

**HIAG**

# **Annual Report**

**016**

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# Company Profile

## Site Redevelopment in Switzerland

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**HIAG is a leading player in the reuse and redevelopment of former industrial sites and properties in Switzerland. The group focuses on large, well-positioned sites with significant redevelopment potential in densely populated areas. HIAG's portfolio covers 40 sites with a total land area of 2.5 million m<sup>2</sup> and was valued at CHF 1.2 billion as at the end of 2016.**

**HIAG considers itself a provider of infrastructure that offers its users competitive advantages. At its network of sites and beyond, HIAG makes physical network and cloud infrastructures available with its fully owned subsidiary HIAG Data.**

HIAG stands for property redevelopment in Switzerland. As long-term owner of its sites and properties and landlord to a diversified tenant base, it strives to steadily and jointly increase the potential value creation on its sites. In so doing, the company forms new quarters that provide a sustainable foundation for the emergence of a new environment for living and working. HIAG's core business focuses on the management of master plan and building permit procedures, site marketing, the steering of redevelopment processes and portfolio management, including property administration. In the same way as it provides surface area for its tenants, with its fully owned subsidiary HIAG Data IT, HIAG makes an efficient IT infrastructure platform available to IT service providers with cloud-based business models, as well as large companies.

### Project pipeline enabled

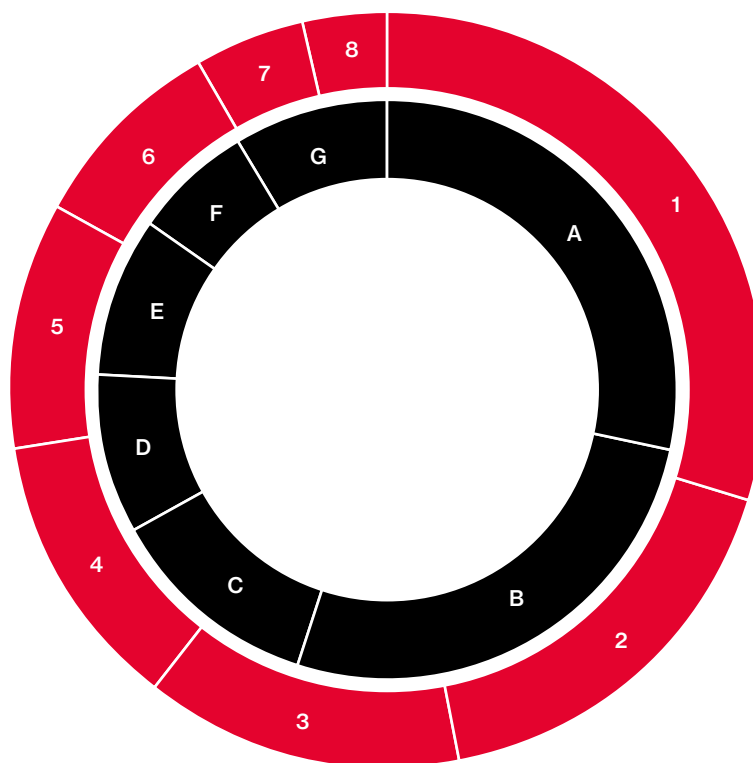
As of 31 December 2016, HIAG's property portfolio included a lettable area of approximately 489'000 m<sup>2</sup> with an annual property income of CHF 54.2 million. The completion of HIAG's current 50 short, medium and long-term redevelopment projects will create an additional lettable area of approximately 638'000 m<sup>2</sup>. Condominium sales provide the group with funding to autonomously finance its development pipeline. The group's property portfolio is diversified and includes primary uses such as industry/commercial, distribution/logistics, residential, retail and office use.

### A company with industrial roots

HIAG was established in 2008 after splitting off from the Holzindustrie-Aktiengesellschaft (HIAG) founded in 1876. Today the company has 32 employees in its core team working at its Basel, Geneva and Zurich locations. About 92% of HIAG's real estate portfolio is situated in the economic catchment areas of Zurich/Zug, Baden/Brugg, Basel and Geneva. HIAG Immobilien Holding AG has been listed on the SIX Swiss Exchange since May 2014.

# Key Facts in a Nutshell

## Key Figures



according to use █  
according to canton █

### Market value of real estate properties by type of use as at 31.12.2016

1	Industry, commercial	29.8%
2	Residential	17.2%
3	Retail	13.6%
4	Office	12.0%
5	Distribution, logistics	10.4%
6	Building land	8.7%
7	Residential and commercial	4.8%
8	Miscellaneous	3.5%

### Market value of real estate properties by canton as at 31.12.2016

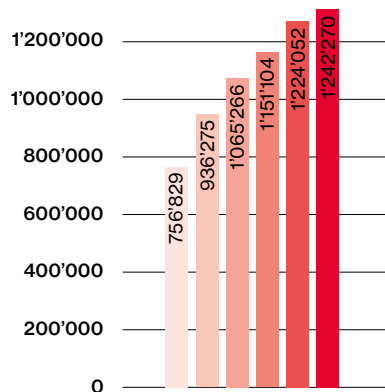
A	Aargau	28.4%
B	Zurich	26.8%
C	Zug	11.8%
D	Geneva	9.1%
E	Solothurn	8.7%
F	Baselland	6.8%
G	Miscellaneous	8.4%

# 92%

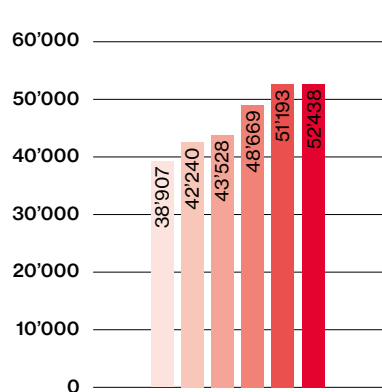
of HIAG's real estate portfolio is situated  
in the Zurich/Zug, Baden/Brugg, Basel  
and Geneva regions.

## Real estate portfolio, property income, EBT without revaluation of properties

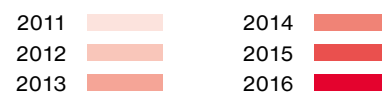
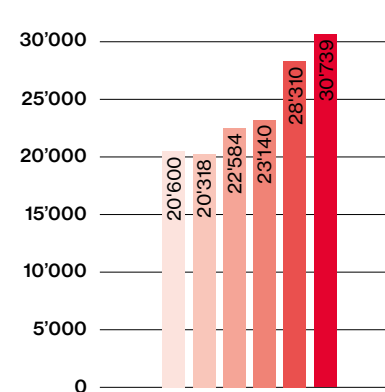
Real estate portfolio in TCHF



Property income in TCHF



EBT without revaluation of properties in TCHF



## Key financial figures

in TCHF	31.12.2016	31.12.2015
Property income	52'438	51'193
Revaluation of properties	19'962	31'493
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	56'037	65'021
Net income	46'374	59'491
Cash and cash equivalents	62'766	52'351
Shareholders' equity	729'126	708'721
Equity ratio	54.7%	54.4%
LTV ratio	36.2%	36.8%
Balance sheet total	1'334'132	1'303'087
Cash flow from operating activities incl. sales promotion	72'308	44'634
Employee headcount	49	47
- thereof building maintenance and administration	17	17

## Key portfolio figures

in TCHF	31.12.2016	31.12.2015
Real estate portfolio	1'242'270	1'224'052
Yielding portfolio	755'511	717'017
Property development portfolio	486'759	507'035
Real estate portfolio (number of real estate properties)	112	115
Number of redevelopment properties	50	54
Investments in real estate	88'756	80'375
Annualised rental income in CHF million	54.2	51.4
Vacancy rate for investment properties	11.7%	11.1%
Vacancy rate for investment properties undergoing repositioning <sup>1</sup>	32.5%	32.4%
Vacancy rate for redevelopment properties	15.2%	19.3%

<sup>1</sup> Properties Mandachstrasse 50–56 ZH, Lorzenparkstrasse 2–16 ZG and Sternenfeldpark 14 BL

## EPRA performance figures

in TCHF	31.12.2016	31.12.2015
EPRA earnings	30'537	28'281
EPRA NAV	796'240	771'883
Equity ratio according to EPRA NAV	59.8%	59.2%
EPRA vacancy rate	15.3%	15.0%
Adjusted EPRA vacancy rate (excl. investment properties undergoing repositioning <sup>1</sup> )	11.7%	11.1%

<sup>1</sup> Properties Mandachstrasse 50–56 ZH, Lorzenparkstrasse 2–16 ZG and Sternenfeldpark 14 BL

## Key figures per share

in CHF	31.12.2016	31.12.2015
Earnings per share (EPS)	5.80	7.44
Earnings per share without revaluation of properties	3.30	3.50
Earnings per share without revaluation of properties incl. revaluation of promotion	3.59	4.33
Dividends payout <sup>1</sup>	3.60	3.50
Payout ratio <sup>2</sup>	100%	81%
Cash yield <sup>3</sup>	3.44%	3.85%

<sup>1</sup> Proposal to the Annual General Meeting on 20 April 2017 for the financial year 2016: distribution out of reserves from capital contributions

<sup>2</sup> Dividends per share compared to earnings per share without revaluation of properties incl. revaluation of promotion

<sup>3</sup> Dividends per share compared to share price at the end of the period

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# Letter to Shareholders

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Dr. Felix Grisard, President of the Board of Directors (left), and Martin Durchschlag, Chief Executive Officer

## Dear shareholders,

Looking back, HIAG had a successful business year in which it was able again to increase property income and earnings before revaluation. HIAG Data's infrastructure platform got off to a successful start with well-known anchor clients in the finance and healthcare fields. It was listed for the first time as an independent segment in 2016.

Annualised property income increased by CHF 2.8 million, or 5.4%, to 53.4 million. Earnings (EBT) per share prior to revaluation increased by 8.6% from CHF 3.54 to CHF 3.84. Sales of condominium projects The Cloud in Baar and Feinspinnerei in Windisch are also on a successful course with sale levels at 83% and 52%, respectively. The resulting funds from the sales were invested in acquisitions in Yverdon-les-Bains, in the portfolio and in a further increase in the equity ratio. Balance sheet footings were also strengthened by the successful issuing of a second bond for CHF 115 million. With a maturity of seven years, the weighted average term for external financing increased from 1.9 years to 3.1 years. Great progress was made in the development portfolio, particularly in Meyrin, Biberist and Cham, which is reflected in the corresponding revaluation effects. With an after-tax return of 6.6% and a dividend payout of approximately 4.0% from NAV for the 2016 business year, dividends rose by 2.9% to CHF 3.6 per share.



### Ongoing improvement of the portfolio structure

The vacancy rate decreased again during the reporting period from 16.0% to 15.3% in the overall portfolio and the weighted remaining rental term rose to 5.2 years. This can be explained by new developments and contract extensions with Dachser Spedition, Sieber Transport, BL-Fenster, General Dynamics (Mowag) and Brugg Rohrsysteme resulting in annualised property income of approximately CHF 4.0million. At 5.5%, net return in the inventory portfolio increased slightly compared to the previous year. The successful sales of promotion projects free up funds for future investments: In 2016, 60 apartments were sold at the Windisch (AG) and Baar (ZG) sites for CHF 66.5 million in sales revenue. With the apartments that are still up for sale, CHF 56 million will be freed up in the future after repayment of related financing. The successful sales of Feinspinnerei at the Kunzareal site in Windisch in particular underscore the fact that with sustainable area and site redevelopment, we manage to create qualities and successfully position high quality projects. About a year before completion, Feinspinnerei was just about 50% sold, and was able to be positioned for revenue that was approximately 35% higher than the first promotion project at the site.

### Site redevelopment successes

The redevelopment in Biberist (SO) has cleared another important hurdle: As a direct result of the entry into force of the framework building permit, the high-bay warehouse could be recommissioned and the rental contract signed last year could take effect. Starting from the end of 2016, additional annualised property income of approximately CHF 1.0 million will thus be recorded. In addition, the first two expansion phases for HIAG Data were authorised in Biberist. The first step will be brought on line in the first quarter of 2017 and the data centre in the Walzenhalle with 2 megawatts of capacity should be ready for use by the middle of 2018. With the first hall and the new office building in Bremgarten (AG), the first renovation phase of the Jeld-Wen headquarters has been largely completed. In Meyrin (GE), the creation of the EMEA headquarters of HP Inc. and Hewlett Packard Enterprise is moving forward with 8'300 m<sup>2</sup> of usable area with no delays. The handover is planned for the third quarter of 2017. The building permits for the "Walzmühle" building and the central building in Frauenfeld (TG) became legally valid in 2016. The construction of 21 apartments and 1'500 m<sup>2</sup> of office and retail space is expected to begin there in 2017. In Neuchâtel, promising discussions are under way with large retailers concerning areas in the currently unoccupied part of the former commercial hall. On the Camembert site in Geneva's Lancy district, Club Village du Soir, the new centre of Geneva nightlife, opened in the autumn of 2016. Prior to its long-term conversion, this temporary use should contribute to the revival and differentiation of this central location directly adjoining the Stade de Genève and the Carouge-Bachet suburban train station, which should be open by 2019.

### Medium-term pipeline expanded further

The pipeline has also continued to fill up in the medium-term: Long-term rental contracts were signed with Coop and Doka Schweiz AG. The rental contracts with Coop in Aathal (ZH) and with Doka Schweiz AG in Niederhasli (ZH) have been contingently signed and are linked to legally valid building permits. In Niederhasli, the municipal council is also examining the expansion of the site from the train station into the central area, which would allow for dense residential use over a large part of the site. At the Cham Nord site, "On Your Marks", a valuable anchor tenant,

was gained for the quarter with the construction of a private education and training building for elite athletes. The goal for obtaining the building permit is 2017. The construction of approximately 300 apartments can thus become a reality within the same time frame.

### From site infrastructure to digital infrastructure

Six months after the launch of HIAG Data, important partnerships have been concluded and new anchor clients gained. The fully scalable virtualisation, which until now was only operational on Open Cloud, will be extended to Azure Cloud in the first six months of 2017 in partnership with Microsoft. Along with its private high-bandwidth fibre optic network, HIAG will provide the fastest connection to the public Azure Cloud in Switzerland and propose the most efficient Azure offering in Switzerland with Swiss Cloud. The range of services will be completed by a high performance offering in the data storage field as well as a billing module. HIAG Data will not enter the market directly, but rather make its infrastructure available to cloud-based service providers. In order to avoid bottlenecks in the development of its own areas and to remain flexible for the further development of services, HIAG has entered into a partnership with the pan-European colocation provider InterXion. Other anchor clients and partners in addition to Safe Swiss Cloud, Noser Engineering, itnetX, SBB and Glarner Kantonalbank will be presented during the official launch at the Digital Economic Forum in May 2017.

### Outlook

The past business year once again showed that the large inventory of land reserves in the portfolio is an important and stabilising element at a time when there is high pressure to invest in the real estate sector. This configuration allows us to buy analytically and only very selectively, which helps protect the future earning capacity of the portfolio.

Three years after the IPO, we can confirm that the combination of long-term strategic planning horizons, the short decision paths of a family company and the effectiveness of the capital market are HIAG's core strengths. This is demonstrated by the approximately 50% increase in the share since the IPO as well as the ability to seize opportunities: After several years of preparation, the HIAG Data platform we launched helps us move our sites into the centre of the digital era. We will continue to consider ourselves as an incubator of ideas that will be relevant to Switzerland as a location and increase the value creation potential at our sites. On that note, we hope you enjoy reading this report.



**Dr. Felix Grisard**  
President of the Board of Directors



**Martin Durchschlag**  
Chief Executive Officer

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## Interview Executive Board

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### **“Gains In All Areas”**

**HIAG is on a successful course with site redevelopment all over the country. With its venture into the data business, clients will be offered secure and efficient access to the cloud. HIAG will become the leading Swiss partner for cloud service providers.**

### What were the highlights of 2016 for you?

Martin Durchschlag: **The launch of HIAG Data. We are laying the foundation at our sites for our users to benefit from the fourth industrial revolution in the best possible way. We are weaving together analogue and digital infrastructures and creating the basis for new offerings. We have also succeeded in making progress in every aspect of our site redevelopment business. I would especially like to emphasise the successful condominium sales at The Cloud and Feinspinnerei projects, which were focal points in 2016.**

Laurent Spindler: **For me as CFO, the spotlight is obviously on our second fixed-rate bond for CHF 115 million that we were able to successfully issue. This clearly gave us greater interest rate security and we were able to broaden our financing base. Personally, I was very pleased with the successful expansion in Western Switzerland with the acquisition in Yverdon. We also made great progress at our sites in Geneva, where we created strong highlights with Village du soir in Camembert and the creation of the new headquarters of HP Inc. and Hewlett Packard Enterprise (HPE) in Meyrin. HPE's Geneva site will house the company's second customer centre in Europe, along with London.**

### What key performance indicators do you prefer to use for evaluating your success?

MD: **I am not very driven by key performance indicators. For us, value creation is very clearly the focus, and in order to create value, you have to be geared towards the long term. The fact that we are credited with this is also reflected in our share price, which has increased by 50% since the IPO in 2014.**

LS: **I find the annualised property income to be very relevant. It most directly expresses our sales performance status. The project pipeline is also very important. It reflects the potential available at our current sites.**

### How would you judge the business result?

MD: **We achieved a solid result. We improved our real estate income once again, even though in 2016 the focus was on the sale of condominium and construction projects that will start to generate income in 2017.**

LS: **The business year was clearly in line with our expectations – with no particular surprises, either positive or negative.**

**“We create locations. We build our sites at quarters that attract value-creating uses and that exude quality of life.”**

Martin Durchschlag



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**So you did not experience any disappointments either?**

MD: When it comes to long-term development projects, we are used to facing changes, and especially delays, again and again. Thinking up alternatives and having a plan B on hand is part of our core business. We were therefore all the more pleased that all the permits at the Frauenfeld site became legally binding in 2016, since the appeal was not taken before the Federal Court. That was a wonderful surprise for us!

LS: A very positive trend is also emerging in the Camembert quarter, where we have been working for four years. The heart of Geneva's nightlife has shifted our way. It has become an urban destination that is attracting throngs of people. Our investments have triggered a great response – also from a political standpoint. Applications for building permits around this use are going strong. The quarter plan that will be launched in 2017 provides for considerable consolidation with buildings up to 100 metres high. The construction of the Carouge-Bachet suburban railway station is also in full swing. It is expected to open in 2019.

**How have the markets that are relevant for you evolved?**

MD: As expected, supply for the office market has increased, and the retail segment has come under pressure from online sales. Digitally-driven business models lead to noticeable market dynamics that benefit us. We do not really look at the current overall market as much as we focus on improving the quality of our sites' location. We are convinced that the market can also be created to a certain extent.



**“With our second bond, we clearly gained interest rate security and were able to broaden our financing base.”**

Laurent Spindler

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**How do you view the increasing vacancies at residential sites?**

MD: In Switzerland, we are far from a situation of general overcapacity when it comes to residential construction. Demand is admittedly not always exactly where new apartments are being offered. We also see the commercial sector as rather dry. The time-consuming authorisation process has a limiting effect here.

LS: Our offerings are well aligned to the needs of the market. Location and infrastructure quality are always decisive. We are working on both.

**Your venture with HIAG Data shows that you are betting on Industry 4.0. Is digitalisation making traditional office work obsolete?**

MD: One use is not being crowded out by the other. The interconnection of both leads to new concepts. Take our site in Windisch, where people live and work. We launched a shared office concept there with the company Village Office, in which both dimensions of the analogue and the digital flow into one another and allow for flexible use of the infrastructure.

Village Office chose Windisch as an anchor site for its Swiss network with 30 planned offices. Its concept offers an alternative to the home office that has a completely different quality. Like-minded people can meet in a Village Office. In particular, employees of large companies can work more flexibly in terms of location and also avoid a long commute, since they do not have to drive to the main office every day.

LS: An attractive development isn't just about public and individual transport or energy supply any more. It's also about access, availability and the speed of digital connections. This is increasingly becoming another important site criterion.

### What does HIAG Data offer exactly?

MD: We provide cloud-based service providers with infrastructure that allows them to grow faster than their competitors. The private network is a key component of this. The public internet was not designed for data to be shifted to the cloud. The primary issues are therefore security and capacity. Another aspect is the flexibility and relative scalability of cloud capacity, so that our clients can focus their efforts on developing their markets. We will invest CHF 30 million to CHF 40 million in this segment over the next two to three years.

We also use our innovation when selling HIAG sites: in the future, our sites will be directly plugged into the cloud. And the security and performance level will be much higher than in the public internet.

### But you need partners for this.

MD: We are working closely with Microsoft Partner itnetX to develop the AZURE Cloud Solutions. We are expanding the open cloud business with Safe Swiss Cloud. We would like to be a strong Swiss partner for Microsoft, the world's second largest company in the cloud sector, when it comes to connecting to the Microsoft Public Cloud and also as a purely Swiss solution. With HIAG Data, we want to serve all our sites, but we are ultimately aiming beyond our real estate business. For this, we are building closed fibre optic networks from point to point that link companies securely and directly with other company sites or the global network. We see considerable areas for growth in the e-Health field, where we were able to gain Noser Health as a first client, as well as in the finance field, where we are starting with Glarner Kantonalbank as a first client.

### What will 2017 bring?

MD: From a geopolitical standpoint, challenges are accumulating. At the same time, we are experiencing a concentration of technical developments that is unique. We have noticed that the prevailing mood is optimistic and are therefore very confident about HIAG's business. However, Switzerland's attractiveness for business is not a given. But vouching for it daily is worth the effort.

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# 2016 at a Glance

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1



**January**

**Decontamination at the Reichhold site**

Site decontamination at the Reichhold site in Hausen/Lupfig (AG) started at the beginning of 2016. (1)



2

**February**

**New tenant in Füllinsdorf (BL)**

In February 2016, a lease agreement with Belfor Suisse AG was signed for 1'470 m<sup>2</sup> of storage and production area and 140 m<sup>2</sup> of office space. The leasing agreement started on 15 April 2016. Belfor is a leader in the field of prevention and sustainable repair of damage to buildings and their infrastructure.

**Redevelopment for Doka Schweiz AG at the Niederhasli site**

HIAG and Doka Schweiz AG have agreed on the framework for a long-term development at the Niederhasli (ZH) site. Doka, a company specialising in formwork techniques, is planning to jointly redevelop the former site in Niederhasli with HIAG and bring it up to international standards. (2)



3

**March**

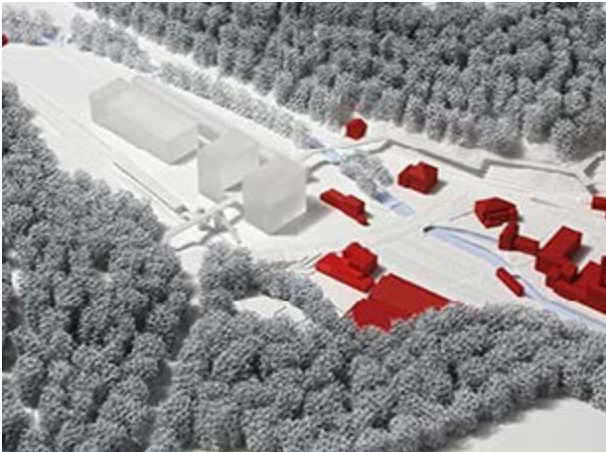
**Redevelopment prospects for Cham Nord reinvigorated**

Plans for a privately-owned sports complex will give the Cham Nord (ZG) site a significant boost. With this anchor user for the commercial areas, the foundation has been laid for the speedy development of the entire site. (3)

**Annual results press conference**

On 21 March 2016, HIAG held a press conference in Zurich to announce the 2015 annual results at the SIX Swiss Exchange.





4

April

**HIAG General Assembly**

HIAG's Ordinary General Assembly took place on 19 April 2016 in Aathal (ZH) with approval of all the proposals of the Board of Directors.

**Planning progress in Aathal**

Based on the urban planning competition "Vision Aathal", HIAG is currently working on a private design plan for the Talwis area, requiring a partial revision of the Building Zone Regulations in the Seegräben (ZH) municipality. The Municipal Council will vote on it in the summer of 2017. (4)

May

**HIAG successfully issues a CHF 115 million fixed-rate bond**

In May 2016, HIAG Immobilien Holding AG successfully issued a fixed-rate bond for CHF 115 million with a coupon of 1.00% and a maturity of 7 years.

**Legler site now on Twitter**

News concerning the redevelopment of the Legler site in Diesbach (GL) can now be found on Twitter.



5

June

**Topping-out ceremony in Meyrin**

A topping-out ceremony was held on 9 June 2016 in Meyrin (GE) for the HP EMEA headquarters at the Meyrin site. In addition, the site was introduced for the first time by its new name, "The Hive". Information about the redevelopment can now be found at [www.thehive-gva.ch](http://www.thehive-gva.ch). (5)

**Legler site now online with a website**

The Legler site in Diesbach (GL) now features a website where it provides information about what is offered at the site.

July

**General building permit granted for the Papieri site**

In June 2015, a general building permit application for temporary use of the Papieri site was submitted to the municipality of Biberist (SO). In July 2016, the permit was granted. The existing building structure can now be put into operation as a storage facility without having to go through a specific approval procedure - an important milestone for the redevelopment of the site.

**Two projects authorised at the Walzmühle site**

The building permits for the Walzmühle building subproject and the central building at the Walzmühle site in Frauenfeld (TG) were granted in July 2016 and have entered into force.

August

**Coop Bau+Hobby established as the main tenant for the Talwies site**

Concerning the Talwies design plan and the resulting building complex at the Aathal (ZH) railway station, the main tenant has now been established: Coop Bau+Hobby and HIAG signed a 10-year contract including a renewal option.



6

September

**2016 half year results presentation webcast**

On the occasion of the publication of the 2016 half year results, a webcast with conference call took place on 5 September 2016. HIAG Data was also presented for the first time at this event.

**Topping-out ceremony for Feinspinnerei**

On 8 September 2016, the topping-out ceremony for Feinspinnerei took place at the Kunzareal site in Windisch (AG). The project includes 29 condominiums that will be completed in the summer of 2017.

**HIAG acquires Village 52 SA**

Village 52 SA owns the former production site of the listed company Leclanché in Yverdon-les-Bains (VD) with a surface area of approximately 19'800 m<sup>2</sup> and a usable area of about 20'300 m<sup>2</sup>. (6)

**Participation in the EPRA conference**

HIAG took part in the European Public Real Estate Association (EPRA) Annual Conference in Paris and was present at Investor's Day for the Swiss Region.

**Annual Report selected**

Swiss Annual Report Rating selected HIAG's Annual Report in third place in the Design (Print and Online) category. (7)

**HIAG earns EPRA silver BPR award**

HIAG's reporting received the European Public Real Estate Association's (EPRA) silver award.



7



8

October

**VillageOffice and HIAG launch partnership**

As part of their new partnership, HIAG and Village Office will implement a pioneering co-working concept at the Kunzreal site's Kunzwerk business park in Windisch (AG). At the beginning of 2017, 15 workspaces will be created over approx. 100 m<sup>2</sup>. (8)



9

November

**New temporary use for Camembert site in Geneva**

On the Camembert site in Geneva's Lancy district, Club Village du Soir opened in the autumn of 2016 with three areas on approx. 2'000 m<sup>2</sup>. Before its long-term conversion, temporary use is scheduled until 2022 and will support the revival and differentiation of this central location directly adjoining the Stade de Genève and the CEVA railway station Carouge-Bachet, to be inaugurated in 2019. (9)

**First step of decontamination completed at the Reichhold site**

The first phase of the site decontamination was completed in November 2016 at the Reichhold site in Hausen/Lupfig (AG). The concept for the second and final step is being submitted in 2017.

**Commissioning of the high-bay warehouse**

After the inspection work was completed, the high-bay warehouse at the Papiéri site in Biberist (SO) with approximately 20'000 storage spaces was handed over to the future operator Sieber AG on time at the end of November. (10)

**Preliminary study completed for the Swissmetal site**

The urban planning preliminary study, which forms the basis for further planning, was completed at the end of November 2016 and presented to the Dornach (SO) municipal council. The next phase involves test planning in order to confirm the preliminary study's findings and assumptions.



10



11

**December**

**HIAG Data, Noser Health and Microsoft Switzerland present their partnership**

During a press conference in Zurich on 5 December 2016, the three companies presented their strategic partnership and joint solution for the Swiss healthcare sector. (11)

**New website for Kunzwerk**

The website for the Kunzwerk Business Park at the Kunzareal site in Windisch (AG) went online. Kunzwerk hosts among other things a co-working space developed in collaboration with Village Office and open to creative minds from the region.

**Complete permit granted for the Walzmühle site**

With the permit for eight lofts and building 4 with an underground carpark granted in December 2016, the third and final redevelopment project at the Walzmühle site in Frauenfeld (TG) entered into force. (12)



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# Strategy and Sustainability

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## Strategy

### A combination of income sources

HIAG has many value drivers that work together to generate attractive overall returns for shareholders. Thanks to a diversified and high-quality group of tenants, the property portfolio provides stable and projectable income and therefore ensures the distribution of attractive dividends. The added value from site redevelopment comes from three core disciplines: architecture and planning processes, site and project sales and cost and process control. The added value created by the redevelopment process also expands the collateral value for financing new projects. The company thereby manages to press ahead with further redevelopments in its own portfolio without significant additional capital requirements. HIAG invests in infrastructure where its integration at the site provides an economic or environmental benefit. For that reason, HIAG has five hydroelectric plants in its portfolio and invests in network development and cloud infrastructures.

### Differentiation through the land bank

The Group disposes of a site portfolio at about 40 locations that stretches over a total surface area of 2.5 million m<sup>2</sup>, 1.6 million m<sup>2</sup> of which is zoned. In addition to its existing property portfolio, the company currently plans to establish 638'000 m<sup>2</sup> of additional usable area in roughly 50 redevelopment projects in the short, medium and long-term with an investment potential of approximately CHF 1.8 billion. This large "land bank" together with its impressive track record in site redevelopment, are important distinguishing features for the company. Furthermore, the portfolio provides a broad mix of uses, which, compared with other portfolios, presents a good balance between residential and industrial/commercial use and features a relatively low proportion of office space.

### Focused organisation and continual process improvement

HIAG directs its strategic focus towards the activities that it considers to be the most intensive value creators in the development process. Core processes such as site acquisition, control of redevelopment processes, approval procedures, portfolio management and sales activities are primarily carried out internally and can be continually improved through a culture of open feedback. Building management is conducted by our own personnel at sites where HIAG deems it important to be close to the object; for example, in the case of redevelopment activities at sites with an industrial background. At the same time, the company also focuses heavily on the opportunities and usability of new technologies when designing uses, as well as in all core processes. Activities that are exposed to stiff competition, that have low margins or which are very work-intensive are outsourced. This includes, for example, architectural and technical planning, construction work and property management for yielding properties.

### Work environment and employee development

The highly qualified HIAG employees are the architects of the corporate culture, which serves as the basis for individual and overall development paths. Thanks to the flat organisational structure and the generally very high level of specialisation, each employee takes responsibility, makes decisions and is often the direct contact person for his or her field of responsibility. Bearing in mind that every employee contributes to success, HIAG promotes training and further education and discusses possible measures in these fields during individual performance reviews. The open exchange between employees and managers, which is both regular and sporadic, is promoted by HIAG's culture of values. This culture is characterised by trust, the courage to take initiative and a strong team spirit. HIAG always strives for appropriate work requirements, fair remuneration and an extremely attractive work environment.

### Good locations in economic areas

HIAG's sites are very well located. Approximately 92% of the portfolio is located in the economic core regions of Switzerland around Baden/Brugg, Zurich/Zug, in Northwestern Switzerland and Geneva. The scarce land resources in these regions, as well as the recent legally instituted reduction in rezoning of agricultural areas, highlight the need for consolidation and conversion of former industrial sites.

### Brand and communication strategy

Thanks to the long-term, consistent, value-based actions of our site developers, the company and the HIAG umbrella brand have gained the valuable trust of important local stakeholders such as tenants, residents and municipal authorities. This presence interacts with site and project brands. Site brands persist in the long term and are therefore deployed strategically for their identity-creating dimensions. Project brands, on the other hand, are limited in time and primarily serve sales, but also remain visible as a reference after the completion of a project.

It is important to communicate transparently and consistently about the redevelopment service rendered in order to credibly fill the HIAG brand environment with relevant content. The perception of the HIAG brand environment can be realistically assessed through personal dialogue with stakeholders. The impressions that are gathered are integrated in the decision-making process on the sites' strategic focus during the Executive Board's strategy meetings, which take place several times per year.

In 2016, the HIAG Immobilien brand was shortened to HIAG. The visual focus strengthens the brand's presence with a clear and concise profile. The shorter version corresponds to the way stakeholders use and perceive the brand. HIAG also benefits from its increasing familiarity as a brand that stands for sustainable site redevelopment in Switzerland.

The HIAG brand family grew by one member during the first half of 2016 with the addition of the fully owned subsidiary HIAG Data. HIAG Data has emerged in the form of an independent HIAG brand and symbolises the logical expansion and further development of the business model from site redevelopment towards network connection and cloud infrastructures.

## Sustainability

### Sustainability: responsible development of space for life in Switzerland

In Switzerland, land is scarce and requires sustainable use in economic, social and environmental terms. As a long-term owner, HIAG is therefore geared towards ensuring the long-term quality of newly created neighbourhoods and the care of its sites, areas and infrastructures. The main challenge is recognising the identity and “soul” of a site and transposing it so that it remains at the heart of the future quarter and results in careful management of space for life.

### Environmental sustainability: hydroelectric plants, grey energy and photovoltaics

Hydroelectric power

Some of HIAG’s sites are located on rivers that were important energy sources for former industrial operations and can still be used today as renewable energy sources for electricity production. At three sites in the Zurich highlands, in Biberist and in Diesbach, five small hydroelectric plants with a cumulative maximum output of 1’810 kW produced a total of approximately 6’456’935 kWh of electricity. This roughly corresponds to the average annual energy requirements of approximately 1’614 two-person households with four rooms. For the hydroelectric power to be used for electricity production over a long period of time, the hydroelectric plants must always be in a condition that allows them to be operated efficiently. The following “hydroelectric power logbook” shows the supply or electricity production for 2016, as well as incidents that required interventions in 2016.

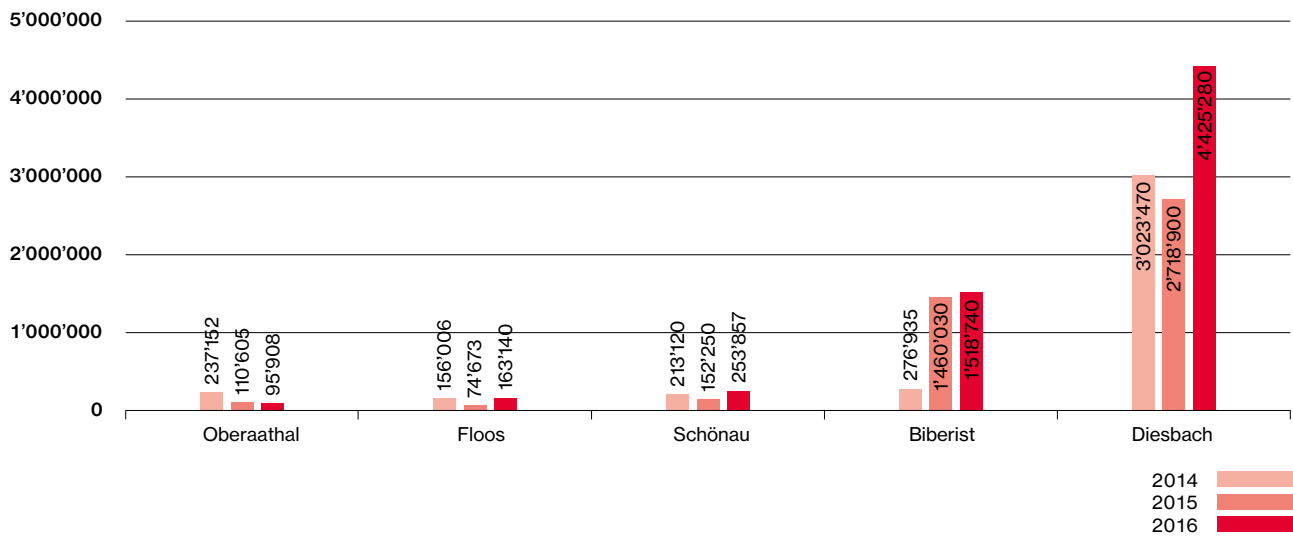
#### Hydroelectric power logbook

<b>Hydroelectric plant Diesbach (GL)</b>	Four days of inactivity in March due to worn-out guide elements. In April, the hydroelectric plant was inactive for another five days because of this. A bearing repair in May resulted in five days of inactivity. There were two more days of inactivity in June due to generator vibrations. Exceptional weather situations* accounted for a total of eight days of inactivity. Electricity production or supply in 2016 with a maximum output of 935 kW was: 4’425’285 kWh.
<b>Hydroelectric plant Biberist (SO)</b>	A total of over five months of inactivity due to maintenance. In May, there were eight days of inactivity due to a crack in the underwater side of the turbine housing. There were seven days of inactivity in July due to a cracked impeller casing. Another crack in the impeller casing in August required the replacement of a 32-year-old impeller casing component, which led to an exceptionally long period of inactivity of over four and a half months. Inactivity due to exceptional weather conditions* for a total of six days. Electricity production in 2016 with a maximum output of 493 kW: 1’518’745 kWh.
<b>Hydroelectric plant Schönau (ZH)</b>	Full capacity. Electricity production in 2016 with a maximum output of 82 kW: 253’857 kWh.
<b>Hydroelectric plant Floos (ZH)</b>	The machine could be operated only at 20% of its output capacity between January and March 2016. This was due to a defective proportional valve. Electricity production in 2016 with a maximum output of 120 kW: 163’140 kWh.
<b>Hydroelectric plant Oberaathal (ZH)</b>	In mid-May, the control system failed and had to be replaced. The plant resumed operations in mid-November. Electricity production in 2016 with a maximum output of 180 kW: 95’908 kWh

\* The plants in Diesbach and Biberist are fed by waters that carry a large amount of wood (floating debris), bed load (gravel) and sand into the canals when heavy rain or storms occur – this clogs up the screen and weir system. As the follow-up costs are known to be significantly higher than the production losses, plant operation is temporarily stopped as a preventive measure. Another reason for a shutdown is the water shortage during prolonged dry periods.

HIAG's aim is to use the potential of the hydroelectric plants to the fullest possible extent. However, annual production is strongly dependent on the amount of water that is available. Another important factor is the reliability of the plants, which should be higher in the coming years due to the repair work carried out in 2016. The following table shows an overview of the annual production of all the plants in 2014, 2015 and 2016:

Annual production in kWh



In Aathal (ZH), the hydroelectric issue is important both to the canton and the historic preservation office. Three of the 12 power plants in the hydroelectric power chain that stretches through the region should receive renovation subsidies from the canton in the medium term based on a concept drafted by HIAG. These protected energy sources will therefore be maintained according to historic preservation principles. In the future, HIAG will therefore be able to operate the three hydroelectric plants in Aathal economically and in the long term.

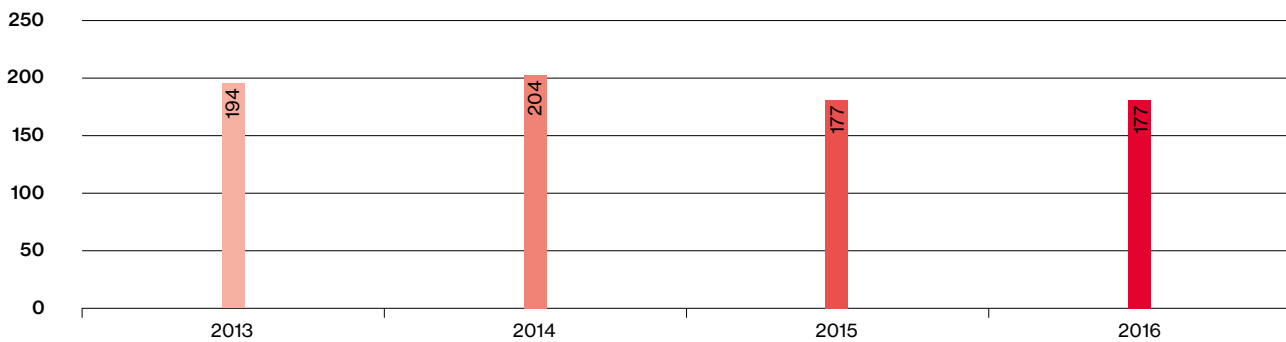
Grey energy and photovoltaics

HIAG is redeveloping protected historic buildings in many places. The use of invested grey building energy contributes to the preservation of historic buildings and their aesthetic vibrancy. The grey energy of the Spinnerei III building shell, for example, amounts to 10'800'000 kWh, which would be enough to heat the renovated building for about 150 years. Also at the Kunzareal site, HIAG built one of the largest photovoltaic facilities in the Windisch-Brugg region on the roof of the recruitment centre. In 2016, the 794 modules with a surface area of about 1'300 m<sup>2</sup> generated over 177 MWh of electricity. Thanks to this facility, approximately 535 tons of CO<sub>2</sub> emissions were avoided as at the end of 2016.

A special feature of the plant is the aerodynamically optimised elevation system, which allows it to blend discreetly into the overall picture of the quarter and become practically invisible. It was jointly developed with Solventure AG and the University of Applied Sciences of North-West Switzerland in Windisch.



### Annual yield of photovoltaic installation in MWh



#### Energy standards

As a site redeveloper, HIAG implements residential projects while paying attention to the compatibility of future residents' requirements with the careful management of resources. For example, the buildings housing 61 already delivered residential rental units of the Spinnerkönig project and the 29 Feinspinnerei condominiums that were still under construction in 2016 are Minergie standard certified. The 99 condominiums of The Cloud residential project, which were partially delivered in 2016, were also built as per the Minergie standard. The project also boasts a CO<sub>2</sub>-neutral pellet heating system, for which a specific contract with a Swiss pellet supplier was signed. The HP EMEA headquarters at the Meyrin site in Geneva is also Minergie standard certified.

#### Social sustainability: quality in urban planning and architecture

The living conditions in a quarter are influenced significantly by its level of urban planning and architecture. In order to ensure the high quality of building projects and redevelopment work, HIAG conducts architecture and master plan competitions. In recent years, more than 10 competitions have been conducted. In each case, the jury is composed of external specialists and in-house experts. This process allows HIAG to find answers to complex redevelopment questions. At the same time, the social, economic and environmental potential of the site can be expanded.

Urban planning leads to the holistic consideration of development aspects such as type of use, accessibility to transport systems and landscaping, and ensures optimal functioning of individual projects in the overall context of a site. This ultimately promotes a healthy mix in the quarters, contributing to a favourable social environment.

HIAG redevelops sites at locations that are particularly marked by their industrial past. The "inherited" historic buildings are often protected and must be dealt with carefully during renovation. In order to do this, details must be taken into account that require the special know-how of our employees and service providers. The special flair of the historic buildings will also be put to use in the redevelopment of the Walzmühle site in Frauenfeld, specifically to create unique spatial qualities. The historic preservation authorities were thus consulted when drafting the building permit application for the planned lofts as a part of the first redevelopment phase.

## Economic sustainability: overview of client needs and the Swiss workplace

A focus on client needs:

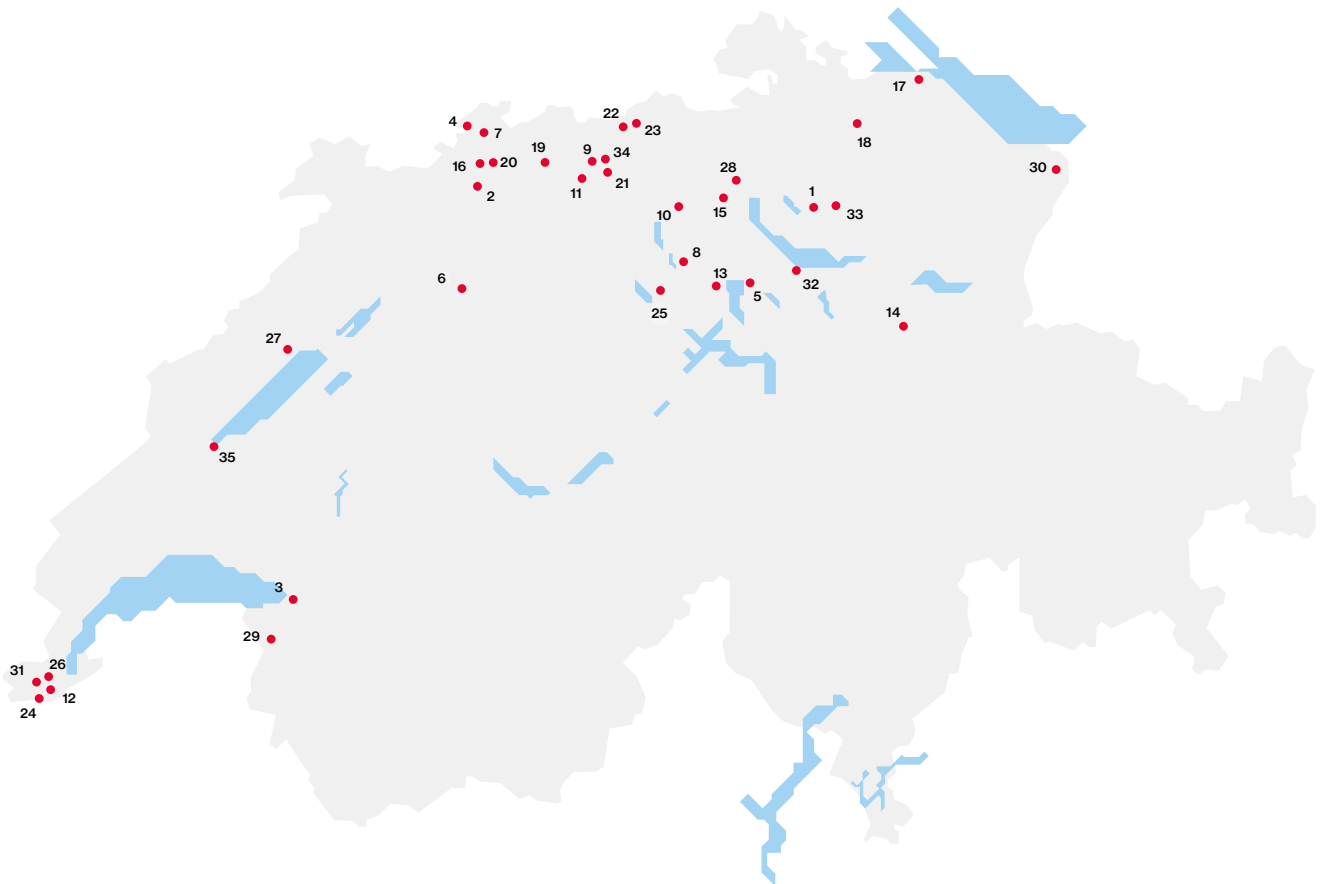
**HIAG's clients benefit from an organisation with flat hierarchies and short decision paths. Direct communication with contact persons who have decision-making authority provides fast and reliable answers. HIAG's clients include public, private and commercial tenants, companies and condominium buyers. From the first contact until the signing of the contract and beyond, they are looked after by our contact persons. Wherever condominiums are sold at a site, the buyers immediately become HIAG's future neighbours there. Trust-based dialogue with the client is therefore at the forefront of sales activities.**

A partner for the Swiss workplace:

**Site redevelopment also entails the development of the Swiss workplace. HIAG's commercial tenants include well-known, major corporations and brands such as ABB, Media Markt, HP Inc., Hewlett-Packard Enterprise and Jeld-Wen. HIAG's portfolio management fosters close relationships with industrial anchor tenants. This proximity builds understanding and know-how for company-specific requirements. In this respect, HIAG benefits from its own industrial heritage and offers products that suit various uses, and can also be adapted to the tenant's needs. This is the case in Kleindöttingen (AG), for example, where 11 multifunctional production halls for industrial and commercial use have been built in recent years. Companies and municipalities also benefit from the qualities of the location. Since most of the sites were used industrially in the past, most of them are very well connected. HIAG's tenants can therefore offer their employees a short commute and good connections to public transport. This allows better use of infrastructures in the municipalities. The project always takes on a special quality when all the parties involved in the redevelopment identify with it. If a suitable range of services is available, HIAG tries to consider local businesses first for site redevelopment; e.g. at the Cloud, a housing complex in Baar. The sites are also managed largely in collaboration with local service providers that implement the philosophy of individual and dialogue-oriented tenant care as HIAG envisions it.**

**Connections with national and international companies in the IT sector and creative industries are also increasing with the business model of HIAG Data and the implementation of innovative use concepts, such as the co-working workplace with Village Office at the Kunzareal site in Windisch (AG). HIAG's circle of stakeholders is expanding to include new valuable contacts, promoting the exchange of knowledge and interconnectedness across organisational boundaries. Partnerships with itnetX, Microsoft Switzerland, Safe Swiss Cloud and Noser Health, which is a Noser Engineering brand, have thus been established in 2016.**

# Site Redevelopment Locations



- |              |               |                   |                      |
|--------------|---------------|-------------------|----------------------|
| 1 Aathal     | 10 Brunegg    | 19 Füllinsdorf    | 28 Niederhasli       |
| 2 Aesch      | 11 Buchs      | 20 Gempen         | 29 Saint-Maurice     |
| 3 Aigle      | 12 Carouge    | 21 Hausen/Lupfig  | 30 St. Margrethen    |
| 4 Allschwil  | 13 Cham       | 22 Kleindöttingen | 31 Vernier           |
| 5 Baar       | 14 Diesbach   | 23 Klingnau       | 32 Wädenswil         |
| 6 Biberist   | 15 Dietikon   | 24 Lancy          | 33 Wetzikon          |
| 7 Birsfelden | 16 Dornach    | 25 Menziken       | 34 Windisch          |
| 8 Bremgarten | 17 Ermatingen | 26 Meyrin         | 35 Yverdon-les-Bains |
| 9 Brugg      | 18 Frauenfeld | 27 Neuchâtel      |                      |



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# Carouge/Lancy Sites

## Interview Antonio Hodgers

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**“Given the shortage of space in the canton, I would say that in Geneva, every area is valuable”**

Antonio Hodgers has been a member of the cantonal council of Geneva since 2013. In this interview, he presents his view on the Praille-Acacias-Vernets (PAV) spatial development project affiliated with his department and reveals what influence this will have on Geneva's development.

**Councillor Hodgers, you grew up in Meyrin in the canton of Geneva. The EMEA headquarters of two international companies, Hewlett Packard Enterprise and HP Inc. are now being built there at a HIAG site. How has your home town developed since your childhood?**

Antonio Hodgers: **From an urban development standpoint, the town of Meyrin can be presented as an exemplary municipality that is flexible and that welcomes the current development of the canton of Geneva. Known for its housing blocks, its geographical distance and its multiculturalism, it was once regarded as an unfortunate outgrowth. Today, it is home to the Les Vergers eco-quarter and its cooperatives, and the city centre can be reached within 30 minutes by tramway. Being only a stone's throw away from CERN and the largest industrial area in the canton, it has been able to hold on to its identity and take advantage of economic and social development opportunities.**

### PAV Project



#### Two HIAG sites in the PAV quarter

The large-scale Praille Acacias Vernets (PAV) project provides for a change in use of industrial areas that are directly connected to the city centre of Geneva and are located in the urban areas of Carouge and Lancy, among others. HIAG owns and operates sites in both places. The PAV project comprises 230 hectares and offers potential living space with 11'000 apartments.

[www.ge.ch/pav](http://www.ge.ch/pav)



1 Carouge Site

2 Lancy Site

**What challenges is the Geneva region confronted with in terms of city and spatial development?**

AH: The State Council has an ambitious document called the Cantonal Structure Plan 2030, which was adopted by the Grand Council and the Federal Council. This Structure Plan focuses on inward urban development. In other words, it seeks to curb the urban sprawl. We need to condense, but only where it makes sense: near traffic routes, and particularly near public transport. The second challenge for the State Council is to house people working in Geneva. One third of the people working in Geneva commutes every morning. Evidently, for some of those who are employed here, there is no living space available.

**How does the canton envision meeting these challenges?**

AH: Through the construction of new residential areas. My department is managing 10 large design plans in which tens of thousands of apartments are being built. They are spread out along the perimeter of the LEMAN Express line and the existing city centres. An expanded, diversified residential offering scattered across the entire canton gives employees the possibility to live closer to their place of work (again), which in turn reduces the amount of regional commuter traffic.

**The large PAV project should enable growth in the Geneva region. What exactly does that mean?**

AH: The Praille-Acacias-Vernets project will create a new centre in Geneva in the near future. With 12'000 new residential units and 6'200 additional jobs, as well as infrastructure and public facilities, the PAV project will restructure the canton of Geneva. I imagine this quarter as being open, lively and dynamic. It will house service companies, industrial companies and craftsmen. But there should also be space for festive events and culture, as well as high-quality, affordable apartments.

**The project has been under way for more than 10 years. What is the current situation?**

AH: The four large quarters have now been unveiled: Etoile, Acacias, Grosselin and Praille Ouest. Architectural competitions for Etoile and the Les Vernets site have already taken place. They were strongly supported in a referendum with over 70%. Changes are already recognisable in the southern and western sections of the PAV area at the construction sites of both LEMAN Express stations and the new quarters springing up around them. In order to accelerate the development of the quarter, the 1'600 active companies in the PAV zone now have to be relocated as quickly as possible. To this effect, the State Council has proposed the creation of the PAV foundation, the goal of which is to acquire the PAV building land that is to be provided for the various project phases.

**“The State Council is taking the necessary measures to achieve a 2’000-watt society without nuclear power.”**

Antonio Hodgers



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**What areas do you consider to be important for Geneva’s growth?**

AH: Given the shortage of space in the canton, I would say that in Geneva, every area is valuable. Each one corresponds to a need. Urban areas and the land surrounding them can be used primarily as living space. Agricultural areas can be used for recreation and farming. Industrial areas keep our industrial and artisanal structures alive and active. The State Council and my department aim to give each of these areas the importance that it deserves and to anticipate its future requirements.

**Under the PAV project, industrial zones will make room for apartments. What alternatives will be offered to companies that want to remain in the Geneva vicinity?**

AH: Geneva has a foundation called the FTI (Fondation pour les Terrains Industriels) that upgrades industrial areas through purchase, design and parcelling of industrial properties and enables companies to settle there. As part of the PAV use exchange, the FTI has been tasked with assisting companies in their relocation, in particular by offering them new sites.

**How successful will you be in attracting companies to the region in the future and what will be undertaken to do so?**

AH: In addition to the sites made available by the FTI in 54 industrial areas and support from cantonal business development, the State Council has just presented its plan for the implementation of the Corporate Tax Reform III. This reform offers a competitive tax rate of 13.49%. Furthermore, the canton of Geneva is a privileged destination for companies to settle in, in terms of location and connections, as well as the internationality and diversity of the existing business sectors.

**In Praille Ouest, which is part of Carouge, HIAG is the owner of the “Camembert” site directly adjacent to the Geneva Stadium. What potential do you see for this site within the framework of the PAV project?**

AH: The Camembert site is an area with significant development potential. In the PAV quarter structure plan, it is considered a defining place, just like Etoile and Pointe Nord. A project approach is therefore expected to begin in the course of 2017 in partnership with the owner, the municipality of Lancy and the canton.

**The PAV project will have an impact on Geneva’s urban development in many respects. What role does sustainability play in this?**

AH: Even if sustainable development goes beyond the energy sector, I would like to emphasise that the canton of Geneva has always been a pioneer in this field. The State Council is taking the necessary measures to achieve a 2’000-watt society without nuclear power. The cantonal energy strategy is well positioned, as it is based on the development of renewable energies and the modernisation of existing ones. The sustainability requirements of our urban development have been met, and overall the stakeholders foster a favourable attitude.

**What issues would you like to forge ahead with in particular as a politician in Geneva?**

AH: As a member of the cantonal council, I am committed to a controlled, quality-based development of the canton. This harmonious development concerns spatial planning, as well as tax policy, culture and mobility.

### Antonio Hodgers

Antonio Hodgers was born in Buenos Aires, Argentina, in 1976 and came to Switzerland in 1981. He has been politically active since his youth and was elected to the Grand Council as a candidate for the Green Party when he was only 21 years old. Since 2013, he has been a member of the State Council of Geneva and is in charge of the Planning, Housing and Energy Department. Hodgers was also previously a member of the National Council from 2007 to 2013. From 2011 to 2013, he was President of the Green Party’s parliamentary group.

Antonio Hodgers graduated from the Graduate Institute of International and Development Studies (IUHEID). In 2004, he founded Mobilid e s rl, a consultancy firm for sustainable mobility aimed at regional administrative bodies and private companies. He worked there as a managing partner and mobility adviser until his appointment to the State Council in December 2013.



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# Kunzareal Windisch Site

## Kunzwerk Business Park

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### Pioneering co-working site as an alternative to the home office

In the spring of 2016, the planning for the implementation of a co-working concept began at the Kunzareal site's Kunzwerk Business Park in Windisch. With this project, the cooperative Village Office and HIAG would like to provide access to flexible work places and an inspiring community for people working in home offices.

Long ago, the Kunzareal site was a part of textile history, as cotton was spun into thread there under conceivably difficult working conditions for more than 200 years. Today, a quarter has sprung up at the site that brings together apartments and jobs in an idyllic environment, creating fertile ground for innovative business models. The business park offers room for this at the entrance to the site – it houses young companies as well as traditional firms. The location brings together different companies that benefit from shared infrastructure and the possibility of an exchange of knowledge with their neighbours.

#### Promotion of alternative working models

In the future, the diversity of people and companies in the business park will continue to grow, as Village Office, together with HIAG, will set up 15 co-working work spaces, thus promoting new working models. The idea behind this: employees or freelancers from the surrounding area can work half-days at the co-working community's workspace instead of at their company or home office. Users benefit from optimal, efficient infrastructure, synergies and contacts that can arise from exchanges inside and outside the community. The project at the Windisch site is Village Office's flagship project. The spatial concept was created jointly with HIAG and implemented at the end of 2016.



## Community as added value

The workspace will be available under the name “Kunzwerk” at the beginning of 2017. The approximately 100 m<sup>2</sup> of surface area are to be divided into work, rest and meeting areas. But availability alone is not enough to ensure the workspace’s success, emphasised Alex Römer, the responsible site developer for the Kunzareal site: “Co-working is primarily about the community mindset. This is something we are experiencing in, as we contributed to the thriving quarter at the Kunzareal site. We therefore intend to implement this for co-working.” In order to meet the community goal, the co-working users’ communication should be promoted by a suitable atmosphere and architecture. One example is the creation of retreats, such as a lounge that is integrated high up in a gallery – the room’s five-metre ceilings allowing for such generosity.

## A concept with potential

The Kunzwerk is also meant to strengthen the Windisch location beyond the Kunzareal site, adding yet another attractive offering to its many merits. Alex Römer is convinced that there is demand for this type of facility in more than just the Brugg region. “We see great potential in the Village Office concept, which could be implemented at other Swiss sites after the initial experimental phase,” he explained. And so, where an industrial pioneer once settled to spin cotton, another pioneering work could be accomplished – one that fully meets the needs of the business world in the 21st century - and which fulfills the Village Office credo “work where you live”.

### Kunzwerk Business Park



Surface area:	100 m <sup>2</sup>
Construction:	2016/2017
Delivery:	beginning of 2017
Project status:	Acquisition   Planning <b>Construction</b> Completion
Site developer:	Alex Römer

### Sustainability

- Environmentally-friendly mobility ensured (public transport connections, mobility)
- Ideal resource usage and contribution to land consolidation in line with the goals of the municipality.
- Involvement of the quarter association in the planning process in order to promote exchanges and integration of users

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[www.kunzwerk.ch](http://www.kunzwerk.ch)

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# Walzmühle Frauenfeld Site

## Loft Project

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### Industrial flair and the comfort of a single family home

The building permit was granted in 2016 for the planned single-family lofts at the Walzmühle site in Frauenfeld. This means that the first redevelopment step is ready to begin.

The first construction work can begin in 2017 in the northern part of the Walzmühle site, as the building permit for eight lofts was granted at the end of 2016. The buildings should bring together the charm of an industrial loft and the comfort of a single-family home. That is why special emphasis has been placed on maintaining historic flair, and the historic building preservation requirements are being fully complied with. "The history of the site should contribute to the quality of life, which is why we developed the building permit application in coordination with the cantonal historic building preservation office from the start," explained Thorsten Eberle, responsible site developer for HIAG.

### Reuse with historic preservation in mind

A factory building from 1926 called "Shed House 3" is currently located on the planned parcel of land. As the building is somewhat dilapidated, it is being dismantled up to the protected north façade, which also serves as a model for the reconstruction and materialisation of certain historic aspects of the planned lofts. The building has a brickwork façade and fitted skylights, both of which are included in the architecture of the new buildings. Each loft has thus been given a brick façade and a skylight, which creates unique lighting conditions and an exceptional feeling of space. The eight planned two-storey lofts with ceiling heights of up to six metres are integrated into the outline of the original hall and thus ideally into the overall picture of the industrial complex. Someone coming to the site from the north will see the distinct and historically protected north façade, which has been preserved and forms an authentic boundary with the neighbouring property. Should this neighbouring property be built up, a free zone of approximately 45 metres from the façade is guaranteed.



### Self-sufficient comfort combined with industrial charm

In the recessed area of the loft, privacy is ensured by a staggered arrangement of the structure. When a future resident is using the terrace, he or she remains mostly out of sight from neighbours. The up to 180 m<sup>2</sup> floor plan of the homes offers a great deal of flexibility. Only the two bathrooms, the toilet and the kitchen area are defined, though separating walls can be placed at the resident's discretion. The power outlets are pre-installed, so that the plaster does not have to be opened again when moving in. Accessibility also adds to the interior comfort, as each building has a basement with access to its respective double underground garage with separate cellar rooms. The entrance area to the lofts is a special highlight, taking the form of a separate inner courtyard. An approximately 40 m<sup>2</sup> open-air atrium acts as a connector to the residential lane. It ties into the residential lane of the lofts; its compacted Nestaler® gravel has a pleasantly decelerating effect. The self-sufficiency of the individual buildings is also ensured in terms of energy from their own heating systems. Heat and domestic hot water are generated by an electrically driven outdoor air and water heat pump with an encased evaporator unit on the roof.

## Placement of a historic monument

The future residents of the lofts will be able to enjoy a virtually car-free zone, since the underground garage can now be accessed directly from the west side of the site, and vehicles enter from Walzmühlestrasse, which borders the site. The environment also caters to quality of life, with landscaped green areas and a footpath along the Murg river leading directly into the city centre. A historic monument will provide special flair for the residents and guests of the Walzmühle site: the Schuler press was previously hidden in the dilapidated factory hall. The deep drawing press dates back to 1920 and was once used in the production of milk jugs. It will now make way for the lofts, but is to be refurbished and placed at the entrance of the site. There, from 2019, it will act as a reminder of the site's industrial past.

### Loft Project



Number of lofts:	8
Living area per loft:	160 m <sup>2</sup> –180 m <sup>2</sup>
Construction:	2017–2019
Delivery:	2019
Projektstatus:	Acquisition <b>Planning</b> Construction   Completion
Architecture:	Antoniol + Huber + Partner
Site developer:	Thorsten Eberle

### Sustainability

- Close coordination with the historic building preservation authority during the planning process
- Renovation of the north façade in close coordination with the historic building preservation office
- 20%–30% of the necessary energy for a loft comes from renewable energy sources
- Non-fossil fuel domestic hot water and heat generation through an outside air heat pump with evaporator unit

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# Cham Site

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## Cham Site will house an elite sports complex

The first step in the redevelopment of the Cham site is fast approaching with the planned education and training building for elite athletes. It is bound to set new standards in the Swiss sports landscape. The building permit is expected to be granted in 2017.

HIAG has been the sole property owner of the Cham Nord area since 2014. The 46'282 m<sup>2</sup> site should be redeveloped into a mixed quarter over the next five to 10 years. The study commissioned for the area plans for about 300 apartments and approximately 25'000 m<sup>2</sup> of office and commercial space. Realisation of the first stage should be under way next year. The project entitled "On Your Marks" (OYM) will take the lead of the redevelopment and offer social added value not only for the very well-developed Cham Nord area, but also throughout Switzerland. A private sports complex has been planned for an area of approximately 6'000 m<sup>2</sup>, which will be developed in partnership with HIAG. This location will offer the EV Zug (EVZ) ice hockey club ideal year-round possibilities for practice and to train promising young players for top-class sports. In addition, athletic training for various types of sports is to be offered. The private investor will acquire the area after the building permit is granted, and independently build and operate the education and training centre. Top-of-the-line infrastructure could therefore become a reality for young talent and top athletes by the end of 2019. The beginning of construction is planned for 2017. The new building will include, among other things, a training field, an approximately 3'000 m<sup>2</sup> athletics hall, a triple gymnasium, an 80 m-long running track, as well as many training and seminar rooms. In addition, the site will offer accommodation for athletes attending training camps. Facilities for motor activity, a skatemill and a shooting gallery, as well as rooms for performance diagnostics and therapy should provide an exceptional level of training for all types of sports.

### Ideal conditions for the first stage

After it was decided in 2015 that the planned day school would be built at another site, the sports complex offered just as attractive a starting point for the redevelopment of the Cham site in harmony with the existing “Lorzenpark” building. “On Your Marks is an absolute dream neighbour for the future quarter and fits in perfectly with the planned mix of living and working spaces,” explained Lukas Fehr, responsible site developer for HIAG. With the impending building permit in 2017, the implementation of the project will begin and the pre-project for the entire area can be tackled at the same time.

#### Cham Site



Redevelopment timeline:	5–10 years
Office and commercial space (without the sports complex):	approx. 13'000 m <sup>2</sup>
Apartments:	approx. 200
Total surface area of the sports complex:	approx. 15'000 m <sup>2</sup>
Project status:	Acquisition <b>Planning</b> Construction   Completion
Site developer:	Lukas Fehr

#### Sustainability

- Sustainable revival of the site via OYM with EVZ as an anchor user
- Study results as a basis for sustainable quarter development
- The redevelopment focuses on public areas around the busy public main street (corso) and the calmer residential streets
- Joint redevelopment with the municipality, neighbours and the canton
- Open areas are ecologically connected in the quarter and its surroundings, and create environmental balance
- Waste heat supplied to the site-wide energy network or district heating grid

Strategy and Sustainability on page 21



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# Yverdon Site

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## Increasing diversity

With the September 2016 acquisition of Village 52 SA, HIAG added the Western Swiss site of Yverdon-les-Bains (VD), which features a varied group of tenants and a good building fabric, to its inventory portfolio.

Village 52 SA is home to the former production site of Leclanché SA, a listed company specialising in the manufacture of lithium-ion batteries headquartered in the spa town of Yverdon-les-Bains. In 2016, HIAG was able to acquire the company and the site, with its approximately 19'800 m<sup>2</sup> of total surface area and about 20'300 m<sup>2</sup> of usable area. Eleven buildings have been integrated into the inventory portfolio. The existing buildings were renovated in 2008 after battery production was discontinued and the site now enjoys a diverse and high quality tenant structure. The new life that has been developing for almost 10 years now in the former industrial complex has created a special atmosphere, and the site is home to a school, creative industries, artists, architects and craftsmen, among other things. "In the meantime, a quarter has sprung up there that brings its own very creative atmosphere with it," explained Yves Perrin, HIAG's Western Switzerland Director who is responsible for the site.





### The quarter continues to develop

Since 2016, 82% of the surface area has been rented, which speaks to the popularity of the site. In addition, with its own bus stops and railway stations, as well as rapid access to the A5 motorway and the city centre, the site is particularly well connected. These strengths will also be used in the future to rent out the remaining surface areas, while taking into account the existing structures and maintaining and promoting the site's identity. According to Yves Perrin, no large-scale interventions or redevelopment activities are planned. Instead, communication with the city and the current users is the priority, in order to pursue the quarter development that has been so positive up to this point. With its industrial past, its own special identity, the high-quality building fabric and the diversified mix of tenants, the site is an ideal addition to HIAG's portfolio. The site is located in a high potential area on the axis between Lausanne and Neuchâtel, and reinforces the presence of HIAG in Western Switzerland.

#### Yverdon Site



Total surface area:	19'800 m <sup>2</sup>
Usable area:	20'300 m <sup>2</sup>
Project status:	<div style="display: flex; align-items: center;"> <div style="margin-right: 10px;"> <span style="color: red;">Acquisition</span> </div> <div style="margin-right: 10px;"> <span>Planning</span> </div> <div style="margin-right: 10px;"> <span>Construction</span> </div> <div> <span>Completion</span> </div> </div>
Site developer:	Yves Perrin

#### Sustainability

- Planning security for the city and users ensured
- Promotion of the existing mix of uses and structures

Strategy and Sustainability on page 21

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# HIAG Data

## Client Interview

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**“It is extremely important for our clients that the data does not leave the country”**

HIAG Data offers IT service providers access to an IT infrastructure platform in Switzerland. Noser Health has been a strategic client and partner since 2016. In this interview, Geri Moll, President of the Board of Directors of the Noser Group and CEO of Noser Engineering AG, explains the state of digitalisation of Swiss industry and the benefits that come from cooperation.



**Mr Moll, through Noser Engineering AG, you offer software solutions world-wide and advise companies on subjects concerning the Internet of Things, accompanying them in the digital transformation. What important challenges are your clients confronted with?**

**Geri Moll:** The Internet of Things is a hot topic that is here to stay. However, many companies do not know how to open up new business areas with the Internet of Things and how this can benefit their clients in turn. The client has to figure out what to do with the data that is collected by sensors, for example. Ultimately, the question is how this can generate more turnover, because our clients invest and are naturally interested in a return on investment and increased customer loyalty.

**How does the Internet of Things and the increasing interconnectedness influence the operating procedures of companies, and how can the continuity of their businesses be ensured?**

GM: The influence on operating procedures is very strong. A general example is a company's manufacturing. It is primarily a question of process optimisation. Thanks to the Internet of Things, there is information that challenges tried and tested processes. It provides optimisation and monitoring possibilities up to the level of sensors. They know, for example, when a certain machine will be ready, whether it has problems or even which output can be generated with which material. In this way, new information is implemented in new processes. The subjects of big data, digitalisation, sensor technology and cloud solutions are intertwined. However, the internal or client-side business process structures that are influenced by these solutions are often forgotten. What sets Noser Engineering apart is that we can offer everything from one source, from A to Z.

**How well-equipped do you think the Swiss workplace is for the digital transformation?**

GM: On one hand, we are very well-equipped in Switzerland from the development side. We have pioneers, technologies and solutions. On the other hand, the time to market is often still long in Switzerland. It lasts until an application is found. Other regions are ahead of us in this and faster in implementation.

**In your opinion, where does Swiss IT infrastructure stand in terms of security?**

GM: Security has different aspects. We can implement technical security in Switzerland. But, first of all, sufficient attention must be given to this issue, especially with regard to cybercrime. In my opinion, that is still not sufficiently the case.

**Security is closely linked to data use. How do you evaluate the situation here?**

GM: It is as if society were split in half; the discussion on this is still in progress. On one hand, we are in transit with our mobile phones and our motion profile could be recorded at any time, our communication data must even be recorded by law; i.e. who I call, when and for how long. At the same time, many people have a problem with purchasing a ticket with the same device, since anyone could know where the traveller is going. We experience this somewhat contradictory behaviour very often in Switzerland.

### About HIAG Data

HIAG Data makes a hybrid IT infrastructure platform available to IT service providers throughout Switzerland. This platform is composed of a private fibre optic cable network with the anchor sites of Biberist and Lugano, in addition to IT infrastructure that allows for flexible scaling of computing and storage capacities based on open source technology and Microsoft AZURE. HIAG Data is a fully owned subsidiary of the HIAG Immobilien Holding AG.

[www.hiagdata.com](http://www.hiagdata.com)

**“Data centres have other security options than IT departments in companies, since they are specialised and can invest more in the issue of cybersecurity.”**

Geri Moll

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**How relevant is the subject of data storage in Switzerland for Noser Health's clients?**

GM: The subject is very important. Especially when it comes to healthcare, clients want sensitive data to stay in the country. This also applies to banks, insurance and above all where government information is provided. It is extremely important for our clients that the data does not leave the country. HIAG Data takes care of this aspect for us. In this way, not only is our data centre in Switzerland, but transmission also stays in Switzerland. In short, business-relevant communication never leaves the country. That is a really big plus for us in all our conversations with clients.

**With the Noser Health brand, you offer special solutions for healthcare services. How would you assess the future needs in this sector?**

GM: Healthcare is a growing market and is undergoing transformation due to digitalisation and new business models. The needs are therefore also changing. For example, medical practices or hospitals still keep their IT infrastructure in-house with their own IT departments. However, new business models mean that hospitals and medical practices now want to make use of service providers. With the help of digitalisation and the Internet of Things, we can also support patient care, so that staff can concentrate on their primary activity and not have to invest time in documentation activities.

**Do you see any other branches besides healthcare services that have similar needs?**

GM: Like health, the subject of citizen data is developing. For health, the primary question is to whom does the data belong – the doctor or the patient? Fairly similar questions can be asked about citizen data in the public sphere. How do I transfer the data from one residents' registration office to another when a person moves? A very people who want to be remotely monitored, for example, by a pedometer. The first health insurance funds are already giving premium reductions for this. That is an area with strong growth.

**One pressing hot topic in the sector is cloud solutions. What do clients value in particular?**

GM: Our clients want to optimise their data storage – so that they have what they really need at the time available to them. Costs also play a role. Cloud solutions tend to be more cost-effective, because companies do not need their own data centre or their own hardware. Clients also want to know what happens with the data when they give it to the provider and where it is saved. Safety is also important. Data centres have other security options than IT departments in companies, since they are specialised and can invest more in the issue of cybersecurity.

**What subjects will digitalisation generate in the coming years?**

GM: In principle, the pace of change will speed up with regard to digitisation, which will have an impact on different areas. According to Gartner, by 2020, more than 26 billion devices will be interconnected with 215 trillion stable connections and 63 million new connections per second. Infrastructure applications and business processes will be increasingly shifted to the cloud, with data safety being an important point. The customer experience is modified by fast technology cycles or process adjustments, and requires a new approach in order to design efficient new types of interaction.

**Does that mean that even more data is analysed and that systems will thus become even more intelligent?**

GM: Intelligence is not just data analysis, but also how systems can learn or decide – especially independently. Algorithms along with artificial intelligence will be the core of this type of intelligence. With machines that learn from experience, we can produce unexpected results that used to be discovered only by chance. There is still much to be done. We look forward to it!

## Gerri Moll

### About the person

Gerri Moll, who was born in 1962, holds an HTL engineering degree and an executive MBA from the University of St. Gallen. He has worked at Noser Engineering since 1988 and has been the CEO since 1991. In 2015, he also took on the position of President of the Board of Directors of the Noser Group. Gerri Moll lives with his family in Weisslingen in the Zurich highlands.

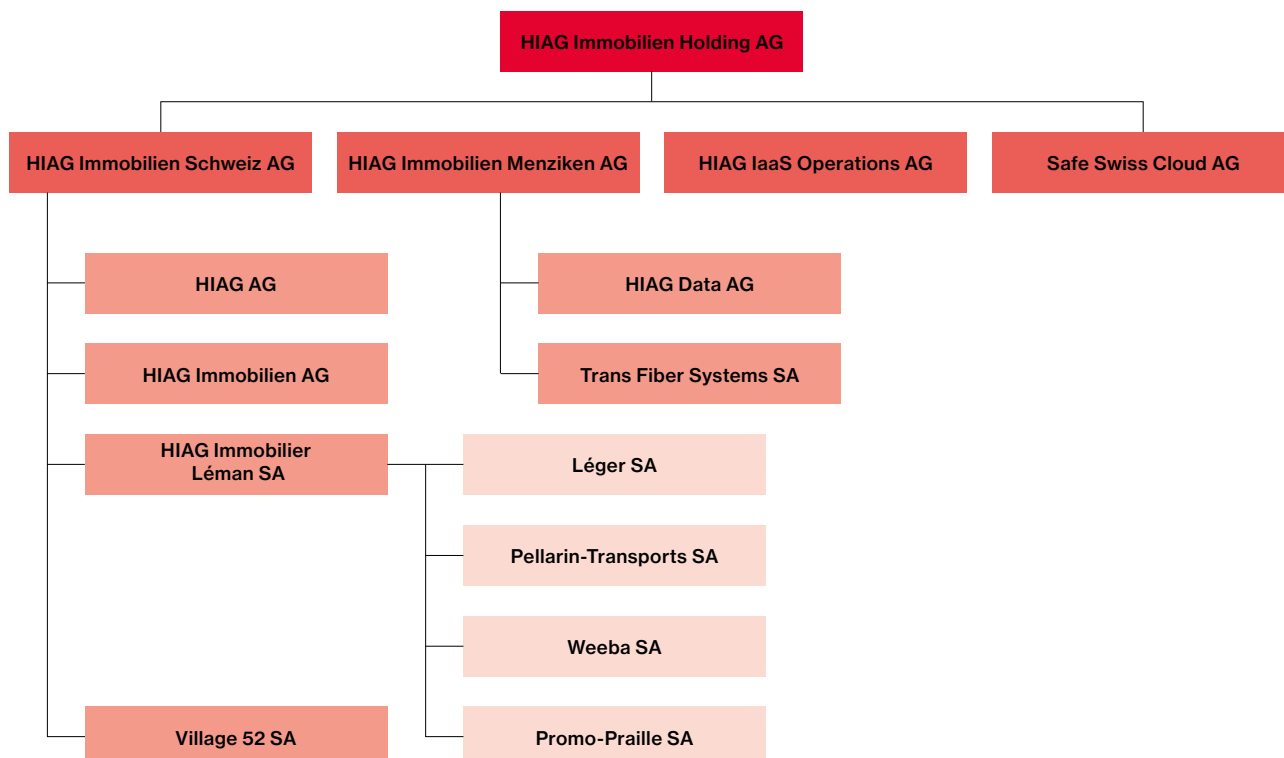
### The architectural firm

Noser Engineering has been offering services in information technology since 1984, including the Noser Health brand, among others. Its clients are local, European and multinational companies in various sectors. Noser Engineering employs 170 people and belongs to the Swiss corporation Noser Group, with core competencies in telecommunications and information technology.

# Corporate Governance

## Group Structure and Shareholders

### 1 Group structure



#### Publicly listed holding company

Company	HIAG Immobilien Holding AG
Registered Office	Basel, Switzerland
Listing	SIX Swiss Exchange, Zurich
Stock Market Capitalisation 31 December 2016	CHF 841.4 million
Symbol	HIAG
Valor	23'951'877
ISIN	CH0239518779

For unlisted equity holdings (with information on extent of interest,) please refer to the annual financial statement of HIAG Immobilien Holding AG, note "Scope of Consolidation", pages 86–88.

## 2 Key shareholders as at 31 December 2016

The following shareholders or shareholder groups were recognised by the Board of Directors as at the reporting date as each holding more than 3% of voting rights in the company:

	Voting rights
Shareholder groups composed of:	65.0%
SFAG Holding AG	
Felix Grisard	
Salome Grisard Varnholt	
Andrea Grisard	
HIAG Beteiligung Holding AG <sup>1</sup>	

<sup>1</sup> HIAG Beteiligung Holding AG is controlled by Dr. Felix Grisard.

The members of this shareholder group signed a shareholders' agreement on 14 April 2014 concerning shares of SFAG Holding AG. By signing these shareholders' agreements, the shareholders of SFAG Holding AG and SFAG Holding AG became a group within the meaning of Art. 121 of the FINMA Stock Exchange Ordinance.

HIAG Immobilien Holding AG is unaware of any other shareholders with 3% or more of the voting rights as at 31 December 2016.  
Detailed information on disclosure notifications can be accessed at:

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<https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html>

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### 3 Shareholder structure at 31 December 2016

Number of registered shares	Registered shareholders		Registered shares		Non-registered shares		Total number of shares issued
	Number	%	Number	%	Number	%	
1 to 100	235	27.7%	13'660	0.2%			
101 to 1'000	404	47.6%	155'541	1.9%			
1'001 to 10'000	159	18.8%	532'003	6.6%			
10'001 to 100'000	42	5.0%	1'080'291	13.4%			
100'001 to 1'000'000	7	0.8%	1'853'433	23.1%			
1'000'001 and over	1	0.1%	4'000'020	49.8%			
<b>Total number of registered shareholders/shares</b>	<b>848</b>	<b>100%</b>	<b>7'634'948</b>	<b>95.0%</b>			<b>7'634'948</b>
Total number of non-registered shares					400'937	5.0%	400'937
<b>Total</b>			<b>7'634'948</b>		<b>400'937</b>		<b>8'035'885</b>

Registered shareholders and shares	Registered shareholders		Registered shares	
	Number	%	Number	%
Natural persons	633	74.6%	1'869'136	24.5%
Legal persons	47	5.5%	4'187'962	54.9%
Pension funds	85	10.0%	935'468	12.3%
Insurance companies	11	1.3%	53'008	0.7%
Funds	39	4.6%	392'441	5.1%
Other foundations	22	2.6%	100'594	1.3%
Banks	11	1.3%	96'339	1.3%
<b>Total</b>	<b>848</b>	<b>100.0%</b>	<b>7'634'948</b>	<b>100.0%</b>
Switzerland	801	94.5%	7'513'409	98.4%
Europe (excluding Switzerland)	39	4.6%	100'741	1.3%
North America	2	0.2%	12'818	0.2%
Other countries	6	0.7%	7'980	0.1%
<b>Total</b>	<b>848</b>	<b>100.0%</b>	<b>7'634'948</b>	<b>100.0%</b>

### 4 Cross-shareholdings

As at 31 December 2016, there were no cross-shareholdings.

## Capital structure of HIAG Immobilien Holding AG

### 1 Share capital at 31 December 2016

As at 31 December 2016 the equity capital of HIAG Immobilien Holding AG amounted to CHF 8'035'885, broken down into 8'035'885 registered shares with a nominal value of CHF 1.00 each. Pursuant to Article 3a of the Articles of Incorporation, the Board of Directors is authorised to increase equity capital by a maximum of CHF 1'600'000.00 by issuing a maximum of 1'600'000 fully paid-up registered shares with a nominal value of CHF 1.00 each until 19 April 2018 (authorised capital increase). Pursuant to Article 3b of the Articles of Incorporation, equity capital is to be increased by a maximum of CHF 364'115.00 by issuing a maximum of 364'115 registered shares to be fully paid-up with a nominal value of CHF 1.00 (conditional capital increase). The shares are fully paid up.

Please refer to the following paragraph 2. concerning conditional equity capital.

### 2 Conditional equity capital in particular

The rules governing conditional equity capital are laid out in Article 3b of the Articles of Incorporation: Article 3 Conditional equity capital

- (1) The equity capital of the company shall be increased by a maximum of CHF 364'115.00 by issuing a maximum of 364'115 fully paid-up registered shares with a nominal value of CHF 1.00 resulting from the exercise of option rights or similar rights, to which employees, members of the Board of Directors and the Executive Board of the company and its subsidiaries are entitled within the framework of employee stock option plans. The Board of Directors draws up the corresponding employee stock option plans in coordination with the Compensation Committee.
- (2) The subscription rights of the shareholders are excluded. The acquisition of registered shares within the scope of employee stock option plans and the subsequent transfer of registered shares are subject to restrictions pursuant to Article 5 of the Articles of Incorporation.

### 3 Changes in capital over the last three business years

	Number of registered shares	Nominal value per share in CHF	Nominal value in CHF 1'000
Share capital, issued and fully paid, as at 31 December 2014	8'000'000	1	8'000
Share capital, issued and fully paid, as at 31 December 2015	8'000'000	1	8'000
Share capital, issued and fully paid, as at 31 December 2016	8'035'885	1	8'036
<b>Legal reserves (general reserves)</b>			in TCHF
31 December 2014			1'400
31 December 2015			1'400
31 December 2016			1'491
<b>Legal reserves (reserves from capital contributions)</b>			in TCHF
31 December 2014			127'354
31 December 2015			100'954
31 December 2016			72'954
<b>Legal reserves (reserves for own shares)</b>			in TCHF
31 December 2014			108'000
31 December 2015			108'000
31 December 2016			108'000
<b>Net profit</b>			in TCHF
31 December 2014			36'756
31 December 2015			38'571
31 December 2016			40'099

### 4 Shares, participation certificates, dividend rights certificates

The 8'035'885 issued registered shares mentioned under paragraph 1 on page 50 have been fully paid up. Each share is entitled to receive a dividend. Paragraph 1 on page 65 contains the information concerning voting rights. There are no preferential rights or similar rights.

As at 31 December 2016, no participation certificates or dividend rights certificates had been issued.

## 5 Transferability of registered shares and nominee registrations

The Board of Directors maintains a shareholder register, in which the owners' and beneficiaries' names and addresses are entered. Shareholders authorised to exercise voting rights for shares not owned by them may be entered in the shareholder register on request if their rights rest on a legal basis. With regard to the company, only those that are entered in the shareholder registry will be recognised as shareholders or beneficiaries.

The transfer of shares, either for the purposes of ownership or beneficial use, as well as the entry of their buyers as shareholders with voting rights in the shareholder register must be authorised by the Board of Directors in every instance.

Approval can be denied on the following grounds:

- the inability to provide proof of the composition of shareholders as required by law for the recognition of the transferee (Swiss Federal Law on Acquisition of Real Estate by Persons Resident Abroad).
- the acquisition and the holding of shares on behalf and for the account of third parties.  
The company may strike entries from the shareholder register after hearing from the party concerned, if the entries were made on the basis of false information provided by the transferee. The transferee must be informed immediately should any entries be struck.

## 6 Convertible bonds and options

As at 31 December 2016, no convertible bonds or options were outstanding.

## Board of Directors



John Manser, Dr. Felix Grisard, Salome Grisard Varnholt, Dr. Walter Jakob (from left)

## 1 Members of the Board of Directors

	Initial election	Elected until
Dr. Felix Grisard, CH, 1968, President of the Board of Directors (non-executive)	2010	2017
Salome Grisard Varnholt, CH, 1966, Member of the Board of Directors (non-executive)	2009	2017
Dr. Walter Jakob, CH, 1949, Member of the Board of Directors (non-executive)	2010	2017
John Manser, CH, 1947, Vice-President of the Board of Directors and Lead Director (non-executive, independent)	2014	2017

### Dr. oec. HSG Felix Grisard

Education: lic. oec. HSG Dr. oec. HSG – University of St. Gallen, OPM Harvard Business School

#### President of the Board of Directors

##### Professional background:

2002–2010	CEO HIAG Holding Group
1999–2001	COO HIAG Holding Group
1996–1999	Boston Consulting Group

##### Previous activities for the HIAG Holding Group:

2002–2010	CEO HIAG Holding Group
1999–2001	COO HIAG Holding Group

##### Activities on executive or supervisory boards:

President of the Board of Directors of HIAG Beteiligung Holding AG – Basel, Member of the Board of Directors of Botiss Medical AG – Berlin, Special Advisor of Holland Private Equity – Amsterdam, Member of the Board of Directors of SFAG Holding AG – Basel, President of the Board of Directors of MedTech Innovation Partners AG – Basel, and President of the Foundation Board of HIAG Pensionskasse – Baar

Significant business relationships with HIAG Immobilien Holding AG or any of its group companies: none

### Dipl. Arch. ETH Salome Grisard Varnholt

Education: Licensed Architect ETH/SIA, Zurich

#### Member of the Board of Directors

##### Professional background:

from 1999	Grisard Architektur architectural firm – Zurich
1999–2001	assistant to Prof. Dominique Perrault – ETH Zurich
1991–1998	employed at Herzog & de Meuron – Basel, Richter & Dahl Rocha – Lausanne, Burkhard Meyer – Baden

##### Activities on executive or supervisory boards:

President of the Board of Directors of SFAG Holding AG – Basel, President of the Board of Directors of Senft AG – Zurich, President of the Pension Fund Foundation of Senft AG – Engelberg, Member of the Board of Directors of the Association “Kids of Africa” – Zurich, President of the Board of Directors of Grisard Architektur AG – Zurich. No executive operating responsibilities for HIAG Immobilien Holding AG or any of its group companies in the three business years before the reporting period.

Significant business relationships with HIAG Immobilien Holding AG or any of its group companies: none

### Dr. oec. HSG Walter Jakob

Education: Tax advisor, HSG Dr. oec. HSG

#### Member of the Board of Directors

##### Professional background:

1984–2009	tax advisor and partner at Ernst&Young
from 2010	Baryon AG

##### Activities on executive or supervisory boards:

Member of the Board of Directors of Dixa AG – St. Gallen, Member of the Board of Directors of Kalabota AG – St. Gallen, Member of the Board of Directors of Globetrotter Travel Service AG – Bern, President of the Board of Directors of Eloxalwerk Züri-Oberland AG – Wetzikon.

No executive operating responsibilities for HIAG Immobilien Holding AG or any of its group companies in the three business years before the reporting period.

Significant business relationships with HIAG Immobilien Holding AG or any of its group companies: none

**John Manser**

Education: MBA Alexander Hamilton Institute, Swiss Banking Diploma

**Vice-President of the Board of Directors**

**Professional background:**

1996–2007            Group Treasurer – Novartis AG  
1990–1996            Group Treasurer – Ciba-Geigy

**Activities on executive or supervisory boards:**

Member of the Board of Directors of Union Bancaire Privée – Geneva, Investment Commission of the University of Basel – Basel.

No executive operating responsibilities for HIAG Immobilien Holding AG or any of its group companies in the three business years before the reporting period.

Significant business relationships with HIAG Immobilien Holding AG or any of its group companies: none

## 2 Election and term in office

Members of the Board of Directors, the President and the Vice-President are, as a rule, elected individually at the Ordinary General Assembly for a term in office to continue until the conclusion of the following ordinary General Assembly. It is possible for the members of the Board of Directors to resign or be removed before the end of term in office. New members shall join the Board of Directors for the remainder of the term in office of the member she/he is replacing. The members of the Board of Directors can be re-elected at any time. Aside from the President and the Vice-President, the Board of Directors constitutes itself.

As at 31 December 2016, there were no limitations on terms in office.

## 3 Internal organisation

### 3.1 Division of responsibilities within the Board of Directors

The Board of Directors exercises its authority pursuant to Articles 16 and 17 of the Articles of Incorporation as a body. The Articles of Incorporation do not provide for a division of responsibilities within the Board of Directors. In addition to the Board of Directors of HIAG Immobilien Holding AG, Dr. Felix Grisard also sits on the Boards of Directors of all of the companies within the HIAG Immobilien Group.

### 3.2 Board of Directors Committees

The Board of Directors takes time to address all the essential business at hand at the meetings of the full Board of Directors. The Board of Directors appoints an Audit Committee and a Compensation Committee. Dr. Felix Grisard and Mr. John Manser make up the Audit Committee, while Ms. Salome Grisard Varnholt and Dr. Walter Jakob sit on the Compensation Committee. Due to the shareholder structure, the size of the company, as well as the specific circumstances of HIAG Immobilien Holding AG, the Board of Directors does not have a Nomination Committee. Any such responsibilities are carried out by the Board of Directors as a whole.

In accordance with Organisational Rules of HIAG Immobilien Holding AG, the Compensation Committee works in conjunction with the Board of Directors to periodically review the objectives and principles of the company's compensation policy. The goal is to promote the development of and retain employees, thereby securing the competitiveness and long-term success of the company and its group companies. The Compensation Committee also assesses the implementation of compensation-related principles by the Executive Board, and evaluates and prepares the compensation guidelines and programmes.

It defines the applicable performance criteria for compensation. Proposals concerning these matters are submitted to the Board of Directors. These include, in addition to base salary, variable cash compensation, compensation in the form of options, shares and/or similar financial instruments in accordance with the applicable employee stock option programmes, retirement funds and/or additional benefits within the scope of overall compensation. The Committee also reviews the impact, attractiveness and competitiveness of these programmes at least every three years. It also submits proposals and requests to the Board of Directors regarding the compensation of individual members of the Board of Directors, the Executive Board and Extended Executive Board, as well as regarding the comprehensive amounts of compensation to be authorised by the General Assembly for the Board of Directors and the Executive Board in accordance with the Articles of Incorporation and employee stock option programmes for the employees of the company and its subsidiaries. The committee is also responsible for preparing the compensation report and submitting the corresponding request to the Board of Directors. In accordance with the Organisational Rules of HIAG Immobilien Holding AG, the Audit Committee's responsibilities consist of exercising executive supervision over all internal and external auditing activities, monitoring financial reporting and evaluating and further developing the internal control system.

### 3.3 The functioning of the Board of Directors and its Committees

At least four ordinary meetings of the Board of Directors take place every year (one meeting per quarter). In the interim, extraordinary meetings of the Board of Directors may be called, and circular resolutions may be taken as needed. The minutes of the Board of Directors meetings are kept by the secretary; the circular resolutions will be included in the minutes of the subsequent meeting. The President of the Board of Directors is in constant contact with the CEO. Consultations among the Compensation Committee members take place as needed, but at least three times a year; consultations among the Audit Committee members take place in the run-up to the annual and half-year financial statements for the purposes of their preparation. Any granting of paid contracts to third parties concerning services rendered to the Board of Directors requires the prior approval of the Board of Directors. The CEO takes part in the meetings of the Board of Directors. Other members of the Board of Directors, the CFO, members of the Extended Executive Board or other internal or external experts may also be invited to participate in meetings. In the 2016 business year, four ordinary meetings of the Board of Directors took place (8 March 2016, 20 May 2016, 26 August 2016 and 8 December 2016), with an average duration of three hours.

The Compensation Committee held two meetings in the 2016 business year (29 January 2016 and 15 July 2016), lasting one hour each. The CEO generally takes part in the sessions of the Compensation Committee, except if his own performance is being evaluated or his compensation fixed. Other members of the Board of Directors, the CFO, members of the Extended Executive Board or other internal or external experts may also be invited to participate in meetings. Any granting of paid contracts to third parties concerning services rendered to the Board of Directors requires the prior approval of the Board of Directors. Members of the Management Board do not attend meetings of the Compensation Committee and Board of Directors that concern the Management Board's employment contracts and particularly the compensation of its members. The President of the Board of Directors withdraws when the Board of Directors adopts resolutions regarding his remuneration. Each member of the Board of Directors has a say in the determination of the remuneration of the Board of Directors. Since all the members of the Board of Directors, with the exception of



the President, receive the same fixed remuneration, the members of the Board of Directors do not withdraw from decisions regarding their remuneration, with the exception of the President, who withdraws when his remuneration is being determined.

At least two ordinary Audit Committee meetings are held each year (one meeting every six months). The Audit Committee held meetings on 3 March 2016, 22 August 2016 and 8 November 2016 for a duration of an hour and a half each. The CFO generally participates in the meetings of the Audit Committee. Other members of the Board of Directors, the CEO, members of the Extended Executive Board or other internal or external experts may also be invited to participate in these meetings.

The Board of Directors undertakes a self-evaluation of its work and the work performed by its Committees once a year.

#### 4 Definition of responsibilities

The principles of top-level management, including the definition of responsibilities, are set forth in the Organisational Rules of the company. The Board of Directors is responsible for the overall management of the company and the supervision of the Executive Board. It represents the company to the outside world and takes resolutions on all matters that are not otherwise governed by legislation, the Articles of Incorporation or the rules for another body of the company. The Board of Directors shall also retain the following responsibilities and competences for the purposes of expanding on and defining more specifically its non-transferable responsibilities pursuant to article 716a of the OR:

- Exercising the overall management of the company and issuing the necessary orders, including setting forth medium and long-term strategies and planning priorities, and guidelines for company policy;
- Defining the basic organisation of the company;
- Defining the guidelines for accounting procedures, financial controls and financial planning;
- Nominating and removing those persons entrusted with the Executive Board and representation of the company, namely the members of the Board of Directors' and the Executive Board's committees and/or the delegation of Executive Board responsibilities, including the granting of signature authorities. It should be noted that as a matter of principle on all levels of the company any signing is to be done by two authorised persons;
- Supervising those persons entrusted with the Executive Board, mainly with regards to compliance with laws, the Articles of Incorporation, regulations and orders;
- Taking resolutions on the company's compensation policy and principles, as well as those of its group companies, and on the compensation of the members of the Board of Directors, the Executive Board and the Extended Executive Board (subject to approval by the General Assembly);
- Approving employee stock option programmes for the company and its subsidiaries;
- Approving the Compensation Report for the attention of the General Assembly;
- Submitting requests to the General Assembly regarding the compensation of the Board of Directors, the Executive Board and the Extended Executive Board;

- Compiling the Annual Report, preparing for the General Assembly and carrying out its resolutions; notifying a judge in the event of excessive debts; taking resolutions on the later payment of contributions for shares not fully paid up; taking resolutions on the determination of capital increases and the concomitant changes to the Articles of Incorporation; examining the expert qualifications of the auditors; issuing decisions on business activities of considerable strategic importance; representing the company to the public, public authorities and shareholders; carrying out a regular examination of the risk assessment system and defining the internal control system; delegating members of the Board of Directors or the Executive Board to occupy a seat on the boards of directors of the subsidiaries for the purposes of ensuring the implementation of the strategy and the decisions of the Board of Directors.

The Board of Directors of HIAG Immobilien Holding AG exercises the right of decision-making concerning real estate transactions, company share deal transactions or investment decisions totalling over CHF 0.5 million.

## 5 Information and supervisory mechanisms concerning the Executive Board

As a general rule, the members of the Executive Board are present at every ordinary meeting of the Board of Directors and the Audit Committee, ensuring direct contact between the Board of Directors and Executive Board, as well as appropriate supervision. The Board of Directors is to be informed on a quarterly basis of the operating and financial developments of the group. The Executive Board also presents a comprehensive report on the development of business activities at the meetings of the Board of Directors.

At regular intervals and in line with the requirements of half-year and full year financial reporting, the Board of Directors receives reports on the key performance indicators, and on the financial and operating risks of the HIAG Group.

The Board of Directors carries out a re-evaluation of risks at least once a year and receives a report on the functionality and effectiveness of the internal control system from the Executive Board. HIAG Immobilien Holding AG has an implemented standard risk management system. The Board of Directors carries out an assessment of the identified risks to determine the probability of their occurrence and their impact, which includes both financial repercussions and operating and reputation-related repercussions. The Board of Directors takes measures intended to prevent or reduce identified risks when necessary. When this is not possible, these risks should be shifted to third parties, e.g. insurance companies, as much as possible.

There is currently no internal auditing department. Internal control and risk management are carried out by the finance department. The Board of Directors and its Audit Committee are in direct contact with the external auditors and can request that special audit activities be carried out as needed. A code of conduct for the HIAG Group is implemented and communicated to all Group employees.

The code of conduct can be accessed at:

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<http://www.hiag.com/media/475089/Verhaltenskodex.pdf>

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## Management Board



Laurent Spindler, Yves Perrin, Michele Muccioli, Thorsten Eberle, Ralf Küng, Hans-Lukas Fehr, Martin Durchschlag, Alex Römer (from left)

## 1 Members of the Executive Board

### Martin Durchschlag

1976, Austria

CEO (in this capacity since 2011)

Mr. Durchschlag joined the HIAG Group in 2004.

**Education:** Licensed in industrial engineering-mechanical engineering – Vienna University of Technology, HPB & OWP – IMD Lausanne

**Professional experience:** Before joining the HIAG Group, Mr. Durchschlag was a strategic corporate consultant. He joined the HIAG Group in 2004 as Commercial Manager and was the Group's CFO from 2007 until 2010.

**Activities on executive or supervisory boards:** Member of the Foundation Board of Pensimo – Zurich, CEO of the HIAG Pensionskasse – Baar, member of the Board of Directors of the Société coopérative en faveur du développement des terrains industriels de la Praille-Sud – Geneva, member of the Board of Directors of Safe Swiss Cloud AG – Basel

### Laurent Spindler

1978, France

CFO (in this capacity since December 2013)

Mr. Spindler joined the HIAG Group in 2011.

**Education:** ICN Business School, Nancy (France), International Management Program and Master Finance, Controlling and Auditing

**Professional experience:** Mr. Spindler was with Ernst & Young Strasbourg (FR) as an auditor until 2009 and with Ernst & Young Basel as Audit Manager from 2009. During this time he audited SMEs, family-run businesses and publicly traded companies. He joined HIAG in 2011 as Corporate Controller.

**Activities on executive or supervisory boards:** Member of the Board of Directors of the Societe cooperative en faveur du developpement des terrains industriels de la Praille-Sud – Geneva

## 2 Members of the Extended Executive Board

### Ralf Küng

1972, Switzerland

Head of Portfolio Management  
(in this capacity since 2010 and member of the Extended Executive Board since 2013)

Mr. Küng joined the HIAG Group in 2007.

**Education:** Surveyor FA – Zurich Trade School, Technical Business Administration FA – NSH Basel Educational Centre, federally qualified real estate trustee – SVIT University of Zurich

**Professional experience:** Before joining the HIAG Group he worked in a senior management position of the real estate services provider Gribi Theurilla.

**Activities on executive or supervisory boards:** none

### Hans-Lukas Fehr

1975, Switzerland

Site Developer  
(in this capacity since 2010 and member of the Extended Executive Board since 2013)

Mr. Fehr joined the HIAG Group in 2010.

**Education:** Licensed Architect – ETH Zurich, Master of Advanced Studies (MAS) Real Estate – University of Zurich

**Professional experience:** Before joining the HIAG Group he worked as an architect in Zurich for 10 years, three of which as a co-owner of a firm. In addition, he worked for Wüest Partner on a freelance basis. He will begin as a lecturer on site redevelopment as part of the Master of Advanced Studies in Real Estate of the University of Zurich in 2017.

**Activities on executive or supervisory boards:** none

**Alex Römer**

1978, Switzerland

**Site Developer**

(in this capacity since 2011 and member of the Extended Executive Board since 2013)

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Mr. Römer joined the HIAG Group in 2011.

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**Education:** lic. oec. publ. – University of Zurich, MBA (IE) – University of Madrid (ES)

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**Professional experience:** Before joining the HIAG Group, he was responsible for the expansion of the retailer Lidl Switzerland on the Central Plateau and in Western Switzerland and worked as a project manager for Karl Steiner AG.

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**Activities on executive or supervisory boards:** none

**Thorsten Eberle**

1981, Germany

**Site Developer**

(in this capacity since 2011 and member of the Extended Executive Board since 2013)

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Mr. Eberle joined the HIAG Group in 2011.

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**Education:** Banking and commercial management – IHK Constance (DE), licensed real estate management – IHK University of Freiburg (DE)

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**Professional experience:** Before joining the HIAG Group, the trained banker headed the Swiss retail section of Engel & Völkers Commercial and worked for Karl Steiner AG. He has been a guest lecturer on the Master's of Advanced Studies programme at Lucerne University since 2016.

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**Activities on executive or supervisory boards:** Member of the Foundation Board for the Pension Foundation of Spinnerei Streiff AG, Seegräben

**Michele Muccioli**

1978, Italy

**Site Developer**

(in this capacity since 2012 and member of the Extended Executive Board since 2013)

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Mr. Muccioli joined the HIAG Group in 2012.

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**Education:** Licensed Architect – FH Winterthur, Master of Advanced Studies (MAS) Real Estate – University of Zurich

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**Professional experience:** Before joining the HIAG Group, he spent six years working as an architect and project manager in Zurich and then joined Wüest Partner as a real estate appraiser and service developer.

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**Activities on executive or supervisory boards:** Member of the Executive Board of Energie Biberist AG, Biberist

**Yves Perrin**

1956, Switzerland

**Site Developer, Director for Western Switzerland**

(in this capacity since 2010 and member of the Extended Executive Board since 2013)

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Mr. Perrin joined the HIAG Group in 2010.

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**Education:** Architect – University of Strasbourg (FR), MBA – University of Geneva

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**Professional experience:** Architect – University of Strasbourg (FR), MBA – University of Geneva  
Professional experience: For 20 years he worked as a Director for Göhner AG and Karl Steiner AG in the real estate development and marketing sector in Western Switzerland.

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**Activities on executive or supervisory boards:** President of the Board of Directors of the Société coopérative en faveur du développement des terrains industriels de la Praille-Sud – Geneva.

### **3 Statutory regulations with regard to the number of permitted activities pursuant to Art.12 para. 1 sub-section 1 of the Ordinance against Excessive Compensation in Listed Joint Stock Companies (VergüV)**

The members of the Board of Directors and the Management Board may not exercise any more than the following number of additional mandates in the executive or supervisory bodies of other legal entities, which are obligated to be entered in the commercial register or any comparable register in another country, and are not supervised by the company or do not supervise the company:

- Members of the Board of Directors: 10 mandates, of which a maximum of four mandates for publicly traded companies;
- Members of the Executive Board: 10 mandates, of which a maximum of two mandates for publicly traded companies.

Not subject to these restrictions are mandates held in group subsidiaries or those exercised by a member of the Board of Directors or the Executive Board on behalf of the company (joint ventures, pension schemes of this legal entity; companies in which this legal entity holds a significant equity share; etc.) Also not subject to restrictions are mandates held in legal entities that are not obligated to be entered into a commercial register or comparable register in another country, or honorary offices at charitable organisations as recognised under tax law.

In any case, the acceptance of mandates or employment at companies outside the HIAG Group by members of the Management Board requires the approval of the Board of Directors.

### **4 Management agreements**

As at 31 December 2016, there were no management agreements with companies outside of the HIAG Group.

## Remuneration, participations and loans

### 1 Components and assessment procedure for remuneration

The Board of Directors determines the amount of corresponding compensation of the Board of Directors and Management Board within the General Assembly-approved amounts with the support of the Compensation Committee. The Compensation Committee assists the Board of Directors in the determination and review of the compensation models. It prepares requests for the attention of the General Assembly concerning the compensation of the Board of Directors and the Management Board and may submit proposals concerning other compensation issues to the Board of Directors. The Board of Directors may also assign additional responsibilities to the Compensation Committee.

HIAG strives to obtain and hold on to talented, qualified and motivated employees and managers. A fair compensation system designed to match that of comparable companies supports this objective. As part of sustainable company development, short, medium and long-term aspects are taken into account. Members of the Board of Directors and the Management Board have a right to compensation that is suitable to their function. Remuneration can be allocated by the company or one of the companies within the group, provided that it is covered by the overall remuneration package authorised by the General Assembly.

The members of the Board of Directors receive fixed compensation in cash for their activity as per the statutory rules. This fixed compensation includes remuneration for activities as members of the Board of Directors in Board of Directors committees and on Boards of Directors of subsidiaries. Reimbursement of expenses is not considered as compensation. The company or a Group company can reimburse the member of the Board of Directors for expenses in the form and amount of flat-rate allowances recognised for tax purposes. Additional activities of Boards of Directors for the HIAG Group are compensated at cost and at the hourly rates customary in the market. Customary market rates mean that the hourly rate to be used for the service in question corresponds to the rate usually charged by third parties for similar services for employees with equivalent qualifications. For example, the hourly rate of a similarly experienced external tax advisor can be used for tax-related services performed by a member of the Board of Directors.

The compensation of members of the Management Board is composed of fixed and variable remuneration. The fixed compensation is made up of a base salary and possible other compensation components that are not performance-dependent (e.g. child allowances). The fixed compensation is paid in cash. With regard to the disclosure of services and non-cash benefits and expenses, these are dealt with from a tax point of view. Out-of-pocket expenses are reimbursed on a lump-sum basis in accordance with expense reimbursement rules approved by the tax authorities, and other expenses are reimbursed on an actual cost basis. They are not included in the reported compensation. As per the Articles of Incorporation, the variable compensation is made up of two components, an annual individual bonus and a Long Term Incentive Plan (LTIP).

The individual bonus is determined based on the annual performance of the individual Management Board member. Individual objectives can be conclusions of important rental agreements, defined progress in the planning of redevelopment projects or a reduction in vacancies, for example. All objectives are taken into account in order to determine the individual bonus. This individual bonus is paid in cash.

The individual bonus of the CEO is determined by the Compensation Committee. The individual bonuses of the remaining members of the Management Board are fixed at the discretion of the CEO. If the objectives are not reached, the CEO can reduce or cancel the individual bonus of the remaining members of the Management Board or the Compensation can do the same for the CEO.

The LTIP ties the compensation of the Management Board with long-term value creation in the Group. The time period of the current LTIP is five years (2014–2018). For the CEO and CFO, variable compensation is calculated under the LTIP in proportion to return on equity. For the members of the Extended Executive Board (site developers and head of portfolio management), the LTIP is calculated on the revaluation of properties of the real estate portfolio of HIAG Group during the relevant time period. Incidentally, the same rules apply to all members of the Management Board with regard to share and cash components, which are explained below.

The threshold for the incentive based on return on equity is an average ROE of 6% with an upper limit of nearly 13% during the time period of the LTIP. The threshold for the incentive based on revaluation of properties of the real estate portfolio is an average annual increase in value of CHF 10 million (cumulated 50 million) with an upper limit of CHF 70 million on average (cumulated CHF 350 million) for the relevant time period. The bonus envelope for the Management Board under the current LTIP is limited to a total of CHF 14 million. The upper limit of the bonus envelope represents a participation of nearly 2.8% to the value created for the shareholders.

Of the incentives, 50% is set aside annually in the form of employee shares barred from sale. The average increase in value recorded at the end of each year starting from the beginning of the calculation period, applying the high watermark principle, serves as the basis for calculation. The employee shares may be acquired by the members of the Management Board with a retention period of five years from the date of acquisition; these acquired shares are non-forfeitable. Shares are allocated according to the proportional incentive programme for members of the Management Board at a discount of 25.274%. The share component under the LTIP can be paid from the contingent capital or from the company's own holdings of treasury shares. The other 50% of the LTIP incentive represents a cash component. It is only paid out in full, i.e. for the entire duration of the LTIP, if the members of the Management Board are regularly employed as at 30 June 2019.

The particulars of the LTIP are determined by the Board of Directors or, if it delegates this responsibility, by the Compensation Committee, and regulated in each case in an addendum to the individual employment contract. The employment contracts of the Management Board are open-ended and include notice periods of six months. The maximum termination period for unlimited employment agreements is 12 months. They do not contain any unusual provisions. In particular, there is no severance pay and there are no specific clauses in case of a change in control of the company. A non-competition agreement for the period after the end of the employment contract is allowed. Any compensation under such an agreement may not exceed the last total compensation owed to the Management Board member in question for the duration of the first year. For each further year, the compensation may not be more than half of the most recently approved total compensation apportionable to the member in question.

Loans and credits to members of the Board of Directors or the Executive Board may delete be granted only under lending conditions in line with prevailing market practices. The total amount of outstanding loans and credits may not exceed CHF 10 million.

There is no share option plan.



## 2 2016 business year

Please refer to the Compensation Report, pages 69 to 79, for information on remuneration, equity holdings and loans in 2016.

## Shareholders' participation rights

### 1 Restrictions on voting rights and proxies

The transferability of shares is limited in accordance with Article 5 of the Articles of Incorporation. See page 52 of the Corporate Governance Report for details regarding transferability limits. Pursuant to Article 10 of the Articles of Incorporation, each share whose owner or beneficiary is registered in the shareholders, register as a shareholder with voting rights, is entitled to a vote.

Article 11 of the Articles of Incorporation stipulates the authorisations required for participating and acting as proxy at the General Assembly.

### 2 Statutory quora

Pursuant to Article 13 of the Articles of Incorporation, a resolution passed by the General Assembly that garners at least a two-thirds majority of the share of votes represented and an absolute majority of the nominal share value represented, is required for changing the purpose of the company, introducing voting shares, restricting the transferability of registered shares, an authorised or conditional capital increase, a capital increase from shareholders equity, for contributions in kind or for the purpose of acquisitions in kind or the granting of special benefits, the restriction or suspension of subscription rights, the relocation of the company's registered office, the dissolution of the company and in the remaining cases provided for by law.

### 3 Calling the General Assembly, shareholders' right to request the inclusion of items on the agenda

Calling the General Assembly, the procedure for calling a General Assembly, the right to call General Assemblies and the shareholders' rights to request the inclusion of items on the agenda are stipulated under Article 8 of the Articles of Incorporation.

The General Assembly elects an independent proxy holder, as well as his/her representative. Natural or legal persons or partnerships are eligible for election. The terms in office of the independent proxy holder and his/her representative terminate with the conclusion of the subsequent Ordinary General Assembly. The independent proxy holder and his/her representative may stand for re-election. The General Assembly may vote to remove the independent proxy holder at the end of the General Assembly.

The Board of Directors ensures that the shareholders are able to convey proxies and instructions for the exercise of their voting rights to the proxy holder or his/her representative in electronic form as well. The proxy holder is authorised to disregard the requirement of a qualified signature. The Board of Directors ensures that the shareholders are able to convey instructions on each of the motions put forward in the notice of the General Assembly to the proxy holder or his/her representative, and convey general instructions regarding new motions within the context of the matters to be discussed, as well as other matters to be discussed, for which no proper notice had been given.

#### **4 Date for registration in the shareholder register**

Registered shareholders who are registered in the shareholder register as voting shareholders on the dates of the publication of the notice of the General Assembly, i.e. as a rule approximately 20 days before the date of the General Assembly, are to receive an invitation to the Ordinary General Assembly sent to them directly. The shareholder register shall remain closed for 14 days before the date of the General Assembly until the payment of dividends approximately one week after the date of the General Assembly. During this period, no entries in the shareholder register are to be made. The exact dates and deadlines are to be announced in the invitation to the General Assembly. Furthermore, we refer to Article 5 of the Articles of Incorporation concerning the registration of shareholders in the shareholder register.

## Change of control and defensive measures

### 1 Obligation to make an offer

There are no statutory provisions concerning “Opting out” or “Opting up” within the meaning of Article 22 and 32 respectively of the Swiss Federal Act on Stock Exchanges and Securities (BEHG).

### 2 Change of control clauses

There are no changes of control clauses.

## Statutory Auditor

### 1 Duration of the auditing mandate and term in office of the lead auditor

Ernst & Young AG, Basel, took over its current auditing mandate in 2001 (entered into the commercial register of the Canton Basel-Stadt on 26 January 2001). The company was most recently re-elected statutory auditor for the 2016 business year by the Ordinary General Assembly on 19 April 2016.

The lead engagement partner responsible for the current auditing mandate, Mr. André Schaub, took up his official duties as of the 2014 business year; the maximum term in office is calculated pursuant to art. 730a para. 2 of the OR.

### 2 Auditing fee

The costs for the auditing of the annual Financial Statements and Consolidated Financial Statements for 2016 came to TCHF 189 (previous year: TCHF 174). The costs for additional audit-related services for 2016 came to TCHF 16 (previous year: TCHF 14).

### 3 Additional fees

For the 2016 reporting period, Ernst & Young AG invoiced TCHF 186 in additional fees in connection with legal consulting services (previous year: TCHF 147).

#### 4 Supervisory and control mechanisms pertaining to the audit

The Audit Committee assesses the performance, fees and independence of the auditor on a yearly basis and reports to the Board of Directors. The Board of Directors submits a motion for the election of the auditor to the General Assembly and monitors compliance with the rotation of the head auditor every seven years. The Audit Committee, together with the Executive Board, reviews the extent of the external audit, and the terms and conditions for any additional contracts, and discusses the audit results with the external auditors on a yearly basis.

## Information policy

HIAG Immobilien Holding AG informs its shareholders and the capital market in an open and timely manner marked by the greatest possible transparency. Financial reporting obligations are met in the form of half-year and full year financial statements. These are drawn up in accordance with Swiss GAAP FER and comply with Swiss law and the provisions of the listing rules of the SIX Swiss Exchange. Up-to-date releases, the most important dates and general information on HIAG Immobilien Holding AG and/or the HIAG Group can be found at [www.hiag.com](http://www.hiag.com). Contact addresses, dates and information on the shares of HIAG Immobilien Holding AG can also be found on pages 144 to 146 of this annual report. The HIAG Immobilien Holding AG Articles of Incorporation can be found on our website at the following URL:

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<http://www.hiag.com/media/642692/HIM-Ho-Statuten-23-12-2016.pdf>

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#### Investor Relations

Martin Durchschlag, CEO  
Laurent Spindler, CFO

HIAG Immobilien Holding AG, Aeschenplatz 7, 4052 Basel  
[investor.relations@hiag.com](mailto:investor.relations@hiag.com)  
[www.hiag.com](http://www.hiag.com)

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Further information, and all publications (in particular the 2016 Annual Report) are available for download at [www.hiag.com](http://www.hiag.com). The publications can also be sent by mail; simply send a request to the above Investor Relations address.

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# Compensation Report

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As per the Swiss Ordinance Against Excessive Compensation in Listed Joint Stock Companies (VegüV) dated 20 November 2013.

## 1 Introductory remarks

This Compensation Report was written by the Board of Directors in accordance with the Swiss Code of Obligations, the Ordinance Against Excessive Compensation in Listed Joint Stock Companies (VegüV), the SIX Swiss Exchange Directive on Information relating to Corporate Governance and the principles of the Swiss Code of Best Practice for Corporate Governance. The Articles of Incorporation were adapted to comply with the law.

As per the applicable Articles of Incorporation, since 2015 the General Assembly approves the requests of the Board of Directors with regard to the maximum total amounts of compensation for the Board of Directors for the period until the next ordinary General Assembly and the maximum total amounts of fixed and variable compensation for the Executive Board for the current business year. For members of the Management Board, who are appointed after the annual total compensation is approved, an additional amount is available per new member of a maximum of 25% of the most recently approved total amount of fixed compensation for the Management Board per business year, if the approved total amount for the corresponding business year is insufficient.

The complete statutory rules governing voting on compensation by the General Assembly (Art. 22), the applicable additional amount of compensation for additional members of the Executive Board if an approved total amount is insufficient (Art. 23), and the rules on performance-based compensation and the distribution of shares, conversion rights and option privileges (Art. 21), loans and credits (Art. 24) can be found on our website at the following URL:

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<http://www.hiag.com/media/642692/HIM-Ho-Statuten-23-12-2016.pdf>

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Paid compensation is disclosed according to the accrual principle of the accounting standards (independent of cash flows), meaning all compensation is listed in the period (in this case the business year) in which it is included in the financial statements.

This also applies to the share components of existing Long Term Incentive Plans (LTIP) based on the issuance of restricted shares. For the cash components of the LTIPs, an annual calculation is performed and a new provision is generated or the provision from the previous year is adjusted.

The Management Board is composed of the members of the Executive Board and the Extended Executive Board of the HIAG Group. The Management Board is equivalent to the "Executive Board" as per the Articles of Incorporation of HIAG Immobilien Holding AG and the Ordinance Against Excessive Compensation in Listed Joint Stock Companies (VegüV).

## 2 Compensation policy of HIAG

HIAG strives to obtain and hold on to talented, qualified and motivated employees and managers. A fair compensation system designed to match that of comparable companies supports this objective. As part of sustainable company development, short, medium and long-term aspects are taken into account. Members of the Board of Directors and the Executive Board have a right to compensation that is suitable to their function. Remuneration can be allocated by the company or one of the companies within the group, provided that it is covered by the overall remuneration package authorised by the General Assembly.

## 3 Principles, components, responsibilities and determination of compensation

### 3.1 Compensation components: Board of Directors

The members of the Board of Directors receive fixed compensation in cash for their activity as per the statutory rules. This fixed compensation includes remuneration for activities as members of the Board of Directors in Board of Directors committees and in Boards of Directors of subsidiaries. Reimbursement of expenses is not considered as remuneration. The company or a Group company can reimburse the member of the Board of Directors for expenses in the form and amount of flat-rate allowances recognised for tax purposes. Additional activities of Boards of Directors for the HIAG Group are compensated at cost and at the hourly rates customary in the market. Customary market rates mean that the hourly rate to be used for the service in question corresponds to the rate usually charged by third parties for similar services for employees with equivalent qualifications. For example, the hourly rate of a similarly experienced external tax advisor can be used for tax-related services performed by a member of the Board of Directors. The statutory rules do not provide for pension benefits that are not required by law for members of the Board of Directors. To that effect, no such payments were made during the year under review.

### 3.2 Compensation components: Management Board

The compensation of members of the Management Board is composed of fixed and variable remuneration. Reimbursement of expenses is not considered as compensation. The company or a Group company can reimburse members of the Management Board for expenses in the form and amount of flat-rate allowances recognised for tax purposes.

#### 3.2.1 Fixed compensation of the Management Board

The fixed compensation is made up of a base salary and possible other compensation components that are not performance-dependent (e.g. child allowances). They are reported in paragraph 4.2 under "Other compensation components". The fixed compensation is paid in cash. With regard to the disclosure of services and non-cash benefits and expenses, these are dealt with from a tax point of view. Out-of-pocket expenses are reimbursed on a lump-sum basis in accordance with expense reimbursement rules approved by the tax authorities, and other expenses are reimbursed on an actual cost basis. They are not included in the reported compensation.

### 3.2.2 Variable compensation of the Management Board

As per the Articles of Incorporation, the variable compensation is made up of two components, an annual individual bonus and a Long Term Incentive Plan (LTIP). For the 2016 business year, the percentage part of the overall variable compensation was 80% (2015: 131%) of the fixed compensation for the highest paid member of the Management Board and an average of 40% (2015: 85%) of fixed remuneration for the Management Board. For the 2016 business year, the percentage part of the LTIP was 20% (2015: 53%) of total variable compensation for the highest paid member of the Management Board and 38% (2015: 73%) for the Management Board. For the 2016 business year, the percentage part of the LTIP was 16% (2015: 70%) of total fixed compensation for the highest paid member of the Management Board and 15% (2015: 62%) for the Management Board.

#### Individual bonus

The individual bonus is determined based on the annual performance of the individual Management Board member. Individual objectives can be conclusions of important rental agreements, defined progress in the planning of redevelopment projects or a reduction in vacancies, for example. All objectives are taken into account when determining the individual bonus. This individual bonus is paid in cash. The individual bonus of the CEO is determined by the Compensation Committee. The individual bonuses of the remaining members of the Management Board are fixed at the discretion of the CEO. If the objectives are not reached, the CEO can reduce or cancel the individual bonus for the remaining members of the Management Board, or the Compensation Committee can do the same for the CEO. In the period under review, the performance goals of the CEO were 111% met (2015: 100%) and those of the Management Board were 110% met (2015: 100%).

#### Long Term Incentive Plan (LTIP)

The LTIP ties the compensation of the Management Board with long-term value creation in the Group. The current LTIP runs for a five-year period (2014–2018). For the CEO and CFO, variable compensation is calculated under the LTIP in proportion to return on equity. For the members of the Extended Executive Board (site developers and head of portfolio management), the LTIP is calculated on the revaluation of properties of the real estate portfolio of HIAG Group during the relevant time period. Incidentally, the same rules apply to all members of the Management Board with regard to share and cash components, which are explained below. The threshold for the incentive based on return on equity is an average ROE of 6% with an upper limit of nearly 13% during the time period of the LTIP. The threshold for the incentive calculated on the revaluation of properties of the real estate portfolio is an average annual increase in value of real estate assets of CHF 10 million (cumulated CHF 50 million) with a cumulative upper limit of an average of CHF 70 million (cumulated CHF 350 million) for the entire relevant time period.

The bonus envelope for the Management Board under the current LTIP is limited to a total of CHF 14 million. The upper limit of the bonus envelope represents a participation of nearly 2.8% to the value created for the shareholders. Of the incentive, 50% is set aside annually in the form of employee shares barred from sale. The average increase in value recorded at the end of each year starting from the beginning of the calculation period, applying the high watermark principle, serves as the basis for calculation.

The employee shares may be acquired by the members of the Management Board with a retention period of five years from the date of acquisition; these acquired shares are non-forfeitable. Shares are allocated according to the proportional incentive programme for members of the Management Board with a discount of 25.274%. The share component under the LTIP can be paid from the contingent capital or from the company's own holdings of treasury shares.

The other 50% of the LTIP incentive represents a cash component. It is only paid out in full, i.e. for the entire duration of the LTIP, if the members of the Management Board are regularly employed as at 30 June 2019. The particulars of the LTIP are determined by the Board of Directors or, if it delegates this responsibility, by the Compensation Committee, and regulated in each case in an addendum to the individual employment contract. The Board of Directors has no discretionary power to adjust the amounts paid if the objectives were reached.

### 3.2.3 Additional benefits

Additional benefits are primarily social and pension plans, which provide a suitable pension contribution and appropriate coverage for risks in case of death or other cause of invalidity. All members of the Management Board have a Swiss employment contract and, like all employees residing in Switzerland, are insured in the "HIAG Pensionskasse" pension fund for their fixed base salary and their budgeted annual bonus. The plan benefits do not go beyond the accepted scope as per the provisions of the Swiss Occupational Pensions Act (BVG) and correspond to usual market practice.

The pension plan is composed of a BVG plan, a basic plan and a management plan. Under the BVG plan and the basic plan the employer pays the same contribution as the employee. The employer pays a higher contribution than the employee under the management plan. Management Board members receive no particular additional benefits. They receive flat-rate compensation for business and representational expenses in accordance with the expense regulations approved by the competent cantonal tax authorities.

### 3.3 Responsibilities and determination of compensation

The Board of Directors determines the amount of corresponding compensation of the Board of Directors and Management Board within the General Assembly-approved amounts with the support of the Compensation Committee. No members of the Management Board are present during discussions and the adoption of resolutions by the Board of Directors regarding the remuneration of the Management Board. The President of the Board of Directors withdraws when the Board of Directors adopts resolutions regarding his remuneration. Each member of the Board of Directors has a say in the determination of the remuneration of the Board of Directors. Since all the members of the Board of Directors, with the exception of the President, receive the same fixed remuneration, the members of the Board of Directors do not withdraw from decisions regarding their remuneration, with the exception of the President, who withdraws when his remuneration is being determined.



The Compensation Committee assists the Board of Directors in the determination and review of the compensation models. It prepares requests for the attention of the General Assembly concerning the compensation of the Board of Directors and the Management Board and may submit proposals concerning other compensation issues to the Board of Directors. The Board of Directors may also assign additional responsibilities to the Compensation Committee.

As per the organisational rules of the company, the scope of the Compensation Committee's tasks includes the following:

- Periodic review of the goals and basic principles of the compensation policy for the attention of the Board of Directors with the objective of encouraging and retaining employees in order to ensure the competitiveness and long-term success of the company and the Group companies;
- Acknowledgement and evaluation of implementation by the Executive Board of compensation-related principles (including related concepts concerning wages and incentives);
- Evaluation and preparation of compensation guidelines and programmes, as well as applicable performance criteria concerning compensation and bringing corresponding requests to the Board of Directors. These include, in addition to base salary, variable cash compensation, compensation in the form of options, shares and/or similar financial instruments in accordance with the applicable employee stock option programmes, retirement funds and/or additional benefits within the scope of overall compensation;
- Review of the impact, attractiveness and competitiveness of this programme at least every three years;
- Drafting of proposals and submitting requests to the Board of Directors regarding compensation of individual members of the Board of Directors (subject in each case to the maximum total amounts approved or to be approved by the General Assembly according to the provisions of the Articles of Incorporation);
- Drafting of proposals and submitting requests to the Board of Directors with regard to compensation of individual members of the Executive Board (subject to the maximum total amounts approved or to be approved by the General Assembly according to the provisions of the Articles of Incorporation);
- Drafting of proposals and submitting requests to the Board of Directors with regard to compensation of individual members of the Extended Executive Board (subject in each case to the maximum total amounts approved or to be approved by the general assembly according to the provisions of the Articles of Incorporation);
- Drafting of proposals for the attention of the Board of Directors with regard to total amounts of compensation to be approved by the General Assembly for the Board of Directors and Executive Board according to the provisions of the Articles of Incorporation;

- If necessary, drafting of proposals for the attention of the Board of Directors with regard to the additional amount of compensation to be approved by the General Assembly for new members of the Executive Board according to the provisions of the Articles of Incorporation;
- Elaboration of participation programmes for employees of the company and its subsidiaries;
- Preparation of compensation reports and corresponding submission to the Board of Directors.

The General Assembly elects each member of the Compensation Committee for a term of office of one year until the conclusion of the next ordinary General Assembly. Re-election is permitted.

The Compensation Committee is composed of at least two members. Only members of the Board of Directors are eligible. The CEO generally takes part in the sessions of the Compensation Committee, except if his own performance is being evaluated or his compensation fixed. Other members of the Board of Directors, the CFO, members of the Extended Executive Board or other internal or external specialists can be called to the sessions.

The Compensation Committee holds meetings as often as business requires, but at least once per year. During the period under review, the Compensation Committee met twice: on 29 January 2016 for one hour and on 15 July 2016 for one hour. The content of the meetings is summarised as follows:

- Explanation and discussion of the Management Board's 2015 compensation
- Discussion of the 2016 Compensation Report
- Discussion of employee participation through Management Board purchase and Management Board loan
- Adjustment of the Management Board's 2016 compensation

The Compensation Committee periodically informs the Board of Directors about the course of the meetings and other compensation-related subjects. The minutes of the Compensation Committee meetings are discussed during the Board of Directors meetings.

#### 3.4 Benchmarking

The total compensation of the Board of Directors and the Management Board is based on valuations of what is common in the market in comparable real estate companies in Switzerland. The Board of Directors periodically performs benchmarking based on compensation reports of comparable real estate companies. The Board of Directors also takes into account information from its members from functions in other companies. An external consultant is not generally called in for the benchmarking. The fixed remuneration component and the variable remuneration component are both benchmarked.

3.5 Further information concerning employment of the Management Board

3.5.1 Employment contracts of members of the Management Board

**The employment contracts of the Management Board are open-ended and generally include notice periods of six months. The maximum termination period for unlimited employment agreements is 12 months. They do not contain any unusual provisions. In particular, there is no severance pay and there are no specific clauses in case of a change in control of the company. A non-competition agreement for the period after the end of the employment contract is allowed as per the Articles of Incorporation. Any compensation under such an agreement may not exceed the last total compensation owed to the Management Board member in question for the duration of the first year. For each further year, the compensation may not be more than half of the most recently approved total compensation apportionable to the member in question.**

3.5.2 Summary of the pension plans of the Management Board

**Members of the Management Board are subject to the pension plans of the employing Group company in each case. Provisions for members of the Management Board do not deviate from the rules applicable for all other employees.**

#### 4 Compensation, loans and credits to the Board of Directors, the Management Board and related persons

The following tables provide a gross presentation of compensation, i.e. inclusive of employer contributions.

##### 4.1 Compensation of the Board of Directors

2016 in TCHF	Fixed compensation in cash (net)	Compensation for additional services	Other compensation components	Employer social security contributions (AHV/IV pension benefits)	Gross compensation	Flat-rate expense allowance
Dr. Felix Grisard	300 <sup>1</sup>	–	–	39 <sup>2</sup>	339	–
Salome Grisard Varnholt	70	–	–	5	75	–
Dr. Walter Jakob	70	2	–	–	72	–
John Manser	70	25	–	3	98	–
<b>Total compensation of the Board of Directors (gross)</b>	<b>510</b>	<b>27</b>	<b>–</b>	<b>47</b>	<b>584</b>	<b>–</b>

<sup>1</sup> The President and the CEO form the Executive Council. In this council, strategic questions and investment decisions are discussed and taken within the framework of the authority of the Executive Council at regular intervals (several times per month) between Board of Directors, meetings.

<sup>2</sup> Including pension benefits

No compensation other than what is shown here was paid in 2016.

The gross compensation of the Board of Directors (TCHF 584) decreased by TCHF 25 (–4%) in the 2016 business year (2015: TCHF 609).

2015 in TCHF	Fixed compensation in cash (net)	Compensation for additional services	Other compensation components	Employer social security contributions (AHV/IV pension benefits)	Gross compensation	Flat-rate expense allowance
Dr. Felix Grisard	300 <sup>1</sup>	–	–	43 <sup>2</sup>	343	–
Salome Grisard Varnholt	70	–	–	5	75	–
Dr. Walter Jakob	70	23	–	–	93	–
John Manser	70	25	–	3	98	–
<b>Total compensation of the Board of Directors (gross)</b>	<b>510</b>	<b>48</b>	<b>–</b>	<b>52</b>	<b>609</b>	<b>–</b>

<sup>1</sup> The President and the CEO form the Executive Council. In this council, strategic questions and investment decisions are discussed and taken within the framework of the authority of the Executive Council at regular intervals (several times per month) between Board of Directors, meetings.

<sup>2</sup> Including pension benefits

No compensation other than what is shown here was paid in 2015.

The gross compensation of the Board of Directors (TCHF 609) decreased by TCHF 6 (–1%) in the 2015 business year (2015: TCHF 615).

#### 4.2 Compensation of the Management Board

2016 in TCHF	Management Board total	thereof Martin Durchschlag (CEO)
Fixed compensation in cash (net)	1'632	390
Variable compensation in cash (individual bonus, net)	400	250
LTIP for 2016 (payable in cash in 2019, net) <sup>1</sup>	133	33
LTIP for 2016 (share-based compensation and other share-based compensation) <sup>2</sup>	469	43
Other compensation components	30	5
Pension benefits	240	30
Other social benefits	181	51
<b>Total compensation of the Management Board (gross)</b>	<b>3'085</b>	<b>802</b>
Flat-rate expense allowance	66	12

<sup>1</sup> These amounts were accrued as at 31 December 2016 and not paid out. These two amounts represent the 2016 portion of the total maximum LTIP bonus envelope of CHF 14 million (see paragraph 3.2.2). The provision for the part payable in cash amounted to TCHF 1'000 as at 31 December 2016 (2015: TCHF 858).

<sup>2</sup> The other share-based compensation correspond to the discount for shares granted to the Management Board beyond the LTIP for a five-year holding period (TCHF 351). 14'924 shares were granted as of 28 July 2016 with a share price of CHF 92.88 and as of 22 November 2016 with a share price of CHF 101.16 (weighted average share price over the last six months before the granting date). The shares have been issued with the capital increase that took place as of 23 December 2016.

**No compensation other than what is shown here was paid in 2016.**

**In the 2016 business year, the compensation of the Management Board (TCHF 3'085) decreased by TCHF 444 (-12.6%) (2015: TCHF 3'529), primarily due to the lower LTIP accruals (TCHF 81).**

2015 in TCHF	Management Board total	thereof Martin Durchschlag (CEO)
Fixed compensation in cash (net)	1'638	390
Variable compensation in cash (individual bonus, net) <sup>1</sup>	380	240
LTIP for 2015 (payable in cash in 2019, net) <sup>2</sup>	438	117
LTIP for 2015 (share-based compensation) <sup>2</sup>	578	155
Other compensation components	25	5
Pension benefits	208	26
Other social benefits	262	73
<b>Total compensation of the Management Board (gross)</b>	<b>3'529</b>	<b>1'006</b>
Flat-rate expense allowance	66	12

<sup>1</sup> During the year under review, 100% achievement of objectives was assumed to calculate the accrual of variable compensation for members of the Management Board.

<sup>2</sup> These amounts were accrued as at 31 December 2015 and not paid out. These two amounts represent the 2015 portion of the total maximum LTIP bonus envelope of CHF 14 million (see paragraph 3.2.2).

**No compensation other than what is shown here was paid in 2015.**

**In the 2015 business year, the compensation of the Management Board (TCHF 3'529) rose by TCHF 145 (+4.3%) (2014: TCHF 3'384), primarily due to the higher LTIP accruals (TCHF 94).**

4.3 Loans and credits to the Board of Directors and Management Board  
**According to the Articles of Incorporation, loans and credits to members of the Board of Directors and Management Board may be granted only under lending conditions in line with prevailing market practices. The total amount of outstanding loans and credits may not exceed CHF 10 million.**

In December 2014, a loan was granted to Michele Muccioli, a Management Board member. The loan is subject to interest with market rates and has been secured. The loan amounted to TCHF 151 as at 31 December 2016 (2015: TCHF 165). The loan was secured through pledging of all employee shares of the borrower and is due to be paid back by 31 December 2019 at the latest.

In December 2016, a loan was granted to Yves Perrin, a Management Board member, in order to purchase employee shares with a discount of 25.274% for a five-year holding period. The loan is subject to interest with market rates and has been secured. The loan amounted to TCHF 800 as at 31 December 2016 (2015: TCHF 0). The loan was secured through pledging of all employee shares of the borrower and is due to be paid back by 30 June 2021 at the latest.

As at 31 December 2016, one loan to Martin Durchschlag, the CEO, was outstanding. The TCHF 1'900 loan (2015: TCHF 2'950) was granted in 2010 to acquire an employee participation of 15'000 registered shares at a nominal value of CHF 10 per share, which is subject to interest with market rates. Security for the loan was prolonged during the year under review and is provided by pledging of all employee shares of the borrower and is repayable by 30 September 2019 at the latest.

4.4 Compensation, loans and credits to related persons

**In 2016, no compensation that was unusual for the market or credits were paid or granted to related persons, and no such compensation or credits were still outstanding as at 31 December 2015.**

The shareholder SFAG Holding AG, a company that is held by Salome Grisard Varnholt, Felix Grisard, Andrea Grisard and HIAG Beteiligung Holding AG, was granted a loan of TCHF 12'200 in December 2013 with market conditions. The loan amounted to TCHF 5'600 as at 31 December 2015. The loan was repaid as planned during the year under review.

## 5 Comparison of the compensation paid with the compensation approved by the General Meeting

The maximum amount of compensation for the Board of Directors and the Management Board was voted at the General Meeting on 19 April 2016. The table below shows the approved compensation elements payable to the Board of Directors and Management Board and compares the figures with actual amounts recorded in 2016 in accordance with the accrual principle.

in TCHF	Approved compensation General Meeting 19 April 2016	Compensation 2016 according to paragraph 4
Fixed compensation in cash (net)	510	510
Compensation for additional services	120	27
Employer social security contributions and pension benefits	70	47
<b>Total compensation of the Board of Directors (gross)</b>	<b>700</b>	<b>584</b>

in TCHF	Approved compensation General Meeting 19 April 2016	Compensation 2016 according to paragraph 4
Fixed compensation in cash (net)	1'700	1'632
Variable compensation in cash (individual bonus, net)	400	400
LTIP for 2016 (share-based compensation, cash component payable in 2019, net) and other share-based compensation	2'500	602
Other compensation components, employer social security contributions and pension benefits	900	451
<b>Total compensation of the Management Board (gross)</b>	<b>5'500</b>	<b>3'085</b>

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# Report of the Statutory Auditor on the Remuneration Report

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Ernst & Young Ltd  
Aeschengraben 9  
P.O. Box  
CH-4002 Basel

Phone +41 58 286 86 86  
Fax +41 58 286 86 00  
www.ey.com/ch

To the General Meeting of  
HIAG Immobilien Holding AG, Basel

Basel, 14 March 2017

## Report of the statutory auditor on the remuneration report

We have audited the remuneration report of HIAG Immobilien Holding AG for the year ended 31 December 2016. The audit was limited to the information according to articles 14 – 16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) which are disclosed in section 4 of the remuneration report (on pages 69 to 79).



### Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.



### Auditor's responsibility

Our responsibility is to express an opinion on the remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



### Opinion

In our opinion, the remuneration report for the year ended 31 December 2016 of HIAG Immobilien Holding AG complies with Swiss law and articles 14 – 16 of the Ordinance.

Ernst & Young Ltd

André Schaub  
Licensed audit expert  
(Auditor in charge)

Fabian Meier  
Licensed audit expert



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# Consolidated Financial Statements

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## Consolidated Balance Sheet

in TCHF		31.12.2016	31.12.2015
Cash and cash equivalents		62'766	52'351
Trade receivables	1	3'938	1'574
Receivables from related parties		238	
Other current receivables from shareholders	5.4	–	8'767
Other current receivables	2	4'949	5'550
Other current financial assets	5.5	4'495	5'990
Properties for sale	3	65'985	118'732
Prepayments and accrued income		3'576	1'502
<b>Current assets</b>		<b>145'947</b>	<b>194'466</b>
Real estate properties	3	1'176'285	1'105'320
Other property, plant and equipment	4	5'168	1'823
Intangible fixed assets	4	–	7
Financial assets	5.1	2'336	1'306
Financial assets from shareholders	5.2	3'851	165
Financial assets from related parties	5.3	545	–
<b>Non-current assets</b>		<b>1'188'185</b>	<b>1'108'621</b>
<b>Total assets</b>		<b>1'334'132</b>	<b>1'303'087</b>

**Consolidated Financial  
Statements**

in TCHF		31.12.2016	31.12.2015
Current financial liabilities	8	6'365	8'870
Trade payables		4'614	4'741
Other current liabilities	6	6'678	8'945
Current provisions	7	274	193
Tax liabilities		157	186
Accrued liabilities and deferred income		7'002	7'223
<b>Current liabilities</b>		<b>25'090</b>	<b>30'158</b>
Non-current financial liabilities	8	506'339	493'389
Other non-current liabilities		4'750	4'750
Non-current provisions	7	1'200	2'858
Deferred taxes	9	67'628	63'211
<b>Non-current liabilities</b>		<b>579'917</b>	<b>564'208</b>
<b>Total liabilities</b>		<b>605'006</b>	<b>594'366</b>
Share capital		8'036	8'000
Capital reserves		80'303	105'794
Retained earnings		640'787	594'927
<b>Shareholders' equity</b>	26	<b>729'126</b>	<b>708'721</b>
<b>Total liabilities and shareholders' equity</b>		<b>1'334'132</b>	<b>1'303'087</b>

## Consolidated Income Statement

in TCHF		2016	2015
Property income	11	52'438	51'193
Revaluation of properties	12	19'962	31'493
Infrastructure as a Service (IaaS)		202	-
Other operating income	13	1'101	2'864
Capitalised services	14	89	-
<b>Total operating income</b>		<b>73'791</b>	<b>85'550</b>
Personnel expenses	10, 15	-5'580	-7'582
Maintenance and repairs		-3'616	-3'509
Insurance and fees		-939	-813
Energy costs and building maintenance	17	-2'425	-2'424
General operating expenses		-163	-724
Office, administrative and development expenses	18	-2'931	-3'273
Marketing and selling expenses		-664	-861
Rent and leases	19	-1'435	-1'343
<b>Total operating expenses</b>		<b>-17'754</b>	<b>-20'529</b>
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>		<b>56'037</b>	<b>65'021</b>
Amortisation	20	-445	-578
<b>Earnings before interest and taxes (EBIT)</b>		<b>55'592</b>	<b>64'443</b>
Financial income	21	753	425
Financial expenses	22	-5'644	-5'065
<b>Earnings before taxes (EBT)</b>		<b>50'701</b>	<b>59'803</b>
Taxes	23	-4'327	-312
<b>Net income for the period</b>		<b>46'374</b>	<b>59'491</b>
Undiluted earnings per share (in CHF)	26	5.80	7.44
Diluted earnings per share (in CHF)	26	5.80	7.44

## Consolidated Cash Flow Statement

in TCHF	2016	2015
<b>Net income for the period</b>	<b>46'374</b>	<b>59'491</b>
Amortisation	445	578
Issuing costs listing costs	-	-20
Increase/decrease in trade receivables	-2'577	-1'006
Increase/decrease in trade payables	1'170	-909
Increase/decrease other receivables	2'151	-679
Increase/decrease other liabilities	-1'646	877
Increase/decrease financial assets with market value	74	-40
Increase/decrease employer contribution reserve	-1'089	-
Increase/decrease in active accrued income	-2'817	659
Increase/decrease in passive accrued income	217	-2'025
Increase/decrease in non-current provisions	-1'958	389
Increase/decrease in deferred taxes	2'436	6'273
Increase/decrease in capitalised tax losses carried forward	1'495	-5'990
Increase valuation of properties (net)	-18'631	-31'650
Capitalised services	-89	-
<b>Cash flow from operating activities</b>	<b>25'556</b>	<b>25'948</b>
Purchase of real estate properties	-67'497	-59'977
Purchase of intangible fixed assets	-5	-
Purchase of other property, plant and equipment	-3'258	-135
Proceeds from disposal of properties	87'620	29'064
Acquisition of financial assets	-2'372	-
Reduction of financial assets	6'893	6'958
Acquisition of new companies, less acquired cash and cash equivalents	-13'143	-
<b>Cash flow from investment activities</b>	<b>8'238</b>	<b>-24'090</b>
Acquisition of financial liabilities	29'383	16'528
Amortisation and repayment of financial liabilities	-142'282	-102'029
Bond issuance	114'975	100'232
Capital increase inclusive share premium	2'545	-
Purchase of treasury shares	-	-459
Sale of treasury shares	-	458
Payout from reserves from capital contributions	-28'000	-26'400
<b>Cash flow from financing activities</b>	<b>-23'380</b>	<b>-11'670</b>
Currency effects	-	8
<b>Increase/decrease in cash and cash equivalents</b>	<b>10'415</b>	<b>-9'804</b>

in TCHF	2016	2015
Cash and cash equivalents at 1 January	52'351	62'155
Cash and cash equivalents at 31 December	62'766	52'351
Increase/decrease in cash and cash equivalents	10'415	-9'804

There were no non-cash investment or financing activities.

## Statement of Shareholders' Equity

in TCHF	Share capital <sup>1</sup>	Treasury shares <sup>2</sup>	Capital reserves <sup>3,4</sup>	Retained earnings	Shareholders' equity
<b>Shareholders' equity at 01.01.2015</b>	<b>8'000</b>	<b>-</b>	<b>132'195</b>	<b>535'379</b>	<b>675'574</b>
Purchase of treasury shares	-	459	-	-	459
Sale of treasury shares	-	-459	-1	-	-460
Share-based compensation programmes	-	-	-	49	49
Dividend payment	-	-	-26'400	-	-26'400
Translation differences	-	-	-	8	8
Net income for the period	-	-	-	59'491	59'491
<b>Shareholders' equity at 31.12.2015</b>	<b>8'000</b>	<b>-</b>	<b>105'794</b>	<b>594'927</b>	<b>708'721</b>
Capital increase	36	-	2'509	-	2'545
Share-based compensation programmes <sup>5</sup>	-	-	-	-514	-514
Dividend payment	-	-	-28'000	-	-28'000
Net income for the period	-	-	-	46'374	46'374
<b>Shareholders' equity at 31.12.2016</b>	<b>8'036</b>	<b>-</b>	<b>80'303</b>	<b>640'787</b>	<b>729'126</b>

<sup>1</sup> On 31 December 2016 share capital consisted of 8'035'885 registered shares at a nominal value of CHF 1.00. A capital increase from contingent capital of 35'885 registered shares with a nominal value of CHF 1 per share took place on 23 December 2016 as per Art. 3b of the Articles of Incorporation.

<sup>2</sup> The company held no treasury shares as at 31 December 2016. In 2015, shares of HIAG Immobilien Holding AG were purchased by the company for a total amount of TCHF 459. These shares were sold primarily to members of the Executive Board of the Group in connection with the Long Term Incentive Plan.

<sup>3</sup> The costs incurred in connection with the capital increase, which were recognised as a reduction in capital reserves, came to TCHF 37 as at 31 December 2016 and are included in the amount of TCHF 2'509. The employee discount for a five-year holding period in connection with the exercise of 35'885 registered shares as part of the capital increase on 23 December 2016 (TCHF 874) was recognised as a reduction in capital reserves.

<sup>4</sup> The non-distributable legal reserves came to TCHF 1'491 (2015: TCHF 1'400).

<sup>5</sup> See paragraph 16 of the Notes to the Consolidated Financial Statements.

## Notes to the Consolidated Financial Statements

### Accounting principles

The Consolidated Financial Statements of HIAG Immobilien Holding AG were prepared in accordance with the Swiss Accounting and Reporting Recommendations (Swiss GAAP FER), as well as the special provisions for real estate companies stipulated under Article 17 of the SIX Swiss Exchange's Directive on Financial Reporting, and present a true and fair view of its net assets, financial position and results of operations. The comprehensive Swiss GAAP FER rules were applied.

The Consolidated Financial Statements are based on the individual financial statements of the HIAG Immobilien Group companies, which were prepared and audited in accordance with uniform guidelines. The relevant accounting standards are explained below.

The Consolidated Financial Statements are presented in Swiss francs (CHF). All figures are presented in thousands of Swiss francs (TCHF) unless indicated otherwise.

The Consolidated Annual Financial Statements are available in German and English. Should there be any linguistic discrepancies, the German version shall prevail.

### Scope of consolidation

The Consolidated Financial Statements comprise all subsidiaries of HIAG Immobilien Holding AG in which the Company directly or indirectly holds more than 50% in the form of voting rights or share capital. Full consolidation is applied, which means that 100% of the assets, liabilities, expenses and income of the companies to be consolidated are assumed and all intercompany items are eliminated.

Associated companies in which HIAG Immobilien Holding AG holds direct or indirect participations of 20% to 50% of voting rights or share capital are consolidated according to the equity method. Participations below 20% are not consolidated and are included in the Consolidated Balance Sheet under Financial assets at acquisition cost minus any operationally necessary value adjustment.

The balance sheet date for all companies is 31 December.

Company	Share capital in TCHF	Stake 2016 <sup>1</sup> in %	Stake 2015 <sup>1</sup> in %	Location
HIAG Immobilien Schweiz AG	11'000	100	100	Baar
HIAG AG	150	100	100	Basel
B-Immobilien GmbH <sup>2</sup>	TEUR 3'498	-	100	Monheim (GER)
HIAG Immobilien AG	5'000	100	100	St. Margrethen
HIAG Immobilier Léman SA	1'000	100	100	Aigle
Léger SA	400	100	100	Lancy
Weeba SA	100	100	100	Lancy
Pellarin-Transports SA	50	100	100	Lancy
Streiff AG <sup>3</sup>	-	-	100	Seegräben
Promo-Praille SA	200	100	100	Lancy
HIAG Immobilien Menziken AG	100	100	100	Menziken
HIAG Data AG <sup>4</sup>	100	100	100	Zurich
Trans Fiber Systems SA	107	100	100	Menziken
HIAG IaaS Operations AG <sup>5</sup>	400	100	100	Zurich
Village 52 SA <sup>6</sup>	100	100	-	Yverdon-les-Bains
Safe Swiss Cloud AG <sup>7</sup>	210	26	-	Basel

<sup>1</sup> Voting rights and share capital.

<sup>2</sup> B-Immobilien GmbH was liquidated during the reporting period.

<sup>3</sup> Streiff AG was merged with HIAG Immobilien Schweiz AG based on the merger agreement dated 17 May 2016.

<sup>4</sup> Swiss Datahall AG changed its company name to HIAG Data AG during the business year.

<sup>5</sup> Swiss Datagrid AG changed its company name to HIAG IaaS Operations AG during the business year.

<sup>6</sup> The company Village 52 SA was purchased on 5 September 2016.

<sup>7</sup> Shares of Safe Swiss Cloud AG were acquired on 23 December 2016 as part of a capital increase.

#### HIAG AG performs services in the areas of employee pension funds and human resources.

HIAG Data AG and HIAG IaaS Operations AG provide an intelligent IT infrastructure platform for IT service providers throughout Switzerland. This infrastructure is composed of a Switzerland-wide carrier-independent fibre optic cable network, the anchor sites of Biberist and Lugano, and IT infrastructure, which allow flexible scaling of computing and storage capacity based on open source technology and Microsoft AZURE. Safe Swiss Cloud AG offers cloud services based on open cloud technology. HIAG Data AG acquired the infrastructure platform developed by Safe Swiss Cloud AG and Safe Swiss Cloud AG uses it as an anchor client. HIAG Immobilien Holding AG does not intend to hold a long-term participation in Safe Swiss Cloud AG.

All other companies are real estate companies within the scope of HIAG's strategy with the purposes of maintaining, developing and selling properties.

## Consolidation method

Capital consolidation is based on the purchase method, in which the acquisition costs of an acquired company are offset against the net assets, which were newly measured at the time of acquisition in accordance with group-wide accounting standards. The difference arising from the purchase price and the newly valued net assets of the acquired company is termed goodwill or badwill. Goodwill is recognised as retained earnings with no effect on profit and loss. In the event of offsetting against retained earnings, the effects of a theoretical capitalisation and amortisation for the estimated useful life of the acquisition are disclosed separately in the notes. Any badwill is charged to the retained earnings or recorded as provisions. The initial consolidation takes effect with the transfer of control over the acquired companies.

## Changes in the scope of consolidation

The following changes in the scope of consolidation took place during the reporting period.

Consolidated company		Stake in %
Village 52 SA, Yverdon-les-Bains	By purchase as at 5 September 2016	100
Safe Swiss Cloud AG, Basel	By purchase as at 23 December 2016	26

At the time of the first consolidation (1 September 2016), Village 52 SA disclosed the following key balance sheet items:

in TCHF	
Cash and cash equivalents	320
Other current assets	237
Real estate properties	24'250
Current liabilities	327
Other non-current liabilities	11'824
Shareholders' equity	12'656

No goodwill or badwill resulted from this acquisition.

Safe Swiss Cloud AG was included at proportionate equity value (equity method).

B-Immobilien GmbH was liquidated during the year under review.

The following changes in the scope of consolidation took place during the previous period:

Consolidated company		Stake in %
Swiss Datagrid AG, Zurich	Established on 8 December 2015	100



## Translation of foreign currencies

As at the reporting date, there were no companies reporting in foreign currencies. In 2015, all the companies' assets and liabilities held in foreign currencies were converted to Swiss francs at the year-end conversion rate. Equity was converted at historic exchange rates and the items in the income statement and the cash flow statement were translated at the average rate for the year. Exchange rate differences resulting from translation were recognised directly in shareholders' equity in the Consolidated Balance Sheet and allocated to retained earnings.

## Significant accounting and valuation policies

### General information

HIAG Immobilien Holding AG's Consolidated Financial Statements are prepared in accordance with the Swiss Accounting and Reporting Recommendations (Swiss GAAP FER).

Due to rounding off to the nearest thousand CHF, addition of the individual items may result in rounding differences over the reported item totals.

### Cash and cash equivalents

"Cash and cash equivalents" comprise cash in hand, postal check account deposits and demand deposits with banks and money market instruments with a term of less than three months. They are stated at their nominal value. Cash and cash equivalents held in foreign currency are translated at the year-end conversion rate.

### Trade receivables and other current receivables

"Trade receivables" and "Other current receivables" are reported at their realisable value. Receivables that are considered to be potential bad debts are reported at nominal value minus the necessary value adjustments.

### Real estate properties

The portfolio is broken down into the following categories:

- Undeveloped lands
- Properties
- Properties currently under development
- Properties held for sale

#### General

All real estate properties were measured at fair value on the basis of the discounted cash flow method (DCF) in accordance with Swiss GAAP FER 18. The residual value method is used to ascertain the fair value for undeveloped properties. The current values are assessed and updated every six months by an independent expert. The properties are inspected at least every three years. No scheduled depreciation is carried out. Increases and decreases in value are reported under "Revaluation of properties". The expected additional expenses linked to environmental risks are assessed by an independent environmental expert based on historical and technical investigations and subtracted from the fair value of the properties. Interest on construction loans is capitalised. Other borrowing costs are recorded as financing costs. The portfolio does not include any properties used by HIAG Immobilien itself.

#### Properties

Properties are broken down into "Yielding properties" and "Redevelopment properties". "Yielding properties" are those properties for which no development is planned. "Redevelopment properties" describes properties that are to undergo development in the medium term and/or for which development planning is currently under way.

#### Properties currently under development

Properties that are under development at the time the balance sheet is drawn up are grouped under the item "Properties currently under development". They are reported as "Properties currently under development" from the time the initial work is contracted until the development project is completed and/or is ready for occupation.

#### Properties held for sale

"Properties held for sale" describes residential projects where individual units are undergoing development and are marketed as condominiums (promotion projects) as well as non-strategic properties that are up for sale. Accounting for promotion projects applying their fair value does not result in a significantly different presentation as compared to accounting for these projects using the corresponding historical acquisition and production costs.

### Other property, plant and equipment and Intangible fixed assets

"Other property, plant and equipment" includes the network and IT infrastructure of HIAG Data, office equipment, machinery and vehicles. "Intangible fixed assets" mainly includes the acquired and internally developed services in connection with HIAG Data's IT infrastructure.

"Other property, plant and equipment" and "Intangible fixed assets" are recorded in the balance sheet at acquisition cost minus amortisation and possible value impairment.

The amortisation is linear. The amortisation period is three to 10 years for office equipment, three to five years for network and IT infrastructure, and three to five years for intangible fixed assets.

### Financial assets and financial assets from shareholders

This item includes employer contribution reserves, long-term loans, securities at listed market prices as of the balance sheet reporting date, capitalised tax losses carried forward, participations that were incorporated using the equity method and other non-current receivables that are recorded in the balance sheet at nominal value.

### Financial assets from related parties

This position includes the following financial assets from related parties: long-term loans and participations that were incorporated using the equity method.

### Deferred taxes

Deferred taxes from tax losses carried forward are capitalised only if it appears sufficiently certain that they can be used for tax purposes and if the budgeted taxable income is expected to result in offsetting possibilities. They are listed under "Financial assets" as per Swiss GAAP FER 11.

### Impairment of assets

If there is any indication that an asset's value is impaired, an "impairment test" is conducted. Should the examination show that the carrying amount exceeds the recoverable amount (the higher of either its value in use or fair value), an impairment loss is recognised as an expense in the Income Statement.

### Trade payables and other current and non-current liabilities

Current liabilities are amounts due within one year. Liabilities falling due after more than one year are reported under "Non-current liabilities". These items are stated at their nominal value.

### Current and non-current financial liabilities

Mortgages, other collateralised financing and bonds are listed as financial liabilities and recorded in the balance sheet at nominal value. Mortgages and fixed advances that are not repaid within 12 months but renewed are reported under "Non-current financial liabilities" to reflect the economic reality.

Transaction costs of bonds and differences between the received equivalent and the repayment value are amortised in the income statement over their maturity.

Financing or repayments due within a period of 12 months are classified as "Current financial liabilities".

### Current and non-current provisions

Provisions are set up to cover all of the risks and obligations recognised at the balance sheet date. Provisions are made when an obligation to a third party exists that is attributable to an event in the past and the extent of that obligation can be determined reliably. The amount of the provision is based on the anticipated outflow of resources necessary to fulfil this obligation. Provisions are recorded as current or non-current according to their respective due dates.

### Provisions for deferred taxes

According to Swiss GAAP FER 11, current and future tax effects are to be adequately taken into account in the financial statements. In doing so, current income taxes must be distinguished from deferred taxes. The latter are caused primarily by the valuation differences between fair values and the tax base of the properties. A remaining holding period is estimated for each property when calculating the deferred taxes for real estate properties. For income and capital gains taxes on properties, in those cases where recent findings made it possible to include the historical value of the properties more precisely, this was included in the calculations. Provisions for deferred taxes are discounted. A discount rate of 2.25% was applied as at 31 December 2016 (2015: 2.50%).

### Employee benefits in accordance with Swiss GAAP FER 16

All companies belonging to the HIAG Group participate in the pension fund "HIAG Pensionskasse". The economic benefits resulting from the employer contribution reserve are recorded as assets. Changes to the employer contribution reserve, and any economic impact on the group resulting from surplus or insufficient coverage for employee pension funds are recorded under "Personnel expenses". The capitalisation of an additional economic benefit (from the surplus coverage for the pension fund) is neither intended, nor are the prerequisites for this provided. An economic obligation is recognised as a liability when the criteria for the creation of provisions are met.

### Property income

Property income includes rental income after deduction of vacancy losses, proceeds from the sale of electricity from owned power stations and losses in earnings such as rental income losses. Rental income is recorded in the Income Statement when the rent is due.

### Infrastructure as a Service (IaaS)

Infrastructure as a Service (IaaS) includes the revenue of HIAG Data AG. HIAG Data AG provides IaaS to IT service providers throughout Switzerland. The scope of service includes a Switzerland-wide carrier-independent fibre optic cable network and IT infrastructure based on open source technology and Microsoft AZURE technology, which allow flexible scaling of computing and storage capacity. HIAG Data AG makes IaaS services available on a white label basis. The offer is not intended for end customers, but rather for IT system integrators, cloud operators, Software as a Service providers, etc, that implement cloud solutions for and with end customers. Revenue in this area is recognised in the month in which the services are received.

### Capitalised services

Capitalised services include the capitalisation of internally developed services in connection with HIAG Data's IT infrastructure. Capitalised own contributions are listed under the item "Other property, plant and equipment". The amortisation is linear and the amortisation period is three years.

### Maintenance and repairs

Maintenance expenses do not include value-enhancing investments and are recorded in the Income Statement.

### Financial result

This item consists of interest income, interest expenses, translation differences, gains and losses on securities and other financial expenses and income.

### Taxes

This item covers only deferred taxes and current taxes on income. Deferred taxes are calculated primarily on the basis of the temporary differences between the fair values identified and the tax base of an asset. Current taxes on income are calculated on the basis of the taxable result. Other taxes, levies and property taxes are recorded under "Operating expenses" as "General operating expenses".

### Transactions with shareholders and related parties

Significant transactions with related parties as set forth in Directive 15 of the Swiss GAAP FER are documented under "5. Financial assets, financial assets to shareholders and financial assets to related parties" and "25. Other transactions with related parties".

### Share-based compensation

Pursuant to Swiss GAAP FER 31 para 3, share-based compensation is to be recognised as personnel expenses. Shareholders' equity constitutes the corresponding opposite item for share-based compensation; liabilities (provisions) for cash-based compensation. Share-based compensation are disclosed under section 16.

### Off-balance sheet items

Contingent liabilities and other off-balance sheet liabilities are valued and disclosed at every balance sheet reporting date. Provisions are set aside if contingent liabilities and other off-balance sheet liabilities result in a cash outflow devoid of beneficial cash inflow, and the cash outflow is probable and foreseeable.

### Estimates

The preparation of the financial statements requires a number of estimates and assumptions to be made. These relate to the reported assets, liabilities and contingent liabilities at the time the balance sheet is being prepared, and to income and expenses during the period under review. Should the estimates and assumptions made to the best of the company's knowledge at the balance sheet date deviate from actual circumstances, adjustments to the original estimates and assumptions are then carried out in the reporting year in which the circumstances change.

### Events after the balance sheet date

There are no significant events after the balance sheet date that have an impact on the book values of the declared assets and liabilities or must be disclosed at this point.

The Consolidated Financial Statements were approved by the Board of Directors on 14 March 2017. The Consolidated Financial Statements are subject to approval by the General Meeting.

## Notes to the Consolidated Financial Statements

### 1 Trade receivables

	2016	2015
Trade receivables	5'152	1'850
Provision for bad debts	-1'214	-276
<b>Total</b>	<b>3'938</b>	<b>1'574</b>

Trade receivables as at 31 December 2016 amounted to TCHF 3'938 and consist of receivables for current rents TCHF 2'884 (2015: TCHF 574) and a receivable of TCHF 2'268 for further use of areas in addition to the regular rental term (2015: TCHF 1'200). A part of this receivable was confirmed with a debt acknowledgement letter from the tenant. Due to creditworthiness risks, the value of this receivable amounts to TCHF 1'050 as at 31 December 2016 (2015: TCHF 200).

Losses on accounts receivable in 2016 come to TCHF 14 (0.03% of property income) compared to TCHF 33 (0.1% of property income) the previous year.

### 2 Other current receivables

	2016	2015
Value-added tax receivables	70	-
Heating and lump sum charges	2'817	4'857
Other current receivables	711	693
Escrow account	1'350	-
<b>Total</b>	<b>4'949</b>	<b>5'550</b>

In connection with the forthcoming redevelopment of the Frauenfeld site, HIAG was compensated for the take over of the costs for environmental risks with a contribution of TCHF 1'350 from the former owner. This contribution was transferred to an escrow account during the reporting year and will be settled with the renovation costs.

### 3 Real estate properties

	2016	2015
Fire insurance value	1'505'741	1'586'952
Pledges to secure mortgage loans	541'350	559'490

The fire insurance values increased by TCHF 28'122 during the period under review due to the acquisitions of the year (2015: TCHF 112'698).

	Undeveloped land	Properties	Properties currently under development	Total real estate properties
<b>Balance at 01.01.2015</b>	<b>72'095</b>	<b>983'899</b>	<b>95'110</b>	<b>1'151'104</b>
Reclassifications	-	-19'123	19'123	-
Additions	895	47'722	31'758	80'375
Disposals	-	-7'638	-20'675	-28'314
Revaluation of properties	4'681	2'699	24'064	31'444
Change of costs for environmental risks	-	-10'658	100	-10'558
<b>Balance at 31.12.2015</b>	<b>77'671</b>	<b>996'901</b>	<b>149'480</b>	<b>1'224'052</b>
Reclassifications of properties held for sale	-	-4'048	-114'684	-118'732
<b>Balance after reclassifications as at 31.12.2015</b>	<b>77'671</b>	<b>992'853</b>	<b>34'796</b>	<b>1'105'320</b>
<b>Balance at 01.01.2016</b>	<b>77'671</b>	<b>996'901</b>	<b>149'480</b>	<b>1'224'052</b>
Reclassifications	7'506	-13'727	6'221	0
Additions	738	35'278	52'740	88'756
Disposals	-	-2'428	-85'542	-87'970
Revaluation of properties	6'319	8'147	5'522	19'987
Change of costs for environmental risks	-591	-1'969	4	-2'556
<b>Balance at 31.12.2016</b>	<b>91'642</b>	<b>1'022'203</b>	<b>128'425</b>	<b>1'242'270</b>
Reclassifications of properties held for sale	-	-	-65'985	-65'985
<b>Balance after reclassifications as at 31.12.2016</b>	<b>91'642</b>	<b>1'022'203</b>	<b>62'440</b>	<b>1'176'285</b>

In the period under review, all properties were appraised by Wüest Partner AG. The discount rates used for the property appraisals fluctuated within a corridor of 2.25% to 7.00% as at the reporting date (31 December 2015: 2.50% to 7.00%).

The expected additional expenses linked to environmental risks were analysed by Ecosens AG mainly on the basis of historical and technical investigations and recorded as at the reporting date in the amount of TCHF 28'052 (2015: TCHF 25'496) under "Real estate investments". These expenses include TCHF 1'521 of environmental risk in Frauenfeld site, TCHF 1'350 of which are covered by a contribution from the former site owner. This contribution was transferred to an escrow account during the reporting year. This account is listed in "other current receivables". Environmental risks are evaluated on an ongoing basis. New findings from historical and technical investigations were taken into account as at the reporting date and led to an increase in costs for environmental risks of TCHF -6 that affected net income during the period under review (31 December 2015: reduction of TCHF 206 affecting net income). An increase of TCHF 1'200 that did not affect net income was made due to the acquisition of the site in Yverdon-les-Bains. This was taken into account in the purchase price.

The expected additional costs due to environmental risks were discounted. A discount rate of 2.25% was applied as at 31 December 2016 (31 December 2015: 2.50%).

In some cases, the effective acquisition costs or investments for the historic properties of the Group cannot be reliably ascertained, as the time of the acquisition dates far back in the past. For this reason, the decision was taken not to report the acquisition values for the overall portfolio in these cases.



New additions in 2016 amounted to TCHF 88'756 from investments in 67 properties and TCHF 24'250 from the acquisition of the Yverdon-les-Bains site. The largest investments were made in Baar (TCHF 27'323 for The Cloud project), in Meyrin (TCHF 11'605 for the new headquarters of HP), in Windisch (TCHF 6'046 primarily for the Feinspinnerei project), in Bremgarten (TCHF 7'664 for the headquarters of Jeld-Wen) and in Biberist (TCHF 3'464 mainly for the high-bay warehouse).

Disposals amounting to TCHF –87'970 concerned the sale of condominiums at The Cloud project in Baar (TCHF 74'766) and the Spinnerei III, Feinspinnerei and Stegbünt projects in Windisch (TCHF 11'126) as well as the sale of two properties in Seegräben and Diesbach for TCHF 2'078.

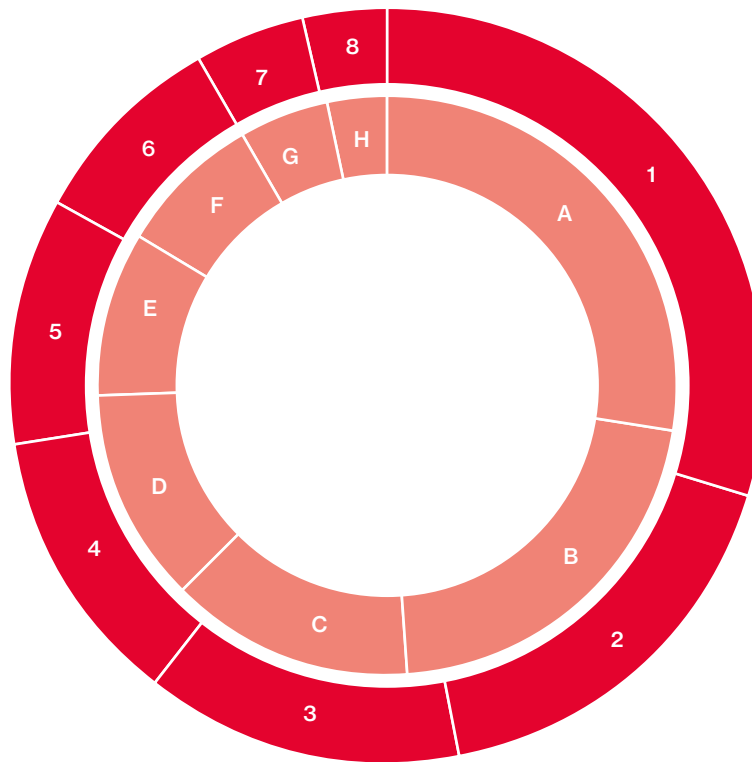
**Properties held for sale**

	2016	2015
Stegbünt (Windisch)	–	2'416
Spinnerei III (Windisch)	1'525	4'924
The Cloud (Baar)	49'430	97'060
Feinspinnerei (Windisch)	15'030	12'700
Aretshalden 30 (Seegräben)	–	1'292
Hauptstrasse 25 (Diesbach)	–	340
<b>Total</b>	<b>65'985</b>	<b>118'732</b>

As at the balance sheet date, condominiums in Windisch (Spinnerei III and Feinspinnerei) and in Baar (The Cloud) were for sale. The last units of the Stegbünt project in Windisch, as well as Aretshalden 30 in Seegräben and Hauptstrasse 25 in Diesbach were sold during the reporting year.

The following remaining payments relate to the transacted units, which are secured with bank payment commitments, that were still open as at 31 December 2016:

	2016	2015
Stegbünt (Windisch)	–	1'026
Spinnerei III (Windisch)	1'020	0
The Cloud (Baar)	15'916	41'240
Feinspinnerei (Windisch)	7'190	1'270
<b>Total</b>	<b>24'126</b>	<b>43'536</b>



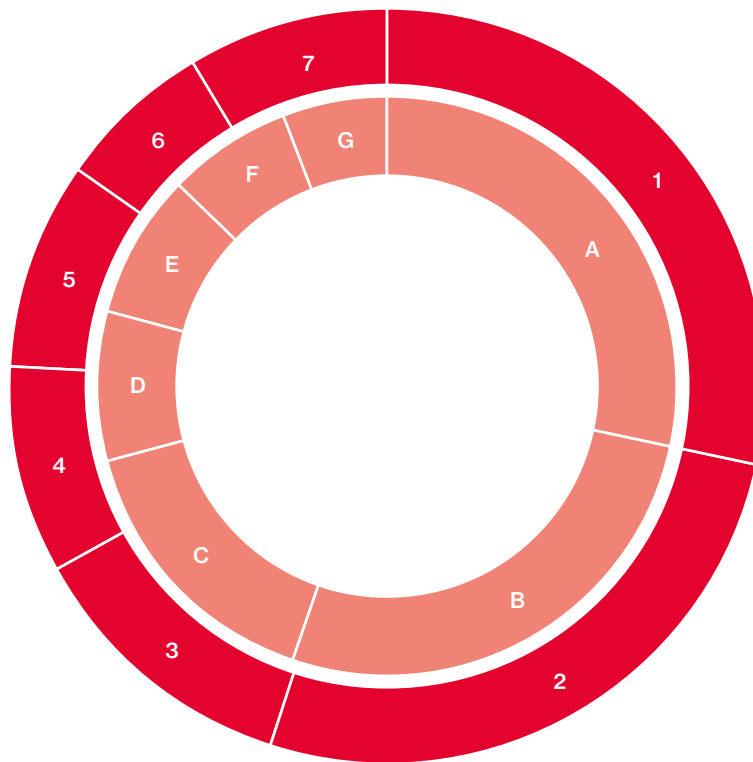
2016 █  
2015 █

**Market value of real estate properties  
according to use as at 31.12.2016**

1	Industry, commercial	29.8%
2	Residential	17.2%
3	Retail	13.6%
4	Office	12.0%
5	Distribution, logistics	10.4%
6	Building land	8.7%
7	Residential and commercial	4.8%
8	Miscellaneous	3.5%

**Market value of real estate properties  
according to use as at 31.12.2015**

A	Industry, commercial	27.7%
B	Residential	21.3%
C	Retail	13.6%
D	Office	12.0%
E	Distribution, logistics	9.0%
F	Building land	8.0%
G	Residential and commercial	5.0%
H	Miscellaneous	3.3%



2016 ■  
2015 ■

**Market value of real estate properties  
according to canton as at 31.12.2016**

1	Aargau	28.4%
2	Zurich	26.8%
3	Zug	11.8%
4	Solothurn	8.7%
5	Geneva	9.1%
6	Baselland	6.8%
7	Miscellaneous	8.4%

**Market value of real estate properties  
according to canton as at 31.12.2015**

A	Aargau	28.6%
B	Zurich	26.8%
C	Zug	15.7%
D	Solothurn	8.2%
E	Geneva	8.1%
F	Baselland	6.8%
G	Miscellaneous	5.8%

#### 4 Other property, plant and equipment and Intangible fixed assets

	Other property, plant and equipment	Network and IT infrastructure HIAG Data	Total	Intangible fixed assets
Book value at 01.01.2015	4'006	–	4'006	81
Additions	136	–	136	–
Book value at 31.12.2015/01.01.2016	4'142	–	4'142	81
Additions	265	3'513	3'778	5
Book value at 31.12.2016	4'407	3'513	7'920	86
Cumulative amortisation at 01.01.2015	1'754	0	1'754	61
Amortisation	565	0	565	13
At 31.12.2015/01.01.2016	2'319	0	2'319	74
Amortisation	365	68	433	12
Cumulative amortisation at 31.12.2016	2'684	68	2'752	81
Net book value at 01.01.2015	2'252	0	2'252	20
Net book value at 31.12.2015/01.01.2016	1'823	0	1'823	7
Net book value at 31.12.2016	1'723	3'445	5'168	–

The internally developed services in connection with HIAG Data's IT infrastructure, which were capitalised in 2016, amounted to TCHF 89 (2015: TCHF 0).

#### 5 Financial assets, financial assets from shareholders and financial assets from related parties

##### 5.1 Financial assets

	2016	2015
Employer contribution reserve	1'091	14
Other financial assets	1'166	1'213
Non-consolidated investments	79	79
Total	2'336	1'306

As the economic benefit of the employer contribution reserve became certain during the reporting year, an employer contribution reserve of TCHF 1'089 was capitalised.

As at 31 December 2016, "Other financial assets" included TCHF 1'134 of WIR voting shares, which were acquired together with HIAG Immobilien Menziken AG (2015: TCHF 1'141). These WIR shares are valued at their closing rate (stock market price).

The item "Non-consolidated investments" includes the company Schwert AG (equity participation: 9.9%) and the company Energie Biberist AG (EBAG, equity participation: 20%). The investments are valued at the acquisition cost minus impairments carried out for business reasons. The book value of the investments came to TCHF 79 as at 31 December 2016 (2015: TCHF 79). The business of Schwert AG consists of operating the Schwert hotel and restaurant in Nestal. The business of Energie Biberist AG (EBAG) is to acquire, operate, maintain and enlarge the power stations belonging to the Biberist paper mill and Utzenstorf. EBAG has had no operating activities since the shutdown of the Biberist paper mill.

5.2 Financial assets from shareholders

	2016	2015
Loans to members of the Management Board	2'851	165
Loans to Group employees	1'000	–
<b>Total</b>	<b>3'851</b>	<b>165</b>

As at 31 December 2016, financial assets due from shareholders concerned three loans to members of the Management Board for a total of TCHF 2'851 (2015: TCHF 165) and one loan to an employee (TCHF 1'000, 2015: TCHF 0). These loans are subject to market rate interest and have been secured by means of employee shares.

5.3 Financial assets from related parties

	2016	2015
Participation consolidated according to the equity method	275	–
Loans	270	–
<b>Total</b>	<b>545</b>	<b>–</b>

The item “Participation consolidated according to the equity method” contains the Safe Swiss Cloud AG participation with a capital share of 26.2%, which was acquired during the reporting year.

As at 31 December 2016, the item “Loans” included two loans with Safe Swiss Cloud AG. These loans are subject to market rate interest.

5.4 Other current receivables from shareholders

	2016	2015
Other current receivables due from shareholders	–	8'767
<b>Total</b>	<b>–</b>	<b>8'767</b>

Shareholder SFAG Holding AG was granted a loan of TCHF 5'600 and a current account of TCHF 217. It was repaid in 2016. A loan to a member of the Management Board was extended during the reporting year and listed in Financial assets.

5.5 Other current financial assets

	2016	2015
Capitalised tax losses carried forward	4'495	5'990
<b>Total</b>	<b>4'495</b>	<b>5'990</b>

During the 2016 business year, TCHF 4'495 of economic benefit from tax losses carried forward were reported in the balance sheet (2015: TCHF 5'990), as it is probable that taxable profits be offset with tax losses carried forward. The capitalisation corresponds to the expected economic benefit for the next 12 months.

## 6 Other current liabilities

	2016	2015
To third parties	2'825	4'982
Value-added tax	–	743
Advance payments	3'853	3'220
<b>Total</b>	<b>6'678</b>	<b>8'945</b>

“Other current liabilities to third parties” mainly includes accumulated payments on account for heating and service charge settlement amounting to CHF 2'697 thousand (2015: TCHF 3'939). The unsettled balance for a site consolidation amounting to TCHF 993 was offset during the reporting year.

Advance payments include property income paid in advance amounting to TCHF 2'369 (2015: TCHF 2'470), deposit payments for the sale of condominium property amounting to TCHF 400 (2015: TCHF 750) and advance payments for a building project of TCHF 1'084 (2015: TCHF 0).

## 7 Provisions

	Other provisions	LTIP provision	Total
<b>Book value at 01.01.2015</b>	<b>2'133</b>	<b>419</b>	<b>2'552</b>
Increase	193	469	662
Utilisation	–3	–	–3
Release	–130	–30	–160
<b>Book value at 31.12.2015/01.01.2016</b>	<b>2'193</b>	<b>858</b>	<b>3'051</b>
– thereof current	193	–	193
– thereof non-current	2'000	858	2'858
<b>Changes in the scope of consolidation</b>	<b>300</b>	<b>–</b>	<b>300</b>
Increase	36	142	178
Utilisation	–55	–	–55
Release	–2'000	–	–2'000
<b>Book value at 31.12.2016</b>	<b>474</b>	<b>1'000</b>	<b>1'474</b>
– thereof current	274	–	274
– thereof non-current	200	1'000	1'200

In connection with the Long Term Incentive Plan (LTIP, see paragraph 16), accruals were formed for the cash component in the amount of TCHF 142 as at 31 December 2016 (2015: TCHF 469). During the reporting year, a TCHF 1'500 provision for VAT risks from a company that was acquired in the past was released without being used. No provisions for pension plan obligations or restructuring were made, either in the period under review or in the previous period. Only risks that have at least a 50% probability of occurring are recognised.

## 8 Financial liabilities

	2016	2015
Non-current liabilities to banks	291'339	393'389
Bonds	215'000	100'000
<b>Total</b>	<b>506'339</b>	<b>493'389</b>

Financing with a remaining maturity of more than one year as at the reporting date is recorded under “Non-current liabilities to banks”.

Most of the bank financing is secured by mortgages.

The loan-to-value ratio ([cash and cash equivalents + financial liabilities]/real estate value) was 36% (2015: 37%) and the debt ratio calculated at fair value (financial liabilities/real estate value) was 23% (2015: 32%).

The average interest rates paid for financial liabilities came to 1.1% in the period under review (2015: 1.0%). Financial liabilities to be repaid within a period of 12 months amount to TCHF 6'365 (2015: TCHF 8'870) and are classified as “Current financial liabilities”.

In July 2016, a fixed-rate bond for TCHF 115'000 was issued with a maturity of seven years. The proceeds were used primarily for the repayment of the Group's existing bank financing.

Benchmarks	Bond July 2016	Bond July 2015
Amount	TCHF 115'000	TCHF 100'000
Maturity	7 years (04.07.2016–04.07.2023)	6 years (01.07.2015–01.07.2021)
Interest rate	1.0%	1.0%
Listing	SIX Swiss Exchange	SIX Swiss Exchange
Security number	32'637'142	28'460'739
ISIN	CH0326371421	CH0284607394

#### Conditions of financial liabilities as at 31.12.2016

Item	Book value	Currency	Due date	Interest rate
Liabilities to banks	297'704	CHF	See “Due dates of liabilities to banks in TCHF as at 31.12.2016”	Between 0.7% and 3.4%
Bonds	215'000	CHF	01.07.2021 and 04.07.2023	1.0%
Loans from third parties	4'500	CHF	31.12.2019	3.0%
<b>Total</b>	<b>517'204</b>			

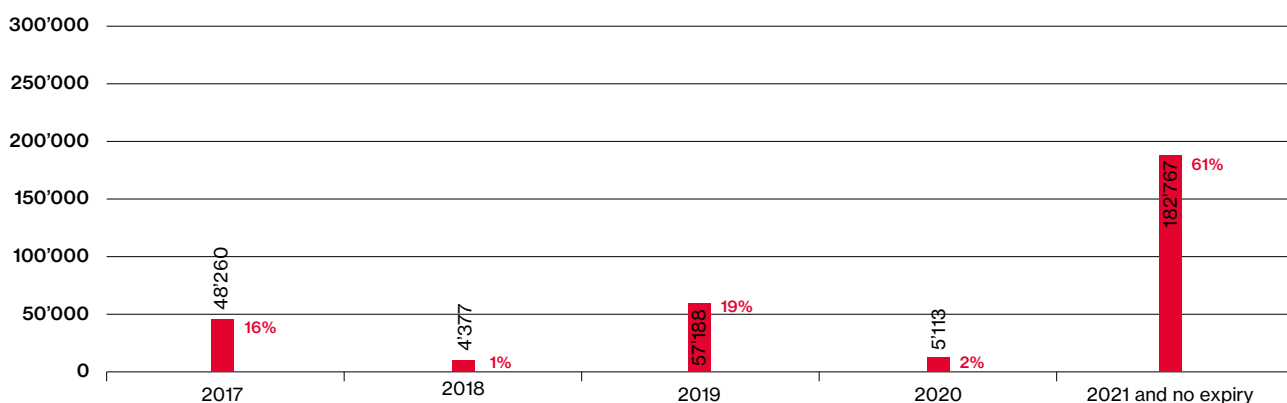
Financial liabilities are recorded and valued at nominal value.

#### Conditions of financial liabilities as at 31.12.2015

Item	Book value	Currency	Due date	Interest rate
Liabilities to banks	402'259	CHF	See “Due dates of liabilities to banks in TCHF at 31.12.2015”	Between 0.5% and 3.0%
Bonds	100'000	CHF	01.07.2021	1.0%
Loans from third parties	4'500	CHF	31.12.2019	3.0%
<b>Total</b>	<b>506'759</b>			

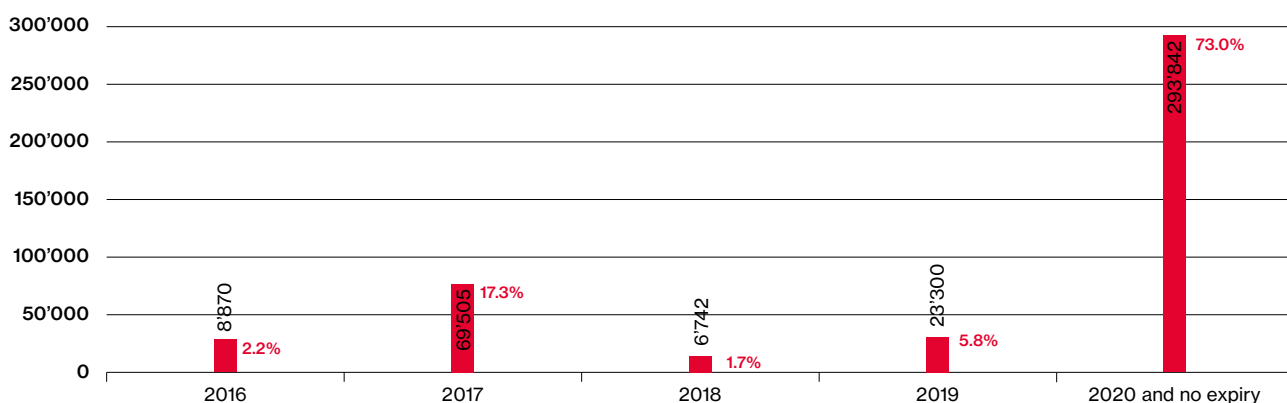
Financial liabilities are recorded and valued at nominal value.

Due dates of liabilities to banks in TCHF as at 31.12.2016



Total: TCHF 297'704 = 100%

Due dates of liabilities to banks in TCHF as at 31.12.2015



Total: TCHF 402'259 = 100%

Interest rates of financial liabilities were fixed as follows as at  
31 December 2016 (until the next interest rate adjustment):

Up to one year	215'480	72%
2018	4'377	1%
2019	63'838	21%
2020 and longer	14'009	5%
<b>Total</b>	<b>297'704</b>	<b>100%</b>

Interest rates of financial liabilities were fixed as follows as at  
31 December 2015 (until the next interest rate adjustment):

Up to one year	300'937	75%
2017	69'505	17%
2018	842	0%
2019 and longer	30'975	8%
<b>Total</b>	<b>402'259</b>	<b>100%</b>



## 9 Deferred taxes

	2016	2015
Deferred tax liabilities as at 1 January	63'211	56'938
Changes in the scope of consolidation	1'981	-
Net increase recognised through profit or loss	2'436	6'273
Deferred tax liabilities as at 31 December	67'628	63'211

The provisions for deferred taxes are discounted. A discount rate of 2.25% was applied as at 31 December 2016 (2015: 2.50%).

## 10 Employee benefits

The employees of the HIAG Immobilien Group benefit from funds provided by a pension fund. These pension funds are set up as financially independent foundations. The pension fund "HIAG Pensionskasse" is financed by employee and employer contributions, and the patronage pension institution "Wohlfahrtsfonds" belonging to the HIAG Group and the "Fürsorgestiftung" foundation belonging to Spinnerei Streiff AG are financed exclusively by employer contributions. Benefits are allocated in accordance with the contributions paid into the fund or the payments made by the corresponding insurance carrier (defined contribution). This does not result in any economic benefit or potential obligations for the Group companies. There is no intention to obtain any future economic benefit from the unrestricted reserves.

	Nominal value 31.12.2016	Renounced use 31.12.2016	Balance sheet 31.12.2016	Accumulation 2016	Balance sheet 31.12.2015	Result from ECR in personnel expenses	
						2016	2015
Patronage pension institutions <sup>1</sup>	1'089	-	1'089	1'500	-	411	-
Pension institution	2	-	2	-	14	12	42
<b>Total</b>	<b>1'091</b>	<b>-</b>	<b>1'091</b>	<b>1'500</b>	<b>14</b>	<b>423</b>	<b>42</b>

<sup>1</sup> As the economic benefit of the employer contribution became certain during the reporting year, it was included in the balance sheet.

	Surplus/deficit coverage 31.12.2016	Economical part of the organisation 31.12.2016	Change to prior year period or recognised in the current result of the period	Contributions concerning the business period	Pension expenses within personnel expenses
					2016
Patronage pension institutions	-	-	-	-	-
Pension institution	1'480	-	-	-	497
<b>Total</b>	<b>1'480</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>497</b>

Composition of employee pension expenses	2016
Contributions to pension funds at the expense of the company	74
Contributions to pension plans made from the employer contribution reserve (ECR)	423
<b>Total contributions</b>	<b>497</b>
Changes in the employer contribution reserve stemming from asset performance, impairment, discounts, assessment of interest, etc.	-
<b>Total contributions and changes to employer contribution reserve</b>	<b>497</b>
Changes in the economic benefit of the company from surplus coverage	-
Changes in the economic benefit of the company from deficit coverage	-
<b>Total changes in the economic impact from surplus/deficit coverage</b>	<b>-</b>
<b>Total pension expenses in terms of employee benefit expenses during the period under review</b>	<b>497</b>

	Surplus/deficit coverage	Economical part of the organisation	Change to prior year period or recognised in the current result of the period	Contributions concerning the business period	Pension expenses within personnel expenses
	31.12.2015	31.12.2015			2015
Patronage pension institutions	-	-	-	-	-
Pension institution	3'726	-	-	-	445
<b>Total</b>	<b>3'726</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>445</b>

Composition of employee pension expenses	2015
Contributions to pension funds at the expense of the company	403
Contributions to pension plans made from the employer contribution reserve (ECR)	42
<b>Total contributions</b>	<b>445</b>
Changes in the employer contribution reserve stemming from asset performance, impairment, discounts, assessment of interest, etc.	-
<b>Total contributions and changes to employer contribution reserve</b>	<b>445</b>
Changes in the economic benefit of the company from surplus coverage	-
Changes in the economic benefit of the company from deficit coverage	-
<b>Total changes in the economic impact from surplus/deficit coverage</b>	<b>-</b>
<b>Total pension expenses in terms of employee benefit expenses during the period under review</b>	<b>445</b>

## 11 Property income

	2016	2015
Rental income excl. lump sum charges	50'291	48'901
Lump sum charges	1'307	1'338
Other property income	951	1'017
Decrease in income	-111	-63
<b>Total</b>	<b>52'438</b>	<b>51'193</b>

The item "Other property income" includes income from the sale of electricity from owned power stations in the amount of TCHF 883 for 2016 (2015: TCHF 772).

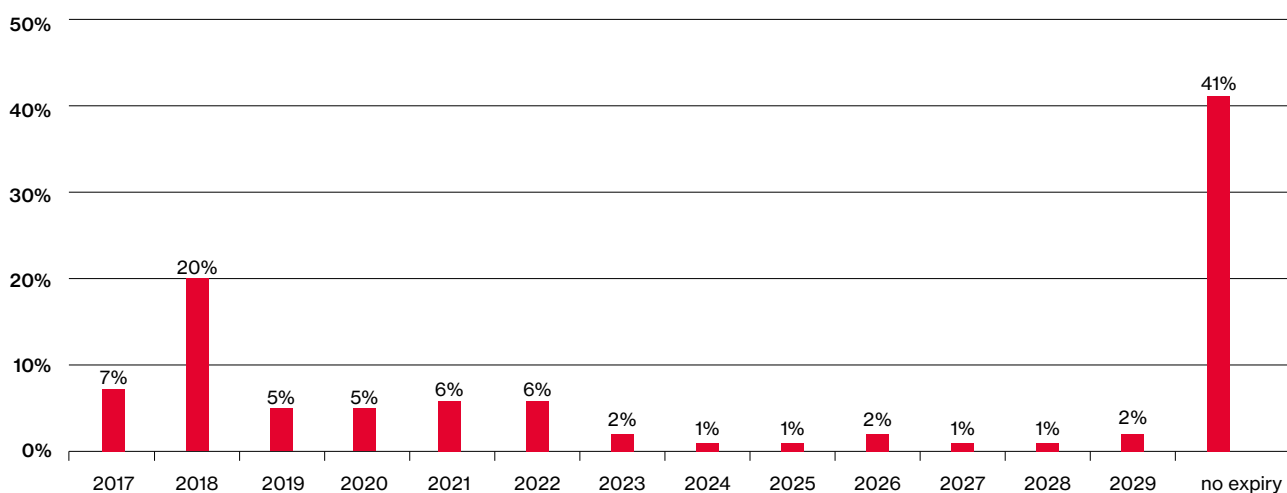
Most important tenants

HIAG's five most important tenants measured according to property income were (in alphabetical order): Athleticum Sportmarkets AG, Doka Schweiz AG, Hewlett Packard, Sieber Transport AG and Otto's AG.

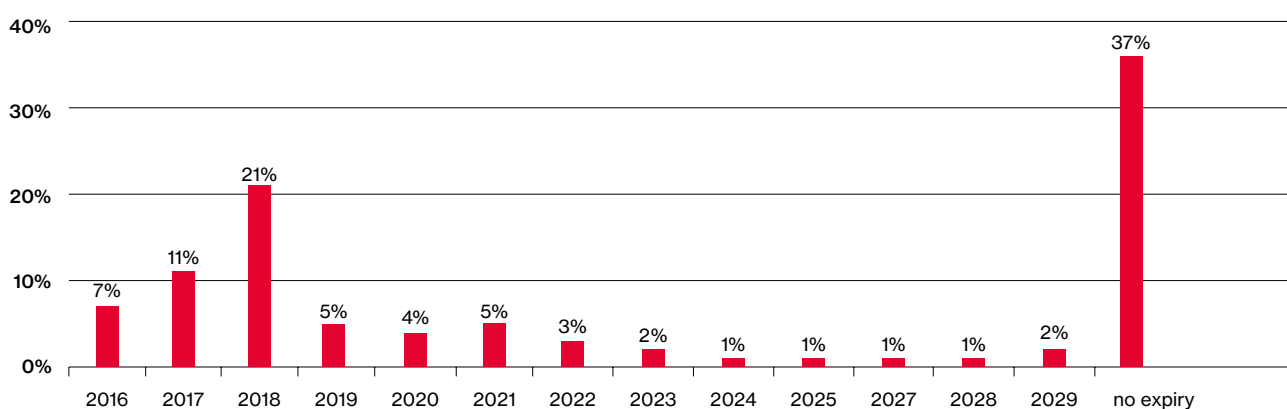
Share of property income represented by (%):	2016	2015
The largest tenant	5%	5%
The three largest tenants	12%	13%
The five largest tenants	19%	20%
The 10 largest tenants	32%	33%

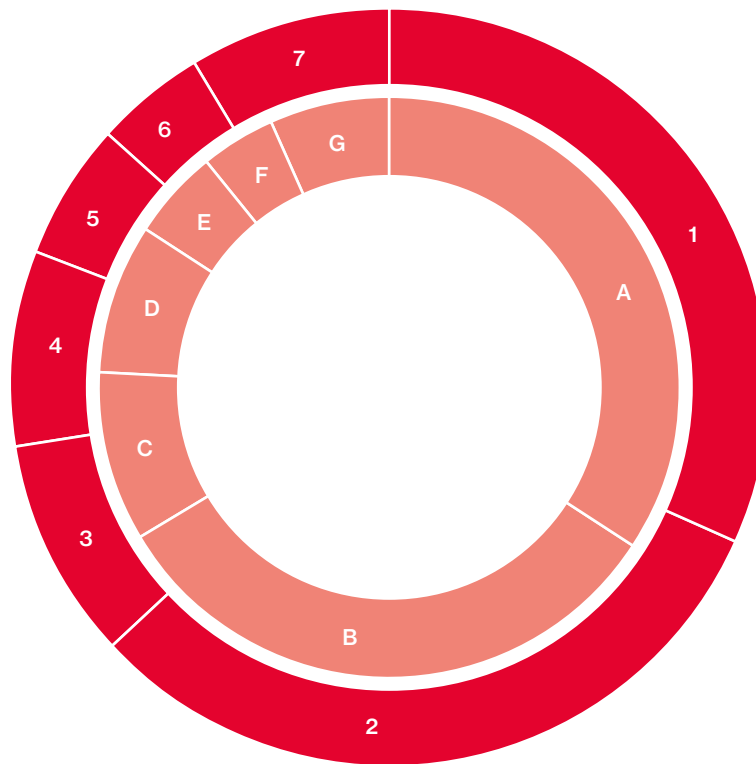
The overview of the expiry profile of rental agreements shows when the agreements can be terminated at the earliest.

Overview of expiry profile of rental agreements as at 31 December 2016



Overview of expiry profile of rental agreements as at 31 December 2015





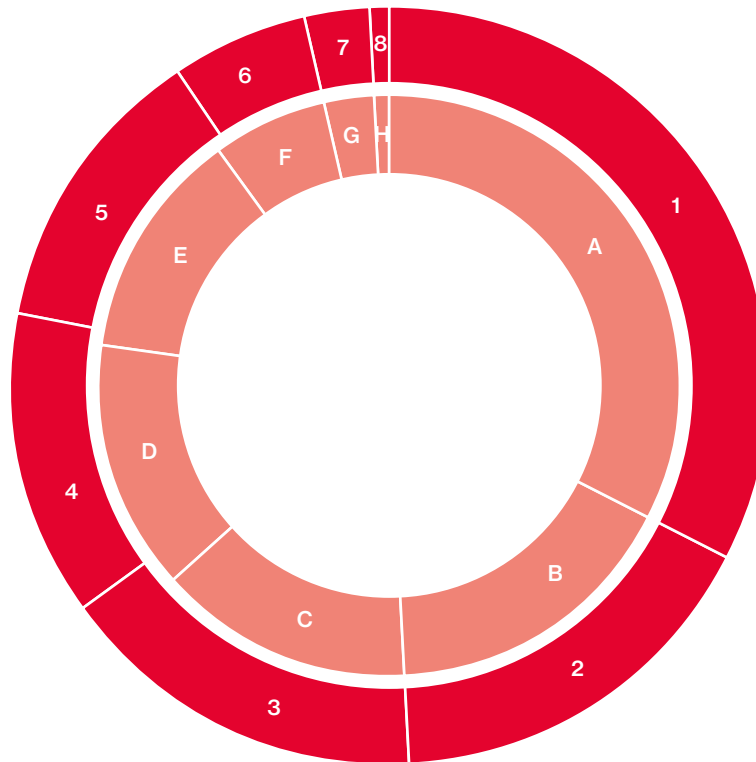
2016 █  
2015 █

**Property income  
according to canton as at 31 December 2016**

1	Aargau	31.8%
2	Zurich	31.5%
3	Baselland	9.3%
4	Geneva	8.5%
5	Solothurn	5.8%
6	Zug	4.6%
7	Miscellaneous	8.5%

**Property income  
according to canton as at 31 December 2015**

A	Aargau	34.3%
B	Zurich	32.3%
C	Baselland	9.2%
D	Geneva	8.3%
E	Zug	5.0%
F	Solothurn	4.2%
G	Miscellaneous	6.6%



2016 █  
2015 █

**Property income according to use as at 31 December 2016**

1	Industry, commercial	32.7%
2	Retail	16.5%
3	Distribution, logistics	15.9%
4	Office	13.0%
5	Residential	12.5%
6	Residential and commercial	5.7%
7	Miscellaneous	2.8%
8	Building land	0.8%

**Property income according to use as at 31 December 2015**

A	Industry, commercial	32.7%
B	Distribution, logistics	14.2%
C	Retail	16.7%
D	Residential	13.8%
E	Office	12.6%
F	Residential and commercial	6.4%
G	Miscellaneous	2.8%
H	Building land	0.8%

Vacancy rate

	2016	2015
Yielding properties	11.7%	11.1%
Yielding properties undergoing repositioning <sup>1</sup>	32.5%	32.4%
Redevelopment properties	15.2%	19.3%
<b>Total portfolio</b>	<b>15.3%</b>	<b>16.0%</b>

<sup>1</sup> Mandachstrasse 50–56 ZH, Lorzenparkstrasse 2–16 ZG and Sternenfeldpark 14 BL

On like-for-like basis (without taking into account the acquisition of Yverdon-les-Bains), the vacancy rate was 11.4% for yielding properties and 15.2% for the total portfolio.

**12 Revaluation of properties (net)**

	2016	2015
Positive adjustments	41'832	42'440
Negative adjustments	-24'216	-17'832
Adjustments to properties to be sold	2'351	6'679
Adjustments of costs for environmental risks	-6	206
<b>Total</b>	<b>19'962</b>	<b>31'493</b>

The most significant adjustments were carried out for properties in St. Margrethen (TCHF 4'801), Biberist (TCHF 4'472), Yverdon-les-Bains (TCHF 3'774), Meyrin (TCHF 3'382), Wetzikon (TCHF 2'823), Dietikon (TCHF -1'135), Niederhasli (TCHF -1'831) and Klingnau (TCHF -1'980). Out of a total of 120 properties, 63 underwent positive adjustments, 53 properties were affected by negative adjustments and four properties showed no change.

**13 Other operating income**

	2016	2015
Services rendered to third parties	790	1'014
Other operating income	1'161	2'050
Allowance other operating income	-850	-200
<b>Total</b>	<b>1'101</b>	<b>2'864</b>

“Services rendered to third parties” includes the Executive Board, asset management and technical administrative management of the pension fund “HIAG Pensionskasse”, and human resources services for companies affiliated with “HIAG Pensionskasse”.

Compensation for further use of areas over the rental term is listed under the item “Other operating income” in 2016 (TCHF 900, 2015: TCHF 1'200). A write-down of TCHF 850 is connected with this compensation and was recorded due to credit-worthiness risks.

#### 14 Capitalised services

	2016	2015
Thereof personnel expenses	22	0
Thereof office and administrative expenses (third-party development services)	67	0
<b>Total</b>	<b>89</b>	<b>0</b>

The internally developed services in connection with HIAG Data's IT infrastructure, which were capitalised in 2016, amounted to TCHF 89 (2015: TCHF 0).

#### 15 Personnel expenses

	2016	2015
Wages and salaries	5'765	6'057
Social security contributions	600	1'020
Non-recurrent capitalisation of the employer contribution reserve <sup>1</sup>	-1'089	-
Other personnel expenses	305	506
<b>Total</b>	<b>5'580</b>	<b>7'582</b>

<sup>1</sup> As the economic benefit of the employer contribution reserve became certain during the reporting year, an employer contribution reserve of TCHF 1'089 was capitalised.

	2016	2015
Employee headcount	49	47
- thereof insourced facility management	17	17
Full-time employees	42.3	39.2
- thereof insourced facility management	12.6	12.9

As at the reporting date, 32 persons were employed at the company's Basel, Zurich and Geneva locations (2015: 30 persons), including six employees active in site development, five in portfolio management, four in accounting, two in condominium sales and four in the field of Infrastructure as a Service.

## 16 Share-based compensation

For the Management Board, there is a variable component in the form of a Long Term Incentive Plan (LTIP). The time period of the current LTIP is five years (2014–2018). For the CEO and CFO, variable compensation is calculated under the LTIP based on the return on equity of the Group. For members of the Extended Executive Board (site developers and the head of portfolio management), the LTIP is calculated based on revaluation of properties of the real estate portfolio of the HIAG Immobilien Group during the relevant time period. Incidentally, the same rules apply with regard to share and cash components, which are explained below. The threshold for the incentive based on return on equity is an average ROE of 6% with an upper limit of 13% over the time period of the LTIP. The threshold for the incentive based on revaluation of the real estate portfolio is an average annual property revaluation of CHF 10 million (cumulated CHF 50 million) with a cumulative upper limit of CHF 70 (cumulative upper limit of CHF 350 million) for the entire relevant time period. The bonus envelope for the Management Board under the current LTIP is limited to a total of CHF 14 million. The upper limit of the bonus envelope represents a participation of nearly 2.8% to the value created for the shareholders. Of the incentive, 50% is set aside annually in the form of employee shares barred from sale. The basis for calculation is the average return or increase in value as at the end of the respective year starting from the beginning of the calculation period applying the high water mark principle. The shares may be acquired by the members of the Management Board with a retention period of five years from the date of acquisition; these acquired shares are non-forfeitable. Shares are allocated according to the proportional incentive programme for members of the Management Board with a discount of 25.274%. The share component under the LTIP can be paid from the contingent capital or from the company's own holdings of treasury shares. The other 50% of the LTIP is the cash component. It is paid out only if the member of the Management Board in question is regularly employed as at 30 June 2019.

The LTIP has an impact of TCHF 236 (2015: TCHF 1'077) on net income for the period, of which the cash component constitutes TCHF 142 (2015: TCHF 469) (with provisions as the corresponding opposite item) and the share component TCHF 94 (2015: TCHF 608) (with shareholder's equity as the corresponding opposite item). For the cash component, which will be paid out in 2019, the cumulative provision as at 31 December 2016 amounted to TCHF 1'000 (2015: TCHF 858).

## 17 Energy and building maintenance

The item "Energy and building maintenance" includes incidental costs in the amount of TCHF 1'307 that were billed to tenants (2015: TCHF 1'338). These billings to tenants are recorded under "Property income".



## 18 Office, administrative and development expenses

	2016	2015
Office, administrative and development expenses	2'931	3'273
- thereof property expenses	1'529	1'416

Property expenses primarily consist of local property administration fees, initial letting fees and appraisal fees. During the reporting year, a TCHF 1'500 provision for VAT risks from a company that was acquired in the past was released.

The expenses under office, administrative and development expenses for the IaaS segment amounted to TCHF 607 during the reporting year (2015: TCHF 95).

## 19 Rent and leases

	2016	2015
Office rent and leases	503	539
Data Centre rent	120	0
Building rights	812	804
<b>Total</b>	<b>1'435</b>	<b>1'343</b>

## 20 Amortisation

	2016	2015
Other property, plant and equipment	365	565
Other intangible fixed assets	12	13
IT and network infrastructure	68	-
<b>Total</b>	<b>445</b>	<b>578</b>

## 21 Financial income

	2016	2015
Interest income	1	228
Securities income	27	30
Exchange rate profit	-	78
Other financial income <sup>1</sup>	190	49
Financial income from the purchase of participations	186	-
Release of interest rate risk <sup>2</sup>	350	-
Adjustment of securities at market prices	-	40
<b>Total</b>	<b>753</b>	<b>425</b>

<sup>1</sup> Thereof TCHF 124 corresponding to the difference between the received equivalent and the repayment value of the bond, which is amortised in the income statement.

<sup>2</sup> Based on the new provisions of the withholding tax law, a provision was released for default interest in connection with a late notification of an intra-group dividend from the 2010 business year.

## 22 Financial expenses

	2016	2015
Interest expenses from bank financing	3'617	4'260
Interest expenses from bonds	1'575	500
Bank fees and bank interests	137	130
Adjustment of securities at market prices	74	-
Other capital expenditure <sup>1</sup>	241	175
<b>Total</b>	<b>5'644</b>	<b>5'065</b>

<sup>1</sup> In 2016, contains proportional issuing costs of the bond (TCHF 86), which are amortised over the maturity of the bond in the income statement (2015: TCHF 29)

The average interest rates paid for liabilities to banks came to 1.1% in the period under review (2015: 1.0%). The fluctuation corridor for interest rates was between 0.7% and 3.4% (2015: between 0.5% and 3.0%). Interest rates for construction loans concerning site development projects amounting to TCHF 331 were capitalised (2015: TCHF 463).

## 23 Taxes

	2016	2015
Income taxes	396	29
Deferred taxes	2'436	6'273
Capitalisation of tax losses carried forward	-2'314	-5'990
Use of tax losses carried forward	3'809	0
<b>Total</b>	<b>4'327</b>	<b>312</b>

In the period under review, TCHF 2'436 in provisions was generated for deferred taxes (2015: TCHF 6'273).

During the 2016 business year, TCHF 4'495 of economic benefit from tax losses carried forward were reported in the balance sheet (2015: TCHF 5'990), as it is probable that taxable profits could be offset with tax losses carried forward. The capitalisation corresponds to the expected economic benefit for the next 12 months. Of the capitalised tax losses carried forward as at 31 December 2015, TCHF 3'809 were used in the 2016 business year.

The companies belonging to the Group disposed of non-capitalised losses carried forward totalling TCHF 14'138 (2015: TCHF 40'774). The potential tax reductions made possible by these not yet capitalised tax losses carried forward amounted to TCHF 2'015 as at 31 December 2016 (2015: TCHF 5'779).

The average tax rate, which was calculated based on ordinary earnings, amounted to 16.1% in 2016 (2015: 15.7%). The tax effect from the use of off-balance sheet tax losses carried forward amounted to TCHF 231 in 2016 (2015: TCHF 3'627).

## 24 Leasing liabilities

Liabilities from off-balance sheet operating leasing activities mature as follows:

	2016	2015
Up to 1 year	611	485
Between 2 and 4 years	1'751	1'454
Over 5 years	2'437	2'146
<b>Total</b>	<b>4'800</b>	<b>4'085</b>

The off-balance sheet liabilities from operating leasing activities are related mainly to the rental agreements of the three HIAG offices in Basel, Zurich and Geneva.

## 25 Other transactions with related parties

	2016	2015
Trade receivables	238	-
Financial assets	270	-

The Safe Swiss Cloud AG is to be considered a related party. All transactions between companies of the HIAG Group and Safe Swiss Cloud AG were concluded at market conditions. The following transactions took place during the reporting year:

- Safe Swiss Cloud received a loan for a total of TCHF 270 from two HIAG companies (2015: TCHF 0). The loans are subject to market rate interest.
- HIAG Data AG acquired the infrastructure built by Safe Swiss Cloud AG with an unlimited license from a leasing contract.
- HIAG Data AG, HIAG IaaS Operations AG and HIAG Immobilien Schweiz AG invoiced for "Infrastructure as a Service" services TCHF 216 and for other services TCHF 22 (2015: TCHF 0).

## 26 Shareholders' equity

### Composition of share capital

	2016	2015
Registered shares as at 31 December (nominal value of CHF 1.00)	8'035'885	8'000'000
<b>Total</b>	<b>8'035'885</b>	<b>8'000'000</b>

On 31 December 2016, share capital consisted of 8'035'885 registered shares at a nominal value of CHF 1.00 (2015: 8'000'000). Each share is entitled to one vote. Pursuant to Article 3 of the Articles of Incorporation, the Board of Directors is authorised to increase the share capital of the company by a maximum of TCHF 1'600 until 19 April 2018. As at 31 December 2016, conditional share capital came to TCHF 364 (2015: TCHF 400), and 35'885 shares were exercised as part of the capital increase on 23 December 2016 (see Statement on Shareholders' Equity) (2015: TCHF 0).

The non-distributable statutory and legal reserves come to TCHF 1'491 (2015: TCHF 1'400).

### Earnings and shareholders' equity (NAV) per share

in CHF	01.01.2016– 31.12.2016	01.01.2015– 31.12.2015
Net income	46'374	59'491
Time-weighted average number of shares outstanding	8'000'787	8'000'000
Earnings per average registered share outstanding	5.80	7.44
Undiluted earnings per share	5.80	7.44
Diluted earnings per share	5.80	7.44
in CHF	31.12.2016	31.12.2015
Shareholders' equity (NAV) per outstanding registered share, before deferred taxes	99.15	96.49
Shareholders' equity (NAV) per outstanding registered share, after deferred taxes	90.73	88.59

As at 31 December 2016 there were no dilutive effects.

## 27 Significant shareholders

The following shareholders or shareholder groups were recognised by the Board of Directors as at the reporting date as each holding more than 3% of voting rights in the company:

in CHF	31.12.2016	31.12.2015
Lock-up group composed of:	65.0%	65.3%
SFAG Holding AG		
Dr. Felix Grisard		
Salome Grisard Varnholt		
Andrea Grisard		
HIAG Beteiligung Holding AG <sup>1</sup>		

<sup>1</sup> HIAG Beteiligung Holding AG is controlled by Felix Grisard

The members of this shareholder group signed a shareholders' agreement on 14 April 2014 concerning shares of SFAG Holding AG. With 49.8% of shares, SFAG Holding AG is the main shareholder of HIAG Immobilien Holding AG. By signing these shareholders' agreements, the shareholders of SFAG Holding AG and SFAG Holding AG became a group within the meaning of Art. 121 of the FINMA Stock Exchange Ordinance.

### Shares held by current members of the executive and supervisory bodies

	31.12.2016	31.12.2015
Dr. Felix Grisard, President of the Board of Directors <sup>1</sup>	554'995	554'995
Salome Grisard Varnholt, member of the Board of Directors <sup>1</sup>	282'896	282'896
Dr. Walter Jakob, member of the Board of Directors	2'500	2'500
John Manser, Member of the Board of Directors	3'000	3'000
Martin Durchschlag, CEO	207'397	204'952
Laurent Spindler, CFO	3'435	2'608
Ralf Küng, member of the Extended Executive Board	5'791	5'134
Hans-Lukas Fehr, member of the Extended Executive Board	5'791	5'134
Alex Römer, member of the Extended Executive Board	5'791	5'134
Thorsten Eberle, member of the Extended Executive Board	3'521	2'864
Michele Muccioli, member of the Extended Executive Board	2'700	2'042
Yves Perrin, member of the Extended Executive Board	20'198	5'133
<b>Total</b>	<b>1'098'015</b>	<b>1'076'392</b>

<sup>1</sup> Dr. Felix Grisard and Salome Grisard Varnholt jointly hold directly and indirectly two thirds of the shares of SFAG Holding AG, which is the main shareholder of HIAG Immobilien Holding AG with 49.8% of shares. They are also members of the Board of Directors of SFAG Holding AG.

In connection with the share component of the LTIP, the Extended Executive Board acquired 6'699 shares during the 2016 business year (2015: 5'011 shares).

## 28 Treasury shares

The company held no treasury shares as at 31 December 2016. In 2015, 5'114 shares of HIAG Immobilien Holding AG were purchased by the company for a total amount of TCHF 459. These 5'114 shares were sold to Group employees, primarily to members of the Management Board, in connection with the Long Term Incentive Plan.

## 29 Other pledged assets

The 2'732 WIR voting shares, which are listed under "Other financial assets" at a value of TCHF 1'133 (2015: TCHF 1'181), are pledged as part of an existing financing agreement with WIR Bank. In 2015, shares of subsidiaries in the amount of TCHF 106'349 (investment value) were pledged as part of financing agreements (2016: TCHF 0).

## 30 Assets assigned to secure own liabilities

	2016	2015
Other current receivables (escrow account)	1'350	-

## 31 Contingent liabilities and other obligations not recognised in the balance sheet

	2016	2015
Guarantees to third parties	2'392	-

### 32 Treatment of goodwill

Goodwill is recorded under retained earnings at the time of purchase. The impact of a goodwill useful life of five years on shareholders' equity and the result is documented below.

Impact of a theoretical capitalisation of goodwill on the balance sheet:

	2016	2015
Reported shareholders' equity	729'126	708'721
Equity ratio	54.6%	54.4%
Acquisition value of goodwill		
As at the beginning of the business year	1'276	1'276
Additions	-	-
Disposals	-	-
As at the end of the business year	1'276	1'276
Accumulated amortisation		
As at the beginning of the business year	319	64
Amortisations for the current year	255	255
Disposals	-	-
As at the end of the business year	574	319
Theoretical net book value of goodwill	702	957
Theoretical shareholders' equity including net book value of goodwill	729'828	709'678
Theoretical equity ratio	54.7%	54.5%

Impact of a theoretical capitalisation of goodwill on net income:

	2016	2015
Net income	46'374	59'491
Theoretical amortisation of goodwill	-255	-255
Net income after amortisation of goodwill	46'119	59'236

### 33 Segment reporting

The main business activities of the group include the management of the yielding properties and redevelopment activities. Consequently, reporting is broken down according to the segments "Yielding portfolio" and "Redevelopment portfolio".

HIAG Data was for the first time on the market during the fourth quarter of 2016. HIAG Data provides an intelligent IT infrastructure platform for IT service providers throughout Switzerland. This infrastructure is composed of a Switzerland-wide carrier-independent fibre optic cable network, the anchor sites of Biberist and Lugano, and IT infrastructure, which allow flexible scaling of computing and storage capacity based on open source technology and Microsoft AZURE. This business activity is listed in the segment "Infrastructure as a Service (IaaS)" starting in 2016.

The auxiliary activities with regard to the management, asset management and technical administrative management of the pension fund "HIAG Pensionskasse" as well as human resources services rendered to third parties are disclosed under the separate segment "Services".

The costs of central functions, such as finance and expenditures in connection with the Board of Directors, are disclosed in the segment "Corporate", while expenditures in connection with the Executive Board are listed under the segments according to their purpose. General company expenditure, such as auditing costs, taxes on capital, etc. are also disclosed under the segment "Corporate".

Segments 1 January 2016 to 31 December 2016

	Yielding portfolio	Redevelopment portfolio	IaaS	Services	Corporate	Group
Property income	41'285	11'098	54	-	-	52'438
Revaluation of properties (net)	1'062	18'899	-	-	-	19'962
Infrastructure as a Service (IaaS)	-	-	202	-	-	202
Other operating income	168	119	17	792	5	1'101
Own contribution	-	-	89	-	-	89
<b>Total operating income</b>	<b>42'516</b>	<b>30'115</b>	<b>362</b>	<b>792</b>	<b>5</b>	<b>73'791</b>
<b>Total operating expenses</b>	<b>7'834</b>	<b>5'496</b>	<b>1'325</b>	<b>634</b>	<b>2'465</b>	<b>17'754</b>
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>	<b>34'682</b>	<b>24'620</b>	<b>-963</b>	<b>158</b>	<b>-2'460</b>	<b>56'037</b>
<b>EBITDA before revaluation of properties</b>	<b>33'620</b>	<b>5'720</b>	<b>-963</b>	<b>158</b>	<b>-2'460</b>	<b>36'074</b>

Segments 1 January 2015 to 31 December 2015

	Yielding portfolio	Redevelopment portfolio	Services	Corporate	Group
Property income	40'091	11'102	-	-	51'193
Other operating income	154	1'688	1'016	6	2'864
Revaluation of properties	-88	31'580	-	-	31'493
<b>Total operating income</b>	<b>40'157</b>	<b>44'370</b>	<b>1'016</b>	<b>6</b>	<b>85'550</b>
<b>Total operating expenses</b>	<b>9'051</b>	<b>7'556</b>	<b>925</b>	<b>2'996</b>	<b>20'529</b>
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>	<b>31'106</b>	<b>36'814</b>	<b>91</b>	<b>-2'990</b>	<b>65'021</b>
<b>EBITDA before revaluation of properties</b>	<b>31'194</b>	<b>5'234</b>	<b>91</b>	<b>-2'990</b>	<b>33'529</b>



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# Report of the Statutory Auditor on the Consolidated Financial Statements

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Ernst & Young Ltd  
Aeschengraben 9  
P.O. Box  
CH-4002 Basel

Phone +41 58 286 86 86  
Fax +41 58 286 86 00  
www.ey.com/ch

To the General Meeting of  
HIAG Immobilien Holding AG, Basel

Basel, 14 March 2017

## Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of HIAG Immobilien Holding AG, which comprise the consolidated balance sheet, the consolidated statement of income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements (pages 81 to 120), for the year ended 31 December 2016.



### Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with Swiss GAAP FER, article 17 of the Directive on Financial Reporting (DFR) of SIX Swiss Exchange and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.



### Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



#### Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2016 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER and comply with article 17 of the Directive on Financial Reporting (DFR) of SIX Swiss Exchange and Swiss law.



#### Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibility* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

#### Valuation of Real estate properties, incl. Properties for sale

**Risk** As at 31 December 2016, Real estate properties and Properties for sale recognized in the company's consolidated balance sheet amounted to a total of kCHF 1'242'270, representing 93% of total consolidated assets. The valuation involves the work of an external real estate appraiser and is performed at fair value using the discounted cash flow method. The fair value assessment is based on assumptions, in particular with regard to development risks, rental income and sales revenue, discount rates, vacancy rates as well as operating, maintenance and repair costs.

The valuation of Real estate properties and Properties for sale is further discussed in section "Significant Accounting and Valuation Policies" and note 3 "Real estate properties" of the notes to the consolidated financial statements.

Due to the significance of the carrying amounts and the judgment involved in the assessment of the valuation, this matter was considered significant to our audit.

**Our audit response** As part of our audit, we assessed the objectivity, independence and competence of the external real estate appraiser. We involved our own real estate valuation specialists in evaluating the assumptions applied and compared these to corroborative sector data. Furthermore, we evaluated the underlying property-specific data used in the valuations, in particular with regard to development risks, rental income and sales revenue, discount rates, vacancy rates as well as operating, maintenance and repair costs.



#### Deferred tax liabilities

**Risk** The recorded Deferred tax liabilities are attributable mainly to valuation differences between the fair values and the values applicable for tax purposes. As at 31 December 2016, they amounted to kCHF 67'628. The Deferred tax liabilities are discounted at a rate of 2.25%

The discounting of Deferred tax liabilities is discussed in section "Significant Accounting and Valuation Policies" and note 9 "Deferred Taxes" of the notes to the consolidated financial statements.

Due to the significance of the carrying amounts and the judgment involved in determining these (fair value, remaining holding period, discount and tax rates), this matter was considered significant to our audit.

**Our audit response** With the involvement of our tax specialists we assessed the assumptions used in determining the Deferred tax liabilities. We compared the assumptions with those of the prior year and our expectations and analyzed deviations. In addition, we assessed the discounting of the deferred tax liabilities.



#### Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

André Schaub  
Licensed audit expert  
(Auditor in charge)

Fabian Meier  
Licensed audit expert

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# Independent Valuer's Report

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Wüest Partner AG, Bleicherweg 5, 8001 Zurich

HIAG Immobilien Holding AG  
Aeschenplatz 7  
4052 Basel

Zurich, 10 February 2017

Independent valuer's report  
Real Estate Property Valuation as at 31.12.2016

To the Executive Board of HIAG Immobilien Holding AG

Ref.  
04390.1620 to 104390.1627

#### Commission

Wüest Partner AG (Wüest Partner) was commissioned by the Executive Board of HIAG Immobilien Holding AG (HIAG) to perform a valuation, for accounting purposes, of the immovable properties held by HIAG in Switzerland as at 31 December 2016 (reporting date). The valuation encompasses all investment properties, sites and development properties, properties for sale, distinct and permanent rights (building rights), co-ownership shares, agricultural land as well as the power plants in Diesbach, Biberist, Oberaathal-Aabach, Wetzikon-Floos und Wetzikon-Schönau.

#### Valuation standards

Wüest Partner hereby confirms that the valuations were performed in accordance with national and international standards and guidelines.

The property values determined correspond to the current value (market value) as described in Swiss GAAP ARR 18, item 14.

#### Definition of fair value

«Fair value» is defined as the amount for which a property would most probably be exchanged on the open market on the valuation date between two independent and knowledgeable parties, willing to buy and sell respectively, with due allowance made for a reasonable marketing period.

Property transfer tax, property gains taxes, value added tax and other costs and commission fees that would be incurred if the property were sold are not included (gross market value). Nor is any account taken of HIAG's liabilities in respect of taxation (apart from ordinary property taxes) and financing costs.

#### Valuation method

In valuing HIAG's real estate holdings, Wüest Partner applied the discounted cash flow (DCF) method, by which the market value of a property is determined as the total of all projected future (100 years) net earnings discounted to the valuation

**Wüest Partner AG**  
Alte Börse  
Bleicherweg 5  
8001 Zurich  
Switzerland  
T +41 44 289 90 00  
wuestpartner.com  
Regulated by RICS

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date. Net income is discounted separately for each property with due allowance for specific opportunities and threats, and adjustment in line with market conditions and risks.

The real estates under construction were also valued using the discounted cash flow method (DCF). The fair value of the project as at valuation date is been inferred in three steps:

- Valuation of the property at the time of completion – taking into account the current occupancy/sales rate, the market and the cost estimation as at valuation date;
- Calculation of the market value as at valuation date, taking into account the projected investments still to be undertaken;
- Estimate of the development risk in relation to the current project status, and its treatment as a separate cash flow of a cost position.

#### **Basis of valuation**

Wüest Partner is familiar with all the properties, having carried out inspections and examined the documentation provided. The properties have been analysed in detail in terms of their quality and risk profiles (attractiveness and lettability of rented premises, construction type and condition, micro- and macro-location etc.). Currently vacant premises are valued with due allowance made for a reasonable marketing period.

Within the review period from 1 January 2016 to 31 December 2016, Wüest Partner visited 31 properties belonging to HIAG.

#### **Results**

A total of 118 investment properties and property units (investment properties, sites and development properties, properties for sale, distinct and permanent rights (building rights), co-ownership shares as well as agricultural land) were valued as at 31 December 2016 by Wüest Partner. The fair value of the property portfolio of HIAG (before deduction of contamination) is estimated as at 31 December 2016 at 1,270,321,680 Swiss Francs.

#### **Changes during reporting period**

Within the review period from 1 January 2016 to 31 December 2016 a property in Yverdon-les-Bains was acquired. At the same time, properties in Diesbach, Biberist, Windisch and Aathal-Seegräben were sold.

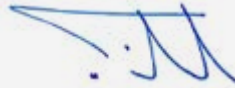
#### **Independence and confidentiality**

Wüest Partner performed the valuation of HIAG's real estate holdings independently and neutrally in conformity with its business policies. It was carried out solely for those purposes specified above; Wüest Partner shall accept no liability in respect of third parties.

Zurich, 10 February 2017  
Wüest Partner AG



Marco Feusi MRICS  
Partner



Peter Pickel MRICS  
Director

#### Annex: valuation assumptions

##### Investment properties

The investment property valuations are based on the following general assumptions:

- **Current value:** Investments, that are being held exclusively for yield purposes, are to be valued according to their fair value, their acquisition or construction costs, less the amortizations. The fair value is being estimated based on the future cash-flow or revenue, under consideration of an appropriate risk/return discount rate or other recognized valuation method. Appreciation, reappreciation or depreciation are to be registered in the periodic result.
- **Surface areas:** The lettable areas were factored into the valuations on the basis of the rent rolls of the HIAG and verbal information provided by HIAG. Discrepancies between this information and the property plans were verified with HIAG.
- **Rent rolls:** The rent rolls from HIAG used in the valuation are dated 1 January 2017 and were received during the period of November 2016 and January 2017.
- **Calculation model:** The DCF model adopted is a one-period model. The valuation period extends for 100 years from the valuation date with an implicit residual value during the eleventh period. Exceptions are possible in the case of leasehold properties with a corresponding reversion scenario.
- **Discounting:** Discounting is based on a risk-adjusted interest rate. Rates are determined individually for each property on the basis of appropriate benchmarks derived from arm's-length transactions. They may be broken down as follows: risk-free interest rate + property risk (immobility of capital) + premium for macro-location + premium for micro-location depending on use + premium for property quality and income risk + any other specific premiums. Real discount rates range between 2.25% and 7.00% depending on the property, use and location.
- **Inflation:** Unless otherwise stated, the valuations assume 0.5 per cent annual inflation for income and all expenditure. Where a nominal discount rate is applied, this is adjusted accordingly.
- **Indexation:** Specific indexation of existing rental agreements is accounted for on an individual basis. After expiry of the contracts, an indexation factor of 80 per cent (Swiss average) and an average contract term of 5 years are assumed.
- **Credit Risks:** Credit risks posed by specific tenants are not explicitly factored into the valuation.
- **Timing of payments:** For existing tenancies, the timing of individual payments is assumed to comply with the terms of the lease. Following lease expiry, cash flows for commercial premises are taken to be quarterly in advance, for housing monthly in advance.
- **Recoverability of ancillary costs:** In terms of running costs, entirely separate service charge accounts are assumed, with no tenancy-related ancillary costs to be borne by the owner.
- **Maintenance costs:** The maintenance (repair and upkeep) costs were calculated using a building analysis tool. This tool is used to estimate the remaining lifespan of individual components based on their present condition, to model periodic refurbishments and to calculate the associated annual renewal fund allowances. The calculated values are plausibility tested using cost benchmarks derived from Wüest Partner surveys.

#### **Sites and development properties**

Wüest Partner also determined the market values of the sites and development properties. The valuations of these projects are based on the following assumptions:

- **Partial plots:** Where appropriate, HIAG divides the properties into partial plots. For reasons of transparency, this subdivision is taken over by Wüest Partner in the valuations.
- **Project development strategy:** Where deemed plausible by Wüest Partner, the strategy in relation to project development/promotion (e.g. sale vs. letting) has been taken over from HIAG.
- **Background data:** The background data of HIAG are verified and adjusted where appropriate (e.g. utilization, lettable areas, schedule/development process, rental/absorption).
- **Impartial view:** The valuations are subjected to an impartial assessment of income, costs and investment returns.
- **Design-and-build or general service contracts:** With regard to the service contracts of general and design-and-build contractors, it is assumed that construction costs have been secured.
- **Services provided by project developers:** The construction costs include the services of HIAG as the developer's representative and the project developer.
- **Sale costs:** In the case of sections of properties earmarked for sale (e.g. condominiums), costs of sale have been taken into account in the valuations.
- **Preparatory work:** Where known, preparatory work is taken into account in construction costs (e.g. remediation of legacy contamination, demolition work, infrastructure).
- **Incidental costs:** Construction costs include the usual incidental costs such as construction finance, but exclude financing of the plot of land. These costs are implicitly included in the DCF model.
- **Services provided to date:** Where known, value-relevant services provided to date by third parties or by HIAG in the form of investments made are taken into account.
- **VAT opt-in:** It is assumed that the income from the planned commercial properties is subject to VAT. The construction costs are therefore presented exclusive of VAT.
- **Deferred taxes:** The valuations do not include any deferred taxes.



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# EPRA Key Performance Figures

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## Key HIAG performance figures according to EPRA

The HIAG Group reports its key performance figures as per the Best Practice Recommendations of the EPRA Reporting and Accounting Committee. The European Public Real Estate Association is an association of leading European companies in the real estate industry.

### A EPRA earnings & EPRA earnings per share

In TCHF except for the number of shares and the key figures per share	2016	2015
<b>Earnings as per FER income statement</b>	<b>46'374</b>	<b>59'491</b>
(i) Income from property revaluation	-17'616	-24'816
(ii) Income from sale of promotion projects	-2'346	-6'677
(iii) Proportionate current tax on income from sales of promotion projects	-	-
(iv) Transaction costs for the purchase of enterprises and related companies	194	-
(v) Deferred taxes on EPRA adjustments and capitalization of tax losses carried forward	3'931	283
<b>EPRA earnings</b>	<b>30'537</b>	<b>28'281</b>
Average number of shares outstanding	8'000'787	8'000'000
<b>EPRA earnings per share</b>	<b>3.8</b>	<b>3.5</b>

### B EPRA Net Asset Value (NAV) and equity ratio as per EPRA NAV

In TCHF except for the number of shares and the key figures per share	2016	2015
<b>NAV as per consolidated financial statements</b>	<b>729'126</b>	<b>708'721</b>
(i) Dilution effect of exercise of options, convertibles and other equity interest	514	-49
(ii) Deferred taxes	67'628	63'211
<b>EPRA NAV</b>	<b>797'268</b>	<b>771'883</b>
Number of shares outstanding (diluted)	8'035'885	8'000'000
<b>EPRA NAV per share</b>	<b>99.2</b>	<b>96.5</b>
Balance sheet total	1'334'132	1'303'087
<b>Equity ratio as per EPRA NAV</b>	<b>59.8%</b>	<b>59.2%</b>

### C Triple Net Asset Value (NNNAV)

In TCHF except for the number of shares and the key figures per share	2016	2015
<b>EPRA NAV</b>	<b>797'268</b>	<b>771'883</b>
(i) Deferred taxes	-67'628	-63'211
<b>EPRA NNNAV</b>	<b>729'640</b>	<b>708'721</b>
Number of shares outstanding	8'035'885	8'000'000
<b>EPRA NNNAV per share</b>	<b>90.8</b>	<b>88.6</b>

### D EPRA net return from rental income

in TCHF	2016	2015
Investment properties – wholly owned	1'176'285	1'106'952
Properties held for sale (promotion projects)	65'985	117'100
Less development properties (building land, investment properties under construction, promotion projects)	-486'759	-507'035
<b>Value of the completed property portfolio</b>	<b>755'511</b>	<b>717'017</b>
<b>Adjusted value of the completed property portfolio</b>	<b>755'511</b>	<b>717'017</b>
Annualised cash-passing rental income	41'753	39'121
Direct expenses of investment properties	-7'834	-9'051
<b>Annualised net rental income</b>	<b>33'919</b>	<b>30'070</b>
<b>“Topped-up” net rental income</b>	<b>33'919</b>	<b>30'070</b>
EPRA net return from rental income	4.50%	4.2%
EPRA “topped-up” net return from rental income	4.50%	4.2%

### E EPRA vacancy rate

in TCHF	2016	2015
Estimated rental income potential from vacant space	7'520	6'937
Estimated rental income from overall portfolio	49'273	46'058
EPRA vacancy rate	15.3%	15.0%

### Adjusted EPRA vacancy rate (excl. investment properties undergoing repositioning!)

in TCHF	2016	2015
Estimated rental income potential from vacant space	4'787	4'176
Estimated rental income from overall portfolio	40'832	37'538
Adjusted EPRA vacancy rate	11.7%	11.1%

<sup>1</sup> Properties Mandachstrasse 50–56 ZH, Lorzenparkstrasse 2–16 ZG and Sternenfeldpark 14 BL

The key figure definitions given above were expressed in German by HIAG. In case of any ambiguities, the English version under [www.epra.com](http://www.epra.com) takes precedence.

# Individual Financial Statement 2016

## Balance Sheet

in TCHF	31.12.2016	31.12.2015
Cash and cash equivalents	12'366	13'126
Other current receivables due from third parties	37	32
Other current receivables due from the Group	325	296
Other current receivables due from shareholders	-	8'767
Tax receivables	300	296
Prepayments and accrued income	776	330
<b>Current assets</b>	<b>13'803</b>	<b>22'847</b>
Financial assets due from related parties	70	-
Financial assets due from the Group	365'619	313'599
Financial assets due from shareholders	3'700	-
Participations - Group	80'609	80'609
Participations - Related parties	275	-
<b>Non-current assets</b>	<b>450'273</b>	<b>394'208</b>
<b>Assets</b>	<b>464'076</b>	<b>417'055</b>
Trade payables	196	98
Other current liabilities	53	15
Accrued expenses and deferred income	2'243	1'558
<b>Current liabilities</b>	<b>2'491</b>	<b>1'671</b>
Non-current interest-bearing liabilities to banks	215'000	145'000
Other non-current liabilities	4'500	4'500
<b>Non-current liabilities</b>	<b>219'500</b>	<b>149'500</b>
<b>Total liabilities</b>	<b>221'991</b>	<b>151'171</b>
<b>Share capital</b>	<b>8'036</b>	<b>8'000</b>
Statutory capital reserves	1'491	1'400
Statutory reserves from capital contribution	75'500	100'954
<i>Total statutory capital reserves</i>	<i>76'991</i>	<i>102'354</i>
Statutory retained earnings	8'959	8'959
Voluntary retained earnings	108'000	108'000
Amount carried forward from previous year	38'480	36'756
Net income	1'619	1'815
<i>Distributable profit</i>	<i>40'099</i>	<i>38'571</i>
<b>Shareholders' equity</b>	<b>242'085</b>	<b>265'884</b>
<b>Liabilities and shareholders' equity</b>	<b>464'076</b>	<b>417'055</b>

## Income Statement

in TCHF	2016	2015
Financial income	4'955	4'672
Other operating income	5	6
<b>Operating income</b>	<b>4'960</b>	<b>4'678</b>
Personnel expenses	-123	125
Insurance and fees	49	20
General operating expenses	121	106
Office and administrative expenses	992	735
Communication expenses	304	523
Financial expenses	1'998	1'355
<b>Operating expenses</b>	<b>3'341</b>	<b>2'864</b>
<b>Earnings before taxes (EBT)</b>	<b>1'619</b>	<b>1'814</b>
Taxes	-	-1
<b>Net income</b>	<b>1'619</b>	<b>1'815</b>

## Notes to the income statement

### Company information

HIAG Immobilien Holding AG is a joint stock company under Swiss law with its headquarters in Basel. HIAG Immobilien Holding is the parent company of the HIAG Immobilien Holding Group, which establishes its consolidated financial statements in accordance with Swiss GAAP FER.

### Financial reporting law applied

This financial statement was established in accordance with the provisions of Swiss financial reporting law (Title 32 of the Code of Obligations).

### Accounting principles applied in this financial statement

#### Participations

**The investments are valued at the acquisition cost minus impairments carried out for business reasons.**

#### Other current receivables due from the Group

**This item includes current accounts with Group companies.**

#### Financial assets

**Financial assets include long-term loans with Group companies, shareholders, Group employees or third parties.**

#### Definition of "Group"/"Shareholders"/"Related parties"

**"Group" is related to companies of the HIAG Immobilien Holding Group, "Shareholders" is primarily related to the Executive Board and "Related parties" is related to the company Safe Swiss Cloud AG.**

**Receivables and current accounts are listed under "Current assets" and long-term loans under "Fixed assets".**

#### Interest-bearing financial liabilities

**Mortgages, other collateralised financing and bonds are listed as "Interest-bearing liabilities to banks". Mortgages and other collateralised financing are recorded in the balance sheet at nominal value.**

**Bonds are also recorded in the balance sheet at nominal value. Transaction costs are amortised in the income statement over the maturity of the bond. The difference between the received equivalent and the repayment value of the bond are also amortised in the income statement.**

**Financing or repayments due within a period of 12 months are classified as current.**

#### Estimates and assessments

**Financial statements require estimates and assessments from the Board of Directors that could influence the amount of reported assets and liabilities as well as contingent liabilities at the time the balance sheet is being prepared, in addition to expenditures and income of the period under review. In each case, the Board of Directors makes a discretionary decision regarding use of available leeway in statutory evaluation and reporting. Therefore, under the conservatism principle, depreciation, amortisation and provisions can be generated over and beyond the operationally necessary amount if it is in the best interest of the company.**

#### Personnel Expenses

**If the employer's own shares are issued as part of employee share or option plans, in principle, the positive difference between the cost price or book value of the treasury share and the amount paid by the employee (exercise price) constitutes personnel expenses.**

#### Direct taxes

**Taxes on earnings are listed under "Taxes" whereas capital or property taxes are listed under "General operating expenses".**

#### Non-inclusion of additional information in the notes

**As HIAG Immobilien Holding AG establishes consolidated financial statements in accordance with an accepted accounting standard (Swiss GAAP FER), it has not included additional information in the notes.**

### Statutory reserves from capital contribution

**The capital contributions in the amount of TCHF 72'954 reported to the Swiss Federal Tax Administration (ESTV) as of 29 September 2016 were recognised by the ESTV in the amount of TCHF 69'761.**

**Due to the dividend payout in April 2016 and the capital increase in December 2016, the statutory reserves from capital contribution decreased by TCHF 25'454 to TCHF 75'500 as of 31 December 2016.**

### Information, break-downs and explanations regarding items in the balance sheet and income statement

	31.12.2016	31.12.2015
Participations – Group	80'609	80'609
Participations – Related parties	275	–
<b>Total participations</b>	<b>80'884</b>	<b>80'609</b>

### Summary of HIAG Immobilien Holding AG participations as at 31.12.2016

Company	City	Country	Share capital in TCHF	Participation/ Voting rights in %	Book value of the participation in TCHF
HIAG Immobilien Schweiz AG	Baar	CH	11'000	100.0%	78'373
HIAG Immobilien Menziken AG	Menziken	CH	100	100.0%	1'836
HIAG IaaS Operations AG <sup>1</sup>	Zurich	CH	400	100.0%	400
Safe Swiss Cloud AG	Basel	CH	210	26.2%	275
<b>Total</b>					<b>80'884</b>

<sup>1</sup> Swiss Datagrid AG AG changed its company name to HIAG IaaS Operations AG during the 2016 business year

**Shares of Safe Swiss Cloud AG were acquired on 23 December 2016 as part of a capital increase.**

### Important indirect participations as at 31.12.2016

Company	City	Country	Share capital in TCHF	Participation/ Voting rights
HIAG AG	Basel	CH	150	100%
HIAG Immobilien AG	Sankt Margrethen	CH	5'000	100%
HIAG Immobilier Léman SA	Aigle	CH	1'000	100%
Léger SA	Lancy	CH	400	100%
Weeba SA	Lancy	CH	100	100%
Pellarin-Transports SA	Lancy	CH	50	100%
Promo-Praille SA	Lancy	CH	200	100%
HIAG Data AG <sup>1</sup>	Zurich	CH	100	100%
Village 52 SA <sup>2</sup>	Yverdon-les-Bains	CH	100	100%

<sup>1</sup> Swiss Datahall AG changed its company name to HIAG Data AG during the business year.

<sup>2</sup> The company Village 52 SA was purchased on 5 September 2016.

**Based on the merger agreement dated 17 May 2016, Streiff AG was merged with HIAG Immobilien Schweiz AG.**

**HIAG AG performs services in the areas of employee pension funds and human resources.**

**HIAG Data AG and HIAG IaaS Operations AG provide an intelligent IT infrastructure platform for IT service providers throughout Switzerland. This infrastructure is composed of a Switzerland-wide carrier-independent fibre optic cable network, the anchor sites of Biberist and Lugano and IT infrastructure, allowing for flexible scaling of computing and storage capacity based on open source technology and Microsoft AZURE.**

**Safe Swiss Cloud AG offers cloud services based on open cloud technology. HIAG Data acquired the infrastructure platform developed by Safe Swiss Cloud AG and Safe Swiss Cloud uses it as an anchor client. HIAG Immobilien Holding AG does not intend to hold a long-term participation in Safe Swiss Cloud AG.**

**All other enterprises are real estate companies within the scope of HIAG's strategy with the purposes of maintaining, developing and selling properties.**

### Summary of HIAG Immobilien Holding AG participations as at 31.12.2015

Company	City	Country	Share capital in TCHF	Participation/ Voting rights in %	Book value of the participation in TCHF
HIAG Immobilien Schweiz AG	Baar	CH	11'000	100%	78'373
HIAG Immobilien Menziken AG <sup>1</sup>	Menziken	CH	100	100%	1'836
Swiss Datagrid AG <sup>2</sup>	Zurich	CH	400	100%	400
<b>Total</b>					<b>80'609</b>

<sup>1</sup> Swissfiberinvest Menziken AG changed its company name to HIAG Immobilien Menziken AG during the 2015 business year.

<sup>2</sup> Swiss Datagrid AG was established on 8 December 2015. The purpose of this company is to create and operate data centres and to provide other services in this field.

### Important indirect participations as at 31.12.2015

Company	City	Country	Share capital in TCHF	Participation/ Voting rights
HIAG AG	Basel	CH	150	100%
HIAG Immobilien AG	Sankt Margrethen	CH	5'000	100%
Streiff AG	Seegräben	CH	300	100%
HIAG Immobilier Léman SA	Aigle	CH	1'000	100%
Léger SA	Lancy	CH	400	100%
Weeba SA	Lancy	CH	100	100%
Pellarin-Transports SA	Lancy	CH	50	100%
Promo-Praille SA	Lancy	CH	200	100%

These companies are real estate companies within the scope of HIAG's strategy with the purposes of maintaining, developing and selling properties.

	31.12.2016	31.12.2015
Trade payables	196	98
Non-current interest-bearing liabilities to banks	215'000	145'000
Financial liabilities	–	45'000
Bonds	215'000	100'000

In July 2016, a fixed-rate bond for TCHF 115'000 was issued with a maturity of seven years. The proceeds were used primarily for the repayment of the Group's existing bank financing.

Benchmarks	Bond July 2016	Bond July 2015
Amount	TCHF 115'000	TCHF 100'000
Maturity	7 years (04.07.2016–04.07.2023)	6 years (01.07.2015–01.07.2021)
Interest rate	1.0%	1.0%
Listing	SIX Swiss Exchange	SIX Swiss Exchange
Security number	32'637'142	28'460'739
ISIN	CH0326371421	CH0284607394



## Individual Financial Statement

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in TCHF	31.12.2016	31.12.2015
<b>Share capital</b>	<b>8'036</b>	<b>8'000</b>
Registered shares as at 31 December (nominal value of CHF 1.00)	8'035'885	8'000'000

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A capital increase from contingent capital of 35'885 registered shares with a nominal value of CHF 1.00 per share took place on 23 December 2016 as per Art. 3b of the Articles of Incorporation.

The discount granted to the employees in relation to the capital increase that took place on 23 December 2016 (TCHF 874) has been recorded as a reduction of the statutory reserves from capital contribution.

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in TCHF	31.12.2016	31.12.2015
<b>Personnel expenses</b>	<b>-123</b>	<b>125</b>
- thereof constitution/(release) discount on the sale of HIAG Immobilien Holding AG shares to HIAG Group employees	-139	115
<b>Financial expenses</b>	<b>1'998</b>	<b>1'355</b>
- thereof issuing expenses <sup>1</sup>	86	29

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<sup>1</sup> Bond issuing expenses from July 2015 and July 2016 for a total of TCHF 745 are amortised in the income statement over the maturity of the bond (previous year: TCHF 350).

## Treasury shares

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TCHF except for the number of shares	Number of shares	2016	2015
<b>Book value as at 1 Jan.</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Purchase</b>	<b>0</b>	<b>0</b>	<b>459</b>
<b>Sale</b>	<b>0</b>	<b>0</b>	<b>459</b>
<b>Book value as at 31 Dec.</b>	<b>0</b>	<b>0</b>	<b>0</b>

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In 2015, 5'114 shares of HIAG Immobilien Holding AG were purchased by the company for a total amount of TCHF 459. These shares were sold primarily to members of the Executive Board in connection with the Long Term Incentive Plan. The company held no treasury shares as at 31 December 2016.

## Contingent liabilities

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	31.12.2016	31.12.2015
Guarantees to third parties	2'116	0

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## Significant shareholders

The following shareholders or shareholder groups were recognised by the Board of Directors as at the reporting date as each holding more than 3% of voting rights in the company:

Voting rights	31.12.2016	31.12.2015
Lock-up group composed of:	65.0%	65.3%
SFAG Holding AG		
Dr. Felix Grisard		
Salome Grisard Varnholt		
Andrea Grisard		
HIAG Beteiligung Holding AG <sup>1</sup>		

<sup>1</sup> HIAG Beteiligung Holding AG is controlled by Dr. Felix Grisard.

The members of this shareholder group signed a shareholders' agreement on 14 April 2014 concerning shares of SFAG Holding AG. By signing these shareholders' agreements, the shareholders of SFAG Holding AG and SFAG Holding AG became a group within the meaning of Art. 121 of the FINMA Stock Exchange Ordinance.

## Shares held by current members of the executive and supervisory bodies

	31.12.2016	31.12.2015
Dr. Felix Grisard, President of the Board of Directors <sup>1</sup>	554'995	554'995
Salome Grisard Varnholt, member of the Board of Directors <sup>1</sup>	282'896	282'896
Dr. Walter Jakob, member of the Board of Directors	2'500	2'500
John Manser, member of the Board of Directors	3'000	3'000
Martin Durchschlag, CEO	207'397	204'952
Laurent Spindler, CFO	3'435	2'608
<b>Total</b>	<b>1'054'223</b>	<b>1'050'951</b>

<sup>1</sup> Dr. Felix Grisard and Salome Grisard Varnholt are shareholders and Member of the Board of Directors of SFAG Holding AG, which holds 4'000'020 shares in HIAG Immobilien Holding AG. With 49.8% of shares, SFAG Holding AG is the majority shareholder of HIAG Immobilien Holding AG. Dr Felix Grisard and Salome Grisard Varnholt jointly hold two third of the shares of SFAG Holding AG directly and indirectly.

The shares held by the Extended Executive Board are disclosed in the notes to the Consolidated Financial Statements.

## Subsequent events

The Individual Financial Statements were approved by the Board of Directors on 14 March 2017. No significant events occurred between the balance sheet date and this point in time.

## Profit appropriation

in TCHF	31.12.2016	31.12.2015
Proposed appropriation of distributable profit		
Net income	1'619	1'815
Amount carried forward from previous year	38'480	36'756
Distributable profit	40'099	38'571
Attribution to the general statutory capital reserves	81	91
Amount carried forward to next year	40'018	38'480

**For the business year 2016, the Board of Directors will propose a cash distribution out of capital contribution reserves of CHF 3.60 per share or a maximum of TCHF 28'929 in total at the annual General Assembly on 20 April 2017.**

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# Report of the Statutory Auditor with Financial Statements

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Ernst & Young Ltd  
Aeschengraben 9  
P.O. Box  
CH-4002 Basel

Phone +41 58 286 86 86  
Fax +41 58 286 86 00  
www.ey.com/ch

To the General Meeting of  
HIAG Immobilien Holding AG, Basel

Basel, 14 March 2017

## Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of HIAG Immobilien Holding AG, which comprise the balance sheet, income statement and notes (pages 131 to 139), for the year ended 31 December 2016.



### Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.



### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



### Opinion

In our opinion, the financial statements for the year ended 31 December 2016 comply with Swiss law and the company's articles of incorporation.



### Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

#### Impairment of Group financial assets and participations

**Risk** As at 31 December 2016, Financial assets Group and Participations Group amounted to kCHF 446'228, representing 96% of the Company's total assets. Further details regarding the participations are included in the notes to the financial statements.

Due to the significance of the carrying amounts and the judgment involved in the assessment of the valuation, this matter was considered significant to our audit.

**Our audit response** We examined the Company's valuation model and analyzed the underlying key assumptions. We also assessed the historical accuracy of the Company's estimates and considered its ability to produce accurate long-term forecasts. Further, we evaluated the sensitivity in the valuation resulting from changes to the key assumptions applied and compared these assumptions to corroborating information.



#### Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

André Schaub  
Licensed audit expert  
(Auditor in charge)

Fabian Meier  
Licensed audit expert

# General Property Details

## Yielding Portfolio

Property ID	Canton	Municipality	Property	Main use <sup>1</sup>	Market value (CHFm)	Full occupancy property rent (CHFm)	Annualised property rent (CHFm)	Occupancy rate (%)	Net site area (m <sup>2</sup> )	Year of construction	Year of construction 2 <sup>3</sup>	Discount factor (%)	Ownership (%)	Register of polluted sites (KbS)	Compulsory surveillance	Obligatory remediation	Lettable area (% m <sup>2</sup> )							Full occupancy property income (CHF '000)									
																	Residential	Office	Retail	Logistics	Storage	Others	Total	Residential	Office	Retail	Logistics	Storage	Others	Total			
10101	ZH	Dietikon	Riedstrasse 3	Retail	52.4	3.0	2.8	94.0%	13,690	1982	2002	2007	4.5	Sole ownership	100%	Yes	–	–	–	13%	37%	8%	5%	38%	17,003	–	0.4	1.3	0.2	0.1	1.0	3.0	
10102	ZH	Dietikon	Riedstrasse 5	Retail	44.7	2.2	2.2	100.0%	13,500	1982	–	1993	4.5	Sole ownership	100%	No	–	–	–	7%	80%	–	13%	–	9,240	–	0.1	1.9	–	0.0	0.2	2.2	
10103	ZH	Dietikon	Riedstrasse 7–9	Retail	29.5	1.6	1.4	90.4%	10,543	1982	–	–	4.5	Sole ownership	100%	No	–	–	–	–	94%	–	6%	–	11,854	–	–	1.3	0.1	0.1	0.1	1.6	
10104	ZH	Dietikon	Riedstrasse 11	Others	0.3	0.0	0.0	100.0%	930	–	–	–	4.4	Sole ownership	100%	No	–	–	–	–	–	–	–	–	–	–	–	–	–	–	0.0	0.0	
10201	AG	Kleindöttingen	Industriestrasse 39–41	Industrial	30.7	1.4	1.3	97.8%	65,356	1997	2007	–	4.9	Sole ownership	100%	Yes	No	No	–	20%	–	79%	1%	–	16,113	–	0.2	–	0.8	0.0	0.4	1.4	
10202	AG	Kleindöttingen	Industriestrasse 14/20/26/30/34/46	Industrial	33.4	2.1	1.9	91.9%	38,314	1971	2012	–	5.0	Sole ownership	100%	Yes	No	No	–	14%	–	68%	17%	–	17,006	–	0.4	–	1.6	0.0	0.1	2.1	
10203	AG	Kleindöttingen	Industriestrasse 3	Logistics	18.8	1.6	0.6	36.1%	14,517	1971	1999	2008	5.4	Sole ownership	100%	Yes	No	No	–	19%	–	74%	7%	–	15,461	–	0.4	–	1.1	0.1	0.0	1.6	
10204	AG	Kleindöttingen	Hauptstrasse 70	Industrial	2.1	0.3	0.3	87.5%	6,625	1961	1977	–	5.7	Sole ownership	100%	No	–	–	–	–	–	83%	17%	–	4,775	–	0.0	–	0.3	0.0	0.0	0.3	
10207	AG	Kleindöttingen	Industriestrasse 21	Industrial	5.1	0.7	0.4	61.4%	12,849	1969	1974	–	5.7	Sole ownership	100%	No	–	–	–	6%	–	48%	39%	6%	11,359	–	0.1	–	0.5	0.1	0.0	0.7	
10301	ZH	Niederhasli	Mandachstrasse 50–56	Office	44.2	3.3	2.4	72.9%	10,918	1992	2007	–	4.7	Sole ownership	100%	No	–	–	–	41%	24%	22%	12%	–	19,187	–	0.6	0.7	1.4	0.4	0.2	3.3	
10302	ZH	Niederhasli	Stationstrasse 25	Logistics	20.4	1.4	1.3	91.4%	16,691	1991	–	–	4.8	Sole ownership	100%	No	–	–	–	–	–	100%	–	–	7,883	–	–	–	1.3	–	0.1	1.4	
10303	ZH	Niederhasli	Stationstrasse 32	Industrial	8.1	0.7	0.7	100.0%	16,122	1955	2001	–	5.2	Sole ownership	100%	No	–	–	–	8%	11%	–	31%	50%	–	4,608	–	–	–	0.3	–	0.4	0.7
10502	TG	Ermatingen	Hauptstrasse 189	Logistics	4.5	0.4	0.4	100.0%	12,257	1994	–	–	4.8	Sole ownership	100%	No	–	–	–	–	–	100%	–	–	3,301	–	–	–	0.3	–	0.1	0.4	
10601	BL	Füllinsdorf	Wölferstrasse 27/27a	Logistics	13.5	1.0	0.9	86.1%	16,000	1971	1983	2015	5.3	Sole ownership	100%	No	–	–	–	4%	–	10%	86%	–	13,723	–	0.1	–	0.1	0.8	0.0	1.0	
10701	GE	Carouge	Rue Baylon 13–15	Logistics	19.3	1.9	1.4	73.5%	10,871	1970	2003	–	5.0	Building right	100%	No	–	–	–	10%	–	89%	1%	–	10,749	–	0.2	–	1.6	0.0	0.0	1.9	
10801	BS	Riehen	Plot no. 1700	Others	2.1	0.2	0.2	100.0%	5,485	–	–	–	2.5	Building right	100%	No	–	–	–	–	–	–	–	–	–	–	–	–	–	0.2	0.2		
12801	SG	St. Margrethen	Plot no. 2957	Others	3.1	0.1	0.1	100.0%	13,880	–	–	–	3.0	Building right	100%	No	–	–	–	–	–	–	–	–	–	–	–	–	–	0.1	0.1		
13401	AG	Klingnau	Weierstrasse 5/Kanalstrasse 8	Industrial	15.3	1.0	1.0	100.0%	12,984	1965	2008	–	4.8	Sole ownership	100%	No	–	–	–	–	10%	–	75%	15%	–	9,015	–	0.1	–	0.9	–	0.0	1.0
13402	AG	Klingnau	Industriestrasse 7	Industrial	5.3	0.4	0.3	74.4%	5,529	1955	–	–	5.6	Sole ownership	100%	Yes	No	No	–	4%	–	90%	5%	–	5,914	–	0.0	–	0.4	0.0	0.0	0.4	
13403	AG	Klingnau	Industriestrasse 4/10, Brühlstrasse 46–50	Industrial	13.0	0.9	0.8	81.5%	13,009	1955	2008	–	5.1	Sole ownership	100%	Yes	No	No	–	3%	–	73%	23%	–	10,428	–	0.1	–	0.8	0.0	0.0	0.9	
13404	AG	Klingnau	Brühlstrasse 33–41	Industrial	3.9	0.4	0.2	65.7%	6,170	1953	1955	–	5.4	Sole ownership	100%	No	–	–	–	–	11%	–	43%	46%	–	5,741	–	0.1	–	0.3	0.0	0.0	0.4
13405	AG	Klingnau	Schützenmattstrasse 7, Parkstrasse 14	Industrial	4.3	0.4	0.2	59.0%	11,035	1949	1961	–	5.7	Sole ownership	100%	Yes	No	No	–	7%	–	43%	51%	–	5,526	–	0.0	–	0.3	0.0	0.0	0.4	
13406	AG	Klingnau	Parkstrasse 15–29	Residential	26.9	1.2	1.1	87.7%	13,071	1999	2008	–	3.4	Sole ownership	100%	No	–	–	–	91%	–	–	–	9%	6,309	1.1	–	–	–	–	0.1	1.2	
13407	AG	Klingnau	Parkstrasse 7–13	Residential	12.0	0.6	0.5	87.5%	6,075	1999	2008	–	3.5	Sole ownership	100%	No	–	–	–	92%	–	–	–	8%	2,911	0.5	–	–	–	–	0.1	0.6	
18101	ZG	Cham	Lorzenparkstrasse 2–16	Res. mixed	48.8	3.4	2.3	67.3%	13,537	2008	–	–	4.6	Sole ownership	100%	No	–	–	–	38%	26%	–	23%	6%	7%	14,812	1.2	1.3	–	0.6	0.1	0.2	3.4
22501	VD	Yverdon	Route de Grandson 48	Industrial	26.9	1.8	1.4	80.7%	19,758	1910	2013	–	4.5	Sole ownership	100%	Yes	Yes	No	–	1%	12%	–	59%	28%	–	20,343	0.2	0.3	–	1.1	0.2	–	1.8
30001	ZH	Aathal	Zürichstrasse 66–80	Residential	4.0	0.3	0.3	96.7%	7,861	1870	1915	1988	4.2	Sole ownership	100%	No	–	–	–	100%	–	–	–	–	–	2,139	0.3	–	–	–	0.0	0.0	0.3
30002	ZH	Aathal	Zürichstrasse 50–62/192	Res. mixed	1.7	0.2	0.2	100.0%	6,639	1849	1880	1985	4.5	Sole ownership	100%	No	–	–	–	100%	–	–	–	–	–	1,096	0.2	–	–	–	–	0.0	0.2
30401	ZH	Aathal	Zürichstrasse 13–25	Retail	37.2	2.3	2.0	83.3%	16,597	1862	2014	–	4.6	Sole ownership	100%	Yes	No	No	–	2%	29%	36%	3%	18%	11%	13,757	0.0	0.5	0.7	0.3	0.4	0.4	2.3
30402	ZH	Aathal	Gstalderstrasse 5	Industrial	4.4	0.4	0.3	89.5%	16,250	1960	1964	–	5.0	Sole ownership	100%	No	–	–	–	–	–	–	100%	–	–	4,753	–	–	–	–	0.3	0.1	0.4
30404	ZH	Aathal	Zürichstrasse 1–7	Residential	1.2	0.1	0.1	100.0%	4,343	1900	–	1995	4.1	Sole ownership	100%	No	–	–	–	100%	–	–	–	–	–	729	0.1	–	–	–	–	0.0	0.1
30501	ZH	Aathal/Wetzikon	Agricultural land/land without use	Others	1.6	–	–	–	196	–	–	–	2.3	Sole ownership	100%	No	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	
30601	ZH	Aathal	Zürichstrasse 34	Res. mixed	0.2	0.0	0.0	100.0%	257	1860	–	1990	4.8	Sole ownership	100%	No	–	–	–	66%	–	–	34%	–	–	94	0.0	–	–	0.0	–	–	0.0
30802	ZH	Wetzikon	Zürcherstrasse 130–132/131–133	Residential	0.8	0.1	0.1	100.0%	0	1839	–	2003	4.1	Sole ownership	100%	No	–	–	–	100%	–	–	–	–	–	551	0.1	–	–	–	–	0.0	0.1
30901	ZH	Wetzikon	Grundstrasse 6–10	Residential	1.1	0.1	0.1	100.0%	1,745	1895	–	1990	3.5	Sole ownership	100%	No	–	–	–	100%	–	–	–	–	–	433	0.1	–	–	–	–	0.0	0.1
30902	ZH	Wetzikon	Schulhausstrasse 42–44	Residential	1.6	0.1	0.1	100.0%	2,076	1840	–	1982	3.6	Sole ownership	100%	No	–	–	–	100%	–	–	–	–	–	500	0.1	–	–	–	–	0.0	0.1
30904	ZH	Wetzikon	Usterstrasse 128	Residential	4.7	0.2	0.2	100.0%	1,569	1870	2007	–	3.3	Sole ownership	100%	No	–	–	–	98%	–	–	–	2%	1,065	0.2	–	–	–	–	–	0.0	0.2
30905	ZH	Wetzikon	Haldenstrasse 20	Residential	3.1	0.2	0.1	82.4%	1,741	1971	–	1991	3.3	Sole ownership	100%	No	–	–	–	100%	–	–	–	–	–	904	0.2	–	–	–	–	0.0	0.2
30909	ZH	Wetzikon	Florstrasse 9	Residential	5.8	0.3	0.3	92.9%	1,899	1990	–	–	3.4	Sole ownership	100%	No	–	–	–	100%	–	–	–	–	–	1,347	0.3	–	–	–	–	0.0	0.3
30910	ZH	Wetzikon	Usterstrasse 88–104	Residential	0.9	0.1	0.0	66.7%	2,078	1791	–	1990	3.3	Sole ownership	100%	No	–	–	–	100%	–	–	–	–	–	627	0.1	–	–	–	–	0.0	0.1
32102	AG	Windisch	Spinnerstrasse 10–12/15	Residential	34.5	1.4	1.3	92.8%	5,122	2014	–	–	3.4	Sole ownership	100%	No	–																

Redevelopment Portfolio

Property ID	Canton	Municipality	Property	Main use <sup>1</sup>	Market value (CHFm)	Full occupancy property rent (CHFm)	Annualised property rent (CHFm)	Occupancy rate (%)	Net site area (m <sup>2</sup> )	Year of construction	Year of construction <sup>2</sup>	Partial renovation	Discount factor (%)	Ownership (%)	Register of polluted sites (KbS)	Compulsory surveillance	Obligatory remediation	Effective area to be developed (m <sup>2</sup> )									
																		Residential (sale)	Residential (rent)	Office	Retail	Industry / Logistics	Storage	Others	Total		
10208	AG	Kleindöttingen	Plot no. 420	Others	10.4	-	-	-	43,400	-	-	-	3.8	Sole ownership	100%	No	-	-	3,500	14,500	-	-	19,992	-	-	37,992	
10304	ZH	Niederhasli	Plot no. 3131	Others	4.1	-	-	-	12,000	-	-	-	4.4	Sole ownership	100%	No	-	-	-	-	-	-	7,800	-	-	7,800	
10501	TG	Ermatingen	Hauptstrasse 181/185	Logistics	5.2	0.5	0.5	100.0%	12,125	1968	1997	-	5.4	Sole ownership	100%	No	-	-	-	-	-	826	-	11,107	11,933		
12802	SG	St. Margrethen	Altfeldstrasse West	Industrial	10.5	0.2	0.1	72.2%	38,741	1951	-	-	2.3	Sole ownership	100%	No	-	-	-	-	-	-	-	-	-		
12803	SG	St. Margrethen	Altfeldstrasse Ost	Industrial	8.1	0.2	0.1	65.0%	31,710	1937	-	-	2.3	Sole ownership	100%	Yes	No	No	-	-	-	-	-	-	-		
13408	AG	Klingnau	Weierstrasse 8	Others	0.8	-	-	-	2,144	-	-	-	2.3	Sole ownership	100%	No	-	-	-	-	-	-	-	-	-		
16101	ZG	Baar	Ibelweg 18	Residential	49.4	-	-	-	9,218	2015	-	-	2.3	Condominium	100%	No	-	-	-	-	-	-	-	-	-		
18102	ZG	Cham	Plot no. 2794	Others	7.9	-	-	-	6,514	-	-	-	2.3	Sole ownership	100%	No	-	-	-	-	-	21,000	2,000	-	-	23,000	
18103	ZG	Cham	Plot no. 3195	Others	39.8	0.0	0.0	100.0%	26,231	-	-	-	2.3	Sole ownership	100%	No	-	-	11,000	11,000	2,700	2,200	-	-	-	26,900	
20101	VS	St-Maurice	Bois-Noir	Industrial	1.6	0.3	0.3	100.0%	33,281	1960	1970	-	5.8	Sole ownership	100%	Yes	No	No	-	-	-	12,600	7,470	-	-	20,070	
22101	VD	Aigle	Route Industrielle 18	Logistics	3.2	0.2	0.2	100.0%	11,410	1991	-	2014	5.2	Sole ownership	100%	No	-	-	-	-	-	252	1,532	766	-	2,550	
22201	GE	Vernier	Chemin de la Verseuse 1-3	Industrial	4.9	0.0	0.0	100.0%	4,507	1964	-	-	4.5	Sole ownership	100%	No	-	-	-	-	-	3,049	-	4,466	739	8,254	
22301	GE	Lancy	Route des Jeunes 20-26	Industrial	18.0	0.6	0.5	80.3%	8,783	1960	-	-	4.1	Building right	100%	Yes	No	No	-	-	-	25,701	-	-	21,243	46,945	
26101	AG	Bremgarten	Luzernerstrasse 48-50	Industrial	21.0	1.1	1.1	100.0%	20,613	1962	1983	-	4.6	Sole ownership	100%	Yes	No	No	-	-	-	2,485	-	10,866	-	13,351	
29001	GE	Meyrin	Route du Nant d'Avril 150	Office	34.9	2.5	2.4	95.7%	34,547	1981	-	-	4.4	Building right	100%	No	-	-	-	-	-	24,210	-	23,700	-	47,910	
29002	GE	Meyrin	Route du Nant d'Avril 150	Office	36.3	-	-	-	8,418	2015	-	-	3.4	Building right	100%	No	-	-	-	-	-	8,264	-	-	-	8,264	
30101	ZH	Aathal	Plot no. 3990	Others	1.3	0.1	0.1	100.0%	8,163	-	-	-	5.0	Sole ownership	100%	No	-	-	-	-	-	-	-	-	-		
30201	ZH	Aathal	Zürichstrasse 27/33-39, Gstalderstrasse 4	Residential	6.4	0.2	0.2	100.0%	23,938	1850	1870	1990	4.3	Sole ownership	100%	No	-	-	-	-	-	-	4,080	-	-	4,080	
30403	ZH	Aathal	Gstalderstrasse 3	Res. mixed	0.9	0.2	0.1	93.3%	1,067	1870	-	1993	5.3	Sole ownership	100%	No	-	-	-	-	-	-	-	-	-		
30602	ZH	Aathal	Chälenerweg 1/11/164, Aretsh. 1-7/11-21/158	Residential	2.5	0.2	0.2	100.0%	10,069	1440	-	1988	4.6	Sole ownership	100%	Yes	No	No	-	-	-	-	-	-	-		
30603	ZH	Aathal	Zürichstrasse 22-24	Res. mixed	2.1	0.2	0.2	75.0%	3,567	1870	1860	1989	4.8	Sole ownership	100%	No	-	-	-	-	-	-	-	-	-		
30801	ZH	Wetzikon	Usterstr. 200-202/206, Zürichstr. 119-121	Industrial	6.2	0.6	0.3	50.8%	14,653	1872	1900	1993	5.5	Sole ownership	100%	Yes	No	No	1,900	298	1,669	1,569	-	772	-	6,208	
30906	ZH	Wetzikon	Schönaustrasse 5-13	Residential	5.3	0.3	0.2	68.8%	17,055	2016	-	1943	4.2	Sole ownership	100%	No	-	-	-	-	-	-	120	-	740	7,142	
30907	ZH	Wetzikon	Schönaustrasse 9	Others	21.7	0.1	0.0	42.9%	8,267	2016	-	-	2.3	Sole ownership	100%	Yes	No	No	8,727	-	-	-	-	-	-	8,727	
30908	ZH	Wetzikon	Weststrasse 26-28	Residential	2.1	0.0	0.0	100.0%	1,908	1800	1896	-	4.1	Sole ownership	100%	No	-	-	-	-	-	-	-	-	-	-	
31501	TG	Frauenfeld	Walzmühlestrasse 47	Res. mixed	2.1	-	-	-	4,564	1926	-	-	4.1	Sole ownership	100%	Yes	No	No	1,515	-	-	623	-	423	-	2,561	
31502	TG	Frauenfeld	Walzmühlestrasse 49	Res. mixed	2.0	-	-	-	2,043	1922	-	-	4.5	Sole ownership	100%	Yes	No	No	-	-	1,545	1,348	-	350	61	3,304	
31503	TG	Frauenfeld	Walzmühlestrasse 51	Res. mixed	3.1	0.2	0.2	100.0%	10,863	1832	-	-	3.9	Sole ownership	100%	Yes	No	No	4,246	-	-	-	-	-	171	4,417	
31504	TG	Frauenfeld	Walzmühlestrasse Parking	Res. mixed	1.6	0.1	0.0	60.0%	3,340	-	-	-	4.6	Sole ownership	100%	Yes	No	No	-	-	-	6,263	-	-	-	6,263	
31601	NE	Neuchâtel	Rue du Plan 30	Industrial	15.8	1.3	0.8	67.2%	11,397	1963	1967	2015	4.6	Sole ownership	100%	Yes	No	No	-	-	-	3,200	-	-	-	3,200	
31701	SO	Dornach	Weidenstrasse 50	Industrial	30.9	0.2	0.2	82.6%	136,685	1895	-	-	5.0	Sole ownership	100%	Yes	No	No	-	-	20,000	10,000	-	10,000	-	40,000	
32103	AG	Windisch	Kunzareal-Feinspinnerei	Residential	15.0	-	-	-	2,081	2015	-	-	2.3	Condominium	100%	No	-	-	3,001	-	-	-	-	-	-	3,001	
32104	AG	Windisch	Spinnereistrasse 6	Residential	1.5	-	-	-	8,400	2014	-	-	2.3	Condominium	100%	No	-	-	-	-	-	-	-	-	-	-	
32105	AG	Windisch	Kunzareal - Zentrum West	Industrial	1.1	0.1	0.1	100.0%	2,481	1827	1890	-	4.1	Sole ownership	100%	No	-	-	-	-	-	2,437	-	-	-	2,437	
32107	AG	Windisch	Kunzareal-Heinrich	Others	1.8	0.1	0.1	72.7%	3,252	1960	-	-	4.6	Sole ownership	100%	No	-	-	-	-	-	-	-	-	3,252	3,252	
34001	AG	Brugg	Wildsachsenstrasse 12-14	Office	4.9	0.6	0.5	93.1%	11,080	1960	-	-	4.7	Sole ownership	100%	Yes	No	No	-	-	3,439	-	-	313	-	3,752	
34002	AG	Brugg	Wildsachsenstrasse 6	Industrial	19.3	1.4	1.4	96.5%	33,505	1960	-	-	4.9	Sole ownership	100%	Yes	No	No	-	-	-	13,520	-	-	-	13,520	
36101	SO	Biberist	Fabrikstrasse 2-8	Others	3.3	0.4	-	0.0%	22,524	1937	-	-	6.2	Sole ownership	100%	No	-	-	-	-	-	-	-	-	1,416	1,416	
36102	SO	Biberist	Fabrikstrasse 14-34	Industrial	14.9	-	-	-	44,000	1972	1990	-	6.0	Sole ownership	100%	No	-	-	-	-	-	-	-	30,954	15,000	3,000	48,954
36103	SO	Biberist	Fabrikstrasse 57-115	Industrial	11.1	0.7	0.7	100.0%	40,000	1946	1991	-	5.6	Sole ownership	100%	No	-	-	-	-	-	-	33,952	14,000	-	47,952	
36105	SO	Biberist	Fabrikstrasse 1-29	Industrial	4.9	0.2	0.2	100.0%	19,000	1932	1947	-	5.9	Sole ownership	100%	No	-	-	-	-	-	-	-	20,110	-	20,110	
36106	SO	Biberist	Fabrikstrasse 3-35	Industrial	1.8	-	-	-	18,962	1903	1939	-	6.0	Sole ownership	100%	No	-	-	-	-	-	-	-	5,257	22,010	-	27,267
36107	SO	Biberist	Fabrikstrasse 31-77	Industrial	1.0	-	-	-	16,000	1946	-	-	6.1	Sole ownership	100%	No	-	-	-	-	-	-	11,000	-	-	11,000	
36108	SO	Biberist	Fabrikstrasse Insel	Others	3.0	0.3	0.3	100.0%	60,400	1991	-	-	5.6	Sole ownership	100%	No	-	-	-	-	-	-	-	17,700	-	17,700	
36109	SO	Biberist	Derendingerstrasse 27-29	Others	6.6	-	-	-	44,183	-	-	-	2.3	Sole ownership	100%	No	-	-	-	-	-	-	-	-	-	-	
36204	SO	Biberist	plot no. 944, 1172, 1179	Others	0.5	-	-	-	-	-	-	-	2.3	Sole ownership	100%	No	-	-	-	-	-	-	-	-	-	-	
40101	AG	Menziken	Hauptstrasse 85	Others	10.5	-	-	-	9,611	1911	-	-	7.0	Sole ownership	100%	Yes	No	No	-	-	-	-	-	10,200	-	10,200	
61101	BL	Aesch	Industriestrasse 45-61	Industrial	8.9	0.9	0.6	70.6%	35,932	1900	1940	-	5.1	Sole ownership	100%	Yes	No	No	-	-	27,000	-	27,000	-	-	54,000	
72001	AG	Hausen	Hauptstrasse 96	Others	10.5	-	-	-	27,235	2017	-	-	4.7	Sole ownership	100%	Yes	No	No	-	-	-	4,320	-	11,990	-	16,310	
72002	AG	Lupfig	Hauptstrasse 98-100	Others	6.0	-	-	-	34,933	2018	-	-	4.7	Sole ownership	100%	Yes	Yes	Yes	-	-	-	2,600	-	13,500	-	16,100	
<b>Total</b>				<b>Total</b>	<b>486.8</b>	<b>13.9</b>	<b>11.8</b>	<b>84.9%</b>	<b>994,800</b>									<b>40,171</b>	<b>47,343</b>	<b>146,737</b>	<b>42,150</b>	<b>236,883</b>	<b>84,535</b>	<b>40,022</b>	<b>637,842</b>		

1 Others refer to land, building rights, parking, official use, power plant, datacenter; Res. mixed refers to properties with residential and commercial use.  
2 Net site area does not include agricultural land and land without utilisation (total approximately 1 million m<sup>2</sup>).  
3 Second building phase.  
4 According to the Masterplan as at December 2012 between 120'000 and 130'000 m<sup>2</sup> could be developed, only 40'000 m<sup>2</sup> have been planned as of December 31, 2016.

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# Share Information

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## HIAG Immobilien Holding shares

### 1 Dividend policy

HIAG strives to pay out a constant dividend of 4% of net asset value. The extra portion of the consolidated result is to be invested in the further development of the portfolio.

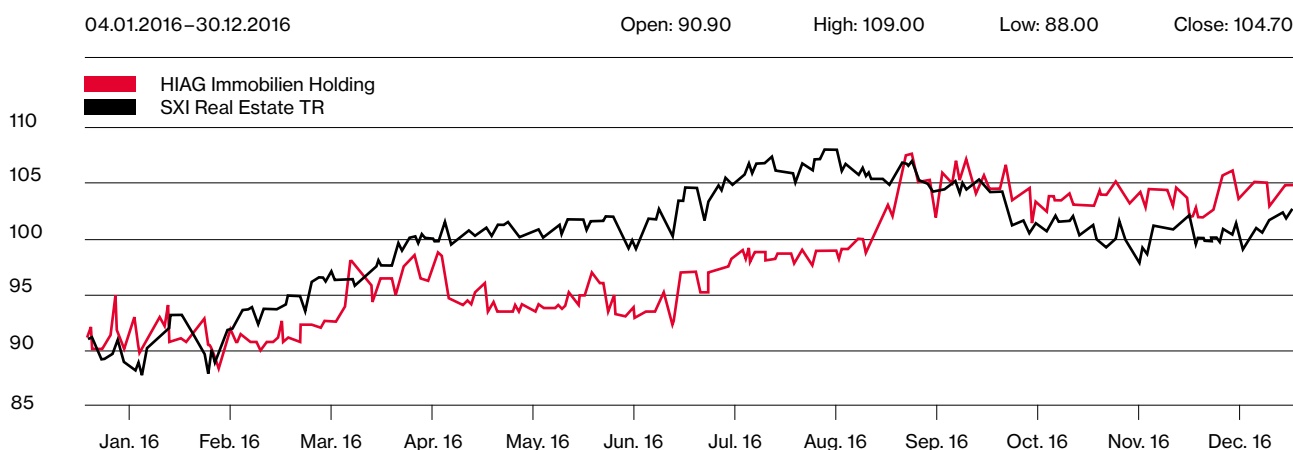
If available, dividends are paid out from capital reserves and are therefore tax-free for private Swiss individuals.

### 2 Repayment of capital contributions

As at the end of 2016, reserves from capital contribution amounted to TCHF 75'500. Statutory reserves from capital contribution decreased by TCHF 25'454 in 2016 due to the dividend payout in April 2016 and the capital increase in December 2016.

These reserves can be paid back to shareholders and benefit from tax advantages.

### 3 Share price development



The HIAG Immobilien Holding share price rose 15.0% from CHF 91.00 to CHF 104.70 from 1 January 2016. Shareholders' equity (NAV) was CHF 90.73 as at 31 December 2016. The HIAG Immobilien Holding share was thus traded at the end of the year with a premium of 15.39%. In 2016, an average of 1'258 shares were traded daily.



## 4 Key figures

SIX Swiss Exchange: Symbol HIAG, Valor 23951877, ISIN CH0239518779

Share performance in CHF	31.12.2016	31.12.2015
High	109.00	99.75
Low	88.00	81.20
End of period	104.70	91.00
<b>Market capitalisation in CHF million</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
High	875.91	798.00
Low	707.16	649.60
End of period	841.36	728.00
<b>Number of shares</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
Issued shares	8'035'885	8'000'000
Treasury shares	0	0
Outstanding shares	8'035'885	8'000'000
Average outstanding shares	8'000'797	8'000'000
<b>Key figures per share in CHF</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
Earnings per share (EPS)	5.80	7.44
Earnings per share without revaluation of properties	3.30	3.50
Earnings per share without revaluation of properties incl. revaluation of promotion	3.59	4.33
Dividends payout <sup>1</sup>	3.60	3.50
Payout ratio in % <sup>2</sup>	100%	81%
Cash yield in % <sup>3</sup>	3.44%	3.85%
Net asset value per share (NAV)	90.73	88.59
Premium (discount) to NAV in %	15.39%	2.72%
NAV per share before deduction of deferred taxes	99.15	96.49
(Discount) to NAV before deduction of deferred taxes	5.60%	-5.69%

<sup>1</sup> Proposal to the Annual General Meeting on 20 April 2017 for the financial year 2016: distribution out of reserves from capital contributions

<sup>2</sup> Dividends per share compared to earnings per share without revaluation of properties

<sup>3</sup> Dividends per share compared to share price at the end of the period

## 5 Significant shareholders

Information related to the main shareholders can be found in the Consolidated Financial Statements note 27 on page 117.

## 6 Investor Relations

Martin Durchschlag, T +41 061 606 55 00  
 Laurent Spindler, T +41 061 606 55 00  
 investor.relations@hiag.com

## Contact

HIAG  
Aeschenplatz 7  
4052 Basel  
T +41 61 606 55 00

HIAG  
Löwenstrasse 51  
8001 Zurich  
T +41 44 404 10 30

HIAG  
Rue François-Bonivard 10  
1201 Geneva  
T +41 22 304 10 30

**Investor Relations**  
Martin Durchschlag  
CEO  
T +41 61 606 55 00

Laurent Spindler  
CFO  
T +41 61 606 55 00

investor.relations@hiag.com

**Press**  
Frank Butz  
Director of  
Communication  
T +41 61 606 55 22

www.hiag.com

## Stock exchange trading

Registered share  
HIAG Immobilien Holding AG  
Stock symbol SIX Swiss  
Exchange: HIAG  
ISIN: CH0239518779

## Agenda

**20 April 2017**  
Annual General Meeting

**4 September 2017**  
Publication half-year results

## Imprint

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HIAG Immobilien Holding AG

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