



Dr Iosif Bakaleynik, Chairman and CEO

Thomas Wapp, CFO and COO

## Letter to our Shareholders

**Dear  
Shareholders**

**Ladies and Gentlemen**

Züblin Immobilien Holding AG (Züblin) made significant steps forward in its turnaround initiated a few months ago. The core business covering commercial real estate in Switzerland and Germany was strengthened while the burdening operations in France have been discontinued. The upcoming recapitalisation of the company, which is expected to be completed in December, should be assessed in light of the operational progress achieved as well as the future potential of Züblin. The transaction will return the equity ratio back to sustainable levels and will make a new phase of sustained growth possible in the key markets in German speaking Europe.

**EBIT of CHF 9.5 million**

Rental income of the streamlined portfolio was CHF 9.3 million in the first half-year 2015/16, a decrease of CHF 2 million compared to the prior year explained by the sale of properties and the impact of the EUR/CHF exchange rate. The vacancy rate declined to 12.8% (previously 13.6%) in Switzerland and to 7.2% (previously 8.4%) in the strategic portfolio in Germany. These operational improvements in our key markets together with the current market environment were further confirmed by positive revaluations in the amount of CHF 4.4 million. As a result, Züblin's EBIT improved to CHF 9.5 million in comparison to an EBIT of CHF –28.2 million a year ago which was triggered by substantial market valuation adjustments on the investment properties. Earnings from continued operations also improved substantially. The net loss in the previous period of CHF 46.8 million was reversed and a net profit of CHF 3 million was reported for the first half-year 2015/16. One-time charges in relation to the withdrawal from the French market affected the consolidated results negatively and led to a consolidated net loss of CHF 23.6 million.

**Exit from French market completed**

The economic withdrawal from the French market was completed in the period under review. As planned, Züblin has found a strategic investor for its French subsidiary Züblin Immobilière France and has written off its remaining interest in the French company. The exit and the associated transaction led to charges of CHF 26.6 million whereof CHF 15.1 million were related to the recycling of the currency differences and cash flow hedges and had no impact on the NAV.

**Forward strategy leads to measureable improvements**

We are confident that the extraordinary and negative developments of the past quarters have bottomed and that Züblin is on the right track to regain its position as an investable real estate company. The Board of Directors continues to focus on the implementation of Züblin's new strategy consisting of three main stages. The first step, the concentration on core competencies, was successfully achieved with the economic withdrawal from the French market and the advanced sale of all non-strategic properties. Currently, the management is working on phase two by stabilising both the core business and the financial position of Züblin. This should allow the company to initiate stage three, and to achieve growth in Züblin's target markets.

**Resilient key markets**

Real estate markets in Switzerland and Germany continue to be stable while offering sound long-term potential. Office real estate in Switzerland is expected to deliver solid cash flows in the months ahead especially if the properties are both in good locations and in good condition. The Züblin property portfolio does meet these requirements and the improvements achieved in the reporting period are supporting this trend. In Germany, commercial real estate remains attractive as the economy performs well leading to solid demand in all key economic areas of the country.

**Extraordinary General Meeting approves capital measures**

The shareholders meeting in June 2015 approved capital increase in the amount of CHF 71.7 million. Due to high market volatility in late August and early September, the Board of Directors decided to postpone the transaction. However, an ordinary capital increase needs to be executed within 3 months after approval under Swiss law. Therefore, the Board of Directors called an extraordinary shareholders meeting to re-approve the capital measures. Züblin shareholders met on 29 October 2015 and approved a reduction of the company's share capital by reducing the nominal value of each share immediately followed by a capital increase in the amount of CHF 71.7 million to strengthen the balance sheet. Further, they also approved the creation of authorized capital in the amount of CHF 37.3 million until 28 October 2017 in order to finance potential future acquisitions.

**Discounted rights offering to be completed before year end**

With the launch of the ordinary capital increase the company's share capital is to be increased by CHF 71.7 million through the issuance of 1'433'387'664 new shares with a nominal value of CHF 0.05 per share. The subscription price for each new share has been set at CHF 0.05. Existing shareholders will be offered subscription rights to purchase 24 new shares for each share held. Subscription rights will be tradable on the SIX Swiss Exchange from 13 November until 24 November 2015 and can be exercised until 26 November 2015, 12:00 noon (CET). Lamesa, Züblin's major shareholder, has fully underwritten the offering.

**Balance sheet changes**

As of 30 September 2015, the Net Asset Value amounted to CHF 0.32 per share and the market value of the strategic investment properties was CHF 323.2 million. The outstanding bond in the amount of CHF 35.3 million was repaid in July 2015. Further, Lamesa extended its shareholder loan until the closing of the planned capital increase. Repayment of this loan will result in substantial savings of interest expenses and further improve Züblin's financial performance.

**Outlook 2015/16**

The focus of activities in the second half-year 2015/16 will be a successful capital increase, the further implementation of the new strategy and the strengthening of the core portfolio in Switzerland and Germany. We are confident that these measures will stabilize the company and allow Züblin to deliver value to its shareholders in the years to come.



Dr Iosif Bakaleynik  
Chairman and  
Chief Executive Officer



Thomas Wapp  
Chief Financial Officer  
and Chief Operating Officer