Swiss Property

ANNUAL REPORT 2015

Key figures

Key financial figures	Unit	2014	2015	Change[1]
Rental income	CHF 1 000	277 150	275 063	– 0.8 %
EPRA like-for-like change	%	0.2	0.2	
Net changes in fair value of real estate investments	CHF 1 000	5 789	33 791	
Income from property sales (freehold apartments)	CHF 1 000	6 813	3 259	
Income from property sales (portfolio)	CHF 1 000	2 026	1 374	
Total other income	CHF 1 000	6 987	4 588	
Net income	CHF 1 000	175 346	187 726	7.1 %
Net income excluding gains/losses on real estate investments[2]	CHF 1 000	169 345	161 287	– 4.8 %
Ebitda excluding gains/losses on real estate investments	CHF 1 000	238 242	232 690	– 2.3 %
Ebitda margin	%	81.8	82.0	
Total assets	CHF 1 000	6 684 665	6 791 923	1.6 %
Shareholders' equity	CHF 1 000	3 840 795	3 870 473	0.8 %
Equity ratio	%	57.5	57.0	
Return on equity	%	4.6	4.9	
Interest-bearing debt	CHF 1 000	1 928 669	1 969 035	2.1 %
Interest-bearing debt in % of total assets	%	28.9	29.0	

Portfolio key figures				
Number of properties	Number	161	163	
Carrying value properties	CHF 1 000	6 161 136	6 223 006	1.0 %
Implied yield, gross[3]	%	4.5	4.4	
Implied yield, net[3]	%	3.9	3.7	
Vacancy rate end of period (CHF)[3, 4]	%	10.0	8.5	
Number of sites and development properties	Number	10	8	
Carrying value sites and developments properties	CHF 1 000	446 908	501 371	12.2 %

Employees				
End of period	Posts	83	87	
Full-time equivalents	Posts	78	81	

Per share figures				
Earnings per share (EPS)[5]	CHF	3.82	4.09	7.1 %
EPS excluding gains/losses on real estate investments[5]	CHF	3.69	3.52	– 4.8 %
Distribution per share	CHF	3.25	3.30[6]	1.5 %
Net asset value per share (NAV)[7]	CHF	83.74	84.38	0.8 %
NAV per share before deduction of deferred taxes[7]	CHF	99.57	100.83	1.3 %
Share price end of period	CHF	85.80	88.00	2.6 %

1 Change to previous year's period 2014 or carrying value as of 31 December 2014 as applicable.

2 See definition "Net income excluding gains/losses on real estate investments" on page 18, 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 31 March 2016 for the business year 2015: The distribution comprises a payment out of the capital contribution reserves (CHF 1.80) and a dividend from retained earnings (CHF 1.50).

7 Based on number of outstanding shares.

Contents

Charts/tables

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

English translation of German original

This is an English translation of the German original.
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 6.724 billion

The quality of the portfolio was further improved by specific renovations and other capital expenditures totalling CHF 148.1 million.

Equity base

CHF 3.870 billion

With an equity ratio of 57.0 % and a loan-to-value ratio of 29.0 %, PSP Swiss Property has a strong balance sheet.

Successful debt management

At the end of 2015, unused committed credit lines amounted to CHF 650 million. Combined with the low loan-to-value, we have optimal financial flexibility for further growth.

Ebitda

CHF 232.7 million

As expected, ebitda decreased slightly compared to 2014 due to marginally declining rental income, less income from the sale of apartments and lower income from VAT recovery. On the other hand, we exceeded the forecast of CHF 230 million by 1.2 %.

Net income excl. gain/losses on real estate investments

CHF 161.3 million

Compared to 2014, net income (excluding gains/losses on real estate investments) decreased by 4.8 % respectively CHF 0.17 per share to CHF 3.52 per share. Profitability, however, remains strong.

Distribution

CHF 3.30/share

The Board of Directors will propose to the annual General Meeting on 31 March 2016 a payment of CHF 3.30 per share. This corresponds to a cash yield of 3.8 % on the 2015 year-end share price of CHF 88.00.

EPRA NAV

CHF 103.05/share

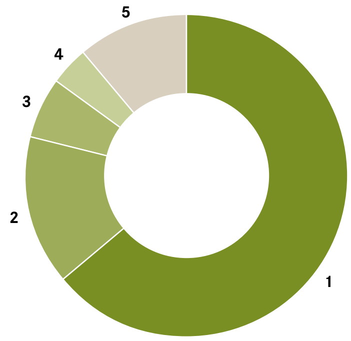
EPRA NAV also includes deferred taxes as well as financial derivatives at market value. Furthermore, all development properties are recognised at fair value. Compared to 2014, EPRA NAV increased by 1.6%.

EPRA cost ratio

17.2 %

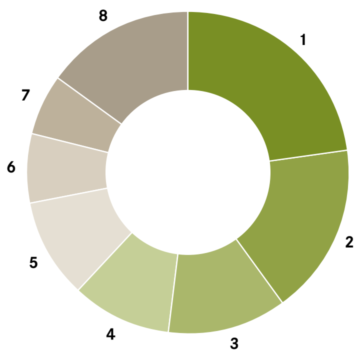
The EPRA cost ratio compares real estate expenses together with operating expenses with rental income. Excluding renovation expenditures, the EPRA cost ratio amounted to 14.6 %.

Rent by use



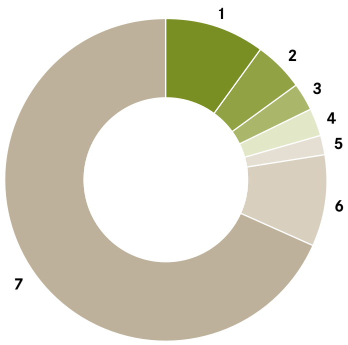
1	Office	64 %
2	Retail	15 %
3	Parking	6 %
4	Gastronomy	4 %
5	Other	11 %

Rent by type of tenant



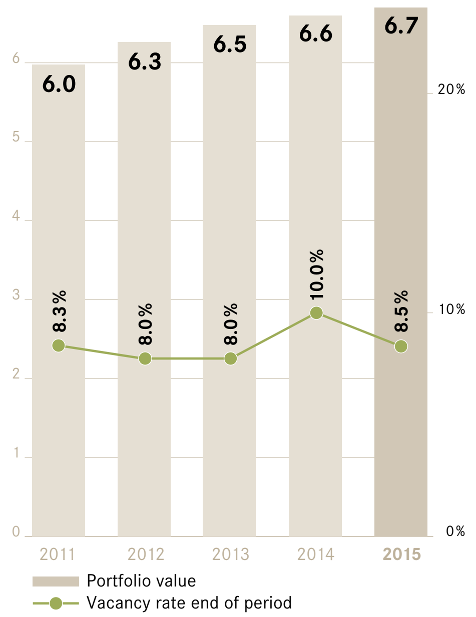
1	Retail	23 %
2	Services	17 %
3	Telecommunication	12 %
4	Technology	10 %
5	Financial services	10 %
6	Gastronomy	7 %
7	Government	6 %
8	Other	15 %

Rent by largest tenants

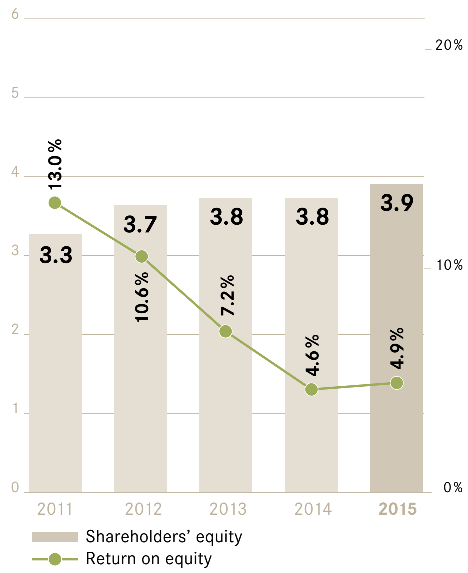


1	Swisscom	10 %
2	Google	5 %
3	JT International	3 %
4	Schweizer Post	3 %
5	Roche	2 %
6	Next five largest tenants	9 %
7	Other	68 %

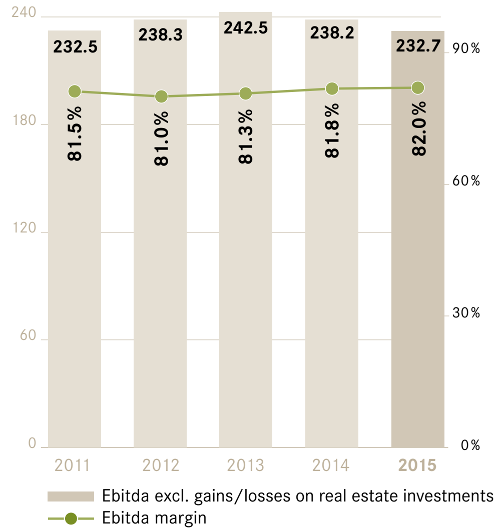
Real estate portfolio
(in CHF billion, vacancy in %)



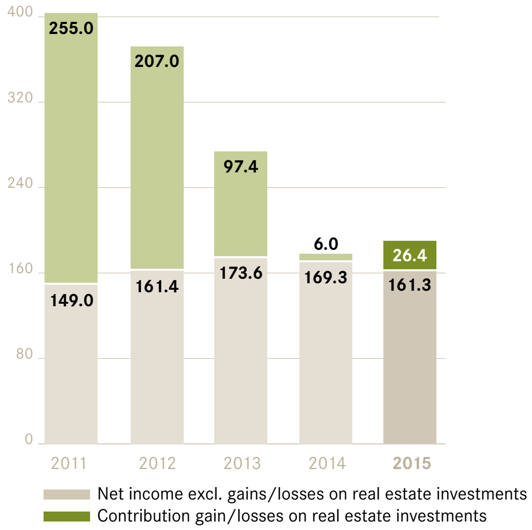
Shareholders' equity
(in CHF billion, return in %)



Ebitda
(in CHF million, margin in %)



Net income components
(in CHF million)



Board of Directors' statement

Dear Readers

Economy

For Switzerland's economy, 2015 began with a big bang: on 15 January, Switzerland's National Bank (SNB) discontinued its efforts to defend the minimum exchange rate of CHF 1.20 per euro. The following appreciation of the Swiss franc immediately impacted the export sector, tourism as well as the retail trade, particularly in border regions. The effect on the real estate market, though, is only indirect and not as severe. At the same time, the SNB introduced negative interest rates to avoid an excessive appreciation of the franc.

For the time being, the worst case with rapidly rising unemployment and a recession, which many predicted, did not materialise. Switzerland's economy proved its resilience and adaptability; it also benefited from a number of supporting factors: the low interest rates kept refinancing costs low, the strong franc lowered import prices, thus supporting low inflation, purchasing power remained high and immigration hardly declined (despite the uncertainties about when and how the ballot measure restricting immigration will be implemented). Consequently, the unemployment rate rose only marginally and Switzerland's gross domestic product rose nearly 1 % in 2015.

On 16 December, the U.S. Federal Reserve Board's (Fed) raised its key interest rate by 0.25 %, initiating a turnaround in interest rates. Depending on economic trends and forecasts, further gradual rate hikes may follow in 2016. In the meantime, the European Central Bank (ECB) announced the extension of its bond purchasing programme until March 2017. An "interest rate shock" seems highly unlikely in the United States, Europe or Switzerland in the short term.

All in all, the outlook for 2016 is not that bad from today's perspective: despite the strong franc and continuous uncertainties in Europe, which also affect Switzerland, most economic pundits expect a GDP growth of just over 1 % – a modest but at least positive rate.

One "homemade" problem remains on the commercial property market: despite the rejection by the parliament at the end of 2014, the Federal Council insists on revising the Lex Koller. Apparently, in the upcoming legislative consultation process it will be suggested to virtually exclude foreign investors from Switzerland's real estate market.

Property market

The demand, mainly from Swiss institutional investors, for high-class commercial properties in sought-after locations remained high in 2015. Very few objects were offered for sale in the central business districts (CBDs) of Zurich and Geneva; they fetched peak prices. Foreign investors were hardly active respectively rather concentrated on niche products such as hotels or shopping centres. On the other hand, demand for properties unattractively located or with bad building structures was clearly lower.

In certain geographical areas, there was still a structural oversupply of office space in 2015. Crowding out intensified further, particularly where badly located properties with poor transportation links as well as objects with limited utilisation options were involved. On the other hand, demand for centrally located buildings with good access to public transport as well as modern buildings with flexible office space remains satisfactory. Overall, the absorption of the oversupply of office space, which has been built up over the past years (especially in peripheral areas of Zurich and Geneva), will take time; this might have a further dampening effect on rental prices.

In the retail sector, brick-and-mortar stores are increasingly rivalled by the expanding online trade and shopping trips abroad. This was particularly evident during the Christmas shopping season 2015. Nevertheless, we expect rent levels in well frequented and prestigious locations to remain stable in 2016 – although the environment remains challenging, even in prime locations.

Business performance

In 2015, we achieved a net income (excluding changes in fair value) of CHF 161.3 million (2014: CHF 169.3 million). This result is in line with our expectations. The reasons for the decline were lower rental income (a decrease by CHF 2.1 million due to ongoing renovations and the sale of one investment property at the beginning of September 2015) as well as lower income from apartment sales (a decrease by CHF 3.6 million – in 2015, only 17 apartments were transferred to the buyers, while there were 101 transfers in 2014). Furthermore, other income declined by CHF 2.4 million in 2015.

Net income (excluding changes in fair value) forms the basis for the distribution to shareholders. The 2015 result enables us to propose to the annual General Meeting of 31 March 2016 a cash payment of CHF 3.30 per share (thereof CHF 1.80 from the capital contribution reserves and CHF 1.50 as ordinary dividend; in the previous year, the cash payment was CHF 3.25 per share from the capital contribution reserves). This corresponds to a yield of 3.8 % on the 2015 year-end share price of CHF 88.00. PSP Swiss Property thus continues with its shareholder-friendly dividend policy and asserts its position as a predictable and stable core investment for Swiss real estate.

In 2015, we purchased the property on Heinrich-Stutz-Strasse 23/25 in Urdorf; on the other hand, we sold the property on Altstetterstrasse 124 / Herrligstrasse 21 in Zurich.

PSP Swiss Property is solidly financed and has a strong equity base: at the end of 2015, we had unused committed credit lines from various banks totalling CHF 650 million; the ratio of net debt to total assets (loan-to-value) was a low 29.0 %. In April 2015, the rating agency Fitch confirmed PSP Swiss Property Ltd's rating with an "A-" and stable outlook.

Sites und projects

With regard to our site and project developments, the "Salmenpark" in Rheinfelden (investment total approximately CHF 250 million) and the new building "Grosspeter Tower" in Basel (investment total approximately CHF 110 million) have been under construction for several months. Furthermore, we started work on the comprehensive renovation of the property at Hardturmstrasse 161 / Förrlibuckstrasse 150 in Zurich West (investment total approximately CHF 50 million). The total renovation of various properties on Bahnhofquai / Bahnhofplatz in Zurich is being discussed with the local authorities for the preservation of historical monuments regarding technical issues.

The project "Löwenstrasse 16" in Zurich was completed in the first quarter 2015. The new construction offers a mix of offices and retail areas as well as one apartment.

The total renovation of the property at Bahnhofstrasse 10 / Börsenstrasse 18 in Zurich was completed in the third quarter 2015. The use is mixed with retail areas and offices.

Finally, the "Bain Bleu Hammam Spa" in Geneva / Cologny was opened on 14 November 2015. This new construction follows the previously completed spas in Zurich and Locarno.

At the "Paradiso" site in Lugano, planning for the residential complex has been completed for quite some time; in autumn of 2015, we obtained the legally binding building permit. The intention is to realise, on the site near the lake, a project with freehold apartments as well as offices and retail areas. The planned investment total amounts to approximately CHF 65 million. Construction approval is expected in summer 2016. We intend to sell all condominiums after their completion.

Planning for the replacement of the two buildings at Förrlibuckstrasse 178/180 and Hardturmstrasse 181/183/185 in Zurich West is underway. The properties will be demolished and replaced by a new construction in line with today's requirements in terms of flexibility of use and sustainability. We plan to submit the building application for this project in autumn 2016; the replacement building is then planned to be constructed from 2017 to 2020. From today's perspective, the investment total will amount to approximately CHF 120 million.

Outlook

Due to the continuing strong demand for commercial properties and low interest rates, the acquisition market remains highly competitive. When evaluating possible acquisition targets, we stick to our conservative acquisition strategy focussing on prime properties in top locations with prospects of long-term capital appreciation.

In our financing policy, we will also keep to our proven, prudent and safety-first strategy. In other words: we will continue to cooperate with a wide range of financing partners and take advantage of special opportunities on the capital market as they arise.

On an operational level, we will, as in the past, concentrate on the renovation and modernisation of selected properties as well as the further development of our sites and projects. From our point of view, it is crucial more than ever to manage and position one's property portfolio with foresight. We are convinced that it will be increasingly important to be able to offer potential tenants modern, sustainable and individual, flexible premises. Therefore, we do everything we can to renovate and modernise older buildings as comprehensively as possible – or, if need be, to substitute them by replacement buildings.

For 2016, we expect an ebitda (excluding changes in fair value) of approximately CHF 240 million (2015: CHF 232.7 million). With regard to vacancies, we expect a vacancy rate of around 11 % at the end of 2016 (end of 2015: 8.5 %).

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

29 February 2016

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

(Until 31 January 2016. See also Corporate Governance, figure 4.1, page 135.)

Company portrait

Real estate portfolio with a long-term perspective

PSP Swiss Property owns office and commercial properties throughout Switzerland worth CHF 6.223 billion. The properties are mainly in prime locations in Zurich, Geneva, Basel, Bern and Lausanne. In addition, we own development sites and projects with a value of CHF 0.501 billion. With a portfolio totalling CHF 6.724 billion, PSP Swiss Property is one of the leading property companies in Switzerland.

We manage and maintain our strategic properties with a long-term perspective. Our goal is income and value appreciation through optimal use of the properties and comprehensive renovations; thereby, we always try to position our property portfolio for future success. Furthermore, we constantly strive to lower operating expenditures for owner and tenants and to reach 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

We generate added value through optimising the existing investment and development portfolio (organic growth) as well as external growth.

Organic growth: the main focus in this area 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. We are particularly meticulous in evaluating potential purchases, as for us size is not an end in itself. 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

Lausanne area
» CHF 0.3 bn
» 5 %

Basel area
» CHF 0.5 bn
» 8 %

Zurich area
» CHF 3.9 bn
» 58 %

Geneva area
» CHF 0.9 bn
» 14 %

Bern area
» CHF 0.3 bn
» 4 %

Other locations
» CHF 0.3 bn
» 5 %

Sites and development properties
» CHF 0.5 bn
» 8 %

Ecological sustainability

Sustainability has long been one of our core issues. With our large property portfolio, we are aware of our corporate responsibility with regard to the efficient and sustainable use of resources and energy. It is our declared goal to keep the Company's 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, we appointed a sustainability team, which has defined an ecological sustainability programme and set up a comprehensive energy management system. To offer utmost transparency, we have published a sustainability report as part of the annual report since 2010. For the first time, in the annual report 2015, we now also apply the "Best Practices Recommendations on Sustainability Reporting" of EPRA (European Public Real Estate Association). The success proves that we are on the right track: we were able to reduce CO_2 emissions by 15 % from 2010 to 2015.

Further information can be found in the "Sustainability report" on pages 144 to 155.

Strong capital structure

Financial strength and flexibility are crucial for every company. Therefore, we take the necessary measures early on to constantly safeguard our financial flexibility. This includes keeping the debt ratio low and pursuing a refinancing strategy reflecting our conservative investment policy. We also place special emphasis on the availability of sufficient committed credit lines and diversified financing sources.

With equity of CHF 3.870 billion – corresponding to an equity ratio of 57.0 % – we had an strong equity base at the end of 2015. Interest-bearing debt amounted to CHF 1.969 billion, corresponding to a mere 29.0 % of total assets. The remaining 14 percentage points were mainly deferred tax liabilities which do not incur any interest charges. Furthermore, as at the end of 2015, we had unused committed credit lines of CHF 650 million. Cash and cash equivalents amounted to CHF 29.4 million.

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

Personnel

The following illustration shows the Group's management structure[1] as at the end of 2015:

Executive Board (3)		
Legal Unit (4), Human Resources/Services (4), Secretarial (1)		
Real Estate Investments	**Property Management**	**Finance/Administration**
Asset Management (5)	Zurich Office (16)	Accounting, Treasury, Taxes (11)
New lettings (2)	Olten Office (8)	Communications (2)
Analyse/Reporting (2)	Geneva Office (9)	Information Technology (5)
Construction Services (15)		

Total number of employees: 87 (full-time equivalent 81)

Age	Number of employees
< 20	1
21 to 25	1
26 to 35	23
36 to 45	23
46 to 55	21
> 55	20

Years of service	Number of employees
< 5 years	38
6 to 10 years	22
11 to 15 years	19
16 to 20 years	7
> 20 years	1

At the end of 2015, we had 87 employees (end of 2014: 83); the proportion of women was 43 % (end of 2014: 41 %). Fluctuation was 11 % (2014: 7 %).

At the end of 2015, we also employed 24 full-time and part-time caretakers throughout Switzerland (end of 2014: 25). 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 153.

1 The Group's legal structure is shown in the "Corporate Governance" section, figure 1.1, page 124.

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]. We strive to ensure a sustainable dividend trend – a goal, which we have achieved throughout our corporate history.

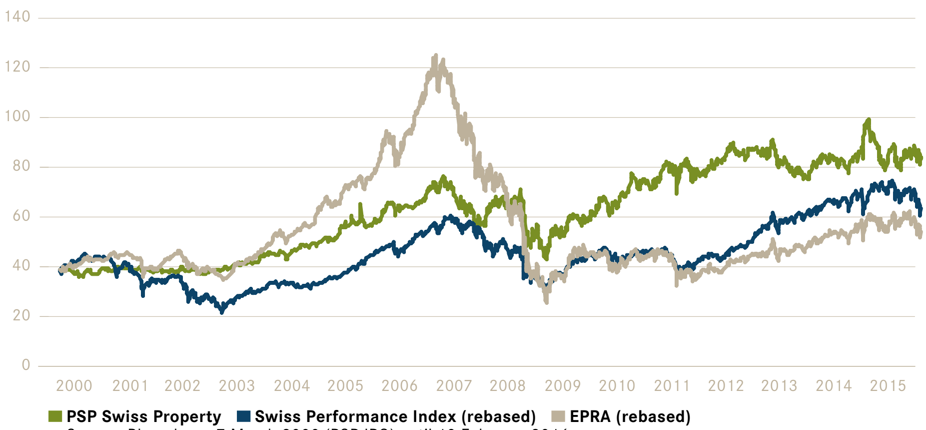
Repayment of capital contributions

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 2015, a distribution out of the capital contribution reserves was made instead of a dividend for the 2014 business year totalling CHF 149.1 million (previous year: CHF 149.1 million). As per year-end 2015, the capital contribution reserves amounted to CHF 82.9 million.

Share price development

(in CHF)



Source: Bloomberg, 7 March 2000 (PSP IPO) until 18 February 2016

In 2015, the PSP share price rose by 2.6 % from CHF 85.80 to CHF 88.00. Net asset value per share (NAV) amounted to CHF 84.38 at the end of 2015; consequently, the PSP share was traded at a premium of 4.3 % at year-end. Since its listing on the SIX Swiss Exchange on 7 March 2000 to the end of 2015, the PSP share rose by 133.1 %.

The PSP shares are very liquid: on average, 111 105 shares worth CHF 9.7 million were traded daily in 2015 (2014: 81 318 shares worth CHF 6.6 million). In 2015, the total trading volume of PSP shares on the SIX Swiss Exchange reached CHF 2.108 billion (2014: CHF 1.661 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	2014	2015	Change[1]
Share price				
High	CHF	86.50	99.75	
Low	CHF	74.25	78.25	
End of period	CHF	85.80	88.00	2.6 %
SIX Swiss Exchange: symbol PSPN, security number 1829415, ISIN CH0018294154				
Market capitalisation				
High	CHF million	3 967.6	4 575.3	
Low	CHF million	3 405.7	3 589.2	
End of period	CHF million	3 935.5	4 036.4	2.6 %
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	8 027	7 908	
Per share figures				
Earnings per shares (EPS)[3]	CHF	3.82	4.09	7.1 %
EPS excluding gains/losses on real estate investments[3, 4]	CHF	3.69	3.52	– 4.8 %
Distribution per share	CHF	3.25	3.30[5]	1.5 %
Payout ratio[6]	%	88.1	93.8	
Cash yield[7]	%	3.8	3.8	
Net asset value per share (NAV)[8]	CHF	83.74	84.38	0.8 %
Premium to NAV[9]	%	2.5	4.3	
NAV per share before deduction of deferred taxes[8]	CHF	99.57	100.83	1.3 %
Discount to NAV before deduction of deferred taxes[9]	%	– 13.8	– 12.7	

1 Change to previous year's period 2014 or carrying value as of 31 December 2014 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 18, footnote 2.

5 Proposal to the annual General Meeting on 31 March 2016 for the business year 2015: The distribution comprises a payment out of the capital contribution reserves (CHF 1.80) and a dividend paid from retained earnings (CHF 1.50).

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 "Holding's financial statements" on page 106, note 4.2.

Investor relations

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

Report on the business year 2015

Market environment

Investment market for commercial properties

After a prolonged period of growth, the oversupply of commercial floor space diminished slightly in 2015 due to a decrease in construction activity. Overall, however, supply still clearly exceeded demand. A further decline in new constructions is expected in 2016. Consequently, as usual in a normal property cycle, oversupply should diminish “automatically” up to a certain extent.

In Zurich’s Central Business District, demand for the purchase of commercial properties in top locations remains high. However, only a small number of properties changed hands in 2015. Thereby, collector’s prices were sometimes paid for certain city-centre objects – with correspondingly low net initial yields.

Overall, the investment environment for office and commercial properties remains tense. Thereby, the outlook for commercial space in central locations respectively with good transportation links in big cities is better than for locations in outlying districts or smaller towns. In a rather weakening market, properties in peripheral regions with insufficient transportation links and objects with limited utilisation options will find it increasingly difficult to find buyers (and tenants).

Rental market

Office space

Despite an easing in construction activity, structural oversupply persists on the rental market for office buildings, especially in peripheral areas of Zurich and Geneva. The reasons are, on the one hand, the building boom and overproduction of recent years and, on the other hand, measures many companies are taking to optimise their workspace. There is hardly upward potential for rents in these submarkets.

On the other hand, the demand for modern office buildings in good locations is satisfactory. Consequently, there is less downward pressure on rents in the strong economic centre of Zurich. Vacancy rates in Zurich’s Central Business District, one of our main markets, have been relatively stable for some time now; in 2015, they even declined slightly. Leasing, however, is not as easy as it used to be and vacancies are absorbed more slowly. Furthermore, interested tenants to some extent ask more and more for substantial lease incentives.

In Geneva, where we also own a significant number of properties, the offered office space has further risen. Large empty areas are represented outside the centre, mainly in the region around the airport. The available rentable area in Geneva’s Central Business District was mainly originated by the consolidation of the financial industry. In Geneva, the pressure on top rent levels will remain.

Retail space

2015 was a challenging year for leasing retail space. First the end of the minimum exchange rate between the Swiss franc and the euro boosted shopping tourism abroad, then the growing online trade caused more and more concern. In this market environment, and despite the slowdown of the past rapid expansion of many retail chains, much frequented and central locations (the so-called high street retail) were quite resistant. We expect rents to remain high in these sought-after and prestigious locations, where many of our properties are located. Pressure will increase, however, on shops in border regions, smaller towns, agglomerations and outlying districts as well as stores with outdated installations or unpractical layout.

Outlook

We expect the acquisition market for good objects to remain highly competitive. Commercial properties are popular investment alternatives for both institutional investors such as pension funds and insurance companies and private investors as well – not just in the current low interest rate environment.

With regard to rental activities, the commercial real estate market will become even more challenging in the coming years. Competition will become fiercer due to existing overcapacities. At the same time, office and retail tenants are growing more discerning and know how to exploit their market position. In this market environment, to some extent landlords are more and more asked to grant substantial lease incentives. Prospective tenants are mainly negotiating lease incentives that lower their infrastructure costs during the lease term. Above all, participations in tenant fit-out costs as well as rent-free periods are the most popular. In terms of flexibility, shorter lease terms and early break options are favoured.

In this competitive environment, landlords that offer state-of-the-art new buildings or comprehensively renovated and modernised properties have a competitive advantage. We therefore continue our renovation, modernisation and new construction efforts. We have already completed substantial renovations at a number of buildings and we are taking on new projects, for instance in Zurich’s city centre and Zurich West (see “Sites and projects”).

Real estate portfolio

At the end of 2015, the real estate portfolio included 163 office and commercial properties. In addition, there were five development sites and three individual projects under construction. The carrying value of the total portfolio stood at CHF 6.724 billion (end of 2014: CHF 6.608 billion).

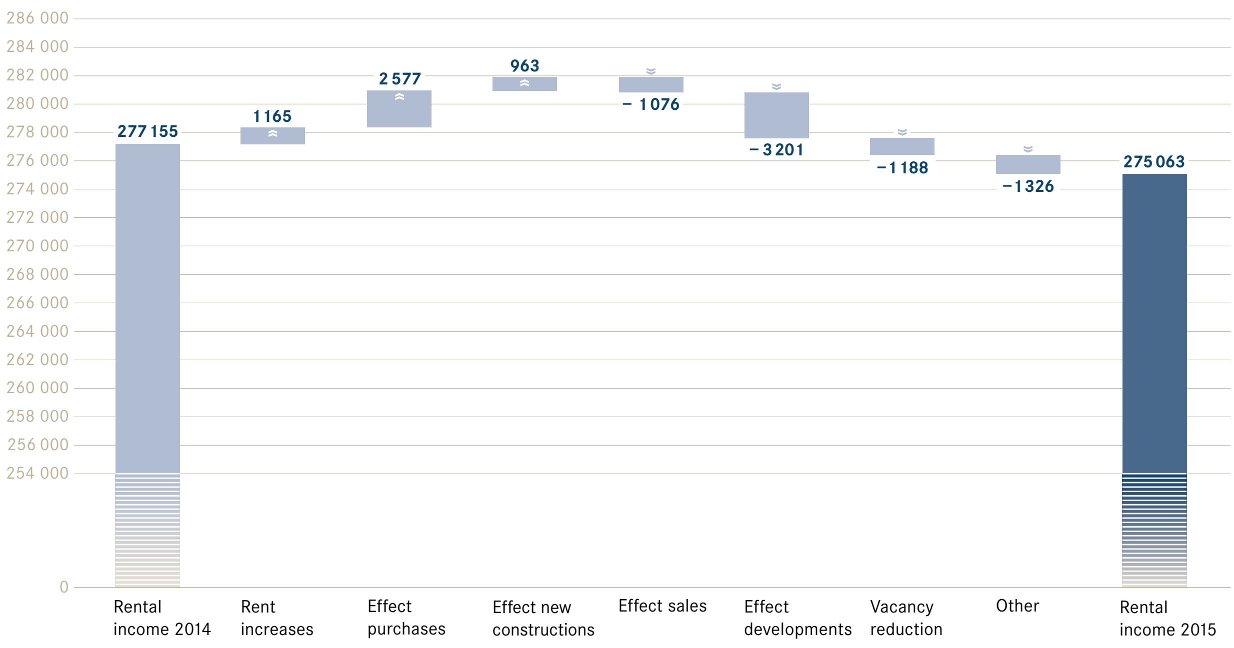
Investment properties

In 2015, we purchased the investment property on Heinrich-Stutz-Strasse 23/25 in Urdorf for CHF 6.7 million; on the other hand, we sold the investment property on Altstetterstrasse 124 / Herrligstrasse 21 in Zurich for CHF 48.3 million.

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 focusing mainly on Zurich city centre, in particular Bahnhofquai / Bahnhofplatz, as well as several properties in Zurich West. Overall, we will presumably invest approximately CHF 110 million for renovations and conversions in our investment properties in 2016 and 2017.

Furthermore, a replacement building for the two properties at Förrlibuckstrasse 178/180 and Hardturmstrasse 181/183/185 in Zurich West is in the planning phase. The new building will be in line with today's requirements in terms of flexibility of use and sustainability. From a present-day perspective, the investment total will amount to approximately CHF 120 million.

Development of rental income
(in CHF 1000)



Valuation of properties

The revaluation of the properties resulted in an appreciation of CHF 33.8 million. Renovations and a decline in the average weighted discount rate by 24 basis points had a positive effect; at the end 2015, the portfolio's weighted average nominal discount rate was 4.57 % (end of 2014: 4.81 %). On the other hand, longer vacancy periods before new rentals, adjustments of market rents in peripheral locations and higher renovation spending at a number of properties had a negative impact.

Vacancy development

At the end of 2015, the vacancy rate stood at 8.5 % (end of 2014: 10.0 %). 0.5 percentage points of the 8.5 % were due to ongoing renovation work on various properties. The properties in Zurich West and Wallisellen (carrying value CHF 0.6 billion) contributed 2.9 percentage points to the overall vacancy rate. The remaining properties with a carrying value of CHF 5.5 billion (i.e. the total investment portfolio excluding the objects under renovation as well as those in Zurich West and Wallisellen) made up 5.1 percentage points.

Of the lease contracts maturing in 2016 (CHF 53.8 million), 58 % were renewed respectively extended at the end of 2015. As at year-end 2016, we expect a vacancy rate of approximately 11 %.

Sites and development properties

All in all, we own and develop five sites and three individual projects which are now under construction. The “Orion” project is in the planning phase.

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 2014. At the end of 2015, 53 of the 58 freehold apartments were sold and 50 had been transferred to the buyers (2015: 3, 2014: 3, 2013: 44).

Further details: www.loewenbraeu-black.ch

Gurten site, Wabern near Bern

The apartment complex (99 freehold apartments and 2 studios) was completed in 2014. All 99 apartments and both studios have been sold. In 2014, 98 apartments and both studios were transferred to the buyers; the last apartment was transferred in July 2015.

The commercial units in the back and middle row were completely renovated by the end of 2014. The former bottling plant, the so-called “Elefant”, will be renovated and converted into office and commercial space by autumn 2016.

"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 127.2 million were spent by the end of 2015) includes residential areas, retail spaces, a nursing and care home as well as offices. The commercial units will be transferred into our own portfolio and most of the residential units are being sold.

Construction began at the end of August 2013; completion is planned for 2016. At the end of 2015, 65 % of the commercial space and 20 of the 36 rental apartments were pre-let and 66 of the 113 freehold apartments were sold; in the fourth quarter 2015, 13 apartments were transferred to the buyers.

Planning for stage 2 with an investment total of approximately CHF 70 million began in the second half of 2015. The project includes residential use only with 100 units and an underground garage. The building application was submitted at the end of 2015.

Further details: www.salmenpark.ch

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. Discussions regarding technical issues are being held with the local authorities for the preservation of historical monuments. At the moment, the precise timeframe for the renovation work is difficult to predict.

Stage 1 will cost approximately CHF 35 million (thereof CHF 5.7 million were spent by the end of 2015) and covers the renovation of the two properties at Bahnhofplatz 1 and Bahnhofquai 9, 11, 15. Renovation work started in April 2014.

Stage 2 is the renovation of the building at Waisenhausstrasse 2/4, Bahnhofquai 7, which began at the end of 2014. This will cost around CHF 33 million (thereof CHF 2.3 million were spent by the end of 2015).

Stage 3 (construction has not yet started): approximately CHF 12 million are budgeted for the renovation of the property at Bahnhofplatz 2.

Project “Grosspeter Tower”, Basel

In November 2014, construction of the new building “Grosspeter Tower” in Basel began. This high-rise building (78 meters height, 22 storeys) will offer approximately 18 000 m^2 floor space for a hotel and offices. In terms of sustainability, our goal is to reach “LEED Gold” and the Swiss “Minergie” standard as well as zero-emission operations. The total investment amounts to approximately CHF 110 million (thereof CHF 30.5 million were spent by the end of 2015). Construction will last until the end of 2016. At the end of 2015, approximately 30 % of the rental area (the hotel section) were pre-let.

Further details: www.grosspetertower.ch

Project “Hardturmstrasse 161 / Förrlibuckstrasse 150”, Zurich

This property will undergo a comprehensive renovation and will be brought up to date in terms of technical installations by 2017. An exterior facelift as well as state-of-the-art interior finishing allowing flexible office layouts will increase the building’s appeal. The planned investment total amounts to approximately CHF 50 million (thereof CHF 13.3 million were spent by the end of 2015).

“Paradiso” site, Lugano

At the “Paradiso” site in Lugano, planning for the residential complex has been completed for quite some time; in the autumn of 2015, we obtained the legally binding building permit. The intention is to realise, on the site near the lake, a project with 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. Construction approval is expected in summer 2016. We intend to sell all condominiums after their completion.

Project “Orion”, Zurich (in planning)

The two buildings at Förrlibuckstrasse 178 / 180 and Hardturmstrasse 181 / 183 / 185 in Zurich West will be demolished. They will be replaced by a new building in line with today’s requirements in terms of flexibility of use and sustainability. We plan to submit the building application for this project in autumn 2016; the replacement building is then planned to be constructed from 2017 to 2020. From today’s perspective, the investment total will amount to approximately CHF 120 million.

Wädenswil site

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

Capital management

With total equity of CHF 3.870 billion (end of 2014: CHF 3.841 billion) – corresponding to an equity ratio of 57.0 % (end of 2014: 57.5 %) – we had a strong capital base at the end of 2015. Interest-bearing debt amounted to CHF 1.969 billion at the end of 2015, corresponding to 29.0 % of total assets (end of 2014: CHF 1.929 billion respectively 28.9 %).

At the end of 2015, the passing average interest rate was 1.53 % (end of 2014: 1.70 %). The average fixed-interest period was 3.4 years (end of 2014: 3.9 years).

No major committed bank loans will be due until 2019. At the end of 2015, we had unused committed credit lines of CHF 650 million. This substantial amount allows us to continue to flexibly manage our capital and is an excellent basis for possible acquisitions.

In April 2015, the rating agency Fitch confirmed PSP Swiss Property Ltd's rating with an "A-" and stable outlook.

In mid-January 2015, Switzerland's National Bank (SNB) introduced negative interest rates to avoid an excessive appreciation of the franc. The resulting negative money market rates entailed additional interest charges for borrowers such as PSP Swiss Property, who hedge their interest rate exposure with interest rate swaps – negative interest rates mean that the fixed payer also has to pay the negative variable CHF-Libor to the swap counterparty. For us, this constellation resulted in additional interest charges totalling CHF 2.6 million in 2015. We neutralised these additional interest charges by activating a "receivable from negative Libor", because not all lending banks have taken the negative base into account yet, despite the fact that this would be contractually stipulated.

Consolidated annual results 2015

In 2015, we achieved a net income (excluding gains/losses on real estate investments[3]) of CHF 161.3 million (2014: CHF 169.3 million). This result is in line with our expectations. The reasons for the decline were lower rental income (a decrease by CHF 2.1 million due to ongoing renovations and the sale of one investment property at the beginning of September 2015) as well as lower income from apartment sales (a decrease by CHF 3.6 million – in 2015, only 17 apartments were transferred to the buyers, while there were 101 transfers in 2014). Furthermore, other income declined by CHF 2.4 million in 2015. Corresponding earnings per share amounted to CHF 3.52 (2014: CHF 3.69). For PSP Swiss Property, net income (excluding gains/losses on real estate investments) forms the basis for the distribution to shareholders.

Net income (including gains/losses on real estate investments) amounted to CHF 187.7 million (2014: CHF 175.3 million). The increase is mostly due to the higher appreciation of the properties, which amounted to CHF 33.8 million in 2015 (2014: CHF 5.8 million). Earnings per share (including changes in fair value) amounted to CHF 4.09 (2014: CHF 3.82).

The sale of one investment property resulted in an income of CHF 1.4 million (2014: CHF 2.0 million).

3 See definition on page 18, note 2.

Operating expenses remained stable (2015: CHF 52.8 million, 2014: CHF 53.7 million). Financial expenses decreased by CHF 1.6 million to CHF 29.0 million (2014: CHF 30.7 million).

At the end of 2015, net asset value (NAV) per share was CHF 84.38 (end of 2014: CHF 83.74). NAV before deducting deferred taxes amounted to CHF 100.83 (end of 2014: CHF 99.57). The NAV based on EPRA standards (see also the EPRA table on pages 92 to 94) amounted to CHF 103.05 (end of 2014: CHF 101.39).

Distribution out of capital contribution reserves

For the business year 2015, the Board of Directors will propose a cash payment of CHF 3.30 per share (thereof CHF 1.80 out of the capital contribution reserves and CHF 1.50 as ordinary dividend) to the annual General Meeting on 31 March 2016 (previous year: CHF 3.25 per share out of the capital contribution reserves). In relation to net income (excluding gains/losses on real estate investments), this amount corresponds to a payout ratio of 93.8 %; in relation to the 2015 year-end share price of CHF 88.00, it corresponds to a yield of 3.8 %.

Subsequent events

For the refinancing of financial liabilities, a 0.50 % bond with a duration from 2016 to 2024 and a volume of CHF 225 million was issued on 16 February 2016.

On 24 February 2016, Steiner AG – according to its own statement – has lodged a complaint with the Commercial Court of the Canton of Zurich against the group subsidiary PSP Properties Ltd and Löwenbräu-Kunst AG (complaint amount of CHF 58.5 million). PSP Swiss Property has not yet received a copy of the complaint. PSP Swiss Property has always rejected the additional claims by Steiner AG related to the Löwenbräu construction project in Zurich West. The statement of Steiner AG in its press release dated 24 February 2016 is not in accordance with the facts; PSP Swiss Property rejects additional claims by Steiner AG.

There were no further material subsequent events.

Outlook 2016

Due to the continuing strong demand for commercial properties and low interest rates, the acquisition market remains highly competitive. When evaluating possible acquisition targets, we stick to our conservative acquisition strategy focusing on prime properties in top locations with prospects of long-term capital appreciation.

On an operational level, we will, as in the past, concentrate on the renovation and modernisation of selected properties as well as the further development of our sites and projects.

For 2016, we expect an ebitda (excluding gains/losses on real estate investments) of approximately CHF 240 million (2015: CHF 232.7 million). With regard to vacancies, we expect a vacancy rate of around 11 % at the end of 2016 (end of 2015: 8.5 %).

The Executive Board, February 2016

Financial statements

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 2014	1 January to 31 December 2015	Note
Rental income	277 150	275 063	5
Net changes in fair value of real estate investments	5 789	33 791	13
Income from property sales (inventories)	87 913	23 693	
Expenses from sold properties (inventories)	– 81 100	– 20 434	
Income from other property sales	2 026	1 374	6
Income from investments in associated companies	18	10	14
Capitalised own services	2 944	2 977	13
Other income	4 024	1 601	7
Total operating income	**298 765**	**318 075**	
Operating expenses			
Real estate operating expenses	– 11 349	– 11 271	8
Real estate maintenance and renovation expenses	– 15 662	– 14 626	
Personnel expenses	– 18 531	– 17 726	9
Fees to subcontractors	– 52	– 47	
General and administrative expenses	– 7 326	– 7 517	10
Impairment charge properties	– 338	– 874	13
Depreciation	– 472	– 716	
Total operating expenses	**– 53 730**	**– 52 776**	
Operating profit before financial expenses	**245 035**	**265 298**	
Financial income	1 270	721	11
Financial expenses	– 31 933	– 29 756	11
Operating profit before taxes	**214 373**	**236 263**	
Income taxes	– 39 027	– 48 537	12
Net income attributable to shareholders of PSP Swiss Property Ltd	**175 346**	**187 726**	
Earnings per share in CHF (basic and diluted)	3.82	4.09	30

Consolidated statement of comprehensive income

(in CHF 1 000)	1 January to 31 December 2014	1 January to 31 December 2015	Note
Net income attributable to shareholders of PSP Swiss Property Ltd	**175 346**	**187 726**	
Items that may be reclassified subsequently to profit or loss:			
■ Changes in interest rate hedging	– 30 456	– 9 208	17
■ Income taxes	2 386	721	12
Items that will not be reclassified subsequently to profit or loss:			
■ Changes in pension schemes	– 4 740	– 582	24
■ Real estate appreciation due to change of use	9 107	0	13
■ Income taxes	– 1 004	128	12
Comprehensive income attributable to shareholders of PSP Swiss Property Ltd	**150 639**	**178 785**	

The notes are part of these consolidated financial information.

Consolidated statement of financial position

Assets (in CHF 1 000)	1 January 2014	31 December 2014	31 December 2015	Note
Cash and cash equivalents	37 414	32 256	29 353	
Accounts receivable	15 163	17 229	20 995	16
Deferrals	2 274	3 331	2 531	
Current tax assets	0	645	0	
Sites and development properties for sale	123 714	76 248	73 669	13
Investment properties for sale	11 744	9 332	0	13
Total current assets	**190 309**	**139 041**	**126 548**	
Tangible assets	323	280	356	19
Derivative financial instruments	799	0	2 052	17
Accounts receivable	8 114	5 453	3 208	16
Financial investments	9	9	9	15
Investments in associated companies	17	35	45	14
Sites and development properties	307 932	370 661	427 701	13
Own-used properties	15 376	36 764	36 159	13
Investment properties	6 006 810	6 115 040	6 186 848	13
Deferred tax assets	12 122	17 383	8 997	20
Total non-currents assets	**6 351 502**	**6 545 624**	**6 665 374**	
Total assets	**6 541 812**	**6 684 665**	**6 791 923**	

Shareholders' equity and liabilities				
Accounts payable	38 030	27 416	36 263	25
Deferrals	52 411	60 921	55 649	
Current tax liabilities	11 343	11 933	14 198	
Bonds	249 905	0	249 951	23
Derivative financial instruments	2 180	2 798	1 010	17
Provisions	85	0	0	
Total current liabilities	**353 954**	**103 068**	**357 070**	
Debt	1220 000	1 360 000	1300 000	23
Bonds	368 879	568 669	419 084	23
Derivative financial instruments	22 019	51 058	64 107	17
Pension liabilities	12 559	17 646	17 707	24
Deferred tax liabilities	725 171	743 428	763 482	20
Total non-current liabilities	**2 348 628**	**2 740 801**	**2 564 380**	
Share capital	4 587	4 587	4 587	21
Capital reserves	884 264	735 189	586 079	
Retained earnings	2 975 814	3 151 160	3 338 889	
Fair value reserves	– 25 434	– 50 141	– 59 082	22
Total shareholders' equity	**3 839 230**	**3 840 795**	**3 870 473**	
Total shareholders' equity and liabilities	**6 541 812**	**6 684 665**	**6 791 923**	

The notes are part of these consolidated financial information.
Zug, 29 February 2016, 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 2014	1 January to 31 December 2015	Note
Net income attributable to shareholders of PSP Swiss Property Ltd	175 346	187 726	
Net changes in fair value of investment properties	– 5 789	– 33 791	13
Capitalised/released rent-free periods	613	383	13
Income from other property sales	– 2 026	– 1 374	6
Income from investments in associated companies	– 18	– 10	14
Capitalised own services	– 2 944	– 2 977	13
Provisions expenses	– 85	0	
Impairment charge properties	338	874	13
Changes in pension liabilities recorded in the income statement	347	– 521	
Depreciation	472	716	
Net financial expenses	30 662	29 035	11
Income taxes	39 027	48 537	12
Changes in sites and development properties for sale	52 587	2 868	
Changes in accounts receivable	– 2 066	– 796	
Changes in accounts payable	– 10 638	8 821	
Changes in deferrals (assets)	– 1 115	799	
Changes in deferrals (liabilities)	9 536	– 6 552	
Interest paid	– 34 811	– 34 755	
Interest received	1 269	719	
Dividends received	1	1	
Taxes paid	– 24 702	– 16 335	
Cash flow from operating activities	**226 004**	**183 369**	
Purchases of investment properties	– 71 940	– 6 679	13
Capital expenditures on investment properties	– 48 522	– 21 932	13
Capital expenditures on own-used properties	0	– 63	13
Capital expenditures on sites and development properties	– 64 144	– 98 703	13
Sales of properties	10 586	48 288	13
Repayment of loans	2 661	2 245	
Purchases of tangible assets	0	– 122	19
Cash flow from investing activities	**– 171 360**	**– 76 967**	

(in CHF 1 000)	1 January to 31 December 2014	1 January to 31 December 2015	Note
Purchases of own shares	– 1 282	– 1 468	21
Sales of own shares	1 278	1 428	21
Increase in financial debt	370 000	610 000	23
Repayment of financial debt	– 230 000	– 670 000	23
Issue of bond	200 000	100 190	23
Issue expenses of bond	– 752	– 410	23
Repayment of bond	– 250 000	0	23
Distribution to shareholders	– 149 047	– 149 045	31
Cash flow from financing activities	**– 59 803**	**– 109 304**	
Changes in cash and cash equivalents	**– 5 158**	**– 2 903**	
Cash and cash equivalents at 1 January	37 414	32 256	
Cash and cash equivalents at 31 December	32 256	29 353	

The notes are part of these consolidated financial statements.

Consolidated statement of shareholders' equity

(in CHF 1 000)	Share capital	Capital reserves
31 December 2013	**4 587**	**884 264**
Net income attributable to shareholders of PSP Swiss Property Ltd		
Changes in interest rate hedging		
Changes in 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		
Sale 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**
Net income attributable to shareholders of PSP Swiss Property Ltd		
Changes in interest rate hedging		
Changes in pension schemes		
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		
Sale of own shares		0
Compensation in own shares		– 40
Elimination tax effect on profits on own shares in statutory accounts		
31 December 2015	**4 587**	**586 079**

The notes are part of these consolidated financial information.

Own shares	Retained earnings	Revaluation reserves	Total shareholders' equity
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**
	187 726		**187 726**
		– 9 208	– 9 208
		– 582	– 582
		849	849
		– 8 941	**– 8 941**
0	**187 726**	**– 8 941**	**178 785**
			– 149 071
– 1 468			– 1 468
2			2
1 466			1 426
	2		2
0	**3 338 889**	**– 59 082**	**3 870 473**

Notes to the consolidated 2015 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 163 office and commercial properties as well as five development sites and three individual projects throughout Switzerland. The properties are mainly in prime locations in Zurich, Geneva, Basel, Bern and Lausanne. At the end of 2015, PSP Swiss Property had 87 employees, corresponding to 81 full-time positions (end of 2014: 83 respectively 78).

The consolidated 2015 financial statements are based on the annual accounts of the controlled individual subsidiaries at 31 December 2015 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 2015 were authorised for issue by the Board of Directors on 29 February 2016. The consolidated financial statements are subject to approval by the annual General Meeting of PSP Swiss Property on 31 March 2016.

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.

Since 1 January 2015, PSP Swiss Property has applied IFRS 9 Financial Instruments (2013). The major change is the removal of the corridor approach which had previously been used in accordance with IAS 39 in the application of hedge accounting. In PSP Swiss Property's view, the existing hedge arrangements continue to qualify as hedges under the new standard. The initial application does not entail any changes in the accounting and valuation principles for derivative instruments. The hedge documentation has been adjusted to the new requirements.

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

- IFRS 9 Financial Instruments (2014): the comprehensive standard, which has now been finalised, includes the sections Classification and Measurement, Hedge Accounting as well as Impairment of Financial Instruments; it must be applied from 1 January 2018. PSP Swiss Property has adopted the section Classification and Measurement (2009) early since 1 January 2009 and the section Hedge Accounting (2013) since 1 January 2015; however, the Company will not adopt the section Impairment (2014) ahead of time.

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

- IFRS 15 Revenue Recognition: this new 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 income realisation for property sales.

The new standard is applicable from 1 January 2018. PSP Swiss Property will not adopt IFRS 15 early.

- IFRS 16 Leases: This standard establishes new accounting rules for rental agreements. In future, tenants will have to account for rights of use from lease contracts. Accounting of rental income by the landlord, however, remains unchanged.

PSP Swiss Property does not expect any major effects from the future implementation of IFRS 16, because from today’s perspective, only a small number of leasehold contracts will fall within its scope.

The new standard will be applicable from 1 January 2019. PSP Swiss Property will not apply IFRS 16 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 84 to 89). 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 32 on pages 78 to 80.

2.5 Consolidation

Method of consolidation

Group 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 group subsidiaries, has a claim on these returns and is able to affect the returns due to its position of influence over the group 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 group 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 subsidiaries 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 / Voting rights 31 December 2014		31 December 2015		Consoli-dation
Group subsidiaries								
PSP Participations Ltd	Zug, Switzerland	TCHF	1 000 000	100 %	direct	100 %	direct	Full
PSP Finance Ltd	Zug, Switzerland	TCHF	1 000	100 %	direct	100 %	direct	Full
PSP Group Services Ltd	Zurich, Switzerland	TCHF	100	100 %	indirect	100 %	indirect	Full
PSP Real Estate Ltd	Zurich, Switzerland	TCHF	50 600	100 %	indirect	100 %	indirect	Full
PSP Management Ltd	Zurich, Switzerland	TCHF	100	100 %	indirect	100 %	indirect	Full
PSP Properties Ltd	Zurich, Switzerland	TCHF	9 919	100 %	indirect	100 %	indirect	Full
Immobiliengesellschaft Septima AG	Zurich, Switzerland	TCHF	5 700	100 %	indirect	100 %	indirect	Full
SI 7 Place du Molard Ltd	Zurich, Switzerland	TCHF	105	100 %	indirect	100 %	indirect	Full

There are no minority shareholdings in any group subsidiary. Furthermore, there are no restrictions with regard to the use of the group 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 168 to 177), 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 41) 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 41.

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 value, if it 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.

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”. The net value is assessed by the external property appraiser using the discounted cash flow method (DCF).

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 1.8 % (previous year: 2.0 %).

Associated companies

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

Financial investments

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

Accounts receivable

Accounts receivable are stated at amortised cost. Accounts receivable liable to default are evaluated on an individual basis, and provisions for bad debts are made accordingly (see section “Impairment” on page 43).

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. The interest rate payer swaps are used for hedging future cash flows. Combined with fixed credit positions, the interest rate receiver swaps are used for the synthetic representation of variable loans.

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 IFRS 9 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.

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 and is assessed by the external property appraiser using the discounted cash flow method (DCF).

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 (captital reserves).

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, as well as changes from the trading 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 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 Executive Board

The Members of the Executive Board receive a performance-based remuneration in Company shares with a contractual blocking period of three (previous year: 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 risk
  - 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 166 to 167), the lease expiry profile or the tenant structure (pages 180 to 181). 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
4.97 %	– 9.5%	– 627 847 790	5 979 776 755
4.87 %	– 7.3%	– 480 986 958	6 126 637 587
4.77 %	– 5.0%	– 327 600 513	6 280 024 032
4.67 %	– 2.5%	– 167 408 613	6 440 215 932
4.57 % (Valuation as per 31 December 2015)	**0.0%**	**0**	**6 607 624 545**
4.47 %	2.7%	175 148 597	6 782 773 142
4.37 %	5.4%	358 482 278	6 966 106 823
4.27 %	8.3%	550 331 414	7 157 955 959
4.17 %	11.4%	751 550 634	7 359 175 179

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 (2014: CHF 290 million; assumption: all other valuation variables remain unchanged). This would result in a change in the Company's net income of +/– CHF 230 million (2014: CHF 237 million).

An increase in the structural vacancy rates on which the estimates are based for all properties from 5.4 % to 8.4 % (2014: from 4.8 % to 7.8 %) would result in a depreciation of the entire portfolio of approximately CHF 250 million at most (2014: CHF 240 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 199 million (2014: CHF 180 million)
- Change in net income excluding gains/losses on real estate investments: no impact (2014: 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.

All the guidelines established by the Board of Directors were fulfilled as at 31 December 2015 and 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 established by the Board of Directors were fulfilled as at 31 December 2015 and 31 December 2014.

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 2014, PSP Swiss Property had no significant concentration of credit risks from receivables at the end of 2015 (see also tenant structure on page 181). Due to the low default rate of 0.2 % (previous year: 0.1 %) 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 2015, the biggest single position amounted to CHF 1.7 million (end of 2014: CHF 2.8 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 2015. At the end of 2015, these three accounted for CHF 2.1 million respectively 100 % of all the derivative financial instruments with a positive fair value (end of 2014: none of the derivative financial instruments had a positive fair value) as well as CHF 25.9 million respectively 88.2 % of cash and cash equivalents (end of 2014: CHF 29.0 million respectively 91.7 %).

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 2015, available cash and cash equivalents amounted to CHF 29.4 million (end of 2014: CHF 32.3 million). At the same time, PSP Swiss Property had unused credit lines amounting to CHF 650 million (end of 2014: CHF 580 million); thereof, as in the previous year, all were committed credit lines.

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

- Credit lines: At the end of 2015, committed credit lines amounted to CHF 1.95 billion; thereof, as in the previous year, none was subject to short-term notice (end of 2014: CHF 1.94 billion).

- Financing sources: PSP Swiss Property has bilateral business relations with ten 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. 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 and fixed-rate loans). Fixed-term loans on a floating basis 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 2015 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 2.0 million (2014: CHF 2.1 million). This would have the following impact on the Company's results:

- Change in net income: CHF 1.6 million (2014: CHF 1.6 million)

- Change in net income excluding gains/losses on real estate investments: CHF 1.6 million (2014: CHF 1.6 million)

- Change in shareholders' equity (retained earnings): CHF 1.6 million (2014: CHF 1.6 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 (2014: no impact)
- Change in net income excluding gains/losses on real estate investments: no impact (2014: no impact)
- Change in comprehensive income: CHF 13.3 million (2014: CHF 25.8 million)
- Change in shareholders' equity (revaluation reserves): CHF 13.3 million (2014: CHF 25.8 million)

In case of extraordinary market distortions and a continuing negative interest rate environment, key figures with regard to profit and equity may be affected.

Overall, the financing structure as at 31 December 2015 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 3.870 billion at the end of 2015 (end of 2014: CHF 3.841 billion) – corresponding to an equity ratio of 57.0 % (end of 2014: 57.5 %) – PSP Swiss Property has a strong equity base. Interest-bearing debt amounted to CHF 1.969 billion respectively 29.0 % of the balance sheet total at the end of 2015 (end of 2014: CHF 1.929 billion respectively 28.9 %). The remaining 14.0 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 2015, 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.

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

	Real Estate Investments	Real Estate Maintenance	Holding	Subtotal	Eliminations	Total Group
Operating income (in CHF 1 000)						1 January to 31 December 2014
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.

Segment information for the business year 2015

Operating income (in CHF 1 000)	Real Estate Investments	Real Estate Maintenance	Holding	Subtotal	Eliminations	Total Group
						1 January to 31 December 2015
Rental income	276 419			276 419	– 1 355	275 063
Net changes in fair value of real estate investments	33 791			33 791		33 791
Income from property sales (inventories)	23 693			23 693		23 693
Expenses from sold properties (inventories)	– 20 434			– 20 434		– 20 434
Income from other property sales	407			407	967	1 374
Income from investments in associated companies		10		10		10
Real estate management services		13 683		13 683	– 13 683	0
Capitalised own services		2 977		2 977		2 977
Other income	1 492	1 122	17 631	20 245	– 18 644	1 601
Total operating income	**315 367**	**17 792**	**17 631**	**350 790**	**– 32 715**	**318 075**
Operating expenses						
Real estate operating expenses	– 24 954			– 24 954	13 683	– 11 271
Real estate maintenance and renovation expenses	– 15 409			– 15 409	783	– 14 626
Personnel expenses		– 8 920	– 8 906	– 17 826	100	– 17 726
Fees to subcontractors		– 47		– 47		– 47
General and administration expenses	– 17 710	– 3 816	– 4 140	– 25 666	18 149	– 7 517
Impairment charge properties	– 874			– 874		– 874
Depreciation	– 669	– 47		– 716		– 716
Total operating expenses	**– 59 615**	**– 12 831**	**– 13 045**	**– 85 492**	**32 715**	**– 52 776**
Operating profit before financial expenses	**255 752**	**4 961**	**4 586**	**265 298**		**265 298**
Financial income						721
Financial expenses						– 29 756
Operating profit before taxes						**236 263**
Income taxes						– 48 537
Net income attributable to shareholders of PSP Swiss Property Ltd						**187 726**
Revenue						
With third parties	300 248	0	0	300 248		300 248
With other segments	1 355	17 743	17 631	36 729	– 33 682	3 047
Total revenue	**301 604**	**17 743**	**17 631**	**336 977**	**– 33 682**	**303 295**
Assets	6 750 467	9 983	41 310	6 801 760	– 9 838	6 791 923
Liabilities	2 894 630	19 917	16 741	2 931 288	– 9 838	2 921 450
Capital expenditures	138 265	0	0	138 265		138 265
Associated companies	0	24	0	24		24

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.

5 Rental income

(in CHF 1 000)	2014	2015
Potential rent	315 697	320 288
Vacancy	– 35 952	– 40 881
Write-offs of defaulting tenants	– 405	– 750
Net land lease interests	– 1 637	– 1 649
Income from electricity sale	0	225
Other income	– 553	– 2 170
Total rental income	**277 150**	**275 063**

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 2014	31 December 2015
Rental income < 1 year	230 218	209 910
Rental income 2 to 5 years	465 484	494 487
Rental income > 5 years	190 612	219 717
Accumulated future rental income	**886 314**	**924 114**

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, 77.3 % of contracts have a clause for a 100 % indexation (end of 2014: 75.5 %). At the end of 2015, the average remaining length for all leases was 4.0 years (2014: 4.4 years).

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

(in CHF 1 000)	2014	2015
Land lease interest expenses	1 682	1 693
Total land lease interest expenses for the period	**1 682**	**1 693**

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

(in CHF 1 000)	31 December 2014	31 December 2015
Interest payments < 1 year	1 682	1 772
Interest payments 2 to 5 years	8 409	5 241
Interest payments > 5 years	14 500	19 344
Accumulated future land lease interest expenses	**24 590**	**26 357**

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

(in CHF 1 000)	2014	2015
Land lease interest income	44	44
Total land lease interest income for the period	**44**	**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 2014	31 December 2015
Interest payments < 1 year	44	44
Interest payments 2 to 5 years	222	177
Interest payments > 5 years	1 197	1 153
Accumulated future land lease interest income	**1 463**	**1 375**

The existing land lease contracts will mature in the years 2018 to 2072. 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)	2014	2015
Sales proceeds	10 600	48 350
Transaction costs	– 14	– 62
Carrying value of sold properties	– 8 560	– 46 914
Total income from property sales	**2 026**	**1 374**

In the reporting year, the sale of one investment property generated a profit of CHF 1.4 million. In the previous year, the sale of one investment property generated a profit of CHF 2.0 million.

7 Other income

(in CHF 1 000)	2014	2015
VAT recovery	3 269	1 481
Other fees	755	121
Total other income	**4 024**	**1 601**

The voluntary opting in of several rental contracts (VAT recovery) resulted in an income of CHF 1.5 million in the reporting year (2014: CHF 3.3 million). In addition, the purchase of one property generated other income.

8 Real estate operating expenses

(in CHF 1 000)	2014	2015
General operating expenses	4 715	5 149
Taxes and fees	2 704	2 298
Insurance premiums	1 883	1 848
Expenses for caretakers	832	843
Utilities and waste management	725	647
Letting expenses	345	427
Administrative expenses	473	367
Ancillary expenses received	– 328	– 308
Total real estate operating expenses	**11 349**	**11 271**

Real estate operating expenses for unrented objects amounted to CHF 4.9 million in the reporting year (2014: CHF 4.2 million). Thereof, CHF 3.8 million were for heating and general operating expenses (2014: CHF 3.2 million).

9 Personnel expenses

(in CHF 1 000)	2014	2015
Wages and salaries	15 116	15 125
Social security expenses	1 284	1 271
Expenses for staff pension schemes	1 911	1 030
Other expenses	220	300
Total personnel expenses	**18 531**	**17 726**
Employees at end of period (posts)	83	87
Equal full-time employees (posts)	78	81

10 General and administrative expenses

(in CHF 1 000)	2014	2015
Administrative expenses	2 995	3 291
General operating expenses	1 846	1 481
IT expenses	1 682	1 987
Current capital taxes	316	360
Occupancy expenses	486	398
Total general and administrative expenses	**7 326**	**7 517**

General and administrative expenses increased mainly due to IT expenses and legal fees. Lower moving and furnishing costs of the Zurich branch compared to the previous year had a positive impact.

11 Financial expenses

(in CHF 1 000)	2014	2015
Financial income	1 269	719
Income from financial investments	1	1
Total financial expenses	**1 270**	**721**
Financial expenses	33 843	33 066[1]
Capitalised interest expenses	– 2 548	– 3 896
Amortisation of issue expenses of bonds	637	586
Total financial expenses	**31 933**	**29 756**
Total net financial expense	**30 662**	**29 035**
Overall financial expenses for financial instruments at amortised cost	**34 481**	**33 652**

1 Including reduction through accounts receivable of CHF 2.6 mio. for negative Libor.

Interest-bearing debt amounted to CHF 1.969 billion at the end of 2015 (end of 2014: CHF 1.929 billion). The average interest rate was 1.70 % in the reporting year (2014: 1.76 %). At the end of 2015, the average interest rate was 1.53 % (end of 2014: 1.70 %).

12 Income tax expenses

(in CHF 1 000)	2014	2015
Current income taxes of reporting period	24 815	19 392
Adjustments for current income taxes relating to other periods	– 168	– 145
Total current income taxes	**24 647**	**19 248**
Deferred income taxes from change in temporary net changes in fair value of investment properties	16 625	29 711
Deferred income taxes from changes in tax rates	– 2 111	– 487
Deferred income taxes from change in temporary net changes in fair value of other balance sheet positions	– 135	65
Total deferred income taxes	**14 379**	**29 289**
Total income tax expenses	**39 027**	**48 537**

Reconciliation to tax expenses:

(in CHF 1 000)	2014	2015
Operating profit before taxes	214 373	236 263
Reference tax rate	21.2 %	21.5 %
Income taxes at reference tax rate	**45 494**	**50 878**
Changes in tax rates on temporary changes in fair value	– 2 111	– 487
Adjustments for current income taxes relating to other periods	– 168	– 145
Local tax rate differences	– 4 190	– 1 710
Total income tax expenses	**39 027**	**48 537**

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 21.5 % (incl. direct federal tax) is currently applicable (2014: 21.2 %). In the reporting year, the actual tax rate was 20.5 % (2014: 18.2 %).

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

(in CHF 1 000)	2014	2015
Taxes from change in interest rate hedging	2 386	721
Taxes from staff pension scheme liabilities	1 043	128
Taxes from real estate appreciation due to change of use	– 2 047	0
Total income tax expenses (directly reported in equity)	**1 382**	**849**

13 Real estate investments

(in CHF 1 000)	Investment properties	Investment properties for sale	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 2013	**6 006 810**	**11 744**	**15 376**	**291 078**	**16 854**	**123 714**	**6 465 576**
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**				
Purchases	6 679	0	0	0	0	0	6 679
Capitalised/released rent-free periods[1]	– 383	0	0	0	0	0	– 383
Transfers	36 584	– 9 192	0	– 27 393	0	0	0
Capital expenditures	21 899	33	63	97 702	1 001	17 566	138 265
Capitalised own services	710	11	1	1 657	10	588	2 977
Capitalised interest expenses	770	0	0	2 482	68	576	3 896
Sales	– 46 914	0	0	0	0	– 20 434	– 67 348
Net changes in fair value of real estate investments	52 462	– 184	n.a.	– 18 487	n.a.	n.a.	33 791
▪ Net changes in fair value of properties held at 1 January 2015	42 627	0	n.a.	– 12 432	n.a.	n.a.	30 195
▪ Net changes in fair value of properties acquired/completed and transferred	9 835	– 184	n.a.	– 6 055	n.a.	n.a.	3 595
Impairment charge	n.a.	n.a.	0	n.a.	0	– 874	– 874
Depreciation	n.a.	n.a.	– 669	n.a.	n.a.	n.a.	– 669
Carrying value at 31 December 2015	**6 186 848**	**0**	**36 159**	**420 777**	**6 924**	**73 669**	**6 724 377**
Historical cost			36 884				
Accumulated depreciation			– 725				
Carrying value, net			**36 159**				

1 Straightlining of incentives given to tenants.

Class of assets fair value change calculation

							Properties
(in CHF 1 000)	Zurich	Geneva	Basel	Bern	Lausanne	Other locations	Total real estate investment
Carrying value at 31 December 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*
Carrying value at 31 December 2014	**4 129 841**	**896 269**	**490 146**	**262 274**	**337 322**	**373 335**	**6 489 187**
Additions	6 679	0	0	0	0	0	6 679
Capitalised/released rent-free periods[1]	– 297	– 86	0	0	0	0	– 383
Capital expenditures	24 952	19 807	24 441	6 606	2 383	41 445	119 635
Capitalised own services	623	155	766	248	55	531	2 378
Capitalised interest expenses	776	437	426	284	60	1 268	3 252
Net changes in fair value recognised in the income statement, item Net changes in fair value of real estate investments	16 368	– 9 739	28 036	4 836	7 637	– 13 348	33 791
Deductions	– 46 914	0	0	0	0	0	– 46 914
Carrying value at 31 December 2015	**4 132 029**	**906 844**	**543 815**	**274 248**	**347 457**	**403 232**	**6 607 625**
Change of non-realised changes in fair value of real estate investments in the portfolio as at 31 December 2015; recognised in the income statement	*16 368*	*– 9 739*	*28 036*	*4 836*	*7 637*	*– 13 348*	*33 791*

1 Straightlining of incentives given to tenants.

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

As of 2 September 2015, the investment property on Altstetterstrasse 124 / Herrligstrasse 21 in Zurich was sold. As of 1 November 2015, the investment property on Heinrich Stutz-Strasse 23/25 in Urdorf was purchased.

Property valuation differences: The property valuation report of the external, independent valuation company, Wüest & Partner AG, on pages 84 to 89, shows the basis and assumptions adopted for valuation purposes.

The revaluation of the properties resulted in an appreciation of CHF 33.8 million. Renovations and a decline in the average weighted discount rate by 24 basis points had a positive effect; at the end of 2015, the portfolio's weighted average nominal discount rate was 4.57 % (end of 2014: 4.81 %). On the other hand, longer vacancy periods before new rentals, adjustments of market rents in peripheral locations and higher renovation spending at a number of properties had a negative impact.

As at 31 December 2015, the independent valuation company identified twelve properties which may have significant optimisation potential (unchanged from 2014). 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 2015, positive valuation changes at the end of 2015 totalled CHF 159.0 million (2014: CHF 155.0 million) while negative valuation changes totalled CHF 128.8 million (2014: CHF 148.6 million).

In accordance with the accounting and valuation principles for properties used by the Company itself, own-used properties are recorded at historical cost (IAS 16). The estimated market value for the own-used property (Seestrasse 353, Zurich) was CHF 36.3 million at the end of 2015 (end of 2014: CHF 36.8 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 2015, this applied to the following objects: i) Gurten site in Wabern near Bern ii) new construction of the “Grosspeter Tower” in Basel iii) new construction of the Salmenpark in Rheinfelden iv) conversion of “Hardturmstrasse 161 / Förrlibuckstrasse 150” in Zurich and v) conversion of “Bahnhofquai / Bahnhofplatz” in Zurich. The market value of all sites and development properties was estimated at CHF 537.0 million at the end of 2015 (end of 2014: CHF 473.8 million). At the end of 2015, payment obligations for current development and renovation projects totalled CHF 85.6 million (end of 2014: CHF 22.3 million).

As at the end of 2015, notary and transfer fees in respect of the sale of all properties were estimated at approximately CHF 76 million (end of 2014: approximately CHF 73 million).

Information on financing is shown in note 23 on pages 68 to 69. Participations and investments as well as transactions with related parties are shown in notes 14 (page 62) and 32 (pages 78 to 80).

Further information in accordance with the Directive on Financial Reporting of the SIX Swiss Exchange can be found on pages 166 to 181. (This information is part of the notes to the consolidated financial statements.)

14 Investments in associated companies

Name (in CHF 1 000)	Registered office	Total assets	Liabilities	Revenues	Income	Ownership
31 December 2014						
IG REM	Zurich, Switzerland	230	6	245	140	n.a.
31 December 2015						
IG REM	Zurich, Switzerland	299	0	185	74	n.a.

(in CHF 1 000)	2014	2015
Carrying value at 1 January	17	35
Proportional net income	18	10
Carrying value at 31 December	**35**	**45**

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)	2014	2015
Carrying value at 1 January	9	9
Carrying value at 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 2015, income from financial investments amounted to CHF 0.001 million (2014: CHF 0.001 million).

16 Accounts receivable

(in CHF 1 000)	2014	2015
Resulting from business activities with third parties	23 939	25 756
Value adjustment (accumulated)	– 1 257	– 1 554
Carrying value at 31 December	**22 682**	**24 203**
thereof long-term (non-current assets)	5 453	3 208
thereof short-term (current assets)	17 229	20 995

The long-term accounts receivable (non-current assets) are exclusively loans granted to tenants with interest rates between 4.5 % and 6 %; the short-term accounts receivable (current assets) are mainly outstanding rental payments, claims for ancillary expenses, accounts receivable for negative CHF-Libor as well as claims on the pension foundation.

The accumulated impaired receivables changed as follows:

(in CHF 1 000)	2014	2015
Carrying value at 1 January	2 025	1 258
Additions debited to income statement	570	905
Release credited to income statement	– 100	– 137
Outflow	– 1 237	– 472
Carrying value at 31 December	**1 258**	**1 554**

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. 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**						

(in CHF 1 000)	Carrying value 31 Dec. 2015	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)	3 208	0	3 208	0	0	0	0
Accounts receivable (current assets)	22 548	2 027	14 840	5 219	122	18	323
Value adjustment	– 1 554						
Total accounts receivable	**24 203**						

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

As the Group has a broad client base, there is no cluster risk with respect to receivables. The maximum exposure to credit risk at the reporting date is the carrying respectively fair value of each class of receivables mentioned above. Due to the low default rate of 0.2 % (previous year: 0.1 %), the quality of accounts receivable < 30 days, which are due and not value-adjusted is considered as good. The increase in accounts receivable which are due and not value-adjusted results from a new account receivable from negative CHF-Libor formed in 2015. At the end of 2015, guarantees (at fair value) totalled CHF 12.4 million on accounts receivable which were due and not value-adjusted of CHF 5.7 million (end of 2014: CHF 9.4 million for CHF 1.8 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 payer swaps as at the reporting date are used for hedging existing and future loans in the form of fixed advances against rising interest rates. Combined with fixed credit positions, the interest rate receiver swaps are used for the synthetic representation of variable loans.

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

Maturity year	(in CHF 1 000)	Contract value Payer Swaps	Contract value Receiver Swaps	Positive fair value[1]	Negative fair value[1]
31 December 2014					
2015		300 000	0	0	– 2 798
2016		50 000	0	0	– 1 957
2017		200 000	0	0	– 8 533
2018		250 000	0	0	– 6 802
2019		250 000	0	0	– 11 600
2020		150 000	0	0	– 8 377
2021		150 000	0	0	– 8 852
2022		50 000	0	0	– 1 811
2023		50 000	0	0	– 933
2024		50 000	0	0	– 2 192
Total		**1 500 000**	**0**	**0**	**– 53 856**
31 December 2015					
2016		50 000	0	0	– 1 010
2017		200 000	150 000	0	– 7 353
2018		250 000	150 000	147	– 8 520
2019		250 000	100 000	299	– 14 024
2020		150 000	50 000	386	– 11 346
2021		150 000	0	0	– 13 300
2022		50 000	0	0	– 3 139
2023		50 000	0	0	– 2 570
2024		50 000	50 000	1 221	– 3 856
Total		**1 200 000**	**500 000**	**2 052**	**– 65 117**

1 Excl. accrued interest.

During the reporting period, payer swaps to the amount of CHF 300 million matured and were partially replaced by existing forward starting interest rate swaps. Furthermore, new receiver swaps to the amount of CHF 500 million maturing in the years 2017 to 2024 were signed.

All interest rate swaps fulfil the requirements for applying hedge accounting. The fixed interest rate basis for the interest rate swaps existing at the end of September 2015 was – 0.91 % to 2.47 % (previous year: 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 67). 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)	2014	2015
Carrying value at 1 January	0	0
Depreciation	0	0
Carrying value at 31 December	**0**	**0**
Historical cost	3 440	3 392
Accumulated depreciation	– 3 440	– 3 392
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)	2014	2015
Carrying value at 1 January	323	280
Purchases	0	122
Depreciation	– 43	– 47
Carrying value 31 December	**280**	**356**
Historical cost	342	464
Appreciation	200	200
Accumulated depreciation	– 262	– 308
Carrying value, net	**280**	**356**

20 Deferred tax assets and liabilities

Deferred tax assets (in CHF 1 000)	31 December 2014	31 December 2015
Resulting from negative net changes in fair value of properties	9 281	0
Resulting from derivative financial instruments	4 219	5 101
Resulting from pension liabilities	3 882	3 896
Total	**17 383**	**8 997**

Deferred tax liabilities	31 December 2014	31 December 2015
Resulting from positive net changes in fair value of properties	742 538	762 481
Resulting from accounts receivable	120	71
Resulting from derivative financial instruments	0	161
Resulting from provisions	770	770
Total	**743 428**	**763 482**

Net deferred tax liabilities	2014	2015
Carrying value at 1 January	713 048	726 046
Deferred taxes booked to statement of profit or loss	14 379	29 289
Deferred taxes booked to shareholders' equity	– 1 382	– 849
Carrying value at 31 December	**726 046**	**754 485**

As a result of applying the property gains tax rates which theoretically were due if all properties had been sold as at 31 December 2015, tax liabilities would, compared to the reported deferred tax liabilities, increase by approximately CHF 43 million (end of 2014: approximately CHF 46 million).

The expiration profiles with regard to deferred tax assets and liabilities are as follows:

Expiration of tax assets (in CHF 1 000)	31 December 2014	31 December 2015
< 1 year	690	79
> 1 year	16 692	8 918
Total	**17 383**	**8 997**

Expiration of tax liabilities	31 December 2014	31 December 2015
< 1 year	4 761	4 602
> 1 year	738 667	758 880
Total	**743 428**	**763 482**

21 Share capital

PSP Swiss Property Ltd	Number of registered shares in units	Nominal value per registered share in CHF	Total nominal value in CHF 1 000
Issued, fully paid-in share capital			
31 December 2013	45 867 891	0.10	4 587
31 December 2014	45 867 891	0.10	4 587
31 December 2015	45 867 891	0.10	4 587
Conditional share capital			
31 December 2013	2 000 000	0.10	200
31 December 2014	2 000 000	0.10	200
31 December 2015	2 000 000	0.10	200

In the reporting year, a total of 16 989 own shares were purchased at an average price of CHF 86.29 per share (totalling CHF 1.5 million) and 16 989 own shares were sold at an average price of CHF 84.07 per share (totalling CHF 1.4 million) (2014: 15 445 own shares purchased at an average price of CHF 83.02 and 15 445 own shares sold at an average price of CHF 82.89).

Further details on changes in shareholders' equity can be found in the consolidated statement of shareholders' equity on pages 34 to 35.

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	Financial investments	Total
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**
Changes current year	0	– 9 208	– 582	– 9 790
Income taxes	0	721	128	849
31 December 2015	**9 612**	**– 58 124**	**– 10 570**	**– 59 082**

23 Debt

(in CHF 1 000)	31 December 2014	31 December 2015
Long-term debt	1 360 000	1 300 000
Long-term bonds	568 669	419 084
Short-term bonds	0	249 951
Total interest-bearing debt	**1 928 669**	**1 969 035**

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. Debt's market values can be found in note 26 on page 73.

In the reporting period, fixed-term loans totalling CHF 610 million were drawn using existing credit lines and CHF 670 million were repaid. During the same period, a CHF 100 million 1.00 % bond (all-in costs 1.02 %) maturing in 2025 was issued on 6 February 2015.

Due to the interest rate situation, previously floating rate loans to the amount of CHF 500 million were converted to fixed interest rate loans with fixed maturities until 2019. By means of receiver swaps to the same amount, the loan positions were immediately converted to synthetic, floating rate positions.

At the end of 2015 (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 2014	31 December 2015
< 6 months	210 000	349 951
6 to 12 months	100 000	50 000
1 to 5 years	969 312	1 219 285
> 5 years	649 357	349 799
Total interest-bearing debt	**1 928 669**	**1 969 035**

At the end of 2015, the average fixed interest rate period of all debt was 3.4 years (end of 2014: 3.9 years).

Details on the existing bonds are as follows:

Short-term bonds (in CHF 1 000)	Carrying value 31 Dec. 2013	Reclassi-fication	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	0	95	– 250 000	0	0
Total	**249 905**	**0**	**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	0	373	0	249 568	250 000
1.000 % bond, maturing 8 February 2019 (nominal on issuance CHF 120 000)	119 683	0	0	61	0	119 744	120 000
1.375 % bond, maturing 4 February 2020 (nominal on issuance CHF 200 000)	0	0	199 248	109	0	199 357	200 000
Total	**368 879**	**0**	**199 248**	**542**	**0**	**568 669**	**570 000**

Short-term bonds (in CHF 1 000)	Carrying value 31 Dec. 2014	Reclassi-fication	Issue	Amortisation of issue costs	Repayment	Carrying value 31 Dec. 2015	Nominal value 31 Dec. 2015
2.625 % bond, maturing 16 February 2016 (nominal on issuance CHF 250 000)	0	249 568	0	383	0	249 951	250 000
Total	**0**	**249 568**	**0**	**383**	**0**	**249 951**	**250 000**
Long-term bonds							
2.625 % bond, maturing 16 February 2016 (nominal on issuance CHF 250 000)	249 568	– 249 568	0	0	0	0	0
1.000 % bond, maturing 8 February 2019 (nominal on issuance CHF 120 000)	119 744	0	0	61	0	119 805	120 000
1.375 % bond, maturing 4 February 2020 (nominal on issuance CHF 200 000)	199 357	0	0	122	0	199 480	200 000
1.000 % bond, maturing 6 February 2025 (nominal on issuance CHF 100 000)	0	0	99 780	19	0	99 799	100 000
Total	**568 669**	**– 249 568**	**99 780**	**203**	**0**	**419 084**	**420 000**

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

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

	Nominal value in CHF 1 000	Price in %	Market value in CHF 1 000	Effective interest rate in %
2.625 % bond, maturing 16 February 2016				
31 December 2014	250 000	102.74	256 850	2.78
31 December 2015	250 000	100.53	251 313	2.78
1.000 % bond, maturing 8 February 2019				
31 December 2014	120 000	102.39	122 868	1.05
31 December 2015	120 000	102.45	122 940	1.05
1.375 % bond, maturing 4 February 2020				
31 December 2014	200 000	103.00	206 000	1.44
31 December 2015	200 000	104.30	208 600	1.44
1.000 % bond, maturing 6 February 2025				
31 December 2014	n.a.	n.a.	n.a.	n.a.
31 December 2015	100 000	103.88	103 875	1.02

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. Due to a change in the pension scheme, the non-mandatory claims in the basic insurance will be converted at a higher rate from 1 January 2016, while claims in the supplementary benefit scheme will be converted at a lower rate.

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

(in CHF 1 000)	31 December 2014	31 December 2015
Pension liabilities (present value)	66 339	68 204
Pension assets at market value	– 48 693	– 50 497
Deficient cover	**17 646**	**17 707**
Unrecognised actuarial gains and losses	n.a.	n.a.
Pension liabilities (technical deficit)	**17 646**	**17 707**

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

(in CHF 1 000)	2014	2015
Actuarial pension expenses	1 705	2 084
Interest expenses	1 168	658
Expected income on plan assets	– 917	– 481
Curtailment, settlement	0	– 1 231
Administration cost	67	90
Total expenses	**2 023**	**1 120**

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

(in CHF 1 000)	2014	2015
Carrying value 1 January	12 559	17 646
Expenses for staff pension schemes debited to the income statement	2 023	1 120
Employer contributions	– 1 676	– 1 641
Actuarial gains and losses on OCI	4 740	582
Carrying value at 31 December	**17 646**	**17 707**

Pension liabilities and assets changed as follows:

(in CHF 1 000)	2014	2015
Pension liabilities (present value) at 1 January	58 971	66 339
Actuarial pension expenses	1 705	2 084
Employees' contributions	877	878
Interest expenses	1 168	658
Curtailment, settlement	0	– 1 231
Paid coverage	– 1 126	– 1 700
Actuarial gains and losses	4 744	1 176
Pension liabilities (present value) at 31 December	**66 339**	**68 204**
Pension assets at market value at 1 January	46 412	48 693
Expected income on plan assets	917	481
Employer contributions	1 676	1 641
Employees' contributions	877	878
Paid coverage	– 1 126	– 1 700
Administration cost	– 67	– 90
Actuarial gains and losses	4	594
Pension assets at market value at 31 December	**48 693**	**50 497**
Effective pension income	**921**	**1 075**

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 2014	31 December 2015
Pension liabilities (present value)	66 339	68 204
Pension assets at market value	– 48 693	– 50 497
Deficient cover	**17 646**	**17 707**
Adjustments of pension liabilities by experience	44	165
Adjustments of pension liabilities caused by amended assumptions	– 4 788	– 1 341
Adjustments of pension assets by experience	4	594
Total actuarial gains and losses	**– 4 740**	**– 582**

The expected employer contributions for the business year 2016 amount to CHF 1.7 million (expected contributions 2015: CHF 1.7 million).

Calculation of pension liabilities was based on the following assumptions:

	31 December 2014	31 December 2015
Technical interest rate (discount rate)	1.00 %	0.75 %
Expected future salary increases	2.00 %	2.00 %
Expected future pension increases	0.10 %	0.00 %
Life expectancy in years at age of retirement (man/woman)	22.35/24.88	22.46/24.98

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

(in CHF 1 000)	31 December 2014	31 December 2015
Cash and cash equivalents	292	202
Bonds	19 429	17 623
Equities	12 758	13 887
Real estate	8 619	8 938
Other	7 596	9 847
Total	**48 693**	**50 497**

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).

	Change in pension liabilities[1]	
Technical interest rate	**31 December 2014**	**31 December 2015**
+ 0.25 %	1 760	1 979
− 0.25 %	− 1 855	− 2 061
Salary change		
+ 0.25 %	− 230	− 269
− 0.25 %	226	262
Pension change		
+ 0.25 %	− 1 487	− 1 656
− 0.25 %	577	0
Life expectancy		
+ 1 year at age of retirement	− 2 591	− 2 779

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

25 Accounts payable

(in CHF 1 000)	31 December 2014	31 December 2015
Resulting from business activities with third parties	6 117	9 429
Prepayments	21 299	26 834
Total	**27 416**	**36 263**

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

26 Financial instruments according to categories

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

Financial assets (in CHF 1 000)	Carrying value 31 December 2014	Market value 31 December 2014	Carrying value 31 December 2015	Market value 31 December 2015
Accounts receivable at amortised cost	22 682	22 682	24 203	24 203
Financial investments at fair value through comprehensive income	9	9	9	9
Derivative financial instruments (hedging)	0	0	2 052	2 052
Cash and cash equivalents	32 256	32 256	29 353	29 353
Financial liabilities				
Debt at amortised cost	1 360 000	1 360 000	1 300 000	1 295 174
Bonds at amortised cost	568 669	585 718	669 035	686 728
Accounts payable at amortised cost	27 416	27 416	36 263	36 263
Derivative financial instruments (hedging)	53 856	53 856	65 117	65 117

27 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 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**

Financial instruments positive (in CHF 1 000)					
As at 31 December 2015					
Cash and cash equivalents	29 353	0	29 353	– 28 898	455
Derivative financial instruments (positive)	2 052	0	2 052	– 2 052	0
Total	**31 405**	**0**	**31 405**	**– 30 951**	**455**

Financial instruments negative					
As at 31 December 2015					
Debt	1 300 000	0	1 300 000	– 23 345	1 276 655
Derivative financial instruments (negative)	65 117	0	65 117	– 7 606	57 511
Total	**1 365 117**	**0**	**1 365 117**	**– 30 951**	**1 334 166**

28 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 values (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 2014
Properties (IAS 40 & IFRS 5)	0	0	6 489 187	6 489 187
Financial instruments	0	0	9	9
Derivative financial instruments (hedging)	0	0	0	0
Total financial assets	**0**	**0**	**6 489 196**	**6 489 196**
Liabilities				
Derivative financial instruments (hedging)	0	53 856	0	53 856
Total financial liabilities	**0**	**53 856**	**0**	**53 856**

Assets (in CHF 1 000)	Level 1	Level 2	Level 3	Market value 31 December 2015
Properties (IAS 40 & IFRS 5)	0	0	6 489 187	6 489 187
Financial investments	0	0	9	9
Derivative financial instruments (hedging)	0	2 052	0	2 052
Total financial assets	**0**	**2 052**	**6 607 634**	**6 609 686**
Liabilities				
Derivative financial instruments (hedging)	0	65 117	0	65 117
Total financial liabilities	**0**	**65 117**	**0**	**65 117**

During the reporting period, no positions were transferred in between the fair value levels (2014: none).

29 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. 2014	Interest	Repay-ment	Interest	Repay-ment	Interest	Repay-ment	Interest	Repay-ment
Debt	1 360 000	3 145	0	1 340	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**	**5 172**	**6 000**	**58 984**	**1 544 000**	**10 449**	**390 000**

		Cash flows							
		< 6 months		6 to 12 months		1 to 5 years		> 5 years	
(in CHF 1 000)	Carrying value 31 Dec. 2015	Interest	Repay-ment	Interest	Repay-ment	Interest	Repay-ment	Interest	Repay-ment
Debt[3]	1 300 000	695	0	655	0	3 275	1 300 000	0	0
Bonds	669 035	11 513	250 000	0	0	18 600	320 000	5 000	100 000
Derivative financial instruments[4]	63 064	9 837	0	9 837	0	45 953	0	5 405	0
Accounts payable[1]	9 429	0	9 429	0	0	0	0	0	0
Current tax liabilities	14 198	0	14 198	0	0	0	0	0	0
Development and renovation work[2]	0	0	45 278	0	40 233	0	87	0	0
Total	**2 055 726**	**22 045**	**318 905**	**10 492**	**40 233**	**67 828**	**1 620 087**	**10 405**	**100 000**

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.

3 Excluding accounts receivable for negative CHF-Libor.

4 Including liabilities resulting from negative CHF-Libor (floating leg).

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

At the end of 2015, the average weighted duration of the loan agreements was 4.1 years (end of 2014: 4.6 years).

30 Per share figures

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

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

	2014	2015
Net income in CHF 1 000	**175 346**	**187 726**
./. Net changes in fair value of real estate investments in CHF 1 000	– 5 789	– 33 791
+ Impairment charge properties in CHF 1 000	338	874
./. Income from property sales in CHF 1 000	– 1 814	– 407
+ Attributable deferred taxes in CHF 1 000	1 264	6 885
Net income excl. gains/losses on real estate investments in CHF 1 000	**169 345**	**161 287**
Number of average outstanding shares	45 867 891	45 867 891
Earnings per share in CHF (basic and diluted)	**3.82**	**4.09**
Earnings per share excl. gains/losses on real estate investments in CHF (basic and diluted)	**3.69**	**3.52**

Equity per share changed as follows:

	31 December 2014	31 December 2015
Shareholders’ equity in CHF 1 000	3 840 795	3 870 473
Deferred taxes in CHF 1 000	726 046	754 485
Number of outstanding shares	45 867 891	45 867 891
Net asset value per share in CHF[1]	**83.74**	**84.38**
Net asset value per share before deduction of deferred taxes in CHF[1]	**99.57**	**100.83**

1 Based on number of outstanding shares.

31 Dividend payment

Based on the resolution of the annual General Meeting of 1 April 2015, a distribution of CHF 3.25 per outstanding share was made to the shareholders from the capital contribution reserves on 9 April 2015 (total amount: CHF 149.1 million; previous year: CHF 3.25 per share).

For the business year 2015, the Board of Directors will propose a distribution of a total of CHF 3.30 per share to the annual General Meeting on 31 March 2016. The distribution comprises a payment out of the capital contribution reserves of CHF 1.80 per share respectively a maximum of CHF 82.6 million and dividends paid from retained earnings of CHF 1.50 per share respectively a maximum of CHF 68.8 million. (Treasury shares are not entitled to dividends or distributions; therefore, the total amounts for dividend payments and distributions out of the capital contribution reserves respectively the corresponding carry-forwards may deviate from these figures.)

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.

32 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 2015), 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 136 to 137.

Compensations to 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.

Compensations to 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]**		**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
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.

Compensations to members of the Board of Directors (non-executive) business year 2015 (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	75	0	0	3	78
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	3	78
Aviram Wertheim, Member	99	0	0	4	103
Total	**658**	**0**	**0**	**13**	**671**

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 – included in 2015 as compensation element and listed under employer contributions pension benefits. It amounts in aggregate to TCHF 13, out of a total of TCHF 31 employer contributions to the social security insurances (AHV/IV/EO). No non-executive member is insured under a company pension scheme.

Compensations to members of the Executive Board (incl. executive member of the Board of Directors) business year 2015 (in CHF 1 000)	**Fixed compensation in cash**	**Performance-based compensation in cash**	**Other benefits**	**Performance-based compensation 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	883	10 480	222	1 987
Giacomo Balzarini, Chief Financial Officer	514	276	0	276	3 276	94	1 160
Ludwig Reinsperger, Chief Investment Officer	502	249	0	248	2 947	148	1 147
Total	**1 898**	**525**	**0**	**1 407**	**16 703**	**463**	**4 293**

1 Allocated in week 50/2015 at the market value per share at allocation date (average of end of day share prices week 50/2015: CHF 84.25).

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 – included in 2015 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 180. 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, fees for legal advice were paid in the amount of CHF 0.024 million to the law firm Niederer Kraft & Frey AG, Zurich, where Prof. Dr. Peter Forstmoser holds the position of a partner (previous year: CHF 0.064 million). Since 2001, there has been a lease contract, 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. For Niederer Kraft & Frey AG as well as for PSP Swiss Property, this annual rent is marginal and therefore neglectible compared to legal fee turnover respectively rental income. No further 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.

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 2014	31 December 2015
Günther Gose, Chairman	28 093	18 000
Adrian Dudle, Member	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**	**5 621 028**

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

As at the end of 2014, the non-executive members of the Board of Directors (including their related parties) held no options on PSP shares at the end of 2015.

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 2014	31 December 2015
Luciano Gabriel, Delegate of the Board of Directors and Chief Executive Officer	171 394	182 042
Giacomo Balzarini, Chief Financial Officer	41 378	44 706
Ludwig Reinsperger, Chief Investment Officer	35 861	37 231
Total	**248 633**	**263 979**

As at the end of 2014, 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 2015.

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 2015. As at 31 December 2014, there were no such accounts receivable from these groups of persons at the end of 2015.

As at the end of 2014, there were no claims on related parties at the end of 2015.

33 Subsequent events

For the refinancing of financial liabilities, a 0.50 % bond with a duration from 2016 to 2024 and a volume of CHF 225 million was issued on 16 February 2016.

On 24 February 2016, Steiner AG – according to its own statement – has lodged a complaint with the Commercial Court of the Canton of Zurich against the group subsidiary PSP Properties Ltd and Löwenbräu-Kunst AG (complaint amount of CHF 58.5 million). PSP Swiss Property has not yet received a copy of the complaint. PSP Swiss Property has always rejected the additional claims by Steiner AG related to the Löwenbräu construction project in Zurich West. The statement of Steiner AG in its press release dated 24 February 2016 is not in accordance with the facts; PSP Swiss Property rejects additional claims by Steiner AG.

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 30 to 81 and 166 to 181), for the year ended 31 December 2015.

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 2015 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 Ltd

Guido Andermatt	Markus Schmid
Audit expert	Audit expert
Auditor in charge	

Zurich, 29 February 2016

Property valuation report

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 as at 31 December 2015 (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 2015 to 31 December 2015, Wüest & Partner visited seven properties belonging to PSP Real Estate AG, 22 properties belonging to PSP Properties AG, two properties belonging to Immobiliengesellschaft Septima AG as well as the one property belonging to SI 7 Place du Molard AG.

Results

A total of 162[1] investment properties and property units as well as eight investment properties under construction were valued as at 31 December 2015 by Wüest & Partner. The fair value of all 162 investment properties is estimated as at 31 December 2015 at 6 186 847 545 Swiss Francs and of the investment properties under construction in accordance with IAS 40 at 420 777 000 Swiss Francs.

Changes during reporting period

Within the review period from 1 January 2015 to 31 December 2015 the property Altstetterstrasse 124 / Herrligstrasse, Zurich was sold and the property Heinrich Stutz-Strasse 23/25, Urdorf was bought. During the same period a reclassification from the investment property Hardturmstrasse 161/Förrlibuckstrasse 150, Zurich to development properties and from the development properties Löwenstrasse 16, Zurich, Bahnhofstrasse 10 / Börsenstrasse 18, Zurich as well as Quai de Cologny, Cologny to investment properties was held.

1 Excluded is the property Seestrasse 353, Zurich, 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, 22 January 2016
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	3.42	6.15	4.48
Geneva	4.18	5.34	4.66
Lausanne	4.08	5.70	4.67
Basel	4.13	4.94	4.66
Bern	3.93	5.34	4.43
Other regions	4.33	6.15	5.23
All regions	3.42	6.15	4.57

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	120 – 820	140 – 6 750	40 – 500	35 – 550	100 – 800	146 – 683
Geneva	280 – 800	370 – 4 806	25 – 600	120 – 450	100 – 540	268 – 350
Lausanne	150 – 400	330 – 1 100	80 – 300	70 – 300	150 – 300	130 – 444
Basel	150 – 330	95 – 3 200	35 – 410	120 – 180	150 – 350	170 – 320
Bern	200 – 350	190 – 1 425	80 – 200	100 – 180	190 – 250	220 – 353
Other regions	140 – 360	180 – 1 850	50 – 200	25 – 140	80 – 400	167 – 370
All regions	120 – 820	95 – 6 750	25 – 600	25 – 550	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	2.5 – 20.0	1.0 – 15.0	1.0 – 30.0	0.5 – 20.0	1.0 – 20.0	1.0 – 4.5
Geneva	3.5 – 6.0	2.5 – 4.8	2.0 – 11.0	3.0 – 8.0	3.5 – 10.0	0.5 – 1.5
Lausanne	3.0 – 9.0	2.0 – 4.5	2.0 – 20.0	3.0 – 10.0	2.0 – 15.0	1.0 – 4.0
Basel	3.0 – 5.0	2.0 – 4.0	2.0 – 30.0	1.0 – 3.0	1.0 – 5.0	2.0 – 5.0
Bern	3.0 – 6.0	2.0 – 10.0	2.0 – 10.0	1.0 – 10.0	1.0 – 7.0	1.0 – 2.0
Other regions	3.0 – 15.0	2.0 – 12.0	2.5 – 30.0	1.0 – 15.0	1.0 – 20.0	1.0 – 4.0
All regions	2.5 – 18.0	1.0 – 15.0	1.0 – 30.0	0.5 – 20.0	1.0 – 20.0	0.5 – 5.0

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

- The rent rolls from PSP Swiss Property used in the valuation are dated 1 January 2016.
- 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 3.42 % and 6.15 % depending on the property, use and location (see table 1).
- Unless otherwise stated, the valuations assume 1.0 % annual inflation for income and all expenditure. Where a nominal discount rate is applied, this is adjusted accordingly.
- Credit risks posed by specific tenants are not explicitly factored into the valuation.
- Specific indexation of existing rental agreements is accounted for on an individual basis. After expiry of the contracts, an indexation factor of 80 % (Swiss average) and an average contract term of 5 years are assumed.
- For existing tenancies, the timing of individual payments is assumed to comply with the terms of the lease. Following lease expiry, cash flows for commercial premises are taken to be quarterly in advance, for housing monthly in advance.
- In terms of running costs, entirely separate service charge accounts are assumed, with no tenancy-related ancillary costs to be borne by the owner.

- The maintenance (repair and upkeep) costs were calculated using a building analysis tool. This tool is used to estimate the remaining lifespan of individual components based on their present condition, to model periodic refurbishments and to calculate the associated annuity. The calculated values are plausibility tested using cost benchmarks derived from Wüest & Partner surveys.

Sites and development properties

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

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

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

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

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

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

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

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

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

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

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

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

- The valuations contain no latent taxes.

Valuation of investment properties: Discount rates

	Zurich area		Geneva area		Basel area	
Discount rates in % (Market values in CHF)	**Number of properties**	**Market value**	**Number of properties**	**Market value**	**Number of properties**	**Market value**
3.25 – 3.49	1	78 460 000	0	0	0	0
3.50 – 3.74	2	318 460 000	0	0	0	0
3.75 – 3.99	8	576 450 000	0	0	0	0
4.00 – 4.24	13	534 076 000	3	272 640 000	2	45 120 000
4.25 – 4.49	11	559 738 000	0	0	3	41 015 000
4.50 – 4.74	17	745 073 000	6	312 730 000	6	318 290 000
4.75 – 4.99	7	253 098 200	5	162 314 000	3	110 390 000
5.00 – 5.24	6	221 229 000	0	0	0	0
5.25 – 5.49	9	358 244 345	3	159 160 000	0	0
5.50 – 5.74	5	112 690 000	0	0	0	0
5.75 – 5.99	1	25 620 000	0	0	0	0
6.00 – 6.24	2	71 760 000	0	0	0	0
Total	**82**	**3 854 898 545**	**17**	**906 844 000**	**14**	**514 815 000**

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 2015, the portfolio's average weighted nominal discount rate was 4.57 % (end of 2014: 4.81 %).

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	1	78 460 000
0	0	0	0	0	0	2	318 460 000
2	30 066 000	0	0	0	0	10	606 516 000
3	66 807 000	2	133 630 000	0	0	23	1 052 273 000
0	0	2	51 960 000	3	29 361 000	19	682 074 000
4	109 050 000	2	26 506 000	1	4 647 000	36	1 516 296 000
2	37 790 000	0	0	3	48 928 000	20	612 520 200
0	0	4	65 482 000	5	47 822 000	15	334 533 000
1	8 238 000	2	32 708 000	2	52 962 000	17	611 312 345
0	0	3	37 171 000	3	84 000 000	11	233 861 000
0	0	0	0	2	33 231 000	3	58 851 000
0	0	0	0	3	9 931 000	5	81 691 000
12	**251 951 000**	**15**	**347 457 000**	**22**	**310 882 000**	**162**	**6 186 847 545**

EPRA reporting

EPRA performance key figures

In accordance with EPRA's Best Practices Recommendations, PSP Swiss Property discloses the EPRA performance key figures. In the reporting period, PricewaterhouseCoopers Ltd has verified these key figures for the first time. The corresponding opinion can be found on pages 95 to 96.

Summary table EPRA performance measures	Unit	2014	2015
A. EPRA earnings per share (EPS)	CHF	3.57	3.44
B. EPRA NAV per share	CHF	101.39	103.05
C. EPRA triple net asset value per share (NNNAV)	CHF	83.88	84.77
D. EPRA net initial yield	%	3.7	3.7
EPRA "topped-up" net initial yield	%	3.8	3.8
E. EPRA vacancy rate	%	9.1	8.1
F. EPRA cost ratio (including direct vacancy costs)	%	19.2	18.9
EPRA cost ratio (excluding direct vacancy costs)	%	17.7	17.2
G. EPRA like-for-like rental change	%	0.2	0.2
H. EPRA cap ex	CHF 1 000	186 863	130 218

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)	2014	2015
Earnings per IFRS income statement	**175 346**	**187 726**
Adjustments to calculate EPRA earnings		
Exclude:		
Changes in value of investment properties, development properties held for investment and other interests	– 5 789	– 33 791
Profits or losses on disposal of investment properties, development properties held for investment and other interests	– 2 026	– 1 374
Profits or losses on sales of trading properties including impairment charges in respect of trading properties	– 6 475	– 2 385
Tax on profits or losses on disposals	1 935	762
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	846	6 796
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	**163 837**	**157 735**
Average number of outstanding shares	45 867 891	45 867 891
EPRA EPS in CHF	**3.57**	**3.44**

B. EPRA net asset value (NAV) (in CHF 1 000)	31 December 2014	31 December 2015
NAV per the financial statements	**3 840 795**	**3 870 473**
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	**3 840 795**	**3 870 473**
Include:		
Revaluation of investment property under construction (IPUC) (if IAS 40 cost option is used)	10 054	8 256
Revaluation of own-used properties	56	91
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	16 802	27 403
Exclude:		
Fair value of financial instruments	53 856	63 064
Deferred tax	729 038	757 540
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	**4 650 602**	**4 726 827**
Number of outstanding shares	45 867 891	45 867 891
EPRA NAV per share in CHF	**101.39**	**103.05**

C. EPRA triple net asset value (NNNAV) (in CHF 1 000)	31 December 2014	31 December 2015
EPRA NAV	**4 650 602**	**4 726 827**
Include:		
Fair value of financial instruments	– 53 856	– 63 064
Fair value of debt	– 17 049	– 12 866
Deferred tax	– 732 524	– 762 563
EPRA NNNAV	**3 847 173**	**3 888 334**
Number of outstanding shares	45 867 891	45 867 891
EPRA NNNAV per share in CHF	**83.88**	**84.77**

D. EPRA net initial yield (NIY) (in CHF 1 000)	31 December 2014	31 December 2015
Investment property – wholly owned	6 495 032	6 614 549
Less developments	– 370 661	– 427 701
Gross up completed property portfolio valuation (B)	**6 124 372**	**6 186 848**
Annualised cash passing rental income	270 766	272 538
Property outgoings	– 43 214	– 41 992
Annualised net rents (A)	**227 552**	**230 546**
Add: notional rent expiration of rent free periods or other lease incentives	4 359	2 881
Topped-up net annualised rent (C)	**231 911**	**233 427**
EPRA NIY (A/B)	**3.7 %**	**3.7 %**
EPRA "topped-up" NIY (C/B)	**3.8 %**	**3.8 %**

Lease incentives include rent free periods for one up to six months and step up rents.

E. EPRA vacancy rate (in CHF 1 000)	31 December 2014	31 December 2015
Estimated rental value of vacant space (A)	29 998	25 588
Estimated rental value of the whole portfolio (B)	329 255	317 165
EPRA vacancy rate (A/B)	**9.1 %**	**8.1 %**

F. EPRA cost ratio (in CHF 1 000)	2014	2015
Administrative/operating expense line per IFRS income statement	53 206	52 013
Net service charge costs/fees	0	0
Management fees less actual/estimated profit element	52	47
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)	**53 258**	**52 061**
Direct vacancy costs	4 215	4 864
EPRA costs (excluding direct vacancy costs) (B)	**49 043**	**47 196**
Gross rental income less ground rents	277 150	275 063
Gross rental income (C)	**277 150**	**275 063**
EPRA cost ratio (including direct vacancy costs) (A/C)	**19.2 %**	**18.9 %**
EPRA cost ratio (excluding direct vacancy costs) (B/C)	**17.7 %**	**17.2 %**
Capitalised operating costs	**2 445**	**2 389**

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

G. EPRA like-for-like rental change (in CHF 1 000)	2014	2015
Rental income	**277 150**	**275 063**
Acquisitions	– 1 153	– 3 441
Disposals	– 2 635	– 1 551
Developments	– 7 597	– 5 428
Properties' operating expenses	– 11 223	– 11 271
Rent-Free-Periods	2 022	2 453
Other	– 1 374	– 89
Total EPRA like-for-like net rental income	**255 189**	**255 738**
EPRA like-for-like change, absolute	**610**	**549**
EPRA like-for-like change, relative	**0.2 %**	**0.2 %**
EPRA like-for-like change by areas		
Zurich	– 0.1 %	– 1.2 %
Geneva	1.1 %	1.7 %
Basel	– 0.9 %	1.6 %
Bern	2.2 %	– 1.0 %
Lausanne	4.9 %	9.4 %
Other locations	4.3 %	1.9 %

H. EPRA cap ex (in CHF 1 000)	2014	2015
Property related cap ex		
Acquisitions	71 940	6 679
Development (ground-up/green field/brown field)	64 144	98 703
Like-for-like portfolio	48 522	21 516
Capitalised interests	2 257	3 320
Capital expenditure	**186 863**	**130 218**

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

Independent Assurance Report on the EPRA Performance Measures to the Management

To the Management of PSP Swiss Property AG, Zug

We have been engaged to perform assurance procedures to provide reasonable assurance whether the EPRA Performance Measures for the period ended 31 December 2015 prepared by PSP Swiss Property AG (pages 92 to 94) have been prepared in accordance with the EPRA Financial Reporting Best Practice Recommendations.

The EPRA Performance Measures were prepared by the Management of PSP Swiss Property AG based on the corresponding Best Practice Recommendations of the European Public Real Estate Association (EPRA) as published in December 2014.

Management's responsibility

The Management of the company is responsible for preparing of the EPRA Preformance Measures in accordance with the EPRA Financial Best Practice Recommendations. This responsibility includes the design, implementation and maintenance of the internal control system related to the preparation of the EPRA Performance Measures that are free from material misstatement, whether due to fraud or error. Furthermore, the Management is responsible for the interpretation of the Financial Reporting Best Practice Recommendations.

Auditor's responsibility

Our responsibility is to perform an assurance engagement and to express an opinion on the EPRA Performance Measures. We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE 3000) (revised) "Assurance engagements other than audits or reviews of historical financial information". Those standards require that we comply with ethical requirements and plan and perform our procedures to obtain reasonable assurance whether the EPRA Preformance Measures were prepared, in all material aspects, in accordance with the EPRA Financial Reporting Best Practice Recommendations.

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.

Based on risk and materiality considerations, we performed our procedures to obtain sufficient and appropriate assurance evidence. The procedures selected depend on the assurance practitioner's judgement.

We performed the following procedures, among others:

- Interview with persons responsible for the preparation of the ERPRA Performance Measures
- Audit of the EPRA Performance Measures regarding completeness and correctness of the deduction from the underlying IFRS numbers according to the audited consolidated financial statements of PSP Swiss Property as per 31 December 2015 or if applicable other internal source data

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

Conclusion

In our opinion, the EPRA Performance Measures prepared by PSP Swiss Property AG for the period ended 31 December 2015, have been derived, prepared and presented in all material respects, in accordance with the EPRA Financial Reporting Best Practice Recommendations as published in December 2014.

PricewaterhouseCoopers Ltd

Guido Andermatt Markus Schmid

Zurich, 29 February 2016

Statement of profit or loss

(in CHF 1 000)	1 January to 31 December 2014	1 January to 31 December 2015	Note
Income from investments	0	343 000	
Total operating income	**0**	**343 000**	
Operating expenses	– 3 474	– 3 978	3.1
Total operating expenses	**– 3 474**	**– 3 978**	
Earnings before interest and taxes (ebit)	**– 3 474**	**339 022**	
Financial income	34 597	36 333	3.2
Financial expenses	– 34 470	– 33 629	3.3
Financial result	**127**	**2 705**	
Earnings before taxes (ebt)	**– 3 347**	**341 727**	
Direct taxes	– 39	– 1 103	
Annual result	**– 3 386**	**340 624**	

The notes are part of these financial statements.

Balance sheet

Assets (in CHF 1 000)	31 December 2014	31 December 2015	Note
Cash and cash equivalents	20 850	19 188	
Trade receivables	179	3 079	
to third parties	*172*	*2 970*	
to group subsidiaries	*7*	*109*	
Total current assets	**21 029**	**22 267**	
Financial assets	1 510 831	1 744 665	3.4
Loans to group subsidiaries	*1 509 500*	*1 743 700*	
Other financial assets	*1 331*	*965*	
Investments	1 722 245	1 722 245	3.5
Total non-current assets	**3 233 076**	**3 466 910**	
Total assets	**3 254 105**	**3 489 176**	

Liabilities and shareholders' equity			
Trade creditors	276	296	
to third parties	*276*	*296*	
Other current liabilities	0	48	
to third parties	*0*	*48*	
Interest-bearing debt	154	250 085	3.6
to third parties	*0*	*250 000*	3.7
to group subsidiaries	*154*	*85*	
Deferred income and accrued expenses	15 506	17 726	
Total current liabilities	**15 936**	**268 155**	
Non-current interest-bearing debt	1 930 700	1 722 000	3.6
to third parties	*1 930 000*	*1 720 000*	3.7
to group subsidiaries	*700*	*2 000*	
Total non-current liabilities	**1 930 700**	**1 722 000**	
Share capital	4 587	4 587	
Legal capital reserves	232 014	82 943	
Statutory reserves from capital contributions	*232 014*	*82 943*	
General legal reserves	2 000	2 000	
Voluntary retained earnings	1 068 868	1 409 492	
Statutory and regulative-decided retained earnings	*1 071 990*	*1 071 990*	
Retained earnings	*– 3 122*	*337 502*	
Carried forward from previous year	*264*	*– 3 122*	
Annual results	*– 3 386*	*340 624*	
Total shareholders' equity	**1 307 468**	**1 499 022**	
Total liabilities and shareholders' equity	**3 254 105**	**3 489 176**	

The notes are part of these financial statements.

Notes to the financial statements 2015

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 2015 were authorised for issue by the Board of Directors on 29 February 2016.

2 Summary of significant accounting policies

2.1 Accounting principles (article 959c, paragraph 1 CO)

The present annual financial statements were drawn up in accordance with the provisions for accounting and reporting of Switzerland's Code of Obligations (CO). The major accounting and valuation principles, which are not already required by the Code of Obligations, are described below.

To ensure a consistent presentation and classification of the figures as well as maximum transparency, the previous year's figures were adjusted to the new classification standards.

PSP Swiss Property prepares consolidated financial statements on a Group level according to recognised accounting standards. Therefore, the Company does not publish additional notes, a management report and a cash flow statement (article 961d CO).

2.2 Estimates and assumptions by the Executive Board

The preparation of consolidated financial statements in conformity with Switzerland's Code of Obligations 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 Ltd makes estimates and assumptions concerning the future. The resulting accounting will not necessarily equal the later actual results.

2.3 Income from investments

Dividend income results from dividend payments from the subsidiary PSP Participations Ltd, Zug. These payments are recorded in PSP Swiss Property Ltd's income statement when they are made.

2.4 Financial result

Financial income results mainly from interest income from loans to subsidiaries. Financial expenses mainly include interest expenses for financial liabilities toward third parties.

2.5 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.

2.6 Trade receivables

Trade receivables are recorded in the balance sheet at their nominal value. Trade receivables liable to default are evaluated on an individual basis and provisions for bad debts are made accordingly.

2.7 Loans to group subsidiaries

Loans to group subsidiaries are recorded in the balance sheet at their nominal value. If necessary, value adjustments are made for potential impairment losses.

2.8 Investments

Investments are recorded at historical costs and valued individually. If necessary, value adjustments are made for potential impairment losses.

2.9 Interest-bearing liabilities

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 their nominal value. Bonds are recognised at their nominal value; issuing costs and additional financing expenses are capitalised and amortised over the bonds' term.

2.10 Treasury shares

Treasury shares are deducted at historical costs from shareholders' equity at the acquisition date. Profits or losses from later resales are recorded in the income statement.

3 Information and comments on items on the balance sheet and the statement of profit or loss

3.1 Operating expenses

(in CHF 1 000)	1 January to 31 December 2014	1 January to 31 December 2015
Investor Relations / Company expenses	– 2 685	– 3 167
Management fees	– 692	– 701
Other general and administration expenses	– 97	– 110
Total operating expenses	**– 3 474**	**– 3 978**

3.2 Financial income

(in CHF 1 000)	1 January to 31 December 2014	1 January to 31 December 2015
Income from loans to group subsidiaries	34 110	36 373
Results from securities	– 4	– 40
Other financial income	491	0
Total financial income	**34 597**	**36 333**

3.3 Financial expenses

(in CHF 1 000)	1 January to 31 December 2014	1 January to 31 December 2015
Interest expense for liabilities to third parties	– 31 511	– 31 871
Interest expense on cash and cash equivalents	– 987	– 58
Other financial expenses	– 1 972	– 1 699
Total financial expenses	**– 34 470**	**– 33 629**

3.4 Financial assets

(in CHF 1 000)	1 January to 31 December 2014	1 January to 31 December 2015
Loans to group subsidiaries	1 509 500	1 743 700
Other financial assets	1 331	965
Total financial assets	**1 510 831**	**1 744 665**

Financial investments are mainly loans to subsidiaries.

3.5 Investments

Company	Registered office		Share capital	Ownership / Voting rights 31 December 2014		31 December 2015		Consolidation
Group subsidiaries								
PSP Participations Ltd	Zug, Switzerland	TCHF	1 000 000	100 %	direct	100 %	direct	Full
PSP Finance Ltd	Zug, Switzerland	TCHF	1 000	100 %	direct	100 %	direct	Full
PSP Group Services Ltd	Zurich, Switzerland	TCHF	100	100 %	indirect	100 %	indirect	Full
PSP Real Estate Ltd	Zurich, Switzerland	TCHF	50 600	100 %	indirect	100 %	indirect	Full
PSP Management Ltd	Zurich, Switzerland	TCHF	100	100 %	indirect	100 %	indirect	Full
PSP Properties Ltd	Zurich, Switzerland	TCHF	9 919	100 %	indirect	100 %	indirect	Full
Immobiliengesellschaft Septima AG	Zurich, Switzerland	TCHF	5 700	100 %	indirect	100 %	indirect	Full
SI 7 Place du Molard Ltd	Zurich, Switzerland	TCHF	105	100 %	indirect	100 %	indirect	Full
Associated companies								
IG REM	Zurich, Switzerland	TCHF	n.a.	n.a.	n.a.	n.a.	n.a.	Equity

None of these participations is listed on a stock exchange.

Together with two other companies, PSP Swiss Property holds a participation in the REM consortium (IG REM). IG REM deals with the maintenance, the further development and the distribution of the property management software “REM”.

3.6 Interest-bearing debt

Current interest-bearing debt (in CHF 1 000)	31 December 2014	31 December 2015
Liabilities to group subsidiaries	154	85
Short-term bonds	0	250 000
Total current interest-bearing debt	**154**	**250 085**

Non-current interest-bearing debt (in CHF 1 000)	31 December 2014	31 December 2015
Debt to banks	1 360 000	1 300 000
Liabilities to group subsidiaries	700	2 000
Long-term bonds	570 000	420 000
Total non-current interest-bearing debt	**1 930 700**	**1 722 000**

Financial debt due to third parties consists of loans borrowed from various banks in the form of unsecured advances. Long-term debt includes loans which cannot be called in by a bank within twelve months. Short-term debt is any loan with a maximum term of one year.

At the end of 2015 (as at the end of 2014), no debt or loans were outstanding which were secured by mortgages on properties and no debt or loans were outstanding with an amortisation obligation.

3.7 Bonds according to article 959c, paragraph 3 CO

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

Short-term bonds (in CHF 1 000)	Carrying/ Nominal value 31 Dec. 2014	Reclassification	Issue	Repayment	Carrying/ Nominal value 31 Dec. 2015
2.625 % bond, maturing 16 February 2016 (nominal on issuance CHF 250 000)	0	250 000	0	0	250 000
Total	**0**	**250 000**	**0**	**0**	**250 000**
Long-term bonds					
2.625 % bond, maturing 16 February 2016 (nominal on issuance CHF 250 000)	250 000	– 250 000	0	0	0
1.000 % bond, maturing 8 February 2019 (nominal on issuance CHF 120 000)	120 000	0	0	0	120 000
1.375 % bond, maturing 4 February 2020 (nominal on issuance CHF 200 000)	200 000	0	0	0	200 000
1.000 % bond, maturing 6 February 2025 (nominal on issuance CHF 100 000)	0	0	100 000	0	100 000
Total	**570 000**	**– 250 000**	**100 000**	**0**	**420 000**

In 2015, one new CHF 100 million bond was issued with a duration to 6 February 2025.

4 Further information

4.1 Information on the number of full-time positions

The number of full-time positions at the Company on annual average didn't exceed 10 in 2015 and in 2014.

4.2 Major shareholders in accordance with article 663c CO

As at 31 December 2015, PSP Swiss Property was aware of the following major shareholders in accordance with article 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 (previous year: 12.21 %), one nominee exempt from reporting requirements (Chase Nominees Ltd, London, United Kingdom) with 7.10 % of the voting rights (previous year: 4.22 %) and BlackRock Inc., New York, N.Y., USA, with 5.08 % of the voting rights (previous year: 5.08 %).

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 article 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 article 20 BEHG (Swiss Stock Exchange Law) are shown in the «Corporate governance» section, figure 1.2, pages 124 to 125.

The disclosures required by the Swiss Code of Obligations on Board and Executive holdings as well as convertible and options rights are shown in the consolidated financial statements of PSP Swiss Property, note 32, pages 78 to 80.

At the end of the respective periods, the members of the Board of Directors and the Executive Board held the following number of PSP shares:

Participations of members of the Board of Directors (non-executive)	Number of shares	
	31 December 2014	31 December 2015
Günther Gose, Chairman	28 093	18 000
Adrian Dudle, Member	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**	**5 621 028**

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

In 2015, no participation rights or options were allocated to members of the Board of Directors.

Participations of members of the Executive Board (incl. the executive member of the Board of Directors)	Number of shares	
	31 December 2014	31 December 2015
Luciano Gabriel, Delegate of the Board of Directors and Chief Executive Officer	171 394	182 042
Giacomo Balzarini, Chief Financial Officer	41 378	44 706
Ludwig Reinsperger, Chief Investment Officer	35 861	37 231
Total	**248 633**	**263 979**

Within the framework of their performance-based compensations, the following participation rights were allocated to the Members of the Executive Board:

Compensations of members of the Executive Board (incl. executive member of the Board of Directors) Business year 2015	(in CHF 1 000)	Performance-based compensations in contractual blocked shares Amount	in number of shares
Luciano Gabriel, Delegate of the Board of Directors and Chief Executive Officer		883	10 480
Giacomo Balzarini, Chief Financial Officer		276	3 276
Ludwig Reinsperger, Chief Investment Officer		248	2 947
Total		**1 407**	**16 703**

Neither the members of the Board of Directors nor the members of the Executive Board held any options on PSP shares in 2015 or 2014. As in 2014, no loans were granted to members of the Board of Directors or the Executive Board in 2015. As at the end of 2014, there were no claims on these members at the end of 2015.

4.3 Compensations to the members of the Board of Directors and the Executive Board

The disclosures required by the federal ordinance against excessive pay in stock exchange listed companies as well as the disclosure of the number and value of participation rights for members of the Board of Directors and the Executive Board according to article 959c, paragraph 2 (11) CO are shown in the «Compensation report» on pages 112 to 115.

4.4 Treasury shares

	Number of registered shares	Cost/Sale value in CHF	Average transaction price in CHF
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**	**n.a.**	**n.a.**
Purchases	16 989	1 465 995	86.29
Sales	– 19	– 1 585	83.40
Performance-based compensation in shares for the Executive Board	– 16 970	– 1 424 541	83.94
31 December 2015	**0**	**n.a.**	**n.a.**

4.5 Contingent liabilities

With regard to value added tax, PSP Swiss Property Group companies are taxed on a Group level. As part of this Group, PSP Swiss Property Ltd bears joint and several liability to the tax authorities for their VAT obligations.

4.6 Subsequent events

For the refinancing of financial liabilities, a 0.50 % bond with a duration from 2016 to 2024 and a volume of CHF 225 million was issued on 16 February 2016.

There were no further material subsequent events.

Board of Directors' proposal concerning the appropriation of the balance sheet profit and the capital contribution reserves

In total, the Board of Directors proposes a distribution of **CHF 3.30 per share for the business year 2015.**

The Board of Directors will propose to the annual General Meeting on 31 March 2016 that a dividend of **CHF 1.50 per share** be paid out of the balance sheet profit of CHF 337.5 million respectively to appropriate the balance sheet profit as follows:

Retained earnings (in CHF 1 000)	2014	2015
Balance carried forward from the previous year	264	– 3 122
Annual result	– 3 386	340 624
Retained earnings	**– 3 122**	**337 502**
Dividend payment from retained earnings	0	– 68 802
Balance carried forward	**– 3 122**	**268 700**

In addition, the Board of Directors will propose to the annual General Meeting on 31 March 2016 a cash distribution of **CHF 1.80 per share** out of the capital contribution reserves, after booking into the free reserves, as follows:

Capital contribution reserves (in CHF 1 000)	2014	2015
Balance carried forward from the previous year	232 014	82 943
Distribution out of capital contribution reserves (after booking into the voluntary retained earnings)	– 149 071	– 82 562
Balance carried forward	**82 943**	**381**

(Treasury shares are not entitled to dividends or distributions; therefore, the total amounts for dividend payments and distributions out of the capital contribution reserves respectively the corresponding carry-forwards may deviate from these figures.)

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

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of PSP Swiss Property Ltd, which comprise the balance sheet, income statement and notes (pages 99 to 108), for the year ended 31 December 2015.

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 2015 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

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

PricewaterhouseCoopers Ltd

Guido Andermatt
Audit expert
Auditor in charge

Markus Schmid
Audit expert

Zurich, 29 February 2016

Compensations of the Board of Directors and the Executive Board

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)

Compensations to 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.

Compensations to members of the Board of Directors (non-executive) business year 2015 (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	75	0	0	3	78
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	3	78
Aviram Wertheim, Member	99	0	0	4	103
Total	**658**	**0**	**0**	**13**	**671**

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 – included in 2015 as compensation element and listed under employer contributions pension benefits. It amounts in aggregate to TCHF 13, out of a total of TCHF 31 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)

Compensations to 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 compen-sations
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.

Compensations to members of the Executive Board (incl. executive member of the Board of Directors) business year 2015 (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 compen-sations
Luciano Gabriel, Delegate of the Board of Directors and Chief Executive Officer	882	0	0	883	10 480	222	1 987
Giacomo Balzarini, Chief Financial Officer	514	276	0	276	3 276	94	1 160
Ludwig Reinsperger, Chief Investment Officer	502	249	0	248	2 947	148	1 147
Total	**1 898**	**525**	**0**	**1 407**	**16 703**	**463**	**4 293**

1 Allocated in week 50/2015 at the market value per share at allocation date (average of end of day share prices week 50/2015: CHF 84.25).

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 – included in 2015 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 180. 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 2015 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 compensations 2015 compared to those of the previous year are lined out in the following explanations on pages 116 ff.

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 ff. on pages 136 ff.).

In the 2015 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 2015 – as likewise per 31 December 2014 – there were no such claims vis-à-vis of this group of people.

In the 2015 business year, legal fees of CHF 0.024 million were paid to the lawyers of the law firm Niederer Kraft & Frey, Zurich, where Mr. Peter Forstmoser holds the position of a partner (2014: CHF 0.064 million). No legal fees were paid to Mr. Forstmoser himself.

In the 2015 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 PSP Swiss Property Ltd, Zug

We have audited the remuneration report of PSP Swiss Property Ltd (pages 112 to 114) for the year ended 31 December 2015.

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 2015 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, 29 February 2016

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 (see Articles 22 ff. of the Articles of Association) and can be summarized for the 2015 business year as follows:

- *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 – as explained under section 5.2 below – taking mainly into account the net earnings per share (EPS) without gains/losses on real estate values and its change compared to the previous year. It is paid in shares with a contractual blocking period of three years (2014: 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 next business year).*
- *As form 2015 onwards, the shareholders have a say on pay by way of an advisory vote on the compensation report.*

2 Determination of the compensations

The procedure for the determination of the compensations of the members of the Board of Directors and the Executive Board was – as already in the previous year – effective without change for the **entire 2015 business year.**

The compensations 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 next business year) 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 of 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.

3 Compensation Committee

The members of the Compensation Committee are elected at the annual General Meeting for a **term of office of one year** until the next annual General Meeting. The Compensation Committee constitutes itself. **After the elections at the annual General Meeting of 1 April 2015,** it is composed as follows:

	For the first time elected by the annual General Meeting
Peter Forstmoser, Chairman	Annual General Meeting 2014
Nathan Hetz	Annual General Meeting 2014
Gino Pfister	Annual General Meeting 2014
Josef Stadler	Annual General Meeting 2014

4 The compensations of the Board of Directors

4.1 The elements of the compensations of the Board of Directors

The elements of the compensations of the Board of Directors were – as already in the previous year – effective without change for the **entire 2015 business year:**

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

- *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 executive member of the Board of Directors (the Delegate/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).*

- *The activities in the Committees are not separately remunerated.*

- *The non-executive members of the Board of Directors are not insured under an employee pension scheme.*

4.2 The amounts of compensations of the non-executive members of the Board of Directors

The last modification of the **fixed compensations** of the Board of Directors was made on 18 August 2008 and the respective amounts have **remained unchanged** since.

- *The Chairman of the Board of Directors receives an annual gross compensation of CHF 160 000, irrespective of the number of meetings of the Board of Directors.*
- *A member of the Board of Directors receives 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 compensations of the non-executive members of the Board of Directors for the 2015 business year are set out in the compensation report on page 112.

4.3 The compensations of the non-executive members of the Board of Directors for the period from the annual General Meeting 2015 to the annual General Meeting 2016

The annual General Meeting of 1 April 2015 has approved a maximum total amount of compensations for the Board of Directors of CHF 1 000 000 until the annual General Meeting 2016. Such amount was calculated based on the assumption of a maximum of ten Board Meetings during the term of office.

The compensations for the 2015 business year are listed in the compensation report on page 112. They amount to CHF 671 000 (previous year: CHF 661 000) in total. The compensations for the period from the annual General Meeting 2015 to 31 December 2015 are based on three Board meetings and total CHF 498 000. On the assumption that only one more ordinary Board meeting will be held until the annual General Meeting 2016, such amount will increase by CHF 174 000 to **CHF 672 000** (not rounded).

Total compensations of the Board of Directors (non-executive) [1, 2]	(in CHF 1 000)	from AGM 2015 to 31.12.2015	from 1.1.2016 to AGM 2016 [3]	from AGM 2015 to AGM 2016 [3]
Günther Gose, Chairman		120	40	160
Adrian Dudle, Member		58	20	78
Peter Forstmoser, Member		56	19	75
Nathan Hetz, Member		75	28	103
Gino Pfister, Member		56	19	75
Josef Stadler, Member		58	20	78
Aviram Wertheim, Member		75	28	103
Total		**498**	**174**	**672**

1 See page 112 of the compensation report.

2 Inclusive the mandatory employer contributions to the state pension scheme (Old Age and Survivors' insurance, "AHV") totaling TCHF 14.

3 Based on the assumption of one Board Meeting with all Members participating from 1.1.2016 until AGM 2016.

Thus, the compensations for the Board of Directors for non-executive Members for the current term of office will most likely be **below the approved maximum amount of CHF 1 000 000.** The Board of Directors will disclose the final total amount of compensations in the 2016 compensation report.

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 2017 annual General Meeting and will propose to the annual General Meeting of 31 March 2016 again a **maximum total amount of compensations of CHF 1 000 000,** based on the assumption of a maximum of ten Board Meetings during the term of office.

5 The compensations of the Executive Board

5.1 Basis and elements of the compensations of the Executive Board

The basis and the elements of the compensations of the members of the Executive Board were – as already in the previous year – effective for the **entire 2015 business year,** except that the contractual blocking period for shares granted under the variable, performance-based compensation for the 2015 business year has been extended to **three years** (2014: two years).

- *The executive member of the Board of Directors (the Delegate/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** is calculated in full by applying a mathematical **formula** as further explained under section 5.2 below. It may be paid in cash and/or by granting of equity securities or option rights.*
- *The performance-based compensation of the Delegate/CEO is paid **in full in shares with a contractual blocking period of three 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 three 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.*
- *For the purposes of the **employee pension scheme** (obligatory and over-obligatory components), only the fixed compensation up to CHF 700 000 is insured; the performance-based compensation is not insured.*
- *The employer pays the **employer's contributions to the social security insurances (AHV/IV/EO/ALV).** However, only such partial amounts of the 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.*
- *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) and the employer's contributions to the compulsory family compensation fund. These payments, premiums and contributions respectively are not part of the compensations.*

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

Fixed compensation	Variable, performance-based compensation	Employer contributions for pension benefits
Gross, in cash	▪ According to the formula ▪ Gross, 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); performance-based compensations are not insured ▪ Employer's contributions to the state pension scheme (AHV) (partial amount)

5.2 The performance-based compensation

The basis and the formula for the calculation of the performance-based compensation of the members of the Executive Board were – as already in the previous year – effective without change for the **entire 2015 business year.**

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 specific **amount** of the performance-based compensation is calculated entirely based on a **mathematical formula** as set out below. The formula takes mainly into account the EPS excluding gains/losses on real estate investments (see the respective definition on page 18 footnote 2) of the respective business year, its difference to the previous business year as well as a multiplier. The multiplier is individually set forth for each member of the Executive Board (the "individual factor"). But for such individual factors, the formula is **identical for each member of the Executive Board.** The formula and the individual factors are contained in the respective **employment contracts.**

Performance-based compensation = $K \times (1.60 \times EPS^{w/o\Delta RE} + 0.40 \times EPS^{\Delta RE} + 2.00 \times \Delta EPS^{w/o\Delta RE})$

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

K for Luciano Gabriel	=	160 000	(2014: 160 000)
K for Giacomo Balzarini	=	100 000	(2014: 100 000)
K for Ludwig Reinsperger	=	90 000	(2014: 90 000)

The size of the real estate portfolio itself is consciously not taken into account for the formula, because acquisitions are not a primary goal but a means to increase the 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 carry-forwards have been compensated ("catch up").

5.3 Individual caps

Each employment contract contains an **individual maximum amount** ("cap") of the **maximum total compensation owed by the employer** per calendar year, **i.e. for the 2015 business year CHF 2 600 000 for Mr. Luciano Gabriel and CHF 1 600 000 for each Mr. Giacomo Balzarini and Mr. Ludwig Reinsperger (2014: same amounts).**

The **individual maximum amount of the variable, performance-based compensation** for each member of the Executive Board can be calculated by deducting the fixed compensation and the employer contributions for pension benefits relating thereto from the **above mentioned caps.** For the 2015 business year such calculation results in the following **maximum amounts for the performance-based compensations:** CHF 1 496 000 for Mr. Luciano Gabriel (2014: CHF 1 499 000), CHF 992 000 for Mr. Giacomo Balzarini (2014: CHF 992 000) and CHF 950 000 for Mr. Ludwig Reinsperger (2014: CHF 951 000).

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.

5.4 Compensations of the Executive Board 2015

The compensations of the Delegate/CEO and the other members of the Executive Board are determined in the **respective individual employment contracts.** The employment contracts were adjusted 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). They were **in effect through the entire 2015 business year and remained basically unchanged compared to the previous year, namely as regards the cap, the formula and the individual factors "K".** Only the contractual blocking period for shares granted under the variable performance-based compensations has been **extended to three years** (2014: two years).

The compensations of each member of the Executive Board for the 2015 business year are listed in the compensation report on page 113 and can be summarized as follows:

Executive Board compensations (incl. Delegate/CEO)	Fixed compensation		Other benefits		Employer contributions pension benefits		Performance-based compensation		Total compensations		
(in CHF 1 000)	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	Δ
Luciano Gabriel	882	882	0	0	222	219	883	921	1 987	2 022	– 35
Giacomo Balzarini	514	514	0	0	94	94	552	576	1 160	1 183	– 23
Ludwig Reinsperger	502	502	0	0	148	147	497	518	1 147	1 168	– 21
Total	1 898	**1 898**	0	**0**	463	**460**	1 932	**2 015**	4 293	**4 373**	– 80

Compared to the previous year, the **total amount of compensations** decreased by CHF 0.08 million from CHF 4.373 million to CHF 4.293 million.

The amounts for the **fixed compensations and the other benefits** remained unchanged.

Compared to the previous year, the **performance-based compensations** decreased from CHF 2.015 million to CHF 1.932 million. This due to a **change in the earnings per share** used in the formula *(cf. EPS of CHF 4.09 (2014: CHF 3.82) respectively EPS excluding gains/losses on real estate investments of CHF 3.52 (2014: CHF 3.69)).* The shares for the 2015 business year were allocated based on the average of the end of day share prices in week 50/2015.

The individual performance-based amounts basically correspond to the amounts of the respective fixed compensations.

Based on the proposal of the Compensation Committee, the Board of Directors has not foreseen any changes in the compensations respectively the employment contracts of the Executive Board for the 2016 and 2017 business years.

5.5 Shareholdings of the Members of the Executive Board 2015

As already in previous years, the Delegate/CEO and the other members of the Executive Board participated in the success of the company in the 2015 business year through their personal shareholdings and they will continue to do so in the future:

Participations of members of the Executive Board (incl. the executive member of the Board of Directors)	Number of shares	
	31 December 2014	31 December 2015
Luciano Gabriel, Delegate of the Board of Directors and Chief Executive Officer	171 394	182 042
Giacomo Balzarini, Chief Financial Officer	41 378	44 706
Ludwig Reinsperger, Chief Investment Officer	35 861	37 231
Total	**248 633**	**263 979**

Proposals to the annual General Meeting 2016

The Board of Directors will submit the following compensation-related proposals to the 2016 annual General Meeting.

1 Advisory vote on the compensation report

The Board of Directors has decided to submit the compensation report 2015 to the 2016 annual General Meeting for approval by way of non-binding advisory vote. Details are shown in the invitation to the annual General Meeting of 31 March 2016.

2 Approval of the maximum total amount of compensations for the Board of Directors until the annual General Meeting 2017

In accordance with the Articles of Association, the Board of Directors will propose to the annual General Meeting 2016 to approve the maximum total amount of compensations for the Board of Directors **until the annual General Meeting 2017.** 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 (including the Chairman) and the **potential additional amounts** payable to members arriving from abroad under the assumption of a maximum of 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 2017 business year

In accordance with the Articles of Association, the Board of Directors will propose to the annual General Meeting 2016 to approve the maximum total amount of compensations for the Executive Board **for the 2017 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. For details, refer to the invitation to the annual General Meeting of 31 March 2016.

The actual compensations for the 2017 business year will be established on the basis of the employment contracts and the 2017 business year results. They will be shown in detail in the 2017 compensation report, which will be submitted to the annual General Meeting 2018 for approval by way of non-binding advisory vote.

Corporate Governance

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 2015	CHF 4.036 billion
PSP shares held by group subsidiaries	0 %
Symbol	PSPN
Security number	1829415
ISIN	CH 0018294154

Non-listed participations

See note 3.5 on page 104 of PSP Swiss Property Ltd's annual financial statements.

1.2 Major shareholders as at 31 December 2015

(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 2014).* There was no disclosure notification in the reporting year.

(b) **BlackRock, Inc.,** New York, N.Y., United States of America, 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).* There was no disclosure notification in the reporting year.

(c) **T. Rowe Price Associates, Inc.,** Baltimore, MD, United States of America, 1 398 826 shares corresponding to 3.04 % of the voting rights *(reported with disclosure notification on 8 October 2015).*

(d) **One nominee exempt from reporting requirements** to the extent of 7.10 % (Chase Nominees Ltd, London, United Kingdom).

(e) On 10 April 2015 UBS Fund Management (Switzerland) Ltd, Basel, Switzerland, **has fallen below the threshold of 3 %** *(reported with disclosure notification on 17 April 2015).*

Further details on the disclosure notifications – also during the reporting year – are shown under https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html.

1.3 Cross-shareholdings

As at 31 December 2015, there were no cross-shareholdings.

1.4 Shareholders as at 31 December 2015

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 bis 1 000	3 776	81.87	910 738	1.99			
1 001 to 10 000	585	12.69	1 839 446	4.01			
10 001 to 100 000	198	4.29	7 050 994	15.37			
100 001 to 1 000 000	49	1.06	11 569 480	25.22			
1 000 001 to 1 376 036	2	0.04	2 510 330	5.47			
1 376 037 (3%) to 2 293 394	0	0	0	0			
2 293 395 (5%) and above	2	0.04	8 856 648	19.31			
Total registered shareholders/shares	**4 612**	**100.00**	**32 737 636**	**71.37**			
Total non-registered shares					**13 130 255**	**28.63**	
Total							**45 867 891**

Registered shareholders and shares	Registered shareholders		Registered shares	
	Number	%	Number	%
Individuals	4 006	86.9	3 141 904	9.6
Legal entities	606	13.1	29 595 732	90.4
(thereof nominees/trustees)	*(44)*	*(1.0)*	*(6 712 464)*	*(20.5)*
Total	**4 612**	**100.00**	**32 737 636**	**100.00**
Switzerland	4 401	95.4	18 639 090	56.9
Europe (excluding Switzerland)	154	3.3	7 069 616	21.6
North America	25	0.5	1 228 338	3.8
Other countries	32	0.7	5 800 592	17.7
Total	**4 612**	**100.0**	**32 737 636**	**100.0**

2 Capital structure

2.1 Share capital as at 31 December 2015

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 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
Issued, fully paid-in share capital at 31 December 2015	45 867 891	0.10	4 587

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 138. No preferential rights or similar rights have been granted.

As at 31 December 2015, 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 2015, 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 2015 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 2015, 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 2015, the following activities or functions which are subject to disclosure in accordance with the DCG: 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 2015, 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 and a permanent visiting professor at the University of Lucerne.

Other activities and vested interests: In addition to his mandate at PSP Swiss Property Ltd, Mr. Forstmoser did perform, as at 31 December 2015, 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 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 2015, 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, of the publicly listed Energix - Renewable Energies Ltd., Ramat-Gan, Israel, and of Carr Properties Corporation, Washington D.C., USA, as well as member of the Board of Directors of the publicly listed First Capital Realty Inc., Toronto, Canada.

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 2015, 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 2015, 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. Mr. Wertheim also serves as the Chairman of the Board of U. Dori Construction Ltd, Ra'anana, Israel.

Other activities and vested interests: In addition to his mandate at PSP Swiss Property Ltd, Mr. Wertheim did perform, as at 31 December 2015, 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, and 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, of the publicly listed Energix - Renewable Energies Ltd., Ramat-Gan, Israel, of the publicly listed B. Gaon Holdings Ltd., Tel Aviv, Israel, as well as 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 2015 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 Composition and first election 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 2015, 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 Composition of the Compensation Committee and first election of the members

	For the first time 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 by the annual General Meeting of 1 April 2015 (see section 3.3.3). The committee appointed Prof. 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 2015 business year, four ordinary Board meetings took place, lasting five hours on average. The Audit Committee met four times, the Compensation Committee once, with a meeting lasting two 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 134.

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 46 to 50 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 139).

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 127.

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 2015, 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 2015, any activities or functions which are subject to disclosure in accordance with the DCG.

Ludwig Reinsperger left the Executive Board as per end of January 2016. Since that date, the functions of the Chief Investment Officer will temporarily be split between Luciano Gabriel, CEO, and Giacomo Balzarini, CFO.

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 2015, 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 112 to 115 in the compensation report together with the explanations on the compensation system on pages 116 to 121.

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 32 page 80.

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) 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 113.

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 113.

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 2015 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 2015 business year, no loans and credits were granted (see compensation report, page 114).

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 and the respective contributions in the 2015 business year, see the compensation report page 113.

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 changes 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 2015 business year by the annual General Meeting on 1 April 2015.

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 2015 as well as for reviewing the interim financial statements as per 30 June 2015 and the quarterly financial statements as per 31 March and 30 September 2015 amounted to CHF 0.64 million (previous year: CHF 0.64 million).

8.3 Additional fees

For the reporting period 2015, additional fees of CHF 0.05 million (previous year: CHF 0.06 million) were charged by PricewaterhouseCoopers AG for advice in the segments sustainability reporting as well as IT projects as well as review of the EPRA performance key figures.

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 2015 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 134, the Board of Directors and its Audit Committee may entrust the Statutory Auditors with special reviews, if required.

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

9 Information policy

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

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

Investor Relations
Vasco Cecchini, Chief Communications Officer
Phone +41 (0)44 625 57 23
E-Mail investor.relations@psp.info
PSP Group Services Ltd, Seestrasse 353, P.O. Box, 8038 Zurich

Office of the Board of Directors
Samuel Ehrhardt, Secretary of the Board of Directors
Phone +41 (0)41 728 04 04
E-Mail samuel.ehrhardt@psp.info
PSP Swiss Property Ltd, Kolinplatz 2, 6300 Zug

www.psp.info
Additional information and all publications **(including, in particular, the 2015 annual report and the Articles of Association of the Company)** are available under www.psp.info, link Investors/Reports respectively link Company/Corporate Governance. **The publications may also be requested at the above Investor Relations address.**

Additional information

Sustainability report

Sustainability

With regard to sustainability, our business model includes the following areas:

- 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. We apply this holistic approach both on a strategic level and in our daily business. This is the basis for long-term economic success while observing ecological and social aspects.

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. In the field of ecological sustainability, we are applying EPRA's (European Public Real Estate Association) "Best Practices Recommendations on Sustainable Reporting" for the first time in our annual report 2015.

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 is on energy and resource efficiency. Therefore, we strive to keep our 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.

The goal we set ourselves in our sustainability programme was to reduce specific CO_2 emissions by at least 5 % from 2010 to 2015. There were two reasons for this rather conservative target of reducing emissions by "just" 5 %: first, the properties' consumption and emission figures had not been collected systematically prior to 2010 and, second, we had no empirical evidence as to how effective operational measures and conversions might be in this respect.

Today we may state that we clearly exceeded our goal: we were able to reduce our properties' specific emissions from 21 to 16 kg CO_2/m^2, which corresponds to a reduction of 15 % adjusted for heating degree days.

We were able to reach this good result due to a number measures:

- First, we improved our organisation and know-how in the fields of energy and sustainability constantly over the past years. Thereby, experts in construction services and property management are responsible for sustainability issues.
- Second, in the course of heating renovations, we keep converting existing installations to less CO_2 intensive systems (from oil to gas, district heating or heat pumps). We target reductions in consumption and emissions both in renovations as well as new constructions.
- Third, energy efficiency is at the top of the agenda in the daily operational business of our property management unit. Thereby, our central energy control and alarm management system plays a crucial role, making it possible to check connected installations in real time and to implement effective improvements right away.

Our new goal now is to reduce specific CO_2 emissions by at least another 5 % by 2020 compared to 2015. It should be noted, however, that it will be more difficult to achieve further significant reductions after the initial successful first phase (2010 to 2015), because many operational measures have already been exhausted. What is important, in any case, is to safeguard our achievements so far for the long term and to continue lowering consumption and emissions.

The fact that we do well in sustainability surveys such as the "CDP, Carbon Disclosure Project" or the "GRESB, 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, we basically follow 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 city centres 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. We try to minimise pollution particularly in the following areas:

- Energy consumption
- Water consumption
- CO_2e output

We made an initial survey and analysis of these environmental areas (including 167 properties respectively 922 448 m² 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 2015, 160 properties with 957 129 m² floor space were analysed (2014: 159 properties with 932 593 m² floor space). For the remaining properties (the portfolio included 163 investment properties at the end of 2015 and 161 at the end of 2014), the figures were outstanding at year-end due to conversions etc.; these properties will be assessed 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 environmental indicators are as follows:

	2014		2015	
	Absolute value	Specific figure per m²	Absolute value	Specific figure per m²
Heating[1]	68.60 Mio. kWh	73.6 kWh	66.78 Mio. kWh	69.8 kWh
Electricity[2]	24.3 Mio. kWh	26.0 kWh	22.72 Mio. kWh	23.7 kWh
CO_2e (heating and electricity)[3]	15 947 t	17.1 kg	15 003 t	15.68 kg
Water consumption[4]	514 803 m³	0.55 m³	481 157 m³	0.50 m³

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 relating to the base year 2010 was 82.3 kWh/m² for 2015 (2014: 86.1 kWh/m²).

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 relating to the base year 2010 was 18.38 kg/m² for 2015 (2014: 19.48 kg/m²).

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

Sustainability Reporting according to EPRA Best Practices Recommendations (sBPR)

As from 2015, we also report according to EPRA's sBPR. To a large degree, our previous disclosure corresponds to the EPRA recommendations. However, we modified our disclosure for a number of items; thereby, the following overarching recommendations apply:

Reporting boundaries and reporting period: The organisational boundary for property reporting is defined by the full operational control over individual properties. Consequently, co-owned properties are not taken into account (e.g. the property Handelszentrum in Wallisellen). Overall, the values of 160 properties were quantified and analysed. Compared to the financial reporting, this reporting is delayed by 6 months (corresponding to the heating and ancillary costs statements). Therefore, the current financial year covers the period from 1 July 2014 to 30 June 2015.

Coverage: We cover all operational properties within the defined organisational boundary.

Estimations: Approximately 8 % of the total energy we purchase are based on estimations. For properties where no final settlement is available from the providers, we apply the previous year's figures. Some of our properties are leased by single tenants; these receive their utilities statements directly from the providers. Since we offer temperature-controlled offices at these premises (which is standard at our properties) and because multi-tenant leases would be possible, we estimate the consumption at these objects, where a statement from the tenant is not available, according to the consumption at comparable properties with standard installations.

Boundaries tenant-landlord: We always obtain heating energy ourselves and pass the costs on to the tenants in the heating bill. Consequently, heating energy is factored into our calculations in full. This also applies to common areas (development) as well as ventilation and air-conditioning where ventilated or air-conditioned rooms are leased. Electricity consumed by a tenant on his floor area is settled directly between tenant and provider by means of a separate meter; this does not enter our calculation.

Reference value: We use the leased floor space according to the figures published in the annual report for the specific values.

Reporting segments: Our portfolio consists mainly of office space. At several properties, there is a mixed use, i.e. there are both offices and retail areas (mostly on the ground floor) and, occasionally, apartments as well. In addition, we own hotels and spas. However, complete non-office use accounts for just an insignificant percentage of our total lease area (< 2 %). Therefore, we do not define or disclose specific segments for these areas.

Own-used properties: We are tenant of own properties in Zurich, Geneva and Olten; however, we occupy less than 0.5 % of the rentable area. Therefore, the own-used space is integrated into the regular reporting.

Like-for-like performance: We analyse and explain our like-for-like performance across our portfolio against our selected performance indicators to disclose the development of a constant property portfolio.

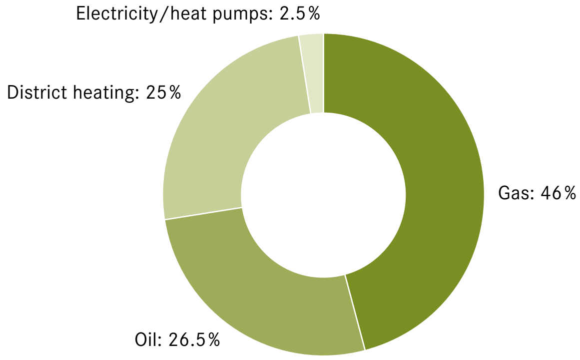
Waste: We do not disclose waste indicators, because we, as landlord, have no direct influence on waste production. In Switzerland, waste management is in the hands of local authorities and the amount of waste which is produced is the tenants' responsibility. However, we always try to sensitise our tenants in this field.

The EPRA performance key figures are as follows:

Impact area	EPRA Sustainability performance measures			
Energy	**EPRA code**	**Units of measure**	**Indicator**	
	Elec-Abs, Elec-LfL	kWh	Electricity	For landlord shared services, air-conditioning, ventilation
				(Sub)metered exclusively to tenants
				Total landlord-obtained electricity
	DH&C-Abs, DH&C-LfL	kWh	District heating and cooling	Heating passed on to tenants
				(Sub)metered exclusively to tenants
				Total landlord-obtained district heating and cooling
	Fuels-Abs, Fuels-LfL	kWh	Fuels (oil/gas)	Heating passed on to tenants
				(Sub)metered exclusively to tenants
				Total landlord-obtained fuels
Greenhouse gas emissions				
	GHG-Dir-Abs, GHG-Dir-LfL	Tonnes CO_2e	Direct	Scope 1
	GHG-Indir-Abs, GHG-Indir-LfL	Tonnes CO_2e	Indirect	Scope 2/3
Water				
	Water-Abs, Water-LfL	m^3	Water	Water passed on to tenants
				(Sub)metered exclusively to tenants
				Total landlord-obtained water
Specific				
	Energy-Int	kWh/m^2		
	Water-Int	m^3/m^2		
	GHG-Int	kg/m^2	Direct	Scope 1
		kg/m^2	Indirect	Scope 2/3
Certified buildings				
	2.3 % of lettable space is certified (LEED and Swiss “Minergie” standard)			

Absolute measures (Abs)			Like-for-like (LfL)				
2014	**2015**	**+/–**	**2014**	**2015**	**+/-**	**Energy and associated GHG disclosure coverage**	**Proportion of energy and associated GHG estimated**
25 660 268	24 241 203		25 167 966	23 133 096			
n.a.	n.a.		n.a.	n.a.			
25 660 268	**24 241 203**	– 5.5 %	**25 167 966**	**23 133 096**	– 8.1 %	100 %	12 %
15 203 268	16 857 729		14 471 402	16 482 074			
n.a.	n.a.		n.a.	n.a.			
15 203 268	**16 857 729**	10.9 %	**14 471 402**	**16 482 074**	13.9 %	100 %	0 %
52 021 038	48 400 693		49 299 969	46 409 952			
n.a.	n.a.		n.a.	n.a.			
52 021 038	**48 400 693**	– 7.0 %	**49 299 969**	**46 409 952**	– 5.9 %	100 %	9 %
11 704	**10 806**	– 7.7 %	**11 140**	**10 410**	– 6.6 %	100 %	9 %
4 243	**4 197**	– 1.1 %	**4 139**	**4 030**	– 2.6 %	100 %	12 %
514 803	484 019		502 499	470 937			
n.a.	n.a.		n.a.	n.a.			
514 803	**481 157**	– 6.5 %	**502 499**	**470 937**	– 6.3 %	100 %	7 %
99.6	**93.5**	– 6.1 %	**98.3**	**95.1**	– 3.3 %		
0.55	**0.50**	– 8.5 %	**0.56**	**0.53**	– 5.5 %		
12.6	**11.3**	– 10.2 %	**12.3**	**11.5**	– 6.6 %		
4.55	**4.39**	– 3.5 %	**4.57**	**4.45**	– 2.6 %		

The following chart illustrates the energy sources for heating for 2015:



In 2014, the figures were as follows: 46 % gas, 30 % oil, 22 % district heating, 2 % 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 2014 to 2015 "like-for-like", energy consumption for oil and gas was reduced by 6 % corresponding to a CO_2e reduction of 730 tons. In Switzerland overall, heating degree days were virtually identical in 2015 and 2014. The over proportional reduction in CO_2 by oil and gas heating was due to the rigorous shift to heating systems with lower emissions (district heating and gas instead of oil). As a consequence, energy consumption for district heating increased by 12.4 % respectively 154 tons CO_2e. Though, the overall CO_2e reduction was 576 tons respectively 4.8 %.

Electricity consumption: Due to optimisation measures, we were again able to reduce specific electricity consumption like-for-like significantly by approximately 8 % (now: 23.9 kWh/m^2). This corresponds to a reduction of approximately 263 tons of CO_2e.

Water consumption: Our optimisation measures continue to pay in this area as well: we were able to lower specific water consumption by more than 6 % (2014: 0.56 m^3/m^2; 2015: 0.52 m^3/m^2).

Trend in environmental indicators: Comparing 2014 to 2015 like-for-like, specific energy consumption was reduced by 3.3 % while absolute specific CO_2e emissions for heating and electricity fell approximately 5 % or 734 tons of CO_2e in 2015.

Projects

In 2015 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 2015, deserve special mention (the stated volumes are estimates of the expected savings):

Heating conversions from oil to gas: Targeting CO_2e reductions, our focus remained on the conversion of high-emission heating systems to more efficient installations. By shifting from oil to gas at our properties on Obstgartenstrasse 7 and Goethestrasse 24 in Zurich as well as St. Alban-Anlage 46 in Basel, we were able to achieve savings totalling approximately 76 tons of CO_2e.

Conversions from oil to district heating: Compared to 2014, the share of district heating rose by 3 % of our entire heat production in 2015, while the share of oil decreased accordingly. This is the most important factor in improving our carbon footprint. In 2015, we were again able to convert several properties from oil to district heating: Förrlibuckstrasse 10, Förrlibuckstrasse 66 and Förrlibuckstrasse 110 in Zurich as well as Grosspeterstrasse 18/20 in Basel. We expect CO_2e savings from these conversions to reach approximately 278 tons p.a.

Building management systems: State-of-the-art building management systems are important tools to optimise technical building installations. In Basel, we brought the installations at the properties on Marktplatz 30/30A, Grosspeterstrasse 18/20 and St. Alban-Anlage 46 up to date. At the same time, we converted the oil heating system at St. Alban-Anlage 46 to gas. Ventilation systems use a lot of electricity; at the property on Laupenstrasse 18/18a in Bern, we replaced the old installations by a state-of-the-art, integrated system; this will save us approximately 24 tons of CO_2e p.a.

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 2015, we integrated 11 additional properties into this central energy control and alarm management system. As at the end of 2015, we were able to monitor 46 properties from our central control office (approximately one third of our total portfolio).

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 our Company and our shareholders.

Photovoltaic installations: Recently, we began adding energy production to energy saving. For instance, we have been producing environmentally-friendly solar power with our own photovoltaic installations on the roofs of an office building in Basel and a logistics and office building in Urdorf since 2015. The two solar power systems generate 1 075 respectively 117 kWp, producing 1.15 GWh of electricity annually. In 2015, they produced close to 1 200 MWh of solar energy, corresponding to approximately 150 tons of "prevented" CO_2e emissions.

Economic sustainability

It has always been our goal to generate long-term added value for our shareholders and guarantee an attractive cash distribution (see section “Dividend policy” on page 18). 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. We have the same concerns – because we share 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. We strive to achieve a balance between these various groups' needs and requirements. Eventually this also benefits our Company's competitiveness.

Employees: For us, 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. We want to be the employer of choice for our employees and offer an interesting working environment. Furthermore, we promote our employees' professional and personal potential. And, since the 2010 business year, we 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, we also want good business relationships with our suppliers to reach the 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, we always strive 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 2015 ("Annual Report") for the year ended December 31, 2015.

Scope and Subject matter

Our limited assurance engagement focused on the following data and information disclosed in the Annual Report of PSP for the reporting period from July 1, 2014 to June 30, 2015:

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

b) The environmental key figures 2015 (Scope 1 & 2 for CO_2 emissions) in the table on page 146 in the Annual Report as well as the related control environment in relation to data aggregation of these key figures.

Criteria

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

The accuracy and completeness of sustainability related indicators are subject to inherent limitations given their nature and methods for determining, calculating and estimating such data. 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.

Responsibilities and Methodology

The management of PSP is responsible for both the preparation and the presentation of the selected subject matter in accordance with the reporting criteria. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of a GHG statement that is free from material misstatement, whether due to fraud or error.

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 sustainability reporting is not stated, in all material respects, in accordance with the reporting criteria. We planned and performed our procedures in accordance with the International Standard on Assurance Engagements 3000 (revised) "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 comply with ethical requirements, plan and perform the assurance engagement to obtain limited assurance on the identified sustainability information.

A limited assurance engagement under ISAE 3000 (revised) is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. Consequently, the nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement and therefore less assurance is obtained with a limited assurance engagement than for a reasonable assurance engagement. The procedures selected depend on the assurance practitioner's judgement.

Our Independence and Quality Control

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.

Our firm applies International Standard on Quality Control 1 and accordingly 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.

Summary of Work Performed

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.

We have not carried out any work on data reported for prior reporting periods, nor have we performed work in respect of projections and targets. We have not conducted any work on data other than outlined in the subject matter as defined above. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our assurance conclusions.

Conclusion

Based on our work performed and described in this report on the identified sustainability reporting 2015 nothing has come to our attention causing us to believe that in all material respects:

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.

Zurich, 12 February 2016

PricewaterhouseCoopers AG

M Schmidli K. Meier

Dr. Marc Schmidli Konstantin Meier

Bahnhofplatz 9, Zurich


HALLE
Shoes & Bags

Goethestrasse 24, Zurich


STADELHOFEN
STADELHOFEN

Dornacherstrasse 210, Basel

Peter Merian-Str. 88/90, Basel


peter merian haus
JACOB BURCKHARDT HAUS

Via Respini 7/9, Locarno

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									
2015		83	160 540	11 729	8 831	139 980	59.3 %	178 283	55.3 %
2014		82	169 639	11 978	10 000	147 660	62.2 %	185 924	58.4 %
Geneva									
2015		17	37 713	3 827	1 572	32 313	13.7 %	42 781	13.3 %
2014		16	37 601	4 430	2 420	30 752	13.0 %	41 254	13.0 %
Basel									
2015		14	24 595	1 540	1 640	21 415	9.1 %	26 036	8.1 %
2014		14	21 676	1 390	923	19 363	8.2 %	24 984	7.9 %
Bern									
2015		12	12 027	1 004	892	10 131	4.3 %	13 697	4.2 %
2014		12	12 288	979	740	10 569	4.5 %	13 652	4.3 %
Lausanne									
2015		15	17 859	2 389	1 346	14 124	6.0 %	20 032	6.2 %
2014		15	16 865	2 734	927	13 204	5.6 %	19 559	6.1 %
Other locations									
2015		22	17 397	2 029	702	14 665	6.2 %	20 274	6.3 %
2014		22	16 730	1 903	1 110	13 717	5.8 %	20 275	6.4 %
Sites and development properties									
2015		8	6 287	2 435	424	3 428	1.5 %	n.a.[8]	6.7 %
2014		10	3 971	1 484	321	2 166	0.9 %	n.a.[9]	4.0 %
Overall total portfolio									
2015		**171**	**276 419**	**24 954**	**15 409**	**236 056**	**100.0 %**	**301 104**	**100.0 %**
2014		**171**	**278 770**	**24 898**	**16 442**	**237 430**	**100.0 %**	**305 648**	**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.

8 Annualised rent of potential rent amounts to TCHF 21 465 in 2015.

9 Annualised rent of potential rent amounts to TCHF TCHF 12 576 in 2014.

	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 m^2	Vacancy rate (m^2)
	187 549	59.1 %	28 298	3 891 057	57.9 %	4.1 %	3.6 %	16 136	9.1 %	55 421	10.9 %
	199 400	60.6 %	– 13 690	3 912 065	59.2 %	4.3 %	3.8 %	21 570	11.6 %	78 048	14.1 %
	46 937	14.8 %	– 9 739	906 844	13.5 %	4.2 %	3.6 %	3 912	9.1 %	6 752	7.4 %
	45 182	13.7 %	– 12 549	876 709	13.3 %	4.3 %	3.5 %	3 474	8.4 %	6 330	7.1 %
	26 253	8.3 %	32 261	514 815	7.7 %	5.0 %	4.3 %	602	2.3 %	2 850	3.1 %
	25 871	7.9 %	17 991	475 496	7.2 %	5.1 %	4.6 %	548	2.2 %	1 592	1.8 %
	12 396	3.9 %	5 180	251 951	3.7 %	4.9 %	4.1 %	725	5.3 %	2 409	5.6 %
	14 307	4.3 %	3 497	243 129	3.7 %	5.1 %	4.4 %	539	4.0 %	2 304	5.4 %
	23 894	7.5 %	7 637	347 457	5.2 %	5.2 %	4.1 %	1 886	9.4 %	7 158	8.8 %
	23 805	7.2 %	14 144	337 322	5.1 %	5.2 %	4.0 %	1 752	9.0 %	8 274	10.1 %
	20 137	6.3 %	– 5 281	310 882	4.6 %	5.5 %	4.7 %	2 423	12.0 %	11 128	12.8 %
	20 691	6.3 %	– 4 242	316 415	4.8 %	5.3 %	4.3 %	2 641	13.0 %	10 799	12.5 %
	n.a.	n.a.	– 24 565	501 371	7.5 %	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	n.a.	n.a.	638	446 908	6.8 %	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	317 165	**100.0 %**	**33 791**	**6 724 377**	**100.0 %**	**4.4 %**	**3.7 %**	**25 685**	**8.5 %**	**85 718**	**9.5 %**
	329 255	**100.0 %**	**5 789**	**6 608 044**	**100.0 %**	**4.5 %**	**3.9 %**	**30 524**	**10.0 %**	**107 347**	**11.4 %**

Property details

Location, address	31 December 2015	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	2 192	0	0	839	3 031
Rüschlikon, Moosstr. 2		6 798	5 591	0	0	3 560	9 151
Urdorf, Heinrich Stutz-Str. 23/25[7]		3 788	0	0	0	3 798	3 798
Urdorf, Heinrich Stutz-Str. 27/29		30 671	42 206	0	163	3 150	45 519
Wallisellen, Handelszentrum		4 131	4 002	0	0	339	4 341
Wallisellen, Richtistr. 3		5 578	7 357	0	0	0	7 357
Wallisellen, Richtistr. 5		5 197	6 494	0	0	525	7 019
Wallisellen, Richtistr. 7		4 582	8 667	0	0	549	9 216
Wallisellen, Richtistr. 9		4 080	5 245	0	624	126	5 995
Wallisellen, Richtistr. 11		4 988	6 988	0	0	382	7 370
Zürich, Alfred Escherstr. 17		275	996	0	0	0	996
Zürich, Augustinergasse 25		236	277	0	314	123	714
Zürich, Bahnhofplatz 9		998	2 481	2 048	0	0	4 529
Zürich, Bahnhofstr. 10 / Börsenstr. 18		344	646	844	0	0	1 490
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	10 309	0	0	1 644	11 953
Zürich, Binzring 15/17		33 878	35 680	0	0	4 657	40 337
Zürich, Bleicherweg 10 / Schanzengraben 7		1 155	3 329	241	0	442	4 012
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	1 043	641	0	2 704
Zürich, Brandschenkestr. 150 (Markt)		3 693	3 558	1 246	0	169	4 973
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	7 491	0	0	604	8 095
Zürich, Förrlibuckstr. 60/62		10 382	13 760	0	877	9 758	24 395
Zürich, Förrlibuckstr. 66		2 055	4 926	0	0	2 007	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	1 369	10 869
Zürich, Förrlibuckstr. 181		1 789	4 636	0	0	387	5 023

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	23.8 %	3.1 %	1966	2001	01.10.1999	PR	SO	100.0 %
121	0.0 %	6.2 %	1969 | 89	2010	01.06.2002	PR	SO	100.0 %
59	0.3 %	5.6 %	1967	1989	01.11.2015	PR	SO	100.0 %
210	0.4 %	6.8 %	1976	2002 | 03 | 10 | 13	01.07.2004	PR	SO	100.0 %
90	8.7 %	6.7 %	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	41.8 %	3.1 %	2003	2011	01.04.2003	PR	SO	100.0 %
156	16.4 %	4.7 %	2003	2011	01.04.2003	PR	SO	100.0 %
105	6.1 %	4.3 %	2010		13.06.2008	PR	SO	100.0 %
123	19.3 %	4.5 %	2010		13.06.2008	PR	SO	100.0 %
0	0.0 %	3.8 %	1907	2000	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 %	3.6 %	1933	2003 | 04 | 14	01.04.2004	PP	SO	100.0 %
0	0.0 %	1.2 %	1885	1984 | 2015	01.10.1999	PR	SO	100.0 %
0	0.0 %	3.0 %	1812	2005 | 10	01.04.2004	PP	SO	100.0 %
7	0.2 %	2.0 %	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	0.0 %	2.4 %	1931	2001	01.04.2004	PP	SO	100.0 %
144	46.7 %	2.5 %	1974	1992 | 2006	01.10.1999	PR	SO	100.0 %
140	0.0 %	5.6 %	1992		01.04.2001	PR	SO	100.0 %
17	64.5 %	– 0.2 %	1930 | 76	1985 | 2006 | 09	01.10.1999	PR	SO	100.0 %
7	0.0 %	4.1 %	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	1.0 %	3.8 %	2005		01.04.2004	PP	SO	100.0 %
272	0.0 %	3.9 %	2003		01.04.2004	PP	SO	100.0 %
0	0.0 %	3.9 %	2003		01.04.2004	PP	SO	100.0 %
0	0.0 %	3.5 %	2007		01.04.2004	PP	SO	100.0 %
0	19.2 %	3.9 %	1877 | 82	2004	01.04.2004	PP	SO	100.0 %
0	0.0 %	4.0 %	1882	2004	01.04.2004	PP	SO	100.0 %
0	0.0 %	5.1 %	1913	2012	01.04.2004	PP	SO	100.0 %
0	0.0 %	4.2 %	2008		01.04.2004	PP	SO	100.0 %
0	0.0 %	5.1 %	1890	2013	01.04.2004	PP	SO	100.0 %
12	0.0 %	4.0 %	1950	1997 | 2006	01.10.1999	PR	SO	100.0 %
65	20.9 %	4.5 %	1982	2007	01.10.1999	PR	SO	100.0 %
85	3.4 %	5.0 %	1963	2002	29.06.2001	PR	SO	100.0 %
312	11.5 %	5.0 %	1989		01.04.2001	PR	SO	100.0 %
81	4.0 %	5.4 %	1969	1992 | 2003 | 04	01.12.2002	PR	SO	100.0 %
64	21.3 %	4.4 %	1962	2000	01.12.2002	PR	SO	100.0 %
1 137	0.4 %	3.2 %	1975	2000	01.12.2002	PR	SO	100.0 %
101	37.4 %	5.0 %	1988		01.12.2002	PR	SO	100.0 %
37	2.2 %	2.6 %	2002		01.12.2002	PR	SO	100.0 %

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

6 Own-used property.

7 Purchase during reporting period.

8 See details on pages 178 to 179.

9 Current development projects designed for sale.

10 Current development projects partially designed for sale.

Location, address	31 December 2015	Land area m²	Office area m²	Retail area m²	Gas-tronomy area m²	Other area m²	Total rentable area m²
Zurich area (continuation)							
Zürich, Freieckgasse 7		295	285	89	210	224	808
Zürich, Füsslistr. 6		907	1 245	1 093	0	658	2 996
Zürich, Gartenstr. 32		694	1 713	0	0	0	1 713
Zürich, Genferstr. 23		343	908	0	0	111	1 019
Zürich, Gerbergasse 5		606	1 868	795	0	12	2 675
Zürich, Goethestr. 24		842	613	0	116	91	820
Zürich, Gutenbergstr. 1/9		1 488	7 233	815	0	1 025	9 073
Zürich, Hardturmstr. 131, 133, 135		6 236	16 923	1 323	0	6 368	24 614
Zürich, Hardturmstr. 169, 171, 173, 175		5 189	10 858	857	86	7 841	19 642
Zürich, Hardturmstr. 181, 183, 185		6 993	17 743	0	0	2 020	19 763
Zürich, Hottingerstr. 10 – 12		1 922	3 593	0	0	662	4 255
Zürich, In Gassen 16		331	0	0	488	606	1 094
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	1 475	0	243	367	2 085
Zürich, Limmatstr. 250 – 254/264/266 («Red»)		4 705	7 807	0	0	710	8 517
Zürich, Limmatstr. 291		973	2 923	0	0	154	3 077
Zürich, Lintheschergasse 23		135	359	0	80	186	625
Zürich, Löwenstr. 16		206	468	150	0	198	816
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	812	710	0	178	1 700
Zürich, Schaffhauserstr. 611		1 981	2 796	586	0	222	3 604
Zürich, Seebahnstr. 89		2 455	2 992	739	0	1 122	4 853
Zürich, Seefeldstr. 5		498	604	0	307	294	1 205
Zürich, Seefeldstr. 123		2 580	6 481	1 553	0	251	8 285
Zürich, Seestr. 353[6]		3 593	7 136	0	0	570	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	4 023	260	0	661	4 944
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	3 504	315	909	669	5 397
Zürich, Walchestr. 11, 15 / Neumühlequai 26, 28		1 074	2 973	676	102	321	4 072
Zürich, Wasserwerkstr. 10, 12 / Stampfenbachstr. 109		1 760	6 517	0	0	1 576	8 093
Zürich, Zurlindenstr. 134		487	1 251	133	0	108	1 492
Zürich, Zweierstr. 129		597	1 760	260	0	817	2 837
Total		**250 883**	**376 486**	**29 798**	**13 647**	**88 169**	**508 100**

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

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

3 Year of last overall renovation.

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

Parking spaces	Vacancy rate (CHF)[1]	Implied yield net[2]	Year of construction	Year of renovation[3]	Purchase date	Owner[4]	Ownership status[5]	Ownership percentage
0	0.0 %	3.5 %	1700	1992 | 2012	01.04.2004	PP	SO	100.0 %
3	0.5 %	2.9 %	1925	1998 | 2005	01.04.2001	PR	SO	100.0 %
21	0.0 %	3.4 %	1967	1986 | 2005	01.07.2005	PP	SO	100.0 %
0	85.3 %	– 0.9 %	1895	1998 | 2014	01.10.1999	PR	SO	100.0 %
3	0.3 %	3.7 %	1904	1993 | 2010 | 12	27.05.2004	PP	SO	100.0 %
0	0.0 %	3.4 %	1874	2014	01.04.2004	PP	SO	100.0 %
14	28.7 %	2.9 %	1969	1986 | 2008	31.12.2004	PR	SO	100.0 %
41	7.4 %	4.2 %	1982	2008	01.12.2002	PR	SO	100.0 %
44	17.6 %	4.9 %	1952	1997 | 2006	01.12.2002	PR	SO	100.0 %
193	39.4 %	4.4 %	1989		01.12.2002	PR	SO	100.0 %
18	37.8 %	3.7 %	1914 | 40	1994	01.04.2001	PR	SO	100.0 %
0	0.0 %	3.2 %	1812	1984 | 2007	01.04.2004	PP	SO	100.0 %
7	0.7 %	3.2 %	1879 | 1982	1990	01.04.2004	PP	SO	100.0 %
35	0.3 %	5.0 %	1971	1999 | 2006 | 07 | 12	01.10.1999	PR	SO	100.0 %
0	0.0 %	2.7 %	1837	2000	01.01.2000	PR	SO	100.0 %
0	0.0 %	3.7 %	1888	1994	01.04.2004	PP	SO	100.0 %
33	6.0 %	3.8 %	2013		01.10.2010	PP	SO	100.0 %
7	28.0 %	1.5 %	1985		01.04.2001	PR	SO	100.0 %
0	0.0 %	2.4 %	1879	2001	01.04.2004	PP	SO	100.0 %
1	52.7 %	0.8 %	2015		01.04.2004	PP	SO	100.0 %
4	1.1 %	3.8 %	1964	2003 | 07 | 11	31.12.2000	PR	SO	100.0 %
7	0.0 %	4.2 %	1975	1993	01.10.1999	PR	FA	29.8 %
21	1.5 %	3.7 %	1981	1999 | 2007	01.10.1999	PR	SO	100.0 %
16	0.8 %	4.4 %	1958	1981 | 2002	01.10.1999	PR	SO	100.0 %
0	7.0 %	3.0 %	1893	1999	01.10.1999	PR	SO	100.0 %
61	46.1 %	2.8 %	2001 | 02		01.07.2005	PP	SO	100.0 %
77	2.5 %	4.8 %	1959	2003 | 08	01.04.2001	PR	SO	100.0 %
0	0.0 %	3.7 %	1840	2000	01.04.2004	PP	SO	100.0 %
90	1.2 %	3.6 %	1972	2004	01.10.1999	PR	SO	100.0 %
125	22.8 %	4.3 %	1981 | 2001	2010	01.04.2010	PR	SO	100.0 %
0	0.0 %	4.2 %	1950	2005	01.04.2004	PP	SO	100.0 %
8	0.0 %	4.1 %	1896	1998 | 2011	01.10.1999	PR	SO	100.0 %
35	12.4 %	4.5 %	1929	1999 | 2001 | 07	01.10.1999	PR	SO	100.0 %
4	0.0 %	3.8 %	1896	2000	01.04.2004	PP	SO	100.0 %
3	0.0 %	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	5.3 %	3.3 %	1906	1992 | 2002	01.04.2004	PP	SO	100.0 %
6	0.0 %	4.0 %	1919	2000 | 08 | 09	01.10.1999	PR	SO	100.0 %
125	38.5 %	1.8 %	1981	2006	01.04.2004	PP	SO	100.0 %
17	2.0 %	4.1 %	1972 | 73	2006	01.10.1999	PR	SO	100.0 %
7	0.8 %	3.9 %	1958	2003	01.10.1999	PR	SO	100.0 %
4 726	**9.1 %**	**3.6 %**						

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 178 to 179.

9 Current development projects designed for sale.

10 Current development projects partially designed for sale.

Location, address	31 December 2015	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
Cologny, Port Noir Hammam & Bain Genève Plage		0	0	0	0	2 829	2 829
Genève, Cours de Rive 13, 15 / Helv. 25		882	4 504	1 164	0	51	5 719
Genève, Place du Molard 7		593	2 136	0	843	408	3 387
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 31bis, 33, 35		3 368	10 926	1 064	0	48	12 038
Genève, Rue du Grand-Pré 54, 56, 58		2 864	5 749	0	0	521	6 270
Genève, Rue du Marché 40		798	3 070	2 184	0	120	5 374
Genève, Rue du Mont-Blanc 12		258	1 468	174	0	0	1 642
Genève, Rue du Prince 9/11		276	2 933	796	0	418	4 147
Genève, Rue du XXXI-Décembre 8		1 062	2 312	366	134	958	3 770
Genève, Rue F. Bonivard 12 / Rue des Alpes 11		392	2 017	272	0	77	2 366
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**	**75 153**	**6 783**	**977**	**8 618**	**91 531**
Basel area							
Basel, Barfüsserplatz 10		3 655	336	0	530	311	1 177
Basel, Dornacherstr. 210		4 994	10 133	2 742	0	1 713	14 588
Basel, Falknerstr. 31 / Weisse Gasse 16		320	133	0	344	724	1 201
Basel, Freie Str. 38		299	1 055	242	0	77	1 374
Basel, Greifengasse 21		416	199	878	0	847	1 924
Basel, Grosspeterstr. 18, 20		8 062	13 220	0	0	597	13 817
Basel, Hochstr. 16 / Pfeffingerstr. 5		7 018	15 220	0	0	0	15 220
Basel, Kirschgartenstr. 12/14		1 376	4 956	844	137	428	6 365
Basel, Marktgasse 4		272	375	373	0	323	1 071
Basel, Marktgasse 5		330	973	273	0	116	1 362
Basel, Marktplatz 30/30A		560	2 070	0	431	298	2 799
Basel, Peter Merian-Str. 88/90		3 900	12 593	0	0	285	12 878
Basel, St. Alban-Anlage 46		1 197	3 292	0	198	315	3 805
Basel, Steinentorberg 8/12		2 845	6 995	0	281	7 424	14 700
Total		**35 244**	**71 550**	**5 352**	**1 921**	**13 458**	**92 281**

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 %	4.8 %	1965	2006 | 10 | 13	31.12.2000	PR	SO	100.0 %
5	0.0 %	4.9 %	1987		01.01.2000	PR	SO	100.0 %
0	0.0 %	0.3 %	2015		07.05.2013	PR	BL	100.0 %
64	27.7 %	2.8 %	1981		01.10.1999	PR	SO	100.0 %
0	7.3 %	2.5 %	1975	2005 | 06	01.04.2004	SI	SO	100.0 %
0	0.0 %	3.6 %	1895	1999	01.04.2001	PR	SO	100.0 %
6	24.8 %	3.3 %	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	8.1 %	4.1 %	1994		01.07.2002	PR	SO	100.0 %
50	16.5 %	4.5 %	1984	1992 | 2007	01.12.2005	PR	SO	100.0 %
0	26.5 %	2.0 %	1972	2006	01.07.2002	PR	SO	100.0 %
0	0.0 %	4.1 %	1860	2000	01.10.1999	PR	SO	100.0 %
4	3.5 %	3.5 %	1966	2000 | 01 | 06	01.01.2000	PR	SO	100.0 %
0	0.0 %	4.1 %	1962	1992 | 2001 | 11	01.10.1999	PR	SO	100.0 %
0	12.5 %	2.4 %	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 %	6.8 %	2002 | 04		01.02.2004	PR	SO	100.0 %
820	**9.1 %**	**3.6 %**						
0	5.1 %	3.3 %	1914	1997 | 2006 | 11	01.04.2004	PP	SO	100.0 %
5	15.1 %	4.3 %	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 %	4.1 %	1896	1981 | 82 | 2005	01.07.2005	PP	SO	100.0 %
0	0.0 %	1.4 %	1930	1984 | 98 | 2015	01.04.2004	PP	SO	100.0 %
100	0.0 %	6.5 %	1988		01.12.2005	PR	SO	100.0 %
227	0.0 %	4.3 %	1986	2000	01.01.2001	PR	SO	100.0 %
90	0.0 %	4.8 %	1978	2003 | 05 | 10	01.01.2000	PR	SO	100.0 %
0	0.0 %	4.3 %	1910	2002 | 08	01.04.2004	PP	SO	100.0 %
0	0.0 %	4.5 %	1924	1975 | 2002 | 05	01.10.1999	PR	SO	100.0 %
0	0.0 %	3.2 %	1936	2001 | 06	01.04.2004	PP	SO	100.0 %
108	2.7 %	4.3 %	2000		01.09.2014	PR	FA	100.0 %
53	0.0 %	4.7 %	1968	2000 | 11	01.10.1999	PR	SO	100.0 %
69	0.0 %	4.5 %	1991		01.12.2001	PR	SO	100.0 %
652	**2.3 %**	**4.3 %**						

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 178 to 179.

9 Current development projects designed for sale.

10 Current development projects partially designed for sale.

Location, address	31 December 2015	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	4 525	112	0	48	4 685
Bern, Genfergasse 4		325	952	0	544	291	1 787
Bern, Haslerstr. 30 / Effingerstr. 47		2 585	6 104	0	0	879	6 983
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	571	247	2 653
Bern, Laupenstr. 18/18a		5 436	7 053	1 386	0	959	9 398
Bern, Seilerstr. 8a		1 049	3 635	386	0	590	4 611
Bern, Spitalgasse 9		0	830	1 405	0	111	2 346
Bern, Waisenhausplatz 14		826	1 234	1 838	0	354	3 426
Bern, Zeughausgasse 26/28		629	679	395	1 755	622	3 451
Total		**16 040**	**28 290**	**6 640**	**3 249**	**4 897**	**43 076**
Lausanne area							
Lausanne, Av. de Cour 135		1 800	2 212	0	263	448	2 923
Lausanne, Av. de Sévelin 40		3 060	1 698	0	0	4 966	6 664
Lausanne, Av. de Sévelin 46		3 320	8 331	0	754	6 169	15 254
Lausanne, Av. de Sévelin 54		1 288	544	0	0	2 466	3 010
Lausanne, Ch. du Rionzi 52, Depot		0	3 407	0	0	5 662	9 069
Lausanne, Ch. 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	8 715	1 710	0	14	10 439
Lausanne, Rue Centrale 15		486	1 262	576	0	468	2 306
Lausanne, Rue de Sébeillon 1, 3, 5		2 870	7 896	0	0	4 519	12 415
Lausanne, Rue de Sébeillon 2		5 955	0	0	0	0	0
Lausanne, Rue du Grand-Chêne 2		555	1 756	1 320	0	0	3 076
Lausanne, Rue du Pont 22		465	854	801	368	348	2 371
Lausanne, Rue Saint-Martin 7		2 087	2 884	328	763	640	4 615
Total		**30 594**	**44 020**	**7 287**	**3 709**	**26 195**	**81 211**
Other locations							
Aarau, Bahnhofstr. 18		496	1 335	671	0	86	2 092
Aarau, Bahnhofstr. 29/33		1 375	2 115	1 577	0	570	4 262
Aarau, Igelweid 1		356	268	104	0	184	556
Aigle, Route Industrielle 20, Depot		11 955	0	0	0	2 213	2 213
Biel/Bienne, Aarbergstr. 107		5 352	14 329	516	0	3 564	18 409
Biel/Bienne, Bahnhofplatz 2		4 928	6 843	3 419	0	2 754	13 016
Fribourg, Av. de Beauregard 1		1 657	3 134	0	0	137	3 271
Fribourg, Route des Arsenaux 41		4 310	9 000	337	509	1 301	11 147
Fribourg, Rue de la Banque 4 / Rte d. Alpes		269	882	545	0	104	1 531
Gwatt (Thun), Eisenbahnstr. 95		14 291	0	0	0	8 769	8 769

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

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

3 Year of last overall renovation.

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

Parking spaces	Vacancy rate (CHF)[1]	Implied yield net[2]	Year of construction	Year of renovation[3]	Purchase date	Owner[4]	Ownership status[5]	Ownership percentage
0	0.0 %	3.9 %	1924	2002	01.10.1999	PR	SO	100.0 %
115	3.8 %	3.6 %	1964	1999 | 2005 | 11	01.10.1999	PR	SO	100.0 %
0	0.0 %	3.7 %	1899	1984 | 2005 | 06	01.04.2004	IS	SO	100.0 %
6	9.3 %	4.5 %	1964 | 76	1992 | 95 | 2006 | 09	01.12.2005	PR	SO	100.0 %
0	0.0 %	3.2 %	1900	2011 | 13	01.04.2004	IS	SO	100.0 %
0	14.4 %	3.4 %	vor 1900	1991 | 92	01.07.2005	PP	SO	100.0 %
0	40.2 %	1.7 %	1965	1997 | 2004 | 11	01.07.2004	PR	SO	100.0 %
7	5.2 %	4.1 %	1935 | 60	1997 | 2009 | 12	01.07.2004	PR	SO	100.0 %
58	0.0 %	5.7 %	1971	2001	01.10.1999	PR	SO	100.0 %
0	0.0 %	10.3 %	vor 1900	2001 | 06	01.07.2005	PP	BL	100.0 %
0	1.9 %	3.5 %	1950	2001	01.10.1999	PR	SO	100.0 %
0	0.0 %	4.7 %	1900	1999	01.04.2004	IS	SO | BL	100.0 %
186	**5.3 %**	**4.1 %**						
23	7.9 %	4.8 %	1973	2001 | 04 | 05	01.10.1999	PR	SO	100.0 %
146	21.4 %	5.0 %	1992		01.12.2005	PR	SO	100.0 %
10	2.3 %	5.8 %	1994		01.12.2005	PR	SO	100.0 %
0	0.0 %	5.4 %	1932	1990 | 2002	01.12.2005	PR	SO	100.0 %
63	0.0 %	2.7 %	1971	1996 | 2014	01.04.2004	IS	BL	100.0 %
8	4.7 %	6.4 %	1971	1998	01.04.2001	PR	SO	100.0 %
0	0.0 %	4.1 %	1957	2000	01.07.2005	PP	SO	100.0 %
0	4.0 %	3.0 %	1913	1989 | 2004	01.10.1999	PR	SO	100.0 %
61	0.0 %	4.6 %	1900	1998 | 2003 | 04	01.04.2001	PR	SO	100.0 %
0	0.0 %	3.5 %	1938	1987 | 2013	01.01.2000	PR	SO	100.0 %
61	5.6 %	5.1 %	1963	1998	01.12.2005	PR	SO	100.0 %
221	5.7 %	3.4 %	1930	1998	01.12.2005	PR	SO	100.0 %
0	10.6 %	3.7 %	1910 | 11	1985 | 2001	01.10.1999	PR	SO	100.0 %
0	9.7 %	2.9 %	1952	2003	01.07.2005	PP	SO	100.0 %
139	75.4 %	1.4 %	1962 | 63	1998 | 2002	31.12.2000	PR	SO	100.0 %
732	**9.4 %**	**4.1 %**						
29	0.0 %	4.8 %	1968	2001 | 02 | 06	01.01.2000	PR	SO	100.0 %
18	0.0 %	4.9 %	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 %	6.3 %	1985		01.04.2004	IS	SO	100.0 %
63	1.1 %	6.4 %	1994		15.12.2005	PR	SO	100.0 %
80	28.9 %	3.9 %	1928 | 62	1986 | 93 | 2012	01.08.2006	PR	SO	100.0 %
67	18.5 %	4.4 %	1993		01.10.1999	PR	SO	100.0 %
142	43.5 %	4.1 %	1997		15.12.2005	PR	SO	100.0 %
3	0.0 %	2.8 %	1970	2001	01.01.2000	PR	SO	100.0 %
0	0.0 %	7.2 %	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 178 to 179.

9 Current development projects designed for sale.

10 Current development projects partially designed for sale.

Location, address	31 December 2015	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	328	0	596	3 186
Olten, Baslerstr. 44		657	2 063	401	0	596	3 060
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	92	220	716
Zug, Kolinplatz 2		285	793	119	0	180	1 092
Zurzach, Auf Rainen, Land		6 996	0	0	0	0	0
Total		**67 562**	**45 740**	**10 365**	**963**	**29 794**	**86 862**
Sites and development properties[8]							
Basel, Grosspeterstr. 18, 20, Projekt «Grosspeter Tower»		3 978	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, Hardturmstr. 161 / Förrlibuckstr. 150, Projekt		8 225	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, Projekt «Bahnhofquai/-platz»		3 379	n.a.	n.a.	n.a.	n.a.	n.a.
Total		**169 445**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
Overall total portfolio		**602 485**	**641 239**	**66 225**	**24 466**	**171 131**	**903 061**

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 %	5.1 %	1908	2003	01.07.2005	PP	SO	100.0 %
0	0.0 %	4.6 %	2013		30.01.2012	PP	BL	100.0 %
0	11.9 %	4.1 %	1900	1980	01.07.2005	PP	SO	100.0 %
44	0.0 %	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	0.0 %	4.3 %	1934	2001	01.04.2004	PP	SO	100.0 %
0	1.2 %	2.9 %	1962	2001	01.07.2005	PP	BL	100.0 %
11	0.0 %	4.7 %	1928	1996	01.04.2004	PP	SO	100.0 %
0	0.0 %	3.7 %	1595	2002 | 03 | 14	01.07.2005	PP	SO	100.0 %
0	10.2 %	3.0 %	1879	1996 | 2014	01.04.2004	PP	SO	100.0 %
1	0.0 %	4.0 %	1491	1925 | 70 | 2004 | 09	01.10.1999	PR	SO	100.0 %
0	n.a.	n.a.	n.a.		01.04.2004	PP	SO	100.0 %
527	**12.0 %**	**4.7 %**						
n.a.	n.a.	n.a.	n.a.		01.12.2005	PR	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.		01.01.2004	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 | FA	100.0 %
n.a.	n.a.	n.a.	n.a.		01.12.2002	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.		01.01.2004	PP	SO	100.0 %
n.a.	**n.a.**	**n.a.**						
7 643	**8.5 %**	**3.7 %**						

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 178 to 179.

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	Completion
Project description: Project with mixed use (residential, office, trade and retail). Overall project with approx. 59 000 m² usable floor space and CHF 250 million investment sum.	**State of project: in construction (stage 1)** 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 127.2 mio. spent) Sale: 66 apartments Letting level: 65 % of the commercial area and 20 apartments for rent	**Completion:** 2016
	State of project: in planning (stage 2) Project with approx. 27 000 m² usable floor space resp. 100 residential units Planned investment sum: approx. CHF 70 million	**Completion:** tbd

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

Project description	State of project	Completion
Project description: Total renovation (in particular of the infrastructure and technical installations) in three stages. Overall planned investment sum: approx. CHF 80 million.	**State of project: in construction (stage 1)** Properties on Bahnhofplatz 1, Bahnhofquai 9, 11, 15 Planned investment sum: approx. CHF 35 million (thereof CHF 5.7 mio. spent) Letting: n.a.	**Completion:** tbd
	State of project: in construction (stage 2) Properties on Waisenhausstrasse 2 / 4 and Bahnhofquai 7 Planned investment sum: approx. CHF 33 million (thereof CHF 2.3 mio. spent) Letting: n.a.	**Completion:** tbd
	State of project: construction not yet started (stage 3) Property on Bahnhofplatz 2 Planned investment sum: approx. CHF 12 million Letting: n.a.	**Completion:** tbd

Project "Grosspeter Tower"
Basel, Grosspeterstrasse 18, 20

Project description	State of project	Completion
Project description: New tower (zero-emission operations) building with mixed use (hotel and office space). Project with approx. 18 000 m² usable floor space.	**State of project: in construction** Planned investment sum: approx. CHF 110 million (thereof CHF 30.5 mio. spent) Letting: 30 % (hotel)	**Completion:** End of 2016

Project "Hardturmstrasse / Förrlibuckstrasse"
Zurich, Hardturmstrasse 161 / Förrlibuckstrasse 150

Project description:	State of project: in construction	Completion:
Comprehensive renovation, in particular of the structure and technical installations.	Planned investment sum: approx. CHF 50 million (thereof CHF 13.3 mio. spent) Letting: n.a.	2017

"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.	tbd

Property purchases in 2015

Location, address	Land area m²	Office area m²	Retail area m²
Urdorf, Heinrich Stutz-Str. 23/25	3 788	0	0

Property sales in 2015

Location, address	Land area m²	Office area m²	Retail area m²
Zürich, Altstetterstr. 124 / Herrligstr. 21	3 782	9 610	0

Expiry of lease contracts as at 31 December 2015

	Market adjustment option by PSP Swiss Property	Legal termination option by tenant
Contracts not limited in time, but subject to notice	7 %	7 %
2016	17 %	19 %
2017	14 %	16 %
2018	11 %	11 %
2019	9 %	9 %
2020	8 %	8 %
2021	6 %	6 %
2022	4 %	3 %
2023	4 %	5 %
2024	1 %	1 %
2025	10 %	9 %
2026+	8 %	6 %
Total	100 %	100 %

Gastronomy area m²	Other area m²	Total rentable area m²	Parking spaces	Purchase date
0	3 798	3 798	59	01.11.2015

Gastronomy area m²	Other area m²	Total rentable area m²	Parking spaces	Purchase date	Selling date
313	1 900	11 823	124	01.10.1999	02.09.2015

Tenant structure

	31 December 2014	31 December 2015
Swisscom	10 %	10 %
Google	5 %	5 %
JT International	3 %	3 %
Schweizer Post	2 %	3 %
Roche	3 %	2 %
Next five largest tenants	9 %	9 %
Other	68 %	68 %
Total	**100 %**	**100 %**

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

Five year review

Key financial figures	Unit	2011	2012 restated[1]	2013	2014	2015
Rental income	CHF 1 000	270 675	272 849	279 143	277 150	275 063
EPRA like-for-like change	%	2.0	1.5	1.7	0.2	0.2
Net changes in fair value of real estate investments	CHF 1 000	325 068	266 851	128 144	5 789	33 791
Income from property sales (freehold apartments)	CHF 1 000	3 277	12 793	13 048	6 813	3 259
Income from property sales (portfolio)	CHF 1 000	4 227	130	0	2 026	1 374
Total other income	CHF 1 000	10 337	8 351	6 088	6 987	4 588
Total operating income	CHF 1 000	**613 584**	**560 975**	**426 423**	**298 765**	**318 075**
Total operating expenses	CHF 1 000	**– 53 531**	**– 56 521**	**– 56 571**	**– 53 730**	**– 52 776**
Operating income before financial expenses	CHF 1 000	**560 053**	**504 455**	**369 852**	**245 035**	**265 298**
Net financial expenses	CHF 1 000	– 44 267	– 37 238	– 30 878	– 30 662	– 29 035
Operating profit before taxes	CHF 1 000	**515 786**	**467 217**	**338 974**	**214 373**	**236 263**
Income taxes	CHF 1 000	– 111 792	– 98 832	– 67 980	– 39 027	– 48 537
Total net income	CHF 1 000	**403 994**	**368 385**	**270 993**	**175 346**	**187 726**
Total net income excluding gains/losses on real estate investments[2]	CHF 1 000	**149 020**	**161 367**	**173 643**	**169 345**	**161 287**
Ebitda excluding gains/losses on real estate investments	CHF 1 000	**232 532**	**238 308**	**242 480**	**238 242**	**232 690**
Ebitda margin	%	81.5	81.0	81.3	81.8	82.0
Interest coverage ratio[3]	Factor	5.3	6.4	7.9	7.8	8.0
Cash flow from operating activities	CHF 1 000	**173 793**	**140 290**	**194 108**	**226 004**	**183 369**
Cash flow from investing activities	CHF 1 000	– 41 611	– 67 314	– 73 179	– 171 360	– 76 967
Cash flow from financing activities	CHF 1 000	– 113 965	– 70 367	– 117 118	– 59 803	– 109 304
Total assets	CHF 1 000	**6 050 916**	**6 356 255**	**6 541 812**	**6 684 665**	**6 791 923**
Non-current assets	CHF 1 000	5 800 391	6 154 808	6 351 502	6 545 624	6 665 374
Current assets	CHF 1 000	250 525	201 447	190 309	139 041	126 548
Shareholders' equity	CHF 1 000	**3 268 894**	**3 691 551**	**3 839 230**	**3 840 795**	**3 870 473**
Equity ratio	%	54.0	58.1	58.7	57.5	57.0
Return on equity	%	13.0	10.6	7.2	4.6	4.9
Liabilities	CHF 1 000	**2 782 022**	**2 664 704**	**2 702 582**	**2 843 869**	**2 921 450**
Non-current liabilities	CHF 1 000	2 285 553	2 396 261	2 348 628	2 740 801	2 564 380
Current liabilities	CHF 1 000	496 469	268 443	353 954	103 068	357 070
Interest-bearing debt	CHF 1 000	1 946 894	1 808 286	1 838 784	1 928 669	1 969 035
Interest-bearing debt in % of total assets	%	32.2	28.4	28.1	28.9	29.0
Interest-bearing debt with fixed interest rates (maturity > 1 year)	%	82.0	85.6	77.2	83.9	79.7
Average interest rate (period)	%	2.56	2.37	1.95	1.76	1.70
Average remaining term to maturity interest-bearing debt	Year	2.9	3.7	3.4	3.9	3.4

Portfolio key figures	Einheit	2011	2012 restated[1]	2013	2014	2015
Number of properties	Number	168	163	161	161	163
Carrying value properties	CHF 1 000	**5 611 591**	**5 968 097**	**6 033 930**	**6 161 136**	**6 223 006**
Implied yield, gross[4]	%	4.9	4.7	4.6	4.5	4.4
Implied yield, net[4]	%	4.2	3.9	3.9	3.9	3.7
Vacancy rate end of period (CHF)[4]	%	8.3	8.0	8.0	10.0	8.5
Number of sites and development properties	Number	9	9	10	10	8
Carrying value sites and development properties	CHF 1 000	**346 879**	**314 430**	**431 647**	**446 908**	**501 371**

Employees						
End of period	Posts	84	84	86	83	87
Full-time equivalents	Posts	77	78	79	78	81

Per share figures						
Earnings per share (EPS)[5]	CHF	9.40	8.21	5.91	3.82	4.09
EPS excluding gains/losses on real estate investments[5]	CHF	**3.47**	**3.60**	**3.79**	**3.69**	**3.52**
Distribution per share	CHF	**3.00**	**3.20**	**3.25**	**3.25**	**3.30[6]**
Payout ratio[7]	%	86.5	88.9	85.8	88.1	93.8
Cash yield[8]	%	3.8	3.7	4.3	3.8	3.8
Net asset value per share (NAV)[9]	CHF	**75.28**	**80.48**	**83.70**	**83.74**	**84.38**
Premium/(discount) to NAV[10]	%	4.4	7.0	– 9.8	2.5	4.3
NAV per share before deduction of deferred taxes[9]	CHF	**89.02**	**95.00**	**99.25**	**99.57**	**100.83**
Premium/(discount) to NAV before deduction of deferred taxes[10]	%	– 11.7	– 9.8	– 23.9	– 13.8	– 12.7
Share price high	CHF	83.50	89.95	91.25	86.50	99.75
Share price low	CHF	67.00	75.40	74.15	74.25	78.25
Share price end of period	CHF	**78.60**	**86.55**	**75.50**	**85.80**	**88.00**
Issued shares	Number	45 867 891	45 867 891	45 867 891	45 867 891	45 867 891
Own shares	Number	2 446 896	0	0	0	0
Outstanding shares	Number	43 420 995	45 867 891	45 867 891	45 867 891	45 867 891
Average outstanding shares	Number	42 978 982	44 876 202	45 867 891	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 18, 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 31 March 2016 for the business year 2015: The distribution comprises a payment out of the capital contribution reserves (CHF 1.80) and a dividend paid from retained earnings (CHF 1.50).

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.

Contacts and important dates

Main company addresses

PSP Swiss Property Ltd
Kolinplatz 2
CH-6300 Zug
Phone +41 (0)41 728 04 04
Fax +41 (0)41 728 04 09

PSP Group Services Ltd
Seestrasse 353, P.O. Box
CH-8038 Zurich
Phone +41 (0)44 625 59 00
Fax +41 (0)44 625 58 25

Executive Board of PSP Swiss Property

Luciano Gabriel
Chief Executive Officer

Giacomo Balzarini
Chief Financial Officer

Ludwig Reinsperger (until 31 January 2016)
Chief Investment Officer

Office of the Board of Directors

Samuel Ehrhardt
Secretary of the Board of Directors
Phone +41 (0)41 728 04 04
E-mail samuel.ehrhardt@psp.info

Investor Relations

Vasco Cecchini
Chief Communications Officer
Phone +41 (0)44 625 57 23
E-mail vasco.cecchini@psp.info

Agenda

Annual General Meeting 2016
31 March 2016, Kongresshaus, Zurich

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10 May 2016

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19 August 2016

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11 November 2016

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
Rue du Grand-Pré 58, P.O. Box 75
CH-1211 Geneva 7
Phone +41 (0)22 332 25 00
Fax +41 (0)22 332 25 01

Olten

Management: Thomas Bracher
PSP Management Ltd
Baslerstrasse 44, P.O. Box
CH-4603 Olten
Phone +41 (0)62 919 90 00
Fax +41 (0)62 919 90 01

Zurich

Management: Alexander Wiggershaus
PSP Management Ltd
Seestrasse 353, P.O. Box
CH-8038 Zurich
Phone +41 (0)44 625 57 57
Fax +41 (0)44 625 58 58

Masthead

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Swiss Property

PSP Swiss Property Ltd
Kolinplatz 2
CH-6300 Zug

www.psp.info
info@psp.info

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