

Half-year Report 2003

allreal

holding

Key figures at a glance

		1 st half-year 2003 resp. 30.06.2003*	1 st half-year 2002 resp. 31.12.2002*	Change in %
Allreal Group				
Total income incl. revaluation gains	CHF million	82.0	78.8	+4.0
Operating profit (EBIT) incl. revaluation gains	CHF million	52.0	50.5	+3.0
Net profit incl. revaluation gains	CHF million	31.3	31.1	+0.6
Total income excl. revaluation gains	CHF million	81.8	61.4	+33.2
Operating profit (EBIT) excl. revaluation gains	CHF million	51.8	33.1	+56.5
Net profit excl. revaluation gains	CHF million	31.6	18.6	+69.9
Cash flow	CHF million	24.6	23.0	+7.0
Return on equity incl. revaluation effect (annualised)	%	10.2	10.8	-0.6
Return on equity excl. revaluation effect (annualised)	%	10.3	6.5	+3.8
Cash flow yield (annualised)	%	8.0	8.0	0.0
Equity ratio	%	39.3	35.0	+4.3
Net gearing ¹	%	118	144	-26.0
Market value real estate investments	CHF million	1 347.2	1 505.9	-10.5
Sales Projects & Development Division	CHF million	242.5	299.3	-18.9
Employees (number) at 30 June 2003	full-time equivalents	212	208	+1.9
Allreal shares				
Earnings per share incl. revaluation effect	CHF	4.96	5.01	-0.1
Earnings per share excl. revaluation effect	CHF	5.01	3.00	+67.0
Cash flow per share	CHF	3.90	3.71	+5.1
Net asset value (NAV) per share	CHF	98.60	98.63	0.0
Share price at 30 June 2003	CHF	87.25	78.75	+10.8
Operating key figures				
Net yield real estate portfolio ²	%	5.6	5.5	+0.1
Operating margin Projects & Development Division ³	%	42.0	28.9	+13.1
Valuation				
Market capitalisation at 30 June 2003 ⁴	CHF million	556.2	488.1	+14.0
Enterprise value (EV) at 30 June 2003 ⁵	CHF million	1 296.7	1 368.7	-5.3

* The values shown in the income statement concern the half-year, total value shown concerns 31 December 2002 or 30 June 2003

¹ Net financial debt in percent of equity value

² Income from real estate in percent of market value (annualised)

³ EBIT in percent of income from business activity

⁴ Share price on cut-off date multiplied by the number of outstanding shares (= issued shares minus treasury shares)

⁵ Market capitalisation plus net financial debt

Allreal is listed on the Swiss Exchange SWX (symbol: ALLN, securities number 883 756).

Real estate at a glance

		1 st half-year 2003 resp. 30.06.2003*	1 st half-year 2002 resp. 31.12.2002*
Commercial real estate			
Portfolio			
Number of properties		38	40
Useable floor space	'000 m ²	249	266
Vacancy rate ¹	%	1.4	1.2
Gross rental income	CHF million	32.2	23.3
Real estate profit ²	CHF million	27.8	20.9
Gross yield ³	%	6.5	6.6
Net yield ³	%	5.6	5.5
Historical book value	CHF million	942.1	1 012.5
Market value	CHF million	983.6	1 085.3
Average market value ⁴	CHF million	25.9	27.1
Portfolio under construction			
Useable floor space	'000 m ²	38	23
Investment volume	CHF million	185.0	245.0
Book value	CHF million	72.0	93.9
Land reserves			
Property area	'000 m ²	22	22
Investment volume	CHF million	165.0	165.0
Book value	CHF million	34.5	34.0
Residential real estate			
Number of properties		21	23
Useable floor space	'000 m ²	85	101
Vacancy rate ¹	%	1.7	1.1
Rental income	CHF million	9.7	9.7
Real estate profit ²	CHF million	7.8	7.7
Gross yield ³	%	6.9	7.3
Net yield ³	%	5.5	5.4
Historical book value	CHF million	248.6	286.2
Market value	CHF million	257.1	292.7
Average market value ⁴	CHF million	12.2	12.7
Real estate for development			
Land reserves			
Plot size	'000 m ²	110	140
Investment volume	CHF million	616.0	711.0
Book value	CHF million	71.2	90.4
Buildings under construction			
Investment volume	CHF million	171.0	127.0
Book value	CHF million	58.5	49.3

* Income and yield values shown concern the half-year, total value shown concerns 31 December 2002 or 30 June 2003

¹ in percent of targeted rental income

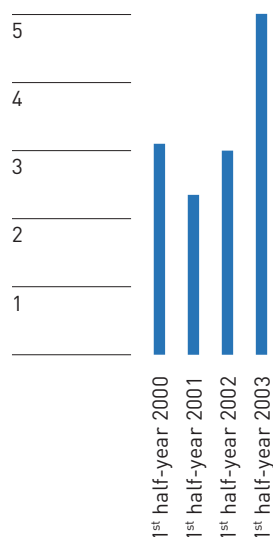
² rental income minus real estate expenditure

³ in percent of market value (annualised)

⁴ per building

Allreal builds value

Earnings per share excl. revaluation
CHF



- Share price increased by 11 percent
- Net profit improved by 70 percent
- Equity ratio grew to 39.3 percent

Dear Shareholders

The first half-year 2003 again ended on a positive note for Allreal. Net operating profit (net profit excluding revaluation effect) grew by 70 percent from CHF 18.6 million to CHF 31.6 million, compensating for the lacking revaluation earnings on investment property. The financial result is proof of Allreal's corporate strength and confirmation of the strategy decided upon in 1999 and implemented consistently since then. The capability as a general contractor to cover the complete value adding chain in real estate by combining portfolio with projects and development represents the basis for Allreal's successful business activity as shown during the first half-year 2003.

Net profit including revaluation effect is reported at CHF 31.3 million (plus 1 percent). Cash flow grew from CHF 23.0 million to CHF 24.6 million. Furthermore, equity ratio reached a level of 39.3 percent – and net gearing correspondingly fell from 144 to 118 percent. The equity ratio (annualised) is reported at 10.2 percent.

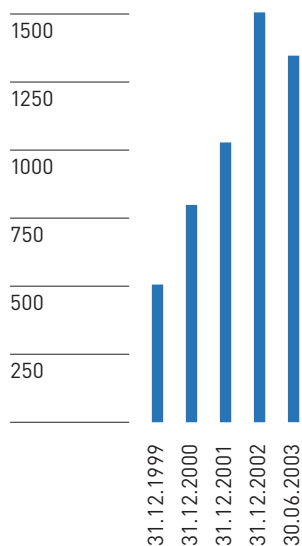
Sales of the commercial buildings Andreashof and Eggbühl, which were completed last year, show that the valuation of the real estate portfolio is realistic and in line with the market. Both properties reported a capital gain which positively influenced the 2003 earnings statement. Allreal took advantage of the current low interest-rate level to set up long-term hedges against some 75 percent of its financial debt. In this way, the company's finances have been put on a healthy and continuingly attractive basis. The average interest rate as at 30 June 2003 amounted to 2.8 percent.

The attractive dividend policy and stable performance in the past have had a positive effect on the share price. Thanks to the stable income of the real estate portfolio, the favourable terms of long-term financing, and the profit generated by general contracting, it may safely be expected that Allreal will continue to pay out a dividend which compares favourably with the yield produced by direct investment in real estate.

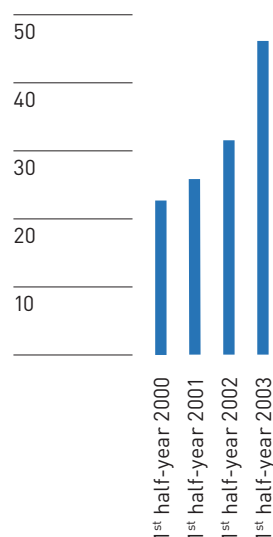
Real Estate division

In February, the new headquarters for DaimlerChrysler Switzerland were handed over to the tenants on schedule. This represents a significant addition to Allreal's portfolio during the first half-year. The realisation of IBM Switzerland's new headquarters – which will be transferred to Allreal's real estate portfolio upon completion in 2005 – is on schedule. During the first half-year Allreal divested three commercial and two residential properties with a total value of CHF 222 million. The profit resulting from the divestment supports the correctness of the portfolio's market valuation. Since new rentals coming up in the medium term, individual commercial properties were down valued by CHF 12.5 million. Divestments and lower valuations resulted in an 11 percent reduction in value of the real estate portfolio to CHF 1 347 million.

Investment real estate
CHF million



Income from investment real estate
CHF million



The composition of the portfolio experienced only marginal changes; at 30 June 2003, 73 percent of the portfolio was apportioned to commercial real estate, 19 percent to residential real estate and 8 percent to buildings under construction and land reserves. Current legislation allows Allreal to maintain a 33 percent share of residential property in its overall portfolio. Owing to the strong demand for residential real estate Allreal can take full advantage of the potential available both for its Projects & Development division and for further portfolio growth.

Rental income grew by 29 percent to CHF 41.9 million when compared to the first six months of last year thanks to the acquisitions made in 2002 and a lower vacancy rate of 1.5 percent. At 5.6 percent, net yield is reported slightly higher than for the previous year (5.5 percent).

Compared to the 2002 financial year, the Real Estate division contributed an unchanged 65 percent to net profit. Revenue from rents, coupled with favourable long-term financial hedging at a low level of risk, generated a healthy cash flow and income.

Projects & Development division

In an economically unfavourable environment, the Projects & Development division held its own. Total revenue from general contracting activity (project development and management) amounted to CHF 35.7 million, representing a 20 percent increase when compared to the first six months of the previous year. The operating margin increased to 42 percent owing to the successful completion of several projects.

Project Development: project development is gaining increasing importance and continued growth is reported for the first half-year. Work on projects for third parties and our own portfolio went according to plan. Furthermore, additional project contracts were signed during the first half-year. The 20 projects handled by 30 June 2003 represent an investment of over CHF 1 000 million.

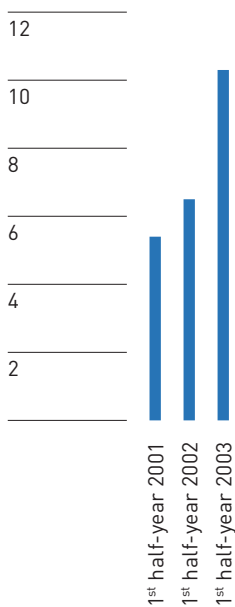
Project Management: at good capacity utilisation and intact margins the unit handled a volume of CHF 242.5 million for the first half-year, thus below the previous year's value of CHF 299 million. Thanks to new orders the work backlog remains at some 18 months, despite the completion of numerous projects. There are approximately 60 projects at different levels of completion which are progressing according to plan; they represent a total volume of CHF 735 million, and Allreal is responsible for their completion in terms of schedule, budget and quality.

Services: during the first six months of the year Allreal sold 70 residential units, thus successfully continuing with the good results reported for the last year.

Improved net profit compensates for lacking revaluation earnings

During the first half-year 2003 Allreal benefited from the fast expansion of its portfolio last year as well as from the completion of numerous buildings by the Project Management sub-division. As a result, earnings from investment property grew by 45 percent to CHF 46.1 million, and earnings by the Projects & Development division increased by 20 percent to CHF 35.7 million. At in-

Return on equity (RoE) excl. revaluation
in percent



significantly higher expenditure net profit rose by 70 percent to CHF 31.6 million (CHF 18.6 million the previous year).

Earnings from a first-time market valuation amounting to CHF 12.7 million were largely compensated for by the lower valuation of individual commercial buildings amounting to CHF 12.5 million. The revaluation of investment property during the first half-year thus amounted to only CHF 0.2 million (CHF 17.4 million the previous year). As a result, total profit of CHF 31.3 million is reported at only 1 percent above the previous year's value (CHF 31.1 million).

Based on the sale of real estate especially, Allreal's equity share rose from 35 percent at 31 December 2002 to 39.3 percent at 30 June 2003. On average interest rates remained at a low 2.8 percent despite the significant increase in average duration to more than four years.

Ongoing business for second half-year expected to remain stable

Allreal expects to report improved operating results for the 2003 financial year as compared to the previous year. Owing to the unstable economic situation, a further down valuation of the real estate portfolio when valued in accordance with DCF cannot be excluded. Thanks to the reliable income generated by the real estate portfolio, the favourable long-term financing conditions, and the earnings of the Projects & Development division, dividend payments will also in the future remain comparable to the yield obtained from a direct investment in real estate.

Baar, 19 August 2003

Thomas Lustenberger
Chairman

Bruno Bettoni
CEO

Consolidated financial statements

Consolidated income statement

CHF million	1 st half-year 2003	1 st half-year 2002
Income from real estate	46.1	31.8
Income from projects & development	35.7	29.6
Revaluation of real estate investments	0.2	17.4
Total income	82.0	78.8
Property expense	-6.3	-4.3
Personnel expense	16.9	-16.3
Other operating expense	-5.7	-6.3
EBITDA	53.1	51.9
Depreciation	-0.3	-0.5
Amortisation	-0.8	-0.9
Operating profit (EBIT)	52.0	50.5
Finance income	0.7	0.3
Finance expense	-12.3	-10.6
Profit before income tax	40.4	40.2
Current tax	-8.6	-4.2
Deferred tax on revaluation gains	-0.5	-4.9
Net profit	31.3	31.1
Total income excl. revaluation gains	81.8	61.4
EBITDA excl. revaluation gains	52.9	34.5
EBIT excl. revaluation gains	51.8	33.1
Net profit excl. revaluation effect	31.6	18.6
Net profit per share in CHF		
— incl. revaluation gains	4.96	5.01
— excl. revaluation gains	5.01	3.00
Diluted earnings per share in CHF		
— incl. revaluation gains	4.93	4.96
— excl. revaluation gains	4.98	2.98

Consolidated balance sheet

CHF million	30.06.2003	31.12.2002	30.06.2002
Real estate investments	1 347.2	1 505.9	1 308.2
Real estate for development	139.1	157.6	245.1
Intangible assets	0.3	2.6	3.4
Property, plant and equipment	1.3	1.7	2.0
Deferred tax assets	4.4	4.7	3.3
Financial assets	10.7	0.0	3.6
Fixed assets	1 503.0	1 672.5	1 565.6
Trade receivables	59.1	55.7	29.2
Other receivables	11.4	14.2	11.6
Cash	25.1	3.2	4.5
Current assets	95.6	73.1	45.3
Total assets	1 598.6	1 745.6	1 610.9
Share capital	325.2	325.2	325.2
Capital reserves	175.1	175.8	175.9
Treasury shares	-9.6	-24.6	-25.9
Retained earnings	138.3	134.9	125.4
Total equity	629.0	611.3	600.6
Long-term borrowings	730.6	853.8	680.8
Prepayments on development property	3.3	4.2	11.5
Deferred tax liabilities	48.9	66.1	50.9
Other long-term provisions	9.9	7.6	6.9
Other long-term liabilities	12.5	12.3	2.0
Long-term liabilities	805.2	944.0	752.1
Trade payables	78.0	108.0	25.4
Short-term provision for taxes	28.4	14.8	11.2
Other current liabilities	9.7	28.1	110.4
Accruals and deferred income	13.3	9.4	13.2
Short-term borrowings	35.0	30.0	110.0
Short-term liabilities	164.4	190.3	258.2
Total liabilities	969.6	1 134.3	1 010.3
Total equity and liabilities	1 598.6	1 745.6	1 610.9
Equity (NAV) per share in CHF			
— before deferred tax	105.65	108.54	104.90
— after deferred tax	98.67	98.63	96.81
— excl. revaluation effect	92.39	89.38	85.97

Consolidated statement of changes in shareholders' equity

CHF million	Share capital	Capital reserves	Treasury shares	Financial instruments	Revaluation reserve	Other retained earnings	Total
As at 01.01.2002	325.2	176.1	-20.3	-2.4	36.0	78.7	593.3
Dividend payment						-18.6	-18.6
Valuation of financial instruments				0.4			0.4
Sale/Acquisition of own shares		-0.2	-5.4				-5.6
Net profit					12.3	18.8	31.1
Reclassification			-0.2		10.0	-9.8	0.0
As at 30 June 2002	325.2	175.9	-25.9	-2.0	58.3	69.1	600.6
Expenditure from capital increase 2000		-0.3					-0.3
Valuation of financial instruments				-10.3			-10.3
Sale/purchase treasury shares		0.2	1.1				1.3
Company results					-1.1	21.1	20.0
Reclassification			0.2		0.1	-0.3	0.0
As at 31 December 2002	325.2	175.8	-24.6	-12.3	57.3	89.9	611.3
Dividend payment						-28.8	-28.8
Valuation financial instruments				0.9			0.9
Sale/purchase treasury shares		-0.7	15.0				14.3
Company results					-0.3	31.6	31.3
Reclassification					-17.0	17.0	0.0
As at 30 June 2003	325.2	175.1	-9.6	-11.4	40.0	109.7	629.0

Consolidated cash flow statement

CHF million	1 st half-year 2003	1 st half-year 2002
Net profit	31.3	31.1
Revaluation gains	-0.2	-17.4
Depreciation	0.3	0.5
Amortisation	0.8	0.9
Change in short-term provisions	-14.9	6.1
Change in short-term tax provisions	13.6	1.8
Change in deferred tax credits	0.3	0.0
Other items	-6.6	0.1
Cash flow	24.6	23.0
Change in securities	0.0	2.2
Change in trade receivables	-3.4	36.3
Change in other receivables	2.8	-1.8
Change in trade payables	-30.0	-11.6
Change in other current liabilities	-14.5	91.4
Change in net current assets	-45.1	116.5
Cash flow from operations	-20.5	139.5
Purchase of real estate investments	-53.8	-315.3
Sale of real estate investments	222.1	51.2
Change in real estate for development	18.5	-38.7
Purchase (net) of plant, property and equipment	0.0	-1.7
Change in financial assets	-10.7	15.1
Cash flow from investing activities	176.1	-289.4
Change in prepayments received	-0.9	-3.6
Change in short-term borrowings	5.0	-12.7
Change in long-term borrowings	-123.2	191.4
Purchase of treasury shares	14.3	-5.6
Dividend payment	-28.8	-18.6
Cash flow from financing activities	-133.6	150.9
Change in cash	21.9	1.0
Cash at 01.01	3.2	3.5
Cash at 30.06.	25.1	4.5
Change in cash	21.9	1.0
Other information		
Interest received	0.5	0.1
Interest paid	7.7	13.4
Income taxes paid	12.2	4.7

Segment information 2003 financial year

CHF million	Real Estate	Projects & Development	Other	Total
Income statement 1st half-year 2003				
Income from operations	46.3	36.9	-1.4	81.8
Revaluation gains	0.2	0.0	0.0	0.2
Total income	46.5	36.9	-1.4	82.0
Operating expense	-8.1	-21.1	0.3	28.9
EBITDA	38.4	15.8	-1.1	53.1
Depreciation and amortisation	0.0	-0.3	-0.8	-1.1
EBIT	38.4	15.5	-1.9	52.0
Net finance expense	-12.1	0.4	0.1	-11.6
Income tax	-5.9	-3.0	-0.2	-9.1
Net profit	20.4	12.9	-2.0	31.3
EBITDA excl. revaluation gains	38.2	15.8	-1.1	52.9
EBIT excl. revaluation gains	38.2	15.5	-1.9	51.8
Net profit excl. revaluation effect	20.7	12.9	-2.0	31.6
Operating margin ¹	82.5	42.0	n.m.	63.3
Operating net cash flow ²	36.8	15.8	-1.1	51.5
Balance sheet 30.06.2003				
Non-current assets	1 351.4	151.3	0.3	1 503.0
Current assets	29.3	64.3	2.0	95.6
Total assets	1 380.7	215.6	2.3	1 598.6
Long-term provisions	42.0	16.8	0.0	58.8
Non-financial liabilities	43.9	100.4	0.9	145.2
Net operating assets	1 294.8	98.4	1.4	1 394.6
Borrowings	730.6	35.0	0.0	765.6
Equity	564.2	63.4	1.4	629.0
Cash flow statement 1st half-year 2003				
Cash flow	15.8	8.4	0.4	24.6
Cash flow	16.5	-41.3	4.3	-20.5
Cash flow from operations	168.3	7.8	0.0	176.1
Cash flow from investing activities				
Investments in existing properties	1.4	0.0	0.0	1.4

¹ EBIT less revaluation gains in percent of income from operations

² EBITDA less revaluation gains, reversal of project write-downs, capital expenditures and purchase/sale of property, plant and equipment

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

Segment information 2002 financial year

CHF million	Real Estate	Projects & Development	Other	Total
Income statement 1st half-year 2002				
Income from operations	32.3	30.8	-1.7	61.4
Revaluation gains	17.4	0.0	0.0	17.4
Total income	49.7	30.8	-1.7	78.8
Operating expense	-6.8	-21.4	1.3	-26.9
EBITDA	42.9	9.4	-0.4	51.9
Depreciation and amortisation	0.0	-0.5	-0.9	-1.4
EBIT	42.9	8.9	-1.3	50.5
Net finance expense	-10.0	-0.4	0.1	-10.3
Income tax	-6.5	-2.5	-0.1	-9.1
Net profit	26.4	6.0	-1.3	31.1
EBITDA excl. revaluation gains	25.5	9.4	-0.4	34.5
EBIT excl. revaluation gains	25.5	8.9	-1.3	33.1
Net profit excl. revaluation effect	13.9	6.0	-1.3	18.6
Operating margin ¹	78.9	28.9	n.m.	53.9
Operating net cash flow ²	22.2	7.7	-0.4	29.5
Balance sheet 30.06.2002				
Non-current assets	1 309.7	248.9	7.0	1565.6
Current assets	4.1	39.9	1.3	45.3
Total assets	1 313.8	288.8	8.3	1610.9
Long-term provisions	39.7	18.1	0.0	57.8
Non-financial liabilities	95.6	68.4	2.3	161.7
Net operating assets	1 178.5	202.3	10.6	1391.4
Borrowings	670.8	120.0	0.0	790.8
Equity	507.7	82.3	10.6	600.6
Cash flow statement 1st half-year 2002				
Cash flow	14.8	8.6	-0.4	23.0
Cash flow from operations	89.2	47.1	3.2	139.5
Cash flow from investing activities	-264.1	-26.4	1.1	-289.4
Investments in existing properties	3.3	1.7	0.0	5.0

¹ EBIT less revaluation gains in percent of income from operations

² EBITDA less revaluation gains, reversal of project write-downs, capital expenditures and purchase/sale of property, plant and equipment

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

Adresses, contacts, schedule

Structure and addresses

Allreal Holding AG

Zugerstrasse 50
CH-6304 Baar

Allreal Home AG
Allreal Office AG
Allreal Vulkan AG
Allreal West AG

Allreal Generalunternehmung AG

CH-Eggbühlstrasse 15
8050 Zurich
T +41 1 319 11 11

Eggbühlstrasse 15
CH-8050 Zurich
T +41 1 319 11 11

St. Alban-Vorstadt 80
CH-4052 Basel
T +41 61 206 96 96

Talgut-Zentrum 25
CH-3063 Bern-Ittigen
T +41 31 917 18 88

Contacts

Bruno Bettoni
Chief Executive Officer

T +41 1 319 12 37
F +41 1 319 15 35
bruno.bettoni@allreal.ch

Peter Ilg
Finance/Investor Relations

T +41 1 319 15 51
F +41 1 319 15 35
peter.ilg@allreal.ch

Matthias Meier
Communication

T +41 1 319 12 67
F +41 1 319 14 77
matthias.meier@allreal.ch

Schedule

Annual results 2003
Annual general meeting 2004

26 February 2004
19 March 2004

Allreal Holding AG
Zugerstrasse 50
CH-6340 Baar/Switzerland
T +41 41 711 33 03
F +41 41 711 33 09
E-Mail: info@allreal.ch
www.allreal.ch

allreal

building value