Key figures at a glance

		1st half-year 2018 as at 30.06.2018*	1st half-year 2017 as at 31.12.2017*	Change in %[1]
Group				
Total sales[2]	CHF million	266.9	293.6	–9.1
Operating profit (EBIT) incl. revaluation gains	CHF million	104.9	94.4	+11.1
Net profit incl. revaluation effect	CHF million	70.3	66.0	+6.5
Operating profit (EBIT) excl. revaluation gains	CHF million	92.0	85.7	+7.4
Net profit excl. revaluation effect	CHF million	61.3	59.3	+3.4
Cash flow	CHF million	63.7	96.4	–33.9
Return on equity incl. revaluation effect (annualised)	%	6.6	6.3	+0.3
Return on equity excl. revaluation effect (annualised)	%	6.4	6.3	+0.1
Equity ratio on cut-off date	%	48.7	49.3	–0.6
Net gearing[3] on cut-off date	%	85.9	87.2	–1.3
Average interest rate on financial liabilities on cut-off date	%	1.57	1.53	+0.04
Average duration of financial liabilities	months	53	49	+4
Sales Projects & Development division	CHF million	166.0	203.8	–18.5
Earnings from Projects & Development division[4]	CHF million	27.2	37.4	–27.3
Operating margin Projects & Development division[5]	%	24.3	38.8	–14.5
Employees on cut-off date	number of full-time equivalents	220	259	–39
Share				
Earnings per share incl. revaluation effect	CHF	4.42	4.14	+6.8
Earnings per share excl. revaluation effect	CHF	3.86	3.72	+3.8
Net asset value (NAV) per share before deferred taxes on cut-off date	CHF	145.80	146.45	–0.4
Net asset value (NAV) per share after deferred taxes on cut-off date	CHF	133.80	135.15	–1.0
Share price on cut-off date	CHF	161.50	164.80	–2.0
Valuation on cut-off date				
Market capitalisation[6]	CHF million	2 565.8	2 622.5	–2.2
Enterprise value (EV)[7]	CHF million	4 391.9	4 497.4	–2.3

* Should no further particulars be given, values referring to the income statement concern the 1st half-year, and balance sheet value the cut-off dates on 30.06.2018 or as at 31.12.2017

1 Changes in quantum and percentage values shown as absolute difference
2 Income resulting from rental of investment real estate and real estate management services plus completed project volume Projects & Development division
3 Financial liabilities minus cash as percentage of equity
4 Income from realisation Projects & Development, sales Development, capitalised company-produced assets and diverse income minus direct expenses for realisation Projects & Development and sales Development
5 EBIT excl. revaluation and restoration of value adjustments on projects as percentage of profit from business activity (balance of operating income, direct operating expenses, capitalised company-produced assets and earnings from sale of investment real estate)
6 Stock price at balance sheet date multiplied by the number of outstanding shares
7 Market capitalisation plus net debts

Real estate at a glance

		1st half-year 2018 as at 30.06.2018*	1st half-year2017 as at 31.12.2017	Change in %[1]
Yield-producing properties				
Residential real estate	number	20	20	0
Commercial real estate	number	43	43	0
Market value on cut-off date	CHF million	3 901.9	3 931.2	–0.7
Rental income from investment real estate	CHF million	97.9	87.5	+11.9
Vacancy rate[2]	%	2.0	2.9	–0.9
Real estate expenses	CHF million	–8.9	–11.1	–19.8
Real estate expenses	in % of rental income	9.1	12.7	–3.6
Gross yield[3]	%	5.0	5.0	0.0
Net yield[4]	%	4.5	4.4	+0.1
Real estate under construction				
Buildings	number	3	1	+2
Market value on cut-off date	CHF million	83.0	25.4	+226.8
Investment volume	CHF million	157.4	38.5	+308.8
Investment real estate for development				
Book value development reserves on cut-off date	CHF million	93.0	78.3	+18.8
Estimated investment volume development reserves	CHF million	417.0	427.0	–2.3
Book value buildings under construction on cut-off date	CHF million	21.8	29.9	–27.1
Estimated investment volume buildings under construction	CHF million	55.0	71.0	–22.5
Book value completed real estate on cut-off date	CHF million	2.0	8.2	–75.6

* Should no further particulars be given, values referring to the income statement concern the 1st half-year, and balance sheet value the cut-off dates on 30.06.2018 or as at 31.12.2017

1 Changes in quantum and percentage values are shown as absolute difference
2 In percent of targeted rental income, cumulated at cut-off date
3 Rental income from investment real estate in percent of continued market value as at 1 January
4 Rental profit from investment real estate in percent of continued market value as at 1 January

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Gratifying 2018 half-year results at a high level

- **Net profit reflects stable course of business**
- **Vacancy rate at a new low**
- **Good Projects & Development results thanks to high margins**
- **Sound and advantageously hedged financing across the long term**

In the first half of 2018, Allreal reported net profit including revaluation gains of CHF 70.3 million from its two divisions, Real Estate and Projects & Development. Compared to the previous year, this corresponds to a 6.5% increase (1st half 2017: CHF 66.0 million).

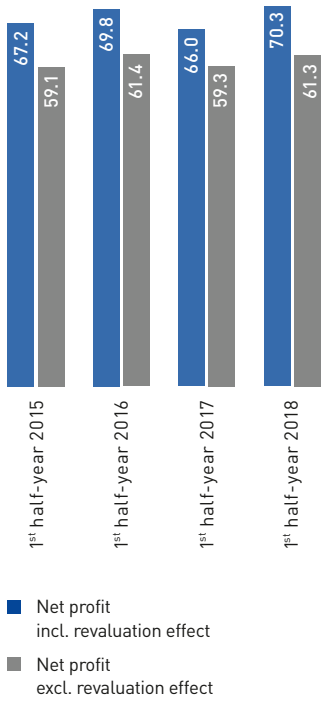
The valuation of the portfolio of investment real estate carried out by an external real estate valuer resulted in a revaluation gain on the cut-off date of CHF 12.9 million (1st half 2017: CHF 8.7 million).

Operating net profit excluding revaluation gains for the period under review amounted to CHF 61.3 million (1st half 2017: CHF 59.3 million). The 3.4% increase over the previous year underlines Allreal's operating strength.

In the first six months of the year, revenue derived from the rental of yield-producing properties plus the completed project volume resulted in an overall performance of CHF 266.9 million in total (1st half 2017: CHF 293.6 million).

Allreal's share price on the cut-off date was recorded slightly below that of the previous year and resulted in a corresponding decline of market capitalisation to CHF 2,565.8 Million.

Net profit
CHF million



On 30 June 2018, Allreal employed a total of 230 employees of which 220 were full-time positions. The decline by 44 employees, or 39 full-time positions, compared to the cut-off date the previous year is attributable mainly to the divestment of Hammer Retex AG.

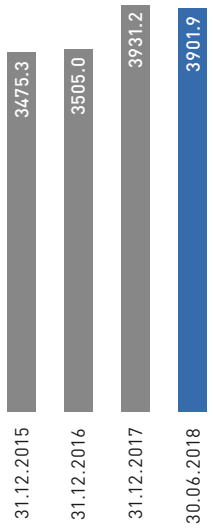
Real Estate division with convincingly high earnings

Portfolio growth resulting from the reclassification of an own project in the second half of 2017, and the acquisition of four fully let commercial buildings from Generali Switzerland as well as a continued decline in vacancy-related income losses resulted in an 11.9% growth in rental income to CHF 97.9 million (1st half 2017: CHF 87.5 million).

The cumulative vacancy rate in the first half of 2018 was recorded at a remarkably low 2.0% or 60 basis points below the comparable value as at 31 December 2017. The low value is proof of the high quality of the portfolio, of the management of the individual properties and of the portfolio as a whole.

Direct expenses for yield-producing properties in the period under review amounted to a low CHF 8.9 million, corresponding to an expense ratio of 9.1% (1st half 2017: CHF 11.1 million / 12.7%). Allreal expects expenses in the second half of the year to grow marginally.

Yield-producing properties
CHF million



Net yield again amounted to gratifyingly high 4.5% (1st half 2017: 4.4%) owing to the excellent occupancy rate of the residential and commercial properties and supported by lower real estate expenses.

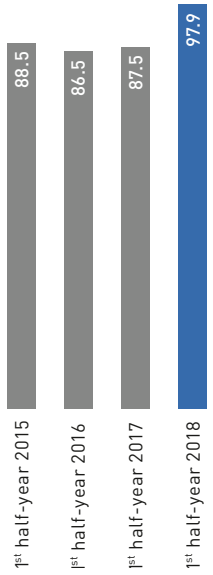
In the first quarter of 2018, Allreal divested Hammer Retex, a facility management company in Cham, Canton of Zug, at a profit of CHF 2.1 million. The employees of the Zurich branch, who before the divestment had exclusively managed Allreal properties, were taken over by Allreal and integrated into the Real Estate division. On the cut-off date, the share of yield-producing properties managed in-house was approximately 60% and is expected to grow to 70% in the future.

Earnings before interest and taxes (EBIT) excluding revaluation gains reported by the Real Estate division for the first half of 2018 amounted to CHF 86.4 million, corresponding to growth of 19.2% compared to the comparable period the previous year (1st half 2017: CHF 72.5 million).

No changes in the period under review are reported for the portfolio of yield-producing properties. On the cut-off date, it comprised 20 residential and 43 commercial properties. By contrast, the portfolio of investment real estate under construction recorded two additions amounting to CHF 40.6 million as a result of the reclassification of two own projects, namely Hardstrasse 301 (Escher-Wyss-Areal) in Zurich-West and Grünhof in Zurich Aussersihl.

The first property represents the replacement of an office building on Escher-Wyss-Areal with 5,800 square metres of useful space and an estimated investment volume of CHF 40 million. Occupation and reclassification to yield-producing properties are scheduled for end 2020. Promising meetings with several potential tenants were held in the period under review.

Income from investment real estate
CHF million

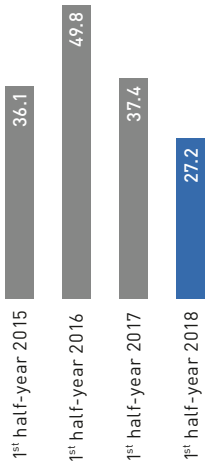


In addition to existing properties, Allreal is erecting a new apartment building for its own portfolio consisting of 80 rental units on the Grünhof site located between Wiedikon railway station and Badenerstrasse in Zurich. The project includes a newly constructed replacement building comprising eight rental units, office and commercial space located on Badenerstrasse 131. The project's useful space amounts to 8,022 square metres in total at an investment volume of approximately CHF 80 million. Completion and reclassification to yield-producing properties is expected end 2020.

Valuation by an external real estate valuer of investment real estate resulted in a positive value adjustment before taxes of CHF 12.9 million (1st half 2017: CHF 8.7 million). Of this amount, the portfolio of yield-producing properties accounts for CHF 5.7 million and that of investment real estate under construction for CHF 7.2 million.

Consequently, the total value of the overall portfolio extended by two investment properties under construction amounted to CHF 3.98 billion (31 December 2017: CHF 3.96 billion).

Earnings from Projects & Development
CHF million



Earnings reported by the Real Estate division for the period under review excluding revaluation gains amounted to CHF 57.7 million, representing a share in the Group's net operating result of 92.2%.

The Projects & Development division continues to successfully assert itself in a market characterised by pressure on margins and profits
Income generated in the first half of 2018 by the Projects & Development division from development and realisation for third parties, sale of development real estate, and capitalised performance for own projects amounted to CHF 27.2 million (1st half 2017: CHF 37.4 million).

The result is reported 27.3% below that of the comparable period the previous year and is due, on the one hand, to expected lower profits resulting from the sale of condominiums and, on the other, to the lower volume of project realisation for third parties.

Of the income derived by the Projects & Development division, CHF 20.2 million or 74.3% was generated by the development and realisation of third-party contracts. The resulting gross margin of 14.4% surpassed the record result reported for the previous year.

Income from sales Development amounted to CHF 2.1 million (1st half 2017: CHF 8.6 million). The sale of residential property on Kirschblütenweg Basel and on Solistrasse Bülach contributed to this result. With effect from 20 March 2018, the 12,004 square metre development property on Grindelstrasse in Bassersdorf was sold to a commercial investor.

The share of capitalised performance for own projects in the earnings from Projects & Development amounting to CHF 3.4 million represents a share of 12.5% (1st half 2017: CHF 4.1 million / 11.0%). From the second half of 2018, construction start in June 2018 of the two own projects, Hardstrasse 301 and Grünhof, will result in higher capitalised performance.

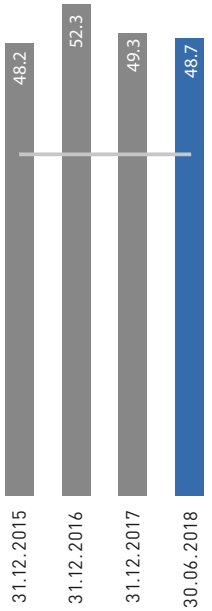
In the first half of 2018, operating expenses of the Projects & Development division amounted to CHF 24.6 million (1st half 2017: CHF 25.5 million). Earnings before interest and taxes (EBIT) of CHF 6.6 million (1st half 2017: CHF 14.5 million) were reported clearly below that of the previous year owing to significantly lower profits from the sale of development real estate and sales-related lower earnings from realisation Projects & Development.

In the period under review, the Project Development department continued to successfully work on several projects for third parties as well as for sale and for Allreal's own portfolio.

Allreal is currently developing a site located in the Dietlimoos area to the north of Adliswil ZH for private investors comprising about 250 residential units plus 7,600 square metres of commercial space.

Return on equity (RoE) incl. revaluation effect
in percent

Equity ratio
in percent



Minimum 35%

Development and planning work for a project comprising 20 condominiums for sale in Zufikon near Bremgarten AG and a residential development with 52 condominiums in Winterthur Seen progressed according to schedule. Construction in Zufikon will probably start in 2019 and that in Winterthur Seen until 2020.

In the first half of 2018, Allreal acquired land measuring 8,386 square metres at the price of CHF 33.5 million in Lucerne Eggen. Allreal is planning a high-quality project comprising 72 condominiums in the medium price range for which there is strong demand. In the second half of 2018, Allreal will carry out an architectural competition to serve as the basis for the project to be developed in 2019.

Of the project volume completed by Realisation in the first half of 2018 amounting to CHF 166.0 million, the share of third-party projects was CHF 140.1 million or 84.4% and that of own projects for sale to third parties or for Allreal's own portfolio CHF 25.9 million or 15.6% (1st half 2017: CHF 163.8 million / CHF 40.0 million). By year-end and in the following year, the share of third-party projects in the overall volume is likely to decline.

In terms of project volume completed in the period under review, new construction projects represented a share of CHF 129.1 million or 77.8% and that of renovation and conversion projects CHF 36.9 million or 22.2% (1st half 2017: 72.4% / 27.6%).

On the cut-off date, the Realisation department reported a secured order backlog of CHF 663 million representing utilisation of available capacity for a period of about 18 months.

On 30 June 2018, a total of 30 condominium apartments from own development and realisation remained for sale: 29 in the Solistrasse project in Bülach ZH and one unit in the Guggach project in Zurich Unterstrass.

Net profit of the Projects & Development division for the first half of 2018 amounted to CHF 4.9 million, representing a 7.8% share in the Group's operating result.

Advantageous financing secured long-term

In the period under review, the Group's financial liabilities as at 30 June 2018 were reported at CHF 1.86 billion (31.12.2017: 1.91 billion) representing a decline of CHF 57 million. Of this amount, bond issues represent 58.2%, fixed-rate mortgages 24.4%, and fixed advances 17.4%.

In March 2018, Allreal successfully placed a 0.50% bond issue for CHF 125 million with a term ending in 2023.

As a result of long-term fixed-rate mortgages concluded in the period under review amounting to CHF 52 million, the average duration of the fixed-interest period rose by four months to 53 months (31.12.2017: 49 months).

Average interest rate for financial liabilities on the cut-off date amounted to 1.57%, only slightly above the comparable value on 31 December 2017 of 1.53%.

Freely and short-term available lines of credit available as at 30 June 2018 securing high financial scope for the company amounted to CHF 774 million (31.12.2017: CHF 544 million).

As at 30 June 2018, Allreal's equity ratio amounted to 48.7% and net gearing to 85.9% at an interest coverage ratio of 6.5 (31.12.2017: 49.3% / 87.2% / 6.0).

Confirmation of profit forecast for the 2018 financial year
The company anticipates continued stable business development for the Real Estate and the Projects & Development divisions.

The confident assessment is based on careful and realistic assessment of the risks and opportunities in the various markets and fields of activity. Moreover, the company's financial strength and its independence guarantee a high degree of security and freedom of action.

Owing to the low vacancy rate and the low number of commercial rental agreements up for renewal, no essential changes in the portfolio are expected for the second half of 2018.

The Projects & Development division is well positioned in the market thanks to its innovative project development and to realisation focused on commercially successful projects.

The company expects operating net profit for the entire 2018 financial year to be reported slightly above that of the previous year.

The Board of Directors and Group Management wish to take this opportunity to thank our employees for their contribution toward the company's success in the first half of 2018 and its shareholders for their trust and support.

Bruno Bettoni
Chairman

Roger Herzog
Chief Executive Officer