



Pierre N. Rossier, Chairman of the Board of Directors, and Bruno Schefer, Chief Executive Officer

## Letter to our Shareholders

Dear  
Shareholders

Ladies and Gentlemen

Züblin Immobilien Holding AG recorded a loss of CHF 15 million in the first semester of 2013/2014 (2012/2013: loss of CHF 22 million). In order to finance upcoming commitments, the Board of Directors has decided to dispose of strategic properties. In addition Züblin's organization is being brought into line with the reduced scale of the portfolio, which is expected to generate recurring savings of CHF 3 million.

As was the case last year, the performance of the Züblin Group in the current financial year is again being dominated by the renovations in Paris and Berne and the divestment of strategic and non-strategic properties. As a result rental income fell by 20% to CHF 23 million in the first six months of 2013/2014. Cash flow-related operating earnings recorded a loss of CHF 1.2 million, which was in line with expectations. Properties under renovation accounted for a negative impact of CHF 6.7 million, while rented properties made a positive operating contribution of CHF 5.5 million.

**Eight sales completed**

Eight properties were sold for a total of CHF 242 million during the reporting period. In Switzerland Züblin benefitted from the strong market conditions, and the newly renovated property in Zollikofen was sold along with two properties in Zurich for a profit of CHF 7.3 million. In France the property in Lyon was also sold for a profit of CHF 3.5 million, which represents a gain of 5.2% compared with the most recent valuation on 31 March 2013.

The four other sales related to non-strategic properties in the Netherlands and Germany. Apart from one property in Germany the selling prices of these properties were in line with the market values as reported in the financial statements for the year ending 31 March 2013.

The sale of investment properties generated an overall profit of CHF 10 million, although an additional tax charge of CHF 2.5 million was incurred on the Swiss properties.

**CHF 38 million invested in strategic portfolio**

During the first half of the year the Züblin Group invested CHF 38 million in its strategic properties, the majority of this in the renovation projects in Paris and Berne. The renovation work is proceeding according to plan. "Imagine" in Paris is completed, Berne will be ready for occupation towards the end of the year, while "Newtime" and "Chaganne" in Paris are due to be completed at the end of this financial year.

**Market valuations adversely affected by bankruptcy of Praktiker DIY chain**

There was an overall downward revaluation of CHF 14 million in market values against CHF 24 million last year. While market values rose slightly in Switzerland and France, a substantial downward correction of CHF 9 million had to be taken in the value of two German properties after the bankruptcy of the Praktiker DIY chain. Securing new tenants in both locations will be challenging.

The overall value of Züblin's portfolio was CHF 849 million on the reporting date (CHF 1 065 million as of 31 March 2013). The non-strategic portfolio with a total value of CHF 104 million therefore now only accounts for 12% of the portfolio, compared with 14% on 31 March 2013.

**Interest rate hedging transactions derecognized through the income statement**

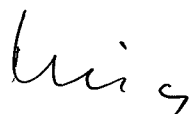
As a result of these sales further adjustments had to be made to our interest rate swap portfolio. The valuation differences of CHF 4 million, which were previously recognized in equity, were derecognized through the income statement. This has no impact on cash flow or the company's equity as the interest rate hedging transactions will be held to maturity and the negative value was already recognized in equity.

**Impact on key financial ratio**

The factors listed above led to a net loss of CHF 15 million in the first half of 2013/2014. Basic NAV per share was CHF 3.55 as at 30 September 2013 (31 March 2013: CHF 3.59), while the EPRA NAV per share was CHF 4.12 (31 March 2013: CHF 4.57). Based on the share price of CHF 2.09 on 30 September 2013, this represents a discount to intrinsic value of 41% (Basic NAV) and 49% (EPRA NAV). The loan-to-value ratio fell from 65.7% at 31 March 2013 to 63.7%, while the vacancy rate excluding renovation projects went up from 10.5% to 17.1%. This increase was primarily due to the completion of the renovation work at the "Imagine" site in Paris, which is so far only 22% let.

**Outlook**

The current economic uncertainty will continue. Alongside the sales of non-strategic properties, Züblin's focus is on letting the properties in Paris and Berne.



Pierre N. Rossier  
Chairman of the Board of Directors



Bruno Schefer  
Chief Executive Officer