



## Implenia Ltd.

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## Implenia: developing and building the Switzerland of tomorrow.

Implenia is Switzerland's leading construction and construction services company. With its integrated business model and comprehensive portfolio of products and services, Implenia can manage a building project through its entire lifecycle and deliver work that is economical, sustainable, integrated and customer-centric.

Formed in 2006 from the merger between Zschokke and Batigroup, Implenia can look back on more than 140 years of history in the construction industry. Experience, knowhow, size and financial strength allow Implenia to offer its services throughout Switzerland and internationally. The entire Group's capabilities and capacities can be put at the service of challenging real estate and infrastructure projects.

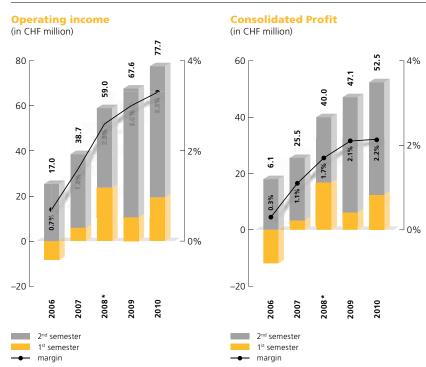
Implenia brings together the expertise of three specialist divisions:

- As a full service provider, Implenia Real Estate covers all areas of a property's life-cycle, from sourcing the finance, to development and realisation, to operational optimisation and promotion. It is the market leader for general contracting in Switzerland.
- Implenia Infrastructure Construction offers the full range of building services, from classic road construction and civil works, to building construction, to civil engineering and foundation engineering. It is also the market leader in Switzerland.
- Implenia Industrial Construction is the specialist for underground infrastructure projects and sophisticated real estate projects in Switzerland and targeted international markets.

Implenia's head office is in Dietlikon near Zurich, and it has approximately 100 branches throughout Switzerland, as well as representative offices in Germany, France, Italy, Russia, the United Arab Emirates and Qatar. In 2010 the Group employed 5,424 people and generated a turnover of CHF 2.4 billion. Implenia is listed on the SIX Swiss Exchange (IMPN, CH0023868554).

More information can be found at www.implenia.com.

#### **KEY FIGURES**



<sup>\* 1</sup>st semester incl. sale of Privera CHF 11.3 million

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Consolidated key figures	2010	2009	Δ
	CHF 1,000	CHF 1,000	in %
Consolidated revenue (like for like)	2,388,418	2,279,835	4.8%
EBIT before special charges (like for like)	72,649	75,534	(3.8%)
Special charges and income	5,009	(7,891)	_
Operating income	77,658	67,643	14.8%
Consolidated profit	52,458	47,055	11.5%
EBITDA	112,552	104,603	7.6%
Free cash flow	39,920*	92,654	(56.9%)
Production output	2,716,205	2,637,277	3.0%
Order book	3,070,314	3,445,184	(10.9%)
Headcount (full time equivalents)	5,424	5,350	1.4%
Net cash position	149,514	85,896	74.1%
Equity	495,484	426,340	16.2%

<sup>\*</sup> Free cash flow excluding acquisition of Sulzer Immobilien AG (TCHF 107,064)

#### **HIGHLIGHTS 2010**

## The year in brief

2010 marked another chapter in Implenia's success story. With revenue up slightly, Implenia increased group profit to a new record level. Its full order books mean the Group can look to the future with confidence. This successful performance has confirmed Implenia's faith in its integrated business model. The acquisition of Sulzer Immobilien AG significantly strengthens Implenia's project development portfolio and will have a positive effect on the company's onward development. Implenia devoted a good deal of attention to sustainability in 2010. It ran ten sustainability projects that have made the company a trailblazer in the industry. At the same time, Implenia further improved its internal processes and appointed new managers to key positions. During the year under review the company also focused on streamlining the balance sheet, which is reflected in the positive trend for invested capital.

Implenia's construction projects form the foundations of its business success. They reflect the confidence that customers have in the company and the pride its employees take in their work. Three projects are described in detail in this annual report to provide an idea of what Implenia does:

- Implenia is responsible for three of the five tunnel sections in the NEAT transalpine railway project, which reached a highpoint during 2010 with the cut-through of the Gotthard Tunnel. Work on fitting out the tunnel interior is scheduled for completion in 2014.
- In the town of Arbon, Implenia is building the Rosengarten Centre, which will include more than 70 apartments, offices and a shopping centre when it is finished in 2012.
   All of the departments within Implenia Real Estate, and several in the Infrastructure Construction Division, are working together on the project.
- As part of the "Beaulieu 2020" project to renovate Lausanne's conference and exhibition centre, Implenia, as general contractor, is responsible for the first phase of the project: the renovation of the two-storey South Exhibition Halls.

#### **PUBLICATION DETAILS**

## **Publication details**

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ANNUAL REPORT 2010	3	97 CORPORATE GOVERNANCE
Chairman's message	4	<b>105</b> Board of Directors
Roundtable	20	113 Executive Committee
Annual report 2010	28	
Real Estate	36	135 FINANCIAL REPORT
Infrastructure Construction	40	<b>136</b> Implenia Group's consolidated financial statements
Industrial Construction	44	
Corporate Center	48	236 Implenia Ltd.'s financial statements
Profile		<b>250</b> Locations, contact addresses and terms
Profile	50	
The employees' view	53	
Vision & values	56	
Employees	59	
Sustainability	65	
Information for investors	76	

# Annual Report 2010

Chairman's message 4 – Roundtable 20 – Annual report 2010 28 – Real Estate 36 – Infrastructure Construction 40 – Industrial Construction 44 – Corporate Center 48 – Profile 50 – The employees' view 53 – Vision & values 56 – Employees 59 – Sustainability 65 – Information for investors 76



## **Our vision**

We develop and build the Switzerland of tomorrow. We establish ourselves as an expert for complex international infrastructure projects. Sustainability is our passion. We are the partner of choice for customers and employees alike.

CHAIRMAN'S MESSAGE 4-5

## Dear shareholder,

Implenia continued its success story in 2010. For the fifth consecutive year we can look back on a good financial year, with our Group profit climbing to a new record level. The strategy we have embarked upon has proved its worth and we have achieved or even exceeded our ambitious goals. Five years on from the merger, our business model as an integrated construction services provider with the motto "One company, one goal, one spirit" is a successful reality.

## Implenia creates value

By steadily increasing its income since the merger, Implenia has created lasting value. During the year under review we once again focused on improving margins and optimising our use of capital. One core element of our strategy is the strengthening of pre- and post-construction activities in order to boost the profitability of our whole value chain. The acquisition of Sulzer Immobilien AG, together with its land, property and development projects, marks a strategic milestone and a significant expansion of Implenia's project development business. In line with our strategy, the first investment property acquired in the transaction has already been sold.

### Committed to sustainability

We want to be ready for whatever the future brings and believe that this is only possible if we formulate and implement our strategy in harmony with the economy, the wider society and the environment. This is why we have made sustainability an integral part of our business strategy. During the last financial year we identified priority areas that are particularly relevant to the Group. This led to the definition of ten concrete projects that we are now actively implementing. We have achieved the first important interim goals, and over the coming months we will be working hard to put further objectives and measures into practice.

#### Excitement under the Gotthard

One highlight of the 2010 financial year undoubtedly came on 15 October with the cut-through of the Gotthard Tunnel – at 57 kilometres the longest tunnel in the world. Implenia is playing a key role in this truly momentous project: it manages the consortiums responsible for three of the five tunnel sections – Sedrun, Faido and Bodio. We are extremely proud of our tunnel builders' work.

### Management strengthened

During the last financial year we also succeeded in appointing new managers to key positions. I am very happy that we were able to recruit Hanspeter Fässler as our CEO. He has international management experience and a comprehensive knowledge of technologies and processes. He took over operational responsibility for the Group on 1 September 2010. On 1 March 2010, René Zahnd took over as Head of the Real Estate Division, becoming a member of Executive Committee in the process. In the short time since his appointment he has already had a positive impact on this area of business. During the year under review we were able to appoint many other very good employees, from within the company and from outside, to exciting roles. This is one of Implenia's strengths and underlines our position as an attractive employer.

#### Two new members of the Board of Directors

The Board of Directors is asking the forthcoming General Meeting to elect Moritz Leuenberger and Theophil Schlatter to the Board. This marks another step forward in Implenia's sustainability-based strategy and increases the Board's industrial and financial expertise. Moritz Leuenberger is one of the most high-profile champions of sustainability, and is known internationally for his work in this area, while Theophil Schlatter has many years of international experience in industry and finance. We consider ourselves fortunate that they have agreed to join us.

### Higher dividends

The Board of Directors of Implenia is keen to ensure that you, the shareholders, participate appropriately in the company's success. Owing to the record results achieved in 2010 and the continuing positive outlook, it is therefore asking the General Meeting to increase the dividend again – in the form of a par value reduction – from CHF 0.70 per share in the previous year to CHF 0.90 per share.

### Confident outlook

We are confident and optimistic about the future. Our order books are full. We are rigorously pursuing our chosen strategy, working hard to achieve sustained improvement in all our divisions, and believe that we will succeed in this endeavour.

#### Thank you

I am proud of the outstanding dedication of our employees. As in previous years, in 2010 their know-how, commitment and passion enabled us to achieve our excellent results. I thank them sincerely on behalf of the whole Board of Directors. We would also like to thank our customers and you, our valued shareholders, for your trust and loyalty.

Anton Affentranger
Chairman of the Board of Directors











# **Project**

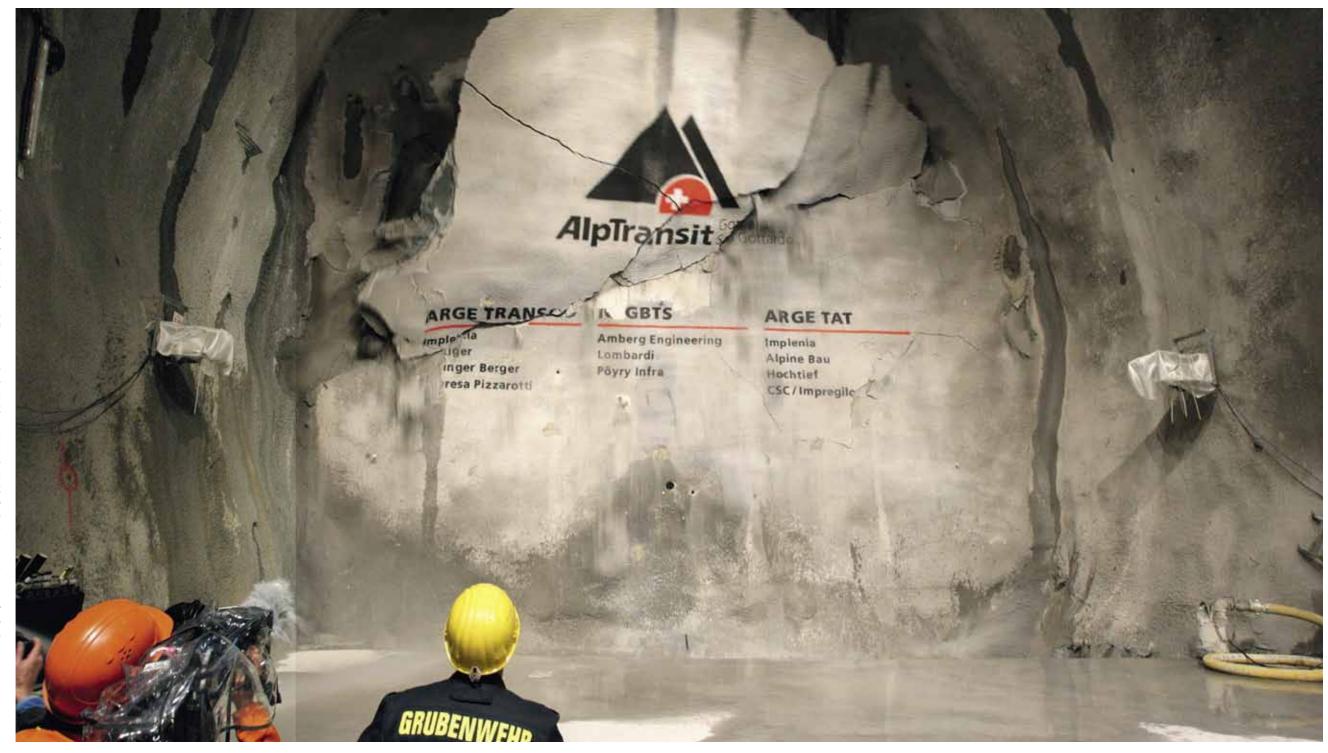
On 15 October 2010, at 2.17 p.m, it finally happened: Deep in the Gotthard massif, the two sides of the 57 kilometres long tunnel, the longest in the world, were joined. Around 300 workers and guests of honour were at the site, 2,300 meters below the mountain peak, to witness the occasion. Hundreds of thousands followed the spectacular event on screen. Implenia is playing a key role in the truly momentous project to build the Gotthard base tunnel: it manages the consortiums responsible for the boring and finishing of three of the five stretches of tunnel - Sedrun, Faido and Bodio.

The cut-through marks a key milestone on the road to putting a level-track railway through the Swiss Alps. The first trains are scheduled to travel though the finished tunnel in December 2016, but there is still much to do. By March 2011 at the latest, the second, parallel Gotthard tunnel will break through to the other side. By the end of 2014, all the main tubes, side tunnels and shafts should be lined and concreted, and the construction site will be cleared. The finishing specialists then have to fit the mechanical and electronic systems needed to ensure the safe operation and maintenance of the railway tunnel, including doors, gates and ventilation systems.

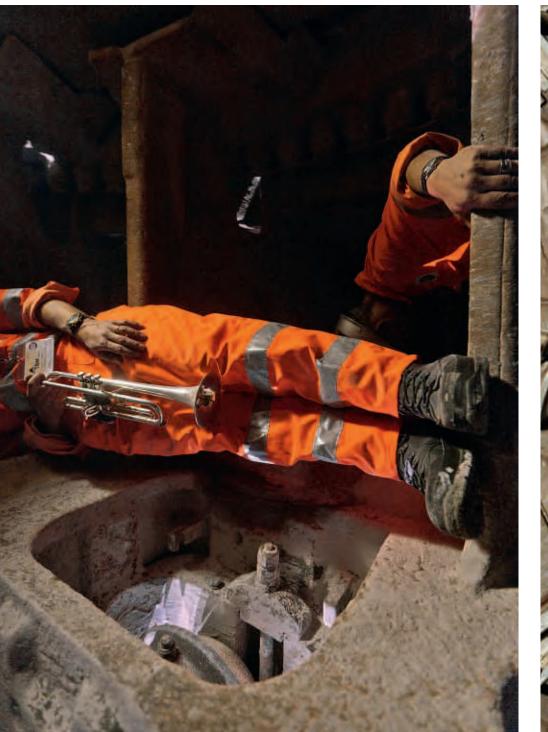
Implenia, together with everyone else in Switzerland, is proud of the longest tunnel in the world. Ultimately it is the hard work, willpower and courage of the miners, concrete workers, machinery operators, engine drivers and others that have made this momentous construction project possible. We salute them and are grateful to them all.

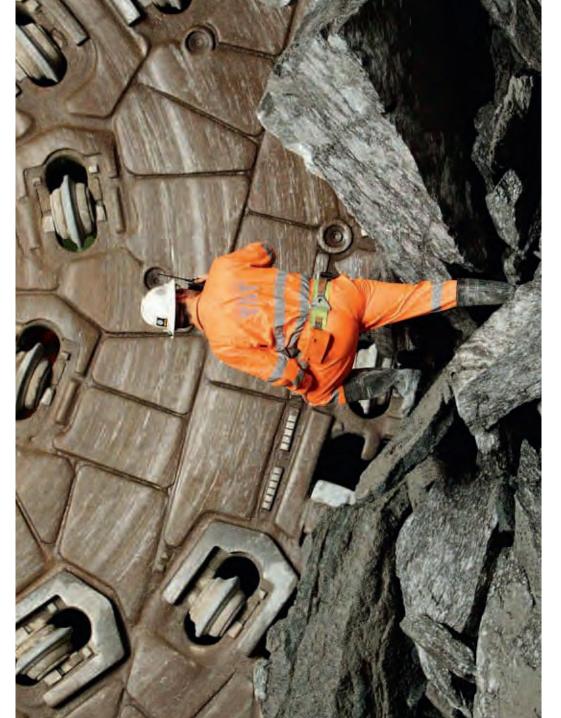
Gotthard cut-through

Sedrun













# Project |

## **FACTS AND FIGURES**

AlpTransit Gotthard AG (100% subsidiary of Swiss Federal Railways)

## Length of base tunnel:

57 kilometres

**Length of tunnel system:**151.8 kilometres (including link tunnels and shafts)

## Rock moved:

28 million tonnes

### Investment:

CHF 9.8 billion

## Implementation:

1996 until 2016

### Website:

www.alptransit.ch









ROUNDTABLE 20-21



Moderator Medard Meier in conversation with Beat Fellmann (CFO), Hanspeter Fässler (CEO) and Anton Affentranger (Chairman of the Board of Directors) (from left).

## On course for sustainability

The Implenia success story goes on. The Gotthard base tunnel has successfully broken through, the figures are healthy again and important decisions affecting future policy have been taken. Chairman of the Board Anton Affentranger, the new CEO Hanspeter Fässler and CFO Beat Fellmann look back together on a successful 2010 and the numerous highlights it provided.

## What pleased you most in 2010?

**Anton Affentranger:** The spirit among the participants at our "Top 100" meeting on the subject of sustainability, held in Saanen. The way the Group's managers, about 100 of them, got to grips with this topic was highly impressive.

**Beat Fellmann:** Last year was not only a good year for us, it also brought lots of new experiences. These included the successful acquisition of Sulzer Immobilien and the first bond issue by Implenia. Within just a quarter of an hour the entire 200 million francs had been subscribed. But of course the really outstanding experience – even for the CFO, who normally works far away from the construction sites – was when the Neat tunnel broke through under the Gotthard.

**Affentranger:** Yes, that was an extremely moving moment. A once-in-a-century construction project, with Implenia as one of the major partners! Neat is the world's largest tunnel construction site. We are building the world's longest tunnel. A huge achievement of which we and the whole of Switzerland can be proud.

For you, Mr Fässler, the Gotthard tunnel breakthrough must have been a truly memorable way to begin your term as the new CEO of Implenia?

Hanspeter Fässler: Indeed! For me it was a truly unforgettable highlight. But during the two months I spent learning the ropes I visited many other construction sites as well, marvelling at the way even the most technically complex challenges are overcome. A prime example of this is the Allmend tunnel for the Lucerne Zentralbahn, where we are having to work under artificially raised air pressure. It's a hugely complex and resource-intensive task just to get the workforce, the excavated material and all the plant and machinery in and out.

**Affentranger:** When you visit our big construction sites, like the Gotthard tunnel or the prestigious tower we are building in the centre of Turin, and you see the Implenia daisy logo it can give you goose pimples. And every time I arrive at Zurich central railway station I'm pleased to see the rapid progress we're making on the Europaallee project. Yet just as important to Implenia's existence are the many, many small construction sites dotted around Switzerland, where equally impressive feats of construction are performed on a daily basis.

**Fellmann:** The credit for our good results is due to our employees in all the company's divisions. They have shown enormous commitment. Of course, economic conditions are favourable and have boosted turnover. But price competition is fierce and margins are under pressure. Virtually the only way to maintain our earnings is by showing that extra bit of commitment, each and every day. Thanks to this extraordinary dedication, 2010 was another successful year for us. The financial markets are also taking a positive view, as I learned on our roadshows.

## How do you portray the company to your investors?

**Fellmann:** Implenia is a Swiss success story. We are credible, transparent and keep our promises. Although our profitability level is good, there is a lot more potential to be tapped. Our success story is still being written.

## In every success story there are weak points. What are Implenia's?

**Affentranger:** Challenges arise day in, day out – on every project. You can never have everything run completely smoothly. We constantly face the task of handling challenges with the proper professionalism. It's no secret that we became involved in a dispute with the city of Zurich over the Letzigrund stadium. It was a case of striking a balance between the expectations of all the interested parties.

ROUNDTABLE 22-23

### You suffered a bit of an exodus at your top management level.

**Affentranger:** It's true that a number of individuals left the firm. On the other hand, we managed to replace them with good people, including our new CEO sitting with us now, Hanspeter Fässler. It's very gratifying to know that we have plenty of in-house talent to fill certain positions. And the fact that we continually attract talented young professionals from outside shows that we are an attractive employer.

### You have also introduced a Code of Conduct within the Group.

**Fellmann:** Implementing our Code of Conduct is not always an easy task. We are going through a process of change in this respect. Our ethical standards, which we adopted in 2009, are valid for all our operations. People weren't expecting the change, so there is a lot of explaining to do in order to bed in the new rules of engagement. But we are convinced we are on the right track and confident we can drive forward the cultural transformation we have embarked upon.

**Fässler:** It's a process that will take years; it takes time for the message to get through to everyone. And if in a given market it proves impossible to work according to our standards, then we can't do business. Period.

**Affentranger:** We operate in an industry in which people sometimes still engage in certain practices that are no longer compatible with modern concepts of good governance. I say this not in moral judgment, but simply as a fact. As a leading company in the construction sector we have a responsibility to set a good example and require transparency from our employees. We are clear about this: implementing our ethical guidelines is an ongoing task. Our Board of Directors will not relent on this.

"We develop and build the Switzerland of tomorrow. This is not merely a slogan: at Implenia, it is a genuine aspiration."  ${\tt Hanspeter\ F\"{assler}}$ 

### Mr Fässler, what was it like to join the company?

**Fässler:** Well, it was obviously a fresh start, a challenge in a sector I didn't know all that well. But it was absolutely not a cold start. I was made to feel very welcome. Implenia is a well-established firm with a lot of get-up-and-go. Our people know what they are working towards. "We develop and build the Switzerland of tomorrow" is not merely a slogan: at Implenia, it is a genuine aspiration. Many of the reactions I've had to joining Implenia have shown that our image of ourselves as a dynamic company is increasingly also how outsiders see us.



Hanspeter Fässler (CEO)

You made your name at the big conglomerate ABB, where you were most recently responsible for Italy and the Mediterranean region. What knowledge did you glean at ABB that can be of particular benefit to Implenia?

**Fässler:** I bring a lot of expertise and experience to the table in terms of process optimisation, process security and process design, as well as risk management. In a globally active concern like ABB, such aspects naturally play a major role. My background at an international conglomerate will likewise come in helpful if Implenia wishes to grow more outside Switzerland.

### Mr Fellmann, as CFO what do think of the performance in 2010 in specific terms?

**Fellmann:** At the beginning of the year we issued two forecasts. Firstly, that we would certainly match the Group results for 2009. And secondly, that as property developers we would climb back above CHF 20 million. In exceeding both these targets we have demonstrated our ability to perform. We have also been able to maintain our lighter balance sheet strategy. Our emphasis is on invested capital. Even after the acquisition of Sulzer Immobilien, the corresponding figures have improved. We have been able to lift our ROIC (return on invested capital) considerably. Thanks to the bond issue we also have a sounder balance sheet. So, security on the funding side plus a good cash flow – we can be proud of ourselves.

ROUNDTABLE 24-25



Anton Affentranger (Chairman of the Board of Directors)

"We are building the world's longest tunnel. A huge achievement of which not only we but the whole of Switzerland can be proud."

Anton Affentranger

### How did Implenia services fare on the markets in 2010?

**Affentranger:** In general contracting we were able to maintain our position, if not improve on it. Our order books are at record levels. Our Project Development division strengthened its portfolio and added to it substantially thanks to Sulzer Immobilien. The Group's Infrastructure Construction Division posted similarly impressive results in the teeth of fierce competition and heavy pressure on prices and margins. Our "One company" approach (one-stop shop for construction services at all levels) had a highly positive influence on business.

## How are things with Tunnelling?

**Affentranger:** Our operational and technical services were once again excellent. As expected, the order books are no longer as full. As each stage of a project is completed, whether on the Gotthard tunnel or the Zurich cross-city link, the order backlog shortens. We have not yet managed to win new

orders to replace those two big projects. For us, that will be one of the main strategic challenges in the years ahead. We're looking in particular for foreign orders, with an emphasis on Europe and the Middle East.

### What fruits have your efforts to secure a firmer foothold abroad borne so far?

**Affentranger:** We've already been reaping the initial benefits. We've been involved in substantial projects in both Russia and Italy.

#### What does the future hold?

**Fässler:** We are looking ahead with confidence. In the civil works and infrastructure sectors we expect demand to remain steady for the next few years. The public sector's financial resources are intact and there is a great need for construction services across Switzerland. Positive net migration into Switzerland is fuelling demand on a broad front in all construction sectors – and of course mainly in building construction.

**Affentranger:** Based on forecasts of a total Swiss population of nine to ten million, our industry can afford to take a genuinely optimistic approach. As long as we are optimistic about the country, we can safely be optimistic about the construction industry.

### Shouldn't you factor the increasing hostility to growth into your calculations?

**Fellmann:** Switzerland has to invest heavily and constantly in renewals and replacements merely to keep its infrastructure at the present level. One major advantage of being Swiss-based is the country's high infrastructure standards. No politician will want to jeopardise those standards.

**Affentranger:** The amounts that need to be invested in relation to energy consumption alone are enormous. There are massive potential energy savings to be made merely by renovating existing buildings. This is one of the reasons why we have committed ourselves to a systematic sustainability strategy. If we had not done that, we would have surrendered any moral entitlement as a company as well as missing out on some very interesting areas of business.

You, like former Federal Councillor Moritz Leuenberger, are backing the 2,000 Watt Society concept. But the idea has attracted sharp criticism recently, especially in light of the zero emission policy advocated by the Federal Institute of Technology.

**Fässler:** There are good grounds to support both approaches. They are not mutually exclusive. In fact they complement one another. We build in a way that ensures low energy consumption. We also make sure that the energy used comes from renewable sources. If we get the energy straight from the ground we can reduce certain insulation requirements and so gain extra design freedom for the architects.

The course you have set for Implenia seems to be the right one. But are any strategic adjustments required?

ROUNDTABLE 26-27

"True stories are written on our construction sites, where our employees perform outstanding achievements with the utmost dedication." Beat Fellmann

**Affentranger:** No strategy is ever defined once and for all. In fact it is more a result of day-to-day work. When implementing a strategy there will constantly be feedback, which then necessitates further adjustments. Five years ago we set ourselves on a course focused principally on strengthening the company's organisation. In line with this strategy, we concentrated on improving our processes, governance and culture rather than forcing growth. In the meantime we have done our homework rather thoroughly. This allows us to reformulate a few aspects of our strategy. In future we will inevitably have to pay more attention to growth as well. And I see further opportunities here both in Switzerland and abroad.

### What does that mean in practice?

**Fässler:** We'll take a more aggressive approach with regard to our international presence, focusing on infrastructure works and our consultancy and project management services for high-end building construction projects. I'm confident that the proportion of sales accounted for by work done outside Switzerland will grow in the next five years. At home we are concentrating particularly on project development, which will enable us to fill the pipeline with general contracting and construction orders.

### Are you planning any acquisitions?

**Fellmann:** We're not interested in run-of-the-mill building companies. Buying the market is not an intelligent strategy. But I can well imagine Implenia buying more selectively, e.g. to gain niche market expertise that we don't yet possess.

Implenia pays special attention – doubtless reflecting its own roots – to western Switzerland. What are your plans in that region?

**Affentranger:** Our relative market presence is larger in French-speaking Switzerland than in the German-speaking parts. In project development business, too, the Lake Geneva region is ahead. One of the challenges we face as a Group is to take adequate account of the needs of our French-speaking Swiss employees. This involves learning to deal even more effectively on a daily basis with certain sensitivities and differences in mentality, which can help us perform better as a business. As is the case everywhere, local business is driven by local employees. And the potential is huge: the Lake Geneva region is booming, the area between Vevey and Geneva being near the top of Europe's growth league table.



Beat Fellmann (CFO)

## Implenia celebrates its 5<sup>th</sup> birthday this year. How do you imagine the company on its 10<sup>th</sup> birthday?

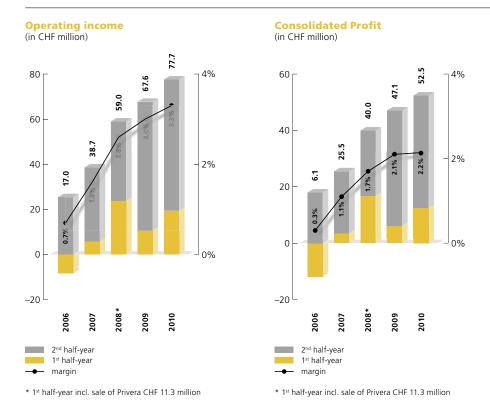
**Affentranger:** At the moment we appear under the title "Transparency" on large billboards advertising a Zürcher Kantonalbank investment fund. It's very satisfying to see that. And it has me dreaming of us being used in some future billboard as a byword for sustainability. Of course we are not there yet, but we will be within five years at most – I'm convinced of that. Then we will have made a lasting mark in our country, and to a lesser degree in the world.

**Fellmann:** And by then, if not earlier, we will also be offering our employees training programmes geared to their specific needs, thereby enhancing our status as an attractive employer. Financial investors always like to hear (quite rightly) stories of where the company is heading. But I tell them that the true stories are being written each and every day on our construction sites, where our employees perform outstanding achievements with the utmost dedication.

**Fässler:** I have already a rather clear idea of where the journey is leading. I see us in Switzerland as a leader in project development, where sustainability is one of the key aspects. That's because, in a fully integrated business model, we can decide right at the outset to build something according to our principles of sustainability rather than more conventionally. Things are harder to predict outside Switzerland. But you can be certain that when we celebrate our 10<sup>th</sup> birthday, we'll be doing so in more than just the official languages of Switzerland!

Moderator: Medard Meier

ANNUAL REPORT 2010 28-29



## A successful 2010

Implenia can look back on a successful 2010, in which it reached or even exceeded its objectives. Revenue was up slightly and new records were achieved for both operating income and Group profit. Implenia pressed ahead with the implementation of its strategy, and against a background of continuing price pressure it took steps to improve its processes and raise efficiency. A continuing high level of outstanding orders bodes well for the future.

### **Construction industry performs robustly in 2010**

The market for construction in Switzerland continued to put in a robust performance in the 2010 financial year. The main construction trades saw another year-on-year increase in volumes of business. Civil engineering was the main driver here as the industry benefited from major public infrastructure works. Residential construction business was slower, with substantial regional variations. In the wake of the 2009 crisis, companies were still rather reluctant to invest in commercial/industrial construction.

Although the construction market continued to grow during the year under review, the overall price trend was downwards. This is because of the fractured nature of the supply side in the building industry: a large number of small firms leads to intense price competition. The healthy level of construction activity also had an effect on the labour market. Employment figures reached a record high, and there were shortages of some specialist personnel.

## **Consolidated key figures**

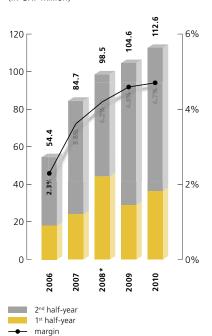
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Special charges and income	5,009	(7,891)	
Operating income	77,658	67,643	14.8%
Consolidated profit	52,458	47,055	11.5%
EBITDA	112,552	104,603	7.6%
Free cash flow	39,920*	92,654	(56.9%)
Number of shares	18,472,000	18,472,000	-
Outstanding shares	18,260,983	16,945,816	7.8%

<sup>\*</sup> Free cash flow excluding acquisition of Sulzer Immobilien AG (TCH 107,064)

**ANNUAL REPORT 2010** 30-31



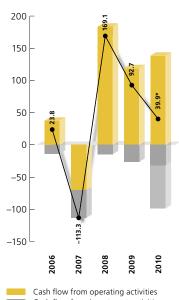
(in CHF million)



\* 1st half-year incl. sale of Privera CHF 11.3 million

## Free cash flow

(in CHF million)



Cash flow from operating activities

Cash flow from investment activities

Cash flow from investment in Sulzer Immobilien AG

Free cash flow

\* Excl. acquisition of Sulzer Immobilien CHF 107.1 million

### Implenia posts record result

In 2010 Implenia generated revenue of CHF 2,388 million, which is 4.8% more than in the previous year (2009: CHF 2,280 million). Operating income before net financial costs and taxes came to a record CHF 77.7 million (2009: CHF 67.6 million), and Group profit to CHF 52.5 million (2009: CHF 47.1 million). These disproportionately large improvements of 14.8% and 11.5% can be explained by higher revenue, strict cost management, and a rigorous focus on profitable orders. The good operating performance delivered a new record EBITDA margin of 4.7%.

On a like for like basis, free cash flow would have gone up to CHF 107.1 million (2009: CHF 92.7 million). After taking account of the acquisition of Sulzer Immobilien AG, which led to a net outflow of CHF 67.1 million entirely financed from cash flow, Implenia's free cash flow still stood at a healthy CHF 39.9 million. This successful result is testament to the strict management of net working capital (NWC) and liquidity, as well as a disciplined approach to investment.

### Implenia: solidly financed for the long term

In mid-April 2010, Implenia issued a bond for the first time and successfully placed it on the capital market. With this CHF 200 million issue, which carries a coupon of 3.125% and a term of six years, Implenia is making the most of the attractive capital market environment. Funding for corporate development is now secure for the long term.

However, Implenia still has a lean and strong balance sheet. Liquid assets have increased significantly thanks to the funds raised by the bond issue. At the end of the year under review, net cash holdings came to CHF 149.5 million (2009: CHF 85.9 million). In the middle of the year, there was a high volume of outstanding claims, but thanks to rigorous receivables management this was reduced to the previous year's level by the end of 2010. The ratio between debt and equity capital remained virtually unchanged despite the bond, because the successful sale of our own shares raised the level of equity. The equity ratio was therefore more or less the same as in the previous year at 29.5% (2009: 30.9%).

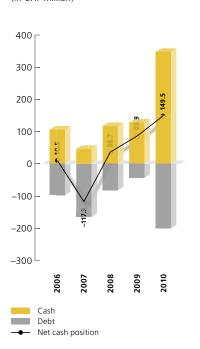
#### **Key balance sheet figures**

	2010	2009	Δ
	CHF 1,000	CHF 1,000	in %
Cash and cash equivalents	349,274	128,749	171.3%
Real estate operations	217,983	168,732	29.2%
Other current assets	734,230	726,769	1.0%
Non-current assets	375,516	357,544	5.0%
Total assets	1,677,003	1,381,794	21.4%
Interest-bearing debt	199,760	42,853	366.2%
Other liabilities	981,759	912,601	7.6%
Share capital	495,484	426,340	16.2%
Total liabilities	1,677,003	1,381,794	21.4%
Net cash position	149,514	85,896	74.1%
Investments in real estate operations (excl. acquisition			
of Sulzer Immobilien AG)	50,848	88,317	(42.4%)
Investments in tangible fixed assets	39,496	36,421	8.4%
Equity ratio in %	29.5%	30.9%	(1.4%)

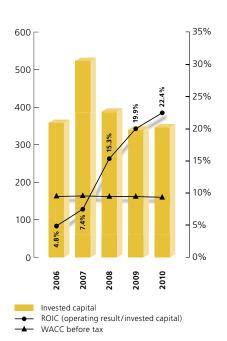
ANNUAL REPORT 2010 32-33

## **Net cash position**

(in CHF million)



## **Return on invested capital (ROIC)** (in CHF million)



#### Implenia creates value

In 2010 Implenia increased its return on invested capital (ROIC) to 22.4% (2009: 19.9%). Before tax, the weighted average cost of capital (WACC) of 9.3% was thus exceeded by 13.1 percentage points, meaning that Implenia once again created substantial value. As well as increased profitability, this success is due to Implenia having further reduced its invested capital (after adjusting for the acquisition of Sulzer Immobilien AG). The rigorous control of net working capital and a disciplined approach to investment is having an effect. Before the end of the year, for example, the first investment property acquired as part of the purchase of Sulzer Immobilien AG was sold as planned. Further such sales will follow in line with our strategy.

#### **Confident market outlook for 2011**

Construction activity in Switzerland will probably continue this year in much the same vein as 2010. In the civil works and infrastructure markets, demand is likely to stabilise at its current high level, while the residential construction market should return to its former level. These trends will ensure that the market environment remains healthy, though price pressure will continue. A recovery in commercial building work could deliver a further boost to the construction trades.

### **Optimistic outlook**

Against the background of stable construction activity, and with full order books and an excellent workforce, Implenia expects its performance in 2011 to be along the same lines as that of 2010. Implenia will be sticking rigorously to its successful strategy. An integrated business model with cross-disciplinary cooperation, stronger pre- and post-construction activities, a selective and risk-appropriate development and expansion of international business, and the industrialisation of processes are creating a platform from which Implenia can further expand its leading market position and assert itself in an environment characterised by tough price competition. Finally, one of Implenia's most important tasks will be to build on its position as an attractive employer.

## **Invested capital**

	2010	2009
	CHF 1,000	CHF 1,000
Current assets excl. cash and cash equivalents	952,213	895,501
Non-current assets	375,516	357,544
Less debt capital (excl. financial liabilities)	(981,759)	(912,601)
Total invested capital	345,970	340,444

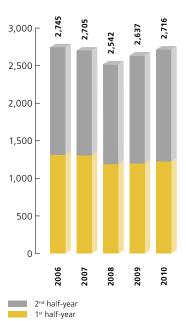
#### Operating result

Real Estate         35,403           Infrastructure Construction         25,090           Tunnelling         17,787           Prime Buildings         (3,069)           Other/exceptional factors         2,447           Total operating result         77,658		2010	2009
Infrastructure Construction25,090Tunnelling17,787Prime Buildings(3,069)Other/exceptional factors2,447		CHF 1,000	CHF 1,000
Tunnelling17,787Prime Buildings(3,069)Other/exceptional factors2,447	Real Estate	35,403	36,385
Prime Buildings (3,069) Other/exceptional factors 2,447	Infrastructure Construction	25,090	24,378
Other/exceptional factors 2,447	Tunnelling	17,787	23,529
	Prime Buildings	(3,069)	(7,904)
Total operating result 77,658	Other/exceptional factors	2,447	(8,745)
	Total operating result	77,658	67,643

ANNUAL REPORT 2010 34-35

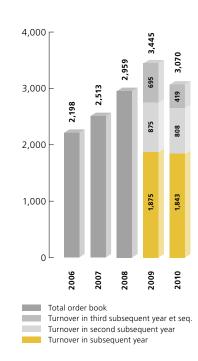
## **Production output**

(in CHF million)



## Order book

(in CHF million)



## **Production output**

	2010	2009
	CHF 1,000	CHF 1,000
Real Estate	1,310,500	1,238,755
Infrastructure Construction	1,344,886	1,292,545
Tunnelling	335,572	325,153
Prime Buildings	13,989	6,121
Various/elimination of intra-group services	(288,742)	(225,297)
Total production output	2,716,205	2,637,277

## Order book

	2010	2009
	CHF 1,000	CHF 1,000
Real Estate	1,663,196	1,799,006
Infrastructure Construction	712,278	825,413
Tunnelling	598,959	815,267
Prime Buildings	95,881	5,498
Total order book	3,070,314	3,445,184

REAL ESTATE 36-37

## Real Estate Division

Real Estate can look back on a good year which delivered an outstanding result for General Contracting in the second half, as well as a good performance by Project Development.

The Real Estate Division recorded a good business performance in 2010, increasing its revenue by 5.8% year-on-year to CHF 1,311 million. EBIT before special charges was slightly below the previous year's figure, however, because of weak Conversions business in the first half of 2010. Order volumes were maintained at a high level of around CHF 1.7 billion.



"Implenia Real Estate has taken a huge stride forward with the acquisition of Sulzer Immobilien. We have expanded our position in the attractive Winterthur region, filled our project pipeline and can ensure steady earnings for the future."

René Zahnd Head of Real Estate Division

## 

**EBIT** (before special charges)

### **Key figures Real Estate Division**

2<sup>nd</sup> half-year 1<sup>st</sup> half-year

EBIT margin

**EBIT** (before special charges)

	2010	2009
	CHF 1,000	CHF 1,000
Turnover (IFRS, like for like)	1,310,500	1,238,755
EBIT General Contracting/Services	15,385	17,448
EBIT real estate (Project Development)	20,925	21,407
EBIT before special charges (like for like)	36,310	38,855
Order book	1,663,196	1,799,006
Headcount (FTE)	464	488

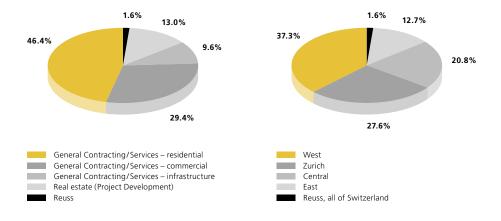
2<sup>nd</sup> half-year

1st half-year

REAL ESTATE 38-39

## Production output 2010 by business segment

## Production output 2010 by region



### **Record result for General Contracting in the second half**

For the year under review, General Contracting posted a decline in EBIT before special charges to CHF 15.4 million (2009: CHF 17.4 million). While New Construction performed robustly, the Conversion sector experienced a significant fall in business volume in the first half-year owing to structural and personnel problems. These were successfully resolved in the second half, during which General Contracting achieved record second-half earnings of CHF 9.3 million (2009: CHF 8.3 million). Reuss Engineering AG, which specialises in engineering and sustainability issues, continued to expand its business in terms of higher profitability.

## Project Development business maintains previous year's good level

The real estate (Project Development) segment confirmed the previous year's good result and posted an EBIT before special charges of CHF 20.9 million – very close to 2009's CHF 21.4 million. This pleasing outcome confirms that the chosen strategy is the right one. A broad-based project development portfolio ensures sustainable development income and simultaneously increases the proportion of internally generated General Contracting orders and projects executed by our construction company. This helps us maintain a good level of orders – in terms of quantity and quality – in the short, medium and long term. The acquisition of Sulzer Immobilien AG during the year under review should be seen against this background. The takeover includes around 230,000 m² of well-located property at the Sulzer site in Winterthur and in Oberwinterthur, with a total of 15 projects to be realised over the coming years.

#### **Project highlights 2010**

**UEFA Service Building, Nyon** – Acting as total contractor, Implenia will build UEFA's new Service Centre at its headquarters in Nyon. The two-storey building, including subterranean parking garage, is being constructed according to the Minergie "ECO" standard, which guarantees a very environmentally friendly build and high operational quality.

**ETH Computer Centre, Lugano** – The Centro Svizzero di Calcolo Scientifico (CSCS) near Lugano is the national high-performance computer centre for the Federal Institute of Technology (ETH) Zurich. As the general contractor for the construction of the centre, Implenia has to combine the highest possible standards of building technology, microtunnelling and sustainable construction methods. Handover of the completed building is scheduled for the end of December 2011.

**Global Fund Head Office, Geneva** – In mid-August, "The Global Fund", a Vernier (Canton Geneva) based organisation dedicated to the global fight against AIDS, tuberculosis and malaria, signed a contract with Implenia for the project development work on its new office building, which should be ready for use in 2015.

INFRASTRUCTURE CONSTRUCTION 40-41

## Infrastructure Construction Division

Infrastructure Construction can look back on a successful 2010. Revenues and EBIT were both higher than in the previous year.

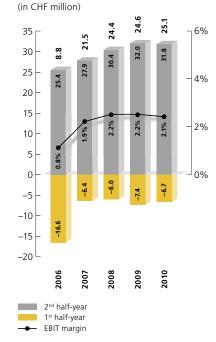
The Infrastructure Construction Division recorded good operating results with EBIT before special charges of CHF 25.1 million (2009: CHF 24.6 million). This gives a stable EBIT margin of 2.1%, which is very pleasing given the tougher price competition on the market. Revenue increased 6.9% to CHF 1,201 million (2009: CHF 1,123 million). Production output went up 4.0% to CHF 1,345 million (2009: CHF 1,293 million). Seasonal trends were as normal, with a weaker first half and a stronger second six months.



"Implenia Infrastructure Construction performed well in a challenging environment in 2010. We generated more profit despite tough price competition."

Arturo Henniger Head of Infrastructure Construction Division

## **EBIT** (before special charges) Infrastructure Construction



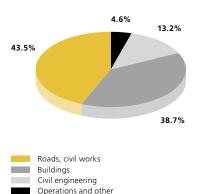
### **Key figures Infrastructure Construction Division**

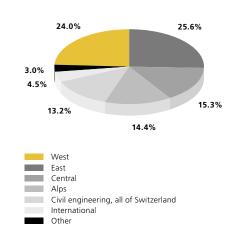
	2010	2009
	CHF 1,000	CHF 1,000
Turnover (IFRS)	1,200,636	1,123,329
EBIT before special charges (like for like)	25,117	24,639
Production output	1,344,886	1,292,545
Order book	712,278	825,413
Headcount (FTE)	4,140	4,028

INFRASTRUCTURE CONSTRUCTION 42-43

## Production output 2010 by business segment







### **Good results despite continuing price pressure**

Price pressure on the market remained high. The Infrastructure Construction Division concentrated on profitable orders and pressed ahead with measures to increase productivity. More was invested in Foundation Engineering, a difficult area that requires specific know-how and specialist equipment. Implenia was able to reinforce its leading position in this market segment and achieve good profitability.

At CHF 712.3 million, the order book at end-December 2010 was 13.7% lower than the year-back figure (2009: CHF 825.4 million), but it is still at a high level.

## **Project highlights 2010**

**Durchmesserlinie, Zurich** – From 2013, the Durchmesserlinie cross-town train line will run across the city of Zurich from Altstetten via the main railway station to Oerlikon. In the tunnel under the main station, Implenia contended with difficult conditions to build diaphragm walls for the new Löwenstrasse station.

**Autobahn feeder road Flurlingen-Kleinandelfingen** – The Flurlingen-Kleinandelfingen stretch of the N4.2.1/2/3 highway has been widened into a four-lane dual carriageway with no hard shoulder. The section, which opened on 20 October 2010, was heavily used by traffic throughout, presenting Implenia, as the lead managing construction company, with particular logistical challenges.

INDUSTRIAL CONSTRUCTION 44-45

## Industrial Construction Division

The newly created Industrial Construction Division achieved good results in Tunnelling in 2010. With its international consultancy work in the Prime Buildings segment, it was able to generate additional contribution margins.

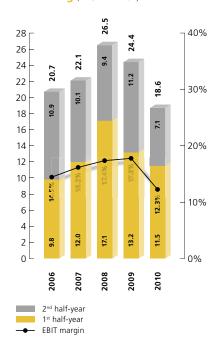
The Industrial Construction Division, which was established at the start of 2010 with two business areas, Tunnelling and Prime Buildings, had a good year. Its revenue of CHF 166 million was 16.1% higher than the year-back figure, while its production output rose 5.5% to CHF 350 million (2009: revenue CHF 143 million; production output CHF 331 million). The order book stood at CHF 695 million at the end of the year, compared with CHF 821 million at the end of 2009. This reflects the fact that volumes in the tunnel building business will be closer to pre-NEAT levels in the years to come.



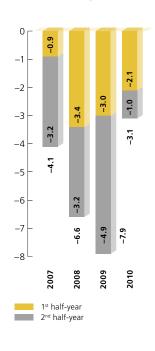
"The world record has been broken and a personal dream has come true. With the Gotthard Tunnel we have not only built the longest tunnel in the world – we have made history!"

Luzi R. Gruber Head of Tunnelling in the Industrial Construction Division

## EBIT (before special charges) Tunnelling (in CHF million)



## EBIT (before special charges) Prime Buildings (in CHF million)





"Prime Buildings made further good progress in 2010. With projects such as the new Banca Intensa head office in Turin built by Renzo Piano, and the ice hockey stadium for the Winter Olympics in Sochi. Prime Buildings is Implenia's international visiting card."

Peter E. Bodmer Co-Head of the Industrial Construction Division

INDUSTRIAL CONSTRUCTION 46-47

### **Tunnelling with good result**

Tunnel construction in Switzerland had a successful 2010. With EBIT before special charges of CHF 18.6 million, the result was as good as the previous year's after adjusting for the end of the Lötschberg Tunnel project. Construction of the NEAT tunnel sections and other Swiss projects used capacities to the full. The NEAT project reached a real highlight during the year under review with the cut-through of the Gotthard Tunnel. Work on finishing the inside of the tunnel will continue until 2014. Finally, Implenia took part in various international tenders for tunnelling and infrastructure projects and is confident of realising its first international projects soon.

### **Prime Buildings on track**

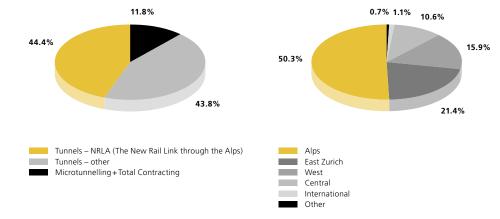
The Prime Buildings sector, which offers project and construction management on an international level for challenging real estate projects, is performing to plan. As well as executing the projects it has already acquired, Prime Buildings has been able to generate additional contribution margins, particularly from consultancy orders in Russia. A positive consequence of this is that the operational loss has more than halved since the previous year to CHF –3.1 million. Expenditure not covered by the projects should be seen as an investment in building up the target markets.

### **Key figures Industrial Construction Division**

	2010	2009
	CHF 1,000	CHF 1,000
Turnover (IFRS)	166,024	143,047
EBIT Tunnelling	18,639	24,381
EBIT Prime Buildings	(3,069)	(7,904)
EBIT before special charges (like for like)	15,570	16,477
Production output	349,561	331,274
Order book	694,840	820,765
Headcount (FTE)	631	655

## Production output 2010 by business segment





## **Project highlights 2010**

**Cut-through of the Weinberg Tunnel for the Durchmesserlinie, Zurich** – From 2013, the Durchmesserlinie cross-town train line will run across the city of Zurich from Altstetten via the main railway station to Oerlikon. Implenia is responsible for the core project – construction of the 4,537 metre long Weinberg Tunnel – and it reached an important milestone with the tunnel cut-through on 22 November 2010.

**Flood relief tunnel, Lyss** – Two weeks ahead of schedule, on 22 November 2010, the people of Lyss celebrated the cut-through of the 4.75 metre wide tunnel that will protect the town from flooding.

**Bolshaya, Sochi (RUS)** – The Ice Stadium will be one of the architectural highlights of the Winter Olympics in Sochi in 2014. In collaboration with Botta Management Group International, Implenia is acting as advisor for LEED/GRI certification and is responsible for the interior design concept.

CORPORATE CENTER 48-49

## Corporate Center

The Corporate Center performs the central roles needed to keep the Group functioning successfully. This includes Finance & Controlling, Investment Management, Insurances, Legal Services, Human Resources, IT, Marketing and Communications. During the year under review, the focus was on further optimising processes and risk management.

By further improving its processes in 2010, the Corporate Center made itself even more efficient. The aim is to provide better services in all areas in order to give the best possible support. A great example of this collaboration came with the acquisition of Sulzer Immobilien AG, which was successfully carried out by the Real Estate Division with the help of the Finance and Controlling (F+C), Investment Management, Legal Services and Communications Departments.

### **Finance and Controlling optimise the workflow**

During the year under review, the F+C department completed the Group-wide switch to an electronic workflow for accounts payable. This automation is facilitating a huge gain in efficiency and a significant improvement in net working capital and liquidity. The successful placement of a CHF 200 million bond issue was another highlight for F+C in 2010.

#### New salary system and efficiency gains for the pension fund

The HR Department developed a new salary system in 2010 that forms the backbone of a fair, competitive and durable remuneration policy. The new system applies from the 2011 financial year. The desire for greater efficiency also led to the legal and geographical merging of the pension funds, though their separate benefit plans will remain distinct.

## Legal Services expanded and put under new management

Implenia expanded its Legal Services Department and installed a proven expert as its new manager – again with the aim of providing better, even more professional support to the front-line divisions. More attention will be paid in future to managing changes in orders.

### **Cost savings and automation of processes**

The Insurance Department at the Corporate Center achieved significant cost savings by reorganising all the insurance contracts. The automation of processes during the year under review also made it much quicker and easier to take out insurance in the construction business.

### **New communications tools developed**

During the year under review, the Marketing and Communications Department focused on developing internal communications instruments and on intensifying external communications activities. The newly structured annual report won two prizes – silver in the European Best of Corporate Publishing competition, and third place in the "Design" category of the Bilanz annual report ratings.

## First disposal of an investment property from the Sulzer portfolio and development of Corporate Real Estate Management

Only two months after the acquisition of Immobilien AG, Implenia, led by Investment Management, sold an office property to a major institutional investor following a multi-stage bidding process. The disposal of further properties that are not strategically important to the Group is planned for the coming 12 to 24 months. In order to optimise the management of operational property, Implenia has set up a central department for Corporate Real Estate Management.



"In 2010, the Corporate Center concentrated on improving processes and providing efficient support to front-line departments. By ensuring operational excellence and best-in-class standards, the Corporate Center makes an important contribution to value generation at Implenia."

Beat Fellmann Head of Corporate Center and CFO

PROFILE 50-51

# We develop and build the Switzerland of tomorrow

Implenia combines the expertise of its three divisions, Real Estate, Infrastructure Construction and Industrial Construction, under the single roof of a nationally and internationally active company. With its integrated business model and a comprehensive portfolio of services and products covering the whole construction value chain, Implenia is a full service provider, offering everything required to complete a project – sustainably and from a single source.

Formed in 2006 as a result of the merger between Zschokke and Batigroup, Implenia can look back on more than 100 years of history in the construction industry. Experience, know-how, size and financial strength allow Implenia to offer its services in Switzerland and internationally. The entire Group's capabilities and capacities can be made available for challenging real estate and infrastructure projects.

In a spirit of sustainability and for the benefit of society as a whole, Implenia is helping shape the Switzerland of tomorrow. Implenia builds new things and renovates old ones; it builds for living, for working, for transport, for leisure, sport and health; it builds traditionally or industrially, as a total contractor or as a specialist. Whatever Implenia constructs, plans or operates should serve the people it's built for: enhancing their security, their mobility, their comfort, their economic interests and their sustainable development.

Real Estate	Infrastructure Construction	Industrial Construction*
General and Total Contracting	Building Construction (New and Conversions)	Tunnelling (Switzerland and International) Underground Construction
Development	Road Construction and Civil Works	Power Station Construction
Engineering	Civil Engineering	Railway Infrastructure
Technical Facilities	Foundation Engineering	Microtunnelling
Management	Bridge Construction	-
	Concrete Repairs	Prime Buildings
	Gravel and Surfacing Work	Consulting and project and construction management for challenging real estate projects

<sup>\*</sup> New Group structure following merger of Tunnel+TC with Global Solutions

#### **Real Estate**

As the Group's general contractor, Implenia Real Estate covers the entire life cycle of a property from sourcing the finance to development and realisation, to operational optimisation and promotion. The division is made up of Implenia Development Ltd., Reuss Engineering Ltd. and Implenia General-unternehmung Ltd. These businesses operate independently of one another, so a client can use them individually, or they can work together to offer interdisciplinary solutions to complex projects.

#### **Infrastructure Construction**

The Infrastructure Construction Division offers all the production activities required for road building, civil works, building construction, infrastructure projects, civil engineering, underground construction and foundation engineering. As the market leader in Switzerland, Infrastructure Construction has the experience and critical mass to supply the right specialist expertise, financial resources and technical equipment for any situation.

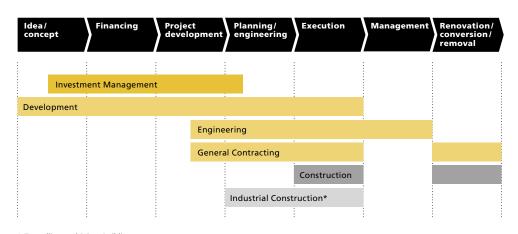
#### **Industrial Construction**

The Industrial Construction Division is the specialist for institutional and private infrastructure projects in Switzerland and targeted international markets. Industrial Construction was created at the start of 2010 from the merger of the former Tunnel+Total Contracting Division and the Global Solutions Division. In terms of organisational structure it is divided into the Tunnelling and Prime Buildings units. Tunnelling concentrates on demanding infrastructure projects, mainly tunnel building (for transport tunnels, hydroelectric plants, sewage systems, etc.). Prime Buildings works on sophisticated real estate projects — "Prime Buildings" — mainly in a consultative and construction management capacity.

PROFILE / THE EMPLOYEES' VIEW 52-53

## **Integrated business model**

When Real Estate, Infrastructure Construction and Industrial Construction work together, clients benefit from a bundling of all of the Group's expertise. This means that integrated solutions covering the whole life cycle of a construction project can be developed in response to complex, interdisciplinary ventures. The skills and knowledge available within the Group are not just added together, but react with one another to give a whole that is greater than the sum of its parts.



<sup>\*</sup> Tunnelling and Prime Buildings

## The things that make Implenia unique

Implenia's success is built on good foundations. Employees from different parts of the Group tell us why they think Implenia is different from all the rest.



## Local roots, national focus

"The great thing about Implenia is that despite our size and our 100 or so locations, we have a very decentralised organisation. This means we can respond very effectively to regional characteristics and the specific needs of our clients. With more than 4,000 construction sites throughout Switzerland, we have our finger on the pulse of the market."

Christian Wick, Head of Region East, Real Estate, St. Gallen



## Sustainability

"We define sustainability very broadly to include economic, social and environmental aspects, which is the right approach. For Implenia, sustainability is an integral component of the business strategy, not just a buzzword. Sustainability carries through all our business processes and can be seen in our financial management, our Code of Conduct, our relations with customers and suppliers and the way we train and develop our employees."

Stéphanie Castella Cave, Deputy head of Implenia - Western Region

THE EMPLOYEES' VIEW 54-



## Organising complex construction projects

"With our many years of experience and our expertise, we are the partner of choice for implementing very complex, challenging projects. A perfect example is the Europaallee construction site in the heart of Zurich, where the central location makes great demands on things like logistics."

Pascal Parrotto, Head Foreman Europa-Allee, Infrastructure Construction, Zurich



## Financial strength means that major projects can be realised

"Thanks to its size, Implenia has the personnel and resources required to define and implement professional business processes and to execute large and complex projects – domestic and international – including the necessary financing arrangements."

Yvonne Brunner, Head of Accounts, Financing & Controlling, Aarau



## Small and large projects for success

"For us, the small building sites in the valleys and villages are just as important to our business as the high-profile and often prestigious major projects like NEAT. I believe that this is a key ingredient in our success. It means we have a very broad portfolio and are not just dependent on the big projects."

André Hagmann, Head Western Switzerland, Infrastructure Construction, Onex



### Innovation

"Innovation plays a big part at Implenia. It is a basic requirement that we as a company are always looking to improve and develop. A new "Innovations Team" will be pushing ahead the innovation process even more strongly at Implenia, adopting new ideas and ensuring they are properly implemented and funded where necessary."

Daniel Hardegger, Head of the Civil Works Profit Centre and member of the innovation team, Infrastructure Construction, Zurich



## Leading the way in lots of specialist fields

"Implenia is clearly ahead of its competitors in specialist fields such as microtunnelling. In built-up areas where there's no room to work on the surface, infrastructure can only be built, maintained and refurbished under the ground, using microtunnelling, pipe installation and horizontal drilling. No other construction company in Switzerland has so much expertise in this pioneering technology."

Guido Meier, Proiect Manager, Special Tunnel Works, Wallisellen



## International standards, local skills

"Implenia has the expertise which is required all over the world and the size to be successful internationally, too. We combine local skills with international standards – coupled with Swiss values such as quality and reliability. Our latest successful projects confirm our faith in this strategy."

Sandra Guetg, Head of Market Communications, Industrial Construction, Wallisellen

VISION & VALUES 56-57

## Into the future with a clear vision

Implenia's success as the leading construction services company in Switzerland is built on a compelling vision, a clear strategic direction and a set of values shared by all of its employees.

Implenia has a clear vision encapsulating its long-term ambitions as a leading national construction and construction services company that also operates on the international stage:

We develop and build the Switzerland of tomorrow.

We establish ourselves as an expert for complex international infrastructure projects.

Sustainability is our passion.

We are the partner of choice for customers and employees alike.

"We develop and build the Switzerland of tomorrow" underlines Implenia's importance to Switzerland as well as the importance of its home market to Implenia. Thanks to its size, Implenia is at the forefront of many of the most significant projects in Switzerland. Its commitment to Switzerland is reflected in the one hundred or so offices it maintains around the country. Internationally, Implenia wants to establish itself as an expert for complex international infrastructure projects. Sustainability is an integral aspect of the company's activities, systematically influencing all its decisions. With its claim "We are the partner of choice for customers and employees alike", Implenia is emphasising that customer satisfaction is crucial to the company's success and that it is the employees who ensure that customers are satisfied.

### Sustainability as a path towards the vision

As it works to achieve its vision, a series of strategic priorities are vital to Implenia in the medium and long term. Sustainability, for example, plays a key role. As an integral component of corporate strategy, it serves as a guiding principle for everything that Implenia does. All of its goals – more comprehensive coverage of customer requirements, consolidating its clear leadership within the Swiss market, building up business abroad, increasing profitability and attracting and developing good employees – are pursued strictly according to the principles of sustainability.

Sustainability as corporate strategy	Out of a conviction that sustainable value creation is a central requirement for the company's success and ability to thrive in the future, Implenia focuses its corporate strategy and its whole way of doing business on the principles of sustainability; it carefully builds up its existing skills and rigorously follows through the processes it has begun.
Integrated business model increases customer ben- efits: "One company, one goal, one spirit"	Cross-disciplinary cooperation between Real Estate, Infrastructure Construction and Industrial Construction means that all of the Group's available expertise is bundled together, synergies are exploited to the benefit of customers, and Implenia can act as a total service provider.
Higher earnings thanks to stronger project develop- ment business	Implenia is in a position to take a construction project though its entire life cycle – from the initial idea, to planning and organisation, to actual construction work. The company is systematically building up capacity in upstream project development activities with a view to realising its vision ("We are developing and building the Switzerland of tomorrow") and achieving greater earnings intensity.
Growth through selective, risk-appropriate development and expansion of international business	Implenia positions itself outside Switzerland as an expert partner for complex infrastructure and Prime Buildings projects. The company limits its risk in international business by focusing on its existing competences in project management, stadium building, tunnelling, civil engineering and microtunnelling.
Increasing efficiency by industrialising processes	Implenia exploits the synergies produced by bringing together central functions in the Corporate Center. These include: Procurement, Finance & Controlling,

Legal Services and Insurance.

Human Resources, IT, Investment Management, Marketing & Communication,

VISION & VALUES / EMPLOYEES 58-59

#### **Built on shared values**

Implenia's vision and the strategic priorities that go with it can only come to fruition if all employees are able to build on a set of shared values. Implenia has formulated principles that form the foundations of its corporate culture and that everyone in the Group is expected to live up to, actively and consistently:

Reliability	You can count on us.	
Sustainability	Out of respect for our environment and ourselves.	
Integrity	It lies at the heart of everything we do.	
	As a business we want to recognise opportunities	
Opportunity and risk awareness	and risks early.	
Transparency	Towards our stakeholders.	
Operational and financial excellence	A measurable requirement for all of our activities.	
Focus on solutions and customers	Solutions for our customers are our priority.	
Innovation	Our future depends on our ability to keep renewing ourselves and moving forward.	

## Successful together

Implenia has many faces – around 6,000 employees from 55 nations work for the Group. Their capabilities ensure the company's continuing success. This is why Implenia attaches such importance to the constant optimisation of on-site health and safety, training and development for its employees and managers, and open, transparent communication.

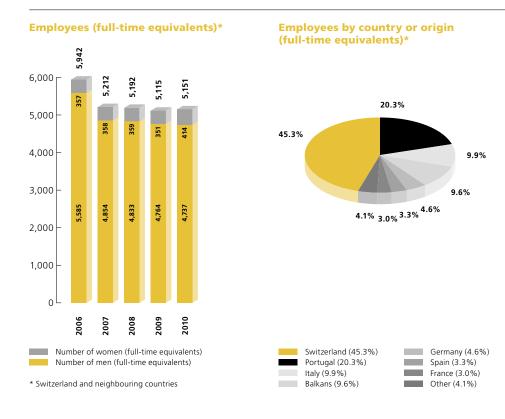
Around 6,000 people were working for Implenia in Switzerland, its neighbouring countries and around the world at the end of 2010. This translates into 5,151 full-time equivalent positions in Switzerland and neighbouring countries, a slight rise in like for like headcount over the year-back figure of 5,115. Personnel fluctuations came to 13.9% (excluding seasonal fluctuations), which is 1.2 percentage points lower than the previous year. The Infrastructure Construction Division increased its headcount in order to cope with its significantly higher volume of work in 2010. At the Real Estate and Industrial Construction Divisions, headcount fell slightly. The company was pleased to note the much higher number of female employees, though the absolute figure is still low. There was a small fall in the number of male employees. Swiss people account for the highest proportion – 45.3% of Implenia's workers. Another 40% come from Portugal, Italy and the Balkan nations.

Headcount (FTE) 2010	Number
Office and on-site staff	of employees
Real Estate	464
Infrastructure Construction	3,867
Industrial Construction	631
Other	189
Total employees (FTE, Switzerland and neighbouring countries)	5,151
Other countries (FTE)	273
Total employees (FTE)	5,424

Number of employees
488
488
3,793
655
179
5,115
235
5,350

Hoadcount (ETE) 2009

EMPLOYEES 60-61

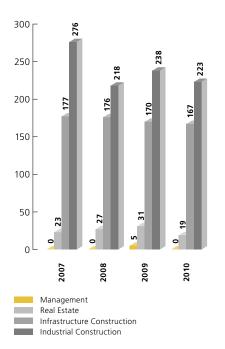


#### **Committed to health and safety at work**

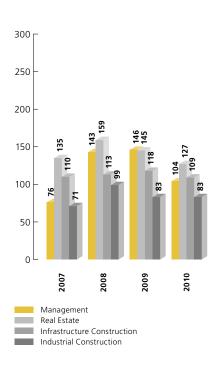
Health and safety at work are the highest priority at Implenia, not least because the nature of the profession means there is a greater risk of accidents in the construction industry than in most other sectors. The company's work in this area is based on its Health and Safety Policy and its certification under the OHSAS 18001 standard. Implenia also invests continuously in measures to improve health and safety and in training its employees. When its employees have accidents or are sick, Implenia works with case management specialists on their rehabilitation and reintegration.

After declining between 2007 and 2008, the four-year trend for accidents at work has been almost flat in subsequent years. In 2010 there were 154 accidents at work for every 1,000 full-time equivalent posts. The Implenia employees who are most exposed to the risk of accident are those that work directly on site for the Infrastructure Construction and Industrial Construction Divisions. At the same time there has been a continual fall in the total amount paid in Suva premiums for accidents at work. This indicates that the seriousness of accidents has been declining since 2007. Non-occupational accidents had risen slightly in the previous two years, but in 2010 they fell again to 107 incidents per 1,000 full-time equivalent posts.

### Occupational accidents\*







Among the most frequent causes of accidents at work are slipping, tripping and falling. This fact prompted Implenia to sign up in 2010 to a multi-year Suva campaign called "stolpern.ch" ("stolpern" means trip or stumble in German). In order to sensitise its employees to the risks they face and the preventative measures they can take, Implenia carried out a safety campaign on these themes at construction sites during April 2010, and in October it ran a campaign about preventing non-occupational accidents. It is planning to revisit the topic this autumn. Alongside these specific health and safety campaigns, training takes place at regular intervals each year in each division as set out in the Integrated Management System (IMS). These training sessions are carried our decentrally in the individual regions. They cover modules that include a safety briefing for all new employees, a two-day management seminar with Suva for all new foremen, site managers and technical managers, a safety and accident-prevention course for site personnel, and an emergency response and first aid course.

<sup>\*</sup> Switzerland and neighbouring countries

EMPLOYEES 62-63

Despite the measures taken so far, the trend in accident figures shows that there is still room for improvement. Each accident is one too many. In future Implenia will tailor the individual training modules more closely to the risk profiles of the relevant activities within the Group. It will also take more account of health and safety principles when planning construction sites, and work to instil these principles in the day-to-day work of our employees. The aim is to view occupational health and safety not as an isolated theme, but as an automatic element of project planning that needs to be systematically integrated into each individual operating procedure.

The current modules will therefore be enhanced in 2011 and Implenia will be carrying out additional campaigns in partnership with external specialists and Suva. In various regions, there is an on-site focus on "the correct way to lift and carry" and the "eight life-saving rules for building construction". Similar modules are being developed for civil engineering and road construction, foundation engineering and underground construction. Health and safety is also an important topic in Implenia's office premises. Workplace ergonomics are being reviewed in the company's offices; and emergency procedures are being tested and, where necessary, enhanced.

# Working safely with compressed air

Working conditions on construction sites sometimes present unusual health and safety challenges. When building the Allmend Tunnel for the Zentralbahn railway in Lucerne, for example, Implenia employed an excavation method using compressed air that had never been tried before in Switzerland. Air pressure of 0.68 bar was built up in order to keep ground water out of the tunnel and counteract the earth pressure. This places a greater strain on the human body than working under normal atmospheric conditions. All employees were, therefore, checked to ensure that their general health and level of fitness was good enough to cope. Only people who passed the medical tests were allowed by Suva to work in these pressurised conditions. To ensure that the workers' bodies had time to adapt to the increased pressure, the tunnel site could only be entered and exited through an airlock. In addition, people were only allowed to work in the pressurised conditions for a strictly limited period.

# More opportunities for training and development

Production processes in the construction industry are labour-intensive and cover a wide range of different disciplines, from industrial to technical to commercial. There are always shortages of well qualified professionals on the labour market, so Implenia is keen to increase the proportion of specialist and management positions that it fills from within the company. At the same time, it wants to give potential employees and managers attractive entry and career development opportunities.

People often join Implenia as apprentices, so the company's apprenticeship scheme is given a high priority. Currently, 230 young employees are completing their apprenticeships at Implenia: 22 in technical/commercial roles and 208 in industrial areas. These 208 are being trained in various professions, including as construction machine mechanics, builders, foundation engineers, heating engineers, ventilation engineers, plumbing engineers, masons, mechanics, carpenters, road builders, railway builders and joiners. By training its own young talent, Implenia is not only investing in its future, but it is performing an important task for society as a whole.

Implenia is working intensively on a modular training and development programme for its employees. Different training modules are available to suit each employee's particular area of work. Tunnel construction, for example, presents one kind of challenge, while project development or residential construction present others. Additional modules are being added to the existing training and development programme from 2011. There is, for example, a new trainee programme for construction cost planners. Since no colleges currently offer a course in construction cost planning, Implenia decided to train applicants who have an appropriate knowledge and experience itself. As part of its "Silberfäden" ("Silver Threads") project, it has recruited retired construction cost planners to deliver the course. This creative training concept is beneficial to everyone involved: the retired people take on a mentoring role and pass on their knowledge, while the trainees benefit from their mentors' rich store of experience. And Implenia benefits from keeping the knowledge within the company.

Implenia's management training is based on a three stage programme: the first stage (management training) is aimed at employees who are about to embark on their first management job. The second (middle management training) and third (senior management) steps are more advanced courses for employees who already have management responsibilities. This training focuses not only on management know-how, but on social skills, conduct, motivation and communication. Implenia has made sure the necessary resources are available to meet the increased need for training and development.

EMPLOYEES / SUSTAINABILITY 64-65

# **Dialogue with employees**

Implenia believes in the value of open and direct communication. It encourages employees to identify with its corporate objectives and ensures that they understand and support the decisions the company makes. All of Implenia's managers are trained to actively nurture dialogue with their staff. The company also has various internal communications tools and channels at its disposal, which it uses selectively to suit the specific communication goal. These include the employee magazine "Impact", the intranet, regular staff events and an electronic newsletter. During the year under review, Implenia launched its new sustainability newsletter, which keeps employees up to date with the progress of the "Sustainable Implenia" project.

During the year under review, particular attention was paid to communication from the CEO. Direct communication between the most senior level of Executive Committee and the firm's employees is vitally important when information about objectives, values and key developments has to be disseminated. At the same time, feedback and input from employees are an important source of information for Executive Committee. New platforms were created in 2010 to allow the CEO to engage in two-way communication with employees. In addition to the CEO newsletter "Persönlich", an electronic mailbox was set up to allow employees to send in direct questions for Executive Committee. A reference group of employees was also established to allow discussion in person about internal matters. This group holds meetings with the CEO at regular intervals.



Markus Koschenz in conversation

# "We want to change the culture of construction"

More than half of society's gross energy consumption is devoted either directly or indirectly to the construction and operation of buildings – and 60% of this is accounted for by residential buildings alone. The vision of a "2,000 Watt Society" takes such facts on board and sets an ambitious goal: the long-term average consumption of energy by every person on earth should be no more than 2,000 Watts. Markus Koschenz, author of "Potenzial Wohngebäude. Energie und Gebäudetechnik für die 2000-Watt-Gesellschaft" ("Potential Homes, Energy and Building Technology for the 2,000 Watt Society") talked to us about recent developments and current trends in sustainable construction.

Five years ago you wrote a major book about the "2,000 Watt Society". In it you called for the construction industry to adopt a new culture that acknowledges the potential to reduce the amount of energy used to build homes. How are we doing so far with the 2,000 Watt vision and the reduction of energy consumption?

In the book we said there was a lot of potential on the technical side, but that exploiting this potential depended mainly on renovating the housing stock. However, renewal activity remains well below expectations, and we need to find ways of igniting this activity. In terms of achieving the

SUSTAINABILITY 66-67

2,000 Watt Society, the "Efficiency Path" developed by the Swiss Association of Engineers (SIA) establishes quantitative goals for the construction of buildings. This will hopefully encourage the effective implementation of the essential principles and make them measurable in actual projects. Technology alone is not enough, however. We want to change the culture of construction. We have to understand sustainable construction as part of our quality of life rather than reducing it simply to the necessary changes in technique.

# Where can Implenia, as Switzerland's largest construction services company, do more to help achieve this vision?

The most effective levers for comprehensive, sustainable construction work – not just in terms of energy and resource efficiency, but with regard to the social and economic effects – are found in the early phases of planning and project development. Implenia has recognised this and is already making efforts early on in its projects to set objective metrics for sustainability. We need to do more work on providing options for different clients – highlighting project-specific solutions for sustainable construction not just in buildings, but in civil works and infrastructure construction too.

"Being sustainable means being ready for the future. Implenia can only be successful in the long term if it focuses on sustainability."

Markus Koschenz CEO of Reuss Engineering and Head of Project Manager of "Sustainable Implenia"

# How does Implenia's approach to sustainability compare with other companies?

Implenia has a comprehensive view of sustainability. For us it applies to financial excellence, sustainable products and services, respect for the environment, an attractive working environment, social commitment and compliance. We've been active in several of these areas for a long time. In terms of the environment, for example, we've built up a great deal of expertise in sustainable construction and introduced a comprehensive Code of Conduct. But in some ways we're only at the start of the journey. I would say that we're mid-table in comparison to similar firms, though we're clearly aiming to get to the top in future. Our "Sustainable Implenia" initiative creates the basis for this progress.

The architecture department at the Federal Institute of Technology in Zurich recently called for a paradigm shift in sustainable construction with its "Zero Emission Approach": buildings should be built or renovated in such a way that they operate without producing any more harmful emissions. The energy used is only a secondary priority. What's your view of this?

Energy, especially non-renewable energy, and  $CO_2$  are inextricably linked. You can't separate energy consumption issues from  $CO_2$  emissions. The  $CO_2$  cost of a building is made up of the  $CO_2$  used in construction – which we are trying to reduce – and the  $CO_2$  emitted by the energy consuming elements of the building when in operation. So we have two ways of improving the  $CO_2$  balance sheet: improve the initial construction, and improve the energy consuming elements. The trick is to find the optimum point for both these factors. This point is not always the same, but varies depending on the individual site and the characteristics of each construction project. So there may be cases where reducing consumption during actual construction is the most important factor, because there are only limited opportunities to set up renewable energy systems. In others – particularly in renovations – the emphasis may be on the renewables because there are restrictions on the actual construction techniques that can be used. It is not a matter of either or. Both aspects have to be considered.

# In construction, life-cycle costs are becoming an increasingly important issue. Can you explain?

Life-cycle costs are a decisive cost factor. They are generated mainly when the building is actually operational. The term doesn't just refer to energy costs, but to maintenance, upkeep, cleaning, etc. To optimise these factors you need to have good data about the actual costs that will be incurred. But this approach also requires the buildings' owners to think in a new way. Their decisions have to take more account of life-cycle costs. Otherwise, the planners and builders will continue to focus on optimising investment costs alone. The Real Estate Division has collaborated on the development of a tool to help owners focus on life-cycle costs, which is now being used successfully in cost planning and project development work.

## **Reuss Engineering**

Implenia's subsidiary works on technically challenging construction projects. Its services cover sustainability planning, energy and environmental concepts, general planning, operational and logistics planning, building technology planning and energy management. Within Implenia, Reuss Engineering acts as a competence centre for the sustainable development of the whole Group.

Markus Koschenz is the CEO of Implenia's subsidiary Reuss Engineering AG, based in Gisikon, Switzerland, and Head of Project Manager of "Sustainable Implenia". Together with Andreas Pfeiffer, Head of Energy and Environment at Reuss, he wrote the book "Potenzial Wohngebäude, Energie- und Gebäudetechnik für die 2000-Watt-Gesellschaft." (Faktor Verlag, Zurich 2005, 978-3-905711-00-4)

SUSTAINABILITY 68-69

# From initiative to concrete results

In 2010, Implenia created a platform for the company's sustainable long-term development. The "Sustainable Implenia" initiative is based on the belief that a company can only be fit for the future if it creates sustainable value, and that financially successful activity does not have to conflict with social and environmental responsibility. The first major interim objectives have been achieved.

With the launch of the "Sustainable Implenia" initiative during the year under review, Implenia laid the foundations for its sustainable corporate development. In workshops involving Executive Committee and other senior executives, objectives and expectations for a sustainability-centred Group strategy were worked out in the first half of 2010 (see below). Ten priorities for sustainability were identified, which were refined by a project group led by Members of Executive Committee.

# Implenia's ten priorities for sustainability

Code of Conduct

Customer relations

Sustainable products and services

Respect for the environment

Value-based management

Health and safety at work

Training and development/talent management

Supplier relations

Innovation

Communications

# **Transparency about sustainable products and services**

By providing sustainable products and services, Implenia aims to help its customers implement their own sustainability strategies. It has now published a product and service overview that shows all the ways that different parts of the Implenia Group can enhance a project's sustainability. This has created greater transparency for employees and customers.

# Sustainability evaluations now much more precise

The most effective way to make a construction project sustainable is to include sustainability issues early in the project development phase. With this in mind, Implenia has conducted a thorough examination of its portfolio of development projects to identify which ones have the potential to meet, for example, the "2,000 Watt Society" criteria. Plans are defined at the project development stage to achieve a high standard of sustainability. Implenia already has a tool to assess the sustainability of buildings: the "Gesamtbewertung Nachhaltiges Bauen", or GeNaB® which means "total evaluation of sustainable construction" (see page 74 et seq. for an example of how GeNaB® is being used in the Rosengarten project in Arbon). However, if a property's good sustainability performance is to be reflected in a higher market value, evaluations need to be standardised. Consequently, Implenia is participating in the ad hoc group "Certification System for Sustainable Property in Switzerland", which is run by the University of Zurich's Centre for Corporate Responsibility and Sustainability, and the Department of Sustainable Construction at ETH Zurich.

Similarly, sustainability in civil works and infrastructure construction is becoming increasingly important, and Implenia is part of the "SIA 112/2 Sustainable Construction – Civil Engineering/Infrastructure" project at Rapperswil Technical College. The aim is to define a set of criteria for sustainability in civil engineering and infrastructure projects like the one that has been formulated for building construction. Implenia is contributing both theoretical knowledge and practical experience to the process.

# Identifying the most effective way to ensure respect for the environment

One of the main issues addressed in the launch phase of the Group-wide "Sustainable Implenia" initiative was whether and where Implenia can control sustainable development in its core business. The Group can exert leverage principally in the development and building stages. Applying the appropriate principles when the project is on the drawing board is just the first step, however. As well as ensuring that the building will be as energy and resource efficient as possible when operational, it is vital to manage resources and energy carefully when constructing the building. Since most of Implenia's employees are involved in actual production, this is where Implenia can make a real difference. Consequently, as part of the "Respect for the Environment" project, the Group has now identified the most significant energy and  $CO_2$  drivers, and has completed an initial audit of consumption data (see page 71 et seq.).

SUSTAINABILITY 70-71

### **Targeted innovation**

As a full-service provider, Implenia has great expertise in all the different phases of a project. This cross-disciplinary know-how needs to be harnessed more effectively to develop and improve products, services and processes, which is why an Innovation Team was set up during the year under review. The innovation team reports directly to Executive Committee, with the CEO of Implenia acting as project owner. From 2011 onwards, employees will be able to submit their concrete ideas for innovation. The initial focus will be on Group-wide themes.

#### Sustainable communication of sustainability

Creating a sustainable Implenia requires every single employee to make a contribution, so constant communication is vital. The "Sustainable Implenia" newsletter tells employees regularly about the status of the Group's priority projects. Articles written by the people involved provide an in-depth insight into the workings of each project.

## Staying on the ball

The ten priorities for sustainability are the subject of continuous refinement, and the project organisation is being converted into a permanent unit. This will ensure that sustainability remains a core element in Implenia's strategy.

# **Respect for the environment**

"Respect of the Environment" is a key theme in Implenia's sustainability strategy. A team has worked hard to identify the areas where most resources are consumed and which, therefore, drive Implenia's energy and  $CO_2$  profile. The results are as follows:

# Main influences on energy consumption and CO2 emissions

Construction materials

Recycled materials as a proportion of overall materials used

**Energy consumption** 

Water consumption

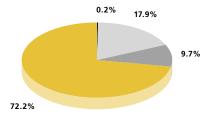
Direct and indirect greenhouse gas emissions

Having completed an initial measurement of actual consumption for each of these drivers, an assessment was made of the comparative relevance of each one and the potential for reductions. The next step is to define concrete goals, implement actions to optimise consumption and monitor the impact of these actions through regular audits.

1 The analysis was based on consumption data from 2009. In future, a greater degree of automation will allow us to use consumption data for the latest reporting period.

SUSTAINABILITY 72-73

# CO<sub>2</sub> emissions of evaluated resource consumers<sup>1</sup>



Mobility (fuel)

Energy on construction sites (electricity)

Energy for buildings and facilities (electricity and heat)

Office supplies, waste and water

1 In the initial analysis, the construction materials used were only quantified approximately and are not shown in this report. Detailed analysis is required before a proper evaluation can be made.

# **Analysis of energy and resource consumers**

The analysis is structured in accordance with the following table. Data is still incomplete in some areas, so in this first assessment the quality of the evaluation is not yet consistent across all "consumers". The resources evaluated in the assessment are marked with  $(\bullet)$ .

Name	Description	Resources	
-		Building materials	
		Excavated material	
		Water	
		Electricity	•
Construction sites	Resource consumers on construction sites	Waste	
		Office supplies	•
		Water	•
		Electricity	•
Buildings and	Resource consumers in workshops, asphalt plants,	Heating	•
facilities	office buildings	Waste	•
	Resource consumption for construction machinery,		
Mobility	business travel	Fuel	•

# Identifying the main drivers of CO<sub>2</sub> emissions

The specific volumes consumed in each area are converted into  $CO_2$  emission values, facilitating comparison of the various resource consumers in terms of  $CO_2$  impact. The main goal as far as the "Respect for the Environment" agenda is concerned, is to reduce the energy and resources consumed and the  $CO_2$  emitted. Consequently, we are always looking for opportunities to reduce consumption and improve efficiency.

# **Planned or implemented measures**

On the basis of this analysis, various measures to cut energy use and CO<sub>2</sub> emissions substantially have been decided, or in some cases even implemented already:

- Training for machine operators (Ecodrive) should lead to a saving of approximately 10% in the fuel consumed by construction machinery.
- Energy consumption on construction sites is being optimised through the use of more efficient equipment and cabins, as well as by adjusting operating times.
- The switch from oil to gas at one of the asphalt plants has already been completed, leading to a reduction in CO<sub>2</sub> emissions of about 400 tonnes.
- Another measure that has already been implemented, partly as a way of sensitising employees to the issues, is the Group-wide switch to recycled paper.

Other concrete measures are planned for 2011. The Group is determined to continue on this course in the years to come. In the medium-term the focus will be on the following issues in particular:

- Continual recording of consumption data in order to improve data quality.
- Controlling the success of the measures implemented.
- Defining procedures with regard to the evaluation of construction materials.

SUSTAINABILITY 74-75

# **Rosengarten Arbon – sustainable construction in practice**

The "Rosengarten" town centre development in Arbon (see picture series for project description) is one of the Implenia projects that right from the start has been developed and planned according to the principles of sustainable construction. It is now being built this way too. The challenge was to choose the most cost-efficient methods that would also deliver the greatest added value for the property.

## **Pioneer in sustainable construction**

The sustainability of the Rosengarten plan was analysed, evaluated and discussed with everyone involved during the initial project phase in 2007. Since the primary occupant, Migros Genossenschaft Ostschweiz (GMOS), demands very high sustainability standards for its own buildings, the concept met with great interest. The project was one of the very first to be designed using the newly developed GeNaB® evaluation tool that had just been introduced in the Real Estate Division.

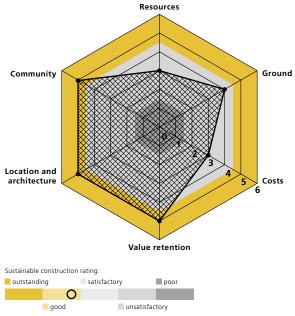
The attainment of objectives was assessed using six sets of criteria. In terms of the value retention, location, architecture and community criteria, attainment was excellent. Value retention is aided by the growing number of people settling in the area, and the durability of the building shell. A central position and proximity to educational, sports and cultural facilities have a positive effect on the location and architecture criteria. The design competition for the project encouraged in-depth exploration of all the architectural and urban planning issues, which also boosted scores in this area. The wide mix of uses and the certified environmentally friendly construction methods mean the development also did well in terms of community impact.

Marks were also high for the "ground" criterion thanks to intense utilisation of the available space and the green roofs. However, potential for improvement was found with regard to costs and resources: use of grey energy could be optimised, the construction methods could be more efficient and the shell of the building could have a better energy profile. Mid-range scores were achieved for all of the cost criteria, mainly because of the vacancy rate of more than 1% and a market price quantile in excess of 60%.

#### Rewarded with certification

The whole plan received a provisional Minergie certificate covering all uses, and the actual building work is now following this standard too. As well as a very well insulated building shell and the compact construction methods, the energy-efficient provision of warm and cold air in particular is helping the project to fulfil Minergie requirements. Ten years ago, GMOS invested in a system to pipe lake water into Arbon to help with its cooling and refrigeration requirements. This system is now being extended so it can be utilised at the new Migros supermarket in the Rosengarten development too. The constant year-round temperature of 6°C means that cold air can be generated very efficiently. In winter, most of the waste heat produced by product refrigeration systems can be recycled to heat the buildings.

# GeNaB®: Total Evaluation of Sustainable Construction



Web diagram and point scale from the GeNaB® evaluation for the residential part of the Rosengarten development in Arbon

But sustainable construction is about much more than Minergie and energy efficiency. Building ecology and the health of the people who live and work in the development are just as important. From the very start, the goal has been to build and certify the whole complex in accordance with environmental standards (Minergie-Eco). Currently, such certification is only possible for residential, administrative and school buildings, but not for retail premises. Consequently, certification has only been given for the residential and office parts, even though every single building has been built to the same environmental standards. The Eco assessment clearly shows that even a solid construction with concrete facings can achieve certification. This is thanks in particular to the flexible, accessible supply areas and the decision not to use solvents for the interiors.

INFORMATION FOR INVESTORS 76-77

# Information for investors

Implenia shares have been traded on the main segment of the SIX Swiss Exchange in Zurich since 6 March 2006.

# **Key information**

Abbreviation	IMPN
Security number	2.386.855
ISIN code	CH0023868554

# **Share capital**

	31.12.2010	31.12.2009	31.12.2008	31.12.2007	31.12.2006
Share capital (in CHF 1,000)	51,722	64,652	73,888	83,124	89,589
Number of registered shares issued	18,472,000	18,472,000	18,472,000	18,472,000	18,472,000
Of which treasury shares	211,017	1,526,184	163,943	52,563	465,074
Number of outstanding registered shares	18,260,983	16,945,816	18,308,057	18,419,437	18,006,926
Par value of each registered share (in CHF)	2.80	3.50	4.00	4.50	4.85
Conditional capital (in CHF 1,000)	25,861	32,326	36,944	41,562	44,795

# **Key figures**

	31.12.2010	31.12.2009	31.12.2008	31.12.2007	31.12.2006
Earnings per share (in CHF)	2.88	2.56	2.13	1.37	0.31
Price-earnings ratio	10.1	10.7	14.9	26.0	82.7
Equity per share (in CHF)	26.8	24.8	22.8	21.7	20.2
Gross dividend¹ (in CHF)	0.90	0.70	0.50	0.50	0.35
Dividend yield <sup>2</sup>	2.8%	2.4%	1.7%	1.4%	1.4%
Payout ratio	31.7%	27.5%	23.1%	36.2%	105.3%

- 1 From 2006 to 2010, profits were distributed in the form of a reduction in par value
- 2 excluding tax impact

# **Distribution policy**

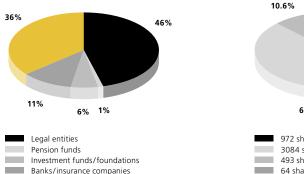
The aim is to distribute around a third of Group profit as dividends, though care is also taken to ensure dividends are as stable as possible.

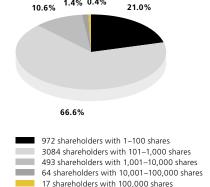
# Distribution of share capital by type of shareholder

(Shares with and without voting rights)

# Distribution of share capital by size of shareholder

(shares with and without voting rights)





# **Shareholder structure**

Private individuals

# Shareholders owning more than 3% of share capital (as at 31 december 2010)

	Percentage of share capital
2,952,200	15.98%
2,000,000	10.83%
1,556,438	8.43%
1,552,356	8.40%
997,222	5.40%
969,511	5.25% <sup>2</sup>
950,000	5.14%
655,000	3.55%
	2,000,000 1,556,438 1,552,356 997,222 969,511 950,000

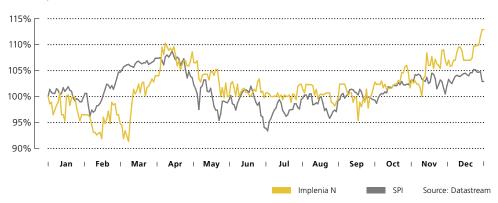
- 1 As at 6 January 2011 the stake held by the Ernst Göhner Foundation and EGS Beteiligungen AG came to 6.43% (1,187,114 shares).
- 2 The BlackRock, Inc. Group has reported acquired positions totalling 5.31% (the figure in the table excludes a CFD stake amounting to 11,888 shares [0.06%]).

INFORMATION FOR INVESTORS 78-79

# **Share performance**

# 1-year performance

(incl. comparison with SPI)



# 5-year performance

(incl. comparison with SPI)

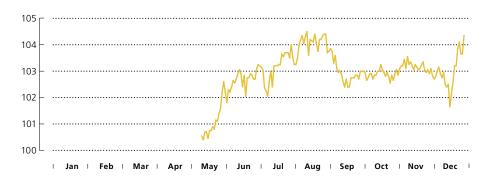


# **Share performance**

	2010	2009	2008	2007	2006
Year-high (in CHF per share)	32.00	30.10	34.60	44.70	30.00
Year-low (in CHF per share)	26.50	20.25	27.00	26.40	27.85
Price at 31.12 (in CHF per share)	31.95	29.00	29.00	34.60	25.45
Average number of shares traded per day	19,487	10,809	11,688	38,277	33,544
Stock market capitalisation at 31.12. (in CHF 1,000)	590,180	535,688	535,688	639,131	470,112

# Bond

# **Bond performance 2010**



#### **Bond**

In April 2010, Implenia issued a bond for the first time (ISIN: CH0112193518). This CHF 200 million issue, which carries a coupon of 3.125% and a term of six years (matures on 12 May 2016), was successfully placed on the market and was six times oversubscribed. The bond improves the maturity profile of Implenia's financial liabilities and strengthens its funding structure. Implenia's bond is rated "BBB-/stable" by UBS and "BBB-/stable" by ZKB.

INFORMATION FOR INVESTORS 80-81

# **Overview of key figures**

# Five-year Group overview

2010	2009	2008	2007	2006
CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
3,070,314	3,445,184	2,958,904	2,512,783	2,198,259
2,716,205	2,637,277	2,541,911	2,704,968	2,745,020
2,388,418	2,279,835	2,299,465	2,315,804	2,440,761
2,388,418	2,279,835	2,324,465	2,380,625	2,413,868
72,649	75,534	62,111	61,979	44,528
5,009	(7,891)	(3,108)	(23,311)	(27,484)
77,658	67,643	59,003	38,668	17,044
34,894	36,960	39,525	46,010	37,326
112,552	104,603	98,528	84,678	54,370
52,458	47,055	39,983	25,534	6,142
138,516	119,138	183,600	(70,176)	37,567
(98,596)	(26,484)	(14,484)	(43,108)	(13,747)
181,872	(82,333)	(97,517)	52,827	(15,756)
39,920	92,654	169,116	(113,284)	23,820
50,848	88,317	69,257	43,198	42,835
(108,681)	(103,104)	(67,961)	(44,125)	(76,949)
	CHF 1,000 3,070,314 2,716,205 2,388,418 2,388,418 72,649 5,009 77,658 34,894 112,552 52,458 138,516 (98,596) 181,872 39,920	CHF 1,000 CHF 1,000  3,070,314 3,445,184  2,716,205 2,637,277 2,388,418 2,279,835 2,388,418 2,279,835  72,649 75,534 5,009 (7,891) 77,658 67,643 34,894 36,960 112,552 104,603 52,458 47,055  138,516 119,138 (98,596) (26,484) 181,872 (82,333) 39,920 92,654	CHF 1,000         CHF 1,000         CHF 1,000           3,070,314         3,445,184         2,958,904           2,716,205         2,637,277         2,541,911           2,388,418         2,279,835         2,299,465           2,388,418         2,279,835         2,324,465           72,649         75,534         62,111           5,009         (7,891)         (3,108)           77,658         67,643         59,003           34,894         36,960         39,525           112,552         104,603         98,528           52,458         47,055         39,983           138,516         119,138         183,600           (98,596)         (26,484)         (14,484)           181,872         (82,333)         (97,517)           39,920         92,654         169,116           50,848         88,317         69,257	CHF 1,000         CHF 1,000         CHF 1,000         CHF 1,000           3,070,314         3,445,184         2,958,904         2,512,783           2,716,205         2,637,277         2,541,911         2,704,968           2,388,418         2,279,835         2,299,465         2,315,804           2,388,418         2,279,835         2,324,465         2,380,625           72,649         75,534         62,111         61,979           5,009         (7,891)         (3,108)         (23,311)           77,658         67,643         59,003         38,668           34,894         36,960         39,525         46,010           112,552         104,603         98,528         84,678           52,458         47,055         39,983         25,534           138,516         119,138         183,600         (70,176)           (98,596)         (26,484)         (14,484)         (43,108)           181,872         (82,333)         (97,517)         52,827           39,920         92,654         169,116         (113,284)           50,848         88,317         69,257         43,198

	2010	2009	2008	2007	2006
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Balance sheet					
Cash and cash equivalents	349,274	128,749	118,364	47,153	107,346
Real estate transactions	217,983	168,732	180,157	168,049	165,077
Other current assets	734,230	726,769	695,586	747,396	630,427
Non-current assets	375,516	357,544	366,709	379,270	381,799
Total assets	1,677,003	1,381,794	1,360,816	1,341,868	1,284,649
Interest-bearing debt	199,760	42,853	81,677	164,425	96,814
Other liabilities	981,759	912,601	855,901	772,549	819,285
Equity	495,484	426,340	423,238	404,894	368,550
Total liabilities	1,677,003	1,381,794	1,360,816	1,341,868	1,284,649
Net cash position	149,514	85,896	36,687	(117,272)	10,532
Net cash position  Capital structure	149,514	85,896	36,687	(117,272)	10,532
·	149,514 29.5%	85,896 30.9%	36,687	(117,272)	·
Capital structure			·		10,532 28.7% 3.8%
Capital structure Equity ratio in % Long-term liabilities in %	29.5%	30.9%	31.1%	30.2%	28.7%
Capital structure Equity ratio in %	29.5% 16.5%	30.9% 3.0%	31.1%	30.2%	28.7%
Capital structure Equity ratio in % Long-term liabilities in % Short-term liabilities in %	29.5% 16.5%	30.9% 3.0%	31.1%	30.2%	28.7%
Capital structure Equity ratio in % Long-term liabilities in % Short-term liabilities in %  Key figures EBITDA margin in % <sup>1</sup>	29.5% 16.5% 54.0%	30.9% 3.0% 66.1%	31.1% 2.3% 66.6%	30.2% 2.0% 67.8%	28.7% 3.8% 67.5%
Capital structure Equity ratio in % Long-term liabilities in % Short-term liabilities in %  Key figures EBITDA margin in % <sup>1</sup> Operating income margin in % <sup>1</sup>	29.5% 16.5% 54.0% 4.7% 3.3%	30.9% 3.0% 66.1%	31.1% 2.3% 66.6%	30.2% 2.0% 67.8%	28.7% 3.8% 67.5%
Capital structure Equity ratio in % Long-term liabilities in % Short-term liabilities in % Key figures	29.5% 16.5% 54.0% 4.7% 3.3%	30.9% 3.0% 66.1% 4.6% 3.0%	31.1% 2.3% 66.6% 4.2% 2.5%	30.2% 2.0% 67.8% 3.6% 1.6%	28.7% 3.8% 67.5% 2.3% 0.7%

INFORMATION FOR INVESTORS 82-83

# **Communications, contact and key dates**

# **Communications**

Implenia follows an open, transparent and purposeful information policy in the interests of its share-holders, investors and the general public. In its periodic and ad hoc reporting, Implenia is committed to the equal treatment of all stakeholder groups in terms of timing and content.

Comprehensive information is available to all investors, journalists and interested members of the public at www.implenia.com under the "Investor Relations" link. All the latest investor presentations are available here too. By clicking through the "News Service" link on the site, interested parties can subscribe to our ad hoc communications and order physical copies of our annual report and half-year report.

# Contact

Our CFO, Beat Fellmann, is responsible for ongoing communication with shareholders, investors and analysts:

Tel +41 44 805 45 00 - Fax +41 44 805 45 01 - E-Mail beat.fellmann@implenia.com

# **Key dates**

2011 Annual General Meeting of Shareholders	19 April 2011
Ex-date	8 July 2011*
Payment date	13 July 2011*
Media and analysts' conference on the 2011 first-half results	1 September 2011
Media and analysts' conference on the 2011 full-year results	6 March 2012
2012 Annual General Meeting of Shareholders	4 April 2012

<sup>\*</sup> Subject to approval by the General Meeting of Shareholders.

QUAISTRASSE BAHNHOFSTRASSE STICKEREISTRASSE

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**SG** 







# **Project** |

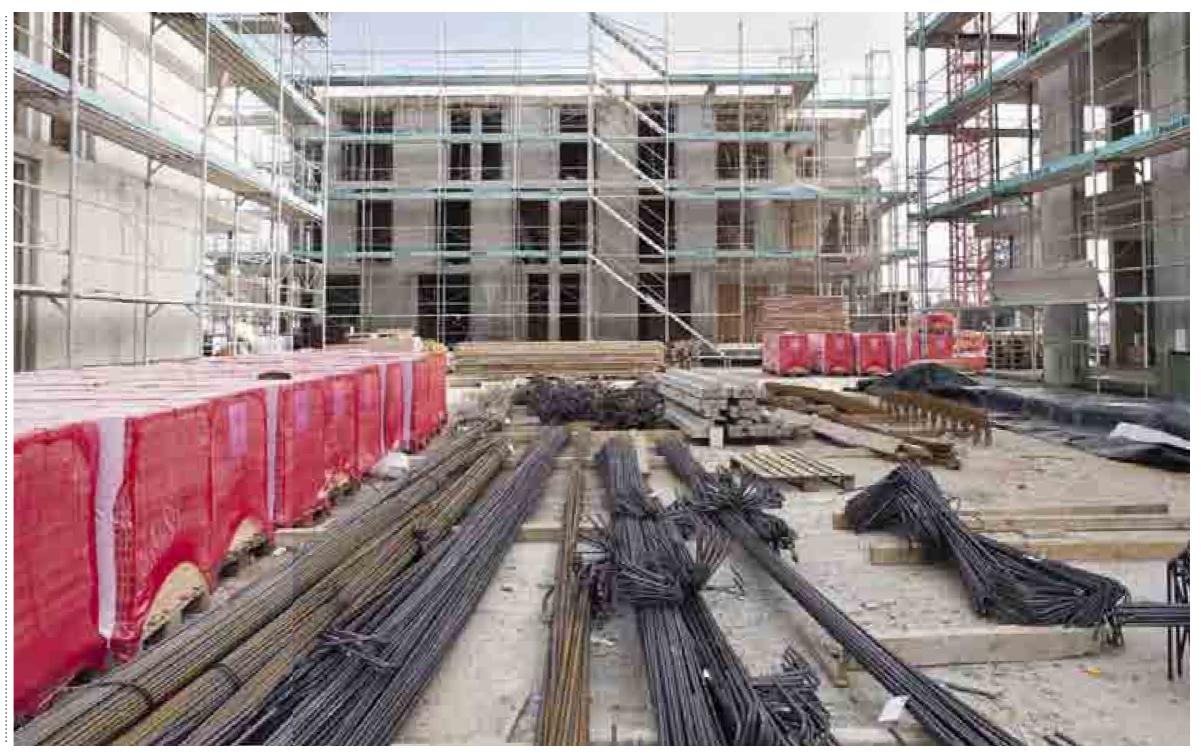
A small town within a town. A place to live, work and shop. The Rosengarten project is creating a new centre in the middle of Arbon with more than 70 apartments, office premises and a shopping centre. Inspired by the historical building styles and facades found in the town of Arbon, the Max Dudler architectural practice has designed six buildings, arranged in two offset rows. The style of the buildings, constructed by Implenia in its role as total contractor, refers to the surrounding urban landscape. All of the facades are made of the same materials to give a signature coherence. The fencing-style facade structure creates an interplay between solid masonry and glazed surfaces.

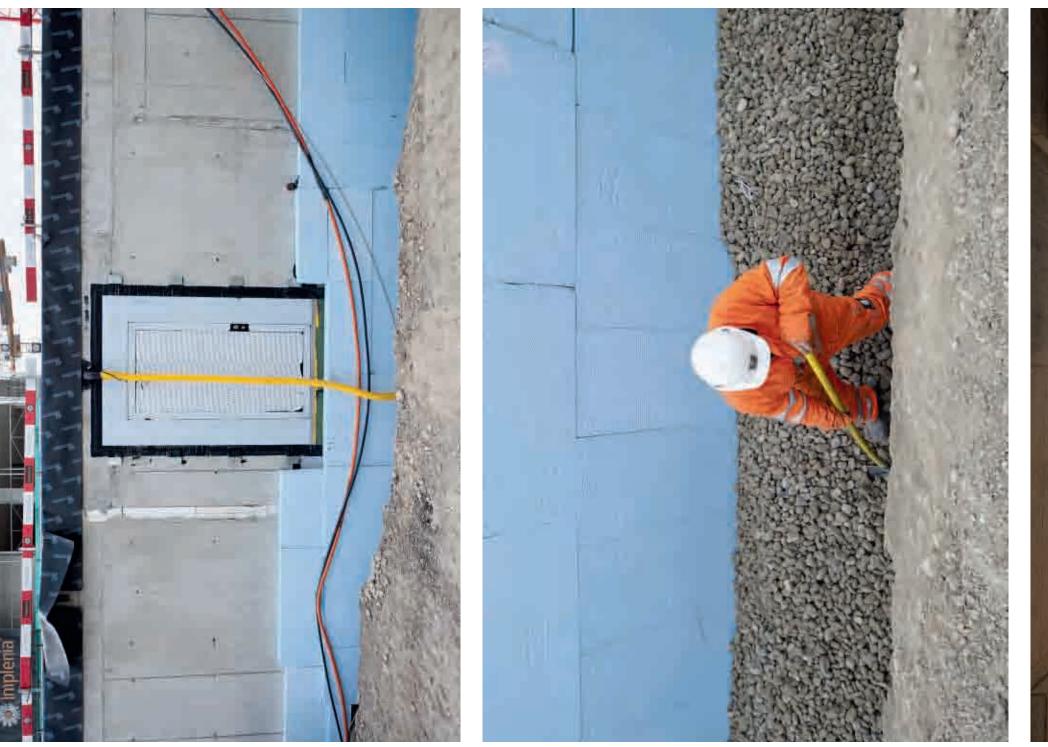
The whole ensemble is held together by a base layer that houses the retail units. The roof of this base layer forms the heart of the development, with public areas, pathways, children's play areas and the eponymous rose gardens. The generous distance between the individual buildings creates a sense of space and allows views over Lake Constance. The buildings are being constructed in line with Minergie-Eco principles and the Minergie standards that apply to retail space. For example, water from Lake Constance is being used as a heat source for the heat pumps.

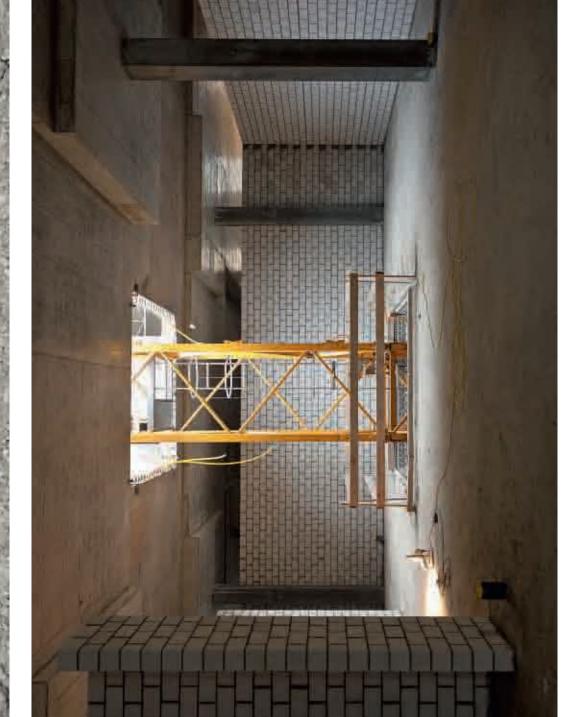
The Rosengarten project is a successful example of Group-wide collaboration within Implenia. The development and planning involved all the departments within Implenia Real Estate, including general contracting, investment management and Reuss Engineering, as well as various parts of Infrastructure Construction: shell construction, civil engineering, wood construction and heat insulation. This interdisciplinary collaboration is producing a highly efficient, highly sustainable building.

Rosengarten

Arbon











# Project |

# FACTS AND FIGURES

# Customer:

Immobiliengesellschaft Manuela AG,Immo Helvetic Immobilienfonds

# Architect:

Max Dudler Architekten AG, Zurich

# Usable retail space:

4,500 m<sup>2</sup>

# Usable office space:

300 m<sup>2</sup>

# Apartments:

74 rental apartments (2½ to 4½ rooms)

# Construction volume:

100,000 m<sup>3</sup>

# Investment:

CHF 65 to 70 million

# Implementation:

January 2010 to July 2012

# Opening of Retail 1–6:

30 Nov. 2011

# Buildings 5+6:

30 Nov. 2011

# Buildings 3+4:

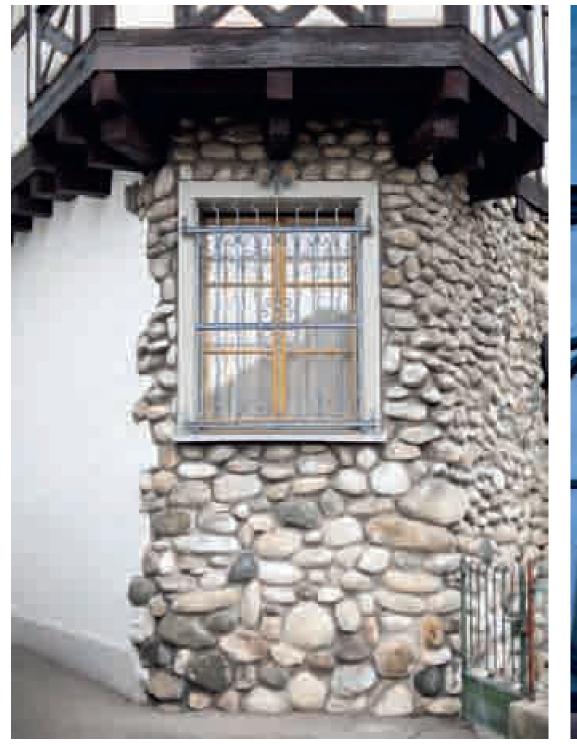
29 Feb. 2012

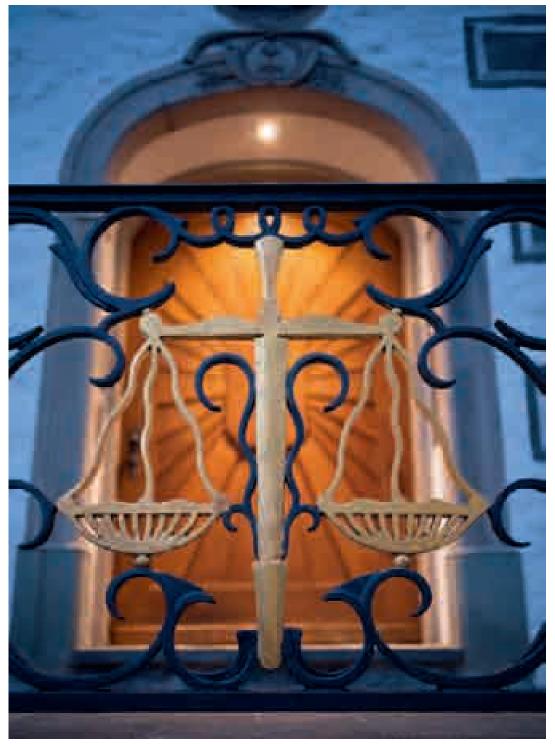
# Buildings 1+2:

31 May 2012

# Handover of whole site:

31 July 2012











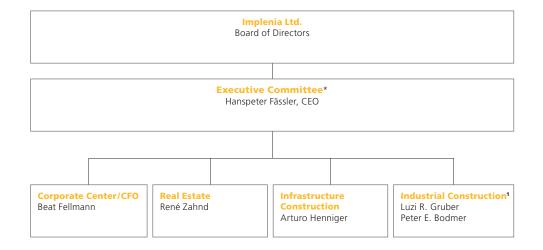
# 96-97

# Corporate Governance

Group structure and shareholders 98 – Capital structure 101 – Board of Directors 105 – Executive Committee 113 – Compensation, shareholdings and loans 117 – Shareholders' participation 118 – Takeover and defence measures 120 – Auditing body 120 – Information policy 121 – Material changes since the balance sheet date 121



CORPORATE GOVERNANCE GROUP STRUCTURE 98-99



# \* Members of the Executive Committee: Hanspeter Fässler, Beat Fellmann, René Zahnd, Arturo Henniger, Luzi R. Gruber and Peter E. Bodmer. At the start of the period under review, Implenia merged the former Tunnel+Total Contracting and Global Solutions Divisions to form

## **Preamble**

As required by the SIX Swiss Exchange Directive on Information Relating to Corporate Governance (Directive Corporate Governance, DCG), this chapter describes those main principles of Implenia Group's organisation and structure that directly or indirectly affect the interests of shareholders and other stakeholders. Unless stated otherwise, information is correct as of the balance sheet date (31 December 2010)

The structuring and numbering of this chapter correspond to the scheme set out in the above directive.

# 1. Group structure and shareholders

#### 1.1 Group structure

Implenia Ltd. is a holding company, which directly or indirectly controls all the companies within the Implenia Group.

# 1.1.1 Operational Group structure

As at 31 December 2010, the Group's operational structure was as shown on page 98.

# 1.1.2 Listed companies within the Group

Implenia Ltd., registered office in Dietlikon (ZH), is a Swiss company that has been listed on the SIX Swiss Exchange (security no. 002386855, ISIN code CH0023868554, abbreviation IMPN) since 6 March 2006. Its stock market capitalization as at 31 December 2010 was CHF 590,180,400. Its consolidated holdings do not include any listed companies.

# 1.1.3 Unlisted companies within the Group

The unlisted companies within the Group, including their names, registered offices, share capital and the stake held by the Group, are listed on pages 230 and 231 in the notes to the financial report.

<sup>1</sup> At the start of the period under review, Implenia merged the former lunnel+ lotal Contracting and Global Solutions Divisions to form the Industrial Construction Division. This Division is headed by Luzi R. Gruber. The Head of the former Global Solutions Division, Peter E. Bodmer, is Co-Head of the new Division and also a Member of the Executive Committee.

CORPORATE GOVERNANCE 100-101

# 1.2 Significant shareholders

The names of known significant shareholders and shareholder groups holding more than 3% of Implenia's share capital as at 31 December 2010 are shown below.

# As per last disclosure notification

Shareholder	Date of disclosure	Total number of shares	Percentage of share capital
Parmino Holding AG/Max Rössler Group	23.11.2009	2,936,950	15.90%
Rudolf Maag	23.11.2009	2,000,000	10.83%
Ernst Göhner Foundation (via EGS Beteiligungen AG)	04.12.2010	1,840,487	9.96%
Ammann Group <sup>2</sup>	04.03.2008	1,156,438	6.26%
BlackRock, Inc. Group <sup>3</sup>	28.12.2010	969,511	5.25%
Cazenove Capital Management Ltd.	20.03.2010	950,000	5.14%
The Capital Group Companies, Inc. Group <sup>5</sup>	10.07.2010	655,000	3.55%

#### As per Share Register on 31.12.2010

Shareholder	Total number of shares	Percentage of share capital	Shares with voting rights	Shares without voting rights
Parmino Holding AG/Max Rössler Group	2,952,200	15.98%	2,952,200	
Rudolf Maag	2,000,000	10.83%	2,000,000	_
Ammann Group	1,556,438	8.43%	1,556,438	
Ernst Göhner Foundation (via EGS Beteiligungen AG) <sup>6</sup>	1,552,356	8.40%	1,552,356	
Chase Nominees Ltd.	997,222	5.40%		997,222
BlackRock, Inc. Group	None registered 7			
Cazenove Capital Management Ltd.	None registered 7			
The Capital Group Companies, Inc. Group	None registered?			

- 2 The Ammann Group includes Ammann Group Holding AG, Madisa AG, the pension funds of the Ammann companies, the Arthur und Emma Ammann Foundation and Katarina Ammann-Schellenberg.
- 3 As well as the parent company BlackRock, Inc. the BlackRock, Inc. Group includes BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock Advisors Holdings, Inc., BlackRock International Holdings, Inc., BlackRock Group Ltd, BlackRock Holdco 4, LLC, BlackRock Holdco 6, LLC, BlackRock Delaware Holdings, Inc., BlackRock Luxembourg Holdco S.à r.l., BlackRock Advisors UK Ltd., BlackRock Institutional Trust Company, N.A., BlackRock (Luxembourg) S.A. and BlackRock Investment Management (UK) Ltd.
- 4 The BlackRock, Inc. Group has reported acquired positions totalling 5.31% (the figure in the table excludes a CFD stake amounting to 11,888 shares [0.06%]).
- 5 The Group based around the holding company The Capital Group Companies, Inc. also includes The Capital Research and Management Company, Capital Guardian Trust Company, Capital International Ltd., Capital International S.à r.l. and Capital International K.K.
- 6 As at 6 January 2011 the stake held by the Ernst Göhner Foundation and EGS Beteiligungen AG came to 6.43% (1,187,114 shares).
- 7 The shares concerned are not registered in the share register ("Dispo" shares).

Between 1 January and 31 December 2010 Implenia Ltd. received the following disclosure notifications concerning shareholdings within the meaning of Articles 20 and 21 of the Federal Act on Stock Exchanges and Securities Trading (Stock Exchange Act, SESTA) of 24 March 1995.

Date of notification	Shareholder	Total number of shares	Percentage of share capital
17.03.2010	Cazenove Capital Management Ltd.	950,000	5.14%
18.03.2010	Implenia Ltd.	672,931	3.64%
18.03.2010	LB (Swiss) Investment Ltd.	630,000	3.41%
19.03.2010	LB (Swiss) Investment Ltd.		<3.0%
06.07.2010	Implenia Ltd.		<3.0%
07.07.2010	The Capital Group Companies, Inc. Group	655,000	3.55%
25.11.2010	BlackRock, Inc. Group	573,615	3.11%
03.12.2010	Ernst Göhner Foundation (via EGS Beteiligungen AG)	1,840,487	9.96%
24.12.2010	BlackRock, Inc. Group	969,511	5.25%

No notifications were received by the SIX Swiss Exchange between 1 January and 22 February 2011.

# 1.3 Cross-shareholdings

There are no cross shareholdings.

#### 2. Capital Structure

#### 2.1 Capital

As at 31 December 2010, the share capital amounts to CHF 51,721,600 divided into 18,472,000 registered shares with a par value of CHF 2.80 each. The shares are fully paid up. Conditional capital amounts to CHF 25,860,800. There is no authorised capital.

# 2.2 Conditional and authorised capital in particular

Capital may be increased conditionally by a maximum of CHF 25,860,800 by issuing a maximum of 9,236,000 registered shares with a par value of CHF 2.80 each to be fully paid up. The capital increase takes place following the exercise of conversion and/or option rights issued in connection with bonds or other financial market instruments of the company and/or of the Group companies. Existing shareholders' preferential subscription rights are excluded. Holders of the relevant conversion and/or option rights are entitled to subscribe to the new registered shares. The Board of Directors fixes the conditions for the conversion and/or the option.

<sup>8</sup> The BlackRock, Inc. Group has reported acquired positions totalling 3.14% (in addition to the figure in the table, a CFD stake amounting to 5,832 shares [0.03%]).

<sup>9</sup> See Footnote 4.

CORPORATE GOVERNANCE 102-103

The Board of Directors may partially or entirely exclude shareholders' preferential subscription rights when bonds or other financial market instruments are issued with conversion and/or option rights if these instruments are being issued to finance or refinance the acquisition of companies, parts of companies, participations or new investment projects, and/or if the instruments are issued on the national or international capital markets. If the Board of Directors resolves that the preferential subscription right will not be granted directly or indirectly, (1.) the bonds or other money market instruments must be issued at market conditions, (2.) the new registered shares must be issued at market conditions, taking due consideration of the stock market price of the registered shares and/or comparable instruments priced by the market, and (3.) it should be possible to exercise the conversion and/or option rights within a period of no longer than 10 years from the relevant issue date.

The acquisition of shares through the exercise of conversion and/or option rights and any subsequent transfer of the registered shares are subject to the registration restrictions pursuant to Art. 7 Para. 4 of the articles of association of Implenia Ltd. (see point 2.6 below).

There were no conditional capital increases in 2010. Neither was there any authorised capital as at 31 December 2010.

# 2.3 Changes in capital over the last three years

Total	681,830	677,340	621,910
Equity	268,327	259,899	248,583
– profit for the year	21,359	20,553	39,905
– profit carried forward	113,616	60,465	54,138
Profit and loss account:			
Voluntary reserve	20,780	20,780	20,780
– other reserve	13,686	13,686	13,686
– Agio	40,873	40,873	40,873
Legal reserve			
Reserve for treasury shares	6,292	38,890	5,313
Share capital <sup>10</sup>	51,721	64,652	73,888
	1,000 CHF	1,000 CHF	1,000 CHF
	31.12.2010	31.12.2009	31.12.2008

<sup>10</sup> The changes in share capital over the last three years shown are due to reductions in par value

# 2.4 Shares and participation certificates

As at 31 December 2010, the share capital is divided into 18,472,000 fully paid-up registered shares with a par value of CHF 2.80 each. Each share entitles the holder to one vote at the General Meeting of Shareholders and to dividends. There are no voting right shares or other shares with similar advantages. There are no participation certificates.

# 2.5 Dividend-right certificates

There are no dividend-right certificates.

# 2.6 Limitations on transferability and nominee registrations

# 2.6.1 Percentage clause

There is no percentage clause which would allow any limitation of transferability of Implenia shares. Pursuant to Art. 7 Para. 4b of Implenia Ltd.'s articles of association, the Board of Directors can refuse to enter an owner of registered shares as a shareholder with voting rights in the Share Register if information available to the company indicates that recognition of this owner as a shareholder would or could prevent the company and/or its subsidiaries from providing the legally required evidence about the composition of its shareholder body and/or the beneficial owners of the shares. In connection with the project development and real estate business run through the corporation's subsidiaries, the corporation is specifically entitled to refuse to register persons abroad (pursuant to the Federal Law of 16 December 1983 on the Acquisition of Real Estate by Persons Abroad, BewG), if such registration could raise any doubt about the Swiss control of the corporation and/or its subsidiaries.

The details of how this article is implemented are set out in the Board of Directors' regulation entitled "Regulations on the Registration of Registered Shares and Keeping of the Share Register of Implenia AG" ("Registration Regulations"). The Registration Regulations are available at www.implenia.com, under the link "Implenia" – "Regulations").

The Registration Regulations state that the Board of Directors shall enter a foreign shareholder in the Share Register as a shareholder with voting rights, provided: (i) the foreign shareholder meets the conditions that apply to all shareholders (points 2 to 4 of the Registration Regulations), (ii) total foreign-owned shares entered with voting rights in the Share Register (including the shares of the foreign shareholder concerned) do not account for more than 20% of all shares entered with voting rights in the Share Register, and (iii) the number of shares entered with voting rights in the Share Register that are held by the foreign shareholder concerned does not exceed 10% of all shares entered with voting rights in the Share Register. Above these limits, foreign shareholders will only be registered if a decision by the competent authorities is presented at Implenia's headquarters to the effect that Implenia and its subsidiaries shall not be considered as foreign controlled even after the new foreign shareholder is entered in the Share Register. Any shareholder falling within the definition of a person living abroad as per Art. 5 of the Federal Law on the Acquisition of Real Estate by Persons Abroad (BewG) in conjunction with Art. 6 BewG, and any nominee who has not disclosed the identity of the shareholders it is representing, shall be considered as a foreign shareholder within the meaning of this clause.

CORPORATE GOVERNANCE 104-105

# 2.6.2 Reasons for granting exceptions

No exceptions were granted during the year under review.

### 2.6.3 Admissibility of nominee registrations

According to section 4 of the Registration Regulations, nominees are persons who do not explicitly declare in their application for registration that they hold the shares for their own account.

According to Art. 7 Para. 4a of the company's articles of association, nominees will be entered in the Share Register with the right to vote if they declare in writing that they are prepared to disclose the names, addresses and shareholdings of any persons for whose account they are holding the shares. Art. 7 Para. 4a of the articles of association says the following:

"Acquirers of registered shares are registered in the Share Register with the right to vote upon request if: (a) they can prove that they acquired and hold these registered shares in their own name and for their own account. Persons who do not provide such evidence shall only be registered as nominees with the right to vote in the Share Register if they undertake in writing to disclose the names, addresses and the number of shares of the persons for whose account they hold shares, or if they disclose this information immediately in writing on first request. The remaining provisions of the articles of association, in particular Articles 4, 11 and 13, apply by analogy to nominees. The board of directors is empowered to enter into agreements with nominees regarding their notification duties".

Pursuant to Para. 4 of the Registration Regulations, the Board of Directors will enter nominees in the Share Register as shareholders with voting rights up to an acknowledged percentage of 1% of the total registered share capital entered in the Commercial Register, as long as the nominees declare in writing that they are prepared to disclose the names, addresses and shareholdings of any person for whose account they are holding the shares, or if they disclose this information immediately in writing on first request. The nominees must have concluded agreements with the Board of Directors regarding their position. Registered shares held by a nominee will only be entered in the Share Register with voting rights above this 1% limit if the nominee concerned discloses the names, addresses, place of residence or domicile and shareholdings of any person for whose account they are holding 0.25% or more of the registered share capital entered in the Commercial Register. Registration as a nominee requires that the nominee has made a valid application using the "Application for Registration as Nominee" form (available at www.implenia.com, then click on "Implenia" – "Regulations" – "Application for Registration as Nominee").

2.6.4 Procedure and conditions for cancelling privileges granted under the articles of association and limitations on transferability

There are no privileges under the articles of association, and the cancellation of transferability restrictions requires a resolution by the General Meeting of Shareholders adopted by at least two thirds of the votes represented at the meeting.

# 2.7 Convertible bonds and options

There are no outstanding convertible bonds or options.

#### 3. Board of Directors

#### 3.1 Members of the Board of Directors

The Board of Directors was reduced in size during the year under review and now has six members. Chairman of the Board of Directors Anton Affentranger and the existing Members of the Board Markus Dennler, Patrick Hünerwadel, Toni Wicki and Phillippe Zoelly were re-elected at the General Meeting of Shareholders on 14 April 2010. James Lionel Cohen and Ian Andrew Goldin stepped down from the Board. Claudio Generali and Urs Häner did not make themselves available for re-election. Hans-Beat Gürtler was elected as a new Member of the Board of Directors.

None of the Members of the Board of Directors has an operational management role in the company or any of its subsidiaries.

Anton Affentranger, as Chairman of the Board and CEO from 6 April 2009 until 31 August 2010, and as Member of the Executive Committee until 30 September 2010, served as Executive Member of the Board of Directors of Implenia. Otherwise no Member of the Board of Directors was part of Implenia Ltd.'s Executive Committee or part of the operational management team of any Group company in the three years before the period under review.

No Member of the Board of Directors maintains significant business relations with the Implenia Group.

CORPORATE GOVERNANCE BOARD OF DIRECTORS 106-107













# 1 Anton Affentranger

(born 1956, Swiss)

Anton Affentranger has been Chairman of the Board of Directors since March 2006; and from 6 April 2009 to 31 August 2010 (as Chairman of the Board of Directors and CEO) and until 30 September 2010 (as Member of the Executive Committee) he was Executive Member of the Board of Directors. He is also the founder and chairman of Affentranger Associates AG and chairman of various private start-ups. He worked for UBS in New York, Hong Kong and Geneva, and was a Member of the bank's Executive Board at its head office in Zurich. He was also partner and CEO of the private bank Lombard Odier & Cie and CFO of Roche Holding AG. In 1999 he joined the Board of Directors of Zschokke Holding AG, becoming Chairman in 2003. Anton Affentranger graduated from the University of Geneva with an economics degree.

# 2 Markus Dennler

(born 1956, Swiss)

Markus Dennler has been Vice Chairman of the Board of Directors since March 2006. He is also a Member of the Board of Directors of Swissquote Holding AG, Petroplus Holdings AG and Allianz Suisse, and is a Member of the Board of the British-Swiss Chamber of Commerce. He joined Credit Suisse Group in 1986, and became a Member of the Executive Boards of the Group's Winterthur Insurance and Credit Suisse Financial Services arms. At the beginning of 2005 he set up his own business as a lawyer in Zurich. He was Chairman of the Board of Directors of Batigroup Holding AG between 2005 and the company's merger with Zschokke Holding AG in 2006. Markus Dennler earned a degree and a doctorate in law from the University of Zurich and qualified to practice in Zurich.

#### 3 Hans-Beat Gürtler

(born 1946, Swiss)

Hans-Beat Gürtler has been a Member of the Board of Directors since April 2010. He is management partner at Varuma AG, a privately held Swiss investment company in Basel. He is also a Member of the Board of Basilea Pharmaceutica AG in Basel, and a Member and President of the Boards of Directors of several private Swiss-based companies, most of them start-ups and SMEs, primarily in the pharma/biotech sector. Prior to joining Varuma, he held the position of Global CEO at Novartis Animal Health, which researches into, develops, produces and markets animal pharmaceuticals for pets and farm animals. Previously, Mr. Gürtler held various management positions with increasing responsibility at Ciba-Geigy Ltd. As CEO of Mahissa, Ciba-Geigy's seeds business in Spain, he lived in Barcelona for several years. Hans-Beat Gürtler holds a commercial diploma.

#### 4 Patrick Hünerwadel

(born 1959, Swiss)

Patrick Hünerwadel has been a Member of the Board of Directors since March 2006. He is a partner at the Lenz & Staehelin law firm (since 1994) and he teaches courses in company law and general law of obligations at the University of Saint Gallen. He was a Member of the Board of Directors of Batigroup Holding AG from 1997, and Vice Chairman from 1999 until the merger with Zschokke Holding AG. He holds a degree and a doctorate in law from the University of St. Gallen. Patrick Hünerwadel qualified to practice in Zurich.

#### 5 Toni Wicki

(born 1944, Swiss)

Toni Wicki has been a Member of the Board of Directors since March 2006. From April 2009 to August 2010 he was the Board's Independent Lead Director. He is a Member of the Supervisory Board of Rheinmetall AG, of the Board of Directors of Nitrochemie AG, and of the Board of Trustees of the Stiftung Museum und historisches Material der schweizerischen Luftwaffe. He was previously CEO and Delegate of the Board at RUAG Holding and before that held various positions in technology businesses, including ABB and Leica. He was Chief of Weaponry for the Swiss Army. Until its merger with Batigroup Holding AG, he was Vice Chairman of the Board of Directors of Zschokke Holding AG. Toni Wicki qualified as a mechanical engineer from the Federal Institute of Technology in Zurich.

## **6 Philippe Zoelly**

(born 1948, Swiss)

Philippe Zoelly has been a Member of the Board of Directors since March 2006. He is a partner at a law firm in Geneva. He works mainly on consultancy, negotiation and court-room litigation in commercial matters, particularly in the fields of civil liability and insurance law, bankruptcy law and copyright management. He also takes on official mandates as a fiduciary and company administrator. He is a Member of the Board of Directors of the Swiss Society of Authors (Société Suisse des Auteurs – SSA) and chairman of the SSA's Emergency Fund. He was a Member of the Board of Directors of Zschokke Holding AG from 2005. Philippe Zoelly holds a degree in law from the University of Fribourg and qualified to practice in Geneva.

CORPORATE GOVERNANCE 108-109

#### 3.2 Other activities and vested interests

This information is given above in the individual profiles of each Board Member.

#### 3.3 Elections and terms of office

# 3.3.1 Principles of the election procedure and limits on terms of office

The General Meeting of Shareholders of 14 April 2010 re-elected five board members individually, and elected Hans-Beat Gürtler as a new Member of the Board of Directors. Unless they resign or are removed from the Board prematurely, Board Members serve a two year term of office commencing on the date of their election and ending on the date of the Ordinary General Meeting of Shareholders at the end of their terms of office. Members of the Board of Directors can be re-elected at any time, but they are subject to an upper age limit of 70 years; when they reach this age limit, they must leave the Board at the next Ordinary General Meeting of Shareholders. The Chairman, the Vice Chairman and the Secretary are appointed by the Board of Directors.

# 3.3.2 First election and remaining term of office

The dates on which each Member of the Board of Directors was first elected, as well as the dates of their re-election and details of their remaining terms of office are given in the following table:

First elected	Re-elected	Term ends 2012 AGM	
20.12.2005	14.04.2010		
20.12.2005	14.04.2010	2012 AGM	
14.04.2010		2012 AGM	
20.12.2005	14.04.2010	2012 AGM	
20.12.2005	14.04.2010	2012 AGM	
20.12.2005	14.04.2010	2012 AGM	
	20.12.2005 20.12.2005 14.04.2010 20.12.2005 20.12.2005	20.12.2005 14.04.2010 20.12.2005 14.04.2010 14.04.2010 20.12.2005 14.04.2010 20.12.2005 14.04.2010	

# 3.4 Internal organisational structure

#### 3.4.1 Allocation of tasks within the Board of Directors

There is no formal distribution of responsibilities within the Board of Directors except for the Chairman's powers of authority as described here. In general, the tasks and powers of the Chairman are as defined in the law, the articles of association, Implenia Ltd.'s Organisational Regulations (referred to hereinafter as "Implenia's OR") and the functions diagram, plus any tasks and powers delegated by specific resolutions of the Board of Directors (Section 2.8a para. 1 Implenia's OR).

The Chairman chairs meetings of the Board of Directors. The Chairman is empowered to nominate the Members of the Board of Directors of the companies in which Implenia has a shareholding of at least 50%. He is authorised in emergencies to perform tasks normally reserved for the Board of Directors if a decision cannot be taken by the Board in time, and if the Chairman may reasonably expect the Board to agree with his actions. In such cases he must inform the Members of the Board of Directors immediately about what he has done. In addition, the Chairman has the right to obtain information from the Members of the Executive Committee at any time (Section 2.3c and 2.8 of Implenia's OR).

If the Chairman is unable to carry out his duties or exercise his powers, the Vice Chairman, or if necessary another Member of the Board of Directors to be specified, shall do so in his place (Section 2.8d Implenia's OR).

3.4.2 Members list, tasks and areas of responsibility for each committee of the Board of Directors

The Board of Directors has formed three committees – the Audit Committee, the Nomination and
Remuneration Committee and the Strategy Committee. These committees analyse the relevant areas
and submit reports to the Board of Directors so it can prepare decisions or perform its monitoring
function. The Chairs of the individual committees inform the Board of Directors about all major points
and give recommendations for the decisions that have to be taken by the Board as a whole. The committees' powers are set out in Implenia's OR and in the regulations of each committee. The Lead Director Committee was disbanded during the year under review when the CEO function was transferred
from the Chairman of the Board of Directors to Hanspeter Fässler. It has been replaced by the Strategy
Committee.

The committees and their memberships are shown in the table below:

Member of the Board of Directors	Audit Committee	Nomination and Remuneration Committee	Strategy Committee
Anton Affentranger	•		• (Chair)
Markus Dennler		• (Chair)	•
Hans-Beat Gürtler		•	•
Patrick Hünerwadel	•		
Toni Wicki	• (Chair)		
Philippe Zoelly		•	

The Audit Committee is made up of at least three Members of the Board of Directors. As the Board of Directors' control committee, the Audit Committee is responsible for internal controls and the correct application of accepted and statutory accountancy principles. It coordinates and harmonises the work of the internal and external auditors. It is responsible for regular communication between internal and external auditors and the Board of Directors. It formulates instructions for the internal and external audit bodies. It has the authority to order special audits where necessary (Section 3.1 Implenia's OR).

The Nomination and Remuneration Committee is made up of at least three Members of the Board of Directors. It prepares the Board of Directors' and the Executive Committee's succession planning and helps the Board of Directors select suitable candidates for posts on the Board of Directors and the Executive Committee. The Nomination and Remuneration Committee helps the Board of Directors and CEO to decide on remuneration at the company's most senior levels, i.e. the Board of Directors and the Executive Committee (Section 3.2 Implenia's OR).

The Strategy Committee is made up of at least three Members of the Board of Directors. It helps the Board of Directors and the Executive Committee determine corporate development and strategy. It also performs any other related tasks delegated to it by the Board of Directors (Section 3.3 Implenia's OR).

CORPORATE GOVERNANCE 110-111

The members of the Audit Committee, the Nomination and Remuneration Committee and the Strategy Committee are appointed by the Board of Directors. Each of these committees organises itself and draws up its own regulations, which must be approved by the Board of Directors.

The committees are advisory bodies; decision-making power is reserved for the Board of Directors as a whole.

#### 3.4.3 Work methods of the Board of Directors and its committees

The Board of Directors and its committees meet as often as business requires, but at least six times a year (Board of Directors) and twice a year (committees). Meetings take place at the invitation of the relevant chairperson. Invitations shall be accompanied by an agenda and meeting documents. In addition, each member is entitled to request that a meeting be convened and can request that items are included on the agenda. Each meeting is chaired by the Chair. Meetings are quorate if the majority of members are in attendance; the Board of Directors and its committees pass resolutions and elect members by simple majority of votes cast by attending members. If votes are tied, the person chairing the meeting has the casting vote (in addition to his normal vote). Minutes are taken of all meetings. Members of the Executive Committee regularly participate without voting rights in meetings of the Board of Directors and its committees, as does the auditor in meetings of the Audit Committee (Section 2.3 and 2.4 Implenia's OR).

During the year under review, the Board of Directors held eight meetings, convened by its Chairman, with one of these meetings taking the form of a telephone conference. The average length of its meetings was five hours. The telephone conference lasted one hour. Before the CEO function was passed onto Hanspeter Fässler, the Executive Committee was represented at the meetings by Anton Affentranger as Chairman and CEO. Following the handover, the new CEO attended at least part of the two remaining meetings of the Board of Directors. The CFO attended at least part of all the meetings that took place during the year under review.

The Audit Committee met three times during the year under review. The average duration of these meetings was three hours. The new CEO, the Chairman and former CEO, the CFO and the Head of Finance and Controlling (F&C) took part in all meetings of the Audit Committee. The auditor attended at least part of every committee meeting during the year under review.

The Nomination and Remuneration Committee met seven times. The average duration of these meetings was three hours. The new CEO or the Chairman and former CEO took part in the Committee meetings. In addition, the CFO and the Head of Human Resources sometimes attended the meetings.

The Strategy Committee did not meet during the year under review. After the CEO function changed hands, the Strategy Committee replaced the Lead Director Committee, which had met twice without the Chairman and former CEO in attendance. The average duration of these meetings was three hours. In addition, the Independent Lead Director held monthly discussions with the Chairman and former CEO.

### 3.5 Definition of areas of responsibility

In accordance with Implenia's OR, the Board of Directors has delegated the management of Implenia Ltd. and its subsidiaries to the CEO, with the exception of the responsibilities that are reserved for the Board itself by the law, the articles of association and Implenia's OR.

The CEO is responsible for operational management to the extent that it is not assigned to other bodies by the law, articles of association or Implenia's OR. He is responsible for managing the Group's business and for representing the Group, and especially for its operational management and for implementing strategy. He is empowered to arrange and/or carry out the duties and powers of authority assigned to him by Implenia's OR, unless these are reserved for the Board of Directors. The CEO delegates management of the business in accordance with Implenia's OR to the Members of the Executive Committee (Section 4.2a Implenia's OR). The CEO informs the Chairman of the Board of Directors and the Board of Directors when required and on request about the general business performance, about specific transactions and about decisions he has taken. Unusual events must be brought to the attention of the Chairman of the Board of Directors and if necessary to the Members of the Board of Directors without delay, either in writing or verbally (Section 4.2b Implenia's OR).

The Members of the Executive Committee have full operational responsibility for managing their allocated business areas. They are responsible for the results achieved by their allocated areas and they report to the CEO (Section 4.3 Implenia's OR).

As well as the powers of authority reserved under Art. 716a of the Swiss Code of Obligations, the Board of Directors also decides on the following major areas of business as shown on the function diagram: production in Switzerland and abroad worth more CHF 150 million (Implenia's part); parts worth more than CHF 200 million of general and total contracting business in Switzerland and abroad; consultancy, engineering and management in Switzerland and abroad worth more than CHF 15 million (Implenia's part): choosing partners for collaboration on projects of all types (joint ventures and other forms) worth more than CHF 200 million; promotional and development projects (standard promotions) with maximum funding requirement (real case) over CHF 15 million; non-budgeted purchases and sales of land, buildings and sites (operational property) worth more than CHF 15 million; unbudgeted physical assets worth more than CHF 15 million; purchase or sale of holdings (enterprise value) worth more than CHF 10 million; starting or ending long-term joint ventures or strategic partnerships; obtaining debt capital of more than CHF 50 million; granting loans to third parties of more than CHF 2 million; long-term financial investment (more than three months) of more than CHF 15 million; issuing group guaranties, warranties, bid. performance and payment bonds, etc., other collateral and contingent liabilities outside normal business activity worth more than CHF 2 million; and initiating legal proceedings or agreeing settlements involving sums of more than CHF 15 million.

CORPORATE GOVERNANCE 112-113

### 3.6 Information and control instruments vis-a-vis the Executive Committee

To monitor how the CEO and Members of the Executive Committee perform the tasks entrusted to them, the Board of Directors has the following information and control tools at its disposal:

	Annual	Half-yearly	Quarterly	Monthly
MIS (Management Information System)				•
Financial statements				
(balance sheet, income statement,				
operating accounts, cash flow statement,				
by division and consolidated)			•	
Budget				
(by division and consolidated)	•			
Rolling three-year plan				
(by division and consolidated)	•			
Risk management report		•		

The MIS (Management Information System) provides monthly reporting on how business is going. The MIS report contains information about turnover, margins, costs and the operating result, plus information about orders on hand, capital spending, invested capital, liquidity and headcount. The relevant documents are submitted to the Executive Committee and the Board of Directors together with a quarterly updated commentary and an estimate for the year as a whole.

The accounts are reported every quarter with the IFRS financial report and the internal reporting, which details the business performance to date and gives an estimate of year-end figures.

As part of the budget planning for the following year, the key figures used in the MIS are estimated on the basis of expected economic developments, and defined along with the business goals for each division. These are then used to prepare the budgeted balance sheet, income statement, cash flow statement and liquidity position.

The annual planning for the coming three calendar years (rolling three-year plan) is done in the same way as the budget.

Operational and financial risks for each division are assessed by the relevant operational manager every six months and consolidated by the finance department. The Head of F&C presents a commentary on and explanation of the risk management report directly to the Audit Committee.

The internal control system is examined by the external auditor, which reports its findings to the Board of Directors in accordance with the law (Art. 728a Para. 1 clause 3 and 728b Para. 1 SCO).

The reporting tools mentioned above are prepared by the finance department and presented simultaneously in consolidated form to the Board of Directors and the Executive Committee. The reporting is presented and explained by the CFO and Head of F&C at the Executive Committee and Audit Committee meetings. The Executive Committee presents the Board of Directors with a detailed analysis at each meeting of the Board.

The CEO, the CFO and the Head of F&C take part in all meetings of the Audit Committee. They provide detailed information about the business performance, make any necessary comments about this and answer questions from the members of the Audit Committee.

The Board of Directors has hired a well-known audit company for the internal audit function. Internal audit reports are produced and given to the Audit Committee together with the necessary comments and recommendations. The Internal Audit Unit reports directly to each meeting of the Audit Committee. The Internal Audit Unit's reports are given to the external auditors without qualification. There is regular communication between the internal and external auditors.

#### **4. Executive Committee**

During the year under review Chairman of the Board of Directors Anton Affentranger was also CEO until 31 August 2010 and a Member of the Executive Committee until 30 September 2010. Hanspeter Fässler has been CEO since 1 September 2010. As such, he is responsible for the management of Implenia Ltd. and its subsidiaries. He heads the Executive Committee, which is divided into different divisional responsibilities, each with its own head. René Zahnd has also been a Member of the Executive Committee since 1 March 2010.

#### 4.1 Members of the Executive Committee

(see next page)

# 4.2 Other activities and interests

This information is given below in the individual profiles of each Member of the Executive Committee.

# 4.3 Management contracts

There are no management contracts with third parties.

CORPORATE GOVERNANCE EXECUTIVE COMMITTEE 114-115



# René Zahnd, Beat Fellmann, Arturo Henniger, Hanspeter Fässler, Peter E. Bodmer and Luzi R. Gruber (from left)

# Hanspeter Fässler

(born 1956, Swiss)

Hanspeter Fässler took over as CEO on 1 September 2010. After studying mechanical engineering at ETH Zurich, where he also gained his doctorate, and at Stanford University in the USA, he joined ABB in 1989. He took on various increasingly senior management roles in Sweden and Switzerland, primarily in the automation and building technology sectors. In 2004 he was put in charge of ABB Switzerland, and from 2006 he was responsible for 14,000 employees as ABB's Regional Manager Mediterranean and Country Manager of ABB Italy. Since 2004 Hanspeter Fässler has been a Member of the Board of Directors of Dätwyler Holding AG as well as the affilated Pema Holding AG and Dätwyler Führungs AG.

#### **Beat Fellmann**

(born 1964, Swiss)

Beat Fellmann has been Implenia's CFO and Head of Corporate Center since October 2008. He graduated with a degree in economics from the University of St. Gallen, and he is also a qualified auditor. He began his career as an internal auditor with the international industrial Group Bühler, where he became assistant to the CEO and Chairman before becoming a specialist in financing projects. In 1998 he joined Holcim Group, where he was Head of Financial Holdings. In this role he reported to the CFO and was responsible for all financial and holding companies worldwide. In January 2005 Beat Fellmann became deputy Group CFO at Holcim and was also made responsible for Group tax, as well as for the management company's IT, finance and controlling.

#### Luzi R. Gruber

(born 1951, Swiss)

Luzi R. Gruber is in charge of the Industrial Construction Division, which within Implenia Construction Ltd. includes the Underground Construction and Total Contracting businesses. He graduated in civil engineering from the Federal Institute of Technology (FIT) in Zurich and was teaching and scientific assistant to Prof. Christian Menn at the FIT from 1976 to 1979. From 1979 to 1993 he was site manager, project manager and operational manager at LGV Impresa Costruzioni SA; from 1993 to 1996, head of production for the Eastern region of SA Conrad Zschokke; from 1996 to 1997, head of Division IV of the Stuag SA Group; and from 1997, he was in charge of the tunnels & bridges section and a member of management at Batigroup. In this capacity, he headed the Major Projects and Infrastructure East divisions. L.R. Gruber is the chairman of the steering committee of Swissconditions (SIA 118 standards) within the Swiss Association for Standardisation (SNV), a member of the managing committee of the INFRA trade association, and of the SIA (specialists in underground construction), as well as a member of the Normenbeirat Bau (NBB).

## **Arturo Henniger**

(born 1956, Swiss)

Arturo Henniger is in charge of the Infrastructure Division, which within Implenia Construction Ltd. includes buildings, roads and civil engineering works, engineering construction works and special works. After graduating as an engineer from the Federal Institute of Technology in Zurich, he worked from 1982 to 1988 as a director of works for different companies in South Africa and Italy. From 1988 to 1997 he worked for Locher & Co AG as site manager for various major tunnelling projects. He joined the Zschokke Group in 1988. As Head of Industrial Projects Arturo Henniger headed Zschokke Locher SA until its merger in 2005 with Zschokke Construction SA, at which point he took over the management of that company.

CORPORATE GOVERNANCE EXECUTIVE COMMITTEE CORPORATE GOVERNANCE

#### Peter E. Bodmer

(born 1964, Swiss)

Peter E. Bodmer is Co-Head of the Industrial Construction Division (international activities). Since 2006 he has been a Member of the Board of Directors of Züblin Immobilien AG and since 2008 of Peach Property Group AG. After completing an apprenticeship as a mechanical engineer and basic training in engineering at the FIT Zurich, he studied at the University of Zurich, where he was awarded his degree in economics in 1993. In 2003 he earned an MBA from the IMD, Lausanne. P. E. Bodmer occupied various positions in two industrial companies before joining the Krebsöge Group (then part of Maag Group) in 1995 in Germany, where he worked as Associate Manager and Chief Financial Officer. He was subsequently appointed by the company that bought Krebsöge Group (initially American Group Sinter Metals Inc. and then British company GKN plc) as CFO Europe, Chief Information Officer and Head of Human Resources with responsibility for integrating all European companies of the GKN Sinter Metals (Europe) Group. In 1999, he became Chief Financial Officer and Chief Operating Officer of the listed company Maag Swiss Real Estate Group, until its merger with SPS Swiss Prime Site. Peter E. Bodmer joined the Zschokke Group in 2005, where he ran what was then the Real Estate division.

#### René Zahnd

(born 1966, Swiss)

René Zahnd has headed the Real Estate Division since 1 March 2010. In this capacity, he manages Implenia General Contractor Ltd., Implenia Development Ltd., Implenia Immobilien AG, Reuss Engineering Ltd, and Tetrag Automation Ltd. He studied law and is qualified to practice as an attorney. He worked in a law firm and at Berner Cantonal Bank, specializing in construction, planning and real estate law. His in-depth experience in the construction and real estate industry began when he became head of legal services at Losinger Construction AG. In 2004 he took over operational responsibility for project development in Losinger's central region. In 2007 he moved to Berne-based general contractor Marazzi, where he was responsible for project development in German-speaking Switzerland. From May 2009, René Zahnd was in charge of Implenia's project development in German-speaking Switzerland, and in this role was a Member of Implenia Real Estate's Executive Board.

# 5. Compensation, shareholdings and loans

# 5.1 Content and method of determining the compensation and shareholding programmes

The compensation of serving Members of the Board of Directors and Members of the Executive Committee is determined every year by the Board of Directors in response to proposals from the Nomination and Remuneration Committee and after considering the market situation. Swiss industrial, semi-industrial and construction companies of a comparable size to Implenia Ltd. are used as the reference market. The compensation paid to the Board of Directors was assessed during the year under review and adjusted on the basis of benchmark analyses against other Swiss companies working in the construction and associated industries, such as Forbo Holding AG, Geberit AG and Sika AG. During the year under review, compensation was decided for the next two years, i.e. up until the Ordinary General Meeting of Shareholders in 2012.

116-117

In preparation for a new management system to be introduced during the course of 2011 for all technical and commercial staff, the compensation paid to Members of the Executive Committee was analyzed by the consultancy firm Hay Group during the year under review. It evaluated the functions performed by Members of the Executive Committee using the Hay Group Guide Chart-Profile Method. It put together a reference market of functions with similar value, determined median and quartile values for the individual components of remuneration within this reference market, and then compared these values with the compensation actually paid to Members of the Executive Committee. The reference market included comparable functions from Switzerland's top executive market. It focused on companies from the industrial and semi-industrial sectors including Caterpillar S.A.R.L., Hilti (Schweiz) AG, Holcim Group Support Ltd., Honeywell AG, Karl Steiner AG, Schindler, Siemens Switzerland Ltd. Building Technologies Group, Sika AG and Treuhand Liegenschafts Immobiliengesellschaft. The consultancy firm has no further mandates with the issuer.

The Board of Directors has decided to propose to the Ordinary General Meeting of Shareholders on 19 April 2011 that it approve the Board's and the Executive Committee's compensation with a consultative vote.

#### **Board of Directors**

Serving Members of the Board of Directors receive fixed compensation. The Members of the Board of Directors receive annual compensation for the services they perform. This covers the period between two Ordinary General Meetings of Shareholders. The amount of compensation depends on the function performed by the individual member within the Board, the work done in the committees, and the actual time spent. Two thirds of this amount is paid in cash and a third in the form of shares, except in the case of one Member of the Board who is paid exclusively in cash. The shares are blocked for a period of three years.

#### **Executive Committee**

The remuneration of Members of the Executive Committee is paid in two parts, one in cash, and the other in shares. The shares are paid out at the beginning of the next year and are blocked for three years. The amount paid in cash includes a fixed component (paid every month) and a variable component. The part paid in shares is fixed. The variable component of the cash remuneration depends on the attainment of financial targets set by the Board of Directors. These targets are determined on the basis of the annual budget and are made up as follows:

- a) 50% determined by achieving the budgeted EBITDA
- b) 50% determined by achieving the budgeted invested capital.

CORPORATE GOVERNANCE 118-119

The Nomination and Remuneration Committee determines whether the targets have been achieved once the annual results are available. The variable part of cash remuneration is paid if the targets are reached. Exceeding one or both of the targets leads to a proportional increase in the variable amount (up to a maximum of 200%); conversely, failure to reach the target leads to a proportional reduction (down to zero).

In December, the Board of Directors, in response to a proposal by the Nomination and Remuneration Committee, determines the fixed portion of the remuneration paid to the Executive Committee for the following year. The Nominations and Remuneration Committee drafts a proposal on the amount to be paid to each Member of the Executive Committee, which is analysed and ratified by the Board of Directors. Additional information on compensation pursuant to Art. 663b SCO can be found in the notes to the financial statements on pages 240–245 of the financial report.

The CEO's remuneration is based on the same principles as those used for the other Members of the Executive Committee, but also includes a variable element in the form of shares. Also, the fixed share element is paid every quarter rather than once a year. The variable part is determined according to the criteria outlined above. There is a three-year blocking period for both the fixed and variable share payments. In addition, the CEO receives a one-off payment in three instalments that are paid to him at the year-end.

The remuneration paid to the Chairman of the Board of Directors during the period in which he was also CEO was fixed. It comprised one part paid in cash, and one part in the form of shares. It was paid monthly apart from the shares, which were paid out quarterly. The shares are blocked for trading for three years.

During the year under review a new share option plan, valid from March 2010, was introduced for employees of Implenia companies and Implenia pension foundations based in Switzerland. Under this share option programme employees, including Members of the Executive Committee, have the opportunity each spring and autumn to buy Implenia Ltd. registered shares on preferential terms (currently at a discount of 30% to the average stock market price for the month in question). Members of the Executive Committee can buy shares worth up to their gross monthly salary each calendar year. Purchased shares are blocked for a period of three years. The share option programme was approved by the Board of Directors; Members of the Board are not entitled to participate. The programme and its conditions are periodically reviewed by the Executive Committee and may be altered at any time. Changes affecting Members of the Executive Committee have to be approved by the Board of Directors.

# 6. Shareholders' participation

# 6.1 Voting rights and representation restrictions

6.1.1 Voting rights may be refused (i) to shareholders which, when requested to do so by the company, do not expressly declare that they acquired and hold the shares in their own name and for their own account or, if acting as nominees, they do not declare in writing that they are prepared to reveal the names, addresses and number of shares held of the persons for whom they hold the shares, or if they do not immediately disclose this information on first request (Art. 7 Para. 4a of Implenia Ltd.'s articles of association), (ii) if the recognition of a purchaser as a shareholder may prevent the company from providing the proof required by law concerning the composition of its body of shareholders (Art. 7 Para. 4b of Implenia Ltd.'s articles of association). As mentioned above, the Board of Directors may reach agreements with nominees about their disclosure obligations (see section 2.6 above and www.implenia.com in the section "Implenia" – "Regulations").

- 6.1.2 No exceptions were granted during the year under review.
- 6.1.3 The above restrictions on voting rights prescribed by the articles of association can be removed by changing the articles of association, which requires a resolution of the General Meeting of Shareholders approved by at least two thirds of the votes represented (Art. 16 of the articles of association of Implenia Ltd.).
- 6.1.4 In accordance with Art. 13 Paras. 3–5 of the articles of association, a shareholder may be represented at the General Meeting of Shareholders by another shareholder with voting rights, using the power of attorney attached to the admission card, or by its legal representatives. Company representatives and depository proxies as well as independent proxies designated by the company do not have to be shareholders of the company. Minors and persons in guardianship may be represented by their legal representative, married persons by their spouse and legal entities by an authorised signatory or by another authorised representative; this applies even if such representatives are not shareholders of the company. The chairperson of the General Meeting of Shareholders shall decide on the admissibility of a representative.

# 6.2 Statutory quorums

The General Meeting of Shareholders makes its resolutions by the majorities stipulated by law. The articles of association do not stipulate any different majorities, except for the one needed for the removal or simplification of the restriction on the transferability of shares, which requires a resolution of the General Meeting of Shareholders approved by at least two thirds of the votes represented (Art. 16 of the articles of association of Implenia Ltd.). Resolutions about mergers, demergers and transformations are governed by the provisions of the Swiss Mergers Act.

# **6.3 Convocation of the General Meeting of Shareholders**

The General Meeting of Shareholders is convened by notice published in the Swiss Official Gazette of Commerce. Holders of registered shares may also be informed in writing (Art. 11 of the articles of association of Implenia Ltd.). The Board of Directors decides on the location of the General Meeting of Shareholders.

# 6.4 Inclusion of items on the agenda

Shareholders who together represent shares with a par value of CHF 1,000,000 may request that an item appear on the agenda. Requests to include an item on the agenda must be received in writing by the company at least 45 days before the General Meeting of Shareholders.

# 6.5 Inscriptions into the share register

Shareholders who are entered with voting rights in the Share Register at 12 noon on 23 March 2011 shall be sent an invitation to the General Meeting of Shareholders. Shareholders who are entered in the Share Register after this date but before 7 April 2011, shall be sent the invitation when they are entered in the Share Register. No entries with voting rights will be made in the Share Register from 7 April 2011 up to and including 19 April 2011. The cut-off date for acquiring the right to vote at the General Meeting of Shareholders is 6 April 2011, 5 p.m.

CORPORATE GOVERNANCE 120-121

# 7. Changes of control and defence measures

# 7.1 Duty to make an offer

Implenia Ltd.'s articles of association contain no "opting out" or "opting up" clauses.

# 7.2 Clauses on changes of control

Apart from the following provision, no takeover agreements have been made with the Members of the Board of Directors, the Members of the Executive Committee or other executives.

In his employment contract, the CFO is granted a right of early termination in the event that Implenia Ltd. loses its character as a major listed company. This termination right only comes into effect if Implenia Ltd. is delisted as the result of a public takeover offer, if major parts of the business are demerged or sold, or if Implenia Ltd. becomes the subsidiary of a foreign company. In the event of such termination, the person concerned shall receive his fixed salary (excluding any variable component) for the ordinary notice period plus a period of 12 months (with income offset if new employment is found). This provision applies until 1 October 2011.

## 8. Auditing body

# 8.1 Duration of the mandate and term of office of the lead auditor

Since 2006 the auditor has been PricewaterhouseCoopers AG (Zurich). The duration of the auditing mandate given to PricewaterhouseCoopers AG is one year. This began on 14 April 2010.

The lead auditor, Willy Wenger, has been responsible for the audit mandate since 2 March 2006. The lead auditor's mandate must not be for a term of more than seven years.

# 8.2 Auditing fees

During the year under review, total fees invoiced by the auditing company came to CHF 1,045,000.—.

#### 8.3 Additional fees

Total additional fees for the current financial year come to CHF 693,860.—. These fees were paid for consultancy services rendered in relation to due diligence-activities of the accounts (CHF 315,260.—) and tax consulting (CHF 378,000.—).

# 8.4 Informational instruments pertaining to an external audit

The main task of the Audit Committee is regularly and effectively to monitor the auditor's reporting to ensure its quality, integrity and transparency.

Representatives of the auditors attended parts of all meetings of the Audit Committee during the financial year. The auditing schedule, including fees, is presented to and discussed with the members of the Audit Committee. The auditor presents any important observations in writing to the Audit Committee together with appropriate recommendations.

# 9. Information policy

Implenia follows an open and transparent information policy. The most important information is communicated regularly as follows:

- Annual results: March
- (publication of the annual report, press conference and analysts' event)
- Half-year results: August/September (publication of the half-year report, press conference and analysts' event)
- General Meeting of Shareholders: April

For further information we refer interested parties to our press releases and our letters to share-holders, as well as to our website (www.implenia.com), where important information for investors is available under the links "Investor Relations", "Media – Media Releases" and "Media – News". Investors can also register to receive important information by e-mail by following the "News Service" link.

General information is available from the following contact address:

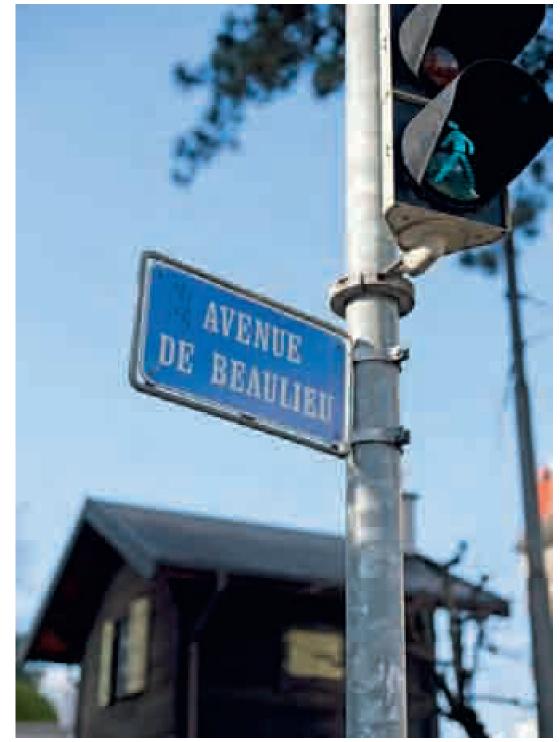
Philipp Bircher Implenia Management Ltd. Industriestrasse 24 CH-8305 Dietlikon Tel. +41 (0)44 805 45 23 Fax +41 (0)44 805 45 20 E-Mail philipp.bircher@implenia.com

# **Material changes since the balance sheet date:**

None.







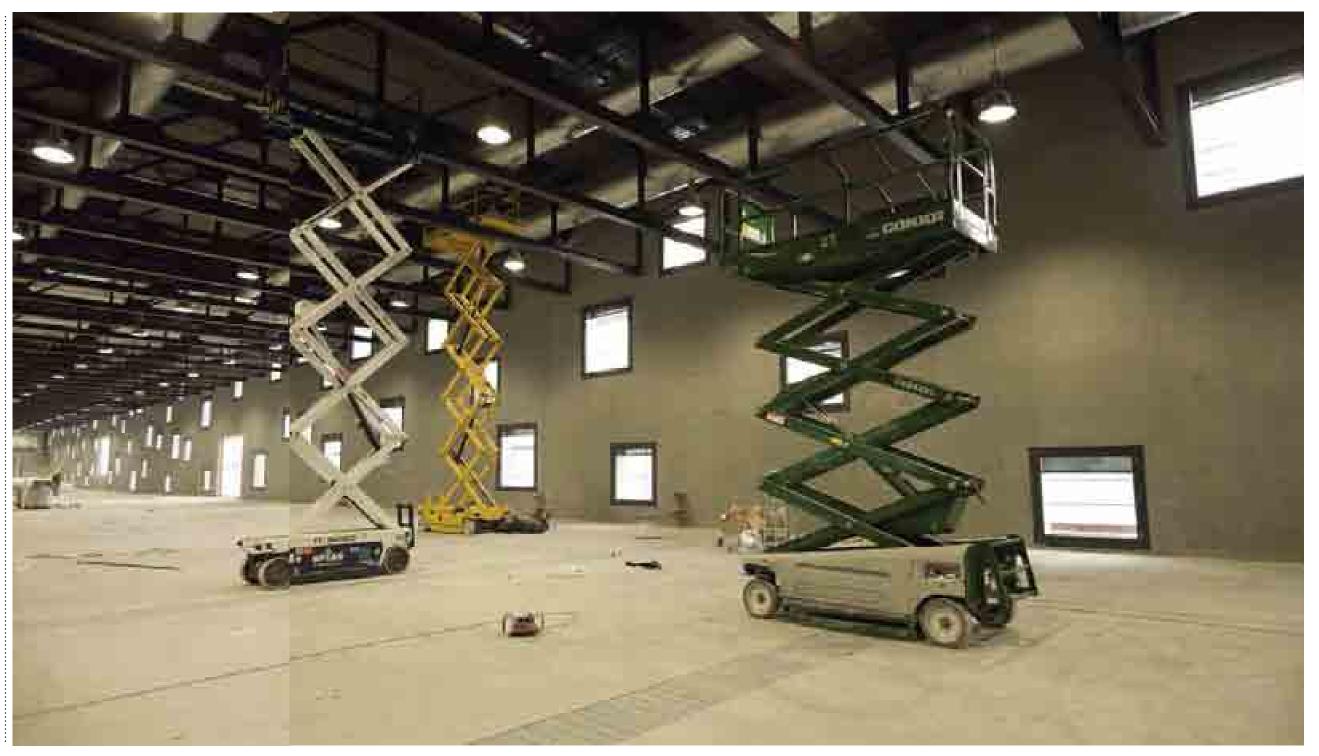
# Project |

The Palais de Beaulieu, with its 50,000 m² of exhibition space, 30 rooms and large auditorium, is one of the most visited places in the city of Lausanne. The conference and exhibition centre is now undergoing a complete overhaul as part of the "Beaulieu 2020" project. Implenia, as general contractor, was awarded the contract for the second phase of the project: the renovation of the two-storey South Exhibition Halls.

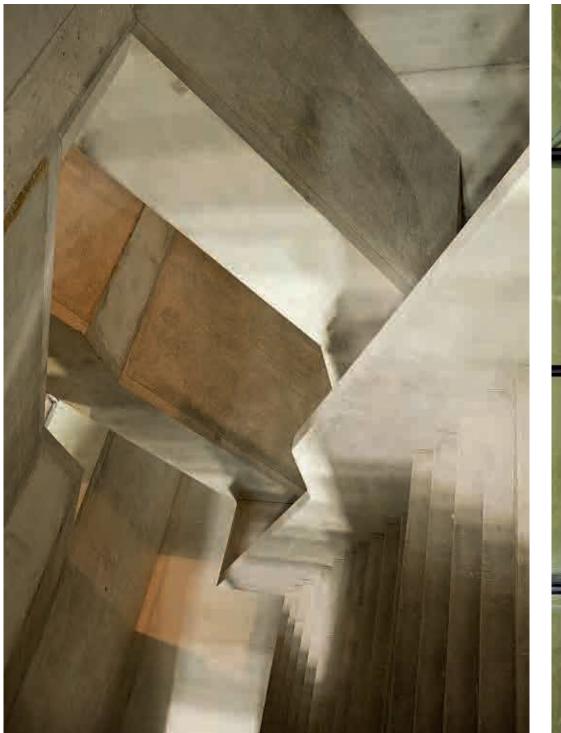
The Group's biggest challenge lay in the extremely tight timetable. The building had to be ready by the start of March 2011 so the "Habitat-Jardin 2011" exhibition could be held as planned. Implenia began the construction work in mid-March 2010. The building's shell, which required 10,000 m³ of concrete and 1,100 tonnes of reinforced steel, was completed in October 2010. One of the special features of the project is its application of Minergie-approved sustainable construction standards. Building materials need to fulfil environmental criteria, the 150 or so windows are triple glazed, and the buildings are linked up to Lausanne's district heating network.

Implenia has brought vast experience from different areas of construction to the project. This includes its skills as a general contractor, its experience with sophisticated construction using reinforced steel, and its knowledge of how to manage a building site in the middle of a city – with all that this entails for logistics, health and safety, and minimising noise and dust. Last but not least, close cooperation between Implenia's two divisions, Infrastructure Construction and Real Estate, have made it possible to complete the project within the scheduled 11 months.

**Beaulieu Exhibition Halls**Lausanne

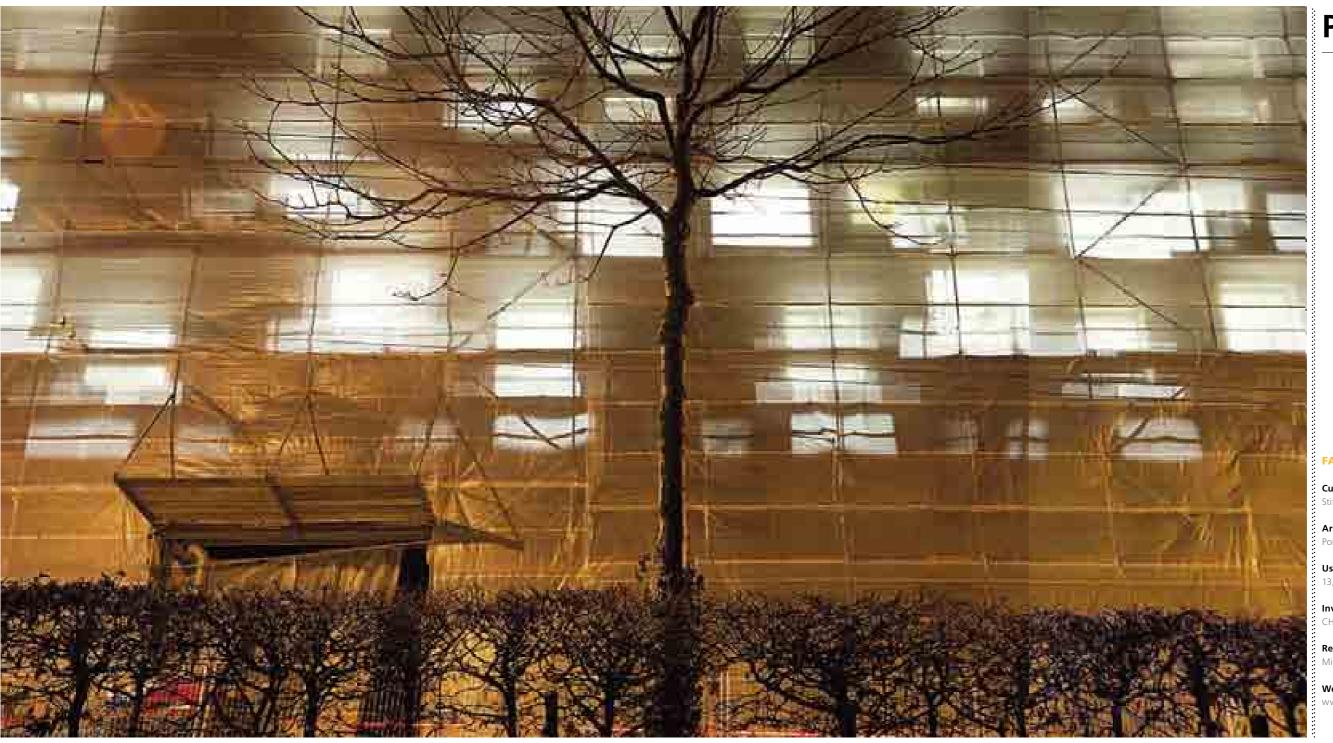












# Project |

### FACTS AND FIGURES

### Customer:

Stiftung Fondation de Beaulieu, Lausanne

### Architect:

Pont 12 architectes SA, Lausanne

Usable space: 13,600 m² (gross, excl. storage space and techni

### Investment:

CHF 45 million (project total for Implenia: CHF 3

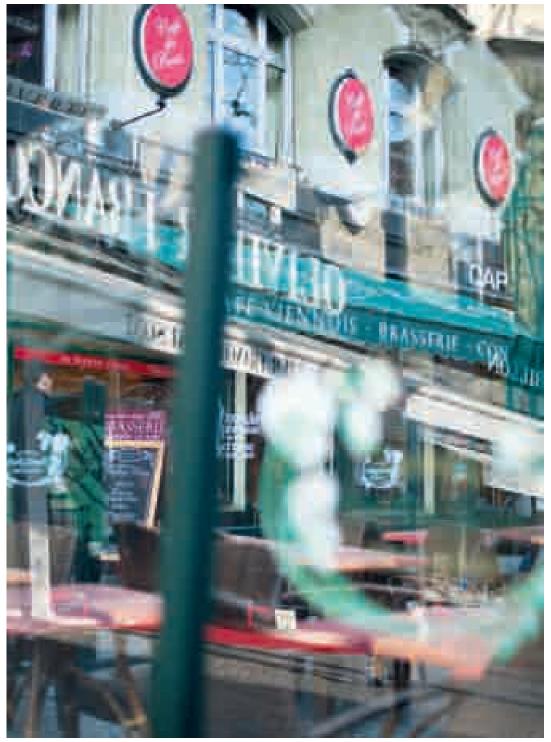
### Realisation:

Mid-March 2010 to start of March 2011

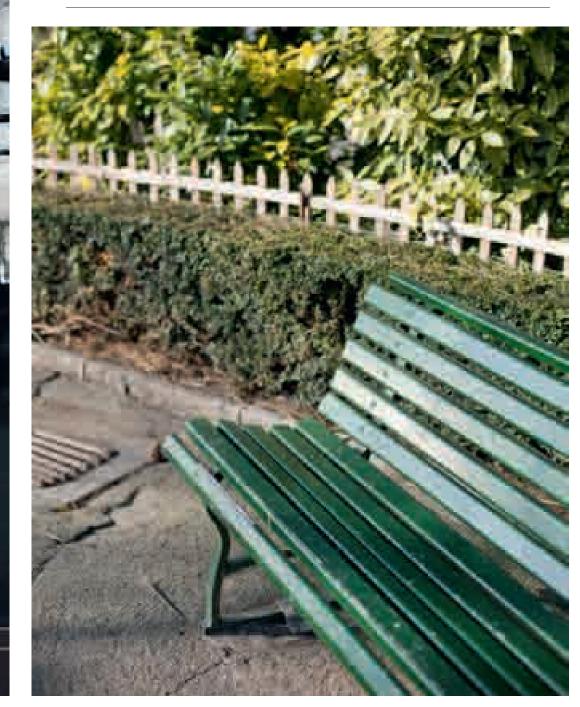
#### Website:

www.beaulieu2020.ch





# Place Riponne | Rue Pierre Viret Lausanne



## Financial Reports

134-135

Consolidated Financial Statements of the Implenia Group – Consolidated income statements 136 – Consolidated comprehensive income 137 – Consolidated balance sheets 138 – Statement of changes in consolidated equity 140 – Consolidated cash flow statements 142 – Notes to the consolidated financial statements of Implenia 144 – Report of the statutory auditor on the consolidated financial statements 234 – Statutory Financial Statements of Implenia AG – Income statement 236 – Balance sheet 237 Notes to the Statutory Financial Statements 238 – Report of the statutory auditor on the financial statements 248



### **Consolidated income statements**

		1.131.12. 2010	1.1.–31.12. 2009
	Notes	CHF 1000	CHF 1000
Consolidated revenue	5	2,388,418	2,279,835
Materials and sub-contractors	6	(1,480,942)	(1,412,677)
Staff costs	7	(655,035)	(639,828)
Other operating expenses	9	(147,030)	(126,887)
Depreciation and amortisation		(34,894)	(36,960)
Income from associates		7,141	4,160
Operating income	5	77,658	67,643
Financial expenses	10	(13,791)	(7,173)
Financial income	10	4,174	2,163
Profit before tax		68,041	62,633
Tax	11	(15,583)	(15,578)
Consolidated profit		52,458	47,055
Attributable to:			
Shareholders of Implenia AG		51,470	45,918
Non-controlling interests		988	1,137
Basic earnings per share (CHF)			
Basic earnings per share	30	2.88	2.56
Diluted earnings per share	30	2.88	2.56

The accompanying notes form part of the consolidated financial statements.

### **Consolidated comprehensive income**

	1.1.–31.1 20	
No	tes CHF 10	000 CHF 1000
Consolidated profit	52,4	<b>.58</b> 47,055
Foreign exchange differences	(11,46	<b>54)</b> (159)
Market adjustment of financial instruments	23 3,2	.62 –
Taxes on market adjustments	(51	18) –
Consolidated comprehensive income	43,7	46,896
Attributable to:		
Shareholders of Implenia AG	42,7	<b>45,759</b>
Non-controlling interests	9	1,137

### **Consolidated balance sheets**

ASSETS		31.12.2010	31.12.2009
	Notes	CHF 1000	CHF 1000
Cash and cash equivalents	12	349,274	128,749
Marketable securities	13	346	1,042
Trade receivables	14	395,234	408,903
Work in progress	15	228,891	246,836
Joint ventures	16	23,770	2,613
Other receivables	17	39,989	20,809
Raw materials	18	21,843	20,754
Real estate transactions	19	217,983	168,732
Prepaid expenses and accrued income		24,157	25,812
Total current assets		1,301,487	1,024,250
Property, plant and equipment	20	221,053	222,574
Investment Property	21	7,732	_
Investments in associates	22	42,675	36,274
Other financial investments	23	16,712	15,755
Pension assets	27	12,411	5,177
Intangible assets	24	73,323	75,269
Deferred tax assets	28	1,610	2,495
Total non-current assets		375,516	357,544
Total assets		1,677,003	1,381,794

The accompanying notes form part of the consolidated financial statements.

### **Consolidated balance sheets**

(continued)

EQUITY AND LIABILITIES	31.12.2010	31.12.2009
Notes	CHF 1000	CHF 1000
Financial liabilities 25	1,605	42,180
Trade payables	217,347	240,579
Work in progress 15	499,204	477,452
Joint ventures 16	44,218	45,113
Other current liabilities	44,577	37,018
Current tax payables	18,495	7,007
Prepaid income and accrued expenses	70,867	64,510
Provisions 26	8,873	_
Total current liabilities	905,186	913,859
Financial liabilities 25	198,155	673
Deferred tax liabilities 28	47,950	30,299
Provisions 26	30,228	10,623
Total non-current liabilities	276,333	41,595
Share capital 29	51,722	64,652
Treasury shares 29	(6,292)	(38,890)
Reserves	392,094	348,757
Net profit attributable to shareholders	51,470	45,918
Share capital and reserves attributable to shareholders	488,994	420,437
Non-controlling interests	6,490	5,903
Total equity	495,484	426,340
Total equity and liabilities	1,677,003	1,381,794

### **Statement of changes in consolidated equity**

			>	>		Reserve	es				
	Share capital	Treasury shares		Capital r		Revaluation reserve	Foreign exchange differences	Retained earnings	Total shareholders' equity	Non-controlling interests	Total equity
Notes	CHF 1000	CHF 1000		CH	F 1000	CHF 1000	CHF 1000	CHF 1000	CHF 1000	CHF 1000	CHF 1000
Equity as at 1.1.2010	64,652	(38,890)		12	7,120	2,906	(4,302)	268,951	420,437	5,903	426,340
Consolidated comprehensive income						2,744	(11,464)	51,470	42,750	988	43,738
Dividends							_	_	_	(396)	(396)
Par value repayments 31	(12,930)	396			_		_	_	(12,534)		(12,534)
Change in treasury shares		32,202			5,693		_	(3,433)	34,462		34,462
Share-based payment	_	_			_	_	_	3,433	3,433	_	3,433
Change in non-controlling interests	_	_			_	_	_	=	_	(5)	(5)
Change in scope of consolidation					_	_	_	446	446		446
Total changes in equity	(12,930)	32,598			5,693			446	25,807	(401)	25,406
Total equity as at 31.12.2010	51,722	(6,292)	>	>13	2,813	5,650	(15,766)	320,867	488,994	6,490	495,484
Equity as at 1.1.2009	73,888	(5,312)		12	7,120	2,906	(4,143)	223,796	418,255	4,983	423,238
Consolidated comprehensive income							(159)	45,918	45,759	1,137	46,896
Dividends							_			(217)	(217)
Par value repayments 31	(9,236)	146						_	(9,090)		(9,090)
Change in treasury shares		(33,724)		<u></u>				(2,395)	(36,119)	_	(36,119)
Share-based payment								1,632	1,632		1,632
Total changes in equity	(9,236)	(33,578)						(763)	(43,577)	(217)	(43,794)
Total equity as at 31.12.2009	64,652	(38,890)	>	>12	7,120	2,906	(4,302)	268,951	420,437	5,903	426,340

### **Consolidated cash flow statements**

	1.131.12. 2010	1.131.12. 2009
Notes	CHF 1000	CHF 1000
Consolidated profit	52,458	47,055
Depreciation and amortisation	34,894	36,960
Change in pension assets	(7,234)	1,430
Other positions without impact on liquidity 34	4,610	7,869
Distributions from associates 22	3,705	3,119
Profit on sale of fixed assets/financial investments	(6,621)	(3,178)
Change in current assets 34	57,627	30,999
Interest paid	(2,662)	(3,357)
Interest received	2,013	823
Taxes paid	(274)	(2,582)
Cash flow from operating activities	138,516	119,138
Investments in property, plant and equipment 20	(39,496)	(36,503)
Disposals of property, plant and equipment 20	7,910	8,353
Investments in other financial investments and associates	(6,447)	(5,112)
Disposals of other financial investments and associates	6,605	7,049
Investments in intangible assets 24	(24)	(271)
Disposals of intangible assets 24	_	_
Purchases of businesses 34.3	(67,144)	_
Cash flow from investing activities	(98,596)	(26,484)
Increase in financial liabilities 25	630,223	650,240
Reduction of financial liabilities 25	(473,316)	(689,374)
Purchase of treasury shares	(22,311)	(36,264)
Sale of treasury shares	60,205	2,408
Par value repayment 31	(12,533)	(9,125)
Non-controlling interests (change in scope of consolidation/dividends)	(396)	(218)
Cash flow from financing activities	181,872	(82,333)
Foreign exchange differences on cash and cash equivalents	(1,267)	64
Change in cash and cash equivalents	220,525	10,385

### **Consolidated cash flow statements**

(continued)

		1.131.12. 2010	1.1.–31.12. 2009
	Notes	CHF 1000	CHF 1000
Cash and cash equivalents at the start of the period	12	128,749	118,364
Cash and cash equivalents at the end of the period	12	349,274	128,749
Change in cash and cash equivalents		220,525	10,385

#### 1 General information

Implenia AG is a Swiss company with its registered office in Industriestrasse 24 in Dietlikon, Zurich. The shares of Implenia AG are listed on the SIX Swiss Exchange.

The German version of the financial statements is the original version. The English and French versions are non-binding translations.

Implenia's business activities are described in notes 2.4 and 5 on segment reporting.

The consolidated report as at 31 December 2010 was approved by the Board of Directors of Implenia AG on 3 March 2011, prior to the General Meeting. In accordance with Art. 698 of the Swiss Code of Obligations [SCO], the General Meeting must consider the consolidated financial statements. The consolidated financial statements are audited by the statutory auditor PricewaterhouseCoopers AG, Zurich.

Unless otherwise stated, the figures in the annual report are given in thousands of Swiss francs.

#### 2 Summary of significant accounting policies

The consolidated financial statements of Implenia have been prepared in accordance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB) and the IFRIC Interpretations. With the exception of balance sheet items measured at fair value, the consolidated financial statements are based on historical cost.

Management estimates and judgements for the purposes of financial reporting affect the values of reported assets and liabilities, contingent liabilities and assets on the balance sheet date and expenses and income during the reporting period. Actual values may differ from these estimates.

With the exception of the following standards, revisions and interpretations of standards that were applied for the first time from the financial year beginning 1 January 2010, the accounting principles applied in the 2010 consolidated annual financial statements are identical to those published and described in the 2009 annual report.

- IFRS 3 (revisions) Business Combinations and correspondingly the revisions to IAS 27 Consolidated and Separate Financial Statements, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures are due to be applied to business combinations acquired in the first financial year beginning on or after 1 July 2009. The revised standard requires agreed adjustments in acquisition-related costs dependent on future events to be recognised and any interests already held in an acquired business to be remeasured at fair value and recognised in profit or loss. In addition, transaction costs must be recognised as expenses as they are incurred and no longer form part of the acquisition price. Revisions to IAS 27 Consolidated and Separate Financial Statements: the effects of changes in the interests held by Implenia in a Group company that do not result in a loss of control are recognised in equity.

The following new standards and revisions and interpretations of standards have been applied for the first time from the financial year beginning 1 January 2010:

- IFRIC 17
- IFRIC 18
- IFRIC 19
- Amendment to IAS 32
- Annual improvements project 2009

The International Accounting Standard Board (IASB) has published the following new standard. Application of this standard is not mandatory in financial year 2010. It has been decided not to apply the standard prematurely.

- IFRS 9 Financial instruments
- Annual improvements project 2010
- IAS 24 (revised)

#### 2.1 Scope of consolidation

The consolidated financial statements of Implenia include the financial statements of Swiss-domiciled Implenia AG and its subsidiaries. Subsidiaries are companies directly or indirectly controlled by Implenia AG. Control is defined as the ability to control the financial and operating activities so as to obtain benefits from them. This is usually the case where Implenia controls directly or indirectly more than 50% of the company's voting rights or potential voting rights that can be exercised at any given time. Companies acquired in the course of the reporting year are recognised in the consolidated accounts from the date of the transfer of control of the activities and all companies sold are recognised up to the date of the transfer of control to the purchaser. Credit balances, liabilities, transactions and unrealised gains between subsidiaries are completely eliminated from the consolidated accounts. Changes in ownership interests in subsidiaries are recognised as a transaction in equity even if control existed beforehand and continues to exist.

Investments in associates (defined as companies in which Implenia has 20–50% of voting rights or over which Implenia can otherwise exercise significant influence) are accounted for under the equity method.

#### 2.2 Material changes in the scope of consolidation

Acquisition of Russian Land Implenia Holding Ltd., Nicosia (CY):

as at 31 December 2009, Implenia held 50% of Russian Land Implenia Holding Ltd., Nicosia (CY). This company holds 100% of the shares in Russian Land Implenia Ltd., Moscow (RU). As no control could be exercised, Russian Land Implenia Holding Ltd., Nicosia (CY) was measured and recognised as an associate (see note 36 of the consolidated financial statements as at 31 December 2009).

After the joint venture in Russia was dissolved, Implenia acquired the shares of the partner (50% of Russian Land Implenia Holding Ltd., Nicosia (CY)) on 13 April 2010 for a purchase price of TCHF 0. No material transaction costs arose. As Implenia held 100% of the shares of Russian Land Implenia Holding Ltd., Nicosia (CY), and Russian Land Implenia Ltd., Moscow (RU) as at 30 June 2010, both companies were fully consolidated.

Russian Land Implenia Holding Ltd., Nicosia (CY) was allocated to the segment Implenia Industrial Construction (IIC).

Acquisition of Sulzer Immobilien AG, Winterthur (CH):

On 31 August 2010, Implenia announced the acquisition of Sulzer Immobilien AG, Winterthur (CH). On 27 October 2010, it was announced that the Swiss Competition Commission had approved the purchase. As a result, Implenia holds 100% of the share capital of Sulzer Immobilien AG, Winterthur (CH) including its real estate, land and land in development in the industrial and central areas in the city centre of Winterthur and in Oberwinterthur. This company was therefore fully consolidated on 27 October 2010.

The purchase price for the acquisition of all the shares was CHF 83.2 million. The purchase price was paid on 27 October and 10 November 2010. Based on the final purchase price allocation, the identifiable net asset values of Sulzer Immobilien AG, Winterthur (CH) were CHF 83.2 million (of which CHF 16 million was cash and cash equivalents). No goodwill arose as a result of the transaction. The transaction costs were CHF 1.8 million and were recognised under other operating expense.

In the financial year from 1 January to 31 December 2010, Sulzer Immobilien AG generated net income of CHF 22.9 million and revenue of CHF 15.8 million. Sulzer Immobilien AG was fully consolidated on 27 October 2010. For the period from 27 October to 31 December 2010, Sulzer Immobilien AG generated net income of CHF 1.3 million and revenue of CHF 2.3 million.

Sulzer Immobilien AG, Winterthur (CH) was allocated to the Real Estate segment.

Through the purchase of Sulzer Immobilien AG, Winterthur, Implenia also acquired a portfolio of real estate in the amount of CHF 65 million for which sales contracts already exist. These will be completed by the acquisition of Sulzer Immobilien AG, but have no effect on the liquidity and income statement of Implenia. The purchase price of CHF 65 million for the real estate is due on completion (when the Swiss land registry office issues notification that the real estate purchase contracts have been entered in the land registry). At the same time, Implenia will be compensated in the amount of the purchase price by the third-party purchaser of the real estate. After receipt of the money, payment will be made to the Sulzer Group. The value of these properties was therefore offset against the outstanding liabilities.

#### 2.2 Material changes in the scope of consolidation (continued)

	2010
	CHF 1000
Cash and cash equivalents	16,050
Trade receivables	
Work in progress and inventories	
Other receivables	336
Real estate transactions	110,178
Prepaid expenses and accrued income	3,790
Property, plant and equipment	
Investment Property	1,606
Other financial investments	250
Goodwill	
Current liabilities	(54)
Trade payables	(1,440)
Work in progress	
Other liabilities	(624)
Current taxes	(1,693)
Prepaid income and accrued expenses	(7,576)
Deferred taxes	(15,120)
Provisions	(22,219)
Identifiable net assets acquired	83,484
Purchase price	83,194
Fair value of old shares	290
Identifiable net assets acquired	(83,484)
Gains or losses on changes in the scope of consolidation	
Cash received	16,050
Cash paid	(83,194)
Net outflow of cash	(67,144)

The identifiable net assets shown reflect the acquisition of Russian Land Implenia Holding Ltd., Nicosia (CY) and Sulzer Immobilien AG, Winterthur (CH).

#### 2.3 Consolidation principles

The annual reporting period of the individual Group companies ends on 31 December.

Business combinations where the Group assumes control over another company are accounted for using the purchase method. The costs of an acquisition are calculated by adding together the fair values of the assets paid to the seller and the liabilities incurred or assumed at the time of the transaction. Revised IFRS 3 requires agreed adjustments in acquisition-related costs dependent on future events to be recognised in the purchase price and any interests already held in an acquired business to be remeasured at fair value and recognised in profit or loss. In addition, transaction costs must be recognised as costs as they are incurred and no longer form part of the acquisition price. Identifiable assets, liabilities and contingent liabilities acquired are recognised in the balance sheet at their fair value at the time of the acquisition, irrespective of the size of the minority interests. Costs exceeding the Group's share of the fair value of the identifiable net assets are recognised as goodwill. Companies acquired or sold during the course of the financial year are recognised in the consolidated financial statements from the date of their acquisition or until the time of their sale.

### 2.3.1 Factors affecting the comparability of annual results Implenia Industrial Construction (IIC) – new division

As part of the redefinition of the Group's vision, the organisational structure was changed at the start of 2010 and a new division called Industrial Construction (IIC) was created. This combines the activities of the former Tunnel+Total Contracting division (now Tunnelling) and Global Solutions (now Prime Building Abroad) and shown accordingly in the segment report. As only the names of the segments have been altered, the figures have not changed. The allocation of goodwill to the cash-generating units is not affected as a result.

To obtain more reliable and relevant information, the cost allocation of the general cost types within other operating expenses (table in note 9) in the income statement for the period 1 January 2010 to 31 December 2010 was redefined. The previous year was changed accordingly.

CONSOLIDATED FINANCIAL STATEMENTS OF THE IMPLENIA GROUP

## Notes to the consolidated financial statements of Implenia

#### 2.4 Segment reporting

The Group's operating segments are defined on the basis of the organisational units for which the Group's board of directors compiles reports. The Group comprises the following segments:

#### 2.4.1 Real Estate

The Real Estate segment comprises General Contracting, Services and Real Estate. As a full service provider, Real Estate covers all stages of the real estate lifecycle from raising capital to development and realisation, right through to operational optimisation and promotion.

#### 2.4.1.1 General Contracting

This includes activities such as the coordination, engineering and planning of real estate projects, carrying out building work as a general and total contractor, and technical facility management.

#### 2.4.1.2 Project development

This includes designing and drawing up real estate projects. The unit transforms visions and ideas into sustainable real estate projects and provides further services in investment management and investor search.

#### 2.4.2 Infrastructure Construction

This unit is active all areas of traditional construction. This includes road building and foundation projects, infrastructure facilities in civil engineering, concrete restoration, bridge and avalanche protection construction, foundation construction and building projects (new and renovations), gravel production and tile manufacturing.

#### 2.4.3 Industrial Construction (IIC)

#### 2.4.3.1 Tunnelling (previously Tunnel+TC Construction Works)

This unit is primarily concerned with realising complex construction projects in Switzerland and abroad as a builder and total contractor. Amongst the services provided are tunnel construction, underground engineering, the construction of power plants in the mountains and along rivers and railway technology.

#### 2.4.3.2 Prime Buildings International (previously Global Solutions)

This includes activities such as planning, project management and consulting for projects in the prime building sector abroad.

#### 2.4.4 Misc. / Holding

This category contains any Implenia costs that cannot be allocated to a segment. Included here are Group companies with no activities, holding company overheads, deferred taxes recognised at Group level and retirement benefit obligations. Note 37 pairs each Group company with its segment.

The segments have their own management structures and internal reporting systems and are therefore classed and reported as separate operating segments. Certain functions of the headquarters are shown under Misc./Holding. These include procurement, financing & controlling, human resources, IT, investment management, marketing/communication, legal services and insurance.

#### 2.4.5 Notes on the segment reporting

Transfer pricing between the operating segments is based on the arm's-length principle. The operating assets and liabilities of the segments that are reported comprise property, plant and equipment, intangible assets, trade receivables and payables, inventories, and other assets and other liabilities such as provisions that can be reliably allocated to the reported segments. Assets and liabilities not allocated to the segments mainly comprise current and deferred tax receivables and payables, as well as pension assets/liabilities to employee benefit plans.

The Board of Directors exercises the role of chief operating decision maker as defined in IFRS 8. The Board regularly receives internal reports so it can assess performance and allocate Group resources. Implenia is broken down for this internal reporting into the above-mentioned segments. The chief operating decision maker receives segment information in the same level of detail as shown in the segment reporting.

#### 2.5 Related parties

This covers joint ventures, associates and other related parties. Please refer to the relevant sections for information on joint ventures and associates.

Other related parties mainly comprise officers and directors of Implenia (members of management in key positions), their related parties and the companies at which these persons exercise a senior management function. Significant influence exists in particular where a person exercises a senior management function at another company as a member of the Board of Directors or the Executive Committee and explicitly, i.e. as part of his contractual duties, represents the interests of Implenia or acts as a representative of Implenia.

Significant influence is otherwise assumed if one or more senior managers at Implenia can use their (senior) management position at the other company to exert a direct influence on the conditions applying to actual transactions with Implenia (e.g. contractual terms, prices, etc.). This is the case, for example, if Implenia or the senior management person also has a significant equity interest in the other company or if the other company conducts significant transactions with Implenia. Other types of arrangement may also lead to significant influence being exercised. The officers and directors of Implenia comprise the members of the Board of Directors and the members of the Executive Committee of Implenia.

#### 2.6 Foreign currencies

The consolidated financial statements of Implenia are denominated in Swiss francs (CHF). The functional currencies of foreign subsidiaries are the local currency. In subsidiaries, monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate on the balance sheet date. Transactions are reported at the rate on the day. All exchange rate differences are recognised in the income statements of these companies.

Income, expenses and cash flows of the consolidated companies are translated at the average monthly rate for the reporting period in CHF. Balance sheet items are translated at the closing rate. Translation differences relating to equity, non-current group-internal financing transactions in connection with net investments in foreign subsidiaries, retained earnings and other equity items and net income in the reporting periods are recognised directly within the cumulative foreign exchange differences under consolidated comprehensive income. Currency gains and losses accumulated under consolidated comprehensive income are recognised in the income statement upon deconsolidation.

#### 2.7 Revenue

Consolidated revenue includes all income from the different activities of Implenia. In the General Contracting and Construction Works segments, customer contracts are recognised in accordance with the percentage-of-completion method. Revenue, including share of profits, is recognised on the basis of the proportion of the total service to be provided that is actually completed during the reporting year. Future expected losses from contracts are recognised when measuring the value of contracts or are deferred and recognised as additional costs. Price overshoots, additional services and share of profit are recognised in proportion to the progress of the construction. For contracts in joint ventures, only the service actually performed by the company in the joint venture and its share of the profits of the joint venture are recognised as revenue. Revenue under services is calculated on the basis of the proportion of the service actually provided to the customer up to the balance sheet date.

IFRIC 15 provides guidance for determining if an agreement for the construction of real estate falls within the scope of IAS 11 Construction Contracts or of IAS 18 Revenue and therefore when revenues from the construction work should be recognised. An agreement for the construction of real estate is deemed to be a construction contract falling within the scope of IAS 11 only if the purchaser is able to influence the key elements prior to the start of the construction work and/or amend the key elements after the construction work has started (irrespective of whether the purchaser has made use of this option). If the purchaser has this option, IAS 11 must be applied. If the purchaser does not have this option, IAS 18 must be applied.

For the Real Estate segment, revenue includes the income from the sale of real estate and total contracting work, as well as temporary leases (in expectation of the sale of the property). Income from the sale is recognised when the risks and rewards are transferred, i.e. at the time ownership is transferred, which is normally upon entry in the official land registry. Reductions in income, such as rebates or discounts directly related to the services charged, are deducted from revenue.

#### 2.8 Pension liabilities

Pension liabilities from defined benefit plans are calculated annually by independent actuaries using the projected unit credit method. They correspond to the net present value of future expected payments needed to meet the liabilities from employee service in the current period and in previous periods. The plan assets are recognised at fair value. Non-vesting past service costs, including any amounts in relation to employees in retirement, arising from changes in the pension plans are immediately recognised in the income statement. Gains or losses arising from plan curtailments or settlements are immediately recognised through profit or loss.

The effect of changes in actuarial assumptions and experience adjustments to the values of assets and liabilities from defined benefit plans are recognised in the income statement using the corridor method in accordance with IAS 19.

#### 2.9 Share-based payments

The benefits from share-based compensation (the difference between the market value of the shares distributed and the sales proceeds) are reported as staff costs. Costs in relation to shares that are not distributed until the following year are recognised fully in the year in which the service is provided as they are not contingent on future performance. The arrangements are agreed each year by the Board of Directors. All the employees benefit from an employee profit-sharing plan as defined in the regulations. Under this plan, employees are able to acquire, twice a year, set number of Implenia AG shares at a preferential rate.

#### 2.10 Taxes

Income taxes are recognised in the same period as the income and expenses to which they relate. Deferred taxes are recognised in accordance with the balance sheet liability method. The computation is therefore based on the temporary differences between the tax base and the carrying amount relevant for consolidation of an asset or a liability, unless the temporary difference relates to investments in Group companies where the reversal of the difference can be managed over time and it is probable that this will not take place in the foreseeable future. Where no provision has been made for distributions of profits, withholding taxes and other taxes on potential later distributions are not recognised since profits are normally reinvested. Deferred tax assets and deferred tax liabilities of the Group, computed on the basis of the local tax rates expected to be applicable at the time of taxation, are recognised under non-current assets and non-current liabilities. Changes over the year are recognised in the income statement or in equity or, if they relate to an item within the consolidated comprehensive income statement, recognised within this statement. Deferred tax assets for all unutilised tax loss carryforwards are recognised if it is probable that these can be offset against future taxable income. Calculating the size of the deferred tax assets that can be booked requires a significant degree of judgement from management. The assumptions are based on the probable timing and extent of future taxable profits together with future tax planning strategies.

Several cantons levy a separate tax on the sale of land and real estate from business assets that is deductible from the ordinary cantonal taxes on profits. The taxable gains on the sale of property are calculated in accordance with the applicable cantonal laws The applicable tax rate on the sale of property is dependent on the length of ownership and the size of taxable gain on the sale of the property. The property gains tax is calculated as at the date of sale.

#### 2.11 Cash and cash equivalents

Cash and cash equivalents comprise cash and deposits held at banks, Swiss Post and other financial institutions. These are only recognised as cash if they are readily convertible to known amounts of cash, are subject to an insignificant risk of change in value and have a maturity of no more than three months from the date of acquisition. This definition also applies to the cash flow statement. i.e. this is the amount shown in the cash flow statement.

#### 2.12 Trade receivables

Trade receivables are recognised at fair value, that is, at the amounts invoiced less allowances for estimated shortfalls in receipts, e.g. due to rebates, refunds and discounts. Allowances for doubtful receivables are computed on the basis of the difference between the recognised value of the receivable and its estimated collectible net amount. Any expected loss is charged to the income statement. If a receivable is uncollectible, it is written off.

#### 2.13 Work in progress

Customer contracts relating to construction sites are capitalised using the percentage-of-completion method. The progress of the construction work in each instance is determined by the contractual arrangements on progress. After deducting advances by customers, the customer contracts are reported in the balance sheet as net assets or net liabilities from work in progress.

If the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of the contract costs incurred that will probably be recoverable, and contract costs incurred are also recognised as costs in the same period. This is equivalent to measurement at cost of production. If it is probable that the total contract costs will exceed the total contract revenues, the expected loss is immediately recognised as an expense.

#### 2.14 Joint ventures

Joint ventures are established to implement short-term projects with other construction companies. The assumption of the work takes place when a joint agreement with the contractual partner is concluded. Joint ventures are organised as simple partnerships; the partnership agreement governs the relationships between each member.

Joint ventures are measured using the equity method in accordance with IAS 31 Interests in Joint Ventures (in accordance with IAS 28 Investments in Associates). Joint ventures are initially recognised at cost. Thereafter, the carrying amount of the interests increases or decreases in line with Implenia's share of the total net income of the joint venture. The carrying amount of the interests in the joint ventures is reduced by any dividends received by Implenia. The carrying amount is increased by payments made by Implenia. The resulting asset or liability is recognised in the balance sheet.

The receivables and payables of Implenia from or to the joint ventures are shown separately in the corresponding receivables and payables items.

#### 2.15 Associates

Associates are companies where Implenia exercises significant influence but does not have control. In principle, these are companies in which Implenia has a stake of between 20% and 50%. These companies are treated according to the equity method and are reported separately in the consolidated balance sheet. The calculation of the equity participation is based on the annual financial statements on the closing date of the annual consolidated accounts. If no annual financial statements are available at the closing date of the annual consolidated accounts, measurement is on the basis of the last available annual financial statements, taking into account any developments which have occurred in the meantime. The consolidation of associates is carried out in accordance with uniform group accounting and valuation principles.

The long-term joint ventures for operating facilities producing concrete and asphalt where Implenia has interests of 20% and above are measured separately from the other joint ventures, which are also measured and recognised as associates in accordance with IAS 28 Interests in Associates.

Income from associates is reported within operating income since these are strategic partnerships used for the purpose of executing customer contracts.

#### 2.16 Raw materials

Purchased raw materials are measured at cost. This item in the balance sheet and charges to material costs are measured at historical cost in accordance with the average cost principle. Inventories that can only be sold with difficulty or at lower market prices must be written down. Inventories at a market price below the costs recognised by Implenia are written down if the end product does not cover costs. If it is foreseeable that written-down inventories can be used again, the write-downs are reversed by increasing the value of the assets to the lower of estimated fair value or historical cost. Unsellable inventories are written off in full.

#### 2.17 Real estate transactions

Real estate reported under this item is held for sale and measured in accordance with IAS 2 Inventories. Completed properties not yet sold may temporarily generate rental income, but are still reported under this item as they are held for sale.

These properties are measured separately. Each property is measured at the lower of cost, including work by the company, or the net sale value. The costs include financing costs paid to third parties until the construction is ready for use.

This item is directly written down by any shortfalls determined on the basis of the above measurement principles. Sales proceeds from real estate transactions are reported as revenue. Changes to the portfolio and movements in write-downs on real estate transactions are recognised in expenses. Certain real estate transactions are conducted jointly with one or more partners. Properties under joint control and ownership are recognised as real estate transactions on a proportional basis.

#### 2.18 Property, plant and equipment

Property, plant and equipment are measured at cost and depreciated over the estimated useful life on a straight line basis, with the expense charged to the income statement:

Business premises
Production facilities
Machinery and vehicles
Furniture
IT equipment
Investment property
25–50 years
6–15 years
5–10 years
3–5 years
25–50 years

Additional costs that extend the economic benefits of property, plant and equipment are capitalised separately. Pro-rated financing costs for property, plant and equipment in construction are capitalised. The value of property, plant and equipment is always reviewed if a write-down of the carrying amount appears a possibility due to changed circumstances or events.

#### 2.18.1 Investment property

Land and property held for the purposes of generating rental income or whose intended use has not yet been defined are recognised separately as investment property in accordance with IAS 40. All land is classified as investment property if no intention to develop or sell the land has been indicated. Recognition and measurement are carried out in accordance with the cost model. Investment property is recognised at cost and (in the case of real estate) depreciated on a straight line basis. If the net present value of future payment surpluses is lower than the carrying amounts, an impairment to the lower achievable value is carried out in accordance with IAS 36. The fair value of this real estate is shown separately. The calculation is carried out in accordance with recognised methods, for example, by using the current market price of comparable real estate as a basis or the discounted cash flow method.

#### 2.18.2 Finance leases

Leased property, plant and equipment where Implenia bears substantially all the risks and rewards associated with ownership are capitalised at the lower of fair value of the leased asset or net present value of the minimum lease payments at the inception of the lease and depreciated over the shorter of lease duration or estimated useful life.

#### 2.18.3 Operating leases

Leases are classified as operating leases if a significant proportion of the risks and rewards associated with ownership are retained by the lessor. They are generally depreciated on a straight line basis over the duration of the lease, with the expense charged to the income statement.

#### 2.19 Intangible assets

#### 2.19.1 Goodwill

Business combinations are recognised in accordance with the purchase method of accounting. The costs of acquisition include the indemnification provided in exchange for control of identifiable assets, liabilities or contingent liabilities of the acquiree. The indemnification includes payments in cash and the fair value of the transferred assets, the liabilities incurred or assumed and the equity instruments issued by the Group on the date of the transaction. Liabilities contingent on future events relating to contractual arrangements ("contingent consideration arrangements") are recognised at fair value when the purchase is recognised. Directly attributable transaction costs are recognised as an expense. The acquired net assets comprising the identifiable assets, liabilities and contingent liabilities are reported at their fair value.

If the Group does not acquire a 100% interest in an acquiree, the non-controlling interests are recognised in proportion to their share of the fair value of the net assets acquired. Goodwill is the excess of the costs of acquisition over the interest of the Group in the fair value of the net assets acquired. Goodwill is not amortised. It is tested for impairment at each balance sheet date. Goodwill may also arise on interests in associates and corresponds to the excess of the costs of acquisition of the interest over the pro-rated fair value of the identifiable net asset. This goodwill is recognised in interests in associates.

When testing goodwill for impairment, the realisable value is computed on the basis of the cash generating unit to which the goodwill is allocated. Realisable value is the higher of fair value less cost to sell and value in use. The cash inflow that a market participant could generate with the cash generating unit is estimated. If the carrying amount exceeds the realisable value, the difference is recorded as an impairment. The estimates of future discounted cash flows, the corresponding discount rates and the growth rates are largely based on management estimates and assumptions. The actual cash flows and values generated may deviate significantly from the expected future cash flows and the related amounts computed by discounting methodology.

#### 2.19.2 Other intangible assets

Additions of licences, software, IT development costs, brands and customer relationships are recognised at cost. Intangible assets are amortised on a straight line basis over their economic life from the initial date on which the Group can use them. The estimated economic life of intangible assets is regularly reviewed.

All identifiable intangible assets (such as brands and customer relationships) acquired in the course of a business combination are initially recognised at fair value.

Intangible assets are measured at cost and depreciated over the estimated useful life on a straight line basis, with the expense charged to the income statement:

Development costs
Licences, patents
Software
Brands
Customer relationships
3-6 years
3-5 years
10-15 years

#### 2.20 Other financial assets

Financial assets, primarily financial investments including securities, are categorised as follows: "at fair value through profit or loss", "held for trading", "held to maturity" and "loans and receivables". Financial instruments classified as "at fair value through profit or loss" are either held for trading or are designated as such on initial recognition. Held-for-trading financial assets are acquired principally with the objective of generating a profit from short-term fluctuations in price. Financial assets are designated as "at fair value through profit or loss" if this eliminates a measurement or recognition inconsistency and results in more relevant information. Financial assets held to maturity are securities with fixed maturity that Implenia has the intention and ability to hold until maturity. Loans and receivables are financial assets that are issued by Implenia or acquired from the issuer on a primary market. These are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. All other financial assets are classed as available-for-sale.

All financial assets are initially recognised at their fair value including transaction costs, with the exception of financial assets classified as "at fair value through profit or loss", where the transaction costs are not included. All purchases and sales are recognised on the settlement date. After initial recognition, financial assets at fair value through profit or loss are measured at their fair value and all changes in fair value are reported in financial income or expense in the period to which they relate. After initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method. After initial recognition, held-for-sale financial assets are stated at fair value and unrealised changes are recognised in comprehensive income/OCI, with the exception of interest which has been computed on the basis of the effective interest method, and foreign exchange fluctuations.

In the event of the sale, impairment or disposal of held-for-sale financial assets, cumulative gains or losses recognised in consolidated net profit since the date of acquisition are reported in financial income or expense for the current reporting period. After initial recognition, loans and receivables are measured at amortised cost using the effective interest method.

Financial assets are tested for impairment on each balance sheet date. If there are objective indications of impairment such as insolvency, default or other major financial difficulties experienced by the issuer, an impairment is charged to the consolidated profit or loss. Financial assets are derecognised if the contractual interests in cash flows from the assets expire or the Group transfers the right to receive the cash flows from the financial assets in a transaction where all the significant risks and rewards of ownership of the financial asset are transferred.

Neither assets and liabilities nor income and expenses are offset against each other if this is not required or permitted by a Standard or an Interpretation. Offsetting curtails the ability of readers to understand transactions, other events or conditions and estimate the future cash flows of a company unless it reflects the economic substance of a transaction, event or other condition. Measuring assets net of valuation allowances – for example, obsolescence allowances on inventories and doubtful debt allowances on receivables – is not offsetting. In accordance with IAS 18, revenue must be measured at the fair value of the consideration received or receivable, taking into account the amount of any trade discounts the company allows. In the course of its ordinary business activities, the Implenia Group also conducts transactions that do not in themselves generate revenue but occur in combination with the main revenue generators. If recognition of these transactions reflects the substance of the transaction or event, they must be reported by offsetting all income with the related expenses arising from the same transaction:

- a) gains or losses on the disposal of non-current assets, including financial investments and operating assets, are recognised by deducting from the proceeds on disposal the carrying amount of the asset and related selling expenses; and
- b) expenditure related to a provision that is recognised in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and reimbursed under a contractual arrangement with a third party (e.g. a supplier's warranty agreement) may be netted against the related reimbursement.

In addition, gains or losses arising from a group of similar transactions, for example, foreign exchange gains or losses or gains and losses arising on financial instruments held for trading are reported on a net basis. However, these gains or losses are reported separately if they are material.

The value of financial assets with fixed economic lives must be reviewed only on the occurrence of a triggering event. A triggering event has occurred, for example, if the fair value of the assets deteriorates to the extent that it must be assumed that it is permanent.

#### 2.21 Financial liabilities

Financial liabilities are initially recognised at cost and then at amortised cost. Any difference between net revenue and net amount payable at maturity is amortised over the term of the instrument and charged to financial income or expense.

Transaction fees paid to capital providers (generally banks) are amortised over the term of the underlying loan agreement using the amortised cost method.

#### 2.22 Provisions

Provisions are made if a legal or constructive obligation exists that makes it probable that an outflow of resources will be required to settle this obligation and a reliable estimate of the amount of the obligation can be made. Restructuring provisions are made if Implenia has a detailed formal plan for restructuring that it has either already started to implement or that it has announced to those affected by it. The provisions recognised are the best estimate of the final obligation. No provisions are made for future operating losses.

Where there are a number of similar obligations, Implenia determines the probability that an outflow will be required by considering the class of obligations as a whole.

Possible obligations whose occurrence cannot be assessed on the balance sheet date or obligations whose amount cannot be reliably estimated are disclosed as contingent liabilities.

Where the effect of the time value of money is material, the net present value of the expected expenditure is recognised.

#### 2.23 Equity

Equity represents the nominal value of the issued shares of Implenia AG.

Treasury shares represent shares of Implenia AG that have been reacquired on the market.

The revaluation reserve contains CHF 2.9 million arising from the merger between Zschokke and Batigroup.

The foreign exchange differences arise from the measurement of the foreign subsidiaries. If these companies should cease to fall within the scope of consolidation, the corresponding interests in the foreign exchange differences will be recognised in the income statement.

Retained earnings represent the accumulated profits of the Group, most of which are freely available.

Non-controlling interests represent the interests held by third-party shareholders in the equity (including profit for the year) of subsidiaries.

#### 2.24 Dividends and par-value repayments

Dividends and par-value repayments are reported in the consolidated financial accounts in the periods in which they were agreed by the General Meeting of Shareholders

#### 3 Risk assessment

Group-wide risk assessment, which facilitates the early identification and evaluation of risks, as well as the implementation of appropriate risk-reduction measures, is carried out every quarter and focuses mainly on project risks and financial risks. Using a bottom-up process based on risk maps for each project and unit, the results of all the individual risk and opportunity assessments are consolidated. As part of the accounting and control process, Group Risk Management reports twice a year to the Executive Committee, the Audit Committee and the Board of Directors.

#### 3.1 Financial risk management

The principles used for financial risk management are defined at Group level and apply to all Group entities. They include rules about holding and investing liquid assets, taking on debt, and hedging against foreign currency, price and interest rate risks. Compliance with the rules is centrally monitored on a continuous basis. Overall, the Group follows a conservative, risk-averse approach.

The Group's main financial instruments are cash and cash equivalents, trade receivables, financial and other receivables, current and non-current financial liabilities and trade payables. Trade receivables and payables are generated in the course of normal activity. Financial liabilities are used exclusively to finance operating activities. Financial investments serve mainly to finance associates (loans).

Derivative financial instruments may only be used within the Group to hedge operating business. Owing to the low level of foreign currency risk, derivative financial instruments are rarely used. At the balance sheet date, the Group held no derivative financial instruments (2009: none).

The main risks for the Group resulting from financial instruments are credit risk, liquidity risk and market risk. Nearly 99% of sales and purchases by Group companies and 100% of financing is in the same currency, which means that the Group is not exposed to any significant exchange rate risk from operational activity. There is an exchange rate risk from foreign currency-denominated net investments in foreign subsidiaries.

#### 3.2 Credit risk

The credit risk concerns defaults on trade receivables and financial receivables.

#### 3.2.1 Trade receivables

Agreements with customers generally stipulate payment terms of between 30 and 90 days. Customer solvency is verified prior to any contract being signed. Revenue is realised mainly with public-sector bodies and with high-quality debtors (banks, insurance companies, pension funds, etc.). No guarantees are requested. However, in the case of services relating to real estate, it is legally possible to have a lien on the real estate (right of lien of workmen and contractors). Notice of payments outstanding is given as part of a standardised procedure. Regular reports are made on the progress of receivables, particularly those that are overdue. Irrecoverable debts are negligible in relation to Group revenue.

#### 3.2.2 Financial and other receivables

The credit risk relating to financial and other receivables resides in the non-payment of receivables due to debtor insolvency. Debtors are subject to regular solvency checks by means of a review of their financial situation. In the case of cash and cash equivalents, the counterparty must also have a minimum rating or a state guarantee. A number of Swiss cantonal banks continue to enjoy what is known as a state guarantee. This means that in the event the bank goes bankrupt, the canton (the state) as owner of the bank guarantees all outstanding liabilities left after all assets have been realised. Creditors therefore have complete security. This rule does not apply to subordinated bonds or profit-sharing capital (a particular element of equity). Because of the state guarantee, classification is irrelevant since credit balances are backed either by the bank's own funds or, on a secondary basis, by the state. With these positions, the position per counterparty is limited to a maximum amount. Ongoing creditworthiness is monitored using market-based information (e.g. CDS spreads) and appropriate measures implemented if the need arises.

The maximum credit risk corresponds to the level of individual receivables positions if they defaulted.

The three largest counterparty positions under client receivables and other receivables amount to CHF 47.9 million (2009: CHF 34.3 million). This is equivalent to 8.4% of the carrying amount of all customer and other receivables (2009: 8.5%).

The three largest counterparty positions under financial receivables and cash and cash equivalents amount to CHF 278 million (2009: CHF 81.2 million). This is equivalent to 79.6% of the carrying amount of all financial receivables and liquidity (2009: 56.0%).

Age structure of customer accounts receivable: see Note 14.

#### **3.2 Credit risk** (continued)

The table below shows receivables from the most important counterparties on the balance sheet date:

	Rating <sup>2</sup>	Balance
		CHF 1000
Situation as at 31.12.10		
Counterparty <sup>1</sup>		
Customer and other receivables:		
Public sector and its operations	n.a.	33,333
Financial institution	Aa3	8,511
Other	n.a.	6,096
Financial receivables and liquidity:		
Financial institution	Aa3	186,924
Financial institution	Aa1	70,987
Financial institution	A1	20,055
Situation as at 31.12.09		
Counterparty <sup>1</sup>		
Customer and other receivables:		
Other	n.a.	13,000
Other	n.a.	11,258
Other	n.a.	10,000
Financial receivables and liquidity:		
Financial institution	Aa2	41,086
Financial institution	AA	20,065
Financial institution	AA-	20,022

<sup>1</sup> Counterparties are broken down by the following classifications:

#### 3.3 Liquidity risk

Liquidity risk resides mainly in the eventuality that liabilities cannot be honoured on the due date.

Future liquidity is forecast based on a variety of rolling planning horizons. The Group endeavours at all times to have sufficient lines of credit to cover planned funding requirements. As at 31 December 2010, the Group had cash and cash equivalents of CHF 349.3 million (2009: CHF 128.7 million) and unused credit limits of CHF 176.3 million (2008: CHF 242.9 million). The Group seeks to maintain appropriate minimum liquidity (consisting of cash and cash equivalents and unused credit limits).

	Short-1	Short-term		term
	0–3 mths	4–12 mths	2–5 years	over 5 years
	CHF 1000	CHF 1000	CHF 1000	CHF 1000
2010				
Suppliers and other liabilities	(251,009)	(10,915)		
Financial liabilities	(1,464)	(141)	(316)	(98)
Bonds outstanding		(6,250)	(25,000)	(206,250)
2009				
Suppliers and other liabilities	(271,468)	(6,129)	_	
Financial liabilities	(42,180)		(673)	

<sup>-</sup> Financial institutions (banks, insurance companies, pension funds)

<sup>-</sup> Public sector and its operations

<sup>-</sup> Other

<sup>2</sup> Moody's/Standard & Poor's rating

#### 3.4 Market risk/interest rate risk

Implenia has very few assets that generate interest. Consequently, Implenia's interest rate risk results from the structure and volume of its financing. Because the Group has taken out fixed-rate funding via the bond issue and reduced bank funding accordingly, the risk associated with changes in interest rates is minimal; the risk of fluctuations in fair value is negligible. Interest rate increases have no negative effect on the Group's results. Debt is always taken on in the functional currency of the financed entity and is therefore almost entirely in CHF.

The maturity structure of interest-bearing financial instruments as at 31 December 2010 is as follows:

	up to 1 year	2–5 years	over 5 years
	CHF 1000	CHF 1000	CHF 1000
Variable rate			
Cash and cash equivalents	349,274	_	_
Financial receivables	462	5,170	389
Financial liabilities	(1,605)	(316)	(98)
Fixed rate			
Financial receivables	287	3,621	245
Financial liabilities			(197,741)

Maturity structure as at 31 December 2009:

	up to 1 year	2–5 years	over 5 years
	CHF 1000	CHF 1000	CHF 1000
Variable rate			
Cash and cash equivalents	128,749		_
Financial receivables	_	9,625	_
Financial liabilities	(42,180)	(432)	
Fixed rate			
Financial receivables	_	1,185	_
Financial liabilities	=	(241)	_

The table below shows the effect of interest rate variations on Implenia's pre-tax profit (EBT). It is assumed that the interest rate variation affects the entire financial year.

Only the effect of interest rate variations in Swiss francs is presented, since Implenia acquires debt virtually exclusively in that currency.

	Change in interest rates	Change in EBT
	Percentage points	CHF 1000
Sensitivity 2010	+/- 0.5	+/- 98
Sensitivity 2009	+/- 0.5	+/- 1010

A bond was placed on the capital market in 2010 (see Note 25). This was for CHF 200 million and has covered funding requirements at a fixed rate. Having eliminated fixed-rate positions in 2010, we now have a net credit balance bearing variable interest (2009: net debt bearing variable interest). Consequently, the effect of an increase in interest rates has now been reversed.

#### 3.5 Market risk/exchange rate and other risks

Risk related to exchange rate fluctuations is not significant and mainly concerns the translation risk of net foreign currency investments made in foreign subsidiaries.

Exchange rate risks arise at Implenia Group from the Group's international orientation, from investments in foreign subsidiaries or from setting up foreign operations (translation risk). There are also exchange rate risks from future transactions or assets and liabilities recognised in the balance sheet in currencies other than the functional currency of the company in question. Implenia Group is mainly exposed to risks from the euro.

If the euro had been 10% stronger against the Swiss franc on 31 December 2010, consolidated profit after tax would have been CHF 0.7 million (1%) higher and retained earnings CHF 4.2 million (1%) higher.

Since Implenia holds few securities, price risk is not significant either.

#### 3.6 Defaults on financial liabilities and breaches of covenants

There were no defaults on financial liabilities during the financial year (2009: none). The financial covenants stipulated in financing agreements were kept (2009: kept).

#### 3.7 Policy regarding capital structure and indebtedness

The Group targets an equity ratio of around 30% (2009: 30%). As at the reporting date, the equity ratio was 29.5% (2009: 30.9%).

The aim is that net current assets should be financed with current debt. Non-current assets should be financed using non-current liabilities and from ongoing cash flow where possible.

Economic equity matches the value carried in the consolidated balance sheet.

The syndicated loan has various covenants. Consolidated assets and profit are monitored monthly. The latest actual figures and projections and budgets are used to check that covenants are kept.

#### 3.8 Fair value estimates

	Classification as	Carrying	values	Fair va	lues
	per IAS 39*	31.12.2010	31.12.2009	31.12.2010	31.12.2009
		CHF 1000	CHF 1000	CHF 1000	CHF 1000
Financial assets					
Cash and cash equivalents	Rec. / liab.	349,274	128,749	349,274	128,749
Marketable securities	AfS	346	1,042	346	1,042
Customer accounts receivable	Rec. / liab.	395,234	408,903	395,234	408,903
Other receivables	Rec. / liab.	27,989	20,809	27,989	20,809
Other financial investments (excl. participations)	Rec. / liab.	10,196	10,832	10,196	10,832
Participations	AfS	6,516	4,923	6,516	4,923
Total		789,555	575,258	789,555	575,258
Financial liabilities					
Current financial liabilities	Other liab.	1,605	42,180	1,605	42,180
Trade payables	Other liab.	217,347	240,579	217,347	240,579
Other liabilities	Other liab.	44,577	37,018	44,577	37,018
Non-current financial liabilities	Other liab.	198,155	673	208,600	673
Total	· ———	461,684	320,450	472,129	320,450

<sup>\*</sup> Classifications as per IAS 39:

Amount of held-to-maturity financial assets: the Group had no held-to-maturity financial assets during the year (2009: none).

#### 3.8.1 Gains and losses taken to the income statement

	2010	2009
	CHF 1000	CHF 1000
a) on receivables and liabilities	(11,736)	(4,802)
b) on available-for-sale financial instruments	530	632
c) on held-to-maturity financial instruments		_

<sup>-</sup> Rec./liab. = Receivables/liabilities

<sup>-</sup> AfS = Available for sale

<sup>-</sup> Other liab. = Other liabilities

#### 3.8 Fair value estimates (continued)

The Implenia Group holds only the securities listed above, which are measured at fair value. The following table shows the data sources used to determine fair value:

	146 201			
	IAS 39*	Level 1	Level 2	Level 3
		CHF 1000	CHF 1000	CHF 1000
2010				
Financial assets				
Marketable securities	AfS		346	_
Investments	AfS			6,516
2009				
Marketable securities	AfS	_	1,042	_
Investments	AfS	_		_
\(\frac{1}{2}\)				

<sup>\*</sup> Long-term equity investments in the amount of TCHF 6,515 (2009: TCHF 4,923) are not traded on active markets. The value was determined in 2010 using a discounted cash flow calculation for the first time (2009: at cost). The measurement gain of TCHF 2,744 was recognised in comprehensive income. No further purchases were made during the year under review.

#### Fair value hierarchy

Since 1 January 2009, financial assets and liabilities recognised in the consolidated financial statements at fair value have been categorised as permitted by the input factors used to determine fair value. IFRS 7 provides for the following hierarchy, depending on the degree of subjectivity associated with the input factors used to determine the fair value of such assets and liabilities:

Level 1 – The input factors used are unadjusted listed prices taken on the reporting date on active markets for identical assets and liabilities.

Level 2 – The input factors used (with the exception of the listed prices mentioned in level 1) for the asset or liability are either directly or indirectly observable. These input factors are mainly derived from or confirmed by observable market data using correlations or by other means on the reporting date and for the expected term of the instruments. Generally, the assets found in this category are time deposits, currency and interest rate derivatives and certain investment funds. Currency and interest rate derivatives are measured using observable market data. The liabilities in this category are generally currency derivatives and equity options.

Level 3 – The input factors are not observable. They reflect the Group's best estimate of the criteria that market participants would use to determine the price of the asset or liability on the reporting date. Allowance is made for the inherent risks in the valuation procedure and the model input factors. Assets in this category are generally securities not traded on active markets. This is valued using discounted cash flow methodology.

#### 4 Key management decisions and estimates

#### 4.1 Management decisions used when applying accounting principles

#### 4.1.1 Revenue recognition

The nature of the Group's business is such that many sales transactions are structured in a way that is not simple. Sales agreements may comprise many elements occurring at different times. Revenue is only recognised when in the opinion of management the risks and rewards concerned have been transferred to the buyer, the Group is no longer involved in managing further activities or exercises de facto control over the goods sold and obligations have been met. Consequently, for some transactions the payments received or the work performed are accrued in the balance sheet and taken to the income statement in future accounting periods when contractual conditions have been met.

#### 4.1.2 Consolidation of subsidiaries, associates and joint ventures

The Group performs transactions which give rise to the power of control or significant influence on operating activities of the company. Such transactions include the acquisition of some or all of the share capital of other companies, the purchase of certain non-current assets and the assumption of certain liabilities or contingent liabilities. In all such cases, management makes an estimate as to whether the Group has control over or significant influence on the company's operating business. Depending on this estimate, the company is consolidated either as a subsidiary or as an associate. Such estimates are made in view of the underlying economic substance of the transaction, not solely on the contractual terms.

#### 4.1.3 Leasing

In the case of leasing contracts, Implenia takes on the role of lessee. The treatment of leasing transactions in the consolidated financial statements is primarily dependent on whether the leasing relationship is classified as an operating lease or a finance lease. In its assessment, management looks at both the type and the legal form of the leasing relationship and comes to a decision on whether all the relevant risks and benefits of the leased object are transferred to the lessee. Contracts that do not have the legal form of a leasing relationship and yet confer the right of use of an asset are also an integral part of such assessments.

#### 4.2 Key assumptions and sources of uncertainty in estimates

When drawing up the consolidated annual financial statements under IFRS, management has to make estimates and assumptions which affect the application of accounting principles and the values reported under assets, liabilities, income and expenses and the way they are presented. The estimates and assumptions are based on historic values and various other factors which appear appropriate under the circumstances. These are used as the basis for measuring assets and liabilities which cannot be valued directly from other sources. Actual values may differ from these estimates.

Estimates and assumptions are subject to permanent review. Changes to estimates may be necessary if the situation on which they were based has changed or new information or additional insights have become available. Such changes are recognised in the reporting period in which the estimate was adjusted.

The key assumptions about future trends and the most important sources of estimate uncertainty which may require material adjustments to the recognised values of assets and liabilities over the coming twelve months are listed below.

#### 4.2.1 Property, plant and equipment, intangibles (including goodwill)

Implenia has property, plant and equipment with a carrying amount of CHF 221 million (2009: CHF 222.6 million), goodwill carried at CHF 69.2 million (2009: CHF 69.2 million) and other intangibles carried at CHF 4.1 million (2009: CHF 6.1 million). Goodwill and intangible assets with unlimited useful life are reviewed annually for impairment as described above. To decide whether an impairment has occurred, estimates are made of future forecast cash flows from the use and potential sale of these assets. Actual cash flows may differ significantly from the future discounted cash flows based on these estimates. Factors such as changes in the planned use of buildings, machinery and installations, technical obsolescence or lower-than-forecast sales may shorten the useful life or require an impairment. Changes in the discount rates, gross margins and growth rates used may also result in impairments.

#### 4.2.2 Employee benefit plans

Group employees are members of benefit schemes which are treated as defined benefit plans under IAS 19. The calculation of assets held by and liabilities owed to these schemes recognised in the balance sheet are based on statistical and actuarial calculations carried out by actuaries. The net present value of defined benefit liabilities is heavily dependent on assumptions such as the discount rate used to calculate the net present value of future pension liabilities, future salary increases and increases in employee benefits. Actuaries independent from the Group also use statistical data such as probability of leaving and member mortality for their assumptions.

Implenia's assumptions may differ substantially from the actual results owing to changes in market conditions and the economic environment, higher or lower leaving rates, longer or shorter lifespans among members and other estimated factors. These differences may affect the values of the assets held by and liabilities owed to employee benefit schemes recognised in the balance sheet in future reporting periods.

#### 4.2.3 Provisions

Implenia Bau AG, along with many other construction companies in the regional market for road building and civil engineering in the canton of Aargau, is currently involved in an investigation launched in 2009 by the Federal Competition Commission (see press release dated 10 June 2009). Implenia is cooperating with the Competition Commission's investigation, which has not yet been completed. Management is of the opinion that it was not possible to make a reliable estimate of the outcome or the size of any penalty at the time the financial statements were drawn up. No provision was therefore made.

### 5 Segment reporting

Segment reporting as submitted to the Board of Directors

as at 31.12.2010

	Real Es	tate	•		IIC				
	General Contracting	Project development		Infrastructure Construction	Tunnelling	Prime Buildings International	Total	Miscellaneous and Holding Company	Total
	CHF 1000	CHF 1000	•	CHF 1000	CHF 1000	CHF 1000	CHF 1000	CHF 1000	CHF 1000
Segment revenues	1,136,717	173,783		1,200,636	152,035	13,989	2,677,160	61,351	2,738,511
Intergroup revenues	(85,720)	(17,049)		(178,598)	(10,944)	(3,021)	(295,332)	(54,761)	(350,093)
External revenues	1,050,997	156,734		1,022,038	141,091	10,968	2,381,828	6,590	2,388,418
of which services	1,040,678	2,489		1,008,154	134,286	10,968	2,196,575	6,590	2,203,165
of which goods	10,319	154,245		13,884	6,805		185,253		185,253
Operating income before non-recurring items, as calculated internally	15,385	20,925		25,117	18,639	(3,069)	76,997	(4,348)	72,649
Operating income includes:			/					=	
Depreciation on property, plant and equipment								_	(32,924)
Writedowns on financial assets								_	(117)
Income from associates								_	7,141
Income from disposals of subsidiaries	_							-	
Investments in property, plant and equipment and intangible assets	108	25		38,144	621	22	38,920	600	39,520
Total assets	473,815	316,510		697,930	166,750	9,811	1,664,816	12,187	1,677,003
Total liabilities	(437,037)	(111,951)		(495,203)	(90,982)	(28,042)	(1,163,215)	(18,304)	(1,181,519)
Total equity	(36,778)	(204,559)		(202,727)	(75,768)	18,231	(501,601)	6,117	(495,484)
			> >						

### **5** Segment reporting (continued)

Segment reporting as submitted to the Board of Directors

as at 31.12.2009

	Real Es	tate			IIC				
	General Contracting	Project development		Infrastructure Construction	Tunnelling	Prime Buildings International	Total	Miscellaneous and Holding Company	Total
	1000 CHF	1000 CHF		1000 CHF	1000 CHF	1000 CHF	1000 CHF	1000 CHF	1000 CHF
Segment revenues	1,111,342	127,413		1,123,329	136,926	6,121	2,505,131	55,450	2,560,581
Intergroup revenues	(42,106)	(25,624)		(148,003)	(13,109)	(3,148)	(231,990)	(48,756)	(280,746)
External revenues	1,069,236	101,789		975,326	123,817	2,973	2,273,141	6,694	2,279,835
of which services	1,004,593	21,833		965,340	123,604	2,973	2,118,343	6,691	2,125,034
of which goods	64,643	79,956		9,986	213		154,798	3	154,801
Operating income before non-recurring items, as calculated internally  Operating income includes:	17,448	21,407	> >	24,639	24,381	(7,904)	79,971	(4,437)	75,534
Depreciation on property, plant and equipment	<del>_</del>							_	(34,769)
Writedowns on financial assets								_	(2,001)
Income from associates	<u> </u>							_	4,160
Income from disposals of subsidiaries	<u> </u>							_	
Investments in property, plant and equipment and intangible assets	126	218		32,155	3,804		36,303	389	36,692
Total assets	552,105	227,338		698,092	132,871	5,069	1,615,475	(233,681)	1,381,794
Total liabilities	(423,894)	(84,712)		(540,414)	(73,687)	(22,513)	(1,145,220)	189,766	(955,454)
Total equity	(128,211)	(142,626)		(157,678)	(59,184)	17,444	(470,255)	43,915	(426,340)
			> >						

### 5 Segment reporting (continued)

	31.12.2010	31.12.2009
	CHF 1000	CHF 1000
Reconciliation of total segment assets to total assets	1,677,003	1,381,794
Deviation	_	_
Total assets	1,677,003	1,381,794
Reconciliation of total segment liabilities to total liabilities	(1,181,519)	(955,454)
Deviation		_
Total current and non-current liabilities	(1,181,519)	(955,454)
Reconciliation of operating income before non-recurring costs to consolidated profit	72.640	75 524
	72,649	75,534
consolidated profit	72,649	75,534 (2,405)
consolidated profit  Operating income before non-recurring items, as calculated internally	72,649	(2,405)
consolidated profit  Operating income before non-recurring items, as calculated internally  Non-recurring costs Laxey		(2,405)
consolidated profit  Operating income before non-recurring items, as calculated internally  Non-recurring costs Laxey  Amortisation of intangibles		
consolidated profit  Operating income before non-recurring items, as calculated internally Non-recurring costs Laxey  Amortisation of intangibles Litigation	(1,871)	(2,405) (2,075) (1,000)
consolidated profit  Operating income before non-recurring items, as calculated internally  Non-recurring costs Laxey  Amortisation of intangibles  Litigation  Pension income/expense	(1,871) - 6,880	(2,405) (2,075) (1,000) (2,411) 67,643
consolidated profit  Operating income before non-recurring items, as calculated internally  Non-recurring costs Laxey  Amortisation of intangibles  Litigation  Pension income/expense  Operating income	(1,871) - - 6,880 77,658	(2,405) (2,075) (1,000) (2,411) 67,643 (7,173)
consolidated profit  Operating income before non-recurring items, as calculated internally  Non-recurring costs Laxey  Amortisation of intangibles  Litigation  Pension income/expense  Operating income  Financial expense	(1,871) - (1,871) - 6,880 77,658 (13,791)	(2,405) (2,075) (1,000) (2,411) 67,643 (7,173) 2,163
consolidated profit  Operating income before non-recurring items, as calculated internally  Non-recurring costs Laxey  Amortisation of intangibles  Litigation  Pension income/expense  Operating income  Financial expense  Financial income	(1,871) - (1,871) - 6,880 77,658 (13,791) 4,174	(2,405) (2,075) (1,000) (2,411)

Implenia AG is domiciled in Switzerland. Revenues from third parties in Switzerland amounted to CHF 2,313 million (2009: CHF 2,194 million). Revenues generated abroad came to CHF 73 million (2009: CHF 86 million). Non-current assets located in Switzerland (excluding financial instruments and deferred taxes capitalised) as at 31 December 2010 were CHF 359.1 million (2009: CHF 347.7 million). Non-current assets located abroad (excluding financial instruments and deferred taxes capitalised) were CHF 7.1 million (2009: CHF 7.7 million).

#### 6 Materials and sub-contractors

	2010	2009
	CHF 1000	CHF 1000
Material expenses	296,837	276,311
External services	1,138,369	1,098,303
Other material expenses	45,736	38,063
Total	1,480,942	1,412,677
7 Staff costs	2010 CHF 1000	2009 CHF 1000
Salaries and fees	464,417	458,526
Social security contributions	61,933	62,830
Occupational pension expenses	27,546	36,748
FAR Foundation expenses	11,148	10,976
Temporary staff	67,438	46,752
Other staff expenses	22,553	23,996
Total	655,035	639,828

#### 8 Profit sharing schemes

#### 8.1 Staff scheme

On 25 March 2010 the new Implenia Group rules on staff profit sharing were approved. Qualifying persons may subscribe for Implenia AG shares to the amount of half of one month's gross salary per calendar year. The annual subscription may be divided between March and September purchase periods. For the March 2010 purchase period, the difference between the market price of CHF 27.67 per share on average and the preferential price of CHF 19.35 per share was charged to the income statement. For the September 2010 purchase period, the difference between the market price of CHF 28.50 per share on average and the preferential price of CHF 19.95 per share was charged to the income statement.

	2010	2009
	CHF 1000	CHF 1000
Number of shares subscribed	84,743	-
Amount charged to the financial year	848	_

The shares cannot be traded for a period of three years. During this time employees are entitled to dividends and may exercise their voting rights. Upon expiry of the blocking period, the shares may be freely traded by employees.

#### 8.2 Share-based compensation for Executive Committee

The members of Executive Committee receive part of their compensation in the form of shares in Implenia AG. The amount is expensed entirely in the current financial year. The amount charged to the Group is calculated on the basis of the market value of the shares at the time of allocation. The Group may either buy shares on the market or draw from its own stock of shares.

In 2010, they were allocated at a price of CHF 31.95 per share (2009: CHF 29.00 per share).

		2010	2009
Allocation of shares	Number	75,261	67,917
Allocation of shares	CHF 1000	2,374	1,959
Estimated cost	CHF 1000	(1,731)	(2,200)
Estimated cost for the current year	CHF 1000	1,808	1,731
Amount charged to the financial year	CHF 1000	2,451	1,490

#### 8.3 Shares for Board members

Some Board members receive their remuneration in shares. The cost is calculated and reported in the same way as for shares allocated to Executive Committee.

		2010	2009
Allocation of shares	Number	5,324	5,863
Allocation of shares for the previous year	CHF 1000	151	152
Estimated cost for the previous year	CHF 1000	(108)	(118)
Estimated cost for the current year	CHF 1000	115	108
Amount charged to the financial year	CHF 1000	158	142

**CONSOLIDATED FINANCIAL STATEMENTS OF THE IMPLENIA GROUP** 

#### 184-185

## Notes to the consolidated financial statements of Implenia

### 9 Other operating expenses

	2010	2009
	CHF 1000	CHF 1000
Rent	41,760	36,039
Infrastructure costs	17,847	15,402
Maintenance and repairs	37,231	22,768
Insurance	3,184	5,495
Administration costs and consultants	16,707	16,219
Office expenses and communications	16,984	17,562
Taxes and fees	5,632	5,818
Marketing/advertising and other administration costs	6,660	7,421
Other operating expenses	1,025	163
Total	147,030	126,887

#### 10 Financial income and expense

	2010	2009
	CHF 1000	CHF 1000
Financial expenses		
Interest expenses	1,157	3,167
Interest on bond issue	4,171	
Bank charges	524	503
Financial guarantees fixed costs	1,268	751
Other financial expenses	3,335	2,452
Foreign exchange losses	3,336	300
Total	13,791	7,173
Financial income		
Interest income	701	851
Income from marketable securities	531	632
Other financial income	1,860	469
Foreign exchange gains	1,082	211
Total	4,174	2,163
Net financial income / expense	(9,617)	(5,010)

The increase in foreign currency losses and gains is due to the marked fall in the euro, the key currency for Implenia's foreign activities, in the second half of 2010. It relates mainly to receivables and payables from projects of Swiss Group companies abroad and interests in joint ventures which complete orders abroad.

#### 11 Taxes

	2010	2009
	CHF 1000	CHF 1000
Profit before tax		
Switzerland	66,012	64,975
Abroad	2,029	(2,342)
Total profit before tax	68,041	62,633
Current and deferred tax expense		
Switzerland	10,001	5,186
Abroad	1,763	1,390
Total current tax expense	11,764	6,576
Switzerland	3,819	9,133
Abroad		(131)
Total deferred tax expense/income	3,819	9,002
Total tax	15,583	15,578
Tax charge in %	22.9%	24.9%

### Analysis of tax rate

The following elements explain most of the differences between the expected Group tax rate (the weighted average tax rate, based on the pre-tax profit of each Group company) and the effective tax rate:

	2010	2009
	%	%
Expected tax rate from business units	22.2%	21.7%
Effect of non-taxable expenses	(1.2%)	0.0%
Effect of non-deductible expenses	0.1%	0.9%
Effect of non-capitalised tax losses arising during the year	1.6%	2.6%
Effect of the change in the applicable tax rate	(0.9%)	0.5%
Effect of the use of non-capitalised tax loss carryforwards	(0.1%)	0.0%
Taxes from previous periods	0.9%	0.0%
Income components with different tax rates	0.3%	0.0%
Prior-year and other items	0.0%	(0.8%)
Effective tax rate from business units	22.9%	24.9%

The expected tax rate from business units is based on the expected applicable taxes on profits of the Group companies in their taxation zone. The change in the expected tax rate relates mainly to the changed composition of profits of the Group companies in the respective canton or country.

#### 12 Cash and cash equivalents

	31.12.2010	31.12.2009
	CHF 1000	CHF 1000
Cash	357	398
Bank and post office accounts	345,330	113,746
Other cash equivalents	3,587	14,605
Total	349,274	128,749

The item Bank and post office accounts includes CHF 3.4 million (2009: CHF 2.4 million) of assets held on a fiduciary basis for general contractor projects. These balances can only be used to pay subcontractors for projects where the customer bank financing the construction loan has released the funds.

#### 13 Marketable securities

	31.12.2010	31.12.2009
	CHF 1000	CHF 1000
Fund investments	_	661
Bills receivable	346	381
Total	346	1,042

#### 14 Trade receivables

	31.12.2010	31.12.2009
	CHF 1000	CHF 1000
Customers	317,379	338,714
Joint ventures	56,254	49,597
Associates	4,692	999
Related parties		683
Guarantee retentions	29,488	31,513
Value adjustment for doubtful receivables	(12,579)	(12,603)
Total	395,234	408,903
of which pledged		_

Allowance is made for receivables that are in arrears by taking specific and general value adjustments calculated using current experience. Past experience has shown that this risk can be regarded as minor. The valuation allowance account is only used for trade receivables. For all other items, impairments are taken directly.

#### Value adjustment for doubtful receivables

	31.12.2010	31.12.2009
	1000 CHF	1000 CHF
1 January	12,603	12,539
Added	6,472	8,301
Applied	(516)	(1,685)
Reversed	(5,833)	(6,552)
Foreign exchange differences	(147)	_
Total	12,579	12,603

In 2006/2007 Implenia built the Letzigrund Stadium in record time, so that it could be approved and used for Euro 2008. In view of the very tight construction schedule, the City of Zurich called for 1,392 changes and amendments to be made to the planning specifications. More than half of these were implemented in the final 12 months of the stadium's construction. This generated significant additional costs which were thoroughly documented and accounted for. Right back in early 2006 and then at regular intervals, Implenia kept the city informed about the financial impact. This eventually totalled CHF 22.9 million.

Implenia's final bill was for CHF 119.5 million. The City of Zurich has so far paid CHF 96.6 million, so the amount of CHF 22.9 million is now outstanding. After numerous attempts by Implenia to reach an amicable settlement in the dispute over payment of these additional costs were rejected by the city, Implenia has now taken legal action to obtain full payment of the amount owing of CHF 22.9 million.

#### 14 Trade receivables

				Over	due	
	Total carrying amount 31.12.2010	Not due	1–30 days	31–60 days	61–90 days	>90 days
	CHF 1000	CHF 1000	CHF 1000	CHF 1000	CHF 1000	CHF 1000
Customers	317,379	156,058	50,386	17,140	5,795	88,000
Joint ventures	56,254	25,162	7,607	4,988	3,016	15,481
Associates	4,692	2,452	740	257	276	967
Related parties	_					_
Sub-total	378,325	183,672	58,733	22,385	9,087	104,448
Guarantee retentions	29,488					
Value adjustment for doubtful receivables	(12,579)					
Total	395,234					

As at 31 December 2010, the total of overdue receivables amounted to CHF 194.7 million (31.12.2009: CHF 146.3 million). With regard to the trade receivables that were neither impaired nor in arrears, there were no indications at the balance sheet date that the customers would not be able to meet their financial obligations.

#### Trade receivables (continued)

				Over	due	
	Total carrying amount 31.12.2009	Not due	1–30 days	31–60 days	61–90 days	>90 days
	CHF 1000	CHF 1000	CHF 1000	CHF 1000	CHF 1000	CHF 1000
Customers	338,714	216,794	31,290	12,411	9,804	68,415
Joint ventures	49,597	26,172	4,281	3,577	3,336	12,231
Associates	999	694	9	_		296
Related parties	683	_	_	_		683
Sub-total	389,993	243,660	35,580	15,988	13,140	81,625
Guarantee retentions	31,513					
Value adjustment for doubtful receivables <b>Total</b>	(12,603) 408,903					

As at the balance sheet date, no guarantees (collateral) were held (2009: none). None of these receivables were renegotiated either (2009: none). No receivables were pledged.

#### 15 Work in progress

Work in progress includes accruals for work that has been carried out but not yet invoiced, including on-site stocks of materials, advance payments from customers and to suppliers for work not yet carried out, accruals for outstanding invoices from suppliers and subcontractors, and provisions for losses on the order book and work in progress.

	31.12.2010	31.12.2009
	CHF 1000	CHF 1000
Capitalised		
Work in progress, assets	228,891	246,836
Work in progress, liabilities	(499,204)	(477,452)
Work in progress, net	(270,313)	(230,616)
	31.12.2010	31.12.2009
	CHF 1000	CHF 1000
Work in progress, assets (services provided but not yet invoiced)	240,397	238,165
Work in progress, liabilities (services invoiced but not yet provided)	(203,316)	(194,535)
Valuation adjustment on contract costs	(14,950)	(17,395)
Contract costs in relation to future services by suppliers and sub-contractors	72,106	60,327
Contract costs in relation to past services by suppliers and sub-contractors	(364,550)	(317,178)
Work in progress, net	(270,313)	(230,616)
	31.12.2010	31.12.2009
	CHF 1000	CHF 1000
Contract revenues since start of project	9,403,891	8,117,331
Contract revenues recognised in the period	2,026,798	1,707,330
Guarantee retentions	29,488	31,513

#### 16 Joint ventures

Initial measurement of joint ventures is at cost. In subsequent years, the carrying amount is increased by the proportional share of profits and reduced by the proportional share of losses through the income statement. Liquidity contributions and disbursements increase and reduce the carrying amount respectively without being taken through the income statement. The resulting asset or liability is recognised in the balance sheet.

	Net asset 2010	Net asset 2009	Net liability 2010	Net liability 2009
	CHF 1000	CHF 1000	CHF 1000	CHF 1000
As at 1.1	2,613	13,642	45,113	54,968
Change	21,157	(11,029)	(895)	(9,855)
Total	23,770	2,613	44,218	45,113

Net amount receivable from (payable to) joint ventures

	31.12.2010	31.12.2009
	CHF 1000	CHF 1000
Joint ventures, assets	23,770	2,613
Joint ventures, liabilities	(44,218)	(45,113)
Services invoiced to joint ventures but not yet received	56,254	49,597
Services invoiced by joint ventures but not yet paid	(2,368)	(2,753)
Total	33,438	4,344

Implenia's share in joint venture assets and liabilities (the balance sheet shows assets and liabilities of joint ventures as at the reporting date), revenue (Implenia's part of revenues) and expenses is as follows:

	31.12.2010	31.12.2009
	CHF 1000	CHF 1000
Total assets	381,319	408,123
Total liabilities	(394,176)	(406,030)
Net assets	(12,857)	2,093
Revenue for the current period	533,782	574,623
Costs for the current period	(522,486)	(554,780)
Profit for the current period	11,296	19,843

Services invoiced to joint ventures which have been recognised in the revenue of Implenia are disclosed in note 33.

Partners are jointly and severally liable for any joint venture debts unless otherwise agreed.

	31.12.2010	31.12.2009
	CHF 1000	1000 CHF
Joint and several liability of partners in joint ventures	191,467	214,785
Major joint ventures in terms of Implenia's share of total assets and revenue:	Shareholding	Shareholding
Consorzio TAT Tunnel Alp Transit Ticino	25.0%	25.0%
ARGE Transco Gottardo Sedrun	40.0%	40.0%
ARGE Tunnel Weinberg ATW	45.0%	45.0%
Groupement Marti-Implenia (Nant de Drance, Emosson)	50.0%	50.0%
ARGE Umfahrung Lungern	60.0%	60.0%
ARGE 2.1 Bahnhof Löwenstrasse	31.0%	31.0%
ANGE 2.1 Ballillioi Lowelistrasse	31.0%	31.0%

#### 17 Other receivables

	31.12.2010	31.12.2009
	CHF 1000	CHF 1000
Withholding tax	1,094	868
Other taxes and duties	2,574	3,297
Social funds, employee insurance schemes	3,275	1,508
WIR cheques	13,338	8,475
Other accounts receivable	19,708	6,661
Total	39,989	20,809
		1

The City of Zurich has called the guarantee provided when carrying out the Letzigrund stadium project, obliging Implenia to make a payment of CHF 12 million, which is shown under other accounts receivable.

#### 18 Raw materials

	31.12.2009
CHF 1000	CHF 1000
21,843	20,754
	_
21,843	20,754
	_
	21,843  21,843

In 2010, the cost of raw materials taken to income in the consolidated financial statements amounted to CHF 297 million (2009: CHF 276 million). Inventory is divided equally between raw materials and ancillary products. The cost of impairments for the current year is CHF 0 (2009: CHF 0). No impairments were reversed (2009: none).

#### 19 Real estate transactions

	31.12.2010	31.12.2009
	CHF 1000	CHF 1000
Cost of acquisition as at 1.1	181,556	196,417
Additions	50,848	88,317
Disposals	(108,681)	(103,104)
Reclassifications	5,199	_
Change in scope of consolidation	110,178	_
Foreign exchange differences	(4,365)	(74)
Cumulative cost of acquisition	234,735	181,556
Cumulative value adjustments as at 1.1	(12,824)	(16,260)
Additions	(499)	_
Disposals	3,730	3,434
Reclassifications	(7,395)	_
Foreign exchange differences	236	2
Cumulative value adjustments	(16,752)	(12,824)
Net carrying amount	217,983	168,732
of which pledged	15,293	19,691
of which capitalised borrowing expense		_
The gain on real estate sales during the period is as follows:		
Sale proceeds	141,600	136,823
Carrying amount of assets sold	(104,951)	(99,670)
Gain on real estate <sup>1</sup>	36,649	37,153

<sup>1 (</sup>excluding the expense of the Real Estate segment)

### 20 Property, plant and equipment

	Property	Plant	Equipment, IT	Total
	CHF 1000	CHF 1000	CHF 1000	CHF 1000
31.12.2010				
Cost of acquisition at 01.01.2010	135,155	48,322	243,360	426,837
Additions	4,776	2,626	32,094	39,496
Disposals	(4,496)	(225)	(29,882)	(34,603)
Reclassifications	(19,945)	6,420	_	(13,525)
Change in scope of consolidation		_	_	_
Foreign exchange differences	(477)	(1,089)	(2,322)	(3,888)
Cumulative cost of acquisition as at 31.12.2010	115,013	56,054	243,250	414,317
		,		
Cumulative depreciations as at 01.01.2010	(47,146)	(26,339)	(120 770)	(204.262)
	(47,140)	(20,333)	(130,778)	(204,263)
Additions	(4,186)	(2,857)	(25,881)	(32,924)
<u> </u>				
Additions	(4,186)	(2,857)	(25,881)	(32,924)
Additions Disposals	(4,186)	(2,857)	(25,881)	(32,924) 31,447
Additions Disposals Reclassifications	(4,186) 2,614 12,946	(2,857) 10 (3,351)	(25,881) 28,823	(32,924) 31,447 9,595
Additions Disposals Reclassifications Foreign exchange differences	(4,186) 2,614 12,946 199	(2,857) 10 (3,351) 869	(25,881) 28,823 ————————————————————————————————————	(32,924) 31,447 9,595 2,881
Additions Disposals Reclassifications Foreign exchange differences	(4,186) 2,614 12,946 199	(2,857) 10 (3,351) 869	(25,881) 28,823 ————————————————————————————————————	(32,924) 31,447 9,595 2,881
Additions Disposals Reclassifications Foreign exchange differences Cumulative depreciations as at 31.12.2010	(4,186) 2,614 12,946 199 (35,573)	(2,857) 10 (3,351) 869 (31,668)	(25,881) 28,823 ————————————————————————————————————	(32,924) 31,447 9,595 2,881 (193,264)
Additions Disposals Reclassifications Foreign exchange differences Cumulative depreciations as at 31.12.2010  Net carrying amount as at 31.12.2010	(4,186) 2,614 12,946 199 (35,573)	(2,857) 10 (3,351) 869 (31,668)	(25,881) 28,823 ————————————————————————————————————	(32,924) 31,447 9,595 2,881 (193,264)
Additions Disposals Reclassifications Foreign exchange differences Cumulative depreciations as at 31.12.2010  Net carrying amount as at 31.12.2010 of which finance leases	(4,186) 2,614 12,946 199 (35,573) 79,440	(2,857) 10 (3,351) 869 (31,668)	(25,881) 28,823 ————————————————————————————————————	(32,924) 31,447 9,595 2,881 (193,264) 221,053

### 20 Property, plant and equipment (continued)

	Property	Plant	Equipment, IT	Total
	CHF 1000	CHF 1000	CHF 1000	CHF 1000
31.12.2009				
Cost of acquisition at 01.01.2009	131,752	46,775	239,435	417,962
Additions	6,711	1,837	27,873	36,421
Disposals	(3,808)	(442)	(23,279)	(27,529)
Reclassifications	506	152	(658)	_
Foreign exchange differences	(6)		(11)	(17)
Cumulative cost of acquisition as at 31.12.2009	135,155	48,322	243,360	426,837
Cumulative depreciations as at 01.01.2009	(42,268)	(23,714)	(124,930)	(190,912)
Additions	(5,122)	(2,924)	(27,690)	(35,736)
Disposals	425	420	21,531	22,376
Reclassifications	(182)	(121)	303	_
Foreign exchange differences	1	_	8	9
Cumulative depreciations as at 31.12.2009	(47,146)	(26,339)	(130,778)	(204,263)
Net carrying amount as at 31.12.2009	88,009	21,983	112,582	222,574
of which finance leases		_	2,247	2,247
of which pledged	35,406	_		35,406
of which under construction	5,806			5,806
of which capitalised borrowing expense		_		_

### 20 Property, plant and equipment (continued)

### Leasing agreements where the Group is lessee.

Finance leases: future minimum lease instalments for non-terminable leases and similar:

		Future minimum lease instalment		Net present value of minimum lease instalment	
	2010	2009	2010	2009	
	CHF 1000	CHF 1000	CHF 1000	CHF 1000	
Less than 1 year	275	526	241	478	
Between 2 and 5 years	159	431	139	376	
Total 434		957	380	854	

Operating leases: future minimum lease instalments for non-terminable leases and similar:

		Future minimum lease instalment		
	2010	2009		
	1000 CHF	1000 CHF		
Less than 1 year	13,531	17,398		
Between 2 and 5 years	44,244	54,672		
Between 6 and 9 years	13,056	17,539		
Total	70,831	89,609		

Subsidiaries have entered into numerous operating leases, mainly for the short-term rental of construction machinery. Total expense for operating leases was TCHF 41,758 (2009: TCHF 51,600).

### 21 Investment Property

	31.12.2010	31.12.2009
	CHF 1000	CHF 1000
Cost of acquisition as at 1.1	_	-
Additions	_	_
Disposals	_	_
Reclassifications	14,028	_
Change in scope of consolidation	1,606	_
Foreign exchange differences		_
Cumulative cost of acquisition	15,634	_
Cumulative impairments as at 1.1	_	_
Additions		
Disposals		_
Reclassifications	(7,902)	_
Change in scope of consolidation		_
Foreign exchange differences		_
Cumulative impairments	(7,902)	_
Net carrying amount	7,732	

Investment property includes agricultural land with a net carrying amount of CHF 5.4 million. The market value of investment property corresponds to the carrying amount.

### 22 Investments in associates

31.12.2010	31.12.2009
CHF 1000	CHF 1000
36,274	34,757
6,289	1,293
(2,910)	(872)
364	55
6,495	4,160
(3,705)	(3,116)
(132)	(3)
42,675	36,274
	_
	CHF 1000  36,274 6,289 (2,910) 364 6,495 (3,705) (132)

If the associates of the Group do not already use IFRS, their results are converted to IFRS. Since no current financial data were available at the time of the preparation of Implenia's consolidated financial statements, net profit and the corresponding share belonging to Implenia are based on management estimates. Differences between the actual results and these estimates will be recognised in the 2011 consolidated financial statements.

Since no data for the financial year 2010 is available at present, figures are based on the prior year and adjusted in line with expectations for business performance in the current year.

Financial information as at	31.12.2010	31.12.2009
	CHF 1000	CHF 1000
Assets	344,683	239,316
Liabilities	(208,129)	(120,898)
Net assets	136,554	118,418
Revenue	215,931	211,013
Expenses	(190,185)	(194,486)
Profit	25,746	16,527

The figures shown are the total balance sheet and income statement positions, not just Implenia's share in these positions.

The five most important associates (in terms of carrying value) during the current financial year are:

- MOAG Baustoffe Holding AG, Mörschwil
- Reproad AG, Bremgarten
- Catram AG, Chur
- Argobit AG, Schafisheim
- Parking Port d'Ouchy SA

The five most important associates (in terms of carrying value) during the previous year were:

- MOAG Baustoffe Holding AG, Mörschwil
- Reproad AG, Bremgarten
- Catram AG, Chur
- Argobit AG, Schafisheim
- SEBAL Belagswerk Biel-Büttenberg (EG)

A list of associates can be found in note 38.

### 23 Other financial investments

	31.12.2010	31.12.2009
	CHF 1000	CHF 1000
Carrying amount as at 1.1	15,755	20,165
Acquisitions	158	3,539
Disposal	(1,828)	(5,893)
Reclassifications	(364)	(55)
Impairments	(117)	(2,001)
Market value adjustment of securities	2,862	_
Change in scope of consolidation	250	_
Foreign exchange differences	(4)	_
Carrying amount as at 31.12	16,712	15,755
Weighted effective interest rate	1.4%	2.6%
Breakdown:		
Shareholdings in unlisted companies	6,516	4,923
Loans*	10,174	10,810
Other financial investments	22	22
Carrying amount as at 31.12	16,712	15,755
of which pledged		

<sup>\*</sup> Carrying amount approximates to fair value.

### 24 Intangible assets

				Customer list		
	IT	Licences and software	Dana da	and order	Goodwill	Total
	IT projects  CHF 1000	CHF 1000	Brands CHF 1000	book CHF 1000	CHF 1000	Total CHF 1000
Cost of acquisition						
at 01.01.2010	3,812	3,666	2,881	13,290	69,193	92,842
Additions		24				24
Disposals						-
Foreign exchange differences	_	(1)	_	_	_	(1)
Cumulative cost of acquisition as at 31.12.2010	3,812	3,689	2,881	13,290	69,193	92,865
401112.2010	3,612	3,003	2,001	13,230	03,133	32,003
Cumulative write downs as at						
01.01.2010	(3,812)	(3,329)	(2,482)	(7,950)	_	(17,573)
Additions		(212)	(199)	(1,559)		(1,970)
Disposals					<u> </u>	_
Foreign exchange differences	_	1	_	_	_	1
Cumulative write downs as at						
31.12.2010	(3,812)	(3,540)	(2,681)	(9,509)		(19,542)
Net carrying amount as at		1.40	200	2 704	60.402	72 222
31.12.2010		149	200	3,781	69,193	73,323
of which pledged of which with						
unlimited useful life					69,193	69,193
Residual life (years)		1	1	3	n.a.	_

### 24 Intangible assets (continued)

	IT projects	Licences and software	Brands	Customer list and order book	Goodwill	Total
	CHF 1000	CHF 1000	CHF 1000	CHF 1000	CHF 1000	CHF 1000
Cost of acquisition at 01.01.2009	3,812	3,395	2,881	13,290	69,193	92,571
Additions		271	_			271
Disposals			_			
Foreign exchange differences						
Cumulative cost of acquisition as at 31.12.2009	3,812	3,666	2,881	13,290	69,193	92,842
Cumulative write downs as at 01.01.2009	(3,600)	(3,110)	(2,282)	(6,391)	_	(15,383)
Additions	(212)	(219)	(200)	(1,559)	_	(2,190)
Disposals			_			
Foreign exchange differences						_
Cumulative write downs as at 31.12.2009	(3,812)	(3,329)	(2,482)	(7,950)		(17,573)
Net carrying amount as at 31.12.2009	_	337	399	5,340	69,193	75,269
of which pledged			_			_
of which with unlimited useful life			_		69,193	69,193
Residual life (years)		2	2	4	n.a.	

### Testing goodwill for impairment

Capitalised goodwill is the positive difference between the cost of acquisition and the fair value of subsidiaries' net assets on acquisition, less any value adjustments required after annual impairment testing – i.e. the value in use. Goodwill is allocated to the relevant cash-generating units. The goodwill resulting from the acquisition of Batigroup is allocated across the relevant areas created by the internal reorganisation.

CONSOLIDATED FINANCIAL STATEMENTS OF THE IMPLENIA GROUP

### 206-207

# Notes to the consolidated financial statements of Implenia

The realisable value of a cash-generating unit is determined by calculating its value in use by means of the discounted cash flow method. This calculation is based on the 2011 budget and the projected cash flows derived from the 2011–2013 business plan approved by management. Subsequent years' cash flows are estimated based on the growth rates shown below.

Goodwill is distributed between the cash-generating units as follows:

	31.12.2010	Change	31.12.2009
	CHF 1000	CHF 1000	CHF 1000
Implenia Construction AG – Infrastructure Construction	12,835	_	12,835
Implenia Construction AG – Tunnelling	15,596	_	15,596
Implenia Generalunternehmung AG	30,467	_	30,467
Reuss Engineering AG	10,295		10,295
Total	69,193		69,193

Assumptions for the calculation of value in use:

	Implenia E	Implenia Bau AG Infrastructure Construction Tunnelling		Reuss Eng. AG
	CHF 1000	CHF 1000	CHF 1000	CHF 1000
Gross margin	6.5%	8.9%	4.7%	28.7%
Discount rate, pre-tax	7.1%	9.9%	10.1%	10.1%
Post-business plan growth rate	1.0%	1.0%	1.0%	0.5%

Management has defined the budgeted gross margin based on historical trends and expectations of future market development. The average growth rates are in line with construction industry averages in Switzerland. Discount rates are pre-tax and reflect the specific risks faced by the segments concerned.

Goodwill was tested for impairment; none was found necessary.

### 25 Current and non-current financial liabilities

	31.12.2010	31.12.2009
	CHF 1000	CHF 1000
As at 1.1	42,853	81,677
Additions	630,169	647,876
Disposals	(473,316)	(686,700)
Change in scope of consolidation	54	_
Total financial liabilities	199,760	42,853
Breakdown		
Bond issue	197,741	_
Liabilities to banks and other financial institutions	1,077	41,283
Finance lease liabilities	376	855
Other financial liabilities	566	715
Total financial liabilities	199,760	42,853
Maturity:		
Current financial liabilities (less than one year)	1,605	42,180
Non-current financial iabilities (between 2 and 5 years)	198,155	673
Total financial liabilities	199,760	42,853

As at 31 December 2010, Implenia had a cash limit of CHF 150 million and guarantee limit of CHF 450 million. The syndicated loan agreement runs until 30 September 2012. Following the bond issue, the cash limit was reduced by CHF 100 million and the guarantee limit increased by CHF 100 million on 16 July 2010.

In addition, Implenia has bilateral loan agreements with several banks in the amount of CHF 28.3 million (2009: CHF 34.5 million).

Non-current financial liabilities (between 2 and 5 years) include the bond issue for CHF 200 million placed on 12 May 2010. The bond pays interest of 3.125%, has a term of six years and matures on 12 May 2016. A bank consortium comprising Zürcher Kantonalbank and UBS AG placed the bond at an issue price of 100.269%. The bond is traded on SIX Swiss Exchange (security number 11219351). The effective interest rate for calculating amortised cost is 3.356%.

### 26 Current and non-current provisions

	Service				Repairs		
	guarant-	Onerous	Integra-		and		
	ees	contracts	tion costs	Litigation	legacy	Others	Total
	1000 CHF	1000 CHF	1000 CHF	1000 CHF	1000 CHF	1000 CHF	1000 CHF
31.12.2010							
Balance as at 01.01.2010	3,688	575		3,613	1,771	976	10,623
Added			64	200	5,989	1,570	7,823
Applied	(80)				(724)	(7)	(811)
Reversed		(529)		_	_	(14)	(543)
Reclassifications					_		_
Change in scope of consolidation				1,800	20,419		22,219
Foreign exchange differences	(44)			(5)		(161)	(210)
Total provisions 31.12.2010	3,564	46	64	5,608	27,455	2,364	39,101
of which non-current					8,873		8,873
31.12.2009							
Balance as at 01.01.2009	3,402	849	606	3,804	1,594	780	11,035
Added	377			1,000	220	290	1,887
Applied	(6)	(45)		(52)	(43)	(65)	(211)
Reversed	(84)	(229)	(84)	(1,139)	_	(550)	(2,086)
Reclassifications			(522)		_	522	_
Foreign exchange differences	(1)					(1)	(2)
Total provisions 31.12.2009	3,688	575		3,613	1,771	976	10,623
of which non-current			_		_		

With the purchase of Sulzer Immobilien AG, Winterthur, Implenia assumed provisions in the amount of CHF 22.2 million (see 2.2. Scope of consolidation).

Warranty provisions concern completed projects. Related costs tend to be payable within 2 to 5 years.

The onerous contracts relate to rent guarantees. They generally extend over a period of 2 to 3 years. In 2010, Implenia granted its customers no rent guarantees for new projects. In one case, the provision for rent guarantees was reduced.

The provisions for litigation mainly relate to litigation affecting inactive companies.

The provision for repair and legacy claims relates to future repair costs of real estate, primarily gravel pits after they have been fully exploited. Two new provisions have been created for repair costs of real estate.

### 27 Pension assets

	31.12.2010	31.12.2009
	1000 CHF	1000 CHF
Holdings as at 1 January	5,177	6,596
Booked pension expense	(27,345)	(35,997)
Employer contributions	34,579	34,578
Total	12,411	5,177

A total of five people joined the workforce with the acquisition of Sulzer Immobilien AG, Winterthur. In view of the small size of this figure, the impact on pension expense and pension assets is not material.

In accordance with IFRS, pension arrangements are shown as being defined contribution schemes if the Group pays fixed contributions to a separate fund or external financial institution and there are no statutory or constructive obligations to make any further contributions. All other pension arrangements are treated as defined benefit schemes, even if the Group's potential obligations are small or the probability of their being incurred is low. Consequently, most Group pension arrangements are classified in these consolidated annual financial statements as defined benefit schemes, since corresponding legal or constructive obligations apply in Switzerland.

(98,612)

1,138,224

(59,623)

1,149,830

## Notes to the consolidated financial statements of Implenia

### **Defined benefit plans**

The largest defined benefit plan is in Switzerland. The plan is financed by contributions from the employer and from employees. The plan takes the form of an independent foundation.

	2010	2009
	1000 CHF	1000 CHF
Defined benefit plan: expense		
Net service cost	20,537	21,277
Amortisation of unrecognised actuarial gains/losses	4,997	8,830
Expected return on plan assets	(40,214)	(35,328)
Interest expense	42,025	41,218
Total expense taken to the income statement	27,345	35,997

Income received on plan assets in 2010 was CHF 21.9 million (2009: CHF 132.1 million). Implenia Italia S.p.A. (Italy) and Russian Land Implenia Ltd. (Russia) were not included when calculating retirement benefit costs on materiality grounds.

Qualified independent actuaries carry out regular assessments and conduct an annual valuation as at the reporting date. The separate pension plans take the form of foundations independent of the Group. The net assets or liabilities shown in the balance sheet are the over or underfunding of the pension plan, adjusted for any actuarial gains and losses and past service cost not taken into consideration.

Amounts carried in the balance sheet for defined benefit plans are predominantly long-term in nature and are reported under non-current assets or liabilities.

	31.12.2010	31.12.2009
	1000 CHF	1000 CHF
Defined benefit plan: financing		
Market value of plan assets	1,138,224	1,149,830
Defined benefit obligations	(1,346,324)	(1,326,694)
Underfunding	(208,100)	(176,864)
Unrecognised actuarial gains/(losses)	220,511	182,041
Net assets  Detailed information on the assets of the pension plan and	defined benefit obligations are show	· ·
		5,177 n below: 31.12.2009
Detailed information on the assets of the pension plan and	defined benefit obligations are show	n below:
Detailed information on the assets of the pension plan and  Defined benefit plan: market value of plan assets	defined benefit obligations are show 31.12.2010	n below: 31.12.2009 1000 CHF
Detailed information on the assets of the pension plan and  Defined benefit plan: market value of plan assets  As at 1 January	defined benefit obligations are show 31.12.2010 1000 CHF	31.12.2009 1000 CHF 1,013,295
Defined benefit plan: market value of plan assets As at 1 January Expected return on plan assets	defined benefit obligations are show 31.12.2010 1000 CHF 1,149,830	31.12.2009 1000 CHF 1,013,295 35,328
Defined benefit plan: market value of plan assets As at 1 January Expected return on plan assets Actuarial gains/(losses)	31.12.2010 31.000 CHF 1,149,830 40,214	1,013,295 35,328 96,786
	31.12.2010 31.000 CHF 1,149,830 40,214 (18,328)	31.12.2009 1000 CHF 1,013,295 35,328

No company shares are included in the market value of plan assets.

Past service cost

As at 31 December

	31.12.2010	31.12.2009
	1000 CHF	1000 CHF
Defined benefit plan: defined benefit obligations		
As at 1 January	(1,326,694)	(1,213,529)
Current service cost	(20,537)	(21,277)
Interest expense	(42,025)	(41,218)
Employee contributions	(30,540)	(29,466)
Actuarial gains/(losses)	(25,140)	(80,827)
Past service cost	98,612	59,623
As at 31 December	(1,346,324)	(1,326,694)

Estimated employer contributions for 2011 are CHF 34.5 million (previous year: CHF 34.5 million).

### **27 Pension assets** (continued)

### **Actuarial assumptions**

Actuarial assumptions are forecast estimates of the variables which determine the ultimate cost of supporting the defined benefit plan. The estimates are set by management every year. The actuarial assumptions include demographic forecasts of mortality and staff turnover. Financial assumptions such as salary increases, the interest rate and the capital market yield are also taken into account.

The financial assumptions are based on market expectations for the period over which the obligations are met. The following assumptions are used for the most important defined benefit plan:

	31.12.2010	31.12.2009
	%	%
Discount rate	3.00%	3.25%
Expected return on plan assets	3.50%	3.50%
Forecast salary increases	1.25%	1.25%
Inflation	1.25%	1.25%
Future pension increases	0.00%	0.00%

Discount rates based on the market yield of prime industrial bonds are used to calculate the net present value of defined benefit obligations. The expected return on plan assets is based on market forecasts of the expected return on the assets of the pension plan, bearing in mind the maturity of the corresponding liability. The calculation includes assumptions about expected dividend and interest income, realised and unrealised gains on plan assets and tax, plus administration costs borne by the plan. The assumptions are based on long-term market forecasts.

Forecast salary increases are based on the latest estimates and historical trends at Group companies. They are applied to calculate the defined benefit obligations and the current service cost recognised in the income statement.

	31.12.2010	31.12.2009
	%	%
Breakdown of plan assets:		
Real estate	17.6%	16.3%
Swiss equities	11.2%	11.1%
Foreign equities	17.5%	17.2%
Swiss bonds	33.7%	35.7%
Foreign bonds	16.2%	16.6%
Cash and cash equivalents	3.8%	3.1%

The plan assets do not include any equity or equity-indexed instruments of Implenia AG (2009: none). Moreover, the pension fund assets include real estate used by Implenia worth CHF 21.8 million (2008: CHF 19.9 million).

2010	2009	2008	2007	2006
CHFm	CHFm	CHFm	CHFm	CHFm
1,138	1,150	1,013	1,236	1,194
(1,346)	(1,327)	(1,214)	(1,271)	(1,222)
(208)	(177)	(200)	(35)	(28)
(18)	97	(213)	(8)	22
8	(34)	42		42
	1,138 (1,346) (208)	CHFm         CHFm           1,138         1,150           (1,346)         (1,327)           (208)         (177)           (18)         97	CHFm         CHFm         CHFm           1,138         1,150         1,013           (1,346)         (1,327)         (1,214)           (208)         (177)         (200)           (18)         97         (213)	CHFm         CHFm         CHFm         CHFm           1,138         1,150         1,013         1,236           (1,346)         (1,327)         (1,214)         (1,271)           (208)         (177)         (200)         (35)           (18)         97         (213)         (8)

### The Foundation for Flexible Retirement (FAR): a defined contribution scheme

Implenia's industrial staff subject to the collective employment agreement may take voluntary early retirement from the age of 60. Bridging benefits are paid between the early retirement date and normal retirement age by the Foundation for Flexible Retirement in the Construction Industry (FAR), which was established specially for this purpose. The FAR, which was created by the SIB and SYNA trade unions and also the Société Suisse des Entrepreneurs, is funded by contributions from employers and employees. FAR benefits are funded through a pay-as-you-go system, so do not qualify for treatment as a defined benefit plan under IAS 19. Consequently, the FAR is treated as a multi-employer defined contribution scheme.

The FAR prepares its accounts in accordance with Swiss pension legislation. On this basis, as at 30 June 2010, the FAR had a reserve ratio of 112.8% (June 2009: 100.7%). Implenia does not anticipate any payment obligations beyond contributions initially planned. In 2010, Implenia paid the FAR contributions totalling CHF 11.1 million (2009: CHF 11.0 million).

### 28 Deferred tax assets and liabilities

28 Deferred tax assets and liabilities										
	Property, plant	Intangible	Retirement benefit	>	>	Tax losses	Work in			
Deferred tax receivables	and equipment	assets	obligations		Inventor	es brought forward	progress	Provisions	Other items	Total
	1000 CHF	1000 CHF	1000 CHF		1000 C	IF 1000 CHF	1000 CHF	1000 CHF	1000 CHF	1000 CHF
As at 01.01.10	_	_	_			- 2,495	_	_	_	2,495
Debited/credited to net income			_			- (885)	_	_	_	(885)
Carrying amount as at 31.12.2010			_			- 1,610				1,610
As at 01.01.09	_	_	_			- 953	_	_	_	953
Debited/credited to net income						- 1,542				1,542
					-	2.405		-		2,495
Carrying amount as at 31.12.2009				>	>	_ 2,495				2,433
Carrying amount as at 31.12.2009  Deferred tax liabilities	Property, plant and equipment	Intangible assets	Retirement benefit obligations	>	>	Tax losses	Work in progress	Provisions	Other items	Total
	Property, plant		benefit	>	>	Tax losses es brought forward	Work in progress	Provisions 1000 CHF	Other items	Total
	Property, plant and equipment	assets	benefit obligations	>		Tax losses es brought forward IF 1000 CHF	progress			Total 1000 CHF
Deferred tax liabilities	Property, plant and equipment 1000 CHF	assets 1000 CHF	benefit obligations 1000 CHF	>	1000 C	Tax losses es brought forward F 1000 CHF	progress 1000 CHF	1000 CHF	1000 CHF	
Deferred tax liabilities  As at 01.01.10	Property, plant and equipment 1000 CHF 5,029	1000 CHF 1,222	benefit obligations <b>1000 CHF</b> 1,074	>	1000 C	Tax losses brought forward F 1000 CHF  8	progress 1000 CHF 10,525	<b>1000 CHF</b> 5,217	<b>1000 CHF</b> 6,074	Total 1000 CHF 30,299 2,531
Deferred tax liabilities  As at 01.01.10 Debited/credited to net income	Property, plant and equipment 1000 CHF 5,029 401	1000 CHF  1,222 (485)	benefit obligations <b>1000 CHF</b> 1,074	>	1000 C 1,1! (1,49	Tax losses brought forward  F 1000 CHF  8  9) 3	progress 1000 CHF 10,525 240	<b>1000 CHF</b> 5,217 1,087	6,074 1,218	Total 1000 CHF 30,299 2,531 15,120
Deferred tax liabilities  As at 01.01.10 Debited/credited to net income Change in scope of consolidation	Property, plant and equipment  1000 CHF  5,029  401	1000 CHF  1,222 (485)	benefit obligations 1000 CHF 1,074 1,569	>	1,11 (1,49 11,33	Tax losses brought forward  HF 1000 CHF  8 - 9) - 13 - 2 -	progress 1000 CHF 10,525 240	5,217 1,087 3,797	6,074 1,218	Total 1000 CHF 30,299 2,531 15,120 47,950
Deferred tax liabilities  As at 01.01.10  Debited/credited to net income  Change in scope of consolidation  Balance as at 31.12.2010	Property, plant and equipment  1000 CHF  5,029  401  - 5,430	1,222 (485) - 737	benefit obligations 1000 CHF 1,074 1,569 2,643	>	1000 C 1,1! (1,49 11,3; 10,98	Tax losses brought forward  HF 1000 CHF  8 - 9) - 13 - 2 -	progress 1000 CHF 10,525 240 - 10,765	5,217 1,087 3,797 10,101	1000 CHF 6,074 1,218 - 7,292	Total 1000 CHF 30,299

### 28 Deferred tax assets and liabilities (continued)

Timing differences without deferred tax	31.12.2010	31.12.2009
	1000 CHF	1000 CHF
Temporary differences where no deferred taxes have been recognised, because they are permanent:		
. ,	225,490	210,631

The gross amount of unused losses brought forward for which deferred tax claims have been capitalised and not capitalised break down by maturity as follows:

	Not capitalised	Capitalised	Total	Not capitalised	Capitalised	Total
			31.12.2010			31.12.2009
	1000 CHF	1000 CHF	1000 CHF	1000 CHF	1000 CHF	1000 CHF
1 year	_	-	_	1	-	1
2 years		_	_		_	
3 years		4,395	4,395			
4 years	1	8	9		9,324	9,324
5 years		_	_	2	2,086	2,088
More than 5 years	102,821	3,595	106,416	113,190	510	113,700
Total	102,822	7,998	110,820	113,193	11,920	125,113

Tax losses brought forward are capitalised when it is likely that taxable profits will be earned in future.

The non-capitalised tax loss carryforwards in 2009 and 2010 mainly affect subsidiaries outside Switzerland which no longer carry out any operational activity. The fall in unused loss carryforwards is mainly due to the weakness of the euro.

### 29 Equity

### 29.1 Changes in share capital

The 2010 General Meeting approved a par value repayment of CHF 0.70 per share, resulting in a total payment of CHF 12.9 million (2009: par value repayment of CHF 0.50). The share capital available for the par value repayment is equal to the share capital of Implenia AG, Dietlikon. The par value repayment made was set in accordance with the provisions of the Swiss Code of Obligations.

### 29.2 Changes in own shares

In total, 1,891,637 shares with a value of CHF 49.4 million were sold to third parties during the course of 2010. In addition, 194,090 shares with a value of CHF 5 million were sold to employees as part of share-based compensation, so the reduction in shares was 2,085,727, with a value of CHF 54.4 million. The resulting gain of CHF 5.7 million from the sale of treasury shares was taken directly to capital reserves.

### 29.3 Outstanding shares

		Changes		Changes	
	31.12.2008	2009	31.12.2009	2010	31.12.2010
	No. of shares				
Total number of Implenia AG					
shares	18,472,000	_	18,472,000	_	18,472,000
Shares reserved for equity-linked					
remuneration	_	80,000	80,000	(80,000)	-
Unreserved treasury shares	163,943	1,282,241	1,446,184	(1,235,167)	211,017
Total treasury shares	163,943	1,362,241	1,526,184	(1,315,167)	211,017
Total shares outstanding	18,308,057	(1,362,241)	16,945,816	1,315,167	18,260,983

As part of the placing of the block of shares in Implenia held by Laxey, Implenia bought CHF 30 million of its own shares (6.5% of share capital) on 26 November 2009.

All shares have been subscribed and fully paid up. As at 31 December 2010, all shares had voting rights and qualified for dividends with the exception of 211,017 treasury shares (2009: 1,526,184).

		Changes		Changes	
	31.12.2008	2009	31.12.2009	2010	31.12.2010
	Par value of shares				
Share capital	73,888	(9,236)	64,652	(12,930)	51,722
Treasury shares	(656)	(4,686)	(5,342)	4,751	(591)
Total share capital outstanding	73,232	(13,922)	59,310	(8,180)	51,131

As at 31 December 2010, the par value of a share amounted to CHF 2.80 (31.12.09: CHF 3.50).

### 30 Earnings per share

31.12.2010	31.12.2009
Data for calculating earnings per share:	
Net profit attributable to shareholders in TCHF 51,470	45,918
Number of shares in circulation 18,260,983	16,945,816
Weighted average number of shares in circulation 17,880,14	17,959,908
Earnings per share (undiluted) CHF 2.84	<b>3</b> CHF 2.56
Earnings per share (diluted) CHF 2.86	CHF 2.56

Undiluted earnings per share (EPS) are calculated by dividing the net income attributable to shareholders of Implenia AG by the weighted average number of shares outstanding during the period. The average number of treasury shares held and acquired by the Group is deducted from the number of shares outstanding.

### 31 Dividend/par value repayment per share

A par value repayment of CHF 0.70 per share was made in 2009 (2008: CHF 0.50 per share). The Board of Directors is proposing a par value repayment of CHF 0.90 for 2010 to the General Meeting to be held on 19 April 2011. The balance sheet shown as at 31 December 2010 does not reflect the proposed appropriation of 2010 earnings.

### 32 Contingent liabilities

	31.12.2010	31.12.2009
	CHFm	CHFm
As at 1.1	271.3	238.9
Change	(54.5)	32.4
Total warranties	216.8	271.3

Implenia's contingent liabilities are mainly outstanding guarantees (tender, warranty and issued guarantees) for ongoing projects carried out for own account, projects in joint ventures and tax disputes/litigation.

Implenia Bau AG, along with many other construction companies in the regional market for road building and civil engineering in the canton of Aargau, is currently involved in an investigation launched in 2009 by the Federal Competition Commission (see press release dated 10 June 2009). Implenia is cooperating with the Competition Commission's investigation, which has not yet been completed. Management is of the opinion that it was not possible to make a reliable estimate of the outcome or the size of any penalty at the time the financial statements were drawn up. No provision was therefore made.

### Contractual capex obligations

31.12.2010	31.12.2009
CHFm	CHFm
17.6	25.5
	0.4
17.6	25.9
	CHFm 17.6 –

### 33 Related party disclosures

According to the shareholder register, the following parties held more than 3% of share capital on the reporting date:

	31.12.2010	31.12.2009
	%	%
Parmino Holding AG	16.0%	15.9%
Maag Rudolf	10.8%	10.8%
Gruppe Ammann	8.4%	8.4%
EGS Beteiligungen AG	8.4%	10.0%
Chase Nominees Ltd.	5.4%	<3.0%
Implenia AG	<3.0%	8.2%

### 33 Related party disclosures (continued)

### Consolidated and associated companies

An overview of the major consolidated companies and associates is provided in Notes 37 and 38. Transactions between subsidiaries and the parent company and between different subsidiaries are eliminated on consolidation. The following transactions took place between the Group and associates/joint ventures/staff pension plans and other related parties.

	31.12.2010	31.12.2009
	CHF 1000	CHF 1000
Sales to related parties:		
Associates	19,132	3,968
Companies influenced by officers or directors of the company	5	2
Joint ventures	253,928	251,528
Purchases from related parties		
Associates	39,861	22,493
Companies influenced by officers or directors of the company	1,043	6,329
Joint ventures	21,714	22,781
Receivable from related parties		
Receivable from related parties Associates	4,692	999
•	4,692	
Associates	4,692 - 56,254	683
Associates Companies influenced by officers or directors of the company		999 683 49,597
Associates Companies influenced by officers or directors of the company Joint ventures		683
Associates Companies influenced by officers or directors of the company Joint ventures  Owed to related parties	56,254	683 49,597

CONSOLIDATED FINANCIAL STATEMENTS OF THE IMPLENIA GROUP

## Notes to the consolidated financial statements of Implenia

### Members of management in key positions

Members of the Board of Directors of Implenia AG receive annual compensation for their activities, with additional compensation for serving on board committees. Total compensation paid to the non-executive Board of Directors (excluding the Chairman) in 2010 was TCHF 1,129 (2008: TCHF 872).

Members of the Executive Committee of Implenia AG receive compensation comprising an annual fixed salary, variable compensation and reimbursement of expenses. The Group pays social security on the above compensation and pension fund contributions. The Board of Directors and senior managers also participate in certain share-based profit sharing schemes. The terms are shown in Note 2.9.

Total compensation of TCHF 1,719 was paid to former members of the Executive Committee (2009: TCHF 1,352).

	2010	2009
	CHF 1000	CHF 1000
Short-term benefits	5,445	6,296
Post-employment benefits	413	394
Other long-term benefits		_
Payments on termination of employment		_
Share-based payments	2,455	1,858
Total	8,313	8,548

### 34 Details on consolidated cash flow statement

### 34.1 Change in current assets

	2010	2009
	CHF 1000	CHF 1000
Change in receivables	(8,821)	(8,618)
Changes in work in progress (net), raw materials	37,484	31,579
Change in real estate transactions	54,103	10,850
Changes in trade and other accounts payable	(17,791)	9,263
Change in accruals and joint ventures	(7,348)	(12,075)
Total change in current assets	57,627	30,999

### 34.2 Other positions without impact on liquidity

	2010	2009
	CHF 1000	CHF 1000
Result from associates	(6,495)	(4,215)
Change in deferred tax	3,416	9,002
Change in provisions	7,070	(349)
Change in joint ventures and other items	619	3,431
Total change in other positions without impact on liquidity	4,610	7,869

### Cash flow from operating activities

Cash flow is calculated using the indirect method, i.e. by adjusting consolidated profit for non-cash income and expense such as depreciation and amortisation. Operating cash flow also includes income tax paid on all activities.

### Cash flow from investing activities

Cash flow from investing activities mainly includes consolidated cash flows from the purchase and sale of property, plant and equipment and intangibles, as well as the purchase and sale of subsidiaries. It also includes cash flow from Implenia's other financial investments. Cash flow from investing activities shows the net cash reinvested in operating assets and the financial impact of disposals.

CONSOLIDATED FINANCIAL STATEMENTS OF THE IMPLENIA GROUP

### 226-227

# Notes to the consolidated financial statements of Implenia

### 34 Details on consolidated cash flow statement (continued)

### Cash flow from financing activities

Cash flow from financing activities mainly includes payments under borrowings the Group has raised or paid back. Cash flow from financing activities shows the transactions which have taken place between the Group and its lenders.

Foreign exchange differences from translating fully consolidated foreign subsidiaries are reported within cash flow from operating activities, investing activities and financing activities. The item "foreign exchange differences from cash and cash equivalents" at the bottom of the cash flow statement only reflects the impact on cash and cash equivalents (previous year was adapted).

### 34.3 Cash flow from acquisitions

The following table shows the effect of acquisitions on cash flow:

	CHF 1000
Cash and cash equivalents	(16,050)
Trade receivables	
Work in progress and inventories	
Other receivables	(336)
Real estate transactions	(110,178)
Prepaid expenses and accrued income	(3,790)
Property, plant and equipment	-
Investment Property	(1,606)
Other financial investments	(250)
Goodwill	-
Current liabilities	54
Trade payables	1,440
Work in progress	-
Other liabilities	624
Current taxes	1,693
Prepaid income and accrued expenses	7,576
Deferred taxes	15,120
Provisions	22,219
Fair value of old shares	290
Identifiable net assets acquired	(83,194)
Cash and cash equivalents acquired	16,050
Net cash flow from acquisition of businesses as per cash flow statement 1.1.–31.12.2010	(67,144)
Purchase consideration not yet due	(65,782)
Cash received from uncompleted real estate transactions	65,782
Net cash flow (acquisition of businesses)	(67,144)
·	

### 34.4 Free cash flow

Implenia defines free cash flow as cash flow from operating activities, less acquisitions or disposals of non-current assets, before dividend payments. No account is taken of amounts received or paid for acquisitions or disposals of Group companies when calculating free cash flow. The following table provides an overview of free cash flow:

	2010	2009
	CHF 1000	CHF 1000
Free cash flow		
Cash flow from operating activities	138,516	119,138
Investments in non-current assets	(45,967)	(41,886)
Disposals of non-current assets	14,515	15,402
Free cash flow before net cash flow from acquisition		
of businesses	107,064	92,654
Net cash flow from acquisition of businesses	(67,144)	-
Free cash flow after net cash flow from acquisition of		
businesses	39,920	92,654

Free cash flow is not defined in IFRS and should not be interpreted as such. Free cash flow is not equivalent to cash flow from operating activities as defined in IFRS.

### 35 Events after the balance sheet date

The Board of Directors of Implenia AG approved these consolidated financial statements on 3 March 2011. On the same date the Board of Directors proposed a par value repayment of CHF 0.90 per share, which will be submitted to the General Meeting to be held on 19 April 2011 for approval. If the resolution is approved, the total amount of the distribution will be CHF 16.6 million.

### 36 Foreign exchange rates

		Income statement average		Balance sheet	closing rate
	_	2010	2009	31.12.2010	31.12.2009
European Union	1 EUR	CHF 1.36	CHF 1.51	CHF 1.25	CHF 1.49
Ivory Coast/Mali	100 XOF	CHF 0.21	CHF 0.23	CHF 0.19	CHF 0.23
USA	1 USD	CHF 1.02	CHF 1.07	CHF 0.94	CHF 1.03
United Kingdom	1 GBP	CHF 1.58	CHF 1.66	CHF 1.45	CHF 1.66
Qatar	100 QAR	CHF 27.95	CHF 29.36	CHF 25.72	CHF 28.35
United Arab Emirates	100 AED	CHF 27.70	CHF 29.11	CHF 25.49	CHF 28.10

Material fully consolidated active companies

	Sharehold-			_	> >	
Name	ing	Registered office	Country	Currency		Capital
Développements transfrontaliers SA	100%	Lyon	F	EUR		14,663,800
Gravière de La Claie-aux-Moines S.A.	66.67%	Savigny	CH	CHF		1,500,000
Implenia (Tessin) AG	100%	Bioggio	CH	CHF		150,000
Implenia Bau AG	100%	Geneva	СН	CHF		40,000,000
Implenia Bau GmbH	100%	Rümmingen	D	EUR		2,556,459
Implenia Cyprus Ltd. <sup>1</sup>	100%	Nicosia	CY	EUR		3,001
Implenia Generalunternehmung AG	100%	Basel	СН	CHF		20,000,000
Implenia Development AG	100%	Dietlikon	СН	CHF		30,000,000
Implenia Global Solutions AG	100%	Dietlikon	СН	CHF		100,000
Implenia Holding GmbH	100%	Rümmingen	D	EUR		3,067,751
Implenia Immobilien AG <sup>2</sup>	100%	Dietlikon	CH	CHF		30,600,000
Implenia Italia S.p.A.	100%	Basiliano	I	EUR		250,000
Implenia Management AG	100%	Dietlikon	СН	CHF		500,000
Implenia Österreich GmbH	100%	Vienna	A	EUR		35,000
Reprojet AG	100%	Zurich	СН	CHF		100,000
Reuss Engineering AG	100%	Dietlikon	СН	CHF		100,000
	4000/		5	5115		70.000.000
Russian Land Implenia Ltd. <sup>1</sup>	100%	Moscow	RU	RUB		70,000,000
SAPA, Société Anonyme de Produits Asphaltiques	75%	Satigny	_ CH	CHF		500,000
Sisag AG	100%	Abidjan	_ CI	XOF		492,000,000
Socarco Bénin Sàrl¹	100%	Cotonou	BJ	XOF		1,000,000
Socarco Burkina Sàrl¹	100%	Burkina	BF	XOF		10,000,000
Socarco Mali Sàrl	100%	Bamako	RMM	XOF		100,000,000
Tetrag Automation AG	100%	Dietlikon	CH	CHF		100,000
Trachsel AG	100%	Heimberg	CH	CHF		100,000
Zschokke Construction Sàrl	100%	Lyon	<u>F</u>	EUR		76,225
Zschokke France SA	100%	Lyon	F	EUR	> >	914,694

Capital	Segment	Held by
		Implenia
14,663,800	Project development	Development AG
1,500,000	Infrastructure Construction	Implenia AG
150,000	Infrastructure Construction	Implenia AG
40,000,000	Infrastructure Construction + Tunnelling	Implenia AG
		Implenia Holding
2,556,459	Infrastructure Construction	GmbH
3,001	Prime Buildings International	Implenia AG
20,000,000	General Contracting	Implenia AG
30,000,000	Project development	Implenia AG
100,000	Prime Buildings International	Implenia AG
		Implenia
3,067,751	Infrastructure Construction	Immobilien AG
30,600,000	Project development	Implenia AG
250,000	Prime Buildings International	Implenia Bau AG
500,000	Miscellaneous and Holding Company	Implenia AG
35,000	Tunnelling	Implenia AG
100,000	Infrastructure Construction	Implenia AG
100,000	General Contracting	Implenia AG
		Russian Land
		Implenia Holding
70,000,000	Prime Buildings International	Ltd.
500,000	Infrastructure Construction	Implenia AG
492,000,000	Infrastructure Construction	Implenia AG
1,000,000	Infrastructure Construction	SISAG
10,000,000	Infrastructure Construction	SISAG
100,000,000	Infrastructure Construction	SISAG
100,000	General Contracting	Implenia AG
100,000	Infrastructure Construction	Implenia AG
		Zschokke France
76,225	Infrastructure Construction	SA
914,694	Miscellaneous and Holding Company	Implenia AG

<sup>1</sup> Fully consolidated 30.06.2010 (see 2.2)
2 Merger of Implenia Immobilien AG/Implenia Investment Management AG/Sulzer Immobilien AG

### 38 Material associates

	Sharehold-	D	6	6	6
Name	ing	Registered office	Country	Currency	Capital
Argo Mineral AG	50.0%	Aarau	CH	CHF	300,000
Argobit AG	40.0%	Schafisheim	СН	CHF	1,200,000
Asfatop AG	50.0%	Unterengstringen	СН	CHF	1,000,000
Associés Poste Enrobage en Commun (APEC) SA	20.0%	Hauterive	СН	CHF	300,000
Bawag, Belagsaufbereitungsanlage Wimmis AG	24.0%	Wimmis	СН	CHF	100,000
Belagswerk Rinau AG	25.0%	Kaiseraugst	СН	CHF	1,000,000
Betonwerk Vispe (sp)	20.0%	Stalden	СН	CHF	89,659
Bewo Belagswerk Oberwallis (sp)	25.0%	Niedergesteln	СН	CHF	1,500,000
Bioasfa SA	50.0%	Bioggio	СН	CHF	900,000
Bipp Asphalt AG	27.5%	Niederbipp	СН	CHF	1,000,000
BRZ Belags- und Recycling-Zentrum (sp)	33.3%	Horw	СН	CHF	1,500,000
Catram AG	24.0%	Chur	СН	CHF	1,000,000
Deponie Eglisau (sp)	37.0%	Eglisau	СН	CHF	_
Deponie Vorderland AG	33.3%	Rehetobel	СН	CHF	150,000
Garage-Parc Montreux Gare SA	26.0%	Montreux	СН	CHF	2,050,000
GU Kies AG	33.3%	Schaffhausen	СН	CHF	450,000
Holcim Bétondrance SA	46.0%	Martigny	СН	CHF	300,000
Kieswerk Oldis AG	21.4%	Haldenstein	СН	CHF	1,200,000
Léchire S.A.	33.0%	Fribourg	СН	CHF	100,000
Microlog SPA	50.0%	San Giorgio	I	EUR	500,000
MIFAG Mischgutwerk Frauenfeld AG	10.0%	Frauenfeld	СН	CHF	600,000
MOAG Baustoffe Holding AG	14.3%	Mörschwil	СН	CHF	300,000
Mobival (sp)	26.0%	Massongex	СН	CHF	_
Parking Port d'Ouchy S.A.	24.0%	Lausanne	СН	CHF	6,986,000
Prébit, Centre d'enrobage (sp)	25.0%	Marin-Epagnier	СН	CHF	500,000
Pro Quarta (sp)	42.0%	Alvaneu	СН	CHF	500,000
Remora AG	18.3%	St. Gallen	СН	CHF	300,000

(sp) simple partnership

### 38 Material associates (continued)

	Sharehold-				
Name	ing	Registered office	Country	Currency	Capital
Reproad AG	33.3%	Bremgarten	СН	CHF	1,500,000
Sebal (sp)	22.0%	Lyss-Büttenberg	CH	CHF	_
Sebal Lyss AG	22.0%	Lyss	СН	CHF	500,000
Seval – Société d'Enrobage du Valais central (sp)	83.0%	Vétroz	СН	CHF	_
SFR Société Fribourgeoise de Recyclage SA	21.0%	Hauterive	СН	CHF	1,200,000
Siseg SA	20.1%	Geneva	СН	CHF	500,000
Société Coopérative Les Terrasses	41.8%	Versoix	CH	CHF	775,500
Société de recyclage de matériaux pierreux (sp)	40.0%	Savigny	СН	CHF	95,443
Société d'exploitation du Mégastore d'Archamps – SEMA (sp)	30.0%	Archamps	F	EUR	37,000
Société Romande de Recyclage – SRREC (sp)	37.5%	Satigny	СН	CHF	_
Tapidrance (sp)	52.0%	Martigny	СН	CHF	1,000,000
Urner Belagszentrum (UBZ) (sp)	50.0%	Flüelen	CH	CHF	1,000,000
Valbéton (sp)	50.6%	Sion	CH	CHF	100,000
Valver (sp)	27.9%	Martigny	СН	CHF	1,729,936
Wohnpark an der Kander GmbH	40.0%	Rümmingen	D	EUR	204,517
wsb AG	50.0%	Rafz	СН	CHF	500,000

(sp) simple partnership

Associates are valued according to the equity method (see Note 2.16). Although the stakes owned in Seval, Tapidrance and Valbéton are above 50%, these are accounted for as associates and valued according to the equity method because Implenia does not control these companies. By contrast, some companies in which Implenia holds a stake of less than 20% are recognised as associates because Implenia exercises significant influence over them.

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

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

As statutory auditor, we have audited the consolidated financial statements of Implenia AG, which comprise the income statement, balance sheet, statement of comprehensive income, cash flow statement, statement of changes in equity and notes (pages 136 to 233) for the year ended 31 December 2010.

### **Board of Directors' Responsibility**

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation 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, Swiss Auditing Standards as well as the International Standards on Auditing. 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 and fair presentation 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 2010 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

### 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 paragraph 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.

PricewaterhouseCoopers AG

Willy Wenger

Audit expert Auditor in charge

Zürich, 3 March 2011

Nicolas Mayer

STATUTORY FINANCIAL STATEMENTS OF IMPLENIA AG

## **Income statement**

	1.1.–31.12. 2010	1.1.–31.12. 2009
	CHF 1000	CHF 1000
INCOME		
Income from investments	25,310	24,235
Income from sale of investments	7,522	(282)
Release of value adjustments and provisions (net)	3,978	_
Financial income	15,044	9,770
Other income	3,104	800
TOTAL	54,958	34,523
EXPENSES		
Administration costs	6,172	3,307
Creation of value adjustments and provisions (net)		4,230
Financial expenses	27,103	6,137
Taxes	324	296
Profit for the year	21,359	20,553
TOTAL	54,958	34,523

## **Balance sheet**

	31.12.2010	31.12.2009
Notes	CHF 1000	CHF 1000
ASSETS	-	
Cash and cash equivalents	174,517	96,773
Treasury shares 1	6,292	38,890
Accounts receivable due from Group companies	221,741	261,092
Other accounts receivable	4,432	4,428
Prepaid expenses	5,780	6,477
Current assets	412,762	407,660
Investments in subsidiaries 2	265,512	265,243
Associated companies and minority shareholdings 2	1,556	2,197
Other financial investments	2,000	2,240
Non-current assets	269,068	269,680
TOTAL	681,830	677,340
EQUITY AND LIABILITIES		
Liabilities – banks		40,000
Liabilities – Group companies	199,994	354,212
Liabilities – trade payables	91	60
Other current liabilities	8,274	22,362
Deferred income	5,144	807
Current liabilities	213,503	417,441
Non-current liabilities	200,000	
Non-current liabilities	200,000	
Share capital 3	51,721	64,652
Reserve for treasury shares	6,292	38,890
Legal reserve		
- Agio 4	40,873	40,873
– other reserves	13,686	13,686
Voluntary reserve	20,780	20,780
Profit and loss account		
– profit carried forward	113,616	60,465
– profit for the year	21,359	20,553
Equity	268,327	259,899
TOTAL	681,830	677,340

STATUTORY FINANCIAL STATEMENTS OF IMPLENIA AG

## **Notes to the Statutory Financial Statements**

### 1 Treasury shares (Implenia AG)

	2010	2010	2009
	Number	CHF 1,000	CHF 1,000
Balance as at 1.1	1,526,184	38,890	5,312
Change	(1,315,167)	(32,202)	33,724
Nominal value repayment		(396)	(146)
Balance as at 31.12	211,017	6,292	38,890

As part of the placing of the stake held by Laxey, Implenia AG bought shares worth CHF 30 million (6.5% of the share capital) on 26 November 2009.

### 2 Investments

	2010	2009
	CHF 1,000	CHF 1,000
Subsidiaries (see list on last page of the notes)	265,512	265,243
Associated companies and minority shareholdings	1,556	2,197

### 3 Share capital

The General Meeting of 2 March 2006 decided to authorise a conditional capital increase of a maximum of CHF 32,326,000 (9,236,000 fully paid-up registered shares at CHF 2.80 each). To date, this conditional capital has not been used.

The General Meeting of 14 April 2010 approved a partial repayment of CHF 0.70 of the nominal value of each share. The share capital was reduced by CHF 12,930,000 to CHF 51,722,000.

### 3 Share capital (continued)

Shareholders holding more than 3% of shares as at 31 December:

	According to share register		
	31.12.2010	31.12.2009	
	%	%	
Parmino Holding AG	16.0%	15.9%	
Maag Rudolf	10.8%	10.8%	
Gruppe Ammann	8.4%	8.4%	
EGS Beteiligungen AG	8.4%	10.0%	
Chase Nominees Ltd.	5.4%	<3%	
Implenia AG	<3%	8.2%	

### 4 Agio

With an eye to a possible distribution from capital, the share premium account is now shown as a separate part of legal reserves. Under the capital contribution principle in effect since 1 January 2011, future distributions from this share premium account should be free from Swiss income and withholding tax. Confirmation from the tax authorities was not yet on hand at the time the financial statements were drawn up.

### Hidden reserves

	31.12.2010	31.12.2009
	CHF 1,000	CHF 1,000
Net release by virtue of Art. 663b SCO	3,710	

### 6 Contingent liabilities

	31.12.2010	31.12.2009
	CHF 1,000	CHF 1,000
Guarantees and contingent liabilities	19,600	56,500
Security for joint liability regarding the levying of VAT for the Group	p.m.	p.m.

As part of a syndicated loan agreement signed on 12 August 2009, Implenia AG issued a guarantee in the amount of CHF 660 million in favour of the bank consortium for the liabilities of Group companies.

STATUTORY FINANCIAL STATEMENTS OF IMPLENIA AG 240-241

## **Notes to the Statutory Financial Statements**

### 7 Bond issue

On 12 May 2010, Implenia AG, Dietlikon issued a bond in the amount of CHF 200 milion. The bond pays interest of 3.125%, has a term of six years and matures on 12 May 2016. A bank consortium comprising Zürcher Kantonalbank and UBS AG placed the bond at an issue price of 100.269%. The bond is traded on the SIX Swiss Exchange (security number 11219351).

#### 8 Risk assessment

Group-wide risk assessment, which facilitates the early identification and evaluation of risks, as well as the implementation of appropriate risk-reduction measures, is carried out every half-year and focuses mainly on project risks and financial risks. Using a bottom-up process based on risk maps for each project and unit, the results of all the individual risk and opportunity assessments are consolidated. As part of the accounting and control process, Group Risk Management reports twice a year to the Executive Committee, the Audit Committee and the Board of Directors.

## 9 Compensation paid to members of the Board of Directors and members of the Executive Committee

### 9.1 Remuneration paid to serving members of governing bodies

Total remuneration paid to members of the Board of Directors and the Executive Committee in 2010 amounted to TCHF 7,890 (2009: TCHF 8,548), including shares assigned, leaving benefits, social security contributions and additional fees.

Total remuneration paid to serving members of Executive Committee is shown in the table below.

### **Executive Committee 2010**

	Fixed	Variable	Social			Addi-	
	remu-	remu-	security			tional	
	neration	neration	expenses	Shares a	issigned1	fees	Total
	CHF 1,000	CHF 1,000	CHF 1,000	Number	CHF 1,000	CHF 1,000	CHF 1,000
Hanspeter Fässler	300	193	144	14,338	449		1,086
Other members of the Executive Committee in office	1,873	813	782	28,523	911		4,379
Former members of the Executive Committee							
– Anton Affentranger	450			32,400	945		1,395
– Others	208	53	63				324
Total	2,831	1,059	989	75,261	2,305		7,184

For the period from 1 January 2010 to 31 August 2010, Anton Affentranger was an executive member of the Board of Directors and CEO of Implenia and was a member of the Executive Committee until 30 September 2010. Hanspeter Fässler joined the company on 1 July 2010 and became CEO on 1 September 2010. Anton Affentranger has been a non-executive member of the Board of Directors since 1 October 2010.

#### **Executive Committee 2009**

	Fixed remu- neration	Variable remu- neration	Social security expenses	Shares a	ssigned <sup>1</sup>	Addi- tional fees	Total
	CHF 1,000	CHF 1,000	CHF 1,000	Number	CHF 1,000	CHF 1,000	CHF 1,000
Anton Affentranger	580	_	18	24,304	699	59	1,356
Other members of the Executive Committee in office	1,929	1,237	909	29,956	893	_	4,968
Former members of the Executive Committee	554	254	188	13,657	356	_	1,352
Total	3,063	1,491	1,115	67,917	1,948	59	7,676

<sup>1</sup> Implenia Ltd shares, security number 00238 6855, nominal value CHF 2.80 (2008: CHF 3.50)

Anton Affentranger was an executive member of the Board of Directors and CEO of Implenia from 1 April 2009 until 31 December 2009.

The variable part of remuneration is paid out in cash and shares in the following year.

STATUTORY FINANCIAL STATEMENTS OF IMPLENIA AG 242-243

## **Notes to the Statutory Financial Statements**

### 9.1 Remuneration paid to serving members of governing bodies (continued)

Total remuneration paid to non-executive members of the Board of Directors is as follows:

### Non-executive Board of Directors, 2010

		Social security				
	Fees	expenses	Share	S <sup>1</sup>	Additional fees	Total
	CHF 1,000	CHF 1,000	Number	CHF 1,000	CHF 1,000	CHF 1,000
Anton Affentranger	168	26	1,703	48	_	242
Markus Dennler, Deputy	187	26	852	24		237
James Lionel Cohen, Member	21	3	_	-	_	24
Claudio Generali, Member	22	4	639	18	_	44
lan Andrew Goldin, Member	21	3		_		24
Hans-Beat Gürtler, Member	72	10		_		82
Urs Häner, Member	16	3	639	18		37
Patrick Hünerwadel, Member	121	17		_		138
Toni Wicki, Member	134	19	852	24		177
Philippe Zoelly, Member	92	14	639	18		124
Total	854	125	5,324	150		1,129

### Non-executive Board of Directors, 2009

		Social security				
	Fees	expenses	Share	s <sup>1</sup> A	Additional fees	Total
	CHF 1,000	CHF 1,000	Number	CHF 1,000	CHF 1,000	CHF 1,000
Markus Dennler,						
Deputy	105	14	977	25	_	144
James Lionel Cohen, Member	88	12	_	_	_	100
Claudio Generali, Member	73	10	733	19		102
lan Andrew Goldin, Member	84	12				96
Urs Häner, Member	57	8	733	19		84
Patrick Hünerwadel, Member	93	13				106
Toni Wicki, Member	107	15	733	19		141
Philippe Zoelly,						
Member	70	10	733	19	_	99
Total	677	94	3,909	101	-	872

<sup>1</sup> Implenia Ltd shares, security number 002386855, nominal value CHF 2.80 (2009: CHF 3.50)

No severance payments were made during 2010 and 2009.

### 9.2 Remuneration paid to former members of governing bodies

Remuneration of TCHF 1,719 (2009: TCHF 1,352) was paid to former members of governing bodies whose term of office has ended.

### 9.3 Assignment of shares during the year

The number of shares assigned in 2010 to members of the Executive Committee and related persons was 75,261 (2009: 67,917).

The number of shares assigned in 2010 to non-executive members of the Board of Directors and related persons was 5,324 (2009: 3,909).

STATUTORY FINANCIAL STATEMENTS OF IMPLENIA AG 244-245

## **Notes to the Statutory Financial Statements**

### 9.4 Shareholdings

As at 31 December 2010, the number of shares held by members of the Executive Committee and related persons was 75,953, which represents 0.4% of the share capital (2009: 213,021 or 1.15%, including Executive Chairman of the Board Anton Affentranger). This figure includes any shares acquired in a private capacity.

### **Members of the Executive Committee**

	Number of shares, as at		of wh	of which shares blocked until		
	31.12.2009	31.12.2010	2011	2012	2013	
Hanspeter Fässler	_	5,000			5,000	
Arturo Henniger, Head of Construction Infra Division	24,500	22,227	7,421	6,201	8,605	
Luzi Reto Gruber, Head of Industrial Construction Division	9,490	16,890	4,490	5,000	7,400	
Peter Bodmer, Co-head of Industrial Construction Division	23,972	20,986	7,092	6,572	7,322	
Beat Fellmann, CFO	2,333	10,600		2,333	8,267	
René Zahnd, Head of Real Estate Division		250			250	
Total	60,295	75,953	19,003	20,106	36,844	

As at 31 December 2010, the number of shares held by non-executive members of the Board of Directors and related persons was 225,962, which represents 1.2% of the share capital (2009: 18.625 or 0.10%, excluding Anton Affentranger). This figure includes any shares acquired in a private capacity.

### **9.4 Shareholdings** (continued)

### Non-executive Board of Directors

	Number of shares, as at		of whi	of which shares blocked until		
	31.12.2009	31.12.2010	2011	2012	2013	
Anton Affentranger, Chair-						
man**	152,726	209,179	1,462	23,554	34,853	
Markus Dennler, Deputy	3,432	4,284	731	977	852	
James Lionel Cohen, Member*	1	_	_		_	
Claudio Generali, Member*	3,449	_	_		_	
lan Andrew Goldin, Member*	1	_	_		_	
Hans-Beat Gürtler, Member			_		_	
Urs Häner, Member*	734	_			_	
Patrick Hünerwadel, Member	1,340	1,340			_	
Toni Wicki, Member	6,779	7,631	549	733	852	
Philippe Zoelly, Member	2,889	3,528	549	733	639	
Total	171,351	225,962	3,291	25,997	37,196	

<sup>\*</sup> Retired from the Board of Directors at the 2010 GM

This figure includes the privately acquired shares.

### 9.5 Options

Implenia AG has no stock-option remuneration scheme.

### 9.6 Additional fees and remuneration

The amount of additional fees and remuneration invoiced in financial year 2010 by members of the Board of Directors or the Executive Committee and related persons, was CHF 0 (2008: TCHF 59).

### 9.7 Loans to directors and officers

No loans have been granted to any members of the Board of Directors or any members of the Executive Committee or related persons.

### 9.8 Highest total remuneration

For the identity of the member of the Executive Committee with the highest overall remuneration, please refer to the tables in section 9.1.

<sup>\*\*</sup> Executive member of BoD in FY2009

STATUTORY FINANCIAL STATEMENTS OF IMPLENIA AG

### **Subsidiaries**

### Significant subsidiaries

Name	Share-holding	Registered office	Currency	Capital
Bâtiments industriels du Haut-Rhin Sàrl	100%	Mulhouse (F)	EUR	195,000
Gebr. Ulmer GmbH	100%	Bruchsal (D)	EUR	25,565
Gravière de La Claie-aux-Moines S.A.	66.67%	Savigny	CHF	1,500,000
Gust. Stumpf Verwaltungs GmbH & Co				
KG	100%	Bruchsal (D)	EUR	511,292
Implenia (Tessin) AG	100%	Bioggio	CHF	150,000
Implenia Bau AG	100%	Geneva	CHF	40,000,000
Implenia Cyprus Ltd. <sup>1</sup>	100%	Nicosia (CY)	EUR	3,001
Implenia Generalunternehmung AG	100%	Basel	CHF	20,000,000
Implenia Development AG	100%	Dietlikon	CHF	30,000,000
Implenia Global Solutions AG	100%	Dietlikon	CHF	100,000
Implenia Immobilien AG <sup>2</sup>	100%	Dietlikon	CHF	30,600,000
Implenia Management AG	100%	Dietlikon	CHF	500,000
Implenia Österreich GmbH	100%	Vienna (A)	EUR	35,000
Reprojet AG	100%	Zurich	CHF	100,000
Reuss Engineering AG	100%	Dietlikon	CHF	100,000
SAPA, Société Anonyme de Produits				
Asphaltiques	75%	Satigny	CHF	500,000
Sisag AG	100%	Abidjan (CI)	XOF	492,000,000
Swiss Overseas Engineering Company	100%	Geneva	CHF	200,000
Tetrag Automation AG	100%	Dietlikon	CHF	100,000
Trachsel AG	100%	Heimberg	CHF	100,000
Zschokke France SA	100%	Lyon (F)	EUR	914,694
Zschokke Holding Deutschland GmbH	100%	Berlin (D)	EUR	3,067,751

<sup>1</sup> Fully consolidated from 30 June 2010 (see 2.2)

# **Proposal of the Board of Directors regarding the appropriation of available earnings**

### Proposal of the Board of Directors regarding the appropriation of available earnings

	2010
	CHF 1000
Balance carried forward	113,616
Profit for the year	21,359
Available earnings	134,975
To be carried forward	134,975

The Board of Directors proposes to the General Meeting of 19 April 2011 that there be a partial refund of CHF 0.90 per share. The share capital will be reduced by CHF 16.6 million to CHF 35.1 million. The articles of association will be amended accordingly.

### **Share price performance** (as quoted on SIX Swiss Exchange)

	2010	2009
	CHF	CHF
High/low	32.70/25.85	30.45/20.15
Price as at 31 December	31.95	29.00

<sup>2</sup> Merger of Implenia Immobilien AG/Implenia Investment Management AG/Sulzer Immobilien AG

STATUTORY FINANCIAL STATEMENTS OF IMPLENIA AG 248-249

## Report of the statutory auditor on the financial statements



### Report of the statutory auditor on the financial statements, Dietlikon

As statutory auditor, we have audited the financial statements of Implenia Ltd, which comprise the balance sheet, income statement and notes (pages 236 to 247), for the year ended 31 December 2010.

### 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 2010 comply with Swiss law and the company's articles of incorporation.

### 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 SCO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 SCO 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.

PricewaterhouseCoopers AG

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Willy Wenger Audit expert Auditor in charge 115

Nicolas Mayer

Zurich, 3 March 2011



For details on individual locations, visit www.implenia.com

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## **Key dates**

Media and analysts' conference on the 2011 half-year result – **1 September 2011** Media and analysts' conference on the 2011 annual result – **6 March 2012**