

Annual Report 2007

allreal

holding

Key figures at a glance

		2007	2006	Change in % ¹
Group				
Total sales ²	CHF million	607.3	724.7	-16.2
Operating profit (EBIT) incl. revaluation gains	CHF million	151.3	131.2	+15.3
Net profit incl. revaluation gains	CHF million	88.0	80.1	+9.9
Operating profit (EBIT) excl. revaluation gains	CHF million	125.5	115.2	+8.9
Net profit excl. revaluation gains	CHF million	70.3	68.2	+3.1
Cash flow	CHF million	117.1	54.8	+113.7
Return on equity incl. revaluation effect	%	8.3	8.2	+0.1
Return on equity excl. revaluation effect	%	7.1	7.0	+0.1
Equity ratio as at 31 December	%	46.9	42.4	+4.5
Net gearing as at 31 December ³	%	92.0	110.7	-18.7
Market value real estate investments	CHF million	2 031.3	1 898.0	+7.0
Sales Projects & Development Division	CHF million	494.4	617.1	-19.9
Employees (number)	full-time equivalents	265	244	+8.6
Allreal Holding AG				
Net profit	CHF million	58.5	26.4	+121.6
Share capital	CHF million	569.3	487.9	+16.7
Share				
Earnings per share incl. revaluation gains	CHF	8.78	8.10	+8.4
Earnings per share excl. revaluation gains	CHF	7.02	6.90	+1.7
Dividend per share ⁴	CHF	5.00	5.00	-
Net asset value (NAV) per share before deferred tax as at 31 December	CHF	116.80	111.20	+5.0
Net asset value (NAV) per share after deferred tax as at 31 December	CHF	110.40	105.50	+4.6
Share price as at 31 December	CHF	130.50	135.50	-3.7
Dividend yield ⁴	%	3.8	3.7	+0.1
Operating key figures				
Net yield real estate investments ⁵	%	5.2	5.0	+0.2
Average interest rate on financial liabilities as at 31 December	%	2.81	2.72	+0.1
Operating margin Projects & Development Division ⁶	%	41.6	37.0	+4.6
Valuation as at 31 December				
Market capitalisation ⁷	CHF million	1 481.2	1 321.0	+12.1
Enterprise value ⁸	CHF million	2 633.6	2 459.6	+7.1

¹ Changes in percentage values shown as absolute difference

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

³ Finance liabilities minus cash and marketable securities as percentage of equity

⁴ Board of directors proposal of CHF 5.00 per share for 2007 financial year

⁵ Real estate profit as percentage of continued market value at 1 January

⁶ EBIT excl. revaluation and restoration of value adjustments on projects as percentage of profit from business activity

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

⁸ Market capitalisation plus net debts

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

Real estate at a glance

	City of Zurich		Remaining Canton of Zurich		Other Regions		Total Real Estate	
	2007	2006	2007	2006	2007	2006	2007	2006
Portfolio								
Commercial real estate								
Number of properties	29	29	12	11	9	7	50	47
Useable floor space '000 m ²	255	255	80	66	40	31	375	352
Vacancy rate ¹ %	3.8	2.9	12.9	4.9	12.5	16.7	6.1	4.5
Rental income CHF million	71.4	67.7	15.6	16.0	7.7	6.9	94.7	90.6
Real estate profit ² CHF million	64.4	55.6	13.1	14.2	6.2	5.7	83.7	75.5
Gross yield %	6.0	5.8	5.1	6.3	5.6	5.4	5.8	5.9
Net yield ³ %	5.4	5.2	4.3	5.6	4.5	4.3	5.1	5.0
Historical book value CHF million	1 150.0	1 151.5	324.5	259.0	160.2	135.4	1 634.7	1 545.9
Market value CHF million	1 216.7	1 199.2	337.3	257.2	146.0	125.4	1 700.0	1 581.8
Average market value ⁴ CHF million	42.0	41.4	28.1	23.4	16.2	17.9	34.0	33.7
Change in market value ⁵ CHF million	17.5	27.5	9.4	-9.8	-4.3	-1.5	22.6	16.2
Land reserves								
Land '000 m ²	25	8	12	12	-	-	37	20
Estimated investment volume CHF million	350.0	37.0	90.0	90.0	-	-	440.0	127.0
Market value CHF million	30.0	17.0	8.4	12.1	-	-	38.4	29.1
Change in market value ⁵ CHF million	0.0	0.0	0.0	0.0	-	-	0.0	0.0
Residential real estate								
Number of properties	3	4	15	14	3	3	21	21
Useable floor space '000 m ²	9	10	63	61	13	13	85	84
Vacancy rate ¹ %	3.9	4.2	1.9	1.6	3.7	5.3	3.0	3.8
Rental income CHF million	2.4	3.1	12.3	12.0	3.0	1.6	17.7	16.7
Real estate profit ² CHF million	2.1	2.6	11.3	11.1	2.5	1.4	15.9	15.1
Gross yield %	5.7	5.3	6.2	6.2	6.1	6.0	6.1	6.0
Net yield ³ %	5.0	4.5	5.7	5.7	5.2	5.0	5.5	5.0
Historical book value CHF million	38.4	42.5	189.9	181.7	49.6	49.6	277.9	273.8
Market value CHF million	38.7	41.9	207.2	196.4	47.0	48.8	292.9	287.1
Average market value ⁴ CHF million	12.9	10.5	13.8	14.0	15.7	16.3	13.9	13.7
Change in market value ⁵ CHF million	0.7	0.8	4.3	0.7	-1.8	-1.7	3.2	-0.2
Real estate for development								
Land reserves								
Land '000 m ²	12.2	4.5	260.7	179.1	22.4	16.4	295.3	200.0
Investment volume CHF million	112.0	27.0	1 085.0	603.0	128.0	110.0	1 325.0	740.0
Book value CHF million	31.8	6.0	221.9	83.1	5.8	3.2	259.5	92.3
Buildings under construction								
Estimated investment volume CHF million	164.0	127.0	293.0	228.0	68.0	85.0	525.0	440.0
Book value CHF million	46.4	58.8	138.5	125.2	32.1	40.7	217.0	224.7

¹ Percentage of target rental income, cumulated at cut-off date

² Rental income minus real estate expenses

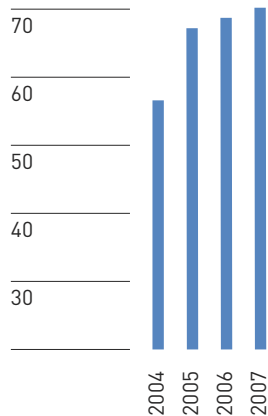
³ As percentage of continued market value at 1 January

⁴ Per property

⁵ Based on revaluation comparison of 31 December 2006 against 31 December 2007

Editorial

Net profit
excl. revaluation effect
CHF million



- Outstanding net profit confirms competitiveness
- Investment properties with sound net yield
- Healthy Projects & Development division with high earnings power
- Room for manoeuvre thanks to sound financing and capital increase

For the 2007 financial year, Allreal again reports convincing results. Despite lower total sales when compared to the previous year, net profit including revaluation gains grew by 9.9% to CHF 88.0 million. Net profit excluding revaluation gains, amounting to CHF 70.3 million, also grew compared to the previous year. The repeated positive operating result confirms the company's high productive efficiency.

The capital increase, which was implemented under difficult market conditions during the fourth quarter of 2007, resulted in net proceeds of CHF 180.7 million. The company's shareholders again showed their trust in the company and in its proven business model, namely the combination of a stable income real estate portfolio with the activity of a general contractor. The means allow the company to continue on its growth path, especially by financing own projects.

In a financial market that at times was influenced by volatile interest rates and insecurities resulting from the real estate crisis in the USA, the Allreal share stood its ground well compared to the market as a whole, thereby reinforcing its reputation as a sound investment. The share's closing price as at 31 December 2007 was CHF 130.50, thus only 3.7% below the comparable value the previous year. Taking into account dividend payment, subscription rights from the capital increase and market price, the share's overall performance was a respectable 1.4%.

Allreal's market capitalization rose by 12.1% to CHF 1 481.2 million mainly as the result of the capital increase.

Owing to the convincing result for the year under review and an optimistic appraisal of the future, the board of directors will propose to the company's annual general meeting a dividend payment of CHF 5.00 per share, corresponding to a cash yield of a 3.8% on the year-end share price.

Real Estate division remains stable at a high level

Compared to the cut-off date the previous year, the portfolio of properties for investment (commercial and residential properties and land reserves) showed a 7.0% increase to CHF 2031 million. The additions comprise four commercial and residential buildings and the Toni-Areal in Zurich, declared as a land reserve. The divestments concern 10 apartments in a building located in Zurich-Höngg and the reclassification of two land reserves as development real estate. The market valuation of the income-producing properties resulted in a revaluation gain before taxes of CHF 25.8 million, corresponding to 1.3% of the entire portfolio's market value.

Thanks to the first-time full or part inclusion of several properties affecting net income during the 2007 financial year, rental income grew by 4.9% to CHF 112.9 million despite a slightly higher loss of earnings due to vacancies. Average net yield is reported at an excellent 5.2%.

The cumulated vacancy rate on the cut-off date of 5.6% increased by 1.3% compared to the previous year, but still clearly below the estimated market average of 8% to 10%. The entirely or partially vacant properties concern an office building in the City of Zurich and a commercial building in Urdorf. While the measures introduced to find tenants led to a series of promising contacts, no agreement was signed by the end of the year.

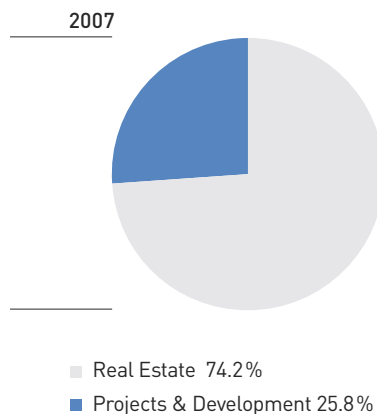
Record-breaking result for the Projects & Development division

Since Allreal, in an increasingly competitive market, limits itself consistently to projects with good profit expectations, the project volume handled during 2007 decreased compared to the peak value reported in the previous year by 20% to CHF 494.4 million. By contrast, the performance derived from project development, realisation, and the acquisition and sale of properties experienced a distinct increase of 14.9% to very pleasing CHF 78.8 million.

Earnings before interest and taxes (EBIT) are reported at CHF 32.8 million, or 30% over the previous year's value of CHF 25.3 million. The outstanding result was influenced by cyclically accrued profits from completed projects and from sales of development real estate from own development and realisation.

The operating margin shown for the period under review was an excellent 41.6%, or 4.6% above the previous year. The Projects & Development division disposes of secured uncompleted orders for at least 2 years. In 2007, the division experienced a healthy increase in development real estate over the previous year, with a portfolio now amounting to about CHF 470 million. As a result, the division can take advantage of an extremely positive situation in a market that is characterised by increasing competition.

The divisions' contribution toward operating profit



High security and wide scope for financial action

In capital markets characterised by highly volatile interest rates, Allreal secured the average interest rate on interest-bearing debt at a low 2.85%. With an extension of the remaining time to maturity of 51 months on average, the company remains soundly financed at advantageous conditions.

The cash flow from operating activity experienced a distinct increase over the previous year and reached CHF 117.1 million.

Owing to the successful implementation of the capital increase the equity ratio grew to 46.9%. Therefore, the company now commands a considerable potential investment volume of more than CHF 900 million. The excess liquidity was temporarily used to repay interest-bearing debt.

Optimistic about the future

In 2007, Allreal again significantly expanded its portfolio of development real estate, which is important for future prospects, by acquiring larger tracts of land and buildings in Au-Wädenswil, Uster, Wallisellen and Zurich. The development and realisation of projects on this land resulting in the sale of condominiums or in buildings for Allreal's own portfolio represents a volume of approximately CHF 1.5 billion.

Furthermore, Allreal has for several years implemented a very successful business model resulting in an outstanding performance record, which is represented by the combination of a stable-income real estate portfolio and the activity of a general contractor. As a total contractor, Allreal can cover practically the entire value-added chain in real estate from project development and realisation through to investment real estate that remains profitable in the long term.

Allreal is confident regarding the 2008 financial year. The company expects business activity to remain constant and the earnings situation stable.

The board of directors and group management wish to take this opportunity to thank all members of staff for their contribution to the very good financial results and the shareholders for their trust and support.



Thomas Lustenberger
Chairman



Bruno Bettoni
Chief Executive Officer

Business model and strategy

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

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

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

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

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

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

Real Estate division

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

Projects & Development division

As a general contractor, Allreal's activity comprises regional development, property development and project development, and realising, buying and selling properties. Allreal develops projects in all segments of real estate for private and institutional investors and owners, and for its own portfolio. They are projects ready for construction providing a competitive yield and the best

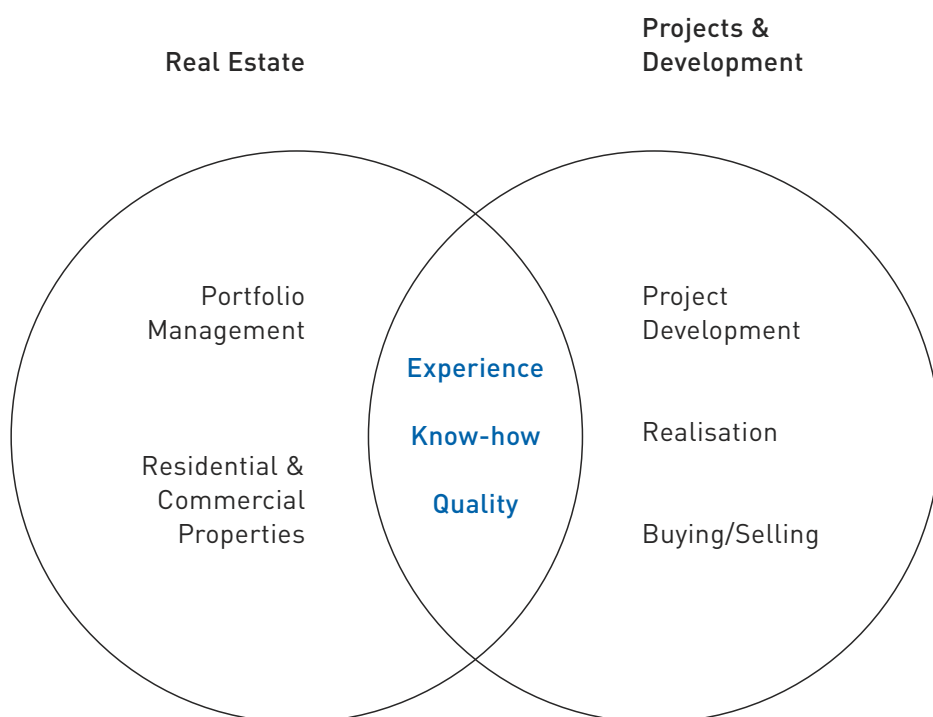
possible added value. Project Development is of strategic importance to Allreal due to the high level of synergy and added value.

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

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

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

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



Organisation

Board of Directors

Dr. Thomas Lustenberger (*1951, Swiss) Chairman, member since 1999	Erich Walser (*1947, Swiss) Vice Chairman, member since 1999	Dr. Rudolf W. Hug (*1944, Swiss) Member since 2003	Dr. Jakob Baer (*1944, Swiss) Member since 2005	Albert Leiser (*1957, Swiss) Member since 2005
Dr. iur., LL.M.	lic. oec. HSG, lic. iur	Dr. iur., MBA INSEAD	Dr. iur., attorney Independent consultant since 2004	Certified real estate trustee
Since 1980 Partner in Zurich law firm, Meyer Lustenberger	Since 2003 Chairman of the Board of Helvetia Group	Since 1997 Independent management consultant	1994–2004 CEO KPMG Switzerland and member of KPMG's European and international management boards	Board member and delegate SVIT Zurich
Member of the Board of Directors of Calida Holding AG, Oberkirch (Chairman); Micronas Semiconductor Holding AG, Zurich (Chair- man); SEZ Holding AG, Zurich, and other non-listed companies	1994–2007 CEO Helvetia Group	1987–1997 Managing Director, International Division Credit Suisse/CSFB	1992–1994 Member of KPMG Switzer- land's executive board	City of Zurich councillor
	1991–1993 CEO Helvetia Versicherun- gen	1983–1986 Manager of Credit Suisse Bern branch	1975–1992 Various management positions with Fides Group	Since 2004 Executive general manager of City of Zurich and Canton Zurich Home Owners' Association
	1979–1990 Various management functions with Helvetia	1977–1982 Manager of Credit Suisse North America department	1971–1975 Legal service of Federal Finance Administration, Berne	1999–2004 Head Real Estate and Mortgages division, Rentenanstalt/Swiss Life
	Huber + Suhner AG, Herisau (Vice Chairman), and other non-listed companies	1972–1976 International credit business Chase Manhattan Bank New York and Düsseldorf	Member of the Board of Adecco S.A., Chéserey; Rieter Holding AG, Winterthur; Stäubli Holding AG, Pfäffikon SZ; Swiss Re, Zurich; and two non-listed companies	1994–1998 Various management functions with Renten- anstalt/Swiss Life
	Chairman of Swiss Insurance Association, Zurich	Member of the Board of Panalpina World Transport (Holding) Ltd., Basel, Deutsche Bank (Switzer- land) Ltd., Zurich; Micronas Semiconductor Holding AG, Zurich; Orell Füssli Holding AG, Zurich; Swiss Post, Bern		1977–1994 Positions with various real estate companies
				Board member of two non-listed companies

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

Group Management

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

Member of the Board of Directors
of Eurogate AG (in liquidation)

1995–1999

Managing director of Oerlikon-Bührle
Immobilien AG

1983–1995

Member of Group Management of
Oerlikon-Bührle Immobilien AG

1973

Joined Oerlikon-Bührle Immobilien AG
as project manager

Apprenticeship as architectural draughtsman

Additional apprenticeship as bricklayer

Various management-related courses

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

Holder of the Swiss federal diploma
as real estate trustee

1987–1999

Member of the group management of
Oerlikon-Bührle Immobilien AG

1981

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

1974–1980

Recording officer in two Zurich notaries' offices

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

Swiss certified auditor

2003

Joined Allreal Group as Head Accounting

1998–2003

PricewaterhouseCoopers,
Manager Auditing and Consulting

1995–1998

Zurich Business School, degree in Business
Administration

1988–1995

Credit Suisse, employee in foreign exchange
and commercial credit divisions

Commercial apprenticeship

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

Auditors

KPMG AG, Zurich

External independent real estate evaluator

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

Consolidated income statement

The Allreal Group reports operating net profit (net profit excluding revaluation gains) for the 2007 financial year of CHF 70.3 million, corresponding to a 3.1% increase over the excellent result the previous year, which was characterised by the one-time profit resulting from the sale of investment real estate amounting to CHF 6.7 million. During the year under review, higher rental income and lower real estate expenses in the Real Estate division and the outstanding half-year results of the Projects & Development division contributed to the higher results, compensating for rising staff, finance and tax expenses.

In the Real Estate division, rental income compared to the previous year rose by 5% to CHF 112.9 million due to the portfolio expansion implemented in 2006 and 2007. Rental income for the full year on commercial and residential properties in the portfolio remained stable at +0.5% and -0.6% respectively (like-for-like rental growth). Thanks to decreasing real estate expenses (11.5% of rental income), net yield on the entire portfolio amounted to 5.1% despite a rising vacancy rate – a satisfying situation considering the market and compared to the competition. The sale of the remaining 10 of an original 26 condominiums in the investment property at Bäulistrasse in Zurich-Höngg resulted in a profit before tax of CHF 0.6 million.

The valuation by an external real estate valuer resulted in a positive value correction of CHF 25.8 million, representing 1.3% of the portfolio's asset value. The first-time inclusion into the portfolio of the Lightcube office building and the revaluation of the capitalised future payments of the Escher-Wyss-Areal in Zurich-West in particular, contributed to the higher valuation. The average discount and capitalisation interest rates were slightly lower by 4% across the entire portfolio. Deferred taxes on the entire revaluation for the 2007 financial year amounted to CHF 8.1 million, corresponding to a positive revaluation effect in the income statement of CHF 17.7 million.

Despite a smaller project volume, the result of the Projects & Development division reflects the completion of several projects which contributed additional earnings to the income statement. This refers mainly to own projects sold to institutional investors or as condominiums to third parties. Compared to the previous year, fee income and earnings from construction activity rose by 20.7%, while revenues from project development and the sale of development properties increased by 3.4%. CHF 1.6 million was charged to the income statement for value adjustments on completed development properties. Although staff and operating expenses increased in 2007, a higher operating margin was reported compared to the previous year of 41.6% (2006: 37.0%). Consolidated income from general contracting amounted to CHF 78.8 million.

The acquisition of a small real estate company in Basel resulted in a negative goodwill of CHF 0.4 million following inclusion in the consolidated financial statements, which in the period under review was shown as a non-recurring contribution to net income.

Due to the growth in investment real estate and development real estate, net finance expenses increased by 15.9% to CHF 34.2 million, which, however, also includes accumulation effects of CHF 2.7 million from the amortisation of the convertible bond.

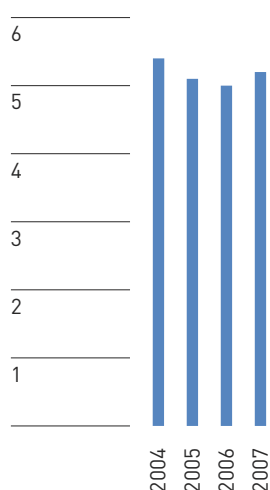
While tax expenses of CHF 29.1 million were clearly higher than for the previous year and correspond to 23% on earnings before tax, they approximately match the group tax rate of 22%. The tax increase is due mainly to deferred tax effects resulting from the revaluation of investment properties and profits from the sale of completed projects in the Projects & Development division.

Consolidated balance sheet/statement of changes in equity

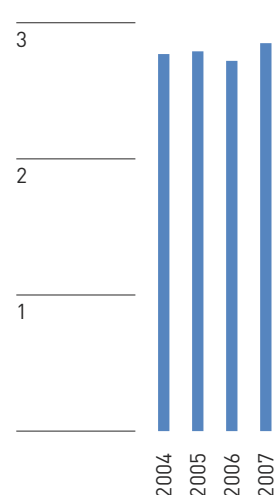
The market value of investment real estate grew by CHF 137.2 million to CHF 2 031.3 million. In total, the additions (CHF 60.7 million), value-increasing investments in existing income-producing properties (CHF 3.2 million), additions and disposals of development real estate (CHF 47.5 million), and revaluation gains (CHF 25.8 million) all contributed to the higher valuation of the real estate portfolio. During the period under review, the remaining 10 of an original 26 condominiums in the investment property at Bäulistrasse in Zurich-Höngg were sold for CHF 4.8 million.

The portfolio of development real estate grew considerably compared to the previous year. With a balance sheet value of CHF 491.5 million as at 31 December 2007, development real estate increased by CHF 156.5 million. The share of development real estate currently under construction as a proportion of the entire balance-sheet item amounted to 44% compared to 67% the previous year. The decrease is due to the acquisition of additional tracts of land in 2007 which as development reserves remain in the project phase and at 53% therefore tie up a larger share of financial means than in previous years. Completed real estate ready for sale amounting to CHF 15.0 million represented about 3% of all development real estate.

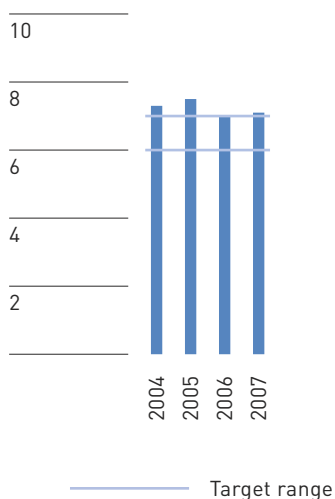
Net yield on portfolio
in percent



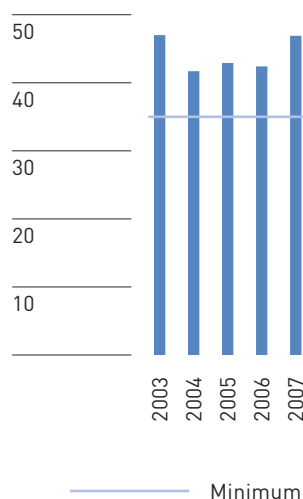
Average interest charges at
31 December 2007 in percent



**Return on equity
excl. revaluation**
in percent



Equity ratio
in percent



Due to the 20% reduction of the completed project volume for sale in the Projects & Development division, accounts receivables decreased by CHF 73.2 million, representing a decrease of CHF 70.0 million compared to 31 December 2006.

On account of the portfolio increase in investment and development real estate, interest-bearing debt rose by CHF 20 million to CHF 1 172 million. Owing to the revaluation of the real estate portfolio and the earning differences between the consolidated financial statements and the closing of individual accounts, provisions for deferred tax continued to increase and at the end of the reporting period amounted to CHF 90.2 million. Current liabilities decreased to CHF 150 million (31.12.2006: CHF 166 million) due to the declining construction volume in the Projects & Development division.

Compared to the previous year, consolidated net assets grew by CHF 224.4 million. The successfully implemented capital increase resulted in net revenue of CHF 180.7 million after deduction of the flotation cost (including tax), which at CHF 4.4 million, or 2.4% of gross revenue, remained relatively low. Equity continued to grow with net profit of CHF 88.0 million and the higher replacement value for derivative instruments of CHF 7.9 million, while the dividend payment (CHF 48.8 million) and the purchase of equity shares (CHF 3.8 million) resulted in a reduction of equity.

The net asset value (NAV) per Allreal share after deferred tax grew by CHF 4.90 to CHF 110.40.

Consolidated cash flow statement

The positive business activity in 2007 has led to an increase in the operating cash flow before changes in net working capital of CHF 115.3 million (2006: CHF 95.0 million). When taking into consideration the increase in net working capital of CHF 54.1 million, the cash flow is reported as CHF 169.3 million. The amounts of CHF 36.6 million and CHF 15.7 million respectively were paid for financial expenses and tax on current income and on profit from the sale of property. The result was a net outflow of liquid assets from operating activity of CHF 117.1 million.

In the Real Estate division, investment activity in the 2007 financial year was characterised by an increase in the portfolio of investment real estate by CHF 55.7 million. Furthermore, the acquisition of a small real estate company in Basel required an investment of CHF 9.4 million (purchase price including transaction costs on a non-cash basis).

On the financing side, the capital increase of CHF 180.7 million and the rise in bank borrowings amounting to CHF 17.8 million ensured that investments and operating business activity was expanded further and financed. Including the dividend payment and the purchase of own shares, net additions from financing activity amounted to CHF 146.0 million.

Financial situation

The amount of CHF 180.7 million resulting from the capital increase of December 2007 was accrued to equity and used to repay short-term bank borrowings before the end of the financial year. By broadening the equity base, further current and fixed asset growth of more than CHF 900 million is possible. The investment guidelines define the maximum borrowing level in terms of four financial ratios, which at 31 December 2007 were reported as follows: equity ratio 46.9% (at least 35%), net gearing 92.0% (maximum 150%), interest coverage ratio 3.7 (at least 2.0) and the borrowing level for investment and development properties 46.5% (maximum 70%).

At the end of the financial year, the average interest on financial liabilities amounted to 2.81% (2006: 2.72%) at an average duration of 51 months (2006: 47 months). The slightly higher average interest is due to the interest swap carried out during the second half-year of 2007, which contributed toward a distinctly longer duration. 100% of interest-bearing borrowings as at 31 December 2007 are effectively secured against rising interest rates by means of interest-rate swaps, fixed-date mortgage loans and a convertible bond. A rise in interest rates will therefore have no influence on Allreal's existing mortgage portfolio. Considering the long duration, the low financing costs and the equity ratio of 46.9%, Allreal's financial situation is considered sound.

While at 81% of operating net income, the proportion of profit distributed is above the defined maximum value of 75%, this is justifiable when taking into consideration the entitlement to a dividend of the new shares resulting from the capital increase in 2007.

Holding report

Allreal Holding AG reports an increase in profit for the 2007 financial year of CHF 58.5 million (2006: CHF 26.4 million). Compared to the previous year, growth is reported in both income from investments (CHF 49.0 million; 2006: CHF 22 million) and in the net financial result (CHF 11.6 million; 2006: 6.6 million). It should be noted that the financial expenses in 2006 included one-time costs of CHF 3.8 million for the convertible bond issued in May 2006. The other expenses and taxes of CHF 2.1 million remained within the previous year's range.

Total assets increased by CHF 190.4 million to CHF 1 243.1 million, essentially the result of the capital increase. The additional funds obtained from the capital increase were used toward financing subsidiaries in the form of group loans.

Equity at 31 December 2007 amounted to CHF 1 065.3 million (31 December 2006: CHF 874.5 million). The increase is due to the rise in equity following the capital increase of CHF 181.1 million and the annual profit of CHF 58.5 million. The dividend payment to shareholders in April 2007 of CHF 48.8 million was charged to equity.

Consolidated financial statements of Allreal Group

Consolidated income statement

CHF million	2007	2006
Income from renting investment real estate	112.9	107.6
Direct expenses for rented investment real estate	-13.0	-16.9
Earnings from renting investment real estate	99.9	90.7
Earnings from sale of investment real estate	0.6	6.7
Higher valuation of investment real estate	44.1	39.9
Lower valuation of investment real estate	-18.3	-23.9
Earnings from revaluation of investment real estate	25.8	16.0
Completed project volume by Projects & Development division	494.4	617.1
Direct expenses for completed project volume by Projects & Development division	-440.4	-574.4
Earnings from project development and sale of development real estate	12.2	11.8
Capitalised company produced assets	12.0	13.3
Diverse income	0.6	0.8
Earnings from Projects & Development division	78.8	68.6
Personnel expenses	-40.2	-37.7
Other operating expense	-13.2	-12.5
EBITDA	151.7	131.8
Release negative goodwill	0.4	0.0
Depreciation plant and equipment	-0.8	-0.6
Operating profit (EBIT)	151.3	131.2
Finance income	1.1	0.8
Finance expense	-35.3	-30.3
Net profit before tax	117.1	101.7
Tax expenses	-29.1	-21.6
Net profit	88.0	80.1
Total sales	607.3	724.7
EBITDA excl. earnings from revaluation	125.9	115.8
EBIT excl. earnings from revaluation	125.5	115.2
Net profit excl. revaluation effect	70.3	68.2
Net profit per share in CHF		
— incl. revaluation effect	8.78	8.10
— excl. revaluation effect	7.02	6.90
Diluted earnings per share in CHF		
— incl. revaluation effect	8.27	8.26
— excl. revaluation effect	6.70	7.07

Consolidated balance sheet as at 31 December

CHF million	2007	2006
Real estate investments	2 031.3	1 894.1
Real estate for development	476.5	317.0
Other property, plant and equipment	1.2	1.7
Financial assets	30.2	14.5
Deferred tax assets	17.7	15.6
Fixed assets	2 556.9	2 242.9
Trade receivables	73.2	143.2
Other receivables	5.7	2.8
Short-term tax credits	1.0	0.0
Cash	19.5	13.3
Subtotal	99.4	159.3
Investment properties designated for sale	0.0	3.9
Development properties designated for sale	15.0	17.7
Current assets	114.4	180.9
Total assets	2 671.3	2 423.8
Share capital	569.3	487.9
Capital reserves	382.8	283.1
Treasury shares	-4.7	-1.1
Retained earnings	305.7	258.8
Total equity	1 253.1	1 028.7
Long-term borrowings	284.1	277.0
Deferred tax liabilities	90.2	71.1
Long-term provisions	6.0	5.7
Long-term liabilities	380.3	353.8
Trade payables	111.0	121.8
Current tax liabilities	0.0	1.0
Other current liabilities	37.0	41.4
Short-term provisions	2.1	2.2
Short-term borrowings	887.8	874.9
Short-term liabilities	1 037.9	1 041.3
Total liabilities	1 418.2	1 395.1
Total equity and liabilities	2 671.3	2 423.8
Equity (NAV) per share in CHF		
— before deferred tax	116.80	111.20
— after deferred tax	110.40	105.50

Consolidated statement of changes in shareholders' equity

CHF million	Share capital	Capital reserves	Treasury shares	Retained earnings			Total
				Hedging reserves	Revaluation reserves	Other retained earnings	
As at 1 January 2005	406.6	210.6	-0.6	-18.4	25.3	158.9	782.4
Net profit						70.0	70.0
Valuation of financial instruments				3.4			3.4
Total profit and loss shown				3.4		70.0	73.4
Capital increase 2005	81.3	72.8					154.1
Sale treasury shares			0.4				0.4
Dividend payment						-36.5	-36.5
Reclassification		-0.3			-2.9	3.2	0
As at 31 December 2005	487.9	283.1	-0.2	-15.0	22.4	195.6	973.8
Net profit						80.1	80.1
Valuation of financial instruments				17.1			17.1
Total profit and loss shown				17.1		80.1	97.2
Purchase treasury shares			-0.9			0.3	-0.6
Dividend payment						-46.8	-46.8
Convertible bond						5.1	5.1
Reclassification					8.8	-8.8	0
As at 31 December 2006	487.9	283.1	-1.1	2.1	31.2	225.5	1 028.7
Net profit						88.0	88.0
Valuation of financial instruments				7.9			7.9
Total profit and loss shown				7.9		88.0	95.9
Capital increase 2007	81.3	99.4					180.7
Purchase treasury shares			-3.6			-0.2	-3.8
Dividend payment						-48.8	-48.8
Creation of shares resulting from convertible bond	0.1	0.3					0.4
Reclassification					24.1	-24.1	0
As at 31 December 2007	569.3	382.8	-4.7	10.0	55.3	240.4	1 253.1

Consolidated cash flow statement

CHF million	2007	2006
Earnings before tax	117.1	101.7
Net financial expense	34.2	29.5
Revaluation real estate investments	-25.8	-16.0
Value adjustment development real estate	1.6	0.0
Depreciation other tangible fixed assets	0.8	0.6
Release negative goodwill	-0.4	0.0
Change in proceeds from sale of real estate	-0.6	-6.7
Capitalisation of company produced assets	-12.0	-13.3
Other items	0.3	-0.8
Decrease/increase securities	1.0	0.0
Change in trade receivables	70.5	-30.9
Change in other receivables	-2.9	-0.2
Change in provisions	0.2	1.8
Change in trade payables	-10.8	29.1
Change in other current liabilities	-3.9	10.0
Cost of finance paid	-37.6	-30.3
Financial income received	1.0	1.0
Income taxes paid	-15.6	-20.7
Cash flow from operations	117.1	54.8
Purchase of real estate investments	-55.7	-86.7
Disposal of real estate investments	4.8	58.8
Investment real estate for development	-372.5	-119.1
Disposal of real estate for development	180.8	62.4
Investment other property, plant and equipment	-0.3	-1.9
Purchase of companies (purchasing price minus cash)	-9.4	0.0
Increase financial assets	-5.0	-3.6
Decrease in financial assets	0.4	0.4
Cash flow from investing activities	-256.9	-89.7
Increase in borrowings	356.3	201.4
Decrease in borrowings	-338.5	-292.9
Capital increase	180.7	0.0
Issue convertible loan	0.0	171.2
Purchase treasury shares	-54.5	-38.1
Sale treasury shares	50.8	37.2
Dividend payment	-48.8	-46.8
Cash flow from financing activities	146.0	32.0
Change in cash	6.2	-2.9
Cash at 1 January	13.3	16.2
Cash at 31 December	19.5	13.3

Segment Information

Year ended 31 December 2007

CHF million	Real Estate	Projects & Development	Holding functions	Eliminations/ not assigned	Total
Income statement					
Income from operations ¹	100.5	80.4	0.0	0.0	180.9
Value adjustment assets	0.0	-1.6	0.0	0.0	-1.6
Income from intercompany services	-3.7	4.4	-0.7	0.0	0.0
Revaluation on real estate investments	25.8	0.0	0.0	0.0	25.8
Expenses for staff, other	-2.8	-49.6	-1.0	0.0	-53.4
EBITDA	119.8	33.6	-1.7	0.0	151.7
Depreciation and amortisation	0.4	-0.8	0.0	0.0	-0.4
EBIT	120.2	32.8	-1.7	0.0	151.3
Net finance expense					-34.2
Taxes					-29.1
Net profit					88.0
EBITDA excl. revaluation gains	94.0	33.6	-1.7	0.0	125.9
EBIT excl. revaluation gains	94.4	32.8	-1.7	0.0	125.5
Net profit excl. revaluation effect					70.3
Operating margin ²	93.9	41.6	-	-	70.0
Operating net cash flow ³	90.5	33.3	-1.7	-	121.9
Total third party sales	112.9	494.4	0.0	0.0	607.3
Total sales from intergroup services	0.0	38.2	0.0	-38.2	0.0
Balance sheet as at 31 December 2007					
Fixed assets	2 031.4	477.6	0.0		2 509.0
Current assets	4.2	90.5	0.1		94.8
Total segment assets	2 035.6	568.1	0.1		2 603.8
Non-assigned assets				67.5	67.5
Total assets					2 671.3
Provisions	1.2	6.9	0.0		8.1
Other debt capital (excl. financing taxes)	10.2	120.5	0.1		130.8
Total segment liabilities	11.4	127.4	0.1		138.9
Financial liabilities (incl. deferred interest)				1 189.1	1 189.1
Tax liabilities				90.2	90.2
Total debt					1 418.2
Total assigned equity⁴	1 014.5	236.3	2.3		1 253.1
Cost of acquisition of other tangible assets and intangible assets	0.2	4.3	0.0	-	4.5
Investments in tangible assets	64.3	389.8	0.0	-	454.1

¹ Profit from letting and selling investment real estate (Real Estate division), and profit from general contracting operations (Projects & Development division) without value adjustment of development real estate

² EBIT less revaluation gains in percent of profit from operations inclusive value adjustment assets

³ EBITDA less revaluation gains, value increasing investments and buying/selling other fixed assets

⁴ Assignment of equity to individual segments corresponds to internal financial reporting guidelines requiring an equity ratio of 40% for the Projects & Development division

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

Segment Information

Year ended 31 December 2006

CHF million	Real Estate	Projects & Development	Holding functions	Eliminations/ not assigned	Total
Income statement					
Profit from operations ¹	97.3	68.7	0.0	0.0	166.0
Value adjustment assets	0.0	0.0	0.0	0.0	0.0
Profit from intercompany services	-4.1	4.9	-0.7	-0.1	0.0
Revaluation on real estate investments	16.0	0.0	0.0	0.0	16.0
Expenses for staff, other	-1.6	-47.7	-0.9	0.0	-50.2
EBITDA	107.6	25.9	-1.6	-0.1	131.8
Depreciation and amortisation	0.0	-0.6	0.0	0.0	-0.6
EBIT	107.6	25.3	-1.6	-0.1	131.2
Net finance expense					-29.5
Taxes					-21.6
Net profit					80.1
EBITDA excl. revaluation gains	91.6	25.9	-1.6	-0.1	115.8
EBIT excl. revaluation gains	91.6	25.3	-1.6	-0.1	115.2
Net profit excl. revaluation effect					68.2
Operating margin ²	94.1	37.0	-	-	69.4
Operating net cash flow ³	81.8	24.0	-1.6	-0.1	104.1
Total third party sales	107.6	617.1	0.0	0.0	724.7
Total sales from intergroup services	0.0	7.9	0.0	-7.9	0.0
Balance sheet as at 31 December 2006					
Fixed assets	1 895.3	329.2	0.0		2 224.5
Current assets	10.1	157.3	0.1		167.5
Total segment assets	1 905.4	486.5	0.1		2 392.0
Non-assigned assets				31.8	31.8
Total assets					2 423.8
Provisions	0.1	7.8	0.0		7.9
Other debt capital (excl. financing taxes)	12.7	138.2	0.4		151.3
Total segment liabilities	12.8	146.0	0.4		159.2
Financial liabilities (incl. deferred interest)				1 163.8	1 163.8
Tax liabilities				72.1	72.1
Total debt					1 395.1
Total assigned equity⁴	837.6	190.5	0.6		1 028.7
Cost of acquisition of other tangible assets and intangible assets	0.1	4.1	0.0	-	4.2
Investments in tangible assets	86.6	134.3	0.0	-	220.9

¹ Profit from letting and selling investment real estate (Real Estate division), and profit from general contracting operations (Projects & Development division) without value adjustment of development real estate

² EBIT less revaluation gains in percent of profit from operations inclusive value adjustment assets

³ EBITDA less revaluation gains, value increasing investments and buying/selling other fixed assets

⁴ Assignment of equity to individual segments corresponds to internal financial reporting guidelines requiring an equity ratio of 40% for the Projects & Development division

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

Key figures in Euro

Euro million	2007	2006
Consolidated income statement		
Total income	369.6	460.6
EBITDA	92.3	83.8
Operating profit (EBIT)	92.1	83.4
Net profit	53.6	50.9
EBIT excl. revaluation gains	76.4	73.2
Net profit excl. revaluation gains	42.8	43.3
Net profit per share incl. revaluation gains	5.43	5.15
Net profit per share excl. revaluation gains	4.33	4.38
Consolidated balance sheet as at 31 December		
Real estate investments	1 224.8	1 179.6
Other assets	385.9	326.8
Total assets	1 610.7	1 506.4
Equity	755.6	639.3
Borrowings	706.6	715.9
Other liabilities	148.5	151.2
Net Asset Value (NAV) per share	66.57	65.57
Consolidated cash flow statement		
Cash flow from operations	71.3	34.8
Cash flow from investing activities	-156.4	-57.0
Cash flow from financing activities	88.9	20.3
Company valuations		
Market capitalisation	893.1	821.0
Enterprise value	1 587.9	1 528.7
Exchange rates EUR/CHF		
Average rate for income statement/cash flow statement	1.6430	1.5735
Year-end rate for balance sheet/valuations	1.6585	1.6090

Organisation, contacts, schedule

Organisation chart

Allreal Group
Bruno Bettoni

Finance & Controlling
Roger Herzog

Communication
Matthias Meier

Human Resources
Maria Gaugler

Real Estate
Hans Engel

Projects & Development
Bruno Bettoni

Portfolio Management
Dieter Kräuchi

Acquisition/Project Development
Thomas Stauber

Realisation
Patrick Krähenmann

Buying/Selling
Eugen Bentele

Structure and addresses

Allreal Holding AG
Allreal Finance AG

Grabenstrasse 25
6340 Baar

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

Allreal Generalunternehmung AG
Allreal Markthalle AG

Allreal Home AG

Eggbühlstrasse 15
8050 Zurich
T 044 319 11 11

Eggbühlstrasse 15
8050 Zurich
T 044 319 11 11

Eggbühlstrasse 15
8050 Zurich
T 044 319 11 11

St. Alban-Vorstadt 80
4052 Basel
T 061 206 96 96

Talgut-Zentrum 25
3063 Bern-Ittigen
T 031 917 18 88

Gaiserwaldstrasse 14
9015 St. Gallen
T 071 314 08 20

Contacts

Bruno Bettoni
Chief Executive Officer

T 044 319 12 37
F 044 319 15 35
bruno.bettoni@allreal.ch

Roger Herzog
Chief Financial Officer

T 044 319 12 04
F 044 319 15 35
roger.herzog@allreal.ch

Matthias Meier
Chief Communication Officer

T 044 319 12 67
F 044 319 15 30
matthias.meier@allreal.ch

Schedule

Annual general meeting 2008
28 March 2008, 16.00 h
Kaufleutensaal
Pelikanplatz
8001 Zurich

Half-year results 2008
28 August 2008

Annual results 2008
26 February 2009

Annual general meeting 2009
27 March 2009

Allreal Holding AG
Grabenstrasse 25
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