

# Annual Report 2001



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Allreal succeeded in expanding its real estate portfolio to the targeted value of CHF 1 billion as well as improving profit margins in the "Projects & Development" Division. Both business units contributed to the gratifying business results, allowing for a first-time dividend payment.

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building  
value

# Key Figures at a Glance

Allreal Group		2001	2000
Turnover Projects & Development Division	CHF million	601.3	640.5
Real estate investments	CHF million	1 025.5	770.6
Total income	CHF million	141.3	145.7
Operating profit (EBIT)	CHF million	82.7	90.9
Net profit incl. revaluation gains	CHF million	50.6	57.5
Net profit excl. revaluation gains	CHF million	38.2	33.9
Return on equity incl. revaluation gains	%	9.2	12.6
Return on equity excl. revaluation gains	%	6.9	7.4
Equity ratio	%	44.2	44.4
Net gearing <sup>1</sup>	%	102	73
Headcount per 31.12.	full-time equivalents	219	242

## Allreal Holding AG

Net profit	CHF million	22.9	1.9
Share capital	CHF million	325.2	325.2

## Allreal stock

Earnings per share incl. revaluation gains	CHF	8.01	9.75
Earnings per share excl. revaluation gains	CHF	6.04	5.75
Dividend per share	CHF	3.00 <sup>2</sup>	0
Net asset value (NAV) per share	CHF	94.55	86.60
Share price per 31.12.	CHF	82.00	87.00

## Operational key figures

Net yield from real estate investments	%	5.4	5.7
Operating margin Projects & Development Division <sup>3</sup>	%	42.4	35.4

## Valuations

Market capitalisation	CHF million	514.5	554.7
Enterprise value (EV) <sup>4</sup>	CHF million	1 120.9	958.3
EV/EBITDA excl. revaluation gains		16.2	16.1

<sup>1</sup> Net borrowings/total equity

<sup>2</sup> Proposed

<sup>3</sup> EBIT less revaluation gains/income from operations

<sup>4</sup> Market capitalisation plus net borrowings



# Ambitious Targets Attained

## Dear Shareholders

### **Two-pillar strategy a success factor**

Allreal is the only real estate company in Switzerland to pursue a consistent two-pillar strategy. The combination of a first-class real estate portfolio with the expertise of a capable general contracting company represents a key success factor, proving exceptionally effective in the past year, as seen both in the CHF 45 million order for DaimlerChrysler's new headquarters in Schlieren and in the CHF 180 million project for IBM Switzerland in Zurich. In both these projects Allreal Office AG appears as an investor, while Allreal Generalunternehmung AG develops and manages the projects. In this way, by contrast with pure investment companies, added value can be achieved all the way along the real estate value chain.

### **Significant portfolio expansion**

In spite of a dried-up market, the value of our real estate portfolio rose by about a third, from CHF 770 million to CHF 1025 million. This growth results from the purchase of four excellently situated office properties in and around Zurich, as well as the development and construction of various commercial properties by our own development operation. With our own projects, in particular, great emphasis was laid on a sustained, low-energy type of construction allowing for moderate future operating costs.

Of the divestments to the value of approximately CHF 60 million initiated in the year 2000, the remaining portion of CHF 44 million was successfully completed. This contributed to an improved structure for the "Home" portfolio, now geographically focussed on the Zurich and Basel areas.

Owing to the excellent locations and superior quality of its assets, the company's real estate portfolio as at 31.12.2001 appreciated by CHF 16.6 million. In the "Home" Division lower mortgage rates resulted in reduced market values. The overall revaluation gain represents a cautious assessment of the company's property portfolio.

### **Development as a key capability**

With a project volume amounting to approximately CHF 600 million – a slight drop compared with the previous year – and on the basis of improved profit margins, the "Projects & Development" Division achieved operative earnings of CHF 31.4 million. This is a significant increase over the previous year. Orders on hand to the value of CHF 1.1 billion compare with the previous year's values and will ensure full capacity utilization for the next two years. As in the past, a high proportion of the project volume comes from third-party projects. This demonstrates the competitiveness of our prices and constitutes the best possible guarantee for the profitability of our in-house projects.

In the Development Division, projects to the value of about CHF 1 billion have been processed, both on our own account and under third-party contract. These concern new commercial properties at outstanding locations in the Greater Zurich Area, the development of residential housing projects involving several hundred dwelling units, and also redevelopment projects

on former industrial land. The immediate goal is to obtain the required building permits, so that, at such time when willing investors or interested end-users are found, these projects may be quickly initiated and completed.

#### Confidence in the future

The company's good business results raised the Net Asset Value (NAV) per share to CHF 94.55, an increase of 9.2% over the previous year. The Annual General Meeting will be proposed a first-time dividend payment amounting to CHF 3.00 per share. This represents a dividend yield of 3.65% on the share price quoted at the end of the year.

The development of the share price does not yet reflect the company's demonstrated performance. The Board of Directors and management continue to put their faith in the company's proven two-pillar strategy, and in spite of the current unstable economic and political climate they anticipate positive results for the year 2002. A good number of acquisition projects, both in the "Projects & Development" Division and for the two portfolios, will soon be brought to a successful conclusion. Well-defined organisational adjustments and further recruitment of personnel for the strategically most important activities have further reinforced the company's strong position for attracting new business.

The move to our new business premises in Zurich North in March 2002 and, therefore, the relocation of the company's various Zurich operations under one roof, will have a positive effect on communications and cooperative efficiency. A further increase in earnings can be expected for the year 2002.

The Board of Directors and management would like to thank all company employees for their impressive personal commitment in the past year, and the shareholders for their support and confidence in Allreal's performance and future prospects.



Jack Schmuckli  
Chairman



Bruno Bettoni  
Chief Executive Officer

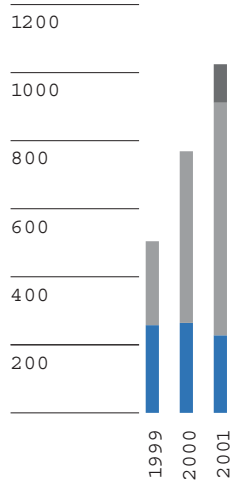
A handwritten signature in black ink, appearing to read "Schmuckli".

A handwritten signature in black ink, appearing to read "Bettoni".

# Outstanding Results – First-Time Dividend Payment

## Portfolio Real Estate Division

CHF million



- Residential properties
- Commercial properties
- Properties under construction and land reserves

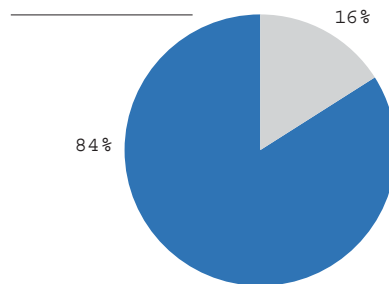
## Gratifying development in earnings

Allreal is satisfied with the 2001 financial results. While both divisions have contributed to the results, the performance in the “Projects & Development” Division was exceptionally gratifying; operative earnings here reached a value of CHF 31.4 million, a significant increase.

Operative earnings (not including revaluation gains) increased by 14% to CHF 124.7 million. Operative results grew to a similar extent (+ CHF 11.1 million; + 20%) as did net profits exclusive of revaluation gains (CHF 38.2 million; + 13%). The effect from revaluation, at CHF 12.4 million, fell below the previous year’s value of CHF 23.6 million. On the one hand, revaluation for 2000 benefitted from the first-time comprehensive analysis of the portfolios acquired in the course of the IPO. On the other, lower mortgage rates in the year 2001 led to lower valuations of residential property. These lower valuations may be expected to even out in the medium term.

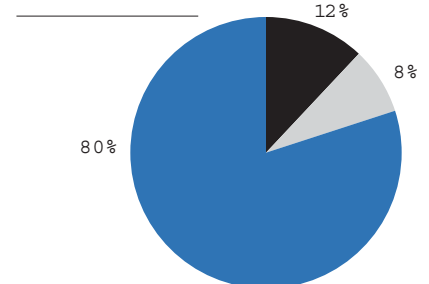
Taking the revaluation effect into account, net profits for 2001 are reported at a total of CHF 50.6 million (2000: CHF 57.5 million). The return on equity of 6.9% without the revaluation effect, or of 9.2% with the revaluation effect (2000: 7.4% and 12.6%), lies within the range set by long-term targets. The Net Asset Value (NAV) went up by 9%, from CHF 86.60 to CHF 94.55 per share.

## Residential properties Regional distribution



- Zurich area
- Basel area

## Commercial properties Regional distribution



- Zurich area
- Basel area
- Other regions

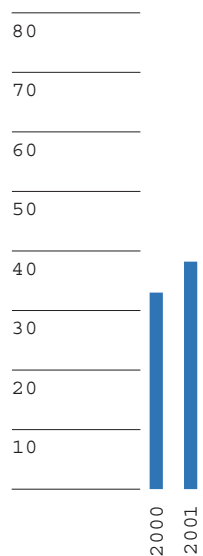
### A strong balance sheet and first-time dividend payment

In spite of the rapid expansion of our portfolio and the continued high level of development activities, the balance sheet at the end of 2001 remains strong. The equity ratio remains at 44.2% (44.4% in the previous year). The net gearing (ratio of net borrowings to equity) increased, as a result of growth, to the still conservative figure of 102% (73% in the previous year). At the same time a considerable proportion of the interest charges was hedged against by means of medium to long-term interest rate swaps.

Owing to the good earnings development, a first-time dividend payment of CHF 3.00 per share will be proposed for fiscal 2001. In relation to the year-end share price, this represents a yield of 3.65%. Allreal aims to continue offering dividend yields of comparable value for its shareholders in the future.

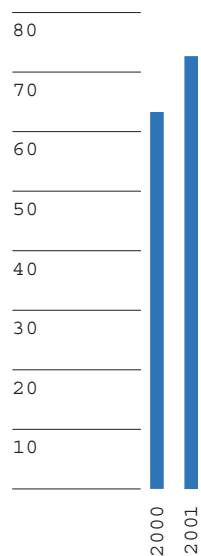
Net profit  
excluding revaluation effect

CHF millions



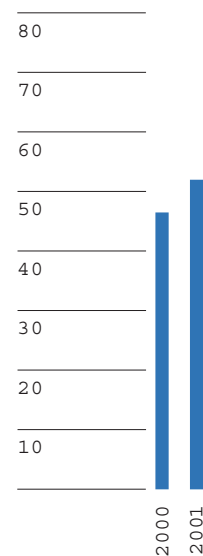
Earnings from  
projects & development

CHF millions



Earnings from  
real estate

CHF millions







# Consolidated Financial Statements

## Consolidated Income Statement

CHF million	2001	2000
Income from projects and development	72.7	63.3
Income from real estate	52.0	46.5
Revaluation gains	16.6	35.9
<b>Total income</b>	<b>141.3</b>	<b>145.7</b>
Personnel expenses	-32.2	-31.5
Real estate operating expenses	-11.0	-7.3
Other operating expenses	-12.2	-11.3
<b>EBITDA</b>	<b>85.9</b>	<b>95.6</b>
Depreciation	-1.2	-1.0
Amortisation	-2.0	-3.7
<b>Operating profit (EBIT)</b>	<b>82.7</b>	<b>90.9</b>
Finance income	1.5	2.2
Finance expenses	-16.4	-16.0
<b>Profit before income tax</b>	<b>67.8</b>	<b>77.1</b>
Current tax	-4.6	-7.3
Deferred tax	-12.6	-12.3
<b>Net profit</b>	<b>50.6</b>	<b>57.5</b>
<b>Net profit without revaluation effect</b>	<b>38.2</b>	<b>33.9</b>
<b>Earnings per share (CHF)</b>		
- with revaluation effect	8.01	9.75
- without revaluation effect	6.04	5.75
<b>Diluted earnings per share (CHF)</b>		
- with revaluation effect	7.91	9.64
- without revaluation effect	5.95	5.70

## Consolidated Balance Sheet

CHF million	Year ended 31 December	
	2001	2000
Real estate investments	1025.5	770.6
Intangible assets	5.1	12.2
Property, plant and equipment	0.9	1.8
Deferred tax assets	3.3	0.0
Financial assets	18.7	2.2
<b>Non-current assets</b>	<b>1053.5</b>	<b>786.8</b>
Real estate for development	206.4	220.6
Trade receivables	65.5	193.6
Other receivables	9.8	1.5
Securities	2.2	2.1
Cash	3.5	40.7
<b>Current assets</b>	<b>287.4</b>	<b>458.5</b>
<b>Total assets</b>	<b>1340.9</b>	<b>1245.3</b>
Share capital	325.2	325.2
Capital reserves	176.1	175.3
Treasury shares	-20.3	-11.7
Retained earnings	112.3	63.4
<b>Total equity</b>	<b>593.3</b>	<b>552.2</b>
Long-term borrowings	489.4	235.8
Deferred tax liabilities	45.9	19.5
Provisions	5.8	19.3
<b>Non-current liabilities</b>	<b>541.1</b>	<b>274.6</b>
Prepayments received	15.1	40.5
Trade payables	37.0	149.4
Current tax liabilities	9.4	8.9
Other current liabilities	22.3	9.1
Short-term borrowings	122.7	210.6
<b>Current liabilities</b>	<b>206.5</b>	<b>418.5</b>
<b>Total liabilities</b>	<b>747.6</b>	<b>693.1</b>
<b>Total equity and liabilities</b>	<b>1340.9</b>	<b>1245.3</b>
<b>Net Asset Value (NAV) per share (CHF)</b>		
- before deferred taxes	101.35	89.65
- after deferred taxes	94.55	86.60

## Consolidated Cash Flow Statement

CHF million	2001	2000
Net profit	50.6	57.5
Revaluation gains	-16.6	-35.9
Change in project provisions	-8.7	0.0
Depreciation	1.2	1.0
Amortisation	2.0	3.7
Change in deferred tax liabilities and provisions	7.9	11.8
Change in tax assets	-3.3	0.0
Other non-cash items	-49.2	-1.4
Change in securities	-0.1	-1.6
Change in trade receivables	128.1	-55.1
Change in other receivables	-8.3	22.8
Change in real estate for development	14.2	-48.4
Change in trade payables	-112.4	21.9
Change in prepayments received	-25.4	15.9
Change in current tax liabilities	-0.1	5.2
Change in other current liabilities	12.8	-2.8
<b>Cash flows from operations</b>	<b>-7.3</b>	<b>-3.8</b>
Purchase of real estate investments	-185.3	-194.7
Sale of real estate investments	44.1	9.2
Purchase/sale of plant, property and equipment	-0.3	-1.5
Change in financial assets	-3.5	1.2
Acquisition of subsidiary, net of cash acquired	-38.2	-42.1
<b>Cash flows from investing activities</b>	<b>-183.2</b>	<b>-227.9</b>
Change in current borrowings	-87.9	-127.6
Change in non-current borrowings	249.8	83.8
Net proceeds from issue of shares	0.0	303.1
Purchase of treasury shares	-8.6	-11.4
<b>Cash flows from financing activities</b>	<b>153.3</b>	<b>247.9</b>
<b>Change in cash and securities</b>	<b>-37.2</b>	<b>14.6</b>
Cash and securities as of 01.01	40.7	26.1
Cash and securities as of 31.12.	3.5	40.7
<b>Change in cash and securities</b>	<b>-37.2</b>	<b>14.6</b>

**Segment Information**  
**Year ended 31 December 2001**

CHF million	Home	Office	Projects & Development	Corporate	Eliminations	Group
Income from operations	19.1	33.2	74.1	0.9	-2.6	124.7
Revaluation gains	-5.9	12.5	10.0	0.0	0.0	16.6
<b>Total income</b>	<b>13.2</b>	<b>45.7</b>	<b>84.1</b>	<b>0.9</b>	<b>-2.6</b>	<b>141.3</b>
Operating expenses	-5.7	-8.1	-41.7	-2.5	2.6	-55.4
<b>EBITDA</b>	<b>7.5</b>	<b>37.6</b>	<b>42.4</b>	<b>-1.6</b>	<b>0.0</b>	<b>85.9</b>
Depreciation and amortisation	0.0	0.0	-1.0	-2.2	0.0	-3.2
<b>Operating profit (EBIT)</b>	<b>7.5</b>	<b>37.6</b>	<b>41.4</b>	<b>-3.8</b>	<b>0.0</b>	<b>82.7</b>
Net finance expenses	-4.1	-9.8	-0.8	0.0	-0.2	-14.9
Income tax	0.4	-6.1	-11.4	-0.1	0.0	-17.2
<b>Net profit</b>	<b>3.8</b>	<b>21.7</b>	<b>29.2</b>	<b>-3.9</b>	<b>-0.2</b>	<b>50.6</b>
Operating margin (in %) <sup>1</sup>	70.2	75.9	42.4	n.m.	n.m.	53.0
Operating net cash flow <sup>2</sup>	13.4	22.8	23.3	-1.6	0.0	57.9
Non-current assets	228.9	798.1	16.7	9.8	0.0	1053.5
Current assets	1.2	1.6	283.2	3.4	-2.0	206.4
<b>Total assets</b>	<b>230.1</b>	<b>799.7</b>	<b>299.9</b>	<b>13.2</b>	<b>-2.0</b>	<b>1340.9</b>
Deferred tax liabilities and provisions	5.7	-28.9	-17.1	0.0	0.0	-51.7
Non-financial liabilities	-4.5	-14.5	-70.4	-0.3	5.9	-83.8
<b>Net operating assets</b>	<b>219.9</b>	<b>756.3</b>	<b>212.4</b>	<b>12.9</b>	<b>3.9</b>	<b>1205.4</b>
Borrowings	-106.0	-366.4	-139.7	0.0	0.0	-612.1
<b>Total equity</b>	<b>113.9</b>	<b>389.9</b>	<b>72.7</b>	<b>12.9</b>	<b>3.9</b>	<b>593.3</b>
Investments	8.1	225.2	0.3	0.0	0.0	233.6

<sup>1</sup> EBIT less revaluation gains/Income from operations

<sup>2</sup> EBITDA less revaluation gains, change in project provisions, capital expenditures, and purchase/sale of property, plant and equipment

Allreal operates in Switzerland only. Therefore, no geographical break-down is provided.

## Year ended 31 December 2000

CHF million	Home	Office	Projects & Development	Corporate	Eliminations	Group
Income from operations	18.9	27.6	64.9	0.0	-1.6	109.8
Revaluation gains	12.2	23.7	0.0	0.0	0.0	35.9
<b>Total income</b>	<b>31.1</b>	<b>51.3</b>	<b>64.9</b>	<b>0.0</b>	<b>-1.6</b>	<b>145.7</b>
Operating expenses	-5.0	-3.7	-41.0	-2.0	1.6	-50.1
<b>EBITDA</b>	<b>26.1</b>	<b>47.6</b>	<b>23.9</b>	<b>-2.0</b>	<b>0.0</b>	<b>95.6</b>
Depreciation and amortisation	0.0	0.0	-0.9	-3.8	0.0	-4.7
<b>Operating profit (EBIT)</b>	<b>26.1</b>	<b>47.6</b>	<b>23.9</b>	<b>-5.8</b>	<b>0.0</b>	<b>90.9</b>
Net finance expenses	-3.8	-7.6	-1.8	-0.6	0.0	-13.8
Income tax	-7.4	-11.1	-3.6	2.5	0.0	-19.6
<b>Net profit</b>	<b>14.9</b>	<b>28.9</b>	<b>17.6</b>	<b>-3.9</b>	<b>0.0</b>	<b>57.5</b>
Operating margin (in %) <sup>1</sup>	73.5	86.6	35.4	n.m.	n.m.	50.1
Operating net cash flow <sup>2</sup>	13.9	23.9	22.6	-2.2	0.0	58.2
Non-current assets	264.8	505.8	3.7	12.5	0.0	786.8
Current assets	6.4	28.0	417.6	6.5	0.0	458.5
<b>Total assets</b>	<b>271.2</b>	<b>533.8</b>	<b>421.3</b>	<b>19.0</b>	<b>0.0</b>	<b>1245.3</b>
Deferred tax liabilities and provisions	-5.1	-9.1	-24.6	0.0	0.0	-38.8
Non-financial liabilities	-4.0	-5.6	-203.4	5.1	0.0	-207.9
<b>Net operating assets</b>	<b>262.1</b>	<b>519.1</b>	<b>193.3</b>	<b>24.1</b>	<b>0.0</b>	<b>998.6</b>
Borrowings	-116.2	-243.4	-86.6	-0.2	0.0	-446.4
<b>Total equity</b>	<b>145.9</b>	<b>275.7</b>	<b>106.7</b>	<b>23.9</b>	<b>0.0</b>	<b>552.2</b>
Investments	2.1	256.3	1.3	0.2	0.0	259.9

<sup>1</sup> EBIT less revaluation gains/Income from operations

<sup>2</sup> EBITDA less revaluation gains, change in project provisions, capital expenditures, and purchase/sale of property, plant and equipment

Allreal operates in Switzerland only. Therefore, no geographical break-down is provided.



# Key Figures in Euro

Euro Mio.	2001	2000
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## Consolidated income statement

Total income	93.6	93.4
EBITDA	56.9	61.3
Operating profit (EBIT)	54.8	58.3
Net profit	33.5	36.9
Net profit without revaluation effect	25.3	21.7
Net profit per share with revaluation effect	5.30	6.25
Net profit per share without revaluation effect	4.00	3.69

## Consolidated balance sheet

Real estate investments	692.9	503.7
Other assets	213.1	310.2
Balance sheet total	906.0	813.9
Equity	400.9	360.9
Borrowings	413.6	291.8
Other liabilities	91.5	161.2
Net Asset Value (NAV) per share	63.89	56.60

## Consolidated cash flow statement

Funds from operations	-4.8	-2.4
Funds from investing activities	-121.3	-146.0
Funds from financing activities	101.5	158.9

## Company valuations

Market valuation	347.6	362.5
Enterprise value (EV)	757.4	626.3

## Exchange rates

Average rate for income statement/cash flow statement	1.51	1.56
Year-end rate for balance sheet/valuations	1.48	1.53



# Board and Management

## Board of Directors (appointed for three years until the 2003 Annual General Meeting)

<b>Jack Schmuckli</b> (*1940) Chairman	<b>Dr. Thomas Lustenberger</b> (*1951) Deputy Chairman	<b>Erich Walser</b> (*1947)	<b>Oskar Wintsch</b> (*1932)
Former Chairman and CEO of Sony Corporation (Europe). Deputy Chairman of Unaxis AG, Chairman of Think Tools (Schweiz) AG, member of the Board of Hilti AG, SEZ Holding AG, WICOR AG and various other companies.	Lawyer and partner in an international law firm in Zurich, Chairman of Calida Holding AG, Deputy Chairman of Micronas Semiconductor Holding AG, member of the Board of SEZ Holding AG and Vitrashop Holding AG.	CEO of Helvetia Patria Group, member of the Board of Neue Rückversicherungsgesellschaft, Loppacher AG and Metrohm AG, Chairman of Hermann Koller AG.	President and former Chairman of Oerlikon-Bührle Immobilien AG (predecessor to Allreal Generalunternehmung AG).

All members of the Allreal Holding AG board of directors are non-executive and independent. There are no board committees. Board members are appointed for three-year periods.

## Management

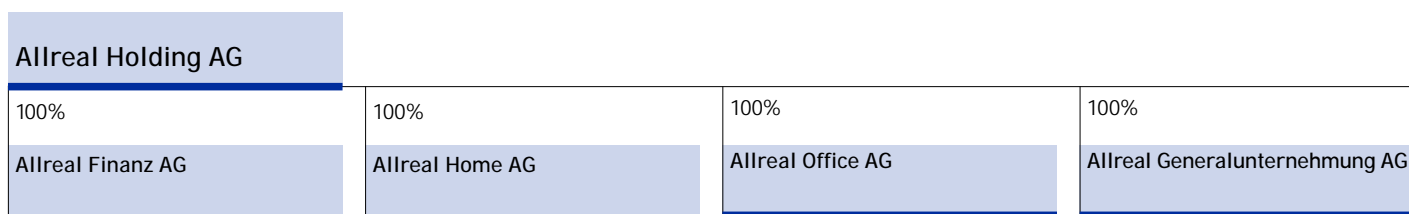
<b>Bruno Bettoni</b> (*1949, CH) Chief Executive Officer	<b>Hans Engel</b> (*1955, CH) Chief Operating Officer	<b>Dr. Peter Kratz</b> (*1953, D) Chief Financial Officer
T 01-319 12 37 F 01-319 15 35 bruno.bettoni@allreal.ch	T 01-319 12 17 F 01-319 15 35 hans.engel@allreal.ch	T 01-319 14 83 F 01-319 15 35 peter.kratz@allreal.ch
Oerlikon-Bührle Immobilien AG since 1973, member of management 1980–1995, CEO 1995–1999. Allreal CEO since 1999.	Oerlikon-Bührle Immobilien AG since 1981, member of management 1995–1999. Allreal COO since 1999.	CFO Zuellig Gruppe 1990–1996. CFO Swiss Steel 1996–1999. CFO Watt Gruppe and Elektrizitäts-Gesellschaft Laufenburg AG 1999–2001. Allreal CFO since 2001.

## Auditors

(appointed for one year until the 2002 AGM)

Ernst & Young AG, Zürich

# Corporate Structure, Addresses and Events



## Allreal Holding AG

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## Allreal Home AG

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\*from 18.03.2002  
Eggbühlstrasse 15

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## Allreal Generalunternehmung AG

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## Events

Annual General Meeting 2002	21 March 2002
Half year Report 2002	28 August 2002
Annual Report 2002	27 February 2003
Annual General Meeting 2003	28 March 2003