



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) has completed the first six months of the current financial year 2016/17 with a positive result and returns for the first time since March 2012 to profitability. This is based on the strong performance in asset management, the favorable market environment and in particular by the restructuring measures launched in 2014 and now successfully implemented. This creates the solid ground to sustainably increase the company's value.

**Return to profitability**

For the first time since March 2012 Züblin Group recorded a profit for the period of CHF 8.7 million. As a result of successful letting activities, rental income grew by 1.5% to CHF 9.5 million. This development and the continuing strong market environment led to a positive valuation effect of CHF 6.3 million or CHF 4.9 million net of taxes. The administrative expenses amounted to CHF 2.7 million and were due to cost saving measures around 11% lower than in the prior year period. More importantly, the implementation of restructuring measures lowered net financial expenses by around CHF 4.7 million to CHF 2.0 million. Earnings from the Swiss and German operations increased by CHF 5.7 million to CHF 8.7 million which corresponds to CHF 2.63 per share. Prior year loss of CHF 23.6 million included the discontinued French operations.

**Property portfolio in solid markets**

The total value of the investment properties amounted to CHF 338.0 million as of 30 September 2016. The total increase in market value was 2.1% or CHF 6.3 million. Thereby CHF 3.5 million accounted for the Swiss and CHF 2.8 million for the German assets. The value of the Swiss portfolio amounted to CHF 199.5 million and the German properties totaled CHF 138.5 million. In both countries, the currently high demand for real estate investments have benefited the company. In addition, the valuations of the German portfolio profited from the strong letting market for office space.

The vacancy rate of the portfolio as of 30 September 2016 is still below 10% however, increased by 0.9% -points to 9.9%-points as of 31 March 2016.

In Switzerland, the vacancy rate of the five office buildings improved from 12.4% to 11.7%. All properties, except for the asset Arco West in Berne, are in good locations, have a solid tenant base and are well maintained, the vacancy rate related to those properties is at 0.9% Züblin is currently analyzing options to possibly reposition Arco West.

The German portfolio consists of twelve properties (thereof eleven office buildings). The overall vacancy rate is at 8.6%. Due to new lettings the vacancy rate decreased by 2.7%-points and numerous lease extensions led to an increase of the weighted average lease term. The ratio increased by 4.9%-points due to the move of a major tenant in the property Hamburg Albert-Einstein-Ring. Due to the continuing strong demand for office properties and the successful asset management, the German portfolio is currently characterized by the low vacancy rate, i.e. nine properties are fully leased or close to full occupancy.

**Net asset value of CHF 29.39 per share**

The positive earnings lead to a significant increase in net asset value (NAV) to CHF 29.39 as of the balance sheet date compared to CHF 26.98 at 31 March 2016 and bringing the equity ratio to 26.8%. As of the 30 September 2016 the share price was at CHF 18.50 reflecting a discount of 37% to NAV. The company is convinced that the positive consequences of the implemented restructuring measures will reduce this discount in the future. At the end of the reporting period, the LTV was at 61.5%.

### Changes in Group management

After successfully stabilizing the business, Züblin no longer requires crisis management and is able to move forward. As a consequence and as already announced, the double mandate of Dr. Iosif Bakaleynik is going to end and he will focus on the role as Chairman of Züblin. Currently, the search is underway for a new CEO, who will take over the operational management of Züblin. Until then, Dr. Bakaleynik remains as CEO in office. As also announced, CFO/COO Thomas Wapp will leave the company. Roland Friederich, currently Head of Group Reporting as well as Head of Finance and Controlling of the German subsidiaries, will step in as CFO and member of Group Management effective 1 December 2016. This internal solution ascertains a seamless transition.

### Outlook for financial year 2016/2017

The Board is convinced that Züblin – after the first positive signs of the implemented restructuring measures – is well prepared for the targeted growth. Due to the current high demand for office properties in German-speaking Europe, the group is carefully analyzing the market in order to ensure a sustainable and value-generating development of the company.



Dr Iosif Bakaleynik  
Chairman and  
Chief Executive Officer



Thomas Wapp  
Chief Financial Officer  
and Chief Operating Officer