Record result for 2016 strongly characterised by revaluation gains

- **Convincing operating net profit**
- **Continued and ongoing reduction of vacancy rate**
- **Projects & Development division profitable despite lower project volume**
- **Proposal for unchanged profit distribution of CHF 5.75 per share**

Net profit including revaluation gains for the 2016 financial year amounted to CHF 173.6 million. This is the highest profit ever reported in the company's history and is based on the contribution made by its two divisions, Real Estate and the Projects & Development, and the positive value correction of the portfolio.

Net profit excluding revaluation gains amounted to CHF 112.2 million. The operating result is characterised, on the one hand, by the favourable contribution made by earnings from real estate in the Real Estate division and, on the other hand, by earnings realised from the sale of development real estate and the realisation of third-party projects in the Projects & Development division.

Earnings derived from the rental and management of investment properties plus the completed project volume amounted to an overall performance of CHF 671.7 million.

The number of employees as at 31 December 2016 amounted to 276 full-time positions. The decline compared to the comparable number the previous year is due to the Project & Development division's lower project volume.

The Allreal share confirmed as a sound and long-term investment maintaining its value

As at 31 December 2016, the Allreal share closed at CHF 151.30, or 13.2% above the comparable value the previous year. The positive price increase and the profit distribution of CHF 5.75 per share represent an overall performance for the period under review of 17.5%. At the shareholders' meeting scheduled for 21 April 2017, the board of directors will propose the disbursement of CHF 5.75 per share, which is unchanged compared to the previous year and tax free for private investors. Taking into consideration the year-end share price, this corresponds to a cash yield of 3.8%.

Real Estate division with successful rental of commercial space

Despite the lower vacancy rate in the period under review, downsizing the portfolio resulted in a slight decrease in rental income of 0.9% to CHF 173.3 million.

Based on numerous newly concluded rental contracts and the stable situation concerning existing rental agreements, the cumulative vacancy rate decreased distinctly from 7.5% to 5.1%.

Real estate expenses in the year under review decreased by 4.1 percentage points to 14.1% owing to the completion of larger refurbishment projects the previous year.

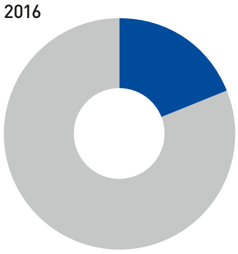
The reduction of vacancy-related earnings losses and the lower real estate expenses resulted in a respectable net yield of 4.4%.

In the period under review, the portfolio of yield-producing properties recorded one addition owing to reclassification and four departures due to sale. The portfolio of yield-producing properties on the cut-off date thus comprised 20 residential and 39 commercial properties.

Owing to market participants' expectations of decreasing yield (yield compression) and the lower vacancy rate, the valuation of all investment properties carried out by an external real estate valuator resulted in a strongly positive revaluation by CHF 85 million.

The market value on the cut-off date of the entire portfolio amounted to CHF 3.57 billion.

2016



The divisions' contribution toward operating profit

Projects & Development	18.9%
Real Estate	81.1%

Projects & Development division with a very gratifying result
Earnings from the Projects & Development division in the period under review amounted to CHF 84.0 million, or 6.6% above the comparable value the previous year. The result reflects one-off profits resulting from the sale of development real estate.

As a result of lower personnel costs Allreal's operating expenses of CHF 54.8 million fell by 10.3% compared to the previous year.

Owing to higher income from operating activities and lower operating expenses, earnings before interest and taxes (EBIT) of CHF 34.4 million exceeded the previous year's comparable result by a respectable 59.3%.

In the period under review the Project Development department again made a substantial contribution toward the good result of the division and of the entire group by developing successful projects both for third parties and for Allreal's own portfolio. In this regard, the transfer of the Bülachguss site development to the Realisation department represented a significant milestone. Moreover, a larger section of the complex was sold to an institutional investor during the period under review.

The Realisation department implemented a project volume amounting to CHF 493.7 million. This amount is 19.4% below that reported the previous year owing to the restriction to projects with a sound profit potential, realistic schedules and existing profit potential.

The share of third-party projects in the completed project volume amounted to 84% and the share of own projects to 16%. Owing to the construction start of the large project in Bülach in October 2016, the share of own projects will grow in the medium term.

The order backlog of some CHF 700 million will allow the Realisation department's capacity utilisation for more than twelve months.

Adjustment to financing structure
Owing to the income from the sale of yield-producing and development properties, Allreal's financial debt fell by approximately 10% to CHF 1.6 billion.

In the period under review, a 2.50% debenture loan of CHF 150 million was refinanced by a 0.625% debenture loan covering the same amount with time to maturity of eight years (2024), resulting in substantially lower financial charges.

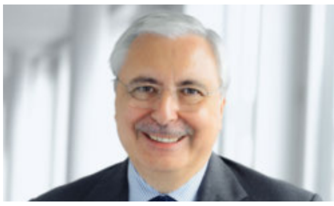
In December 2016, all outstanding interest swaps were terminated prematurely owing to the burden on financial expenses resulting from the effects of negative interest rates. Consequently, related expenses will become plannable for the succeeding years as the hedging reserves shown in equity will be released across the coming years affecting net income. As a result, Allreal will gain complete freedom of action in terms of financing while, in addition, eliminating the risk of higher negative interest.

On the cut-off date, the average interest rate for debt amounted to 1.67% with an average time to maturity of 36 months. Allreal expects this period to increase in the years to come.

Disposable credit limits on the cut-off date amounted to CHF 589 million. With the resulting debt capacity of CHF 1.5 billion, opportunities in the market can be taken advantage of.

Carefully optimistic assessment of future perspectives
Owing to the development unfolding in both divisions, Allreal expects business activity to remain stable. The company anticipates operating net profit for the 2017 financial year to be reported slightly below that of the year under review.

With their trust and support, shareholders as well as employees have created the precondition for successful business operations based on their commitment and competence. The Board of Directors and Group Management express their gratitude for their contribution toward the outstanding result.



Bruno Bettoni
Chairman

Roger Herzog
Chief Executive Officer