



p|s|p
Swiss Property

2016

Annual report

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Charts/tables

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

English translation of German original

This is an English translation of the German original. Only the German original is legally binding.

Sustainability

For environmental reasons, there is no printed version of this annual report.

The annual report is available on www.psp.info/reports.

EPRA reporting

PSP Swiss Property is a member of EPRA (European Public Real Estate Association). Domiciled in Brussels, EPRA was founded in 1999. It is a non-profit organisation promoting and supporting the European public real estate industry. We apply EPRA's Best Practices Recommendations in the disclosure of our performance measures and in sustainability reporting.



www.psp.info

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

Board of Directors' statement

The Board of Directors proposes a dividend of CHF 3.35 per share. In relation to the 2016 year-end share price, this corresponds to a yield of 3.8%.

Dear Readers

Business development

In 2016, we kept focusing on the enhancement of the property portfolio, the further development of our sites and projects as well as on our letting activities (especially the early management of leases due to expire in the coming years).

As to letting activities, we exceeded our expectations, even though in some cases we had to adjust the rental conditions to the weaker market environment.

Businesswise, 2016 was a success: we generated a net income (excluding changes in fair value) of CHF 172.5 million (2015: CHF 161.3 million). This increase resulted mainly from the sale of condominiums at the "Salmenpark" in Rheinfelden and the "Black" apartment tower on the Löwenbräu site in Zurich.

Net income (excluding changes in fair value) forms the basis for the distribution to shareholders. The above-mentioned 2016 result allows us to propose to the Annual General Meeting of 5 April 2017 a dividend payment of CHF 3.35 per share. This corresponds to a yield of 3.8% on the 2016 year-end share price of CHF 88.00. Thus, we continue our shareholder-friendly dividend policy and confirm our profile as a predictable and stable core investment for Swiss real estate.

In 2016, we purchased one office and commercial property located at Hardturmstrasse 101, 103, 105 / Förrlibuckstrasse 30 in Zurich. On the other hand, we sold two smaller objects in Fribourg and Zurzach.

We proceeded with our site developments and conversion projects as planned. We are satisfied with the sale of condominiums at the "Salmenpark" in Rheinfelden. We completed the first stage with an investment total of approximately CHF 190 million at the end of 2016. This includes office and commercial space, a seniors' centre and nursing home as well as rental apartments and for-sale condominiums. We submitted the revised building application for stage 2 with an investment total of approximately CHF 70 million at the end of 2016. This stage includes 96 residential units for sale. Construction is scheduled to start in autumn 2017 and takes until 2020.

In 2016, we started a number of comprehensive renovation projects (some of them still in the planning phase, others already under construction). We reclassified the following properties as "development properties": i) project "Orion": the two buildings located at Förrlibuckstrasse 178/180 and at Hardturmstrasse 181, 183, 185 in Zurich West will be demolished and replaced by a modern office property. Construction is scheduled for 2018 to 2020. The investment total will amount to approximately CHF 120 million. ii) Rue du Marché 40 in Geneva: here we will invest approximately CHF 15 million until 2018. iii) Rue Saint-Martin 7 in Lausanne: we will renovate this building for approximately CHF 12 million in 2017.

Economic and political environment

In 2016, several events changed the political and economic landscape, especially at an international level, from the Brexit vote in Great Britain to the U.S. presidential elections. The impact on our line of business, however, remained limited.

Property market

In Switzerland overall, the supply of office space still exceeded demand in 2016. New constructions, respectively renovations declined slightly – except in certain regions such as Zurich North. While the absorption of the vacancies progressed better than in the previous year, it was still rather sluggish.

Rents remained under pressure in the retail sector due to shopping tourism abroad and growing online shopping. Central locations (“high street retail”) suffer the least under these structural changes.

Outlook

Economy and politics

Most experts are guardedly optimistic for the Swiss economy 2017. While the Swiss franc is likely to remain strong, the debt problems in Europe remain unsolved and global developments are as unpredictable as ever. Nevertheless, economic forecasts are positive.

In the United States, the Federal Reserve Board has indicated that it might further raise interest rates in 2017. The European Central Bank, on the other hand, will probably remain more reluctant. And the Swiss National Bank is unlikely to even consider rate hikes to avoid a further strengthening of the Swiss franc. As a result, refinancing costs will presumably remain low for borrowers.

Market and business outlook

Due to the predicted continuing low interest rates, investors' demand for the purchase of well-located commercial properties will hardly diminish. Thus, the demand for commercial properties results from the investment pressure of institutional investors, who are confronted with a fixed-income environment which provides them practically zero yields. For us as a property company, on the other hand, property investments should generate a long-term value added for our shareholders in terms of sustainable, steadily rising earnings per share. We do not want to grow at any price. We observe the acquisition market attentively and with great interest; nevertheless, we remain prudent with regard to potential purchases.

We will keep to our conservative financing policy and will keep taking advantage of possible opportunities on the capital market.

Our focus will remain on the renovation and modernisation of selected properties, the further development of our sites and projects as well as the letting activities.

For the 2017 business year, we expect an ebitda (excluding gains/losses on real estate investments) of approximately CHF 225 million (2016: CHF 241.6 million).

With regard to the vacancies at year-end 2017, we expect a rate of around 10% (end of 2016: 9.3%).

Günther Gose
Chairman of the Board of Directors

Luciano Gabriel
Delegate of the Board of Directors
and Chief Executive Officer

6 March 2017

2016

in brief

Key figures

**Net income excluding
gain/losses on real estate
investments**

CHF 172.5 million

Compared to 2015, net income (excluding gains/losses on real estate investments) increased by CHF 11.3 million, mainly due to higher income from apartment sales.

Dividend

CHF 3.35/share

The Board of Directors will propose to the Annual General Meeting on 5 April 2017 a dividend payment of CHF 3.35 per share. This corresponds to a cash yield of 3.8% on the 2016 year-end share price of CHF 88.00.

Portfolio value

CHF 6.894 billion

The quality of the portfolio was further improved by targeted renovations and other capital expenditures totalling CHF 165.8 million.

Equity base

CHF 3.867 billion

With an equity ratio of 59.4% and a loan-to-value ratio of 31.9%, PSP Swiss Property has a strong balance sheet.

EPRA NAV

CHF 102.52/share

The EPRA NAV provides all relevant information on the fair value of assets and liabilities of a pure real estate investment company. Properties and participations are recognised at fair value.

Key financial figures	Unit	2015	2016	Change¹
Rental income	CHF 1 000	275 063	276 316	0.5%
EPRA like-for-like change	%	0.2	- 1.6	
Net changes in fair value of real estate investments	CHF 1 000	33 791	- 50 208	
Income from property sales (freehold apartments)	CHF 1 000	3 259	14 224	
Income from property sales (portfolio)	CHF 1 000	1 374	1 354	
Total other income	CHF 1 000	4 588	6 291	
Net income	CHF 1 000	187 726	134 867	- 28.2%
Net income excluding gains/losses on real estate investments ²	CHF 1 000	161 287	172 548	7.0%
Ebitda excluding gains/losses on real estate investments	CHF 1 000	232 690	241 572	3.8%
Ebitda margin	%	82.0	81.3	
Total assets	CHF 1 000	6 791 923	7 041 368	3.7%
Shareholders' equity	CHF 1 000	3 870 473	3 866 754	- 0.1%
Equity ratio	%	57.0	54.9	
Return on equity	%	4.9	3.5	
Interest-bearing debt	CHF 1 000	1 969 035	2 248 436	14.2%
Interest-bearing debt in % of total assets	%	29.0	31.9	
Portfolio key figures				
Number of properties	Number	163	161	
Carrying value properties	CHF 1 000	6 223 006	6 297 968	1.2%
Implied yield, gross ³	%	4.4	4.3	
Implied yield, net ³	%	3.7	3.6	
Vacancy rate end of period (CHF) ^{3,4}	%	8.5	9.3	
Number of sites and development properties	Number	8	10	
Carrying value sites and developments properties	CHF 1 000	501 371	595 885	18.9%
Employees				
End of period	People	87	90	
Full-time equivalents	FTE	81	84	
Per share figures				
Earnings per share (EPS) ⁵	CHF	4.09	2.94	- 28.2%
EPS excluding gains/losses on real estate investments ⁵	CHF	3.52	3.76	7.0%
Distribution per share	CHF	3.30	3.35 ⁶	1.5%
Net asset value per share (NAV) ⁷	CHF	84.38	84.30	- 0.1%
NAV per share before deduction of deferred taxes ⁷	CHF	100.83	100.95	0.1%
Share price end of period	CHF	88.00	88.00	0.0%

1 Change to previous year's period 2015 or carrying value as of 31 December 2015 as applicable.

2 See definition "Net income excluding gains/losses on real estate investments" on page 40, footnote 3.

3 For investment properties.

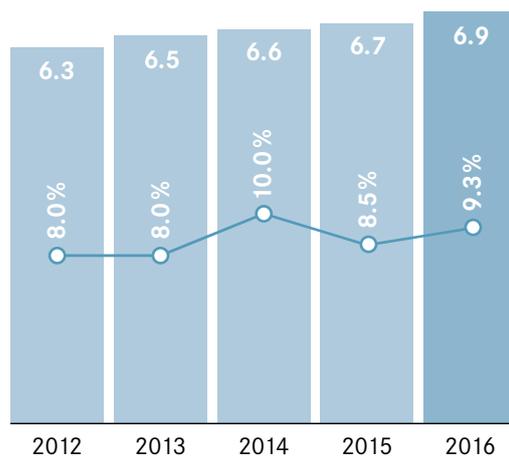
4 Equals the lost rental income in % of the potential rent, as per reporting date.

5 Based on average number of outstanding shares.

6 Proposal to the Annual General Meeting on 5 April 2017 for the business year 2016:
Dividend payment from retained earnings.

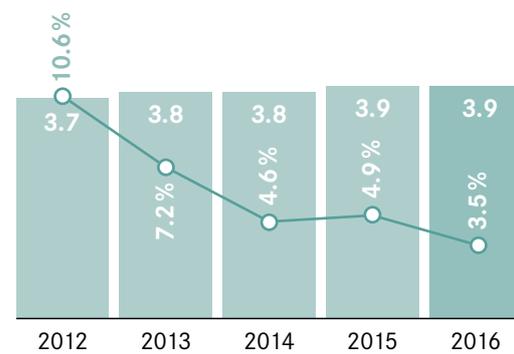
7 Based on number of outstanding shares.

Real estate portfolio



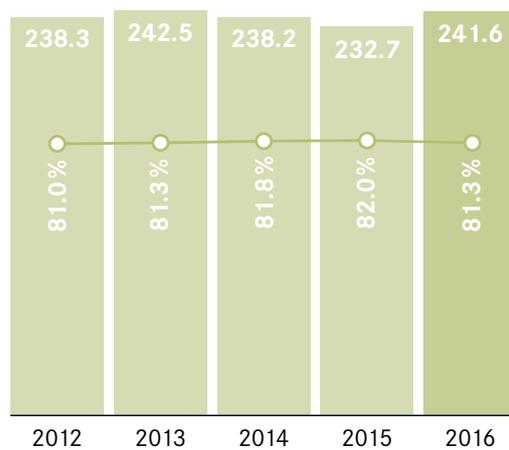
■ Portfolio value in CHF billion
 ○ Vacancy rate end of period in %

Shareholders' equity



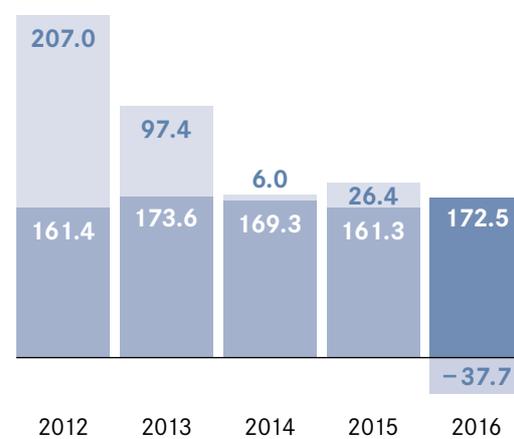
■ Shareholders' equity in CHF billion
 ○ Return on equity in %

Ebitda



■ Ebitda excl. gains/losses on real estate investments in CHF million
 ○ Ebitda margin in %

Net income components



■ Net income excl. gains/losses on real estate investments in CHF million
 ■ Contribution gain/losses on real estate investments in CHF million

Report on the business year 2016

Given a challenging market environment, we are satisfied with our 2016 results.

Market environment

Investment market

Office and commercial properties remained sought-after investment targets in 2016. Demand was highest for centrally located buildings as well as properties close to transportation links to business centres – especially the Central Business Districts of Zurich and Geneva. However, the number of transactions was small. It seems that buyers of the few properties which were sold in top locations are willing to accept increasingly modest net yields.

Letting market

Office

Not much has changed on the office market in the past year: there is an oversupply. With regard to rents for office space, there were no significant changes overall. While in Zurich's Central Business District – one of our main markets – prime rents remained under pressure, they stayed relatively stable. Supply decreased slightly after a longer period of expansion. Vacancies were absorbed a little better than in the previous year, although, to a certain degree, this was also due to concessions made by landlords in their lease agreements.

Retail

Demand for retail space was restrained in 2016. Rents remained under pressure in the retail sector, due to shopping tourism abroad and growing online shopping. Central locations ("high street retail") were and are more resilient to this trend. Most of our properties, which also offer retail space, are located in this more stable market segment.

Market outlook

The 2016 trends on the Swiss real estate market will presumably continue more or less unchanged in 2017.

While the forecasts for Switzerland's economy as a whole are positive, the property market will remain a challenge. The market is competitive, location and quality are increasingly important.

We expect the acquisition market for good objects to remain highly competitive. Despite all the uncertainties, commercial properties remain attractive investment alternatives for pension funds and other institutional as well as private investors. They offer steady and long-term rental income and relatively stable value. For an increasing number of investors, they have become indispensable building blocks for their portfolios.

Overall, new construction activity will probably decline slightly in the current year, except in certain regions such as Zurich North. Here, between Zurich Oerlikon's train station and the airport, vacancies are likely to continue growing (marginally), while rents will tend (moderately) lower. In Geneva, we also expect a rise in vacancies, especially in the periphery; therefore, pressure on prime rents will persist.

We expect office rent levels to remain at a historical low level. The outlook for offices (and retail space) in central locations is significantly better than for peripheral locations. Properties outside of city centres as well as objects with limited utilisation options will find it increasingly difficult to find tenants (and buyers).

Landlords that offer state-of-the-art new buildings or comprehensively renovated and upgraded properties in good locations have a competitive advantage. This holds true for both office buildings and the retail sector. Therefore, we will continue to focus on properties in prime locations and carry on renovating and modernising selected properties or constructing new ones, if this is the best option.

Consolidated annual results 2016

In 2016, we achieved a net income (excluding gains/losses on real estate investments) of CHF 172.5 million (2015: CHF 161.3 million). This increase resulted mainly from the sale of condominiums at the "Salmenpark" in Rheinfelden and the "Black" apartment tower on the Löwenbräu site in Zurich; as a result, income from apartment sales rose by CHF 11.0 million to CHF 14.2 million (2015: CHF 3.3 million). Additionally, rental income went up by CHF 1.3 million, while income from capitalised own services rose by CHF 1.0 million and VAT recovery by CHF 0.7 million. Corresponding earnings per share amounted to CHF 3.76 (2015: CHF 3.52). 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 134.9 million (2015: CHF 187.7 million). The decrease was mostly due to the depreciation of properties, which amounted to CHF 50.2 million in 2016 (2015: appreciation of CHF 33.8 million). Earnings per share (including gains/losses on real estate investments) amounted to CHF 2.94 (2015: CHF 4.09).

The sale of two smaller investment properties resulted in an income of CHF 1.4 million (2015: CHF 1.4 million).

1 See definition on page 40, note 3.

Operating expenses increased by CHF 4.2 million to CHF 57.0 million in 2016 (2015: CHF 52.8 million). The termination of the employment contract of one former Member of the Executive Board affected the results in the reporting period with a CHF 0.7 million charge. In addition, there had been positive effects totalling CHF 1.2 million in the previous year's period (adjusted pension obligations according to IAS 19 as well as property tax refunds). Financial expenses decreased by CHF 2.6 million to CHF 26.4 million (2015: CHF 29.0 million).

At the end of 2016, net asset value (NAV) per share was CHF 84.30 (end of 2015: CHF 84.38). NAV before deducting deferred taxes amounted to CHF 100.95 (end of 2015: CHF 100.83).

The NAV based on EPRA standards (see EPRA table on pages 118 to 121) amounted to CHF 102.52 (end of 2015: CHF 103.05).

Capital management

With total equity of CHF 3.867 billion (end of 2015: CHF 3.870 billion) – corresponding to an equity ratio of 54.9% (end of 2015: 57.0%) – we had a strong capital base at the end of 2016. Interest-bearing debt amounted to CHF 2.248 billion at the end of 2016, corresponding to 31.9% of total assets (end of 2015: CHF 1.969 billion respectively 29.0%).

At the end of 2016, the passing average interest rate was 1.28% (end of 2015: 1.53%). The average fixed-interest period was 4.3 years (end of 2015: 3.4 years).

In mid-March 2016, we were able to settle the last open case relating to the negative CHF Libor with the remaining counterparty. Consequently, there are no more pending cases in this matter.

No major committed bank loans will be due until 2019. At the end of 2016, we had unused committed credit lines of CHF 670 million.

PSP Swiss Property has ratings from two international rating agencies: in March 2016, Fitch confirmed the Senior Unsecured Rating A- (outlook stable); in November 2016, we received an A3 Issuer Rating (outlook stable) from Moody's.

Dividend

For the business year 2016, the Board of Directors proposes an ordinary dividend payment of CHF 3.35 per share to the Annual General Meeting on 5 April 2017 (previous year: CHF 3.30 per share, thereof CHF 1.80 out of the capital contribution reserves and CHF 1.50 as ordinary dividend). In relation to net income (excluding gains/losses on real estate investments), this corresponds to a payout ratio of 89.1%; in relation to the 2016 year-end share price of CHF 88.00, it corresponds to a yield of 3.8%.

Subsequent events

On 10 February 2017, the CHF 125 million 0.000% bond (maturing in 2023), issued in September 2016, was increased by CHF 50 million to CHF 175 million.

There were no further material subsequent events.

Outlook 2017

For the 2017 business year, we expect an ebitda (excluding gains/losses on real estate investments) of approximately CHF 225 million (2016: CHF 241.6 million).

With regard to the vacancies at year-end 2017, we expect a rate of around 10% (end of 2016: 9.3%).

The Executive Board, March 2017

Portfolio

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Portfolio

At year-end 2016, our real estate portfolio included 161 office and commercial properties. In addition, there were four development sites and six individual projects. The carrying value of the total portfolio was CHF 6.894 billion.

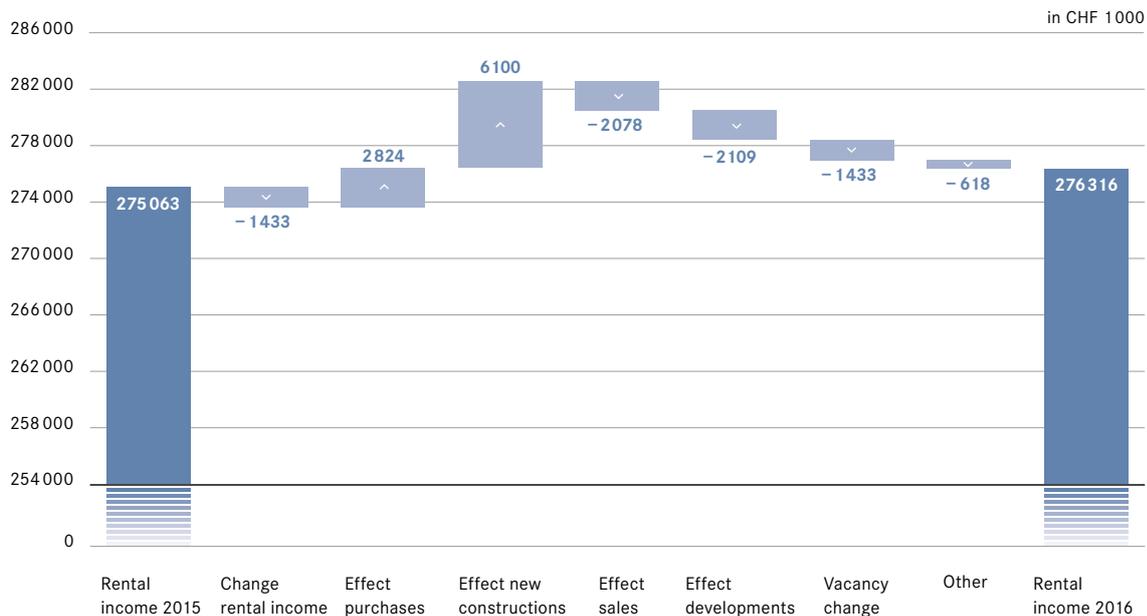
As mentioned before, letting office and commercial space is challenging. Competition is fierce due to the oversupply in many regions and the slack demand. We meet this challenge with substantial investments in the renovation and modernisation of our property portfolio. Equally, we keep focusing on the further development respectively completion of our sites.

Investment properties

In 2016, we purchased one office and commercial property located at Hardturmstrasse 101, 103, 105 / Förrlibuckstrasse 30 in Zurich for CHF 145.2 million. On the other hand, we sold two smaller objects in Fribourg and Zurzach for a total of CHF 12.9 million.

On the Gurten site in Wabern near Bern we completed the renovation of the former bottling plant (office and commercial space) and reclassified it as an investment property.

Development of rental income



Several of our buildings are in an extensive renovation process. We are currently focusing on Zurich city centre, in particular Bahnhofquai / Bahnhofplatz, as well as several properties in Zurich West and one property each in Geneva and Lausanne.

Furthermore, a replacement building, the “Orion” project, for two properties in Zurich West is in the planning phase. The new office property will be in line with today’s requirements in terms of flexibility of use and sustainability.

In 2017 and 2018, we will presumably invest approximately CHF 120 million for renovations and conversions in our investment properties.

Valuation of properties

The revaluation of the properties resulted in an overall depreciation of CHF 50.2 million (thereof CHF 7.8 million were related to the investment portfolio and CHF 42.4 million to the project developments). The depreciation of the project developments was mainly due to one project in Geneva and several renovations in Zurich and Basel. At year-end 2016, the portfolio’s weighted average nominal discount rate – based on a long-term average annual inflation of 0.5% – stood at 3.82% (year-end 2016: 4.57%, based on an average annual inflation of 1.0%). While the lower average weighted discount rate had a positive effect on the valuations, this was not enough to compensate the depreciations due to the expected longer marketing periods, lower market rents and higher renovation expenses at a number of properties.

Vacancy development

At the end of 2016, the vacancy rate stood at 9.3% (end of 2015: 8.5%), after the reclassification of the following properties during the reporting period from “investment properties” to “development properties”: Förrlibuckstrasse 178/180, Hardturmstrasse 181, 183, 185 (project “Orion”) in Zurich West, Rue du Marché 40 in Geneva and Rue Saint-Martin 7 in Lausanne.

0.7 percentage points of these 9.3% were due to ongoing renovations. The properties in Zurich West and Wallisellen (carrying value CHF 0.8 billion) contributed 2.1 percentage points to the overall vacancy rate. The remaining properties with a carrying value of CHF 5.4 billion (i.e. the total investment portfolio excluding the objects under renovation as well as those in Zurich West and Wallisellen) made up 6.5 percentage points.

Of the lease contracts maturing in 2017 (CHF 31.4 million), 54% were renewed respectively extended at the end of 2016. As at year-end 2017, we expect a vacancy rate of approximately 10%.

Sites and development properties

All in all, we own and develop four sites and six individual projects which are now under construction or in the planning phase.

Sites

“Salmenpark”, Rheinfelden

On the Rheinfelden 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 260 million.

We completed the first stage (office and commercial space, a seniors' centre and nursing home as well as rental apartments and for-sale condominiums) with an investment total of approximately CHF 190 million at the end of 2016. At year-end, 65% of the commercial space and 30 of the 36 rental apartments were let. 89 of the 113 condominiums were sold. In 2016, 76 apartments were transferred to the buyers, in Q4 2015, 13.

We submitted the revised building application for stage 2 with an investment total of approximately CHF 70 million at the end of 2016. This stage includes 96 condominiums for sale. Construction is scheduled to start in autumn 2017 and take until 2020.

Further details: www.salmenpark.ch

“Residenza Parco Lago”, Paradiso (near Lugano)

At this building complex, the final planning work is underway. Construction for a new building with approximately 13 000 m² floor space (condominiums as well as office, commercial and retail areas) will start in Q1 2017. The investment total will amount to approximately CHF 80 million. We intend to sell all units after their completion towards the end of 2019.

Löwenbräu site, Zurich

The arts space “White” with galleries and museums was sold with transfer of ownership to the buyer in 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 2014. At the end of 2016, 56 of the 58 condominiums were sold and transferred to the buyers (2016: 6, 2015: 3, 2014: 3, 2013: 44).

Further details: www.loewenbraeu-black.ch

On 28 October 2016, within the time stipulated, PSP Swiss Property, respectively PSP Properties AG (“Properties”), submitted its statement of defence regarding the complaint filed by Steiner AG against Properties and Löwenbräu-Kunst AG (“LKAG”) with the Commercial Court of the Canton of Zurich on 24 February 2016 and demanded that the action be dismissed in full. In its action in connection with the Löwenbräu construction project in Zurich West, Steiner AG asserted claims totalling CHF 58.5 million, whereof CHF 18.3 million relate to LKAG, respectively the “Kunstteil” of LKAG, which, however, are also asserted against Properties in the event that the claim against LKAG should be dismissed. PSP Swiss Property disputes the claims of Steiner AG as unfounded and unsubstantiated. No provisions have been made for this litigation by PSP Swiss Property.

Wädenswil site

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

Projects

Project “Bahnhofquai/-platz”, 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 6.4 million were spent by the end of 2016) and covers the renovation of the two properties located at Bahnhofplatz 1 and Bahnhofquai 9, 11, 15. Renovation work started in 2014. Tenants' fitouts have largely been dismantled. As soon as we have all required permits, we can start the main renovation work, presumably in Q2 2017.

Stage 2 (under review): this stage will cost around CHF 33 million (thereof CHF 2.7 million were spent by the end of 2016). Renovation of the building located at Waisenhausstrasse 2/4, Bahnhofquai 7 began at the end of 2014. Except for the Restaurant Movie (termination of rent in November 2017), all rental space is vacant.

Stage 3 (under review): approximately CHF 12 million are budgeted for the renovation of the property located at Bahnhofplatz 2. Due to current leases, no renovations have been made yet.

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 m² floor space for a hotel and offices. In terms of sustainability, we aim at zero-emission operations. The total investment amounts to approximately CHF 120 million (thereof CHF 76.3 million were spent by the end of 2016). Construction, including internal fittings, will take until the end of 2017. At the end of 2016, 37% of the rental area (the hotel section and one office floor) were pre-let.

Further details: www.grosspetertower.ch

Project “Rue Saint-Martin”, Lausanne

We will renovate this property comprehensively in 2017, investing approximately CHF 12 million (thereof CHF 1.6 million were spent by the end of 2016).

Project “Hardturmstrasse / Förllibuckstrasse”, Zurich

This property will undergo a comprehensive renovation and will be brought up to date in terms of technical installations by the end of 2018. 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 60 million (thereof CHF 29.1 million were spent by the end of 2016).

Project “Rue du Marché”, Geneva

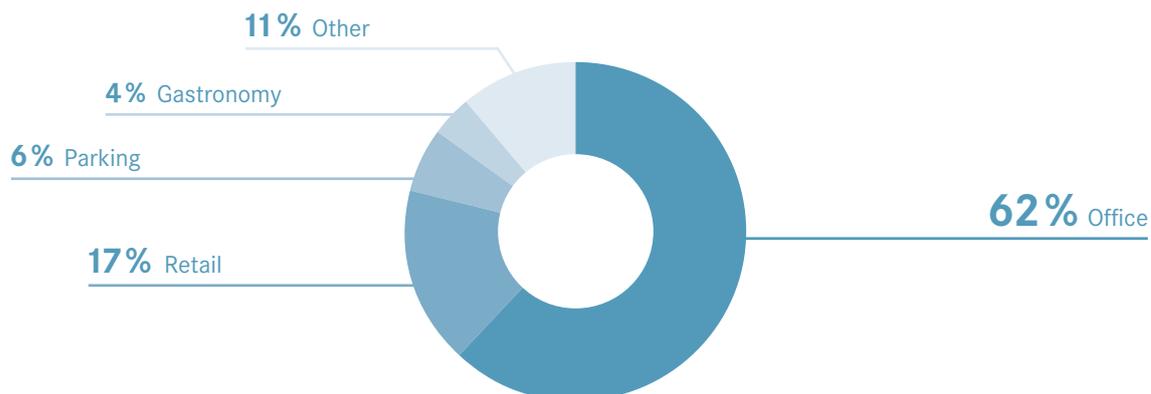
Here we will invest approximately CHF 15 million until 2018 (thereof CHF 3.6 million were spent by the end of 2016). This project is a total renovation which also includes the front and the interior courtyard, which are both listed for historic preservation. Renovation work began in the reporting year; the tenants’ fitouts have been largely dismantled.

Project “Orion”, Zurich

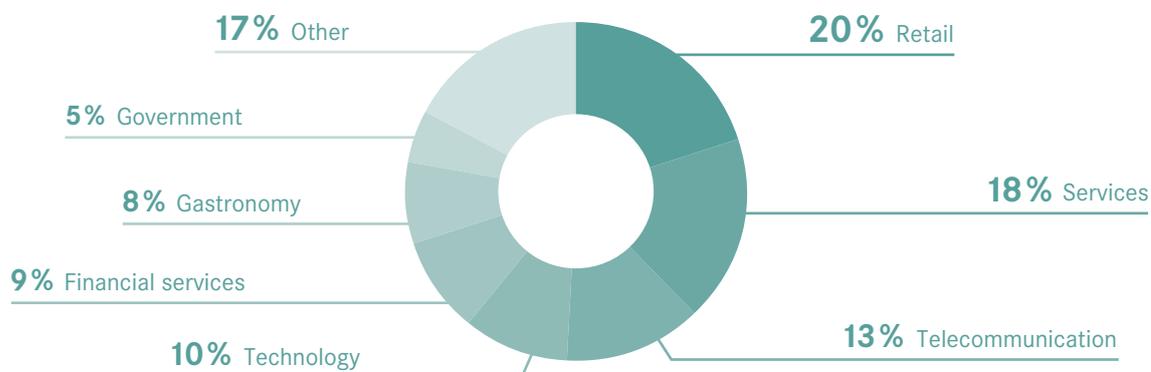
The “Orion” project is in the planning phase. The two buildings located at Förrlibuckstrasse 178/180 and Hardturmstrasse 181, 183, 185 in Zurich West will be demolished and replaced by a modern office property. The building application was submitted at the end of 2016. Construction is scheduled for 2018 to 2020. The investment total will amount to approximately CHF 120 million.

Key figures

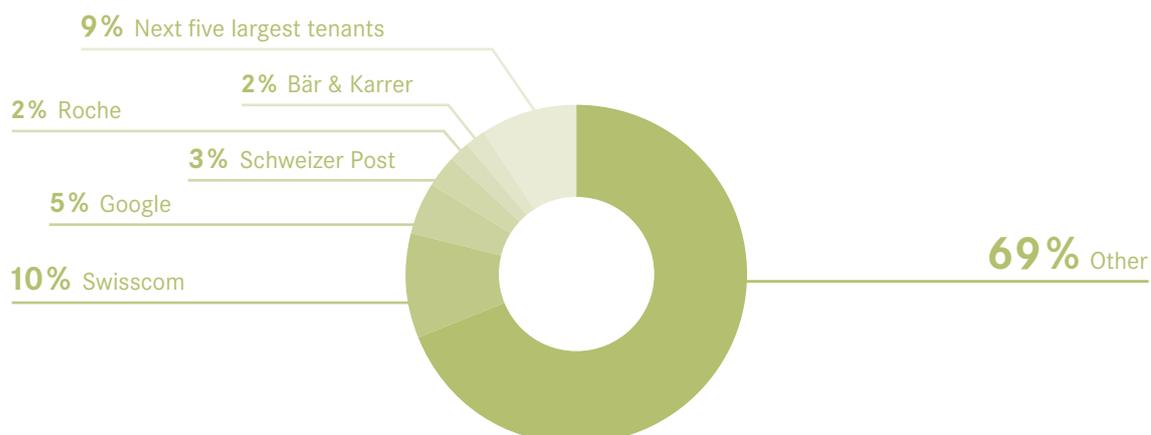
Rent by use



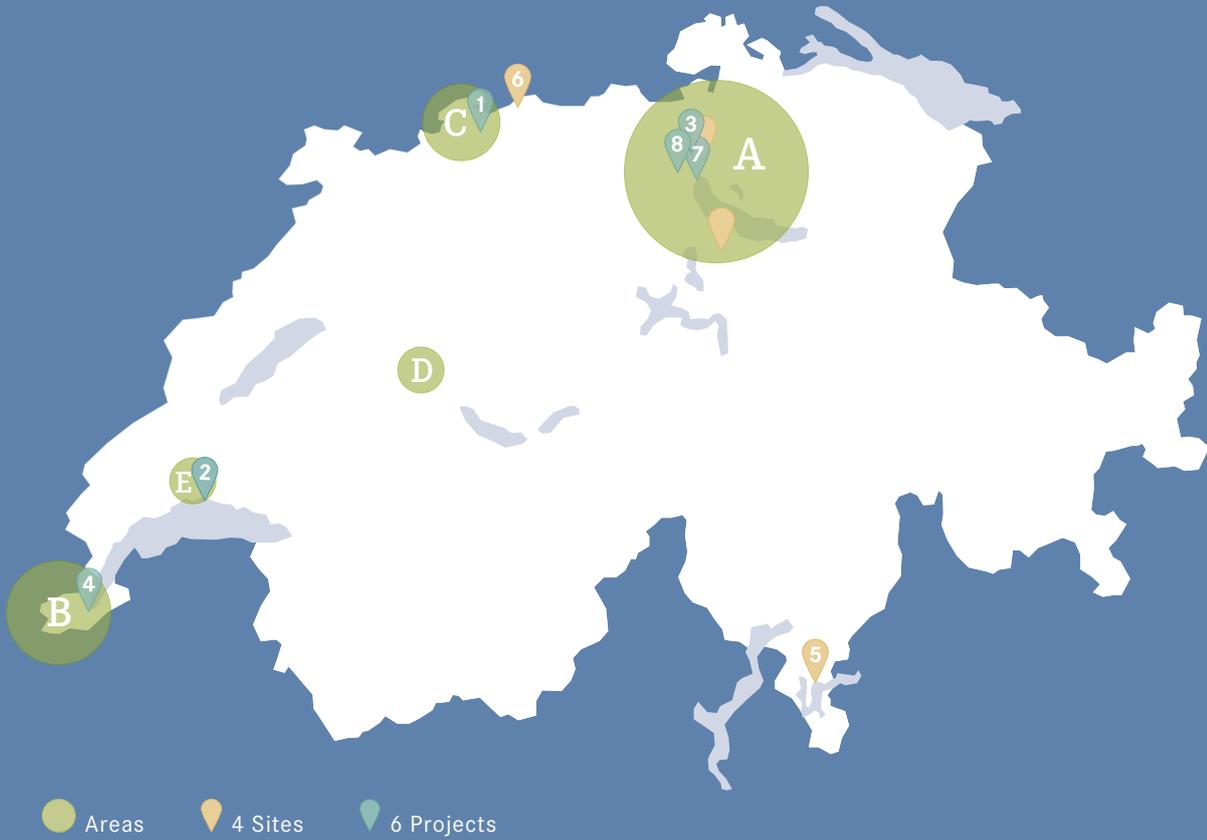
Rent by type of tenant



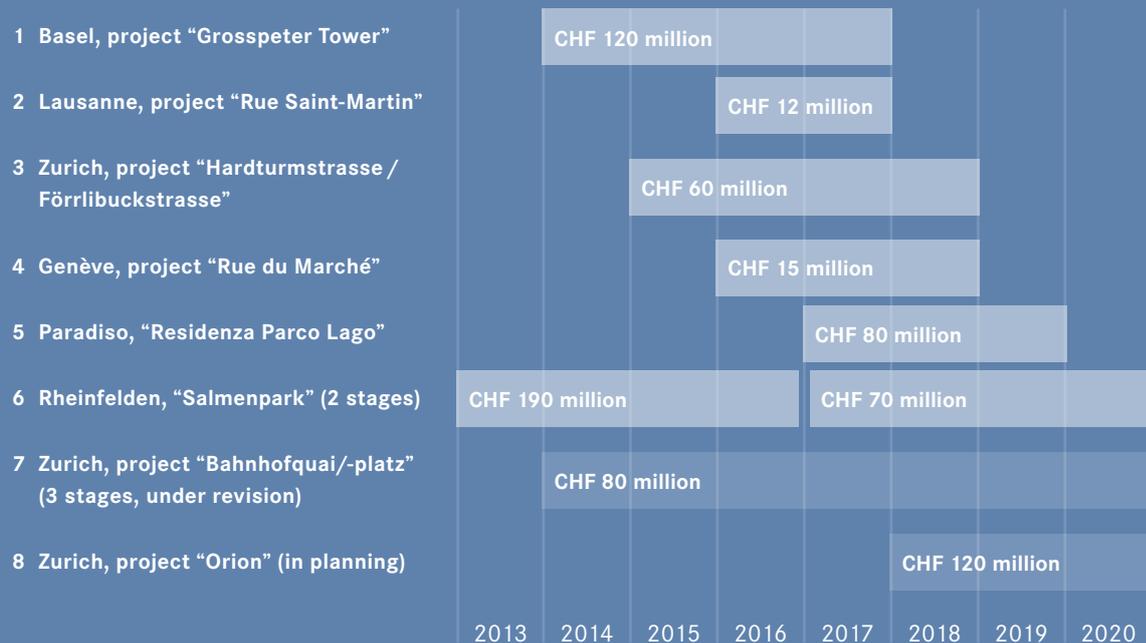
Rent by largest tenants



Portfolio summary

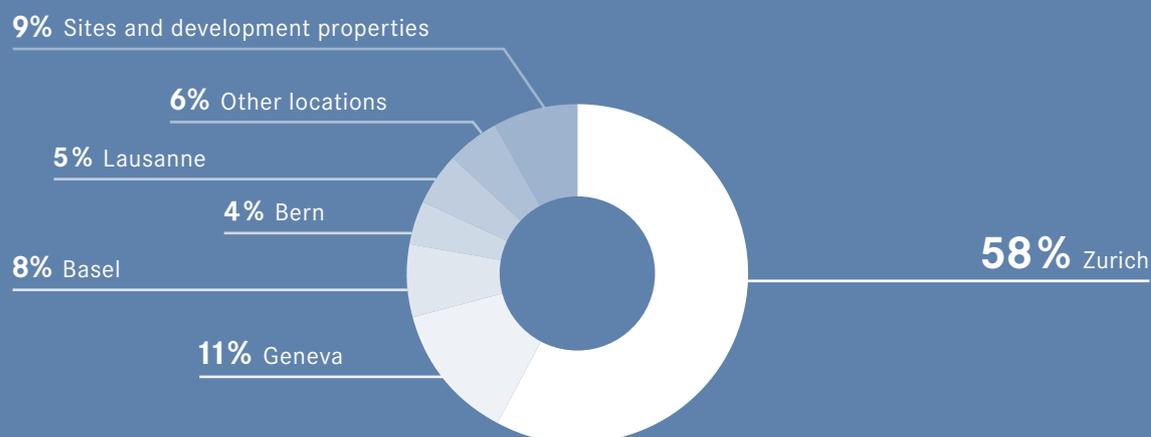


Project pipeline¹



¹ Details see pages 208 to 209.

Portfolio value by area



A Zurich area

Portfolio value	CHF 4.0 billion
Rental income	CHF 138.8 million
Implied yield, net	3.6%
Vacancy rate	7.1%
Rentable area	502 906 m ²

B Geneva area

Portfolio value	CHF 0.7 billion
Rental income	CHF 24.2 million
Implied yield, net	3.2%
Vacancy rate	21.6%
Rentable area	84 462 m ²

C Basel area

Portfolio value	CHF 0.5 billion
Rental income	CHF 22.4 million
Implied yield, net	4.3%
Vacancy rate	2.0%
Rentable area	92 244 m ²

D Bern area

Portfolio value	CHF 0.3 billion
Rental income	CHF 10.3 million
Implied yield, net	3.7%
Vacancy rate	12.2%
Rentable area	57 766 m ²

E Lausanne area

Portfolio value	CHF 0.3 billion
Rental income	CHF 14.6 million
Implied yield, net	4.3%
Vacancy rate	3.7%
Rentable area	76 678 m ²

Other locations

Portfolio value	CHF 0.4 billion
Rental income	CHF 16.5 million
Implied yield, net	4.1%
Vacancy rate	17.3%
Rentable area	106 541 m ²



Peter Merian- Strasse 88/90, Basel

The “Peter-Merian-Haus”, designed by architect Hans Zwimpfer, is one of the most prominent commercial buildings in the city of Basel. A number of well-known artists were involved in the planning phase.

Peter Merian was a renowned Swiss natural scientist, geologist and local politician in the 19th century.

5 minutes

Walking distance to Basel’s main train station.

Year of
construction **2000**

We purchased the “Peter-Merian-Haus” in September 2014 to strengthen our position in Basel and to further optimise our portfolio.

Office 12 702 m²

Other 122 m²

12 824 m²

Rentable area

Via Respini 7/9, Locarno

“Via Respini 7/9” in Locarno is a special property in our portfolio. Here, for once, the focus is not on office use, but on relaxation, wellness and pleasure. In cooperation with Aqua Spa Resorts AG and Moro&Moro architects, we created a gem, which radiates throughout the entire Ticino. The building materials are all regional: granite, beech, oak and robinia. The “Termali Salini & Spa Locarno” was opened in summer 2013.

The spa is operated by the Aqua Spa Resorts AG.

Year of construction **2013**

4916 m²

Rentable area

Just a few minutes' walk from Locarno's city centre.

There is a wide range of facilities available, from sauna landscapes to Turkish baths, 400 square meters of outdoor and indoor pools, a Kneipp basin, rest areas, massages and much more.

The view is terrific: unobstructed views of the lake and the mountains.

Right on the banks of the Lago Maggiore.





Kramgasse 78, Bern

Even the great German poet Johann Wolfgang von Goethe was enthralled by the historic old part of Bern. He talked about the most beautiful alleys of the world. Kramgasse, which leads downtown from the world-famous Zytglogge (clock tower), is the heart of old Bern. After a large fire in 1405, virtually all of the buildings at Kramgasse were reconstructed with solid stone walls. One characteristic of this kind of medieval shopping alley are the arcades and the wooden cellar doorways.

Due to its unique architectural beauty, the entire old part of the town has been named a Unesco World Cultural Heritage Site.

«Zytgloggeturm»
in the immediate vicinity.

1013 m²
Rentable area

The shops are accessible from both the Kramgasse and the Rathausgasse.

Retail 510 m²

Office 178 m²

Other 325 m²

Bahnhofstrasse 10 / Börsenstrasse 18, Zurich

Bahnhofstrasse in Zurich is one of the world's most exclusive shopping and business streets – and one of our most important locations with several outstanding properties. Among them: the “Gryffenberg” building on the corner of Bahnhofstrasse 10 / Börsenstrasse 18. Built in 1885 in late renaissance style, the building's façade was modernised several times during the 20th century.

Renovation 2015

Wonderful wooden floor inlays, stucco work, metal work and mural paintings make the building one of the most magnificent ones in the whole of Zurich's city centre.

Unique location between Paradeplatz and the lake.

1 490 m²
Rentable area

Office 646 m²

Retail 844 m²

The technical building installations are being checked and remotely controlled by means of a digital monitoring system.





Bleicherweg 10, Zurich

With its typically 1930s linear, functional and symmetrical architectural style, this imposing property in the heart of Zurich's business centre puts its stamp on the whole street. On the ground floor, there are various shops and a trendy café. The four upper floors offer large-scale, modern office space.

This attractive property could not be in a better location: just a few minutes' walk and you are right in the heart of Zurich's business district – Bahnhofstrasse and Paradeplatz.

**Years of
construction**
1930 / 1976

Renovations
1985 / 2006 / 2009

If, on the other hand, you are looking for something more relaxed: just walk along the Schanzengraben-Promenade to the lake or the botanical gardens.

4 005 m²
Rentable area

Office 3 394 m²

Retail 235 m²

Other
376 m²

Company portrait

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Company portrait

We generate long-term added value through optimising the existing investment and development portfolio as well as acquisitions. To achieve this goal, we put special emphasis on ecological, economic and social sustainability.

Real estate portfolio with a long-term perspective

PSP Swiss Property owns office and commercial properties throughout Switzerland worth CHF 6.298 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 0.596 billion. With a portfolio totalling CHF 6.894 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 CO₂.

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. Letting activities as well as targeted 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.

Ecological sustainability

Sustainability has long been one of our core focus. 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, the "Best Practices Recommendations on Sustainability Reporting" of EPRA (European Public Real Estate Association) were applied. As a result, we received the EPRA Gold Award in the reporting period.

Further information can be found in the "Sustainability report" on pages 181 to 193.

Strong capital structure

Financial strength and flexibility are crucial for every company. Therefore, we take the necessary measures early on to safeguard our financial flexibility at all times. 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.

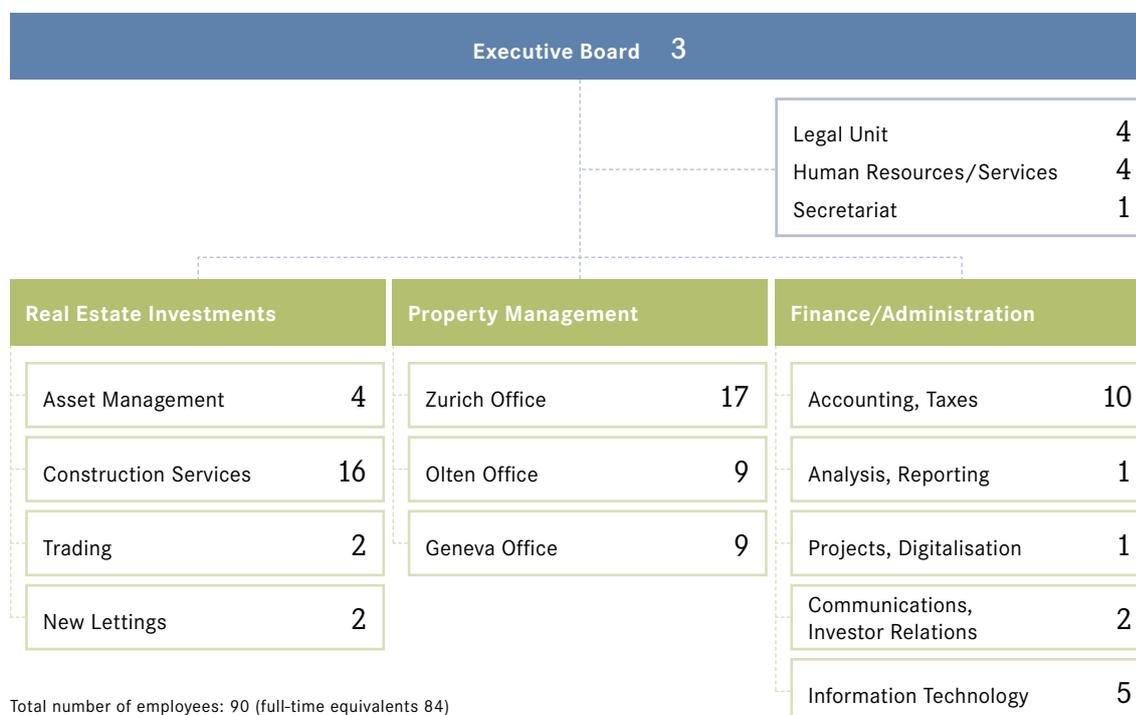
With equity of CHF 3.867 billion – corresponding to an equity ratio of 54.9% – we had a strong equity base at the end of 2016. Interest-bearing debt amounted to CHF 2.248 billion, corresponding to a mere 31.9% of total assets. The remaining 13.2 percentage points were mainly deferred tax liabilities which do not incur any interest charges. Furthermore, as at the end of 2016, we had unused committed credit lines of CHF 670 million. Cash and cash equivalents amounted to CHF 21.1 million. This sound balance structure allows financial flexibility for further growth.

PSP Swiss Property has ratings from two international rating agencies: in March 2016, Fitch confirmed the Senior Unsecured Rating A- (outlook stable); in November 2016, we received an A3 Issuer Rating (outlook stable) from Moody's.

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

Personnel

The following illustration shows the Group's management structure² as at the end of 2016:



Total number of employees: 90 (full-time equivalents 84)

Age	< 20-year-old	21- to 25-year-old	26- to 35-year-old	36- to 45-year-old	46- to 55-year-old	> 55-year-old
Number of employees	1	2	22	26	23	16

Years of service	< 5 years	6 to 10 years	11 to 15 years	16 to 20 years	> 20 years
Number of employees	38	25	18	7	2

At the end of 2016, we had 90 employees (end of 2015: 87); the proportion of women was 41% (end of 2015: 43%). The fluctuation rate was 9% (2015: 11%).

At the end of 2016, we also employed 25 full-time and part-time caretakers throughout Switzerland (end of 2015: 24). These caretakers carry out property-related work and are managed by PSP Management Ltd's property managers.

Further information on the employees can be found in the section "Social sustainability" on page 191.

² The Group's legal structure is shown in the "Corporate governance" section, figure 1.1, page 158.

Board of Directors and Executive Board



Günther Gose
Chairman of the Board of Directors



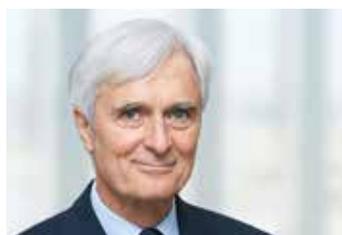
Corinne Denzler
Member of the Board of Directors



Adrian Dudle
Member of the Board of Directors



Josef Stadler
Member of the Board of Directors



Peter Forstmoser
Member of the Board of Directors



Aviram Wertheim
Member of the Board of Directors



Nathan Hetz
Member of the Board of Directors

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



Luciano Gabriel
Delegate of the Board of Directors
Chief Executive Officer



Adrian Murer
Chief Investment Officer



Giacomo Balzarini
Chief Financial Officer

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 investments³. We strive to ensure a sustainable dividend trend – a goal, which we have achieved throughout our corporate history.

The Board of Directors will propose to the Annual General Meeting on 5 April 2017 a dividend of CHF 3.35 per share. This corresponds to a cash yield of 3.8% on the 2016 year-end share price of CHF 88.00.

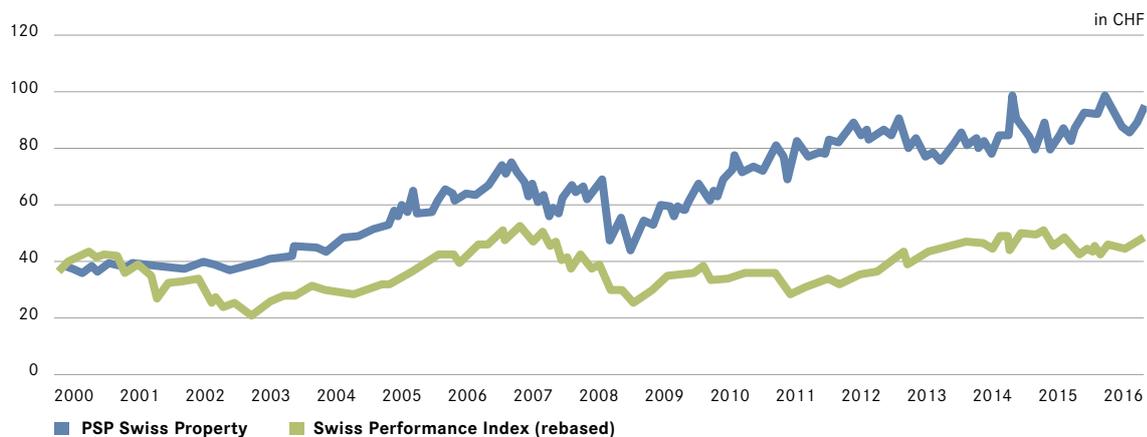
Repayment of capital contributions

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 were allowed to be repaid in a tax-privileged way to the shareholders. The last distribution of this kind (CHF 82.6 million) was made on 6 April 2016.

Share price development

At year-end 2016, the PSP share price stood at CHF 88.00, exactly where it was at year-end 2015. Net asset value per share (NAV) amounted to CHF 84.30 at the end of 2016; consequently, the PSP share was traded at a premium of 4.4% at year-end. From its listing on the SIX Swiss Exchange on 7 March 2000 to the end of 2016, the PSP share rose by 133.1%.

The PSP shares are very liquid: on average, 84 838 shares worth CHF 7.6 million were traded daily in 2016 (2015: 111 105 shares worth CHF 9.7 million). In 2016, the total trading volume of PSP shares on the SIX Swiss Exchange reached CHF 1.937 billion (2015: CHF 2.108 billion).



Source: Bloomberg, 7 March 2000 (PSP IPO) until 28 February 2017.

³ "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 sales of investment properties 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	2015	2016	Change ¹
Share price				
High	CHF	99.75	99.10	
Low	CHF	78.25	78.95	
End of period	CHF	88.00	88.00	0.0%
SIX Swiss Exchange: symbol PSPN, security number 1829415, ISIN CH0018294154				
Market capitalisation				
High	CHF million	4 575.3	4 545.5	
Low	CHF million	3 589.2	3 621.3	
End of period	CHF million	4 036.4	4 036.4	0.0%
Number of shares				
Issued shares	Number	45 867 891	45 867 891	
Own shares	Number	0	0	
Outstanding shares	Number	45 867 891	45 867 891	
Average outstanding shares	Number	45 867 891	45 867 891	
Reserved shares ²	Number	7 908	7 908	
Per share figures				
Earnings per shares (EPS) ³	CHF	4.09	2.94	- 28.2%
EPS excluding gains/losses on real estate investments ^{3,4}	CHF	3.52	3.76	7.0%
Distribution per share	CHF	3.30	3.35 ⁵	1.5%
Payout ratio ⁶	%	93.8	89.1	
Cash yield ⁷	%	3.8	3.8	
Net asset value per share (NAV) ⁸	CHF	84.38	84.30	- 0.1%
Premium to NAV ⁹	%	4.3	4.4	
NAV per share before deduction of deferred taxes ⁸	CHF	100.83	100.95	0.1%
Discount to NAV before deduction of deferred taxes ⁹	%	- 12.7	- 12.8	

¹ Change to previous year's period 2015 or carrying value as of 31 December 2015 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 40, footnote 3.

⁵ Proposal to the Annual General Meeting on 5 April 2017 for the business year 2016:

Dividend payment from retained earnings.

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 131, note 4.2.

Investor relations

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

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Consolidated statement of profit or loss

Operating income	(in CHF 1 000)	1 January to 31 December 2015	1 January to 31 December 2016	Note
Rental income		275 063	276 316	5
Net changes in fair value of real estate investments		33 791	- 50 208	13
Income from property sales (inventories)		23 693	90 663	
Expenses from sold properties (inventories)		- 20 434	- 76 438	
Income from other property sales		1 374	1 354	6
Income from investments in associated companies		10	10	14
Capitalised own services		2 977	3 973	13
Other income		1 601	2 308	7
Total operating income		318 075	247 976	
Operating expenses				
Real estate operating expenses		- 11 271	- 12 258	8
Real estate maintenance and renovation expenses		- 14 626	- 14 817	
Personnel expenses		- 17 726	- 20 468	9
Fees to subcontractors		- 47	- 49	
General and administrative expenses		- 7 517	- 7 737	10
Impairment charge properties		- 874	- 913	13
Depreciation		- 716	- 726	
Total operating expenses		- 52 776	- 56 970	
Operating profit (ebit)		265 298	191 006	
Financial income		721	422	11
Financial expenses		- 29 756	- 26 852	11
Profit before income taxes		236 263	164 577	
Income taxes		- 48 537	- 29 710	12
Net income attributable to shareholders of PSP Swiss Property Ltd		187 726	134 867	
Earnings per share in CHF (basic and diluted)		4.09	2.94	30

The notes are part of these consolidated financial information.

Consolidated statement of comprehensive income

(in CHF 1 000)	1 January to 31 December 2015	1 January to 31 December 2016	Note
Net income attributable to shareholders of PSP Swiss Property Ltd	187 726	134 867	
Items that may be reclassified subsequently to profit or loss:			
– Changes in interest rate hedging	– 9 208	15 265	17
– Income taxes	721	– 1 203	12
Items that will not be reclassified subsequently to profit or loss:			
– Changes in pension schemes	– 582	– 1 614	24
– Income taxes	128	355	12
Comprehensive income attributable to shareholders of PSP Swiss Property Ltd	178 785	147 670	

The notes are part of these consolidated financial information.

Consolidated statement of financial position

Assets	(in CHF 1 000)	1 January 2015	31 December 2015	31 December 2016	Note
Cash and cash equivalents		32 256	29 353	21 123	
Accounts receivable		17 229	20 995	10 122	16
Deferrals		3 331	2 531	1 874	
Current tax assets		645	0	0	
Sites and development properties for sale		76 248	73 669	51 525	13
Investment properties for sale		9 332	0	6 685	13
Total current assets		139 041	126 548	91 329	
Tangible assets		280	356	334	19
Derivative financial instruments		0	2 052	2 664	17
Accounts receivable		5 453	3 208	102 998	16
Financial investments		9	9	9	15
Investments in associated companies		35	45	54	14
Sites and development properties		370 661	427 701	544 360	13
Own-used properties		36 764	36 159	35 555	13
Investment properties		6 115 040	6 186 848	6 255 728	13
Deferred tax assets		17 383	8 997	8 335	20
Total non-currents assets		6 545 624	6 665 374	6 950 038	
Total assets		6 684 665	6 791 923	7 041 368	
Liabilities and shareholders' equity					
Accounts payable		27 416	36 263	23 806	25
Deferrals		60 921	55 649	52 678	
Current tax liabilities		11 933	14 198	7 212	
Bonds		0	249 951	0	23
Derivative financial instruments		2 798	1 010	2 811	17
Total current liabilities		103 068	357 070	86 508	
Debt		1 360 000	1 300 000	1 280 000	23
Bonds		568 669	419 084	968 436	23
Derivative financial instruments		51 058	64 107	47 653	17
Pension liabilities		17 646	17 707	19 947	24
Deferred tax liabilities		743 428	763 482	772 070	20
Total non-current liabilities		2 740 801	2 564 380	3 088 106	
Share capital		4 587	4 587	4 587	21
Capital reserves		735 189	586 079	503 490	
Retained earnings		3 151 160	3 338 889	3 404 956	
Revaluation reserves		- 50 141	- 59 082	- 46 279	22
Total shareholders' equity		3 840 795	3 870 473	3 866 754	
Total liabilities and shareholders' equity		6 684 665	6 791 923	7 041 368	

The notes are part of these consolidated financial information.

Zug, 6 March 2017, 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 2015	1 January to 31 December 2016	Note
Net income attributable to shareholders of PSP Swiss Property Ltd	187 726	134 867	
Net changes in fair value of investment properties	- 33 791	50 208	13
Capitalised/released rent-free periods	383	- 702	13
Income from other property sales	- 1 374	- 1 354	6
Income from investments in associated companies	- 10	- 10	14
Capitalised own services	- 2 977	- 3 973	13
Impairment charge properties	874	913	13
Changes in pension liabilities recorded in the income statement	- 521	626	
Depreciation	716	726	
Net financial expenses	29 035	26 430	11
Income taxes	48 537	29 710	12
Changes in sites and development properties for sale	2 868	29 050	13
Changes in accounts receivable	- 796	7 947	
Changes in accounts payable	8 821	- 12 479	
Changes in deferrals (assets)	799	658	
Changes in deferrals (liabilities)	- 6 552	- 69	
Interest paid	- 34 755	- 29 300	
Interest received	719	421	
Dividends received	1	1	
Taxes paid	- 16 335	- 28 291	
Cash flow from operating activities	183 369	205 380	
Purchases of investment properties	- 6 679	- 145 203	13
Capital expenditures on investment properties	- 21 932	- 22 731	13
Capital expenditures on own-used properties	- 63	- 62	13
Capital expenditures on sites and development properties	- 98 703	- 86 038	13
Sales of properties	48 288	12 549	
Payments of loans	0	- 1 365	
Repayments of loans	2 245	1 575	
Investment in fixed-term deposit	0	- 100 000	16
Purchases of tangible assets	- 122	- 40	19
Cash flow from investing activities	- 76 967	- 341 315	

(Continued on next page)

(Continued from previous page)

(in CHF 1 000)	1 January to 31 December 2015	1 January to 31 December 2016	Note
Purchases of own shares	- 1 468	- 1 723	21
Sales of own shares	1 428	1 697	21
Increase in financial debt	610 000	300 000	23
Repayment of financial debt	- 670 000	- 320 000	23
Issue of bond	100 190	551 160	23
Issue expenses of bond	- 410	- 2 086	23
Repayment of bond	0	- 250 000	23
Distribution to shareholders	- 149 045	- 151 342	31
Cash flow from financing activities	- 109 304	127 705	
Changes in cash and cash equivalents	- 2 903	- 8 229	
Cash and cash equivalents at 1 January	32 256	29 353	
Cash and cash equivalents at 31 December	29 353	21 123	

The notes are part of these consolidated financial statements.

Consolidated statement of shareholders' equity

(in CHF 1 000)	Share capital	Capital reserves	Own shares	Retained earnings	Revaluation reserves	Total shareholders' equity
31 December 2014	4 587	735 189	0	3 151 160	- 50 141	3 840 795
Net income attributable to shareholders of PSP Swiss Property Ltd				187 726		187 726
Changes in interest rate hedging					- 9 208	- 9 208
Changes in pension schemes					- 582	- 582
Income taxes					849	849
Other comprehensive income					- 8 941	- 8 941
Comprehensive income attributable to shareholders of PSP Swiss Property Ltd	0	0	0	187 726	- 8 941	178 785
Distribution to shareholders		- 149 071				- 149 071
Purchase of own shares			- 1 468			- 1 468
Sale of own shares			2			2
Compensation in own shares		- 40	1 466			1 426
Elimination tax effect on profits on own shares in statutory accounts				2		2
31 December 2015	4 587	586 079	0	3 338 889	- 59 082	3 870 473
Net income attributable to shareholders of PSP Swiss Property Ltd				134 867		134 867
Changes in interest rate hedging					15 265	15 265
Changes in pension schemes					- 1 614	- 1 614
Income taxes					- 848	- 848
Other comprehensive income					12 803	12 803
Comprehensive income attributable to shareholders of PSP Swiss Property Ltd	0	0	0	134 867	12 803	147 670
Distribution to shareholders		- 82 562		- 68 802		- 151 364
Purchase of own shares			- 1 723			- 1 723
Compensation in own shares		- 26	1 723			1 697
Elimination tax effect on profits on own shares in statutory accounts				2		2
31 December 2016	4 587	503 490	0	3 404 956	- 46 279	3 866 754

The notes are part of these consolidated financial information.

Notes to the consolidated 2016 financial statements

1 General information

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

PSP Swiss Property Group owns 161 office and commercial properties as well as four development sites and six individual projects throughout Switzerland. The properties are mainly in prime locations in Zurich, Geneva, Basel, Bern and Lausanne. At the end of 2016, PSP Swiss Property had 90 employees, corresponding to 84 full-time equivalents (end of 2015: 87 respectively 81).

The consolidated 2016 financial statements are based on the annual accounts of the controlled individual subsidiaries at 31 December 2016 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 2016 were authorised for issue by the Board of Directors on 6 March 2017. The consolidated financial statements are subject to approval by the Annual General Meeting of PSP Swiss Property on 5 April 2017.

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.

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 includes the sections Classification and Measurement, Hedge Accounting as well as Impairment of Financial Instruments; it must be applied from 1 January 2018. Contrary to the previously applied impairment method under IFRS, which stipulated that provisions should only be made, if there was concrete evidence for incurred losses, now provisions must also be made in the case of expected losses.

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. Due to the credit quality and the volume of outstanding receivables, we do not expect any major effects on the section Impairment (2014). PSP Swiss Property will not adopt the section Impairment (2014) early.

- 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. The new standard introduces a five-stage model regarding revenue recognition: basically, revenue recognition is now based on the transfer of control instead of benefit and risk. The new standard is applicable from 1 January 2018.

At PSP Swiss Property, the new standard concerns revenue recognition for the sale of condominiums, which are sold during construction. We do not expect any major effects from the future implementation of IFRS 15 and will not adopt early.

- IFRS 16 – Leases: This standard establishes new accounting rules for rental agreements. It provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the underlying asset has a low value. The recognition for lessors remain basically unchanged and continue to classify as operating or finance lease. The new standard is applicable from 1 January 2019.

We do 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. PSP Swiss Property will not adopt 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 108 to 115). 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 96 to 99.

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 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 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.

Group subsidiaries	Registered office	Share capital in 1 000 CHF	Ownership / Voting rights				Con- solidation
			31 December 2015		31 December 2016		
PSP Participations Ltd	Zug, Switzerland	1 000 000	100%	direct	100%	direct	full
PSP Finance Ltd	Zug, Switzerland	1 000	100%	direct	100%	direct	full
PSP Group Services Ltd	Zurich, Switzerland	100	100%	indirect	100%	indirect	full
PSP Real Estate Ltd	Zurich, Switzerland	50 600	100%	indirect	100%	indirect	full
PSP Management Ltd	Zurich, Switzerland	100	100%	indirect	100%	indirect	full
PSP Properties Ltd	Zurich, Switzerland	9 919	100%	indirect	100%	indirect	full
Immobilien-gesellschaft Septima AG	Zurich, Switzerland	5 700	100%	indirect	100%	indirect	full
SI 7 Place du Molard Ltd	Zurich, Switzerland	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 straightline basis over the entire rental period.

At a few properties (see list of properties, note 5, pages 198 to 207), 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 56) 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 and trading activities are valued at production costs.

Other 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 and, on the other hand, income from 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 56.

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. In addition, an impairment test is carried out for such objects, if there are signs for a possible impairment.

Sites and development properties earmarked for sale (inventories)

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

Acquisition costs

All costs directly associated with the purchase or construction of properties as well as all subsequent value-enhancing capital expenditures qualify as acquisition costs and are capitalised. Value-enhancing investments are capitalised at varying rates. As a rule, the maximum capitalisation rate is 70%; in specific cases it may be up to 100%. Interest expenses are capitalised for financing development objects and renovations of investment properties and relieved in financial expenses. The applied interest rate is set periodically based on PSP Swiss Property Group's external financing structure; in the reporting year it averaged 1.7% (previous year: 1.8%).

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 58).

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. Combined with fixed credit positions, the interest rate receiver swaps are used for the synthetic representation of variable loans.

Changes in 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 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 straightline 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 straightline 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 on real estate holdings reflect expected holding periods for individual properties in so far as the applicable tax rate is affected by such holding periods.

For cantons with a dualistic tax system, the current income tax rates are applied. In cantons with a monistic tax system, there is a separate property gains tax with speculation supplements respectively deductions, depending on the effective holding period of a property. For properties earmarked for sale, the effective holding period is applied. For all other properties the applied holding period is either 20 years or the effective holding period, if it is more than 20 years. Tax-eligible loss carryforwards are only recognised as deferred tax assets if deductibility from future taxable earnings is likely.

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

Tax liabilities

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

Cash and cash equivalents

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

Impairment

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

Sites and development properties earmarked for sale are recorded in the balance sheet at historical costs or a possible lower realisable net value. This corresponds to the estimated sales price minus expected pre-sale investments and sales costs 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 (capital 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 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 a capital increase due to a former merger 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 consist 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 Swiss Property 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 Swiss Property 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.

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.

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 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. 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 196 to 197), the lease expiry profile or the tenant structure (pages 210 to 211). 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
4.23%	- 10.0%	- 684 031 296	6 122 741 711
4.13%	- 7.7%	- 524 460 177	6 282 312 830
4.03%	- 5.3%	- 357 544 345	6 449 228 662
3.93%	- 2.7%	- 182 914 529	6 623 858 478
3.83% (Valuation as per 31 December 2016)	0.0%	0	6 806 773 007
3.73%	2.8%	191 553 513	6 998 326 520
3.63%	5.8%	392 353 381	7 199 126 388
3.53%	8.9%	603 068 333	7 409 841 340
3.43%	12.1%	824 220 269	7 630 993 276

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 300 million at most (2015: CHF 290 million; assumption: all other valuation variables remain unchanged). This would result in a change in the Company's net income of +/- CHF 236 million (2015: CHF 230 million).

An increase in the structural vacancy rates on which the estimates are based for all properties from 5.7% to 8.7% (2015: from 5.4% to 8.4%) would result in a depreciation of the entire portfolio of approximately CHF 260 million at most (2015: CHF 250 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 204 million (2015: CHF 199 million)
- Change in net income excluding gains/losses on real estate investments: no impact (2015: 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 2016 and 31 December 2015.

3.3 Financial risks

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 2016 and 31 December 2015.

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, fixed-term deposits 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 2016, PSP Swiss Property had no significant concentration of credit risks from receivables at the end of 2016 (see also tenant structure on page 211). Due to the low default rate of 0.2% (previous year: 0.2%) on receivables from tenant contracts, credit risk is considered low. There are several loans granted to tenants among the accounts receivable. At the end of 2016, the biggest single position amounted to CHF 0.9 million (end of 2015: CHF 1.7 million); the counterparty is a Swiss company rich in tradition. 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), cash and cash equivalents as well as fixed-term deposits 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 2016. At the end of 2016, these three accounted for CHF 2.7 million respectively 100% of all the derivative financial instruments with a positive fair value (end of 2015: CHF 2.1 million respectively 100%) as well as CHF 117.8 million respectively 97.2% of cash, cash equivalents and fixed-term deposits (end of 2015: 25.9 million respectively 88.2%).

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 2016, available cash and cash equivalents amounted to CHF 21.1 million (end of 2015: CHF 29.4 million). At the same time, PSP Swiss Property had unused credit lines amounting to CHF 670 million (end of 2015: CHF 650 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 2016, committed credit lines amounted to CHF 1.95 billion; thereof, as in the previous year, none was subject to short-term notice (end of 2015: CHF 1.95 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 Swiss Property 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 2016 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 0.4 million (2015: CHF 2.0 million). This would have the following impact on the Company's results:

- Change in net income: CHF 0.3 million (2015: CHF 1.6 million)
- Change in net income excluding gains/losses on real estate investments: CHF 0.3 million (2015: CHF 1.6 million)
- Change in shareholders' equity (retained earnings): CHF 0.3 million (2015: 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 (2015: no impact)
- Change in net income excluding gains/losses on real estate investments: no impact (2015: no impact)
- Change in comprehensive income: CHF 5.0 million (2015: CHF 13.3 million)
- Change in shareholders' equity (revaluation reserves): CHF 5.0 million (2015: CHF 13.3 million)

Overall, the financing structure as at 31 December 2016 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. 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 3.867 billion at the end of 2016 (end of 2015: CHF 3.870 billion) – corresponding to an equity ratio of 54.9% (end of 2015: 57.0%) – PSP Swiss Property has a strong equity base. Interest-bearing debt amounted to CHF 2.248 billion respectively 31.9% of the balance sheet total at the end of 2016 (end of 2015: CHF 1.969 billion respectively 29.0%). The remaining 13.2 percentage points (in relation to the balance sheet total) are mainly deferred tax liabilities, which do not trigger any interest charges.

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 2016, 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).
- Property 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 property 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 2015

	Real Estate Invest- ments	Property Manage- ment	Holding	Subtotal	Elimina- tions	Total Group
Opererating income (in CHF 1000)						
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
Property 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 (ebit)	255 752	4 961	4 586	265 298		265 298
Financial income						721
Financial expenses						- 29 756
Profit before income 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			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			138 265		138 265
Associated companies		24		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 disclosed.

Segment information for the business year 2016

Operating income	(in CHF 1 000)	Real Estate Invest- ments	Property Manage- ment	Holding	Subtotal	Elimina- tions	Total Group
Rental income		277 747			277 747	- 1 431	276 316
Net changes in fair value of real estate investments		- 50 208			- 50 208		- 50 208
Income from property sales (inventories)		90 663			90 663		90 663
Expenses from sold properties (inventories)		- 76 440			- 76 440	2	- 76 438
Income from other property sales		1 095			1 095	259	1 354
Income from investments in associated companies			10		10		10
Property management services			13 755		13 755	- 13 755	0
Capitalised own services			2 523	1 450	3 973		3 973
Other income		2 277	1 289	17 131	20 698	- 18 390	2 308
Total operating income		245 134	17 577	18 581	281 292	- 33 317	247 976
Operating expenses							
Real estate operating expenses		- 26 021			- 26 021	13 763	- 12 258
Real estate maintenance and renovation expenses		- 15 768			- 15 768	951	- 14 817
Personnel expenses			- 9 782	- 10 786	- 20 568	100	- 20 468
Fees to subcontractors			- 49		- 49		- 49
General and administration expenses		- 18 622	- 3 912	- 3 706	- 26 240	18 503	- 7 737
Impairment charge properties		- 913			- 913		- 913
Depreciation		- 665	- 61		- 726		- 726
Total operating expenses		- 61 990	- 13 805	- 14 491	- 90 286	33 317	- 56 970
Operating profit (ebit)		183 143	3 773	4 090	191 006		191 006
Financial income							422
Financial expenses							- 26 852
Profit before income taxes							164 577
Income taxes							- 29 710
Net income attributable to shareholders of PSP Swiss Property Ltd							134 867
Revenue							
With third parties		369 256			369 256		369 256
With other segments		1 431	17 537	18 581	37 550	- 33 577	3 973
Total revenue		370 687	17 537	18 581	406 806	- 33 577	373 229
Assets		6 928 826	13 831	152 721	7 095 377	- 54 010	7 041 368
Liabilities		3 171 721	40 612	16 290	3 228 623	- 54 010	3 174 613
Capital expenditures		156 208			156 208		156 208
Associated companies			54		54		54

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

5 Rental income

(in CHF 1 000)	2015	2016
Potential rent	320 288	325 557
Vacancy	- 40 881	- 44 552
Write-offs of defaulting tenants	- 750	- 739
Net land lease interests	- 1 649	- 1 727
Income from electricity sale	225	248
Other income	- 2 170	- 2 470
Total rental income	275 063	276 316

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 2015	31 December 2016
Rental income < 1 year	209 910	227 405
Rental income 2 to 5 years	494 487	599 281
Rental income > 5 years	219 717	216 487
Accumulated future rental income	924 114	1 043 173

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, 73.8% of contracts have a clause for a 100% indexation (end of 2015: 77.3%). At the end of 2016, the average remaining length for all leases was 4.9 years (2015: 4.0 years).

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

(in CHF 1 000)	2015	2016
Land lease interest expenses	1 693	1 772
Total land lease interest expenses for the period	1 693	1 772

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

(in CHF 1 000)	31 December 2015	31 December 2016
Interest payments < 1 year	1 772	1 772
Interest payments 2 to 5 years	5 241	4 020
Interest payments > 5 years	19 344	18 794
Accumulated future land lease interest expenses	26 357	24 585

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

(in CHF 1 000)	2015	2016
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 2015	31 December 2016
Interest payments < 1 year	44	44
Interest payments 2 to 5 years	177	177
Interest payments > 5 years	1 153	1 109
Accumulated future land lease interest income	1 375	1 330

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 investment properties.

(in CHF 1 000)	2015	2016
Sales proceeds	48 350	12 930
Transaction costs	- 62	- 381
Carrying value of sold properties	- 46 914	- 11 196
Total income from property sales	1 374	1 354

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

7 Other income

(in CHF 1 000)	2015	2016
VAT recovery	1 481	2 258
Other income	121	49
Total other income	1 601	2 308

The voluntary opting in of several rental contracts (VAT recovery) resulted in an income of CHF 2.3 million in the reporting year (2015: CHF 1.5 million). In addition, the purchase of one property generated other income.

8 Real estate operating expenses

(in CHF 1 000)	2015	2016
General operating expenses	5 149	4 919
Taxes and fees	2 298	3 089
Insurance fees	1 848	2 063
Expenses for caretakers	843	835
Utilities and waste management	647	667
Letting expenses	427	415
Administrative expenses	367	356
Ancillary expenses received	- 308	- 85
Total real estate operating expenses	11 271	12 258

Real estate operating expenses for unrented objects amounted to CHF 5.2 million in the reporting year (2015: CHF 4.9 million). Thereof, CHF 4.0 million were for heating and general operating expenses (2015: CHF 3.8 million).

9 Personnel expenses

(in CHF 1 000)	2015	2016
Wages and salaries	15 125	16 462
Social security expenses	1 271	1 474
Expenses for staff pension schemes	1 030	2 267
Other expenses	300	264
Total personnel expenses	17 726	20 468
Employees at end of period (people)	87	90
Equal full-time employees (FTE)	81	84

10 General and administrative expenses

(in CHF 1 000)	2015	2016
Administrative expenses	3 291	3 601
General operating expenses	1 481	1 508
IT expenses	1 987	2 116
Current capital taxes	360	281
Occupancy expenses	398	230
Total general and administrative expenses	7 517	7 737

General and administrative expenses increased mainly due to higher rating expenses and legal fees. A discontinuation of relocation costs of the Zurich branch had a positive impact.

11 Financial results

(in CHF 1 000)	2015	2016
Financial income	719	421
Income from financial expenses	1	1
Total financial income	721	422
Financial expenses	33 066	29 324
Capitalised interest expenses	- 3 896	- 2 799
Amortisation of issue expenses of bonds	586	327
Total financial expenses	29 756	26 852
Total financial result	29 035	26 430
Overall financial expenses for financial instruments at amortised cost	33 652	29 651

Interest-bearing debt amounted to CHF 2.248 billion at the end of 2016 (end of 2015: CHF 1.969 billion). The average interest rate was 1.42% in the reporting year (2015: 1.70%). As at 31 December 2016, the passing average interest rate was 1.28% (31 December 2015: 1.53%).

12 Income tax expenses

(in CHF 1 000)	2015	2016
Current income taxes of reporting period	19 392	21 028
Adjustments for current income taxes relating to other periods	- 145	280
Total current income taxes	19 248	21 308
Deferred income taxes from change in temporary net changes in fair value of investment properties	29 711	9 430
Deferred income taxes from changes in tax rates	- 487	- 115
Deferred income taxes from change in temporary net changes in fair value of other balance sheet positions	65	- 912
Total deferred income taxes	29 289	8 402
Total income tax expenses	48 537	29 710

Reconciliation to tax expenses:

(in CHF 1 000)	2015	2016
Operating profit before taxes	236 263	164 577
Reference tax rate	21.5%	21.4%
Income taxes at reference tax rate	50 878	35 232
Changes in tax rates on temporary changes in fair value	- 487	- 115
Adjustments for current income taxes relating to other periods	- 145	280
Local tax rate differences	- 1 710	- 5 687
Total income tax expenses	48 537	29 710

The reference tax rate is a mixed rate. It takes into account that for profits which are taxable on the cantonal and communal levels an average tax rate of 21.4% (incl. direct federal tax) is currently applicable (2015: 21.5%). In the reporting year, the actual tax rate was 18.1% (2015: 20.5%).

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

(in CHF 1 000)	2015	2016
Taxes from change in interest rate hedging	721	- 1 203
Taxes from staff pension scheme liabilities	128	355
Total income tax expenses (directly reported in equity)	849	- 848

13 Real estate investments

(in CHF 1 000)	Investment properties	Investment properties for sale	Own-used properties	Sites and development properties		Development properties for sale	Total real estate investment
				at market value	at historical cost		
				IAS 40	IAS 40		
	IAS 40	IFRS 5	IAS 16	IAS 40	IAS 40	IAS 2	
Carrying value at 31 December 2014	6 115 040	9 332	36 764	364 815	5 846	76 248	6 608 044
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				
Purchases	145 203	0	0	0	0	0	145 203
Capitalised/released rent-free periods ¹	702	0	0	0	0	0	702
Transfers	- 84 073	6 670	0	77 404	- 7 266	7 265	0
Capital expenditures	22 731	0	62	85 738	300	47 376	156 208
Capitalised own services	2 634	0	0	917	22	400	3 973
Capitalised interest expenses	729	0	0	1 896	20	154	2 799
Sales	- 11 196	0	0	0	0	- 76 426	- 87 622
Net changes in fair value of real estate investments	- 7 850	15	n.a.	- 42 373	n.a.	n.a.	- 50 208
- Net changes in fair value of properties held at 1 January 2016	20 452	0	n.a.	- 14 754	n.a.	n.a.	5 698
- Net changes in fair value of properties acquired/completed and transferred	- 28 302	15	n.a.	- 27 619	n.a.	n.a.	- 55 906
Impairment charge	n.a.	n.a.	0	n.a.	0	- 913	- 913
Depreciation	n.a.	n.a.	- 665	n.a.	n.a.	n.a.	- 665
Carrying value at 31 December 2016	6 255 728	6 685	35 555	544 360	0	51 525	6 893 854
Historical cost			36 946				
Accumulated depreciation			- 1 390				
Carrying value, net			35 555				

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 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
<i>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</i>		<i>16 368</i>	<i>- 9 739</i>	<i>28 036</i>	<i>4 836</i>	<i>7 637</i>	<i>- 13 348</i>	<i>33 791</i>
Carrying value at 31 December 2015		4 132 029	906 844	543 815	274 248	347 457	403 232	6 607 625
Additions		145 203	0	0	0	0	1	146 204
Capitalised/released rent-free periods ¹		- 408	555	556	0	0	0	702
Capital expenditures		28 069	5 929	46 696	8 219	3 018	16 538	108 469
Capitalised own services		2 271	192	500	116	89	383	- 3 551
Capitalised interest expenses		880	164	946	127	57	451	2 625
Net changes in fair value recognised in the income statement, item								
Net changes in fair value of real estate investments		- 3 124	- 61 851	9 676	2 962	11 606	- 9 478	- 50 208
Deductions		0	0	0	0	0	- 11 196	- 11 196
Carrying value at 31 December 2016		4 304 920	851 833	602 190	285 672	362 227	399 931	6 806 773
<i>Change of non-realised changes in fair value of real estate investments in the portfolio as at 31 December 2016; recognised in the income statement</i>		<i>- 3 124</i>	<i>- 61 851</i>	<i>9 676</i>	<i>2 962</i>	<i>11 606</i>	<i>- 9 478</i>	<i>- 50 208</i>

¹ Straightlining of incentives given to tenants.

In June 2016, the investment property on Avenue de Beauregard 1 in Fribourg was sold and in October 2016, the plot of land Auf Rainen in Zurzach was sold. At the end of Juli 2016, the investment property on Hardturmstrasse 101, 103, 105 / Förrlibuckstrasse 30 in Zurich was purchased (see overview on pages 210 to 211).

Property valuation differences: The property valuation report of the external, independent valuation company, Wüest Partner AG, on pages 108 to 115, shows the basis and assumptions adopted for valuation purposes.

The revaluation of the properties resulted in an overall depreciation of CHF 50.2 million (thereof CHF 7.8 million were related to the investment portfolio and CHF 42.4 million to the project developments). The depreciation of the project developments was mainly due to one project in Geneva and several renovations in Zurich and Basel. At year-end 2016, the portfolio's weighted average nominal discount rate – based on a long-term average annual inflation of 0.5% – stood at 3.82% (year-end 2016: 4.57%, based on an average annual inflation of 1.0%). While the lower average weighted discount rate had a positive effect on the valuations, this was not enough to compensate the depreciations due to the expected longer marketing periods, lower market rents and higher renovation costs at a number of properties.

As at 31 December 2016, the independent valuation company identified twelve properties which may have significant optimisation potential (unchanged from 2015). 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 2016, positive valuation changes at the end of 2016 totalled CHF 134.6 million (2015: CHF 159.0 million) while negative valuation changes totalled CHF 128.9 million (2015: CHF 128.8 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 35.9 million at the end of 2016 (end of 2015: CHF 36.3 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 2016, this applied to the following objects: i) project “Grosspeter Tower” in Basel, ii) project “Rue du Marché” in Geneva, iii) project “Rue Saint-Martin” in Lausanne, iv) project “Bahnhofquai / Bahnhofplatz” in Zurich, v) project “Hardturmstrasse / Förrlibuckstrasse” in Zurich and vi) project “Orion” in Zurich. The market value of all sites and development properties was estimated at CHF 615.5 million at the end of 2016 (end of 2015: CHF 537.0 million). At the end of 2016, payment obligations for current development and renovation projects totalled CHF 49.9 million (end of 2015: CHF 85.6 million).

As at the end of 2016, notary and transfer fees in respect of the sale of all properties were estimated at approximately CHF 76 million (end of 2015: approximately CHF 76 million).

14 Investments in associated companies

Name	(in CHF 1 000)	Registered office	Total assets	Liabilities	Revenues	Income	Ownership
31 December 2015		Zurich,					
IG REM		Switzerland	299	0	185	74	n.a.
31 December 2016		Zurich,					
IG REM		Switzerland	372	0	185	74	n.a.

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 “Property management”.

15 Financial investments

	(in CHF 1 000)	2015	2016
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 2016, income from financial investments amounted to CHF 0.001 million (2015: CHF 0.001 million).

16 Accounts receivable

	(in CHF 1 000)	2015	2016
Resulting from business activities with third parties		25 756	14 304
Fixed term deposit		0	100 000
Value adjustment (accumulated)		- 1 554	- 1 183
Carrying value at 31 December		24 203	113 120
thereof short-term (current assets)		20 995	10 122
thereof long-term (non-current assets)		3 208	102 998

The long-term accounts receivable (non-current assets) are loans granted to tenants with interest rates between 3.5% and 5.0% and a fixed-term deposit (maturity on 31 March 2018) with an interest rate of 0.065%; 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)	2015	2016
Carrying value at 1 January	1 258	1 554
Additions debited to income statement	905	1 140
Release credited to income statement	- 137	- 445
Outflow	- 472	- 1 066
Carrying value at 31 December	1 554	1 183

The creation respectively release of provisions for impaired receivables is included in rental income 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. 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 (current assets)	22 548	2 027	14 840	5 219	122	18	323
Accounts receivable (non-current assets)	3 208	0	3 208	0	0	0	0
Value adjustment	- 1 554						
Total accounts receivable	24 203						

(in CHF 1 000)	Carrying value 31 Dec. 2016	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 (current assets)	11 305	1 527	7 625	1 449	187	134	383
Accounts receivable (non-current assets)	102 998	0	102 998	0	0	0	0
Value adjustment	- 1 183						
Total accounts receivable	113 120						

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 from rental agreements. 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: 0.2%), the quality of accounts receivable from rental agreements considered as good. The decrease in accounts receivables < 30 which are due and not value-adjusted results from a solved case regarding the negative CHF-Libor in 2016. At the end of 2016, guarantees (at fair value) totalled CHF 6.7 million on accounts receivable which were due and not value-adjusted of CHF 2.2 million (end of 2015: CHF 12.4 million for CHF 5.7 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 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
31 December 2016					
2017		200 000	200 000	0	- 2 811
2018		250 000	250 000	146	- 5 262
2019		250 000	250 000	285	- 10 713
2020		150 000	50 000	450	- 9 239
2021		150 000	100 000	0	- 12 413
2022		50 000	0	0	- 3 051
2023		50 000	0	0	- 2 855
2024		50 000	50 000	1 784	- 4 119
Total		1 150 000	900 000	2 664	- 50 464

¹ Excl. accrued interest.

During the reporting period, one interest rate payer swap and one interest rate receiver swap matured. Three already existing forward starting payer swaps have started. Furthermore, new receiver swaps to the amount of CHF 450 million maturing in the years 2016 to 2021 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 December 2016 was – 0.91% to 2.47% (previous year: – 0.91% 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 other comprehensive income (see note 22 on page 83). Accrued interest is recognised directly as financial income. Consequently there are no transfers between other comprehensive income and financial income. In the reporting period, cash flow hedges were 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)	2015	2016
Carrying value at 1 January	0	0
Depreciation	0	0
Carrying value at 31 December	0	0
Historical cost	3 392	3 392
Accumulated depreciation	– 3 392	– 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)	2015	2016
Carrying value at 1 January	280	356
Purchases	122	40
Depreciation	– 47	– 61
Carrying value at 31 December	356	334
Historical cost	464	504
Appreciation	200	200
Accumulated depreciation	– 308	– 370
Carrying value, net	356	334

20 Deferred tax assets and liabilities

Deferred tax assets	(in CHF 1 000)	31 December 2015	31 December 2016
Resulting from derivative financial instruments		5 101	3 946
Resulting from pension liabilities		3 896	4 388
Total		8 997	8 335
Deferred tax liabilities			
Resulting from positive net changes in fair value of properties		762 481	771 795
Resulting from accounts receivable		71	66
Resulting from derivative financial instruments		161	209
Resulting from provisions		770	0
Total		763 482	772 070
Net deferred tax liabilities			
	(in CHF 1 000)	2015	2016
Carrying value at 1 January		726 046	754 485
Deferred taxes booked to statement of profit or loss		29 289	8 402
Deferred taxes booked to shareholders' equity		- 849	848
Carrying value at 31 December		754 485	763 735

As a result of applying the property gains tax rates which theoretically were due if all properties had been sold as at 31 December 2016, tax liabilities would, compared to the reported deferred tax liabilities, increase by approximately CHF 36 million (end of 2015: approximately CHF 43 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 2015	31 December 2016
< 1 year		79	220
> 1 year		8 918	8 114
Total		8 997	8 335
Expiration of tax liabilities			
< 1 year		4 602	2 971
> 1 year		758 880	769 099
Total		763 482	772 070

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 2014	45 867 891	0.10	4 587
31 December 2015	45 867 891	0.10	4 587
31 December 2016	45 867 891	0.10	4 587
Conditional share capital			
31 December 2014	2 000 000	0.10	200
31 December 2015	2 000 000	0.10	200
31 December 2016	2 000 000	0.10	200

In the reporting year, a total of 19 880 own shares were purchased at an average price of CHF 86.59 per share totalling CHF 1.7 million and 19 880 own shares were sold at an average price of CHF 86.68 per share totalling CHF 1.7 million (2015: 16 989 own shares purchased at an average price of CHF 86.29 and 16 989 own shares sold at an average price of CHF 84.07).

Further details on changes in shareholders' equity can be found in the consolidated statement of shareholders' equity on page 49.

22 Revaluation reserves

Revaluation reserves were made up as follows:

(in CHF 1 000)	Real estate appreciation due to change of use	Interest rate hedging	Pension liabilities	Total
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
Changes current year	0	15 265	- 1 614	13 651
Income taxes	0	- 1 203	355	- 848
31 December 2016	9 612	- 44 062	- 11 829	- 46 279

23 Debt

(in CHF 1 000)	31 December 2015	31 December 2016
Long-term debt	1 300 000	1 280 000
Long-term bonds	4 19 084	9 68 436
Short-term bonds	249 951	0
Total interest-bearing debt	1 969 035	2 248 436

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 90.

In the reporting period, fixed-term loans totalling CHF 300 million were drawn using existing credit lines and CHF 320 million were repaid. During the same period, three bonds and one private placement were issued: a first one on 16 February 2016 with a volume of CHF 225 million and a coupon of 0.500% (all-in-costs 0.500%) maturing in 2024; a second one on 29 April 2016 with a volume of CHF 100 million and a coupon of 0.375% (all-in-costs 0.405%) maturing in 2026 and a third one on 1 September 2016 with a volume of CHF 125 million and a coupon of 0.000% (all-in-costs 0.062%) maturing in 2023. A private placement with a volume of CHF 100 million and a coupon of 0.045% (all-in-costs 0.065%) maturing in 2021 was issued on 20 December 2016.

Due to the interest rate situation, previously floating rate loans to the amount of CHF 450 million were converted to fixed interest rate loans with fixed maturities until 2019 respectively 2020. By means of receiver swaps to the same amount, the loan positions were immediately converted to synthetic, floating rate positions.

At the end of 2016 (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 2015	31 December 2016
< 6 months	349 951	80 000
6 to 12 months	50 000	0
1 to 5 years	1 219 285	1 519 372
> 5 years	349 799	649 064
Total interest-bearing debt	1 969 035	2 248 436

At the end of 2016, the average fixed interest rate period of all debt was 4.3 years (end of 2015: 3.4 years).

Details on the existing bonds are as follows:

	Carrying value 31 Dec. 2014	Reclassi- fication	Issue	Amorti- sation of issue costs	Repay- ment	Carrying value 31 Dec. 2015	Nominal value 31 Dec. 2015
Short-term bonds (in CHF 1 000)							
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)	n.a.	0	99 780	19	0	99 799	100 000
Total	568 669	- 249 568	99 780	203	0	419 084	420 000
	Carrying value 31 Dec. 2015	Reclassi- fication	Issue	Amorti- sation of issue costs	Repay- ment	Carrying value 31 Dec. 2016	Nominal value 31 Dec. 2016
Short-term bonds (in CHF 1 000)							
2.625% bond, maturing 16 February 2016 (nominal on issuance CHF 250 000)	249 951	0	0	49	- 250 000	0	0
Total	249 951	0	0	49	- 250 000	0	0
Long-term bonds							
1.000% bond, maturing 8 February 2019 (nominal on issuance CHF 120 000)	119 805	0	0	62	0	119 867	120 000
1.375% bond, maturing 4 February 2020 (nominal on issuance CHF 200 000)	199 480	0	0	124	0	199 604	200 000
0.045% bond, maturing 20 December 2021 (nominal on issuance CHF 100 000)	n.a.	0	99 900	1	0	99 901	100 000
0.000% bond, maturing 1 September 2023 (nominal on issuance CHF 125 000)	n.a.	0	124 463	51	0	124 514	125 000
0.500% bond, maturing 16 February 2024 (nominal on issuance CHF 225 000)	n.a.	0	225 004	0	0	225 004	225 000
1.000% bond, maturing 6 February 2025 (nominal on issuance CHF 100 000)	99 799	0	0	21	0	99 820	100 000
0.375% bond, maturing 29 April 2026 (nominal on issuance CHF 100 000)	n.a.	0	99 707	19	0	99 726	100 000
Total	419 084	0	549 074	278	0	968 436	970 000

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				
Securities number: 2411770				
31 December 2015	250 000	100.53	251 313	2.78
31 December 2016	n.a.	n.a.	n.a.	n.a.
1.000% bond, maturing 8 February 2019				
Securities number: 19677045				
31 December 2015	120 000	102.45	122 940	1.05
31 December 2016	120 000	102.25	122 700	1.05
1.375% bond, maturing 4 February 2020				
Securities number: 22988113				
31 December 2015	200 000	104.30	208 600	1.44
31 December 2016	200 000	104.70	209 400	1.44
0.045% bond, maturing 20 December 2021				
Securities number: not listed				
31 December 2015	n.a.	n.a.	n.a.	n.a.
31 December 2016	100 000	99.76	99 762	0.07
0.000% bond, maturing 1 September 2023				
Securities number: 33014317				
31 December 2015	n.a.	n.a.	n.a.	n.a.
31 December 2016	125 000	98.45	123 063	0.06
0.500% bond, maturing 16 February 2024				
Securities number: 30725643				
31 December 2015	n.a.	n.a.	n.a.	n.a.
31 December 2016	225 000	101.50	228 375	0.50
1.000% bond, maturing 6 February 2025				
Securities number: 26288145				
31 December 2015	100 000	103.88	103 875	1.02
31 December 2016	100 000	105.30	105 300	1.02
0.375% bond, maturing 29 April 2026				
Securities number: 31940377				
31 December 2015	n.a.	n.a.	n.a.	n.a.
31 December 2016	100 000	98.60	98 600	0.40

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, 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 were converted to a higher rate on 1 January 2016, while claims in the supplementary benefit scheme were converted to a lower rate.

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

	(in CHF 1 000)	31 December 2015	31 December 2016
Pension liabilities (present value)		68 204	72 283
Pension assets at market value		- 50 497	- 52 336
Deficient cover		17 707	19 947
Unrecognised actuarial gains and losses		n.a.	n.a.
Pension liabilities (technical deficit)		17 707	19 947

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

	(in CHF 1 000)	2015	2016
Actuarial pension expenses		2 084	2 148
Interest expenses		658	509
Expected income on plan assets		- 481	- 376
Curtailment, settlement		- 1 231	0
Administration cost		90	110
Total expenses		1 120	2 391

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

	(in CHF 1 000)	2015	2016
Carrying value 1 January		17 646	17 707
Expenses for staff pension schemes debited to the income statement		1 120	2 391
Employer contributions		- 1 641	- 1 765
Actuarial gains and losses / Losses on OCI		582	1 614
Carrying value at 31 December		17 707	19 947

Pension liabilities and assets changed as follows:

(in CHF 1 000)	2015	2016
Pension liabilities (present value) at 1 January	66 339	68 204
Actuarial pension expenses	2 084	2 148
Employees' contributions	878	951
Interest expenses	658	509
Curtailement, settlement	- 1 231	0
Paid coverage	- 1 700	- 1 844
Actuarial gains and losses	1 176	2 315
Pension liabilities (present value) at 31 December	68 204	72 283
Pension assets at market value at 1 January	48 693	50 497
Expected income on plan assets	481	376
Employer contributions	1 641	1 765
Employees' contributions	878	951
Paid coverage	- 1 700	- 1 844
Administration cost	- 90	- 110
Actuarial gains and losses	594	701
Pension assets at market value at 31 December	50 497	52 336
Effective pension income	1 075	1 077

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 2015	31 December 2016
Pension liabilities (present value)	68 204	72 283
Pension assets at market value	- 50 497	- 52 336
Pension liabilities	17 707	19 947
Adjustments of pension liabilities by experience	165	99
Adjustments of pension liabilities caused by amended assumptions	- 1 341	- 2 414
Adjustments of pension assets by experience	594	701
Total actuarial gains and losses	- 582	- 1 614

The expected employer contributions for the business year 2016 amount to CHF 1.8 million (expected contributions 2016: CHF 1.7 million).

Calculation of pension liabilities was based on the following assumptions:

(in CHF 1 000)	31 December 2015	31 December 2016
Discount rate	0.75%	0.60%
Expected future salary increases	2.00%	2.00%
Expected future pension increases	0.00%	0.00%
Life expectancy in years at age of retirement (man/woman)	22.46/24.98	23.32/25.42

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

	(in CHF 1 000)	31 December 2015	31 December 2016
Cash and cash equivalents		202	628
Bonds		17 623	18 789
Equities		13 887	13 450
Real estate		8 938	9 002
Other		9 847	10 467
Total		50 497	52 336

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 discount 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 (projected unit credit method).

Change in pension liabilities¹	(in CHF 1 000)	31 December 2015	31 December 2016
Discount rate			
+ 0.25%		1 979	2 152
- 0.25%		- 2 061	- 2 247
Salary change			
+ 0.25%		- 269	- 276
- 0.25%		262	269
Pension change			
+ 0.25%		- 1 656	- 1 778
- 0.25%		0	0
Life expectancy			
+ 1 year at age of retirement		- 2 779	- 2 905

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

25 Accounts payable

	(in CHF 1 000)	31 December 2015	31 December 2016
Resulting from business activities with third parties		9 429	8 128
Prepayments		26 834	15 678
Total		36 263	23 806

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)	31 December 2015		31 December 2016	
	Carrying value	Market value	Carrying value	Market value
Accounts receivable at amortised cost	24 203	24 203	113 120	113 120
Financial investments at fair value through comprehensive income	9	9	9	9
Derivative financial instruments (hedging)	2 052	2 052	2 664	2 664
Cash and cash equivalents	29 353	29 353	21 123	21 123
Financial liabilities				
Debt at amortised cost	1 300 000	1 295 174	1 280 000	1 270 241
Bonds at amortised cost	669 035	686 728	968 436	987 200
Accounts payable at amortised cost	36 263	36 263	23 806	23 806
Derivative financial instruments (hedging)	65 117	65 117	50 464	50 464

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.

As at 31 December 2015

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
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

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

As at 31 December 2016

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
Cash and cash equivalents	21 123	0	21 123	- 19 328	1 795
Derivative financial instruments (positive)	2 664	0	2 664	- 2 664	0
Fixed-term deposit	100 000	0	100 000	0	100 000
Total	123 788	0	123 788	- 21 993	101 795

Financial instruments negative

Debt	1 280 000	0	1 280 000	- 109 830	1 170 170
Derivative financial instruments (negative)	50 464	0	50 464	- 12 163	38 301
Total	1 330 464	0	1 330 464	- 121 993	1 208 471

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 1000)	Level 1	Level 2	Level 3	Market value 31 December 2015
Properties (IAS 40 & IFRS 5)		0	0	6 607 625	6 607 625
Financial instruments		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

Assets	(in CHF 1000)	Level 1	Level 2	Level 3	Market value 31 December 2016
Properties (IAS 40 & IFRS 5)		0	0	6 806 773	6 806 773
Financial investments		0	0	9	9
Derivative financial instruments (hedging)		0	2 664	0	2 664
Total financial assets		0	2 664	6 806 782	6 809 446

Liabilities					
Derivative financial instruments (hedging)		0	50 464	0	50 464
Total financial liabilities		0	50 464	0	50 464

During the reporting period, no positions were transferred in between the fair value levels (2015: 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):

(in CHF 1000)	Carrying value 31 Dec. 2015	Cash flows							
		< 6 months		6 to 12 months		1 to 5 years		> 5 years	
		Interest	Repay- ment	Interest	Repay- ment	Interest	Repay- ment	Interest	Repay- ment
Debt	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 ¹	63 064	9 837	0	9 837	0	45 953	0	5 405	0
Accounts payable ²	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 ³	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

(in CHF 1000)	Carrying value 31 Dec. 2016	Cash flows							
		< 6 months		6 to 12 months		1 to 5 years		> 5 years	
		Interest	Repay- ment	Interest	Repay- ment	Interest	Repay- ment	Interest	Repay- ment
Debt	1 280 000	800	0	830	0	3 303	1 280 000	0	0
Bonds	968 436	6 450	0	45	0	20 830	420 000	7 125	550 000
Derivative financial instruments ¹	47 800	8 958	0	8 789	0	27 405	0	1 392	0
Accounts payable ²	8 128	0	8 128	0	0	0	0	0	0
Current tax liabilities	7 212	0	7 212	0	0	0	0	0	0
Development and renovation work ³	0	0	35 138	0	7 595	0	7 194	0	0
Total	2 311 576	16 208	50 478	9 664	7 595	51 538	1 707 194	8 517	550 000

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

2 Excluding prepaid rental payments, purchase prices and purchase price advance payments for sold properties.

3 Future obligations which were not recorded as per reporting date.

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

At the end of 2016, the average weighted duration of the loan agreements was 3.7 years (end of 2015: 4.1 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 of PSP Swiss Property Ltd is based on this figure.

	2015	2016
Net income in CHF 1 000	187 726	134 867
Net changes in fair value of real estate investments in CHF 1 000	- 33 791	50 208
Impairment charge properties in CHF 1 000	874	725
Income from property sales in CHF 1 000	- 407	- 1 095
Attributable taxes in CHF 1 000	6 885	- 12 157
Net income excl. gains/losses on real estate investments in CHF 1 000	161 287	172 548
Number of average outstanding shares	45 867 891	45 867 891
Earnings per share in CHF (basic and diluted)	4.09	2.94
Earnings per share excl. gains/losses on real estate investments in CHF (basic and diluted)	3.52	3.76

Equity per share changed as follows:

	31 December 2015	31 December 2016
Shareholders' equity in CHF 1 000	3 870 473	3 866 754
Deferred taxes in CHF 1 000	754 485	763 735
Number of outstanding shares	45 867 891	45 867 891
Net asset value per share in CHF¹	84.38	84.30
Net asset value per share before deduction of deferred taxes in CHF¹	100.83	100.95

¹ Based on number of outstanding shares.

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 sales of investment properties 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”.

31 Dividend payment

Based on a resolution of the Annual General Meeting on 31 March 2016, a cash payment of CHF 3.30 per outstanding share (totalling CHF 151.3 million) was made on 6 April 2016. The distribution comprised a dividend paid from retained earnings of CHF 1.50 per share (totalling CHF 68.8 million) and a payment out of the capital contribution reserves of CHF 1.80 per share (totalling CHF 82.6 million; previous year: Payment from capital contribution reserves of CHF 3.25 per share, totalling CHF 149.1 million).

For the business year 2016, the Board of Directors will propose a dividend payment from retained earnings of CHF 3.35 per share respectively a maximum of CHF 153.7 million to the Annual General Meeting on 5 April 2017. (Treasury shares are not entitled to dividends; therefore, the total amounts for dividend payments may deviate from these figures.)

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 2016), 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 174 to 175.

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 company pension scheme (Old Age and Survivor's insurance, "AHV") are – in the amount of TCHF 13 that entitles to the maximum AHV pension benefits – included as compensation elements and listed under employer contributions pension benefits. The total employer contributions to the social security insurances (AHV/IV/EO) amount to TCHF 31. No non-executive member is insured under a company pension scheme.

(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 compensations
				Amount	in number of shares	
Luciano Gabriel, Delegate of the Board of Directors and Chief Executive Officer	882	0	0	883	10 480	1 987
Giacomo Balzarini, Chief Financial Officer	514	276	0	276	3 276	1 160
Ludwig Reinsperger, Chief Investment Officer	502	249	0	248	2 947	1 147
Total	1 898	525	0	1 407	16 703	4 293

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

2 The mandatory employer contributions to the state pension scheme (Old Age and Survivor's Insurance, "AHV") are – in the amount of TCHF 11 that entitles to the maximum AHV pension benefits – included 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.

Compensations to members of the Board of Directors (non-executive) business year 2016

(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
Corinne Denzler, Member ²	56	0	0	2	59
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 ³	19	0	0	0	19
Josef Stadler, Member	75	0	0	3	78
Aviram Wertheim, Member	107	0	0	4	111
Total	666	0	0	16	682

1 The mandatory employer contributions to the company pension scheme (Old Age and Survivor's insurance, "AHV") are – in the amount of TCHF 16 that entitles to the maximum AHV pension benefits – included as compensation elements and listed under employer contributions pension benefits. The total employer contributions to the social security insurances (AHV/IV/EO) amount to TCHF 31. No non-executive member is insured under a company pension scheme.

2 Elected at the Annual General Meeting of 31 March 2016

3 Until 31 March 2016

(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 compensations
				Amount	in number of shares	
Luciano Gabriel, Delegate of the Board of Directors and Chief Executive Officer	882	0	0	987	11 543	2 093
Giacomo Balzarini, Chief Financial Officer	514	308	0	308	3 607	1 226
Adrian Murer, Chief Investment Officer ³	226	123	0	123	1 443	514
Ludwig Reinsperger, Chief Investment Officer ⁴	500	278	8	278	3 246	1 212
Total	2 122	709	8	1 696	19 839	5 045

1 Allocated in week 50/2016 at the market value per share at allocation date (average of daily closing prices week 50/2016: CHF 85.50).

2 The mandatory employer contributions to the state pension scheme (Old Age and Survivor's insurance, "AHV") are – in the amount of TCHF 12 that entitles to the maximum AHV pension benefits – included 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 218. The performance-based compensation is not insured under the company pension schemes; the fixed compensation only up to an amount of TCHF 700.

3 As of 1 July 2016

4 The information includes the pro rata compensations until the leaving of the Executive Board as per the end of January 2016 as well as the compensations owed during the 12 months' notice period pursuant to the employment contract, which encompass on a pro rata basis the fixed and performance-related compensations, the other benefits and the employer contributions for pension benefits for the 2016 business year.

In the reporting year, fees for legal advice were paid in the amount of CHF 0.008 million to the law firm Niederer Kraft & Frey AG, Zurich, where Prof. Dr. Peter Forstmoser holds the position of a partner (previous year: CHF 0.024 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 0.116 million in the reporting year. For Niederer Kraft & Frey AG as well as for PSP Swiss Property, this annual rent is marginal and therefore negligible 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 2015	31 December 2016
Günther Gose, Chairman	18 000	18 000
Corinne Denzler, Member ¹	n.a.	250
Adrian Dudle, Member	0	0
Peter Forstmoser, Member	2 000	2 000
Nathan Hetz, Member ²	5 600 000	5 600 000
Gino Pfister, Member ³	860	n.a.
Josef Stadler, Member	168	168
Aviram Wertheim, Member	0	0
Total	5 621 028	5 620 418

1 Elected at the Annual General Meeting of 31 March 2016

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

3 Until 31 March 2016

As at the end of 2015, the non-executive members of the Board of Directors (including their related parties) held no options on PSP shares at the end of 2016.

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 2015	31 December 2016
Luciano Gabriel, Delegate of the Board of Directors and Chief Executive Officer	182 042	193 700
Giacomo Balzarini, Chief Financial Officer	44 706	48 349
Adrian Murer, Chief Investment Officer ¹	n.a.	1 301
Ludwig Reinsperger, Chief Investment Officer ²	37 231	n.a.
Total	263 979	243 350

1 As of 1 July 2016

2 Until end of January 2016

As at the end of 2015, 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 2016.

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 2016. As at 31 December 2015, there were no such accounts receivable from these groups of persons at the end of 2016.

As at the end of 2015, there were no claims on related parties at the end of 2016.

33 Subsequent events

On 10 February 2017, the CHF 125 million 0.000% bond (maturing 2023) issued in September 2016 was increased (slightly below par) by CHF 50 million to CHF 175 million.

There were no further subsequent events.



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

Zug

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of PSP Swiss Property Ltd and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2016 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements (pages 44 to 99 and 196 to 211) give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with the provisions of article 17 of the Directive on Financial Reporting (DFR) of SIX Swiss Exchange and with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the “Auditor’s responsibilities for the audit of the consolidated financial statements” section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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PricewaterhouseCoopers Ltd is a member of a global network of companies that are legally independent of one another.



Our audit approach

Overview



Overall materiality: CHF 38.7 million, which represents 1 % of the net assets of the Group.

- We concluded full scope audit work at six reporting units and conducted reviews at three reporting units.
- Our audit scope addressed 100% of the operating income and the assets of the Group.

As key audit matters, the following areas of focus were identified:

- Valuation of investment properties, sites and development properties as well as development projects earmarked for sale
- Deferred tax liabilities relating to property valuation differences
- Recognition of rental income

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.



<i>Overall Group materiality</i>	CHF 38.7 million
<i>How we determined it</i>	1% of the net assets (shareholders' equity) of the Group
<i>Rationale for the materiality benchmark applied</i>	We chose net assets as the benchmark because, in our view, it is a common industry benchmark for materiality considerations in the real estate business.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investment properties, sites and development properties as well as development projects earmarked for sale

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p>As of 31 December 2016, PSP Swiss Property Ltd's property portfolio comprised investment properties (CHF 6.3 billion), sites and development properties (CHF 544 million) and development properties earmarked for sale (CHF 52 million), amounting in total to CHF 6.9 billion or 97.3 % of total assets.</p> <p>Properties are mostly accounted for at fair value. Changes in fair value are recognised in the income statement.</p> <p>Fair value is determined every six months by an external property valuer (Wüest Partner AG), acting as an independent appraiser in accordance with the requirements of SIX Swiss Exchange, using the discounted cash flow (DCF) method. The DCF calculations also serve as the basis for the impairment testing of development properties accounted for at acquisition cost and of development projects earmarked for sale.</p> <p>We consider the valuation of the property portfolio as a key audit matter due to the significance of the property portfolio in relation to total assets and due to the assumptions and scope for judgement in the use of valuation models such as the DCF method.</p> <p>A DCF valuation in the property industry requires, among others, input parameters that cannot be observed on a market (e.g. assumed future vacancy rates, future investments and various compo-</p>	<p>We assessed and tested the design and effectiveness of the internal controls relating to the property valuation process.</p> <p>In particular, we performed the following audit procedures:</p> <ul style="list-style-type: none"> • We audited the controls over the complete and correct delivery of data to the property appraisers as well as the Management's checks of the results of the appraisals. • We assessed the engagement, the expertise and the independence of the external property appraiser. To this end, we inspected the corresponding engagement letter, examined the curricula vitae of the individual appraisers and interviewed the partner in charge at Wüest Partner AG. • Our own audit specialists analysed the overall changes in the value of the portfolio and made a comparison with developments in the Swiss office property market. Furthermore, we analysed and assessed the average discount rate used for the DCF valuations as well as any change in that rate. • Based on our discussion with the external appraiser, we validated the major changes in the valuation parameters. • Our audit specialists performed a check of the valuations on a sample basis. The sample was selected based on a multi-year rotation plan



nents of the discount factor).

Inappropriate assumptions or errors in the DCF valuations could lead to significant differences in the valuation due to the long time horizon.

Please refer to the accounting and valuation principles (page 54), note 13 (page 75) and the Property Valuation Report Wüest Partner AG (pages 108 to 115).

and more detailed risk-based analytical audit procedures.

- We tested the consistency of the appraiser's estimates with market values by comparing them with investment property transactions during the year.
- Through our discussions with the Chief Investment Officer (CIO) and the Chief Financial Officer (CFO) and our inspection of the minutes of meetings of the Board of Directors and of Management, we checked whether the properties were classified and accounted for in line with their planned use in accordance with IFRS requirements.
- We checked the appropriateness of data used for the impairment testing of sites and development properties accounted for at acquisition cost and of development projects earmarked for sale.

We consider the valuation process to be an appropriate and adequate basis for the valuation of the property portfolio recognised in the consolidated financial statements.



Deferred tax liabilities relating to property valuation differences

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p>As of 31 December 2016, PSP Swiss Property Ltd had deferred tax liabilities arising from property valuation differences of around CHF 772 million. The deferred tax liabilities are based on the tax that will become payable on the valuation difference between the taxable value and the higher fair value recognised in the financial statements.</p> <p>We consider deferred tax liabilities on property valuation differences to be a key audit matter for the following two reasons.</p> <p>First, deferred tax liabilities on property valuation differences represent a significant balance sheet item at around 24.3 % of the liabilities of PSP Swiss Property Ltd.</p> <p>Second, the calculation of deferred tax liabilities involves significant scope for judgement by Management, for example in relation to the expected holding period of the properties.</p> <p>Inappropriate assumptions or errors in the tax calculation could have a significant impact on the amount of the deferred tax liabilities recognised in the financial statements.</p> <p>Please refer to the accounting and valuation principles (page 54) and note 20 (page 82).</p>	<p>We assessed and tested the design and effectiveness of the internal controls relating to the calculation of deferred tax liabilities on property valuation differences.</p> <p>In particular, we performed the following audit procedures:</p> <ul style="list-style-type: none"> • Our tax specialists validated Management's assumptions relating to the estimated holding period. • We compared the tax rates used for income tax (federal, cantonal and communal) and property gains tax purposes with the currently applicable tax rates. • Further, we re-performed the calculation of changes in value and the classification of gains as either capital gains or depreciation recapture. <p>The audit evidence obtained allowed us to assess the appropriateness of Management's estimates with regard to the recognised deferred tax liabilities.</p>



Recognition of rental income

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p>Rental income in the amount of CHF 276 million represents the largest component of PSP Swiss Property Ltd's income.</p> <p>PSP Swiss Property Ltd uses a standardised IT-based process to generate and modify rental agreements.</p> <p>We consider the recognition of rental income as a key audit matter due to the importance of this income category as well as the error risk, particularly in relation to special contractual arrangements, such as property lease incentives.</p> <p>Please refer to the accounting and valuation principles (page 54) and note 5 (pages 70 to 71).</p>	<p>We assessed and tested the design and effectiveness of the internal controls relating to the recognition of rental income.</p> <p>In particular, we performed the following audit procedures:</p> <ul style="list-style-type: none"> • We checked whether significant new and existing property lease incentives were correctly recognised over the lease term for accounting purposes. • We conducted an additional IT-based analysis of the property accounting to identify any unusual transactions. • In addition, we performed various analytical reviews in the area of rental income. These included, among others, a comparison with the prior year's income and with our expectations, taking into account changes (e.g. significant new or terminated lease agreements) in the property portfolio. Changes in comparison with the prior year were analysed for each individual property and clarified by means of inquiry and other tests. <p>The evidence from the above-mentioned audit procedures was sufficient and appropriate to assess the recognition of rental income.</p>

***Other information in the annual report***

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the EPRA reports, the stand-alone financial statements and the compensation report of PSP Swiss Property Ltd and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS, article 17 of the Directive on Financial Reporting (DFR) of SIX Swiss Exchange and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors intends either to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.



Report on other legal and regulatory requirements

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
Audit expert
Auditor in charge

Philipp Gnädinger
Audit expert

Zurich, 6 March 2017



Wüest Partner AG, Bleicherweg 5, 8001 Zurich

PSP Swiss Property
Geschäftsleitung
Kolinplatz 2
6300 Zug

Zurich, 25 January 2017

Independent valuer's report

To the Executive Board of PSP Swiss Property AG

Ref.
102255.91

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 2016 (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).

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Regulated by RICS

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.

Transaction costs, gross fair value

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.

Main market, active and most advantageous market

Implementation of fair value

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.

Highest best use

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.

Materiality in relation to the highest and best use approach

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.

Fair value hierarchy

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.

Valuation level for property valuations

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

Significant input factors, influence on fair value

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.

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 procedures

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 2016 to 31 December 2016, Wüest Partner visited 19 properties belonging to PSP Real Estate AG, 14 properties belonging to

PSP Properties AG as well as 3 properties belonging to Immobiliengesellschaft Septima AG.

Results

A total of 160¹ investment properties and property units as well as 9 investment properties under construction were valued as at 31 December 2016 by Wüest Partner. The fair value of all 160 investment properties is estimated as at 31 December 2016 at 6,262,413,007 Swiss Francs and of the investment properties under construction in accordance with IAS 40 at 544,360,000 Swiss Francs.

Changes during reporting period

Within the review period from 1 January 2016 to 31 December 2016 the properties Avenue Beauregard 1, Fribourg as well as Auf Rainen, Zurzach were sold and the property Hardturmstrasse 101-105/Förrlibuckstrasse 30, Zurich was bought. During the same period a reclassification from the development properties Salmen-center/Quellenhaus Baslerstrasse 2-16, Rheinfelden, Gurtenbrauerei 10-92, Wabern as well as Reservoir Spiegel, Köniz to investment properties were held. The reclassification from the investment properties Rue St.-Martin 7, Lausanne, Rue du Marché 40, Geneva, Hardturmstrasse 181-185, Zurich und Förrlibuckstrasse 178/180, Zurich to development properties happened during the same period.

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.

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

Zurich, 25 January 2017
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	Minimum discount rate	Maximum discount rate	Average discount rate
Region	in %	in %	(weighted average*)
			in %
Zurich	2.71	5.32	3.66
Geneva	3.52	5.32	4.11
Lausanne	3.31	4.82	3.89
Basel	3.31	4.27	3.92
Bern	3.11	4.92	3.81
Other regions	3.41	5.63	4.63
All regions	2.71	5.63	3.82

* 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	Office	Retail	Storage	Outdoor	Indoor	Residential
Region	CHF / m ² p.a.	CHF / m ² p.a.	CHF / m ² p.a.	parking	parking	CHF / m ² p.a.
				CHF / p. p.mo.	CHF / p. p.mo.	
Zurich	135 - 790	150 - 6,500	40 - 500	35 - 660	100 - 700	146 - 674
Geneva	240 - 700	300 - 3,000	25 - 600	120 - 450	100 - 540	268 - 350
Lausanne	150 - 390	340 - 1,070	80 - 450	70 - 300	150 - 300	130 - 444
Basel	150 - 330	95 - 3,000	60 - 410	120 - 250	200 - 350	170 - 340
Bern	195 - 340	180 - 1,350	60 - 190	50 - 180	100 - 250	220 - 353
Other regions	140 - 360	180 - 1,850	50 - 360	30 - 120	100 - 400	167 - 370
All regions	135 - 790	95 - 6,500	25 - 600	30 - 660	100 - 700	130 - 674

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

Table 3	Office	Retail	Storage	Outdoor	Indoor	Residential
Region	in %	in %	in %	parking	parking	in %
				in %	in %	
Zurich	3.0 - 20.0	1.5 - 15.0	1.5 - 35.0	0.5 - 20.0	1.0 - 25.0	1.0 - 5.0
Geneva	4.5 - 7.0	3.0 - 5.0	2.0 - 11.0	3.0 - 8.0	3.5 - 10.0	0.5 - 1.5
Lausanne	3.0 - 9.0	2.0 - 4.0	3.0 - 20.0	3.0 - 10.0	2.0 - 15.0	1.0 - 4.0
Basel	4.0 - 6.0	2.0 - 5.0	2.0 - 30.0	1.0 - 3.0	1.0 - 6.0	2.0 - 5.0
Bern	3.0 - 6.5	2.0 - 10.0	2.0 - 15.0	1.0 - 10.0	1.0 - 15.0	1.0 - 2.0
Other regions	4.0 - 20.0	3.0 - 15.0	2.5 - 30.0	1.0 - 10.0	1.0 - 15.0	1.0 - 4.0
All regions	3.0 - 20.0	1.5 - 15.0	1.5 - 35.0	0.5 - 20.0	1.0 - 25.0	0.5 - 5.0

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

- The rent rolls from PSP Swiss Property used in the valuation are dated 1 January 2017.
- 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 or reductions. Nominal discount rates range between 2.71 per cent and 5.63 per cent depending on the property, use and location (see table 1).
- Unless otherwise stated, the valuations assume 0.5 per cent 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

Discount rates in % (Market values in CHF)	Zurich area		Geneva area		Basel area	
	Number of properties	Market value	Number of properties	Market value	Number of properties	Market value
2.50 – 2.74	1	80 240 000	0	0	0	0
2.75 – 2.99	4	416 210 000	0	0	0	0
3.00 – 3.24	9	631 505 000	0	0	0	0
3.25 – 3.49	8	349 944 000	0	0	1	32 700 000
3.50 – 3.74	18	948 063 000	2	125 480 000	4	53 400 000
3.75 – 3.99	12	553 218 000	5	239 030 000	2	108 830 000
4.00 – 4.24	10	329 574 300	4	194 613 000	6	290 490 000
4.25 – 4.49	4	188 760 000	3	78 490 000	1	44 970 000
4.50 – 4.74	7	297 300 000	0	0	0	0
4.75 – 4.99	6	112 695 307	1	40 250 000	0	0
5.00 – 5.24	1	28 830 000	0	0	0	0
5.25 – 5.49	1	20 120 000	1	63 090 000	0	0
5.50 – 5.74	0	0	0	0	0	0
Total	81	3 956 459 607	16	740 953 000	14	530 390 000

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 2016, the portfolio's average weighted nominal discount rate was 3.82% (end of 2015: 4.57%).

	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	80 240 000
	0	0	0	0	0	0	4	416 210 000
	4	93 378 000	0	0	0	0	13	724 883 000
	1	7 552 000	2	140 220 000	1	7 774 000	13	538 190 000
	1	6 400	3	59 206 000	2	22 573 000	30	1 208 728 400
	2	78 620 000	1	21 300 000	0	0	22	1 000 998 000
	4	67 780 000	0	0	4	54 306 000	28	936 763 300
	0	0	2	16 485 000	4	45 253 000	14	373 958 000
	0	0	4	91 997 000	3	118 132 000	14	507 429 000
	2	38 342 000	2	19 799 000	1	42 710 000	12	253 796 307
	0	0	0	0	3	96 870 000	4	125 700 000
	0	0	0	0	1	2 816 000	3	86 026 000
	0	0	0	0	2	9 491 000	2	9 491 000
	14	285 678 400	14	349 007 000	21	399 925 000	160	6 262 413 007

EPRA reporting

EPRA performance key figures

In accordance with EPRA's Best Practices Recommendations, PSP Swiss Property discloses the EPRA performance key figures. PricewaterhouseCoopers Ltd has verified these key figures. The corresponding opinion can be found on pages 122 to 123.

Summary table EPRA performance measures	Unit	2015	2016
A. EPRA earnings per share (EPS)	CHF	3.44	3.51
B. EPRA NAV per share	CHF	103.05	102.52
C. EPRA triple net asset value per share (NNNAV)	CHF	84.77	84.49
D. EPRA net initial yield	%	3.7	3.5
EPRA "topped-up" net initial yield	%	3.8	3.6
E. EPRA vacancy rate	%	8.1	9.1
F. EPRA cost ratio (including direct vacancy costs)	%	18.9	20.0
EPRA cost ratio (excluding direct vacancy costs)	%	17.2	18.2
G. EPRA like-for-like rental change	%	0.2	- 1.6
H. EPRA cap ex	CHF 1 000	130 218	257 771

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)	2015	2016
Earnings per IFRS statement of profit or loss		187 726	134 867
Adjustments to calculate EPRA earnings, exclude:			
Changes in value of investment properties, development properties held for investment and other interests		- 33 791	50 208
Profits or losses on disposal of investment properties, development properties held for investment and other interests		- 1 374	- 1 354
Profits or losses on sales of trading properties including impairment charges in respect of trading properties		- 2 385	- 13 311
Tax on profits or losses on disposals		762	3 120
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		6 796	- 12 411
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		157 735	161 119
Average number of outstanding shares		45 867 891	45 867 891
EPRA EPS in CHF		3.44	3.51

B. EPRA net asset value (NAV)	(in CHF 1 000)	31 December 2015	31 December 2016
NAV per the financial statements		3 870 473	3 866 754
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		3 870 473	3 866 754
Include:			
Revaluation of investment property under construction (IPUC) (if IAS 40 cost option is used)		8 256	0
Revaluation of own-used properties		91	315
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		27 403	19 605
Exclude:			
Fair value of financial instruments		63 064	47 800
Deferred tax		757 540	768 058
Goodwill as result of deferred tax		n.a.	n.a.
EPRA NAV		4 726 827	4 702 531
Number of outstanding shares		45 867 891	45 867 891
EPRA NAV per share in CHF		103.05	102.52
C. EPRA triple net asset value (NNNAV)	(in CHF 1 000)	31 December 2015	31 December 2016
EPRA NAV		4 726 827	4 702 531
Include:			
Fair value of financial instruments		- 63 064	- 47 800
Fair value of debt		- 12 866	- 9 005
Deferred tax		- 762 563	- 770 562
EPRA NNNAV		3 888 334	3 875 164
Number of outstanding shares		45 867 891	45 867 891
EPRA NNNAV per share in CHF		84.77	84.49
D. EPRA net initial yield (NIY)	(in CHF 1 000)	31 December 2015	31 December 2016
Investment property – wholly owned		6 614 549	6 806 773
Less developments		- 427 701	- 544 360
Gross up completed property portfolio valuation (B)		6 186 848	6 262 413
Annualised cash passing rental income		272 538	265 742
Property outgoings		- 41 992	- 43 880
Annualised net rents (A)		230 546	221 862
Add: notional rent expiration of rent free periods or other lease incentives		2 881	3 757
Topped-up net annualised rent (C)		233 427	225 619
EPRA NIY (A/B)		3.7%	3.5%
EPRA “topped-up” NIY (C/B)		3.8%	3.6%

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 2015	31 December 2016
Estimated rental value of vacant space (A)		25 588	27 760
Estimated rental value of the whole portfolio (B)		317 165	304 033
EPRA vacancy rate (A/B)		8.1%	9.1%
F. EPRA cost ratio	(in CHF 1 000)	2015	2016
Administrative/operating expense line per IFRS income statement		52 013	55 281
Net service charge costs/fees		0	0
Management fees less actual / estimated profit element		47	49
Other operating income/recharges intended to cover overhead expenses less any related profits		0	0
Share of joint ventures expenses		0	0
Investment property depreciation		0	0
Ground rents payable		0	0
EPRA costs (including direct vacancy costs) (A)		52 061	55 330
Direct vacancy costs		4 864	5 152
EPRA costs (excluding direct vacancy costs) (B)		47 196	50 178
Gross rental income less ground rent costs		275 063	276 316
Gross rental income (C)		275 063	276 316
EPRA cost ratio (including direct vacancy costs) (A/C)		18.9%	20.0%
EPRA cost ratio (excluding direct vacancy costs) (B/C)		17.2%	18.2%
Capitalised operating costs		2 389	2 123

Staff costs for the development of own projects amounting to CHF 2.5 million (2015: CHF 3.0 million) have been capitalised but are not excluded from table F. 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. 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)	2015	2016
Rental income		275 063	276 316
Acquisitions		- 63	- 2 701
Disposals		- 2 127	- 234
Developments		- 12 837	- 16 520
Properties' operating expenses		- 11 271	- 12 258
Rent-Free-Periods		2 453	2 966
Other		- 89	- 347
Total EPRA like-for-like net rental income		251 130	247 222
EPRA like-for-like change absolute		549	- 3 908
EPRA like-for-like change relative		0.2%	- 1.6%
EPRA like-for-like change by areas			
Zurich		- 1.2%	0.7%
Geneva		1.7%	- 19.3%
Basel		1.6%	4.8%
Bern		- 1.0%	- 3.7%
Lausanne		9.4%	1.8%
Other locations		1.9%	- 0.4%

Like-for-like net rental growth compares the growth of the net rental income of the portfolio that has been consistently in operation, and not under development, during the two full preceding periods that are described. At the end of 2016 the market value of the like-for-like portfolio amounted to CHF 5.879 billion (end of 2015: CHF 6.009 billion).

H. EPRA cap ex	(in CHF 1 000)	2015	2016
Acquisitions		6 679	146 653
Development (ground-up / green fields / brown field)		98 703	86 038
Like-for-like portfolio		21 516	22 435
Capitalised interests		3 320	2 645
Capital expenditure		130 218	257 771

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



Independent Assurance Report ***on the European Public Real Estate Association (EPRA) Performance Measures to the Management of PSP Swiss Property Ltd*** ***Zug***

We have been engaged to perform assurance procedures to provide reasonable assurance whether the EPRA Performance Measures for the period ended 31 December 2016 prepared by PSP Swiss Property Ltd (pages 118 to 121) 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 Ltd based on the corresponding Financial Reporting Best Practice Recommendations of the European Public Real Estate Association (EPRA) as published in November 2016.

Management's responsibility

The Management of the company is responsible for preparing of the EPRA Performance Measures in accordance with the EPRA Financial Reporting 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.

Independent assurance practitioner'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 Performance Measures were prepared, in all material respects, in accordance with the EPRA Financial Reporting Best Practice Recommendations.

In accordance with International Standard on Quality Control 1, PricewaterhouseCoopers Ltd 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 independent assurance practitioner's judgement.

We performed the following procedures, among others:

- Interview with persons responsible for the preparation of the EPRA 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 Ltd as per 31 December 2016 or if applicable other internal source data.

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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 Ltd for the period ended 31 December 2016, have been derived, prepared and presented in all material respects, in accordance with the EPRA Financial Reporting Best Practice Recommendations as published in November 2016.

PricewaterhouseCoopers Ltd

Guido Andermatt

Philipp Gnädinger

Zurich, 6 March 2017

Statement of profit or loss

(in CHF 1 000)	1 January to 31 December 2015	1 January to 31 December 2016	Note
Income from investments	343 000	0	
Total operating income	343 000	0	
Operating expenses	- 3 978	- 3 731	3.1
Total operating expenses	- 3 978	- 3 731	
Earnings before interest and taxes (ebit)	339 022	- 3 731	
Financial income	36 333	33 967	3.2
Financial expenses	- 33 629	- 29 614	3.3
Financial result	2 705	4 353	
Earnings before taxes (ebt)	341 727	622	
Direct taxes	- 1 103	- 108	
Annual profit	340 624	514	

The notes are part of these financial statements.

Balance sheet

Assets	(in CHF 1 000)	31 December 2015	31 December 2016	Note
Cash and cash equivalents		19 188	15 139	
Trade receivables		3 079	165	
<i>to third parties</i>		2 970	45	
<i>to group subsidiaries</i>		109	121	
Total current assets		22 267	15 304	
Financial assets		1 744 665	1 876 708	3.4
<i>Loans to group subsidiaries</i>		1 743 700	1 775 140	
<i>Other financial assets</i>		965	101 568	
Investments		1 722 245	1 722 245	3.5
Total non-current assets		3 466 910	3 598 953	
Total assets		3 489 176	3 614 257	
Liabilities and shareholders' equity				
Trade creditors		296	298	
<i>to third parties</i>		296	298	
Other current liabilities		48	52	
<i>to third parties</i>		48	52	
Interest-bearing debt		250 085	35	3.6
<i>to third parties</i>		250 000	0	3.7
<i>to group subsidiaries</i>		85	35	
Deferred income and accrued expenses		17 726	13 527	
Total current liabilities		268 155	13 911	
Non-current interest-bearing debt		1 722 000	2 252 174	3.6
<i>to third parties</i>		1 720 000	2 250 004	3.7
<i>to group subsidiaries</i>		2 000	2 170	
Total non-current liabilities		1 722 000	2 252 174	
Share capital		4 587	4 587	
Legal capital reserves		82 943	381	
<i>Statutory reserves from capital contributions</i>		82 943	381	
General legal reserves		2 000	2 000	
Voluntary retained earnings		1 409 492	1 341 204	
<i>Statutory and regulative-decided retained earnings</i>		1 071 990	1 071 990	
<i>Retained earnings</i>		337 502	269 214	
<i>Carried forward from previous year</i>		- 3 122	268 700	
<i>Annual profit</i>		340 624	514	
Total shareholders' equity		1 499 022	1 348 172	
Total liabilities and shareholder's equity		3 489 176	3 614 257	

The notes are part of these financial statements.

Notes to the financial statements 2016

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 2016 were authorised for issue by the Board of Directors on 6 March 2017.

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.

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 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 group subsidiaries. Financial expenses mainly include interest expenses for financial liabilities to 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 debt

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 2015	1 January to 31 December 2016
Investor Relations / Company expenses	- 3 167	- 3 011
Board of Directors' expenses	- 701	- 711
Other general and administration expenses	- 110	- 10
Total operating expenses	- 3 978	- 3 731

3.2 Financial income

(in CHF 1 000)	1 January to 31 December 2015	1 January to 31 December 2016
Income from loans to group subsidiaries	36 373	33 991
Results from securities	- 40	- 26
Other financial income	0	3
Total financial income	36 333	33 967

3.3 Financial expenses

(in CHF 1 000)	1 January to 31 December 2015	1 January to 31 December 2016
Interest expense for liabilities to third parties	- 31 871	- 28 148
Interest expense on cash and cash equivalents	- 58	- 93
Other financial expenses	- 1 699	- 1 373
Total financial expenses	- 33 629	- 29 614

3.4 Financial assets

(in CHF 1 000)	31 December 2015	31 December 2016
Loans to group subsidiaries	1 743 700	1 775 140
Other financial assets	965	1 015 68
Total financial assets	1 744 665	1 876 708

Financial investments are mainly loans to subsidiaries.

3.5 Investments

Group subsidiaries	Registered office	Share capital in 1 000 CHF	Ownership / Voting rights				Con- solidation
			31 December 2015		31 December 2016		
PSP Participations Ltd	Zug, Switzerland	1 000 000	100%	direct	100%	direct	full
PSP Finance Ltd	Zug, Switzerland	1 000	100%	direct	100%	direct	full
PSP Group Services Ltd	Zurich, Switzerland	100	100%	indirect	100%	indirect	full
PSP Real Estate Ltd	Zurich, Switzerland	50 600	100%	indirect	100%	indirect	full
PSP Management Ltd	Zurich, Switzerland	100	100%	indirect	100%	indirect	full
PSP Properties Ltd	Zurich, Switzerland	9 919	100%	indirect	100%	indirect	full
Immobilien-gesellschaft Septima AG	Zurich, Switzerland	5 700	100%	indirect	100%	indirect	full
SI 7 Place du Molard Ltd	Zurich, Switzerland	105	100%	indirect	100%	indirect	full
Associated companies							
IG REM	Zurich, Switzerland	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 2015	31 December 2016
Liabilities to group subsidiaries		85	35
Short-term bonds		250 000	0
Total current interest-bearing debt		250 085	35
Non-current interest-bearing debt	(in CHF 1 000)	31 December 2015	31 December 2016
Liabilities to banks		1 300 000	1 280 000
Liabilities to group subsidiaries		2 000	2 170
Long-term bonds		420 000	970 004
Total non-current interest-bearing debt		1 722 000	2 252 174

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 2016 (as at the end of 2015), 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 4 CO

Short-term bonds (in CHF 1 000)	Carrying/ Nominal value 31 Dec. 2014	Reclassi- fication	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)	n.a.	0	100 000	0	100 000
Total	570 000	- 250 000	100 000	0	420 000

Short-term bonds (in CHF 1 000)	Carrying/ Nominal value 31 Dec. 2015	Reclassi- fication	Issue	Repayment	Carrying/ Nominal value 31 Dec. 2016
2.625% bond, maturing 16 February 2016 (nominal on issuance CHF 250 000)	250 000	0	0	- 250 000	0
Total	250 000	0	0	- 250 000	0

Long-term bonds

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
0.045% bond, maturing 20 December 2021 (nominal on issuance CHF 100 000)	n.a.	0	100 000	0	100 000
0.000% bond, maturing 1 September 2023 (nominal on issuance CHF 125 000)	n.a.	0	125 000	0	125 000
0.500% bond, maturing 16 February 2024 (nominal on issuance CHF 225 000)	n.a.	0	225 004	0	225 004
1.000% bond, maturing 6 February 2025 (nominal on issuance CHF 100 000)	100 000	0	0	0	100 000
0.375% bond, maturing 29 April 2026 (nominal on issuance CHF 100 000)	n.a.	0	100 000	0	100 000
Total	420 000	0	550 004	0	970 004

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 2016 and in 2015.

4.2 Major shareholders in accordance with article 663c CO

As at 31 December 2016, 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 (31 December 2015: 12.21%), one nominee exempt from reporting requirements (Chase Nominees Ltd, London, United Kingdom) with 6.86% of the voting rights (previous year: 7.10%) and BlackRock Inc., New York, N.Y., USA, with 5.08% of the voting rights (31 December 2015: 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 120 ff. FMIA are shown in the "Corporate governance" section, figure 1.2, page 159.

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 96 to 99.

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 2015	31 December 2016
Günther Gose, Chairman	18 000	18 000
Corinne Denzler, Member ¹	n.a.	250
Adrian Dudle, Member	0	0
Peter Forstmoser, Member	2 000	2 000
Nathan Hetz, Member ²	5 600 000	5 600 000
Gino Pfister, Member ³	860	n.a.
Josef Stadler, Member	168	168
Aviram Wertheim, Member	0	0
Total	5 621 028	5 620 418

1 Elected at the Annual General Meeting of 31 March 2016

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

3 Until 31 March 2016

In 2016, 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 2015	31 December 2016
Luciano Gabriel, Delegate of the Board of Directors and Chief Executive Officer	182 042	193 700
Giacomo Balzarini, Chief Financial Officer	44 706	48 349
Adrian Murer, Chief Investment Officer ¹	n.a.	1 301
Ludwig Reinsperger, Chief Investment Officer ²	37 231	n.a.
Total	263 979	243 350

1 As of 1 July 2016

2 Until end of January 2016

Within the framework of their performance-based compensation, 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

Compensations of members of the Executive Board (incl. executive member of the Board of Directors) business year 2016	(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		987	11 543
Giacomo Balzarini, Chief Financial Officer		308	3 607
Adrian Murer, Chief Investment Officer ¹		123	1 443
Ludwig Reinsperger, Chief Investment Officer ²		278	3 246
Total		1 696	19 839

¹ As of 1 July 2016

² Until end of January 2016

Neither the Members of the Board of Directors nor the Members of the Executive Board held any options on PSP shares in 2016 or 2015. As in 2015, no loans were granted to Members of the Board of Directors or the Executive Board in 2016. As at the end of 2015, there were no claims on these Members at the end of 2016.

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 142 to 144.

4.4 Treasury shares

	Number of registered shares	Cost/Sale value in CHF	Average transaction price in CHF
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.
Purchases	19 880	1 721 466	86.59
Performance-based compensation in shares for the Executive Board	- 19 880	- 1 723 257	86.68
31 December 2016	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

On 10 February 2017, the CHF 125 million 0.000% bond (maturing 2023) issued in September 2016 was increased (slightly below par) by CHF 50 million to CHF 175 million.

There were no further subsequent events.

Board of Directors' proposal concerning the appropriation of the retained earnings

The Board of Directors will propose to the Annual General Meeting on 5 April 2017 a dividend payment of **CHF 3.35 per share** out of the retained earnings of CHF 269.2 million as per 31 December 2016 respectively to appropriate the balance sheet profit as follows:

(in CHF 1 000)	2015	2016
Balance carried forward from the previous year	- 3 122	268 700
Annual profit	340 624	5 14
Retained earnings	337 502	269 214
Dividend payment from retained earnings	- 68 802	- 153 657
Balance carried forward	268 700	115 557

For the prior year the distribution comprised a dividend paid from retained earnings of CHF 1.50 per share and a payment out of the capital contribution reserves of CHF 1.80 per share. As per 31 December 2016 statutory reserves from capital contributions amount to CHF 0.4 million.

(Treasury shares are not entitled to dividends; therefore, the total amounts for dividend payments respectively the corresponding carry-forward may deviate from these figures.)



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

Zug

Report on the audit of the financial statements

Opinion

We have audited the financial statements of PSP Swiss Property Ltd, which comprise the balance sheet as at 31 December 2016, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements (pages 124 to 134) as at 31 December 2016 comply with Swiss law and the articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the “Auditor’s responsibilities for the audit of the financial statements” section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall materiality: CHF 13.5 million

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As a key audit matter, the following area of focus was identified:

Valuation of investments in subsidiaries

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Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

<i>Overall materiality</i>	CHF 13.5 million
<i>How we determined it</i>	1 % of the net assets (shareholders' equity) in the financial statements
<i>Rationale for the materiality benchmark applied</i>	We chose net assets as the benchmark because, in our view, it is a common industry benchmark for materiality considerations in the real estate business.

Report on key audit matters based on the Circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Valuation of investments in subsidiaries

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p>As of 31 December 2016, the Company had direct equity investments (i.e. 100% share of capital and voting rights) in PSP Participations Ltd and PSP Finance Ltd with a total carrying value of CHF 1.72 billion, which represents 47.7 % of total assets.</p> <p>The equity investments are stated at acquisition cost and valued individually in accordance with the commercial accounting and financial reporting provisions of the Swiss Code of Obligations.</p> <p>If necessary, impairments are recognised in the event of a fall in value.</p> <p>We consider the impairment testing of investments as a key audit matter due to their significance on the balance sheet.</p> <p>Please refer to the accounting and valuation principles (notes 2.8 and 3.5).</p>	<p>We assessed and tested the design and effectiveness of the internal controls relating to the impairment testing of investments.</p> <p>In particular, we performed the following audit procedures:</p> <ul style="list-style-type: none"> • We compared the carrying amounts of the investments in subsidiaries with the equity disclosed in the audited financial statements of each company (intrinsic value). • We assessed the hidden reserves of the directly and indirectly held subsidiaries (e.g. differences between the market value and the book value of properties). • We assessed the values based on capitalised earnings of the directly and indirectly held subsidiaries as calculated by Management. • We assessed the 2017 forecast (Group level), and compared and assessed the 2016 results against the 2016 forecast. <p>The evidence we obtained from the above-mentioned audit procedures was sufficient and appropriate to assess the valuation of investments in subsidiaries.</p>

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

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 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

Philipp Gnädinger
Audit expert

Zurich, 6 March 2017

Compensations of the Board of Directors and the Executive Board

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Compensation report

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

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

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 company pension scheme (Old Age and Survivor's insurance, "AHV") are – in the amount of TCHF 13 that entitles to the maximum AHV pension benefits – included as compensation elements and listed under employer contributions pension benefits. The total employer contributions to the social security insurances (AHV/IV/EO) amount to TCHF 31. No non-executive member is insured under a company pension scheme.

Compensations to members of the Board of Directors (non-executive) business year 2016

(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
Corinne Denzler, Member ²	56	0	0	2	59
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 ³	19	0	0	0	19
Josef Stadler, Member	75	0	0	3	78
Aviram Wertheim, Member	107	0	0	4	111
Total	666	0	0	16	682

1 The mandatory employer contributions to the company pension scheme (Old Age and Survivor's insurance, "AHV") are – in the amount of TCHF 16 that entitles to the maximum AHV pension benefits – included as compensation elements and listed under employer contributions pension benefits. The total employer contributions to the social security insurances (AHV/IV/EO) amount to TCHF 31. No non-executive member is insured under a company pension scheme.

2 Elected at the Annual General Meeting of 31 March 2016

3 Until 31 March 2016

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 2015	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 compensations
				Amount	in number of shares		
(in CHF 1 000)							
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 daily closing prices week 50/2015: CHF 84.25).

2 The mandatory employer contributions to the state pension scheme (Old Age and Survivor's Insurance, "AHV") are – in the amount of TCHF 11 that entitles to the maximum AHV pension benefits – included 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.

Compensations to members of the Executive Board (incl. executive member of the Board of Directors) business year 2016	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 compensations
				Amount	in number of shares		
(in CHF 1 000)							
Luciano Gabriel, Delegate of the Board of Directors and Chief Executive Officer	882	0	0	987	11 543	224	2 093
Giacomo Balzarini, Chief Financial Officer	514	308	0	308	3 607	95	1 226
Adrian Murer, Chief Investment Officer ³	226	123	0	123	1 443	41	514
Ludwig Reinsperger, Chief Investment Officer ⁴	500	278	8	278	3 246	149	1 212
Total	2 122	709	8	1 696	19 839	509	5 045

1 Allocated in week 50/2016 at the market value per share at allocation date (average of daily closing prices week 50/2016: CHF 85.50).

2 The mandatory employer contributions to the state pension scheme (Old Age and Survivor's insurance, "AHV") are – in the amount of TCHF 12 that entitles to the maximum AHV pension benefits – included 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 218. The performance-based compensation is not insured under the company pension schemes; the fixed compensation only up to an amount of TCHF 700.

3 As of 1 July 2016

4 The information includes the pro rata compensations until the leaving of the Executive Board as per the end of January 2016 as well as the compensations owed during the 12 months' notice period pursuant to the employment contract, which encompass on a pro rata basis the fixed and performance-related compensations, the other benefits and the employer contributions for pension benefits for the 2016 business year.

3 Additional comments and information

The listed compensations refer to the 2016 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 2016 compared to those of the previous year are lined out in the following explanations on pages 146 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 section 5.2 of the Corporate Governance report on pages 174 ff.

In the 2016 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 2016 – as likewise per 31 December 2015 – there were no such claims vis-à-vis of this group of people.

In the 2016 business year, legal fees of TCHF 8 were paid to the lawyers of the law firm Niederer Kraft & Frey Ltd, Zurich, where Mr. Peter Forstmoser holds the position of a partner (2015: TCHF 24). No legal fees were paid to Mr. Forstmoser himself. 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 TCHF 116 p.a. 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 (see the respective confirmation of Mr. Peter Forstmoser at www.psp.info > Company > Governance > Corporate Governance).

In the 2016 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.



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

Zug

We have audited the accompanying remuneration report of PSP Swiss Property Ltd (pages 142 to 144) for the year ended 31 December 2016.

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 2016 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers Ltd

Guido Andermatt

Audit expert
Auditor in charge

Philipp Gnädinger

Audit expert

Zurich, 6 March 2017

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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 2016 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 in 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, 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, 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 from 2015, the shareholders have a say on pay by way of an advisory vote on the compensation report.*

These key features remained the same as in the previous business year.

2 Determination of the compensations

The procedure for 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 2016 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 (for specific activities in the reporting year, see section 6 below).

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 (for the work method of the Compensation Committee in the reporting year, see section 3.4.3 of the Corporate Governance report).

These procedures have not changed compared to the previous year.

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 31 March 2016**, it is composed as follows:

<u>Members¹</u>	<u>For the first time elected by the Annual General Meeting</u>
Peter Forstmoser, Chairman	Annual General Meeting 2014
Adrian Dudle	Annual General Meeting 2016
Nathan Hetz	Annual General Meeting 2014
Josef Stadler	Annual General Meeting 2014

¹ Until the Annual General Meeting 2016, Mr. Gino Pfister, who did not stand for re-election as member of the Board of Directors, was member of the Compensation Committee.

4 The compensations of the Board of Directors

4.1 Basis and elements of the compensations of the Board of Directors

The basis and elements of the compensations of the Board of Directors were – as already in the previous year – effective without change for the **entire 2016 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 and chairmanship 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, also for the reporting year**:

- *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 activities and chairmanship in the Committees are not separately remunerated.*

The compensations of the non-executive members of the Board of Directors for the 2016 business year are set out in **section 1** of the compensation report.

4.3 Addendum: 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 TCHF 1 000 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. Because at the time of the publication of the 2015 compensation report, the number of Board Meetings to be held until the Annual General Meeting 2016 was still uncertain, the total amount of compensations could only be stated tentatively therein. The definite total amount of compensations is thus disclosed herein as follows:

Total compensations of the Board of Directors (non-executive)^{1,2}	(in CHF 1 000)	from AGM 2015 to 31 December 2015	from 1 January 2016 to AGM 2016	from AGM 2015 to AGM 2016
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	172	671

¹ See section 1 of the compensation report.

² Inclusive the mandatory employer contributions to the state pension scheme (Old Age and Survivors' insurance, "AHV") that entitle to the maximum AHV pension benefits in the amount of TCHF 13.

The total amount of compensations for the non-executive members of the Board of Directors for the period from the Annual General Meeting 2015 to the Annual General Meeting 2016 amounted to **TCHF 671** and was thus well **below the approved maximum total amount of TCHF 1 000**.

4.4 The compensations of the non-executive members of the Board of Directors for the period from the Annual General Meeting 2016 to the Annual General Meeting 2017

The Annual General Meeting of 31 March 2016 has approved a maximum total amount of compensations for the Board of Directors of TCHF 1 000 until the Annual General Meeting 2017 (previous period: TCHF 1 000). Such amount was calculated based on the assumption of a maximum of ten Board Meetings during the term of office.

The compensations for the 2016 business year are listed in section 1 of the compensation report. They amount to TCHF 682 in total (previous year: TCHF 671). The compensations for the period from the Annual General Meeting 2016 to 31 December 2016 are based on four Board Meetings and total TCHF 510. On the assumption that only one more ordinary Board Meeting will be held until the Annual General Meeting 2017, such amount will increase by TCHF 173 to **TCHF 683**.

Total compensations of the Board of Directors (non-executive) ^{1, 2}	(in CHF 1 000)	from AGM 2016 to 31 December 2016	from 1 January 2017 to AGM 2017 ³	from AGM 2016 to AGM 2017 ³
Günther Gose, Chairman		120	40	160
Corinne Denzler, Member		59	20	78
Adrian Dudle, Member		59	20	78
Peter Forstmoser, Member		56	19	75
Nathan Hetz, Member		75	28	103
Josef Stadler, Member		59	20	78
Aviram Wertheim, Member		83	28	111
Total		510	173	683

1 See section 1 of the compensation report.

2 Inclusive the mandatory employer contributions to the state pension scheme (Old Age and Survivors' insurance, "AHV") that entitle to the maximum AHV pension benefits in the amount of TCHF 17.

3 Based on the assumption of one Board Meeting with all members participating from 1 January 2017 until AGM 2017.

Thus, the compensations for the non-executive Board Members for the current term of office will most likely be **below the approved maximum amount of TCHF 1 000**. The Board of Directors will disclose the definite total amount of compensations in the 2017 compensation report.

5 The compensations of the Executive Board

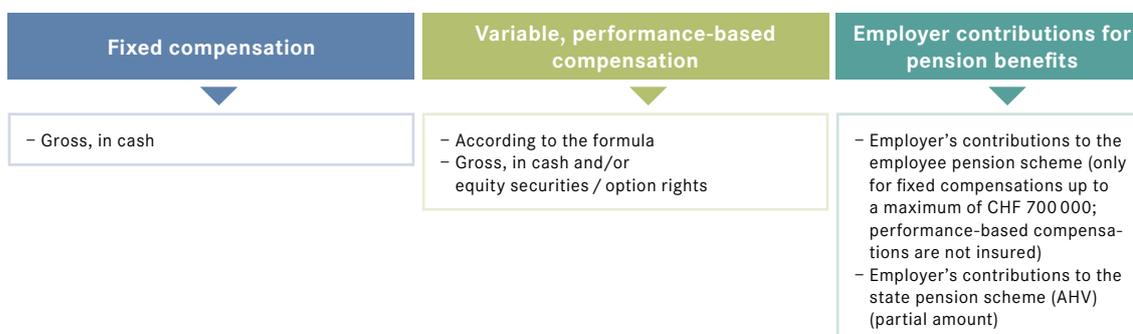
Until the end of January 2016, the Executive Board was composed of Mr. Luciano Gabriel, Mr. Giacomo Balzarini and Mr. Ludwig Reinsperger. At the end of January 2016, Mr. Ludwig Reinsperger left the Executive Board and his successor, Mr. Adrian Murer, entered the Executive Board on 1 July 2016. The contractual remuneration entitlements of Mr. Ludwig Reinsperger for the 12 months' notice period last until end of January 2017. The information on the remuneration of Mr. Ludwig Reinsperger for the reporting year thus includes the compensations until his leaving the Executive Board as per the end of January 2016 as well as the compensations owed during the 12 months' notice period pursuant to the employment contract, which encompass on a pro rata basis the fixed and performance-related compensations, the other benefits and the employer contributions for pension benefits for the 2016 business year. Therefore, in the reporting year, the pro rata temporis compensations for Mr. Adrian Murer accrued in addition to the compensations for Mr. Ludwig Reinsperger.

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 2016 business year**.

- 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 described **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 amount 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:



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 2016 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 in the annual report on page 40 footnote 3) 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**.

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

Legend:

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

K for Luciano Gabriel = 160 000 (2015: 160 000)
 K for Giacomo Balzarini = 100 000 (2015: 100 000)
 K for Adrian Murer¹ = 80 000 (2015: n.a.)
 K for Ludwig Reinsperger² = 90 000 (2015: 90 000)

¹ Member of the Executive Board as from July 2016, pro rata as from then on

² Member of the Executive Board until the end of January 2016

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 and approval required by the Annual General Meeting

Each employment contract contains an **individual maximum amount** (“cap”) of the **maximum total compensation** owed by the employer per calendar year. Such caps were for the 2016 business year: TCHF 2 600 for Mr. Luciano Gabriel (2015: TCHF 2 600), TCHF 1 600 for Mr. Giacomo Balzarini (2015: TCHF 1 600) and TCHF 1 500 for Mr. Adrian Murer (2015: n.a.). The individual maximum amount for Mr. Ludwig Reinsperger amounted to TCHF 1 600 (2015: TCHF 1 600).

The **individual maximum amount of the variable, performance-based compensation** for each member of the Executive Board can be calculated by deducting from the above mentioned caps (i) the fixed compensation and (ii) the employer contributions for pension benefits relating thereto. For the 2016 business year such calculation results in the following capped amounts for the performance-based compensations: TCHF 1 497 for Mr. Luciano Gabriel (2015: TCHF 1 496), TCHF 994 for Mr. Giacomo Balzarini (2015: TCHF 992), CHF 618 for Mr. Adrian Murer (pro rata; 2015: n.a.) and TCHF 954 for Mr. Ludwig Reinsperger (2015: TCHF 950).

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 The compensations of the Executive Board 2016

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 with **Mr. Luciano Gabriel, Mr. Giacomo Balzarini and Mr. Ludwig Reinsperger** 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 still effective for the 2016 business year without changes in comparison to the previous year, namely as regards the cap, the formula and the individual factors “K”.

A new employment contract – according to the standard for Executive Board members – has been entered into with **Mr. Adrian Murer** as per his taking office on 1 July 2016, containing namely the discretionally determined fixed and performance-based compensations, including the individual cap, the formula and the individual factor “K”, all as described in section 2 of the compensation report and in sections 5.2 and 5.3 above respectively.

The compensations of each member of the Executive Board for the **2016 business year** are listed in **section 2** of the compensation report and can be summarized as follows:

Executive Board compensations (incl. Delegate/CEO) (in CHF 1 000)	Fixed compensations		Other benefits		Employer contributions pension benefits		Performance-based compensation ¹		Total compensations		X
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	
Luciano Gabriel	882	882	0	0	224	222	987	883	2 093	1 987	106
Giacomo Balzarini	514	514	0	0	95	94	617	552	1 226	1 160	66
Adrian Murer ²	226	–	0	–	41	–	247	–	514	–	514
Ludwig Reinsperger ³	500	502	8	0	149	148	555	497	1 212	1 147	65
Total	2 122	1 898	8	0	509	463	2 406	1 932	5 045	4 293	752

¹ The ratios compared to the fixed compensations are for Luciano Gabriel 112% (2015: 100%), Giacomo Balzarini 120% (2015: 107%), Ludwig Reinsperger 111% (2015: 99%) and for Adrian Murer 109% (2015: n.a.).

² Taking office in the Executive Board on 1 July 2016

³ Leaving the Executive Board end of January 2016

The **total amount of compensations** amounted to **TCHF 5 045** (2015: TCHF 4 293). Compared to the previous year, this means an increase of TCHF 752, mainly due to the additional compensations payable as from 1 July 2016 onwards.

The **performance-based compensations** increased in comparison with the previous year from TCHF 1 932 to **TCHF 2 406**, in half due to the additional amount of TCHF 247 payable as from 1 July 2016. On an **individual level**, they increased in comparison with the previous year by around **12%**. This was due to a **change in the earnings per share** used in the formula (EPS of CHF 2.94 (2015: CHF 4.09) respectively EPS excluding gains/losses on real estate investments of CHF 3.76 (2015: CHF 3.52)).

The **shares for the 2016 business year** were allocated based on the average of the end of day share prices in week 50/2016 (CHF 85.50).

5.5 Compensations paid for the Executive Board for the 2016 business year within the approved total amount

The Annual General Meeting of 1 April 2015 has approved a maximum total amount of compensations for the Executive Board of **TCHF 5 800** for the 2016 business year. This prospectively approved total amount was sufficient for the actually incurred compensations of the members of the Executive Board of **TCHF 5 045** (see section 5.4 above). The approved total amount was also sufficient to pay in addition to the compensations for Mr. Ludwig Reinsperger the compensations for Mr. Adrian Murer as from 1 July 2016 onwards. The statutorily reserved **additional amount** for the remuneration of an Executive Board member, who was appointed after the general meeting's approval of the applicable total amount of compensation – as it was the case for Mr. Adrian Murer – was **not needed** (see Article 24 (2) of the Articles of Association in respect to such additional amount).

5.6 Shareholdings of the members of the Executive Board 2016

As already in previous years, the Delegate/CEO and the other members of the actual Executive Board participated in the success of the company in the 2016 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) (in CHF 1 000)	Number of shares	
	31 December 2015	31 December 2016
Luciano Gabriel, Delegate of the Board of Directors and Chief Executive Officer	182 042	193 700
Giacomo Balzarini, Chief Financial Officer	44 706	48 349
Adrian Murer, Chief Investment Officer	n.a.	1 301
Ludwig Reinsperger, Chief Investment Officer	37 231	n.a.
Total	263 979	243 350

6 Compensation-related activities in the reporting year

Based on the proposal of the Compensation Committee, the Board of Directors has approved the employment contract of **Mr. Adrian Murer** per 1 July 2016 pursuant to the standard currently applicable for Executive Board members, in particular the respective **fixed and performance-based compensations** as described in section 5.4 above.

Proposals to the Annual General Meeting 2017

The Board of Directors will submit the following compensation-related proposals to the Annual General Meeting of 5 April 2017. Details will be stated in the invitation to the Annual General Meeting, which will govern in any event.

1 Advisory vote on the compensation report

The Board of Directors has decided to submit the 2016 compensation report to the Annual General Meeting for approval by way of non-binding advisory vote.

2 Approval of the maximum total amount of compensations for the Board of Directors until the Annual General Meeting 2018

In accordance with the Articles of Association, the Board of Directors will propose to the Annual General Meeting 2017 to approve the maximum total amount of compensations for the Board of Directors **until the Annual General Meeting 2018**.

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) proposed for election and the **potential additional amounts** payable to members arriving from abroad and on the assumption of a maximum of ten board meetings during the term of office. For details, refer to the invitation to the Annual General Meeting of 5 April 2017.

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 2017 to approve the maximum total amount of compensations for the Executive Board **for the 2018 business year**.

The maximum total amount is calculated based on 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 5 April 2017.

The actual compensations for the 2018 business year will be established on the basis of the employment contracts and the 2018 business year results. They will be shown in detail in the 2018 compensation report, which will be submitted to the Annual General Meeting 2019 for approval by way of non-binding advisory vote.

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Corporate Governance

This Corporate Governance report shows generally the situation as at 31 December 2016 and follows the Directive of 1 April 2016 of the SIX Exchange Regulation on Information relating to Corporate Governance (“DCG”)¹.

References made in this Corporate Governance report to Articles of Association relate to the Company’s Articles of Association of 3 April 2014².

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 2016	CHF 4.036 billion
PSP shares held by subsidiaries	0%
Symbol	PSPN
Security number	1829415
ISIN	CH 0018294154

Non-listed participations

See note 3.5 on page 129 of PSP Swiss Property Ltd’s annual financial statements.

Business segments

For information about the three business segments of PSP-Swiss-Property Group, which did not change compared to the previous business year, namely Real Estate Investments, Property Management and Holding (corporate functions), see note 4 on pages 67 to 69 of the consolidated financial statements.

¹ Download available at www.six-exchange-regulation.com > Regulations > Issuer Regulations > Directive Corporate Governance (PDF)

² Download of the unofficial English translation of the German Original of the Articles of Association is available at www.psp.info > Company > Governance > Corporate Governance > Articles of association (PDF)

Only the German original of the Articles of Association is legally binding.

1.2 Major shareholders as at 31 December 2016

The information about major shareholders (voting rights > 3%) is based on entries in the share register and statements or disclosure notifications, respectively, made by the shareholder. In the reporting year, there were no disclosure notifications/publications reported on the electronic disclosure platform for the disclosure of shareholdings of the Disclosure Office of SIX Swiss Exchange³.

The following major shareholders are known by the Company:

- (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 2015*). 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), *pursuant to the latest disclosure notification/publication on 13 December 2014*. There were no disclosure notifications in the 2015 business year and 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, *pursuant to the latest disclosure notification/publication on 8 October 2015*. There was no disclosure notification in the reporting year.
- (d) **One nominee exempt from reporting requirements** to the extent of 6.86% of the voting rights (Chase Nominees Ltd, London, United Kingdom; 7.10% in the previous year).

1.3 Cross-shareholdings

As at 31 December 2016, there were no cross-shareholdings

³ Further details on the disclosure notifications are shown under www.six-exchange-regulation.com > Publications > Significant shareholders

1.4 Shareholders as at 31 December 2016

Distribution of PSP shares

Number of registered shares	Registered shareholders		Registered shares		Non-registered shares		Total number of issued shares
	Number	%	Number	% issued shares	Number	% issued shares	
1 to 1 000	3 794	81.94	908 774	1.98			
1 001 to 10 000	589	12.72	1 887 458	4.11			
10 001 to 100 000	193	4.17	6 569 074	14.32			
100 001 to 1 000 000	50	1.08	13 329 929	29.06			
1 000 001 to 1 376 036	2	0.04	2 402 167	5.24			
1 376 037 (3%) to 2 293 394	0	0	0	0			
2 293 395 (5%) and above	2	0.04	7 548 606	16.46			
Total registered shareholders/shares	4 630	100.00	32 646 008	71.17			
Total non-registered shares					13 221 883	28.83	
Total							45 867 891

Registered shareholders and shares	Registered shareholders		Registered shares	
	Number	%	Number	%
Individuals	4 010	86.61	3 175 783	9.73
Legal entities	620	13.39	29 470 225	90.27
<i>(thereof nominees/trustees)</i>	<i>(42)</i>	<i>(0.91)</i>	<i>(8 052 634)</i>	<i>(24.67)</i>
Total	4 630	100.00	32 646 008	100.00
Switzerland	4 417	95.40	18 500 262	56.67
Europe (excluding Switzerland)	156	3.37	7 937 488	24.31
North America	25	0.54	1 218 073	3.73
Other countries	32	0.69	4 990 185	15.29
Total	4 630	100.0	32 646 008	100.0

2 Capital structure

2.1 Share capital as at 31 December 2016

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 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
Issued, fully paid-in share capital at 31 December 2016	45 867 891	0.10	4 587
Conditional share capital at 31 December 2014	2 000 000	0.10	200
Conditional share capital at 31 December 2015	2 000 000	0.10	200
Conditional share capital at 31 December 2016	2 000 000	0.10	200

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 below. No preferential rights or similar rights are granted.

As at 31 December 2016, no participation certificates or bonus certificates were issued.

2.5 Restrictions on the transferability of registered shares

The registered shares of the Company are issued and administered in the form of book-entry securities. The transfer of registered shares administered in the form of book-entry securities is governed by the Book-Entry Securities Act and the Articles of Association. The Company keeps a share register in which the owners and usufructuaries of the registered shares are entered. Only those with valid entries in the share register are recognized by the Company as shareholders or usufructuaries. Purchasers of registered shares will upon request be entered, without limitation, as shareholders with voting rights in the share register, provided they expressly declare that they have acquired these registered shares in their own name and on their own account. The transfer restrictions pursuant to Article 8 (3) ff of the Articles of Association remain reserved (see Section 2.6 below). As regards the transferability of registered shares and nominee registrations, see further Article 7 (Shares, transfer of shares) and Article 8 (1) and (2) (Share register, nominees) of the Articles of Association.

2.6 Nominee registrations

As regards nominee registrations, see the following Article 8 (3) to (5) of the Articles of Association:

“(3) Persons who do not expressly declare in the entry application that they hold the shares on their own account (hereafter “nominees”) will, without further ado, be entered with voting rights in the share register up to a maximum of 2% of the share capital entered in the Commercial Register. Nominees linked with each other by way of capital, voting power, management or otherwise, or acting in concert in order to circumvent this entry restriction, are regarded as one nominee.

Over and above this limit, registered shares held by nominees will only be entered with voting rights when the nominee concerned reveals the names, addresses, nationalities and shareholdings of those persons on whose account he holds 0.5% or more of the share capital entered in the Commercial Register.

(4) After interviewing registered shareholders or nominees, the Board of Directors is entitled to delete entries from the share register, with retroactive effect from the date of entry, should these have been obtained by misrepresentation. The affected shareholder or nominee must be immediately informed of the deletion.

(5) The Board of Directors settles the details and issues the necessary instructions to ensure compliance with the provisions set out above. The Board of Directors is authorised to conclude agreements with nominees about their duties of notification.”

As at 31 December 2016, one agreement existed with a nominee regarding the requirements for registration respectively disclosure which adopts the terms of Article 8 (3) of the Articles of Association.

2.7 Convertible bonds and options

As at 31 December 2016 neither convertible bonds nor options were outstanding.

3 Board of Directors

The Board of Directors consists of eight members. The Annual General Meeting of 31 March 2016 elected Ms. Corinne Denzler as new member of the Board of Directors. Mr. Gino Pfister did not stand for re-election.

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 2016, 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 and Chairman of the Board of Directors of all PSP Swiss Property Ltd subsidiaries.

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 not perform, as at 31 December 2016, any activities or functions which are subject to disclosure in accordance with the DCG.

Corinne Denzler, 1966, CH, Baar, business graduate, non-executive member.

Education: Ms. Denzler is a business graduate from the KV Zurich Business School in Zurich (1984) and a qualified innkeeper from GastroSuisse/GastroGraubünden in Chur (1991). She completed the course for small and middle sized companies at the University of St. Gallen (1996).

Professional activity: From 1985 to 1993, Ms. Denzler performed various functions in the Swiss hotel industry, from 1993 to 1995 she ran her own restaurant in Gossau and from 1995 to 1998 she managed the Swiss Snowsports School Davos. From 1998 to 2005, Ms. Denzler worked as a member of the executive board of Grand Resort Bad Ragaz. Between 2005 and 2008, Ms. Denzler was Director of Spas of the Tschuggen Hotel Group, and since 2008 she is working as Chief Executive Officer of the Tschuggen Hotel Group, with hotels and spas in Ascona, Arosa and St. Moritz.

Other activities and vested interests: In addition to her mandate at PSP Swiss Property Ltd, Ms. Denzler did not perform, as at 31 December 2016, any activities or functions which are subject to disclosure in accordance with the DCG.

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

Education: Lic. iur. University Freiburg i. Ue. (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 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 2016, 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 of 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. Since 2015 he is 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 2016, 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, and member of the Board of Trustees of SWIPRA Foundation, 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 2016, 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, Chairman of the Board of Directors of the publicly listed Energix – Renewable Energies Ltd, Ramat-Gan, Israel, and Chairman of the Board of Directors of Carr Properties Corporation, Washington D.C., USA.

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

Professional activity: UBS AG, member of the Global 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 2016, any activities or functions which are subject to disclosure in accordance with the DCG.

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

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

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

Other activities and vested interests: In addition to his mandate at PSP Swiss Property Ltd, Mr. Wertheim did perform, as at 31 December 2016, 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, member of the Board of Directors of the publicly listed Amot Investments Ltd, Ramat-Gan, Israel, member of the Board of Directors of the publicly listed Energix – Renewable Energies Ltd, Ramat-Gan, Israel, and member of the Board of Directors of Carr Properties Corporation, Washington D.C., USA.

General representations

None of the non-executive members of the Board of Directors belonged to the Executive Board of PSP Swiss Property Ltd or a subsidiary in the three years preceding the 2016 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 section 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 of the Board of Directors and first election of its members by the Annual General Meeting

	for the first time elected
Günther Gose ¹	Extraordinary General Meeting 7 February 2000
Luciano Gabriel	Annual General Meeting 4 April 2007
Corinne Denzler	Annual General Meeting 31 March 2016
Adrian Dudle	Annual General Meeting 3 April 2014
Peter Forstmoser	Annual General Meeting 30 March 2010
Nathan Hetz	Annual General Meeting 4 April 2007
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 2016, there were no term limits.

3.3.2 Chairman of the Board of Directors and its first election by the Annual General Meeting

	for the first time elected
Günther Gose ¹	Annual General Meeting 3 April 2014

¹ As of 4 December 2001 Chairman of the Board of Directors.

3.3.3 Composition of the Compensation Committee and first election of its members by the Annual General Meeting

	for the first time elected
Peter Forstmoser	Annual General Meeting 3 April 2014
Adrian Dudle	Annual General Meeting 31 March 2016
Nathan Hetz	Annual General Meeting 3 April 2014
Josef Stadler	Annual General Meeting 3 April 2014

3.3.4 Additional Information

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, pursuant to the Articles of Association, 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 Articles of Association thus take no advantage of Article 7 para. 4 VegüV, which allows to complete the Compensation Committee immediately 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. 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. Besides that, 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. 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 legal, strategic and corporate governance issues, Mr. Adrian Dudle in communication matters and with his background on special real estate and Ms. Corinne Denzler with her experience in special real estate objects and projects.

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 Swiss Property Ltd's subsidiaries.

3.4.2 Committees of the Board of Directors

In view of its current size, the Board of Directors sees in general no necessity to delegate tasks to Board Committees unless provided for by law or the Articles of Association. 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**, which basically have only advisory and preparatory tasks.

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

	Member since the General Meeting of respectively since the existence of the Audit Committee
Günther Gose	9 May 2007
Corinne Denzler	31 March 2016
Adrian Dudle	3 April 2014
Peter Forstmoser	30 March 2010
Nathan Hetz	9 May 2007
Josef Stadler	2 April 2009
Aviram Wertheim	2 April 2009

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. All members have appropriate expertise in accounting and finance, be it as acting or former Chief Executive or Financial Officer (CEO or CFO) or because of actual or former education and/or professional activities as Certified Public Accountant (CPA) or legal expert.

The **Compensation Committee** was elected at the Annual General Meeting of 31 March 2016 (see section 3.3.3 above). It appointed Mr. Forstmoser as Chairman. The duties of the Compensation Committee are set forth in Articles 22 (4) et seq. of the Articles of Association as follows:

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

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

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

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

3.4.3 Work method of the Board of Directors and its Committees

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

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

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

In the 2016 business year, five ordinary Board meetings took place, lasting five hours on average. The Audit Committee met five times, the Compensation Committee twice, with a meeting lasting one hour on average.

With regard to the participation of members of the Executive Board and of the Statutory Auditors at the meetings of the Board of Directors and its Committees, see section 3.6 and 8.4, respectively, below. In the reporting year, all acting members of the Executive Board participated in the meetings of the Board of Directors. The representatives of the Statutory Auditors participated at four meetings of the Board of Directors and at four meetings of the Audit Committee. One representative of the property appraiser Wüest Partner AG reported at the meeting in August. Apart from that, no other persons or advisors were invited to the meetings.

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. In the reporting year, all acting members of the Executive Board participated at the meetings of the Board of Directors and of the Audit Committee.

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 62 to 66 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 below). In the reporting year, no special auditing duties were assigned.

4 Executive Board

The Executive Board consists of three members. Mr. Ludwig Reinsperger left the Executive Board as per the end of January 2016; Mr. Adrian Murer joined the Executive Board as per 1 July 2016.

	Member since
Luciano Gabriel ¹ , Chief Executive Officer	1 March 2002
Giacomo Balzarini, Chief Financial Officer	1 April 2007
Adrian Murer, Chief Investment Officer	1 July 2016
Ludwig Reinsperger ²	until the end of January 2016

¹ Since 1 April 2007 as Delegate of the Board of Directors and CEO.

² After Mr. Ludwig Reinsperger left the Executive Board as per end of January 2016, and until Mr. Adrian Murer took office at 1 July 2016, the functions of the Chief Investment Officer were temporarily split between and assumed by Mr. Luciano Gabriel and Mr. Giacomo Balzarini.

Luciano Gabriel, 1953, CH, Wollerau, Dr. rer. pol., Chief Executive Officer (has held this position since 1 April 2007, previously, Chief Financial Officer since March 2002). See section 3.1 above.

Giacomo Balzarini, 1968, CH and 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 2016, 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.

Adrian Murer, 1974, CH, Beckenried, dipl. Ing. ETH, M.A. HSG, Attorney-at-Law, Chief Investment Officer (since 1 July 2016).

Education: Mr. Murer completed his studies at the Swiss Federal Institute of Technology Zurich as dipl. Ing. ETH (2000) and at the University of St. Gallen as M.A. HSG (2007). In 2008, he was admitted to the Bar of the Canton of Aargau.

Professional activity: After various engagements as project engineer with construction and engineering firms in Spain, Switzerland and Singapore (1998, 2002 – 2004), Mr. Murer worked as a lawyer at the law firm Baur Hürlimann AG in Zurich from 2007 to 2011 and as Director at Orascom Development Holding AG in Altdorf from 2011 to 2013. From mid-2013 until mid-2016, Mr. Murer was a partner at the law firm Baur Hürlimann AG in Zurich.

In addition to his mandates at the subsidiaries of PSP Swiss Property Ltd, Mr. Murer did perform, as at 31 December 2016, the following activities or functions which are subject to disclosure in accordance with the DCG: Member of the Board of Directors of Andermatt-Sedrun Sport AG, Andermatt.

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 section 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 above).

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

4.3 Management contracts

As at 31 December 2016, there were no management contracts with companies outside the PSP-Swiss-Property-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 142 to 144 in the compensation report together with the explanations on the compensation system on pages 146 to 154.

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 pages 96 to 99.

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) of the Articles of Association 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 143.

b) In respect to the allocation principles of equity securities, convertible rights and options, Article 23 (4) of the Articles of Association 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 143.

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) of the Articles of Association 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 required in the 2016 business year (see the compensation report, page 144.).

5.2.2 Loans, credit facilities and post-employment benefits

a) In respect to loans and credits, Article 25 (4) of the Articles of Association 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 2016 business year, no loans and credits were granted (see the compensation report, page 144).

b) In respect to post-employment benefits, Article 25 (2) of the Articles of Association 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 in the 2016 business year, see the compensation report page 143.

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) of the Articles of Association 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 those prescribed by law are 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.

The right to request the inclusion of an agenda item is governed by Article 11 (2) of the Articles of Association as follows:

“(2) Up to 45 days before the date of a General Meeting, shareholders with voting rights, together representing shares with a nominal value of at least CHF 10 000.-, may submit items for inclusion on the agenda. This demand must be made in writing stating the respective proposals.”

In respect to the next Annual General Meeting of 5 April 2017, the 45th day before the date of the General Meeting is 19 February 2017.

Proposals at the General Meeting regarding items on the agenda do not need to be announced in advance (see Article 11 (3) 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.

In respect to the next Annual General Meeting of 5 April 2017, such record date is Friday, 31 March 2017.

For further information regarding the entry of shareholders and usufructuaries of PSP shares in the share register, we refer to Article 8 of the Articles of Association.

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 125 respectively 135 FMIA (Financial Market Infrastructure Act, in force since January 2016).

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 2016 business year by the Annual General Meeting on 31 March 2016.

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 and it will expire by the end of the 2017 business year.

8.2 Auditors' fees

The costs for auditing the financial statements of the subsidiaries and the consolidated financial statements 2016 as well as for reviewing the interim financial statements as per 30 June 2016 and the quarterly financial statements as per 31 March and 30 September 2016 amounted to CHF 0.612 million (previous year: CHF 0.64 million).

8.3 Additional fees

For the reporting period 2016, additional fees of CHF 0.05 million (previous year: CHF 0.05 million) were charged by PricewaterhouseCoopers AG for advice in the segments sustainability reporting 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 2016 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 above, the Board of Directors and its Audit Committee may entrust the Statutory Auditors with special reviews, if required. In the reporting year, no such special reviews were requested.

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

9 Information policy

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

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

Investor Relations

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Agenda

7 March 2017	Publication FY 2016
5 April 2017	Annual General Meeting 2017
12 May 2017	Publication Q1 2017
18 August 2017	Publication H1 2017
14 November 2017	Publication Q1 – Q3 2017

www.psp.info

Additional information and all publications (**including, in particular, the 2016 annual report and the Articles of Association of the Company**) are available under www.psp.info > Investors > Downloads > Financial reports respectively Company > Governance > Corporate Governance. **The publications may also be requested at the above Investor Relations address.**

Sustainability report

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Sustainability report

Since the launch of our sustainability programme in 2010, we were able to reduce our properties' specific emissions from 21 to 14 kg CO₂e; this corresponds to a reduction of more than 30% adjusted for heating degree days.

Sustainability

For us, sustainability includes three aspects:

- Ecological sustainability
- Economic sustainability
- Social sustainability

In particular, sustainability means assuming responsibility with regard to tenants and business partners, employees and shareholders as well as the public and the environment. This pertains to the strategic as well as the daily operational level. We are convinced that long-term success requires a balancing of ecological, economic and social sustainability.

Our activities in the field of sustainability are shown on the following pages. The annual report also includes our reporting with regard to ecological sustainability according to the EPRA's (European Public Real Estate Association) "Best Practices Recommendations on Sustainable Reporting". 2016, PSP Swiss Property received the EPRA Gold Award for its 2015 reporting.

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, especially with regard to energy and resource efficiency. Therefore, we want to keep our ecological footprint as small as possible.

Consequently, we take environmental factors into account at all stages of business activity:

- Purchase of properties
- New constructions and renovations
- Property management

One staff member in real estate asset management and two staff members in the construction services and the property management units are technically 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 managers.

Since the launch of our sustainability programme in 2010, we were able to reduce our properties' specific emissions from 21 to 14 kg CO₂e; this corresponds to a reduction of more than 30% adjusted for heating degree days.

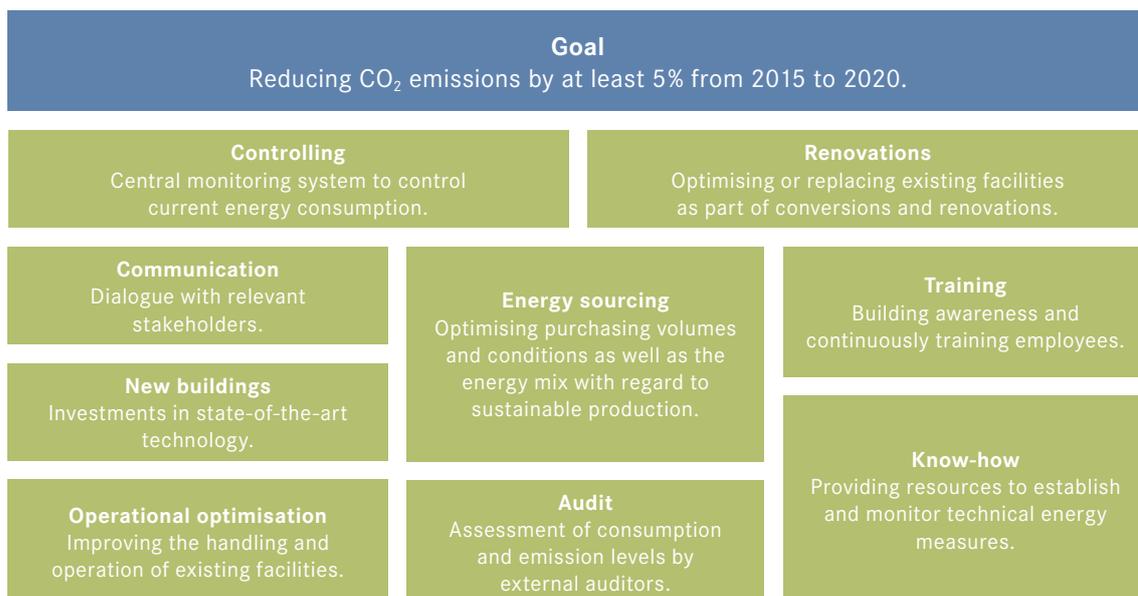
Three measures were the basis for this success:

- First, we improved our organisation and know-how in the fields of energy and sustainability constantly over the past years.
- Second, in the course of heating renovations, we keep converting existing installations to less CO₂e intensive systems (from oil to gas, district heating or heat pumps). In renovations and new constructions we try to minimise consumption and emissions levels.
- Third, we pay special attention to energy efficiency in our daily operations. Thereby, our central energy control and alarm management system plays a crucial role.

Our goal is to further reduce our properties' specific CO₂e emissions in the coming years. However, it will become increasingly difficult to achieve further significant reductions, because many operational measures have already been implemented and 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 step by step.

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, renovations and improvements:

In addition to economic and legal aspects, we also evaluate potential acquisitions as well as new constructions and conversions with regard to their impact on the environment. In other words: we always take sustainability criteria and energy efficiency into account. 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).

In the 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 benefit from excellent public transport, which results in correspondingly low traffic-related pollution.

Property management: We want to keep the environmental impact of our property management and maintenance activities as low as possible, especially in the following areas:

- Energy consumption
- Water consumption
- CO₂e emission

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. In 2016, we analysed 155 properties with 933 934 m² floor space (2015: 160 properties with 957 129 m² floor space). For the remaining properties (the portfolio included 161 investment properties at the end of 2016 and 163 at the end of 2015), the figures were outstanding at year-end. New buildings and conversions are added to the analysis after their completion.

The complete data collection with regard to energy and water consumption at our properties enables us to deduce and implement optimisation and renovation measures which continuously reduce energy and water consumption and minimise CO₂e output.

The main environmental indicators 2015 and 2016:

	2015		2016	
	Absolute value	Specific figure per m ²	Absolute value	Specific figure per m ²
Heating ¹	66.78 million kWh	69.8 kWh	65.88 million kWh	70.55 kWh
Electricity ²	22.72 million kWh	23.7 kWh	20.78 million kWh	22.25 kWh
CO ₂ e (heating and electricity) ³	15 003 t	15.68 kg	12 123 t	12.98 kg
Water consumption ⁴	481 157 m ³	0.50 m ³	462 333 m ³	0.495 m ³

1 Energy for heating, hot water and ventilation; not adjusted for heating degree days (incl. increased demand by gastronomic use). The specific figure adjusted for heating degree days relating to the base year 2010 was 76.13 kWh/m² for 2016 (2015: 82.3 kWh/m²).

2 Energy for general electrical use (incl. increased demand by air-conditioning, excl. direct energy use by tenants). Since 2015/2016 a number of new electricity procurement agreements are in force. In the respective properties, the energy we obtain is from renewable sources only. Overall, 75% of all the electricity used today is from renewable sources. As a result, we were able to lower the emission factor by more than 60%.

3 In the calculation of the fuels’ greenhouse gas emissions, only direct emissions were taken into account. The factors are from the Swiss greenhouse gas inventory of the Federal Office for the Environment (FOEN), while we obtain the figures for electricity and district heating from the producers and suppliers. The figures are not adjusted for heating degree days. The specific figure adjusted for heating degree days relating to the base year 2010 was 13.93 kg/m² for 2016 (2015: 18.38 kg/m²).

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

Sustainability Reporting according to EPRA Best Practices Recommendations (sBPR)

Since 2015, we report according to EPRA's sBPR. 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 as well as properties where a single tenant has sole operational control are not taken into account. 2016, the data of 155 properties was quantified and analysed (2015: 160 properties). Compared to the financial reporting, this reporting is delayed by six months (corresponding to the heating and ancillary costs statements). Therefore, the current reporting period is from 1 July 2015 to 30 June 2016.

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

Estimations: 2.23% of the total energy we purchase are based on estimations (2015: 8%). 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 electricity for 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 our own properties in Zurich, Geneva and Olten; however, we occupy less than 0.5% of the total floor 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.

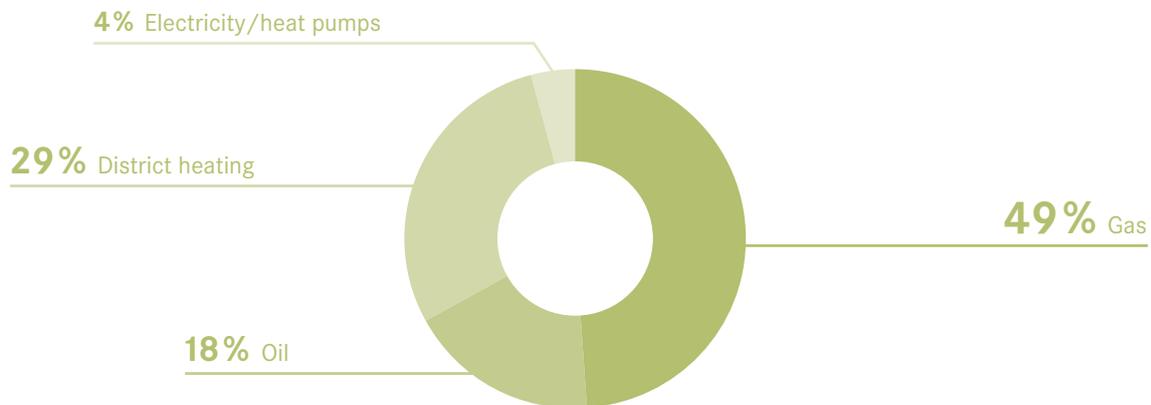
Waste: We do not disclose waste indicators, because we, as landlord, have no direct influence on waste production. In Switzerland, waste management is in the hands of local authorities and the amount of waste which is produced is the tenants' responsibility. However, we try to sensitise our tenants in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

The EPRA performance key figures 2015 and 2016:

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 ₂ e	Direct	Scope 1
	GHG-Indir-Abs, GHG-Indir-LfL	Tonnes CO ₂ e	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				
	2.4 % of lettable space is certified (LEED and Swiss "Minergie" standard)			

	Absolute measures (Abs)			Like-for-like (LfL)			Energy and associated GHG disclosure coverage	Proportion of energy and associated GHG estimated
	2015	2016	+/-	2015	2016	+/-		
	24 241 203	23 133 893		23 630 877	23 104 963			
	n.a.	n.a.		n.a.	n.a.			
	24 241 203	23 133 893	- 4.6%	23 630 877	23 104 963	- 2.2%	100%	5.50%
	16 857 729	18 841 411		16 857 729	18 841 411			
	n.a.	n.a.		n.a.	n.a.			
	16 857 729	18 841 411	11.8%	16 857 729	18 841 411	11.8%	100%	7.24%
	48 400 693	44 695 138		46 524 882	44 622 648			
	n.a.	n.a.		n.a.	n.a.			
	48 400 693	44 695 138	- 7.7%	46 524 882	44 622 648	- 4.1%	100%	0.23%
	10 806	9 699	- 10.2%	10 341	9 684	- 6.3%	100%	0.23%
	4 197	2 425	- 42.2%	4 123	2 424	- 41.2%	100%	6.20%
	484 019	462 333		470 674	461 932			
	n.a.	n.a.		n.a.	n.a.			
	481 157	462 333	- 3.9%	470 674	461 932	- 1.9%	100%	0.84%
	93.500	92.801	- 0.7%	93.320	92.841	- 0.5%		
	0.503	0.495	- 1.6%	0.505	0.495	- 2.0%		
	11.270	10.385	- 7.9%	11.090	10.386	- 6.3%		
	4.390	2.596	- 40.9%	4.422	2.599	- 41.2%		

The following chart illustrates the energy sources for heating in 2016:



In 2015, the figures were as follows: gas 46%, oil 26.5%, district heating 25%, electricity/heat pumps 2.5%.

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

Heating energy consumption: Comparing 2015 to 2016 like-for-like, there was a reduction in oil and gas consumption by 4.1%, corresponding to a decrease in CO₂e emissions by 657 tons in 2016. In Switzerland on average, the number of heating degree days was 9% higher in 2016 than in 2015. The overproportional reduction in CO₂e from oil and gas heating was due to the rigorous shift to heating systems with lower emissions (district heating, heat pumps and gas instead of oil). As a result of these shifts, heating energy consumption from district heating rose by 11.8% respectively 148 tons of CO₂e. Nevertheless, overall CO₂e emissions fell by 4.4% respectively 509 tons.

Electricity consumption: Due to optimisation measures, we were again able to reduce specific electricity consumption like-for-like by 2.2% in 2016 (now: 23.10 million kWh/m²). Calculated with the old conversion factor for renewable energies, this corresponds to savings of approximately 164 tons of CO₂e. Applying the new conversion factor for 75% of total energy use, there was a reduction of almost 1 800 tons.

Water consumption: Our optimisation measures continue to pay in this area as well: like-for like, we were able to lower specific water consumption by 2.0% (2015: 0.505 m³/m²; 2016: 0.495 m³/m²).

Trend in environmental indicators: Comparing 2015 to 2016 like-for-like, specific energy consumption was reduced by 0.5% while absolute specific CO₂e emissions for heating and electricity decreased by more than 16% or 2 300 tons of CO₂e in 2016.

Business travel: For the first time, we recorded and audited CO₂e emissions from our business travels (airplane, car, train) this year. In 2016, these emissions amounted to 55.4 tons of CO₂e.

Projects

In 2016 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 2016, deserve special mention (the stated volumes are estimates of the expected savings):

Heating conversions from oil to gas: At four properties, we converted oil heating systems to gas in 2016 (Place Saint-François 5, Lausanne; Bahnhofstrasse 10/Börsenstrasse 18, Zurich; Limmatstrasse 291, Zurich; St. Alban-Anlage 46, Basel). These measures will allow us to save approximately 220 000 kWh of heating energy annually and to reduce emissions by approximately 120 tons of CO₂e.

Conversions from oil to district heating or heat pumps: At one property (Hardturmstrasse 131, 133, 135 in Zurich) we replaced an existing oil heating system by connecting the building to the district heating system. Due to this conversion and a number of further restoration measures, we will be able to save approximately 280 000 kWh of heating energy annually and to reduce emissions by approximately 290 tons of CO₂e.

At Bahnhofstrasse 29/33 in Aarau, we replaced an existing oil heating system by a ground water heat pump. This will save us approximately 50 000 kWh of heating energy annually and reduce emissions by approximately 13 tons of CO₂e.

Replacement of old by new gas heating systems: We replaced existing gas heating systems by new ones at six properties and fitted them with new regulation systems respectively new measurement and control systems (Poststrasse 3, Zurich; Brandschenkestrasse 100, Zurich; Sihlammstrasse 5, Zurich; Limmatquai 144 / Zähringerstrasse 51, Zurich; Aarbergstrasse 107, Biel; Steinentorberg 8/12, Basel). This will allow us to save approximately 660 000 kWh of heating energy annually and to reduce emissions by approximately 137 tons of CO₂e.

Building technology: In addition to some minor restoration measures concerning ventilation and air-conditioning systems at a number of properties, we also completed two more comprehensive projects at Hochstrasse 16 / Pfeffingerstrasse 5 in Basel and Förrlibuckstrasse 60/62 in Zurich. At the same time, we began using a more environmentally-friendly refrigerant at the Basel property. These two modernisation projects will now lower heating energy and electricity consumption by approximately 570 000 kWh annually and reduce emissions by approximately 32 tons of CO₂e.

Lighting systems: We gradually replace older lighting systems with fluorescent lamps by state-of-the-art, automated, demand-controlled LED lighting systems. In 2016, we converted the lighting systems at five properties, especially in the underground parking areas (Seestrasse 353, Zurich; Aarbergstrasse 107, Biel; Hochstrasse 16 / Pfeffingerstrasse 5, Basel; Kirschgartenstrasse 12 – 14, Basel; Baslerstrasse 44, Olten). This will result in savings of approximately 225 000 kWh of electricity annually and reduce emissions by approximately 10 tons of CO₂e.

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 2016, we integrated 39 additional properties into this central energy control and alarm management system. As at the end of 2016, we were thus able to monitor 85 properties from our central control office (end of 2015: 46 properties).

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 CO₂ 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: Our goal is not only to save energy, but to produce it as well. In 2016, we generated around 1 200 MWh of clean solar energy with our own photovoltaic installations; this corresponds to approximately 50 tons of “prevented” CO₂e emissions.

Economic sustainability

We want to generate long-term added value for our shareholders. Thereby, the following value drivers 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 targeted conversions of individual properties
- Consequent market orientation with attractive floor space and active customer service
- Optimisation of operating 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 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 standards of those investment funds, which follow sustainability guidelines in their investment policy.

Social sustainability

Social sustainability concerns our employees, tenants respectively customers, business partners and the public. We strive to achieve a balance between these various groups' needs and requirements. Eventually this also benefits our Company's competitiveness.

Employees: We want to offer our employees a pleasant work environment. This means flat hierarchies, respect for all employees, performance- and target-orientation, personal responsibility, transparency and open communication. As an employer of choice, we promote our employees' professional and personal potential. As a future-oriented company, we also offer commercial apprenticeships. And through the financial support for our employees to use public transport we make an additional contribution to ecological sustainability.

Customers and business partners: Reliability, fairness, quality and transparency in the business relationship on both sides form the basis for successful long-term collaboration. We want to offer our tenants respectively customers an ideal work environment and impeccable service. And we want to be a professional and trustworthy partner for our business associates to reach the corporate goals we and they strive for.

Public: Architecture is always in the public eye, particularly when valuable 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 large-scale renovations; in the end, this approach should always result in an enhancement of the public space.



Independent Assurance Report on the PSP Sustainability Reporting 2016

Zurich

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 2016 ('Annual Report') for the year ended December 31, 2016.

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, 2015 to June 30, 2016:

- a) The management and reporting processes to collect and aggregate the environmental key figures;
- b) The environmental key figures 2016 (energy consumption, water consumption, CO₂ emissions in Scope 1 & 2) in the table on page 184 and the CO₂ emissions from business travel (Scope 3) on page 188 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. These guidelines are based on the following standard:

- "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)" publishes in 2001 by the World Resources Institute and the World Business Council for Sustainable Development.

Inherent limitations

The accuracy and completeness of sustainability related indicators are subject to inherent limitations given their nature and methods for determining, calculating and estimating such data. In addition, the quantification of environmental key figures is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases. Our assurance report should therefore be read in connection with PSP's internal guidelines, definitions and procedures on the reporting of its sustainability performance.

PSP's responsibility

The management of PSP is responsible for both the preparation and the presentation of the selected subject matter in accordance with the reporting criteria. 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

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.

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PricewaterhouseCoopers Ltd is a member of a global network of companies that are legally independent of one another.



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 the procedures we have performed and the evidence we have obtained, 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 2016 is not functioning as designed and does not provide an appropriate basis for its disclosure; and
- b) the environmental key figures 2016 in the table on page 184 and the CO₂ emissions from business travel on page 188 in the Annual Report covering the reporting period from July 1, 2015 to June 30, 2016 is not prepared in accordance with the Criteria.

Zurich, 6 March 2017

PricewaterhouseCoopers AG

Dr. Marc Schmidli

Konstantin Meier

Additional information

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Key financial figures by area

Area	(in CHF 1000) 31 December	Number of prop- er- ties	Rental income	Operat- ing ex- penses	Mainte- nance and renova- tion	Net rental income	in % of total	Potential rent ¹	in % of total
Zurich									
2016		82	159 013	10 658	9 598	138 757	58.8%	176 238	53.8%
2015		83	160 540	11 729	8 831	139 980	59.3%	178 283	55.3%
Geneva									
2016		16	30 471	4 453	1 862	24 155	10.2%	34 257	10.5%
2015		17	37 713	3 827	1 572	32 313	13.7%	42 781	13.3%
Basel									
2016		14	25 698	1 696	1 578	22 425	9.5%	25 529	7.8%
2015		14	24 595	1 540	1 640	21 415	9.1%	26 036	8.1%
Bern									
2016		14	12 305	1 328	719	10 257	4.3%	15 638	4.8%
2015		12	12 027	1 004	892	10 131	4.3%	13 697	4.2%
Lausanne									
2016		14	17 849	2 120	1 094	14 636	6.2%	18 891	5.8%
2015		15	17 859	2 389	1 346	14 124	6.0%	20 032	6.2%
Other locations									
2016		21	19 607	2 165	952	16 490	7.0%	25 139	7.7%
2015		22	17 397	2 029	702	14 665	6.2%	20 274	6.3%
Sites and development properties									
2016		10	12 803	3 601	- 35	9 237	3.9%	n.a. ⁸	9.7%
2015		8	6 287	2 435	424	3 428	1.5%	n.a. ⁹	6.7%
Overall total portfolio									
2016		171	277 747	26 021	15 768	235 957	100.0%	295 692	100.0%
2015		171	276 419	24 954	15 409	236 056	100.0%	301 104	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 31 798 in 2016.

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

	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	Vacancy rate (CHF) ^{6,7}	Vacancy in m ²	Vacancy rate (m ²)
	178 758	58.8%	16 260	3 992 015	57.9%	4.1%	3.6%	12 532	7.1%	44 551	8.9%
	187 549	59.1%	28 298	3 891 057	57.9%	4.1%	3.6%	16 136	9.1%	55 421	10.9%
	38 495	12.7%	- 18 827	740 953	10.7%	4.1%	3.2%	7 388	21.6%	18 764	22.2%
	46 937	14.8%	- 9 739	906 844	13.5%	4.2%	3.6%	3 912	9.1%	6 752	7.4%
	25 962	8.5%	13 545	530 390	7.7%	4.9%	4.3%	501	2.0%	2 654	2.9%
	26 253	8.3%	32 261	514 815	7.7%	5.0%	4.3%	602	2.3%	2 850	3.1%
	14 174	4.7%	2 967	285 678	4.1%	4.4%	3.7%	1 907	12.2%	10 916	18.9%
	12 396	3.9%	5 180	251 951	3.7%	4.9%	4.1%	725	5.3%	2 409	5.6%
	22 093	7.3%	9 585	349 007	5.1%	5.2%	4.3%	702	3.7%	3 386	4.4%
	23 894	7.5%	7 637	347 457	5.2%	5.2%	4.1%	1 886	9.4%	7 158	8.8%
	24 551	8.1%	- 9 483	399 925	5.8%	4.9%	4.1%	4 349	17.3%	20 835	19.6%
	20 137	6.3%	- 5 281	310 882	4.6%	5.5%	4.7%	2 423	12.0%	11 128	12.8%
	n.a.	n.a.	- 64 254	595 885	8.6%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	n.a.	n.a.	- 24 565	501 371	7.5%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	304 033	100.0%	- 50 208	6 893 854	100.0%	4.3%	3.6%	27 379	9.3%	101 106	11.0%
	317 165	100.0%	33 791	6 724 377	100.0%	4.4%	3.7%	25 685	8.5%	85 718	9.5%

Property details

Area	(in CHF 1000) 31 December 2016	Land area m ²	Office area m ²	Retail area m ²	Gas- tronomy area m ²	Other area m ²	Total rentable area m ²
Zurich							
Kilchberg, Seestr. 40, 42		3 401	2 189	0	0	837	3 026
Rüschlikon, Moosstr. 2		6 798	5 589	0	0	3 560	9 149
Urdorf, Heinrich Stutz-Str. 23/25		3 788	988	0	0	2 960	3 948
Urdorf, Heinrich Stutz-Str. 27/29		30 671	43 467	0	195	3 138	46 800
Wallisellen, Handelszentrum		4 131	4 061	0	0	280	4 341
Wallisellen, Richtistr. 3		5 578	7 538	0	0	0	7 538
Wallisellen, Richtistr. 5		5 197	6 494	0	0	525	7 019
Wallisellen, Richtistr. 7		4 582	8 672	0	0	531	9 203
Wallisellen, Richtistr. 9		4 080	5 401	0	468	126	5 995
Wallisellen, Richtistr. 11		4 988	6 988	0	0	382	7 370
Zürich, Alfred Escher-Str. 17		275	996	0	0	0	996
Zürich, Augustinergasse 25		236	277	0	314	123	714
Zürich, Bahnhofplatz 9		998	2 481	2 032	0	0	4 513
Zürich, Bahnhofstr. 10 / Börsenstr. 18		344	646	844	0	0	1 490
Zürich, Bahnhofstr. 28a / Waaggasse 6		763	1 809	731	419	262	3 221
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	10 352	0	0	1 505	11 857
Zürich, Binzring 15/17		33 878	35 930	0	0	4 658	40 588
Zürich, Bleicherweg 10 / Schanzengraben 7		1 155	3 394	235	0	376	4 005
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)		5 926	3 557	1 246	0	169	4 972
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	2 642	433	0	159	3 234
Zürich, Förrlibuckstr. 10		4 122	7 557	0	0	625	8 182
Zürich, Förrlibuckstr. 60/62		10 382	14 797	0	877	8 542	24 216
Zürich, Förrlibuckstr. 66		2 055	5 121	0	0	2 100	7 221
Zürich, Förrlibuckstr. 110		2 963	9 370	350	371	1 401	11 492
Zürich, Förrlibuckstr. 151 (Parkhaus)		3 495	0	0	1 737	91	1 828
Zürich, Förrlibuckstr. 181		1 789	4 813	0	0	175	4 988

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	26.2%	2.3%	1966	2001	01.10.1999	PR	SO	100.0%
	122	0.0%	6.1%	1969 89	2010	01.06.2002	PR	SO	100.0%
	59	0.3%	5.4%	1967	1989	01.11.2015	PR	SO	100.0%
	209	1.1%	6.8%	1976	2002 03 10 13	01.07.2004	PR	SO	100.0%
	90	5.3%	4.5%	1992	2010	01.10.1999	PR	CO	23.7%
	137	0.0%	5.6%	2000 01	2011	01.11.2001	PR	SO	100.0%
	126	41.9%	3.2%	2003	2011	01.04.2003	PR	SO	100.0%
	156	16.4%	4.9%	2003	2011	01.04.2003	PR	SO	100.0%
	105	12.8%	3.8%	2010		13.06.2008	PR	SO	100.0%
	123	19.5%	4.6%	2010		13.06.2008	PR	SO	100.0%
	0	0.0%	4.5%	1907	2000	01.10.1999	PR	SO	100.0%
	1	0.0%	2.6%	1850	1994 2000 04	01.04.2004	PP	SO	100.0%
	0	0.0%	3.4%	1933	2003 04 14	01.04.2004	PP	SO	100.0%
	0	0.0%	2.5%	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	0.1%	2.5%	1911	1984 2003 13	01.01.2000	PR	SO	100.0%
	0	0.0%	2.3%	1967	1995 2014	01.07.2005	PP	SO	100.0%
	0	0.0%	2.3%	1931	2001	01.04.2004	PP	SO	100.0%
	144	38.4%	3.4%	1974	1992 2006	01.10.1999	PR	SO	100.0%
	140	0.0%	5.7%	1992		01.04.2001	PR	SO	100.0%
	17	5.2%	1.1%	1930 76	1985 2006 09	01.10.1999	PR	SO	100.0%
	7	0.0%	3.9%	1857	1998 99	01.07.2005	PP	SO	100.0%
	0	n.a.	0.0%	1921	2003	01.04.2004	PP	FA	15.4%
	0	n.a.	0.0%	2003		01.04.2004	PP	FA	10.8%
	56	0.3%	3.6%	2005		01.04.2004	PP	SO	100.0%
	272	0.1%	3.7%	2003		01.04.2004	PP	SO	100.0%
	0	0.0%	4.0%	2003		01.04.2004	PP	SO	100.0%
	0	0.0%	3.8%	2007		01.04.2004	PP	SO	100.0%
	0	14.5%	3.8%	1877 82	2004	01.04.2004	PP	SO	100.0%
	0	9.9%	4.3%	1882	2004	01.04.2004	PP	SO	100.0%
	0	0.0%	4.6%	1913	2012	01.04.2004	PP	SO	100.0%
	0	0.0%	4.4%	2008		01.04.2004	PP	SO	100.0%
	0	0.0%	4.7%	1890	2013	01.04.2004	PP	SO	100.0%
	12	0.0%	3.6%	1950	1997 2006	01.10.1999	PR	SO	100.0%
	65	8.6%	3.7%	1982	2007	01.10.1999	PR	SO	100.0%
	85	2.1%	4.9%	1963	2002	29.06.2001	PR	SO	100.0%
	312	5.2%	4.9%	1989	2016 17	01.04.2001	PR	SO	100.0%
	81	2.4%	5.6%	1969	1992 2003 04	01.12.2002	PR	SO	100.0%
	64	23.1%	4.9%	1962	2000	01.12.2002	PR	SO	100.0%
	1 137	0.9%	3.3%	1975	2000	01.12.2002	PR	SO	100.0%
	39	0.7%	4.6%	2002		01.12.2002	PR	SO	100.0%

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

6 Purchase during reporting period.
7 Own-used property.
8 See details on pages 208 to 209.
9 Current development projects designed for sale.

Area	(in CHF 1 000) 31 December 2016	Land area m ²	Office area m ²	Retail area m ²	Gas- tronomy area m ²	Other area m ²	Total rentable area m ²
Zürich (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	1 648	0	0	59	1 707
Zürich, Genferstr. 23		343	930	0	0	88	1 018
Zürich, Gerbergasse 5		606	1 863	795	0	12	2 670
Zürich, Goethestr. 24		842	613	0	116	91	820
Zürich, Gutenbergstr. 1/9		1 488	7 255	815	0	983	9 053
Zürich, Hardturmstr. 101, 103, 105 / Förrlibuckstr. 30 ⁶		7 567	18 785	4 043	0	1 280	24 108
Zürich, Hardturmstr. 131, 133, 135		6 236	16 868	1 323	0	6 135	24 326
Zürich, Hardturmstr. 169, 171, 173, 175		5 189	10 895	857	86	7 517	19 355
Zürich, Hottingerstr. 10 – 12		1 922	3 572	0	0	661	4 233
Zürich, In Gassen 16		331	0	0	488	607	1 095
Zürich, Konradstr. 1 / Zollstr. 6		686	283	166	190	2 250	2 889
Zürich, Kurvenstr. 17 / Beckenhofstr. 26		657	1 540	0	0	206	1 746
Zürich, Limmatquai 4		529	2 370	159	216	91	2 836
Zürich, Limmatquai 144 / Zähringerstr. 51		429	1 471	0	243	367	2 081
Zürich, Limmatstr. 250 – 254 / 264 / 266 («Red»)		4 705	7 808	0	283	710	8 801
Zürich, Limmatstr. 291		973	2 808	0	0	154	2 962
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	616	0	0	0	616
Zürich, Mühlebachstr. 32		536	2 070	0	0	55	2 125
Zürich, Obstgartenstr. 7		842	1 883	0	0	0	1 883
Zürich, Poststr. 3		390	812	710	0	178	1 700
Zürich, Schaffhauserstr. 611		1 981	2 823	656	0	124	3 603
Zürich, Seebahnstr. 89		2 455	2 987	739	0	1 048	4 774
Zürich, Seefeldstr. 5		498	604	0	307	294	1 205
Zürich, Seefeldstr. 123		2 580	6 481	1 562	0	246	8 289
Zürich, Seestr. 353 ⁷		3 593	7 289	0	0	416	7 705
Zürich, Sihlamsstr. 5		354	449	0	140	359	948
Zürich, Splügenstr. 6		430	1 052	0	0	52	1 104
Zürich, Stampfenbachstr. 48 / Sumatrastr. 11		1 589	3 975	260	0	742	4 977
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	3 494	313	909	669	5 385
Zürich, Walchestr. 11, 15 / Neumühlequai 26, 28		1 074	2 973	676	102	321	4 072
Zürich, Wasserwerkstr. 10, 12 / Stampfenbachstr. 109		1 760	6 304	0	0	1 798	8 102
Zürich, Zurlindenstr. 134		487	1 224	133	0	134	1 491
Zürich, Zweierstr. 129		597	1 759	260	0	834	2 853
Total		250 126	372 886	34 457	12 687	82 876	502 906

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	Owner-ship status ⁵	Owner-ship percentage
	0	0.0%	3.5%	1700	1992 2012	01.04.2004	PP	SO	100.0%
	3	0.5%	2.7%	1925	1998 2005	01.04.2001	PR	SO	100.0%
	21	28.9%	3.1%	1967	1986 2005	01.07.2005	PP	SO	100.0%
	0	40.0%	0.3%	1895	1998 2014	01.10.1999	PR	SO	100.0%
	3	15.2%	3.2%	1904	1993 2010 12	27.05.2004	PP	SO	100.0%
	0	0.0%	3.3%	1874	2014	01.04.2004	PP	SO	100.0%
	14	22.3%	3.1%	1969	1986 2008	31.12.2004	PR	SO	100.0%
	236	5.6%	3.9%	1992	2009 13	29.07.2016	PR	SO	100.0%
	41	15.1%	4.4%	1982	2008	01.12.2002	PR	SO	100.0%
	44	22.0%	4.0%	1952	1997 2006	01.12.2002	PR	SO	100.0%
	18	24.8%	1.9%	1914 40	1994	01.04.2001	PR	SO	100.0%
	0	6.5%	2.3%	1812	1984 2007	01.04.2004	PP	SO	100.0%
	7	2.3%	2.9%	1879 1982	1990	01.04.2004	PP	SO	100.0%
	35	0.6%	4.5%	1971	1999 2006 07 12	01.10.1999	PR	SO	100.0%
	0	0.0%	2.9%	1837	2000	01.01.2000	PR	SO	100.0%
	0	6.1%	3.4%	1888	1994	01.04.2004	PP	SO	100.0%
	34	2.7%	3.6%	2013		01.10.2010	PP	SO	100.0%
	7	33.2%	0.8%	1985	2016	01.04.2001	PR	SO	100.0%
	0	0.0%	3.2%	1879	2001	01.04.2004	PP	SO	100.0%
	1	52.9%	1.6%	2015		01.04.2004	PP	SO	100.0%
	4	0.0%	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	0.0%	3.9%	1981	1999 2007	01.10.1999	PR	SO	100.0%
	16	1.1%	4.4%	1958	1981 2002	01.10.1999	PR	SO	100.0%
	0	6.5%	2.8%	1893	1999	01.10.1999	PR	SO	100.0%
	61	20.9%	-0.6%	2001 02	2016	01.07.2005	PP	SO	100.0%
	77	3.6%	4.1%	1959	2003 08	01.04.2001	PR	SO	100.0%
	0	0.0%	3.5%	1840	2000	01.04.2004	PP	SO	100.0%
	90	1.2%	3.5%	1972	2004	01.10.1999	PR	SO	100.0%
	125	21.1%	3.9%	1981 2001	2010	01.04.2010	PR	SO	100.0%
	0	0.0%	3.9%	1950	2005	01.04.2004	PP	SO	100.0%
	8	0.0%	3.9%	1896	1998 2011	01.10.1999	PR	SO	100.0%
	35	20.8%	3.0%	1929	1999 2001 07	01.10.1999	PR	SO	100.0%
	3	0.0%	3.9%	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%	3.2%	2013		01.04.2004	PP	SO	100.0%
	2	5.0%	3.2%	1906	1992 2002	01.04.2004	PP	SO	100.0%
	6	0.0%	4.1%	1919	2000 08 09	01.10.1999	PR	SO	100.0%
	125	62.4%	1.8%	1981	2006 16	01.04.2004	PP	SO	100.0%
	17	4.7%	3.5%	1972 73	2006	01.10.1999	PR	SO	100.0%
	7	1.2%	3.7%	1958	2003	01.10.1999	PR	SO	100.0%
	4 670	7.1%	3.6%						

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

6 Purchase during reporting period.
7 Own-used property.
8 See details on pages 208 to 209.
9 Current development projects designed for sale.

Area	(in CHF 1000) 31 December 2016	Land area m ²	Office area m ²	Retail area m ²	Gas- tronomy area m ²	Other area m ²	Total rentable area m ²
Geneva							
Carouge GE, Route des Acacias 50/52		4 666	9 557	0	0	31	9 588
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	4 515	1 164	0	39	5 718
Genève, Place du Molard 7		593	2 135	0	843	408	3 386
Genève, Rue de Berne 6, Rue Pécolat 1		926	3 410	0	0	450	3 860
Genève, Rue de la Corratierie 24/26		1 005	1 555	617	0	213	2 385
Genève, Rue de la Fontaine 5		226	1 059	173	0	77	1 309
Genève, Rue des Bains 31bis, 33, 35		3 368	10 730	1 055	0	270	12 055
Genève, Rue du Grand-Pré 54, 56, 58		2 864	5 824	0	0	443	6 267
Genève, Rue du Mont-Blanc 12		258	1 468	174	0	0	1 642
Genève, Rue du Prince 9/11		276	2 934	796	0	418	4 148
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	2 048	272	0	46	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	8 839	0	0	5 307	14 146
Total		31 919	67 379	4 617	977	11 489	84 462
Basel							
Basel, Barfüsserplatz 10		3 655	336	0	530	311	1 177
Basel, Dornacherstr. 210		4 994	9 762	2 761	0	2 017	14 540
Basel, Falknerstr. 31 / Weisse Gasse 16		320	133	0	344	724	1 201
Basel, Freie Str. 38		299	350	848	0	77	1 275
Basel, Greifengasse 21		416	199	878	0	847	1 924
Basel, Grosspeterstr. 18, 20		8 062	13 196	0	0	628	13 824
Basel, Hochstr. 16 / Pfeffingerstr. 5		7 018	15 393	0	0	0	15 393
Basel, Kirschgartenstr. 12/14		1 376	4 960	791	143	480	6 374
Basel, Marktgasse 4		272	375	373	0	323	1 071
Basel, Marktgasse 5		330	976	273	0	116	1 365
Basel, Marktplatz 30/30A		560	2 070	0	431	298	2 799
Basel, Peter Merian-Str. 88/90		3 900	12 702	0	0	122	12 824
Basel, St. Alban-Anlage 46		1 197	3 239	0	198	336	3 773
Basel, Steinentorberg 8/12		2 845	6 999	0	281	7 424	14 704
Total		35 244	70 690	5 924	1 927	13 703	92 244

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

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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%	4.1%	1965	2006 10 13	31.12.2000	PR	SO	100.0%
	5	0.0%	4.5%	1987		01.01.2000	PR	SO	100.0%
	0	0.0%	2.7%	2015		07.05.2013	PR	BL	100.0%
	64	34.2%	2.1%	1981		01.10.1999	PR	SO	100.0%
	0	8.6%	2.1%	1975	2005 06	01.04.2004	SI	SO	100.0%
	0	0.0%	3.9%	1895	1999	01.04.2001	PR	SO	100.0%
	6	32.2%	1.0%	1825	1996 2016	01.10.1999	PR	SO	100.0%
	0	0.0%	2.3%	1920	2000 01	01.10.1999	PR	SO	100.0%
	255	16.2%	3.0%	1994	2016	01.07.2002	PR	SO	100.0%
	49	0.7%	3.4%	1984	1992 2007	01.12.2005	PR	SO	100.0%
	0	0.0%	3.6%	1860	2000	01.10.1999	PR	SO	100.0%
	4	7.4%	3.2%	1966	2000 01 06	01.01.2000	PR	SO	100.0%
	0	0.0%	4.0%	1962	1992 2001 11	01.10.1999	PR	SO	100.0%
	0	7.0%	3.1%	1852	1995 2013 14	01.10.1999	PR	SO	100.0%
	69	0.0%	3.6%	1986		01.07.2004	PR	SO	100.0%
	186	98.8%	5.1%	2002 04		01.02.2004	PR	SO	100.0%
	819	21.6%	3.2%						
	0	0.0%	3.2%	1914	1997 2006 11	01.04.2004	PP	SO	100.0%
	5	14.1%	3.7%	1969	1998 2004 06 15	31.12.2000	PR	SO	100.0%
	0	0.0%	3.5%	1902	1998 2005 08 12	01.04.2004	PP	SO	100.0%
	0	0.0%	4.0%	1896	1981 82 2005 16	01.07.2005	PP	SO	100.0%
	0	0.0%	3.7%	1930	1984 98 2015	01.04.2004	PP	SO	100.0%
	100	3.3%	6.1%	1988		01.12.2005	PR	SO	100.0%
	227	0.0%	4.4%	1986	2000	01.01.2001	PR	SO	100.0%
	90	0.0%	4.6%	1978	2003 05 10	01.01.2000	PR	SO	100.0%
	0	0.0%	4.0%	1910	2002 08	01.04.2004	PP	SO	100.0%
	0	0.0%	4.2%	1924	1975 2002 05	01.10.1999	PR	SO	100.0%
	0	0.0%	3.4%	1936	2001 06	01.04.2004	PP	SO	100.0%
	108	0.0%	4.4%	2000		01.09.2014	PR	FA	100.0%
	53	0.0%	4.6%	1968	2000 11	01.10.1999	PR	SO	100.0%
	69	0.6%	4.2%	1991		01.12.2001	PR	SO	100.0%
	652	2.0%	4.3%						

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

6 Purchase during reporting period.
7 Own-used property.
8 See details on pages 208 to 209.
9 Current development projects designed for sale.

Area	(in CHF 1000) 31 December 2016	Land area m ²	Office area m ²	Retail area m ²	Gas- tronomy area m ²	Other area m ²	Total rentable area m ²
Bern							
Bern, Bollwerk 15		403	1 215	435	119	162	1 931
Bern, Eigerstr. 2		3 342	4 341	240	0	106	4 687
Bern, Genfergasse 4		325	952	0	544	291	1 787
Bern, Haslerstr. 30 / Effingerstr. 47		2 585	6 102	0	0	879	6 981
Bern, Kramgasse 49		235	50	173	260	310	793
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	1 427	0	918	9 398
Bern, Seilerstr. 8a		1 049	3 645	386	0	572	4 603
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
Köniz, Spiegel		1 608	0	0	0	0	0
Wabern bei Bern, Gurtenbrauerei 10 – 92		67 099	2 676	944	0	11 077	14 697
Total		84 747	30 790	7 753	3 249	15 974	57 766
Lausanne							
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	9 822	0	684	4 661	15 167
Lausanne, Av. de Sévelin 54		1 288	544	0	0	2 466	3 010
Lausanne, Ch. de Bossons 2		1 930	2 135	0	0	127	2 262
Lausanne, Ch. du Rionzi 52, Depot		0	3 407	0	0	5 662	9 069
Lausanne, Grand Pont 1		371	0	1 069	0	0	1 069
Lausanne, Place Saint-François 5		1 070	2 335	1 633	1 561	366	5 895
Lausanne, Place Saint-François 15		5 337	8 717	1 710	0	36	10 463
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	4 522	12 418
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	860	801	295	400	2 356
Total		28 507	42 644	7 109	2 803	24 122	76 678

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

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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	4.4%	3.3%	1964	1999 2005 11	01.10.1999	PR	SO	100.0%
	0	0.0%	3.1%	1899	1984 2005 06	01.04.2004	IS	SO	100.0%
	6	9.0%	5.2%	1964 76	1992 95 2006 09	01.12.2005	PR	SO	100.0%
	0	0.0%	3.6%	1900	2011 13	01.04.2004	IS	SO	100.0%
	0	0.0%	3.7%	before 1900	1991 92	01.07.2005	PP	SO	100.0%
	0	41.4%	2.5%	1965	1997 2004 11	01.07.2004	PR	SO	100.0%
	7	1.2%	3.9%	1935 60	1997 2009 12	01.07.2004	PR	SO	100.0%
	58	8.3%	4.4%	1971	2001	01.10.1999	PR	SO	100.0%
	0	0.0%	9.9%	before 1900	2001 06	01.07.2005	PP	BL	100.0%
	0	0.6%	3.5%	1950	2001	01.10.1999	PR	SO	100.0%
	0	0.0%	4.8%	1900	1999	01.04.2004	IS	SO BL	100.0%
	0	n.a.	n.a.	n.a.		01.04.2004	IS	SO	100.0%
	72	62.0%	0.8%	1863 2016	2016	01.04.2004	IS	SO	100.0%
	258	12.2%	3.7%						
	23	0.8%	3.6%	1973	2001 04 05	01.10.1999	PR	SO	100.0%
	146	20.4%	4.8%	1992		01.12.2005	PR	SO	100.0%
	10	0.3%	6.3%	1994		01.12.2005	PR	SO	100.0%
	0	0.0%	6.9%	1932	1990 2002	01.12.2005	PR	SO	100.0%
	8	4.8%	6.3%	1971	1998	01.04.2001	PR	SO	100.0%
	63	0.0%	5.1%	1971	1996 2014	01.04.2004	IS	BL	100.0%
	0	0.0%	4.7%	1957	2000	01.07.2005	PP	SO	100.0%
	0	0.0%	2.5%	1913	1989 2004	01.10.1999	PR	SO	100.0%
	61	0.0%	4.3%	1900	1998 2003 04	01.04.2001	PR	SO	100.0%
	0	3.5%	3.6%	1938	1987 2013	01.01.2000	PR	SO	100.0%
	61	5.6%	5.3%	1963	1998	01.12.2005	PR	SO	100.0%
	221	5.3%	2.8%	n.a.		01.12.2005	PR	SO	100.0%
	0	10.6%	3.6%	1910 11	1985 2001	01.10.1999	PR	SO	100.0%
	0	9.9%	3.4%	1952	2003	01.07.2005	PP	SO	100.0%
	593	3.7%	4.3%						

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

6 Purchase during reporting period.
7 Own-used property.
8 See details on pages 208 to 209.
9 Current development projects designed for sale.

Area	(in CHF 1 000) 31 December 2016	Land area m ²	Office area m ²	Retail area m ²	Gas- tronomy area m ²	Other area m ²	Total rentable area m ²
Other locations							
Aarau, Bahnhofstr. 18		496	1 380	671	0	43	2 094
Aarau, Bahnhofstr. 29/33		1 375	2 063	1 570	0	625	4 258
Aarau, Igelweid 1		356	268	104	0	184	556
Aigle, Route Industrielle 20, Depot		11 955	0	0	0	2 212	2 212
Biel/Bienne, Aarbergstr. 107		5 352	14 329	516	0	3 558	18 403
Biel/Bienne, Bahnhofplatz 2		4 928	6 848	3 419	0	2 799	13 066
Fribourg, Route des Arsenaux 41		4 310	8 687	337	509	1 342	10 875
Fribourg, Rue de la Banque 4 / Rte d. Alpes		269	882	474	0	180	1 536
Gwatt (Thun), Eisenbahnstr. 95		14 291	0	0	0	8 769	8 769
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
Oiten, Baslerstr. 44		657	2 040	401	0	596	3 037
Rheinfelden, Bahnhofstr. 21		11 473	1 272	0	161	2 208	3 641
Rheinfelden, Salmencenter / Quellenhaus Baslerstr. 2 – 16		34 241	4 421	5 902	0	12 863	23 186
Solothurn, Gurzelgasse 6		0	475	507	0	44	1 026
Uster, Bankstr. 11		960	0	207	201	557	965
Winterthur, Marktgasse 74		351	0	658	0	544	1 202
Winterthur, Untertor 34		146	404	0	92	220	716
Zug, Kolinplatz 2		285	792	119	0	180	1 091
Total		93 150	46 688	16 189	963	42 701	106 541
Sites and development properties⁸							
Basel, Projekt «Grosspeter Tower»		3 978	n.a.	n.a.	n.a.	n.a.	n.a.
Genève, Projekt «Rue du Marché»		798	n.a.	n.a.	n.a.	n.a.	n.a.
Lausanne, Projekt «Rue Saint-Martin»		2 087	n.a.	n.a.	n.a.	n.a.	n.a.
Paradiso, «Residenza Parco Lago» ⁹		11 117	n.a.	n.a.	n.a.	n.a.	n.a.
Rheinfelden, «Salmenpark» ⁹		19 188	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, Projekt «Hardturmstrasse / Förrlibuckstrasse»		8 225	n.a.	n.a.	n.a.	n.a.	n.a.
Zürich, «Löwenbräu Black»		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.
Zürich, Projekt «Orion»		10 557	n.a.	n.a.	n.a.	n.a.	n.a.
Total		79 603	n.a.	n.a.	n.a.	n.a.	n.a.
Overall total portfolio		603 296	631 077	76 049	22 606	190 865	920 597

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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
	29	0.0%	4.8%	1968	2001 02 06	01.01.2000	PR	SO	100.0%
	18	0.0%	4.4%	1971	2004 09 10	01.03.2008	PR	SO	100.0%
	0	0.0%	4.2%	1945	2000	01.07.2005	PP	SO	100.0%
	0	100.0%	4.5%	1985		01.04.2004	IS	SO	100.0%
	63	1.1%	6.0%	1994		15.12.2005	PR	SO	100.0%
	80	29.2%	4.2%	1928 62	1986 93 2012	01.08.2006	PR	SO	100.0%
	143	45.2%	2.8%	1997		15.12.2005	PR	SO	100.0%
	3	16.8%	3.3%	1970	2001	01.01.2000	PR	SO	100.0%
	0	0.0%	8.0%	1982	2012	01.10.2008	PR	SO	100.0%
	0	0.0%	5.9%	1908	2003	01.07.2005	PP	SO	100.0%
	0	0.0%	3.0%	2013		30.01.2012	PP	BL	100.0%
	0	9.4%	4.2%	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%	4.7%	1964	1993 95 2009 11	01.01.2000	PR	SO	100.0%
	48	0.0%	4.5%	1934	2001	01.04.2004	PP	SO	100.0%
	586	31.0%	3.2%	2016		01.01.2004	PP	SO	100.0%
	0	1.3%	2.7%	1962	2001	01.07.2005	PP	BL	100.0%
	11	7.4%	4.4%	1928	1996	01.04.2004	PP	SO	100.0%
	0	7.0%	3.6%	1595	2002 03 14	01.07.2005	PP	SO	100.0%
	0	7.8%	3.4%	1879	1996 2014	01.04.2004	PP	SO	100.0%
	1	0.0%	4.3%	1491	1925 70 2004 09	01.10.1999	PR	SO	100.0%
	1047	17.3%	4.1%						
	n.a.	n.a.	n.a.	n.a.		01.12.2005	PR	SO	100.0%
	n.a.	n.a.	n.a.	n.a.		01.07.2002	PR	SO	100.0%
	n.a.	n.a.	n.a.	n.a.		31.12.2000	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	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.	n.a.		01.12.2002	PR	SO	100.0%
	n.a.	n.a.	n.a.						
	8039	9.3%	3.6%						

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

6 Purchase during reporting period.
7 Own-used property.
8 See details on pages 208 to 209.
9 Current development projects designed for sale.

Additional information development projects

Project "Bahnhofquai/-platz"

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

Project description	State of project	Completion
Total renovation (in particular of the infrastructure and technical installations) in three stages. Overall planned investment sum: approx. CHF 80 million.	Under construction (stage 1) Properties Bahnhofplatz 1, Bahnhofquai 9, 11, 15 Planned investment sum: approx. CHF 35 million (thereof CHF 6.4 mio. spent) Letting level: n.a.	tbd
	Under review (stage 2) Properties Waisenhausstrasse 2/4, Bahnhofquai 7 Planned investment sum: approx. CHF 33 million (thereof CHF 2.7 mio. spent) Letting level: n.a.	tbd
	Under review (stage 3) Property Bahnhofplatz 2 Planned investment sum: approx. CHF 12 million Letting level: n.a.	tbd

Project "Grosspeter Tower"

Basel, Grosspeterstrasse 18, 20

Project description	State of project	Completion
New tower (zero emission) building with mixed use (hotel and office space). Usable floor space approx. 18 000 m ² .	Under construction Planned investment sum: approx. CHF 120 million (thereof CHF 76.3 mio. spent) Letting level: 37% (hotel und office)	Q4 2017

Project "Rue Saint-Martin"

Lausanne, Rue Saint-Martin 7

Project description	State of project	Completion
Total renovation	Under construction Planned investment sum: approx. CHF 12 million (thereof CHF 1.6 mio. spent) Letting level: n.a.	2017

Project "Hardturmstrasse / Förrlibuckstrasse"

Zurich, Hardturmstrasse 161 / Förrlibuckstrasse 150

Project description	State of project	Completion
Comprehensive renovation, in particular of the structure and technical installations.	Under construction Planned investment sum: approx. CHF 60 million (thereof CHF 29.1 mio. spent) Letting level: n.a.	End of 2018

Project “Rue du Marché”
Genève, Rue du Marché 40

Project description	State of project	Completion
Total renovation	Under construction Planned investment sum: approx. CHF 15 million (thereof CHF 3.6 mio. spent) Letting level: n.a.	2018

“Residenza Parco Lago”
Paradiso, Via Bosia 5

Project description	State of project	Completion
Project with freehold apartments, office, commercial and retail space. Usable floor space approx. 13 000 m ² .	In planning Construction start: Q1 2017 Planned investment sum: approx. CHF 80 million Sale level: n.a.	End of 2019

“Salmenpark”
Rheinfelden

Project description	State of project	Completion
Stage 2: project with approx. 11 000 m ² usable floor space resp. 96 freehold apartments.	In planning Construction start: autumn 2017 Planned investment sum: approx. CHF 70 million Sale level: n.a.	2020

Project “Orion”
Zurich, Förrlibuckstrasse 178/180, Hardturmstrasse 181, 183, 185

Project description	State of project	Completion
New construction	In planning Construction start: 2018 Planned investment sum: approx. CHF 120 million Letting level: n.a.	2020

Property purchases and sales in 2016

Purchases

Location, address	31 December 2016	Land area m ²	Office area m ²	Retail area m ²
Zürich, Hardturmstr. 101, 103, 105 / Förrlibuckstr. 30		7 567	18 785	4 043

Sales

Location, address	31 December 2016	Land area m ²	Office area m ²	Retail area m ²
Fribourg, Av. de Beauregard 1		1 657	3 134	0
Zürzach, Auf Rainen, Land		6 996	0	0

Expiry of lease contracts as at 31 December 2016

	Market adjustment option by PSP Swiss Property	Legal termination option by tenant
Contracts not limited in time, but subject to notice	7%	7%
2017	10%	11%
2018	10%	11%
2019	9%	12%
2020	8%	10%
2021	15%	14%
2022	11%	9%
2023	4%	5%
2024	2%	0%
2025	11%	11%
2026	5%	4%
2027+	8%	6%
Total	100%	100%

	Gastronomy area m ²	Other area m ²	Total rentable area m ²	Parking spaces	Purchase date	
	0	1 280	24 108	236	29.07.2016	

	Gastronomy area m ²	Other area m ²	Total rentable area m ²	Parking spaces	Purchase date	Selling date
	0	137	3 271	67	01.10.1999	13.06.2016
	0	0	0	0	01.01.2004	13.10.2016

Tenant structure

	31 December 2015	31 December 2016
Swisscom	10%	10%
Google	5%	5%
Schweizer Post	3%	3%
JT International	3%	n.a.
Roche	2%	2%
Bär & Karrer	n.a.	2%
Next five largest tenants	9%	9%
Other	68%	69%
Total	100%	100%

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

Five year review

Key financial figures	Unit	2012 restated¹	2013	2014	2015	2016
Rental income	CHF 1 000	272 849	279 143	277 150	275 063	276 316
EPRA like-for-like change	%	1.5	1.7	0.2	0.2	- 1.6
Net changes in fair value of real estate investments	CHF 1 000	266 851	128 144	5 789	33 791	- 50 208
Income from property sales (freehold apartments)	CHF 1 000	12 793	13 048	6 813	3 259	14 224
Income from property sales (portfolio)	CHF 1 000	130	0	2 026	1 374	1 354
Total other income	CHF 1 000	8 351	6 088	6 987	4 588	6 291
Total operating income	CHF 1 000	560 975	426 423	298 765	318 075	247 976
Total operating expenses	CHF 1 000	- 56 521	- 56 571	- 53 730	- 52 776	- 56 970
Operating profit (ebit)	CHF 1 000	504 455	369 852	245 035	265 298	191 006
Financial results	CHF 1 000	- 37 238	- 30 878	- 30 662	- 29 035	- 26 430
Profit before income taxes	CHF 1 000	467 217	338 974	214 373	236 263	164 577
Income taxes	CHF 1 000	- 98 832	- 67 980	- 39 027	- 48 537	- 29 710
Total net income	CHF 1 000	368 385	270 993	175 346	187 726	134 867
Total net income excluding gains/losses on real estate investments²	CHF 1 000	161 367	173 643	169 345	161 287	172 548
Ebitda excluding gains/losses on real estate investments	CHF 1 000	238 308	242 480	238 242	232 690	241 572
Ebitda margin	%	81.0	81.3	81.8	82.0	81.3
Interest coverage ratio ³	Factor	6.4	7.9	7.8	8.0	9.1
Cash flow from operating activities	CHF 1 000	140 290	194 108	226 004	183 369	205 380
Cash flow from investing activities	CHF 1 000	- 67 314	- 73 179	- 171 360	- 76 967	- 341 315
Cash flow from financing activities	CHF 1 000	- 70 367	- 117 118	- 59 803	- 109 304	127 705
Total assets	CHF 1 000	6 356 255	6 541 812	6 684 665	6 791 923	7 041 368
Non-current assets	CHF 1 000	6 154 808	6 351 502	6 545 624	6 665 374	6 950 038
Current assets	CHF 1 000	201 447	190 309	139 041	126 548	91 329
Shareholders' equity	CHF 1 000	3 691 551	3 839 230	3 840 795	3 870 473	3 866 754
Equity ratio	%	58.1	58.7	57.5	57.0	54.9
Return on equity	%	10.6	7.2	4.6	4.9	3.5
Liabilities	CHF 1 000	2 664 704	2 702 582	2 843 869	2 921 450	3 174 613
Non-current liabilities	CHF 1 000	2 396 261	2 348 628	2 740 801	2 564 380	3 088 106
Current liabilities	CHF 1 000	268 443	353 954	103 068	357 070	86 508
Interest-bearing debt	CHF 1 000	1 808 286	1 838 784	1 928 669	1 969 035	2 248 436
Interest-bearing debt in % of total assets	%	28.4	28.1	28.9	29.0	31.9
Interest-bearing debt with fixed interest rates (maturity > 1 year)	%	85.6	77.2	83.9	79.7	96.4
Average interest rate (period)	%	2.37	1.95	1.76	1.70	1.42
Average remaining term to maturity interest-bearing debt	Year	3.7	3.4	3.9	3.4	4.3

Portfolio key figures	Unit	2012				
		restated ¹	2013	2014	2015	2016
Number of properties	Number	163	161	161	163	161
Carrying value properties	CHF 1 000	5 968 097	6 033 930	6 161 136	6 223 006	6 297 968
Implied yield, gross ⁴	%	4.7	4.6	4.5	4.4	4.3
Implied yield, net ⁴	%	3.9	3.9	3.9	3.9	3.6
Vacancy rate end of period (CHF) ⁴	%	8.0	8.0	10.0	8.5	9.3
Number of sites and development properties	Number	9	10	10	8	10
Carrying value sites and development properties	CHF 1 000	314 430	431 647	446 908	501 371	595 885
Employees						
End of period	People	84	86	83	87	90
Full-time equivalents	FTE	78	79	78	81	84
Per share figures						
Earnings per share (EPS) ⁵	CHF	8.21	5.91	3.82	4.09	2.94
EPS excluding gains/losses on real estate investments⁵	CHF	3.60	3.79	3.69	3.52	3.76
Distribution per share	CHF	3.20	3.25	3.25	3.30	3.35⁶
Payout ratio ⁷	%	88.9	85.8	88.1	93.8	89.1
Cash yield ⁸	%	3.7	4.3	3.8	3.8	3.8
Net asset value per share (NAV)⁹	CHF	80.48	83.70	83.74	84.38	84.30
Premium/(discount) to NAV ¹⁰	%	7.0	-9.8	2.5	4.3	4.4
NAV per share before deduction of deferred taxes⁹	CHF	95.00	99.25	99.57	100.83	100.95
Premium/(discount) to NAV before deduction of deferred taxes ¹⁰	%	-9.8	-23.9	-13.8	-12.7	-12.8
Share price high	CHF	89.95	91.25	86.50	99.75	99.10
Share price low	CHF	75.40	74.15	74.25	78.25	78.95
Share price end of period	CHF	86.55	75.50	85.80	88.00	88.00
Outstanding shares	Number	45 867 891	45 867 891	45 867 891	45 867 891	45 867 891
Average outstanding shares	Number	44 876 202	45 867 891	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 40, footnote 3.

3 Ebitda excluding gains/losses on real estate investments in relation to financial results.

4 For investment properties.

5 Based on average number of outstanding shares.

6 Proposal to the Annual General Meeting on 5 April 2017 for the business year 2016:
Dividend payment from retained earnings.

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

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

9 Based on number of outstanding shares.

10 Share price at the end of period in relation to NAV resp. NAV before deduction of deferred taxes.

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Agenda

Annual General Meeting 2017
5 April 2017, Kongresshaus, Zurich

Publication Q1 2017
12 May 2017

Publication H1 2017
18 August 2017

Publication Q1 – Q3 2017
14 November 2017

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Giacomo Balzarini

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Customer care

Front units (property management)

Thanks to its broad regional presence, PSP Swiss Property has detailed knowledge of the local real estate markets. The well developed branch network allows efficient management of all properties.

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Masthead

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