

Value Update
Half-year Report 2022

allreal

The value update provides a quick overview of the key developments at Allreal in the first half of 2022. The interactive Half-year Report with multimedia content, as well as the full Half-year Report, can be downloaded at reporting.allreal.ch

reporting.allreal.ch – available whenever and wherever you want with:

- the first half of 2022 in brief
- download centre



The reporting platform with multimedia content can be found at:
reporting.allreal.ch

Main information in brief

Net profit

excluding revaluation effect
(CHF million)

81.8

Increase in net operating
profit of 3.4%

Encouraging rise

Allreal's net operating profit
rose in the first half of 2022
compared with the previous
year.

Real Estate division

Rental income increased
considerably compared with
the previous year owing to
the expansion of the portfolio,
low vacancy rates and low
real estate costs.

Rental income

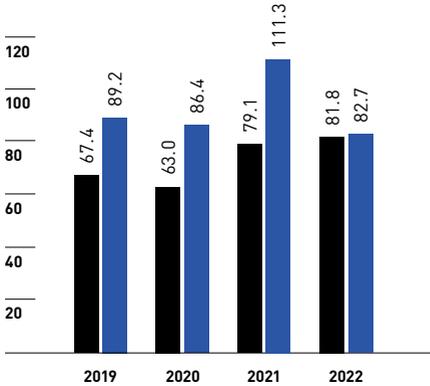
(CHF million)

106.8

Increase in rental income
of 4.9%

Net profit

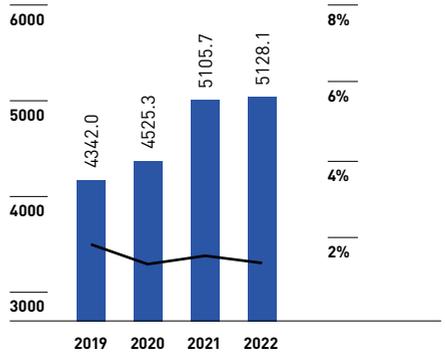
1st half-year (CHF million)



■ Net profit excl. revaluation effect
■ Net profit incl. revaluation effect

Market values and vacancy rate

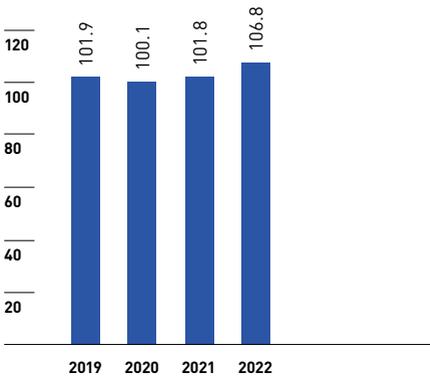
As at 30 June and 31 December (CHF million)



■ Investment real estate
— Vacancy rate in %

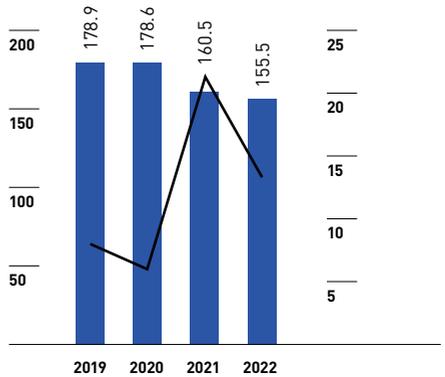
Income from investment real estate

1st half-year (CHF million)



Completed project volume and EBIT Projects & Development division

1st half-year (CHF million)



■ Completed project volume Projects & Development division
— EBIT Projects & Development division

Key figures at a glance

Group	CHF million	1 st half-year 2022 as at 30.06.2022*	1 st half-year 2021 as at 31.12.2021*	Change in % ¹
Total sales ²		262.3	262.3	0.0
Operating profit (EBIT) incl. revaluation gains		101.8	148.4	-31.4
Net profit incl. revaluation effect ³		82.7	111.3	-25.7
Operating profit (EBIT) excl. revaluation gains		100.7	106.6	-5.5
Net profit excl. revaluation effect ³		81.8	79.1	3.4
Cash flow		73.9	94.1	-21.5
Return on equity incl. revaluation effect ³	%	6.5	9.3	-2.8
Return on equity excl. revaluation effect ³	%	7.8	8.0	-0.2
Equity ratio on cut-off date	%	44.1	44.1	0.0
Net gearing ⁴ on cut-off date	%	107.3	103.7	3.6
Average interest rate on financial liabilities on cut-off date	%	0.63	0.61	0.02
Average duration of financial liability on cut-off date	months	41	44	-3
Sales Projects & Development division		155.5	160.5	-3.1
Earnings from Projects & Development division ⁵		34.9	37.5	-6.9
Gross margin third-party projects Projects & Development division ⁶	%	11.2	11.4	-0.2
Employees on cut-off date	full-time equivalents	242	243	-1
Share				
Earnings per share incl. revaluation effect ³	CHF	5.01	7.03	-28.7
Earnings per share excl. revaluation effect ³	CHF	4.95	5.00	-1.0
Net asset value (NAV) per share before deferred tax on cut-off date	CHF	175.10	177.25	-1.2
Net asset value (NAV) per share after deferred tax on cut-off date	CHF	152.85	154.85	-1.3
Share price on cut-off date	CHF	157.80	202.00	-21.9
Valuation on cut-off date				
	CHF million			
Market capitalisation ⁷		2 607.5	3 337.5	-21.9
Enterprise value ⁸		5 317.8	5 989.8	-11.2

* Should no further particulars be given, values referring to the income statement concern the first half-year, and balance sheet values the cut-off dates 30 June 2022 and 31 December 2021.

¹ Changes in number and percentage values are shown as an absolute difference

² Income from rental of investment real estate plus completed project volume in the Projects & Development division

³ Revaluation gains refer to gains from the revaluation of investment real estate less deferred taxes on revaluation

⁴ Borrowings minus cash and marketable securities as a percentage of equity

⁵ Income from realisation Projects & Development, sales Development, capitalised company-produced assets and various revenues minus direct expenses from realisation Projects & Development and sales Development

⁶ Earnings from realisation Projects & Development as a percentage of income from realisation Projects & Development

⁷ Share price at balance sheet date multiplied by the number of outstanding shares

⁸ Market capitalisation plus net finance debts

Letter to shareholders

- Encouraging increase in net operating profit compared with previous year
- Very good result in Real Estate division thanks to expansion of the portfolio and low vacancy rates
- Stable result in the Projects & Development division, with an improved gross margin in third-party business
- Improved outlook for 2022 as a whole

Allreal achieved a net operating profit of CHF 81.8 million in the first half of 2022, compared with CHF 79.1 million in the first half of 2021 – a year-on-year rise of 3.4%. Both divisions performed well overall.

However, net profit including revaluation effect fell by 25.7% year-on-year from CHF 111.3 million to CHF 82.7 million. At CHF 1.1 million before tax, revaluation effect was lacklustre, falling significantly below the previous year's level of CHF 41.8 million.

Allreal's share price was not immune to the global stock market slump in the first half of 2022 or the rises in interest rates. On the cut-off date, it closed at CHF 157.80, which represents a decline of 21.9% compared with the closing price on 31 December 2021. If the distribution of CHF 7.00 per share in April is

included, a negative overall performance of 18.4% was recorded in the first half of 2022.

Real Estate division's rental income rises thanks to the portfolio expansion in Western Switzerland

Rental income in the Real Estate division increased by 4.9% to CHF 106.8 million. The reasons for the significant growth were the expansion of the portfolio of yield-producing properties in Western Switzerland, low vacancy rates and low real estate costs. At 1.5%, the cumulative vacancy rate remained at a very low level. This had a positive impact on the attractive net yield of 3.9%. Allreal had already significantly improved the maturity profile of real estate leases in the previous year. The company continued its work to extend leases early with the same intensity. The valuation of the investment real estate resulted in a net upward revaluation of CHF 1.1 million before tax. As a result of the investments made in the period under review, the portfolio value rose to CHF 5.13 billion in total as at the balance sheet cut-off date, with no acquisitions or sales being completed in the period under review.

Projects & Development division's gross margin improves considerably

Earnings from the Projects & Development division amounted to CHF 34.9 million, compared with CHF 37.5 million in the first half of 2021. As in the previous year, one-off effects resulting from the sale of development real estate contributed to the stable income of the division, albeit to a somewhat lesser extent. Business remained challenging for the Realisation department in the first half of 2022. In particular, supply

shortages for various construction materials are a major challenge in respect of meeting deadlines. Nevertheless, the gross margin rose by 2.1 percentage points to 11.2% – a considerable improvement on the financial year 2021.

Implementation of initial measures contained in the sustainability strategy begins

Allreal set itself ambitious targets in the sustainability strategy it developed in the previous year. Initial measures towards achieving these targets began to be implemented in the first half of 2022. For example, the company identified a number of properties for which a broad-based expansion of solar power systems will begin in the second half of 2022. In addition, more charging stations are being installed to promote e-mobility. Allreal will equip at least 20% of garage parking spaces at yield-producing properties with electric vehicle charging stations by the end of the first half of 2024. The two initiatives comprise an investment volume of around CHF 10 million.

Improved outlook for 2022 as a whole

The first half of 2022 was shaped by rising inflation and the about-turn in interest rates performed by central banks. Despite the sharp rise in long-term interest rates, they remain at a low level by historical standards. The Swiss economy is robust and demand for Swiss real estate in central locations is undiminished.

In the Real Estate division, Allreal is expecting higher profits and a further rise in income as a result of the expansion of its portfolio. In the Projects & Development division, the

company expects business to proceed as forecasted. The strategy of combining the two divisions is paying off and securing potential for growth in the future.

For the financial year 2022, Allreal now expects net operating profit of at least CHF 135 million.

Given the geopolitical changes and their impact on the economy, the first half of 2022 was a challenge for everyone. Allreal's Board of Directors and Group Management would like to thank employees for their tireless commitment, without which much of the company's success would not have been possible. Thanks also to our shareholders for the trust they have placed in us in such uncertain times.

Consolidated half-year financial statements of Allreal Group

Consolidated financial statements

CHF million	1 st half-year 2022	1 st half-year 2021
Income from renting investment real estate	106.8	101.8
Income from realisation Projects & Development	120.0	133.1
Income from sales Development	26.5	75.5
Diverse income	0.9	0.7
Operating income	254.2	311.1
Direct expenses for rented investment real estate	-10.8	-10.0
Direct expenses from realisation Projects & Development	-106.6	-117.9
Direct expenses from sales Development	-10.9	-57.1
Direct operating expenses	-128.3	-185.0
Personnel expenses	-21.8	-18.3
Other operating expenses	-7.4	-3.7
Operating expenses	-29.2	-22.0
Capitalised company-produced assets	5.0	3.2
Higher valuation of yield-producing properties	14.1	68.1
Lower valuation of yield-producing properties	-14.4	-32.7
Higher valuation of investment real estate under construction	1.5	6.4
Lower valuation of investment real estate under construction	-0.1	0.0
Earnings from revaluation of investment real estate	1.1	41.8
EBITDA	102.8	149.1
Depreciation other property, plant and equipment	-0.8	-0.6
Depreciation intangible assets	-0.2	-0.1
Operating profit (EBIT)	101.8	148.4
Financial income	1.7	0.7
Financial expenses	-8.6	-7.8
Earnings before tax	94.9	141.3
Tax expenses	-12.2	-30.0
Net profit	82.7	111.3
Earnings per share in CHF	5.01	7.03
Diluted earnings per share in CHF	5.00	7.03

Consolidated balance sheet

CHF million	30.06.2022	31.12.2021 audited
Yield-producing properties	4963.6	4954.6
Investment real estate under construction	164.5	151.1
Other property, plant and equipment	10.4	10.0
Financial assets	96.9	100.3
Intangible assets	0.6	0.3
Deferred tax assets	1.5	1.2
Non-current assets	5237.5	5217.5
Development real estate	381.1	434.8
Trade receivables	60.4	64.2
Tax receivables	10.4	2.6
Other receivables	12.8	11.7
Cash	31.2	73.4
Current assets	495.9	586.7
Assets	5733.4	5804.2
Share capital	16.6	16.6
Capital reserves	586.5	644.3
Goodwill	-47.1	-47.1
Treasury shares	-13.1	-13.4
Retained earnings	1982.8	1957.9
Equity	2525.7	2558.3
Long-term borrowings	1709.4	1821.1
Deferred tax liabilities	368.8	371.8
Long-term provisions	1.1	1.3
Long-term liabilities	2079.3	2194.2
Trade payables	55.7	107.4
Other current liabilities	37.2	37.0
Provisions	3.4	2.7
Borrowings	1032.1	904.6
Short-term liabilities	1128.4	1051.7
Liabilities	3207.7	3245.9
Equity and liabilities	5733.4	5804.2



Feld/Berg secondary school – ready for the future

Allreal is refurbishing and extending a secondary school in Thalwil

There are specific challenges associated with extending the school building, especially in term time. After all, as Christian Wanner, Allreal's site manager, points out: "Who wants to write an essay when a wall is being knocked through on the floor above?" Therefore, as well as constantly inspecting the quality of the construction work, his main consideration is ensuring that the project is completed on schedule.



[reporting.allreal.ch/
en/school-buildings](https://reporting.allreal.ch/en/school-buildings)



Safety audits at Allreal

Safety first

It is Thursday morning in Adliswil and Beate Holz and Sebastian Gertsch, Allreal's two workplace health and safety representatives, have turned up unannounced at one of the company's major construction sites. At least once every month, they conduct a safety audit at a construction site. Since introducing the safety audits in 2016, there are now significantly fewer safety risks and accidents at Allreal's construction sites.



[reporting.allreal.ch/
en/safety](https://reporting.allreal.ch/en/safety)

Strategy and business model

Allreal covers the entire property value chain, from development and realisation to long-term property investment including portfolio management, building management and real estate management.

In all that it does, Allreal strives to achieve sustainability-oriented, consistent qualitative growth, steady returns and a stable distribution yield for its shareholders aimed at dividend growth.

The portfolio is developed organically and by means of acquisitions on a continuous basis. High quality standards are adhered to at all times. Allreal operates exclusively on the Swiss market.

The synergies between the two divisions Real Estate and Projects & Development are obvious: The Group develops and realises sustainable projects for its own portfolio and for sale to third parties. At the same time, Projects & Development also carries out orders for third parties. Allreal focuses on projects with calculable risks, realistic contract terms and intact profit expectations. With its selective participation in the third-party market, Allreal ensures that its Projects & Development division remains competitive.

In the Real Estate division, the company has considerable expertise thanks to its many years of experience in portfolio management and the technical and commercial management of its own yield-producing properties. The investments are located mainly in Switzerland's business centres, especially in the metropolitan area of Zurich and the Canton of Geneva. Residential properties account for at least 20 percent of total rental income.

The most important operating and financial targets are defined as follows:

Distribution yield – share of the Real Estate division's net profit (excl. revaluation effect)	<100%
Relative share performance – positive deviation from the SXI Real Estate Shares TR comparison index	>0
Share of residential segment in total rental earnings	>20%
Weighted average unexpired lease term (WAULT)	>48 months
Gross margin third-party projects Projects & Development division	>12%
Interest lock-in period for financial liabilities	>48 months
Return on equity excl. revaluation effect	>5%
Equity ratio	>35%
Net gearing (ratio of net financial debt and equity)	<150%
Interest coverage ratio	>2.0
Capital gearing on investment real estate and development real estate	<70%

Allreal has many years of experience in the holistic assessment of properties and offers customers tailored solutions covering everything from development and realisation to the operation of a property. Since the company is active neither in the construction industry nor in the ancillary building trade and holds no such investments, independence and transparency in terms of contract awarding are assured.

Real Estate division

The Real Estate division secures stable added value over the long term with its active management and focus on a high-quality portfolio. Portfolio growth is primarily driven by own projects, but the acquisition of individual properties or whole real estate portfolios is also considered on an ongoing basis. Acquisitions are optimised for yield and, depending on the objective and the market situation, are either kept or sold. The focus is on a high level of customer benefit combined with an increase in profitability with the lowest possible vacancy rates.

Projects & Development division

The Projects & Development division provides services in the development and realisation of real estate. In doing so, Allreal focuses on quality, adherence to deadlines and cost control. The division’s offering comprises all services necessary for delivering fair market returns and optimal added value on new buildings and building conversions and renovations. The Development department acquires development reserves or properties with upside potential. In these spaces, Allreal plans new properties using a holistic approach and realises them in such a way that economic, environmental and social aspects are taken into account as comprehensively as possible. Further activities include the sale of residential property developed and realised in-house by Allreal.

Real Estate

Portfolio Management
 Building Management
 Real Estate Management

**Experience
 Value creation
 Expertise**

Projects & Development

Development
 Realisation

Real estate at a glance

		1 st half-year 2022 as at 30.06.2022*	1 st half-year 2021 as at 31.12.2021*	Change in % ¹
Yield-producing properties				
Residential real estate on cut-off date	number	42	42	0
Commercial real estate on cut-off date	number	45	45	0
Market value on cut-off date	CHF million	4 963.6	4 954.6	0.2
Rental income from investment real estate	CHF million	106.8	101.8	4.9
Vacancy rate ²	%	1.5	1.5	0
Real estate expenses	CHF million	-10.8	-10.0	8.0
	in % of			
Real estate expenses	rental income	10.1	9.9	0.2
Gross yield ³	%	4.3	4.6	-0.3
Net yield ⁴	%	3.9	4.2	-0.3
Investment real estate under construction				
Buildings on cut-off date	number	3	3	0
Market value on cut-off date	CHF million	164.5	151.1	8.9
Investment volume	CHF million	195.6	192.6	1.6
Development real estate				
Book value development reserves on cut-off date	CHF million	346.9	417.4	-16.9
Estimated investment volume development reserves	CHF million	993.6	1 072.9	-7.4
Book value buildings under construction on cut-off date	CHF million	34.2	17.4	96.6
Estimated investment volume buildings under construction	CHF million	52.1	40.5	28.6
Book value completed real estate on cut-off date	CHF million	0.0	0.0	-

* Should no further particulars be given, values referring to the income statement concern the first half-year, and balance sheet values the cut-off dates 30 June 2022 and 31 December 2021.

¹ Changes in number and percentage values are shown as an absolute difference

² As a percentage of target rental income, cumulative as at cut-off date

³ Rental income from investment real estate as a percentage of continued market value of yield-producing properties as at 1 January

⁴ Rental earnings from investment real estate as a percentage of continued market value of yield-producing properties as at 1 January

Organisation and schedule

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Schedule

Annual results 2022

1 March 2023

Annual general meeting 2023

21 April 2023

Half-year results 2023

30 August 2023

Share register

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

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builds value