Annual Report 2009

allreal holding

Key figures at a glance

		2009	2008	Change in %[1]
Group				
Total sales[2]	CHF million	557.8	588.9	–5.3
Operating profit (EBIT) incl. revaluation gains	CHF million	149.5	152.5	–2.0
Net profit incl. revaluation effect	CHF million	88.6	90.7	–2.3
Operating profit (EBIT) excl. revaluation gains	CHF million	143.0	135.3	+5.7
Net profit excl. revaluation effect	CHF million	83.1	78.4	+6.0
Cash flow[3]	CHF million	79.0	108.1	–26.9
Return on equity incl. revaluation effect	%	7.1	7.2	–0.1
Return on equity excl. revaluation effect	%	6.7	6.1	+0.6
Equity ratio on cut-off date	%	41.5	43.7	–2.2
Net gearing on cut-off date[4]	%	115.2	102.8	+12.4
Average interest rate on financial liabilities on cut-off date	%	2.56	2.79	–0.23
Average time to maturity of financial liability	months	36	44	–8
Sales Projects & Development division	CHF million	491.2	499.9	–1.7
Operating margin Projects & Development division[5]	%	40.5	42.2	–1.7
Employees (number)	full-time equivalents	263	265	–0.8
Allreal Holding AG				
Net profit	CHF million	59.7	31.6	+88.9
Share capital	CHF million	569.3	569.3	–
Share				
Earnings per share incl. revaluation effect	CHF	7.81	7.99	–2.3
Earnings per share excl. revaluation effect	CHF	7.33	6.91	+6.1
Net asset value (NAV) per share before deferred tax on cut-off date	CHF	119.70	117.30	+2.0
Net asset value (NAV) per share after deferred tax on cut-off date	CHF	112.65	110.25	+2.2
Dividend per share[6]	CHF	5.00	5.00	–
Share price as at 31 December	CHF	123.00	107.00	+14.9
Dividend yield[6]	%	4.1	4.7	–0.6
Valuation on cut-off date				
Market capitalisation[7]	CHF million	1 394.8	1 213.7	+14.9
Enterprise value[8]	CHF million	2 748.7	2 499.0	+10.0

[1] Changes in quantum and percentage values shown as absolute difference
[2] Income resulting from rental of investment real estate plus completed net project volume by Projects & Development division
[3] Adjusted value 2008 based on changed accounting standards
[4] Finance liabilities minus cash and marketable securities as percentage of equity
[5] EBIT excl. revaluation and restoration of value adjustments on projects as percentage of profit from business activity
[6] Board of directors proposal of CHF 5.00 per share for 2009 financial year
[7] Stock price at balance sheet date multiplied by the number of outstanding shares
[8] Market capitalisation plus net debts

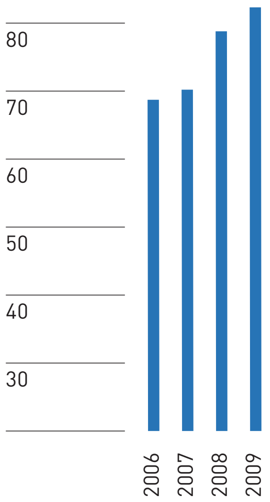
Real estate at a glance

		2009	2008	Change in %[1]
Yield-producing properties				
Commercial real estate	Quantum	47	50	–3
Residential real estate	Quantum	23	23	–
Market value as at 31 December	CHF million	2 207.1	2 153.9	+2.5
Average market value by object	CHF million	31.5	29.5	+6.8
Rental income from investment real estate	CHF million	132.9	123.4	+7.7
Vacany rate[3]	%	3.7	5.5	–1.8
Real estate expenses	CHF million	19.7	17.2	+14.5
Real estate expenses	in % of rental income	14.8	13.9	+0.9
Gross yield[4]	%	6.1	6.2	–0.1
Net yiel[5]	%	5.2	5.2	–
Real estate under construction[2]				
Buildings (number)		4	3	+1
Market value as at 31 December	CHF million	312.0	156.3	+99.6
Investment volume	CHF million	690.0	680.0	+1.5
Real estate for development				
Cost value land reserves as at 31 December	CHF million	165.4	192.5	–14.1
Estimated investment volume land reserves	CHF million	1 184.0	993.0	+19.2
Cost value buildings under construction as at 31 December	CHF million	224.8	164.1	+37.0
Estimated investment volume buildings under construction	CHF million	560.0	435.0	+28.7
Cost value completed buildings as at 31 December	CHF million	4.2	15.9	–73.6

[1] Changes in quantum and percentage values are shown as absolute difference
[2] Adjusted values 2008 based on changed accounting standards
[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
[5] Rental profit from investment real estate in percent of continued market value as at 1 January

Editorial

Net profit
excl. revaluation effect
CHF million



- **Higher operating profit at virtually constant sales**
- **Portfolio with outstanding net yield of 5.2%**
- **Project & Development division exhibits convincing earnings power**
- **Continuation of growth course thanks to solid financing**
- **Optimistic outlook for 2010 financial year**

Allreal reports an outstanding operating result of CHF 83.1 million for the 2009 financial year, the consequence of clearly higher rental income and contributions by the particularly successful Projects & Development division. At 6.0% above the previous year's record result and in a difficult market environment, the 2009 operating result underscores the company's outstanding productivity. The higher valuation of investment real estate resulted in a net profit including valuation gains of CHF 88.6 million. Total sales reported by the two divisions, Real Estate and Projects & Development, amounted to CHF 557.8 million, marginally below the previous year's result.

Allreal's shares performed very well on the stock exchange. On 31 December 2009, the share price closed at CHF 123.00 or 14.9% above the comparable value the previous year. The price hike plus dividend resulted in an overall performance of 19.6%, representing a mark up of the company's net asset value (NAV) of 9.2%. Market capitalisation on the balance sheet date amounted to CHF 1 394.8 million.

Continuation of dividend policy thanks to positive business development
At the annual general meeting of shareholders in 2010 and based on the gratifying results and the positive expectations of future business development, the Board of Directors will propose paying a dividend of CHF 5.00 per share, corresponding to a respectable 4.1% cash yield on the year-end stock price.

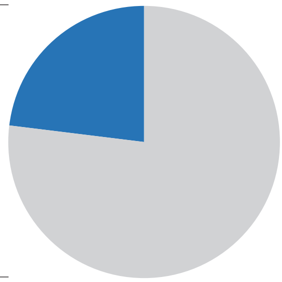
Outstanding yield characterises the Real Estate division
Several properties changed ownership in the 2009 financial year within the parameters of continuous optimisation of the income producing real estate portfolio. The additions include an office building in Basel and the acquisition of land in Zurich-Affoltern where Allreal is the leaseholder of a residential building. A total of four commercial buildings, including one in leasehold, has been sold at a considerable profit. The portfolio of the income-producing properties as of 31 December 2009 comprised 47 commercial and 23 residential buildings.

Due to changed accounting standards (IAS 40), properties under construction which upon completion are to be included in the income producing portfolio are valued at market value and shown in the group balance sheet as investment property under construction. The buildings affected by the new regulation are the Toni-Areal in Zurich-West, MITTIM residential and commercial complex in Wallisellen, Lancy-Square office building in Geneva-Lancy, and Turboprüfstand C on the Escher-Wyss industrial site in Zurich-West.

The valuation of investment real estate (income-producing real estate and investment real estate under construction) resulted in a marginally higher valuation before tax of CHF 6.5 million, or 0.3% of the market value of all investment real estate.

The divisions' contribution toward operating profit

2009



- Real Estate 77.0%
- Projects & Development 23.0%

The additions and departures registered in the period under review plus the valuation of investment real estate resulted in a value increase of the total portfolio by CHF 208.9 million to a total of CHF 2 519.1 million. Of this amount, CHF 2 207.1 million accounts for income-producing properties and CHF 312.0 million for four investment properties under construction.

Rental income in the year under review grew by a gratifying 7.7% to CHF 132.9 million. The continued portfolio expansion by means of acquisitions and in-house projects and a further decrease in the loss of revenue as a result of vacancies represented the chief contributors to this development.

The cumulative vacancy rate in residential and commercial buildings in 2009 amounted to a low 3.7% of the target rental income, a rate that is again substantially lower than that of the previous year.

Real estate expenses of 14.8% of the entire rental income in 2009 were marginally higher than the previous year. The increase is due to several value-maintaining and income-securing refurbishment and redevelopment activities. Despite the increase, the net yield achieved from renting income-producing buildings amounted to a very gratifying 5.2%.

Projects & Development division exceeds high expectations

The completed project volume of CHF 491.2 million (including expenses for investment properties under construction) was only slightly below the previous year's level. The share of own projects increased when compared to the previous year to 40.4%. Due to large-scale initiated and planned projects, this trend is likely to be underscored even further in the years to come.

The Projects & Development division realised a profit of CHF 82.2 million from its business activity during the year under review. This outstanding result is all the more pleasing as it was achieved with completed own projects in a period characterised by a considerable decline in cyclical profits. Lower promotional gains were offset by lower production costs in construction.

As a result of higher personnel expenses, the operating result of CHF 33.3 million declined marginally by 3.5% when compared to the previous year.

With effect 31 December 2009, the Projects & Development division has a secured order backlog of CHF 1.7 billion, corresponding to a utilisation of available capacity for more than two years.

Sound financing allows for further growth
On the balance sheet date, the average interest rate on interest-bearing debt of about CHF 1.52 billion continued at a low 2.56% with an average remaining life of 36 months. Thanks to the successful placement of a convertible bond of more than CHF 200 million during the second half-year of 2009, repayment of the financial means obtained through a convertible bond in 2006 has been secured. As a result, the company is soundly and favourably financed.

The equity ratio on the balance sheet date declined to 41.5% as a consequence of the acquisition of numerous buildings and properties and the financing of several own projects.

Good preconditions for continuing on the road to success
The outstanding result for the 2009 financial year presents a sound foundation for continued successful business activity in the future based on the tried and tested combination of a stable-income real estate portfolio with the activity of a general contractor. This optimistic assessment is based on the growth of the real estate portfolio, anticipated rental income from own projects and the record-high order backlog in the Projects & Development division.

Overall, Allreal expects business activity in the 2010 financial year to remain stable and the operating result when compared to the year under review to improve even further.

The Board of Directors and Group Management wish to take this opportunity to thank all staff members for their contribution to the outstanding financial result and our shareholders for their trust.

Thomas Lustenberger
Chairman

Bruno Bettoni
Chief Executive Officer

Business model and strategy

Allreal combines a secure-income real estate portfolio with the activities of a general contractor (site and project development, realisation, buying and selling properties).

Allreal's portfolio consists of commercial and residential properties in Switzerland's business centres, with a clear focus on the Greater Zurich Area.

This business model allows Allreal to cover the entire value-adding chain in real estate, from project development and realisation to an investment in real estate showing a profit across the long term. The company and its clients benefit from synergies resulting from the combination of the two divisions, Real Estate and Projects & Development.

Since Allreal is active neither in the building trade nor the ancillary building trade, nor does it hold any investments in such companies, its independence and transparency in awarding contracts are guaranteed at all times. The choice of suppliers is based only on objective and economic criteria.

The most important operating and financial goals have been defined as follows:

Return on equity excl. revaluation effect	6–7% p.a.
Return on equity incl. revaluation effect	7–10% p.a.
Share of residential properties of total rental income	20–30%
Net yield on investments / net yield on total portfolio	≥ 5%
Equity ratio	> 35%
Net gearing / ratio of net financial debt to equity	< 150%
Interest coverage ratio	> 2.0
Share of liabilities for portfolio and development properties	< 70%
Dividend policy	< 75% of net profit (excl. revaluation effect)

Real Estate division

The active management of our real estate portfolio provides sustained added value and a consistently high cash flow from operating activity. The division acquires individual properties or entire real estate portfolios which are subsequently optimised for profit potential and either kept or sold, depending on the objective and the market situation. The focus is on stable income and profitable residential and commercial buildings at attractive locations in Switzerland's main business centres. Allreal's aim is to position its real estate portfolio among the three largest of the listed Swiss real estate companies, with residential properties representing 20% to 30% of the portfolio. Allreal normally delegates the supervision of its properties to local and regional companies.

Projects & Development division

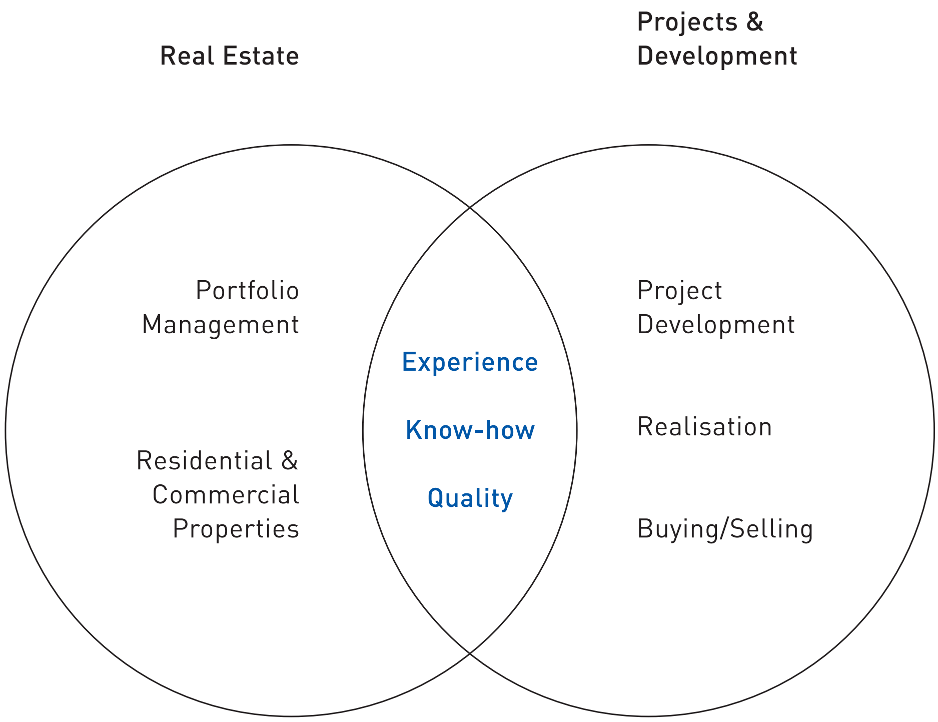
As a general contractor, Allreal's activity comprises regional development, property development and project development, and realising, buying and selling properties. Allreal develops projects in all segments of real estate for private and institutional investors and owners, and for its own portfolio. They are projects ready for construction providing a competitive yield and the best possible added value. Project development is of strategic importance to Allreal due to the high level of synergy and added value.

Realisation comprises the calculation, planning and construction of new buildings, conversions and refurbishments of any size or complexity on time and in the quality demanded while remaining within budget and schedule.

As an investor and general contractor, Allreal supports the goals of the MINERGIE® Association, which include rational use of energy and wide use of renewable energy while improving living comfort and working comfort, ensuring marketability of projects and lowering air pollution. Since the year 2000, Allreal has implemented numerous MINERGIE®, MINERGIE-ECO® and MINERGIE-P® projects, among them Switzerland's first zero heating energy residential complex comprising 132 units.

Allreal sells residential properties from its own development and production, and it advises private individuals, companies and institutional investors concerning real estate transactions of all kinds. A significant activity is seen in sourcing and brokering land, buying and selling real estate for investment, initial rentals of commercial and residential buildings from own production, evaluation, drawing up agreements and consulting for sale transactions.

The aim is to position the Projects & Development division as one of the largest providers of real estate in Switzerland and as market leader in the Greater Zurich Area.



Organisation

Board of Directors

Dr. Thomas Lustenberger
(*1951, Swiss)
Chairman, member since 1999

Dr. iur., LL.M.

Since 1980
Partner in Zurich law firm, Meyer Lustenberger

Member of the Board of Directors of Calida Holding AG, Oberkirch (Chairman); and other non-listed companies

Erich Walser
(*1947, Swiss)
Vice Chairman, member since 1999

lic. oec. HSG, lic. iur

Since 2003
Chairman of the Board of Helvetia Group

1994–2007
CEO Helvetia Group

1991–1993
CEO Helvetia Versicherungen

1979–1990
Various management functions with Helvetia

Huber + Suhner AG, Herisau (Vice Chairman), and other non-listed companies

Chairman of Swiss Insurance Association, Zurich

Dr. Rudolf W. Hug
(*1944, Swiss)
Member since 2003

Dr. iur., MBA INSEAD

Since 1997
Independent management consultant

1987–1997
Managing Director, International Division Credit Suisse/CSFB

1983–1986
Manager of Credit Suisse Bern branch

1977–1982
Manager of Credit Suisse North America department

1972–1976
International credit business Chase Manhattan Bank New York and Düsseldorf

Member of the Board of Panalpina World Transport (Holding) Ltd., Basel, Deutsche Bank (Switzerland) Ltd., Zurich; Orell Füssli Holding AG, Zurich

Member of the board of the Ernst Göhner Foundation

Dr. Jakob Baer
(*1944, Swiss)
Member since 2005

Dr. iur., attorney
Independent consultant since 2004

1994–2004
CEO KPMG Switzerland and member of KPMG's European and international management boards

1992–1994
Member of KPMG Switzerland's executive board

1975–1992
Various management positions with Fides Group

1971–1975
Legal service of Federal Finance Administration, Berne

Member of the Board of Adecco S.A., Chéserex; Rieter Holding AG, Winterthur; Swiss Re, Zurich

Member of the Board of Stäubli Holding AG, Pfäffikon SZ (Chairman) and other two non-listed companies

Albert Leiser
(*1957, Swiss)
Member since 2005

Certified real estate trustee

Board member and delegate SVIT Zurich

City of Zurich councillor

Since 2004
Executive general manager of City of Zurich and Canton Zurich Home Owners' Association

1999–2004
Head Real Estate and Mortgages division, Rentenanstalt/Swiss Life

1994–1998
Various management functions with Rentenanstalt/Swiss Life

1977–1994
Positions with various real estate companies

Board member of three non-listed companies

All members of the board of directors of Allreal Holding AG are non-executive in the company, and they especially hold no official functions or political offices. None of the board members in the past held operating management functions within the Allreal Group. There are two board of directors committees (Risk and Audit Committee, and Nomination and Compensation Committee). The board members are appointed individually for a total of three years.

Group Management

Bruno Bettoni (*1949, Swiss)
Chief Executive Officer since 1999

1995–1999
Managing director of Oerlikon-Bührle Immobilien AG

1983–1995
Member of Group Management of Oerlikon-Bührle Immobilien AG

1973
Joined Oerlikon-Bührle Immobilien AG as project manager

Apprenticeship as architectural draughtsman

Additional apprenticeship as bricklayer

Various management-related courses

Hans Engel (*1955, Swiss)
Head of Real Estate and Member of Group Management since 1999

Holder of the Swiss federal diploma as real estate trustee

1987–1999
Member of the group management of Oerlikon-Bührle Immobilien AG

1981
Joined Oerlikon-Bührle Immobilien AG as an expert for contracts and the purchase, sale and development of real estate

1974–1980
Recording officer in two Zurich notaries' offices

Roger Herzog (*1972, Swiss)
Chief Financial Officer and Member of Group Management since 2004

Swiss certified auditor

2003
Joined Allreal Generalunternehmung AG Group as Head Accounting

1998–2003
PricewaterhouseCoopers, Manager Auditing and Consulting

1995–1998
Zurich Business School, degree in Business Administration

1988–1995
Credit Suisse, employee in foreign exchange and commercial credit divisions

Commercial apprenticeship

None of the members of Group Management hold other such functions, with the exception of directorships within the Allreal Group and the companies mentioned above and especially hold no official functions or political offices.

Auditors

KPMG AG, Zurich

External independent real estate evaluator

Sal. Oppenheim jr. & Cie. Corporate Finance (Schweiz) AG, Zurich

Consolidated financial statement

The Allreal Group reports operating net profit for the 2009 financial year of CHF 83.1 million, corresponding to a 6.0% increase over the previous year. On the one hand, the increase is due to an improved real estate break-even ratio at constant capital expenditure brought about by selling and renting of commercial and residential property in the Real Estate division; on the other hand, the increase was influenced by yet a further improvement in the Project & Development division's results, compensating for higher personnel and operating expenses.

In the Real Estate division, rental income grew by 7.7% to CHF 132.9 million due to an expansion of the portfolio and a reduction in the vacancy rate. Rental income resulting from continuously leased commercial and residential properties grew by 0.4% and 2.5% respectively (like-for-like rental growth). While the real estate expenses of 14.8% of rental income exceeded the previous year's value, they remained within the 13% to 15% range experienced in previous years. The cumulative vacancy rate for the 2009 financial year amounted to a very good 3.7% of target rental income and is expected to rise slightly in 2010.

The valuation of investment real estate by an external real estate valuer resulted in a gain of CHF 6.5 million for the entire portfolio's asset value. The correction includes a valuation gain for residential real estate (CHF 16.5 million) and a valuation loss for commercial real estate (CHF –2.2 million) and for investment real estate under construction (CHF –7.8 million). The higher valuation for residential real estate is due to pressure on yields as a consequence of the continuing high demand by institutional investors. Compared to the previous year, the discount and capitalisation rates have been slightly lower. For the first time, properties that upon completion are allocated to the Real Estate division are shown at market value on the balance sheet. Market values were determined by means of the discounted cash flow method (DCF) and resulted in a net devaluation of investment real estate under construction of CHF –7.8 million due to a change in project parameters introduced during the year under review.

The sale of four commercial properties resulted in a profit before tax of CHF 6.5 million. The prices were about 10% above the market value as shown on the balance sheet on 31 December 2008.

The Projects & Development division reached yet another peak by reporting a consolidated profit from business activity of CHF 82.2 million (2008: CHF 81.8 million). Although the completed project volume slightly declined in 2009 and therefore resulting in a clearly lower rate of completion for own projects and correspondingly lower revenue, the division's consolidated profit rose due to distinctly higher fees (+20%) and profits from construction activity (+ CHF 12.6 million). Higher personnel and other expenses resulted in a lower operating margin of 40.5% when compared to the previous year (2008: 42.2%).

Due to modified planning parameters for the Escher-Terrassen project in Zurich-West, the project's cost of acquisition was adjusted by CHF 2.1 million following an impairment test and loss charged to the Project & Development division.

Although net financial debt grew by approximately CHF 186 million, financial expenditure of CHF 34.3 million remained at the previous year's level. In addition to lower interest rates, the capitalisation of interest expenditure in accordance with the changed accounting standards (IAS 23) had a positive effect on the financial result. Financial expenditure includes compounding effects of CHF 3.2 million resulting from the redemption of two convertible bonds.

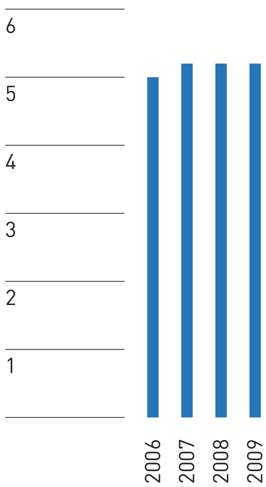
At CHF 25.6 million, the operating tax expenditure represented 23.6% of net profit before tax and was therefore above the group tax rate of 22%. Of this amount, CHF 26.7 million was allotted to current taxes and CHF –1.1 million to deferred taxes resulting from a time discrepancy. Additional deferred tax resulting from revaluation amounted to CHF 1 million.

Consolidated balance sheet and consolidated equity

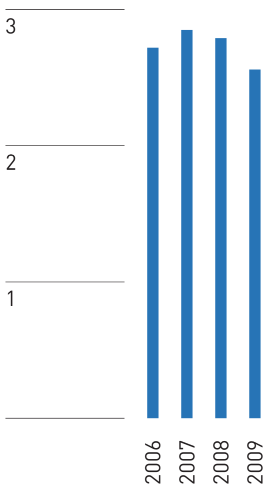
On the balance sheet day, the market value of investment real estate amounted to CHF 2 519.1 million. The market value is comprised of commercial real estate (CHF 1 810.7 million), residential real estate (CHF 396.4 million) and investment real estate under construction (CHF 312.0 million). The value of the real estate portfolio therefore increased by CHF 208.9 million in 2009 through acquisitions and disposals (CHF 29.9 million), value-increasing investments (CHF 9.0 million), construction activity (CHF 163.5 million) and valuation gains (CHF 6.5 million). In 2010, three projects held as investment real estate under construction with an investment volume of CHF 190.0 million will be transferred to income-providing real estate.

Compared to the previous year, the book value of the portfolio of development real estate grew by CHF 13.5 million to CHF 394.4 million. Of the development reserves (CHF 165.4 million), the Richti-Areal valued at CHF 94.0 million is the most valuable. The share of development real estate currently under construction of the entire portfolio of development real estate was 57%. A large number of buildings under construction are scheduled for completion in 2010 and 2011 and are likely to result in profit contributions to the consolidated financial statement in the following years. The successful sale of residential

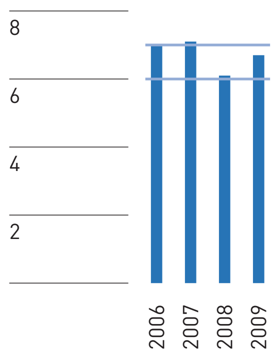
Net yield on portfolio
in percent



Average interest charges at 31 December 2009 in percent

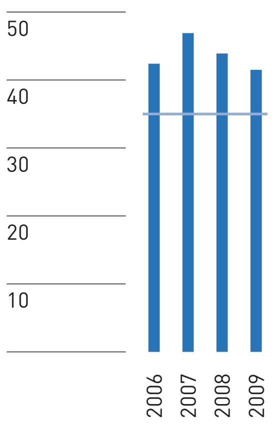


Return on equity excl. revaluation
in percent



Target range

Equity ratio
in percent



Minimum

property is also reflected in Allreal's portfolio of completed buildings amounting to only CHF 4.2 million, or 1.1% of all development real estate.

The growth of the real estate portfolio related to a CHF 185.9 million rise in net financial debt to CHF 1471.2 million. As at 31 December 2009, deferred tax assets and liabilities amounted to CHF 79.7 million (31.12.2008: CHF 79.8 million). Deferred tax liabilities brought about by the revaluation of investment real estate and the delay between the consolidated financial statement and the closing of accounts of group companies were compensated for by the deferred taxes resulting from the valuation of the interest rate swaps.

In the period under review, consolidated equity grew by CHF 26.8 million to CHF 1277.5 million at 31 December 2009. Net income of CHF 88.6 million was faced with the dividend payment (CHF –56.7 million), the acquisition of own shares (CHF –0.5 million) and a rise in the replacement cost of derivative financial instruments (CHF –12.6 million). The latter was caused by the continuing low level of interest rates reflected in the valuation of interest rate swaps. The amount resulting from the issue of a 2.125% convertible bond 2009–2014, which is considered equity security, amounted to CHF 8 million and was allocated to group equity capital.

Consequently, the net asset value (NAV after deferred tax) per share rose by CHF 2.40 to CHF 112.65.

Consolidated cash flow statement

In the period under review, continuing positive business developments have led to a nearly unchanged operating cash flow before changes in working capital of CHF 114.0 million (2008: CHF 115.9 million). Due to lower accounts receivable, net working capital decreased marginally by CHF 14.0 million. The amounts of CHF 30.7 million and CHF 18.3 million respectively were paid for financial expenses and tax on current income and on profit from the sale of property. The result was a cash flow of CHF 79.0 million (2008: CHF 108.1 million).

While investment activity continued in the year under review, acquisitions amounting to CHF 100.5 million and value-increasing investments in existing buildings of CHF 9.0 million exceeded the amount of CHF 44.0 million obtained from the sale of four commercial properties. Continued project activity in investment real estate under construction resulted in cash out investments of CHF 157.1 million. Changes in the remaining fixed assets and financial investments amounted to CHF –6.4 million. The result was a cash flow from investment activity of CHF 216.1 million (2008: CHF 150.5 million).

On the financing side, investments led to an increase of CHF 203.9 million in bank liability. Including the dividend payment and the purchase of own shares, net additions from financing activity amounted to CHF 146.6 million (2008: CHF 42.0 million).

Financial situation

Allreal's investment guidelines and the maximum borrowing level outlined in the credit agreements with the banks define four decisive financial ratios, which were reported as follows for the entire period under review and as of

31 December 2009: consolidated equity ratio 41.5% (at least 35%), net gearing 115.2% (maximum 150%), interest coverage ratio 4.2 (at least 2.0) and the borrowing level for investment and development properties 51.5% (maximum 70%).

At the end of the financial year, average interest on financial liabilities amounted to a low 2.56% (31.12. 2008: 2.79%) at a shorter average duration of 36 months (31.12.2008: 44 months). Of the interest-bearing borrowings as of 31 December 2009, 94.4% were effectively secured against rising interest rates by means of interest-rate swaps, fixed-date mortgage loans and convertible bonds. Immediately available bank loan limits at 31 December 2009 amounted to a comfortable CHF 377 million. In our cooperation with banks we do not recognise any signs of deterioration in conditions. As Allreal did not hedge against interest rate hikes by means of derivative financial instruments in 2009, the company benefited from the continuing low interest rate level and refinanced new borrowings for a longer period of time during the year under review on a short-term basis with interest rates below 1%. The issue of the 2.125% convertible bond 2009–2014 amounting to CHF 200 million allowed Allreal to hedge a part of its floating rate financing long term and at attractive conditions.

In 2010, a total of approximately CHF 350 million of the existing financial debt will benefit from floating interest rates as interest swaps and the 1.875% convertible bond 2006-2010 are due. For Allreal this will open interesting opportunities in the coming months to hedge interest rates at a low level as a rise in money market and capital market rates is expected for the second half-year.

The payout ratio of 68% of net income is well below the maximum value of 75% as specified by the company.

Annual accounts of Allreal Holding AG

The 2009 financial year resulted in clearly higher profits of CHF 59.7 million (2008: CHF 31.6 million). Compared to the previous year, income from investments in group companies increased noticeably to CHF 51.0 million (2008: CHF 14.0 million). By contrast, net financial income decreased to CHF 11.2 million (2008: CHF 20.5 million) as a result of one-time expenses amounting to CHF 4.7 million in connection with the issue of a new convertible bond.

The remaining expenses and taxes of CHF 2.5 million remained within the parameters of the previous year.

Owing to the issue of the 2.125% convertible bond 2009–2014 for CHF 200 million, total assets increased to CHF 1400.3 million. The added means resulting from the convertible bond were used for refinancing purposes and a higher investment share in group companies.

As of 31 December 2009, shareholders' equity amounted to CHF 1043.1 million (31.12. 2008: CHF 1040.1 million). The slight increase of CHF 3 million resulted from the difference between the dividend payment in April 2009 of CHF 56.7 million and the annual profit of CHF 59.7 million.

Consolidated financial statements of Allreal Group

Consolidated income statement

CHF million	2009	2008
Income from renting investment real estate	132.9	123.4
Direct expenses for rented investment real estate	–19.7	–17.2
Earnings from renting investment real estate	**113.2**	**106.2**
Earnings from sale of investment real estate	**6.5**	**2.1**
Higher valuation of yield-producing properties	43.0	36.7
Lower valuation of yield-producing properties	–28.7	–19.5
Higher valuation of investment real estate under construction	5.7	0.0
Lower valuation of investment real estate under construction	–13.5	0.0
Earnings from revaluation of investment real estate	**6.5**	**17.2**
Completed net project volume by Projects & Development division	424.9	465.5
Direct expenses for completed project volume by Projects & Development division	–371.9	–422.8
Earnings from project development and sale of development real estate	5.7	19.0
Capitalised company-produced assets	21.7	19.4
Diverse income	1.8	0.7
Earnings from Projects & Development division	**82.2**	**81.8**
Personnel expenses	–43.5	–41.8
Other operating expense	–14.7	–11.5
EBITDA	**150.2**	**154.0**
Value adjustment goodwill	0.0	–0.5
Depreciation other property, plant and equipment	–0.7	–1.0
Operating profit (EBIT)	**149.5**	**152.5**
Finance income	0.7	2.7
Finance expense	–35.0	–37.3
Net profit before tax	**115.2**	**117.9**
Tax expenses	–26.6	–27.2
Net profit	**88.6**	**90.7**
Valuation financial instruments	–16.2	–44.9
Deferred taxes from valuation of financial instruments	3.6	9.0
Other earnings	**–12.6**	**–35.0**
Total earnings	**76.0**	**55.7**
Total sales	557.8	588.9
EBITDA excl. earnings from revaluation	143.7	136.8
EBIT excl. earnings from revaluation	143.0	135.3
Net profit excl. revaluation effect	**83.1**	**78.4**
Net profit per share in CHF		
— incl. revaluation effect	7.81	7.99
— excl. revaluation effect	7.33	6.91
Diluted earnings per share in CHF		
— incl. revaluation effect	7.39	7.51
— excl. revaluation effect	6.96	6.53

Consolidated balance sheet

CHF million	31.12.2009	31.12.2008[1]	01.01.2008[1]
Yield-producing properties	2 207.1	2 128.3	2 031.3
Investment real estate under construction	312.0	156.3	81.7
Other property, plant and equipment	1.3	1.6	1.2
Financial assets	5.4	10.7	30.2
Deferred tax assets	33.0	26.0	17.7
Fixed assets	**2 558.8**	**2 314.5**	**2 162.1**
Development real estate	394.4	380.9	409.8
Trade receivables	91.9	108.2	73.2
Other receivables	3.5	3.9	5.7
Short-term tax credits	0.0	0.0	1.0
Cash	28.6	19.1	19.5
Subtotal	518.4	503.7	509.2
Investment properties designated for sale	0.0	34.0	0.0
Current assets	**518.4**	**546.1**	**509.2**
Total assets	**3 077.2**	**2 860.6**	**2 671.3**
Share capital	569.3	569.3	569.3
Capital reserves	382.8	382.8	382.8
Treasury shares	–5.7	–5.1	–4.7
Retained earnings	331.1	303.7	305.7
Total equity	**1 277.5**	**1 250.7**	**1 253.1**
Long-term borrowings	192.8	179.6	284.1
Deferred tax liabilities	112.7	105.8	90.2
Long-term provisions	5.2	5.7	6.0
Other long-term liabilities	44.8	31.4	0.0
Long-term liabilities	**355.5**	**322.5**	**380.3**
Trade payables	84.9	85.3	111.0
Current tax liabilities	15.0	6.4	0.0
Other current liabilities	36.0	69.2	37.0
Short-term provisions	1.3	1.7	2.1
Short-term borrowings	1 307.0	1 124.8	887.8
Short-term liabilities	**1 444.2**	**1 287.4**	**1 037.9**
Total liabilities	**1 799.7**	**1 609.9**	**1 418.2**
Total equity and liabilities	**3 077.2**	**2 860.6**	**2 671.3**
Equity (NAV) per share in CHF			
— before deferred tax	119.70	117.30	116.80
— after deferred tax	112.65	110.25	110.40

[1] Adjusted values based on changed presentation of investment real estate under construction and development real estate

Consolidated statement of changes in shareholders' equity

				Retained earnings			
CHF million	Share capital	Capital reserves	Treasury shares	Hedging reserves	Revaluation reserves	Other retained earnings	Total
As at 1 January 2007	**487.9**	**283.1**	**–1.1**	**2.1**	**31.2**	**225.5**	**1 028.7**
Net profit				7.9		88.0	95.9
Capital increase	81.3	99.4					180.7
Purchase treasury shares			–54.5				–54.5
Sale treasury shares			50.9			–0.2	50.7
Dividend payment						–48.8	–48.8
Creation of shares from convertible bond	0.1	0.3					0.4
Reclassification					24.1	–24.1	0.0
As at 31 December 2007	**569.3**	**382.8**	**–4.7**	**10.0**	**55.3**	**240.4**	**1 253.1**
Net profit				–35.0		90.7	55.7
Purchase treasury shares			–64.3				–64.3
Sale treasury shares			63.9			–0.8	63.1
Dividend payment						–56.8	–56.8
Reclassification / rounding					15.0	–15.1	–0.1
As at 31 December 2008	**569.3**	**382.8**	**–5.1**	**–25.0**	**70.3**	**258.4**	**1 250.7**
Net profit				–12.6		88.6	76.0
Convertible bond						8.0	8.0
Purchase treasury shares			–33.8				–33.8
Sale treasury shares			33.2			0.1	33.3
Dividend payment						–56.7	–56.7
Reclassification					0.6	–0.6	0.0
As at 31 December 2009	**569.3**	**382.8**	**–5.7**	**–37.6**	**70.9**	**297.8**	**1 277.5**

Consolidated cash flow statement

CHF million	2009	2008[1]
Earnings before tax	115.2	117.9
Net financial expense	34.3	34.6
Earnings from revaluation of investment real estate	–6.5	–17.2
Depreciation other tangible fixed assets	0.7	1.0
Value adjustment goodwill	0.0	0.5
Change in proceeds from sale of real estate	–6.5	–2.1
Capitalisation of company produced assets	–21.7	–19.4
Other items	1.7	0.6
Change in development real estate	–1.6	61.6
Change in trade receivables	16.9	–34.5
Change in other receivables	1.9	3.8
Change in provisions	–0.4	–0.7
Change in trade payables	–0.4	–25.7
Change in other current liabilities	–2.4	34.0
Cost of finance paid	–31.4	–36.0
Financial income received	0.7	0.6
Income taxes paid	–18.3	–10.9
Cash flow from operations	**79.0**	**108.1**
Purchase of real estate investments	–109.4	–43.1
Disposal of real estate investments	44.0	28.8
Investment in investment real estate under construction	–157.1	–77.5
Divestment of investment real estate under construction	0.0	0.0
Investment other property, plant and equipment	–0.4	–1.4
Purchase of companies (purchasing price minus cash)[2]	0.0	–61.7
Increase financial assets	0.0	0.0
Decrease in financial assets	6.8	4.4
Cash flow from investing activities	**–216.1**	**–150.5**
Increase in borrowings	251.0	306.5
Decrease in borrowings	–242.4	–187.8
Issue convertible bond	195.3	0.0
Repurchase convertible bond	0.0	–19.5
Purchase treasury shares	–33.8	–64.3
Sale treasury shares	33.2	63.9
Dividend payment	–56.7	–56.8
Cash flow from financing activities	**146.6**	**42.0**
Change in cash	**9.5**	**–0.4**
Cash at 1 January	19.1	19.5
Cash at 31 December	**28.6**	**19.1**

[1] Adjusted values based on changed presentation of investment real estate under construction and development real estate

[2] Effective 16 June 2008, Allreal acquired 100% of the share capital of Apalux AG in Zurich. 2008, the transaction resulted in a net outflow of funds amounting to CHF 61.7 million.

Segment Information
Year ended 31 December 2009

CHF million	Real Estate	Projects & Development	Total Segments	Holding/ Eliminations	Total
Income statement					
Profit from operations[1]	119.7	82.2	201.9	0.0	201.9
Profit from intercompany services	–3.8	4.4	0.6	–0.6	0.0
Profit from revaluation on investment real estate	6.5	0.0	6.5	0.0	6.5
Expenses for staff, other	–4.2	–52.7	–56.9	–1.3	–58.2
EBITDA	**118.2**	**33.9**	**152.1**	**–1.9**	**150.2**
Depreciation and amortisation	–0.1	–0.6	–0.7	0.0	–0.7
Operating profit (EBIT)	**118.1**	**33.3**	**151.4**	**–1.9**	**149.5**
Net finance expense	–30.7	–3.6	–34.3	0.0	–34.3
Taxes	–13.5	–8.8	–22.3	–4.3	–26.6
Net profit	**73.9**	**20.9**	**94.8**	**–6.2**	**88.6**
EBITDA excl. revaluation gains	111.7	33.9	145.6	–1.9	143.7
EBIT excl. revaluation gains	111.6	33.3	144.9	–1.9	143.0
Net profit excl. revaluation effect	**68.4**	**20.9**	**89.3**	**–6.2**	**83.1**
Operating margin[2]	93.2	40.5	71.8	–	70.8
Total third-party sales	132.9	424.9	557.8	0.0	557.8
Total sales from intergroup services	0.0	66.3	66.3	–66.3	0.0
Balance sheet as at 31 December 2009					
Fixed assets	2 554.0	4.8	2 558.8	0.0	2 588.8
Current assets	9.3	500.5	509.8	8.6	518.4
Total assets	**2 569.3**	**505.3**	**3 068.6**	**8.6**	**3 077.2**
Provisions	1.2	5.3	6.5	0.0	6.5
Other debt capital (excl. financing taxes)	70.9	94.7	165.5	0.1	165.6
Financial liabilities	1 320.5	179.3	1 499.9	0.0	1 499.9
Tax liabilities	95.9	23.9	119.8	7.9	127.7
Total debt	**1 488.5**	**303.2**	**1 791.7**	**8.0**	**1 799.7**
Total assigned equity[3]	**1 074.8**	**202.1**	**1 276.9**	**0.6**	**1 277.5**

[1] Profit from letting and selling investment real estate (Real Estate division), and profit from general contracting operations (Projects & Development division) excluding value adjustments on development real estate
[2] EBIT less revaluation gains in percent of profit from operations including value adjustments on fixed assets
[3] Assignment of equity to individual segments corresponds to internal financial reporting guidelines requiring an equity ratio of 40% for the Projects & Development division. Financial and tax liabilities will be assigned accordingly.

Allreal operates in Switzerland only. A break-down per geographical segment is therefore not required.

Segment Information
Year ended 31 December 2008

CHF million	Real Estate	Projects & Development	Total Segments	Holding/ Eliminations	Total
Income statement					
Profit from operations[1]	108.3	81.8	190.1	0.0	190.1
Profit from intercompany services	–3.7	4.4	0.7	–0.7	0.0
Profit from revaluation on investment real estate	17.2	0.0	17.2	0.0	17.2
Expenses for staff, other	–1.6	–50.7	–52.3	–1.0	–53.3
EBITDA	**120.2**	**35.5**	**155.7**	**–1.7**	**154.0**
Depreciation and amortisation	–0.5	–1.0	–1.5	0.0	–1.5
Operating profit (EBIT)	**119.7**	**34.5**	**154.2**	**–1.7**	**152.5**
Net finance expense	–27.6	–7.0	–34.6	0.0	–34.6
Taxes	–16.0	–9.0	–25.0	–2.2	–27.2
Net profit	**76.1**	**18.5**	**94.6**	**–3.9**	**90.7**
EBITDA excl. revaluation gains	103.0	35.5	138.5	–1.7	136.8
EBIT excl. revaluation gains	102.5	34.5	137.0	–1.7	135.3
Net profit excl. revaluation effect	**63.8**	**18.5**	**82.3**	**–3.9**	**78.4**
Operating margin[2]	94.6	42.2	72.1	–	71.2
Total third party sales	123.4	465.5	588.9	0.0	588.9
Total sales from intergroup services	0.0	34.5	34.5	–34.5	0.0
Balance sheet as at 31 December 2008					
Fixed assets (adjusted)	2 302.9	11.6	2 314.5	0.0	2 314.5
Current assets (adjusted)	41.7	496.4	538.1	8.0	546.1
Total assets	**2 344.6**	**508.0**	**2 852.6**	**8.0**	**2 860.6**
Provisions	1.2	6.2	7.4	0.0	7.4
Other debt capital (excl. financing taxes)	77.9	108.0	185.9	0.0	185.9
Financial liabilities	1 122.9	181.4	1 304.3	0.0	1 304.3
Tax liabilities	98.3	9.2	107.5	4.8	112.3
Total debt	**1 300.3**	**304.8**	**1 605.1**	**4.8**	**1 609.9**
Total assigned equity[3]	**1 044.3**	**203.2**	**1 247.5**	**3.2**	**1 250.7**

[1] Profit from letting and selling investment real estate (Real Estate division), and profit from general contracting operations (Projects & Development division) without value adjustment of development real estate
[2] EBIT less revaluation gains in percent of profit from operations inclusive value adjustment assets
[3] Assignment of equity to individual segments corresponds to internal financial reporting guidelines requiring an equity ratio of 40% for the Projects & Development division. Financial and tax liabilities will be assigned accordingly.

Allreal operates in Switzerland only. A break-down per geographical segment is therefore not required.

Organisation, contacts, schedule

Organisation chart

Allreal Group
Bruno Bettoni

Finance & Controlling	**Communication**	**Human Resources**	
Roger Herzog	Matthias Meier	Maria Gaugler	
Real Estate	**Projects & Development**		
Hans Engel	Bruno Bettoni		
Portfolio Management	**Project Development**	**Realisation**	**Buying/Selling**
Alain Paratte	Thomas Stauber	Patrick Krähenmann	Eugen Bentele

Structure and addresses

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Allreal Finance AG

Grabenstrasse 25
6340 Baar

Allreal Home AG

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Allreal Office AG
Allreal Toni AG
Allreal Vulkan AG
Allreal West AG
Apalux AG

Eggbühlstrasse 15
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T 044 319 11 11

Allreal Generalunternehmung AG
Allreal Markthalle AG

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Matthias Meier Chief Communications Officer	T 044 319 12 67 F 044 319 15 35 matthias.meier@allreal.ch

Schedule

Annual general meeting 2010	26 March 2010, 16.00 h Kaufleutensaal Pelikanplatz 8001 Zurich
Half-year results 2010	26 August 2010
Annual results 2010	24 February 2011
Annual general meeting 2011	25 March 2011

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building value