Press release

27 February 2018

Annual results as per 31 December 2017

Strong operating earnings. Proposal for an increased dividend of CHF 3.40 per share.

Net income (excluding changes in fair value) amounted to CHF 178.3 million. This 3.3% increase compared to the previous year (2016: CHF 172.5 million) resulted mainly through the sale of the residential project “Salmenpark II” in Rheinfelden.

Real estate portfolio

At year-end 2017, the carrying value of the total portfolio was CHF 7.046 billion (end of 2016: CHF 6.894 billion). On 1 February 2018 (transfer of ownership), a fully let prime property portfolio was added totalling CHF 190 million (this acquisition was already published on 8 December 2017). All nine 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. 2017, a smaller property located in Gwatt (Thun), a depot located in Aigle and the “Salmenpark II” residential project in Rheinfelden were sold.

The vacancy rate was reduced to 8.2% as per year-end 2017 (end of 2016: 9.3%). 1.1 percentage points of these 8.2% were due to ongoing renovations.

The development projects progressed as planned. Worth mentioning is the letting at the renovation project Bahnhofplatz/Bahnhofquai in Zurich a few days ago. Ruby Hotels & Resort, a German hotel group, becomes tenant at the property located at Liegenschaft Waisenhausstrasse 2/4, Bahnhofquai 7. The opening of Ruby’s first hotel in Zurich with around 210 rooms is scheduled for 2021. Ruby’s concept called “Lean Luxury” perfectly fits this prime location with excellent public transport connections. The remaining space (former restaurant Movie) will be prepared again for a restaurant use. The property is undergoing a comprehensive renovation until 2021.

The letting level at the „Grosspeter Tower", which is in the final construction phase, is now 75%. Also 75% is let at the „Hardturmstrasse / Förrlibuckstrasse" project in Zurich West. And at the „Rue du Marché" project in Geneva, where the internationally operating hotel group citizenM signed a lease agreement in September 2017, 70% is let. Construction of the "Residenza Parco Lago" project in Paradiso (Lugano) started in March 2017. Completion is scheduled for the beginning of 2020. The investment total is approximately CHF 80 million. All units (predominantly condominiums) will be sold.

Annual results 2017

Net income (excluding changes in fair value) reached CHF 178.3 million (2016: CHF 172.5 million). The increase of 3.3% 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. 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 changes in fair value) 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). 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. 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 changes in fair value.

Earnings per share (excluding changes in fair value) amounted to CHF 3.89 (2016: CHF 3.76). Earnings per share (including changes in fair value) amounted to CHF 5.61 (2016: CHF 2.94).

Strong capital structure

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 remains strong.

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 interest fixing period, a bond and the private placement were increased by overall CHF 225 million during 2017. In this context, fixed-term deposits were increased by CHF 175 million to CHF 275 million. Excluding these CHF 275 million, to the leverage ratio is 31.2%.

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). Currently, unused committed credit lines amount to CHF 680 million.

PSP Swiss Property has ratings from two international rating agencies: Senior Unsecured Rating A- (outlook stable) from Fitch and A3 Issuer Rating (outlook stable) from Moody's. These ratings are important when issuing bonds. 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.

Material proposals to the Annual General Meeting on 5 April 2018

For the business year 2017, the Board of Directors proposes an increase in the ordinary dividend payment to CHF 3.40 per share (previous year: CHF 3.35). In relation to net income (excluding changes in fair value), 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% resp. 3.8% at the current share price.

All members of the Board of Directors and the Compensation Committee as well as Mr. Luciano Gabriel as Chairman of the Board of Directors stand for re-election. The Audit Committee and the Compensation Committee shall consist of the same four members: Peter Forstmoser, Adrian Dudle, Nathan Hetz and Josef Stadler; Peter Forstmoser is foreseen as Chairman of both committees. For the assessment of future appointments, a Nomination Committee has newly been formed, which consists of Josef Stadler (Chairman), Corinne Denzler and Adrian Dudle.

Furthermore, the Board of Directors proposes the re-election of Ernst & Young AG, Zurich, as statutory auditors for the business year 2018.

Market environment and outlook 2018

The acquisition market for prime commercial properties remains highly competitive. This is due to the continuing investment plight of institutional investors. The letting market remains challenging. Compared to the previous years, however, a moderate recovery may be expected. In this ongoing competitive market, location and quality of the properties remain the keys to success.

The focus of PSP Swiss Property remains on the renovation and modernisation of selected properties, the further development of our sites and projects as well as the letting activities.

For FY 2018, an ebitda (excluding changes in fair value) of above CHF 235 million is expected (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 at year-end 2018, a rate of 8.5% is expected (end of 2017: 8.2%). The slight increase is mainly due to the upcoming reclassification of the new construction “Grosspeter Tower” in Basel.

Key figures

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 fair value real estate investments	CHF 1 000	-50 208	83 253	
Income property sales (condominiums)	CHF 1 000	14 224	20 243	
Income 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 excl. gains/losses on real estate investments[3]	CHF 1 000	**172 548**	**178 251**	3.3%
Ebitda excl. 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 investment properties	Number	161	157	
Carrying value investment properties	CHF 1 000	**6 297 968**	**6 383 901**	1.4%
Implied yield, gross	%	4.3	4.2	
Implied yield, net	%	3.6	3.5	
Vacancy rate end of period (CHF)	%	9.3	8.2	
Number of sites/development properties	Number	10	12	
Carrying value sites/development properties	CHF 1 000	**595 885**	**661 892**	11.1%
Employees				
End of period/Equal FTE	People	90/84	86/81	
Per share figures				
Earnings per share (EPS)[5]	CHF	2.94	5.61	90.9%
EPS excl. gains/losses on real estate investments[5]	CHF	**3.76**	**3.89**	3.3%
Distribution per share	CHF	**3.35**	**3.40[6]**	1.5%
Net asset value per share (NAV)[7]	CHF	**84.30**	**86.96**	3.2%
NAV per share before deferred taxes[7]	CHF	**100.95**	**104.22**	3.2%
Share price end of period	CHF	88.00	92.35	4.9%

1 Change to FY 2016 or carrying value as of 31 December 2016 as applicable.
2 +0.4%, excl. property Av. des Morgines 8/10 in Petit-Lancy.
3 "Net income excluding gains/losses on real estate investments" corresponds to the consolidated 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 "net income excluding gains/losses on real estate investments".
4 LTV, excl. bond and private placement totalling CHF 275 million (invested as fixed-term deposits): 31.2%.
5 Based on average number of outstanding shares.
6 Proposal to the AGM on 5 April 2018 for the business year 2017: Dividend payment from retained earnings.
7 Based on number of outstanding shares.

Further information

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Report and presentation are available on www.psp.info

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Today, 3 p.m. (CET): conference call held in English

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Other international numbers · https://media.choruscall.ch/documents/Attended_DI_numbers.pdf

Agenda

Annual General Meeting 2018 · 5 April 2018

Publication Q1 2018 · 8 May 2018

Publication H1 2018 · 17 August 2018

Publication Q1-Q3 2018 · 13 November 2018

Annual General Meeting of 5 April 2018

The Annual General Meeting takes place on 5 April 2018, at 3 p.m. at Lake Side, Bellerivestrasse 170, 8008 Zurich (doors opening at 2 p.m.).

The invitation with the agenda items and the proposals of the Board of Directors - including the reply form for ordering an admittance ticket respectively granting power of attorney to the independent shareholder representative - will be sent by post to the shareholders entitled to vote presumably on 14 March 2018. The invitation will also be published in the Swiss Official Gazette of Commerce as well as on www.psp.info and - in a short version - in various Swiss newspapers. Voting instructions to the independent shareholder representative may be given by reply form or by using our internet-based electronic proxy voting system on https://netvote.ch/pspswissproperty. The marked and signed reply form must be transmitted until 3 April 2018 at the latest to the share register of the company (areg.ch ag, Fabrikstrasse 10, CH-4614 Hägendorf) respectively the independent shareholder representative (Proxy Voting Services GmbH, CH-8024 Zürich). Electronic power of attorney and voting instructions to the independent shareholder representative as well as possible amendments to the voting instructions must be transmitted until 3 April 2018, 23.59 (CET), at the latest.

The share register will be administrated until 29 March 2018. Shareholders entered in the share register as shareholders with voting rights on 29 March 2018 (record date) shall be entitled to participate in and vote at the General Meeting. The share register will be closed from 30 March until 5 April 2018 inclusive.

In so far the General Meeting approves the proposed dividend payment, the payment date is presumably on 11 April 2018, ex-date on 9 April 2018.

Legally binding is exclusively the information contained in the invitation and the reply form, which expressly remain reserved.

PSP Swiss Property – leading Swiss real estate company

PSP Swiss Property owns a real estate portfolio of CHF 7.0 billion in Switzerland’s main economic areas; its market capitalisation amounts to CHF 4.1 billion. The 86 employees are based in Geneva, Olten, Zug and Zurich.

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