

Half-year Report

2019

allreal

Key figures at a glance

| | | 1 st half-year 2019 as at 30.06.2019* | 1 st 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

| | | 1 st half-year 2019 as at 30.06.2019* | 1 st half-year 2018 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 | 4 163.8 | 4 136.6 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

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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

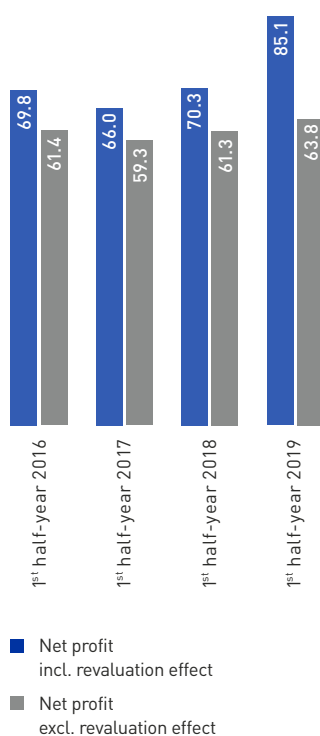
The operating result reported by Allreal for the first six months of 2019 derived from letting property and its activity as a general contractor including revaluation gains amounted to gratifying CHF 85.1 million. The result was strongly characterised by the market-related valorisation of the portfolio 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

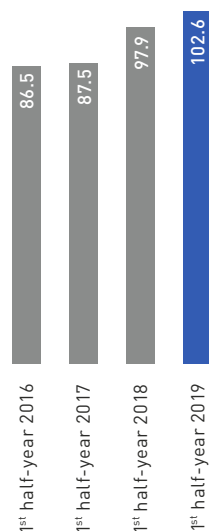
Portfolio expansion carried out in the second half of 2018 by means of two properties resulted in a 4.8 percent increase in rental income compared to the period the previous year to a total of CHF 102.6 million. The two yield-producing properties, which affected net income for the first time across six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

The Fanglethenstrasse 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.

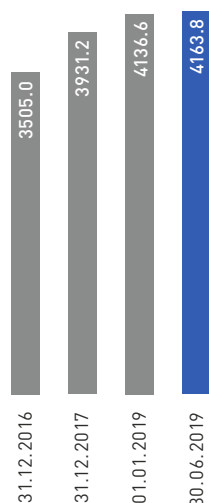
The seven-storey office building on Freiburgstrasse 130 in Bern acquired end 2018 affects net income from 1 January 2019. The property is let exclusively to one tenant, the Swiss Agency for Development and Cooperation (SADC), representing an annual net rent of about CHF 8.3 million.

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



Yield-producing properties
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.

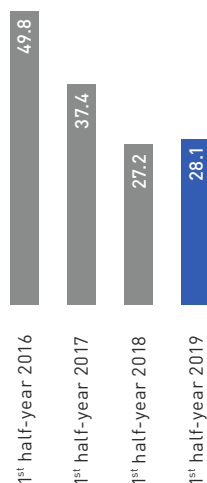
Valuation by an external real estate valuer as at 30 June 2019 of the 67 investment real estate properties resulted in total appreciation before taxes of CHF 29.7 million. Of this amount, the portfolio of yield-producing properties accounts for CHF 23.8 million and that of investment real estate under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

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



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.

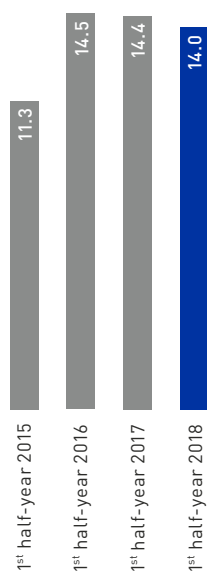
Income generated from Realisation in the Projects & Development division amounted to CHF 20.7 million, or 2.5 percent above the previous year (1st half 2018: CHF 20.2 million). The resulting gross margin of 14.0 percent connected with development and implementation of projects for third parties remained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

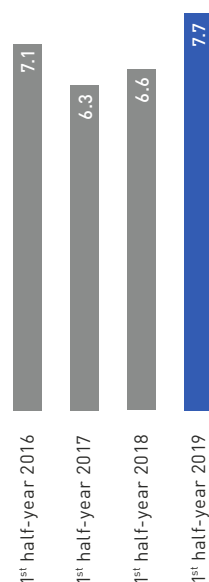
Gross margin third-party projects
Projects & Development division
in percent



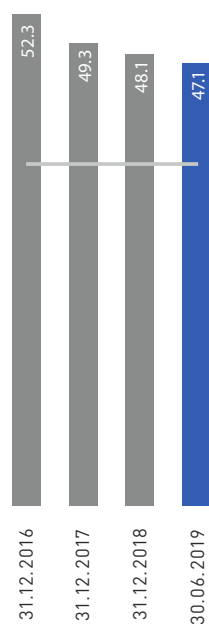
The Development department is concerned with own and third-party projects and participates in project competitions, conducts demanding search activities for suitable land with promising development potential for both Allreal's own portfolio and for third-party customers again made a substantial contribution 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
Chairman

Roger Herzog
Chief Executive Officer

Consolidated half-year financial statements of Allreal Group

Consolidated statement of comprehensive income

| CHF million | Notes | 1 st half-year 2019 | 1 st half-year 2018 |
|--|-------|--------------------------------|--------------------------------|
| Income from renting investment real estate | 2 | 102.6 | 97.9 |
| Income from real estate management services | 3 | 0.0 | 3.0 |
| Income from realisation Projects & Development | 4 | 147.4 | 140.1 |
| Income from sales Development | 4 | 22.4 | 27.5 |
| Diverse income | 4 | 0.6 | 1.5 |
| Operating income | | 273.0 | 270.0 |
| Direct expenses for rented investment real estate | 6 | -11.4 | -8.9 |
| Direct expenses from realisation Projects & Development | 4 | -126.7 | -119.9 |
| Direct expenses from sales Development | 4 | -19.0 | -25.4 |
| Direct operating expenses | | -157.1 | -154.2 |
| Personnel expenses | | -21.3 | -21.3 |
| Other operating expenses | | -4.1 | -5.8 |
| Operating expenses | | -25.4 | -27.1 |
| Capitalised company-produced assets | 4 | 3.4 | 3.4 |
| Higher valuation of yield-producing properties | | 39.3 | 13.0 |
| Lower valuation of yield-producing properties | | -15.5 | -7.3 |
| Higher valuation of investment real estate under construction | | 5.9 | 7.2 |
| Lower valuation of investment real estate under construction | | 0.0 | 0.0 |
| Earnings from revaluation of investment real estate | 7 | 29.7 | 12.9 |
| EBITDA | | 123.6 | 105.0 |
| Depreciation other property, plant and equipment | | -1.7 | 0.0 |
| Amortisation intangible assets | | -0.1 | -0.1 |
| Operating profit (EBIT) | | 121.8 | 104.9 |
| Finance income | | 0.7 | 0.9 |
| Finance expenses | 8 | -14.5 | -15.0 |
| Net profit before tax | | 108.0 | 90.8 |
| Tax expenses | | -22.9 | -20.5 |
| Net profit | | 85.1 | 70.3 |
| Items subsequently restated in profit or loss statement: | | | |
| Valuation of financial instruments | | 4.5 | 6.0 |
| Deferred taxes resulting from valuation of financial instruments | | -1.0 | -1.3 |
| Items not subsequently restated in profit or loss statement: | | | |
| Changes in employee benefits | | 4.5 | 2.1 |
| Deferred taxes from changes in employee benefits | | -1.0 | -0.5 |
| Other comprehensive income | | 7.0 | 6.3 |
| Total comprehensive income | | 92.1 | 76.6 |
| Earnings per share in CHF | | 5.36 | 4.42 |
| Diluted earnings per share in CHF | | 5.36 | 4.42 |

Consolidated balance sheet

| CHF million | Notes | 30.06.2019 | 31.12.2018 audited |
|---|-------|----------------|-----------------------|
| Investment real estate | 10 | 4 163.8 | 4 101.8 |
| Investment real estate under construction | 10 | 73.7 | 58.1 |
| Other property, plant and equipment | | 6.4 | 1.1 |
| Financial assets | | 136.3 | 135.9 |
| Intangible assets | | 0.2 | 0.2 |
| Deferred tax assets | | 14.2 | 27.8 |
| Non-current assets | | 4 394.6 | 4 324.9 |
| Development real estate | 11 | 156.5 | 147.6 |
| Contract assets | | 53.8 | 48.3 |
| Trade receivables | | 41.5 | 45.8 |
| Tax receivables | | 1.6 | 0.0 |
| Other receivables | | 3.1 | 2.3 |
| Cash | | 38.8 | 40.6 |
| Current assets | | 295.3 | 284.6 |
| Assets | | 4 689.9 | 4 609.5 |
| Share capital | 12 | 15.9 | 15.9 |
| Capital reserves | | 628.0 | 731.3 |
| Treasury shares | 12 | -8.7 | -8.9 |
| Retained earnings | | 1 572.6 | 1 480.5 |
| Equity | | 2 207.8 | 2 218.8 |
| Borrowings | 13 | 1 550.5 | 1 551.9 |
| Deferred tax liabilities | | 239.6 | 237.2 |
| Retained earnings | | 1.9 | 2.0 |
| Leasing liabilities | | 35.0 | 0.0 |
| Long-term liabilities | | 1 827.0 | 1 791.1 |
| Contract liabilities | | 39.1 | 31.5 |
| Trade payables | | 24.0 | 23.0 |
| Prepayments for development real estate | | 0.4 | 0.2 |
| Current tax liabilities | | 0.0 | 8.1 |
| Other current liabilities | | 13.4 | 14.9 |
| Short-term provisions | | 2.3 | 1.9 |
| Leasing liabilities | | 4.6 | 0.0 |
| Short-term borrowings | 13 | 571.3 | 520.0 |
| Short-term liabilities | | 655.1 | 599.6 |
| Liabilities | | 2 482.1 | 2 390.7 |
| Equity and liabilities | | 4 689.9 | 4 609.5 |

Consolidated statement of changes in shareholders' equity

| CHF million | | | | Retained earnings | | | Total |
|---|---------------|------------------|-----------------|-------------------|----------------------|-------------------------|----------------|
| | Share capital | Capital reserves | Treasury shares | Hedging reserves | Revaluation reserves | Other retained reserves | |
| As at 1 January 2018 | 797.1 | 49.4 | -4.9 | -25.1 | 214.2 | 1 120.0 | 2 150.7 |
| First adoption IFRS 15 | | | | | | 1.5 | 1.5 |
| Net profit | | | | | | 70.3 | 70.3 |
| Valuation of financial instruments | | | | 4.7 | | | 4.7 |
| Changes in employee benefits | | | | | | 1.6 | 1.6 |
| Total comprehensive income | | | | 4.7 | | 71.9 | 76.6 |
| Purchase treasury shares | | | -18.4 | | | | -18.4 |
| Sale treasury shares | | | 14.3 | | | 0.0 | 14.3 |
| Pay-out of reserves from capital contributions | -781.2 | 681.9 | | | | | -99.3 |
| Share-based reimbursement | | | 0.1 | | | | 0.1 |
| Reclassification | | | | | 8.7 | -8.7 | 0.0 |
| As at 30 June 2018 | 15.9 | 731.3 | -8.9 | -20.4 | 222.9 | 1 184.7 | 2 125.5 |
| Net profit | | | | | | 90.7 | 90.7 |
| Valuation of financial instruments | | | | 4.7 | | | 4.7 |
| Changes in employee benefits | | | | | | -1.8 | -1.8 |
| Total comprehensive income | | | | 4.7 | | 88.9 | 93.6 |
| Purchase treasury shares | | | -17.7 | | | | -17.7 |
| Sale treasury shares | | | 17.6 | | | -0.3 | 17.3 |
| Nominal value reduction | | 99.3 | | | | | 99.3 |
| Payout of reserves from capital contributions | | -99.3 | | | | | -99.3 |
| Share-based reimbursement | | | 0.1 | | | | 0.1 |
| Reclassification | | | | | 36.6 | -36.6 | 0.0 |
| As at 31 December 2018 | 15.9 | 731.3 | -8.9 | -15.7 | 259.5 | 1 236.7 | 2 218.8 |
| Net profit | | | | | | 85.1 | 85.1 |
| Changes in financial instruments | | | | 3.5 | | | 3.5 |
| Changes in employee benefits | | | | | | 3.5 | 3.5 |
| Total comprehensive income | | | | 3.5 | | 88.6 | 92.1 |
| Purchase treasury shares | | | 0.0 | | | | 0.0 |
| Sale treasury shares | | | 0.0 | | | 0.0 | 0.0 |
| Nominal value reduction / payment to shareholders | | -103.3 | | | | | -103.3 |
| Share-based reimbursement | | | 0.2 | | | | 0.2 |
| Reclassification | | | | | 21.3 | -21.3 | 0.0 |
| As at 30 June 2019 | 15.9 | 628.0 | -8.7 | -12.2 | 280.8 | 1 304.0 | 2 207.8 |

Consolidated cash flow statement

| CHF million | Notes | 1 st half-year 2019 | 1 st half-year 2018 |
|--|-------|--------------------------------|--------------------------------|
| Earnings before tax | | 108.0 | 90.8 |
| Net financial expense | | 13.8 | 14.1 |
| Earnings from revaluation of investment real estate | 7 | -29.7 | -12.9 |
| Depreciation other property, plant and equipment | | 1.7 | 0.0 |
| Depreciation intangible assets | | 0.1 | 0.1 |
| Capitalisation of company-produced assets in development real estate | | -1.0 | -2.0 |
| Share-based reimbursement | | 0.2 | 0.1 |
| Change in pension fund obligations affecting net income | | 0.5 | 1.3 |
| Other items | | 1.6 | 0.3 |
| Change in development real estate | | -9.9 | 3.8 |
| Change in contract assets | | -5.5 | 26.6 |
| Change in trade receivables | | 4.3 | -12.0 |
| Change in other receivables | | -0.8 | -2.2 |
| Change in provisions | | 0.4 | -5.1 |
| Change in contract liabilities | | 7.6 | -31.5 |
| Change in trade payables | | 1.0 | 25.4 |
| Change in down payments for development real estate | | 0.2 | -5.0 |
| Change in other current liabilities | | -1.5 | -3.1 |
| Cost of finance paid | | -11.5 | -10.5 |
| Financial income received | | 0.7 | 0.8 |
| Income tax paid | | -16.2 | -15.3 |
| Cash flow from operating activities | | 64.0 | 63.7 |
| Investment in yield-producing properties | 10 | -4.2 | -5.3 |
| Investment in investment real estate under construction | 10 | -9.6 | -9.7 |
| Acquisition of other property, plant and equipment | | -0.2 | 0.0 |
| Investment in intangible assets | | -0.1 | 0.0 |
| Sale of company (price minus cash) | 5 | 0.0 | -0.2 |
| Increase in financial assets | | -1.2 | -0.3 |
| Decrease in financial assets | | 4.9 | 4.8 |
| Cash flow from investing activities | | -10.4 | -10.7 |
| Increase in borrowings | | 219.0 | 85.5 |
| Decrease in borrowings | | -169.2 | -267.5 |
| Issue of bond loan | | 0.0 | 124.7 |
| Redemption leasing liabilities | | -1.9 | 0.0 |
| Purchase treasury shares | | 0.0 | -18.4 |
| Sale treasury shares | | 0.0 | 14.3 |
| Payout of reserves from capital contributions | | -103.3 | 0.0 |
| Cash flow from financing activities | | -55.4 | -61.4 |
| Change in cash | | -1.8 | -8.4 |
| Cash at 1 January | | 40.6 | 38.1 |
| Cash at 30 June | | 38.8 | 29.7 |

Segment information for the first half-year 2019

| CHF million | Real estate | Projects & Development | Total segments | Holding/ eliminations | Total |
|--|----------------|------------------------|----------------|-----------------------|----------------|
| Income statement | | | | | |
| Operating income | 102.6 | 170.4 | 273.0 | 0.0 | 273.0 |
| Profit from intercompany services | -3.9 | 4.2 | 0.3 | -0.3 | 0.0 |
| Direct operating expenses | -11.4 | -145.7 | -157.1 | 0.0 | -157.1 |
| Operating expenses | -1.5 | -23.2 | -24.7 | -0.7 | -25.4 |
| Capitalised company-produced assets | 0.0 | 3.4 | 3.4 | 0.0 | 3.4 |
| Earnings from revaluation of investment real estate | 29.7 | 0.0 | 29.7 | 0.0 | 29.7 |
| EBITDA | 115.5 | 9.1 | 124.6 | -1.0 | 123.6 |
| Depreciation and amortisation | 0.0 | -1.8 | -1.8 | 0.0 | -1.8 |
| Operating profit (EBIT) | 115.5 | 7.3 | 122.8 | -1.0 | 121.8 |
| Financial income | 0.7 | 0.0 | 0.7 | 0.0 | 0.7 |
| Financial expense | -13.8 | -0.7 | -14.5 | 0.0 | -14.5 |
| Tax expense | -21.3 | -1.1 | -22.4 | -0.5 | -22.9 |
| Net profit | 81.1 | 5.5 | 86.6 | -1.5 | 85.1 |
| EBITDA excl. revaluation gains | 85.8 | 9.1 | 94.9 | -1.0 | 93.9 |
| Operating profit (EBIT) excl. revaluation gains | 85.8 | 7.3 | 93.1 | -1.0 | 92.1 |
| Net profit excl. revaluation effect | 59.8 | 5.5 | 65.3 | -1.5 | 63.8 |
| Operating margin in percent ¹ | 94.1 | 26.0 | 78.0 | 0.0 | 77.2 |
| Rental income and income from real estate management | 102.6 | 0.0 | 102.6 | 0.0 | 102.6 |
| Completed project volume third-party projects | 0.0 | 147.4 | 147.4 | 0.0 | 147.4 |
| Completed project volume own projects | 0.0 | 31.5 | 31.5 | 0.0 | 31.5 |
| Total sales (according to internal reporting) | 102.6 | 178.9 | 281.5 | 0.0 | 281.5 |
| less sales from intercompany services | 0.0 | -18.5 | -18.5 | 0.0 | -18.5 |
| Total sales to third parties (according to internal reporting) | 102.6 | 160.4 | 263.0 | 0.0 | 263.0 |
| plus reconciliation item external reporting | 0.0 | 9.4 | 9.4 | 0.0 | 9.4 |
| Diverse income | 0.0 | 0.6 | 0.6 | 0.0 | 0.6 |
| Operating income | 102.6 | 170.4 | 273.0 | 0.0 | 273.0 |
| Balance sheet as at 31.12.2019 | | | | | |
| Non-current assets | 4 378.8 | 15.8 | 4 394.6 | 0.0 | 4 394.6 |
| Current assets | 14.4 | 279.6 | 294.0 | 1.3 | 295.3 |
| Total assets | 4 393.2 | 295.4 | 4 688.6 | 1.3 | 4 689.9 |
| Provisions | 0.0 | 4.2 | 4.2 | 0.0 | 4.2 |
| Other debt (excl. financing and taxes) | 49.0 | 67.5 | 116.5 | 0.0 | 116.5 |
| Financial liabilities | 2 022.0 | 99.8 | 2 121.8 | 0.0 | 2 121.8 |
| Tax liabilities | 232.3 | 6.3 | 238.6 | 1.0 | 239.6 |
| Total debt | 2 303.3 | 177.8 | 2 481.1 | 1.0 | 2 482.1 |
| Total assigned equity² | 2 089.9 | 117.6 | 2 207.5 | 0.3 | 2 207.8 |
| Investment in non-current assets | 13.8 | 0.1 | 13.9 | 0.0 | 13.9 |

¹ EBIT less revaluation gains in percent of income from business activity (balance of operating income, direct operating expenses, capitalised company-produced assets, and earnings from sale of investment real estate)

² 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

Segment information for the first half-year 2018

| CHF million | Real estate | Projects & Development | Total segments | Holding/ eliminations | Total |
|--|----------------|------------------------|----------------|-----------------------|----------------|
| Income statement | | | | | |
| Operating income | 100.9 | 169.1 | 270.0 | 0.0 | 270.0 |
| Profit from intercompany services | -3.8 | 4.1 | 0.3 | -0.3 | 0.0 |
| Direct operating expenses | -8.9 | -145.3 | -154.2 | 0.0 | -154.2 |
| Operating expenses | -1.8 | -24.6 | -26.4 | -0.7 | -27.1 |
| Capitalised company-produced assets | 0.0 | 3.4 | 3.4 | 0.0 | 3.4 |
| Earnings from revaluation of investment real estate | 12.9 | 0.0 | 12.9 | 0.0 | 12.9 |
| EBITDA | 99.3 | 6.7 | 106.0 | -1.0 | 105.0 |
| Depreciation and amortisation | 0.0 | -0.1 | -0.1 | 0.0 | -0.1 |
| Operating profit (EBIT) | 99.3 | 6.6 | 105.9 | -1.0 | 104.9 |
| Financial income | 0.9 | 0.0 | 0.9 | 0.0 | 0.9 |
| Financial expense | -14.5 | -0.5 | -15.0 | 0.0 | -15.0 |
| Tax expense | -19.0 | -1.2 | -20.2 | -0.3 | -20.5 |
| Net profit | 66.7 | 4.9 | 71.6 | -1.3 | 70.3 |
| EBITDA excl. revaluation gains | 86.4 | 6.7 | 93.1 | -1.0 | 92.1 |
| Operating profit (EBIT) excl. revaluation gains | 86.4 | 6.6 | 93.0 | -1.0 | 92.0 |
| Net profit excl. revaluation effect | 57.7 | 4.9 | 62.6 | -1.3 | 61.3 |
| Operating margin in percent ¹ | 93.9 | 24.3 | 78.0 | 0.0 | 77.2 |
| Rental income and income from real estate management | 100.9 | 0.0 | 100.9 | 0.0 | 100.9 |
| Completed project volume third-party projects | 0.0 | 140.1 | 140.1 | 0.0 | 140.1 |
| Completed project volume own projects | 0.0 | 25.9 | 25.9 | 0.0 | 25.9 |
| Total sales (according to internal reporting) | 100.9 | 166.0 | 266.9 | 0.0 | 266.9 |
| less sales from intercompany services | 0.0 | -15.9 | -15.9 | 0.0 | -15.9 |
| Total sales to third parties (according to internal reporting) | 100.9 | 150.1 | 251.0 | 0.0 | 251.0 |
| plus reconciliation item external reporting | 0.0 | 17.5 | 17.5 | 0.0 | 17.5 |
| Diverse income | 0.0 | 1.5 | 1.5 | 0.0 | 1.5 |
| Operating income | 100.9 | 169.1 | 270.0 | 0.0 | 270.0 |
| Balance sheet as at 30.06.2018 | | | | | |
| Non-current assets | 4 313.0 | 11.9 | 4 324.9 | 0.0 | 4 324.9 |
| Current assets | 10.1 | 273.3 | 283.4 | 1.2 | 284.6 |
| Total assets | 4 323.1 | 285.2 | 4 608.3 | 1.2 | 4 609.5 |
| Provisions | 0.0 | 3.9 | 3.9 | 0.0 | 3.9 |
| Other debt (excl. financing and taxes) | 10.1 | 59.4 | 69.5 | 0.0 | 69.5 |
| Financial liabilities | 1 972.9 | 99.0 | 2 071.9 | 0.0 | 2 071.9 |
| Tax liabilities | 235.1 | 8.8 | 243.9 | 1.5 | 245.4 |
| Total debt | 2 218.1 | 171.1 | 2 389.2 | 1.5 | 2 390.7 |
| Total assigned equity² | 2 105.0 | 114.1 | 2 219.1 | -0.3 | 2 218.8 |
| Investment in non-current assets | 30.5 | 0.3 | 30.8 | 0.0 | 30.8 |

¹ EBIT less revaluation gains in percent of income from business activity (balance of operating income, direct operating expenses, capitalised company-produced assets, and earnings from sale of investment real estate)

² 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

Selected notes

1 Basic principles

1.1 Presentation of accounts

The 2019 consolidated semi-annual financial statements were prepared in accordance with International Financial Reporting Standard IAS 34 on Interim Financial Reporting and conform to the Listing Rules as well as Article 17 of the Directive on Financial Reporting (DFR) of SIX Swiss Exchange. The same principles of accounting apply as for the 2018 consolidated financial statements.

Of the new or amended IFRS standards and interpretations which entered into force on 1 January 2019, only IFRS 16 "Leases" (explained below) had an impact on the consolidated financial statements.

IFRS 16

The standard sets out the principles for the recognition, measurement and presentation of leases previously defined in IAS 17. The changes affect in particular operating lease contracts with the lessee, which are now recognised in the balance sheet.

Initial application of the new standard followed the modified retrospective approach, thus eliminating the need to restate the previous year's figures.

As lessee, Allreal is affected in its capacity as ground lessee of yield-producing properties and with regard to long-term rental agreements for offices and parking spaces. As ground lessee, Allreal recognised a right-of-use asset of CHF 34.8 million for future ground rent and a right-of-use asset of CHF 6.8 million for long-term rental agreements. At the same time, for both positions a lease liability in the same amount was recognised on 1 January 2019.

Leasehold agreements are in place in connection with yield-producing properties or investment real estate properties under construction. Ground rent accruing is index-linked, any changes in the index are made prospectively. Ground rent was previously deducted from income from renting investment real estate. Right-of-use assets arising from leasehold agreements count as yield-producing properties and are reported separately in the notes.

The initial valuation of lease liabilities for both positions corresponds to the value of the discounted future payments. An interest rate with a comparable term and level of security is used as discounting rate. Lease liabilities incurred in the capacity as ground lessee bore an interest rate of 2.0%, and long-term rental agreements an interest rate of 0.5%. Right-of-use assets were initially recognised at the amount of the lease liabilities.

Right-of-use assets arising from long-term rental agreements for offices and parking spaces are reported under other property, plant and equipment. Right-of-use assets are depreciated on a straight-line basis. This position was previously recognised as rental expenses under other operating expenses.

Payments of ground rent and rental expenses are now divided into an amortisation component and an interest component and thus result in shifts between cash flow from financing activities and cash flow from operating activities.

Application of the new standard does not entail any material adjustments for Allreal in its capacity as lessor.

Effects of initial application of IFRS 16

| | Effect of IFRS 16 |
|--|-------------------|
| Operating lease liabilities under ground rent as at 1 January 2019 | 49.0 |
| Operating lease liabilities under long-term rental agreements as at 1 January 2019 | 6.8 |
| Scope of application for short-term leases | 0.0 |
| Scope of application for leases of assets of low value | 0.0 |
| Gross lease liabilities as at 1 January 2019 | 55.8 |
| Discount rate | -14.2 |
| Lease liability as at 1 January 2019 | 41.6 |

Opening balance sheet after application of IFRS 16

| | 31.12.2018 | Application of IFRS 16 | 01.01.2019 |
|-------------------------------------|----------------|------------------------|----------------|
| Yield-producing properties | 4 101.8 | 34.8 | 4 136.6 |
| Other property, plant and equipment | 1.1 | 6.8 | 7.9 |
| Non-current assets | 4 324.9 | 41.6 | 4 366.5 |
| Current assets | 284.6 | 0.0 | 284.6 |
| Assets | 4 609.5 | 41.6 | 4 651.1 |
| Equity | 2 218.8 | 0.0 | 2 218.8 |
| Lease liabilities | 0.0 | 37.0 | 37.0 |
| Long-term liabilities | 1 791.1 | 37.0 | 1 828.1 |
| Lease liabilities | 0.0 | 4.6 | 4.6 |
| Short-term liabilities | 599.6 | 4.6 | 604.2 |
| Equity and liabilities | 4 609.5 | 41.6 | 4 651.1 |

Seen over the course of the year, individual business activities of the Allreal Group are subject to fluctuations, in particular in the Projects & Development division – for instance, the planning and execution of construction projects or the sale of development real estate. In the first half of 2019, no unusual events occurred that had a material impact on the assets, financial position and earnings of the Allreal Group.

The 2019 consolidated semi-annual financial statements were approved by the Board of Directors of Allreal Holding AG on 13 August 2019.

1.2 Scope of consolidation

The scope of consolidation remained unchanged in the 2019 financial year.

2 Income from renting investment real estate

| CHF million | 1 st half-year 2019 | 1 st half-year 2018 |
|---|-----------------------------------|-----------------------------------|
| Rental income from residential properties | 17.5 | 16.7 |
| Rental income from commercial properties | 85.1 | 81.2 |
| Income from renting investment real estate | 102.6 | 97.9 |

The cumulative vacancy rate for the first half of 2019 totalled 1.9% of target rental income (1st half-year 2018: 2.0%), broken down into 3.8% for residential properties and 1.5% for commercial properties (1st half-year 2018: 2.1% and 2.0%).

3 Income from real estate management services

| CHF million | 1 st half-year 2019 | 1 st half-year 2018 |
|--|-----------------------------------|-----------------------------------|
| Income from administration and management | 0.0 | 0.9 |
| Income from sale of companies | 0.0 | 2.1 |
| Income from real estate management services | 0.0 | 3.0 |

Hammer Retex AG, together with its facility management service operation for third parties, was divested in the first half of 2018, see 5.

4 Earnings from Projects & Development division

| CHF million | 1 st half-year 2019 | 1 st half-year 2018 |
|---|-----------------------------------|-----------------------------------|
| Income from realisation Projects & Development | 147.4 | 140.1 |
| Direct expenses from realisation Projects & Development | -126.7 | -119.9 |
| Earnings from realisation Projects & Development | 20.7 | 20.2 |
| Income from sales Development | 22.4 | 27.5 |
| Direct expenses from sales Development | -19.0 | -25.4 |
| Income from sales Development | 3.4 | 2.1 |
| Capitalised company-produced assets | 3.4 | 3.4 |
| Diverse income | 0.6 | 1.5 |
| Earnings from Projects & Development division | 28.1 | 27.2 |

Earnings from realisation Projects & Development consists of architects' and project & development fees (CHF 11.1 million) and earnings from construction activity (CHF 12.1 million) (1st half-year 2018: CHF 12.3 million and CHF 8.8 million, respectively). This contrasts with directly offset sales deductions (CHF 2.5 million) (1st half-year 2018: CHF 0.9 million).

Income from sales Development is attributable to revenue from the project Soli-strasse in Bülach ZH (CHF 22.4 million) which comprises 73 units, resulting in gains on sales of CHF 3.4 million. As at the balance sheet cut-off date, contracts of sale had been notarised for 71 units.

5 Sale of companies

Hammer Retex AG, together with its facility management service operation for third parties, was divested for CHF 0.75 million in the first half of 2018.

The disposal of net assets resulted in earnings from the sale of companies of CHF 2.05 million, which were taken to the 2018 income statement as a component of the item Income from real estate management services.

6 Direct expenses for rented investment real estate

| CHF million | 1 st half-year 2019 | 1 st half-year 2018 |
|---|-----------------------------------|-----------------------------------|
| Administrative and operating expenses, residential properties | -0.9 | -0.7 |
| Administrative and operating expenses, commercial real estate | -2.7 | -2.4 |
| Maintenance and repair expenses, residential real estate | -1.6 | -1.8 |
| Maintenance and repair expenses, commercial real estate | -6.2 | -4.0 |
| Real estate expenses | -11.4 | -8.9 |

7 Earnings from revaluation of investment real estate

| CHF million | 1 st half-year 2019 | 1 st half-year 2018 |
|---|-----------------------------------|-----------------------------------|
| Higher valuation of yield-producing properties | 39.3 | 13.0 |
| Higher valuation of investment real estate under construction | 5.9 | 7.2 |
| Higher valuation of right-of-use asset classified as investment real estate | 0.0 | 0.0 |
| Lower valuation of yield-producing properties | -15.0 | -7.3 |
| Lower valuation of investment real estate under construction | 0.0 | 0.0 |
| Lower valuation of right-of-use asset classified as investment real estate | -0.5 | 0.0 |
| Earnings from revaluation of investment real estate | 29.7 | 12.9 |

CHF 13.6 million of the higher valuation of yield-producing properties relates to residential real estate and CHF 25.7 million to commercial real estate (1st half-year 2018: CHF 1.1 million and CHF 11.9 million, respectively). CHF 0.7 million of the lower valuation of yield-producing properties relates to residential real estate and CHF 14.3 million to commercial real estate (1st half-year 2018: CHF -7.3 million for commercial real estate).

In connection with the introduction of IFRS 16, a right-of-use asset classified as investment real estate was recognised. The first-time valuation reduced the valuation by CHF 0.5 million.

The average discount rates as at 30 June 2019 for the entire portfolio of yield-producing properties amount to 4.10% (31.12.2018: 4.15%). The average capitalisation rates as at 30 June 2019 amount to 3.61% (31.12.2018: 3.66%).

As in the previous year, Jones Lang LaSalle AG acts as the real estate valuer on a contract basis.

8 Financial expense

| CHF million | 1 st half-year 2019 | 1 st half-year 2018 |
|--|-----------------------------------|-----------------------------------|
| Expense for derivatives | -4.5 | -6.0 |
| Interest expense for bond issues | -5.5 | -5.4 |
| Interest expense payable to banks/insurance companies for liabilities | -4.3 | -3.7 |
| Interest expenses for lease liabilities | -0.3 | 0.0 |
| Capitalised building loan interest | 0.1 | 0.1 |
| Financial expense | -14.5 | -15.0 |

Expense for derivatives is in connection with the recycling of hedging reserves, CHF 4.5 million (1st half-year 2018: CHF -6.0 million) of which was charged to the income statement as non-cash expense in the period under review.

9 Earnings per share/net asset value (NAV) per share

| | 1 st half-year 2019 | 1 st half-year 2018 |
|---|-----------------------------------|-----------------------------------|
| Number of outstanding shares as at 01.01. (in thousands) | 15 886 | 15 913 |
| Change in holdings of treasury shares (in thousands) | 1 | -26 |
| Number of outstanding shares as at 30.06. (in thousands) | 15 887 | 15 887 |
| Average number of outstanding shares (in thousands) | 15 886 | 15 888 |
| Net profit excl. revaluation effect (in CHF million) | 63.8 | 61.3 |
| Earnings from revaluation of investment real estate (in CHF million) | 29.7 | 12.9 |
| Deferred taxes on revaluation gains (in CHF million) | -8.4 | -3.9 |
| Net profit incl. revaluation effect (in CHF million) | 85.1 | 70.3 |
| Earnings per share incl. revaluation effect (CHF) | 5.36 | 4.42 |
| Earnings per share excl. revaluation effect (CHF) | 4.02 | 3.86 |
| Diluted earnings per share | | |
| — incl. revaluation effect (CHF) | 5.36 | 4.42 |
| — excl. revaluation effect (CHF) | 4.02 | 3.86 |

The share-based remuneration of members of Group Management has the effect of diluting the earnings per share. For this calculation, the average number of outstanding shares increases from 15,886,232 to 15,887,486 shares.

| | 30.06.2019 | 31.12.2018 |
|---|---------------|---------------|
| Outstanding shares (in thousands) on cut-off date | 15 887 | 15 886 |
| Equity on cut-off date (CHF million) | 2 207.8 | 2 218.8 |
| Net asset value (NAV) per share after deferred taxes (CHF) | 138.95 | 139.65 |
| Equity plus provisions for deferred taxes less deferred tax assets (CHF million) | 2 433.2 | 2 428.2 |
| Net asset value (NAV) per share before deferred taxes (CHF) | 153.15 | 152.85 |

10 Investment real estate

| CHF million | 30.06.2019 | 31.12.2018 |
|---|----------------|----------------|
| Residential real estate | 924.4 | 910.8 |
| Commercial real estate | 3 205.1 | 3 191.0 |
| Right-of-use asset classified as investment real estate | 34.3 | 0.0 |
| Yield-producing properties | 4 163.8 | 4 101.8 |
| Investment real estate under construction | 73.7 | 58.1 |
| Investment real estate | 4 237.5 | 4 159.9 |

The changes in the first half of 2019 can be summarised as follows:

| CHF million | Residential real estate | Commercial real estate | Right of use | Total yield-producing properties | Investment real estate under construction | Total investment real estate |
|--|-------------------------|------------------------|--------------|----------------------------------|---|------------------------------|
| As at 31.12.2018 | 910.8 | 3 191.0 | – | 4 101.8 | 58.1 | 4 159.9 |
| First adoption IFRS 16 | | | 34.8 | 34.8 | | 34.8 |
| As at 01.01.2019 | 910.8 | 3 191.0 | 34.8 | 4 136.6 | 58.1 | 4 194.7 |
| Purchases | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Value-enhancing investments | 0.7 | 3.5 | 0.0 | 4.2 | 9.6 | 13.8 |
| Capitalised building loan interest | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 |
| Disposals | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Reclassifications | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Market value adjustments ¹ | 12.9 | 11.4 | –0.5 | 23.8 | 5.9 | 29.7 |
| Rent-free periods | 0.0 | –0.8 | 0.0 | –0.8 | 0.0 | –0.8 |
| As at 30.06.2019 | 924.4 | 3 205.1 | 34.3 | 4 163.8 | 73.7 | 4 237.5 |
| of which pledged or subject to transfer restrictions | 825.6 89.3% | 2 713.7 84.7% | 0.0 0.0% | 3 539.3 85.0% | 0.0 0.0% | 3 539.3 83.5% |

The value-enhancing investments relate to the yield-producing properties Grünstrasse 27–31/Badenerstrasse 119–133, Zurich (CHF 3.1 million), Fanglethenstrasse 4, Bülach ZH (CHF 0.4 million), Engstringermatte, Schlieren ZH (CHF 0.2 million), and seven other properties (CHF 0.5 million).

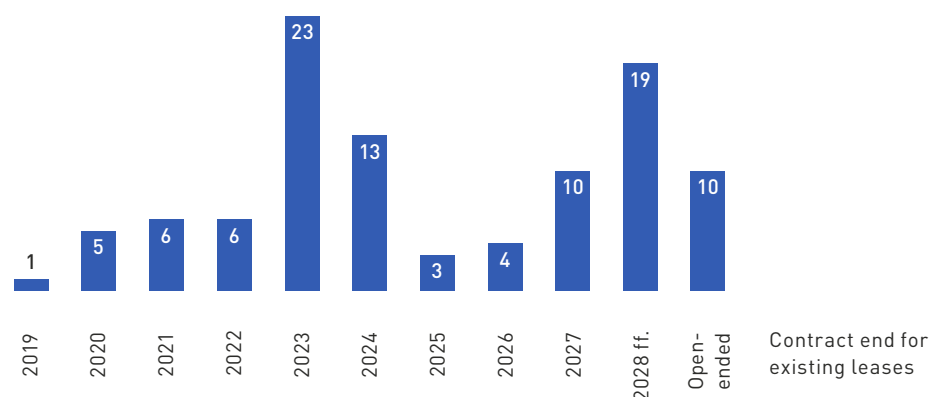
Largest tenants, commercial real estate

Share in total rental income from commercial real estate:

| | 30.06.2019 | 31.12.2018 |
|--------------------------------------|------------|------------|
| Canton Zurich | 15% | 16% |
| Generali Switzerland | 7% | 8% |
| Allianz Suisse Insurance Company Ltd | 7% | 7% |
| MAN Energy Solutions Switzerland Ltd | 6% | 6% |
| Swiss Confederation | 6% | – |
| UPC Switzerland GmbH | – | 5% |
| Total | 41% | 42% |

In the first half of 2019, the five largest tenants accounted for a lower share of around 33% of total rental income from all yield-producing properties (commercial and residential).

Profile of terms of rental contracts for commercial real estate
in percent of outstanding rental income in CHF million



The weighted remaining term of fixed-term rental contracts for commercial real estate is 6.1 years (31.12.2018: 6.4 years).

Investment real estate under construction as at 30 June 2019

| Location | Property | Acquisition/ project start | Area of property in m ² | Register of suspected contami- nated sites | Minergie | Market value CHF mil- lion ¹ | Estimated investment volume CHF million ² | Target rental income on completion p.a. CHF million | Expected completion |
|--|-----------------|-------------------------------|--|--|----------|--|---|---|------------------------|
| Zurich | Grünhof-Areal | 2002/2018 | 7 088 | yes | yes | 47.7 | 80.2 | 4.3 | 2020 |
| Zurich | Hardstrasse 301 | 2002/2018 | 1 988 | yes | yes | 26.0 | 37.3 | 2.3 | 2020 |
| Total investment real estate under construction | | | | | | 73.7 | 117.5 | 6.6 | |

¹ As per 30.06.2019 valuation

² Building and land costs

Grünhof site, Zurich

New-build six-floor apartment building with 80 rental apartments in the inner courtyard (previously used for commercial purposes) plus realisation of a replacement new-build containing eight rental apartments in addition to office and commercial space on Badenerstrasse. The rentable residential, office and commercial area in the new-builds on the 7,870 square metre plot in Zurich Aussersihl is 8,022 square metres in total. The project is being built by the Projects & Development division and, upon completion in 2020/2021, will be reported in the portfolio of yield-producing properties. For the market valuation as at the balance sheet cut-off date, nominal discount and capitalisation rates of 3.80/4.00% and 3.30/3.50% were applied (31.12.2018: 3.90/4.10% and 3.40/3.60%).

Hardstrasse 301, Zurich

New-built six-floor commercial building with lettable floor space of 5,800 square metres, comprising 4,900 square metres of office space on the upper floors, 580 square metres of commercial space on the ground floor, 320 square metres of storage area in the basement as well as an underground garage with 21 parking spaces. The project is being built by the Projects & Development division and, upon completion in 2020, will be reported in the portfolio of yield-producing properties. For the market valuation as at the balance sheet cut-off date, nominal discount and capitalisation rates of 4.30% and 3.80%, respectively, were applied (31.12.2018: 4.40% and 3.90%).

The two investment real estate properties under construction are 100% solely owned by Allreal.

Recognised at fair value as at 30 June 2019, yield-producing properties (CHF 4,163.8 million) and investment real estate under construction (CHF 73.7 million) qualify as category 3 fair values. No adjustments were made to valuation techniques or processes during the period under review.

11 Development real estate

| Book value in CHF million | Development reserves | Buildings under construction | Completed real estate | Total development real estate |
|---|----------------------|------------------------------|-----------------------|-------------------------------|
| As at 01.01.2019 | 136.2 | 11.4 | 0.0 | 147.6 |
| Purchases | 7.0 | 0.0 | 0.0 | 7.0 |
| From construction activity/development | 1.9 | 19.0 | 0.0 | 20.9 |
| Income from sales Development | 0.0 | 3.4 | 0.0 | 3.4 |
| Impairment | 0.0 | 0.0 | 0.0 | 0.0 |
| Disposals/reclassification to contract assets | 0.0 | -22.4 | 0.0 | -22.4 |
| Reclassifications | -6.6 | 6.6 | 0.0 | 0.0 |
| As at 30.06.2019 | 138.5 | 18.0 | 0.0 | 156.5 |

The addition to development reserves relates to the property on Hauserstrasse in Zurich. The reclassification from development reserves to buildings under construction relates to the project Alter Züriweg in Zufikon AG as a result of the start of construction in the period under review. The other changes to buildings under construction relate to the project Solistrasse in Bülach ZH, i.e. in connection with the 71 notarisations, income from sales Development of CHF 3.4 million was recognised and CHF 22.4 million restated as contract assets.

Development real estate as at 30 June 2019

| Location | Property | Acquisition/ project start | Area of property in m ² | Register of suspected contaminated sites | Book value CHF million | Estimated investment volume CHF million ¹ | Project status | Expected completion |
|---|---------------|-------------------------------|--|---|---------------------------|---|----------------|------------------------|
| Development reserves | | | | | | | | |
| Dielsdorf | Neuwisen | 2013 | 46 419 | no | 37.1 ² | 175.0 | in planning | open |
| Lucerne | Eggen | 2018 | 8 386 | no | 40.0 ² | 70.0 | in planning | open |
| Rümlang | Bäuler | 1987 | 30 278 | yes | 16.0 ² | 100.0 | in planning | open |
| Winterthur | Florenstrasse | 2016 | 11 582 | no | 21.8 ² | 55.0 | in planning | open |
| Zurich | Hauserstrasse | 2019 | 1 341 | no | 7.0 ² | 15.0 | in planning | open |
| Zurich | Spiserstrasse | 2018 | 2 195 | no | 22.6 ² | 47.0 | in planning | open |
| Total development reserves | | | | | 138.5 | 462.0 | | |
| Buildings under construction | | | | | | | | |
| Bülach | Solistrasse | 2011 | 18 586 | yes | 11.3 | 55.0 | in progress | 2019 |
| Zufikon | Alter Züriweg | 2017 | 3 806 | no | 6.7 ² | 17.0 | in progress | 2021 |
| Total buildings under construction | | | | | 18.0 | 72.0 | | |
| Completed real estate | | | | | | | | |
| Total completed real estate | | | | | 0.0 | | | |
| Total development real estate | | | | | 156.5 | 534.0 | | |

¹ Land and building costs

² Book value includes acquisition costs for the land 100% owned by Allreal and accrued project costs of third parties

Solistrasse, Bülach ZH

Five new-build apartment buildings with a total of 73 condominiums and 78 underground parking spaces to Minergie-Eco standard with lettable floor space (100% residential) of 8,150 square metres. It is being built by the Projects & Development division and is scheduled for completion in 2019. As at 30 June 2019, contracts of sale had been notarised for 71 out of 73 residential units, 0 of which with transfer of ownership.

Alter Züriweg, Zufikon AG

Two connected new-build stepped apartment blocks with a total of 20 condominiums and 30 underground parking spaces to Minergie standard with lettable floor space (100% residential) of 2,007 square metres. It is being built by Allreal Generalunternehmung AG and is scheduled for completion in 2021. As at 30 June 2019, contracts of sale had been notarised for none of the 20 residential units, nor had any transfers of ownership been recorded.

12 Share capital

As at the balance sheet cut-off date, the share capital of Allreal Holding AG comprises 15,942,821 registered shares with a par value of CHF 1.00 each. Each share carries one vote and confers entitlement to attend the general meeting if entered in the share register.

Shareholdings developed as follows:

| Number of shares | Shares issued | Treasury shares | Outstanding shares |
|---------------------------|-------------------|-----------------|--------------------|
| 2018 | | | |
| As at 1 January | 15 942 821 | 29 528 | 15 913 293 |
| Purchase treasury shares | | 228 316 | |
| Sale treasury shares | | -199 596 | |
| Share-based reimbursement | | -1 193 | |
| As at 31 December | 15 942 821 | 57 055 | 15 885 766 |
| 2019 | | | |
| As at 1 January | 15 942 821 | 57 055 | 15 913 293 |
| Purchase treasury shares | | 221 | |
| Sale treasury shares | | -114 | |
| Share-based reimbursement | | -1 424 | |
| As at 30 June | 15 942 821 | 55 738 | 15 887 083 |

On 30 June 2019, Allreal held 55,738 treasury shares (31.12.2018: 57,055 shares). The average purchase price per share stands at CHF 155.35 (31.12.2018: CHF 155.35). The total purchase price is deducted from consolidated equity.

The Board of Directors is authorised by the annual general meeting to increase the share capital – excluding the subscription rights of shareholders as applicable – until 20 April 2020 to acquire businesses, business units, participating interests or real estate through an exchange of shares, for financing or refinancing the acquisition of businesses, business units, participating interests or investment projects, or for the purpose of an international placement of shares worth up to CHF 1,000,000 by issuing up to 1,000,000 registered shares each with a par value of CHF 1.00 (authorised capital).

For the purpose of issuing convertible bonds, warrant bonds or other financial instruments, there exists – excluding the subscription rights of shareholders – conditional capital of up to CHF 2.5 million through the issue of up to 2,495,763 registered shares with a par value of CHF 1.00 each. Bearers of the convertible and/or warrant bonds are entitled to subscribe to the new shares.

Further, Allreal Holding AG has conditional capital of CHF 200,000 (200,000 registered shares at a nominal value of CHF 1.00 each) at its unrestricted disposal for the purpose of issuing options to the members of the Board of Directors and management. This conditional capital has not been drawn on.

The annual general meeting of Allreal Holding AG of 12 April 2019 voted in favour of making a distribution of CHF 6.50 per share, corresponding to a total amount of CHF 103.3 million, in the form of a repayment of reserves from contribution of capital.

13 Financial liabilities

Maturity of financial liabilities (capital lock-up at nominal values)

| CHF million | <1 year | 1–3 years | 3–5 years | >5 years | Total |
|-------------------------|--------------|--------------|--------------|--------------|---------------|
| As at 31.12.2018 | | | | | |
| Borrowings | 520.0 | 301.0 | 361.3 | 890.0 | 2072.3 |
| Total in % | 25.1 | 14.5 | 17.4 | 43.0 | 100.0 |
| As at 30.06.2019 | | | | | |
| Borrowings | 571.3 | 383.5 | 427.3 | 740.0 | 2122.1 |
| Total in % | 26.9 | 18.1 | 20.1 | 34.9 | 100 |

The financial liabilities consist of loans secured by mortgage (fixed advances and fixed-rate mortgages) and of bond issues. The bank loans in the form of fixed advances are extended on a rolling basis.

The average interest lock-in period for all financial liabilities decreased to 46 months (31.12.2018: 52 months).

As at the balance sheet date, the bond issues and fixed-rate mortgages are recognised as follows:

| CHF million | Effective interest | Nominal amount | Book value as at 30.06.2019 | Fair value as at 30.06.2019 | Book value as at 31.12.2018 | Fair value As at 31.12.2018 |
|-----------------------------------|--------------------|----------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| 0.875 bond issue 2017–30.03.2027 | 0.86% | 160.0 | 160.2 | 166.0 | 160.2 | 156.3 |
| 0.75% bond issue 2017–19.06.2026 | 0.76% | 150.0 | 149.9 | 155.8 | 149.9 | 148.4 |
| 1.375% bond issue 2015–31.03.2025 | 1.32% | 100.0 | 100.3 | 107.8 | 100.3 | 104.3 |
| 0.625% bond issue 2016–10.05.2024 | 0.68% | 150.0 | 149.6 | 153.7 | 149.6 | 150.2 |
| 0.50% bond issue 2018–19.04.2023 | 0.55% | 125.0 | 124.7 | 127.6 | 124.7 | 125.5 |
| 0.75% bond issue 2015–31.03.2021 | 0.67% | 120.0 | 120.2 | 121.6 | 120.2 | 121.2 |
| 2.00% bond issue 2013–23.09.2020 | 2.12% | 150.0 | 149.8 | 153.7 | 149.7 | 154.7 |
| 1.25% bond issue 2014–02.04.2019 | 1.32% | 125.0 | – | – | 125.0 | 125.5 |
| Fixed-rate mortgages | – | 598.8 | 598.8 | 606.9 | 600.3 | 609.1 |

During the period under review, CHF 0.1 million was spent on the amortisation of the issuing costs for the bonds (1st half-year 2018: CHF 0.1 million).

As at 30 June 2019, fixed advances amounting to CHF 568.3 million and fixed-rate mortgages amounting to CHF 598.8 million (at nominal values) are in place, all of which were taken out with Swiss banks, insurance companies or pension funds.

The average interest rate of all financial liabilities as at 30 June 2019 is 1.27% (31 December 2018: 1.48%).

During the reporting period, the contractual clauses (financial covenants) relating to minimum capitalisation (equity ratio, net gearing, interest coverage ratio and refinancing of properties) agreed upon with the lenders were complied with without exception.

14 Capital commitments, contingent liabilities and legal disputes

There are no purchase commitments, guarantees or sureties in favour of third parties. Beyond this, in the individual financial statement, Allreal Holding AG has issued guarantees and sureties amounting to CHF 452.0 million in connection with financings with third parties on behalf of individual subsidiaries (31.12.2018: CHF 373.5 million).

As at 30 June 2019, there are no pending legal disputes of a nature liable to have a significant impact on the asset and income situation of Allreal Group for which no corresponding provisions are in place.

15 Events after the balance sheet date

Between 30 June 2019 and 13 August 2019 (date on which the consolidated semi-annual financial statements were approved by the Board of Directors), no further events took place which would result in any adjustments to the book values of the assets and liabilities or which would need to be disclosed here.

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Information on the real estate portfolio

Residential real estate as at 31 December 2018

| Location | Address | Ownership status ¹ | Year acquired | Year of construction | Renovation ² | Site area in m ² | Register of suspected contaminated sites | Minergie |
|--------------------------------------|--|-------------------------------|---------------|----------------------|-------------------------|-----------------------------|--|----------|
| City of Zurich | | | | | | | | |
| Zurich | Hardturmstrasse 5 | CO ⁶ | 2004 | 2014 | | 2 651 | no | yes |
| Zurich | Heerenwiesen 23-41 | CoO ⁵ | 2003 | 1996 | | 6 970 | no | no |
| Zurich | Josefstrasse 137 | SO | 1999 | 1984 | | 903 | no | no |
| Zurich | Neunbrunnenstrasse 47-53 | SO | 1993 | 2013 | | 4 291 | yes | yes |
| Zurich | Schiffbaustrasse 7 | SO | 2010 | 2016 | | 1 610 | no | yes |
| Zurich | Zollikerstrasse 185-187 | SO | 2008 | 1984 | 2017 PR | 1 445 | no | no |
| Total city of Zurich | | | | | | 17 870 | | |
| Rest of Canton Zurich | | | | | | | | |
| Adliswil | Moosstrasse 1-13/ Grütstrasse 33-39 | SO | 2005 | 2011 | | 13 901 | no | yes |
| Bülach | Hohfurstrasse 7-11/ Unterweg 55-59/Im Stuppen 2 | SO | 1999 | 1979 | 2013 TR | 8 412 | no | no |
| Bülach | Fangletenstrasse 4-18 ⁷ | SO | 2018 | 2018 | | | no | yes |
| Fällanden | Unterdorfstrasse 2/4/ Unterdorfwäg 2-22 | SO | 2003 | 2008 | | 23 691 | no | no |
| Glattbrugg | Hohenstieglens- strasse 1-23, 2-16 | SO | 1999 | 1990 | 2017 PR | 29 639 | no | no |
| Kloten | Schaffhauserstrasse 117/119 | SO | 2001 | 1992 | | 3 643 | no | no |
| Oberglatt | Chlirietstrasse 6/8/10 | SO | 2003 | 1974 | 2006/2007 PR | 2 028 | no | no |
| Schlieren | Limmataustrasse 2-8/ Limmatstrasse 9-11/ Engstringermatte | SO | 1999 | 1984 | 2018 TR | 8 907 | no | no |
| Schlieren | Schulstrasse 71-77/ Flöhrebenstrasse 6 | CO ⁶ | 2002 | 1988 | | 2 543 | no | no |
| Volketswil | Sunnebüelstrasse 1-17/ Ifangstrasse 12-20/ Neufund 1/3 | SO | 1999 | 1968 | 2002/2003 TR | 20 110 | no | no |
| Wallisellen | Escherweg 2-6/Favreweg 1-5/ Richtiarkade 13-15/ Richtiring 14-16 (Richti site) | SO | 2002 | 2014 | | 8 242 | no | yes |
| Total rest of Canton Zurich | | | | | | 132 134 | | |
| Other regions | | | | | | | | |
| Allschwil | Kurzelängeweg 26-38+32a | SO | 1999 | 1989 | 2010 PR | 6 260 | no | no |
| Basel | Achilles Bischoff-Strasse 2-10 | SO | 2006 | 1969 | 2009 TR | 2 420 | no | no |
| Basel | Grosspeterstrasse 45/ St.-Jakobs-Strasse 108 | SO | 2006 | 1995 | | 2 067 | no | no |
| Gland | Chemin du Molard 10/ Allée Leotherius 2/ Allée Louis Cristin 1 | SO | 2011 | 2014 | | 1 173 | no | yes |
| Total other regions | | | | | | 11 920 | | |
| Total residential real estate | | | | | | 161 924 | | |

¹ SO = sole ownership; CoO = coownership; CO = condominium ownership

² TR = total renovation; PR = partial renovation

³ Cumulative vacancy rate as a percentage of target rental income for 2019

⁴ As per 31.12.2019 valuation (nominal rates)

⁵ 60% co-ownership Allreal

⁶ Condominium property owned 100% by Allreal

⁷ Rental income from 01.10.2018

| Habitable area in m ² | 1-1½-room apartments | 2-2½-room apartments | 3-3½-room apartments | 4-4½-room apartments | ≥5-room apartments | Total apartments | Other uses in m ² | Target rental income in CHF million for 2019 | Vacancy rate in % ³ | Discount/capitalisation rate in % ⁴ |
|----------------------------------|----------------------|----------------------|----------------------|----------------------|--------------------|------------------|------------------------------|--|--------------------------------|--|
| 6 087 | 0 | 17 | 27 | 6 | 1 | 51 | 0 | 2.6 | 2.1 | 3.30/2.80 |
| 4 670 | 5 | 7 | 15 | 17 | 4 | 48 | 1 799 | 1.5 | 2.0 | 3.70/3.20 |
| 2 747 | 4 | 36 | 0 | 0 | 0 | 40 | 212 | 0.9 | 0.1 | 3.40/2.90 |
| 4 640 | 0 | 0 | 14 | 21 | 5 | 40 | 0 | 1.5 | 1.0 | 3.20/2.70 |
| 2 333 | 0 | 3 | 16 | 3 | 1 | 23 | 1 002 | 1.3 | 0.0 | 3.30/2.80 |
| 1 637 | 2 | 2 | 4 | 4 | 2 | 14 | 165 | 0.6 | 0.7 | 3.20/2.70 |
| 22 114 | 11 | 65 | 76 | 51 | 13 | 216 | 3 178 | 8.4 | 1.2 | |
| 13 299 | 0 | 27 | 62 | 38 | 10 | 137 | 350 | 3.7 | 0.8 | 3.50/3.00 |
| 3 850 | 0 | 9 | 16 | 18 | 6 | 49 | 50 | 1.0 | 2.4 | 3.70/3.20 |
| 7 253 | 0 | 14 | 25 | 31 | 6 | 76 | 0 | 2.0 | 34.1 | 3.70/3.20 |
| 14 903 | 0 | 20 | 41 | 56 | 22 | 139 | 2 392 | 4.1 | 1.9 | 3.80/3.30 |
| 14 654 | 18 | 30 | 71 | 41 | 0 | 160 | 659 | 3.1 | 2.7 | 3.70/3.20 |
| 2 090 | 0 | 4 | 0 | 10 | 4 | 18 | 200 | 0.5 | 0.4 | 3.60/3.10 |
| 2 479 | 0 | 17 | 17 | 0 | 0 | 34 | 9 | 0.5 | 0.6 | 3.70/3.20 |
| 5 100 | 0 | 18 | 24 | 12 | 0 | 54 | 286 | 1.0 | 8.1 | 3.60/3.10 |
| 3 332 | 0 | 0 | 24 | 16 | 0 | 40 | 354 | 0.8 | 8.9 | 3.60/3.10 |
| 12 236 | 0 | 0 | 48 | 60 | 40 | 148 | 110 | 2.4 | 0.9 | 3.70/3.20 |
| 13 856 | 1 | 18 | 75 | 22 | 2 | 118 | 1 208 | 3.9 | 1.6 | 3.60/3.10 |
| 93 052 | 19 | 157 | 403 | 304 | 90 | 973 | 5 618 | 22.9 | 4.9 | |
| 4 015 | 0 | 7 | 20 | 20 | 0 | 47 | 490 | 1.0 | 4.6 | 3.90/3.40 |
| 5 954 | 28 | 24 | 28 | 24 | 0 | 104 | 1 040 | 1.6 | 1.1 | 3.50/3.00 |
| 3 022 | 5 | 19 | 11 | 8 | 0 | 43 | 47 | 0.9 | 8.4 | 3.70/3.20 |
| 4 981 | 1 | 21 | 29 | 9 | 5 | 65 | 0 | 1.6 | 0.0 | 3.70/3.20 |
| 17 972 | 34 | 71 | 88 | 61 | 5 | 259 | 1 577 | 5.1 | 1.4 | |
| 133 138 | 64 | 293 | 567 | 416 | 108 | 1 448 | 10 373 | 36.4 | 3.8 | |

Commercial real estate as at 30 June 2019

| Location | Address | Ownership status ¹ | Year acquired | Year of construction | Renovations ² | Area of property in m ² |
|-----------------------------|--|-------------------------------|---------------|----------------------|--------------------------|------------------------------------|
| City of Zurich | | | | | | |
| Zurich | Bändliweg 21 | SO | 2005 | 1995 | 2019 PR | 9 254 |
| Zurich | Bellerivestrasse 30 | SO | 2004 | 1986 | 2017 TR | 2 316 |
| Zurich | Bellerivestrasse 36 | SO | 2004 | 1974 | 2009/2010 PR | 10 494 |
| Zurich | Binzmühlestrasse 95-99/Therese Giehse-Strasse 1 | SO | 2005 | 2001 | 2019 PR | 11 712 |
| Zurich | Birmensdorferstrasse 108/Weststrasse 75 | SO | 2000 | 1983 | 2007/2008 TR | 1 254 |
| Zurich | Brandschenkestrasse 38/40 | SO | 2001 | 1992 | 2013 PR | 1 402 |
| Zurich | Förrlibuckstrasse 109 (Toni site) | SO | 2007 | 1977/2014 | | 24 477 |
| Zurich | Grüngasse 27-31/Badenerstrasse 119-133 (Grünhof site) ⁵ | SO | 2002 | 1925 | 2006/2007 PR | 7 870 |
| Zurich | Hardstrasse 319 (Escher-Wyss site) ⁶ | SO | 2002 | 1945/2010 | | 40 350 |
| Zurich | Herostrasse 12 | SO | 2010 | 2014 | | 4 027 |
| Zurich | Hohlstrasse 600 | SO | 2001 | 1986 | 2006/2012 TR | 2 894 |
| Zurich | Kalchbühlstrasse 22/24 | SO | 2000 | 1976 | 2014/2015 TR | 3 101 |
| Zurich | Kreuzstrasse 5 | LO | 2004 | 2006 | | 3 333 |
| Zurich | Renggerstrasse 3 | SO | 1999 | 1966 | 2001 PR | 1 389 |
| Zurich | Schiffbaustrasse 2 (Schiffbauplatz) | SO | 2002 | 2017 | | 9 338 |
| Zurich | Vulkanstrasse 106 | SO | 2002 | 2005 | | 12 295 |
| Zurich | Weststrasse 74 | SO | 1996 | 1995 | | 1 482 |
| Zurich | Zollikerstrasse 183 | SO | 2008 | 1984 | 2007 PR | 3 371 |
| Zurich | Zollstrasse/Josefstrasse 23-29/Klingenstrasse 4 | SO | 1993/2006 | 1997 | 2017 PR | 4 201 |
| Total city of Zurich | | | | | | 154 560 |

¹ SO = sole ownership; LO = leasehold owned 100% by Allreal

² TR = total renovation; PR = partial renovation

³ Cumulative vacancy rate as a percentage of target rental income for the first half-year 2019

⁴ As per 30.06.2019 valuation (nominal rates)

⁵ The new-build in the inner courtyard and the replacement new-build at Badenerstrasse 131 are reported as investment real estate under construction

⁶ The new-build at Hardstrasse 301 is reported as investment real estate under construction

| Register of suspected contaminated sites | Minergie | Floor space in m ² | Percentage of office space | Percentage of retail space | Percentage of residential space | Percentage of other uses | Target rental income in CHF million for 2019 | Vacancy rate in % ³ | Discount/capitalisation rate in % ⁴ |
|--|----------|-------------------------------|----------------------------|----------------------------|---------------------------------|--------------------------|--|--------------------------------|--|
| no | no | 18 642 | 90.8 | 0.0 | 0.0 | 9.2 | 7.0 | 0.0 | 3.90/3.40 |
| no | no | 3 078 | 94.7 | 0.0 | 0.0 | 5.3 | 1.6 | 0.0 | 4.00/3.50 |
| no | no | 11 950 | 73.6 | 0.0 | 0.0 | 26.4 | 5.6 | 0.3 | 3.90/3.40 |
| no | no | 26 139 | 7.8 | 54.6 | 32.7 | 4.9 | 6.9 | 0.3 | 3.80/3.30 |
| no | no | 4 743 | 74.5 | 3.0 | 10.5 | 12.0 | 1.4 | 1.6 | 4.10/3.60 |
| no | no | 4 856 | 33.8 | 0.0 | 19.3 | 46.9 | 1.9 | 2.1 | 4.10/3.60 |
| no | yes | 87 004 | 87.2 | 0.0 | 12.8 | 0.0 | 21.0 | 0.3 | 4.10/3.70 |
| yes | no | 12 847 | 16.5 | 7.6 | 32.8 | 43.1 | 1.1 | 9.3 | 3.80/3.30 |
| yes | no | 50 432 | 32.3 | 0.0 | 0.0 | 67.7 | 10.0 | 0.0 | -/- |
| no | yes | 11 256 | 95.8 | 0.0 | 0.0 | 4.2 | 3.6 | 0.0 | 4.30/3.80 |
| no | no | 10 190 | 91.0 | 0.0 | 0.0 | 9.0 | 4.1 | 0.3 | 4.20/3.70 |
| no | no | 6 244 | 45.8 | 0.0 | 6.0 | 48.2 | 1.6 | 0.2 | 4.50/4.00 |
| no | no | 1 628 | 95.7 | 0.0 | 0.0 | 4.3 | 1.0 | 0.0 | 3.90/3.40 |
| no | no | 1 729 | 77.1 | 0.0 | 0.0 | 22.9 | 0.5 | 6.2 | 4.30/3.80 |
| yes | yes | 13 141 | 81.5 | 5.7 | 0.0 | 12.8 | 4.8 | 0.0 | 3.70/3.20 |
| no | yes | 36 311 | 95.1 | 0.0 | 0.0 | 4.9 | 11.8 | 0.0 | 4.30/3.80 |
| no | no | 3 277 | 33.5 | 0.0 | 55.3 | 11.2 | 0.8 | 1.2 | 3.90/3.40 |
| no | no | 2 777 | 81.7 | 0.0 | 0.0 | 18.3 | 1.2 | 0.0 | 4.30/3.80 |
| no | no | 10 703 | 56.9 | 3.3 | 29.8 | 9.9 | 4.2 | 0.9 | 3.60/3.10 |
| | | 316 947 | 66.9 | 5.2 | 9.3 | 18.6 | 89.8 | 0.4 | |

Commercial real estate as of 30 June 2019

| Location | Address | Ownership status ¹ | Year acquired | Year of construction | Renovations ² | Area of property in m ² |
|-------------------------------------|---|-------------------------------|---------------|----------------------|--------------------------|------------------------------------|
| Rest of Canton Zurich | | | | | | |
| Adliswil | Soodmattenstrasse 2/4/6/8/10 ⁸ | SO | 2017 | 1989/90 | 2016 PR | 24 834 |
| Dübendorf | Sonnentalstrasse 8 | SO | 2015 | 1974 | 2006 PR | 16 621 |
| Glattbrugg | Thurgauerstrasse 111 | SO | 1997 | 1969 | 1995 PR | 4 086 |
| Kloten | Schaffhauserstrasse 115/121 | SO | 2001 | 1992 | | 4 000 |
| Opfikon | Boulevard Lilienthal 2-8 | SO | 2007 | 2014 | | 5 167 |
| Opfikon | Lindbergh-Allee 1 ⁵ | SO | 1987 | 2007 | | 5 241 |
| Schlieren | Bernstrasse 55 | SO | 2003 | 2003 | | 7 089 |
| Schlieren | Zürcherstrasse 104 | SO | 2002 | 1988 | 2012 PR | 4 724 |
| Urdorf | In der Luberzen 29 | SO | 2000 | 1993 | | 4 667 |
| Wallisellen | Allianz office building ⁶ | SO | 2002 | 2013 | | 13 078 |
| Wallisellen | UPC office building ⁷ | SO | 2002 | 2014 | | 16 875 |
| Winterthur | Schützenstrasse 2 / Zürcherstrasse 12+14 ⁸ | SO | 2002 | 1928/53/86 | 2016/2017 PR | 18 386 |
| Total rest of Canton Zurich | | | | | | 124 768 |
| Other regions | | | | | | |
| Baar | Baarermatte | SO | 2002 | 1981 | | 17 960 |
| Basel | Missionsstrasse 60-62a | SO | 1999 | 1972 | 2014 TR | 1 811 |
| Basel | Missionsstrasse 64-64a | SO | 2007 | 1972 | 2014 TR | 1 658 |
| Basel | Steinenvorstadt 36 | SO | 1999 | 1982 | 2012/2013 PR | 718 |
| Basel | Viaduktstrasse 40-44 / Binningerstrasse 35 | SO | 2009 | 1998 | | 5 454 |
| Bern | Freiburgstrasse 130 | LO | 2018 | 1999 | | 7 323 |
| Le Grand-Saconnex | Route François-Peyrot 10-14 | SO | 2011 | 2004 | | 8 442 |
| Nyon | Avenue Perdtemps 239 | SO | 2017 | 2006 | | 6 451 |
| Petit-Lancy | Chemin des Olliquettes 4 / Chemin du Gué 99 | SO | 2008 | 2010 | | 1 417 |
| Total other regions | | | | | | 51 234 |
| Total commercial real estate | | | | | | 330 562 |

¹ SO = sole ownership; LO = leasehold owned 100% by Allreal

² TR = total renovation; PR = partial renovation

³ Cumulative vacancy rate as a percentage of target rental income for the first half-year 2019

⁴ As per 30.06.2019 valuation (nominal rates)

⁵ Lightcube office building and co-ownership rights to the TMC Galleria car park

⁶ Allianz office building with retail space in Konradhof and Escherhof

⁷ UPC Switzerland office building with retail space and peripheral plots

⁸ Three properties

| Register of suspected contaminated sites | Minergie | Floor space in m ² | Percentage of office space | Percentage of retail space | Percentage of residential space | Percentage of other uses | Target rental income in CHF million for 2019 | Vacancy rate in % ³ | Discount/capitalisation rate in % ⁴ |
|--|----------|-------------------------------|----------------------------|----------------------------|---------------------------------|--------------------------|--|--------------------------------|--|
| no | no | 38 933 | 77.4 | 5.6 | 1.6 | 15.3 | 8.0 | 0.0 | 4.00/3.50 |
| no | no | 26 006 | 25.9 | 1.5 | 0.5 | 72.1 | 2.5 | 0.0 | 4.90/4.40 |
| no | no | 7 417 | 9.0 | 74.7 | 0.0 | 16.3 | 1.6 | 15.5 | 5.20/4.70 |
| no | no | 4 343 | 97.5 | 0.0 | 0.0 | 2.5 | 1.0 | 9.4 | 4.80/4.30 |
| no | yes | 13 414 | 93.2 | 0.0 | 0.0 | 6.8 | 3.9 | 0.1 | 4.70/4.20 |
| no | yes | 13 314 | 90.8 | 0.0 | 0.0 | 9.2 | 4.3 | 0.0 | 4.72/4.22 |
| no | no | 10 193 | 88.2 | 0.0 | 0.0 | 11.8 | 2.1 | 0.9 | 4.70/4.20 |
| no | no | 2 705 | 35.5 | 43.1 | 0.0 | 21.4 | 0.9 | 0.0 | 5.10/4.60 |
| yes | no | 9 456 | 74.1 | 0.0 | 0.0 | 25.9 | 1.5 | 6.2 | 5.70/5.20 |
| no | yes | 50 819 | 74.7 | 12.9 | 0.0 | 12.4 | 13.0 | 0.6 | 4.50/4.00 |
| no | yes | 25 525 | 77.8 | 16.2 | 0.0 | 6.0 | 9.5 | 3.8 | 4.50/4.00 |
| no | no | 24 319 | 82.1 | 0.0 | 0.0 | 17.9 | 5.3 | 1.8 | 4.58/4.08 |
| | | 226 444 | 71.0 | 8.9 | 0.4 | 19.7 | 53.6 | 1.8 | |
| no | no | 10 112 | 76.4 | 0.0 | 0.0 | 23.6 | 2.6 | 21.9 | 4.50/4.00 |
| no | no | 3 985 | 81.8 | 0.0 | 8.0 | 10.2 | 1.2 | 0.8 | 4.50/4.00 |
| no | no | 2 829 | 71.9 | 0.0 | 3.4 | 24.7 | 0.6 | 0.4 | 4.50/4.00 |
| no | no | 4 292 | 37.5 | 27.8 | 30.3 | 4.4 | 1.4 | 9.7 | 4.30/3.80 |
| no | no | 20 213 | 61.8 | 20.2 | 0.0 | 18.0 | 5.2 | 2.0 | 4.20/3.70 |
| no | no | 22 540 | 85.7 | 1.8 | 0.0 | 12.6 | 9.6 | 0 | 4.40/3.90 |
| no | no | 5 498 | 92.8 | 0.0 | 0.0 | 7.2 | 3.1 | 11.1 | 4.50/4.00 |
| no | no | 15 172 | 77.6 | 10.1 | 0.0 | 12.3 | 4.5 | 0.0 | 4.10/3.60 |
| yes | yes | 5 516 | 91.8 | 0.0 | 0.0 | 8.2 | 2.3 | 0.0 | 4.30/3.80 |
| | | 90 157 | 75.8 | 8.0 | 1.9 | 14.3 | 30.5 | 3.8 | |
| | | 633 548 | 69.6 | 6.9 | 5.1 | 18.4 | 174.0 | 1.5 | |

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EPRA key figures

EPRA earnings and EPRA earnings per share

| CHF million | 1 st half-year 2019 | 1 st half-year 2018 |
|--|--------------------------------|--------------------------------|
| Earnings according to IFRS income statement | 85.1 | 70.3 |
| Adjusted by: | | |
| Earnings from revaluation of investment real estate | -29.7 | -12.9 |
| Earnings from sale of investment real estate | 0.0 | 0.0 |
| Earnings from development real estate held for sale including impairment | -3.4 | -2.1 |
| Pro-rata income tax on sales | 0.9 | 0.6 |
| Negative goodwill / goodwill impairment | - | - |
| Change in the market value of financial instruments | 3.5 | 6.0 |
| Transaction costs for the purchase of shareholdings | - | - |
| Deferred taxes on EPRA adjustments | 8.4 | 2.6 |
| Effect on associated companies | - | - |
| Minority interests on the above positions | - | - |
| EPRA earnings | 64.8 | 64.5 |
| Average number of outstanding shares | 15 886 232 | 15 887 687 |
| EPRA earnings per share in CHF | 4.08 | 4.06 |

EPRA equity (NAV)

| CHF million | 30.06.2019 | 31.12.2018 |
|--|----------------|----------------|
| Equity (NAV) according to consolidated financial statements | 2 207.8 | 2 218.8 |
| Dilution effects due to options, convertible bonds and other equity instruments | - | - |
| Diluted equity (NAV) after options, convertible bonds and other equity instruments | 2 207.8 | 2 218.8 |
| Plus: | | |
| Revaluation of investment real estate (if acquisition cost model in accordance with IAS 40) | - | - |
| Revaluation of investment real estate under construction (if acquisition cost model in accordance with IAS 40) | - | - |
| Revaluation of other assets | - | - |
| Revaluation of real estate tenancies under finance leases | - | - |
| Valuation difference on development real estate | 32.1 | -2.4 |
| Less: | | |
| Market value of derivative financial instruments | 12.2 | 15.7 |
| Deferred taxes | 225.4 | 209.4 |
| Goodwill from deferred taxes | - | - |
| Effect on associated companies | - | - |
| EPRA equity (NAV) | 2 477.5 | 2 446.3 |
| Number of outstanding shares (diluted) | 15 888 617 | 15 886 880 |
| EPRA equity (NAV) per share in CHF | 155.95 | 154.00 |

EPRA triple net asset value (NNNAV)

| CHF million | 30.06.2019 | 31.12.2018 |
|--|----------------|----------------|
| EPRA equity (NAV) | 2 477.5 | 2 446.3 |
| Less: | | |
| Market value of derivative financial instruments | -12.2 | -15.7 |
| Market value of financial liabilities | -39.3 | -15.6 |
| Deferred taxes | -225.4 | -210.4 |
| EPRA NNNAV | 2 200.5 | 2 204.6 |
| Number of outstanding shares (diluted) | 15 888 617 | 15 886 880 |
| EPRA NNNAV per share in CHF | 138.50 | 138.75 |

EPRA net yield from rental income

| CHF million | 30.06.2019 | 31.12.2018 |
|--|----------------|----------------|
| Owned investment real estate | 4 237.5 | 4 159.9 |
| Investment real estate in joint ventures / funds | - | - |
| Development real estate | 156.3 | 147.6 |
| Less development real estate and investment real estate under construction | -230.0 | -205.7 |
| Market value of yield-producing properties | 4 163.8 | 4 101.8 |
| Annualised actual rental income | 204.0 | 202.8 |
| Direct expenses for investment real estate | -29.0 | -24.8 |
| Annualised net rental income | 175.0 | 178.0 |
| Plus expected additional rental income after expiry of rental discounts | 1.6 | 2.1 |
| Topped-up annualised net rental income | 176.6 | 180.1 |
| EPRA net yield from rental income | 4.2% | 4.3% |
| EPRA topped-up net yield from rental income | 4.2% | 4.4% |

EPRA vacancy rate

| CHF million | 30.06.2019 | 31.12.2018 |
|---|-------------|-------------|
| Estimated rental potential of vacant premises | 4.2 | 4.3 |
| Estimated rental income from total portfolio | 210.6 | 210.3 |
| EPRA vacancy rate | 2.0% | 2.0% |

EPRA operating expense ratio

| CHF million | 1 st half-year 2019 | 1 st half-year 2018 |
|--|--------------------------------|--------------------------------|
| Operating expenses of investment real estate according to IFRS income statement: | | |
| Direct expenses for rented investment real estate | 11.4 | 8.9 |
| Personnel expenses | 0.6 | 1.3 |
| Other operating expenses | 4.8 | 4.3 |
| EPRA operating expenses (including vacancy costs) | 16.8 | 14.5 |
| Direct vacancy costs | 0.5 | 0.2 |
| EPRA operating expenses (excluding vacancy costs) | 16.3 | 14.3 |
| Gross rental income | 102.6 | 97.8 |
| EPRA rental income | 102.6 | 97.8 |
| EPRA operating expense ratio (including direct vacancy costs) | 16.4% | 14.8% |
| EPRA operating expense ratio (excluding direct vacancy costs) | 15.9% | 14.6% |

EPRA value-enhancing investments in investment properties

| CHF million | 1 st half-year 2019 | 1 st half-year 2018 |
|---|--------------------------------|--------------------------------|
| Purchases | 0.0 | 0.0 |
| Value-enhancing investments (investment real estate under construction) | 9.6 | 9.7 |
| Value-enhancing investments (like-for-like yield-producing properties) | 4.2 | 5.9 |
| Capitalised building loan interest | 0.1 | 0.1 |
| EPRA value-enhancing investments | 13.9 | 15.7 |

Additional information

Information on investment real estate properties

| | City of Zurich | | Rest of Canton Zurich | | Other regions | | Total real estate | | |
|--|---------------------|---------|-----------------------|-------|---------------|-------|-------------------|---------|---------|
| | 2019* | 2018* | 2019* | 2018* | 2019* | 2018* | 2019* | 2018* | |
| Residential real estate | | | | | | | | | |
| Number | 6 | 6 | 11 | 11 | 4 | 4 | 21 | 21 | |
| Living space | '000 m ² | 22 | 22 | 93 | 93 | 18 | 18 | 133 | 133 |
| Vacancy rate ¹ | % | 1.2 | 0.7 | 4.9 | 2.7 | 1.4 | 2.0 | 3.8 | 2.1 |
| Rental income | CHF million | 4.1 | 4.1 | 10.8 | 10.1 | 2.5 | 2.5 | 17.5 | 16.7 |
| Earnings on property ² | CHF million | 3.7 | 4.0 | 9.5 | 8.1 | 1.8 | 2.1 | 15.0 | 14.2 |
| Gross yield | % | 3.7 | 3.9 | 3.8 | 4.1 | 4.2 | 4.5 | 3.8 | 4.1 |
| Net yield ³ | % | 3.3 | 3.8 | 3.3 | 3.3 | 3.1 | 3.8 | 3.3 | 3.5 |
| Acquisition value | CHF million | 144.0 | 144.0 | 375.7 | 375.0 | 84.4 | 84.3 | 604.0 | 603.3 |
| Market value | CHF million | 235.4 | 224.9 | 572.3 | 569.2 | 116.7 | 116.7 | 924.4 | 910.8 |
| Average market value by property | CHF million | 39.2 | 37.5 | 52.0 | 51.7 | 29.2 | 29.2 | 44.0 | 43.4 |
| Change in market value ⁴ | CHF million | 10.4 | 0.7 | 2.5 | 0.4 | 0.0 | 0.0 | 12.9 | 1.1 |
| Commercial real estate | | | | | | | | | |
| Number | | 19 | 19 | 16 | 16 | 9 | 9 | 44 | 44 |
| Floor space | '000 m ² | 317 | 317 | 226 | 226 | 90 | 90 | 633 | 633 |
| Floor space ¹ | % | 0.4 | 0.9 | 1.8 | 3.0 | 3.8 | 4.1 | 1.5 | 2.0 |
| Rental income | CHF million | 44.5 | 45.3 | 26.1 | 26.0 | 14.5 | 9.9 | 85.1 | 81.2 |
| Earnings on property ² | CHF million | 38.9 | 42.0 | 23.8 | 23.5 | 13.5 | 9.2 | 76.2 | 74.7 |
| Gross yield | % | 5.0 | 5.1 | 5.5 | 5.4 | 6.3 | 5.1 | 5.3 | 5.2 |
| Net yield ³ | % | 4.4 | 4.8 | 5.0 | 4.9 | 5.9 | 4.7 | 4.8 | 4.8 |
| Acquisition value | CHF million | 1 612.2 | 1 608.7 | 987.4 | 987.4 | 531.6 | 531.6 | 3 131.2 | 3 127.7 |
| Market value | CHF million | 1 799.4 | 1 773.6 | 948.1 | 956.7 | 457.6 | 460.7 | 3 205.1 | 3 191.0 |
| Average market value by property | CHF million | 94.7 | 93.3 | 59.3 | 59.8 | 50.8 | 51.2 | 72.8 | 72.5 |
| Change in market value ⁴ | CHF million | 22.3 | 9.5 | -8.6 | -0.1 | -2.8 | -4.8 | 10.9 | 4.6 |
| Investment real estate under construction | | | | | | | | | |
| Number | | 2 | 2 | - | - | - | - | 2 | 2 |
| Land area | '000 m ² | 9 | 9 | - | - | - | - | 9 | 9 |
| Acquisition value | CHF million | 56.9 | 47.1 | - | - | - | - | 56.9 | 47.1 |
| Market value | CHF million | 73.7 | 58.1 | - | - | - | - | 73.7 | 58.1 |
| Change in market value ⁴ | CHF million | 5.9 | 3.8 | - | 3.4 | - | - | 5.9 | 7.2 |
| Investment volume | CHF million | 117.5 | 120.1 | - | - | - | - | 117.5 | 120.1 |

* Should no further particulars be given, values referring to the income statement concern the 1st half-year, and balance sheet values the cut-off date on 30.06.2019 or 31.12.2018

¹ In percent of target rental income, cumulative as at cut-off date

² Rental income minus real estate expenses

³ Rental earnings in percent of continued market value on 1 January

⁴ From revaluation in first half-year 2019 or 2018, respectively

Key share data

| | | 1 st half-year 2019 resp. 30.06.2019 | 1 st half-year 2018 resp. 31.12.2018 |
|--|------------------|--|--|
| Issued share capital on cut-off date | CHF million | 15.9 | 15.9 |
| Authorised capital on cut-off date | CHF million | 1.0 | 1.0 |
| Conditional capital on cut-off date | CHF million | 2.7 | 2.7 |
| Issued shares on cut-off date | number | 15 942 821 | 15 942 821 |
| Treasury shares on cut-off date | number | 55 738 | 57 055 |
| Outstanding shares on cut-off date ¹ | number | 15 887 083 | 15 885 766 |
| Outstanding shares on average ² | number | 15 886 232 | 15 887 687 |
| Share price high | CHF | 172.00 | 168.10 |
| Share price low | CHF | 152.50 | 154.10 |
| Share price on cut-off date | CHF | 168.00 | 153.10 |
| Market capitalisation on cut-off date ³ | CHF million | 2 669.0 | 2 432.1 |
| Average trading volume per day (on exchange) | number shares | 19 986 | 23 273 |

¹ Number of issued shares minus treasury shares

² Average number of shares outstanding according to IAS 33

³ Share price on cut-off date multiplied by the number of outstanding shares on cut-off date

Share statistics

| Share type | Registered share |
|---------------------|------------------|
| Par value per share | CHF 1 |
| Securities number | 883 756 |
| SIX symbol | ALLN |
| ISIN | CH0008837566 |
| Bloomberg | ALLN SW |
| Reuters | ALLN.S |

Shareholder structure as at 30 June 2019

| Number of shares | Number of shareholders | Number of shares | % |
|-------------------------|------------------------|-------------------|---------------|
| > 478 284 shares (> 3%) | 6 | 3 898 012 | 24.4% |
| 100 001–478 284 shares | 18 | 3 861 336 | 24.2% |
| 10 001–100 000 shares | 104 | 3 036 726 | 19.1% |
| 1001–10 000 shares | 370 | 1 109 038 | 7.0% |
| 1–1000 shares | 2 911 | 651 552 | 4.1% |
| Total registered | 3 409 | 12 556 664 | 78.8% |
| Not registered | | 3 386 157 | 21.2% |
| Total shares | | 15 942 821 | 100.0% |

45.6% of the share capital is owned by pension funds and insurance companies and 8.1% by natural persons. A further 25.1% is owned by other legal entities as well as investment funds, foundations and banks. 21.2% of the share capital has not been submitted for registration in the share register. Foreign investors own 7.3% (registered shares).

Organisation and schedule

Structure and Addresses

Allreal Holding AG
Allreal Finanz AG
Grabenstrasse 25,
CH-6340 Baar

Allreal Home AG
Allreal Office AG
Allreal Toni AG
Allreal Vulkan AG
Allreal West AG
Apalux AG
Eggbühlstrasse 15, CH-8050 Zurich

Allreal Generalunternehmung AG
Eggbühlstrasse 15, CH-8050 Zurich
Zieglerstrasse 53, CH-3007 Bern
Sinslerstrasse 67, CH-6330 Cham
Bohl 2, CH-9000 St. Gallen

Bülachguss AG
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The interactive online version of this Half-year Report is available at <http://ir.allreal.ch>.
Only the German version of this Half-year Report is legally binding.

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(as from 21 October 2019)

Schedule

2019 Annual results
27 February 2020

2020 Annual shareholders'
meeting
24 April 2020

2020 Half-year results
26 August 2020

2020 Annual results
24 February 2021

2021 Annual shareholders'
meeting
16 April 2021

Share register

Responsibility for address
changes and other changes
in the share register lies with:

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