psp Swiss Property

2017 Annual report

Contents

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

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

Sustainability
For environmental reasons, there is no printed version of this annual report.
The annual report is 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 letting market remains a challenge. Compared to the previous years, however, we may expect a moderate recovery.

Dear Readers

Business development

In 2017, our main focus remained on the quality enhancement of our property portfolio. We did this, on the one hand, by means of renovations and modernisations of investment properties and, on the other hand, by further developing our sites and projects.

Letting activities also remained at the top of our agenda, especially the pro-active management of leases that are due for extension. Overall, we are very satisfied with the rental success we achieved last year, in particular considering the standing of our new tenants.

We are also pleased with our operating results: in 2017, we generated a net income (excluding changes in fair value) of CHF 178.3 million (2016: CHF 172.5 million). This corresponds to CHF 3.89 per share. The increase of 3.3% resulted mainly from the sale of the residential project "Salmenpark II" in Rheinfelden.

Net income (excluding changes in fair value) is the basis for the distribution to shareholders. The 2017 result allows the Board of Directors to propose to the Annual General Meeting of 5 April 2018 an increase in the dividend payment to CHF 3.40 per share (previous year: CHF 3.35). This corresponds to a yield of 3.7% on the 2017 year-end share price of CHF 92.35. Thus, we continue our shareholder-friendly dividend policy, further strengthening our position as a predictable and stable core investment for Swiss real estate.

With regard to the investment portfolio, we strengthened our position in the French-speaking part of Switzerland: we recently purchased a fully let prime property portfolio for CHF 190 million. Most of the nine buildings are located in Geneva's banking district. All properties are in excellent condition.

But, in the context of our growth strategy, substantial renovations, conversions and new constructions are crucial as well. First of all, we intend to grow organically by optimising respectively further developing our existing property portfolio. Such investments also reflect the changing expectations and requirements of tenants with regard to the quality and flexibility of rental space.

One good example is the "Grosspeter Tower" in Basel with an investment total of around CHF 120 million. The new construction is one of the city's most distinctive buildings with a hotel and state-of-the-art offices. Recently, this high-rise tower won the renowned Swiss Solar Award – a photovoltaic installation produces all the basic energy needs of the building itself. Another example is the property located at Hardturmstrasse 161, Förrlibuckstrasse 150 in Zurich West. This building is undergoing a complete renovation and is being upgraded to modern standards in terms of technical installations. Here, we will invest approximately CHF 65 million.

Other significant projects, such as the conversion of the "Bahnhofplatz/Bahnhofquai" buildings in Zurich or the planned new construction "Orion" in Zurich West are already attracting a great deal of interest from potential tenants from various business sectors.

For our sites and development properties, we have budgeted around CHF 360 million in the coming years. On top of that, investments totalling approximately CHF 60 million are earmarked for individual properties in our investment portfolio in 2018 alone.

Property market

In Switzerland, office vacancies remain relatively high, despite a rise in the number of jobs in the services sector and the fact that fewer new offices were built than in previous years. Vacancies will continue to trouble property owners for some time to come, especially in peripheral regions. However, the situation is beginning to improve in economic centres – where most of our properties are located.

The retail space market remains under pressure. Despite a slightly weaker franc, many Swiss still like shopping abroad. At the same time, the importance of online shopping keeps growing. These structural changes affect shops in peripheral areas most of all. Our properties with retail space, however, are mostly "high street retail", which means that they are much less affected by these external factors.

Outlook

Economy and politics

The outlook for the global economy is positive and the forecasts for Switzerland are promising. Economists predict low unemployment rates and stable or even slightly accelerating economic growth.

While in the United States, the Federal Reserve Board began raising interest rates in small steps, no significant key rate hikes are expected in Switzerland as long as the European Central Bank keeps rates more or less unchanged. As a result, refinancing costs will presumably remain low for the foreseeable future.

Market and business outlook

The acquisition market for prime commercial properties remains highly competitive. This is due to the continuing investment plight of institutional investors. Real estate is an attractive investment alternative in this persistently low-interest-rate environment. The letting market remains a challenge. Compared to the previous years, however, we may expect a moderate recovery. In this ongoing competitive market, location and quality of the properties remain the keys to success.

Our focus for 2018: renovations and modernisations of individual investment properties as well as further development of our sites and projects.

In financing, we will continue to pursue our proven conservative approach.

For the 2018 business year, we expect an ebitda (excluding gains/losses on real estate investments) of above CHF 235 million (2017: CHF 242.8 million). While rental income is expected to increase by around CHF 8 million, income from condominium sales will decrease. The forecasted ebitda reduction reflects mainly the lower expected income from condominium sales.

With regard to the vacancies, we expect a rate of 8.5% at year-end 2018 (end of 2017: 8.2%). The slight increase is mainly due to the upcoming reclassification of the new construction "Grosspeter Tower" in Basel.

Luciano Gabriel
Chairman of the Board of Directors

26 February 2018

2017

in brief

Key figures

Net income excluding gain/losses on real estate investments

CHF 178.3 million

Compared to 2016, net income (excluding gains/losses on real estate investments) increased by CHF 5.7 million respectively 3.3%.

Dividend

CHF 3.40/share

The Board of Directors will propose to the Annual General Meeting on 5 April 2018 a dividend payment of CHF 3.40 per share. This corresponds to a cash yield of 3.7% on the 2017 year-end share price of CHF 92.35.

Portfolio value

CHF 7.046 billion

The quality of the portfolio was further improved by targeted renovations and other capital expenditures totalling CHF 111 million.

Equity base

CHF 3.989 billion

With an equity ratio of 54.0%, PSP Swiss Property has a strong balance sheet.

EPRA NAV

CHF 105.26/share

The EPRA NAV provides the fair value of assets and liabilities of a long-term oriented real estate company.

Key financial figures	Unit	2016	2017	+/–[1]
Rental income	CHF 1 000	276 316	272 454	– 1.4%
EPRA like-for-like change	%	– 1.6	– 1.1[2]	
Net changes in fair value of real estate investments	CHF 1 000	– 50 208	83 253	
Income from property sales (freehold apartments)	CHF 1 000	14 224	20 243	
Income from property sales (investment properties)	CHF 1 000	1 354	627	
Total other income	CHF 1 000	6 291	5 043	
Net income	CHF 1 000	134 867	257 403	90.9%
Net income excluding gains/losses on real estate investments[3]	CHF 1 000	172 548	178 251	3.3%
Ebitda excluding gains/losses on real estate investments	CHF 1 000	241 572	242 817	0.5%
Ebitda margin	%	81.3	81.5	
Total assets	CHF 1 000	7 041 368	7 384 243	4.9%
Shareholders' equity	CHF 1 000	3 866 754	3 988 560	3.2%
Equity ratio	%	54.9	54.0	
Return on equity	%	3.5	6.6	
Interest-bearing debt	CHF 1 000	2 248 436	2 491 087	10.8%
Interest-bearing debt in % of total assets	%	31.9	33.7[4]	

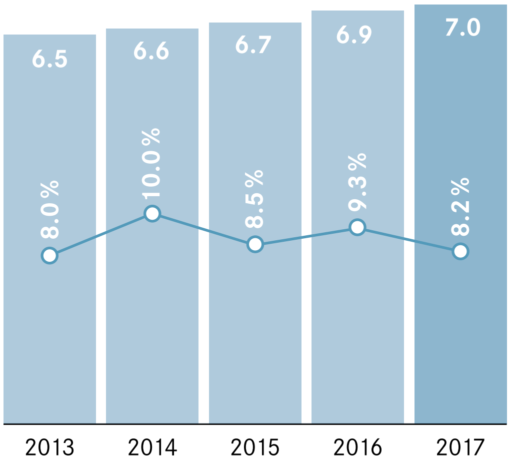
Portfolio key figures				
Number of properties	Number	161	157	
Carrying value properties	CHF 1 000	6 297 968	6 383 901	1.4%
Implied yield, gross[5]	%	4.3	4.2	
Implied yield, net[5]	%	3.6	3.5	
Vacancy rate (CHF)[5, 6]	%	9.3	8.2	
Number of sites and development properties	Number	10	12	
Carrying value sites and development properties	CHF 1 000	595 885	661 892	11.1%

Employees				
End of period	People	90	86	
Full-time equivalents	FTE	84	81	

Per share figures				
Earnings per share (EPS)[7]	CHF	2.94	5.61	90.9%
EPS excluding gains/losses on real estate investments[7]	CHF	3.76	3.89	3.3%
Distribution per share	CHF	3.35	3.40[8]	1.5%
Net asset value per share (NAV)[9]	CHF	84.30	86.96	3.2%
NAV per share before deduction of deferred taxes[9]	CHF	100.95	104.22	3.2%
Share price end of period	CHF	88.00	92.35	4.9%

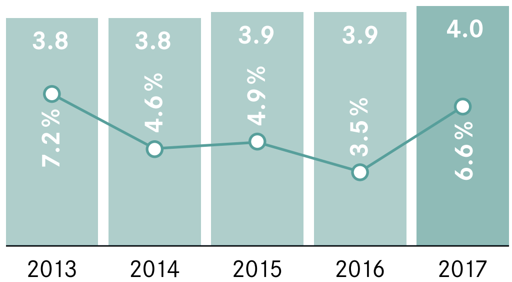
1 Change to previous year's period 2016 or carrying value as of 31 December 2016 as applicable.
2 Excl. property at Av. des Morgines 8/10 in Petit-Lancy: +0.4%.
3 See definition "Net income excluding gains/losses on real estate investments" on page 36, footnote 1.
4 LTV, excl. bond and private placement totalling CHF 275 million (invested as fixed-term deposits): 31.2%.
5 For investment properties.
6 Equals the lost rental income in % of the potential rent, as per reporting date.
7 Based on average number of outstanding shares.
8 Proposal to the Annual General Meeting on 5 April 2018 for the business year 2017: Dividend payment.
9 Based on number of outstanding shares.

Real estate portfolio



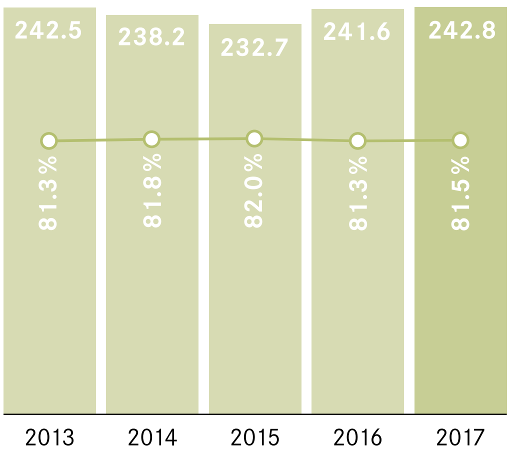
Portfolio value in CHF billion
Vacancy rate end of period in %

Shareholders' equity



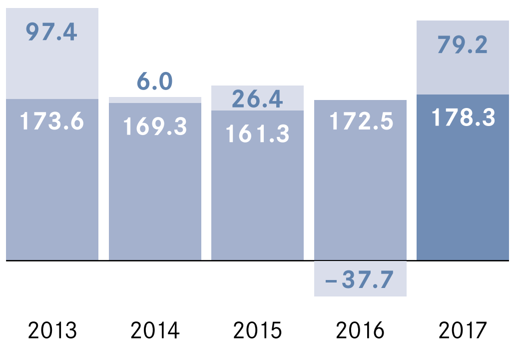
Shareholders' equity in CHF billion
Return on equity in %

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 gains/losses on

Report on the business year 2017

2017 was another challenging year on the property market. Therefore, we may be particularly satisfied with our business results.

Market and client orientation

Key to success in the real estate business is being able to adapt to changing tenants' requirements. In order to cope with these changes, we made various adjustments on the customer side with a clear focus on the tenants' needs and expectations. This will help us accelerate our letting activities and provide our existing tenants with an individual and comprehensive service.

Market environment

Investment market

No significant changes on the investment market: office and commercial properties remained in high demand in 2017. Demand was particularly strong for high-quality objects in economic centres or, at least, with excellent transportation links to these centres. However, the number of transactions in this market segment was small and, as a result, prices were high.

Letting market

Office

The office market hardly changed in the past year: letting is challenging. In economically difficult and geographically marginal regions, reducing vacancies will probably take years, aggravated by a foreseeable further increase in the supply of office space in many areas.

On the other hand, in our main market, Zurich, the number of new constructions decreases slightly, except in Zurich North. There, building activity continues and vacancies keep rising accordingly. In Zurich's Central Business District, empty office space is on the decline. In Zurich West there is growing demand for modern offices. In Basel, availability has increased slightly; due to a number of new construction projects, this oversupply is likely to expand further in the coming years. Geneva remains the most difficult market, despite the fact that overall supply diminished somewhat in the short term and rents have stabilised to a certain degree. In the coming years, however, several new developments will come on the market and increase supply.

Retail

In the retail sector, 2017 was, once again, particularly difficult for objects in peripheral regions as well as traditional shopping centres – key words shopping tourism abroad and online shopping. Central locations ("high street retail") – where most of our properties with retail space are located – are much less affected by these structural changes. On the contrary, they often even benefit from a different kind of shopping tourism: according to reports, the number of wealthy tourists from China, India and other countries is growing once again, with a positive impact on sales along prime shopping miles such as Zurich's Bahnhofstrasse.

Market outlook

From today's perspective, no significant changes are to be expected on the Swiss real estate market in 2018.

The forecasts for Switzerland's economy are positive. Nevertheless, the property market will remain a challenge. If economic growth continues according to forecasts in the current year, the demand for office space may accelerate, at least in central locations. Overall rising office rents, however, are unrealistic in the short term. The same applies to retail space. Thereby, the outlook for properties in central locations is significantly better than for objects on the periphery.

Due to the continuing low-interest-rate environment, the demand for investments in prime commercial properties will hardly diminish in 2018. Commercial properties remain attractive investment alternatives for pension funds and other institutional investors in particular, but for private investors as well. They offer steady and long-term rental income and relatively stable value.

Consolidated annual results 2017

In 2017, we achieved a net income (excluding gains/losses on real estate investments)[1] of CHF 178.3 million (2016: CHF 172.5 million). The increase compared to the previous year resulted mainly from the sale of the residential project "Salmenpark II" in Rheinfelden, which contributed CHF 14.5 million (net of taxes) to the result. Overall, income from condominium sales rose by CHF 6.0 million to CHF 20.2 million (2016: CHF 14.2 million).

Rental income decreased by CHF 3.9 million, in particular because of the lease termination by the single tenant at Av. des Morgines 8/10 in Petit-Lancy as per mid-2016.

Operating expenses decreased by CHF 1.1 million to CHF 55.9 million (2016: CHF 57.0 million). Financial expenses declined by CHF 2.1 million to CHF 24.4 million (2016: CHF 26.4 million).

Net income (including gains/losses on real estate investments) reached CHF 257.4 million (2016: CHF 134.9 million). This significant increase compared to the previous year was mainly caused by the regular periodic revaluation of the properties, which resulted in an overall appreciation of CHF 83.3 million (2016: depreciation of CHF 50.2 million). Furthermore, tax expenses increased by CHF 14.2 million to CHF 44.0 million (2016: CHF 29.7 million). In this regard, it should be considered that the new lower corporate tax rate in the Canton of Vaud was applied as of Q3 2017.

1 See definition on page 36, note 1.

This resulted in a positive effect (release of deferred taxes) amounting to CHF 17.0 million. Thereof, CHF 12.9 million were related to revaluations of the property portfolio, which did not impact the net result excluding gains/losses on real estate investments.

Earnings per share (excluding gains/losses on real estate investments) amounted to CHF 3.89 (2016: CHF 3.76). Earnings per share (including gains/losses on real estate investments) was CHF 5.61 (2016: CHF 2.94).

At the end of 2017, net asset value (NAV) per share was CHF 86.96 (end of 2016: CHF 84.30). NAV before deducting deferred taxes amounted to CHF 104.22 (end of 2016: CHF 100.95).

The NAV based on EPRA standards amounted to CHF 105.26 (end of 2016: CHF 102.52).

Capital management

With total equity of CHF 3.989 billion (end of 2016: CHF 3.867 billion), corresponding to an equity ratio of 54.0% (end of 2016: 54.9%), the capital base remained strong at the end of 2017. Interest-bearing debt amounted to CHF 2.491 billion, corresponding to 33.7% of total assets (end of 2016: CHF 2.248 billion respectively 31.9%). In order to lengthen the average fixed-interest period, we increased a bond and a private placement by a total of CHF 225 million during 2017 (thereof CHF 175 million were invested temporarily in fixed-term deposits). Excluding the combined fixed-term deposits totalling CHF 275 million, the debt ratio was 31.2%.

At the end of 2017, we had unused committed credit lines of CHF 750 million.

At the end of 2017, the passing average interest rate was 0.99% (end of 2016: 1.28%). The average fixed-interest period was 3.6 years (end of 2016: 4.3 years).

PSP Swiss Property has ratings from two international rating agencies: a Senior Unsecured Rating A- (outlook stable) from Fitch and an A3 Issuer Rating (outlook stable) from Moody's.

Dividend

For the business year 2017, the Board of Directors proposes an ordinary dividend payment of CHF 3.40 per share to the Annual General Meeting on 5 April 2018 (previous year: CHF 3.35 per share). In relation to net income (excluding gains/losses on real estate investments), this corresponds to a payout ratio of 87.5%; in relation to the 2017 year-end share price of CHF 92.35, it corresponds to a yield of 3.7%.

Subsequent events

On 31 January 2018, the outstanding CHF 100 million 0.375% bond (maturing in 2026), issued in April 2016, was increased by CHF 100 million (nominal) to CHF 200 million.

On 1 February 2018, we purchased a fully let prime property portfolio consisting of nine office properties for CHF 190 million. All buildings are centrally located and well maintained. Five properties are in Geneva's banking district, two in Lugano and one each in Lausanne and Fribourg. Annual rental income amounts to CHF 7.1 million, the remaining average lease period is approximately eight years. Strategically, this acquisition fits perfectly into our existing portfolio and strengthens our position particularly in the French-speaking part of Switzerland.

There were no further material subsequent events.

Outlook 2018

For the 2018 business year, we expect an ebitda (excluding gains/losses on real estate investments) of above CHF 235 million (2017: CHF 242.8 million). While rental income is expected to increase by around CHF 8 million, income from condominium sales will decrease. The forecasted ebitda reduction reflects mainly the lower expected income from condominium sales.

With regard to the vacancies, we expect a rate of 8.5% at year-end 2018 (end of 2017: 8.2%). The slight increase is mainly due to the upcoming reclassification of the new construction "Grosspeter Tower" in Basel.

The Executive Board, February 2018

Portfolio

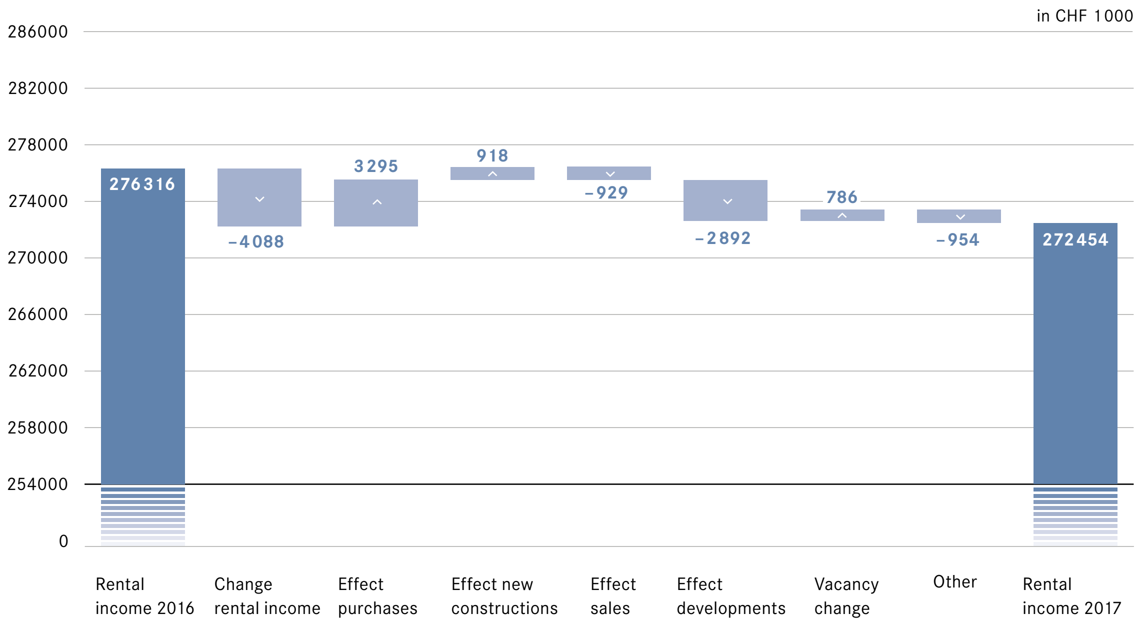
Portfolio

At year-end 2017, our real estate portfolio included 157 office and commercial properties. In addition, there were twelve sites and development properties. The carrying value of the total portfolio was CHF 7.046 billion.

The environment for letting office and commercial space remains difficult. Oversupply in many regions and slack demand have fuelled competition. We meet this challenge with substantial investments in the renovation and modernisation of our property portfolio. At the same time, we keep focusing on the further development respectively completion of our sites and projects.

We are convinced that we have a solid foundation for our Company's future success thanks to our well located properties and the ongoing investments.

Development of rental income



Investment properties

On 3 April 2017, we sold the property located at Eisenbahnstrasse 95 in Gwatt (Thun) for CHF 7.0 million. On 11 October 2017, we sold the depot located in Aigle for CHF 3.2 million. In Q3 2017, two properties (in Köniz and Rheinfelden) were reclassified as development properties.

In December 2017, we signed the sales agreement for the property located at Av. des Morgines 8/10 in Petit-Lancy. The execution is conditional and subject to the pending satisfactory confirmation relating to the so-called Lex Koller (federal law on the acquisition of real estate in Switzerland by non-residents).

We did not purchase any investment properties in the past year.

After the balance-sheet date, as per 1 February 2018, we purchased a prime property portfolio. For further information on this acquisition, see chapter “Subsequent events” on page 13.

Along with regular smaller renovations at a number of objects in our investment portfolio, several of our buildings are going through an extensive modernisation process. Thereby, we are currently focusing on Zurich’s city centre, several properties in Zurich West as well as one commercial property each in Geneva and Lausanne.

In 2018, we will invest around CHF 60 million in our investment properties.

Valuation of properties

The revaluation of the properties resulted in an overall appreciation of CHF 83.3 million (thereof CHF 76.1 million were related to the investment portfolio and CHF 7.2 million to the sites and development properties). At year-end 2017, the portfolio’s weighted average nominal discount rate – based on a long-term average annual inflation of 0.5% – stood at 3.62% (year-end 2016: 3.82%). Along with the lower average weighted discount rate, several lettings and better income prospects related to planned capital expenditures also had a positive effect on the valuations.

Vacancy development

At the end of 2017, the vacancy rate stood at 8.2% (end of 2016: 9.3%). 1.1 percentage points of these 8.2% were due to ongoing renovations.

Of the lease contracts maturing in 2018 (CHF 29.1 million), 59% were renewed respectively extended at the end of 2017. At year-end 2018, we expect a vacancy rate of 8.5%. The slight increase is mainly due to the upcoming reclassification of the new construction "Grosspeter Tower" in Basel.

Sites and development properties

All in all, we own and develop twelve sites and projects:

Project "Grosspeter Tower", Basel
This new building with an investment total of approximately CHF 120 million is in the final construction phase. The current occupancy rate of 70% is very positive. Advanced negotiations are under way with further prospective tenants. The Ibis Style Business Hotel on the lower floors has been in operation since spring 2017. The "Grosspeter Tower" has an imposing exterior and meets the most stringent criteria with regard to sustainability and technology. A fully integrated photovoltaic installation generates enough power to cover the basic electricity needs of the building itself. For that reason, the "Grosspeter Tower" received the Swiss Solar Award in October 2017.

Further details: www.grosspetertower.ch

Project "Rue Saint-Martin", Lausanne
We will renovate this property comprehensively until the end of 2018 / beginning of 2019, investing approximately CHF 13 million.

Project "Hardturmstrasse / Förrlibuckstrasse", Zurich
This property is undergoing a comprehensive renovation and is being upgraded to modern standards in terms of technical installations until the end of 2018 / beginning of 2019. The investment total amounts to approximately CHF 65 million. The building will allow flexible and individual office layouts. 75% of the space is already let. There is a broad tenant mix with demand from, among others, telecommunications, medtech, IT and energy companies as well as a co-working provider.

Further details: www.hardturmstrasse161.ch

Project “Bahnhofquai/-platz”, Zurich

This project (total renovation) consists of several properties and will be carried out in three stages:

Renovation work for stage 1 (Bahnhofplatz 1, Bahnhofquai 9/11/15) will cost approximately CHF 55 million. Work began in June 2017 and is likely to take around two years. Most of the space will be dedicated to offices and retail use.

For stage 2 (Waisenhausstrasse 2/4, Bahnhofquai 7) our chosen project was approved by the City Historical Building Committee in May 2017. Most of the space will be prepared for a hotel and a restaurant. From today’s perspective, capital expenditure will amount to approximately CHF 33 million. We plan to submit the building application in summer 2018.

Stage 3 (Bahnhofplatz 2) is under review. Our cost estimate for this part of the renovation project is approximately CHF 12 million. There are ongoing lease agreements.

“Residenza Parco Lago”, Paradiso

Construction of the “Residenza Parco Lago” near Lugano with 13 000 m² floor space (predominantly condominiums) started in March 2017. Completion is expected for the beginning of 2020. The investment total will amount to approximately CHF 80 million. We plan to sell all units.

Further details: www.parcolagoparadiso.ch

Project “Rue du Marché”, Geneva

The comprehensive renovation and conversion of this building into a hotel facility will cost around CHF 30 million and take until 2020. With the international hotel group citizenM, we were able to gain a prominent hotel operator. citizenM will open a 144-room boutique hotel following the renovation. The remaining space, which is already partly let, will be dedicated to retail. The current occupancy rate of 70% is positive.

Project “Orion”, Zurich

In 2018, we will start the “Orion” project in Zurich West (a replacement building for two properties). High-quality, flexibly partitionable office areas are planned. The investment total will add up to approximately CHF 130 million.

“Salmenpark”, Rheinfelden

The commercial units of the “Salmenpark” were reclassified as investment properties in 2016. By the end of 2017, 107 of the 113 condominiums (“Salmenpark I”) were sold and transferred to the buyers (2017: 18, 2016: 76, 2015: 13).

Further details: www.salmenpark.ch

We sold the “Salmenpark II” residential project for CHF 27.6 million on 18 August 2017.

Löwenbräu site, Zurich

The last stage on this site, the apartment tower "Black", was completed in 2014. By the end of 2017, 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

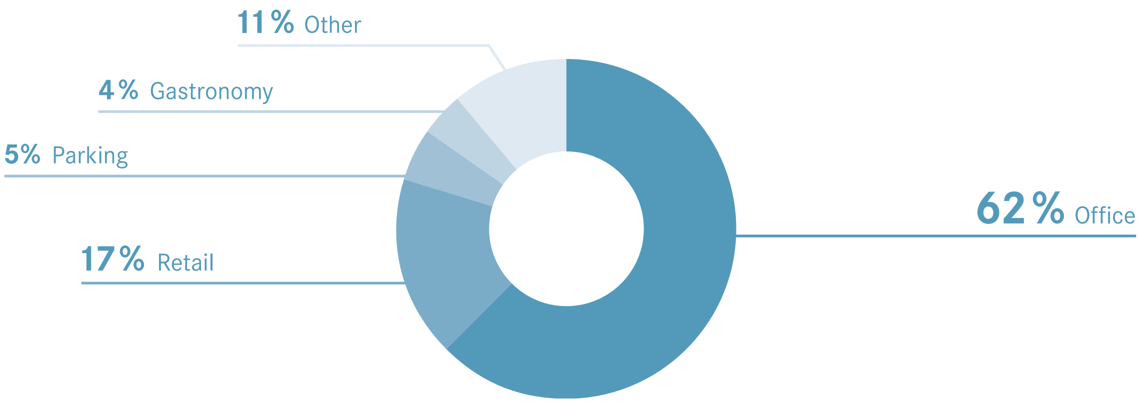
On 24 February 2016, Steiner AG submitted a complaint against PSP Swiss Property respectively PSP Properties AG ("Properties") and Löwenbräu-Kunst AG ("LKAG") related to the Löwenbräu construction project in Zurich West. In its action, Steiner AG asserted claims totalling CHF 58.5 million. Thereof, CHF 18.3 million were related to "LKAG" respectively the "Kunstteil" of "LKAG". This claim has also been asserted against "Properties" in the event that the claim against "LKAG" should be dismissed. On 28 October 2016, within the time stipulated, "Properties" submitted its statement of defence regarding the complaint with the Commercial Court of the Canton of Zurich and demanded that the action be dismissed in full. PSP Swiss Property will respond, within the time stipulated, to the reply of Steiner AG of 11 January 2018. PSP Swiss Property still disputes the claims of Steiner AG as unfounded and unsubstantiated. No provisions have been made for this litigation by PSP Swiss Property.

Other projects

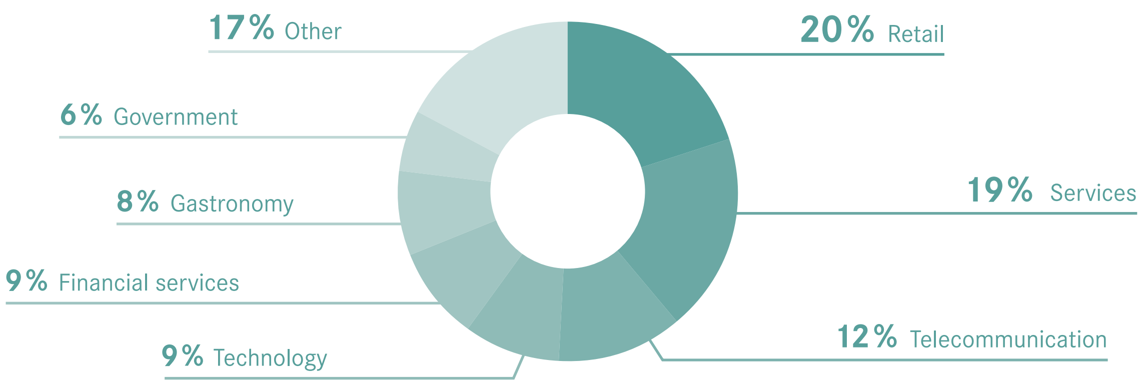
The "Wädenswil" site as well as the two projects "Spiegel" in Köniz and "Bahnhofareal" in Rheinfelden are being evaluated.

Further information on the current projects can be found on pages 200 to 201.

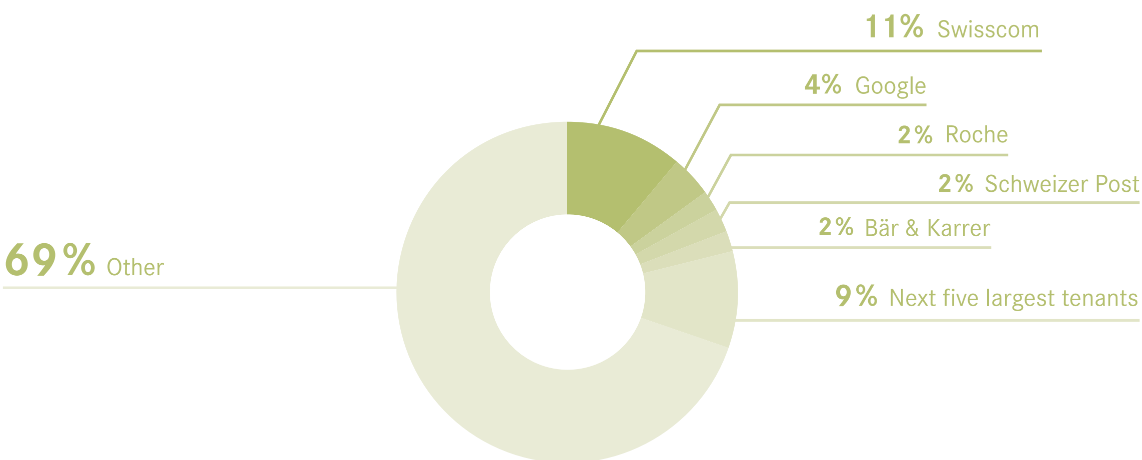
Rent by use



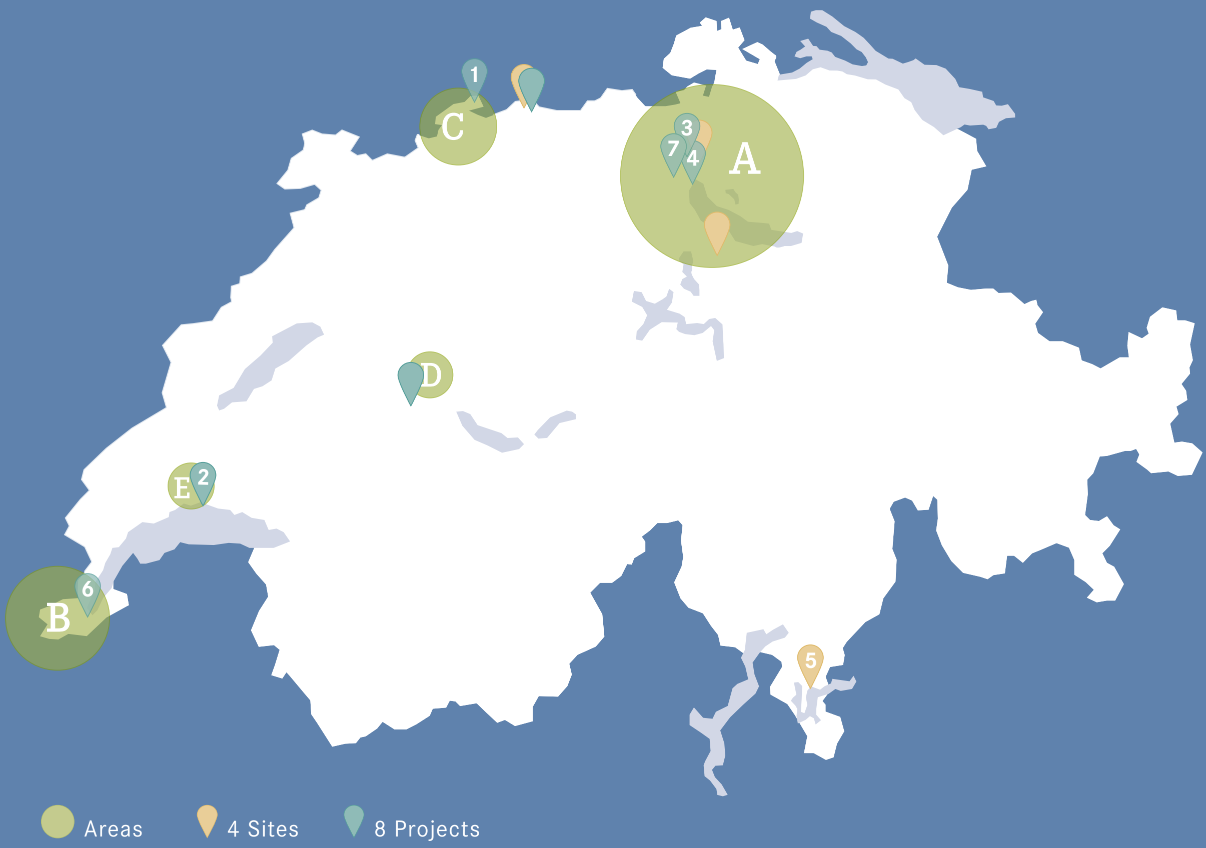
Rent by type of tenant



Rent by largest tenants



Portfolio summary



Project pipeline[1]

1 Basel, "Grosspeter Tower"

2 Lausanne, "Rue Saint-Martin"

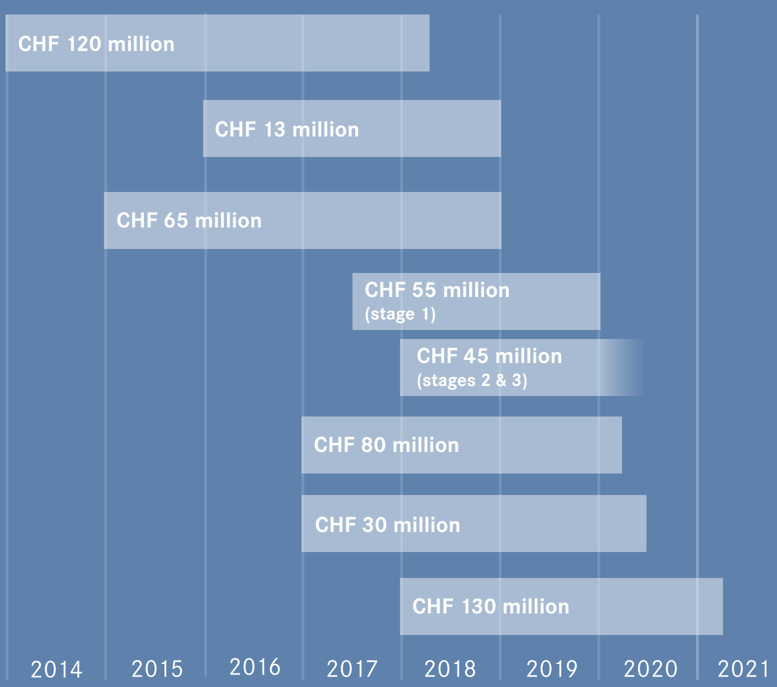
3 Zurich, "Hardturmstrasse / Förrlibuckstrasse"

4 Zurich, "Bahnhofquai/-platz"

5 Paradiso, "Residenza Parco Lago"

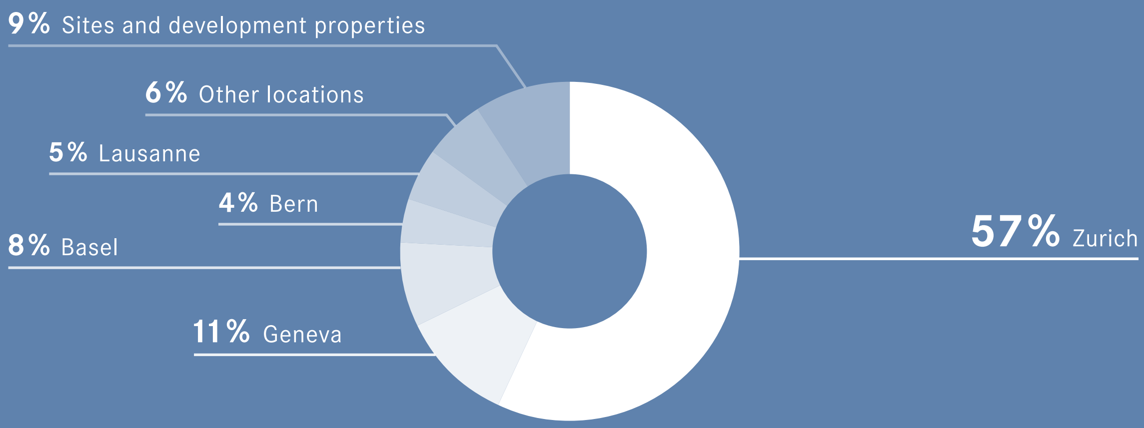
6 Geneva, "Rue du Marché"

7 Zurich, "Orion"



1 Details see on pages 200 to 201.

Portfolio value by area



Portfolio key figures

A Zurich area

Portfolio value	CHF 4.0 billion
Rental income	CHF 162.7 million
Implied yield, net	3.5%
Vacancy rate	6.4%
Rentable area	501 762 m²

B Geneva area

Portfolio value	CHF 0.8 billion
Rental income	CHF 26.4 million
Implied yield, net	2.7%
Vacancy rate	17.7%
Rentable area	84 403 m²

C Basel area

Portfolio value	CHF 0.5 billion
Rental income	CHF 24.8 million
Implied yield, net	4.0%
Vacancy rate	2.3%
Rentable area	92 288 m²

D Bern area

Portfolio value	CHF 0.3 billion
Rental income	CHF 12.8 million
Implied yield, net	3.6%
Vacancy rate	10.0%
Rentable area	57 890 m²

E Lausanne area

Portfolio value	CHF 0.4 billion
Rental income	CHF 17.3 million
Implied yield, net	4.2%
Vacancy rate	6.4%
Rentable area	76 666 m²

Other locations

Portfolio value	CHF 0.4 billion
Rental income	CHF 19.5 million
Implied yield, net	4.1%
Vacancy rate	14.8%
Rentable area	92 440 m²


ZARA

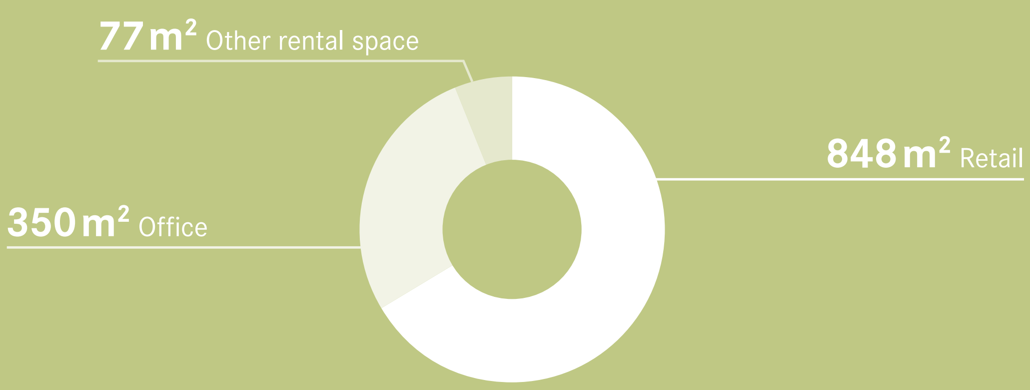
Freie Strasse 38, Basel

This impressive corner property located in Basel's city centre was constructed in 1896. The beautifully restored building is a perfect example of the so-called historicist architectural style which was so popular at that time. Its richly ornamented neo-classical façade illustrates this in an impressive manner.

The name of the street, "Freie Strasse" ("Free Street"), derives from the historical designation for a street which had already been open to the public in the Middle Ages. This narrow thoroughfare through the old part of town had been an important place for commerce and trade for centuries - a role the "Freie Strasse" still plays today.

Originally conceived as a small department store, this corner house is used as a retail and office property today. The excellent location offers ideal conditions for retail space from the ground floor up to the second floor.

Usable floor space



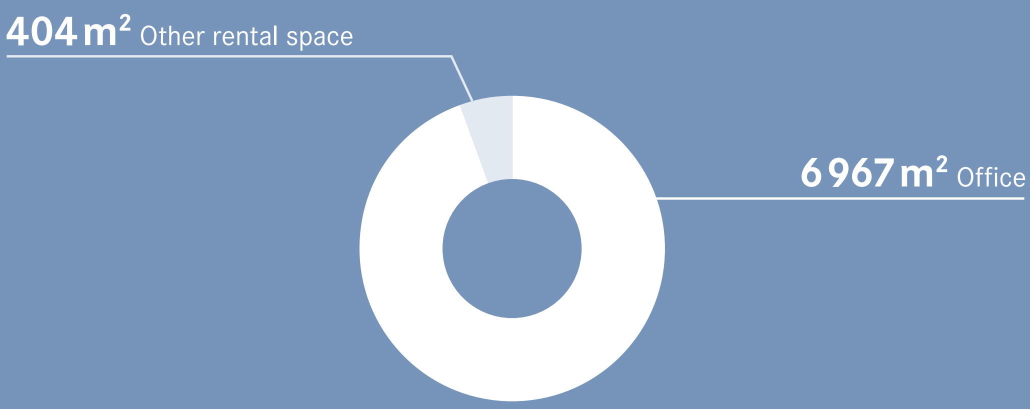
Richtistrasse 11, Wallisellen

The “Businesspark Richtistrasse” is composed of five large, functionally designed office properties. The buildings offer modern and spacious workspaces with state-of-the-art infrastructure. Large windows provide plenty of daylight.

The site is in an excellent location: both Zurich’s city centre and the international airport are conveniently accessible by city trains and private transport within a few minutes. In the immediate vicinity there are stops of the regional bus and tram network. Right next to the business park, the “Glatt” shopping centre offers a wide range of shopping and leisure activities.

The last stage of the business park (Richtistrasse 9 and 11) sets sustainability standards as well. Both buildings are Minergie-certified - heat pumps draw heating energy from an underground geothermal system.

Usable floor space




HITACHI
sas
Canon
11


avanade


WELCOME
sas
HITACHI


Franz Carl Weber

Bahnhofplatz 9, Zurich

Until 1933, this is where the former Grand Hotel Victoria was located - in a prime pedestrian location right across from Zurich's main train station. The appealing commercial property which was built to replace the Grand Hotel, is characterised by a construction method which was truly innovative at that time. There are hardly any load-bearing dividing walls, which allows for particularly flexible floor plans today.

In 2014, the retail areas from the basement up to the first floor were remodelled. In addition, the office areas were upgraded, and the access area was attractively redesigned.

Today, the property offers inviting, spacious retail areas and modern office premises.

Usable floor space

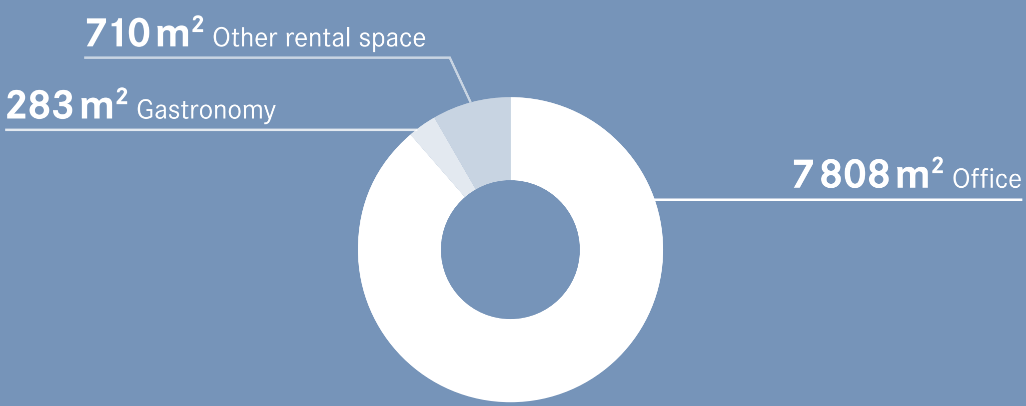
Limmatstrasse 250 – 254, 264, 266, Zurich

Zurich West is an emerging city district, where culture, business and living come together. The Löwenbräu site with its "Black" and "Red" building ensemble is a new urban landmark along the upper Limmatstrasse. The two buildings' eye-catching exterior creates an exciting contrast with the historic parts on the site.

Built in 2013, the "Red" office building leaves a lasting visual impression with its distinctive façade made of glazed ceramic elements. "Red" provides generous and flexible workspaces. Zurich's main train station can be reached in just a few minutes by public transport. The building was designed and constructed specifically to meet sustainability criteria. As a result, "Red" received the Leadership in Energy and Environmental Design (LEED) award from the US Green Building Council (Gold V3 quality level for "core and shell").

In summer 2017, a trendy restaurant with bar was opened on the ground floor of the steel silo, which is protected as a historic monument. There, guests can gather in a casual atmosphere for lunch, dinner or simply a cup of coffee.

Usable floor space






Company portrait

Company portrait

We generate long-term added value through optimising our investment and development portfolio as well as by way of acquisitions. Thereby, we put special emphasis on sustainability.

Real estate portfolio with a long-term perspective

PSP Swiss Property owns a real estate portfolio throughout Switzerland totalling CHF 7.046 billion. We manage and maintain our properties with a long-term perspective. Our goal is income and value appreciation through optimal use of the properties.

Offices in Geneva, Olten and Zurich ensure a broad regional presence. As a result, we know the local markets well. This allows us to manage and let the properties efficiently, provide personal service to our tenants and evaluate potential purchases adequately.

Value-oriented growth strategy

We generate added value through optimising our portfolio (organic growth) as well as external growth.

Organic growth: the focus is on the quality- and value-oriented development of the property portfolio. Thereby, the professional collaboration between real estate asset management, construction and property management activities is a crucial key to success. Letting is a further core activity in the context of our portfolio optimisation.

External growth: this may be achieved through company takeovers, property portfolio acquisitions or the purchase of single 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.

Sustainability

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.

Further information can be found in the "Sustainability report" on pages 167 to 185.

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 that reflects 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 3.989 billion - corresponding to an equity ratio of 54.0% - the equity base is solid.

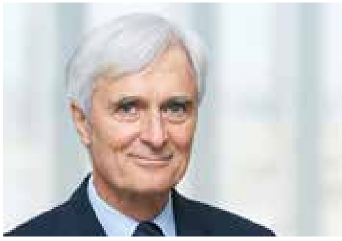
Board of Directors and Executive Board

Luciano Gabriel
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
Ronald Ruepp
Secretary of the Board of Directors

Giacomo Balzarini
Chief Executive Officer

Adrian Murer
Chief Investment Officer

Martin Heggli
Chief Operating Officer

The PSP share

Dividend policy

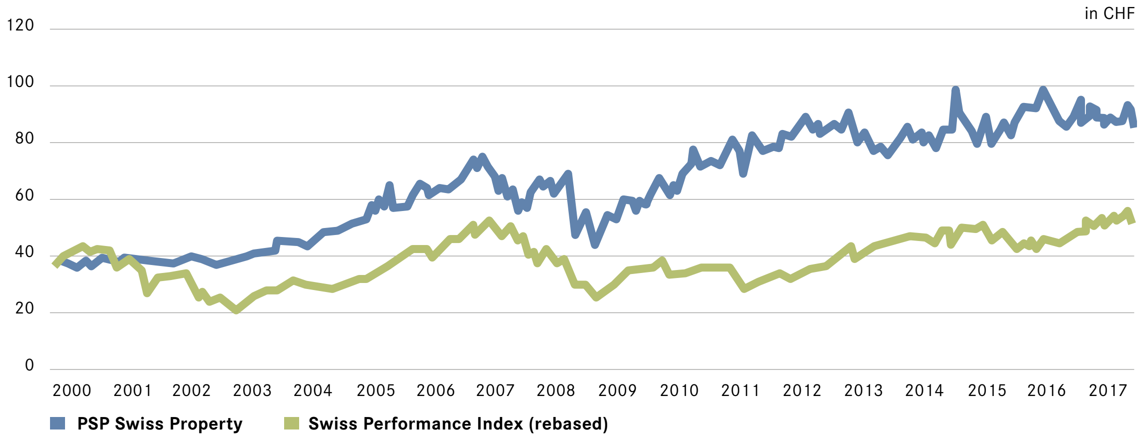
The annual distribution of PSP Swiss Property Ltd shall amount to at least 70% of the consolidated annual net income excluding gains/losses on real estate investments[1]. We strive to ensure a sustainable dividend trend – a goal, which we have achieved throughout our corporate history.

The Board of Directors will propose to the Annual General Meeting on 5 April 2018 a dividend of CHF 3.40 per share. This corresponds to a cash yield of 3.7% on the 2017 year-end share price of CHF 92.35.

Share price development

At year-end 2017, the PSP share price stood at CHF 92.35 (end of 2016: CHF 88.00). Net asset value per share (NAV) amounted to CHF 86.96 at the end of 2017; consequently, the PSP share was traded at a premium of 6.2% at year-end. From its listing on the SIX Swiss Exchange on 7 March 2000 to the end of 2017, the PSP share rose by 144.6%.

The PSP shares are very liquid: on average, 86 126 shares worth CHF 7.7 million were traded daily in 2017 (2016: 84 838 shares worth CHF 7.6 million). In 2017, the total trading volume of PSP shares on the SIX Swiss Exchange reached CHF 1.938 billion (2016: CHF 1.937 billion).



7 March 2000 until 15 February 2018
Source: Investis

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	2016	2017	+/–[1]
Share price				
High	CHF	99.10	94.50	
Low	CHF	78.95	85.75	
End of period	CHF	88.00	92.35	4.9%
SIX Swiss Exchange: Symbol PSPN, Valor 1829415, ISIN CH0018294154				
Market capitalisation				
High	CHF million	4 545.5	4 334.5	
Low	CHF million	3 621.3	3 933.2	
End of period	CHF million	4 036.4	4 235.9	4.9%
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	7 644	
Per share figures				
Earnings per share (EPS)[3]	CHF	2.94	5.61	90.9%
EPS excl. gains/losses on real estate investments[3, 4]	CHF	3.76	3.89	3.3%
Distribution per share	CHF	3.35	3.40[5]	1.5%
Payout ratio[6]	%	89.1	87.5	
Cash yield[7]	%	3.8	3.7	
Net asset value per share (NAV)[8]	CHF	84.30	86.96	3.2%
Premium to NAV[9]	%	4.4	6.2	
NAV per share before deduction of deferred taxes[8]	CHF	100.95	104.22	3.2%
Discount to NAV before deduction of deferred taxes[9]	%	– 12.8	– 11.4	

1 Change to previous year's period 2016 or carrying value as of 31 December 2016 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 36, footnote 1.
5 Proposal to the Annual General Meeting on 5 April 2018 for the busines year 2017: Dividend payment.
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 119, note 4.2.

Investor relations

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

Financial statements

Consolidated statement of profit or loss

(in CHF 1 000)	2016	2017	Note
Rental income	276 316	272 454	5
Net changes in fair value of real estate investments	– 50 208	83 253	13
Income from property sales (inventories)	90 663	46 603	
Expenses from sold properties (inventories)	– 76 438	– 26 360	
Income from other property sales	1 354	627	6
Income from investments in associated companies	10	4	14
Capitalised own services	3 973	2 646	13
Other income	2 308	2 393	7
Total operating income	**247 976**	**381 621**	
Real estate operating expenses	– 12 258	– 11 796	8
Real estate maintenance and renovation expenses	– 14 817	– 16 920	
Personnel expenses	– 20 468	– 19 242	9
Fees to subcontractors	– 49	– 48	
General and administrative expenses	– 7 737	– 7 059	10
Impairment charge properties	– 913	0	13
Depreciation	– 726	– 828	
Total operating expenses	**– 56 970**	**– 55 892**	
Operating profit (ebit)	**191 006**	**325 729**	
Financial income	422	327	11
Financial expenses	– 26 852	– 24 696	11
Profit before income taxes	**164 577**	**301 360**	
Income taxes	– 29 710	– 43 957	12
Net income attributable to shareholders of PSP Swiss Property Ltd	**134 867**	**257 403**	
Earnings per share in CHF (basic and diluted)	2.94	5.61	30

The notes are part of these consolidated financial statements.

Consolidated statement of comprehensive income

(in CHF 1 000)	2016	2017	Note
Net income attributable to shareholders of PSP Swiss Property Ltd	**134 867**	**257 403**	
Items that may be reclassified subsequently to profit or loss:			
– Changes in interest rate hedging	15 265	18 101	
– Attributable taxes	– 1 203	– 1 411	12
Items that will not be reclassified subsequently to profit or loss:			
– Changes in pension schemes	– 1 614	1 792	24
– Attributable taxes	355	– 394	12
Other comprehensive income	**12 803**	**18 088**	
Comprehensive income attributable to shareholders of PSP Swiss Property Ltd	**147 670**	**275 491**	

The notes are part of these consolidated financial statements.

Consolidated statement of financial position

(in CHF 1 000)	31 December 2016	31 December 2017	Note
Cash and cash equivalents	21 123	33 428	
Fixed-term deposits and accounts receivable	10 122	157 917	16
Deferrals	1 874	7 098	
Derivative financial instruments	0	48	17
Sites and development properties for sale	51 525	47 192	13
Investment properties for sale	6 685	0	13
Total current assets	**91 329**	**245 683**	
Tangible assets	334	293	19
Intangible assets	0	855	18
Derivative financial instruments	2 664	1 531	17
Fixed-term deposits and accounts receivable	102 998	130 641	16
Financial investments	9	9	15
Investments in associated companies	54	58	14
Sites and development properties	544 360	614 700	13
Own-used properties	35 555	34 969	13
Investment properties	6 255 728	6 348 932	13
Deferred tax assets	8 335	6 572	20
Total non-current assets	**6 950 038**	**7 138 560**	
Total assets	**7 041 368**	**7 384 243**	
Accounts payable	23 806	21 187	25
Deferrals	52 678	33 266	
Current tax liabilities	7 212	1 551	
Bonds	0	0	23
Derivative financial instruments	2 811	1 726	17
Total current liabilities	**86 508**	**57 730**	
Debt	1 280 000	1 300 000	23
Bonds	968 436	1 191 087	23
Derivative financial instruments	47 653	29 552	17
Pension liabilities	19 947	18 735	24
Deferred tax liabilities	772 070	798 580	20
Total non-current liabilities	**3 088 106**	**3 337 953**	
Share capital	4 587	4 587	21
Capital reserves	503 490	503 463	
Retained earnings	3 404 956	3 508 701	
Revaluation reserves	– 46 279	– 28 191	22
Total shareholders' equity	**3 866 754**	**3 988 560**	
Total liabilities and shareholders' equity	**7 041 368**	**7 384 243**	

The notes are part of these consolidated financial statements.

Consolidated cash flow statement

(in CHF 1 000)	2016	2017	Note
Net income attributable to shareholders of PSP Swiss Property Ltd	134 867	257 403	
Net changes in fair value of investment properties	50 208	– 83 253	13
Capitalised/released rent-free periods	– 702	– 5 444	13
Income from other property sales	– 1 354	– 627	6
Income from investments in associated companies	– 10	– 4	14
Capitalised own services	– 3 973	– 2 646	13
Impairment charge properties	913	0	13
Changes in pension liabilities recorded in the statement of profit or loss	626	580	
Depreciation	726	828	
Financial result	26 430	24 370	11
Income taxes	29 710	43 957	12
Changes in sites and development properties for sale	29 050	13 385	
Changes in accounts receivable	7 947	2 206	
Changes in accounts payable	– 12 479	– 2 628	
Changes in deferrals (assets)	658	– 5 224	
Changes in deferrals (liabilities)	– 69	– 17 751	
Interest paid	– 29 300	– 28 827	
Interest received	421	325	
Dividends received	1	1	
Taxes paid	– 28 291	– 23 151	
Cash flow from operating activities	**205 380**	**173 499**	
Purchases of investment properties	– 145 203	0	13
Capital expenditures on investment properties	– 22 731	– 27 188	13
Capital expenditures on own-used properties	– 62	– 90	13
Capital expenditures on sites and development properties	– 86 038	– 59 056	13
Sales of properties	12 549	15 314	
Payout of loans	– 1 365	– 3 910	
Repayment of loans	1 575	1 268	
Investment in fixed-term deposit	– 100 000	– 175 000	23
Investment in tangible assets	– 40	0	19
Investment in intangible assets	0	– 966	18
Cash flow from investing activities	**– 341 315**	**– 249 628**	

(Continued on next page)

(Continued from previous page)

(in CHF 1 000)	2016	2017	Note
Purchases of own shares	– 1 723	– 1 382	21
Sales of own shares	1 697	1 354	21
Increase in financial debt	300 000	160 000	23
Repayment of financial debt	– 320 000	– 140 000	23
Issue of bonds	551 160	222 943	23
Issue expenses of bonds	– 2 086	– 833	23
Repayment of bond	– 250 000	0	23
Distribution to shareholders	– 151 342	– 153 649	31
Cash flow from financing activities	**127 705**	**88 434**	
Changes in cash and cash equivalents	**– 8 229**	**12 305**	
Cash and cash equivalents at beginning of period	29 353	21 123	
Cash and cash equivalents at end of period	21 123	33 428	

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 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
Attributable 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**
Net income attributable to shareholders of PSP Swiss Property Ltd				**257 403**		**257 403**
Changes in interest rate hedging					18 101	18 101
Changes in pension schemes					1 792	1 792
Attributable taxes					– 1 805	– 1 805
Other comprehensive income					**18 088**	**18 088**
Comprehensive income attributable to shareholders of PSP Swiss Property Ltd	**0**	**0**	**0**	**257 403**	**18 088**	**275 491**
Distribution to shareholders				– 153 657		– 153 657
Purchase of own shares			– 1 382			– 1 382
Compensation in own shares		– 27	1 382			1 354
31 December 2017	**4 587**	**503 463**	**0**	**3 508 701**	**– 28 191**	**3 988 560**

The notes are part of these consolidated financial statements.

Notes to the consolidated 2017 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 157 office and commercial properties as well as twelve development sites and individual projects throughout Switzerland. The properties are mainly in prime locations in Zurich, Geneva, Basel, Bern and Lausanne. At the end of 2017, PSP Swiss Property had 86 employees, corresponding to 81 full-time equivalents (end of 2016: 90 respectively 84).

The consolidated 2017 financial statements are based on the annual accounts of the controlled individual subsidiaries at 31 December 2017 which have been prepared in accordance with uniform accounting policies and valuation principles.

The consolidated financial statements of PSP Swiss Property for the year 2017 were authorised for issue by the Board of Directors on 26 February 2018. The consolidated financial statements are subject to approval by the Annual General Meeting of PSP Swiss Property on 5 April 2018.

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 applied accounting policies are consistent with those of the previous financial year. 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 standard combines the rules with regard to revenue recognition which were previously included in various standards and interpretations. The new standard introduces a five-stage model regarding revenue recognition. Basically, revenue recognition is now based on the concept of transfer and control instead of benefit and risk. The new standard is applicable from 1 January 2018.

For PSP Swiss Property, the new standard mainly concerns revenue recognition for the sale of condominiums during the construction phase. Revenue and expenses for objects with notarised purchase agreements are now recognised in the income statement at the time of the notarisation of the purchase agreements pro rata according to the stage of completion of the entire building project. The income is realised in full at the transfer of ownership.

PSP Swiss Property will apply the new standard as from 1 January 2018, choosing the option of complete retrospective initial application. In other words, the purchase agreements which were notarised as at 1 January 2017 will be recognised as if they had been appraised according to IFRS 15 from the beginning. The cumulative effect from the transition is recorded income neutral in shareholders' equity (retained earnings) and the fiscal year 2017 is shown according to the requirements of IFRS 5.

Based on current estimations, PSP Swiss Property expects a positive adjustment of retained earnings as per 1 January 2017 of CHF 0.5 million and a correspondingly lower net income for the fiscal year 2017. With regard to the future impact on the consolidated statement of profit and loss, IFRS 15 will mean that revenue and expenses for projects which are developed for sale will be recognised at an earlier stage.

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. There are optional exemptions for short-term leases and leases of low value assets. 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.

PSP Swiss Property does not expect any major effects from the future implementation of IFRS 16, because PSP Swiss Property almost exclusively act as a lessor. 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 96 to 103). 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 page 90.

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 “acquisition 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% to 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.

(in CHF 1 000)	Registered office	Share capital 2016	Ownership 2016	Share capital 2017	Ownership 2017
Directly held investments					
PSP Participations Ltd	Zug	1 000 000	100%	1 000 000	100%
PSP Finance Ltd	Zug	1 000	100%	1 000	100%
Indirectly held investments					
PSP Group Services Ltd	Zurich	100	100%	100	100%
PSP Real Estate Ltd	Zurich	50 600	100%	50 600	100%
PSP Management Ltd	Zurich	100	100%	100	100%
PSP Properties Ltd	Zurich	9 919	100%	9 919	100%
Immobiliengesellschaft Septima AG	Zurich	5 700	100%	5 700	100%
SI 7 Place du Molard Ltd	Zurich	105	100%	105	100%
Associated companies					
IG REM	Zurich	n.a.	n.a.	n.a.	n.a.

There are no minority interests 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

Real estate 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 step-up 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 190 to 199), 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 52) and are therefore charged to the income statement.

Income from investment property sales

Income from other 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 52.

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 1.4% (previous year: 1.7%).

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 54).

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 reclassifications 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 as well as any bank debts in the form of current account overdrafts are stated at amortised cost. Short-term debt is any loan with a maximum term of one year.

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. A net pension asset is recorded only to the extent that it does not exceed the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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. 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 Swiss Property 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.

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, the foundation board has to determine actions until sufficient coverage is restored. In the case of a major 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 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 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 188 to 189), the lease expiry profile or the tenant structure (pages 202 to 203). 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 1 000	Market value in CHF 1 000
4.02%	– 10.4%	– 727 181	6 236 450
3.92%	– 8.0%	– 557 856	6 405 775
3.82%	– 5.5%	– 380 482	6 583 150
3.72%	– 2.8%	– 194 776	6 768 855
3.62% (Valuation as per 31 December 2017)	**0.0%**	**0**	**6 963 632**
3.52%	2.9%	204 212	7 167 843
3.42%	6.0%	418 662	7 382 294
3.32%	9.2%	643 874	7 607 505
3.22%	12.6%	880 654	7 844 286

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 320 million at most (2016: CHF 300 million; assumption: all other valuation variables remain unchanged). This would result in a change in the Company’s net income of +/– CHF 251 million (2016: CHF 236 million).

An increase in the structural vacancy rates on which the estimates are based for all properties from 5.8% to 8.8% (2016: from 5.7% to 8.7%) would result in a depreciation of the entire portfolio of approximately CHF 270 million at most (2016: CHF 260 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 212 million (2016: CHF 204 million)
- Change in net income excluding gains/losses on real estate investments: no impact (2016: 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 2017 and 31 December 2016.

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 2017 and 31 December 2016.

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 2017 (see also tenant structure on page 203). Due to the low default rate of 0.3% (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 2017, the biggest single position amounted to CHF 3.1 million. The counterparty is a internationally active company (end of 2016: CHF 0.9 million to 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) or an "A1" rating (Moody's) at the end of 2017. At the end of 2017, these three accounted for CHF 1.6 million respectively 100% of all the derivative financial instruments with a positive fair value (end of 2016: CHF 2.7 million respectively 100%) as well as CHF 301.3 million respectively 97.7% of cash, cash equivalents and fixed-term deposits (end of 2016: 117.8 million respectively 97.2%).

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 2017, available cash and cash equivalents amounted to CHF 33.4 million (end of 2016: CHF 21.1 million). At the same time, PSP Swiss Property had unused credit lines amounting to CHF 750 million (end of 2016: CHF 670 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 2017, committed credit lines amounted to CHF 2.05 billion; thereof, as in the previous year, none was subject to short-term notice (end of 2016: 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.

The interest-bearing debt of PSP Swiss Propertys consists 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 "A1" (Moody's) rating. There are no significant counterparty or cluster risks.

Based on the debt outstanding as at 31 December 2017 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 0.5 million (2016: CHF 0.4 million). This would have the following impact on the Company's results:

- Change in net income: CHF 0.4 million (2016: CHF 0.3 million)
- Change in net income excluding gains/losses on real estate investments: CHF 0.4 million (2016: CHF 0.3 million)
- Change in shareholders' equity (retained earnings): CHF 0.4 million (2016: CHF 0.3 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 (2016: no impact)
- Change in net income excluding gains/losses on real estate investments: no impact (2016: no impact)
- Change in comprehensive income: CHF 5.2 million (2016: CHF 5.0 million)
- Change in shareholders' equity (revaluation reserves): CHF 5.2 million (2016: CHF 5.0 million)

Overall, the financing structure as at 31 December 2017 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 3.989 billion at the end of 2017 (end of 2016: CHF 3.867 billion) – corresponding to an equity ratio of 54.0% (end of 2016: 54.9%) – PSP Swiss Property has a strong equity base. Interest-bearing debt amounted to CHF 2.491 billion respectively 33.7% of the balance sheet total at the end of 2017 (end of 2016: CHF 2.248 billion respectively 31.9%). The remaining 12.3 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 2017, 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 2016

(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**
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 administrative 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
Revenue 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.

Segment information 2017

(in CHF 1 000)	Real Estate Invest-ments	Property Manage-ment	Holding	Subtotal	Elimina-tions	Total Group
Rental income	273 881			273 881	– 1 426	272 454
Net changes in fair value of real estate investments	83 253			83 253		83 253
Income from property sales (inventories)	46 603			46 603		46 603
Expenses from sold properties (inventories)	– 26 912			– 26 912	552	– 26 360
Income from other property sales	487			487	140	627
Income from investments in associated companies		4		4		4
Property management services		14 107		14 107	– 14 107	0
Capitalised own services		2 646		2 646		2 646
Other income	2 341	1 224	17 984	21 549	– 19 156	2 393
Total operating income	**379 653**	**17 981**	**17 984**	**415 619**	**– 33 998**	**381 621**
Real estate operating expenses	– 25 902			– 25 902	14 107	– 11 796
Real estate maintenance and renovation expenses	– 17 792			– 17 792	872	– 16 920
Personnel expenses		– 10 111	– 9 230	– 19 342	100	– 19 242
Fees to subcontractors		– 48		– 48		– 48
General and administrative expenses	– 18 549	– 3 501	– 3 928	– 25 978	18 919	– 7 059
Depreciation	– 676	– 152		– 828		– 828
Total operating expenses	**– 62 920**	**– 13 812**	**– 13 158**	**– 89 890**	**33 998**	**– 55 892**
Operating profit (ebit)	**316 734**	**4 169**	**4 826**	**325 729**		**325 729**
Financial income						327
Financial expenses						– 24 696
Profit before income taxes						**301 360**
Income taxes						– 43 957
Net income attributable to shareholders of PSP Swiss Property Ltd						**257 403**
Revenue with third parties	321 398			321 398		321 398
Revenue with other segments	1 426	17 925	17 984	37 336	– 34 690	2 646
Total revenue	**322 825**	**17 925**	**17 984**	**358 734**	**– 34 690**	**324 044**
Assets	7 071 759	13 791	307 251	7 392 801	– 8 558	7 384 243
Liabilities	3 369 044	20 887	14 310	3 404 241	– 8 558	3 395 683
Capital expenditures	110 547	966		111 512		111 512
Associated companies		58		58		58

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)	2016	2017
Potential rent	325 557	326 776
Vacancy	– 44 552	– 48 602
Write-offs of defaulting tenants	– 739	– 868
Net land lease interests	– 1 727	– 1 727
Income from electricity sale	248	230
Other income	– 2 470	– 3 356
Total rental income	**276 316**	**272 454**

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 2016	31 December 2017
Rental income < 1 year	227 405	229 483
Rental income 2 to 5 years	599 281	555 925
Rental income > 5 years	216 487	175 995
Accumulated future rental income	**1 043 173**	**961 404**

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, 75.2% of contracts have a clause for a 100% indexation (end of 2016: 73.8%). At the end of 2017, the average remaining length for all leases was 4.6 years (2016: 4.9 years).

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

(in CHF 1 000)	2016	2017
Land lease interest expenses	1 772	1 772
Total land lease interest expenses for the period	**1 772**	**1 772**

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

(in CHF 1 000)	31 December 2016	31 December 2017
Interest payments < 1 year	1 772	1 639
Interest payments 2 to 5 years	4 020	2 798
Interest payments > 5 years	18 794	18 244
Accumulated future land lease interest expenses	**24 585**	**22 680**

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

(in CHF 1 000)	2016	2017
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 2016	31 December 2017
Interest payments < 1 year	44	44
Interest payments 2 to 5 years	177	177
Interest payments > 5 years	1 109	1 064
Accumulated future land lease interest income	**1 330**	**1 286**

The existing land lease contracts will mature in the years 2018 to 2072. All but one contract which matures in 2018 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)	2016	2017
Sales proceeds	12 930	15 401
Transaction costs	– 381	– 88
Carrying value of sold properties	– 11 196	– 14 686
Total income from property sales	**1 354**	**627**

In the reporting year, the sale of two investment properties generated a profit of CHF 0.6 million. In the previous year, the sale of two investment properties generated a profit of CHF 1.4 million.

7 Other income

(in CHF 1 000)	2016	2017
VAT recovery	2 258	2 341
Other income	49	52
Total other income	**2 308**	**2 393**

The voluntary opting of several rental contracts (VAT recovery) resulted in an income of CHF 2.3 million in the reporting year (2016: CHF 2.3 million).

8 Real estate operating expenses

(in CHF 1 000)	2016	2017
General operating expenses	4 919	4 792
Taxes and fees	3 089	3 190
Insurance fees	2 063	1 984
Expenses for caretakers	835	728
Utilities and waste management	667	585
Letting expenses	415	521
Administrative expenses	356	187
Ancillary expenses received	– 85	– 191
Total real estate operating expenses	**12 258**	**11 796**

Real estate operating expenses for vacant objects amounted to CHF 5.7 million in the reporting year (2016: CHF 5.2 million). Thereof, CHF 4.3 million were for heating and general operating expenses (2016: CHF 4.0 million).

9 Personnel expenses

(in CHF 1 000)	2016	2017
Wages and salaries	16 462	15 408
Social security expenses	1 474	1 335
Expenses for staff pension schemes	2 267	2 027
Other expenses	264	471
Total personnel expenses	**20 468**	**19 242**
Employees at end of period (people)	90	86
Equal full-time employees (FTE)	84	81

Personal expenses decreased basically due to changes in the Executive Board of PSP Swiss Property.

10 General and administrative expenses

(in CHF 1 000)	2016	2017
Administrative expenses	3 601	3 311
General operating expenses	1 508	1 476
IT expenses	2 116	1 710
Current capital taxes	281	300
Occupancy expenses	230	262
Total general and administrative expenses	**7 737**	**7 059**

General and administrative expenses decreased mainly due to lower legal fees and IT expenses.

11 Financial results

(in CHF 1 000)	2016	2017
Financial income	421	325
Income from financial investments	1	1
Total financial income	**422**	**327**
Financial expenses	29 324	27 165
Capitalised interest expenses	– 2 799	– 3 010
Amortisation of issue expenses of bonds	327	541
Total financial expenses	**26 852**	**24 696**
Total financial result	**26 430**	**24 370**
Overall financial expenses for financial instruments at amortised cost	**29 651**	**27 706**

Interest-bearing debt amounted to CHF 2.491 billion at the end of 2017 (end of 2016: CHF 2.248 billion). The average interest rate was 1.16% in the reporting year (2016: 1.42%). As at 31 December 2017, the passing average interest rate was 0.99% (31 December 2016: 1.28%).

12 Income tax expenses

(in CHF 1 000)	2016	2017
Current income taxes of reporting period	21 028	16 925
Adjustments for current income taxes relating to other periods	280	564
Total current income taxes	**21 308**	**17 490**
Deferred income taxes from change in temporary net changes in fair value of investment properties	9 430	43 592
Deferred income taxes from changes in tax rates	– 115	– 17 039
Deferred income taxes from change in temporary net changes in fair value of other balance sheet positions	– 912	– 87
Total deferred income taxes	**8 402**	**26 467**
Total income tax expenses	**29 710**	**43 957**

Reconciliation to tax expenses:

(in CHF 1 000)	2016	2017
Operating profit before taxes	164 577	301 360
Reference tax rate	21.4%	21.5%
Income taxes at reference tax rate	**35 232**	**64 705**
Changes in tax rates on temporary changes in fair value	– 115	– 17 039
Adjustments for current income taxes relating to other periods	280	564
Local tax rate differences	– 5 687	– 4 273
Total income tax expenses	**29 710**	**43 957**

The reference tax rate is a mixed rate. It takes into account that for profits which are taxable on the cantonal and communal levels an average tax rate of 21.5% (incl. direct federal tax) is currently applicable (2016: 21.4%). In the reporting year, the actual tax rate was 14.6% (2016: 18.1%).

From 1 January 2019, the revised tax law of the canton of Vaud provides for a lower cantonal tax rate for companies. Therefore, for the calculation of deferred income taxes 2017, the lower tax rate was applied in accordance with the accounting and valuation principles. This results in a one-off release of deferred tax liabilities amounting to CHF 17.0 million. Of this amount, CHF 4.1 million (24%) was allocated to “Net income excluding gains/losses on real estate investments” due to the origin of deferred tax assets.

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

(in CHF 1 000)	2016	2017
Taxes from change in interest rate hedging	– 1 203	– 1 411
Taxes from staff pension scheme liabilities	355	– 394
Total income tax expenses (directly reported in equity)	**– 848**	**– 1 805**

13 Real estate investments

(in CHF 1 000)	Investment properties	Investment properties for sale	Own-used properties	Sites and development properties at market value	Sites and development properties at historical value	Development properties for sale	Total real estate investment
	IAS 40	IFRS 5	IAS 16	IAS 40	IAS 40	IAS 2	
Carrying value at 31 December 2015	**6 186 848**	**0**	**36 159**	**420 777**	**6 924**	**73 669**	**6 724 377**
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**				
Capitalised/released rent-free periods[1]	4 619	0	0	826	0	0	5 444
Transfers	– 8 589	0	0	0	0	8 589	0
Capital expenditures	27 188	0	90	59 056	0	12 974	99 308
Capitalised own services	1 206	0	0	1 142	0	298	2 646
Capitalised interest expenses	703	0	0	2 142	0	165	3 010
Sales	– 8 001	– 6 685	0	0	0	– 26 359	– 41 046
Net changes in fair value of real estate investments	76 078	0	n.a.	7 175	n.a.	n.a.	83 253
Depreciation	n.a.	n.a.	– 676	n.a.	n.a.	n.a.	– 676
Carrying value at 31 December 2017	**6 348 932**	**0**	**34 969**	**614 700**	**0**	**47 192**	**7 045 793**
Historical cost			37 036				
Accumulated depreciation			– 2 066				
Carrying value, net			**34 969**				

1 Straightlining of incentives given to tenants.

Class of assets fair value change calculation

(in CHF 1 000)	Zurich	Geneva	Basel	Bern	Lausanne	Other locations	Total real estate invest-ment
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	145 204
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**
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	*– 3 124*	*– 61 851*	*9 676*	*2 962*	*11 606*	*– 9 478*	*– 50 208*
Carrying value at 31 December 2016	**4 304 920**	**851 833**	**602 190**	**285 672**	**362 227**	**399 931**	**6 806 773**
Capitalised/released rent-free periods[1]	4 983	– 185	646	0	0	0	5 444
Capital expenditures	50 127	3 832	29 298	464	5 708	– 3 185	86 244
Capitalised own services	1 099	126	610	57	113	343	2 348
Capitalised interest expenses	1 243	118	1 344	27	84	29	2 845
Net changes in fair value recognised in the income statement, item Net changes in fair value of real estate investments	24 857	16 188	15 128	6 357	5 548	15 176	83 253
Deductions	– 5 201	0	0	0	0	– 18 074	– 23 276
Carrying value at 31 December 2017	**4 382 028**	**871 912**	**649 216**	**292 576**	**373 680**	**394 220**	**6 963 632**
Change of non-realised changes in fair value of real estate investments in the portfolio as at 31 December 2017; recognised in the income statement	*24 857*	*16 188*	*15 128*	*6 357*	*5 548*	*15 176*	*83 253*

1 Straightlining of incentives given to tenants.

In the reporting period two investment properties were sold. In April 2017, the property located at Eisenbahnstrasse 95 in Gwatt (Thun) and in October 2017, the Property located at Route Industrielle 20 in Aigle. Furthermore in August 2017, the project "Salmenpark II" in Rheinfelden was sold (2016: Sale of two investment properties; in June 2016, the property located at Avenue de Beauregard 1 in Fribourg and in October 2016, the plot of land Auf Rainen in Zurzach). In the reporting period no investment properties were purchased (2016: Purchase of one property; in July 2016, the property located at Hardturmstrasse 101, 103, 105 / Förrlibuckstrasse 30 in Zürich). For further information see overview on pages 202 to 203.

Property valuation differences: The property valuation report of the external, independent valuation company, Wüest Partner AG, on pages 96 to 103, shows the basis and assumptions adopted for valuation purposes.

The revaluation of the properties resulted in an overall appreciation of CHF 83.3 million (thereof CHF 76.1 million were related to the investment portfolio and CHF 7.2 million to the project developments). At year-end 2017, the portfolio's weighted average nominal discount rate – based on a long-term average annual inflation of 0.5% – stood at 3.62% (end of 2016: 3.82%). Along with a lower average weighted discount rate, several lettings and better income prospects related to planned capital expenditures had also a positive effect on the valuations.

As at 31 December 2017, the independent valuation company identified twelve properties which may have significant optimisation potential (unchanged from 2016). 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. For three properties the basis for the usage optimisation already exist. Likewise the optimising of the use of one property in Lausanne was continued in dialogue with the city of 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 2017, positive valuation changes at the end of 2017 totalled CHF 162.2 million (2016: CHF 134.6 million) while negative valuation changes totalled CHF 78.9 million (2016: CHF 128.9 million).

In accordance with the PSP Swiss Property accounting and valuation principles for properties, own-used properties are recorded at historical cost (IAS 16). The estimated market value for the own-used property (Seestrasse 353, Zurich) was CHF 36.0 million at the end of 2017 (end of 2016: CHF 35.9 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 2017, 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 674.6 million at the end of 2017 (end of 2016: CHF 615.5 million). At the end of 2017, payment obligations for current development and renovation projects totalled CHF 47.6 million (end of 2016: CHF 49.9 million).

As at the end of 2017, notary and transfer fees in respect of the sale of all properties were estimated at approximately CHF 79 million (end of 2016: approximately CHF 76 million).

14 Investments in associated companies

(in CHF 1 000)	Registered office	Assets	Liabilities	Revenues	Income	Ownership
31 December 2016						
IG REM	Zurich	372	0	185	74	n.a.
31 December 2017						
IG REM	Zurich	405	0	142	33	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)	2016	2017
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 2017, income from financial investments amounted to CHF 0.001 million (2016: CHF 0.001 million).

16 Fixed-term deposits and accounts receivable

(in CHF 1 000)	2016	2017
Resulting from business activities with third parties	14 304	15 386
Fixed-term deposits	100 000	275 000
Value adjustment (accumulated)	– 1 183	– 1 829
Carrying value at 31 December	**113 120**	**288 558**
thereof short-term (current assets)	10 122	157 917
thereof long-term (non-current assets)	102 998	130 641

The short-term accounts receivable (current assets) consists of a fixed-term deposit with maturity with an interest rate of 0.06% and maturity on 31 March 2018 and outstanding rental payments, claims for ancillary expenses as well as claims on the pension foundation. The long-term accounts receivable (non-current assets) consists of a fixed-term deposit with an interest rate of 0.06% and a maturity on 10 July 2019 and loans granted to tenants with interest rates between 2.5% and 5.0%.

The accumulated impaired receivables changed as follows:

(in CHF 1 000)	2016	2017
Carrying value at 1 January	1 554	1 183
Additions debited to income statement	1 140	1 104
Release credited to income statement	– 445	– 186
Outflow	– 1 066	– 273
Carrying value at 31 December	**1 183**	**1 829**

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 31.12.16	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**						

(in CHF 1 000)	Carrying value 31.12.17	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)	159 745	1 982	155 391	1 304	147	404	517
Accounts receivable (non-current assets)	130 641	0	130 641	0	0	0	0
Value adjustment	– 1 829						
Total accounts receivable	**288 558**						

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 0.3% (previous year: 0.2%), the quality of accounts receivable from rental agreements considered as good. At the end of 2017, guarantees (at fair value) totalled CHF 10.7 million on accounts receivable which were due and not value-adjusted of CHF 2.4 million (end of 2016: CHF 6.7 million for CHF 2.2 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 (in CHF 1 000)	Contract value Payer Swaps	Contract value Receiver Swaps	Positive Fair Value[1]	Negative Fair Value[1]
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**
31 December 2017				
2018	250 000	250 000	48	– 1 726
2019	250 000	250 000	114	– 6 242
2020	150 000	50 000	189	– 6 166
2021	150 000	100 000	0	– 9 173
2022	50 000	0	0	– 2 235
2023	50 000	0	0	– 2 154
2024	50 000	50 000	1 228	– 3 246
2025	0	0	0	0
2026	0	0	0	0
2027	50 000	0	0	– 335
Total	**1 000 000**	**700 000**	**1 579**	**– 31 277**

1 Excl. accrued interest.

During the reporting period, four interest rate payer swaps and four interest rate receiver swaps matured. One forward starting interest rate payer swap for CHF 50 million was newly signed (beginning in the year 2019 and maturing in 2027).

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 2017 was – 0.9325% to 1.5075% (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 78). 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)	2016	2017
Carrying value at 1 January	0	0
Purchases	0	966
Depreciation	0	– 110
Carrying value at 31 December	**0**	**855**
Historical cost	3 392	4 358
Accumulated depreciation	– 3 392	– 3 502
Carrying value, net	**0**	**855**

Intagible assets consists of development cost for internal used software.

19 Tangible assets

(in CHF 1 000)	2016	2017
Carrying value at 1 January	356	334
Purchases	40	0
Depreciation	– 61	– 42
Carrying value at 31 December	**334**	**293**
Historical cost	504	504
Appreciation	200	200
Accumulated depreciation	– 370	– 411
Carrying value, net	**334**	**293**

20 Deferred tax assets and liabilities

Deferred tax assets (in CHF 1 000)	31 December 2016	31 December 2017
Resulting from derivative financial instruments	3 946	2 450
Resulting from pension liabilities	4 388	4 122
Total	**8 335**	**6 572**

Deferred tax liabilities (in CHF 1 000)	31 December 2016	31 December 2017
Resulting from positive net changes in fair value of properties	771 795	798 349
Resulting from accounts receivable	66	107
Resulting from derivative financial instruments	209	124
Total	**772 070**	**798 580**

Net deferred tax liabilities (in CHF 1 000)	2016	2017
Carrying value at 1 January	754 485	763 735
Deferred taxes booked to statement of profit or loss	8 402	26 467
Deferred taxes booked to shareholders' equity	848	1 805
Carrying value at 31 December	**763 735**	**792 008**

As a result of applying the property gains tax rates which theoretically were due if all properties had been sold as at 31 December 2017, tax liabilities would, compared to the reported deferred tax liabilities, increase by approximately CHF 45 million (end of 2016: approximately CHF 36 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 2016	31 December 2017
< 1 year	220	135
> 1 year	8 114	6 437
Total	**8 335**	**6 572**

Expiration of tax liabilities (in CHF 1 000)	31 December 2016	31 December 2017
< 1 year	2 971	3 060
> 1 year	769 099	795 519
Total	**772 070**	**798 580**

21 Share capital

	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 2015	45 867 891	0.10	4 587
31 December 2016	45 867 891	0.10	4 587
31 December 2017	45 867 891	0.10	4 587
Conditional share capital			
31 December 2015	2 000 000	0.10	200
31 December 2016	2 000 000	0.10	200
31 December 2017	2 000 000	0.10	200

In the reporting year, a total of 15 128 own shares were purchased at an average price of CHF 91.33 per share totalling CHF 1.4 million and 15 128 own shares were sold at an average price of CHF 89.52 per share totalling CHF 1.4 million (2016: 19 880 own shares purchased at an average price of CHF 86.59 and 19 880 own shares sold at an average price of CHF 86.68).

Further details on changes in shareholders' equity can be found in the consolidated statement of shareholders' equity on page 45.

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 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**
Changes current year	0	18 101	1 792	19 893
Income taxes	0	– 1 411	– 394	– 1 805
31 December 2017	**9 612**	**– 27 372**	**– 10 431**	**– 28 191**

23 Debt

(in CHF 1 000)	31 December 2016	31 December 2017
Long-term debt	1 280 000	1 300 000
Long-term bonds	968 436	1 191 087
Total interest-bearing debt	**2 248 436**	**2 491 087**

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. Debt's market values can be found in note 26 on page 85.

(in CHF 1 000)	Carrying value 31.12.16	Reclassifi-cation	Amortisation of issuer costs	Repayment	Carrying value 31.12.17
Debt	1 280 000	160 000	n.a.	– 140 000	1 300 000
Bonds	968 436	222 110	541	0	1 191 087
Total interest bearing liabilities	**2 248 436**	**382 110**	**541**	**– 140 000**	**2 491 087**

During the reporting period, an already existing private placement with maturity in 2021 was increased by nominal CHF 50 million and an already existing bond with maturity in 2023 was increased by nominal CHF 175 million.

At the end of 2017 (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 2016	31 December 2017
< 6 months	80 000	100 000
6 to 12 months	0	0
1 to 5 years	1 519 372	1 569 555
> 5 years	649 064	821 531
Total interest-bearing debt	**2 248 436**	**2 491 087**

At the end of 2017, the average fixed interest rate period of all debt was 3.6 years (end of 2016: 4.3 years).

Details on the existing bonds are as follows:

(in CHF 1 000)	Carrying value 31.12.15	Reclas-sifica-tion	Issue	Amortisa-tion of issuer costs	Repay-ment	Carrying value 31.12.16	Nominal value 31.12.16
Short-term bonds							
2.625% bond, maturing 16.02.16	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 08.02.19	119 805	0	0	62	0	119 867	120 000
1.375% bond, maturing 04.02.20	199 480	0	0	124	0	199 604	200 000
0.045% bond, maturing 20.12.21	n.a.	0	99 900	1	0	99 901	100 000
0.000% bond, maturing 01.09.23	n.a.	0	124 463	51	0	124 514	125 000
0.500% bond, maturing 16.02.24	n.a.	0	225 004	– 0	0	225 004	225 000
1.000% bond, maturing 06.02.25	99 799	0	0	21	0	99 820	100 000
0.375% bond, maturing 29.04.26	n.a.	0	99 707	19	0	99 726	100 000
Total	**419 084**	**0**	**549 074**	**278**	**0**	**968 436**	**970 000**

(in CHF 1 000)	Carrying value 31.12.16	Reclas-sifica-tion	Issue	Amortisa-tion of issuer costs	Repay-ment	Carrying value 31.12.17	Nominal value 31.12.17
Short-term bonds							
n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Long-term bonds							
1.000% bond, maturing 08.02.19	119 867	0	0	63	0	119 930	120 000
1.375% bond, maturing 04.02.20	199 604	0	0	126	0	199 730	200 000
0.045% bond, maturing 20.12.21	99 901	0	49 969	26	0	149 896	150 000
0.000% bond, maturing 01.09.23	124 514	0	172 142	276	0	296 931	300 000
0.500% bond, maturing 16.02.24	225 004	0	0	– 1	0	225 003	225 000
1.000% bond, maturing 06.02.25	99 820	0	0	21	0	99 842	100 000
0.375% bond, maturing 29.04.26	99 726	0	0	29	0	99 755	100 000
Total	**968 436**	**0**	**222 110**	**541**	**0**	**1 191 087**	**1 195 000**

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 %
1.000% bond, maturing 8 February 2019 Securities number: 19677045				
31 December 2016	120 000	102.3	122 700	1.05
31 December 2017	120 000	101.4	121 692	1.05
1.375% bond, maturing 4 February 2020 Securities number: 22988113				
31 December 2016	200 000	104.7	209 400	1.44
31 December 2017	200 000	103.2	206 400	1.44
0.045% bond, maturing 20 December 2021 Securities number: not listed				
31 December 2016	100 000	99.8	99 762	0.07
31 December 2017	150 000	100.3	150 435	0.07
0.000% bond, maturing 1 September 2023 Securities number: 33014317				
31 December 2016	125 000	98.5	123 063	0.06
31 December 2017	300 000	99.6	298 800	0.18
0.500% bond, maturing 16 February 2024 Securities number: 30725643				
31 December 2016	225 000	101.5	228 375	0.50
31 December 2017	225 000	101.8	228 938	0.50
1.000% bond, maturing 6 February 2025 Securities number: 26288145				
31 December 2016	100 000	105.3	105 300	1.02
31 December 2017	100 000	105.4	105 400	1.02
0.375% bond, maturing 29 April 2026 Securities number: 31940377				
31 December 2016	100 000	98.6	98 600	0.40
31 December 2017	100 000	102.1	102 050	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.

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

(in CHF 1 000)	31 December 2016	31 December 2017
Pension liabilities (present value)	72 283	65 930
Pension assets at market value	– 52 336	– 47 195
Pension liabilities (technical deficit)	**19 947**	**18 735**

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

(in CHF 1 000)	2016	2017
Actuarial pension expenses	2 148	1 936
Interest expenses	509	431
Expected income on plan assets	– 376	– 311
Administration cost	110	111
Total expenses	**2 391**	**2 167**

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

(in CHF 1 000)	2016	2017
Carrying value 1 January	17 707	19 947
Expenses for staff pension schemes debited to the income statement	2 391	2 167
Employer contributions	– 1 765	– 1 587
Actuarial gains and losses on OCI	1 614	– 1 792
Carrying value at 31 December	**19 947**	**18 735**

Pension liabilities and assets changed as follows:

(in CHF 1 000)	2016	2017
Pension liabilities (present value) at 1 January	68 204	72 283
Actuarial pension expenses	2 148	1 936
Employees' contributions	951	920
Interest expenses	509	431
Paid coverage	– 1 844	– 8 411
Actuarial gains and losses	2 315	– 1 229
Pension liabilities (present value) at 31 December	**72 283**	**65 930**
Pension assets at market value at 1 January	50 497	52 336
Expected income on plan assets	376	311
Employer contributions	1 765	1 587
Employees' contributions	951	920
Paid coverage	– 1 844	– 8 411
Administration cost	– 110	– 111
Actuarial gains and losses	701	563
Pension assets at market value at 31 December	**52 336**	**47 195**
Effective pension income	**1 077**	**874**

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 2016	31 December 2017
Pension liabilities (present value)	72 283	65 930
Pension assets at market value	– 52 336	– 47 195
Pension liabilities recognised in the balance sheet	**19 947**	**18 735**
Adjustments of pension liabilities by experience	99	826
Adjustments of pension liabilities caused by amended assumptions	– 2 414	403
Adjustments of pension assets by experience	701	563
Total actuarial gains and losses	**– 1 614**	**1 792**

The expected employer contributions for the business year 2018 amount to CHF 1.5 million (expected contributions 2017: CHF 1.8 million).

Calculation of pension liabilities was based on the following assumptions:

(in CHF 1 000)	31 December 2016	31 December 2017
Discount rate	0.60%	0.65%
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)	23.32/25.42	23.44/25.53

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

(in CHF 1 000)	31 December 2016	31 December 2017
Cash and cash equivalents	628	425
Bonds	18 789	16 660
Equities	13 450	12 837
Real estate	9 002	8 023
Other	10 467	9 250
Total	**52 336**	**47 195**

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 liabilities[1] (in CHF 1 000)	31 December 2016	31 December 2017
Discount rate		
+ 0.25%	2 152	2 005
– 0.25%	– 2 247	– 2 086
Salary change		
+ 0.25%	– 276	– 300
– 0.25%	269	292
Pension change		
+ 0.25%	– 1 778	– 1 785
– 0.25%	0	0
Life expectancy		
+ 1 year at age of retirement	– 2 905	– 2 646

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

25 Accounts payable

(in CHF 1 000)	31 December 2016	31 December 2017
Resulting from business activities with third parties	8 128	7 938
Prepayments	15 678	13 249
Total	**23 806**	**21 187**

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. The fair value of current financial assets and liabilities at amortised cost are assumed to approximate their carrying amounts due to the short-term nature of these financial instruments.

	31 December 2016		31 December 2017	
Financial assets (in CHF 1 000)	**Carrying value**	**Market value**	**Carrying value**	**Market value**
Accounts receivable at amortised cost	113 120	113 120	288 558	288 558
Financial investments at fair value through comprehensive income	9	9	9	9
Derivative financial instruments (hedging)	2 664	2 664	1 579	1 579
Cash and cash equivalents	21 123	21 123	33 428	33 428
Financial liabilities				
Debt at amortised cost	1 280 000	1 270 241	1 300 000	1 293 374
Bonds at amortised cost	968 436	987 200	1 191 087	1 213 710
Accounts payable at amortised cost	23 806	23 806	21 187	21 187
Derivative financial instruments (hedging)	50 464	50 464	31 277	31 277

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 2016

(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
Financial instruments positive					
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
	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**

As at 31 December 2017

(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
Financial instruments positive					
Cash and cash equivalents	33 428	0	33 428	– 31 202	2 226
Derivative financial instruments (positive)	1 579	0	1 579	– 1 579	0
Fixed-term deposit	275 000	0	275 000	0	275 000
Total	**310 007**	**0**	**310 007**	**– 32 781**	**277 226**
Financial instruments negative					
Debt	1 300 000	0	1 300 000	– 298 218	1 001 782
Derivative financial instruments (negative)	31 277	0	31 277	– 9 563	21 714
Total	**1 331 277**	**0**	**1 331 277**	**– 307 781**	**1 023 496**

28 Fair value hierarchy

The fair value definition is classified into three categories. Level 1 regards instruments with price quotations in a liquid market. If there is no liquid market for a position and there are no official price quotations, the fair value is determined according to a recognised valuation method. At level 2, the valuation method is mainly based on input parameters with observable market data; at level 3, the valuation method is based on one or several input parameters without observable market data.

The following table shows the market values (fair value) of these positions recognised in the balance sheet.

Assets (in CHF 1 000)	Level 1	Level 2	Level 3	Market value 31 December 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 (in CHF 1 000)				
Derivative financial instruments (hedging)	0	50 464	0	50 464
Total financial liabilities	**0**	**50 464**	**0**	**50 464**

Assets (in CHF 1 000)	Level 1	Level 2	Level 3	Market value 31 December 2017
Properties (IAS 40 & IFRS 5)	0	0	6 963 632	6 963 632
Financial investments	0	0	9	9
Derivative financial instruments (hedging)	0	1 579	0	1 579
Total financial assets	**0**	**1 579**	**6 963 641**	**6 965 220**

Liabilities (in CHF 1 000)				
Derivative financial instruments (hedging)	0	31 277	0	31 277
Total financial liabilities	**0**	**31 277**	**0**	**31 277**

During the reporting period, no positions were transferred in between the fair value levels (2016: 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 1 000)	Carrying value 31.12.16	< 6 months		6 to 12 months		1 to 5 years		> 5 years	
		Interest	Repayment	Interest	Repayment	Interest	Repayment	Interest	Repayment
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
Total	**2 304 364**	**16 208**	**8 128**	**9 664**	**0**	**51 538**	**1 700 000**	**8 517**	**550 000**

(in CHF 1 000)	Carrying value 31.12.17	< 6 months		6 to 12 months		1 to 5 years		> 5 years	
		Interest	Repayment	Interest	Repayment	Interest	Repayment	Interest	Repayment
Debt	1 300 000	809	0	830	0	1 643	1 300 000	0	0
Bonds	1 191 087	6 450	0	68	0	16 903	470 000	6 750	725 000
Derivative financial instruments[1]	29 698	6 685	0	5 586	0	16 157	0	846	0
Accounts payable[2]	5 643	0	5 643	0	0	0	0	0	0
Total	**2 526 428**	**13 944**	**5 643**	**6 484**	**0**	**34 702**	**1 770 000**	**7 596**	**725 000**

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.

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

At the end of 2017, the average weighted duration of the loan agreements was 3.1 years (end of 2016: 3.7 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.

	2016	2017
Net income in CHF 1 000	**134 867**	**257 403**
Net changes in fair value of real estate investments in CHF 1 000	50 208	– 83 253
Impairment charge properties in CHF 1 000	725	0
Income from property sales in CHF 1 000	– 1 095	– 487
Attributable taxes in CHF 1 000	– 12 157	4 588
Net income excl. gains/losses on real estate investments in CHF 1 000	**172 548**	**178 251**
Number of average outstanding shares	45 867 891	45 867 891
Earnings per share in CHF (basic and diluted)	**2.94**	**5.61**
Earnings per share excl. gains/losses on real estate investments in CHF (basic and diluted)	**3.76**	**3.89**

Equity per share changed as follows:

	31 December 2016	31 December 2017
Shareholders' equity in CHF 1 000	3 866 754	3 988 560
Deferred taxes in CHF 1 000	763 735	792 008
Number of outstanding shares	45 867 891	45 867 891
Net asset value per share in CHF[1]	**84.30**	**86.96**
Net asset value per share before deduction of deferred taxes in CHF[1]	**100.95**	**104.22**

1 Based on number of outstanding shares.

31 Dividend payment

Based on a resolution of the Annual General Meeting on 5 April 2017, a payment of an ordinary dividend of CHF 3.35 per share (totalling CHF 153.7 million) was made on 11 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).

For the business year 2017, the Board of Directors will propose a dividend payment from retained earnings of CHF 3.40 gross per share respectively a maximum of CHF 156.0 million to the Annual General Meeting on 5 April 2018. Treasury shares are not entitled to dividends; therefore, the total amounts for dividend payments may deviate from these figures.

1 "Annual net income excluding gains/losses on real estate investments" corresponds to the consolidated annual net income excluding net changes in fair value of the real estate investments, realised income on 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".

32 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 as a shareholder with 12.21% of the voting rights (as at the end of 2017), 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 payments).

	Executive Board (incl. the executive member of the Board of Directors)		Board of Directors (non-executive)	
(in CHF 1 000)	**2016**	2017	**2016**	2017
Fixed compensation in cash	2 122	1 537	666	658
Performance-based compensation in cash	709	510	0	0
Performance-based compensation in shares	1 696	1 441	0	0
Other benefits	8	0	0	0
Employer contributions pension benefits	509	287	16	19
Total	**5 045**	**3 775**	**682**	**677**

In the reporting year, fees for legal advice were paid in the amount of CHF 0.018 million to the law firm Niederer Kraft & Frey AG, Zurich, where Mr. Peter Forstmoser holds the position of a partner (previous year: CHF 0.008 million). 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 CHF 0.119 million in the reporting year (previous year: CHF 0.116 million). 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.

As at the end of 2016, the non-executive members of the Board of Directors (including their related parties) held no options on PSP shares at the end of 2017. As at the end of 2016, 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 2017.

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 2017. As at 31 December 2016, there were no such accounts receivable from these groups of persons at the end of 2017. As at the end of 2016, there were no claims on related parties at the end of 2017.

33 Subsequent events

On 31 January 2018, the outstanding CHF 100 million 0.375% bond (maturing in 2026), issued in April 2016, was increased by CHF 100 million (nominal) to CHF 200 million.

On 1 February 2018, we purchased a fully let prime property portfolio consisting of nine office properties for CHF 190 million. All buildings are centrally located and well maintained. Five properties are in Geneva's banking district, two in Lugano and one each in Lausanne and Fribourg. Annual rental income amounts to CHF 7.1 million, the remaining average lease period is approximately eight years. Strategically, this acquisition fits perfectly into our existing portfolio and strengthens our position particularly in the French-speaking part of Switzerland.

There were no further material subsequent events.

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To the General Meeting of
PSP Swiss Property Ltd, Zug

Zurich, 26 February 2018

Statutory auditor's 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 statement of profit or loss as at 31 December 2017 and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated cash flow statement and consolidated statement of shareholders' equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 40 to 91 and 188 to 203) give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, 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 IESBA Code of Ethics for Professional Accountants, 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these

Page 2

matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.

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

Area of focus	Valuation of investment properties, sites and development properties was important for our audit as the valuation process contains material estimates and the respective properties with a carrying amount of CHF 7.0 billion represent the most significant position within the consolidated financial statements of the group. As disclosed in note 13 Real estate investments as well as in section 2.3 “Critical estimates and assumptions” of the consolidated financial statements, the fair values were derived by an external appraiser based on a discounted cash flow method. These appraisals are based on various assumptions, particularly with regard to market rents, discount factors, vacancy rates and maintenance and renovation expenses as well as development risks for investment properties.
Our audit response	Among other audit procedures we evaluated the objectivity, independence and competence of the external appraiser as well as the used valuation model. Additionally, we verified the correctness of selected property specific data (among others rental income, maintenance expenses), which was used in the valuation. By discussions with the management and the external appraiser we assessed the key assumptions used in the valuation.

Deferred tax liabilities relating to property valuation differences

Area of focus	Deferred tax liabilities relating to property valuation differences were important for our audit as the process contains material estimates and as the deferred tax liabilities with CHF 798 million represent a significant position within the consolidated financial statements of the group. As disclosed in section 2.6 “Accounting and valuation principles” of the consolidated financial statements, deferred tax liabilities are calculated using the balance sheet liability method. Deferred tax assets and liabilities are measured on the basis of tax rates (federal, cantonal and communal) which are expected to be applicable at the time a deferred tax asset is realised or a deferred tax liability is released. This method is based on estimates especially related to the applicable tax rates, the expected holding period of the properties and tax-eligible loss carry forwards.

Our audit response	Among other audit procedures we validated management's assumptions relating to the estimated holding period and compared the tax rates used for income (federal, cantonal and communal) and property gains tax purposes with the currently applicable tax rates. Furthermore we re-performed the calculation of changes in value and the classification of gains as either capital gains or depreciation recapture.

Other matter

The financial statements of PSP Swiss Property Ltd for the year ended 31 December 2016 were audited by another statutory auditor who expressed an unmodified opinion on those financial statements on 6 March 2017.

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 stand-alone financial statements, the remuneration report, the EPRA reports 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.

Responsibility 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 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 either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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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://www.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 para. 1 item 3 CO and the 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.

Ernst & Young Ltd

Daniel Zaugg Licensed audit expert (Auditor in charge)	Tobias Meyer Licensed audit expert

Wüest Partner AG, Bleicherweg 5, 8001 Zurich

PSP Swiss Property
Geschäftsleitung
Kolinplatz 2
6300 Zug

Zurich, 19 January 2018

Independent valuer's report

To the Executive Board of PSP Swiss Property AG

Ref.
102255.111

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 2017 (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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Transaction costs, gross fair value

An exit price is the selling price postulated in the purchase contract upon which the parties have jointly agreed. Transaction costs, which normally consist of estate agents' commission, transaction taxes and land registry and notary fees, are not taken into account when determining fair value. This means that in line with paragraph 25 IFRS 13, fair value is not adjusted by the amount of the transaction costs incurred by the purchaser in the event of a sale (gross fair value). This is in line with Swiss valuation practice.

Main market, active and most advantageous market

Valuation at fair value assumes that the hypothetical transaction involving the asset to be valued takes place on the market with the largest volume and the most business activity (main market) and that the frequency and volume of transactions are adequate for there to be sufficient price information available for the market (active market). If no such market can be identified, it will be assumed that the asset is being sold on the main market, which would maximize the assets selling price on disposal.

Implementation of fair value

Highest best use

Fair value is calculated on the basis of the best possible use of a property (highest and best use). The best possible use of a property is that which maximizes its value. This assumption presupposes a use, which is technically and physically possible, legally permitted and financially realizable. As fair value is calculated on the basis of maximization of use, the best possible use may differ from the actual or planned use. In the assessment of fair value, future investment spending for the purpose of improving a property or increasing its value will be taken into account accordingly.

Materiality in relation to the highest and best use approach

The use of the highest and best use approach is based on the principle of the materiality of the possible difference in value in terms of the ratio of the value of the specific property to the total real estate assets and in terms of the possible absolute difference in value. A property's potential added value within the usual estimating tolerance of a specific valuation is regarded as immaterial in this context and is therefore disregarded.

Fair value hierarchy

Fair value is determined according to the quality and reliability of the valuation parameters, in order of diminishing quality/reliability: Level 1 market price, Level 2 modified market price and Level 3 model-based valuation. At the same time, when a property is valued on the basis of fair value, different parameters may be applied to different hierarchies. In this context, the total valuation is classed according to the lowest level of the fair value hierarchy in which the material valuation parameters are found.

Valuation level for property valuations

The value of the properties of PSP Swiss Property is determined using a model-based valuation according to Level 3 on the basis of input parameters, which cannot be directly observed on the market. Here too adjusted Level 2 input parameters are used (e.g. market rents, operating/maintenance costs, discounting/capitalization rates, proceeds of sales of residential property). Non-observable input factors are only used where relevant observable input factors are not available.

Significant input factors, influence on fair value

Market rents, vacancy levels and discount rates are defined as significant input factors. These factors are influenced to a varying degree by market developments. If the input factors change, the property's fair value also changes. For each

input factor, these changes are simulated on the basis of static sensitivity analyses.
Owing to interdependence between the input factors, their effects on fair value may either offset or potentiate each other. For example, the effect of reduced market rents combined with higher vacancies and higher discount rates will have a cumulative negative impact on fair value. However, as the portfolio is diversified geographically and by properties, changes to input factors seldom exert a cumulative effect in the short term.
The economic environment may be regarded as the most important factor influencing the input factors. When negative economic sentiment exerts downward pressure on market rents, real estate vacancies usually increase. But at the same time, such market situations are usually associated with favourable (i.e. low) interest rates, which have a positive effect on discount rates. To an extent, therefore, changes to input factors offset each other. Ongoing measures to optimize the PSP Swiss Property portfolio (e.g. the conclusion or renewal of long-term rental contracts, investments in the fit-out of rental areas etc.) counter such short-term market shocks, which primarily impact on market rents and vacancy levels. As already mentioned, the individual, risk-adjusted discount rate for a property reflects the yield expectations of the respective investors/market actors; the property owner can exert only a limited influence.

Valuation procedures

The valuation procedures used are those that are appropriate under the given circumstances and for which sufficient data are available to determine fair value. At the same time, the use of relevant observable input factors is maximized, while the use of non-observable input factors is minimized. In the case of the present valuation procedure, an income-based approach is applied, using discounted cash flow valuations, which are widespread in Switzerland.

Valuation method

In valuing PSP Swiss Property's real estate holdings, Wüest Partner applied the discounted cash flow (DCF) method, by which the market value of a property is determined as the total of all projected future (100 years) net earnings discounted to the valuation date. Net income is discounted separately for each property with due allowance for specific opportunities and threats, and adjustment in line with market conditions and risks.

Basis of valuation

Wüest Partner is familiar with all the properties, having carried out inspections and examined the documentation provided. The properties have been analysed in detail in terms of their quality and risk profiles (attractiveness and lettability of rented premises, construction type and condition, micro- and macro-location etc.). Currently vacant premises are valued with allowance made for a reasonable marketing period.
Wüest Partner inspects the properties at least once every three years as well as following purchase and upon completion of larger refurbishment and investment projects.
Within the review period from 1 January 2017 to 31 December 2017, Wüest Partner visited 67 properties belonging to PSP Real Estate AG, 17 properties belonging to PSP Properties AG as well as 1 property belonging to Immobiliengesellschaft Septima AG.

Results

A total of 156[1] investment properties and property units as well as 8 investment properties under construction were valued as at 31 December 2017 by Wüest Partner. The fair value of all 156 investment properties is estimated as at 31 December 2017 at 6,348,931,702 Swiss Francs and of the investment properties under construction in accordance with IAS 40 at 614,700,000 Swiss Francs.

Changes during reporting period

Within the review period from 1 January 2017 to 31 December 2017 the properties Eisenbahnstrasse 95, Gwatt (Thun) as well as Route Industrielle 20, Aigle were sold. No property was bought. During the same period, the reclassification from investment properties to development properties of the properties Bahnhofstrasse 21, Rheinfelden as well as Spiegel, Köniz were held. No reclassification from development properties to investment properties was held. The development properties Bahnhofplatz 1, Zurich und Bahnhofquai 9, 11, 15, Zurich were merged together to the development property Bahnhofplatz 1/Bahnhofquai 9, 11, 15, Zurich.

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, 19 January 2018
Wüest Partner AG

Marco Feusi
Chartered Surveyor MRICS; dipl. Architekt HTL; NDS BWI ETHZ; Partner

Peter Pickel
Chartered Surveyor MRICS; MSc Real Estate (CUREM); dipl. Bauingenieur HTL; Director

Annex: valuation assumptions

Investment properties

The following nominal discount rates were applied to the property valuation:

Table 1 Region	Minimum discount rate in %	Maximum discount rate in %	Average discount rate (weighted average*) in %
Zurich	2.61	5.32	3.48
Geneva	3.21	5.32	3.84
Lausanne	3.11	4.62	3.69
Basel	3.11	3.97	3.70
Bern	2.96	4.72	3.61
Other regions	3.31	5.63	4.42
All regions	2.61	5.63	3.62

* average of discount rates for individual valuations, weighted by market value

The following ranges for achievable long-term market rents were applied to the property valuations:

Table 2 Region	Office CHF / m^2 p.a.	Retail CHF / m^2 p.a.	Storage CHF / m^2 p.a.	Outdoor parking CHF / p. p.mo.	Indoor parking CHF / p. p.mo.	Residential CHF / m^2 p.a.
Zurich	130 - 790	140 - 6,200	40 - 500	35 - 550	100 - 700	158 - 686
Geneva	230 - 700	280 - 3,000	25 - 600	60 - 450	100 - 540	268 - 350
Lausanne	150 - 380	340 - 1,500	80 - 450	70 - 300	150 - 300	130 - 396
Basel	150 - 335	95 - 2,900	60 - 410	120 - 250	200 - 350	170 - 340
Bern	130 - 335	120 - 1,320	30 - 185	60 - 180	140 - 250	216 - 365
Other regions	140 - 350	180 - 1,750	80 - 360	60 - 120	100 – 400	167 - 360
All regions	130 - 790	95 - 6,200	25 - 600	35 - 550	100 - 700	130 – 686

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

Table 3 Region	Office in %	Retail in %	Storage in %	Outdoor parking in %	Indoor parking in %	Residential in %
Zurich	3.0 - 20.0	1.5 - 16.0	1.5 - 75.0	0.5 - 30.0	1.0 - 50.0	1.0 - 5.0
Geneva	4.5 - 10.0	3.0 - 5.5	2.0 - 10.0	3.0 - 10.0	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 - 7.0	2.0 - 5.0	3.0 - 30.0	1.0 - 3.0	2.0 - 7.0	2.0 - 5.0
Bern	3.0 - 7.0	2.0 - 10.0	2.0 - 15.0	1.0 - 5.0	1.0 - 17.0	1.0 - 2.0
Other regions	4.0 - 20.0	3.0 - 15.0	2.5 - 30.0	1.0 - 4.0	1.0 - 15.0	1.0 - 5.0
All regions	3.0 - 20.0	1.5 - 16.0	1.5 - 75.0	0.5 - 30.0	1.0 - 50.0	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 2018.
- 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 2.61 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 per cent (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.

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- The services provided by PSP Swiss Property as client representative and project developer are included in the construction costs.
- The valuations of property units held for sale (e.g. freehold flats and offices) make allowance for sales costs.
- Allowance is made in the construction costs for enabling works where these are known (e.g. remediation of contaminated sites, demolitions, infrastructure).
- The construction costs include the usual incidental costs, excl. construction financing. This is implicit in the DCF model.
- Allowance is made for value-relevant services previously provided by third parties or PSP Swiss Property, insofar as these are known.
- It is assumed that income from the planned commercial properties is subject to value-added tax. The posted construction costs are therefore exclusive of VAT.
- The valuations contain no latent taxes.

Valuation of investment properties: Discount rates

	Zurich area		Geneva area		Basel area	
Discount rates in % (Market value in CHF 1 000)	Number of properties	Market value	Number of properties	Market value	Number of properties	Market value
2.50 - 2.74	2	274 470	0	0	0	0
2.75 - 2.99	8	696 710	0	0	0	0
3.00 - 3.24	10	469 138	1	80 920	2	44 640
3.25 - 3.49	12	686 811	3	103 060	2	21 096
3.50 - 3.74	18	821 400	5	282 692	3	134 780
3.75 - 3.99	9	357 660	2	48 120	7	344 340
4.00 - 4.24	8	327 752	3	152 540	0	0
4.25 - 4.49	5	168 080	0	0	0	0
4.50 - 4.74	5	132 347	0	0	0	0
4.75 - 4.99	2	23 100	1	40 800	0	0
5.00 - 5.24	1	24 000	0	0	0	0
5.25 - 5.49	1	19 620	1	52 780	0	0
5.50 - 5.74	0	0	0	0	0	0
Total	**81**	**4 001 088**	**16**	**760 912**	**14**	**544 856**

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 2017, the portfolio's average weighted nominal discount rate was 3.62% (end of 2016: 3.82%).

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	2	274 470
1	25 220	0	0	0	0	9	721 930
4	77 256	1	92 470	0	0	18	764 424
0	0	2	47 390	3	30 491	22	888 848
2	80 840	3	82 203	0	0	31	1 401 915
4	68 710	0	0	2	17 251	24	836 081
0	0	3	58 804	6	82 950	20	622 046
1	11 490	2	38 670	3	163 680	11	381 920
1	29 060	3	35 743	0	0	9	197 150
0	0	0	0	0	0	3	63 900
0	0	0	0	3	96 870	4	120 870
0	0	0	0	0	0	2	72 400
0	0	0	0	1	2 978	1	2 978
13	**292 576**	**14**	**355 280**	**18**	**394 220**	**156**	**6 348 932**

EPRA reporting

EPRA performance key figures

In accordance with EPRA's Best Practices Recommendations, PSP Swiss Property discloses the EPRA performance key figures. Ernst & Young Ltd. has verified these key figures. The corresponding opinion can be found on pages 110 to 111.

Summary table EPRA performance measures	Unit	2016	2017
A. EPRA earnings per share (EPS)	CHF	3.51	3.54
B. EPRA NAV per share	CHF	102.52	105.26
C. EPRA triple net asset value per share (NNNAV)	CHF	84.49	86.92
D. EPRA net initial yield	%	3.5	3.3
EPRA «topped-up» net initial yield	%	3.6	3.5
E. EPRA vacancy rate	%	9.1	8.1
F. EPRA cost ratio (including direct vacancy costs)	%	20.0	20.2
EPRA cost ratio (excluding direct vacancy costs)	%	18.2	18.1
G. EPRA like-for-like rental change	%	– 1.6	– 1.1
H. EPRA cap ex	CHF 1 000	257 771	102 227

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)	2016	2017
Earnings per IFRS statement of profit or loss	**134 867**	**257 403**
Adjustments to calculate EPRA earnings, exclude:		
Changes in value of investment properties, development properties held for investment and other interests	50 208	– 83 253
Profits or losses on disposal of investment properties, development properties held for investment and other interests	– 1 354	– 627
Profits or losses on sales of trading properties including impairment charges in respect of trading properties	– 13 311	– 20 243
Tax on profits or losses on disposals	3 120	4 453
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	– 12 411	4 481
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	**161 119**	**162 212**
Average number of outstanding shares	45 867 891	45 867 891
EPRA EPS in CHF	**3.51**	**3.54**

B. EPRA net asset value (NAV) (in CHF 1 000)	31 December 2016	31 December 2017
NAV per the financial statements	**3 866 754**	**3 988 560**
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	**3 866 754**	**3 988 560**
Include:		
Revaluation of investment property under construction (IPUC) (if IAS 40 cost option is used)	0	0
Revaluation of own-used properties	315	1 031
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	19 605	12 660
Exclude:		
Fair value of financial instruments	47 800	29 698
Deferred tax	768 058	796 022
Goodwill as result of deferred tax	n.a.	n.a.
EPRA NAV	**4 702 531**	**4 827 972**
Number of outstanding shares	45 867 891	45 867 891
EPRA NAV per share in CHF	**102.52**	**105.26**

C. EPRA triple net asset value (NNNAV) (in CHF 1 000)	31 December 2016	31 December 2017
EPRA NAV	**4 702 531**	**4 827 972**
Include:		
Fair value of financial instruments	– 47 800	– 29 698
Fair value of debt	– 9 005	– 15 998
Deferred tax	– 770 562	– 795 400
EPRA NNNAV	**3 875 164**	**3 986 876**
Number of outstanding shares	45 867 891	45 867 891
EPRA NNNAV per share in CHF	**84.49**	**86.92**

D. EPRA net initial yield (NIY) (in CHF 1 000)	31 December 2016	31 December 2017
Investment property - wholly owned	6 806 773	6 963 632
Less developments	– 544 360	– 614 700
Gross up completed property portfolio valuation (B)	**6 262 413**	**6 348 932**
Annualised cash passing rental income	265 742	252 974
Property outgoings	– 43 880	– 45 502
Annualised net rents (A)	**221 862**	**207 473**
Add: notional rent expiration of rent free periods or other lease incentives	3 757	15 397
Topped-up net annualised rent (C)	**225 619**	**222 870**
EPRA NIY (A/B)	**3.5%**	**3.3%**
EPRA “topped-up” NIY (C/B)	**3.6%**	**3.5%**

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 2016	31 December 2017
Estimated rental value of vacant space (A)	27 760	24 027
Estimated rental value of the whole portfolio (B)	304 033	296 429
EPRA vacancy rate (A/B)	**9.1%**	**8.1%**

F. EPRA cost ratio (in CHF 1 000)	2016	2017
Administrative/operating expense line per IFRS income statement	55 281	55 016
Net service charge costs/fees	0	0
Management fees less actual/estimated profit element	49	48
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)	**55 330**	**55 064**
Direct vacancy costs	5 152	5 732
EPRA costs (excluding direct vacancy costs) (B)	**50 178**	**49 332**
Gross rental income less ground rent costs	276 316	272 454
Gross rental income (C)	**276 316**	**272 454**
EPRA cost ratio (including direct vacancy costs) (A/C)	**20.0%**	**20.2%**
EPRA cost ratio (excluding direct vacancy costs) (B/C)	**18.2%**	**18.1%**
Capitalised operating costs	**2 123**	**2 348**

Staff costs for the development of own projects amounting to CHF 2.6 million (2016: CHF 2.5 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)	2016	2017
Rental income	276 316	272 454
Acquisitions	– 2 327	– 5 589
Disposals	– 950	– 119
Developments	– 13 239	– 11 171
Properties' operating expenses	– 12 258	– 11 807
Rent-Free-Periods	2 966	3 452
Other	– 347	223
Total EPRA like-for-like net rental income	**250 160**	**247 443**
EPRA like-for-like change absolute	**– 3 908**	**– 2 718**
EPRA like-for-like change relative	**– 1.6%**	**– 1.1%**
EPRA like-for-like change by areas		
Zurich	0.7%	0.4%
Geneva	– 19.3%	– 11.9%
Basel	4.8%	– 3.6%
Bern	– 3.7%	1.3%
Lausanne	1.8%	– 1.6%
Other locations	– 0.4%	0.6%

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. The value of the portfolio on a like-for-like basis was up 1.8% from CHF 6.068 billion at the end of 2016 to CHF 6.177 billion at the end of 2017.

H. EPRA cap ex (in CHF 1 000)	2016	2017
Acquisitions	146 653	0
Development (ground-up/green field/brown field)	86 038	72 030
Like-for-like portfolio	22 435	27 188
Capitalised interests	2 645	3 009
Capital expenditure	**257 771**	**102 227**

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

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To the Management of

PSP Swiss Property Ltd, Zug

Zurich, 26 February 2018

Independent assurance report on the EPRA reporting

We have been engaged to perform a reasonable assurance engagement of the EPRA reporting containing the EPRA performance measures (pages 106 to 109) of PSP Swiss Property Ltd for the period ended 31 December 2017.

The EPRA reporting was prepared by Management of PSP Swiss Property Ltd based on the corresponding Best Practices Recommendations of the European Public Real Estate Association (EPRA) as published in November 2016.

Management's responsibility
The Management of PSP Swiss Property Ltd is responsible for the preparation of the EPRA reporting in accordance with the EPRA Best Practices Recommendations. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of an EPRA reporting that is free from material misstatement, whether due to fraud or error. Management is further responsible for the interpretation of the EPRA Best Practices Recommendations.

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.

Ernst & Young Ltd 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.

Independent practitioner's responsibility
Our responsibility is to express an opinion on the EPRA reporting based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (revised), *Assurance Engagements other than Audits or Reviews of Historical Financial Information.* That standard requires that we plan and perform the engagement to obtain reasonable assurance about whether the EPRA reporting containing the EPRA performance measures is free from material misstatement.

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about the amounts and disclosures in the EPRA reporting. The procedures selected

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depend on the practitioner's judgment, including the assessment of the risks of material misstatement of the EPRA reporting, whether due to fraud or error. In making those risk assessments, the practitioner considers internal control relevant to the entity's preparation of the EPRA reporting. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We performed the following procedures amongst others

- Inquiries with persons responsible for the preparation of the EPRA performance measures
- Assessing the EPRA performance measures regarding completeness and accuracy of the deductions from the underlying IFRS numbers derived from the consolidated financial statements of PSP Swiss Property Ltd as at 31 December 2017 or if applicable other internal source data

Opinion
In our opinion, the EPRA reporting of PSP Swiss Property Ltd containing the EPRA performance measures for the period ended 31 December 2017 is prepared, in all material respects, in accordance with the EPRA Best Practices Recommendations as published in November 2016.

Other matter
The EPRA reporting of PSP Swiss Property Ltd for the period ended 31 December 2016 was subject to a reasonable assurance engagement performed by another independent practitioner who expressed an unmodified opinion on that EPRA reporting on 6 March 2017.

Ernst & Young Ltd

Daniel Zaugg | Tobias Meyer

Statement of profit or loss

(in CHF 1 000)	2016	2017	Note
Income from investments	0	400 000	3.1
Total operating income	**0**	**400 000**	
Operating expenses	– 3 731	– 3 647	3.2
Depreciation of investments	0	– 400 000	3.1
Total operating expenses	**– 3 731**	**– 403 647**	
Earnings before interest and taxes (ebit)	**– 3 731**	**– 3 647**	
Financial income	33 967	33 147	3.3
Financial expenses	– 29 614	– 27 707	3.4
Financial result	**4 353**	**5 440**	
Earnings before taxes (ebt)	**622**	**1 793**	
Direct taxes	– 108	– 25	
Annual profit	**514**	**1 768**	

The notes are part of these financial statements.

Balance sheet

(in CHF 1 000)	31 December 2016	31 December 2017	Note
Cash and cash equivalents	15 139	16 124	
Trade receivables			
– to third parties	45	78	
– to investments	121	0	
Financial assets			
– Other financial assets	0	150 000	3.5
Total current assets	**15 304**	**166 202**	
Financial assets			
– Loans to investments	1 775 140	2 087 310	3.5
– Other financial assets	101 568	128 917	3.5
Investments	1 722 245	1 322 245	3.6
Total non-current assets	**3 598 953**	**3 538 471**	
Total assets	**3 614 257**	**3 704 674**	
Trade creditors			
– to third parties	298	320	
Other current liabilities			
– to third parties	52	40	
Interest-bearing debt			
– to investments	35	185	3.7
Deferred income and accrued expenses	13 527	11 871	
Total current liabilities	**13 911**	**12 416**	
Non-current interest-bearing debt			
– to third parties	2 250 004	2 495 003	3.7
– to investments	2 170	1 000	3.7
Total non-current liabilities	**2 252 174**	**2 496 003**	
Share capital	4 587	4 587	
Legal capital reserves			
– Statutory reserves from capital contributions	381	381	
General legal reserves	2 000	2 000	
Voluntary retained earnings			
– Statutory and regulative-decided retained earnings	1 071 990	1 071 962	
– Retained earnings	269 214	117 325	
Total shareholders' equity	**1 348 172**	**1 196 255**	
Total liabilities and shareholder's equity	**3 614 257**	**3 704 674**	

The notes are part of these financial statements.

Notes to the financial statements 2017

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 the acquisition, holding and sale of participations in companies with the following main purposes:
- acquisition, holding and sale of real estate in Switzerland, which serve as permanent establishments
- acquisition, holding and sale of land abroad
- management and brokerage of land
- planning and execution of development and conversion projects of all kinds
- financing of group companies

The company can incorporate or acquire, finance and participate in companies.

The financial statements of PSP Swiss Property Ltd for the year 2017 were authorised for issue by the Board of Directors on 26 February 2018.

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 direct investments, in the reporting year only from 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 consists basically of intrests from loans to direct or indirect investments. 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 investments

Loans to direct or indirect investments 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 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 (voluntary retained earnings) at the acquisition date. At the disposal date, sales proceeds are credited to shareholders' equity (voluntary retained earnings) for the first time this reporting period. In prior years, profits or losses from resales were recorded in the income statement.

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

3.1 Income from investments

By resolution of the Extraordinary General Meeting on 21 June 2017, PSP Participations Ltd distributed a dividend in the amount of CHF 400 million from the legal capital reserves to PSP Swiss Property Ltd (after transfer to the voluntary retained earnings).

At PSP Swiss Property Ltd, the carrying amount or the cost price of the investment in PSP Participations Ltd was amortised to the extent of the dividend. Accordingly, the 2017 financial statements of PSP Swiss Property Ltd include both income from investments and a depreciation of investments of CHF 400 million each.

3.2 Operating expenses

(in CHF 1 000)	2016	2017
Investor Relations / Company expenses	– 3 011	– 2 805
Management fees	– 711	– 701
Other general and administration expenses	– 10	– 141
Total operating expenses	**– 3 731**	**– 3 647**

3.3 Financial income

(in CHF 1 000)	2016	2017
Income from loans to investments	33 991	33 055
Results from securities	– 26	0
Other financial income	3	93
Total financial income	**33 967**	**33 147**

3.4 Financial expenses

(in CHF 1 000)	2016	2017
Interest expense for liabilities to third parties	– 28 148	– 25 881
Interest expense on cash and cash equivalents	– 93	– 76
Other financial expenses	– 1 373	– 1 750
Total financial expenses	**– 29 614**	**– 27 707**

3.5 Financial assets

(in CHF 1 000)	31 December 2016	31 December 2017
Fixed-term deposit	0	150 000
Total short-term financial assets	**0**	**150 000**
Loans to investments	1 775 140	2 087 310
Fixed-term deposit	100 000	125 000
Other financial assets	1 568	3 917
Total long-term financial assets	**1 876 708**	**2 216 227**
Total financial assets	**1 876 708**	**2 366 227**

Financial investments are mainly loans to direct or indirect investments as well as one current and one non-current fixed-term deposit.

3.6 Investments

(in CHF 1 000)	Registered office	Share capital 2016	Ownership 2016	Share capital 2017	Ownership 2017
Directly held investments					
PSP Participations Ltd	Zug	1 000 000	100%	1 000 000	100%
PSP Finance Ltd	Zug	1 000	100%	1 000	100%
Indirectly held investments					
PSP Group Services Ltd	Zurich	100	100%	100	100%
PSP Real Estate Ltd	Zurich	50 600	100%	50 600	100%
PSP Management Ltd	Zurich	100	100%	100	100%
PSP Properties Ltd	Zurich	9 919	100%	9 919	100%
Immobiliengesellschaft Septima AG	Zurich	5 700	100%	5 700	100%
SI 7 Place du Molard Ltd	Zurich	105	100%	105	100%
Associated companies					
IG REM	Zurich	n.a.	n.a.	n.a.	n.a.

None of these investments 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”.

3.7 Interest-bearing debt

(in CHF 1 000)	31 December 2016	31 December 2017
Liabilities to investments	35	185
Total current interest-bearing debt	**35**	**185**
Liabilities to banks	1 280 000	1 300 000
Liabilities to investments	2 170	1 000
Long-term bonds	970 004	1 195 003
Total non-current interest-bearing debt	**2 252 174**	**2 496 003**

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 2017 (as at the end of 2016), no debt or loans were outstanding which were secured by mortgages on properties and no debt or loans were outstanding with an amortisation obligation.

3.8 Bonds according to article 959c, paragraph 4 CO

(in CHF 1 000)	Carrying value 31.12.15	Issue	Amortisation issue costs	Repayment	Carrying value 31.12.16
2.625% bond, maturing 16.02.16	250 000	0	0	– 250 000	0
Total short-term bonds	**250 000**	**0**	**0**	**– 250 000**	**0**
1.000% bond, maturing 08.02.19	120 000	0	0	0	120 000
1.375% bond, maturing 04.02.20	200 000	0	0	0	200 000
0.045% bond, maturing 20.12.21	0	100 000	0	0	100 000
0.000% bond, maturing 01.09.23	0	125 000	0	0	125 000
0.500% bond, maturing 16.02.24	0	225 004	0	0	225 004
1.000% bond, maturing 06.02.25	100 000	0	0	0	100 000
0.375% bond, maturing 29.04.26	0	100 000	0	0	100 000
Total long-term bonds	**420 000**	**550 004**	**0**	**0**	**970 004**

	Carrying value 31.12.16	Issue	Amortisation issue costs	Repayment	Carrying value 31.12.17
1.000% bond, maturing 08.02.19	120 000	0	0	0	120 000
1.375% bond, maturing 04.02.20	200 000	0	0	0	200 000
0.045% bond, maturing 20.12.21	100 000	50 000	0	0	150 000
0.000% bond, maturing 01.09.23	125 000	175 000	0	0	300 000
0.500% bond, maturing 16.02.24	225 004	0	– 1	0	225 003
1.000% bond, maturing 06.02.25	100 000	0	0	0	100 000
0.375% bond, maturing 29.04.26	100 000	0	0	0	100 000
Total long-term bonds	**970 004**	**225 000**	**– 1**	**0**	**1 195 003**

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 not exceed 10 in 2017 and in 2016.

4.2 Major shareholders in accordance with article 663c CO

As at 31 December 2017, 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):

Name	Domicile	31 December 2016	31 December 2017
Alony Hetz Properties & Investments Ltd	Ramat-Gan, Israel	12.21%	12.21%
Nominee exempt from reporting requirements (Chase Nominees Ltd.)	London, UK	6.86%	6.29%
BlackRock Inc.	New York, N.Y., USA	5.08%	5.95%

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 145.

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 2016	31 December 2017
Luciano Gabriel, Chairman[1]	n.a.	197 456
Günther Gose, Chairman[2]	18 000	n.a.
Corinne Denzler, Member	250	250
Adrian Dudle, Member	0	0
Prof. Dr. Peter Forstmoser, Member	2 000	2 000
Nathan Hetz, Member[3]	5 600 000	5 600 000
Josef Stadler, Member	168	168
Aviram Wertheim, Member	0	0
Total	**5 620 418**	**5 799 874**

1 Elected as Chairman at the Annual General Meeting of 5 April 2017.
2 As Chairman until the Annual General Meeting of 5 April 2017.
3 Held by Alony Hetz Properties & Investments Ltd which is controlled by Nathan Hetz.

In 2017, 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 2016	31 December 2017
Luciano Gabriel, Delegate of the Board of Directors and Chief Executive Officer[1]	193 700	n.a.
Giacomo Balzarini, Chief Executive Officer / Chief Financial Officer[2]	48 349	41 414
Adrian Murer, Chief Investment Officer	1 301	4 061
Martin Heggli, Chief Operating Officer[3]	n.a.	982
Total	**243 350**	**46 457**

1 Until 31 March 2017 as member of the Executive Board, from 1 April 2017 as Chairman.
2 Until 31 March 2017 as Chief Financial Officer, from 1 April 2017 as Chief Executive Officer/Chief Financial Officer.
3 Taking office in the Executive Board on 1 April 2017.

Neither the Members of the Board of Directors nor the Members of the Executive Board held any options on PSP shares in 2017 or 2016. As in 2016, no loans were granted to Members of the Board of Directors or the Executive Board in 2017. As at the end of 2016, there were no claims on these Members at the end of 2017.

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 128 to 130.

4.4 Treasury shares

	Number of registered shares	Cost/Sale value in CHF	Average transaction price in CHF
Purchases	19 880	1 723 257	86.68
Performance-based compensation in shares for the Executive Board	– 19 880	– 1 696 991	85.36
Effect of performance-based compensation (Results from securities)		– 26 266	
31 December 2016	**0**	**n.a.**	**n.a.**
Purchases	15 128	1 381 683	91.33
Performance-based compensation in shares for the Executive Board	– 15 128	– 1 354 314	89.52
Effect of performance-based compensation (Voluntary retained earnings)		– 27 370	
31 December 2017	**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 31 January 2018, the outstanding CHF 100 million 0.375% bond (maturing in 2026), issued in April 2016, was increased by CHF 100 million (nominal) to CHF 200 million.

On 1 February 2018, we purchased a fully let prime property portfolio consisting of nine office properties for CHF 190 million. All buildings are centrally located and well maintained. Five properties are in Geneva's banking district, two in Lugano and one each in Lausanne and Fribourg. Annual rental income amounts to CHF 7.1 million, the remaining average lease period is approximately eight years. Strategically, this acquisition fits perfectly into our existing portfolio and strengthens our position particularly in the French-speaking part of Switzerland.

There were no further material 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 2018, the appropriation of the retained earnings 2017 and the statutory and regulative-decided retained earnings as well as the distribution of a dividend of **CHF 3.40 gross per share** to the shareholders as follows.

Retained earnings (in CHF 1 000)	**2016**	**2017**
Balance carried forward from the previous year	268 700	115 557
Annual profit	514	1 768
Retained earnings	**269 214**	**117 325**
Allocation from statutory and regulative-decided retained earnings	0	40 000
Total available to the Annual General Meeting	**269 214**	**157 325**
Dividend payment (CHF 3.40 gross per share)	– 153 657	– 155 951
Balance carried forward	**115 557**	**1 374**

Statutory and regulative-decided retained earnings (in CHF 1 000)	**2016**	**2017**
Balance carried forward from the previous year	1 071 962	1 071 962
Transfer to retained earnings	0	– 40 000
Balance carried forward	**1 071 962**	**1 031 962**

If the proposal is approved, the dividend payment of CHF 3.40 gross per share – less withholding tax – is expected to be made from 11 April 2018 on. Accordingly, as of 9 April 2018, the shares will be traded ex-dividend.

The proposed dividend distribution is based on the Company's 45 867 891 registered shares. Any own shares owned by the Company are not entitled to dividend. The number of dividend-entitled shares is not determined until the payout record date. The amounts for the dividend distribution and the balance-carried forward may therefore change accordingly.

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To the General Meeting of
PSP Swiss Property Ltd, Zug

Zurich, 26 February 2018

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of PSP Swiss Property Ltd, which comprise the balance sheet, income statement and notes (pages 112 to 122), for the year ended 31 December 2017.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended 31 December 2017 comply with Swiss law and the company's articles of incorporation.

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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 judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

Other matter
The financial statements of PSP Swiss Property Ltd for the year ended 31 December 2016 were audited by another statutory auditor who expressed an unmodified opinion on those financial statements on 6 March 2017.

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

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

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

Ernst & Young Ltd

Daniel Zaugg Licensed audit expert (Auditor in charge)	Tobias Meyer Licensed audit expert

Compensations of the Board of Directors and the Executive Board

Compensation report

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

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

Compensation 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 compensation
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 32. No non-executive member is insured under a company pension scheme.
2 Elected at the Annual General Meeting of 31 March 2016.
3 Until the Annual General Meeting of 31 March 2016.

Compensation to members of the Board of Directors (non-executive) business year 2017 (in CHF 1 000)	Fixed compensation in cash	Fixed compensation in shares	Other benefits	Employer contributions pension benefits[1]	Total compensation
Luciano Gabriel, Chairman[2]	120	0	0	3	123
Günther Gose, Chairman[3]	40	0	0	0	40
Corinne Denzler, Member	75	0	0	3	78
Adrian Dudle, Member	75	0	0	3	78
Peter Forstmoser, Member	75	0	0	0	75
Nathan Hetz, Member	91	0	0	3	94
Josef Stadler, Member	75	0	0	3	78
Aviram Wertheim, Member	107	0	0	4	111
Total	**658**	**0**	**0**	**19**	**677**

1 The mandatory employer contributions to the company pension scheme (Old Age and Survivor's insurance, "AHV") are – in the amount of TCHF 19 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 as Chairman at the Annual General Meeting of 5 April 2017.
3 Until the Annual General Meeting of 5 April 2017.

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 2016 (in CHF 1 000)	Fixed compen-sation in cash	Perfor-mance-based compen-sation in cash	Other bene-fits	Performance-based compensation in contrac-tual blocked shares[1]		Employer contribu-tions pension benefits[2]	Total compen-sation
				Amount	in number of shares		
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 at the market value per share (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 compensation until the leaving of the Executive Board as per the end of January 2016 as well as the compensation owed during the 12 months' notice period pursuant to the employment contract, which encompass on a pro rata basis the fixed and performance-based compensation, the other benefits and the employer contributions for pension benefits for the 2016 business year.

Compensations to members of the Executive Board (incl. executive member of the Board of Directors) business year 2017 (in CHF 1 000)	Fixed compen-sation in cash	Perfor-mance-based compen-sation in cash	Other bene-fits	Performance-based compensation in contrac-tual blocked shares[1]		Employer contribu-tions pension benefits[2]	Total compen-sation
				Amount	in number of shares		
Luciano Gabriel, Delegate of the Board of Directors and Chief Executive Officer[3]	221	0	0	286	3 166	56	563
Giacomo Balzarini, Chief Executive Officer/Chief Financial Officer[4]	618	90	0	734	8 114	116	1 558
Adrian Murer, Chief Investment Officer	452	286	0	286	3 166	81	1 106
Martin Heggli, Chief Operating Officer[5]	204	107	0	107	1 188	21	440
Ludwig Reinsperger, Chief Investment Officer[6]	42	27	0	27	296	13	108
Total	**1 537**	**510**	**0**	**1 441**	**15 930**	**287**	**3 775**

1 Allocated at the market value per share (average of daily closing prices week 50/2017: CHF 90.45).
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 167. The performance-based compensation is not insured under the company pension schemes; the fixed compensation only up to an amount of TCHF 700.
3 Until 31 March 2017.
4 Until 31 March 2017 as Chief Financial Officer, as from 1 April 2017 as Chief Executive Officer / Chief Financial Officer.
5 As of 1 April 2017.
6 The information includes the compensation owed during the 12 months' notice period, which encompasses for the business year the fixed and perfomance-based compensation, the other benefits and the employer contributions for January 2017.

3 Additional comments and information

The listed compensations refer to the 2017 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 2017 compared to those of the previous year are lined out in the following explanations on page 132 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 page 160 ff.

In the 2017 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 2017 – as likewise per 31 December 2016 – there were no such claims vis-à-vis of this group of people.

In the 2017 business year, legal fees of TCHF 18 were paid to the lawyers of the law firm Niederer Kraft & Frey Ltd, Zurich, where Mr. Peter Forstmoser holds the position of a partner (2016: TCHF 8). 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 119 p.a. in the reporting year (2016: TCHF 116). 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 covernance).

In the 2017 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.

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To the General Meeting of
PSP Swiss Property Ltd, Zug

Zurich, 26 February 2018

Report of the statutory auditor on the remuneration report

We have audited the remuneration report of PSP Swiss Property Ltd (pages 128 to 130) for the year ended 31 December 2017.

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. 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 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 for the year ended 31 December 2017 of PSP Swiss Property Ltd complies with Swiss law and articles 14 – 16 of the Ordinance.

Other matter
The remuneration report of PSP Swiss Property Ltd for the year ended 31 December 2016 was audited by another statutory auditor who expressed an unmodified opinion on that remuneration report on 6 March 2017.

Ernst & Young Ltd

Daniel Zaugg
Licensed audit expert
(Auditor in charge)

Tobias Meyer
Licensed audit expert

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 2017 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 investments and its change compared to the previous year. It is paid in shares with a contractual blocking period of three years, for the 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 2017 business year**.

The compensations are discretionarily 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 approvals 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 CEO 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 3.4.2 on page 154 f. 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 5 April 2017,** it is composed as follows:

Members	For the first time elected by the Annual General Meeting
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

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 2017 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 to the compulsory family compensation fund as well as 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.*

- *Executive members of the Board of Directors are remunerated as members of the Executive Board and do not receive an additional remuneration for activities as members of the Board of Directors. Respective compensations are disclosed – and approved by the General Meeting – as part of the compensations of the Executive Board (see below).*

- *The activities and the 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 2017 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 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 non-executive members of the Board of Directors of TCHF 1 000 until the Annual General Meeting 2017. 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 2016 compensation report on 6 March 2017, the number of Board Meetings to be held until the Annual General Meeting 2017 was still uncertain, the total amount of compensations could only be stated tentatively therein with an amount of TCHF 683. 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 2016 to 31 December 2016**	**from 1 January 2017 to AGM 2017**	**from AGM 2016 to AGM 2017**
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 of 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.

The total amount of compensations for the non-executive members of the Board of Directors for the period from the Annual General Meeting 2016 to the Annual General Meeting 2017 amounted to **TCHF 683** (previous period: TCHF 671) and was thus well **below the approved maximum total amount of TCHF 1 000.**

4.4 The compensations of the members of the Board of Directors for the period from the Annual General Meeting 2017 to the Annual General Meeting 2018

The Annual General Meeting of 5 April 2017 has approved a maximum total amount of compensations for the Board of Directors of TCHF 1 000 until the Annual General Meeting 2018 (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 2017 business year are listed in section 1 of the compensation report. They amount to TCHF 677 in total (previous year: TCHF 682). The compensations for the period from the Annual General Meeting 2017 to 31 December 2017 are based on three Board Meetings and total TCHF 504. On the assumption that only one more ordinary Board Meeting will be held until the Annual General Meeting 2018, such amount will increase by TCHF 174 to **TCHF 678**.

Total compensations of the Board of Directors[1, 2] (in CHF 1 000)	from AGM 2017 to 31 December 2017	from 1 January 2018 to AGM 2018[3]	from AGM 2017 to AGM 2018[3]
Luciano Gabriel, Chairman	123	41	164
Corinne Denzler, Member	59	20	78
Adrian Dudle, Member	59	20	78
Peter Forstmoser, Member	56	19	75
Nathan Hetz, Member	67	28	94
Josef Stadler, Member	59	20	78
Aviram Wertheim, Member	83	28	111
Total	**504**	**174**	**678**

1 See section 1 of the compensation report.
2 Inclusive of 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 20.
3 Based on the assumption of one Board Meeting with all members participating from 1 January 2018 until AGM 2018.

Thus, the compensations for the members of the Board of Directors 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 2018 compensation report.

5 The compensations of the Executive Board

Until the **end of March 2017**, the Executive Board was composed of Mr. Luciano Gabriel, Delegate /Chief Executive Officer (CEO), Mr. Giacomo Balzarini, Chief Financial Officer (CFO), and Mr. Adrian Murer, Chief Investment Officer (CIO).

As of **1 April 2017**, the Executive Board was composed of Mr. Giacomo Balzarini, CEO/CFO, Mr. Martin Heggli, Chief Operating Officer (COO), and Mr. Adrian Murer, CIO.

Due to such changes in the Executive Board, the comparison of the individual compensations with the previous period are only partially possible, are only provided where meaningful and have thus to be read with caution.

The contractual remuneration entitlements of Mr. Ludwig Reinsperger, who left the Executive Board end of January 2016, for the 12 months' notice period lasted until end of January 2017. The information on the remuneration of the Executive Board for the reporting year thus includes the compensation for Mr. Ludwig Reinsperger for January 2017 (on the basis of the pro-rated fixed and performance-related compensations, the other benefits and the employer contributions for pension benefits).

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 2017 business year:**

- *The executive member of the Board of Directors, Mr. Luciano Gabriel, Delegate / CEO until 31 March 2017, 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 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.*

In 2018, **share ownership guidelines** will apply to the Chief Executive Officer, prescribing a holding of a minimum number of shares of the company based on **three times** the amount of the annual fixed compensation.

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

Fixed compensation	Variable, performance-based compensation	Employer contributions for pension benefits
– Gross, in cash	– According to the formula – Gross, in cash and/or equity securities/option rights	– Employer's contributions to the employee pension scheme, only for fixed compensations up to a maximum of CHF 700 000; performance-based compensations are not insured – Employer's contributions to the state pension scheme (AHV) *(partial amount)*

5.2 The performance-based compensation

The basis and the formula for the calculation of the variable, performance-based compensation of the members of the Executive Board were – as already in the previous year – effective without change for the **entire 2017 business year,** except for **changes in the individual factors** as described below, which were made in view of the changes in the Executive Board as per 1 April 2017.

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 36, footnote 1) 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.**

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

Legend:

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

K for Luciano Gabriel [1]	= 160 000 (2016: 160 000)
K für Giacomo Balzarini [2]	= 100 000 (2016: 100 000)
K für Giacomo Balzarini [3]	= 120 000 (2016: n.a.)
K for Martin Heggli [4]	= 40 000 (2016: n.a.)
K for Adrian Murer	= 80 000 (2016: 80 000)
K for Ludwig Reinsperger [5]	= 90 000 (2016: 90 000)

1 Delegate/CEO and member of the Executive Board until 31 March 2017, pro-rated up to this date.
2 CFO and member of the Executive Board until 31 March 2017, pro-rated up to this date.
3 CEO/CFO and member of the Executive Board as from 1 April 2017, pro-rated as from this date on.
4 COO and member of the Executive Board as from 1 April 2017, pro-rated as from this date on.
5 Member of the Executive Board until the end of January 2016, with 12 months' notice period until end of January 2017, pro-rated for January 2017.

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 2017 business year: TCHF 2 600 for Mr. Luciano Gabriel (Delegate/CEO until 31 March 2017; 2016: TCHF 2 600); TCHF 1 600 for Mr. Giacomo Balzarini (CFO until 31 March 2017; 2016: TCHF 1 600) and TCHF 2 200 respectively (CEO/CFO as from 1 April 2017; 2016: n.a.); TCHF 1 500 for Mr. Adrian Murer (2016: TCHF 1 500) and TCHF 800 for Mr. Martin Heggli (COO as from 1 April 2017; 2016: n.a.).

The maximum amount of the performance-based compensation for each member of the Executive Board can be calculated by deducting from the above mentioned caps, adjusted in order to reflect the changes as per 1 April 2017, (i) the fixed compensation and (ii) the employer contributions for pension benefits relating thereto. For the 2017 business year such calculation results in the following caped amounts for the perfomance-based compensations: TCHF 373 for Mr. Luciano Gabriel, TCHF 1 316 for Mr. Giacomo Balzarini, TCHF 967 for Mr. Adrian Murer and TCHF 375 for Mr. Martin Heggli.

In addition, the employment contracts contain **a proviso as to the approval** of the maximum total amount of compensations of the Executive Board by the Annual General Meeting.

5.4 Compensations of the Executive Board 2017

The compensations of the Delegate/CEO and the other members of the Executive Board are determined in the **respective individual employment contracts.**

The former employment contracts with **Mr. Luciano Gabriel** and **Mr. Giacomo Balzarini** 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 **until 31 March 2017** without changes in comparison to the previous year, namely as regards the cap, the formula and the individual factors “K”.

The employment contract of **Mr. Luciano Gabriel as Delegate/CEO** has ended as per his leaving the Executive Board on 31 March 2017. The compensations until 31 March 2017 are set out in **section 2** of the compensation report. Upon his election as **non-executive Chairman of the Board,** Mr. Gabriel received the compensations fixed for this new office, which remained unchanged in comparison to the previous year, all as set out in **section 1** of the compensation report and explained in section 4 above.

New employment contracts - according to the standard for Executive Board members – have been entered into with **Mr. Giacomo Balzarini** and **Mr. Martin Heggli** as per taking their new positions **as CEO/CFO and COO respectively, on 1 April 2017,** containing namely the discretionarily determined fixed and performance-based compensations as approved by the Board of Directors upon recommendation of the Compensation Committee, including the individual cap, the formula and the individual factors “K”, all as described in **section 2** of the compensation report and in sections 5.2 and 5.3 above respectively. In preparation, the Compensation Committee was in dialogue with the Delegate.

The employment contract – according to the standard for Executive Board members – which has been entered into with **Mr. Adrian Murer** as per his taking office **as CIO on 1 July 2016,** containing namely the discretionarily 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, was effective for **the entire business year** without changes in comparison to the previous year, namely as regards the cap, the formula and the individual factors “K”.

The compensations of each member of the Executive Board for the **2017 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		
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	Δ
Luciano Gabriel[2]	221	882	0	0	56	224	286	987	563	2 093	– 1 529
Giacomo Balzarini[3]	618	514	0	0	116	95	823	617	1 558	1 226	332
Adrian Murer[4]	452	226	0	0	81	41	573	247	1 106	514	592
Martin Heggli[5]	204	–	0	–	21	–	215	–	440	–	440
Ludwig Reinsperger[6]	42	500	0	8	13	149	54	555	108	1 212	– 1 104
Total	**1 537**	**2 122**	**0**	**8**	**287**	**509**	**1 951**	**2 406**	**3 775**	**5 045**	**– 1 270**

1 The ratio compared to the fixed compensation are: for Luciano Gabriel 130% (2016: 112%), Giacomo Balzarini 133% (2016: 120%), Adrian Murer 127% (2016: 109%) and for Martin Heggli 105% (2016: n.a.).
2 Until leaving the Executive Board on 31 March 2017.
3 CFO until 31 March 2017; CEO/CFO as from 1 April 2017.
4 Taking office in the Executive Board on 1 July 2016.
5 Taking office in the Executive Board on 1 April 2017.
6 Leaving the Executive Board end of January 2016, with 12 months’ notice period until end of January 2017, pro-rated for January 2017.

The **total amount of compensations** amounted to **TCHF 3 775** (2016: TCHF 5 045). Compared to the previous year, this means a **decrease of TCHF 1 270**. This decrease is mainly due to the changes in the Executive Board and the respective new employment contracts concluded with the CEO/CFO and COO respectively, as described above. In additon, it has to be regarded that in 2016, as from 1 July 2016 onwards, the compensations for Mr. Adrian Murer accrued in addition to the compensations of Mr. Ludwig Reinsperger.

The **performance-based compensations** decreased in comparison with the previous year from TCHF 2 406 to **TCHF 1 951**, again mainly driven by the reasons explained above and only partially off-set by a **positive change in the earnings per share** used in the formula (EPS of CHF 5.61 (2016: CHF 2.94) respectively EPS excluding gains/losses on real estate investments of CHF 3.89 (2016: CHF 3.76)).

The **shares for the 2017 business year** were allocated based on the average of the end of day share prices of week 50/2017, i.e. CHF 90.45 (2016: CHF 85.50).

5.5 Compensations of the Executive Board for the 2017 business year within the approved total amount

The Annual General Meeting of 31 March 2016 has approved a maximum total amount of compensations for the Executive Board of **TCHF 5 700 for the 2017 business year** (2016: TCHF 5 800). This prospectively approved total amount was sufficient for the actually incurred compensations of the members of the Executive Board of **TCHF 3 775** (see section 5.4 above).

5.6 Shareholdings of the members of the Executive Board

As already in previous years, the actual members of the Executive Board participated in the success of the company in the 2017 business year through their personal shareholdings and they will continue to do so in the future:

		Number of shares
Participation of members of the Executive Board	31 December 2016	**31 December 2017**
Giacomo Balzarini, Chief Executive Officer / Chief Financial Officer	48 349	41 414
Martin Heggli, Chief Operating Officer	n.a.	982
Adrian Murer, Chief Investment Officer	1 301	4 061
Total	**49 650**	**46 457**

6 Compensation-related activities in respect to the reporting year

Based on the proposal of the Compensation Committee, the Board of Directors has approved the compensation of **Mr. Luciano Gabriel** as **Chairman** per his taking office after the Annual General Meeting of 5 April 2017, pursuant to the standards applicable since 18 August 2008 and as described in section 4.2 above.

Based on the proposal of the Compensation Committee, the Board of Directors has further approved the compensations of **Mr. Giacomo Balzarini** and **Mr. Martin Heggli** for their new positions as **per 1 April 2017,** pursuant to the employment standard currently applicable for Executive Board members, and in particular the respective **fixed and performance-based compensations** as described in sections 5.2 to 5.4 above.

Proposals to the Annual General Meeting 2018

The Board of Directors will submit the following compensation-related proposals to the Annual General Meeting of 5 April 2018. 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 2017 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 2019

In accordance with the Articles of Association, the Board of Directors will propose to the Annual General Meeting 2018 to approve the maximum total amount of compensations for the Board of Directors from the Annual General Meeting 2018 **until the Annual General Meeting 2019.**

The **maximum total amount** will be calculated based on the **sum of the fixed compensations – which remained unchanged compared to the previous year** - of the seven current members of the Board of Directors (including the Chairman) proposed for re-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. The proposed maximum total amount is **CHF 1 000 000** *(previous period: CHF 1 000 000)*. For details, refer to the invitation to the Annual General Meeting of 5 April 2018.

3 Approval of the maximum total amount of compensations for the Executive Board for the 2019 business year

In accordance with the Articles of Association, the Board of Directors will propose to the Annual General Meeting 2018 to approve the maximum total amount of compensations for the Executive Board **for the 2019 business year.**

The maximum total amount is calculated based on the **sum of the individual caps of the maximum compensations payable** to the current members of the Executive Board **per calendar year** as contained in their employment contracts and amounts to **CHF 4 500 000** *(previous period: CHF 4 500 000)*. For details, refer to the invitation to the Annual General Meeting of 5 April 2018.

The actual compensations for the 2019 business year will be established on the basis of the employment contracts and the 2019 business year results. They will be shown in detail in the 2019 compensation report, which will be submitted to the Annual General Meeting 2020 for approval by way of non-binding advisory vote.

Corporate Governance

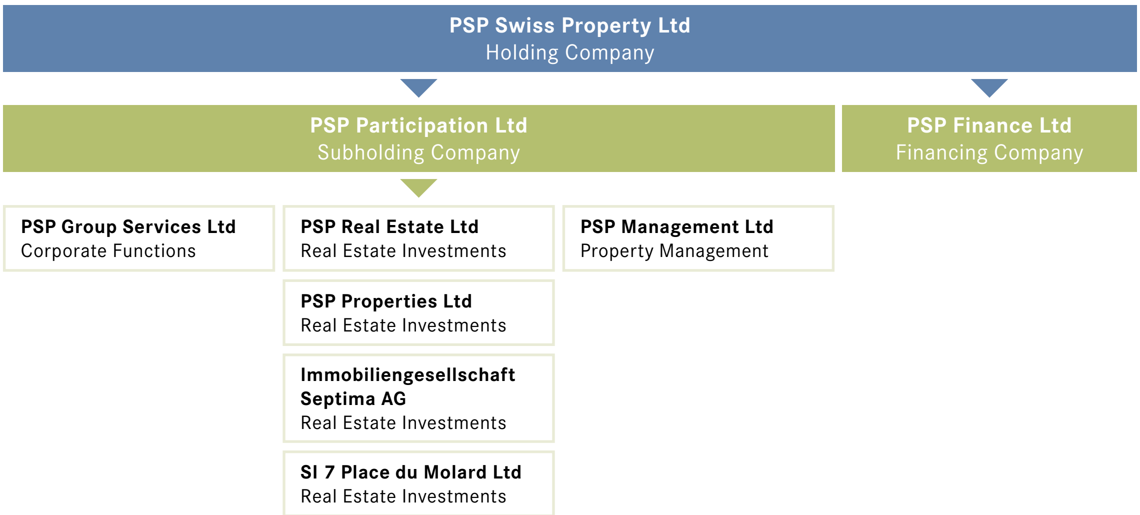
Corporate Governance

This Corporate Governance report shows generally the situation as at 31 December 2017 and follows the Directive of 13 December 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 2014[2].

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 2017	CHF 4.235 billion
PSP shares held by subsidiaries	0%
Symbol	PSPN
Security number	1829415
ISIN	CH 0018294154

Non-listed participations

See note 3.6 on page 117 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 page 63 ff. of the consolidated financial statements.

1 Available at: www.six-exchange-regulation.com > Regulations > Issuer Regulations > Directive Corporate Governance
2 The unofficial English translation of the German Original of the Articles of Association is available at: www.psp.info/AoA
Only the German original of the Articles of Association is legally binding.

1.2 Major shareholders as at 31 December 2017

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 six disclosure notifications/publications reported on the electronic disclosure platform for the disclosure of shareholdings of the Disclosure Office of SIX Swiss Exchange[3].

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 2016).* There was no disclosure notification in the reporting year.

(b) **BlackRock, Inc.,** New York, N.Y., United States of America, to the extent of 5.86% of the voting rights (purchase position) respectively 0.09% (sale position), pursuant to the ***latest disclosure notification/publication on 2 September 2017.***

(c) **UBS Fund Management (Switzerland) AG,** Basel, to the extent of 3.06% of the voting rights, pursuant to the ***latest disclosure notification/publication on 13 July 2017.***

(d) **T. Rowe Price Associates, Inc.,** Baltimore, MD, United States of America, to the extent of 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.

(e) **One nominee exempt from reporting requirements** to the extent of 6.29% of the voting rights (Chase Nominees Ltd, London, United Kingdom; 6.86% in the previous year).

1.3 Cross-shareholdings

As at 31 December 2017, 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 2017

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	3 736	81.70	897 284	1.96			
1 001 to 10 000	594	12.99	1 919 234	4.18			
10 001 to 100 000	192	4.20	6 700 118	14.61			
100 001 to 1 000 000	46	1.01	11 769 608	25.66			
1 000 001 to 1 376 036	3	0.07	3 449 994	7.52			
1 376 037 (3%) to 2 293 394	0	0	0	0			
2 293 395 (5%) and above	2	0.04	8 485 000	18.50			
Total registered shareholders/shares	**4 573**	**100.00**	**33 221 238**	**72.43**			
Total non-registered shares					**12 646 653**	**27.57**	
Total							**45 867 891**

Registered shareholders and shares	Registered shareholders		Registered shares	
	Number	%	Number	%
Individuals	3 952	86.42	3 035 143	9.14
Legal entities	621	13.58	30 186 095	90.86
(thereof nominees/trustees)	*(38)*	*(0.83)*	*(6 366 966)*	*(19.17)*
Total	**4 573**	**100.00**	**33 221 238**	**100.00**
Switzerland	4 345	95.01	19 542 237	58.82
Europe (excluding Switzerland)	180	3.94	6 946 218	20.91
North America	23	0.50	1 095 154	3.30
Other countries	25	0.55	5 637 629	16.97
Total	**4 573**	**100.0**	**33 221 238**	**100.0**

2 Capital structure

2.1 Share capital as at 31 December 2017

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."

The conditional share capital of not more than CHF 200 000 amounts to 4.36% of the existing share capital of CHF 4 586 789.10.

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 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
Issued, fully paid-in share capital at 31 December 2017	45 867 891	0.10	4 587
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
Conditional share capital at 31 December 2017	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 on page 162. No preferential rights or similar rights are granted.

As at 31 December 2017, 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[4].

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 2017, 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 2017 neither convertible bonds nor options were outstanding.

4 The unofficial English translation of the German Original of the Articles of Association is available at: www.psp.info/AoA

3 Board of Directors

The following changes took place in the reporting year:
Mr. Günther Gose, Chairman of the Board of Directors until and including the Annual General Meeting of 5 April 2017, did not stand for re-election and left the Board of Directors as per the end of the Annual General Meeting (for information on Mr. Günther Gose, see the Annual Report 2016[5], page 163). The remaining seven current members of the Board of Directors stood for re-election and were confirmed in office. Mr. Luciano Gabriel was newly elected as Chairman of the Board of Directors.

3.1 Members of the Board of Directors

Luciano Gabriel, 1953, CH, Wollerau, Dr. rer. pol., Chairman, non-executive member.

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 since March 2002, initially as Chief Financial Officer and, from April 2007 until April 2017, as Delegate and Chief Executive Officer.

Other activities and vested interests: In addition to his mandate at PSP Swiss Property Ltd, Mr. Gabriel did perform, as at 31 December 2017, the following activities or functions which are subject to disclosure in accordance with the DCG: Member of the Board of Directors of the publicly listed COIMA RES S.p.A. SIIQ., Milan, Italy, and member of the Board of Directors of the association Verband Immobilien Schweiz VIS, Bern.

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 2017, any activities or functions which are subject to disclosure in accordance with the DCG.

5 Available at: www.psp.info/report2016

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 worked as Group Counsel & Secretary to the Board for Orascom Development Holding Ltd (2008 – 2012) and Mövenpick Holding Ltd (2001 – 2007). Previously he performed various functions inter alia for 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 2017, 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 since 1975 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 2017, 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 (since 1989) 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 2017, the following activities or functions which are subject to disclosure in accordance with the DCG: Member of the Board of Directors and Chief Executive Officer of the publicly listed Alony Hetz Properties & Investments Ltd, Ramat-Gan, Israel, as well as Chairman of the Board of Directors of the publicly listed Amot Investments Ltd, Ramat-Gan, Israel, and of the publicly listed Energix – Renewable Energies Ltd, Ramat-Gan, Israel, both controlled by Alony Hetz Properties & Investments Ltd, and Chairman of the Board of Directors of Carr Properties Corporation, Washington D.C., USA, another associated company of Alony Hetz Properties & Investments Ltd.

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

Education: Lic. oec. HSG, University of St. Gallen (1987), MBA Harvard Business School (1994).

Professional activity: UBS AG, member of the Global Executive Committee Wealth Management (since 2009); previously, Mr. Stadler was Head of JP Morgan Switzerland (2000 – 2009) and, prior to that, he performed various functions for Morgan Stanley (Switzerland) AG and UBS AG.

Other activities and vested interests: In addition to his mandate at PSP Swiss Property Ltd, Mr. Stadler did not perform, as at 31 December 2017, 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 (since 1996) 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 2017, 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, as well as member of the Board of Directors of the publicly listed Amot Investments Ltd, Ramat-Gan, Israel, and of the publicly listed Energix – Renewable Energies Ltd, Ramat-Gan, Israel, both controlled by Alony Hetz Properties & Investments Ltd, and member of the Board of Directors of Carr Properties Corporation, Washington D.C., USA, another associated company of Alony Hetz Properties & Investments Ltd.

General representations

Except for Mr. Luciano Gabriel, none of the 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 2017 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
Luciano Gabriel[1]	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
Günther Gose[2]	until Annual General Meeting 5 April 2017

1 Until 5 April 2017 Delegate of the Board of Directors; as of that date Chairman of the Board of Directors.
2 For the first time elected by the extraordinary General Meeting of 7 February 2000. From 4 December 2001 until 5 April 2017 Chairman of the Board of Directors.

As at 31 December 2017, 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
Luciano Gabriel	Annual General Meeting 5 April 2017
Günther Gose[1]	until Annual General Meeting 5 April 2017

1 From 4 December 2001 until 5 April 2017 Chairman of the Board of Directors. For the first time elected by the Annual General Meeting of 3 April 2014.

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[6]); 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.

6 The unofficial English translation of the German Original of the Articles of Association is available at: www.psp.info/AoA

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[6] as a body. The Board of Directors has delegated the management and the representation of the Company to the Chief Executive Officer, respectively the Executive Board, based on the provisions of Article 18 of the Articles of Association[6] governing the delegation of duties and as permitted by law (see section 3.5, page 156). Besides that, tasks among Board Members are not specifically allocated.

The individual members of the Board of Directors have the following special competencies: Mr. Luciano Gabriel, as Chairman, contributes his real estate expertise and financing know-how as well as his management expertise. 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, Mr. 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. Mr. Günther Gose contributed until April 2017 his finance and management expertise gained in financial services companies.

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 the following four Board Members. Mr. Peter Forstmoser is its Chairman.

	Member since the General Meeting of respectively since the existence of the Audit Committee
Peter Forstmoser	30 March 2010
Adrian Dudle	3 April 2014
Nathan Hetz	9 May 2007
Josef Stadler	2 April 2009
Günther Gose[1]	9 May 2007
Corinne Denzler[1]	31 March 2016
Aviram Wertheim[1]	2 April 2009

1 Members of the Audit Committee until 5 April 2017.

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 Officer (CEO) or because of actual or former education and/or professional activities as Certified Public Accountant (CPA) or legal expert.

6 The unofficial English translation of the German Original of the Articles of Association is available at: www.psp.info/AoA

The **Compensation Committee** was elected at the Annual General Meeting of 5 April 2017 (see section 3.3.3 above on page 153). 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 Chief Executive Officer (CEO).

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 2017 business year, four ordinary Board meetings took place, lasting two hours on average. The Audit Committee met four times, the Compensation Committee once, with a meeting lasting one hour on average. The average attendance rate was over 85% for Board meetings respectively over 75% for meetings of the Committees.

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 on page 157, respectively section 8.4 on page 164. 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.

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 Chief Executive Officer, respectively the Executive Board, based on the provisions of Article 18 of the Articles of Association[6] 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 Chief Executive Officer in consultation with the Chairman, respectively the Chief Executive Officer on his own or in consultation with the members of the Executive Board.

The duties of the Chief Executive Officer 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 2012/6 March 2017):

Article 5 The Chief Executive Officer (CEO)

"(5.2) The CEO is Chairman of the Executive Board 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 CEO 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 CEO in consultation with the Chairman or (iii) the CEO 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 CEO 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 CEO 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 CEO makes his decision and reports to the Board of Directors immediately.

(5.3.3) The CEO makes sure that an effective auditing concept for the Company and the Group is in place.

(5.3.4) The CEO decides on the infrastructure necessary for his support."

6 The unofficial English translation of the German Original of the Articles of Association is available at: www.psp.info/AoA

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 CEO, 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."*

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 58 to 62 of the consolidated financial statements contain information on risk management and the risk report, which is issued twice a year).

Based on a comprehensive risk evaluation and a corresponding strategy, the Board of Directors implemented, in the 2008 business year, an internal control system (ICS) regarding the financial reporting. At least once a year the Board of Directors re-evaluates the risks and is informed by the Executive Board regarding the functioning and the effectiveness of the ICS.

At the moment, there are no internal auditors. However, the Board of Directors and its Audit Committee liaise directly with the Statutory Auditors and are entitled to assign special auditing duties to them, if required (see section 8.4 on page 164). In the reporting year, no special auditing duties were assigned.

4 Executive Board

4.1 Members of the Executive Board

The Executive Board consists of three members. As per 1 April 2017, Mr. Giacomo Balzarini was appointed Chief Executive Officer (CEO)/Chief Financial Officer (CFO) and Mr. Martin Heggli was appointed Chief Operating Officer (COO) and member of the Executive Board as of 1 April 2017 as well. Mr. Luciano Gabriel left the Executive Board as per the end of March 2017.

	Member since
Giacomo Balzarini[1], Chief Executive Officer/Chief Financial Officer	1 April 2007
Martin Heggli, Chief Operating Officer	1 April 2017
Adrian Murer, Chief Investment Officer	1 July 2016
Luciano Gabriel[2]	until end of March 2017

1 Until 1 April 2017 CFO, thereafter CEO/CFO.
2 Member since 1 March 2002. From 1 April 2007 until the end of March 2017 Delegate of the Board of Directors and CEO. For information on Mr. Gabriel, see section 3.1 on page 149.

Giacomo Balzarini, 1968, CH and IT, Wollerau, lic. oec. publ., MBA, Chief Executive Officer/ Chief Financial Officer of PSP Swiss Property Group (in this position as of 1 April 2017; prior since 1 April 2007 Chief Financial Officer) and Chairman of the Board of Directors of all PSP Swiss Property Ltd subsidiaries.

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. Mr. Balzarini has worked for PSP Swiss Property since 1 December 2006.

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 2017, the following activities or functions which are subject to disclosure in accordance with the DCG: Member of the Board of Trustees of Ernst Göhner Foundation, Zug, and Chairman of the Board of Directors of Seewarte Holding Ltd, Zug, - which is entirely controlled by Ernst Göhner Foundation - and of its subsidiaries Seewarte Ltd, Zurich, Seewarte Agrar Ltd, Zug, and Seewarte Romandie Ltd, Lausanne.

Martin Heggli, 1977, CH, Mettmenstetten, Swiss Certifed Expert for Accounting and Controlling, MAS Accounting & Finance, Chief Operating Officer (as of 1 April 2017).

Education: Mr. Heggli obtained his degree as a Swiss Certified Expert for Accounting and Controlling in 2005. In 2009, he graduated from the University of Applied Sciences Zurich, obtaining a Master in Advanced Studies (MAS) in Accounting & Finance.

Professional activity: From 1999 until 2005, Mr. Heggli was responsible for accounting at the real estate trust department of BDO Visura. He started working for PSP Swiss Property in September 2005, initially responsible for merging and organising the accounting department following the merger with REG Real Estate Group and, since 2010, responsible for accounting and financial reporting.

Other activities and vested interests: In addition to his mandates at the subsidiaries of PSP Swiss Property Ltd, Mr. Heggli did not perform, as at 31 December 2017, any activities or functions which are subject to disclosure in accordance with the DCG.

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.

Other activities and vested interests: In addition to his mandates at the subsidiaries of PSP Swiss Property Ltd, Mr. Murer did perform, as at 31 December 2017, 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 on page 152).

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

4.3 Management contracts

As at 31 December 2017, 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 128 to 130 in the compensation report together with the explanations on the compensation system on pages 132 to 140.

With regard to the shareholdings and loans of members of the Board of Directors and of the Executive Board, see also the financial statements, note 4.2 page 120.

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 129.

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 129.

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 2017 business year.

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 2017 business year, no loans and credits were granted (see the compensation report page 130).

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 2017 business year, see the compensation report page 129.

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[6], 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[6].

Voting-rights representation by the independent shareholder representative is governed by Article 13 of the Articles of Association[6] and Articles 8 ff. 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[6], 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 quorums 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[6], the General Meeting passes its resolutions and carries out its elections with an absolute majority of the share votes represented, if not otherwise required by law.

6.4 Calling the General Meeting, shareholders' right to request the inclusion of an agenda item

Calling the General Meeting, the procedure for calling a General Meeting, the right to call General Meetings and the right to request the inclusion of an agenda item are governed by Articles 10 and 11 of the Articles of Association[6].

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 2018, the 45th day before the date of the General Meeting is 19 February 2018.

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]).

6 The unofficial English translation of the German Original of the Articles of Association is available at: www.psp.info/AoA

6.5 Record date for entries in the share register

According to Article 12 (1) of the Articles of Association[6], 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 2018, such record date is Thursday, 29 March 2018.

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[6].

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 1 January 2016).

7.2 Change of control clauses

There are no changes of control clauses.

6 The unofficial English translation of the German Original of the Articles of Association is available at: www.psp.info/AoA

8 Statutory Auditors

8.1 Duration of the mandate and term of office of the head auditor

Ernst & Young AG, Zurich, was elected as new Statutory Auditors by the Annual General Meeting of 5 April 2017 for the 2017 business year. Previously, PricewaterhouseCoopers AG, Zurich, had been the Statutory Auditors of the company since 2000. Given their 17-year mandate, the Board of Directors proposed to the Annual General Meeting – in the interest of good corporate governance – the change to Ernst & Young AG.

The Lead Engagement Partner responsible for the existing auditing mandate in the 2017 business year took up office with the election of the Statutory Auditors at the Annual General Meeting on 5 April 2017. The maximum term of office is determined by Article 730a para. 2 CO and lasts seven years. It will expire by the end of the 2023 business year.

8.2 Auditors' fees

The costs for auditing the financial statements of the subsidiaries and the consolidated financial statements 2017 as well as for reviewing the interim financial statements as per 30 June 2017 and the quarterly financial statements as per 31 March and 30 September 2017 amounted to CHF 0.535 million (previous year by PricewaterhouseCoopers AG: CHF 0.612 million).

8.3 Additional fees

For the reporting period, additional fees of CHF 0.05 million were charged by Ernst & Young AG for advice in the segments sustainability reporting as well as review of the EPRA performance key figures (previous year CHF 0.05 million by PricewaterhouseCoopers AG for advice in the segments sustainability reporting and 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 2017 this concerned four meetings of the Board of Directors and four meetings of the Audit Committee.

At the ordinary February meeting the representatives of the Statutory Auditors usually submit their auditors' reports for the examined business year. At the ordinary November meeting they usually submit their review plan for the business year which is about to end. At further meetings the Statutory Auditors report on their review work for the quarterly respectively interim reports.

As mentioned under section 3.6 on page 157, 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 election of the Statutory Auditors, the Board of Directors and the Audit Committee analyse 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 comply with Swiss law and the standards laid down by the SIX Swiss Exchange's Listing Rules.

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Agenda

27 February 2018	Publication FY 2017
5 April 2018	Annual General Meeting 2018, Lake Side, Zurich
8 May 2018	Publication Q1 2018
17 August 2018	Publication H1 2018
13 November 2018	Publication Q1–Q3 2018

www.psp.info
Additional information and all publications including, in particular, the **2017 annual report** and the **Articles of Association** of the Company, are available under www.psp.info, namely under www.psp.info/en/investors/downloads/financial-reports respectively under www.psp.info/AoA; the information service (E-mail distribution) under www.psp.info/en/investors/investor-relations/information-service; ad hoc notices under www.psp.info/en/news-media/press-releases. **The publications may also be requested at the above Investor Relations address.**

Sustainability report

Sustainability report

Since the launch of our sustainability programme in 2010, we were able to reduce our properties' specific emissions from 21 to 12.5 kg CO_2e per square meter; this corresponds to a reduction of 40%.

For us, sustainability means assuming responsibility with regard to the environment, tenants, business partners and employees as well as the community and our shareholders. This pertains to the strategic as well as the daily operational level.

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:

- In the purchase of properties
- In new constructions and renovations
- In property management

One staff member in real estate asset management and two staff members in the construction 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 the construction unit, 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 12.5 kg CO_2e per square meter; this corresponds to a reduction of 40%. Compared to the 15.67 kg CO_2e we reached in the base year 2015 (see chart below, goal), this represents a reduction of emissions by 20%.

Three measures are relevant for this success:

- First, we continuously improve our organisation and know-how in the fields of energy and sustainability.

- Second, in the course of heating renovations, we keep converting existing installations to less CO_2e 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. Finally, we optimise our contracts with energy suppliers (electricity and gas) with regard to the share of renewable sources.

Our goal is to further reduce our properties' specific CO_2e 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. We regularly participate in sustainability surveys such as the "CDP, Carbon Disclosure Project" or the "GRESB, Global Real Estate Sustainability Benchmark".

The following topics are relevant for PSP Swiss Property:

Goal
Reducing CO_2 emissions by at least 5% from 2015 to 2020.

Operational optimisation
Improving the handling and operation of existing facilities.

Renovations
Optimising or replacing existing facilities as part of conversions and renovations.

New buildings
Investments in state-of-the-art technology.

Training
Building awareness and continuously training employees.

Communication
Dialogue with relevant stakeholders.

Energy sourcing
Optimising purchasing volumes and conditions as well as the energy mix with regard to sustainable production.

Audit
Assessment of consumption and emission levels by external auditors.

Controlling
Central monitoring system to control current energy consumption.

Know-how
Providing resources to establish and monitor technical energy measures.

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 US 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
- CO_2e emissions

We made an initial survey and analysis of these environmental areas (including 167 investment properties respectively 922 448 m² floor space which were in the investment portfolio at that time) for the 2010 business year. In 2017, we analysed 155 investment properties with 970 786 m² floor space (2016: 155 investment properties with 933 934 m² floor space). The portfolio included 157 investment properties at the end of 2017 and 161 at the end of 2016.

The difference to the 155 investment properties (at the end of 2017) considered in the sustainability report is due to the following circumstances: at properties with a single tenant or co-ownership, PSP Swiss Property does not exercise operational control. This applies to the following properties: commercial centre (Handelszentrum), Wallisellen; Via Respini 7/9, Locarno; Port Noir Hammam & Bain Genève Plage, Cologny; Bahnhofstrasse 66, Brandschenkestrasse 70 and 72 as well as Mühlebachstrasse 6 (all in Zurich); Seilerstrasse 8a, Bern. The property at Rue de Sébeillon 2 in Lausanne is a car park with no energy consumption. For Heinrich-Stutz-Strasse 23/25 in Urdorf, a property which we purchased in 2015, data has not yet been collected. Consequently, these ten properties were not included in the sustainability report. On the other hand, eight properties which were classified as “development properties” at the end of 2017, were taken into account: Hardturmstrasse 161, Hardturmstrasse 181/183/185, Förrlibuckstrasse 178/180, Bahnhofplatz 2, Waisenhausstrasse 2/4 / Bahnhofquai 7 (all in Zurich); Rue Saint-Martin 7, Lausanne; Rue du Marché 40, Geneva; Bahnhofstrasse 21, Rheinfelden.

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 CO_2e output.

Key environmental indicators 2016 and 2017:

	2016		2017	
	Absolute value	Specific figure per m²	Absolute value	Specific figure per m²
Heating[1]	65.88 million kWh	70.55 kWh	72.34 million kWh	74.51 kWh
Electricity[2]	20.78 million kWh	22.25 kWh	21.13 million kWh	21.77 kWh
CO_2e (heating and electricity)[3]	12 123 t	12.98 kg	12 157 t	12.52 kg
Water consumption[4]	462 333 m³	0.495 m³	472 108 m³	0.486 m³

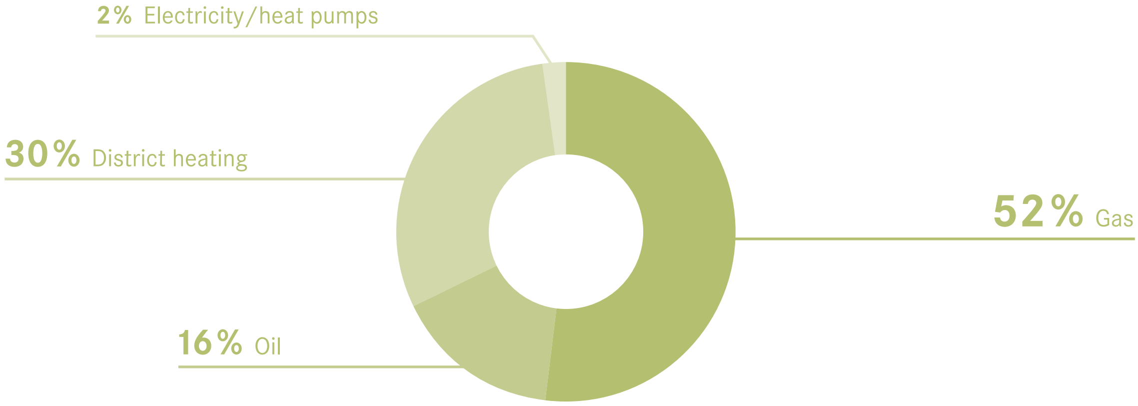
1 Energy for heating, hot water and ventilation; not adjusted for heating degree days (incl. increased demand by gastronomic use). The specific figure adjusted for heating degree days related to the base year (2015) was 64.63 kWh/m² for 2017 (2015: 69.77 kWh/m²).

2 Energy for general electrical use (incl. increased demand by air-conditioning, excl. direct energy use by tenants). In the reporting period, additional electricity procurement agreements, exclusively for renewable energy, came into force. In the respective properties, the energy we obtain is from renewable sources only. Overall, 91% of all the electricity used today is from renewable sources (previous year: 75%). As a result, we were able to lower the emissions factor by 17% compared to the previous year.

3 In the calculation of the fuels’ greenhouse gas emissions, only direct emissions were taken into account. The factors are based on the specifications in the Swiss greenhouse gas inventory fact sheet 2016 of the Federal Office for the Environment (FOEN). On the other hand, we obtain the figures for electricity and district heating from the producers and suppliers respectively the summary report on emission factors (FOEN 2016). With regard to natural gas, we have taken the share of biogas (8%) over the entire portfolio into account for the first time and reduced the factor accordingly. The figures are not adjusted for heating degree days. The specific figure adjusted for heating degree days relating to the base year (2015) was 10.97 kg/m² for 2017 (2015: 15.67 kg/m²).

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

The following chart illustrates the energy sources for heating in 2017:



In 2016, the figures were as follows: gas 49%, oil 18%, district heating 29%, electricity/heat pumps 4%.

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 (currently 91% of our total energy needs).

Heating energy consumption: Comparing 2016 to 2017 like-for-like, there was an increase in oil and gas consumption by 8.6% in 2017. However, the number of weighted heating degree days was 6.7% higher for the surveyed portfolio in 2017 than in 2016. The rise was, therefore, due to the greater number of heating degree days as well as the reduction in vacancies with the corresponding expansion of heated rental areas. In absolute figures, the increase in CO_2e emissions from fossil fuels was disproportionally low with 3.6%. This was mainly due to the fact that we took into account the 8% share of biogas and the corresponding reduction of the natural gas emissions factor. Energy consumption from district heating rose by 6.5% like-for-like. Nevertheless, emissions from district heating fell by 119 tons CO_2e in absolute terms, due to the greater share of district heating from renewable sources (especially “Fernwärme Zürich”). Overall, CO_2e emissions from heating energy consumption rose by 2.1% in absolute terms respectively 234 tons. Adjusted for heating degree days, however, emissions declined by 4.3% or 477 tons.

Electricity consumption: Due to optimisation measures, we were again able to reduce specific electricity consumption like-for-like by 7.5% in 2017 (now: 21.31 million kWh/m^2). Calculated with the old conversion factor for renewable energies, this corresponds to savings of approximately 32 tons of CO_2e. Applying the new conversion factor (91% of electricity consumption from renewable sources), there was a reduction of 200 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 1.3% (2016: 0.50 m^3/m^2; 2017: 0.49 m^3/m^2).

Trend in environmental indicators: Comparing 2016 to 2017 like-for-like, specific energy consumption increased by 3.8% in 2017 (adjusted for heating degree days: decrease by 1.1%). Absolute CO_2e emissions for heating and electricity rose by 0.28% or 34 tons. Adjusted for heating degree days, however, emissions fell by 5.6% respectively 677 tons.

Business travel: For the second time, also the CO_2e emissions from our business travels (airplane, car, train) were audited. In 2017, these emissions amounted to 53 tons of CO_2e (2016: 55.4 tons).

Projects

In 2017, 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 the reporting year, deserve special mention in this respect (the stated volumes are estimates of the expected savings):

Heating conversions from oil to gas: At three properties, we converted existing oil heating systems to gas (Seebahnstrasse 89, Zurich; Seestrasse 40/42, Kilchberg; Hottingerstrasse 10/12, Zurich). These measures will allow us to save approximately 340 000 kWh of heating energy annually and to reduce emissions by around 170 tons of CO_2e.

Conversions from oil or gas to district heating or heat pumps: At one property (Grosspeterstrasse 18/20, Basel) we replaced an existing oil heating installation 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 125 000 kWh of heating energy annually and to reduce emissions by around 125 tons of CO_2e.

At Eigerstrasse 2 in Bern, we replaced an existing gas heating installation by connecting the building to the district heating system. This will save us approximately 118 000 kWh of heating energy annually and reduce emissions by around 90 tons of CO_2e.

At Walchestrasse 11/15 in Zurich, we connected an electric boiler for service water heating to the district heating system of the Swiss Federal Institute of Technology (ETH). This will reduce emissions by approximately 1.8 tons of CO_2e annually.

Replacement of old by new gas heating systems: We replaced existing gas heating systems by new ones at two properties and fitted them with new regulation systems respectively new measurement and control systems. This will allow us to save approximately 60 000 kWh of heating energy annually and to reduce emissions by around 12 tons of CO_2e at the properties at Bankstrasse 11 in Uster and In Gassen 16 in Zurich.

Building technology: In addition to some minor restoration measures concerning ventilation and air-conditioning systems at a number of properties, we replaced the measurement and control system at Steinentorberg 8/12 in Basel. As a result, we expect savings in energy consumption of approximately 250 000 kWh and a reduction of CO_2e emissions by around 20 tons annually.

Lighting systems: We gradually replace older lighting systems with fluorescent lamps by state-of-the-art, automated, demand-controlled LED lighting systems. In 2017, we replaced the lighting systems at three underground car parks (Eigerstrasse 2, Bern; Igelweid 1, Aarau; Bahnhofstrasse 18, Aarau). At four additional buildings we replaced the staircase lighting by LED systems. These measures will reduce electricity consumption by approximately 5 000 kWh annually.

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 2017, we integrated 17 additional properties into this central energy control and alarm management system. As at the end of 2017, we were thus able to monitor 102 properties from our central control office (approximately two thirds of our total portfolio).

Due to our central energy control and alarm management system, we can see at a glance, if the current figures are within the tolerance range. If they deviate from normal levels – for instance, in the case of excessive water consumption – we can react immediately.

The constant monitoring of energy and water consumption not only increases energy efficiency; it also makes sense from an economic point of view: it lowers ancillary expenses and thus offers added value to the tenants. And if heating costs and CO_2 taxes decline, tenants are more willing to pay higher net rents. Eventually, ecological sustainability generates an “eco yield” for our Company and our shareholders.

Photovoltaic installations: Our goal is not only to save energy, but to produce it as well. In 2017, we generated around 1 200 MWh of clean solar energy with our own photovoltaic installations; this corresponds to approximately 50 tons of “prevented” CO_2e emissions. In the reporting year, we also connected photovoltaic installations at the “Grosspeter Tower” in Basel to the power grid, one of them integrated into the building’s façade, the other one on the roof. There, we expect an annual yield of approximately 260 MWh.

Impact of projects, which were completed during the reporting period: Due to a great deal of interdependence as well as internal and external influences, it is difficult to measure the impact of our renovation projects on energy consumption. Approximations are, however, possible: in 2017, absolute CO_2e emissions amounted to 12 157 tons, exceeding the 2016 figure by 34 tons. An increase in heating degree days and the successful reduction of vacancies resulted in a rise in emissions in 2017 by 753 tons; on the other hand, new electricity contracts lowered emissions by 160 tons, disinvestments by 16 tons and the share of biogas in natural gas by 610 tons. Consequently, approximately 640 tons of savings were due to our optimisation projects.

EPRA reporting

Sustainability Reporting according to EPRA Best Practices Recommendations (sBPR)

Since 2015, we report according to the EPRA's (European Public Real Estate Association) sBPR. 2017, PSP Swiss Property received the EPRA Gold Award for its 2016 reporting.

This year, we have expanded our disclosure to include the social and governance performance measures that were introduced by EPRA in the 3rd edition of the sBPR (published in September 2017). Since the publication, we have been working to report our performance against all these indicators. This is an ongoing process and as such, figures which were not available at the time of reporting have been marked as N/A (not available at the time of reporting).

Environment

The following overarching recommendations do 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. In 2017, the data of 155 properties was quantified and analysed (2016: 155 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 2016 to 30 June 2017.

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

Estimations: 2.79% of the total energy we purchased in 2017 were based on estimations (2016: 2.23%). For properties where no final settlement is available from the providers at the balance-sheet date, 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 premises (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. For the first time, we now report the electricity we use on these premises for our business operations in the reporting period. Heating energy and common-area electricity as well as water consumption at the corresponding properties are recorded in the portfolio.

Like-for-like performance: We analyse and explain our like-for-like performance across selected performance indicators for the 153 properties that constitute our like-for-like 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.

Certified buildings: In the reporting period, the Minergie-certified Salmenpark, Rheinfelden, was added to the investment portfolio. This means that a total of four buildings or 4.7% of the rental area are now either Minergie- or LEED-certified. The Minergie standards were integrated into many cantonal energy acts. Therefore, these certifications are of minor importance for PSP Swiss Property today. The LEED certification is less known in Switzerland, expensive and rarely asked for by tenants. We prefer to invest these funds into concrete, energy-saving measures, while considering possible certifications for our new constructions.

The following table provides our response to the EPRA environmental performance measures for the 2016 and 2017 calendar years.

Impact area	EPRA Sustainability performance measures (Environment)			
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
				Proportion of landlord-obtained electricity from renewable sources
	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
				Proportion of landlord-obtained district heating and cooling from renewable sources[1]
	Fuels-Abs, Fuels-LfL	kWh	Fuels (oil/gas)	Heating passed on to tenants
				(Sub)metered exclusively to tenants
				Total landlord-obtained fuels
				Proportion of landlord-obtained fuels from renewable sources
Greenhouse gas emissions				
	GHG-Dir-Abs	Tonnes CO_2e	Direct	Scope 1
	GHG-Indir-Abs[2]		Indirect	Scope 2
	GHG-Indir-Abs		Indirect	Scope 3
Water				
	Water-Abs, Water-LfL	m^3	Water Intensity	Water passed on to tenants
				(Sub)metered exclusively to tenants
				Total landlord-obtained water
Specific				
	Energy-Int	kWh/m^2	Energy Intensity	Landlord-obtained energy
	Water-Int	m^3/m^2	Water	Landlord-obtained water
	GHG-Int	kg CO_2e/m^2	Direct	Scope 1
			Indirect	Scope 2/3
Certified buildings				
	Cert-Tot	4 buildings or 4.7% of lettable space as a percentage of the reported portfolio are certified (LEED and Swiss «Minergie» standard)		

1 Emissions are calculated using market-based emission-factors. For 91% of our landlord-obtained electricity we have marked-based contracts with our suppliers with 100% renewable energy. For the remaining 9% we use the grid average emissions.
2 Currently, we are not able to report this information as the proportion of fuels supplied from renewable sources is not available from our providers at the time of publication.

	Absolute measures (Abs)			Like-for-like (LfL)				
	2016	**2017**	**+/–**	**2016**	**2017**	**+/–**	**Energy and associated GHG disclosure coverage**	**Proportion of energy and associated GHG estimated**
	23 133 893	22 428 663	– 3.0%	23 045 062	21 309 100	– 7.5%		
	23 133 893	**22 428 663**	– 3.0%	**23 045 062**	**21 309 100**	– 7.5%	100%	9.55%
	75%	**91%**						
	18 841 411	21 964 363	16.6%	18 841 411	20 063 275	6.5%		
	18 841 411	**21 964 363**	16.6%	**18 841 411**	**20 063 275**	6.5%	100%	0.46%
	n.a.	**n.a.**						
	44 695 138	49 016 387	9.7%	44 027 370	47 817 337	8.6%		
	44 695 138	**49 016 387**	9.7%	**44 027 370**	**47 817 337**	8.6%	100%	0.68%
	8.0%	**8.0%**						
	9 699	**10 051**	3.6%					
	2 425	**2 106**	– 13.1%					
	55	**53**	– 3.6%					
	462 333	472 108	2.1%	461 459	455 263	– 1.3%		
	462 333	**472 108**	2.1%	**461 459**	**455 263**	– 1.3%	100%	2.55%
	92.801	**96.220**	3.7%					
	0.495	**0.486**	– 1.8%					
	10.385	**10.354**	– 0.3%					
	2.596	**2.169**	– 16.4%					
							100%	

Social

PSP Swiss Property is a long-term oriented company. With this in mind, social sustainability is also essential for PSP Swiss Property.

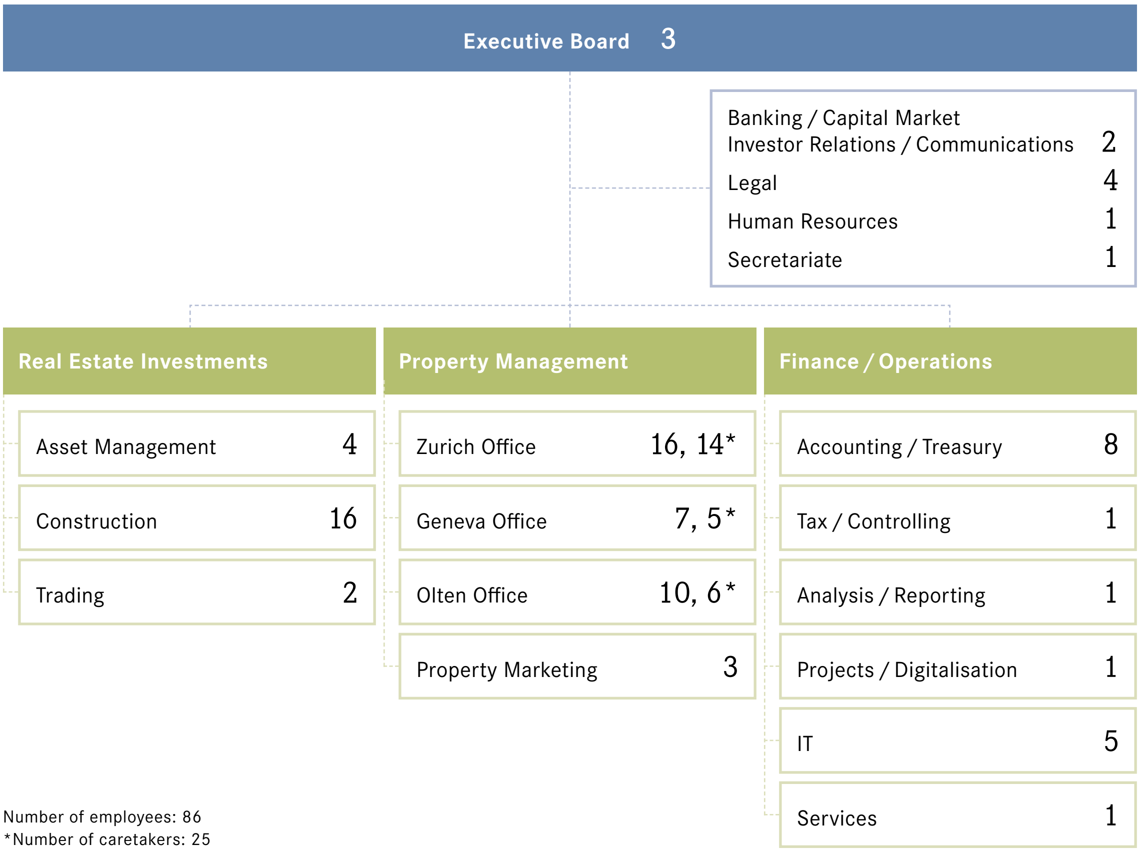
In a time of constant change, it is important for us to convey trust and security to our employees and thus to enable an open corporate culture. This togetherness thrives on mutual esteem as well as respect, loyalty and responsibility.

Tenants and business partners as well as the public are important stakeholders too. We strive to achieve a balance between these various groups' needs and requirements. Eventually this also benefits our Company's competitiveness.

Employees

Our employees play a central role. In order to retain them in the long term, we offer them an attractive, safe and diversified work environment which increases their motivation and enables high-quality performance. Thanks to our open culture of dialogue, flat hierarchy and manageable size, we can easily share ideas, information and concerns and discuss them in person. We actively promote our employees' professional and social potential while welcoming creativity and responsibility.

Our organisation is structured as follows:



Number of employees: 86
*Number of caretakers: 25

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	0	4	22	26	23	11

Years of service	< 5 years	6 to 10 years	11 to 15 years	16 to 20 years	> 20 years
Number of employees	38	19	18	8	3

When selecting our employees, we set the course for a successful future. We are looking for people who fit our company culture and identify with our values. This presupposes expertise and the motivation to perform, but also a high level of service and customer orientation, which we evaluate with the appropriate instruments during the hiring process.

PSP Swiss Property is characterised by a high degree of stability: At the end of 2017, we had 86 employees (end of 2016: 90); the proportion of women was 42% (end of 2016: 41%). At the end of 2017, we also employed 25 full-time and part-time caretakers throughout Switzerland (end of 2016: 25). These caretakers carry out property-related work and are managed by PSP Management Ltd's property managers.

Compensation and equal opportunities: We pay market-based salaries, which are set individually, based on criteria such as education, function, amount of work experience and performance. All employees receive a bonus based on the business performance, and benefit from additional advantages. These include loyalty commission, travel subsidies and paid trainings.

It goes without saying that we guarantee equal opportunities for all employees. An important feature of equality between men and women is also equal salary. We do not tolerate any discrimination on grounds of nationality, gender, sexual orientation, age, religion or belief, and we take determined action against any violations.

Communication: PSP Swiss Property informs all employees promptly about major business cases and internals (e.g. personnel information and organisational changes) in German and French. In this way, the Executive Board informs regularly – also by way of good internal networking – about current topics, developments and company goals and on the occasion of the quarterly reporting, about the current business performance of the company.

Personal interviews between senior management and employees are held on a regular basis. They provide our employees with important feedback on their work and define their personal contribution to achieving the company's goals. Specific performance, results reached and social behaviour will also be part of the conversation.

Advanced training: PSP Swiss Property is supporting its employees in their professional development, also through personal training courses.

Language skills are a critical focus which is becoming increasingly important. Thus we offer our employees free German, French and English courses, which they can attend during their working hours directly at their workplace. This helps us to communicate even better with other language regions in Switzerland, as well as with our international customers. Our theme lunches («PSP Academy»), organised on a regular base, are also very popular. During these events we choose current business activities as well as economic or social topics.

Health and safety: A central issue for a positive working atmosphere is health and safety. Spacious, modern working spaces, a pleasant working environment and a high-quality infrastructure are a given matter for us and create the best of working conditions. In line with the strict SUVA standards (Swiss Accident Insurance Institution), we also provide all employees with electric height-adjustable desks and ergonomic chairs.

As far as safety at work is concerned, there is an evacuation plan which is used in emergencies. A designated security officer organises the required courses (first aid, defibrillator, fire) for the helpers. In addition, there are exercises with the entire staff, followed by a group discussion.

In terms of prophylaxis, we also offer our employees the opportunity to seek free advice anonymously from external experts on personal or professional issues.

Work-Life balance: Those who work, often face the challenge of reconciling work and private life. Balance is important for personal development, for strengthening physical and mental health as well as general wellbeing.

Accordingly, we can offer flexible working time models like part-time work, employment on an hourly basis after retirement, or early retirement, which all contribute to a healthy work-life balance and provide the necessary flexibility while also benefitting the company. During the reporting year, for example, 15 employees were employed part-time, which corresponds to a proportion of about 18%.

Tenants 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 a matter of public interest, especially when it comes to historically valuable or new buildings. With their spatial presence, properties influence not only the immediate environment and everyday life of the tenants, but also the perception of residents and visitors. For this reason, we are always mindful about architectural quality in new buildings, renovations or major restructuring, which should ultimately result in an upgrade of the public space.

Outlook

Our value mission statement is based on respect, loyalty and responsibility. We emphasise an open and honest communication, a cooperative management style as well as individual responsibility and initiative. PSP Swiss Property sees itself as a learning organisation where we practice the so-called "error culture". The freedom we grant our employees is, in our eyes, the foundation of progress and innovation.

The above-mentioned values are important to us. They concern the senior management, who are leading by example, but also the employees, who contribute to our good reputation through their positive behaviour. Thus we want to continue to build trust, provide security and convince our customers and other stakeholders with sustainable solutions. These qualities are one of the keys to our business success.

The following table provides our response to the EPRA environmental performance measures for the 2016 and 2017 calendar years.

	EPRA Sustainability performance measures (Social)				Corporate performance	
Impact area	EPRA code[1]	Units of measure	Indicator	Scope	2016	2017
Diversity	Diversity-Emp	% of employees	Gender diversity	Board of Directors	76% Male / 14% Female	76% Male / 14% Female
				All other direct employees	59% Male / 41% Female	58% Male / 42% Female
	Diversity-Pay	Female to Male ratio	Gender pay	Board of Directors	0.8	0.8
				All other direct employees[2]	0.9	0.9
Employees	Emp-Turnover	Total number	New hires	Direct employees	13[3]	7[3]
			Leavers		8[4]	11[4]
			Number of employees at year end		90	86
		Rate	New hire rate		15	8%
			Turnover		9%	13%
Health and safety	H&S-Emp	per 200,000 hours worked	Injury rate[5]	Direct employees	N/A	N/A
		per 200,000 worked	Lost day rate[5]		N/A	N/A
		Days per employee	Absentee rate[5]		N/A	N/A
		Total number	Fatalities		0	0

1 The following performance measures are not reported as the information was not available at the time of publication: Emp-Training, Emp-Dev, H&S Asset, H&S-Comp and Comty-Eng. We are looking to report against these performance measure in future reports.
2 Excl. members of the Executive Board, directors and caretakers.
3 Excl. caretakers.
4 Excl. caretakers, incl. leave after maternity leave, retirements, etc.
5 The following performance measures are not reported as the information was not available at the time of publication: Injury rate, Lost day rate and Absentee rate at the time of publication. We are looking to report against these performance measure in future reports.

Governance

The following table provides our response to the EPRA governance performance measures for the 2016 and 2017 calendar years.

	EPRA Sustainability performance measures (Governance)			Corporate performance	
Impact area	EPRA code	Units of measure	Scope	2016	2017
Board Composition	Gov-Board	Total number	Members of the Executive Board	3	3
		Total number	Independent / Non-executive board members	8	6
		Total number	Independent / Non-executive board members with competencies relating to environmental and social topics[1]	4	4
		Years	Average tenure on the Board of Directors	6.7	7.7
Nomination and selection	Gov-Select	Narrative	Board of Directors[2]	N/A	N/A
Conflicts of Interest	Gov-CoI	Narrative	Board of Directors	See below[3]	See below[3]

1 Please refer to the Corporate Governance Section in the annual report 2017 (page 149 ff), where specific competencies are listed and skills and experiences become apparent from the biographies of Ms. Corinne Denzler, Mr. Peter Forstmoser, Mr. Nathan Hetz and Mr. Aviram Wertheim. Mr. Hetz and Mr. Wertheim for example developed specific competencies and experiences in environmental and social topics pertaining to their functions and proven track records as members of the board and CEO of a renowned and listed Real Estate company in their home country market; the same holds true for Ms. Denzler, who looks back on a career in the field of Swiss tourism and is actually CEO of a reputable Swiss Hotel Group. Mr. Forstmoser, has developed and demonstrated over years respective competencies, inter alia as former Chairman of Swiss Re, a leading Swiss Reinsurance Company accustomed with sustainability topics, as former Charmain of «The Sustainability Forum» Zurich, and as former Member of the Board of the «Center for Corporate Responsibility and Sustainability», an organisation connected with University of Zurich.

2 We did not specifically report on nomination and selection processes for Board members in the annual report. In 2018, a Nomination Committee was formed, which will assist the Board of Directors in nomination/selection processes and establishing adequate criteria and evaluations, tasks which so far laid with the Board of Directors under the lead of the Chairman. We plan respective disclosures in future reports.

3 PSP Swiss Property is required to publish information on management and control at the highest corporate level of the company in its annual report under a separate Corporate Governance section pursuant to the disclosure obligations stipulated in the Directive Corporate Governance (DCG) of SIX Swiss Exchange (see annual report 2017, page 143 ff). It includes the relationship between individual bodies of the company (checks and balances) and the disclosure of specific information. Information on potential conflicts of interest is thus set out throughout the entire Corporate Covernance Report, namely in respect to cross-board memberships and cross-shareholdings (none, see Section 1.3 on page 145, and Section 3.1 on page 152), major shareholder (Section 1.2 on page 145) and substantial business relationships with the company (none, see Section 3.1 on page 152), as well as inter alia in the note 32 on page 90 to the consolidated financial statements in respect to related parties.

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To the management of

PSP Swiss Property AG

Zurich, 16 February 2018

Independent assurance report

We have undertaken a **limited assurance** engagement of the following quantitative key performance indicators (KPIs) disclosed in the German version of PSP Swiss Property AG annual report for the reporting period ended 31 December 2017:

- Sustainability KPIs related to energy and water consumption as well as CO_2 emissions (Scope 1 & 2) in the table on page 170 of the annual report
- Sustainability KPIs related to CO_2 emissions from business travel (Scope 3) on page 171 of the annual report

Limitations of the engagement

Our engagement was limited to the KPIs listed above. We have not assessed the following KPIs or information disclosed in the report:

- Information other than the sustainability KPIs indicated above
- KPIs related to previous reporting periods
- Qualitative statements

Responsibility of PSP Swiss Property AG management

The management of PSP Swiss Property AG is responsible for the preparation of the disclosed KPIs in accordance with the applicable criteria. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of KPIs that are free from material misstatement, whether due to fraud or error.

Applicable criteria

PSP Swiss Property AG defined as applicable criteria (hereafter “applicable criteria”):

- GHG Protocol Corporate Standard (Revised Edition)

A summary of the guidelines is presented on the Greenhouse Gas Protocol website (online at http://www.ghgprotocol.org/sites/default/files/ghgp/standards/ghg-protocol-revised.pdf). We believe that these criteria are a suitable basis for our review.
The quantification of greenhouse gases (GHG) 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.

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 behaviour.
The 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.

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Our responsibility

Our responsibility is to express a limited assurance conclusion on the above mentioned KPIs based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3410, Assurance Engagements on Greenhouse Gas Statements ("ISAE 3410"), issued by the International Auditing and Assurance Standards Board. This standard requires that we plan and perform this engagement to obtain limited assurance about whether the KPIs are free from material misstatement. In accordance with the engagement agreement, our duty of care for this engagement only extends to the management of PSP Swiss Property AG.

A limited assurance engagement 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. The selection of procedures depend on the auditor's professional judgment. This includes the assessment of the risks of material misstatements in the report with regard to the applicable criteria. The procedures we performed included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Summary of work performed

Our limited assurance procedures included, amongst others, the following work:

- Assessment of the suitability of the underlying criteria and their consistent application
- Inquiries of company's representatives responsible for collecting, consolidating and calculating the KPIs in order to assess the process of preparing the data, the reporting system, the data capture and compilation methods as well as internal controls to the extent relevant for the limited assurance engagement
- Inspection of the relevant documentation of the systems and processes for compiling, analyzing, and aggregating sustainability data and testing such documentation on a sample of basis
- Analytical procedures and inspection of documents on a sample basis with respect to the compilation and reporting of quantitative data

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly we do not express a reasonable assurance opinion about whether PSP's KPIs have been prepared, in all material respects, in accordance with the applicable criteria.

Our conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the above mentioned KPIs are not prepared, in all material respects, in accordance with the applicable criteria.

Other matter

The sustainability KPIs of PSP Swiss Property AG for the year ended 31.12.2016 were the subject of a limited assurance engagement performed by another independent practitioner who expressed an unmodified conclusion on those KPIs on 6 March 2017.

Ernst & Young Ltd

Roger Müller
Partner

Chiara Rinaldi
Senior Manager

Additional information

Key financial figures by area

(in CHF 1 000)	Number of properties	Rental income	Operating expenses	Maintenance and renovation	Net rental income	in % of total	Potential rent[1]	in % of total
Zurich								
2017	82	162 707	10 586	11 029	141 092	61.3%	173 182	59.5%
2016	82	159 013	10 658	9 598	138 757	58.8%	176 238	59.6%
Geneva								
2017	16	26 354	4 612	1 706	20 036	8.7%	34 083	11.7%
2016	16	30 471	4 453	1 862	24 155	10.2%	34 257	11.6%
Basel								
2017	14	24 835	1 651	1 854	21 330	9.3%	25 541	8.8%
2016	14	25 698	1 696	1 578	22 425	9.5%	25 529	8.6%
Bern								
2017	13	12 824	1 382	928	10 513	4.6%	15 433	5.3%
2016	14	12 305	1 328	719	10 257	4.3%	15 638	5.3%
Lausanne								
2017	14	17 269	2 007	601	14 660	6.4%	18 809	6.5%
2016	14	17 849	2 120	1 094	14 636	6.2%	18 891	6.4%
Other locations								
2017	18	19 523	2 200	1 301	16 023	7.0%	23 923	8.2%
2016	21	19 607	2 165	952	16 490	7.0%	25 139	8.5%
Sites and development properties								
2017	12	10 367	3 464	373	6 531	2.8%	n.a.[8]	n.a.
2016	10	12 803	3 601	– 35	9 237	3.9%	n.a.[9]	n.a.
Overall total portfolio								
2017	**169**	**273 881**	**25 902**	**17 792**	**230 186**	**100.0%**	**290 970**	**100.0%**
2016	**171**	**277 747**	**26 021**	**15 768**	**235 957**	**100.0%**	**295 692**	**100.0%**

1 Annualised rental income (market rent for vacant area).
2 According to the external property appraiser (as per reporting date, annualised).
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 34 076 in 2017.
9 Annualised rent of potential rent amounts to TCHF 31 798 in 2016.

Market rent[2]	in % of total	Net changes in fair value[3]	Value of properties	in % of total	Implied yield gross[4]	Implied yield net[5]	Vacancy in CHF[6]	Vacancy rate (CHF)[6,7]	Vacancy in m^2	Vacancy rate (m^2)
174 450	58.9%	19 507	4 036 057	57.3%	4.0%	3.5%	11 081	6.4%	39 898	8.0%
178 758	58.8%	16 260	3 992 015	57.9%	4.1%	3.6%	12 532	7.1%	44 551	8.9%
37 437	12.6%	16 722	760 912	10.8%	3.5%	2.7%	6 028	17.7%	17 326	20.5%
38 495	12.7%	– 18 827	740 953	10.7%	4.1%	3.2%	7 388	21.6%	18 764	22.2%
25 966	8.8%	12 830	544 856	7.7%	4.6%	4.0%	590	2.3%	2 956	3.2%
25 962	8.5%	13 545	530 390	7.7%	4.9%	4.3%	501	2.0%	2 654	2.9%
13 982	4.7%	6 357	292 576	4.2%	4.4%	3.6%	1 549	10.0%	10 156	17.5%
14 174	4.7%	2 967	285 678	4.1%	4.4%	3.7%	1 907	12.2%	10 916	18.9%
21 672	7.3%	5 486	355 280	5.0%	4.9%	4.2%	1 206	6.4%	3 725	4.9%
22 093	7.3%	9 585	349 007	5.1%	5.2%	4.3%	702	3.7%	3 386	4.4%
22 923	7.7%	15 055	394 220	5.6%	5.0%	4.1%	3 540	14.8%	15 912	17.2%
24 551	8.1%	– 9 483	399 925	5.8%	4.9%	4.1%	4 349	17.3%	20 835	19.6%
n.a.	n.a.	7 295	661 892	9.4%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
n.a.	n.a.	– 64 254	595 885	8.6%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
296 429	**100.0%**	**83 253**	**7 045 793**	**100.0%**	**4.2%**	**3.5%**	**23 995**	**8.2%**	**89 973**	**9.9%**
304 033	**100.0%**	**– 50 208**	**6 893 854**	**100.0%**	**4.3%**	**3.6%**	**27 379**	**9.3%**	**101 106**	**11.0%**

Property details

Area	Land area m²	Office area m²	Retail area m²	Gas-tronomy area m²	Other area m²	Total rentable area m²
Zurich						
Kilchberg, Seestr. 40, 42	3 401	2 181	0	0	837	3 018
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	4 146	0	0	196	4 342
Wallisellen, Richtistr. 3	5 578	7 538	0	0	0	7 538
Wallisellen, Richtistr. 5	5 197	6 471	0	0	518	6 989
Wallisellen, Richtistr. 7	4 582	8 672	0	0	531	9 203
Wallisellen, Richtistr. 9	4 080	6 003	0	0	0	6 003
Wallisellen, Richtistr. 11	4 988	6 967	0	0	404	7 371
Zürich, Alfred Escher-Str. 17	275	997	0	0	0	997
Zürich, Augustinergasse 25	236	277	0	314	123	714
Zürich, Bahnhofplatz 9	998	2 524	2 032	0	0	4 556
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	1 740	0	71	3 562
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	10 373	0	0	1 464	11 837
Zürich, Binzring 15/17	33 878	35 680	0	0	4 659	40 339
Zürich, Bleicherweg 10 / Schanzengraben 7	1 155	3 394	236	0	376	4 006
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	3 440	1 238	0	293	4 971
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	711	0	0	0	711
Zürich, Dufourstr. 56	900	2 587	292	0	0	2 879
Zürich, Flüelastr. 7	1 296	2 607	433	0	194	3 234
Zürich, Förrlibuckstr. 10	4 122	7 545	0	0	625	8 170
Zürich, Förrlibuckstr. 60/62	10 382	14 797	0	885	8 518	24 200
Zürich, Förrlibuckstr. 66	2 055	5 252	0	0	1 950	7 202
Zürich, Förrlibuckstr. 110	2 963	9 531	350	194	1 401	11 476
Zürich, Förrlibuckstr. 151 (Parkhaus)	3 495	0	0	1 737	63	1 800
Zürich, Förrlibuckstr. 181	1 789	4 829	0	0	173	5 002

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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SI = SI 7 Place du Molard Ltd

Parking spaces	Vacancy rate (CHF)[1]	Implied yield net[2]	Year of con-struction	Year of renovation[3]	Purchase date	Owner[4]	Owner-ship status[5]	Owner-ship per-centage
33	34.0%	1.5%	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%	5.2%	1967	1989	01.11.2015	PR	SO	100.0%
209	0.7%	7.1%	1976	2002|03|10|13	01.07.2004	PR	SO	100.0%
90	5.5%	5.7%	1992	2010	01.10.1999	PR	CO	23.7%
137	0.0%	5.4%	2000|01	2011	01.11.2001	PR	SO	100.0%
126	54.3%	2.4%	2003	2011	01.04.2003	PR	SO	100.0%
156	16.3%	5.2%	2003	2011	01.04.2003	PR	SO	100.0%
105	0.0%	4.8%	2010		13.06.2008	PR	SO	100.0%
123	9.2%	5.1%	2010		13.06.2008	PR	SO	100.0%
0	0.0%	2.8%	1907	2000	01.10.1999	PR	SO	100.0%
1	0.0%	2.9%	1850	1994|2000|04	01.04.2004	PP	SO	100.0%
0	0.0%	3.4%	1933	2003|04|14	01.04.2004	PP	SO	100.0%
0	0.0%	2.7%	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%	2.4%	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%	2.2%	1931	2001	01.04.2004	PP	SO	100.0%
144	38.5%	4.4%	1974	1992|2006	01.10.1999	PR	SO	100.0%
140	0.0%	5.6%	1992		01.04.2001	PR	SO	100.0%
17	3.2%	3.1%	1930|76	1985|2006|09	01.10.1999	PR	SO	100.0%
7	0.0%	3.7%	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	0.0%	3.4%	2005		01.04.2004	PP	SO	100.0%
272	0.3%	3.3%	2003		01.04.2004	PP	SO	100.0%
0	0.0%	3.8%	2003		01.04.2004	PP	SO	100.0%
0	0.0%	3.8%	2007		01.04.2004	PP	SO	100.0%
0	0.0%	3.6%	1877|82	2004	01.04.2004	PP	SO	100.0%
0	21.3%	3.4%	1882	2004	01.04.2004	PP	SO	100.0%
0	0.0%	4.5%	1913	2012	01.04.2004	PP	SO	100.0%
0	0.0%	4.1%	2008		01.04.2004	PP	SO	100.0%
0	0.0%	4.9%	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	9.8%	5.4%	1982	2007	01.10.1999	PR	SO	100.0%
85	1.2%	4.6%	1963	2002	29.06.2001	PR	SO	100.0%
312	4.7%	4.6%	1989	2016|17	01.04.2001	PR	SO	100.0%
81	1.5%	5.1%	1969	1992|2003|04	01.12.2002	PR	SO	100.0%
64	10.1%	4.6%	1962	2000	01.12.2002	PR	SO	100.0%
1 137	9.6%	3.1%	1975	2000	01.12.2002	PR	SO	100.0%
39	0.7%	4.3%	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 200 to 201.
9 Current development project designed for sale.

Area	Land area m²	Office area m²	Retail area m²	Gas-tronomy area m²	Other area m²	Total rentable area m²
Zurich (continuation)						
Zürich, Freieckgasse 7	295	285	89	210	224	808
Zürich, Füsslistr. 6	907	1 245	1 093	0	663	3 001
Zürich, Gartenstr. 32	694	1 688	0	0	19	1 707
Zürich, Genferstr. 23	343	930	0	0	88	1 018
Zürich, Gerbergasse 5	606	1 740	795	0	109	2 644
Zürich, Goethestr. 24	842	613	0	116	91	820
Zürich, Gutenbergstr. 1/9	1 488	7 217	815	0	1 020	9 052
Zürich, Hardturmstr. 101, 103, 105 / Förrlibuckstr. 30	7 567	18 372	4 981	0	758	24 111
Zürich, Hardturmstr. 131, 133, 135	6 236	16 873	1 288	0	5 422	23 583
Zürich, Hardturmstr. 169, 171, 173, 175	5 189	11 427	995	80	6 850	19 352
Zürich, Hottingerstr. 10–12	1 922	3 574	0	0	660	4 234
Zürich, In Gassen 16	331	0	0	487	620	1 107
Zürich, Konradstr. 1 / Zollstr. 6	686	283	83	190	2 293	2 849
Zürich, Kurvenstr. 17 / Beckenhofstr. 26	657	1 537	0	0	206	1 743
Zürich, Limmatquai 4	529	2 370	159	222	114	2 865
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	2 816	0	0	154	2 970
Zürich, Lintheschergasse 23	135	359	0	80	171	610
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	854	0	34	1 700
Zürich, Schaffhauserstr. 611	1 981	2 821	656	0	124	3 601
Zürich, Seebahnstr. 89	2 455	2 987	739	0	1 048	4 774
Zürich, Seefeldstr. 5	498	604	0	307	289	1 200
Zürich, Seefeldstr. 123	2 580	6 481	1 562	0	246	8 289
Zürich, Seestr. 353[7]	3 593	7 135	0	0	570	7 705
Zürich, Sihlamtsstr. 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	4 196	262	0	541	4 999
Zürich, Stauffacherstr. 31	400	534	0	204	863	1 601
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	6 456	0	0	1 569	8 025
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**	**373 719**	**35 569**	**12 043**	**80 431**	**501 762**

1 As per reporting date. Annualised vacancy (CHF) in % of potential rent (market rent for vacant area).
2 Annualised net rental income divided by average value of properties.
3 Year of last overall renovation.

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

Parking spaces	Vacancy rate (CHF)[1]	Implied yield net[2]	Year of construction	Year of renovation[3]	Purchase date	Owner[4]	Ownership status[5]	Ownership percentage
0	0.0%	3.3%	1700	1992 | 2012	01.04.2004	PP	SO	100.0%
3	1.6%	2.6%	1925	1998 | 2005	01.04.2001	PR	SO	100.0%
21	0.9%	3.1%	1967	1986 | 2005	01.07.2005	PP	SO	100.0%
0	19.1%	2.1%	1895	1998 | 2014	01.10.1999	PR	SO	100.0%
3	45.7%	2.0%	1904	1993 | 2010 | 12	27.05.2004	PP	SO	100.0%
0	0.0%	3.1%	1874	2014	01.04.2004	PP	SO	100.0%
14	21.4%	3.4%	1969	1986 | 2008	31.12.2004	PR	SO	100.0%
236	6.8%	3.6%	1992	2009 | 13	01.08.2016	PR	SO	100.0%
41	19.6%	3.4%	1982	2008	01.12.2002	PR	SO	100.0%
44	27.4%	4.2%	1952	1997 | 2006	01.12.2002	PR	SO	100.0%
18	16.3%	1.9%	1914 | 40	1994	01.04.2001	PR	SO	100.0%
0	4.3%	1.9%	1812	1984 | 2007	01.04.2004	PP	SO	100.0%
7	16.9%	2.6%	1879 | 1982	1990	01.04.2004	PP	SO	100.0%
35	0.9%	4.3%	1971	1999 | 2006 | 07 | 12	01.10.1999	PR	SO	100.0%
0	0.0%	3.1%	1837	2000	01.01.2000	PR	SO	100.0%
0	5.8%	3.1%	1888	1994	01.04.2004	PP	SO	100.0%
36	2.0%	3.9%	2013		01.10.2010	PP	SO	100.0%
7	0.0%	5.4%	1985	2016	01.04.2001	PR	SO	100.0%
0	0.0%	1.6%	1879	2001	01.04.2004	PP	SO	100.0%
1	32.8%	2.3%	2015		01.04.2004	PP	SO	100.0%
4	0.0%	3.7%	1964	2003 | 07 | 11	31.12.2000	PR	SO	100.0%
7	0.0%	4.4%	1975	1993	01.10.1999	PR	FA	29.8%
21	0.0%	3.8%	1981	1999 | 2007	01.10.1999	PR	SO	100.0%
16	0.8%	4.3%	1958	1981 | 2002	01.10.1999	PR	SO	100.0%
0	0.0%	2.9%	1893	1999	01.10.1999	PR	SO	100.0%
61	19.6%	3.9%	2001 | 02	2016	01.07.2005	PP	SO	100.0%
77	2.7%	2.2%	1959	2003 | 08	01.04.2001	PR	SO	100.0%
0	0.0%	3.1%	1840	2000	01.04.2004	PP	SO	100.0%
90	2.4%	2.9%	1972	2004 | 17	01.10.1999	PR	SO	100.0%
125	13.6%	4.0%	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	0.3%	3.8%	1896	1998 | 2011	01.10.1999	PR	SO	100.0%
35	10.6%	3.2%	1929	1999 | 2001 | 07	01.10.1999	PR	SO	100.0%
3	22.8%	2.5%	1896	2000	01.04.2004	PP	SO	100.0%
3	0.0%	2.9%	1973	1993 | 2004 | 07	01.10.1999	PR	SO	100.0%
0	0.0%	3.0%	2013		01.04.2004	PP	SO	100.0%
2	4.7%	3.1%	1906	1992 | 2002	01.04.2004	PP	SO	100.0%
6	0.0%	3.9%	1919	2000 | 08 | 09	01.10.1999	PR	SO	100.0%
125	27.8%	3.0%	1981	2006 | 16	01.04.2004	PP	SO	100.0%
17	10.4%	4.0%	1972 | 73	2006	01.10.1999	PR	SO	100.0%
7	0.6%	4.4%	1958	2003	01.10.1999	PR	SO	100.0%
4 672	**6.4%**	**3.5%**						

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 200 to 201.
9 Current development project designed for sale.

Area	Land area m²	Office area m²	Retail area m²	Gastronomy area m²	Other area m²	Total rentable area m²
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	4 512	1 164	0	39	5 715
Genève, Place du Molard 7	593	2 126	0	843	408	3 377
Genève, Rue de Berne 6, Rue Pécolat 1	926	3 412	0	0	450	3 862
Genève, Rue de la Corraterie 24/26	1 005	1 567	617	0	196	2 380
Genève, Rue de la Fontaine 5	226	1 059	173	0	77	1 309
Genève, Rue des Bains 31bis, 33, 35	3 368	10 546	1 032	0	432	12 010
Genève, Rue du Grand-Pré 54, 56, 58	2 864	5 792	0	0	562	6 354
Genève, Rue du Mont-Blanc 12	258	1 468	174	0	0	1 642
Genève, Rue du Prince 9/11	578	2 985	796	0	367	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	8 753	0	0	5 307	14 060
Total	**32 221**	**67 130**	**4 594**	**977**	**11 702**	**84 403**
Basel						
Basel, Barfüsserplatz 10	3 655	336	0	530	314	1 180
Basel, Dornacherstr. 210	4 994	9 764	2 761	0	2 019	14 544
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	846	1 923
Basel, Grosspeterstr. 18, 20	8 062	13 194	0	0	628	13 822
Basel, Hochstr. 16 / Pfeffingerstr. 5	7 018	15 393	0	0	0	15 393
Basel, Kirschgartenstr. 12/14	1 376	4 962	791	143	480	6 376
Basel, Marktgasse 4	272	374	373	0	327	1 074
Basel, Marktgasse 5	330	997	296	0	117	1 410
Basel, Marktplatz 30/30A	560	2 070	0	431	298	2 799
Basel, Peter Merian-Str. 88/90	3 900	12 691	0	0	122	12 813
Basel, St. Alban-Anlage 46	1 197	3 239	0	198	336	3 773
Basel, Steinentorberg 8/12	2 845	6 999	0	280	7 426	14 705
Total	**35 244**	**70 701**	**5 947**	**1 926**	**13 714**	**92 288**

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%	4.4%	1987		01.01.2000	PR	SO	100.0%
0	0.0%	3.3%	2015		07.05.2013	PR	BL	100.0%
64	9.6%	2.3%	1981		01.10.1999	PR	SO	100.0%
0	18.3%	1.7%	1975	2005 | 06	01.04.2004	SI	SO	100.0%
0	0.0%	4.7%	1895	1999	01.04.2001	PR	SO	100.0%
10	1.1%	1.2%	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	20.0%	2.9%	1994	2016	01.07.2002	PR	SO	100.0%
50	1.4%	3.9%	1984	1992 | 2007	01.12.2005	PR	SO	100.0%
0	0.0%	3.4%	1860	2000	01.10.1999	PR	SO	100.0%
4	0.0%	3.2%	1966	2000 | 01 | 06	01.01.2000	PR	SO	100.0%
0	0.0%	3.4%	1962	1992 | 2001 | 11	01.10.1999	PR	SO	100.0%
0	6.1%	3.3%	1852	1995 | 2013 | 14	01.10.1999	PR	SO	100.0%
69	0.0%	3.3%	1986		01.07.2004	PR	SO	100.0%
186	98.2%	– 2.0%	2002 | 04		01.02.2004	PR	SO	100.0%
824	**17.7%**	**2.7%**						
0	8.8%	2.8%	1914	1997 | 2006 | 11	01.04.2004	PP	SO	100.0%
5	9.2%	4.1%	1969	1998 | 2004 | 06 | 15	31.12.2000	PR	SO	100.0%
0	0.0%	3.4%	1902	1998 | 2005 | 08 | 12	01.04.2004	PP	SO	100.0%
0	0.1%	2.4%	1896	1981 | 82 | 2005 | 16	01.07.2005	PP	SO	100.0%
0	6.2%	3.5%	1930	1984 | 98 | 2015	01.04.2004	PP	SO	100.0%
100	2.2%	5.4%	1988		01.12.2005	PR	SO	100.0%
227	0.0%	4.5%	1986	2000	01.01.2001	PR	SO	100.0%
90	0.0%	4.5%	1978	2003 | 05 | 10	01.01.2000	PR	SO	100.0%
0	0.0%	3.8%	1910	2002 | 08	01.04.2004	PP	SO	100.0%
0	0.0%	4.0%	1924	1975 | 2002 | 05	01.10.1999	PR	SO	100.0%
0	2.2%	3.4%	1936	2001 | 06	01.04.2004	PP	SO	100.0%
108	0.0%	3.8%	2000		01.09.2014	PR	FA	100.0%
53	9.3%	3.5%	1968	2000 | 11	01.10.1999	PR	SO	100.0%
69	0.6%	4.1%	1991		01.12.2001	PR	SO	100.0%
652	**2.3%**	**4.0%**						

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 200 to 201.
9 Current development project designed for sale.

Area	Land area m²	Office area m²	Retail area m²	Gastronomy area m²	Other area m²	Total rentable area m²
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	233	2 639
Bern, Laupenstr. 18/18a	5 436	7 052	1 470	0	875	9 397
Bern, Seilerstr. 8a	1 049	3 644	386	0	572	4 602
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
Wabern bei Bern, Gurtenbrauerei 10–92	67 099	2 650	759	0	11 428	14 837
Total	**83 139**	**30 762**	**7 611**	**3 249**	**16 268**	**57 890**
Lausanne						
Lausanne, Av. de Cour 135	1 800	2 251	0	262	385	2 898
Lausanne, Av. de Sévelin 40	3 060	1 698	0	0	4 966	6 664
Lausanne, Av. de Sévelin 46	3 320	10 527	0	0	4 658	15 185
Lausanne, Av. de Sévelin 54	1 288	639	0	0	2 371	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	2 341	1 633	1 561	366	5 901
Lausanne, Place Saint-François 15	5 337	8 807	1 710	0	36	10 553
Lausanne, Rue Centrale 15	486	1 261	579	0	468	2 308
Lausanne, Rue de Sébeillon 1, 3, 5	2 870	7 896	265	0	4 140	12 301
Lausanne, Rue de Sébeillon 2	5 955	0	0	0	0	0
Lausanne, Rue du Grand-Chêne 2	555	1 770	1 320	0	0	3 090
Lausanne, Rue du Pont 22	465	1 331	330	295	400	2 356
Total	**28 507**	**44 063**	**6 906**	**2 118**	**23 579**	**76 666**

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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 con-struction	Year of renovation[3]	Purchase date	Owner[4]	Owner-ship status[5]	Owner-ship per-centage
0	0.0%	3.8%	1924	2002	01.10.1999	PR	SO	100.0%
115	3.4%	3.7%	1964	1999 | 2005 | 11	01.10.1999	PR	SO	100.0%
0	0.0%	3.2%	1899	1984 | 2005 | 06	01.04.2004	IS	SO	100.0%
6	9.0%	4.6%	1964 | 76	1992 | 95 | 2006 | 09	01.12.2005	PR	SO	100.0%
0	0.0%	2.5%	1900	2011 | 13	01.04.2004	IS	SO	100.0%
0	0.0%	3.4%	vor 1900	1991 | 92	01.07.2005	PP	SO	100.0%
0	21.5%	2.6%	1965	1997 | 2004 | 11	01.07.2004	PR	SO	100.0%
7	0.1%	4.2%	1935 | 60	1997 | 2009 | 12	01.07.2004	PR	SO	100.0%
58	8.3%	4.5%	1971	2001	01.10.1999	PR	SO	100.0%
0	0.0%	8.3%	vor 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%	4.2%	1900	1999	01.04.2004	IS	SO | BL	100.0%
72	57.2%	0.9%	1863 | 2016	2016	01.04.2004	IS	SO	100.0%
258	**10.0%**	**3.6%**						
23	0.3%	4.7%	1973	2001 | 04 | 05	01.10.1999	PR	SO	100.0%
146	4.2%	4.4%	1992		01.12.2005	PR	SO	100.0%
10	9.7%	5.9%	1994		01.12.2005	PR	SO	100.0%
0	0.0%	6.7%	1932	1990 | 2002	01.12.2005	PR	SO	100.0%
8	5.4%	6.1%	1971	1998	01.04.2001	PR	SO	100.0%
63	0.0%	4.8%	1971	1996 | 2014	01.04.2004	IS	BL	100.0%
0	0.0%	4.5%	1957	2000	01.07.2005	PP	SO	100.0%
0	30.8%	1.5%	1913	1989 | 2004	01.10.1999	PR	SO	100.0%
61	0.0%	4.2%	1900	1998 | 2003 | 04	01.04.2001	PR	SO	100.0%
0	0.0%	3.6%	1938	1987 | 2013	01.01.2000	PR	SO	100.0%
61	2.2%	6.3%	1963	1998	01.12.2005	PR	SO	100.0%
221	4.8%	2.9%	n.a.		01.12.2005	PR	SO	100.0%
0	10.0%	3.7%	1910 | 11	1985 | 2001	01.10.1999	PR	SO	100.0%
0	6.3%	3.9%	1952	2003	01.07.2005	PP	SO	100.0%
593	**6.4%**	**4.2%**						

5 BL = Building lease
CO = Co-ownership
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SO = Sole ownership

6 Purchase during reporting period.
7 Own-used property.
8 See details on pages 200 to 201.
9 Current development project designed for sale.

Area	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	280	104	0	184	568
Biel/Bienne, Aarbergstr. 107	5 352	14 210	555	0	3 703	18 468
Biel/Bienne, Bahnhofplatz 2	4 928	6 938	3 441	0	2 678	13 057
Fribourg, Route des Arsenaux 41	4 310	8 708	459	509	1 226	10 902
Fribourg, Rue de la Banque 4 / Rte d. Alpes	269	882	549	0	104	1 535
Interlaken, Bahnhofstr. 23	419	0	353	0	0	353
Locarno, Via Respini 7/9	0	0	0	0	4 916	4 916
Lugano, Via Pessina 16	356	565	623	0	265	1 453
Luzern, Maihofstr. 1	930	2 262	328	0	596	3 186
Olten, Baslerstr. 44	657	2 045	401	0	596	3 042
Rheinfelden, Salmencenter / Quellenhaus Baslerstr. 2–16	34 241	4 819	5 960	0	12 826	23 605
Solothurn, Gurzelngasse 6	0	475	507	0	44	1 026
Uster, Bankstr. 11	960	0	207	201	557	965
Winterthur, Marktgasse 74	351	0	658	0	547	1 205
Winterthur, Untertor 34	146	404	0	92	220	716
Zug, Kolinplatz 2	285	792	119	0	180	1 091
Total	**55 431**	**45 823**	**16 505**	**802**	**29 310**	**92 440**
Sites and development properties[8]						
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.
Köniz, Projekt “Spiegel”[9]	1 608	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]	5 513	n.a.	n.a.	n.a.	n.a.	n.a.
Rheinfelden, Projekt “Bahnhofareal Rheinfelden”[9]	11 473	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”[9]	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	**79 009**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
Overall total portfolio	**563 677**	**632 198**	**77 132**	**21 115**	**175 004**	**905 449**

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3 Year of last overall renovation.

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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 con-struction	Year of renovation[3]	Purchase date	Owner[4]	Owner-ship status[5]	Owner-ship per-centage
29	0.0%	4.5%	1968	2001|02|06	01.01.2000	PR	SO	100.0%
18	0.3%	4.6%	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%
63	1.9%	5.5%	1994		15.12.2005	PR	SO	100.0%
80	23.1%	3.9%	1928|62	1986|93|2012	01.08.2006	PR	SO	100.0%
143	48.0%	2.9%	1997		15.12.2005	PR	SO	100.0%
3	0.0%	3.8%	1970	2001	01.01.2000	PR	SO	100.0%
0	0.0%	6.2%	1908	2003	01.07.2005	PP	SO	100.0%
0	0.0%	6.5%	2013		30.01.2012	PP	BL	100.0%
0	11.1%	3.7%	1900	1980	01.07.2005	PP	SO	100.0%
44	0.5%	5.0%	1989	2010	01.10.1999	PR	SO	100.0%
21	0.0%	4.5%	1964	1993|95|2009|11	01.01.2000	PR	SO	100.0%
410	22.4%	3.4%	2016		01.01.2004	PP	SO	100.0%
0	1.3%	3.8%	1962	2001	01.07.2005	PP	BL	100.0%
11	0.0%	3.2%	1928	1996	01.04.2004	PP	SO	100.0%
0	11.9%	2.8%	1595	2002|03|14	01.07.2005	PP	SO	100.0%
0	7.8%	3.1%	1879	1996|2014	01.04.2004	PP	SO	100.0%
1	5.9%	3.8%	1491	1925|70|2004|09	01.10.1999	PR	SO	100.0%
823	**14.8%**	**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.		01.04.2004	IS	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	FA	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.		01.04.2004	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.**						
7822	**8.2%**	**3.5%**						

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CO = Co-ownership
FA = Freehold apartment
SO = Sole ownership

6 Purchase during reporting period.
7 Own-used property.
8 See details on pages 200 to 201.
9 Current development project designed for sale.

Additional information development projects

Project “Grosspeter Tower”
Basel, Grosspeteranlage 29, Grosspeterstrasse 44

Project description	State of project	Completion
New tower building (zero emission) with mixed use (hotel and office space). Usable floor space approx. 18 000 m².	**Under construction** Planned investment sum: approx. CHF 120 million (thereof CHF 106.6 million spent) Letting level: 70% (hotel and offices)	Beginning of 2018

Project “Rue Saint-Martin”
Lausanne, Rue Saint-Martin 7

Project description	State of project	Completion
Total renovation	**Under construction** Planned investment sum: approx. CHF 13 million (thereof CHF 6.8 million spent) Letting level: 0%	End of 2018 / beginning of 2019

Project “Hardturmstrasse / Förrlibuckstrasse”
Zurich, Hardturmstrasse 161, Förrlibuckstrasse 150

Project description	State of project	Completion
Total renovation	**Under construction** Planned investment sum: approx. CHF 65 million (thereof CHF 46.6 million spent) Letting level: 75%	End of 2018 / beginning of 2019

Project “Bahnhofquai/-platz”
Zurich, Bahnhofplatz 1, Bahnhofquai 9/11/15; Waisenhausstrasse 2/4, Bahnhofquai 7; Bahnhofplatz 2

Project description	State of project	Completion
Total renovation in three stages. Overall planned investment sum: approx. CHF 100 million.	**Under construction (stage 1)** Property Bahnhofplatz 1, Bahnhofquai 9/11/15 Planned investment sum: approx. CHF 55 million (thereof CHF 9.6 million spent) Letting level: 17%	2019
	In planning (stage 2) Construction start: 2018 Property Waisenhausstrasse 2/4, Bahnhofquai 7 Planned investment sum: approx. CHF 33 million (thereof CHF 4.5 million 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

"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 m².	**Under construction** Planned investment sum: approx. CHF 80 million (thereof CHF 7.2 million spent) Sale level: n.a.	Beginning of 2020

Project "Rue du Marché"
Geneva, Rue du Marché 40

Project description	State of project	Completion
Total renovation	**Under construction** Planned investment sum: approx. CHF 30 million (thereof CHF 4.8 million spent) Letting level: 70%	2020

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

Project description	State of project	Completion
Replacement construction Usable floor space approx. 23 000 m².	**In planning** Construction start: Beginning of 2018 Planned investment sum: approx. CHF 130 million (thereof CHF 8.7 million spent) Letting level: n.a.	Beginning of 2021

The remaining sites and development properties are currently under review or already completed.

Property sales

Location	Land area m²	Office area m²	Retail area m²
Aigle, Route Industrielle 20, Depot	11 955	0	0
Gwatt (Thun), Eisenbahnstr. 95	14 291	0	0
Rheinfelden, “Salmenpark II”	13 675	n.a.	n.a.

Expiry of lease contracts

	Market adjustment option by PSP Swiss Property	Legal termination option by tenant
Contracts not limited in time, but subject to notice	7%	7%
2018	10%	10%
2019	10%	13%
2020	8%	12%
2021	14%	14%
2022	19%	16%
2023	4%	6%
2024	2%	1%
2025	10%	10%
2026	5%	4%
2027	1%	1%
2028+	9%	7%
Total	**100%**	**100%**

Gastronomy area m²	Other area m²	Total rentable area m²	Parking spaces	Purchase date	Selling date
0	2 212	2 212	0	01.04.2004	11.10.2017
0	8 769	8 769	0	01.10.2008	03.04.2017
n.a.	n.a.	n.a.	n.a.	01.01.2004	18.08.2017

Tenant structure

	31 December 2016	31 December 2017
Swisscom	10%	11%
Google	5%	4%
Roche	2%	2%
Schweizer Post	3%	2%
Bär & Karrer	2%	2%
Next five largest tenants	9%	9%
Other	69%	69%
Total	**100%**	**100%**

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

Five year review

Key financial figures	Unit	2013	2014	2015	2016	2017
Rental income	CHF 1 000	279 143	277 150	275 063	276 316	272 454
EPRA like-for-like change	%	1.7	0.2	0.2	– 1.6	– 1.1
Net changes in fair value of real estate investments	CHF 1 000	128 144	5 789	33 791	– 50 208	83 253
Income from property sales (freehold apartments)	CHF 1 000	13 048	6 813	3 259	14 224	20 243
Income from property sales (investment properties)	CHF 1 000	0	2 026	1 374	1 354	627
Total other income	CHF 1 000	6 088	6 987	4 588	6 291	5 043
Total operating income	**CHF 1 000**	**426 423**	**298 765**	**318 075**	**247 976**	**381 621**
Total operating expenses	**CHF 1 000**	**– 56 571**	**– 53 730**	**– 52 776**	**– 56 970**	**– 55 892**
Operating profit (ebit)	**CHF 1 000**	**369 852**	**245 035**	**265 298**	**191 006**	**325 729**
Financial results	CHF 1 000	– 30 878	– 30 662	– 29 035	– 26 430	– 24 370
Profit before income taxes	**CHF 1 000**	**338 974**	**214 373**	**236 263**	**164 577**	**301 360**
Income taxes	CHF 1 000	– 67 980	– 39 027	– 48 537	– 29 710	– 43 957
Net income	**CHF 1 000**	**270 993**	**175 346**	**187 726**	**134 867**	**257 403**
Net income excluding gains/losses on real estate investments[1]	**CHF 1 000**	**173 643**	**169 345**	**161 287**	**172 548**	**178 251**
Ebitda excluding gains/losses on real estate investments	**CHF 1 000**	**242 480**	**238 242**	**232 690**	**241 572**	**242 817**
Ebitda margin	%	81.3	81.8	82.0	81.3	81.5
Interest coverage ratio[2]	Factor	7.9	7.8	8.0	9.1	10.0
Cash flow from operating activities	**CHF 1 000**	**194 108**	**226 004**	**183 369**	**205 380**	**173 499**
Cash flow from investing activities	CHF 1 000	– 73 179	– 171 360	– 76 967	– 341 315	– 249 628
Cash flow from financing activities	CHF 1 000	– 117 118	59 803	– 109 304	127 705	88 434
Total assets	**CHF 1 000**	**6 541 812**	**6 684 665**	**6 791 923**	**7 041 368**	**7 384 243**
Non-current assets	CHF 1 000	6 351 502	6 545 624	6 665 374	6 950 038	7 138 560
Current assets	CHF 1 000	190 309	139 041	126 548	91 329	245 683
Shareholders' equity	**CHF 1 000**	**3 839 230**	**3 840 795**	**3 870 473**	**3 866 754**	**3 988 560**
Equity ratio	%	58.7	57.5	57.0	54.9	54.0
Return on equity	%	7.2	4.6	4.9	3.5	6.6
Liabilities	**CHF 1 000**	**2 702 582**	**2 843 869**	**2 921 450**	**3 174 613**	**3 395 683**
Non-current liabilities	CHF 1 000	2 348 628	2 740 801	2 564 380	3 088 106	3 337 953
Current liabilities	CHF 1 000	353 954	103 068	357 070	86 508	57 730
Interest-bearing debt	CHF 1 000	1 838 784	1 928 669	1 969 035	2 248 436	2 491 087
Interest-bearing debt in % of total assets	%	28.1	28.9	29.0	31.9	33.7
Interest-bearing debt with fixed interest rates (maturity > 1 year)	CHF 1 000	77.2	83.9	79.7	96.4	96.0
Average interest rate (period)	%	1.95	1.76	1.70	1.42	1.16
Average remaining term to maturity interest-bearing debt	Year	3.4	3.9	3.4	4.3	3.6

Portfolio key figures	Unit	2013	2014	2015	2016	2017
Number of properties	Number	161	161	163	161	157
Carrying value properties	**CHF 1 000**	**6 033 930**	**6 161 136**	**6 223 006**	**6 297 968**	**6 383 901**
Implied yield, gross[3]	%	4.6	4.5	4.4	4.3	4.2
Implied yield, net[3]	%	3.9	3.9	3.9	3.6	3.5
Vacancy rate (CHF)[3]	%	8.0	10.0	8.5	9.3	8.2
Number of sites and development properties	Number	10	10	8	10	12
Carrying value sites and development properties	**CHF 1 000**	**431 647**	**446 908**	**501 371**	**595 885**	**661 892**

Employees						
End of period	People	86	83	87	90	86
Full-time equivalents	FTE	79	78	81	84	81

Per share figures						
Earnings per share (EPS)[4]	CHF	5.91	3.82	4.09	2.94	5.61
EPS excluding gains/losses on real estate investments[4]	**CHF**	**3.79**	**3.69**	**3.52**	**3.76**	**3.89**
Distribution per share	**CHF**	**3.25**	**3.25**	**3.30**	**3.35**	**3.40[5]**
Payout-Ratio[6]	%	85.8	88.1	93.8	89.1	87.5
Cash yield[7]	%	4.3	3.8	3.8	3.8	3.7
Net asset value per share (NAV)[8]	**CHF**	**83.70**	**83.74**	**84.38**	**84.30**	**86.96**
Premium/(discount) to NAV[9]	%	– 9.8	2.5	4.3	4.4	6.2
NAV per share before deduction of deferred taxes[8]	**CHF**	**99.25**	**99.57**	**100.83**	**100.95**	**104.22**
Premium/(discount) to NAV before deduction of deferred taxes[9]	CHF	– 23.9	– 13.8	– 12.7	– 12.8	– 11.4
Share price high	CHF	91.25	86.50	99.75	99.10	94.50
Share price low	CHF	74.15	74.25	78.25	78.95	85.75
Share price end of period	**CHF**	**75.50**	**85.80**	**88.00**	**88.00**	**92.35**
Outstanding shares	Stück	45 867 891	45 867 891	45 867 891	45 867 891	45 867 891
Average outstanding shares	Stück	45 867 891	45 867 891	45 867 891	45 867 891	45 867 891

1 See definition “Net income excluding gains/losses on real estate investments” on page 36, footnote 1.
2 Ebitda excluding gains/losses on real estate investments in relation to financial results.
3 For investment properties.
4 Based on average number of outstanding shares.
5 Proposal to the Annual General Meeting on 5 April 2018 for the business year 2017: Dividend payment.
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 the 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.

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Agenda

Annual General Meeting 2018
5 April 2018, Lake Side, Zurich

Publication Q1 2018
8 May 2018

Publication H1 2018
17 August 2018

Publication Q1 – Q3 2018
13 November 2018

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Chief Executive Officer

Adrian Murer
Chief Investment Officer

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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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