

HIAG

Annual Report

19

2019 Annual Report

**HIAG creates
value and develops
destinations
where people and
companies can
flourish.**

Content

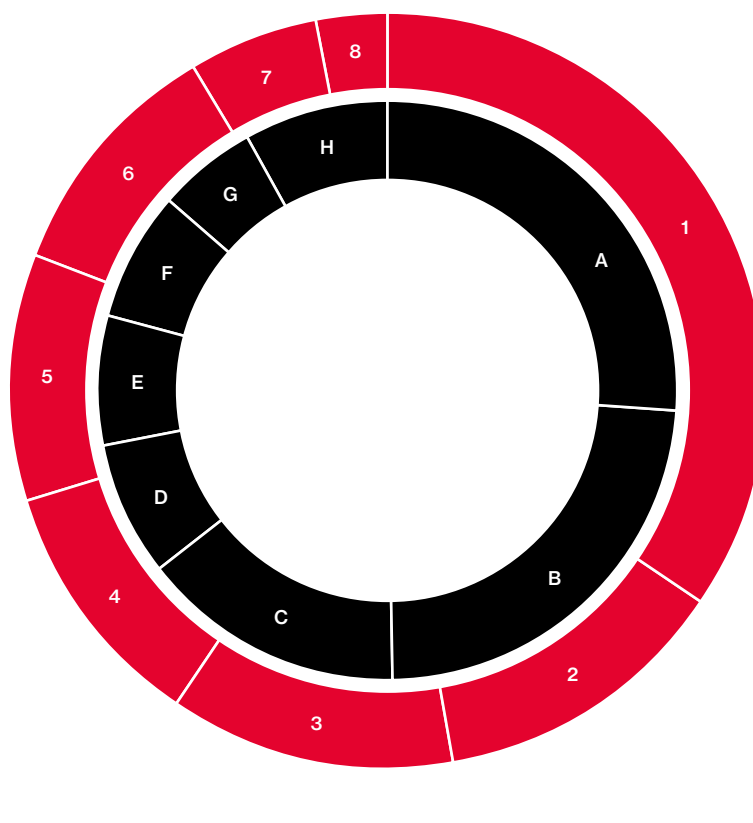
4	Company Profile
5	Key Facts in a Nutshell Key Figures
8	Letter to the Shareholders
12	Executive Board Interview
19	Corporate Governance
41	Compensation Report
51	Report of the Statutory Auditor on the Remuneration Report
52	Consolidated Financial Statements
98	General Property Details
100	Report of the Statutory Auditor on the Consolidated Financial Statements
104	Independent Valuer's Report
108	EPRA Key Performance Figures
111	Individual Financial Statement 2019
121	Report of the Statutory Auditor with Financial Statements
124	Share Information
126	Contact/Agenda/Credits

Company Profile

HIAG's site portfolio in Switzerland encompasses large land development reserves. Each site is transformed independently and progressively into a new cycle of use, creating lively quarters or entire city districts with their own individual character. HIAG is thus able to make profitable long-term investments in site redevelopment. The creation of new destinations generates intangible value, such as location quality and perceived attractiveness, which translate into an increase in property value and potential added value for customers.

Key Facts in a Nutshell

Key Figures



Market value of real estate properties by type of use as at 31.12.2019

1	Industry, Commercial	34.6%
2	Residential	12.7%
3	Building land	12.3%
4	Distribution, Logistics	10.7%
5	Office	10.7%
6	Retail	10.6%
7	Residential and commercial	5.6%
8	Miscellaneous	2.8%

Market value of real estate properties by canton as at 31.12.2019

A	Zurich	26.3%
B	Aargau	23.6%
C	Geneva	14.6%
D	Zug	7.5%
E	Solothurn	7.4%
F	Basel-Landschaft	7.1%
G	St. Gallen	5.5%
H	Miscellaneous	8.0%

87%

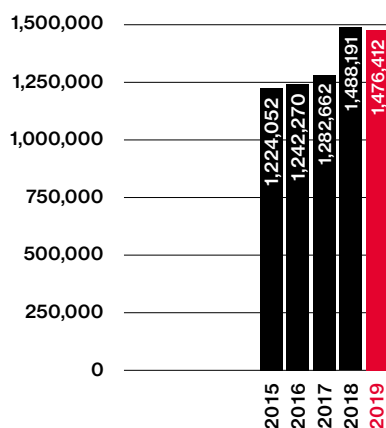
87% of HIAG's real estate portfolio is situated in the Zurich/Zug, Baden/Brugg, Basel, Solothurn and Geneva regions.

Key Facts in a Nutshell

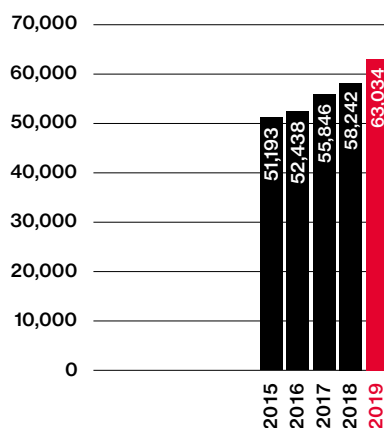
Key Figures

Real estate portfolio, Property income, Adjusted EPRA Earnings

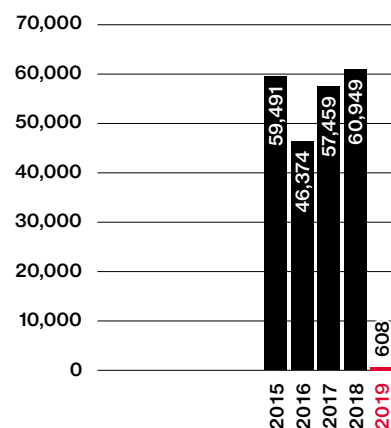
Real estate portfolio in TCHF



Property income in TCHF



Adjusted EPRA Earnings



Key financial figures

in TCHF	31.12.2019	31.12.2018
Property income	63,034	58,242
Revaluation of properties	-16,803	76,439
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	-38,410	104,332
Net income	-70,749	60,949
Cash and cash equivalents	23,933	34,531
Shareholders' equity	672,085	784,863
Equity ratio	41.3%	49.1%
LTV ratio	51.4%	43.4%
Balance sheet total	1,628,641	1,598,935
Cash flow from operating activities incl. sales promotion	15,172	40,122
Employee headcount	107	62
- thereof real estate	51	48
- thereof Pratteln site	23	0
- thereof cloud services	20	14
- thereof Jaeger et Bosshard SA	13	0

Key Facts in a Nutshell

Key Figures

Key portfolio figures

in TCHF	31.12.2019	31.12.2018
Real estate portfolio	1,571,676	1,488,191
Yielding portfolio	1,053,441	1,027,868
Property development portfolio	518,235	460,323
Real estate portfolio (number of real estate properties)	116	114
Number of redevelopment properties	45	45
Investments in real estate	103,516	158,773
Annualised rental income (in million CHF)	59.4	60.9
Vacancy rate for investment properties	14.4%	12.1%
Vacancy rate for investment properties undergoing repositioning ¹	40.9%	39.7%
Vacancy rate for redevelopment properties	13.7%	13.6%

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

EPRA performance figures

in TCHF	31.12.2019	31.12.2018
Adjusted-EPRA earnings (excl. HIAG Data & Jaeger et Bosshard contribution)	608	34,176
EPRA NAV	741,923	867,054
EPRA equity ratio NAV	45.6%	54.2%
EPRA vacancy rate	16.6%	14.4%
Adjusted EPRA vacancy rate (excl. investment properties undergoing repositioning) ¹	14.4%	12.1%

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

Key figures per share

in CHF	31.12.2019	31.12.2018
Earning/loss per share (EPS)	-8.85	7.60
Dividends payout ¹	-	3.90
Payout ratio	-	144.69%
Cash yield	-	3.35%

¹ For the 2019 financial year, the Board of Directors will propose at the Annual General Meeting on 23 April 2020 that no dividend be paid.

Letter to the Shareholders



Dear Shareholders

The fiscal year 2019 confronted HIAG with major challenges. While the core business of real estate development performed well and property income increased again, the Group had to cope with two major setbacks: first, the exit from the project to develop its own multicloud platform and the restructuring of HIAG Data, and second, the bankruptcy of Rohner AG, Pratteln, the third largest tenant at that time. Due to the substantial impact of these two events, the Board of Directors will propose to the Annual General Meeting on 23 April 2020 that no dividend is paid.

Letter to the Shareholders

As a result of the two extraordinary events in fiscal year 2019, HIAG posted a loss of CHF 70.7 million in the year under review, following a profit of CHF 60.9 million in the previous year. On the one hand, the discontinuation of the development of its own multi-cloud platform had a negative impact on the result of around CHF 70 million. All assets in connection with this project were 100% impaired as of 31 December 2019, and HIAG is currently assuming that extraordinary income can be generated within the scope of the monetisation of the existing assets. In addition, following the bankruptcy of the tenant Rohner AG, Pratteln, HIAG has to cover the costs for the deconstruction and rehabilitation of the site to a chemical-free condition. This had a total negative impact on the result in 2019 by a total of CHF 51.3 million: CHF 18.5 million of this amount is attributable to a negative revaluation of properties after tax effects and provisions of around CHF 30 million for the dismantling of the production infrastructure and the rehabilitation of the site into a chemical-free condition. In addition, there are operating costs of around CHF 2.8 million in the year under review, as minimum operations must be maintained until the dismantling is completed.

Robust real estate business

In fiscal year 2019, HIAG increased its collected property income by 8.2% to CHF 63.0 million (2018: CHF 58.2 million) compared with the previous year. Thanks to the successful completion of various redevelopment projects, annualised property income declined only slightly by 2.5% to CHF 59.4 million (2018: CHF 60.9 million) despite the bankruptcy of Rohner AG, Pratteln, and the move of a major tenant in Dietikon. The vacancy rate rose to 16.2% (2018: 14.3%) due mainly to the initial vacancies in three completed projects and the effect of the departure in Dietikon. Nevertheless, HIAG still has a comfortable weighted average remaining lease term (WALT) of 8.9 years (2018: 9.7 years). At the end of December 2019, the total portfolio consisted of 116 properties. The value increased by 5.4% to CHF 1.57 billion (31.12.2018: CHF 1.49 billion). The fact that the revaluation of property effects were negative at CHF -16.8 million (31.12.2018: CHF 76.4 million) is due mainly to the impact of CHF -20.4 million from the bankruptcy of Rohner AG, Pratteln. The weighted average discount rate for the entire portfolio decreased slightly and amounted to 3.94% as of 31 December, 2019 (31.12.2018: 4.15%).

Solid financial structure

As at 31 December 2019, HIAG Immobilien Holding AG had an equity ratio on an EPRA basis of 45.6% (31.12.2018: 54.2%). Following the successful placement of a fixed-interest bond for CHF 150 million with a term of five years, the weighted average term of debt capital was stable at 2.7 years as of 31 December 2019 (31.12.2018: 2.8 years). The average interest rate for financial liabilities remains low at 0.9% (31.12.2018: 0.9%). The loan-to-value ratio (LTV) was 51.4% (31.12.2018: 43.4%).

Attractive real estate portfolio

As of 31 December 2019, HIAG's redevelopment portfolio consisted of 56 projects with approx. 707,000 sqm of usable space. The expected investment volume for the next 10 years, excluding further acquisitions, is approximately CHF 1.9 billion. Six of these projects are currently under construction, with an annualised property income after completion and full occupancy of approximately CHF 4.6 million. Over the next three years, HIAG can tackle a further 10 development projects with a usable space of approximately 107,000 sqm, necessary investments of approximately CHF 250 million and an annualised property income potential after completion and full occupancy of approximately CHF 21 million.

Letter to the Shareholders

Extensive “land bank”

HIAG is one of the largest landowners in Switzerland with well-connected sites in long-term growth regions and on main transport axes. The extensive “land bank” strengthens HIAG’s position as a long-term oriented site redeveloper and real estate lessor in a market environment where redevelopment sites are experiencing significant price increases due to high demand.

Successful site redevelopment

Six projects were completed in the year under review. In Wetzikon (ZH), the renovation of Usterstrasse was completed with nine apartments already let. On the “Les Cadolles” site in Neuchâtel (NE), a commercial centre with Migros and Denner subsidiaries and a pharmacy was opened. On the technology campus “The Hive” in Meyrin (GE), Regus, which belongs to IWG, and Hewlett Packard Enterprise moved into the refurbished and Minergie-certified building “The Hive 1”. At the Walzmühle site in Frauenfeld (TG), two of three project stages were completed and marketing of the residential units began. Most of the office and commercial tenants have already moved in, including the e-commerce pharmacy Zur Rose and the Frauenfeld bakery and pastry shop Stähli, which operates Café Werk 3 at the site. In Windisch (AG), the FARO Foundation moved into the new Spitzmatt residential centre for people with disabilities on the Kunzareal in the summer of 2019. Six new projects are already under construction. At the technology campus “The Hive” in Meyrin, construction of the new headquarters of the listed electronic components manufacturer LEM has begun and in summer 2020 the pavilion for the Luigia Academy with its own restaurant and a training centre for Luigia employees will be handed over. Also in summer 2020, the apartments of the “Avellana” residential project on Weststrasse in Wetzikon (ZH) will be ready for occupation.

The close contact that HIAG maintains with its tenants enables it to address their needs. For example, in December 2019, construction of an additional commercial hall in the Kleindöttingen (AG) industrial park was started for the long-term tenant Brugg Rohrsystem AG. In Goldach (SG), the topping-out ceremony for an additional production building for the tenant Amcor Flexibles Rorschach AG took place in December 2019, which is scheduled to be occupied in autumn 2020. In the redevelopment project for Doka Schweiz AG in Niederhasli (ZH), excavation for the new office building began at the beginning of January 2020. It is then planned that building applications for the new XXXLutz building in Dietikon and the Cham Nord residential project will be submitted during the current fiscal year. In addition, HIAG started the redevelopment of the site in Pratteln, which is in an attractive location near Pratteln railway station, in the second half of 2019, some 15 years ahead of the originally planned date.

Interim uses shape the character of future destinations

An important element in HIAG’s business model is an active site management with interim uses. This helps to partially cover running costs such as taxes and maintenance and enables a gradual redevelopment process of the sites. A typical example is the Papieri site in Biberist, where the opening of a fitness centre at the end of 2019 marked the launch of a further interim use that helps to increase the number of visitors to the site. The long-term development horizon at the Metalli Wideneck site in Dornach offers opportunities for various interim uses before a mixed-use, urban quarter is developed at the site.


Letter to the Shareholders

Targeted acquisitions to optimise the pipeline

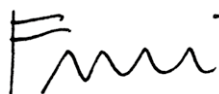
HIAG regularly makes targeted acquisitions in order to optimise the quality of its portfolio. One example was the acquisition of the FCA Switzerland SA site in the up-and-coming Zurich Altstetten district in September 2019, thereby securing HIAG an attractive development site in Zurich's five-storey residential zone that allows for high-quality development. An interim use for a minimum rental period of 3.5 years has been agreed with the Binelli Group until the start of site development. HIAG then rounded off the development area "Porte Sud" in the Lancy district of Geneva with the acquisition of Jaeger et Bosshard SA, and the Reichholdareal site in Hausen/Lupfig with the purchase of the land from Caravan ARAR GmbH.

Outlook

HIAG expects to increase the annualised property income in fiscal year 2020 with the completion of further development projects, assuming stable development of the Swiss real estate market, despite the fact that property income is likely to be lower following the bankruptcy of Rohner AG, Pratteln. For the duration of the dismantling of the production infrastructure at the site, HIAG expects annual net operating costs of up to CHF 5 million. Potential proceeds from asset sales of the former chemical company are expected for fiscal year 2021. HIAG then anticipates that HIAG Data will affect the result in fiscal year 2020 with ongoing operating costs of around CHF 5 million. These costs will be offset by potential income from the use of infrastructure in the context of the cooperation with Beelastec AG and the Tarchini Group. In addition, network infrastructure costs will no longer be incurred in future, as Beelastec AG will take over the network infrastructure and network customers of HIAG Data as part of the cooperation. With a strong anchor shareholder, an experienced management and an attractive real estate and redevelopment portfolio, HIAG sees itself well positioned for long-term growth through its own efforts and for targeted optimisation of its extensive "land bank" through acquisitions.



Dr. Felix Grisard
President of the Board of Directors



Marco Feusi
CEO

Executive Board Interview



After a turbulent business year in 2019, HIAG is refocusing all its energy on the real estate business. Dr. Felix Grisard, President of the Board of Directors, Marco Feusi MRICS, CEO, and Laurent Spindler, CFO, explain HIAG's business strategy in an interview with Beat Seger MRICS.

Executive Board Interview

What is HIAG's ambition for the business year 2020?

Felix Grisard: HIAG's most important asset is our large land bank with great sites in the German-speaking and French-speaking parts of Switzerland. HIAG intends to successfully realise this potential in the coming years. That is our core competency.

Laurent Spindler: Projects are constantly moving forward, and in some cases even accelerating, through our pipeline.

FG: We are focusing on our strengths. The development of the land bank is becoming more professionalised. And we have not ruled out further acquisitions.

At the end of 2019, HIAG announced that IT infrastructure no longer required after HIAG Data's multi-cloud project had ended would be operated and marketed in the future with the Ticino-based Tarchini Group and the Zug-based IT infrastructure specialist Beelastic. What exactly does that mean?

FG: By selling the network infrastructure, the operating business has been outsourced and HIAG can focus on its core business again.

LS: Operating obligations with regard to customers are being transferred to Beelastic along with the network infrastructure. With the Tarchini Group bringing its Ticino data centre into the partnership, we can now concentrate on monetising the remaining assets of the HIAG Data division, such as software, hardware and licenses, as part of a rental or usage model.

What will happen to the subsidiary HIAG Data?

FG: We have divested HIAG Data's largest cost blocks. Now we need to exploit the earnings potential from the use of the remaining assets.

LS: HIAG Data is expected to generate income from the use of software, hardware and licenses. There will be no further operational business.

Let's move on to the real estate business: Despite dealing with demanding management tasks in 2019, you managed to acquire further sites and push forward with core business development, including acquisitions in Geneva and Zurich. Overall, HIAG increased the value of its real estate investments from CHF 1.488 billion to CHF 1.572 billion. What's next?

FG: We continued to grow with attractive acquisitions in the real estate sector during the 2019 business year and we will maintain this course in the 2020 business year.

Marco Feusi: HIAG is involved in multiple real estate projects. For example, we are pushing forward with the dismantling of the Rohner site and have already taken the first steps to redevelop the site with its prominent location near the Pratteln railway station. In Goldach, we have started expanding the production infrastructure for the listed company Amcor. In Niederhasli, the new administrative building for Doka Switzerland has been completed. At our Meyrin site, we are building the new headquarters of LEM, a Swiss electrical component manufacturer with operations throughout the world. In Kleindöttingen, a pipe system hall is being built for BRUGG Pipesystems. In Frauenfeld, the third expansion phase at the Walzmühle site has begun, and in Cham Nord the building permit application is pending.

Executive Board Interview



“Process and structure optimisation is a continual process.”

Dr. Felix Grisard, President of the Board of Directors

Is HIAG planning further acquisitions or concentrating primarily on the development of the land bank?

MF: Our express goal is to extend the pipeline over successive generations in areas where HIAG sees long-term development potential. These areas include agglomerations around large cities, for example. At the same time, we want to make targeted acquisitions to further optimise the quality of the portfolio. This also includes the purchase of small sites where there is potential for densification.

HIAG is soundly financed. The weighted average term for external financing remained stable at 2.7 years and HIAG is able to benefit from an attractive 0.9% interest rate for financial liabilities. So why did the LTV ratio rise from 43.4% to over 50%?

LS: The change in the LTV ratio is due primarily to investments in HIAG Data and value adjustments following the changes at the Pratteln site, which we already disclosed when the half year results were published. HIAG is solidly financed, and we are working to decrease the LTV ratio again to less than 50%.

MF: On one hand, HIAG's unique selling point is its considerable land bank. But HIAG also has a robust yielding portfolio, which generates current income. The combination of both these aspects provides advantages in terms of financing.

How does HIAG raise funds to carry out developments?

LS: As a company listed on the SIX Swiss Exchange, HIAG has various financing options at its disposal. In recent years, we have repeatedly and successfully issued bonds with attractive conditions. We also use some traditional bank financing to implement our projects.

In recent years, HIAG has experienced strong demand for its sites. How did demand evolve in 2019 and what do you expect for 2020?

MF: We have a long-term WAULT of nine years and strong demand from the industrial sector. With companies such as BRUGG Pipesystems in Kleindöttingen and Amcor in Goldach, our tenants are international companies that are leaders in their respective fields, which helps generate additional demand. There is also great potential for our sites in the secondary production sector, as seen with Doka Switzerland in Niederhasli.

Executive Board Interview

FG: Companies with a high degree of digitalisation or automation will increasingly demand sites in Switzerland. Proximity to universities and access to highly qualified employees leads to more and more of these companies establishing or expanding their activities in Switzerland.

MF: Demand is also increasing in what were formerly peripheral areas. Companies are drawn to these areas because there is space at a reasonable price and because they have the manpower needed for production operations in the secondary sector. HIAG is well positioned here, as we can offer the necessary multifunctional areas or buildings.

We have also observed a certain revival of demand in the retail sector at attractive locations such as our Dietikon property. This shows once again that if the offer is exciting, tenants can be found, even when the dynamics of the sector are in decline.

FG: HIAG is creating new centres where different high-tech companies are able to find locations, complement each other and successfully develop into the fourth sector.

The vacancy rate in your portfolio has increased to 16.2%. Is this change a normal part of business or can this be ascribed to specific influencing factors?

LS: The change in the vacancy rate is within the normal range. The increase of the vacancy rate of the yielding portfolio in the business year 2019 is due primarily due to the fact that we completed projects that were not yet fully let at the beginning of construction; for example, “The Hive 1” in Meyrin, or our site in Neuchâtel. This is a part of our development strategy, which aims to secure anchor tenants first to subsequently increase the attractiveness of the site for further leasing. These tenants included Hewlett Packard Enterprise and HP Inc. in Meyrin and Migros and Denner in Neuchâtel.

MF: At HIAG, projects are reclassified to the inventory portfolio on completion and thus at the beginning of the usage period; i.e. at a point in time when they are generally not yet fully leased.

We will continue to check vacancies in the portfolio to make sure the potential is being realised. Portfolio management and property management activities are being strengthened. For example, we have already hired additional asset managers and expanded our commercial marketing team.

Let's talk about the sites. Developments in the portfolio are making good progress. Are there any advances that you would like to emphasise in particular?

FG: The long-term nature of redevelopments in our own portfolio and the long-term retention of redeveloped sites in the property portfolio represent the core of our business model and HIAG's distinguishing feature.

Most of the ideas that we implement at the sites come from our team. If you have over 40 sites in the portfolio as HIAG does, then you can draw on a wealth of experience and offer the added value that sets HIAG apart.

LS: We acquired the Goldach site in 2018. The prerequisite was a development agreement with the lease-back tenant Amcor, which required an expansion of the production infrastructure. We started implementing this expansion in December 2019. This went hand in hand with the prolongation of the tenancy.

We acquired the Meyrin site in 2013, and the first expansion took place two years later. We have completed two projects there so far. With the restaurant and training pavilion for the Swiss restaurant group “Luigia” and the construction of the new headquarters of the international electronic component manufacturer LEM, two additional projects are also being carried out. At the same time, we are testing an innovation lab and a container hotel on the roof of “The Hive 1”. The Meyrin site is very dynamic, and we are placing great emphasis on project interfaces and opportunities for collaboration with the neighbouring CERN.

MF: Our latest addition, the former FCA Switzerland site in Zurich Altstetten, is another result of our acquisition activities in recent years. The seller was convinced that

Executive Board Interview

HIAG was the right developer for the 7,807 m² high-density area in high rise zone II. The site has been seamlessly converted for temporary use for the next three and a half years. Afterwards, attractive residential and commercial areas will be built and leased here. A preliminary contract with a retailer has already been signed for commercial floorspace.

FG: The Zurich-Altstetten site follows the typical HIAG model: after the purchase, an intermediate use is found and then the site is redeveloped step by step.

In Lancy, with the acquisition from Jaeger et Bosshard SA, you purchased another piece of land with construction rights and now dispose of 13,362 m² in the strategically appealing “Porte Sud” area near the Stade de Genève. What are your plans for this redevelopment area?

MF: The purchase is the result of a long-term acquisition strategy. The acquired site was the last piece of the puzzle in this highly attractive area of the Praille-Acacias-Vernets master plan in close proximity to the Lancy-Bachet railway station, which has now been connected with the Léman Express. As in Zurich-West, high rise developments are possible in this area, which will be a central aspect of further development.



“On one hand, HIAG’s unique selling point is its considerable land bank. But HIAG also has a robust yielding portfolio, which generates current income.”

Marco Feusi, CEO

How is the planning in Biberist coming along?

MF: In May 2019, the master plan for Biberist was submitted to the canton for preliminary review within the framework of the zoning plan revision. We expect a response from the canton in the coming months. The planning provides for the successive demolition of buildings. Pre-investments in infrastructure are currently being planned. In the future, industrial and commercial uses will continue to exist side by side at this enormous site, and mixed uses will be created after the zoning plan has been revised.

LS: Incidentally, long-term leases with logistics and commercial users are already in place. We were also able to gain a fitness centre as a tenant during the year under review. This lease reflects our strategy of opening up the site step by step and thus drawing in the public. We intend to continue this process in 2020.

FG: The goal is to create a regional magnet with various attractive offerings and uses. This has a stimulating effect on the entire site.

Executive Board Interview

The bankruptcy of the tenant Rohner AG in Pratteln was a harsh blow for HIAG. How is the dismantling work coming along?

MF: We are already turning over a new leaf in Pratteln. The site enjoys a very attractive location at the hub of various suburban rail lines and has great economic potential. Our decision to rapidly launch redevelopment measures also reflects the goal of bringing our new offering to the market before any possible competitors in the region.

HIAG has taken on the responsibility of dismantling the site and making it chemical-free. This is being done in close cooperation with the competent authorities and agencies.

Planning will start with a variations process, and by the end of the third quarter of 2020, with the involvement of the canton and municipality, we will complete a quality-assured procedure aimed at working out a reference project by the middle of 2021. After that, the quarter plan is expected to be submitted by mid-2022. This is very ambitious, especially since our schedule will be influenced by various processes, partners and framework conditions.

LS: With this in mind, we immediately made provisions for the dismantling last year, according to the principle of transparency. We presented the most likely situation in the half-year report at the end of June 2019, which is now the basis for further development.

FG: This process is a result of our long-term orientation.

Climate neutrality and sustainability are very important in business processes today. HIAG repeatedly emphasises that site redevelopment is sustainable in and of itself. How so?

FG: We create destinations with a long-term orientation and remain the owner of the sites. That is fundamentally sustainable. That also includes optimal handling of the existing substance by using or redeveloping existing buildings whenever possible.

MF: Due to the use and conversion of the existing building substance, our business model is sustainable in and of itself, since we are making an important contribution to the circular economy. We also think in terms of generations and have a vested interest in making our developments successful and creating destinations with an identity, where companies and people can flourish. Of course, we also take into account technical possibilities for creating energy-efficient buildings as part of our site and redevelopment strategy.

You intend to review business processes and expand capacities in 2020. What can we expect?

FG: Process and structure optimisation is a continual process. With the change in CEOs, however, this process is accelerated.

MF: We will strengthen the organisation by providing extra staff. Competent employees help to ensure that their contribution can be leveraged across different levels of the HIAG value chain.

By strengthening our management structure, we will also gain stability.

HIAG sites will be treated as business units. Our asset managers and property managers and the site developers are very close to the sites and the users. Each employee therefore makes an individual contribution to HIAG's overall result.

LS: This also allows us to generate cash flows as early as possible in our development processes. Successful temporary uses enable us to make advances in further development steps.

Executive Board Interview



“Projects are constantly moving forward, and in some cases even accelerating, through our pipeline.”

Laurent Spindler, CFO

To conclude, a personal question for Marco Feusi. You took on your role as CEO of HIAG at the beginning of 2020: what inspires you at HIAG?

MF: What fascinates me about HIAG is its considerable land bank and corresponding development potential. It makes HIAG unique in the Swiss real estate business. There are no other private property owners in Switzerland with a comparable portfolio.

Furthermore, the ownership is oriented to the longterm, and at HIAG it is possible to make entrepreneurial and very direct decisions. As HIAG is a listed company on the SIX Swiss Exchange, it also has access to the capital market if necessary. This combination is also a special feature.

At HIAG, there is the courage to try new things. At the same time, HIAG meets the stringent compliance and risk management requirements of a listed company. All of this results in a special, success-oriented company DNA that allows HIAG to flourish.

As a passionate real estate developer, trained architect and business expert, I am personally convinced that site redevelopment is the top discipline in the real estate world. For this reason, I consider myself lucky to be able to contribute to the further corporate development of HIAG's processes and thereby make my contribution to the successful development of the company.

I also appreciate that at HIAG I can work with a motivated team that has a wide range of job and skill profiles, which is hard to find. All of this comes with exciting individual tasks in which I can get involved and where I am always learning something new.

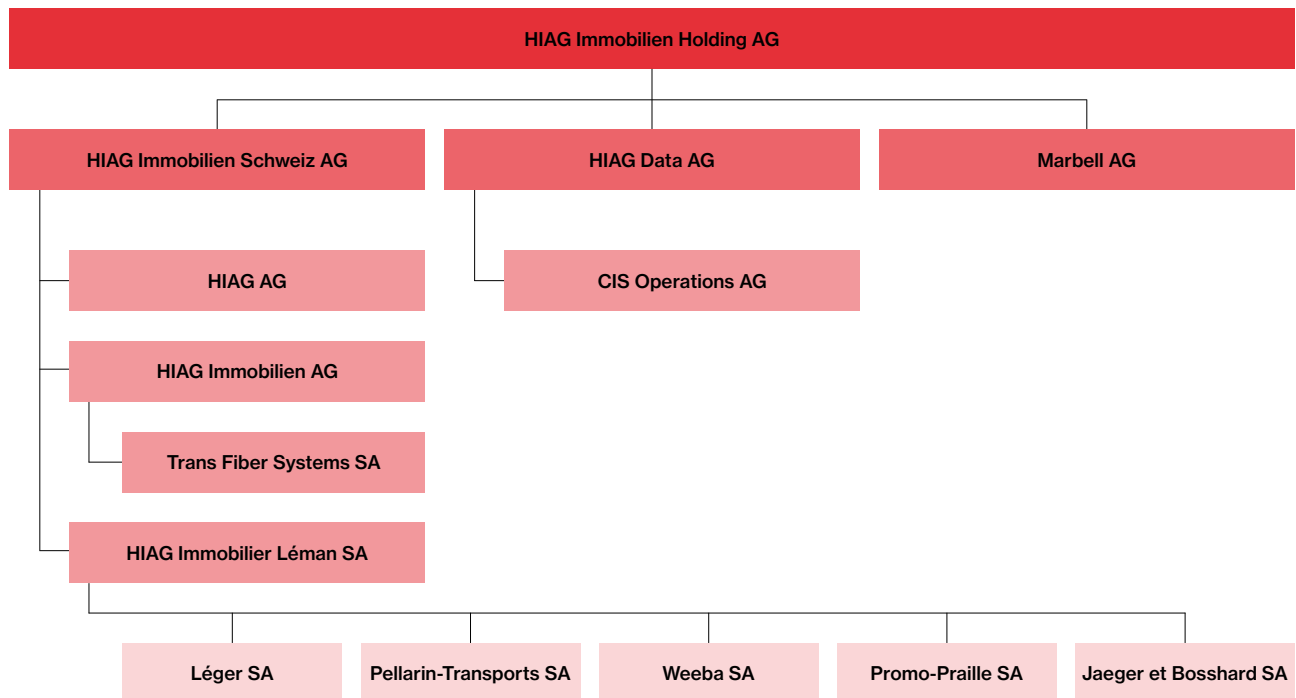
FG: What sets Marco Feusi apart is that he likes people. For me, this is a basic requirement for a successful business. HIAG has very good people who are enthusiastically shaping the future.

Corporate Governance

The Corporate Governance Report contains the Corporate Governance information required as per the Corporate Governance Directive (RLCG) of the Swiss stock exchange (SIX Swiss Exchange) and essentially follows the structure of the Annex to this Directive. Repetitions have been avoided using references to other sections of the Annual Report.

Group structure and shareholders

1 Group structure



Corporate Governance

Publicly listed holding company

Company	HIAG Immobilien Holding AG
Registered office	Basel, Switzerland
Listing	SIX Swiss Exchange, Zurich
Stock market capitalisation 31 December 2019	CHF 869.4 million
Symbol	HIAG
Valor	23,951,877
ISIN	CH0239518779

For unlisted equity holdings (with information on extent of interest), please refer to the annual financial statement of HIAG Immobilien Holding AG, note “Scope of Consolidation”, pages 61 to 63.

2 Key shareholders as at 31 December 2019

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	
HIAG Beteiligung Holding AG ¹	
Grisgros AG ²	
Senft AG ³	
Felix Grisard	

¹ HIAG Beteiligung Holding AG is controlled by Dr. Felix Grisard.

² Grisgros AG is controlled by Andrea Grisard.

³ Senft AG is controlled by Salome Grisard Varnholt.

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 2019.

The disclosure notifications made during the period under review within the meaning of Article 120 of the Swiss Financial Market Infrastructure Act (FinfraG) and the provisions of the Ordinance on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (FinfraV) can be viewed on the SIX Exchange Regulation website (www.six-exchange-regulation.com) under Publications > Significant shareholders.

Corporate Governance

3 Shareholder structure as at 31 December 2019

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	284	31.1%	14,897	0.2%			
101 to 1,000	430	47.1%	156,510	1.9%			
1,001 to 10,000	162	17.8%	564,069	7.0%			
10,001 to 100,000	27	3.0%	797,688	9.9%			
100,001 to 1,000,000	8	0.9%	1,932,035	24.0%			
1,000,001 and over	1	0.1%	4,025,805	50.0%			
Total number of registered shareholders/shares	912	100%	7,491,004	93.1%			7,491,004
Total number of non-registered shares					558,996	6.9%	558,996
Total			7,491,004		558,996		8,050,000

Registered shareholders and shares	Registered shareholders		Registered shares	
	Number	%	Number	%
Natural persons	691	75.8%	687,624	9.2%
Legal persons	54	5.9%	5,457,872	72.9%
Pension funds	74	8.1%	582,049	7.8%
Insurance companies	10	1.1%	49,819	0.7%
Funds	43	4.7%	312,132	4.2%
Other foundations	25	2.7%	133,533	1.8%
Banks	15	1.6%	267,975	3.6%
Total	912	100.0%	7,491,004	100.0%
Switzerland	829	90.9%	7,179,693	95.8%
Europe (excluding Switzerland)	76	8.3%	157,894	2.1%
North America	5	0.5%	153,122	2.0%
Other countries	2	0.2%	295	0.0%
Total	912	100.0%	7,491,004	100.0%

4 Cross-shareholdings

As at 31 December 2019 there were no cross-shareholdings.

Capital structure of HIAG Immobilien Holding AG

1 Share capital at 31 December 2019

As at 31 December 2019, 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 3 “Conditional equity capital”

- (1) The equity capital of the company shall be increased by a maximum of CHF 350,000.00 by issuing a maximum of 350,000 fully paid up registered shares with a nominal value of CHF 1.00 resulting from the exercising of option rights or similar rights, to which employees, members of the Board of Directors and the Executive Board of the company and its subsidiaries are entitled within the framework of employee stock option plans. The Board of Directors draws up the corresponding employee stock option plans in coordination with the Compensation Committee.
- (2) The subscription rights of the shareholders are excluded. The acquisition of registered shares within the scope of employee stock option plans, and the subsequent transfer of registered shares are subject to restrictions pursuant to Article 5 of the Articles of Incorporation.

Corporate Governance

3 Changes in capital over the last three business years

	Number of registered shares	Nominal value per share in CHF	Nominal value in TCHF
Share capital, issued and fully paid, as at 31 December 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
Share capital, issued and fully paid, as at 31 December 2019	8,050,000	1.00	8,050
Statutory reserves (general reserves)			in TCHF
31 December 2017			1,572
31 December 2018			1,610
31 December 2019			1,610
Statutory reserves (reserves from capital contributions)			in TCHF
31 December 2017			47,682
31 December 2018			17,171
31 December 2019			3,335
Freely distributable reserves			in TCHF
31 December 2017			108,000
31 December 2018			108,000
31 December 2019			108,000
Distributable profit/loss			in TCHF
31 December 2017			42,861
31 December 2018			63,538
31 December 2019			-63,697

4 Shares, participation certificates, dividend rights certificates

The 8,050,000 issued registered shares mentioned under paragraph 1 on page 22 have been fully paid up. Each share is entitled to receive a dividend. Paragraph 1 on page 37 contains the information concerning voting rights. There are no preferential rights or similar rights.

As at 31 December 2019, no participation certificates or dividend rights certificates had been issued.

Corporate Governance

5 Transferability of registered shares and nominee registrations

The Board of Directors maintains a shareholder register, in which the owners' beneficiaries' and nominees' names, addresses and nationalities, and for legal entities, the headquarters, are entered. Only shareholders, beneficiaries or nominees 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 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 if only 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 2019, no convertible bonds or options were outstanding.

Corporate Governance
Board of Directors



From left: Dr. Walter Jakob, Dr. Jvo Grundler, Salome Grisard Varnholt, Dr. Felix Grisard, Balz Halter

Corporate Governance

1 Members of the Board of Directors

	Initial election	Elected until
Dr. Felix Grisard, CH, 1968, President of the Board of Directors (non-executive)	2010	2020
Salome Grisard Varnholt, CH, 1966, Member of the Board of Directors (non-executive)	2009	2020
Dr. Jvo Grundler, CH, 1966, General Counsel and Member of the Board of Directors (executive)	2017	2020
Dr. Walter Jakob, CH, 1949, Member of the Board of Directors, Vice-President of the Board of Directors and Lead Director (non-executive, independent)	2010	2020
Balz Halter, CH, 1961, Member of the Board of Directors (non-executive)	2019	2020

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 Group
1998–2001 COO HIAG Holding Group
1996–1998 Boston Consulting Group

Previous activities for the HIAG Holding Group

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

Activities on executive or supervisory boards

President of the Board of Directors of HIAG Beteiligung Holding AG – Basel, Member of the Board of Directors of Botiss Medical AG – Berlin, 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 Fund – 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–present 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 – Zurich, Member of the Board of Directors of the Association "Kids of Africa" – Zurich, President of the Board of Directors of grisard'architektur AG – Zurich

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

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

Corporate Governance

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	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, Member of the Board of Directors of Serto Holding AG – Frauenfeld

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, President of the Board of Directors of eloxalwerk züri-oberland AG – Wetzikon.

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

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

Balz Halter
Member of the
Board of Directors

Education: dipl. Bau-Ing. ETH, lic. iur. University of Zurich, Stanford Executive Program

Professional background

1986–2009	President and CEO of Halter AG
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Activities on executive or supervisory boards

President of the Board of Directors of Halter AG – Zurich, Member of the Board of Directors of Aizo Group AG (digitalSTROM) – Zurich, Member of the Board of Directors of Mivune 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

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 shall join the Board of Directors for the remainder of the term in office of the member she/he is replacing. The members of the Board of Directors can be re-elected at any time. Aside from the President and the Vice-President, the Board of Directors constitutes itself.

As at 31 December 2019, there were no limitations on terms in office.

Corporate Governance

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. On 6 December 2019, the Board of Directors introduced a set of procedural rules for Board of Directors meetings based on Art. 15.2 of the Organisational Rules. 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. Dr. Jvo Grundler is a member of the Board of Directors of all HIAG Group companies.

3.2 Committees of the Board of Directors

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 has an Audit Committee, a Compensation Committee and, since 2019, an Investment Committee at its disposal. Dr. Felix Grisard and Dr. Walter Jakob are members of the Audit Committee, Ms. Salome Grisard Varnholt and Dr. Walter Jakob are members of the Compensation Committee, and Dr. Felix Grisard, Ms Salome Grisard Varnholt and Mr. Balz Halter are members of the Investment 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 regarding the compensation of individual members of the Board of Directors, the Executive Board and Extended Executive Board, and 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.

As per the Organisational Rules, the Investment Committee assists the Board of Directors in fulfilling its missions, particularly in terms of planning and evaluation of investments in the existing property and real estate portfolio, and buying and selling properties and real estate. The members of the Investment Committee are selected by the Board of Directors from among the circle of Board of Directors members during the first Board of Directors meeting after the Ordinary General Meeting. The term of office of the Committee members ends at the conclusion of the next Ordinary General Meeting. Re-election is possible. The Investment Committee's responsibilities include:

Corporate Governance

- Real estate investment proposals;
Evaluation of real estate investment proposals that fall under the decision-making authority of the Board of Directors and issuance of corresponding recommendations to the Board of Directors; evaluation of investment proposals and decisions concerning real estate investment proposals that fall under the decision-making authority of the Committee.
- Elaboration of the medium and long-term real estate strategy for the attention of the Board of Directors;
- Performance of other tasks assigned to the Investment Committee by the Board of Directors.

The CEO and CFO always participate in Investment Committee meetings. Members of the Extended Executive Board or other internal or external specialists can also be called to the sessions. Any granting of paid contracts to third parties requires the prior approval of the Board of Directors.

In accordance with the Organisational Rules, 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/1615741/HIAG-Organisationsreglement.pdf>

3.3 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 and Investment Committee members take place as needed; 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 2019 business year, four ordinary meetings of the Board of Directors took place (11 March 2019, 24 May 2019, 26 August 2019 and 6 December 2019), with an average duration of three hours. All members participated in the four meetings. Five extraordinary meetings of the Board of Directors took place during the 2019 business year (26 June 2019, 11 July 2019, 13 August 2019, 30 October 2019 and 20 December 2019) either in person or by phone. All members participated in the five meetings.

The Compensation Committee held two meetings in the business year (on 27 January 2019 for an hour and a half and on 24 June 2019 for one hour). 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. All members of the Committee participated in the two meetings.

Corporate Governance

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 one meeting on 8 March 2019 for an hour and a half, and another on 23 August 2019 for one hour. 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.

The Investment Committee held three meetings during the business year 2019 (14 June 2019, 16 September 2019 and 9 December 2019) for a duration of an hour and a half each. Circular resolutions were also used twice during the business year. All members of the Committee participated in all the meetings in 2019..

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 Art. 716a OR:

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

Corporate Governance

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, 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 of more than CHF 0.5 million.

5 Information and supervisory mechanisms concerning the Executive Board

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

At regular intervals and in line with the requirements of half-year and full year financial reporting, the Board of Directors receives reports on the key performance indicators, and on the financial and operating risks of the HIAG Group. The Board of Directors carries out a re-evaluation of risks at least once a year and receives a report on the functionality and effectiveness of the internal control system from the Executive Board. HIAG Immobilien Holding AG has 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**



From left: Dr. Jvo Grundler, Ralf Küng, Yves Perrin, Marco Feusi, Alex Römer, Laurent Spindler, Thorsten Eberle, Michele Muccioli

Corporate Governance

1 Members of the Executive Board

Marco Feusi
1972, Switzerland

CEO (since 1 January 2020)

Education: Dipl. Architect HTL Brugg-Windisch, Master of Advanced Studies (MAS) in Management, Technology and Economics (MTEC)/Industrial Management (BWI) from the Swiss Federal Institute of Technology (ETH) in Zurich, project management training

Professional experience: 2003–2019 Partner and co-owner of Wüest Partner AG, including as a member of the Board of Directors in 2003–2006 and 2013–2017 and as President of the Executive Board in 2017–2019, 2000–2003 employed at Wüest & Partner AG as a Scientific Associate/Senior Consultant, 1999–2000 employed at ITERA Immobilien AG Aarau as an escrow agent and broker, 1998–1999 independent architect, 1993–1997 employed in various architectural firms

Memberships: Member of the Royal Institution of Chartered Surveyors (MRICS), Switzerland Chapter since 2006; Assessor for the Royal Institution of Chartered Surveyors since 2007

Current and previous activities on executive or supervisory boards: none; 2007–2008 Board of Directors of HIAG Immobilien Schweiz AG and its subsidiaries.

Laurent Spindler
1978, France

CFO (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
1966, Switzerland

General Counsel (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–today	General Counsel at HIAG Immobilien Holding AG
2017–today	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, Member of the Board of Directors of Serto Holding AG – Frauenfeld

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

Corporate Governance

2 Members of the Extended Executive Board

Ralf Küng
1972, Switzerland

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

Mr. Küng joined the HIAG Group in 2007.

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

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

Activities on executive or supervisory boards: none

Alex Römer
1978, Switzerland

Site Developer (since 2011 and member of the Extended Executive Board since 2013).

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 (since 2011 and member of the Extended Executive Board since 2013).

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 for HIAG Immobilien Schweiz AG's Pension Foundation – Zug

Michele Muccioli
1978, Italy

Site Developer (since 2012 and member of the Extended Executive Board since 2013).

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: none

Yves Perrin
1956, Switzerland

Site Developer, Director for Western Switzerland (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 fields of acquisitions, portfolio management, real estate development and marketing in Western Switzerland and France for 20 years.

Activities on executive or supervisory boards: none

Corporate Governance

At its meeting on 9 March 2020, the Board of Directors of HIAG Immobilien Holding AG abolished the functional level of the Extended Executive Board with retroactive effect from the beginning of the 2020 fiscal year. As before, the HIAG Executive Board consists of the Chief Executive Officer, Marco Feusi, the Chief Financial Officer, Laurent Spindler, and the General Counsel, Jvo Grundler. Thorsten Eberle, Michele Muccioli, Alex Römer and Yves Perrin, Site Developers, and Ralf Küng, Head of Portfolio Management, will carry out their duties with unchanged responsibilities and competencies as members of the management.

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, and honorary offices at charitable organisations as recognised under tax law.

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

4 Management agreements

As at 31 December 2019, there were no management agreements with companies outside the HIAG Group.

Remuneration, participations and loans

1 Components and assessment procedure for remuneration

The Board of Directors determines the amount of corresponding compensation of the Board of Directors and Management Board within the General 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, 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.

Corporate Governance

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 and discussed with the Compensation Committee. 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 41 to 50 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 Business year 2019

Please refer to the Compensation Report, pages 41 to 50, for information on remuneration, equity holdings and loans in 2019.

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

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

2 Statutory quora

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

Corporate Governance

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

4 Date for registrations in the shareholder register

Registered shareholders, who are registered in the shareholder register as voting shareholders on the dates of the publication of the notice of the General 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 will close about 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 can be made. The exact dates and deadlines will be announced in the invitation to the General Meeting. Furthermore, please 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 change of control clauses.

Corporate Governance

Statutory Auditor

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

Ernst & Young AG, Basel, took over its current auditing mandate in 2001 (entered into the commercial register of the Canton Basel-Stadt on 26 January 2001). The company was most recently re-elected statutory auditor for the business year 2019 by the Ordinary General Meeting on 11 April 2019.

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

2 Auditing fee

For the reporting period 2019, auditing fees amounted to TCHF 244 (2018: TCHF 237) for the annual financial statement and consolidated financial statements 2019 and to TCHF 12 for additional audit-related services (2018: TCHF 5).

3 Additional fees

For the reporting period 2019, TCHF 17 in additional fees were invoiced by Ernst & Young AG in connection with VAT services (2018: TCHF 3).

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, and the terms and conditions for any additional contracts, and discusses the audit results with the external auditors on an annual basis.

Corporate Governance

Information policy

HIAG Immobilien Holding AG informs its shareholders and the capital market in an open and timely manner marked by the greatest possible transparency. Financial reporting obligations are met in the form of half-year and full year financial statements. These are drawn up in accordance with Swiss GAAP FER and comply with Swiss law and the provisions of the listing rules of the SIX Swiss Exchange. Up-to-date releases, the most important dates and general information on HIAG Immobilien Holding AG and/or the HIAG Group can be found at www.hiag.com. Contact addresses, dates and information on the shares of HIAG Immobilien Holding AG can also be found on pages 124 to 126 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>

Marco Feusi, MRICS, CEO
Laurent Spindler, CFO

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Further information and all publications (in particular the Annual Report 2019) 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

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) of 20 November 2013, 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 approves the requests of the Board of Directors with regard to the maximum total amounts of compensation for the Board of Directors for the period until the next ordinary General 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. 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.

Compensation Report

3 Principles and components, 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 on Board of Directors' committees (Audit Committee and Compensation Committee) and on Boards of Directors of subsidiaries. Attendance fees for participation in Investment Committee sessions amount to a lump sum of CHF 750 per person and per session. Four Investment Committee sessions were held during the business year 2019. 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 members of the Board 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 to 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 business year 2019, the percentage part of the overall variable compensation was 40% (2018: 267%) of the fixed compensation for the highest paid member of the Management Board and an average of 15% (2018: 176%) of fixed remuneration for the Management Board, primarily because there was an LTIP component in 2018. Due to the departure of the CEO, no new LTIP was submitted to the Compensation Committee in the business year 2019.

Compensation Report

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 and submitted to the Compensation Committee. If the objectives are not reached, the CEO can reduce or cancel the individual bonus for the remaining members of the Management Board, or the Compensation Committee can do the same for the CEO. In the period under review, the performance goals of the CEO were 0% met (2018: 100%) and those of the Management Board were 73% met (2018: 100%).

LTIPs

As at 31 December 2019, there were no LTIPs. A new LTIP for the 2020–2024 period is being prepared by the Executive Board. This new LTIP will be submitted to the Compensation Committee.

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 the 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.

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 assign additional tasks to the Compensation

Compensation Report

Committee. According to the company's organisational regulations, the Compensation Committee's remit 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 and applicable performance criteria concerning compensation and corresponding requests to the Board of Directors. These include, in addition to base salary, variable cash compensation, compensation in the form of options, shares and/or similar financial instruments in accordance with the applicable employee stock option programmes, retirement funds and/or additional benefits within the scope of overall compensation;
- Review of the impact, attractiveness and competitiveness of this programme at least every three years;
- Drafting of proposals and submission of requests to the Board of Directors regarding compensation of individual members of the Board of Directors (subject in each case to the maximum total amounts approved or to be approved by the General Meeting according to the provisions of the Articles of Incorporation);
- Drafting of proposals and submission 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 submission of requests to the Board of Directors with regard to compensation of individual members of the Extended Executive Board (subject in each case to the maximum total amounts approved or to be approved by the General 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.

Compensation Report

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 2019 and on 24 June 2019 for an hour and a half each time. All members of the Compensation Committee participated in both meetings. The following agenda points were handled at the sessions:

- Explanation and discussion of the Management Board's total compensation 2018
- Settlement of the HIAG Immobilien LTIP for the period 2014–2018
- Compensation of the Board of Directors
- Discussion of the Compensation Report 2018
- Attendance fees for the Investment Committee
- Employment contract of the new CEO
- Compensation of the interim CEO
- Discussion of the new LTIP

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 (Swiss Prime Site AG, PSP Swiss Property AG, Allreal Holding AG, Mobimo Holding AG, Intershop Holding AG, Zug Estates Holding AG, Investis Holding AG, Piazza AG, Warteck Invest AG, Espace Real Estate AG, Peach Property Group AG, Züblin Immobilien Holding AG). 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 subject to this benchmarking.

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.

Compensation Report

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

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

4.1 Compensation of the Board of Directors

2019 in TCHF	Fixed compensation in cash (net)	Attendance fees for the Investment Committee	Compensation for additional services	Share-based compensation	Employer social security contributions (AHV/IV pension benefits)	Gross compensation	Flat-rate expense allowance
Dr. Felix Grisard, President Member of the Investment Committee and the Audit Committee	300 ¹	–	–	–	39 ²	339	–
Salome Grisard Varnholt Member of the Compensation Committee and the Investment Committee	70	2	–	–	5	78	–
Dr. Walter Jakob Member of the Compensation Committee and the Audit Committee	70	–	3	–	–	73	–
Balz Halter ⁵ Member of the Investment Committee	53	2	–	–	4	59	–
Dr. Jvo Grundler Member of the Management Board	300 ³	–	–	238 ⁴	73 ²	611	6
John Manser ⁵ Member of the Audit Committee	18	–	8	–	0	26	–
Total compensation of the Board of Directors	810	5	11	238	122	1,186	6

¹ The President and the CEO form the Executive 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 meetings of the Board of Directors. From April 2019 until the end of December 2019, the President took on the role of CEO on an interim basis. Compensation for this interim representation was reported under compensation of the Management Board (TCHF 150 net).

² Including pension benefits

³ The fixed compensation applies to 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 of 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).

⁵ Balz Halter has been a member of the HIAG Immobilien Holding AG Board of Directors since 11 April 2019. He replaced John Manser, who had been a member of the HIAG Immobilien Holding Board of Directors since 2014.

No compensation other than that shown here was paid in 2019.

The gross compensation of the Board of Directors (TCHF 1,186) decreased during the business year 2019 by TCHF 13 (–1.1%) (2018: TCHF 1,199).

Compensation Report

2018 in TCHF	Fixed compensation in cash (net)	Compensation for additional services	Share-based compensation	Employer social security contributions (AHV/IV pension benefits)	Gross compensation	Expense allowance
Dr. Felix Grisard, President, Member of the Audit Committee	300 ¹	-	-	39 ²	339	-
Salome Grisard Varnholt Member of the Compensation Committee	70	-	-	5	75	-
Dr. Walter Jakob Member of the Compensation Committee	70	20	-	-	90	-
John Manser Member of the Audit Committee	70	25	-	3	98	-
Dr. Jvo Grundler Member of the Management Board	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. 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 meetings of the Board of Directors.

² Including pension benefits

³ The fixed compensation applies to the Board of Directors role and the General Counsel role.

⁴ Share-based compensation includes 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 compensation other than that shown here was paid in 2018.

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

Compensation Report

4.2 Compensation of the Management Board

2019 in TCHF	Management Board Total	Thereof Laurent Spindler (CFO) ¹
Base salary in cash (net)	1,736	247
Variable compensation in cash (individual bonus, net)	256	100
Other compensation components ²	23	–
Pension benefits	162	27
Other social benefits ³	168	27
Total compensation of the Management Board (gross)	2,345	401
Flat-rate expense allowance	58	12

¹ Due to the departure of Martin Durchschlag, CEO, at the end of October 2019, Laurent Spindler, CFO, is the member with the highest compensation for the business year 2019. From the time the departure of the CEO was announced (April 2019) until the end of December 2019, the President of the Board of Directors took on the role of CEO on an interim basis. Compensation for this interim representation was reported under compensation of the Management Board (TCHF 150 net).

² Child benefits

³ AHV, ALV, BU, NBU, FAK, UVG

No compensation other than that shown here was paid in 2019.

The compensation of the Management Board (TCHF 2,345) decreased by TCHF 2,754 (–54.0%; 2018: TCHF 5,099) in the 2019 business year, primarily because there was an LTIP component of TCHF 2,459 in 2018.

2018 in TCHF	Management Board Total	Martin Durchschlag (CEO)
Base salary 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 ²	24	5
Pension benefits	174	30
Other social benefits ³	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 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).

² Child benefits

³ AHV, ALV, BU, NBU, FAK, UVG

No compensation other than that shown here was paid in 2018.

In the business year 2018, the compensation of the Management Board (TCHF 5,099) rose by TCHF 1,735 (+51.6%) (2017: TCHF 3,364), primarily due to the effects of the significantly higher revaluation of properties in the business year 2018 and the settlement of the LTIP (TCHF 1,748).

Compensation Report

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 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 2019 (2018: TCHF 1,300). 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. The loan granted to Martin Durchschlag, former CEO, was repaid in full during the year under review (2018: TCHF 1,900).

No loans or credits were granted in 2019 to former members of the Board of Directors and Management Board, nor were any such amounts outstanding as at 31 December 2019.

4.4 Compensation, loans and credits to related persons

In 2019, no compensation that was unusual for the market, loans or credits were paid or granted to related persons, and no such compensation or credits were still outstanding as at 31 December 2019.

Compensation Report

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 11 April 2019. 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 2019 in accordance with the accrual principle.

Board of Directors

in TCHF	Approved compensation General Meeting 11 April 2019	Compensation 2019 according to paragraph 4
Fixed compensation and attendance fees in cash (net)	900	815
Share-based compensation	300	238
Compensation for additional services	100	11
Employer social security contributions and pension benefits	200	122
Total compensation of the Board of Directors (gross)	1,500	1,186

Management Board

in TCHF	Approved compensation General Meeting 11 April 2019	Compensation 2019 according to paragraph 4
Base salary in cash (net)	1,800	1,736
Variable compensation in cash (individual bonus, net)	600	256
LTIP for 2019 and other share-based compensation	1,300	0
Other compensation components, employer social security contributions and pension benefits	800	353
Total compensation of the Management Board (gross)	4,500	2,345

Report of the Statutory Auditor on the Remuneration Report



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To the General Meeting of
HIAG Immobilien Holding AG, Basel

Basle, 13 March 2020

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 2019. 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 page 41 to 50).



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 2019 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		31.12.2019	31.12.2018
Cash and cash equivalents		23,933	34,531
Trade receivables	1	5,335	3,136
Other current receivables from shareholders		12	-
Other current receivables	2	9,259	15,293
Inventory	3	420	-
Other current financial assets	8.3	513	320
Other current financial assets from shareholders	8.4	-	2,010
Properties held for sale	5	8,633	11,780
Prepayments and accrued income	7	5,227	8,443
Current assets		53,332	75,512
Other non-current receivables	4	3,554	2,554
Real estate properties	5	1,563,043	1,476,411
Other property plant and equipment	6	1,034	40,401
Intangible fixed assets	6	-	25
Financial assets	8.1	5,348	1,307
Financial assets from shareholders	8.2	2,330	2,725
Non-current assets		1,575,309	1,523,423
Total assets		1,628,641	1,598,935

Consolidated Financial Statements

Consolidated Balance Sheet

in TCHF		31.12.2019	31.12.2018
Current financial liabilities	11	7,902	14,640
Trade payables		4,306	3,522
Other current liabilities	9	7,357	8,650
Current provisions	10	30,660	3,324
Tax liabilities		315	1,462
Accrued liabilities and deferred income	12	13,229	13,966
Current liabilities		63,770	45,564
Non-current financial liabilities	11	823,397	687,337
Non-current provisions	10	660	100
Deferred taxes	13	68,728	82,871
Non-current liabilities		892,785	770,308
Total liabilities		956,555	815,872
Share capital	31	8,050	8,050
Capital reserves		7,884	21,733
Treasury shares	33	-6,081	-6,921
Retained earnings		662,232	762,000
Shareholders' equity excl. minority interests		672,085	784,863
Minority interests		-	-1,800
Shareholders' equity incl. minority interests		672,085	783,063
Total liabilities and shareholders' equity		1,628,641	1,598,935

Consolidated Financial Statements

Consolidated Income Statement

in TCHF		2019	2018
Property income	15	63,034	58,242
Revaluation of properties	16	-16,803	76,439
Income from sales promotion projects		263	-
Cloud services income	17	630	944
Other operating income	18	6,363	7,047
Total operating income		53,487	142,672
Cost of materials	19	-2,045	-
Personnel expenses	14, 20, 21	-14,633	-13,262
Maintenance and repairs	22	-40,793	-8,639
Insurance and fees		-1,161	-1,131
Energy costs and service charges	23	-2,739	-2,413
General operating expenses		-451	-506
Office, administrative and development expenses	24	-27,278	-9,271
Marketing expenses		-857	-1,408
Rent and leases	25	-1,940	-1,710
Total operating expenses		-91,897	-38,340
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		-38,410	104,332
Amortisation	26	-40,536	-24,442
Earnings before interest and taxes (EBIT)		-78,946	79,889
Financial income	27	1,178	418
Financial expenses	28	-8,686	-9,977
Earnings before taxes (EBT)		-86,454	70,330
Taxes	29	15,093	-11,395
Net income for the period incl. minority interests		-71,361	58,935
Minority interests		-613	-2,014
Net income for the period excl. minority interests		-70,749	60,949
Undiluted earnings per share (in CHF)	31	-8.85	7.60
Diluted earnings per share (in CHF)	31	-8.85	7.60

Consolidated Financial Statements

Consolidated Cash Flow Statement

in TCHF	2019	2018
Net income for the period	-71,361	58,935
Amortisation	40,536	24,442
Depreciation of other assets	5,136	-
Depreciation of financial assets	843	-
Income from sale of assets and utilisation of prepayments	-231	-4,058
Proceeds from the sale of promotion projects	-273	-
Allocation of treasury shares to employees	2,572	645
Increase/decrease in trade receivables	-1,854	-388
Increase/decrease in trade payables	626	-5,449
Increase/decrease other receivables	-1,811	1,936
Increase/decrease inventory	-23	-
Increase/decrease other liabilities	24,611	6,724
Increase/decrease financial assets with market value	-	6
Increase/decrease capitalised employer contribution reserve	365	362
Increase/decrease in prepayments and accrued income	2,942	1,665
Increase/decrease in accrued liabilities and deferred income	-3,091	2,298
Increase/decrease in non-current provisions	560	-1,500
Increase/decrease in deferred taxes	-15,186	9,085
Increase/decrease in capitalised tax losses carried forward	-193	1,450
Increase valuation of properties (net)	18,883	-76,439
Capitalised services	65	62
Cash flow from operating activities	3,117	19,776
Purchase of real estate properties	-96,411	-159,449
Purchase of intangible fixed assets	-	-30
Acquisition of consolidated companies	-19,341	-
Purchase of financial assets	-1,575	-
Purchase of other property, plant and equipment	-817	-16,929
Proceeds from disposal of properties	11,131	26,895
Proceeds from disposal of other property, plant and equipment	231	4,370
Sale of shares, participations	-5,549	-1,360
Payments for investments in financial assets	2,705	1,123
Cash flow from investment activities	-109,626	-145,381

Consolidated Financial Statements

in TCHF	2019	2018
Acquisition of financial liabilities	69,693	158,936
Amortisation and repayment of financial liabilities	-90,562	-124,654
Bond issuance	149,781	124,757
Capital increase	-1,732	-9,364
Purchase of treasury shares	-13	1,979
Distribution from capital reserves/retained earnings to shareholders	-31,191	-30,510
Cash flow from financing activities	95,976	121,144
Effects from foreign exchange	-65	-62
Additions of first time consolidated and controlled entities	-	133
Increase/decrease in cash and cash equivalents	-10,598	-4,389
Cash and cash equivalents at 1 January	34,531	38,920
Cash and cash equivalents at 31 December	23,933	34,531
Increase/decrease in cash and cash equivalents	-10,598	-4,389

Consolidated Financial Statements

Statement of Shareholders' Equity

in TCHF	Share capital ¹	Treasury shares ²	Capital reserves ³	Retained earnings	Total excl. minority interests	Minority interests ⁴	Total incl. minority interests
Shareholders' equity at 01.01.2018	8,050	-281	52,344	700,371	760,484	209	760,693
Share-based compensation programmes ⁶	-	-	-	680	680	-	680
Dividend payment	-	-	-30,510	-	-30,510	-	-30,510
Purchase of treasury shares	-	-9,364	-	-	-9,364	-	-9,364
Sale of treasury shares	-	2,725	-101	-	2,624	-	2,624
Change in ownership of a group company	-	-	-	-	-	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
Share-based compensation programmes ⁶	-	-	-	-1,110	-1,110	-	-1,110
Dividend payment	-	-	-13,836	-17,355	-31,191	-	-31,191
Purchase of treasury shares	-	-1,733	-	-	-1,733	-	-1,733
Sale/allocation of treasury shares	-	2,572	-13	-	2,559	-	2,559
Goodwill ⁵	-	-	-	-6,562	-6,562	-	-6,562
Acquisition of 100% of group companies with minorities	-	-	-	-3,992	-3,992	2,413	-1,579
Net income for the period	-	-	-	-70,749	-70,749	-613	-71,361
Shareholders' equity at 31.12.2019	8,050	-6,081	7,884	662,232	672,085	-	672,085

¹ On 31 December 2019 share capital consisted of 8,050,000 registered shares at a nominal value of CHF 1 per share (2018: 8,050,000 registered shares at a nominal value of CHF 1.00 per share).

² The company held 49,915 treasury shares as at 31 December 2019 (2018: 55,938). During the reporting period, the company purchased 15,000 shares of HIAG Immobilien Holding AG for a total amount of TCHF 1,733 (2018: TCHF 75,593). 21,023 of these shares (2018: 22,026) were purchased primarily in connection with the Long Term Incentive Plan 2014–2018 by members of the Group's Executive Board and by Group employees as part of the employee participation plan.

³ The non-distributable legal reserves came to TCHF 1,610 (2018: TCHF 1,610).

⁴ In the previous year, minority interests comprised 5% at HIAG Data AG and 14% at Société coopérative en faveur du développement des terrains industriels de la Praille-Sud. In the first half of 2019, the 5% of HIAG Data AG was acquired by HIAG Immobilien Holding AG. The shares in Société coopérative en faveur du développement des terrains industriels de la Praille-Sud also amount to 100% following the acquisition of Jaeger et Bosshard SA. There are therefore no minority interests as of 31 December 2019.

⁵ The goodwill arises from the acquisition of Jaeger et Bosshard SA in May 2019. The goodwill is offset with the retained earnings as of the acquisition date of the company (see also scope of consolidation).

⁶ See note 21 of the notes to the consolidated financial statements.

Consolidated Financial Statements

Notes to Consolidated Financial Statements

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”.

Following the decision of the Board of Directors of HIAG Immobilien Holding AG on 13 August 2019 to discontinue the “Cloud Services” business model, HIAG has focused on the exploitation and marketing of existing assets. These activities will be carried out within the framework of a cooperation with the Tarchini Group and Beelastic, which was announced on 27 December, 2019. The Cloud Services segment will continue to be reported separately in the segment reporting.

Secondary activities in the area of employee benefits and staff services are reported in the segment “Other”. This segment also includes all central functions such as management and finance and expenses in connection with the Board of Directors. General corporate expenses such as auditing costs, capital taxes, etc. are also reported in the segment “Other”. The activities of the metal recycling operation of Jaeger et Bosshard SA, acquired in the first half-year 2019, are now also reported in this segment. Inter-segment eliminations for transactions within segments are reported separately.

In order to increase transparency, all items of operating expenses are now shown individually in segment reporting (analogous to the income statement). For the Cloud Services segment, the item Maintenance and repairs includes operating costs for data centres and the network. Office, administrative and development expenses include expenses for mainly external service providers in connection with the development of the multi-cloud platform. Rents and leases include rent for office space and rent for the use of networks.

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

Consolidated Financial Statements

Operating segments 1 January 2019 to 31 December 2019¹

in TCHF	Yielding portfolio	Redevelopment portfolio	Cloud Services	Others	Intersegment elimination	Group
Property income	51,940	11,146	-	-	-52	63,034
Revaluation of properties	-2,882	-13,922	-	-	-	-16,803
Proceeds from the sale of real estate	-	263	-	-	-	263
Cloud services income	-	-	630	-	-	630
Other operating income	-132	887	142	6,126	-660	6,363
Total operating income	48,927	-1,626	772	6,126	-712	53,487
Cost of materials	-	-	-	-2,045	-	-2,045
Personnel expenses	-3,783	-3,849	-4,186	-2,815	-	-14,633
Maintenance and repairs	-4,464	-32,143	-3,979	-207	-	-40,793
Insurance and fees	-698	-398	-6	-255	196	-1,161
Energy costs and building maintenance	-1,052	-1,655	-	-32	-	-2,739
General operating expenses	-84	-85	-	-281	-	-451
Office, administrative and development expenses	-2,221	-1,295	-21,311	-2,690	240	-27,278
Marketing expenses	-351	-47	-146	-313	-	-857
Rent and leases	-853	-623	-559	-182	276	-1,940
Total operating expenses	-13,506	-40,094	-30,187	-8,821	712	-91,897
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	35,421	-41,720	-29,415	-2,696	-	-38,410
EBITDA before revaluation of properties	38,303	-27,799	-29,415	-2,696	-	-21,607

¹ Without minorities.

The “Development” segment was affected by the bankruptcy of Rohner AG, Pratteln, in fiscal 2019. HIAG has decided to start the deconstruction and rehabilitation of the site to a chemical-free condition. As of the balance sheet date, the change in value resulting from the revaluation of real estate investments and operating expenses totalling CHF 53.2 million were particularly affected. The change in value in Pratteln amounted to CHF -20.4 million. HIAG took over former employees of Rohner AG, Pratteln (CHF 0.7 million in the year under review) in connection with the deconstruction and redevelopment of the site and since the bankruptcy HIAG has borne the total real estate costs of CHF 2.1 million for the period July to December 2019. Provisions of CHF 30 million were made for the deconstruction and redevelopment of the site, which are included in the maintenance and repair costs.

The Board of Directors of HIAG Immobilien Holding AG decided on 13 August 2019 to discontinue the Cloud Services business model. In the first half of 2019, the Group continued to invest in the development of the multi-cloud platform and fulfilled existing customer contracts. Following the decision of the Board of Directors, HIAG has focused on the exploitation of existing assets. In the first half year the operating result before depreciation and amortisation fell to CHF -16.2 million. In the second half of the year, the operating result before depreciation and amortisation was CHF -13.2 million, of which CHF 4.8 million was for the one-off impairment of the pre-paid Azure licences.

Consolidated Financial Statements

Operating segments 1 January 2018 to 31 December 2018¹

in TCHF	Yielding portfolio	Redevelopment portfolio	Cloud Services	Others	Intersegment elimination	Group
Property income	49,201	9,092	-	-	-51	58,242
Revaluation of properties	26,620	49,819	-	-	-	76,439
Proceeds from the sale of promotion projects	-	-	-	-	-	-
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
Cost of materials	-	-	-	-	-	-
Personnel expenses	-3,688	-4,375	-3,264	-1,934	-	-13,262
Maintenance and repairs	-3,522	-1,194	-3,893	-30	-	-8,639
Insurance and fees	-617	-334	-100	-291	212	-1,131
Energy costs and building maintenance	-1,023	-1,390	-	-	-	-2,413
General operating expenses	-144	-123	-	-239	-	-506
Office, administrative and development expenses	-2,366	-931	-4,392	-2,184	601	-9,271
Marketing expenses	-418	-58	-538	-394	-	-1,408
Rent and leases	-747	-791	-318	-114	259	-1,710
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

¹ Without minorities.

Consolidated Financial Statements

Accounting principles

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

The Consolidated Financial Statements are based on the individual financial statements of the HIAG Immobilien Group companies, which were prepared and audited in accordance with uniform guidelines. The relevant accounting standards are explained below. The Consolidated Financial Statements are presented in Swiss francs (CHF). All figures are presented in thousands of Swiss francs (TCHF) unless indicated otherwise.

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

Scope of consolidation

The Consolidated Financial Statements comprise all subsidiaries of HIAG Immobilien Holding AG in which the Company directly or indirectly holds more than 50% in the form of voting rights or share capital. Full consolidation is applied, which means that 100% of the assets, liabilities, expenses and income of the companies to be consolidated are assumed and all intercompany items are eliminated. Minority interests in equity and net income are disclosed separately in the balance sheet and the income statement. Changes in ownership interests in subsidiaries are recorded as equity transactions, provided that control continues.

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

The balance sheet date for all companies is 31 December.

Consolidated Financial Statements

Company	Share capital in TCHF	Stake 2019 ¹ in %	Stake 2018 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
Jaeger et Bosshard SA ²	1,175	100	-	Lancy
Société coopérative en faveur du développement des terrains industriels de la Praille-Sud ³	35	100	86	Lancy
HIAG Immobilien Menziken AG ⁴	100	-	100	Menziken
HIAG Data AG ⁵	10,000	100	95	Zurich
Trans Fiber Systems SA	107	100	100	Menziken
CIS Operations AG ⁵	400	100	95	Zurich
Marbell AG	100	100	100	Zurich

¹ Voting rights and share capital.

² 100% of Jaeger et Bosshard SA was acquired in May 2019.

³ As the acquisition of Jaeger et Bosshard SA resulted in the purchase of 14% of the shares in the cooperative that were not previously held, the shareholding is now 100% as of 31.12.19.

⁴ HIAG Immobilien Menziken AG was merged with HIAG Immobilien AG retroactively as of 1 January, 2019.

⁵ In the first half year of 2019, 5% of the shares of the company HIAG Data AG were bought back by the management. Since CIS Operations AG is wholly owned by HIAG Data AG, its share has also risen to 100%

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.

Jaeger et Bosshard SA specialises in metal recycling. In addition to this business, the company holds a share in the "Porte Sud" site in the Lancy district of Geneva with construction rights. Until further notice, the metal recycling company is being operated by the previous owner of the company on behalf of HIAG.

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

Consolidated Financial Statements

Consolidation method

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

Changes in the scope of consolidation

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

Consolidated company		Stake in %
Jaeger et Bosshard SA	Acquired on 24 May 2019	100

At the date of first time consolidation the company, Jaeger et Bosshard SA disclosed following significant balance sheet positions at fair values:

in TCHF

Cash and cash equivalents	3,189
Inventory	397
Other current assets	798
Real estate properties	13,500
Other non-current assets	533
Current liabilities	1,431
Other non-current liabilities	1,024
Shareholders' equity	15,962

As a result of the acquisition, a goodwill of TCHF 6,562 occurred and was offset with the retained earnings at the time of the acquisition.

The following changes were made to the scope of consolidation in the previous year:

Consolidated company		Stake in %
Société coopérative en faveur du développement des terrains industriels de la Praille-Sud, Lancy	Since 1 January 2018	86
Marbell AG, Zürich	Foundation on 22 June 2018	100

Consolidated Financial Statements

Translation of foreign currencies

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

Significant accounting and valuation policies

General information

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

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

Cash and cash equivalents

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

Trade receivables and other current receivables

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

Real estate properties

The portfolio is broken down into the following categories:

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

General

All real estate investments, with the exception of the promotion projects for 2019 (see properties for sale), are valued and reported at market value based on the discounted cash flow (DCF) method in accordance with Swiss GAAP FER 18. The residual value method is used to determine the market value for undeveloped land. The valuation is carried out by an independent expert and updated every six months. The properties are inspected at least every three years. No scheduled depreciation is applied. Revaluations and devaluations are recorded in the change in value from revaluation of real estate investments. The additional costs to be expected due to environmental risks are estimated by an independent environmental expert on the basis of historical and technical studies and deducted from the market values of the properties. Interest on building loans is capitalised. Other borrowing costs are charged to financial expenses. The portfolio does not include any owner-occupied commercial properties.

Consolidated Financial Statements

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.

Property 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” includes residential projects that are developed and marketed in condominium ownership (promotion projects) and non-strategic properties that are offered for sale. The promotion projects were valued in 2019 at acquisition or production cost in accordance with the SIX circular dated 17 October 2019. The non-strategic properties for sale are valued at current market values less costs to sell.

Other property, plant and equipment and intangible fixed assets

“Other property, plant and equipment” includes the multi-cloud infrastructure of the Cloud Services segment, office equipment, machinery, vehicles and the fixed assets of Jaeger et Bosshard SA. “Intangible assets” comprise mainly the acquired and internally provided services in connection with the cloud infrastructure of HIAG Data.

“Other fixed assets” and “Intangible fixed assets” are stated at acquisition cost less depreciation and possible value impairments.

Depreciation is calculated using the straight-line method; the depreciation period for the multi-cloud infrastructure of the Cloud Services segment is five years, for office equipment three to 10 years, for the facilities of Jaeger et Bosshard SA five to 15 years and for intangible assets three to five years. If it is foreseeable that the economic useful life of individual assets will be shorter than the planned useful life, increased depreciation is applied.

Leased equipment is depreciated over the duration 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.

Consolidated Financial Statements

Impairment of assets

If there are indications that the value of an asset is impaired, an impairment test is performed. If the test shows that the carrying amount is higher than the recoverable amount (higher of value in use or market value), the carrying amount is written down to the recoverable amount with an effect on income.

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

Current and non-current provisions

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

Consolidated Financial Statements

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 2.00% was applied as at 31 December 2019 (2018: 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, and any economic impact on the group resulting from surplus or insufficient coverage for employee pension funds are recorded under "Personnel expenses". The capitalisation of an additional economic benefit (from the surplus coverage for the pension fund) is neither intended, nor are the prerequisites for this provided. An economic obligation is recognised as a liability when the criteria for the creation of provisions are met.

Property income

Property income includes rental income after deduction of vacancy losses, proceeds from the sale of electricity from owned power stations and losses in earnings such as rental income losses. Rental income is recorded in the Income Statement when the rent is due. If tenants are granted rent-free periods, the equivalent value of the incentive is recorded on a linear basis over the entire term of the rental agreement as an adjustment to property income.

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.

Other operating income

Other operating income includes all income that cannot be allocated to another category of income. This includes non-recurring income (e.g. from the sale of property, plant and equipment no longer in use or insurance benefits). It also includes income from other business activities that are not part of the Group's core business (such as employee benefit services provided to third parties or revenues from the metal recycling business). They are recognised over the period after the services have been rendered to the third party.

Inventories and cost of materials

Following the acquisition of Jaeger et Bosshard SA, a company specialising in metal recycling, the consolidated financial statements now show inventories and material costs. Inventories are valued at cost (average price method). If it is foreseeable that the net market value of inventories is lower than the acquisition cost, write-downs are made to the lower of the two values.

Maintenance and repairs

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

Consolidated Financial Statements

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 are classified and disclosed as follows in accordance with Swiss GAAP FER 15 "8. Financial assets, financial assets shareholders and financial assets with related parties".

Share-based compensation

Pursuant to Swiss GAAP FER 31, share-based compensation is 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 21.

Off-balance sheet items

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

Estimates

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

Events after the balance sheet date

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

The Consolidated Financial Statements were approved by the Board of Directors on 13 March 2019. The Consolidated Financial Statements are subject to approval by the General Assembly.

Consolidated Financial Statements

Notes to the consolidated financial statements

General

The result for 2019, including before minorities, was CHF –71.4 million. This result was influenced by two extraordinary events:

- First, the bankruptcy of Rohner AG, Pratteln, the third largest tenant of HIAG to date. This results in a charge of around CHF 51.3 million on the annual result 2019 due to the devaluation of the real estate, the creation of provisions for the dismantling of the production infrastructure, the chemical clearance of the site and site operating costs that HIAG has had to bear since the bankruptcy.
- Second, the decision of the Board of Directors of HIAG Immobilien Holding AG in August 2019 to discontinue development of the multi-cloud platform. Following this decision, HIAG has focused on the exploitation and marketing of existing assets. These activities will be carried out within the framework of a cooperation with the Tarchini Group and Beelastic, which was announced on 27 December 2019. At the time of publication of the annual report 2019, the value of the remaining assets is difficult to assess, as the exploitation activities have not yet begun. For this reason, all remaining assets were written down by 100% as of 31 December 2019 and have a negative impact of CHF 41.5 million on the annual result.

The impact on the annual result 2019 as a result of these two extraordinary events is within the range of the estimates communicated on 2 September 2019.

1 Trade receivables

in TCHF	31.12.2019	31.12.2018
Trade receivables	6,706	4,327
Provision for bad debts	–1,371	–1,191
Total	5,335	3,136

Losses on accounts receivable in 2019 come to TCHF 11 (0.02% of operating income without revaluation of properties and capitalised services) compared to TCHF 42 (0.06% of operating income without revaluation of properties and capitalised services) in 2018.

Consolidated Financial Statements

2 Other current receivables

in TCHF	31.12.2019	31.12.2018
Value-added tax receivables	1,464	4,468
Heating and lump sum charges	3,734	3,759
Escrow account	1,350	1,350
Advance payment for cloud product license volumes	0	5,136
Further charging to tenants	1,421	0
Current accounts condominium ownership	531	386
Other current receivables	759	193
Total	9,259	15,293

As part of a cooperation agreement with Microsoft, HIAG committed itself to the procurement of license volumes for cloud products in 2017. In this connection, an advance payment of TCHF 5,429 was made to Microsoft in 2017. The change in this item compared to the previous year is due to the use of license volumes of TCHF 375 (2018: TCHF 293) and to a complete value adjustment of the remaining advance payment of TCHF 4,761. The reason for the value adjustment is that the licenses are contractually usable only until 30 June 2020 and, due to the decision not to continue the Cloud Services segment, it is unlikely that they will be used by the end of June 2020. The use and impairment are recognised in the income statement under office and administrative expenses.

In connection with the development of the site in Frauenfeld, HIAG was compensated by the former owners in 2016 for assumption of the contaminated site risks with a contribution of TCHF 1,350. This contribution was transferred to an escrow account and will be released in 2021 after completion of the remediation of the contaminated site.

The increase in the item "Other short-term receivables" is connected with social security receivables of Jaeger et Bosshard SA, and a deposit for rent for the office premises of HIAG Data AG.

3 Inventory

in TCHF	31.12.2019	31.12.2018
Inventory	420	-
Total	420	-

The inventories are connected with the acquisition of Jaeger et Bosshard SA, which specialises in metal recycling.

Consolidated Financial Statements

4 Other non-current receivables

in TCHF	31.12.2019	31.12.2018
Other non-current receivables	3,554	2,554

The other long-term receivables consist of a receivable from the previous year of TCHF 2,554, which arose as a result of the use of space beyond the ordinary rental period. To secure this receivable, an agreement was signed in the previous year on the transfer of first-ranking promissory notes from an industrial site.

5 Real estate properties

in TCHF	31.12.2019	31.12.2018
Fire insurance value	1,671,833	1,621,205
Pledges to secure mortgage loans	341,840	344,840

Due to property purchases, the fire insurance values rose during the reporting period by a total of TCHF 44,103 (2018: TCHF 165,663).

in TCHF	Real estate	Properties	Properties currently under development	Total real estate properties
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 31.12.2019	134,070	1,241,701	100,641	1,476,412
Balance at 01.01.2019	134,070	1,241,701	112,421	1,488,191
Reclassifications	56,115	13,836	–69,951	–
Additions	2,936	69,629	30,952	103,516
Disposals	–	–38	–12,004	–12,042
Additions in scope of consolidation	–	13,500	–	13,500
Revaluation of properties without environmental risks	–16,969	10,664	1,336	–4,969
Change of costs for environmental risks	–5,123	–10,740	–656	–16,519
Balance at 31.12.2019	171,029	1,338,552	62,097	1,571,676
Reclassifications of properties held for sale	–	–	–8,633	–8,633
Balance after reclassifications as at 31.12.2019	171,029	1,338,552	53,464	1,563,043

In the reporting period, all properties were valued by Wüest Partner AG. The discount rates underlying the property valuations ranged from 1.95% to 6.00% as at the balance sheet date (31 December 2018: 1.95% to 7.00%). Properties for sale in the reporting year include promotion projects valued for the first time at cost. In the previous year, properties for sale included promotion projects that were valued at market value.

Consolidated Financial Statements

The additional costs to be expected due to environmental risks are analysed mainly by Ecosens AG on the basis of historical and technical studies and are included in the real estate investments with an amount of TCHF 43,551 (2018: TCHF 27,032) as of the balance sheet date. The clarification of environmental risks is an ongoing process. New findings from remediation work carried out and historical or technical investigations are taken into account on the balance sheet date and have led to an increase in the deductions for environmental risks of TCHF 13,914 (31 December 2018: decrease of TCHF 4,887) recognised in the income statement. As a result of the acquisitions and rounding off of the Altstetten, Lupfig and Biberist sites, there was an increase of TCHF 2,605 that was not recognised in the income statement and which was included in the purchase prices of the acquisitions. Following the bankruptcy of Rohner AG, Pratteln, HIAG decided to re-develop and demolish the site from 2019. The provision for the Pratteln site was updated accordingly (increase of TCHF 2,139 affecting net income). In Menziken, a new development scenario was mapped after the expiry of the permit for a data centre. This mapping resulted in an increase of the provision of TCHF 2,991. The increase of the provision in Dornach (TCHF 4,439) is connected with the mapping of a development scenario and in Biberist (TCHF 2,888) with a new assessment of the asbestos risk and an update of the realisation schedule of the development. The expected additional costs due to environmental risks are discounted. A discount rate of 2.00% was applied as of 31 December 2019 (31 December 2018: 2.00%).

The effective acquisition costs for the Group's historical properties cannot be reliably determined in some cases due to the fact that some of the acquisition dates and investments were made a long time ago. For this reason, the acquisition values for the entire portfolio are not disclosed.

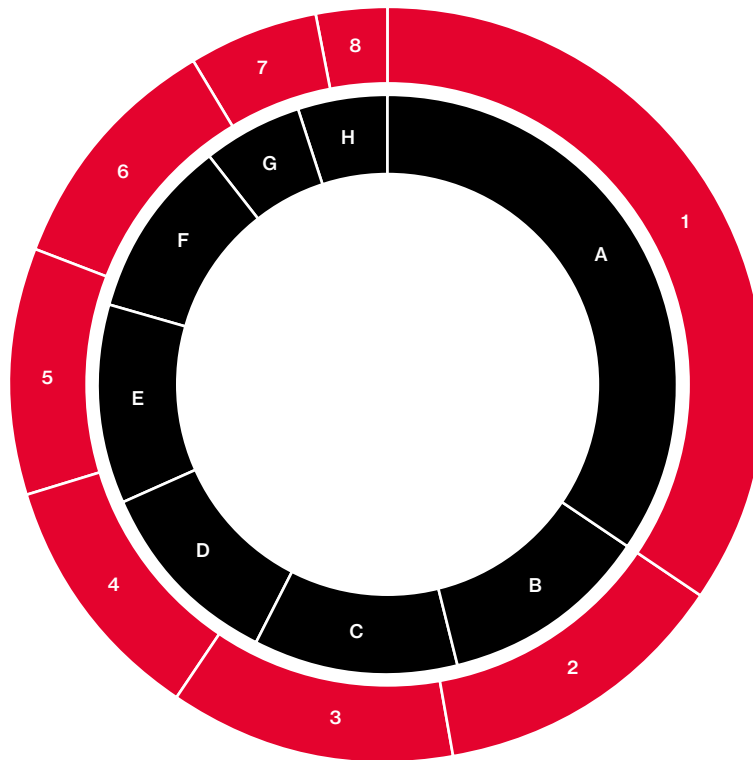
The additions in 2019 in the amount of TCHF 103,516 resulted from investments in 63 properties and at TCHF 51,454 from the acquisition of the site in Altstetten, the acquisition of Jaeger et Bosshard SA in Lancy and the rounding off of the Biberist and Lupfig sites. The largest investments in the existing portfolio were made in Frauenfeld (TCHF 14,019), Niederhasli (TCHF 12,149), Meyrin (TCHF 7,289) and Windisch (TCHF 5,713).

Disposals amounting to TCHF 12,042 relate mainly to the sale of condominium interests in the project The Cloud in Baar (TCHF 10,847) and the Walzmühle project in Frauenfeld (TCHF 1,157).

Properties held for sale in TCHF	31.12.2019	31.12.2018
Project "The Cloud" (Baar)	-	11,780
Project Walzmühle	8,633	-
Total	8,633	11,780

As of the balance sheet date 2019, the condominium shares of the loft buildings on the Walzmühle site in Frauenfeld were for sale. There are no outstanding payments for the notarised units as at 31 December 2019.

Consolidated Financial Statements



2019 ●
2018 ●

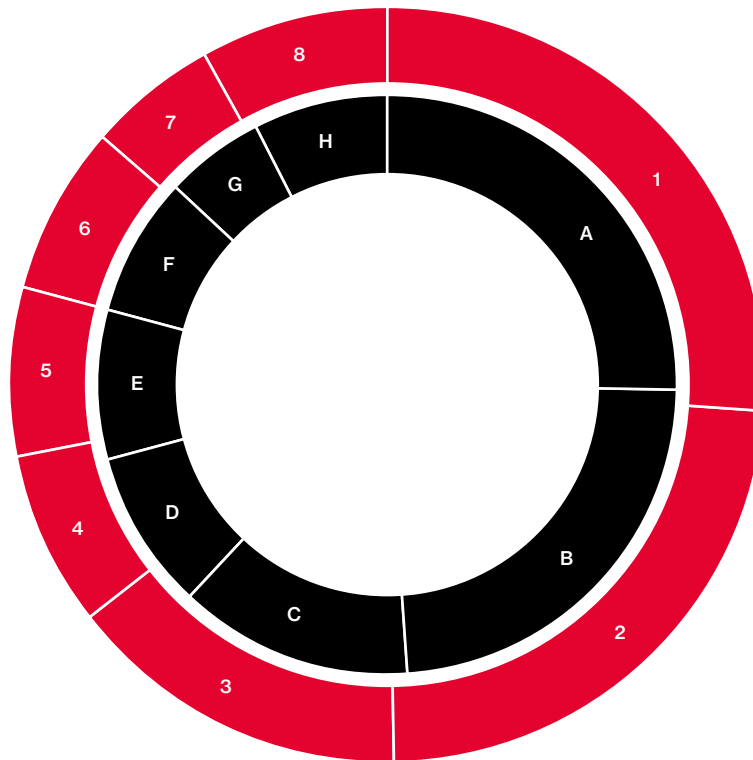
Market value of real estate properties according to use as at 31.12.2019

1	Industry, commercial	34.6%
2	Residential	12.7%
3	Building land	12.3%
4	Distribution, logistics	10.7%
5	Office	10.7%
6	Retail	10.6%
7	Residential and commercial	5.6%
8	Miscellaneous	2.8%

Market value of real estate according to use as at 31.12.2018

A	Industry, commercial	34.6%
B	Residential	11.7%
C	Retail	11.3%
D	Distribution, logistics	11.0%
E	Office	10.9%
F	Building land	10.2%
G	Residential and commercial	5.5%
H	Miscellaneous	4.8%

Consolidated Financial Statements



2019 ●
2018 ●

Market value of real estate properties according to canton as at 31.12.2019

1	Zurich	26.3%
2	Aargau	23.6%
3	Geneva	14.6%
4	Zug	7.5%
5	Solothurn	7.4%
6	Basel-Landschaft	7.1%
7	St. Gallen	5.5%
8	Miscellaneous	8.0%

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

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

Consolidated Financial Statements

6 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 01.01.2018	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 / 01.01.2019	3,944	47,706	17,699	69,349	116
Additions	140	469	–	609	–
Disposals	–	–	–	–	–
Additions in scope of consolidation	534	–	–	534	–
Book value at 31.12.2019	4,618	48,175	17,699	70,492	116
Cumulative amortisation at 01.01.2018	3,018	1,493	–	4,511	86
Amortisation	185	8,344	3,319	11,848	5
Impairment	–	12,590	–	12,590	–
At 31.12.2018 / 01.01.2019	3,202	22,427	3,319	28,949	91
Amortisation	382	7,770	4,425	12,577	10
Impairment	–	17,978	9,955	27,932	15
Cumulative amortisation at 31.12.2019	3,585	48,175	17,699	69,458	116
Net book value at 31.12.2018	742	25,278	14,380	40,400	25
Net book value at 31.12.2019	1,034	–	–	1,034	–

No finance lease agreements for multi-cloud infrastructure were concluded in the reporting year (2018: TCHF 9,147).

In connection with the acquisition of Jaeger et Bosshard SA, property, plant and equipment of TCHF 534 was acquired. The majority of these assets are machinery (TCHF 315) and transport vehicles (TCHF 193).

Following the decision of the Board of Directors of HIAG Immobilien Holding AG on 13 August 2019 to discontinue the Cloud Services business model, HIAG has focused on the exploitation and marketing of existing assets. These activities will be carried out within the framework of a cooperation with the Tarchini Group and Beelastic, which was announced on 27 December 2019. At the time of publication of the annual report 2019, the value of the remaining assets is difficult to assess, as the disposal activities are not yet operational. For this reason, all remaining assets were written down by 100% as of 31 December 2019.

Consolidated Financial Statements

7 Prepayments and accrued income

in TCHF	31.12.2019	31.12.2018
Financing costs bonds	1,228	1,163
Insurance premiums and benefits	980	2,622
Accrued income (rental income, sale of electricity, etc.)	2,172	2,270
Service and licence contracts with a term exceeding balance sheet date	96	1,777
Miscellaneous	751	609
Total	5,227	8,442

Insurance premiums and benefits comprise TCHF 974 in relation to cases of fire and other damaging events during the reporting period (2018: TCHF 2,517).

Prepaid expenses and accrued income in connection with service and license agreements with terms exceeding the balance sheet date are significantly lower than in the previous year (TCHF 1,681), as these agreements are no longer recoverable as of 31 December, 2019 due to the decision of the Board of Directors to terminate the operations of the Cloud Services segment.

The position "Miscellaneous" includes subsidies of TCHF 190 for the Frauenfeld project. The previous year includes accruals for unbilled VAT receivables of TCHF 292.

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

8.1 Financial assets

in TCHF	31.12.2019	31.12.2018
Employer contribution reserve	-	365
Other financial assets	142	142
Loans to third parties	5,206	800
Total	5,348	1,307

In the reporting period, loans amounting to TCHF 5,549 were guaranteed. All loans bear interest at market rates. Loans in the amount of TCHF 300 were repaid in the year under review. A loan including interest receivable for a total of TCHF 849, which was granted in the reporting year, was written off in full as at 31 December 2019, as repayment at the time of publication of the annual report 2019 is unlikely due to the borrower's economic situation.

8.2 Financial assets from shareholders

in TCHF	31.12.2019	31.12.2018
Loans to members of the Executive Board	1,300	1,395
Loans to Group employees	1,030	1,330
Total	2,330	2,725

These loans are subject to market rate interest and are secured by employee shares.

Consolidated Financial Statements

8.3 Deferred taxes from capitalised losses carried forward

in TCHF	31.12.2019	31.12.2018
Capitalised losses carried forward	513	320
Total	513	320

The capitalised tax loss carryforwards represent the expected economic benefit within the next 12 months.

8.4 Other current financial assets from shareholders

in TCHF	31.12.2019	31.12.2018
Loans to members of the Executive Board	-	2,010
Total	-	2,010

Loans to members of the Group Executive Board amounting to TCHF 2,010 were fully repaid in the reporting period.

9 Other current liabilities

in TCHF	31.12.2019	31.12.2018
To third parties	4,632	3,838
Advance payments	2,725	4,812
Total	7,357	8,650

“Other current liabilities to third parties” includes mainly accumulated payments on account for heating and service charge settlement amounting to TCHF 3,172 (2018: TCHF 2,935).

Advance payments include property income paid in advance amounting to TCHF 2,725 (2018: TCHF 3,564). In the previous year, advance payments included prepayments of TCHF 50 for the sale of condominiums and advance payments of TCHF 1,198 for a construction project (31 December 2019: TCHF 0).

Consolidated Financial Statements

10 Provisions

in TCHF	Other provisions	LTIP provision	Provision for deconstruction and site remediation costs	Total
Book value at 01.01.2018	485	1,450	–	1,935
Increase	101	1,440	–	1,541
Utilisation	–52	–	–	–52
Release	–	–	–	–
Book value at 31.12.2018/01.01.2019	534	2,890	–	3,424
– thereof current	434	2,890	–	3,324
– thereof non-current	100	–	–	100
Increase	790	–	30,000	30,790
Utilisation	–165	–2,890	–	–3,055
Release	161	–	–	161
Book value at 31.12.2019	1,320	–	30,000	31,320
– thereof current	660	–	30,000	30,660
– thereof non-current	660	–	–	660

As no new Long Term Incentive Plan (LTIP) was concluded for the financial year 2019 (see Note 21), no provision was made as of 31 December 2019 (2018: TCHF 1,440). Due to the payment of the LTIP 2014–2018, the provision was used.

In the reporting period, a short-term provision of TCHF 30,000 was made for the dismantling of the production infrastructure and the rehabilitation of the site in Pratteln. In connection with the bankruptcy of Rohner AG, Pratteln, HIAG will assume the costs for the demolition of the production infrastructure, which contractually should have been borne by the tenant. This includes in particular measures to bring the facilities to a chemical-free condition. The dismantling and refurbishment will start in 2020 and will last for about two years. At the time of publication of the annual report, no information is available to make a distinction between short term and long term. For this reason, the provision has been fully classified as short term as of 31 December 2019.

In the reporting period, a provision for additional costs for the completed Cloud project in Baar in the amount of TCHF 610 was recognised. Based on the ongoing technical clarifications, management assumes that the work will not take place until 2021.

There were no provisions for pension obligations or restructuring either in the reporting period or in the previous year. Only risks with a probability of at least 50% have been taken into account.

Consolidated Financial Statements

11 Financial liabilities

in TCHF	31.12.2019	31.12.2018
Non-current bank liabilities	179,178	187,744
Bonds	640,000	490,000
Non-current leasing liabilities	4,220	9,593
Total	823,397	687,337

“Non-current bank liabilities” includes financing with a remaining term of more than 12 months as of the balance sheet date. All bank financing is secured by mortgages.

The loan-to-value ratio ([cash and cash equivalents + financial liabilities]/real estate value+multi-cloud infrastructure) was 51.4% as at the reporting date (2018: 43%). The debt ratio at fair value (bank liabilities/real estate value) was 11% (2018: 13%).

The average interest rate for bank liabilities was 0.9% in the reporting year (2018: 0.9%). Bank liabilities due within 12 months amount to TCHF 2,378 (2018: TCHF 4,721) and lease liabilities due within 12 months amount to TCHF 5,524 (2018: TCHF 5,419). Short-term bank loans and short-term leasing liabilities are disclosed as short-term financial liabilities in the year under review. The previous year includes a loan with third parties in the amount of TCHF 4,500, which was repaid in full in the reporting year.

In May 2019, a fixed-interest bond for TCHF 150,000 with a term of five years was issued. The proceeds were used mainly for the repayment of existing bank liabilities.

Benchmarks	Bond May 2019	Bond October 2018	Bond May 2017	Bond July 2016	Bond July 2015
Amount	TCHF 150,000	TCHF 125,000	TCHF 150,000	TCHF 115,000	TCHF 100,000
Maturity	5 years (08.05.2019 – 08.05.2024)	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	0.875%	1.0%	0.8%	1.0%	1.0%
Listing	SIX Swiss Exchange	SIX Swiss Exchange	SIX Swiss Exchange	SIX Swiss Exchange	SIX Swiss Exchange
Security number	47,129,798	43,467,844	36,274,830	32,637,142	28,460,739
ISIN	CH0471297983	CH0434678444	CH0362748300	CH0326371421	CH0284607394

Conditions of financial liabilities as at 31.12.2019

Consolidated Financial Statements

Item	Book value	Currency	Due date	Interest rate
Bank liabilities	181,556	CHF	See "Due dates in TCHF as at 31.12.2019"	Between 0.5% and 2.9%
Bonds	640,000	CHF	01.07.2021/ 30.05.2022/ 26.10.2022/ 04.07.2023/ 08.05.2024	Between 0.8% and 1.0%
Leasing liabilities	9,743	CHF	31.10.2021 with quarterly repayments	0.5%
Total	831,299			

Financial liabilities are recorded and valued at nominal value. The loan with third parties in the amount of TCHF 4,500 was fully repaid in the year under review

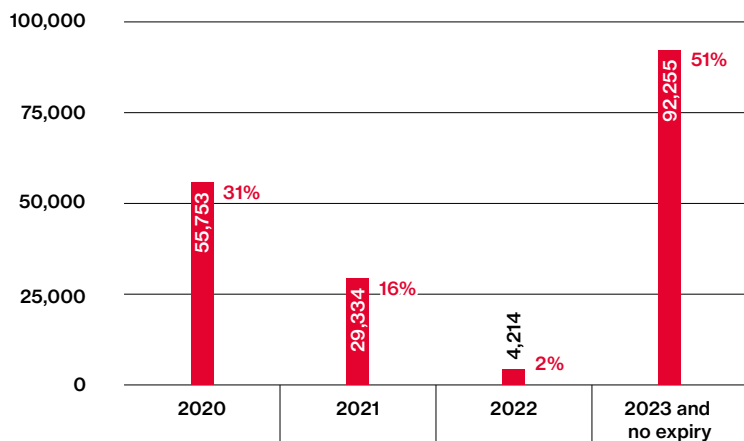
Conditions of financial liabilities as at 31.12.2018

Item	Book value	Currency	Due date	Interest rate
Bank liabilities	192,465	CHF	See "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.

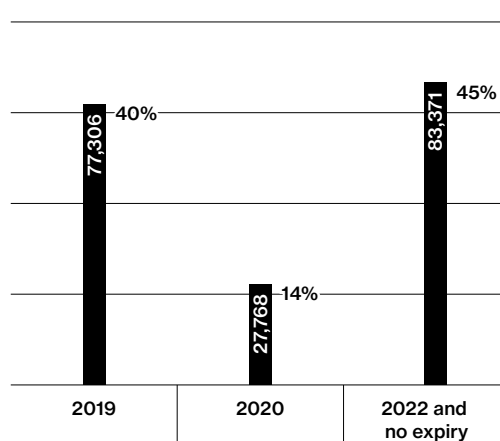
Consolidated Financial Statements

Due dates of bank liabilities in TCHF as at 31.12.2019



Total: TCHF 181,556 = 100%

Due dates of bank liabilities in TCHF as at 31.12.2018



Total: TCHF 192,465 = 100%

Interest rates of bank liabilities were fixed as follows as at 31 December 2019 (until the next interest rate adjustment):

Up to one year	124,683	69%
2021	29,334	16%
2022	4,214	2%
2023 and longer	23,325	13%
Total	181,556	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%

12 Accrued liabilities and deferred income

in TCHF	31.12.2019	31.12.2018
Operating expenses	3,590	3,436
Financing costs	3,704	2,911
Investments	4,552	5,682
Personnel-related accruals	1,134	1,332
Miscellaneous	250	605
Total	13,229	13,966

Operating expenses include TCHF 1,145 for office and administrative expenses (2018: TCHF 2,395), TCHF 668 for energy cost and services charges (2018: TCHF 558) and TCHF 1,743 for maintenance and repairs (2018: TCHF 469).

Consolidated Financial Statements

13 Deferred taxes

in TCHF	31.12.2019	31.12.2018
Deferred tax liabilities as at 1 January	82,871	73,786
Changes in the scope of consolidation	1,043	-
Net increase recognised through profit or loss	-	9,085
Net increase resolution through profit or loss	-15,186	-
Deferred tax liabilities as at 31 December	68,728	82,871

The provisions for deferred taxes are discounted with a discount rate of 2.00% as at 31 December 2019 (2018: 2.00%). The release of the provision was mainly in connection with the resolved cantonal tax rate reductions (TCHF 10,277) and the negative change in value from revaluation of real estate investments in the reporting period.

14 Employee benefits

The HIAG Group has occupational pension plans for its employees. These institutions are financially independent foundations, whereby the HIAG Pension Fund is financed by employee and employer contributions, and the patronage institutions, the HIAG Group's welfare fund and the welfare foundation of HIAG Immobilien Schweiz AG are financed exclusively by employer contributions. The benefits are calculated according to the amount of the contributions paid in or according to the coverage provided by the respective insurance company (defined contribution plan). The Group companies have neither an economic benefit nor an economic obligation arising from the employee pension plan. There is no intention to draw future economic benefit from the existing free reserves.

in TCHF	Nominal value 31.12.2019	Renounced use 31.12.2019	Balance sheet 31.12.2019	Accumulation 2019	Balance sheet 31.12.2018	Result from ECR in personnel expenses	
						2019	2018
Patronage pension institutions	-	-	-	-	365	365	362
Pension institution	-	-	-	-	-	-	-
Total	-	-	-	-	365	365	362

in TCHF	Surplus/deficit coverage 31.12.2019	Economical part of the organisation 31.12.2019	Change to prior year period or recognised in the current result of the period, respectively 2019	Contributions concerning the business period 2019	Pension expenses within personnel expenses 2019
Pension institution	8,164	-	-	-	835
Total	8,164	-	-	-	835

Consolidated Financial Statements

Composition of employee pension expenses

in TCHF	2019
Contributions to pension funds at the expense of the company	470
Contributions to pension plans made from the employer contribution reserve (ECR)	365
Total contributions	835
Changes in the employer contribution reserve stemming from asset performance, impairment, discounts, assessment of interest, etc.	-
Total contributions and changes to employer contribution reserve	835
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	835
- thereof in personnel expenses	787
- thereof in office, administrative, and development expenses	48
Total	835

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

in TCHF	Surplus/deficit coverage 31.12.2018	Economical part of the organisation 31.12.2018	Change to prior year period or recognised in the current result of the period, respectively 2018	Contributions concerning the business period 2018	Pension expenses within personnel expenses 2018
Pension institution	3,927	-	-	-	623
Total	3,927	-	-	-	623

Consolidated Financial Statements

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 period under review	623
- thereof in personnel expenses	575
- thereof in office, administrative, and development expenses	48
Total	623

15 Property income

in TCHF	2019	2018
Rental income excl. lump sum charges	60,533	56,496
Lump sum charges	1,199	1,116
Other property income	1,415	1,162
Decrease in income	-113	-532
Total	63,034	58,242

As at 31 December 2019, the item "Rental income excl. lump sum charges" includes a release of prepaid expenses in the amount of TCHF 35 (31 December 2018: creation of TCHF 368) for rental agreements with rent-free periods. The position "Other property income" includes electricity sales proceeds from own power plants in the amount of TCHF 939 for 2019 (2018: TCHF 906).

Most significant tenants

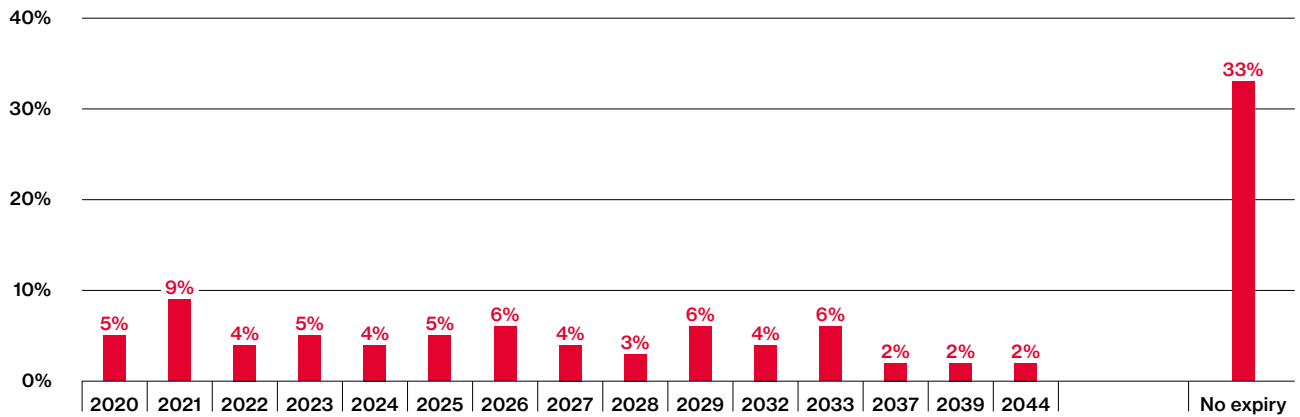
The five most significant tenants measured according to property income were (in alphabetical order): Amcor Flexibles Rorschach AG, Doka Schweiz AG, Hewlett-Packard International Sàrl, OTTO's AG and Sieber Transport AG.

Share of property income represented by (%):	2019	2018
The largest tenant	4%	4%
The three largest tenants	12%	11%
The five largest tenants	18%	18%
The 10 largest tenants	31%	30%

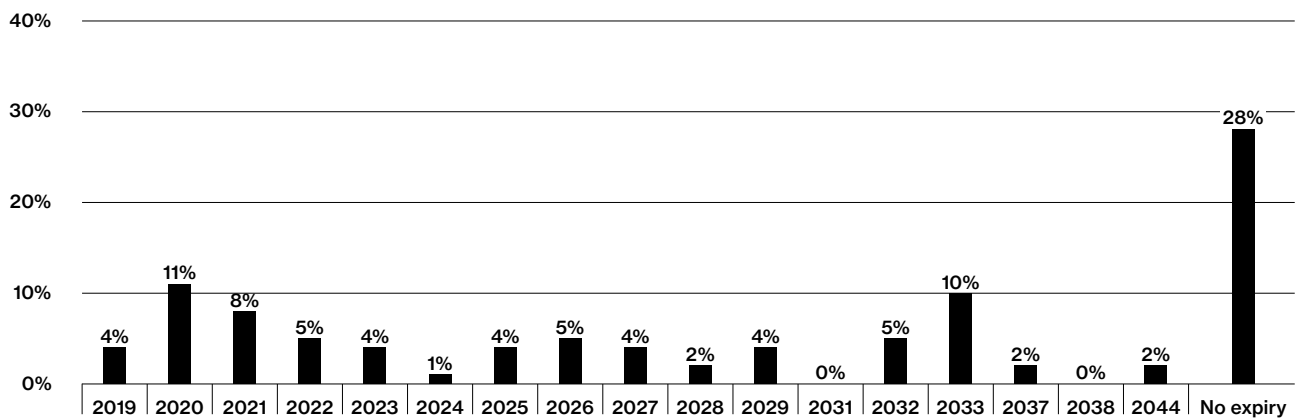
Consolidated Financial Statements

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

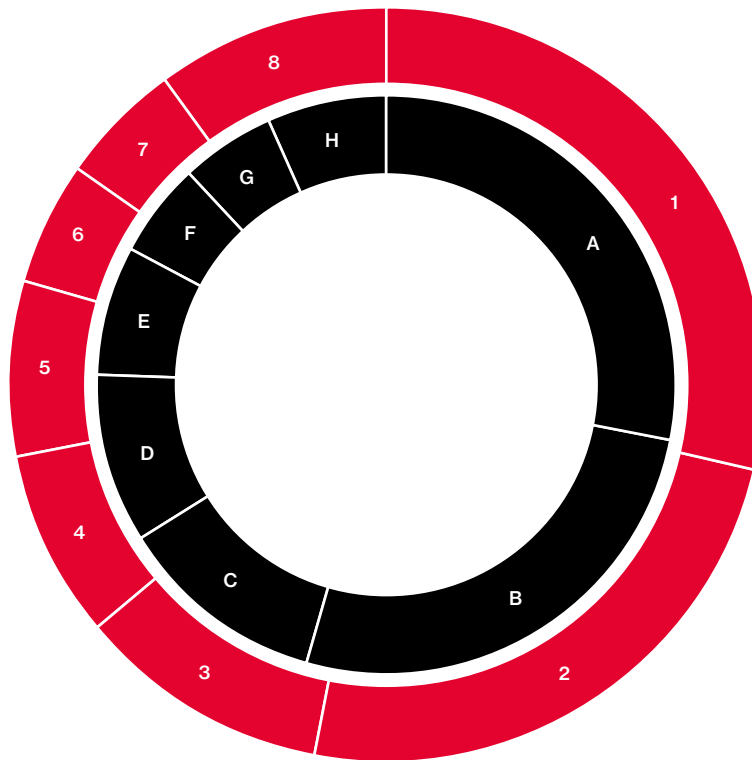
Overview of due dates of rental agreements as of 01.01.2020



Overview of expiry profile of rental agreements as of 01.01.2019



Consolidated Financial Statements



01.01.2020 ●
01.01.2019 ●

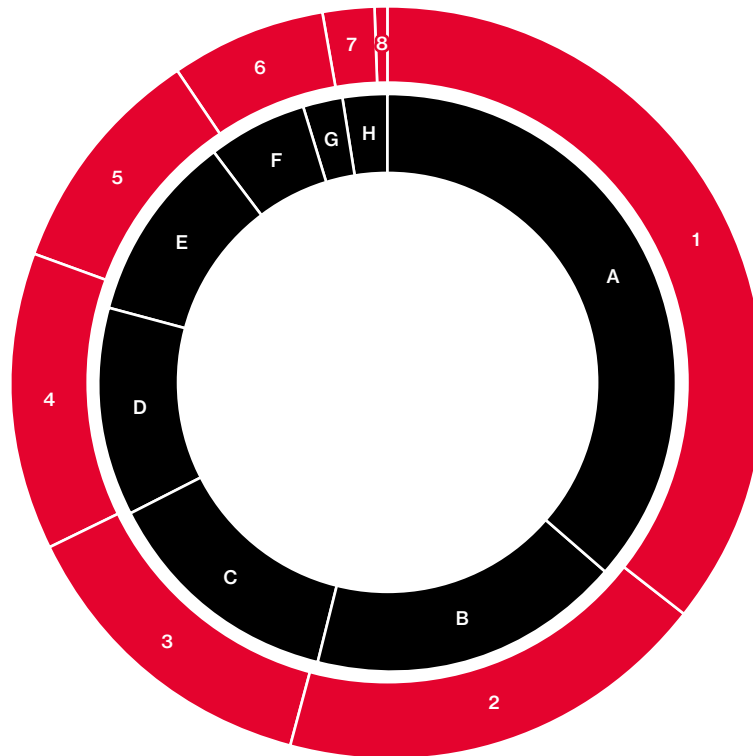
**Annualised property income by canton
as at 01.01.2020**

1	Aargau	28.8%
2	Zurich	24.3%
3	Geneva	10.9%
4	Basel-Landschaft	8.1%
5	Solothurn	7.6%
6	Zug	5.2%
7	St. Gallen	5.1%
8	Miscellaneous	10%

**Annualised property income by canton
as at 01.01.2019**

A	Aargau	28.2%
B	Zurich	26.4%
C	Basel-Landschaft	11.7%
D	Geneva	9.5%
E	Solothurn	7.3%
F	Zug	5.3%
G	St. Gallen	5.2%
H	Miscellaneous	6.5%

Consolidated Financial Statements



01.01.2020 ●
01.01.2019 ●

Annualised rental income by property use as of 01.01.2020

1	Industry, commercial	35.8%
2	Distribution, logistics	18.6%
3	Office	13.5%
4	Residential	12.8%
5	Retail	9.9%
6	Residential and commercial	6.8%
7	Building land	2.2%
8	Miscellaneous	0.4%

Annualised rental income by property use as of 01.01.2019

A	Industry, commercial	36.4%
B	Distribution, logistics	17.9%
C	Retail	13.5%
D	Office	11.7%
E	Residential	10.4%
F	Residential and commercial	5.7%
G	Building land	2.1%
H	Miscellaneous	2.4%

Consolidated Financial Statements

Vacancy rate in %	2019	2018
Yielding properties	14.4%	12.1%
Yielding properties undergoing repositioning ¹	40.9%	39.7%
Redevelopment properties	13.7%	13.6%
Total portfolio	16.2%	14.3%

¹ Mandachstrasse 50–56 ZH and Sternenfeldpark 14, BL

The relocation of Decathlon to Dietikon and the reclassification of development projects to the portfolio with initial vacancies that are higher than the current vacancy rate (Meyrin 32%, Frauenfeld 24%, Neuchâtel 18%) explain a significant part of this increase.

On a comparable basis (excluding the acquisitions in Altstetten and the rounding off of Lancy, Hausen-Lupfig and Biberist), the vacancy rate for the existing properties is 14.4% and 16.3% for the entire portfolio.

16 Revaluation of properties (net)

in TCHF	2019	2018
Positive adjustments	52,423	100,215
Negative adjustments	-69,226	-23,776
Total	-16,803	76,439

The most significant adjustments were carried out for sites in Altstetten (TCHF 9,856), Meyrin (TCHF 7,942), Dornach (TCHF 4,834), Cham (TCHF 2,191), Hausen/Lupfig (TCHF 2,191), Lancy (TCHF 1,958), Wetzikon (TCHF 1,924), Pratteln (TCHF -20,429), Menziken (TCHF -9,548), Klingnau (TCHF -5,622), Biberist (TCHF -4,323), Dietikon (TCHF -3,514) and Windisch (TCHF -2,453).

The devaluation in Pratteln is due to the bankruptcy of Rohner AG, Pratteln. Following the bankruptcy, HIAG has decided to redevelop and deconstruct the site from 2020. In Menziken, a new development scenario was mapped out after the expiry of the permit for a data centre. This scenario has led to an increase in the environmental risk provision and devaluation of the properties.

Out of a total of 120 properties, 55 underwent positive adjustments, 60 properties were affected by negative adjustments and five properties showed no change.

Consolidated Financial Statements

17 Cloud Services income

in TCHF	2019	2018
Cloud infrastructure	335	690
Point-to-cloud connection	258	254
Consumption Azure license	37	-
Total	630	944

18 Other operating income

in TCHF	2019	2018
Services rendered to third parties	759	756
Sales from metal recycling	4,716	-
Other operating income	888	6,291
Total	6,363	7,047

“Other operating income” includes the Executive Board, asset management and technical administrative management of the pension fund “HIAG Pensionskasse”, and HR services for companies affiliated with “HIAG Pensionskasse”.

The position “Sales from metal recycling” includes income from the acquired company Jaeger et Bosshard SA for the period from 1 June 2019 to 31 December 2019, and also includes the one-off release of an unused accrual of TCHF 330 in connection with a legal case.

The item “Other operating income” in the previous year includes an insurance compensation in the amount of TCHF 1,617 due to the fire in Füllinsdorf. In the year under review TCHF 218 less than originally expected was paid. Furthermore, income of TCHF 231 from the sale of machines and spare parts in Biberist is included in the position “Other operating income” (2018: TCHF 4,351).

19 Cost of materials

in TCHF	31.12.2019	31.12.2018
Inventory	2,045	-
Total	2,045	-

The cost of materials is connected with the acquisition of Jaeger et Bosshard SA, a company that specialises in metal recycling.

Consolidated Financial Statements

20 Personnel expenses

in TCHF	2019	2018
Wages and salaries	11,631	10,736
Social security contributions	1,732	1,225
Other personnel expenses ¹	1,270	1,301
Total	14,633	13,262

¹ Thereof discount on the sale of HIAG Immobilien Holding AG shares for HIAG Group employees (TCHF 647, 2018: TCHF 663 for HIAG Immobilien Holding AG shares and HIAG Data AG shares)

	31.12.2019	31.12.2018
Employee headcount	107	62
– thereof real estate	51	48
– thereof Pratteln site	23	–
– thereof cloud services	20	14
– thereof Jaeger et Bosshard SA	13	–
Full-time employees	96.5	53.0
– thereof real estate	42.3	39.4
– thereof Pratteln site	21.8	–
– thereof cloud services	19.4	13.6
– thereof Jaeger et Bosshard SA	13.0	–

Thirteen full-time employees were taken over from the acquisition of Jaeger et Bosshard SA. As part of the deconstruction and redevelopment project of the Pratteln site, 23 employees of the former Rohner AG, Pratteln, were taken over in October 2019.

21 Share-based compensation

Due to the announced change of managing director, the Board of Directors decided not to launch a new long-term incentive plan for the HIAG Real Estate division for 2019. A new long-term incentive plan will be set up when the new managing director joins the company in 2020.

Due to the decision of the Board of Directors of HIAG Immobilien Holding AG to discontinue the development of its multi-cloud platform and because no triggering event defined in the HIAG Data long-term incentive plan has occurred, this long-term incentive plan will not have any financial impact. The LTIP HIAG Data also had no effect on the net profit for the period (2018: TCHF 0). No provision was reversed or formed as of the balance sheet date.

22 Maintenance and repairs

In the reporting period, a short-term provision of TCHF 30,000 was made for the dismantling of the production infrastructure and the rehabilitation of the site in Pratteln. In connection with the bankruptcy of Rohner AG, Pratteln, HIAG will assume the costs for the demolition of the production infrastructure, which contractually should have been borne by the tenant. This includes in particular measures to bring the facilities to a chemical-free condition. The dismantling and refurbishment will start in 2020 and will last for about two years.

Consolidated Financial Statements

23 Energy and service charges

The item “Energy and service charges” includes costs in the amount of TCHF 1,199 that were billed to tenants (2018: TCHF 1,116). These billings are disclosed under “Property income”.

24 Office, administrative and development expenses

in TCHF	2019	2018
Office, administrative and development expenses	27,278	9,271
- thereof property expenses	1,754	1,969
- thereof cloud services	21,314	4,048

Property expenses consist primarily of local property administration fees, initial letting fees and valuations of the portfolio.

Cloud Services expenses have increased as the segment was still in the process of being established in the first half of 2019, in particular with the development of a multi-cloud platform. Following the decision of the Board of Directors on 13 August 2019 to discontinue the Cloud Services segment, and as the licences are contractually usable only until 30 June 2020, the pre-paid licences were written off in full as at 31 December 2019 (TCHF 4,761). They are included in office and administrative expenses.

25 Rent and leases

in TCHF	2019	2018
Office rent and leases	994	626
Rent cloud services	213	232
Building rights	733	851
Total	1,940	1,710

The position “Office rent and leases” includes rent for the Cloud Services segment (TCHF 542; 2018: TCHF 267) and rent from Jaeger et Bosshard SA (TCHF 60; 2018: TCHF 0).

Consolidated Financial Statements

26 Amortisation

in TCHF	2019	2018
Other property, plant and equipment	382	185
Other intangible fixed amortisation	10	5
Other intangible assets impairment	15	–
IT and network infrastructure amortisation	12,195	11,924
IT and network infrastructure impairment	27,934	12,328
Total	40,536	24,442

Following the decision by the Board of Directors of HIAG Immobilien Holding on 13 August, 2019 to discontinue the Cloud Services business model, HIAG has focused on the exploitation and marketing of existing assets. These activities will be conducted, among others, within the framework of the cooperation with the Tarchini Group and Beelastic, which was communicated on 27 December. As of the date of publication of the annual report 2019, the value of the remaining assets is difficult to assess, as the recycling activities are not yet operational. For this reason, all remaining assets were written down by 100% as of 31 December, 2019 (TCHF 27,949).

In the previous year, the investments already made in the multi-cloud infrastructure were reviewed for impairment at the end of the year against the background of the technical developments that had taken place and the intended partnership with SIX Group. The assessment resulted in an impairment of TCHF 12,328 as of 31 December 2018.

27 Financial income

in TCHF	2019	2018
Securities income	9	29
Exchange rate gains	6	77
Other financial income ¹	347	312
Financial income from the sale of financial assets	815	–
Total	1,178	418

¹ Thereof TCHF 303 corresponds to the amortisation between the equivalent value received and the repayment amount of the bonds in the reporting year (2018: TCHF 219).

During the year under review, the liquidation of Energie Biberist AG resulted in a liquidation surplus of TCHF 815, which is included in the position of “Financial income from the sale of financial assets”.

Consolidated Financial Statements

28 Financial expenses

in TCHF	2019	2018
Interest expenses from bank financing	1,461	1,688
Interest expenses from bonds	5,449	3,558
Bank fees and bank interest	265	234
Adjustment of securities at market prices	-	6
Exchange rate losses	71	133
Impairment of financial assets	849	3,892
Other capital expenditure ¹	591	467
Total	8,686	9,977

¹ In 2019, proportional issuing costs of the bond in the amount of TCHF 377 are amortised over the maturity of the bond in the income statement (2018: TCHF 232).

The average interest rates paid for bank liabilities came to 0.9% in the period under review (2018: 0.9%). The fluctuation corridor for interest rates was between 0.5% and 2.9% (2018: between 0.5% and 3.4%). Interest rates for construction loans for site development projects amounting to TCHF 141 were capitalised (2018: TCHF 188).

The position "Impairment of financial assets" includes the impairment of a loan to third parties in the amount of TCHF 843. The entire loan amount including the outstanding interest receivable of TCHF 6 was fully impaired in the reporting year, as repayment by the borrower is currently unlikely. In the previous year, this position included the value adjustment of a loan to third parties in the amount of TCHF 3,892. The value adjustment was made because the financial situation of the counterparty was considered critical.

29 Taxes

in TCHF	2019	2018
Income taxes	286	860
Deferred taxes	-15,186	9,084
Capitalisation of tax losses carried forward	-513	-320
Use of tax losses carried forward	320	1,771
Total	-15,093	11,395

In the reporting period, TCHF 15,186 of provisions for deferred taxes were released (2018: creation of TCHF 9,084). The release of the provision was related mainly to the adopted cantonal tax rate reductions (TCHF 10,277) and to the negative change in value from revaluation of real estate investments in the reporting year.

As it is probable that taxable profits can be offset against corresponding loss carryforwards, an economic benefit of TCHF 513 was capitalised in the 2019 financial year (2018: TCHF 320). The capitalisation corresponds to the expected economic benefit within the next 12 months. Of the capitalised tax loss carryforwards as of 31 December, 2019, TCHF 3 was used in the 2019 financial year (2018: TCHF 1,771) and TCHF 317 was released without being used.

As of the balance sheet date, the companies of the Group have unrecognised tax loss carryforwards totalling TCHF 238,916 (2018: TCHF 47,245). Potential tax reductions due to as yet unrecognised tax loss carryforwards amounted to TCHF 38,144 (2018:

Consolidated Financial Statements

TCHF 9,099) as of 31 December 2019. From today's perspective, this potential tax reduction is not recoverable.

The average applicable tax rate, calculated on the basis of the ordinary result, amounted to 13.8% in 2019 (2018: 15.9%). The tax effect from the use of unrecognised tax loss carryforwards amounted to TCHF 5 in 2019 (2018: TCHF 289).

30 Leasing liabilities

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

in TCHF	31.12.2019	31.12.2018
Up to 1 year	771	854
Between 2 and 4 years	1,291	1,696
Over 5 years	1,194	1,560
Total	3,256	4,110

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

31 Shareholders' equity

Composition of share capital in TCHF	31.12.2019	31.12.2018
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 2019, share capital consisted of 8,050,000 registered shares at a nominal value of CHF 1.00 per share (2018: 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 2019, conditional share capital came to TCHF 350 (2018: TCHF 350).

The non-distributable statutory and legal reserves come to TCHF 1,610 (2018: TCHF 1,610).

Earnings and shareholders' equity (NAV) per share in CHF	01.01.–31.12.2019	01.01.–31.12.2018
Net income excl. minority interests	-70,749	60,949
Time-weighted average number of shares outstanding	7,996,265	8,023,893
Earnings per average registered share outstanding	-8.85	7.60
Undiluted earnings per share	-8.85	7.60
Diluted earnings per share	-8.85	7.60

in CHF	31.12.2019	31.12.2018
Shareholders' equity (NAV) per outstanding registered share, before deferred taxes	92.60	108.55
Shareholders' equity (NAV) per outstanding registered share, after deferred taxes	84.01	98.18

As at 31 December 2019 there were no dilutive effects.

Consolidated Financial Statements

32 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	31.12.2019	31.12.2018
Lock-up group composed of:	65.5%	65.5%
SFAG Holding AG		
Dr. Felix Grisard		
HIAG Beteiligung Holding AG ¹		
Grisgros AG ²		
Senft AG ³		

- ¹ HIAG Beteiligung Holding AG is controlled by Dr. Felix Grisard. In the previous year, the entire share portfolio was privately owned by Dr. Felix Grisard
- ² Grisgros AG is controlled by Andrea Grisard. In the previous year, the entire share portfolio was privately owned by Andrea Grisard.
- ³ Senft AG is controlled by Salome Grisard Varnholt. In the previous year, the entire share portfolio was privately owned by Salome Grisard Varnholt.

The members of this shareholder group signed a shareholders' agreement on 14 April 2014 concerning shares of SFAG Holding AG. With 50.0% (2018: 50.0%) 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

	31.12.2019	31.12.2018
Dr. Felix Grisard, President of the Board of Directors ¹	184,593	579,593
Salome Grisard Varnholt, Member of the Board of Directors ¹	395,000	–
HIAG Beteiligung Holding AG ²	–	282,896
Senft AG ³	282,896	–
Dr. Walter Jakob, Member of the Board of Directors	2,500	2,500
Balz Halter, Member of the Board of Directors	4,000	–
Dr. Jvo Grundler, Member of the Board of Directors and Executive Board	43,762	38,878
Laurent Spindler, CFO	6,391	4,123
Ralf Küng, Member of the Extended Executive Board	8,316	6,601
Alex Römer, Member of the Extended Executive Board	8,499	6,784
Thorsten Eberle, Member of the Extended Executive Board	6,046	4,331
Michele Muccioli, Member of the Extended Executive Board	5,225	3,510
Yves Perrin, Member of the Extended Executive Board	28,340	26,626
Hans-Lukas Fehr, former Member of the Extended Executive Board ⁴	n/a	6,766
Martin Durchschlag, former CEO ⁴	n/a	209,442
John Manser, former Member of the Board of Directors ⁴	n/a	3,000
Total	975,568	1,175,050

- 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.
- ² HIAG Beteiligung Holding AG is controlled by Dr. Felix Grisard.
- ³ Senft AG is controlled by Salome Grisard Varnholt.
- ⁴ As of 31 December 2019 former members of the HIAG Group.

Consolidated Financial Statements

In connection with the stock component of the LTIP 2018 and with stock compensation components, 21,023 shares were allocated or sold to the Executive Committee in fiscal 2019 (2018: 22,026 shares).

33 Treasury shares

TCHF except for number of shares	Number of shares	2019	2018
Book value as at 1 Januar	55,938	6,921	281
Purchase	15,000	1,732	9,364
Sale	21,023	2,572	2,725
Book value as at 31 December	49,915	6,081	6,921

During the reporting period, 15,000 shares of HIAG Immobilien Holding AG were purchased by the company for a total amount of TCHF 1,732. 21,023 of these shares were purchased or attributed primarily 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. The sale and attribution resulted in a loss of TCHF 13, which was recorded under "Capital reserves".

The company held 49,915 treasury shares as at 31 December 2019 (prior year 55,938).

34 Other pledged assets

Rental deposits of TCHF 104 (2018: TCHF 104) and cash and cash equivalents of TCHF 164 in connection with rental deposits (2018: TCHF 156) are pledged as of 31.12.2019.

35 Assets assigned to secure own liabilities

in TCHF	31.12.2019	31.12.2018
Other current receivables (escrow account)	1,350	1,350

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

in TCHF	31.12.2019	31.12.2018
Guarantees to third parties	32,116	32,116
Total	32,116	32,116

A purchase price adjustment clause was contractually agreed in connection with the acquisition of the participation Jaeger et Bosshard SA, which took place in the year under review. If the cumulative actual result of Jaeger et Bosshard SA for the years 2019–2023 is lower than CHF 7.5 million, the purchase price paid will be reduced by the difference between CHF 7.5 million and the cumulative actual result actually achieved. If the cumulative actual result actually achieved in the years 2019–2023 is higher than CHF 7.5 million, the purchase price paid is increased by the difference between CHF 7.5 million and the cumulative actual result actually achieved. Since management does not expect the actual cumulative actual result for the years 2019–2023 to exceed CHF 7.5 million based on the actual result for 2019, no provision for a purchase price adjustment was recognised as of 31 December, 2019.

Consolidated Financial Statements

37 Treatment of goodwill

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

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

in TCHF	31.12.2019	31.12.2018
Reported shareholders' equity (excl. minority interest)	672,086	784,863
Equity ratio	41.3%	49.1%
Acquisition value of goodwill		
As at the beginning of the business year	1,276	1,276
Additions	6,562	-
Disposals	-	-
As at the end of the business year	7,838	1,276
Accumulated amortisation		
As at the beginning of the business year	1,085	830
Amortisations for the current year	847	255
Disposals	-	-
As at the end of the business year	1,932	1,085
Theoretical net book value of goodwill	5,906	191
Theoretical shareholders' equity including net book value of goodwill	677,991	785,054
Theoretical equity ratio	41.6%	49.1%

Impact of a theoretical capitalisation of goodwill on net income:

in TCHF	2019	2018
Net income (excl. minority share)	-70,749	60,949
Theoretical amortisation of goodwill	-847	-255
Net income after amortisation of goodwill	-71,596	60,694

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 ² (m ²)	Year of construction	Year of construction 2 ³	Partial renovation	Discount factor (%)	Ownership (%)	Compulsory surveillance	Obligatory remediation	Lettable area (% m ²)						Full occupancy property income (CHF '000)						Effective Area to be developed (m ²)				
																	Residential	Office	Retail	Industry/Logistics	Storage	Others	Total	Residential	Office	Retail	Industry/Logistics	Storage		Others	Total		
10101	ZH	Dietikon	Riedstrasse 3	Retail	44.1	3.0	1.2	41%	13,690	1982	2002	2007	4.5	Sole ownership	100%	–	–	–	13%	37%	8%	5%	38%	17,003	–	0.4	1.3	0.2	0.1	1.0	3.0	–	
10102	ZH	Dietikon	Riedstrasse 5	Retail	44.3	2.2	2.2	100%	13,500	1982	–	1993	4.0	Sole ownership	100%	–	–	–	7%	80%	–	13%	–	9,240	–	0.1	2.0	–	0.0	0.1	2.2	–	
10103	ZH	Dietikon	Riedstrasse 7–9	Retail	38.5	0.1	0.1	100%	10,543	1982	–	–	3.9	Sole ownership	100%	–	–	–	–	94%	–	6%	–	11,854	–	–	–	–	0.1	0.1	0.1	16,600	
10104	ZH	Dietikon	Riedstrasse 11	Others	0.3	0.0	0.0	100%	930	–	–	–	3.8	Sole ownership	100%	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–		
10201	AG	Kleindöttingen	Industriestrasse 39–41	Industrial	35.3	1.3	1.3	100%	65,356	1997/2007	2019	–	3.8	Sole ownership	100%	–	–	–	20%	–	79%	1%	–	16,113	–	0.2	–	0.8	0.0	0.3	1.3	2,250	
10202	AG	Kleindöttingen	Industriestrasse 14/20/26/30/34/46	Industrial	31.1	1.9	1.4	73%	38,314	1971	2012	–	4.7	Sole ownership	100%	–	–	–	14%	–	68%	17%	–	17,006	–	0.4	–	1.6	0.0	–	2.0	–	
10203	AG	Kleindöttingen	Industriestrasse 3, 40–44	Logistics	18.3	1.3	1.0	79%	14,517	1971	1999	2008	4.8	Sole ownership	100%	–	–	–	19%	–	74%	7%	–	15,461	–	0.3	–	0.8	0.1	0.0	1.2	–	
10204	AG	Kleindöttingen	Hauptstrasse 70	Industrial	1.9	0.4	0.3	72%	6,625	1961	1977	–	5.5	Sole ownership	100%	–	–	–	–	–	83%	17%	–	4,775	–	0.0	–	0.3	0.0	0.0	0.3	–	
10207	AG	Kleindöttingen	Industriestrasse 21	Industrial	5.1	0.7	0.4	58%	12,849	1969	1974	–	5.2	Sole ownership	100%	–	–	–	6%	–	48%	39%	6%	11,359	–	0.1	–	0.5	0.1	0.0	0.7	–	
10301	ZH	Niederhasli	Mandachstrasse 50–56	Office	38.6	3.4	2.2	65%	10,918	1992	2007	–	4.6	Sole ownership	100%	–	–	–	41%	24%	22%	12%	–	19,187	–	0.6	0.7	1.4	0.4	0.3	3.4	–	
10302	ZH	Niederhasli	Stationstrasse 25	Logistics	19.9	1.2	1.2	100%	16,691	1991	–	–	3.1	Sole ownership	100%	–	–	–	–	–	100%	–	–	7,883	–	–	–	1.2	–	0.1	1.2	11,937	
10502	TG	Ermatingen	Hauptstrasse 189	Logistics	5.3	0.4	0.4	94%	12,257	1994	–	–	4.7	Sole ownership	100%	–	–	–	–	–	–	100%	–	3,301	–	–	–	0.3	–	0.1	0.4	1,559	
10601	BL	Füllinsdorf	Wölferstrasse 27/27a	Logistics	13.4	0.9	0.9	100%	16,000	1971	1983	2015	4.3	Sole ownership	100%	–	–	–	4%	–	10%	86%	–	13,723	–	0.1	–	0.2	0.6	0.0	0.9	–	
10701	GE	Carouge	Rue Baylon 13–15	Logistics	20.9	1.7	1.6	94%	10,871	1970	2003	–	4.1	Building right	100%	–	–	–	10%	–	89%	1%	–	10,749	–	0.2	–	1.5	0.0	0.0	1.7	–	
10801	BS	Riehen	Plot no. 1700	Others	2.2	0.2	0.2	100%	5,485	–	–	–	2.5	Building right	100%	–	–	–	–	–	–	–	–	–	–	–	–	–	0.2	0.2	–		
12801	SG	St. Margrethen	Plot no. 2957	Logistics	4.2	0.1	0.1	88%	13,880	–	–	–	2.8	Building right	100%	–	–	–	–	–	–	–	–	–	–	–	–	–	–	0.1	0.1	–	
12802	SG	St. Margrethen	Altfeldstrasse	Industrial	27.1	0.8	0.8	100%	70,149	–	–	–	2.8	Sole ownership	100%	–	–	–	–	–	–	–	–	–	–	–	–	–	–	0.8	0.8	–	
13401	AG	Klingnau	Weierstrasse 5/Kanalstrasse 8	Industrial	13.6	0.9	0.1	13%	12,984	1965	2008	–	4.7	Sole ownership	100%	–	–	–	10%	–	75%	15%	–	9,015	–	0.1	–	0.8	–	0.0	0.9	–	
13402	AG	Klingnau	Industriestrasse 7	Industrial	5.0	0.4	0.2	54%	5,529	1955	–	–	5.2	Sole ownership	100%	–	–	–	4%	–	90%	5%	–	5,914	–	0.0	–	0.4	0.0	0.0	0.4	–	
13403	AG	Klingnau	Industriestrasse 4/10, Brühlstrasse 46–50	Industrial	11.5	0.9	0.6	71%	13,009	1955	2008	–	5.1	Sole ownership	100%	–	–	–	3%	–	73%	23%	–	10,428	–	0.1	–	0.8	0.0	0.0	0.9	–	
13404	AG	Klingnau	Brühlstrasse 33–41	Industrial	3.6	0.4	0.2	57%	6,170	1953	1955	–	5.3	Sole ownership	100%	–	–	–	11%	–	43%	46%	–	5,741	–	0.1	–	0.3	0.0	0.0	0.4	–	
13405	AG	Klingnau	Schützenmattstrasse 7, Parkstrasse 14	Industrial	4.7	0.4	0.2	42%	11,035	1949	1961	–	3.2	Sole ownership	100%	–	–	–	7%	–	43%	51%	–	5,526	–	0.0	–	0.3	0.0	0.0	0.4	6,621	
13406	AG	Klingnau	Parkstrasse 15–29	Residential	23.3	1.2	1.1	87%	13,071	1999	2008	–	3.2	Sole ownership	100%	–	–	–	91%	–	–	–	9%	6,309	1.1	–	–	–	–	0.1	1.2	–	
13407	AG	Klingnau	Parkstrasse 7–13	Residential	10.1	0.5	0.4	74%	6,075	1999	2008	–	3.3	Sole ownership	100%	–	–	–	92%	–	–	–	8%	2,911	0.5	–	–	–	–	–	0.5	–	
18101	ZG	Cham	Lorzenparkstrasse 2–16	Res. mixed	56.0	3.2	3.0	94%	13,537	2008	–	–	3.8	Sole ownership	100%	–	–	–	38%	26%	–	23%	6%	7%	14,812	1.2	1.3	–	0.6	0.1	–	3.2	–
22501	VD	Yverdon	Route de Grandson 48	Industrial	26.9	1.7	1.6	91%	19,758	1910	2013	–	4.0	Sole ownership	100%	Yes	–	–	1%	12%	–	59%	28%	–	20,343	0.0	0.3	–	1.1	0.2	–	1.7	–
26101	AG	Bremgarten	Luzernerstrasse 48–50	Industrial	29.2	1.6	1.6	100%	20,613	1983	2017	–	4.0	Sole ownership	100%	–	–	–	22%	–	63%	–	–	13,260	–	0.4	–	1.1	–	0.0	1.6	–	
29001	GE	Meyrin	Route du Nant d'Avril 150, Hive I	Office	38.1	2.3	1.5	68%	7,681	1981	2018	–	3.8	Building right	100%	–	–	–	100%	–	–	–	–	8,699	–	2.3	–	–	–	–	2.3	–	
29002	GE	Meyrin	Route du Nant d'Avril 150, Hive II	Office	62.0	2.5	2.5	99%	6,821	2017	–	–	3.2	Building right	100%	–	–	–	81%	–	–	19%	–	8,015	–	2.1	–	–	0.0	0.4	2.5	–	
30001	ZH	Aathal	Zürichstrasse 66–80	Residential	4.6	0.3	0.3	90%	7,861	1870	1915	1988	3.8	Sole ownership	100%	–	–	–	100%	–	–	–	–	2,139	0.3	–	–	–	0.0	0.0	0.3	–	
30002	ZH	Aathal	Zürichstrasse 50–62/192	Res. mixed	1.8	0.2	0.2	100%	6,639	1849	1880	1985	4.2	Sole ownership	100%	–	–	–	100%	–	–	–	–	1,096	0.2	–	–	–	–	0.0	0.2	–	
30401	ZH	Aathal	Zürichstrasse 13–25	Retail	35.5	2.4	1.9	78%	16,597	1862	2014	–	4.4	Sole ownership	100%	–	–	–	2%	29%	36%	3%	18%	11%	13,757	0.0	0.5	0.8	0.3	0.4	0.4	2.4	–
30402	ZH	Aathal	Gstaldenstrasse 5	Industrial	5.2	0.5	0.4	92%	16,250	1960	1964	–	4.8	Sole ownership	100%	–	–	–	–	–	–	100%	–	4,753	–	–	–	–	0.3	0.1	0.4	–	
30404	ZH	Aathal	Zürichstrasse 1–7	Residential	1.5	0.1	0.1	81%	4,343	1900	–	1995	3.5	Sole ownership	100%	–	–	–	100%	–	–	–	–	729	0.1	–	–	–	–	0.0	0.1	–	
30501	ZH	Aathal/Wetzikon	Agricultural land/land without use	Others	1.6	0.0	0.0	–	196	–	–	–	2.0	Sole ownership	100%	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	
30601	ZH	Aathal	Zürichstrasse 34	Res. mixed	0.2	0.0	0.0	100%	257	1860	–	1990	3.7	Sole ownership	100%	–	–	–	66%	–	–	34%	–	94	0.0	–	–	0.0	–	–	0.0	–	
30802	ZH	Wetzikon	Zürcherstrasse 130–132/131–133	Residential	0.8	0.1	0.1	98%	–	1839	–	2003	3.9	Sole ownership	100%	–	–	–	100%	–	–	–	–	551	0.1	–	–	–	–	0.0	0.1	–	
30901	ZH	Wetzikon	Grundstrasse 6–10	Residential	1.3	0.1	0.0	82%	1,745	1895	–	1990	3.0	Sole ownership	100%	–	–	–	100%	–	–	–	–	433	0.3	0.3	–	–	–	0.0	0.1	–	
30902	ZH	Wetzikon	Schulhausstrasse 42–44	Residential	3.2	0.1	0.1	90%	2,076	1840	–	1982	3.0	Sole ownership	100%	–	–	–	100%	–	–	–	–	500	0.1	–	–	–	–	0.0	0.1	870	
30904	ZH	Wetzikon	Usterstrasse 128	Residential	5.1	0.2	0.2	100%	1,569	1870	2007	–	3.0	Sole ownership	100%	–	–	–	98%	–	–	–	2%	1,065	0.2	–	–	–	–	0.0	0.2	–	
30905	ZH	Wetzikon	Haldenstrasse 20	Residential	6.9	0.3	0.3	86%	1,741	1971	–	1991	3.0	Sole ownership	100%	–	–	–	100%	–	–	–	–	904	0.3	–	–	–	–	–	0.3	–	
30909	ZH	Wetzikon	Florastrasse 9	Residential	6.4	0.3	0.3	94%	1,899	1990	2018	–	3.0	Sole ownership	100%	–	–	–	100%	–	–	–	–	1,347	0.3	–	–	–	–	0.0	0.3	–	
30910	ZH	Wetzikon	Usterstrasse 88–104	Residential	5.8	0.2	0.2	100%	2,073	1791	2018	1990	3.1	Sole ownership	100%	–	–	–	–	–	–	–	–	–	–	0.2	–	–	–	–	0.2	–	
31401	SG	Goldach	Langrütstrasse 19	Industrial	55.8	2.1	2.1	100%	63,811	1973/1995	2019	–	3.8	Sole ownership	100%	–	–	–	–	–	100%	–	–	46,324	–	–	–	2.1	–	–	2.1	4,424	
31501	TG	Frauenfeld	Walzmühlestrasse 47	Res. mixed	3.6	0.2	0.2	85%	2,189	1926	2017	–	3.9	Sole ownership	100%	–	–	–	–	58%	–	21%	21%	–	1,021	–	0.1	–	0.1	0.0	–	0.2	–
31502	TG	Frauenfeld	Walzmühlestrasse 49	Res. mixed	14.4	0.7	0.5	74%	2,043	1922	2017	–	3.8	Sole ownership	100%	–	–	–	45%	44%	–	–	11%	3,451	0.3	0.3	–	–	–	0.1	0.7	–	
31601	NE	Neuchâtel	Rue du Plan 30	Retail	24.5	1.5	1.2	82%	7,978	1963	–	2019	4.1	S																			

General Property Details

Redevelopment Portfolio

Property ID	Canton	Municipality	Property	Main use ¹	Market value ⁴ (CHFm)	Full occupancy property rent (CHFm)	Annualised property rent (CHFm)	Occupancy rate (%)	Net site area ² (m ²)	Year of construction	Year of construction 2 ³	Partial renovation	Discount factor (%)	Ownership (%)	Compulsory surveillance	Obligatory remediation	Effective area to be developed (m ²)											
																	Residential	Residential & Commercial	Industry	Commercial	Office	Total						
10208	AG	Kleindöttingen	Plot no. 420	Others	14.0	0.0	0.0	–	43,400	–	–	–	2.0	Sole ownership	100%	–	–	–	–	–	31,046	31,046						
10303	ZH	Niederhasli	Stationstrasse 27–32, Parzelle 3131	Industrial	33.3	1.0	0.9	95%	28,122	1955	2019	–	3.8	Sole ownership	100%	–	–	–	–	–	–	7,050	7,050					
10501	TG	Ermatingen	Hauptstrasse 181/185	Logistics	4.9	0.5	0.4	74%	12,125	1968	1997	–	5.1	Sole ownership	100%	–	–	–	–	–	–	6,975	6,975					
10901	ZH	Altstetten	Freihofstrasse 25	Industrial	42.0	0.6	0.6	100%	7,807	1953/1962	–	–	2.8	Sole ownership	100%	–	–	–	–	–	–	11,966	11,966					
13408	AG	Klingnau	Weierstrasse 8	Others	0.9	0.0	0.0	–	2,144	–	–	–	2.0	Sole ownership	100%	–	–	–	–	–	–	920	920					
18103	ZG	Cham	Plot no. 3165	Others	61.1	0.1	0.1	97%	26,231	–	–	–	3.4	Sole ownership	100%	–	–	–	–	–	–	30,137	30,137					
20101	VS	St-Maurice	Bois-Noir	Industrial	2.0	0.3	0.3	100%	33,281	1960	1970	–	3.0	Sole ownership	100%	–	–	–	–	–	–	22,500	22,500					
22101	VD	Aigle	Route Industrielle 18	Industrial	2.5	0.2	0.0	0%	11,410	1991	–	2014	5.2	Sole ownership	100%	–	–	–	–	–	–	2,298	2,298					
22201	GE	Vernier	Chemin de la Verseuse 1–3	Industrial	5.0	0.0	0.0	–	4,507	1964	–	–	4.3	Sole ownership	100%	–	–	–	–	–	–	8,254	8,254					
22301	GE	Lancy	Route des Jeunes 20–26	Industrial	49.4	0.7	0.7	91%	13,362	1960	–	–	3.9	Building right	100%	–	–	–	–	–	–	60,312	60,312					
29003	GE	Meyrin	Route du Nant d'Avril 150	Others	21.2	0.0	0.0	–	21,972	–	–	–	2.0	Building right	100%	–	–	–	–	–	–	25,779	25,779					
29004	GE	Meyrin	Route du Nant d'Avril 150, Pavillon	Others	2.2	0.0	0.0	–	952	2019	–	–	3.4	Building right	100%	–	–	–	–	–	–	688	688					
29005	GE	Meyrin	Route du Nant d'Avril 150, LEM	Others	13.1	0.0	0.0	–	5,540	2019	–	–	3.2	Building right	100%	–	–	–	–	–	–	7,345	7,345					
29101	GE	Meyrin	Chemin du Grand-Puits 28	Industrial	17.0	0.1	0.1	100%	10,383	1965	–	–	3.9	Sole ownership	100%	–	–	–	–	–	–	15,592	15,592					
30101	ZH	Aathal	Plot no. 3990	Others	1.3	0.1	0.1	100%	8,163	–	–	–	4.7	Sole ownership	100%	–	–	–	–	–	–	–	–					
30201	ZH	Aathal	Zürichstrasse 27/33–39, Gstalderstrasse 4	Residential	6.5	0.2	0.1	69%	23,938	1850	1870	1990	4.0	Sole ownership	100%	–	–	–	–	–	–	1,242	4,670	5,912				
30403	ZH	Aathal	Gstalderstrasse 3	Industrial	0.3	0.0	0.0	100%	1,067	1870	–	1993	2.0	Sole ownership	100%	–	–	–	–	–	–	–	–					
30602	ZH	Aathal	Chälenweg 1/11/164, Aretsh. 1–7/11–21/158	Residential	2.6	0.2	0.1	80%	10,069	1440	–	1988	4.0	Sole ownership	100%	–	–	–	–	–	–	–	–					
30603	ZH	Aathal	Zürichstrasse 22–24	Res. mixed	2.1	0.2	0.1	73%	3,567	1870	1860	1989	4.5	Sole ownership	100%	–	–	–	–	–	–	–	–					
30801	ZH	Wetzikon	Usterstr. 200–202/206, Zürichstr. 119–121	Industrial	5.9	0.4	0.3	75%	14,653	1872	1900	1993	5.3	Sole ownership	100%	–	–	–	–	–	–	–	8,695	8,695				
30906	ZH	Wetzikon	Schönaustrasse 5–13	Residential	10.4	0.2	0.2	86%	17,055	–	–	1943	2.8	Sole ownership	100%	–	–	–	–	–	–	–	7,510	7,510				
30907	ZH	Wetzikon	Schönaustrasse 9	Others	22.1	0.1	0.1	100%	8,267	–	–	–	3.0	Sole ownership	100%	–	–	–	–	–	–	–	7,500	7,500				
30908	ZH	Wetzikon	Weststrasse 26–28	Residential	8.0	0.0	0.0	100%	2,444	2019	–	–	3.0	Sole ownership	100%	–	–	–	–	–	–	–	1,508	1,508				
31501a	TG	Frauenfeld	Walzmühlestrasse 47 Promotion project	Residential	8.6	0.0	0.0	–	2,375	2019	–	–	–	Promotion project	100%	–	–	–	–	–	–	–	–					
31503	TG	Frauenfeld	Walzmühlestrasse 51	Res. mixed	10.0	0.0	0.0	–	10,863	1832	2017	–	3.2	Sole ownership	100%	–	–	–	–	–	–	–	4,417	4,417				
31504	TG	Frauenfeld	Walzmühlestrasse Parking	Others	1.8	0.0	0.0	49%	3,340	–	–	–	4.0	Sole ownership	100%	–	–	–	–	–	–	–	6,276	6,276				
31602	NE	Neuchâtel	Plot no. 10729	Others	4.4	0.0	0.0	–	3,419	–	–	–	2.0	Sole ownership	100%	–	–	–	–	–	–	–	3,960	3,960				
31701	SO	Dornach	Weidenstrasse 50	Industrial	39.9	0.8	0.8	95%	136,685	1895	–	–	4.4	Sole ownership	100%	–	–	–	–	–	–	–	97,051	97,051				
32105	AG	Windisch	Kunzareal – Zentrum West	Industrial	1.1	0.1	0.1	100%	2,481	1827	1890	–	3.9	Sole ownership	100%	–	–	–	–	–	–	–	2,308	2,308				
34001	AG	Brugg	Wildschachenstrasse 12–14	Office	4.6	0.6	0.5	95%	11,080	1960	–	–	4.7	Sole ownership	100%	–	–	–	–	–	–	–	–	–				
34002	AG	Brugg	Wildschachenstrasse 16	Industrial	16.7	1.4	1.1	79%	33,505	1960	–	–	4.9	Sole ownership	100%	–	–	–	–	–	–	–	24,154	24,154				
36101	SO	Biberist	Fabrikstrasse 2–8	Others	4.4	0.3	0.0	16%	22,524	1937	–	–	5.2	Sole ownership	100%	–	–	–	–	–	–	–	11,392	13,280				
36102	SO	Biberist	Fabrikstrasse 14–34	Industrial	15.2	0.0	0.0	–	44,000	1972	1990	–	6.0	Sole ownership	100%	–	–	–	–	–	–	–	–	45,954	45,954			
36103	SO	Biberist	Fabrikstrasse 57–115	Industrial	7.6	0.7	0.7	100%	40,000	1946	1991	–	5.6	Sole ownership	100%	–	–	–	–	–	–	–	–	12,620	12,620			
36105	SO	Biberist	Fabrikstrasse 1–29	Industrial	5.3	0.3	0.3	100%	19,000	1932	1947	–	5.8	Sole ownership	100%	–	–	–	–	–	–	–	–	–				
36106	SO	Biberist	Fabrikstrasse 3–35	Industrial	0.6	0.0	0.0	–	28,869	1903	1939	–	5.9	Sole ownership	100%	–	–	–	–	–	–	–	–	42,120	42,120			
36107	SO	Biberist	Fabrikstrasse 31–85	Industrial	0.0	0.0	0.0	–	16,000	1946	–	–	6.0	Sole ownership	100%	–	–	–	–	–	–	–	–	22,610	22,610			
36108	SO	Biberist	Fabrikstrasse Insel	Industrial	3.2	0.5	0.5	100%	60,400	1991	–	–	5.5	Sole ownership	100%	–	–	–	–	–	–	–	–	17,700	17,700			
36109	SO	Biberist	Derendingerstrasse 27–29	Others	7.6	0.0	0.0	–	44,183	–	–	–	2.0	Sole ownership	100%	–	–	–	–	–	–	–	–	–				
36204	SO	Biberist	Derendingerstrasse 16 (Plot no. 944, 1172, 1179)	Others	0.4	0.0	0.0	–	–	–	–	–	2.0	Sole ownership	100%	–	–	–	–	–	–	–	–	–				
40101	AG	Menziken	Hauptstrasse 85	Others	–1.3	0.0	0.0	–	10,717	1911	–	–	3.4	Sole ownership	100%	–	–	–	–	–	–	–	–	9,600	9,600			
61101	BL	Aesch	Industriestrasse 45–61	Industrial	10.9	0.9	0.8	87%	35,932	1900	1940	–	4.7	Sole ownership	100%	–	–	–	–	–	–	–	–	9,180	9,180			
63001	BL	Pratteln	Güterstrasse 23–29, Gempenstrasse 6/6a	Others	27.6	0.0	0.0	–	31,585	1949	2002	–	2.0	Sole ownership	100%	–	–	–	–	–	–	–	–	46,650	46,650			
72001	AG	Hausen	Hauptstrasse 96	Others	6.9	0.0	0.0	100%	27,235	–	–	–	2.0	Sole ownership	100%	Yes	Yes	–	–	–	–	–	–	11,019	11,019			
72002	AG	Lupfig	Hauptstrasse 98–100	Others	15.0	0.0	0.0	–	37,023	–	–	–	2.0	Sole ownership	100%	Yes	Yes	–	–	–	–	–	–	–	21,154	21,154		
Total			Total		518.2	10.3	8.9	86.3%	931,675														44,330	254,182	7,050	313,354	33,124	652,040

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 sqm).

3 Second building phase.

4 Except for promotion project that are recorded at cost. As at December 2019, only the property 31501a is recorded at cost.

Report of the Statutory Auditor on the Consolidated Financial Statements



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To the General Meeting of
HIAG Immobilien Holding AG, Basel

Basle, 13 March 2020

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 52 to 99), for the year ended 31 December 2019.



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 2019 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



2



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 2019, Real estate properties and Properties for sale recognized in the company's consolidated balance sheet amounted to a total of kCHF 1'571'676, representing 96% 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 5 "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.

Report of the Statutory Auditor on the Consolidated Financial Statements



3

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 2019, they amounted to kCHF 68'728. 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 13 "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.

Report of the Statutory Auditor on the Consolidated Financial Statements



4



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, 05 March 2020

Independent valuer's report
Real Estate Property Valuation as at 31.12.2019

To the Executive Board of HIAG Immobilien Holding AG

Ref.
104390.1910 to 104390.1915

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 2019 (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

1 / 5

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

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

Properties under construction, which are intended for sale (e.g. condominiums), are valued in accordance with Swiss GAAP FER 17 at the lower of acquisition cost or construction cost and net realisable value. This means that work in progress and production costs are capitalised and subsequent valuation is at the lower value.

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 2019 to 31 December 2019, Wüest Partner visited 44 properties belonging to HIAG.

Results

A total of 121 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 2019 by Wüest Partner. The fair value of the property portfolio of HIAG (before deduction of contamination) is estimated as at 31 December 2019 at 1,615,227,377 Swiss Francs.

Changes during reporting period

Within the review period from 1 January 2019 to 31 December 2019 one property in Zurich was acquired.

Independent Valuer's Report

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, 05 March 2020
Wüest Partner AG



Andreas Ammann
Partner

Silvana Dardikman
Director

Annex: valuation assumptions

Investment properties

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

- **Current value:** Investments, that are being held exclusively for yield purposes, are to be valued according to their fair value, their acquisition or construction costs, less the amortizations. The fair value is being estimated based on the future cash-flow or revenue, under consideration of an appropriate risk/return discount rate or other recognized valuation method. Appreciation, reappreciation or depreciation are to be registered in the periodic result.
- **Surface areas:** The lettable areas were factored into the valuations on the basis of the rent rolls of the HIAG and verbal information provided by HIAG. Discrepancies between this information and the property plans were verified with HIAG.
- **Rent rolls:** The rent rolls from HIAG used in the valuation are dated 1 January 2020 and were received during the period of September 2019 and December 2019.
- **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 2.00% and 6.00% 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.

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 (EPRA) is an association of leading European companies in the real estate industry.

A EPRA earnings and EPRA earnings per share

In TCHF except for number of shares and key figures per share	2019	2018
Earnings as per FER income statement	-71,361	58,935
(I) Income from property revaluation	15,586	-75,183
(II) Income from sale of promotion projects	1,217	-1,256
(III) Deferred taxes on EPRA adjustments and capitalisation of tax losses carried forward	-15,379	10,535
(IV) Non-controlling interests in respect of the above	613	2,014
EPRA earnings	-69,324	-4,955
Average number of shares outstanding	7,996,265	8,023,893
EPRA earnings per share	-8.7	-0.6

A Adjusted EPRA earnings and adjusted EPRA earnings per share

In TCHF except for number of shares and key figures per share	2019	2018
EPRA earnings	-69,324	-4,955
(I) HIAG Data contribution	70'725	39,131
(II) Jaeger et Bosshard SA contribution	-795	-
Adjusted EPRA earnings	608	34,176
Average number of shares outstanding	7,993,541	8,023,893
Adjusted EPRA earnings per share	0.1	4.3

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

In TCHF except for number of shares and key figures per share	2019	2018
NAV as per consolidated financial statements	672,085	784,863
(I) Dilution effect of exercise of options, convertibles and other equity interest	1,110	-680
(II) Deferred taxes	68,728	82,871
EPRA NAV	741,923	867,054
Number of shares outstanding (diluted)	8,000,085	7,994,062
EPRA NAV per share	92.7	108.5
Balance sheet total	1,628,641	1'598,935
Equity ratio as per EPRA NAV	45.6%	54.2%

EPRA Key Performance Figures

C Triple Net Asset Value (NNNAV)

In TCHF except for number of shares and key figures per share	2019	2018
EPRA NAV	741,923	867,054
(I) Deferred taxes	-68,728	-82,871
EPRA NNNAV	673,195	784,183
Number of shares outstanding	8,000,085	7,994,062
EPRA NNNAV per share	84.2	98.1

D EPRA net return from rental income

in TCHF	2019	2018
Investment properties - wholly owned	1,563,043	1,476,411
Properties held for sale (promotion projects)	8'633	11,780
Less development properties (building land, investment properties under construction, promotion projects)	-518'235	-460,323
Value of the completed property portfolio	1,053,441	1,027,868
Adjusted value of the completed property portfolio	1,053,441	1,027,868
Annualised cash-passing rental income	49,851	51,433
Direct expenses of investment properties	-13,506	-12'525
Annualised net rental income	36,345	38,908
"Topped-up" net rental income	36,345	38,908
EPRA net return from rental income	3.5%	3.8%
EPRA "topped-up" net return from rental income	3.5%	3.8%

E EPRA vacancy rate

in TCHF	2019	2018
Estimated rental income potential from vacant space	9,949	8,661
Estimated rental income from overall portfolio	59,800	60,094
EPRA vacancy rate	16.6%	14.4%

E Adjusted EPRA vacancy rate (excl. yielding properties undergoing repositioning)¹

in TCHF	2019	2018
Estimated rental income potential from vacant space	7,913	6,699
Estimated rental income from overall portfolio	54,818	55,157
Adjusted EPRA vacancy rate	14.4%	12.1%

¹ Properties Mandachstrasse 50-56 ZH and Sternenfeldpark 14 BL

EPRA Key Performance Figures

F EPRA Cost Ratio

in TCHF	2019	2018
Administrative/operating expense line per income statement	53,600	21,723
(I) Net service charge costs/fees/lump sums	-1,199	-1,116
(II) Ground rent costs	-733	-851
EPRA costs (including direct vacancy costs)	51,668	19,756
(III) Direct vacancy costs	-710	-780
EPRA costs (excluding direct vacancy costs)	50,958	18,975
Gross Rental Income less ground rents	63,167	57,774
(I) Less: service fee and service charge costs/fees/lump sums components of Gross Rental Income	-1,199	-1,116
Gross Rental Income	61,968	56,658
EPRA Cost Ratio (including direct vacancy costs)	83.4%	34.9%
EPRA Cost Ratio (excluding direct vacancy costs)	82.2%	33.5%

F Adjusted EPRA Cost Ratio yielding portfolio

in TCHF	2019	2018
(Administrative/operating expense line per income statement)	13,506	12,525
(I) Net service costs / fees / lump sums	-786	-765
(II) Ground rent costs	-683	-471
EPRA costs (including direct vacancy costs)	12,037	11,289
(III) Direct vacancy costs	-465	-533
EPRA costs (excluding direct vacancy costs)	11,572	10,755
Gross Rental Income less ground rents	51,257	48,730
(I) Less: service fee and service charge costs components of Gross Rental Income	-786	-765
Gross Rental Income	50,471	47,965
EPRA Cost Ratio (including direct vacancy costs)	23.8%	23.5%
EPRA Cost Ratio (excluding direct vacancy costs)	22.9%	22.4%

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

Individual Financial Statement 2019

Balance Sheet

in TCHF	31.12.2019	31.12.2018
Cash and cash equivalents	1,680	4,713
Other current receivables due from third parties	89	44
Other current receivables due from the Group	19	176
Other current receivables due from shareholders	12	1,926
Prepayments and accrued income	1,262	1,195
Current assets	3,062	8,054
Financial assets due from third parties	4,766	860
Financial assets due from the Group	616,335	597,013
Financial assets due from shareholders	2,330	2,725
Participations–Group	78,373	89,809
Non-current assets	701,804	690,407
Assets	704,866	698,461
Trade payables	87	78
Other current liabilities	87	17
Other current non-interest-bearing liabilities to Group	488	–
Current interest-bearing financial liabilities	–	4,500
Tax liabilities	144	177
Accrued expenses and deferred income	4,102	3,494
Short-term provisions	17	9
Short-term provision	4,925	8,275
Current liabilities	640,000	640,000
Non-current liabilities	640,000	490,000
Total liabilities	644,925	498,275
Share capital	8,050	8,050
– Statutory capital reserves	1,610	1,610
– Statutory reserves from capital contribution ¹	3,335	17,171
Total statutory capital reserves	4,946	18,782
Statutory retained earnings	8,723	8,736
Voluntary retained earnings	108,000	108,000
– Amount carried forward from previous year	46,183	42,823
– Net income	–109,880	20,716
Distributable profit/loss	–63,696	63,538
Treasury shares	–6,081	–6,921
Shareholders' equity	59,941	200,186
Liabilities and shareholders' equity	704,866	698,461

¹ See notes.

Individual Financial Statements 2019

Income Statement

in TCHF	2019	2018
Financial income	10,250	27,447
Other operating income	9	9
Operating Income	10,259	27,456
Personnel expenses	-340	-369
Insurance and fees	-32	-79
General operating expenses	-66	-60
Office and administrative expenses	-2,280	-1,628
Communication expenses	-309	-394
Financial expenses	-117,112	-4,152
Operating expenses	-120,138	-6,683
Earnings before taxes (EBT)	-109,880	20,773
Taxes	-	-58
Net income	-109,880	20,716

Individual Financial Statements 2019

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

These financial statements have been prepared in accordance with the provisions of Swiss accounting law (Art. 32 of the Code of Obligations).

Accounting principles applied in this financial statement

Participations

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

Other current receivables due from the Group

This item includes current accounts with Group companies.

Financial assets

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

Definition of "Group"/"Shareholders"

"Group" is related to companies of the HIAG Group, "Shareholders" is related primarily 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 of preparation of the balance sheet, 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 interests 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.

Individual Financial Statements 2019

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

Due to the dividend payment in April 2019, statutory reserves from capital contribution decreased by TCHF 13,836 to TCHF 3,335. The legal reserves from capital contributions amounting to TCHF 3,335 reported as of 31.12.2019 have not yet been approved by the ESTV as of 31.12.2019.

Individual Financial Statements 2019

Summary of HIAG Immobilien Holding AG participations at 31.12.2019

Company	City	Share capital in TCHF	Participation/ Voting rights 2019 ¹ in %	Participation/ Voting rights 2018 ¹ in %	Book value of the participation 2019 in TCHF	Book value of the participation 2018 in TCHF
HIAG Immobilien Schweiz AG	Baar	11,000	100%	100%	78,373	78,373
HIAG Immobilien Menziken AG ²	Menziken	100	–	100%	–	1,836
HIAG Data AG ³	Zürich	10,000	100%	95%	–	9,500
Marbell AG ⁴	Zürich	100	100%	100%	–	100
Total participations					78'373	89'809

¹ Voting rights and capital share.

² HIAG Immobilien Menziken AG was merged with HIAG Immobilien AG with retroactive effect from 1 January 2019.

³ In the first half of 2019, 5% of the shares of the company HIAG Data AG were bought back by the management and completely written off as of 31 December 2019.

⁴ Marbell AG was newly founded on 22 June 2018 and fully written off as of 31 December 2019.

Important indirect participations as at 31.12.2019

Company	City	Share capital in TCHF	Participation/ Voting rights 2019 ¹ in %	Participation/ Voting rights 2018 ¹ in %
HIAG AG	Basel	150	100%	100%
HIAG Immobilien AG ²	St. Margrethen	5,000	100%	100%
HIAG Immobilier Léman SA ³	Aigle	1,000	100%	100%
Léger SA	Lancy	400	100%	100%
Weeba SA	Lancy	100	100%	100%
Pellarin-Transports SA	Lancy	50	100%	100%
Promo-Praille SA	Lancy	200	100%	100%
Jaeger et Bosshard SA ⁴	Lancy	1,175	100%	–
Société coopérative en faveur du développement des terrains industriels de la Praille-Sud ⁵	Lancy	35	100%	86%
Trans Fiber Systems SA	Menziken	107	100%	100%
CIS Operations AG ⁶	Zürich	400	100%	95%

¹ Voting rights and capital share

² HIAG Immobilien Menziken AG was merged with HIAG Immobilien AG with retroactive effect from 1 January 2019.

³ Village 52 SA was merged with HIAG Immobilier Léman SA with retroactive effect from 1 January 2018.

⁴ 100% of Jaeger et Bosshard SA was acquired in the first half of 2019.

⁵ Since Jaeger et Bosshard SA holds 14% of previously unheld shares in the cooperative, the share as of 31 December 2019 is now 100%.

⁶ In the first half of 2019, 5% of the HIAG Data AG shares were bought back by the management. Since CIS Operations AG is wholly owned by HIAG Data AG, its shareholding has also risen to 100%.

HIAG AG provides employee benefit and HR services.

Individual Financial Statements 2019

HIAG Data AG and CIS Operations AG together with Marbell AG form the Cloud Services segment. Marbell AG provides services related to third-party financing. Following the decision of the HIAG Immobilien Holding AG Board of Directors on 13 August 2019 to discontinue the Cloud Services business model, HIAG has focused on the utilisation and marketing of the existing assets.

Jaeger et Bosshard SA specialises in metal recycling. In addition to this business, the company holds a share in the "Porte Sud" site in the Lancy district of Geneva with construction rights. Until further notice, the metal recycling business is being operated by the company's previous owner on behalf of HIAG.

All other companies are real estate companies within the framework of HIAG Group's strategy and their purpose is to hold, develop and sell properties.

Impairment of financial assets/investments

On 13 August 2019, the Board of Directors of HIAG Immobilien Holding AG unanimously decided to discontinue the Cloud Services segment, which included the development of its own multi-cloud platform. The HIAG Data AG and CIS Operations AG subsidiaries are currently being restructured. The decision will result in impairments in the following balance sheet items as of 31 December 2019

in TCHF	31.12.2019
Other current receivables due from the Group	-10
Financial assets due from the Group	-98,910
Participations-Group	-11,075
Non-current assets	-109,995

In addition, the investment in Marbell AG (TCHF 100) and part of the loan to Marbell AG (TCHF 850) were written off as of 31 December, as it is unlikely that Marbell AG will be able to repay the loan in full in the future.

These impairments for a total amount of TCHF 110,945 are included in the income statement under financial expenses.

Total liabilities

in TCHF	31.12.2019	31.12.2018
Other current liabilities	87	17
- thereof liabilities to pension funds	8	14
- thereof liabilities to social insurance	79	3
Current interest-bearing financial liabilities	-	4,500
- thereof loans from third parties	-	4,500

The TCHF 4,500 loan, which was reported in the previous year under Other short-term interest-bearing liabilities, was repaid in full on 31 December 2019.

Individual Financial Statements 2019

in TCHF	31.12.2019	31.12.2018
Short-term provision	17	9

In the year under review, a provision for holiday pay has been included in this item for the first time, which in the previous year was included in the item "Accrued expenses and deferred income". The provision for the previous year was also reclassified accordingly.

in TCHF	31.12.2019	31.12.2018
Non-current interest-bearing financial liabilities	640,000	490,000
Bonds	640,000	490,000

In May 2019, a fixed-rate bond for TCHF 150,000 with a term of five years was issued. The proceeds were used mainly for the repayment of existing bank liabilities.

Benchmarks	Bond May 2019	Bond October 2018	Bond May 2017	Bond July 2016	Bond July 2015
Amount	TCHF 150,000	TCHF 125,000	TCHF 150,000	TCHF 115,000	TCHF 100,000
Maturity	5 years (08.05.2019 – 08.05.2024)	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	0.875%	1.0%	0.8%	1.0%	1.0%
Listing	SIX Swiss Exchange	SIX Swiss Exchange	SIX Swiss Exchange	SIX Swiss Exchange	SIX Swiss Exchange
Security number	47,129,798	43,467,844	36,274,830	32,637,142	28,460,739
ISIN	CH0471297983	CH0434678444	CH0362748300	CH0326371421	CH0284607394

Shareholders' equity

in TCHF	31.12.2019	31.12.2018
Share capital	8,050	8,050
Registered shares as at 31 December (nominal value of CHF 1.00)	8,050,000	8,050,000

According 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 (approved share capital) until 19 April 2020. As of 31 December 2019, the conditional share capital amounted to TCHF 350 (2018: TCHF 350).

in TCHF	2019	2018
Financial income	10,250	27,447
– thereof extraordinary dividend payment by HIAG Immobilien Schweiz AG ¹	–	20,000

¹ In a decision dated 20 December 2018, it was decided that an extraordinary dividend of CHF 20 million would be distributed from the available retained earnings of HIAG Immobilien Schweiz AG. This distribution was offset with the existing loan.

Individual Financial Statements 2019

in TCHF	2019	2018
Personnel expenses	340	369
– thereof discount on the distribution of HIAG Immobilien Holding AG shares to HIAG Group employees	152	338
Number of full-time positions at the average rate for the year	under 10	under 10
Office and administrative expenses	2,280	1,628
– thereof Board of Directors fees ¹	1,205	1,161
Financial expenses	117,112	4,152
– thereof issuing expenses ²	377	232
– thereof extraordinary amortisation	110,945	–

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 The issuing costs of the bonds from July 2015, July 2016, May 2017, October 2018 and May 2019 for a total of TCHF 2,120 are amortised over the term of the bonds via the income statement (2018: TCHF 1,670).

Treasury shares

In TCHF except for number of shares	Number of shares	2019	2018
Book value as at 1 Jan.	55,938	6,921	281
Purchase	15,000	1,732	9,364
Disposal	21,023	2,572	2,725
Book value as at 31 Dec.	49,915	6,081	6,921

In the year under review, 15,000 shares in HIAG Immobilien Holding AG were purchased by the company for TCHF 1,732. 21,023 shares were allocated or sold to employees. A loss of TCHF 13 was realised on the allocation and sale of treasury shares, and recorded against the statutory retained earnings.

Contingent liabilities

in TCHF	31.12.2019	31.12.2018
Guarantees to third parties	32,116	32,116

Individual Financial Statements 2019

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	31.12.2019	31.12.2018
Lock-up group composed of:	65.5%	65.5%
SFAG Holding AG		
Dr. Felix Grisard		
HIAG Beteiligung Holding AG ¹		
Grisgros AG ²		
Senft AG ³		

¹ HIAG Beteiligung Holding AG is controlled by Dr. Felix Grisard. In the previous year, the entire share portfolio was privately owned by Dr. Felix Grisard.

² Grisgros AG is controlled by Andrea Grisard. In the previous year, the entire share portfolio was privately owned by Andrea Grisard.

³ Senft AG is controlled by Salome Grisard Varnholt. In the previous year, the entire share portfolio was privately owned by Salome Grisard Varnholt.

The members of this shareholder group concluded a shareholders' agreement on 14 April 2014 concerning shares of SFAG Holding AG. SFAG Holding AG is the main shareholder of HIAG Immobilien Holding AG with a shareholding of 50.0% (previous year: 50.0%). By concluding this shareholders' agreement, the shareholders of SFAG Holding AG and SFAG Holding AG became a group within the meaning of Art. 121 of the Swiss Financial Market Infrastructure Act (FinfraG).

Shares held by current members of the executive and supervisory bodies

	31.12.2019	31.12.2018
Dr. Felix Grisard, President of the Board of Directors ¹	184,593	579,593
Salome Grisard Varnholt, Member of the Board of Directors ¹	–	282,896
HIAG Beteiligung Holding AG ²	395,000	–
Senft AG ³	282,896	–
Dr. Walter Jakob, Member of the Board of Directors	2,500	2,500
Balz Halter, Member of the Board of Directors	4,000	–
Dr. Jvo Grundler, Member of the Board of Directors and Executive Board	43,762	38,878
Laurent Spindler, CFO	6,391	4,123
Ralf Küng, Member of the Extended Executive Board	8,316	6,601
Alex Römer, Member of the Extended Executive Board	8,499	6,784
Thorsten Eberle, Member of the Extended Executive Board	6,046	4,331
Michele Muccioli, Member of the Extended Executive Board	5,225	3,510
Yves Perrin, Member of the Extended Executive Board	28,340	26,626
Hans-Lukas Fehr, former Member of the Extended Executive Board ⁴	n/a	6,766
Martin Durchschlag, former CEO ⁴	n/a	209,442
John Manser, former Member of the Board of Directors ⁴	n/a	3,000
Total	975,568	1,175,050

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.

² HIAG Beteiligung Holding AG is controlled by Dr. Felix Grisard.

³ Senft AG is controlled by Salome Grisard Varnholt.

⁴ As of 31 December 2019 former members of the HIAG Group.

Individual Financial Statements 2019

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

Subsequent events

The Individual Financial Statements 2019 were approved by the Board of Directors on 13 March 2020. No significant events occurred between the balance sheet date and this point in time.

Profit appropriation

For the financial year 2019, the Board of Directors will propose at the Annual General Meeting on 23 April 2020 that no dividend be paid.

Proposed appropriation of distributable profit in TCHF	31.12.2019	31.12.2018
Net income	-109,880	20,716
Amount carried forward from previous year	46,183	42,823
Distributable profit/loss	-63,696	63,538
Dividend payment out of the distributable profit	-	-17,355
Amount carried forward to next year	-63,696	46,183

in TCHF	31.12.2019	31.12.2018
Statutory reserves from capital contribution before dividend payment	3,335	17,171
Dividend payment	-	-13,836
Statutory reserves from capital contribution after dividend payment	3,335	3,335

Report of the Statutory Auditor with Financial Statements



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To the General Meeting of
HIAG Immobilien Holding AG, Basel

Basle, 13 March 2020

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 111 to 120), for the year ended 31 December 2019.



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 2019 comply with Swiss law and the company's articles of incorporation.

Report of the Statutory Auditor with Financial Statements



2



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 2019, financial assets group of kCHF 616'355 and participations group of kCHF 78'373 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, the impairments recognized in the current year 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 analyzed 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 analyzed 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 analyzed 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 impairment recognized and the valuation of the group financial assets group and participations group.

Report of the Statutory Auditor with Financial Statements



3



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

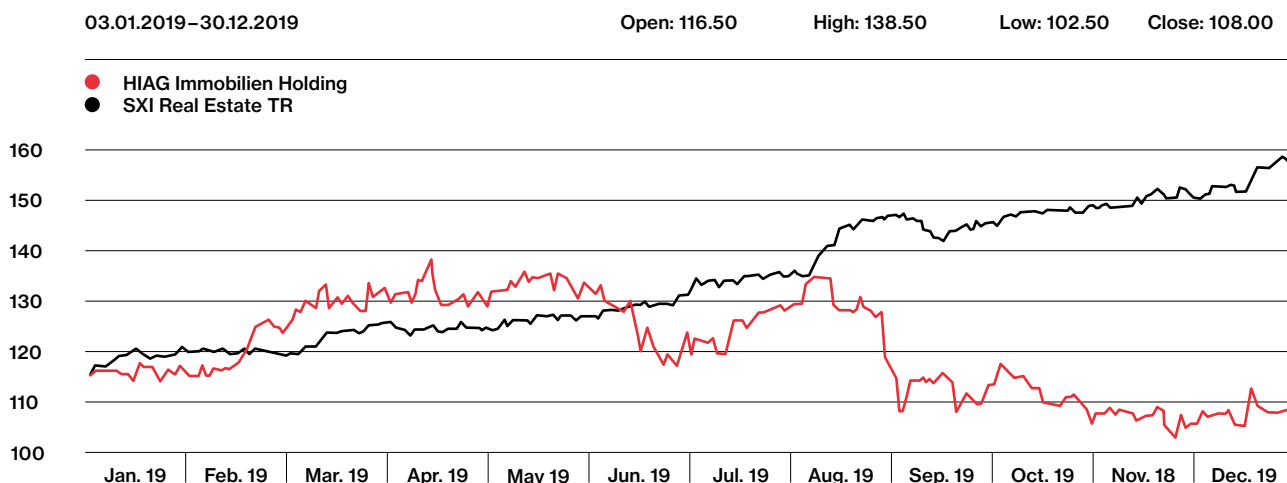
1 Dividend policy

Based on the results 2019, the Board of Directors has decided to propose to the Annual General Meeting on 23 April 2020 that no dividend be paid for the financial year 2019.

2 Repayment of capital contributions

As at the end of 2019, reserves from capital contribution amounted to TCHF 3,335. Statutory reserves from capital contribution decreased by TCHF 13,836 due to the dividend payout in April 2019. The reserves from capital contributions amounting to TCHF 3,335 reported as of 31 December 2019 have not yet been approved by the ESTV.

3 Share price development



The HIAG Immobilien Holding share price decreased by 6.5% from CHF 115.50 to CHF 108.00 from 1 January 2019. Shareholders' equity (NAV) was CHF 84.01 as at 31 December 2019. The HIAG Immobilien Holding share was thus traded at the end of the year with a premium of 28.6%. In 2019, an average of 2,874 shares were traded daily.

Share Information

4 Key figures

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

Share performance (in CHF)	31.12.2019	31.12.2018
High	138.50	131.50
Low	102.50	107.50
End of period	108.00	116.50

Market capitalisation (in CHF m)	31.12.2019	31.12.2018
High	1,114.93	1,058.58
Low	825.13	865.38
End of period	869.40	937.83

Number of shares	31.12.2019	31.12.2018
Issued shares	8,050,000	8,050,000
Treasury shares	49,915	55,938
Outstanding shares	8,000,085	7,994,062
Average outstanding shares	7,996,265	8,023,893

Key figures per share (in CHF)	31.12.2019	31.12.2018
Earnings per share (EPS)	-8.85	7.60
Dividends payout ¹	-	3.90
Payout ratio	-	145%
Cash yield	-	3.35%
Net asset value per share (NAV)	84.01	98.18
Premium (discount) to NAV	28.56%	18.66%
NAV per share before deduction of deferred taxes	92.60	108.55
(Discount) to NAV before deduction of deferred taxes	16.63%	7.33%

¹ The Board of Directors has decided to propose to the Annual General Meeting on 23 April 2020 that no dividend be paid for the financial year 2019.

5 Significant shareholders

Information related to the main shareholders can be found in the Consolidated Financial Statements note 32 on page 95.

6 Investor Relations

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Valorensymbol SIX Swiss
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Annual General Meeting

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