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Media Release

Sound 2020 Half-Year Result

Glattpark, 26 August 2020: **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. Since 2020 Allreal is reporting in accordance with Swiss GAAP FER (previously IFRS).**

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, restated: 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). The lower net profit is essentially due to positive tax-related one-off effects of CHF 3.0 million arising the previous year.

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 (1st half 2019, restated: CHF 67.4 million).

Allreal expects operating net profit for the entire 2020 financial year to be reported below that of the record result for 2019, but higher than in 2018.

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, restated: CHF 101.9 million).

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%). 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%).

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 total value of the portfolio of investment real estate on the cut-off date amounted to CHF 4.39 billion (31.12. 2019, restated: 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 CHF 3.24 billion. The market value of investment real estate under construction amounted to CHF 134.6 million.

Stable development of Projects & Development division despite project postponements

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 1st 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%).

Income resulting from the sale of residential real estate 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.

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).

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 utilization for about 24 months.

Long-term and well secured financing
Financial liabilities 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 to implement large investments without loss of time.

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 utilization. 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.

This media release and the Half-year Report are also available electronically:
www.allreal.ch

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The Allreal Group
Allreal combines a stable-income real estate portfolio with the activities of a general contractor (development and realisation). The value of the real estate portfolio amounts to CHF 4.34 billion. In fiscal 2019, the project volume effectively handled amounted to CHF 341 million. Allreal employs a staff of over 220 in Zurich, Basel and Berne. Allreal's headquarters are located in Zurich and the company operates in Switzerland only. Allreal Holding AG is listed on the SIX Swiss Exchange.

Key figures at a glance

		1st half-year 2020 resp. 30.06.2020*	1st half-year 2019 resp. 31.12.2019*	Change in %[1]
Group				
Total sales[2]	CHF million	278.7	280.8	–0.7
Operating profit (EBIT) incl. revaluation gains	CHF million	113.8	122.1	–6.8
Net profit incl. revaluation effect	CHF million	86.4	89.2	–3.1
Return on equity incl. revaluation effect [3]	%	7.4	7.7	–0.3
Operating profit (EBIT) excl. revaluation gains	CHF million	86.1	91.9	–6.3
Net profit excl. revaluation effect	CHF million	63.0	67.4	–6.5
Return on equity excl. revaluation effect[3]	%	6.4	6.8	–0.4
Equity ratio on cut-off date	%	48.3	49.7	–1.4
Net gearing [4] on cut-off date	%	87.2	83.8	+3.4
Market value yield-producing properties	CHF million	4'257.3	4'242.4	+0.4
Market value investment real estate under construction	CHF million	134.6	99.6	+35.1
Income from renting yield-producing properties	CHF million	100.1	101.9	–1.8
Sales Projects & Development division	CHF million	178.6	178.9	–0.2
Earnings from Projects & Development division [6]	CHF million	24.6	28.1	–12.5
Employees on cut-off date	FTE	214	220	–6
Share				
Earnings per share incl. revaluation effect[3]	CHF	5.43	5.61	–3.2
Earnings per share excl. revaluation effect[3]	CHF	3.96	4.26	–7.0
Net asset value (NAV) per share after deferred taxes on cut-off date	CHF	146.70	148.10	–0.9
Share price on cut-off date	CHF	187.60	192.40	–2.5
Operative Kennzahlen				
Net yield real estate portfolio[6]	%	4.1	4.4	–0.3
Vacancy rate real estate portfolio[7]	%	1.5	1.9	–0.4
Gross margin third-party projects Projects & Development division[8]	%	13.8	14.0	–0.2
Average interest rate on financial liabilities on cut-off date	%	0.83	0.88	–0.05
Average duration of financial liabilities	months	49	56	–7
Valuation				
Market capitalisation on cut-off date[9]	CHF million	2'982.8	3'058.6	–2.5
Enterprise Value (EV) on cut-off date[10]	CHF million	5'016.2	5'030.2	–0.3

* Should no further particulars be given, values referring to the income statement concern the first half-year and balance sheet the cut-off dates on 30.06.2020 resp. 31.12.2019. The consolidated half-year financial statements 2020 were prepared in accordance with Swiss GAAP FER for the first time. The previous year's figures have been restated accordingly. The presentation of alternative performance measures can be found at www.allreal.ch

1 Changes in quantum and percentage values shown as absolute difference
2 Sales resulting from rental of investment real estate plus completed project volume Projects & Development division
3 Revaluation effects correspond to gains from the revaluation of investment real estate less deferred taxes on revaluation
4 Finance liabilities minus cash and marketable securities as percentage of equity
5 Income from realisation Projects & Development, sales Development, capitalised company-produced assets and diverse income minus direct expenses for realisation Projects & Development and sales Development
6 Rental profit from investment real estate as percentage of continued market value as at 1 January
7 in percent 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 finance debts