

Other notes

1. Rental income

in CHF thousand	Switzerland	France	Germany	Netherlands	Total
1st half-year 2012/2013					
Rental income in reporting currency	6 829	6 125	10 807	5 373	29 134
Rental income in local currency	6 829	5 093	8 985	4 468	
1st half-year 2013/2014					
Rental income in presentation currency	5 277	5 004	8 785	4 148	23 214
Rental income in local currency	5 277	4 059	7 125	3 364	
Change to previous year in local currency	-1 552	-1 034	-1 860	-1 104	
arising from:					
- Purchases	0	0	0	0	
- Disposals	-1 491	-529	-1 653	-806	
- Vacancy and indexation	-61	-505	-207	-298	

The reduction in rental income by CHF 5.9 million (previous year decrease of CHF 10.5 million) resulted mainly from the sales of investment properties and the temporary loss of rent due to the renovation projects in Berne and Paris.

2. Result from the sale of investment properties

in CHF thousand	1.4.2013 to 30.9.2013 reviewed	1.4.2012 to 30.9.2012 reviewed
Investment properties strategic		
Sales proceeds	227 137	88 073
Market value as of the last valuation	-216 391	-81 474
Result from the sale of investment properties strategic	10 746	6 599
Investment properties non-strategic		
Sales proceeds	25 224	67 808
Market value as of the last valuation	-26 007	-69 396
Result from the sale of investment properties non-strategic	-783	-1 588

In the first half of the financial year 2013/2014 eight investment properties were sold (previous year six sales), of which four were non-strategic (two one each in Germany and in the Netherlands) and four were strategic (three in Switzerland, one in France). For three of the investment properties the selling price was equal to or slightly above market value. Three were sold at a profit of CHF 16.6 million, two at a loss of CHF 6.6 million. Net of all selling costs there was a profit of CHF 10.0 million on the sales.

3. Real estate expense

in CHF thousand	1.4.2013 to 30.9.2013 reviewed	1.4.2012 to 30.9.2012 reviewed
Property taxes	-143	-177
Legal fees	-80	-144
Bad debts	-199	-358
External property management fees	-149	-106
Non recoverable service charges	-2 397	-3 038
Temporary relocation cost	-1 056	0
Other property-related expense	-722	-602
Total real estate expense	-4 746	-4 425

The increase in real estate expenses stems mainly from non-recurring expenses relating to various renovations in France.

4. Administrative expense

in CHF thousand	1.4.2013 to 30.9.2013 reviewed	1.4.2012 to 30.9.2012 reviewed
Salaries and Board of Directors' fees	-2 922	-2 842
Valuation	-90	-119
Audit	-257	-276
Legal and tax advisory	-94	-105
Other taxes	-176	-298
Depreciation	-102	-177
Bookkeeping and IT	-426	-459
Other advisory and investor relations	-239	-405
Other administrative expense	-249	-439
Total administrative expense	-4 555	-5 120

As a result of the reduced portfolio and other savings, the administrative expense declined.

5. Financial expense and income

in CHF thousand	1.4.2013 to 30.9.2013 reviewed	1.4.2012 to 30.9.2012 reviewed
Financial expense		
Mortgage ¹ and swaps interest expense ²	-15 519	-16 803
Interest expense and other financial charges ¹	-151	-892
Interest expense 4% bond Züblin Immobilien Holding AG ¹	-1 397	-1 337
Interest expense mandatory convertible securities Züblin France ¹	-87	-101
Total financial expense	-17 154	-19 133
Swaps disqualified from hedge accounting	-4 140	-3 809
Financial income		
Interest income ³	28	151
Currency translation adjustments	283	713
Total financial income	311	864
Net financial expense	-20 983	-22 078

¹ The respective liabilities belong to the category "Financial liabilities at amortized cost".

² The liabilities from interest swaps belong to the category "Financial liabilities at fair value".

³ The assets to which this income relates belong to the category "Loans and receivables at amortized cost".

Financial expense

Total financial expenses declined by CHF 1.9 million to CHF 17.2 million (previous year CHF 19.1 million). The decrease in mortgage loans as a result of the sale of investment properties had a positive impact.

Swaps disqualified from hedge accounting

In addition the disqualification of four swaps as a result of investment property disposals led to a charge of CHF 4.1 million through the income statement (previous year CHF 3.8 million).

Financial income

The Züblin Group recorded financial income of CHF 0.3 million (previous year CHF 0.9 million). The decline was primarily due to the absence of one-off positive currency effects earned in the same period last year.

6. Investment properties

1st half-year 2013/2014

in CHF thousand	Switzerland	France	Germany strategic	Total strategic	Germany non-strategic	Netherlands non-strategic	Total non-strategic	Total
Balance as of 31.3.2013	321 260	436 557	161 831	919 648	68 486	76 658	145 144	1 064 792
Purchases	0	0	0	0	0	0	0	0
Value-enhancing investments	13 121	23 315	1 438	37 874	74	160	234	38 108
Sales	-149 298	-67 092	0	-216 390	-11 643	-14 365	-26 008	-242 398
Positive change in market value	1 751	2 820	282	4 853	0	0	0	4 853
Negative change in market value	-814	-1 149	-1 578	-3 541	-13 058	-2 626	-15 684	-19 225
Currency translation adjustments	0	1 431	396	1 827	380	332	712	2 539
Balance as of 30.9.2013	186 020	395 882	162 369	744 271	44 239	60 159	104 398	848 669
- of which strategic	186 020	395 882	162 369	744 271	0	0	0	744 271
- of which strategic held for sale	0	0	0	0	0	0	0	0
- of which non-strategic held for sale	0	0	0	0	44 239	60 159	104 398	104 398
Reconciliation of market value to book value								
30.9.2013								
Valuation by external appraiser ¹	186 020	395 882	162 369	744 271	47 508	63 704	111 212	855 483
Valuation adjustment property held for sale ²	0	0	0	0	-3 269	-3 545	-6 814	-6 814
Balance as of 30.9.2013	186 020	395 882	162 369	744 271	44 239	60 159	104 398	848 669

¹ The report of the independent appraisers (Wüest & Partner [CH + GER], BNP Paribas [FR] and Troostwijk [NL] as of 30 September 2013 may be found on pages 62 to 67.

² In certain cases, the Company has made adjustments to the valuations from the external appraisers. These reflect results from ongoing sales negotiations.

The reduction in the value of the investment properties from CHF 1 064.8 million to CHF 848.7 million stems from the following factors:

- The value of the portfolio was increased by investments of CHF 38.1 million (full previous year CHF 92.9 million) which the Company made in the reporting period. Around two-thirds of these investments related to renovations in Paris, with the remainder accounted for by investment properties in Berne and Zollikofen.
- At the same time the Company sold investment properties for CHF 242.4 million (full previous year CHF 162.7 million). The sales took place in Switzerland, France, Germany and the Netherlands. The selling price for each of the investment properties sold in Zurich, Talstrasse 82, Zollikofen and Lyon exceeded 5% of the overall portfolio as at 31 March 2013.
- The net downward revaluation of CHF 14.4 million across the portfolio as a whole (full previous year CHF 81.1 million). While values rose by 0.5% in both Switzerland and France, there were downward revaluations in Germany of 0.8% on the strategic portfolio, 22.7% on the non-strategic portfolio and 4.2% in the Netherlands.
- Movements in the CHF/EUR exchange had a positive impact of CHF 2.5 million on the value of the investment properties (full previous year negative impact of CHF 9.6 million).

The fire insurance value of the investment properties amounts to CHF 579.1 million (previous year CHF 803.1 million).

Financial year 2012/2013

in CHF thousand	Switzerland	France	Germany strategic	Total strategic	Germany non-strategic	Netherlands non-strategic	Total non-strategic	Total
Balance as of 31.3.2012	370360	382730	160291	913381	170541	122221	292762	1206143
Purchases	0	0	0	0	0	0	0	0
Value-enhancing investments	24026	63810	3296	91132	692	1077	1769	92901
Sales	-66346	-15298	0	-81644	-75130	-5966	-81096	-162740
Positive change in market value	6939	9739	535	17213	264	0	264	17477
Negative change in market value	-13719	-9565	-4282	-27566	-29212	-41836	-71048	-98614
Currency translation adjustments	0	5141	1991	7132	1331	1162	2493	9625
Balance as of 31.3.2013	321260	436557	161831	919648	68486	76658	145144	1064792
- of which strategic	321260	371204	161831	854295	0	0	0	854295
- of which strategic held for sale	0	65353	0	65353	0	0	0	65353
- of which non-strategic held for sale	0	0	0	0	68486	76658	145144	145144
Reconciliation of market value to book value								
31.3.2013								
Valuation by external appraiser ¹	321260	436557	161831	919648	71971	81524	153495	1073143
Valuation adjustment property held for sale ²	0	0	0	0	-3485	-4866	-8351	-8351
Balance as of 31.3.2013	321260	436557	161831	919648	68486	76658	145144	1064792

¹ The report of the independent appraisers (Wüest & Partner [CH + GER], BNP Paribas [FR] and Troostwijk [NL]) as of 31 March 2013 may be found in the annual report 2012/2013.

² In certain cases, the Company has made adjustments to the valuations from the external appraisers. These reflect results from ongoing sales negotiations.

7. Share capital

Share capital

	Number of shares	in CHF thousand
Issued shares at a nominal value CHF 1.00 as of 31.3.2012	59 724 486	59 724
No changes in capital structure in financial year 2012/2013	–	–
Issued shares at a nominal value CHF 1.00 as of 31.3.2013	59 724 486	59 724
No changes in capital structure in 1st half-year 2013/2014	–	–
Issued shares at a nominal value CHF 1.00 as of 30.9.2013	59 724 486	59 724

Treasury shares

	Number of shares	in CHF thousand
Balance as of 31.3.2012	749 877	2 632
Purchase of treasury shares	150 000	450
Sale of treasury shares	–270 000	–900
Result from treasury shares		–48
Balance as of 31.3.2013	629 877	2 134
Purchase of treasury shares	50 000	109
Sale of treasury shares	0	0
Result from treasury shares		0
Balance as of 30.9.2013	679 877	2 243

8. Future contractual maturities

in CHF thousand	Carrying value	< 1 year		1 to 3 years		3 to 5 years		> 5 years	
		interest	amortisation	interest	amortisation	interest	amortisation	interest	amortisation
As of 30.9.2013									
Mortgages	540537	11 298	294 302	6 311	139 039	1 822	107 196	0	0
Bond	57 786	2 400	0	2 400	58 280	0	0	0	0
Mandatory convertible security	3 089	868	0	1 736	0	868	0	0	0
Trade accounts payable	4 401	0	4 401	0	0	0	0	0	0
Derivative financial instruments	36 607	16 391	0	13 332	0	3 908	0	1 465	0
Other short-term liabilities	14 830	0	13 338	0	0	0	0	0	1 492
Total as of 30.9.2013	657 250	30 957	312 041	23 779	197 319	6 598	107 196	1 465	1 492
As of 31.3.2013									
Mortgages	699 837	14 172	222 315	13 670	250 585	4 408	226 937	0	0
Bond	59 369	2 400	0	4 800	60 000	0	0	0	0
Mandatory convertible security	3 775	855	0	1 710	0	1 710	0	0	0
Trade accounts payable	14 022	0	14 022	0	0	0	0	0	0
Derivative financial instruments	49 423	17 725	0	19 081	0	5 863	0	2 767	0
Other short-term liabilities	20 119	0	18 082	0	0	0	0	0	2 037
Total as of 31.3.2013	846 545	35 152	254 419	39 261	310 585	11 981	226 937	2 767	2 037

In the next twelve months CHF 312.0 million (previous year CHF 254.4 million) of the liabilities reported above are due to mature. Of this amount, CHF 294.3 million (previous year CHF 222.3 million) relates to mortgages; CHF 93.3 million of these mortgages are held for sale. The remainder consists of normal loan repayments and three maturing mortgages of CHF 199.0 million in France. This is to be rolled over in the normal course of business. Trade accounts payable and the other short-term liabilities are incurred in the course of the Company's operating activities and are covered by the short-term assets.

9. Derivative financial instruments

in CHF thousand		Notional amounts 30.9.2013	Notional amounts 31.3.2013	Fair value 30.9.2013	Fair value 31.3.2013
Cash flow hedges	1 to 12 months	119 463	17 683	-3 532	-323
	1 to 3 years	324 158	420 973	-19 850	-28 354
	3 to 5 years	132 543	154 267	-5 791	-9 792
	More than 5 years	116 675	116 585	-7 434	-10 954
	Total cash flow hedges	692 838	709 508	-36 607	-49 423
	- of which liabilities			-36 607	-49 423

Cash flow hedges in equity

in CHF thousand		1.4.2013 to 30.9.2013	1.4.2012 to 31.3.2013
Reserve cash flow hedges shareholders of Züblin Immobilien Holding AG		-29 686	-40 579
Reserve cash flow hedges non-controlling interests		-10 025	-12 808
Total reserve for cash flow hedges as of 1.4.		-39 711	-53 387
Fair value change		1 172	-12 926
Recognized in income statement as interest expense		9 134	17 549
Swaps disqualified from hedge accounting		4 140	10 726
Change in current and deferred taxes		-1 355	-1 673
Total reserve for cash flow hedges as of 30.9. / 31.3.		-26 620	-39 711
- of which shareholders of Züblin Immobilien Holding AG		-18 615	-29 686
- of which non-controlling interests		-8 005	-10 025

The Züblin Group uses interest rate swaps to reduce the cash flow risks arising from its exposure to movements in interest rates.

As a result of the investment property sales additional swaps with a combined contract value of CHF 59.2 million (previous year CHF 202.8 million) were disqualified from hedge accounting. All the other swaps are designated as effective under the criteria of IAS 39. Changes in the fair value of effective swaps are recognized in the statement of comprehensive income. The change in fair value of the ineffective portion of CHF -0.1 million (previous year CHF 0.0 million) and the disqualified cash flow hedges of CHF -4.1 million (previous year CHF -3.8 million) were recognized in the income statement.

Currency options

in CHF thousand	Notional amounts 30.9.2013	Notional amounts 31.3.2013	Fair value 30.9.2013	Fair value 31.3.2013
1 to 12 months	0	0	0	0
1 to 3 years	14 000	14 000	43	138
3 to 5 years	0	0	0	0
Total foreign currency put-options	14 000	14 000	43	138
- of which assets			43	138

The Züblin Group hedges part of its future cash flows in connection with intercompany loans in a currency other than the functional currency. The corresponding positive fair values are reported in the balance sheet under derivative financial instruments. The gains and losses from revaluation are recognized through profit and loss.

Total Derivative financial instruments

in CHF thousand	Notional amounts 30.9.2013	Notional amounts 31.3.2013	Fair value 30.9.2013	Fair value 31.3.2013
Cash flow hedges	692 838	709 508	-36 607	-49 423
Foreign currency put-options	14 000	14 000	43	138
Total derivative financial instruments	706 838	723 508	-36 564	-49 285
- of which liabilities			-36 607	-49 423
- of which assets			43	138

10. Mortgages

Overview mortgages as of 30.9.2013

In CHF thousand	Switzerland	France	Germany	Netherlands	Total	%
Interest term structure, including swaps						
1 to 12 months	0	68 962	831	42 580	112 373	21%
1 to 3 years	0	58 680	142 239	0	200 919	37%
3 to 5 years	37 196	92 543	0	0	129 739	24%
More than 5 years	70 000	0	27 506	0	97 506	18%
Total	107 196	220 185	170 576	42 580	540 537	100%
Average interest rates	2.89%	3.89%	5.18%	2.54%	3.99%	
Average duration	9.4	2.3	2.0	1.7	3.6	
Contractual maturity dates of mortgages						
1 to 12 months	0	198 180	0	0	198 180	36%
1 to 3 years	0	22 005	170 576	42 580	235 161	44%
3 to 5 years	107 196	0	0	0	107 196	20%
More than 5 years	0	0	0	0	0	0%
Total	107 196	220 185	170 576	42 580	540 537	100%
Average duration	4.0	0.9	1.4	1.7	1.8	
of which:						
– Non-current mortgages strategic	107 196	21 177	117 862	0	246 235	
– Current mortgages strategic	0	199 008	1 961	0	200 969	
– Mortgages non-strategic held for sale	0	0	50 753	42 580	93 333	
Fair value of mortgages						
Fixed rate mortgages	0	0	147 866	0	147 866	27%
Variable rate mortgages	108 156	219 806	28 308	42 691	398 961	73%
Total	108 156	219 806	176 174	42 691	546 827	100%

Züblin Group
Semi-annual Report 13_14

The Half-Year in Review
Letter to Shareholders
Renovation projects
Portfolio
Financial Report

Overview mortgages as of 31.3.2013

In CHF thousand	Switzerland	France	Germany	Netherlands	Total	%
Interest term structure, including swaps						
1 to 12 months	28 920	46 337	0	13 463	88 720	13%
1 to 3 years	40 000	103 643	184 427	48 780	376 850	54%
3 to 5 years	40 000	114 267	0	0	154 267	22%
More than 5 years	80 000	0	0	0	80 000	11%
Total	188 920	264 247	184 427	62 243	699 837	100%
Average interest rates	3.29%	4.12%	5.30%	5.77%	4.35%	
Average duration	7.1	2.4	2.8	0.5	3.6	
Contractual maturity dates of mortgages						
1 to 12 months	0	48 730	0	0	48 730	7%
1 to 3 years	0	193 656	184 427	47 131	425 214	61%
3 to 5 years	188 920	21 861	0	15 112	225 893	32%
More than 5 years	0	0	0	0	0	0%
Total	188 920	264 247	184 427	62 243	699 837	100%
Average duration	4.5	1.5	1.9	2.1	2.5	
of which:						
– Non-current mortgages strategic	188 920	170 345	118 257	0	477 522	
– Current mortgages strategic	0	48 780	1 369	0	50 149	
– Mortgages strategic held for sale	0	45 122	0	0	45 122	
– Mortgages non-strategic held for sale	0	0	64 801	62 243	127 044	
Fair value of mortgages						
Fixed rate mortgages	0	0	160 877	0	160 877	23%
Variable rate mortgages	190 000	258 791	32 182	62 306	543 279	77%
Total	190 000	258 791	193 059	62 306	704 156	100%

In the first half of the financial year 2013/2014, the Company repaid mortgages of CHF 162.1 million. The mortgage portfolio of the Züblin Group includes both variable-rate and fixed-rate loans. As of 30 September 2013, fixed-rate mortgages amounted to CHF 142.4 million (previous year 152.4 million). The figure for mortgages includes closing fees of CHF 2.0 million (previous year CHF 2.9 million).

Some of the mortgages include financial covenants which specify, among other things, adherence to certain financial indicators (total debt/EBITDA, level of interest cover, loan-to-value ratio and equity ratio). The financial covenants vary by country and loan contract, as summarized in the table below:

	Switzerland	France	Germany	Netherlands
30.9.2013				
Debt/EBITDA	–	–	13.75	–
Interest coverage ratio	1.6	1.0	1.4	> 1.5 – 2.0
Loan to value	65%	–	70%	60% – 75%
Equity %	32.5%	–	25%	–

The Company monitors these covenants every quarter and performs sensitivity analyses to changes in earnings, interest rate movements and investment property valuations. The breach of a covenant may have a variety of consequences depending upon the individual contract, but in the first instance typically leads to a higher interest rate and/or an accelerated repayment schedule. The Company then normally has a certain period in which to correct the breach. If the breach has not been corrected at the end of this period, the bank normally demands a faster repayment schedule or a (partial) repayment of the loan. Some contracts contain a change in ownership clause which stipulates certain consequences, such as declaring the loan to be immediately due and repayable if Züblin Immobilien Holding AG's stake in the borrowing subsidiary declines below 50%. The mortgage agreement for the Swiss portfolio contains the same clause in the event that a single shareholder acquires more than 50% of Züblin Immobilien Holding AG.

The table below summarizes the value of investment properties pledged as security for mortgages:

in CHF thousand	30.9.2013	31.3.2013
Book value of assets pledged (investment properties)	848 669	1 064 792
Credit drawn (debt secured)	540 537	699 837

Future rental fee receivables for investment properties, insurance policies for investment properties, and shares in subsidiary companies have been pledged as security over and above the mortgage liens.

11. 4% bond 11/15

in CHF thousand	Nominal value	Price in %	Fair value	Effective interest rate in % ¹
As of 30.9.2013	58 280	105.00%	61 194	4.42%
As of 31.3.2013	60 000	103.50%	62 100	4.42%

¹ The effective interest rate is made up of the coupon of 4% and the amortisation of the transaction costs.

In the first half of the financial year 2013/2014 Züblin reduced the amount outstanding on the bond by CHF 1.7 million to CHF 58.3 million by making advance repurchases on the market.

12. Events after the balance sheet date

In October 2013 the investment property in Arnsberg was sold slightly above the market value as at 30 September 2013.