



p|s|p
Swiss Property

2016

Annual report
Short report

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

Key figures

Key financial figures	Unit	2015	2016	Change ¹
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 6, footnote 1.

3 For investment properties.

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

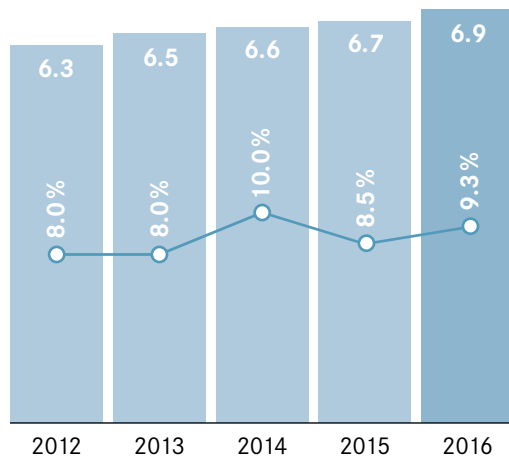
5 Based on average number of outstanding shares.

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

Dividend payment from retained earnings.

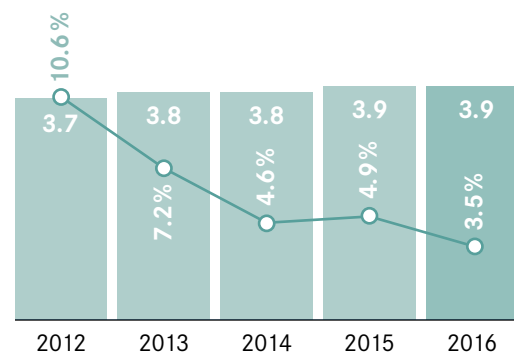
7 Based on number of outstanding shares.

Real estate portfolio



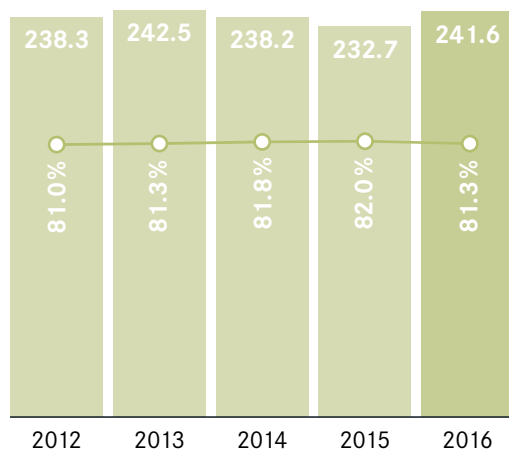
■ Portfolio value in CHF billion
 ○ Vacancy rate end of period in %

Shareholders' equity



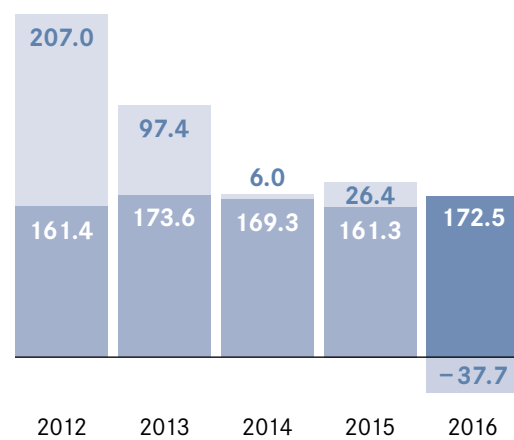
■ Shareholders' equity in CHF billion
 ○ Return on equity in %

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

The PSP share

Dividend policy

The annual distribution of PSP Swiss Property Ltd shall amount to at least 70% of the consolidated annual net income excluding gains/losses on real estate investments¹. 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.

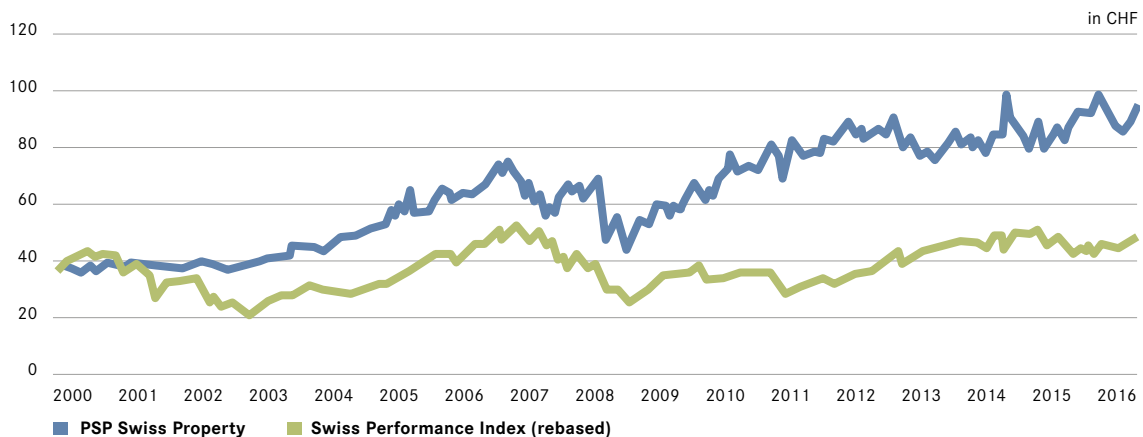
Repayment of capital contributions

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.

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".

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 6, footnote 1.

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

Dividend payment from retained earnings.

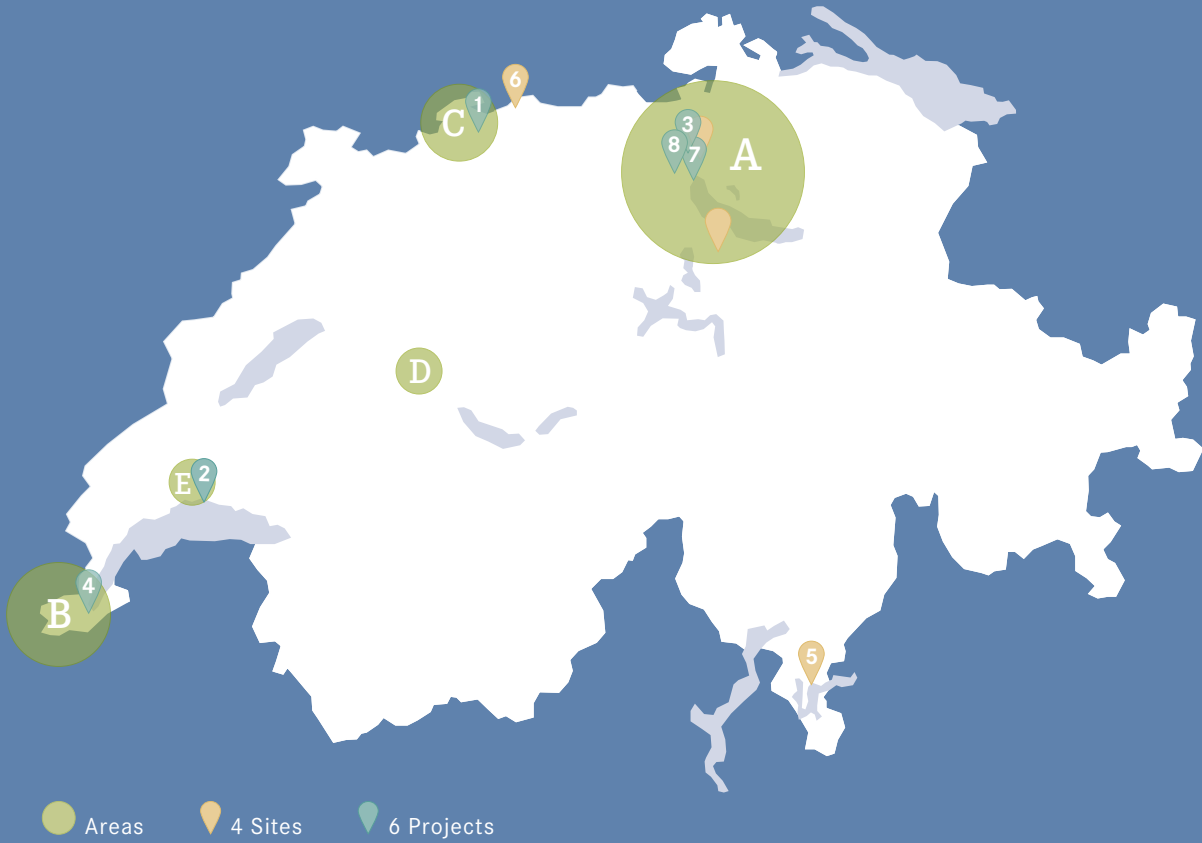
6 Distribution per share in relation to EPS excluding gains/losses on real estate investments.

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

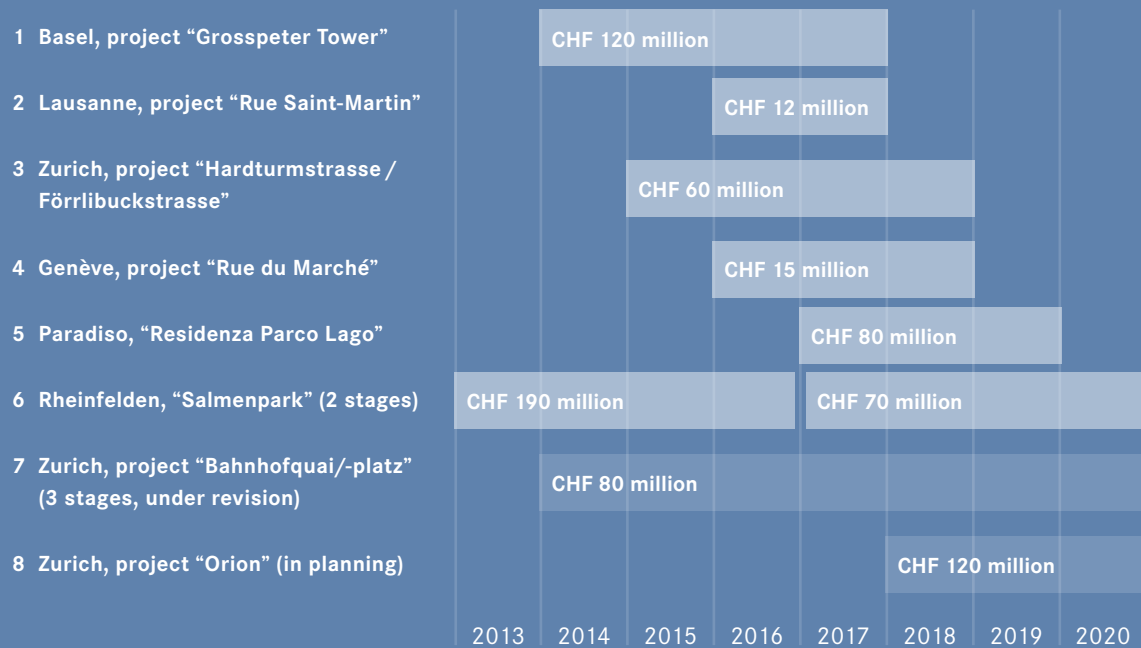
8 Based on number of outstanding shares.

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

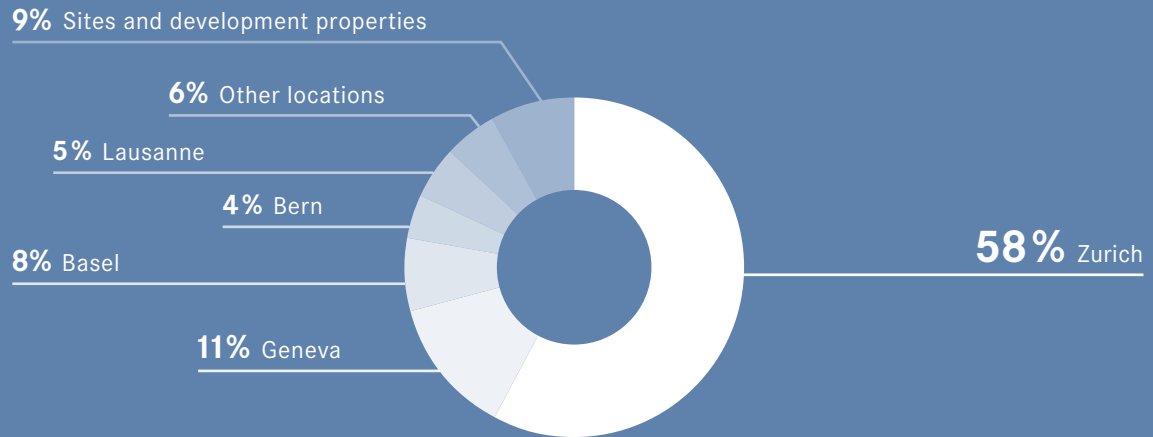
Portfolio summary



Project pipeline



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

Consolidated statement of profit or loss

Operating income	(in CHF 1 000)	1 January to 31 December 2015	1 January to 31 December 2016
Rental income		275 063	276 316
Net changes in fair value of real estate investments		33 791	- 50 208
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
Income from investments in associated companies		10	10
Capitalised own services		2 977	3 973
Other income		1 601	2 308
Total operating income		318 075	247 976
Operating expenses			
Real estate operating expenses		- 11 271	- 12 258
Real estate maintenance and renovation expenses		- 14 626	- 14 817
Personnel expenses		- 17 726	- 20 468
Fees to subcontractors		- 47	- 49
General and administrative expenses		- 7 517	- 7 737
Impairment charge properties		- 874	- 913
Depreciation		- 716	- 726
Total operating expenses		- 52 776	- 56 970
Operating profit (ebit)		265 298	191 006
Financial income		721	422
Financial expenses		- 29 756	- 26 852
Profit before income taxes		236 263	164 577
Income taxes		- 48 537	- 29 710
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

Consolidated statement of comprehensive income

(in CHF 1 000)	1 January to 31 December 2015	1 January to 31 December 2016
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
– Income taxes	721	– 1 203
Items that will not be reclassified subsequently to profit or loss:		
– Changes in pension schemes	– 582	– 1 614
– Income taxes	128	355
Comprehensive income attributable to shareholders of PSP Swiss Property Ltd	178 785	147 670

Consolidated statement of financial position

Assets	(in CHF 1 000)	1 January 2015	31 December 2015	31 December 2016
Cash and cash equivalents		32 256	29 353	21 123
Accounts receivable		17 229	20 995	10 122
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
Investment properties for sale		9 332	0	6 685
Total current assets		139 041	126 548	91 329
Tangible assets		280	356	334
Derivative financial instruments		0	2 052	2 664
Accounts receivable		5 453	3 208	102 998
Financial investments		9	9	9
Investments in associated companies		35	45	54
Sites and development properties		370 661	427 701	544 360
Own-used properties		36 764	36 159	35 555
Investment properties		6 115 040	6 186 848	6 255 728
Deferred tax assets		17 383	8 997	8 335
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 (in CHF 1 000)	1 January 2015	31 December 2015	31 December 2016
Accounts payable	27 416	36 263	23 806
Deferrals	60 921	55 649	52 678
Current tax liabilities	11 933	14 198	7 212
Bonds	0	249 951	0
Derivative financial instruments	2 798	1 010	2 811
Total current liabilities	103 068	357 070	86 508
Debt	1 360 000	1 300 000	1 280 000
Bonds	568 669	419 084	968 436
Derivative financial instruments	51 058	64 107	47 653
Pension liabilities	17 646	17 707	19 947
Deferred tax liabilities	743 428	763 482	772 070
Total non-current liabilities	2 740 801	2 564 380	3 088 106
Share capital	4 587	4 587	4 587
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
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

Zug, 6 March 2017, on behalf of the Board of Directors: Günther Gose, Chairman, and Luciano Gabriel, Delegate and Chief Executive Officer.



Peter Merian-
Strasse 88/90,
Basel





Via Respini 7/9, Locarno



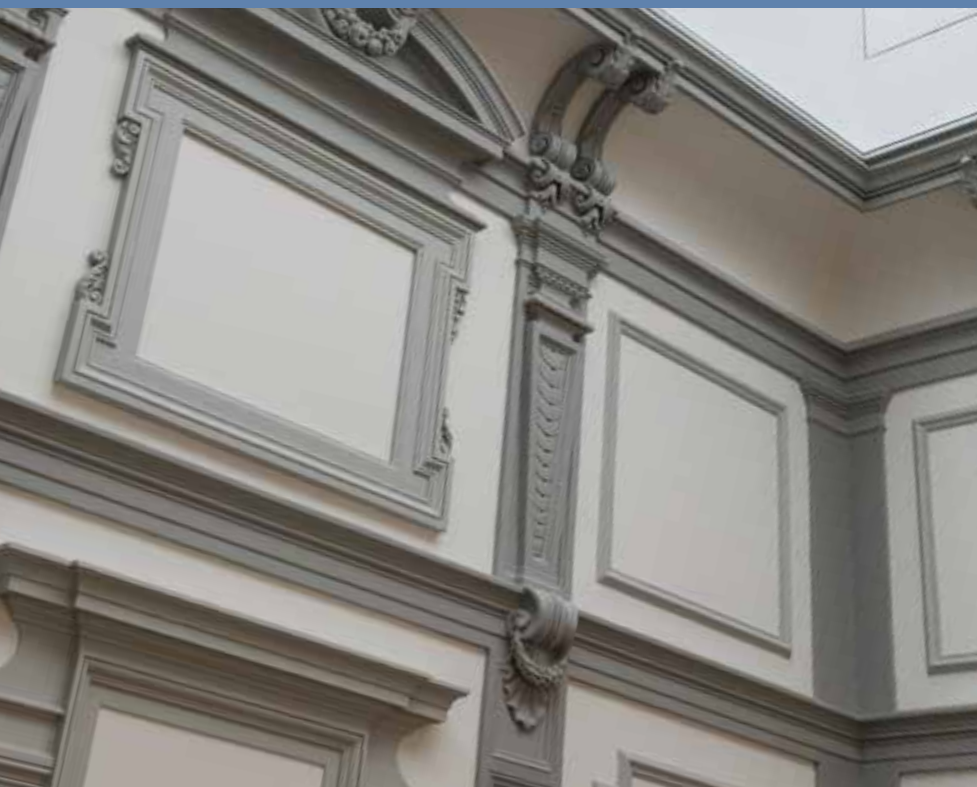


Kramgasse 78, Bern





Bahnhofstrasse 10 /
Börsenstrasse 18,
Zurich



Contacts and important dates

Main company addresses

PSP Swiss Property Ltd

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

PSP Group Services Ltd

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

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

Executive Board of PSP Swiss Property

Luciano Gabriel

Chief Executive Officer

Giacomo Balzarini

Chief Financial Officer

Adrian Murer

Chief Investment Officer

Office of the Board of Directors

Samuel Ehrhardt

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

Investor Relations

Vasco Cecchini

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

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.

Geneva

Management: Roland Zbinden

PSP Management Ltd
Rue des Bains 35, P.O. Box 181
CH-1211 Geneva 8
Phone +41 (0)22 332 25 00
Fax +41 (0)22 332 25 01

Olten

Management: Thomas Bracher

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

Zurich

Management: Alexander Wiggershaus

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



PSP Swiss Property Ltd

Kolinplatz 2
CH-6300 Zug

www.psp.info
info@psp.info

Stock exchange, trading symbol

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

**This Short report is an extract from the 2016 Annual report.
The 2016 Annual report is available under www.psp.info/reports.**

