Thomas Wapp, CFO

CFO Letter

Rental income of CHF 73 million, 20% down on the previous year due to sales, the impact of the Euro and the temporary loss of rental income due the renovation work. Decrease of administrative expense by CHF 1 million (10%) to CHF 10 million. Investment properties CHF 1.2 billion with an attractive market in Switzerland, the Group's home market. Vacancy rate of 11.4%. Negative change in market value of 0.2% or CHF 3 million, positive change in market value in Switzerland, negative change in market value in France, Germany and the Netherlands. Successful extension of expired mortgages, LTV (loan-to-value ratio) reduced by 4.6 percentage points to 64.2%. NAV per share CHF 5.81 calculated in accordance with EPRA standards. Operating cash flow of CHF 0.25 per share. Negative currency impact of 9% in the income statement and 7% in the balance sheet.

Income statement

Rental income

Rental income fell by CHF 18 million compared with the previous year to CHF 73 million. This decrease was caused by the sale of investment properties in the last two years, which accounted for CHF 6 million of the decline, a foreign currency effect of CHF 8 million, plus the temporary loss of rental income due to the renovation work in Paris and Berne, which amounts to CHF 6 million. Against this, new rentals and rental contract adjustments boosted rental income by CHF 2 million.

Operating costs

Operating costs totalled CHF 19 million, which represents a decline of CHF 2 million or 8% on the previous year. Property-related costs decreased by CHF 0.5 million or 7%. The increased vacancy costs in France had an adverse impact on operating costs and together with the fall in rental income reduced the NOI margin by 2 percentage points to 87%. Administrative costs amounted to CHF 10 million, a reduction of CHF 1 million or 10% compared with the previous financial year. This was largely achieved through savings in personnel expenses.

Result from the sale of investment properties

Seven investment properties were sold during the last financial year, three in Germany and four in the Netherlands. These disposals gave rise to a loss of CHF 3 million. This resulted primarily from the sale of a logistics building in the Netherlands. A further two investment properties were sold after the year-end. A logistics building in Frechen, Germany was sold in April at the year-end market value and in May an office property was sold in Geneva at above the market value of 31 March 2012. The sale of the property in Geneva reflected the very positive performance of the property due to substantial refurbishment and the current robust market environment.

Valuation

The overall portfolio value declined by CHF 3 million or 0.2%. Although the overall portfolio value declined, the market valuation of the Swiss portfolio rose by 4.5%. This primarily reflected a reduction in discount rates, which was based on actual transactions and the changed risk profile of the properties after the completion of renovations. Valuations in France and Germany edged down slightly by 0.2% and 1.1% respectively. Valuations in the Netherlands, on the other hand, fell sharply by 10%. This large downward correction reflects the structural vacancy problems in the Dutch real estate sector and the resulting downward pressure on market rents.

Financing costs

Financing costs amounted to CHF 37 million, compared with CHF 46 million in the previous year. The difference resulted from the disposals that have been carried out combined with the impact of the movement in the exchange rate. The Group's average interest rate was stable at 4.5%. As the variable interest rates are hedged with interest rate swaps, financing costs are not expected to change materially in future.

Income taxes

Züblin reported a tax expense of CHF 5 million for financial year 2011/2012. The tax expenses primarily derive from the operating segments in Switzerland and Germany and are generated by the valuation differences on investment properties and derivative financial instruments with their impact on income taxes. This tax expense is non-cash-effective.

Cash flow-related operating earnings/earnings

Cash flow-related operating earnings per share were CHF 0.25 compared with CHF 0.28 in the previous financial year. EBITDA excluding the result from the sale of investment properties totalled CHF 54 million or 73% of rental income, which represents a drop of 4 percentage points compared with 2010/2011. These declines are a direct result of the reduction in rental income. Overall, the Group generated earnings of CHF 5 million, down CHF 2 million compared with the previous year. Earnings attributable to shareholders, however, rose by CHF 4 million and were CHF 3 million in financial year 2011/2012, compared with a loss of CHF 1 million in the previous year.

Balance sheet

Investment properties

The value of Züblin's portfolio was CHF 1 206 million at the end of March 2012, a decline of CHF 76 million from CHF 1 282 million as of 31 March 2011. This decline resulted from a number of different factors. On the one hand, the portfolio value was increased by investments of CHF 35 million. On the other hand, the Company sold properties in Germany and the Netherlands for CHF 39 million. The portfolio value was also reduced by negative changes in market value of CHF 3 million, and by a further CHF 69 million due to exchange rate effects. The vacancy rate was unchanged from a year ago at 11.4%.

Financing/Covenants

The Company currently has outstanding mortgages of CHF 774 million, which represents a consolidated LTV of 64.2%. As a result of the high level of mortgage repayments associated with the property sales and additional repayments on mortgage rollovers the LTV was cut by 4.6 percentage points over the past year. CHF 166 million of mortgages in Switzerland and the Netherlands mature in the next twelve months. The average term is 2.6 years.

Net asset value (NAV)

As of 31 March 2012 the net asset value per share was CHF 4.78 compared with CHF 5.27 a year ago. The main factors behind the negative change were the depreciation of the euro and the negative valuation of derivative financial instruments. The fall in the euro reduced the NAV by CHF 0.25 and the valuation of financial instruments by CHF 0.30. The EPRA NAV was CHF 5.81 compared with CHF 5.94 last year. Changes in the fair value of financial instruments are not included in EPRA NAV. The EPRA Equity ratio was 32%, up 1 percentage point on the previous year.

Dividends

Züblin continues to concentrate on reducing its debt. For this reason, the Board of Directors will propose to the Annual General Meeting on 29 June 2012 that no dividend be paid to shareholders for the 2011/2012 financial year.