

Press release

8 November 2022

Quarterly results as per 30 September 2022

PSP Swiss Property reports very positive quarterly results and a solid outlook. Improved vacancy rate guidance. Green bond framework for all bonds.

PSP Swiss Property has achieved a very good operational result. With its high-quality portfolio and its strong capital structure, PSP Swiss Property considers itself well positioned.

Real estate portfolio

At the end of September 2022, the value of the portfolio was CHF 9.383 billion (end of 2021: CHF 9.127 billion), the vacancy rate was 3.1% (end of 2021: 3.8%).

Through selective transactions, we further optimised our portfolio, in particular in Zurich and Geneva already in Q1 2022 and thus improved the quality of earnings. No investment properties or development projects were acquired or sold in Q2 and Q3 2022.

With effect as of 17 February 2022, we entered an asset swap with Swiss Life AG and the Anlagestiftung Swiss Life. We acquired two commercial properties in Zurich, at Lintheschergasse 10 and Mühlebachstrasse 2 / Falkenstrasse 30, for a total of CHF 67.6 million. In return, we sold three properties (Rue du Pont 22 in Lausanne, Lintheschergasse 23 and Löwenstrasse 16 in Zurich) for a total of CHF 59.4 million. Furthermore, at the end of February 2022, with retroactive effect as of 1 January 2022, we acquired the prime office property located at Place de la Synagogue 3-5/Rue Jean-Petitot 4-6 in Geneva for CHF 64.0 million. As of 30 March 2022, we sold the peripherally located development project “Grand-Pré” in Geneva for CHF 60.5 million. In

addition, we sold further condominium units of the residential development “Residenza Parco Lago” in Paradiso (Lugano) during the reporting period.

At the end of September 2022, the vacancy rate stood at 3.1% (end of 2021: 3.8%). 0.5 percentage points of the vacancy is due to ongoing renovations. Of the lease contracts maturing in 2022 (CHF 54.8 million), 94% were renewed by the end of September 2022. The wault (weighted average unexpired lease term) of the total portfolio was 4.4 years. The wault of the ten largest tenants, contributing around 30% of the rental income, was 4.3 years.

Real estate market

The office letting market has improved in recent quarters and has remained intact recently. Demand for attractive office space is good in our target markets, i.e., central locations in the most important Swiss economic cities. The letting market for older office properties in B and C locations as well as non-food retail space remains challenging.

The transaction market for properties in good inner-city locations has hardly changed compared to H1 2022 regarding prices and initial yields. Compared to Q2 2022, more offers came onto the market, although the number of executed transactions was at a low level. Assets with high cash flow visibility continue to be favoured. For investments in peripheral locations or for properties that are not up to date in terms of quality, on the other hand, expected yields have already risen slightly in Q2 2022 due to the uncertain economic development and the higher interest rates environment.

Sustainability – Green Bonds

PSP Swiss Property has been addressing the issue of sustainability for several years. As a further milestone, PSP Swiss Property reclassifies all its outstanding bonds in the amount of CHF 1.8 billion as Green Bonds. Future bonds will also be issued as Green Bonds. Further information on this reclassification can be found in the so-called “PSP Green Bond Framework” (available at www.psp.info). Under the green bond framework, green bonds are assigned a green asset portfolio. The qualification of properties for the green asset portfolio is based on two criteria: one is the effective CO₂ emissions per square meter and the other is a property specific ESG rating. The rating focuses on CO₂ emissions along our existing reduction path, thus creating a coherent and dynamic system. The ESG rating is determined by the independent company Wüest Partner. Both criteria must be met for a property to qualify as a green building. ISS and Moody's gave a Second Party Opinion on the Green Bond Framework. The initial green asset portfolio consists of 68 properties in the amount of approximately CHF 3 billion (investment costs). This portfolio will successively be expanded.

This reclassification of the bonds will additionally support the access to the capital market. This will also make it possible to better serve the steadily growing segment of green bond investors. Furthermore, this type of capital raising is expected to have a positive impact on the cost of capital and thus on the enterprise value in the future.

With the future impact report (scheduled for publication on 5 May 2023 as part of the Q1-2023 release), we will also significantly increase transparency of sustainability topics at asset and portfolio level. Furthermore, PSP Swiss Property will maintain its comprehensive sustainability report, which is an integral part of the annual report.

PSP Swiss Property is the first company listed on the Swiss Stock Exchange to position itself on the capital market through this green bond approach.

Quarterly results Q1-Q3 2022 (9 months)

In the reporting period, we achieved a net income excluding gains/losses on real estate investments of CHF 181.3 million. This represents an increase of CHF 14.5 million or 8.7% compared to Q1-Q3 2021 (CHF 166.8 million). The increase was mainly due to higher rental income (+ CHF 5.3 million), higher income from the sale of project developments and condominiums (+ CHF 6.7 million), more capitalised own services (+ CHF 1.3 million) and increased other income (+ CHF 1.4 million). Regarding rental income, it must be considered that in the reporting period practically no more corona-related rent reliefs have accrued, i.e., only CHF 0.02 million (Q1-Q3 2021: CHF 3.6 million). On the cost side, operating expenses decreased by CHF 0.2 million to CHF 43.0 million (Q1-Q3 2021: CHF 43.2 million). Financing expenses were up by CHF 0.2 million to CHF 8.6 million (Q1-Q3 2021: CHF 8.3 million). Earnings per share excluding gains/losses on real estate investments, which is the basis for the dividend distribution, amounted to CHF 3.95 (Q1-Q3 2021: CHF 3.64).

Net income reached CHF 284.0 million (Q1-Q3 2021: CHF 431.0 million). The decrease in net income by CHF 147.0 million or 34.1% compared to the previous year's figure is explained by the portfolio appreciation of CHF 131.9 million, which was lower compared to the previous year's period (Q1-Q3 2021: CHF 331.9 million). Earnings per share amounted to CHF 6.19 (Q1-Q3 2021: CHF 9.40).

At the end of September 2022, net asset value (NAV) per share was CHF 112.34 (end of 2021: CHF 109.42). NAV before deducting deferred taxes amounted to CHF 135.51 (end of 2021: CHF 131.84).

Strong capital structure

With total equity of CHF 5.153 billion at the end of September 2022 – corresponding to an equity ratio of 54.5% (end of 2021: CHF 5.019 billion or 54.7%) – the equity base remains strong. Interest-bearing debt amounted to CHF 3.122 billion or 33.0% of total assets (end of 2021: CHF 3.013 billion or 32.8%). At the end of September 2022, the average cost of debt was low at 0.42% (end of 2021: 0.40%). The average fixed-interest period was 4.3 years (end of 2021: 5.1 years). The well-structured liability side of our balance sheet limits the exposure to rising interest rates. Currently, unused credit lines amount to CHF 910 million (thereof CHF 580 million committed).

PSP Swiss Property has an Issuer Rating A3 and a Senior Unsecured Rating A3 (outlook stable) from Moody's.

Future Board of Directors amendment

At the Ordinary Annual General Meeting of 5 April 2023, after 14 years of successful service on the Board of Directors, Mr. Aviram Wertheim will not stand for re-election. The Board of Directors thanks the outgoing Mr. Wertheim already today for his many years of valuable service and commitment to the Company. Specific information on the proposals to the Annual General Meeting of 5 April 2023 for Board elections will be provided in due course.

Outlook 2022

We expect demand for modern office space and attractive retail space at prime locations will persist. The market for low-quality offers in peripheral locations is likely to remain tight.

Our focus remains unchanged: we modernise selected properties, develop our projects and concentrate on our letting activities. We will only consider acquisitions if they allow for added value in the long term and continue to selectively dispose non-strategic assets. In financing, we will continue to pursue our proven conservative approach.

For the 2022 business year, we still expect an ebitda excluding gains/losses on real estate investments of CHF 290 million (2021: CHF 278.8 million). Regarding the vacancies, we now expect a rate of below 3.5% at year-end 2022 (previously: below 4%; end of September 2022: 3.1%).

Key figures

Key financial figures	Unit	2021	Q1-3 2021	Q1-3 2022	+/- ¹
Rental income	CHF 1 000	309 638	231 507	236 822	2.3%
EPRA like-for-like change	%	-0.2	-0.8	2.3 ²	
Net changes fair value real estate investments	CHF 1 000	464 920	331 871	131 894	
Income property sales (inventories)	CHF 1 000	20 059	16 998	23 666	
Income property sales (investment properties)	CHF 1 000	9 462	0	-447	
Total other income	CHF 1 000	4 971	4 369	7 055	
Net income	CHF 1 000	595 022	430 995	283 969	-34.1%
Net income excl. real estate gains³	CHF 1 000	221 124	166 840	181 293	8.7%
Ebitda excl. real estate gains	CHF 1 000	278 756	210 731	226 694	7.6%
Ebitda margin	%	83.0	83.3	84.4	
Total assets	CHF 1 000	9 182 479		9 458 205	3.0%
Shareholders' equity	CHF 1 000	5 019 087		5 152 921	2.7%
Equity ratio	%	54.7		54.5	
Return on equity	%	12.4		7.4	
Interest-bearing debt	CHF 1 000	3 012 749		3 122 477	3.6%
Interest-bearing debt in % of total assets	%	32.8		33.0	
Portfolio key figures					
Number of investment properties	Number	158		162	
Carrying value investment properties	CHF 1 000	8 509 792		8 867 631	4.2%
Implied yield, gross	%	3.6		3.6	
Implied yield, net	%	3.1		3.1	
Vacancy rate end of period (CHF)	%	3.8		3.1	
Number of sites/development properties	Number	18		13	
Carrying value sites/development properties	CHF 1 000	617 180		515 558	-16.5%
Headcount					
Employees/FTE	People	98/90		101/93	
Per share figures					
Earnings per share (EPS) ⁴	CHF	12.97	9.40	6.19	-34.1%
EPS excl. real estate gains⁴	CHF	4.82	3.64	3.95	8.7%
EPRA EPS⁴	CHF	4.48	3.37	3.50	4.0%
Distribution per share	CHF	3.75⁵	n.a.	n.a.	
Net asset value per share (NAV)⁶	CHF	109.42		112.34	2.7%
NAV per share before deferred taxes⁶	CHF	131.84		135.51	2.8%
EPRA NRV⁶	CHF	135.40		138.39	2.2%
Share price end of period	CHF	113.70		99.00	-12.9%

1 Change to Q1-Q3 2021 or carrying value as of 31 December 2021 as applicable.

2 EPRA like-for-like growth excluding effect from Covid-19 rent reliefs is +0.5% (2021: -0.5%; Q1-Q3 2021: +1.1%).

3 "Net income excluding gains/losses on real estate investments" corresponds to the net income excluding net changes in fair value of the real estate investments, net 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 "net income excluding gains/losses on real estate investments".

4 Based on average number of outstanding shares.

5 For the business year 2021. Cash payment was made on 6 April 2022.

6 Based on number of outstanding shares.

Further information

Giacomo Balzarini, CEO · Phone +41 (0)44 625 59 59 · Mobile +41 (0)79 207 32 40

Vasco Cecchini, CCO & Head IR · Phone +41 (0)44 625 57 23 · Mobile +41 (0)79 650 84 32

Report and presentation are available on www.psp.info

www.psp.info/reports

www.psp.info/presentations

Today, 8:00am (CET): conference call, Q1-3 2022 Result, Q & A only (EN)

Pre-registering (required) [here](#).

Today, 9:50am (CET): Webcast, Sustainability Capital Markets Day (DE & EN)

Pre-registering (required) [here](#).

Agenda

Publication FY 2022 · 21 February 2023

Annual General Meeting 2023 · 5 April 2023

Publication Q1 2023 · 5 May 2023

Publication H1 2023 · 18 August 2023

Publication Q1-Q3 2023 · 7 November 2023

PSP Swiss Property – leading Swiss real estate company

PSP Swiss Property owns a real estate portfolio of CHF 9.4 billion in Switzerland's main economic areas; its market capitalisation amounts to CHF 4.9 billion. The 101 employees are based in Basel, Geneva, Zug and Zurich.

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



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