

Short Version

**ANNUAL
REPORT**

2014

Key figures

Key financial figures (in CHF 1 000)	2013	2014	Change¹
Rental income	279 143	277 150	- 0.7 %
EPRA like-for-like change	1.7 %	0.2 %	
Net changes in fair value of real estate investments	128 144	5 789	
Income from property sales	13 048	8 839	
Total other income	6 088	6 987	
Net income	270 993	175 346	- 35.3 %
Net income excluding gains/losses on real estate investments ²	173 643	169 345	- 2.5 %
Ebitda excluding gains/losses on real estate investments	242 480	238 242	- 1.7 %
Ebitda margin	81.3 %	81.8 %	
Total assets	6 541 812	6 684 665	2.2 %
Shareholders' equity	3 839 230	3 840 795	0.0 %
Equity ratio	58.7 %	57.5 %	
Return on equity	7.2 %	4.6 %	
Interest-bearing debt	1 838 784	1 928 669	4.9 %
Interest-bearing debt in % of total assets	28.1 %	28.9 %	

Portfolio key figures (in CHF 1 000)			
Number of properties	161	161	
Carrying value properties	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	10	10	
Carrying value sites and developments properties	431 647	446 908	3.5 %

Employees (posts)			
End of period	86	83	
Full-time equivalents	79	78	

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

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**This short version is an extract from the 2014 Annual Report.
The 2014 Annual Report is available under www.psp.info/reports.**

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.

www.psp.info

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

- 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 12, footnote 1.
- 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.

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 Europe 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

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

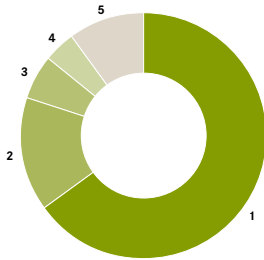
EPRA NAV also includes deferred taxes as well as financial derivatives at market value. Furthermore, all development properties are recognised at fair value. Compared to the previous year's figure, EPRA NAV increased by 0.8%.

EPRA cost ratio

17.7%

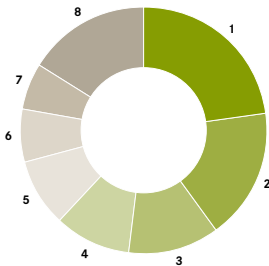
The EPRA cost ratio compares real estate expenses together with operating expenses with rental income. Excluding renovation expenditures, the EPRA cost ratio amounted to 14.7%.

Rent by use



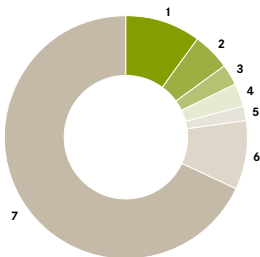
1	Office	65 %
2	Retail	15 %
3	Parking	6 %
4	Gastronomy	4 %
5	Other	10 %

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 %

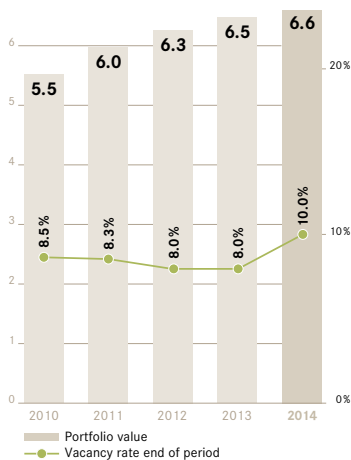
Rent by largest tenants



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 %

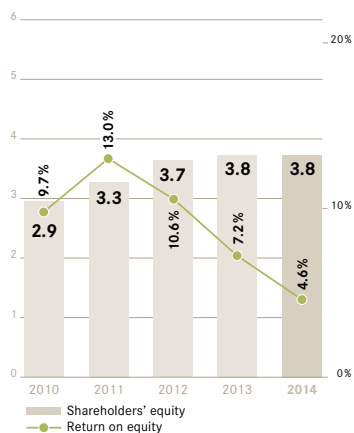
Real estate portfolio

(in CHF billion, vacancy in %)



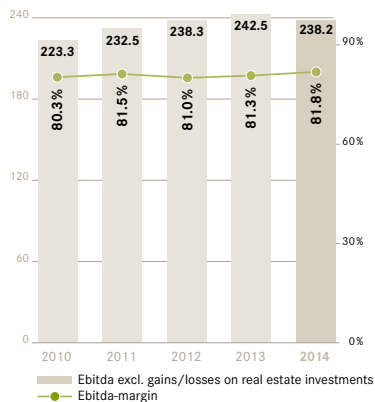
Shareholders' equity

(in CHF billion, return in %)



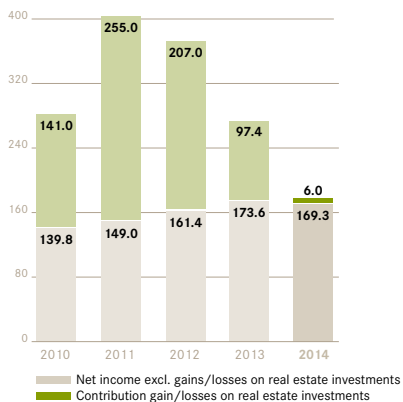
Ebitda

(in CHF million, margin in %)



Net income components

(in CHF million)



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 investments¹. PSP Swiss Property strives to ensure a sustainable dividend trend – a goal, which the Company has achieved impressively throughout its corporate history.

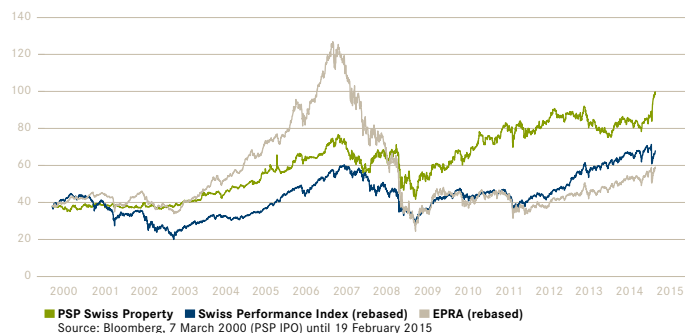
Repayment of capital contributions

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)



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).

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.

Key figures	2013	2014	Change ¹
Share price (in CHF)			
High	91.25	86.50	
Low	74.15	74.25	
End of period	75.50	85.80	13.6%

SIX Swiss Exchange: symbol PSPN, security number 1829415, ISIN CH0018294154

Market capitalisation (in CHF million)			
High	4 185.4	3 967.6	
Low	3 401.1	3 405.7	
End of period	3 463.0	3 935.5	13.6%

Number of shares (number)			
Issued shares	45 867 891	45 867 891	
Own shares	0	0	
Outstanding shares	45 867 891	45 867 891	
Average outstanding shares	45 867 891	45 867 891	
Reserved shares ²	8 126	8 027	

Per share figures (in CHF)			
Earnings per shares (EPS) ³	5.91	3.82	- 35.3%
EPS excluding gains/losses on real estate investments ^{3,4}	3.79	3.69	- 2.5%
Distribution per share	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	83.70	83.74	0.0%
Premium (discount) to NAV ⁹	- 9.8%	2.5%	
NAV per share before deduction of deferred taxes ⁸	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 12, footnote 1.

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.

Consolidated statement of profit or loss (Consolidated financial statements)

Operating income	(in CHF 1 000)	1 January to 31 December 2013	1 January to 31 December 2014
Rental income		279 143	277 150
Net changes in fair value of real estate investments		128 144	5 789
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
Income from investments in associated companies		5	18
Capitalised own services		2 791	2 944
Other income		3 292	4 024
Total operating income		426 423	298 765
Operating expenses			
Real estate operating expenses		– 11 433	– 11 349
Real estate maintenance and renovation expenses		– 17 984	– 15 662
Personnel expenses		– 19 135	– 18 531
Fees to subcontractors		– 49	– 52
General and administrative expenses		– 7 198	– 7 326
Impairment charge properties		– 247	– 338
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
Financial expenses		– 32 121	– 31 933
Operating profit before taxes		338 974	214 373
Income taxes		– 67 980	– 39 027
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

Consolidated statement of comprehensive income (Consolidated financial statements)

(in CHF 1 000)	1 January to 31 December 2013	1 January to 31 December 2014
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
■ Income taxes	– 1 933	2 386
Items that will not be reclassified subsequently to profit or loss:		
■ Changes in staff pension schemes	920	– 4 740
■ Real estate appreciation due to change of use	0	9 107
■ Income taxes	– 202	– 1 004
Comprehensive income attributable to shareholders of PSP Swiss Property Ltd	294 453	150 639

Consolidated statement of financial position

(Consolidated financial statements)

Assets	(in CHF 1 000)	1 January 2013	31 December 2013	31 December 2014
Investment properties		5 942 645	6 006 810	6 115 040
Own-used properties		15 783	15 376	36 764
Sites and development properties		173 243	307 932	370 661
Investments in associated companies		12	17	35
Financial investments		9	9	9
Accounts receivable		9 757	8 114	5 453
Derivative financial instruments		0	799	0
Intangible assets		56	0	0
Tangible assets		288	323	280
Deferred tax assets		13 015	12 122	17 383
Total non-currents assets		6 154 808	6 351 502	6 545 624
Investment properties for sale		9 669	11 744	9 332
Sites and development properties for sale		141 188	123 714	76 248
Accounts receivable		8 240	15 163	17 229
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**

	(in CHF 1 000)	1 January 2013	31 December 2013	31 December 2014
Share capital		4 587	4 587	4 587
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
Total shareholders' equity		3 691 551	3 839 230	3 840 795
Debt		1 160 000	1 220 000	1 360 000
Bonds		498 360	368 879	568 669
Derivative financial instruments		46 014	22 019	51 058
Pension liabilities		12 927	12 559	17 646
Deferred tax liabilities		678 961	725 171	743 428
Total non-current liabilities		2 396 261	2 348 628	2 740 801
Bonds		149 926	249 905	0
Derivative financial instruments		2 061	2 180	2 798
Accounts payable		45 818	38 030	27 416
Deferrals		45 408	52 411	60 921
Current tax liabilities		25 086	11 343	11 933
Provisions		143	85	0
Total current liabilities		268 443	353 954	103 068
Total shareholders' equity and liabilities		6 356 255	6 541 812	6 684 665

Zug, 2 March 2015, on behalf of the Board of Directors: Günther Gose, Chairman, and Luciano Gabriel, Delegate and Chief Executive Officer.

Actual impressions from the portfolio





1 Bahnhofstrasse 66, Zurich

2 Löwenstrasse 16, Zurich

3 Bahnhofstrasse 39, Zurich



Actual impressions from the portfolio





1 Löwenbräu site, Zurich

2 Gurten site, Wabern near Bern

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



Contacts and important dates

Main company addresses

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Agenda

Annual General Meeting 2015

1 April 2015, Kongresshaus, Zurich

Publication Q1 2015

12 May 2015

Publication H1 2015

18 August 2015

Publication Q1 to Q3 2015

13 November 2015

Executive Board of PSP Swiss Property

Luciano Gabriel

Chief Executive Officer

Giacomo Balzarini

Chief Financial Officer

Ludwig Reinsperger

Chief Investment Officer

Office of the Board of Directors

Samuel Ehrhardt

Secretary of the Board of Directors

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Chief Communications Officer

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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.

Geneva

Management: Roland Zbinden

PSP Management Ltd

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Olten

Management: Thomas Bracher

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Zurich

Management: André Wenzinger

PSP Management Ltd

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PSP Swiss Property Ltd

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Stock exchange, trading symbol

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



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