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HIAG

HIAG Immobilien Holding AG

(a joint stock corporation under Swiss law)

CHF 150,000,000 0.875 percent Bonds due 2024

This prospectus (the **"Prospectus"**) relates to the offering (the **"Offering"**) of 0.875 percent bonds in the aggregate principal amount of CHF 150,000,000 due 2024 (the **"Bonds"**, and each a **"Bond"**) of HIAG Immobilien Holding AG (the **"Issuer"**) and the listing of the Bonds on SIX Swiss Exchange Ltd (**"SIX Swiss Exchange"**).

Issuer:	HIAG Immobilien Holding AG, Aeschenplatz 7, 4052 Basel, Switzerland
Issue Price:	100.171 percent (before commission and expenses)
Placement Price:	According to demand
Issue Date:	8 May 2019 (the **"Issue Date"**)
Interest Rate:	0.875 percent per annum, payable annually in arrear on 8 May of each year, commencing on 8 May 2020.
Maturity Date:	8 May 2024 (the **"Maturity Date"**)
Reopening:	The Issuer reserves the right to reopen this issue at any time before the maturity of the Bonds in accordance with Condition 1(a) of the terms and conditions of the Bonds (the **"Terms of the Bonds"** and each condition, a **"Condition"**).
Assurances:	Change of control clause, *pari passu* clause, negative pledge clause and cross default clause, as further described in the Terms of the Bonds.
Status:	The Bonds constitute direct, unconditional and unsubordinated obligations of the Issuer ranking *pari passu* amongst themselves and with all other unsecured and unsubordinated obligations of the Issuer, as further described in the Terms of the Bonds.
Currency:	CHF
Denomination:	CHF 5,000 nominal and integral multiples thereof
Form:	The Bonds will be issued as uncertificated securities (*Wertrechte*) in accordance with article 973c of the Swiss Code of Obligations. No physical delivery of individually certificated Bonds shall be made, as further described in the Terms of the Bonds.
Trading and Listing:	The Bonds have been provisionally admitted to trading on SIX Swiss Exchange with effect from 6 May 2019. Application will be made for the Bonds to be listed on SIX Swiss Exchange. The last day of trading is expected to be 6 May 2024.
Selling Restrictions:	**Not for distribution in the United States of America or to United States Persons, or in the European Economic Area or Italy. Further general selling restrictions apply (see page 5 of this Prospectus).**
Governing Law and Jurisdiction:	Swiss Law; Zurich, Switzerland

Credit Suisse **Bank Vontobel**

Joint Lead Managers

Basellandschaftliche Kantonalbank **Zürcher Kantonalbank**

Co-Managers

Swiss Security Number: 47 129 798 ISIN: CH0471297983 Common Code: 198334413

Prospectus dated 6 May 2019

Notice to prospective Holders

For the purpose of this Prospectus, **"Issuer"** or **"Company"** refer to HIAG Immobilien Holding AG and **"HIAG Immobilien"** or the **"Group"** refer to HIAG Immobilien Holding AG together with its consolidated subsidiaries. Other words and expressions used herein shall have the meaning as given to them in the section 'Terms of the Bonds', except when defined otherwise herein.

No person is authorized to give any information or to make any representation not contained in this Prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by the Issuer or the Syndicate Banks. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that the information herein is correct as of any time subsequent to the date hereof.

This Prospectus does not constitute an offer or invitation by or on behalf of the Issuer or the Syndicate Banks to subscribe for or to purchase any of the Bonds.

This Prospectus has been prepared in connection with the offering and listing of the Bonds in Switzerland only. The Bonds will not be admitted to trading on a regulated market in the European Economic Area or elsewhere and will be listed solely on SIX Swiss Exchange.

This Prospectus has not been reviewed or approved by any competent authority in any Member State of the European Economic Area and does not constitute a prospectus within the meaning of the Prospectus Directive.

This Prospectus has been prepared on the basis that any offer of Bonds in any Member State of the European Economic Area which has implemented the Prospectus Directive (each a **"Relevant Member State"**) will only be made to Qualified Investors in that Member State within the meaning of the Prospective Directive or otherwise in circumstances that do not require the Issuer or the Syndicate Banks to publish a prospectus for offers of Bonds. Accordingly any person making or intending to make an offer in that Relevant Member State of Bonds which are the subject of the offering contemplated in this Prospectus may only do so in circumstances in which no obligation arises for the Issuer or the Syndicate Banks to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. Neither the Issuer has nor have the Syndicate Banks authorized, nor do they authorize, the making of any offer of the Bonds in circumstances in which an obligation arises for the Issuer or the Joint-Lead Manager to publish a prospectus for such offer. The expression Prospectus Directive means Directive 2003/71/EC (as amended including by Directive 2010/73/EU) and includes any relevant implementing measure in the Relevant Member State.

The financial institutions involved in the issuance and offering of the Bonds are banks, which directly or indirectly have participated, or may participate, in financing transactions or other banking business with the Issuer or the Group, which are not disclosed herein.

None of the Syndicate Banks or any of their respective affiliates have authorised the whole or any part of this Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Prospectus. Neither the delivery of this Prospectus nor the offering, sale or delivery of any Bond shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer since the date of this Prospectus.

Forward-looking Statements

This Prospectus contains forward-looking statements regarding future financial performance and results and other statements that are not historical facts. Words such as “believes”, “aims”, “estimates”, “may”, “anticipates”, “projects”, “expects”, “intends”, “plans”, “should”, “continue”, “targets” and similar expressions are intended to identify such forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Group, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group’s present and future business strategies and the environment in which the Group will operate in the future. Important factors that could cause the Group’s actual results, performance or achievements to differ materially from those in the forward-looking statements include among others: the ability of the Group to implement its business strategies, financial condition and liquidity of the Group, changes in markets, currency fluctuations and other factors referred to in this Prospectus.

Given these uncertainties, prospective investors are cautioned not to rely on such forward-looking statements. The Company cannot assure that opinions and forecasts contained in this Prospectus will prove to be correct. These forward-looking statements speak only as of the date of this Prospectus. The Company expressly disclaims any obligation or undertaking to publicly release any updates of or revisions to any forward-looking statement contained herein to reflect any change in the Company’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

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Selling Restrictions

United States of America and United States Persons

A) The Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **"Securities Act"**), and may not be offered or sold within the United States or to or for the account or benefit of United States persons (except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act).

The Issuer and the Syndicate Banks have not offered or sold, and will not offer or sell, any Bonds constituting part of their allotment within the United States or to or for the account or benefit of United States persons except in accordance with Rule 903 of Regulation S under the Securities Act.

Accordingly, none of the Issuer, the Syndicate Banks and their affiliates or any persons acting on their behalf have engaged or will engage in any selling efforts directed to the United States with respect to the Bonds.

Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

B) The Syndicate Banks have not entered and will not enter into any contractual arrangement with respect to the distribution or delivery of the Bonds in the United States, except with their affiliates or with the prior written consent of the Issuer.

European Economic Area

In relation to each Member State of the European Economic Area, which has implemented the Prospectus Directive (each, a **"Relevant Member State"**), the Syndicate Banks have represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **"Relevant Implementation Date"**) they have not made and will not make an offer of Bonds which are the subject of the offering contemplated by this Prospectus to the public in that Relevant Member State other than:

(i) to any legal entity which is a qualified investor as defined in the Prospectus Directive; or

(ii) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive; or

(iii) in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of Bonds referred to in (i) to (iii) above shall require the Issuer or the Syndicate Banks to publish a prospectus pursuant to Article 3 of the Prospectus Directive or a supplement prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an **"offer of Bonds to the public"** in relation to any Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression **"Prospectus Directive"** means Directive 2003/71/EC (as amended including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

Italy

The offering of the Bonds has not been registered pursuant to Italian securities legislation and, accordingly, no Bonds may be offered, sold or delivered, nor may copies of this Prospectus or of any other document relating to the Notes be distributed in the Republic of Italy, except:

(i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the "**Financial Services Act**") and Article 34-*ter*, first paragraph, letter b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time ("**Regulation No. 11971**"); or

(ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-*ter* of Regulation No. 11971.

Any offer, sale or delivery of the Bonds or distribution of copies of this Prospectus or any other document relating to the Bonds in the Republic of Italy under (i) or (ii) above must:

(a) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 20307 of 15 February 2018 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the "**Banking Act**"); and

(b) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.

In accordance with Article 100-bis of the Financial Services Act, where no exemption from the rules on public offerings applies, Notes which are initially offered and placed in Italy or abroad to qualified investors only but in the following year are systematically ("*sistematicamente*") distributed on the secondary market in Italy become subject to the public offer and the prospectus requirement rules provided under the Financial Services Act and Regulation No. 11971. Failure to comply with such rules may result in the sale of such Notes being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the investors.

General

Neither the Issuer nor the Syndicate Banks represent that Bonds may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale. The distribution of the Prospectus and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession the Prospectus comes are required by the Issuer to inform themselves about and to observe any such restrictions. The Prospectus does not constitute, and may not be used for or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation and no action is being taken in any jurisdiction that would permit a public offering of the Bonds or the distribution of the Prospectus in any jurisdiction where action for that purpose is required.

General Information

Authorisation

Pursuant to a resolution of the Board of Directors of the Issuer dated 5 April 2019, and a Bond Purchase Agreement dated 6 May 2019, between the Issuer, on the one hand, and the Joint-Lead Managers and the Co-Managers (together, the **Syndicate Banks**) on the other hand, the Issuer has decided to issue, and the Syndicate Banks have agreed to subscribe for, the Bonds at an issue price of 100.171% of their aggregate principal amount (before commissions and expenses).

Use of Net Proceeds

The net proceeds of the issue of the Bonds, which will amount to CHF 149,746,000 after deduction of commissions and expenses incurred in connection with the issue of the Bonds, will be used by the Issuer for partial repayment of bank debt and further diversifying debt financing structure, further extending the Issuer's debt maturity profile and for general corporate purposes.

None of the Syndicate Banks shall have any responsibility for, or be obliged to concern itself with, the application of the net proceeds of the Bonds.

Representative

In accordance with Article 43 of the Listing Rules of SIX Swiss Exchange (the "**Listing Rules**"), Credit Suisse AG has been appointed by the Issuer to lodge the listing application for the Bonds with SIX Exchange Regulation in its capacity as competent authority for the provisional admission to trading and the listing of the Bonds on SIX Swiss Exchange.

Prospectus

This Prospectus is available in the English language only and provides information about the Issuer and the Bonds.

No person has been authorised to give any information or make any representation in connection with the offering of the Bonds other than as stated herein and any other information or representation if given or made should not be relied upon as having been authorised by the Issuer or the Syndicate Banks. Neither the delivery of this Prospectus, nor the issue of the Bonds nor any sale thereof shall, in any circumstances, create any implication that there has been no material adverse change in the affairs of the Issuer since the date hereof.

Documents Available

Copies of this Prospectus are available free of charge from the offices of Credit Suisse AG at Uetlibergstrasse 231, CH-8048 Zurich, Switzerland during normal business hours or may be obtained upon request by telephone (+41 44 333 28 86), fax (+41 44 333 57 79) or e-mail to newissues.fixedincome@credit-suisse.com on any weekday (Saturdays, Sundays and public holidays excepted) so long as the Bonds are listed on SIX Swiss Exchange.

Information on the Issuer

Incorporation, Name, Registered Office and Articles of Association

The Company is a company limited by shares (*Aktiengesellschaft*), incorporated under the laws of Switzerland for an unlimited duration and first registered on 6 May 1969 in the Commercial Register of the Canton of Basel City, Switzerland (formerly named "G.R.T. Verwaltungs AG" and "GRT Verwaltungs AG").

The Company is currently registered with the Commercial Register of the Canton of Basel City, Switzerland, under the number CHE-102.997.860.

Its registered office is Basel, Canton of Basel City, Switzerland, and its principal corporate office is located at Aeschenplatz 7, 4052 Basel, Switzerland.

The Articles of Association in their current version are dated as of 19 April 2018.

Business Purpose and Financial Year

Art. 2 of the Articles of Association provides as follows (unofficial translation of the original German text):

"The purpose of the company is the investment, management and realisation of assets, real estate and construction projects, the real estate project development, supply of IT infrastructure as well as the participation in enterprises.

The company may provide its services and financial contributions to group companies without consideration in return.

The company may establish branches and subsidiaries in Switzerland and abroad and participate in other enterprises in Switzerland and abroad.

The company may exercise all commercial, financial and other activities, which are directly or indirectly related to its purpose."

Art. 30 of the Articles of Association provides that the Company's financial year is determined by the Board of Directors. Currently, the Company's financial year commences on 1 January and ends on 31 December of each calendar year.

Notices

In accordance with the Issuer's Articles of Incorporation, notices from the Issuer to its shareholders are validly made by publication in the Swiss Official Gazette of Commerce (*Schweizerisches Handelsamtsblatt*).

Notices to the Holders of the Bonds are published in accordance with Condition 10 of the Terms of the Bonds.

Business Description

Overview

HIAG is a leading player in the reuse and redevelopment of commercial sites and properties in Switzerland. The Group focuses on large, well-positioned sites with significant redevelopment potential in densely populated regions. HIAG is a long-term owner of its sites and properties and landlord to a diversified tenant base. The primary business activities of the Group comprise (i) redevelopment activities, including site acquisition, rezoning petitions, design planning and building permit processes, site marketing, construction procurement and process management; and (ii) portfolio management, including steering of property administration (technical/administrative), marketing activities and portfolio streamlining. Significant importance is also attached to the quality of digital connectivity, actively promoted by HIAG through its HIAG Data subsidiary.

HIAG's expertise in the redevelopment of large commercial sites and properties including industrial, post-industrial and mixed-use sites allows it to initiate redevelopment of a property at a stage in the property's lifecycle at which there is significant value creation potential, be it upon the acquisition of a commercial site or property or with regard to existing properties in the Group's property portfolio. HIAG believes that its business model creates value and in addition contributes to the sustainable development of land and property use in Switzerland. Through the redevelopment of commercial sites and properties, pre-zoned land typically becomes more densely populated, the utilisation of the existing traffic infrastructure is increased and the features as well as uses of properties are adapted to meet current requirements.

As of 31 December 2018, HIAG's property portfolio comprised 114 properties on 41 sites and was valued at CHFm 1,488.2. The Group's property portfolio included a lettable area of approximately 575,000 sqm with an annualised property income of CHFm 60.9 and an annualised full occupancy property income of CHFm 70.9. The Group's Property Portfolio is diversified with significant exposure to industrial, logistics, residential, retail and office use. The Group's net asset value amounted to CHFm 784.9 while the EPRA net asset value stood at CHFm 867.0. The loan to value-ratio was 43% as of 31 December 2018.

HIAG Group's business is summarized in the five segments Yielding Portfolio, Redevelopment Portfolio, Services, Cloud services and Corporate. The Yielding Portfolio comprises properties for which currently no redevelopment is planned and which are intended to generate a stable and predictable income, while the Redevelopment Portfolio is including properties for which redevelopment is planned in the short-, mid-, or long-term. The Services segment provides services to HIAG Pensionskasse as well as other human resources-related services. Cloud Services has been operational since the fourth quarter of 2016. The segment Cloud Services provides technology to independent partners based on a high performing multi-cloud platform that meets the latest regulatory standards. Finally, the segment Corporate englobes the Group's central functions.

As of 31 December 2018, the Yielding Portfolio consisted of 69 properties across 28 sites with a lettable area of approximately 475'000 sqm, a full occupancy rental income of CHFm 60.1 and a fair value of CHFm 1'027.9. The occupancy rate in the Yielding Portfolio amounted to 85.6%. The top five sites and their respective fair values in the Yielding Portfolio were Dietikon (CHFm 129.8), Kleindöttingen (CHFm 90.9), Meyrin (CHFm 77.6), Klingnau (CHFm 77.4), and Niederhasli (CHFm 60.4). In total, these top five sites accounted for 42% of the Yielding Portfolio's fair value.

As of 31 December 2018, the Redevelopment Portfolio consisted of 45 properties located across 23 sites with a lettable area of approximately 99,000 sqm, a full occupancy rental income of CHFm 10.2 and a fair value of CHFm 460.3. The occupancy rate in the Redevelopment Portfolio amounted to 86.4%. The top five sites and their respective fair values in the Redevelopment Portfolio were Cham (CHFm 60.1), Meyrin (CHFm 57.1), Biberist (CHFm 48.7), Wetzikon (CHFm 43.1) and Dornach (CHFm 34.9). In total, these top five sites accounted for 53% of the Redevelopment Portfolio's fair value. The Group currently pursues 50 short-, mid- and long-term redevelopment projects. The completion of its current redevelopment plans is expected to create an additional lettable area of approximately 639,000 sqm. Furthermore, the Group is monitoring the market for potential on- and off-market acquisitions, which would add additional properties to its portfolio.

As of 31 December 2018, the headcount of the Group's core team amounted to 45 professionals located in four offices in Switzerland, covering the primary business activities as well as corporate functions such as accounting, human resources and marketing.

The management function of the Group is divided between the Executive Board, consisting of the CEO, the CFO and the General Counsel, and the Extended Executive Board (together with the Executive Board, the **"Management Board"**), which further comprises the Head of Portfolio Management and five site developers. The Management Board has a broad background of expertise combining technical, legal, real estate and finance experience.

Strategy

HIAG aims to be the leading player in long-term reuse and redevelopment of commercial sites and properties in Switzerland. The Group's objective is to continue creating above average returns for its shareholders by building on its strengths, its focused business model and its strong pipeline. 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, and 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 hydroelectric plants in its portfolio and invests in network development and cloud infrastructure. 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.

Further enhancing the performance of the Yielding Portfolio

HIAG strives to create urban spaces as well as to maintain and continuously enhance these areas. With each step of improvement, the Group strives to achieve the most meaningful and thus highest possible added value for tenants' use. Site redevelopment therefore never ceases.

Within its Yielding Portfolio the Company intends to further increase occupancy rate, especially for two properties under repositioning, in order to maximise the potential of its property portfolio. Furthermore, it aims to increase the current potential of its built-up property portfolio: each development step of the Group's major tenants enables the Group to simultaneously further improve the quality of the site, increase the rent to current market level and engage in new long-term letting contracts.

Continuing value creation in existing Redevelopment Portfolio

By focussing on the transition into a new property life cycle HIAG aims to progressively unleash the large potential of its existing Redevelopment Portfolio. The Group currently plans to create an additional effective area of approximately 639,000 sqm in the short-, medium- and long-term. One of the main drivers in value creation through this redevelopment is securing optimal tenants; thus, the Group focuses on the long-term enhancement of site-specific strengths and the marketing of these strengths to potential tenants. In order to identify the potential and improve the acceptance of a future development, the Group actively involves important local stakeholders in its Group-led urban design and architectural competitions. Given the large number of redevelopment projects and the diversification in development stage among the Group's sites and properties, the Group expects a continuous transformation of the property portfolio's potentials into additional property income and revaluation gains over the coming years.

Resilience and independence to stress in financial markets

Similar to its approach in the redevelopment of sites and properties, the Company applies a time horizon that exceeds the current real estate cycle. The Group attaches great importance to the optimisation of intermediaries and meticulously prepares its development and communication strategy. In doing so, the Group aims to avoid pressure to develop in short periods of time, which might compromise the Group's value creation target.

With a diversified financing structure (bank financing 31%, existing bonds 69%), the group has a solid financing structure. This financing structure provides to the Group a level of independence from stress in the finance industry, which might arise through market turmoil.

The stable tenant profile, together with a conservative acquisition strategy, will enable the Group, even in market downturns, to preserve the achieved values of its portfolio and be best positioned to take advantages of attractive opportunities that may arise.

Key strengths

The Group believes that the following strengths will contribute to future growth, generation of resilient cash-flows and long-term value creation:

Significant value creation in the property lifecycle

HIAG's expertise allows the Group to engage in the redevelopment of a site or property at a stage in the property lifecycle at which there is significant value creation potential.

The value of a site or property at a late stage of its initial lifecycle typically reflects uses that have limited value added activities. Generally, the initiation of a new life cycle facilitates the development of the full potential of a site, whose value might have also increased significantly over time due to the evolution of the surrounding community.

The potential significant value uplift is mainly based upon (i) the identification of uses that create the highest possible added value to its potential tenants from a long-term perspective, (ii) the marketing of these uses and the steering of the permission and planning process and (iii) construction cost management during the redevelopment process.

HIAG has a specialised business model focused on realising this potentially significant value of sites in a post-industrial context.

Leadership in a market with attractive growth drivers

HIAG's positioning in the market is characterised by several distinct features. Firstly, the Group's redevelopment activities are complex – all of its current redevelopment projects are executed on sites with an industrial history and significant redevelopment potential. Most of the non-residential sites have a diversified multi-type tenant profile. The Group operates on large scale projects based on an average effective area per Redevelopment Property of approximately 20,000 sqm and a total site area of 2.7 million sqm, of which 1.7 million sqm are zoned and built with a lettable area of approximately 575,000 sqm. Furthermore, the Group has proprietary access to land via its own Redevelopment Portfolio which comprises approximately 639,000 sqm to be developed on a net site area of approximately 894,000 sqm. HIAG's track record, in particular with respect to the redevelopment of sites with an industrial past, strengthens the Group's positioning in the market. The Group leverages its relationships and market access. The Group also benefits from an experienced management team and staff which have a diversified career and educational backgrounds. Expertise across technical, real estate and financial areas enable the Group to create value through industrial development, the latter being a strong distinguishing feature as compared to many other companies active in redevelopment. In addition, its large existing land bank gives the Group a significant competitive advantage and raises certain barriers to entry for competitors seeking to build a comparable redevelopment portfolio and track record.

The properties of the Group are well positioned in the market with 87% of the portfolio being located in Switzerland's main economic regions around Baden/Brugg, Zurich/Zug, north west Switzerland and Geneva. The scarcity of land in these regions along with recent regulation limiting the possibility to (re)zone agricultural land, supports the need to densify and redevelop certain post-industrial areas. The Group's leading position is further supported by the Swiss market's comparatively robust long-term macroeconomic variables and supportive demographics. The dynamics in Switzerland's industrial sector and these industries' ability to invest in the optimisation of their processes create ongoing redevelopment opportunities based on the shift from low growth industrial sectors (e.g. wood and paper, textile, chemicals) to high growth industrial subsectors (e.g. food and beverage, pharmaceuticals, electronic equipment) in terms of demand for Commercial Sites and Properties.

Track record of strong portfolio growth

HIAG has a proven track record of delivering growth and at the same time strong returns for its shareholders. The Group's property portfolio has grown by 110% from CHFm 707 as of 31 December 2010 to CHFm 1,488 as of 31 December 2018, thereby demonstrating the Group's ability to successfully source and acquire new sites, execute significant investment plans as well as achieve revaluation gains mainly driven by redevelopment activity rather than market price movements.

Strategic focus and differentiated real estate investment proposition

HIAG has a strategic focus on what it regards as the most profitable activities in the real estate value chain. Key processes, e.g. the acquisition of sites, the steering of permission processes, development planning, letting and sales activities are primarily completed in-house. Facility management is also completed in-house onsite in certain cases where the Group considers it is important to be "close to the asset", e.g. redevelopment activities on sites with an industrial context. Areas which are subject to potentially higher market competition, have comparatively lower margins or are more resource intensive are outsourced, e.g. architectural and technical planning, construction work or facility management for Yielding Properties.

HIAG combines the holding of Yielding Properties with other sites having specialised redevelopment potential. The Group believes that this, together with its sizeable land bank and proven ability to conduct redevelopment on sites with industrial context, are the main differentiating factors setting it apart from other listed companies in the Swiss real estate sector.

Multiple performance drivers

HIAG has multiple growth drivers to generate attractive returns. The Yielding Portfolio is intended to generate a relatively stable and predictable income based on its diversified and high quality tenant base. As of 31 December 2018, the fair value amounted to CHFm 1,027.9 generating a gross yield of 5.8%. The Redevelopment Portfolio is expected to be a key driver of future net asset value growth. As of the same date, the fair value amounted to CHFm 460.3 generating a gross yield of 2.2%. Based on the current plans of the Group, approximately 639,000 sqm effective area are planned for redevelopment. The current projects under construction and the upcoming projects over the three next years could generate after completion and at full letting an annual property income of approximately CHFm 14.

History

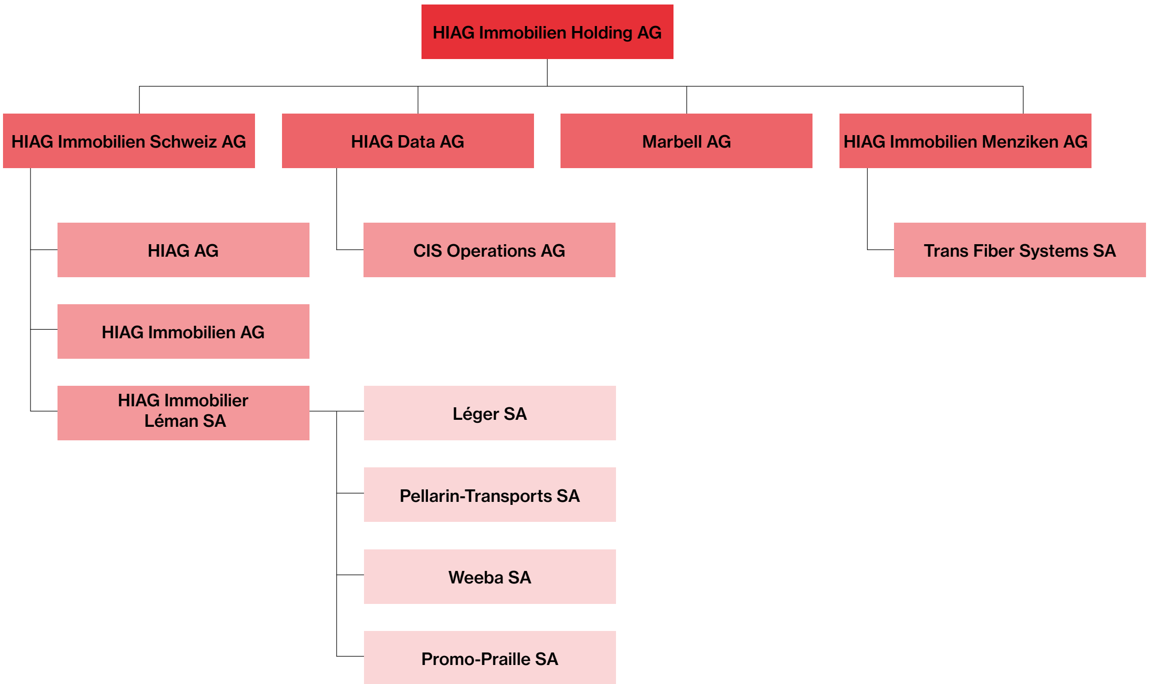
HIAG was founded on the basis of an industrial group active in production and trade of wood products. Founded in 1876 in St. Margrethen in the Canton of St. Gallen, the group became a market leading player of timber materials in Europe by the mid-1980s. At the beginning of the new millennium, driven by technological and structural changes, the group initiated a transition process. After the successful spin-off of its production facilities in flooring, door, fibreboard and wood trading industries, the Group now focuses on its long-term real estate strategy.

Initially concentrating on reviving its former wood industry sites with growing high-tech companies, the Group progressively entered into the conversion of former industrial sites to retail and residential use. In 2009, the first step was taken towards growth beyond its existing property portfolio through the acquisition of a former textile mill in Windisch. In the past five years the Group strengthened its competences in site redevelopment and accomplished numerous further acquisitions. Furthermore, the Group grew its asset base significantly trough investments as well as value creation on its Redevelopment Portfolio.

Since 16 May 2014 HIAG's registered shares are listed and traded on the SIX Swiss Exchange.

Group Structure

The Company is a holding company and does not conduct any business operations. It owns the shares of its subsidiaries directly or indirectly. The Group structure as of the date of this Prospectus is as follows:



All entities are direct or indirect subsidiaries of the Company.

The real estate assets of the Group are predominantly held by HIAG Immobilien Schweiz AG.

Board of Directors

The Board of Directors of the Issuer, comprising at least three members, currently consists of five members:

Name	Position
Dr. Felix Grisard	Executive Chairman (CEO ad interim)
Salome Grisard Varnholt	Member
Dr. Walter Jakob	Vice Chairman (independent)
Dr. Jvo Grundler	Executive Member (General Counsel)
Balz Halter	Member (independent)

The Board of Directors of HIAG Immobilien Holding AG has nominated Balz Halter as a new member of the Board of Directors at the Ordinary General Meeting on 11 April 2019 and the nomination has been approved. He replaces John Manser, who has been a member of the Board of Directors of HIAG Immobilien Holding AG since 2014 and steps down from the Board on having reached the prescribed age limit.

The business address of all members of the Board of Directors listed above is Aeschenplatz 7, 4052 Basel, Switzerland.

Management Board

The Issuer's Management Board consists of the Executive Board and the Extended Executive Board.

Executive Board

The Executive Board currently consists of the following three members:

Name	Position
Dr. Felix Grisard	CEO ad interim*
Laurent Spindler	CFO
Jvo Grundler	General Counsel

*HIAG Immobilien Holding AG communicated as of 29 April 2019 that Martin Durchschlag stepped down as Chief Executive Officer of HIAG for personal reasons. He will complete individual projects and ensure the transfer of his duties. Dr. Felix Grisard, President of the Board of Directors, took over the interim chair of the Executive Board.

Extended Executive Board

The Extended Executive Board currently consists of five members:

Name	Position
Ralf Küng	Head of Portfolio Management
Thorsten Eberle	Site Developer
Michele Muccioli	Site Developer
Alex Römer	Site Developer
Yves Perrin	Site Developer, Director for Western Switzerland

The business address of all members of the Management Board listed above is Aeschenplatz 7, 4052 Basel, Switzerland.

External Auditors

The Company's independent statutory auditors are Ernst & Young AG, Aeschengraben 9, 4051 Basel, Switzerland (**"EY"**), since 1996. EY has been re-elected for an additional term of one year at the Company's ordinary shareholders' meeting held on 11 April 2019. The principle of rotation applies to the auditor in charge. For the business year 2019, the auditor in charge is Fabian Meier.

Court, Arbitration and Administrative Proceedings

As of the date of this Prospectus, the Group is not involved in any material litigation, arbitration or administrative proceedings, the impact and result of which could, individually or in the aggregate, materially affect its financial condition, results of operations or business.

Capital Structure

Issued Share Capital

As of the date of this Prospectus, the Company has a fully paid-up issued share capital of CHF 8,050,000, consisting of 8,050,000 Shares with a nominal value of CHF 1 each.

Authorised and Conditional Capital

Under the Swiss Code of Obligations, the shareholders' meeting may decide on an increase of the share capital in a specified aggregate nominal value of up to 50% of the share capital in the form of:

- authorised capital (*genehmigtes Kapital*) to be utilised at the discretion of the Board of Directors within a period not exceeding two years as from the approval by the shareholders' meeting; and
- conditional capital (*bedingtes Kapital*) for the purpose of issuing shares, inter alia, to grant rights to employees and certain creditors of bonds of the Company to subscribe new shares (by means of conversion and option rights).

Authorised capital

Article 3a of the Articles of Association reads as follows (unofficial translation of the original German text):

"The board of directors is authorised to increase the company's share capital according to article 3 of the articles of association by a maximum amount of CHF 1,600,000 by issuing a maximum of 1,600,000 registered shares to be fully paid up with a nominal value of CHF 1 each until 19 April 2020.

The board of directors is authorised to limit or exclude the subscription right of the shareholders and to allocate it to third parties if the new shares will be used for (i) the acquisition of companies or divisions thereof, participations in companies, real estate and other investment purposes of the company or any of its subsidiaries, (ii) the financing or refinancing of the acquisition of companies or divisions thereof, participations in companies, real estate or other investment purposes of the company or any of its subsidiaries, (iii) the national and international placement of shares, as well as for (iv) the expansion of the shareholder group. Shares for which subscription rights have been conferred but not exercised, are to be used in the best interest of the company.

Capital increases are permitted by firm underwriting and/or in partial amounts. The board of directors is authorised to determine the issue price of the shares, the type of contribution and the time of the dividend entitlement. After the acquisition, the new registered shares are subject to the restrictions according to article 5 of the articles of association."

Conditional capital

Article 3b of the Articles of Association reads as follows (unofficial translation of the original German text):

"The company's share capital will be increased by a maximum of CHF 350,000 by issuing a maximum of 350,000 registered shares to be fully paid up with a nominal value of CHF 1 each upon the exercise of option rights or in connection with similar rights granted to employees, members of the board of directors and the management of the company and its subsidiaries based on employee participation plans. The board of directors adopts the respective employee participation plans in cooperation with the compensation committee.

The subscription right (*Bezugsrecht*) of the shareholders is excluded. The acquisition of registered shares under the employee participation plans and the subsequent transfer of the registered shares are subject to the restrictions according to article 5 of the articles of association."

Outstanding Conversion and Option Rights and Bonds

As of the date of this Prospectus, no convertible securities or option rights are outstanding.

HIAG issued a first CHFm 100 fixed rate bond as of June 2015, a second CHFm 115 fixed rate bond as of July 2016, a third CHFm 150 fixed rate bond as of May 2017 and a fourth CHFm 125 fixed rate bond as of October 2018.

Own Equity Securities

As at 31 December 2018, the Issuer held 55’938 of its own shares.

Dividend History

The Issuer has paid the following dividends and capital contributions for the past five years to holders of registered shares:

Business Year	2018	2017	2016	2015	2014
Dividend payment per share in CHF	3.90[1]	3.80[2]	3.60[2]	3.50[2]	3.30[2]

[1] whereof CHF 1.73 from capital contribution reserves
[2] from capital contribution reserves

Recent Developments

HIAG Immobilien Holding AG communicated as of 29 April 2019 that Martin Durchschlag stepped down as Chief Executive Officer of HIAG for personal reasons. He will complete individual projects and ensure the transfer of his duties. Dr. Felix Grisard, President of the Board of Directors, took over the interim chair of the Executive Board.

No material adverse changes

Other than disclosed in this Prospectus, there have been no material changes in the assets and liabilities, financial position and profits and losses of the Group since 31 December 2018, being the date of the latest audited consolidated financial statements of the Group.

Responsibility Statement

The Issuer accepts responsibility for the completeness and accuracy of this Prospectus and confirms that, to the best of its knowledge, the information contained in this Prospectus is correct and that no material facts or circumstances have been omitted.

Zurich, 6 May 2019

HIAG Immobilien Holding AG

DR. FELIX GRISARD

LAURENT SPINDLER

Taxation in Switzerland

The following discussion of taxation is only a summary of certain tax implications currently in force under the laws of Switzerland as they may affect investors in the Bonds. It applies only to persons who are beneficial owners of the Bonds and may not apply to certain classes of persons. The summary contains general information only; it is not exhaustive and does not constitute legal or tax advice and is based on taxation law and practice at the date of this Prospectus.

Potential investors in Bonds should be aware that tax law and interpretation, as well as the level and bases of taxation, may change from those described and that changes may alter the benefits of an investment in, holding or disposing of, Bonds. The Issuer makes no representations as to the completeness of the information and assumes no liability of whatsoever nature for the tax implications for investors in Bonds.

Potential investors in Bonds are advised to consult their own professional advisers on the implications of making an investment in, holding or disposing of, Bonds under the laws of the jurisdictions in which they are liable to taxation and in light of their particular circumstances.

Swiss Federal Withholding Tax

(i) *Deduction*

Each payment of interest on the Bonds (but not repayment of principal) will be subject to deduction of 35% Swiss federal withholding tax (*Verrechnungssteuer*) by the Issuer.

(ii) *Refund*

A holder of a Bond who resides in Switzerland and who at the time a taxable payment on the Bond is due is the beneficial owner of the taxable payment and, in the case of a holder who is an individual holding the Bond privately, duly reports the gross taxable payment in his or her tax return, and, in the case of a holder who is a legal entity, or who is an individual, holding the Bond as part of a business situated in Switzerland, for which he or she is required to keep accounting books, includes such payment as earnings in the income statement, is entitled to a full refund of or a full tax credit for the Swiss federal withholding tax, provided that certain other conditions are met.

A holder of a Bond who is resident outside Switzerland and who during the taxation year has not engaged in a trade or business carried on through a permanent establishment or fixed place of business in Switzerland may be able to claim a full or partial refund of the Swiss federal withholding tax by virtue of the provisions of a double taxation treaty, if any, between Switzerland and the country of residence of the holder.

Swiss Federal Stamp Duty

The issue of the Bonds to their initial holders will not be subject to Swiss federal stamp duty on the dealing in securities (*Umsatzabgabe*) (primary market). Secondary market dealings in the Bonds where a Swiss domestic bank or a Swiss domestic securities dealer (as defined in the Swiss Federal Stamp Duty Act) is a party to, or acts as an intermediary in connection with, the transaction may be subject to Swiss federal stamp duty on the dealing in securities at a rate of up to 0.15% of the consideration paid for the Bonds.

Income Taxation on Principal or Interest

(i) *Bonds held by non-Swiss holders*

A holder of a Bond who is not resident in Switzerland and who during the taxation year has not engaged in a trade or business carried on through a permanent establishment or fixed place of business in Switzerland will, in respect of payments of interest on, and repayment of principal of, the Bonds, and gain realized on the sale or redemption of Bonds, not be subject to income tax in Switzerland. See “Swiss Federal Withholding Tax” above for a summary on the deduction of Swiss federal withholding tax on payments of interest on the Bonds.

(ii) Bonds held by Swiss resident holders as private assets

An individual who resides in Switzerland and holds the Bonds as private assets is required to include all payments of interest received on such Bonds in his or her personal income tax return for the relevant tax period and will be taxed on the net taxable income (including the payments of interest on the Bonds) for such tax period at the then prevailing tax rates.

Swiss resident individuals who sell or otherwise dispose of privately held Bonds realise either a tax-free private capital gain or a non-tax-deductible capital loss. See “Bonds held as Swiss business assets” below for a summary on the tax treatment of individuals classified as “professional securities dealers”.

(iii) Bonds held as Swiss business assets

Swiss resident corporate taxpayers, corporate taxpayers residing abroad holding Bonds as part of a permanent establishment or fixed place of business situated in Switzerland, and individuals who hold Bonds as part of a business situated in Switzerland are required to recognise payments of interest on, and any capital gain or loss realized on the sale or other disposal of, such Bonds in their income statement for the relevant tax period and will be taxed on any net taxable earnings for such tax period at the then prevailing tax rates. The same taxation treatment also applies to Swiss resident individuals who, for Swiss income tax purposes, are classified as “professional securities dealers” for reasons of, inter alia, frequent dealings or leveraged transactions in securities.

Automatic Exchange of Information in Tax Matters

Switzerland has concluded a multilateral agreement with the European Union (EU) on the international automatic exchange of information (**AEOI**) in tax matters. The agreement applies to all 28 EU member states and Gibraltar and certain other jurisdictions. Also, Switzerland has entered into the multilateral competent authority agreement on the automatic exchange of financial account information (**MCAA**), and based on the MCAA, a number of bilateral AEOI agreements with other countries.

Based on such agreements and the implementing laws of Switzerland, Switzerland commenced collecting, or will commence collecting, data in respect of financial assets held in, and income derived thereon and credited to, accounts or deposits with a paying agent in Switzerland, including, as the case may be, Bonds, for the benefit of individuals resident in a EU member state or other treaty state from 2017 or a later date, and began exchanging, or will begin exchanging, the data from 2018 or a later date, in each case depending on the date of effectiveness of the relevant agreement. Switzerland has signed and intends to sign further AEOI agreements with further countries. An up-to-date list of the AEOI agreements of Switzerland in effect or signed and becoming effective, including the dates of commencement of data collection and data exchange, can be found on the website of the State Secretariat for International Financial Matters SIF (https://www.sif.admin.ch/sif/de/home/themen/internationale-steuerpolitik/automatischer-informationsaustausch.html).

Holders of Bonds who might be in the scope of the abovementioned treaties should consult their own tax adviser as to the tax consequences relating to their particular circumstances.

Terms of the Bonds

The terms and conditions (each a **Condition**, and together the **Terms of the Bonds**) of the CHF 150,000,000 0.875 percent bonds due 2024 issued by the Issuer (each a **Bond** and collectively the **Bonds**), are as follows:

1 Amount, Form, Denomination, Custodianship and Transfer of the Bonds

(a) The initial aggregate principal amount of the Bonds of Swiss francs (**CHF**) 150,000,000 (the **Aggregate Principal Amount**) is issued in denominations of CHF 5,000 and integral multiples thereof.

The Issuer reserves the right to reopen and increase the Aggregate Principal Amount at any time and without prior consultation of or permission of the Holders (as defined below) through the issuance of further bonds which will be fungible with the Bonds (i.e. other than the Issue Date identical in respect of the Terms of the Bonds).

(b) The Bonds are issued as uncertificated securities (*Wertrechte*) in accordance with art. 973c of the Swiss Code of Obligations. Such uncertificated securities (*Wertrechte*) will be entered by the Principal Paying Agent into the main register (*Hauptregister*) of SIX SIS as recognized intermediary for such purposes by SIX Swiss Exchange for the entire duration of the Bonds and until their complete redemption.

So long as the Bonds are intermediated securities (*Bucheffekten*), in accordance with the provisions of the Swiss Federal Intermediated Securities Act (*Bucheffektengesetz*) the Bonds may only be transferred by the entry of the transferred Bonds in a securities account of the transferee.

(c) The records of SIX SIS will determine the number of Bonds held through each participant in SIX SIS. In respect of Bonds held in the form of intermediated securities (*Bucheffekten*), the holders of such Bonds (the **Holders** and, individually, a **Holder**) will be the persons holding the Bonds in a securities account (*Effektenkonto*) which is in their name, or in case of intermediaries (*Verwahrungsstellen*), the intermediaries (*Verwahrungsstellen*) holding the Bonds for their own account in a securities account (*Effektenkonto*) which is in their name.

(d) The conversion of the uncertificated securities (*Wertrechte*) into a permanent global certificate (*Globalurkunde auf Dauer*) or individually certificated bonds (*Wertpapiere*) is excluded. Neither the Issuer nor the Holders nor the Principal Paying Agent nor any third party shall at any time have the right to effect or demand the conversion of the uncertificated securities (*Wertrechte*) into, or the delivery of a permanent global certificate (*Globalurkunde auf Dauer*) or individually certificated securities (*Wertpapiere*).

2 Interest

The Bonds bear interest from (but excluding) 8 May 2019 (the **Issue Date**) at the rate of 0.875 percent of their Aggregate Principal Amount per annum, payable annually in arrears on 8 May of each year (the **Interest Payment Date**), for the first time on 8 May 2020. Interest on the Bonds is computed on the basis of a 360-day year of twelve 30-day months.

3 Redemption, Purchase and Cancellation

(a) Redemption at Maturity

Unless previously redeemed, the Issuer undertakes to repay all outstanding Bonds at par, without further notice on 8 May 2024 (the **Maturity Date**).

(b) Redemption at the Option of the Issuer

Subject to a period of not less than thirty (30) nor more than sixty (60) days' prior notice to the Principal Paying Agent, the Issuer may redeem the Bonds at any time after the Issue Date and prior to the Maturity Date, in whole, but not in part only, at par plus accrued interest, if any, on the date determined by the Issuer for early redemption, if eighty-five (85) percent or more of the Aggregate Principal Amount have been redeemed or purchased and cancelled at the time of such notice.

(c) Redemption at the Option of the Holders upon **Change of Control**

A A Change of Control occurs when:

(a) an offer to acquire Shares, whether expressed as a public takeover offer, a merger or similar scheme with regard to such acquisition, or in any other way, is made in circumstances where (i) such offer is available to (aa) all holders of Shares, (bb) all holders of Shares other than the offeror and any persons acting in concert with such offeror or (cc) all holders of Shares other than persons who are excluded from the offer by reason of being connected with one or more specific jurisdictions, and (ii) such offer having become or been declared unconditional in all respects, the Issuer becomes aware that the right to cast more than 50% of all the voting rights (whether exercisable or not) of the Issuer has become unconditionally vested in the offeror and any persons acting in concert with the offeror; or

(b) the Issuer consolidates with or merges into any other company; or

(c) the legal or beneficial ownership of all or substantially all of the assets owned by the Issuer, either directly or indirectly, are acquired by one or more other persons.

B Upon a Change of Control:

the Issuer shall forthwith, or, if it is not clear at that point in time whether the Holders are entitled to exercise their redemption rights pursuant to Condition 3 C because the Issuer's "BBB" rating is not yet available, immediately following the receipt of the rating decision of the relevant rating agency or after two months, whatever is earlier, give notice of that fact to the Holders (the **Change of Control Notice**) in accordance with Condition 10. The Change of Control Notice shall:

(a) inform the Holders that a Change of Control has occurred and that each Holder has the right to require redemption of the Bonds pursuant to Condition 3 C;

(b) specify the date (the **Change of Control Redemption Date**), being not more than sixty (60) and not less than thirty (30) days after giving such notice, on which the Bonds may be redeemed pursuant to Condition 3 C; and

(c) provide details concerning the Change of Control.

C Early Redemption at the Option of Holders upon Change of Control

Upon the occurrence of a Change of Control, the Issuer will at the option of a Holder, redeem such Bond at par, together with interest accrued up to, on the Change of Control Redemption Date unless,

(a) in the event of a merger or consolidation of the Issuer, the surviving entity has or receives a rating of at least BBB by Standard & Poor's or the equivalent by Moody's for its senior unsecured long-term debt on a consolidated basis and assumes or keeps, as the case may be, the Issuer's obligations under the Bonds *pari passu* with its own senior obligations, or

(b) in the event of an offer to acquire Shares, or in the event of a transfer of the legal or beneficial ownership of all or substantially all of the assets owned by the Issuer, the acquirer has a rating of at least BBB by Standard & Poor's or the equivalent by Moody's for its senior unsecured long-term debt or receives such a rating on a consolidated basis after giving effect to the acquisition and assumes or guarantees the Issuer's obligations under the Bonds *pari passu* with its own senior obligations.

It is understood that where no rating exists for the senior unsecured long term debt of the surviving entity, the acquiring entity or the Issuer, as the case may be, or a rating is not received within a period of two months since the occurrence of a Change of Control, respectively, then the Holders shall have a redemption right as described in the first sentence of this Condition 3 C.

To exercise such option, a Holder must present a duly completed redemption notice to the Principal Paying Agent (a **Change of Control Redemption Notice**), together with clearing instructions in a form and with a content satisfactory to the Principal Paying Agent allowing for the transfer of the relevant Bonds to the Principal Paying Agent by not later than fourteen (14) days prior to the Change of Control Redemption Date. No Bond or Change of Control Redemption Notice so deposited may be withdrawn without the consent of the Issuer.

(d) Purchases

The Issuer or any Subsidiary may, either directly or indirectly, at any time purchase Bonds at any price, in the open market or otherwise. Any purchase shall be made in accordance with applicable laws or regulations, including applicable stock exchange regulations. Such Bonds may be held, resold or, at the option of the Issuer, surrendered to the Principal Paying Agent for cancellation as set out below.

If purchases are made by public tender, such tender must be available to all Holders alike.

(e) Cancellation

All Bonds which are redeemed or surrendered to the Principal Paying Agent shall immediately be cancelled. All Bonds so cancelled cannot be reissued or resold.

(f) Notice

Where the provisions of this Condition 3 provide for the giving of notice by the Issuer to the Principal Paying Agent, such notice shall be deemed to be validly given if made in writing with all required information to the Principal Paying Agent within the prescribed time limit. Such notices shall be announced to the Holders as soon as practicable pursuant to Condition 10. Such notices shall be irrevocable.

4 Payments

The amounts required for payments under these Terms of the Bonds will be made available in good time in freely disposable CHF which will be placed at the free disposal of the Principal Paying Agent. If the due date for any payment by the Issuer does not fall on a Business Day, the Issuer undertakes to effect payment for value the Business Day immediately following such due date and the Holders will not be entitled to any additional sum in relation thereto. All payments with respect to the Bonds will be made to the Holders in CHF without collection costs.

The receipt by the Principal Paying Agent of the due and punctual payment of the funds in CHF as provided above shall release the Issuer from its payment obligations under the Bonds to the extent of such payments. Upon receipt of funds as provided above, the Principal Paying Agent shall arrange for payment to the Holders through SIX SIS in accordance with standard Swiss market practice.

If the Bonds are not redeemed when due, interest shall continue to accrue until (and including) the day when the Bonds are redeemed.

If, at any time during the life of the Bonds, the Principal Paying Agent shall resign or become incapable of acting as Principal Paying Agent as contemplated by these Terms of the Bonds or shall be adjudged bankrupt or insolvent, the Principal Paying Agent may be substituted by a duly licensed major Swiss bank or branch of a major foreign bank in Switzerland chosen by the Issuer. In the event of such replacement of the Principal Paying Agent, all references to the Principal Paying Agent shall be deemed to refer to such replacement.

Notice of such a replacement shall be published in accordance with Condition 10.

5 Statute of Limitations

In accordance with Swiss law, claims for interest under the Bonds shall become time-barred after a period of five (5) years and claims for the repayment or redemption of Bonds after a period of ten (10) years, calculated from their respective due dates.

6 Taxation

All payments in respect of the Bonds are subject to all applicable taxes and deductions, including the deduction of the Swiss Federal Withholding Tax (*Verrechnungssteuer*) on interest payments, currently levied at a rate of thirty-five (35) percent

7 Status of the Bonds and Negative Pledge

(a) Status

The Bonds constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer, rank *pari passu* among themselves and with all other present or future unsecured and unsubordinated obligations of the Issuer, except for such preferences as are provided for by any mandatorily applicable provision of law.

(b) Negative Pledge

So long as any of the Bonds remain outstanding, the Issuer will not create any guarantee, mortgage, lien, pledge, charge or other form of encumbrance or security interest, other than a Permitted Security upon the whole or any part of its present or future assets or revenues, to secure any Relevant Debt or to secure any guarantee or indemnity in respect of any Relevant Debt, unless, at the same time or prior thereto, the Issuer's obligations under the Bonds

(i) are secured equally and ratably therewith by such encumbrance or security interest or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be, or

(ii) have the benefit of such other security, guarantee, indemnity or other arrangement as shall be approved by the Holders' Representative.

8 Events of Default

If any of the following events (each event an **Event of Default**) shall occur, Credit Suisse in its capacity as Holders' representative (the **Holders' Representative**) has the right but not the obligation, on behalf of the Holders, to declare all outstanding Bonds immediately due and repayable at par plus accrued interest:

(a) there is a failure by the Issuer to pay principal or interest on any of the Bonds, if and when due and such failure continues for a period of ten (10) calendar days; or

(b) a failure is made in the performance or observance of any material covenant, condition or provision which is to be performed by the Issuer under the Terms of the Bonds and (except where the Holders' Representative certifies in writing that, in its opinion, such failure is not capable of remedy, when no such notice or continuation as is mentioned below shall be required) such failure continues for a period of twenty (20) calendar days following the service by the Holders' Representative on the Issuer of a notice requiring such failure to be remedied; or

(c) any other present or future indebtedness of the Issuer or a Material Subsidiary for or in respect of monies borrowed (i) is not paid when due (otherwise than, where permitted under the terms of the relevant indenture or agreement, at the option of the relevant debtor) or, as the case may be, within any applicable grace period, or (ii) becomes due and payable prior to its stated maturity as a result of an event of default (howsoever described), or (iii) any security in respect of any such indebtedness becomes enforceable or any guarantee of, or indemnity in respect of such indebtedness given by the Issuer or a Material Subsidiary is not honored when due and called or, as the case may be, within any applicable grace period, provided that no such event shall be taken into account for the purposes of this para. (c) unless such indebtedness, either alone or when aggregated with other indebtedness shall at any time equal or exceed the amount of at least CHF 40,000,000 or its equivalent in any other currency or currencies (calculated on the basis of the middle spot rate for the relevant currency against CHF as quoted by any leading bank at the place of payment of such debt on the day on which this para. operates); or

(d) any guarantee, mortgage, lien or other encumbrance, present or future, created or assumed by the Issuer or a Material Subsidiary becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person but not the serving of a payment order (*Zahlungsbefehl*) provided that the aggregate amount of the relevant indebtedness in respect of which such guarantee, mortgage, lien or other encumbrance was created or permitted to subsist equals or exceeds CHF 40,000,000 or its equivalent in any other currency or currencies (calculated on the basis of the middle spot rate for the relevant currency against CHF as quoted by any leading bank at the place of payment of such debt on the day on which this para. operates), and any such steps taken are not abandoned or discontinued within twenty (20) calendar days of being taken; or

(e) The LTV of the Issuer and its Subsidiaries exceeds seventy (70) percent; or

(f) the Issuer or a Material Subsidiary is (or is deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops or suspends payment of all or a material part of its debts, proposes or makes a stay of execution, a postponement of payments (*Stillhaltevereinbarung*), a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any such debts or a moratorium or postponement of payments (*Stillhaltevereinbarung*) is agreed or declared in respect of or affecting all or a substantial part of (or a particular type of) the debts of the Issuer or a Material Subsidiary or a liquidator is appointed with respect to the Issuer or a Material Subsidiary; or

(g) the Issuer or a Material Subsidiary alters its legal or commercial structure through bankruptcy, liquidation, disposal of a substantial part of its assets outside the ordinary course of business of the Issuer or the Material Subsidiary (for the purpose of this provision, "substantial" means assets that represent more than ten (10) percent of the consolidated balance sheet total and shall not include the segment Infrastructure as a Service (which includes all the Group subsidiaries directly related to this segment)), change in the objects of the legal entity and/or commercial activities, merger or reorganization (other than internal Group restructurings and reorganizations, provided that such restructurings and reorganizations shall not result in a substantial reduction of the assets of the Issuer, for example by distributions to the ultimate shareholders), in so far as the relevant action, in the Holders' Representative's opinion, has or will have a material adverse effect on the capacity of the Issuer to meet its obligations under the Terms of the Bonds, unless the Holders' Representative considers the situation of the Holders as adequately protected based on securities created or other steps taken by the Issuer; or

(h) a dissolution, winding-up, liquidation or merger involving the Issuer as result of which the Issuer is not the surviving legal entity, unless the successor legal entity assumes all the Issuer's liabilities of the Bonds.

The Issuer undertakes to inform the Holders' Representative without delay if any event mentioned under para. (b) through (h) has occurred and to provide the Holders' Representative with all necessary documents and information in connection therewith.

If an Event of Default occurs, the Holders' Representative has the right but not the obligation to serve a written notice of default (**Default Notice**), such notice having the effect that the Bonds shall become immediately due and payable at par plus accrued interest, if any, on the day the Default Notice is given.

Upon the occurrence of an Event of Default, the Holders' Representative may invite the Holders in accordance with art. 1157 seq. of the Swiss Code of Obligations to a Holders' meeting for the taking of a resolution on the serving of a Default Notice, provided the Holders' Representative has not served such Default Notice itself. The legally valid resolution of the Holders' meeting to serve a Default Notice, shall replace the right reserved by the Holders' Representative according to these Terms of the Bonds to serve a Default Notice on behalf of the Holders. If the Holders' meeting votes against the serving of a Default Notice, the right to serve such Default Notice shall revert to the Holders' Representative whereby the Holders' Representative shall not be bound by the resolution of the Holders' meeting if and to the extent that new circumstances arise or become known which require a revised assessment of the facts.

9 Substitution of the Issuer

The Issuer may without the consent of the Holders, at any time substitute itself in respect of all rights and obligations arising under or in connection with the Bonds with any Swiss legal entity of which all shares carrying voting rights are directly or indirectly held by the Issuer (the **New Issuer**), provided that:

(a) in the opinion of the Holders' Representative, (i) the New Issuer is in a position to fulfil all payment obligations arising from or in connection with the Bonds and (ii) the interest of the Holders are adequately protected;

(b) the Issuer and the New Issuer have entered into such documents as are necessary to give effect to such substitution and provided copies of these documents to the Holders' Representative;

(c) the Issuer has issued an irrevocable and unconditional guarantee as per art. 111 of the Swiss Code of Obligations in respect to the obligations of the New Issuer under the Bonds in form and content satisfactory to the Holders' Representative.

Any substitution shall be published in accordance with Condition 10.

In the event of such substitution, any reference to the Issuer shall be deemed to refer to the New Issuer.

10 Notices

All notices regarding the Bonds shall be given through the Principal Paying Agent on behalf and at the expense of the Issuer (i) for so long as the Bonds are listed on SIX Swiss Exchange on the internet site of SIX Swiss Exchange (where notices are currently published under the address www.six-swiss-exchange.com/news/official_notices/ search_en.html) or (ii) in case the Bonds were no longer listed on SIX Swiss Exchange in a daily newspaper with general circulation in Switzerland (which is expected to be the *Neue Zürcher Zeitung*).

11 Listing

Application will be made for the admission to trading and listing of the Bonds on SIX Swiss Exchange.

The Issuer will use reasonable endeavours to have the Bonds listed on SIX Swiss Exchange and to maintain such listing as long as any Bonds are outstanding.

12 Governing Law and Jurisdiction

The Bonds shall be exclusively governed by and construed in accordance with the substantive laws of Switzerland (i.e. without regard to the principles of conflict of laws).

The exclusive place of jurisdiction for any dispute, claim or controversy arising under, out of or in connection with or related to the Bonds shall be the city of Zurich.

The above-mentioned jurisdiction is also exclusively valid for the declaration of cancellation of Bonds.

13 Amendment to the Terms of the Bonds

The Terms of the Bonds may be amended by agreement between the Issuer and the Holders' Representative on behalf of the Holders, provided that such amendment is of a formal, minor or technical nature, is made to correct a manifest error or is not materially prejudicial to the interests of the Holders. Notice of any such amendment shall be published in accordance with Condition 10.

14 Role of Credit Suisse

Credit Suisse has been appointed by the Issuer as the Principal Paying Agent and as the Listing Agent with respect to the Bonds and it will or may also act on behalf of or for the benefit of the Holders as Holders' Representative, but only in such cases stated explicitly in these Terms of the Bonds. In any other cases, the Holders' Representative is not obliged to take or to consider any actions on behalf of or for the benefit of the Holders.

15 Definitions

Business Day means any day (other than Saturday or Sunday) on which banks are open the whole day for business in Zurich.

Credit Suisse means Credit Suisse AG, Paradeplatz 8, 8001 Zurich (P.O. Box, 8070 Zurich).

Group means the Issuer together with its consolidated subsidiaries.

Issuer means HIAG Immobilien Holding AG, Aeschenplatz 7, 4052 Basel.

Listing Agent means Credit Suisse, appointed as recognized representative pursuant to art. 43 of the listing rules of SIX Swiss Exchange to file the listing application (including the application for provisional admission to trading) for the Bonds with SIX Swiss Exchange.

LTV means the sum of interest bearing liabilities net of cash and cash equivalents divided by the gross asset value.

Material Subsidiary means, so long as any of the Bonds are outstanding, but only up to the time all amounts of principal and interest have been placed at the disposal of the Principal Paying Agent, any operating Subsidiary of the Issuer whose assets, net revenues, operating profit or profit after tax at any time, represent five (5) percent or more of the consolidated assets, the consolidated net revenues, the consolidated operating profit or profit after tax, as the case may be, of the Issuer and its Subsidiaries at any time (as the case may be), and for this purpose:

(a) the assets, net revenues, operating profit and profit after tax of any such Subsidiary shall be ascertained by reference to:

   (i) the financial statements of such Subsidiary as of the date in respect of which the last audited consolidated financial statements of the Issuer and its Subsidiaries have been prepared;

   (ii) if such body corporate becomes a Subsidiary of the Issuer after that date, the latest financial statements of such Subsidiary adjusted to take into account subsequent acquisitions and disposals or other changes in circumstances;

(b) the consolidated assets, consolidated net revenues, consolidated operating profit and profit after tax of the Issuer shall be ascertained by reference to the last audited consolidated financial statements of the Issuer and its Subsidiaries; and

(c) once an entity has become a Material Subsidiary, it shall be considered one until it has been demonstrated to the satisfaction of the Holders' Representative that it has ceased to be a Material Subsidiary, a written report from the Issuer's auditors to this effect being sufficient for this purpose.

Permitted Security means a security (and any security created in substitution for any such security) in the form of any guarantee, mortgage, charge, pledge, lien or other form of encumbrance or security interest relating to the financing, refinancing or the acquisition of any specified asset or assets, but only to the extent that such security secures obligations arising from the financing, refinancing or acquisition of such specified assets, provided, however, that the consolidated amount of the Relevant Debt secured by such Permitted Security may not exceed sixty-five (65) percent of the Portfolio Value.

Portfolio Value means the market value of the real estate portfolio/investment properties as set out in the most recently published financial report (annual, semi-annual or quarterly) of the Issuer.

Principal Paying Agent means Credit Suisse in its function as principal paying agent.

Relevant Debt means any present or future indebtedness of the Issuer or a Material Subsidiary represented or evidenced by, notes, bonds, debentures, loan stock or other securities which for the time being or are capable of being, quoted, listed or ordinarily dealt with on any stock exchange, over-the-counter market or other securities market.

Shares means the issued and fully paid registered shares of the Issuer (and all other (if any) shares or stock resulting from any subdivision, consolidation or reclassification of such shares).

SIX SIS means SIX SIS Ltd, the Swiss clearing and settlement organization, Baslerstrasse 100, 4600 Olten, or any successor organization accepted by SIX Swiss Exchange.

SIX Swiss Exchange means SIX Swiss Exchange Ltd, Selnaustrasse 30, 8001 Zurich (P.O. Box 1758, 8021 Zurich) or any successor exchange.

Subsidiary means a legal entity of the Issuer the financial statements of which are, in accordance with applicable law or generally accepted accounting principles, consolidated with those of the Issuer.

Annual Report 2018

HIAG

Annual Report

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2018
Annual Report

Achieving long-term success by honouring and increasing the value of industrial properties across Switzerland

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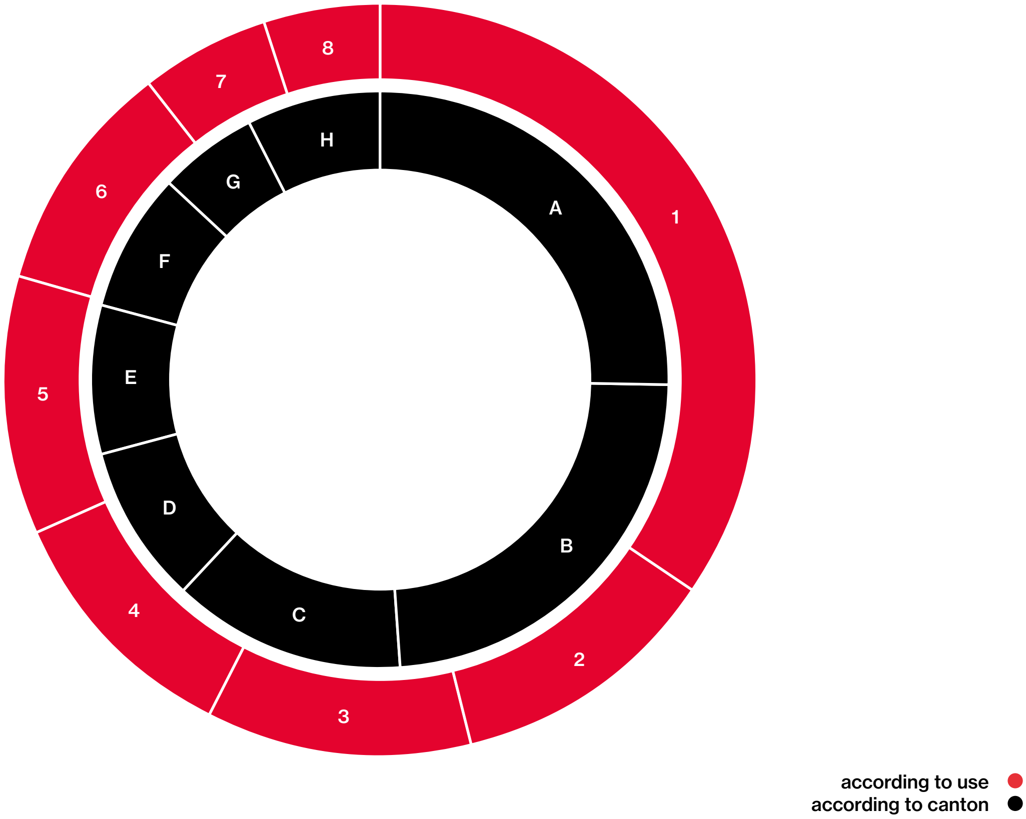
Development of lively districts in Switzerland

HIAG's site development portfolio in Switzerland is vast with land reserves. Each site in the portfolio is transformed gradually and independently. It transitions its sites gradually and autonomously into new cycles of use, creating lively quarters or entire city districts with their own individual character. HIAG is thus able to make its site redevelopment investments profitable in the long term. The creation of new destinations generates intangible value, such as the quality of our sites' locations and their perceived attractiveness, which translate into an increase in property value and potential value creation for customers in the long term. Significant importance is also attached to the quality of digital connectivity, actively promoted by HIAG through its HIAG Data subsidiary.

Key Facts in a Nutshell Key Figures



Market value of real estate properties by type of use as at 31.12.2018

1	Industry, commercial	34.6%
2	Residential	11.7%
3	Retail	11.3%
4	Distribution, logistics	11.0%
5	Office	10.9%
6	Building land	10.2%
7	Residential and commercial	5.5%
8	Miscellaneous	4.8%

Market value of real estate properties by canton as at 31.12.2018

A	Aargau	25.3%
B	Zurich	23.7%
C	Geneva	13.0%
D	Baselland	8.9%
E	Zug	8.4%
F	Solothurn	7.7%
G	St. Gallen	5.5%
H	Miscellaneous	7.5%

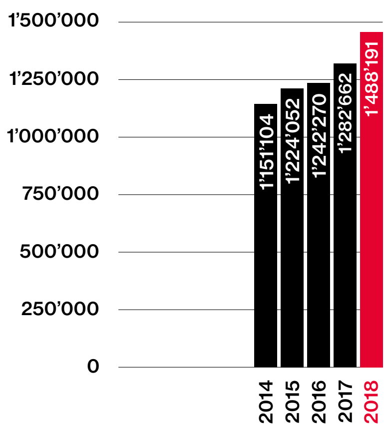
87%

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

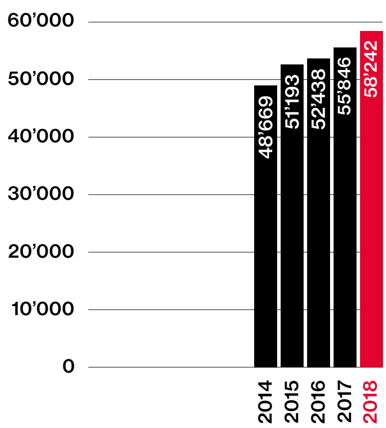
Key Facts in a Nutshell
Key Figures

Real estate portfolio, Property income, Net income

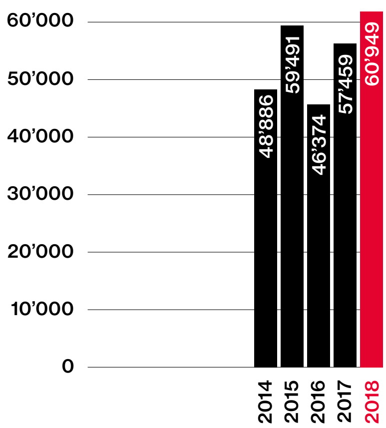
Real estate portfolio in TCHF



Property income in TCHF



Net income in TCHF



Key financial figures

in TCHF	31.12.2018	31.12.2017
Property income	58'242	55'846
Revaluation of properties	76'439	33'287
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	104'332	73'148
Net income	60'949	57'459
Cash and cash equivalents	34'531	38'920
Shareholders' equity	784'863	760'484
Equity ratio	49.1%	54.4%
LTV ratio	43.4%	37.0%
Balance sheet total	1'598'935	1'398'069
Cash flow from operating activities incl. sales promotion	40'122	62'578
Employee headcount	62	56
– thereof building maintenance and administration	17	18

Key Facts in a Nutshell
Key Figures

Portfolio key figures

in TCHF	31.12.2018	31.12.2017
Real estate portfolio	1'488'191	1'282'662
Yielding portfolio	1'027'868	901'297
Property development portfolio	460'323	381'364
Real estate portfolio (number of real estate properties)	114	111
Number of redevelopment properties	45	44
Investments in real estate	158'773	58'471
Annualised rental income (in million CHF)	60.9	56.1
Vacancy rate for investment properties	12.1%	12.3%
Vacancy rate for investment properties undergoing repositioning[1]	39.7%	36.8%
Vacancy rate for redevelopment properties	13.6%	13.1%

1 Properties Mandachstrasse 50–56 ZH and Sternenfeldpark 14 BL

EPRA key figures

in TCHF	31.12.2018	31.12.2017
Adjusted EPRA Earnings (excl. contribution HIAG Data)	34'176	37'364
EPRA NAV	867'054	833'934
Equity ratio according to EPRA NAV	54.2%	59.7%
EPRA vacancy rate	14.4%	14.5%
Adjusted EPRA vacancy rate (excl. investment properties undergoing repositioning)[1]	12.1%	12.3%

1 Properties Mandachstrasse 50–56 ZH and Sternenfeldpark 14 BL

Key figures per share

in CHF	31.12.2018	31.12.2017
Earnings per share (EPS)	7.60	7.15
Earnings per share without revaluation of properties without HIAG Data contribution	2.70	3.54
Dividends payout[1]	3.90	3.80
Payout ratio[2]	145%	107%
Cash yield[3]	3.35%	3.14%

1 Proposal to the Annual General Meeting on 11 April 2019 for the financial year 2018: distribution out of reserves from capital contributions and out of amount carried forward from previous year.
2 Dividends per share compared with earnings per share without revaluation of properties and without contribution HIAG Data.
The calculation of the payout ratio has been changed in 2018 and the calculation 2017 has been restated. The payout ratio calculated based on the net profit without non-cash tax items amounts to 101.9% as per 31 December 2018.
3 Dividends per share compared with share price at the end of the period.

Letter to the Shareholders

Dear Shareholders

Thanks to project advances, successful rentals and strategic purchases, HIAG has achieved another record year with the results in the business year 2018. Property income increased significantly, the average lease term increased to nearly 10 years and the development pipeline grew again. Additionally, HIAG Data announced a partnership with SIX, the Swiss financial market infrastructure provider, ushering in a new phase.

Annualised property income increased by 8.6% to 60.9 million CHF (2017: 56.1 million CHF) during the business year 2018. The three sale-and-lease-back transactions in Brunegg, Goldach and Pratteln contributed significantly to this. Additionally, in the second half of the business year, the vacancy rate decreased compared with the first half of the year, most notably with successful rentals at sites that had been vacant for long periods. At 76.4 million CHF, the impact of revaluations was significantly higher than in the previous year (33.3 million CHF) thanks to long-term leases and successful redevelopments. At HIAG Data, the investment phase was extended due to the refocusing of the model. Despite the investments losses of HIAG Data totaling 16.5 million CHF, nonetheless HIAG increased net income by 5.9% to 60.9 million CHF (2017: 57.5 million CHF) and earnings per share to CHF 7.60 (2017: CHF 7.15) in the business year 2018.

Strategic acquisitions increase profitability and strengthen the long term value of the "land bank"

The acquisitions in Brunegg, Goldach and Pratteln are consistent in all ways with HIAG's strategy. With 5.9 million CHF per year over a rental term of 15 years each, these transactions will strengthen annualised property income in the long term. In addition, all the sites have medium and long-term development potential. In Brunegg, the planning for an expansion of the high-bay warehouse is well under way with the current tenant. The new construction of a hall is continuing at the approximately 63'000 m² site in Goldach. It will also be let for 15 years following completion. In Pratteln, there are signs that the industrial use of the site is in its final cycle, and the current industrial area around the railway station can be transformed into a long-term central area with approximately 50'000 m² of office and living space.

Average lease term increased to nearly 10 years

The weighted average lease term was again significantly extended compared with the previous year from 7.9 years to 9.7 years. The long-term building rights agreement with Stadler Rail in St. Margrethen and the sale-and-lease-back transactions during the year under review contributed to this, with long-term triple-net leases worth approximately 10% of HIAG's rental income and the re-letting of the former recruiting centre in Windisch to the FARO Foundation with a term of more than 25 years. The FARO Foundation will operate a residence for people with disabilities at the Kunzareal site from mid-2019.

Vacancy rate decreased due to site redevelopment

The vacancy rate was 14.3%, as in the previous year, and has improved significantly by 3.7 percentage points since the IPO in 2014. The rental contracts in Cham were particularly satisfying: the vacancy rate in the existing building dropped from 66.8% to 10.2% and the Lorzenpark site was successfully repositioned with the planned development of 300 apartments, the arrival of the OYM (on your marks) Centre of Excellence for top athletes and research, and hospitality units. Not least, the early arrival of the Tesla Store laid the groundwork for Pit Lane, a Ferrari specialist, and Formula V-Racing Lounge, a company specialising in high-end Formula 1 simulators, to choose Lorzenpark as their premises. Driven by anchor users, HIAG has circled back to its earlier pre-project decisions in order to refocus the future positioning and build on the impact of existing users to achieve even higher quality positioning.

Portfolio revaluations in the portfolio reflect redevelopment progress

With Regus, another anchor tenant has been gained in Meyrin after Hewlett Packard Enterprise (HPE) for the existing building at "The Hive" campus. The conversion is already under way and will be completed in 2019. Negotiations for the redevelopment of another building are well advanced. In the centre of the campus, a restaurant and training pavilion is currently being built for the dynamic Swiss restaurant group Luigia. Starting in 2020, the new pavilion will form a meeting point at the heart of the campus. The site's position as a hub for international groups benefits from prominent anchor tenants and its immediate proximity to CERN.

In Dietikon, a rental contract was signed at the beginning of 2018 with the Austrian furniture retailer XXXLutz 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 after the departure of the current tenant and the completion of the building phase, which will not be before 2021.

Following the scrapping of the planning zone in Niederhasli, new construction of office and hall buildings is being carried out for Doka Schweiz, thus securing the tenant for another 15 years. The new development of the central area around Niederhasli railway station also offers medium-term potential for more than 300 apartments.

The transformation of the Walzmühle site in Frauenfeld is mostly complete, where 39 residential units and 2'300 m² of office space are being created. The topping-out ceremony took place in February. Most of the commercial space has already been let, and the first leases for the residential units were signed nine months before completion. Local supply is ensured by the arrival of the "Werk 3" café run by the Frauenfeld-based bakery and pastry shop Stähli, providing seating for more than 50 people and a take-away counter.

Potential value of the site leverages entrepreneurial community

At the Papieri site in Biberist, floor space has gradually been freed up with the dismantling of the paper machines, and with HIAG Data, the infrastructure for the business models of the fourth industrial revolution is being created. Today, startups are developing and scaling transnational business models here. These innovative companies include a provider of 3D printing solutions for use in professional sports, mobility and securing clean drinking water in developing countries, as well as an eSports leisure centre with a venue for eSports tournaments and cloud-supported high-end simulators for racing. Of the building's surface area, 1% is currently being used in this way. HIAG has thus positioned the Biberist site as a destination for startups that are building their business models on new technologies, including big data, artificial intelligence, data security and high-performance network connections.

Pioneers in industrial site redevelopment for the fourth industrial revolution

In Diesbach, HIAG has chosen Alpine Co-Working as a partner in order to convert the site into a retreat and getaway destination, offering the workforce of large corporations and organisations space to rethink and redesign their business models and enabling companies to successfully meet the challenges of the digital economy and the fourth industrial revolution. The project at the Legler site will meet the retreat requirements of established companies, which up until now have gone to boutique hotels and spa resorts, or have even created their own resort locations. The upcoming transformation corresponds to this fast growing trend. In addition to rooms for workshops and events, the site has adequate accommodation and catering facilities, and will be suitable for business and family events with up to 150 guests. At the same time, it will become an "alpine hub" for today's digital nomads. With the creation of serviced apartments in Meyrin, Biberist, Cham and Aathal, HIAG will transfer parts of this concept to other sites and thus prominently position the Diesbach site.

HIAG DATA strategic focus

HIAG Data was originally launched by HIAG to position its site portfolio as prime real estate in terms of the "digital connections" location criterion. This strategy is already starting to bear fruit in Meyrin, Biberist and Diesbach, and is expected to be gradually expanded to the entire portfolio. At the same time, possibilities are opening up for HIAG Data that extend far beyond the real estate strategy. The use of cloud solutions and related transaction-based software solutions enables industry-independent and attractive new business models. In order to help companies with very high data security, data independence and data availability requirements to make this change faster, HIAG Data and SIX, as operator of the Swiss financial marketplace infrastructure, announced their intention to jointly develop and operate Secure Swiss Cloud Services. SIX and HIAG Data are thus establishing a cloud-based ecosystem for the Swiss financial market. HIAG Data will provide the highly secure and highly efficient cloud platform. In order not to limit HIAG Data's growth potential through its real estate strategy, HIAG would like to create conditions that will enable further investments in the HIAG Data business model by third-party investors independent of HIAG Immobilien.

Looking Forward

Switzerland benefits from an excellent starting point to position itself as an attractive environment for the dynamic development of new business models. Switzerland's own DNA, with the world's highest number of patents filed, allows Switzerland to distinguish itself internationally, as Silicon Valley has done for the last twenty years. Switzerland has been acknowledged in politics, industry and research, as shown by numerous successful initiatives. HIAG can play a lead role in shaping and contributing to this development with its site portfolio. With the initiatives in Meyrin, Biberist and Diesbach, as well as the expansion of HIAG Data, an excellent starting position has been secured.

With this in mind, we hope that you will enjoy reading this annual report and be inspired by its contents.

Dr. Felix Grisard
President of the Board of Directors

Martin Durchschlag
Chief Executive Officer

Executive Board Interview

In 2018, HIAG had its most successful year yet in the real estate sector with an 8.6% increase in annualised rental income and substantial value created from redevelopment projects. HIAG Data's investment phase was extended with a change of focus to influencial partners.

Martin Durchschlag, CEO, and Laurent Spindler, CFO, were interviewed by Beat Seger.

Executive Board Interview

What were the most significant events of the business year 2018?

Martin Durchschlag: Through strategic acquisitions worth about 11% of annualised rental income, we easily compensated for planned tenant departures, particularly those of ABB Turbo Systems AG in Klingnau, and thus strengthen cash flow growth and the dividend base.

Laurent Spindler: We also increased the average lease term of the portfolio again in the 2018 business year. The weighted average lease term is now roughly 10 years. We also further expanded the redevelopment portfolio. Approximately 50 projects are planned for the next 10 years with an investment volume of about CHF 1.8 bn and 620’000 m² of usable area.

Are you satisfied with the overall results?

MD: This was HIAG’s most successful year yet in the real estate sector. We were able to make progress in many redevelopment projects, which will support long-term income growth. The high value increases are due to this performance, and not to market effects. Even with investments in HIAG Data, we were able to increase earnings compared with the previous year. We also reached an important milestone with the announced partnership with SIX.

LS: HIAG’s inclusion in the EPRA index was also a gratifying development, considerably boosting the visibility of the HIAG share.

What impact does the inclusion in the EPRA index have on the HIAG share?

LS: Since the inclusion in the EPRA index, liquidity has practically doubled, as this inclusion is an investment prerequisite for many investment vehicles that have now bought our shares.

MD: Inclusion in the index supports the long-term tradeability of the share, which ultimately benefits all shareholders.

HIAG manages to regularly make strategic acquisitions in a highly competitive investment market. What is your recipe for success?

MD: It can vary greatly from one transaction to the next. This year, for example, we negotiated sale-and-lease-back transactions with partners that have long-term strategic interests in these sites. Our experience and skill in industrial site use play a central role in this. The fact that we can support these companies in the implementation of their strategy is given at least as much weight as economic factors, and can make all the difference when closing the deal.

“This was the most successful year in HIAG’s history. Great progress was made with many redevelopment projects, strengthening our long-term profitability.”

CEO Martin Durchschlag

You made several sale-and-lease-back transactions during the business year 2018. What are the strategic considerations underlying these investments?

MD: The three sale-and-leaseback transactions in Brunegg, Goldach and Pratteln are consistent with our strategy, but have different starting points. The Brunegg transaction concerns the consolidation of an existing property that allows us to expand and thus better position our existing logistics site. In Goldach, the production site includes an approximately 63’000 m² campus, where a new hall is being built. Should manufacturing activities be discontinued here one day, the site could also serve other purposes based on its location. The building structure in Pratteln, on the other hand, is definitely in its final cycle of use. Over the coming years, rezoning can be prepared here.

LS: With sale-and-leaseback transactions, we always use various scenarios in order to be prepared in the event of a change in the tenant structure. The buildings’ potential for third-party use also plays a key role in this.

So you always have a strategy in mind for the site when you make an acquisition?

MD: That is correct. We only consider acquisitions when their size, context and site strategy fit our portfolio.

LS: That also applies to Brunegg, Goldach and Pratteln. On one hand, we always aim to increase portfolio cash flow in the medium term via long-term leases, thus supporting the dividend payout to HIAG shareholders. On the other hand, we have already laid out long-term development strategies for two of the three sites.

Executive Board Interview

What do you do to make a site successful?

MD: An entrepreneurial vision is crucial from the start. How can a site be developed? Where and in what ways can a centre be created that allows for a vibrant use with jobs, residents and cultural exchanges? These considerations are incorporated in our master plan and become more focused the closer we get to the time of actual implementation. Throughout this process, we develop ideas and concepts that help us to identify potential users, whom we contact as we develop the optimal mix we envision will provide the basis for the site's long term success.

LS: Each site is unique. That's why it is important that we rethink our vision every time while making use of synergies from proven concepts across the portfolio. Success is reflected in value adjustments over the long term. This revaluation is driven by actual redevelopment steps such as permits, cost security and leases. The results can then be seen in both the income statement and the cash flow development, reflecting what we have accomplished with the sites.

When do you start attracting tenants for your sites?

MD: Efforts begin immediately. Naturally, the question does not arise for a sale-and-leaseback contract. For a site that is undergoing a long-term transformation process, it takes a certain amount of time for us to establish the legal basis for the interim use of the site. The earlier a site becomes available, the more actively we can enter into discussions with tenants or contact those that we would like to have at the site.

LS: These types of initiatives can emanate from portfolio management as well as site redevelopment.

What sets HIAG apart in terms of site redevelopment?

MD: We consider site redevelopment as an intensive communication task, in which we balance the interests of established structures, existing users and the public. From this point, we develop our entrepreneurial vision and actively contribute our experience as a family business with industrial roots. It is also important for us that our very large sites develop their own strong identity. We want to attract vibrant communities that identify with a site and participate actively.

LS: Through an active and sometimes extensive management of the interim use, we grant ourselves the necessary time to position a new district.

HIAG is solidly self-financed. Would greater leverage make for faster project development?

LS: Successful site redevelopment does not depend on financial options only. Every project can be financed with a well-developed use and a long-term lease. Forcing financial conditions onto the timeline would trigger unnecessary compromises.

MD: We can afford the time, because we maintain active interim uses at the sites and generate rental income. The better we position a site, the greater the ultimate leverage for long-term value creation.

And what is going on at the sites in Dietikon, St. Margrethen or Biberist, for example?

MD: The future positioning of the Dietikon retail site still depends on the impact of the development of the Limmattal suburban train. Instead of rebuilding the entire site all at once, we decided to upgrade the existing structure step-by-step and prolong contracts with anchor tenants such as Media Markt on a long-term basis. We are kicking off the structural renovation with the new building for XXXLutz, offering clear visibility from the motorway. This building will set the tone for the further redevelopment of the site.

LS: In St. Margrethen, we are taking a completely different approach. We are transferring construction rights for approximately 70'000 m² of a total of 100'000 m² of the historic HIAG site to Stadler Rail until 2080. In doing so, we harmonised the duration of use of our two adjoining sub-sites in St. Margrethen and allowed the region to take an important development step. In 2018, we sold the last paper machines in Biberist, which are now being dismantled. By mid-year, we will be free to tackle the revitalisation of the entire site.

MD: A large part of the available surface area in Biberist is being used again today. Between 100 and 150 jobs have already been created at the site. We aim to establish a distinctively entrepreneurial and innovative site, where divers companies can create new concepts. Our new tenants include an innovative 3D printing company, for example, and in 2019, eSports events for Swiss leagues will take place regularly in Biberist.

"The inclusion in the EPRA Index has considerably boosted the visibility of the HIAG share, thus practically doubling liquidity."

CFO Laurent Spindler

At HIAG, you are not just talking about digitisation, you are actively promoting it with HIAG Data. Could we say that as a provider of specific cloud infrastructure solutions, HIAG is also an enabler of the digital transformation?

MD: We use synergies from both fields of activity to take the strategic discussion to another level. What is currently happening with technology is disruptive in more and more areas. Sooner or later, these changes will affect every business model. So we are not talking about two different worlds, but rather about two merging worlds.

What is happening with the strategic partnership with SIX announced in December?

MD: HIAG Data's Board of Directors decided to focus on large partners in this highly regulated environment that are developing their own services on HIAG Data's platforms. This refocusing is accompanied by an extension of the investment phase. HIAG Data's vertical integration is also developing beyond that of a pure infrastructure provider. Together with SIX, we announced our plan to offer SIX's customers our first services on this platform in the third quarter.

What are HIAG's objectives in terms of sustainability?

MD: HIAG's business model is sustainable by its very nature: to develop sites in such a way as to create vibrant, well-mixed quarters where high added value can be created. The United Nations set forth 17 sustainable development goals in its 2030 agenda, which can be recognised in many of our developments. In particular, the goals of "Industry, Innovation and Infrastructure", "Sustainable Cities and Communities" and "Responsible Consumption and Production" are at the heart of our understanding of site redevelopment. We are presenting our projects in the context of these sustainable development goals for the first time in our Sustainability Report.

In conclusion, could you tell us a little more about your objectives for the 2019 business year?

MD: Each site has its rhythm and specific focus. Due to the long-term orientation of the projects, we generally do not set annual objectives. We are pleased to be able to take the first steps towards formulating our vision in Geneva in the PAV redevelopment area, as well as in Niederhasli. The development of communities remains a challenge in the portfolio as a whole, and synergies with HIAG Data also play an important role.

What basic conditions do you need to achieve your goals?

LS: In the future, we hope for as stable as possible a political and economic environment inside and outside Europe. Switzerland's locational advantages are acknowledged throughout the world, and the preservation of these advantages is important in order to attract companies.

MD: The momentum comes from young companies that operate from Switzerland with global business models. To attract these kinds of companies, giving them access to top professionals from around the world, is essential. Strict third-country quotas lead to a situation where many innovative startups do not have Switzerland on their radar.

2018 at a Glance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January

Building permit granted for Doka Schweiz AG's new building in Niederhasli (ZH)
The building permit for an approximately 3'500 m² office building and approximately 4'300 m² of production halls was granted to the company specialising in formwork technology. When Doka moves to the new buildings, the approximately 16'500 m² railway station area will be freed up for long-term development of the centre. (1)

February

HIAG signs an important lease for retail areas in Dietikon (ZH)
HIAG signed a lease with the Austrian furniture shop chain XXXLutz for areas at the Dietikon retail site located directly on the A1 motorway.

March

HIAG adds a logistics site to its portfolio
HIAG acquired Sulser Logistik AG's site in Brunegg (AG) as part of a sale-leaseback transaction. The site covers around 28'000 m². A project for a new high-bay warehouse is in planning with the current tenant.

Regus will be a tenant at "The Hive" site starting in spring 2019
"The Hive" campus in Meyrin (GE) continues to develop. The lease with Regus, the world's largest provider of flexible office solutions, is consistent with the vision for the development of "The Hive". Regus will open offices in the spring of 2019 following an in-depth modernisation of the "Hive 1" building.

Publication of the Annual Results 2017
HIAG presented the Annual Results 2017 in Zurich on 19 March 2018.

April

HIAG General Meeting
All the proposals of the Board of Directors were approved at the Ordinary General Meeting of HIAG Immobilien Holding AG on 19 April 2018 at the Kunzareal site in Windisch (AG). (2)

Public consultation process in Dornach (SO)
On 21 April 2018, a public consultation process was launched in Dornach. About 90 Dornach residents discussed proposals and questions concerning the redevelopment of the site. HIAG took the inhabitants' contributions into account when establishing the master plan.

June

"Neue Spinnerei" restaurant at the Spinnerei Aathal site is here to stay
The "Neue Spinnerei" restaurant in Aathal (ZH) remains firmly committed to the site and extended its contract by 20 years until 2038, thereby ensuring Spinnerei-Aathal's culinary offer. As a reliable customer magnet, the restaurant has been successfully established for several years and rents 613 m² of service, office and storage space. (3)

New tenant for open plan offices at the "Kunzwerk" site in Windisch (AG)
The "Kunzwerk" Business Park in Windisch welcomed a new tenant: in the autumn of 2018, wps Medienservice AG, a product communication company, moved into a nearly 1'000 m² open plan office. The "Kunzwerk" site was thus able to reinforce its position as a workspace for creatives in the Brugg/Windisch region and gain an important employer, contributing to a healthy mix of apartments and jobs. (4)

July

New tenant for the former recruitment centre in Windisch (AG)
The Faro Foundation signed a long-term lease agreement for the recruitment centre. Construction work is ongoing and the building is expected to be handed over in the summer of 2019.

2018 at a Glance


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Groundbreaking for Stadler and HIAG in St. Margrethen (SG)
After the rezoning, reconstruction plan and building permit entered into force, the groundbreaking for Stadler Rail AG's new manufacturing plant took place on 4 July 2018 at the historic HIAG site in St. Margrethen. (5)

HIAG sells remaining paper machines of former Biberist paper mill (SO)
The last two production lines 6 and 8 were successfully sold, while the dismantling work of paper machine 9, sold in 2017, was almost finished. The dismantling process is expected to be completed by the middle of 2019.

Arrival of the "Luigia" restaurant chain at "The Hive" site
The "Luigia" restaurant chain is opening a new Italian restaurant and its first training centre at "The Hive" campus in Meyrin (GE). The 700 m² pavilion in a lush area will form the heart of the site. A restaurant with a terrace will also be built. The pavilion is expected to open at the beginning of 2020. (6)

August

HIAG expands its portfolio in the Basel area
HIAG acquired the RohnerChem site of Rohner AG Pratteln in Pratteln (BL) as part of a sale-leaseback transaction. The approximately 32'000 m² site is located in the immediate vicinity of Pratteln railway station. (7)

Zur Rose, Europe's largest e-commerce pharmacy, is a new tenant at the "Walzmühle" site in Frauenfeld (TG)
The Swiss group Zur Rose rented approx. 1'000 m² of office space at HIAG's Walzmühle site in Frauenfeld. The rental space extends over two buildings. The tenancy period starts in the first half of 2019.

September

Publication of the Half-Year Results 2018
On 3 September 2018, HIAG presented the Half-Year Results 2018 during a live webcast.

HIAG included in the EPRA Index on 24 September
The inclusion in the EPRA Index is an important milestone in HIAG's development and lays the foundations for an extension of the shareholder base.

HIAG's Annual Report wins the EPRA Silver BPR Award
Within the framework of Deloitte's Annual Report Survey, HIAG's Annual Report was awarded the prestigious EPRA Silver Award for transparent financial reporting according to the EPRA Best Practice Recommendations (BPR).

HIAG wins gold for its Annual Report in the Swiss Annual Report Rating
HIAG's Annual Report 2017 earned first place in the design category (print and online) of the Swiss Annual Report Rating. (8)

October

Topping out ceremony in Neuchâtel (NE)
The topping out ceremony for the renovation of the industrial building at the HIAG site in Neuchâtel took place on 3 October 2018. The tenants' finishing work will be completed by the end of March 2019.

Successful open door day at "Village 52" in Yverdon-les-Bains (VD)
On 6 October, an open door day took place in Yverdon in connection with the inauguration of the new warehouse of the Yverdon Museum at the former industrial site of Leclanché. Various exhibits and events presented the site's many activities and companies. The event reflected HIAG's vision for the site's redevelopment, which is to strengthen the site's vibrancy and dynamics. (9)

Demolition work begins in Wetzikon's Weststrasse (ZH)
In mid-October 2018, the starting signal was given for demolition work in Wetzikon's Weststrasse. A new construction with 17 rental units will be built at the property covering approx. 1'900 m². The units with 2.5 to 5.5 rooms will be available from the spring of 2020.

2018 at a Glance


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The Walzmühle site in Frauenfeld (TG) experiences a revival
In the spring of 2019, Stähli bakery will open its new branch at the Walzmühle site, covering 217 m² on the ground floor of building 4, situated directly on Walzmühlestrasse. It will be Stähli's third branch in Frauenfeld. With this new arrival, building 4 will be fully rented out. (10)

November

"Club Village du Soir" celebrated its two-year anniversary at the site in Lancy (GE)
On 10 November 2018, "Club Village du Soir" celebrated its two-year anniversary with an extraordinary evening. With the "Village du Soir", an attractive crossover usage for the centrally located site directly next to the Stade de Genève was created at the Camembert site in the Geneva district of Lancy. "Club Village du Soir" has come to be considered as a reference in after-work events in Geneva. (11)

"The Hive" illuminated with solar LED lamps
Solar street lights were installed in the parking lot of "The Hive" site in Meyrin (GE). Solar cells collect the sun's energy during the day and release it autonomously at night via LED lamps. By using innovative technology in the design of the outdoor spaces, HIAG contributes to a sustainable use of resources on the site.

December

HIAG acquires Amcor Flexibles site in Goldach (SG)
HIAG acquired the Amcor Flexibles Rorschach AG site in Goldach as part of a sale-leaseback transaction. The approximately 64'000 m² site is located in the important district of the Goldach municipality on Lake Constance. Amcor Flexibles Rorschach AG is a subsidiary of the Australian packaging group Amcor Limited. (12)

HIAG Data and SIX plan a strategic partnership for Secure Swiss Cloud Services
HIAG Data and SIX have announced a strategic partnership, which will offer a highly secure Swiss Cloud Service for customers in the finance market and build on the latest standards, regulations and functionalities in terms of Swissness, compliance, security, scalability and performance.

Strategy and Sustainability

Organisation and management structure

Company culture

HIAG combines the strengths of a family-owned company with the financial clout of a listed group. It's company culture is characterised by trust, transparency and dialogue, based on lean structures with short decision-making paths. This allows HIAG to react quickly to changing market conditions and to seize opportunities.

Management structure

HIAG's sites differ by degree of their integration in macro- and micro-locations, historical background, anchor tenants, mix of uses and development phase. The organisation must also keep up with challenges as site redevelopment progresses. HIAG focuses on direct and personal contact with anchor tenants, the local authorities and other stakeholders at all times. The assigned site developers and the head of portfolio management carry out this role across the entire portfolio. They steer local redevelopment processes, integrating the benefit of their experience and apply their know-how to the entire portfolio in order to bring the entrepreneurial vision of each individual redevelopment into focus. They exchange their perspectives as they develop to concepts for use, positioning, services to enliven entire districts and know-how to efficiently and effectively manage construction. To ensure maximum impact of the network effect, the Managing Board also provides strategic momentum for the redevelopment process across the entire portfolio.

HIAG management structure

Board of Directors

Dr. Felix Grisard	John Manser	Salome Grisard	Dr. Walter Jakob	Dr. Jvo Grundler
President	Vice-President [1, 2]			

Managing Board

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

Extended Executive Board

Site Development				Portfolio Management
Michele Muccioli	Alex Römer	Thorsten Eberle	Yves Perrin	Ralf Küng
Lean Development	Digitalisation	Acquisitions	Director for Western Switzerland	Head of Portfolio Management

1 until Annual General Meeting 2019
2 Balz Halter for election to the Board of Directors at the Annual General Meeting 2019

Strategy

Site redevelopment and infrastructure recognised as value drivers

For HIAG, site redevelopment is the process by which an historical site is reoriented towards a new, very long-term cycle of use. This redevelopment process includes buildings as well as site infrastructure and large-scale access routes, including motorway feeder roads and new suburban railway stations, which have a significant effect on accessibility and long-term densification. Since measures that involve spatial planning take time, active management is a key component in HIAG's business model, often including extensive phases of interim use. The revenue earned in this process is an adequate return on investment in the "land share" of future redevelopment projects, enabling solutions that go beyond the underlying framework. HIAG thus uses the time factor as a strategic lever and scales its investments in intangible assets over several generations.

At a glance: What makes HIAG unique

Development pipeline with approximately CHF 2 billion in additional investment potential

41 sites with an average surface area of 42'000 m²

Ability to handle complex transactions

Family company with over 140 years of history

Expertise in analogue and digital infrastructure

Industrial roots that have shaped the company culture

HIAG's strategy focused on long-term ownership

In addition, HIAG increases the attractiveness of the districts by supporting and actively shaping the development of a range of local services, and is able to turn investments into higher earnings due to the low vacancy risk. The buildings that are created not only pay interest on the corresponding construction costs, but also on the intangible value developed through the land share.

Untapped potential of “land bank”

HIAG has a site portfolio with 2.7 million m² of land area at more than 40 sites in Switzerland. In addition to its existing property portfolio, HIAG plans to establish approximately 700’000 m² of additional usable area in roughly 50 redevelopment projects in the short, medium and long term with an investment volume of over CHF 2 billion. This large “land bank” offers potential that HIAG continuously takes advantage of by transforming interim uses into redevelopment projects. More than 90% of the HIAG portfolio is located in the core market regions of Switzerland in the economic catchment areas of Baden/Brugg, Zurich/Zug, in Northwestern Switzerland and Geneva. The scarcity of land resources in these regions underscores HIAG’s responsibility to convert and consolidate these former industrial sites to allow more comprehensive use.

Employees as factors of success

HIAG employees live out the company culture and contribute to the overall success of the company with their high degree of specialisation. With this in mind, HIAG actively promotes training and continuing education. Between 2015 and 2018, eight out of a total of 62 employees completed HIAG-sponsored continuing education programmes, including multi-year study programmes and additional qualifications. At all its sites, HIAG strives to implement reasonable work requirements, fair wages and attractive working conditions.

Value added through brand management

Consistent, value-based actions at the sites create trust in the organisation and the HIAG umbrella brand. This presence interacts with site and project brands. Site brands persist in the long term and are implemented as identity-creating elements. Project brands play an important role in the positioning and sale of sites; they also remain visible after the completion of a project. In addition, flexible communication modules are available like a toolbox to drive responsivenes and clout through all communication levels.

Performance, security and availability

HIAG’s subsidiary HIAG Data makes cloud service technology available to independent partners on a high-performing multi-cloud platform that meets the highest requirements and technological standards. It supports the migration of stand-alone IT solutions to highly flexible multi-cloud platforms and enables attractive new business models, particularly for companies in the finance, insurance, health and media industries.

Sustainability

Sustainable value creation is at the heart of HIAG's site redevelopment vision. As the long-term owner of the sites, HIAG shapes districts at the intersections of important traffic routes. The challenge lies in understanding the identity and "soul" of a site and transforming it so that it remains at the heart of the districts, thus preserving the environment for future generations. HIAG effectively helps counteract the pressure of urban sprawl.

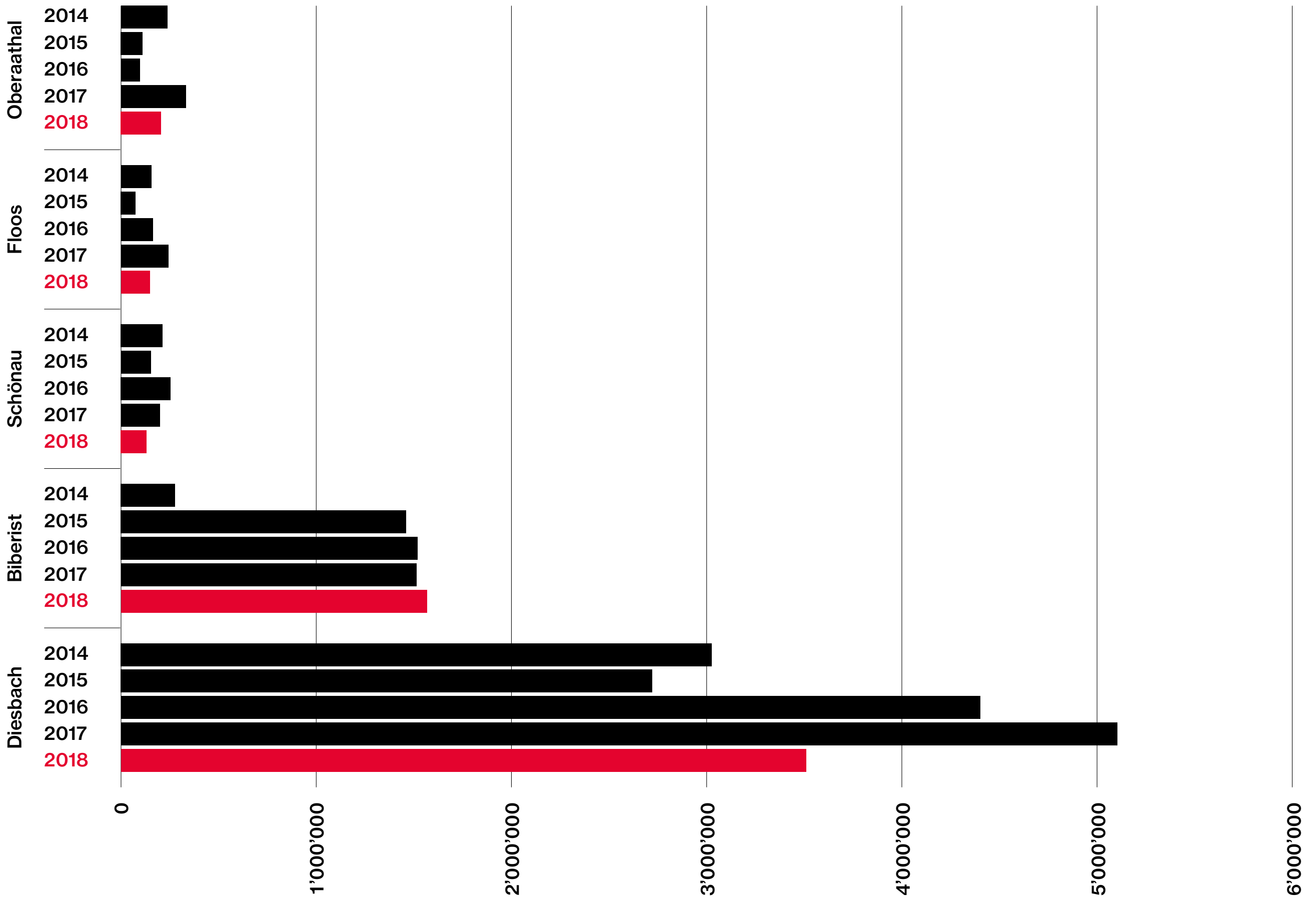
The fourth industrial revolution has triggered an unprecedented global change. For HIAG and for Switzerland, this transformation process offers unique opportunities to help shape the framework for a process that, as in the early 1700s, began with the division of labour and led to an enormous drive for innovation under the influence of the Enlightenment's major figures. Switzerland's considerable economic strength, political stability and tourist appeal give HIAG the ability to engage in initiatives and projects at its sites that have a global impact.

The merging of HIAG's values with its social responsibility can also be seen in the sustainable development goals formulated in the 2030 agenda of the United Nations, which serve as HIAG's guidelines. Thus, HIAG's sites can become centres of meaningful entrepreneurial initiatives and serve as a framework for a technology-based renaissance: infrastructure, innovation and production capacity deliver solutions for future generations.

Environmental sustainability

Hydroelectric power

Some of HIAG's sites are located on the courses of rivers, and have hydroelectric plants that were important energy sources for previous industrial operations. Due to their integration in site structures, HIAG has gradually taken over the operation and maintenance of these facilities, repairing and modernising the plants in recent years. Today, they are being used again to produce electricity at three sites in the Zurich highlands, in Biberist and in Diesbach. In 2018, five small hydroelectric plants with an installed capacity of about 2 MW generated a total of about 5'670'961 kWh of electricity from renewable energy, which corresponds to the average annual requirement of about 1'400 homes. The 2018 output in Diesbach corresponds to only 8.5 months, as the turbine was out of service for quite some time following a fatigue break. Furthermore, due to the hot summer and the correspondingly low water levels, the hydroelectric plants in Biberist (SO), Schönau (ZH), Floos (ZH) and Oberaathal (ZH) produced less energy or were idle.



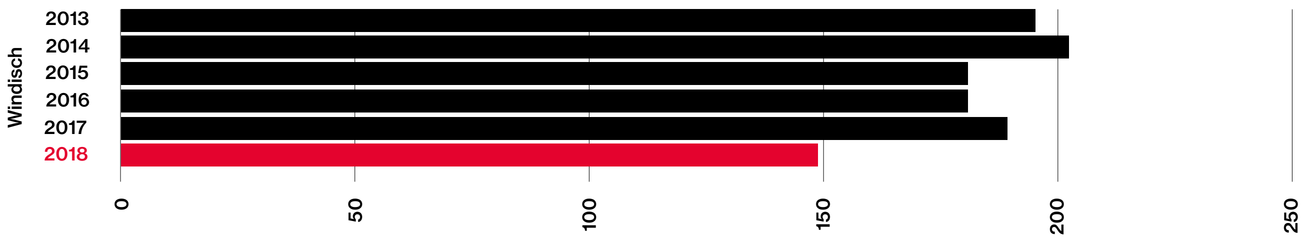
In Aathal (ZH),hydroelectricity is important for both the canton of Zurich and the historic preservation office. Three of the 12 power plants in the hydroelectric power chain that stretches through this region are expected to receive renovation subsidies from the canton in the medium term based on a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

Photovoltaic facility

On the roof of the former recruitment centre at the Kunzareal site, HIAG installed one of the largest photovoltaic facilities in the Brugg-Windisch region, with electricity production of 149 MWh from 794 modules with a surface area of 1'300 m². Since 2013, approximately 573 tons of CO_2 emissions have been saved, as at the end of 2018.

For new buildings, HIAG always checks whether the roof areas are suitable for solar panels and whether the energy produced can be used locally or stored.

Annual production of photovoltaic in MWh



Energy standards

When creating housing projects, HIAG pays attention to the careful use of resources and strives to optimise the energy footprint, taking into account the needs of future residents throughout the entire cycle of use. The certification approach varies depending on the starting point with regard to use, anchor tenants and existing building structure. In recent years, HIAG's structures have received Minergie and LEED certifications, and for protected building structures, GEAK certification.

Company mobility

HIAG promotes the use of public transport and therefore does not provide a fleet of vehicles for its employees. Employees who need to travel frequently receive general or half-fare transport passes. Employees also have access to Mobility Carsharing, and those who travel often by train or who work at various sites receive mobile technical equipment. HIAG also supports mobility vehicle stations at its sites whenever possible.

Social sustainability

Architecture and urban planning

Site redevelopment is an intensive communication task in which the requirements of policies, historic preservation, existing users, the local public and sometimes organisations must be taken into account, in addition to the legal conditions for construction and planning. In order to deal with these complex interests, competitions are held by invitation for urban and master planning. Interests are recognised and dealt with by means of concrete contributions in multi-level processes and in committees where important stakeholders are represented. HIAG can thus reconcile its entrepreneurial vision for the site directly with the parties involved while introducing proposals featuring premium urban planning and architecture into its processes. Since HIAG remains the sites' long-term owner, elements of operational strategy can also be introduced very early on, in order to support the development of an independent identity at each site and to spark new life and vibrancy in the districts.

Cooperation with educational institutions

HIAG fosters exchanges with educational and research institutions and supports task-specific cooperation with universities in the context of site redevelopment. In this way, students are given the opportunity to put theoretical knowledge into practice. In recent years, there have been cooperative programmes with the Swiss Federal Institute of Technology (ETH) in Zurich in the field of architecture, Lucerne University in the field of interior design and the University of Applied Sciences of North-West Switzerland in the field of energy and environmental technology. In addition, HIAG supports employees who work on specific topics as guest lecturers at universities such as the University of Zurich and Lucerne University.

Economic sustainability

A focus on client needs

From HIAG's perspective, all direct and indirect site users are clients. This includes our tenants' customers and employees as well as their ecosystem. HIAG views long-term redevelopment projects from the future client's perspective coming to learn, for example, that even properties that are initially occupied by one tenant should accommodate multiple tenants. HIAG's insights also have an influence on the development of different services for district, including the creation of green spaces that serve as places of identity, the conversion of historic buildings and the targeted use of art.

A partner for the Swiss workplace

For HIAG, site redevelopment also entails the strengthening of the Swiss workplace. HIAG's commercial tenants include well-known, major corporations such as ABB, Brugg Rohrsysteme, Doka Schweiz, Hewlett Packard Enterprise, HP Inc., Media Markt, Jeld-Wen and Stadler Rail. HIAG places great value on close relationships with industrial anchor tenants. HIAG benefits from its expertise in the redevelopment of industrial structures required by its own history.

HIAG also puts the considerations of local businesses first when redeveloping sites. Whenever available, local suppliers are always invited to the tendering process and can become part of local development. Even the sites' management is carried out largely in cooperation with local service providers or with HIAG's own teams on-site.

Strategy and Sustainability

UN’s Sustainable Development Goals

● UN’s Sustainable Development Goals 2030
● thereof HIAG objectives

The following HIAG sites pursue the UN’s Sustainable Development Goals:

	Dietikon Site	Areal Meyrin	Legler Site Diesbach	Papieri Site Biberist	St. Margrethen Site
7 Affordable and clean energy	●	●	●	●	
8 Decent work and economic growth	●	●	●	●●	●
9 Industry, innovation and infrastructure	●	●●	●●	●●	●●●
11 Sustainable cities and communities	●	●	●●	●●	●●
12 Responsible consumption and production			●	●●	
13 Climate action		●			
15 Life on land		●		●	
17 Partnerships for the goals	●	●	●●●	●●	●

● identified HIAG contributions to UN’s Sustainable Development Goals

Pursuit of UN sustainability goals

Papieri Site Biberist

HIAG leverages digital entrepreneurship for site redevelopment

The activity of the Biberist paper factory has had a lasting impact on the site. Its impressive structures bear witness to this past cycle of use. With the dismantling of the paper machines and the freeing up of floor space, the path is now clear to connect the immense potential of this industrial site to the performance of the HIAG Data infrastructure.

Today, startups at the Biberist site are launching and scaling transnational business models of the fourth industrial revolution based on the creation of intangible value, intellectual property, digital swarms and the UN's Sustainable Development Goals. Only 1% of the building's surface area is currently being used for this. These innovative startups include a company that produces 3D printing solutions for applications in professional sports, mobility and securing clean drinking water in developing countries, an eSports leisure centre with a venue for eSports tournaments and cloud-supported high-end simulators for racing. With the arrival of the logistics company Sieber Transport, the site can now offer globally-oriented companies a seamless connection to a high-performance international supply chain.

HIAG has positioned the Biberist site as a destination for startups that are building their business models on new technologies, including big data, artificial intelligence, data security and high-performance network connections. These advances, the operational data infrastructure and the planned construction projects are consistent with six of the 17 Sustainable Development Goals of the UN.

Legler Site Diesbach

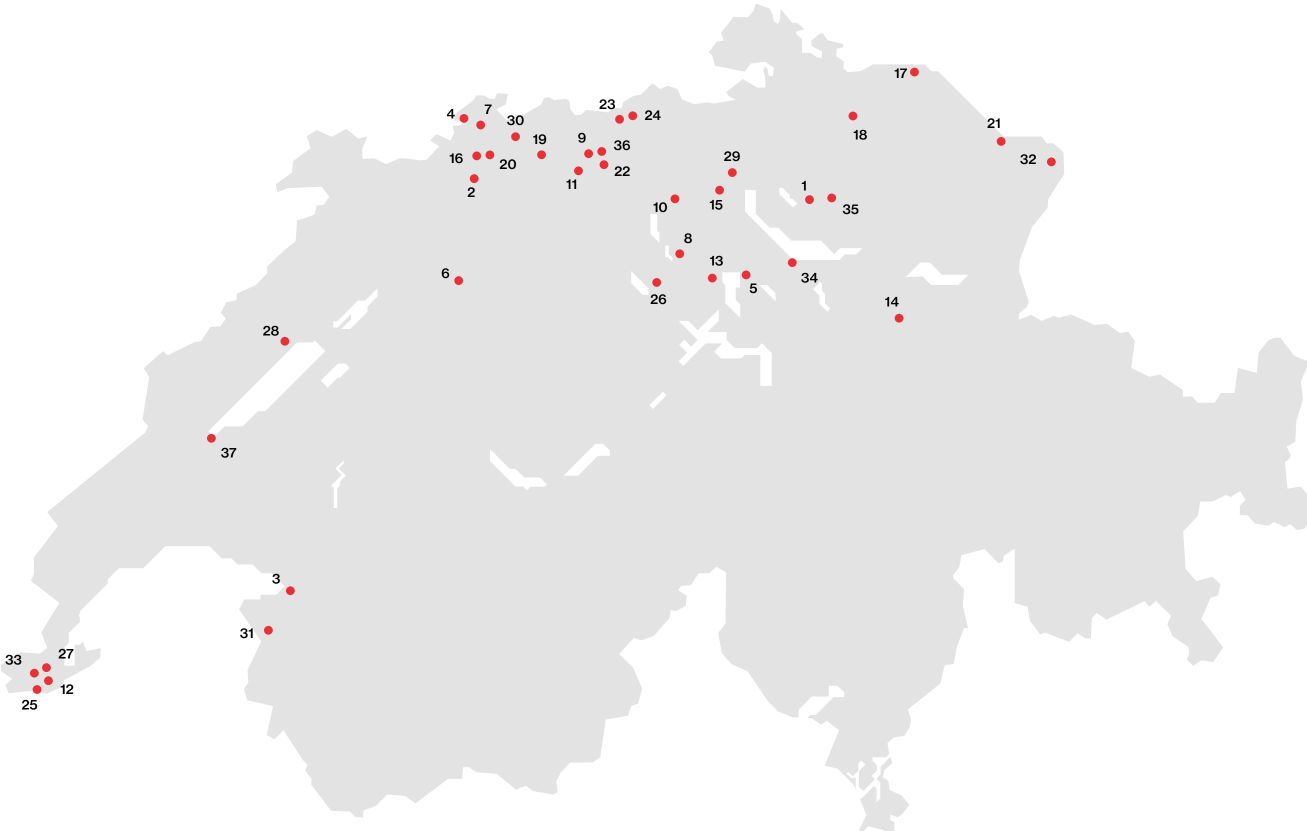
Pioneers of industrial development

At the Legler site, pioneers of the previous industrial revolution once installed the first light bulbs, commissioned one of Switzerland's first hydroelectric power plants and supplied denim to all of Europe. HIAG has chosen Alpine Co-Working as a partner at this site in order to make it a retreat, offering the workforce of large corporations and organisations a place to rethink and redesign their business models, and enabling companies to confront the challenges of the digital economy and the fourth industrial revolution.

The project at the Legler site will meet the retreat requirements of established companies, which until now have gone to boutique hotels and spa resorts, or created their own resort locations. The upcoming transformation corresponds to this fast growing trend. In addition to rooms for workshops and events, the site offers quality accommodation and catering facilities, and will be suitable for business and family events with up to 150 guests. At the same time, it will become an "alpine hub" for today's digital nomads.

With this strategy, HIAG combines core sustainability values with an investment in historically valuable building structures, while activating local businesses, supporting the development of the entire region and taking into account six of the UN's Sustainable Development Goals (see table).

Site Redevelopment Locations

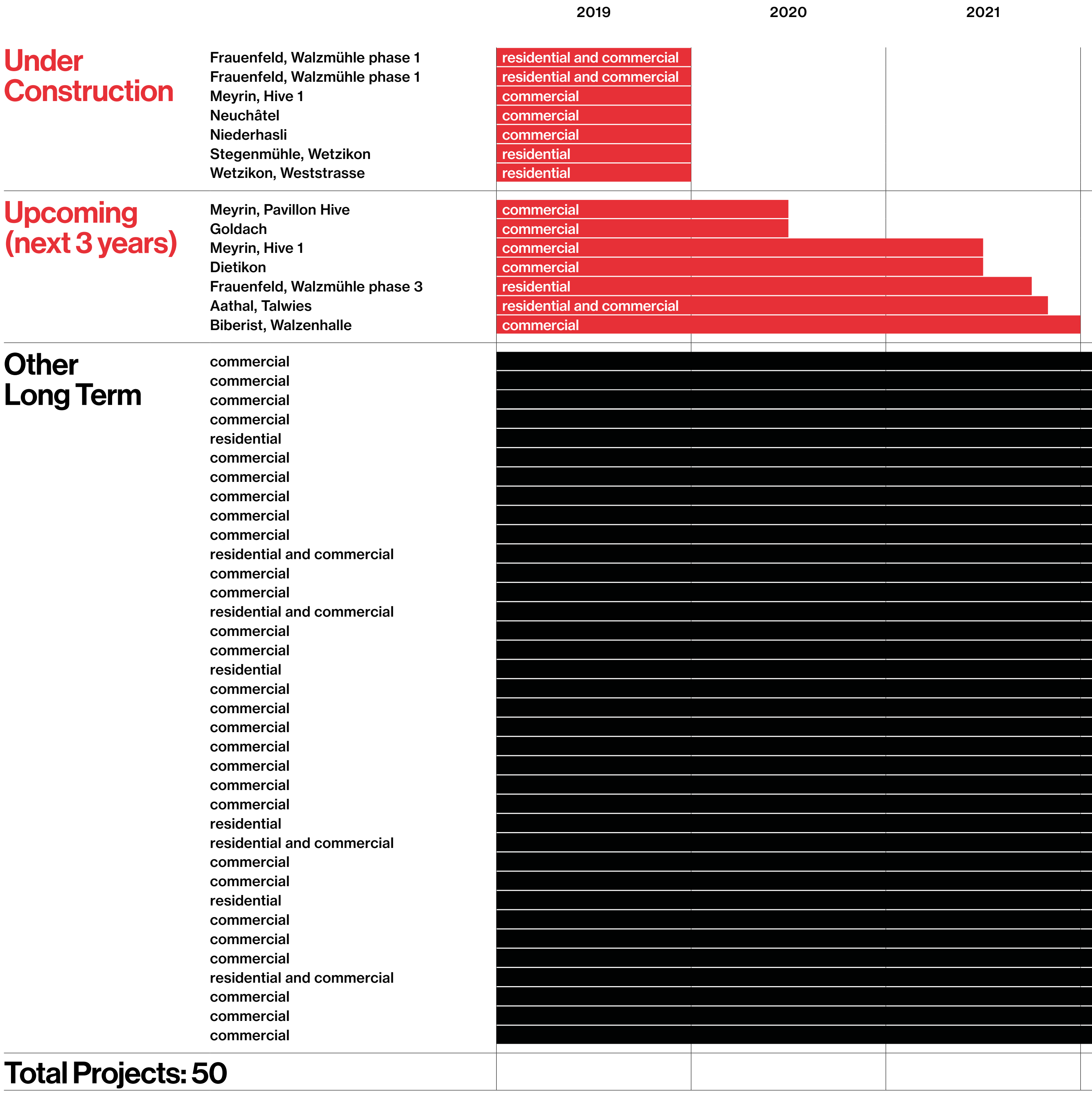


1 Aathal
2 Aesch
3 Aigle
4 Allschwil
5 Baar
6 Biberist
7 Birsfelden
8 Bremgarten
9 Brugg
10 Brunegg
11 Buchs
12 Carouge
13 Cham
14 Diesbach
15 Dietikon
16 Dornach
17 Ermatingen
18 Frauenfeld
19 Füllinsdorf
20 Gempen
21 Goldach
22 Hausen/Lupfig
23 Kleindöttingen
24 Klingnau
25 Lancy
26 Menziken
27 Meyrin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

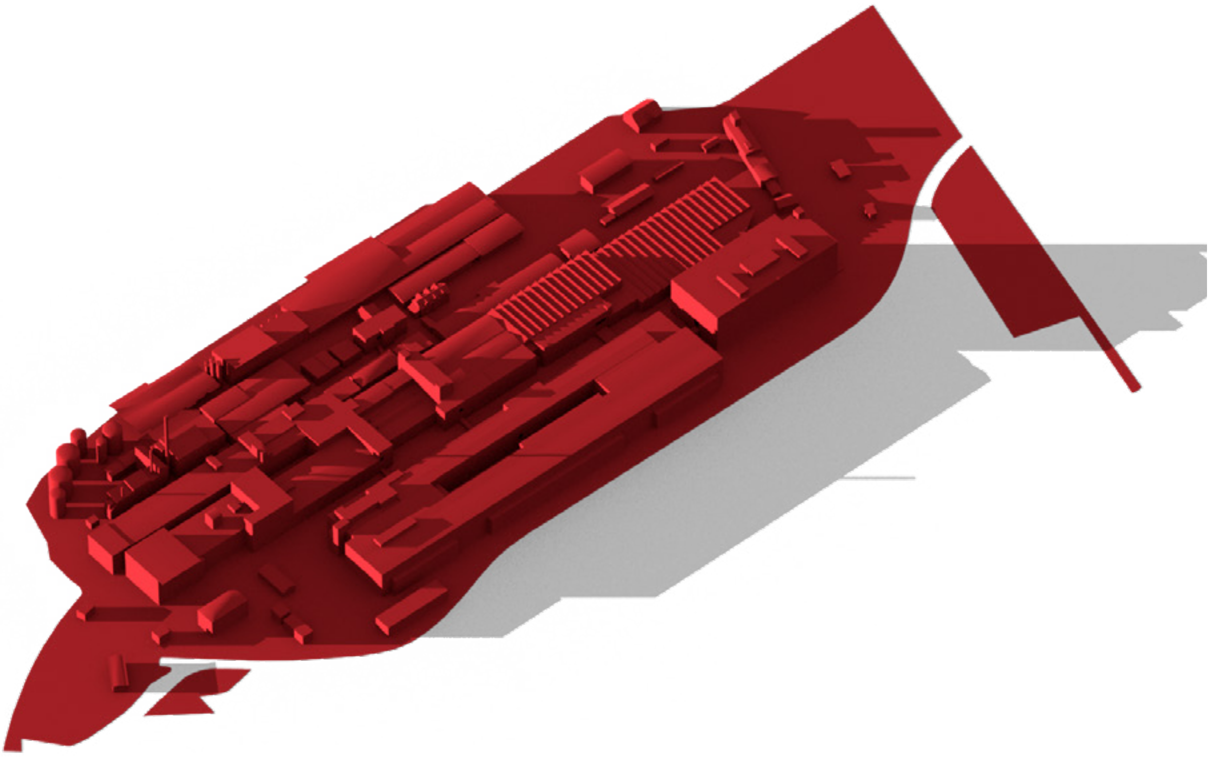
Site Redevelopment Locations

1	Aathal	368’000 m²
2	Aesch	36’000 m²
3	Aigle	12’000 m²
4	Allschwil	2’000 m²
5	Baar	9’000 m²
6	Biberist	357’000 m²
7	Birsfelden	18’000 m²
8	Bremgarten	21’000 m²
9	Brugg	45’000 m²
10	Brunegg	43’000 m²
11	Buchs	18’000 m²
12	Carouge	11’000 m²
13	Cham	40’000 m²
14	Diesbach	61’000 m²
15	Dietikon	39’000 m²
16	Dornach	137’000 m²
17	Ermatingen	31’000 m²
18	Frauenfeld	21’000 m²
19	Füllinsdorf	16’000 m²
20	Gempen	89’000 m²
21	Goldach	64’000 m²
22	Hausen/Lupfig	62’000 m²
23	Kleindöttingen	188’000 m²
24	Klingnau	71’000 m²
25	Lancy	9’000 m²
26	Menziken	11’000 m²
27	Meyrin «The Hive»	43’000 m²
27	Meyrin Grand-Puits	10’000 m²
28	Neuchâtel	11’000 m²
29	Niederhasli	56’000 m²
30	Pratteln	32’000 m²
31	Saint-Maurice	33’000 m²
32	St. Margrethen	84’000 m²
33	Vernier	5’000 m²
34	Wädenswil	11’000 m²
35	Wetzikon	113’000 m²
36	Windisch	29’000 m²
37	Yverdon-les-Bains	20’000 m²

Project Pipeline



Papieri Site Biberist



The startup and eSports scene bring out the best in the Papieri site

HIAG's revised master plan for the Papieri site in Biberist is now undergoing the canton's preliminary examination and the public participation phase. Until the master plan becomes legally binding, which can take one to two years, HIAG continues to concentrate on seeding future success through lively interim use.

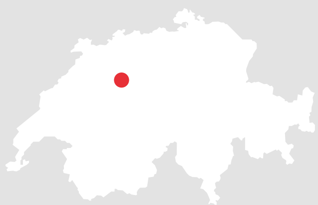
Site Redevelopment
Papieri Site Biberist

HIAG is resolutely pursuing its goal of creating a distinctly entrepreneurial and innovative site in Biberist where different companies bring new concepts to life. The last paper machines of the former Papieri site paper plant have been sold, and by mid-2019, HIAG will be free to tackle the revitalisation of the entire site. Currently about 80% of the available surface area in Biberist is being used, and between 100 and 150 jobs have been created at the site. The new tenants include an innovative 3D printing company, for example, which produces custom parts for the downhill bike scene, among other things.

In the final phase, the Papieri site will be incorporated into Biberist as a new quarter with a lively mix of retail space, offices, unobtrusive businesses, many options for leisure activities and apartments. The Papieri site's proximity to the railway station is also considered to be an advantage. In addition, the area of the Papieri site adjacent to Biberist is part of a residential zone, thus providing many opportunities for independent development towards the centre of the municipality.

The plan to establish an eSports hub at the Papieri site will provide new momentum and an attractive force that will spread beyond the municipality of Biberist to the entire region. STARK eSports, a leading European eSports agency, was secured as a partner that wants to put Biberist on the map in the eSports scene. Regular eSports events involving Swiss leagues will start in Biberist this year.

Papieri Site Biberist



Total surface area:	791'000 m²
Industrial land:	312'000 m²
Project status:	
Site developer:	Michele Muccioli

Project status: Acquisition – **Planning** – Creation – Occupancy

Sustainability

- Use and preservation of the hydroelectric plant at the site
- Sustainable master planning respects established uses and structures during the temporary use phase
- Preservation of "grey energy" through conversion of existing plant
- Restoration and clean-up of the Emme river by the canton

Strategy and Sustainability on page 21

The influence of eSports extends beyond the region

Five questions for Martin Wyss,
Managing Director of STARK eSports GmbH

1

What are eSports?

eSports is the term for various video games that are played on a competitive level. Teams and individual players compete against each other under tournament conditions. eSports is now considered the fastest growing market in the sports and entertainment industry in terms of audience figures.

2

With its subsidiary “skilled”, STARK eSports would like to build an eSports centre in Biberist. What are your plans?

Our goal is to bring different target groups to the Papieri site. That includes gamers, eSports athletes, tournament audiences and startups from the entertainment, eSports and technology sectors.

3

What opportunities does eSports offer partners such as Ringier or HIAG?

eSports makes it possible to access the young generation. The most recent studies show that people born between 1997 and 2012, what we refer to as “Generation Z”, consume more than six hours of various content daily, but only 20% of this content is read. eSports makes it possible to zero in on this target group.

4

How will you proceed?

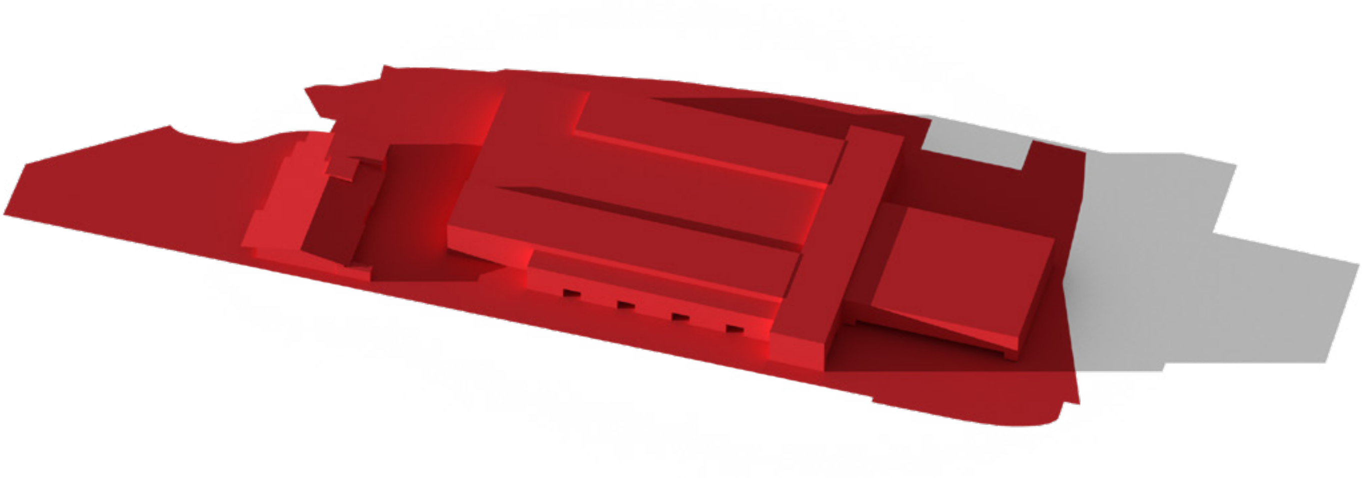
First of all, we will establish our own tournament series. A tournament will take place every month in Biberist, in which up to 200 players will participate and compete in various video games. They will be able to win prize money of up to CHF 3’000 per tournament and title. That is the first step in placing Biberist in the eSports scene. We also want to build a junior academy dedicated to the themes of youth, gaming and addiction. In addition to the academy, we will offer a boot camp location for teams that want to prepare themselves for eSports competitions in Biberist. In our opinion, the Biberist site is ideally suited for a leisure centre based on the theme of eSports.

5

What will the future hold for Biberist?

I am convinced that our project can have a strong influence on the development of the Papieri site. As an eSports centre with an academy and gaming centre, it will have a positive impact that will radiate throughout the region and beyond. For the first time in Switzerland, a large eSports hub will be created at the Papieri site where tournaments and other exciting events will take place. Our tournament series will be sponsored by Ringier for the 2019 season. Ringier will report on the events regularly. And our main goal is to be able to run our own eSports team in Biberist that participates in the top tournaments internationally.

St. Margrethen Site



Long-term site redevelopment in St. Margrethen

St. Margrethen (SG), where HIAG was founded in 1876 as a timber trading company, is home to the HIAG site with the longest strategic planning horizon so far. Construction rights for approximately 70'000 m² of a total of 100'000 m² were transferred to Stadler Rail until 2080, thus harmonising the duration of use of two adjoining sub-sites in St. Margrethen. This configuration creates long-term development potential for St. Margrethen and the Rhine valley region.

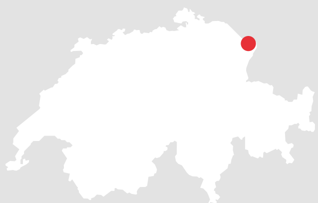
Stadler has made long-term plans for St. Margrethen and will be generating two generations' worth of economic momentum for the whole region. Between the end of 2019 and the spring of 2020, a major share of Stadler Rail's current production will be transferred from nearby Altenrhein (SG) to the new manufacturing plant in St. Margrethen. With approximately 900 employees, the site is slated to become the Group's competence centre for KISS double-decker multiple-unit trains. Stadler Rail will also build tramways and other railway vehicles for the Swiss and international markets in St. Margrethen. In addition, an engineering department with approximately 250 highly qualified employees will provide services for the entire Stadler Group.

Site Redevelopment
St. Margrethen Site

Commitment to the Swiss workplace

Stadler's choice of St. Margrethen is seen as a clear commitment to the Swiss workplace. During the evaluation phase, the municipality in Eastern Switzerland distinguished itself from lower-cost locations in Eastern Europe. Stadler's Board of Directors chose St. Margrethen because substantial efficiency gains at the new plant will enhance Stadler Rail's competitiveness in international markets in the long run, while maintaining production costs on a level similar to that of Altenrhein. Other advantages of St. Margrethen include the fact that the "Altfeld" site already has a rail connection, and the new Stadler plant, which is situated directly behind St. Margrethen railway station, will therefore offer quick and easy connections to the public and private transport system.

St. Margrethen Site



Total surface area:	100'000 m²
Usable area Stadler Rail:	70'000 m²
Usable area Sieber Logistik:	30'000 m²

Project status:

Acquisition – Planning – Creation – **Occupancy**

Site developer:	Thorsten Eberle

Sustainability

- Enables sustainable industrialisation and supports innovation
- Fosters the creation of highly skilled jobs and supports the economic development of the region
- Accompanies sustainable production patterns

Strategy and Sustainability on page 21

Site Redevelopment St. Margrethen Site

An economic boost for the whole region

Five questions for Reto Friedauer, Mayor of St. Margrethen

1

What does Stadler's arrival mean for St. Margrethen?

Stadler's arrival will lead to a high-quality, forward-looking redevelopment of the "Altfeld" site in close proximity to the railway station. We are expecting a major boost to our communal development.

2

What has your experience been of the collaboration with HIAG?

We have been working with HIAG for more than 10 years. I consider this cooperation to be solution-oriented and based on a spirit of partnership. We have overcome difficult situations, resolved complex development tasks, experienced professionally and legally challenging appeal procedures and coped with setbacks. In the end, by joining forces, we have managed to develop a high-quality use for the exceptionally located "Altfeld" site.

3

How will the arrival of Stadler affect St. Margrethen?

Stadler's move to St. Margrethen will lead to a high-quality, forward-looking redevelopment of the "Altfeld" site adjacent to the railway station, and is already a driving force for development of the area. In addition, our relationship with Stadler opens up new perspectives for the neighbourhood and will bring new life to the municipality. Thanks to this transfer, St. Margrethen will benefit from approximately 900 new, high-quality jobs. I expect a positive impact on local businesses and tax revenue in St. Margrethen.

4

What has St. Margrethen contributed in support of the arrival?

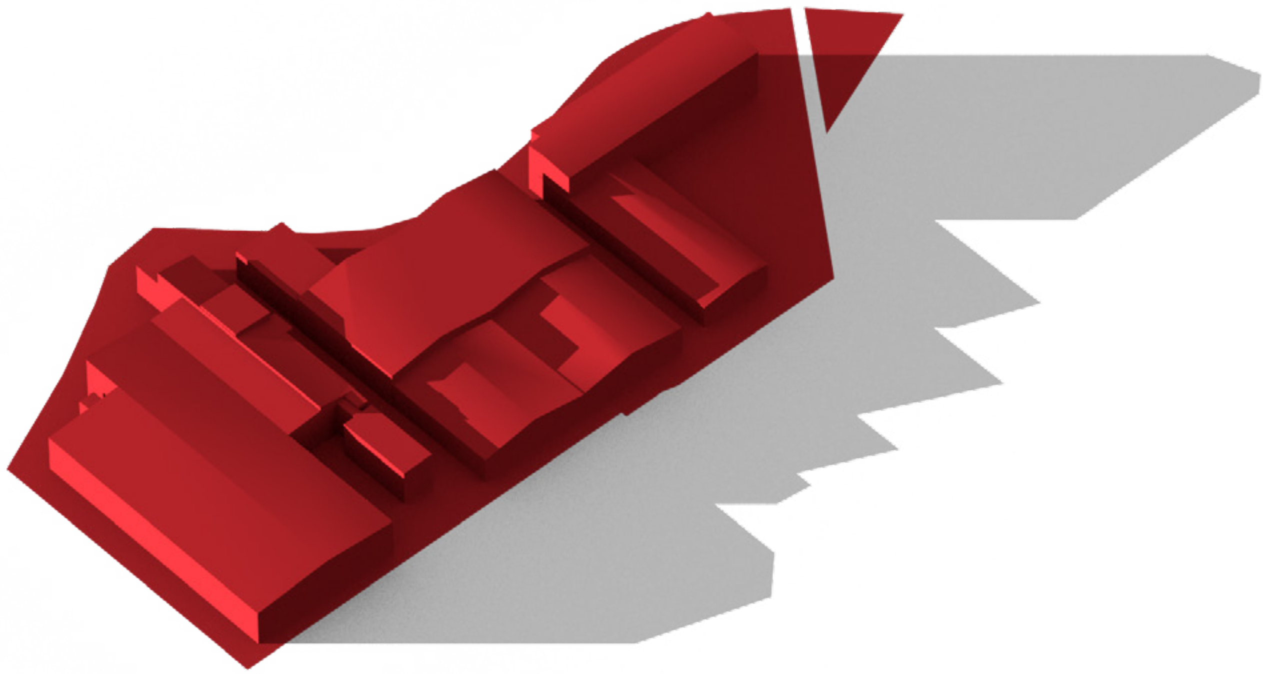
The municipality of St. Margrethen has invested considerable human and financial resources into successful site redevelopment, first with the "europuls" quarter project, which could not be implemented, and now with the arrival of Stadler. We conducted two rezoning and special land use planning procedures, as well as complex appeal procedures. We also delivered major advance services to expand upstream supply and connection infrastructure. Finally, in 2019/20, we will be building a pedestrian and cycle bridge from the railway station to the "Altfeld" site. As a new, barrier-free, non-motorised transport connection, it will offer a convenient access route over the rail line to the Stadler plant for 300 to 400 people per day. HIAG is supporting this bridge with a significant investment contribution.

5

What potential do you see for St. Margrethen's long-term development?

St. Margrethen has good prospects for the future. We are part of the high-performing and export-driven economic catchment area and habitat of the Rhine valley. The arrival of Stadler will further enhance St. Margrethen's profile as an attractive place to live and work in an urban agglomeration.

Dietikon Site



Retail site with long-term potential

Anyone passing by the Dietikon (ZH) exit on the A1 motorway will see the HIAG site at the Silbern industrial area, which can be reached from the motorway directly: a flourishing retail site with well-known specialist retailers such as Media Markt, Otto's, Reno, Fressnapf and Lipo.

The Silbern site, located in the middle of the lively "Limmatstadt" between Baden and Zurich, has a bright future ahead of it. The dynamic region is exceptionally well connected in terms of transport, both by private transport and via the city bus line, and soon with its own stop on the planned Limmattal suburban train line, which will connect the western part of the city of Zurich with the municipalities of Schlieren, Urdorf, Dietikon, Spreitenbach and Killwangen-Spreitenbach. Limmattal is one of the fastest growing regions in the Zurich area, where strong population and job growth is expected in the coming years, and HIAG's approximately 39'000 m² site is located right in the middle. In the past, when HIAG was still active in the timber industry, the Bauwerk-Parkett site was used for storage. Today, HIAG's Dietikon location is a vibrant retail site with long-term potential.

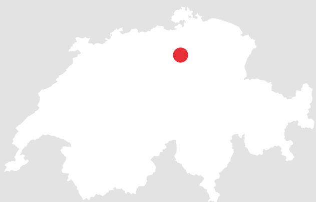
The future positioning of the Dietikon retail site still depends on the impact of the development of the Limmattal suburban train line. Instead of rebuilding the entire site in one fell swoop, the site will be upgraded step-by-step within the existing structure. Leases with anchor tenants such as Media Markt have been extended on a long-term basis.

Site Redevelopment Dietikon Site

During the change of tenants from Lipo to XXXLutz, HIAG is planning a partially new building at the 20’000 m² site with good visibility from the motorway, as well as the conversion of the existing building. Starting in 2021, the new building will set the tone for further redevelopment of the site. With its own restaurant and roof terrace, the building for XXXLutz should become a lively meeting place in the Silbern area.

“The Dietikon site is very well established as a specialist retail site in the commercial landscape and will be able to hold its own in the competition against online business,” says HIAG’s Thorsten Eberle, in charge of the site’s redevelopment. “The change at our Dietikon site meets customer expectations: less surface area for product presentation, but more room for a broadly diversified offering of eateries and meeting places in the area. It is apparent that we have been successful in Dietikon despite the difficult retail context,” he adds.

Dietikon Site



Total surface area:	38’700 m²
Office area:	3’900 m²
Commercial space:	1’400 m²
Retail space:	23’600 m²
Area for leisure and culture:	5’700 m²
Storage area:	3’000 m²
Parking spaces:	550
Project status:	Acquisition – Planning – Creation – **Occupation**
Site developer:	Thorsten Eberle
Portfolio Management:	Ralf Küng

Sustainability

- Re-use of the existing building for the project XXXLutz
- Upgrading of the outdoor spaces and site branding with signage to the benefit of all users at the site

Strategy and Sustainability on page 21

Site Redevelopment
Dietikon Site

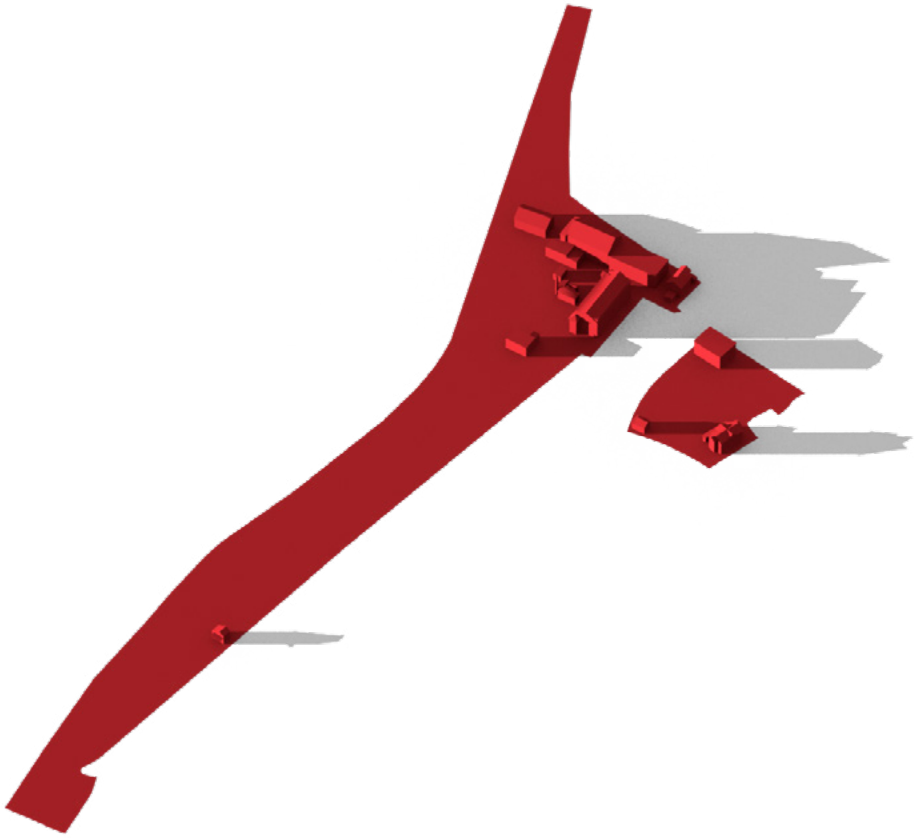
Optimised structures provide an improved shopping experience for the customer

In 2018, HIAG again invested in the overhaul of the site's visual identity to facilitate access to shops. Outdoor seating improved visiting conditions, and all users at the site benefit from the standardisation of direction and location signs. "We view the Silbern area as a whole. What counts for us is that the overall concept works," explains Thorsten Eberle. "This will also be visible and palpable with the new building for XXXLutz."

Partner in a dynamic region

The Silbern area is located in the heart of the dynamic economic catchment area of Limmattal, between the Altstetten quarter of Zurich and Killwangen-Spreitenbach. With the construction of the planned "Silbern" Limmattal train/suburban train line, the area will become even more attractive, and redevelopment will be boosted with HIAG as an active participant.

Legler Site Diesbach



A meeting point for today's nomads

The Legler site is becoming a point on the map of an international community of world citizens, who shape their lives in unique places in accordance with their vision. Tucked away in a green valley, the former Legler & Co. weaving mill in Diesbach (GL) is being redeveloped as a getaway location with a unique atmosphere for company meetings and retreats.

The Legler site in Diesbach is waking up to a new life. Since 2001, the original weaving mill site of Legler & Co., which was founded in 1856, has been slumbering at the foot of one of the last waterfalls in the Glarus region, the "Stüber" as Diesbach locals call it. The site, acquired by HIAG in 2012, is now waking up thanks to the young company Alpine Co-Working, operated by the environmental scientist Isabelle Behrens and the trained hotel manager Robert Pfadt. The pair gained experience as co-working event organisers for companies and individual groups at 21 retreat sites and for a total of 600 participants. Now they have settled in Diesbach with a fixed retreat location at the Legler site. A peaceful haven is being created there for creative processes and efficient working in small and large groups.

Site Redevelopment
Legler Site Diesbach

An oasis for body and mind

The offering at the Legler site seeks to meet the needs of today's nomads, who work in the digital world and are not tied down to a fixed location. The Alpine Co-Working concept reflects this work culture in which people come to places where like-minded people meet and with whom they can develop and implement projects together. Everything's been thought of at the Legler site: since eating and drinking well are as important for well-being and performance as atmosphere and relaxation, the Legler site will offer specially designed accommodation, work and leisure facilities and a restaurant that serves healthy, balanced meals. All this while being surrounded by the pristine nature of the Glarus region, where visitors can take a refreshing walk at any time of year.

Long-term perspectives

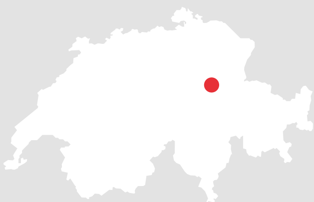
"We are continuing to plan for the long term," said HIAG site developer Alex Römer. "Alpine Co-Working and HIAG will be taking the Legler site into the future together." HIAG remains the owner and redeveloper, while Alpine Co-Working will foster new life at the Legler site as a tenant. It is important for both partners that the charm of the former Legler & Co. weaving mill is fully preserved. If everything goes according to plan, the Legler site will begin its new life in 2019 with the first working groups.

Site Redevelopment
Legler Site Diesbach

A project with an international impact

This new beginning at the Legler site with the help of its innovative users fits into HIAG's strategy. The combination of the existing and the new creates long-term development potential and opens up new forms of use. The team retreats offered by Alpine Co-Working at a picturesque location in Diesbach create a lively mix at this historic site, which is both surrounded by pristine nature and readily integrated into the digital world with its connection to the fastest data highway in the Alps (100 Gbps). The Legler site is turning into an inspiring site with an international reach where modern work methods, contemporary relaxation, lively exchanges and retreats all have room to coexist. A meeting point for digital nomads and artists that offers workshops, company retreats, a venue for parties and a getaway for individual visitors.

Legler Site



Total surface area:	60'000 m²
Event areas:	over 1'000 m²
Restaurant:	210 m²
Hotel rooms:	60
Various creative and break rooms	
Yoga space:	170 m²
Workshops:	150 m²

Project status:

Acquisition | Planning | **Creation** | Occupancy

Site developer: Alex Römer

Sustainability

- Transformation and preservation of protected building structure
- Locally sourced hydroelectric energy
- Support for innovation

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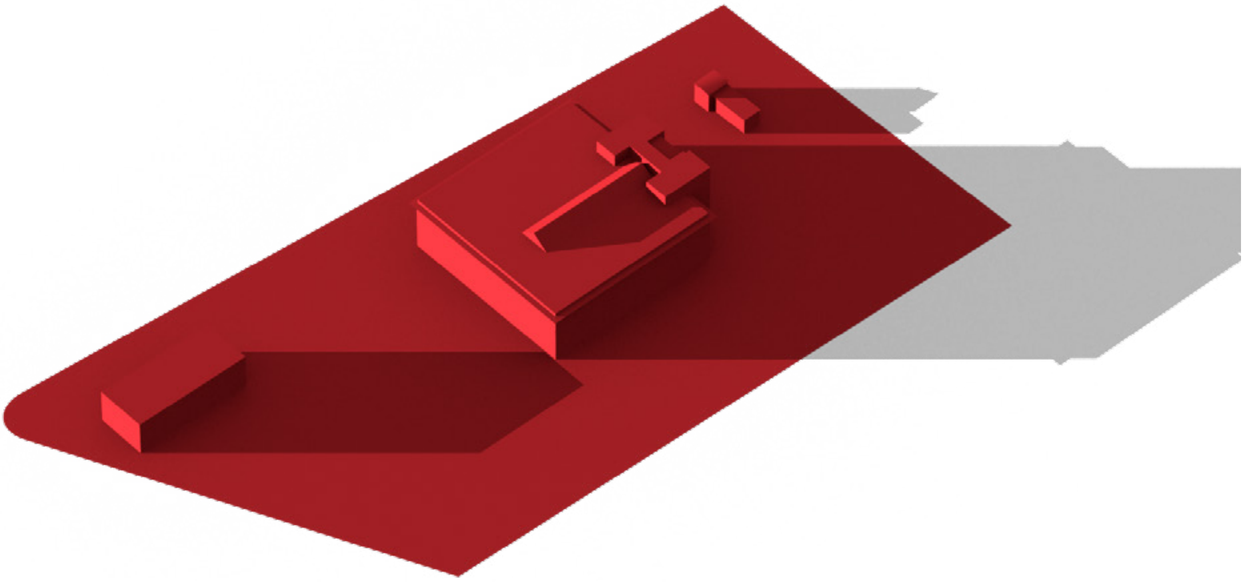
Meyrin Site "The Hive"



High quality working and living conditions that attract top talent

At the heart of "The Hive" campus in Meyrin (GE), a restaurant and training centre with a shady patio area is being built for the dynamic Swiss restaurant chain "Luigia". The new 700 m² pavilion will be a gathering place at the centre of the campus and a bridge to nearby CERN, whose employees are an important target group for "Luigia".

Site Redevelopment
Meyrin Site
“The Hive”

After home-style meals, pasta and pizza are among Swiss people’s favourite foods. The Geneva company Capomondo takes advantage of this preference, mixing up the pasta and pizza market in Switzerland and internationally with its “Luigia” restaurant concept. The first “Luigia” opened its doors in Switzerland nine years ago. Today, there are six “Luigia” restaurants in the French-speaking part of Switzerland. In 2018, Capomondo founder Luigi Guarnaccia and his partner Enrico Coppola opened the first “Luigia” restaurant in the desert emirate of Dubai. In 2019, the first “Luigia” restaurant in German-speaking Switzerland opens in Zurich. The annual turnover of the “Luigia” chain is about 30 million CHF and its current workforce numbers approximately 200 employees.

Like a beehive, HIAG’s “The Hive” campus concept seeks to foster lively tenant networking at the campus, creating the perfect environment for efficient and successful work – a key factor in the attractiveness of a workplace. From the start, a large outside area with many grassy spots was given significant importance. The overall concept of the site reflects the desire to promote communication. The buildings are located around a central square, which is a place to meet, be inspired and relax. The multi-space layout inside the buildings ideally supports the coexistence of various company cultures at the campus.

Site Redevelopment Meyrin Site "The Hive"

New partners and an innovative lighting system at "The Hive" campus

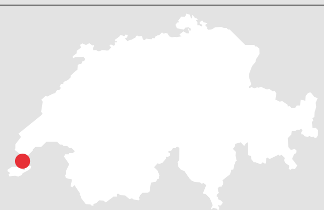
The development of "The Hive" campus in Meyrin (GE) is advancing as planned. With varied, high-quality spaces and an attractive work environment available for established companies and startups, "The Hive" offers its users a wide range of possibilities.

Starting in 2019, and after an extensive building modernisation, Regus, the largest provider of office solutions in the world, will take over attractive offices at "The Hive 1".

Since September 2018, restaurant manager Julien Tordeux and his SV Service team have been offering guests at "The Hive" campus from Monday to Friday a selection of healthy dishes. Two menus, a well-stocked salad buffet, home-made sandwiches and various deserts are offered daily. A peaceful and sunny patio area invites patrons to get together for a chat or simply relax and recharge their batteries.

In 2018, an innovative solar lighting system was installed in the campus car park with a sophisticated technical solution. Each light is fitted with its own control panel and collects the sun's energy during the day, which is stored in a battery and autonomously released via LED lights at night. By using this sustainable technology to change the way we plan our spaces, our site's lighting has adapted to the challenges of the energy transition.

Meyrin Site "The Hive"



Total surface area:	43'000 m²
Usable area "The Hive 1":	8'200 m²
Usable area "The Hive 2":	7'700 m²
Usable area "Luigia":	700 m²
Project status:	
Acquisition – Planning – **Creation** – Occupation	
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" building
- Renovation of "The Hive 1" to preserve the existing building substance and to use the previously harnessed grey energy
- Monitored bee hives as an indicator of the site's environmental quality
- Use of photovoltaics as an energy source

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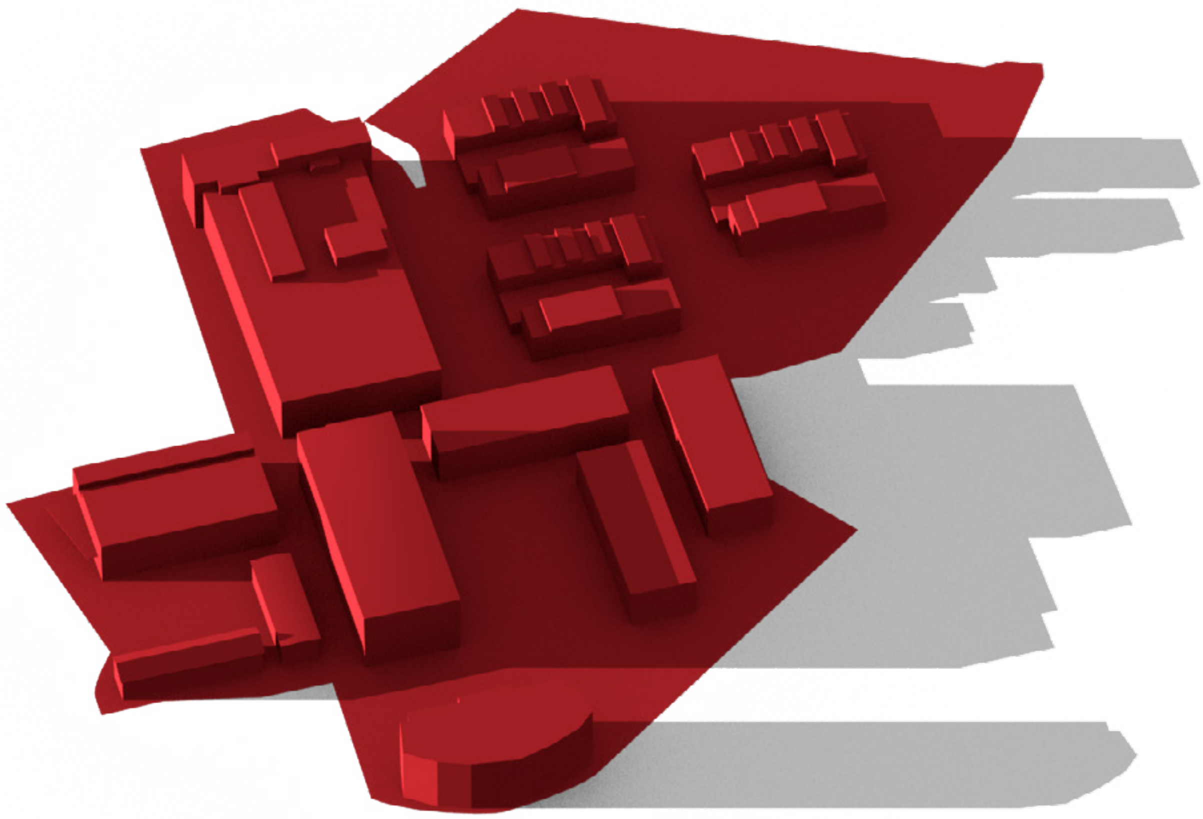
Kunzareal Site Windisch



Attractive infrastructure, excellent neighbourhood

HIAG sees itself as a long-term real-estate partner that focuses on creating lively districts or entire city districts with their own individual character. It places special emphasis on urban planning, political issues, the mix of users, catering facilities, meeting places and shared infrastructure. This is particularly true at the Kunzareal site in Windisch.

In the summer of 2019, the FARO Foundation will move into the new “Spitzmatt residence” for people with disabilities. The approximately 6’500 m² of existing floor space formerly occupied by the Swiss Army Recruitment Centre will be adapted with minor modifications to meet the new requirements. The outward appearance of the property will be only slightly altered. In addition to painting the façade, the two existing elevators will be encased and additional washrooms will be added inside the living areas. A specially designed colour concept will also help orient visitors and make the building feel more like home.

Site Redevelopment
Kunzareal Site Windisch

"About 50 people will call the former recruitment centre their new home, and the FARO Foundation's employees will have a new place to work," says FARO co-director Rosey Schär. "Since we have to leave our current premises at the Königsfelden site due to building projects at the Aargau psychiatric clinic (PDAG), we have found an ideal location at the Kunzareal site."

HIAG's site developer Alex Römer considers the FARO Foundation an ideal partner: "The new residents will benefit from the wide range of activities at the Kunzareal site and the proximity to further facilities, just as they themselves will create attractive added value for the quarter by opening up the gymnasium and the Spitzmatt restaurant to a wider public."

In recent years, a diverse and lively quarter has sprung up at the Kunzareal site in Windisch, a place where people can live and work in an idyllic environment with room for innovative business models. Residents, young entrepreneurs, traditional firms and now also the FARO Foundation benefit from shared infrastructure and good neighbourly relations within the quarter.

Kunzareal Site Windisch

Total surface area:	29'000 m²
Usable area Faro Foundation:	approx. 6'500 m²
Usable area Kunzareal site (total):	approx. 15'500 m²

Project status:

Acquisition — Planning — Creation — **Occupancy**

Site developer:	Alex Römer

Sustainability

- Preservation of "grey energy" through conversion of the existing building as part of the "FARO" project
- Very broad diversification of the mix of users
- Creation of a new quarter
- Photovoltaics as a supporting source of energy
- Environmentally friendly mobility ensured (public transport connections, mobility)

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Site Redevelopment Kunzareal Site Windisch

The new residence creates added value for all

Five questions for Dani Hohler,
co-director of the FARO Foundation

1

How will the FARO Foundation fit into the Kunzareal site?

The FARO Foundation sees the Spitzmatt residence as an integral part of the Kunzareal site and seeks to actively participate in community life. We want to offer attractive added value by expanding the use of the gymnasium and opening up the Spitzmatt residence restaurant. The restaurant will serve mainly as an eatery for Spitzmatt residents, but we will also take the requests and wishes of employees from Kunzareal's various companies and the quarter's population into account and complete our offer accordingly.

2

What has been your experience of the collaboration with with HIAG?

From the beginning, our cooperation with HIAG's representatives has been based on a constructive working partnership. There is open communication, and even when facing major challenges, which arise again and again during this kind of transformation process, shared and uncomplicated solutions can be found that take the concerns of all parties involved into account.

3

How has your collaboration with the municipality of Windisch gone?

The municipality of Windisch follows our project with great interest and goodwill. Windisch mayor Heidi Ammon has repeatedly and publicly reacted very positively to our project, especially concerning the planned use of the gymnasium. The "gemeinsam aktiv" ("active together") programme encourages exchanges between people with and without disabilities. In the second half of 2019, we will offer two types of sports as part of this programme: aikido in collaboration with the Brugg Aikido Club, and sport climbing in cooperation with the SAC's Brugg section. Both options are a part of the annual programme of the Brugg region's disabled sports association.

4

What are the advantages/possibilities of the Spitzmatt residence?

The proximity with the municipality enables our residents to actively participate in social life. We are very invested in supporting them, so that this cohabitation leads to a rewarding experience for all involved.

5

What are you hoping for at the new FARO Foundation location at the Kunzareal site?

Our goal is for our residents to have a close-knit relationship with the community within a structure that covers their needs. The new location at the leased HIAG property will make this possible. We are looking forward to moving into the Spitzmatt residence this summer.

Niederhasli Site

Long-term perspectives

The attractive development of the town centre including businesses and up to 300 apartments can soon begin at the site around Niederhasli railway station currently occupied by the formwork specialist Doka Schweiz. HIAG's ambitious site planning brings Doka Schweiz's needs in line with those of Niederhasli's municipality, local population and businesses.

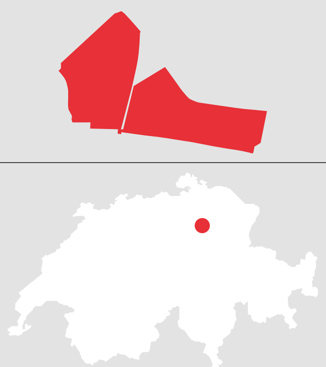
At the Niederhasli (ZH) site, HIAG is currently constructing an office building of approximately 3'500 m² and about 4'300 m² of production halls, where between 70 and 100 people will be employed by Doka Schweiz, a company specialising in formwork techniques. Doka Schweiz's transfer in 2020 will free up the 16'500 m² Niederhasli railway station area for long-term development of the centre. HIAG won over the municipal council with its concept for Niederhasli due to its progressive increase in high-quality use of the town centre. The council therefore showed its support by granting a special permit for Doka Schweiz's new building within the planning zone in question. The groundbreaking took place in the second half of 2018.

Site Redevelopment
Niederhasli Site

The special building permit was necessary because at the end of 2014 the municipality of Niederhasli imposed a planning zone over the entire industrial area of Farn and Fevlig/Egelsee. The municipality is taking its time rezoning an exclusively industrial area with a total surface area of 235'000 m² into a mixed use area, including commercial and living spaces. “It is essential that we plan our medium and long-term urban development professionally and in consultation with our neighbours,” explained Marco Kurer, Niederhasli's mayor.

The high-quality design of HIAG's new building in Niederhasli's industrial quarter offers Doka Schweiz excellent working conditions and ensures the future existence of the attractive building even if the quarter around the railway station continues to be redeveloped with a focus on residential use. At the same time, as a well-integrated limit to the industrial zone, it creates conditions for higher value positioning of development in the freed-up central area.

Niederhasli Site



Total surface area:	56'000 m²
Surface area of Doka Schweiz:	28'000 m²
Project status:	

Acquisition | Planning | Creation | Occupancy

Site developer:	Alex Römer

Sustainability

– High architectural quality of the office building with all the relevant energy standards
– The new redevelopment projects ensure safeguarding of jobs in the long term and lay the foundation for the development of a new residential quarter
– Close consultation and cooperation with the municipality

Strategy and Sustainability on page 21

Site Redevelopment Niederhasli Site

The appearance of the railway station area will become more attractive overall

Three questions for Marco Kurer, mayor of Niederhasli

1

What was the key factor for the special building permit for Doka Schweiz's new building?

In 2013, the municipal council declared the area around Niederhasli railway station a central zone as part of a BZO revision. Within the framework of an inter-municipal development strategy, the eastward expansion of a mixed residential and commercial zone was considered. Although Doka Schweiz's building project, which includes commercial buildings and storage areas for Doka Schweiz, is not a project that complies with these long-term development perspectives, and despite a legally binding planning zone, the municipal council agreed to grant a building permit, thus offering Doka Schweiz the possibility of expanding as an attractive employer within the Niederhasli municipality. One of the decisive factors was that the area concerned is located in the rear portion of the development site around the railway station. In the coming years, the central zone is expected to develop mainly around the railway station, where Doka Schweiz's current premises are situated.

2

What has your experience been as mayor of the collaboration with HIAG?

Cooperation with HIAG as property owner and developer has been very pleasant. The political representatives and the municipal authority, with its focus on construction and environmental services, all share this opinion. HIAG's willingness to entertain a dialogue, its openness and its understanding of political and formal processes are particularly appreciated.

3

What are you hoping for with respect to the long-term development of Niederhasli's centre?

In addition to the existing town centre around the community hall, maximum use should be made of the development potential around Niederhasli's railway station. Interesting businesses will be encouraged to settle here, creating new jobs and securing existing ones. In addition, attractive new housing is under construction in close proximity to the station. The overall appearance of the railway station area will become more attractive in the medium term.

HIAG Data Switzerland's Secure Digital Cloud Platform

HIAG Data allows companies with very high data security, data independence and data availability requirements to securely operate their cloud-based solutions. In close collaboration with leading industrial and technological partners, HIAG Data is thus completing the global public cloud offering with its Secure Swiss Cloud Services.

"Our ability to design and create our cloud platform from the ground up based on state-of-the-art technology and know-how, delivers critical added value for our customers, as we are placing a highly secure and efficient cloud platform at their disposal that covers all long-term requirements in terms of security, functionality, technological independence and availability," explains Christoph Pfister, HIAG Data's Chief Operating Officer. He emphasises that HIAG Data works in close collaboration with specialist partners to develop and operate their cloud platform. As industry leaders in cloud technology, these partners provide well-established expertise.

Strategic partnership planned with SIX for Secure Swiss Cloud Services

The use of cloud solutions and therefore transaction-based software solutions enables industry-independent and attractive new business models. In order to help regulated companies that process sensitive data manage this transition faster, HIAG Data and SIX, the Swiss financial market infrastructure provider, announced their intention to jointly develop and operate Secure Swiss Cloud Services in December 2018. SIX and HIAG Data are thus establishing a cloud-based ecosystem for the Swiss financial market. HIAG Data will provide a highly secure and efficient cloud platform, with SIX contributing its know-how in terms of regulation and compliance, and orchestrating the various providers. Together, HIAG Data and SIX plan to offer SIX's clients their first Secure Swiss Cloud Services in the third quarter of 2019.

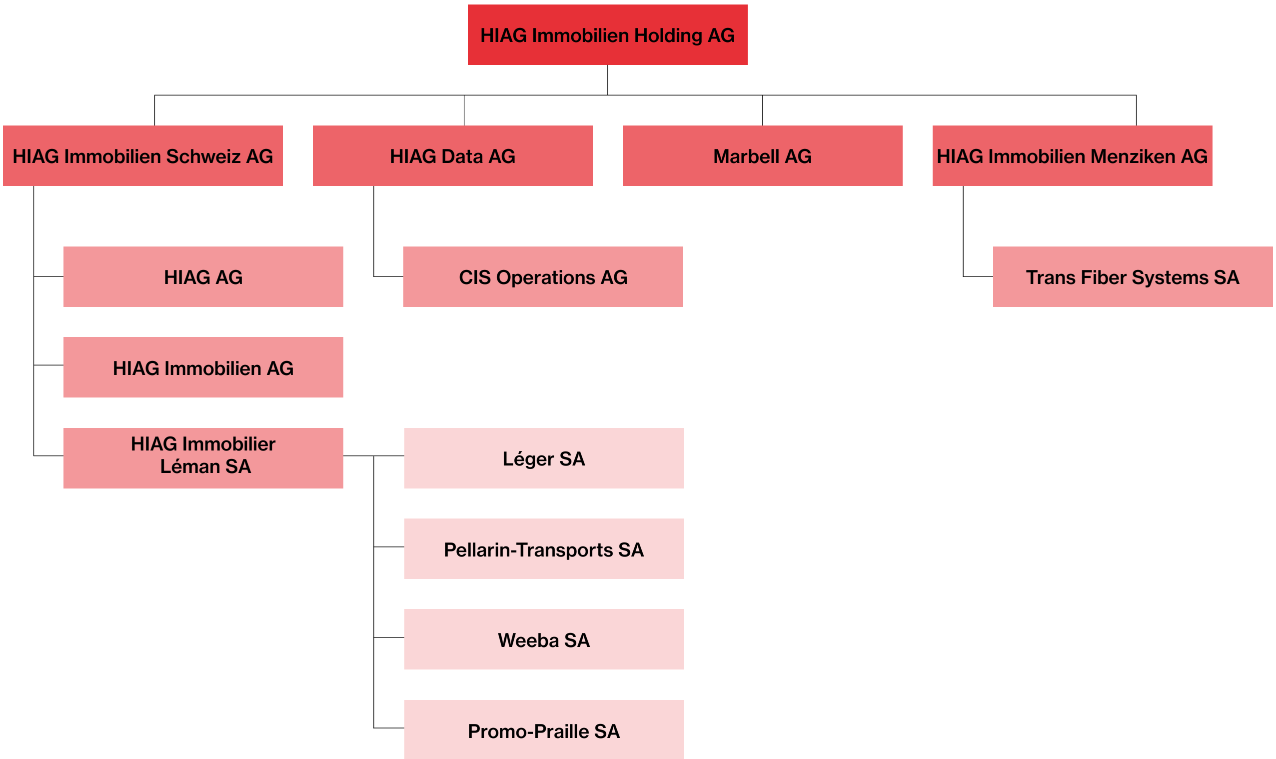
Major need for a local Swiss solution

SIX and HIAG Data's planned offer meets the needs of large and particularly regulated companies in Switzerland. Unlimited control of their outsourced cloud services is important to them, as they must meet requirements set forth by the regulatory authority (FINMA), including preservation of bank secrecy, privacy protection and availability.

Corporate Governance

Group Structure and Shareholders

1 Group structure



Publicly Listed Holding Company

Company	HIAG Immobilien Holding AG
Registered Office	Basel, Switzerland
Listing	SIX Swiss Exchange, Zurich
Stock Market Capitalisation 31 December 2018	CHF 937.8 million
Symbol	HIAG
Valor	23’951’877
ISIN	CH0239518779

For unlisted equity holdings (with information on extent of interest), please refer to the annual financial statement of HIAG Immobilien Holding AG, note “Scope of Consolidation”, pages 95 to 96.

2 Key shareholders as at 31 December 2018

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:	65.5%
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. By signing these shareholders' agreements, the shareholders of SFAG Holding AG and SFAG Holding AG became a group within the meaning of Art. 121 of the FINMA Stock Exchange Ordinance.

HIAG Immobilien Holding AG is unaware of any other shareholders with 3% or more of the voting rights as at 31 December 2018. Detailed information on disclosure notifications can be accessed at:

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

3 Shareholder structure at 31 December 2018

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	299	29.6%	16'961	0.2%			
101 to 1'000	498	49.3%	185'241	2.3%			
1'001 to 10'000	173	17.1%	573'882	7.1%			
10'001 to 100'000	32	3.2%	865'008	10.7%			
100'001 to 1'000'000	7	0.7%	1'912'777	23.8%			
1'000'001 and over	1	0.1%	4'025'805	50.0%			
Total number of registered shareholders/shares	**1'010**	**100%**	**7'579'674**	**94.2%**			**7'634'948**
Total number of non-registered shares					470'326	5.8%	470'326
Total			**7'579'674**		**470'326**		**8'050'000**

Registered shareholders and shares	Registered shareholders		Registered shares	
	Number	%	Number	%
Natural persons	780	77.2%	1'996'470	25.3%
Legal persons	57	5.6%	4'210'702	54.6%
Pension funds	81	8.0%	665'449	11.1%
Insurance companies	9	0.9%	46'570	0.8%
Funds	41	4.1%	308'002	4.5%
Other foundations	27	2.7%	138'877	1.9%
Banks	15	1.5%	213'604	1.8%
Total	**1'010**	**100.0%**	**7'579'674**	**100.0%**
Switzerland	930	92.1%	7'130'333	94.1%
Europe (excluding Switzerland)	73	7.2%	325'538	4.3%
North America	4	0.4%	123'407	1.6%
Other countries	3	0.3%	396	0.0%
Total	**1'010**	**100.0%**	**7'579'674**	**100.0%**

4 Cross-shareholdings

As at 31 December 2018 there were no cross-shareholdings.

Capital structure of HIAG Immobilien Holding AG

1 Share capital at 31 December 2018

As at 31 December 2018, 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 2020 (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 2 concerning conditional equity capital.

2 Conditional equity capital in particular

The rules governing conditional equity capital are laid out in Article 3b of the Articles of Incorporation: Article 3b “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 exercise of option rights or similar rights, to which employees, members of the Board of Directors and the Executive Board of the company and its subsidiaries are entitled within the framework of employee stock option plans. The Board of Directors draws up the corresponding employee stock option plans in coordination with the Compensation Committee.

(2) The subscription rights of the shareholders are excluded. The acquisition of registered shares within the scope of employee stock option plans, and the subsequent transfer of registered shares are subject to restrictions pursuant to Article 5 of the Articles of Incorporation.

3 Changes in capital over the last three business years

	Number of registered shares	Nominal value per share in CHF	Nominal value in TCHF
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
Share capital, issued and fully paid, as at 31 December 2018	8’050’000	1.00	8’050

Statutory reserves (reserves from capital contributions)	in TCHF
31 December 2016	1’491
31 December 2017	1’572
31 December 2018	1’610

Statutory reserves (reserves from capital contributions)	in TCHF
31 December 2016	72’500
31 December 2017	47’682
31 December 2018	17’171

Freely distributable reserves	in TCHF
31 December 2016	108’000
31 December 2017	108’000
31 December 2018	108’000

Distributable profit	in TCHF
31 December 2016	40’099
31 December 2017	42’861
31 December 2018	63’538

4 Shares, participation certificates, dividend rights certificates

The 8’050’000 issued registered shares mentioned under paragraph 1 on page 58 have been fully paid up. Each share is entitled to receive a dividend. Paragraph 1 on page 58 contains the information concerning voting rights. There are no preferential rights or similar rights.

As at 31 December 2018, no participation certificates or dividend rights certificates had been issued.

5 Transferability of registered shares and nominee registrations

The Board of Directors maintains a shareholder register, in which the owners', beneficiaries' and nominees' names, addresses and nationalities (for legal entities, the headquarters) are entered. Only shareholders, beneficiaries or nominees that are entered in the shareholder registry will be recognised in relation to the company.

Share purchasers are entered into the shareholder register on request as shareholders with voting rights if they expressly declare that these shares were purchased in their own name and on their own behalf. Art. 685D para. 3 of the OR [Swiss Code of Obligations] remains reserved. Persons who do not expressly declare in the registration request that they hold the shares on their own behalf (hereafter referred to as "Nominees") are entered in the shareholders register with voting rights up to a maximum of 2% of the share capital entered in the commercial register. Beyond this limit, shares of nominees are registered with voting rights only if the nominee in question discloses the names, addresses, nationalities and number of shares of the persons on whose account he or she holds 0.5% or more of the equity capital entered in the commercial register. Nominees who are affiliated by capital or votes, through common management or otherwise, or who are acting together with a view to circumvent the regulations concerning nominees are considered to be one nominee.

The Board of Directors can refuse the registration of a shareholder, beneficiary or nominee if registration would lead to the impossibility of obtaining the legally required proof of the composition of the group of shareholders (BewG (Federal Law on the Acquisition of Real Estate by Foreign Nationals)) due to recognition of the buyer.

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 declarations. The purchaser must be informed immediately should any entries be struck.

6 Convertible bonds and options

As at 31 December 2018, no convertible bonds or options were outstanding.

Corporate Governance
Board of Directors

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

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	2019
Salome Grisard Varnholt, CH, 1966, Member of the Board of Directors (non-executive)	2009	2019
Dr. Jvo Grundler, CH, 1966, General Counsel and Member of the Board of Directors (executive)	2017	2019
Dr. Walter Jakob, CH, 1949, Member of the Board of Directors (non-executive, independent)	2010	2019
John Manser, CH, 1947, Vice-President of the Board of Directors and Lead Director (non-executive, independent) [1,2]	2014	2019

[1] until Annual General Meeting 2019

[2] Balz Halter for election to the Board of Directors at the Annual General Meeting 2019

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 HIAG Holding Gruppe
1999–2001 COO HIAG Holding Gruppe
1996–1999 Boston Consulting Group

Previous activities for HIAG Holding Group

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

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 Ultra-Brag AG – Basel, Member of the Board of Directors of SFAG Holding AG – Basel, President of the Board of Directors of MTIP AG – Basel, President of the Foundation Board of the HIAG Group's Welfare Fund – Baar, President of the Foundation Board of HIAG Immobilien Schweiz AG's Pension Foundation – Zug, 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 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 and General Counsel	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, Member of the Board of Directors of SHL Business Areas AG – Lucerne.
	Significant business relationships with HIAG Immobilien Holding AG or any of its group companies: none
Dr. oec. HSG Walter Jakob Member of the Board of Directors	Education: Tax advisor, 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 Dixa AG – St. Gallen, Member of the Board of Directors of Kalabota AG – St. Gallen, Member of the Board of Directors of Globetrotter Travel Service AG – Bern, President of the Board of Directors of eloxalwerk züri-oberland AG – Wetzikon. No executive operating responsibilities for HIAG Immobilien Holding AG or any of its group companies in the three business years prior to 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 at Novartis AG – Basel 1990–1996 Group Treasurer at Ciba Geigy – Basel
	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 prior to 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 Meeting for a term in office to continue until the conclusion of the following ordinary General Meeting. 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 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 2018, 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 the companies within the HIAG Immobilien Group. Mr. Martin Durchschlag is a member of the Board of Directors of all HIAG Group companies. Dr. Jvo Grundler is a member of the Board of Directors of HIAG Data AG and CIS Operations AG.

3.2 Board of Directors Committees

The Board of Directors takes time to address all the essential business at hand at the meetings of the full Board of Directors. The Board of Directors appoints an Audit Committee and a Compensation Committee. Dr. Felix Grisard and Mr. John Manser make up the Audit Committee, while Ms. Salome Grisard Varnholt and Dr. Walter Jakob sit on the Compensation Committee. Due to the shareholder structure, the size of the company, 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.

In accordance with Organisational Rules of HIAG Immobilien Holding AG, the Compensation Committee works in conjunction with the Board of Directors to periodically review the objectives and principles of the company's compensation policy. The goal is to promote the development of and retain employees, thereby securing the competitiveness and long-term success of the company and its group companies. The Compensation Committee also assesses the implementation of compensation-related principles by the Executive Board, and evaluates and prepares the compensation guidelines and programmes. It defines the applicable performance criteria for compensation. Proposals concerning these matters are submitted to the Board of Directors. These include, in addition to base salary, variable cash compensation, compensation in the form of options, shares and/or similar financial instruments in accordance with the applicable employee stock option programmes, retirement funds and/or additional benefits within the scope of overall compensation. The Committee also reviews the impact, attractiveness and competitiveness of these programmes at least every three years. It also submits proposals and requests to the Board of Directors on the compensation of individual members of the Board of Directors, the Executive Board and Extended Executive Board, as well as the comprehensive amounts of compensation to be authorised by the General Meeting for the Board of Directors and the Executive Board in accordance with the Articles of Incorporation and employee stock option programmes for the employees of the company and its subsidiaries. The committee is also responsible for preparing the compensation report and submitting the corresponding request to the Board of Directors.

In accordance with the Organisational Rules of HIAG Immobilien Holding AG, the Audit Committee's responsibilities consist of exercising executive supervision over all internal and external auditing activities, monitoring financial reporting and evaluating and further developing the internal control system.

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 are 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. The CFO, members of the Extended Executive Board or other internal or external specialists can be called to the sessions.

In the 2018 business year, four ordinary meetings of the Board of Directors took place (12 March 2018, 24 May 2018, 27 August 2018 and 07 December 2018), with an average duration of three hours. All members participated in the four 2018 meetings.

The Compensation Committee held two meetings in the 2018 business year (22 January 2018 and 18 June 2018), lasting one hour and a half in January and one hour in June. The CEO and the General Counsel generally take part in the sessions of the Compensation Committee, except if their own performance is under evaluation or their compensation fixed. All members of the Committee participated in the two 2018 meetings.

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 (8 March 2018 and 24 August 2018) 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. All members of the Committee participated in the two meetings.

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

4 Definition of responsibilities

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

- Exercising the overall management of the company and issuing the necessary orders, including setting forth medium and long-term strategies and planning priorities, as well as guidelines for company policy;
- Defining the basic organisation of the company;
- Defining the guidelines for accounting procedures, financial controls and financial planning;
- Nominating and removing those persons entrusted with the Executive Board and representation of the company, namely the members of the Board of Directors' and the Executive Board's committees and/or the delegation of Executive Board responsibilities, including the granting of signature authorities. It should be noted that as a matter of principle at all levels of the company any signing is to be made by two authorised persons;
- Supervising those persons entrusted with the Executive Board, mainly with regards to compliance with laws, the Articles of Incorporation, regulations and orders;
- Taking resolutions on the company's compensation policy and principles, as well as those of its group companies, and on the compensation of the members of the Board of Directors, the Executive Board and the Extended Executive Board (subject to approval by the General Meeting);
- Approving employee stock option programmes for the company and its subsidiaries;
- Approving the Compensation Report for the attention of the General Meeting;
- Submitting requests to the General Meeting regarding the compensation of the Board of Directors, the Executive Board and the Extended Executive Board;
- Compiling the Annual Report, as well as preparing for the General Meeting and carrying out its resolutions; notifying a judge in the event of excessive debts; taking resolutions on the later payment of contributions for shares not fully paid up; taking resolutions on the determination of capital increases and the concomitant changes to the Articles of Incorporation; examining the expert qualifications of the auditors; issuing decisions on business activities of considerable strategic importance; representing the company to the public, public authorities and shareholders; carrying out a regular examination of the risk assessment system and defining the internal control system; delegating members of the Board of Directors or the Executive Board to occupy a seat on the boards of directors of the subsidiaries for the purposes of ensuring the implementation of the strategy and the decisions of the Board of Directors; decision-making authority concerning real estate transactions, company share deal transactions or investment decisions totalling 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, as well as appropriate supervision. The Board of Directors is to be informed on a quarterly basis of the operating and financial developments of the group. The Executive Board also presents a comprehensive report on the development of business activities at the meetings of the Board of Directors.

At regular intervals and in line with the requirements of half-year and full year financial reporting, the Board of Directors receives reports on the key performance indicators, as well as 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:

https://www.hiag.com/media/475089/Verhaltenskodex.pdf

Data protection regulations for the HIAG Group were implemented on 25 May 2018 and communicated to all Group employees.

Corporate Governance
Managing Board

Laurent Spindler, Thorsten Eberle, Alex Römer, Michele Muccioli, Martin Durchschlag, Ralf Küng, Dr. Jvo Grundler, Yves Perrin (from left)

1 Members of the Executive Board

Martin Durchschlag 1976, Austria	CEO (in this capacity since 2011)
	Mr. Durchschlag joined the HIAG Group in 2004.
	Education: Licensed in industrial engineering-mechanical engineering 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 and was CFO of the Group from 2007 until 2010.
	Activities on executive or supervisory boards: Member of the Foundation Board of Pensimo – Zurich, President of the Foundation Board of HIAG Pensionskasse – Baar, Member of the Foundation Board and CEO of the HIAG Group's Welfare Fund – Baar, Member of the Foundation Board of HIAG Immobilien Schweiz AG's Pension Foundation – Zug

Laurent Spindler 1978, France	CFO (in this capacity since December 2013)
	Mr. Spindler joined the HIAG Group in 2011.
	Education: ICN Business School, Nancy (FR), 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: none

Dr. iur. HSG Jvo Grundler 166, Switzerland	General Counsel (in this capacity since May 2017) and Member of the Board of Directors
	Education: Lawyer – Dr. iur. University of St. Gallen, Switzerland – LL.M. University of Cambridge, UK
	Professional background 2017–heute General Counsel at HIAG Immobilien Holding AG 2017–heute Of Counsel at a Zurich-based corporate law firm 2002–2017 Legal Counsel and Partner at Ernst & Young, among other things as 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, Member of the Board of Directors of SHL Business Areas AG – Lucerne
	Significant business relationships with HIAG Immobilien Holding AG or any of its group companies: none

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
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 on the Central Plateau and in 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 of Advanced Studies programme at Lucerne University since 2016.
	Activities on executive or supervisory boards: Member of the Foundation Board of HIAG Immobilien Schweiz AG's Pension Foundation – Zug
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 (SO)
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 an architect in the USA and Geneva. After completing his MBA, he worked as a Director for Göhner AG and Karl Steiner AG in the real estate development and marketing sector in Western Switzerland and France for 20 years.
	Activities on executive or supervisory boards: none

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 (VegüV)

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, which are obligated to be entered in the commercial register or any comparable register in another country, and are not supervised by the company or do not supervise the company:

- Member of the Board of Directors: 10 mandates, including a maximum of four mandates in public corporations;
- Member of the Executive Board: 10 mandates, including a maximum of two mandates in public corporations.

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, as well as 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 2018, 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 Meeting-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 Meeting 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 Meeting. 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 in 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 (such as 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.

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 not 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 2018 business year

Please refer to the Compensation Report, pages 77 to 87, for information on remuneration, equity holdings and loans in 2018.

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 60 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 participating and acting as proxy at the General Meeting.

2 Statutory quora

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

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

Calling the General Meeting, the procedure for calling a General Meeting, the right to call General Meetings 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 Meeting 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 Meeting. The independent proxy holder and his/her representative may stand for re-election. The General Meeting may vote to remove the independent proxy holder at the end of the General Meeting.

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 Meeting to the proxy holder or his/her representative, as well as convey general instructions regarding new motions within the context of the matters to be discussed, as well as other matters to be discussed, for which no proper notice had been given.

4 Date for 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 Meeting, i.e. as a rule approximately 20 days before the date of the General Meeting, are to receive an invitation to the Ordinary General Meeting sent to them directly. The shareholder register shall remain closed for around 14 days before the date of the General Meeting until the payment of dividends approximately one week after the date of the General Meeting. 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 Meeting. 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-City on 26 January 2001). The company was most recently re-elected statutory auditor for the 2018 business year by the Ordinary General Meeting on 19 April 2018.

The lead engagement partner responsible for the current auditing mandate, Mr. Fabian Meier, took up his official duties as of the 2018 business year; the maximum term in office is calculated pursuant to art. 730a para. 2 of the OR.

2 Auditing fee
For the 2018 reporting period, auditing fees amounted to TCHF 237 (2017: TCHF 199) for the 2018 annual financial statement and consolidated financial statements and to TCHF 5 for additional audit-related services (2017: TCHF 6).

3 Additional fees
For the 2018 reporting period, TCHF 3 in additional fees were invoiced by Ernst & Young AG in connection with VAT consulting services (2017: TCHF 6).

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 Meeting 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, as well as the terms and conditions of any additional contracts, and discusses the audit results with the external auditors on a yearly basis.

Information policy

HIAG Immobilien Holding AG informs its shareholders and the capital market in an open and timely manner marked by the greatest possible transparency. Financial reporting obligations are met in the form of half-year and full year financial statements. These are drawn up in accordance with Swiss GAAP FER and comply with Swiss law and the provisions of the listing rules of the SIX Swiss Exchange. Up-to-date releases, the most important dates and general information on HIAG Immobilien Holding AG and/or the HIAG Group can be found at www.hiag.com. Contact addresses, dates and information on the shares of HIAG Immobilien Holding AG can also be found on pages 157 to 158 of this Annual Report. The HIAG Immobilien Holding AG Articles of Incorporation can be found on our website at the following URL:

https://www.hiag.com/media/1048518/HIM-Ho-Statuten-19-04-18.pdf

Investor Relations
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Further information and all publications (in particular the 2018 Annual Report) 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 Meeting has approved 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 Meeting and the maximum total amounts of fixed and variable compensation for the Executive Board for the current business year. For members of the Management Board, who are appointed after the annual total compensation is approved, an additional amount is available per new member of a maximum of 25% of the most recently approved total amount of fixed compensation for the Management Board per business year, if the approved total amount for the corresponding business year is insufficient.

The complete statutory rules governing voting on compensation by the General Meeting (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/1048518/HIM-Ho-Statuten-19-04-18.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 existing HIAG Immobilien Holding AG 2014–2018 Long Term Incentive Plans (HIAG Immobilien LTIPs) 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 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 company’s General Meeting.

3 Principles and components and responsibilities and determination of compensation

3.1 Compensation components of the 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 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 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 more Long Term Incentive Plans (LTIP). For the 2018 business year, the percentage part of the overall variable compensation was 267% (2017: 119%) of the fixed compensation for the highest paid member of the Management Board and an average of 176% (2017: 76%) of fixed remuneration for the Management Board. The increase compared with the previous year is due to the fact that the LTIP was settled for the 2014–2018 period. For the 2018 business year, the percentage part of the LTIP was 76% (2017: 46%) of total variable compensation for the highest paid member of the Management Board and 85% (2017: 67%) for the Management Board. For the 2018 business year, the percentage part of the LTIP was 203% (2017: 55%) of total fixed compensation for the highest paid member of the Management

Board and 149% (2017: 50%) for the Management Board. Further details concerning the LTIP can be found under “The HIAG Immobilien LTIP”.

Individual bonus

The individual bonus is determined based on the annual performance of the individual Management Board member. Individual objectives are conclusions of important rental agreements, defined progress in the planning of redevelopment projects or a reduction in vacancies, for example. All targets specifically set for a member of the Management Board are taken into account when determining the individual bonus. These individual bonuses are 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, the CEO can either reduce or cancel the individual bonus for the remaining members of the Management Board, or the Compensation Committee can do the same for the CEO. In the period under review, the performance goals of the CEO were 100% met (2017: 100%) and those of the Management Board were 100% met (2017: 100%).

LTIPs

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

The HIAG Immobilien LTIP

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 according to 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. The final settlement of the plan will take place in the first half of 2019. The provisional settlement of the HIAG Immobilien LTIP, which was established as at 31 December 2018, yields a provisional total incentive amount of CHF 5.4 million for the Management Board for the 2014–2018 period. This amount corresponds to a positive cumulative property

revaluation of CHF 189.8 million and an average return on equity of 9.8% during the entire relevant time period.
A new plan for the 2019–2023 period was approved by the Board of Directors on 11 March 2019.

The HIAG Data LTIP

The HIAG Data LTIP entered into force last year and applies to the HIAG CEO, the HIAG CFO and one member of the HIAG Data AG Executive Board. The incentive programme is based exclusively on the enterprise value of 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 total 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 previous year. 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 for risks in case of death or other cause of invalidity. All members of the Management Board have a Swiss employment contract and, like all employees residing in Switzerland, are insured in the "HIAG Pensionskasse" pension fund for their fixed base salary and their budgeted annual bonus up to an upper limit of CHF 315'400. 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.

Compensation Report

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 Meeting-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 Meeting concerning the compensation of the Board of Directors and the Management Board and may submit proposals concerning other compensation issues to the Board of Directors. The Board of Directors may also assign additional responsibilities to the Compensation Committee. As per the organisational rules of the company, the scope of the Compensation Committee's tasks includes the following:

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

Meeting 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 the Group companies;
- Preparation of compensation reports and corresponding submission to the Board of Directors.

The General Meeting elects each member of the Compensation Committee for a term of office of one year until the conclusion of the next ordinary General Meeting. Re-election is permitted. The Compensation Committee is composed of at least two members. Only members of the Board of Directors are eligible. The CEO and the General Counsel generally take part in the sessions of the Compensation Committee, except if their own 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.

The Compensation Committee holds meetings as often as business requires, but at least twice per year. During the period under review, the Compensation Committee met twice: on 22 January 2018 for an hour and a half and on 18 June 2018 for one hour. All members of the Compensation 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 2017 total compensation
- Adjustment of the Management Board’s 2018 compensation
- Information about the current state of the HIAG Immobilien LTIP and HIAG Data LTIP
- Discussion of the organisation of the Management Board
- Discussion of employee participation outside of an LTIP
- Discussion of the 2017 loan overview
- Discussion of the basic principles of the HIAG Immobilien LTIP for the 2019–2023 period
- Benchmarking of the compensation of the company’s bodies
- Discussion of the 2017 Compensation Report

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

3.4 Benchmarking

The total compensation of the Board of Directors and the Management Board is based on valuations of 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 not allowed as per the Articles of Incorporation.

3.5.2 Summary of the pension plans of the Management Board

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

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

The following tables provide a gross presentation of compensation; i.e. including employer contributions.

4.1 Compensation of the Board of Directors

2018 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	20	–	–	90	–
John Manser	70	25	–	3	98	–
Dr. Jvo Grundler	300[3]	–	241[4]	56[2]	597	6
Total compensation of the Board of Directors	**810**	**45**	**241**	**103**	**1’199**	**6**

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 The fixed compensation applies for the Board of Directors role and the General Counsel role.
4 The remaining compensation components include contractual share-based compensation. Shares that were distributed as part of share-based compensation and shares that were acquired outside share-based compensation are allocated to employees according to the proportional compensation or payment programme with a five-year retention period and a discount of 25.274% (discounted taxable value).

No other compensation was paid in 2018.

The gross compensation of the Board of Directors (TCFH 1’199) increased by TCHF 121 (+11.2%) in the 2018 business year (2017: TCHF 1’078), as Dr. Jvo Grundler worked for HIAG for 12 months rather than eight months as he did in the previous year.

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 (gross)	**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 His total compensation is reported in the compensation of the Board of Directors.
4 The fixed compensation applies for 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 part of share-based compensation and shares that were acquired outside share-based compensation are allocated to employees according to the proportional compensation or payment programme with a five-year retention period and a discount of 25.274% (discounted taxable value).

No other compensation was paid in 2017.

4.2 Compensation of the Management Board

2018 in TCHF	Management Board Total	thereof Martin Durchschlag (CEO)
Fixed compensation in cash (net)	1’654	390
Variable compensation in cash (individual bonus, net)	447	250
LTIP for 2018 (payable in cash in 2019, net)[1]	1’420	384
LTIP for 2018 (share-based compensation, net)[1]	1’039	407
Other compensation components	24	5
Pension benefits	174	30
Other social benefits	342	103
Total compensation of the Management Board (gross)	**5’099**	**1’569**
Flat-rate expense allowance	65	12

[1] TCHF 4’000 was accrued as at 31 December 2018 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 2018 (see paragraph 3.2.2). The provision for the part payable in cash of the HIAG Immobilien LTIP amounted to TCHF 2’890 as at 31 December 2018 (2017: TCHF 1’422). Company and HIAG Data AG shares that were distributed as part of LTIPs and company shares that were acquired outside the HIAG Immobilien LTIP are allocated to members of the Management Board according to the proportional incentive or payment programme with a five-year retention period and a discount of 25.274% (discounted taxable value).

No other compensation was paid in 2018.

In the 2018 business year, the compensation of the Management Board (TCHF 5’099) rose by TCHF 1’735 (+51.6%) (2017: TCHF 3’364), primarily due to the effect of the significant higher revaluation gains of properties of the year 2018 on the LTIP calculation (TCHF 1’748).

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 part payable in cash of the HIAG Immobilien LTIP amounted to TCHF 1’422 as at 31 December 2017 (2017: TCHF 1’000). Company and HIAG Data AG shares that were distributed as part of LTIPs as well as company shares that were acquired outside of the HIAG Immobilien LTIP are allocated to members of the Management Board according to the proportional incentive or payment programme with a five year retention period and a discount of 25.274% (discounted taxable value).

No other compensation was paid in 2017.

4.3 Loans and credits to the Board of Directors and Management Board

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

In December 2014, a loan was granted to Michele Muccioli, a Management Board member, in order to purchase real estate. This loan is subject to market rate interest. The loan amounted to TCHF 110 as at 31 December 2018 (2017: TCHF 137). The loan was secured through pledging of all employee shares of the borrower and is due to be paid back by 31 December 2019 at the latest.

In December 2016 and May 2018, two loans were 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. Both loans are subject to market rate interest. The loans amounted to TCHF 1'300 as at 31 December 2018 (2017: TCHF 800). The loans were secured through pledging of all company shares held by the borrower and are repayable by 30 June 2021 for the 2016 loan and by 30 June 2023 for the 2018 loan 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 2018 (2017: TCHF 95). The loan was secured through pledging of all HIAG Data AG shares held by the borrower and is repayable by 31 December 2021 at the latest.

As at 31 December 2018, 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, which is subject to interest in keeping with market rates. The loan was secured through pledging of all employee shares of the borrower and is due to be paid back by 30 September 2019 at the latest.

4.4 Compensation, loans and credits to related persons

In 2018, no compensation that was unusual for the market or credits were paid or granted to related persons, and no such compensation or credits were still outstanding as at 31 December 2018.

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

The maximum amount of compensation for the Board of Directors and the Management Board was voted at the General Meeting on 19 April 2018. 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 2018 in accordance with the accrual principle.

in TCHF	Approved compensation General Meeting 19 April 2018	Compensation 2018 according to paragraph 4
Fixed compensation in cash (net)	900	810
Share-based compensation	300	241
Compensation for additional services	100	45
Employer social security contributions and pension benefits	200	103
Total compensation of the Board of Directors (gross)	**1'500**	**1'199**

in TCHF	Approved compensation General Meeting 19 April 2018	Compensation 2018 according to paragraph 4
Fixed compensation in cash (net)	1'800	1'65435
Variable compensation in cash (individual bonus, net)	600	447
LTIPs for 2018 (share-based compensation and cash component payable in 2019, net) and other share-based compensation	2'000	2'459
Other compensation components, employer social security contributions and pension benefits	700	540
Total compensation of the Management Board (gross)	**5'100**	**5'099**

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 2019

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 2018. 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 2018 of HIAG Immobilien Holding AG complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young Ltd

Fabian Meier
Licensed audit expert
(Auditor in charge)

André Schaub
Licensed audit expert

Consolidated Financial Statements

Consolidated Balance Sheet

in TCHF		31.12.2018	31.12.2017
Cash and cash equivalents		**34’531**	38’920
Trade receivables	1	**3’136**	2’748
Other current receivables from shareholders	2	**–**	392
Other current receivables	2	**15’293**	13’042
Other current financial assets	7.3	**320**	2’852
Other current financial assets from shareholders	7.4	**2’010**	–
Properties held for sale	4	**11’780**	31’073
Prepayments and accrued income	6	**8’443**	7’101
Current assets		**75’512**	**96’128**
Other non-current receivables	3	**2’554**	2’554
Real estate properties	4	**1’476’411**	1’251’589
Other property plant and equipment	5	**40’401**	42’236
Intangible fixed assets	5	**25**	–
Financial assets	7.1	**1’307**	1’280
Financial assets from shareholders	7.2	**2’725**	4’282
Non-current assets		**1’523’423**	**1’301’942**
Total assets		**1’598’935**	**1’398’069**

Consolidated Financial Statements

Consolidated Balance Sheet

in TCHF		31.12.2018	31.12.2017
Current financial liabilities	10	**14’640**	6’577
Trade payables		**3’522**	12’416
Other current liabilities	8	**8’650**	5’975
Current provisions	9	**3’324**	335
Tax liabilities		**1’462**	194
Accrued liabilities and deferred income	11	**13’966**	9’523
Current liabilities		**45’564**	**35’020**
Non-current financial liabilities	10	**687’337**	522’470
Other non-current liabilities	10	**–**	4’500
Non-current provisions	9	**100**	1’600
Deferred taxes	12	**82’871**	73’786
Non-current liabilities		**770’308**	**602’356**
Total liabilities		**815’872**	**637’376**
Share capital	29	**8’050**	8’050
Capital reserves		**21’733**	52’344
Treasury shares	31	**–6’921**	–282
Retained earnings		**762’000**	700’371
Shareholders’ equity excl. minority interests		**784’863**	**760’484**
Minority interests		**–1’800**	209
Shareholders’ equity incl. minority interests		**783’063**	**760’693**
Total liabilities and shareholders’ equity		**1’598’935**	**1’398’069**

Consolidated Financial Statements

Consolidated Income Statement

in TCHF		2018	2017
Property income	14	**58’242**	55’846
Revaluation of properties	15	**76’439**	33’287
Cloud services income	16	**944**	892
Other operating income	17	**7’047**	9’939
Capitalised services	18	**–**	294
Total operating income		**142’672**	**100’258**
Personnel expenses	13, 19	**–13’262**	–9’294
Maintenance and repairs		**–8’639**	–5’875
Insurance and fees		**–1’131**	–1’011
Energy costs and service charges	21	**–2’413**	–2’139
General operating expenses		**–506**	–439
Office, administrative and development expenses	22	**–9’271**	–5’895
Marketing and selling expenses		**–1’408**	–897
Rent and leases	23	**–1’710**	–1’561
Total operating expenses		**–38’340**	**–27’110**
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**104’332**	**73’148**
Amortisation	24	**–24’442**	–1’759
Earnings before interest and taxes (EBIT)		**79’889**	**71’389**
Financial income	25	**418**	610
Financial expenses	26	**–9’977**	–5’384
Earnings before taxes (EBT)		**70’330**	**66’615**
Taxes	27	**–11’395**	–9’158
Net income for the period incl. minority interests		**58’935**	**57’457**
Minority interests	28	**–2’014**	–2
Net income for the period excl. minority interests		**60’949**	**57’459**
Undiluted earnings per share (in CHF)	29	**7.60**	7.15
Diluted earnings per share (in CHF)	29	**7.60**	7.15

Consolidated Cash Flow Statement

in TCHF	2018	2017
Net income for the period	**58'935**	**57'457**
Amortisation	24'442	1'759
Income from sale of assets and utilisation of prepayments	–4'058	–7'883
Allocation treasury shares to employees	645	512
Increase/decrease in trade receivables	–388	–1'126
Increase/decrease in trade payables	–5'449	4'733
Increase/decrease other receivables	1'936	–8'485
Increase/decrease other liabilities	6'724	–29
Increase/decrease financial assets with market value	6	52
Increase/decrease capitalised employer contribution reserve	362	362
Increase/decrease in prepayments and accrued income	1'665	–4'276
Increase/decrease in accrued liabilities and deferred income	2'298	352
Increase/decrease in non-current provisions	–1'500	400
Increase/decrease in deferred taxes	9'085	6'159
Increase/decrease in capitalised tax losses carried forward	1'450	2'725
Increase valuation of properties (net)	–76'439	–33'287
Capitalised services	–	–294
Effects from foreign exchange	62	–
Cash flow from operating activities	**19'776**	**19'131**
Purchase of real estate properties	–159'449	–56'189
Purchase of intangible fixed assets	–30	–
Purchase of other property, plant and equipment	–16'929	–27'357
Proceeds from disposal of properties	26'895	51'127
Proceeds from disposal of other property, plant and equipment	4'370	8'715
Sale of shares, participations	–	1'641
Payments for investments in financial assets	–1'360	–896
Proceeds from divestment of financial assets	1'123	1'100
Cash flow from investment activities	**–145'381**	**–21'859**

Consolidated Financial Statements

in TCHF	2018	2017
Acquisition of financial liabilities	**158’936**	15’389
Amortisation and repayment of financial liabilities	**–124’654**	–157’600
Bond issuance	**124’757**	149’832
Capital increase	**–**	1’106
Purchase of treasury shares	**–9’364**	–2’390
Sale of treasury shares	**1’979**	1’474
Payout from capital reserves to shareholders	**–30’510**	–28’929
Cash flow from financing activities	**121’144**	–21’118
Effects from foreign exchange	**–62**	–
Additions of first time consolidated and controlled entities	**133**	–
Increase/decrease in cash and cash equivalents	**–4’389**	–23’846
Cash and cash equivalents at 1 January	**38’920**	62’766
Cash and cash equivalents at 31 December	**34’531**	38’920
Increase/decrease in cash and cash equivalents	**–4’389**	–23’846

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 01.01.2017	**8'036**	**–**	**80'303**	**640'787**	**729'126**	**–**	**729'126**
Capital increase[3]	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/Allocation 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**
Share-based compensation programmes[5]	–	–	–	680	680	–	680
Dividend payment	–	–	–30'510	–	–30'510	–	–30'510
Purchase of treasury shares	–	–9'364	–	–	–9'364	–	–9'364
Sale/Allocation of treasury shares	–	2'725	–101	–	2'624	–	2'634
First time consolidation of an entity with minorities	–	–	–	–	–	5	5
Net income for the period	–	–	–	60'949	60'949	–2'014	58'935
Shareholders' equity at 31.12.2018	**8'050**	**–6'920**	**21'733**	**762'000**	**784'863**	**–1'800**	**783'063**

1 On 31 December 2018 share capital consisted of 8'050'000 registered shares at a nominal value of CHF 1.00 per share (2017: 8'050'000). 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.

2 The company held 55'938 treasury shares (2017: 2'371 shares) as at 31 December 2018. The company purchased 75'593 shares of HIAG Immobilien Holding AG for a total amount of TCHF 9'364 (2017: 20'420 shares at an amount of TCHF 2'389). 22'026 of these shares (2017: 18'049 shares) were primarily purchased or attributed in connection with the Long Term Incentive Plan by and to 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 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), was recognised as a reduction in capital reserves.

4 The non-distributable legal reserves came to TCHF 1'610 (2017: TCHF 1'572).

5 See paragraph 20 of the Notes to the Consolidated Financial Statements.

6 During 2017, 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 paragraph 20 of the Notes to the Consolidated Financial Statements).

Consolidated Financial Statements

Notes to Consolidated Financial Statements

Accounting principles

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

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

The Consolidated Financial Statements are presented in Swiss francs (CHF). All figures are presented in thousands of Swiss francs (CHF thousand) 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.

Company	Share capital in TCHF	Stake 2018[1] in %	Stake 2017[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
Société coopérative en faveur du développement des terrains industriels de la Praille-Sud	35	**86**	–	Lancy
HIAG Immobilien Menziken AG	100	**100**	100	Menziken
HIAG Data AG[2]	10'000	**95**	95	Zurich
Trans Fiber Systems SA	107	**100**	100	Menziken
CIS Operations AG	400	**95**	95	Zurich
Village 52 SA[3]	100	**–**	100	Yverdon-les-Bains
Marbell AG[4]	100	**100**	–	Zurich

1 Voting rights and share capital
2 During the prior year, 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 Village 52 SA merged retrospectively on 01.01.2018 with HIAG Immobilier Léman SA.
4 The company Marbell AG was founded on 22.06.2018.

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

HIAG Data AG and CIS Operations AG provide technology to independent partners based on a high performing multi-cloud platform that meets the latest regulatory standards. Together with Marbell AG, they shape the segment Cloud Services.

Marbell AG is a holding company with no activities in the reporting period.

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

Consolidation method

Capital consolidation is based on the purchase method, in which the acquisition costs of an acquired company are offset against the net assets, which were newly measured at the time of acquisition in accordance with Group-wide accounting standards. The difference rising 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.

Konsolidierte Gesellschaft		Stake in %
Société coopérative en faveur du développement des terrains industriels de la Praille-Sud, Lancy	As at 1 January 2018	86
Marbell AG, Zurich	Foundation on 22 June 2018	100

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

Translation of foreign currencies

All of 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, a total of the individual items may result in rounding differences over the reported item totals.

Cash and cash equivalents

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

Trade receivables and other current receivables

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

Real estate properties

The portfolio is broken down into the following categories:

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

General

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

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

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

Properties held for sale
“Properties held for sale” describes residential projects where individual units are undergoing development and are marketed as condominiums (promotion projects) as well as non-strategic properties that are up for sale. 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 multi-cloud infrastructure of the segment Cloud Services, office equipment, machinery and vehicles. “Intangible fixed assets” includes mainly the acquired software products.

“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.

For the multi-cloud infrastructure, the amortisation period was changed during the reporting period. In prior periods, the amortisation period was set at between three and five years. In 2018, the amortisation was set at five years unless the economic lifetime of the assets justifies a shorter amortisation period. Assets with an adjusted amortisation period are amortised for the rest of the amortisation period based on their net book value as at 1 January 2018. The reason for the increase of the amortisation period is the longer economic lifetime of those assets. The change of the amortisation period has a positive effect of TCHF 463 on the amortisation of the reporting period. If there is an indication that the effective economic lifetime of a single asset is shorter than the planned economic lifetime, an impairment to the recoverable value will be recognised over the Income Statement.

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

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 primarily concerns long-term rental contracts (over 12 months) for Group sites. These contracts are not included in the balance sheet, but rather disclosed in the Annex under “28. Leasing liabilities”.

Current and non-current provisions

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

Provisions for deferred taxes

According to Swiss GAAP FER 11, current and future tax effects are to be adequately taken into account in the financial statements. In doing so, current income taxes must be distinguished from deferred taxes. The latter are caused primarily by the valuation differences between fair values and the tax base of the properties. A remaining holding period is estimated for each property when calculating the deferred taxes for real estate properties. Regarding 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 2018 (2017: 2.00%).

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, as well as 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.

Cloud Services income

The item Cloud Services income includes the income of HIAG Data AG. Revenue in this area is recognised net in the month in which the services were rendered.

Capitalised services

Capitalised services include the capitalisation of internally developed services in connection with multi-cloud infrastructure of the segment Cloud Services. 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 “7. Financial assets, financial assets from shareholders and financial assets from related parties”.

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 paragraph 20.

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

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

Events after the balance sheet date
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 must be disclosed at this point.

The Consolidated Financial Statements were approved by the Board of Directors on 14 March 2019. The Consolidated Financial Statements are subject to approval by the General Assembly.

Notes to the consolidated financial statements

1 Trade receivables

in TCHF	31.12.2018	31.12.2017
Trade receivables	4'327	3'593
Provision for bad debts	–1'191	–845
Total	**3'136**	**2'748**

Losses on accounts receivable in 2018 come to TCHF 42 (0.06% of operating income without revaluation of properties and capitalised services) compared with TCHF 18 (0.03% of operating income without revaluation of properties and capitalised services) the previous year.

2 Other current receivables and other current receivables from shareholders

2.1 Other current receivables

in TCHF	31.12.2018	31.12.2017
Value-added tax receivables	4'468	2'319
Heating and lump sum charges	3'759	3'390
Other current receivables	579	554
Advance payment for cloud product license volumes	5'136	5'429
Escrow account	1'350	1'350
Total	**15'293**	13'042

In the reporting period the value-added tax receivables contain TCHF 3'423 of declared input tax, which was included in Prepayments and accrued income in the prior period.

As part of a cooperation agreement with Microsoft, HIAG has committed itself to market licence volumes for cloud products. Relating to this agreement, a prepayment of TCHF 5'429 was paid to Microsoft in 2017. The consumption of licence volumes, which explains the decrease of the advance payment, is recognised in the Income Statement under Office, administrative and development expenses.

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	31.12.2018	31.12.2017
Other current receivables from shareholders	–	392

Within the framework of the sale of 5% of the HIAG Data AG shares (see paragraph 20 of the Notes to the Consolidated Financial Statements), receivables between HIAG Immobilien Holding AG and members of the management board in the prior period were paid in 2018 (TCHF 392).

3 Other non-current receivables

in TCHF	31.12.2018	31.12.2017
Other non-current receivables	**2'554**	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. A payment agreement was signed in 2017 that regulates repayment starting in 2020.

4 Real estate properties

in TCHF	31.12.2018	31.12.2017
Fire insurance value	**1'621'205**	1'527'670
Pledges to secure mortgage loans	**344'840**	344'860

Due to property purchases, the fire insurance values rose during the reporting period by a total of TCHF 165'663 (2017: TCHF 24'997).

in TCHF	Undeveloped land	Properties	Properties currently under development	Total real estate properties
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 without environmental risks	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**
Balance at 01.01.2018	**107'229**	**1'113'321**	**62'113**	**1'282'663**
Reclassifications	–	–33'220	33'220	–
Additions	1'255	123'528	33'990	158'773
Disposals	–	–1'466	–24'590	–26'056
Revaluation of properties without environmental risks	24'596	40'091	6'867	71'555
Change of costs for environmental risks	990	–553	821	1'258
Balance at 31.12.2018	**134'070**	**1'241'701**	**112'421**	**1'488'191**
Reclassifications of properties held for sale	–	–	–11'780	–11'780
Balance after reclassifications as at 31.12.2018	**134'070**	**1'241'701**	**100'641**	**1'476'412**

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 1.95% to 7.00% as at the reporting date (31 December 2017: 2.00% to 7.00%).

The expected additional expenses linked to environmental risks were mainly analysed by Ecosens AG on the basis of historical and technical investigations and recorded as at the reporting date in the amount of TCHF 27’032 (2017: TCHF 28’290) under “Real estate investments”. Environmental risks are evaluated on an ongoing basis. New findings from historical and technical investigations and environmental remediation were taken into account as at the reporting date and led to a reduction in costs for environmental risks of TCHF 4’887 that affected net income during the reporting period (31 December 2017: increase of TCHF 238 affecting net income). In relation to the acquisitions in Pratteln and Goldach, environmental risks that were taken into account in the purchase price were recorded without net income effects for a total amount of TCHF 3’629 during the reporting period.

The expected additional costs due to environmental risks were discounted. A discount rate of 2.00% was applied as at 31 December 2018 (31 December 2017: 2.00%).

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 2018 amounted to TCHF 158’773 from investments in 69 properties and TCHF 112’245 from the acquisition of the sites in Brunegg, Pratteln and Goldach. The largest investments were made in Frauenfeld (TCHF 11’845), in Meyrin (TCHF 9’092 for the projects “Hive 1” and “Hive 2”), in Neuchâtel (TCHF 4’356), in Baar (TCHF 2’860 for the project “The Cloud”) and in Niederhasli (TCHF 2’207).

Disposals amounting to TCHF –26’056 concerned the sale of condominiums at The Cloud project in Baar (TCHF 14’340) and the Spinnerei III and Feinspinnerei projects in Windisch (TCHF 11’680).

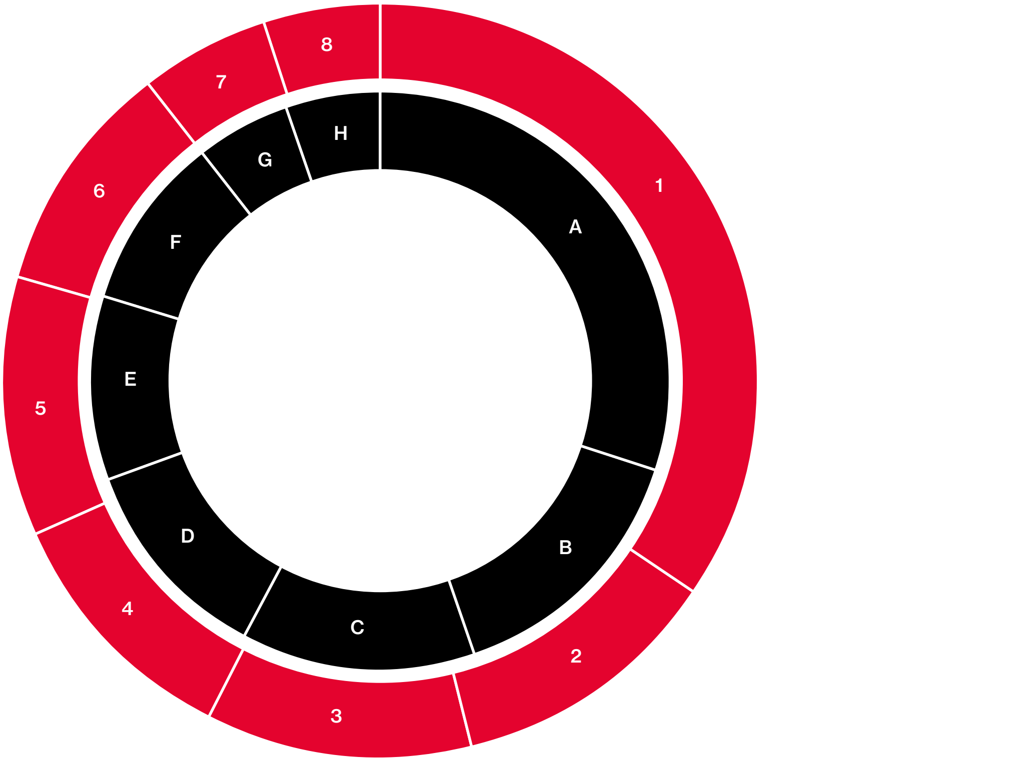
Properties held for sale

in TCHF	31.12.2018	31.12.2017
Project Spinnerei III (Windisch)	–	372
Project The Cloud (Baar)	**11’780**	23’880
Project Feinspinnerei (Windisch)	–	6’821
Total	**11’780**	**31’073**

As at the balance sheet date, only condominiums in Baar (The Cloud Project) were remaining for sale. The condominiums in Windisch were completely sold as at 31 December 2018.

The following remaining payments related to the transacted units, which are secured with bank payment commitments, still open as at 31 December 2018:

in TCHF	31.12.2018	31.12.2017
Project The Cloud (Baar)	–	3’360
Project Feinspinnerei (Windisch)	–	2’310
Total	**–**	**5’670**

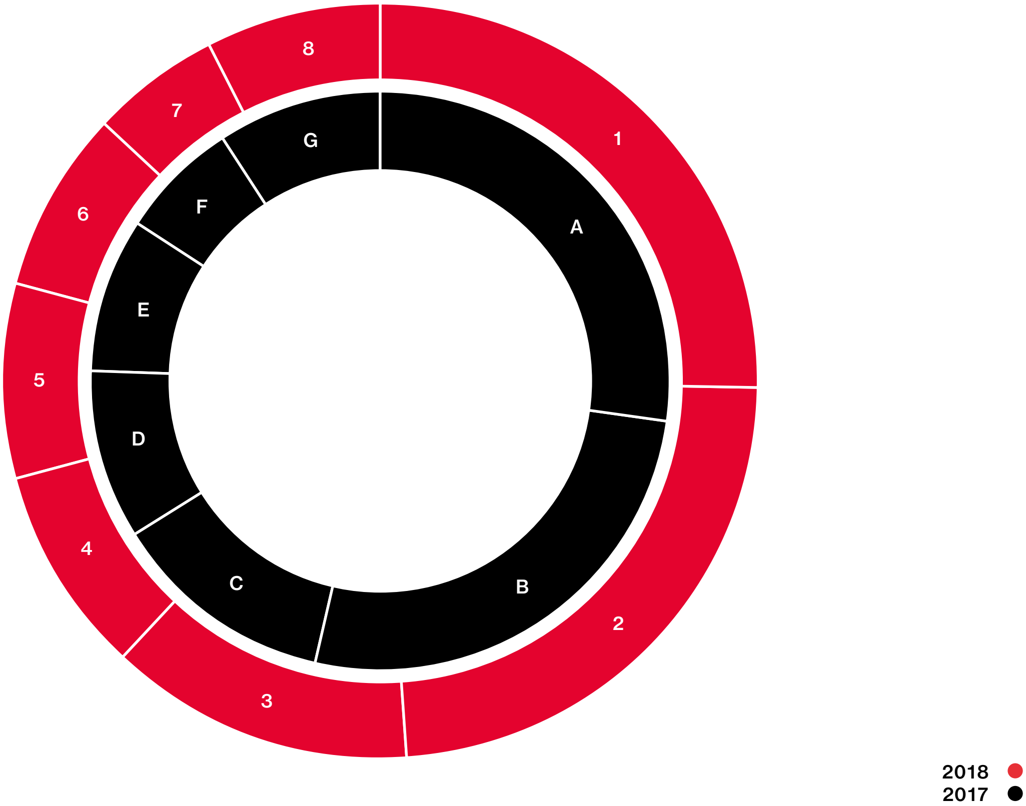


Market value of real estate properties according to use as at 31.12.2018

1	Industry, commercial	34.6%
2	Residential	11.7%
3	Retail	11.3%
4	Distribution, logistics	11.0%
5	Office	10.9%
6	Building land	10.2%
7	Residential and commercial	5.5%
8	Miscellaneous	4.8%

Market value of real estate 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 properties according to canton as at 31.12.2018

1	Aargau	25.3%
2	Zurich	23.7%
3	Geneva	13.0%
4	Basel-Landschaft	8.9%
5	Zug	8.4%
6	Solothurn	7.7%
7	St. Gallen	5.5%
8	Miscellaneous	7.5%

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

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

5 Other property, plant and equipment and intangible fixed assets

in TCHF	Other property, plant and equipment	Multi-cloud Infrastructure	Multi-cloud Infrastructure in Leasing	Total	Intangible fixed assets
Book value at 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 31.12.2017/01.01.2018	3'690	34'505	8'552	46'748	86
Additions	254	13'219	9'147	22'620	30
Disposals	–	–19	–	–19	–
Book value at 31.12.2018	**3'944**	**47'706**	**17'699**	**69'349**	**116**
Cumulative amortisation at 01.01.2017	**2'684**	**68**	**–**	**2'752**	**86**
Amortisation	334	1'425	–	1'759	–
At 31.12.2017/01.01.2018	3'018	1'493	–	4'511	86
Amortisation	185	8'344	3'319	11'848	5
Impairment	–	12'590	–	12'590	–
Cumulative amortisation at 31.12.2018	**3'202**	**22'427**	**3'319**	**28'949**	**91**
Net book value at 01.01.2017	1'723	3'445	–	5'168	–
Net book value at 31.12.2017/01.01.2018	673	33'012	8'552	42'237	–
Net book value at 31.12.2018	**742**	**25'278**	**14'380**	**40'400**	**25**

Finance leases for multi-cloud infrastructure were capitalised during the reporting year for TCHF 9'147 (2017: TCHF 8'552).

In 2018, no internally developed services in connection with the expansion of the multi-cloud infrastructure were capitalised (2017: TCHF 294).

The investments that have been made in the multi-cloud inftrastructure were reviewed for impairment purposes at the end of the year in the light of ongoing technological developments and the intended partnership with SIX Group. The resulting reassessment led to a one-time depreciation of TCHF 12'590 as at 31 December 2018.

6 Prepayments and accrued income

in TCHF	31.12.2018	31.12.2017
Financing costs bonds	**1'163**	962
Insurance premiums and benefits	**2'622**	131
Accrued income (rental income, sale of electricity, etc.)	**2'270**	2'012
Service and licence contracts with a term exceeding balance sheet date	**1'777**	415
Miscellaneous	**609**	3'580
Total	**8'442**	**7'101**

Insurance premiums and benefits compose TCHF 2'517 benefits in relation with cases of fire and other damaging events during the reporting period (2017: TCHF 89).

The position "Miscellaneous" contains value-added tax receivables of TCHF 292 that were not yet declared (2017: TCHF 3'423).

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

7.1 Financial assets

in TCHF	31.12.2018	31.12.2017
Employer contribution reserve	365	727
Other financial assets	3	474
Non-consolidated investments	139	79
Loans to third-parties	800	–
Total	**1’307**	**1’280**

Other financial assets included a loan for TCHF 460 against an entity that was fully consolidated in the reporting period. Due the full consolidation, this transaction was eliminated during the consolidation process as at 31 December 2018.

The item Non-consolidated investments comprises the following entities as of 31 December 2018:

Entity	Purpose	Book value in TCHF	Share
Schwert AG	Operation of a hotel and restaurant	79	9.9%
Energie Biberist AG	Acquisition, operation, maintenance and expansion of the energy centre for the paper mills Biberist and Utzenstorf. The entity stopped its operating activities with the shutdown of the paper mill Biberist.	–	20%
Limmattal AG	Positioning, integration, image strengthening and further development of the Limmattal	10	1.7%
Next Property AG	Development of a platform in order to rent real estate properties in the German-speaking part of Switzerland	50	1.9%
Total		**139**	

The item Non-consolidated investments comprises the following entities as of 31 December 2017:

Entity	Purpose	Book value in TCHF	Share
Schwert AG	Operation of a hotel and restaurant	79	9.9%
Energie Biberist AG	Acquisition, operation, maintenance and expansion of the energy centre for the paper mills Biberist and Utzenstorf. The entity stopped its business with the shutdown of the paper mill Biberist.	–	20%
Total		**79**	

The non-consolidated investments are valued at their purchase price less necessary impairments.

Loans to third parties include miscellaneous loans granted at a market interest rate. One of the loans for TCHF 3’892 granted in the reporting period was fully impaired over financial expenses as of the balance sheet date. The impairment occurred due to the critical financial situation of the counterparty.

7.2 Financial assets from shareholders

in TCHF	31.12.2018	31.12.2017
Loans to members of the Executive Board	1'395	2'932
Loans to Group employees	1'330	1'350
Total	2'725	4'282

As at 31 December 2018, financial assets due from shareholders concerned loans to members of the Executive Board for a total of TCHF 1'395 (2017: TCHF 2'932) and two employee loans (TCHF 1'330, 2017: TCHF 1'350). These loans are subject to market rate interest and are secured by employee shares.

Loans to members of the Executive Board for TCHF 2'010 become due for repayment within 12 months after the balance sheet date. Therefore, they are disclosed in "Other current financial assets from shareholders" in the reporting period.

7.3 Other current financial assets

in TCHF	31.12.2018	31.12.2017
Capitalised tax losses carried forward	320	1'770
WIR voting shares	–	1'082
Total	320	2'852

The WIR voting shares were completely sold during the reporting period.

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

7.4 Other current financial assets from shareholders

in TCHF	31.12.2018	31.12.2017
Loans to members of the Executive Board	2'010	–
Total	2'010	–

In the prior period, the loans to members of the Executive Board were disclosed in Financial assets from shareholders. Since those loans become due for repayment within the next 12 month after the balance sheet date, they were reclassified as Other current financial assets.

8 Other current liabilities

in TCHF	31.12.2018	31.12.2017
To third parties	3’838	3’971
Advance payments	4’812	2’004
Total	**8’650**	**5’975**

“Other current liabilities to third parties” mainly includes accumulated payments on account for heating and service charge settlement amounting to TCHF 2’935 (2017: TCHF 3’390).

Advance payments include property income paid in advance amounting to TCHF 3’564 (2017: TCHF 1’595) and deposit payments for the sale of condominium property amounting to TCHF 50 (2017: TCHF 160) and advance payments for a building project of TCHF 1’198 (2017: TCHF 249).

9 Provisions

in TCHF	Other provisions	LTIP provision	Total
Book value at 01.01.2017	**474**	**1’000**	**1’474**
Increase	65	450	515
Utilisation	–54	–	–54
Release	–	–	–
Book value at 31.12.2017/01.01.2018	**485**	**1’450**	**1’935**
– thereof current	335	–	335
– thereof non-current	150	1’450	1’600
Increase	101	1’440	1’541
Utilisation	–52	–	-52
Release	–	–	–
Book value at 31.12.2018	**534**	**2’890**	**3’424**
– thereof current	434	2’890	3’324
– thereof non-current	100	–	100

In connection with the HIAG Immobilien Long Term Incentive Plan (see paragraph 20), accruals were formed for the cash component in the amount of TCHF 1’440 as at 31 December 2018 (2017: TCHF 450). The provision is disclosed as current during the reporting period because the LTIP payment is due in 2019.

No provisions for pension plan obligations or restructuring were made, either in the period under review or in the previous period. Only risks that have at least a 50% probability of occurring are recognised.

10 Financial liabilities

in TCHF	31.12.2018	31.12.2017
Non-current bank liabilities	187’744	150’208
Bonds	490’000	365’000
Non-current leasing liabilities	9’593	7’262
Total	**687’337**	**522’470**

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

Most of the bank financing is secured by mortgages.

The loan-to-value ratio ([cash and cash equivalents + financial liabilities]/real estate value+multi-cloud infrastructure) was 43% as at the reporting date (2017: 37%). The debt ratio at fair value (bank liabilities/real estate value) was 13% (2017: 12%).

The average interest rates for bank liabilities came to 0.9% in the period under review (2017: 1.0%). Bank liabilities to be repaid within a period of 12 months amounted to TCHF 4’721 (2017: TCHF 5’453) and leasing liabilities to be repaid within a period of 12 months amounted to TCHF 5’419 (2017: TCHF 1’123). Both amounts and a third party loan amounting to TCHF 4’500 are disclosed as “Current financial liabilities”.

In October 2018, a fixed-rate bond for TCHF 125’000 was issued with a maturity of four years. The proceeds were used primarily for the repayment of existing bank liabilities.

Benchmarks	Bond October 2018	Bond May 2017	Bond July 2016	Bond July 2015
Amount	TCHF 125’000	TCHF 150’000	TCHF 115’000	TCHF 100’000
Maturity	4 years (26.10.2018 – 26.10.2022)	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	1.0%	0.8%	1.0%	1.0%
Listing	SIX Swiss Exchange	SIX Swiss Exchange	SIX Swiss Exchange	SIX Swiss Exchange
Security number	43’467’844	36’274’830	32’637’142	28’460’739
ISIN	CH0434678444	CH0362748300	CH0326371421	CH0284607394

Conditions of financial liabilities as at 31.12.2018

Item	Book value	Currency	Due date	Interest rate
Bank liabilities	192'465	CHF	See the chart "Due dates in TCHF as at 31.12.2018"	Between 0.5% and 3.4%
Bonds	490'000	CHF	01.07.2021/ 30.05.2022/ 26.10.2022/ 04.07.2023	Between 0.8% and 1.0%
Leasing liabilities	15'012	CHF	31.10.2021 with quarterly repayments	0.5%
Loans from third parties	4'500	CHF	31.12.2019	3.0%
Total	**701'977**			

Financial liabilities are recorded and valued at their nominal value.

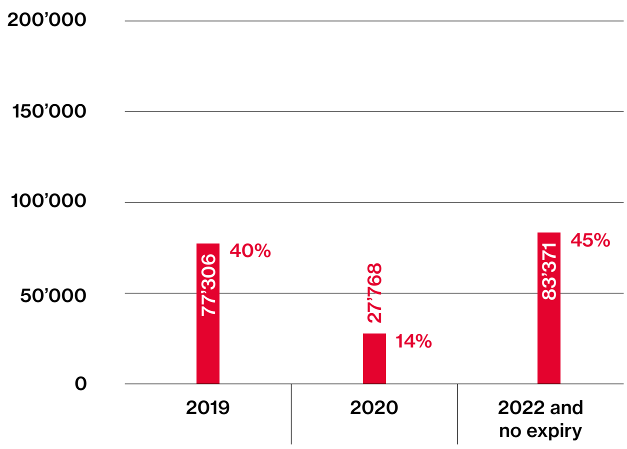
The loan from third parties amounting to TCHF 4'500 was reclassified from Other non-current liabilities to Current financial liabilities because repayment is due in 2019.

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**			

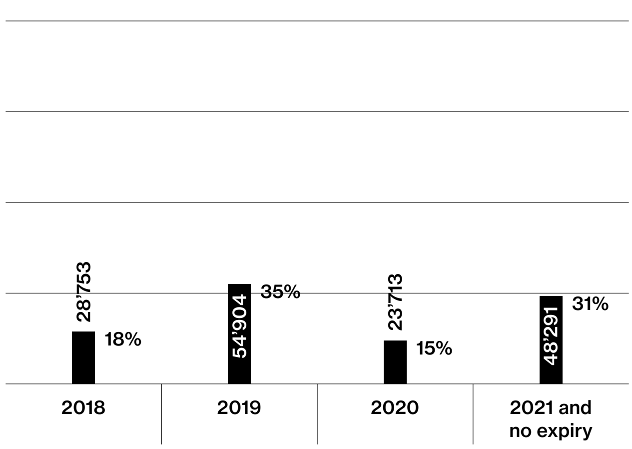
Financial liabilities are recorded and valued at their nominal value.

Due dates of bank liabilities in TCHF as at 31.12.2018



Total: TCHF 192'465 = 100%

Due dates of bank liabilities in TCHF as at 31.12.2017



Total: TCHF 155'662 = 100%

Interest rates of bank liabilities were fixed as follows as at 31 December 2018 (until the next interest rate adjustment):

Up to one year	180'581	94%
2020	4'513	2%
2022 and longer	7'371	4%
Total	**192'465**	**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%**

11 Accrued liabilities and deferred income

in TCHF	**31.12.2018**	31.12.2017
Operating expenses	**3'436**	1'833
Financing costs	**2'911**	2'682
Investments	**5'682**	4'207
Personnel related accruals	**1'332**	704
Miscellaneous	**605**	96
Total	**13'966**	**9'523**

Operating expenses include TCHF 2'395 for office and administrative expenses (2017: TCHF 1'040), TCHF 558 for energy cost and services charges (2017: TCHF 579) and TCHF 469 for maintenance and repairs (2017: TCHF 131).

The item Miscellaneous comprises TCHF 467 for real estate transfer taxes in connection with the acquisition of a site.

12 Deferred taxes

in TCHF	31.12.2018	31.12.2017
Deferred tax liabilities as at 1 January	**73'786**	**67'628**
Net increase recognised through profit or loss	**9'085**	6'158
Deferred tax liabilities as at 31 December	**82'871**	**73'786**

The provisions for deferred taxes are discounted with a discount rate of 2.00% as at 31 December 2018 (2017: 2.00%).

13 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 Fürsorgestiftung 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	Renounced use	Balance sheet	Accumulation	Balance sheet	Result from ECR in personnel expenses	
	31.12.2018	31.12.2018	31.12.2018	2018	31.12.2017	2018	2017
Patronage pension institutions	365	–	365	–	727	362	362
Pension institution	–	–	–	–	–	–	2
Total	**365**	**-**	**365**	**-**	**727**	**362**	**364**

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 within personnel expenses
	31.12.2018	31.12.2018	2018	2018	2018
Patronage pension institutions	–	–	–	–	–
Pension institution	3'927	–	–	–	623
Total	**3'927**	**–**	**–**	**–**	**623**

Composition of employee pension expenses

in TCHF	2018
Contributions to pension funds at the expense of the company	261
Contributions to pension plans made from the employer contribution reserve (ECR)	362
Total contributions	**623**
Changes in the employer contribution reserve stemming from asset performance, impairment, discounts, assessment of interest, etc.	–
Total contributions and changes to employer contribution reserve	**623**
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 impacts from surplus/deficit coverage	**–**
Total pension expenses in terms of employee benefit expenses during the reporting period	**623**
– thereof in personnel expenses	575
– thereof in Office, administrative, and development expenses	48
Total	**623**

The pension expenses for members of the Board of Directors are included in Office administrative, and development expenses. All other pension expenses are disclosed under Personnel expenses.

in TCHF	Nominal value	Renounced use	Balance sheet	Accumulation	Balance sheet	Result from ECR in personnel expenses	
	31.12.2018	31.12.2017	31.12.2017	2017	31.12.2016	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	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 within personnel expenses
	31.12.2017	31.12.2017	2017	2017	2017
Patronage pension institutions	–	–	–	–	–
Pension institution	4’274	–	–	–	488
Total	**4’274**	**–**	**–**	**–**	**488**

Composition of employee pension expenses in TCHF	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 impacts from surplus/deficit coverage	**–**
Total pension expenses in terms of employee benefit expenses during the period under review	**488**
– thereof in personnel expenses	451
– thereof in office, administrative, and development expenses	37
Total	**488**

14 Property income

in TCHF	2018	2017
Rental income excl. lump sum charges	**56'496**	53'841
Lump sum charges	**1'116**	1'055
Other property income	**1'162**	1'647
Decrease in income	**–532**	–698
Total	**58'242**	**55'846**

As at 31 December 2018, the item "Rental income excl. lump sum charges" included TCHF 368 of rental income (31 December 2017: TCHF 1'732) 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 906 for 2018 (2017: TCHF 1'037).

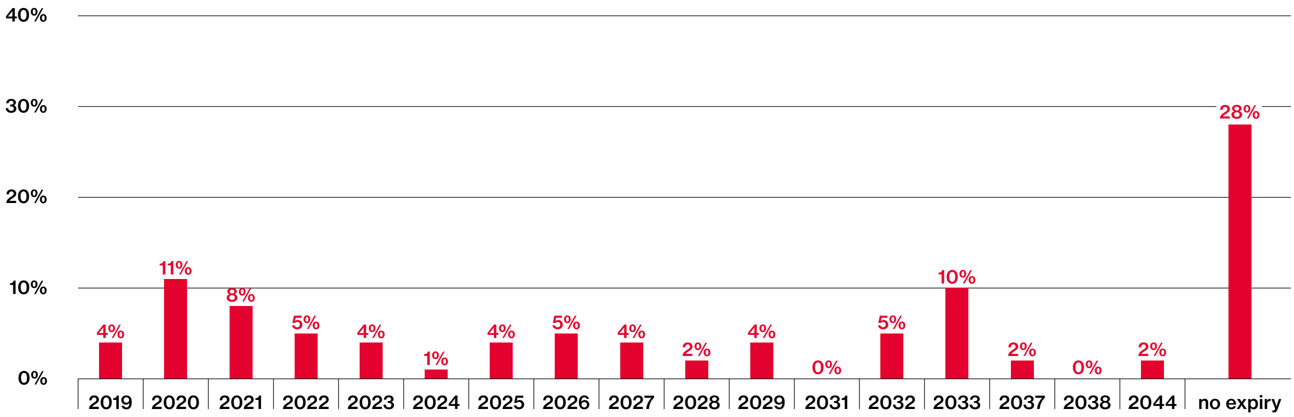
Most significant tenants

The five most significant tenants measured according to annualised property income were (in alphabetical order): Amcor Flexibels Rorschach AG, Doka Schweiz AG, Rohner AG, Sieber Transport AG und Otto's AG.

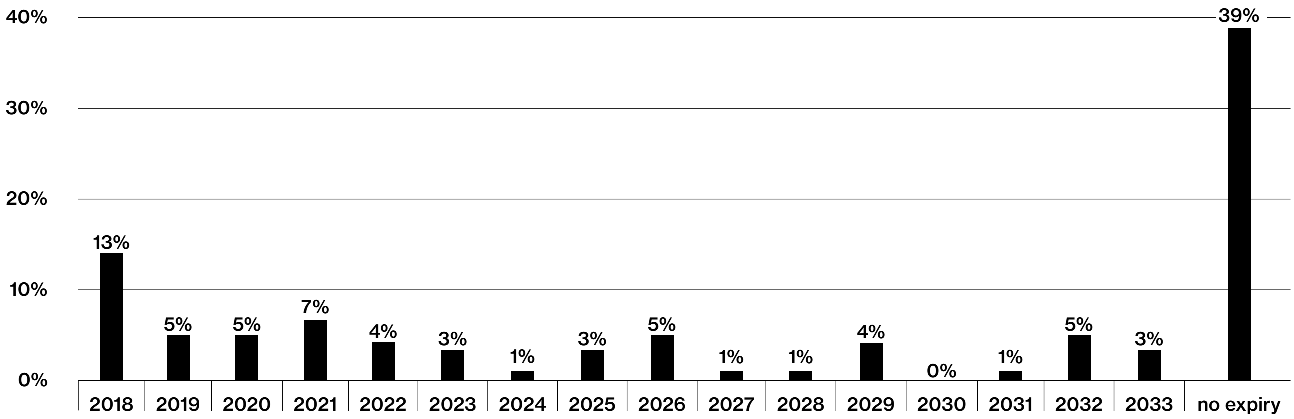
Share of property income represented by (%):	2018	2017
The largest tenant	**4%**	4%
The three largest tenants	**11%**	12%
The five largest tenants	**18%**	18%
The 10 largest tenants	**30%**	31%

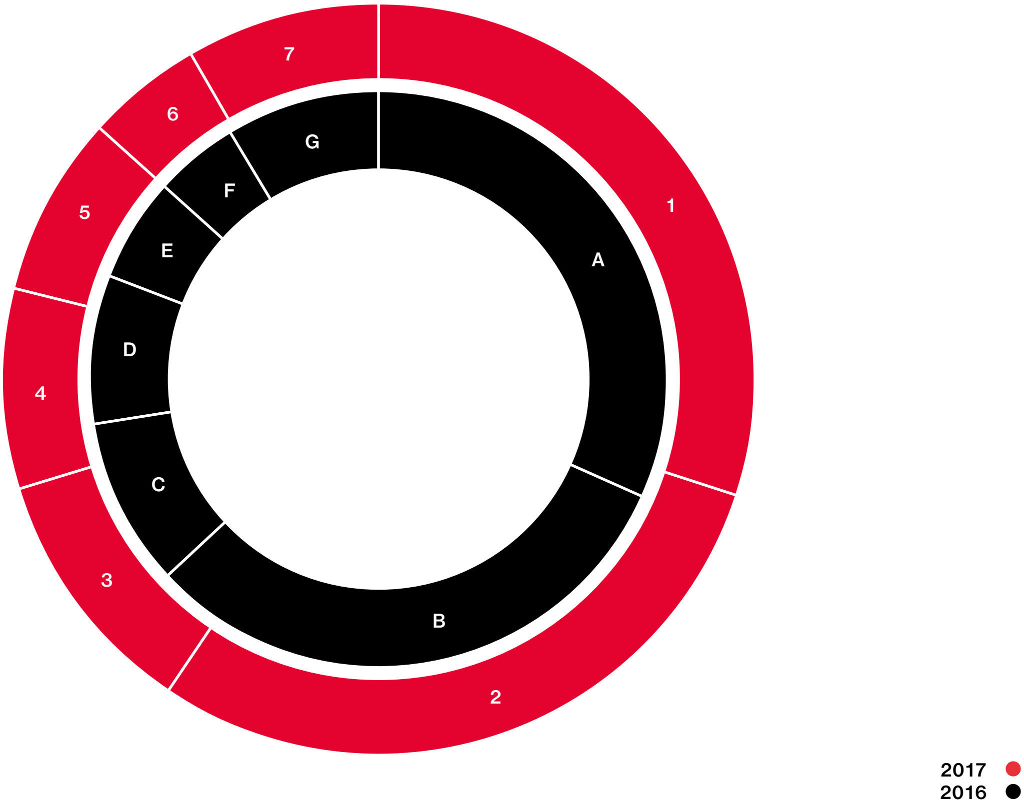
The overview of the expiry profile of rental agreements shows the earliest date at which the agreements can be terminated.

Overview of expiry profile of rental agreements as at 31 December 2018



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



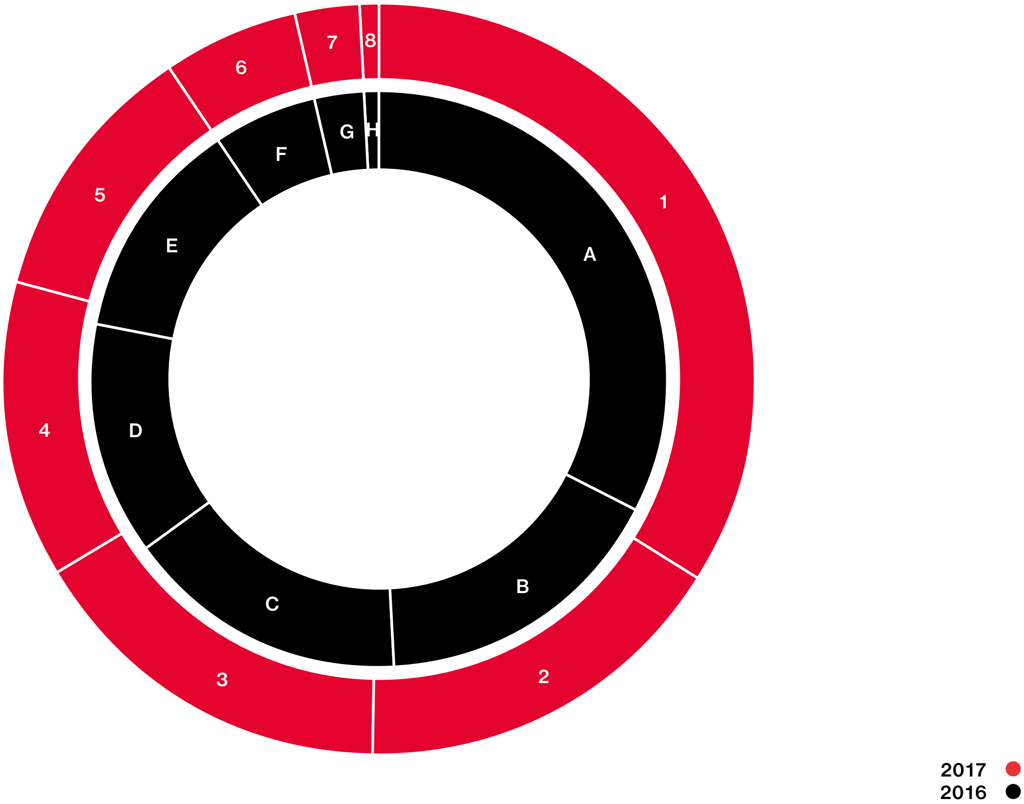


Annualised property income according to canton as at 31 December 2018

1	Aargau	28.2%
2	Zurich	26.4%
3	Basel-Landschaft	11.7%
4	Geneva	9.5%
5	Solothurn	7.3%
6	Zug	5.3%
7	St. Gallen	5.2%
8	Miscellaneous	6.5%

Annualised property income according to canton as at 31 December 2017

A	Zurich	30.2%
B	Aargau	29.7%
C	Geneva	10.7%
D	Basel-Landschaft	8.8%
E	Solothurn	7.7%
F	Zug	4.9%
G	Miscellaneous	8.3%



Annualised property income according to use as at 31 December 2018

1	Industry, commercial	36.4%
2	Distribution, logistics	17.9%
3	Retail	13.5%
4	Office	11.7%
5	Residential	10.4%
6	Residential and commercial	5.7%
7	Miscellaneous	2.4%
8	Building land	2.1%

Annualised property income according to use as at 31 December 2017

A	Industry, commercial	34.3%
B	Retail	16.2%
C	Distribution, logistics	16.2%
D	Office	12.9%
E	Residential	11.4%
F	Residential and commercial	5.8%
G	Miscellaneous	2.9%
H	Building land	0.7%

Vacancy rate in TCHF	2018	2017
Yielding properties	12.1%	12.3%
Yielding properties undergoing repositioning[1]	39.7%	36.8%
Redevelopment properties	13.6%	13.1%
Total portfolio	14.3%	14.3%

1 Mandachstrasse 50–56 ZH and Sternenfeldpark 14 BL.

On a like-for-like basis (without taking into account the acquisitions in Brunegg, Pratteln and Goldach), the vacancy rate was 13.6% for yielding properties and 15.6% for the total portfolio.

15 Revaluation of properties (net)

in TCHF	2018	2017
Positive adjustments	98'962	57'169
Negative adjustments	–23'776	–21'645
Adjustments to the value of properties being sold	1'253	–2'237
Total	76'439	33'287

The most significant adjustments were carried out for sites in Cham (TCHF 16'569), Goldach (TCHF 15'634), Lancy (TCHF 15'024), Pratteln (TCHF 10'195), Meyrin (TCHF 8'403), Wetzikon (TCHF 3'494), Dietikon (TCHF 3'344), Neuchâtel (TCHF 3'285, Klingnau (TCHF -2'392) and Füllinsdorf (TCHF -1'959). Out of a total of 120 properties, 65 underwent positive adjustments, 53 properties were affected by negative adjustments and two properties showed no change.

16 Cloud Services income

in TCHF	2018	2017
Cloud infrastructure	690	859
Point-to-cloud connection	254	33
Total	944	892

17 Other operating income

in TCHF	2018	2017
Services rendered to third parties	765	765
Other operating income	6’291	8’124
Release/(accrual) allowance other operating income	–	1’050
Total	**7’047**	**9’939**

“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”.

Other operating income includes in the reporting period an insurance benefit for TCHF 1’617 in connection with a fire case on the site Füllinsdorf. Furthermore, the item comprises income for the proceeds of asset sales in Biberist for TCHF 4’351 (2017: TCHF 7’743). Related to these transactions, external services and costs amounting to TCHF 109 (2017: TCHF 677) were also recorded in the item “Office and administrative expenses”.

The allowance for a receivable was fully released as at 31 December 2017 (TCHF 1’050) as the result of an agreement signed during the prior period.

18 Capitalised services

in TCHF	2018	2017
Thereof personnel expenses	–	40
Thereof office and administrative expenses (third party development services)	–	254
Total	**–**	**294**

In 2018 no internally developed services in connection with the expansion of the multi-cloud infrastructure were capitalised (2017: TCHF 294).

19 Personnel expenses

in TCHF	2018	2017
Wages and salaries	10’736	6’900
Social security contributions	1’225	965
Other personnel expenses [1]	1’301	1’429
Total	**13’262**	**9’294**

[1] Thereof discount on the sale and attribution of HIAG Immobilien Holding AG shares for HIAG Group employees (TCHF 663, 2017: TCHF 928 for HIAG Immobilien Holding AG shares and HIAG Data AG shares)

In the reporting period, wages and salaries include TCHF 2’608 for the LTIP HIAG Immobilien (2017: TCHF 850).

	31.12.2018	31.12.2017
Employee headcount	62	56
– thereof insourced facility management	17	18
Full-time employees	53.0	46.7
– thereof insourced facility management	11.9	12.0

As at the reporting date, 44 persons were employed at the company's Basel, Zurich, Geneva, Biberist and Wallisellen locations (2017: 37), including seven employees active in site development, six in portfolio management, seven in accounting and finance, one in condominium sales and 14 in the field of cloud services.

20 Share-based compensation

Long Term Incentive Plan HIAG Immobilien

For the Executive Board, there is 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. The contribution of the segment cloud services is excluded from the calculation of the return on equity. For the members of the Extended Executive Board (site developers and head of portfolio management), the LTIP is calculated on the revaluation of properties of the real estate portfolio of HIAG Group during the relevant time period. Incidentally, the same rules apply to 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 Executive Board under the current LTIP is limited to a total of CHF 14 million. The upper limit of the bonus envelope represents a participation of nearly 2.8% to the value created for the shareholders. Of the incentive, 50% is set aside annually in the form of employee shares barred from sale. The basis for calculation is the average return or increase in value as at the end of the respective year starting from the beginning of the calculation period applying the high water mark principle. The shares may be acquired by the members of the Executive 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 Executive 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. The final settlement of the plan will be conducted in the first semester 2019. As per reporting date, the provisional calculated settlement of the LTIP HIAG Immobilien results in an amount of CHF 5.4 million for the Executive Board for the years 2014 to 2018. This amount corresponds to revaluations of properties of the real estate portfolio of CHF 189.8 million and an average return on equity of 9.8% during the relevant period.

This LTIP has an impact of TCHF 2'550 (2017: TCHF 880) on net income for the period, of which the cash component constitutes TCHF 1'440 (2017: TCHF 450) (with provisions as the corresponding opposite item) and the share component TCHF 1'110 (2017: TCHF 430) (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 2018 amounted to TCHF 2'890 (2017: TCHF 1'450).

Long Term Incentive Plan Cloud Services

The HIAG Data LTIP entered into force during the prior 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 LTIP Cloud Services 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 last 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 no impact (2017: TCHF 426) on net income for the period. No provision was recorded for the cash component during the reporting period.

The cumulative provision for both plans amounted to TCHF 4’000 as at 31 December 2018 (2017: TCHF 1’450).

21 Energy and service charges

The item “Energy and service charges” includes costs in the amount of TCHF 1’116 that were billed to tenants (2017: TCHF 1’055). These billings are disclosed under “Property income”.

22 Office, administrative and development expenses

in TCHF	2018	2017
Office, administrative and development expenses	9’271	5’895
– thereof property expenses	1’969	2’029
– thereof Cloud Services	4’048	632

Property expenses primarily consist of local property administration fees, initial letting fees and appraisal fees.

The expenses for Cloud Services increased in relation with the set up and expansion phase of the business activities of the segment during the reporting period.

External services and costs related to asset sales in Biberist amount to TCHF 109 (2017: TCHF 677).

23 Rent and leases

in TCHF	2018	2017
Office rent and leases	626	577
Rent Cloud Services	232	142
Building rights	851	842
Total	**1’710**	**1’561**

24 Amortisation

in TCHF	2018	2017
Other property, plant and equipment	185	334
Other intangible fixed assets	5	–
IT and network infrastructure	24’252	1’425
Total	**24’442**	**1’759**

The investments that have been made in multi-cloud inftrastructure were reviewed for impairment purposes at the end of the year in the light of ongoing technological developments and the intended partnership with SIX Group. The resulting reassessment led to a one-time depreciation of TCHF 12’590 as at 31 December 2018.

25 Financial income

in TCHF	2018	2017
Securities income	29	27
Exchange rate gains	77	197
Other financial income[1]	312	218
Financial income from the sale of participations	–	167
Total	**418**	**610**

[1] Thereof TCHF 219 corresponding to the difference between the received equivalent and the repayment value of the bonds during the reporting year (2017: TCHF 183).

26 Financial expenses

in TCHF	2018	2017
Interest expenses from bank financing	1'688	2'021
Interest expenses from bonds	3'558	2'850
Bank fees and bank interest	234	151
Adjustment of securities at market prices	6	52
Exchange rate losses	133	2
Other capital expenditure [1]	467	307
Impairment of financial assets	3'892	–
Total	**9'977**	**5'384**

1 In 2018, contains proportional issuing costs of the bond in the amount of TCHF 232, which are amortised over the maturity of the bond in the income statement (2017: TCHF 168).

The average interest rates paid for bank liabilities came to 0.9% in the period under review (2017: 1.0%). The fluctuation corridor for interest rates was between 0.5% and 3.4% (2017: between 0.5% and 3.4%). Interest rates for construction loans for site development projects amounting to TCHF 188 were capitalized (2017: TCHF 147).

The impairment of financial assets relates to a third-party loan in the amount of TCHF 3'892 that was granted during the reporting period. Due to the critical financial situation of the counterparty, this loan was fully impaired as at 31 December 2018.

27 Taxes

in TCHF	2018	2017
Income taxes	860	275
Deferred taxes	9’084	6’158
Capitalisation of tax losses carried forward	–320	–234
Use of tax losses carried forward	1’771	2’959
Total	**11’395**	**9’158**

In the reporting period, TCHF 9’084 was recorded for deferred taxes provision (2017: TCHF 6’158).

Since taxable profits can probably be offset with tax losses carried forward, TCHF 320 of economic benefit was capitalised in the 2018 business year (2017: TCHF 234). The capitalisation corresponds to the expected economic benefit within the next 12 months. Of the capitalised tax losses carried forward as at 31 December 2017, TCHF 1’771 (2017: TCHF 2’959) was used in the 2018 business year.

As at the reporting date, the companies belonging to the Group disposed of non-capitalised loss carry-forwards totalling TCHF 47’245 (2017: TCHF 26’213). The potential tax reductions resulting from these not yet capitalised tax losses carried forward amounted to TCHF 9’099 as at 31 December 2018 (2017: TCHF 4’290).

The average tax rate, which was calculated based on ordinary earnings, amounted to 15.9% in 2018 (2017: 14.8%). The tax effect from the use of unrecognised tax losses carried forward amounted to TCHF 289 in 2018 (2017: TCHF 241).

28 Leasing liabilities

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

in TCHF	31.12.2018	31.12.2017
Up to 1 year	854	563
Between 2 and 4 years	1’696	1’408
Over 5 years	1’560	1’925
Total	**4’110**	**3’896**

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

29 Shareholders' equity

Composition of share capital

in TCHF	31.12.2018	31.12.2017
Registered shares as at 31 December (nominal value of CHF 1.00)	**8'050'000**	8'050'000
Total	**8'050'000**	**8'050'000**

On 31 December 2018, share capital consisted of 8'050'000 registered shares at a nominal value of CHF 1.00 per share (2017: 8'050'000). Each share is entitled to one vote. Pursuant to Article 3 of the Articles of Incorporation, the Board of Directors is authorised to increase the share capital of the company by a maximum of TCHF 1'600 until 19 April 2020. As at 31 December 2018, conditional share capital came to TCHF 350 (2017: TCHF 350).

The non-distributable statutory and legal reserves come to TCHF 1'610 (2017: TCHF 1'572).

Earnings and shareholders' equity (NAV) per share

in CHF	01.01.–31.12.2018	01.01.–31.12.2017
Net income	**60'949**	57'459
Time-weighted average number of shares outstanding	**8'023'893**	8'035'289
Earnings per average registered share outstanding	**7.60**	7.15
Undiluted earnings per share	**7.60**	7.15
Diluted earnings per share	**7.60**	7.15

in CHF	31.12.2018	31.12.2017
Shareholders' equity (NAV) per outstanding registered share, before deferred taxes	**108.55**	103.67
Shareholders' equity (NAV) per outstanding registered share, after deferred taxes	**97.18**	94.50

As at 31 December 2018 there were no dilutive effects.

30 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	**31.12.2018**	31.12.2017
Lock-up group composed of:	**65.5%**	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. With 50.0% (2017: 49.8%) of shares, SFAG Holding AG is the majority shareholder of HIAG Immobilien Holding AG. By signing these shareholders' agreements, the shareholders of SFAG Holding AG and SFAG Holding AG became a group within the meaning of Art. 121 of the FINMA Stock Exchange Ordinance.

Shares held by current members of the executive and supervisory bodies

	31.12.2018	31.12.2017
Dr. Felix Grisard, President of the Board of Directors [1]	**579'593**	579'593
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	**38'878**	27'642
Martin Durchschlag, CEO	**209'442**	208'295
Laurent Spindler, CFO	**4'123**	3'632
Ralf Küng, member of the Extended Executive Board	**6'601**	6'012
Hans-Lukas Fehr, member of the Extended Executive Board	**6'766**	6'177
Alex Römer, member of the Extended Executive Board	**6'784**	6'195
Thorsten Eberle, member of the Extended Executive Board	**4'331**	3'742
Michele Muccioli, member of the Extended Executive Board	**3'510**	2'921
Yves Perrin, member of the Extended Executive Board	**26'626**	20'419
Total	**1'175'050**	**1'153'024**

[1] Dr. Felix Grisard and Salome Grisard Varnholt are shareholders in the Board of Directors of SFAG Holding AG, which holds 4'025'805 shares in HIAG Immobilien Holding AG. With 50.0% 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.

In connection with the share component of the LTIP, the Extended Executive Board acquired 22'026 shares during the 2018 business year (2017: 1'982 shares).

31 Treasury shares

TCHF except for the number of shares	Number of shares	2018	2017
Book value as at 1 Jan.	2'371	281	–
Purchase	75'593	9'364	2'389
Sale/Attribution	22'026	2'725	1'986
Book value as at 31 Dec.	55'938	6'921	281

During the reporting period, 75'593 shares of HIAG Immobilien Holding AG were purchased by the company for a total amount of TCHF 9'364. 22'026 of these shares were primarily purchased or attributed in connection with the Long Term Incentive Plan by and to members of the Group's Executive Board and by Group employees as part the employee participation plan. The sale and attribution resulted in a loss of TCHF 101, which was recorded under "Capital reserves".

The company held 55'938 treasury shares as at 31 December 2018 (prior year 2'371 treasury shares).

32 Other pledged assets

The WIR voting shares, which were listed under "Other financial assets" at a value of TCHF 1'082 as at 31 December 2017, were pledged as part of an existing financing agreement with the WIR Bank. These voting shares were sold during the reporting period. Rental deposits in the amount of TCHF 104 (2017: TCHF 99) and Cash and cash equivalents in the amount of TCHF 156 in connection with securities for rent were also pledged (2017: TCHF 0).

33 Assets assigned to secure own liabilities

in TCHF	31.12.2018	31.12.2017
Other current receivables (escrow account)	1'350	1'350

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

in TCHF	31.12.2018	31.12.2017
Guarantees to third parties	32'116	32'116
Liabilities from signed but not yet running leasing agreements	–	9'248
Total	32'116	41'364

During prior year, guarantees for a total of TCHF 30'000 were given to third parties in connection with the coverage of investments of subsidiaries.

The leasing agreements that were signed in prior year were capitalised during the reporting period.

35 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	31.12.2018	31.12.2017
Reported shareholders' equity (excl. minority interest)	784'863	760'484
Equity ratio	49.1%	54.4%
Acquisition value of goodwill		
As at the beginning of the business year	1'276	1'276
Additions	–	–
Disposals	–	–
As at the end of the business year	1'276	1'276
Accumulated amortisation		
As at the beginning of the business year	830	574
Amortisations for the current year	255	255
Disposals	–	–
As at the end of the business year	1'085	830
Theoretical net book value of goodwill	191	446
Theoretical shareholders' equity including net book value of goodwill	785'054	760'930
Theoretical equity ratio	49.1%	54.4%

Impact of a theoretical capitalisation of goodwill on net income:

in TCHF	2018	2017
Net income (excl. minority share)	60'949	57'459
Theoretical amortisation of goodwill	–255	–255
Net income after amortisation of goodwill	60'694	57'204

36 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".

Cloud Services has been operational since the fourth quarter of 2016. The segment Cloud Services provides technology to independent partners based on a high performing multi-cloud platform that meets the latest regulatory standards.

The auxiliary activities with regard 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 "Others". This segment contains also all central functions of the group such as management and finance and all expenses in relation with the Board of Directors. Auxiliary expenses as for the financial statement audit, capital taxes, etc. are also shown in the segment "Others". Transactions between the segments are disclosed separately under "Intersegment eliminations".

The segment reporting was changed compared to prior year. The former segments "Services" and "Corporate" are no longer disclosed. Instead, the segment "Others" was implemented. Furthermore, transactions between the segments are disclosed separately under "Intersegment eliminations". The new disclosure reflects management's view of the management of the group. The segment reporting of the prior year was adjusted accordingly.

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

Operating segments 1 January 2018 to 31 December 2018

in TCHF	Yielding portfolio	Redevelopment portfolio	Cloud Services	Others	Intersegment elimination	Group
Property income	49'201	9'092	–	–	–51	58'242
Revaluation of properties (net)	26'620	49'819	-	–	–	76'439
Cloud Services income	–	–	944	–	–	944
Other operating income	1'868	4'802	1	1'396	–1'021	7'047
Total operating income	**77'690**	**63'712**	**945**	**1'396**	**–1'072**	**142'672**
Total operating expenses	**–12'525**	**–9'198**	**–12'504**	**–5'186**	**1'072**	**–38'340**
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**65'165**	**54'515**	**–11'558**	**–3'790**	**–**	**104'332**
EBITDA before revaluation of properties	**38'544**	**4'696**	**–11'558**	**–3'790**	**–**	**27'893**

Operating segments 1 January 2017 to 31 December 2017

in TCHF	Yielding portfolio	Redevelopment portfolio	Cloud Services	Others	Intersegment elimination	Group
Property income	45'409	10'412	46	–	–21	55'846
Revaluation of properties (net)	11'056	22'231	–	–	–	33'287
Cloud Services income	–	–	892	–	–	892
Other operating income	360	8'838	35	1'362	–656	9'939
Capitalised services	–	–	294	–	–	294
Total operating income	**56'824**	**41'482**	**1'267**	**1'362**	**–677**	**100'258**
Total operating expenses	**–10'497**	**–8'483**	**–4'284**	**–4'523**	**677**	**–27'110**
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**46'328**	**32'998**	**–3'017**	**–3'161**	**–**	**73'148**
EBITDA before revaluation of properties	**35'272**	**10'767**	**–3'017**	**–3'161**	**–**	**39'861**

Due to the change in disclosure of the segment reporting, the prior year was adjusted. The earnings before interests, taxes, depreciation and amortisation (EBITDA) decreased for the segment Yielding Portfolio by TCHF –1'169 and increased for the segments Redevelopment portfolio by TCHF 786, for the segment Cloud Services by TCHF 48 and for the segment Others (prior year Services and Corporate) by TCHF 336. In prior years, the intersegment eliminations were recognised directly within the segments. This is the primary reason why the EBITDA has changed for all segments.

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 (m²)[2]	Year of con–struction	Year of con–struction 2[3]	Partial renovation
10101	ZH	Dietikon	Riedstrasse 3	Retail	46.3	3.0	2.6	86%	13'690	1982	2002	2007
10102	ZH	Dietikon	Riedstrasse 5	Retail	46.6	2.3	2.3	100%	13'500	1982	–	1993
10103	ZH	Dietikon	Riedstrasse 7–9	Retail	36.6	1.6	1.4	91%	10'543	1982	–	–
10104	ZH	Dietikon	Riedstrasse 11	Others	0.3	0.0	0.0	100%	930	–	–	–
10201	AG	Kleindöttingen	Industriestrasse 39–41	Industrial	34.3	1.3	1.3	98%	65'356	1997	2007	–
10202	AG	Kleindöttingen	Industriestrasse 14/20/26/30/34/46	Industrial	31.2	2.0	1.5	77%	38'314	1971	2012	–
10203	AG	Kleindöttingen	Industriestrasse 3, 40–44	Logistics	18.5	1.6	0.9	56%	14'517	1971	1999	2008
10204	AG	Kleindöttingen	Hauptstrasse 70	Industrial	2.2	0.3	0.3	75%	6'625	1961	1977	–
10207	AG	Kleindöttingen	Industriestrasse 21	Industrial	4.7	0.7	0.2	28%	12'849	1969	1974	–
10301	ZH	Niederhasli	Mandachstrasse 50–56	Office	41.2	3.4	2.2	64%	10'918	1992	2007	–
10302	ZH	Niederhasli	Stationstrasse 25	Logistics	19.2	1.4	1.4	100%	16'691	1991	–	–
10502	TG	Ermatingen	Hauptstrasse 189	Logistics	5.4	0.4	0.4	94%	12'257	1994	–	–
10601	BL	Füllinsdorf	Wölferstrasse 27/27a	Logistics	12.7	0.9	0.9	100%	16'000	1971	1983	2015
10701	GE	Carouge	Rue Baylon 13–15	Logistics	19.9	1.9	1.4	73%	10'871	1970	2003	–
10801	BS	Riehen	Plot no. 1700	Others	2.1	0.2	0.2	100%	5'485	–	–	–
12801	SG	St. Margrethen	Plot no. 2957	Logistics	3.7	0.1	0.1	98%	13'880	–	–	–
12802	SG	St. Margrethen	Altfeldstrasse	Industrial	25.3	0.8	0.8	100%	70'149	–	–	–
13401	AG	Klingnau	Weierstrasse 5 / Kanalstrasse 8	Industrial	14.9	0.9	0.1	13%	12'984	1965	2008	–
13402	AG	Klingnau	Industriestrasse 7	Industrial	5.2	0.4	0.3	70%	5'529	1955	–	–
13403	AG	Klingnau	Industriestrasse 4/10, Brühlstrasse 46–50	Industrial	12.1	0.9	0.6	69%	13'009	1955	2008	–
13404	AG	Klingnau	Brühlstrasse 33–41	Industrial	3.8	0.4	0.2	60%	6'170	1953	1955	–
13405	AG	Klingnau	Schützenmattstrasse 7, Parkstrasse 14	Industrial	4.8	0.4	0.2	56%	11'035	1949	1961	–
13406	AG	Klingnau	Parkstrasse 15–29	Residential	25.5	1.2	1.1	89%	13'071	1999	2008	–
13407	AG	Klingnau	Parkstrasse 7–13	Residential	11.2	0.5	0.5	84%	6'075	1999	2008	–
18101	ZG	Cham	Lorzenparkstrasse 2–16	Res. mixed	53.5	3.3	3.0	90%	13'537	2008	–	–
22501	VD	Yverdon	Route de Grandson 48	Industrial	27.0	1.7	1.5	91%	19'758	1910	2013	–
26101	AG	Bremgarten	Luzernerstrasse 48–50	Industrial	28.5	1.6	1.6	100%	20'613	1983	2017	–
29002	GE	Meyrin	Route du Nant d'Avril 150, Hive II	Office	60.7	2.9	2.9	100%	6'821	2017	–	–
29101	GE	Meyrin	Chemin du Grand–Puits 28	Industrial	16.8	0.7	0.6	82%	10'383	1965	–	–
30001	ZH	Aathal	Zürichstrasse 66–80	Residential	4.5	0.3	0.3	98%	7'861	1870	1915	1988
30002	ZH	Aathal	Zürichstrasse 50–62/192	Res. mixed	1.8	0.2	0.2	100%	6'639	1849	1880	1985
30401	ZH	Aathal	Zürichstrasse 13–25	Retail	35.2	2.3	1.6	69%	16'597	1862	2014	–
30402	ZH	Aathal	Gstalderstrasse 5	Industrial	5.2	0.4	0.4	89%	16'250	1960	1964	–
30404	ZH	Aathal	Zürichstrasse 1–7	Residential	1.3	0.1	0.1	100%	4'343	1900	–	1995
30501	ZH	Aathal/Wetzikon	Agricultural land / land without use	Others	1.6	0.0	0.0	–	196	–	–	–
30601	ZH	Aathal	Zürichstrasse 34	Res. mixed	0.2	0.0	0.0	100%	257	1860	–	1990
30802	ZH	Wetzikon	Zürcherstrasse 130–132/131–133	Residential	0.8	0.1	0.1	98%	–	1839	–	2003
30901	ZH	Wetzikon	Grundstrasse 6–10	Residential	1.2	0.1	0.1	98%	1'745	1895	–	1990
30902	ZH	Wetzikon	Schulhausstrasse 42–44	Residential	2.0	0.1	0.1	100%	2'076	1840	–	1982
30904	ZH	Wetzikon	Usterstrasse 128	Residential	5.0	0.2	0.2	100%	1'569	1870	2007	–
30905	ZH	Wetzikon	Haldenstrasse 20	Residential	6.7	0.3	0.3	87%	1'741	1971	–	1991
30909	ZH	Wetzikon	Florastrasse 9	Residential	6.3	0.3	0.3	100%	1'899	1990	2018	–
30910	ZH	Wetzikon	Usterstrasse 88–104	Residential	2.6	0.0	0.0	–	2'078	1791	2018	1990
31401	SG	Goldach	Langrütistrasse 19	Industrial	53.3	2.1	2.1	100%	63'811	1973	1995	–
32102	AG	Windisch	Spinnereistrasse 10–12/15	Residential	35.2	1.3	1.0	76%	5'122	2014	–	–
32106	AG	Windisch	Dorfstrasse 69	Office	7.2	0.5	0.4	84%	2'466	1959	–	2008
32107	AG	Windisch	Kunzareal – Heinrich	Others	3.0	0.2	0.1	77%	3'252	1960	–	2017
32108	AG	Windisch	Spitzmattstrasse 6	Others	17.8	1.2	1.2	100%	5'115	1960	–	2018
33101	ZH	Wädenswil	Seestrasse 205/219, Bürglistrasse 43	Industrial	13.1	0.9	0.9	100%	11'105	1916	–	–
35001	GL	Diesbach	Legler Fabrik	Industrial	–0.1	0.0	0.0	84%	9'890	1910	1996	–
35002	GL	Diesbach	Hauptstrasse 38–40	Office	0.4	0.0	0.0	51%	7'683	1961	1970	–
35004	GL	Diesbach	Power plant	Others	9.6	0.8	0.8	100%	–	1996	–	2015
36104	SO	Biberist	Fabrikstrasse 36–38	Logistics	17.0	1.5	1.5	100%	23'000	1991	–	–
36110	SO	Biberist	MEG Emenkanal, land	Industrial	–0.2	0.0	0.0	–	–	–	–	–
36112	SO	Biberist	Power plant	Others	3.1	0.3	0.3	100%	–	1984	–	2014
36201	SO	Biberist	Herrenweg 1–7	Residential	2.0	0.1	0.1	100%	7'500	1920	–	–
36202	SO	Biberist	Derendingerstrasse 18–40, Herrenweg 6	Residential	4.5	0.3	0.3	97%	16'394	1920	–	–
36203	SO	Biberist	Herrenweg 4/8/10	Residential	2.5	0.0	0.0	100%	–	1928	–	1992
60101	BS	Basel	Rosentalstrasse 27	Residential	5.1	0.2	0.2	94%	574	1938	–	–
60301	BL	Birsfelden	Weidenweg 8–10	Residential	13.1	0.6	0.5	89%	3'798	1989	–	–
60302	BL	Birsfelden	Hauptstrasse 84–88	Residential	9.8	0.6	0.5	79%	1'787	1989	–	–
60401	BL	Birsfelden	Sternenfeldpark 14	Office	17.1	1.5	0.8	52%	3'554	2009	–	–
60402	BL	Birsfelden	Langenhagstrasse 6/10/18	Logistics	16.1	1.0	1.0	100%	8'383	1960	2006	2017
60601	SO	Gempen	Schartenhof	Others	2.7	0.0	0.0	100%	2'331	1950	–	2006
62001	BL	Allschwil	Binningerstrasse 87–89	Industrial	4.6	0.4	0.4	100%	1'999	1809	1957	–
63001	BL	Pratteln	Güterstrasse 23–29, Gempenstrasse 6/6a	Industrial	48.0	2.1	2.1	100%	31'585	1949	2002	–
69901	AG	Brunegg	Breitackerstrasse 10	Logistics	33.1	1.7	1.7	100%	28'142	1993	–	2013
70001	AG	Brunegg	Industriestrasse 1	Logistics	17.4	1.4	1.4	100%	15'293	1974	1985	2001
70401	AG	Buchs	Fabrikweg 12	Retail	4.1	0.4	0.4	100%	18'211	1988	–	2007
Total				Total	1'027.9	60.1	51.4	85.6%	805'806			

[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 1.0 million sqm).

[3] Second building phase.

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]
10208	AG	Kleindöttingen	Plot no. 420	Others	13.0	0.0	–	–	43'400
10303	ZH	Niederhasli	Stationstrasse 27–32, Parzelle 3131	Industrial	18.8	0.7	0.6	93%	28'122
10501	TG	Ermatingen	Hauptstrasse 181/185	Logistics	5.0	0.5	0.4	76%	12'125
13408	AG	Klingnau	Weierstrasse 8	Others	0.9	0.0	0.0	–	2'144
16101	ZG	Baar	Ibelweg 18	Residential	11.8	0.0	0.0	–	9'218
18103	ZG	Cham	Plot no. 3165	Others	60.1	0.1	0.1	99%	26'231
20101	VS	St–Maurice	Bois–Noir	Industrial	1.9	0.3	0.3	100%	33'281
22101	VD	Aigle	Route Industrielle 18	Industrial	2.6	0.2	0.2	100%	11'410
22201	GE	Vernier	Chemin de la Verseuse 1–3	Industrial	5.2	0.0	0.0	0%	4'507
22301	GE	Lancy	Route des Jeunes 20–26	Industrial	33.6	0.6	0.6	96%	8'783
29001	GE	Meyrin	Route du Nant d'Avril 150, Hive I	Office	30.8	0.0	0.0	–	7'681
29003	GE	Meyrin	Route du Nant d'Avril 150	Others	25.4	0.0	0.0	–	27'512
29004	GE	Meyrin	Route du Nant d'Avril 150, Pavillon	Others	0.9	0.0	0.0	–	952
30101	ZH	Aathal	Plot no. 3990	Others	1.3	0.1	0.1	100%	8'163
30201	ZH	Aathal	Zürichstrasse 27/33–39, Gstalderstrasse 4	Residential	6.5	0.2	0.1	76%	23'938
30403	ZH	Aathal	Gstalderstrasse 3	Industrial	0.8	0.0	0.0	100%	1'067
30602	ZH	Aathal	Chälenweg 1/11/164, Aretsh. 1–7/11–21/158	Residential	2.6	0.2	0.2	94%	10'069
30603	ZH	Aathal	Zürichstrasse 22–24	Res. mixed	2.1	0.2	0.2	76%	3'567
30801	ZH	Wetzikon	Usterstr. 200–202/206, Zürichstr. 119–121	Industrial	5.9	0.4	0.3	94%	14'653
30906	ZH	Wetzikon	Schönaustrasse 5–13	Residential	10.7	0.2	0.2	86%	17'055
30907	ZH	Wetzikon	Schönaustrasse 9	Others	22.3	0.1	0.1	100%	8'267
30908	ZH	Wetzikon	Weststrasse 26–28	Residential	4.2	0.0	0.0	–	2'444
31501	TG	Frauenfeld	Walzmühlestrasse 47	Res. mixed	9.5	0.0	0.0	–	4'564
31502	TG	Frauenfeld	Walzmühlestrasse 49	Res. mixed	7.4	0.0	0.0	–	2'043
31503	TG	Frauenfeld	Walzmühlestrasse 51	Res. mixed	6.8	0.0	0.0	100%	10'863
31504	TG	Frauenfeld	Walzmühlestrasse Parking	Others	2.0	0.0	0.0	27%	3'340
31601	NE	Neuchâtel	Rue du Plan 30	Industrial	20.4	0.8	0.8	100%	7'978
31602	NE	Neuchâtel	Plot no. 10729	Others	4.4	0.0	0.0	–	3'419
31701	SO	Dornach	Weidenstrasse 50	Industrial	34.9	1.2	1.1	96%	136'685
32105	AG	Windisch	Kunzareal – Zentrum West	Industrial	0.9	0.0	0.0	100%	2'481
34001	AG	Brugg	Wildischachenstrasse 12–14	Office	5.1	0.6	0.5	95%	11'080
34002	AG	Brugg	Wildischachenstrasse 16	Industrial	16.9	1.5	1.1	76%	33'505
36101	SO	Biberist	Fabrikstrasse 2–8	Others	3.9	0.4	0.1	20%	22'524
36102	SO	Biberist	Fabrikstrasse 14–34	Industrial	14.9	0.0	0.0	–	44'000
36103	SO	Biberist	Fabrikstrasse 57–115	Industrial	10.9	0.7	0.7	100%	40'000
36105	SO	Biberist	Fabrikstrasse 1–29	Industrial	4.8	0.2	0.1	33%	19'000
36106	SO	Biberist	Fabrikstrasse 3–35	Industrial	1.7	0.0	0.0	–	18'962
36107	SO	Biberist	Fabrikstrasse 31–85	Industrial	0.5	0.0	0.0	–	16'000
36108	SO	Biberist	Fabrikstrasse Insel	Industrial	3.9	0.4	0.3	85%	60'400
36109	SO	Biberist	Derendingerstrasse 27–29	Others	7.6	0.0	0.0	–	44'183
36204	SO	Biberist	Derendingerstrasse 16 (Plot no. 944, 1172, 1179)	Others	0.4	0.0	0.0	–	–
40101	AG	Menziken	Hauptstrasse 85	Others	8.1	0.0	0.0	–	10'717
61101	BL	Aesch	Industriestrasse 45–61	Industrial	11.6	0.9	0.7	85%	35'932
72001	AG	Hausen	Hauptstrasse 96	Others	10.6	0.0	0.0	–	27'235
72002	AG	Lupfig	Hauptstrasse 98–100	Others	6.5	0.0	0.0	–	34'933
Total				Total	460.3	10.2	8.8	86.4%	894'433

1 Others refer to land, building rights, parking, official use, power plant, datacenter; Res. mixed refers to properties with residential and commercial use.

2 Net site area does not include agricultural land and land without utilisation (total approximately 1 million m^2).

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 December 31, 2018.

Report of the Statutory Auditor on the Consolidated Financial Statements

Building a better working world

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To the General Meeting of
HIAG Immobilien Holding AG, Basel

Basle, 14 March 2019

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 134), for the year ended 31 December 2018.

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

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

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

Opinion
In our opinion, the consolidated financial statements for the year ended 31 December 2018 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER and comply with article 17 of the Directive on Financial Reporting (DFR) of SIX Swiss Exchange and Swiss law.

Report of the Statutory Auditor on the Consolidated Financial Statements

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	As at 31 December 2018, Real estate properties and Properties for sale recognized in the company's consolidated balance sheet amounted to a total of kCHF 1'488'191, representing 93% of total consolidated assets. The valuation involved the work of an external real estate appraiser and is performed at fair value using the discounted cash flow method. The fair value assessment is based on assumptions, in particular with regard to development risks, rental income and sales revenue, discount rates, vacancy rates as well as operating, maintenance and repair costs. The valuation of Real estate properties and Properties for sale is further discussed in section "Significant Accounting and Valuation Policies" and note 4 "Real estate properties" of the notes to the consolidated financial statements. Due to the significance of the carrying amounts and the judgment involved in the assessment of the valuation, this matter was considered significant to our audit.
Our audit response	As part of our audit, we assessed the objectivity, independence and competence of the external real estate appraiser. We involved our own real estate valuation specialists in evaluating the assumptions applied and compared these to corroborative sector data. Furthermore, we evaluated the underlying property-specific data used in the valuations, in particular with regard to development risks, rental income and sales revenue, discount rates, vacancy rates as well as operating, maintenance and repair costs. Our audit procedures did not lead to any reservations concerning the valuation of Real estate properties, incl. Properties for sale.

Valuation of 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 2018, they amounted to kCHF 82'871. 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 12 "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. Our audit procedures did not lead to any reservations concerning the valuation of Deferred tax liabilities.

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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

Fabian Meier Licensed audit expert (Auditor in charge)	André Schaub Licensed audit expert

Independent Valuer's Report

Wüest Partner AG, Bleicherweg 5, 8001 Zurich

HIAG Immobilien Holding AG
Aeschenplatz 7
4052 Basel

Zurich, 06 February 2019

Independent valuer's report
Real Estate Property Valuation as at 31.12.2018

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 2018 (reporting date). The valuation encompasses all investment properties, sites and development properties, properties for sale, distinct and permanent rights (building rights), co-ownership shares, agricultural land as well as the power plants in Diesbach, Biberist, Oberaathal-Aabach, Wetzikon-Floos und Wetzikon-Schönau.

Valuation standards
Wüest Partner hereby confirms that the valuations were performed in accordance with national and international standards and guidelines.
The property values determined correspond to the current value (market value) as described in Swiss GAAP ARR 18, item 14.

Definition of fair value
«Fair value» is defined as the amount for which a property would most probably be exchanged on the open market on the valuation date between two independent and knowledgeable parties, willing to buy and sell respectively, with due allowance made for a reasonable marketing period.
Property transfer tax, property gains taxes, value added tax and other costs and commission fees that would be incurred if the property were sold are not included (gross market value). Nor is any account taken of HIAG's liabilities in respect of taxation (apart from ordinary property taxes) and financing costs.

Valuation method
In valuing HIAG's real estate holdings, Wüest Partner applied the discounted cash flow (DCF) method, by which the market value of a property is determined as the

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Regulated by RICS

total of all projected future net earnings discounted to the valuation 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 valuated using the discounted cash flow method (DCF). The fair value of the project as at valuation date is been inferred in three steps:
– Valuation of the property at the time of completion – taking into account the current occupancy/sales rate, the market and the cost estimation as at valuation date;
– Calculation of the market value as at valuation date, taking into account the projected investments still to be undertaken;
– Estimate of the development risk in relation to the current project status, and its treatment as a separate cash flow of a cost position.

Basis of valuation
Wüest Partner is familiar with all the properties, having carried out inspections and examined the documentation provided. The properties have been analysed in detail in terms of their quality and risk profiles (attractiveness and lettability of rented premises, construction type and condition, micro- and macro-location etc.). Currently vacant premises are valued with due allowance made for a reasonable marketing period.
Within the review period from 1 January 2017 to 31 December 2018, Wüest Partner visited 30 properties belonging to HIAG.

Results
A total of 119 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 2018 by Wüest Partner. The fair value of the property portfolio of HIAG (before deduction of contamination) is estimated as at 31 December 2018 at 1,515,222,808 Swiss Francs.

Changes during reporting period
Within the review period from 1 January 2018 to 31 December 2018 properties in Brunegg, Goldach, and Pratteln were acquired. At the same time, all condominiums of two properties in Windisch were sold.

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

Zurich, 06 February 2019
Wüest Partner AG

Marco Feusi MRICS	Silvana Dardikman
Partner	Director

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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 2019 and were received during the period of September 2018 and December 2018.
- Calculation model: A two-phase DCF model was adopted. The valuation period extends to infinity from the valuation date, with an implicit residual value in 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 1.95% 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.

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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	2018	2017
Earnings as per FER income statement	**58'935**	**57'457**
(i) Income from property revaluation	–75'183	–35'524
(ii) Income from sale of promotion projects	–1'256	2'237
(iv) Deferred taxes on EPRA adjustments and capitalisation of tax losses carried forward	10'535	8'884
(v) Non-controlling interests in respect of the above	2'014	2
EPRA earnings	**–4'955**	**33'056**
Average number of shares outstanding	8'023'893	8'035'289
EPRA earnings per share	**–0.6**	**4.1**

A Adjusted EPRA earnings earnings per share

in TCHF except for the number of shares and the key figures per share	2018	2017
EPRA earnings	**–4'955**	**33'056**
(i) HIAG Data contribution	39'131	4'308
Adjusted EPRA earnings	**34'176**	37'364
Average number of shares outstanding	8'023'893	8'035'289
Adjusted EPRA earnings per share	**4.3**	**4.7**

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	2018	2017
NAV as per consolidated financial statements	784'863	760'484
(i) Dilution effect of exercise of options, convertibles and other equity interest	–680	–336
(ii) Deferred taxes	82'871	73'786
EPRA NAV	**867'054**	**833'934**
Number of shares outstanding	7'994'062	8'047'629
EPRA NAV per share	**108.5**	**103.6**
Balance sheet total	1'598'935	1'398'069
Equity ratio as per EPRA NAV	**54.2%**	**59.7%**

EPRA Key Performance Figures

C Triple Net Asset Value (NNNAV)

in TCHF except for the number of shares and the key figures per share	2018	2017
EPRA NAV	**867'054**	**833'934**
(i) Deferred taxes	**–82'871**	–73'786
EPRA NNNAV	**784'183**	**760'357**
Number of shares outstanding	**7'994'062**	8'047'629
EPRA NNNAV per share	**98.1**	**94.5**

D EPRA net return from rental income

in TCHF	2018	2017
Investment properties – wholly owned	**1'476'411**	1'251'588
Properties held for sale (promotion projects)	**11'780**	31'073
Less development properties (building land, investment properties under construction, promotion projects)	**–460'323**	–381'364
Value of the completed property portfolio	**1'027'868**	**901'297**
Adjusted value of the completed property portfolio	**1'027'868**	**901'297**
Annualised cash-passing rental income	**51'433**	47'093
Direct expenses of investment properties	**–12'525**	–10'497
Annualised net rental income	**38'908**	**36'596**
"Topped-up" net rental income	**38'908**	**36'596**
EPRA net return from rental income	**3.8%**	4.1%
EPRA "topped-up" net return from rental income	**3.8%**	4.1%

E EPRA vacancy rate

in TCHF	2018	2017
Estimated rental income potential from vacant space	**8'661**	8'005
Estimated rental income from overall portfolio	**60'094**	55'098
EPRA vacancy rate	**14.4%**	14.5%

E Adjusted EPRA vacancy rate (excl. investment properties undergoing repositioning[1])

in TCHF	2018	2017
Estimated rental income potential from vacant space	**6'699**	6'126
Estimated rental income from overall portfolio	**55'157**	49'994
Adjusted EPRA vacancy rate	**12.1%**	12.3%

1 Properties Mandachstrasse 50–56 ZH and Sternenfeldpark 14 BL.

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

2018 Individual Financial Statement

Balance Sheet

Total statutory capital reserves	31.12.2018	31.12.2017
Cash and cash equivalents	**4’713**	6’614
Other current receivables due from third parties	**44**	18
Other current receivables due from shareholders	**176**	1’632
Other current receivables due from the Group	**1’926**	414
Tax receivables	**–**	309
Prepayments and accrued income	**1’195**	983
Current assets	**8’054**	9’970
Financial assets due from thirrd parties	**860**	–
Financial assets due from the Group	**597’013**	485’550
Financial assets due from shareholders	**2’725**	4’145
Participations – Group	**89’809**	89’709
Non-current assets	**690’407**	579’404
Assets	**698’461**	589’374

Trade payables	**78**	44
Other current liabilities	**17**	49
Current interest-bearing financial liabilities	**4’500**	–
Tax liabilities	**177**	–
Accrued expenses and deferred income	**3’503**	3’061
Current liabilities	**8’275**	3’154
Non-current interest-bearing financial liabilities	**490’000**	365’000
Other non-current interest-bearing liabilities	**–**	4’500
Non-current liabilities	**490’000**	369’500
Total liabilities	**498’275**	372’654
Share capital	**8’050**	8’050
Statutory capital reserves	**1’610**	1’572
Statutory reserves from capital contribution[1]	**17’171**	47’682
Total statutory capital reserves	**18’782**	49’254
Statutory retained earnings	**8’736**	8’837
Voluntary retained earnings	**108’000**	108’000
Amount carried forward from previous year	**42’823**	40’018
Net income	**20’716**	2’843
Distributable profit	**63’538**	42’861
Treasury shares	**–6’921**	–282
Shareholders’ equity	**200’186**	216’720
Liabilities and shareholders’ equity	**698’461**	589’374

[1] See notes

Individual Financial Statement

Income Statement

in TCHF	2018	2017
Financial income	27’447	8’360
Other operating income	9	36
Operating Income	**27’456**	**8’396**
Personnel expenses	–369	–398
Insurance and fees	–79	–73
General operating expenses	–60	–95
Office and administrative expenses	–1’628	–1’448
Communication expenses	–394	–320
Financial expenses	–4’152	–3’219
Operating expenses	**–6’683**	**–5’553**
Earnings before taxes (EBT)	**20’773**	**2’843**
Taxes	–58	–
Net income	**20’716**	**2’843**

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 (Title 32 of the Code of Obligations).

Accounting principles applied in this financial statement
Participations
The investments are valued at the acquisition cost minus impairments carried out for business reasons.

Other current receivables due from the Group
This item includes current accounts with Group companies.

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

Definition of "Group"/"Shareholders"
"Group" is related to companies of the HIAG Group, "Shareholders" is primarily related to the Executive Board. 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 financial liabilities". 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 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.

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

Statutory reserves from capital contribution decreased by TCHF 30'510 to TCHF 17'171 due to the dividend payout in April 2018.

The capital contributions of TCHF 17'171 reported to the Swiss Federal Tax Administration (ESTV) as of 18 May 2018 was recognised by the ESTV in the amount of TCHF 13'978.

After the maximum distribution out of statutory reserves from capital contribution 2019 of TCHF 13'900, statutory reserves from capital contribution of TCHF 78 remain available for a further distribution.

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

	31.12.2018	31.12.2017
Participations – Group	**89'809**	89'709
Total participations	**89'809**	**89'709**

Summary of HIAG Immobilien Holding AG participations at 31.12.2018

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	Zurich	CH	10'000	95%	9'500
Marbell AG[1]	Zurich	CH	100	100%	100
Total					**89'809**

[1] The company Marbell AG was founded on 22 June 2018.

Important indirect participations as at 31.12.2018

Company	City	Country	Share capital in TCHF	Participation/ Voting rights
HIAG AG	Basel	CH	150	100%
HIAG Immobilien AG	St. Margrethen	CH	5'000	100%
HIAG Immobilier Léman SA[1]	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	Zurich	CH	400	95%

[1] The company Village 52 SA was merged with HIAG Immobilier Léman SA as of 1 January 2018.

HIAG Data AG and CIS Operations AG provide technology to independent partners based on a high performing multi-cloud platform that meets the latest regulatory standards.

Marbell AG is a holding company with no activities in the reporting period.

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

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.

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]	Zurich	CH	10'000	95%	9'500
Total					**80'709**

1 During prior year, 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 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%
CIS Operations AG	Zurich	CH	400	95%
Village 52 SA	Yverdon	CH	100	100%

Total liabilities

in TCHF	31.12.2018	31.12.2017
Other current liabilities	**17**	**49**
thereof liabilities to pension funds	**14**	5
Current interest-bearing financial liabilities	**4'500**	–
Thereof loans from third parties	**4'500**	–

The loan amounting to TCHF 4'500 disclosed under Current interest-bearing financial liabilities becomes due for repayment as of 31 December 2019. In the prior year, the loan was shown in Other non-current interest-bearing liabilities. The interest rate is 3%.

in TCHF	31.12.2018	31.12.2017
Non-current interest-bearing financial liabilities	**490'000**	**365'000**
Bonds	**490'000**	365'000

In October 2018, a fixed-rate bond for TCHF 125'000 was issued with a maturity of four years. The proceeds were primarily used for the repayment of the Group's existing bank financing.

Benchmarks	Bond October 2018	Bond May 2017	Bond July 2016	Bond July 2015
Amount	**TCHF 125'000**	TCHF 150'000	TCHF 115'000	TCHF 100'000
Maturity	**4 years (26.10.2018–26.10.2022)**	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	**1.0%**	0.8%	1.0%	1.0%
Listing	**SIX Swiss Exchange**	SIX Swiss Exchange	SIX Swiss Exchange	SIX Swiss Exchange
Security number	**43'467'844**	36'274'830	32'637'142	28'460'739
ISIN	**CH0434678444**	CH0362748300	CH0326371421	CH0284607394

Shareholders' equity

in TCHF	31.12.2018	31.12.2017
Share capital	**8'050**	8'050
Registered shares as at 31 December (nominal value of CHF 1.00)	**8'050'000**	8'050'000

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 2020. As at 31 December 2018 conditional share capital came to TCHF 350 (2017: TCHF 350).

in TCHF	2018	2017
Financial income	**27'447**	8'360
– thereof earnings from the sale of 5% of HIAG Data AG shares	–	1'500
– thereof extraordinary dividend payment by HIAG Immobilien Schweiz AG[1]	20'000	–

[1] The General Assembly of HIAG Immobilien Schweiz AG decided to pay out an extraordinary dividend out of the distributable retained earnings of CHF 20 million as per 20 December 2018. This dividend was settled against existing loans.

in TCHF	2018	2017
Personnel expenses	**369**	398
– thereof discount on the distribution of HIAG Immobilien Holding AG shares to HIAG Group employees	**338**	372
Number of full-time positions at the average rate for the year	**under 10**	under 10
Office and administrative expenses	**1'628**	1'448
– thereof Board of Directors fees[1]	1'161	1'049
Financial expenses	**4'152**	3'219
– thereof issuing expenses[2]	**232**	168

[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, May 2017 and October 2018 for a total of TCHF 1'670 are amortised in the income statement over the maturity of the bond (previous year: TCHF 1'245).

Treasury shares

in TCHF except for the number of shares	Number of shares	2018	2017
Book value as at 01.01	2'371	281	–
Purchase	75'593	9'364	2'389
Sale/Attribution	22'026	2'725	1'986
Book value as at 31.12.	55'938	6'921	281

During the reporting period, 75'593 shares of HIAG Immobilien Holding AG were purchased by the company for a total amount of TCHF 9'364. 22'026 shares were attributed or sold to employees. A loss of TCHF 101 was realised on the sale and attribution of the shares and recorded against the statutory retained earnings.

Contingent liabilities

in TCHF	31.12.2018	31.12.2017
Guarantees to third parties	32'116	32'116

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:	65.5%	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. SFAG Holding AG is with a stake of 50.0% (prior year: 49.8%) the main shareholder of the company. By signing these shareholders' agreements, the shareholders of SFAG Holding AG and SFAG Holding AG became a group within the meaning of Art. 121 of the FINMA Stock Exchange Ordinance.

Individual Financial Statement

Shares held by current members of the executive and supervisory bodies

	31.12.2018	31.12.2017
Dr. Felix Grisard, President of the Board of Directors[1]	**579’593**	579’593
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	**38’878**	27’642
Martin Durchschlag, CEO	**209’442**	208’295
Laurent Spindler, CFO	**4’123**	3’632
Total	**1’120’432**	**1’107’558**

[1] Dr. Felix Grisard and Salome Grisard Varnholt are shareholders in the Board of Directors of SFAG Holding AG, which holds 4’025’805 shares in HIAG Immobilien Holding AG. With 50.0% 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.

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 2019. No significant events occurred between the balance sheet date and this point in time.

Profit appropriation

For the business year 2018, the Board of Directors will propose at the annual General Assembly on 11 April 2019 a cash distribution of CHF 3.90 per share for a maximum of 8’050’000 outstanding shares. The maximum distribution amounts to TCHF 31’395 and will be distributed out of amount carried forward to next year for a maximum amount of TCHF 17’495 and out of statutory reserves from capital contribution for a maximum amount of TCHF 13’900.

Proposed appropriation of distributable profit

in TCHF	31.12.2018	31.12.2017
Net income	**20’716**	2’843
Amount carried forward from previous year	**42’823**	40’018
Distributable profit	**63’538**	42’861
Dividend payment out of the distributable profit	**–17’495**	–
Attribution to the general statutory capital reserves	**–**	38
Amount carried forward to next year	**46’043**	42’823

in TCHF	31.12.2018
Statutory reserves from capital contribution before dividend payment	**17’171**
Dividend payment	**–13’900**
Statutory reserves from capital contribution after dividend payment	**3’271**

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 2019

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 145 to 153), for the year ended 31 December 2018.

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 2018 comply with Swiss law and the company's articles of incorporation.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each

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

We have fulfilled the responsibilities described in the *Auditor's 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 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.

Valuation of group financial assets group and participations group

Risk	As at 31 December 2018, financial assets group of kCHF 597'013 and participations group of kCHF 89'809 represent 98% of the Company's total assets. Further details regarding the financial assets group and participations group 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 of those two assets, this matter was considered significant to our audit.
Our audit response	During our audit we analysed the key assumptions used in the valuation. For financial assets group and participations group which are linked to property entities with an active portfolio, we examined the Company's valuation model and analysed the underlying key assumptions. We also assessed the historical accuracy of the Company's estimates and compared these assumptions to corroborating information. For other financial assets group and participations group we analysed the assumptions used by the management and compared those with corroborating information or with a valuation model. Our audit procedures did not lead to any reservations concerning the valuation of the group financial assets group and participations group

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

Fabian Meier Licensed audit expert (Auditor in charge)	André Schaub 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. For the business year 2018, the Board of Directors will propose at the annual General Assembly on 11 April 2019 a cash distribution out of retained earnings and out of statutory reserves from capital.

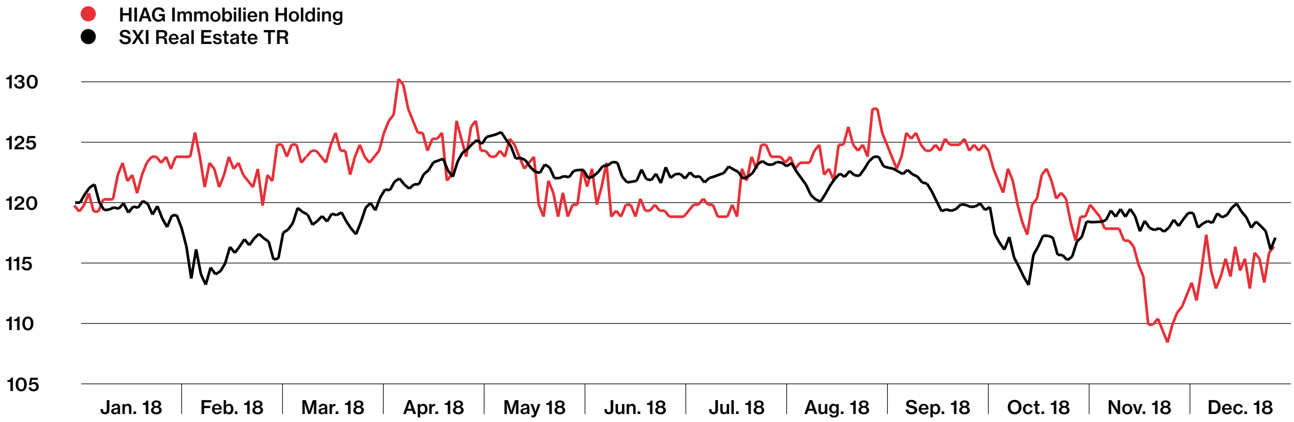
2 Repayment of capital contributions

As at the end of 2018, reserves from capital contribution amounted to TCHF 17'171. Statutory reserves from capital contribution decreased by TCHF 30'511 due to the dividend payout in April 2018.

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

3 Share price development

03.01.2018–28.12.2018 Open: 120.00 High: 130.50 Low: 108.50 Close: 116.50



The HIAG Immobilien Holding share price decreased by 2.9% from CHF 120.00 to CHF 116.50 from 1 January 2018. Shareholders' equity (NAV) was CHF 98.18 as at 31 December 2018. The HIAG Immobilien Holding share was thus traded at the end of the year with a premium of 18.7%. In 2018, an average of 3'512 shares were traded daily.

Share Information

4 Key figures

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

Share performance in CHF	31.12.2018	31.12.2017
High	**131.50**	128.00
Low	**107.50**	104.40
End of period	**116.50**	120.90

Market capitalisation in CHF million	31.12.2018	31.12.2017
High	**1'058.58**	1'030.40
Low	**865.38**	840.42
End of period	**937.83**	973.25

Number of shares	31.12.2018	31.12.2017
Issued shares	**8'050'000**	8'050'000
Treasury shares	**55'938**	2'371
Outstanding shares	**7'994'062**	8'047'629
Average outstanding shares	**8'023'893**	8'035'289

Key figures per share in CHF	31.12.2018	31.12.2017
Earnings per share (EPS)	**7.60**	7.15
Earnings per share without revaluation of properties without contribution HIAG Data	**2.70**	3.54
Dividends payout [1]	**3.90**	3.80
Payout ratio (in %) [2]	**145%**	107%
Cash yield (in %) [3]	**3.35%**	3.14%
Net asset value per share (NAV)	**98.18**	94.50
Premium (discount) to NAV (in %)	**18.66%**	27.94%
NAV per share before deduction of deferred taxes	**108.55**	103.67
(Discount) to NAV before deduction of deferred taxes	**7.33%**	16.62%

1 Proposal to the Annual General Meeting on 11 April 2019 for the financial year 2018: distribution out of reserves from capital contributions and out of amount carried forward from previous year
2 Dividends per share compared with earnings per share without revaluation of properties and without contribution HIAG Data. The calculation of the payout ratio was changed in 2018 and the calculation 2017 restated. The payout ratio calculated based on the net profit without non-cash tax items amounts to 101.9% as per 31 December 2018.
3 Dividends per share compared with 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 30 on page 129.

6 Investor Relations

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Stock Exchange Trading

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

Agenda

18. März 2019
Publication Annual Report 2018

11. April 2019
Annual General Meeting

2. September 2019
Publication half-year results 2019

Credits

Publisher
HIAG Immobilien Holding AG

Concept and design
schneiterpartner AG, Zurich

HIAG