

HIAG

Annual Report

17

2017 Annual Report

**Respecting and increasing
the value of industrial
properties in Switzerland
leads to long-lasting success.**

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Company Profile Site Redevelopment and Cloud Infrastructure in Switzerland

HIAG stands for property redevelopment in Switzerland and a globally accessible digital cloud infrastructure. As long-term owner of its portfolio and landlord to a diversified tenant base, it strives to steadily and jointly increase the potential value creation on its sites. Through site redevelopment, 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 the steering of property administration. In the same way as it provides surface area for its tenants, with its fully owned subsidiary HIAG Data, HIAG makes an efficient cloud infrastructure platform available to cloud service providers with cloud-based business models and to large companies.

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 m² and was valued at CHF 1.3 billion as at the end of 2017.

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

The project pipeline ensures sustainable growth

As of 31 December 2017, HIAG's property portfolio included a lettable area of approximately 474'000 m² with an annual property income of CHF 56.1 million. The completion of HIAG's current 50 short, medium and long-term redevelopment projects would create an additional lettable area of approximately 603'000 m². The completion of projects and proceeds from condominium sales enable the group to autonomously finance its development pipeline. The group's property portfolio is diversified and geographically broad based and includes primary uses such as industry/commercial, distribution/logistics, residential, retail and office use.

Company Profile

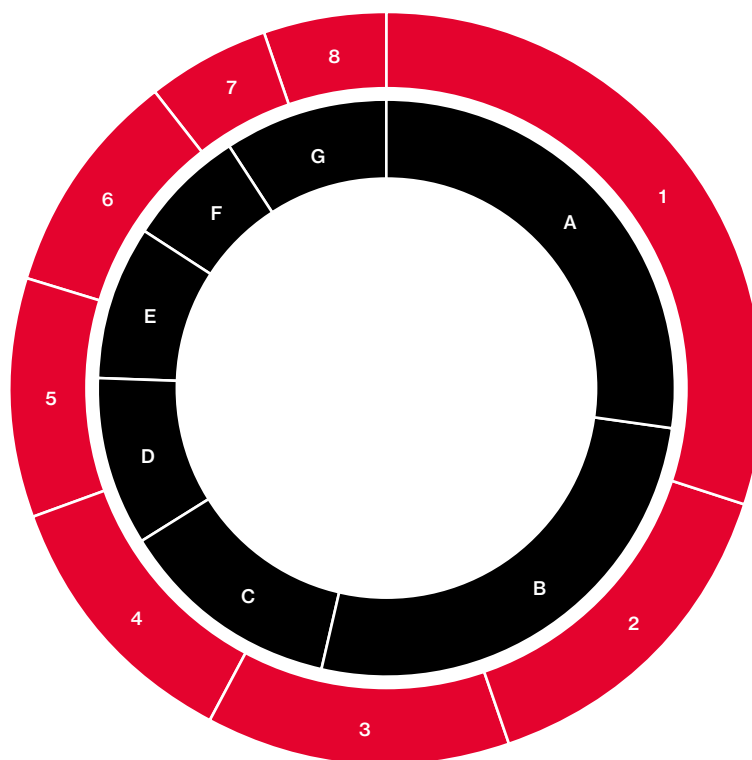
Site Redevelopment and Cloud Infrastructure in Switzerland

A company with industrial roots

HIAG benefits from about 140 years of value-creating company history. The company was established in 2008 after splitting off from the Holzindustrie-Aktiengesellschaft (HIAG) founded in 1876. Through acquisitions in the economic areas of Zurich, Northwest Switzerland and Geneva, HIAG now has a broadly diversified portfolio. HIAG's industrial heritage has always been a part of its success. In the 4th quarter of 2016, the HIAG Data subsidiary was positioned on the market. During the reporting period, a core team of 37 employees worked for the operational headquarters of HIAG Data at the Basel, Geneva, Zurich and Biberist sites. About 91% 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 31.12.2017

1	Industry, commercial	30.2%
2	Residential	14.7%
3	Retail	13.0%
4	Office	11.7%
5	Distribution, logistics	10.3%
6	Building land	9.7%
7	Residential and commercial	5.2%
8	Miscellaneous	5.2%

Market value of real estate properties
by canton as at 31.12.2017

A	Aargau	27.3%
B	Zurich	26.5%
C	Geneva	12.5%
D	Zug	9.3%
E	Solothurn	8.7%
F	Baselland	6.7%
G	Miscellaneous	9.0%

91%

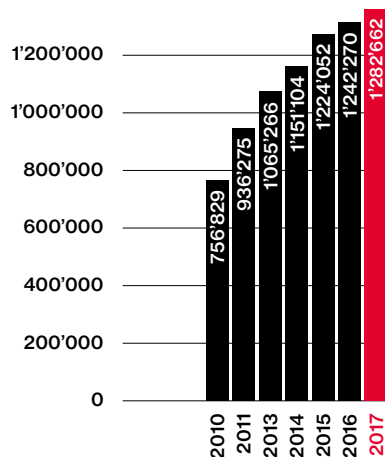
of HIAG's real estate portfolio is situated
in the Zurich/Zug, Baden/Brugg, Basel and
Geneva regions.

Key Facts in a Nutshell

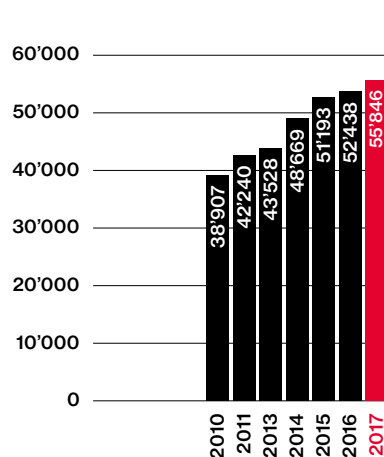
Key Figures

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

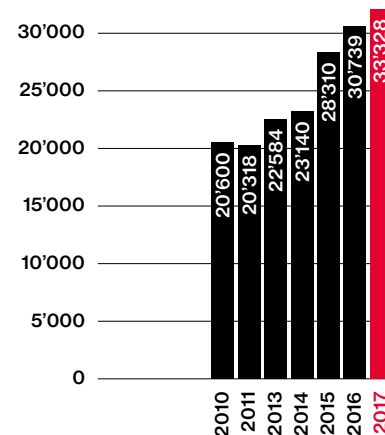
Real estate portfolio in TCHF



Property income in TCHF



EBT without revaluation of properties in TCHF



Key financial figures

in TCHF	31.12.2017	31.12.2016
Property income	55'846	52'438
Revaluation of properties	33'287	19'962
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	73'148	56'037
Net income	57'457	46'374
Cash and cash equivalents	38'920	62'766
Shareholders' equity	760'693	729'126
Equity ratio	54.4%	54.7%
LTV ratio	37.6%	36.2%
Balance sheet total	1'398'069	1'334'132
Cash flow from operating activities incl. sales promotion	62'066	72'308
Employee headcount	56	49
- thereof building maintenance and administration	18	17

Key Facts in a Nutshell

Key Figures

Key portfolio figures

in TCHF	31.12.2017	31.12.2016
Real estate portfolio	1'282'662	1'242'270
Yielding portfolio	901'297	755'511
Property development portfolio	381'364	486'759
Real estate portfolio (number of real estate properties)	111	112
Number of redevelopment properties	44	50
Investments in real estate	58'471	88'756
Annualised rental income (in CHF million)	56.1	54.2
Vacancy rate for investment properties	12.3%	11.7%
	36.8%	32.5%
Vacancy rate for investment properties undergoing repositioning ¹		
Vacancy rate for redevelopment properties	13.1%	15.2%

1 Properties Mandachstrasse 50–56 ZH and Sternenfeldpark 14 BL. The property Lorzenparkstrasse 2–16 ZG has been reclassified under investment properties during the reporting period.

EPRA performance figures

in TCHF	31.12.2017	31.12.2016
EPRA earnings	33'054	30'537
EPRA NAV	834'144	797'268
Equity ratio according to EPRA NAV	59.7%	59.8%
EPRA vacancy rate	14.5%	15.3%
Adjusted EPRA vacancy rate (excl. investment properties undergoing repositioning) ¹	12.3%	11.7%

1 Properties Mandachstrasse 50–56 ZH and Sternenfeldpark 14 BL. The property Lorzenparkstrasse 2–16 ZG has been reclassified under investment properties during the reporting period.

Key figures per share

in CHF	31.12.2017	31.12.2016
Earnings per share (EPS)	7.15	5.80
Earnings per share without revaluation of properties	3.01	3.30
Earnings per share without revaluation of properties incl. revaluation of promotion	2.73	3.59
Dividends payout ¹	3.80	3.60
Payout ratio ²	139%	100%
Cash yield ³	3.14%	3.44%

1 Proposal to the Annual General Meeting on 19 April 2018 for the financial year 2017: distribution out of reserves from capital contributions

2 Dividends per share compared to earnings per share without revaluation of properties incl. revaluation of promotion. The payout ratio calculated based on the net profit without non-cash tax items amounts to 108.70% as per 31 December 2017.

3 Dividends per share compared to share price at the end of the period

Letter to Shareholders



Dear shareholders

The business year 2017 has been the most successful for HIAG since its IPO in 2014. First and foremost, successful long-term rentals and redevelopments had a positive impact on revaluation effects. Property income also increased and the portfolio was expanded further. At the same time, HIAG Data continued developing its infrastructure offer and will be presenting it in March 2018 at a launch event in Zurich.

Collected property income increased by CHF 3.4 million, or 6.5%, to CHF 55.8 million. A reduction in vacancy rates, the completion of redevelopment projects and the acquisition of the redevelopment site in Meyrin contributed to this. Like-for-like growth (without non-recurring effects and acquisitions) was 4.7%. Thanks to long-term contract signatures and successful redevelopments, at CHF 33.3 million, revaluations contributed significantly more to the result than in the previous year (CHF 20.0 million). The sale of paper machine 9 in Biberist (CHF 7.1 million) also had a positive impact on the result, and more than compensated for HIAG Data's negative CHF 4.3 million contribution to the result. The after-tax result thus rose from CHF 46.4 million to CHF 57.5, which corresponds to a 23.9% increase. Earnings (EBT) per share rose by CHF 1.96 to CHF 8.29, or by 30.9%.

Letter to Shareholders

Balance sheet footings were also strengthened by the successful issuing of a third bond for CHF 150 million. With a maturity of 5 years, the weighted average term for external financing increased from 3.1 years to 3.6 years. The resulting funds from the sales were invested in acquisitions in Meyrin, in the portfolio and in the expansion of HIAG Data. With an after-tax return of 7.9% and a dividend payout of approximately 4.0% from NAV for the 2017 business year, dividends rose by 5.6% to CHF 3.80 per share.

Great progress in the portfolio

2017 was characterised by the signing of very long-term rental contracts. Stadler Rail will take over the St. Margarethen site with construction rights until at least 2081, where it will efficiently reorganise and transfer a considerable part of its production from Altenrhein. HIAG was thus able to ensure that the area around the railway station, a part of which has historically already been ceded to Sieber Logistik for the same period, is not parcelled out. Through rental contracts with Doka Schweiz AG and Brugg Rohrsystem, which run for 20 years or more, there is also new momentum in Niederhasli and Kleindöttingen that will make its mark on the redevelopment of these sites in the long term. Other long-term agreements with Media Markt, Dachser and Baoshida contributed to the significant increase to 7.9 years in remaining rental duration compared to the previous year.

The rental in Cham is particularly satisfying. Supported by the upcoming development of 300 apartments and the On Your Marks athletic training centre, the vacancy rate in the existing building dropped from 32.7% to 12.0%. In addition to Teslas at TB Corse, Ferraris can now be test driven and purchased at this site, and AZ Direkt, Swiss IT-Factory and a paediatric practice have set up shop in the upper floors. The property has thus been successfully repositioned in the context of the overall redevelopment of the site.

With the sale and lease-back transaction of the Sulser site in February 2018, the positioning at the Brunegg logistic site was strengthened. HIAG is now represented with two sites in Brunegg. With the acquisition in Meyrin, HIAG can expand its long-term redevelopment pipeline at an exceptionally well-connected site. Both newly acquired sites will be managed under the inventory portfolio until redevelopment is foreseeable. The vacancy rate over the entire portfolio decreased by 1.0% to 14.3%, with a vacancy rate in the inventory portfolio of 12.3%.

Site redevelopment is bearing fruit

The Hive site in Meyrin (GE) got a new look with the new office building for Hewlett Packard Enterprise and HP Inc. The construction made full use of the technical possibilities available today, enabling delivery on schedule and below budgeted costs. And the site is not just bearing financial fruit: the park-like green areas that were created provide a special outdoor quality, and contribute to a productive honey harvest from the beehives set up at the site. The international restaurant concept Luigia will not only train its cooks at the heart of the site, but also run an attractive quarter restaurant. Two other buildings are already being planned at the site.

In Bremgarten, the second expansion phase was completed and handed over to Jeld-Wen, which is now listed on the NYSE. We are particularly pleased that the new development for Doka Switzerland can be carried out with the scrapping of the planning zone in Niederhasli. With this step, not only will Doka be committed to the site for at least another 15 years, but the new development also frees up the central area around the railway station, where over 300 apartments can be created in the medium term. In Dietikon, a rental contract was signed for a substitute building with a usable area of approximately 9'000 m², as well as existing areas scheduled for modernisation covering about 11'000 m². The 15-year contract will begin only after the departure of the current tenant and the completion of the building phase, which is not expected before 2021.

Letter to Shareholders

The current building projects are progressing according to plan: in Frauenfeld, 39 residential units and 2'300 m² of office space are now being created in three phases. In Meyrin, the transformation of approximately 9'000 m² of the existing building is already taking place. In Wetzikon, the general renovation of a nine-unit apartment building is well advanced. In 2018, four projects will also enter the building phase: in Neuchâtel, a Migros subsidiary and a Luigia Restaurant will occupy a substantial portion of the ground floor area, which is the last unused area at the site. In Niederhasli, the relocation of Doka Schweiz can be tackled. In Wetzikon, a construction site creating 16 rental units will open on Weststrasse. In Biberist, where buyers for paper machines 6 and 8 have also been found, the construction of a data centre for HIAG Data will begin in 2018, so that the previously completed data centre can be made available for test environments and further developments only.

Next generation cloud infrastructure

HIAG Data continued to successfully develop its cloud infrastructure and strengthen its partnership with Microsoft and HPE. Based on customer orders, the HIAG Board of Directors initiated investments in the latest development stage of its cloud infrastructure. The Network Centric Multicloud 4.0 was presented to cloud system providers and system integrators alongside partners and customers at a launch event in March 2018. It can be obtained via an automated portal starting from April 2018. Partnerships with NVIDIA for processes using graphics processing units (GPUs), with CHG Meridien for Workplace as a Service (WaaS) and Veeam for Backup as a Service (BaaS) were announced at this event. HIAG Data and Helmedica, also presented the first electronic patient file to meet all national and international requirements on patient data safety.

With its offering, HIAG Data provides an infrastructure-related element that allows for the integration of the public cloud offer, existing private cloud solutions and its own hyper-scalable cloud infrastructure via a highly secure dedicated network – which does not require a detour through the relatively unsafe public internet for cloud access. The specific requirements of the health and media sectors were addressed with vertical solutions, and specific solution offerings are being prepared for other branches. HIAG Data's executive board was expanded during the business year with five branch experts, and the reinforced operations team began work in Biberist.

Digitalisation and infrastructure

The term digitalisation may seem over-used these days, but it is a buzz word for good reason. Each of our tenants must deal with the opportunities that new technologies offer their business model. Companies also have to accept the risk of disruption. As part of a study tour, HIAG's executive board experienced the dynamics of Silicon Valley, and we were able to see that at least in California, innovations are exclusively digital and almost never in infrastructure. It is not a coincidence that a Swiss company, Stadler Rail, won the bid for train compositions as part of the tender for the electrification of the only rail connection – the Caltrain. The cycle doesn't stop here: we are convinced that a secure and scalable infrastructure is a prerequisite for the successful development of new business models, and without a perfectly tailored infrastructure, the potential of disruptive business models remains limited.

Letter to Shareholders

Future prospects

Circumstances, such as companies initiating long-term effective investments and increasingly accurate trend indicators showing a positive economic up-turn, are giving us confidence for the current financial year. It has become clear that the use of digital technologies carries abundant potential for our tenants and for us. These technologies will also allow us to increase the efficiency of the development process within the value creation chain. In addition to the targeted use of new technologies, adjustments are also necessary in the assignment of roles and in the ways we cooperate in the process, and we want to refine them in 2018.

Thinking high quality innovations through to the end is one of the strengths of Swiss companies, and we want to contribute to this with our infrastructure. We also want to continue playing our role as an incubator of ideas that are relevant to Switzerland as a location, and we see medium and long-term potential in implementing greater added value in our site portfolio. On that note, we hope you enjoy reading this report.



Dr. Felix Grisard
President of the Board of Directors



Martin Durchschlag
Chief Executive Officer

Interview Executive Board



“Best result since the IPO”

HIAG has achieved its best result since the IPO, thanks to an enhanced dynamic of successful redevelopment and the signing of long-term contracts. In 2018, HIAG Data will launch a revolution in the field of digital infrastructure with Network Centric Multicloud 4.0, which should also have an impact on HIAG’s real estate portfolio.

CEO Martin Durchschlag and CFO Laurent Spindler
in an interview with Medard Meier

Interview Executive Board

What were the most outstanding events of 2017 for you?

Martin Durchschlag: The long-term rental contracts that we were able to sign with a wide range of companies, such as Stadler Rail, Media Markt and Dachser. These contracts run for several years, or as in the case of Stadler Rail, even for several decades, more precisely until 2081. We are particularly pleased with the highly dynamic redevelopment in Meyrin. An IT cluster is forming there, centred around Hewlett Packard Enterprise and HP Inc. We also invested very heavily in the expansion of cloud infrastructure.

Laurent Spindler: I would particularly mention that we exceeded our property income targets, and with an increase of 4.8%. Even without acquisitions, we are well above the previous year. I also want to emphasise that our vacancy rate dropped to 14%. At the Lorzenpark property in Cham alone, we were able to reduce vacancies from 33% to 12%.

Did you achieve this improvement by lowering rents?

LS: No, in general we have not observed any reductions in rental rates for new leases. But negotiations are intense and take a long time.

MD: We invest a great deal to make our sites even more attractive for companies. We want our tenants to be won over by the overall package, not by the price. In 2017, we were able to reap the benefits of this approach at many sites.

Are you satisfied overall with the results?

MD: The pre-tax result is the best that we've had since the IPO, although the income contribution of HIAG Data is clearly negative. Various factors contributed to this, such as the sale of the paper machines in Biberist, the new acquisition in Meyrin and successful redevelopments that will be reflected in higher property income in the long term.

LS: In terms of financing, we reached another milestone with the third bond. Our average financing costs are now under 1%. This financing, which is now made up of about 70% in bond capital, has created a loan-to-value basis that gives us a lot of room to manoeuvre and expand our portfolio.

MD: We have noticed a real up-turn in site redevelopment. Biberist is HIAG Data's anchor site. The high performance network that is serviced and operated there covers all of Switzerland, and stretches from Amsterdam to Milan. The Camembert site in Geneva has been experiencing a flood of interest with 300'000 visitors since the opening of "Village du Soir" in October 2016. Over 4'000 people flock to the "Village du Soir" every weekend.

LS: The redevelopment approach is also reflected in corporate communication. Our Annual Reports 2016 won first place in the design category for both the online and print versions. For the third time in a row, HIAG earned the European Public Real Estate Association's (EPRA) Silver Award, which underscores the quality and transparency of our reporting.

Were there any disappointments?

MD: The strategic decision of ABB to shift capacities to Baden left us with a higher vacancy rate at the Kleindöttigen/Klingnau site, but we have already started bringing it back down. The long-term arrangement with Brugg Rohrsystem for 20 years brings new momentum to the neighbourhood, which we intend to use to reposition the site.

Interview Executive Board

“What we are implementing with HIAG Data still has no equivalent even internationally in terms of security, availability and performance.”

CEO Martin Durchschlag



Have you felt the overall market trend that has generally led to higher vacancies throughout Switzerland?

MD: We haven't felt it very much. What we have noticed is the large amount of capital that is still flowing into the market and into redevelopment. Speculative developments do not always meet local demand, which inevitably leads to higher vacancies. Overall, we consider demand to be very solid. Companies are still planning for the long term, which is reflected in long-term contracts. The market is convinced that the national banks' interest rates will not rise sharply because of the high level of public debt, but will remain low for some time to come.

LS: Should interest rates rise sustainably, we would be able to cushion the impact of this with our very healthy balance sheet structure. In addition, the term structure of the bonds helps us keep the financing side under control.

How has the market for acquisitions developed?

MD: It has been surprisingly positive! In Meyrin, we were able to make a purchase, in line with our chosen strategy. The property is well rented and should be developed further within 10 years, to the great satisfaction of the canton of Geneva. We generally don't set acquisition objectives in order to avoid putting ourselves under false pressure. We are active, exploring opportunities and sometimes really looking, but only in a very targeted way. But we cannot and do not want to force purchases.

LS: There are currently about 50 projects in our pipeline that we can develop in the medium and long term. So we are really not under any pressure to make additional acquisitions. That means that we can be very choosy. We do buy, but only if it fits into the overall strategy.

Interview Executive Board

What's your pipeline's investment potential?

MD: Two billion Swiss francs over a period of 15 years.

HIAG has the ambition of always being different from the competition. How do you set yourself apart?

MD: First and foremost, through sustainability as a daily practice, because it generates quality of life that can be felt – through the property and its surroundings.

LS: Take our six power plants, for example, which HIAG historically owns and deliberately operates. The sites where they are located have their own electricity. Whatever exceeds the site's own needs is sold.

MD: Using locally generated energy locally means less burden on the network infrastructure. We are also thinking about how we could use the property itself in a practical way as a battery – as micro-storage, as a charging station for electric vehicles and so on. It is a broad experimental field that we would like to make use of.

LS: In Meyrin, for example, we planted an orchard and produce our own honey at the site. You can watch the honeycombs fill up gram by gram via a webcam. Our goal is to give sustainability a complete new feel in multiple ways. The way we deal with old building substance in new developments can contribute to site quality. "Grey energy" plays an important role in this. Although these aspects have a very long-term impact, many sustainability labels do not take them into account. This impact counts for us.

MD: Digitalisation is also an important differentiating factor. It determines how we can use real estate and sites. Groundbreaking developments are cropping up in this field, some of which remain visionary.

But we have to deal with them intensively today, since they can become reality very quickly. Digital access with a high level of availability and security, for example, is already an important location factor for companies today. With our highly available network outside the public internet, we are building a bridge between real estate, tenants and global clouds. Business-critical processes are far too sensitive to be exposed to the classic cyber risks of the internet. The secure, high-performance, point-to-point connection is an important infrastructure element that we will be offering all our tenants and also third parties this year in conjunction with our cloud infrastructure.

Is this offer a unique selling point for your sites?

MD: What we are implementing with HIAG Data still has no equivalent even internationally in terms of security, availability and performance. We are monitoring the development closely along with our partners, Microsoft and Hewlett Packard Enterprise. That is also the reason why we are receiving so much support from both companies in terms of technology and marketing, because they are ultimately co-selling their own products. HIAG Data is based on a completely different business model from our traditional business. That is why we built a separate organisation that presses ahead with its development independently. The speed is quite different from the real estate industry.

How much has been invested so far?

MD: About 40 million Swiss francs has been invested. That includes the fibre optic network, the development of the platform technology, the Biberist hub and the infrastructure that we have developed at two third-party data centres in Winterthur and Zurich. This roughly corresponds to our schedule.

Interview Executive Board

Hardly any money has been earned yet. When do you expect a break-even point?

MD: The main thing for us is to have a cash break-even in view by a certain deadline. We will be able to earn a return on the investments made so far during the current year on an annualised basis. That will clear the way for other investments. In return for rapid growth, we accept that HIAG Data's contribution to the result will be negative for the time being.

There will also be questions related to corporate culture. How do you deal with them?

MD: It is not a different corporate culture, but a different business model on which HIAG Data is based. This comes with a very different speed and market focus. That is why we are building a separate organisation for HIAG Data with its own executive board, which we expanded by five members in 2017. At the same time, we have brought in Jvo Grundler, General Counsel, as a new member of the Board of Directors. He is working closely with us in this new business, which we would like to also expand abroad.

Will HIAG Data then be hived off?

MD: For the time being, it is a company that is under construction. If the expansion continues abroad as planned, the question will arise as to whether HIAG is still the best owner. But that is the future. 2018 is about successfully positioning Cloud 4.0 on the market and developing performance packages that we can offer our tenants at all of our sites. Both organisations, HIAG Data and the real estate organisation, are involved in this with equal enthusiasm.



“Should interest rates rise sustainably, we would be able to cushion the impact of this with our very healthy balance sheet structure.”

CFO Laurent Spindler

Interview Executive Board

With developments in and around the real estate market in mind, many of which can be summarised under the buzz word “digitalisation”, we have also adapted our organisation in the real estate sector. We have defined matrix responsibilities for certain functions at the sites and assigned them to individual members of the executive board. We are constantly working to become even better at developing and selling our projects.

What are the overall objectives for 2018?

MD: The focus in 2018 will be on the further development of the portfolio and the interplay we mentioned between the real estate sector and HIAG Data. All in all, we are relying on income from internal growth.

LS: We are achieving this by further improving the vacancy rate and by completing projects that will enter the construction phase in 2018.

MD: At HIAG Data, we are looking forward to the launch of the Network Centric Multi-cloud 4.0, which we will present to the market of Swiss cloud service providers in March.

2017 at a Glance



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4



5

January

General Dynamics (Mowag) became a new tenant in Ermatingen – adjustments to lease agreements in Brugg, Birsfelden and Klingnau
General Dynamics (Mowag) rented a 3'000 m² hall and 8'500 m² of outdoor areas for the renovation of Duro military vehicles at the HIAG site in Ermatingen (TG). Further adjustments were made to lease agreements in Brugg, Birsfelden and Klingnau. (1)

February

New image film for "The Hive"
A short film about "The Hive" site in Meyrin (GE) and other videos are now available at www.thehive-gva.ch and on YouTube.

March

Project competition winner
Mirlo Urbano Architects won the project competition for an apartment building with 16 apartments on Weststrasse in Wetzikon (ZH).

Annual results press conference
On 20 March 2017, HIAG held a press conference to announce the annual results 2016 at the SIX Swiss Exchange in Zurich.

April

HIAG and Stadler conclude a building rights agreement for the site in St. Margrethen
HIAG and Stadler Rail AG concluded a building rights lease for the approximately 70'000 m² site in St. Margrethen. (2)

HIAG signs a 10-year rental contract with Hewlett Packard Enterprise
HIAG and Hewlett Packard Enterprise (HPE) signed a rental contract for areas at "The Hive" site in Meyrin (GE). After the renovation, HPE will rent 3'500 m² in "Hive 1", a building dating back to 1968 that was already located at the site before HIAG began redevelopment. (3)

HIAG General Assembly
All the Board of Directors' proposals were approved at HIAG's Ordinary General Assembly in Frauenfeld at the Walzmühle site on 20 April 2017.

First Europe-wide real time media services platform launched
Noser Engineering AG, Microsoft (Switzerland) AG, Hewlett Packard (Switzerland) GmbH and HIAG Data AG are now offering a joint media services platform.

HIAG signs contract for the sale of paper and finishing machines
At the end of April 2017, HIAG signed a contract for the sale of production line 9 at the Papieri site in Biberist (SO) for a high seven-figure amount. (4)

May

HIAG strengthens its management team and Board of Directors
HIAG strengthened its management team in May 2017. In addition to CEO Martin Durchschlag and CFO Laurent Spindler, Dr. Jvo Grundler joined the Executive Board as General Jvo Grundler was chosen as the fifth member of the Board of Directors at the General Assembly on 20 April 2017.

OYM communicates on building project in Cham
The building permit was submitted in April 2017 for the Centre of Excellence OYM (On Your Marks) for high-performance athletics and research planned by a private investor in Cham (ZG). The adjacent HIAG areas will also be redeveloped soon. The OYM managers presented the project on 1 May 2017. (5)

HIAG successfully issued a CHF 150 million fixed-rate bond
HIAG Immobilien Holding AG successfully issued a third fixed-rate bond for CHF 150 million with a coupon of 0.8% and a maturity of five years.

HIAG Data at the Digital Economic Forum
HIAG Data supported the Digital Economic Forum 2017 as a Platinum Partner. The event took place in Zurich from 9 to 10 May 2017. Hanspeter Tinner, HIAG Data's COO, was among the speakers.

2017 at a Glance



6

June

HIAG expands its portfolio in Meyrin

HIAG acquired a commercial site in Meyrin's rapidly developing economic area. (6)

Contract signed with Baoshida Swissmetal

A new rental contract has been signed with Baoshida Swissmetal for the use of the site in Dornach (SO), replacing the previous agreement. Contrary to the original agreement, the company can now use the site for another eight years. This will also free up partial areas for temporary use. Planning by HIAG for the site's redevelopment will continue unchanged. (7)



7

Building permit for Stegenmühle

In June, HIAG obtained the building permit for the renovation of the protected historic Stegenmühle site in Wetzikon (ZH).



8

HIAG and MediaMarkt extend rental agreement in Dietikon

HIAG and MediaMarkt agreed to extend the rental period by an additional 10 years for the existing rental areas covering approx. 5'500 m² in Dietikon (ZH). In this context, the retail space will be modernised. (8)



9



10

July

Groundbreaking at the Walzmühle site

On 4 July 2017, the groundbreaking for redevelopment of the Walzmühle site took place in Frauenfeld (TG). Residents, representatives of the city, public authorities and partners were invited to attend the ceremony. (9)

Acquisition of the Uhlmann-Eyraud site in Meyrin (GE) completed

As announced on 16 June 2017, HIAG concluded a purchase agreement for the 10'400 m² Uhlmann-Eyraud site. The transfer of ownership was finalised on 31 July 2017 after the Canton of Geneva waived its right of pre-emption.

August

Cooperation with the University of Applied Sciences of North-West Switzerland has started

As part of their project work, students of the University of Applied Sciences of North-West Switzerland's study programme Energy and Environmental Technology will perform a market analysis for potential users in need of energy infrastructure based on the example of the former paper mill site in Biberist. The project will take place primarily in the fourth quarter of 2017 with specialist support by experts and in coordination with HIAG.

Second phase delivered to Jeld-Wen

The delivery of the second phase of the building of the Jeld-Wen site took place at the HIAG site in Bremgarten (AG) in August.

September

Half-year results 2017 presentation webcast

On the occasion of the publication of HIAG's half-year results 2017, a live webcast with conference call took place on 4 September 2017.

Annual report selected Swiss Annual Report Rating selected HIAG's Annual Report 2016 for first place in the Design (Print and Online) category. (10)

October

HIAG earns EPRA silver BPR award

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

Grand opening of The Hive in Meyrin

On 10 October 2017, the opening ceremony for "The Hive" site took place in Meyrin near Geneva, celebrating the completion of the EMEA headquarters of Hewlett Packard Enterprise and HP Inc. For the very first time, guests had the opportunity to explore the campus with its new building and outdoor areas. (11)

2017 at a Glance



11

November

Faro Foundation plans to use the recruitment centre

In May 2018, the Swiss Army will move its recruitment centre from Windisch (AG) to the Aarau military base. The vacated building at the Kunzareal site will be converted into a residence for the Faro Foundation. (12)



12

December

HIAG Data and Noser Engineering expand their partnership

HIAG Data is further expanding the industry focus of its cloud infrastructure services in the health and media fields and beyond. To do this, it is strengthening its management team with three personnel arrivals from Noser Engineering. On 1 December 2017, Christoph Pfister, Beat Zollinger and Martin Straumann transferred to HIAG Data for positioning and further development of cloud infrastructure services.



13

HIAG signs new leases in Neuchâtel

After the signing of two long-term rental contracts with Migros and the Italian restaurant chain Luigia, starting in March 2018 HIAG will be tackling the renovation of the industrial building in Rue du Plan 30 in Neuchâtel (NE), thus reaffirming its development strategy in western Switzerland.

Building permit granted for the site of Doka Schweiz AG in Niederhasli

Doka, a company specialising in formwork techniques, signed a long-term contract with HIAG in 2016 for redevelopment at the Niederhasli (ZH) site. In December 2017, a building permit was granted for an approximately 3'500 m² office building and about 4'300 m² of production halls. When Doka transfers to the new buildings, the approximately 16'500 m² railway station area will be freed up for development of the centre. (13)

Contract extension and termination in Kleindöttingen

Brugg Rohrsysteme has been a tenant at the site since 1997. With approx. 16'000 m² of industrial and commercial space and approx. 42'000 m² of outdoor storage areas, the company is one of Kleindöttingen's anchor tenants. HIAG and Brugg Rohrsysteme have recently agreed on a long-term extension of the rental contract for at least 20 years. At the same time, Imhof Bio Logistik will cease its business operations and terminate its contract over 3'700 m² of commercial space per mid-2018. Sales have started for the vacated area.

New leases at the Lorzenpark in Cham

At HIAG's "Lorzenpark" site in Cham (ZG), several rental contracts were signed in 2017. A digital marketing company moved into 900 m² of rental space for a minimum term of five years. Another 400 m² were rented out to a joint paediatricians' practice on a long-term lease. On the ground floor, the dealership of an Italian sports car manufacturer will occupy approx. 1'500 m², starting in the spring of 2018. With these rental contracts, the vacancy rate dropped substantially on this site.

Strategy and Sustainability

Organisation and management structures

Bringing together analogue and digital capabilities

HIAG combines interdisciplinary capabilities and builds on the strengths that come with lean and flat structures with short decision paths. Skills that are rooted in the group's organisational structure are being oriented towards the challenges of site redevelopment in the digital age. HIAG employees act as "entrepreneurs within a company" – confidently, reliably and in a customer-oriented manner internally and externally, so that processes can be planned and implemented in an integrated way. The exchange of know-how between HIAG employees and HIAG Data is actively promoted, so that the strengths of both "worlds" – site redevelopment and cloud infrastructure – can complement each other in an ideal manner. This enhances the innovative spirit and ultimately expands competitive advantages.

HIAG management structures

Board of Directors

Dr. Felix Grisard President	John Manser Vice-President	Salome Grisard	Dr. Walter Jakob	Dr. Jvo Grundler
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Managing Board

Martin Durchschlag CEO	Laurent Spindler CFO	Dr. Jvo Grundler General Counsel
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Extended Executive Board

Arealentwicklung					Portfolio Management
Lukas Fehr Lead Architect	Michele Muccioli Lean Development	Alex Römer Digitalisation	Thorsten Eberle Acquisitions	Yves Perrin Director for Western Switzerland	Ralf Küng Head of Portfolio Management

Strategy and Sustainability

Strategy

Site redevelopment, leasing and infrastructure recognised as value drivers

HIAG has several 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 as well as cost and process control. The added value created by the redevelopment process also expands the collateral value for financing new projects. The company thus manages to press ahead with further redevelopments in its own portfolio without significant additional capital requirements. HIAG invests in infrastructure wherever its integration at the site provides an economic or environmental benefit. For that reason, HIAG has five hydro-electric plants in its portfolio and invests in network development and cloud infrastructures. HIAG distinguishes itself from other market participants by combining the two complementary business models of site redevelopment and cloud infrastructure, fully drawing on the use of digital potential.

At a glance: What makes HIAG unique

**Pipeline with approximately CHF 2 billion
in additional investment potential**

**40 sites with an
average of 42'000 m²**

**Ability to quickly handle
complex transactions**

**Focus on
core processes**

**Providing analogue
and digital infrastructure**

**Industrial
company background**

**Corporate culture characterised
by family shareholders**

Strategy and Sustainability

“Land bank” with redevelopment as a core business

The Group disposes of a site portfolio at about 40 locations that stretches over a total surface area of 2.5 million m², 1.6 million m² of which is zoned. In addition to its existing property portfolio, the company currently plans to establish 603'000 m² of additional usable area in roughly 50 redevelopment projects in the short, medium and long-term with an investment potential of approximately CHF 1.7 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 to other portfolios, presents a good balance between residential and industrial/commercial use and features a relatively low proportion of office space. HIAG's sites are very well located. Approximately 91% of the portfolio is located in the economic core regions of Switzerland around Baden / Brugg, Zurich / Zug, Northwestern Switzerland and Geneva. The scarce land resources in these regions and the recent legally instituted reduction in rezoning of agricultural areas, highlight the need for consolidation and conversion of former industrial sites.

Performance, security and availability

While individuals use cloud solutions as a matter of course, at the end of 2017 only an estimated 5% of companies were cloud-native, and they were primarily young companies. An important reason why companies are hesitant to transfer system-critical processes to virtual locations is that the public internet as a means of communication was not designed for the transfer and availability of system-critical processes. That's where HIAG Data comes in: with its private and dedicated network connections, it offers a path to cloud computing with at least as much security and availability as a private cloud at a company site, but with a significantly higher performance with regard to the connection to public clouds and virtual cloud infrastructure. With the offer of an end-to-end service level agreement, HIAG Data practically brings the cloud to the company, and via its partners enables a seamless connection to the existing IT infrastructure. For the company-owned virtual cloud infrastructure, which is operated from two data centres in Switzerland, HIAG Data can focus completely on the seamless integration of its own high performance network into the server architecture. This results in application-specific performance improvements that enable new business models. HIAG Data works closely with Microsoft and Hewlett Packard Enterprise to further develop its infrastructure, and serves its users exclusively via its cloud service partner network.

Focused on core processes

HIAG orients its strategic focus towards activities that create the most value during the redevelopment process. Core processes such as site acquisition, control of redevelopment processes, approval procedures, connection to the local infrastructure, portfolio management and sales activities are primarily carried out internally and can be continuously improved through an open, feedback-friendly culture. 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.

Employees as factors for success

HIAG's corporate culture, which guides individual and overall development paths, is shaped by its highly qualified employees. Thanks to the flat organisational structure and the very high level of specialisation of most of its staff, each employee takes responsibility, makes decisions and is generally the direct contact person for his or her field

Strategy and Sustainability

of responsibility. Bearing in mind that every employee contributes to success, HIAG promotes initial and continuing training and discusses possible training opportunities during individual performance reviews. Between 2015 and 2017, six employees (out of a total of 33) completed HIAG-supported training courses and took advantage of education programmes, including multi-year study programmes and additional qualifications. The open exchange between employees and managers, which takes place regularly and sporadically, is promoted by HIAG's corporate culture. This strong company ethos is characterised by trust, passion, the spirit of innovation, the courage to take the initiative and a strong team spirit. In order to promote employee satisfaction, HIAG always strives for reasonable work requirements, fair wages and a very attractive work environment at central locations in Basel, Geneva and Zurich.

Added value through brand management

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 often 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 HIAG's brands 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. The subsidiary brand HIAG Data has an explicit relationship with the HIAG brand, while maintaining a completely independent image and communication mix. The communication policies of both brands are considered and implemented in an integrated manner.

Sustainability

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 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 7'352'303 kWh of electricity in 2017. This roughly corresponds to the average annual energy requirements of approximately 1'838 two-person households with four rooms. For 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 log book” shows the supply or electricity production for 2017, as well as incidents that required interventions in 2017:

Hydroelectric power logbook

Diesbach (GL) hydroelectric plant*	The Diesbach plant was operated for the entire year without major technical defects, disorders or incidents, and was shut down for a total of 11 days. A small number of these days concerned normal maintenance, but most of these days were situations in which there was a great deal of debris in the riverbed due to heavy rainfall, or lightning strikes led to a public network failure (if the public network fails, the power plant is shut down on an emergency basis).
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Biberist (SO) hydroelectric plant*	The plant had to be shut down in August 2016 due to a total loss of the impeller casing. Due to delayed delivery, the machine could not be recommissioned as planned in December 2016, but rather on 14 February 2017, which led to 44 days of lost earnings. In March, problems arose with the measurement of the impeller opening. The measurement showed strong fluctuation, which caused the hydraulic system to constantly readjust the impeller opening (control frequency about 200 times that of normal operation). If the machine had continued to operate in this way, wear and tear on the systems would have occurred after a short time. The machine had to be drained in order to examine all system components (mechanics, electronics, hydraulics, PLC control). After a long search, the problem was identified and the defective parts on the displacement sensor could be newly manufactured and replaced. The shut-down lasted 13 days. From the end of August to mid-September, the plant was shut down for 17 days. Seven of these days were due to the annual Emme canal shut-down and 10 were due to a lack of water. Except for the months of May, November and December, Biberist had a below average year in terms of water volumes with very low water levels.
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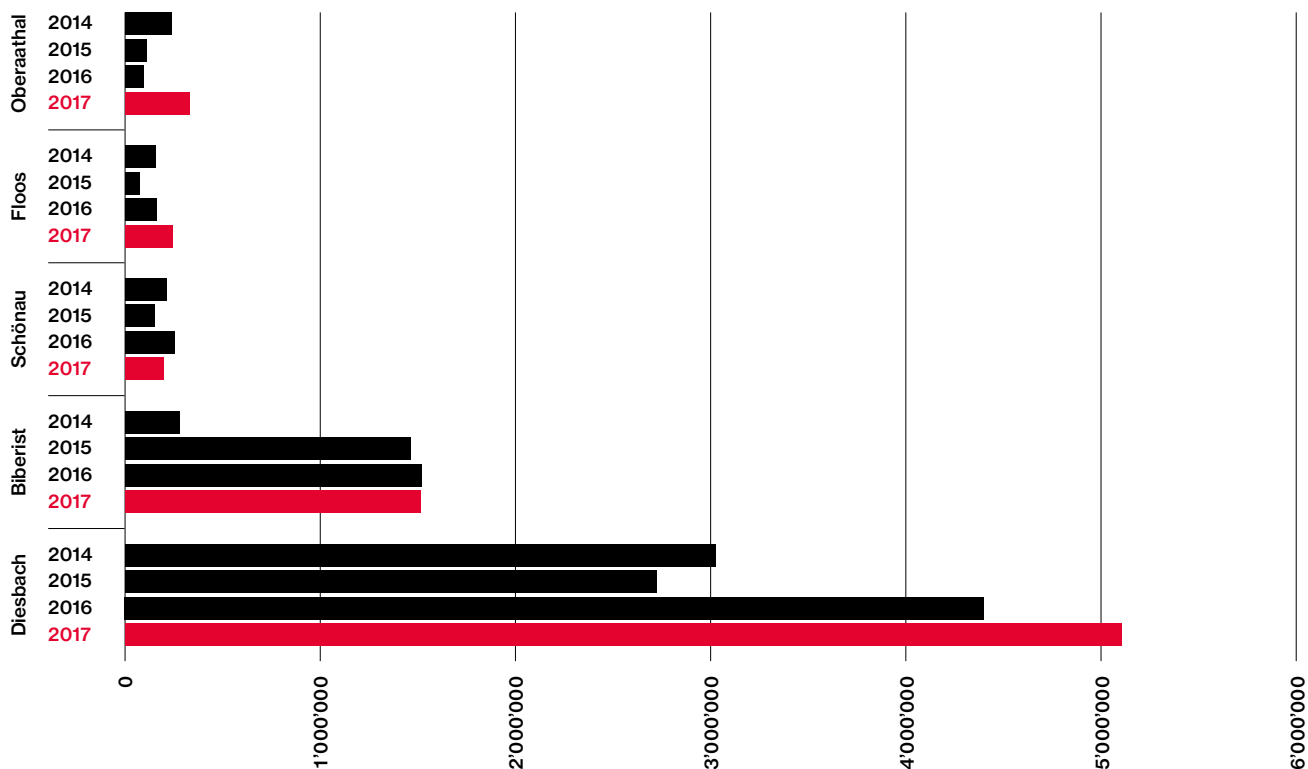
Schönau (ZH), Floos (ZH) and Oberaathal (ZH) hydroelectric plant	The plants did not have any significant disruptions during the year under review. Due to the low rainfall in the months of January, June and July, the amount produced during these months was below average. However, rainfall was above average especially in March, May and December. Since HIAG took over operation of the plants as a producer in December 2015, 2017 has been the first full year without defects or repairs.
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* 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 shut-down is the water shortage during prolonged dry periods.

Strategy and Sustainability

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 has been optimised by the repair work carried out by HIAG. The following table shows an overview of the annual production of all the plants in 2014, 2015, 2016 and 2017:

Annual production of all hydroelectric plants in kWh



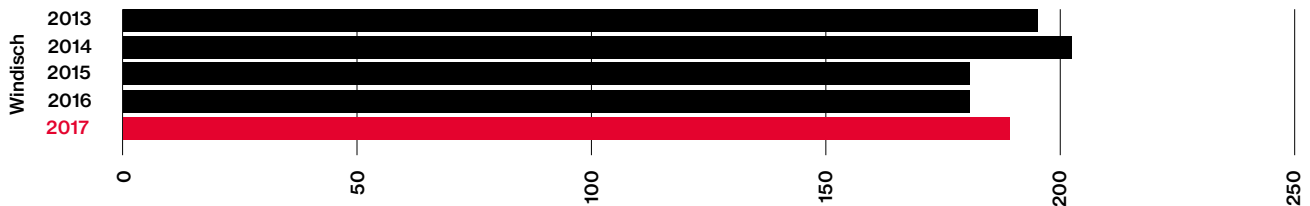
In Aathal (ZH), the hydroelectric issue is important both to the canton and the historic preservation office. Three of the 12 power plants in the hydroelectric power chain that stretches through the region should receive renovation subsidies from the canton in the medium term, based on a concept drafted 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.

Strategy and Sustainability

Photovoltaic facility

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 2017, the 794 modules with a surface area of about 1'300 m² generated over 183 MWh of electricity. Thanks to this facility, approximately 664 tons of CO₂ emissions had been avoided as at the end of 2017.

Annual production of photovoltaic in MWh



The plant is characterised by the aerodynamically optimised elevation system, which aims to integrate the modules discreetly into the overall picture of the building and the outside areas of the quarter. The system was built by Solventure AG and the University of Applied Sciences of North-West Switzerland in Windisch.

Energy standards

When creating apartment projects, HIAG pays attention to the careful use of resources and seeks to bring together the requirements of the future resident and those of certification. Minergie-certified projects in the HIAG portfolio include Spinnerkönig with 61 rental units, The Cloud with 100 condominiums and Feinspinnerei, which will be ready for delivery in 2018, with 29 condominiums. The EMEA headquarters of Hewlett-Packard Enterprise and HP Inc., which opened in 2017 in Meyrin, Geneva and is used as an office building, is Minergie-certified and has also received LEED certification.

Company mobility

HIAG promotes the environmentally friendly use of public transport by employees and deliberately avoids the use of a fleet of vehicles. Employees who need to travel frequently receive general or half-fare transport passes. In addition, all employees have access to Mobility Carsharing and can flexibly plan their business trips throughout Switzerland. Mobility vehicles have even been stationed at the HIAG site in Windisch. Employees who often travel by train or who work at different sites receive mobile technical equipment accordingly.

Strategy and Sustainability

Social sustainability

Quality in architecture and urban planning

For HIAG, sustainable site redevelopment means the careful and forward-looking planning of future quarters. In order to ensure urban and architectural quality, HIAG organises architectural competitions and master planning in the initial part of its redevelopment service. This often takes place in stages, so that the technical quality of the contributions can be further condensed step by step. Holistic urban planning takes into account social and ecological aspects and thus expands the development potential of the sites. Urban planning leads to the consideration of development aspects, such as type of use, accessibility to transport systems and landscaping, and ensures that individual projects work out ideally in the overall context of a site. This approach also provides for a healthy mix and a positive social climate to shape life in the quarter.

Progress was made with the test planning for the Dornach site in 2017, for example. During the interim meeting, the jury members were able to give constructive feedback and develop solutions for complex redevelopment issues in collaboration with the participating architecture firms.

Cooperation with educational institutions

HIAG maintains exchanges with educational and research institutions. Through cooperation with universities, HIAG supports projects that are related to actual tasks in the context of site redevelopment. Students are given the opportunity to apply their theoretical knowledge in practice, allowing HIAG to gain new perspectives on its development activity.

In this context, cooperation with the Swiss Federal Institute of Technology (ETH) in Zurich in the field of architecture and Lucerne University in the field of interior design has taken place in recent years. In 2017, a student project with the University of Applied Sciences of North-West Switzerland in the degree programme of electrical and environmental technology was initiated and largely implemented. The students' task was to conduct a market analysis on the need for energy infrastructure using the example of the Papiéri site in Biberist. The results will be presented at the beginning of 2018. HIAG is also committed to transmitting knowledge about site redevelopment: Several employees are working as guest lecturers covering specific specialist topics at educational institutions; for example, at the University of Zurich and Lucerne University.

Strategy and Sustainability

Economic sustainability

A focus on client needs

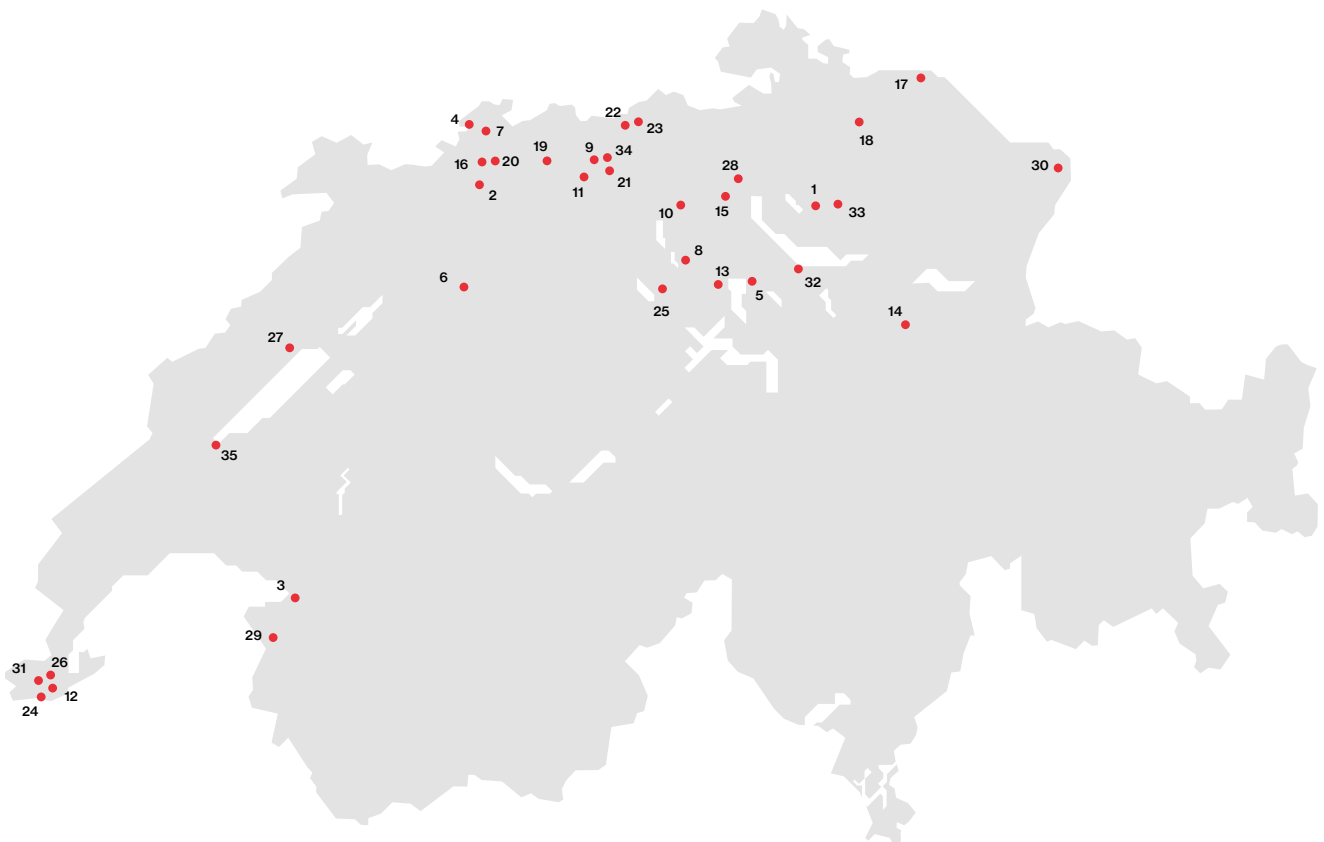
HIAG's clients benefit from an organisation with flat hierarchies and short decision paths. Direct communication with contact persons who have decision-making authority provides fast and reliable answers. HIAG's clients include public, private and commercial tenants, companies and condominium buyers. 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 maintains close relationships with industrial and commercial tenants and benefits from its own industrial heritage when working with industrial tenants. Proximity builds understanding and know-how for company-specific requirements, as proven, for example, by the highly efficient construction of Hewlett Packard Enterprise and HP Inc.'s EMEA headquarters, which opened in 2017. This mutual understanding was also beneficial during the construction of the new Jeld-Wen industrial halls, which were swiftly built within the given budget and completed in 2017. Since a large portion of the sites in HIAG's portfolio 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 municipal infrastructure. The project always takes on a special quality when all of 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. The sites are also largely managed in collaboration with local service providers that implement the philosophy of individual and dialogue-oriented tenant care as HIAG envisions it.





































The 100% HIAG subsidiary HIAG Data acts within a global ecosystem in which existing and potential partners and customers cross-connect in a meaningful way. HIAG Data's cloud infrastructure and specific branch solutions enable smaller businesses to develop new cloud-based business models and benefit from the high performance, security and availability of the HIAG Data solution. HIAG Data therefore acts as a sustainable infrastructure partner, allowing its customers to make specific use of digitisation opportunities.

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 | |

Site Redevelopment Locations

1 Aathal  368'000 m ²	2 Aesch  36'000 m ²	3 Aigle  12'000 m ²	4 Allschwil  2'000 m ²	5 Baar  9'000 m ²	6 Biberist  357'000 m ²
7 Birsfelden  18'000 m ²	8 Bremgarten  21'000 m ²	9 Brugg  45'000 m ²	10 Brunegg  15'000 m ²	11 Buchs  18'000 m ²	12 Carouge  11'000 m ²
13 Cham  40'000 m ²	14 Diesbach  61'000 m ²	15 Dietikon  39'000 m ²	16 Dornach  137'000 m ²	17 Ermatingen  31'000 m ²	18 Frauenfeld  21'000 m ²
19 Füllinsdorf  16'000 m ²	20 Gempen  89'000 m ²	21 Hausen-Lupfig  62'000 m ²	22 Kleindöttingen  188'000 m ²	23 Klingnau  71'000 m ²	24 Lancy  9'000 m ²
25 Menziken  10'000 m ²	26 Meyrin "The Hive"  43'000 m ²	26 Meyrin Uhlmann-Eyraud  10'000 m ²	27 Neuchâtel  11'000 m ²	28 Niederhasli  56'000 m ²	29 Saint-Maurice  33'000 m ²
30 St. Margrethen  84'000 m ²	31 Vernier  5'000 m ²	32 Wädenswil  11'000 m ²	33 Wetzikon  113'000 m ²	34 Windisch  29'000 m ²	35 Yverdon-les-Bains  20'000 m ²

Dietikon Site



Retail Site with Tradition and Future

The HIAG site in Dietikon (ZH) is a flourishing retail site where the brand Media Markt began its expansion into Switzerland in 1992. Other specialist stores have also settled there and are now shaping the site. HIAG seeks to optimise the site's image so that it remains attractive for specialist stores in the future.

HIAG has its industrial roots in Dietikon, a municipality with about 25'000 inhabitants. The approximately 39'000 m² site in the industrial area of Silbern was used as a storage site for Bauwerk-Parkett when HIAG was still active in the timber industry. The site is situated at the gateway to the Silbern area, in the immediate vicinity of the A1 and A3 motorways. The renovation and conversion into a retail site began in 1992 with the rental of areas to Media Markt. In 2017, the company extended its rental agreement by 10 years for the same amount of space, thus continuing its long-standing tenancy in HIAG's portfolio. In addition to Media Markt, the companies Lipo, Athleticum, Otto's, Reno and Fressnapf in particular make up the cluster of specialist stores at the site and give the site its distinctive appearance. The logos on the façades are clearly visible and cannot be missed from the motorway. The Dietikon site has become very well established over the past 10 years as a location for specialist stores and is considered to be a "top address", explained Thorsten Eberle, in charge of the site's redevelopment. This is particularly noteworthy in a context where the retail market is declining due to competition from

Site Redevelopment


Dietikon Site

e-commerce. The requirements of specialist retailers have changed in recent years. This redevelopment has been accompanied by a declining need for surface area for the presentation of goods and a greater need for a broadly diversified offering in the vicinity; e.g. restaurants. “We are pleased that we have been successful in Dietikon despite the difficult retail context,” added Eberle. In addition to the connection to and the ideal visibility of the site from the motorway, the large contiguous areas that characterise the site are what makes the offering accessible to the customer on a single level.

Optimised structures provide an improved shopping experience for the customer

In 2016 and 2017, investments were made to optimise the infrastructure and improve the appearance of the site, so that Dietikon continues to be an in-demand site for specialist stores. By separating delivery routes from the central road, customers can gain easier access to shops, and the layout of entrances was optimised. The rail tracks from the site’s industrial past were removed and outdoor seating was created. In addition, the appearance of the signage and logo for the entire site was unified, which also benefits neighbouring companies and businesses that do not rent space from HIAG. “It is important to us that the site works as an overall concept, so we think holistically and long-term. This way, both customers and businesses can benefit,” explained Eberle with regard to the measures in the public outdoor areas. Further optimisation measures are already being planned: logos on all building corners are being considered and LED screens could possibly be installed on the façades to further increase the visibility of the buildings. In addition, a logo tower as a landmark directly at the motorway could provide orientation and visitor traffic.

Dietikon Site



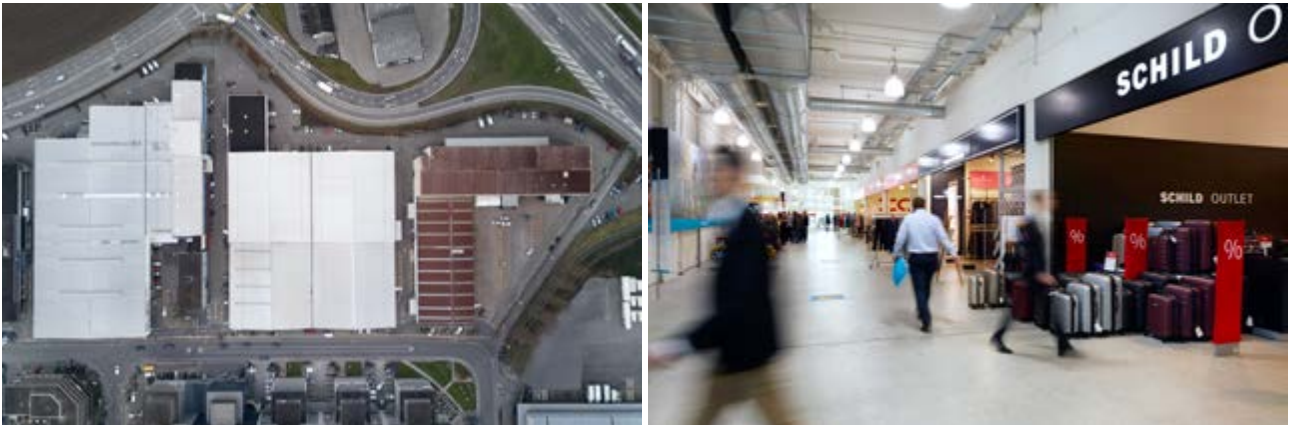
Total surface area:	38'600 m ²
Office area:	2'800 m ²
Commercial area:	1'300 m ²
Retail space:	20'000 m ²
Area for leisure and culture:	6'400 m ²
Storage area:	2'700 m ²
Parking spaces:	550
Project status:	<div style="display: flex; justify-content: space-between; width: 100%;"> Acquisition Planning Construction Portfolio </div> <div style="border-top: 1px solid red; width: 100%; position: relative; margin-top: 5px;"> → </div>
Site developer:	Thorsten Eberle
Portfolio management:	Ralf Küng

Sustainability

- Close coordination and cooperation with the municipality and canton
- Implementation by HIAG of the site brand with signage to benefit all the shops in the area

Strategy and Sustainability on page 22

Site Redevelopment Dietikon Site



Parking spaces used all week

The management of the site was also progressively optimised by HIAG's portfolio management. For example, a new parking space management system was introduced. Since then, parking spaces have been almost exclusively reserved for the clientele of the specialist stores. Parking spaces have been subject to a charge since the introduction of the system in 2012, and people parking for a short period of time benefit from preferential conditions. "The use of parking spaces has been constant since 2013," explained Ralf Küng, HIAG's Head of Portfolio Management. Through the rental of areas to a non-denominational church, some of the 550 parking spaces are even used on Sundays, which "allows for anti-cyclic use and thus optimal utilisation of parking spaces", continued Küng.

Developing the environment along with the site

The industrial area of Silberhorn is situated in a central location in the economic catchment area of Zurich and in the region of Limmattal. 54'000 and 284'000 people live within a perimeter of 10 to 20 minutes travel time respectively around Dietikon. From Dietikon, 1'300'000 inhabitants and about 711'000 employees in Switzerland can be reached within an hour's drive. Looking beyond the boundaries of the site, further cantonal and urban measures are planned for the long term that will further enhance the attractiveness of the site in the Zurich agglomeration. As the site's areas are the only ones approved for intensive commercial use in the new Dietikon design plan, and the community is already a hub for regional and individual traffic, the Limmattal suburban rail connection Silberhorn, which has been planned nearby, should significantly contribute to frequent traffic at the site. Based on exchanges with tenants and due to the continuing momentum at the site, Ralf Küng is convinced that specialist stores in Dietikon will enjoy long-term success. "As an owner, we want to contribute to the success of the businesses there by further strengthening the perception of the site as a unified concept." Thorsten Eberle is also confident about the future: "Talks with our tenants at the site clearly show that specialist stores with innovative concepts at the right locations can better cover certain customer needs than online commerce."

Papieri Site Biberist

Growing Infrastructure Offer

The Papieri site in Biberist has shown positive results since its acquisition in 2012. Since the closure of the industrial plant, approximately 120 jobs have been created, interim property income has been about CHF 3 million per year and the site has established itself as an anchor location for the HIAG Data cloud infrastructure. In addition, the zoning plan revision advanced considerably in 2017, forming an important basis for the first redevelopment phase.



In 2017, the zoning plan revision and HIAG and the municipality's accompanying development plan made significant progress, with the goal of legally implementing the master plan for the development of the Papieri site, which was completed in 2015. The revised zoning plan and the corresponding zoning rules are to be submitted to the authorities for cantonal preliminary review at the beginning of 2018. The approval and entry into force of the zoning plan revision can then be expected for the spring of 2018. Building on this legal basis, the site redevelopment vision will be implemented in stages. The first stage will focus mainly on opening up and transforming the site and connecting it to public transport in collaboration with the municipality and canton.

Site Redevelopment

Papieri Site Biberist

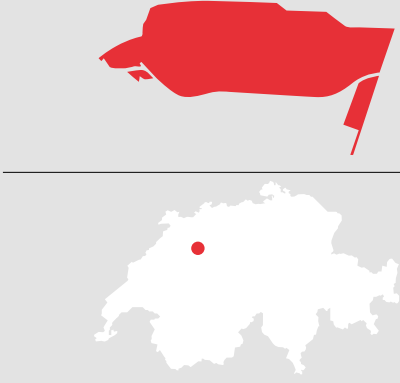
Prior success as an important basis


Future redevelopment steps will build on prior achievements. Since HIAG took possession of the site in 2012, a dozen companies have settled there. These tenants employ about 120 people at the site, which corresponds to about 25% of the former workforce when the paper factory was operating. From an economic standpoint, the site's results are also noteworthy: the companies that have settled there have brought in about CHF 3 million of property income in 2017. That corresponds to about 6% of HIAG's total property income. It should also be noted that this rental income is generated from no more than 15% of the existing usable area of the site. In order to help the growing number of users get around, attractive signage was introduced in 2017 that allows for swift deliveries and also overhauls the site's visual identity.

Paper machine "PM9" ready to travel

An important success in 2017 was the sale of paper machine "PM9". Dismantling began in October. The work should be completed in the summer of 2018. Until then, 50 people will dismantle and transport approximately 8'000 tons of equipment. The 22-year-old machine, which is considered "young", will be rebuilt in Eastern Europe and recommissioned for the production of packaging material. Sales talks are also ongoing for the other two paper machines "PM8" and "PM6". "The areas freed up by the sale of PM9 open up new sales possibilities," explained Michele Muccioli, who is in charge of the site's redevelopment. Approximately 15'000 m² of halls will be freed up after the machine has been dismantled and can then be put to a new use. If the "PM8" areas become available after a potential sale, the new use can be expanded to over 25'000 m². "This would open up further planning possibilities and would be very attractive for a potential large-scale user," said Muccioli. Not only could an industrial user benefit from ideal floor space

Papieri Site Biberist



Total surface area:	791'000 m ²
Industrial land:	312'000 m ²
Project status:	
Acquisition	Planning
	Construction
	Completion
	
Site developer:	Michele Muccioli

Sustainability

- Use and preservation of the hydroelectric plant at the site
- "PM9" paper machine can continue to be used elsewhere
- Sustainable master plan respects established uses and structures during temporary use
- Preservation of "grey energy" by converting what is already there
- Restoration and clean-up of the Emme river by the canton

Strategy and Sustainability on page 22

Site Redevelopment Papieri Site Biberist



conditions, but also from the energy infrastructure at the site and the cloud infrastructure recently built by HIAG Data, which will soon be connected and accessible directly at the site.

Digital connection as a location factor

A data centre that will be used exclusively by HIAG Data is being planned for the “Walzenhalle” building. Special emphasis will be placed on energy efficiency and the use of state-of-the-art technologies. Adiabatic cooling operated with groundwater will be used, so that conventional refrigeration machinery can be completely dispensed with. A total of one megawatt of IT capacity should be made available in the first phase. In its fully completed state, about 90 racks with approximately 1’260 servers could be operational. The PUE value, defined as the ratio of total data centre input power to the equipment’s load power, will be 1.2, indicating very high efficiency. The average PUE of data centres in Switzerland is at about 1.65. A built-in photovoltaic connection opens up the possibility of using solar energy. Structurally, the outer shell will be reinforced and the infrastructure with an intermediate floor will be used. Completion is planned for the first half of 2019. The HIAG Data team is responsible for the maintenance and operation of the data centre. Since the middle of the year, it has been building up its headquarters in the former administrative building with 230 m² of floor space for up to 15 employees. It also houses a demo lab, which serves as a test environment for technology development. In addition, the site was connected to the private HIAG Data fibre optic network in 2017. The site’s exceptionally attractive infrastructure for industrial operations – composed of a hydroelectric plant, steam, ground water, gas and rail – will be expanded by HIAG Data with cloud infrastructure in the future. According to Michele Muccioli, this should be helpful for sales, as “Biberist is the first digitally connected site in our portfolio and offers tenants the opportunity to benefit from digitalisation”.

Meyrin Site Uhlmann-Eyraud

Portfolio Growth in Western Switzerland

After 2016's purchases and redevelopment advances, HIAG has been able to notch up yet another important strategic success in the 2017 reporting year in the Western Switzerland region with the acquisition of an industrial site in Meyrin (GE). The HIAG portfolio is thus strengthened further in the Geneva region.

On 31 July 2017, HIAG was able to complete the purchase of the site of F. Uhlmann-Eyraud S.A., a company that specialised in the marketing of pharmaceutical and cosmetic products. The portfolio in the Western Switzerland region thus grew by 10'400 m², or 9'700 m² of usable area. Along with The Hive, this site is the second HIAG location in Meyrin, the fourth largest city in the canton of Geneva. The site is located in a rapidly growing



Site Redevelopment

Meyrin Site

Uhlmann-Eyraud

economic area and offers long-term development potential. Yves Perrin, who is in charge of redevelopment at the site, considers the acquisition to be an important milestone: “With this purchase, HIAG has been able to strengthen its portfolio and presence in the Geneva region in a long-term and strategic way.”

Long-term planning for high-density development strategies

The existing commercial building at the site dates back to 1965. During the reporting year, about 40% of the building was rented by the seller F. Uhlmann-Eyraud S.A. and used by various other companies as a storage site. Annualised property income amounted to CHF 0.7 million in 2017, and 95% of the floor space was leased. Currently, mostly commercial and industrial companies are located in the vicinity. The location opposite Meyrin railway station, which is connected to Geneva’s main railway station and will be further upgraded with the expansion and completion of the CEVA suburban train (Léman Express) over the next two years, will enable high-density development in a time frame of about 10 years. Accessibility is also ensured by the ideal connection to the A1 motorway and the proximity to the Geneva airport.

The canton required HIAG to commit to a high-density development strategy with mixed usage over the next 10 years. During the planning period, the areas and existing structures, which are well aligned with the current market, will be actively managed.

Meyrin Site
Uhlmann-Eyraud




Total surface area:	10'400 m ²
Usable area:	9'700 m ²
Project status:	<div style="display: flex; justify-content: space-between; width: 100%;"> Acquisition Planning Construction Completion </div> <div style="margin-top: 5px;">  </div>
Site developer:	Yves Perrin

Sustainability

- Collaborative partnership with the canton and city due to HIAG's increased commitment in Meyrin
- Planning security for the city and users is ensured

Strategy and Sustainability on page 22

Meyrin Site “The Hive”



“The Hive” is Coming Alive

In October 2017, The Hive site in Meyrin (GE) and the completed EMEA headquarters of Hewlett Packard Enterprise and HP Inc. celebrated their grand opening. In the coming years, other buildings will be added to the high tech campus and brought together as an IT cluster at the site.

Site Redevelopment

Meyrin Site

“The Hive”

On 10 October 2017, The Hive fully lived up to its name, as the site opened its gates for the first time to over 400 invited guests, and the lively exchanges among the tenants' guests and employees in the forecourt of the newly constructed building was reminiscent of a busily communicating colony of bees. A driverless shuttle developed by Swiss Post took the site's guests to their destination, the new building “The Hive 2”. In the future, even more people will breathe life into the site, as “The Hive 2” has signalled the start of the next development phases and more buildings and establishments are expected to follow. The redevelopment is meant to strengthen and hone the identity and profile of the site. The commissioned architectural firm CCHE developed a campus concept inspired by a bee hive, which provides for networking between tenants and should eventually give rise to an ecosystem in which each participant is considered to be an essential part of the whole. The campus concept was also developed in view of the fact that attractive work areas help bring in talent and are an important factor in employer attractiveness. Different building heights, interior design and large outside areas with many green areas play an important role as connecting elements, creating room for encounters and inspiration outside of the office spaces. According to HIAG's Yves Perrin, who is responsible for development at the site, “the campus aims to connect high tech companies with each other so that they can benefit from each other”. The campus is ideally integrated into its immediate neighbourhood, where CERN and other well-known (technology) companies are established.



Site Redevelopment



Meyrin Site

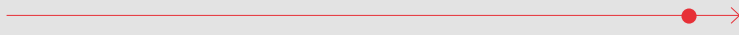
“The Hive”

Development of new and existing buildings

The campus concept for The Hive’s development includes the creation of eight buildings – or figuratively, honeycombs – and 60’000 m² of office and commercial space in several phases. Up to 3’000 employees will be able to work at the site. In the first phase, HIAG began with the restoration of the existing building “The Hive 1”, for which a 10-year rental agreement was signed with Hewlett Packard Enterprise in 2017. Forty percent of the 8’200 m² of usable area is therefore already rented. Through the extensive modernisation of the building, which dates back to 1968, the existing structure will be sustainably prepared for its next life cycle. The achieved quality level meets the standards of a new building. Delivery is planned for the first half of 2019. At the same time, “The Hive 3” is in an advanced planning phase. The project includes two structures and approximately 3’000 m² of usable area. Negotiations are still under way with potential tenants. In addition to the consistent focus on the IT sector, the ecological aspects of the new buildings “The Hive 2” and “The Hive 3” have been consistently taken into account: both projects are or will be Minergie and LEED standard certified. Yves Perrin is confident that other companies will be successfully accommodated, since an “attractive concept at this location offers unique opportunities for high tech companies”. The first symbolic establishment has already taken place: for the campus concept, five beehives have already been set up in the site’s park and integrated into the outdoor space. In addition to delicious honey, they offer visitors a fascinating display of efficiency, communication and connection to nature.

Meyrin Site
“The Hive”

Total surface area:	35’000 m ²
Usable area “The Hive 1”:	9’000 m ²
Usable area “The Hive 2”:	7’350 m ²
Project status:	
Acquisition	Planning
	Construction
	Completion
	
Site developer:	Yves Perrin

Sustainability

- Promotion of biodiversity through attractively designed outside areas, including trees and rainwater collection tanks
- Minergie and LEED standard certification for “The Hive 2” and “The Hive 3”
- Renovation of “The Hive 1” to preserve the existing building substance and to use the harnessed grey energy
- Monitored beehives as an indicator of the site’s environmental quality
- Use of photovoltaics

Strategy and Sustainability on page 22

Bremgarten Site

New Building Completed for Jeld-Wen

The groundbreaking for the new Jeld-Wen Switzerland building took place in 2015 at the 21'000 m² site in Bremgarten (AG). The second phase of the project was completely finished and delivered to the long-standing HIAG tenant during the reporting year.


Jeld-Wen Switzerland is one of HIAG's long-standing industrial tenants and is a leading company in the manufacture of high-quality exterior and functional doors. In 2015, the company extended the rental agreement by 12 years and thus committed to its traditional location. This occurred at the same time as the start of construction of the new building, which includes an administrative building and logistics and production halls. The project has a 150-person capacity and was specifically geared to the tenant's requirements. In addition, the conditions for Jeld-Wen's future growth at the site have now been fulfilled, creating new possibilities in the sales and marketing fields in particular.

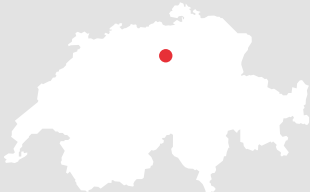


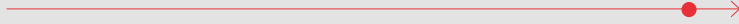
Site Redevelopment Bremgarten Site

About two years after the groundbreaking, Jeld-Wen employees were able to fully begin operations at the new premises. One challenge during the building work was maintaining operations during construction without limiting them. Lukas Fehr, the HIAG developer responsible for the site, believes that this was a success: “The interaction between construction management, users and owner was very smooth. Any potential conflicts were recognised early on and settled promptly through mutual dialogue.” The efficient approach also reduced construction time to a short nine months for the first phase. The voluntary selection of high quality materials, such as the timber structure of the halls, created a special work environment, significantly promoting motivation and satisfaction among the employees. The representative new building also fits in perfectly with the overall image of Jeld-Wen Switzerland’s parent company Jeld-Wen Holding Inc., which became a listed company in 2017, and reflects the company’s professional attitude and high quality standards. Lukas Fehr also sees the potential to develop the site further with a third phase in the future.

Bremgarten Site





Total surface area:	21'000 m ²
Commercial area to be built:	approx. 4'900 m ²
Administrative building to be built:	approx. 2'700 m ²
Existing commercial area:	approx. 5'900 m ²
Project status:	<div style="display: flex; align-items: center;"> <div style="margin-right: 20px;">Acquisition</div> <div style="margin-right: 20px;">Planning</div> <div style="margin-right: 20px;">Construction</div> <div style="margin-right: 20px;">Completion</div> </div> 
Site developer:	Lukas Fehr

Sustainability

- Use of heat from the burning of waste wood
- Thermally activated building systems in the office area (TABS in wood-concrete composite construction)
- Voluntary selection of high quality and sustainable materials to increase workspace quality

Strategy and Sustainability on page 22

Dornach Site Interview with Christian Schlatter

Christian Schlatter has been mayor of the Solothurn municipality of Dornach since 2012, and has thus been involved in the drafting of the spatial planning concept “Birsstadt”, for which seven participating municipalities and the cantons of Solothurn, Baselland and Basel-Stadt signed a letter of intent in 2017. In this interview, Christian Schlatter explains the role the HIAG site plays in Dornach’s development and illustrates the resulting opportunities and risks for this area located just outside of Basel.

Mr Schlatter, from 2014 to 2016, the municipalities of Aesch, Arlesheim, Birsfelden, Dornach, Münchenstein, Pfeffingen and Reinach drafted the spatial planning concept of “Birsstadt”. What motivated this choice?

Christian Schlatter: “Birsstadt” started out as an informal association of municipalities, as it was clear to us that we share a common space and had to discuss issues together on a higher level. When the revised Spatial Planning Law of 2014 was passed, it was a decisive moment, because the concept of functional space suddenly became a reality. That was the impetus for the joint planning and the “Birsstadt” spatial concept.

In 2017, a letter of intent for the “Birsstadt” concept was signed by all of the participating municipalities. What was the objective?

CS: With the letter of intent, the municipalities explicitly state the importance of the concept, even if it is not legally binding and primarily provides direction. In addition, with the letter of intent, the local councillors had to acknowledge the policy and go even further by putting it into action.

Site Redevelopment Dornach Site Interview with Christian Schlatter

“The process is a great opportunity for the municipality of Dornach, since such a dimension is rather rare.”

Christian Schlatter



Today, about 70'000 people live in the region covered by the “Birsstadt” concept. What planning challenges are you focusing on?

cs: Transport, transport, transport – and in that order. The subject of redevelopment sites also plays a large role. There have already been two studies on the subject of transport – but that did not get us anywhere. This is also because the views on how much should be invested in infrastructure are very different for the municipalities and cantons involved. The subject of redevelopment areas is equally important, as in the municipalities affected by “Birsstadt”, there are over 50 redevelopment areas of various sizes. If we developed all of the areas, there would be room for 15'000 inhabitants. Obviously, it's not that simple. We are now examining what all of this means at the implementation level.

In 2015, the former Swissmetal site in Dornach was acquired by HIAG. How was the change of ownership viewed by the municipality?

cs: For a long time there was uncertainty about who the site would go to. When it became clear that HIAG would be the new owner, we felt relief. On one hand because HIAG was already active in the canton of Solothurn and therefore well-known, and on the other because the company information that was available made us very confident. HIAG clearly differentiates itself from other companies in the industry with its claim to sustainability. It was a positive sign that Michele Muccioli appeared at the municipal council as HIAG's representative, and this laid a good foundation for the collaboration. I believe it is important that we deepen this dialogue

Site Redevelopment

Dornach Site

Interview with Christian Schlatter

In May, a participation procedure called “Dornach 2040 Future Conference” took place in your municipality. What issues did the participants help push forward with regard to the HIAG site?

cs: The more than 100 participants came from almost all walks of life. A lot of work was done in the evenings and at weekends.. The conclusion was that the site is seen as an important part of Dornach and that we must be careful not to create a “ghetto” and to allow for a future connection and access to the Birs river. People would like an open place to live, work and relax.

What role does the HIAG site play for the “Birsstadt” concept in the opinion of the other municipalities?

cs: The site has the potential to accommodate 2'000 people. The other municipalities therefore have not only the qualities in mind, but also fears about noise and traffic or concerns that those living in the municipality could turn their backs on the area and leave. But I don't think the fears are well founded. The problem is rather that the municipal authorities currently have so many subjects on the table that it is difficult for them to look beyond their own city limits. That's not good for communication.

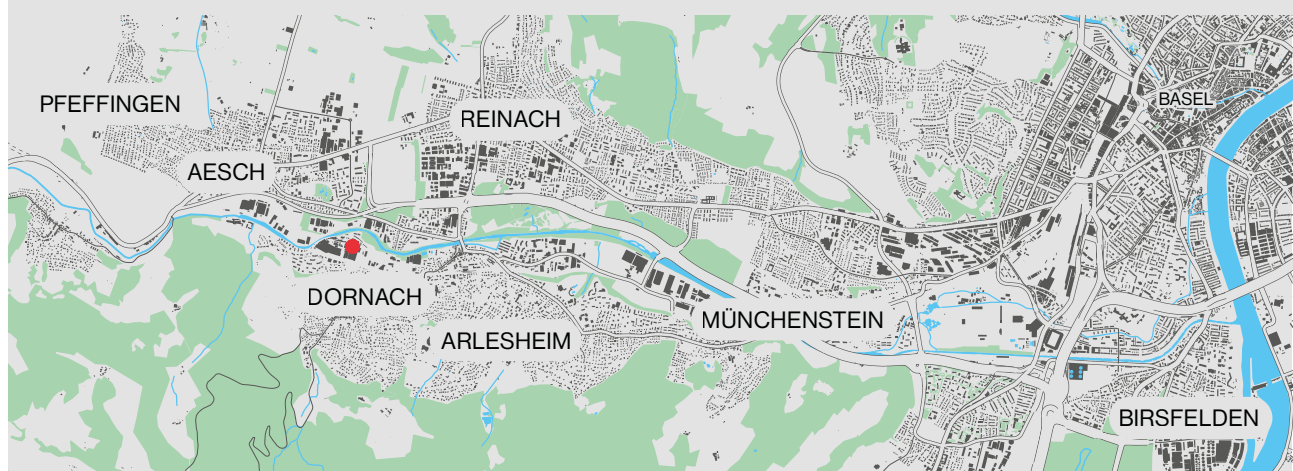
Test planning as a basis for the master plan took place with regard to the redevelopment of the HIAG site. You are a member of the jury. How would you evaluate this process?

cs: The process is a great opportunity for the municipality of Dornach, since such a dimension is rather rare. And at the same time, I think that my role as municipal representative is important for the process, as there are many people in the council whose perspective is planning-based. So there are different views and thus interesting discussions with the other experts. This process is groundbreaking for Dornach, as we can use the experience for other projects in the municipality. We are currently using it for the

“Birsstadt” spatial planning concept

The seven municipalities of Aesch, Arlesheim, Birsfelden, Dornach, Münchenstein, Pfeffingen and Reinach are jointly developing the spatial planning concept “Birsstadt” and have formed the Birsstadt Regional Planning Group (RPLG). The municipalities want to ensure sustainable development with regard to housing, transport and land management and make “Birsstadt” an attractive place to live and work. “Birsstadt” is expected to be institutionalised as an association soon and to operate from its own offices.

“Birsstadt” region



Site Redevelopment

Dornach Site

Interview with Christian Schlatter

implementation of a feasibility study on school and sports infrastructure. My own psychological barrier to taking such a path has decreased enormously through the test planning experience.

In your opinion, what are the findings and crucial points of the test planning?

cs: One finding is that “Birsstadt” is quickly reaching the limits of its natural environment, which is why it would tolerate a higher building at the site, one that sets a reference point to Roche tower, establishes communication between the buildings and provides an answer to the density issue. Transport is also a key point, primarily against the backdrop of an imminent change in mobility. I feel that the test planning needs to make further statements about this issue, as I also see the site as a place that could provide room for experimentation in this area. Another insight was that the natural environment could gain much more than I would have ever dreamed. I am happy to have a partner who is pursuing this strategy.

Accessibility is an important topic for the transformation of the site. One aspect of this is the possible “Öpfelsee” suburban railway station – how can the municipality push forward its construction?

cs: The public transport offer is under the authority of the canton. That does not make it any easier for us. We can point out its importance again and again. The suburban railway station and the A18 feeder road are part of the structure plan. We are working on possibilities for undertaking something earlier, for example through pre-financing, and examining what that could look like.

The redevelopment is to be implemented in several phases. How would you evaluate the phasing?

cs: Phasing is the only way that we can carry out the redevelopment. Phasing is already needed from a transport perspective, in order to be able to influence the next phase. Development brings innovation. We start growing on a small scale and can gradually build trust – while still being able to adjust and correct.

In 2017, preparations were pushed forward for temporary use of the site. They are to be implemented in 2018. What expectations do you have for this usage phase?

cs: I would be pleased about opening up the site and making it accessible, creating contact points with the inhabitants as well as a connection to the Birs river. My grandfather lived next to the site. I was there often when I was a child. The image that has stayed with me from that time: a site closed off with walls and barbed wire, noise, exhaust fumes and when you passed by the gate – we were training for track on the streets at that time – the porter called out for you to get lost. So I have a strong desire to give people access and to push forward for the site to become a prime location.

Christian Schlatter

Christian Schlatter, born in 1973, studied environmental science at the Swiss Federal Institute of Technology (ETH) in Zurich and holds a Master's degree in Geographic Information Systems and Sciences from Salzburg University. He has been the full-time mayor of Dornach since 2012. He previously worked for the Federal Office for the Environment and the Research Institute of Organic Agriculture in Frick. Christian Schlatter has three children.

Site Redevelopment

Dornach Site

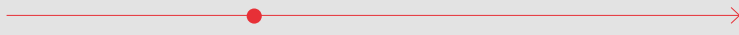
Interview with Christian Schlatter

You grew up and have your roots in Dornach. What do you feel particularly strongly about regarding the development of the municipality in the context of Birsstadt?

cs: It is important to me that we use the attractive starting point that we have in Dornach – because there are a lot of social issues coming up, such as the increasing proportion of elderly people in the population and the subject of education. It is also important to me that we reach our goal of delivering high-quality services to the inhabitants with the help of an efficient and people-based administration. I also believe in the interplay between nature preservation and housing, which could promote self-sufficiency. It should happen more again here in Dornach. There could be room for experimentation in order to bring about certain aspects of all this at the HIAG site.

Dornach Site



Total surface area:	137'000 m ²		
Project status:			
Acquisition	Planning	Construction	Completion
			
Site developer:	Michele Muccioli		

Sustainability

- Comprehensive test planning process with well-known architectural firms and jurors for a sustainable planning basis
- Special consideration of natural areas as part of the test planning
- Close coordination with the municipality and canton
- Cooperation with sociology students of the University of Applied Sciences of North-West Switzerland as part of the test planning on the subject of pioneer uses

Strategy and Sustainability on page 22

HIAG Data Partner Interview with Microsoft



“Together, we are doing pioneering work for Switzerland”

Since 2016, HIAG Data and Microsoft Switzerland have been working together closely and combining cloud infrastructures with the right software to offer custom solutions to various industries. In this interview, Marianne Janik, the General Manager for Microsoft Switzerland, explains where Switzerland stands in the digitalisation process and how it benefits from its partnership with HIAG Data.

HIAG Data

Partner Interview with Microsoft

Ms Janik, you have been General Manager for Microsoft Switzerland since 2015 and you have been pressing ahead with the digital transformation with your team. What do you see as the greatest opportunities and challenges here in Switzerland?

Marianne Janik: Opportunities for Switzerland can be found in the country's DNA. Switzerland is at the forefront of innovation worldwide. The notion of security is practically the brand essence of Switzerland. Education is also an opportunity here, as we have exceptional elite universities in the technical field, and dual vocational training is priceless. If this educational system is used well, we can make sure that the training profiles correspond to the market needs. Of course, there are also areas in which Switzerland has not lived up to its capabilities: People here take fewer risks, which is apparent in the risk capital that is available. Technical assessment capability has also been lost in recent years due to outsourcing. In addition, Swiss productivity is declining, which must be taken very seriously. Digitalisation can help counteract this.

How can digitalisation help with this?

MJ: If we take the example of Augmented Reality (AR), in which Microsoft is investing heavily, it could make the work of an employee in production more diverse, interesting and efficient. In a context where 50'000 production jobs have been lost in Switzerland over the past 10 years, AR could help put an end to this trend. That is really important, as in the digital age, the combination of high-tech, mechanics and production is a success factor that leads to the innovative power that we are rightly so proud of here in Switzerland.

In your opinion, where do Swiss companies stand in this transformation process and are there differences between multinational companies and small and medium-sized businesses?

MJ: Most large companies in Switzerland have decided on a platform or are in the process of deciding. Some small and medium-sized businesses are far ahead in this. But a majority of small and medium-sized enterprises have only just begun to focus on the subject of digitalisation. There is therefore great potential here. And in order to tap into this, we have to create solutions that make entry into the cloud as barrier-free as possible. In order to offer this kind of custom solution to industries, providers must join forces. These supply structures are new and can be implemented with local partners such as HIAG Data as part of an "ecosystem". Together, we are doing pioneering work for Switzerland.

What do you think Switzerland can do to be competitive in terms of digitalisation?

MJ: We should keep our own strengths in mind. The framework conditions for the digital industry must be as friendly as possible, meaning that regulations should be guided by principles and not "suffocate" markets at the beginning of the innovation process. And in the public sector, pending issues should be pushed forward, such as the e-ID. That brings us back to the subject of education: Lehrplan 21 [learning guidelines to harmonise the education system among the 21 German-speaking cantons] must be implemented and investments in the dual system made. There is a need for data science and cybersecurity course offerings at universities of applied science. We have a good basis for all of this in Switzerland that we can build on.

HIAG Data

Partner Interview with Microsoft

Microsoft held a joint press conference for the first time in December 2016 with HIAG Data and Noser Engineering. What was your first impression of HIAG and what was confirmed during your collaboration?

MJ: Culturally, HIAG is a family company with a history, which shows how it has reinvented itself. That made me more receptive to HIAG Data. The ability to change is very valuable in the digital transformation business and creates credibility.

Microsoft works with a global partner network. Where do you see the greatest opportunities in a collaboration with HIAG Data?

MJ: What sets HIAG Data apart is certainly a distinct entrepreneurial spirit and the advantage that HIAG Data was, in my opinion, “born in the cloud”. That means that HIAG Data is a special partner when it comes to identifying and building “ecosystems”. We can therefore offer clients inside and outside of Switzerland the opportunity to benefit from the use of digital products immediately without a large initial investment. We can eliminate common barriers that make it more difficult for companies to get into the cloud. With the high connectivity and security of HIAG Data, important problems have already been solved for clients.

More and more companies are changing their offers and business models, and the definition of “services” is changing. Is the traditional client-supplier relationship a thing of the past?

MJ: No, these relationships still exist. I think the art lies in building new partnerships within an ecosystem based on these relationships. CEOs and Boards of Directors should be the contact people for this. Digitalisation is a top-level priority, and even if it is not always embraced, as a trustworthy partner we should also expect this from clients.

Microsoft is one of the largest providers of IaaS (Infrastructure as a Service) and PaaS (Platform as a Service) solutions. In which direction will these platforms develop, and at this rate, how can one build up knowledge and understanding towards customers and the public?

MJ: That’s a very good and legitimate question. The pace of innovation in this field is faster than anywhere else and is particularly driven by the hyperscale cloud and constantly evolving algorithms. We can only understand and wade through the complex subjects that arise from this if we do it together with research and science. This affects positive aspects and dangers to the same extent. For example, the concept of artificial intelligence (AI) is developing rapidly, and this is causing people, including us, to speak out with warning voices. We consider it important that the rules of the game be defined clearly in cooperation with governments. AI should be built for and around people – but it must remain possible to influence the algorithms.

The development of cloud technology is also progressing rapidly. Doesn’t this pace overwhelm companies when they are deciding for or against the cloud?

MJ: That is a question that concerns us all. The path to the cloud and confident operation in the cloud are best achieved with small but effective steps that quickly make a benefit visible. For small and medium-sized businesses, for example, modern and mobile working is a priority subject – that is easy to implement and the first step into the digital world is quickly taken. The second step then concerns the development of the business model and harnessing the potential that lies in the relationships with customers and suppliers.

HIAG Data

Partner Interview with Microsoft

At your Swiss location in Wallisellen, you are very open about showing customers how the digital transformation affects work and how Microsoft itself handles it. What is your own experience that you like to pass on to customers?

MJ: I think that it is essential in these fast-moving times to keep an eye on corporate culture and to be careful with it. Because the “war for talents” is already heating up. There is a worldwide shortage of certain profiles. Microsoft also recruits for the partner network and the outlook is difficult at the moment. So if I want to remain attractive as a company and draw in talents, I have to think about how I can do that. Employee satisfaction plays an important role in this, since it in turn has an impact on company culture. Today, a company has to show why it makes meaningful work possible. A company needs openness to adapt to the various needs of its employees. We work towards this daily.

In your opinion, what technological mega-trend will have the strongest impact on corporate governance decisions in the future?

MJ: I think it’s crucial for a CEO and CFO today that the data and information be in the right place at the right time. That’s why AI is today what the cloud was five years ago. For example, a CFO can now get his or her sales forecast more accurately from a machine than from sales reps. Decisions are also being shaped by algorithms in the marketing field. It will be possible to predict what the customer will need and what decisions he or she will make. For example, we are researching and working with sentiment analysis, which shows us what is being said about a particular topic worldwide and how it influences decision-making. In the same way, future decisions about production will be made by collecting and interpreting data in a better way and in support of quality and lower costs.

On 25 May 2018, the GDPR (General Data Protection Regulation) will enter into force in the EU and Switzerland. How do you recommend that Swiss companies prepare for this?

MJ: The first step is not to see the issue as a threat but rather as an opportunity. Companies should first examine where in their processes they are generating GDPR relevant data and whether it is absolutely necessary in those places – or if the process can be organised differently. The second step is then to select a suitable cloud technology that can help, because ideally it has already been built to be GDPR compatible. A company is now required to be able to immediately tell the customer where which data are located. At the end of the day, it also has something to do with reputation.

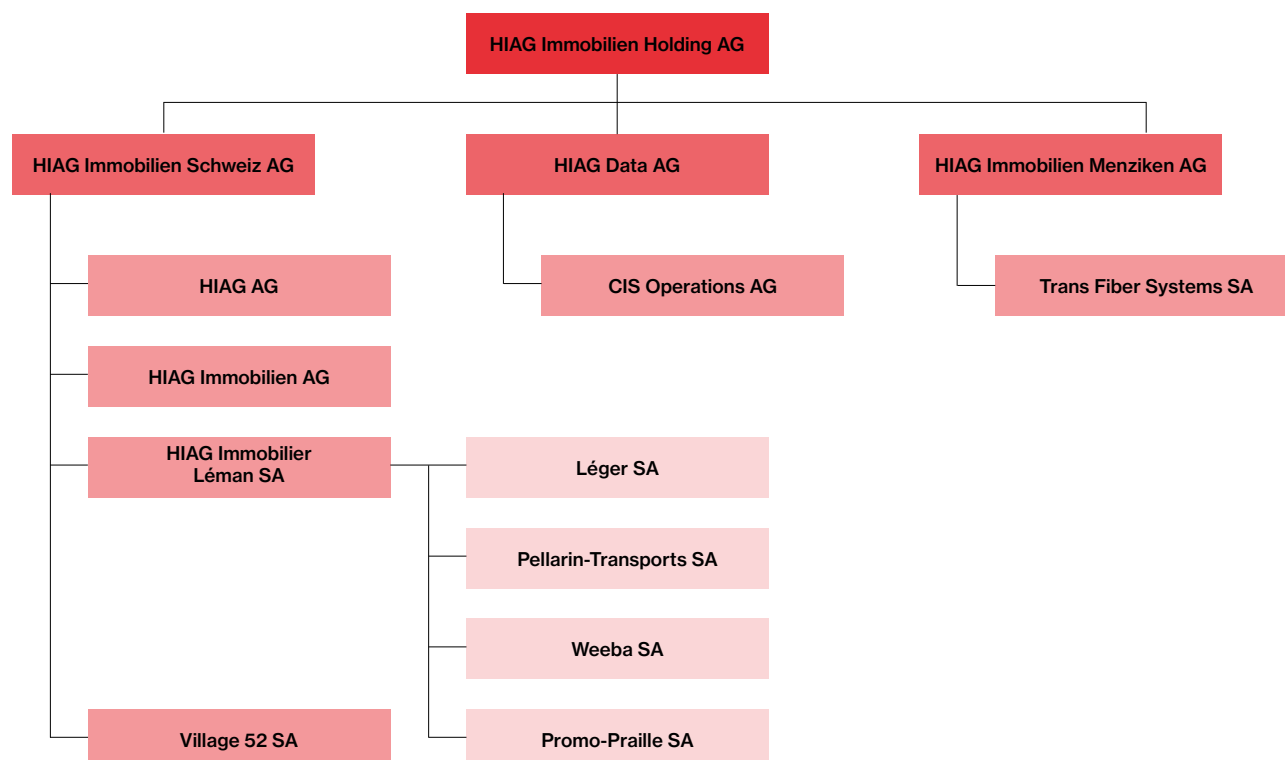
Marianne Janik

Marianne Janik has been General Manager for Microsoft Switzerland since July 2015. Before that, she spent four years in charge of the public administration, education and healthcare departments on Microsoft Germany’s executive board. The French-born Doctor of Law has many years of sales and management experience in various companies and industries. Marianne Janik began her professional career at Daimler Benz AG in the public affairs department. Marianne Janik is married and has two children.

Corporate Governance

Group Structure and Shareholders

1 Group structure



Publicly listed holding company

Company	HIAG Immobilien Holding AG
Registered Office	Basel, Schweiz
Listing	SIX Swiss Exchange, Zurich
Stock Market Capitalisation 31 December 2017	CHF 973.2 million
Symbol	HIAG
Valor	23'951'877
ISIN	CH0239518779

For unlisted equity holdings (with information on extent of interest), please refer to the Notes to the Consolidated Financial Statements of HIAG Immobilien Holding AG, Scope of consolidation, pages 95 to 96.

Corporate Governance

2 Key shareholders as at 31 December 2017

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:	65.3%
SFAG Holding AG	
Dr. Felix Grisard	
Salome Grisard Varnholt	
Andrea Grisard	
HIAG Beteiligung Holding AG ¹	

¹ 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. Through signature of this shareholders' agreement, 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 2017. Detailed information on disclosure notifications can be accessed at:

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

Corporate Governance

3 Shareholder structure at 31 December 2017

Number of registered shares	Registered shareholders		Registered shares		Non-registered shares		Total number of shares issued
	Number	%	Number	% of issued shares	Number	% of issued shares	
1 to 100	304	30.5%	17'276	0.2%			
101 to 1'000	471	47.2%	179'161	2.2%			
1'001 to 10'000	176	17.6%	577'303	7.2%			
10'001 to 100'000	39	3.9%	979'340	12.2%			
100'001 to 1'000'000	7	0.7%	1'887'494	23.4%			
1'000'001 and over	1	0.1%	4'012'320	49.8%			
Total number of registered shareholders/shares	998	100%	7'652'894	95.1%			7'634'948
Total number of non-registered shares					397'106	4.9%	397'106
Total			7'652'894		397'106		8'050'000

Registered shareholders and shares	Registered shareholders		Registered shares	
	Number	%	Number	%
Natural persons	765	76.7%	1'939'335	25.3%
Legal persons	53	5.3%	4'180'171	54.6%
Pension funds	89	8.9%	846'637	11.1%
Insurance companies	12	1.2%	61'118	0.8%
Funds	38	3.8%	341'447	4.5%
Other foundations	29	2.9%	146'311	1.9%
Banks	12	1.2%	137'875	1.8%
Total	998	100.0%	7'652'894	100.0%
Switzerland	917	91.9%	7'279'239	95.1%
Europe (excluding Switzerland)	74	7.4%	262'064	3.4%
North America	4	0.4%	110'526	1.4%
Other countries	3	0.3%	1'065	0.0%
Total	998	100.0%	7'652'894	100.0%

4 Cross-shareholdings

As at 31 December 2017, there were no cross-shareholdings.

Capital structure of HIAG Immobilien Holding AG

1 Share capital at 31 December 2017

As at 31 December 2017, the equity capital of HIAG Immobilien Holding AG amounted to CHF 8'050'000, broken down into 8'050'000 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 350'000.00 by issuing a maximum of 350'000 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 concerning conditional equity capital.

2 Conditional equity capital

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 350'000.00 by issuing a maximum of 350'000 fully paid-up registered shares with a nominal value of CHF 1.00 resulting from the exercising 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.

Corporate Governance

3 Changes in capital over the last three business years

	Number of registered shares	Nominal value per share in CHF	Nominal value in TCHF
Share capital, issued and fully paid, as at 31 December 2015	8'000'000	1.00	8'000
Share capital, issued and fully paid, as at 31 December 2016	8'035'885	1.00	8'036
Share capital, issued and fully paid, as at 31 December 2017	8'050'000	1.00	8'050
Statutory reserves (reserves from capital contributions)			in TCHF
31 December 2015			1'400
31 December 2016			1'491
31 December 2017			1'572
Statutory reserves (reserves from capital contributions)			in TCHF
31 December 2015			100'954
31 December 2016			72'954
31 December 2017			47'682
Freely distributable reserves			in TCHF
31 December 2015			108'000
31 December 2016			108'000
31 December 2017			108'000
Distributable profit			in TCHF
31 December 2015			38'571
31 December 2016			40'099
31 December 2017			42'861

4 Shares, participation certificates, dividend rights certificates

The 8'050'000 issued registered shares mentioned under paragraph 1 on page 59 have been fully paid up. Each share is entitled to receive a dividend. Paragraph 1 on page 73 contains the information concerning voting rights. There are no preferential rights or similar rights.

As at 31 December 2017, no participation certificates or dividend rights certificates had been issued.

Corporate Governance

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, and 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 2017, no convertible bonds or options were outstanding.

Corporate Governance
Board of Directors



From left: Dr. Jvo Grundler, Salome Grisard Varnholt, Dr. Felix Grisard, Dr. Walter Jakob, John Manser

Corporate Governance

1 Members of the Board of Directors

	First elected	Elected to
Dr. Felix Grisard, CH, 1968, President of the Board of Directors (non-executive)	2010	2018
Salome Grisard Varnholt, CH, 1966, Member of the Board of Directors (non-executive)	2009	2018
Dr. Jvo Grundler, CH, 1966, General Counsel and member of the Board of Directors (executive)	2017	2018
Dr. Walter Jakob, CH, 1949, Member of the Board of Directors (non-executive)	2010	2018
John Manser, CH, 1947, Vice-President of the Board of Directors and Lead Director (non-executive, independent)	2014	2018

Dr. oec. HSG Felix Grisard President of the Board of Directors

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

Professional background

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

Previous activities for HIAG Holding Group

2002–2010 CEO of HIAG Holding Group
1999–2001 COO of 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, Member of the Board of Directors 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. Since 2017, Member of the Advisory Board of the University of St. Gallen.

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

Dipl. Arch. ETH Salome Grisard Varnholt Member of the Board of Directors

Education: Licensed Architect ETH/SIA, Zurich

Professional background

1999–today Grisard Architektur architectural firm, Zurich
1999–2001 Assistant to Prof. Dominique Perrault, ETH Zurich
1991–1998 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 – Engelberg, President of the Pension Fund Foundation of Senft AG – Engelberg, Member of the Board of Directors of the “Kids of Africa” Association – 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. iur. HSG Jvo Grundler Member of the Board of Directors

Education: Lawyer – Dr. iur. University of St. Gallen, Switzerland – LL.M. University of Cambridge, UK

Professional background

2017–today General Counsel at HIAG Immobilien Holding AG
2017–today Counsel at a Zurich-based corporate law firm
2002–2017 Legal Counsel and Partner at Ernst & Young, Head of Legal Consulting and General Counsel
2000–2002 Legal Counsel at Andersen Legal
1993–2000 Zurich-based law firm

Activities on executive or supervisory boards

Vice President of the Board of Directors of Datacolor AG

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

Corporate Governance

Dr. oec. HSG Walter Jakob
Vice-President of the
Board of Directors

Education: Tax advisor, HSG Dr. oec. HSG

Professional background

2010–today	Baryon AG
1984–2009	Tax advisor and partner at Ernst & Young

Activities on executive or supervisory boards

Member of the Board of Directors of Dixia 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
Vice-President of the
Board of Directors

Education: MBA Alexander Hamilton Institute, Swiss Banking Diploma

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 2017, 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. Dr. Jvo Grundler and Mr. Martin Durchschlag are members of the HIAG Data AG Board of Directors.

3.2 Board of Directors Committees

The Board of Directors takes time to address all of 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, and 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.

Corporate Governance

In accordance with the 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 on the compensation of individual members of the Board of Directors, the Executive Board and Extended Executive Board, 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 exercise of executive supervision over all internal and external auditing activities, monitoring of financial reporting and evaluation and further development of the internal control system.

The Organisational Rules can be found at:

<https://www.hiag.com/media/942578/HIAG-Organisationsreglement-22-05-2017.pdf>

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 2017 business year, four ordinary meetings of the Board of Directors took place (14 March 2017, 22 May 2017, 25 August 2017 and 7 December 2017), with an average duration of three hours.

The Compensation Committee held two meetings in the 2017 business year (23 January 2017 and 27 June 2017), lasting one hour each. The CEO and the General Counsel generally take part in the sessions of the Compensation Committee, except if their own

Corporate Governance

performance is being evaluated or their 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 and the General Counsel, 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 and the General Counsel, who withdraw when their remuneration is being determined. At least two ordinary Audit Committee meetings are held each year (one meeting every six months). The Audit Committee held two meetings (9 March 2017 and 24 August 2017) 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:

- Exercise of the overall management of the company and issuance of the necessary orders, including medium and long-term strategies and planning priorities, and guidelines for company policy;
- Definition of the basic organisation of the company;
- Definition of the guidelines for accounting procedures, financial controls and financial planning;
- Nomination and removal of 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 must be done by two authorised persons;
- Supervision of those persons entrusted with the Executive Board, mainly with regards to compliance with laws, the Articles of Incorporation, regulations and orders;

Corporate Governance

- Resolutions on the company's compensation policy and principles, and 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);
- Approval of employee stock option programmes for the company and its subsidiaries;
- Approval of the Compensation Report for the attention of the General Assembly;
- Submission of requests to the General Assembly regarding the compensation of the Board of Directors, the Executive Board and the Extended Executive Board;
- Compilation of the Annual Report, and preparation for the General Assembly and implementation of its resolutions; notification of a judge in the event of excessive debts; resolutions on the later payment of contributions for shares not fully paid up; resolutions on the determination of capital increases and the concomitant changes to the Articles of Incorporation; examination of the expert qualifications of the auditors; issuance of decisions on business activities of considerable strategic importance; representation of the company to the public, public authorities and shareholders; regular examination of the risk assessment system and definition of the internal control system; definition of members of the Board of Directors or the Executive Board to boards of directors of the subsidiaries for the purposes of ensuring the implementation of the strategy and the decisions of the Board of Directors: decision-making authority concerning real estate transactions, company share deal transactions or investment decisions of more than 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, and 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 has been implemented and communicated to all Group employees.

The code of conduct can be accessed at:

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

**Corporate Governance
Managing Board**



From left: Michele Muccioli, Thorsten Eberle, Alex Römer, Martin Durchschlag, Yves Perrin, Laurent Spindler, Dr. Jvo Grundler, Lukas Fehr, Ralf Küng

Corporate Governance

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 from the 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 of the Holding and was the CFO of the Group from 2007 until 2010.

Activities on executive or supervisory boards: Member of the Foundation Board of Pensimo – Zurich, CEO of the HIAG Pensionskasse – Baar (until 31 December 2017)

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 the HIAG Group in 2011 as Corporate Controller.

Activities on executive or supervisory boards: Member of the Board of Directors of the Société coopérative en faveur du développement 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 at the real estate services provider Gribi Theurilla.

Activities on executive or supervisory boards: none

Lukas Fehr
1975, Switzerland

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

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 and as a freelancer for Wüest Partner. He has been a lecturer on site redevelopment as part of the Master of Advanced Studies in Real Estate at the University of Zurich since 2017.

Activities on executive or supervisory boards: none

Corporate Governance

Alex Römer
1978, Switzerland

Site Developer (in this capacity since 2011 and member of the Extended Executive Board since 2013),
Digitalisation

Mr. Römer joined the HIAG Group in 2011.

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

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

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),
Acquisitions

Mr. Eberle joined the HIAG Group in 2011.

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

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 in the Master's the Advanced Studies programme at Lucerne University since 2016.

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),
Lean Development

Mr. Muccioli joined the HIAG Group in 2012.

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

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

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).

Mr. Perrin joined the HIAG Group in 2010.

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

Professional experience: He worked as a Director for Göhner AG and Karl Steiner AG in the real estate development and marketing sector in Western Switzerland for 20 years.

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

Corporate Governance

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 Executive Board may not exercise any more than the following number of additional mandates in the executive or supervisory bodies of other legal entities that 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, and 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 Executive Board requires the approval of the Board of Directors.

4 Management agreements

As at 31 December 2017, there were no management agreements with companies outside the HIAG Immobilien 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 and in shares (only Dr. Jvo Grundler) for their activity as per the statutory rules. This fixed compensation includes remuneration for activities as members of the Board of Directors' committees and on 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 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 and shares.

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 when determining the individual bonus. This individual bonus is paid in cash.

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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 by the CEO. If the objectives are not reached, either 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.

Compensation is explained in detail on pages 77 to 87 of the Compensation Report.

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 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 Business year 2017

Please refer to the Compensation Report, pages 77 to 87, for information on remuneration, equity holdings and loans in 2017.

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 61 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 shareholder register as a shareholder with voting rights, is entitled to a vote.

Article 11 of the Articles of Incorporation stipulates the authorisations required for participation 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.

Corporate Governance

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, convey general instructions regarding new motions within the context of the matters to be discussed, and other matters to be discussed, for which no proper notice had been given.

4 Date for registrations 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 about 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 Articles 125 and 135 respectively of the Swiss Financial Market Infrastructure Act (FinfraG).

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 business year 2017 by the Ordinary General Assembly on 20 April 2017.

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

2 Auditing fee

For the reporting period 2017, auditing fees amounted to TCHF 199 (2016: TCHF 189) for the annual financial statement and consolidated financial statements 2017 and to TCHF 6 for additional audit-related services (2016: TCHF 16).

3 Additional fees

For the reporting period 2017, TCHF 6 in additional fees were invoiced by Ernst & Young AG in connection with legal consulting services (2016: TCHF 186).

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.

Corporate Governance

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. Contact addresses, dates and information on the shares of HIAG Immobilien Holding AG can also be found on pages 155 to 157 of this Annual Report. The HIAG Immobilien Holding AG Articles of Incorporation can be found on our website at the following URL:

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

Investor Relations
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Further information and all publications (in particular the Annual Report 2017) are available for download at www.hiag.com. The publications can also be sent by mail; simply send a request to the above Investor Relations address.

Compensation Report

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 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:

https://www.hiag.com/media/952450/Statuten_HIAG-Immobilien-Holding-AG_21122017.pdf

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 component of the existing HIAG Immobilien Holding AG 2014–2018 Long Term Incentive Plan (HIAG Immobilien LTIP) based on the issuance of restricted shares. For the cash component of an LTIP, 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 Immobilien Holding Group (HIAG). The Management Board is equivalent to the “Executive Board” as per the Articles of Incorporation of HIAG Immobilien Holding AG (company) 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.

Compensation Report

3 Principles and components, and 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 HIAG 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.

The General Counsel is simultaneously a member of the Board of Directors and a member of the Management Board. His total compensation is reported under compensation of the Board of Directors only. This compensation is composed of fixed cash compensation and fixed annual share-based compensation. The fixed cash compensation is paid in 13 instalments. The same rules apply for flat-rate allowances and expenses as for the Management Board.

3.2 Compensation components of the Management Board

The compensation of members of the Management Board is composed of fixed and variable remuneration. Reimbursement of expenses is not considered as remuneration. 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. As mentioned in paragraph 3.1, the compensation of the General Counsel is allocated exclusively to the compensation of the Board of Directors.

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 one or several Long Term Incentive Plans (LTIP). For the business year 2017, the percentage part of the overall variable compensation was 119% (2016: 78%) of the fixed compensation for the highest paid member of the Management Board and an average of 76% (2016: 38%) of fixed remuneration for the Management Board. For the business year 2017, the percentage part of the LTIP was 46% (2016: 18%) of total variable compensation for the highest paid member of the Management Board and 67% (2016: 36%) for the Management Board. For the business year 2017, the percentage part of the LTIP was 55% (2016: 14%) of total fixed

Compensation Report

compensation for the highest paid member of the Management Board and 50% (2016: 14%) 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 by the CEO. If the objectives are not reached, either 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 reporting period, the performance goals of the CEO were 100% met (2016: 111%) and those of the Management Board were 100% met (2016: 110%).

LTIP

There are two Long Term Incentive Plans: The HIAG Immobilien LTIP and the HIAG Data AG LTIP (HIAG Data LTIP).

LTIP HIAG Immobilien

The HIAG Immobilien LTIP ties the compensation of the Management Board with long-term value creation in the Group. The HIAG Immobilien LTIP runs for a five-year period (2014–2018). For the CEO and CFO, variable compensation is calculated under the HIAG Immobilien LTIP in proportion to return on equity. For the members of the Extended Executive Board (site developers and head of portfolio management), the HIAG Immobilien LTIP is calculated on the revaluation of properties of the HIAG real estate portfolio 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 about 13% during the time period of the HIAG Immobilien 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 CHF 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 HIAG Immobilien LTIP is limited to a total of CHF 14 million. The upper limit of the bonus envelope corresponds to a participation of about 2.8% in the resulting added value created for the company's shareholders when the upper limit in question is reached. 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 purchased by the members of the Management Board have a retention period of five years from the date of acquisition and cannot be forfeited. Shares are allocated to members of the Management Board as a set-off against the proportional incentive programme with a five-year retention period and a discount of 25.274%. The share component under the HIAG Immobilien LTIP can be paid from the contingent capital, from the company's own holdings of treasury shares or by purchase on the stock exchange.

The other 50% of the HIAG Immobilien LTIP incentive is a cash component. It is paid out in full, i.e. for the entire duration of the HIAG Immobilien LTIP, only if the members of the Management Board are regularly employed as at 30 June 2019.

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The HIAG Data LTIP

The HIAG Data LTIP entered into force during the reporting period and applies to the CEO, the CFO and the other members of the HIAG Data AG Executive Board. The CEO and CFO of HIAG Data AG are the same as the CEO and CFO of the company.

The incentive programme is based exclusively on the enterprise value of the subholding (HIAG Data AG) with its subsidiaries. The enterprise value of HIAG Data AG is determined for the purposes of the HIAG Data LTIP using what are referred to as “triggering events”. These include the listing of HIAG Data AG on a stock exchange – with or without an IPO – or sale to a third party. This ensures a calculation of enterprise value that is determined by the market.

The HIAG Data LTIP is composed for all plan participants of a real HIAG Data AG share component (approximately 50% of the value of the HIAG Data LTIP) in the amount of 5% of the HIAG Data AG share capital and a cash bonus (approximately 50% of the value of the HIAG Data LTIP).

The shares due to the plan participants as part of the employee share component were acquired by the participants during the year under review. The shares have a retention period of five years and were sold to the plan participants at a 25.274% discount. The shares may not be sold to third parties after the expiry of the retention period unless this occurs within the framework of a triggering event.

The cash bonus is paid out only if a triggering event occurs by a defined date. The amount of the cash bonus depends on the time of the triggering event and its resulting enterprise value. The cash bonus is capped at CHF 15 million for all plan participants combined.

If the employment relationship with the plan participant is terminated or if the plan participant terminates the employment relationship without a reason considered valid by the employer, the right to payment of the HIAG Data LTIP cash bonus is forfeited. The plan participant can keep the employee shares, but HIAG Data AG and the company have a call option on these shares.

The particulars of both LTIPs are determined by the Board of Directors of the company 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 or a triggering event occurs.

3.2.3 Additional benefits

Additional benefits are primarily social and pension plans, which provide a suitable pension contribution and appropriate coverage of 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.

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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 and the General Counsel, 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 and the General Counsel, who withdraw when their 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, applicable performance criteria concerning compensation and submission of 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 submission of 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 submission of 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 submission of 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);

Compensation Report

- 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. Reelection 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 reporting period, the Compensation Committee met twice: on 23 January 2017 for an hour and a half and on 27 June 2017 for one hour. All members of the Committee, the CEO and the General Counsel participated in both sessions. The following agenda points were handled at the sessions:

- Explanation and discussion of the Management Board's total compensation 2016
- Adjustment of the Management Board's compensation 2017
- Information about the current state of the HIAG Immobilien LTIP
- Discussion of the organisation of the Management Board
- Approval of the employment contract with the General Counsel
- Discussion of employee participation outside an LTIP
- Approval of the HIAG Data LTIP
- Benchmarking of the compensation of the company's bodies
- Discussion of the Compensation Report 2016

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 at meetings of the Board of Directors.

Compensation Report

3.4 Benchmarking

The total compensation of the Board of Directors and the Management Board is based on valuations of other Swiss real estate companies listed on the SIX Swiss Exchange. The Board of Directors periodically performs benchmarking based on compensation reports of these real estate companies. The Board of Directors also takes into account information from its members from functions in other companies. To date, an external consultant has not been called in for 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 to all other employees.

Compensation Report

4 Compensation, loans and credits to the Board of Directors, the Management Board and related persons (audited)

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

4.1 Compensation of the Board of Directors

2017 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 ¹	–	–	39 ²	339	–
Salome Grisard Varnholt	70	–	–	5	75	–
Dr. Walter Jakob	70	3	–	–	73	–
John Manser	70	25	–	4	99	–
Dr. Jvo Grundler ³	200 ⁴	–	238 ⁵	54 ²	492	4
Total compensation of the Board of Directors	710	28	238	102	1'078	4

¹ 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.

² Including pension benefits

³ Dr. Jvo Grundler has been a member of the Board of Directors and a member of the Management Board as General Counsel since May 2017. His total compensation is reported in the compensation of the Board of Directors.

⁴ The fixed compensation applies to the Board of Directors role and the General Counsel role.

⁵ The remaining compensation components include contractual share-based compensation. Shares that were distributed as share-based compensation and those acquired outside share-based compensation are allocated to employees as a set-off against the proportional compensation or remuneration, with a five-year retention period and a discount of 25.274% (discounted tax base).

No compensation other than that shown here was paid in 2017.

The gross compensation of the Board of Directors (TCFH 1'078) rose by TCHF 494 (+84.6%) in the business year 2017 (2016: TCHF 584). This increase is linked to the election of Dr. Jvo Grundler as a member of the Board of Director's in May 2017.

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 ¹	–	–	39 ²	339	–
Salome Grisard Varnholt	70	–	–	5	75	–
Dr. Walter Jakob	70	2	–	–	72	–
John Manser	70	25	–	3	98	–
Total compensation of the Board of Directors (gross)	510	27	–	47	584	–

¹ 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.

² Including pension benefits

No compensation other than that shown here was paid in 2016.

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

Compensation Report

4.2 Compensation of the Management Board

2017 in TCHF	Management Board Total	thereof Martin Durchschlag (CEO)
Fixed compensation in cash (net)	1'635	390
Variable compensation in cash (individual bonus, net)	411	250
LTIP for 2017 (payable in cash in 2019, net) ¹	403	105
LTIP for 2017 (share-based compensation, net) ¹	422	110
Other compensation components	25	5
Pension benefits	203	30
Other social benefits	265	68
Total compensation of the Management Board (gross)	3'364	957
Flat-rate expense allowance	65	12

¹ TCHF 882 was accrued as at 31 December 2017 and not paid out. This amount corresponds to the part of the total maximum bonus envelope of the HIAG Immobilien LTIP of CHF 14 million for 2017 (see paragraph 3.2.2). The provision for the HIAG Immobilien LTIP part payable in cash amounted to TCHF 1'422 as at 31 December 2017 (2016: TCHF 1'000). Company shares and shares of HIAG Data AG distributed within the framework of the LTIP and company shares acquired outside the HIAG Immobilien LTIP are allocated to members of the Management Board as a set-off against the proportional incentive programme or remuneration with a five-year retention period and a discount of 25.274% (discounted tax base).

No compensation other than that shown here was paid in 2017.

The gross compensation of the Board of Directors (TCHF 3'364) increased by TCHF 660 (+24.4%) in the business year 2017 (2016: TCHF 2'704), primarily due to higher LTIP HIAG Immobilien accruals (650 TCHF).

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 2017 (payable in cash in 2019, net) ¹	133	33
LTIP for 2017 (share-based compensation, net) ¹	88	22
Other compensation components	30	5
Pension benefits	240	30
Other social benefits	181	51
Total compensation of the Management Board (gross)	2'704	781
Flat-rate expense allowance	66	12

¹ TCHF 236 was accrued as at 31 December 2016 and not paid out. This amount corresponds to the part of the total maximum bonus envelope of the HIAG Immobilien LTIP of CHF 14 million for 2016 (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). Company shares distributed within the framework of the HIAG Immobilien LTIP and company shares acquired outside the HIAG Immobilien LTIP are allocated to members of the Management Board as a set-off against the proportional incentive programme or remuneration with a five-year retention period and a discount of 25.274% (discounted tax base).

Since the employee discount for shares with a five-year retention period and a discount of 25.274% (discounted tax base) is not considered compensation according to VegüV, the table of compensation elements payable to the Management Board has not been adjusted for the business year 2016. In the Compensation Report 2016, TCHF 469 was reported for the Management Board (thereof TCHF 43 for the CEO) referred to as "LTIP for 2016 (share-based compensation, net)¹ and other share-based compensation²".

Compensation Report

These amounts included the discount of 25.274% for employee shares barred from sale (TCHF 381 for the Management Board, thereof TCHF 43 for the CEO). In the Compensation Report 2017 for the business year 2016, this discount was deducted from the respective compensation. After deduction of the discount, the amounts referred to as “LTIP for 2016 (share-based compensation, net)¹ and other share-based compensation²” came to TCHF 88 for the Management Board (thereof TCHF 22 for the CEO).

No compensation other than that shown here was paid in 2016.

The compensation of the Management Board (TCHF 2'704) decreased by TCHF 825 (-23.4%) in the business year 2016 (previous year: TCHF 3'529), due primarily to the lower HIAG Immobilien LTIP accruals (TCHF 811).

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 under only 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, in order to purchase real estate. This loan is subject to market rate interest. The loan amounted to TCHF 137 as at 31 December 2017 (2016: TCHF 151). The loan was secured through pledging all the 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 company shares at a discount of 25.274% and with a retention period of five years. This loan is subject to market rate interest. The loan amounted to TCHF 800 as at 31 December 2017 (2016: TCHF 800). The loan was secured through pledging of all the employee shares of the borrower and is due to be paid back by 30 June 2021 at the latest.

In December 2017, a loan was granted to Laurent Spindler, CFO and member of the Management Board, in order to purchase HIAG Data AG shares at a discount of 25.274% and with a retention period of five years. This loan is subject to market rate interest. The loan amounted to TCHF 95 as at 31 December 2017 (2016: TCHF 0). Security for the loan is provided by pledging of all of the HIAG Data AG shares held by the borrower and is repayable by 31 December 2021 at the latest. In connection with this transaction a receivable between the company and Laurent Spindler in the amount of 63 TCHF existed as per 31 December 2017. This receivable will be settled in 2018.

As at 31 December 2017, one loan to Martin Durchschlag, the CEO, was outstanding. The TCHF 1'900 loan (previous year: TCHF 1'900) was granted in 2010 to acquire 15'000 company shares at a nominal value of CHF 10 per share, and is subject to interest in keeping with market rates. Security for the loan is provided by pledging of all the company shares held by the borrower and is repayable by 30 September 2019 at the latest. In connection with this transaction a receivable between the company and Martin Durchschlag in the amount of 147 TCHF existed as per 31 December 2017. This receivable will be settled in 2018.

Compensation Report

4.4 Compensation, loans and credits to related persons

In 2017, no compensation that was unusual for the market or credits was paid or granted to related persons, and no such compensation or credits were still outstanding as at 31 December 2017.

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 on at the General Meeting on 20 April 2017. 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 2017 in accordance with the accrual principle.

in TCHF	Approved compensation General Meeting 20 April 2017	Compensation 2017 according to paragraph 4
Fixed compensation in cash (net)	850	710
Share-based compensation	1'100	238
Compensation for additional services	100	28
Employer social security contributions and pension benefits	150	101
Total compensation of the Board of Directors (gross)	2'200	1'077

in TCHF	Approved compensation General Meeting 20 April 2017	Compensation 2017 according to paragraph 4
Fixed compensation in cash (net)	1'750	1'635
Variable compensation in cash (individual bonus, net)	450	411
LTIPs for 2017 (share-based compensation and cash component payable in 2019, net) and other share-based compensation	2'600	825
Other compensation components, employer social security contributions and pension benefits	700	493
Total compensation of the Management Board (gross)	5'500	3'364

Report of the Statutory Auditor on the Remuneration Report



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To the General Meeting of
HIAG Immobilien Holding AG, Basel

Basle, 14 March 2018

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 2017. 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 77 to 87).



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 2017 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

Consolidated Financial Statements

Consolidated Balance Sheet

in TCHF		31.12.2017	31.12.2016
Cash and cash equivalents		38'920	62'766
Trade receivables	1	2'748	3'938
Receivables from related parties		-	238
Other current receivables from shareholders	2	392	-
Other current receivables	2	13'042	4'949
Other current financial assets	6.4	2'852	4'495
Properties for sale	4	31'073	65'985
Prepayments and accrued income		7'101	3'576
Current assets		96'128	145'947
Other non-current receivables	3	2'554	-
Real estate properties	4	1'251'589	1'176'285
Other property plant and equipment	5	42'236	5'168
Financial assets	6.1	1'280	2'336
Financial assets from shareholders	6.2	4'282	3'851
Financial assets from related parties	6.3	-	545
Non-current assets		1'301'942	1'188'185
Total assets		1'398'069	1'334'132

Consolidated Financial Statements

Consolidated Balance Sheet

in TCHF		31.12.2017	31.12.2016
Current financial liabilities	9	6'577	6'365
Trade payables		12'416	4'614
Other current liabilities	7	5'975	6'678
Current provisions	8	335	274
Tax liabilities		194	157
Accrued liabilities and deferred income		9'523	7'002
Current liabilities		35'020	25'090
Non-current financial liabilities	9	522'470	506'339
Other non-current liabilities		4'500	4'750
Non-current provisions	8	1'600	1'200
Deferred taxes	10	73'786	67'628
Non-current liabilities		602'356	579'917
Total liabilities		637'376	605'006
Share capital		8'050	8'036
Capital reserves		52'344	80'303
Treasury shares	30	-282	-
Retained earnings		700'371	640'787
Shareholders' equity excl. minority interests	28	760'484	729'126
Minority interests	28	209	-
Shareholders' equity incl. minority interests		760'693	729'126
Total liabilities and shareholders' equity		1'398'069	1'334'132

Consolidated Financial Statements

Consolidated Income Statement

in TCHF		2017	2016
Property income	12	55'846	52'438
Revaluation of properties	13	33'287	19'962
Infrastructure as a Service (IaaS)	14	892	202
Other operating income	15	9'939	1'101
Capitalised services	16	294	89
Total operating income		100'258	73'791
Personnel expenses	11, 17	-9'294	-5'580
Maintenance and repairs		-5'875	-3'616
Insurance and fees		-1'011	-939
Energy costs and building maintenance	19	-2'139	-2'425
General operating expenses		-439	-163
Office, administrative and development expenses	20	-5'895	-2'931
Marketing and selling expenses		-897	-664
Rent and leases	21	-1'561	-1'435
Total operating expenses		-27'110	-17'754
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		73'148	56'037
Amortisation	22	-1'759	-445
Earnings before interest and taxes (EBIT)		71'389	55'592
Financial income	23	610	753
Financial expenses	24	-5'384	-5'644
Earnings before taxes (EBT)		66'615	50'701
Taxes	25	-9'158	-4'327
Net income for the period incl. minority interests		57'457	46'374
Minority interests	28	-2	-
Net income for the period excl. minority interests		57'459	46'374
Undiluted earnings per share (in CHF)	28	7.15	5.80
Diluted earnings per share (in CHF)	28	7.15	5.80

Consolidated Financial Statements

Consolidated Cash Flow Statement

in TCHF	2017	2016
Net income for the period	57'457	46'374
Amortisation	1'759	445
Income from sale of assets and income from repayment of liabilities	-7'883	-
Increase/decrease in trade receivables	-1'126	-2'577
Increase/decrease in trade payables	4'733	1'170
Increase/decrease other receivables	-8'485	2'151
Increase/decrease other liabilities	-29	-1'646
Increase/decrease financial assets with market value	52	74
Increase/decrease capitalised employer contribution reserve	362	-1'089
Increase/decrease in active accrued income	-4'276	-2'817
Increase/decrease in passive accrued income	352	217
Increase/decrease in non-current provisions	400	-1'958
Increase/decrease in deferred taxes	6'159	2'436
Increase/decrease in capitalised tax losses carried forward	2'725	1'495
Increase valuation of properties (net)	-33'287	-18'631
Capitalised services	-294	-89
Cash flow from operating activities	18'619	25'556
Purchase of real estate properties	-56'189	-67'497
Purchase of intangible fixed assets	-	-5
Purchase of other property, plant and equipment	-27'357	-3'258
Proceeds from disposal of properties	51'127	87'620
Proceeds from disposal of other property, plant and equipment	8'715	-
Sale of shares, participations	1'641	-
Payments for investments in financial assets	-896	-2'372
Proceeds from divestment of financial assets	1'100	6'893
Acquisition of consolidated companies, less acquired cash and cash equivalents	-	-13'143
Cash flow from investment activities	-21'859	8'238

Consolidated Financial Statements

in TCHF	2017	2016
Acquisition of financial liabilities	15'389	29'383
Amortisation and repayment of financial liabilities	-157'600	-142'282
Bond issuance	149'832	114'975
Capital increase	1'106	2'545
Purchase of treasury shares	-2'390	-
Sale of treasury shares	1'986	-
Payout from capital reserves to shareholders	-28'929	-28'000
Cash flow from financing activities	-20'606	-23'380
Increase/decrease in cash and cash equivalents	-23'846	10'415
Cash and cash equivalents at 1 January	62'766	52'351
Cash and cash equivalents at 31 December	38'920	62'766
Increase/decrease in cash and cash equivalents	-23'846	10'415

Consolidated Financial Statements

Statement of Shareholders' Equity

in TCHF	Share capital ¹	Treasury shares ²	Capital reserves ^{3,4}	Retained earnings	Total excl. minority interests	Minority interests	Total incl. minority interests
Shareholders' equity at 01.01.2016	8'000	-	105'794	594'927	708'721	-	708'721
Capital increase	36	-	2'509	-	2'545	-	2'545
Share-based compensation programmes ⁵	-	-	-	-514	-514	-	-514
Dividend payment	-	-	-28'000	-	-28'000	-	-28'000
Net income for the period	-	-	-	46'374	46'374	-	46'374
Shareholders' equity at 31.12.2016	8'036	-	80'303	640'787	729'126	-	729'126
Capital increase	14	-	1'092	-	1'106	-	1'106
Share-based compensation programmes ⁵	-	-	-	336	336	-	336
Dividend payment	-	-	-28'929	-	-28'929	-	-28'929
Purchase of treasury shares	-	-2'389	-	-	-2'389	-	-2'389
Sale of treasury shares	-	2'108	-122	-	1'986	-	1'986
Sale of minority interests ⁶	-	-	-	2'000	2'000	-	2'000
Change in ownership of a group company ⁶	-	-	-	-211	-211	211	-
Net income for the period	-	-	-	57'459	57'459	-2	57'457
Shareholders' equity at 31.12.2017	8'050	-281	52'344	700'371	760'484	209	760'693

¹ On 31 December 2017, share capital consisted of 8'050'000 registered shares at a nominal value of CHF 1.00 per share (2016: 8'035'885). On 21 December 2017, a capital increase from contingent capital of 14'115 registered shares with a nominal value of CHF 1.00 per share took place as per Article 3b of the Articles of Incorporation. On 23 December 2016, a capital increase from contingent capital of 35'885 registered shares with a nominal value of CHF 1.00 per share took place as per Article 3b of the Articles of Incorporation.

² The company held 2'371 treasury shares as at 31 December 2017. The company purchased 20'420 shares of HIAG Immobilien Holding AG for a total amount of TCHF 2'389. 18'049 of these shares were purchased primarily in connection with the Long Term Incentive Plan by members of the Group's Executive Board and by Group employees as part of the employee participation plan.

³ The costs incurred in connection with the capital increase, which were recognised as a reduction in capital reserves, came to TCHF 19 as at 31 December 2017 (2016: TCHF 37) and are included in the amount of TCHF 1'092. The discount for the employee share retention period, which was granted in connection with the issuance of the 14'115 registered shares as part of the capital increase on 21 December 2017 (TCHF 380, 2016: TCHF 874), was recognised as a reduction in capital reserves.

⁴ The non-distributable legal reserves came to TCHF 1'572 (2016: TCHF 1'491).

⁵ See Note 18 of the Notes to the Consolidated Financial Statements.

⁶ During the reporting period, 5% of HIAG Data AG shares worth TCHF 2'000 were sold to members of the HIAG Data Executive Board within the framework of the HIAG Data LTIP (see Note 18 of the Notes to the Consolidated Financial Statements). This 5% corresponds to the minority interest of TCHF 211.

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), and 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 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. Minority interests in equity and net income are disclosed separately in the balance sheet and the income statement. Changes in ownership interests in subsidiaries are recorded as equity transactions, provided that control continues.

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.

Consolidated Financial Statements

Company	Share capital in TCHF	Stake 2017 ¹ in %	Stake 2016 ¹ in %	Location
HIAG Immobilien Schweiz AG	11'000	100	100	Baar
HIAG AG	150	100	100	Basel
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
Promo-Praille SA	200	100	100	Lancy
HIAG Immobilien Menziken AG	100	100	100	Menziken
HIAG Data AG ²	10'000	95	100	Zurich
Trans Fiber Systems SA	107	100	100	Menziken
CIS Operations AG ³	400	95	100	Zurich
Village 52 SA	100	100	100	Yverdon-les-Bains
Safe Swiss Cloud AG ⁴	220	-	26	Basel

¹ Voting rights and share capital.

² During the year under review, HIAG Data AG increased share capital by TCHF 9'900 and sold 5% of the share capital to members of the HIAG Data Executive Board within the framework of the HIAG Data LTIP.

³ HIAG IaaS Operations AG changed its company name to CIS Operations AG during the business year.

⁴ The shares in Safe Swiss Cloud AG were sold on 28 August 2017.

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

HIAG Data AG and CIS Operations AG make a highly efficient cloud infrastructure platform available to cloud service providers. With a self-owned, carrier-independent fibre optic network, they provide their customers with an end-to-end service level that meets the highest standards of availability, data security and performance.

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

Consolidated Financial Statements

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 %
Safe Swiss Cloud AG, Basel	By sale as at 28 August 2017	26
HIAG Data AG, Zurich	By sale of 5% of shares as at 28 December 2017	5

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

Consolidated company		Stake in %
Village 52, 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 in 2016.

Consolidated Financial Statements

Translation of foreign currencies

All the companies within the HIAG Group scope of consolidation use the Swiss franc as their functional currency. Consequently, there are no foreign currency translation effects.

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, calculation 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 a 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 land
- 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 itself.

Properties

Properties are broken down into "Yielding properties" and "Redevelopment properties". "Yielding properties" are those properties for which no development is planned.

Consolidated Financial Statements

“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), and non-strategic properties that are up for sale. Inclusion of promotion projects in the balance sheet at fair value does not result in a presentation that is significantly different from that of projects included in the balance sheet at acquisition or production cost.

Other property, plant and equipment and intangible fixed assets

“Other property, plant and equipment” includes the network and cloud infrastructure of HIAG Data, office equipment, machinery and vehicles. “Intangible fixed assets” includes mainly 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 cloud infrastructure and three to five years for intangible fixed assets. Leased assets are depreciated over the term of the lease.

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 if only it appears sufficiently certain that they can be used for tax purposes and if the budgeted taxable income is expected to result in any 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.

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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”.

Leasing

When referring to leases, a distinction is made between a finance lease and an operating lease. A finance lease is an agreement where at the time of conclusion of the contract the cash value of the lease payments and any remaining payment roughly correspond to the acquisition value of the leased asset. A finance lease also exists if the expected duration of the lease is approximately the expected useful life of the asset, the leased asset is transferred to the lessee at the end of its useful life or any residual payment is below the net market value at that time. In the case of a finance lease, the leased asset is capitalised and at the same time the leasing obligations from the remaining lease payments are recognised as liabilities. The lease payments are divided into an interest component and a depreciation component. The interest component is recognised as a financial expense and the depreciation component is recognised as a reduction of the leasing liability. The leasing liability is split into a current (within the next 12 months from the reporting date) and a non-current liability (remaining obligation). The current leasing liability is recorded under Current financial liabilities and the non-current leasing liability is recorded under Non-current financial liabilities.

The leased asset is depreciated over the expected useful life.

An operating lease exists when none of the finance lease criteria listed above apply. This concerns primarily long-term rental contracts (over 12 months) for Group sites. These contracts are not included in the balance sheet, but rather disclosed in the Note 26 Leasing liabilities.

Current and non-current provisions

Provisions are set up to cover all 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. Concerning 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 2.00% was applied as at 31 December 2017 (2016: 2.25%).

Consolidated Financial Statements

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. If tenants are granted rent-free periods, the equivalent value of the incentive is recorded on a linear basis over the entire term of the rental agreement as an adjustment to property income.

Infrastructure as a Service (IaaS)

The item Infrastructure as a Service (IaaS) includes the income of HIAG Data AG. HIAG Data AG makes a highly efficient cloud infrastructure platform available to cloud service providers. With a self-owned, carrier-independent fibre optic network, they provide their customers with an end-to-end service level that meets the highest standards of availability, data security and performance. The offer is therefore not aimed at end customers, but is instead intended for cloud system integrators, cloud operators, Software as a Service providers, etc., which implement their cloud solutions for and with end customers. Revenue in this area is recognised net 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 cloud infrastructure. Capitalised services 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 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 Note 6. Financial assets, financial assets to shareholders and financial assets to related parties and Note 27. Other transactions with related parties.

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Share-based compensation

Pursuant to Swiss GAAP FER 31, 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 is disclosed under Note 8.

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 prepared, and to income and expenses during the reporting period. 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

No significant events took place after the balance sheet date that have an impact on the book values of the declared assets and liabilities or which must be disclosed at this point.

The Consolidated Financial Statements were approved by the Board of Directors on 14 March 2018. The Consolidated Financial Statements are subject to approval by the General Assembly.

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Notes to the consolidated financial statements

1 Trade receivables

in TCHF	31.12.2017	31.12.2016
Trade receivables	3'593	5'152
Provision for bad debts	-845	-1'214
Total	2'748	3'938

Receivables from 2016 include TCHF 2'268 for further use of areas beyond the regular rental term and the resulting allowance of TCHF 1'050. They were reclassified to Other non-current receivables during the reporting year due to a payment agreement.

Losses on accounts receivable in 2017 come to TCHF 18 (0.0% of property income) compared to TCHF 14 (0.0% of property income) in the previous year.

2 Other current receivables and other current receivables from shareholders

2.1 Other current receivables

in TCHF	31.12.2017	31.12.2016
Value-added tax receivables	2'319	70
Heating and lump sum charges	3'390	2'817
Other current receivables	554	711
Advance payment for cloud product license volumes	5'429	-
Escrow account	1'350	1'350
Total	13'042	4'949

As part of a cooperation agreement with Microsoft as of 30 June 2017, HIAG has committed itself to market licence volumes for cloud products in the amount of TCHF 5'429 by 30 June 2017 (31 December 2016: TCHF 0). In connection with this, a corresponding advance payment was made to Microsoft at the end of July 2017, which has been recorded under Other current receivables.

In connection with the upcoming redevelopment of the Frauenfeld site, HIAG received a TCHF 1'350 contribution from the former owners in 2016 as compensation for taking on site contamination risks. This contribution was transferred to an escrow account and will be offset by the decontamination expenses.

2.2 Other current receivables from shareholders

in TCHF	31.12.2017	31.12.2016
Other current receivables from shareholders	392	-

Within the framework of the sale of 5% of the HIAG Data AG shares (see Note 18 of the Notes to the Consolidated Financial Statements), receivables still exist between HIAG Immobilien Holding AG and Martin Durchschlag, Laurent Spindler and Hanspeter Tinner for a total of TCHF 392 as at 31 December 2017. These will be offset in 2018.

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3 Other non-current receivables

in TCHF	31.12.2017	31.12.2016
Other non-current receivables	2'554	-

The "Other non-current receivables" are composed of a receivable for TCHF 2'554, which was incurred for further use of areas beyond the regular rental term. In 2016, this receivable amounted to TCHF 2'268 and was included in Trade receivables. A payment agreement was signed in 2017 that regulates repayment starting in 2020. To secure this receivable, during the reporting year an agreement for the transfer of first-lien obligations was signed for an industrial site. Under this agreement, the allowance for this receivable was fully released as at 31 December 2017 (31 December 2016: TCHF 1'050).

4 Real estate properties

in TCHF	31.12.2017	31.12.2016
Fire insurance value	1'527'670	1'505'741
Pledges to secure mortgage loans	344'860	541'350

Due to property purchases, the fire insurance value rose during the reporting period by a total of TCHF 24'997 (2016: TCHF 28'122).

in TCHF	Undeveloped land	Properties	Properties currently under development	Total real estate properties
Balance at 01.01.2016	77'671	996'901	149'480	1'224'052
Reclassifications	7'506	-13'727	6'221	-
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
Balance at 31.12.2016	91'642	1'022'203	128'425	1'242'270
Reclassifications of properties held for sale	-	-	-65'985	-65'985
Balance after reclassifications as at 31.12.2016	91'642	1'022'203	62'440	1'176'285
Balance at 01.01.2017	91'642	1'022'203	62'440	1'176'285
Reclassifications	21'927	18'776	-40'702	-
Additions	643	42'401	15'427	58'471
Disposals	-7'850	-3'254	-40'263	-51'367
Revaluation of properties	918	34'102	-1'495	33'525
Change of costs for environmental risks	-52	-907	71	-238
Balance at 31.12.2017	107'229	1'113'321	62'113	1'282'663
Reclassifications of properties held for sale	-	-372	-30'701	-31'073
Balance after reclassifications as at 31.12.2017	107'229	1'112'949	31'412	1'251'589

In the reporting period, all properties were appraised by Wüest Partner AG. The discount rates used for the property appraisals fluctuated within a corridor of 2.00% to 7.00% as at the reporting date (31 December 2016: 2.25% to 7.00%).

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The expected additional expenses linked to environmental risks were analysed by primarily Ecosens AG on the basis of historical and technical investigations and recorded as at the reporting date in the amount of TCHF 28'290 (2016: TCHF 28'052) under "Real estate investments". 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 238 that affected net income during the reporting period (31 December 2016: reduction of TCHF -6 affecting net income).

The expected additional costs due to environmental risks were discounted. A discount rate of 2.00% was applied as at 31 December 2017 (31 December 2016: 2.25%).

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 2017 amounted to TCHF 58'471 from investments in 70 properties and TCHF 14'352 from the acquisition of the site in Meyrin and the site consolidation in Menziken. The largest investments were made in Meyrin (TCHF 12'713 for the "Hive 2" and "Hive 1" projects), in Windisch (TCHF 9'932, mainly for the Feinspinnerei project), in Baar (TCHF 5'913 for The Cloud project), in Bremgarten (TCHF 5'711 for Jeld-Wen's headquarters) and in Frauenfeld (TCHF 3'701).

Disposals amounting to TCHF -51'367 concerned the sale of condominiums at The Cloud project in Baar (TCHF 28'353), the Spinnerei III and Feinspinnerei projects in Windisch (TCHF 15'164) and the sale of a parcel of land in Cham (TCHF 7'850).

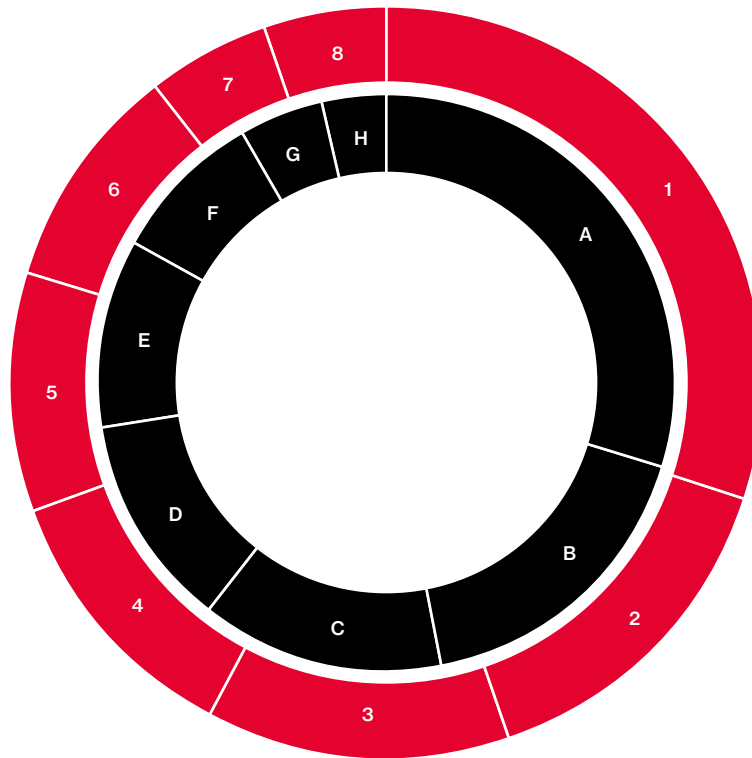
Properties held for sale in TCHF	31.12.2017	31.12.2016
Spinnerei III (Windisch)	372	1'525
The Cloud (Baar)	23'880	49'430
Feinspinnerei (Windisch)	6'821	15'030
Total	31'073	65'985

As at the balance sheet date, condominiums in Windisch (project Spinnerei III and project Feinspinnerei) and in Baar (The Cloud project) were for sale.

The following remaining payments related to the transacted units, which are secured with bank payment commitments, were still open as at 31 December 2017:

in TCHF	31.12.2017	31.12.2016
Spinnerei III (Windisch)	-	1'020
The Cloud (Baar)	3'360	15'916
Feinspinnerei (Windisch)	2'310	7'190
Total	5'670	24'126

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2017 ●
2016 ●

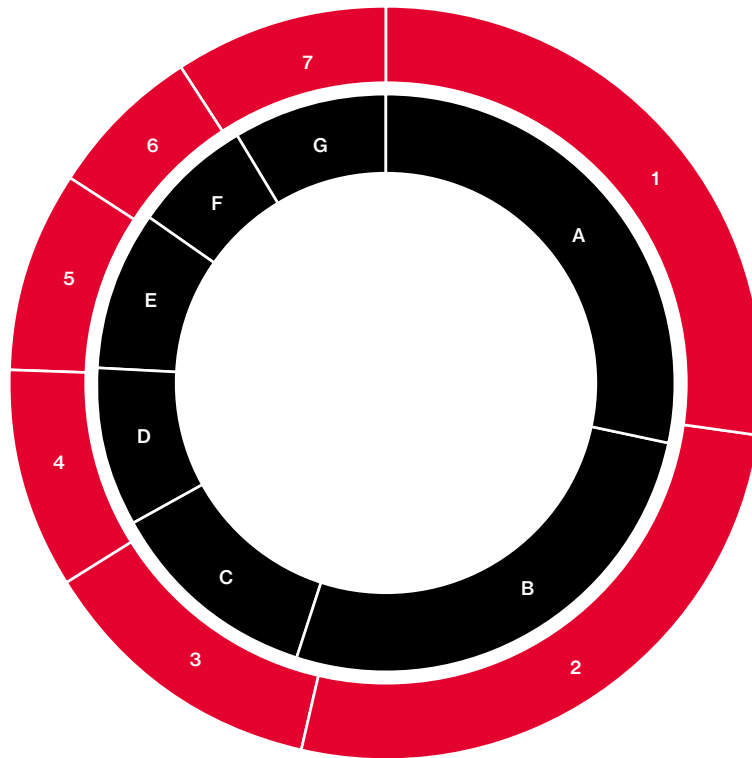
Market value of real estate properties according to use as at 31.12.2017

A	Industry, commercial	30.2%
B	Residential	14.7%
C	Retail	13.0%
D	Office	11.7%
E	Distribution, logistics	10.3%
F	Building land	9.7%
G	Residential and commercial	5.2%
H	Miscellaneous	5.2%

Market value of real estate according to use as at 31.12.2016

A	Industry, commercial	29.8%
B	Residential	17.2%
C	Retail	13.6%
D	Office	12.0%
E	Distribution, logistics	10.4%
F	Building land	8.7%
G	Residential and commercial	4.8%
H	Miscellaneous	3.4%

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2017 ●
2016 ●

Market value of real estate properties according to canton as at 31.12.2017

1	Aargau	27.3%
2	Zurich	26.5%
3	Geneva	12.5%
4	Zug	9.3%
5	Solothurn	8.7%
6	Baselland	6.7%
7	Miscellaneous	9.0%

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

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

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5 Other property, plant and equipment and intangible fixed assets

in TCHF	Other property, plant and equipment	Network and cloud infrastructure HIAG Data	Network and cloud infrastructure HIAG Data in Leasing	Total	Intangible fixed assets
Book value at 01.01.2016	4'142	–	–	4'142	81
Additions	265	3'513	–	3'778	5
Book value at 31.12.2016/01.01.2017	4'407	3'513	–	7'920	86
Additions	295	31'021	8'552	39'867	–
Disposals	–1'011	–29	–	–1'040	–
Book value at 31.12.2017	3'690	34'505	8'552	46'748	86
Cumulative amortisation at 01.01.2016	2'319	–	–	2'319	74
Amortisation	365	68	–	433	12
At 31.12.2016/01.01.2017	2'684	68	–	2'752	86
Amortisation	334	1'425	–	1'759	–
Cumulative amortisation at 31.12.2017	3'018	1'493	–	4'511	86
Net book value at 01.01.2016	1'823	0	–	1'823	7
Net book value at 31.12.2016/01.01.2017	1'723	3'445	–	5'168	–
Net book value at 31.12.2017	673	33'012	8'552	42'237	–

Finance leases for cloud infrastructure were signed during the reporting year and capitalised for TCHF 8'552 (2016: TCHF 0).

TCHF 294 was capitalised in 2017 for internally developed services in connection with the expansion of HIAG Data's IT infrastructure (2016: TCHF 89).

6 Financial assets, financial assets from shareholders and financial assets from related parties

6.1 Financial assets

in TCHF	31.12.2017	31.12.2016
Employer contribution reserve	727	1'091
Other financial assets	474	1'166
Non-consolidated investments	79	79
Total	1'280	2'336

The item "Non-consolidated investments" includes Schwert AG (equity participation: 9.9%) and 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 2017 (2016: TCHF 79). The business of Schwert AG consists of operation of the Schwert Netstal hotel and restaurant. The business of Energie Biberist AG (EBAG) was to acquire, operate, maintain and enlarge the power stations belonging to the Biberist paper mill and Utzenstorf. The operating activities of EBAG have ceased since the shutdown of the Biberist paper mill.

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6.2 Financial assets from shareholders

in TCHF	31.12.2017	31.12.2016
Loans to members of the Management Board	2'932	2'851
Loans to Group employees	1'350	1'000
Total	4'282	3'851

As at 31 December 2017, financial assets due from shareholders concerned loans to members of the Management Board for a total of TCHF 2'932 (2016: TCHF 2'851) and two employee loans (TCHF 1'350, 2016: TCHF 1'000). These loans are subject to market rate interest and are secured by means of employee shares.

6.3 Financial assets from related parties

in TCHF	31.12.2017	31.12.2016
Participation consolidated according to the equity method	-	275
Loans	-	270
Total	-	545

In 2016, the item "Participation consolidated according to the equity method" contained the Safe Swiss Cloud AG participation with a capital share of 26.2%, which was sold during the reporting year.

In 2016, the item "Loans" contained two loans with Safe Swiss Cloud AG, which were fully repaid during the reporting period with the sale of the participation.

6.4 Other current financial assets

in TCHF	31.12.2017	31.12.2016
Capitalised tax losses carried forward	1'770	4'495
WIR voting shares	1'082	-
Total	2'852	4'495

As at 31 December 2017, "Other current financial assets" included TCHF 1'082 of WIR voting shares, which were acquired together with HIAG Immobilien Menziken AG. These WIR voting shares are evaluated at listed market price (market rate) and were recorded in 2016 under "Other financial assets" (2016: TCHF 1'134). As these voting shares will be sold in 2018, this financial asset was recorded under "Other current financial assets" during the reporting period.

Capitalised tax losses carried forward concern expected economic benefits within the next 12 months.

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7 Other current liabilities

in TCHF	31.12.2017	31.12.2016
To third parties	3'971	2'825
Advance payments	2'004	3'853
Total	5'975	6'678

"Other current liabilities to third parties" mainly includes accumulated payments on account for heating and service charge settlement amounting to TCHF 3'390 (2016: TCHF 2'697).

"Advance payments include property income paid in advance amounting to TCHF 1'595 (2016: TCHF 2'369), deposit payments for the sale of condominium property amounting to TCHF 160 (2016: TCHF 400) and advance payments for a building project of TCHF 249 (2016: TCHF 1'084).

8 Provisions

in TCHF	Other provisions	LTIP provision	Total
Book value at 01.01.2016	2'193	858	3'051
Changes in the scope of consolidation	300	-	300
Increase	36	142	178
Utilisation	-55	-	-55
Release	-2'000	-	-2'000
Book value at 31.12.2016/01.01.2017	474	1'000	1'474
- thereof current	274	-	274
- thereof non-current	200	1'000	1'200
Increase	65	450	515
Utilisation	-54	0	-54
Book value at 31.12.2017	485	1'450	1'935
- thereof current	335	-	335
- thereof non-current	150	1'450	1'600

In connection with the HIAG Immobilien Long Term Incentive Plan (see Note 18), accruals were formed for the cash component in the amount of TCHF 450 as at 31 December 2017 (2016: TCHF 142). Provisions for an amount of TCHF 2'000 were released in 2016 without being used. This amount includes a provision for VAT risks in the amount of TCHF 1'500 for an acquired company. No provisions for pension plan obligations or restructuring were made, either in the reporting period or in the previous period. Only risks that have at least a 50% probability of occurring are recognised.

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9 Financial liabilities

in TCHF	31.12.2017	31.12.2016
Non-current bank liabilities	150'208	291'339
Bonds	365'000	215'000
Non-current leasing liabilities	7'262	–
Total non-current financial liabilities	522'470	506'339

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

Most of the bank financing is secured by mortgages.

The loan-to-value ratio ([cash and cash equivalents + financial liabilities] / real estate value) was 38% as at the reporting date (2016: 36%). The debt ratio at fair value (bank liabilities / real estate value) was 12% (2016: 23%).

The average interest rates for bank liabilities came to 1.0% in the reporting period (2016: 1.1%). Bank liabilities to be repaid within a period of 12 months amounted to TCHF 5'453 (2016: TCHF 6'365) and leasing liabilities to be repaid within a period of 12 months amounted to TCHF 1'123 (2016: TCHF 0). Both amounts are classified as “Current financial liabilities”.

In May 2017, a fixed-rate bond for TCHF 150'000 was issued with a maturity of five years. The proceeds were used primarily for the repayment of existing bank liabilities.

Benchmarks	Bond May 2017	Bond July 2016	Bond July 2015
Amount	TCHF 150'000	TCHF 115'000	TCHF 100'000
Maturity	5 years (30.05.2017–30.05.2022)	7 years (04.07.2016–04.07.2023)	6 years (01.07.2015–01.07.2021)
Interest rate	0.8%	1.0%	1.0%
Listing	SIX Swiss Exchange	SIX Swiss Exchange	SIX Swiss Exchange
Security number	36'274'830	32'637'142	28'460'739
ISIN	CH0362748300	CH0326371421	CH0284607394

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Conditions of financial liabilities as at 31.12.2017

Item	Book value	Currency	Due date	Interest rate
Bank liabilities	155'662	CHF	See the chart "Due dates in TCHF as at 31.12.2017"	Between 0.5% and 3.4%
Bonds	365'000	CHF	01.07.2021/ 30.05.2022/ 04.07.2023	Between 0.8% and 1.0%
Leasing liabilities	8'385	CHF	31.10.2021 with quarterly repayments	0.5%
Loans from third parties	4'500	CHF	31.12.2019	3.0%
Total	533'547			

Financial liabilities are recorded and valued at nominal value.

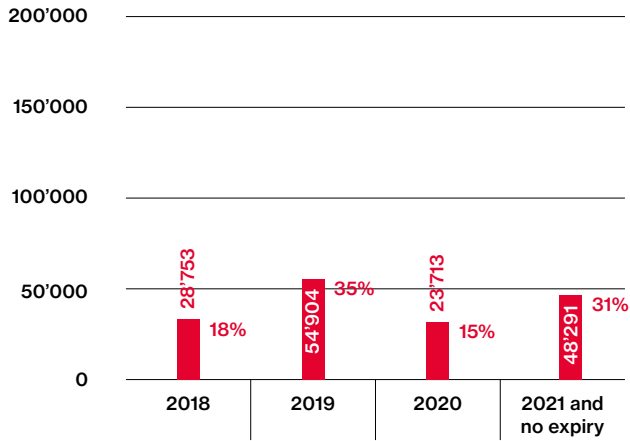
Conditions of financial liabilities as at 31.12.2016

Item	Book value	Currency	Due date	Interest rate
Bank liabilities	297'704	CHF	See the chart "Due dates 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%
Total	517'204			

Financial liabilities are recorded and valued at nominal value.

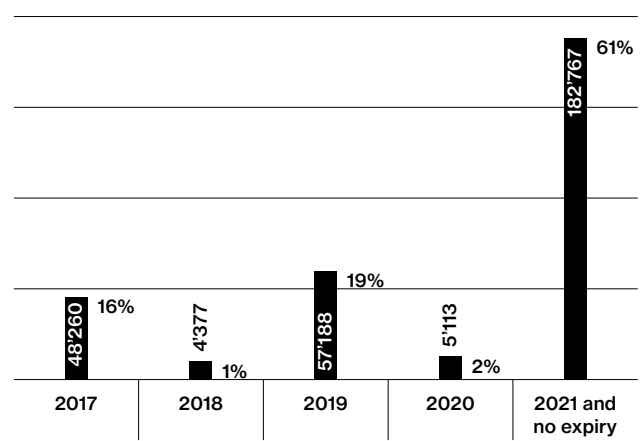
Consolidated Financial Statements

Due dates of bank liabilities in TCHF as at 31.12.2017



Total: TCHF 155'662 = 100%

Due dates of bank liabilities in TCHF as at 31.12.2016



Total: TCHF 297'704 = 100%

Interest rates of bank liabilities were fixed as follows as at 31 December 2017 (until the next interest rate adjustment):

Up to one year	114'253	73%
2019	28'504	18%
2020	4'813	3%
2021 and longer	8'091	5%
Total	155'662	100%

Interest rates of bank 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%
Total	297'704	100%

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10 Deferred taxes

in TCHF	31.12.2017	31.12.2016
Deferred tax liabilities as at 1 January	67'628	63'211
Changes in the scope of consolidation	-	1'981
Net increase recognised through profit or loss	6'158	2'436
Deferred tax liabilities as at 31 December	73'786	67'628

The provisions for deferred taxes are discounted. A discount rate of 2.00% was applied as at 31 December 2017 (2016: 2.25%).

11 Employee benefits

The employees of the HIAG 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 "Fürsorge-stiftung" foundation belonging to HIAG Immobilien Schweiz 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.

in TCHF	Nominal value 31.12.2017	Renounced use 31.12.2017	Balance sheet 31.12.2017	Accumulation 2017	Balance sheet 31.12.2016	Result from ECR in personnel expenses	
						2017	2016
Patronage pension institutions	727	-	727	-	1'089	362	411
Pension institution	-	-	-	-	2	2	12
Total	727	-	727	-	1'091	364	423

in TCHF	Surplus/deficit coverage 31.12.2017	Economical part of the organisation 31.12.2017	Change to prior year period or recognised in the current result of the period, respectively	Contributions concerning the business period	Pension expenses
					2017
Patronage pension institutions	-	-	-	-	-
Pension institution	4'274	-	-	-	488
Total	4'274	-	-	-	488

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Composition of employee pension expenses	2017
Contributions to pension funds at the expense of the company	124
Contributions to pension plans made from the employer contribution reserve (ECR)	364
Total contributions	488
Changes in the employer contribution reserve stemming from asset performance, impairment, discounts, assessment of interest, etc.	-
Total contributions and changes to employer contribution reserve	488
Changes in the economic benefit of the company from surplus coverage	-
Changes in the economic benefit of the company from deficit coverage	-
Total changes in the economic impact from surplus/deficit coverage	-
Total pension expenses in terms of employee benefit expenses during the reporting period	488
- thereof in personnel expenses	451
- thereof in Office, administrative, and development expenses	37

The pension expenses for members of the board of director's are included in Office administrative, and development expenses. All other pension expenses are disclosed under Personnel expenses

in TCHF	Surplus/deficit coverage	Economical part of the organisation	Change to prior year period or recognised in the current result of the period, respectively	Contributions concerning the business period	Pension expenses
	31.12.2016	31.12.2016			31.12.2016
Patronage pension institutions	-	-	-	-	-
Pension institution	1'480	-	-	-	511
Total	1'480	-	-	-	511

Composition of employee pension expenses	2016
Contributions to pension funds at the expense of the company	88
Contributions to pension plans made from the employer contribution reserve (ECR)	423
Total contributions	511
Changes in the employer contribution reserve stemming from asset performance, impairment, discounts, assessment of interest, etc.	-
Total contributions and changes to employer contribution reserve	511
Changes in the economic benefit of the company from surplus coverage	-
Changes in the economic benefit of the company from deficit coverage	-
Total changes in the economic impact from surplus/deficit coverage	-
Total pension expenses in terms of employee benefit expenses during the reporting period	511
- thereof in personnel expenses	497
- thereof in Office, administrative, and development expenses	14

12 Property income

in TCHF	2017	2016
Rental income excl. lump sum charges	53'841	50'291
Lump sum charges	1'055	1'307
Other property income	1'647	951
Decrease in income	-698	-111
Total	55'846	52'438

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As at 31 December 2017, the item “Rental income excl. lump sum charges” included TCHF 1'732 of rental income (31 December 2016: TCHF 0) from rental contracts for which rent-free periods were granted. The item “Other property income” includes income from the sale of electricity from owned power stations in the amount of TCHF 1'037 for 2017 (2016: TCHF 883).

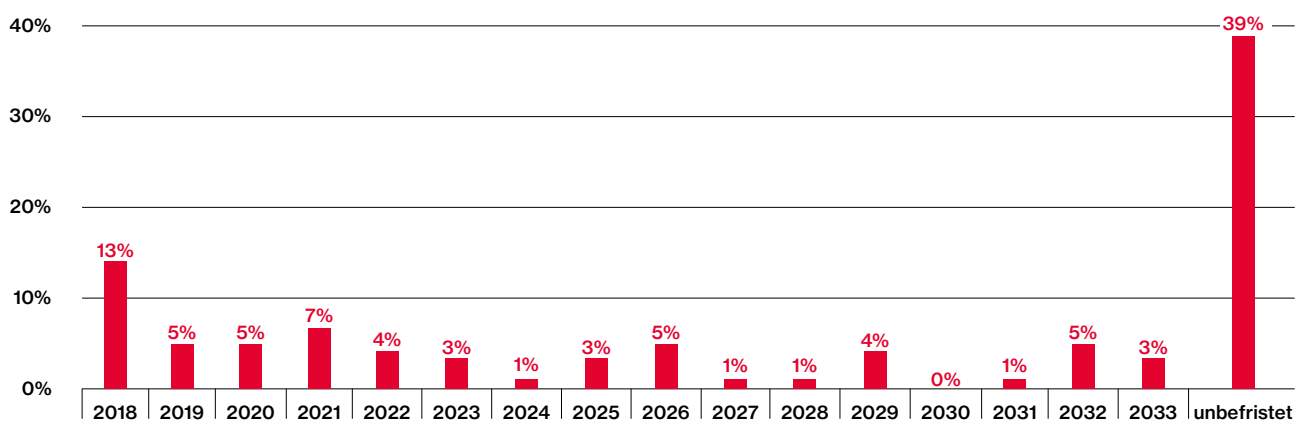
Most significant tenants

HIAG's five most significant tenants measured according to property income were (in alphabetical order): Brugg Rohrsystem AG, Doka Schweiz AG, Jeld-Wen Schweiz AG, Sieber Transport AG and Otto's AG.

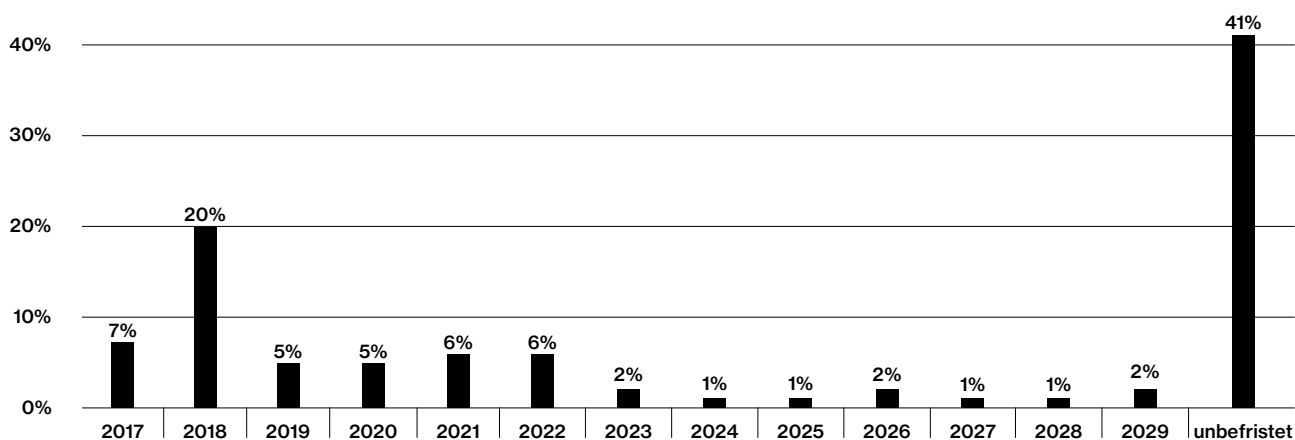
Share of property income represented by (%):	2017	2016
Largest tenant	4%	5%
Three largest tenants	12%	12%
Five largest tenants	18%	19%
Ten largest tenants	31%	32%

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

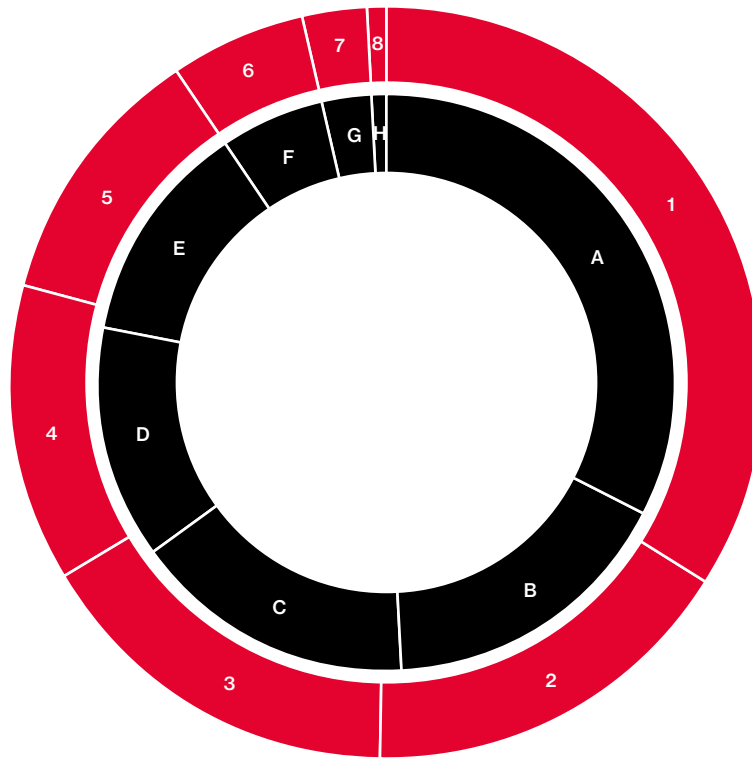
Overview of expiry profile of rental agreements as at 31 December 2017



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



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2017 ●
2016 ●

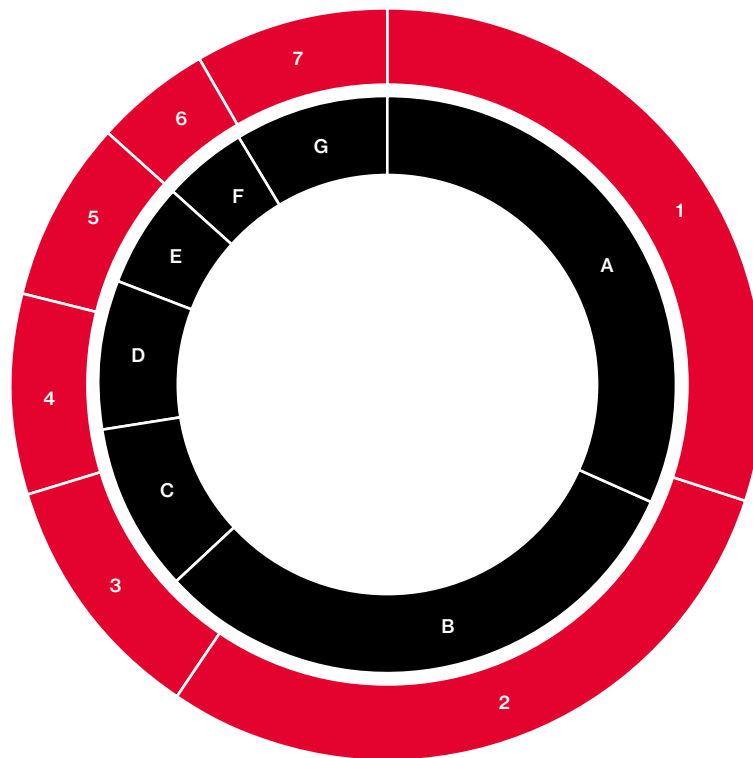
Property income according to use as at 31 December 2017

1	Industry, commercial	34.3%
2	Distribution, logistics	16.2%
3	Retail	16.2%
4	Office	12.9%
5	Residential	11.4%
6	Residential and commercial	5.8%
7	Miscellaneous	2.9%
8	Building land	0.7%

Property income according to use as at 31 December 2016

A	Industry, commercial	32.7%
B	Retail	16.5%
C	Distribution, logistics	15.9%
D	Office	13%
E	Residential	12.5%
F	Residential and commercial	5.7%
G	Miscellaneous	2.8%
H	Building land	0.8%

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2017 ●
2016 ●

Property income according to canton
as at 31 December 2017

1	Zurich	30.2%
2	Aargau	29.7%
3	Geneva	10.7%
4	Baselland	8.8%
5	Solothurn	7.7%
6	Zug	4.9%
7	Miscellaneous	8.3%

Property income according to canton
as at 31 December 2016

A	Aargau	31.8%
B	Zurich	31.5%
C	Baselland	9.3%
D	Geneva	8.5%
E	Solothurn	5.8%
F	Zug	4.6%
G	Miscellaneous	8.5%

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Vacancy rate in TCHF	2017	2016
Yielding properties	12.3%	11.7%
Yielding properties undergoing repositioning ¹	36.8%	32.5%
Redevelopment properties	13.1%	15.2%
Total portfolio	14.3%	15.3%

¹ Mandachstrasse 50-56 ZH and Sternenfeldpark 14 BL. Lorzenparkstrasse 2-16 ZG was classified as a yielding property in the reporting period.

On a like-for-like basis (without taking into account the acquisition in Meyrin), the vacancy rate was 12.4% for yielding properties and 14.4% for the total portfolio.

13 Revaluation of properties (net)

in TCHF	2017	2016
Positive adjustments	57'248	41'832
Negative adjustments	-21'486	-24'216
Adjustments to the value of properties being sold	-2'237	2'351
Adjustment of costs for environmental risks	-238	-6
Total	33'287	19'962

The most significant adjustments were carried out for sites in Meyrin (TCHF 19'170), Cham (TCHF 6'068), St. Margrethen (TCHF 5'929), Wetzikon (TCHF 5'140), Kleindöttingen (TCHF 2'127), Menziken (TCHF -2'083) and Baar (TCHF -3'110). Out of a total of 118 properties, 67 underwent positive adjustments, 47 properties were affected by negative adjustments and four properties showed no change.

14 Infrastructure as a Service (IaaS)

in TCHF	2017	2016
Cloud infrastructure	859	202
Point-to-cloud connection	33	-
Total	892	202

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15 Other operating income

in TCHF	2017	2016
Services rendered to third parties	765	790
Other operating income	8'124	1'161
Release/(accrual) allowance other operating income	1'050	-850
Total	9'939	1'101

“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 the “HIAG Pensionskasse”.

In 2017, proceeds from asset sales in Biberist in the amount of TCHF 7'743 were recognised in the item “Other operating income” (31 December 2016: TCHF 0). Following these transactions, external services and costs amounting to TCHF 677 (2016: TCHF 0) were also recorded in the item “Office and administrative expenses”. Compensation for the further use of areas (TCHF 900) was recognised under this item in 2016. In all, cumulative allowances from previous years related to this totalled TCHF 1'050 (increase 2016: TCHF 850). The allowance for this receivable was fully released as at 31 December 2017 (TCHF 1'050) as a result of an agreement signed during the reporting period for the transfer of first-lien obligations from an industrial site.

16 Capitalised services

in TCHF	2017	2016
Thereof personnel expenses	40	22
Thereof office and administrative expenses (third-party development services)	254	67
Total	294	89

TCHF 294 was capitalised in 2017 for internally developed services in connection with the expansion of HIAG Data's cloud infrastructure (2016: TCHF 89).

17 Personnel expenses

in TCHF	2017	2016
Wages and salaries	6'900	5'765
Social security contributions	965	600
Capitalisation of the employer contribution reserve ¹	-	-1'089
Other personnel expenses ²	1'429	305
Total	9'294	5'580

¹ As there was legal certainty regarding the economic benefit of the employer contribution reserve for a patronage pension institution in 2016, an employer contribution reserve of TCHF 1'089 was capitalised.

² Thereof discount on the sale of HIAG Immobilien Holding AG and HIAG Data AG shares for HIAG Group employees (TCHF 928, 2016: TCHF 0)

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	2017	2016
Employee headcount	56	49
– thereof insourced facility management	18	17
Full-time employees	46.7	42.3
– thereof insourced facility management	12.0	12.6

As at the reporting date, 37 persons were employed at the company's Basel, Zurich and Geneva locations (2016: 32), including six employees active in site development, five in portfolio management, four in accounting, two in condominium sales and seven in the field of Infrastructure as a Service.

18 Share-based compensation

HIAG Immobilien Long Term Incentive Plan

The Management Board has a variable compensation component in the form of a Long Term Incentive Plan (LTIP). The current LTIP runs for a five-year period (2014–2018). For the CEO and CFO, variable compensation is calculated under the LTIP based on the return on equity of the Group. 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 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 and 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.

This LTIP has an impact of TCHF 880 (2016: 236) on net income for the period, of which the cash component constitutes TCHF 450 (2016: 142) (with provisions as the corresponding opposite item) and the share component TCHF 430 (2016: 94) (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 2017 amounted to TCHF 1'450 (2016: TCHF 1'000).

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HIAG Data Long Term Incentive Plan

The HIAG Data LTIP entered into force during the reporting period and applies to the CEO, the CFO and the other members of the HIAG Data AG Executive Board. The CEO and CFO of HIAG Data AG are the same as the CEO and CFO of the company.

The incentive programme is based exclusively on the enterprise value of the subholding (HIAG Data AG) with its subsidiaries. The enterprise value of HIAG Data AG is determined for the purposes of the HIAG Data LTIP using what are referred to as “triggering events”. These include the listing of HIAG Data AG on a stock exchange – with or without an IPO – or sale to a third party. This ensures a calculation of enterprise value that is determined by the market.

The HIAG Data LTIP is composed for all plan participants of a real HIAG Data AG share component (approximately 50% of the value of the HIAG Data LTIP) in the amount of 5% of the HIAG Data AG share capital and a cash bonus (approximately 50% of the value of the HIAG Data LTIP). The shareholding took place during the reporting year.

The shares due to the plan participants as part of the employee share component were acquired by the participants during the year under review. The shares have a retention period of five years and were sold to the plan participants at a 25.274% discount. The shares may not be sold to third parties after the expiry of the retention period unless this occurs within the framework of a triggering event.

The cash bonus is paid out only if a triggering event occurs by a defined date. The amount of the cash bonus depends on the time of the triggering event and its resulting enterprise value. The cash bonus is limited to a maximum of CHF 15 million for all plan participants combined.

This LTIP has an impact of TCHF 426 (2016: TCHF 0) on net income for the period, of which TCHF 426 (2016: TCHF 0) were recorded in Personnel expenses for the employee discount within the framework of the share component. No provision was generated for the cash component during the reporting period.

The cumulative provision for both plans amounted to TCHF 1'450 as at 31 December 2017 (2016: TCHF 1'000).

19 Energy and building maintenance

The item “Energy and building maintenance” includes incidental costs in the amount of TCHF 1'055 that were billed to tenants (2016: TCHF 1'307). These billings to tenants are recorded under “Property income”.

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20 Office, administrative and development expenses

in TCHF	2017	2016
Office, administrative and development expenses	5'895	2'931
- thereof property expenses	2'029	1'529

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

The IaaS expenses under Office, administrative and development expenses amounted to TCHF 632 during the reporting year (2016: TCHF 607).

External services and costs related to asset sales in Biberist amount to TCHF 677 (2016: TCHF 0).

21 Rent and leases

in TCHF	2017	2016
Office rent and leases	577	503
Rent IaaS	142	120
Building rights	842	812
Total	1'561	1'435

22 Amortisation

in TCHF	2017	2016
Other property, plant and equipment	334	365
Other intangible fixed assets	-	12
Cloud and network infrastructure	1'425	68
Total	1'759	445

23 Financial income

in TCHF	2017	2016
Interest income	-	1
Securities income	27	27
Exchange rate profit	197	-
Other financial income ¹	218	190
Financial income from the purchase of participations	-	186
Financial income from the sale of participations	167	-
Release of interest rate risk ²	-	350
Total	610	753

¹ thereof TCHF 183 corresponding to the difference between the received equivalent and the repayment value of the bonds during the reporting year (2016: TCHF 124).

² Based on the new provisions of the withholding tax law, in 2016 a provision was released for default interest in connection with a late notification of an intra-group dividend from the 2010 business year.

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24 Financial expenses

in TCHF	2017	2016
Interest expenses from bank financing	2'021	3'617
Interest expenses from bonds	2'850	1'575
Bank fees and bank interest	151	137
Adjustment of securities at market prices	52	74
Exchange rate loss	2	-
Other capital expenditure ¹	307	241
Total	5'384	5'644

¹ In 2017, contains proportional issuing costs of the bond in the amount of TCHF 168, which are amortised over the maturity of the bond in the income statement (2016: TCHF 86).

The average interest rates paid for bank liabilities came to 1.0% in the reporting period (2016: 1.1%). The fluctuation corridor for interest rates was between 0.5% and 3.4% (2016: between 0.7% and 3.4%). Interest rates for construction loans for site development projects amounting to TCHF 147 were capitalised (2016: TCHF 331).

25 Taxes

in TCHF	2017	2016
Income taxes	275	396
Deferred taxes	6'158	2'436
Capitalisation of tax losses carried forward	-234	-2'314
Use of tax losses carried forward	2'959	3'809
Total	9'158	4'327

In the reporting period, TCHF 6'158 in provisions were generated for deferred taxes (2016: TCHF 2'436).

Since taxable profits can probably be offset with tax losses carried forward, TCHF 234 of economic benefit was capitalised in the 2017 business year (2016: 2'314). The capitalisation corresponds to the expected economic benefit within the next 12 months. Of the capitalised tax losses carried forward as at 31 December 2016, TCHF 2'958 was used in the 2017 business year.

As at the reporting date, the companies belonging to the Group disposed of non-capitalised loss carry-forwards totalling TCHF 26'213 (2016: TCHF 14'138). The potential tax reductions resulting from these not yet capitalised tax losses carried forward amounted to TCHF 4'290 as at 31 December 2017 (2016: TCHF 2'015).

The average tax rate, which was calculated based on ordinary earnings, amounted to 16.4% in 2017 (2016: 16.1%). The tax effect from the use of unrecognised tax losses carried forward amounted to TCHF 241 in 2017 (2016: TCHF 231).

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26 Leasing liabilities

Liabilities from off-balance sheet operating leases mature as follows:

in TCHF	31.12.2017	31.12.2016
Up to 1 year	563	611
Between 2 and 4 years	1'408	1'751
Over 5 years	1'925	2'437
Total	3'896	4'800

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

27 Other transactions with related parties

in TCHF	31.12.2017	31.12.2016
Trade receivables	-	238
Financial assets	-	270

In 2016, Safe Swiss Cloud AG was considered a related party. This participation was sold during the reporting period.

In 2016, items concerning Safe Swiss Cloud AG were recorded under Trade receivables and Financial assets. All Safe Swiss Cloud AG shares were sold to a third party during the reporting period. The company is therefore no longer classified as a related party and is considered an independent client of the Infrastructure as a Service operating segment. All operational business relationships with the company are recorded under "Third parties".

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28 Shareholders' equity

Composition of share capital in TCHF	31.12.2017	31.12.2016
Registered shares as at 31 December (nominal value of CHF 1.00)	8'050'000	8'035'885
Total	8'050'000	8'035'885

On 31 December 2017, share capital consisted of 8'050'000 registered shares at a nominal value of CHF 1.00 per share (2016: 8'035'885). 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 2017, conditional share capital came to TCHF 350 (2016: TCHF 364). 14'115 shares were issued during the reporting period as part of the capital increase on 21 December 2017 (see Statement on Shareholders' Equity) (2016: 35'885 shares).

The non-distributable statutory and legal reserves come to TCHF 1'572 (2016: TCHF 1'491).

Earnings and shareholders' equity (NAV) per share (incl. minority interest) in CHF	01.01–31.12.2017	01.01–31.12.2016
Net income (incl. minority interest)	57'457	46'374
Time-weighted average number of shares outstanding	8'035'289	8'000'787
Earnings per average registered share outstanding	7.15	5.80
Undiluted earnings per share	7.15	5.80
Diluted earnings per share	7.15	5.80

in CHF	31.12.2017	31.12.2016
Shareholders' equity (NAV) per outstanding registered share, before deferred taxes	103.69	99.15
Shareholders' equity (NAV) per outstanding registered share, after deferred taxes	94.52	90.73

As at 31 December 2017 there were no dilutive effects.

The minority interests are related to the HIAG Data LTIP (see Note 18). The CEO, CFO and the other members of the HIAG Data Executive Board have held 5% of the HIAG Data AG share capital since December 2017.

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29 Significant shareholders

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

Voting rights	31.12.2017	31.12.2016
Lock-up group composed of:	65.3%	65.0%
SFAG Holding AG		
Dr. Felix Grisard		
Salome Grisard Varnholt		
Andrea Grisard		
HIAG Beteiligung Holding AG ¹		

¹ 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. With 49.8% (2016: 49.8%) of shares, SFAG Holding AG is the majority shareholder of HIAG Immobilien Holding AG. Through signature of this shareholders' agreement, 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

	31.12.2017	31.12.2016
Dr. Felix Grisard, President of the Board of Directors ¹	579'593	554'995
Salome Grisard Varnholt, member of the Board of Directors ¹	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
Dr. Jvo Grundler, member of the Board of Directors and Executive Board	27'642	–
Martin Durchschlag, CEO	208'295	207'397
Laurent Spindler, CFO	3'632	3'435
Ralf Küng, member of the Extended Executive Board	6'012	5'791
Hans-Lukas Fehr, member of the Extended Executive Board	6'177	5'791
Alex Römer, member of the Extended Executive Board	6'195	5'791
Thorsten Eberle, member of the Extended Executive Board	3'742	3'521
Michele Muccioli, member of the Extended Executive Board	2'921	2'700
Yves Perrin, member of the Extended Executive Board	20'419	20'198
Total	1'153'024	1'098'015

¹ Dr. Felix Grisard and Salome Grisard Varnholt are shareholders in the Board of Directors of SFAG Holding AG, which holds 4'012'320 shares in HIAG Immobilien Holding AG. With 49.84% of shares, SFAG Holding AG is the majority shareholder of HIAG Immobilien Holding AG. Dr Felix Grisard and Salome Grisard Varnholt jointly hold two thirds of the shares of SFAG Holding AG directly and indirectly.

² Dr. Jvo Grundler has been a member of the Board of Directors and the Management Board since May 2017.

In connection with the share component of the LTIP, the Extended Executive Board acquired 1'982 shares during the business year 2017 (2016: 6'699 shares).

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30 Treasury shares

TCHF except for the number of shares	Number of shares	2017	2016
Book value as at 01.01	-	-	-
Purchase	20'420	2'389	-
Sale	18'049	1'986	-
Book value as at 31.12	2'371	281	0

During the reporting year, 20'420 shares of HIAG Immobilien Holding AG were purchased by the company for a total amount of TCHF 2'389. 18'049 of these shares were purchased primarily in connection with the Long Term Incentive Plan by members of the Group's Executive Board and by Group employees as part the employee participation plan. The sale resulted in a loss of TCHF 122, which was recorded under "Capital reserves".

The company held 2'371 treasury shares as at 31 December 2017.

31 Other pledged assets

The 2'732 WIR voting shares, which are listed under "Other financial assets" at a value of TCHF 1'082 (2016: TCHF 1'133), are pledged as part of an existing financing agreement with WIR Bank. Rental deposits in the amount of TCHF 99 were also pledged (2016: TCHF 99).

32 Assets assigned to secure own liabilities

in TCHF	31.12.2017	31.12.2016
Other current receivables (escrow account)	1'350	1'350

33 Contingent liabilities and other obligations not recognised in the balance sheet

in TCHF	31.12.2017	31.12.2016
Guarantees to third parties	55'516	2'392
Liabilities from signed but not yet running leasing agreements	9'248	-
Total	64'764	2'392

During the year under review, two new guarantees for a total of TCHF 53'400 were given to third parties in connection with the coverage of investments of subsidiaries.

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34 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.

The impact of a theoretical capitalisation of goodwill on the balance sheet:

in TCHF	31.12.2017	31.12.2016
Reported shareholders' equity (incl. minority interest)	760'693	729'126
Equity ratio	54.4%	54.6%
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	574	319
Amortisations for the current year	255	255
Disposals	-	-
As at the end of the business year	830	574
Theoretical net book value of goodwill	446	702
Theoretical shareholders' equity including net book value of goodwill	761'139	729'828
Theoretical equity ratio	54.4%	54.7%

Impact of a theoretical capitalisation of goodwill on net income:

in TCHF	2017	2016
Net income (incl. minority share)	57'457	46'374
Theoretical amortisation of goodwill	-255	-255
Net income after amortisation of goodwill	57'202	46'119

35 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 has been operational since the fourth quarter of 2016. HIAG Data makes a highly efficient cloud infrastructure platform available to cloud service providers. With a self-owned, carrier-independent fibre optic network, HIAG Data provides its customers with an end-to-end service level that meets the highest standards of availability, data security and performance. This business activity is listed in the segment "Infrastructure as a Service (IaaS)".

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

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The costs of central functions such as finance, and expenditures in connection with the Board of Directors are disclosed in the segment "Corporate". 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".

As the HIAG Group is active exclusively in Switzerland, no geographical segment information is provided.

Operating segments 1 January 2017 to 31 December 2017

in TCHF	Yielding portfolio	Redevelopment portfolio	IaaS	Services	Corporate	Group
Property income	45'387	10'412	46	-	-	55'846
Revaluation of properties (net)	11'056	22'231	-	-	-	33'287
Infrastructure as a Service (IaaS)	-	-	892	-	-	892
Other operating income	264	8'838	35	767	36	9'939
Own contribution	-	-	294	-	-	294
Total operating income	56'707	41'481	1'267	767	36	100'258
Total operating expenses	9'210	9'269	4'332	488	3'812	27'110
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	47'497	32'212	-3'065	279	-3'776	73'147
EBITDA before revaluation of properties	36'441	9'981	-3'065	279	-3'776	39'860

Operating segments 1 January 2016 to 31 December 2016

in TCHF	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
Total operating income	42'516	30'115	362	792	5	73'791
Total operating expenses	7'834	5'496	1'325	634	2'465	17'754
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	34'682	24'620	-963	158	-2'460	56'037
EBITDA before revaluation of properties	33'620	5'720	-963	158	-2'460	36'074

General Property Details

Yielding Portfolio

Property ID	Canton	Municipality	Property	Main use ¹	Market value (CHFm)	Full occupancy property rent (CHFm)	Annualised property rent (CHFm)	Occupancy rate (%)	Net site area (m ²)	Year of construction	Year of construction 2 ³	Partial renovation	Discount factor (%)	Ownership (%)	Register of polluted sites (Kbs)	Compulsory surveillance	Obligatory remediation	Lettable area (% m ²)						Full occupancy property income (CHF '000)									
																		Residential	Office	Retail	Industry/ Logistics	Storage	Others	Total	Residential	Office	Retail	Industry/ Logistics	Storage	Others	Total		
10101	ZH	Dietikon	Riedstrasse 3	Retail	50.8	3.014	2.8	94.3%	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	45.8	2.217	2.2	100.0%	13'500	1982	–	1993	4.2	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	29.3	1.561	1.4	90.6%	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	0.012	0.0	100.0%	930	–	–	–	4.0	Sole ownership	100%	No	–	–	–	–	–	–	–	–	–	–	–	–	–	–	0.0	0.0	
10201	AG	Kleindöttingen	Industriestrasse 39–41	Industrial	33.8	1.373	1.3	97.6%	65'356	1997	2007	–	4.0	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	32.2	1.992	1.5	72.8%	38'314	1971	2012	–	5.0	Sole ownership	100%	Yes	No	No	–	14%	–	68%	17%	–	17'006	–	0.4	–	1.6	0.0	–	2.0	
10203	AG	Kleindöttingen	Industriestrasse 3, 40–44	Logistics	18.2	1.544	0.5	33.1%	14'517	1971	1999	2008	5.3	Sole ownership	100%	Yes	No	No	–	19%	–	74%	7%	–	15'461	–	0.4	–	1.0	0.1	0.0	1.5	
10204	AG	Kleindöttingen	Hauptstrasse 70	Industrial	2.2	0.323	0.3	86.3%	6'625	1961	1977	–	5.6	Sole ownership	100%	No	–	–	–	–	–	83%	17%	–	4'775	–	0.0	–	0.3	0.0	0.0	0.3	
10207	AG	Kleindöttingen	Industriestrasse 21	Industrial	4.9	0.723	0.3	37.0%	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	Industriestrasse 50–56	Office	42.6	3.373	2.4	71.2%	10'918	1992	2007	–	4.6	Sole ownership	100%	No	–	–	–	41%	24%	22%	12%	–	19'187	–	0.6	0.7	1.4	0.4	0.3	3.4	
10302	ZH	Niederhasli	Stationstrasse 25	Logistics	19.4	1.397	1.3	91.5%	16'691	1991	–	–	4.8	Sole ownership	100%	No	–	–	–	–	–	100%	–	–	7'883	–	–	–	1.3	–	–	0.1	1.4
10303	ZH	Niederhasli	Stationstrasse 27, 32, Parzelle 3131	Industrial	15.8	0.653	0.7	100.0%	28'122	1955	2001	–	4.2	Sole ownership	100%	No	–	–	–	8%	11%	–	31%	50%	–	4'608	–	–	–	0.3	–	0.4	0.7
10502	TG	Ermatingen	Hauptstrasse 189	Logistics	5.4	0.430	0.4	92.1%	12'257	1994	–	–	4.8	Sole ownership	100%	No	–	–	–	–	–	–	100%	–	3'301	–	–	–	0.3	–	0.1	0.4	
10601	BL	Füllinsdorf	Waldstrasse 27/27a	Logistics	14.6	0.968	0.9	97.9%	16'000	1971	1983	2015	4.7	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	19.6	1.853	1.4	73.4%	10'871	1970	2003	–	4.7	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	2.0	0.169	0.2	100.0%	5'485	–	–	–	2.5	Building right	100%	No	–	–	–	–	–	–	–	–	–	–	–	–	–	0.2	0.2		
12801	SG	St. Margrethen	Plot no. 2957	Logistics	3.1	0.1	0.1	76.1%	13'880	–	–	–	2.8	Building right	100%	No	–	–	–	–	–	–	–	–	–	–	–	–	–	0.1	0.1		
12802	SG	St. Margrethen	Altfeldstrasse West	Industrial	13.0	0.4	0.4	100.0%	38'741	1951	–	–	2.5	Sole ownership	100%	No	–	–	–	–	–	–	–	–	–	–	–	–	–	0.4	0.4		
12803	SG	St. Margrethen	Altfeldstrasse Ost	Industrial	11.5	0.4	0.4	100.0%	31'710	1937	–	–	2.5	Sole ownership	100%	Yes	No	No	–	–	–	–	–	–	–	–	–	–	–	0.4	0.4		
13401	AG	Klingnau	Weierstrasse 5/Kanalstrasse 8	Industrial	15.0	1.0	1.0	100.0%	12'984	1965	2008	–	4.7	Sole ownership	100%	No	–	–	–	10%	–	75%	15%	–	9'015	–	0.1	–	0.9	–	0.0	1.0	
13402	AG	Klingnau	Industriestrasse 7	Industrial	5.4	0.4	0.3	72.6%	5'529	1955	–	–	5.3	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	12.3	0.9	0.6	66.0%	13'009	1955	2008	–	5.3	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	65.6%	6'170	1953	1955	–	5.3	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	4.8	0.4	0.3	62.0%	11'035	1949	1961	–	5.6	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	26.5	1.2	1.0	84.3%	13'071	1999	2008	–	3.3	Sole ownership	100%	No	–	–	–	91%	–	–	–	–	9%	6'309	1.1	–	–	–	–	0.1	1.2
13407	AG	Klingnau	Parkstrasse 7–13	Residential	11.9	0.5	0.5	87.7%	6'075	1999	2008	–	3.4	Sole ownership	100%	No	–	–	–	92%	–	–	–	–	8%	2'911	0.5	–	–	–	–	–	0.5
18101	ZG	Cham	Lorzenparkstrasse 2–16	Res. mixed	51.9	3.2	2.8	88.0%	13'537	2008	–	–	4.3	Sole ownership	100%	No	–	–	–	38%	26%	–	23%	6%	7%	14'812	1.2	1.3	–	0.6	0.1	–	3.2
22501	VD	Yverdon	Route de Grandson 48	Industrial	26.9	1.7	1.5	86.1%	19'758	1910	2013	–	4.5	Sole ownership	100%	Yes	Yes	No	–	1%	12%	–	59%	28%	–	20'343	0.1	0.3	–	1.1	0.2	–	1.7
26101	AG	Bremgarten	Luzernerstrasse 48–50	Industrial	28.3	1.5	1.5	100.0%	20'613	1983	2017	–	4.4	Sole ownership	100%	Yes	No	No	–	22%	–	63%	–	–	13'260	–	0.4	–	1.0	–	–	0.1	1.5
29002	GE	Meyrin	Route du Nant d'Avril 150, Hive II	Office	59.4	2.8	2.8	100.0%	6'821	2017	–	–	3.4	Building right	100%	No	–	–	–	81%	–	–	19%	–	8'015	–	2.0	–	–	0.0	0.8	2.8	
29101	GE	Meyrin	Chemin du Grand-Puits 28	Industrial	17.0	0.7	0.7	95.3%	10'383	1965	–	–	4.5	Sole ownership	100%	No	–	–	–	8%	–	–	90%	2%	9'664	–	0.1	–	–	0.6	–	0.7	
30001	ZH	Aathal	Zürichstrasse 66–80	Residential	4.2	0.3	0.3	98.4%	7'861	1870	1915	1988	4.0	Sole ownership	100%	No	–	–	–	100%	–	–	–	–	2'139	0.3	–	–	–	–	0.0	0.0	0.3
30002	ZH	Aathal	Zürichstrasse 50–62/192	Res. mixed	1.8	0.2	0.2	99.2%	6'639	1849	1880	1985	4.3	Sole ownership	100%	No	–	–	–	100%	–	–	–	–	1'096	0.2	–	–	–	–	–	0.0	0.2
30401	ZH	Aathal	Zürichstrasse 13–25	Retail	36.4	2.3	1.9	81.4%	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	Gstaldenstrasse 5	Industrial	4.8	0.4	0.4	97.8%	16'250	1960	1964	–	4.9	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	3.9	Sole ownership	100%	No	–	–	–	100%	–	–	–	–	729	0.1	–	–	–	–	–	0.0	0.1
30501	ZH	Aathal/Wetzikon	Agricultural land/land without use	Others	1.6	0.0	0.0	0.0%	196	–	–	–	2.0	Sole ownership	100%	No	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–		
30601	ZH	Aathal	Zürichstrasse 34	Res. mixed	0.2	0.0	0.0	100.0%	257	1860	–	1990	3.9	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	97.9%	–	1839	–	2003	3.9	Sole ownership	100%	No	–	–	–	100%	–	–	–	–	551	0.1	–	–	–	–	–	0.0	0.1
30901	ZH	Wetzikon	Grundstrasse 6–10	Residential	1.2	0.1	0.1	98.0%	1'745	1895	–	1990	3.1	Sole ownership	100%	No	–	–	–	100%	–	–	–	–	433	0.1	–	–	–	–	–	0.0	0.1
30902	ZH	Wetzikon	Schulhausstrasse 42–44	Residential	1.9	0.1	0.1	90.6%	2'076	1840	–	1982	3.4	Sole ownership	100%	No	–	–</															

General Property Details

Redevelopment Portfolio

Property ID	Canton	Municipality	Property	Main use ¹	Market value (CHFm)	Full occupancy property rent (CHFm)	Annualised property rent (CHFm)	Occupancy rate (%)	Net site area (m ²) ²	Year of construction	Year of construction 2 ³	Partial renovation	Discount factor (%)	Ownership (%)	Register of polluted sites (KbS)	Compulsory surveillance	Obligatory remediation	Residential (sale)	Residential (rent)	Office	Retail	Industry/Logistics	Storage	Others	Total				
10208	AG	Kleindöttingen	Plot no. 420	Others	11.3	0.000	0.0	0.0%	43'400	–	–	–	2.0	Sole ownership	100%	No	–	3'500	14'000	–	–	–	–	500	30'500				
10501	TG	Ermatingen	Hauptstrasse 181/185	Logistics	5.0	0.522	0.5	99.7%	12'125	1968	1997	–	5.5	Sole ownership	100%	No	–	–	–	600	–	–	1'084	5'291	6'975				
13408	AG	Klingnau	Weierstrasse 8	Others	0.9	0.0	0.0	0.0%	2'144	–	–	–	2.0	Sole ownership	100%	No	–	–	–	–	–	–	–	–	–				
16101	ZG	Baar	Ibelweg 18	Residential	23.9	0.0	0.0	0.0%	9'218	2015	–	–	2.0	Condominium	100%	No	–	–	–	–	–	–	–	–	–				
18103	ZG	Cham	Plot no. 3165	Others	43.5	0.0	0.0	100.0%	26'231	–	–	–	2.0	Sole ownership	100%	No	–	3'300	22'700	–	2'000	–	–	1'800	29'800				
20101	VS	St-Maurice	Bois-Noir	Industrial	1.8	0.3	0.3	100.0%	33'281	1960	1970	–	3.0	Sole ownership	100%	Yes	No	–	–	–	12'600	7'470	–	–	20'070				
22101	VD	Aigle	Route Industrielle 18	Industrial	3.2	0.2	0.2	100.0%	11'410	1991	–	2014	5.1	Sole ownership	100%	No	–	–	252	1'532	766	–	–	–	2'550				
22201	GE	Vernier	Chemin de la Verseuse 1–3	Industrial	5.0	0.0	0.0	0.0%	4'507	1964	–	–	4.3	Sole ownership	100%	No	–	–	3'049	–	–	4'466	739	–	8'254				
22301	GE	Lancy	Route des Jeunes 20–26	Industrial	18.0	0.6	0.6	96.1%	8'783	1960	–	–	4.0	Building right	100%	Yes	No	–	–	25'701	–	–	–	21'243	46'945				
29001	GE	Meyrin	Route du Nant d'Avril 150, Hive I	Office	17.1	0.1	0.1	100.0%	7'681	1981	–	–	4.1	Building right	100%	No	–	–	9'029	–	–	–	–	–	9'029				
29003	GE	Meyrin	Route du Nant d'Avril 150	Others	23.7	0.0	0.0	0.0%	28'464	–	–	–	2.0	Building right	100%	No	–	–	33'448	–	–	–	–	688	34'136				
30101	ZH	Aathal	Plot no. 3990	Others	1.2	0.1	0.1	100.0%	8'163	–	–	–	4.9	Sole ownership	100%	No	–	–	–	–	–	–	–	–	–				
30201	ZH	Aathal	Zürichstrasse 27/33–39, Gestalderstrasse 4	Residential	6.4	0.2	0.1	85.8%	23'938	1850	1870	1990	4.2	Sole ownership	100%	No	–	–	1'600	–	4'670	–	–	–	–	6'270			
30403	ZH	Aathal	Gstalderstrasse 3	Industrial	0.9	0.0	0.0	0.0%	1'067	1870	–	1993	5.3	Sole ownership	100%	No	–	–	–	–	–	–	–	–	–				
30602	ZH	Aathal	Chälenweg 1/11/164, Aretsh. 1–7/11–21/158	Residential	2.5	0.2	0.2	100.0%	10'069	1440	–	1988	4.5	Sole ownership	100%	Yes	No	–	–	–	–	–	–	–	–				
30603	ZH	Aathal	Zürichstrasse 22–24	Res. mixed	2.2	0.2	0.2	99.1%	3'567	1870	1860	1989	4.5	Sole ownership	100%	No	–	–	–	–	–	–	–	–	–				
30801	ZH	Wetzikon	Usterstr. 200–202/206, Zürichstr. 119–121	Industrial	6.1	0.4	0.3	99.6%	14'653	1872	1900	1993	5.5	Sole ownership	100%	Yes	No	–	1'428	–	2'605	1'416	375	1294	373	7'491			
30906	ZH	Wetzikon	Schönaustrasse 5–13	Residential	9.6	0.3	0.2	62.3%	17'055	–	–	1943	3.1	Sole ownership	100%	No	–	–	2'410	2'500	–	–	920	–	400	6'230			
30907	ZH	Wetzikon	Schönaustrasse 9	Others	20.9	0.1	0.1	65.7%	8'267	–	–	–	3.2	Sole ownership	100%	Yes	No	–	3'700	3'300	–	–	–	–	–	7'000			
30908	ZH	Wetzikon	Weststrasse 26–28	Residential	2.8	0.0	0.0	0.0%	1'908	1800	1896	–	4.0	Sole ownership	100%	No	–	–	1'409	–	–	–	–	–	–	1'409			
31501	TG	Frauenfeld	Walzmühlestrasse 47	Res. mixed	2.0	0.0	0.0	0.0%	4'564	1926	2017	–	3.6	Sole ownership	100%	Yes	No	–	1'550	–	557	–	257	327	2'691				
31502	TG	Frauenfeld	Walzmühlestrasse 49	Res. mixed	3.9	0.0	0.0	0.0%	2'043	1922	2017	–	4.4	Sole ownership	100%	Yes	No	–	1'623	1'392	–	–	349	146	–	3'510			
31503	TG	Frauenfeld	Walzmühlestrasse 51	Res. mixed	4.4	0.2	0.2	75.3%	10'863	1832	2017	–	3.6	Sole ownership	100%	Yes	No	–	4'246	–	–	–	–	–	171	4'417			
31504	TG	Frauenfeld	Walzmühlestrasse Parking	Others	2.0	0.0	0.0	63.3%	3'340	–	–	–	4.4	Sole ownership	100%	Yes	No	–	–	6'263	–	–	–	–	–	6'263			
31601	NE	Neuchâtel	Rue du Plan 30	Industrial	17.1	0.8	0.8	100.0%	11'397	1963	1967	2015	4.3	Sole ownership	100%	Yes	No	–	5'500	–	3'100	–	–	–	–	8'600			
31701	SO	Dornach	Weidenstrasse 50	Industrial	32.1	0.9	0.9	95.1%	136'685	1895	–	–	4.5	Sole ownership	100%	Yes	No	–	20'000	10'000	–	–	10'000	–	–	40'000 ⁴			
32103	AG	Windisch	Kunzareal: Feinspinnerei	Residential	6.8	0.0	0.0	0.0%	2'081	2015	–	–	2.0	Condominium	100%	No	–	–	–	–	–	–	–	–	–	–			
32104	AG	Windisch	Spinnereistrasse 6	Residential	0.4	0.0	0.0	0.0%	8'400	2014	–	–	2.0	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			
34001	AG	Brugg	Wildschachenstrasse 12–14	Office	5.1	0.6	0.5	94.0%	11'080	1960	–	–	4.7	Sole ownership	100%	Yes	No	–	–	3'439	–	–	313	–	3'752				
34002	AG	Brugg	Wildschachenstrasse 16	Industrial	17.4	1.4	1.1	81.2%	33'505	1960	–	–	5.0	Sole ownership	100%	Yes	No	–	–	–	13'520	–	–	–	–	13'520			
36101	SO	Biberist	Fabrikstrasse 2–8	Others	3.8	0.4	0.1	23.4%	22'524	1937	–	–	5.2	Sole ownership	100%	No	–	–	–	–	–	–	–	–	–	–			
36102	SO	Biberist	Fabrikstrasse 14–34	Industrial	15.0	0.0	0.0	0.0%	44'000	1972	1990	–	6.0	Sole ownership	100%	No	–	–	–	–	–	–	–	30'954	15'000	1'460	47'414		
36103	SO	Biberist	Fabrikstrasse 57–115	Industrial	11.0	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	5.0	0.2	0.1	23.2%	19'000	1932	1947	–	5.9	Sole ownership	100%	No	–	–	–	–	–	–	–	–	–	20'110			
36106	SO	Biberist	Fabrikstrasse 3–35	Industrial	1.8	0.0	0.0	0.0%	18'962	1903	1939	–	6.0	Sole ownership	100%	No	–	–	–	–	–	–	–	–	–	5'257	22'010	–	27'267
36107	SO	Biberist	Fabrikstrasse 31–85	Industrial	0.5	0.0	0.0	0.0%	16'000	1946	–	–	6.1	Sole ownership	100%	No	–	–	–	–	–	–	–	–	–	11'000	–	11'000	
36108	SO	Biberist	Fabrikstrasse Insel	Industrial	3.9	0.4	0.4	100.0%	60'400	1991	–	–	5.8	Sole ownership	100%	No	–	–	–	–	–	–	–	–	–	–	17'700	–	17'700
36109	SO	Biberist	Derendingerstrasse 27–29	Others	6.6	0.0	0.0	0.0%	44'183	–	–	–	2.0	Sole ownership	100%	No	–	–	–	–	–	–	–	–	–	–	–		
36204	SO	Biberist	Derendingerstrasse 16 (Plot no. 944, 1172, 1179)	Others	0.5	0.0	0.0	0.0%	–	–	–	–	2.0	Sole ownership	100%	No	–	–	–	–	–	–	–	–	–	–	–		
40101	AG	Menziken	Hauptstrasse 85	Others	8.8	0.0	0.0	0.0%	10'717	1911	–	–	7.0	Sole ownership	100%	Yes	No	–	–	–	–	–	–	–	–	8'240	8'240		
61101	BL	Aesch	Industriestrasse 45–61	Industrial	9.5	0.8	0.7	78.1%	35'932	1900	1940	–	4.8	Sole ownership	100%	Yes	No	–	–	27'000	–	–	27'000	–	–	–	54'000		
72001	AG	Hausen	Hauptstrasse 96	Others	10.5	0.0	0.0	0.0%	27'235	–	–	–	2.0	Sole ownership	100%	Yes	No	–	–	4'320	–	–	11'990	–	–	16'310			
72002	AG	Lupfig	Hauptstrasse 98–100	Others	6.3	0.0	0.0	0.0%	34'933	–	–	–	2.0	Sole ownership	100%	Yes	Yes	Yes	–	–	2'600	–	–	–	–	–	16'100		
Total				Total	381.4	9.7	8.4	86.9%	876'256									18'584	74'182	131'535	39'995	188'199	74'953	40'493	567'942				

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 m²).

3 Second building phase.

4 According to the Masterplan as at December 2012 between 120'000 and 130'000 sqm could be developed, only 40'000 sqm have been planned as of Dezember 31, 2017

Report of the Statutory Auditor on the Consolidated Financial Statements



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To the General Meeting of
HIAG Immobilien Holding AG, Basel

Basle, 14 March 2018

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 89 to 132), for the year ended 31 December 2017.



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.

Report of the Statutory Auditor on the Consolidated Financial Statements



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Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2017 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER 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 consolidated financial statements.

Valuation of Real estate properties, incl. Properties for sale

Risk	<p>As at 31 December 2017, Real estate properties and Properties for sale recognized in the company's consolidated balance sheet amounted to a total of kCHF 1,282,663, representing 92% 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.</p> <p>The valuation of Real estate properties and Properties for sale is further discussed in section "Significant Accounting and Valuation Policies" and note 4 "Real estate properties" of the notes to the consolidated financial statements.</p> <p>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.</p>
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Report of the Statutory Auditor on the Consolidated Financial Statements



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 2017, they amounted to kCHF 73,786. The Deferred tax liabilities are discounted at a rate of 2%.

The discounting of Deferred tax liabilities is discussed in section "Significant Accounting and Valuation Policies" and note 10 "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 of the Statutory Auditor on the Consolidated Financial Statements



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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

Independent Valuer's Report



Wüest Partner AG, Bleichenweg 5, 8001 Zurich

HIAG Immobilien Holding AG
Aescherplatz 7
4052 Basel

Zurich, 12 February 2018

Independent valuer's report Real Estate Property Valuation as at 31.12.2017

To the Executive Board of HIAG Immobilien Holding AG

Ref.
104390.1710 to 104390.1716

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 2017 (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-Schögnau.

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

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Regulated by RICS

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Independent Valuer's Report

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 lettable 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 2017 to 31 December 2017, Wüest Partner visited 30 properties belonging to HIAG.

Results

A total of 117 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 2017 by Wüest Partner. The fair value of the property portfolio of HIAG (before deduction of contamination) is estimated as at 31 December 2017 at 1,310,950,980 Swiss Francs.

Changes during reporting period

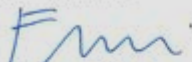
Within the review period from 1 January 2017 to 31 December 2017 a property in Meyrin was acquired. At the same time, a property in Cham was sold.

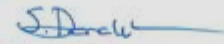
Independence and confidentiality

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.

Independent Valuer's Report

Zurich, 12 February 2018
Wüest Partner AG


Marco Feusi MRICS
Partner


Silvana Dardikman
Manager

Independent Valuer's Report

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 2018 and were received during the period of September 2017 and January 2018.
- **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 2.00% 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.

Independent Valuer's Report

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.

EPRA Key Performance Figures

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 and EPRA earnings per share

In TCHF except for the number of shares and the key figures per share	2017	2016
Earnings as per FER income statement	57'457	46'374
(i) Income from property revaluation	-35'524	-17'616
(ii) Income from sale of promotion projects	2'237	-2'346
(iii) Transaction costs for the purchase of enterprises and related companies	-	194
(iv) Deferred taxes on EPRA adjustments and capitalisation of tax losses carried forward	8'884	3'931
EPRA earnings	33'054	30'537
Average number of shares outstanding	8'035'289	8'000'787
EPRA earnings per share	4.1	3.8

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	2017	2016
NAV as per consolidated financial statements	760'693	729'126
(i) Dilution effect of exercise of options, convertibles and other equity interest	-336	514
(ii) Deferred taxes	73'786	67'628
EPRA NAV	834'144	797'268
Number of shares outstanding (diluted)	8'047'629	8'035'885
EPRA NAV per share	103.6	99.2
Balance sheet total	1'398'069	1'334'132
Equity ratio as per EPRA NAV	59.7%	59.8%

EPRA Key Performance Figures

C Triple Net Asset Value (NNNAV)

In TCHF except for the number of shares and the key figures per share	2017	2016
EPRA NAV	834'144	797'268
(i) Deferred taxes	-73'786	-67'628
EPRA NNNAV	760'357	729'640
Number of shares outstanding	8'047'629	8'035'885
EPRA NNNAV per share	94.5	90.8

D EPRA net return from rental income

In TCHF	2017	2016
Investment properties – wholly owned	1'251'588	1'176'285
Properties held for sale (promotion projects)	31'073	65'985
Less development properties (building land, investment properties under construction, promotion projects)	-381'364	-486'759
Value of the completed property portfolio	901'297	755'511
Adjusted value of the completed property portfolio	901'297	755'511
Annualised cash-passing rental income	47'093	41'753
Direct expenses of investment properties	-9'210	-7'834
Annualised net rental income	37'883	33'919
“Topped-up” net rental income	37'883	33'919
EPRA net return from rental income	4.2%	4.5%
EPRA “topped-up” net return from rental income	4.2%	4.5%

E EPRA vacancy rate

In TCHF	2017	2016
Estimated rental income potential from vacant space	8'005	7'520
Estimated rental income from overall portfolio	55'098	49'273
EPRA vacancy rate	14.5%	15.3%

Adjusted EPRA vacancy rate (excl. investment properties undergoing repositioning¹)

In TCHF	2017	2016
Estimated rental income potential from vacant space	6'126	4'787
Estimated rental income from overall portfolio	49'994	40'832
Adjusted EPRA vacancy rate	12.2%	11.7%

¹ Properties Mandachstrasse 50–56 ZH and Sternenfeldpark 14 BL. The property Lorzenparkstrasse 2–16 ZG was disclosed as yielding property in the reporting period

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

2017 Individual Financial Statement

Balance Sheet

in TCHF	31.12.2017	31.12.2016
Cash and cash equivalents	6'614	12'366
Other current receivables due from third parties	40	37
Other current receivables due from shareholders	392	-
Other current receivables due from the Group	1'632	325
Tax receivables	309	300
Prepayments and accrued income	983	776
Current assets	9'970	13'803
Financial assets due from related parties	-	70
Financial assets due from the Group	485'550	365'619
Financial assets due from shareholders	4'145	3'700
Participations-Group	89'709	80'609
Participations-Related parties	-	275
Non-current assets	579'404	450'273
Assets	589'374	464'076
Trade payables	44	196
Other current liabilities	49	53
Accrued expenses and deferred income	3'061	2'243
Current liabilities	3'154	2'491
Non-current interest-bearing liabilities to banks	365'000	215'000
Other non-current liabilities	4'500	4'500
Non-current liabilities	369'500	219'500
Total liabilities	372'654	221'991
Share capital	8'050	8'036
Statutory capital reserves	1'572	1'491
Statutory reserves from capital contribution ¹	47'682	75'500
Total statutory capital reserves	49'254	76'991
Statutory retained earnings	8'837	8'959
Voluntary retained earnings	108'000	108'000
Amount carried forward from previous year	40'018	38'480
Net income	2'843	1'619
Distributable profit	42'861	40'099
Treasury shares	-282	-
Shareholders' equity	216'720	242'085
Liabilities and shareholders' equity	589'374	464'076

¹ See Notes

Individual Financial Statement

Income Statement

in TCHF	2017	2016
Financial income	8'360	4'955
Other operating income	36	5
Operating Income	8'396	4'960
Personnel expenses	398	-123
Insurance and fees	73	49
General operating expenses	95	121
Office and administrative expenses	1'448	992
Communication expenses	320	304
Financial expenses	3'219	1'998
Operating expenses	5'553	3'341
Earnings before taxes (EBT)	2'843	1'619
Taxes	-	-
Net income	2'843	1'619

Individual Financial Statement

Notes to the Financial Statement

Company information

HIAG Immobilien Holding AG is a joint stock company under Swiss law with its headquarters in Basel. HIAG Immobilien Holding AG is the parent company of the HIAG 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 (Art. 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 and third parties.

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

"Group" is related to companies of the HIAG Group, "Shareholders" is related primarily to the Executive Board and "Related parties" in 2016 is related to the company Safe Swiss Cloud AG, which was sold to a third party during the reporting period.

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 and contingent liabilities at the time the balance sheet is being prepared, in addition to expenditures and income of the reporting period. 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.

Individual Financial Statement

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. Statutory reserves from capital contribution decreased by TCHF 27'819 to TCHF 47'682 due to the dividend payout in April 2017 and the capital increase in December 2017.

Individual Financial Statement

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

	31.12.2017	31.12.2016
Participations – Group	89'709	80'609
Participations – Related parties	–	275
Total participations	89'709	80'884

Summary of HIAG Immobilien Holding AG participations at 31.12.2017

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	Menziken	CH	100	100%	1'836
HIAG Data AG ¹	Zürich	CH	10'000	95%	9'500
Total					89'709

¹ During the year under review, HIAG Data AG increased share capital by TCHF 9'900 and sold 5% of shares to members of the HIAG Group and HIAG Data Executive Board.

Important indirect participations as at 31.12.2017

Company	City	Country	Share capital in TCHF	Participation/ Voting rights
HIAG AG	Voting rights	CH	150	100%
HIAG Immobilien AG	St. 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%
CIS Operations AG ²	Zürich	CH	400	95%
Village 52 SA	Yverdon	CH	100	100%

² HIAG IaaS Operations AG changed its company name to CIS Operations AG during the business year.

HIAG Data AG was sold by HIAG Immobilien Menziken AG to HIAG Immobilien Holding during the reporting period at book value. CIS Operations AG was sold to HIAG Data AG during the reporting period at book value. HIAG Data AG and CIS Operations AG make a highly efficient cloud infrastructure platform available to cloud service providers. With a self-owned, carrier-independent fibre optic network, they provide their customers with an end-to-end service level that meets the highest standards of availability, data security and performance. HIAG AG performs services in the areas of employee pension funds and human resources. The participation in Safe Swiss Cloud AG was sold to a third party during the year under review.

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

Individual Financial Statement

Summary of HIAG Immobilien Holding AG participations 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%	78'373
HIAG Immobilien Menziken AG	Menziken	CH	100	100%	1'836
HIAG IaaS Operations AG	Zürich	CH	400	100%	400
Safe Swiss Cloud AG	Basel	CH	210	26%	275
Total					80'884

Important indirect participations as at 31.12.2016

Company	City	Country	Share capital in TCHF	Participation/ Voting rights in %
HIAG AG	Basel	CH	150	100%
HIAG Immobilien AG	St. 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	Zürich	CH	100	100%
Village 52 SA	Yverdon	CH	100	100%

Total liabilities

in TCHF	31.12.2017	31.12.2016
Other current liabilities	49	53
thereof liabilities to pension funds	5	-
Non-current interest-bearing financial liabilities	365'000	215'000
Bonds	365'000	215'000

In May 2017, a fixed-rate bond for TCHF 150'000 was issued with a maturity of five years. The proceeds were used primarily for the repayment of the Group's existing bank financing.

Individual Financial Statement

Benchmarks	Bond May 2017	Bond July 2016	Bond July 2015
Amount	TCHF 150'000	TCHF 115'000	TCHF 100'000
Maturity	5 years (30.05.2017 – 30.05.2022)	7 years (04.07.2016 – 04.07.2023)	6 years (01.07.2015 – 01.07.2021)
Interest rate	0.8%	1.0%	1.0%
Listing	SIX Swiss Exchange	SIX Swiss Exchange	SIX Swiss Exchange
Security number	36'274'830	32'637'142	28'460'739
ISIN	CH0362748300	CH0326371421	CH0284607394

The loan listed under “Other non-current liabilities” in the amount of TCHF 4'500 is repayable by 31 December 2019. The interest rate is 3%.

Shareholders' equity

in TCHF	31.12.2017	31.12.2016
Share capital	8'050	8'036
Registered shares as at 31 December (nominal value of CHF 1.00)	8'050'000	8'035'885

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 2017 conditional share capital came to TCHF 350 (2016: 364).

A capital increase from contingent capital of 14'115 registered shares with a nominal value of CHF 1.00 per share took place on 21 December 2017 as per Article 3b of the Articles of Incorporation. The employee discount in connection with the issuance of 14'115 registered shares as part of the capital increase on 21 December 2017 (TCHF 380) was recognised as a reduction in statutory reserves from capital contribution.

in TCHF	2017	2016
Financial income	8'360	4'955
– thereof earnings from the sale of 5% of HIAG Data AG shares	1'500	–
Personnel expenses	398	–123
– thereof discount on the sale of HIAG Immobilien Holding AG shares to HIAG Group employees	372	–139
Number of full-time positions at the average rate for the year	under 10	none
Office and administrative expenses	1'448	992
– thereof Board of Directors, fees ¹	1'049	553
Financial expenses	3'219	1'998
– thereof issuing expenses ²	168	86

¹ The General Counsel is simultaneously a member of the Board of Directors and a member of the Management Board. His total compensation is reported under Board of Directors, fees only.

² Bond issuing expenses from July 2015, July 2016 and May 2017 for a total of TCHF 1'245 are amortised in the income statement over the maturity of the bond (previous year: TCHF 745).

Individual Financial Statement

Treasury shares

in TCHF except for the number of shares	Number of shares	2017	2016
Book value as at 01.01	-	-	-
Purchase	20'420	2'389	-
Disposal	18'049	1'986	-
Book value as at 31.12.	2'371	281	0

During the year under review, 20'420 shares of HIAG Immobilien Holding AG were purchased by the company for a total amount of TCHF 2'389. These 20'420 shares were sold to employees. A loss of TCHF 122 was realised on the sale of the 18'049 shares and recorded against the statutory retained earnings.

Contingent liabilities

in TCHF	31.12.2017	31.12.2016
Guarantees to third parties	55'516	2'116

During the year under review, two new guarantees for a total of TCHF 53'400 were given to third parties in connection with the coverage of external financing of subsidiaries.

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	31.12.2017	31.12.2016
Lock-up group composed of:	65.3%	65.0%
SFAG Holding AG		
Dr. Felix Grisard		
Salome Grisard Varnholt		
Andrea Grisard		
HIAG Beteiligung Holding AG ¹		

¹ 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. With 49.8% (2016: 49.8%) of shares, SFAG Holding AG is the majority shareholder of HIAG Immobilien Holding AG. Through signature of this shareholders' agreement, 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.

Individual Financial Statement

Shares held by current members of the executive and supervisory bodies

	31.12.2017	31.12.2016
Dr. Felix Grisard, President of the Board of Directors ¹	579'593	554'995
Salome Grisard Varnholt, member of the Board of Directors ¹	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
Dr. Jvo Grundler, member of the Board of Directors and Executive Board	27'642	–
Martin Durchschlag, CEO	208'295	207'397
Laurent Spindler, CFO	3'632	3'435
Total	1'107'558	1'054'223

¹ Dr. Felix Grisard and Salome Grisard Varnholt are shareholders in the Board of Directors of SFAG Holding AG, which holds 4'012'320 shares in HIAG Immobilien Holding AG. With 49.84% of shares, SFAG Holding AG is the majority shareholder of HIAG Immobilien Holding AG. Dr Felix Grisard and Salome Grisard Varnholt jointly hold two thirds of the shares of SFAG Holding AG directly and indirectly. Dr. Jvo Grundler has been a member of the Board of Directors and the Management Board since May 2017.

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 2018. No significant events occurred between the balance sheet date and this point in time.

Profit appropriation

in TCHF	31.12.2017	31.12.2016
Proposed appropriation of distributable profit		
Net income	2'843	1'619
Amount carried forward from previous year	40'018	38'480
Distributable profit	42'861	40'099
Attribution to the general statutory capital reserves	38	81
Amount carried forward to next year	42'823	40'018

For the business year 2017, the Board of Directors will propose a cash distribution out of capital contribution reserves of CHF 3.80 per share or a maximum of TCHF 30'590 in total at the Annual General Meeting.

Report of the Statutory Auditor with Financial Statements



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To the General Meeting of
HIAG Immobilien Holding AG, Basel

Basle, 14 March 2018

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 144 to 152), for the year ended 31 December 2017.



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 2017 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.

Report of the Statutory Auditor with Financial Statements



Page 2

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 financial statements.

Impairment of Group financial assets and participations

Risk As at 31 December 2017, Financial assets Group and Participations Group amounted to kCHF 575,259, representing 98% 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

Share Information

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 business activities.

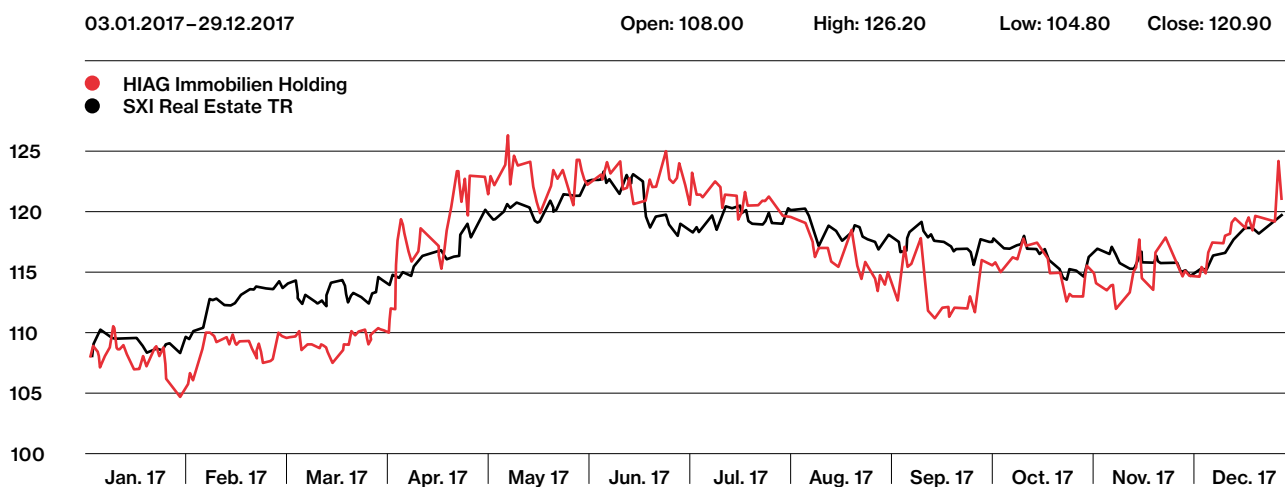
If available, dividends are paid out from capital reserves and are therefore tax-free for private Swiss individuals.

2 Repayment of capital contributions

As at the end of 2017, reserves from capital contribution amounted to TCHF 47'682. Statutory reserves from capital contribution decreased by TCHF 27'819 in 2017 due to the dividend payout in April 2017 and the capital increase in December 2017.

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

3 Share price development



The HIAG Immobilien Holding share price rose 11.9% from CHF 108.00 to CHF 120.90 from 1 January 2017. Shareholders' equity (NAV) was CHF 94.52 as at 31 December 2017. The HIAG Immobilien Holding share was thus traded at the end of the year with a premium of 27.9%. In 2017, an average of 3'022 shares were traded daily.

Share Information

4 Key figures

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

Share performance in CHF	31.12.2017	31.12.2016
High	128.00	109.00
Low	104.40	88.00
End of period	120.90	104.70

Market capitalisation in CHF million	31.12.2017	31.12.2016
High	1'030.40	875.91
Low	840.42	707.16
End of period	973.25	841.36

Number of shares	31.12.2017	31.12.2016
Issued shares	8'050'000	8'035'885
Treasury shares	2'371	0
Outstanding shares	8'047'629	8'035'885
Average outstanding shares	8'035'289	8'000'787

Key figures per share in CHF	31.12.2017	31.12.2016
Earnings per share (EPS)	7.15	5.80
Earnings per share without revaluation of properties	3.01	3.30
Earnings per share without revaluation of properties incl. revaluation of promotion	2.73	3.59
Dividends payout ¹	3.80	3.60
Payout ratio in % ²	139%	100%
Cash yield in % ³	3.14%	3.44%
Net asset value per share (NAV)	94.52	90.73
Premium (discount) to NAV in %	27.90%	15.39%
NAV per share before deduction of deferred taxes	103.69	99.15
(Discount) to NAV before deduction of deferred taxes	16.59%	5.60%

¹ Proposal to the Annual General Meeting on 19 April 2018 for the financial year 2017: distribution out of reserves from capital contributions

² Dividends per share compared to earnings per share without revaluation of properties. The payout ratio calculated based on the net profit without non-cash tax items amounts to 108.70% as per 31 December 2017.

³ 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 29 on page 127.

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Registered share
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