psp Swiss Property

ANNUAL REPORT 2013

Key Figures

Key financial figures

Key financial figures	Unit	2012 restated[1]	2013	Change[2]
Rental income	CHF 1 000	272 849	279 143	2.3%
EPRA like-for-like change	%	1.5	1.7	
Net changes in fair value of real estate investments	CHF 1 000	266 851	128 144	
Income from property sales	CHF 1 000	12 924	13 048	
Total other income	CHF 1 000	8 351	6 088	
Net income	CHF 1 000	368 385	270 993	– 26.4%
Net income excluding gains/losses on real estate investments[3]	CHF 1 000	161 367	173 643	7.6%
EBITDA excluding gains/losses on real estate investments	CHF 1 000	238 308	242 480	1.8%
EBITDA margin	%	81.0	81.3	
Total assets	CHF 1 000	6 356 255	6 541 812	2.9%
Shareholders' equity	CHF 1 000	3 691 551	3 839 230	4.0%
Equity ratio	%	58.1	58.7	
Return on equity	%	10.6	7.2	
Interest-bearing debt	CHF 1 000	1 808 286	1 838 784	1.7%
Interest-bearing debt in % of total assets	%	28.4	28.1	

Portfolio key figures

Portfolio key figures	Unit	2012 restated[1]	2013	Change[2]
Number of properties	Number	163	161	
Carrying value properties	CHF 1 000	5 968 097	6 033 930	1.1%
Implied yield, gross[4]	%	4.7	4.6	
Implied yield, net[4]	%	3.9	3.9	
Vacancy rate end of period (CHF)[4, 5]	%	8.0	8.0	
Number of sites and development properties	Number	9	10	
Carrying value sites and developments properties	CHF 1 000	314 430	431 647	37.3%

Employees

Employees	Unit	2012 restated[1]	2013	Change[2]
End of period	Posts	84	86	
Full-time equivalents	Posts	78	79	

Per share figures

Per share figures	Unit	2012 restated[1]	2013	Change[2]
Earnings per share (EPS)[6]	CHF	8.21	5.91	– 28.1%
EPS excluding gains/losses on real estate investments[6]	CHF	3.60	3.79	5.1%
Distribution per share	CHF	3.20	3.25[7]	1.6%
Net asset value per share (NAV)[8]	CHF	80.48	83.70	4.0%
NAV per share before deduction of deferred taxes[8]	CHF	95.00	99.25	4.5%
Share price end of period	CHF	86.55	75.50	– 12.8%

1 Due to the initial application of IAS 19 (revised).

2 Change to previous year's period 2012 or carrying value as of 31 December 2012 as applicable.

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

4 For investment properties.

5 Equals the lost rental income in % of the potential rent, as per reporting date.

6 Based on average number of outstanding shares.

7 Proposal to the Annual General Meeting on 3 April 2014 for the business year 2013: cash distribution out of capital contribution reserves.

8 Based on number of outstanding shares.

Contents

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.

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Highlights in Brief

Portfolio value

CHF 6.466 billion

The quality of the portfolio was further improved by specific renovations and other construction measures totalling CHF 127.4 million. The portfolio appreciated by CHF 128.1 million or 2.0%.

Equity base

CHF 3.839 billion

With an equity ratio of 58.7% and a loan-to-value ratio of 28.1%, PSP Swiss Property continues to have a very strong balance sheet.

Successful debt management

At the end of 2013, unused committed credit lines amounted to CHF 680 million. Combined with the low loan-to-value, the Company has optimal financial flexibility for further growth.

EBITDA

CHF 242.5 million

Due to an increase in income and steady costs, the previous year's EBITDA of CHF 238.3 million was exceeded by 1.8%.

Net income excl. gain/losses on real estate investments

CHF 173.6 million

Compared to the previous year, net income excluding gains/losses on real estate investments increased by 7.6% respectively CHF 0.19 per share to CHF 3.79 per share – another new record in PSP Swiss Property's history.

Distribution of

CHF 3.25/share

The Board of Directors will propose to the Annual General Meeting on 3 April 2014 a payment of CHF 3.25 per share. This corresponds to a cash yield of 4.3% on the 2013 year-end share price of CHF 75.50.

EPRA NAV

CHF 100.57

EPRA NAV includes also deferred taxes as well as financial derivatives at market values. Furthermore, all development properties are recognised at fair values. Compared to the previous year's figure, EPRA NAV increased by 3.6%.

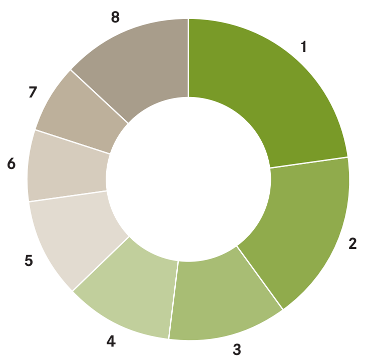
EPRA cost ratio

18.8%

The EPRA cost ratio compares real estate expenses together with operating expenses with rental income. Excluding renovation expenditures, the EPRA cost ratio amounted to 15.1%.

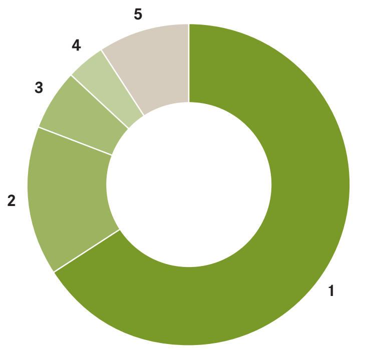
Highlights in Brief

Rent by type of tenant



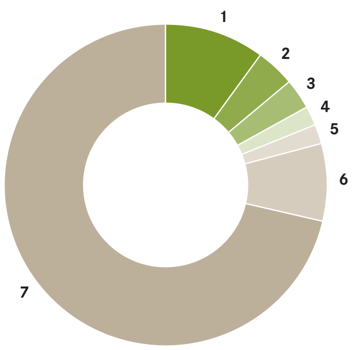
1	Retail	23 %
2	Services	17 %
3	Telecommunication	12 %
4	Financial services	11 %
5	Technology	10 %
6	Government	7 %
7	Gastronomy	7 %
8	Other	13 %

Rent by use



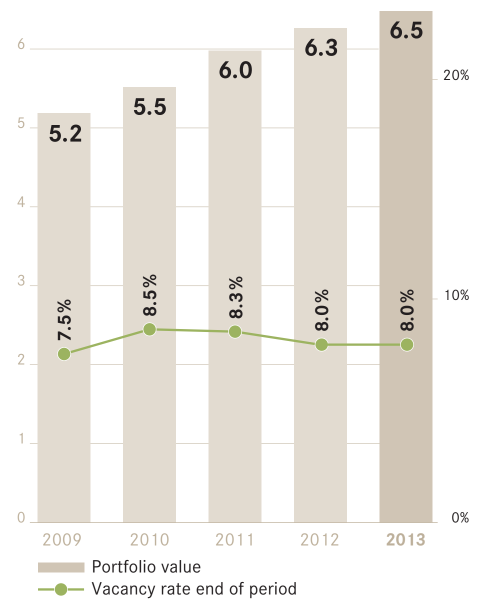
1	Office	66 %
2	Retail	15 %
3	Parking	6 %
4	Gastronomy	4 %
5	Other	9 %

Rent by largest tenants

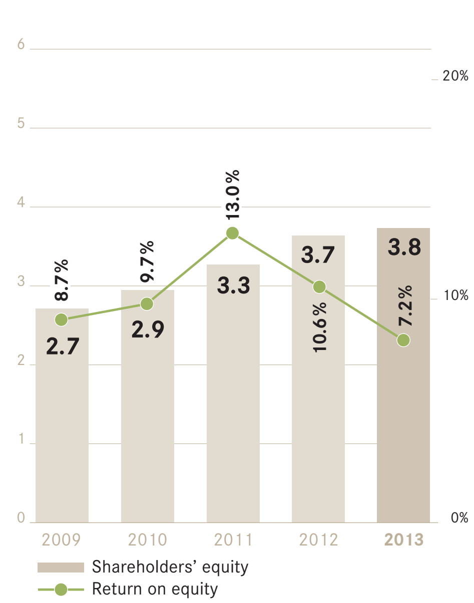


1	Swisscom	10 %
2	Google	4 %
3	JT International	3 %
4	Schweizer Post	2 %
5	Bär & Karrer	2 %
6	Next five largest tenants	8 %
7	Other	71 %

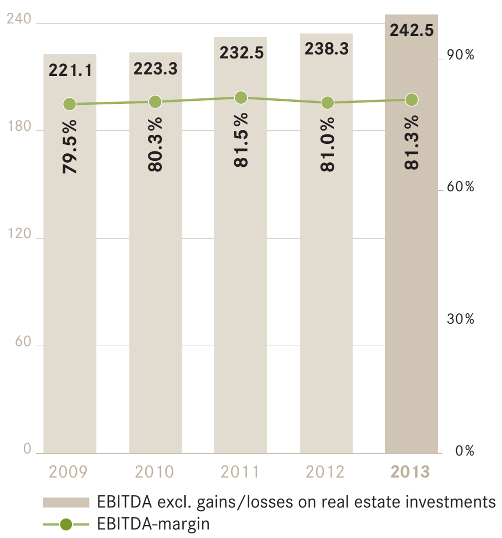
Real estate portfolio
(in CHF billion, vacancy in %)



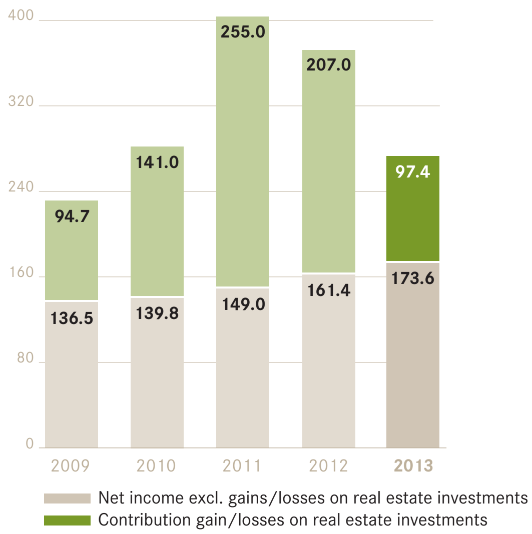
Shareholders' equity
(in CHF billion, return in %)



EBITDA
(in CHF million, margin in %)



Net income components
(in CHF million)



Board of Directors' Statement on the Business Year 2013

Ladies and gentlemen

After growing moderately in 2012, Switzerland's economy strengthened further in 2013; most experts now estimate a real rise in gross domestic product (GDP) of close to 2% – accelerating to above 2% in 2014. Private consumption will remain the main driver of growth, whereas the export sector's contribution is expected to increase. Neither the European Central Bank nor Switzerland's National Bank show any signs of deviating from their expansive monetary policies. Inflation also remains virtually inexistent. As a result, interest rates are likely to stay low for the foreseeable future.

Despite this benign economic environment, we remain prudent and cautious. We will, in any case, stick to our long-term, value-oriented conservative acquisition strategy. At the same time, we will also continue to steadily hedge our balance sheet against rising interest rates by means of interest rate swaps or new bond issuances, even if a sudden rise seems improbable from today's perspective.

In 2013, the office property sector was overall stable despite continuing new constructions, growing supply and slightly rising vacancy rates. For Switzerland as a whole, office rents declined marginally; however, top office buildings in prime locations (i.e. in city centres or with commuter train links) remain in high demand. In our main market, Zurich's Central Business District (CBD), the supply of office space also increased slightly. While top rents are stagnating in the CBD, purchase prices for properties in outstanding locations persist at highest levels. This market segment, however, is particularly illiquid.

The picture is similar for retail areas: peripheral locations are increasingly experiencing falling rents; on the other hand, rents for shops in well frequented inner city locations remain at the past year's level.

With regard to our new lettings and follow-up rentals, we did well in 2013. On average we succeeded in negotiating slightly higher rents for new leases as well as for lease extensions. A major factor for this positive development was our long-term renovation and property improvement programme with targeted investments in selected properties.

Due to our high-class property portfolio and a reliable business policy, PSP Swiss Property achieved another record operating result in 2013: net income (excluding net changes in fair values) reached CHF 173.6 million (2012: CHF 161.4 million). Net income (excluding net changes in fair values) is the basis for the distributions to shareholders. This result enables us to propose to the upcoming Annual General Meeting of 3 April 2014 a cash payment of CHF 3.25 per share from the capital contribution reserves (previous year: CHF 3.20 per share). This corresponds to a yield of 4.3% on the 2013 year-end share price of CHF 75.50. 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.

We continue to be very solidly financed and have a strong equity base: as at the end of 2013, we had unused committed credit lines from various banks totalling CHF 680 million; the ratio of net debt to total assets (loan-to-value) was only 28.1%. In December 2013, the independent rating agency Fitch confirmed PSP Swiss Property Ltd's „A-/stable" rating.

In order to keep our portfolio as attractive and marketable as possible, we continually invest substantial amounts in our properties for maintenance and renovations. At the same time, we attach great importance to up-to-date infrastructure and ecological sustainability.

Based on the assumption of an unchanged property portfolio, we expect an EBITDA (excluding gains/losses on real estate investments) of CHF 230 million for 2014 (2013: CHF 242.5 million). The decrease is mostly due to a slight decline in rental income, lower income from the sale of condominiums, the fading out of VAT recovery and higher renovation expenditures. With regard to the vacancies, we expect a vacancy rate of approximately 11% at the end of 2014 (end of 2013: 8.0%). The strong increase compared to year-end 2013 results mainly from two larger vacancies, which will arise during the fourth quarter of 2014 at one property in Zurich (Central Business District) and one property in Zurich West.

Günther Gose

Chairman of the
Board of Directors

Luciano Gabriel

Delegate of the Board of Directors
and Chief Executive Officer

27 February 2014

Board of Directors and Executive Board

Board of Directors

Günther Gose
Chairmen

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 6.034 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 0.432 billion. With a portfolio totalling CHF 6.466 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 is on the quality and value oriented development of the property portfolio. Thereby, the professional collaboration between real estate asset management, construction services 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: this 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

Portfolio areas

Zurich area 1
» CHF 3 895 million
» 60.2%

Brandschenkestrasse 90, Zurich

Bern area 4
» CHF 238 million
» 3.7%

Laupenstrasse 18/18a, Bern

Geneva area 2
» CHF 885 million
» 13.7%

Place du Molard 7, Geneva

Lausanne area 5
» CHF 316 million
» 4.9%

Place Saint-François 15, Lausanne

Basel area 3
» CHF 383 million
» 5.9%

Kirschgartenstrasse 12/14, Basel

Other locations
» CHF 317 million
» 4.9%

Sites and development properties
» CHF 432 million
» 6.7%

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 3.839 billion – corresponding to an equity ratio of 58.7% – PSP Swiss Property had an extremely strong equity base at the end of 2013. Interest-bearing debt amounted to CHF 1.839 billion, corresponding to a mere 28.1% of total assets. The remaining 14.8 percentage points were mainly deferred tax liabilities which do not incur any interest charges. Furthermore, as at the end of 2013, PSP Swiss Property had unused committed credit lines of CHF 680 million. Cash and cash equivalents amounted to CHF 37.4 million.

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

Personnel

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

Executive Board (3)		
Legal Unit(4) Human Resources/Services (4) Secretarial (1)		
Real Estate Investments	**Property Management**	**Finance/Administration**
Asset Management (6)	Zurich Office (15)	Accounting (11)
New lettings (2)	Olten Office (7)	Communications (2)
Analyse/Reporting (2)	Geneva Office (9)	Treasury (1)
Construction Services (14)		Information Technology (5)

Total number of employees: 86 (full-time equivalent 79)

Age	Number of employees
≤ 20	0
21 to 25	7
26 to 35	15
36 to 45	28
46 to 55	17
> 55	19

Years of service	Number of employees
≤ 5 years	41
6 to 10 years	21
11 to 15 years	18
16 to 20 years	4
> 20 years	2

At the end of 2013, PSP Swiss Property had 86 employees (end of 2012: 84); as in the previous year, the proportion of women was 43%. Fluctuation was 8% (previous year: 11%).

At the end of 2013, PSP Swiss Property also employed 27 full-time and part-time caretakers throughout Switzerland (end of 2012: 28). These caretakers carry out property-related work and are managed by PSP Management Ltd's property managers.

For further information on the employees, see section „Social sustainability“ on page 125.

1 The Group's legal structure is shown in the corporate governance section, figure 1.1, page 106.

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.

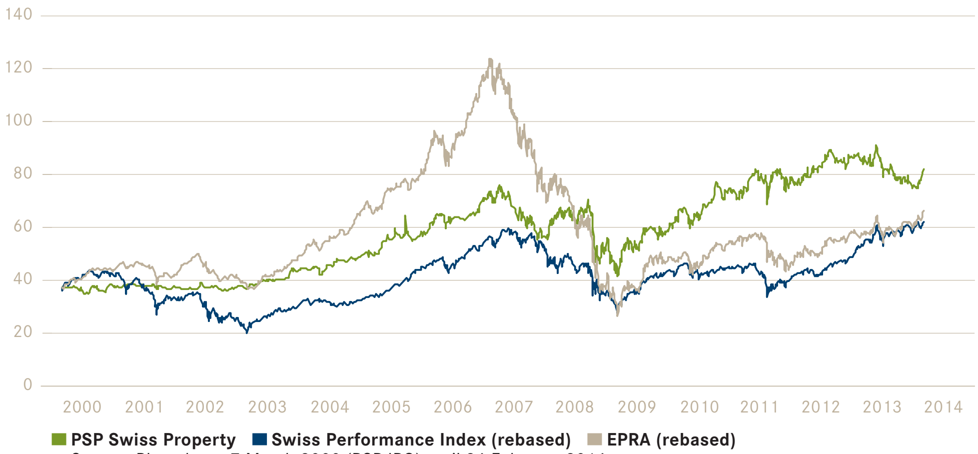
Repayment of capital contributions

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 may be repaid in a tax-privileged way to the shareholders.

In the reporting year 2013, a distribution out of the capital contribution reserves was made instead of a dividend for the 2012 business year totalling CHF 146.8 million (previous year: CHF 131.4 million). As a result, as per year-end 2013, the capital contribution reserves amounted to CHF 381.1 million.

Share price development

(in CHF)



Source: Bloomberg, 7 March 2000 (PSP IPO) until 24 February 2014

In 2013, the PSP share price fell by 12.8% from CHF 86.55 to CHF 75.50. Net asset value per share (NAV) amounted to CHF 83.70 as at 31 December 2013; consequently, the PSP share was traded at a discount of 9.8% at year-end. Since its listing on the SIX Swiss Exchange on 7 March 2000 to the end of 2013, the PSP share has risen exactly 100%.

The PSP shares are very liquid: on average, 89 745 shares worth CHF 7.4 million were traded daily in 2013 (2012: 87 231 shares worth CHF 7.3 million). In 2013, the total trading volume of PSP shares on the SIX Swiss Exchange reached CHF 1.857 billion (2012: CHF 1.816 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

Key figures	Unit	2012 restated[1]	2013
Share price			
High	CHF	89.95	91.25
Low	CHF	75.40	74.15
End of period	CHF	86.55	75.50
SIX Swiss Exchange: symbol PSPN, security number 1829415, ISIN CH0018294154			
Market capitalisation			
High	CHF million	4 125.8	4 185.4
Low	CHF million	3 458.4	3 401.1
End of period	CHF million	3 969.9	3 463.0
Number of shares			
Issued shares	Number	45 867 891	45 867 891
Own shares	Number	0	0
Outstanding shares	Number	45 867 891	45 867 891
Average outstanding shares	Number	44 876 602	45 867 891
Reserved shares[2]	Number	8 126	8 126
Per share figures			
Earnings per shares (EPS)[3]	CHF	8.21	5.91
EPS excluding gains/losses on real estate investments[3, 4]	CHF	3.60	3.79
Distribution per share	CHF	3.20	3.25[5]
Payout ratio[6]	%	88.9	85.8
Cash yield[7]	%	3.7	4.3
Net asset value per share (NAV)[8]	CHF	80.48	83.70
Premium (discount) to NAV[9]	%	7.5	– 9.8
NAV per share before deduction of deferred taxes[8]	CHF	95.00	99.25
(Discount) to NAV before deduction of deferred taxes[9]	%	– 8.9	– 23.9

1 Due to the initial application of IAS 19 (revised).

2 For the swap against REG shares which have not yet been exchanged.

3 Based on average number of outstanding shares.

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

5 Proposal to the Annual General Meeting on 3 April 2014 for the business year 2013: 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 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.

Major shareholders

Details on the major shareholders are shown in the corporate governance section, figure 1.2, pages 106 to 107.

Investor relations

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Report on the Business Year 2013

Market environment

Investment market

For some time now, fixed-income investments have hardly earned any interest at all, while shares performed well in 2013 but with significant volatility. Against this background, it comes as no surprise that investments in commercial properties remain as popular as ever. They are attractive investment alternatives for both private and institutional investors, in particular pension funds, due to their steady and long-term rental income. In addition, foreign investors continue to value the advantages of currency diversification and Switzerland as a „safe haven“.

Well maintained properties in prime locations (i.e. city and other commercial centres) offer lasting value and an attractive risk/return profile. Unlike residential buildings, most commercial properties also have the additional advantage of indexed, long-term leases. Unsurprisingly, demand for commercial properties in prime locations continued to exceed supply in 2013. In Zurich's Central Business District (CBD) the few sellers still expect top prices for their properties.

In this environment, prudence and restraint are as important as ever. When prices are high, each potential purchase must be assessed even more diligently and meticulously. If it is clear that a property will not provide a stable cash-flow over the medium and long term respectively will not generate a sustainable added value, PSP Swiss Property will hardly be on the buying side. PSP Swiss Property has always pursued a prudent acquisition strategy focusing on top properties in prime locations. Due to this long-term and value-oriented corporate policy we remain well positioned for 2014 and beyond.

Rental market

Construction activity for office buildings remained and remains brisk, particularly in our main market Zurich: around the main railway station and in Zurich North. Despite the resulting increase in available space, advertised supply did not rise substantially overall. One reason was that the additional space was pre-let by new and existing tenants. Interestingly enough, most of the demand came from the healthcare sector and social services, education as well as smaller service companies and not from the typical office sectors such as banks, insurance companies, lawyers and auditors. These new tenants more or less compensated the office space which was vacated in city centres by a number of large tenants. Another reason for the stable supply was the fact that newly constructed buildings were often occupied by the landlords themselves.

Nevertheless, we must expect an oversupply of office space in specific regions in the coming years. Most of all, this will have a negative impact on the rental prospects of poorly located older buildings with insufficient traffic links; these will suffer downward pressure on rents. Office buildings from the 1970s and 1980s in peripheral regions, which were inadequately maintained and renovated in the past, will face difficult times.

In Zurich's Central Business District, vacancies stabilised, while top rents declined marginally and consolidated (still at a high level). Prime properties in prime locations as well as modern buildings on the periphery with excellent traffic connections (e.g. in Zurich North near the airport or in up-and-coming Zurich West) will hardly be caught in a downward spiral with regard to rental prices.

The rental market for retail space stayed robust in 2013, particularly in central locations, mainly driven by continued strong private consumption. We expect rent price levels in well frequented locations – where PSP Swiss Property mostly is invested – to remain high.

Quality in the right place will remain in demand. It is crucial, however, for a landlord to have a long-term view and to have the courage, if necessary, to leave a property vacant for some time for undertaking an extensive renovation. This means a loss of rental income during this time, but it will put the property in a much better position for future rentals. This is exactly one of the focal points in our portfolio optimisation: in the past, we completely re-positioned quite a number of our properties. And currently several objects are in a renovation process, such as, for example, properties on Bahnhofstrasse as well as Bahnhofquai and Bahnhofplatz in Zurich.

Real estate portfolio

At the end of 2013, the real estate portfolio included 161 office and commercial properties in top locations. In addition, there were five development sites and five individual projects. The carrying value of the total portfolio stood at CHF 6.466 billion (end of 2012: CHF 6.283 billion).

At the end of 2013, three investment properties with a total value of CHF 11.7 million were earmarked for sale.

Investment properties

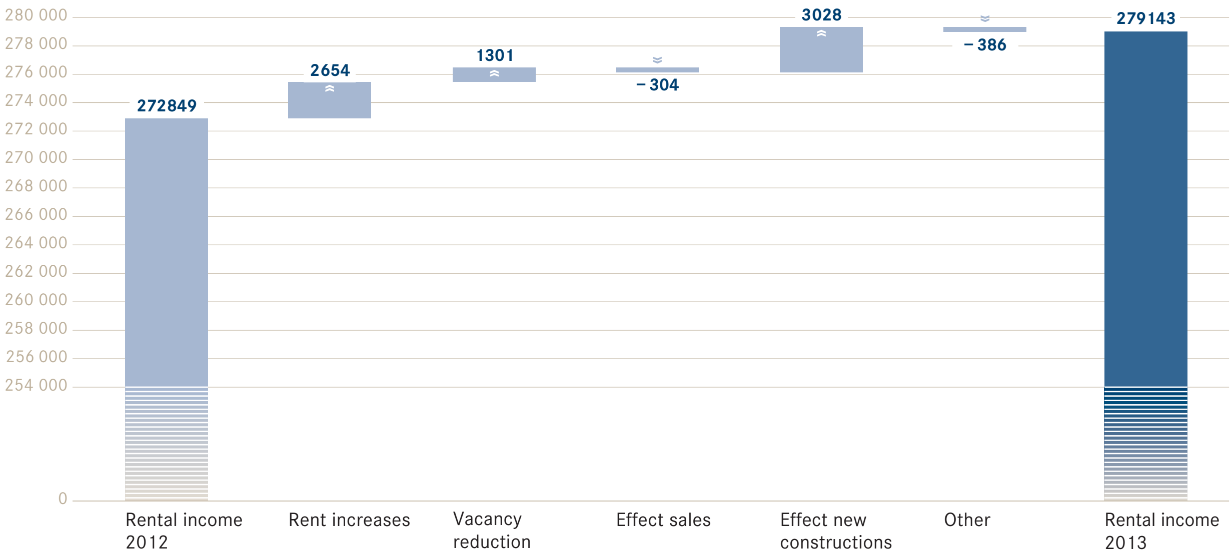
Our real estate asset management unit constantly evaluates, which of our properties offer value-enhancing potential and optimisation opportunities for leases. We take concrete steps to realise this potential by means of conversions and other measures. In this context, several investment properties are in an extensive renovation process (see details on pages 20 to 21).

As early as the first quarter of 2013, the following new buildings in Zurich, most of which are already fully let, were completed and transferred to the investment property portfolio: i) Brandschenkestrasse 152b (office building „Kesselhaus"), ii) Limmatstrasse 250-254/264/266 (Löwenbräu site, office building „Red") and iii) Theaterstrasse 22 (restaurant and office building „Vorderer Sternen"). Furthermore, the „Lido" project in Locarno was successfully completed and also transferred to the investment property portfolio in the third quarter of 2013.

During the reporting year, we again evaluated several acquisition opportunities; there were no purchases, however, due to economic reasons. We did not sell any investment properties either.

Report on the Business Year 2013

Development of rental income
(in CHF 1000)



Valuation of properties

The revaluation of the properties resulted in an appreciation of CHF 128.1 million. Thereof, CHF 43.1 million at a total of 12 properties were due to the initial application of the „Highest and Best Use“ concept according to IFRS 13. Other drivers of the appreciation were: i) a decline in the average weighted discount rate by 12 basis points – at the end of 2013, the portfolio's weighted average nominal discount rate was 4.91% (end of 2012: 5.03%), ii) closing of new leases at higher than expected rents and iii) slightly higher market rents for sales spaces, particularly in the centre of Zurich. Future capital expenditures related to the planned renovations had a negative impact on the valuation.

Vacancy development

At the end of 2013, the vacancy rate stood at 8.9% (end of 2012: 8.0%) including the properties on Bahnhofquai/Bahnhofplatz as well as on Bahnhofstrasse 10/Börsenstrasse 18 in Zurich, which were all reclassified to development properties as from the end of 2013. The vacancy rate related to the relevant investment portfolio excluding above properties was 8.0%.

1.9 percentage points of the 8.9% were due to ongoing renovation work on various properties. The properties in Zurich West and Wallisellen (carrying value CHF 0.8 billion) contributed 3.2 percentage points to the overall vacancy rate. The remaining properties with a carrying value of CHF 5.1 billion (i.e. the total investment portfolio excluding the objects under renovation as well as those in Zurich West and Wallisellen) made up 3.8 percentage points.

Of the lease contracts maturing in 2014 (CHF 42.1 million), 42% have already been renewed respectively extended at the end of 2013.

As at year-end 2014, we expect a vacancy rate of approximately 11%. The strong increase compared to year-end 2013 results mainly from to two larger vacancies, which will arise during the fourth quarter of 2014 at one property in Zurich (Central Business District) and one property in Zurich West.

Sites and development properties

PSP Swiss Property owns and develops five sites and five individual projects which are described below.

Löwenbräu site, Zurich

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

The new office building „Red“ with the adjacent older part of the building (the former main brewery building) was completed during the reporting period and is virtually fully let. With the „Leed Gold“ label, „Red“ also meets the requirements of a sustainable building.

Final construction (apartment tower „Black“) with a planned investment sum of approximately CHF 85 million (excl. land and infrastructure): 45 of the 58 freehold apartments were sold by the end of 2013. The first apartments were transferred to the buyers in June 2013; all in all, 44 apartments, four studios and 41 parking spaces were transferred by the end of 2013.

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. The adjacent commercial units in the existing buildings in the middle and front row 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. The investment total amounts to approximately CHF 93 million (excl. land and infrastructure). Construction started in July 2011 and will last until spring 2014. At the end of 2013, only two apartments remained for sale. The first apartments will be transferred to the buyers in the beginning of 2014.

Further details: www.gurtenareal.ch

Report on the Business Year 2013

„Salmenpark“, 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 two stages. The first stage includes residential areas, retail spaces, a nursing and care home and offices. PSP Swiss Property plans to integrate the office and small business properties into its own portfolio after completion and to sell most of the residential units. The planned investment total for the entire project is approximately CHF 240 million (excl. land and infrastructure); the first stage alone will add up to just above CHF 170 million.

Construction of stage 1 began at the end of August 2013; completion is expected in 2016. A rental agreement has been signed for the nursing and care home (approximately 7 400 m^2), beginning on 1 April 2015 respectively after completion. There is also a rental agreement with Coop for approximately 3 300 m^2 of sales and storage space, beginning on 1 December 2015 respectively after completion. Marketing for the remaining approximately 3 600 m^2 of retail and approximately 4 400 m^2 of office space as well as the 36 rental apartments will begin in spring 2014. By the end of 2013, 18 of the 113 freehold apartments had been sold; five more were reserved for sale.

Further details: www.salmenpark.ch

Project „Genève Plage“, Geneva/Cologny

At the beginning of May 2013, the decision was made to invest approximately CHF 30 million in the construction of a health spa on the grounds of the „Genève Plage“ in Geneva-Cologny, Port Noir. Construction of the building complex, which is already let to an expert operating company, began in June 2013 and will take until end of 2015. This project follows the successfully completed spas in Zurich (Thermalbad & Spa Zürich, Hürlimann site) and Locarno (Termali Salini & Spa, Lido Locarno).

Project „Löwenstrasse 16“, Zurich

On Löwenstrasse 16, a new construction with mixed use (office and retail areas) is planned with an investment total of approximately CHF 7 million. Demolition began in June 2013; construction will take until the end of 2014.

Project „Bahnhofquai/Bahnhofplatz“, Zurich

This project (total renovation, particularly infrastructure and technical installations) involves the following four properties: i) Bahnhofplatz 1, ii) Bahnhofplatz 2, iii) Bahnhofquai 9, 11, 15 and iv) Waisenhausstrasse 2/4, Bahnhofquai 7. The entire project will be carried out in several stages.

Stage 1 will cost approximately CHF 33 million and cover the renovation of the two properties Bahnhofplatz 1 and Bahnhofquai 9, 11, 15. According to plan, the renovation will take place in 2014 and 2015.

The building Waisenhausstrasse 2/4, Bahnhofquai 7 is expected to be renovated from 2014 to 2017. This will also cost around CHF 33 million.

The property Bahnhofplatz 2 will presumably be renovated from 2021 to 2023 at a cost of approximately CHF 10 million.

Project „Bahnhofstrasse 10/Börsenstrasse 18“, Zurich

This property will undergo a comprehensive renovation until summer 2015; the technical installations in particular will be brought up to date. As previously, a mixed use of retail areas and offices is being planned. The investment total amounts to approximately CHF 15 million.

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 (zero emission) is for a mixed use of hotel and offices. 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 a five-storey base construction and a 22-storey, 78 meter high-rise 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 the autumn of 2014. Construction would take around two years.

Further details: www.grosspetertower.ch

„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.

Wädenswil site

Possible options for developing the remaining area (Reithalle, Felsenkeller) are being evaluated.

Report on the Business Year 2013

Capital management

Thanks to the rolling 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 2013, the passing average interest rate was 1.85% (end of 2012: 2.20%). The average fixed-interest period was 3.4 years (end of 2012: 3.7 years). No major committed bank loans will be due until 2018. At the end of 2013, PSP Swiss Property had unused committed credit lines of CHF 680 million. This substantial amount allows the Company to continue to flexibly manage its capital and is an excellent basis for possible acquisitions.

During the reporting period, fixed-term loans totalling CHF 380 million were drawn using existing credit lines and CHF 320 million were repaid. A CHF 120 million 1.0% bond (all-in costs 1.05%) maturing in 2019 was issued on 8 February 2013; a CHF 150 million 2.875% bond was repaid on 10 April 2013.

In December 2013, the rating agency Fitch confirmed PSP Swiss Property Ltd's rating with an „A-" and stable outlook.

With total equity of CHF 3.839 billion (end of 2012: CHF 3.692 billion) – corresponding to an equity ratio of 58.7% (end of 2012: 58.1%) – PSP Swiss Property had a strong capital base at the end of 2013. Interest-bearing debt amounted to CHF 1.839 billion at the end of 2013, corresponding to 28.1% of total assets (end of 2012: CHF 1.808 billion respectively 28.4%).

Consolidated annual results 2013

Net income excluding gains/losses on real estate investments[3] increased from CHF 161.4 million to CHF 173.6 million. Corresponding earnings per share amounted to CHF 3.79 (2012: CHF 3.60). For PSP Swiss Property, net income excluding gains/losses on real estate investments is the basis for the distribution to shareholders. Net income including gains/losses on real estate investments amounted to CHF 271.0 million (2012: CHF 368.4 million). Earnings per share including valuation differences amounted to CHF 5.91 (2012: CHF 8.21).

The rise in net income excluding gains/losses on real estate investments by CHF 12.3 million resulted mainly from the following: i) CHF 6.3 million higher rental income (2012: CHF 272.8 million) and ii) CHF 6.4 million lower financial expenses (2012: CHF 37.2 million).

Rental income increased from CHF 272.8 million to CHF 279.1 million. The increase was mainly due to new lettings on following properties: new building „Red" on the Löwenbräu site in Zurich, Laupenstrasse 18/18a in Bern, opening of the boutique hotel on the Hürlimann site in Zurich, Route des Acacias 50/52 in Geneva, reopening „Vorderer Sternen" on Theaterstrasse 22 in Zurich, Bahnhofplatz 2 in Biel as well as Place Saint-François 15 and Rue du Grand-Chêne 2 in Lausanne.

Financial expenses decreased by CHF 6.4 million respectively 17.1% to CHF 30.9 million thanks to the benign interest rate environment and the positive effect of new interest rate swaps as well as the expiry of a CHF 150 million 2.875% bond.

At the end of 2013, net asset value (NAV) per share was CHF 83.70 (end of 2012: CHF 80.48). NAV before deducting deferred taxes amounted to CHF 99.25 (end of 2012: CHF 95.00). The NAV based on EPRA standards (see also the EPRA table on pages 94 to 96) amounted to CHF 100.57 (end of 2012: CHF 97.05).

3 See definition on page 14, note 2.

Proposal to the Annual General Meeting – Distribution out of capital contribution reserves

For the business year 2013, the Board of Directors will propose a cash payment out of the capital contribution reserves of CHF 3.25 per share (previous year: CHF 3.20 per share) to the Annual General Meeting on 3 April 2014. In relation to net income excluding gains/losses on real estate investments, this amount corresponds to a payout ratio of 85.8%; in relation to the 2013 year-end share price of CHF 75.50, it corresponds to a yield of 4.3%.

Subsequent events

For the refinancing of financial liabilities, a 1.375% bond, 2014 to 2020, with a volume of CHF 200 million was issued on 4 February 2014.

There were no further material subsequent events.

Outlook 2014

On the basis of our well established position in the Swiss real estate market, a high-quality property portfolio and a strong capital base, we look to the future with confidence. We will, in any case, stick to our long-term, value-oriented and judicious acquisition strategy and to our conservative financing policy.

We will keep focusing on renovation and modernisation of selected properties to further enhance their marketability as well as on 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 CHF 230 million for 2014 (2013: CHF 242.5 million). The decrease is mostly due to a slight decline in rental income, lower income from the sale of condominiums, the fading out of VAT recovery and higher renovation expenditures.

With regard to vacancies, we expect a rate of approximately 11% at year-end 2014 (end of 2013: 8.0%). The strong increase compared to year-end 2013 results mainly from to two larger vacancies, which will arise during the fourth quarter of 2014 at one property in Zurich (Central Business District) and one property in Zurich West.

The Executive Board, February 2014

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Financial Statements

PSP Swiss Property (Consolidated)

Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income

Consolidated statement of profit or loss

Operating income (in CHF 1 000)	1 January to 31 December 2012 restated	1 January to 31 December 2013	Note
Rental income	272 849	279 143	1
Net changes in fair value of real estate investments	266 851	128 144	9
Income from property sales (inventories)	65 034	81 505	
Expenses from sold properties (inventories)	– 52 241	– 68 456	
Income from other property sales	130	0	2
Income from investments in associated companies	94	5	10
Capitalised own services	2 656	2 791	9
Other income	5 602	3 292	3
Total operating income	**560 975**	**426 423**	
Operating expenses			
Real estate operating expenses	– 11 532	– 11 433	4
Real estate maintenance and renovation expenses	– 18 122	– 17 984	
Personnel expenses	– 18 834	– 19 135	5
Fees to subcontractors	– 52	– 49	
General and administrative expenses	– 7 414	– 7 198	6
Impairment charge properties	0	– 247	9
Depreciation	– 567	– 526	
Total operating expenses	**– 56 521**	**– 56 571**	
Operating profit before financial expenses	**504 455**	**369 852**	
Financial income	2 162	1 243	7
Financial expenses	– 39 400	– 32 121	7
Operating profit before taxes	**467 217**	**338 974**	
Income taxes	– 98 832	– 67 980	8
Net income attributable to shareholders of PSP Swiss Property Ltd	**368 385**	**270 993**	
Earnings per share from continuing operations in CHF (basic and diluted)	8.21	5.91	27

Consolidated statement of comprehensive income

(in CHF 1 000)	1 January to 31 December 2012 restated	1 January to 31 December 2013	Note
Net income attributable to shareholders of PSP Swiss Property Ltd	**368 385**	**270 993**	
Items that may be reclassified subsequently to profit or loss:			
■ Changes in interest rate hedging	– 2 202	24 675	
■ Income taxes	173	– 1 933	
Items that will not be reclassified subsequently to profit or loss:			
■ Changes in financial investments	406	0	
■ Changes in pension schemes	– 1 261	920	
■ Income taxes	246	– 202	
Comprehensive income attributable to shareholders of PSP Swiss Property Ltd	**365 746**	**294 453**	

The notes are part of these consolidated financial information.

PSP Swiss Property (Consolidated)

Consolidated Statement of Financial Position

Assets (in CHF 1 000)	1 January 2012 restated	31 December 2012 restated	31 December 2013	Note
Investment properties	5 572 616	5 942 645	6 006 810	9
Own-used properties	16 180	15 783	15 376	9
Sites and development properties	180 043	173 243	307 932	9
Investments in associated companies	9	12	17	10
Financial investments	7 353	9	9	11
Accounts receivable	12 245	9 757	8 114	12
Derivative financial instruments	0	0	799	13
Intangible assets	144	56	0	14
Tangible assets	152	288	323	15
Deferred tax assets	13 386	13 015	12 122	16
Total non-currents assets	**5 802 126**	**6 154 808**	**6 351 502**	
Investment properties for sale	22 795	9 669	11 744	9
Sites and development properties for sale	166 837	141 188	123 714	9
Accounts receivable	15 792	8 240	15 163	12
Deferrals	14 107	8 748	2 274	
Cash and cash equivalents	30 994	33 603	37 414	
Total current assets	**250 525**	**201 447**	**190 309**	
Total assets	**6 052 651**	**6 356 255**	**6 541 812**	

Shareholders' equity and liabilities	1 January 2012 restated	31 December 2012 restated	31 December 2013	Note
Share capital	4 587	4 587	4 587	17
Capital reserves	1 119 673	1 031 037	884 264	
Own shares	– 158 244	0	0	
Retained earnings	2 342 580	2 704 821	2 975 814	
Fair value reserves	– 45 854	– 48 894	– 25 434	18
Total shareholders' equity	**3 262 741**	**3 691 551**	**3 839 230**	
Debt	985 000	1 160 000	1 220 000	19
Bonds	647 298	498 360	368 879	19
Derivative financial instruments	41 815	46 014	22 019	13
Pension liabilities	11 339	12 927	12 559	20
Deferred tax liabilities	607 988	678 961	725 171	16
Total non-current liabilities	**2 293 441**	**2 396 261**	**2 348 628**	
Debt	25 000	0	0	19
Bonds	289 596	149 926	249 905	19
Derivative financial instruments	4 357	2 061	2 180	13
Accounts payable	90 561	45 818	38 030	22
Deferrals	65 613	45 408	52 411	
Current tax liabilities	19 816	25 086	11 343	
Provisions	1 526	143	85	21
Total current liabilities	**496 469**	**268 443**	**353 954**	
Total shareholders' equity and liabilities	**6 052 651**	**6 356 255**	**6 541 812**	

The notes are part of these consolidated financial information.
Zug, 27 February 2014, on behalf of der 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 2012 restated	1 January to 31 December 2013	Note
Net income attributable to shareholders of PSP Swiss Property Ltd	368 385	270 993	
Net changes in fair value of investment properties	– 266 851	– 128 144	9
Capitalised/released rent-free periods	– 179	– 2 229	9
Income from other property sales	– 130	0	2
Income from investments in associated companies	– 94	– 5	10
Dividend payment from associated companies	91	0	10
Capitalised own services	– 2 656	– 2 791	9
Provisions expenses	– 956	– 35	21
Outflow of provisions	– 427	– 23	21
Impairment charge properties	0	247	9
Changes in pension liabilities recorded in the income statement	327	552	
Depreciation	567	526	
Net financial expenses	37 238	30 878	7
Income taxes	98 832	67 980	8
Change in sites and development properties for sale	29 115	29 183	
Changes in accounts receivable	7 552	– 6 918	
Changes in accounts payable	– 44 767	– 7 814	
Changes in deferrals (assets)	5 246	6 359	
Changes in deferrals (liabilities)	– 16 272	9 953	
Interest paid	– 48 547	– 39 090	
Interest received	1 784	1 241	
Dividend/nominal value reductions received	377	1	
Taxes paid	– 28 346	– 36 757	
Cash flow from operating activities	**140 290**	**194 108**	
Purchases of development properties	– 169	– 135	9
Capital expenditures on investment properties	– 46 563	– 43 010	9
Capital expenditures on own-used properties	– 9	0	9
Capital expenditures on sites and development properties	– 46 593	– 31 579	9
Sales of properties	15 792	0	9
Sale of financial investment	7 750	0	11
Payout of loans	– 155	– 895	
Repayment of loans	2 643	2 538	
Purchases of tangible assets	– 9	– 98	15
Cash flow from investing activities	**– 67 314**	**– 73 179**	

(in CHF 1 000)	1 January to 31 December 2012 restated	1 January to 31 December 2013	Note
Purchases of own shares	0	– 1 592	17
Sales of own shares	200 996	1 595	17
Increase in financial debt	525 000	380 000	19
Financial debt repayment	– 375 000	– 320 000	19
Issue of bond	0	120 000	19
Issue expenses of bond	0	– 370	19
Repayment of bond	– 290 000	– 150 000	19
Distribution to shareholders	– 131 363	– 146 751	28
Cash flow from financing activities	**– 70 367**	**– 117 118**	
Changes in cash and cash equivalents	**2 609**	**3 811**	
Cash and cash equivalents at 1 January	30 994	33 603	
Cash and cash equivalents at 31 December	33 603	37 414	

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 2011	**4 587**	**1 119 673**
Restatement		
1 January 2012	**4 587**	**1 119 673**
Net income attributable to shareholders of PSP Swiss Property Ltd		
Changes in interest rate hedging		
Changes in financial investments		
Changes in staff pension schemes		
Income taxes		
Other comprehensive income		
Comprehensive income attributable to shareholders of PSP Swiss Property Ltd	**0**	**0**
Distribution to shareholders		– 131 388
Sales of own shares		42 296
Compensation in own shares		456
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**
Net income attributable to shareholders of PSP Swiss Property Ltd		
Changes in interest rate hedging		
Changes in staff pension schemes		
Income taxes		
Other comprehensive income		
Comprehensive income attributable to shareholders of PSP Swiss Property Ltd	**0**	**0**
Distribution to shareholders		– 146 777
Purchase of own shares		
Compensation in own shares		4
Elimination tax effect on profits on own shares in statutory accounts		
31 December 2013	**4 587**	**884 264**

The notes are part of these consolidated financial information.

Own shares	Retained earnings restated	Fair value reserves restated	Total shareholders' equity restated
– 158 244	**2 342 580**	**– 39 702**	**3 268 894**
		– 6 153	– 6 153
– 158 244	**2 342 580**	**– 45 854**	**3 262 741**
	368 385		**368 385**
		– 2 202	– 2 202
		406	406
		– 1 261	– 1 261
		418	418
		– 2 639	**– 2 639**
0	**368 385**	**– 2 639**	**365 746**
			– 131 388
156 928			199 224
1 316			1 772
	– 6 545		– 6 545
	400	– 400	0
0	**2 704 821**	**– 48 894**	**3 691 551**
	270 993		**270 993**
		24 675	24 675
		920	920
		– 2 135	– 2 135
		23 460	**23 460**
0	**270 993**	**23 460**	**294 453**
			– 146 777
– 1 592			– 1 595
1 592			1 595
	0		0
0	**2 975 814**	**– 25 434**	**3 839 230**

PSP Swiss Property (Consolidated)

Notes to the Consolidated 2013 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 161 office and commercial properties as well as five development sites and five individual projects throughout Switzerland. The properties are mainly in prime locations in Zurich, Geneva, Basel, Bern and Lausanne. At the end of 2013, PSP Swiss Property had 86 employees, corresponding to 79 full-time positions (end of 2012: 84 respectively 78).

The consolidated 2013 financial statements are based on the annual accounts of the controlled individual subsidiaries at 31 December 2013 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 2013 were authorised for issue by the Board of Directors on 27 February 2014. The consolidated financial statements are subject to approval by the Annual General Meeting of PSP Swiss Property on 3 April 2014.

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.

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

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 2013, the following modified standards came into force. 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: This amendment mainly addresses the presentation of items in comprehensive income. These items 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. The impact is shown in the paragraph „Initial Application of IAS 19 – Employee Benefits (revised) and IAS 1 – Presentation of Financial Statements (revised)“ on page 49.

- IFRS 10 – Consolidated Financial Statements: 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 has 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: 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). For PSP Swiss Property, this standard has no effect on the classification of its associated companies.

- IFRS 12 – Disclosures of Interests in Other Entities: This new standard contains additional disclosure requirements for interests in other entities. Due to the simple and straightforward group structure of PSP Swiss Property, this standard has no significant impact.

- IFRS 13 – Fair Value Measurement: 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 must now be applied. The effects of this new standard are shown in note 9 on pages 61 to 63.

- IAS 19 revised – Employee Benefits: This modified standard was first applied in the reporting period. The effects, incl. modifications of accounting and valuation principles, are shown in the paragraph „Initial Application of IAS 19 – Employee Benefits (revised) and IAS 1 – Presentation of Financial Statements (revised)“ on page 49.

- IFRS 7 revised – Disclosures – Offsetting Financial Assets and Liabilities: 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. The additional disclosures are shown in note 24 on page 76.

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

- 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.

- IFRS 9 Financial Instruments – Section Hedge Accounting (applicable from: to be determined). The amendment of the existing requirements for hedge accounting according to IAS 39 leads to a wider range of possibilities with regard to hedge accounting and contains a number of facilitations compared to the existing requirements.

PSP Swiss Property does not expect any major effects from the future implementation of these modifications and does not adopt the modifications early in the present Group financial statements.

The date for the mandatory application of IFRS 9 Financial Instruments – Section Classification and Measurement has not yet been set. PSP Swiss Property has applied this part of IFRS since 1 January 2009.

PSP Swiss Property (Consolidated)

Notes to the Consolidated 2013 Financial Statements

Critical estimates and assumptions

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

Real estate valuations

As required by the Directive on Financial Reporting of the SIX Swiss Exchange combined with the „Scheme C Real Estate Companies", the fair value of the properties classified according to IAS 40/IFRS 5 is assessed every six months by the external, independent valuation company (see the Property Valuation Report of the valuation company Wüest & Partner on pages 86 to 91). Thereby, the appraiser has access to Company information with regard to lease contracts, operating costs and investments.

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

In addition, the valuation results are discussed in detail by the Executive Board and submitted to the Board of Directors.

For its impairment tests, the independent valuation company also values 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 controlled by PSP Swiss Property Ltd. PSP Swiss Property Ltd exercises control, if the Company is exposed to variable returns from its investment in the subsidiaries, has a claim on these returns and is able to affect the returns due to its position of influence over the subsidiaries. The method of consolidation used is the 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 99.

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 2013, 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 the above-mentioned real estate management services to the other segments.

PSP Swiss Property (Consolidated)

Notes to the Consolidated 2013 Financial Statements

- 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 29 on pages 80 to 82.

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.

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 128 to 129), the lease expiry profile or the tenant structure (pages 142 to 143). 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**
5.31%	– 8.9%	– 563 475 600	5 746 156 300
5.21%	– 6.8%	– 431 282 100	5 878 349 800
5.11%	– 4.7%	– 293 465 800	6 016 166 100
5.01%	– 2.4%	– 149 891 700	6 159 740 200
4.91% (Valuation as per 31 Dec. 2013)	**0.0%**	**0**	**6 309 631 900**
4.81%	2.5%	156 429 900	6 466 061 800
4.71%	5.1%	319 806 800	6 629 438 700
4.61%	7.8%	490 608 000	6 800 239 900
4.51%	10.6%	669 131 900	6 978 763 800

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 280 million at most (2012: CHF 260 million; assumption: all other valuation variables remain unchanged). This would result in a change in the Company's net income of +/- CHF 224 million (2012: CHF 204 million).

An increase in the structural vacancy rates on which the estimates are based for all properties from 4.3% to 7.3% (2012: from 4.0% to 7.0%) would result in a depreciation of the entire portfolio of approximately CHF 220 million at most (2012: CHF 200 million; assumption: all other valuation variables remain unchanged). This would have the following impact on the Company's results:

PSP Swiss Property (Consolidated)

Notes to the Consolidated 2013 Financial Statements

- Change in net income: approximately CHF 176 million (2012: CHF 157 million)

- Change in net income excluding gains/losses on real estate investments: no impact (2012: 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 2013.

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 2012, PSP Swiss Property had no significant concentration of credit risks from receivables at the end of 2013 (see also tenant structure on page 143). Due to the low default rate of 0.2% (previous year: 0.3%) on receivables from tenant contracts, credit risk is considered low. There are several loans granted to tenants among the accounts receivable. At the end of 2013, the biggest single position amounted to CHF 3.8 million (end of 2012: CHF 4.8 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 2013. At the end of 2013, these three accounted for CHF 0.2 million respectively 20.3% of all the positive derivative financial instruments (end of 2012: no positive derivative financial instruments) and CHF 35.1 million respectively 93.8% of cash and cash equivalents (end of 2012: CHF 30.0 million respectively 89.4%).

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 2013, available cash and cash equivalents amounted to CHF 37.4 million (end of 2012: CHF 33.6 million). At the end of 2013, PSP Swiss Property had unused credit lines amounting to CHF 680 million (end of 2012: CHF 500 million); thereof, all were committed credit lines (end of 2012: all).

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

- Credit lines: At the end of 2013, committed credit lines amounted to CHF 1.90 billion (end of 2012: CHF 1.66 billion); thereof, as in the previous year, none was subject to short-term.

- 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.

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 by means of interest rate swaps and forward starting interest rate swaps in cases which are not completely certain, even if this may mean higher overall financing expenses. Also in order to minimise interest rate risks, financial debt with variable interest rates shall not exceed 20% of the real estate portfolio's value.

PSP Swiss Property finances itself by means of long-term capital market bonds and 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 2013 with interest rates which are fixed for periods of less than twelve months, an interest rate change of 50 basis points (assumption: all other variables remain unchanged) would result in a change in annualised interest charges of approximately CHF 2.1 million (2012: CHF 1.3 million). This would have the following impact on the Company's results:

- Change in net income: CHF 1.7 million (2012: CHF 1.0 million)

- Change in net income excluding gains/losses on real estate investments: CHF 1.7 million (2012: CHF 1.0 million)

- Change in shareholders' equity (retained earnings): CHF 1.7 million (2012: CHF 1.0 million)

PSP Swiss Property (Consolidated)

Notes to the Consolidated 2013 Financial Statements

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 (2012: no impact)
- Change in net income excluding gains/losses on real estate investments: no impact (2012: no impact)
- Change in comprehensive income: CHF 20.5 million (2012: CHF 17.6 million)
- Change in shareholders' equity (fair value reserves): CHF 20.5 million (2012: CHF 17.6 million)

Overall, the financing structure as at 31 December 2013 can be described as well secured.

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

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

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 3.839 billion at the end of 2013 (end of 2012: CHF 3.692 billion) – corresponding to an equity ratio of 58.7% (end of 2012: 58.1%) – PSP Swiss Property has a strong equity base. Interest-bearing debt amounted to CHF 1.839 billion respectively 28.1% of the balance sheet total at the end of 2013 (end of 2012: CHF 1.808 billion respectively 28.5%). The remaining 13.2 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 2012 and 31 December 2013.

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 130 to 139), PSP Swiss Property is lessee of building leases. At one property, 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 43) 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.

PSP Swiss Property (Consolidated)

Notes to the Consolidated 2013 Financial Statements

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 43.

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 according to the „Highest and Best Use" concept of IFRS 13. The change in market value, respectively the difference between the purchase price and the initial valuation, is recorded in the 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. This also includes replacement buildings for existing 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 IFRS 13 is possible from the moment a concrete project with corresponding building permission is available and construction is approved by the Executive Board. From that moment, the changes in valuation are recognised in the 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 2.4% (previous year: 2.6%).

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 45).

PSP Swiss Property (Consolidated)

Notes to the Consolidated 2013 Financial Statements

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.

Tangible assets

Tangible Assets 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.

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.

PSP Swiss Property (Consolidated)

Notes to the Consolidated 2013 Financial Statements

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.

Reserves

The position „Fair value reserves" includes, in particular, the change in valuation (after tax) of the derivative financial instruments which are held for interest rate hedging purposes, actuarial gains and losses of the pension institution according to IAS 19 revised as well as appreciations related to utilisation changes of properties in accordance with IAS 40 para. 61. Fair value reserves are not at the Company shareholders' disposition.

Capital reserves mainly result from capital contribution reserves, share-based compensations as well as changes from the trade in treasury shares.

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

Financial 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

Accounting and valuation method for pension liabilities

Benefits following the termination of a work contract include employee pension benefits. These are classified either as defined benefit plans or defined contribution plans. The cash value of the defined benefit obligations is calculated annually by an independent actuary using the project-unit-credit method. The actuarial assumptions which form the basis for these calculations are made according to the projections as at the balance-sheet date for the period in which the obligations must be met. The pension schemes are financed by means of a special fund. The plans' assets are stated at fair value.

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

The cost of defined benefit plans must be recorded in the income statement. There is a reduction in contributions according to IFRS, if the employer has to pay less than the actual working hours. Extraordinary events, such as changes in pension schemes which change employee claims, or plan curtailments or plan settlements are immediately recorded in the income statement.

Description of pension schemes and pension institutions

All employees and pensioners of PSP Group are insured in various pension institutions. These pension schemes are affiliated to various collective institutions. These have their own legal personality in the form of foundations; their goal is to provide benefits for the employees in the case of retirement or disability as well as these employees' dependants after their death.

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

Responsibilities of the employer respectively the foundation board

The foundation board is the foundation's supreme body. Among other things, the foundation board determines the pension benefits, their financing as well as investments. It is responsible for the guidance, supervision and control of the management of the respective collective institutions. It consists of an equal number of employer and employees' representatives of the affiliated companies.

Each pension institution has its own equally represented body. Among other things, it participates in working out the affiliation agreement and determines the appropriation of any surplus. The equally represented body consists of an equal number of employer representatives and representatives of insured employees of PSP Group.

Special situations

The pension plans/regulations have no minimum financing requirements (as long as the pension institution has a statutory over-funding), despite the fact that the pension plans/regulations have minimum requirements with regard to contributions, as described below. In accordance with local legislation, the options for the members of the equally represented body are limited with regard to the distribution of benefits to the beneficiaries from the „disposable assets" in the case of over-funding. If, however, there is under-funding, additional contributions are claimed from the insured and the employer („restructuring contributions") until there is sufficient coverage. A number of pension schemes of PSP Group are so-called full-insurance solutions which, for statutory reasons, cannot fall into under-funding requiring restructuring contributions.

Financing agreements for future contributions

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

PSP Swiss Property (Consolidated)

Notes to the Consolidated 2013 Financial Statements

Even in the case of over-funding, the law requires a minimum of annual contributions. Both the employer and employees must make contributions for those still at work. The employer's contribution must be at least as high as the employees' contributions.

The minimum annual contributions depend on the insured person's age and insured salary. They are recorded in the pension plans/regulations.

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

In the case of liquidation of the employer or the pension institution, the employer has no claim on any surplus from the pension institution. Any surplus is distributed among the pension institution's insured and pensioners.

General risks

PSP Group bears the risk that the equity may be affected by a poor performance of the pension institution or by adjustments with regard to valuation assumptions. Therefore, the sensitivities of the most important assumptions (technical interest rate, increases in salaries or pensions) are determined and disclosed.

The equity ratio may entail deteriorating conditions and limits on the capital market as well as lower ratings. Furthermore, bank loans depend on the equity ratio.

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.

Initial application of IAS 19 – employee benefits (revised) and IAS 1 – presentation of financial statements (revised)

The major effects of the initial application of IAS 19 (revised), incl. modifications of accounting and valuation principles, on PSP Group are as follows:

- Removal of the corridor approach: actuarial gains and losses are now recognised fully in comprehensive income at the time they are incurred.
- Calculation of pension expenses: the previous recognition of the expected income from the pension plan assets and the calculation of interest expenses on the performance-oriented pension liabilities are replaced by the recognition of net interest income based on the net pension liabilities or net pension assets.

The major effect of the initial application of IAS 1 (revised) on PSP Group is as follows:

- Separation of comprehensive income into two categories, depending on whether the corresponding amounts will be recycled to profit and loss in future periods or not.

PSP Swiss Property (Consolidated)

Notes to the Consolidated 2013 Financial Statements

According to the standard's transitional provisions, the initial application of IAS 19 (revised) and IAS 1 (revised) has to be made retrospectively. The impact on the comparable periods is shown in the following tables by a comparison of the published figures and the figures adjusted according to the modification of the standard. The relevant positions in the balance sheet, the income statement, the statement of comprehensive income, the cash flow statement, the statement of shareholders' equity and the per share figures are shown below:

Consolidated statement of profit or loss

(in CHF 1 000)	January to December 2012	
	Published	Restated
Personnel expenses	– 18 518	– 18 834
Income taxes	– 98 902	– 98 832
Net income attributable to shareholders of PSP Swiss Property Ltd	368 631	368 385

Consolidated statement of comprehensive income

(in CHF 1 000)	January to December 2012	
	Published	Restated
Net income attributable to shareholders of PSP Swiss Property Ltd	368 631	368 385
Items that may be reclassified subsequently to profit or loss:		
■ Changes in interest rate hedging	– 2 202	– 2 202
■ Income taxes[1]	n.a.	173
Items that will not be reclassified subsequently to profit or loss:		
■ Changes in interest rate hedging	406	406
■ Income taxes[1]	n.a.	– 32
■ Changes in pension schemes	n.a.	– 1 261
■ Income taxes[1]	n.a.	277
Income taxes[1]	141	n.a.
Comprehensive income attributable to shareholders of PSP Swiss Property Ltd	366 976	365 746

Consolidated statement of financial position

(in CHF 1 000)	1 January 2012		31 December 2012	
	Published	Restated	Published	Restated
Deferred tax assets	11 650	13 386	10 933	13 015
Retained earnings	2 342 580	2 342 580	2 705 067	2 704 821
Fair value reserves	– 39 702	– 45 854	– 41 757	– 48 894
Pension liabilities	3 451	11 339	3 462	12 927

Consolidated cash flow statement

(in CHF 1 000)	January to December 2012	
	Published	Restated
Net income attributable to shareholders of PSP Swiss Property Ltd	368 631	368 385
Changes in pension liabilities recorded in the income statement	11	327
Income taxes	98 902	98 832

Consolidated statement of shareholders' equity

(in CHF 1 000)	January to December 2012	
	Published	Restated
Retained earnings	2 705 067	2 704 821
■ Net income attributable to shareholders of PSP Swiss Property Ltd	368 631	368 385
Fair value reserves	– 41 757	– 48 894
■ Changes in staff pension schemes	n.a.	– 1 261
■ Income taxes	141	418
■ Other comprehensive income	– 1 655	– 2 639
■ Comprehensive income attributable to shareholders of PSP Swiss Property Ltd	366 976	365 746

1 Income tax expenses were previously reported as a comprehensive item.

Segment information

(in CHF 1 000)	January to December 2012	
	Published	Restated
Personnel expenses Segment Real Estate Maintenance	– 7 869	– 8 109
Personnel expenses Segment Holding	– 10 750	– 10 826
Subtotal personnel expenses	– 18 618	– 18 934
Total personnel expenses	– 18 518	– 18 834
Total income taxes	– 98 902	– 98 832
Total assets in the Segment Real Estate Maintenance	6 502	7 867
Total liabilities in the Segment Real Estate Maintenance	6 359	12 565
Total assets in the Segment Holding	36 163	36 880
Total liabilities in the Segment Holding	19 841	23 100

Personnel expenses

(in CHF 1 000)	January to December 2012	
	Published	Restated
Expenses for staff pension schemes	1 308	1 624
Total personnel expenses	18 518	18 834

Income taxes

(in CHF 1 000)	January to December 2012	
	Published	Restated
Deferred income taxes from change in temporary net changes in fair value of other balance sheet positions	– 14	– 84
Operating profit before taxes	467 533	467 217
Income tax at reference rate	101 095	101 027
Local tax rate differences	– 2 524	– 2 525
Taxes from staff pension scheme liabilities directly reported in equity	n.a.	277

Deferred tax assets and liabilities

(in CHF 1 000)	January to December 2012	
	Published	Restated
Deferred tax assets resulting from pension liabilities	762	2 844
Total deferred tax assets	10 933	13 015
Net deferred tax liabilities		
■ Carrying value 1 January	596 338	594 603
■ Deferred taxes booked to income statement	71 863	71 793
■ Deferred taxes booked to shareholders' equity	– 173	– 450
■ Carrying value 31 December	668 028	665 946
Expiration of deferred tax assets < 1 year	554	2 636

Fair value reserves

(in CHF 1 000)	January to December 2012	
	Published	Restated
Expenses for staff pension schemes		
■ Changes current year	n.a.	– 1 261
■ Income taxes	n.a.	277
■ 31 December 2012	n.a.	– 48 894
Total		
■ Changes current year	– 2 230	– 3 491
■ Income taxes	175	452
■ 31 December 2012	– 41 757	– 48 894

PSP Swiss Property (Consolidated)

Notes to the Consolidated 2013 Financial Statements

Pension liabilities

(in CHF 1 000)	January to December 2012 Published	Restated
Overview according to project-unit-credit method		
Pension liabilities (present value)	58 667	58 004
Deficient cover	13 590	12 927
Unrecognised actuarial gains and losses	– 10 128	n.a.
Pension liabilities (technical deficit)	3 462	12 927
Composition of pension scheme contributions in the income statement of PSP Swiss Property Ltd		
Actuarial pension expenses	2 182	1 423
Interest expenses	1 252	1 237
Expected income on plan assets	– 1 528	– 982
Amortisation actuarial gains and losses	323	0
Employees' contributions	– 804	0
Administrative cost	n.a.	63
Total expenses	1 425	1 741
Pension liabilities in the balance sheet of PSP Swiss Property Ltd		
Restatement IAS 19 revised	n.a.	7 888
Expenses for staff pension schemes debited to the income statement	1 425	1 741
Actuarial gains / losses on OCI	n.a.	1 261
Carrying value 31 December	3 462	12 927
Pension liabilities by the pension scheme		
Pension liabilities (present value) 1 January	55 498	54 869
Actuarial pension expenses	2 182	1 423
Employees' contributions	n.a.	804
Interest expenses	1 252	1 237
Actuarial gains and losses	1 703	1 639
Pension liabilities (present value) 31 December	58 667	58 004
Pension liabilities by the pension scheme		
Expected income on plan assets	1 528	982
Administrative cost	n.a.	– 63
Actuarial gains and losses	– 231	378
Effective income on plan assets	1 297	1 360
Expected return on pension assets	3.5%	n.a.

Per share figures

	January to December 2012 Published	Restated
Net income in CHF 1 000	368 631	368 385
Earnings per share in CHF (basic and diluted)	8.21	8.21
Net income excl. gains/losses on real estate investments in CHF 1 000	161 614	161 367
Earnings per share excl. gains/losses on real estate investments in CHF (basic and diluted)	3.60	3.60

	31 December 2012 Published	Restated
Shareholders' equity in CHF 1 000	3 698 934	3 691 551
Deferred taxes in CHF 1 000	668 028	665 946
Net asset value per share in CHF	80.64	80.48
Net asset value per share before deferred taxes in CHF	95.21	95.00

EPRA earnings & EPRA earnings per share (EPS)

January to December 2012	Published	Restated
Earnings per IFRS income statement in CHF 1 000	368 631	368 385
EPRA earnings in CHF 1 000	151 424	151 177
EPRA EPS in CHF	3.37	3.37

EPRA net asset value (NAV)

31 December 2012	Published	Restated
NAV per the financial statements in CHF 1 000	3 698 934	3 691 551
EPRA NAV in CHF 1 000	4 458 838	4 451 456
EPRA NAV per share in CHF	97.21	97.05

EPRA triple net asset value (NNNAV)

31 December 2012	Published	Restated
EPRA NAV in CHF 1 000	4 458 838	4 451 456
EPRA NNNAV in CHF 1 000	3 714 742	3 707 359
EPRA NNNAV per share in CHF	80.99	80.83

PSP Swiss Property (Consolidated)

Notes to the Consolidated 2013 Financial Statements

Segment information for the business year 2012

1 January to 31 December 2012 restated

Operating income (in CHF 1 000)	Real Estate Investments	Real Estate Maintenance	Holding	Subtotal	Eliminations	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		– 8 109	– 10 826	– 18 934	100	– 18 834
Fees to subcontractors		– 52		– 52		– 52
General and administration expenses	– 16 241	– 3 501	– 4 400	– 24 142	16 728	– 7 414
Impairment charge properties	0			0		0
Depreciation	– 420	– 59	– 88	– 567		– 567
Total operating expenses	**– 60 618**	**– 11 721**	**– 15 313**	**– 87 652**	**31 132**	**– 56 521**
Operating profit before financial expenses	**496 350**	**6 031**	**2 074**	**504 455**		**504 455**
Financial income						2 162
Financial expenses						– 39 400
Operating profit before taxes						**467 217**
Income taxes						– 98 832
Net income attributable to shareholders of PSP Swiss Property Ltd						**368 385**
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	7 867	36 880	6 362 418	– 6 163	**6 356 255**
Liabilities	2 635 202	12 565	23 100	2 670 867	– 6 163	**2 664 704**
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“.

Segment information for the business year 2013

1 January to 31 December 2013

Operating income (in CHF 1 000)	Real Estate Investments	Real Estate Maintenance	Holding	Subtotal	Eliminations	Total Group
Rental income	280 716			280 716	– 1 573	279 143
Net changes in fair value of real estate investments	128 144			128 144		128 144
Income from property sales (inventories)	81 505			81 505		81 505
Expenses from sold properties (inventories)	– 68 456			– 68 456		– 68 456
Income from other property sales	0			0	0	0
Income from investments in associated companies		5		5		5
Real estate management services		13 418		13 418	– 13 418	0
Capitalised own services		2 791		2 791		2 791
Other income	3 262	1 125	15 804	20 192	– 16 900	3 292
Total operating income	**425 171**	**17 339**	**15 804**	**458 314**	**– 31 891**	**426 423**
Operating expenses						
Real estate operating expenses	– 24 851			– 24 851	13 418	– 11 433
Real estate maintenance and renovation expenses	– 18 779			– 18 779	795	– 17 984
Personnel expenses		– 8 626	– 10 609	– 19 235	100	– 19 135
Fees to subcontractors		– 49		– 49		– 49
General and administration expenses	– 17 232	– 3 556	– 3 987	– 24 775	17 578	– 7 198
Impairment charge properties	– 247			– 247		– 247
Depreciation	– 407	– 63	– 56	– 526		– 526
Total operating expenses	**– 61 516**	**– 12 294**	**– 14 652**	**– 88 462**	**31 891**	**– 56 571**
Operating profit before financial expenses	**363 655**	**5 044**	**1 152**	**369 852**		**369 852**
Financial income						1 243
Financial expenses						– 32 121
Operating profit before taxes						**338 974**
Income taxes						– 67 980
Net income attributable to shareholders of PSP Swiss Property Ltd						**270 993**
Revenue						
With third parties	363 910	0	0	363 910		363 910
With other segments	1 573	17 304	15 804	34 682	– 31 891	2 791
Total revenue	**365 483**	**17 304**	**15 804**	**398 592**	**– 31 891**	**366 701**
Total assets	6 504 586	7 861	36 542	6 548 989	– 7 177	**6 541 812**
Liabilities	2 681 686	13 628	14 444	2 709 759	– 7 177	**2 702 582**
Capital expenditures	114 110	98	0	114 208		**114 208**
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 2013 Financial Statements

Other notes

1. Rental income

(in CHF 1 000)	2012	2013
Potential rent	302 409	311 852
Vacancy	– 26 392	– 28 704
Write-offs of defaulting tenants	– 19	– 516
Net land lease interests	– 1 348	– 1 485
Other income	– 1 799	– 2 004
Total rental income	**272 849**	**279 143**

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 2012	31 December 2013
Rental income < 1 year	214 675	221 515
Rental income 2 to 5 years	412 436	479 135
Rental income > 5 years	135 612	178 710
Accumulated future rental income	**762 723**	**879 360**

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, 75.4% of contracts have a clause for a 100% indexation (end of 2012: 72.8%).

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

(in CHF 1 000)	2012	2013
Land lease interest expenses	1 519	1 605
Total land lease interest expenses for the period	**1 519**	**1 605**

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

(in CHF 1 000)	31 December 2012	31 December 2013
Interest payments < 1 year	1 582	1 682
Interest payments 2 to 5 years	8 409	8 409
Interest payments > 5 years	17 863	16 182
Accumulated future land lease interest expenses	**27 854**	**26 272**

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

(in CHF 1 000)	2012	2013
Land lease interest income	171	119
Total land lease interest income for the period	**171**	**119**

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 2012	31 December 2013
Interest payments < 1 year	244	44
Interest payments 2 to 5 years	1 722	222
Interest payments > 5 years	12 686	1 242
Accumulated future land lease interest income	**14 652**	**1 508**

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 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)	2012	2013
Sales proceeds	15 930	0
Transaction costs	– 138	0
Carrying value of sold properties	– 15 661	0
Total income from property sales	**130**	**0**

In the reporting year, no properties were sold from the investment portfolio. In the previous year, sales of investment properties generated a profit of CHF 0.1 million, consisting of a profit of CHF 0.2 million and a loss of CHF 0.1 million.

PSP Swiss Property (Consolidated)

Notes to the Consolidated 2013 Financial Statements

3. Other income

(in CHF 1 000)	2012	2013
VAT recovery	3 802	2 854
Fiduciary construction services	227	0
Other fees	1 572	438
Total other income	**5 602**	**3 292**

As in the previous year, the voluntary opting in of several rental contracts (VAT recovery) resulted in an extraordinary income of CHF 2.9 million (2012: CHF 3.8 million). In the previous year, an unblocked purchase price escrow account generated other income of CHF 0.6 million.

4. Real estate operating expenses

(in CHF 1 000)	2012	2013
General operating expenses	4 487	4 384
Taxes and fees	3 304	3 105
Insurance premiums	1 750	1 863
Expenses for caretakers	1 052	857
Utilities and waste management	408	808
Letting expenses	385	432
Administrative expenses	371	313
Ancillary expenses received	– 225	– 328
Total real estate operating expenses	**11 532**	**11 433**

Real estate operating expenses for unrented objects amounted to CHF 3.5 million in the reporting year (2012: CHF 3.5 million). Thereof, CHF 2.6 million were for heating and general operating expenses (2012: CHF 3.1 million).

5. Personnel expenses

(in CHF 1 000)	2012 restated	2013
Wages and salaries	15 804	15 812
Social security expenses	1 316	1 305
Expenses for staff pension schemes	1 624	1 908
Other expenses	90	111
Total personnel expenses	**18 834**	**19 135**
Employees at end of period (posts)	84	86
Equal full-time employees (posts)	78	79

6. General and administrative expenses

(in CHF 1 000)	2012	2013
Administrative expenses	3 924	3 619
General operating expenses	1 377	1 355
IT expenses	1 545	1 645
Current capital taxes	300	341
Occupancy expenses	268	237
Total general and administrative expenses	**7 414**	**7 198**

In the reporting year, general and administrative expenses decreased by CHF 0.2 million, mainly due to the termination of individual projects.

7. Financial expenses

(in CHF 1 000)	2012	2013
Financial income	1 784	1 241
Income from financial investments	377	1
Total financial income	**2 162**	**1 243**
Financial expenses	44 228	36 249
Capitalised interest expenses	– 6 220	– 4 997
Amortisation of issue expenses of bonds	1 392	868
Total financial expenses	**39 400**	**32 121**
Total net financial expenses	**37 238**	**30 878**
Overall financial expenses for financial instruments at amortised cost	**45 620**	**37 117**

Interest-bearing debt amounted to CHF 1.839 billion at the end of 2013 (end of 2012: CHF 1.808 billion). The average interest rate was 1.95% in the reporting year (2012: 2.37%). At the end of 2013, the average interest rate was 1.85% (end of 2012: 2.20%).

PSP Swiss Property (Consolidated)

Notes to the Consolidated 2013 Financial Statements

8. Income tax expenses

(in CHF 1 000)	2012 restated	2013
Current income taxes of reporting period	27 464	25 687
Adjustments for current income taxes relating to other periods	– 425	-2 674
Total current income taxes	**27 039**	**23 013**
Deferred income taxes from change in temporary net changes in fair value of investment properties	71 122	43 701
Deferred income taxes from changes in tax rates	755	1 424
Deferred income taxes from change in temporary net changes in fair value of other balance sheet positions	– 84	- 158
Total deferred income taxes	**71 793**	**44 967**
Total income tax expenses	**98 832**	**67 980**

Reconciliation to tax expenses:

(in CHF 1 000)	2012 restated	2013
Operating profit before taxes	467 217	338 974
Current capital taxes	21.6%	21.4%
Reference tax rate	**101 027**	**72 376**
Changes in tax rates on temporary changes in fair value	755	1 424
Adjustments for current income taxes relating to other periods	– 425	– 2 674
Local tax rate differences	– 2 525	– 3 146
Total income tax expenses	**98 832**	**67 980**

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 21.4% (incl. direct federal tax) is currently applicable (2012: 21.6%). In the reporting year, the actual tax rate was 20.1% (2012: 21.2%).

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

(in CHF 1 000)	2012 restated	2013
Taxes from change in interest rate hedging	173	– 1 933
Taxes from change in financial instruments	– 32	0
Taxes from staff pension scheme liabilities	277	– 202
Total income tax expenses (directly reported in equity)	**418**	**– 2 135**

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 at 31 December 2011	**5 572 616**	**22 795**	**16 180**	**155 513**	**24 530**	**166 837**	**5 958 470**
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 at 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**				
Purchases	0	0	0	135	0	0	135
Capitalised/released rent-free periods[1]	2 229	0	0	0	0	0	2 229
Transfers	– 107 683	0	0	119 501	– 20 344	8 526	0
Capital expenditures	42 596	414	0	30 428	1 152	39 520	114 110
Capitalised own services	938	50	0	638	302	863	2 791
Capitalised interest expenses	1 385	0	0	848	196	2 567	4 997
Sales	0	0	0	0	0	– 68 703	– 68 703
Net changes in fair value of real estate investments	124 700	1 610	0	1 834	n.a.	n.a.	128 144
■ Net changes in fair value of properties held at 1 January 2013	138 806	1 610	n.a.	– 591	n.a.	n.a.	139 826
■ Net changes in fair value of properties acquired/completed and transferred	– 14 106	0	n.a.	2 425	n.a.	n.a.	– 11 682
Impairment charge	n.a.	n.a.	0	n.a.	0	– 247	– 247
Depreciation	n.a.	n.a.	– 407	n.a.	n.a.	n.a.	– 407
Carrying value at 31 December 2013	**6 006 810**	**11 744**	**15 376**	**291 078**	**16 854**	**123 714**	**6 465 576**
Historical cost			17 512				
Accumulated depreciation			– 2 136				
Carrying value, net			**15 376**				
Fire insurance value at 31 December 2012							4 261 610
Fire insurance value at 31 December 2013							4 330 025

1 Straightlining of incentives given to tenants.

PSP Swiss Property (Consolidated)

Notes to the Consolidated 2013 Financial Statements

Class of assets fair value change calculation

							Properties
(in CHF 1 000)	Zurich	Geneva	Basel	Bern	Lausanne	Other locations	Total real estate investment
Carrying value at 31 December 2011	**3 837 854**	**795 653**	**349 428**	**212 602**	**262 166**	**293 221**	**5 750 923**
Additions	0	0	0	0	0	169	169
Capitalised/released rent-free periods[1]	265	– 86	0	0	0	0	179
Capital expenditures	45 536	10 241	1 506	7 593	3 519	14 197	82 593
Capitalised own services	996	158	57	184	67	30	1 493
Capitalised interest expenses	2 066	173	94	264	36	830	3 462
Net changes in fair value recognised in the income statement, item Net changes in fair value of real estate investments	153 403	39 451	25 161	16 005	26 365	6 466	266 851
Deductions	0	0	0	0	0	– 15 661	– 15 661
Carrying value at 31 December 2012	**4 040 120**	**845 590**	**376 246**	**236 649**	**292 153**	**299 251**	**6 090 009**
Change of non-realised changes in fair value of real estate investments in the portfolio as at 31 December 2012; recognised in the income statement	153 403	39 451	25 161	16 005	26 365	4 955	265 340
Carrying value at 31 December 2012	**4 040 120**	**845 590**	**376 246**	**236 649**	**292 153**	**299 251**	**6 090 009**
Additions	0	135	0	0	0	11 818	11 953
Capitalised/released rent-free periods[1]	2 315	– 86	0	0	0	0	2 229
Capital expenditures	32 132	13 104	38	3 527	1 940	22 697	73 438
Capitalised own services	827	159	17	159	100	363	1 626
Capitalised interest expenses	736	389	6	178	60	865	2 234
Net changes in fair value recognised in the income statement, item Net changes in fair value of real estate investments	45 601	36 123	6 896	14 674	21 716	3 135	128 144
Carrying value at 31 December 2013	**4 121 732**	**895 414**	**383 202**	**255 187**	**315 969**	**338 128**	**6 309 632**
Change of non-realised changes in fair value of real estate investments in the portfolio as at 31 December 2013; recognised in the income statement	45 601	36 123	6 896	14 674	21 716	3 135	128 144

1 Straightlining of incentives given to tenants.

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

At the beginning of May 2013, the decision was made to invest approximately CHF 30 million in the construction of a health spa on the grounds of the „Genève Plage" in Geneva/Cologny. Construction of the building complex, which is already let to an expert operating company, will take until 2015.

As early as the first quarter of 2013, the following new buildings in Zurich, most of which are already fully let, were completed and transferred to the investment property portfolio: i) Brandschenkestrasse 152b (office building „Kesselhaus"), ii) Limmatstrasse 250-254/264/266 (Löwenbräu site, office building „Red") and iii) Theaterstrasse 22 (restaurant and office building „Vorderer Sternen"). Furthermore, the „Lido" project in Locarno was successfully completed and also transferred to the investment property portfolio in the third quarter of 2013.

Property valuation differences: The property valuation report of the external, independent valuation company, Wüest & Partner AG, on pages 86 to 91, shows the basis and assumptions adopted for valuation purposes.

The revaluation of the properties resulted in an appreciation of CHF 128.1 million. Thereof, CHF 43.1 million at a total of 12 properties were due to the initial application of the „Highest and Best Use“ concept according to IFRS 13. Other drivers of the appreciation were: i) a decline in the average weighted discount rate by 12 basis points – at the end of 2013, the portfolio's weighted average nominal discount rate was 4.91% (end of 2012: 5.03%), ii) closing of new leases at higher than expected rents and iii) slightly higher market rents for sales spaces, particularly in the centre of Zurich. Future capital expenditures related to the planned renovations had a negative impact on the valuation.

As at 31 December 2013, the independent valuation company identified twelve properties which may have significant optimisation potential (unchanged from the first half of 2013). The valuation company assessed these properties in accordance with IFRS 13 on the basis of the „Highest and Best Use“ concept as at the balance sheet date. At six of these properties in the Zurich region, specific clarifications are being made with regard to the implementation of potential usage optimisations. At the remaining six properties (two each in the areas Basel, Geneva/Lausanne as well as Zurich), no concrete measures are planned at the moment.

With regard to market value adjustments on the properties which were reported as at 1 January 2013, positive valuation changes at the end of 2013 totalled CHF 208.7 million (2012: CHF 297.7 million) and negative valuation changes totalled CHF 68.9 million (2012: CHF 33.4 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 20.7 million at the end of 2013 (end of 2012: CHF 20.0 million).

Sites and development properties are recorded at market value (fair value), if the market value can be reliably determined; as at the end of 2013, this applied to the following objects: i) Gurten site in Wabern near Bern, ii) new construction „Genève Plage“ in Geneva/Cologny, iii) new construction Löwenstrasse 16 in Zurich, iv) conversion of „Bahnhofquai / Bahnhofplatz“ in Zurich, v) conversion of Bahnhofstrasse 10 / Börsenstrasse 18 in Zurich and vi) new construction of the Salmenpark in Rheinfelden. The market value of all sites and development properties was estimated at CHF 467.1 million at the end of 2013 (end of 2012: CHF 358.5 million). At the end of 2013, payment obligations for current development and renovation projects totalled CHF 15.2 million (end of 2012: CHF 53.3 million).

As at the end of 2013, notary and transfer fees in respect of the sale of all properties were estimated at approximately CHF 70 million (end of 2012: approximately CHF 67 million).

Information on financing is shown in note 19 on pages 71 to 73. Participations and investments as well as transactions with related parties are shown in notes 10 (page 64) and 29 (pages 80 to 82).

Further information in accordance with the Directive on Financial Reporting of the SIX Swiss Exchange can be found on pages 128 to 143. (This information is part of the notes to the consolidated financial statements.)

PSP Swiss Property (Consolidated)

Notes to the Consolidated 2013 Financial Statements

10. Investments in associated companies

Name (in CHF 1 000)	Registered office	Total assets	Liabilities	Revenues	Income	Ownership
31 December 2012						
IG REM	Zurich, Switzerland	55	5	798	721	n.a.
31 December 2013						
IG REM	Zurich, Switzerland	81	0	115	35	n.a.

(in CHF 1 000)	2012	2013
Carrying value at 1 January	9	12
Proportional net income	94	5
Dividend payment	– 91	0
Carrying value 31 December	**12**	**17**

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. Therefore there is no percentual capital allocation amongst the three IG REM members. Expenses and income are recognised in the business segment „Real estate management“.

11. Financial investments

(in CHF 1 000)	2012	2013
Carrying value at 1 January	7 353	9
Net changes in fair value, reported in the statement of comprehensive income	406	0
Outflow	– 7 750	0
Carrying value 31 December	**9**	**9**

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

There were no changes in fair value in the reporting year (previous year: positive changes in fair values of CHF 0.41 million before and after tax); these are recognised in the statement of comprehensive income.

The income from financial investments amounted to CHF 0.001 million (2012: CHF 0.378 million).

12. Accounts receivable

(in CHF 1 000)	2012	2013
Resulting from business activities with third parties	20 349	25 302
Value adjustment (accumulated)	– 2 352	– 2 025
Carrying value 31 December	**17 997**	**23 277**
thereof long-term (non-current assets)	9 757	8 114
thereof short-term (current assets)	8 240	15 163

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)	2012	2013
Carrying value at 1 January	2 906	2 353
Additions debited to income statement	554	739
Release credited to income statement	– 582	– 124
Outflow	– 526	– 942
Carrying value 31 December	**2 353**	**2 025**

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 2013 Financial Statements

The accounts receivable had the following age structure:

(in CHF 1 000)	Carrying value 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**						

(in CHF 1 000)	Carrying value 31 Dec. 2013	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)	8 114	0	8 144	0	0	0	0
Accounts receivable (current assets)	17 189	2 593	14 037	362	155	11	31
Value adjustment	– 2 025						
Total accounts receivable	**23 277**						

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 rate of 0.2% (previous year: 0.3%), the quality of accounts receivable which are due and not value-adjusted is considered as good. At the end of 2013, guarantees (at fair value) totalled CHF 3.3 million on accounts receivable which were due and not value-adjusted of CHF 0.6 million (end of 2012: CHF 8.3 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 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**
31 December 2013			
2014	250 000	0	– 2 180
2015	300 000	0	– 6 859
2016	50 000	0	– 2 572
2017	200 000	0	– 8 034
2018	250 000	490	– 1 960
2019	250 000	0	– 2 322
2020	100 000	56	– 133
2021	100 000	253	– 141
Total	**1 500 000**	**799**	**– 24 199**

1 Excl. accrued interest.

In the 2013 business year, interest rate swaps with a contract volume totalling CHF 150 million matured. Furthermore, two forward starting interest rate swaps totalling CHF 100 million were newly signed in the reporting period (beginning in the year 2016 and maturing in the year 2021).

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 2013 is 0.25% to 2.47% (end of 2012: 0.25% to 3.04%); 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 70). 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.

PSP Swiss Property (Consolidated)

Notes to the Consolidated 2013 Financial Statements

14. Intangible assets (software)

(in CHF 1 000)	2012	2013
Carrying value at 1 January	144	56
Depreciation	– 88	– 56
Carrying value at 31 December	**56**	**0**
Historical cost	3 440	3 440
Accumulated depreciation	– 3 384	– 3 440
Carrying value, net	**56**	**0**

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

15. Tangible assets

(in CHF 1 000)	2012	2013
Carrying value at 1 January	152	288
Purchases	9	98
Appreciation	200	0
Depreciation	- 73	- 63
Carrying value at 31 December	**288**	**323**
Historical cost	1 415	1 512
Appreciation	200	200
Accumulated depreciation	-1 326	-1 389
Carrying value, net	**288**	**323**
Fire insurance value at 31 December	5 000	5 000

16. Deferred tax assets and liabilities

Deferred tax assets (in CHF 1 000)	31 December 2012 restated	31 December 2013
Resulting from negative net changes in fair value of properties	6 405	7 464
Resulting from derivative financial instruments	3 766	1 896
Resulting from pension scheme liabilities	2 844	2 763
Total	**13 015**	**12 122**

Deferred tax liabilities		
Resulting from positive net changes in fair value of properties	677 976	724 160
Resulting from accounts receivable	215	178
Resulting from derivative financial instruments	0	63
Resulting from provisions	770	770
Total	**678 961**	**725 171**

Net deferred tax liabilities	2012 restated	2013
Carrying value at 1 January	594 603	665 946
Deferred taxes booked to statement of profit or loss	71 793	44 967
Deferred taxes booked to shareholders' equity	– 450	2 135
Carrying value at 31 December	**665 946**	**713 048**

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 2013, tax liabilities would, compared to the reported deferred tax liabilities, increase by approximately CHF 55 million (end of 2012: approximately CHF 62 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 2012 restated	31 December 2013
< 1 year	2 636	579
> 1 year	10 379	11 543
Total	**13 015**	**12 122**

Expiration of tax liabilities		
< 1 year	6 001	5 437
> 1 year	672 960	719 734
Total	**678 961**	**725 171**

PSP Swiss Property (Consolidated)

Notes to the Consolidated 2013 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 2011	45 867 891	0.10	4 587
31 December 2012	45 867 891	0.10	4 587
31 December 2013	45 867 891	0.10	4 587
Authorised share capital			
31 December 2011	10 000 000	0.10	1 000
31 December 2012	10 000 000	0.10	1 000
31 December 2013	n.a.	n.a.	n.a.
Conditional share capital			
31 December 2011	2 000 000	0.10	200
31 December 2012	2 000 000	0.10	200
31 December 2013	2 000 000	0.10	200

In the reporting year, a total of 21 173 own shares were purchased at an average price of CHF 75.17 per share totalling CHF 1.6 million and 21 173 own shares were sold at an average price of CHF 75.46 per share totalling CHF 1.6 million (2012: 2 446 896 own shares sold at an average price of CHF 82.28 and no own shares purchased).

Further details on changes in shareholders' equity can be found in the consolidated statement of shareholders' equity on pages 30 to 31.

Authorised capital was valid until 1 April 2013. Thereafter, it was not extended. Further details on authorised and conditional share capital are shown in the Corporate Governance section on page 108.

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	Pension scheme liabilities restated	Total restated
31 December 2011	**2 551**	**– 42 279**	**26**	**0**	**– 39 702**
Restatement	0	0	0	– 6 153	– 6 153
1 January 2012	**2 551**	**– 42 279**	**26**	**– 6 153**	**– 45 854**
Changes current year	0	– 2 202	– 28	– 1 261	– 3 491
Income taxes	0	173	2	277	452
31 December 2012	**2 551**	**– 44 309**	**0**	**– 7 136**	**– 48 894**
Changes current year	0	24 675	0	920	25 595
Income taxes	0	– 1 933	0	– 202	– 2 135
31 December 2013	**2 551**	**– 21 567**	**0**	**– 6 419**	**– 25 434**

19. Debt

(in CHF 1 000)	31 December 2012	31 December 2013
Long-term debt	1 160 000	1 220 000
Long-term bonds	498 360	368 879
Short-term bonds	149 926	249 905
Total interest-bearing debt	**1 808 286**	**1 838 784**

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 on page 76), the reported carrying value of the debt corresponds approximately to the debt's market value.

At the end of 2013 (as in the previous year), no debt was outstanding which was secured by mortgages on properties, and no debt was outstanding with an amortisation obligation.

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

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

(in CHF 1 000)	31 December 2012	31 December 2013
< 6 months	259 926	319 905
6 to 12 months	0	100 000
1 to 5 years	948 360	849 195
> 5 years	600 000	569 683
Total interest-bearing debt	**1 808 286**	**1 838 784**

At the end of 2013, the average fixed interest rate period of all debt was 3.4 years (end of 2012: 3.7 years).

PSP Swiss Property (Consolidated)

Notes to the Consolidated 2013 Financial Statements

Details on the existing bonds are as follows:

Short-term bonds (in CHF 1 000)	Carrying value 1 Jan. 2012	Issue	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**	**0**	**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**	**0**	**723**	**0**	**498 360**	**500 000**

Short-term bonds (in CHF 1 000)	Carrying value 31 Dec. 2012	Issue	Amortisation of issue costs	Repayment	Carrying value 31 Dec. 2013	Nominal value 31 Dec. 2013
2.875% bond, maturing 10 April 2013 (nominal on issuance CHF 150 000)	149 926		74	– 150 000	0	0
1.875% bond, maturing 1 April 2014 (nominal on issuance CHF 250 000)	249 527		378		249 905	250 000
Total	**399 453**	**0**	**452**	**– 150 000**	**249 905**	**250 000**
Long-term bonds						
2.625% bond, maturing 16 February 2016 (nominal on issuance CHF 250 000)	248 833		363		249 195	250 000
1.000% bond, maturing 8 February 2019 (nominal on issuance CHF 120 000)	0	119 630	54		119 683	120 000
Total	**248 833**	**119 630**	**416**	**0**	**368 879**	**370 000**

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

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

	Nominal value in CHF 1 000	Price in %	Market value in CHF 1 000	Effective interest rate in %
2.875% bond, maturing 10 April 2013				
31 December 2012	**150 000**	**100.59**	**150 885**	**3.06**
31 December 2013	**n.a.**	**n.a.**	**n.a.**	**n.a.**
1.875% bond, maturing 1 April 2014				
31 December 2012	**250 000**	**101.73**	**254 325**	**2.03**
31 December 2013	**250 000**	**100.35**	**250 875**	**2.03**

	Nominal value in CHF 1 000	Price in %	Market value in CHF 1 000	Effective interest rate in %
2.625% bond, maturing 16 February 2016				
31 December 2012	**250 000**	**105.00**	**262 500**	**2.78**
31 December 2013	**250 000**	**104.20**	**260 500**	**2.78**
1.000% bond, maturing 8 February 2019				
31 December 2012	**n.a.**	**n.a.**	**n.a.**	**n.a.**
31 December 2013	**120 000**	**99.25**	**119 100**	**1.05**

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 IAS19, the pension schemes are qualified as defined benefit pension plans.

Based on the project-unit-credit method, the following overview results:

(in CHF 1 000)	31 December 2012 restated	31 December 2013
Pension liabilities (present value)	58 004	58 971
Pension assets at market value	– 45 077	– 46 412
Deficient cover	**12 927**	**12 559**
Unrecognised actuarial gains and losses	n.a.	n.a.
Pension liabilities (technical deficit)	**12 927**	**12 559**

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

(in CHF 1 000)	2012 restated	2013
Actuarial pension expenses	1 423	1 575
Interest expenses	1 237	1 027
Expected income on plan assets	– 982	– 789
Amortisation actuarial gains and losses	0	0
Curtailment, settlement	0	0
Administration cost	63	92
Total expenses	**1 741**	**1 905**

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

(in CHF 1 000)	2012 restated	2013
Carrying value at 1 January	3 451	12 927
Restatement IAS 19 revised	7 888	n.a.
Expenses for staff pension schemes debited to the income statement	1 741	1 905
Employer contributions	– 1 414	– 1 353
Actuarial gains and losses / Losses on OCI	1 261	- 920
Carrying value at 31 December	**12 927**	**12 559**

PSP Swiss Property (Consolidated)

Notes to the Consolidated 2013 Financial Statements

Pension liabilities and assets changed as follows:

(in CHF 1 000)	2012 restated	2013
Pension liabilities (present value) at 1 January	54 869	58 004
Actuarial pension expenses	1 423	1 575
Employees' contributions	804	761
Interest expenses	1 237	1 027
Curtailment, settlement	0	0
Paid coverage	– 1 968	– 2 056
Actuarial gains and losses	1 639	– 340
Pension liabilities (present value) at 31 December	**58 004**	**58 971**
Pension assets at market value at 1 January	43 530	45 077
Expected income on plan assets	982	789
Employer contributions	1 414	1 353
Employees' contributions	804	761
Paid coverage	– 1 968	– 2 056
Administration cost	– 63	– 92
Actuarial gains and losses	378	580
Pension assets at market value at 31 December	**45 077**	**46 412**
Effective pension income	**1 360**	**1 369**

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

(in CHF 1 000)	31 December 2009	31 December 2010	31 December 2011	31 December 2012 restated	31 December 2013
Pension liabilities (present value)	48 920	50 976	55 498	58 004	58 971
Pension assets at market value	– 40 639	– 41 681	– 43 530	– 45 077	– 46 412
Deficient cover	**8 281**	**9 295**	**11 968**	**12 927**	**12 559**
Adjustments of pension liabilities by experience	– 384	791	1 267	1 415	– 554
Adjustments of pension liabilities caused by amended assumptions	277	– 2 023	– 3 526	– 3 118	1 557
Adjustments of pension assets by experience	1 371	170	– 571	– 231	580
Total actuarial gains and losses	**1 264**	**– 1 062**	**– 2 830**	**– 1 934**	**1 583**

The expected employer contributions for the business year 2014 amount to CHF 1.4 million.

Calculation of pension liabilities was based on the following assumptions:

	31 December 2012 restated	31 December 2013
Discount rate	1.75%	2.00%
Expected return on pension assets	n.a.	n.a.
Expected future salary increases	2.00%	2.00%
Expected future pension increases	0.50%	0.25%
Life expectancy in years at age of retirement (man/woman)	22.15/24.68	22.25/24.78

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

	31 December 2012	31 December 2013
Cash and cash equivalents	1.3%	0.1%
Bonds	44.5%	44.6%
Equities	23.3%	24.4%
Real estate	19.0%	18.0%
Other	11.9%	12.9%
Total	**100.0%**	**100.0%**

21. Provisions

Short-term provisions (in CHF 1 000)	31 December 2012	31 December 2013
Litigation risk	143	85
Total	**143**	**85**

(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 CHF 1 000)	Carrying value 31 December 2012	Additions debited to income statement	Release credited to income statement	Outflow	Carrying value 31 December 2013
Litigation risk	143	0	– 35	– 23	85
Total	**143**	**0**	**– 35**	**– 23**	**85**

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.

22. Accounts payable

(in CHF 1 000)	31 December 2012	31 December 2013
Resulting from business activities with third parties	6 123	6 170
Prepayments	39 695	31 860
Total	**45 818**	**38 030**

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

PSP Swiss Property (Consolidated)

Notes to the Consolidated 2013 Financial Statements

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 2012	Market value 31 December 2012	Carrying value 31 December 2013	Market value 31 December 2013
Accounts receivable at amortised cost	17 997	17 997	23 277	23 277
Financial investments at fair values through comprehensive income	9	9	9	9
Derivative financial instruments (hedging)	0	0	799	799
Cash and cash equivalents	33 603	33 603	37 414	37 414
Financial liabilities				
Debt at amortised cost	1 160 000	1 160 000	1 220 000	1 220 000
Bonds at amortised cost	648 286	667 710	618 784	630 475
Accounts payable at amortised cost	45 818	45 818	38 030	38 030
Derivative financial instruments (hedging)	48 075	48 075	24 199	24 199

24. Netting agreement

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

Financial instruments positive (in CHF 1 000)	Gross amount	Amount recorded in the balance sheet	Net amount reported in the balance sheet	Clearing options in case of a default of the counterparty	Net amount in case of a default of the counterparty
As at 31 December 2012					
Cash and cash equivalents	33 603	0	33 603	– 30 735	2 868
Total	**33 603**	**0**	**33 603**	**– 30 735**	**2 868**
Financial instruments negative					
As at 31 December 2012					
Debt	1 160 000	0	1 160 000	– 23 047	1 136 953
Derivative financial instruments (negative)	48 075	0	48 075	– 7 688	40 387
Total	**1 208 075**	**0**	**1 208 075**	**– 30 735**	**1 177 340**
Financial instruments positive (in CHF 1 000)					
As at 31 December 2013					
Cash and cash equivalents	37 414	0	37 414	– 36 570	845
Derivative financial instruments (positive)	799	0	799	– 799	0
Total	**38 213**	**0**	**38 213**	**– 37 369**	**845**
Financial instruments negative					
As at 31 December 2013					
Debt	1 220 000	0	1 220 000	– 33 126	1 186 874
Derivative financial instruments (negative)	24 199	0	24 199	– 4 243	19 957
Total	**1 244 199**	**0**	**1 244 199**	**– 37 369**	**1 206 831**

25. Fair value hierarchy

Financial instruments, investment properties and other properties held at fair value are valued according to a three-level fair value hierarchy as described on page 32.

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

Assets (in CHF 1 000)	Level 1	Level 2	Level 3	Market value 31 December 2012
Properties (IAS 40 & IFRS 5)	0	0	6 090 009	6 090 009
Financial investments	0	0	9	9
Total financial assets	**0**	**0**	**6 090 018**	**6 090 018**
Liabilities				
Derivative financial instruments (hedging)	0	48 075	0	48 075
Total liabilities	**0**	**48 075**	**0**	**48 075**

Assets (in CHF 1 000)	Level 1	Level 2	Level 3	Market value 31 December 2013
Properties (IAS 40 & IFRS 5)	0	0	6 309 632	6 309 632
Financial investments	0	0	9	9
Derivative financial instruments (hedging)	0	799	0	799
Total financial assets	**0**	**799**	**6 309 641**	**6 310 440**
Liabilities				
Derivative financial instruments (hedging)	0	24 199	0	24 199
Total liabilities	**0**	**24 199**	**0**	**24 199**

PSP Swiss Property (Consolidated)

Notes to the Consolidated 2013 Financial Statements

26. Future cash flows from accounts payable

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

		Cash-Flows							
		< 6 months		6 to 12 months		1 to 5 years		> 5 years	
(in CHF 1 000)	Carrying value 31 Dec. 2012	Interest	Repay-ment	Interest	Repay-ment	Interest	Repay-ment	Interest	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**

		Cash-Flows							
		< 6 months		6 to 12 months		1 to 5 years		> 5 years	
(in CHF 1 000)	Carrying value 31 Dec. 2013	Interest	Repay-ment	Interest	Repay-ment	Interest	Repay-ment	Interest	Repay-ment
Debt	1 220 000	2 715	0	2 352	0	8 794	1 000 000	0	220 000
Bonds	618 784	12 450	250 000	0	0	17 925	250 000	1 200	120 000
Derivative financial instruments	23 400	6 642	0	6 254	0	19 062	0	0	0
Accounts payable[1]	6 170	0	6 170	0	0	0	0	0	0
Current tax liabilities	11 343	0	11 343	0	0	0	0	0	0
Development and renovation work[2]	0	0	6 805	0	7 390	0	1 000	0	0
Total	**1 879 697**	**21 807**	**274 318**	**8 606**	**7 390**	**45 781**	**1 251 000**	**1 200**	**340 000**

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.

At the end of 2013, the average weighted duration of the loan agreements was 4.6 years (end of 2012: 4.7 years).

27. 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.

	2012 restated	2013
Net income in CHF 1 000	368 385	270 993
Number of average outstanding shares	44 876 202	45 867 891
Earnings per share in CHF (basic and diluted)	**8.21**	**5.91**
Net income excl. gains/losses on real estate investments in CHF 1 000	161 367	173 643
Net income excl. gains/losses on real estate investments in CHF (basic and diluted)	**3.60**	**3.79**

Equity per share changed as follows:

	31 December 2012 restated	31 December 2013
Shareholders' equity in CHF 1 000	3 691 551	3 839 230
Deferred taxes in CHF 1 000	665 946	713 048
Number of outstanding shares	45 867 891	45 867 891
Net asset value per share in CHF[1]	**80.48**	**83.70**
Net asset value per share before deferred taxes in CHF[1]	**95.00**	**99.25**

1 Based on number of outstanding shares.

28. Dividend payment

On 16 April 2013, PSP Swiss Property Ltd paid CHF 3.20 per share to its shareholders from its capital contribution reserves. The total amount paid was CHF 146.8 million (previous year: cash payment of CHF 3.00 per share respectively a total of CHF 131.4 million).

For the business year 2013, the Board of Directors will propose a cash payment out of the capital contribution reserves of CHF 3.25 per share respectively a maximum of CHF 149.1 million to the Annual General Meeting on 3 April 2014 (treasury shares do not carry dividend rights; consequently, the total amount may 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 2013 Financial Statements

29. 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 2013), which is controlled by two members of the Board of Directors of PSP Swiss Property Ltd, were considered as related parties (corporate or individual).

The disclosure of the following remunerations to the members of the Board of Directors and the Executive Board is made according to the accrual principle (relating to the period of service and independent of payment flows). Further details on the remunerations are shown in the Corporate Governance section on pages 117 to 118.

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		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	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 (inc. 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, G. Balzarini TCHF 513, L. Reinsperger TCHF 473, Total TCHF 1 775.
4 Includes the bonus in the form of shares at tax value.

Remuneration to members of the Board of Directors (non-executive) Business year 2013

(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	Bonus paid in contractual blocked shares: 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	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	107	0	0	0	107	0	0	107
Total	**591**	**0**	**0**	**0**	**591**	**0**	**0**	**591**

Remuneration to members of the Executive Board (inc. executive member of the Board of Directors) Business year 2013

(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]: Amount[3]	Bonus paid in contractual blocked shares[1, 2]: in number of shares	Total remuneration[4]
Luciano Gabriel, Delegate of the Board of Directors and Chief Executive Officer	602	826	180	0	1 608	632	9 410	2 240
Giacomo Balzarini, Chief Financial Officer	314	537	52	0	903	411	6 117	1 314
Ludwig Reinsperger, Chief Investment Officer	302	496	82	0	880	379	5 646	1 259
Total	**1 218**	**1 859**	**314**	**0**	**3 391**	**1 422**	**21 173**	**4 813**

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 78, G. Balzarini TCHF 51, L. Reinsperger TCHF 47; Total TCHF 176..
2 Allocated in week 50/2013 at the market value per share at allocation date (average share price week 50/2013 CHF 75.46).
3 Market value of allocated shares: L. Gabriel TCHF 710, G. Balzarini TCHF 462, L. Reinsperger TCHF 426, Total TCHF 1 598.
4 Includes the bonus in the form of shares at tax value.

In the reporting year, as in the previous 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. Since 2001, there has been a lease contract for storage rooms with Niederer Kraft & Frey AG, Zurich, where Prof. Dr. Peter Forstmoser holds the position of a partner, with an annual rent of CHF 0.11 million in the reporting year.

PSP Swiss Property (Consolidated)

Notes to the Consolidated 2013 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 2012	31 December 2013
Günther Gose, Chairman	28 093	28 093
Peter Forstmoser, Member	2 000	2 000
Nathan Hetz, Member[1]	5 600 000	5 600 000
Gino Pfister, Member	860	860
Josef Stadler, Member	168	168
Aviram Wertheim, Member[1]	0	0
Total	**5 631 121**	**5 631 121**

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

As at the end of 2012, the non-executive members of the Board of Directors (including their related parties) held no options on PSP shares at the end of 2013.

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 (incl. the executive member of the Board of Directors)	Number of shares	
	31 December 2012	31 December 2013
Luciano Gabriel, Delegate of the Board of Directors and Chief Executive Officer	152 294	161 704
Giacomo Balzarini, Chief Financial Officer	32 233	38 350
Ludwig Reinsperger, Chief Investment Officer	37 562	40 283
Total	**222 089**	**240 337**

As at the end of 2012, 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 2013.

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 2013. As at 31 December 2012, there were no such accounts receivable from these groups of persons at the end of 2013.

As at the end of 2012, there were no claims on related parties at the end of 2013.

30. Subsequent events

For the refinancing of financial liabilities, a 1.375% bond, 2014 to 2020, with a volume of CHF 200 million was issued on 4 February 2014.

There were no further subsequent events.

PSP Swiss Property (Consolidated)

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 consolidated financial statements of PSP Swiss Property Ltd, which comprise the balance sheet, income statement, statement of comprehensive income, cash flow statement, statement of changes in equity and notes (pages 26 to 52, 54 to 83 and 128 to 143), for the year ended 31 December 2013.

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 2013 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	Markus Schmid
Audit expert	Audit expert
Auditor in charge	

Zürich, 27 February 2014

PSP Swiss Property (Consolidated)

Property Valuation Report Wüest & Partner AG

Property Valuation Report Wüest & Partner 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 2013 (reporting date). The valuation encompasses all investment properties as well as sites and development properties.

Valuation standards

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

Accounting standards

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

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

Definition of fair value

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

Transaction costs, gross fair value

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

Main market, active and most advantageous market

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

Implementation of fair value

Highest best use

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

Materiality in relation to the highest and best use approach

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

Fair value hierarchy

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

Valuation level for property valuations

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

Significant input factors, influence on fair value

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

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

The economic environment may be regarded as the most important factor influencing the input factors. When negative economic sentiment exerts downward pressure on market rents, real estate vacancies usually increase. But at the same time, such market situations are usually associated with favourable (i.e. low) interest rates, which have a positive effect on discount rates. To an extent, therefore, changes to input factors offset each other. Ongoing measures to optimize the PSP Swiss Property portfolio (e.g. the conclusion or renewal of long-term rental contracts, investments in the fit-out of rental areas etc.) counter such short-term market shocks, which primarily

PSP Swiss Property (Consolidated)

Property Valuation Report Wüest & Partner AG

impact on market rents and vacancy levels. As already mentioned, the individual, risk-adjusted discount rate for a property reflects the yield expectations of the respective investors/market actors; the property owner can exert only a limited influence.

Valuation procedures

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

Valuation method

In valuing PSP Swiss Property's real estate holdings, Wüest & Partner applied the discounted cash flow (DCF) method, by which the market value of a property is determined as the total of all projected future (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 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 January 2013 to 31 December 2013, Wüest & Partner visited seventeen properties belonging to PSP Real Estate AG, twelve properties belonging to PSP Properties AG and two properties belonging to Immobiliengesellschaft Septima AG.

Results

A total of 160[1] investment properties and property units as well as nine investment properties under construction were valued as at 31 December 2013 by Wüest & Partner. The fair value of all 160 investment properties is estimated as at 31 December 2013 at 6 018 553 700 Swiss Francs and of the investment properties under construction in accordance with IAS 40 at 291 078 200 Swiss Francs.

Changes during reporting period

Within the review period from 1 January 2013 to 31 December 2013 no property was sold. The properties Löwenstrasse 16, Bahnhofplatz 1, Bahnhofplatz 2, Waisenhausstrasse 2, 4/Bahnhofquai 7, Bahnhofquai 9, 11, 15 and Bahnhofstrasse 10/Börsenstrasse 18, all located in Zurich, were reclassified from investment properties to development properties. The properties Theaterstrasse 22 „Vorderer Sternen", Brandschenkestrasse 152b „Kesselhaus",

1 Excluded is the property Brandschenkestrasse 152a, Zürich, which is owner-occupied.

Limmatstrasse 250-254, 264, 266 „Löwenbräu RED“, all located in Zurich, as well as Via Respini 7, 9 in Locarno were reclassified from development properties to investment properties.

Independence and confidentiality

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

Valuation fee

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

Zurich, 11 February 2014
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 in (%)	Maximum discount rate in (%)	Average discount rate in (%)[1]
Zurich	4.03	5.95	4.89
Geneva	4.33	5.55	4.79
Lausanne	4.43	6.15	5.00
Basel	4.54	5.34	5.07
Bern	4.33	5.34	4.74
Other regions	4.74	6.05	5.45
All regions	4.03	6.15	4.91

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

PSP Swiss Property (Consolidated)

Property Valuation Report Wüest & Partner AG

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.	Storage CHF/m² p.a.	Outdoor parking CHF/p. p.mo.	Indoor parking CHF/p. p.mo.	Residential CHF/m² p.a.
Zurich	120 – 870	210 – 7 250	40 – 550	70 – 500	100 – 800	132 – 683
Geneva	280 – 830	360 – 4 400	25 – 600	130 – 450	100 – 540	250 – 350
Lausanne	150 – 420	200 – 1 100	60 – 300	70 – 300	170 – 300	130 – 444
Basel	180 – 320	90 – 3 200	35 – 425	100 – 120	150 – 260	170 – 320
Bern	200 – 330	215 – 2 000	80 – 200	100 – 180	150 – 250	240 – 353
Other regions	140 – 450	160 – 1 900	40 – 200	30 – 120	80 – 400	167 – 370
All regions	120 – 870	90 – 7 250	25 – 600	30 – 500	80 – 800	130 – 683

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

Table 3: Region	Office in %	Retail in %	Storage in %	Outdoor parking in %	Indoor parking in %	Residential in %
Zurich	1.5 – 20.0	1.0 – 12.0	1.0 – 30.0	0.5 – 20.0	1.0 – 25.0	0.5 – 5.0
Geneva	3.5 – 5.0	2.5 – 4.5	2.0 – 10.0	3.0 – 8.0	3.5 – 10.0	0.5 – 1.5
Lausanne	2.0 – 9.0	2.0 – 6.0	3.0 – 10.0	3.0 – 10.0	2.0 – 15.0	1.0 – 4.0
Basel	2.0 – 5.0	2.0 – 4.0	2.0 – 30.0	1.0 – 3.0	1.0 – 10.0	2.0 – 3.0
Bern	2.0 – 4.0	1.0 – 6.0	2.0 – 10.0	1.0 – 10.0	1.0 – 3.5	1.0 – 2.0
Other regions	3.0 – 10.0	1.0 – 10.0	2.0 – 25.0	1.0 – 10.0	1.0 – 10.0	1.0 – 3.0
All regions	1.5 – 20.0	1.0 – 12.0	1.0 – 30.0	0.5 – 20.0	1.0 – 25.0	0.5 – 5.0

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

- The rent rolls from PSP Swiss Property used in the valuation are dated 1 January 2014.
- 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 4.03% and 6.15% 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 annuity. The calculated values are plausibility tested using cost benchmarks derived from Wüest & Partner surveys.

Sites and development properties

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

- PSP Swiss Property has divided the properties into sub-developments. For the sake of transparency, this arrangement has been adopted by Wüest & Partner in its valuations. The value of the projects or properties is taken as the sum of the individual premises or property units.

- The PSP Swiss Property strategy regarding project development/promotion (e.g. sale vs. renting), where deemed plausible by Wüest & Partner, is adopted in the valuation.

- The background data provided by PSP Swiss Property has been verified and, where appropriate, adjusted (e.g. plot ratio, lettable areas, deadlines/development process, letting/absorption).

- The valuations undergo independent earnings and cost assessment and yield analysis.

- It is assumed that construction cost certainty has been achieved through the agreement of general contracts and design-and-build contracts.

- The services provided by PSP Swiss Property as client representative and project developer are included in the construction costs.

- The valuations of property units held for sale (e.g. freehold flats and offices) make allowance for sales costs.

- Allowance is made in the construction costs for enabling works where these are known (e.g. remediation of contaminated sites, demolitions, infrastructure).

- The construction costs include the usual incidental costs, excl. construction financing. This is implicit in the DCF model.

- Allowance is made for value-relevant services previously provided by third parties or PSP Swiss Property, insofar as these are known.

- It is assumed that income from the planned commercial properties is subject to value-added tax. The posted construction costs are therefore exclusive of VAT.

- The valuations contain no latent taxes.

PSP Swiss Property (Consolidated)

Valuation of Investment Properties: Discount Rates

Discount rates in % (Market values in CHF)	Zurich area		Geneva area		Basel area	
	Number of properties	Market value	Number of properties	Market value	Number of properties	Market value
4.00 – 4.24	4	536 920 000	0	0	0	0
4.25 – 4.49	7	254 190 000	3	273 300 000	0	0
4.50 – 4.74	22	1 081 361 000	1	63 320 000	4	58 042 000
4.75 – 4.99	15	675 069 700	6	340 270 000	1	28 870 000
5.00 – 5.24	10	375 572 000	5	172 684 000	7	256 270 000
5.25 – 5.49	6	247 450 000	0	0	1	40 020 000
5.50 – 5.74	15	577 519 000	1	35 090 000	0	0
5.75 – 5.99	3	131 290 000	0	0	0	0
6.00 – 6.24	0	0	0	0	0	0
Total	**82**	**3 879 371 700**	**16**	**884 664 000**	**13**	**383 202 000**

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 2013, the portfolio’s average weighted nominal discount rate was 4.91% (end of 2012: 5.03%).

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	4	536 920 000
4	84 649 000	2	120 180 000	0	0	16	732 319 000
1	7 383 000	2	46 550 000	1	7 248 000	31	1 263 904 000
3	79 390 000	1	5 289 000	2	19 188 000	28	1 148 076 700
3	58 770 000	2	20 665 000	8	94 523 000	35	978 484 000
1	8 027 000	2	22 219 000	2	14 530 000	12	332 246 000
0	0	4	81 485 000	4	133 520 000	24	827 614 000
0	0	1	13 910 000	4	48 119 000	8	193 319 000
0	0	1	5 671 000	1	0	2	5 671 000
12	**238 219 000**	**15**	**315 969 000**	**22**	**317 128 000**	**160**	**6 018 553 700**

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 from the sale of trading properties.

A. EPRA earnings & EPRA earnings per share (EPS) (in CHF 1 000)	2012 restated	2013
Earnings per IFRS statement of profit or loss	**368 385**	**270 993**
Adjustments to calculate EPRA earnings		
Exclude:		
Changes in value of investment properties, development properties held for investment and other interests	– 266 851	– 128 144
Profits or losses on disposal of investment properties, development properties held for investement and other interests	– 130	0
Profits or losses on sales of trading properties including impairment charges in respect of trading properties	– 12 793	– 12 801
Tax on profits or losses on disposals	2 843	2 740
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	59 724	30 598
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	**151 177**	**163 386**
Average number of outstanding shares	44 876 202	45 867 891
EPRA EPS in CHF	**3.37**	**3.56**

B. EPRA net asset value (NAV) (in CHF 1 000)	31 December 2012 restated	31 December 2013
NAV per IFRS financial statements	**3 691 551**	**3 839 230**
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	**3 691 551**	**3 839 230**
Include:		
Revaluation of investment property under construction (IPUC) (if IAS 40 cost option is used)	10 840	11 662
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	33 184	23 832
Exclude:		
Fair value of financial instruments	48 075	23 400
Deferred tax	667 805	714 863
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	**4 451 456**	**4 612 986**
Number of outstanding shares	45 867 891	45 867 891
EPRA NAV per share in CHF	**97.05**	**100.57**

C. EPRA triple net asset value (NNNAV)

(in CHF 1 000)	31 December 2012 restated	31 December 2013
EPRA NAV	**4 451 456**	**4 612 986**
Include:		
Fair value of financial instruments	– 48 075	– 23 400
Fair value of debt	– 19 424	– 11 691
Deferred tax	– 676 597	– 721 654
EPRA NNNAV	**3 707 359**	**3 856 241**
Number of outstanding shares	45 867 891	45 867 891
EPRA NNNAV per share in CHF	**80.83**	**84.07**

D. EPRA net yield disclosure

(in CHF 1 000)	31 December 2012	31 December 2013
Investment property – wholly owned	6 125 557	6 326 486
Less developments	– 173 243	– 307 932
Gross up completed property portfolio valuation (B)	**5 952 314**	**6 018 554**
Annualised cash passing rental income	271 513	271 585
Property outgoings	– 31 173	– 31 021
Annualised net rents (A)	**240 340**	**240 564**
Add: notional rent expiration of rent free periods or other lease incentives	5 086	4 653
Topped-up net annualised rent (C)	**245 426**	**245 217**
EPRA NIY (A/B)	**4.0%**	**4.0%**
EPRA «topped-up» NIY (C/B)	**4.1%**	**4.1%**

E. EPRA vacancy rate

(in CHF 1 000)	31 December 2012	31 December 2013
Estimated rental value of vacant space (A)	24 688	24 488
Estimated rental value of the whole portfolio (B)	322 341	327 135
EPRA vacancy rate (A/B)	**7.7%**	**7.5%**

F. EPRA cost ratio

(in CHF 1 000)	2012	2013
Administrative/operating expense line per IFRS income statement	55 902	55 997
Net serice charge costs/fees	0	0
Management fees less actual/estimated profit element	52	49
Other operating income/recharges intended to cover overhead expenses less any related profits	0	0
Share of joint ventures expenses	0	0
Investment property depreciation	0	0
Ground rent costs	0	0
EPRA costs (including direct vacancy costs) (A)	**55 953**	**56 046**
Direct vacancy costs	3 495	3 503
EPRA costs (excluding direct vacancy costs) (B)	**52 458**	**52 543**
Gross rental income less ground rents	272 849	279 143
Gross rental income (C)	**272 849**	**279 143**
EPRA cost ratio (including direct vacancy costs) (A/C)	**20.5%**	**20.1%**
EPRA cost ratio (excluding direct vacancy costs) (B/C)	**19.2%**	**18.8%**

PSP Swiss Property (Consolidated)

EPRA Performance Key Figures

G. EPRA like-for-like rental growth reporting

(in CHF 1 000)	2012	2013
Rental income	**272 849**	**279 143**
Acquisitions	6	– 502
Disposals	– 262	– 3
Developments	– 13 847	– 16 250
Properties' operating expenses	– 11 532	– 11 435
Rent-Free-Periods	2 403	2 536
Other	– 639	– 402
Total EPRA like-for-like net rental income	**248 978**	**253 088**
EPRA like-for-like growth, absolute	**3 921**	**4 110**
EPRA like-for-like growth, relative	**1.5%**	**1.7%**

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

PSP Swiss Property Ltd (Holding)

Income Statement

Income (in CHF 1 000)	1 January to 31 December 2012	1 January to 31 December 2013
Dividend income	229 075	0
Financial income	133 235	43 533
Other income	792	0
Total income	**363 101**	**43 533**

Expenses		
General and administrative expenses	– 4 073	– 3 656
Financial expenses	– 45 369	– 37 098
Taxes	– 8 535	– 259
Total expenses	**– 57 977**	**– 41 012**
Net income	**305 124**	**2 521**

The notes are part of these financial statements.

PSP Swiss Property Ltd (Holding)

Balance Sheet

Assets (in CHF 1 000)	31 December 2012	31 December 2013
Investments	1 722 245	1 722 245
Loans to subsidiaries	1 696 100	1 571 100
Issue and additional financial expenses to be amortised	1 714	1 216
Total assets	**3 420 059**	**3 294 561**
Accounts receivable from third parties	328	204
Accounts receivable from subsidiaries	234	175
Cash	23 518	22 988
Total current assets	**24 080**	**23 367**
Total assets	**3 444 139**	**3 317 928**

Shareholders' equity and liabilities	31 December 2012	31 December 2013
Share capital	4 587	4 587
Legal reserves (general reserves)	2 000	2 000
Legal reserves (capital contribution reserves)	527 862	381 084
Free reserves	762 990	1 062 990
Retained earnings	306 743	9 264
Total shareholders' equity	**1 604 181**	**1 459 925**
Debt from third parties	1 160 000	1 220 000
Debt from subsidiaries	1 600	700
Bonds	500 000	370 000
Total non-current liabilities	**1 661 600**	**1 590 700**
Accounts payable to third parties	215	237
Accounts payable to subsidiaries	134	101
Bonds	150 000	250 000
Other liabilities	28 010	16 966
Total current liabilities	**178 358**	**267 303**
Total shareholders' equity and liabilities	**3 444 139**	**3 317 928**

The notes are part of these financial statements.

Notes to the 2013 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 2013 were authorised for issue by the Board of Directors on 27 February 2014.

Other notes

1. Accounting principles

Applying the transitional provisions of the new accounting law, the present annual financial statements were drawn up in accordance with the provisions of Switzerland's Code of Obligations on accounting and financial reporting, which were valid until 31 December 2012.

2. Investments

Company	Registered office		Share capital	Ownership 31 December 2012		Ownership 31 December 2013		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 2012, 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“.

PSP Swiss Property Ltd (Holding)

Notes to the 2013 Financial Statements

3. Own shares

	Number of registered shares with a nominal value of CHF 0.10	Cost in CHF	Transaction price in CHF
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.**
Purchases	21 173	1 591 507	75.17
Bonus in shares for the Executive Board	– 21 173	– 1 591 507	75.46
31 December 2013	**0**	**0**	**n.a.**

4. Authorised and conditional share capital

The authorisation of the Board of Directors to use the authorised share capital expired unused 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 2011	10 000 000	0.10	1 000
31 December 2012	10 000 000	0.10	1 000
31 December 2013	n.a.	n.a.	n.a.
Conditional share capital			
31 December 2011	2 000 000	0.10	200
31 December 2012	2 000 000	0.10	200
31 December 2013	2 000 000	0.10	200

Further details on authorised and conditional share capital are shown in the Corporate Governance section on page 108.

5. Bonds

Short-term bonds (in CHF 1 000)	Carrying value 31 Dec. 2011	Issue	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				150 000	150 000
Total	**440 005**	**0**	**– 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**	**0**	**500 000**	**500 000**

Short-term bonds (in CHF 1 000)	Carrying value 31 Dec. 2012	Issue	Amortisation of issue costs	Repayment	Carrying value 31 Dec. 2013	Nominal value 31 Dec. 2013
2.875% bond, maturing 10 April 2013 (nominal on issuance CHF 150 000)	150 000			– 150 000	0	0
1.875% bond, maturing 1 April 2014 (nominal on issuance CHF 250 000)	250 000				250 000	250 000
Total	**400 000**	**0**	**0**	**– 150 000**	**250 000**	**250 000**
Long-term bonds						
2.625% bond, maturing 16 February 2016 (nominal on issuance CHF 250 000)	250 000				250 000	250 000
1.000% bond, maturing 8 February 2019 (nominal on issuance CHF 120 000)	0	120 000			120 000	120 000
Total	**250 000**	**120 000**	**0**	**0**	**370 000**	**370 000**

In the reporting year, one CHF 150 million bond was redeemed. In addition, one new CHF 120 million bond was issued.

PSP Swiss Property Ltd (Holding)

Notes to the 2013 Financial Statements

6. Major shareholders in accordance with Art. 663c of the swiss code of obligations

As at 31 December 2013, 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 one nominee exempt from reporting requirements (Chase Nominees Ltd, London) with 6.79% 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 106 to 107.

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 29, pages 80 to 82.

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 with Art. 663b of the swiss code of obligations

The disclosures required by the Swiss Code of Obligations are shown in the consolidated financial statements of PSP Swiss Property, note 29, pages 80 to 82.

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 on pages 36 to 41.

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 3 April 2014 that the balance sheet profit for the financial year ended 31 December 2013 to the amount of CHF 9.264 million shall be used as follows:

(in CHF)	2012	2013
Profit carried forward at 1 January	1 618 866.99	6 742 777.74
Net income	305 123 910.75	2 521 381.93
Retained earnings at 31 December	**306 742 777.74**	**9 264 159.67**
Allocation to the free reserves	– 300 000 000.00	– 9 000 000.00
Balance carried forward	**6 742 777.74**	**264 159.67**

For the business year 2013, the Board of Directors will propose to the Annual General Meeting on 3 April 2014 a cash distribution out of the capital contribution reserves, after booking into the free reserves, of CHF 3.25 per share respectively a maximum of CHF 149.1 million in total (shares in possession of PSP Swiss Property Ltd are not entitled to distribution; therefore, the total amount may be reduced accordingly).

PSP Swiss Property Ltd (Holding)

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 financial statements of PSP Swiss Property Ltd, which comprise the balance sheet, income statement and notes (pages 97 to 103), for the year ended 31 December 2013.

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 2013 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 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

Zürich, 27 February 2014

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 31 December 2013	CHF 3.463 billion
Symbol	PSPN
Security number	1829415
ISIN	CH 0018294154

Non-listed participations

See note 2 on page 99 of PSP Swiss Property Ltd's annual financial statements.

1.2 Major shareholders as at 31 December 2013

(a) As at 31 December 2012, the Israeli company **Alony Hetz Properties & Investments Ltd** held 5 600 000 shares, corresponding to 12.21% of the voting rights. According to the information given by Alony Hetz Properties & Investments Ltd, the company still held 5 600 000 shares, corresponding to 12.21% of the voting rights, as at 31 December 2013.

(b) During the 2012 financial year, **BlackRock, Inc.,** New York, N.Y., United States, reported a holding of 1 348 334 shares (corresponding to 2.94% of the voting rights) and 51 605 CFD (corresponding to 0.11% of the voting rights), totalling 3.05% of all voting rights as at 22 November 2012.

During the 2013 financial year, BlackRock, Inc. reported with notification on 29 March 2013 a holding of 1 397 652 shares (corresponding to 3.05% of the voting rights) and 50 183 CFD (corresponding to 0.11% of the voting rights), as at 29 November 2012, totalling 3.16% of all voting rights.

(c) Apart from the participations of Alony Hetz Properties & Investments Ltd to the extent of 12.21%, BlackRock, Inc. to the extent of 3.16% as well as two nominees exempt from reporting requirements to the extent of 6.79% (Chase Nominees Ltd, London, UK) respectively 3.82% (Mellon Bank N.A., Everett, MA, United States of America), PSP Swiss Property Ltd was not aware of any shareholder with 3% or more of the voting rights as at 31 December 2013.

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

(d) As at 31 December 2013, there were no shareholders' agreements.

1.3 Shareholders as at 31 December 2013

Distribution of PSP shares

Number of registered shares	Registered shareholders		Registered shares		Non-registered shares		Total number of issued shares
	Number	%	Number	% issued shares	Number	% issued shares	
1 to 1 000	4 188	82.8	1 012 514	2.2			
1 001 to 10 000	617	12.2	1 962 378	4.3			
10 001 to 100 000	200	3.9	6 583 690	14.4			
100 001 to 1 000 000	48	0.9	10 653 625	23.2			
1 000 001 to 1 376 036	2	0.1	2 193 424	4.8			
1 376 037 (3%) to 2 293 394	1	0.0	1 753 643	3.8			
2 293 395 (5%) and above	2	0.0	8 716 540	19.0			
Total registered shareholders/shares	**5 058**	**100.0**	**32 875 814**	**71.7**			**32 875 814**
Total non-registered shares					**12 992 077**	**28.3**	**12 992 077**
Total			**32 875 814**		**12 992 077**		**45 867 891**

Registered shareholders and shares

	Registered shareholders		Registered shares	
	Number	%	Number	%
Individuals	4 429	87.6	3 739 678	11.4
Legal entities	629	12.4	29 136 136	88.6
(thereof nominees/trustees)	(39)	(0.8)	(7 939 695)	(24.2)
Total	**5 058**	**100.0**	**32 875 814**	**100.0**
Switzerland	4 862	96.1	17 821 877	54.2
Europe (excluding Switzerland)	146	2.9	6 750 799	20.5
North America	25	0.5	2 292 528	7.0
Other countries	25	0.5	6 010 610	18.3
Total	**5 058**	**100.0**	**32 875 814**	**100.0**

Corporate Governance

1.4 Cross-shareholdings

As at 31 December 2013, there were no cross-shareholdings.

2 Capital structure of PSP Swiss Property Ltd

2.1 Share capital as at 31 December 2013

(a) As at 31 December 2012, 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 1 000 000 and a conditional share capital of CHF 200 000.

The authorised share capital expired unused on 1 April 2013 and the corresponding authorisation in Article 5bis of the Articles of Association was cancelled on 8 May 2013.

(b) Consequently, the capital structure as at 31 December 2013 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
Conditional share capital	CHF	200 000.00	2 000 000	CHF 0.10

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

2.2 Conditional share capital in particular

The conditional share capital is governed by Article 5ter of the 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."

2.3 Changes of capital during the last three financial years

	Number of registered shares	Nominal value per share in CHF	Nominal value in CHF 1 000
Issued, fully paid-in share capital at 31 December 2011	45 867 891	0.10	4 587
Issued, fully paid-in share capital at 31 December 2012	45 867 891	0.10	4 587
Issued, fully paid-in share capital at 31 December 2013	45 867 891	0.10	4 587

Legal reserves (General reserves)

31 December 2011	2 000
31 December 2012	2 000
31 December 2013	2 000

Legal reserves (Capital contribution reserves)

31 December 2011	659 249
31 December 2012	527 862
31 December 2013	381 084

Legal reserves (Reserves for own shares)

31 December 2011	158 244
31 December 2012	0
31 December 2013	0

Free reserves

31 December 2011	354 746
31 December 2012	762 990
31 December 2013	1 062 990

Retained earnings before appropriation

31 December 2011	251 619
31 December 2012	306 743
31 December 2013	9 264

2.4 Shares, participation certificates, bonus certificates

The 45 867 891 issued registered shares described in section 2.1 on page 108 are fully paid in. Each share carries the right to dividend payments. Voting rights are described in section 6.1 on page 118. No preferential rights or similar rights have been granted.

As at 31 December 2013, no participation certificates or bonus certificates were issued.

Corporate Governance

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 2013, one agreement was entered into with a nominee regarding the requirements for registration respectively disclosure 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 2013, no convertible bonds were outstanding.
As at 31 December 2013, 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 2014 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 2013, 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 2014 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. Mr. Gabriel has worked for PSP Swiss Property Group since March 2002, initially as Chief Financial Officer and, since April 2007, as Chief Executive Officer.

In addition to his positions at PSP Swiss Property Ltd as well as the Group companies 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, Mr. Gabriel was also a Member of the Executive Board of EPRA (European Public Real Estate Association) as at 31 December 2013.

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 2014 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.

In addition to his mandate at PSP Swiss Property Ltd, Prof. Forstmoser held, as at 31 December 2013, directorships at several companies; in particular he is Chairman of the Board at Hesta Ltd and Leonteq Ltd, and he is a member of the board of various foundations, in particular the Gebert-Rüf Foundation and the AFIAA Investment Foundation.

Nathan Hetz, 1952, IL, Ramat-Gan, B.A./CPA (Non-Executive Member since 4 April 2007, appointed until the 2014 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 2013, directorships at Alony Hetz Properties & Investments Ltd, Amot Investments Ltd, 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 2014 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 2013, any other directorships which are subject to disclosure.

Corporate Governance

Josef Stadler, 1963, CH, Grüningen (Zurich), lic. oec. HSG, MBA Harvard Business School (Non-Executive Member since 2 April 2009, appointed until the 2014 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 2013, any other directorships which are subject to disclosure.

Aviram Wertheim, 1958, IL, Ramat Hasharon (Non-Executive Member since 2 April 2009, appointed until the 2014 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 mandate at PSP Swiss Property Ltd, Mr. Wertheim held, as at 31 December 2013, directorships at Alony Hetz Properties & Investments Ltd, Amot Investments Ltd, Energix Renewable Energies Ltd and Gaon Holdings 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 2013 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.

The Members of the Board of Directors were first elected respectively last re-elected as follows:

	First election	Latest re-election by the Annual General Meeting on 9 April 2013[1]
Günther Gose	Extraordinary General Meeting 7 February 2000[2]	X
Luciano Gabriel	Annual General Meeting 4 April 2007[2]	X
Peter Forstmoser	Annual General Meeting 30 March 2010[1]	X
Nathan Hetz	Annual General Meeting 4 April 2007[2]	X
Gino Pfister	Extraordinary General Meeting 7 February 2000[2]	X
Josef Stadler	Annual General Meeting 2 April 2009[1]	X
Aviram Wertheim	Annual General Meeting 2 April 2009[1]	X

1 for a one-year term
2 for a three-year term

The Annual General Meeting on 9 April 2013 carried out all re-elections individually and electronically.

All seven Members of the Board of Directors will be proposed to the Annual General Meeting of 3 April 2014 for re-election for a one-year term each. In addition, Mr. Adrian Dudle will be proposed as eighth's Member of the Board of Directors, also for a one-year term.

Mr. Günther Gose will be proposed for election as Chairman of the Board of Directors.

As at 31 December 2013, there were no term limits.

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. Mr. Adrian Dudle, proposed to the Ordinary General Meeting of 3 April 2014 for new election, will support the Board of Directors in communication matters and with his background on special real estate.

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.

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 the 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.

Corporate Governance

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 2013 business year, four ordinary Board meetings took place, lasting five hours on average. The Audit Committee met four times, the Remuneration Committee three times, 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 115.

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

The Board of Directors has delegated the management and the representation of the Company to the 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 the Delegate in consultation with the Chairman, respectively the Delegate on his own or 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 informed regularly and within the framework of the quarterly, interim and annual reporting requirements on key financial figures and any financial and operational risks to which PSP Swiss Property Group may be exposed (pages 36 to 41 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 120).

Corporate Governance

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 pages 110 to 111.

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).

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 2013, 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 UBS 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 2013, 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

As at 31 December 2013, 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 employment contracts of the Executive Member of the Board of Directors and the other Members of the Executive Board were adjusted to the requirements of the Swiss federal ordinance against excessive pay in stock exchange listed companies of 20 November 2013 (VegüV) as at 1 January 2014. The Executive Member of the Board of Directors as well as the other Members of the Executive Board continue to receive an annual remuneration consisting of a fixed base salary and a variable component. For the purposes of the pension scheme (mandatory and supplementary components), only the fixed base salary is insured up to CHF 700 000. The contributions made by the Company to the pension schemes of these beneficiaries are presented separately for the 2013 business year (see section 5.2, page 118).

The variable remuneration component of 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 variable remuneration component, because acquisitions are not a primary goal but a means to increase EPS. The individual variable remuneration component is calculated mainly on the basis of EPS (excl. gains/losses on real estate values) of the respective business year as well as on an individual factor set forth in the employment contract. The absolute amount of EPS (excl. gains/losses on real estate values) and its change are equally important. A positive (negative) change in EPS (excl. gains/losses on real estate values) compared to the previous year has a positive (negative) impact on the variable remuneration component. The variable remuneration component of the Executive Member of the Board of Directors is now paid in full in shares with a blocking period of two years, while the variable remuneration component of the other Members of the Executive Board is paid in cash (one half) and in shares with a blocking period of two years (one half). If the calculation of the variable remuneration components of the Members of the Executive Board results in a negative figure, it will not be deducted from the respective fixed base salary, it will, however, be carried forward to the following years; in this case, payments of variable remuneration components will only be made when all loss carryforwards have been compensated („catch up“). With regard to accounting, the accrual method is used; see the consolidated financial statements, note 29, pages 80 to 82.

Within the framework of the adjustment of the employment contracts of the Executive Member of the Board of Directors and the other Members of the Executive Board, as of 1 January 2014, the fixed base salaries were raised slightly while the variable remuneration components were reduced accordingly.

The employment contracts with the Members of the Executive Board are now terminable with 12 months notice. The previously stipulated special individual bonus in the case of a successful public takeover was cancelled without substitution.

Fixed base salaries and the calculation formula for the variable remuneration components of the Members of the Executive Board are determined by the Board of Directors at its own discretion, based on the proposal of the Remuneration Committee. All the Members of the Board of Directors have access to the minutes of the Remuneration Committee.

Corporate Governance

The Members of the Executive Board are not present at the meetings of the Remuneration Committee concerned with the employment 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 2013 business year

With regard to compensations, shareholdings and loans in the 2013 business year, see the consolidated financial statements, note 29, pages 80 to 82.

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.

In accordance with the Swiss federal ordinance against excessive pay in stock exchange listed companies of 20 November 2013 (VegüV), proxy voting by banks and proxy voting by members of corporate bodies of the Company as provided for in Article 11 paragraph 3 of the Articles of Association are no longer permitted as from 1 January 2014. Voting-rights representation by the independent shareholder representative is governed in detail in Article 8 ff VegüV.

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.

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

As disclosed in section 5.1 above, salary guarantees and special bonuses have been cancelled as per 1 January 2014, and there are no change of control clauses.

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 2013 business year by the Annual General Meeting on 9 April 2013.

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.

8.2 Auditors‘ fees

The costs for auditing the financial statements and the consolidated financial statements 2013 as well as for reviewing the interim financial statements as per 30 June 2013 and the quarterly financial statements as per 31 March and 30 September 2013 amounted to CHF 0.64 million (previous year: CHF 0.65 million).

8.3 Additional fees

For the reporting period 2013, additional fees of CHF 0.04 million (previous year: CHF 0.08 million) were charged by PricewaterhouseCoopers AG for advice in the segments sustainability reporting as well as VAT.

Corporate Governance

8.4 Supervisory and control instruments via-à-vis the statutory auditors

The Board of Directors and the Audit Committee liaise directly with the Statutory Auditors regarding the audit and review work to be carried out for the annual respectively interim and quarterly reports. On request, representatives of the Statutory Auditors attend meetings of the Board of Directors respectively the Audit Committee in which such matters are discussed; in 2013 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 115, 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.

Investor Relations
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Additional information and all publications **(including, in particular, the 2013 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.**

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

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

PSP Swiss Property's goal with its sustainability programme is to reduce specific CO_2 emissions by at least 5% from 2010 to 2015. The Company is on track to reach respectively exceed this goal.

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

PSP Swiss Property made an initial survey and analysis of these environmental areas (including 167 properties respectively 922 448 m^2 usable floor space) for the 2010 business year and published the results in the 2010 annual report. In the reporting year 2013, 159 properties with 926 680 m^2 usable floor space were analysed (2012: 162 properties with 929 821 m^2 usable floor space). For the remaining properties (the portfolio included 161 investment properties at the end of 2013 and 163 at the end of 2012), the figures were outstanding at year-end due to 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:

	2012		2013	
	Absolute	Specific figure per m^2	Absolute	Specific figure per m^2
Heating[1]	78.17 million kWh	84.1 kWh	80.59 million kWh	87.0 kWh[5]
Electricity[2]	25.44 million kWh	27.4 kWh	24.80 million kWh	26.8 kWh
Water consumption[3]	520 684 m^3	0.56 m^3	515 578 m^3	0.56 m^3
CO_2-eq (heating and electricity)[4]	18 212 t	19.6 kg	18 440 t	19.9 kg[5]

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

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

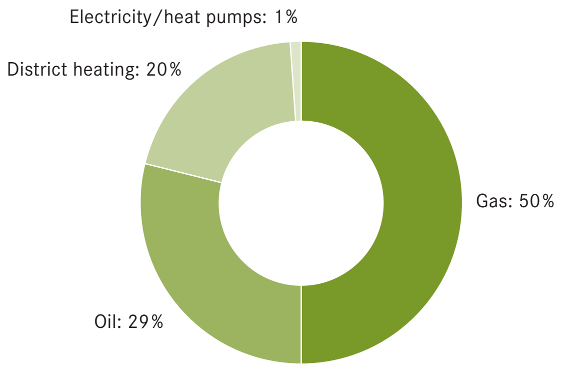
3 Overall water consumption (incl. increased consumption by gastronomic use).

4 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 as well (scope 2 and 3).

5 The figures are not adjusted for heating degree days. The figures adjusted for heating degree days are 80.04 kWh/m^2 for heating and 18.65 kg for CO_2-eq.

Trend in environmental key figures: Comparing 2012 to 2013 „like-for-like" and adjusted for heating degree days, energy consumption respectively CO_2-eq for heating (absolute) were reduced by 3.0% or 481 t CO_2 in 2013. Compared to 2012, we were able to lower specific energy consumption per square meter due to a number of measures.

The following chart illustrates the energy sources for heating for the 2013 business year:



In the previous year, the figures were as follows: 48% gas, 31% oil, 20% district heating, 1% electricity/heat pumps.

Sustainability Report

Renovations: In 2013 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):

Efficient solutions in building engineering require an optimisation of measurement and control technology. Due to corresponding modernisation projects (Richtistrasse 5 and 7 in Wallisellen, Brandschenkestrasse 90 in Zurich and Hardturmstrasse 161 in Zurich), the overall consumption of heating energy will be reduced by 100 000 kWh, while electricity consumption will decrease by 20 000 kWh and CO_2 output by 21.7 t p.a.

By installing LED lighting at one parking level at the car park on Förrlibuckstrasse 151 in Zurich, we were able to reduce electricity consumption by approximately 10 000 kWh p.a. This positive result convinced us to convert all parking levels to LED lighting. By replacing the fluorescent tubes by LED tubes, energy consumption will be reduced by approximately 40% (100 000 kWh) p.a., while CO_2 output will decline by 12.1 t p.a.

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. Properties which are not converted in the regular renovation cycle are being checked and optimised on a regular basis with regard to their energy use, at least at an operational level.

The collection and consolidation processes which were introduced in the previous year as well as the corresponding collection software proved successful and will continue to be optimised.

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)“, where we were able to improve from 84 to 87 points (out of a total of 100), or the „Global Real Estate Sustainability Benchmark (GRESB) Survey“. 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

Our major stakeholders with regard to social sustainability are our employees, tenants respectively clients, suppliers as well as the public. 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 been engaged to perform assurance procedures to provide assurance on the sustainability reporting in PSP’s Annual Report 2013.

Scope and Subject matter

Our limited assurance engagement focused on the following data and information disclosed in the Annual Report of PSP for the reporting period from July 1, 2012 to June 30, 2013:

- The management and reporting processes to collect and aggregate the environmental key figures;
- The environmental key figures 2013 (Scope 1 & 2 for CO_2 emissions) in the table on page 123 in the Annual Report 2013 as well as the related control environment in relation to data aggregation of these key figures.

Criteria

The reporting criteria used by PSP are described in the internal reporting guidelines and define those procedures, by which the environmental key figures are internally gathered, collated and aggregated.

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.

Responsibility and Methodology

The management of PSP is responsible for both the preparation and the presentation of the selected subject matter in accordance with the reporting criteria. Our responsibility is to form an independent opinion, based on our limited assurance procedures, on whether anything has come to our attention to indicate that the subject matter is not stated, in all material respects, in accordance with the reporting criteria.

We planned and performed our procedures in accordance with the International Standard on Assurance Engagements (ISAE 3000) „Assurance engagements other than audits or reviews of historical financial information“. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain limited assurance on the identified sustainability performance indicators.

For the subject matter for which we provide limited assurance, the nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement. We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

During the respective reporting period we have not performed any tasks or services for PSP that would conflict with our independence, nor have we been responsible for the preparation of any part of the report; and therefore qualify as independent as defined by Code of Ethics and applicable legal and regulatory requirements.

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 rele-vant 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.

Limited assurance conclusions
Based on our work described in this report:

- Nothing has come to our attention causing us to believe that the PSP 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
- Nothing has come to our attention causing us to believe that the data and information mentioned in the subject matter does not present fairly, in all material respects PSP's environmental performance.

PricewaterhouseCoopers AG

M Schmidli J. Buol

Dr. Marc Schmidli Jonas Buol

Zurich, 18 February 2014

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								
2013	83	169 177	12 033	11 244	145 900	61.5 %	185 263	59.2 %
2012	86	174 278	12 481	7 986	153 812	66.7 %	191 139	63.1 %
Geneva								
2013	16	37 379	5 143	2 330	29 905	12.6 %	40 881	13.1 %
2012	16	37 157	5 168	4 855	27 135	11.8 %	39 662	13.1 %
Basel								
2013	13	20 814	1 371	549	18 893	8.0 %	21 356	6.8 %
2012	13	20 671	1 375	1 545	17 752	7.7 %	20 908	6.9 %
Bern								
2013	12	12 107	968	474	10 664	4.5 %	13 543	4.3 %
2012	12	10 304	1 137	518	8 648	3.8 %	13 143	4.3 %
Lausanne								
2013	15	15 665	2 553	1 341	11 771	5.0 %	19 234	6.2 %
2012	15	14 986	2 752	1 854	10 380	4.5 %	17 185	5.7 %
Other locations								
2013	22	16 062	1 540	2 509	12 013	5.1 %	20 128	6.4 %
2012	21	16 487	1 449	1 826	13 213	5.7 %	18 685	6.2 %
Sites and development properties								
2013	10	9 513	1 242	331	7 939	3.3 %	12 304	3.9 %
2012	9	539	598	413	– 473	– 0.2 %	2 199	0.7 %
Overall total portfolio								
2013	**171**	**280 716**	**24 851**	**18 779**	**237 086**	**100.0 %**	**312 709**	**100.0 %**
2012	**172**	**274 423**	**24 960**	**18 997**	**230 466**	**100.0 %**	**302 920**	**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 properties	In % of total	Implied yield gross[4]	Implied yield net[5]	Vacancy in CHF[6]	Vacancy rate (CHF)[6,7]	Vacancy in m²	Vacancy rate (m²)
201 275	61.5 %	73 652	3 894 748	60.2 %	4.4 %	3.8 %	16 029	8.7 %	59 608	10.7 %
205 105	63.6 %	131 864	3 945 969	62.8 %	4.5 %	4.0 %	15 090	7.9 %	60 630	10.7 %
45 482	13.9 %	28 521	884 664	13.7 %	4.3 %	3.5 %	2 345	5.7 %	4 737	5.3 %
44 308	13.7 %	39 451	845 590	13.5 %	4.5 %	3.3 %	3 258	8.2 %	8 107	9.2 %
21 740	6.6 %	6 896	383 202	5.9 %	5.5 %	5.0 %	293	1.4 %	1 221	1.6 %
20 926	6.5 %	25 161	376 246	6.0 %	5.7 %	4.9 %	279	1.3 %	1 024	1.3 %
14 294	4.4 %	15 264	238 219	3.7 %	5.3 %	4.6 %	174	1.3 %	1 207	2.8 %
13 853	4.3 %	14 299	222 088	3.5 %	4.8 %	4.1 %	334	2.5 %	1 707	4.0 %
23 735	7.3 %	21 716	315 969	4.9 %	5.2 %	3.9 %	2 435	12.7 %	15 650	19.6 %
19 417	6.0 %	26 365	292 153	4.7 %	5.4 %	3.7 %	2 418	14.1 %	14 919	19.0 %
20 608	6.3 %	1 601	317 128	4.9 %	5.2 %	3.9 %	2 890	14.4 %	11 920	13.7 %
18 732	5.8 %	2 856	286 051	4.6 %	5.7 %	4.6 %	2 745	14.7 %	10 014	12.3 %
n.a.	n.a.	– 19 506	431 647	6.7 %	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
n.a.	n.a.	26 856	314 430	5.0 %	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
327 135	**100.0 %**	**128 144**	**6 465 576**	**100.0 %**	**4.6 %**	**3.9 %**	**24 167**	**8.0 %**	**94 343**	**10.1 %**
322 341	**100.0 %**	**266 851**	**6 282 527**	**100.0 %**	**4.7 %**	**3.9 %**	**24 123**	**8.0 %**	**96 401**	**10.3 %**

Real Estate Portfolio

Property Details

Location, address	31 December 2013	Land area m²	Office area m²	Retail area m²	Gas-tronomy 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	5 484	0	0	3 667	9 151
Urdorf, Heinrich-Stutzstr. 27/29		30 671	42 206	0	163	3 165	45 534
Wallisellen, Handelszentrum		4 131	3 974	0	0	366	4 340
Wallisellen, Richtistr. 3		5 578	7 357	0	0	0	7 357
Wallisellen, Richtistr. 5		5 197	6 509	0	0	530	7 039
Wallisellen, Richtistr. 7		4 582	8 666	0	0	549	9 215
Wallisellen, Richtistr. 9		4 080	5 245	0	624	136	6 005
Wallisellen, Richtistr. 11		4 988	6 982	0	0	382	7 364
Zürich, Albulastr. 57		1 266	2 126	0	0	596	2 722
Zürich, Alfred Escherstr. 17		275	996	0	0	0	996
Zürich, Altstetterstr. 124/Herrligstr. 21		3 782	9 637	0	313	1 898	11 848
Zürich, Augustinergasse 25		236	277	0	314	123	714
Zürich, Bahnhofplatz 9		998	2 435	1 148	457	519	4 559
Zürich, Bahnhofstr. 28a/Waaggasse 6		763	2 390	160	419	262	3 231
Zürich, Bahnhofstr. 39		1 093	1 751	1 725	0	71	3 547
Zürich, Bahnhofstr. 66		627	0	4 868	0	0	4 868
Zürich, Bahnhofstr. 81/Schweizergasse 2/4		355	714	1 338	0	300	2 352
Zürich, Bernerstr. Süd 167/169		3 967	10 208	0	0	1 644	11 852
Zürich, Binzring 15/17		33 878	36 545	0	0	4 652	41 197
Zürich, Bleicherweg 10/Schanzengraben 7		1 155	4 601	246	0	0	4 847
Zürich, Bleicherweg 14		398	530	0	0	0	530
Zürich, Brandschenkestr. 70 (KH)		298	0	0	0	0	0
Zürich, Brandschenkestr. 72 (KG)		247	0	0	0	0	0
Zürich, Brandschenkestr. 80, 82, 84 (Tertianum)		7 384	0	0	0	13 072	13 072
Zürich, Brandschenkestr. 90 (DL1)		12 770	11 672	0	0	0	11 672
Zürich, Brandschenkestr. 100 (DL2)		5 139	8 627	0	0	1 147	9 774
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	3 445	1 346	0	169	4 960
Zürich, Brandschenkestr. 152 (Sudhaus)		5 194	0	0	3 802	4 759	8 561
Zürich, Brandschenkestr. 152a (DL4)[6]		583	2 626	0	0	0	2 626
Zürich, Brandschenkestr. 152b (Kesselhaus)		818	699	0	0	0	699
Zürich, Dufourstr. 56		900	2 587	292	0	0	2 879
Zürich, Flüelastr. 7		1 296	2 605	433	0	286	3 324
Zürich, Förrlibuckstr. 10		4 122	7 514	0	0	644	8 158
Zürich, Förrlibuckstr. 60/62		10 382	14 604	0	877	8 545	24 026
Zürich, Förrlibuckstr. 66		2 055	4 906	0	0	2 084	6 990
Zürich, Förrlibuckstr. 110		2 963	9 435	360	410	1 390	11 595
Zürich, Förrlibuckstr. 151 (Parkhaus)		3 495	0	0	1 737	91	1 828
Zürich, Förrlibuckstr. 178/180		3 564	8 387	0	1 080	1 381	10 848
Zürich, Förrlibuckstr. 181		1 789	4 785	0	0	273	5 058
Zürich, Freieckgasse 7		295	285	89	210	224	808

1 As per reporting date. Annualised vacancy (CHF) in % of potential rent (market rent for vacant area).

2 Annualised net rental income divided by average value of properties.

3 Year of last overall renovation.

4 PR = PSP Real Estate Ltd
PP = PSP Properties Ltd
IS = Immobiliengesellschaft Septima AG
SI = SI 7 Place du Molard Ltd

Parking spaces	Vacancy rate (CHF)[1]	Implied yield net[2]	Year of construction	Year of renovation[3]	Purchase date	Owner[4]	Ownership status[5]	Ownership percentage
33	13.8 %	3.9 %	1966	2001	01.10.1999	PR	SO	100.0 %
121	1.3 %	4.7 %	1969 | 89	2010	01.06.2002	PR	SO	100.0 %
210	0.5 %	4.8 %	1976	2002 | 03 | 10 | 13	01.07.2004	PR	SO	100.0 %
90	9.1 %	6.5 %	1992	2010	01.10.1999	PR	CO	23.7 %
137	0.0 %	5.3 %	2000 | 01	2011	01.11.2001	PR	SO	100.0 %
126	35.1 %	2.8 %	2003	2011	01.04.2003	PR	SO	100.0 %
156	0.0 %	5.1 %	2003	2011	01.04.2003	PR	SO	100.0 %
105	6.1 %	4.0 %	2010		13.06.2008	PR	SO	100.0 %
123	20.5 %	4.1 %	2010		13.06.2008	PR	SO	100.0 %
51	8.5 %	4.1 %	1986	2005 | 2012 | 13	31.12.2000	PR	SO	100.0 %
0	0.0 %	4.5 %	1907	2000	01.10.1999	PR	SO	100.0 %
124	1.8 %	4.3 %	1974 | 75	1997 | 2011	01.10.1999	PR	SO	100.0 %
1	0.0 %	3.1 %	1850	1994 | 2000 | 04	01.04.2004	PP	SO	100.0 %
1	18.5 %	0.8 %	1933	2003 | 04	01.04.2004	PP	SO	100.0 %
0	0.0 %	3.2 %	1812	2005 | 10	01.04.2004	PP	SO	100.0 %
7	0.4 %	2.1 %	1911	1984 | 2003 | 13	01.01.2000	PR	SO	100.0 %
0	0.0 %	2.4 %	1967	1995	01.07.2005	PP	SO	100.0 %
0	0.0 %	2.4 %	1931	2001	01.04.2004	PP	SO	100.0 %
144	44.3 %	2.3 %	1974	1992 | 2006	01.10.1999	PR	SO	100.0 %
140	0.0 %	5.7 %	1992		01.04.2001	PR	SO	100.0 %
17	0.0 %	4.2 %	1930 | 76	1985 | 2006 | 09	01.10.1999	PR	SO	100.0 %
7	0.0 %	4.0 %	1857	1998 | 99	01.07.2005	PP	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 %	4.3 %	2005		01.04.2004	PP	SO	100.0 %
272	0.0 %	4.1 %	2003		01.04.2004	PP	SO	100.0 %
0	0.0 %	4.2 %	2003		01.04.2004	PP	SO	100.0 %
0	0.0 %	3.7 %	2007		01.04.2004	PP	SO	100.0 %
0	0.0 %	3.9 %	1877 | 82	2004	01.04.2004	PP	SO	100.0 %
0	4.9 %	3.9 %	1882	2004	01.04.2004	PP	SO	100.0 %
0	0.0 %	4.0 %	1913	2012	01.04.2004	PP	SO	100.0 %
0	0.0 %	6.5 %	2008		01.04.2004	PP	SO	100.0 %
0	0.0 %	3.4 %	1890	2013	01.04.2004	PP	SO	100.0 %
12	0.0 %	4.2 %	1950	1997 | 2006	01.10.1999	PR	SO	100.0 %
65	22.2 %	4.8 %	1982	2007	01.10.1999	PR	SO	100.0 %
85	8.8 %	4.5 %	1963	2002	29.06.2001	PR	SO	100.0 %
312	5.5 %	4.8 %	1989		01.04.2001	PR	SO	100.0 %
81	5.7 %	5.1 %	1969	1992 | 2003 | 04	01.12.2002	PR	SO	100.0 %
64	19.6 %	3.7 %	1962	2000	01.12.2002	PR	SO	100.0 %
1 137	6.1 %	5.3 %	1975	2000	01.12.2002	PR	SO	100.0 %
101	29.7 %	4.5 %	1988		01.12.2002	PR	SO	100.0 %
32	0.0 %	5.5 %	2002		01.12.2002	PR	SO	100.0 %
0	0.0 %	3.8 %	1700	1992 | 2012	01.04.2004	PP	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 140 to 141.

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 2013	Land area m²	Office area m²	Retail area m²	Gastronomy area m²	Other area m²	Total rentable area m²
Zurich area (continuation)							
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	7 253	856	0	943	9 052
Zürich, Hardturmstr. 131, 133, 135		6 236	16 264	1 289	0	7 080	24 633
Zürich, Hardturmstr. 161/Förrlibuckstr. 150		8 225	29 622	937	131	6 718	37 408
Zürich, Hardturmstr. 169, 171, 173, 175		5 189	10 625	691	86	8 039	19 441
Zürich, Hardturmstr. 181, 183, 185		6 993	18 214	0	0	1 778	19 992
Zürich, Hottingerstr. 10 – 12		1 922	3 710	0	0	628	4 338
Zürich, In Gassen 16		331	0	0	488	610	1 098
Zürich, Konradstr. 1/Zollstr. 6		686	283	166	190	2 251	2 890
Zürich, Kurvenstr. 17/Beckenhofstr. 26		657	1 581	0	0	166	1 747
Zürich, Limmatquai 4		529	2 294	159	216	91	2 760
Zürich, Limmatquai 144/Zähringerstr. 51		429	1 476	0	228	341	2 045
Zürich, Limmatstr. 250 – 254/264/266 («Red»)		4 705	7 769	0	0	760	8 529
Zürich, Limmatstr. 291		973	2 906	0	0	154	3 060
Zürich, Lintheschergasse 23		135	359	0	80	186	625
Zürich, Löwenstr. 22		250	644	198	0	115	957
Zürich, Mühlebachstr. 6		622	621	0	0	0	621
Zürich, Mühlebachstr. 32		536	1 909	0	0	217	2 126
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	2 814	600	0	194	3 608
Zürich, Seebahnstr. 89		2 455	2 961	753	0	1 155	4 869
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	6 912	0	0	948	7 860
Zürich, Sihlamtsstr. 5		354	451	0	140	359	950
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	861	1 605
Zürich, Theaterstr. 12		1 506	2 244	4 323	0	40	6 607
Zürich, Theaterstr. 22		324	459	0	283	237	979
Zürich, Uraniastr. 9		989	3 291	315	909	654	5 169
Zürich, Walchestr. 11, 15/Neumühlequai 26, 28		1 074	2 973	676	102	321	4 072
Zürich, Wasserwerkstr. 10/12		1 760	6 802	0	0	1 138	7 940
Zürich, Zurlindenstr. 134		487	1 251	133	0	108	1 492
Zürich, Zweierstr. 129		597	1 802	260	0	780	2 842
Total		**260 398**	**418 844**	**28 746**	**14 755**	**93 203**	**555 548**

1 As per reporting date. Annualised vacancy (CHF) in % of potential rent (market rent for vacant area).

2 Annualised net rental income divided by average value of properties.

3 Year of last overall renovation.

4 PR = PSP Real Estate Ltd
PP = PSP Properties Ltd
IS = Immobiliengesellschaft Septima AG
SI = SI 7 Place du Molard Ltd

Parking spaces	Vacancy rate (CHF)[1]	Implied yield net[2]	Year of construction	Year of renovation[3]	Purchase date	Owner[4]	Ownership status[5]	Ownership percentage
3	0.3 %	3.1 %	1925	1998 | 2005	01.04.2001	PR	SO	100.0 %
21	0.0 %	3.1 %	1967	1986 | 2005	01.07.2005	PP	SO	100.0 %
0	0.0 %	5.7 %	1895	1998	01.10.1999	PR	SO	100.0 %
3	10.1 %	3.3 %	1904	1993 | 2010 | 12	27.05.2004	PP	SO	100.0 %
0	0.0 %	3.8 %	1874		01.04.2004	PP	SO	100.0%
14	36.8 %	4.0 %	1969	1986 | 2008	31.12.2004	PR	SO	100.0 %
41	25.7 %	3.6 %	1982	2008	01.12.2002	PR	SO	100.0 %
88	18.1 %	4.9 %	1975	1999	01.12.2002	PR	SO	100.0 %
44	13.0 %	4.8 %	1952	1997 | 2006	01.12.2002	PR	SO	100.0 %
193	41.5 %	3.3 %	1989		01.12.2002	PR	SO	100.0 %
18	5.7 %	4.3 %	1914 | 40	1994	01.04.2001	PR	SO	100.0 %
0	0.0 %	3.5 %	1812	1984 | 2007	01.04.2004	PP	SO	100.0 %
7	0.3 %	3.6 %	1879 | 1982	1990	01.04.2004	PP	SO	100.0 %
35	0.5 %	4.4 %	1971	1999 | 2006 | 07 | 12	01.10.1999	PR	SO	100.0 %
0	0.0 %	3.6 %	1837	2000	01.01.2000	PR	SO	100.0 %
0	0.0 %	3.6 %	1888	1994	01.04.2004	PP	SO	100.0 %
33	8.0 %	3.5 %	2013		01.10.2010	PP	SO	100.0 %
7	0.0 %	5.6 %	1985		01.04.2001	PR	SO	100.0 %
3	1.6 %	3.3 %	1879	2001	01.04.2004	PP	SO	100.0 %
4	0.0 %	4.0 %	1964	2003 | 07 | 11	31.12.2000	PR	SO	100.0 %
7	0.0 %	4.3 %	1975	1993	01.10.1999	PR	FA	29.8 %
21	2.7 %	4.1 %	1981	1999 | 2007	01.10.1999	PR	SO	100.0 %
16	0.4 %	4.3 %	1958	1981 | 2002	01.10.1999	PR	SO	100.0 %
0	0.0 %	3.6 %	1893	1999	01.10.1999	PR	SO	100.0 %
61	20.1 %	4.6 %	2001 | 02		01.07.2005	PP	SO	100.0 %
76	3.0 %	4.9 %	1959	2003 | 2008	01.04.2001	PR	SO	100.0 %
0	0.0 %	3.8 %	1840	2000	01.04.2004	PP	SO	100.0 %
90	1.1 %	3.9 %	1972	2004	01.10.1999	PR	SO	100.0 %
125	74.9 %	– 0.4 %	1981 | 2001	2010	01.04.2010	PR	SO	100.0 %
0	0.0 %	4.5 %	1950	2005	01.04.2004	PP	SO	100.0 %
8	41.8 %	2.3 %	1896	1998 | 2011	01.10.1999	PR	SO	100.0 %
35	1.0 %	4.5 %	1929	1999 | 2001 | 07	01.10.1999	PR	SO	100.0 %
4	0.0 %	3.9 %	1896	2000	01.04.2004	PP	SO	100.0 %
3	0.0 %	3.1 %	1973	1993 | 2004 | 07	01.10.1999	PR	SO	100.0 %
0	20.5 %	2.5 %	2013		01.04.2004	PP	SO	100.0 %
2	0.0 %	3.9 %	1906	1992 | 2002	01.04.2004	PP	SO	100.0 %
6	0.0 %	4.2 %	1919	2000 | 08 | 09	01.10.1999	PR	SO	100.0 %
125	14.3 %	4.3 %	1981	2006	01.04.2004	PP	SO	100.0 %
17	1.4 %	4.5 %	1972 | 73	2006	01.10.1999	PR	SO	100.0 %
7	2.5 %	2.8 %	1958	2003	01.10.1999	PR	SO	100.0 %
4 927	**8.7 %**	**3.8 %**						

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

6 Own-used property.

7 See details on pages 140 to 141.

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 2013	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	9 558	0	0	4	9 562
Carouge GE, Rue de la Gabelle 6		990	1 017	0	0	0	1 017
Genève, Cours de Rive 13, 15/Helv. 25		882	4 487	1 164	0	27	5 678
Genève, Place du Molard 7		593	2 119	0	843	387	3 349
Genève, Rue de Berne 6, Rue Pécolat 1		926	3 410	0	0	450	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	173	0	77	1 306
Genève, Rue des Bains 31bis 33, 35		3 368	11 176	878	0	2	12 056
Genève, Rue du Grand-Pré 54, 56, 58		2 864	5 701	0	0	550	6 251
Genève, Rue du Marché 40		798	3 092	2 184	0	91	5 367
Genève, Rue du Mont-Blanc 12		258	1 468	174	0	0	1 642
Genève, Rue du Prince 9/11		276	2 934	798	0	418	4 150
Genève, Rue du XXXI-Décembre 8		1 062	2 318	364	134	958	3 774
Genève, Rue F. Bonivard 12/Rue des Alpes 11		392	1 984	273	0	115	2 372
Genève, Rue Richard-Wagner 6		6 634	9 976	0	0	0	9 976
Petit-Lancy, Av. des Morgines 8/10		7 816	13 409	0	0	2 446	15 855
Total		**32 756**	**75 369**	**6 599**	**977**	**5 685**	**88 630**
Basel area							
Basel, Barfüsserplatz 10		3 655	336	0	530	311	1 177
Basel, Dornacherstr. 210		4 994	7 647	4 440	0	1 315	13 402
Basel, Falknerstr. 31/Weisse Gasse 16		320	133	0	344	724	1 201
Basel, Freie Str. 38		299	1 055	242	0	68	1 365
Basel, Greifengasse 21		416	199	257	316	1 010	1 782
Basel, Grosspeterstr. 18, 20		8 062	12 842	0	0	666	13 508
Basel, Hochstr. 16/Pfeffingerstr. 5		7 018	15 220	0	0	0	15 220
Basel, Kirschgartenstr. 12/14		1 376	4 951	789	137	485	6 362
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	3 313	0	194	309	3 816
Basel, Steinentorberg 8/12		2 845	6 995	0	281	7 424	14 700
Total		**31 344**	**56 046**	**6 374**	**2 233**	**13 035**	**77 688**

1 As per reporting date. Annualised vacancy (CHF) in % of potential rent (market rent for vacant area).

2 Annualised net rental income divided by average value of properties.

3 Year of last overall renovation.

4 PR = PSP Real Estate Ltd
PP = PSP Properties Ltd
IS = Immobiliengesellschaft Septima AG
SI = SI 7 Place du Molard Ltd

Parking spaces	Vacancy rate (CHF)[1]	Implied yield net[2]	Year of construction	Year of renovation[3]	Purchase date	Owner[4]	Ownership status[5]	Ownership percentage
181	0.2 %	2.3 %	1965	2006 | 10 | 13	31.12.2000	PR	SO	100.0 %
5	0.0 %	4.5 %	1987		01.01.2000	PR	SO	100.0 %
64	0.4 %	3.7 %	1981		01.10.1999	PR	SO	100.0 %
0	7.4 %	2.5 %	1975	2005 | 06	01.04.2004	SI	SO	100.0 %
0	0.0 %	4.6 %	1895	1999	01.04.2001	PR	SO	100.0 %
6	0.0 %	4.1 %	1825	1996	01.10.1999	PR	SO	100.0 %
0	0.0 %	2.7 %	1920	2000 | 01	01.10.1999	PR	SO	100.0 %
255	7.9 %	3.9 %	1994		01.07.2002	PR	SO	100.0 %
53	24.4 %	2.8 %	1984	1992 | 2007	01.12.2005	PR	SO	100.0 %
0	14.9 %	2.5 %	1972	2006	01.07.2002	PR	SO	100.0 %
0	0.0 %	4.1 %	1860	2000	01.10.1999	PR	SO	100.0 %
4	0.3 %	4.0 %	1966	2000 | 01 | 06	01.01.2000	PR	SO	100.0 %
0	2.0 %	4.2 %	1962	1992 | 2001 | 11	01.10.1999	PR	SO	100.0 %
0	31.4 %	0.4 %	1852	1995 | 2013	01.10.1999	PR	SO	100.0 %
69	0.0 %	3.9 %	1986		01.07.2004	PR	SO	100.0 %
186	0.6 %	5.7 %	2002 | 04		01.02.2004	PR	SO	100.0 %
823	**5.7 %**	**3.5 %**						
0	9.6 %	3.2 %	1914	1997 | 2006 | 11	01.04.2004	PP	SO	100.0 %
5	2.0 %	5.2 %	1969	1998 | 2004 | 06	31.12.2000	PR	SO	100.0 %
0	0.0 %	4.3 %	1902	1998 | 2005 | 08 | 12	01.04.2004	PP	SO	100.0 %
0	0.0 %	4.6 %	1896	1981 | 82 | 2005	01.07.2005	PP	SO	100.0 %
0	6.7 %	3.1 %	1930	1984 | 98	01.04.2004	PP	SO	100.0 %
239	2.0 %	6.7 %	1988		01.12.2005	PR	SO	100.0 %
227	0.0 %	5.7 %	1986	2000	01.01.2001	PR	SO	100.0 %
90	3.9 %	4.2 %	1978	2003 | 05 | 10	01.01.2000	PR	SO	100.0 %
0	0.0 %	4.7 %	1910	2002 | 08	01.04.2004	PP	SO	100.0 %
0	0.0 %	4.7 %	1924	1975 | 2002 | 05	01.10.1999	PR	SO	100.0 %
0	0.0 %	4.0 %	1936	2001 | 06	01.04.2004	PP	SO	100.0 %
53	0.0 %	4.8 %	1968	2000 | 11	01.10.1999	PR	SO	100.0 %
69	0.2 %	5.0 %	1991		01.12.2001	PR	SO	100.0 %
683	**1.4 %**	**5.0 %**						

5 BL = Building lease
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FA = Freehold apartment
SO = Sole ownership

6 Own-used property.

7 See details on pages 140 to 141.

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 2013	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	4 391	112	0	173	4 676
Bern, Genfergasse 4	325	949	0	544	291	1 784
Bern, Haslerstr. 30/Effingerstr. 47	2 585	6 058	0	0	879	6 937
Bern, Kramgasse 49	235	50	173	260	309	792
Bern, Kramgasse 78	241	178	511	0	325	1 014
Bern, Laupenstr. 10	969	1 819	0	569	228	2 616
Bern, Laupenstr. 18/18a	5 436	6 856	1 255	171	1 030	9 312
Bern, Seilerstr. 8	1 049	3 657	386	0	590	4 633
Bern, Spitalgasse 9	0	829	1 405	0	111	2 345
Bern, Waisenhausplatz 14	826	1 217	1 838	0	314	3 369
Bern, Zeughausgasse 26/28	629	704	395	1 755	622	3 476
Total	**16 040**	**27 923**	**6 508**	**3 418**	**5 032**	**42 881**
Lausanne area						
Lausanne, Av. de Cour 135	1 800	2 200	0	263	427	2 890
Lausanne, Avenue de Sévelin 40	3 060	1 698	0	0	5 734	7 432
Lausanne, Avenue de Sévelin 46	3 320	8 184	0	754	6 240	15 178
Lausanne, Avenue de Sévelin 54	1 288	544	0	0	2 540	3 084
Lausanne, Ch. du Rionzi 52, Depot	0	0	0	0	6 092	6 092
Lausanne, Chemin de Bossons 2	1 930	2 135	0	0	127	2 262
Lausanne, Grand Pont 1	371	0	919	0	0	919
Lausanne, Place Saint-François 5	1 070	2 329	1 636	1 561	368	5 894
Lausanne, Place Saint-François 15	5 337	8 696	1 616	0	41	10 353
Lausanne, Rue Centrale 15	486	1 499	576	0	281	2 356
Lausanne, Rue de Sébeillon 1, 3, 5	2 870	7 896	0	0	4 523	12 419
Lausanne, Rue de Sébeillon 2	5 955	747	0	0	196	943
Lausanne, Rue du Grand-Chêne 2	555	1 756	1 320	0	0	3 076
Lausanne, Rue du Pont 22	465	850	776	368	348	2 342
Lausanne, Rue Saint-Martin 7	2 087	2 869	312	755	637	4 573
Total	**30 594**	**41 403**	**7 155**	**3 701**	**27 554**	**79 813**
Other locations						
Aarau, Bahnhofstr. 18	496	1 334	739	0	43	2 116
Aarau, Bahnhofstr. 29/33	1 375	2 121	1 589	0	570	4 280
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. 107	5 352	14 329	514	0	3 564	18 407
Biel/Bienne, Bahnhofplatz 2	4 928	6 815	3 421	0	2 779	13 015
Fribourg, Av. de Beauregard 1	1 657	3 065	0	0	190	3 255
Fribourg, Route des Arsenaux 41	4 310	8 622	337	509	1 856	11 324
Fribourg, Rue de la Banque 4/Rte d. Alpes	269	893	540	0	100	1 533
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 construction	Year of renovation[3]	Purchase date	Owner[4]	Ownership status[5]	Ownership percentage
0	0.0 %	3.9 %	1924	2002	01.10.1999	PR	SO	100.0 %
115	6.8 %	4.6 %	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 %	6.1 %	1964 | 76	1992 | 95 | 2006 | 09	01.12.2005	PR	SO	100.0 %
0	0.0 %	3.7 %	1900	2011 | 13	01.04.2004	IS	SO	100.0 %
0	0.0 %	4.4 %	vor 1900	1991 | 92	01.07.2005	PP	SO	100.0 %
0	0.2 %	4.9 %	1965	1997 | 2004 | 11	01.07.2004	PR	SO	100.0 %
7	2.1 %	4.4 %	1935 | 60	1997 | 2008 | 10 | 11 | 12	01.07.2004	PR	SO	100.0 %
75	0.0 %	5.7 %	1971	2001	01.10.1999	PR	SO	100.0 %
0	0.0 %	10.1 %	vor 1900	2001 | 06	01.07.2005	PP	BL	100.0 %
0	2.1 %	2.9 %	1950	2001	01.10.1999	PR	SO	100.0 %
0	0.0 %	5.3 %	1900	1999	01.04.2004	IS	SO+BL	100.0 %
203	**1.3 %**	**4.6 %**						
23	8.0 %	3.8 %	1973	2001 | 04 | 05	01.10.1999	PR	SO	100.0 %
139	31.3 %	4.0 %	1992		01.12.2005	PR	SO	100.0 %
4	18.0 %	4.2 %	1994		01.12.2005	PR	SO	100.0 %
0	0.0 %	6.9 %	1932	1990 | 2002	01.12.2005	PR	SO	100.0 %
14	100.0 %	– 5.3 %	1971	1996	01.04.2004	IS	BL	100.0 %
8	2.9 %	6.9 %	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 %	3.2 %	1913	1989 | 2004	01.10.1999	PR	SO	100.0 %
63	0.0 %	4.7 %	1900	1998 | 2003 | 04	01.04.2001	PR	SO	100.0 %
0	25.5 %	0.1 %	1938	1987 | 2013	01.01.2000	PR	SO	100.0 %
61	10.2 %	5.4 %	1963	1998	01.12.2005	PR	SO	100.0 %
221	8.4 %	4.2 %	1930	1998	01.12.2005	PR	SO	100.0 %
0	0.7 %	4.2 %	1910 | 11	1985 | 2001	01.10.1999	PR	SO	100.0 %
0	3.1 %	4.1 %	1952	2003	01.07.2005	PP	SO	100.0 %
139	39.8 %	2.0 %	1962 | 63	1998 | 2002	31.12.2000	PR	SO	100.0 %
672	**12.7 %**	**3.9 %**						
34	0.0 %	4.9 %	1968	2001 | 02 | 06	01.01.2000	PR	SO	100.0 %
18	2.7 %	4.9 %	1971	2004 | 09 | 10	01.03.2008	PR	SO	100.0 %
0	0.0 %	4.6 %	1945	2000	01.07.2005	PP	SO	100.0 %
0	0.0 %	6.0 %	1985		01.04.2004	IS	SO	100.0 %
63	1.0 %	5.8 %	1994		15.12.2005	PR	SO	100.0 %
80	36.1 %	3.8 %	1928 | 62	1986 | 93 | 2011 | 12	01.08.2006	PR	SO	100.0 %
67	38.7 %	2.3 %	1993		01.10.1999	PR	SO	100.0 %
142	39.4 %	3.2 %	1997		15.12.2005	PR	SO	100.0 %
3	0.7 %	3.9 %	1970	2001	01.01.2000	PR	SO	100.0 %
0	0.0 %	6.3 %	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 140 to 141.

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 2013	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	353	0	0	353
Locarno, Via Respini 7/9	0	0	0	0	4 916	4 916
Lugano, Via Pessina 16	356	565	623	0	265	1 453
Luzern, Maihofstr. 1	930	2 254	334	0	599	3 187
Olten, Baslerstr. 44	657	2 082	405	0	596	3 083
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**	**45 487**	**10 458**	**967**	**30 381**	**87 293**
Sites and development properties[7]						
Basel, Grosspeterstr. 18, 20, Projekt «Grosspeter Tower»	3 978	n.a.	n.a.	n.a.	n.a.	n.a.
Genf/Cologny, Port Noir, Projekt «Genève Plage»[8]	0	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, «Salmenpark»[10]	53 765	n.a.	n.a.	n.a.	n.a.	n.a.
Wabern bei Bern, Gurtenareal[10]	68 707	n.a.	n.a.	n.a.	n.a.	n.a.
Wädenswil, Areal Wädenswil	23 619	n.a.	n.a.	n.a.	n.a.	n.a.
Zürich, Bahnhofstr. 10/Börsenstr. 18, Projekt	344	n.a.	n.a.	n.a.	n.a.	n.a.
Zürich, Limmatstrasse, Löwenbräu-Areal («Black»)[9]	920	n.a.	n.a.	n.a.	n.a.	n.a.
Zürich, Löwenstr. 16, Projekt	206	n.a.	n.a.	n.a.	n.a.	n.a.
Zürich, Projekt «Bahnhofquai/-platz»	3 379	n.a.	n.a.	n.a.	n.a.	n.a.
Total	**166 035**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
Overall total Portfolio	**604 729**	**665 072**	**65 840**	**26 051**	**174 890**	**931 853**

1 As per reporting date. Annualised vacancy (CHF) in % of potential rent (market rent for vacant area).

2 Annualised net rental income divided by average value of properties.

3 Year of last overall renovation.

4 PR = PSP Real Estate Ltd
PP = PSP Properties Ltd
IS = Immobiliengesellschaft Septima AG
SI = SI 7 Place du Molard Ltd

Parking spaces	Vacancy rate (CHF)[1]	Implied yield net[2]	Year of construction	Year of renovation[3]	Purchase date	Owner[4]	Ownership status[5]	Ownership percentage
0	0.0 %	4.7 %	1908	2003	01.07.2005	PP	SO	100.0 %
0	0.0 %	2.5 %	2013		30.01.2012	PP	BL	100.0 %
0	11.9 %	2.8 %	1900	1980	01.07.2005	PP	SO	100.0 %
44	0.0 %	5.6 %	1989	2010	01.10.1999	PR	SO	100.0 %
21	0.0 %	5.2 %	1964	1993 | 95 | 2009 | 11	01.01.2000	PR	SO	100.0 %
48	0.0 %	5.3 %	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 %	4.7 %	1928	1996	01.04.2004	PP	SO	100.0 %
0	0.0 %	– 3.6 %	1595	2002 | 03	01.07.2005	PP	SO	100.0 %
0	0.0 %	– 0.6 %	1879	1996	01.04.2004	PP	SO	100.0 %
1	0.0 %	4.6 %	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 %
532	**14.4 %**	**3.9 %**						
n.a.	n.a.	n.a.	n.a.		01.12.2005	PR	SO	100.0 %
n.a.	n.a.	n.a.	n.a.		07.05.2013	PR	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.		01.10.1999	PR	SO	100.0 %
n.a.	n.a.	n.a.	n.a.		01.10.2010	PP	FA	100.0 %
n.a.	n.a.	n.a.	n.a.		01.04.2004	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.**						
7 840	**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 140 to 141.

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
Löwenbräu site Zurich, Limmatstr. 264 – 268	**In construction**	
Project description: New building «Black»: Project with approx. 11 600 m² usable floor space for 58 free-hold apartments.	Planned overall investment sum: approx. CHF 85 million Sale: 45 apartments	Spring 2014
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 Sale: 97 apartments and 2 studios	Spring 2014
„Salmenpark“ Rheinfelden	**In construction (stage 1)**	
Project description: Project with mixed use (residential, office, trade and commerce). Overall project with approx. 59 000 m² usable floor space and CHF 240 million investment sum.	Project with approx. 32 000 m² usable floor space (thereof 113 free-hold apartments) Planned investment sum: approx. CHF 170 million Sale: 18 apartments, 5 apartments reserved Letting level: 45%	2016
Project „Genève Plage“ Genf/Cologny, Port Noir	**In construction**	
Project description: New wellness/spa construction.	Planned investment sum: approx. CHF 30 million Letting level: 100%	End of 2015
Project „Löwenstrasse“ Zurich, Löwenstr. 16	**In construction**	
Project description: New building with mixed use (office and retail space).	Planned investment sum: approx. CHF 7 million Letting level: 0%	End of 2014

Location, address	State of project	Completion
Project „Bahnhofquai/ Bahnhofplatz“ Zurich, Bahnhofplatz 1 and 2, Bahnhofquai 9, 11, 15, Waisenhausstr. 2/4, Bahnhofquai 7	**In construction (stage 1)**	
Project description: Total renovation (in particular of the infrastructure and technical installations) in several stages. Overall planned investment sum: approx. CHF 76 million.	Properties on Bahnhofplatz 1 and Bahnhofquai 9, 11, 15 Planned investment sum: approx. CHF 33 million Letting: n.a.	2015
Project „Bahnhofstrasse/ Börsenstrasse“ Zurich, Bahnhofstr. 10/Börsenstr. 18	**In construction**	
Project description: Comprehensive renovation, in particular of the technical installations.	Planned investment sum: approx. CHF 15 million Letting: n.a.	Summer 2015
Project „Grosspeter Tower“ Basel, Grosspeterstrasse 18, 20	**in planning**	
Project description: New tower (Zero emission) building with mixed use (hotel, office and sales/ gastronomy space). Project with approx. 18 000 m² usable floor space Construction start: n.a.	Planned investment sum: approx. CHF 100 million 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 m²) as well as office space (1 400 m²) and retail space (750 m²) Construction start: n.a.	Planned investment sum: approx. CHF 65 million Sale: n.a.	n.a.
Wädenswil site Wädenswil, Seestr. 23, 25, 29, 31	**In evaluation**	
	Possible options for developing the remaining area (Reithalle, Felsenkeller) are being evaluated.	

Real Estate Portfolio

Property Purchases in 2013

Location, address	Land area m²	Office area m²	Retail area m²
Genf/Cologny, Port Noir, Projekt «Genève Plage»	0	n.a.	n.a.

Expiry of Lease Contracts as at 31 December 2013

	Market adjustment option by PSP Swiss Property	Legal termination option by tenant
Contracts not limited in time, but subject to notice	7 %	7 %
2014	14 %	15 %
2015	9 %	11 %
2016	17 %	21 %
2017	15 %	14 %
2018	14 %	10 %
2019	5 %	4 %
2020	2 %	2 %
2021	2 %	1 %
2022	3 %	2 %
2023	2 %	4 %
2024+	10 %	9 %
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.	07.05.2013

Tenant Structure

	31 December 2012	31 December 2013
Swisscom	9%	10%
Google	4%	4%
JT International	n.a.	3%
Schweizer Post	3%	2%
Bär&Karrer	2%	2%
Bally	2%	n.a.
Next five largest tenants	9%	8%
Others	71%	71%
Total	**100%**	**100%**

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

Five Year Review

Key financial figures	Unit	2009	2010	2011	2012 restated[1]	2013
Rental income	CHF 1 000	264 559	262 979	270 675	272 849	279 143
EPRA like-for-like growth	%	n.a	2.6	2.0	1.5	1.7
Net changes in fair value of real estate investments	CHF 1 000	112 370	180 588	325 068	266 851	128 144
Income from property sales	CHF 1 000	12 471	3 467	7 504	12 924	13 048
Total other income	CHF 1 000	6 528	7 363	10 337	8 351	6 088
Total operating income	CHF 1 000	**395 927**	**454 396**	**613 584**	**560 975**	**426 423**
Total operating expenses	CHF 1 000	**– 58 082**	**– 55 309**	**– 53 531**	**– 56 521**	**– 56 571**
Operating income before financial expenses	CHF 1 000	**337 846**	**399 087**	**560 053**	**504 455**	**369 852**
Net financial expenses	CHF 1 000	– 49 231	– 46 297	– 44 267	– 37 238	– 30 878
Operating profit before taxes	CHF 1 000	**288 615**	**352 791**	**515 786**	**467 217**	**338 974**
Income taxes	CHF 1 000	– 60 539	– 76 869	– 111 792	– 98 832	– 67 980
Net income from continuing operations	CHF 1 000	228 076	275 921	403 994	368 385	270 993
Net income from discontinued operations	CHF 1 000	3 138	4 904	0	0	0
Total net income	CHF 1 000	**231 214**	**280 825**	**403 994**	**368 385**	**270 993**
Total net income excluding gains/losses on real estate investments[2]	CHF 1 000	**136 495**	**139 780**	**149 020**	**161 367**	**173 643**
EBITDA excluding gains/losses on real estate investments	CHF 1 000	**221 113**	**223 309**	**232 532**	**238 308**	**242 480**
EBITDA margin	%	79.5	80.3	81.5	81.0	81.3
Interest coverage ratio[3]	Factor	4.5	4.8	5.3	6.4	7.9
Cash flow from operating activities	CHF 1 000	**143 574**	**144 627**	**173 793**	**140 290**	**194 108**
Cash flow from investing activities	CHF 1 000	52 206	– 110 053	– 41 611	– 67 314	– 73 179
Cash flow from financing activitie	CHF 1 000	– 236 139	– 59 547	– 113 965	– 70 367	– 117 118
Cash flow from operating activities from discontinued operations	CHF 1 000	0	8 042	0	0	0
Total assets	CHF 1 000	**5 304 607**	**5 589 187**	**6 050 916**	**6 356 255**	**6 541 812**
Non-current assets	CHF 1 000	5 187 920	5 409 400	5 800 391	6 154 808	6 351 502
Current assets	CHF 1 000	116 687	179 786	250 525	201 447	190 309
Shareholders' equity	CHF 1 000	**2 741 394**	**2 942 902**	**3 268 894**	**3 691 551**	**3 839 230**
Equity ratio	%	51.7	52.7	54.0	58.1	58.7
Return on equity	%	8.7	9.7	13.0	10.6	7.2
Liabilities	CHF 1 000	**2 563 213**	**2 646 285**	**2 782 022**	**2 664 704**	**2 702 582**
Non-current liabilities	CHF 1 000	2 404 251	2 502 868	2 285 553	2 396 261	2 348 628
Current liabilities	CHF 1 000	158 961	143 417	496 469	268 443	353 954
Interest-bearing debt	CHF 1 000	1 975 206	1 995 248	1 946 894	1 808 286	1 838 784
Interest-bearing debt in % of total assets	%	37.2	35.7	32.2	28.4	28.1
Interest-bearing debt with fixed interest rates (maturity > 1 year)	%	77.7	92.0	82.0	85.6	77.2
Average interest rate (period)	%	2.54	2.58	2.56	2.37	1.95
Average remaining term to maturity interest-bearing debt	Year	3.0	3.2	2.9	3.7	3.4

Portfolio key figures

Portfolio key figures	Unit	2009	2010	2011	2012 restated[1]	2013
Number of properties	Number	179	175	168	163	161
Carrying value properties	CHF 1 000	**4 997 237**	**5 309 727**	**5 611 591**	**5 968 097**	**6 033 930**
Implied yield, gross[4]	%	5.2	5.1	4.9	4.7	4.6
Implied yield, net[4]	%	4.4	4.2	4.2	3.9	3.9
Vacancy rate end of period (CHF)[4]	%	7.5	8.5	8.3	8.0	8.0
Number of sites and development properties	Number	8	7	9	9	10
Carrying value sites and development properties	CHF 1 000	**218 405**	**208 595**	**346 879**	**314 430**	**431 647**

Employees

Employees	Unit	2009	2010	2011	2012 restated[1]	2013
End of period	Posts	80	82	84	84	86
Full-time equivalents	Posts	76	78	77	78	79

Per share figures

Per share figures	Unit	2009	2010	2011	2012 restated[1]	2013
Earnings per share (EPS)[5]	CHF	5.53	6.62	9.40	8.21	5.91
EPS excluding gains/losses on real estate investments[5]	CHF	**3.26**	**3.30**	**3.47**	**3.60**	**3.79**
Distribution per share	CHF	**2.70**	**2.80**	**3.00**	**3.20**	**3.25**[6]
Payout ratio[7]	%	82.7	84.8	86.5	88.9	85.8
Cash yield[8]	%	4.6	3.7	3.8	3.7	4.3
Net asset value per share (NAV)[9]	CHF	**64.95**	**68.87**	**75.28**	**80.48**	**83.70**
Premium/(discount) to NAV[10]	%	– 9.9	8.9	4.4	7.0	– 9.8
NAV per share before deduction of deferred taxes[9]	CHF	**75.79**	**80.86**	**89.02**	**95.00**	**99.25**
Premium/(discount) to NAV before deduction of deferred taxes[10]	%	– 22.8	– 7.2	– 11.7	– 9.8	– 23.9
Share price high	CHF	61.60	78.50	83.50	89.95	91.25
Share price low	CHF	41.25	58.25	67.00	75.40	74.15
Share price end of period	CHF	**58.50**	**75.00**	**78.60**	**86.55**	**75.50**
Issued shares	Number	46 273 891	45 867 891	45 867 891	45 867 891	45 867 891
Own shares	Number	4 065 835	3 138 885	2 446 896	0	0
Outstanding shares	Number	42 208 056	42 729 006	43 420 995	45 867 891	45 867 891
Average outstanding shares	Number	41 824 907	42 412 246	42 978 982	44 876 202	45 867 891

1 Due to the initial application of IAS 19 (revised).

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

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

4 For investment properties.

5 Based on average number of outstanding shares.

6 Proposal to the Annual General Meeting on 3 April 2014 for the business year 2013: cash distribution out of capital contribution reserves.

7 Distribution per share in relation to EPS excluding gains/losses on real estate investments.

8 Distribution per share in relation to share price at the end of period.

9 Based on number of outstanding shares, before distribution per share.

10 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 2014
3 April 2014, Kongresshaus, Zurich

Publication of quarterly results Q1 2014
13 May 2014

Publication of 2014 interim results
19 August 2014

Publication of quarterly results Q3 2014
14 November 2014

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

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Bloomberg: PSPN SW