest tenants	9%	9%
Others	70%	71%
Total	**100%**	**100%**

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

FIVE YEAR REVIEW

KEY FINANCIAL FIGURES	Unit	2008	2009	2010	2011	2012
Rental income	CHF 1 000	256 397	264 559	262 979	270 675	272 849
EPRA like-for-like growth	%	n.a	n.a	2.6	2.0	1.5
Net changes in fair value of real estate investments	CHF 1 000	121 464	112 370	180 588	325 068	266 851
Income from property sales	CHF 1 000	13 860	12 471	3 467	7 504	12 924
Total other income	CHF 1 000	3 447	6 528	7 363	10 337	8 351
Total operating income	CHF 1 000	**395 168**	**395 927**	**454 396**	**613 584**	**560 975**
Total operating expenses	CHF 1 000	**– 59 774**	**– 58 082**	**– 55 309**	**– 53 531**	**– 56 205**
Operating income before financial expenses	CHF 1 000	**335 394**	**337 846**	**399 087**	**560 053**	**504 771**
Net financial expenses	CHF 1 000	– 53 955	– 49 231	– 46 297	– 44 267	– 37 238
Operating profit before taxes	CHF 1 000	**281 439**	**288 615**	**352 791**	**515 786**	**467 533**
Income taxes	CHF 1 000	– 57 409	– 60 539	– 76 869	– 111 792	– 98 902
Net income from continuing operations	CHF 1 000	224 030	228 076	275 921	403 994	368 631
Net income from discontinued operations	CHF 1 000	0	3 138	4 904	0	0
Total net income	CHF 1 000	**224 030**	**231 214**	**280 825**	**403 994**	**368 631**
Total net income excluding gains/losses on real estate investments[1]	CHF 1 000	**124 529**	**136 495**	**139 780**	**149 020**	**161 614**
EBITDA excluding gains/losses on real estate investments	CHF 1 000	**208 422**	**221 113**	**223 309**	**232 532**	**238 624**
EBITDA margin	%	78.1	79.5	80.3	81.5	81.1
Interest coverage ratio[2]	Factor	3.9	4.5	4.8	5.3	6.4
Cash flow from operating activities	CHF 1 000	**161 161**	**143 574**	**144 627**	**173 793**	**140 290**
Cash flow from investing activities	CHF 1 000	– 32 278	52 206	– 110 053	– 41 611	– 67 314
Cash flow from financing activities	CHF 1 000	– 85 974	– 236 139	– 59 547	– 113 965	– 70 367
Cash flow from operating activities from discontinued operations	CHF 1 000	0	0	8 042	0	0
Total assets	CHF 1 000	**5 272 189**	**5 304 607**	**5 589 187**	**6 050 916**	**6 354 173**
Non-current assets	CHF 1 000	5 041 506	5 187 920	5 409 400	5 800 391	6 152 725
Current assets	CHF 1 000	230 683	116 687	179 786	250 525	201 447
Shareholders' equity	CHF 1 000	**2 587 693**	**2 741 394**	**2 942 902**	**3 268 894**	**3 698 934**
Equity ratio	%	49.1	51.7	52.7	54.0	58.2
Return on equity	%	8.7	8.7	9.7	13.0	10.6
Liabilities	CHF 1 000	**2 684 496**	**2 563 213**	**2 646 285**	**2 782 022**	**2 655 239**
Non-current liabilities	CHF 1 000	2 337 054	2 404 251	2 502 868	2 285 553	2 386 796
Current liabilities	CHF 1 000	347 442	158 961	143 417	496 469	268 443
Interest-bearing debt	CHF 1 000	2 133 989	1 975 206	1 995 248	1 946 894	1 808 286
Interest-bearing debt in % of total assets	%	40.5	37.2	35.7	32.2	28.5
Interest-bearing debt with fixed interest rates (maturity > 1 year)	%	74.2	77.7	92.0	82.0	85.6
Average interest rate (period)	%	2.75	2.54	2.58	2.56	2.37
Average remaining term to maturity interest-bearing debt	Year	3.1	3.0	3.2	2.9	3.7

PORTFOLIO KEY FIGURES	Unit	2008	2009	2010	2011	2012
Number of properties	Number	191	179	175	168	163
Carrying value properties	CHF 1 000	**4 983 029**	**4 997 237**	**5 309 727**	**5 611 591**	**5 968 097**
Implied yield, gross[3]	%	5.2	5.2	5.1	4.9	4.7
Implied yield, net[3]	%	4.3	4.4	4.2	4.2	3.9
Vacancy rate end of period (CHF)[3]	%	8.3	7.5	8.5	8.3	8.0
Number of sites and development properties	Number	7	8	7	9	9
Carrying value sites and development properties	CHF 1 000	**165 643**	**218 405**	**208 595**	**346 879**	**314 430**
EMPLOYEES						
End of period	Posts	81	80	82	84	84
Full-time equivalents	Posts	78	76	78	77	78
PER SHARE FIGURES						
Earnings per share (EPS)[4]	CHF	5.29	5.53	6.62	9.40	8.21
EPS excluding gains/losses on real estate investments[4]	CHF	**2.94**	**3.26**	**3.30**	**3.47**	**3.60**
Distribution per share	CHF	**2.50**	**2.70**	**2.80**	**3.00**	**3.20**[5]
Payout ratio[6]	%	85.0	82.7	84.8	86.5	88.9
Cash yield[7]	%	4.7	4.6	3.7	3.8	3.7
Net asset value per share (NAV)[8]	CHF	**61.83**	**64.95**	**68.87**	**75.28**	**80.64**
Premium/(discount) to NAV[9]	%	– 14.8	– 9.9	8.9	4.4	7.3
NAV per share before deduction of deferred taxes[8]	CHF	**72.01**	**75.79**	**80.86**	**89.02**	**95.21**
Premium/(discount) to NAV before deduction of deferred taxes[9]	%	– 26.8	– 22.8	– 7.2	– 11.7	– 9.1
Share price high	CHF	70.75	61.60	78.50	83.50	89.95
Share price low	CHF	46.00	41.25	58.25	67.00	75.40
Share price end of period	CHF	**52.70**	**58.50**	**75.00**	**78.60**	**86.55**
Issued shares	Number	46 901 891	46 273 891	45 867 891	45 867 891	45 867 891
Own shares	Number	5 052 533	4 065 835	3 138 885	2 446 896	0
Outstanding shares	Number	41 849 358	42 208 056	42 729 006	43 420 995	45 867 891
Average outstanding shares	Number	42 332 388	41 824 907	42 412 246	42 978 982	44 876 202

1 See definition „Net income excluding gains/losses on real estate investments“ on page 14, footnote 2.

2 EBITDA excluding gains/losses on real estate investments in relation to net financial expenses.

3 For properties.

4 Based on average number of outstanding shares.

5 Proposal to the Annual General Meeting on 9 April 2013 for the business year 2012: cash distribution out of capital contribution reserves.

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, before distribution per share.

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 2013
9 April 2013, Kongresshaus, Zurich

Publication of quarterly results Q1 2013
13 May 2013

Publication of 2013 interim results
16 August 2013

Publication of quarterly results Q3 2013
12 November 2013

CUSTOMER CARE
EFFICIENT, COMPETENT AND LOCAL

FRONT UNITS (PROPERTY MANAGEMENT)

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

Publisher: PSP Swiss Property Ltd, Zug
Concept, layout: LST Schenker AG, Lucerne
Photos: Thomas Zwyssig, Zurich
Translation: Norbert Bernhard, Schaffhausen
Print: Druckerei Kyburz AG, Dielsdorf

February 2013

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Stock exchange, trading symbols
SIX Swiss Exchange: Symbol PSPN, Security number 1829415, ISIN CH0018294154
Reuters: PSPZn.S
Bloomberg: PSPN SW