

Gratifying Result for 2018 Financial Year

Zürich, 27 February 2019: **Net profit including revaluation gains for the 2018 financial year amounted to CHF 161.0 million, representing a gratifying increase over the previous year's result of CHF 31.8 million or 24.6 percent. At the Shareholders' Meeting the Board of Directors will propose a higher profit distribution compared to the previous year of CHF 6.50 per share.**

Net profit excluding revaluation gains amounted to CHF 115.6 million, representing a 2.0 percent increase over the comparable value the previous year of CHF 113.3 million. In addition to the earnings recorded by the Projects & Development division, excellent Real Estate earnings, especially, contributed toward the very good operating result.

The company expects to report operating net profit for the 2019 financial year in line with that of the previous year.

Owing to the very good result and the emerging stable business trend, the Board of Directors will at the Shareholders' Meeting scheduled for 12 April 2019 propose a higher profit distribution compared to the previous year of CHF 6.50 per share. The pay-out will be made from capital reserves and, therefore, is tax-free for private Swiss investors. Compared to the closing price on 31 December 2018, the proposed pay-out corresponds to a cash yield of 4.2 percent.

Real Estate division with larger portfolio and outstanding real-estate performance
Expansion of the portfolio of yield-producing properties achieved in the second half of 2017 by means of acquisitions and own projects which, for the first time, affected net income for a twelve-month period, the addition of further yield-producing properties in the 2018 financial year plus an added reduction of vacancy-related income losses resulted in a CHF 15.6 million increase in rental income to CHF 194.8 million.

The cumulative vacancy rate experienced a further reduction by 0.6 percentage points to a very low 2.0 percent, substantiating the high quality of the portfolio and of facility and portfolio management.

In a comparison covering several years, direct expenses for yield-producing properties amounted to a very low CHF 22.6 million, corresponding to an expense rate of 11.6 percent. Net yield is reported at a gratifyingly high 4.4 percent.

The portfolio of yield-producing properties records the addition of one residential and one commercial property. The portfolio of investment real estate under construction shows two additions and one divestment. The portfolio of investment real estate on the cut-off date thus comprised 21 residential and 44 commercial properties plus 2 investment properties under construction.

Valuation of the entire portfolio, which was characterised by decreasing yield expectations by market participants (yield compression) and a historically low vacancy rate, resulted in a strongly positive value adjustment by CHF 60.6 million.

Expansion of the portfolio by net three properties and the valuation carried out by an external real-estate valuer resulted in a market value of the entire portfolio of CHF 4.16 billion, or CHF 203.3 million above that of the previous year.

Projects & Development division consistently high profitability

Earnings from Projects & Development amounted to CHF 52.6 million. The amount is reported 21.1 percent below that of the previous year and is based, on the one hand, on the expected lower profit from the sale of condominiums and, on the other, on lower third-party project volume.

Operating profit (EBIT) reported by Projects & Development resulting from the realisation of own and third-party projects and the sale of development real estate amounted to CHF 12.1 million.

Project volume implemented with the realisation of projects for third parties or for Allreal's own account amounted to CHF 351.9 million, of which 82.5 percent are accounted for by third-party projects and 17.5 percent by own projects. In the future, the share of own projects in the completed project volume will further increase.

The order backlog as at 31 December 2018 of CHF 657 million will secure capacity utilisation for about 18 months.

Continued sound and well secured financing

Owing to the increased financing activity, financial liability in the period under review grew by about CHF 159 million to CHF 2072 million.

In March 2018, Allreal issued a 0.50% bond issue of more than CHF 125 million maturing in 2023. On the balance-sheet date, therefore, 52 percent of financial liability was financed via the capital market. The share of fixed-rate mortgages amounted to 29 percent and that of fixed advances to 19 percent.

As at 31 December 2018, the average interest rate for financial liability compared to that of the previous year amounted to slightly lower 1.48 percent. The average duration of the fixed-interest period grew in the period under review to 52 months.

Thanks to the credit limit of CHF 625 million available in the short term, the company enjoys a high level of financial freedom of action.

Group equity rose to CHF 2218.8 million, corresponding to a net asset value (NAV) per share of CHF 139.65.

Allreal's equity ratio as at 31 December 2018 was reported at 48.1 percent, net gearing at 91.5 percent and interest coverage ratio at 6.1.

The company expects to report operating net profit for the 2019 financial year in line with that of the previous year.

This news release and the annual report are also available electronically:
www.allreal.ch

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Key figures at a glance

		2018 as at 31.12.2018*	2017 as at 31.12.2017*	Change in % ¹
Group				
Total sales ²	CHF million	549.9	603.4	-8.9
Operating profit (EBIT) incl. revaluation gains	CHF million	235.6	187.5	+25.7
Net profit incl. revaluation effect	CHF million	161.0	129.2	+24.6
Return on equity incl. revaluation effect	%	7.3	6.0	+1.3
Operating profit (EBIT) excl. revaluation gains	CHF million	175.0	165.7	+5.6
Net profit excl. revaluation effect	CHF million	115.6	113.3	+2.0
Return on equity excl. revaluation effect	%	5.9	5.9	-
Equity ratio on cut-off date	%	48.1	49.3	-1.2
Net gearing on cut-off date ³	%	91.5	87.2	+4.3
Market value investment real estate	CHF million	4'101.8	3'931.2	+4.3
Market value investment real estate under construction	CHF million	58.1	25.4	+128.7
Income from renting investment real estate	CHF million	194.8	179.2	+8.7
Sales Projects & Development division	CHF million	351.9	420.0	-16.2
Earnings from Projects & Development division ⁴	CHF million	52.6	66.7	-21.1
Employees on cut-off date	FTE	216	259	-43
Share				
Earnings per share incl. revaluation effect	CHF	10.13	8.11	+24.9
Earnings per share excl. revaluation effect	CHF	7.28	7.11	+2.4
Net asset value (NAV) per share after deferred taxes on cut-off date	CHF	139.65	135.15	+3.3
Share price on cut-off date	CHF	153.10	164.80	-7.1
Dividend/Profit distribution yield ⁵	%	4.2	3.8	+0.4
Operating key figures				
Net yield real estate portfolio ⁶	%	4.4	4.3	+0.1
Vacancy rate real estate portfolio ⁷	%	2.0	2.6	-0.6
Gross margin third-party projects Projects & Development division ⁸	%	13.0	13.1	-0.1
Average interest rate on financial liabilities on cut-off date	%	1.48	1.53	-0.05
Average duration of financial liabilities	months	52	49	+3
Valuation on cut-off date				
Market capitalisation ⁹	CHF million	2'432.1	2'622.5	-7.3
Enterprise value (EV) ¹⁰	CHF million	4'463.4	4'497.4	-0.8

* Should no further particulars be given, values referring to the income statement concern the full year and balance sheet the cut-off dates on 31.12.2018 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 Finance liabilities minus cash and marketable securities 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 Board of directors proposal of CHF 6.50 per share for the 2018 financial year by means of repayment of reserves from capital contributions

⁶ Rental income from investment real estate as percentage of continued market value as at 1 January

⁷ As percentage of targeted rental income, cumulated at cut-off date

⁸ Earnings from realisation Projects & Development in percent of income from realisation Projects & Development

⁹ Stock price at balance sheet date multiplied by the number of outstanding shares

¹⁰ Market capitalisation plus net debts