Press Release
for immediate publication

25 February 2011

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Annual results as per 31 December 2010

PSP Swiss Property – Record operating results and proposal for a higher cash distribution to the shareholders. EBITDA and vacancy rate better than expected. Optimistic outlook for 2011.

In 2010, PSP Swiss Property has once again improved its results considerably compared to last year: net income rose by 21.5% to CHF 280.8 million, net income excluding changes in fair value increased by 2.4% to CHF 139.8 million. Corresponding earnings per share amounted to CHF 6.62 (2009: CHF 5.53), the one excluding changes in fair value to CHF 3.30 (2009: CHF 3.26). At year-end 2010, NAV per share amounted to CHF 68.87 (end of 2009: CHF 64.95), despite the nominal value repayment of CHF 2.70 per share at the end of June 2010. NAV before deferred taxes amounted to CHF 80.86 (end of 2009: CHF 75.79). The Board of Directors proposes a cash distribution of CHF 2.80 per share. This payment will again be made as nominal value reduction.

Real estate portfolio

As at the end of 2010, the real estate portfolio included 175 office and commercial properties in prime locations as well as 7 attractive development sites with a total carrying value of CHF 5.518 billion (end of 2009: CHF 5.216 billion). During the reporting period, a property in Zurich was bought for CHF 45.1 million and eight small assets from the investment portfolio were sold for a total consideration of CHF 28.7 million, resp. 16.8% above the last valuation (IFRS: 10.4%).

The revaluation of the portfolio resulted in an appreciation of CHF 180.6 million (2009: CHF 112.4 million). This appreciation was mainly due to changes in the discount rates, successful closing of new leases and lease extensions at higher rents.

New constructions and conversions on the sites progressed as planned. The following developments are particularly worth mentioning: the completion of the two new office buildings in Wallisellen (Richtistrasse 9 and 11); investments for this project (13 335 m^2 floor space and 228 parking lots) totalled CHF 77.4 million. In December 2010, the opening of the thermal bath on the Hürlimann site in Zurich was very successful; the boutique hotel will be completed during 2011. On the Löwenbräu site in Zurich, the sale of the freehold apartments began successfully: of the 58 units, 43 are already reserved. And, during the third quarter 2010, a part of the site (art galleries and museums) was sold, whereby the transfer of ownership will occur after completion of the construction, presumably in spring 2012.

Vacancy rate

At the end of 2010, the vacancy rate stood at 8.5% (end of 2009: 7.5%). As expected and already communicated, the increase results from the completion of the two new buildings in Wallisellen (contribution to the vacancy rate: 1.7 percentage points).

Of the 8.5%, 1.1 percentage points were due to ongoing renovation work on various properties. The properties in Zurich West and Wallisellen (carrying value CHF 0.8 billion) contributed 5.1 percentage points to the overall vacancy rate. The contribution by the core investment portfolio with a carrying value of CHF 4.4 billion (i.e. the investment properties excluding the objects under renovation as well as those in Zurich West and Wallisellen) was just 2.9 percentage points.

2010 annual results

Net income amounted to CHF 280.8 million (2009: CHF 231.1 million); earnings per share were CHF 6.62 (2009: CHF 5.53). Net income excluding changes in fair values rose from CHF 136.5 million to CHF 139.8 million; earnings per share amounted to CHF 3.30 (2009: CHF 3.26).

The improved results were mainly due to the following: income from discontinued operations, lower operating expenses due to the efficient cost management as well as lower interest expenses.

The optimised cost structure resulted in an increase of EBITDA excluding changes in fair values to CHF 223.3 million (2009: CHF 221.1 million) which was well above the guidance of “above CHF 215 million”. The EBITDA margin improved to 80.3% (2009: 79.5%).

Solid capital structure, low interest expenses

With a loan-to-value of 35.7% (end of 2009: 37.2%), the capital structure remains very solid. During the reporting period, interest rate hedging transactions were concluded, which will allow PSP Swiss Property to continue benefiting from the historically low interest rate levels in the medium term. No bank loans will be due until 2013; bonds totalling CHF 290 million will mature in 2012. PSP Swiss Property has unused credit lines of CHF 630 million. This substantial amount allows the Company to continue to flexibly manage its capital and is an excellent basis for acquisitions.

In the reporting period, the average interest rate was 2.58% (2009: 2.54%). At the end of 2010, the average fixed-interest period was 3.2 years (end of 2009: 3.0 years).

Proposal for a higher nominal value reduction

The Board of Directors will propose a cash distribution in form of a nominal value reduction of CHF 2.80 per share (previous year: CHF 2.70 per share) to the Annual General Meeting on 1 April 2011, leading to an increase of 3.7%. Compared to net income excluding gains/losses on real estate investments (CHF 3.30), this corresponds to a payout ratio of 84.8%; in relation to the 2010 year-end closing price of the PSP-share (CHF 75.00), this corresponds to a payout yield of 3.7%.

Subsequent events

After the balance sheet date of 31 December 2010, the following properties were, respectively will be, transferred (transfer of benefit and risk): i) as at 1 February 2011: Rösslimatte 6/6A/6C (depot), Thun, and ii) as at 20 June 2011: Schützengasse 32, Zurich. The total sales price for the two properties amounts to CHF 12.1 million.

In early February 2011, the Swiss Federal Tax Authorities approved for PSP Swiss Property Ltd an amount of CHF 659.2 million of capital contributions. This amount (capital contribution reserves) may be used for tax privileged repayments to the shareholders in future business years.

Novelties in the reporting

In line with our transparency policy, two novelties are published in the 2010 annual report: the first-time publication of the EPRA performance figures and the sustainability report. In line with the Best Practice Recommendations of the EPRA (European Public Real Estate Association) Reporting and Accounting Committee, we now disclose the EPRA performance figures for 2009 and 2010. In addition, a sustainability report is published for the first time. This report includes information on ecological sustainability, i.e. the taking into account of environmental factors at all stages of business activity, as well as questions regarding economic and social sustainability.

Outlook 2011

PSP Swiss Property is confident about the medium- and long-term future due to its well-established market position, its strong capital base and the high quality of its property portfolio.

In the current year, the evaluation of acquisition opportunities as well as the management of vacancies will be at the top of the agenda. With a view to optimising the portfolio, significant investments are again planned in 2011 in individual properties to enhance their attractiveness.

With regard to vacancies in our investment portfolio, a stabilisation of the vacancy rate is targeted; the rate is expected to be approximately 9% at the end of 2011.

With regard to the sites and development projects, the focus will be on two sites in Zurich, the Hürlimann site (completion of the hotel) and the Löwenbräu site (construction start). The other sites are interesting projects which are partly still in the planning phase.

Based on the assumption of an unchanged property portfolio, an EBITDA excluding gains/losses on real estate investments of approximately CHF 220 million is expected for 2011 (2010: CHF 223.3 million). The slightly lower EBITDA results from three factors: i) higher charge for increased renovation investments in a number of properties to enhance their attractiveness, ii) discontinuance of income from discontinued operations and iii) non recurrence of one-time tax refunds from submitting certain rental contracts to the value added tax (opting in).

Further information

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2010 Annual Report and presentation

Both documents can be downloaded as PDF from www.psp.info.
http://www.psp.info/Reports_2010
http://www.psp.info/Financial_Presentations_2010

Agenda

Annual General Meeting 2011	1 April 2011
Publication of quarterly results Q1 2011	11 May 2011
Publication of 2011 interim results	16 August 2011
Publication of quarterly results Q3 2011	11 November 2011

PSP Swiss Property – leading Swiss real estate company

PSP Swiss Property owns office and commercial properties valued at CHF 5.5 billion in prime locations in Switzerland's main economic areas; its market capitalisation amounts to CHF 3.3 billion. The approximately 80 employees are based in Geneva, Olten, Zug and Zurich.

Since March 2000, PSP Swiss Property is listed on the SIX Swiss Exchange (symbol: PSPN, security number: 1829415, ISIN CH0018294154).

Key figures

Key financial figures	Unit	2009	2010	Change %[1]
Rental income; Like-for-like growth	CHF 1 000 %	264 559 4.3	262 979 1.9	- 0.6
Net changes in fair value of real estate investments	CHF 1 000	112 370	180 588	
Income from property sales	CHF 1 000	12 471	3 467	
Income from investments in associated companies	CHF 1 000	- 13	- 37	
Total other income	CHF 1 000	6 541	7 400	
Net income from continuing operations	CHF 1 000	228 076	275 921	21.0
Net income from discontinued operations	CHF 1 000	3 138	4 904	
Total net income	CHF 1 000	231 214	280 825	21.5
Total net income excl. gains/losses on real estate investments[2]	**CHF 1 000**	**136 495**	**139 780**	**2.4**
EBITDA excl. gains/losses on real estate investments	**CHF 1 000**	**221 113**	**223 309**	**1.0**
EBITDA margin	%	79.5	80.3	
Total assets	CHF 1 000	5 304 607	5 589 187	5.4
Shareholders' equity	CHF 1 000	2 741 394	2 942 902	7.4
Equity ratio	%	51.7	52.7	
Return on equity	%	8.7	9.7	
Interest-bearing debt	CHF 1 000	1 975 206	1 995 248	1.0
Interest-bearing debt in % of total assets	%	37.2	35.7	
Portfolio key figures				
Number of properties	Number	179	175	
Carrying value properties	CHF 1 000	4 997 237	5 309 727	6.3
Implied yield, gross[3]	%	5.2	5.1	
Implied yield, net[3]	%	4.4	4.2	
Vacancy rate end of period (CHF)[3, 4]	%	7.5	8.5	
Number of sites and development properties	Number	8	7	
Carrying value sites and development properties	CHF 1 000	218 405	208 595	- 4.5
Employees				
End of period	Posts	80	82	
Equal full-time employees	Posts	76	78	
Per share figures				
Earnings per share (EPS)[5 ,6]	CHF	5.53	6.62	19.7
EPS excl. gains/losses on real estate investments[5, 6]	**CHF**	**3.26**	**3.30**	**1.2**
Nominal value reduction per share	**CHF**	**2.70[8]**	**2.80[8]**	**3.7**
Net asset value per share (NAV)[9]	**CHF**	**64.95**	**68.87**	**6.0**
NAV share before deducting deferred taxes[9]	**CHF**	**75.79**	**80.86**	**6.7**
Share price end of period	CHF	58.50	75.00	28.2

1 Change to previous year's period 2009 or carrying value as of 31 December 2009 as applicable.
2 "Consolidated annual net income excluding gains/losses on real estate investments" corresponds to the consolidated annual net income excluding net changes in fair values of the real estate investments, realised income on investment property sales and all of the related taxes. Income from the sale of properties which were developed by the Company itself is, however, included in the net income excluding gains/losses on real estate investments.
3 For properties.
4 Equals the lost rental income in % of the potential rent, as per reporting date.
5 Sum of continuing and discontinued operations
6 Based on average number of outstanding shares.
7 For the 2009 business year. Cash payment was made on 23 June 2010.
8 Proposal to the Annual General Meeting on 1 April 2011.
9 Based on number of outstanding shares.