psp
Swiss Property

ANNUAL REPORT 2014

Key figures

Key financial figures	Unit	2013	2014	Change[1]
Rental income	CHF 1 000	279 143	277 150	– 0.7 %
EPRA like-for-like change	%	1.7	0.2	
Net changes in fair value of real estate investments	CHF 1 000	128 144	5 789	
Income from property sales	CHF 1 000	13 048	8 839	
Total other income	CHF 1 000	6 088	6 987	
Net income	CHF 1 000	270 993	175 346	– 35.3 %
Net income excluding gains/losses on real estate investments[2]	CHF 1 000	173 643	169 345	– 2.5 %
Ebitda excluding gains/losses on real estate investments	CHF 1 000	242 480	238 242	– 1.7 %
Ebitda margin	%	81.3	81.8	
Total assets	CHF 1 000	6 541 812	6 684 665	2.2 %
Shareholders’ equity	CHF 1 000	3 839 230	3 840 795	0.0 %
Equity ratio	%	58.7	57.5	
Return on equity	%	7.2	4.6	
Interest-bearing debt	CHF 1 000	1 838 784	1 928 669	4.9 %
Interest-bearing debt in % of total assets	%	28.1	28.9	

Portfolio key figures				
Number of properties	Number	161	161	
Carrying value properties	CHF 1 000	6 033 930	6 161 136	2.1 %
Implied yield, gross[3]	%	4.6	4.5	
Implied yield, net[3]	%	3.9	3.9	
Vacancy rate end of period (CHF)[3, 4]	%	8.0	10.0	
Number of sites and development properties	Number	10	10	
Carrying value sites and developments properties	CHF 1 000	431 647	446 908	3.5 %

Employees				
End of period	Posts	86	83	
Full-time equivalents	Posts	79	78	

Per share figures				
Earnings per share (EPS)[5]	CHF	5.91	3.82	– 35.3 %
EPS excluding gains/losses on real estate investments[5]	CHF	3.79	3.69	– 2.5 %
Distribution per share	CHF	3.25	3.25[6]	0.0 %
Net asset value per share (NAV)[7]	CHF	83.70	83.74	0.0 %
NAV per share before deduction of deferred taxes[7]	CHF	99.25	99.57	0.3 %
Share price end of period	CHF	75.50	85.80	13.6 %

1 Change to previous year’s period 2013 or carrying value as of 31 December 2013 as applicable.

2 See definition „Net income excluding gains/losses on real estate investments“ on page 16, footnote 2.

3 For investment properties.

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

5 Based on average number of outstanding shares.

6 Proposal to the annual General Meeting on 1 April 2015 for the business year 2014: cash distribution out of capital contribution reserves.

7 Based on number of outstanding shares.

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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.
Only the German original is legally binding.

Sustainability

For environmental reasons, there is no printed version of this annual report.
The annual report is, however, available on www.psp.info/reports.

www.psp.info

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

Highlights in brief

Portfolio value

CHF 6.608 billion

The quality of the portfolio was further improved by specific renovations and other construction measures totalling CHF 152.5 million.

Equity base

CHF 3.841 billion

With an equity ratio of 57.5 % and a loan-to-value ratio of 28.9 %, PSP Swiss Property continues to have a strong balance sheet.

Successful debt management

At the end of 2014, unused committed credit lines amounted to CHF 580 million. Combined with the low loan-to-value, the Company has optimal financial flexibility for further growth.

Ebitda

CHF 238.2 million

As expected, Ebitda declined slightly compared to the previous year due to lower rental income and lower income from the sale of apartments. On the other hand, we exceeded the forecast of approximately CHF 235 million by 1.4 %.

Net income excl. gain/losses on real estate investments

CHF 169.3 million

Compared to the previous year, net income excluding gains/losses on real estate investments decreased by 2.5 % respectively CHF 0.10 per share to CHF 3.69 per share. Profitability, however, remains strong.

Distribution

CHF 3.25/share

The Board of Directors will propose to the annual General Meeting on 1 April 2015 a payment of CHF 3.25 per share. This corresponds to a cash yield of 3.8 % on the 2014 year-end share price of CHF 85.80.

EPRA NAV

CHF 101.39/share

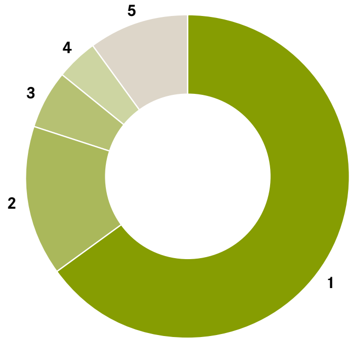
EPRA NAV also includes deferred taxes as well as financial derivatives at market value. Furthermore, all development properties are recognised at fair value. Compared to the previous year's figure, EPRA NAV increased by 0.8 %.

EPRA cost ratio

17.7 %

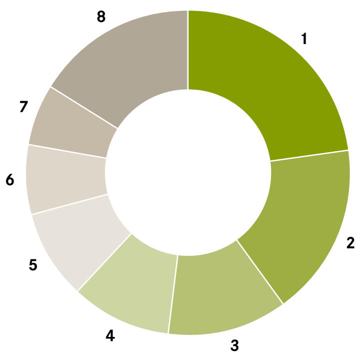
The EPRA cost ratio compares real estate expenses together with operating expenses with rental income. Excluding renovation expenditures, the EPRA cost ratio amounted to 14.7 %.

Rent by use



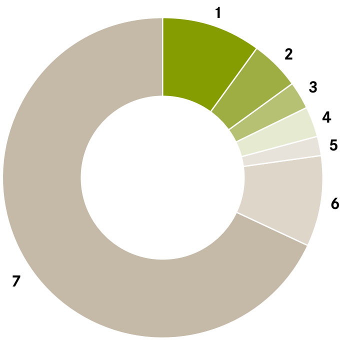
1	Office	65 %
2	Retail	15 %
3	Parking	6 %
4	Gastronomy	4 %
5	Other	10 %

Rent by type of tenant



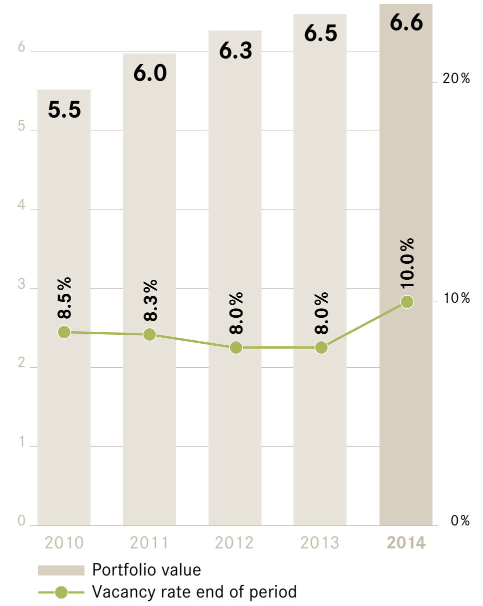
1	Retail	23 %
2	Services	17 %
3	Telecommunication	12 %
4	Technology	10 %
5	Financial services	9 %
6	Gastronomy	7 %
7	Government	6 %
8	Other	16 %

Rent by largest tenants

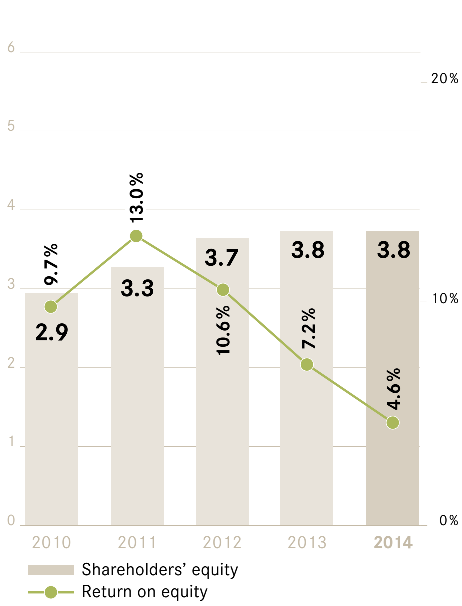


1	Swisscom	10 %
2	Google	5 %
3	JT International	3 %
4	Roche	3 %
5	Schweizer Post	2 %
6	Next five largest tenants	9 %
7	Other	68 %

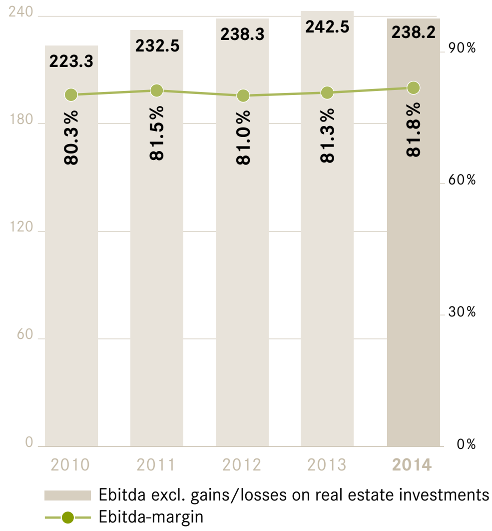
Real estate portfolio
(in CHF billion, vacancy in %)



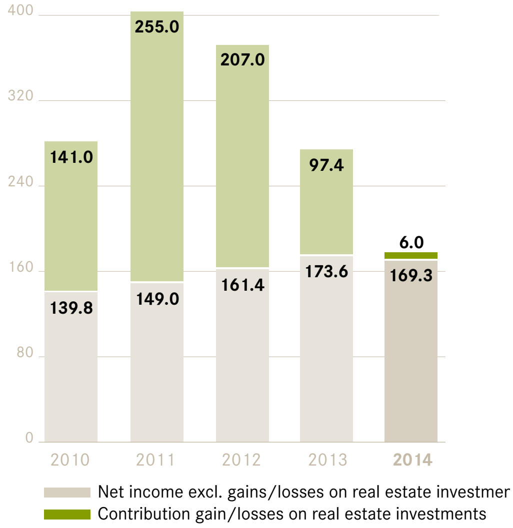
Shareholders' equity
(in CHF billion, return in %)



Ebitda
(in CHF million, margin in %)



Net income components
(in CHF million)



Board of Directors’ statement

Ladies and Gentlemen

As in the previous years, Switzerland’s economy did well in 2014 with real GDP growth of close to 2 %. In 2015, the general environment will become more difficult.

The sovereign debt crisis in European remains a concern. The European Central Bank (ECB) is likely to maintain its expansive monetary stance and keep interest rates low in the Eurozone. In our view, this monetary policy alone will not be enough to get this problem under control. The much needed structural reforms have not been tackled yet. Low interest rates even increased the temptation for additional expenditures in countries which are prone to debt and, at the same time, reduced the pressure to implement reforms. This is not sustainable. The debt crisis in Europe may at any time lead to imbalances with a corresponding negative impact on the economy. Eventually, this would also affect Switzerland.

Switzerland’s National Bank (SNB) stopped enforcing the franc’s minimum exchange rate vis-à-vis the Euro in January 2015, returning to an independent monetary policy. In order to counter an excessive over-valuation of the Swiss franc, the SNB introduced negative interest rates for deposits which exceed a certain limit. In the foreseeable future, rising interest rates are equally unlikely in Switzerland. The currently negative short term rates lead however to increased interest rate charges for most borrowers hedging the interest rate risk with interest rate swaps. Negative short term interest rates mean in fact that the fixed rate payer has to pay the negative floating CHF.

The growing number of popular initiatives, which are critical of and for the economy, raises concern among many in Switzerland. However, by rejecting most of these initiatives – from minimum wage to Ecopop (which would have severely restricted immigration) – Swiss voters clearly stated their basically positive attitude towards a flexible labour market and an open-market economy. Therefore, from our point of view, counterproductive popular initiatives are not the greatest threat to Switzerland’s economy. The pressure exerted by the strong Swiss franc might have a positive impact on a political level and thus, eventually, benefit the economy.

In the office market, supply currently exceeds demand in certain areas with a structural oversupply particularly in peripheral regions. However, modern office buildings in central locations with good transportation links remain in high demand. In the main economic centres Zurich and Geneva, the available office space expanded in 2014. The additional supply and vacancies in the commercial sector will continue to dampen rental prices for some time to come.

Overall, the market for retail space in central locations („high street retail“) was robust in 2014, despite the fact that the rapid expansion of many retail chains has slowed down. Rents remained more or less unchanged at high levels. While this market segment remains demanding, there is no crisis.

Our activities with regard to new lettings and follow-up rentals were satisfactory in the reporting year. On average we succeeded in negotiating slightly higher rents for new leases as well as lease extensions. Our long-term renovation and property improvement programme clearly pays off.

In 2014, we achieved a net income (excluding net changes in fair value) of CHF 169.3 million (2013: CHF 173.6 million). The reasons for this decline were lower rental income due to ongoing renovations, which decreased by CHF 2.0 million, and lower income from the sale of freehold apartments, which fell by CHF 6.2 million (in 2013, income from apartment sales was extraordinarily high). Net income (excluding net changes in fair value) is the basis for the distribution to shareholders. The 2014 result enables us to propose to the annual General Meeting of 1 April 2015 a cash payment of CHF 3.25 per share from the capital contribution reserves (previous year: CHF 3.25 per share). This corresponds to a yield of 3.8 % on the 2014 year-end share price of CHF 85.80. 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.

PSP Swiss Property is solidly financed and has a strong equity base: as at the end of 2014, we had unused committed credit lines from various banks totalling CHF 580 million; the ratio of net debt to total assets (loan-to-value) was a low 28.9 %. The independent rating agency Fitch confirmed PSP Swiss Property Ltd's „A-/stable" rating in March 2014.

In the reporting year, we purchased the investment property on Peter Merian-Strasse 88/90 in Basel for CHF 71.9 million; the investment property on Albulastrasse 57 in Zurich was sold for CHF 10.6 million.

In a challenging environment, we strive to keep our portfolio as attractive and marketable as possible. Consequently, our focus remains on the renovation and improvement of selected properties. We realise that, on the one hand, overall demand for commercial space is stable or slightly declining; on the other hand, demand is on the rise for modern and sustainable rental space which may be tailored to each tenant's individual requirements. Therefore, we started comprehensive renovation projects at a number of properties, in particular in the centre of Zurich (e.g. on Bahnhofquai/Bahnhofplatz and on Bahnhofstrasse 10). Overall, approximately CHF 120 million will be invested in our investment properties for renovations and conversions during the current year and 2016.

With regard to our site and project developments, the „Salmenpark" in Rheinfelden (stage 1, investment total approximately CHF 180 million) and the new health spa „Genève Plage" in Geneva (investment total approximately CHF 30 million) have been under construction for several months. In addition, construction began on the new „Grosspeter Tower" in Basel in November 2014. Here, a 78 meter high-rise building for mixed use (hotel and offices) is being constructed; the investment total for the „Grosspeter Tower" amounts to approximately CHF 115 million.

Furthermore, we are drawing up new plans for three properties in Zurich West: i) For two properties replacements are being considered; due to planning and approval periods, construction will only be possible in the medium term. ii) At a further property, conversion is likely to begin in the current year. We are proceeding with these projects, because we are convinced that Zurich West is an up and coming location with above-average potential. More and more, Zurich West, which is already a much sought-after area for living and leisure, will turn into a top location with a comprehensive range of services.

We are tackling the new year with confidence – with our proven, transparent business policy and a clear focus on high-class Swiss commercial properties.

For the 2015 business year, we expect an Ebitda (excluding gains/losses on real estate investments) of approximately CHF 225 million (2014: CHF 238.2 million). The decrease compared to 2014 is mostly due to lower income from the sale of apartments as well as no income stemming from VAT recovery. Rental income is likely to remain stable.

With regard to the vacancies, we expect a vacancy rate of around 10 % at the end of 2015 (end of 2014: 10.0 %).

Günther Gose

Chairman of the
Board of Directors

Luciano Gabriel

Delegate of the Board of Directors
and Chief Executive Officer

2 March 2015

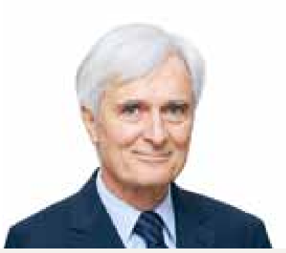
Board of Directors and Executive Board

Board of Directors

Günther Gose
Chairman

Luciano Gabriel
Delegate

Adrian Dudle
Member



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 6.161 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 0.447 billion. With a portfolio totalling CHF 6.608 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

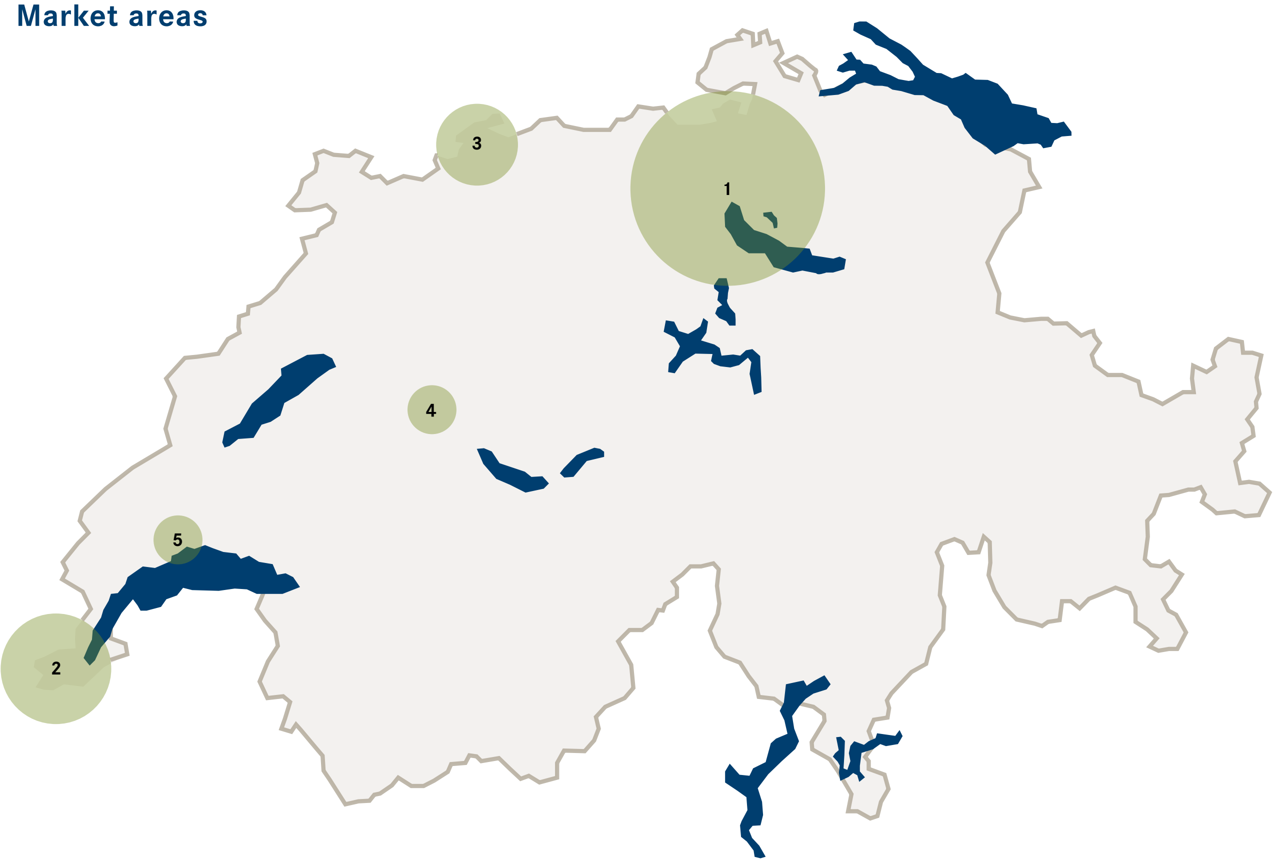
PSP Swiss Property generates added value through optimising the existing investment and development portfolio (organic growth) as well as external growth.

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.

Market areas



Zurich area 1
» CHF 3.9 bn
» 59 %

Brandschenke-
strasse 90, Zürich

Bern area 4
» CHF 0.2 bn
» 4 %

Laupenstrasse 18 / 18a,
Bern

Geneva area 2
» CHF 0.9 bn
» 13 %

Place du Molard 7,
Genf

Lausanne area 5
» CHF 0.3 bn
» 5 %

Place Saint-François 15,
Lausanne

Basel area 3
» CHF 0.5 bn
» 7 %

Kirschgarten-
strasse 12 / 14, Basel

Other locations
» CHF 0.3 bn
» 5 %

Sites and development properties
» CHF 0.4 bn
» 7 %

Ecological sustainability

Sustainability has long been a core issue for PSP Swiss Property. With its large property portfolio, the Company is aware of its corporate responsibility with regard to the efficient, sustainable use of resources and energy. It is the Company's declared goal to keep its ecological footprint as small as possible at all stages of business activity, from the construction of properties to renovations and improvements to facility management.

But while declaring sustainability goals is one thing, implementing the necessary measures is quite another. Therefore, the Company appoints a sustainability team, which defined an ecological sustainability programme and set up a comprehensive energy management system. In terms of transparency, PSP Swiss Property has published a sustainability report as part of its annual report since 2010. The success proves that PSP Swiss Property is on the right track: CO_2 emissions, for instance, are decreasing year by year.

Further information can be found in the Sustainability report on pages 136 to 143.

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 3.841 billion – corresponding to an equity ratio of 57.5 % – PSP Swiss Property had a strong equity base at the end of 2014. Interest-bearing debt amounted to CHF 1.929 billion, corresponding to a mere 28.9 % of total assets. The remaining 13.6 percentage points were mainly deferred tax liabilities which do not incur any interest charges. Furthermore, as at the end of 2014, PSP Swiss Property had unused committed credit lines of CHF 580 million. Cash and cash equivalents amounted to CHF 32.3 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 (5), Secretarial (1)

Real Estate Investments	Property Management	Finance/Administration
Asset Management (5)	Zurich Office (14)	Accounting (11)
New lettings (2)	Olten Office (7)	Communications (2)
Analyse/Reporting (2)	Geneva Office (9)	Treasury (1)
Construction Services (13)		Information Technology (5)

Total number of employees: 83 (full-time equivalent 78)

Age	Number of employees
< 20	1
21 to 25	2
26 to 35	20
36 to 45	22
46 to 55	18
> 55	20

Years of service	Number of employees
< 5 years	34
6 to 10 years	24
11 to 15 years	18
16 to 20 years	5
> 20 years	2

At the end of 2014, PSP Swiss Property had 83 employees (end of 2013: 86); the proportion of women was 41 % (end of 2013: 43 %). Fluctuation was 7 % (2013: 8 %).

At the end of 2014, PSP Swiss Property also employed 25 full-time and part-time caretakers throughout Switzerland (end of 2013: 27). 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 141.

1 The Group's legal structure is shown in the corporate governance section, figure 1.1, page 116.

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.

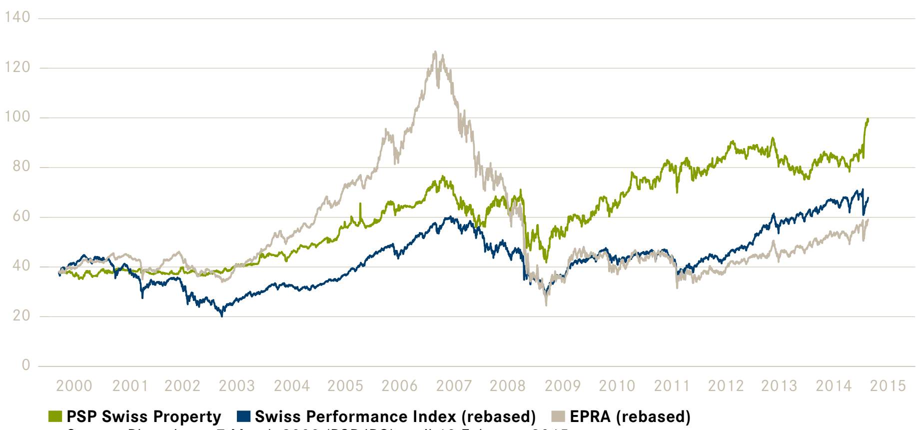
Repayment of capital contributions

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 2014, a distribution out of the capital contribution reserves was made instead of a dividend for the 2013 business year totalling CHF 149.0 million (previous year: CHF 146.8 million). As per year-end 2014, the capital contribution reserves amounted to CHF 232.1 million.

Share price development

(in CHF)



Source: Bloomberg, 7 March 2000 (PSP IPO) until 19 February 2015

In 2014, the PSP share price rose by 13.6 % from CHF 75.50 to CHF 85.80. Net asset value per share (NAV) amounted to CHF 83.74 at the end of 2014; consequently, the PSP share was traded at a premium of 2.5 % at year-end. From its listing on the SIX Swiss Exchange on 7 March 2000 to the end of 2014, the PSP share rose by 127.3 %.

The PSP shares are very liquid: on average, 81 318 shares worth CHF 6.6 million were traded daily in 2014 (2013: 89 745 shares worth CHF 7.4 million). In 2014, the total trading volume of PSP shares on the SIX Swiss Exchange reached CHF 1.661 billion (2013: CHF 1.857 billion).

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

Key figures	Unit	2013	2014	Change[1]
Share price				
High	CHF	91.25	86.50	
Low	CHF	74.15	74.25	
End of period	CHF	75.50	85.80	13.6 %
SIX Swiss Exchange: symbol PSPN, security number 1829415, ISIN CH0018294154				
Market capitalisation				
High	CHF million	4 185.4	3 967.6	
Low	CHF million	3 401.1	3 405.7	
End of period	CHF million	3 463.0	3 935.5	13.6 %
Number of shares				
Issued shares	Number	45 867 891	45 867 891	
Own shares	Number	0	0	
Outstanding shares	Number	45 867 891	45 867 891	
Average outstanding shares	Number	45 867 891	45 867 891	
Reserved shares[2]	Number	8 126	8 027	
Per share figures				
Earnings per shares (EPS)[3]	CHF	5.91	3.82	– 35.3 %
EPS excluding gains/losses on real estate investments[3, 4]	CHF	3.79	3.69	– 2.5 %
Distribution per share	CHF	3.25	3.25[5]	0.0 %
Payout ratio[6]	%	85.8	88.1	
Cash yield[7]	%	4.3	3.8	
Net asset value per share (NAV)[8]	CHF	83.70	83.74	0.0 %
Premium (discount) to NAV[9]	%	– 9.8	2.5	
NAV per share before deduction of deferred taxes[8]	CHF	99.25	99.57	0.3 %
(Discount) to NAV before deduction of deferred taxes[9]	%	– 23.9	– 13.8	

1 Change to previous year's period 2013 or carrying value as of 31 December 2013 as applicable.

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

3 Based on average number of outstanding shares.

4 See definition „Net income excluding gains/losses on real estate investments" on page 16, footnote 2.

5 Proposal to the annual General Meeting on 1 April 2015 for the business year 2014: 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.

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 116 to 117.

Investor relations

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

Report on the business year 2014

Market environment

Investment market

Investments in commercial properties remain popular investment alternatives for both pension funds and other institutional as well as private investors. They offer steady and long-term rental income and stable value. Foreign investors also appreciate currency diversification and the „safe haven“ Switzerland.

Well maintained properties in prime locations (i.e. in city and other commercial centres) are especially known for their lasting value and 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 remained high in 2014. In Zurich’s and Geneva’s Central Business Districts (CBD) top prices are still being paid for the few available 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 and will not generate sustainable added value, a purchase is out of the question for PSP Swiss Property. 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 2015 and beyond.

Rental market

On the office market, supply currently exceeds demand in many places, particularly outside the city centres. There was just too much construction in recent years. Consequently, over Switzerland as a whole, asking and agreed rents are declining slightly. Especially in the larger Zurich area, office rents have been under pressure for some time. And despite the fact that construction activity in the commercial sector will slow down in the medium term, lower rents must be expected in the coming years due to the structural oversupply of office space, particularly in peripheral regions. Furthermore, advertising periods are now also increasing for newly constructed office buildings.

In Zurich’s Central Business District, vacancies stabilised in recent months; here, pressure on rents is not quite as severe. The relocation of bank jobs to the periphery seems to be coming to an end. Vacancies are absorbed slowly and mostly by smaller and medium-sized companies.

In Geneva, which is more restrictive with regard to building regulations, less office space was constructed in recent years; as a result, oversupply is smaller and vacancy rates are lower. Nevertheless, there are currently too many vacant offices here too, which results in marginally declining rents.

The rental market for retail space stayed robust overall in 2014, particularly due to continued strong private consumption. Highly frequented and central locations continued to do particularly well. It remains to be seen, how much of a competition the expanding online trade will be for brick-and-mortar stores. Pressure will be strongest on shops in agglomerations and with outdated installations and layout. We expect rents in well frequented and prestigious locations, where many of our properties are located, to remain high.

In any case, the commercial real estate market will become more demanding in the coming years. Tenants of office and retail space expect an attractive range to choose from, with, above all, options for flexible use, the consideration of ecological aspects and excellent public transport links. Due to the oversupply, competition will increase, displacing some market players. Thereby, new buildings or comprehensively renovated properties will have a competitive advantage.

Consequently, it is crucial for landlords to position their properties properly and thoroughly renovate older buildings. This means a loss of rental income during this period; on the other hand, prospects for future rentals improve overproportionally. This is exactly one of our focal points in portfolio optimisation. We already re-positioned a number of our properties in recent years. Currently, several properties are undergoing comprehensive renovations, e.g. on Bahnhofquai / Bahnhofplatz and on Bahnhofstrasse 10 in Zurich. In addition, we are drawing up new plans for three properties in Zurich West; for two of them, we are considering replacement buildings.

Real estate portfolio

At the end of 2014, 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 6.608 billion (end of 2013: CHF 6.466 billion).

Investment properties

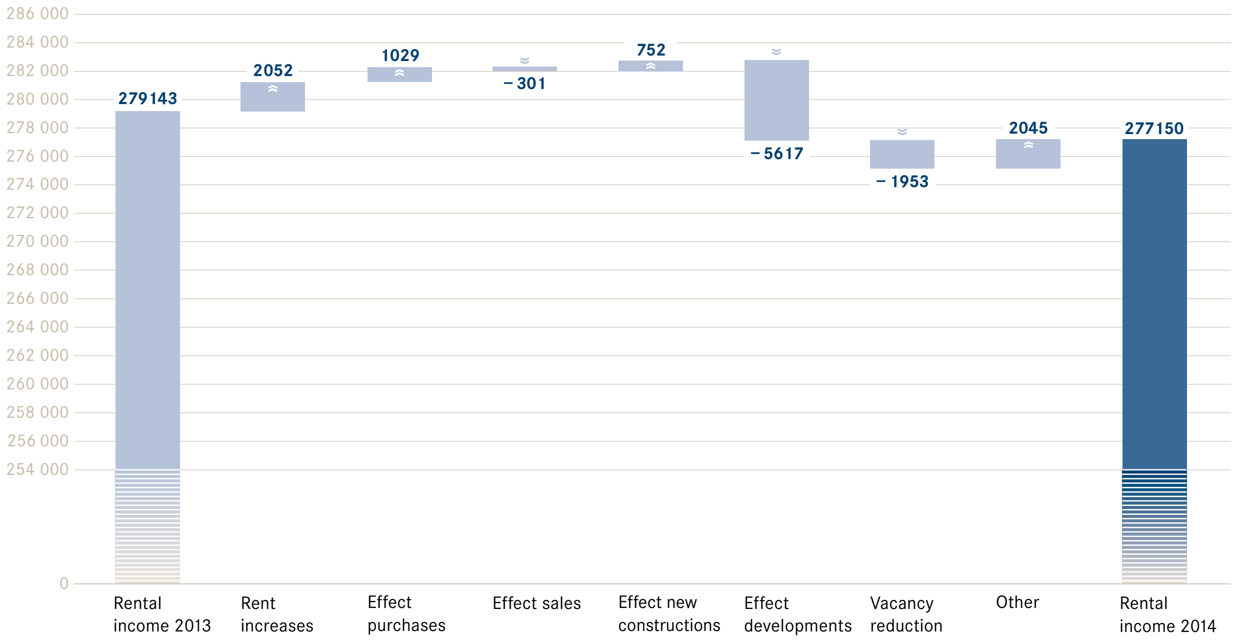
In the reporting year, we purchased the investment property on Peter Merian-Strasse 88/90 in Basel for CHF 71.9 million; the investment property on Albulastrasse 57 in Zurich was sold for CHF 10.6 million.

At the end of 2014, three investment properties with a total value of CHF 9.3 million were earmarked for sale.

Our real estate asset management unit constantly evaluates, which 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. Thereby, we are currently mainly focusing on Zurich city centre, in particular Bahnhofquai/ Bahnhofplatz and Bahnhofstrasse 10. Overall, approximately CHF 120 million will be invested in our investment properties for renovations and conversions during the current year and 2016.

Furthermore, we are working on new concepts for three properties in Zurich West: i) For two properties replacement buildings are being evaluated; due to planning and approval periods, it will take some time before construction can start. ii) At a further property, we expect conversion to begin before the end of the year.

Development of rental income
(in CHF 1000)



Valuation of properties

The revaluation of the properties resulted in an appreciation of CHF 5.8 million. This relatively small change was due to the mutual compensation of various value drivers. Thereby, capital expenditures made in 2014 and a slightly lower average weighted discount rate by 10 basis points had a positive effect – at the balance-sheet date, the portfolio's weighted average nominal discount rate was 4.81 % (end of 2013: 4.91 %). Longer vacancy periods before new rentals, adjustments of market rents in peripheral locations and higher renovation costs at a number of properties more or less offset the positive effects.

Vacancy development

At the end of 2014, the vacancy rate stood as expected at 10.0 % (end of 2013: 8.0 %).

2.8 percentage points of the 10.0 % were due to ongoing renovation work on various properties. The properties in Zurich West and Wallisellen (carrying value CHF 0.6 billion) contributed 2.2 percentage points to the overall vacancy rate. The remaining properties with a carrying value of CHF 5.3 billion (i.e. the total investment portfolio excluding the objects under renovation as well as those in Zurich West and Wallisellen) made up 5.0 percentage points.

Of the lease contracts maturing in 2015 (CHF 26.5 million), 41 % were renewed respectively extended at the end of 2014. As at year-end 2015, we expect a vacancy rate of approximately 10 %.

Sites and development properties

PSP Swiss Property owns and develops the following five sites and five individual projects:

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 office building „Red" with the adjacent older part of the building (the former main brewery building) was completed in 2013. With the „LEED Gold" label, „Red" also meets the requirements of a sustainable building.

Construction of the apartment tower „Black" was completed in the first quarter of 2014. At the end of 2014, 47 of the 58 freehold apartments were sold. During the reporting period, three apartments were transferred to the buyers (2013: 44).

Further details: www.loewenbraeu-black.ch

Gurten site, Wabern near Bern

The apartment complex (99 freehold apartments and two studios) was completed in 2014. All 99 apartments and both studios have been sold; thereof, 98 apartments and both studios were transferred to the buyers in the reporting period; the last apartment will be transferred in 2015.

The commercial units in the back and middle row were completely renovated by the end of 2014. Renovation of the last industrial building with the former bottling plant (the so-called „Elefant") began at the beginning of 2015; it will offer office and commercial space.

„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 planned investment total for the entire project is approximately CHF 250 million.

The first stage with an investment total of approximately CHF 180 million (thereof CHF 67.1 million were spent at year-end 2014) includes residential areas, retail spaces, a nursing and care home as well as offices. We will integrate the commercial units into our own portfolio and sell most of the residential units.

Construction began at the end of August 2013; completion is planned for 2016. 45 % of the commercial units and 13 of the 36 rental apartments have been pre-let. At the end of 2014, 46 of the 113 freehold apartments had been sold.

Further details: www.salmenpark.ch

Project „Genève Plage“, Geneva/Cologny

Construction of the building complex, which is already pre-let to an expert operating company, began in June 2013 and will take until the end of 2015. The investment sum for this wellness and spa complex on the site of „Genève Plage“ in Geneva/Cologny, Port Noir, is approximately CHF 30 million (thereof CHF 11.4 million were spent at year-end 2014). 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 (four floors) with mixed use (office and retail areas, one apartment) with an investment total of approximately CHF 6 million will be realised (thereof CHF 5.1 million were spent at year-end 2014). The building will be completed in the first quarter of 2015. At the end of 2014, the third floor as well as the apartment on the fourth floor were already pre-let.

Project „Bahnhofquai/Bahnhofplatz“, Zurich

This project (total renovation, particularly infrastructure and technical installations) includes 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 three stages.

Stage 1 will cost approximately CHF 33 million (thereof CHF 4.1 million were spent at year-end 2014) and cover the renovation of the two properties Bahnhofplatz 1 and Bahnhofquai 9, 11, 15. Renovation work started in April 2014 and will presumably last until summer 2016.

Stage 2 is the renovation of the building Waisenhausstrasse 2/4, Bahnhofquai 7, which began at the end of 2014 and is likely to take until the end of 2017. This will also cost around CHF 33 million (thereof CHF 0.5 million were spent at year-end 2014).

Stage 3: the property Bahnhofplatz 2 will probably be renovated from 2021 to 2023 at a cost of approximately CHF 12 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. A mixed use of retail areas and offices is being planned. The investment total amounts to approximately CHF 15 million (thereof CHF 3.3 million were spent at year-end 2014). At the end of 2014, 80 % of the rental area was let.

Project „Grosspeter Tower“, Basel

In November 2014, construction of the new building „Grosspeter Tower“ in Basel began. This high-rise building (78 meters) will offer approximately 18 000 m^2 mixed floor space for a hotel and offices. In terms of sustainability, the goal is to achieve LEED Gold, the Swiss „Minergie“ standard and zero-emission operations. The total investment at the „Grosspeter Tower“ amounts to approximately CHF 115 million (thereof CHF 12.3 million were spent at year-end 2014). Construction will last until the end of 2016.

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). We intend to sell all properties after their completion.

Wädenswil site

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

Capital management

At the end of 2014, the passing average interest rate was 1.70 % (end of 2013: 1.85 %). The average fixed-interest period was 3.9 years (end of 2013: 3.4 years).

No major committed bank loans will be due until 2019. At the end of 2014, PSP Swiss Property had unused committed credit lines of CHF 580 million. This substantial amount allows the Company to continue to flexibly manage its capital and is an excellent basis for possible acquisitions.

With total equity of CHF 3.841 billion (end of 2013: CHF 3.839 billion) – corresponding to an equity ratio of 57.5 % (end of 2013: 58.7 %) – PSP Swiss Property had a strong capital base at the end of 2014. Interest-bearing debt amounted to CHF 1.929 billion at the end of 2014, corresponding to 28.9 % of total assets (end of 2013: CHF 1.839 billion respectively 28.1 %).

In March 2014, the rating agency Fitch confirmed PSP Swiss Property Ltd’s rating with an „A-“ and stable outlook.

Consolidated annual results 2014

In 2014, net income excluding gains/losses on real estate investments[3] reached CHF 169.3 million (2013: CHF 173.6 million). The reasons for this decline were lower rental income due to ongoing renovations, which decreased by CHF 2.0 million, and lower income from the sale of freehold apartments, which fell by CHF 6.2 million (in 2013, income from apartment sales was extraordinarily high). Corresponding earnings per share amounted to CHF 3.69 (2013: CHF 3.79). 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 175.3 million (2013: CHF 271.0 million). The decline is mainly due to the lower appreciation of the properties; in the reporting year, this amounted to CHF 5.8 million (2013: CHF 128.1 million). Earnings per share including valuation differences amounted to CHF 3.82 (2013: CHF 5.91).

Rental income declined, due to ongoing renovations, to CHF 277.2 million (2013: CHF 279.1 million).

Income from the sale of freehold apartments amounted to CHF 6.8 million (2013: CHF 13.0 million). In the reporting period, 98 freehold apartments and both studios on the Gurten site in Wabern near Bern as well as three freehold apartments on the Löwenbräu site in Zurich were transferred to the buyers.

The sale of one investment property resulted in a profit of CHF 2.0 million (previous year: no sales).

Other income increased by CHF 0.7 million to CHF 4.0 million (2013: CHF 3.3 million); thereby, the contribution from VAT recovery rose to CHF 3.3 million (2013: CHF 2.9 million).

Operating expenses decreased by CHF 2.8 million to CHF 53.7 million (2013: CHF 56.6 million). With CHF 30.7 million, financial expenses hardly changed from the previous year's level (CHF 30.9 million).

At the end of 2014, net asset value (NAV) per share was CHF 83.74 (end of 2013: CHF 83.70). NAV before deducting deferred taxes amounted to CHF 99.57 (end of 2013: CHF 99.25). The NAV based on EPRA standards (see also the EPRA table on pages 90 to 92) amounted to CHF 101.39 (end of 2013: CHF 100.57).

3 See definition on page 16, note 2.

Distribution out of capital contribution reserves

For the business year 2014, the Board of Directors will propose a cash payment out of the capital contribution reserves of CHF 3.25 per share (previous year: CHF 3.25 per share) to the annual General Meeting on 1 April 2015. In relation to net income excluding gains/losses on real estate investments, this amount corresponds to a payout ratio of 88.1 %; in relation to the 2014 year-end share price of CHF 85.80, it corresponds to a yield of 3.8 %.

Subsequent events

For the refinancing of financial liabilities, a 1.00 % bond, with a duration from 2015 to 2025 and a volume of CHF 100 million was issued on 6 February 2015.

There were no further material subsequent events.

Outlook 2015

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.

For the 2015 business year, we expect an Ebitda (excluding gains/losses on real estate investments) of approximately CHF 225 million (2014: CHF 238.2 million). The decrease compared to 2014 is mostly due to lower income from the sale of apartments as well as no income stemming from VAT recovery. Rental income is likely to remain stable.

With regard to the vacancies, we expect a vacancy rate of around 10 % at the end of 2015 (end of 2014: 10.0 %).

The Executive Board, March 2015

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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 2013	1 January to 31 December 2014	Note
Rental income	279 143	277 150	5
Net changes in fair value of real estate investments	128 144	5 789	13
Income from property sales (inventories)	81 505	87 913	
Expenses from sold properties (inventories)	– 68 456	– 81 100	
Income from other property sales	0	2 026	6
Income from investments in associated companies	5	18	14
Capitalised own services	2 791	2 944	13
Other income	3 292	4 024	7
Total operating income	**426 423**	**298 765**	
Operating expenses			
Real estate operating expenses	– 11 433	– 11 349	8
Real estate maintenance and renovation expenses	– 17 984	– 15 662	
Personnel expenses	– 19 135	– 18 531	9
Fees to subcontractors	– 49	– 52	
General and administrative expenses	– 7 198	– 7 326	10
Impairment charge properties	– 247	– 338	13
Depreciation	– 526	– 472	
Total operating expenses	**– 56 571**	**– 53 730**	
Operating profit before financial expenses	**369 852**	**245 035**	
Financial income	1 243	1 270	11
Financial expenses	– 32 121	– 31 933	11
Operating profit before taxes	**338 974**	**214 373**	
Income taxes	– 67 980	– 39 027	12
Net income attributable to shareholders of PSP Swiss Property Ltd	**270 993**	**175 346**	
Earnings per share in CHF (basic and diluted)	5.91	3.82	31

Consolidated statement of comprehensive income

(in CHF 1 000)	1 January to 31 December 2013	1 January to 31 December 2014	Note
Net income attributable to shareholders of PSP Swiss Property Ltd	**270 993**	**175 346**	
Items that may be reclassified subsequently to profit or loss:			
▪ Changes in interest rate hedging	24 675	– 30 456	17
▪ Income taxes	– 1 933	2 386	12
Items that will not be reclassified subsequently to profit or loss:			
▪ Changes in staff pension schemes	920	– 4 740	24
▪ Real estate appreciation due to change of use	0	9 107	13
▪ Income taxes	– 202	– 1 004	12
Comprehensive income attributable to shareholders of PSP Swiss Property Ltd	**294 453**	**150 639**	

The notes are part of these consolidated financial statements.

Consolidated statement of financial position

Assets (in CHF 1 000)	1 January 2013	31 December 2013	31 December 2014	Note
Investment properties	5 942 645	6 006 810	6 115 040	13
Own-used properties	15 783	15 376	36 764	13
Sites and development properties	173 243	307 932	370 661	13
Investments in associated companies	12	17	35	14
Financial investments	9	9	9	15
Accounts receivable	9 757	8 114	5 453	16
Derivative financial instruments	0	799	0	17
Intangible assets	56	0	0	18
Tangible assets	288	323	280	19
Deferred tax assets	13 015	12 122	17 383	20
Total non-currents assets	**6 154 808**	**6 351 502**	**6 545 624**	
Investment properties for sale	9 669	11 744	9 332	13
Sites and development properties for sale	141 188	123 714	76 248	13
Accounts receivable	8 240	15 163	17 229	16
Deferrals	8 748	2 274	3 331	
Current tax assets	0	0	645	
Cash and cash equivalents	33 603	37 414	32 256	
Total current assets	**201 447**	**190 309**	**139 041**	
Total assets	**6 356 255**	**6 541 812**	**6 684 665**	

Shareholders' equity and liabilities				
Share capital	4 587	4 587	4 587	21
Capital reserves	1 031 037	884 264	735 189	
Retained earnings	2 704 821	2 975 814	3 151 160	
Revaluation reserves	− 48 894	− 25 434	− 50 141	22
Total shareholders' equity	**3 691 551**	**3 839 230**	**3 840 795**	
Debt	1 160 000	1 220 000	1 360 000	23
Bonds	498 360	368 879	568 669	23
Derivative financial instruments	46 014	22 019	51 058	17
Pension liabilities	12 927	12 559	17 646	24
Deferred tax liabilities	678 961	725 171	743 428	20
Total non-current liabilities	**2 396 261**	**2 348 628**	**2 740 801**	
Bonds	149 926	249 905	0	23
Derivative financial instruments	2 061	2 180	2 798	17
Accounts payable	45 818	38 030	27 416	26
Deferrals	45 408	52 411	60 921	
Current tax liabilities	25 086	11 343	11 933	
Provisions	143	85	0	25
Total current liabilities	**268 443**	**353 954**	**103 068**	
Total shareholders' equity and liabilities	**6 356 255**	**6 541 812**	**6 684 665**	

The notes are part of these consolidated financial statements.
Zug, 2 March 2015, on behalf of the Board of Directors: Günther Gose, Chairman, and Luciano Gabriel, Delegate and Chief Executive Officer.

Consolidated cash flow statement

(in CHF 1 000)	1 January to 31 December 2013	1 January to 31 December 2014	Note
Net income attributable to shareholders of PSP Swiss Property Ltd	270 993	175 346	
Net changes in fair value of investment properties	– 128 144	– 5 789	13
Capitalised/released rent-free periods	– 2 229	613	13
Income from other property sales	0	– 2 026	6
Income from investments in associated companies	– 5	– 18	14
Capitalised own services	– 2 791	– 2 944	13
Provisions expenses	– 35	– 85	25
Outflow of provisions	– 23	0	25
Impairment charge properties	247	338	13
Changes in pension liabilities recorded in the income statement	552	347	
Depreciation	526	472	
Net financial expenses	30 878	30 662	11
Income taxes	67 980	39 027	12
Change in sites and development properties for sale	29 183	52 587	
Changes in accounts receivable	– 6 918	– 2 066	
Changes in accounts payable	– 7 814	– 10 638	
Changes in deferrals (assets)	6 359	– 1 115	
Changes in deferrals (liabilities)	9 953	9 536	
Interest paid	– 39 090	– 34 811	
Interest received	1 241	1 269	
Dividends received	1	1	
Taxes paid	– 36 757	– 24 702	
Cash flow from operating activities	**194 108**	**226 004**	
Purchases of investment properties	0	– 71 940	13
Purchases of development properties	– 135	0	13
Capital expenditures on investment properties	– 43 010	– 48 522	13
Capital expenditures on sites and development properties	– 31 579	– 64 144	13
Sales of properties	0	10 586	13
Payout of loans	– 895	0	
Repayment of loans	2 538	2 661	
Purchases of tangible assets	– 98	0	19
Cash flow from investing activities	**– 73 179**	**– 171 360**	

(in CHF 1 000)	1 January to 31 December 2013	1 January to 31 December 2014	Note
Purchases of own shares	– 1 592	– 1 282	21
Sales of own shares	1 595	1 278	21
Increase in financial debt	380 000	370 000	23
Financial debt repayment	– 320 000	– 230 000	23
Issue of bond	120 000	200 000	23
Issue expenses of bond	– 370	– 752	23
Repayment of bond	– 150 000	– 250 000	23
Distribution to shareholders	– 146 751	– 149 047	32
Cash flow from financing activities	**– 117 118**	**– 59 803**	
Changes in cash and cash equivalents	**3 811**	**– 5 158**	
Cash and cash equivalents at 1 January	33 603	37 414	
Cash and cash equivalents at 31 December	37 414	32 256	

The notes are part of these consolidated financial statements.

Consolidated statement of shareholders' equity

(in CHF 1 000)	Share capital	Capital reserves
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**
Net income attributable to shareholders of PSP Swiss Property Ltd		
Changes in interest rate hedging		
Changes in staff pension schemes		
Real estate appreciation due to change of use		
Income taxes		
Other comprehensive income		
Comprehensive income attributable to shareholders of PSP Swiss Property Ltd	**0**	**0**
Distribution to shareholders		− 149 071
Purchase of own shares		
Sales of own shares		0
Compensation in own shares		− 4
Elimination tax effect on profits on own shares in statutory accounts		
31 December 2014	**4 587**	**735 189**

The notes are part of these consolidated financial statements.

Own shares	Retained earnings	Revaluation reserves	Total shareholders' equity
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			– 1 592
1 592			1 595
	0		0
0	**2 975 814**	**– 25 434**	**3 839 230**
	175 346		**175 346**
		– 30 456	– 30 456
		– 4 740	– 4 740
		9 107	9 107
		1 382	1 382
		– 24 707	**– 24 707**
0	**175 346**	**– 24 707**	**150 639**
			– 149 071
– 1 282			– 1 282
0			0
1 282			1 278
	0		0
0	**3 151 160**	**– 50 141**	**3 840 795**

Notes to the consolidated 2014 financial statements

1 General information

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

PSP Swiss Property Group owns 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 2014, PSP Swiss Property had 83 employees, corresponding to 78 full-time positions (end of 2013: 86 respectively 79).

The consolidated 2014 financial statements are based on the annual accounts of the controlled individual subsidiaries at 31 December 2014 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 2014 were authorised for issue by the Board of Directors on 2 March 2015. The consolidated financial statements are subject to approval by the annual General Meeting of PSP Swiss Property on 1 April 2015.

2 Summary of significant accounting policies

2.1 Accounting principles

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

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

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

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

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

2.2 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 2014, the following modified standard came into force. The novelty respectively modification which is relevant for PSP Swiss Property as well as its expected impact upon implementation is as follows:

- IAS 32 revised – Financial Instruments: Presentation – Offsetting Financial Assets and Liabilities: This amendment stipulates the specific conditions which allow a net presentation of financial assets and liabilities. This revised standard will not affect the financial statement of PSP Swiss Property.

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

- IFRS 9 – Financial Instruments (2014): This standard, which has now been finalised, includes the sections Classification and Measurement, Hedge Accounting as well as Impairment of Financial Instruments.

PSP Swiss Property does not expect any major effects from the future implementation of the new requirements regarding hedge accounting. At its initial application, the new impairment model in IFRS 9 may result in a certain increase in provisions for receivables.

The new standard is applicable from 1 January 2018. PSP Swiss Property will not adopt IFRS 9 (2014) early. PSP Swiss Property has applied the section Classification and Measurement of IFRS 9 Financial Instruments (2014) early since 1 January 2009.

- IFRS 15 – Revenue Recognition: This standard combines the rules with regard to revenue recognition which were previously included in a great number of various standards and interpretations. In particular, IFRS 15 may affect the timing of revenue and profit recognition for property sales.

The new standard is applicable from 1 January 2017. PSP Swiss Property will not adopt IFRS 15 early.

2.3 Critical estimates and assumptions

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

Real estate valuations

As required by the Directive on Financial Reporting of the SIX Swiss Exchange combined with the „Scheme C Real Estate Companies“, the fair value of the properties classified according to IAS 40/IFRS 5 is assessed every six months by the external, independent valuation company (see the Property Valuation Report of the valuation company Wüest & Partner on pages 82 to 87). 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.

2.4 Related parties

In the reporting year, the Board of Directors and parties related to the Board of Directors, the Executive Board, the associated company as well as the Israeli company Alony Hetz Properties & Investments Ltd were considered as related parties (corporate or individual). Details on the transactions with related parties are disclosed in note 33 on pages 76 to 78.

2.5 Consolidation

Method of consolidation

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 and relations are eliminated on consolidation.

Associated companies are companies which are neither subsidiaries nor joint ventures, where PSP Swiss Property holds, directly or indirectly, 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 in the following table shown companies are fully consolidated in the financial statements.

Company	Registered office		Share capital	Ownership 31 December 2013		Ownership 31 December 2014		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

There are no minority shareholdings in any subsidiary. Furthermore, there are no restrictions with regard to the use of the subsidiaries' funds or other assets.

2.6 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, note 5, pages 158 to 167), PSP Swiss Property is lessee of building leases. At one property, PSP Swiss Property is lessor of a building lease. 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 38) and are therefore charged to the income statement.

Income from investment property sales
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.

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

Income from investments in associated companies
Income from investments in associated companies includes the proportional income from the respective participations.

Capitalised own services
Capitalised own services arising from the development of own projects are valued at production costs.

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

Interest expenses
Interest expenses are accrued according to the effective interest rate method and charged directly to the income statement (financial expenses). The treatment of capitalised construction interest rates is explained in the section „Acquisition costs" on page 38.

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 2.0 % (previous year: 2.4 %).

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 pages 40 to 41).

Derivative financial instruments

Derivative financial instruments are recognised in the balance sheet and subsequently valued at market value (fair value). 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 value of derivatives which are designated as cash flow hedges and which are highly effective are recognised in shareholders' equity as revaluation 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 revaluation 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 value 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 value 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.

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 „Revaluation 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. Revaluation 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).

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

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.

Performance-based remuneration in shares for the members of the Executive Board

The Members of the Executive Board receive a performance-based remuneration in Company shares with a contractual blocking period of two years – the Delegate and CEO at 100 %, the other Members basically at 50 % (There are no further limitations or conditions). Allocation of shares is according to market prices.

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

3 Risk management

3.1 Basis

Great importance is attached to the identification, measurement and control of risks. The Board of Directors and the Executive Board have compiled a list of all 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.

The most important risks are associated with:

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

3.2 Real estate market risks

General economic development and structural changes are the main factors which affect the general and specific development of supply and demand on the office and commercial real estate market; these, in turn, influence the level of rents and the risk of vacancies. Furthermore, capital and financial markets impact yield expectations of real estate investors (discount rate). These risks are addressed by appropriate selection and diversification with regard to properties and tenants, by adjustments to the lease expiry profile and by keeping properties attractive.

Within the framework of its periodic property valuations, PSP Swiss Property checks the external, independent valuation company's valuations using an internal DCF model and according to its own experience with regard to market rents, maintenance and renovation expenses, lengths of vacancies, yield expectations of investors, realised property sales prices and so on. What is important in this comparison is the quantification of sensitivities with regard to critical determinants, rather than the comparison of absolute values. By means of scenario analyses, the impact of changing environmental factors, which are economically consistent, is checked regularly. In most scenarios there are compensating effects of various factors; consequently, property values are more stable than generally assumed. The worst scenario is a deflationary one which lasts several years.

Various tables in this annual report give important indications for judging the diversification of property risks, such as the development of rental income and vacancy rates according to regions (pages 156 to 157), the lease expiry profile or the tenant structure (pages 170 to 171). 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
5.21 %	– 9.2 %	– 593 851 687	5 895 334 967
5.11 %	– 7.0 %	– 454 606 513	6 034 580 141
5.01 %	– 4.8 %	– 309 439 726	6 179 746 928
4.91 %	– 2.4 %	– 157 981 955	6 331 204 699
4.81 % (Valuation as per 31 December 2014)	**0.0 %**	**0**	**6 489 186 654**
4.71 %	2.5 %	165 236 939	6 654 423 593
4.61 %	5.2 %	337 751 333	6 826 937 987
4.51 %	8.0 %	518 237 440	7 007 424 094
4.41 %	10.9 %	706 931 473	7 196 118 127

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 290 million at most (2013: CHF 280 million; assumption: all other valuation variables remain unchanged). This would result in a change in the Company’s net income of +/- CHF 237 million (2013: CHF 224 million).

An increase in the structural vacancy rates on which the estimates are based for all properties from 4.8 % to 7.8 % (2013: from 4.3 % to 7.3 %) would result in a depreciation of the entire portfolio of approximately CHF 240 million at most (2013: CHF 220 million; assumption: all other valuation variables remain unchanged). This would have the following impact on the Company’s results:

- Change in net income: approximately CHF 180 million (2013: CHF 176 million)

- Change in net income excluding gains/losses on real estate investments: no impact (2013: 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 2014.

3.3 Financial risks

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 2014 and 31 December 2013.

3.4 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, 3 to 6 months gross rents are demanded as deposit or in the form of bank guarantees. As at the end of 2013, PSP Swiss Property had no significant concentration of credit risks from receivables at the end of 2014 (see also tenant structure on page 171). Due to the low default rate of 0.1 % (previous year: 0.2 %) 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 2014, the biggest single position amounted to CHF 2.8 million (end of 2013: CHF 3.8 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 2014. At the end of 2014, these three accounted for CHF 29.0 million respectively 91.7 % of cash and cash equivalents (end of 2013: CHF 35.1 million respectively 93.8 % as well as CHF 0.2 million respectively 49.2 % of all the derivative financial instruments). At the end of 2014, none of the derivative financial instruments had a positive fair value.

3.5 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 2014, available cash and cash equivalents amounted to CHF 32.3 million (end of 2013: CHF 37.4 million). At the same time, PSP Swiss Property had unused credit lines amounting to CHF 580 million (end of 2013: CHF 680 million); thereof, as in the previous year, all were committed credit lines.

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

- Credit lines: At the end of 2014, committed credit lines amounted to CHF 1.94 billion; thereof, as in the previous year, none was subject to short-term notice (end of 2013: CHF 1.90 billion).
- Financing sources: PSP Swiss Property has bilateral business relations with nine Swiss banks. In addition, there is a syndicated loan with 14 Swiss cantonal banks. Furthermore, PSP Swiss Property basically has access to the money and capital markets.

3.6 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, PSP 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 „A2“ (Moody's) rating. There are no significant counterparty or cluster risks.

Based on the debt outstanding as at 31 December 2014 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 (2013: CHF 2.1 million). This would have the following impact on the Company's results:

- Change in net income: CHF 1.6 million (2013: CHF 1.7 million)
- Change in net income excluding gains/losses on real estate investments: CHF 1.6 million (2013: CHF 1.7 million)
- Change in shareholders' equity (retained earnings): CHF 1.6 million (2013: CHF 1.7 million)

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

- Change in net income: no impact (2013: no impact)
- Change in net income excluding gains/losses on real estate investments: no impact (2013: no impact)
- Change in comprehensive income: CHF 25.8 million (2013: CHF 20.5 million)
- Change in shareholders' equity (revaluation reserves): CHF 25.8 million (2013: CHF 20.5 million)

Key figures with regard to profit and equity may be further affected in the case of extraordinary market distortions and a continuing negative interest rate environment.

Overall, the financing structure as at 31 December 2014 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.

3.7 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 3.841 billion at the end of 2014 (end of 2013: CHF 3.839 billion) – corresponding to an equity ratio of 57.5 % (end of 2013: 58.7 %) – PSP Swiss Property has a strong equity base. Interest-bearing debt amounted to CHF 1.929 billion respectively 28.9 % of the balance sheet total at the end of 2014 (end of 2013: CHF 1.839 billion respectively 28.1 %). The remaining 13.6 percentage points (in relation to the balance sheet total) are mainly deferred tax liabilities, which do not trigger any interest charges.

4 Segment reporting

Segment reporting was prepared in accordance with IFRS 8 (Operating Segments).

The consolidated results are presented by segments which are based on the Group's internal reporting and organisational structure. Presentation according to segments shall make earnings power as well as the financial situation of the Group's individual activities more transparent.

The Executive Board has determined the operating segments based on the reports which are reviewed by the strategic steering committee and which are used to make strategic decisions.

As at 31 December 2014, the Group was, as in the previous year, organised according to the following three business units:

- Real estate investments: This segment includes the real estate business. It comprises all properties of the Group (investment properties, investment properties earmarked for sale, own-used properties, sites and development properties as well as development projects earmarked for sale). Income in this segment is generated by the properties (mainly rental income and net changes in fair value).

- 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.

- 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.

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 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**
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“.

Segment information for the business year 2014

1 January to 31 December 2014

Operating income (in CHF 1 000)	Real Estate Investments	Real Estate Maintenance	Holding	Subtotal	Eliminations	Total Group
Rental income	278 770			278 770	– 1 620	277 150
Net changes in fair value of real estate investments	5 789			5 789		5 789
Income from property sales (inventories)	87 913			87 913		87 913
Expenses from sold properties (inventories)	– 81 100			– 81 100		– 81 100
Income from other property sales	1 814			1 814	212	2 026
Income from investments in associated companies		18		18		18
Real estate management services		13 549		13 549	– 13 549	0
Capitalised own services		2 944		2 944		2 944
Other income	3 269	1 136	17 084	21 489	– 17 464	4 024
Total operating income	**296 455**	**17 648**	**17 084**	**331 186**	**– 32 421**	**298 765**
Operating expenses						
Real estate operating expenses	– 24 898			– 24 898	13 549	– 11 349
Real estate maintenance and renovation expenses	– 16 442			– 16 442	780	– 15 662
Personnel expenses		– 8 906	– 9 725	– 18 631	100	– 18 531
Fees to subcontractors		– 52		– 52		– 52
General and administration expenses	– 17 285	– 4 062	– 3 971	– 25 318	17 992	– 7 326
Impairment charge properties	– 338			– 338		– 338
Depreciation	– 429	– 43		– 472		– 472
Total operating expenses	**– 59 392**	**– 13 063**	**– 13 696**	**– 86 151**	**32 421**	**– 53 730**
Operating profit before financial expenses	**237 063**	**4 585**	**3 388**	**245 035**		**245 035**
Financial income						1 270
Financial expenses						– 31 933
Operating profit before taxes						**214 373**
Income taxes						– 39 027
Net income attributable to shareholders of PSP Swiss Property Ltd						**175 346**
Revenue						
With third parties	368 332	0	0	368 332		368 332
With other segments	1 620	17 574	17 084	36 278	– 32 633	3 644
Total revenue	**369 952**	**17 574**	**17 084**	**404 610**	**– 32 633**	**371 977**
Assets	6 644 394	11 392	38 135	6 693 921	– 9 256	6 684 665
Liabilities	2 818 995	18 317	15 814	2 853 126	– 9 256	2 843 870
Capital expenditures	141 177	0	0	141 177		141 177
Associated companies	0	35	0	35		35

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“.

5 Rental income

(in CHF 1 000)	2013	2014
Potential rent	311 852	315 697
Vacancy	– 28 704	– 35 952
Write-offs of defaulting tenants	– 516	– 405
Net land lease interests	– 1 485	– 1 637
Other income	– 2 004	– 553
Total rental income	**279 143**	**277 150**

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 2013	31 December 2014
Rental income < 1 year	221 515	230 218
Rental income 2 to 5 years	479 135	465 484
Rental income > 5 years	178 710	190 612
Accumulated future rental income	**879 360**	**886 314**

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, 75.5 % of contracts have a clause for a 100 % indexation (end of 2013: 75.4 %). At the end of 2014, the average remaining length for all leases was 4.4 years (2013: 4.3 years).

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

(in CHF 1 000)	2013	2014
Land lease interest expenses	1 605	1 682
Total land lease interest expenses for the period	**1 605**	**1 682**

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

(in CHF 1 000)	31 December 2013	31 December 2014
Interest payments < 1 year	1 682	1 682
Interest payments 2 to 5 years	8 409	8 409
Interest payments > 5 years	16 182	14 500
Accumulated future land lease interest expenses	**26 272**	**24 590**

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

(in CHF 1 000)	2013	2014
Land lease interest income	119	44
Total land lease interest income for the period	**119**	**44**

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 2013	31 December 2014
Interest payments < 1 year	44	44
Interest payments 2 to 5 years	222	222
Interest payments > 5 years	1 242	1 197
Accumulated future land lease interest income	**1 508**	**1 463**

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.

6 Income from other property sales

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

(in CHF 1 000)	2013	2014
Sales proceeds	0	10 600
Transaction costs	0	– 14
Carrying value of sold properties	0	– 8 560
Total income from property sales	**0**	**2 026**

In the reporting year, the sale of one investment properties generated a profit of CHF 2.0 million. In the previous year, no investment properties were sold.

7 Other income

(in CHF 1 000)	2013	2014
VAT recovery	2 854	3 269
Other fees	438	755
Total other income	**3 292**	**4 024**

The voluntary opting in of several rental contracts (VAT recovery) resulted in an income of CHF 3.3 million in the reporting year (2013: CHF 2.9 million). In addition, the purchase of one property generated other income.

8 Real estate operating expenses

(in CHF 1 000)	2013	2014
General operating expenses	4 384	4 715
Taxes and fees	3 105	2 704
Insurance premiums	1 863	1 883
Expenses for caretakers	857	832
Utilities and waste management	808	725
Letting expenses	432	345
Administrative expenses	313	473
Ancillary expenses received	– 328	– 328
Total real estate operating expenses	**11 433**	**11 349**

Real estate operating expenses for unrented objects amounted to CHF 4.2 million in the reporting year (2013: CHF 3.5 million). Thereof, CHF 3.2 million were for heating and general operating expenses (2013: CHF 2.6 million).

9 Personnel expenses

(in CHF 1 000)	2013	2014
Wages and salaries	15 812	15 116
Social security expenses	1 305	1 284
Expenses for staff pension schemes	1 908	1 911
Other expenses	111	220
Total personnel expenses	**19 135**	**18 531**
Employees at end of period (posts)	86	83
Equal full-time employees (posts)	79	78

10 General and administrative expenses

(in CHF 1 000)	2013	2014
Administrative expenses	3 619	2 995
General operating expenses	1 355	1 846
IT expenses	1 645	1 682
Current capital taxes	341	316
Occupancy expenses	237	486
Total general and administrative expenses	**7 198**	**7 326**

General and administrative expenses increased mainly due to moving and furnishing costs of the Zurich subsidiary. Lower tax consultancy fees compared to the previous year as well as the termination of individual projects had a positive impact.

11 Financial expenses

(in CHF 1 000)	2013	2014
Financial income	1 241	1 269
Income from financial investments	1	1
Total financial income	**1 243**	**1 270**
Financial expenses	36 249	33 843
Capitalised interest expenses	– 4 997	– 2 548
Amortisation of issue expenses of bonds	868	637
Total financial expenses	**32 121**	**31 933**
Total net financial expenses	**30 878**	**30 662**
Overall financial expenses for financial instruments at amortised cost	**37 117**	**34 481**

Interest-bearing debt amounted to CHF 1.929 billion at the end of 2014 (end of 2013: CHF 1.839 billion). The average interest rate was 1.76 % in the reporting year (2013: 1.95 %). At the end of 2014, the average interest rate was 1.70 % (end of 2013: 1.85 %).

12 Income tax expenses

(in CHF 1 000)	2013	2014
Current income taxes of reporting period	25 687	24 815
Adjustments for current income taxes relating to other periods	– 2 674	– 168
Total current income taxes	**23 013**	**24 647**
Deferred income taxes from change in temporary net changes in fair value of investment properties	43 701	16 625
Deferred income taxes from changes in tax rates	1 424	– 2 111
Deferred income taxes from change in temporary net changes in fair value of other balance sheet positions	– 158	– 135
Total deferred income taxes	**44 967**	**14 379**
Total income tax expenses	**67 980**	**39 027**

Reconciliation to tax expenses:

(in CHF 1 000)	2013	2014
Operating profit before taxes	338 974	214 373
Reference tax rate	21.4 %	21.2 %
Income taxes at reference tax rate	**72 376**	**45 494**
Changes in tax rates on temporary changes in fair value	1 424	– 2 111
Adjustments for current income taxes relating to other periods	– 2 674	– 168
Local tax rate differences	– 3 146	– 4 190
Total income tax expenses	**67 980**	**39 027**

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 21.2 % (incl. direct federal tax) is currently applicable (2013: 21.4 %). In the reporting year, the actual tax rate was 18.2 % (2013: 20.1 %).

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

(in CHF 1 000)	2013	2014
Taxes from change in interest rate hedging	– 1 933	2 386
Taxes from staff pension scheme liabilities	– 202	1 043
Taxes from real estate appreciation due to change of use	0	– 2 047
Total income tax expenses (directly reported in equity)	**– 2 135**	**1 382**

13 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 2012	**5 942 645**	**9 669**	**15 783**	**137 695**	**35 548**	**141 188**	**6 282 527**
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	n.a.	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**				
Purchases	71 940	0	0	0	0	0	71 940
Capitalised/released rent-free periods[1]	– 613	0	0	0	0	0	– 613
Transfers	– 18 862	6 152	12 710	11 909	– 16 576	4 667	0
Capital expenditures	48 515	8	0	58 895	5 250	28 510	141 177
Capitalised own services	1 112	4	0	1 160	169	500	2 944
Capitalised interest expenses	972	0	0	1 136	148	291	2 548
Sales	0	– 8 560	0	0	0	– 81 097	– 89 657
Net changes in fair value of real estate investments	5 166	– 15	n.a.	638	n.a.	n.a.	5 789
■ Net changes in fair value of properties held at 1 January 2014	6 093	– 8	n.a.	259	n.a.	n.a.	6 345
■ Net changes in fair value of properties acquired/completed and transferred	– 927	– 7	n.a.	378	n.a.	n.a.	– 556
Appreciation due to change of use recognized directly in equity	n.a.	n.a.	9 107	n.a.	n.a.	n.a.	9 107
Impairment charge	n.a.	n.a.	0	n.a.	0	– 338	– 338
Depreciation	n.a.	n.a.	– 429	n.a.	n.a.	n.a.	– 429
Carrying value at 31 December 2014	**6 115 040**	**9 332**	**36 764**	**364 815**	**5 846**	**76 248**	**6 608 044**
Historical cost			36 820				
Accumulated depreciation			– 56				
Carrying value, net			**36 764**				
Fire insurance value at 31 December 2013							4 330 025
Fire insurance value at 31 December 2014							4 452 577

1 Straightlining of incentives given to tenants.

Class of assets fair value change calculation

(in CHF 1 000)	Zurich	Geneva	Basel	Bern	Lausanne	Other locations	Properties Total real estate investment
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
Carrying value at 31 December 2013	**4 121 732**	**895 414**	**383 202**	**255 187**	**315 969**	**338 128**	**6 309 632**
Additions	24 110	0	83 849	0	0	0	107 959
Capitalised/released rent-free periods[1]	− 527	− 86	0	0	0	0	− 613
Capital expenditures	41 272	11 690	4 514	5 525	6 998	37 419	107 417
Capitalised own services	1 093	204	144	133	129	573	2 276
Capitalised interest expenses	603	475	69	230	82	649	2 108
Net changes in fair value recognised in the income statement, item Net changes in fair value of real estate investments	− 13 061	− 11 428	18 369	1 199	14 144	− 3 434	5 789
Deductions	− 45 380	0	0	0	0	0	− 45 380
Carrying value at 31 December 2014	**4 129 841**	**896 269**	**490 146**	**262 274**	**337 322**	**373 335**	**6 489 187**
Change of non-realised changes in fair value of real estate investments in the portfolio as at 31 December 2014; recognised in the income statement	− 13 061	− 11 428	18 369	1 199	14 144	− 3 434	5 789

1 Straightlining of incentives given to tenants.

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

As of 30 April 2014, the investment property on Albulastrasse 57 in Zurich was sold. As of 1 September 2014, the investment property on Peter Merian-Strasse 88/90 in Basel was purchased.

Property valuation differences: The property valuation report of the external, independent valuation company, Wüest & Partner AG, on pages 82 to 87, shows the basis and assumptions adopted for valuation purposes.

The revaluation of the properties resulted in an appreciation of CHF 5.8 million. This relatively small change was due to the mutual compensation of various value drivers. Thereby, capital expenditures made in 2014 and a slightly lower average weighted discount rate by 10 basis points had a positive effect – at the balance-sheet date, the portfolio's weighted average nominal discount rate was 4.81 % (end of 2013: 4.91 %). Longer vacancy periods before new rentals, adjustments of market rents in peripheral locations and higher renovation costs at a number of properties more or less offset the positive effects.

As at 31 December 2014, the independent valuation company identified twelve properties which may have significant optimisation potential (unchanged from 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. Following an agreement with the city, we were able to lay the foundation for optimising the use of one property in Lausanne. At the remaining five properties (two each in the areas Basel and Zurich as well as one in Geneva), no concrete measures are planned at the moment.

With regard to market value adjustments on the properties which were reported as at 1 January 2014, positive valuation changes at the end of 2014 totalled CHF 155.0 million (2013: CHF 208.7 million) while negative valuation changes totalled CHF 148.6 million (2013: CHF 68.9 million).

In November 2014, the Zurich subsidiary relocated. In this context, the property on Brandschenkestrasse 152a in Zurich was appreciated income neutral and reclassified as an investment property. The property on Seestrasse 353 in Zurich is now shown in the category „own-used properties". 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 (Seestrasse 353, Zurich) was CHF 36.8 million at the end of 2014 (end of 2013: „DL4", Brandschenkestrasse 152a, Zurich: CHF 20.7 million).

Sites and development properties are recorded at market value (fair value), if the market value can be reliably determined; as at the end of 2014, 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, vi) new construction of the „Grosspeter Tower" in Basel and vii) new construction of the Salmenpark in Rheinfelden. The market value of all sites and development properties was estimated at CHF 473.8 million at the end of 2014 (end of 2013: CHF 467.1 million). At the end of 2014, payment obligations for current development and renovation projects totalled CHF 22.3 million (end of 2013: CHF 15.2 million).

As at the end of 2014, notary and transfer fees in respect of the sale of all properties were estimated at approximately CHF 73 million (end of 2013: approximately CHF 70 million).

Information on financing is shown in note 23 on pages 66 to 67. Participations and investments as well as transactions with related parties are shown in notes 14 (page 60) and 33 (pages 76 to 78).

Further information in accordance with the Directive on Financial Reporting of the SIX Swiss Exchange can be found on pages 156 to 171. (This information is part of the notes to the consolidated financial statements.)

14 Investments in associated companies

Name (in CHF 1 000)	Registered office	Assets	Liabilities	Revenues	Income	Ownership
31 December 2013						
IG REM	Zurich, Switzerland	81	0	115	35	n.a.
31 December 2014						
IG REM	Zurich, Switzerland	230	6	245	140	n.a.

(in CHF 1 000)	2013	2014
Carrying value at 1 January	12	17
Proportional net income	5	18
Carrying value 31 December	**17**	**35**

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.

Due to the fact that assets and liabilities as well as expenses and income are allocated according to various distribution keys, there is no percentual capital allocation amongst the three IG REM members. Expenses and income are recognised in the business segment „Real estate management“.

15 Financial investments

(in CHF 1 000)	2013	2014
Carrying value 1 January	9	9
Carrying value 31 December	**9**	**9**

The fair value of financial investments corresponds to their carrying value. As in the previous year, there were no changes in fair value in the reporting year. In 2014, income from financial investments amounted to CHF 0.001 million (2013: CHF 0.001 million).

16 Accounts receivable

(in CHF 1 000)	2013	2014
Resulting from business activities with third parties	25 302	23 939
Value adjustment (accumulated)	– 2 025	– 1 257
Carrying value 31 December	**23 277**	**22 682**
thereof long-term (non-current assets)	8 114	5 453
thereof short-term (current assets)	15 163	17 229

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)	2013	2014
Carrying value at 1 January	2 353	2 025
Additions debited to income statement	739	570
Release credited to income statement	– 124	– 100
Outflow	– 942	– 1 237
Carrying value 31 December	**2 025**	**1 258**

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.

The accounts receivable had the following age structure:

(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	8 114	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**						

(in CHF 1 000)	Carrying value 31 Dec. 2014	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)	5 453	0	5 453	0	0	0	0
Accounts receivable (current assets)	18 487	1 831	14 886	932	565	28	244
Value adjustment	– 1 257						
Total accounts receivable	**22 682**						

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 0.1 % (previous year: 0.2 %), the quality of accounts receivable which are due and not value-adjusted is considered as good. At the end of 2014, guarantees (at fair value) totalled CHF 9.4 million on accounts receivable which were due and not value-adjusted of CHF 1.8 million (end of 2013: CHF 3.3 million for CHF 0.6 million).

17 Derivative financial instruments

The fair value of derivative financial instruments (interest rate swaps) is calculated as the present value of future cash flows. The fair value is based on counterparties‘ valuations. These valuations are checked by PSP Swiss Property with regard to their plausibility by means of Bloomberg valuations. The fair value of derivative financial instruments corresponds to their carrying value.

The interest rate 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 fair value of the existing interest rate swaps are listed in the following table.

Maturity year	(in CHF 1 000)	Contract volume	Positive fair value[1]	Negative fair value[1]
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**
31 December 2014				
2015		300 000	0	– 2 798
2016		50 000	0	– 1 957
2017		200 000	0	– 8 533
2018		250 000	0	– 6 802
2019		250 000	0	– 11 600
2020		150 000	0	– 8 377
2021		150 000	0	– 8 852
2022		50 000	0	– 1 811
2023		50 000	0	– 933
2024		50 000	0	– 2 192
Total		**1 500 000**	**0**	**– 53 856**

1 Excl. accrued interest.

In the reporting period, five interest rate swaps with a contract volume totalling CHF 250 million matured and were replaced by three existing forward starting interest rate swaps. Two additional forward starting interest rate swaps totalling CHF 100 million were used to lock in interest rates of new fixed-term loans. Furthermore, three forward starting interest rate swaps totalling CHF 150 million (beginning in 2014 and 2016 respectively) as well as two interest rate swaps were signed.

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 2014 is 0.25 % to 2.47 % (end of 2013: 0.25 % to 2.47 %); 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 22 on page 65). Accrued interest is recognised directly as financial income. Consequently there are no transfers between equity and financial income. In the reporting period, cash flow hedges were generally effective (previous year: no ineffectiveness).

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

18 Intangible assets (software)

(in CHF 1 000)	2013	2014
Carrying value at 1 January	56	0
Depreciation	– 56	0
Carrying value at 31 December	**0**	**0**
Historical cost	3 440	3 440
Accumulated depreciation	– 3 440	– 3 440
Carrying value, net	**0**	**0**

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

19 Tangible assets

(in CHF 1 000)	2013	2014
Carrying value at 1 January	288	323
Purchases	98	0
Depreciation	– 63	– 43
Carrying value at 31 December	**323**	**280**
Historical cost	1 512	342
Appreciation	200	200
Accumulated depreciation	– 1 389	– 262
Carrying value, net	**323**	**280**
Fire insurance value at 31 December	5 000	5 000

20 Deferred tax assets and liabilities

Deferred tax assets (in CHF 1 000)	31 December 2013	31 December 2014
Resulting from negative net changes in fair value of properties	7 464	9 281
Resulting from derivative financial instruments	1 896	4 219
Resulting from pension liabilities	2 763	3 882
Total	**12 122**	**17 383**

Deferred tax liabilities	31 December 2013	31 December 2014
Resulting from positive net changes in fair value of properties	724 160	742 538
Resulting from accounts receivable	178	120
Resulting from derivative financial instrument	63	0
Resulting from provisions	770	770
Total	**725 171**	**743 428**

Net deferred tax liabilities	2013	2014
Carrying value at 1 January	665 946	713 048
Deferred taxes booked to statement of profit or loss	44 967	14 379
Deferred taxes booked to shareholders' equity	2 135	– 1 382
Carrying value at 31 December	**713 048**	**726 046**

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 2014, tax liabilities would, compared to the reported deferred tax liabilities, increase by approximately CHF 46 million (end of 2013: approximately CHF 55 million).

As at 31 December 2014, PSP Swiss Property Ltd had tax-eligible loss carryforwards totalling CHF 3.4 million. These may be offset against future profits of PSP Swiss Property Ltd until and including 2021. There were no further tax credits or unused loss carryforwards at PSP Group as at 31 December 2014. As at 31 December 2014, no deferred tax assets were formed for the existing tax-eligible loss carryforwards, because the losses are not considered to be recoverable. They are not considered as recoverable, because we expect these losses to be offset against future dividend income, which would be deductible from income tax (indirectly) anyway due to the participation exemption.

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 2013	31 December 2014
< 1 year	579	690
> 1 year	11 543	16 692
Total	**12 122**	**17 383**

Expiration of tax liabilities	31 December 2013	31 December 2014
< 1 year	5 437	4 761
> 1 year	719 734	738 667
Total	**725 171**	**743 428**

21 Share capital

PSP Swiss Property AG	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 2012	45 867 891	0.10	4 587
31 December 2013	45 867 891	0.10	4 587
31 December 2014	45 867 891	0.10	4 587
Authorised share capital			
31 December 2012	10 000 000	0.10	1 000
31 December 2013	n.a.	n.a.	n.a.
31 December 2014	n.a.	n.a.	n.a.
Conditional share capital			
31 December 2012	2 000 000	0.10	200
31 December 2013	2 000 000	0.10	200
31 December 2014	2 000 000	0.10	200

In the reporting year, a total of 15 445 own shares were purchased at an average price of CHF 83.02 per share (totalling CHF 1.3 million) and 15 445 own shares were sold at an average price of CHF 82.89 per share (totalling CHF 1.3 million) (2013: 21 173 own shares purchased at an average price of CHF 75.17 and 21 173 own shares sold at an average price of CHF 75.46).

Further details on changes in shareholders' equity can be found in the consolidated statement of shareholders' equity on pages 32 to 33.

Authorised capital was valid until 1 April 2013. Thereafter, it was not extended. Further details on conditional share capital are shown in the Corporate Governance section on page 118.

22 Revaluation reserves

Revaluation reserves (equity component) were made up as follows:

(in CHF 1 000)	Real estate appreciation due to change of use	Interest rate hedging	Staff pension scheme liabilities	Total
31 December 2012	**2 551**	**– 44 309**	**– 7 136**	**– 48 894**
Changes current year	0	24 675	920	25 595
Income taxes	0	– 1 933	– 202	– 2 135
31 December 2013	**2 551**	**– 21 567**	**– 6 419**	**– 25 434**
Changes current year	9 107	– 30 456	– 4 740	– 26 089
Income taxes	– 2 047	2 386	1 043	1 382
31 December 2014	**9 612**	**– 49 637**	**– 10 116**	**– 50 141**

23 Debt

(in CHF 1 000)	31 December 2013	31 December 2014
Long-term debt	1 220 000	1 360 000
Long-term bonds	368 879	568 669
Short-term bonds	249 905	0
Total interest-bearing debt	**1 838 784**	**1 928 669**

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 27 on page 72), the reported carrying value of the debt corresponds approximately to the debt's market value.

At the end of 2014 (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 2013	31 December 2014
< 6 months	319 905	210 000
6 to 12 months	100 000	100 000
1 to 5 years	849 195	969 312
> 5 years	569 683	649 357
Total interest-bearing debt	**1 838 784**	**1 928 669**

At the end of 2014, the average fixed interest rate period of all debt was 3.9 years (end of 2013: 3.4 years).

Details on the existing bonds are as follows:

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	0	74	– 150 000	0	0
1.875 % bond, maturing 1 April 2014 (nominal on issuance CHF 250 000)	249 527	0	378	0	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	0	363	0	249 195	250 000
1.000 % bond, maturing 8 February 2019 (nominal on issuance CHF 120 000)	0	119 630	54	0	119 683	120 000
Total	**248 833**	**119 630**	**416**	**0**	**368 879**	**370 000**

Short-term bonds (in CHF 1 000)	**Carrying value 31 Dec. 2013**	**Issue**	**Amortisation of issue costs**	**Repayment**	**Carrying value 31 Dec. 2014**	**Nominal value 31 Dec. 2014**
1.875 % bond, maturing 1 April 2014 (nominal on issuance CHF 250 000)	249 905	0	95	– 250 000	0	0
Total	**249 905**	**0**	**95**	**– 250 000**	**0**	**0**
Long-term bonds						
2.625 % bond, maturing 16 February 2016 (nominal on issuance CHF 250 000)	249 195	0	373	0	249 568	250 000
1.000 % bond, maturing 8 February 2019 (nominal on issuance CHF 120 000)	119 683	0	61	0	119 744	120 000
1.375 % bond, maturing 4 February 2020 (nominal on issuance CHF 200 000)	0	199 248	109	0	199 357	200 000
Total	**368 879**	**199 248**	**542**	**0**	**568 669**	**570 000**

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 value of the outstanding bonds and the effective interest rates were as follows:

	Nominal value in CHF 1 000	**Price in %**	**Market value in CHF 1 000**	**Effective interest rate in %**
1.875 % bond, maturing 1 April 2014				
31 December 2013	250 000	100.35	250 875	2.03
31 December 2014	n.a.	n.a.	n.a.	n.a.
2.625 % bond, maturing 16 February 2016				
31 December 2013	250 000	104.20	260 500	2.78
31 December 2014	250 000	102.74	256 850	2.78
1.000 % bond, maturing 8 February 2019				
31 December 2013	120 000	99.25	119 100	1.05
31 December 2014	120 000	102.39	122 868	1.05
1.375 % bond, maturing 4 February 2020				
31 December 2013	n.a.	n.a.	n.a.	n.a.
31 December 2014	200 000	103.00	206 000	1.44

24 Pension liabilities

PSP Swiss Property funds various pension schemes for its employees which are legally independent from the Company. The pension schemes are financed by employees' and employer's contributions. In accordance with IAS 19 revised, 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 2013	31 December 2014
Pension liabilities (present value)	58 971	66 339
Pension assets at market value	– 46 412	– 48 693
Deficient cover	**12 559**	**17 646**
Unrecognised actuarial gains and losses	n.a.	n.a.
Pension liabilities (technical deficit)	**12 559**	**17 646**

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

(in CHF 1 000)	2013	2014
Actuarial pension expenses	1 575	1 705
Interest expenses	1 027	1 168
Expected income on plan assets	– 789	– 917
Administration cost	92	67
Total expenses	**1 905**	**2 023**

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

(in CHF 1 000)	2013	2014
Carrying value at 1 January	12 927	12 559
Expenses for staff pension schemes debited to the income statement	1 905	2 023
Employer contributions	– 1 353	– 1 676
Actuarial gains and losses on OCI	– 920	4 740
Carrying value at 31 December	**12 559**	**17 646**

Pension liabilities and assets changed as follows:

(in CHF 1 000)	2013	2014
Pension liabilities (present value) at 1 January	58 004	58 971
Actuarial pension expenses	1 575	1 705
Employees' contributions	761	877
Interest expenses	1 027	1 168
Paid coverage	– 2 056	– 1 126
Actuarial gains and losses	– 340	4 744
Pension liabilities (present value) at 31 December	**58 971**	**66 339**
Pension assets at market value at 1 January	45 077	46 412
Expected income on plan assets	789	917
Employer contributions	1 353	1 676
Employees' contributions	761	877
Paid coverage	– 2 056	– 1 126
Administration cost	– 92	– 67
Actuarial gains and losses	580	4
Pension assets at market value at 31 December	**46 412**	**48 693**
Effective pension income	**1 369**	**921**

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 2013	31 December 2014
Pension liabilities (present value)	58 971	66 339
Pension assets at market value	– 46 412	– 48 693
Deficient cover	**12 559**	**17 646**
Adjustments of pension liabilities by experience	– 554	44
Adjustments of pension liabilities caused by amended assumptions	1 557	– 4 788
Adjustments of pension assets by experience	580	4
Total actuarial gains and losses	**1 583**	**– 4 740**

The expected employer contributions for the business year 2015 amount to CHF 1.7 million (expected contributions 2014: CHF 1.4 million).

Calculation of pension liabilities was based on the following assumptions:

	31 December 2013	31 December 2014
Technical interest rate (discount rate)	2.00 %	1.00 %
Expected future salary increases	2.00 %	2.00 %
Expected future pension increases	0.25 %	0.10 %
Life expectancy in years at age of retirement (man/woman)	22.25/24.78	22.35/24.88

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

(in CHF 1 000)	31 December 2013	31 December 2014
Cash and cash equivalents	46	292
Bonds	20 700	19 429
Equities	11 325	12 758
Real estate	8 354	8 619
Other	5 987	7 596
Total	**46 412**	**48 693**

The following sensitivity analysis is based on one changing assumption while all other assumptions remain the same (ceteris paribus). The only exception is a change in the technical interest rate with a concurrent change in the projected interest rate for savings capital. The same method was applied for the valuation of the sensitivity of pension liabilities as for the valuation of the liabilities in the financial statements (project unit credit method).

Technical interest rate	Change in pension liabilities[1]
+ 0.25 %	1 760
− 0.25 %	− 1 855

Salary change	
+ 0.25 %	− 230
− 0.25 %	226

Pension change	
+ 0.25 %	− 1 487
− 0.25 %	577

Life expectancy	
+ 1 year at age of retirement	− 2 591

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

25 Provisions

Short-term provisions (in CHF 1 000)	31 December 2013	31 December 2014
Litigation risk	85	0
Total	**85**	**0**

(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 CHF 1 000)	Carrying value 31 December 2013	Additions debited to income statement	Release credited to income statement	Outflow	Carrying value 31 December 2014
Litigation risk	85	0	– 85	0	0
Total	**85**	**0**	**– 85**	**0**	**0**

In the reporting year, litigation risks were reappraised and adjusted. As at the balance sheet date, there were no ongoing proceedings which would incur provisions according to IAS 37.

26 Accounts payable

(in CHF 1 000)	31 December 2013	31 December 2014
Resulting from business activities with third parties	6 170	6 117
Prepayments	31 860	21 299
Total	**38 030**	**27 416**

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

27 Financial instruments according to categories

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

Financial assets (in CHF 1 000)	Carrying value 31 December 2013	Market value 31 December 2013	Carrying value 31 December 2014	Market value 31 December 2014
Accounts receivable at amortised cost	23 277	23 277	22 682	22 682
Financial investments at fair value through comprehensive income	9	9	9	9
Derivative financial instruments (hedging)	799	799	0	0
Cash and cash equivalents	37 414	37 414	32 256	32 256
Financial liabilities				
Debt at amortised cost	1 220 000	1 220 000	1 360 000	1 360 000
Bonds at amortised cost	618 784	630 475	568 669	585 718
Accounts payable at amortised cost	38 030	38 030	27 416	27 416
Derivative financial instruments (hedging)	24 199	24 199	53 856	53 856

28 Netting agreements

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 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**
Financial instruments positive (in CHF 1 000)					
As at 31 December 2014					
Cash and cash equivalents	32 256	0	32 256	– 31 001	1 254
Total	**32 256**	**0**	**32 256**	**– 31 001**	**1 254**
Financial instruments negative					
As at 31 December 2014					
Debt	1 360 000	0	1 360 000	– 24 096	1 335 904
Derivative financial instruments (negative)	53 856	0	53 856	– 6 906	46 951
Total	**1 413 856**	**0**	**1 413 856**	**– 31 001**	**1 382 855**

29 Fair value hierarchy

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

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

Assets (in CHF 1 000)	Level 1	Level 2	Level 3	Market value 31 December 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 financial liabilities	**0**	**24 199**	**0**	**24 199**

Assets (in CHF 1 000)	Level 1	Level 2	Level 3	Market value 31 December 2014
Properties (IAS 40 & IFRS 5)	0	0	6 489 187	6 489 187
Financial investments	0	0	9	9
Total financial assets	**0**	**0**	**6 489 196**	**6 489 196**
Liabilities				
Derivative financial instruments (hedging)	0	53 856	0	53 856
Total financial assets	**0**	**53 856**	**0**	**53 856**

During the reporting period, no positions were transferred in between the fair value levels (2013: none).

30 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. 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**

		Cash flows							
		< 6 months		6 to 12 months		1 to 5 years		> 5 years	
(in CHF 1 000)	Carrying value 31 Dec. 2014	Interest	Repay-ment	Interest	Repay-ment	Interest	Repay-ment	Interest	Repay-ment
Debt	1 360 000	3 145	0	51 340	0	12 557	1 170 000	2 792	190 000
Bonds	568 669	10 513	0	0	0	22 363	370 000	2 750	200 000
Derivative financial instruments	53 856	6 596	0	3 831	0	24 065	0	4 907	0
Accounts payable[1]	6 117	0	6 117	0	0	0	0	0	0
Current tax liabilities	11 287	0	11 287	0	0	0	0	0	0
Development and renovation work[2]	0	0	12 307	0	6 000	0	4 000	0	0
Total	**1 999 929**	**20 254**	**29 711**	**55 172**	**6 000**	**58 984**	**1 544 000**	**10 449**	**390 000**

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 2014, the average weighted duration of the loan agreements was 4.6 years (end of 2013: 4.6 years).

31 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 contribution reserves – of PSP Swiss Property Ltd is based on this figure.

	2013	2014
Net income in CHF 1 000	270 993	175 346
Number of average outstanding shares	45 867 891	45 867 891
Earnings per share in CHF (basic and diluted)	**5.91**	**3.82**
Net income excl. gains/losses on real estate investments in CHF 1 000	173 643	169 345
Earnings per share excl. gains/losses on real estate investments in CHF (basic and diluted)	**3.79**	**3.69**

Equity per share changed as follows:

	31 December 2013	31 December 2014
Shareholders' equity in CHF 1 000	3 839 230	3 840 795
Deferred taxes in CHF 1 000	713 048	726 046
Number of outstanding shares	45 867 891	45 867 891
Net asset value per share in CHF[1]	**83.70**	**83.74**
Net asset value per share before deduction of deferred taxes in CHF[1]	**99.25**	**99.57**

1 Based on number of outstanding shares.

32 Dividend payment

Based on the resolution of the annual General Meeting of 3 April 2014, a distribution of CHF 3.25 per outstanding share was made to the shareholders from the capital contribution reserves on 10 April 2014 (total amount: CHF 149.1 million; previous year: CHF 3.20 per share).

For the business year 2014, the Board of Directors will propose a 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 1 April 2015 (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 value 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.

33 Related parties

The disclosure of this note is made according to IFRS. 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 2014), 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 129 to 130.

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		Total compensations
						Amount	in number of shares	
Günther Gose, Chairman	160	0	0	0	160	0	0	160
Peter Forstmoser, Member	75	0	0	0	75	0	0	75
Nathan Hetz, Member	99	0	0	0	99	0	0	99
Gino Pfister, Member	75	0	0	0	75	0	0	75
Josef Stadler, Member	75	0	0	0	75	0	0	75
Aviram Wertheim, Member	107	0	0	0	107	0	0	107
Total	**591**	**0**	**0**	**0**	**591**	**0**	**0**	**591**

Remuneration to members of the Executive Board (incl. 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]		Total compensations[4]
						Amount[3]	in number of shares	
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.

Compensations of members of the Board of Directors (non-executive) business year 2014 (in CHF 1 000)	**Fixed compensation in cash**	**Fixed compensation in shares**	**Other benefits**	**Employer contributions pension benefits[1]**	**Total compensations**
Günther Gose, Chairman	160	0	0	0	160
Adrian Dudle, Member, elected at the annual General Meeting of 3 April 2014	56	0	0	3	59
Peter Forstmoser, Member	75	0	0	0	75
Nathan Hetz, Member	99	0	0	4	103
Gino Pfister, Member	75	0	0	0	75
Josef Stadler, Member	75	0	0	4	79
Aviram Wertheim, Member	107	0	0	4	111
Total	**647**	**0**	**0**	**14**	**661**

1 The mandatory employer contribution to the state pension scheme (Old Age and Survivors' Insurance, „AHV") is – in such amount that entitles to the maximum AHV pension benefits – newly include in 2014 as compensation element and listed under employer contributions pension benefits. It amounts in aggregate to TCHF 14, out of a total TCHF 61 employer contributions to the social security insurances (AHV/IV/EO). No non-executive member is insuered under a company pension scheme.

Compensations of members of the Executive Board (incl. executive member of the Board of Directors) business year 2014 (in CHF 1 000)	**Fixed compensation in cash**	**Performance-based compensation in cash**	**Other benefits**	**Performance-based contribution in contractual blocked shares[1]**		**Employer contributions pension benefits[2]**	**Total compen-sations**
				Amount	**in number of shares**		
Luciano Gabriel, Delegate of the Board of Directors and Chief Executive Officer	882	0	0	921	11 111	219	2 022
Giacomo Balzarini, Chief Financial Officer	514	288	0	288	3 472	94	1 183
Dr. Ludwig Reinsperger, Chief Investment Officer	502	259	0	259	3 124	147	1 167
Total	**1 898**	**547**	**0**	**1 468**	**17 707**	**460**	**4 373**

1 Allocated in week 50/2014 at the market value per share at allocation date (average of end of day share prices week 50/2014: CHF 82.89).
2 The mandatory employer contribution to the state pension scheme (Old Age and Survivors' Insurance, „AHV") is – in the amount of TCHF 11 that entitles to the maximum AHV pension benefits – newly included in 2014 as compensation element and listed – together with the employer contributions to the company pension scheme – under employer contributions pension benefits. The total employer contributions to the social security insurances (AHV/IV/EO) amount to TCHF 224. The performance-based compensation is not insured under the company pension schemes; the fixed compensation only up to an amount of TCHF 700.

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 with Niederer Kraft & Frey AG, Zurich, where Peter Forstmoser holds the position of a partner, according to which Niederer Kraft Frey AG leases storage facilities from PSP Swiss Property with an annual rent of CHF 0.11 million in the reporting year.

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 2013	31 December 2014
Günther Gose, Chairman	28 093	28 093
Adrian Dudle, Member, elected at the annual General Meeting of 3 April 2014	0	0
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 2013, the non-executive Members of the Board of Directors (including their related parties) held no options on PSP shares at the end of 2014.

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 2013	31 December 2014
Luciano Gabriel, Delegate of the Board of Directors and Chief Executive Officer	161 704	171 394
Giacomo Balzarini, Chief Financial Officer	38 350	41 378
Ludwig Reinsperger, Chief Investment Officer	40 283	35 861
Total	**240 337**	**248 633**

As at the end of 2013, 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 2014.

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 2014. As at 31 December 2013, there were no such accounts receivable from these groups of persons at the end of 2014.

As at the end of 2013, there were no claims on related parties at the end of 2014.

34 Subsequent events

For the refinancing of financial liabilities, a 1.00 % bond with a duration from 2015 to 2025 and a volume of CHF 100 million was issued on 6 February 2015.

There were no further subsequent events.

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 28 to 79 and 156 to 171), for the year ended 31 December 2014.

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 2014 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, 2 March 2015

Property valuation report Wüest & Partner AG

To the Executive Board of PSP Swiss Property AG

Commission

Wüest & Partner AG (Wüest & Partner) was commissioned by the Executive Board of PSP Swiss Property AG (PSP Swiss Property) to perform a valuation, for accounting purposes, of the properties and property units held by PSP Swiss Property AG as at 31 December 2014 (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 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 2014 to 31 December 2014, Wüest & Partner visited 77 properties belonging to PSP Real Estate AG, 18 properties belonging to PSP Properties AG as well as one property belonging to Immobiliengesellschaft Septima AG.

Results

A total of 160[1] investment properties and property units as well as ten investment properties under construction were valued as at 31 December 2014 by Wüest & Partner. The fair value of all 160 investment properties is estimated as at 31 December 2014 at CHF 6 124 371 654 and of the investment properties under construction in accordance with IAS 40 at CHF 364 815 000.

Changes during reporting period

Within the review period from 1 January 2014 to 31 December 2014 the investment property Albulastrasse 57 in Zurich was sold. During the same period an acquisition of the investment property Peter Merian-Strasse 88 – 90 in Basel was held. No reclassifications from investment properties to development properties and vice versa happened during this period.

1 Excluded is the property Seestrasse 353, Zürich, which is owner-occupied.

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, 5 February 2015
Wüest & Partner AG

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

Peter Pickel
Chartered Surveyor MRICS; MSc Real Estate (CUREM); dipl. Bauingenieur HTL; Director

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 (weighted average[1]) in %
Zurich	3.93	6.05	4.77
Geneva	4.33	5.44	4.75
Lausanne	4.28	5.95	4.89
Basel	4.43	5.14	4.91
Bern	4.23	5.29	4.66
Other regions	4.64	6.05	5.43
All regions	3.93	6.05	4.81

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

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

Table 2 Region	Office CHF/m² p.a.	Retail CHF/m² p.a.	Storage CHF/m² p.a.	Outdoor parking CHF/p. p.mo.	Indoor parking CHF/p. p.mo.	Residential CHF/m² p.a.
Zurich	150 – 875	210 – 7 250	40 – 500	75 – 500	100 – 800	146 – 683
Geneva	280 – 830	370 – 4 450	25 – 600	130 – 450	100 – 540	250 – 350
Lausanne	150 – 400	330 – 1 100	80 – 300	70 – 300	150 – 300	130 – 444
Basel	150 – 325	90 – 3 200	35 – 425	120 – 180	150 – 370	170 – 320
Bern	200 – 340	210 – 2 050	80 – 200	100 – 180	150 – 250	200 – 353
Other regions	140 – 450	160 – 1 850	40 – 200	30 – 140	80 – 400	167 – 370
All regions	140 – 875	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 – 15.0	1.0 – 15.0	1.0 – 30.0	0.5 – 15.0	1.0 – 15.0	1.0 – 4.0
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	3.0 – 9.0	2.0 – 4.0	3.0 – 20.0	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 – 5.0	1.0 – 7.5	2.0 – 10.0	1.0 – 10.0	1.0 – 5.0	1.0 – 2.5
Other regions	3.0 – 10.0	2.0 – 10.0	2.0 – 25.0	1.0 – 15.0	1.0 – 15.0	1.0 – 3.0
All regions	1.5 – 15.0	1.0 – 15.0	1.0 – 30.0	0.5 – 15.0	1.0 – 15.0	0.5 – 4.0

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 2015.
- 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 3.93 % and 6.05 % 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 subdevelopments. 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.

Valuation of investment properties: Discount rates

Discount rates in % (Market value in CHF)	Zurich area		Geneva area		Basel area	
	Number of properties	Market value	Number of properties	Market value	Number of properties	Market value
3.75 – 3.99	3	433 180 000	0	0	0	0
4.00 – 4.24	5	391 230 000	0	0	0	0
4.25 – 4.49	14	538 388 000	3	277 400 000	2	43 160 000
4.50 – 4.74	20	954 673 000	2	144 120 000	3	47 776 000
4.75 – 4.99	8	341 513 800	7	282 519 000	4	141 130 000
5.00 – 5.24	9	343 401 000	3	137 040 000	5	243 430 000
5.25 – 5.49	7	279 566 000	1	35 630 000	0	0
5.50 – 5.74	10	372 258 854	0	0	0	0
5.75 – 5.99	4	165 740 000	0	0	0	0
6.00 – 6.24	1	55 350 000	0	0	0	0
Total	**81**	**3 875 300 654**	**16**	**876 709 000**	**14**	**475 496 000**

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 2014, the portfolio's average weighted nominal discount rate was 4.81 % (end of 2013: 4.91 %).

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	3	433 180 000
2	28 616 000	0	0	0	0	7	419 846 000
2	57 770 000	3	156 730 000	0	0	24	1 073 448 000
2	58 551 000	1	19 820 000	3	28 317 000	31	1 253 257 000
3	54 540 000	2	25 290 000	1	4 532 000	25	849 524 800
2	36 070 000	2	22 429 000	8	96 491 000	29	878 861 000
1	7 582 000	1	4 640 000	1	8 525 000	11	335 943 000
0	0	5	95 453 000	4	132 520 000	19	600 231 854
0	0	1	12 960 000	3	43 321 000	8	222 021 000
0	0	0	0	2	2 709 000	3	58 059 000
12	**243 129 000**	**15**	**337 322 000**	**22**	**316 415 000**	**160**	**6 124 371 654**

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 value 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.

Summary table EPRA performance measures	Unit	2013	2014
A. EPRA earnings per share (EPS)	CHF	3.56	3.57
B. EPRA NAV per share	CHF	100.57	101.39
C. EPRA triple net asset value per share (NNNAV)	CHF	84.07	83.84
D. EPRA net initial yield	%	4.0	4.0
EPRA „topped-up“ net initial yield	%	4.1	4.0
E. EPRA vacancy rate	%	7.5	9.1
F. EPRA cost ratio (including direct vacancy costs)	%	20.1	19.2
EPRA cost ratio (excluding direct vacancy costs)	%	18.8	17.7
G. EPRA like-for-like rental change	%	1.7	0.2
H. EPRA cap ex	CHF 1 000	77 155	186 863

The details for the calculation of the key figures are shown in the following tables:

A. EPRA earnings & EPRA earnings per share (EPS) (in CHF 1 000)	2013	2014
Earnings per IFRS income statement	**270 993**	**175 346**
Adjustments to calculate EPRA earnings		
Exclude:		
Changes in value of investment properties, development properties held for investment and other interests	– 128 144	– 5 789
Profits or losses on disposal of investment properties, development properties held for investement and other interests	0	– 2 026
Profits or losses on sales of trading properties including impairment charges in respect of trading properties	– 12 801	– 6 475
Tax on profits or losses on disposals	2 740	1 935
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	30 598	846
Adjustments to above in respect of joint ventures	n.a.	n.a.
Non-controlling interests in respect of the above	n.a.	n.a.
EPRA earnings	**163 386**	**163 837**
Average number of outstanding shares	45 867 891	45 867 891
EPRA EPS in CHF	**3.56**	**3.57**

B. EPRA net asset value (NAV) (in CHF 1 000)	31 December 2013	31 December 2014
NAV per the financial statements	**3 839 230**	**3 840 795**
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	**3 839 230**	**3 840 795**
Include:		
Revaluation of investment property under construction (IPUC) (if IAS 40 cost option is used)	11 662	10 054
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	23 832	16 802
Exclude:		
Fair value of financial instruments	23 400	53 856
Deferred tax	714 863	729 038
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	**4 612 986**	**4 650 546**
Number of outstanding shares	45 867 891	45 867 891
EPRA NAV per share in CHF	**100.57**	**101.39**

C. EPRA triple net asset value (NNNAV) (in CHF 1 000)	31 December 2013	31 December 2014
EPRA NAV	**4 612 986**	**4 650 546**
Include:		
Fair value of financial instruments	– 23 400	– 53 856
Fair value of debt	– 11 691	– 17 049
Deferred tax	– 721 654	– 733 859
EPRA NNNAV	**3 856 241**	**3 845 782**
Number of outstanding shares	45 867 891	45 867 891
EPRA NNNAV per share in CHF	**84.07**	**83.84**

D. EPRA net yield (in CHF 1 000)	31 December 2013	31 December 2014
Investment property – wholly owned	6 326 486	6 495 032
Less developments	– 307 932	– 370 661
Gross up completed property portfolio valuation (B)	**6 018 554**	**6 124 372**
Annualised cash passing rental income	271 585	270 766
Property outgoings	– 31 021	– 28 692
Annualised net rents (A)	**240 564**	**242 073**
Add: notional rent expiration of rent free periods or other lease incentives	4 653	4 359
Topped-up net annualised rent (C)	**245 217**	**246 433**
EPRA NIY (A/B)	**4.0 %**	**4.0 %**
EPRA „topped-up“ NIY (C/B)	**4.1 %**	**4.0 %**

E. EPRA vacancy rate (in CHF 1 000)	31 December 2013	31 December 2014
Estimated rental value of vacant space (A)	24 488	29 998
Estimated rental value of the whole portfolio (B)	327 135	329 255
EPRA vacancy rate (A/B)	**7.5 %**	**9.1 %**

F. EPRA cost ratio (in CHF 1 000)	2013	2014
Administrative/operating expense line per IFRS income statement	55 997	53 206
Net service charge costs/fees	0	0
Management fees less actual/estimated profit element	49	52
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)	**56 046**	**53 258**
Direct vacancy costs	3 503	4 215
EPRA costs (excluding direct vacancy costs) (B)	**52 543**	**49 043**
Gross rental income less ground rents	279 143	277 150
Gross rental income (C)	**279 143**	**277 150**
EPRA cost ratio (including direct vacancy costs) (A/C)	**20.1 %**	**19.2 %**
EPRA cost ratio (excluding direct vacancy costs) (B/C)	**18.8 %**	**17.7 %**

G. EPRA like-for-like rental change (in CHF 1 000)	2013	2014
Rental income	**279 143**	**277 150**
Acquisitions	0	– 1 153
Disposals	– 436	– 190
Developments	– 8 397	– 3 611
Properties’ operating expenses	– 11 435	– 11 223
Rent-Free-Periods	2 536	2 022
Other	– 402	– 1 374
Total EPRA like-for-like net rental income	**261 010**	**261 620**
EPRA like-for-like change, absolute	**4 110**	**610**
EPRA like-for-like change, relative	**1.7 %**	**0.2 %**
EPRA like-for-like change by areas		
Zurich	0.7 %	– 0.6 %
Geneva	2.6 %	1.6 %
Basel	1.7 %	– 1.3 %
Bern	20.7 %	1.4 %
Lausanne	10.3 %	7.2 %
Other locations	– 7.5 %	3.0 %

H. EPRA cap ex (in CHF 1 000)	2013	2014
Property related cap ex		
Acquisitions	135	71 940
Development (ground-up/green field/brown field)	31 579	64 144
Like-for-like portfolio	43 010	48 522
Capitalised interests	2 430	2 257
Capital expenditure	**77 155**	**186 863**

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

Income statement

Income (in CHF 1 000)	1 January to 31 December 2013	1 January to 31 December 2014
Financial income	43 533	34 597
Total income	**43 533**	**34 597**
Expenses		
General and administrative expenses	– 3 656	– 3 474
Financial expenses	– 37 098	– 34 470
Taxes	– 259	– 39
Total expenses	**– 41 012**	**– 37 983**
Net profit or loss	**2 521**	**– 3 386**

The notes are part of these financial statements.

Balance sheet

Assets (in CHF 1 000)	31 December 2013	31 December 2014
Investments	1 722 245	1 722 245
Loans to subsidiaries	1 571 100	1 509 500
Issue and additional financial expenses to be amortised	1 216	1 331
Total assets	**3 294 561**	**3 233 076**
Accounts receivable from third parties	204	172
Accounts receivable from subsidiaries	175	7
Cash	22 988	20 850
Total current assets	**23 367**	**21 029**
Total assets	**3 317 928**	**3 254 105**

Shareholders' equity and liabilities		
Share capital	4 587	4 587
Legal reserves (general reserves)	2 000	2 000
Legal reserves (capital contribution reserves)	381 084	232 014
Free reserves	1 062 990	1 071 990
Balance sheet results	9 264	- 3 122
Total shareholders' equity	**1 459 925**	**1 307 468**
Debt from third parties	1 220 000	1 360 000
Debt from subsidiaries	700	700
Bonds	370 000	570 000
Total non-current liabilities	**1 590 700**	**1 930 700**
Accounts payable to third parties	237	276
Accounts payable to subsidiaries	101	154
Bonds	250 000	0
Other liabilities	16 966	15 506
Total current liabilities	**267 303**	**15 936**
Total shareholders' equity and liabilities	**3 317 928**	**3 254 105**

The notes are part of these financial statements.

Notes to the financial statements 2014

1 General information

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

PSP Swiss Property Ltd was registered in the Commercial Register of the Canton of Zug on 28 July 1999.

The Company's purpose is 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 2014 were authorised for issue by the Board of Directors on 2 March 2015.

2 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.

3 Investments

Company	Registered office		Share capital	Ownership 31 December 2013		Ownership 31 December 2014		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 2013, 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".

4 Own shares

	Number of registered shares with a nominal value of CHF 0.10	Cost in CHF	Transaction price in CHF
31 December 2012	**0**	**0**	**n.a.**
Purchases	21 173	1 591 507	75.17
Performance-based compensation in shares for the Executive Board	– 21 173	– 1 591 507	75.46
31 December 2013	**0**	**0**	**n.a.**
Purchases	15 445	1 282 299	83.02
Sales	– 2	– 85	42.72
Performance-based compensation in shares for the Executive Board	– 15 443	– 1 282 213	83.02
31 December 2014	**0**	**0**	**n.a.**

5 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 2012	10 000 000	0.10	1 000
31 December 2013	n.a.	n.a.	n.a.
31 December 2014	n.a.	n.a.	n.a.

Conditional share capital			
31 December 2012	2 000 000	0.10	200
31 December 2013	2 000 000	0.10	200
31 December 2014	2 000 000	0.10	200

Further details on conditional share capital are shown in the Corporate Governance section on page 118.

6 Bonds

Short-term bonds (in CHF 1 000)	Carrying value 31 Dec. 2012	Issue	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	0	– 150 000	0	0
1.875 % bond, maturing 1 April 2014 (nominal on issuance CHF 250 000)	250 000	0	0	250 000	250 000
Total	**400 000**	**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	0	0	250 000	250 000
1.000 % bond, maturing 8 February 2019 (nominal on issuance CHF 120 000)	0	120 000	0	120 000	120 000
Total	**250 000**	**120 000**	**0**	**370 000**	**370 000**

Short-term bonds (in CHF 1 000)	Carrying value 31 Dec. 2013	Issue	Repayment	Carrying value 31 Dec. 2014	Nominal value 31 Dec. 2014
1.875 % bond, maturing 1 April 2014 (nominal on issuance CHF 250 000)	250 000	0	– 250 000	0	0
Total	**250 000**	**0**	**– 250 000**	**0**	**0**
Long-term bonds					
2.625 % bond, maturing 16 February 2016 (nominal on issuance CHF 250 000)	250 000	0	0	250 000	250 000
1.000 % bond, maturing 8 February 2019 (nominal on issuance CHF 120 000)	120 000	0	0	120 000	120 000
1.375 % bond, maturing 4 February 2020 (nominal on issuance CHF 200 000)	0	200 000	0	200 000	200 000
Total	**370 000**	**200 000**	**0**	**570 000**	**570 000**

In the reporting year, one CHF 250 million bond was redeemed. In addition, one new CHF 200 million bond was issued.

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

As at 31 December 2014, 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; and BlackRock Inc., New York, N.Y., USA, with 5.08 % 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; the company is represented on PSP Swiss Property Ltd's Board of Directors by Nathan Hetz and Aviram Wertheim.

Details on the major shareholders in accordance with 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 116 to 117.

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 33, pages 76 to 78.

8 Treatment of dividends from subsidiaries

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

9 Disclosure of compensations (Board of Directors and Executive Board) according to the federal ordinance against excessive pay in stock exchange listed companies of 20 November 2013 („VegüV“)

The disclosures required by the federal ordinance against excessive pay in stock exchange listed companies are shown in the compensation report on pages 106 to 109.

10 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 44 to 48.

Board of Directors' proposal concerning the carrying forward of the 2014 balance sheet results and the appropriation of capital contribution reserves

The Board of Directors will propose to the annual General Meeting on 1 April 2015 that the balance sheet results for the financial year ended 31 December 2014 of CHF – 3.122 million be carried forward as follows:

(in CHF)	2013	2014
Profit carried forward at 1 January	6 742 777.74	264 159.67
Annual results	2 521 381.93	– 3 385 907.90
Balance sheet results at 31 December	**9 264 159.67**	**– 3 121 748.23**
Allocation to the free reserves	– 9 000 000.00	0.00
Balance carried forward	**264 159.67**	**– 3 121 748.23**

For the business year 2014, the Board of Directors will propose to the annual General Meeting on 1 April 2015 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).

Report of the statutory auditor to the General Meeting of PSP Swiss Property Ltd, Zug

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of PSP Swiss Property Ltd, which comprise the balance sheet, income statement and notes (pages 95 to 101), for the year ended 31 December 2014.

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 2014 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 the 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, 2 March 2015

Compensations of the Board of Directors and the Executive Board

Compensations of the Board of Directors and the Executive Board	**105**
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Compensation report

The compensation report follows the requirements of the Swiss federal ordinance against excessive pay in stock exchange listed companies of 20 November 2013 (VegüV). It replaces the respective information in the notes to the financial statements pursuant to Article 663b^bis^ of the Swiss Code of Obligations (CO).

1 Compensation of the Board of Directors (non-executive)

Remuneration to members of the Board of Directors (non-executive) business year 2013 (in CHF 1 000)	Remuner-ation	Bonus as cash payment	Employer pension schemes savings contri-butions	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 compen-sations
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**

Compensations of members of the Board of Directors (non-executive) business year 2014 (in CHF 1 000)	Fixed compensation in cash	Fixed compensation in shares	Other benefits	Employer contributions pension benefits[1]	Total compensations
Günther Gose, Chairman	160	0	0	0	160
Adrian Dudle, Member, elected at the annual General Meeting of 3 April 2014	56	0	0	3	59
Peter Forstmoser, Member	75	0	0	0	75
Nathan Hetz, Member	99	0	0	4	103
Gino Pfister, Member	75	0	0	0	75
Josef Stadler, Member	75	0	0	4	79
Aviram Wertheim, Member	107	0	0	4	111
Total	**647**	**0**	**0**	**14**	**661**

1 The mandatory employer contributions to the state pension scheme (Old Age and Survivors' Insurance, „AHV") is – in such amount that entitles to the maximum AHV pension benefits – newly included in 2014 as compensation element and listed under employer contributions pension benefits. It amounts in aggregate to TCHF 14, out of a total of TCHF 61 employer contributions to the social security insurances (AHV/IV/EO). No non-executive member is insured under a company pension scheme.

2 Compensation of the Executive Board (including the executive member of the Board of Directors)

Remuneration to members of the Executive Board (incl. 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 compensations[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.

Compensations of members of the Executive Board (incl. executive member of the Board of Directors) business year 2014 (in CHF 1 000)	Fixed compensation in cash	Performance-based compensation in cash	Other benefits	Performance-based compensation in contractual blocked shares[1] Amount	Performance-based compensation in contractual blocked shares[1] in number of shares	Employer contributions pension benefits[2]	Total compensations
Luciano Gabriel, Delegate of the Board of Directors and Chief Executive Officer	882	0	0	921	11 111	219	2 022
Giacomo Balzarini, Chief Financial Officer	514	288	0	288	3 472	94	1 183
Ludwig Reinsperger, Chief Investment Officer	502	259	0	259	3 124	147	1 167
Total	**1 898**	**547**	**0**	**1 468**	**17 707**	**460**	**4 373**

1 Allocated in week 50/2014 at the market value per share at allocation date (average of end of day share prices week 50/2014: CHF 82.89).
2 The mandatory employer contributions to the state pension scheme (Old Age and Survivors' Insurance, „AHV") is – in the amount of TCHF 11 that entitles to the maximum AHV pension benefits – newly included in 2014 as compensation element and listed – together with the employer contributions to the company pension scheme – under employer contributions pension benefits. The total employer contributions to the social security insurances (AHV/IV/EO) amount to TCHF 224. The performance-based compensation is not insured under the company pension schemes; the fixed compensation only up to an amount of TCHF 700.

3 Additional comments and information

The listed compensations refer to the 2014 business year and are disclosed according to the accrual principle (relating to the period of service and independent of the payment flows).

The compensation system and the changes in compensations for the 2014 business year compared to the 2013 business year are lined out in the following explanations on pages 110 to 113.

Further details as to the provisions of the Articles of Association on the compensations of the Board of Directors and the Executive Board are shown in the Corporate Governance report (section 5.2 on pages 129 to 130).

In the 2014 business year, as in the previous year, no loans and credits were granted to present or past members of the Board of Directors or the Executive Board respectively their related parties. In addition, as per 31 December 2014 – as likewise per 31 December 2013 – there were no such claims vis-à-vis of this group of people.

In the 2014 business year, legal fees of CHF 0.064 million were paid to lawyers of law firm Niederer Kraft & Frey, Zurich, where Mr. Peter Forstmoser holds the position of a partner (2013: no legal fees). No legal fees were paid to Mr. Forstmoser himself.

In the 2014 business year, as in the previous year, no further disclosable compensations were paid directly or indirectly to present or past members of the Board of Directors or the Executive Board respectively their related parties.

4 Report of the auditors

Report of the statutory auditor to the General Meeting of PSP Swiss Property Ltd, Zug

We have audited the remuneration report dated 2 March 2015 of PSP Swiss Property Ltd (pages 106 to 108) for the year ended 31 December 2014.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility
Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion
In our opinion, the remuneration report of PSP Swiss Property Ltd for the year ended 31 December 2014 complies with Swiss law and articles 14 – 16 of the Ordinance.

PricewaterhouseCoopers Ltd

Guido Andermatt	Markus Schmid
Audit expert	Audit expert
Auditor in charge	

Zurich, 2 March 2015

Explanations on the compensation system

1 Key features of the compensation system

The compensation system for the Board of Directors and the Executive Board of PSP Swiss Property is laid down in the Articles of Association and has the following key features (see Articles 22 ff. of the Articles of Association):

- *The compensations of the members of the Board of Directors and the Executive Board are determined adequately and in line with market by the Board of Directors based on the proposal of the Compensation Committee.*

- *The members of the Board of Directors exclusively receive a fixed compensation, payable in cash and/or in equity securities.*

- *The members of the Executive Board receive a fixed compensation in cash and a variable, performance-based compensation, payable in cash and/or equity securities or option rights.*

- *The variable, performance-based compensation of the Executive Board is calculated pursuant to a formula taking mainly into account the net earnings per share (EPS) without gains/losses on real estate investments and its change compared to the previous year. It is paid in shares with a contractual blocking period of two years, for the Delegate/CEO in 100 % of such shares, for the remaining members of the Executive Board in 50 % of such shares.*

- *As from 2015 onwards, the annual General Meeting approves with binding effect and prospectively the maximum total amounts of compensations for the Board of Directors (for the period until the next annual General Meeting) and for the Executive Board (for the business year following the annual General Meeting).*

- *At the 2015 annual General Meeting, the shareholders have for the first time a say on pay by way of an advisory vote on the compensation report.*

2 Determination of the compensations

The compensations of the members of the Board of Directors and the Executive Board are discretionally determined by the Board of Directors both adequately and in line with market and they are reviewed periodically. The Compensation Committee submits respective proposals to the Board of Directors, namely as to the compensation principles, the individual compensations and the corresponding employment contracts respectively mandates.

The Board of Directors submits annually, based on the proposal of the Compensation Committee, the maximum total amounts of the compensations for the Board of Directors (for the period until the next annual General Meeting) and for the Executive Board (for the business year following the annual General Meeting) to the annual General Meeting for approval. The compensations determined by the Board of Directors are subject to such approval by the General Meeting. The employment contracts of the members of the Executive Board contain a corresponding proviso.

At the meetings of the Compensation Committee, the other members of the Board of Directors and the members of the Executive Board are generally not present. The Chairman and the Delegate of the Board of Directors may attend the meetings upon invitation by the Chairman of the Compensation Committee. They have only advisory vote. All members of the Board of Directors have access to the minutes of the Compensation Committee.

Up to the first elections of the members of the Compensation Committee by the General Meeting of 3 April 2014, the Compensation Committee consisted of all the members of the Board of Directors – with the Chairman holding the presidency – with the exception of the Delegate and CEO.

At the General Meeting of 3 April 2014, Messrs. Peter Forstmoser, Nathan Hetz, Gino Pfister and Josef Stadler were elected to the Compensation Committee for a term of office of one year until the close of the 2015 General Meeting. The Compensation Committee constituted itself and appointed Mr. Peter Forstmoser as Chairman.

3 The compensations of the Board of Directors

The non-executive members of the Board of Directors receive a fixed compensation, payable in cash and/or equity securities. In addition, the company pays the employer's contributions to social security insurances (AHV/IV/EO/ALV) and allowances for out-of-pocket business expenses, which are not part of the salary. Only the employer contributions to the state pension scheme (Old Age and Survivors' Insurance, „AHV") are – to the extent that they entitle to the maximum AHV pension benefits – regarded as compensation element.

The last modification of the compensations of the Board of Directors was made on 18 August 2008 and has remained unchanged since. The non-executive members of the Board of Directors receive an annual gross compensation of CHF 75 000 and an additional CHF 8 000 gross for each meeting of the Board of Directors in excess of six meetings. Members of the Board of Directors who travel from abroad receive an additional CHF 8 000 gross for each meeting of the Board of Directors.

The Chairman of the Board of Directors receives an annual gross compensation of CHF 160 000, irrespective of the number of meetings.

The activities in the Committees are not separately remunerated. No non-executive member of the Board of Directors is insured under an employee pension scheme.

The compensations of the non-executive members of the Board of Directors for the 2014 business year are set out in the compensation report on page 106.

Based upon the proposal of the Compensation Committee, the Board of Directors has not foreseen a change in the compensations for its members until the 2016 General Meeting.

The executive member of the Board of Directors (the Delegate and CEO) is remunerated as member of the Executive Board and does not receive an additional remuneration for his activity as member of the Board of Directors. His compensations are disclosed – and approved by the General Meeting – as part of the compensations of the Executive Board (see below).

4 The compensations of the Executive Board

4.1 Elements of the compensations of the Executive Board

The executive member of the Board of Directors (the Delegate and CEO) and the other members of the Executive Board receive a fixed compensation in cash and a variable, performance-based compensation. The performance-based compensation can be paid in cash and/or by granting of equity securities or option rights. For the purposes of the employee pension scheme (obligatory and over-obligatory components), only the fixed compensation up to CHF 700 000 is insured.

In addition, the employer pays the employer's contributions to the social security insurances (AHV/IV/EO/ALV). However, only such amounts of employer's contributions to the state pension scheme (Old Age and Survivors' Insurance, „AHV“) that entitle to the maximum AHV pension benefits are regarded as compensation element.

Each employment contract contains an individual maximum amount („cap“) of the maximum total compensation owed by the employer per calendar year. In addition, the employment contracts contain a proviso as to the approval of the maximum total amount of compensations of the Executive Board by the annual General Meeting.

Presentation of the elements of the compensation of a member of the Executive Board:

Individual maximum amount („cap“)

Fixed compensation	Variable, performance-based compensation	Employer contributions for pension benefits
In cash	In cash and/or equity securities/option rights	▪ Employer's contributions to the employee pension scheme (only for fixed compensations up to a maximum of CHF 700 000) ▪ Employer's contributions to the state pension scheme (AHV)

Additionally, the employer reimburses out-of-pocket business expenses by lump sum payments according to its business expenses policy as approved by the tax authorities. It also pays the premiums of risk insurances (for accidents and daily allowances during illness) prescribed by law and regulations and the employer's contributions to the family compensation fund. These payments, premiums and contributions respectively are not part of the compensations.

With the **performance-based compensation,** a sustainable maximisation of the net earnings per share (EPS) and of the net asset value per share (NAV) shall be targeted and honoured. The amount of the performance-based compensation shall be derived from the overall economic results of the Company, whereas the net earnings per share (EPS) exclusive of gains/losses on real estate investments have priority.

The amount of the performance-based compensation is calculated entirely based on a **formula** contained in the individual employment contracts. The formula takes mainly into account the EPS excluding gains/losses on real estate investments (see the respective definition on page 16, footnote 2) of the respective business year, its difference to the previous business year as well as an individual factor. The formula reads as follows:

$$K \times (1.60 \times EPS^{w/o\Delta RE} + 0.40 \times EPS^{\Delta RE} + 2.00 \times \Delta EPS^{w/o\Delta RE})$$

K = Individual Factor
$EPS^{w/o\Delta RE}$ = EPS (excluding gains/losses on real estate investments)
$EPS^{\Delta RE}$ = Contribution of gains/losses on real estate investments to the EPS
$\Delta EPS^{w/o\Delta RE}$ = Difference in EPS (excluding gains/losses on real estate investments) compared to the previous year

The size of the real estate portfolio itself is not taken into account for the formula, because acquisitions are not a primary goal but a means to increase EPS. Not only the absolute amount of EPS (excl. gains/losses on real estate investments) is considered, but also its change. A positive (negative) change in EPS (excl. gains/losses on real estate investments) compared to the previous year has a positive (negative) impact on the compensation. If the formula results in a negative figure for the performance-based compensation, it will not be deducted from the respective fixed compensation, it will, however, be carried forward to the following years. In this case, payments of variable compensations will only be made when all loss carryforwards have been compensated (catch up).

The performance-based compensation of the Delegate/CEO is paid in full in shares with a blocking period of two years, while such compensation of the other Members of the Executive Board is paid in cash (one half) and in shares with a blocking period of two years (one half).

When granting shares, the amount of compensation equals the market value of such shares at the time of allocation. The value will be derived from the stock market price at the day of allocation or an average stock market price of prior trading days.

4.2 Compensations of the Executive Board 2014

The compensations of the Delegate/CEO and the other members of the Executive Board are determined in the respective individual employment contracts for their duration. The employment contracts were adjusted the last time as per 1 January 2014 to satisfy the requirements of the Swiss federal ordinance against excessive pay in stock exchange listed companies of 20 November 2013 (VegüV).

In the framework of said adjustments, mainly the fixed compensations were raised, the variable compensation was reduced accordingly by adjustment of the formula and the individual cap of the maximum amount of compensation („cap") was determined. The notice period was reduced to 12 months. A special individual bonus in the case of a successful public takeover was cancelled without substitution. For the purposes of the employee pension scheme, only the fixed compensation is insured up to CHF 700 000. The performance-based compensation of the Delegate/CEO now consists entirely in shares. The shares for the 2014 business year were allocated based on the average of the end of day share prices in week 50/2014.

The compensations of each member of the Executive Board for the 2014 business year are listed in the compensation report on page 107.

Based on the proposal by the Compensation Committee, the Board of Directors has not foreseen any changes in the compensations and amendments to the employment contracts respectively for the 2016 business year.

Proposals to the annual General Meeting 2015

The Board of Directors will submit the following compensation-related proposals to the 2015 annual General Meeting.

1 Advisory vote on the compensation report

The Board of Directors has decided to submit the compensation report 2014 (pages 106 to 108) to the 2015 annual General Meeting for approval by way of a non-binding advisory vote. Details are shown in the invitation to the annual General Meeting of 1 April 2015.

2 Approval of the maximum total amount of compensations for the Board of Directors until the annual General Meeting 2016

In accordance with the Articles of Association, the Board of Directors will propose to the annual General Meeting 2015 to approve the maximum total amount of compensations for the Board of Directors from the annual General Meeting 2015 **to the next annual General Meeting 2016.** Such maximum total amount contains the compensations of the non-executive members. The compensations of the executive member (Delegate/CEO) are included in the maximum total amount of the Executive Board.

The maximum total amount is calculated based on the **sum of the fixed compensations** of the seven non-executive members of the Board of Directors standing for re-election, **including potential additional amounts payable to members arriving from abroad** and assuming ten board meetings during the term of office. Such sum amounts to CHF 1 000 000.

3 Approval of the maximum total amount of compensations for the Executive Board for the 2016 business year

In accordance with the Articles of Association, the Board of Directors will propose to the annual General Meeting 2015 to approve the maximum total amount of compensations for the Executive Board **for the 2016 business year.** Such maximum total amount contains the compensations of the executive member of the Board of Directors (Delegate/CEO) and the other members of the Executive Board.

The maximum total amount is composed of the sum of the individual caps of the maximum compensations payable to the members of the Executive Board per calendar year as contained in their employment contracts and amounts to CHF 5 800 000.

The actual compensations for the 2016 business year will be established on the basis of the employment contracts and the 2016 business year results. They will be shown in detail in the 2016 compensation report, which will be submitted to the annual General Meeting 2017 for approval by way of a non-binding advisory vote.

Corporate Governance

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Corporate Governance

This Corporate Governance report follows the Directive of 1 September 2014 of the SIX Exchange Regulation on Information relating to Corporate Governance („DCG“).

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 2014	CHF 3.936 billion
PSP shares held by subsidiaries	0 %
Symbol	PSPN
Security number	1829415
ISIN	CH 0018294154

Non-listed participations

See note 3 on page 97 of PSP Swiss Property Ltd’s annual financial statements.

1.2 Major shareholders as at 31 December 2014

(a) According to the information given by **Alony Hetz Properties & Investments Ltd,** Ramat-Gan, Israel, the company held 5 600 000 shares, corresponding to 12.21 % of the voting rights (unchanged compared to 31 December 2013). There was no disclosure notification in the reporting year.

(b) **BlackRock, Inc.,** New York, N.Y., USA, 2 332 140 shares (corresponding to 5.08 % of the voting rights) and 86 CFD (purchase position, corresponding to 0.0002 % of the voting rights) respectively 9 553 CFD (sale position, corresponding to 0.02 % of the voting rights) *(reported with disclosure notification on 13 December 2014).*

(c) **UBS Fund Management (Switzerland) AG,** CH-4002 Basel, Switzerland, 1 384 262 shares (corresponding to 3.02 % of the voting rights) *(reported with disclosure notification on 13 November 2014).* Previously in the reporting year, additional disclosure notifications were published on 12 November 2014 *(fell below threshold of 3 % of the voting rights)* and on 7 November 2014 *(threshold of 3 % of the voting rights has exceeded).*

(d) **Three nominees exempt from reporting requirements** to the extent of 4.22 % (Chase Nominees Ltd, London, UK) respectively 3.36 % (Mellon Bank N.A., Everett, MA, United States of America) respectively 3.07 % (Nortrust Nominees Ltd. London, UK) of the voting rights.

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

1.3 Cross-shareholdings

As at 31 December 2014, there were no cross-shareholdings.

1.4 Shareholders as at 31 December 2014

Distribution of PSP shares

Number of registered shares	Registered shareholders		Registered shares		Non-registered shares		Total number of issued shares
	Number	%	Number	% issued shares	Number	% issued shares	
1 to 1 000	3 826	82.5	914 683	2.0			
1 001 to 10 000	568	12.2	1 813 059	4.0			
10 001 to 100 000	190	4.1	6 524 397	14.2			
100 001 to 1 000 000	51	1.1	10 979 721	23.9			
1 000 001 to 1 376 036	1	0.0	1 205 297	2.6			
1 376 037 (3%) to 2 293 394	3	0.1	4 889 489	10.7			
2 293 395 (5%) and above	1	0.0	5 600 000	12.2			
Total registered shareholders/shares	**4 640**	**100.0**	**31 926 646**	**69.6**			**31 926 646**
Total non-registered shares					**13 941 245**	**30.4**	**13 941 245**
Total			**31 926 646**		**13 914 245**		**45 867 891**

Registered shareholders and shares

	Registered shareholders		Registered shares	
	Number	%	Number	%
Individuals	4 056	87.4	3 412 666	10.7
Legal entities	584	12.6	28 513 980	89.3
(thereof nominees/trustees)	(48)	(1.0)	(7 270 830)	(22.8)
Total	**4 640**	**100.0**	**31 926 646**	**100.0**
Switzerland	4 449	95.9	17 824 488	55.8
Europe (excluding Switzerland)	145	3.1	6 090 623	19.1
North America	19	0.4	2 055 673	6.5
Other countries	27	0.6	5 955 862	18.6
Total	**4 640**	**100.0**	**31 926 646**	**100.0**

2 Capital structure PSP Swiss Property Ltd

2.1 Share capital as at 31 December 2014

Share capital		Total	Number of registered shares	Nominal value per share
Share capital	CHF	4 586 789.10	45 867 891	CHF 0.10
Conditional share capital	CHF	200 000.00	2 000 000	CHF 0.10

2.2 Conditional share capital in particular

The conditional share capital is governed by Article 6 of the Articles of Association:

„Article 6 Conditional share capital
(1) The share capital can be increased by an amount not exceeding CHF 200'000.- by issuing, to employees of the Company and of its subsidiaries, a maximum of 2'000'000 fully paid-up registered shares with a nominal value of CHF 0.10 per share. The subscription rights and the advance underwriting rights of the shareholders of the Company are excluded. The issue of shares, or of warrants in respect thereof, or of a combination of shares and warrants, to employees takes place pursuant to regulations of the Board of Directors. The issue of shares, or of warrants in respect thereof, to employees can take place at a price below the stock exchange price.

(2) The acquisition of shares within the framework of employee participation as well as all subsequent transfer of shares are subject to the restrictions set out in Article 8 of these Articles of Association.“

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 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
Issued, fully paid-in share capital at 31 December 2014	45 867 891	0.10	4 587

Legal reserves (General reserves)	
31 December 2012	2 000
31 December 2013	2 000
31 December 2014	2 000

Legal reserves (Capital contribution reserves)	
31 December 2012	527 862
31 December 2013	381 084
31 December 2014	232 014

Legal reserves (Reserves for own shares)	
31 December 2012	0
31 December 2013	0
31 December 2014	0

Free reserves	
31 December 2012	762 990
31 December 2013	1 062 990
31 December 2014	1 071 990

Balance sheet results	
31 December 2012	306 743
31 December 2013	9 264
31 December 2014	– 3 122

2.4 Shares, participation certificates, bonus certificates

The 45 867 891 issued registered shares with CHF 0.10 nominal value each are fully paid in. Each share carries the right to dividend payments. Voting rights are described in section 6.1 on page 131. No preferential rights or similar rights have been granted.

As at 31 December 2014, no participation certificates or bonus certificates were issued.

2.5 Restrictions on the transferability of registered shares and nominee registrations

As regards the transferability of registered shares and nominee registrations, see Article 7 (Shares, transfer of shares) and Article 8 (Share register, nominees) of the Articles of Association. As at 31 December 2014, one agreement existed with a nominee regarding the requirements for registration respectively disclosure in line with Articles 8 (3) respectively 8 (5) second sentence of the Articles of Association.

2.6 Convertible bonds and options

As at 31 December 2014 neither convertible bonds nor 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.

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.

Other activities and vested interests: In addition to his mandate at PSP Swiss Property Ltd, Mr. Gose did not perform, as at 31 December 2014, any activities or functions which are subject to disclosure in accordance with the DCG.

Luciano Gabriel, 1953, CH, Wollerau, Dr. rer. pol., Delegate and Chief Executive Officer of PSP Swiss Property Group.

Education: Mr. Gabriel completed his studies in economics at the Universities of Bern and Rochester (NY, USA). Thereafter, he was teaching assistant at the University of Bern and obtained the title of Dr. rer. pol. in 1983.

Professional activity: From 1984 to 1998 Mr. Gabriel worked for Union Bank of Switzerland in Zurich, London and Milan, where he held management positions in corporate finance, risk management, international corporate banking and business development. From 1998 to 2002 he was responsible for corporate finance and group treasury at Zurich Financial Services. Mr. Gabriel has worked for PSP Swiss Property Group since March 2002, initially as Chief Financial Officer and, since April 2007, as Chief Executive Officer.

Other activities and vested interests: In addition to his mandates at PSP Swiss Property Ltd and its subsidiaries, Mr. Gabriel did perform, as at 31 December 2014, the following activities or functions which are subject to disclosure in accordance with the DCG: Vice-Chairman of the Board of Directors of the European Public Real Estate Association (EPRA), Brussels, Belgium.

Adrian Dudle, 1965, CH, Kilchberg (Zurich), lic. iur., MBL-HSG, non-executive Member.

Education: Lic. iur. University Freiburg (1989), Attorney-at-Law and notary public (1992), MBL-HSG (2000).

Professional activity: As from 2012 Chief Legal Officer of Ringier AG, Zofingen/Zurich. Prior, Mr. Dudle performed various functions inter alia for Mövenpick Holding AG, Orascom Development Holding Ltd, SAir Group, Universal Music Ltd and KPMG Ltd. Mr. Dudle is also the founder of DEGAP business law, a legal consultancy firm based in Zurich.

Other activities and vested interests: In addition to his mandate at PSP Swiss Property Ltd, Mr. Dudle did not perform, as at 31 December 2014, any activities or functions which are subject to disclosure in accordance with the DCG.

Peter Forstmoser, 1943, CH, Horgen (Zurich), Dr. iur. University of Zurich, LL.M. Harvard Law School, Professor Emeritus University of Zurich, non-executive Member.

Education: Dr. iur. University of Zurich (1970), Attorney-at-Law (1971), LL.M. Harvard Law School (1972).

Professional activity: Private Lecturer from 1971, Extraordinary Professor from 1974 and Ordinary Professor from 1978 to 2008 for civil law, commercial law and capital-market law at the Faculty of Law 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.

Other activities and vested interests: In addition to his mandate at PSP Swiss Property Ltd, Mr. Forstmoser did perform, as at 31 December 2014, the following activities or functions which are subject to disclosure in accordance with the DCG: Chairman of the Board of Directors of Hesta AG, Baar, of Leonteq AG, Zurich, and its subsidiary Leonteq Securities AG, Zurich, Chairman of the Board of Trustees of AFIAA Anlagestiftung, Zurich, Vice-Chairman of the Board of Trustees of Gebert Rüf Stiftung, Zurich, as well as member of the Board of Trustees of IISS The International Institute for Strategic Studies, London, UK, and of SWIPRA, Zurich.

Nathan Hetz, 1952, IL, Ramat-Gan, B.A./CPA, non-executive Member.

Education: Mr. Hetz completed his studies in accounting at the University of Tel Aviv in Israel with a B.A./CPA (certified public accountant).

Professional activity: Mr. Hetz is co-founder and Chief Executive Officer of Alony Hetz Properties & Investments Ltd, Ramat-Gan, Israel.

Other activities and vested interests: In addition to his mandate at PSP Swiss Property Ltd, Mr. Hetz did perform, as at 31 December 2014, the following activities or functions which are subject to disclosure in accordance with the DCG: Member of the Board of Directors and CEO of the publicly listed Alony Hetz Properties & Investments Ltd, Ramat-Gan, Israel, Chairman of the Board of Directors of the publicly listed Amot Investments Ltd, Ramat-Gan, Israel, Member of the Board of Directors of the publicly listed First Capital Realty Inc., Toronto, Canada, Chairman of the Board of Directors of the publicly listed Energix - Renewable Energies Ltd., Ramat-Gan, Israel, and Chairman of the Board of Directors of Carr Properties Corporation, Washington D.C., USA.

Gino Pfister, 1942, CH, Basel, degree in electrical engineering ETH, MBA-INSEAD, non-executive Member.

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.

Other activities and vested interests: In addition to his mandate at PSP Swiss Property Ltd, Mr. Pfister did perform, as at 31 December 2014, the following activities or functions which are subject to disclosure in accordance with the DCG: Vice-Chairman of the Board of Directors of GL Funds AG, Erlenbach.

Josef Stadler, 1963, CH, Grüningen (Zurich), lic. oec. HSG, MBA Harvard Business School, non-executive Member.

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

Other activities and vested interests: In addition to his mandate at PSP Swiss Property Ltd, Mr. Stadler did not perform, as at 31 December 2014, any activities or functions which are subject to disclosure in accordance with the DCG.

Aviram Wertheim, 1958, IL, Ramat Hasharon, CPA, non-executive Member.

Education: Mr. Wertheim is a CPA (certified public accountant) and holds a degree in business administration.

Professional activity: Mr. Wertheim is Chairman of the Board of Directors of Alony Hetz Properties & Investments Ltd, Ramat-Gan, Israel, which he represents together with Mr. Nathan Hetz on the Board of Directors of PSP Swiss Property Ltd.

Other activities and vested interests: In addition to his mandate at PSP Swiss Property Ltd, Mr. Wertheim did perform, as at 31 December 2014, the following activities or functions which are subject to disclosure in accordance with the DCG: Chairman of the Board of Directors of the publicly listed Alony Hetz Properties & Investments Ltd, Ramat-Gan, Israel, Chairman of the Board of Directors of the publicly listed U. Dori Construction Ltd, Ra'anana, Israel, Member of the Board of Directors of the publicly listed Amot Investments Ltd, Ramat-Gan, Israel, Member of the Board of Directors of the publicly listed Energix - Renewable Energies Ltd., Ramat-Gan, Israel, Member of the Board of Directors of the publicly listed Gaon Holdings Ltd., Tel Aviv, Israel, and Member of the Board of Directors of Carr Properties Corporation, Washington D.C., USA.

General representations

None of the non-executive Members of the Board of Directors belonged to the Executive Board of PSP Swiss Property Ltd or a subsidiary in the three years preceding the 2014 business year.

Furthermore, there were no substantial business relationships between the Members of the Board of Directors and PSP Swiss Property Ltd or a subsidiary.

3.2 Rules in the Articles of Association on the number of permitted activities of the Members of the Board of Directors pursuant to Article 12 para. 1 of the Swiss federal ordinance against excessive pay in stock exchange listed companies of 20 November 2013 (VegüV)

Article 25 (5) of the Articles of Association provides the following rules in respect to the permitted activities of the Members of the Board of Directors:

„(5) The members of the Board of Directors may not hold more than 12 additional mandates, of which no more than 6 may be in publicly listed companies.

The members of the Executive Board may not hold more than 4 additional mandates, of which no more than 1 may be in publicly listed companies.

Mandates are defined as mandates in the supreme governing or administrative bodies of legal entities that are required to be registered in the commercial register or in a comparable foreign register. Mandates in several legal entities which are under common control are counted as one mandate.

These restrictions do not include:

- *Mandates with legal entities controlled by the Company or controlling the Company.*
- *Mandates with associations, foundations and non-profit organisations; no member of the Board of Directors or the Executive Board may hold more than 6 of such mandates.“*

No Member of the Board has exceeded the statutorily allowed number of additional mandates.

3.3 Elections and terms of office

3.3.1 First elections of the Members of the Board of Directors

	Elected
Günther Gose[1]	Extraordinary General Meeting 7 February 2000
Luciano Gabriel	Annual General Meeting 4 April 2007
Adrian Dudle	Annual General Meeting 3 April 2014
Peter Forstmoser	Annual General Meeting 30 March 2010
Nathan Hetz	Annual General Meeting 4 April 2007
Gino Pfister	Extraordinary General Meeting 7 February 2000
Josef Stadler	Annual General Meeting 2 April 2009
Aviram Wertheim	Annual General Meeting 2 April 2009

1 as of 4 December 2001 Chairman of the Board of Directors

As at 31 December 2014, there were no term limits.

3.3.2 First election of the Chairman of the Board of Directors by the annual General Meeting

	Elected
Günther Gose	Annual General Meeting 3 April 2014

3.3.3 First elections of the Members of the Compensation Committee by the annual General Meeting

	Elected
Peter Forstmoser	Annual General Meeting 3 April 2014
Nathan Hetz	Annual General Meeting 3 April 2014
Gino Pfister	Annual General Meeting 3 April 2014
Josef Stadler	Annual General Meeting 3 April 2014

The Articles of Association do not contain any rules that differ from the statutory legal provisions with regard to the appointment of the chairman of the board of directors and the independent shareholder representative. In the event of vacancies, the Board of Directors appoints missing Members of the Compensation Committee for the remaining term of office, only if the number of remaining members appointed by the General Meeting falls below the statutory minimum of two members (Article 22 (3) of the Articles of Association); the Board thus takes no advantage of Article 7 para. 4 VegüV, which allows to complete the Compensation Committee upon occurrence of any vacancy.

3.4 Internal organisational structure

3.4.1 Allocation of tasks within the Board of Directors

The Board of Directors exercises the powers conferred to it under Article 17 of the Articles of Association as a body. Tasks among Board Members are not specifically allocated.

The individual Members of the Board of Directors 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 and Mr. Adrian Dudle 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.

3.4.2 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** and a **Compensation Committee.**

The **Audit Committee** is composed of all Board Members except Mr. Luciano Gabriel. Mr. Günther Gose is Chairman of the Audit Committee. 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.

The **Compensation Committee** was elected at the annual General Meeting of 3 April 2014 (see section 3.3.3). The committee appointed Mr. Forstmoser as Chairman. The duties of the Compensation Committee are set forth in Articles 22 (4) et seq. of the Articles of Association as follows:

„(4) The Compensation Committee shall prepare the resolutions of the Board of Directors on compensations of the members of the Board of Directors and the Executive Board. It shall in particular submit proposals to the Board of Directors for:

- *the determination of the compensation principles, namely in respect to the performance-based compensations and the grant of equity securities or option rights, as well as the respective implementation control;*
- *the individual compensations for the members of the Board of Directors and the Executive Board as well as the respective employment contracts;*
- *the proposal to the General Meeting for the approval of the maximal total amounts of compensations for the Board of Directors and the Executive Board in the sense of Article 24 of these Articles of Association;*
- *the compensation report.*

(5) For the fulfilment of its duties, the Compensation Committee may consult other persons and external advisors and invite them to its meetings with advisory vote.

(6) The Board of Directors may assign further preparatory tasks to the Compensation Committee.“

3.4.3 Work method of the Board of Directors and its Committees

In principle, four ordinary meetings of the Board of Directors are held annually. Between such meetings, extraordinary meetings may be called as required and resolutions may be passed by written consent. The Secretary is responsible for keeping minutes of the Board meetings and for recording any resolutions passed by written consent in the subsequent minutes.

The Chairman of the Board of Directors is in constant contact with the Delegate of the Board of Directors.

Discussions of the Compensation Committee take place as required, namely in preparation of the proposals to the General Meeting concerning the compensation report and the maximum total amounts of compensations for the Board of Directors and the Executive Board. Discussions of the Audit Committee take place mainly in preparing the annual, interim and quarterly reports.

In the 2014 business year, five ordinary Board meetings took place, lasting five hours on average. The Audit Committee met five times, the Compensation Committee twice, 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 3.6 on page 127.

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

The Board of Directors has delegated the management and the representation of the Company to the Delegate of the Board of Directors (simultaneously Chief Executive Officer), respectively the Executive Board, based on the provisions of Article 18 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."*

3.6 Information and control instruments vis-à-vis the Executive Board

As a rule, the Members of the Executive Board attend all ordinary meetings held by the Board of Directors and the Audit Committee for the purpose of ensuring direct communication between the Board of Directors and the Executive Board and an appropriate level of control.

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 44 to 48 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 132).

4 Executive Board

4.1 Members of the Executive Board

Luciano Gabriel, 1953, CH, Wollerau, Dr. rer. pol., Chief Executive Officer (has held this position since 1 April 2007). See section 3.1 on page 120.

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.

Other activities and vested interests: In addition to his mandates at the subsidiaries of PSP Swiss Property Ltd, Mr. Balzarini did perform, as at 31 December 2014, the following activities or functions which are subject to disclosure in accordance with the DCG: Member of the Board of Directors of Seewarte Holding AG, Zug.

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.

Other activities and vested interests: In addition to his mandates at the subsidiaries of PSP Swiss Property Ltd, Mr. Reinsperger did not perform, as at 31 December 2014, any activities or functions which are subject to disclosure in accordance with the DCG.

4.2 Rules in the Articles of Association on the number of permitted activities of the Members of the Executive Board pursuant to Article 12 para. 1 VegüV

See Article 25 (5) of the Articles of Association for the rules in respect to the number of permitted activities of the Members of the Executive Board (see also section 3.2).

No Member of the Executive Board has exceeded the statutorily allowed number of additional mandates.

4.3 Management contracts

As at 31 December 2014, there were no management contracts with companies outside the Group.

5 Compensations, shareholdings and loans

5.1 Content and determination of the compensations

As to content and determination of the compensations of the Board of Directors and the Executive Board, see pages 106 to 108 in the compensation report together with the explanations on the compensation system on pages 110 to 113.

With regard to the shareholdings and loans of Members of the Board of Directors and of the Executive Board, see the consolidated financial statements, note 33, page 78.

5.2 Rules on compensations in the Articles of Association

5.2.1 Principles applicable to performance-related pay and to the allocation of equity securities, convertible rights and options, as well as to the additional amount for payments to Members of the Executive Board appointed after the vote on pay at the general meeting of shareholders

a) Only Members of the Executive Board receive a variable, performance-related compensation. In this respect, Article 23 (3) provides as follows:

„(3) The members of the Executive Board receive a fixed compensation in cash and a variable, performance-based compensation. With the performance-based compensation, a sustainable maximisation of the net earnings per share (EPS) and of the net asset value per share (NAV) shall be targeted and honoured. The amount of the performance-based compensation shall be derived from the overall economic results of the Company, whereas the net earnings per share (EPS) exclusive of gains/losses on real estate investments have priority. The performance-based compensation can be paid in cash and/or by granting of equity securities or option rights.“

With regard to the variable, performance-based compensation, see the compensation report page 107.

b) In respect to the allocation principles of equity securities, convertible rights and options, Article 23 (4) provides as follows:

„(4) When granting equity securities or option rights, the amount of compensation equals the value of the securities or rights respectively at the time of allocation. The value will be derived from the stock market price at the day of allocation or an average stock market price of prior trading days. Apart from that, the Board of Directors specifies the terms and conditions of granting and exercising such securities and rights, inclusive of blocked periods and forfeiture clauses, if any.“

With regard to the allocation of shares to the Members of the Executive Board as part of the variable, performance-based compensation, see the compensation report page 107.

c) In respect to the additional amount for payments to Members of the Executive Board appointed after the vote on pay at the General Meeting, Article 24 (2) provides as follows:

„(2) To the extent that the maximum total amount approved prospectively for the Executive Board is not sufficient to compensate new members appointed after the respective approval by the General Meeting up to the beginning of the next approval period, the Company may pay an additional amount not exceeding 50 % of the total amount of compensation approved for the respective approval period. The General Meeting does not vote on the additional amount used.“

No additional amount was applicable in the 2014 business year.

5.2.2 Loans, credit facilities and post-employment benefits

a) In respect to loans and credits, Article 25 (4) provides as follows:

„(4) Loans and credits, if any, to members of the Board of Directors and the Executive Board shall not exceed 100 % of the yearly fixed compensation of the respective person. Advances of legal and similar cost to defend against any liability claims do not constitute loans or credits.“

In the 2014 business year, no loans and credits were granted (see compensation report, page 108).

b) In respect to post-employment benefits, Article 25 (2) provides as follows:

„(2) The members of the Executive Board are insured under employee benefit schemes and receive the benefits in accordance with the respective plans and regulations, inclusive of over-obligatory benefits. The members of the Board of Directors may join such employee benefit schemes, to the extent this is allowed under the respective regulations. The Company pays the employer's contributions to the employee benefit schemes as prescribed by the regulations. In connection with retirements before reaching the orderly pension age, the Company may make bridge payments to the benefit scheme beneficiaries or additional payments to the employee benefit schemes up to a maximum amount of half of the annual fixed compensation which the beneficiary has received in the year before his early retirement.“

With regard to the post-employment benefits contributions in the 2014 business year, see the compensation report page 107.

5.2.3 The vote on pay at the general meeting of shareholders

The General Meeting votes on the compensations of the Members of the Board of Directors and of the Executive Board in accordance with Article 24 (1) and (3) as follows:

„(1) The General Meeting annually approves - based on the proposal of the Board of Directors - separately and with binding effect, the maximum total amounts of compensations for the Board of Directors for the period until the next annual General Meeting and for the Executive Board for the business year following the annual General Meeting (the „approval period“). Within these maximum total amounts, compensations may be paid by the Company itself and / or by one or several other group companies.

[...]

(3) If the General Meeting rejects the approval of a proposed maximum total amount of compensation, the Board of Directors has to call a new General Meeting within six months.“

6 Shareholders’ participation rights

6.1 Voting-rights restrictions and representation

According to Article 14 of the Articles of Association, each share confers on the owner or usufructuary thereof entered in the share register as shareholder with voting rights the right to cast one vote.

There are no statutory voting-rights restrictions.

The right to attend General Meetings and to be represented by proxy are governed by Article 12 of the Articles of Association.

Voting-rights representation by the independent shareholder representative is governed by Article 13 of the Articles of Association and Articles 8 et seq. VegüV.

6.2 Rules on the issue of instructions to the independent shareholder representative and on the electronic participation in the General Meeting

Pursuant to Article 13 (4) of the Articles of Association, the Company ensures that the shareholders may submit their proxies and instructions to the independent shareholder representative also by electronic means. The Board of Directors determines the requirements for proxies and instructions. No electronic real-time participation in the General Meeting is foreseen.

6.3 Quorums stipulated by the Articles of Association

No quorum exceeding that prescribed by law is required under the Articles of Association in order to pass resolutions at General Meetings. According to Article 16 (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.

6.4 Calling the General Meeting, shareholders‘ right to request the inclusion of an agenda item

Calling the General Meeting, the procedure for calling a General Meeting, the right to call General Meetings and the right to request the inclusion of an agenda item are governed by Articles 10 and 11 of the Articles of Association.

6.5 Record date for entries in the share register

According to Article 12 (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 8 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

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 2014 business year by the annual General Meeting on 3 April 2014.

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 2014 as well as for reviewing the interim financial statements as per 30 June 2014 and the quarterly financial statements as per 31 March and 30 September 2014 amounted to CHF 0.64 million (previous year: CHF 0.64 million).

8.3 Additional fees

For the reporting period 2014, additional fees of CHF 0.06 million (previous year: CHF 0.04 million) were charged by PricewaterhouseCoopers AG for advice in the segments sustainability reporting as well as IT projects.

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 2014 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 3.6 on page 127, the Board of Directors and its Audit Committee may entrust the Statutory Auditors with special reviews, if required.

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

9 Information policy

PSP Swiss Property Ltd keeps its shareholders and the capital market supplied with full and up-to-date information as well as optimum transparency.

Financial reporting consists of quarterly, interim and annual reports. These are prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) and in compliance with Swiss law and the standards laid down by the SIX Swiss Exchange's Listing Rules.

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Sustainability report

Sustainability

For PSP Swiss Property, sustainability is based on three pillars:

- Ecological sustainability
- Economic sustainability
- Social sustainability

As a forward-looking company, we take our responsibility seriously in all three areas. This concerns both tenants and business partners as well as employees and shareholders; and, as a matter of course, it also includes the public and the environment. Consequently, we pursue a well-balanced corporate policy. And we apply this holistic approach both on a strategic level and in our daily business.

In order to communicate our activities and progress with regard to sustainability transparently, we have been publishing a sustainability report as a regular part of our annual report each year since 2010.

Ecological sustainability

A real estate company with a large property portfolio such as PSP Swiss Property has a certain obligation when it comes to ecological sustainability. Thereby, the focus in on energy and resource efficiency. Therefore, PSP Swiss Property strives to keep the Company's ecological footprint as small as possible.

For us, 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, planning, control and analysis). 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 has already reached respectively exceeded this goal: by the reporting year 2014, CO_2 emissions had been reduced by approximately 10 % compared to 2010. This solid result is based on the strict conversion of existing heating installations to heating systems with lower CO_2 output (from oil to gas, district heating or heat pumps) as well as various other optimisation measures.

The fact that we do well in sustainability surveys such as the „Carbon Disclosure Project“ or the „Global Real Estate Sustainability Benchmark“ is independent proof of our success in achieving ecological sustainability.

Relevant sustainability issues for PSP Swiss Property:

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 holistic 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 floor space which were in the investment portfolio at that time) for the 2010 business year and published the results in the 2010 annual report. The analysis shows the individual properties' current energy status and their consumption and emission levels.

In the reporting year 2014, 159 properties with 932 593 m^2 floor space were analysed (2013: 159 properties with 926 680 m^2 floor space). For the remaining properties (the portfolio included 161 investment properties at the end of 2014 and 2013), 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 complete data collection with regard to energy and water consumption at all properties enables us to deduce and implement optimisation and renovation measures. The goal is to continuously reduce energy and water consumption and to minimise CO_2 output.

The major environmental key figures were as follows in the reporting year and the previous year:

	2013		2014	
	Absolute	Specific figure per m^2	Absolute	Specific figure per m^2
Heating[1]	80.59 million kWh	87.0 kWh	68.60 million kWh	73.6 kWh
Electricity[2]	24.80 million kWh	26.8 kWh	24.3 million kWh	26.0 kWh
CO_2-eq (heating and electricity)[3]	18 440 t	19.9 kg	15 947 t	17.1 kg
Water consumption[4]	515 578 m^3	0.56 m^3	514 803 m^3	0.55 m^3

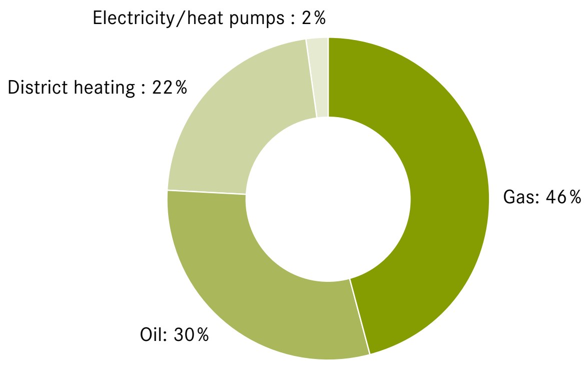
1 Energy for heating, hot water and ventilation; not adjusted for heating degree days (incl. increased demand by gastronomic use). The specific figure adjusted for heating degree days was 86.1 kWh/m^2 for 2014.

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

3 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). The figures are not adjusted for heating degree days. The specific figure adjusted for heating degree days was 19.48 kg/m^2 for 2014.

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

The following chart illustrates the energy sources for heating for the 2014 business year:



In the previous year, the figures were as follows: 50% gas, 29% oil, 20% district heating, 1% electricity/heat pumps.

Since 2014, we have been pooling the electricity purchases for our larger buildings; this lowers overall costs. And we obtain this supply exclusively from renewable sources, i.e. mainly from hydro power.

Heating energy consumption: Comparing 2013 to 2014 „like-for-like“ and adjusted for heating degree days, energy consumption respectively CO_2-eq for heating (absolute) were reduced by 1.0 % or 48 t CO_2-eq in 2014.

Electricity consumption: Due to optimisations in the previous year (in particular investments in measurement, instrumentation and control technology), we were able to reduce specific electricity consumption „like-for-like“ by 5.5 % in 2014 (now: 25.6 kWh/m^2). This corresponds to a reduction of 166 t CO_2.

Water consumption: Due to various optimisation measures which were mostly implemented in 2013, we were able to lower water consumption by 1.5 % in 2014 (2014: 0.55 m^3/m^2; 2013: 0.56 m^3/m^2).

Trend in environmental key figures: Comparing 2013 to 2014 „like-for-like“ and adjusted for heating degree days, energy consumption respectively CO_2-eq for heating and electricity (absolute) were reduced by 2.0 % or 214 t CO_2-eq in 2014.

Renovations: In 2014 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):

Complete renovations: Within the framework of conversions or replacements, the heating and ventilation systems as well as the measurement, instrumentation and control technology were completely replaced respectively renovated at the following properties: Bahnhofplatz 9, Löwenstrasse 16, Gutenbergstrasse 9 and Hardturmstrasse 161/ Förrlibuckstrasse 150 in Zurich as well as Rue F. Bonivard 12 / Rue des Alpes 11 in Geneva. Existing oil heating systems were replaced by gas, district heating or heat pumps. These measures will allow us to reduce energy consumption for heating by approximately 675 000 kWh; at the same time, CO_2 output will decrease by around 657 t.

Renovation of heating systems: In the following properties, the heating systems were replaced: Limmatquai 4, Theaterstrasse 12, Flüelastrasse 7, Kurvenstrasse 17 / Beckenhofstrasse 26 and Füsslistrasse 6 in Zurich as well as Heinrich-Stutzstrasse 27/29 in Urdorf. Thereby, oil heating systems were substituted by gas heating. All in all, we expect that these measures will lower energy consumption for heating by approximately 828 000 kWh and CO_2 output by around 202 t.

New building management system: At the property Seefeldstrasse 123 in Zurich, the measurement, instrumentation and control technology system was replaced. Due to better management and control of the installations we are able to lower CO_2 output by approximately 18 t.

Central energy control and alarm management system: Due to a comprehensive energy control and alarm management system, we are in a position to monitor our properties’ relevant consumption levels from one central control office.

In 2014, we integrated 17 additional properties into this central energy control and alarm management system. As at the end of 2014, we were able to monitor 35 properties from our central control office.

Due to our central energy control and alarm management system, we can see at a glance, if the current figures are within the tolerance range. If they deviate from normal levels – for instance, in the case of excessive water consumption – we can react immediately.

The constant monitoring of energy and water consumption not only increases energy efficiency; it also makes sense from an economic point of view: it lowers ancillary expenses and thus offers added value to the tenants. And if heating costs and CO_2 taxes decline, tenants are more willing to pay higher net rents. Eventually, ecological sustainability generates an „eco yield“ for the Company and its shareholders.

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 16). 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
- Consequent market orientation with an attractive floor space offer and active customer care
- Optimisation of operating expenses 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. In this regard, we are in an excellent position and continue to optimise our property portfolio constantly.

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 customers, 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.

Customers 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 customer care). This way, we also want to help our customers 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.

Independent assurance report on the PSP Sustainability Reporting

To the management of PSP Swiss Property AG („PSP“)

We have been engaged to perform assurance procedures to provide limited assurance on the sustainability reporting included in PSP’s Annual Report 2014 („Annual Report“) for the year ended December 31, 2014.

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, 2013 to June 30, 2014:

a) The management and reporting processes to collect and aggregate the environmental key figures;

b) The environmental key figures 2014 (Scope 1 & 2 for CO_2 emissions) in the table on page 138 in the Annual Report as well as the related control environment in relation to data aggregation of these key figures.

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. In addition, the quantification of environmental key figures is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases. Our assurance report should therefore be read in connection with PSP’s internal guidelines, definitions and procedures on the reporting of its sustainability performance.

PSP’s Responsibility

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.

Our Responsibility

We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information, and, in respect of greenhouse gas emissions, International Standard on Assurance Engagements 3410, Assurance Engagements on Greenhouse Gas Statements, issued by the International Auditing and Assurance Standards Board. These standards require that we plan and perform this engagement to obtain limited assurance about whether the Identified Sustainability Information is free from material misstatement.

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.

In accordance with International Standard on Quality Control 1, PricewaterhouseCoopers AG maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Main Assurance Procedures

Our limited assurance procedures included the following work:

- **Interviews**
  Interviewing personnel responsible for the collection and reporting of the data in relation with the environmental key figures at the PSP's offices in Geneva, Olten and Zurich;

- **Assessment of the key figures**
  Performing tests on a sample basis of evidence supporting the environmental key figures concerning completeness, accuracy, adequacy and consistency;

- **Review of the documentation and analysis of relevant policies and basic principles**
  Reviewing the relevant documentation on a sample basis, the management and reporting structures, and the documentation in relation with the sustainability reporting;

- **Assessment of the processes and data consolidation**
  Reviewing the appropriateness of the management and reporting processes for the environmental key figures of their sustainability reporting; and assessing the consolidation process of data at the group level.

Limited assurance conclusions

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention causing us to believe that for the reporting period from July 1, 2013 to June 30, 2014:

a) 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

b) the data and information mentioned in the subject matter does not present fairly, in all material respects PSP's environmental performance.

PricewaterhouseCoopers AG

Dr. Marc Schmidli   Jonas Buol

Zurich, 13 February 2015

Bahnhofstrasse 66, Zurich


LES AMBASSADEURS

Bahnhofstrasse 39, Zurich


BOSS
BOSS

Löwenstrasse 16, Zurich

Löwenbräu site, Zurich


XL

Gurten site, Wabern near Bern

Rue F. Bonivard 12 / Rue des Alpes 11, Geneva

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									
2014		82	169 639	11 978	10 000	147 660	62.2 %	185 924	58.4 %
2013		83	169 177	12 033	11 244	145 900	61.5 %	185 263	59.2 %
Geneva									
2014		16	37 601	4 430	2 420	30 752	13.0 %	41 254	13.0 %
2013		16	37 379	5 143	2 330	29 905	12.6 %	40 881	13.1 %
Basel									
2014		14	21 676	1 390	923	19 363	8.2 %	24 984	7.9 %
2013		13	20 814	1 371	549	18 893	8.0 %	21 356	6.8 %
Bern									
2014		12	12 288	979	740	10 569	4.5 %	13 652	4.3 %
2013		12	12 107	968	474	10 664	4.5 %	13 543	4.3 %
Lausanne									
2014		15	16 865	2 734	927	13 204	5.6 %	19 559	6.1 %
2013		15	15 665	2 553	1 341	11 771	5.0 %	19 234	6.2 %
Other locations									
2014		22	16 730	1 903	1 110	13 717	5.8 %	20 275	6.4 %
2013		22	16 062	1 540	2 509	12 013	5.1 %	20 128	6.4 %
Sites and development properties									
2014		10	3 971	1 484	321	2 166	0.9 %	12 576	4.0 %
2013		10	9 513	1 242	331	7 939	3.3 %	12 304	3.9 %
Overall total portfolio									
2014		**171**	**278 770**	**24 898**	**16 442**	**237 430**	**100.0 %**	**318 225**	**100.0 %**
2013		**171**	**280 716**	**24 851**	**18 779**	**237 086**	**100.0 %**	**312 709**	**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)
199 400	60.6%	– 13 690	3 912 065	59.2%	4.3%	3.8%	21 570	11.6%	78 048	14.1%
201 275	61.5%	73 652	3 894 748	60.2%	4.4%	3.8%	16 029	8.7%	59 608	10.7%
45 182	13.7%	– 12 549	876 709	13.3%	4.3%	3.5%	3 474	8.4%	6 330	7.1%
45 482	13.9%	28 521	884 664	13.7%	4.3%	3.5%	2 345	5.7%	4 737	5.3%
25 871	7.9%	17 991	475 496	7.2%	5.1%	4.6%	548	2.2%	1 592	1.8%
21 740	6.6%	6 896	383 202	5.9%	5.5%	5.0%	293	1.4%	1 221	1.6%
14 307	4.3%	3 497	243 129	3.7%	5.1%	4.4%	539	4.0%	2 304	5.4%
14 294	4.4%	15 264	238 219	3.7%	5.3%	4.6%	174	1.3%	1 207	2.8%
23 805	7.2%	14 144	337 322	5.1%	5.2%	4.0%	1 752	9.0%	8 274	10.1%
23 735	7.3%	21 716	315 969	4.9%	5.2%	3.9%	2 435	12.7%	15 650	19.6%
20 691	6.3%	– 4 242	316 415	4.8%	5.3%	4.3%	2 641	13.0%	10 799	12.5%
20 608	6.3%	1 601	317 128	4.9%	5.2%	3.9%	2 890	14.4%	11 920	13.7%
n.a.	n.a.	638	446 908	6.8%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
n.a.	n.a.	– 19 506	431 647	6.7%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
329 255	**100.0%**	**5 789**	**6 608 044**	**100.0%**	**4.5%**	**3.9%**	**30 524**	**10.0%**	**107 347**	**11.4%**
327 135	**100.0%**	**128 144**	**6 465 576**	**100.0%**	**4.6%**	**3.9%**	**24 167**	**8.0%**	**94 343**	**10.1%**

Additional information

Property details

Location, address 31 December 2014	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	2 191	0	0	839	3 030
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	3 937	0	0	406	4 343
Wallisellen, Richtistr. 3	5 578	7 357	0	0	0	7 357
Wallisellen, Richtistr. 5	5 197	6 494	0	0	548	7 042
Wallisellen, Richtistr. 7	4 582	8 666	0	0	549	9 215
Wallisellen, Richtistr. 9	4 080	5 245	0	624	126	5 995
Wallisellen, Richtistr. 11	4 988	6 985	0	0	382	7 367
Zürich, Alfred Escherstr. 17	275	996	0	0	0	996
Zürich, Altstetterstr. 124 / Herrligstr. 21	3 782	9 637	0	313	1 873	11 823
Zürich, Augustinergasse 25	236	277	0	314	123	714
Zürich, Bahnhofplatz 9	998	2 455	2 048	0	0	4 503
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	10 308	0	0	1 644	11 952
Zürich, Binzring 15/17	33 878	36 545	0	0	4 654	41 199
Zürich, Bleicherweg 10 / Schanzengraben 7	1 155	4 601	242	0	0	4 843
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	1 020	1 002	629	0	2 651
Zürich, Brandschenkestr. 150 (Markt)	3 693	3 453	1 346	0	169	4 968
Zürich, Brandschenkestr. 152 (Sudhaus)	5 194	0	0	3 802	4 759	8 561
Zürich, Brandschenkestr. 152a (DL4)	583	2 448	0	0	0	2 448
Zürich, Brandschenkestr. 152b (Kesselhaus)	818	699	0	0	0	699
Zürich, Dufourstr. 56	900	2 587	292	0	0	2 879
Zürich, Flüelastr. 7	1 296	2 582	433	0	219	3 234
Zürich, Förrlibuckstr. 10	4 122	7 514	0	0	604	8 118
Zürich, Förrlibuckstr. 60/62	10 382	13 299	0	877	10 210	24 386
Zürich, Förrlibuckstr. 66	2 055	4 910	0	0	2 023	6 933
Zürich, Förrlibuckstr. 110	2 963	9 356	360	410	1 407	11 533
Zürich, Förrlibuckstr. 151 (Parkhaus)	3 495	0	0	1 737	91	1 828
Zürich, Förrlibuckstr. 178/180	3 564	8 420	0	1 080	1 381	10 881
Zürich, Förrlibuckstr. 181	1 789	4 783	0	0	273	5 056
Zürich, Freieckgasse 7	295	285	89	210	224	808
Zürich, Füsslistr. 6	907	1 245	1 093	0	645	2 983

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	25.6 %	4.0 %	1966	2001	01.10.1999	PR	SO	100.0 %
121	0.8 %	5.7 %	1969 | 89	2010	01.06.2002	PR	SO	100.0 %
210	0.0 %	6.6 %	1976	2002 | 03 | 10 | 13	01.07.2004	PR	SO	100.0 %
90	8.2 %	8.1 %	1992	2010	01.10.1999	PR	CO	23.7 %
137	0.0 %	5.5 %	2000 | 01	2011	01.11.2001	PR	SO	100.0 %
126	41.9 %	2.5 %	2003	2011	01.04.2003	PR	SO	100.0 %
156	16.1 %	5.2 %	2003	2011	01.04.2003	PR	SO	100.0 %
105	6.1 %	4.1 %	2010		13.06.2008	PR	SO	100.0 %
123	19.3 %	4.4 %	2010		13.06.2008	PR	SO	100.0 %
0	0.0 %	4.4 %	1907	2000	01.10.1999	PR	SO	100.0 %
124	4.2 %	3.9 %	1974 | 75	1997 | 2011	01.10.1999	PR	SO	100.0 %
1	0.0 %	2.9 %	1850	1994 | 2000 | 04	01.04.2004	PP	SO	100.0 %
0	0.0 %	2.0 %	1933	2003 | 04 | 14	01.04.2004	PP	SO	100.0 %
0	0.0 %	2.9 %	1812	2005 | 10	01.04.2004	PP	SO	100.0 %
7	0.2 %	2.4 %	1911	1984 | 2003 | 13	01.01.2000	PR	SO	100.0 %
0	0.0 %	2.2 %	1967	1995 | 2014	01.07.2005	PP	SO	100.0 %
0	0.5 %	2.5 %	1931	2001	01.04.2004	PP	SO	100.0 %
144	53.7 %	2.1 %	1974	1992 | 2006	01.10.1999	PR	SO	100.0 %
140	0.0 %	5.7 %	1992		01.04.2001	PR	SO	100.0 %
17	92.6 %	4.7 %	1930 | 76	1985 | 2006 | 09	01.10.1999	PR	SO	100.0 %
7	0.0 %	3.9 %	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	0.9 %	3.9 %	2005		01.04.2004	PP	SO	100.0 %
272	0.3 %	3.8 %	2003		01.04.2004	PP	SO	100.0 %
0	0.0 %	3.8 %	2003		01.04.2004	PP	SO	100.0 %
0	0.0 %	3.5 %	2007		01.04.2004	PP	SO	100.0 %
0	0.0 %	3.4 %	1877 | 82	2004	01.04.2004	PP	SO	100.0 %
0	0.0 %	4.1 %	1882	2004	01.04.2004	PP	SO	100.0 %
0	0.0 %	4.7 %	1913	2012	01.04.2004	PP	SO	100.0 %
0	0.0 %	10.8 %	2008		01.04.2004	PP	SO	100.0 %
0	0.0 %	5.3 %	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	21.2 %	2.9 %	1982	2007	01.10.1999	PR	SO	100.0 %
85	2.4 %	5.3 %	1963	2002	29.06.2001	PR	SO	100.0 %
312	19.9 %	5.3 %	1989		01.04.2001	PR	SO	100.0 %
81	5.2 %	6.3 %	1969	1992 | 2003 | 04	01.12.2002	PR	SO	100.0 %
64	22.5 %	4.5 %	1962	2000	01.12.2002	PR	SO	100.0 %
1 137	0.3 %	4.4 %	1975	2000	01.12.2002	PR	SO	100.0 %
101	34.9 %	4.2 %	1988		01.12.2002	PR	SO	100.0 %
32	15.6 %	5.9 %	2002		01.12.2002	PR	SO	100.0 %
0	0.0 %	4.0 %	1700	1992 | 2012	01.04.2004	PP	SO	100.0 %
3	2.1 %	2.5 %	1925	1998 | 2005	01.04.2001	PR	SO	100.0 %

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

6 Own-used property.

7 Purchase during reporting period.

8 See details on pages 168 to 169.

9 Current development projects designed for sale.

10 Current development projects partially designed for sale.

Location, address	31 December 2014	Land area m²	Office area m²	Retail area m²	Gas-tronomy area m²	Other area m²	Total rentable area m²
Zurich area (continuation)							
Zürich, Gartenstr. 32		694	1 714	0	0	0	1 714
Zürich, Genferstr. 23		343	915	0	0	111	1 026
Zürich, Gerbergasse 5		606	1 868	795	0	33	2 696
Zürich, Goethestr. 24		842	613	0	116	91	820
Zürich, Gutenbergstr. 1/9		1 488	7 240	834	0	977	9 051
Zürich, Hardturmstr. 131, 133, 135		6 236	16 447	1 323	0	6 820	24 590
Zürich, Hardturmstr. 161 / Förrlibuckstr. 150		8 225	27 778	1 357	131	7 978	37 244
Zürich, Hardturmstr. 169, 171, 173, 175		5 189	10 788	857	86	7 890	19 621
Zürich, Hardturmstr. 181, 183, 185		6 993	18 181	0	0	1 786	19 967
Zürich, Hottingerstr. 10 – 12		1 922	3 733	0	0	605	4 338
Zürich, In Gassen 16		331	0	0	488	610	1 098
Zürich, Konradstr. 1 / Zollstr. 6		686	283	166	190	2 250	2 889
Zürich, Kurvenstr. 17 / Beckenhofstr. 26		657	1 580	0	0	167	1 747
Zürich, Limmatquai 4		529	2 371	159	216	91	2 837
Zürich, Limmatquai 144 / Zähringerstr. 51		429	1 476	0	243	367	2 086
Zürich, Limmatstr. 250 – 254/264/266 («Red»)		4 705	7 769	0	0	748	8 517
Zürich, Limmatstr. 291		973	2 906	0	0	154	3 060
Zürich, Lintheschergasse 23		135	359	0	80	186	625
Zürich, Löwenstr. 22		250	643	198	0	115	956
Zürich, Mühlebachstr. 6		622	621	0	0	0	621
Zürich, Mühlebachstr. 32		536	1 909	0	0	217	2 126
Zürich, Obstgartenstr. 7		842	1 881	0	0	0	1 881
Zürich, Poststr. 3		390	813	710	0	178	1 701
Zürich, Schaffhauserstr. 611		2 561	2 814	586	0	194	3 594
Zürich, Seebahnstr. 89		2 455	2 993	753	0	1 120	4 866
Zürich, Seefeldstr. 5		498	605	0	307	294	1 206
Zürich, Seefeldstr. 123		2 580	6 481	1 553	0	251	8 285
Zürich, Seestr. 353[6]		3 593	6 887	0	0	819	7 706
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	863	1 607
Zürich, Theaterstr. 12		1 506	2 233	4 323	0	40	6 596
Zürich, Theaterstr. 22		324	459	0	283	237	979
Zürich, Uraniastr. 9		989	3 505	315	909	669	5 398
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	1 803	260	0	780	2 843
Total		**259 132**	**414 658**	**30 254**	**14 079**	**93 855**	**552 846**

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
21	0.0 %	4.3 %	1967	1986 | 2005	01.07.2005	PP	SO	100.0 %
0	100.0 %	− 5.6 %	1895	1998 | 2014	01.10.1999	PR	SO	100.0 %
3	0.5 %	3.4 %	1904	1993 | 2010 | 12	27.05.2004	PP	SO	100.0 %
0	0.0 %	− 0.1 %	1874	2014	01.04.2004	PP	SO	100.0 %
14	37.2 %	2.5 %	1969	1986 | 2008	31.12.2004	PR	SO	100.0 %
41	15.9 %	4.2 %	1982	2008	01.12.2002	PR	SO	100.0 %
83	52.0 %	4.5 %	1975	1999	01.12.2002	PR	SO	100.0 %
44	16.0 %	4.7 %	1952	1997 | 2006	01.12.2002	PR	SO	100.0 %
193	39.1 %	4.0 %	1989		01.12.2002	PR	SO	100.0 %
18	5.1 %	3.7 %	1914 | 40	1994	01.04.2001	PR	SO	100.0 %
0	0.0 %	3.3 %	1812	1984 | 2007	01.04.2004	PP	SO	100.0 %
7	2.6 %	3.5 %	1879 | 1982	1990	01.04.2004	PP	SO	100.0 %
35	0.3 %	4.2 %	1971	1999 | 2006 | 07 | 12	01.10.1999	PR	SO	100.0 %
0	16.2 %	3.5 %	1837	2000	01.01.2000	PR	SO	100.0 %
0	0.0 %	3.8 %	1888	1994	01.04.2004	PP	SO	100.0 %
34	6.1 %	3.7 %	2013		01.10.2010	PP	SO	100.0 %
7	0.0 %	5.5 %	1985		01.04.2001	PR	SO	100.0 %
3	1.6 %	2.8 %	1879	2001	01.04.2004	PP	SO	100.0 %
4	1.1 %	4.1 %	1964	2003 | 07 | 11	31.12.2000	PR	SO	100.0 %
7	0.0 %	4.4 %	1975	1993	01.10.1999	PR	FA	29.8 %
21	1.5 %	4.2 %	1981	1999 | 2007	01.10.1999	PR	SO	100.0 %
16	0.4 %	4.5 %	1958	1981 | 2002	01.10.1999	PR	SO	100.0 %
0	0.0 %	3.5 %	1893	1999	01.10.1999	PR	SO	100.0 %
61	34.7 %	3.4 %	2001 | 02		01.07.2005	PP	SO	100.0 %
77	2.1 %	4.8 %	1959	2003 | 08	01.04.2001	PR	SO	100.0 %
0	0.0 %	3.6 %	1840	2000	01.04.2004	PP	SO	100.0 %
90	1.1 %	3.3 %	1972	2004	01.10.1999	PR	SO	100.0 %
125	23.8 %	3.8 %	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	0.0 %	3.8 %	1896	1998 | 2011	01.10.1999	PR	SO	100.0 %
35	1.5 %	4.3 %	1929	1999 | 2001 | 07	01.10.1999	PR	SO	100.0 %
4	0.0 %	3.7 %	1896	2000	01.04.2004	PP	SO	100.0 %
3	0.2 %	2.9 %	1973	1993 | 2004 | 07	01.10.1999	PR	SO	100.0 %
0	0.0 %	3.0 %	2013		01.04.2004	PP	SO	100.0 %
2	6.7 %	3.4 %	1906	1992 | 2002	01.04.2004	PP	SO	100.0 %
6	0.0 %	4.1 %	1919	2000 | 08 | 09	01.10.1999	PR	SO	100.0 %
125	14.8 %	2.7 %	1981	2006	01.04.2004	PP	SO	100.0 %
17	2.0 %	4.2 %	1972 | 73	2006	01.10.1999	PR	SO	100.0 %
7	0.4 %	0.7 %	1958	2003	01.10.1999	PR	SO	100.0 %
4 872	**11.6 %**	**3.8 %**						

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

6 Own-used property.

7 Purchase during reporting period.

8 See details on pages 168 to 169.

9 Current development projects designed for sale.

10 Current development projects partially designed for sale.

Location, address	31 December 2014	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	4 435	1 164	0	107	5 706
Genève, Place du Molard 7		593	2 136	0	843	401	3 380
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	1 612	590	0	211	2 413
Genève, Rue de la Fontaine 5		226	1 056	173	0	77	1 306
Genève, Rue des Bains 31 – 33, 35		3 368	11 084	878	0	72	12 034
Genève, Rue du Grand-Pré 54, 56, 58		2 864	5 724	0	0	552	6 276
Genève, Rue du Marché 40		798	3 067	2 184	0	120	5 371
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	366	134	958	3 776
Genève, Rue F. Bonivard 12 / Rue des Alpes 11		392	2 006	275	0	83	2 364
Genève, Rue Richard-Wagner 6		6 634	9 976	0	0	0	9 976
Petit-Lancy, Av. des Morgines 8/10		7 777	13 409	0	0	2 446	15 855
Total		**32 717**	**75 210**	**6 602**	**977**	**5 899**	**88 688**
Basel area							
Basel, Barfüsserplatz 10		3 655	336	0	530	311	1 177
Basel, Dornacherstr. 210		4 994	9 244	2 753	0	1 315	13 312
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	546	0	1 050	1 795
Basel, Grosspeterstr. 18, 20		8 062	12 887	0	0	666	13 553
Basel, Hochstr. 16 / Pfeffingerstr. 5		7 018	15 220	0	0	0	15 220
Basel, Kirschgartenstr. 12/14		1 376	4 949	789	137	485	6 360
Basel, Marktgasse 4		272	375	373	0	323	1 071
Basel, Marktgasse 5		330	970	273	0	102	1 345
Basel, Marktplatz 30/30A		560	2 070	0	431	298	2 799
Basel, Peter Merian-Str. 88/90[7]		3 900	12 698	0	0	113	12 811
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		**35 244**	**70 444**	**4 976**	**1 917**	**13 188**	**90 525**

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	0.0 %	4.6 %	1965	2006 | 10 | 13	31.12.2000	PR	SO	100.0 %
5	0.0 %	4.7 %	1987		01.01.2000	PR	SO	100.0 %
64	24.6 %	1.6 %	1981		01.10.1999	PR	SO	100.0 %
0	0.0 %	2.6 %	1975	2005 | 06	01.04.2004	SI	SO	100.0 %
0	0.0 %	4.8 %	1895	1999	01.04.2001	PR	SO	100.0 %
6	24.8 %	2.3 %	1825	1996 | 2014 | 15	01.10.1999	PR	SO	100.0 %
0	0.0 %	3.0 %	1920	2000 | 01	01.10.1999	PR	SO	100.0 %
255	10.2 %	4.0 %	1994		01.07.2002	PR	SO	100.0 %
50	16.7 %	3.9 %	1984	1992 | 2007	01.12.2005	PR	SO	100.0 %
0	18.2 %	2.1 %	1972	2006	01.07.2002	PR	SO	100.0 %
0	0.0 %	4.2 %	1860	2000	01.10.1999	PR	SO	100.0 %
4	0.0 %	3.7 %	1966	2000 | 01 | 06	01.01.2000	PR	SO	100.0 %
0	0.0 %	4.0 %	1962	1992 | 2001 | 11	01.10.1999	PR	SO	100.0 %
0	32.3 %	1.6 %	1852	1995 | 2013 | 14	01.10.1999	PR	SO	100.0 %
69	0.0 %	3.8 %	1986		01.07.2004	PR	SO	100.0 %
186	0.5 %	6.1 %	2002 | 04		01.02.2004	PR	SO	100.0 %
820	**8.4 %**	**3.5 %**						
0	0.0 %	3.2 %	1914	1997 | 2006 | 11	01.04.2004	PP	SO	100.0 %
5	2.1 %	4.5 %	1969	1998 | 2004 | 06 | 15	31.12.2000	PR	SO	100.0 %
0	0.0 %	4.2 %	1902	1998 | 2005 | 08 | 12	01.04.2004	PP	SO	100.0 %
0	3.8 %	4.3 %	1896	1981 | 82 | 2005	01.07.2005	PP	SO	100.0 %
0	67.8 %	0.6 %	1930	1984 | 98 | 2015	01.04.2004	PP	SO	100.0 %
100	1.0 %	6.7 %	1988		01.12.2005	PR	SO	100.0 %
227	0.0 %	5.4 %	1986	2000	01.01.2001	PR	SO	100.0 %
90	0.3 %	5.1 %	1978	2003 | 05 | 10	01.01.2000	PR	SO	100.0 %
0	0.0 %	4.4 %	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 %	3.7 %	1936	2001 | 06	01.04.2004	PP	SO	100.0 %
108	0.7 %	3.8 %	2000		01.09.2014	PR	FA	100.0 %
53	0.0 %	4.6 %	1968	2000 | 11	01.10.1999	PR	SO	100.0 %
69	0.2 %	4.6 %	1991		01.12.2001	PR	SO	100.0 %
652	**2.2 %**	**4.6 %**						

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

6 Own-used property.
7 Purchase during reporting period.
8 See details on pages 168 to 169.
9 Current development projects designed for sale.
10 Current development projects partially designed for sale.

Location, address	31 December 2014	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	435	119	162	1 931
Bern, Eigerstr. 2		3 342	4 350	112	0	222	4 684
Bern, Genfergasse 4		325	951	0	544	291	1 786
Bern, Haslerstr. 30 / Effingerstr. 47		2 585	6 107	0	0	879	6 986
Bern, Kramgasse 49		235	50	173	260	309	792
Bern, Kramgasse 78		241	178	510	0	325	1 013
Bern, Laupenstr. 10		969	1 835	0	569	247	2 651
Bern, Laupenstr. 18/18a		5 436	7 053	1 255	174	833	9 315
Bern, Seilerstr. 8a		1 049	3 658	386	0	590	4 634
Bern, Spitalgasse 9		0	819	1 405	0	122	2 346
Bern, Waisenhausplatz 14		826	1 215	1 838	0	313	3 366
Bern, Zeughausgasse 26/28		629	687	395	1 755	622	3 459
Total		**16 040**	**28 118**	**6 509**	**3 421**	**4 915**	**42 963**
Lausanne area							
Lausanne, Av. de Cour 135		1 800	2 212	0	263	430	2 905
Lausanne, Avenue de Sévelin 40		3 060	1 698	0	0	4 969	6 667
Lausanne, Avenue de Sévelin 46		3 320	8 182	0	754	6 315	15 251
Lausanne, Avenue de Sévelin 54		1 288	544	0	0	2 487	3 031
Lausanne, Ch. du Rionzi 52, Depot		0	3 407	0	0	5 662	9 069
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	2 326	1 633	1 561	368	5 888
Lausanne, Place Saint-François 15		5 337	8 681	1 616	0	41	10 338
Lausanne, Rue Centrale 15		486	1 246	576	0	493	2 315
Lausanne, Rue de Sébeillon 1, 3, 5		2 870	7 896	0	0	4 518	12 414
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	319	755	639	4 582
Total		**30 594**	**44 549**	**7 159**	**3 701**	**26 593**	**82 002**
Other locations							
Aarau, Bahnhofstr. 18		496	1 334	739	0	43	2 116
Aarau, Bahnhofstr. 29/33		1 375	2 117	1 587	0	570	4 274
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	3 422	0	2 779	13 016
Fribourg, Av. de Beauregard 1		1 657	3 183	0	0	112	3 295
Fribourg, Route des Arsenaux 41		4 310	8 510	337	509	1 406	10 762
Fribourg, Rue de la Banque 4 / Rte d. Alpes		269	890	545	0	99	1 534
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 %	4.0 %	1924	2002	01.10.1999	PR	SO	100.0 %
115	27.1 %	4.1 %	1964	1999 | 2005 | 11	01.10.1999	PR	SO	100.0 %
0	0.0 %	3.9 %	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 %	2.7 %	1900	2011 | 13	01.04.2004	IS	SO	100.0 %
0	14.4 %	4.0 %	before 1900	1991 | 92	01.07.2005	PP	SO	100.0 %
0	0.0 %	4.4 %	1965	1997 | 2004 | 11	01.07.2004	PR	SO	100.0 %
7	5.1 %	4.1 %	1935 | 60	1997 | 2009 | 12	01.07.2004	PR	SO	100.0 %
58	0.0 %	5.3 %	1971	2001	01.10.1999	PR	SO	100.0 %
0	0.1 %	9.5 %	before 1900	2001 | 06	01.07.2005	PP	BL	100.0 %
0	0.7 %	3.5 %	1950	2001	01.10.1999	PR	SO	100.0 %
0	0.0 %	5.0 %	1900	1999	01.04.2004	IS	SO+BL	100.0 %
186	**4.0 %**	**4.4 %**						
23	7.6 %	4.6 %	1973	2001 | 04 | 05	01.10.1999	PR	SO	100.0 %
146	23.6 %	4.1 %	1992		01.12.2005	PR	SO	100.0 %
4	3.2 %	4.7 %	1994		01.12.2005	PR	SO	100.0 %
0	0.0 %	7.4 %	1932	1990 | 2002	01.12.2005	PR	SO	100.0 %
77	33.4 %	1.5 %	1971	1996 | 2014	01.04.2004	IS	BL	100.0 %
8	4.7 %	6.8 %	1971	1998	01.04.2001	PR	SO	100.0 %
0	0.0 %	4.1 %	1957	2000	01.07.2005	PP	SO	100.0 %
0	4.2 %	2.8 %	1913	1989 | 2004	01.10.1999	PR	SO	100.0 %
63	0.0 %	4.5 %	1900	1998 | 2003 | 04	01.04.2001	PR	SO	100.0 %
0	8.6 %	3.4 %	1938	1987 | 2013	01.01.2000	PR	SO	100.0 %
61	6.2 %	5.2 %	1963	1998	01.12.2005	PR	SO	100.0 %
221	5.1 %	4.2 %	1930	1998	01.12.2005	PR	SO	100.0 %
0	0.0 %	4.1 %	1910 | 11	1985 | 2001	01.10.1999	PR	SO	100.0 %
0	3.1 %	3.4 %	1952	2003	01.07.2005	PP	SO	100.0 %
139	47.8 %	2.4 %	1962 | 63	1998 | 2002	31.12.2000	PR	SO	100.0 %
742	**9.0 %**	**4.0 %**						
34	0.0 %	5.0 %	1968	2001 | 02 | 06	01.01.2000	PR	SO	100.0 %
18	0.0 %	5.3 %	1971	2004 | 09 | 10	01.03.2008	PR	SO	100.0 %
0	0.0 %	4.5 %	1945	2000	01.07.2005	PP	SO	100.0 %
0	0.0 %	6.0 %	1985		01.04.2004	IS	SO	100.0 %
63	1.1 %	4.9 %	1994		15.12.2005	PR	SO	100.0 %
80	34.1 %	3.6 %	1928 | 62	1986 | 93 | 2012	01.08.2006	PR	SO	100.0 %
67	15.4 %	4.0 %	1993		01.10.1999	PR	SO	100.0 %
142	39.3 %	3.0 %	1997		15.12.2005	PR	SO	100.0 %
3	0.7 %	3.8 %	1970	2001	01.01.2000	PR	SO	100.0 %
0	0.0 %	4.6 %	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 Purchase during reporting period.

8 See details on pages 168 to 169.

9 Current development projects designed for sale.

10 Current development projects partially designed for sale.

Location, address	31 December 2014	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	2 262	334	0	595	3 191
Olten, Baslerstr. 44		657	2 063	405	0	596	3 064
Rheinfelden, Bahnhofstr. 21		11 473	1 272	0	161	2 208	3 641
Solothurn, Gurzelngasse 6		0	475	507	0	44	1 026
Uster, Bankstr. 11		960	0	207	201	557	965
Winterthur, Marktgasse 74		351	0	658	0	530	1 188
Winterthur, Untertor 34		146	404	0	95	220	719
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**	**45 308**	**10 462**	**966**	**29 850**	**86 586**
Sites and development properties[8]							
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»		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		68 707	n.a.	n.a.	n.a.	n.a.	n.a.
Wädenswil, Areal Wädenswil		19 354	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, Limmatstr., Löwenbräu-Areal		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		**161 770**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
Overall total portfolio		**603 059**	**678 287**	**65 962**	**25 061**	**174 300**	**943 610**

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 %	4.2 %	2013		30.01.2012	PP	BL	100.0 %
0	11.9 %	3.8 %	1900	1980	01.07.2005	PP	SO	100.0 %
44	0.3 %	5.4 %	1989	2010	01.10.1999	PR	SO	100.0 %
21	0.0 %	5.0 %	1964	1993 | 95 | 2009 | 11	01.01.2000	PR	SO	100.0 %
48	11.3 %	4.7 %	1934	2001	01.04.2004	PP	SO	100.0 %
0	6.5 %	3.0 %	1962	2001	01.07.2005	PP	BL	100.0 %
11	0.0 %	4.8 %	1928	1996	01.04.2004	PP	SO	100.0 %
0	0.0 %	4.4 %	1595	2002 | 03 | 14	01.07.2005	PP	SO	100.0 %
0	11.5 %	3.8 %	1879	1996 | 2014	01.04.2004	PP	SO	100.0 %
1	0.0 %	4.5 %	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	**13.0 %**	**4.3 %**						
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.**						
7 804	**10.0 %**	**3.9 %**						

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

6 Own-used property.
7 Purchase during reporting period.
8 See details on pages 168 to 169.
9 Current development projects designed for sale.
10 Current development projects partially designed for sale.

Additional information development projects

„Salmenpark“
Rheinfelden

Project description:	State of project: in construction (stage 1)	Completion:
Project with mixed use (residential, office, trade and commerce). Overall project with approx. 59 000 m² usable floor space and CHF 250 million investment sum.	Project with approx. 32 000 m² usable floor space (thereof 113 freehold apartments and 36 apartments for rent) Planned investment sum: approx. CHF 180 million (thereof CHF 67.1 mio. spent) Sale: 46 apartments Letting level: 45 % of the commercial area and 13 apartments for rent	2016

Project „Genève Plage“
Geneva/Cologny, Port Noir

Project description:	State of project: in construction	Completion:
New wellness/spa construction.	Planned investment sum: approx. CHF 30 million (thereof CHF 11.4 mio. spent) Letting level: 100 %	End of 2015

Project „Löwenstrasse“
Zurich, Löwenstrasse 16

Project description:	State of project: in construction	Completion:
New building (four floors) with mixed use (office and retail space).	Planned investment sum: approx. CHF 6 million (thereof CHF 5.1 mio. spent) Letting level: 3rd floor and apartment 4th floor	Q1 2015

Project „Bahnhofquai/Bahnhofplatz“
Zurich, Bahnhofplatz 1 and 2, Bahnhofquai 9, 11, 15, Waisenhausstrasse 2/4, Bahnhofquai 7

Project description:	State of project: in construction (stage 1)	Completion:
Total renovation (in particular of the infrastructure and technical installations) in three stages. Overall planned investment sum: approx. CHF 78 million.	Properties on Bahnhofplatz 1 and Bahnhofquai 9, 11, 15 Planned investment sum: approx. CHF 33 million (thereof CHF 4.1 mio. spent) Letting: n.a.	2016
Project description:	**State of project: in construction (stage 2)**	**Completion:**
Total renovation (in particular of the infrastructure and technical installations) in three stages. Overall planned investment sum: approx. CHF 78 million.	Properties on Waisenhausstrasse 2/4 and Bahnhofquai 7 Planned investment sum: approx. CHF 33 million (thereof CHF 0.5 mio. spent) Letting: n.a.	2018

Project „Bahnhofstrasse / Börsenstrasse"
Zurich, Bahnhofstr. 10 / Börsenstr. 18

Project description:	State of project: in construction	Completion:
Comprehensive renovation, in particular of the technical installations.	Planned investment sum: approx. CHF 15 million (thereof CHF 3.3 mio. spent) Lettinglevel: 80%	Summer 2015

Project „Grosspeter Tower"
Basel, Grosspeterstrasse 18, 20

Project description:	State of project: in construction	Completion:
New tower (Zero emission) building with mixed use (hotel and office space). Project with approx. 18 000 m^2 usable floor space	Planned investment sum: approx. CHF 115 million (thereof CHF 12.3 mio. spent) Letting: n.a.	End of 2016

„Paradiso" site
Lugano, Via Bosia 5

Project description:	State of project: in planning	Completion:
Project with freehold apartments, office and retail space. Project with 65 freehold apartments (11 200 m^2) as well as office space (1 400 m^2) and retail space (750 m^2) Construction start: n.a.	Planned investment sum: approx. CHF 65 million Sale: n.a.	n.a.

Property purchases in 2014

Location, address	Land area m²	Office area m²	Retail area m²
Basel, Peter Merian-Str. 88/90	3 900	12 698	0

Property sales in 2014

Location, address	Land area m²	Office area m²	Retail area m²
Zürich, Albulastr. 57	1 266	2 126	0

Expiry of lease contracts as at 31 December 2014

	Market adjustment option by PSP Swiss Property	Legal termination option by tenant
Contracts not limited in time, but subject to notice	8 %	8 %
2015	9 %	10 %
2016	19 %	21 %
2017	14 %	15 %
2018	12 %	11 %
2019	12 %	12 %
2020	3 %	3 %
2021	3 %	2 %
2022	3 %	2 %
2023	2 %	4 %
2024	2 %	1 %
2025+	13 %	11 %
Total	100 %	100 %

Gastronomy area m²	Other area m²	Total rentable area m²	Parking spaces	Purchase date
0	113	12 811	108	01.09.2014

Gastronomy area m²	Other area m²	Total rentable area m²	Parking spaces	Purchase date	Selling date
0	596	2 722	51	31.12.2000	30.04.2014

Tenant Structure

	31 December 2013	31 December 2014
Swisscom	10 %	10 %
Google	4 %	5 %
JT International	3 %	3 %
Roche	n.a.	3 %
Schweizer Post	2 %	2 %
Bär&Karrer	2 %	n.a.
Next five largest tenants	8 %	9 %
Other	71 %	68 %
Total	**100 %**	**100 %**

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

Five year review

Key financial figures	Unit	2010	2011	2012 restated[1]	2013	2014
Rental income	CHF 1 000	262 979	270 675	272 849	279 143	277 150
EPRA like-for-like change	%	2.6	2.0	1.5	1.7	0.2
Net changes in fair value of real estate investments	CHF 1 000	180 588	325 068	266 851	128 144	5 789
Income from property sales	CHF 1 000	3 467	7 504	12 924	13 048	8 839
Total other income	CHF 1 000	7 363	10 337	8 351	6 088	6 987
Total operating income	CHF 1 000	**454 396**	**613 584**	**560 975**	**426 423**	**298 765**
Total operating expenses	CHF 1 000	**– 55 309**	**– 53 531**	**– 56 521**	**– 56 571**	**– 53 730**
Operating income before financial expenses	CHF 1 000	**399 087**	**560 053**	**504 455**	**369 852**	**245 035**
Net financial expenses	CHF 1 000	– 46 297	– 44 267	– 37 238	– 30 878	– 30 662
Operating profit before taxes	CHF 1 000	**352 791**	**515 786**	**467 217**	**338 974**	**214 373**
Income taxes	CHF 1 000	– 76 869	– 111 792	– 98 832	– 67 980	– 39 027
Net income from continuing operations	CHF 1 000	275 921	403 994	368 385	270 993	175 346
Net income from discontinued operations	CHF 1 000	4 904	0	0	0	0
Total net income	CHF 1 000	**280 825**	**403 994**	**368 385**	**270 993**	**175 346**
Total net income excluding gains/losses on real estate investments[2]	CHF 1 000	**139 780**	**149 020**	**161 367**	**173 643**	**169 345**
Ebitda excluding gains/losses on real estate investments	CHF 1 000	**223 309**	**232 532**	**238 308**	**242 480**	**238 242**
Ebitda margin	%	80.3	81.5	81.0	81.3	81.8
Interest coverage ratio[3]	Factor	4.8	5.3	6.4	7.9	7.8
Cash flow from operating activities	CHF 1 000	**144 627**	**173 793**	**140 290**	**194 108**	**226 004**
Cash flow from investing activities	CHF 1 000	– 110 053	– 41 611	– 67 314	– 73 179	– 171 360
Cash flow from financing activities	CHF 1 000	– 59 547	– 113 965	– 70 367	– 117 118	– 59 803
Cash flow from operating activities from discontinued operations	CHF 1 000	8 042	0	0	0	0
Total assets	CHF 1 000	**5 589 187**	**6 050 916**	**6 356 255**	**6 541 812**	**6 684 665**
Non-current assets	CHF 1 000	5 409 400	5 800 391	6 154 808	6 351 502	6 545 624
Current assets	CHF 1 000	179 786	250 525	201 447	190 309	139 041
Shareholders' equity	CHF 1 000	**2 942 902**	**3 268 894**	**3 691 551**	**3 839 230**	**3 840 795**
Equity ratio	%	52.7	54.0	58.1	58.7	57.5
Return on equity	%	9.7	13.0	10.6	7.2	4.6
Liabilities	CHF 1 000	**2 646 285**	**2 782 022**	**2 664 704**	**2 702 582**	**2 843 869**
Non-current liabilities	CHF 1 000	2 502 868	2 285 553	2 396 261	2 348 628	2 740 801
Current liabilities	CHF 1 000	143 417	496 469	268 443	353 954	103 068
Interest-bearing debt	CHF 1 000	1 995 248	1 946 894	1 808 286	1 838 784	1 928 669
Interest-bearing debt in % of total assets	%	35.7	32.2	28.4	28.1	28.9
Interest-bearing debt with fixed interest rates (maturity > 1 year)	%	92.0	82.0	85.6	77.2	83.9
Average interest rate (period)	%	2.58	2.56	2.37	1.95	1.76
Average remaining term to maturity interest-bearing debt	Year	3.2	2.9	3.7	3.4	3.9

Portfolio key figures	Einheit	2010	2011	2012 restated[1]	2013	2014
Number of properties	Number	175	168	163	161	161
Carrying value properties	CHF 1 000	**5 309 727**	**5 611 591**	**5 968 097**	**6 033 930**	**6 161 136**
Implied yield, gross[4]	%	5.1	4.9	4.7	4.6	4.5
Implied yield, net[4]	%	4.2	4.2	3.9	3.9	3.9
Vacancy rate end of period (CHF)[4]	%	8.5	8.3	8.0	8.0	10.0
Number of sites and development properties	Number	7	9	9	10	10
Carrying value sites and development properties	CHF 1 000	**208 595**	**346 879**	**314 430**	**431 647**	**446 908**

Employees						
End of period	Posts	82	84	84	86	83
Full-time equivalents	Posts	78	77	78	79	78

Per share figures						
Earnings per share (EPS)[5]	CHF	6.62	9.40	8.21	5.91	3.82
EPS excluding gains/losses on real estate investments[5]	CHF	**3.30**	**3.47**	**3.60**	**3.79**	**3.69**
Distribution per share	CHF	**2.80**	**3.00**	**3.20**	**3.25**	**3.25[6]**
Payout ratio[7]	%	84.8	86.5	88.9	85.8	88.1
Cash yield[8]	%	3.7	3.8	3.7	4.3	3.8
Net asset value per share (NAV)[9]	CHF	**68.87**	**75.28**	**80.48**	**83.70**	**83.74**
Premium/(discount) to NAV[10]	%	8.9	4.4	7.0	– 9.8	2.5
NAV per share before deduction of deferred taxes[9]	CHF	**80.86**	**89.02**	**95.00**	**99.25**	**99.57**
Premium/(discount) to NAV before deduction of deferred taxes[10]	%	– 7.2	– 11.7	– 9.8	– 23.9	– 13.8
Share price high	CHF	78.50	83.50	89.95	91.25	86.50
Share price low	CHF	58.25	67.00	75.40	74.15	74.25
Share price end of period	CHF	**75.00**	**78.60**	**86.55**	**75.50**	**85.80**
Issued shares	Number	45 867 891	45 867 891	45 867 891	45 867 891	45 867 891
Own shares	Number	3 138 885	2 446 896	0	0	0
Outstanding shares	Number	42 729 006	43 420 995	45 867 891	45 867 891	45 867 891
Average outstanding shares	Number	42 412 246	42 978 982	44 876 202	45 867 891	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 16, 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 1 April 2015 for the business year 2014: 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.
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 2015
1 April 2015, Kongresshaus, Zurich

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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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