Key figures at a glance

		1st half-year 2019 as at 30.06.2019*	1st half-year 2018 as at 31.12.2018*	Change in %[1]
Group				
Total sales[2]	CHF million	281.5	266.9	5.5
Operating profit (EBIT) incl. revaluation gains	CHF million	121.8	104.9	16.1
Net profit incl. revaluation effect	CHF million	85.1	70.3	21.1
Operating profit (EBIT) excl. revaluation gains	CHF million	92.1	92.0	0.1
Net profit excl. revaluation effect	CHF million	63.8	61.3	4.1
Cash flow	CHF million	63.6	63.7	–0.2
Return on equity incl. revaluation effect (annualised)	%	7.7	6.6	1.1
Return on equity excl. revaluation effect (annualised)	%	6.6	6.4	0.2
Equity ratio on cut-off date	%	47.1	48.1	–1.0
Net gearing[3] on cut-off date	%	94.3	91.5	2.8
Average interest rate on financial liabilities on cut-off date	%	1.27	1.48	–0.21
Average duration of financial liabilities	months	46	52	–6
Sales Projects & Development division	CHF million	178.9	166.0	7.8
Earnings from Projects & Development division[4]	CHF million	28.1	27.2	3.3
Gross margin third-party projects Projects & Development division[5]	%	14.0	14.4	–0.4
Employees on cut-off date	number of full-time equivalents	220	216	4
Share				
Earnings per share incl. revaluation effect	CHF	5.36	4.42	21.3
Earnings per share excl. revaluation effect	CHF	4.02	3.86	4.1
Net asset value (NAV) per share before deferred taxes on cut-off date	CHF	153.15	152.85	0.2
Net asset value (NAV) per share after deferred taxes on cut-off date	CHF	138.95	139.65	–0.5
Share price on cut-off date	CHF	168.00	153.10	9.7
Valuation on cut-off date				
Market capitalisation[6]	CHF million	2 669.0	2 432.1	9.7
Enterprise value (EV)[7]	CHF million	4 751.9	4 463.4	6.5

* 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 30.06.2019 or as at 31.12.2018

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 Earnings from realisation Projects & Development in percent of income from realisation Projects & Development
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 2019 as at 30.06.2019*	1st half-year2018 as at 31.12.2018	Change in %[1]
Yield-producing properties				
Residential real estate	number	21	21	0
Commercial real estate	number	44	44	0
Market value on cut-off date	CHF million	4163.8	4136.6[2]	0.7
Rental income from investment real estate	CHF million	102.6	97.9	4.8
Vacancy rate[3]	%	1.9	2.0	–0.1
Real estate expenses	CHF million	–11.4	–8.9	28.1
Real estate expenses	in % of rental income	11.1	9.1	2.0
Gross yield[4]	%	5.0	5.0	0.0
Net yield[5]	%	4.5	4.5	0.0
Real estate under construction				
Buildings	number	2	2	0
Market value on cut-off date	CHF million	73.7	58.1	26.9
Investment volume	CHF million	117.5	120.1	–2.2
Investment real estate for development				
Book value development reserves on cut-off date	CHF million	138.5	136.2	1.6
Estimated investment volume development reserves	CHF million	462.0	464.0	–0.4
Book value buildings under construction on cut-off date	CHF million	18.0	11.4	57.0
Estimated investment volume buildings under construction	CHF million	72.0	55.0	30.9

* 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 30.06.2019 or as at 31.12.2018

1 Changes in quantum and percentage values are shown as absolute difference
2 Market value as at 01.01.2019 including first adoption IFRS 16
3 In percent of targeted rental income, cumulated at cut-off date
4 Rental income from investment real estate in percent of continued market value as at 1 January, without right-of-use investment real estate
5 Rental profit from investment real estate in percent of continued market value as at 1 January, without right-of-use investment real estate

Convincing 2019 Half-year Results

- **Company result positively affected by valorisation**
- **Real Estate division with predictable course of business**
- **Consistently profitable Projects & Development division**
- **Higher profit forecast for entire 2019 financial year**

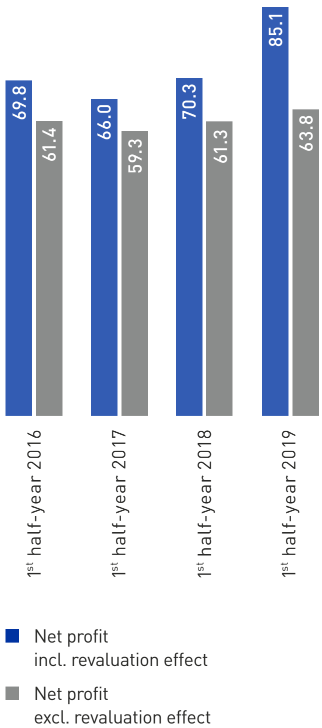
The operating result reported by Allreal for the first six months of 2019 derived from letting property and its activity as a general contractor including revaluation gains amounted to gratifying CHF 85.1 million. The result was strongly characterised by the market-related valorisation of the portfolio by CHF 29.7 million and, therefore, is reported at 21.1 percent above the previous year's result (1st half 2018: CHF 70.3 million).

In the period under review, the two divisions, Real Estate and Projects & Development, reported higher operating net profit compared to the previous year of CHF 63.8 million (1st half 2018: CHF 61.3 million).

Allreal's share price on the cut-off date closed at CHF 168.00, or 9.7 percent above that on 31 December 2018, corresponding to an increase in market capitalisation to CHF 2.67 billion.

On 30 June 2019, Allreal employed a total of 235 employees. The number of full-time positions amounted to 220 (31.12.2018: 229 employees / 216 full-time positions).

Net profit
CHF million



Real Estate division remains on growth track

Portfolio expansion carried out in the second half of 2018 by means of two properties resulted in a 4.8 percent increase in rental income compared to the period the previous year to a total of CHF 102.6 million. The two yield-producing properties, which affected net income for the first time across six months, refer to a residential property in Bülach ZH and an office building in Bern.

The Fangletenstrasse residential complex comprising four apartment blocks in Bülach ZH comprises 76 rental apartments representing a target income of CHF 2.0 million. Reclassification of the project developed and implemented inhouse from investment real estate under construction to the portfolio of yield-producing properties was carried out with effect from 1 October 2018. On 30 June 2019, 62 units were occupied, corresponding to an occupancy rate of over 80 percent.

The seven-storey office building on Freiburgstrasse 130 in Bern acquired end 2018 affects net income from 1 January 2019. The property is let exclusively to one tenant, the Swiss Agency for Development and Cooperation (SADC), representing an annual net rent of about CHF 8.3 million.

The cumulative vacancy rate in the first half of 2019 remained stable at a low 1.9 percent, even slightly below the comparable value reported the previous year (1st half 2018: 2.0%). Owing to the low number of rental agreements up for renewal and the high quality of management, a lower vacancy rate is consequently expected for the entire 2019 financial year.

Income from
investment real estate
CHF million

Direct expenses relating to yield-producing properties in the period under review amounted to CHF 11.4 million, corresponding to an expense rate of 11.1 percent (1st half 2018: CHF 8.9 million/9.1%). The growth compared to the previous year resulted from the implementation start of several new renovation and refurbishment projects.

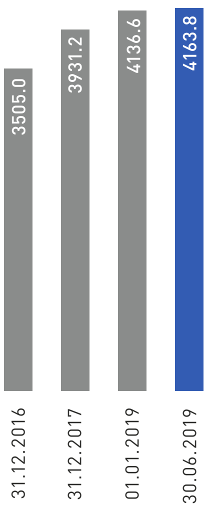
Despite expected higher real estate expenses, net yield of the yield producing properties remained at 4.5 percent (1st half 2018: 4.5%), which is outstanding also by market comparison.

Earnings before interest and taxes (EBIT) excluding revaluation gains reported by the Real Estate division for the first half of 2019 amounted to CHF 85.8 million (1st half 2018: CHF 86.4 million).

In the period under review, the portfolio of yield-producing properties remained numerically unchanged. On the cut-off date it comprised 65 properties – 21 residential and 44 commercial buildings – as well as 2 units classified as investment real estate under construction.

Valuation by an external real estate valuer as at 30 June 2019 of the 67 investment real estate properties resulted in total appreciation before taxes of CHF 29.7 million. Of this amount, the portfolio of yield-producing properties accounts for CHF 23.8 million and that of investment real estate under construction for CHF 5.9 million.

Yield-producing properties
CHF million

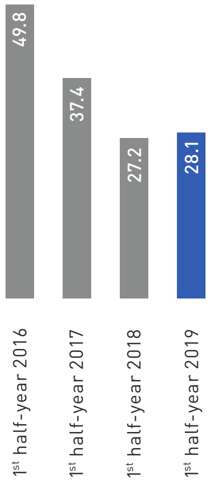


The revaluation of the portfolio resulted from the high occupancy rate and the advantageous maturity profile of the commercial rental agreements on the one hand and, on the other, from the continuing strong demand for residential and commercial space in the country's business centres, the location of most of Allreal's properties.

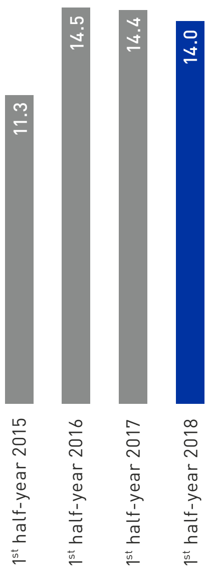
The total value of the entire portfolio on the cut-off date amounted to CHF 4.24 billion (1 January 2019: 4.19 billion). The market value of the residential properties recognised in the portfolio of yield-producing properties amounted to CHF 924.4 million, or 22.2 percent, and that of commercial properties to CHF 3239.4 million, or 77.8 percent. The market value of real estate under construction amounted to CHF 73.7 million.

Earnings reported by the Real Estate division for the period under review excluding revaluation gains amounted to CHF 59.8 million, representing a share in the Group's net operating result of 91.6%.

Earnings from Projects & Development
CHF million



Gross margin third-party projects Projects & Development division
in percent



Projects & Development division profitable at a high level

Income generated in the first half of 2019 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 28.1 million. This result is reported 3.3 percent above that of the comparable period the previous year and reflects the high competitiveness of the division.

Income generated from Realisation in the Projects & Development division amounted to CHF 20.7 million, or 2.5 percent above the previous year (1st half 2018: CHF 20.2 million). The resulting gross margin of 14.0 percent connected with development and implementation of projects for third parties remained approximately at the previous year's level (1st half 2018: 14.4%).

Income resulting from the sale of residential property in Bülach ZH amounted to CHF 3.4 million (1st half 2018: CHF 2.1 million) and company-produced assets amounted to CHF 3.4 million (1st half 2018: CHF 3.4 million).

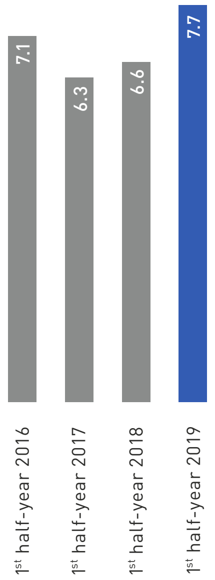
Consequently, of the income generated by Projects & Development, third-party projects accounted for 75.8 percent and 12.1 percent each for the sale of development real estate and for capitalised own performance.

Operating expense reported by the Projects & Development division of CHF 23.2 million for the first half-year 2019 was below the comparable value the previous year (1st half 2018: CHF 24.6 million).

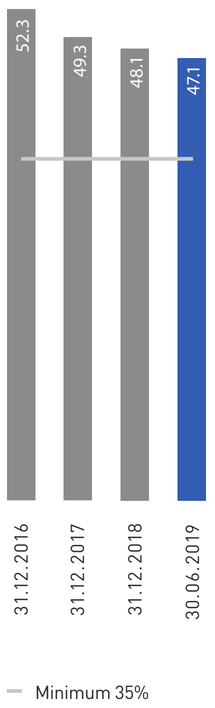
The Development department is concerned with own and third-party projects and participates in project competitions, conducts demanding search activities for suitable land with promising development potential for both Allreal's own portfolio and for third-party customers again made a substantial contribution toward the entire group's successful and profitable business activity.

On the Bülachguss-Areal in Bülach-Nord, Allreal implemented ten six-to-seven-storey apartment complexes for two Credit Suisse real estate funds and representing a total of 343 rental units. The project includes the refurbishment and conversion of an industrial building comprising space for offices, services, sales and gastronomy. The transfer of the project to the owners will be phased across a period of six months and began in the period under review. In the second half of 2019, five apartment buildings erected on the same site will reach completion. This own project represents an investment volume of CHF 55 million. Of the 73 condominiums, 71 were sold on the cut-off date.

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



Equity ratio
in percent



In the first half of 2019, construction started on an own project in Zufikon near Bremgarten AG processed by the Development department up to construction approval. The project includes two connected stepped buildings comprising 20 condominiums of which nine were reserved in the six-week period between commercial launch and the cut-off date. Project completion is scheduled for 2021.

Realisation of two own projects started on in 2018 at an investment volume of CHF 118 million in total is progressing according to plan. The two projects, both investment real estate under construction, represent a residential project with a total of 88 rental apartments in two new buildings plus refurbishment of existing apartments on Grünhof Areal in Zurich Wiedikon, and a six-storey office building on Escher-Wyss-Areal in Zurich West. The building measures floor space of 5,800 square metres and is nearly fully let. Allreal expects the two projects and the connected reclassification to yield-producing properties to be completed in the second half of 2020.

Project volume completed by Realisation in the period under review amounted to CHF 178.9 million (1st half 2018: CHF 166.0 million). Of this amount, CHF 147.4 million, or 82.4 percent, relate to third-party projects and CHF 31.5 million, or 17.6 percent, to own projects for sale to third parties or for the company's own portfolio. Allreal expects the completed project volume to rise in the second half of the year.

Secured order backlog as at 30 June 2019 of about CHF 639 million represents utilisation of available capacity for a period of about 18 months.

Net profit of the Projects & Development division for the first half of 2018 excluding revaluation effects amounted to CHF 5.5 million, representing an 8.4% share in the group's operating result.

Advantageous financing secured long-term
In the first half of 2019, the financial liabilities as at 30 June 2019 grew by CHF 50 million to CHF 2,122 million (31.12.2018: CHF 2,072 million). Of this amount, bond issues represent 45%, fixed-rate mortgages 28%, and fixed advances 27%.

Growth of the share of fixed advances compared to the previous year is the result of refinancing repayment in the second quarter of 2019 of a 1.25% bond issued in 2014 to the amount of CHF 125 million.

The average interest rate for financial liabilities on the cut-off date was stated as 1.27 percent, thus 21 base points below the comparable value at 31 December 2018. The average duration of the fixed-interest period on the cut-off date amounted to 46 months.

Lines of credit available short-term as at 30 June 2019 amounted to CHF 446 million. The company therefore continues to enjoy the desired high level of financial freedom to act and the connected ability to secure large investments without loss of time.

As at 30 June 2019, Allreal's equity ratio amounted to 47.1% and net gearing to 94.3% at an interest coverage ratio of 6.8 (31.12.2018: 48.1% / 91.5% / 6.1).

Tax expense includes a one-off exceptional gain of CHF 3.0 million resulting from tax reductions on the cantonal level.

Increased profit forecast for the 2019 financial year

Based on the positive results of the period under review and the emerging development, a continued gratifying course of business is expected for the second half of 2019.

In the Real Estate division, continuation of the low vacancy rate and a stable earnings position are expected owing to the low number of rental agreements up for extension or conclusion despite a project-related increase in real-estate expenses.

Especially owing to the good cooperation of its two departments, Development and Realisation, the Projects & Development division is ideally positioned to take advantage of opportunities in a market characterised by price pressure and eroding margins. Allreal's consistent focus on the development and realisation of projects that are profitable long term, aimed at quality-conscious owners and for the own portfolio, allows for continued profitable business activity, promising specialisation in demanding construction projects, and extension of the service portfolio.

A high degree of financial security and freedom of action allow the company to invest in properties and projects while taking advantage of opportunities. Moreover, thanks to its own portfolio and the development projects, Allreal enjoys considerable potential for long-term growth.

The company now expects operating net profit for the entire 2019 financial year to be reported 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 2019 and its shareholders for their trust and support.

Ralph-Thomas Honegger	Roger Herzog
Chairman	Chief Executive Officer