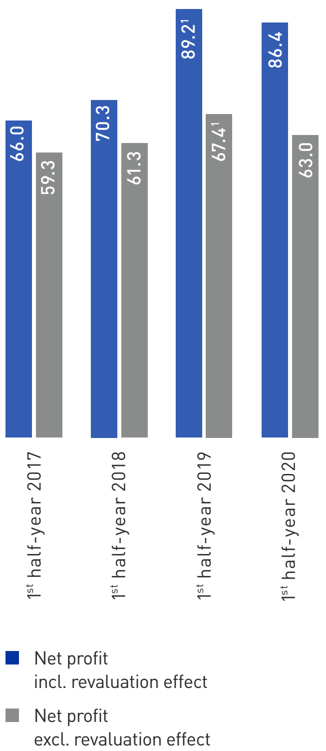
Sound 2020 Half-year Results

- **Operating net profit gratifyingly stable despite challenging environment**
- **Market value of investment real estate with revaluation gains at previous year's level**
- **Projects & Development with respectable results and high margins in third-party activities**
- **Accounting changeover from IFRS to Swiss GAAP FER**
- **A positive net income expected for the entire 2020 financial year**

Due to the corona crisis in the first half of 2020, Allreal was confronted with unusual problems that required quick and pragmatic action. Owing to the rapid change of social and economic life, fast and uncomplicated solutions were needed concerning both rental income from yield-producing properties and Project & Development's project business. Despite these challenges, the company achieved a very sound performance in the period under review. Allreal reported net profit including revaluation gains of CHF 86.4 million resulting from the rental of real estate and activities of the Projects & Development division (1st half 2019: CHF 89.2 million). The result is again characterised by a revaluation of the portfolio by CHF 27.7 million (1st half 2019: CHF 30.2 million).

Compared to the result reported for the same period the previous year, net profit decreased by only 3.1 percent, essentially due to positive tax-related one-off effects of CHF 3.0 million arising the previous year.

Net profit
CHF million



1 Previous year's figures restated

Both divisions, Real Estate and Projects & Development, made a positive contribution to operating net income of CHF 63.0 million in the period under review. Compared to the previous year, this represents a decline of 6.5 percent (1st half 2019: CHF 67.4 million).

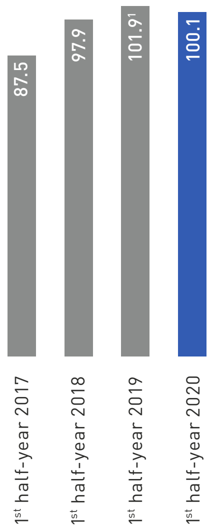
On the cut-off date, Allreal's share closed at CHF 187.60, or 2.5 percent below the closing price on 31 December 2019. Compared to industry indices and the overall market, the share price developed well. Including profit distribution in April 2020 of CHF 6.75 per share, the overall performance in the period under review is reported as 1.0 percent. Market capitalisation on the cut-off date amounted to CHF 2.98 billion.

Real Estate division again with convincing results

The Real Estate division achieved a strong result despite the unusual situation brought about by the corona crisis and the connected lockdown.

Rental income in the first half of 2020 decreased by CHF 1.8 million to CHF 100.1 million (1st half 2019: CHF 101.9 million). Portfolio changes made in the previous year and owner occupation by Allreal of the office building on Lindbergh-Allee 1 in Glattpark ZH from the beginning of the current year account for CHF 1.3 million of the discrepancy.

Income from investment real estate
CHF million



[1] Previous year's figures restated

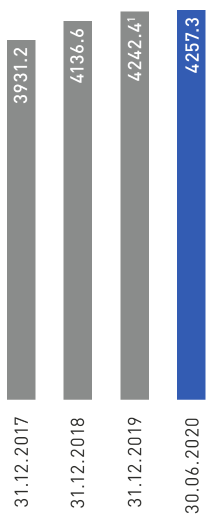
In the course of the corona crisis, Allreal acceded to various requests for rent deferment quickly and unbureaucratically. In this regard, tenants renting commercial space from Allreal and affected most severely were waived up to two months' rent within a period of only a few weeks on an individual basis and under private law. From today's perspective, the associated loss of earnings amounted to about CHF 1.4 million.

Cumulated vacancy rate continued to decline in the first half of 2020 and amounted to a record-low 1.5 percent on the cut-off date (31.12.2019: 2.2%). Several successful rental agreements contributed to this positive development. For instance, rental agreements were signed for available space in the Baarermatte commercial building in Baar ZG. In addition, the relocation of Allreal's own headquarters to Lindbergh-Allee 1 in Glattpark ZH contributed toward the decline. In terms of residential space, the last available apartments on Fangletenstrasse in Bülach ZH were successfully rented for the first time. Based on the low number of rental agreements up for renewal and the high quality of facility management, Allreal expects the vacancy rate for the entire year to remain low.

Direct expenses for yield-producing properties in the period under review amounted to CHF 13.2 million, representing an expense rate of 13.2 percent (1st half 2019: CHF 11.4 million / 11.2%). The expected increase compared to the previous year is due to a higher number of ongoing refurbishment projects.

Despite the higher real estate expenses, net yield of yield-producing properties amounted to excellent 4.1 percent (1st half 2019: 4.4%).

Yield-producing properties
CHF million



[1] Previous year's figrues restated

The portfolio of investment real estate remained constant in the period under review. On the cut-off date it consisted of 64 yield-producing properties (21 residential and 43 commercial properties) and 2 investment real estate properties under construction.

The valuation of the 66 investment real estate properties carried out by an external real estate valuer on 30 June 2020 resulted in an appreciation of CHF 27.7 million. Of this amount, CHF 10.2 million refers to the portfolio of yield-producing properties and CHF 17.5 million to investment real estate under construction.

The value increase of the portfolio is due mainly to lower discount rates for investment real estate under construction. Work on the residential project on Grünhof-Areal in Zurich Aussersihl and on the office building on Hardstrasse 301 in Zurich-West is progressing according to schedule. The two properties with a target income of CHF 6.6 million in total enjoy a high preoccupancy rate and will be transferred to the portfolio of yield-producing properties within the coming twelve months.

The total value of the portfolio of investment real estate on the cut-off date amounted to CHF 4.39 billion (31.12. 2019: CHF 4.34 billion). The market value of the residential properties reported in the portfolio of yield-producing properties amounted to CHF 1.01 billion and that of commercial buildings to CHF 3.24 billion. The market value of investment real estate under construction amounted to CHF 134.6 million.

The Real Estate division reported net income for the period under review excluding revaluation effect of CHF 58.6 million (1st half 2019: CHF 63.0 million). This corresponds to a share of the Group's operating net income of 92.4 percent.

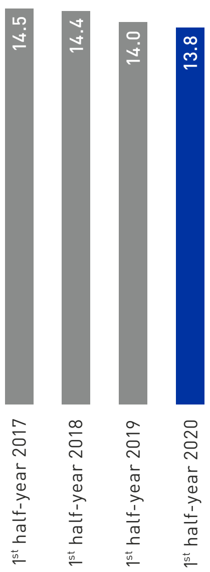
Stable development of Projects & Development division despite project postponements

In the Projects & Development division, Allreal provides services concerning the development and the realisation of projects for third parties, buys and sells development real estate, and plans and implements own projects. Income from Projects & Development in the first half of 2020 amounted to CHF 24.6 million (1st half 2019: CHF 28.1 million). This represents an expected decline of 12.5 percent compared to the same period the previous year. On the one hand, income from Realisation Projects & Development declined, compared to the first half 2019, due partly to project postponements owing to the corona crisis. On the other hand, income from the sale of development real estate was reported clearly lower.

In the period under review, Allreal strengthened the division by appointing Simon Räbsamen as new Head Realisation. He joined Group Management and is responsible for the Realisation department with effect from 1 June 2020.

Income from Realisation Projects & Development for the first half 2020 amounted to CHF 18.8 million, a decline of 9.2 percent compared to the previous year (1st half 2019: CHF 20.7 million). The gross margin reported from the development and implementation of projects for third parties amounted to a high 13.8 percent (1st half 2019: 14.0%).

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

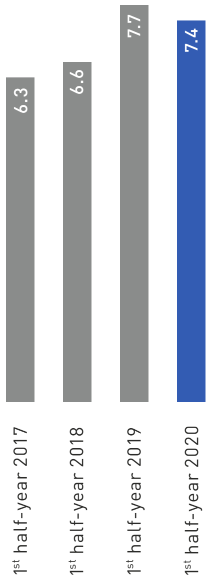


Income resulting from the sale of residential real estate in Zufikon AG and Bülach ZH amounted to CHF 1.6 million (1st half 2019: CHF 3.4 million). Demand for residential ownership remains excellent. For the project on Florenstrasse in Winterthur ZH, despite limitations brought about by the lockdown, Allreal is in possession of letters of intent for 44 of the 51 condominiums. Following the cut-off date, Allreal acquired land suitable for residential construction and attractive potential for development for CHF 31.5 million located at Badenerstrasse 501–505 in Zurich Albisrieden.

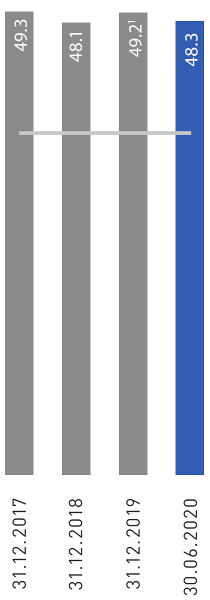
Operating expense of the Projects & Development division of CHF 22.9 million for the first half 2020 was reported about 5.8 percent below the comparable amount of the previous year (1st half 2019: CHF 24.3 million).

The Development department again made a significant contribution to the Group's successful and profitable business activity by means of own and third-party projects, the participation in several project competitions and the demanding search for suitable land with promising development potential.

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



Equity ratio
in percent



— Minimum 35%

1 Previous year's figures restated

The large third-party projects are mostly proceeding according to schedule. Allreal is implementing a project for Helvetia Insurance Group comprising 13 five-storey apartment buildings and a total of 180 rental units plus an underground parking garage on Bellariarain in Zurich Wollishofen. The construction sum amounts to about CHF 60 million. Transfer to the owners is scheduled for end of this year.

In Glattbrugg ZH, Allreal is implementing a three-storey data centre for Interxion in the Bäuler industrial area comprising 7,132 square metres of useful space. The sum of the construction trades in Allreal's responsibility amounts to about CHF 30 million.

Construction work on the Letzi Turm project in Zurich Altstetten commenced at the beginning of summer. In the course of the coming two years, Allreal as total contractor will realise two 70-metre residential high-rise buildings for Swiss Federal Railways comprising 178 rental units. The order volume is about CHF 70 million.

Project volume completed by the Realisation department in the first half of 2020 amounted to CHF 178.6 million (1st half 2019: CHF 178.9 million). Of this amount, CHF 135.7 million, or 76.0 percent, referred to third-party projects and CHF 42.9 million, or 24.0 percent, to own projects for sale to third parties or for the own portfolio. Allreal expects the volume of projects completed in the second half of 2020 to increase.

The order backlog secured on the cut-off date amounts to about CHF 772 million. In the period under review, Allreal recorded a gratifying order intake of about CHF 131 million, ensuring capacity utilisation for about 24 months.

The Projects & Development division reported net income of CHF 4.8 million for the period under review (1st half 2019: CHF 5.9 million). This corresponds to a 7.6 percent share in the Group's net income.

Long-term and well secured financing

Financial liability as per 30 June 2020 grew by CHF 80.8 million to CHF 2.08 billion (31.12.2019: CHF 2.00 billion). Of this amount, bond issues account for 57 percent, fixed mortgage loans for 29 percent and fixed advances for 14 percent.

On the cut-off date, the average interest rate for financial debt amounted to 0.83 percent, or five base points below the comparable value on 31 December 2019. The average duration of the fixed-interest period on the cut-off date amounted to 49 months.

Credit limits available short-term on the cut-off date amounted to CHF 653 million. They continue to provide the company with a high level of entrepreneurial freedom and space for financial manoeuvre.

As per 30 June 2020, Allreal's equity ratio amounted to 48.3 percent, net gearing to 87.2 percent and interest coverage ratio to 10.9 (31.12.2019: 49.7%/83.8%/10.2).

Allreal reports according to Swiss GAAP FER as at 1 January 2020, reactively (previously IFRS). As a result, the company simplifies its financial reporting while maintaining high transparency and significance.

Outlook on the 2020 financial year

Based on the 2020 half-year financial statements, Allreal is confident to report good results for the entire 2020 financial year, despite great uncertainties about further economic development.

Owing to the low number of commercial leases up for extension or renewal, the Real Estate division expects the vacancy rate to remain low. The income situation will remain predictable even when taking into consideration constantly developing real estate expenses. The loss of earnings as a result of COVID-19 is, from today's perspective, acceptable, and operating net income for the entire financial year close to that reported for the previous year is feasible.

While pressure on prices and margins remains a determining issue in Projects & Development, the division expects to report stable development of results. This expectation is based on a slight growth in project volume in both of its two departments, Development and Realisation, due to a high order backlog and full capacity utilisation. Consistent focus on profitable projects for discerning and quality-conscious customers and for the own portfolio continues to ensure a profitable business activity.

The insecurities which emerged at the outbreak of the corona crisis concerning short-term business development can currently be assessed more reliably. Allreal expects operating net profit for the entire financial year to be reported below that of the record result for 2019, but higher than in 2018, owing to lower profits derived from development real estate and delays in the progress of individual projects.

The Board of Directors and Group Management express their gratitude to all employees for their contribution in these extraordinary and demanding times and to customers and shareholders for their trust and support.

Ralph-Thomas Honegger	Roger Herzog
Chairman	Chief Executive Officer