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Implenia | Annual Report 2016



Annual Report 2016

## IMPLENIA AT A GLANCE

Implenia plans and builds for life. With pleasure.

**3.3**

Revenue, CHF bn

**115**

EBIT excl. PPA, CHF m

**8,239**

Employees

**1,390**

Market capitalisation, CHF m



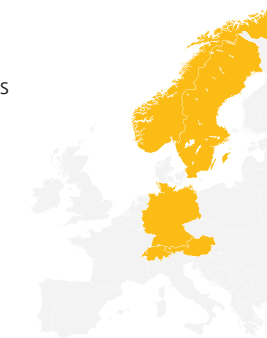
### Sustainability

Integral to Global Reporting  
Initiative "GRI G4"

**5**

Core markets

Switzerland  
Germany  
Austria  
Norway  
Sweden



Working together as "One Company" through four business segments



**Development**



**Switzerland**



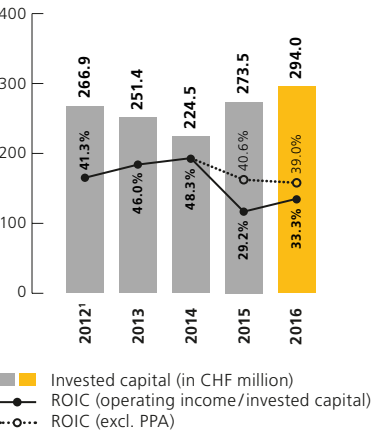
**Infrastructure**



**International**

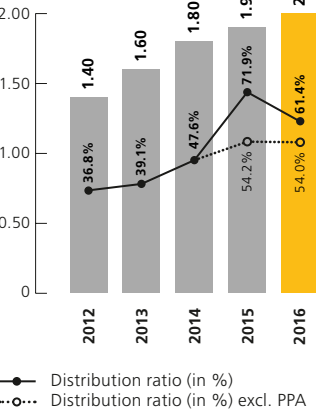
KEY FIGURES

Return on invested capital (ROIC)  
(in %)



1 Restated

Gross dividend  
(in CHF)



1 CHF 0.10 one-off anniversary dividend

Consolidated key figures

	2016	2015	Δ	Δ
	CHF 1,000	CHF 1,000		like for like <sup>2</sup>
Consolidated revenue	3,266,986	3,288,200	(0.6%)	(0.9%)
EBIT Business Units excl. PPA <sup>1</sup>	115,003	107,724	6.8%	6.4%
EBIT Business Units	103,710	86,173	20.4%	20.1%
Operating income	97,907	79,936	22.5%	22.5%
Consolidated profit	64,453	52,018	23.9%	24.0%
EBITDA	166,184	161,360	3.0%	2.6%
Free cash flow	27,942	16,178	72.7%	77.3%
Net cash position (as at 31.12.)	376,297	388,106	(3.0%)	(3.1%)
Equity (as at 31.12.)	665,506	623,776	6.7%	6.8%
Order book (as at 31.12.)	5,171,795	5,133,513	0.7%	0.8%
Production output	3,320,418	3,430,459	(3.2%)	(3.4%)
Headcount (FTE; as at 31.12.)	7,976	7,960	0.2%	

1 Excluding PPA from Bilfinger Construction  
2 Foreign currency adjusted

THE YEAR IN BRIEF

Implenia proves its qualities

Implenia recorded a good performance in its tenth year of existence. Earnings were markedly higher than in the previous year, with EBITDA and EBIT reaching new record levels. The fact that these records were achieved on stable revenues shows that the focus on improving margins has succeeded. The Development, Switzerland and Infrastructure Segments reported excellent results. The International Segment was impacted by a disappointing performance in Norway. Order backlogs reached record highs in terms of both quantity and quality. The Group continued to invest in digital technologies, new services and operational excellence during the year under review. With its innovative power, strong market position and broad-based business units, Implenia is ready for the future.



Focus reports on digitalisation

Implenia is helping shape digitalisation in the construction industry. We lift the lid on an exciting future.

Go to page 64 and 125.



Implenia Online Annual Report 2016

If you would like to be able to look up all of Implenia’s latest figures and information at any time, you can! Implenia’s 2016 Annual Report is also available online in German, English and French. HTML-based and optimised for any device, including laptops, tablets and smartphones. Whether you’re on the road or in the office, you can just click and read.

You can find Implenia’s 2016 Online Annual Report at:

[annualreport.implenia.com](http://annualreport.implenia.com)

Or just scan this QR code with your smartphone:



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A year in pictures

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**INNOVATIVE** /// Implenía helps advance the digital transformation of the Swiss construction sector with the official launch of the "Bauen digital Schweiz" group, which brings together interested organisations across the industry.

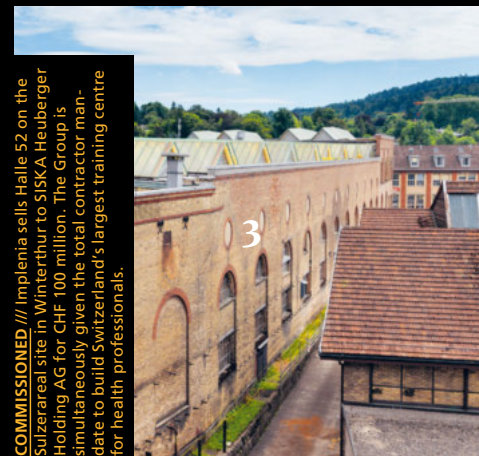
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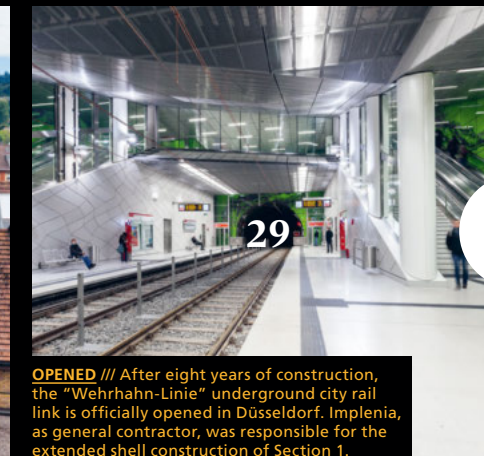
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**HONoured** /// Implenía's Health & Safety Award goes to Beat Klaus. The foreman receives the Golden Helmet in recognition of his outstanding achievements in the field of health and safety at work. Arnstadt in Germany, which has remained accident-free for five years, wins the inaugural Special Award.



**COMMISSIONED** /// Implenía sells Halle 52 on the Sulzerareal site in Winterthur to Siska Heuberger Holding AG for CHF 100 million. The Group is simultaneously given the total contractor mandate to build Switzerland's largest training centre for health professionals.



**OPENED** /// After eight years of construction, the "Wehrhahn-Linie" underground city rail link is officially opened in Düsseldorf. Implenía, as general contractor, was responsible for the extended shell construction of Section 1.

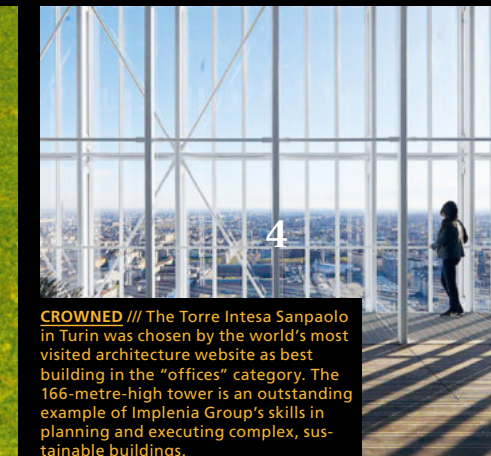
Mar



**STRENGTHENED** /// Implenía successfully places a new 10-year bond on the market, diversifying its debt capital base and increasing its financial power.



**CELEBRATED** /// Happy birthday – Implenía turns ten. The Group was created in 2006 from the merger between Swiss companies Zschokke and Batigroup. Ever since then, Implenía's daisy logo has been a very familiar sight in Swiss construction.



**CROWNED** /// The Torre Intesa Sanpaolo in Turin was chosen by the world's most visited architecture website as best building in the "offices" category. The 166-metre-high tower is an outstanding example of Implenía Group's skills in planning and executing complex, sustainable buildings.

**STARTED** /// Accompanied by client SBB and figures from the worlds of politics and business, Implenía holds a ground-breaking ceremony for the new Bözberg Tunnel. CHF 145 million is being invested in this strategically important infrastructure project, which should open in 2020.



**COMMISSIONED** /// Implenía wins the contract to build the 80-metre-high Andreas tower next to Oerlikon railway station in Zurich. This total contractor mandate is worth CHF 100 million.



**CHOSEN** /// Hans Ulrich Meister is elected as a new member of the Board of Directors at the AGM, and then made Chairman of Implenía. Ines Pöschel, Kyrre Olaf Johansen and Laurent Vulliet also join the Board.

Apr



**NATURALLY** /// Implenía lays the foundation stone for the residential and commercial development "sue&til", Switzerland's largest timber construction project to date. Developed by Implenía, the project, which meets the most stringent sustainability criteria, is being built for Allianz Suisse.



**SECURED** /// Implenía wins two large orders worth around CHF 160 million in Norway: a major infrastructure project near Kongsberg, and concreting work on a new building in Oslo's government quarter.



**SIGNED** /// Implenía is contracted to rebuild the "Am Glatbogen" residential complex in Zurich and build a new commercial and leisure centre in Gumligenfeld. Securing these two projects is a sign of the local construction units' success and their closeness to the market.



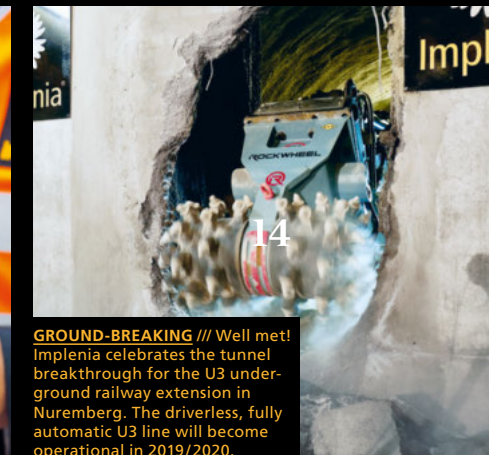
**SUPPORTIVE** /// Implenía invests in an ETH professorship for innovative and industrial construction. The aim is to advance the development of knowledge in the building sciences and promote the exchange of ideas between academia and business.



**EXCEPTIONAL** /// 17 years after the initial blasting of the main shaft, the first trains run through the Gotthard Base Tunnel. Together with its consortium partners, Implenía played a crucial role in building the longest railway tunnel in the world.



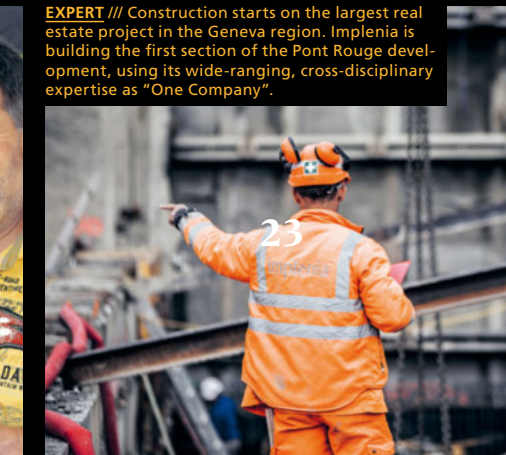
**SYMBOLIC** /// Official ceremony marks the start of construction work on the Campus Santé in Grand-Saconnex, Geneva. This attractive complex, which is being built in the middle of the Jardin des Nations for the Global Fund, will be finished in 2017.



**GROUND-BREAKING** /// Well met! Implenía celebrates the tunnel breakthrough for the U3 underground railway extension in Nuremberg. The driverless, fully automatic U3 line will become operational in 2019/2020.



**SUSTAINABLE** /// Implenía toasts the opening of Switzerland's most sustainable surfacing works in Ecublens. Thanks to state-of-the-art carbon filters, emissions from the "Trois-Ponts" plant are significantly below cantonal and national limits.



**EXPERT** /// Construction starts on the largest real estate project in the Geneva region. Implenía is building the first section of the Pont Rouge development, using its wide-ranging, cross-disciplinary expertise as "One Company".



**EXPANDING** /// Implenía and its consortium partners sign the contract for the first section of the "Grand Paris Express". This major infrastructure order is an important acquisition for Implenía in the French market.



**SUCCESSFUL** /// 74 apprentices in 10 trades take a trip on Lake Lucerne to celebrate the completion of their apprenticeships. Most of them will begin their careers with a job at the Group.



Consolidated profit up 14.4%  
**EXCEEDED** /// Half-year results are significantly higher than a year previously. The Development, Switzerland and Infrastructure Segments perform particularly well. Implenía also publishes its third Sustainability Report.



**ACQUIRED** /// The Swedish Transport Administration asks Implenía to do two new infrastructure jobs. With the Lunda Tunnel, which forms part of the E4 Förbifart bypass round Stockholm, Implenía secures another important job in Sweden.



**DENSIFYING** /// Implenía lays the foundation stone for 277 homes, plus commercial space, at the Labitzke-Areal site in Zurich. The project, worth CHF 90 million, is helping to achieve high quality densification in this part of the city.



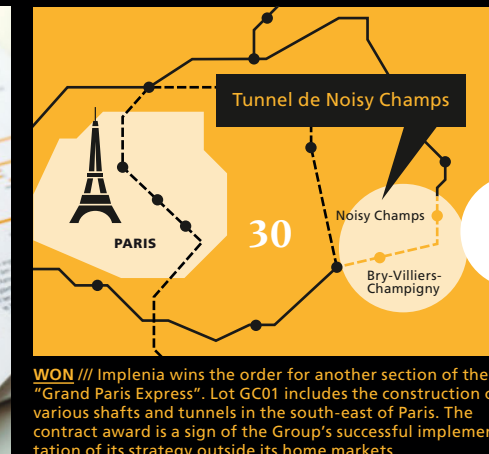
**RECOGNISED** /// Implenía successfully defends its title when its 2015 Annual Report once again comes first in the design category of Switzerland's annual report ratings.



**EXCITING** /// Experiencing a construction site at first hand: as part of the German government's "Industry Week", schoolchildren and students visit Implenía's U5 construction site in Berlin to get an exciting insight into the construction industry.



**ANALYSED** /// Implenía and the University of Lucerne publish a new modernisation and development study about the future of residential construction. Properties will only be appealing, and therefore sustainably profitable, if there is a stronger focus on user needs.



**WON** /// Implenía wins the order for another section of the "Grand Paris Express". Lot GC01 includes the construction of various shafts and tunnels in the south-east of Paris. The contract award is a sign of the Group's successful implementation of its strategy outside its home markets.



**UNDER WAY** /// Implenía and its client, the ASIG Wohngenossenschaft housing association, celebrate the start of building work on sustainable and affordable homes in Zurich Schwamendingen.



**IMPRESSIVE** /// Implenía has won total contractor orders worth CHF 100 million in central and western Switzerland. The building construction projects in Kriens and La Chaux-de-Fonds reflect the Group's "One Company" strategy.



**ADJUSTED** /// Implenía strengthens its country organisation in Scandinavia. Stig Ingar Evje is the new CEO of Implenía Norway, Fredrik Björckebaum becomes CEO of Implenía Sweden.



**COMMITTED** /// On Switzerland's "National Futures Day", school students swap pen and paper for shovel and trowel to sample the varied world of work within the construction sector.



**STRENGTHENED** /// Implenía acquires Bilfinger Hochbau from German company Apleona. This adds 1000 people to the Group's workforce and strengthens its market position in Germany.



# 10 years of Implen

Implenia can look back on another excellent year. The Group improved its profitability once again and its order books are full. Implen

Implenia also proved that, thanks to its skills and expertise, it can secure attractive contracts even outside its home markets. “A year in pictures” shows you the highlights of Implen

Implenia’s anniversary year. As ever, our sustainable values lie at the heart of all we do.

## Reliability

We are a reliable partner that people can always count on.

## Operational and financial excellence

We produce excellent operational and financial results.

## Opportunity and risk awareness

We keep our eyes on the business, and identify opportunities and risks in good time.

## Customer focus

We prioritise customer-oriented solutions.

## Sustainability

We take responsibility for ourselves, for our environment and for our society.

## Integrity

Integrity is at the core of everything we do.

## Transparency

The principle that guides all our dealings with all our stakeholders inside and outside the company is transparency.

## Innovation

Our future ultimately depends on our ability to move with the times and keep evolving.

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## Dear Shareholders

2016 marked Implenia's tenth anniversary. Ever since our Company was created at the beginning of 2006 from the merger of Zschokke and Batigroup, it has generated sustainable value by unlocking more and more of its potential.

It has also gathered great momentum: Implenia is Switzerland's leading construction company and now also a significant player in European infrastructure construction. By pursuing a clear vision and creating a common culture as "One Company", we have won and maintained the trust of our customers. We lead the way in our industry when it comes to the deployment of new technologies and sustainable solutions. And we are especially proud to say that over the last ten years Implenia has successfully built countless buildings and structures. Most spectacular of all, perhaps, is Switzerland's "project of the century", the Gotthard Tunnel. Implenia did most of the work on the tunnel, and it is particularly pleasing that it was opened during our anniversary year.

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### **Successful anniversary year**

We can look back on a successful 2016. Implenia reported a good operational performance for the year. Our key EBITDA and EBIT benchmarks reached new record levels, and our efforts to increase margins succeeded. Once again, our Development Segment performed impressively and produced excellent results. Thanks to the successful turnaround of the “Buildings” unit and the healthy performance of Swiss regional business, our Switzerland Segment was able to report record results. Our Infrastructure Segment recorded a stable performance and strengthened its position. In the International Segment, results from our Norway unit were disappointing. We have taken the necessary action and are optimistic about the future, not least because of the very good demand in the Norwegian market. Business in Germany and Austria was positive.

Implenia also did well at winning new orders in 2016. The order backlog at group level matched the previous year’s record level, largely thanks to our Group’s good market positioning.

### **Acquisition of Bilfinger Hochbau strengthens position in Germany**

Towards the end of the year under review, we took another important step towards strengthening our market position in Germany: the acquisition of German company Bilfinger Hochbau gives us critical mass in Europe’s biggest construction market. Bilfinger Hochbau is well established in the different regions of its home market. It provides services ranging from planning to turnkey building construction, and it has excellent technical capabilities, including many years of experience in Building Information Modelling (BIM). The acquisition also gives us access to an attractive and long-established portfolio of customers. By coming together, Implenia and Bilfinger Hochbau have gained a broader base in Germany and can make better use of existing market opportunities. The transaction is scheduled for completion at the start of March 2017.

### Digitalisation

Bilfinger Hochbau's proven expertise in Building Information Modelling (BIM) will also help us advance more quickly along the road to digitalisation. Over recent months we have built up a community of around 100 people from different areas and functions within the Group. This will allow us to bring the topic of BIM and digitalisation closer to our projects and help embed it more firmly in our operational units.

### Dividends

The Board of Directors is proposing to the Annual General Meeting of Implenia Ltd. on 22 March 2017 that it pay an ordinary dividend of CHF 2.00 per share, following the dividend of CHF 1.80, plus anniversary dividend of CHF 0.10, paid in the previous year.

### Optimistic outlook

Implenia is looking forward with confidence to 2017 and the years beyond. This optimism is based on our full order books and operational progress, and on the fact that we have emerged stronger from the last year in terms of our geographical reach and our technical capabilities. Implenia is very well positioned to continue its growth trajectory and to achieve our declared earnings targets.

Swiss construction activity should remain as lively as it was in 2016. Growth will continue to be driven by the positive overall economic picture, as well as by the infrastructure investments planned by the public sector. We expect a continued high demand for infrastructure construction in the core markets of Germany, Austria, Norway and Sweden.

## Thanks

The fact that Implenia can look back with such pride on the last ten years is due mainly to our employees. It is their energy, knowledge and commitment that have brought Implenia to where it is today. We would like to thank them very much for all they have done. Thanks also to our customers for the trust they have placed in us, and to you, our valued shareholders, for your loyalty. We look forward to writing the next chapters in Implenia's history with you.

A stylized, handwritten signature in dark ink, consisting of a large, sweeping 'H' followed by a smaller, more intricate mark.

Hans Ulrich Meister  
Chairman of the Board of Directors

A handwritten signature in dark ink, featuring a large, bold 'A' followed by a series of connected, wavy lines.

Anton Affentranger  
CEO

## **“There’s still a lot of potential within our Group”**

In its tenth anniversary year, Implenia increased its profitability and set the course to become a major player in the European construction market. The Group’s various markets are still healthy, it still has potential for further growth, and in the Swiss market it has achieved a successful turnaround in its key Buildings business. CEO Anton Affentranger and CFO Beat Fellmann sat down to talk about the tasks that lie ahead, and to look back on a year full of highlights.

### **Implenia celebrated its tenth birthday last year. So the Group must have got a lot of things right?**

**Anton Affentranger:** We have done a lot right, but by no means everything. Looking back over the last ten years since the company was first established, I certainly think we’ve come a very long way. We set ourselves three targets back then: to achieve synergies in the Swiss business and also in our sectoral businesses, and to reach a critical mass that would allow us to grow outside Switzerland too. I believe we have achieved these targets. The success of the first decade is reflected in the trajectory of Implenia’s valuation: we have consistently managed to generate value.

### **How will Implenia keep itself fit enough to celebrate further successes in future?**

**Anton Affentranger:** We are fighting every day for new contracts and we’re working very hard to ensure ongoing projects are executed smoothly. That’s how we keep our customers satisfied and simultaneously achieve a good financial performance. As long as we remain agile and smart in our response to the rapidly changing demands of the market, Implenia will still be generating value in ten years’ time.

**Beat Fellmann:** We’re in a state of permanent transformation and we’re heading for a future of great upheaval in our industry. There’s the whole issue of digitalisation to cope with, for example, and the “war for talent”, and the fact that we’ve just seen the first year in which more people entered retirement than entered the labour market. These are major challenges for us as a company but also for society as a whole.



**So is one of the secrets to Implenía's success that it never stands still?**

**Anton Affentranger:** Implenía keeps adapting. We cannot allow ourselves the luxury of standing still. That's how it is and how it should remain. Neither the market nor our customers will let us rest. But the future looks good for us, because we have the power to keep evolving continuously. I'm absolutely sure about that.

**Beat Fellmann:** At the same time we always work from the solid foundations created by our values, such as reliability, sustainability, transparency, and financial and operational excellence. This is the basis from which we'll continue to exploit the opportunities that change always brings.

**The opening of the Gotthard Base Tunnel was undoubtedly one of the highlights of 2016. Implenía was instrumental in building the tunnel. What significance does the project have for Implenía?**

**Anton Affentranger:** We built two-thirds of this "once-a-century" project. I'm very proud that as a Swiss company we were involved and that we proved we had the capabilities – in terms of risk management, logistics, technology and personnel – to master such a huge and complex project. The Gotthard has played an important role in building our reputation and is an outstanding calling card for us.

**Beat Fellmann:** We laid an important foundation for our success with this project, right in the middle of Switzerland. It absolutely vindicates the part of our vision that says "we build and develop the Switzerland of tomorrow". And now, after ten years, this doesn't just apply to Switzerland but also to Europe.

**There were various changes on the Board of Directors at the start of the year. How well are management and the newly constituted Board working together?**

**Anton Affentranger:** We've built up a very good working relationship. The Board of Directors and management are pulling in the same direction. This is another key to Implenía's success. At the same time, the Board is also more present within the company, which sends out an important signal to our employees and others.

### Turning to the course of business in 2016, are you satisfied with last year's performance?

**Anton Affentranger:** The results show that we've improved significantly again on the previous year and achieved new record figures. Our Development Segment has delivered another excellent performance and the Switzerland Segment reported excellent results, in large part because of the successful turnaround of our Buildings business. We've also improved the quality of our order books.

**Beat Fellmann:** We also need to mention the impressive performance put in by our Infrastructure Segment. This was partly down to the good results reported by our Foundation Engineering business in Switzerland and Germany, and partly to the good performance of our Tunnelling units in Switzerland and, increasingly, in other countries.

**Anton Affentranger:** In contrast to our Infrastructure activities outside Switzerland, our International Segment was dragged back by a disappointing performance in Norway. We've already taken the appropriate corrective measures, and with market conditions also looking good, we're confident that we can get back on our feet here. Business in Germany and Austria was in line with our expectations.

**Beat Fellmann:** Across the Group as a whole, revenues were stable and our profitability improved markedly. Some years ago we defined our course and set a medium-term EBIT target of CHF 140 to 150 million. These results take us a clear step towards this goal. We're not there yet, but our improved international positioning and successful business in Switzerland give us a platform from which we can hit the target.

“The results show that we’ve improved significantly again on the previous year and achieved new record figures.”

Anton Affentranger, CEO



**You have talked about the difficult year in Norway. Implenla made organisational changes there in autumn 2016. Why?**

**Anton Affentranger:** We had to acknowledge that the Scandinavian unit did not have the best organisational structure. Following intensive discussions with different teams from both countries, we decided to split the organisation between two country units, each with its own management.

**Beat Fellmann:** The organisations in the two countries are at different stages of development. Norway has been part of the Group for longer, it’s much bigger, and it has suffered as a result of the growth experienced in recent years. Sweden, by contrast, is a new entity.

**Anton Affentranger:** With Stig Ingar Evje as the new boss in Norway and Fredrik Björckebaum in charge in Sweden, we have two young managers who will make a success of the work that lies ahead. We’re confident that the action we’ve taken will bear fruit in 2017 and 2018.



“In the past we’ve always said we need to make a significant improvement in the Switzerland Segment. And the results for 2016 show that we’ve managed to achieve this.”

Beat Fellmann, CFO

### **Bilfinger Hochbau strengthens Implenias presence in Germany. What do you hope to gain from the acquisition?**

**Beat Fellmann:** The Bilfinger Hochbau acquisition will push our revenue in Germany to almost CHF 1 billion. That puts us in a very different market position compared with two years ago. The acquisition gives us a critical mass in Germany that opens up further growth potential. It has also given us a long-established and attractive portfolio of customers.

**Anton Affentranger:** The economy in Germany is in very good shape. The country has benefited from the European system and the euro. It’s Europe’s largest economy and it has a large pent-up demand for infrastructure construction as well as a very dynamic market for building construction. Gaining access to this market can only be a very good thing for us.

### **The job now is to make the most of this potential. And will Implenias be able to do this?**

**Anton Affentranger:** We’ve got no doubt about that at all. We’ve laid the foundations in our home markets in terms of organisation and personnel, so we now need to build on this and develop the business.

### How important a role will trends like digitalisation play here?

**Anton Affentranger:** Digitalisation is an enormously important trend for the whole Group across all its markets. We made various investments in this area last year, building up our expertise by recruiting specialists, buying software licenses and launching pilot projects in Switzerland and abroad. When it comes to digitalisation in Switzerland, we take our role as the country's leading construction and construction services company seriously, and we're working very closely with our customers and partners. In some places outside Switzerland, there's simply no other way of working. In Norway, there's an expectation that companies will be comfortable with digitalisation. And on the Albvorland tunnel project in Germany, we're using BIM models in close cooperation with Deutsche Bahn.

### Finally, let's look at Implenia's financial targets. In recent years, the company has always talked about an EBIT target for 2017 of CHF 140 to 150 million. Are you sticking to that target?

**Beat Fellmann:** We've always said we need to make a significant improvement in the Switzerland Segment. And the results for 2016 show that we've managed to achieve this, which means that we can still be optimistic about reaching our target.

**Anton Affentranger:** We've made a big leap forward. We're going to build on this and take another step to hit the 2017 EBIT target of CHF 140 to 150 million. The way Implenia is set up now gives us even more potential for the future.

## **Strong position in Europe's biggest construction market**

The purchase of Bilfinger Hochbau's activities strengthens Implen's position in Germany, Europe's biggest market, and creates a platform for further sustained growth.

Implenia signed a contract to buy Bilfinger Hochbau's activities in mid-December 2016. The unit, which provides building construction services, has a production output of around EUR 450 million and over 1,000 employees. The acquisition marks another important step in the internationalisation strategy launched by Implen in 2011. It strengthens the Group's market position in Germany and at a stroke significantly expands its range of services.

At a glance

## Bilfinger Hochbau

### Building Construction



**EUR 370 million  
production output**



**840  
employees**

- Turnkey construction
- Modernisation
- Pipeline construction
- Formwork systems
- Environmental protection technology

### Services



**EUR 35 million  
production output**



**150  
employees**

- Construction logistics
- Suppliers
- Waste management
- Construction site management

### Trades



**EUR 45 million  
production output**



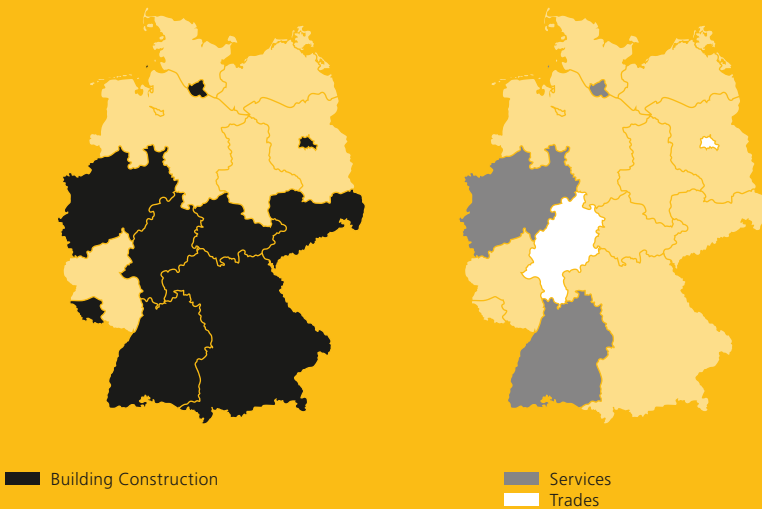
**70  
employees**

- Facade technology
- Cold storage construction

### Regional provider of building construction services

Bilfinger Hochbau is one of Germany's leading building construction firms, with a wide reach and a well established regional presence in its domestic market. Its core competences range from planning to turnkey new builds and renovations, to the optimisation of existing property portfolios. Complex building construction projects are acquired and executed centrally by one organisational unit. Specialised in building construction, Bilfinger Hochbau also offers proven expertise in site logistics, cold storage construction and facade technology. The local technical companies in its widespread German network have a long established customer base and offer an attractive portfolio of products and services.

## Regional presence in Germany

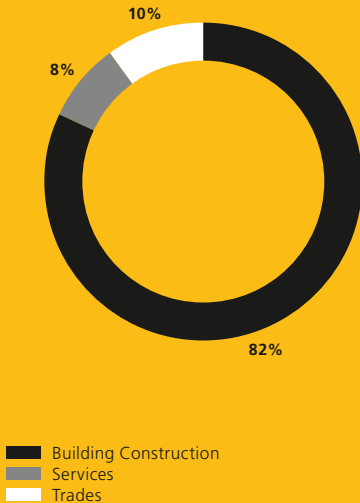


## Strengthening of technical expertise

The acquisition gives the Implenia Group the critical mass to take on and execute more complex projects in the German market. Furthermore, Bilfinger Hochbau's extensive expertise in the use of BIM will help Implenia move forward more quickly on the road to greater digitalisation. This will have a positive effect on the Group's market potential in German regional business, and will increase operational growth for the long term.



### Production output by segment (in %)



Bilfinger Hochbau provides services from planning to turnkey buildings – as seen here in Dantestrasse, Wiesbaden – and has proven expertise in construction site logistics, cold storage construction and facade technology. The acquisition brings Implenia another step towards strengthening its market position in Germany.

### All hands on deck for the integration

The integration team started work at the beginning of 2017 to ensure the new unit is integrated as quickly and smoothly as possible. Subject to review by competition authorities in the relevant countries, the transaction is scheduled for completion at the start of March 2017.

## Implenia – “One company, one goal, one spirit”

**5,172** (5,134)

Order book,  
CHF m

**166** (161)

EBITDA,  
CHF m

**30** (104)

Free cash flow before  
acquisitions, CHF m

**3,320** (3,430)

Production output  
CHF m

**115** (108)

EBIT excl. PPA  
CHF m

**39%** (41%)

ROIC excl. PPA

### Four business segments



#### Development

Property development in Switzerland, from initial idea through to the finished construction project.



#### Switzerland

Generalist for construction in Switzerland – from new buildings to modernisation, to road construction and civil works.



#### Infrastructure

Large and complex tunnelling and foundation engineering projects in Implenia’s home markets and beyond.



#### International

Regional provider for civil works in Germany, Austria, Norway and Sweden, as well as for building construction in German-speaking countries.

## **Implenia records strong results for 2016**

Implenia made good use of the healthy market environment in 2016 and posted strong results for the year. EBITDA and EBIT reached new record levels. Margins were much bigger than in 2015, putting Implenia well on course to meet its announced EBIT target of CHF 140 million. The improvement in earnings was purely organic, and was due in particular to the excellent performance of our Swiss business. A successful turnaround at Business Unit Buildings contributed a lot to this. The order backlog at Group level matched the previous year's record level. Added to Implenia's strong market position, the greater power acquired by purchasing Bilfinger Construction, and the continuing robustness of the markets allows the Group to feel confident about business in 2017.

### Swiss construction activity remains at high level

Volumes remain high in the Swiss construction sector. Despite some isolated signs of a slight slowdown, the market is intact. The construction industry is still backed by sound fundamentals: economic growth in 2016 was once again stronger than in the prior year, financing terms remain attractive and demand from institutional investors remains high owing to the scarcity of other investment options.

### Consolidated key figures

	2016	2015	Δ	Δ like for like <sup>2</sup>
	CHF 1,000	CHF 1,000		
<b>Consolidated revenue</b>	<b>3,266,986</b>	3,288,200	(0.6%)	(0.9%)
EBIT Business Units excl. PPA <sup>1</sup>	<b>115,003</b>	107,724	6.8%	6.4%
<b>EBIT Business Units</b>	<b>103,710</b>	86,173	20.4%	20.1%
<b>Operating income</b>	<b>97,907</b>	79,936	22.5%	22.5%
<b>Consolidated profit</b>	<b>64,453</b>	52,018	23.9%	24.0%
EBITDA	<b>166,184</b>	161,360	3.0%	2.6%
Free cash flow	<b>27,942</b>	16,178	72.7%	77.3%
<b>Net cash position (as at 31.12.)</b>	<b>376,297</b>	388,106	(3.0%)	(3.1%)
<b>Equity (as at 31.12.)</b>	<b>665,506</b>	623,776	6.7%	6.8%
Order book (as at 31.12.)	<b>5,171,795</b>	5,133,513	0.7%	0.8%
Production output	<b>3,320,418</b>	3,430,459	(3.2%)	(3.4%)
Headcount (FTE; as at 31.12.)	<b>7,976</b>	7,960	0.2%	

<sup>1</sup> Excluding PPA from Bilfinger Construction

<sup>2</sup> Foreign currency adjusted

Switzerland's housing market is healthy despite lower immigration and a slightly higher vacancy rate. There are only a few isolated signs of oversupply, mainly in peripheral locations. The picture for office and commercial premises was mixed in 2016. While major projects in the industrial, services and healthcare sectors had a positive effect, overcapacities in the office sector put the brakes on activity. However, office and commercial property should see a resurgence in the medium term as the economy picks up. Volumes in civil engineering last year were slightly down on 2015. Investments in the Swiss rail network by FABI, the new fund for financing and developing Switzerland's railway infrastructure, will gather momentum in 2017.

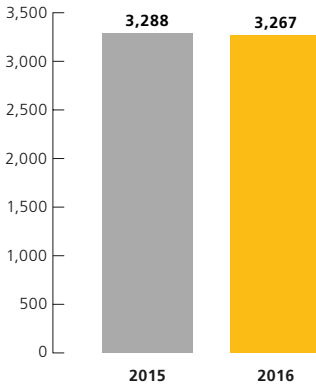
### Key balance sheet figures

	31.12.2016	31.12.2015 <sup>1</sup>	Δ
	CHF 1,000	CHF 1,000	
Cash and cash equivalents	791,703	877,108	(9.7%)
Real estate transactions	185,631	196,087	(5.3%)
Other current assets	1,087,291	1,068,281	1.8%
Non-current assets	564,552	589,190	(4.2%)
<b>Total assets</b>	<b>2,629,177</b>	<b>2,730,666</b>	<b>(3.7%)</b>
Financial liabilities	415,406	489,002	(15.1%)
Other liabilities	1,548,265	1,617,888	(4.3%)
Equity	665,506	623,776	6.7%
<b>Total equity and liabilities</b>	<b>2,629,177</b>	<b>2,730,666</b>	<b>(3.7%)</b>
Net cash position	376,297	388,106	(3.0%)
Investments in real estate transactions	49,016	65,381	(25.0%)
Investments in fixed assets	61,243	58,843	4.1%
Equity ratio	25.3%	22.8%	–

<sup>1</sup> The comparative information has been adjusted, see page 210, note 2.3

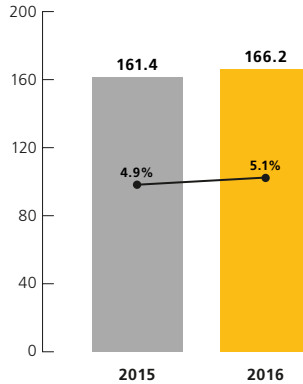
## Consolidated revenue

(in CHF million)



## EBITDA

(in CHF million)



—●— Margin (in %)

## Robust performance in foreign markets

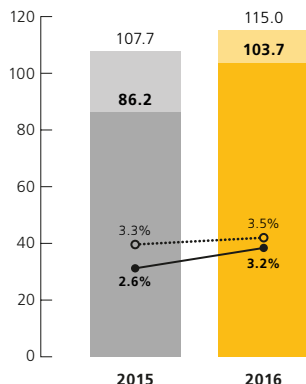
According to forecasts by Euroconstruct, the European research institute for the construction sector, infrastructure investments in Germany increased last year. The financial situation remained tight at the municipal level, but the German federal government made up for this with its own investments and with concessions to the Federal Land, such as meeting the cost of taking in refugees. In Austria, investment in the civil engineering sector remained relatively stable during the year under review, with projects aimed at improving transport infrastructure acting as the driving force. The tunnel and infrastructure construction markets where Implenia is active in Norway and Sweden performed well. In both countries these markets are being shored up by public sector plans to develop infrastructure.

## Revenue at previous year's level

Implenia posted a consolidated revenue of CHF 3,267 million in 2016, following a figure of CHF 3,288 million in 2015. At CHF 8.0 million, positive currency effects at the revenue level were practically insignificant.

## EBIT Business Units

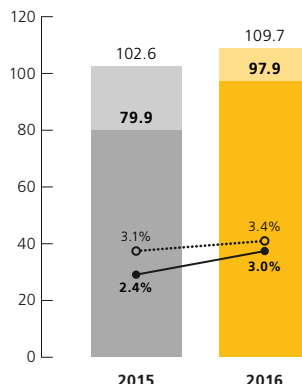
(in CHF million)



—●— Margin (in %)  
 - - - ● - - - Margin (in %) excl. PPA  
 ■ EBIT Business Units excl. PPA

## Operating income

(in CHF million)



—●— Margin (in %)  
 - - - ● - - - Margin (in %) excl. PPA  
 ■ Operating income excl. PPA

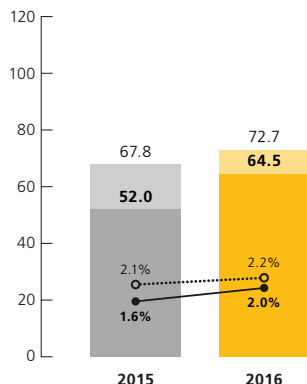
## Focus on improving margins bears fruit

EBITDA, which Implenia regards as the most important metric for evaluating operational performance, climbed by 3.0% during the year under review to a record high of CHF 166.2 million (2015: CHF 161.4 million). With revenues holding steady, the EBITDA margin went up from 4.9 percent to 5.1 percent.

Excluding amortisation costs for intangible assets acquired in the wake of the Bilfinger Construction takeover (PPA), the Business Units' EBIT also reached a new record level of CHF 115.0 million. The comparable figure for 2015 was CHF 107.7 million, so there has been an improvement of 6.8%. If Bilfinger Construction had been consolidated across the full 12 months of 2015, rather than just since March, the increase would have been 15.9 percent. Implenia has thus taken an important step on the way to its EBIT target for 2017 of CHF 140 million. The EBIT margin improved to 3.5 percent after 3.3 percent in the previous year.

**Consolidated profit**

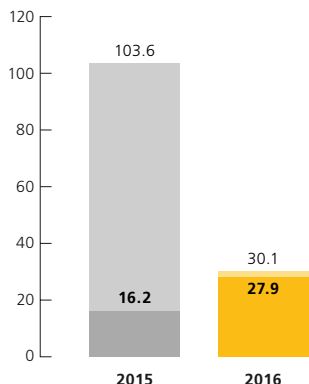
(in CHF million)



—●— Margin (in %)  
 - - -○- - - Margin (in %) excl. PPA  
 ■ Consolidated profit excl. PPA

**Free cash flow**

(in CHF million)



■ Free cash flow before acquisitions

The Development and Switzerland Segments delivered outstanding results. The turnaround at Implenia Buildings is particularly gratifying. Measures taken in response to its weak performance in previous years are having an effect and will allow us to exploit further potential in future. The Infrastructure Segment recorded a stable performance, but the International Segment suffered from the disappointing performance in Norway and finished down on the prior year.

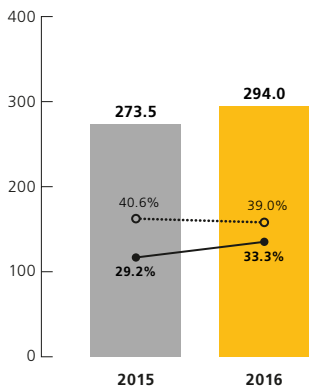
Results in the Miscellaneous/Holding Segment were much the same as in 2015. 2016 was more heavily affected than 2015 by the impact of IAS 19, higher IT costs resulting from the introduction of Building Information Modelling (BIM) and the effect of a one-time correction in the valuation of the Norwegian project portfolio acquired along with Bilfinger Construction. Overall, however, these effects balanced out.

Implenia Group's operating income came to CHF 97.9 million, which is 22.5% higher than the previous year's CHF 79.9 million. Implenia's consolidated profit for 2016 is CHF 64.5 million, compared with CHF 52.0 million in 2015, an increase of 23.9 percent.



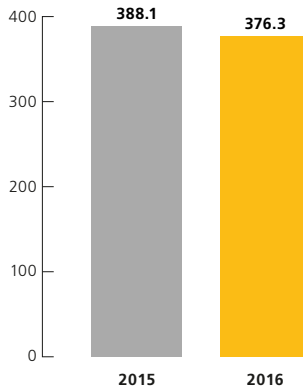
## Return on invested capital (ROIC)

(in %)



## Net cash position

(in CHF million)



■ Invested capital (in CHF million)  
 ● ROIC (operating income/invested capital)  
 ● ROIC (operating income excl. PPA / invested capital excl. PPA)

## Invested capital

	31.12.2016	31.12.2015 <sup>1</sup>	Δ
	CHF 1,000	CHF 1,000	
Current assets excl. cash and cash equivalents	1,272,922	1,264,368	0.7%
Non-current assets (excl. pension assets)	558,116	589,057	(5.3%)
Less debt capital (excl. financial liabilities and pension liabilities)	(1,537,045)	(1,579,894)	2.7%
<b>Total invested capital</b>	<b>293,993</b>	273,531	7.5%

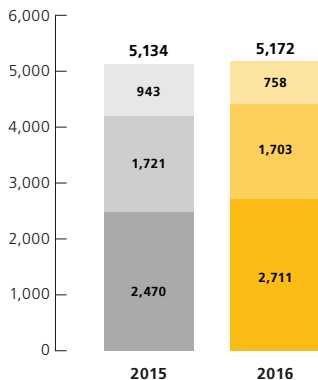
<sup>1</sup> The comparative information has been adjusted, see page 210, note 2.3

## Operating income

	2016	2015	Δ
	CHF 1,000	CHF 1,000	
Development	36,983	36,303	1.9%
Switzerland	56,334	38,770	45.3%
Infrastructure	8,340	8,099	3.0%
International	2,053	3,001	(31.6%)
Miscellaneous/ Holding	(5,803)	(6,237)	(7.0%)
<b>Total operating income</b>	<b>97,907</b>	79,936	22.5%

**Order book**

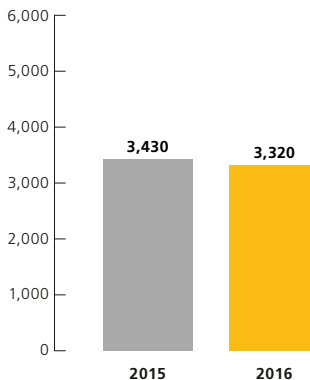
(in CHF million)



- For third subsequent year and beyond
- For second subsequent year
- For subsequent year

**Production output**

(in CHF million)

**Order book**

	31.12.2016	31.12.2015	Δ
	CHF 1,000	CHF 1,000	
Switzerland	2,637,186	2,648,111	(0.4%)
Infrastructure	1,524,423	1,603,166	(4.9%)
International	1,006,204	878,596	14.5%
Miscellaneous/Holding	3,982	3,640	9.4%
<b>Total order book</b>	<b>5,171,795</b>	<b>5,133,513</b>	<b>0.7%</b>

**Production output**

	2016	2015	Δ
	CHF 1,000	CHF 1,000	
Development	156,946	173,068	(9.3%)
Switzerland	2,412,223	2,463,925	(2.1%)
Infrastructure	516,057	507,514	1.7%
International	677,652	713,198	(5.0%)
Miscellaneous/elimination of intra-group services	(442,460)	(427,246)	(3.6%)
<b>Total production output</b>	<b>3,320,418</b>	<b>3,430,459</b>	<b>(3.2%)</b>

### **Implenia creates value**

Free cash flow before acquisitions came to CHF 30.1 million in 2016. This is significantly lower than the CHF 103.6 million of 2015 and is below the target figure that Implenia announced. It has not been possible to keep net working capital at the previous years' low level.

In 2016 Implenia once again created substantial value. Its return on invested capital reached a very good 33.3%. This is higher than the figure of 29.2% recorded in 2015 and much higher than the average cost of capital of 9.5%.

### **Solid equity base**

Cash and cash equivalents amounted to CHF 791.7 million at the end of the year. The decrease compared with the previous year (2015: CHF 877.1 million) is a result of the repayment of financial liabilities. Consequently, the net cash position at 31 December 2016 of CHF 376.3 million is almost the same as at the end of the prior year (2015: CHF 388.1 million). The reduction in cash and cash equivalents and in financial liabilities also led to a decrease in total assets to CHF 2,629 million at year-end 2016 (2015: CHF 2,731 million). With equity up to CHF 665.5 million (2015: 623.8 million), the equity ratio climbed to 25.3 percent (2015: 22.8%). Implenia thus has a solid financial basis.

### Home markets in good shape

There is little potential for any surprises on Switzerland's real estate markets in 2017. Building construction should perform well. Low mortgage rates, the scarcity of other investments and the fact that property continues to deliver good returns should keep institutional investors very interested in 2017. The market for civil works and infrastructure construction in Switzerland will feel the benefits of two state funds for the financing of the country's rail and road systems. The "Finanzierung und Ausbau der Bahninfrastruktur" (FABI) fund for railways will already have an effect in 2017, and the "Fonds für die Nationalstrassen und den Agglomerationsverkehr" (NAF) for roads from 2018. Overall, 2017 should be another year of solid revenues and healthy orders for the Swiss construction industry.

### Positive impulses in Germany and Austria

Scope for investments in infrastructure construction should increase in Germany. The new federal transport plan, worth EUR 270 billion (2016–2030), should provide a strong medium-term stimulus to the German transport sector (road, rail and water). The plan puts an emphasis on maintaining transport networks and eliminating congested stretches of major routes. The programme is likely to get into full swing from 2020, when the federal government takes sole control of building and running the motorways. Building construction should see further growth thanks to continued new build activity. The market will be driven by residential construction and by a slight increase in non-residential building work. Implenia is optimistic about business in Austria in the coming years. The country's new 2017–2022 framework plan, part of the "Zielnetz 2025+" rail expansion strategy, was signed off in October 2016 and will give the market a boost.

### **Continued strong growth in Norway and Sweden**

The infrastructure construction market in Norway and Sweden will remain attractive for a long time to come. Norway's economy should perform robustly in the years ahead despite lower oil revenues. The state infrastructure plan for the 2013–2023 period is worth NOK 508 billion and includes investments in transport infrastructure (rail and road), as well as in energy and water supplies. The government's 2017 budget, like the one for 2016, also includes additional finance. Investments in roads, bridges and tunnels alone are likely to increase by almost 15% in 2017. Close to double-digit growth in infrastructure investment is expected over the next few years. Sweden has a lot of catching up to do in terms of infrastructure investment. The "National Transport Plan 2014–2025", worth a total of SEK 522 billion, is having a positive effect on the market, and infrastructure investment is likely to grow at close to 5% annually in the years ahead.

### **Full order books provide foundation for 2017**

By the end of 2016, the order backlog at Group level reached a new record high of CHF 5,172 million (2015: CHF 5,134 million). This growth is purely organic; Bilfinger Hochbau's order backlog is not included in the 2016 figure because the transaction is expected to close in March 2017. All segments reported healthy order books. The Switzerland and Infrastructure Segments maintained orders at the high level of the previous year, while the International Segment succeeded in winning new projects and increased its order backlog by 14.5 percent.

Implenia Group's headcount at the end of 2016 was 7,976 (full-time equivalents, including temporary employees), which is almost unchanged on the previous year (end-2015: 7,960 employees).

### **A clear vision for success**

Implenia's outstanding achievements are built on a clearly focused vision and strategy, and on a set of values that bind every one of the Company's employees together. Its integrated business model allows Implenia to provide all the services required along the whole construction value chain.

#### **What we want**

The construction industry is going through a time of transformation. Like many other parts of the economy, it is being profoundly altered by digitalisation, which is changing the operating environment, but also the needs of our stakeholders. In this context, Implenia's clear vision provides the framework for its long-term growth. With innovative solutions and a genuine passion for construction, the Group is helping to design and build the Switzerland and Europe of tomorrow.

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

Implenia's vision will only be fulfilled if all its employees are pulling in the same direction, and they can only do this if their thoughts and actions are informed by a common set of values. Implenia has, therefore, formulated a set of principles for itself and its workforce that permeate the corporate culture and that are actively and consistently applied every single day, right across the Group. This is the foundation of our success.

#### **Strategy looks to the future**

Implenia aims to create sustainable value. To do this, the Group follows a clear strategy focused on the following priorities:

- **Integrated solutions thanks to a "One Company" approach**

As "One Company", Implenia always emphasises collaboration across its different units. The services offered by the Group range from development to general contracting to project execution. By combining these capabilities, Implenia unleashes synergies and facilitates tailored solutions that benefit customers.

## Vision



Values





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- **Consistently focused on customer and market needs**

Implenia wants its customers to see it as the preferred partner for all construction projects. The Group and its experts focus on its customers' needs and create added value for them. In this way, Implenla can grow together with its customers and strengthen its position in key markets.

- **Preferred partner for employees**

Implenia's success is its employees' success. They are the ones that take the company forward. Without them, there would be a standstill. This is why their well-being and development are very important to the company. Implenla offers its people opportunities and interesting jobs that enable them to keep growing and fulfil their potential.

- **Sustainable**

Implenia is aware of its responsibility towards the natural world and society, and it takes this responsibility very seriously. Developing sustainable solutions is therefore an integral part of its strategy. For detailed information on Implenla's comprehensive commitment to sustainability, please see the "Sustainability" chapter (from page 108), or the 2014/2015 Sustainability Report 2014/2015, published in autumn 2016.

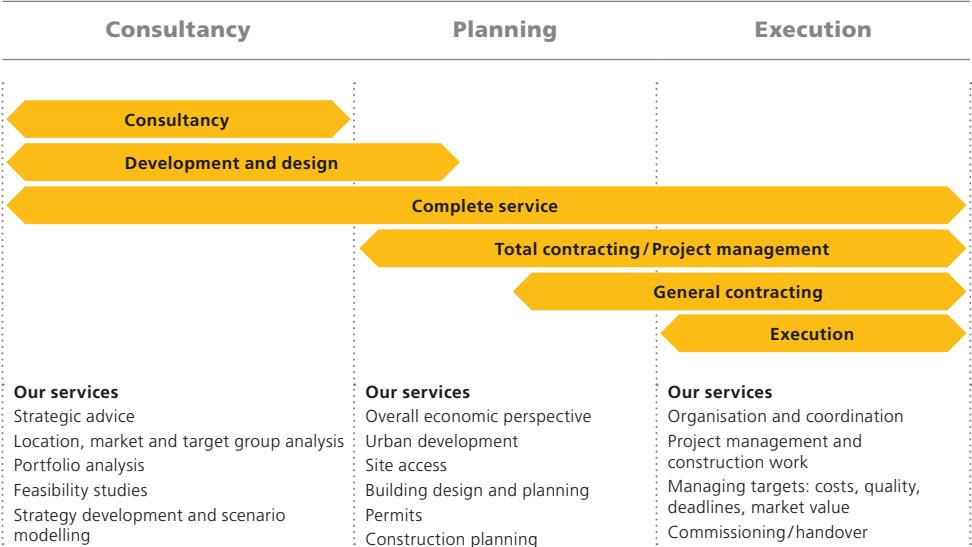
- **Operational excellence in construction**

Implenia is committed to construction and strives for operational excellence along the whole value chain. The Group makes targeted investments in developing lean processes, in IT that supports its work, and in innovation. These themes will become even more significant in the years to come as digitalisation becomes more and more widespread, which is why we have dedicated the reportage section of this Annual Report to the subject of digitalisation – see from page 64. (Further examples can be found in the "Technical Center" chapter from page 82).

- **Strong financial performance**

This strategy enables Implenla to achieve an impressive long-term financial performance. The Group exploits its full potential, using synergies created by cross-disciplinary collaboration and by the consolidation of central functions in the Corporate Center, IT and Technical Center. Last but not least, Implenla's financial success is also a result of strict cost control.

Integrated business model



Added value for our customers

- Optimising the value of existing and new real estate projects and portfolios
- Customised solutions that focus consistently on our customers’ requirements
- Reduced number of interfaces

---

### Broad-based structure

Implenia's organisational structure is based on operational and functional units. The operational units focus on their respective core competencies, but work hand in hand with each other within the "One Company" model. They are assisted by the Technical Center, IT, Human Resources and the centralised Group functions provided by the Corporate Center.

- **Operational units**

Implenia's core business is handled in the operational units: Modernisation & Development, Buildings, Infrastructure, Construction German-speaking Switzerland, Construction French-speaking Switzerland, Germany & Austria, Norway and Sweden. You can find more information from page 40 onwards.

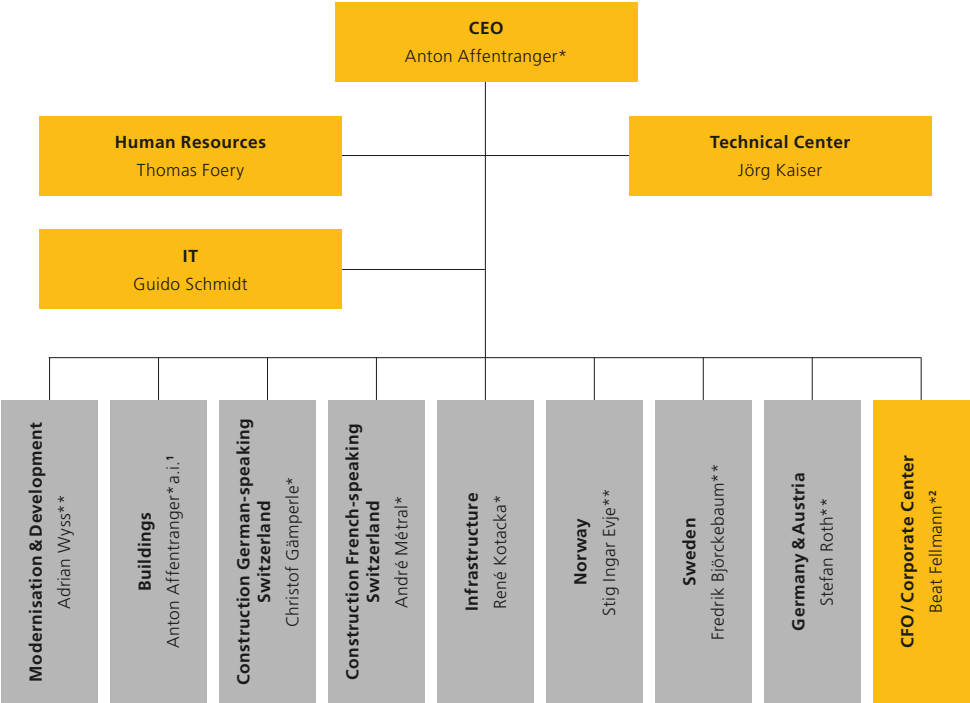
- **Corporate Center**

The operational areas are supported by the central services gathered in the Corporate Center. These include Corporate Controlling, Business Development, Treasury & Investor Relations, Corporate Reporting & Tax, Legal, Marketing/Communications, Insurances and Procurement. For more information, see the "Corporate Center" chapter starting on page 77.

- **Technical Center**

The Technical Center is Implenia's "technical conscience". It covers four areas: HSE & Sustainability, Operational Excellence, Technical Risk Management, and Equipment & Technology Services. The Technical Center brings together specific technologies such as Machinery & Electrical or Formwork, as well as optimising processes, developing innovations and driving sustainability. It obviously works very closely with the operational units. For more information, see the "Technical Center" chapter starting on page 82.

Group



\* Member of the Group Executive Board (GEBO)

\*\* Business Unit Head

Operational units  
Functional units

1 On 3 February 2016, a management committee consisting of Anton Affentranger, CEO, Jens Vollmar (management responsibility) and Christian Wick (technical responsibility) took over management of Business Unit Buildings. Jens Vollmar took over as Business Unit Head in February 2017.

2 In his function as CFO/Head Corporate Center, Beat Fellmann's direct reports include Nicolas Ecoffey (Head of Corporate Controlling), German Grüniger (General Counsel) and Jens Sasse (Head of Procurement).



From right to left: Anton Affentranger (CEO), Fredrik Björckebaum (CEO Sweden), René Kotacka (Head of Business Unit Infrastructure), Beat Fellmann (CFO/Head of Corporate Center), Jens Vollmar (management responsibility for Business Unit Buildings), Stefan Roth (Head of Business Unit Germany & Austria), Christoph Gämperle (Head of Business Unit Construction German-speaking Switzerland), Stig Ingar Evje (CEO Norway), André Métrol (Head of Business Unit Construction French-speaking Switzerland), Adrian Wyss (Head of Business Unit Modernisation & Development).

## The faces behind the Group



Property development in Switzerland from initial idea through to finished construction project.

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**656,734** (766,829)

Land reserves, m<sup>2</sup>

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**186** (196)

Real estate portfolio, CHF m

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**5,259** (5,030)

Residential units in development

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**50** (49)

Headcount, FTE

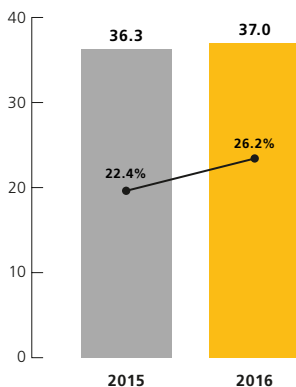
## Development

### Segment has an impressive project portfolio

- Previous year's record result exceeded again
- Growth driven by Greater Zurich and Lake Geneva regions
- Full project pipeline ensures future earnings

### EBIT Development

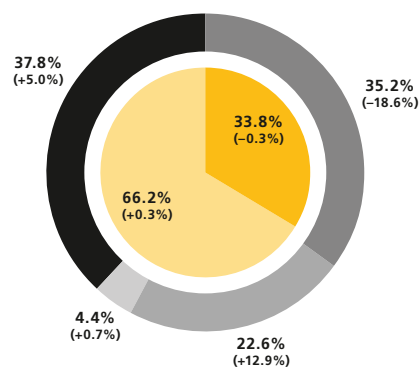
(in CHF million)



—●— ROI (in %)

### Residential units sold 2016

(in %)



by type

- Condominium ownership
- Investment properties

by region

- Zurich
- East
- Middle
- West

The Development Segment, which includes the Group's real estate project development activities in Switzerland, can look back on another successful year. EBIT rose by 1.9% to CHF 37.0 million, just beating the record level recorded in the previous year (2015: CHF 36.3 million). This result confirms Implenla's good positioning in project development in Switzerland.

### Large-scale projects ensure future business

The Development Segment put in an impressive performance in 2016, driven by generally favourable market conditions and, above all, a strong portfolio of self-developed projects. The bulk of development activities was once again concentrated in the key regions of Zurich and the "Arc Lémanique" along Lake Geneva. A full project pipeline, featuring numerous large sites in western Switzerland (Geneva/Lausanne) and the German-speaking part of the country (Winterthur), ensures a healthy future for the segment and creates a major volume of work for the downstream units, Implenla Buildings and Modernisation. With a view to future volumes and earnings, this year the segment will be expanding its range of development services in the direction of service development, co-development and co-investment.

### Key figures Development

	2016	2015	Δ
	CHF 1,000	CHF 1,000	
<b>EBIT</b>	<b>36,983</b>	36,303	1.9%
<b>EBITDA</b>	<b>37,607</b>	36,965	1.7%
Headcount (FTE; as at 31.12.)	<b>50</b>	49	2.0%



### Development Segment's share of Group's operational unit results



**32.1%**

EBIT excl. PPA



**0.7%**

Headcount, FTE

#### **A leader in real estate project development**

In the Development Segment, Implenia brings together its expertise in project development, from initial idea to completed building. As a partner for private and institutional property developers, Implenia develops and realises sustainable property and sites in Switzerland, and can utilise its own very solid land bank. It concentrates especially on housing, health and the ageing population, and has a geographically broad project portfolio with a focus on the strong growth regions of Zurich and Lake Geneva.

### Key projects

#### Haus Adeline-Favre, Sulzerareal Winterthur

Implenia, working as total contractor for the Department of Health at the Zurich University of Applied Sciences (ZHAW), is developing a six-storey training centre on the Sulzerareal site in Winterthur. Switzerland's biggest training facility for occupational therapy, physiotherapy, midwifery and nursing is being built in accordance with SIA Energy Efficiency Path 2040 standards. SSKA Heuberger Holding AG has been brought in as an investor on the CHF 100 million project. The new centre will open its doors to students in summer 2020.

#### Les Rives de la Broye, Payerne

Implenia is building the sustainable "Les Rives de la Broye" project to help meet demand for high-quality housing in the up-and-coming town of Payerne. Developed by Implenia, the complex comprises 19 buildings with a total of 390 apartments and around 500m<sup>2</sup> of commercial and retail space, as well as a 220-berth underground car park. The first five buildings, with 144 rental apartments, will be completed in spring 2017 for the UBS (CH) Léman Residential Property Fund "Foncipars".

#### Rivus, St. Gallen

The Rivus development will provide attractive, sustainable homes on the site of a former Implenia workshop in the city of St. Gallen. The project, which consists of two spacious four-storey blocks offering a total of 51 condominiums, was developed by Implenia itself. Residents should start moving into their new homes, situated close to the local recreation area, in spring 2019. The Minergie-standard project is an excellent example of how to repurpose a former industrial site.



Haus Adeline-Favre, Sulzerareal Winterthur.



Generalist for construction in Switzerland – from new buildings to modernisation to road construction and civil works.

---

**2,637** (2,648)

Order book, CHF m

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**59%** (64%)

Visibility\*

---

**2,412** (2,464)

Production output, CHF m

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**3,757** (3,855)

Headcount, FTE

\* Visibility: Order backlog for the current year/planned production output

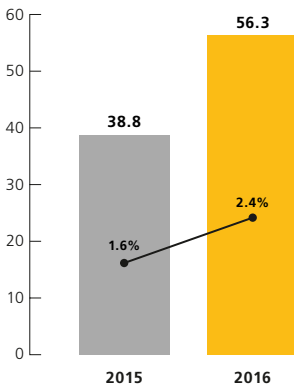
## Switzerland

### Strong performance in Swiss home market

- Successful year crowned by much greater profit quality
- Buildings achieves the predicted turnaround
- Swiss regional business is the Group's engine room

### EBIT Switzerland

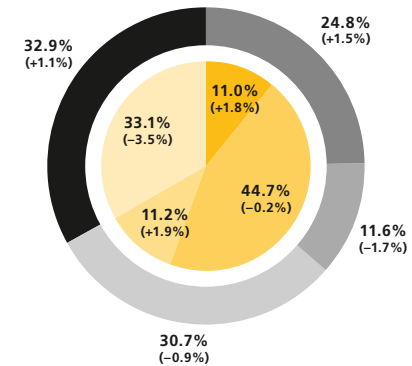
(in CHF million)



—●— Margin (in %)

### Production output 2016

(in %)



by business segment

- Modernisation
- Total and general contracting
- Building construction
- Construction

by region

- Zurich
- East
- Middle
- West

The Switzerland Segment, with its Modernisation and Buildings units and its regional business in the German- and French-speaking parts of the country, put in an excellent performance during the year under review. Revenue remained stable, but EBIT rose by 45% to CHF 56.3 million (2015: CHF 38.8 million). This marked a great improvement in the segment's profit quality compared with the previous year.

### Implenia Buildings back on course

The increase in EBIT of around CHF 18 million was driven mainly by the Buildings business. Measures initiated to improve operational performance had the desired effect and paved the way for the Business Unit's successful turnaround. Regional business in Switzerland continued the strong performance seen in 2015. Capacity utilisation remained particularly high in the French-speaking part of Switzerland despite the lack of major projects on the market. Future business will be boosted by the renewal programme for main roads and the rail network. Regional business in German-speaking Switzerland failed to meet expectations, though the region's potential is very apparent. The gravel and surfacing plants performed very well.

### Key figures Switzerland

	2016	2015	Δ
	CHF 1,000	CHF 1,000	
<b>Revenue</b>	<b>2,393,376</b>	2,391,575	0.1%
<b>EBIT</b>	<b>56,334</b>	38,770	45.3%
<b>EBITDA</b>	<b>76,812</b>	60,499	27.0%
Order book (as at 31.12.)	<b>2,637,186</b>	2,648,111	(0.4%)
Production output	<b>2,412,223</b>	2,463,925	(2.1%)
Headcount (FTE; as at 31.12.)	<b>3,757</b>	3,855	(2.5%)

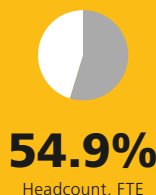
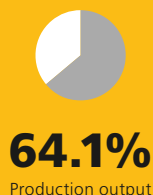
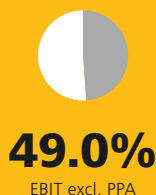
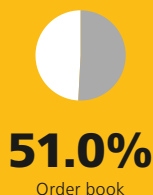
### Modernisation launched in Western Switzerland

Further progress was made on the strategic expansion of the modernisation business during the period under review, and the roll-out of the business model into Western Switzerland began. Implenia is building a new production facility for wooden construction in Rümlang near Zurich, which is due to open in spring 2017.

### Order book remains full

Order volumes were maintained around the previous year's high level at CHF 2,637 million (2015: CHF 2,648 million). This full order book creates a solid foundation for good capacity utilisation in 2017.

### Switzerland Segment's share of Group's operational unit results



#### Generalist builder in Switzerland

The Switzerland Segment includes Implenia's services for modernising residential and commercial properties, general and total contracting, building construction, road building and civil works. The segment also includes the surfacing and gravel works in Switzerland and wooden construction. Modernisation brings together the segment's capabilities in conversion and renovation, from consultancy to implementation. As a general and total contractor, Implenia offers comprehensive services from a single source.

### Key projects

#### GATE Oerlikon Consortium, Zurich

Implenia, as part of the GATE Oerlikon Consortium, has expanded Oerlikon railway station and increased its capacity. The job, commissioned by Swiss Federal Railways (SBB) and Zurich's Civil Engineering Department, was completed at the end of 2016. This was a complex civil engineering project involving the construction of two new platforms, the extension of the existing underpasses and the creation of various other structures. The work was done in a tight town-centre location as trains continued to run by a team from Business Unit Construction German-speaking Switzerland. An excellent example of Implenia's comprehensive civil engineering expertise.

#### Hotel Valsana, Arosa

In the Alpine resort of Arosa, Implenia's Buildings Business Unit, as general contractor, is constructing the new Hotel Valsana for Tschuggen Hotel Group AG. The sustainable hotel complex consists of three buildings offering 40 rooms, 9 apartments with hotel service and a wellness area, plus 11 owner-occupied apartments, shops and an underground car park. This new flagship Swiss hotel will be handed over to the client in November 2017.

#### RC 719, Huémoz–Ollon–Les Tannes

In Canton Vaud, Implenia is improving the main RC 719 road between Huémoz and Les Tannes to make it safer for road users and to cope with the increased volume of traffic. The section is in an exposed location vulnerable to landslides. Implenia has been carrying out extensive resurfacing work for the cantonal authorities since 2014, as well as building retaining walls and widening the road.

#### Modernising Parkstrasse 11, Bern

Fundamental Real Estate AG tasked Implenia with the complete refurbishment and extension of its property at number 11 Parkstrasse in Switzerland's capital. Refurbishment of the 38 apartments and the addition of a fifth storey with two apartments have given the building, which dates from 1973, an attractive contemporary facelift. Implenia's Modernisation specialists handled the project under a total contractor mandate.





RC 719, Huémoz-Ollon-Les Tannes.



Large and complex tunnelling and foundation engineering projects in the home markets and beyond.

---

**1,524** (1,603)

Order book, CHF m

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**74%** (82%)

Visibility\*

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**516** (508)

Production output, CHF m

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**1,034** (931)

Headcount, FTE

\* Visibility: Order backlog for the current year/planned production output

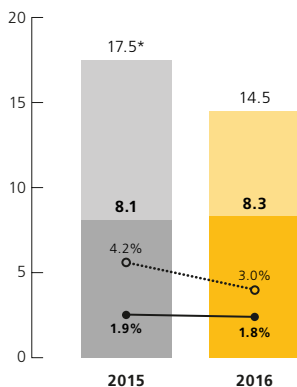
## Infrastructure

### Pleasing performance

- Good result underlines success of international expansion
- Gotthard Base Tunnel, the “project of the century”, opens after 17 years
- Successful venture into the French market

### EBIT Infrastructure

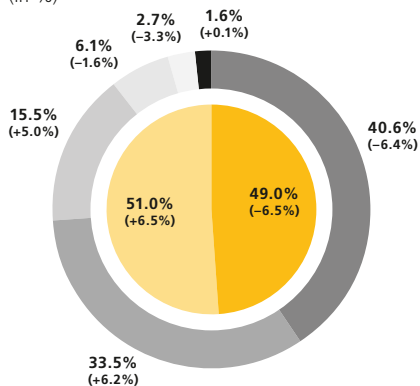
(in CHF million)



—●— Margin (in %)  
 - - - ○ - - - Margin (in %) excl. PPA  
 ■ ■ EBIT excl. PPA

### Production output 2016

(in %)



#### by business segment

■ Tunnelling  
 ■ Foundation engineering

#### by region

■ Switzerland  
 ■ Germany  
 ■ Austria  
 ■ Norway  
 ■ Sweden  
 ■ Others

\* Bilfinger Construction's share only consolidated for 10 months (since 02.03.2015)

The Infrastructure Segment's results for 2016 exceeded expectations. EBIT came to CHF 14.5 million, which is 20.8% higher than the prior year's comparable figure of CHF 12.0 million.\*

### Tunnelling and foundation engineering perform well

The high point of the year under review was the completion of the epochal Gotthard Base Tunnel project and the opening of the tunnel on 1 June 2016. Across the 17 years of construction, Implenia and its consortium partners built three of the five main sections of the tunnel. Tunnelling and foundation engineering projects in Switzerland, Germany and Austria went well, contributing to the pleasing results for the year under review. Above all, however, the positive performance reflects the fact that the international expansion of infrastructure construction activities is delivering tangible results.

### Key figures Infrastructure

	2016	2015	Δ
	CHF 1,000	CHF 1,000	
<b>Revenue</b>	<b>475,558</b>	418,915	13.5%
EBIT excl. PPA <sup>1</sup>	<b>14,473</b>	17,497	(17.3%)
<b>EBIT</b>	<b>8,340</b>	8,099	3.0%
<b>EBITDA</b>	<b>28,452</b>	31,670	(10.2%)
Order book (as at 31.12.)	<b>1,524,423</b>	1,603,166	(4.9%)
Production output	<b>516,057</b>	507,514	1.7%
Headcount (FTE; as at 31.12.)	<b>1,034</b>	931	11.1%

<sup>1</sup> Excluding PPA from Bilfinger Construction

\* Bilfinger Construction consolidated over 12 months in previous year rather than 10 months

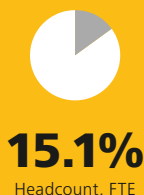
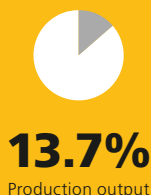
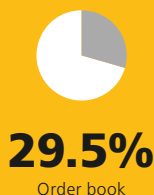
### Major projects in all home markets

Implenia is currently working on major projects in all its home markets. It is building the new Bözberg railway tunnel in Switzerland, two of the three tunnel sections at Semmering in Austria, and the Albvorland tunnel section of the new railway line from Wendlingen to Ulm in Germany. In the Scandinavian market, meanwhile, it is building the Johannelund and Lunda tunnels in Sweden. Implenia gained a foothold in the French infrastructure market during the year under review by winning the contracts for two sections of the “Grand Paris Express”. Together with its consortium partners (Implenia has a 25% share), the Group is building tunnels to extend Paris’s regional public transport network.

### Order backlog slightly below previous year

Overall order intake in 2016 was satisfactory. At CHF 1,524 million, existing orders are only slightly below the previous year’s high level (2015: CHF 1,603 million).

#### Infrastructure Segment’s share of Group’s operational unit results



#### Specialist for challenging infrastructure projects in Europe

The Infrastructure segment focuses on tunnel construction and foundation engineering in Europe. The segment brings together Implenia’s tunnelling, foundation engineering, large-scale project and design/planning capabilities. These services are offered in the home markets of Switzerland, Germany, Austria, Sweden and Norway. In addition, the Global Projects sub-unit bids for large, complex infrastructure projects outside our home markets and also takes on project management.

### Key projects

#### U3, Nuremberg

Implenia is adding a westward extension to Nuremberg's U3 subway line. This complex urban infrastructure project includes the Grossreuth bei Schweinau underground station, which is being built using cut-and-cover techniques, as well as the creation of two single-track tunnels linked to an existing underground station, and the construction of a track switching facility. Lot 2.1, part of a 9.5 kilometre section of subway with 14 stations, is worth around EUR 43 million.

#### Galerie Intertubes, Geneva

Following the introduction of new fire protection standards, Implenia is building six new escape routes between the two-lane Confignon and Vernier tunnels in the French-speaking part of Switzerland. The two tunnels are part of Geneva's heavily used motorway bypass, so the work, carried out for Switzerland's Federal Roads Office (FEDRO), can only be done at night and only in one tunnel at a time. The project will be completed by mid-2018.

#### Sewer renewal in Breitenrain, Bern

The Implenia-led "Viktoria" consortium was asked by Bern's Civil Works Department to update the waste water system in the district of Breitenrain in Switzerland's capital. Micro-tunnelling techniques are being used to install a new 1,200 metre long sewer in seven stages. Most of the work is being done underground to minimise the environmental impact.

#### Alter Wall, Hamburg

Implenia has dug a 19 metre deep construction pit for a five-storey underground garage that will lie beneath a newly planned terrace of houses right next to Hamburg City Hall and the Alsterfleet river. The location presented a difficult challenge, as the site could only be accessed through two 5x5 metre openings in a listed facade. The construction pit, which costs around EUR 15 million to build, was handed over to the client in spring 2016.



U3, Nuremberg.



Regional provider for civil works in Germany, Austria, Norway and Sweden as well as building construction in German-speaking countries.

---

**1,006** (879)

Order book, CHF m

---

**69%** (57%)

Visibility\*

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**678** (713)

Production output, CHF m

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**2,010** (2,096)

Headcount, FTE

\* Visibility: Order backlog for the current year/planned production output



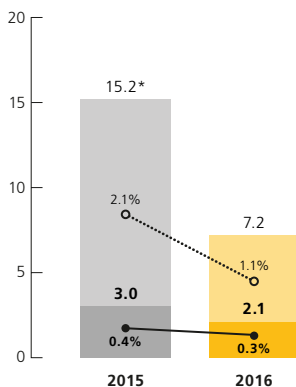
## International

### Differing regional performances

- Business in Norway below expectations
- Germany, Austria and Sweden produce solid results
- Order backlog tops billion-franc mark for the first time

### EBIT International

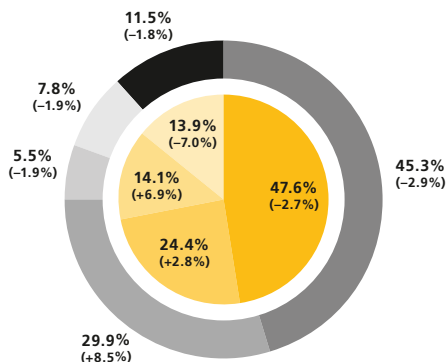
(in CHF million)



—●— Margin (in %)  
 -○- Margin (in %) excl. PPA  
 ■ EBIT excl. PPA

### Production output 2016

(in %)



#### by business segment

■ Infrastructure works  
 ■ Tunnelling  
 ■ Building construction  
 ■ Niches

#### by region

■ Norway  
 ■ Germany  
 ■ Austria  
 ■ Sweden  
 ■ Others

\* Bilfinger Construction's share only consolidated for 10 months (since 02.03.2015)

The International Segment, with its regional businesses in Germany, Austria, Norway and Sweden, generated EBIT of CHF 7.2 million in 2016. On a comparable basis, the prior year EBIT was CHF 12.1 million.\*

### Management structure strengthened in Scandinavia

Norway's performance had a negative impact on results. Following the increase in its personnel, the local organisation failed to reach the desired level of efficiency, while several projects did not perform satisfactorily. However, the potential of the Norwegian market remains strong. Implenia has refocused its marketing work in the country and reinforced the local operational management team. Stig Ingar Evje took over as CEO of Implenia Norway at the start of November 2016. Implenia is, therefore, confident about its future performance. The Swedish business has also been led by its own CEO – Fredrik Björckebaum – since October 2016. By strengthening management structures in Scandinavia, Implenia is taking better account of the local character of the business there.

Regional business in Germany and Austria is going as planned. The gravel works in Mali and the Ivory Coast once again performed well and have slightly increased their contribution to earnings.

### Key figures International

	2016	2015	Δ
	CHF 1,000	CHF 1,000	
<b>Revenue</b>	<b>683,566</b>	708,997	(3.6%)
EBIT excl. PPA <sup>1</sup>	<b>7,213</b>	15,153	(52.4%)
<b>EBIT</b>	<b>2,053</b>	3,001	(31.6%)
<b>EBITDA</b>	<b>18,242</b>	28,462	(35.9%)
Order book (as at 31.12.)	<b>1,006,204</b>	878,596	14.5%
Production output	<b>677,652</b>	713,198	(5.0%)
Headcount (FTE; as at 31.12.)	<b>2,010</b>	2,096	(4.1%)

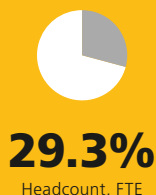
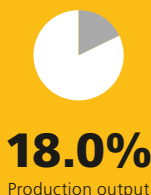
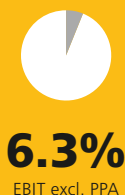
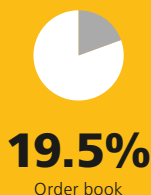
<sup>1</sup> Excluding PPA from Bilfinger Construction

\* Bilfinger Construction consolidated over 12 months in previous year rather than 10 months

### Successful order acquisition

The International Segment was successful at winning new contracts in all its markets. The order backlog at the end of the 2016 passed the billion mark for the first time, hitting CHF 1,006 million (2015: CHF 879 million). This reflects the continuing strong dynamics in the individual markets, and Implenia expects a positive performance from the segment as a whole.

### International Segment's share of Group's operational unit results



#### Regionally embedded provider in Western Europe

The International Segment includes Implenia's activities in its home markets of Germany, Austria, Norway and Sweden, as well as its gravel plants in Mali and the Ivory Coast. Implenia Germany & Austria is the provider for regional customers in German-speaking countries outside Switzerland that need services for civil works, general civil engineering, maintenance and repair. Since the acquisition of Bilfinger Hochbau it is also responsible for building construction in the region. Implenia Norway and Implenia Sweden offer their customers comprehensive services for complex infrastructure projects, including conventional tunnelling. They also provide niche services for road and rail. The International Segment's goal is to further expand its market position.

### Key projects

#### Residential complex, Darnautgasse, Vienna

In October 2016, following approximately 18 months of construction work, Implenia handed over the completed residential complex in Darnautgasse to the customer. The complex consists of 53 apartments, four subsidised shared flats for all ages and two shared flats for young people, plus a parent-child centre. As general contractor, Implenia built the sustainable development, which offers around 5,360 m<sup>2</sup> of living space, in line with Vienna's eco-build criteria.

#### Hotel Stadt Lörrach, Lörrach

Implenia, as general contractor, is building a 20-storey hotel and boarding house, together with an underground car park and gardens, opposite Lörrach railway station in southwest Germany. The 62 metre high building, which will offer around 180 rooms, is being built using "climbing formwork". The hotel, to be handed over to the client in May 2017, will be an impressive addition to Lörrach's skyline.

#### NS14, Stockholm

In Stockholm, Implenia is building two parallel road bridges, each 500 metres long, together with the required ramps and access roads. Work began on this complex inner-city infrastructure project in 2013 and is due for completion in March 2017.

#### K11 Rådal – Nordås – Flyplassvegen, Bergen

In Norway, Implenia was asked to carry out one of the biggest projects commissioned by the Norwegian Public Roads Administration (Statens Vegvesen). Project K11, part of the E39 road link between Stavanger and Bergen, includes the construction of five tunnels totalling 6.7 kilometres in length and a 1.5 kilometre long water tunnel, as well as link roads, bridges and a landfill site that will have to take around 1.5 million m<sup>3</sup> of excavated material over the course of the work. The project is worth NOK 1.5 billion and will take four years to complete.



Residential complex, Darnautgasse, Vienna.

### **Dawn of a new era**

New technologies are transforming whole industries very quickly. The construction industry is no exception. Digitalisation along the entire value chain of a construction project is helping builders master the rising organisational and technical complexities involved. In this area as elsewhere, Implenias takes its role as Switzerland's leading construction and construction services company very seriously. Our focus topic provides insights into the latest innovations and the new developments to come.



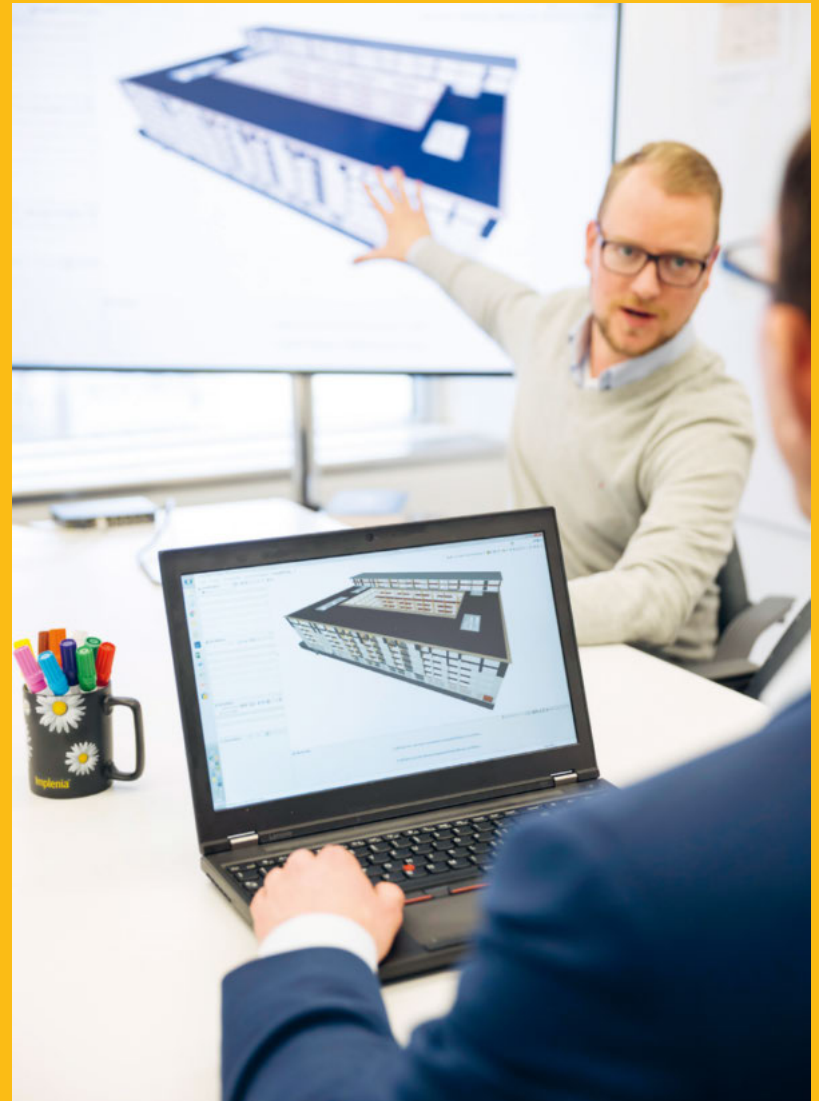


## “Werk 1” site development

Mixed use, Winterthur

# Assessing space allocation, costs and sustainability

Implenia is developing a new, sustainable neighbourhood on the Sulzerareal site in the centre of Winterthur. Over the next few years, the 5 hectare former industrial site, known as “Werk 1”, will be turned into a lively place where people can study, work and live. Implenia, working closely with Winterthur’s city authorities, held an architectural competition for the site’s first three building plots in 2016. As part of the process, the competing architectural firms had to submit BIM models of their plans. “This meant the jury could base their assessment of the entries on better information,” explains Ulf Hoppenstedt, Werk 1’s Project Manager. It also laid a foundation for the use of BIM throughout the rest of the project. Everyone involved, right along the value chain, from architects and specialist planners through to building contractors, made use of the benefits of the model-based technology. BIM ensures the high standards set for space allocation, costs and sustainability can be met throughout the whole planning and execution process. “Modelling allows us to evaluate compliance with 2000-Watt Society sustainability criteria more accurately, for example,” says Hoppenstedt. Werk 1 will be the first certified 2000-Watt site in Winterthur, thus setting a milestone on the road to sustainability in the city. Preparatory development and demolition work started on the site some months ago, and the public design plan was made official at the start of the year. Subject to the building permits, construction work on the first 260 homes will begin in 2018. ■



Everyone involved in the Werk 1 project in Winterthur is working with BIM models, thus facilitating a fully model-based building process.



## Digitalisation at Implenla

# Man, machinery and materials in harmony

### Construction projects becoming more challenging

The construction industry is changing. Digitalisation is transforming what has hitherto been a very traditional trade. The challenges involved in construction projects have become increasingly daunting in recent years. Greater customer needs and global competition are intensifying time and cost pressures. Unique building designs require increasingly complex project organisations and present ever more difficult technical challenges in all phases of the work. These changing conditions demand new, integrated solutions and approaches. Digitalisation offers great potential here, right along the entire value chain. Implenla firmly believes that digitalisation is the way forward, and it is working to create a transparent, flexible system to manage the whole construction process.

### Dynamic, complex systems

“Everybody’s talking about digitalisation. In our private lives we’ve all been communicating via apps for a long time now, and using digital taxi services like Uber to get around. The construction industry is also very interested in digitalisation, and it is opening up new

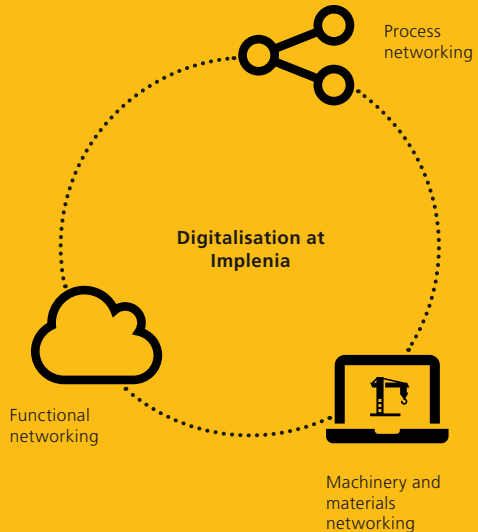
opportunities for us,” explains Jörg Kaiser, Head of Implenla’s Technical Center. His core team is responsible for the development and implementation of Implenla’s digitalisation strategy. The Group believes there is great potential to optimise the operational value chain in particular. Digital information and tools can make construction processes more efficient and effective. “By integrating and analysing detailed data we can draw conclusions quickly, intervene proactively and get the work done more efficiently,” says Jörg Kaiser. This is all based on a transparent, solution-oriented way of working, which generates clear competitive advantages in a market characterised by low margins. Implenla is, therefore, continuously building up the relevant capabilities.

### Customer-focused construction along the whole value chain

“Our aim is to help the operational business units optimise their day-to-day work,” explains Jörg Kaiser. To do this his team focuses on networking methodologies, innovations and employees. This networking is driven by the philosophy of “Lean Management”: all activities are harmonised with each other as effectively

## Digital networking for excellence in the construction value chain

Implenia's digitalisation strategy is based on three core elements: networking of processes, networking of functions, and networking of machinery and materials. The networking of process connects everyone involved in the construction process together, while functional networking links up the different tools, technologies, support functions and methods. The third element integrates the management of materials and machinery.



as possible so resources can be used efficiently and processes improved. By defining processes precisely, setting clear responsibilities and establishing simple organisational methods, mistakes can be identified early on and high-quality building projects can be executed with a high degree of customer focus. In Basel, Implenia built two tower blocks on a Lean-based timetable in 2016. "The work done by the different companies and trades was coordinated in detail in advance," explains Fabian Heidolf, the responsible project manager. "That helped us to execute the job efficiently on a tight schedule."

Project managers used Implenia Management System 2.0, known for short as IMS 2.0, to plan the different processes. "The system models the entire cycle of a construction project," explains Darius Khodawandi, Head of Operational

Excellence. "Everything is transparently mapped, from market observation, through the various stages of execution, to the final warranty inspection." This digital map thus serves as a guide and a management tool.

Alongside its adoption of this highly effective methodology, Implenia is also making use of innovations such as Building Information Modelling (BIM). "BIM is based on the use of virtual 3D models that replicate the physical outcome of a construction job," explains Alar Jost, Head of BIM at Implenia. These models are enhanced by information generated during the planning, construction and operational processes. "Ideally, you also add details of timings and costs to produce what we call a 4D or even 5D model," Jost continues. BIM improves decision-making, quality assurance and communication between all the different people

involved in a project. The Technical Center serves as the organisational umbrella within the Group, but input to and from the operational organisation takes place at the level of the specific specialist area. The goal is to embed digitalisation in the places where people actually work with it. Ultimately everyone benefits, including on-site construction workers. "BIM helps us identify danger areas in the preparatory stage, so we can take further measures to improve health and safety for our employees," says Jost.

### **Success based on operational requirements**

If these new approaches are to have the desired effect, they have to relate closely to specific project needs. Implenia recently formed a dedicated Digitalisation Unit to help bring digitalisation even closer to the operational business. The unit combines IT and engineering expertise. The Head of the new competence centre, Martin Beth, tries to ensure his services are focused rigorously on the end-user: "The units need to formulate their requirements and needs." Only then

can Beth and his team develop purposeful, practical methods and tools that will actually be used. "Our employees at the coal face set the goals, and our internal specialists provide advice and realise these goals," says Beth. But what does this mean in concrete terms? Beth quickly comes up with an example. "One of our BIM coordinators in Zurich produced a model for a residential development based on details provided by the construction manager. With the help of the model and the information it contained, the foreman found it much easier to order the materials he needed. He had no doubts about the benefits: his orders were more accurate and took less time. That's exactly how we want to push digitalisation forward at Implenia. Concrete gains relevant to the specific project," Beth declares.

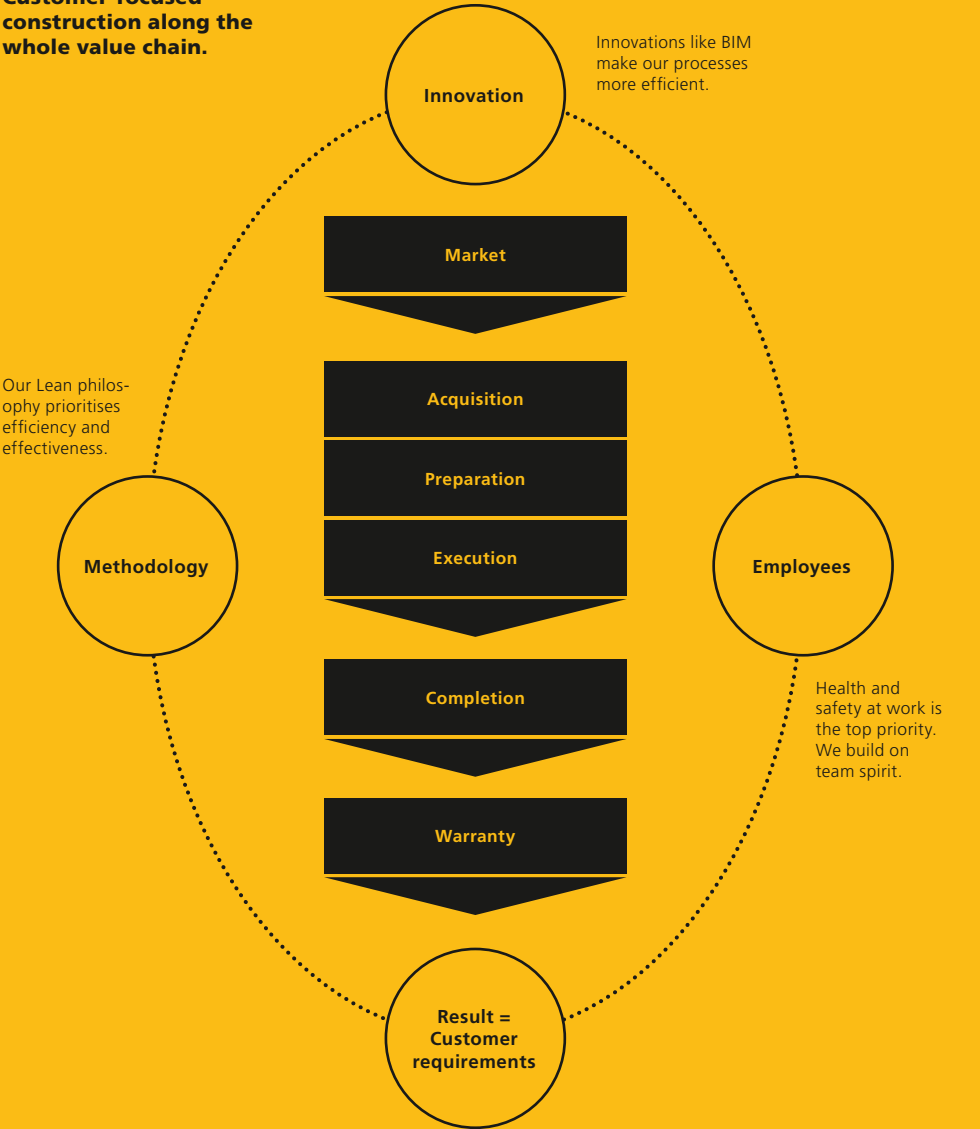
As well as specialist support, change also brings a need for education and training. Digitalisation is not being met with joy by all employees. It worries some. Ulf Hoppenstedt, Project Manager of Werk 1 in Winterthur, knows about such reservations: "Digitalisation reaches deep into the DNA of the usual ways of



**"Digitisation reaches deep into the DNA of the usual ways of working."**

Ulf Hoppenstedt, Project Manager for Werk 1 in Winterthur

**Customer-focused  
construction along the  
whole value chain.**





“What we’re learning in this pilot project will help us use the tool on future jobs.”

Wolfgang Fentzloff, Head of Technical Services,  
Tunnelling Germany

working.” But it’s always interesting to observe how initial scepticism turns into great enthusiasm after only a short time. “This only happens, though, if people see the concrete benefits,” says Hoppenstedt.

### **Linking up everyone along all the phases of value creation**

“At Werk 1, we were already seeing specific benefits during the architectural competition when we were first developing the project,” the project manager continues. It was the first time the project team had used BIM models in this early phase. “A continuous BIM process brings us clear benefits at the planning stage, but also during the execution process,” Hoppenstedt believes. By linking up everyone involved – from the planning phase, to the work preparation phase, to completion and the guarantee period – project goals become easier to achieve, information loss is minimised and operational excellence can be increased. If this networking is to function properly, however, clients, operators, contractors, suppliers and subcontractors all have to commit to BIM.

“This is why the Technical Center organises regular training courses and workshops for suppliers and sub-contractors,” explains Jörg Kaiser. Implenia’s BIM professionals also supported the architects during the design competition for Werk 1. “A win-win situation for everyone involved,” believes Project Manager Hoppenstedt. Because the digitalisation of construction processes also brings benefits to customers: their projects can be portrayed in a very tangible form and planning quality is improved, while costs and deadlines for both the planning and execution phases can be shown more transparently.

### **Growing thanks to market requirements**

It’s hardly surprising, therefore, that more and more clients stipulate the use of BIM in their contracts. In Germany, the Federal Ministry for Transport and Digital Infrastructure has said that BIM will be compulsory for its infrastructure projects from 2020. Implenia is already carrying out a pilot project where the customer has prescribed the use of BIM: the Albvorland Tunnel between Stuttgart

## Integration of cross-functional data in real time

### Support functions

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- Financial Controlling – Linking BIM with SAP
- Procurement – Defining digital requirements for subcontractors
- IT – Integrating BIM into the IT strategy & landscape
- HR – Defining digital requirements for employees

### Qualities

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- Sustainability – Simulation and controlling via BIM
- Health & Safety – Modelling and reporting
- Risk Management – Providing information via BIM

### BIM areas of application

- 3D planning and coordination
- 4D/5D simulation and controlling (costs, resources and deadlines)
- Digital work preparation & digital construction sites

### Methods

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- IMS – Modelling BIM workflow in digital process control
- Lean – Timed digital scheduling & logistics
- Logistics – Digital material flows & construction site logistics

### Technologies

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- Formwork construction – Deployment planning, 3D planning & production
- Prefabrication – Digital planning and production
- Materials engineering – Planning usage, 3D planning & production
- Pretensioning technology – Simulation, planning and production
- Telematics & controlling machinery – Digital machine monitoring and control

and Ulm. Initially, the project was developed using a traditional planning process; but then the client decided that the western portal of the tunnel should be built using BIM models. "It's been great for us," says Wolfgang Fentzloff, Head of Technical Services at Tunnelling Germany. "It's the first infrastructure project we've had where we can use 5D BIM. We've been able to compare traditional and digital planning processes, which has helped us pinpoint the advantages of this new way of working." Some crucial points have arisen that will be important to remember in future deployments of BIM. 4D and 5D simulations are currently being used in the execution phase, he tells us, and it turns out that applying the cost and time planning can be challenging during operational implementation. "What we're learning in the pilot project will help us use the tool on future jobs," Fentzloff says.

### **Networking people, machinery and materials**

Digitalisation will turn Implenla from a locally organised analogue con-

struction firm into a global, digitally networked company. Standalone, unlinked systems will be brought together and harmonised. "The goal is to link people, machinery and materials with each other as effectively as possible," explains Jörg Kaiser. Integrating cross-functional data in real time creates added value for Implenla, he says. Support functions, methods, tools, qualities and technologies are networked to create more value.

Digital control of machinery is a good example of how this works in practice. The use of excavators with 3D machine control allows precise modelling of site terrain. "Digital control makes it easier to accomplish complex excavation geometries," adds Alar Jost, Head of BIM. Evaluation of digital machinery data also enables more efficient management of the equipment fleet. Sustainability criteria and risks can be simulated and reviewed early in the project planning phase. This comprehensive integration of subsystems also increases transparency in the spirit of the Group's "One Company" philosophy.

Jörg Kaiser is adamant that the ultimate goal of the digitalised construction



**"We want to connect people, machinery and materials."**

Jörg Kaiser, Head of Technical Center

## Networking people, machinery and materials to everyone's benefit

Implenia is transforming itself into a global, digitally networked business. In future, thanks to the communication between man, machinery and materials, interfaces can be harmonised to increase transparency, improve health and safety at work, and help protect the environment.



site can only be achieved if everyone pulls together: “Digital’s influence on the construction industry is only going to grow; anyone who fails to keep adapting and evolving will find it very difficult to survive in a hard-fought market.” This is why Implenia is investing in technologies and especially in training its employees. The Group’s BIM-community is growing fast, and taking its expertise into the line organisation. Implenia already began to see an increase in project acquisitions in 2016 thanks to its use of model-based technologies. It will be extending its digital capabilities still further in 2017 and be in an even better position to meet the challenges that lie ahead. “We’ve entered the 21<sup>st</sup> century in construction and we want to continue to help shape what comes next,” Jörg Kaiser concludes.





## Albvorland Tunnel

Wendlingen - Ulm, Germany

# Client requires use of BIM on major projects

Implenia is building the Albvorland Tunnel for Deutsche Bahn as part of the "Stuttgart 21" railway project. The tunnel is located on the new line that runs approximately 60 kilometres between Wendlingen and Ulm. The EUR 380 million tunnel project involves the construction of two shafts, each around eight kilometres long and with a diameter of approximately eleven metres. It also includes a link to the Stuttgart-Tübingen railway line and a freight train connection at the tunnel's western portal. For the first time ever on a complex infrastructure project, Implenla is using BIM modelling to build the western portal section. "The client required us to use the modelling approach," explains Wolfgang Fentzloff, Head of Technical Services at Tunnelling Germany. Deutsche Bahn wanted to optimise the traditional planning process and decided it was worth trying out BIM at the western portal as a pilot project. "For us, the project offers an opportunity to hone our skills in the use of BIM on infrastructure jobs," Fentzloff adds. The 3D planning gave the client a better understanding of the project even in the tendering phase, as well as producing a digital foundation for the actual work to be done. In addition, the project team used 4D simulations and 5D cost and schedule planning as a basis for quality assurance. The Albvorland Tunnel is due to be handed over to the client in 2021. Knowledge and experience gained from this use of BIM will help Implenla greatly on future projects. ■

At the Albvorland Tunnel, Implenla is using 5D BIM for the first time on an infrastructure project. Using BIM enhances the client's understanding of project and provides key insights, thanks to the application of model-based technology.





## **Corporate Center**

Central services for the entire Implenía Group are provided by the Corporate Center, which focuses firmly on the needs of operational units. The Corporate Center contributes to value creation at Implenía through efficient processes and technical expertise, and by defining common standards.

Implenía brings the following central departments together within the Corporate Center: Corporate Controlling, Corporate Reporting & Tax, Procurement, Legal, Marketing/Communications, Insurances, Treasury & Investor Relations and Business Development. All these departments are actively involved in implementing corporate strategy. They provide services to support Implenía's operational Business Units, always striving for effectiveness, efficiency and high quality.

### Highlights of 2016

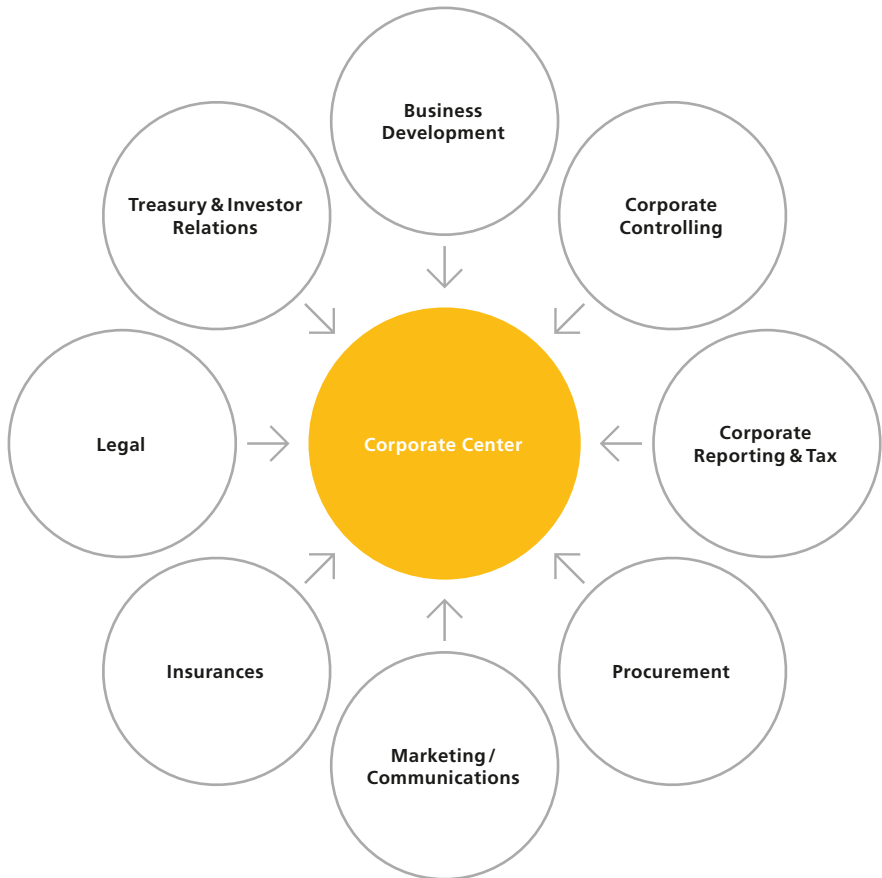
#### Strengthening the “One Company” strategy at all levels

The Corporate Center continued to reinforce cooperation within the company and between different business units. New “One Company” projects were given systematic support and advice by the central Controlling department. The Procurement department oversaw a further concentration of purchasing power and helped forge closer organisational links between the Construction and General Contracting businesses. This will ensure that synergies are exploited more effectively in future. Celebrations to mark Implenía’s tenth anniversary also helped to reinforce the “One Company” philosophy. A group-wide initiative orchestrated by Marketing/ Communications saw more than half the entire Implenía workforce get involved with social projects in their respective regions. Over 120,000 francs was raised for more than 30 social institutions in all of Implenía’s home markets, while the corporate culture was strengthened across all departments and regions. There was also a focus on completing the long-term integration projects planned following the acquisition of Bilfinger Construction, particularly around the internet and intranet. Now this work has been finished successfully, the Corporate Center can ensure a uniform brand presence.

#### Process and service optimisations

Another central task during the year under review was to expand existing processes and services, in part by integrating central service functions into the Implenía Management System (IMS) 2.0, and by revising the Internal Control System (ICS). This integration and improvement of processes allowed Procurement to improve data quality in supplier management and exploit synergies through a further harmonisation of regional purchasing services. Corporate Controlling’s involvement in IMS 2.0 meant that projects could be supported more closely and managed more effectively, thus making them more efficient and impactful.

## Corporate Center organisation





### **“Committed to helping”**

Implenia collected more than CHF 120,000 for 30 social institutions as part of its tenth anniversary celebrations.

The Rosinchen crèche in Wiesbaden received a financial contribution as well as a new wooden play house, built by a team of Implenia apprentices.

### **Funding base expanded**

In March 2016, Implenia successfully placed a new 10-year bond worth CHF 125 million. Some of the proceeds from the issue were used to refinance the CHF 200 million bond – Implenia first – that was issued in 2010. Another highlight of 2016 for the Treasury & Investor Relations department was the acquisition of Bilfinger Hochbau at the end of the year.

### **Code of Conduct**

In 2016 the Corporate Center, led by the Legal department, continued to refine the process for raising awareness of, and ensuring compliance with, the company’s “Code of Conduct”. The e-learning tool introduced in 2015 as an integral component of Implenia’s induction programme, was translated into all home market national languages in order to facilitate greater penetration throughout the organisation. The “Code of Conduct” remains one of the most important tools for preventing corruption, adhering to anti-trust law and ensuring data protection within the Group.

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## Challenges in 2017

### Internationalisation

The acquisition of Bilfinger Hochbau will influence many of the Corporate Center's activities in 2017. Since practically no head office functions were taken over from Bilfinger, the relevant services have to be provided by the existing units. Legal, Treasury & Investor Relations, Controlling, Insurances and Marketing/Communications will work with IT and HR to expedite the smooth integration of Bilfinger Hochbau into the existing organisational structure. Increasing internationalisation means that central services need to be provided in home markets outside Switzerland too. All integration activities are being coordinated and supported by the Business Development department.

The Corporate Center is introducing SAP's Material Management module in 2017. By carefully planning and controlling material flows and regularly ascertaining and meeting demands, the Group will be able to concentrate materials planning more effectively on market requirements. The Corporate Center is also focusing on liquidity management and improving net working capital.

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### IT

**Bilfinger Construction's IT systems were integrated in 2016. At the same time, Group IT improved the efficacy of strategic core applications in several projects, thus creating an important foundation for Group-wide consolidation. Several more major projects crucial to the Group's ongoing evolution are scheduled for 2017, including developing the technical capacity needed for digitalisation, and the integration of Bilfinger Hochbau's IT systems.**



### Technical Center

The Technical Center brings together and develops Implenia's technical capabilities, optimises processes and continually drives sustainability and innovation within the Company. It is imperative that the Technical Center, just like the Corporate Center, works closely with the operational Business Units.

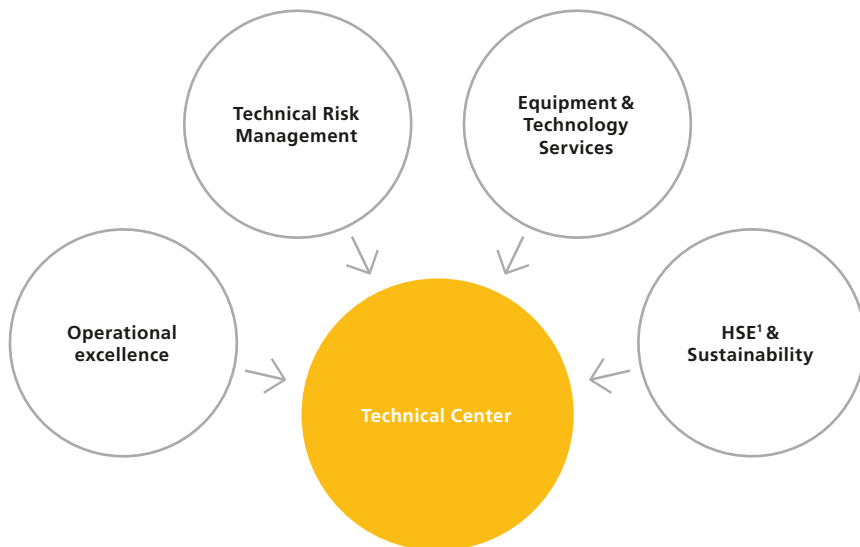
The Technical Center works with operational units on the ongoing optimisation of processes, and creates added value for the whole Group by virtue of its innovative power and continual improvements to Implenia's technical capabilities. Competences are developed across all areas. At the same time, the Technical Center is the engine room for the key strategic issue of sustainability, as well as setting the pace for improvements in the area of Health, Safety & Environment. Employees, applied technologies and processes are at the heart of its work. You will find detailed information about Health & Safety and Sustainability in the relevant chapters, starting on pages 100 and 108 respectively.

### Technical Risk Management

The Technical Risk Management team ensures early identification of technical risks and works with the operating units to reduce these risks. Following the revision of this process in 2015, Implenia successfully introduced a uniform, transparent methodology in 2016, and integrated it into the Implenia Management System (IMS 2.0). The aim is to increase the quality of the service and thus of the hit rate. Implenia will continue to improve the efficiency of the process in 2017, partly through the methodical evaluation of customer feedback, and by using a self-developed benchmarking system to identify best practice.



## Technical Center organisation



1 HSE: Health/Safety/Environment

## Equipment & Technology Services

The Equipment & Technology Services (ETS) department brings together the Group's Machinery & Electrical, Formwork and Materials Engineering specialists. The services they offer include planning construction site installations, optimising, developing and testing construction materials, and maintaining and supplying complex formwork, machinery and equipment systems. One of the most important successes in 2016 was the systematic introduction of Lean principles to the way workshops are organised. In 2017, ETS is concentrating on the further development of services and on cross-business unit management of Group investments and planning. ETS is also harmonising processes between its Swiss and international units, starting to introduce Baustellenlogistik 2.0 (construction site logistics), and further developing smart steel construction.

### Operational excellence

Another of the Technical Center's core tasks is to increase the Group's operational excellence. It does this by integrating systems, processes, expertise and personnel within each construction project across all phases – from initial bidding to the moment when the keys are handed over. This integrated project management depends on the use of such strategies and tools as IMS 2.0, Lean Management, Building Information Modelling (BIM), Implenla's innovation process, quality management and the Group's digitalisation strategy. The most important tools are as follows:

#### Lean Management

The principles of Lean Construction, developed in 2015, were applied in building construction, infrastructure construction and project development in 2016. In projects where the principles were applied, clear results were seen in the form of shorter, more stable construction times and a significant reduction in defects. These improvements are also having a positive effect on occupational health and safety. Further expertise was developed during the year under review through close collaboration with key customers in Switzerland and Germany and with important subcontractors.

#### IMS 2.0

The Group uses Implenla Management System 2.0, IMS 2.0 for short, to ensure professional project management. The system was introduced to the buildings and modernisation business in 2015, and in 2016 it was also used for the first time for new infrastructure and project development jobs. IMS 2.0 has strengthened cooperation in the project teams, and helps solve problems more efficiently. Implenla will continue to develop the platform in 2017 and the roll-out to all areas of the Group will continue.

**Implenia Award**

In 2016 Implenia presented the Implenia Award for outstanding undergraduate work in Germany for the very first time. Sebastian Weller of RWTH Aachen University was recognised in the BIM category for his work on augmented reality in the construction sector.

**Building Information Modelling**

Implenia's digitalisation strategy includes the use of Building Information Modelling (BIM), a method that uses 3D models to support decision-making, quality assurance and communications in construction projects. By adding information on additional dimensions – time (4D) and costs (5D) – BIM can cover every aspect of a project. In 2016 the Technical Center standardised 3D-modelling and 4D simulation, and started using the 5D process in individual pilot projects. The Group has used internal training to build up a BIM community of approximately 100 people, which will help Implenia embed the process even more strongly in the operational organisation in 2017. The aim is to introduce a consistent and comprehensive construction process management system, including digital management of execution processes.

Partner of choice for  
employees – succeeding  
together, passionate,  
motivated.

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**8,239** (8,227)

Employees



10 years of Implenia

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**83** (74)

Apprentices at Implenia

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**80**

Different nationalities

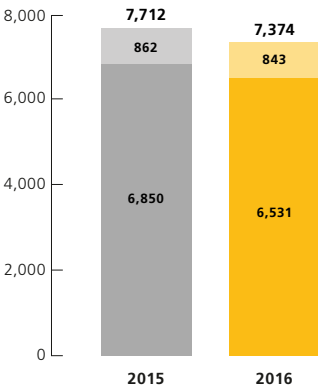
# Employees

## Employees at the heart of everything

- Stable employee numbers
- Increasing internationalisation and cultural diversity
- Training and development as success factors

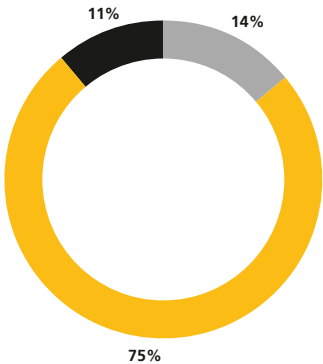
### Number of men and women

(full-time positions)



■ Women  
■ Men

### Age structure 2016

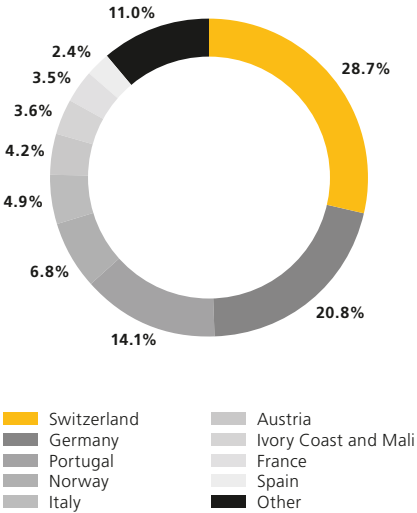


■ < 30 years  
■ 30–58 years  
■ > 58 years

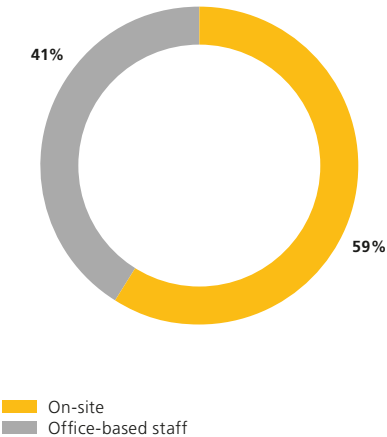
Implenia firmly believes that first-class employees are vital to a company's sustainable success. As an attractive employer it offers exciting roles and projects in a diverse international working environment. By providing interesting entry routes, a broad range of training and development opportunities, and chances for everyone to progress, the Group ensures that all its people can fulfil their potential. Because its employees are at the heart of everything Implenia does. As the partner of choice for existing and future employees, it works hard to enthuse its people and waken their passion.

Construction has become steadily more complex in recent years, and the influence of technical innovations has transformed the traditional building trade. Mastering the increasing challenges requires technical and social skills, convincing leadership, experience, motivation and a passion for achieving the exceptional. These qualities depend on a positive working environment, which is why Implenia does everything it can to ensure relationships between everyone in the Group are based on trust, responsibility, a focus on performance and fairness. Flat structures shorten the decision-making paths at Implenia and encourage people to take responsibility. Implenia guarantees all of its employees equal treatment regardless of their ethnicity, colour, gender, sexual orientation, religion or political views.

**Full-time employees by country of origin 2016**



**Ratio of on-site employees and office-based employees at end-2016**



**Attractive employment conditions**

Implenia strives to recruit the best workers by following a modern human resources policy and offering progressive employment conditions, including transparent, fair and competitive remuneration. Office-based staff are paid according to their function, knowledge, problem-solving abilities and level of responsibility. For on-site personnel, Implenia complies with statutory minimum wage rules (collective bargaining agreements) and grants general wage adjustments agreed between the different parties. Implenia also grants individual wage increases on the basis of employee appraisal discussions. In addition to their agreed basic salary, managers receive a variable salary component tied to the goals they have been set. Employment regulations and social benefits match the latest standards and in some cases exceed statutory requirements. Employees get an extra week's holiday, and in Switzerland fathers can have a week of paid paternity leave, while mothers get 16 weeks of maternity leave.



## Continuing to develop skills

Implenia's in-house "Icademy" offers employees the opportunity to develop their own individual career path. The training measures are tailored to the investment person's area of responsibility and level in the hierarchy (pictured: Claudia Jud, an Implenia site manager in Switzerland, who has attended various training sessions provided by the "Icademy").

## Stable workforce

Implenia's workforce at the end of the year numbered 8,239 employees. In terms of full-time equivalents, and including temporary employees, the number came to 7,976. The employee turnover rate across the company in 2016 came to 10.3% (excluding seasonal fluctuations), which is 0.6 percentage points lower than in the previous year. Among permanent employees there are 6,531 males and 843 females. In Switzerland, the proportion of women rose again slightly year-on-year to 11.4% (2015: 11.2%). People from 80 nations work for the Group.

## Headcount (FTE)

Office and on-site staff	end-2016	end-2015
Development	50	49
Switzerland	3,757	3,855
Infrastructure	1,034	931
International	2,010	2,096
Miscellaneous/Holding	537	514
<b>Total employees (FTE, excl. temporary staff)</b>	<b>7,388</b>	<b>7,445</b>
Temporary staff	588	515
<b>Total employees (FTE)</b>	<b>7,976</b>	<b>7,960</b>



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### **Coordinated training and development programmes**

Implenia's attractive range of training and development courses serve clear objectives: to promote internal talent and enable employees to master the challenges of their jobs, thus increasing productivity and efficiency. Implenia gives its employees the latitude and opportunity to develop and progress within the business over the long term. With its "Icademy" training and development concept, the Group has an in-house tool to help advance the structured, individual development of employees' key skills and capabilities. Transparent criteria for promotion, job grading and development enable Implenia to offer training measures suited to each employees' specific area of work and hierarchical level. The in-house development programme in Germany and Austria, which has always provided specialist training courses, has now also introduced seminars on developing personal, social and management skills. New topics, such as lean management, BIM and digitisation, are being added continuously.

### **Specialist careers – targeted strengthening of skills**

Implenia's "Icademy" offers modules on a variety of subjects, all designed to strengthen employees' technical and other specialist skills – including business basics, employment law, claims management and preparing for work. The modules are offered in the form of classroom sessions, on-the-job training and certificated courses. Various training courses were held in Business Units Construction German-speaking Switzerland and Construction French-speaking Switzerland during the year under review. "Icademy" will be rolled out to other Business Units this year. In addition to promoting functional and management skills, Implenia is also keen to support employees in interdisciplinary and social areas as they go through the different stages of their careers. Two new training courses offer employees of 45 and older the opportunity to think about how they want to shape the second half of their working lives and how to prepare for retirement. Other modules and courses are being developed constantly.

### Developing managers at every level

Good managers are essential to the achievement of business objectives. Collaboration within networks is becoming increasingly important, as are communication and cooperation skills. Implenia believes that a common understanding of management principles is essential. In order to strengthen its managers' abilities, the Group applies a multi-level management training concept focused on strategy, management, leadership, communication and operational excellence.

The "Winning Performance" programme focuses on future leaders and on managers who have not been in their role for long, training them in financial management, team leadership, communication, and personal and social skills. The Group-wide programme encourages people to exchange ideas and experiences, and helps cement the corporate culture. It is being rolled out in Norway and Sweden in 2017.

"Winning the Future", the leadership programme created by Implenia for experienced senior managers, was run for the second time during the period under review. Participants finished the course by presenting their business cases and detailed improvement strategies to the Group Executive Board and Board of Directors. The programme has been revised for the third edition of the course starting in 2017: the Leadership, Customer Orientation, Operational Excellence and Finance modules will feature even more discussion of each other's experiences and of real, full-spectrum business cases. The resulting insights will generate discernible added value for management and the whole organisation.

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### Uncovering and recruiting talent

Implenia's talent management strategy allows the Group to offer attractive entry opportunities to talented people and actively support their career development. Working closely with HR officers, line managers identify development potential in their staff, and give individuals the right opportunities to help them deal with future challenges. Implenia's talent management process also determines the selection of participants for the management development programme (see previous section).

Demand for specialists is increasingly outstripping supply, so as well as developing in-house talent, Implenia needs to recruit from the outside. Its twelve-month trainee programme offers graduates an attractive opportunity to enter the world of work and start a career in an administrative or technical role. The programme consists of a variety of practical and theoretical modules that give a comprehensive insight into different areas of the business. Within the university sector, Implenia makes an annual financial contribution to the ETH Zurich's Excellence Scholarship & Opportunity Programme, which aims to improve training for the outstanding young talent that the Swiss economy needs.

Various targeted employer branding events were held during the year under review in order to increase awareness of Implenia in Germany and Austria, and to recruit young talent. Around 20 students from all over Germany qualified for Implenia's first "In-house Day" in Berlin. Participants visited the U5 subway construction site and worked through technical and administrative case studies to give them a closer insight into Implenia and its activities. During the nationwide "Industry Week", Implenia's HR team informed groups of school and university students about the various employment and training opportunities offered by the Company. University marketing efforts in Berlin also included the inaugural Implenia Award for outstanding bachelor work in five different categories.



### **Strengthening social skills**

Implenia uses regular apprentice projects to strengthen the specific skills and social awareness of its young professionals. Around 50 apprentices worked on maintaining the Furka steam mountain railway in Canton Valais during the first social project week in 2016.

### **Committed to new talent**

Training young adults is one of the social responsibilities incumbent on all employers. Implenia happens to believe that investing in young talent also helps it achieve its corporate objectives and combat the shortage of skilled workers. The dual vocational training systems used in Switzerland, Germany and Austria are central to the successful education of young people. Implenia wants to position itself as a benchmark for promoting young talent in the construction industry so it can increase the number of young people it recruits. It arranges regular apprentice projects to help promote social awareness, independent working and team building. The first “social project week” was held in the Upper Valais in 2016. A team of around 50 third-year apprentices helped out with maintenance work on the Furka steam train line. In 2017, during the second social project week, approximately 60 apprentices will be working on expanding the network of hiking trails in the Haslital region of the Berner Oberland. In Germany, apprentices will be working on various projects, including the refurbishment of a schoolyard as part of the “Wiesbaden engagiert!” community action week.

During the period under review, a total of 263 apprentices were employed by Implenia in on-site or office-based roles. 83 apprentices completed their training at Implenia over the summer. Almost two-thirds of the successful apprentices have been given jobs at the company.

### Shaping a vision for the future

Implenia set up the “Young Generation” initiative in 2015 to address issues relating to the future of work, society and business. Young employees from every Implenia region and country debate topics that have a significant influence on the Company. There is a particular focus on innovation and technology, but trends such as sustainability and the way digitalisation is changing career paths are also discussed. Participants are in regular contact with top management.

### Implenia apprentices finishing

	2016		2015	
	Apprentices finishing	Offered work	Apprentices finishing	Offered work
Corporate Center	8	7	8	3
Development	0	0	0	0
Switzerland	59	34	56	42
Infrastructure	1	0	5	3
International	15	8	5	3
<b>Total</b>	<b>83</b>	<b>49</b>	74	51

**Total of young people doing apprenticeships at Implenia**

**263**

ca. 280

### Promoting dialogue – communicating openly

The working climate at Implenia is characterised by an open, dialogue-oriented communications culture. The Group pursues a policy of prompt, target-group-oriented and transparent communication towards its employees. The CEO regularly sends a personal “CEO Letter” to employees, in which he talks about the current state of Implenia’s business, specific projects, corporate culture, general economic conditions and prospects for the future. One of the central internal communication tools is “Impact” the employee magazine, which is posted to all employees twice a year. The magazine, which is published in four languages, provides information and interesting stories on a wide variety of topics and from all areas of the company. In 2016 Implenia introduced a new newsletter concept focused on information from the various departments, as well as an internal social network. Employees can find all the relevant information and documents on the Company’s intranet. This includes quarterly reports on the decisions taken by the Group Executive Board, and the latest Implenia stories under the “One company, many stories” heading. Implenia also stages information events on a variety of themes and promotes dialogue and team-building through social events and in-person discussions with the management team.

People who find themselves in difficult situations have an even greater need for information and support. Employees who have suffered from accidents or illness are given the support they need by the internal occupational health management team and social security office. Medical professionals and social insurance specialists offer personal help, as well as assistance with administrative matters. Preventative work and health promotion are also part of their remit. In 2016 the team ran a voluntary vaccination programme for all employees, and organised courses on stopping smoking, workplace ergonomics, coping with stress, healthy eating and exercise.

**Greater involvement**

Implenia strengthened its commitment to the Schweizerischer Baumeisterverband (SBV, Swiss Builders Association) in 2016. As the largest nationwide construction firm it wants to play an active role in the industry body. Hanspeter Stadelmann (pictured), Head of Central Services for Infrastructure, was elected as a new member of the SBV's Central Board, where he will represent Implenia as well as working to strengthen social partnerships and develop the SBV and the construction industry as a whole.

**Clear guidelines**

If the company is to develop sustainably, the relevant laws must be obeyed and clear guidelines must be established for business practice and collaboration. The "Code of Conduct", revised and relaunched in 2016, sets out Implenia's principles as a responsible company, and stipulates how employees should relate to each other, to business partners and to the authorities. The Code forms an integral component of employment contracts and is binding on all staff. An interactive e-learning program, available in all the Company languages, is used to impart the main principles and legal requirements in an easily comprehensible way. All new employees are obliged to work through the e-learning modules and pass a final test as part of their induction into Implenia. The aim is to ensure that all employees know the rules contained in the "Code of Conduct", and that they apply them in their day-to-day working lives.

### 10 years of Implenla – all pulling together

#### Small gestures with a big impact

Implenla celebrated its tenth anniversary in 2016. The Group was created in 2006 from the merger between the two Swiss companies Zschokke and Batigroup. During the anniversary year, Implenla launched a campaign under the slogan “Von Herzen engagiert” (“Committed to helping”), which sought to make an active contribution to the lives of the less fortunate. Thirty anniversary locations evaluated a large number of social projects and selected one each for Implenla to support. A seed set was sent to every employee with the call for them to grow their own daisies and then take a picture of themselves with their very own real-life Implenla logo. The plan was for Implenla to donate 20 francs to the selected projects for every photo submitted, plus an extra sum for team achievement.

#### Creative snapshots for a good cause

With a flood of creative ideas and 4,238 daisy photos, employees in the five home markets raised a total of approximately CHF 120,000 for 30 different social projects. The projects Implenla supported included among others a programme for integrating young adults with special needs into the labour market, games therapy at the Titlisblick children’s home, an awareness raising programme against discrimination at school, new rooms for a young person’s hospice in central Germany, a club for the able siblings of chronically ill and disabled children in Nuremberg, a holiday programme for financially disadvantaged families in Norway, or a helpline for children in Sweden.

#### Society first

A good number of locations secured the extra team award of an additional 1,000 francs for their project in recognition of 100% participation. A staff party was then held at each location in October. An Implenla birthday cake was served and the collected money was handed over to the social institutions. It was a great campaign that put helping society at the forefront.





Implenia's apprentices joined in wholeheartedly with the anniversary campaign.

The health and safety of our employees lies at the heart of our day-to-day work.

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**77** (88)

Number of accidents per 1,000 full-time positions

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**4.4%** (4.4%)

Absence rate

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**548** (539)

Number of employees absent > 30 days (Switzerland)

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**20%** (21%)

Percentage of absences due to occupational accidents

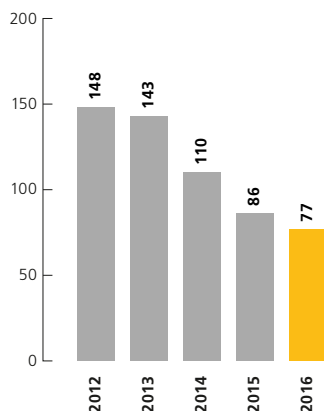
## Health & Safety

### Further steps toward a safe working environment

- Accident numbers have been reduced once more
- International knowledge sharing brings further improvements
- Not yet where we want to be

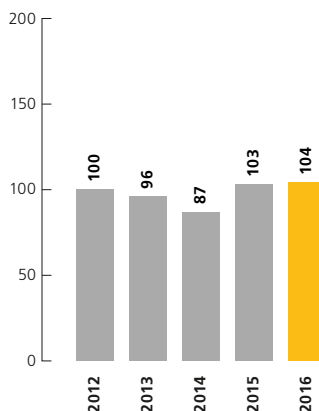
### Occupational accidents

(incidents per 1,000 full-time posts (FTE))



### Non-occupational accidents

(incidents per 1,000 full-time posts (FTE); basis: All units in Switzerland; as at 31.12.2016, excl. relapses)



Recognise risks, prevent accidents – that's the mantra at Implenla. Construction work inevitably brings risks, which is why Implenla makes health and safety its highest priority. Intensive training, communication and regular on-site safety inspections help to reduce the number of accidents. Implenla's message is unequivocal: safety comes first.

Accidents on construction sites are preventable, and that is precisely Implenla's goal: the Group wants to reduce accident figures still further and has defined clear targets for doing so. Compliance with safety regulations is embedded in Implenla's "Code of Conduct". Since 2014, health and safety has been a fixed item on the agenda of every meeting of the Group Executive Board, which receives the latest accident figures every week – another indication of how high Implenla puts employee health and safety on its list of priorities.

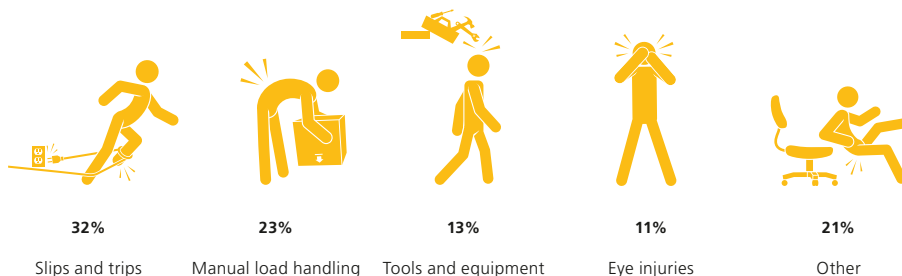
### **Clear processes increase safety**

Implenla regularly carries out a wide variety of programmes and campaigns in all the countries it works in to increase awareness and inculcate a safety culture. Implenla's health and safety processes, an essential part of Implenla Management System 2.0, lie at the heart of all this.

The Group's first international, cross-business unit Health, Safety & Environment/Sustainability (HSE/SUS) conference took place during the year under review. This was in addition to the regular HSE workshops that are held centrally and in the individual business units, and the monthly meetings of the Swiss business units' central Health & Safety Steering Committee. A regular exchange of information within the Group-wide Health & Safety organisation helps identify new areas of activity and potential for improvements. One of the main aims of these measures is to reduce accident figures across the whole Group to the low level achieved by Implenla's Scandinavian units.

Implenla has defined clear objectives for 2017: accident figures and downtimes should be cut by 10%. In order to achieve this goal, the Group will evaluate the accidents that do occur more fully. In future, a thorough analysis will be carried out each time an Implenla employee has an accident, and there will be a documented meeting with the relevant line manager. In addition, managers will undertake regular on-site safety inspections.

## Accidents by type 2016



## H&S team strengthened

The introduction of twin heads in 2015 has given Implenia a strong management team that ensures and promotes knowledge sharing across all businesses and countries. In 2016 Implenia laid the foundations for uniform HSE reporting and the merging of data from different systems.

HSE standards were improved on the basis of existing processes, and a behavioural occupational safety programme was introduced (more on “Safety counts!” see below).

Safety Officers (SOs) play a key role in ensuring that a safety culture is embedded in the Business Units. SOs spend most of their working hours on construction sites, helping line managers implement safety processes. Central recording and evaluation of accidents is also very important, because this enables Implenia to identify where health and safety work needs to be optimised, and to initiate appropriate prevention measures. In 2016, SOs were given specific training in hazardous goods and environmental issues. They then passed on the knowledge they had acquired to workers on every site as part of the “15 Minute Safety” training session. Further workshops on specialist subjects are planned for SOs in 2017.

## Safety is a management issue

Safety is a management responsibility, which is precisely where the internal “Safety counts!” programme comes in. Implenia started this programme in 2016 and runs it in all of the Business Units. Its aim is to improve the safety culture in the Group through a targeted, top-down approach. “Safety counts!” is a behavioural programme that focuses on managers’ function as role models, as well as on communication and a transparent, positive culture of dealing with mistakes. Objectives and actions are defined jointly, thus contributing to a conscious and positive safety culture.



### Emergency

Practice makes perfect: Im-  
plenia conducts regular ex-  
ercises and training courses  
on health and safety on  
construction sites.

“Scratch Card”, a programme aimed at incentivising compliance with health and safety rules, was introduced to provide further support at employee level. This scheme rewards construction site workers for setting an example and for working in accordance with safety guidelines.

Within the monthly “15 Minutes Safety” training sessions held in 2016, training in “Suva’s life-saving rules” was intensified and implemented consistently at all Swiss construction sites. The issue of criminal liability was also addressed. The first courses took place in 2016, and more will follow in 2017. New protective equipment that meets the new EN 20-471 standard was also introduced throughout the Group during the year under review. SOs are required to pay more attention to the use of the proper protective equipment on construction sites. Protective equipment remains an important topic in various training courses.

### Emergency planning and first aid training

If, despite all the precautions, an emergency still occurs, a fast response is essential. Implenia has laid down the procedure for emergencies in great detail – from initial notification through to the formation of a local task force. Emergency planning was further optimised in 2016. Legal issues and the upward trend in liability cases means that on-the-spot action needs to be taken even more quickly and decisively. Emergency plans are available to all employees and are the subject of regular training.

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To ensure that first aid can be provided to accident victims quickly, Implenia brought in the Swiss Institute of Emergency Medicine to carry out first aid (BLS-AED-SRC) and rescuer training courses for employees during the year under review. Employees were also familiarised with emergency medical measures as part of the “safety parcours” training held directly on site.

### **Clear guidelines for subcontractors**

Implenia’s health and safety principles and standards also apply to subcontractors and suppliers. Since 2016, every works contract has included the “HSE specification for subcontractors”, which details the relevant requirements. These include the obligation for each subcontractor to carry out a risk analysis before starting work. Subcontractors must designate a person who is responsible for health and safety and who is available on site at all times. Subcontractors’ employees, temporary staff and suppliers must also complete training in the content of Implenia’s “Code of Conduct”. In this way, Implenia ensures that its health and safety rules are obeyed at all sites.

### **Accident figures fall**

It is pleasing to report that the numerous health and safety initiatives and emergency measures had a demonstrable effect in 2016. The overall number of accidents per 1,000 full-time employees across the Group went down 10%, from 86 to 77.

This positive trend makes us all the more determined to continue our work on health and safety. The goal is to reduce accident figures still further and ensure that operational health management is systematically embedded.

Non-occupational accidents remained stable, rising just 1% on the previous year. Most of these accidents occurred when playing ball sports, on the roads or as a result of slips and trips in the home and garden. The split between absences due to accidents at work and those due to non-work-related accidents was virtually the same as in 2015. Roughly 64% of total absences were the result of illness, with another 20% down to accidents at work and 16% caused by non-work-related accidents.

The in-house Occupational Health Management team is in charge of supporting employees who have suffered accidents or illness, and helping them reintegrate into the work environment. The team handled around 548 cases in 2016. Of these, 122 employees are under examination or in therapy, while the remaining 426 have been able to return to work.

### The Implenia Health & Safety Award

#### 2014: Life saving

With its annual Health & Safety Award, Implenia celebrates outstanding achievements in the field of health and safety at work by a construction site, team or individual. The award aims to strengthen people's motivation and interest in the subject and increase their sense of responsibility. Winners are chosen by all Implenia employees from a shortlist. Implenia gave the award for the first time at its 2015 management conference. The winner of the 2014 Health & Safety Award was Antonio Barbagallo, a foreman at the "La Petite Prairie" construction site in Nyon. Noticing that a colleague was showing signs of suffering a heart attack, he provided immediate first aid and saved his life.

#### 2015: Warming up for the day

The winner of the 2015 Health & Safety Award was Beat Klaus. A foreman at the Killwangen construction site, he was given the Golden Helmet award for his "Energy and mobility exercises" project. Thanks to the warm-up exercises he introduced at the start of the working day, accident and downtime figures were cut significantly. The communal exercises also strengthened team spirit.

#### 2016: Training that saves lives

The 2016 Health & Safety Award went to the construction site team led by Jorge Monteiro in Geneva. Quick action by workers at Implenia's "TPG" construction site saved a colleague's life in 2016. Their exemplary conduct can be attributed in part to Implenia's regular first aid training, which teaches employees basic techniques for providing emergency assistance. The Special Award went to Bjarne Brendstuen. His commitment has helped reduce accident figures in Norway by approximately 45 percent.





Prizewinning: Bjarne Brendstuen, Jorge Monteiro and Hans-Juergen Bognar at this year's award (l. to r.).

Every day we all try to live up to our responsibility to the environment and to society.



Sustainability Report published in accordance with "GRI G4" for the first time

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> 400

Environmental trainings within three different campaigns

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91% (93%)

Customer satisfaction



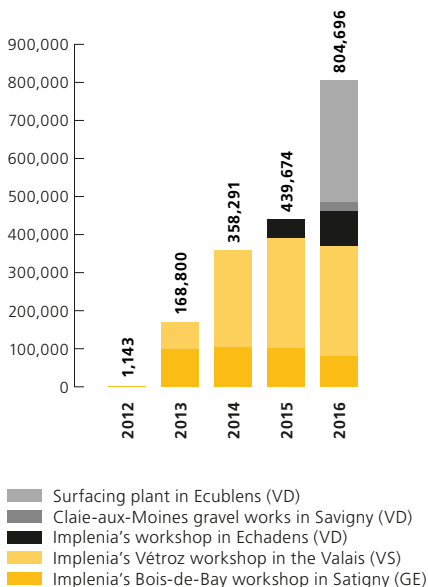
43 building construction projects qualify for sustainability labels

## Sustainability

### Further significant progress

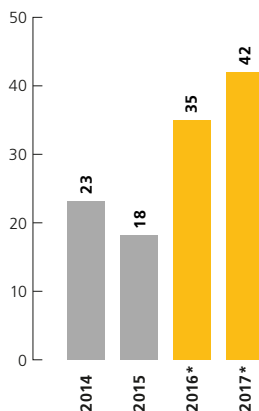
- New Sustainability Report published
- Further reduction in CO<sub>2</sub> emissions
- Active participation in development of Swiss-wide “SNBS” sustainable construction standard

### Solar power produced on Implenía rooftops (kWh)



### Implenia's use of wood

(Implenia Wooden Construction's revenue in CHF m)



\* Forecast

Implenia continued to pursue its sustainability agenda vigorously in 2016. This chapter focuses on a few main points that reflect Implenia's determination to live up to its responsibilities. For a full and systematic portrayal of the Group's achievements and its goals for the future, please refer to the third Sustainability Report, which was published in August 2016 and covers the 2014/2015 period.

The construction industry has a disproportionately large environmental and social impact. Even though it only employs about 7 percent of the Swiss workforce and contributes 5 percent to overall economic value creation, it accounts for 30 percent of domestic greenhouse gas emissions, 40 percent of the country's energy consumption and half the waste. Consequently, the construction sector has a huge responsibility to act sustainably. As Switzerland's leading construction company, Implenia takes this responsibility seriously.

### **Five priorities for sustainability**

Megatrends like mobility, the transition to alternative energy sources, urban sprawl and resource shortages, demand sustainable responses. Back in 2009, therefore, Implenia launched its sustainability initiative, which identified five priorities.

### **Attractive working environment**

Implenia has stepped up its commitment to education and research. At the beginning of 2016, it signed up to a strategic partnership on innovative and industrial construction with the ETH Zurich. New research findings will feed directly into concrete process optimisations along the entire value chain of a construction project. At the heart of the agreements is the financial support Implenia is providing for an assistant professorship at the Institute for Construction and Infrastructure Management, part of the Department of Civil, Environmental and Geomatic Engineering. Implenia is supporting this chair for six years with a total ring-fenced contribution of CHF 2.4 million. The academics who benefit from the funding will have complete freedom in their research, teaching and publications.



### Partnership

Implenia is helping the ETH Zurich to develop further expertise in construction and civil engineering: Prof. Dr. Lino Guzzella, President of the ETH Zurich, and Implenia's CEO Anton Affentranger after the signing ceremony.

Implenia wants to be an attractive employer and works hard to protect the health of its employees and ensure their safety. Investment in health and safety at work has been increased still further in recent years, and the number of occupational accidents has been reduced substantially – from 86 per 1,000 full-time positions to 77. The aim is to cut the number of occupational accidents to below 75 by 2017.

### Sustainable products and services

Implenia applies strict sustainability criteria when executing construction jobs, and in particular when developing its own projects. It also demands that its suppliers act sustainably, and in 2015/2016 it professionalised its supplier management process accordingly. Another area of focus has been active collaboration on the Swiss-wide “SNBS” sustainable construction standard. Customer satisfaction has remained pleasingly stable: 9 out of 10 clients are satisfied and would recommend Implenia to others.

Implenia's target for 2016/2017 is to roll out its sustainability strategy to international locations, and to base the projects it develops itself on the SNBS standard. The Group uses sustainability criteria to audit its main suppliers, and defines and implements binding sustainability criteria for civil engineering and infrastructure projects.



### **The gateway to Zurich North**

Implenia is building the Andresturm in Oerlikon for Swiss Federal Railways (SBB). The tower block has been awarded the "DGNB Platinum" certificate and is a pilot project for application of Implenia's "Environmental Concept for Construction Sites".

### **Respect for the environment**

Implenia has set itself ambitious environmental targets. The company is particularly keen to increase its energy efficiency and in so doing cut its CO<sub>2</sub> emissions and consumption of resources. In the last two years, CO<sub>2</sub> emissions have been cut by more than 8 percent in absolute terms, and by 1.2 percent relative to revenue. This reduction is in part thanks to environmental protection measures such as the refurbishment of the Ecublens surfacing plant, the installation of photovoltaic systems at workshops in western Switzerland, and the use of low-emission concrete in the construction of the Nant de Drance pumped storage power plant in the Valais.

Implenia Switzerland aims to cut its CO<sub>2</sub> emissions relative to revenue by even more in 2017 in order to achieve the targeted 5 percent reduction compared to 2015. This will require the company to use more hydroelectricity. All non-renewable energy consumption and flight-related emissions are compensated through off-set schemes. Implenia has a standardised environmental strategy for its construction sites. Its international units will also record their CO<sub>2</sub> emissions in future, and use the findings to develop their own operational reduction measures.

### **Social commitment and compliance**

Implenia's "Code of Conduct" provides binding guidelines that cover all of the Group's activities. The Code sets out principles for dealing with customers, business partners and employees. The Group also reviewed its sustainability priorities with the help of external stakeholders. As part of its social programme, Implenla worked with sheltered workshops, and sponsored cultural and sporting events. The 2014/2015 Sustainability Report was produced for the first time in accordance with the latest Global Reporting Initiative guidelines (GRI G4 content).

In 2017, Implenla aims to introduce a Group-wide compliance management system and set up a Compliance Committee to undertake systematic risk assessments. Regular dialogue with political, business and social bodies will be continued in Switzerland and established in the newer markets.

### **Financial excellence**

Implenia aims to create sustainable financial value through its business activities. The Group continually focuses its structures and processes on market requirements. It maintains its entrepreneurial freedom by striking a healthy balance between opportunity and risk. The "One Company" model facilitates effective Group-wide cooperation and brings together the business's wide range of capabilities.

Turning to the "Financial Excellence" priority, in 2016/2017 Implenla is establishing and harmonising financial management processes and tools across the Group. It is also focusing on improving results, increasing customer satisfaction, bringing greater transparency to large-scale projects, and strengthening its internal control system (ICS).

### Sustainability Reports

#### 2010/2011

The Group made sustainability part of its strategy and defined its five priorities in 2009. Implenia's first Sustainability Report appeared two years later. This first report set out the goals that Implenia had formulated for each priority and established the future direction of travel.

#### 2012/2013

In its 2012/2013 Sustainability Report, Implenia was able to describe the initial progress it had made in all five priority areas. These included: the launch of account management, consistent application of the Group's own "GeNaB" sustainability assessment tool, the first Group-wide management programme "Winning the Future", implementation of a data collection and analysis tool for reducing greenhouse gas emissions, the introduction of an e-learning tool for the "Code of Conduct", and the establishment of a risk management organisation.

#### 2014/2015

The most recent Sustainability Report shows the concrete results achieved in all five of the priority areas. Implenia will continue to push the sustainability initiative as a central component of its strategy, and will continue to take its responsibility to the environment and society very seriously.





## Information for investors

### Key data

<b>Ticker symbol</b>	IMPN
<b>Security number</b>	2 386 855
<b>ISIN</b>	CH002 386 8554

### Share capital

	<b>31.12.2016</b>	31.12.2015	31.12.2014	31.12.2013	31.12.2012
Share capital (in CHF 1,000)	<b>18,841</b>	18,841	18,841	35,097	35,097
Number of registered shares issued	<b>18,472,000</b>	18,472,000	18,472,000	18,472,000	18,472,000
Of which treasury shares	<b>94,042</b>	163,105	155,301	102,316	100,046
Number of outstanding registered shares	<b>18,377,958</b>	18,308,895	18,316,699	18,369,684	18,371,954
Par value of each registered share (in CHF)	<b>1.02</b>	1.02	1.02	1.90	1.90
Conditional/Authorised capital (in CHF 1,000)	<b>4,710</b>	4,710	9,421	17,548	17,548

### Key figures

	<b>31.12.2016</b>	31.12.2015	31.12.2014	31.12.2013	31.12.2012 <sup>1</sup>
Earnings per share (in CHF)	<b>3.27</b>	2.64	3.77	4.11	3.82
Price-earnings ratio	<b>23.0</b>	19.4	15.3	15.8	10.4
Equity per share (in CHF)	<b>35.08</b>	33.07	33.62	32.82	28.84
Gross dividend <sup>2</sup> (in CHF)	<b>2.00</b>	1.90	1.80	1.60	1.40
Dividend yield	<b>2.7%</b>	3.7%	3.1%	2.5%	3.5%
Dividend yield adjusted for tax effect <sup>3</sup>	<b>4.0%</b>	5.5%	4.7%	3.7%	5.2%
Distribution ratio <sup>4</sup>	<b>61.4%</b>	71.9%	47.6%	39.1%	36.8%

1 Restated

2 2012 payment from capital contribution reserves

2013 CHF 0.72 payment from capital contribution reserves and CHF 0.88 from reduction in par value

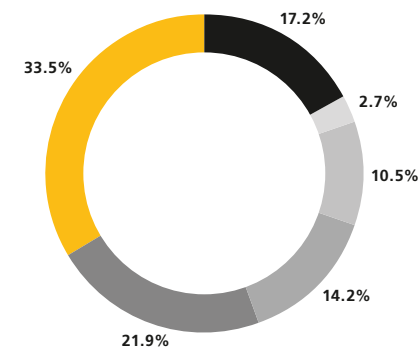
2015 CHF 1.80 ordinary dividend, CHF 0.10 one-off anniversary dividend

3 Calculated with a tax rate of 33%

4 Based on number of outstanding shares at 31.12.

### Breakdown of share capital by type of shareholder

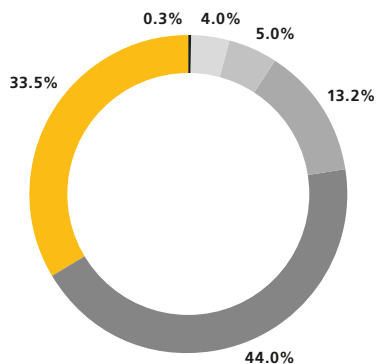
(shares with and without voting rights)



- Legal entities
- Pension funds
- Investment funds/foundations
- Banks/insurance companies
- Private individuals
- Unregistered shares

### Breakdown of shareholders by size of shareholding

(shares with and without voting rights)



- 1,213 shareholders with 1–100 shares
- 1,993 shareholders with 101–1000 shares
- 313 shareholders with 1001–10,000 shares
- 82 shareholders with 10,001–100,000 shares
- 18 shareholders with more than 100,000 shares
- Unregistered shares

### Distribution policy

Over time, Implenla is aiming for a payout ratio of 50%.

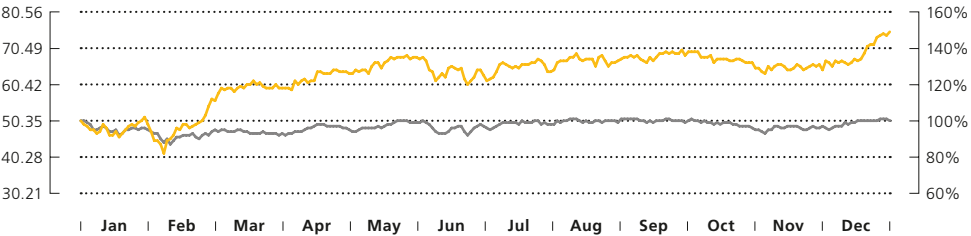
### Shareholder structure

#### Major shareholders / nominees owning more than 3% of share capital (as at 31 December 2016)

Name	Number of shares	Percentage of share capital
Parmino Holding AG/Max Rössler	2,981,335	16.14%
Chase Nominees Ltd.	1,090,893	5.91%
Rudolf Maag	1,000,000	5.41%
Norges Bank (the Central Bank of Norway)	605,721	3.28%

Share performance

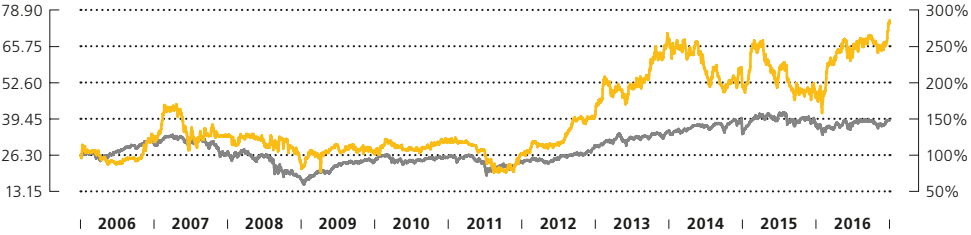
Share price 2016, relative performance +49.0%  
(incl. comparison with SPI)



Source: Bloomberg

Implenia N SPI

Share price since 6 March 2006 (first trading day), relative performance +138.3%  
(incl. comparison with SPI)



Source: Bloomberg

Implenia N SPI

## Share performance

	2016	2015	2014	2013	2012
Year-high (in CHF per share)	<b>75.45</b>	68.20	72.40	66.75	40.70
Year-low (in CHF per share)	<b>41.15</b>	45.55	47.30	38.70	22.95
Price at 31.12. (in CHF per share)	<b>75.25</b>	51.10	57.75	65.05	39.90
Annual performance in %	<b>47.3%</b>	(11.5%)	(11.2%)	63.0%	68.7%
Average number of shares traded per day	<b>34,025</b>	46,663	42,419	43,207	32,024
Stock market capitalisation at 31.12. (in CHF 1,000)	<b>1,390,018</b>	943,919	1,066,758	1,201,604	737,033

Source: Bloomberg

Bonds

Bonds

The first ever bond issued by Implenia, worth CHF 200 million and with a coupon of 3.125%, fell due on 12 May 2016. On 21 March 2016 a CHF 125 million bond with annual interest rate of 1.000% and a term of ten years was issued to partially refinance the first bond, but also to diversify maturities and increase Implenia's financial strength.

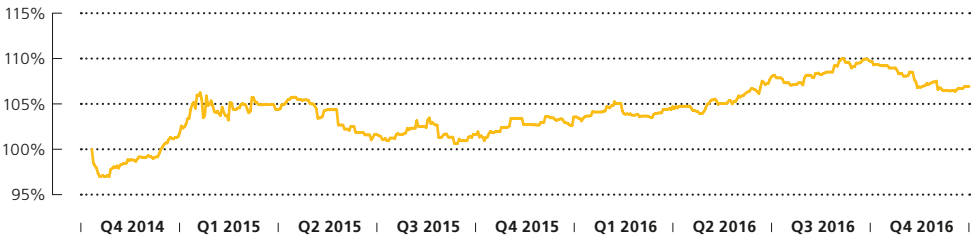
Implenia Ltd, issued the following CHF bonds and listed them on the SIX Swiss Exchange:

- CHF 125 million, paid up on 15 October 2014, coupon (cash-effective) 1.625%, term 2014–2024, issue price 101.063%, ISIN CH025 359 2767, effective interest rate 1.624%
- CHF 125 million, paid up on 21 March 2016, coupon (cash-effective) 1.000%, term 2016–2026, issue price 100.739%, ISIN CH031 699 4661, effective interest rate 0.964%
- CHF 175 million paid up on 30 June 2015, subordinated convertible bond, coupon (cash-effective) 0.500%, term 2015–2022, issue price 100.000%, ISIN CH028 550 9359, conversion premium 32.5%, conversion price CHF 75.06, effective interest rate 2.158%

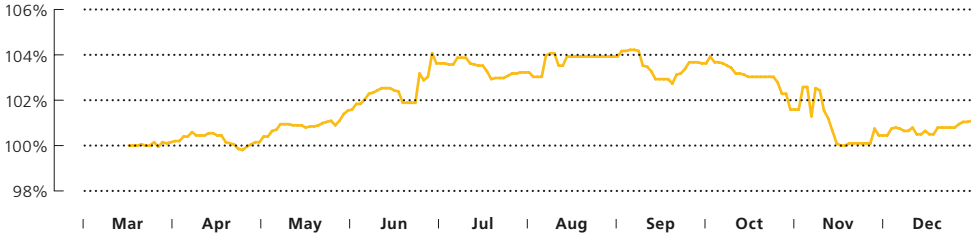
The conversion price is CHF 75.06 and the bond is convertible into 2.33 million registered shares of Implenia Ltd., equivalent to 12.6 percent of currently outstanding shares. The shares to be delivered as a result of conversion will be made available by providing new shares from conditional capital. The conversion price can change if circumstances change (see convertible bond prospectus of 23 June 2015).

All credit ratings were confirmed again last year. The credit research department at Credit Suisse gives Implenia a “Mid BBB/stable” rating, while UBS and the ZKB give it “BBB/stable”.

Performance of 1.625% bond, CHF 125 million, 2014–2024 (ISIN CH0253592767)



**Performance of 1.000% bond, CHF 125 million, 2016–2026 (ISIN CH0316994661)**



Source: Bloomberg

**Performance of 0.500% convertible bond, CHF 175 million, 2015–2022 (ISIN CH0285509359)**



Source: Bloomberg

## Overview of key figures

### Five-year Implenla Group overview

	2016	2015	2014	2013	2012 <sup>1</sup>
	1000 CHF	1000 CHF	1000 CHF	1000 CHF	1000 CHF
<b>Order book (as at 31.12.)</b>	<b>5,171,795</b>	5,133,513	3,001,753	3,190,380	3,101,010
<b>Income statement</b>					
Production output	<b>3,320,418</b>	3,430,459	3,087,216	3,288,021	2,998,694
Consolidated revenue	<b>3,266,986</b>	3,288,200	2,919,760	3,057,414	2,800,443
<b>EBIT Business Units</b>	<b>103,710</b>	86,173	103,407	113,952	108,829
Miscellaneous/Holding	<b>(5,803)</b>	(6,237)	5,057	1,663	1,458
<b>Operating income</b>	<b>97,907</b>	79,936	108,464	115,615	110,287
Depreciation and amortisation	<b>68,277</b>	81,424	42,788	42,786	43,444
<b>EBITDA</b>	<b>166,184</b>	161,360	151,252	158,401	153,731
<b>Consolidated profit</b>	<b>64,453</b>	52,018	73,006	82,634	76,870
<b>Cash flow statement</b>					
Cash flow from operating activities	<b>62,429</b>	145,194	116,901	123,277	178,146
Cash flow from investment activities	<b>(34,487)</b>	(129,016)	(49,733)	(44,352)	(44,533)
Cash flow from financing activities	<b>(114,573)</b>	136,119	85,778	(29,757)	(19,168)
<b>Free cash flow</b>	<b>27,942</b>	16,178	67,168	78,925	133,613
<b>Investment activities</b>					
Investments in real estate transactions	<b>49,016</b>	65,381	54,974	51,665	89,384
Real estate disposals	<b>(59,472)</b>	(98,648)	(42,598)	(85,003)	(83,899)
Investments in fixed assets	<b>61,243</b>	58,843	49,151	54,064	40,353

1 Restated



	31.12.2016	31.12.2015 <sup>1</sup>	31.12.2014	31.12.2013	31.12.2012 <sup>2</sup>
	1000 CHF	1000 CHF	1000 CHF	1000 CHF	1000 CHF
<b>Balance sheet</b>					
Cash and cash equivalents	791,703	877,108	731,534	582,581	537,358
Real estate transactions	185,631	196,087	229,777	217,473	251,690
Other current assets	1,087,291	1,068,281	982,649	982,297	869,809
Non-current assets	564,552	589,190	413,699	414,023	415,272
<b>Total assets</b>	<b>2,629,177</b>	<b>2,730,666</b>	<b>2,357,659</b>	<b>2,196,374</b>	<b>2,074,129</b>
Financial liabilities	415,406	489,002	330,057	211,512	215,964
Other liabilities	1,548,265	1,617,888	1,397,813	1,356,174	1,308,567
Equity	665,506	623,776	629,789	628,688	549,598
<b>Total equity and liabilities</b>	<b>2,629,177</b>	<b>2,730,666</b>	<b>2,357,659</b>	<b>2,196,374</b>	<b>2,074,129</b>
<b>Net cash position</b>	<b>376,297</b>	<b>388,106</b>	<b>401,477</b>	<b>371,069</b>	<b>321,394</b>
<b>Capital structure</b>					
Equity ratio in %	25.3	22.8	26.7	28.6	26.5
Long-term liabilities in %	19.9	16.1	17.3	13.3	16.1
Short-term liabilities in %	54.8	61.1	56.0	58.1	57.4
<b>Headcount (FTE)<sup>3</sup></b>	<b>7,388</b>	<b>7,445</b>	<b>5,777</b>	<b>5,781</b>	<b>5,886</b>

	2016	2015	2014	2013	2012
	1000 CHF	1000 CHF	1000 CHF	1000 CHF	1000 CHF

### Key figures

EBITDA margin in % <sup>4</sup>	5.1	4.9	5.2	5.2	5.5
Operating income margin in % <sup>4</sup>	3.0	2.4	3.7	3.8	3.9
Return on Invested Capital (ROIC) in %	33.3	29.2	48.3	46.0	41.3

1 The comparative information has been adjusted, see page 210, note 2.3

2 Restated

3 Headcount incl. abroad, excl. temporary staff

4 Basis: consolidated revenue IFRS

### Communication, contacts, dates

#### Communications

Implenia follows an open, transparent and purposeful information policy in the interests of its shareholders, investors and the general public. In its periodic and ad hoc reporting, Implenia is committed to equal treatment of all stakeholder groups with regard to timing and content. Comprehensive information is available to all investors, journalists and interested members of the public at [www.implenia.com](http://www.implenia.com) under the “Investors” link. All the latest investor presentations are available here too. Interested parties can subscribe to our ad hoc communications or order physical copies of our Annual Report and Half-Year Report by clicking through to the “Media/ News Service” page on the site. As in previous years, in 2016 the CEO, CFO and Head of Treasury & Investor Relations presented the company to institutional investors at roadshows, conferences and meetings. In 2016 Implenia held its two customary conferences on the financial results – half-year and full-year – for journalists and analysts.

#### Contacts

For ongoing communication with shareholders, investors, journalists and analysts:

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#### Key dates

2017 Annual General Meeting	22.3.2017
Ex-date (dividend distribution)	27.3.2017 <sup>1</sup>
Record date (dividend distribution)	28.3.2017 <sup>1</sup>
Payment date (dividend distribution)	29.3.2017 <sup>1</sup>
Media and analysts' conference on the 2017 first-half results	24.8.2017
Media and analysts' conference on the 2017 full-year results	1.3.2018
2018 Annual General Meeting	27.3.2018

<sup>1</sup> Dates subject to approval of dividend distribution by AGM.



Implenia, Switzerland's leading construction and construction services company, strives to play a pioneering role in digitalisation. As part of its digitalisation strategy, Implenla nurtures contacts with experts in this field. Where do Implenla and the Swiss construction industry stand?



Fischer

Martin Fischer, Professor of Civil and Environmental Engineering and Computer Science at the renowned Stanford University

An interview with Martin Fischer, Professor of Civil and Environmental Engineering and Computer Science at the renowned Stanford University, and Martin Beth, Head of Digitalisation at Implenla, provides an insight.



Beth

Martin Beth, Head of Digitalisation at Implenla

## Those who digitalise, win. Those who don't digitalise, lose. Is it as simple as that?

Beth

Martin Beth: Yes, those who accept digitalisation, in other words the effective application of new technologies, will win. This also applies to Implenla. Digitalisation presents a huge opportunity for the construction industry. By using new technologies, existing business models are adapted, and new ones arise.

Martin Fischer: The fact that the construction industry is particularly complex – each building is unique, after all – makes the digitalisation process more difficult. Implenla should with no exception seize the opportunities offered by digitalisation, for instance being able to offer a more tailored service and react to customers' specific requirements thanks to product-specific strategies.

Fischer

## Digitalisation is coming, that is an undisputed fact. How much time does Implenla have left to make itself even more digitally fit for the future?

At leading companies, including Implenla, the turnaround is already in full swing. This turnaround, and the digitalisation strategy associated with it, is based on the knowledge of what a company can actually do today and what can be improved in the future, with which technology. The strategy includes measures to acquire the skills that the company will need in the future to successfully survive in the market.

Fischer

Beth

Those who adapt new technologies too early on and on too large a scale will pay a high price, as will those who are too late to act. The degree of digitalisation in the Swiss construction industry has advanced to a limited extent. This is because many of the core processes have yet to be significantly digitalised. Building Information Modelling (BIM) is now digitalising precisely these processes. Once these brakes have been removed, we will be able to take digitalisation to the next level.

## **You talk about brakes. Where do the dependencies exist?**

**Beth**

Much depends on the framework conditions, such as technologies, requirements, standards and laws. But also on the partners involved in the construction project, like customers, suppliers and subcontractors. The latter must support and help to shape the new technology, at least in part, if the changeover is to be a long-term success. Now it is all about bringing the framework conditions and partners to the right level at the right time.

## **That sounds like a mammoth task. Will Implenia be able to live up to the role as a digitalisation pioneer it strives towards?**

**Beth**

Implenia banks on a streamlined and efficient Technical Center, which develops innovative new methods and technologies and introduces these into the Implenia business units and projects internationally. Implenia has been cultivating the field of BIM for years, and initial project success has already been achieved. The Technical Center is now being complimented by the Competence Center Digitalisation, to give due consideration to the issue of digitalisation. In addition, close partnerships exist with colleges and universities, including ETH Zurich and Stanford University. This knowledge, in collaboration with technology companies, will ultimately lead to the desired success.

I believe that the most urgent need for action lies in the recruitment and productive integration of young, qualified professionals, who are well acquainted with the new technologies. Those who prefer to drive a car, while others are still choosing to ride in coaches. The best results are achieved when the young team up with experienced employees. It's crucial to acquire these young talents today, before other companies do, and where possible to establish long-term company loyalty among these employees. To increase margins and minimise risk, another crucial factor will be the degree to which project teams communicate, work in an integrated way and learn from one another. And the extent to which a company reflects on its own ability and takes constructive criticism on board. Implenia's commitment to playing a pioneering role in Swiss digitalisation is without a doubt the right one.

**Fischer**

**Mr Fischer, you just said that digitalisation calls for employees who are skilled at dealing with digital technologies. So the question I would like to ask Mr Beth is: How does Implenia make sure that existing employees have these skills too?**

**Beth**

The enablement of Implenia employees is based on a training and support concept that prepares employees for dealing with new technologies and maintains a high standard in this respect. But acquiring additional specialists will also be necessary. I am confident that Implenia has strong staff and will find additional employees, as the group is an attractive employer. It offers modern workplaces equipped with state-of-the-art software and modern working conditions in a pleasant working environment.

**You mentioned BIM several times. What does BIM mean?**

**Beth**

Building Information Modelling is the model-based planning, execution and management of building objects. Building objects are virtually planned, presented and provided with all of the relevant information.

BIM is the ultimate tool for collecting and mapping all of the information about a project required by the customer. Only by using BIM is it possible for everyone along a project's value chain to move in sync.

**Fischer**

**What does that mean, in concrete terms?**

**Beth**

A virtual model of a building is developed piece by piece. The initial model is very rudimentary and contains just a small amount of important information. Over the course of time, the model becomes increasingly accurate and enriched with more details. The elements of the model are allocated deadlines, costs, structural-physical properties and other parameters.



1



2

- 1 Virtual reality allows a project to be simulated before construction begins so everyone involved can visualise the work required.
- 2 Planning is made more secure by BIM, because planning errors can be identified and corrected early within the virtual models.



## What advantages does this offer?

Beth

To name just a few: by applying BIM, the planning phase is intensified and many planning and execution errors can be identified and rectified early on. This high degree of planning reliability results in adherence to deadlines and cost security, from which all those involved in the construction project, and of course the customer, benefit directly.

## The fourth industrial revolution is clearly technology-driven. Which technologies, besides BIM, are at the forefront of this?

Virtual reality is extremely useful for finding out, in detail, what the customer wants. If we show a customer their construction project in virtual reality, this enhances the feedback culture tremendously, as early as the design phase.

Fischer

Beth

That's correct: virtual reality makes it possible to show building objects which have not yet been created in their target environment on the computer. These virtual building objects look extremely realistic nowadays. Robotics is a field of knowledge that deals with the realisation and application of robot systems, with the aim of supporting humans.

Not only supporting humans, but also increasing quality, safety and precision. Moreover, robotics makes it possible to collect data, for instance about how long a certain production step took.

Fischer

Beth

Big data means dealing with large quantities of data with regard to its collection, preparation, analysis, use and reuse.

This is especially important given the fact that we will increasingly learn from the experience/data of others in the future rather than drawing solely on our own empirical values. Major projects often take years, which means that a project manager is not necessarily able to gather experience in lots of projects over their career. Implenia, however, develops thousands of projects at the same time, from which everyone will soon be able to learn, thanks to big data.

Fischer

Beth

The Internet of Things is a technology for connecting the physical with the virtual world. More and more sensors are delivering information, which we can utilise profitably together with new technologies.

Cloud computing must also be mentioned here. This refers to the low-cost acquisition of temporary computer capacities in the cloud. Cloud computing therefore quickly gives us the IT infrastructure we need to react to changing conditions and to establish appropriate solutions. Moreover, mobile technology is important and improves communication between employees in the office and on the building sites. Last, but not least, the term "location technologies" encompasses, among other things, laser scanning and positioning; in other words all technologies that serve to ensure that everything is built or installed in the right place. When we imagine what we can achieve in construction by using all of these technologies together, this is inspiring!

Fischer

**These technologies can make a huge difference. Where does the greatest potential for digitalisation lie on the building site?**

I believe the greatest potential lies in four areas: Firstly, digitalisation ensures that everyone on the building site has up-to-date information, which results in better planning, coordination and communication. Secondly, thanks to digitalisation, feedback and data can be gathered in order to make target/actual comparisons. Thirdly, automation offers potential, both in prefabrication and on the building site. This is where robotics comes into play. And fourthly, there is a need for action when it comes to ergonomics. In California, a company recently acquired exoskeletons to help employees carry out their work more ergonomically.

Fischer

Beth

There is a very old saying, "time is money", which also applies to digitalisation on a building site. The new digital possibilities create greater transparency and help to prevent errors, which ultimately make work more structured, more efficient and faster.

### **Robots instead of construction workers on the building site. Will this vision become reality?**

Beth

With the introduction of machine controls for diggers, robotics has found its way onto the building site. This trend will gradually continue, but only in certain areas. Other construction machines, such as road finishing machines and rollers, will work autonomously.

Research is going one step further and developing innovative construction machines, such as drones and robots. Universities are working on swarm intelligence, termite-inspired robots and much more, the results of which will be profitable for building sites. There are, however, limits to robotics in construction: customer-specific requirements and changes will always call for flexible action and a flexible provision of manual capacities.

Fischer

### **Will building houses using 3D printers soon be the norm? A canal house has already been built in this way in Amsterdam.**

Conventional construction and 3D production methods will soon exist alongside one another. The trend is heading in this direction. 3D methods are already advantageous today, because they often only require a fraction of the material compared with conventional construction, and are even more stable. But they are still expensive and need more time.

Fischer

Beth

It is not only in Amsterdam that a house has been built using a 3D printer. Today, a Chinese construction company is able to print out several houses in one day. At last year's BAUMA, the world's most important trade fair for the construction and mining machinery industry, a 3D concrete printer was presented which offers the reinforcement levels required for a structural analysis. This year, a metal bridge is going to be printed directly on a building site in Amsterdam with two robots.

### **Digitalisation scares many people, as a wide range of professions could become automated. Do we still need humans?**

Beth

Of course we still need humans. The development of artificial intelligence aims to support humans in their work and will mean that some jobs will become automated in the future. This will lead to a change in occupational fields, but employees will be further educated and re-qualified. In combination with other new technologies, this offers tremendous potential. Like every industrial revolution to date, the upcoming fourth industrial revolution will lead to greater prosperity for society.

Technological advancement is forcing us to take a closer look at what humans are good at and what machines or computers are better at. Computers can calculate faster, so quantity determination, for instance, will be taken over by computers in the future. Amazingly, we aren't using the technology everywhere that we could use it yet. But humans are indispensable. Three types of activities will always exist for humans in the construction industry: Firstly, IT experts are called for to develop and test computer systems and to keep them up to date. Secondly, employees with strong construction expertise who can deal with special cases and work together with computer systems will be required. And thirdly, we will need managers who are capable of piecing together a complex project or overarching strategy, like a puzzle.

Fischer

**To conclude, let's take a look into the future: What will the construction process look like in ten years' time, compared to today?**

Beth

Customers will demand BIM as standard and a large number of details will be discussed and defined as early as the acquisition phase. All of the trades will be involved in the planning phase and any unresolved issues and problems will be discussed using the virtual model. Simulations will support the planning process. In the execution of the construction work, BIM models will be taken as the basis rather than blueprints. Lots of suppliers and subcontractors will be able to work with BIM and will provide their data accordingly.

On the building site, we will see autonomous machines, robots in selected places, and the use of drones for construction monitoring and documentation will be an integral part of day-to-day work. The Internet of Things will offer a wide range of information and simplify work on the building site. Augmented reality will provide useful information and work instructions to construction workers. A range of administrative processes will be automated and simplified with support from artificial intelligence. Implenia is already preparing intensively for these and other exciting changes.

We will understand the customer better, we will know what they really want and offer them precisely this service, with uncompromising IT support from A to Z. Thanks to a mixture of BIM planning with the strong involvement of the customer, prefabrication, 3D printing and installation, it will be possible to build a large, complex building within a few months. Besides the construction process, the company culture has also changed. Management will have to have an increasingly open ear and constantly provide impetus to promote innovation. I am optimistic and excited to see what a group like Implenia will achieve in the field of digitalisation.

Fischer







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## **Corporate Governance**

As required by the SIX Swiss Exchange AG's Directive on Information Relating to Corporate Governance of 1 January 2016 (Directive Corporate Governance, DCG), this chapter describes those main principles of Implenla 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 2016).

The structuring and numbering of this chapter correspond to the scheme set out in the appendix to the DCG. Information on remuneration, profit-sharing and loans is summarised in the Remuneration Report, which starts on page 179.

Implenla's principles and rules regarding corporate governance are set out in its Articles of Association and organisational regulations. Rules on acceptable business practices and standards of behaviour for all Implenla Group employees are set out in its Code of Conduct.

The Articles of Association of 24 March 2015 and the Organisational and Management Regulations of 21 December 2015, both of which applied on the balance sheet date of the year under review, as well as the Code of Conduct, are available on Implenla's website under the following links.

🔗 <http://www.implenla.com/en>

🔗 <http://www.implenla.com/en/about-us/corporate-governance/articles-of-association.html>

🔗 <https://www.implenla.com/en/about-us/corporate-governance/organizational-and-management-regulations.html>

🔗 <http://www.implenla.com/en/about-us/corporate-governance/code-of-conduct.html>



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## 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

During the year under review, Implenia reinforced its country organisation in Norway and Sweden and divided the Scandinavia Business Unit into two separate business units, Norway and Sweden. Since then, Implenia has consisted of nine business units.

Business Unit Infrastructure focuses on international tunnelling and foundation engineering projects. Implenia also operates internationally through Business Units Norway, Sweden and Germany & Austria. The Group remains active in Switzerland with its Modernisation & Development, Construction German-speaking Switzerland and Construction French-speaking Switzerland Business Units. These operational Business Units are supported by the Technical Center and the central Group functions pooled in the Corporate Center.

Implenia reports on the basis of the following segments.

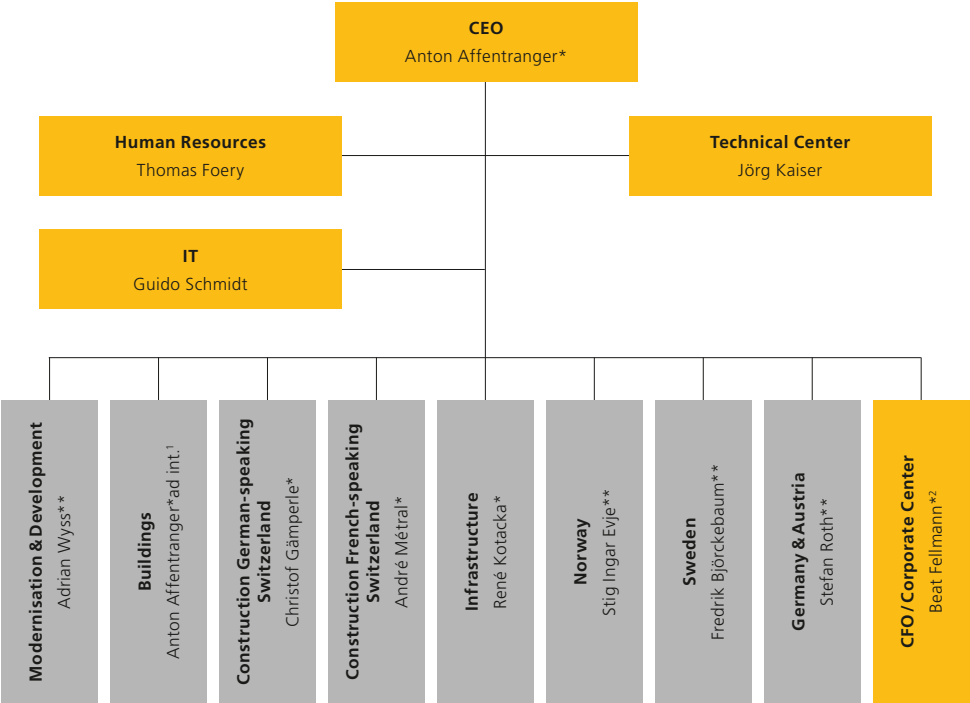
#### Development Segment

The Development segment brings together Implenia's expertise in real estate project development, from initial idea to completed building. As a partner for private and institutional property developers, the segment develops and builds sustainable property and sites in Switzerland, often utilising its own land bank.

#### Switzerland Segment

The Switzerland segment includes the Modernisation, Buildings, Construction German-speaking Switzerland and Construction French-speaking Switzerland Business Units. The Modernisation unit brings together the Group's capabilities in conversion and renovation, from consultancy to implementation. The Buildings unit offers its supra-regional customers in Switzerland integrated services for complex buildings, ranging from planning and coordination to actual construction. Construction German-speaking Switzerland and Construction French-speaking Switzerland are the face of Implenia in the Swiss market for roadbuilding, civil engineering and regional building construction services.

Implenia Group



\* Member of the Group Executive Board (GEBO)  
\*\* Business Unit Head

Grey box: Operational units  
Yellow box: Functional units

1 On 3 February 2016, a management committee consisting of Anton Affentranger, CEO, Jens Vollmar (management responsibility) and Christian Wick (technical responsibility) took over management of Business Unit Buildings. Jens Vollmar took over as Business Unit Head in February 2017.

2 In his function as CFO/Head Corporate Center, Beat Fellmann's direct reports include Nicolas Ecoffey (Head of Corporate Controlling), German Grüniger (General Counsel) and Jens Sasse (Head of Procurement).

### **Infrastructure Segment**

The Infrastructure segment focuses on tunnel construction and foundation engineering in Europe. The segment brings together Implenia's tunnelling, foundation engineering, major projects and design/planning capabilities in its home markets of Switzerland, Germany, Austria, Sweden and Norway. In addition, the Global Projects sub-unit bids for large, complex infrastructure projects outside our home markets and also takes on project management.

### **International Segment**

The International Segment includes Implenia's activities in its German, Austrian, Norwegian and Swedish home markets, as well as its overseas gravel plants. Implenia Germany & Austria is the provider for regional customers in German-speaking countries outside Switzerland that need services for civil works, general civil engineering, maintenance and repair, and selective building construction.

### **Miscellaneous / Holding Segment**

The Miscellaneous / Holding Segment encompasses the activities that are not assigned to any of the segments described above. This segment includes the Technical Center, the Corporate Center, Human Resources and IT.

The Technical Center works together with the operational units to promote health & safety, environmental management and sustainability. It also works on lean processes and promotes further technical progress as the driving force behind innovation and continuous improvement. It helps reduce technological risks and thereby cut costs. The Technical Center also includes the Machinery & Electrical Engineering (MEE) and Formwork Construction (FC) units, along with the Central Laboratory.

The Corporate Center supports the operational Business Units by providing central services. These services include Corporate Controlling, Corporate Reporting & Tax, Business Development, Investor Relations & Treasury, Legal, Marketing/Communications, Insurance and Procurement, plus Human Resources and IT.

1.1.2 Listed companies within the Group

Implenia Ltd., with registered office in Dietlikon (Canton Zurich), is a Swiss company that has been listed on the SIX Swiss Exchange AG (security no. 2 386 855, ISIN code CH0023868554, abbreviation IMPN) since 6 March 2006. 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 official names, registered offices, share capital and the stake held by the Group, are shown on pages 292–293 in the Notes to the Financial Report.

1.2 Significant shareholders

Switzerland’s Financial Market Infrastructure Act (Federal Act on Financial Market Infra-structures and Market Conduct in Securities and Derivatives Trading, FMIA) dictates that share-holders of a listed company in Switzerland whose voting rights reach, exceed or fall below certain thresholds based on their proportion of total share capital must report and disclose these movements.

According to disclosure notifications made to SIX Swiss Exchange, the shareholders listed below held more than 3 percent of Implenla Ltd.’s share capital and voting rights on 31 December 2016.

Significant shareholders

Shareholder	Shareholdings
Parmino Holding AG/Max Rössler	16.14%
Rudolf Maag	5.41%
Norges Bank (the Central Bank of Norway)	3.28%

All reports relating to disclosures pursuant to Art. 120 FMIA published during the year under review and since 1 January 2017 can be found at the Disclosure Office of the SIX Swiss Exchange AG at the following link:

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

1.3 Cross-shareholdings

There are no cross shareholdings.

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## 2. Capital structure

### 2.1 Capital

As at 31 December 2016, Implenia Ltd.'s share capital amounts to CHF 18,841,440 divided into 18,472,000 registered shares with a par value of CHF 1.02 each. The shares are fully paid up. In addition, as at the balance sheet date Implenia Ltd. has conditional capital of CHF 3,768,288 and authorised capital of 3,768,288 francs. Based on this conditional and authorised capital, share capital could be increased in line with the criteria set out in Art. 3a and 3b of the Articles of Association of 24 March 2015 (hereinafter "Articles of Association") by a total of CHF 4,710,360.

### 2.2 Conditional and authorised capital in particular

#### **Conditional capital (Art. 3b of the Articles of Association)**

The share capital can be increased by a maximum of CHF 3,768,288 by issuing a maximum of 3,694,400 fully paid-up registered shares with a par value of CHF 1.02 each by exercising conversion and/or option rights issued in conjunction with bonds or other financial market instruments of the Company or one of its Group companies. If bonds or other financial market instruments carrying conversion and/or option rights are issued, shareholders' subscription rights are excluded. The current owners of conversion and/or option rights are entitled to subscribe to the new shares. The conversion and/or option conditions are determined by the Board of Directors (Art. 3b Para. 1 of the Articles of Association).

When issuing bonds or other financial market instruments carrying conversion and/or option rights, the Board of Directors is authorised to restrict or cancel the pre-emptive subscription rights of the shareholders if the shares are issued to finance or re-finance the acquisition of other companies or parts of companies or to invest in other companies, or in new investment projects, or to refinance issued bonds or other financial market instruments or for the purpose of issuance on national or international markets.

If pre-emptive subscription rights are cancelled by the Board of Directors, the following applies: the bonds or other financial market instruments are floated at market conditions (including the dilution clauses standard to the market) and new shares are issued in accordance with the prevailing conversion and option conditions. Conversion rights may be exercised for a maximum period of 15 years and option rights for a maximum period of 10 years from the relevant issue date. The conversion or option price and its method of calculation are determined at market conditions, with the stock exchange price applying to the shares of the Company (Art. 3b Para. 3 of the Articles of Association). The acquisition of shares through the exercise of conversion and/or option rights and every subsequent transfer are subject to the restrictions of Art. 7 of the Articles of Association (Art. 3b Para. 2 of the Articles of Association).

If the Board of Directors exercises its right to create share capital pursuant to Art. 3a (authorised share capital; see explanation below), the Board of Directors will no longer be entitled to exercise its right in this respect to issue bonds or other financial market instruments pursuant to Art. 3b of the Articles of Association (conditional share capital), since share capital pursuant to Art. 3a of the Articles of Association (authorised share capital) and Art. 3b of the Articles of Association (conditional share capital) together may only be increased by a maximum of CHF 4,710,360 (Art. 3b, Para. 4 of the Articles of Association).

### **Authorised capital (Art. 3a of the Articles of Association)**

The Board of Directors is authorised to increase the share capital at any time up to 26 March 2017 by CHF 3,768,288 by issuing a maximum of 3,694,400 fully paid-up registered shares with a par value of CHF 1.02 each. The share capital may be increased by partial amounts (Art. 3a, Para. 1 of the Articles of Association).

The Board of Directors determines the issue date, issue price, type of contribution, conditions for the exercise of subscription rights and the date for the beginning of dividend entitlement. The Board of Directors may issue new shares by way of a firm underwriting by a banking institution or consortium and a subsequent offer to the current shareholders. The Board of Directors may allow subscription rights that are not exercised to expire or place shares for which subscription rights were granted but not exercised with the public at market conditions (Art. 3a Para. 3 of the Articles of Association).

The Board of Directors is authorised to restrict or cancel the subscription rights of shareholders and allot the shares to third parties if the shares are issued for the purpose of the acquisition of companies or parts of companies or investments in other companies or to finance or re-finance such transactions (Art. 3a Para. 4 of the Articles of Association).

The subscription and acquisition of the new shares and every subsequent share transfer are subject to the restrictions of Art. 7 of the Articles of Association (Art. 3a Para. 2 of the Articles of Association).

If the Board of Directors exercises its right to issue bonds or other financial market instruments pursuant to Art. 3b of the Articles of Association (conditional share capital), the Board of Directors will no longer be entitled to exercise its right in this respect to create share capital pursuant to Art. 3a of the Articles of Association (authorised share capital) for the same amount, since share capital pursuant to Art. 3a (authorised share capital) and Art. 3b (conditional share capital) together may be raised only by a maximum of CHF 4,710,360 (Art. 3a Para. 5 of the Articles of Association).

### **2.3 Changes in capital over the last three financial years**

On 25 March 2014 the Annual General Meeting of Shareholders decided to decrease the share capital by reducing the nominal value of each share from CHF 1.90 to CHF 1.02. The reduction amount of CHF 0.88 per share was used to repay shareholders. As part of this capital decrease, the Annual General Meeting of Shareholders also decided to adjust the nominal value of the maximum amount of conditional capital at the time.

On 24 March 2015, the Annual General Meeting of Shareholders decided to create authorised and conditional capital in accordance with the conditions described under 2.2 above. The Annual General Meeting of Shareholders also decided to cancel the existing conditional capital (Art. 3a of the Articles of Association at that time). There were no capital increases from the newly created conditional or authorised share capital during the year under review.

On 30 June 2015, Implenia Ltd. issued a subordinated convertible bond worth CHF 175,000,000 (abbreviation: IMP15, ISIN: CH0285509359). This convertible bond is due for repayment on 30 June 2022 provided it is not redeemed, converted, bought back or cancelled before then. The convertible bond has an annual coupon of 0.5%. The conversion price is CHF 75.06. The shares to be delivered as a result of conversion will be made available by providing new shares from conditional capital. There was no conversion during the year under review.

## Changes in capital over the last three years

	31.12.2016	31.12.2015	31.12.2014 <sup>1</sup>
	1000 CHF	1000 CHF	1000 CHF
Share capital	<b>18,841</b>	18,841	18,841
Statutory capital reserves			
– Reserves from capital contributions	<b>132</b>	132	132
Statutory retained earnings	<b>16,185</b>	16,185	16,185
Retained earnings			
– Profit carried forward	<b>278,214</b>	277,796	235,440
– Profit for the year	<b>42,955</b>	35,153	75,304
Treasury shares	<b>(5,498)</b>	(8,833)	(8,405)
<b>Total equity</b>	<b>350,829</b>	339,274	337,497

1 Restated

## 2.4 Shares and participation certificates

As at 31 December 2016, the share capital is divided into 18,472,000 fully paid-up registered shares with a par value of CHF 1.02 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. Neither are there any 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 statutory percentage clause which would allow any limitation of transferability of Implenla Ltd.'s shares pursuant to Art. 685d Para. 1 Swiss Code of Obligations. Pursuant to Art. 7 Para. 4b of the 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 Implenla Ltd. indicates that recognition of this owner as a shareholder would or could prevent Implenla Ltd. 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.

The Implenla Group is active in project development and real estate business. Consequently, the corporation is specifically entitled to refuse to register persons abroad (pursuant to the Federal Law on the Acquisition of Real Estate by Persons Abroad, BewG), if this could raise any doubt about the Swiss control of the company and/or its subsidiaries.

The details of how this article is implemented are set out in the Regulation on Registration of Registered Shares and Keeping of the Share Register of Implenla Ltd. of 4 February 2013 ("Registration Regulations"). The Registration Regulations can be found on the Implenla website.

🔗 <http://www.implenla.com/en/investor-relations/shares/regulations.html>

Para. 5 of the Registration Regulations states 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 Implenla Ltd.'s headquarters to the effect that Implenla Ltd. 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 shall be considered as a foreign shareholder. Nominees that have not disclosed the shareholders they represent shall also be regarded as foreign shareholders as defined in this clause.

### **2.6.2 Granting exceptions**

No requests for exceptions were received during the year under review. No exceptions were granted.

### **2.6.3 Admissibility of nominee registrations**

According to point 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 Articles of Association, nominees will be entered in the Share Register 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, or if they disclose this information immediately when first requested.

The precise wording can be read in the Articles of Association.

🔗 <http://www.implenia.com/en/about-us/corporate-governance/articles-of-association.html>

Pursuant to point 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 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 and provided they immediately disclose this information in writing on first request. The nominee must have concluded agreements with the Board of Directors regarding its 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 share capital entered in the Commercial Register.

Further information can be found in the Registration Regulations.

🔗 <http://www.implenia.com/en/investor-relations/shares/regulations.html>

Registration as a nominee requires the nominee to have made a legally valid application in accordance with the appendix to the Registration Regulations (Application for Registration as Nominee). The relevant form is on the Implenia website.

🔗 <http://www.implenia.com/en/investor-relations/shares/regulations.html>

#### **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. Cancellation of transferability restrictions requires a resolution by the General Meeting, adopted by at least two thirds of the votes represented at the meeting and an absolute majority of the nominal value of shares represented at the meeting (Art. 16 Para. 1c of the Articles of Association).

#### **2.7 Convertible bonds and options**

On 30 June 2015, Implenia Ltd. issued a subordinated convertible bond worth CHF 175,000,000 (abbreviation: IMP15, ISIN: CH0285509359). This convertible bond is due for repayment on 30 June 2022 provided it is not redeemed, converted, bought back or cancelled before then. The convertible bond has an annual coupon of 0.5%. The conversion price is CHF 75.06. The convertible bond will be convertible into around 2.33 million shares of Implenia Ltd., which is equivalent to around 12.6% of currently outstanding shares. The shares to be delivered as a result of conversion will be made available by providing new shares from conditional capital.

There are no other outstanding convertible bonds or options.

### **3. Board of Directors**

#### **3.1 Members of the Board of Directors**

During the year under review, Hubert Achermann acted as Chairman of the Board of Directors until his resignation on 3 February 2016. Henner Mahlstedt was appointed by the Board of Directors to serve as Chairman for the remaining term up until the Annual General Meeting of Shareholders on 22 March 2016. At the General Meeting of Shareholders on 22 March 2016, Hans Ulrich Meister was elected as the new Chairman of the Board of Directors.

Hans-Beat Gürtler and Patrick Hünervadel did not make themselves available for re-election at the Annual General Meeting of 22 March 2016. Kyrre Olaf Johansen, Ines Pöschel and Laurent Vulliet were elected to the Board of Directors.

From the Annual General Meeting of Shareholders on 22 March 2016 until the end of the financial year, Implenia Ltd.'s Board of Directors thus had seven members: Chairman Hans Ulrich Meister, Vice Chairman Calvin Grieder, Chantal Balet Emery, Kyrre Olaf Johansen, Henner Mahlstedt, Ines Pöschel and Laurent Vulliet.

None of the Members of the Board of Directors performs an operational management role for Implenia Ltd. or any of its group companies. Neither has any Member of the Board of Directors been part of the Executive Board/Group Executive Board of Implenia Ltd. or any of its Group companies during the last three financial years. No Member of the Board of Directors has any significant business relationships with the Implenia Group.

**Hans Ulrich Meister**

(born 1959, Swiss, non-executive)

Hans Ulrich Meister has been a Member and Chairman of the Board of Directors since March 2016. Between 2008 and March 2016, Hans Ulrich Meister was CEO of the Switzerland Region for Credit Suisse. From 2011 he was also CEO of the Private Banking Division and from 2012 Head of the Private Banking & Wealth Management Division, responsible for private banking business in EMEA (Europe, Middle East, Africa) and Asia Pacific. In these roles he was also a Member of the Executive Boards of Credit Suisse Group AG and Credit Suisse AG. Previously, he performed various management functions for UBS in Switzerland and internationally for over 20 years, finishing as Head of Private and Corporate Clients between 2005 and 2007. From 2004 he was also a member of the UBS Group Managing Board. Before that he was responsible for the Large Corporates & Multinationals business. In 2002, he worked for UBS's Wealth Management USA in New York. Hans Ulrich Meister has a business degree from Zurich University of Applied Sciences and graduated from the Advanced Management Program of Wharton School and Harvard Business School.

**Calvin Grieder**

(born 1955, Swiss, non-executive)

Calvin Grieder has been Vice Chairman of the Board of Directors since March 2016 and a Member of the Board since March 2013. Calvin Grieder grew up in the USA and graduated as a process engineer from the Federal Institute of Technology in Zurich (ETH). He then held various management positions in Swiss and German companies in the fields of control engineering, automation, and plant design. In these roles he was mainly responsible for successfully developing and expanding international business. In 2001, Calvin Grieder moved from Swisscom to Bühler Group, which he led as CEO until the end of June 2016. Since February 2014, he has been Chairman of the Board of Directors of Bühler AG. Until the end of 2016, Calvin Grieder sat on the Board of Hilti AG and he is Vice Chairman of the Board of Directors of Givaudan AG.



### **Chantal Balet Emery**

(born 1952, Swiss, non-executive)

Chantal Balet Emery has been a Member of the Board of Directors since March 2013. Chantal Balet Emery is a consultant lawyer at the Pratifori 5 law firm and partner in Cabinet Conseil Fasel, Balet, Loretan (FBL). From 1994 to 2008 she headed the Western Swiss office of the economiesuisse business association in Geneva. From 1984 to 1994 she worked as a self-employed lawyer and notary in Canton Valais. She is Chair of the Fédération romande pour l'énergie and a Member of the Boards of Directors of the following companies: Vaudoise Assurances Holding SA, Vaudoise Générale, Compagnie d'Assurances SA, Vaudoise Vie, Compagnie d'Assurances SA, Mutuelle Vaudoise, Société Coopérative, Walliser Kantonalbank, Maison Gilliard AG, Domaines Maison Gilliard AG and OLF SA.



### **Kyrre Olaf Johansen**

(born 1962, Norwegian, non-executive)

Kyrre Olaf Johansen has been a Member of the Board of Directors since March 2016. Since 2013, Kyrre Olaf Johansen has been CEO of Norsk Mineral AS, which works internationally in the minerals, real estate, industry, finance and renewable energy sectors. From 2008 to 2012 he was CEO of real estate company Entra Eiendom with a portfolio of almost CHF 3 billion. After completing his masters in construction engineering in 1986, he worked as an engineering consultant until 1991. In 1989, he earned a degree as business candidate at the BI Norwegian Business School. From 1991 to 1998 he held various management positions on construction projects at ABB Power Generation AG in Baden, Switzerland. In 1999 he became regional head of the Norwegian branch of NCC, an internationally active construction and real estate company based in Sweden. In 2000 he became CEO of the road construction division of NCC Industri, now NCC Roads. Between 2003 and 2008, as CEO of Mesta AS, he was in charge of one of Norway's biggest roadbuilders. Kyrre Olaf Johansen has extensive management experience in various industries and is a leading proponent of a value-based management culture.



**Henner Mahlstedt**

(born 1953, German, non-executive)

Henner Mahlstedt has been a Member of the Board of Directors since March 2015. Henner Mahlstedt studied civil engineering at the Technical University of Braunschweig. From 1980 to 2001 Henner Mahlstedt held various management positions at Strabag Hoch- und Ingenieurbau AG in Hamburg, Berlin and Cologne, from 1997 to 2001 as a Member of the Executive Board. He then served as CEO of Pegel & Sohn GmbH + Co. KG in Berlin before moving in 2003 to take charge of the new federal states for Hochtief Group. In 2005 he was appointed to the Executive Board of Hochtief Construction AG in Essen; from 2007 until the end of 2010 he was the Chairman of the Executive Board. Henner Mahlstedt was then appointed Chairman of the Executive Board of Hochtief Solutions AG in Essen. From 2007 to 2012 he was also a Member of the Global Group Executive Committee of Hochtief AG. In addition, he held various positions on the committees of the German Construction Industry Federation and the German Society for Concrete and Construction Technology. Henner Mahlstedt has worked at Mahlstedt Consultants GbR since mid-2012. He is also a member of the advisory board of Huesker Synthetic GmbH and Franzen Holding GmbH, and is a lecturer at Westfälische Hochschule.

**Ines Pöschel**

(born 1968, Swiss, non-executive)

Ines Pöschel has been a Member of the Board of Directors since March 2016. Since 2007 Ines Pöschel has been a Partner at law firm Kellerhals Carrard, and since 2010 a member of the firm's Steering Committee. Before that she worked in various positions at well-known law firms in Switzerland and the USA, including as a lawyer at Bär & Karrer from 2002 to 2007, and as Senior Manager at Andersen Legal from 1999 to 2002. Ines Pöschel completed her legal studies at the University of Zurich in 1993 and was called to the bar in 1996. She is a member of various boards of directors and boards of trustees (including at Bernexpo Holding AG and Foundation Lotti Latrous), and she sits on the Swiss Federal Commission of Experts for the Commercial Register. She regularly lectures at renowned universities. Ines Pöschel specialises in company and capital markets law, corporate governance, and M&A transactions at private and listed companies.



### **Laurent Vulliet**

(born 1958, Swiss, non-executive)

Laurent Vulliet has been a Member of the Board of Directors since March 2016. Since 1994 Laurent Vulliet has been Professor of Soil Mechanics at the Swiss Federal Institute of Technology in Lausanne (EPFL), where he also teaches risk management. Having graduated as a construction engineer from the ETH Zurich in 1980, he obtained his doctorate in 1986 from the EPFL. In 2008 he completed the Advanced Management Program at INSEAD in Fontainebleau (France). Between 2006 and 2015 he was a Member of the Board and since 2008 also CEO of BG Consulting Engineers in Lausanne. For three years from 1986 he taught at the University of Arizona in Tucson (USA). From 1989 he worked as Senior Engineer at Cérenville Géotechnique SA in Ecublens. From 2001 until the end of 2007 he was Deacon of the ENAC faculty at the EPFL, which encompasses architecture, infrastructure and environmental sciences. Laurent Vulliet is a member of the Swiss Academy of Engineering and the Energy Commission of the Canton of Vaud. From 1997 to 2007 he was also a member of the Non-Parliamentary Commission for Natural Hazards and from 2009 to 2013, Vice Chair of the Swiss Engineers and Architects Association (SIA).





### 3.2 Other activities and interests

This information is given above in the individual profiles of the Members of the Board of Directors.

### 3.3 Provisions included in the Articles of Association relating to the number of activities allowed under Art. 12 Para. 1 Section. 1 of the VegüV

According to Art. 22e of the Articles of Association, the number of mandates that members of the Board of Directors can take in the top management and supervisory bodies of legal entities outside the Implenla Group that are registered in the Swiss Commercial Register or similar foreign register, is limited to a maximum of 14 mandates, of which no more than four may be at listed companies. If mandates are exercised in different legal entities within one group, or on behalf of one group or legal entity, these are counted altogether as one mandate. A Member can exceed the maximum limits for a short time in line with the Articles mentioned above.

The Articles of Association, containing the precise wording of the provision mentioned above, can be found on Implenla's website.

🔗 <http://www.implenla.com/en/about-us/corporate-governance/articles-of-association.html>

### 3.4 Elections and terms of office

#### 3.4.1 Length of terms of office and limits on terms of office

The term of office of Board Members is one year. This commences on the date of election and finishes at the end of the subsequent Annual General Meeting, unless the Member resigns or is dismissed before this (Art. 18 Para. 3 of the Articles of Association). The Members of the Board can be re-elected at any time (Art. 18 Para. 4 of the Articles of Association), but are subject to an upper age limit of 70 years. They must leave the Board at the Annual General Meeting of Shareholders following their 70th birthday (Art. 18 Para. 5 of the Articles of Association).

### 3.4.2 First election

The dates on which each Member of the Board of Directors was first elected are given in the following table:

Member of the Board of Directors	First elected
Hans Ulrich Meister	22.3.2016
Calvin Grieder	27.3.2013
Chantal Balet Emery	27.3.2013
Henner Mahlstedt	24.3.2015
Ines Pöschel	22.3.2016
Kyrre Olaf Johansen	22.3.2016
Laurent Vulliet	22.3.2016

### 3.4.3 Principles of the election procedure

In accordance with the Ordinance Against Excessive Pay at Publicly Listed Companies (“VegüV”), Members of the Board of Directors are elected individually by the AGM based on Art. 9b of the Articles of Association. The Chairman of the Board of Directors, the Members of the Remuneration Committee (Nomination and Remuneration Committee) and the independent proxy are also elected by the AGM in accordance with this provision of the Articles of Association. Also in line with the relevant provisions of the VegüV, Members of the Board of Directors and of the Nomination and Remuneration Committee are elected individually (Art. 18, Para. 2 of the Articles of Association).

With regard to dealing with a vacancy in the Chairmanship of the Board of Directors, or with the Nomination and Remuneration Committee not having sufficient Members, or with the company not having an independent proxy, the Articles of Association do not include any provisions that deviate from Art. 4 Para. 4 VegüV, Art. 7 Para. 4 VegüV and Art. 8 Para. 6 VegüV.

### 3.5 Internal organisational structure

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

Apart from the election of the Chairman of the Board of Directors and the Members of the Nomination and Compensation Committee by the AGM, the Board of Directors constitutes itself and appoints the Vice Chairman of the Board of Directors and the Secretary to the Board of Directors.

The tasks and powers of the Chairman of the Board of Directors are as defined by the law, the Articles of Association, the Organisational Regulations of 21 December 2015 (“Implenia’s OR”) and the Table of Responsibilities of 18 August 2016 (“Table of Responsibilities”), as well as by any specific resolutions of the Board of Directors. The Chairman chairs meetings of the Board of Directors. In urgent cases, he is allowed to perform the duties of the Board of Directors by himself. This applies in particular if a decision cannot be taken by the Board of Directors in time, and if the Chairman may reasonably expect the Board to agree with his actions. In such cases the Chairman must inform the other Members of the Board of Directors immediately (Section 2.8a Implenia’s OR). The Chairman can also ask the CEO and other Members of the Group Executive Board for any information at any time. These people must also brief him on all important business. The Chairman ensures that the other Members of the Board of Directors are briefed on significant developments in good time (Section 2.8b of Implenia’s OR). If the Chairman is absent or 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 chosen by the Board, shall do so in his place (Section 2.8c Implenia’s OR).

Implenia’s OR (excluding the Table of Responsibilities) can be found on the Implenia website.

🔗 <https://www.implenia.com/en/about-us/corporate-governance/organizational-and-management-regulations.html>

#### 3.5.2 Members, tasks and areas of responsibility of the committees of the Board of Directors

The Board of Directors has formed two committees, the Audit Committee and the Nomination and Remuneration Committee.

The Audit and the Nomination and Remuneration Committee analyse the areas assigned to them by the Board of Directors and submit reports to the Board of Directors to help it prepare its resolutions and perform its supervisory 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’ tasks and responsibilities are set out in Implenia’s OR and in the Table of Responsibilities appended to the OR, as well as in regulations issued by the Board of Directors.

The committees and their Members for the year under review are shown in the table below:

<b>Member of the Board of Directors</b>	<b>Audit Committee (from 22 March 2016)</b>	<b>Nominations and Remuneration Committee (from 22 March 2016)</b>
Hans Ulrich Meister		
Calvin Grieder		•
Chantal Balet Emery	•	
Henner Mahlstedt	• (Chairman)	
Ines Pöschel		• (Chairman)
Kyrre Olaf Johansen		•
Laurent Vulliet	•	

The Audit Committee consists of at least two Members of the Board of Directors, who are chosen by the Board of Directors. The Audit Committee handles all Board business relating to the monitoring and structuring of the accounting system, financial controlling (internal control system), financial planning and risk management. It coordinates and harmonises the work of the internal and external auditors. It is also responsible for regular communication with the internal and external auditors and formulates instructions for the internal and external audit. It has the authority to order special audits (Section 3.2 Implenla's OR).

The Nomination and Remuneration Committee is made up of between two and four Members of the Board of Directors. The Members of the Nomination and Remuneration Committee are elected individually by the General Meeting of Shareholders. The principles governing the tasks and responsibilities of the Nomination and Remuneration Committee in relation to remuneration are determined by the General Meeting pursuant to Art. 21a of the Articles of Association and are described in more detail in the Remuneration Report (p. 182).

The committees organise themselves. The Board issues regulations in response to committee proposals. The committees are fundamentally advisory bodies; decision-making power is reserved for the Board of Directors as a whole. The committees only have decision-making power when this is stipulated in the Table of Responsibilities or committee regulations, or by special resolution of the Board of Directors.

The committees are authorised to carry out or commission investigations into all matters relating to their area of responsibility. They can bring in independent experts to help. The Board of Directors can appoint ad hoc committees for specific tasks and allocate powers of preparation, monitoring and/or decision-making to these committees (Section 3.1 Paras. 1 and 6 Implenla's OR). No ad hoc committees were formed during the year under review.

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### **3.5.3 Working method 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), three times a year (Audit Committee), or twice a year (Nomination and Remuneration Committee). Meetings take place at the invitation of the chair of the committee concerned. Invitations are 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 added to the agenda. Each meeting of the Board of Directors is chaired by the Chairman of the Board; the committee meetings are led by the committee chairs. Meetings are quorate if the majority of members are in attendance. Members who take part in the meeting via telephone or video conference shall be regarded as being present at the meeting.

The Board of Directors and its committees pass resolutions and elect members by simple majority of the votes cast by attending members. Abstentions are not permitted. If votes are tied, the person chairing the meeting has the casting vote. The results of discussions and the resolutions made are minuted. The CEO, the CFO and, where required, further Members of the Group Executive Board take part in the meetings of the Board of Directors. The Board of Directors also holds regular meetings without the participation of the CEO, the CFO or Members of the Group Executive Board (Section 2.3c Implemia's OR).

The Chairman of the Board of Directors participates in meetings of the Audit Committee and the Nomination and Remuneration Committee as a standing guest. The Audit Committee's meetings are generally also attended by the CEO, the CFO, the Head of Corporate Controlling, the Head of Reporting & Tax, where necessary a representative of Internal Audit and, if required by the business at hand, one or more representatives of the external auditors and other persons selected by the Chair. Meetings of the Nomination and Remuneration Committee are generally also attended by the CEO, the CFO and the Head of Human Resources Group. Guests of the meetings of the Board of Directors and the committees do not have the right to vote. Furthermore, Members of the Group Executive Board do not attend meetings of the Nomination and Remuneration Committee or of the Board of Directors if their own performances are being assessed, or if their remuneration is being discussed.

During the year under review, the Board of Directors held seventeen meetings convened by its Chairman, with nine of these meetings taking the form of a telephone conference. The average length of its meetings was around five hours. The average length of the telephone conferences was around half an hour. As a rule, the Group Executive Board was usually represented at the meetings by the CEO and CFO.

The Audit Committee met four times during the year under review. The meetings lasted four hours on average. The CEO, the CFO and the Head of Corporate Controlling took part in all the meetings of the Audit Committee, and the Head of Reporting & Tax in three of them. The external auditor attended every committee meeting during the year under review.

The Nomination and Remuneration Committee held three meetings. These meetings lasted nearly three hours on average. The CEO attended every committee meeting. In addition, the CFO and the Head of Human Resources Group attended the meetings. However, none of the three were present when their own remuneration was discussed and their performance appraised.

### 3.6 Definition of areas of responsibility

The Board of Directors delegates management of Implenia Group to the CEO to the extent that the law, the Articles of Association, or Implenia's OR do not stipulate otherwise, and provided that responsibilities are not delegated to the Group Executive Board or its individual Members:

The CEO is responsible for operational management and for representing Implenia Group to the extent that these duties are not assigned to other bodies by the law, the Articles of Association or Implenia's OR (incl. the Table of Responsibilities). He is responsible for managing the Group's business and for representing the Group, and especially for its operational management and for implementing strategy. Unless these are reserved for the Board of Directors, he is empowered to arrange or perform the duties and powers of authority assigned to him by Implenia's OR, and/or delegate these to qualified subordinate units if he instructs and monitors them accordingly. The CEO is supported in managing the business by the Members of the Group Executive Board, all of whom report directly to him. The CEO is responsible for reporting to the Chairman of the Board of Directors and to the Board of Directors (Section 4.1 et seq. Implenia's OR).

The Group Executive Board consists of the CEO, the CFO and other Members appointed by the Board of Directors. All Members of the Group Executive Board are appointed and deselected by the Board of Directors (Section 4.3 Implenia's OR).

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The Group Executive Board has the powers detailed in the Table of Responsibilities plus those delegated to it by the Board of Directors or CEO in individual cases. It meets as often as business requires but at least once a quarter. Within the Group Executive Board the CEO has the casting vote as well as a right of veto on the matters indicated in the Table of Responsibilities. Essentially, the CEO has this right of veto over transactions with strategic importance or major financial implications (Section 4.3 Implenla's OR).

The CFO is responsible for all of the company's and Implenla Group's financial concerns to the extent that these are not expressly assigned to other bodies or individuals. He is also responsible for managing the Corporate Center, which provides services for the subsidiaries all across the group. The CFO reports to the CEO (Section 4.4 Implenla's OR).

As well as the powers of authority reserved under Art. 716a of the Swiss Code of Obligations, the Board of Directors also takes decisions on the following major areas of business as shown in the Table of Responsibilities:

- Purchases or sales of holdings with an enterprise value of CHF 25 million or more;
- Entering into or ending long-term joint ventures or strategic partnerships (lasting for longer than one project);
- Defining target markets and deciding to enter a market;
- Defining financial policy principles (level of debt and financial indicators);
- Defining the funding concept;
- Obtaining debt capital (credit facilities, bonds, private placements and other capital market transactions, leasing, hire purchase) of more than CHF 50 million;
- Fundamental issues and guidelines relating to the investment of financial resources;
- Issuing group guarantees, warranties, bid, performance and payment bonds etc., other collateral, and contingent liabilities outside regular business activity worth more than CHF 5 million;
- Use of derivative financial products when not deployed exclusively to reduce risks.

3.7 Information from and control vis-à-vis the Group Executive Board

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

Information and control tools

	Annual	Semiannual	Quarterly	Monthly
MIS (Management Information System)				•
Financial statements (balance sheet, income statement, operating accounts, cash flow statement, by Business Unit and consolidated)			•	
Budget (by Business Unit and consolidated)	•			
Rolling three-year plan (by Business Unit 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 Group Executive Board 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 Business Unit. 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 in each Business Unit are assessed every half year by the responsible operational managers and consolidated by the Finance Department. The recorded risks are divided for the most part into “key projects”, “other projects”, “financial risks” and “management risks”, and evaluated qualitatively (scale and likelihood) and quantitatively (worst/real/best case). The measures taken by the operational managers are then monitored by the Corporate Controlling Department. The Head of Corporate Controlling 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 Section 3, and 728b Para. 1 SCO). Reports on the individual information tools are prepared and consolidated by the Finance department. These are then presented simultaneously to the Board of Directors and Group Executive Board. At meetings of the Group Executive Board and the Audit Committee the reporting is presented and explained by the CFO and Head of Corporate Controlling. The Group Executive Board presents the Board of Directors with a detailed analysis at each meeting of the Board.

The CEO, the CFO, the Head of Corporate Controlling and the Head of Reporting & Tax provide detailed information about the course of business, comment on this and answer questions posed by the Members of the Audit Committee.

The Board of Directors has hired a recognised audit company to perform the internal audit function. The main focuses of the internal audit are set by the Audit Committee on the basis of the multi-year audit plan. During the year under review the focus was on compliance and following up previous audits. The plan for internal audit activities is implemented in consultation with the CFO. The internal auditor prepared reports in line with the audit plan and submitted these 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 auditor's reports are given to the external auditors without qualification. There is regular communication between the internal and external auditors.

## **4. Group Executive Board**

The Group Executive Board consists of the CEO, the CFO/Head of Corporate Center and other members designated by the Board of Directors. On 31 December 2016 the Members of the Group Executive Board were Anton Affentranger (CEO), Beat Fellmann (CFO and Head of the Corporate Center), Christof Gämperle (Member and Head of Implenia Construction German-speaking Switzerland), René Kotacka (Member and Head of Implenia Infrastructure) and André Métral (Member and Head of Implenia Construction French-speaking Switzerland).

Petter Vistnes (Member and Head of Implenia Scandinavia until 30 September 2016) left the Group Executive Board on 1 October 2016.

### **4.1 Members of the Group Executive Board**

(see following pages)

**Anton Affentranger**

(born 1956, Swiss)

Anton Affentranger has been CEO of Implenia since October 2011. From March 2006 to September 2011 he was Chairman of the Board of Directors. Between 6 April 2009 and 31 August 2010 he was the Executive Member of the Board (as Chairman and CEO). He is also the founder and chairman of Affentranger Associates AG and chairman of various 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. On 1 October 2011 he was appointed by the Board as the new CEO of Implenia. On the same date he stepped down from the Board of Directors and from the operational management of his private companies. He also heads Business Unit Buildings ad interim.

**Beat Fellmann**

(born 1964, Swiss)

Beat Fellmann has been a Member of Implenia's Group Executive Board since October 2008 and since this date has also been CFO and Head of the Corporate Center. He graduated with a degree in economics (lic. oec. HSG) from the University of St. Gallen, and he is also a qualified auditor. He began his career as an internal auditor with international industrial group Bühler, where he was 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. Reporting directly to the CFO, he 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. Beat Fellmann has been a Member of the Swiss Takeover Board (TOB) since 1 January 2014. Since 1 January 2016, he has also been a Member of the Board of Directors and Head of the Risk & Audit Committee of Vitra Holding AG.



### **Christof Gämperle**

(born 1962, Swiss)

Christof Gämperle has been Business Unit Head of Implenla Construction German-speaking Switzerland since February 2013. Before that he was General Counsel of Implenla Group from 1 August 2010. Christof Gämperle qualified in law from the University of St. Gallen as lic. iur. HSG, and then began his career in the Legal Service of Canton St. Gallen's Civil Engineering Office. From 1993 to 1997 Gämperle was Deputy General Secretary in the Canton St. Gallen Building Department. For the next six years he was in charge of the legal service there before being appointed General Secretary in 2003. Christof Gämperle performed this role until he joined Implenla in 2010. Christof Gämperle is a Member of the Board of Trustees of the Stiftung Kliniken Valens.



### **René Kotacka**

(born 1962, Swiss)

René Kotacka has been Business Unit Head of Implenla Infrastructure since July 2015. He graduated as a construction engineer from the Federal Institute of Technology (ETH) in 1988. In the same year, he began his career at Implenla's predecessor firm Zschokke (AG Heinr. Hatt-Haller), immediately becoming a construction manager and then a site manager for various tunnelling projects. Around the start of the new millennium René Kotacka became project manager and head of technical management for the "Aeschertunnel", part of Zurich's western bypass. He was then responsible for various subsurface new-build and refurbishment projects as project manager and member of the construction committee. In 2006 Kotacka was appointed Head of International Production and Refurbishment. In 2011 he then took on responsibility for acquisitions at the Tunnelling unit and became a member of the Implenla Tunnelling & Civil Engineering Management Committee. From December 2014 to June 2015 René Kotacka was Head of Tunnelling & Civil Engineering before he was appointed Head of Business Unit Infrastructure in July 2015.



**André Métral**

(born 1964, Swiss)

André Métral has been in charge of the Construction French-speaking Switzerland Business Unit since February 2013. Having graduated in construction engineering from the ETH Zurich, he started his career in 1989 with the Zschokke Group in Geneva. André Métral initially worked as a structural engineer in the company's engineering office, then as an expert in foundation engineering, where he was involved in planning and executing complex infrastructure projects. He soon became Head of Foundation Engineering in Western Switzerland. In 2011 André Métral became Head of the Infra West Division, which covered all areas of activity associated with construction, buildings, civil engineering and production in Western Switzerland.



### 4.2 Other activities and interests

This information is given above in the individual profiles of the Members of the Group Executive Board.

### 4.3 Rules included in the Articles of Association relating to the number of permitted activities allowed under Art. 12 Para. 1 Section. 1 of the VegüV

According to Art. 22e of the Articles of Association, the number of mandates that members of the Group Executive Board can take in the most senior management and supervisory bodies of legal entities outside the Implenía Group that are registered in the Swiss Commercial Register or similar foreign register is limited to nine mandates, if each is approved by the Nomination and Remuneration Committee, of which one may be at a listed company. If mandates are exercised in different legal entities within one group, or on behalf of one group or legal entity, these are counted altogether as one mandate. A member can exceed the maximum limits for a short time.

The Articles of Association, containing the precise wording of the provision mentioned above, can be found on Implenía's website.

🔗 <http://www.impenia.com/en/about-us/corporate-governance/articles-of-association.html>

### 4.4 Management contracts

There are no management contracts with third parties.

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## 5. Remuneration, shareholdings and loans

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

For the content and method of determining remuneration and the granting of shares and loans to Members of the Board of Directors and Group Executive Board, please see the separate Remuneration Report starting on page 179.

### 5.2 Rules set out in the Articles of Association

#### 5.2.1 Rules on the principles of remuneration laid down in the articles of association

The principles for remunerating the Members of the Board of Directors are set out in Art. 22a of the Articles of Association. This states that their overall maximum remuneration approved by the General Meeting consists of the remuneration until the next AGM, plus estimated social security charges and contributions to social security and pension institutions as well as other fringe benefits that are paid by the company and that qualify as remuneration. According to the above Article, the Board of Directors can determine that a portion of the remuneration is paid in shares. In this case, it defines the conditions, including the time of allocation and valuation, and decides on any retention period.

According to the current rules on the remuneration of Members of the Board of Directors, Members receive an annual fixed payment. There is no performance-related component to their remuneration. The rules on the remuneration of Members of the Board of Directors also state that Members of the Board of Directors receive 2/3 of the payment due in cash, and 1/3 in shares of Implenla Ltd. The shares are blocked for trading for three years.

The principles for compensating the Members of the Group Executive Board are set out in Art. 22b of the Articles of Association. According to Para. 1 of Art. 22b of the Articles of Association, their maximum overall remuneration as approved by the General Meeting consists of the annual basic remuneration, the maximum remuneration from the short-term profit plan, the value of the maximum allocation from the long-term participation plan, plus estimated social security charges and contributions to social security, pension and savings plans and other fringe benefits paid by the company.

The short-term components of remuneration are based, according to Para. 2 of Art. 22b of the Articles of Association, on objective performance values relating to the Group's or a business segment's results, to goals calculated in comparison to the market, other companies or comparable parameters, and/or to individual goals, the achievement of which is usually measured during a one-year period. The long-term components of remuneration are based, according to Para. 3 of Art. 22b of the Articles of Association, on the company's long-term growth, and allow employees to participate appropriately in such growth.

Finally, Para. 4 of Art. 22b of the Articles of Association states that the Group Executive Board's remuneration takes the form of cash, shares, comparable instruments or units, or non-cash benefits or services. The Board of Directors can also stipulate that if a predefined event such as a change of control or termination of an employment contract occurs, exercise conditions and exercise periods or retention periods can be shortened or cancelled, remuneration may be paid on the assumption that goals are achieved, or remuneration may be forfeited.

The additional amount for remunerating Members of the Group Executive Board appointed after the General Meeting is set out in Art. 15 Para. 5 of the Articles of Association. According to this, the company is authorised to pay Members of the Group Executive Board who join or take on additional responsibilities during a period for which the Group Executive Board's remuneration has already been approved an additional amount of no more than 50% of the applicable total amount of remuneration paid to the Group Executive Board if the overall amount approved for the period in question is insufficient to pay the new Members. The maximum amount paid to such a Member of the Group Executive Board may not exceed the maximum remuneration paid to the Chief Executive Officer (CEO) in the preceding financial year by more than 25%. The additional amount does not have to be approved by the General Meeting and may be used by the company for all types of remuneration.

The Articles of Association, containing the precise wording of the provisions mentioned above, can be found on Implenla's website.

🔗 <http://www.implenla.com/en/about-us/corporate-governance/articles-of-association.html>



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### **5.2.2 Rules on loans, credit facilities and pensions for Members of the Board of Directors and the Group Executive Board**

Art. 22c of the Articles of Association stipulates that payments into insurance and pension schemes outside the occupational pension scheme or similar foreign institutions are permitted if approved by the General Meeting individually or as part of an overall amount.

The Articles of Association do not include any provisions about granting loans or credit facilities to Members of the Board of Directors or the Group Executive Board.

The Articles of Association, containing the precise wording of the provision mentioned above, can be found on Implenia's website.

🔗 <http://www.implenia.com/en/about-us/corporate-governance/articles-of-association.html>

### **5.2.3 Rules in the articles of association on General Meeting votes about remuneration**

General Meeting votes on remuneration paid to the Members of the Board of Directors and Group Executive Board are governed by Art. 15a of the Articles of Association.

Para. 1 of Art. 15a of the Articles of Association states that each year the General Meeting of Shareholders needs to give prospective approval to the Board of Directors' proposals about the maximum total amount paid to the Board of Directors for the period up to the next AGM and the overall amount paid to the Group Executive Board for the next financial year.

Based on Para. 2 of Art. 15a, the Board of Directors can make proposals to the General Meeting about the maximum total amounts or individual elements of remuneration for other periods, or about additional sums for special elements of remuneration, and additional proposals for approval.

Approval of the Board of Directors' proposals relating to remuneration is by relative majority without consideration of abstentions pursuant to Para. 3 of Art. 15a of the Articles of Association. If the General Meeting rejects a proposal from the Board of Directors, the Board of Directors must determine the steps to be taken. It can convene an Extraordinary General Meeting or set a maximum total amount or several maximum partial amounts taking into account all the relevant factors and submit this/these to the next General Meeting for approval. The company can pay remuneration within such a maximum total or partial amount subject to approval by the General Meeting.

The Articles of Association, containing the precise wording of the provisions mentioned above, can be found on Implenla's website.

🔗 <http://www.implenia.com/en/about-us/corporate-governance/articles-of-association.html>

## 6. Shareholders' participation rights

### 6.1 Voting rights, restrictions and representation

All shareholders registered on the relevant cut-off date may participate in and vote at the Annual General Meeting of Shareholders. There are no restrictions on the right to vote of shareholders entered in the Share Register by this time. Each share has one vote.

Registration as a shareholder with voting rights may be refused (i) to shareholders which, when requested to do so by Implenla Ltd., 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 the Articles of Association), (ii) if the recognition of a purchaser as a shareholder of Implenla Ltd. may prevent Implenla from providing the proof required by law concerning the composition of its body of shareholders (Art. 7 Para. 4b of the Articles of Association).

As mentioned above, the Board of Directors may also reach agreements with nominees about their disclosure obligations (see section 2.6 above and the Registration Regulations).

Ⓔ <http://www.implenia.com/en/investor-relations/shares/regulations.html>

No exceptions were granted during the year under review.

The above restrictions on registration and voting rights prescribed by the Articles of Association can be removed by changing the Articles of Association. This requires a resolution by the General Meeting of Shareholders adopted by at least two thirds of the votes represented at the meeting and an absolute majority of the nominal value of shares represented at the meeting (Art. 16 Para. 1 of the Articles of Association).

In accordance with Art. 13 Para. 3 of the Articles of Association, shareholders who cannot take part in the General Meeting in person may be represented by another shareholder with voting rights (using a written power of proxy) or by their legal representative. Company representation and custodian representation pursuant to Art. 689c and 689d of the Swiss Code of Obligations are not allowed (Art. 11 VegÜV). Pursuant to Art. 13 Para. 5 of the Articles of Association, the Chairman of the General Meeting of Shareholders shall decide on the admissibility of any proxies. The general instruction to vote with the Board of Directors on proposals announced or not announced in the invitation shall be regarded as a valid instruction for the exercise of voting rights.

Pursuant to Art. 13 Para. 4 of the Articles of Association, 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 (Art. 13 Para. 5 of the Articles of Association).

At the Annual General Meeting of Shareholders on 22 March 2017 it will once again be possible to issue instructions and powers of attorney electronically.

The Articles of Association include no further regulations about the issuing of instructions to the independent proxy or electronic participation in the General Meeting. The applicable rules are set out in the invitation to the meeting.

## 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 approved by at least two thirds of the votes represented and an absolute majority of the nominal value of shares represented (Art. 16 Para. 1 of the Articles of Association). 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 Annual General Meeting of Shareholders takes place each year no later than six months after the end of the financial year (Art. 10 Para. 2 of the Articles of Association). It is convened by the Board of Directors and the invitation must be published in the Swiss Commercial Gazette at least 20 days before the meeting together with the agenda items and proposals. Holders of registered shares may also be informed in writing (Art. 10 Para. 1 and Art 11 Para. 1 of the Articles of Association). The Board of Directors decides on the location of the General Meeting of Shareholders.

The invitations to and minutes of General Meetings are posted on the Implenla website.

🔗 <http://www.implenla.com/en/investor-relations/general-meeting.html>

### 6.4 Inclusion of items on the agenda

In accordance with Art. 11 Para. 2 of the Articles of Association, shareholders representing at least 1% of the issued share capital can propose an item for the agenda. Such a request, together with details of the proposals, must be received in writing by the Board of Directors at least 45 days before the General Meeting.

### 6.5 Entry in the Share Register

Shareholders who are entered with voting rights in the Share Register on the relevant cut-off date will be sent an invitation to the General Meeting. The cut-off date for acquiring the right to vote at the General Meeting of Shareholders is set by the Board of Directors, based on Art 13. Para 2. of the Articles of Association. The dates concerned are stated in the invitation to the meeting.

The Articles of Association, containing the precise wording of the provisions mentioned above, can be found on Implenla's website.

🔗 <http://www.implenla.com/en/about-us/corporate-governance/articles-of-association.html>

## **7. Changes of control and defence measures**

### **7.1 Duty to make an offer**

The Articles of Association contain no opting out or opting up clauses. Consequently, Art. 135 FMIA applies, meaning that a shareholder who directly, indirectly or acting in concert with third parties, acquires equity securities of Implenia which, added to equity securities already owned, exceed the threshold of 33 1/3 percent of the company's voting rights, must make an offer to acquire all listed equity securities of the company.

### **7.2 Change of control clause**

No agreements relating to change of control have been made with the Members of the Board of Directors, the Members of the Group Executive Board or other executives.

## **8. Auditors**

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

The auditor has been PricewaterhouseCoopers AG (Zurich) since the 2006 financial year. The auditing mandate given to PricewaterhouseCoopers AG is for one financial year (Art. 22 of the Articles of Association). The current mandate began on 22 March 2016. Christian Kessler is the Lead Auditor. He has performed the role of Lead Auditor since the audit of the 2013 financial year. In accordance with Art. 730a of the Swiss Code of Obligations, the Lead Auditor performs the mandate for a maximum of seven years.

### **8.2 Auditing fees**

During the year under review, total fees invoiced by the auditing company came to CHF 1,313,000 (prior year: CHF 1,392,800).

### **8.3 Additional fees**

Total additional fees for the year under review come to CHF 278,000 (prior year: CHF 807,815). The additional fees were approved in advance by the Audit Committee and related in particular to tax consultancy mandates.

### 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 all three 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 is committed to open, transparent and regular communication with shareholders, the capital market and the general public. The CEO, CFO and Head of Investor Relations are available as contacts for shareholders, investors and analysts, and the Head of Communications Group as contact for the media. The most important information is communicated regularly as follows:

- Annual results (February/March): Publication of Annual Report, press and analysts' conference
- Half-year results (August/September): Publication of Half-year Report, press and analysts' conference
- General Meeting of Shareholders (March/April)

Over the course of the year, Implenia provides information on important business developments via media releases and letters to shareholders. As a company listed on the SIX Swiss Exchange Ltd., Implenia is subject to ad hoc publicity rules, i.e. it must publish potentially price-sensitive information. Implenia also cultivates a dialogue with investors and the media through special events and road shows.

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The website at [www.implenia.com](http://www.implenia.com) is available to shareholders, the capital market and the public as a constantly accessible, up-to-date information platform. It includes the most important facts and figures relating to Implenia, as well as financial publications, presentations on important developments and the dates of all relevant events (General Meetings, press conferences, etc.). Interested parties can subscribe to the free e-mail news service.

All press releases are posted on the website when released. There is also an archive of press releases dating back to 2005.

🔗 <http://www.implenia.com/en/investor-relations.html>

🔗 [http://www.implenia.com/en/investor-relations/publications\\_1/financial-publications/2015.html](http://www.implenia.com/en/investor-relations/publications_1/financial-publications/2015.html)

🔗 <http://www.implenia.com/en/investor-relations/media-releases.html>

🔗 <http://www.implenia.com/en/investor-relations/media-releases/news-service.html>

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### Remuneration Report

In accordance with the applicable provisions, this Remuneration Report describes the remuneration paid to Members of the Board of Directors and Group Executive Board of Implenia Ltd., as well as the remuneration structure and the type and size of payments actually made during the period under review.

#### 1. Introduction and legal basis

This Remuneration Report was produced in accordance with the relevant provisions of the Ordinance Against Excessive Pay at Stock Exchange Listed Companies (VegÜV), the Swiss Code of Best Practice for Corporate Governance and the Swiss Code of Obligations, as well as with the rules contained in the chapter on remuneration, shareholdings and loans in the SIX Swiss Exchange AG's Directive on Information Relating to Corporate Governance.

In this Remuneration Report the Board of Directors discloses the type and amount of remuneration actually paid to the Board of Directors and the Group Executive Board of Implenia Ltd. It also includes details of the remuneration policy and remuneration structure.

The payments shown under Para. 4 and 5.3 were checked by the auditor. The Remuneration Report is being presented to shareholders at the forthcoming General Meeting of Shareholders on 22 March 2017 for consultative approval.

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## 2. Setting remuneration

### 2.1 Powers of authority and processes

In accordance with the provisions of the Ordinance Against Excessive Pay at Stock Exchange Listed Companies (VegÜV), the Articles of Association give the General Meeting of Shareholders the authority (Art. 15a of the Articles of Association) each year to approve, in response to a proposal from the Board of Directors, the maximum total remuneration

- paid to the Board of Directors for the period up to the next AGM and
- the total remuneration paid to the Group Executive Board for the next financial year.

These prospective decisions by the General Meeting empower the Board of Directors to pay remuneration within the approved total maximum amounts.

In response to proposals by the Nomination and Remuneration Committee, the Board of Directors submits resolutions for approval by the General Meeting about the maximum overall amounts of remuneration paid to Members of the Board of Directors and Members of the Group Executive Board, as well as about the payment of individual remuneration (within the approved maximum overall amounts). The Board of Directors decides on the remuneration paid to the Chief Executive Officer (CEO), to the other Members of the Group Executive Board and to its own Members in response to the Nomination and Remuneration Committee's proposals.

The compensation paid to the Board of Directors and the Group Executive Board is regularly reviewed in response to proposals by the Nomination and Remuneration Committee and after considering the market situation.

### 2.2 Nomination and Remuneration Committee's duties and powers of authority

The duties, tasks and areas of responsibility of the Nomination and Remuneration Committee (NRC) include:

- Preparing and recommending succession planning proposals for the Board of Directors and Group Executive Board;
- Recommendations on Implenla Group's underlying remuneration policy;
- Recommendations on proposals to the General Meeting of Shareholders that relate to the remuneration of the Board of Directors and Group Executive Board;
- Recommendations on the remuneration of individual Members of the Board of Directors and of the Group Executive Board within the parameters decided by the General Meeting of Shareholders;
- Regular assessment of the CEO's performance and inspection of the assessments made of other Members of the Group Executive Board.

The NRC has a support and advisory role. Authority to decide on the proposals to be made to the General Meeting about the maximum total amounts and to decide on the payment of individual remuneration within these total amounts rests with the Board of Directors unless expressly ruled otherwise.

The NRC consists of at least two Members of the Board of Directors. The CEO, the CFO and the Head of Human Resources Group usually attend the meetings of the NRC as guests and support its work. They do not participate in voting and are not present when their own remuneration is discussed or performance appraised.

The NRC meets at least twice a year. At the start of the year the degree to which targets were achieved in the previous year, and the targets for the current year are discussed. The CEO presents a proposal for appraisal and remuneration of Members of the Group Executive Board. The chairs of the committees immediately notify the Chairman of the Board of Directors about the committees' significant discussions and decisions, unless he was involved in them himself, and report them to the next meeting of the Board of Directors; committee chairs are responsible for ensuring that proposals are submitted to the Board of Directors in good time, and they represent these proposals in the name of their committee.

### 3. Remuneration policy and structure

#### 3.1 Remuneration policy principles

Implenia's remuneration structure, which applies to all employees, has several levels and is based on a modern, transparent, performance-oriented remuneration policy. Remuneration at Implenia

- is fair, appropriate, transparent and competitive.
- establishes a link to long-term sustainable corporate development.
- takes account of the level of responsibility, the quality of the work and the size of the workload for each function.
- puts the company in a position to attract and retain highly qualified staff so that it can reach its strategic goals.

The remuneration structure includes fixed and performance-related remuneration components that are aligned to the corporate strategy, and that take account of the competition and the growth dynamic, as well as reflecting Implenia's functional level model. The performance-related component is determined by the annual target setting and performance appraisal process.

The individual remuneration depends on the area of responsibility and the complexity of the function. The remuneration structures are designed to ensure that remuneration is closely pegged to the relevant market medians. At the individual level, the annual target income is usually set within a range of 80% to 120% of the market median. The most important factor when calculating the salary is the employee's overall performance. Since 2012, Implenia has operated a formalised annual target setting and performance appraisal process.

### 3.2 Remuneration structure for the Board of Directors

The size, basis, and components of the remuneration paid to the Board of Directors are based on the Regulation on Compensating Members of the Board of Directors of Implenla Ltd. The remuneration structure for the Board of Directors is reviewed regularly.

The total remuneration paid to the Board of Directors must not exceed the maximum total amount approved by the General Meeting for the period concerned.

The remuneration paid to Members of the Board of Directors was reviewed during the year under review by the Nomination and Remuneration Committee and compared with selected Swiss companies on the basis of benchmark analyses.

Members of the Board of Directors receive an annual fixed remuneration. There is no performance-related component to their remuneration. The amount of remuneration for each function (Chairman, Vice Chairman, Chair of the Audit Committee, Member) is set after taking account of the entitlements detailed in the Regulation on Compensating Members of the Board of Directors. Based on the above-mentioned market analysis, the regulation was modified in so far as the lump-sum remuneration paid to the Chairman of the Board of Directors was raised with effect from the 2016/17 year of office from CHF 340,000 to CHF 420,000 per year served. Otherwise, the remuneration of the Board of Directors remained unchanged. The regulation thus stipulates lump-sum remuneration of CHF 420,000 for the Chairman of the Board of Directors, while the Vice Chair and the Chair of the Audit Committee are still paid a lump sum of CHF 170,000, and the other Members of the Board of Directors still receive CHF 130,000. Two-thirds of this remuneration is paid in cash and one-third in the form of shares.

The number of shares is calculated by taking the average price of Implenla Ltd. shares during the month of December in the relevant year of office. The allocation is made on the first trading day in January. This is based on an amendment to the Regulation on Compensating Members of the Board of Directors that was agreed by the Board of Directors in 2015 and takes effect from the 2016/17 term of office. According to the old regulation, the number of shares was calculated by taking the average price of Implenla Ltd. shares during the month of April.

The share portion due to Members of the Board of Directors for the first quarter of the year under review was therefore still based on the average price of Implenla Ltd. shares in April 2016, as stipulated by the old Regulation on Compensating Members of the Board of Directors. The shares are blocked for a period of three years from allocation. The block continues to apply even after a person has left the Board, except in cases of disability and death.

No severance payments were made as a result of the departures from the Board of Hubert Achermann, Patrick Hünenwadel or Hans-Beat Gürtler. No joining bonus was paid to Hans Ulrich Meister, Ines Pöschel, Kyrre Olaf Johansen or Laurent Vulliet, who all joined the Board of Directors at the Annual General Meeting of Shareholders on 22 March 2016.

Function	Total CHF	Of which in Implenla Ltd. shares*
Chairman of the Board of Directors	420 000	1/3
Vice Chairman	170 000	1/3
Chair of the Audit Committee	170 000	1/3
Other Members of the Board of Directors	130 000	1/3

\* Average price for December

## Expenses

Members of the Board of Directors have their expenses reimbursed based on the Regulation on Compensating Members of the Board of Directors of Implenla Ltd. and in line with the rules for the Members of the Group Executive Board (see 3.3).

## Pension benefits

Statutory and regulatory social security contributions due on remuneration paid to Members of the Board of Directors are paid by Implenla Ltd.

### 3.3 Remuneration structure for Group Executive Board

Remuneration paid to the Members of the Group Executive Board is reviewed annually based on the principles described under 3.1. As well as a market comparison, function, performance, experience and effort are taken into account. Discretion is used in the weighting of these criteria.

The remuneration of the Members of the Group Executive Board is also reviewed by external consultants to ensure it is competitive, appropriate and in line with the market. The last detailed review was carried out in 2013 by the global business consultancy Hay Group. This was done using a reference market of eight companies that have recruited from Switzerland's top executive market to fill similar roles. The emphasis here is on companies from industrial sectors, or those providing services to industry, that are comparable to Implenit Ltd. in size (number of employees, turnover) and business activity. The reference market included ABB Ltd., Forbo Holding AG, Geberit International AG, Holcim Ltd. (now LafargeHolcim Ltd.), Kühne + Nagel International AG, Rieter Holding AG, Schindler Holding AG and Sika AG. With companies of different size to Implenit, comparability is achieved by using the Hay Group Chart-Profile Method, which eliminates potential distortions. The Hay Group had no further mandates with Implenit. There is no reason to believe that the remuneration of the management of the companies used for reference has changed significantly in the meantime.

The remuneration paid to Members of the Group Executive Board is made up of three components: a fixed basic salary in cash, a variable performance-related salary in cash, and remuneration in shares. The share component is paid as a fixed number of shares which are blocked for three years. The CEO's remuneration is based on the same principles as those used for the other Members of the Group Executive Board, apart from the share portion, which is paid in six equal tranches over three years on 30 June and 31 December each year. If the employment contract is terminated, the claim to any shares not yet transferred is forfeited from the beginning of the notice period.

The total remuneration paid to the Group Executive Board must not exceed the maximum total amount approved by the General Meeting for the financial year concerned.



According to Art. 15a Para. 5 of the Articles of Association, the company is authorised to pay Members of the Group Executive Board who join or take on additional responsibilities during a period for which the Group Executive Board's remuneration has already been approved an additional amount of no more than 50% of the applicable total amount of remuneration paid to the Group Executive Board if the overall amount approved for the period in question is insufficient to pay the new Members. The additional amount does not have to be approved by the General Meeting and may be used by the company for all types of remuneration. As a result of the amendments to the Articles of Association made by the Annual General Meeting of Shareholders on 24 March 2015 at the request of the Board of Directors, the remuneration of a new Member of the Group Executive Board or of a Member of the Group Executive Board who takes on additional tasks is capped to ensure their remuneration is not more than 25% higher than the maximum remuneration of the Chief Executive Officer (CEO) in the preceding fiscal year.

### **Basic salary in cash**

The basic salary in cash is paid out every month in equal instalments and accounts for around 55% of annual target income when the employment contract is signed.

### **Variable salary in cash**

The variable salary in cash is a payment partly for achieving individual qualitative goals, and partly for reaching the company's financial targets. The variable salary in cash is paid as a percentage (around 20% on contract signing) of the annual target income and is based on predefined performance benchmarks. It is only paid if the defined performance targets are achieved. Exceeding or failing to achieve one or all of the targets leads to an increase (up to a maximum of 200%) or a reduction (down to 0%) of this remuneration component.

The variable salary in cash depends on the attainment of previously defined personal, qualitative targets in accordance with Management by Objectives (30%), and on the achievement of Implenla Ltd.'s financial targets (70%). These financial targets are determined on the basis of the annual budget of Implenla Ltd. The basis for assessment is made up of:

- a) 50%: achievement of the budgeted Group EBITDA
- b) 50%: achievement of the budgeted invested capital at Group level.

Once the annual results are available the CEO assesses the extent to which the Members of the Group Executive Board have achieved their defined performance targets. The Chairman of the Board of Directors makes the same assessment for the CEO. In both cases, the decision on remuneration rests with the Board of Directors.

Shares are allocated as a fixed number of shares that cannot be changed for the duration of the contract. The share component is defined as a percentage – around 25% – of annual target income when the employment contract is signed. The value of the allocated shares in Swiss francs is calculated using the closing price on the SIX Swiss Exchange Ltd. on the last trading day of the financial year (for 2016: 30 December 2016). The shares are transferred at the end of the reporting period. The value of shares allocated to the CEO at the end of June or December is based on the closing price on the last trading day of June or December (see table on p. 191). The shares may not be sold or pledged or be encumbered in any other way during the three-year period following allocation. The blocking period carries on even if the employment relationship ends. This restriction on the right of disposal does not affect dividends, subscription rights for capital increases or the exercise of voting rights.

### **Expenses**

As well as the expenses rules that apply to all employees, Members of the Group Executive Board are also covered by additional rules for senior employees to provide lump-sum compensation for entertainment and out-of-pocket expenses. Both sets of rules are approved by the responsible cantonal tax authorities.

### **Pension benefits**

There are no special pension benefits for Members of the Group Executive Board. Pension and social costs comprise the employer's contribution to social insurance and to the mandatory and supplementary occupational benefits cover. The share component of remuneration is not insured by the pension fund.

### **Employment contracts**

Members of the Group Executive Board have permanent employment contracts that can be terminated on notice of 12 months at most. They are not entitled to contractual joining or leaving payments ("golden parachutes", "golden handshakes", etc.).

### **3.4 Changes in the remuneration structure for the 2017 and 2018 financial years**

Implenia Ltd.'s current transparent remuneration structure has proven effective. The Board of Directors believes that the objectives of fair, appropriate, transparent and competitive remuneration at all levels of the Implenia Group have been achieved. The remuneration structure also creates the greatest possible link to long-term sustainable corporate development. Consequently, no significant changes are envisaged for the remuneration structure for the 2017 and 2018 financial years.

## **4. Actual remuneration paid to the Board of Directors and Group Executive Board in 2016**

### **4.1 Remuneration for current company officers**

The total of all remuneration paid to Members of the Board of Directors during the year under review is CHF 1.2 million (prior year: CHF 1.2 million).

The General Meeting of Shareholders of 24 March 2015 authorised a maximum overall remuneration for the Board of Directors of CHF 1.5 million for the period until the next Annual General Meeting, and this stipulation was followed. The AGM on 22 March 2016 then approved a maximum overall remuneration for the Board of Directors of CHF 1.5 million for the period up to the 2017 Annual General Meeting of Shareholders. The amount actually paid out will be disclosed in the 2017 Annual Report. The total remuneration paid to the Board of Directors is more or less the same as in 2015.

## REMUNERATION REPORT

The total of all remuneration paid to serving Members of the Board of Directors during the year under review is as follows:

### Board of Directors

	Basic fees		Entitlement and allocated shares <sup>1</sup>				Social security expenses		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	CHF 1000	CHF 1000	Number <sup>2</sup>	Number <sup>3</sup>	CHF 1000 <sup>4</sup>	CHF 1000 <sup>4</sup>	CHF 1000	CHF 1000	CHF 1000	CHF 1000
	gross	gross			gross	gross				
Hans Ulrich Meister, Chairman (from 22.03.2016)	210	–	1,516	–	88	–	34	–	<b>332</b>	–
Calvin Grieder, Member	107	87	789	653	45	36	19	18	<b>171</b>	141
Chantal Balet Emery, Member	87	87	645	653	36	36	13	18	<b>136</b>	141
Kyrre Olaf Johansen, Member (from 22.03.2016)	65	–	470	–	27	–	11	–	<b>103</b>	–
Henner Mahlstedt, Member	107	65	789	490	45	27	19	14	<b>171</b>	106
Ines Pöschel, Member (from 22.03.2016)	65	–	470	–	27	–	11	–	<b>103</b>	–
Laurent Vulliet, Member (from 22.03.2016)	65	–	470	–	27	–	11	–	<b>103</b>	–
Members of the Board of Directors who left										
– Hubert Achermann, Chairman (until 03.02.2016)	21	198	168	1,495	9	83	4	40	<b>34</b>	321
– Hans-Beat Gürtler, Vice-Chairman (until 22.03.2016)	28	113	229	854	12	48	4	18	<b>44</b>	179
– Patrick Hünerwadel, Member (until 22.03.2016)	28	107	229	804	12	45	6	22	<b>46</b>	174
– Markus Dennler, Chairman (until 24.03.2015) <sup>5</sup>	–	57	–	427	–	24	–	11	–	92
<b>Total</b>	<b>783</b>	<b>714</b>	<b>5,775</b>	<b>5,376</b>	<b>328</b>	<b>299</b>	<b>132</b>	<b>141</b>	<b>1,243</b>	<b>1,154</b>

1 Implemia Ltd. shares, security number 2386855, nominal value CHF 1.02.

2 The calculation was based on the average rate for April in the first quarter of 2016 and on that for December in the second to fourth quarters of the year. The shares for the second to fourth quarters were transferred on 3 January 2017. They were included as a component of the remuneration for the year under review.

3 Calculation based on average rate for April of the year under review.

4 Amounts based on discounted fair market value.

5 Not holding office in the year under review.

The total of all remuneration paid to Members of the Group Executive Board during the year under review is CHF 7.7 million (prior year: CHF 7.5 million). The amounts shown in the table below include remuneration paid to Members who left the Group Executive Board during the period under review. There was very little change compared to the previous year.

During the year under review Anton Affentranger waived his right to the 8,000 shares he is entitled to under his employment contract as at 31 December 2016. In the previous year, he irrevocably waived his right to the whole CHF 0.3 million of variable remuneration due to him. The ratio of variable compensation to total compensation paid to the Group Executive Board (value at grant) averaged 21% (previous year: 15%).

The General Meeting of Shareholders of 24 March 2015 authorised a maximum overall remuneration for the Group Executive Board and Extended Executive Board of CHF 13.5 million, and this stipulation was followed; no use was made of any additional amount as provided for by Art. 15a Para. 5 of the Articles of Association.

### Group Executive Board

	Fixed remuneration	Variable remuneration <sup>1</sup>	Definitely allocated shares <sup>2</sup>		Social security expenses <sup>9</sup>	Total <sup>10</sup>
	CHF 1000	CHF 1000	Number	CHF 1000	CHF 1000	CHF 1000
	gross	gross		gross		
Anton Affentranger						
2016 <sup>3</sup>	900	450	17,000	958	380	<b>2,688</b>
2015 <sup>4</sup>	900	–	25,000	1,085	310	<b>2,295</b>
Other members of the Group Executive Board						
2016 <sup>5</sup>	1,415	742	17,750	1,122	656	<b>3,935</b>
2015 <sup>6</sup>	1,624	672	19,700	845	593	<b>3,734</b>
Former members of the Group Executive Board						
2016 <sup>7</sup>	620	196	2,300	145	139	<b>1,100</b>
2015 <sup>8</sup>	727	282	4,667	196	289	<b>1,494</b>
<b>Total 2016</b>	<b>2,935</b>	<b>1,388</b>	<b>37,050</b>	<b>2,225</b>	<b>1,175</b>	<b>7,723</b>
<b>Total 2015</b>	<b>3,251</b>	<b>954</b>	<b>49,367</b>	<b>2,126</b>	<b>1,192</b>	<b>7,523</b>

1 Paid in subsequent year. In 2015, one-off payments of CHF 300,000 were attributed.

2 Implemia Ltd. shares, security number 2386855, nominal value CHF 1.02.

3 Amounts based on closing price when shares allocated on 30.6.2016 and at year-end 2016.

4 Amounts based on closing price when shares allocated on 30.6.2015 and at year-end 2015.

5 Amounts based on closing price when shares allocated at year-end 2016.

6 Amounts based on closing price when shares allocated at year-end 2015.

7 Amounts based on closing price when shares allocated at year-end 2016.

8 Amounts based on closing price when shares allocated on 31.10.2015 and at year-end 2015.

9 Including pension contributions.

10 Anton Affentranger has irrevocably waived of his right to 8'000 shares at a value of CHF 0,5 million (previous year: waiver of his right to variable remuneration of CHF 0,3 million).

### 4.2 Remuneration for former company officers

No payments were made during the year under review to former Members of the Board of Directors or Group Executive Board.

### 4.3 Allocation of shares in the year under review

In 2016, a total of 37,050 shares were allocated to Members of the Group Executive Board (prior year: 49,367). In 2016, a total of 5,775 shares were allocated to non-executive Members of the Board of Directors (prior year: 5,376).

### 4.4 Options

Implenia Ltd. has no stock-option remuneration scheme. Neither the Members of the Group Executive Board nor Members of the Board of Directors were given options.

### 4.5 Additional fees and severance payments

Overall additional fees and remuneration invoiced by Members of the Group Executive Board or the Board of Directors, or related persons, in the 2016 financial year amounted to CHF 0 (prior year: CHF 0).

Members of the Group Executive Board and the Board of Directors, and related persons, did not receive any fees or other payments for additional services performed for Implenia Ltd. or its group companies in the 2016 financial year.

No contractual severance payments were paid to Members of the Group Executive Board or Members of the Board of Directors.

### 4.6 Highest total remuneration

The Member of the Group Executive Board with the highest total remuneration is shown in the table under 4.1.

## 5. Shareholdings and management loans

### 5.1 Shares held by Members of the Board of Directors

As at 31 December 2016, the number of shares held by people serving as non-executive Members of the Board of Directors during the year under review, as well as by related persons, totalled 20,611, or 0.1% of the share capital (prior year: 34,833 shares or 0.2%). This figure includes any shares acquired in a private capacity. See also the Notes to Implenia Ltd.'s financial statements on page 312.

#### Board of Directors

	Number of shares, as at			Shares blocked until	
	31.12.2016 <sup>1</sup>	31.12.2015	2017	2018	2019
Hans Ulrich Meister, Chairman	–	–	–	–	–
Calvin Grieder, Member	2,163	1,988	678	653	175
Chantal Balet Emery, Member	2,263	2,088	678	653	175
Kyrre Olaf Johansen, Member	–	–	–	–	–
Henner Mahlstedt, Member	1,165	490	–	490	175
Ines Pöschel, Member	750	–	–	–	–
Laurent Vulliet, Member	–	–	–	–	–
Members of the Board of Directors who left	14,270	30,267	4,904	3,580	626
<b>Total</b>	<b>20,611</b>	<b>34,833</b>	<b>6,260</b>	<b>5,376</b>	<b>1,151</b>

<sup>1</sup> The shares allocated for the 2016/17 year of office (see table under Para. 4.1) were transferred on 3 January 2017, meaning that they are not included in the holdings as at 31 December 2016.

### 5.2 Shares held by Members of the Group Executive Board

As at 31 December 2016, the number of shares held by persons who served as Members of the Group Executive Board during the year under review, as well as by related persons, was 367,257, or 2% of the share capital (prior year: 359,494 shares, or 1.9%). This figure includes any shares acquired in a private capacity. See also the Notes to Implenla Ltd.'s financial statements on page 313.

#### Group Executive Board

	Number of shares, as at		Shares blocked until		
	31.12.2016	31.12.2015	2017	2018	2019
Anton Affentranger, CEO	271,840	263,840	12,500	25,000	17,000
Beat Fellmann, CFO and Head of Corporate Center	43,500	41,500	10,000	10,000	10,000
Christof Gämperle, Member and Business Unit Head of Construction German-speaking Switzerland	9,813	8,763	2,543	2,500	2,500
René Kotacka, Member and Business Unit Head of Infrastructure	6,076	5,314	655	2,671	2,750
André Métrol, Member and Business Unit Head of Construction French-speaking Switzerland	9,882	7,382	2,337	2,500	2,500
Members of the Group Executive Board who left	26,146	32,695	9,249	6,967	4,600
<b>Total</b>	<b>367,257</b>	<b>359,494</b>	<b>37,284</b>	<b>49,638</b>	<b>39,350</b>

### 5.3 Loans to management bodies

No loans have been granted to any Members of the Board of Directors, or any members of the Group Executive Board, or to related persons.

Implenia Ltd. and its group companies have not granted any collateral, loans, advances or credit facilities to the Members of the Board of Directors or the Group Executive Board, or to related persons.

## 6. Approval of the Remuneration Report

This Remuneration Report provides full transparency for the 2016 financial year with regard to Implenla Ltd.'s remuneration arrangements and remuneration paid to the Group Executive Board and Board of Directors. The Board of Directors will submit the Remuneration Report to the Annual General Meeting of 22 March 2017 for consultative approval.



# Report of the statutory auditor on the 2016 Remuneration Report



## Statutory auditor's report to the General Meeting of Shareholders on the 2016 Remuneration Report

We have audited the remuneration report of Implenia AG for the year ended 31 December 2016. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the chapter 4 and 5.3.

### Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

### Auditor's responsibility

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

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

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

### Opinion

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

PricewaterhouseCoopers AG

Christian Kessler  
Audit expert, Auditor in charge

Diego J. Alvarez  
Audit expert

Zürich, 22 February 2017



**Consolidated financial statements of the Implenía Group** — Consolidated income statement 198 — Consolidated statement of comprehensive income 199 — Consolidated balance sheet 200 — Consolidated statement of changes in equity 202 — Consolidated cash flow statement 204 — Notes to the consolidated financial statements of Implenía 206 — Report of the statutory auditor on the consolidated financial statements 296

**Statutory financial statements of Implenía Ltd.** — Income statement 305 — Balance sheet 306 — Notes to the statutory financial statements 308 — Report of the statutory auditor on the financial statements 316



## Consolidated income statement

		1.1. – 31.12.2016	1.1. – 31.12.2015
	Notes	CHF 1,000	CHF 1,000
Consolidated revenue	5	<b>3,266,986</b>	3,288,200
Materials and subcontractors	6	<b>(2,006,170)</b>	(2,058,893)
Personnel expenses	7	<b>(869,434)</b>	(850,667)
Other operating expenses	9	<b>(231,356)</b>	(224,004)
Depreciation and amortisation		<b>(68,277)</b>	(81,424)
Income from associates	19	<b>6,158</b>	6,724
<b>Operating income</b>	5	<b>97,907</b>	79,936
Financial expenses	10	<b>(14,921)</b>	(14,958)
Financial income	10	<b>2,926</b>	4,849
<b>Profit before tax</b>		<b>85,912</b>	69,827
Tax	11	<b>(21,459)</b>	(17,809)
<b>Consolidated profit</b>		<b>64,453</b>	52,018
<b>Attributable to:</b>			
Shareholders of Implenla Ltd.		<b>59,817</b>	48,405
Non-controlling interests		<b>4,636</b>	3,613
<b>Earnings per share (CHF)</b>			
Basic earnings per share	27	<b>3.27</b>	2.64
Diluted earnings per share	27	<b>3.03</b>	2.56

The accompanying notes form part of the consolidated financial statements.

## Consolidated statement of comprehensive income

		1.1.–31.12.2016	1.1.–31.12.2015
	Notes	CHF 1,000	CHF 1,000
<b>Consolidated profit</b>		<b>64,453</b>	52,018
Remeasurement of post-employment benefits	24	17,277	(38,037)
Income tax on remeasurement of post-employment benefits		(4,102)	8,755
<b>Total items that will not be reclassified to income statement in the future</b>		<b>13,175</b>	(29,282)
Fair value adjustments on financial instruments		291	405
Changes from cash flow hedges		(140)	(2)
Foreign exchange differences		(1,530)	(12,644)
<b>Total items that will be reclassified to income statement in the future</b>		<b>(1,379)</b>	(12,241)
<b>Other comprehensive income</b>		<b>11,796</b>	(41,523)
<b>Attributable to:</b>			
Shareholders of Implenla Ltd.		11,749	(40,974)
Non-controlling interests		47	(549)
<b>Total comprehensive income</b>		<b>76,249</b>	10,495
<b>Attributable to:</b>			
Shareholders of Implenla Ltd.		71,566	7,431
Non-controlling interests		4,683	3,064

The accompanying notes form part of the consolidated financial statements.

## Consolidated balance sheet

ASSETS		31.12.2016	31.12.2015 <sup>1</sup>
	Notes	CHF 1,000	CHF 1,000
Cash and cash equivalents		791,703	877,108
Marketable securities and derivative financial instruments		1,861	456
Trade receivables	12	604,985	589,155
Work in progress	13	314,398	302,520
Joint ventures (equity method)	14.1	37,190	51,254
Other receivables	15	61,995	51,835
Raw materials and supplies		49,929	45,090
Real estate transactions	16	185,631	196,087
Accrued income and prepaid expenses		16,933	27,971
<b>Total current assets</b>		<b>2,064,625</b>	<b>2,141,476</b>
Property, plant and equipment	17	288,869	296,293
Investment property	18	14,641	15,084
Investments in associates	19	52,623	60,736
Other financial assets	20	10,400	9,915
Pension assets	24	6,436	133
Intangible assets	21	190,051	200,436
Deferred tax assets	25	1,532	6,593
<b>Total non-current assets</b>		<b>564,552</b>	<b>589,190</b>
<b>Total assets</b>		<b>2,629,177</b>	<b>2,730,666</b>

1 The comparative information has been adjusted, see note 2.3

EQUITY AND LIABILITIES		31.12.2016	31.12.2015 <sup>1</sup>
	Notes	CHF 1,000	CHF 1,000
Derivative financial instruments		172	122
Financial liabilities	22	1,743	203,450
Trade payables		415,098	393,782
Work in progress	13	753,706	762,240
Joint ventures (equity method)	14.1	28,717	48,437
Other liabilities		71,390	80,835
Tax liabilities		39,929	38,609
Prepaid income and accrued expenses		123,542	128,713
Provisions	23	6,749	11,017
<b>Total current liabilities</b>		<b>1,441,046</b>	<b>1,667,205</b>
Financial liabilities	22	413,663	285,552
Other liabilities		1,900	1,900
Deferred tax liabilities	25	68,078	84,384
Pension liabilities	24	11,220	37,994
Provisions	23	27,764	29,855
<b>Total non-current liabilities</b>		<b>522,625</b>	<b>439,685</b>
Share capital	26	18,841	18,841
Treasury shares	26	(5,498)	(8,833)
Reserves		571,618	547,048
Consolidated profit attributable to shareholders		59,817	48,405
<b>Equity attributable to shareholders</b>		<b>644,778</b>	<b>605,461</b>
Non-controlling interests		20,728	18,315
<b>Total equity</b>		<b>665,506</b>	<b>623,776</b>
<b>Total equity and liabilities</b>		<b>2,629,177</b>	<b>2,730,666</b>

1 The comparative information has been adjusted, see note 2.3

The accompanying notes form part of the consolidated financial statements.

## Consolidated statement of changes in equity

	Share capital	Treasury shares	
	CHF 1,000	CHF 1,000	
<b>Equity as at 1.1.2016</b>	18,841	(8,833)	
Consolidated profit	–	–	
Other comprehensive income	–	–	
<b>Total comprehensive income</b>	–	–	
Dividends	–	–	
Change in treasury shares	–	3,335	
Share-based payments	–	–	
Change in non-controlling interests	–	–	
Purchase of non-controlling shares	–	–	
<b>Total other changes in equity</b>	–	3,335	
<b>Total equity as at 31.12.2016</b>	18,841	(5,498)	>
<b>Equity as at 1.1.2015</b>	18,841	(8,405)	
Consolidated profit	–	–	
Other comprehensive income	–	–	
<b>Total comprehensive income</b>	–	–	
Dividends	–	–	
Change in treasury shares	–	(428)	
Share-based payments	–	–	
Change in non-controlling interests	–	–	
Equity component of convertible bond	–	–	
<b>Total other changes in equity</b>	–	(428)	
<b>Total equity as at 31.12.2015</b>	18,841	(8,833)	>

The accompanying notes form part of the consolidated financial statements.



&gt;

Reserves				Total shareholders' equity	Non-controlling interests	Total equity
Capital reserves	Foreign exchange differences	Cash flow hedge reserves	Retained earnings			
CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
92,775	(35,807)	(2)	538,487	<b>605,461</b>	18,315	<b>623,776</b>
–	–	–	59,817	<b>59,817</b>	4,636	<b>64,453</b>
–	(1,582)	(140)	13,471	<b>11,749</b>	47	<b>11,796</b>
–	(1,582)	(140)	73,288	<b>71,566</b>	4,683	<b>76,249</b>
–	–	–	(34,735)	<b>(34,735)</b>	(1,176)	<b>(35,911)</b>
2,152	–	–	(3,118)	<b>2,369</b>	–	<b>2,369</b>
–	–	–	3,118	<b>3,118</b>	–	<b>3,118</b>
–	–	–	284	<b>284</b>	1,170	<b>1,454</b>
(3,285)	–	–	–	<b>(3,285)</b>	(2,264)	<b>(5,549)</b>
(1,133)	–	–	(34,451)	<b>(32,249)</b>	(2,270)	<b>(34,519)</b>
91,642	(37,389)	(142)	577,324	<b>644,778</b>	20,728	<b>665,506</b>

&gt;

77,546	(23,870)	–	551,679	<b>615,791</b>	13,998	<b>629,789</b>
–	–	–	48,405	<b>48,405</b>	3,613	<b>52,018</b>
–	(12,095)	(2)	(28,877)	<b>(40,974)</b>	(549)	<b>(41,523)</b>
–	(12,095)	(2)	19,528	<b>7,431</b>	3,064	<b>10,495</b>
–	–	–	(32,948)	<b>(32,948)</b>	(575)	<b>(33,523)</b>
219	–	–	(2,831)	<b>(3,040)</b>	–	<b>(3,040)</b>
–	–	–	2,831	<b>2,831</b>	–	<b>2,831</b>
(168)	158	–	228	<b>218</b>	1,828	<b>2,046</b>
15,178	–	–	–	<b>15,178</b>	–	<b>15,178</b>
15,229	158	–	(32,720)	<b>(17,761)</b>	1,253	<b>(16,508)</b>

&gt;

92,775	(35,807)	(2)	538,487	<b>605,461</b>	18,315	<b>623,776</b>
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## Consolidated cash flow statement

		1.1. – 31.12.2016	1.1. – 31.12.2015
	Notes	CHF 1,000	CHF 1,000
<b>Consolidated profit</b>		<b>64,453</b>	52,018
Tax	11	<b>21,459</b>	17,809
Financial result	10	<b>11,995</b>	10,109
Depreciation and amortisation		<b>68,277</b>	81,424
Result from sale of non-current assets		<b>(6,534)</b>	(648)
Income and distribution from associates		<b>(1,568)</b>	(2,615)
Change in provisions		<b>(6,351)</b>	(1,465)
Change in pension assets and liabilities		<b>(14,496)</b>	(4,168)
Change in net working capital			
Change in trade and other receivables		<b>(22,622)</b>	13,004
Change in work in progress (net), raw materials and supplies		<b>(25,491)</b>	(13,534)
Change in real estate transactions		<b>10,456</b>	33,276
Change in trade payables and other liabilities		<b>13,033</b>	(11,191)
Change in accruals and joint ventures (equity method)		<b>(2,353)</b>	6,724
Interest paid		<b>(9,718)</b>	(10,803)
Interest received		<b>687</b>	735
Tax paid		<b>(38,798)</b>	(25,481)
<b>Cash flow from operating activities</b>		<b>62,429</b>	145,194
Investments in property, plant and equipment		<b>(59,375)</b>	(55,554)
Disposals of property, plant and equipment	17	<b>14,182</b>	13,326
Investments in other financial assets and associates		<b>(3,430)</b>	(501)
Disposals of other financial assets and associates		<b>16,298</b>	2,853
Investments in intangible assets		<b>(47)</b>	(1,757)
Proceeds from sale of intangible assets		–	–
Acquisition of subsidiaries	2.3	<b>(2,115)</b>	(87,383)
<b>Cash flow from investing activities</b>		<b>(34,487)</b>	(129,016)

	1.1.–31.12.2016	1.1.–31.12.2015
	CHF 1,000	CHF 1,000
Increase in financial liabilities	125,845	157,308
Repayment of financial liabilities	(204,445)	(2,635)
Equity raised through convertible bond	–	15,178
Change in treasury shares	5,487	(209)
Dividends	(34,735)	(32,948)
Cash flow with non-controlling interests	(6,725)	(575)
<b>Cash flow from financing activities</b>	<b>(114,573)</b>	<b>136,119</b>
Foreign exchange differences on cash and cash equivalents	1,226	(6,723)
<b>Change in cash and cash equivalents</b>	<b>(85,405)</b>	<b>145,574</b>
Cash and cash equivalents at the beginning of the period	877,108	731,534
<b>Cash and cash equivalents at the end of the period</b>	<b>791,703</b>	<b>877,108</b>

The accompanying notes form part of the consolidated financial statements.

## **Notes to the consolidated financial statements of Implenla**

### **1 General information**

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Implenia Ltd. is a Swiss public limited company incorporated in Dietlikon, Zurich. The shares of Implenla Ltd. are listed on the SIX Swiss Exchange (ISIN CH002 386 8554, IMPN).

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

Implenia's business activities are described in note 5.

The consolidated financial statements as at 31 December 2016 were approved by the Board of Directors of Implenla Ltd. on 22 February 2017 for submission to the General Meeting. In accordance with Art. 698 of the Swiss Code of Obligations, the General Meeting must approve the consolidated financial statements. The consolidated financial statements were audited by the statutory auditor PricewaterhouseCoopers Ltd., Zurich.

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

### **2 Summary of significant accounting policies**

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The consolidated financial statements of Implenla have been prepared in accordance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB). 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.

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## 2.1 Changes to accounting policies

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The accounting policies applied to the 2016 consolidated financial statements are identical to those applied to and described in the financial report 2015, with the exception of the amended interpretation on the Presentation of Financial Statements (IAS 1). The application of the new interpretation did not have any material impact on these consolidated financial statements.

The International Accounting Standard Board (IASB) published the following for Implenla relevant new standards that are not compulsory for the 2016 financial year. We did not opt for early application of these standards.

- IFRS 15 Revenue from Contracts with Customers
- IFRS 9 Financial Instruments
- IFRS 16 Leases

The impact of the new standards is presented below.

### **IFRS 15 Revenue from Contracts with Customers**

The new standard IFRS 15 “Revenue from Contracts with Customers” will be applied from 1 January 2018. The provisions envisage a five-step model for recognising revenue, which is applicable to all contracts with customers. Revenue for services supplied is to be recognised in the amount of the expected consideration. The point in time or period for recognising revenue is based on the transfer of control to the customers.

Analysis by Implenla has revealed two possible deviations from current practice. Firstly, it is possible that for the construction of condominiums on its own land, revenue must now be recognised over time – similar to the percentage-of-completion method. Previously revenue from the construction of condominiums was recognised at the time ownership was transferred (entry in the official land register). Secondly, consideration of additional requirements and changes to orders in contract revenue may be subject to more stringent requirements.

A reliable assessment of the impact can only be undertaken after detailed analysis of existing contracts. On the basis of this analysis, management will decide whether the full retrospective or the modified retrospective conversion method will be applied. With the modified approach, the previous year’s figures are not adjusted and the cumulative effect from the first-time application of IFRS 15 is recognised in retained earnings.

## **Notes to the consolidated financial statements of Implenla**

### **IFRS 9 Financial Instruments**

The new standard IFRS 9 “Financial Instruments” will be applied from 1 January 2018. It contains guidelines on the classification and measurement of financial assets and liabilities. According to IFRS 9, equity instruments are generally accounted for at fair value. For equity instruments not held for trading, management has to choose irrevocably whether gains and losses from measurement at fair value will be shown in the income statement or in other comprehensive income in the future when the new standard comes into effect. The calculation of impairment charges on financial assets is now based on a forward-looking approach. Implenla does not expect the amendments to have any material impact on the consolidated financial statements.

### **IFRS 16 Leases**

The new standard concerning leases will be applied from 1 January 2019. Under the new regulation, all assets and liabilities arising from leases must be recognised on the balance sheet unless the lease term is not more than twelve months or the asset is of minor value. Implementation of the new standard will lead to the balance sheet being extended by capitalising the leased assets and reporting lease obligations as liabilities.

Implenla has material leases for real estate, large-scale equipment, vehicles and small machinery as well as site equipment. Current analysis shows that a large number of leases for small machinery and site equipment have a term of less than one year. These leases will not be posted on the balance sheet under the new standard either. The impact of long-term leases is currently being analysed.

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## 2.2 Principles of consolidation

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The consolidated financial statements of Implenla include the financial statements of Swiss-domiciled Implenla Ltd. and its subsidiaries. Subsidiaries are companies controlled by Implenla Ltd. Control is given when Implenla Ltd. is exposed to a fluctuating return on its investment in the subsidiary or has a right to this yield and can affect it through its ability to control the subsidiary. This is usually the case where Implenla Ltd. directly or indirectly controls more than 50 percent of the company's voting rights or the potential voting rights that can be exercised at any given time and thereby controls the relevant activities. Subsidiaries are consolidated from the date on which Implenla Ltd. obtains control over the company and deconsolidated from the date on which Implenla Ltd. loses control. Receivables, liabilities, transactions and unrealised gains between Group companies are completely eliminated from the consolidated accounts. Changes in ownership interests in subsidiaries that do not result in a change in control are recognised as a transaction in equity. Business combinations in which the Group assumes control over another company are accounted for under the acquisition method. The purchase price is calculated as the sum of the fair values of the assets transferred to the seller and the liabilities incurred or assumed at the time of the transaction. IFRS 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 the income statement. Transaction costs are recognised as an expense in the period in which they are incurred. Identifiable assets, liabilities and contingent liabilities acquired are recognised in the balance sheet at their acquisition-date fair value, irrespective of the size of the non-controlling interests. Any difference between the historical cost and the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill.

For joint operations, assets, liabilities, income and expenses are recognised in the consolidated statements proportionately to the share-ownership ratio. Joint operation is given if decisions about the relevant activities require the unanimous consent of the parties sharing control and if the parties have a right to the assets and an obligation for the liabilities of the joint operation. The consolidation principles for subsidiaries also apply to joint operations.

Investments in associates and joint ventures are accounted for under the equity method. Associates are companies in which Implenla holds 20 to 50 percent of the voting rights or over which Implenla can otherwise exercise significant influence. With joint ventures, structured through a separate vehicle in accordance with local legislation, the parties have a right to the net assets of the joint arrangement.

## **Notes to the consolidated financial statements of Implenla**

### **2.3 Material changes in the scope of consolidation**

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The Implenla Group acquired all shares of the minority shareholders (12.2 percent) in Implenla Norge AS in February 2016 and therefore holds 100 percent of the shares in the company. The purchase price amounted to CHF 5.3 million (NOK 47.2 million).

As at 2 March 2015, the Implenla Group acquired 100 percent of the shares in Bilfinger Construction GmbH, based in Wiesbaden, Germany. Bilfinger Construction GmbH and its subsidiaries are an expert in infrastructure construction, foundation engineering, civil engineering and tunnelling.

The purchase price amounted to CHF 144.9 million (EUR 135.9 million) and includes the acquisition of cash and cash equivalents of CHF 55.5 million (EUR 52.0 million). The outstanding purchase price payment of CHF 2.1 million was made in the reporting period. No variable components were agreed as part of the purchase price.

Based on the definitive purchase price allocation, the identifiable net assets amount to CHF 51.9 million. The goodwill from the transaction amounts to CHF 93.0 million and reflects assets acquired that cannot be capitalised such as market entry, customer relationships under public law, the expertise of the workforce and anticipated synergy effects. The goodwill acquired is not expected to be tax-deductible. The CHF 4.1 million costs associated with the acquisition were reported under other operating expenses in the income statement.

The definitive purchase price allocation includes adjustments in the remeasurement of the Norwegian project portfolio and therefore deviates from the provisional purchase price allocation detailed in the financial report 2015. As a result of these adjustments, other current liabilities have increased by CHF 7.3 million and other non-current liabilities decreased by CHF 2.2 million. This resulted in an increase in goodwill from CHF 87.9 million to CHF 93.0 million. The consolidated balance sheet as at 31 December 2015 was corrected retrospectively on the basis of the definitive purchase price.

The following overview shows the definitive purchase price allocation.



	2.3.2015
	CHF 1,000
Cash and cash equivalents	55,455
Trade receivables	63,628
Other current assets	66,108
Property, plant and equipment	67,283
Intangible assets	40,546
Other non-current assets	13,000
Trade payables	(30,983)
Current and non-current provisions	(13,852)
Other current liabilities	(161,355)
Other non-current liabilities	(47,800)
<b>Fair value identifiable net assets</b>	<b>52,030</b>
Non-controlling interests	(96)
<b>Fair value net assets acquired – share Implenla</b>	<b>51,934</b>
<b>Goodwill</b>	<b>92,961</b>
<b>Purchase price</b>	<b>144,895</b>
Cash and cash equivalents acquired	(55,455)
Outstanding purchase price payment	–
<b>Net cash outflow</b>	<b>89,440</b>

Bilfinger Construction GmbH had generated an operating result of CHF –5.7 million on revenue of CHF 559.8 million in the 2015 financial year. For the period from acquisition to 31 December 2015, Bilfinger Construction GmbH reported an operating result of CHF 3.9 million and revenue of CHF 487.9 million. There was also depreciation and amortisation from the disclosure of fair value in the amount of CHF 22.7 million.

## **Notes to the consolidated financial statements of Implenla**

### **2.4 Related parties**

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These comprise joint ventures, accounted for under the equity method, 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 Implenla (key management personnel), 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 (member of the Board of Directors or the Executive Committee) and explicitly, i.e. as part of his contractual duties, represents the interests of Implenla or acts as a representative of Implenla.

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

### **2.5 Foreign currencies**

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The consolidated financial statements of Implenla are denominated in Swiss francs (CHF). The functional currencies of the Group companies abroad are the respective local currencies. In the subsidiaries, foreign currency transactions are measured at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing on the balance sheet date. All foreign exchange differences are recognised in the income statements of the respective companies.

Income, expenses and cash flows of the consolidated companies are translated to CHF at the average rate for the reporting period. Balance sheet items are translated at the closing rate. Exchange differences relating to equity positions and non-current intra-Group financing transactions in connection with net investments in foreign subsidiaries are recognised directly within the exchange differences in other comprehensive income. These cumulative amounts of currency gains and losses recognised in equity are reclassified to the income statement upon loss of control.

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## 2.6 Revenue

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Consolidated revenue includes all income from the different activities of Implenla. In General Contracting and Construction Works, 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 performed that is actually performed in the financial year. Future expected losses from contracts are taken into consideration when measuring the value of contracts and provided for immediately. Price overruns, additional services and share of profit are recognised in proportion to the stage of completion. For joint venture (equity method) contracts, only the service actually performed by Implenla in the joint venture and its share of the profits of the joint venture are recognised as revenue. Revenue from 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 whether 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 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 buyer is able to specify the major elements of the design prior to the start of construction work and/or amend the major elements after construction work has started (irrespective of whether the buyer exercises that ability). If the purchaser has this ability, then IAS 11 must be applied, otherwise IAS 18 has to be applied.

For the Development segment, revenue includes income from the sale of real estate as well as temporary rental income (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 title is transferred, which is normally upon entry in the official land register. Reductions in income, such as rebates or discounts directly related to the services charged, are deducted from revenue.

## **Notes to the consolidated financial statements of Implenia**

### **2.7 Pension plans**

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Pension arrangements are shown as defined contribution plans if the Group pays fixed contributions to a separate fund or external financial institution and has no legal or constructive obligations to make any further contributions. In the case of defined contribution pension plans, the employer contributions are recognised directly in profit and loss on an accrual basis. All other pension arrangements are treated as defined benefit plans, even if the Group's potential obligations are small or the probability of occurrence is low. Consequently, most pension arrangements in Switzerland and in Germany are classified as defined benefit plans, since there are corresponding legal or constructive obligations.

Pension liabilities under defined benefit plans are calculated annually by independent actuaries using the projected unit credit method. They correspond to the present value of future expected payments arising from current and past periods of service. The plan assets are measured at fair value. The resulting net amounts are recognised in the balance sheet as pension assets or pension liabilities.

The total pension cost comprises the service cost, net interest income and remeasurement of pension liabilities. The service cost includes the current and past service cost as well as settlement and curtailment gains and losses. The net interest income is calculated by applying the discount rate to the net defined benefit liabilities at the beginning of the year and to the net assets. The service cost and net interest income form part of the personnel expenses. Actuarial gains and losses are immediately recognised in other comprehensive income as remeasurement of pension liabilities. This item also comprises the return on plan assets, excluding amounts accounted for in net interest on the net defined benefit/liability (asset), and any change in the effect of the asset ceiling, excluding amounts accounted for in net interest on the net defined benefit/liability (asset).

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## **2.8 Share-based payments / Employee participation programme**

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The payments under share-based compensation are reported as personnel expenses. Costs in relation to shares that are not distributed until the following year are recognised fully in the year in which service is rendered. All employees, with the exception of Business Unit Heads, members of the Group Executive Board and the Board of Directors benefit from an employee share participation scheme as defined in the regulations. Under this plan, employees are able to acquire a set number of Implenia Ltd. shares twice a year, normally in the amount of one-half of their monthly salary, at a preferential rate. The arrangements of the employee participation programme are reviewed regularly by the Group Executive Board.

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## **2.9 Taxes**

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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 timing of the reversal of the difference can be controlled and it is probable that this will not take place in the foreseeable future. In addition, where no provision has been made for distributions of profits, withholding taxes and other taxes on potential later distributions are not recognised, as 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 apply at the time of taxation, are recognised under non-current assets and non-current liabilities. Changes in deferred tax assets and deferred tax liabilities are recognised in the income statement or in the statement of comprehensive income if they relate to items that are recognised in the statement of comprehensive income. Deferred tax assets are recognised for all unused tax loss carryforwards to the extent that it is probable that these can be offset against future taxable profits.

Several Swiss cantons levy a separate tax on the sale of land and real estate from business assets that is usually 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 amount of the taxable gain on the sale of the property. The immovable property gains tax is calculated as at the date of sale.

## **Notes to the consolidated financial statements of Implenla**

### **2.10 Cash and cash equivalents**

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Cash and cash equivalents comprise cash on hand and cash at banks and other financial institutions. Positions are recognised as cash only if they are readily convertible to known amounts of cash, if they are not subject to a significant risk of change in value and if they have an original maturity of no more than three months. This definition of cash and cash equivalents is also applied for the purpose of the consolidated cash flow statement.

### **2.11 Trade receivables**

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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.

### **2.12 Work in progress**

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Customer contracts relating to construction sites are accounted for using the percentage-of-completion method. The percentage of completion is ascertained on the basis of the work completed under the respective contracts. Work in progress includes accruals for services provided but not yet invoiced, including inventories on construction sites, advance payments from customers and to suppliers for services invoiced not yet provided, deferrals for outstanding invoices from suppliers and sub-contractors, and provisions for losses on the order backlog and work in progress. 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, while the contract costs incurred are also recognised as an expense 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 recognised immediately as an expense.

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## 2.13 Joint ventures

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Joint ventures are established to implement short-term projects with other construction companies. Work is assumed when a joint agreement has been concluded with the contractual partners. Joint ventures are usually organised as simple partnerships; the partnership agreements govern the relationships between the members.

Joint ventures that meet the criteria for control are fully consolidated like subsidiaries. A joint venture with joint control is accounted for differently taking account of the actual rights and obligations in the respective country. Here, a distinction is made between joint operations and joint ventures. For joint operations, assets, liabilities, income and expenses are recognised in the consolidated statements proportionately to the share-ownership ratio. Joint operation is given if decisions about the relevant activities require the unanimous consent of all the parties, or a group of parties, that collectively control the arrangement. If the shareholders manage the joint venture jointly and, according to local legislation, only have rights to net assets, it is classified as a joint venture and recognised according to the equity method. If Implenla exercises significant influence over the joint venture, the company is also accounted for under the equity method pursuant to IAS 28 (investments in associates and joint ventures). Significant influence is presumed if Implenla directly or indirectly holds 20 percent or more of the voting rights in a joint venture or if Implenla is represented on the building commission or an equivalent governing body of the joint venture. Under the equity method, on initial recognition the investment in a joint venture is recognised at cost. In the following years, the carrying amount increases or decreases in line with Implenla's share of the profit or loss of the joint venture. Liquidity contributions and disbursements increase or reduce the carrying amount without affecting profit or loss. The resulting asset or liability is recognised in the balance sheet. The receivables and payables of Implenla in respect of joint ventures are disclosed separately in the corresponding receivables and payables items. Income from joint ventures is reported within consolidated revenue as the execution of customer orders qualifies as an operating activity and because profit or loss of the joint venture excludes the results of the internal service charge.

In case the joint ventures accounted for under the equity method are not already applying IFRS, their results are adjusted accordingly. If there is no current financial data available when Implenla's consolidated financial statements are prepared, the net profit and Implenla's share of the profit are based on estimates by management. Any deviations between the actual results and these estimates are corrected in the consolidated financial statements for the following year.

## **Notes to the consolidated financial statements of Implenla**

### **2.14 Investments in associates**

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Associates are companies over which the Group exercises significant influence but does not have control. As a rule, these are companies in which Implenla holds a stake of between 20 percent and 50 percent. These companies are accounted for under the equity method and are reported separately in the consolidated balance sheet. If the Group's associates are not applying IFRS, their results are adjusted accordingly. If there is no current financial data available when Implenla's consolidated financial statements are prepared, the net profit and Implenla's share of the profit are based on estimates by management. Any deviations between the actual results and these estimates are corrected in the consolidated financial statements for the following year. Goodwill may arise from the acquisition of an investment in an associate. The goodwill equals the difference between the cost of the investment and the fair value of the identifiable net assets. The goodwill is included in the carrying amount of investments in associates. The long-term joint ventures for the operation of facilities producing concrete and asphalt in which Implenla has interests of 20 percent and more are recognised and measured separately from other joint ventures, which are also recognised in the balance sheet and measured as associates in accordance with IAS 28 (investments in associates and joint ventures). Income from associates is reported in a separate financial statement line item within operating income as the execution of customer orders qualifies as an operating activity.



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## **2.15 Raw materials and supplies**

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Raw materials and supplies are measured at cost. The valuation of inventory and charges to material costs are stated 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 finished product no longer covers the costs. If it is foreseeable that written-down inventories can be used again, the write-downs are reversed by increasing the value of the inventory to the lower of net realisable value or historical cost. Unsellable inventories are written off in full.

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## **2.16 Real estate transactions**

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Real estate reported under this item is classified as held for sale and is measured in accordance with IAS 2 Inventories. Completed properties not yet sold may temporarily generate rental income; however, they 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. Costs include financing costs paid to third parties until the property is ready for use.

Write-downs arising from impairments determined on the basis of the above measurement principles are charged directly to this item. 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 as expenses. Certain real estate transactions are conducted jointly with one or more partners.

## Notes to the consolidated financial statements of Implenia

### 2.17 Property, plant and equipment

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

– Property	25–50 years
– Plants	15–20 years
– Machinery and vehicle	6–15 years
– Furniture	5–10 years
– IT	3–5 years
– Investment property	25–50 years

Additional costs, which extend the economic useful lives of property, plant and equipment, are capitalised separately. Pro-rated financing costs for property, plant and equipment under construction are capitalised. The value of property, plant and equipment is reviewed whenever events or changes in circumstances indicate that the carrying amount may be impaired.

#### 2.17.1 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 (IAS 16). Investment property is recognised at cost and depreciated on a straight line basis (in the case of real estate). If the present value of future net cash inflows is lower than the carrying amount, the asset is written down to the lower recoverable value in accordance with IAS 36. The fair value of this real estate is shown separately, and is determined in accordance with recognised methods, for example, by using the current market price of comparable real estate as a basis or by applying the discounted cash flow method.

#### 2.17.2 Finance leases

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

#### 2.17.3 Operating leases

Leases are classified as operating leases if a substantial 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 term of the lease, with the expense charged to the income statement.

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## 2.18 Intangible assets

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### 2.18.1 Goodwill

Business combinations are accounted for using the purchase method as described under note 2.2.

Goodwill is the excess of the costs of acquisition over the Group's interest in the fair value of the net assets acquired. The non-controlling interests are recognised in proportion to their share of the fair value of the net assets acquired. Goodwill is not amortised, but is tested for impairment at each balance sheet date instead.

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. 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 determined using discounting methodology.

### 2.18.2 Other intangible assets

Additions of licences, software and IT development costs are recognised at cost. All identifiable intangible assets, such as brands, order book and customer relationships, acquired in the course of a business combination are initially recognised at fair value. Intangible assets are amortised in equal instalments over their economic life from the initial date on which the Group can use them. Order book is amortised in line with progress on the acquired contracts. The estimated economic life of intangible assets is regularly reviewed.

Other intangible assets are measured at cost and amortised over their estimated useful life, with the expense charged to the income statement:

– Licences and software	3–5 years
– Brands	5–12 years
– Customer relationships	10–15 years
– Order book	2–5 years

## **Notes to the consolidated financial statements of Implenla**

### **2.19 Financial assets and derivative financial instruments**

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Financial assets are categorised as follows: “at fair value through profit or loss”, “available for sale”, “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 a fixed maturity that Implenla has the positive intention and ability to hold until maturity. “Loans and receivables” are financial assets that are issued by Implenla 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 classified 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 transaction 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 and “loans and receivables” are measured at amortised cost using the effective interest method. After initial recognition, “available for sale” financial assets are stated at fair value and all unrealised changes are recognised in other comprehensive income, with the exception of interest which is calculated on the basis of the effective interest method, and foreign exchange fluctuations. In the event of sale, impairment or disposal of “available for sale” financial assets, cumulative gains or losses recognised in equity since the date of acquisition are reported as financial income or expense for the current reporting period.

Implenla concludes currency derivatives to hedge foreign currency risks. In principle, currency derivatives are measured at fair value through profit or loss. Currency derivatives may be designated as cash flow hedges for major foreign currency risks on cash flows that are highly likely to occur. The conclusion of new currency derivatives is subject to a formal decision-making process and is based on cash flow planning as well as an analysis of the currency risks. The objective of the hedging transaction, the strategy and its effectiveness are documented. The effectiveness of open derivative financial instruments is reviewed on an ongoing basis. Hedging transactions are accounted for at fair value. The effective part of the result from measurement is recognised in other comprehensive income. As soon as the hedged underlying transaction is posted in the income statement, the profits and losses recognised in equity are reclassified into the income statement. The ineffective part of the result is recognised directly in profit and loss.

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. 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.

The value of financial assets measured at amortised cost or at cost must be reviewed in the case of an indication of impairment. An impairment trigger exists, for example, if the fair value of the assets deteriorates to the extent that it must be assumed that this decrease is permanent.

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 detracts from the ability of users to understand transactions, other events or conditions and to assess the future cash flows of a company unless it reflects the economic substance of a transaction, or other event. 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 granted by the company. In the course of its ordinary business activities, the Implenla Group also conducts transactions that do not in themselves generate revenue but are incidental to the main revenue-generating activities. The results of such transactions are to be presented, if such presentation reflects the substance of the transaction or event, by netting any income with the related expenses arising from the same transaction:

- a) gains and losses on the disposal of non-current assets, including financial investments and operating assets, are recognised by deducting the carrying amount of the asset and related selling expenses from the proceeds on disposal; 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 and losses arising from a group of similar transactions, for example, foreign exchange gains or losses or gains and losses arising from financial instruments "at fair value through profit or loss" are reported on a net basis. However, these gains or losses are reported separately if they are material.

## **Notes to the consolidated financial statements of Implenla**

### **2.20 Financial liabilities**

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

Transaction costs paid to capital providers (generally banks) are amortised over the term of the underlying financial instrument using the amortised cost method.

### **2.21 Provisions**

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Provisions are recognised 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 Implenla 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, Implenla 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 present value of the expected expenditure is recognised.

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## 2.22 Equity

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Equity represents the nominal value of the issued shares of Implenla Ltd.

Treasury shares represent shares of Implenla Ltd. that have been reacquired on the market. They are deducted from equity.

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 share of the foreign exchange differences will be recycled through the income statement.

The cash flow hedge reserves contain unrealised gains and losses from derivative financial instruments, which do fulfil the criteria for hedge accounting. They are reclassified to the income statement as soon as the underlying transaction is recognised in profit and loss.

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 of subsidiaries as well as the partner shares of fully consolidated joint ventures.

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

## **Notes to the consolidated financial statements of Implenla**

### **3 Risk assessment**

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A 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 Group Executive Board, the Audit Committee and the Board of Directors.

#### **3.1 Financial risk management**

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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 cash and cash equivalents, taking on debt, and hedging against foreign currency, price and interest rate risks. Compliance with the rules is monitored centrally 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 business activities. Financial liabilities are used exclusively to finance operating activities. Financial investments serve mainly to finance associates (loans).

Derivative financial instruments may only be used to hedge operating activities.

The main risks for the Group resulting from financial instruments are credit risk, liquidity risk and market risk.



## 3.2 Credit risk

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The credit risk consists mainly of the risk of default on trade receivables and cash and cash equivalents.

### 3.2.1 Trade receivables

Agreements with customers generally stipulate payment terms between 30 and 90 days. The creditworthiness of customers is verified prior to any contract being signed. Revenue is generated largely through transactions with public-sector bodies and high-quality debtors (banks, insurance companies, pension funds, etc.). As a rule, no collateral is requested. However, for services relating to real estate, it is legally possible to have a lien on the real estate (right of lien of tradesmen and building contractors). Notice of payments outstanding is given as part of a standardised reminder procedure. Regular reports are made monitoring the progress of receivables, particularly those that are overdue. Irrecoverable debts are negligible in relation to Group revenue.

The three largest counterparty exposures under trade receivables amount to in total CHF 53.2 million (previous year: CHF 48.8 million). This is equivalent to 8.8 percent of the carrying amount of all trade receivables (previous year: 8.3%).

### 3.2.2 Cash and cash equivalents and other financial assets

The credit risk relating to cash and cash equivalents and other financial assets resides in the non-payment of receivables due to debtor insolvency. Debtors are subject to regular creditworthiness 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 under consideration of the current market situation (S&P BBB+) or a state guarantee. A number of Swiss cantonal banks continue to benefit from a full state guarantee. This means that, in the event of the bank's insolvency, the canton (the state) – as owner of the bank – guarantees all outstanding liabilities remaining after all the assets have been realised. Creditors therefore have complete security. This rule does not apply to subordinated bonds or participation capital (a specific component of equity). Because of the state guarantee, disclosure by class of financial asset is irrelevant as the credit balances are backed either by the bank's own funds or, on a secondary basis, by the state. In the case of these exposures, the exposure per counterparty is limited to a maximum amount. Creditworthiness is monitored regularly using market-based information (e.g. CDS spreads), and appropriate measures are taken if necessary.

The three largest counterparty exposures under cash and cash equivalents amount to in total CHF 548.1 million (previous year: CHF 548.9 million). This is equivalent to 69.2 percent of the carrying amount of the total cash and cash equivalents (previous year: 62.6%).

The maximum credit risk corresponds to the amount of individual receivables in the event of default.

Age structure of trade receivables: see note 12.

## Notes to the consolidated financial statements of Implenla

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

	Rating <sup>2</sup>	Balance
		<b>CHF 1,000</b>
<b>As at 31.12.2016</b>		
Counterparty <sup>1</sup>		
<b>Trade receivables</b>		<b>53,191</b>
Public sector and its operations	n.a.	24,842
Public sector and its operations	n.a.	16,472
Other	n.a.	11,877
<b>Cash and other financial assets</b>		<b>548,105</b>
Financial institution	BBB+	252,386
Financial institution	A-	248,272
Financial institution	AAA	47,447
<b>As at 31.12.2015</b>		
Counterparty <sup>1</sup>		
<b>Trade receivables</b>		<b>48,839</b>
Public sector and its operations	n.a.	25,198
Other	n.a.	11,908
Other	n.a.	11,733
<b>Cash and other financial assets</b>		<b>548,860</b>
Financial institution	BBB+	289,498
Financial institution	A	179,633
Financial institution	AAA	79,729

- 1 Counterparties are broken down by the following classifications:
- Financial institutions (banks, insurance companies, pension funds)
  - Public sector and its operations
  - Other

- 2 Moody's/Standard & Poor's rating

### 3.3 Liquidity risk

The liquidity risk derives mainly from 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 aims to have sufficient lines of credit to cover its planned funding requirements at any time. As at 31 December 2016, the Group had cash and cash equivalents of CHF 791.7 million (previous year: CHF 877.1 million) and unused credit lines of CHF 290.6 million (previous year: CHF 256.7 million). The Group seeks to maintain appropriate minimum liquidity (consisting of cash and cash equivalents and confirmed unused credit lines).

	Short-term		Long-term	
	0–3 mo.	4–12 mo.	2–5 years	over 5 years
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000

#### As at 31.12.2016

Trade payables and other liabilities	(445,706)	(40,953)	(1,900)	–
Financial liabilities	(461)	(1,281)	(3,139)	(25)
Bond issues	(1,250)	(2,031)	(13,125)	(262,344)
Subordinated convertible bond	–	(875)	(3,500)	(175,875)

#### As at 31.12.2015

Trade payables and other liabilities	(431,108)	(43,634)	(1,900)	–
Financial liabilities	(2,146)	(1,494)	(2,972)	–
Bond issues	–	(208,281)	(8,125)	(133,125)
Subordinated convertible bond	–	(875)	(3,500)	(176,750)

## Notes to the consolidated financial statements of Implenia

### 3.4 Market risk/interest rate risk

The Group has very few non-current interest-bearing assets. Consequently, the Group's interest rate risk results from the structure and volume of its financing. Because the Group has financed its operations with fixed-rate bond issues and a convertible bond and reduced its 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 generally have no negative impact on consolidated profit. Debt is usually taken on in the functional currency of the financed entity and is therefore mainly in CHF.

The maturity structure of interest-bearing financial instruments as at 31 December 2016 is as follows:

	Up to 1 year	2 – 5 years	Over 5 years	Total
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
<b>Variable rate</b>				
Cash and cash equivalents	791,703	–	–	<b>791,703</b>
Loans and other financial assets	498	–	3,832	<b>4,330</b>
Financial liabilities	(1,743)	(3,164)	–	<b>(4,907)</b>
<b>Total</b>	<b>790,458</b>	<b>(3,164)</b>	<b>3,832</b>	<b>791,126</b>
<b>Fixed rate</b>				
Loans and other financial assets	–	56	3,166	<b>3,222</b>
Financial liabilities	–	–	(410,499)	<b>(410,499)</b>
<b>Total</b>	<b>–</b>	<b>56</b>	<b>(407,333)</b>	<b>(407,277)</b>
<b>Overall total</b>	<b>790,458</b>	<b>(3,108)</b>	<b>(403,501)</b>	<b>383,849</b>

Maturity structure as at 31 December 2015:

	Up to 1 year	2–5 years	Over 5 years	Total
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
<b>Variable rate</b>				
Cash and cash equivalents	877,108	–	–	<b>877,108</b>
Loans and other financial assets	453	–	4,927	<b>5,380</b>
Financial liabilities	(3,567)	(2,971)	–	<b>(6,538)</b>
<b>Total</b>	<b>873,994</b>	<b>(2,971)</b>	<b>4,927</b>	<b>875,950</b>
<b>Fixed rate</b>				
Loans and other financial assets	–	50	4,060	<b>4,110</b>
Financial liabilities	(199,883)	–	(282,581)	<b>(482,464)</b>
<b>Total</b>	<b>(199,883)</b>	<b>50</b>	<b>(278,521)</b>	<b>(478,354)</b>
<b>Overall total</b>	<b>674,111</b>	<b>(2,921)</b>	<b>(273,594)</b>	<b>397,596</b>

If the interest rates on the average total assets in 2016 were 0.5 percentage points higher or lower, the pre-tax profit, provided that all other variables remained constant, would have been CHF 2.8 million (previous year: CHF 2.6 million) higher or lower for the year as a whole. This would have been largely due to higher or lower interest income on the cash and cash equivalents.

## **Notes to the consolidated financial statements of Implenla**

### **3.5 Foreign currency and other risks**

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

If the Swiss franc had been 15 percent stronger against the euro on 31 December 2016, the consolidated profit would have been CHF 0.9 million less (previous year: CHF 1.5 million higher) and equity would have been CHF 62.7 million less (previous year: CHF 58.8 million less). The same sensitivity analysis for the Norwegian krone would have resulted in a consolidated profit that was higher by CHF 0.3 million (previous year: CHF 0.2 million higher) and equity would have been less by CHF 2.1 million (previous year: CHF 3.2 million less).

As the Group only holds a small amount of securities, the price risk is not significant.

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### 3.6 Hedge accounting

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Major projects at Implenla may lead to foreign currency positions in the Group company performing the work, if a portion of the cash flows does not accrue in the functional currency of the respective company. Material risks are hedged using currency derivatives based on cash flow planning figures. The hedged cash flows will occur between 2017 and 2019 and will be recognised in profit and loss.

An unrealised loss of CHF 0.2 million (previous year: CHF 0.0 million) including the deferred taxes of CHF 0.0 million (previous year: CHF 0.0 million) attributable thereto was posted in other comprehensive income in the reporting period. In the 2016 reporting year, a profit of CHF 0.0 million was reclassified from equity to the income statement.

Foreign currency hedges with a negative replacement value of CHF 0.2 million (previous year: CHF 0.0 million) and with a positive replacement value of CHF 0.0 million (previous year: CHF 0.0 million) were accounted for as hedge accounting transactions under derivative financial instruments on the record date.

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### 3.7 Policy regarding capital structure and indebtedness

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The Group targets an equity ratio of around 30 percent. As at the reporting date, the equity ratio was 25.3 percent (previous year adjusted: 22.8%). Taking account of the liability component of the subordinated convertible bond, the equity ratio was 31.4 percent (previous year adjusted: 28.6%).

The aim is for current assets to be financed through current debt. Non-current assets should be financed through non-current liabilities and equity. Ordinary capital expenditures are to be financed through ongoing cash flows wherever possible.

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

The syndicated loan is subject to two financial covenants. The financial position and performance are monitored monthly, based on consolidated values. The latest actual figures, projections and budgets are used to monitor compliance with the financial covenants.

As in the previous year, the financial covenants stipulated in financing agreements were met.

## Notes to the consolidated financial statements of Implenia

### 3.8 Fair value measurement

	Level	Carrying amounts		Fair values	
		31.12.2016	31.12.2015	31.12.2016	31.12.2015
		CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
FINANCIAL ASSETS					
<b>Financial assets measured at fair value through profit or loss</b>					
Currency derivatives	2	1,141	122	1,141	122
<b>Available for sale financial assets</b>					
Marketable securities	2	720	334	720	334
Unlisted participations	3	7,429	6,992	7,429	6,992
<b>Loans and receivables</b>					
Trade receivables	*	604,985	589,155	604,985	589,155
Other receivables	*	61,995	51,835	61,995	51,835
Other financial assets	*	2,971	2,923	2,971	2,923
FINANCIAL LIABILITIES					
<b>Financial liabilities measured at fair value through profit or loss</b>					
Currency derivatives	2	172	122	172	122
<b>Other financial liabilities</b>					
Trade payables	*	415,098	393,782	415,098	393,782
Bonds	1	250,393	324,810	262,250	332,225
Convertible bond	2	160,106	157,581	163,188	161,162
Other liabilities	*	73,290	82,735	73,290	82,735
Other financial liabilities	*	4,907	6,611	4,907	6,611

\* The carrying amounts of these financial instruments roughly correspond to the fair value.

Fair value estimates for non-financial items are provided in the relevant notes.



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Fair value hierarchy:

Level 1 – The inputs used are unadjusted listed prices on active markets for identical assets and liabilities as at the reporting date. The fair value of bonds recognised at amortised cost reflects the closing price on the SIX Swiss Exchange.

Level 2 – The measurement is based on inputs (other than the listed prices included in level 1) that are either directly or indirectly observable for the asset or liability.

The fair values of currency derivatives (forward contracts) are determined on the basis of the difference between contractually fixed forward prices and the current forward prices applicable on the balance sheet date. The convertible bond issued on 30 June 2015 has a carrying amount of CHF 160.1 million (31 December 2015: CHF 157.6 million) reported under liabilities and an unchanged carrying amount of CHF 15.2 million reported under equity. The fair value of the liability component is calculated from the contractually agreed interest and amortisation payments discounted at market interest rates.

Level 3 – The inputs are not based on observable market data. 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 inputs. Assets in this category are generally securities not traded on active markets. The Group owns a portfolio of unlisted domestic interests. In the reporting year, unlisted participations with a carrying amount of CHF 0.1 million were sold (previous year: none). This resulted in a profit of CHF 0.1 million in the reporting year. The annual remeasurement based on the financial statements of individual unlisted companies led to the recognition of a profit of CHF 0.4 million (previous year: CHF 0.4 million) in other comprehensive income. Additional purchases in the reporting year amount to CHF 0.2 million (previous year: CHF 0.0 million).

There were no reclassifications into or out of any of the three levels.

Losses related to receivables in the amount of CHF 1.4 million were recorded in the income statement (previous year: CHF 0.7 million).

## **Notes to the consolidated financial statements of Implenla**

### **4 Key management decisions and estimates**

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#### **4.1 Management decisions used when applying accounting policies**

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##### **4.1.1 Revenue recognition from construction projects**

Revenue from construction projects is determined in accordance with the percentage-of-completion method. Implenla estimates the progress made on the project at the balance sheet by comparing the costs incurred with the anticipated total cost of the order. Revenue and profits are therefore frequently realised although the opportunities and risks of the contract have not yet been transferred to the customer and consequently there is no legal right to receive payment. In the case of technically demanding construction projects, the estimated costs still to be incurred may deviate from the future cost trend, since consideration of future events is fraught with uncertainty. In case of additional requirements and changes to orders, management has to decide on the basis of progress in negotiations with the customer whether the customer is likely to accept the claim and whether it may consequently be taken into consideration in contract revenue. If the estimated total costs are higher than the expected contract revenues, Implenla recognises the entire loss immediately as expense.

##### **4.1.2 Fully consolidated companies, associates and joint ventures**

The Group engages in transactions that can lead to control, joint control or significant influence over the operations or the company. These transactions include the acquisition of all or part of the share capital of other companies, the purchase of certain assets and the assumption of certain liabilities or contingent liabilities. In all these cases, management makes an assessment as to whether the Group has control, joint control or significant influence over the operations of the company. Based on this assessment, the company is either fully consolidated, proportionately consolidated or accounted for under the equity method. This assessment is based on the underlying economic substance of the transaction as well as the respective rights and obligations in the respective country and not only on the contractual terms.

##### **4.1.3 Leasing**

In the case of leasing agreements, Implenla takes on the role of lessee. The treatment of leasing transactions in the consolidated financial statements is primarily dependent on whether the lease is classified as an operating lease or a finance lease. In making this assessment, management looks at both the type and the legal form of the lease and comes to a decision on whether substantially all the risks and rewards of the leased asset are transferred to the lessee. Agreements that do not take the legal form of a lease but nevertheless confer the right to use an asset are also an integral part of such assessments.

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## 4.2 Key assumptions and sources of estimation uncertainty

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When preparing the consolidated financial statements in accordance with IFRS, management is required to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and related disclosures. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These are used as the basis for measuring those assets and liabilities whose carrying amounts are not readily apparent from other sources. Actual values may differ from these estimates.

Estimates and assumptions are reviewed on an ongoing basis. Changes to estimates may be necessary if the circumstances on which they were based have changed or new information or additional insights have become available. Such changes are recognised in the reporting period in which the estimate was revised.

The key assumptions about the future and the key sources of estimation uncertainty which may require material adjustments to the carrying amounts of assets and liabilities within the next twelve months are listed below.

### 4.2.1 Property, plant and equipment, intangible assets

The Group has property, plant and equipment for a carrying amount of CHF 288.9 million (previous year: CHF 296.3 million), goodwill with a carrying amount of CHF 175.3 million (previous year adjusted: CHF 175.6 million) and other intangibles with a carrying amount of CHF 14.8 million (previous year: CHF 24.8 million). Goodwill and intangible assets with indefinite useful life are reviewed annually for impairment. To decide whether any impairment exists, estimates are made of future cash flows expected to arise from the use of these assets and their eventual disposal. 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 equipment, technical obsolescence or sales lower than forecast may result in a shortened useful life or impairment. Changes in discount rates, gross margins and growth rates used may also result in impairments.

## **Notes to the consolidated financial statements of Implenla**

### **4.2.2 Employee benefit schemes**

Group employees are members of employee benefit schemes which are treated as defined benefit or defined contribution plans under IAS 19. The calculation of the recognised assets and liabilities from these plans is based on statistical and actuarial calculations performed by actuaries. The present value of defined benefit liabilities in particular is heavily dependent on assumptions such as the discount rate used to calculate the present value of future pension liabilities, future salary increases and increases in employee benefits. In addition, the Group's independent actuaries use statistical data such as probability of withdrawals of members from the plan and life expectancy in their assumptions.

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

### 4.2.3 Litigation

Implenia is confronted with litigation in the context of project assessment. Implenia relies on the professional expertise of internal and external lawyers to assess existing legal risks. Judicial rulings may lead to deviations from management estimates. The assessment of financial repercussions may therefore change in the following year depending on the future development of ongoing legal proceedings, which may lead under certain circumstances to a restatement of provisions.

#### Letzigrund case

Implenia constructed the Letzigrund Stadium in the years 2006 and 2007. Various changes or adjustments demanded by the City of Zurich generated additional costs. Implenia brought the financial impact to the attention of the city authorities at regular intervals. This impact eventually totalled CHF 22.9 million.

Implenia's final bill was for CHF 119.5 million. Of this figure, a consideration of CHF 22.9 million is still outstanding from the city authorities. Implenia has taken legal action with the competent district court in Zurich to obtain full payment of the outstanding debts of CHF 22.9 million. The Zurich District Court has rejected the action on the basis of a decision of principle regarding the planning risk and a stringent formal examination of the addenda. Implenia has lodged an appeal against the District Court's ruling with the upper court in the amount of some CHF 20 million. The Zurich Upper Court rejected the appeal against the District Court's decision on 15 September 2016. Implenia has referred the decision of the Zurich Upper Court to the Supreme Court with its appeal dated 17 October 2016. The case is currently still pending with the Supreme Court. Implenia has constructed the Letzigrund Stadium as ordered by the City of Zurich including all technical and scheduling changes requested by the City. Implenia therefore still assumes that the outstanding invoices of approximately CHF 20 million will be paid.

The City of Zurich has called in the guarantee provided when carrying out the Letzigrund stadium project, obliging Implenia to make a payment of CHF 12 million, which is being reclaimed and is therefore shown under Receivables from utilised guarantees. Implenia has taken legal action with the Zurich District Court to obtain full repayment of the utilised guarantee.

## **Notes to the consolidated financial statements of Implenla**

### **5 Segment reporting**

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The Group's business segments are based on the organisational units, for which the Group Executive Board (GEBO) and the Group Board of Directors are presented a report. The Board of Directors takes on the role of chief operating decision maker. It receives regular internal reports in order to assess the Group's performance and resource allocation.

The Group consists of the following segments:

- Development
- Switzerland
- Infrastructure
- International
- Miscellaneous/Holding

The segments undertake the following activities:

#### **Development**

In the Development Segment, Implenla brings together its expertise in project development, from the initial idea to the completed building. As a partner for private and institutional property developers, Implenla develops and realises sustainable property and sites in Switzerland, and can utilise its own land bank. It concentrates especially on housing, health and the ageing population, and has a geographically broad project portfolio with a focus on the strong growth regions of Zurich and Lake Geneva.

#### **Switzerland**

The Switzerland Segment includes Implenla's services for modernising residential and commercial properties, general and total contracting, building construction, road building and civil works. The segment also includes the surfacing and gravel works in Switzerland and wooden construction. Modernisation brings together the segment's capabilities in conversion and renovation, from consultancy to implementation. As general and total contractor, Implenla offers comprehensive services from a single source.

#### **Infrastructure**

The Infrastructure Segment focuses on tunnel construction and foundation engineering in Europe. The segment brings together Implenla's tunnelling, foundation engineering, large-scale project and design/planning capabilities. These services are offered in the home markets of Switzerland, Germany, Austria, Sweden and Norway. In addition, the Global Projects sub-unit bids for large, complex infrastructure projects outside our home markets and also takes on project management.

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## **International**

The International Segment includes Implenía's activities in its home markets of Germany, Austria, Norway and Sweden, as well as the foreign gravel plants. Implenía Germany & Austria is the provider for regional customers in German-speaking countries outside Switzerland that need services for civil works, general civil engineering, maintenance and repair, and selective building construction. Implenía Scandinavia offers comprehensive services for complex infrastructure projects including conventional tunnelling. It also provides niche services for road and rail.

## **Miscellaneous / Holding**

Miscellaneous/Holding contains all the costs of Implenía that cannot be allocated to a segment. Machinery & Electrotechnology (MET) and Formwork Construction (BBS) activities as well as the Central Laboratory have been integrated into this segment for the time being as group-wide service providers. In 2016, the effect of the remeasurement of the Norwegian project portfolio is recognised in this segment's operating result. The associated work in progress is shown in the current assets of the Infrastructure and International segments. The segment also includes Group companies with no activities, holding company overheads, the material investment properties, deferred taxes recognised at Group level, and pension assets and liabilities.

Certain headquarter functions are disclosed under Miscellaneous/Holding. These include Procurement, Corporate Controlling, Corporate Reporting & Tax, Treasury & Investor Relations, Business Development, Marketing/Communications, Legal, Insurances, Human Resources, IT, Health & Safety, Sustainability and other Technical Center Services.

## Notes to the consolidated financial statements of Implenia

Segment reporting as reported to the Board of Directors as at 31 December 2016:

	Development	Switzerland
	CHF 1,000	CHF 1,000
IFRS revenue unconsolidated	156,946	2,393,376
Intra-Group revenue	(28,173)	(318,222)
<b>Consolidated revenue</b>	<b>128,773</b>	<b>2,075,154</b>
Operating income excl. PPA <sup>2</sup>	36,983	56,334
<b>Operating income</b>	<b>36,983</b>	<b>56,334</b>

### Investments in property, plant and equipment and intangible assets

	–	16,241
Current assets excl. cash and cash equivalents	225,853	542,550
Non-current assets (excl. pension assets)	17,908	256,967
Less debt capital (excl. financial and pension liabilities)	(102,383)	(790,831)
<b>Total invested capital</b>	<b>141,378</b>	<b>8,686</b>

1 Including eliminations

2 Operating result as reported to the chief operating decision maker (operating income excluding depreciation and amortisation due to redetermining fair values in respect of the acquisition of Bilfinger Construction)



&gt;

Infrastructure	International	Total of Business Units	Miscellaneous/ Holding <sup>1</sup>	Total
CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
475,558	683,566	<b>3,709,446</b>	72,917	<b>3,782,363</b>
(95,823)	(27,277)	<b>(469,495)</b>	(45,882)	<b>(515,377)</b>
379,735	656,289	<b>3,239,951</b>	27,035	<b>3,266,986</b>
14,473	7,213	<b>115,003</b>	(5,267)	<b>109,736</b>
8,340	2,053	<b>103,710</b>	(5,803)	<b>97,907</b>
25,698	8,356	<b>50,295</b>	10,995	<b>61,290</b>
144,631	350,954	<b>1,263,988</b>	8,934	<b>1,272,922</b>
123,119	120,500	<b>518,494</b>	39,622	<b>558,116</b>
(217,686)	(378,159)	<b>(1,489,059)</b>	(47,986)	<b>(1,537,045)</b>
50,064	93,295	<b>293,423</b>	570	<b>293,993</b>

&gt;

## Notes to the consolidated financial statements of Implenia

Segment reporting as reported to the Board of Directors as at 31 December 2015:

	Development	Switzerland
	CHF 1,000	CHF 1,000
IFRS revenue unconsolidated	173,068	2,391,575
Intra-Group revenue	(49,821)	(315,861)
<b>Consolidated revenue</b>	<b>123,247</b>	<b>2,075,714</b>
Operating income excl. PPA <sup>2</sup>	36,303	38,770
<b>Operating income</b>	<b>36,303</b>	<b>38,770</b>

### Investments in property, plant and equipment and intangible assets

	98	20,058
Current assets excl. cash and cash equivalents	236,714	614,776
Non-current assets (excl. pension assets) <sup>3</sup>	18,487	266,837
Less debt capital (excl. financial and pension liabilities) <sup>3</sup>	(93,408)	(879,046)
<b>Total invested capital<sup>3</sup></b>	<b>161,793</b>	<b>2,567</b>

1 Including eliminations

2 Operating result as reported to the chief operating decision maker (operating income excluding depreciation and amortisation due to redetermining fair values in respect of the acquisition of Bilfinger Construction)

3 The invested capital of the Infrastructure and International segments has been adjusted, see note 2.3

&gt;

Infrastructure	International	Total of Business Units	Miscellaneous/ Holding <sup>1</sup>	Total
CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
418,915	708,997	<b>3,692,555</b>	48,909	<b>3,741,464</b>
(64,505)	(31,329)	<b>(461,516)</b>	8,252	<b>(453,264)</b>
354,410	677,668	<b>3,231,039</b>	57,161	<b>3,288,200</b>
17,497	15,153	<b>107,724</b>	(5,172)	<b>102,552</b>
8,099	3,001	<b>86,173</b>	(6,237)	<b>79,936</b>
12,990	17,587	<b>50,733</b>	9,867	<b>60,600</b>
125,066	280,492	<b>1,257,048</b>	7,320	<b>1,264,368</b>
120,867	137,994	<b>544,185</b>	44,872	<b>589,057</b>
(195,512)	(350,061)	<b>(1,518,027)</b>	(61,867)	<b>(1,579,894)</b>
50,421	68,425	<b>283,206</b>	(9,675)	<b>273,531</b>

&gt;

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## Notes to the consolidated financial statements of Implenla

Reconciliation of invested capital:

	31.12.2016	31.12.2015 <sup>1</sup>
	CHF 1,000	CHF 1,000
Total assets	2,629,177	2,730,666
Minus cash and cash equivalents	(791,703)	(877,108)
Minus pension assets	(6,436)	(133)
<b>Assets of invested capital</b>	<b>1,831,038</b>	<b>1,853,425</b>
Total equity and liabilities	2,629,177	2,730,666
Minus equity	(665,506)	(623,776)
Minus financial liabilities	(415,406)	(489,002)
Minus pension liabilities	(11,220)	(37,994)
<b>Liabilities of invested capital</b>	<b>1,537,045</b>	<b>1,579,894</b>
<b>Total invested capital</b>	<b>293,993</b>	<b>273,531</b>

1 The comparative information has been adjusted, see note 2.3

Operating income from Miscellaneous/Holding includes:

	2016	2015
	CHF 1,000	CHF 1,000
Other expenses net	(10,749)	(6,457)
Income from defined benefit pension plans	14,050	5,883
Depreciation and amortisation	(3,967)	(4,199)
Operating result from support and other services <sup>1</sup>	(5,137)	(1,464)
<b>Total operating income Miscellaneous/Holding</b>	<b>(5,803)</b>	<b>(6,237)</b>

1 Including the effect of the remeasurement of the Norwegian project portfolio, see page 241

Implenia Ltd. is domiciled in Switzerland. Revenues from third parties in Switzerland amounted to CHF 2,332 million (previous year: CHF 2,382 million). Revenues generated abroad came to CHF 935 million (previous year: CHF 906 million). Non-current assets located in Switzerland (excluding financial assets, pension assets and deferred tax assets) as at 31 December 2016 stood at CHF 273 million (31 December 2015: CHF 275 million). Non-current assets located abroad (excluding financial assets, pension assets and deferred tax assets) stood at CHF 221 million (31 December 2015: CHF 237 million), which includes goodwill from the acquisition of Bilfinger Construction GmbH of CHF 94 million (31 December 2015: CHF 94 million).

## 6 Materials and subcontractors

	2016	2015
	CHF 1,000	CHF 1,000
Material expenses	522,239	516,060
Thirdparty services	1,483,931	1,542,833
<b>Total</b>	<b>2,006,170</b>	<b>2,058,893</b>

In 2016, the cost of raw materials and supplies taken to income in the consolidated financial statements amounted to CHF 488 million (previous year: CHF 469 million).

## 7 Personnel expenses

	2016	2015
	CHF 1,000	CHF 1,000
Wages, salaries and fees	633,672	620,696
Social security contributions	94,977	87,065
Pension expenses	26,118	35,048
Expenses for the foundation for flexible retirement	11,228	10,006
Temporary staff	72,618	61,536
Other personnel expenses	30,821	36,316
<b>Total</b>	<b>869,434</b>	<b>850,667</b>

## Notes to the consolidated financial statements of Implenla

### 8 Profit sharing schemes and remuneration

#### 8.1 Staff scheme

Based on the regulations on profit sharing dated 15 February 2012 and 8 September 2016, in each calendar year qualifying persons may subscribe for Implenla Ltd. shares normally in the amount of one-half of the gross monthly salary. The annual subscription right may be divided between the March and September purchase periods. For the March 2016 purchase period, the difference between the average market price of CHF 47.95 per share and the preferential price of CHF 33.55 per share was charged to the income statement and for the September 2016 purchase period, the difference between the average market price of CHF 66.75 per share and the preferential price of CHF 46.75 per share was charged to the income statement.

		2016	2015
Number of shares subscribed	Number	<b>36,973</b>	24,316
Amount recognised in the income statement	CHF 1,000	<b>565</b>	406

The shares cannot be traded for a period of at least three years. During this time, employees are entitled to dividends and may exercise their voting rights. Upon expiry of the retention period, the shares may be freely traded by employees. The Business Unit Heads, the Group Executive Board and the Board of Directors are excluded from the staff scheme.

#### 8.2 Share-based compensation for the Group Executive Board

The members of the Group Executive Board receive part of their compensation in the form of a fixed number of shares of Implenla Ltd. The amount is expensed entirely in the current financial year. The amount charged to the Group is calculated on the basis of the fair value of the shares at the time of allocation. The Group may either buy shares on the market or draw from its treasury shares.

In 2016, the shares were allocated at an average price of CHF 60.05 per share (previous year: CHF 43.07 per share).

		2016	2015
Shares definitely allocated	Number	<b>37,050</b>	49,367
Amount recognised in the income statement	CHF 1,000	<b>2,225</b>	2,126

### 8.3 Shares for members of the Board of Directors

Members of the Board of Directors receive two-thirds of their annual remuneration in cash and one-third in shares. The average price of the shares of Implenia Ltd. in the month of December of the year of office is decisive since 2016 for calculating the number of shares. The amount is expensed on an accrual basis in the current financial year. The Group may either buy shares on the market or draw from its treasury shares.

		2016	2015
Entitlement and allocated shares	Number	<b>5,775</b>	5,376
Amount recognised in the income statement <sup>1</sup>	CHF 1,000	<b>328</b>	299

1 In the previous year and in the first quarter of the reporting year, the calculation was based on the average price in April, while being based on that in December in the second to fourth quarter of 2016.

### 8.4 Compensation paid to key persons

Members of the Board of Directors of Implenia Ltd. receive annual compensation for their activities according to their function. The Group pays social security contributions on these compensations.

Members of the Group Executive Board of Implenia Ltd. receive compensation comprising a fixed annual salary, variable remuneration and reimbursement of expenses. The Group pays social security contributions associated therewith as well as pension fund contributions.

The following table shows the compensation paid to key persons recognised as expenditure in the reporting period since they were appointed to their current position.

	2016	2015
	CHF 1,000	CHF 1,000
Short-term benefits	<b>5,924</b>	5,666
Pension expenses	<b>489</b>	587
Share-based payments	<b>2,553</b>	2,425
<b>Total<sup>1</sup></b>	<b>8,966</b>	8,678

1 Anton Affentranger has irrevocably waived of his right to 8,000 shares at a value of CHF 0,5 million (previous year: waiver of his right to variable remuneration of CHF 0,3 million).

## Notes to the consolidated financial statements of Implenla

### 9 Other operating expenses

	2016	2015
	CHF 1,000	CHF 1,000
Rental expenses	96,211	84,138
Infrastructure expenses	20,181	18,980
Maintenance and repairs	44,080	42,762
Insurances	7,675	8,232
Administration and consultants	11,633	19,653
Office, IT and communication costs	34,812	31,474
Taxes and fees	8,388	8,356
Marketing, advertising and other administration expenses	8,376	10,409
<b>Total</b>	<b>231,356</b>	<b>224,004</b>



**10 Financial expenses and income**

	2016	2015
	CHF 1,000	CHF 1,000
<b>Financial expenses</b>		
Interest expenses	1,224	706
Bond and convertible bond interest	8,991	10,403
Bank charges	840	575
Fixed costs of financial guarantees	1,065	1,014
Other financial expenses	1,499	1,695
Currency losses	1,302	565
<b>Total</b>	<b>14,921</b>	<b>14,958</b>
<b>Financial income</b>		
Interest income	658	753
Income from investments	635	429
Other financial income	181	21
Currency gains	1,452	3,646
<b>Total</b>	<b>2,926</b>	<b>4,849</b>
<b>Financial result</b>	<b>(11,995)</b>	<b>(10,109)</b>

## Notes to the consolidated financial statements of Implenla

### 11 Taxes

	2016	2015
	CHF 1,000	CHF 1,000
<b>Profit before tax</b>		
Switzerland	101,631	84,144
Abroad	(15,719)	(14,317)
<b>Total profit before tax</b>	<b>85,912</b>	<b>69,827</b>
<b>Current and deferred tax</b>		
Switzerland	26,116	21,443
Abroad	10,784	3,153
<b>Total current tax</b>	<b>36,900</b>	<b>24,596</b>
Switzerland	3,608	(1,233)
Abroad	(19,049)	(5,554)
<b>Total deferred tax</b>	<b>(15,441)</b>	<b>(6,787)</b>
<b>Total tax</b>	<b>21,459</b>	<b>17,809</b>

### 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.

	2016	2015
	%	%
Expected tax rate	<b>23.8</b>	24.0
Effect of non-taxable items	<b>(1.9)</b>	(1.1)
Effect of non-deductible items	<b>0.5</b>	0.2
Effect of non-capitalised tax losses incurred in the year	<b>1.3</b>	3.7
Effect of changes in the applicable tax rates	<b>0.1</b>	(0.4)
Effect of the use of non-capitalised tax loss carryforwards	<b>(1.8)</b>	(0.1)
Prior years' taxes	<b>1.8</b>	1.1
Income components with different tax rates	<b>1.8</b>	0.9
Other effects	<b>(0.6)</b>	(2.8)
<b>Effective tax rate</b>	<b>25.0</b>	25.5

The change in the expected tax rate relates mainly to the changed composition of the profits of the Group companies in the respective Swiss cantons and foreign countries.

## Notes to the consolidated financial statements of Implenla

### 12 Trade receivables

	31.12.2016	31.12.2015
	CHF 1,000	CHF 1,000
Third parties	539,682	529,150
Joint ventures (equity method)	46,807	38,869
Associates	1,328	4,012
Related parties	–	156
Guarantee retentions	51,605	57,997
Allowance for doubtful and/or not yet approved receivables	(34,437)	(41,029)
<b>Total</b>	<b>604,985</b>	<b>589,155</b>

Allowance is made for receivables that are in arrears on the basis of current experience. In the ex-Bilfinger Construction companies, the client is usually invoiced for unapproved but expected claims with the final invoice. At the same time, an allowance is made for claims that have not yet been approved. Valuation allowances are only disclosed separately for trade receivables. For all other financial instruments, value adjustments are offset directly.

Allowance for doubtful and/or not yet approved receivables:

	<b>31.12.2016</b>	31.12.2015
	<b>CHF 1,000</b>	<b>CHF 1,000</b>
As at 1.1.	<b>41,029</b>	8,389
Increase	<b>9,520</b>	6,696
Used	<b>(2,011)</b>	(1,365)
Reversed	<b>(13,850)</b>	(5,205)
Foreign exchange differences	<b>(251)</b>	298
Increase/Decrease due to changes in the scope of consolidation	<b>–</b>	32,216
<b>Total as at 31.12.</b>	<b>34,437</b>	41,029

## Notes to the consolidated financial statements of Implenia

	Total 31.12.2016 CHF 1,000	Not due CHF 1,000	Due within			
			1–30 days CHF 1,000	31–60 days CHF 1,000	61–90 days CHF 1,000	>90 days CHF 1,000
Third parties	539,682	218,051	96,108	15,586	27,473	182,464
Joint ventures (equity method)	46,807	15,443	10,984	1,648	2,950	15,782
Associates	1,328	886	4	–	–	438
Related parties	–	–	–	–	–	–
<b>Sub-total</b>	<b>587,817</b>	<b>234,380</b>	<b>107,096</b>	<b>17,234</b>	<b>30,423</b>	<b>198,684</b>
Guarantee retentions	51,605					
Allowance for doubtful receivables	(34,437)					
<b>Total</b>	<b>604,985</b>					

As at 31 December 2016, total due receivables amounted to CHF 353.4 million (previous year: CHF 279.5 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.

	<b>Total</b> <b>31.12.2015</b>	Due within				
		Not due	1–30 days	31–60 days	61–90 days	>90 days
	<b>CHF 1,000</b>	<b>CHF 1,000</b>	<b>CHF 1,000</b>	<b>CHF 1,000</b>	<b>CHF 1,000</b>	<b>CHF 1,000</b>
Third parties	<b>529,150</b>	269,479	46,886	28,359	6,006	178,420
Joint ventures (equity method)	<b>38,869</b>	21,527	6,750	331	2,982	7,279
Associates	<b>4,012</b>	1,687	220	57	–	2,048
Related parties	<b>156</b>	–	–	156	–	–
<b>Sub-total</b>	<b>572,187</b>	292,693	53,856	28,903	8,988	187,747
Guarantee retentions	<b>57,997</b>					
Allowance for doubtful receivables	<b>(41,029)</b>					
<b>Total</b>	<b>589,155</b>					

## Notes to the consolidated financial statements of Implenia

### 13 Work in progress

	31.12.2016	31.12.2015 <sup>1</sup>
	CHF 1,000	CHF 1,000
Work in progress, assets (services provided but not yet invoiced)	434,885	377,776
Work in progress, liabilities (services invoiced but not yet provided)	(365,559)	(402,545)
Valuation adjustment on contract costs	(34,183)	(51,945)
Contract costs in relation to future services by suppliers and subcontractors	108,097	112,668
Contract costs in relation to past services by suppliers and subcontractors	(582,548)	(495,674)
<b>Work in progress, net</b>	<b>(439,308)</b>	<b>(459,720)</b>
of which work in progress, assets	314,398	302,520
of which work in progress, liabilities	(753,706)	(762,240)

1 The comparative information has been adjusted, see note 2.3

The decrease in the valuation adjustment on contract costs is mainly attributable to the use of provisions for anticipated losses.

The following is a statement of contract revenues on current projects since the start of project:

	31.12.2016	31.12.2015
	CHF 1,000	CHF 1,000
Contract revenues since start of project	13,846,368	13,556,125
Contract revenues recognised in the period	2,910,063	2,834,234
Advance payments received	166,434	166,903
Guarantee retentions	51,605	57,997



## 14 Joint ventures

### 14.1 Joint ventures accounted for under the equity method

	31.12.2016	31.12.2015
	CHF 1,000	CHF 1,000
As at 1.1.	2,817	(2,246)
Share of results	32,240	39,214
Other changes	(26,441)	(32,306)
Change in scope of consolidation	–	(1,868)
Foreign exchange differences	(143)	23
<b>Total as at 31.12.</b>	<b>8,473</b>	<b>2,817</b>
of which net asset	37,190	51,254
of which net liability	(28,717)	(48,437)

Carrying amount of total receivables (payables) from joint ventures accounted for under the equity method:

	31.12.2016	31.12.2015
	CHF 1,000	CHF 1,000
Joint ventures, assets	37,190	51,254
Joint ventures, liabilities	(28,717)	(48,437)
Services invoiced to joint ventures but not yet collected	46,807	38,869
Services invoiced by joint ventures but not yet paid	(1,469)	(413)
<b>Total</b>	<b>53,811</b>	<b>41,273</b>

## Notes to the consolidated financial statements of Implenla

Implenia's share of the balance sheets and income statements of the joint ventures is:

	<b>31.12.2016</b>	31.12.2015
	<b>CHF 1,000</b>	<b>CHF 1,000</b>
Total assets	<b>346,945</b>	469,279
Total liabilities	<b>(284,980)</b>	(392,906)
<b>Net assets</b>	<b>61,965</b>	76,373

	<b>2016</b>	2015
	<b>CHF 1,000</b>	<b>CHF 1,000</b>
Net revenue	<b>172,371</b>	227,476
Expenses	<b>(140,131)</b>	(188,262)
<b>Income from joint ventures</b>	<b>32,240</b>	39,214

Services invoiced to joint ventures (included in Implenla's revenue) are disclosed in note 30.

There are no joint ventures accounted for under the equity method, which are on their own material for the consolidated financial statements. Selected joint ventures are listed in note 36.

## 14.2 Proportionally recognised and fully consolidated joint ventures

The proportionately and fully consolidated joint ventures have the following effect on the consolidated balance sheet and income statement:

	<b>31.12.2016</b>	31.12.2015
	<b>CHF 1,000</b>	<b>CHF 1,000</b>
Total assets	<b>101,086</b>	101,841
Total liabilities	<b>(83,294)</b>	(91,206)
<b>Net assets</b>	<b>17,792</b>	10,635

	<b>2016</b>	2015
	<b>CHF 1,000</b>	<b>CHF 1,000</b>
Revenue	<b>125,524</b>	154,940
Expenses	<b>(118,337)</b>	(150,880)
<b>Operating income</b>	<b>7,187</b>	4,060

The “non-controlling interests” in equity are amended for completed fully consolidated joint ventures by CHF 1.3 million (previous year: CHF 2.1 million).

Selected proportionately recognised and fully consolidated joint ventures are listed in note 36.

## 14.3 Joint and several liability

Unless agreed otherwise, the partners to joint ventures are jointly and severally liable for the joint ventures' debts.

## Notes to the consolidated financial statements of Implenla

### 15 Other receivables

	31.12.2016	31.12.2015
	CHF 1,000	CHF 1,000
Withholding tax	707	146
Other taxes and duties	9,820	8,544
Social insurances	1,646	2,726
WIR cheques	10,474	2,329
Receivables from utilised guarantees	24,056	21,177
Other receivables	15,292	16,913
<b>Total</b>	<b>61,995</b>	<b>51,835</b>

The guarantee in the amount of CHF 12 million utilised by the City of Zurich as part of the completion of the Letzigrund Stadium is reported in the item for "Receivables from utilised guarantees". Implenla has taken legal action with the Zurich District Court to obtain full repayment of the utilised guarantee.

**16 Real estate transactions**

	<b>31.12.2016</b>	31.12.2015
	<b>CHF 1,000</b>	<b>CHF 1,000</b>
Acquisition costs as at 1.1.	<b>203,728</b>	238,114
Additions	<b>49,016</b>	65,381
Disposals	<b>(65,339)</b>	(99,344)
Foreign exchange differences	–	(423)
<b>Acquisition costs as at 31.12.</b>	<b>187,405</b>	203,728
Cumulative value adjustments as at 1.1.	<b>(7,641)</b>	(8,337)
Additions	–	–
Disposals	<b>5,867</b>	696
<b>Cumulative value adjustments as at 31.12.</b>	<b>(1,774)</b>	(7,641)
<b>Net carrying amount as at 31.12.</b>	<b>185,631</b>	196,087

The gain on sale of real estate during the period is as follows:

	<b>2016</b>	2015
	<b>CHF 1,000</b>	<b>CHF 1,000</b>
Sale proceeds	<b>120,431</b>	141,618
Carrying amount of assets sold	<b>(59,472)</b>	(98,648)
<b>Gain on real estate<sup>1</sup></b>	<b>60,959</b>	42,970

1 Excluding other expenses and income of the segment Development.

## Notes to the consolidated financial statements of Implenia

### 17 Property, plant and equipment

	Business premises	Production facilities	Machinery, furniture, IT	Assets under construction	Total
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
<b>31.12.2016</b>					
Acquisition costs as at 1.1.2016	138,798	67,510	476,482	10,470	<b>693,260</b>
Additions	351	4,599	35,658	20,635	<b>61,243</b>
Disposals	(18,723)	(8,902)	(30,797)	–	<b>(58,422)</b>
Reclassifications	–	5,449	2,762	(8,211)	<b>–</b>
Change in scope of consolidation	(50)	–	(251)	–	<b>(301)</b>
Foreign exchange differences	(14)	(234)	(1,386)	(53)	<b>(1,687)</b>
<b>Acquisition costs as at 31.12.2016</b>	<b>120,362</b>	<b>68,422</b>	<b>482,468</b>	<b>22,841</b>	<b>694,093</b>
Cumulative depreciations as at 1.1.2016	(54,191)	(38,766)	(304,010)	–	<b>(396,967)</b>
Additions	(3,807)	(3,741)	(50,299)	–	<b>(57,847)</b>
Disposals	14,113	6,097	27,618	–	<b>47,828</b>
Change in scope of consolidation	50	–	185	–	<b>235</b>
Foreign exchange differences	5	77	1,445	–	<b>1,527</b>
<b>Cumulative depreciations as at 31.12.2016</b>	<b>(43,830)</b>	<b>(36,333)</b>	<b>(325,061)</b>	<b>–</b>	<b>(405,224)</b>
<b>Net carrying amount as at 31.12.2016</b>	<b>76,532</b>	<b>32,089</b>	<b>157,407</b>	<b>22,841</b>	<b>288,869</b>
of which finance leases	–	–	4,734	–	<b>4,734</b>
of which pledged	3,445	–	–	–	<b>3,445</b>

In the reporting year, property, plant and equipment with a carrying amount of CHF 2.9 million was placed in a newly founded associate as part of a capital contribution in-kind. It was a non-cash transaction, which was not shown in the cash flow statement neither as "Disposals of property, plant and equipment" nor as "Investments in other financial assets and associates".

	Business premises	Production facilities	Machinery, furniture, IT	Assets under construction	Total
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
<b>31.12.2015</b>					
Acquisition costs as at 1.1.2015	128,793	54,902	284,215	10,559	<b>478,469</b>
Additions	1,356	5,465	39,506	12,516	<b>58,843</b>
Disposals	(127)	(594)	(94,903)	–	<b>(95,624)</b>
Reclassifications	9,058	2,904	2,553	(14,515)	–
Change in scope of consolidation	–	5,337	249,881	2,051	<b>257,269</b>
Foreign exchange differences	(282)	(504)	(4,770)	(141)	<b>(5,697)</b>
<b>Acquisition costs as at 31.12.2015</b>	<b>138,798</b>	<b>67,510</b>	<b>476,482</b>	<b>10,470</b>	<b>693,260</b>
Cumulative depreciations as at 1.1.2015	(50,753)	(35,010)	(147,095)	–	<b>(232,858)</b>
Additions	(3,672)	(3,324)	(52,415)	–	<b>(59,411)</b>
Disposals	90	594	82,265	–	<b>82,949</b>
Change in scope of consolidation	–	(1,375)	(188,479)	–	<b>(189,854)</b>
Foreign exchange differences	144	349	1,714	–	<b>2,207</b>
<b>Cumulative depreciations as at 31.12.2015</b>	<b>(54,191)</b>	<b>(38,766)</b>	<b>(304,010)</b>	<b>–</b>	<b>(396,967)</b>
<b>Net carrying amount as at 31.12.2015</b>	<b>84,607</b>	<b>28,744</b>	<b>172,472</b>	<b>10,470</b>	<b>296,293</b>
of which finance leases	–	–	4,870	–	<b>4,870</b>
of which pledged	3,445	–	–	–	<b>3,445</b>

The inventory of fixed assets was adjusted extraordinarily in the previous year. Several assets that had been written down completely and scrapped were derecognised. The simplification had no impact on the result for the period.

## Notes to the consolidated financial statements of Implenia

Finance leases, where the Group is lessee:

	Future minimum lease payment		Net present value of minimum lease payment	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Less than 1 year	1,724	1,985	1,650	1,797
Between 2 and 5 years	3,141	3,305	3,088	2,901
<b>Total</b>	<b>4,865</b>	<b>5,290</b>	<b>4,738</b>	<b>4,698</b>

Operating leases, where the Group is lessee:

	Future minimum lease payment	
	31.12.2016	31.12.2015
	CHF 1,000	CHF 1,000
Less than 1 year	40,784	25,775
Between 2 and 5 years	81,340	48,116
Over 5 years	24,389	20,207
<b>Total</b>	<b>146,513</b>	<b>94,098</b>

The subsidiaries have entered into numerous operating leases, mainly for the short-term rental of construction machinery and real estate. The increase in the lease obligation is largely associated with new leases for large-scale projects in the Infrastructure segment. The expense for operating leases (including the property-related expenses) was CHF 96.2 million (previous year: CHF 84.1 million).



**18 Investment property**

	<b>31.12.2016</b>	31.12.2015
	<b>CHF 1,000</b>	<b>CHF 1,000</b>
Acquisition costs as at 1.1.	<b>24,889</b>	26,643
Additions	–	–
Disposals	–	–
Foreign exchange differences	<b>(151)</b>	(1,754)
<b>Acquisition costs as at 31.12.</b>	<b>24,738</b>	24,889
Cumulative depreciations as at 1.1.	<b>(9,805)</b>	(10,209)
Additions	<b>(365)</b>	(360)
Disposals	–	–
Foreign exchange differences	<b>73</b>	764
<b>Cumulative depreciations as at 31.12.</b>	<b>(10,097)</b>	(9,805)
<b>Net carrying amount as at 31.12.</b>	<b>14,641</b>	15,084

Investment property includes real estate and agricultural land. The agricultural land is recognised in the balance sheet with a net carrying amount of CHF 4.1 million (previous year: CHF 4.1 million). The real estate measured in accordance with the cost model has been assigned to fair value level 3, while the agricultural land has been assigned to fair value level 2. The fair value of the real estate is determined in accordance with the discounted cash flow method. The most probable incoming and outgoing payments for rent are discounted using a risk-adjusted interest rate that also takes into account the highest and best use of the real estate. The fair value of the agricultural land is checked and adjusted if any of the market factors that were used have changed materially (such as land prices). The current valuations show that the fair value of investment property differs only marginally from the carrying amount.

## Notes to the consolidated financial statements of Implenia

### 19 Investments in associates

	31.12.2016	31.12.2015
	CHF 1,000	CHF 1,000
As at 1.1.	60,736	48,788
Additions	5,510	255
Disposals	(14,944)	(2,942)
Share of results	5,835	6,724
Dividends received	(4,591)	(4,109)
Change in scope of consolidation	–	11,901
Foreign exchange differences	77	119
<b>Total as at 31.12.</b>	<b>52,623</b>	<b>60,736</b>

In the reporting period, the investments “ABW Abbruch, Boden- und Wasserreinigung GmbH” and “Altlastensanierung und Abraumdeponie Langes Feld GmbH” with a carrying amount of CHF 12.1 million were sold, resulting in a profit of CHF 0.3 million. There are no investments in associates that on their own are material to the consolidated financial statements. Selected associates are listed in note 35.

**20 Other financial assets**

	<b>31.12.2016</b>	31.12.2015
	<b>CHF 1,000</b>	<b>CHF 1,000</b>
As at 1.1.	<b>9,915</b>	8,897
Additions	<b>893</b>	246
Disposals	<b>(811)</b>	(27)
Fair value adjustment	<b>406</b>	405
Change in scope of consolidation	<b>–</b>	388
Foreign exchange differences	<b>(3)</b>	6
<b>Total as at 31.12.</b>	<b>10,400</b>	9,915
<b>Breakdown</b>		
Unlisted participations	<b>7,429</b>	6,992
Loans	<b>2,548</b>	2,515
Other financial assets	<b>423</b>	408
<b>Total as at 31.12.</b>	<b>10,400</b>	9,915

## Notes to the consolidated financial statements of Implenia

### 21 Intangible assets

	Licences and software	Brands	Customer relationships and order book	Goodwill	Total
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
<b>31.12.2016</b>					
Acquisition costs as at 1.1.2016	20,752	3,017	54,318	175,621	<b>253,708</b>
Additions	47	–	–	–	<b>47</b>
Disposals	–	–	–	–	<b>–</b>
Change in scope of consolidation	–	–	–	–	<b>–</b>
Foreign exchange differences	(38)	(11)	(167)	(321)	<b>(537)</b>
<b>Acquisition costs as at 31.12.2016</b>	<b>20,761</b>	<b>3,006</b>	<b>54,151</b>	<b>175,300</b>	<b>253,218</b>
Cumulative amortisations as at 1.1.2016	(16,313)	(1,979)	(34,980)	–	<b>(53,272)</b>
Additions	(1,875)	(117)	(8,073)	–	<b>(10,065)</b>
Disposals	–	–	–	–	<b>–</b>
Change in scope of consolidation	–	–	–	–	<b>–</b>
Foreign exchange differences	24	3	143	–	<b>170</b>
<b>Cumulative amortisations as at 31.12.2016</b>	<b>(18,164)</b>	<b>(2,093)</b>	<b>(42,910)</b>	<b>–</b>	<b>(63,167)</b>
<b>Net carrying amount as at 31.12.2016</b>	<b>2,597</b>	<b>913</b>	<b>11,241</b>	<b>175,300</b>	<b>190,051</b>
of which with indefinite useful life	–	–	–	175,300	<b>175,300</b>

	Licences and software	Brands	Customer relationships and order book	Goodwill <sup>1</sup>	Total
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
<b>31.12.2015</b>					
Acquisition costs as at 1.1.2015	15,984	1,883	17,184	83,377	<b>118,428</b>
Additions	1,451	–	306	–	<b>1,757</b>
Disposals	–	–	–	–	–
Change in scope of consolidation	3,262	1,120	37,149	93,171	<b>134,702</b>
Foreign exchange differences	55	14	(321)	(927)	<b>(1,179)</b>
<b>Acquisition costs as at 31.12.2015</b>	<b>20,752</b>	<b>3,017</b>	<b>54,318</b>	<b>175,621</b>	<b>253,708</b>
Cumulative amortisations as at 1.1.2015	(12,227)	(1,883)	(16,471)	–	<b>(30,581)</b>
Additions	(2,334)	(95)	(19,224)	–	<b>(21,653)</b>
Disposals	–	–	–	–	–
Change in scope of consolidation	(1,726)	–	–	–	<b>(1,726)</b>
Foreign exchange differences	(26)	(1)	715	–	<b>688</b>
<b>Cumulative amortisations as at 31.12.2015</b>	<b>(16,313)</b>	<b>(1,979)</b>	<b>(34,980)</b>	<b>–</b>	<b>(53,272)</b>
<b>Net carrying amount as at 31.12.2015</b>	<b>4,439</b>	<b>1,038</b>	<b>19,338</b>	<b>175,621</b>	<b>200,436</b>
of which with indefinite useful life	–	–	–	175,621	<b>175,621</b>

1 The comparative information has been adjusted, see note 2.3

Goodwill is allocated to the Group's relevant cash generating units (CGUs), which correspond to the business segments.

The recoverable amount of a CGU is determined by calculating its value in use by means of the discounted cash flow method. These calculations are based on the 2017 budget and the projected cash flows derived from the 2017 to 2019 business plan approved by management. Subsequent years' cash flows are estimated based on the growth rates shown below.

## Notes to the consolidated financial statements of Implenla

Goodwill is distributed between the CGUs as follows:

	31.12.2016	Change	31.12.2015 <sup>1</sup>
	CHF 1,000	CHF 1,000	CHF 1,000
Switzerland	50,334	–	50,334
Infrastructure	51,521	(316)	51,837
International	73,445	(5)	73,450
<b>Total</b>	<b>175,300</b>	<b>(321)</b>	<b>175,621</b>

1 The comparative information has been adjusted, see note 2.3

The change in goodwill of the CGUs Infrastructure and International is due to foreign exchange differences.

Assumptions for the calculation of value in use:

	Switzerland	Infrastructure	International
	%	%	%
Gross margin	5.4	8.6	10.7
Discount rate, pre-tax	8.9	9.9	9.9
Post-business plan growth rate	1.0	1.8	2.1

Management has defined the budgeted gross margin based on historical trends and expectations of future market development. Discount rates applied are pre-tax and reflect the specific risks faced by the CGUs concerned. The weighted average growth rates are in line with those for the respective construction industry in the respective geographical area taking account of Implenla's plans for expansion.

In addition, the goodwill items were verified by sensitivity analysis. The carrying amounts of the goodwill items are also covered in case of lower growth or a higher discount rate.

The impairment tests for goodwill did not lead to any need for impairment.

**22 Current and non-current financial liabilities**

	<b>31.12.2016</b>	31.12.2015
	<b>CHF 1,000</b>	<b>CHF 1,000</b>
As at 1.1.	<b>489,002</b>	330,057
Additions	<b>130,637</b>	161,818
Disposals	<b>(204,445)</b>	(2,635)
Change in scope of consolidation	<b>–</b>	470
Foreign exchange differences	<b>212</b>	(708)
<b>Total as at 31.12.</b>	<b>415,406</b>	489,002

**Breakdown**

Bond issues	<b>250,393</b>	324,810
Subordinated convertible bond	<b>160,106</b>	157,581
Liabilities to banks and other financial institutions	<b>92</b>	1,652
Finance lease liabilities	<b>4,738</b>	4,698
Other financial liabilities	<b>77</b>	261
<b>Total as at 31.12.</b>	<b>415,406</b>	489,002

**Maturity**

Less than 1 year	<b>1,743</b>	203,450
Between 2 and 5 years	<b>3,164</b>	2,971
Over 5 years	<b>410,499</b>	282,581
<b>Total as at 31.12.</b>	<b>415,406</b>	489,002

## **Notes to the consolidated financial statements of Implenia**

Under a syndicated loan agreement, Implenia has a cash credit line of CHF 200 million and a guarantee limit of CHF 450 million. The agreement runs until 30 September 2020 and includes two options for one-year extensions.

Implenia also has bilateral loan agreements with various banks for the amount of CHF 95 million (previous year: CHF 63 million).

Financial liabilities contain two bonds and a subordinated convertible bond:

- CHF 125 million Payment under subscription 15 October 2014, interest rate (affecting liquidity) 1.625%, term 2014–2024, issue price 101.063%, ISIN CH025 359 2767, effective interest rate 1.624%
- CHF 125 million Payment under subscription 21 March 2016, interest rate (affecting liquidity) 1.000%, term 2016–2026, issue price 100.739%, ISIN CH031 699 4661, effective interest rate 0.964%
- CHF 175 million Payment under subscription 30 June 2015, subordinated convertible bond, interest rate (affecting liquidity) 0.500%, term 2015–2022, issue price 100.000%, ISIN CH028 550 9359, conversion premium 32.5%, conversion price CHF 75.06, effective interest rate 2.158%

Implenia repaid the outstanding amount of CHF 200 million on the bond with a term from 2010 to 2016 when it matured on 12 May 2016.



## 23 Current and non-current provisions

	Service guarantees	Litigation	Restoration and remediation	Others	Total
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
<b>31.12.2016</b>					
As at 1.1.2016	8,169	8,911	19,293	4,499	<b>40,872</b>
Increase	843	237	723	1,137	<b>2,940</b>
Used	(2,115)	(5,749)	(222)	(165)	<b>(8,251)</b>
Reversed	(228)	(639)	–	(174)	<b>(1,041)</b>
Foreign exchange differences	(5)	41	–	(43)	<b>(7)</b>
<b>Total as at 31.12.2016</b>	<b>6,664</b>	<b>2,801</b>	<b>19,794</b>	<b>5,254</b>	<b>34,513</b>
of which current	–	894	4,381	1,474	<b>6,749</b>
<b>31.12.2015</b>					
As at 1.1.2015	3,582	3,416	19,977	1,545	<b>28,520</b>
Increase	78	1,863	1,311	1,271	<b>4,523</b>
Used	(260)	(334)	(1,995)	(1,611)	<b>(4,200)</b>
Reversed	(1,119)	(347)	–	(252)	<b>(1,718)</b>
Change in scope of consolidation	5,877	4,397	–	3,608	<b>13,882</b>
Foreign exchange differences	11	(84)	–	(62)	<b>(135)</b>
<b>Total as at 31.12.2015</b>	<b>8,169</b>	<b>8,911</b>	<b>19,293</b>	<b>4,499</b>	<b>40,872</b>
of which current	30	5,207	4,498	1,282	<b>11,017</b>

Service guarantees concern completed projects. Related costs tend to be payable within two to five years.

Provisions for litigation relate to pending judicial rulings. Based on a judicial ruling on a case relating to a completed project from the acquisition of Bilfinger Construction GmbH, provisions for litigations were used in the reporting year.

The provisions for restoration and the rehabilitation of contaminated sites primarily relate to future real estate restoration costs.

## Notes to the consolidated financial statements of Implenla

### 24 Pension plans

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#### Swiss pension system

In Switzerland, the company insures its employees against the financial consequences of old age, disability and death with the independent Implenla Pension Fund. It also manages a Welfare Fund (employer-funded foundation). The board of trustees of the Implenla Pension Fund consists of an equal number of employer and employee representatives. Under IAS 19, the Pension Fund is classified as a defined benefit pension plan. The employer and employee contributions are defined as a percentage of the pensionable salary. The retirement pension is derived from the accrued retirement assets at the time of retirement, multiplied by the conversion rates pursuant to the regulations. Employees can also withdraw their retirement benefits as a one-off lump sum. Disability and surviving spouse's pensions are defined as a percentage of the projected retirement pension from the Implenla Pension Fund. The assets are managed by the Implenla Pension Fund itself.

The Implenla Pension Fund can change its financing system (contributions and future benefits). If the Pension Fund is underfunded and other measures do not achieve the desired purpose, the foundation can levy restructuring contributions from the employer.

The Implenla Pension Fund bears its own actuarial and investment risks. The board of trustees as the Pension Fund's governing body is responsible for the investment of the assets. The investment strategy has been defined to ensure that all benefits can be paid when they fall due.

The board of trustees intends to implement a package of measures designed to stabilise and optimise the Implenla Pension Fund long term. The measures are associated with demographic change and the low level of interest rates. The package of measures includes a gradual reduction in the conversion rate, where the extent of the reduction will depend on the Retirement System 2020 reform and consequently cannot be decided before autumn 2017. The present consolidated financial statements reflect an initial reduction in the conversion rate from 5.65 percent to 5.40 percent, which was decided by the board of trustees on 1 December 2016. Enactment of all measures is envisaged from the year 2019 onwards.

**German pension system**

As a rule, as part of their pension plans, employees of the subsidiaries in Germany are entitled to payment of an annual contribution, which depends on their wage or salary group or individual contractual arrangements, to an individual pension account based on the company agreement applicable in each case. Interest is paid on the employee's respective credit balance each year depending on the return achieved on the plan assets. The company guarantees minimum interest of two percent per year in any case.

Depending on the amount of benefits to which the employee is entitled, benefits are paid as a single payment, as an annual instalment over a limited period or as a lifelong pension. Payment can occur as soon as the employee reaches his 60th or 62nd birthday (for employees who joined in 2012 or subsequently) and his employment relationship with the company ends. It may not be paid before this date.

Employees' rights are partly secured against insolvency via a Contractual Trust Agreement (CTA).

## Notes to the consolidated financial statements of Implenia

### Information on defined benefit pension plan

	Defined benefit obligations	Market value of plan assets	Adjustment to asset ceiling	Pension asset / (Pension liabilities)
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
As at 1.1.2016	(1,401,771)	1,363,910	–	(37,861)
Current service cost	(32,194)	–	–	(32,194)
Past service (cost)/gain	12,605	–	–	12,605
(Interest expense)/Interest income	(14,207)	13,778	–	(429)
Administration cost (excl. cost for managing plan assets)	(687)	–	–	(687)
<b>Expenses recognised in the income statement</b>	<b>(34,483)</b>	<b>13,778</b>	<b>–</b>	<b>(20,705)</b>
Return on plan assets (excl. interest income)	–	22,963	–	22,963
Gain/(loss) arising from changes in financial assumptions	6,961	–	–	6,961
Gain/(loss) arising from changes in demographical assumptions	8,845	–	–	8,845
Gain/(loss) arising from experience adjustments	17,064	–	–	17,064
Change in effect of asset ceiling	–	–	(38,556)	(38,556)
<b>Income / (expenses) recognised in other comprehensive income</b>	<b>32,870</b>	<b>22,963</b>	<b>(38,556)</b>	<b>17,277</b>
Employer contributions	–	36,357	–	36,357
Employee contributions	(30,428)	30,428	–	–
Benefits deposited/(paid)	84,173	(84,127)	–	46
Change in scope of consolidation	–	–	–	–
Foreign exchange differences	302	(200)	–	102
<b>Contributions and other effects</b>	<b>54,047</b>	<b>(17,542)</b>	<b>–</b>	<b>36,505</b>
<b>As at 31.12.2016</b>	<b>(1,349,337)</b>	<b>1,383,109</b>	<b>(38,556)</b>	<b>(4,784)</b>

	Defined benefit obligations	Market value of plan assets	Adjustment to asset ceiling	Pension asset / (Pension liabilities)
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
As at 1.1.2015	(1,329,126)	1,332,897	–	3,771
Current service cost	(30,386)	–	–	(30,386)
Past service (cost)/gain	342	–	–	342
(Interest expense)/Interest income	(18,679)	18,849	–	170
Administration cost (excl. cost for managing plan assets)	(664)	–	–	(664)
<b>Expenses recognised in the income statement</b>	(49,387)	18,849	–	(30,538)
Return on plan assets (excl. interest income)	–	23,395	–	23,395
Gain/(loss) arising from changes in financial assumptions	(56,129)	–	–	(56,129)
Gain/(loss) arising from changes in demographical assumptions	–	–	–	–
Gain/(loss) arising from experience adjustments	(5,303)	–	–	(5,303)
Change in effect of asset ceiling	–	–	–	–
<b>Income / (expenses) recognised in other comprehensive income</b>	(61,432)	23,395	–	(38,037)
Employer contributions	–	35,974	–	35,974
Employee contributions	(30,976)	30,976	–	–
Benefits deposited/(paid)	97,078	(97,078)	–	–
Change in scope of consolidation	(27,283)	18,025	–	(9,258)
Foreign exchange differences	(645)	872	–	227
<b>Contributions and other effects</b>	38,174	(11,231)	–	26,943
<b>As at 31.12.2015</b>	<b>(1,401,771)</b>	<b>1,363,910</b>	<b>–</b>	<b>(37,861)</b>

## Notes to the consolidated financial statements of Implenla

### Composition of plan assets

	31.12.2016		31.12.2015	
	CHF 1,000	%	CHF 1,000	%
<b>Quoted</b>				
Cash and cash equivalents	34,795	2.5	48,765	3.6
Debt instruments	585,907	42.3	589,031	43.2
Investment funds	418,834	30.3	401,188	29.4
Other	45,155	3.3	22,301	1.6
<b>Unquoted</b>				
Cash and cash equivalents	2,085	0.2	1,947	0.1
Debt instruments	7,510	0.5	6,660	0.5
Real estate	279,477	20.2	265,389	19.5
Other	9,346	0.7	28,629	2.1
<b>Total</b>	<b>1,383,109</b>	<b>100.0</b>	<b>1,363,910</b>	<b>100.0</b>
of which debt instruments of Implenla Ltd.	5,587	0.4	4,936	0.4
of which real estate used by Implenla	35,455	2.6	31,915	2.3

The actual return on plan assets for the 2016 financial year was CHF 36.7 million (previous year: CHF 42.2 million). The employer contributions in 2017 are estimated at CHF 36.3 million (previous year: CHF 36.2 million). The weighted average duration of the obligation is 12.6 years (previous year: 13.2 years).

### Actuarial assumptions

	Switzerland		Germany	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Discount rate	0.90%	1.00%	1.30%	2.20%
Expected salary increase	1.25%	1.25%	2.75%	2.75%
Future pension increase	0.00%	0.00%	1.50%	1.50%
Mortality table	BVG 2015	BVG 2010	Heubeck 2005	Heubeck 2005

### Sensitivity analysis

The following sensitivity analyses were prepared for the key assumptions underlying the defined benefit obligations calculations. The discount factor and assumption regarding the expected salary increase were increased/reduced by a fixed percentage. The mortality sensitivity was calculated by reducing/increasing mortality by an all-in factor, so that life expectancy was increased/reduced by around one year for most age brackets.

The following table shows the effects of an increase or a reduction in the respective input parameter on the amount of the defined benefit obligation.

	Increase		Reduction	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Discount rate (0.25% adjustment)	<b>(40,697)</b>	(44,739)	<b>43,431</b>	47,836
Salary progression (0.25% adjustment)	<b>4,276</b>	4,934	<b>(4,219)</b>	(4,888)
Life expectancy (1 year adjustment)	<b>36,351</b>	37,779	<b>(36,995)</b>	(38,456)

### The Foundation for Flexible Retirement (FAR)

Implenia's industrial staff covered by the collective employment agreement may voluntarily take early retirement from the age of 60. Bridging benefits are paid between the date of early retirement and normal retirement age by the Foundation for Flexible Retirement in the Construction Industry (FAR), which was established especially for this purpose. 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, FAR is treated as a multi-employer defined contribution scheme.

FAR prepares its accounts in accordance with Swiss pension legislation. On this basis, as at 31 December 2015, FAR had a funding ratio of 101.4 percent (as at 30 June 2015: 105.1%). Implenia does not anticipate any payment obligations beyond the contributions initially planned. In 2016, Implenia paid FAR contributions of CHF 11.2 million (previous year: CHF 10.0 million).

## Notes to the consolidated financial statements of Implenla

### 25 Deferred tax assets and liabilities

	Receivables and work in progress	Raw materials and supplies and real estate transactions	Property, plant and equipment
	CHF 1,000	CHF 1,000	CHF 1,000
<b>31.12.2016</b>			
Deferred tax assets as at 1.1.2016	–	–	–
Deferred tax liabilities as at 1.1.2016	(30,770)	(7,300)	(9,653)
<b>Net deferred tax as at 1.1.2016</b>	(30,770)	(7,300)	(9,653)
Credited/(debited) to the income statement	2,303	(130)	1,194
Credited/(debited) directly to other comprehensive income	–	–	–
Foreign exchange differences	(192)	–	6
<b>Net deferred tax as at 31.12.2016</b>	(28,659)	(7,430)	(8,453)
Deferred tax assets as at 31.12.2016	–	–	–
Deferred tax liabilities as at 31.12.2016	(28,659)	(7,430)	(8,453)

	Receivables and work in progress <sup>1</sup>	Raw materials and supplies and real estate transactions	Property, plant and equipment
	CHF 1,000	CHF 1,000	CHF 1,000
<b>31.12.2015</b>			
Deferred tax assets as at 1.1.2015	–	–	–
Deferred tax liabilities as at 1.1.2015	(21,898)	(8,966)	(7,043)
<b>Net deferred tax as at 1.1.2015</b>	(21,898)	(8,966)	(7,043)
Credited/(debited) to the income statement	6,075	1,666	1,253
Credited/(debited) directly to other comprehensive income	–	–	–
Change in scope of consolidation	(15,115)	–	(3,855)
Foreign exchange differences	168	–	(8)
<b>Net deferred tax as at 31.12.2015</b>	(30,770)	(7,300)	(9,653)
Deferred tax assets as at 31.12.2015	–	–	–
Deferred tax liabilities as at 31.12.2015	(30,770)	(7,300)	(9,653)

1 The comparative information has been adjusted, see note 2.3



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Intangible assets	Pension	Provisions	Other items	Tax loss carryforwards	Total
CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
–	6,593	–	–	–	<b>6,593</b>
(6,600)	1,403	(13,316)	(20,313)	2,165	<b>(84,384)</b>
(6,600)	7,996	(13,316)	(20,313)	2,165	<b>(77,791)</b>
2,618	(1,555)	281	4,428	6,302	<b>15,441</b>
–	(4,102)	–	37	–	<b>(4,065)</b>
15	(27)	(11)	14	64	<b>(131)</b>
(3,967)	2,312	(13,046)	(15,834)	8,531	<b>(66,546)</b>
–	672	–	554	306	<b>1,532</b>
(3,967)	1,640	(13,046)	(16,388)	8,225	<b>(68,078)</b>

&gt;

Intangible assets	Pension	Provisions	Other items	Tax loss carryforwards	Total
CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
–	424	–	–	–	<b>424</b>
(45)	(1,256)	(14,128)	(4,822)	4,016	<b>(54,142)</b>
(45)	(832)	(14,128)	(4,822)	4,016	<b>(53,718)</b>
5,721	(1,404)	(2,635)	(2,087)	(1,802)	<b>6,787</b>
–	8,755	–	–	–	<b>8,755</b>
(12,265)	1,475	3,445	(13,377)	–	<b>(39,692)</b>
(11)	2	2	(27)	(49)	<b>77</b>
(6,600)	7,996	(13,316)	(20,313)	2,165	<b>(77,791)</b>
–	6,593	–	–	–	<b>6,593</b>
(6,600)	1,403	(13,316)	(20,313)	2,165	<b>(84,384)</b>

&gt;

## Notes to the consolidated financial statements of Implenla

Temporary differences for which no deferred taxes have been recognised:

	31.12.2016	31.12.2015
	CHF 1,000	CHF 1,000
Investments	260,021	260,575
Goodwill <sup>1</sup>	175,300	175,621

1 The comparative information has been adjusted, see note 2.3

Unused tax loss carryforwards by maturity:

	Not capitalised	Capitalised	Total	Not capitalised	Capitalised	Total
	31.12.2016			31.12.2015		
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
1 year	–	–	–	–	–	–
2 years	–	–	–	–	–	–
3 years	–	–	–	–	–	–
4 years	–	–	–	–	–	–
5 years	–	–	–	–	–	–
More than 5 years	123,957	35,549	159,506	139,147	8,665	147,812
<b>Total</b>	<b>123,957</b>	<b>35,549</b>	<b>159,506</b>	<b>139,147</b>	<b>8,665</b>	<b>147,812</b>

Tax loss carryforwards are capitalised if the company in question contains taxable temporary differences of at least the same extent and according to planning figures it is likely to earn taxable profits in future.

The conclusion of a profit transfer agreement between Implenla Holding GmbH and Implenla Construction GmbH lead to a reduction of non-capitalised loss carryforwards based on the current profit 2016. Non-capitalised loss carryforwards were also used as part of the sale of the investments “ABW Abbruch, Boden- und Wasserreinigung GmbH” and “Altlastensanierung und Abraumdeponie Langes Feld GmbH”. The remaining non-capitalised tax loss carryforwards mainly affect subsidiaries abroad which do not carry out any operational activities at present.

## 26 Equity

### 26.1 Changes in equity

The 2016 General Meeting approved a distribution of ordinary dividends of CHF 1.80 per share plus an anniversary dividend of CHF 0.10 per share, resulting in a total payment of CHF 34.7 million (previous year: distribution of dividends of CHF 1.80 per share, resulting in a payment of CHF 32.9 million).

### 26.2 Sale and use of treasury shares

During the course of 2016, in total 319,296 shares with a carrying amount of CHF 17.3 million (previous year: 101,609 shares with a carrying amount of CHF 5.5 million) were sold or used for profit sharing schemes. The resulting gain of CHF 2.2 million (previous year: CHF 0.2 million) was taken directly to capital reserves.

### 26.3 Outstanding shares

	31.12.2014	Changes 2015	31.12.2015	Changes 2016	31.12.2016
	No. of shares	No. of shares	No. of shares	No. of shares	No. of shares
Total shares of Implenla Ltd.	18,472,000	–	18,472,000	–	<b>18,472,000</b>
Unreserved treasury shares	155,301	7,804	163,105	(69,063)	<b>94,042</b>
<b>Total shares outstanding</b>	<b>18,316,699</b>	<b>(7,804)</b>	<b>18,308,895</b>	<b>69,063</b>	<b>18,377,958</b>

All shares are subscribed and fully paid up. As at 31 December 2016, all shares have voting rights and qualify for dividends, with the exception of 94,042 treasury shares (previous year: 163,105 treasury shares).

## Notes to the consolidated financial statements of Implenla

	31.12.2014	Changes 2015	31.12.2015	Changes 2016	31.12.2016
	Par value of shares CHF 1,000	Par value of shares CHF 1,000	Par value of shares CHF 1,000	Par value of shares CHF 1,000	Par value of shares CHF 1,000
Share capital	18,841	–	18,841	–	<b>18,841</b>
Treasury shares	(158)	(8)	(166)	70	<b>(96)</b>
<b>Total share capital outstanding</b>	<b>18,683</b>	<b>(8)</b>	<b>18,675</b>	<b>70</b>	<b>18,745</b>

The par value of a share is CHF 1.02 (previous year: CHF 1.02).

### 27 Earnings per share

	2016	2015
<b>Data for calculating earnings per share:</b>		
Consolidated profit attributable to shareholders of Implenla Ltd.	<b>59,817</b>	48,405
Adjustment to effect on result due to convertible bond	<b>2,720</b>	1,344
Consolidated profit attributable to shareholders of Implenla Ltd. after adjustment	<b>62,537</b>	49,749
Weighted average number of shares outstanding	<b>18,291,607</b>	18,302,464
Adjustment due to diluting effect of convertible bond	<b>2,331,469</b>	1,165,735
Weighted average for calculating diluted earnings per share	<b>20,623,076</b>	19,468,199
Basic earnings per share in CHF	<b>3.27</b>	2.64
Diluted earnings per share in CHF	<b>3.03</b>	2.56

Undiluted earnings per share (EPS) are calculated by dividing the net income attributable to shareholders of Implenla Ltd. 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.

Diluted earnings per share (EPS) are calculated by adjusting the consolidated profit attributable to shareholders of Implenla Ltd. to take account of the effect of the convertible bond after taxes. This figure is divided by the weighted number of outstanding shares plus the weighted average of all dilutive potential shares that would be converted into shares in case of exercising all conversion rights.

There has been no exercise of conversion rights since the issue of the convertible bond.

## 28 Distribution of dividends

For the 2015 financial year an ordinary dividend of CHF 1.80 per share plus an anniversary dividend of CHF 0.10 per share were distributed. For the 2016 financial year, the Board of Directors will propose a dividend of CHF 2.00 per share to the General Meeting to be held on 22 March 2017. The balance sheet presented as at 31 December 2016 does not reflect the proposed distribution for 2016.

## 29 Contingent liabilities

	<b>31.12.2016</b>	31.12.2015
	<b>CHFm</b>	<b>CHFm</b>
As at 1.1.	<b>195.5</b>	102.9
Change	<b>(24.0)</b>	(26.3)
Change in scope of consolidation	–	118.9
<b>Total as at 31.12.</b>	<b>171.5</b>	195.5

Implenia's contingent liabilities primarily relate to outstanding guarantees (tender guarantees, warranties and performance bonds) for projects in joint ventures, parent guarantees for ongoing projects for own account and tax disputes/litigation.

Contractual investment obligations:

	<b>31.12.2016</b>	31.12.2015
	<b>CHFm</b>	<b>CHFm</b>
Real estate transactions	<b>86.8</b>	76.7
Property, plant and equipment	<b>0.3</b>	1.2
<b>Total</b>	<b>87.1</b>	77.9

## Notes to the consolidated financial statements of Implenia

### 30 Related party disclosures

The following transactions took place between the Group and associates/joint ventures accounted for under the equity method/pension fund and other related parties:

	2016	2015
	CHF 1,000	CHF 1,000
<b>Sales to related parties</b>		
Joint ventures (equity method)	76,200	62,023
Associates	14,038	17,121
Other related parties	363	1,231
<b>Purchases from related parties</b>		
Joint ventures (equity method)	1,030	1,419
Associates	29,003	29,961
Other related parties	850	3,017
	31.12.2016	31.12.2015
	CHF 1,000	CHF 1,000
<b>Receivables/accruals from related parties</b>		
Joint ventures (equity method)	46,807	38,869
Associates	1,328	4,012
Other related parties	–	317
<b>Payables to related parties</b>		
Joint ventures (equity method)	1,469	413
Associates	6,753	9,112
Other related parties	1	119

### 31 Free cash flow

Implenia defines free cash flow as cash flow from operating activities, less acquisitions and disposals of non-current assets. The following table provides an overview of free cash flow:

	2016	2015
	CHF 1,000	CHF 1,000
<b>Free cash flow</b>		
Cash flow from operating activities	<b>62,429</b>	145,194
Investments in non-current assets	<b>(62,852)</b>	(57,812)
Disposal of non-current assets	<b>30,480</b>	16,179
<b>Free cash flow before acquisition of subsidiaries</b>	<b>30,057</b>	103,561
Acquisition of subsidiaries	<b>(2,115)</b>	(87,383)
<b>Free cash flow after acquisition of subsidiaries</b>	<b>27,942</b>	16,178

Free cash flow is not a financial indicator defined under IFRS and should not be interpreted as such. Free cash flow is not equivalent to cash flow from operating activities as defined under IFRS.

## Notes to the consolidated financial statements of Implenla

### 32 Events after the balance sheet date

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#### **Approval of the consolidated financial statements by the Board of Directors and proposal for the appropriation of the profit**

These consolidated financial statements have been approved by the Board of Directors of Implenla Ltd. on 22 February 2017. The Board of Directors proposes to the General Meeting of Implenla Ltd., which will be held on 22 March 2017, a dividend of CHF 2.00 per share for the year ending 31 December 2016. The amount distributed per share for the previous year consisted of a dividend of CHF 1.80 and an anniversary dividend of CHF 0.10. The proposed dividend amounts to CHF 36.8 million, the final amount will be determined on the dividend record date by multiplying the approved dividend by the number of outstanding shares entitled to a dividend payment.

#### **Acquisition of the Bilfinger Hochbau Group**

On 16 December 2016, the Implenla Group announced the acquisition of 100 percent of the shares in the German company Bilfinger Hochbau GmbH based in Neu-Isenburg (Germany) from the German company Apleona, subject to approval by the competition authorities. Bilfinger Hochbau GmbH and its subsidiaries have a strong, broadly based regional presence in their domestic German market. The Group supplies services from planning to turnkey buildings and has expertise in construction site logistics, cold room construction and facade engineering. Implenla will obtain access to an attractive, longstanding customer portfolio. The Bilfinger Hochbau Group also has technical expertise, including many years' experience with BIM. This expertise will help Implenla to make more rapid progress with digitalisation.

The competition authorities approved the acquisition in January 2017. The transaction is expected to be completed at the beginning of March 2017.

#### **Aublick case, Wädenswil**

In the period from 2009 to 2011, Implenla built seven semi-detached single family houses and eight apartment buildings with 118 residential units in total. Various changes or adjustments demanded by the property developer generated additional costs. The construction process was also disrupted by various breaches of the duty to cooperate by the property owner. Implenla has taken legal action with the Zurich Commercial Court to obtain payment of the outstanding debts owed of some CHF 5 million. The Zurich Commercial Court passed judgment on 31 January 2017, whereupon Implenla carried out a remeasurement of the reported receivables. The remeasurement resulted in an additional negative value adjustment amounting to around CHF 2 million, which was recognised in these consolidated financial statements. Implenla has decided to take the case to the Supreme Court.



**33 Foreign exchange rates**

		Average rate		Closing rate	
		2016	2015	31.12.2016	31.12.2015
European Union	1 EUR	<b>CHF 1.09</b>	CHF 1.07	<b>CHF 1.07</b>	CHF 1.08
Ivory Coast/Mali	100 XOF	<b>CHF 0.17</b>	CHF 0.16	<b>CHF 0.16</b>	CHF 0.17
Norway	100 NOK	<b>CHF 11.74</b>	CHF 11.96	<b>CHF 11.82</b>	CHF 11.28
Sweden	100 SEK	<b>CHF 11.53</b>	CHF 11.42	<b>CHF 11.24</b>	CHF 11.79
USA	1 USD	<b>CHF 0.99</b>	CHF 0.96	<b>CHF 1.02</b>	CHF 0.99

## Notes to the consolidated financial statements of Implenla

### 34 Selected fully consolidated companies

Name	Share-holding	Registered office	Country	Currency
BBV Systems GmbH	100%	Bobenheim-Roxheim	D	EUR
Développements transfrontaliers SA	100%	Lyon	F	EUR
Gravière de La Claiè-aux-Moines SA	66.7%	Savigny	CH	CHF
Implenia Bau GmbH	100%	Rümmingen	D	EUR
Implenia Baugesellschaft mbH	100%	Vienna	A	EUR
Implenia Constructii SRL	100%	Voluntari	RO	RON
Implenia Construction GmbH	100%	Wiesbaden	D	EUR
Implenia Construction Odenplan AB	100%	Stockholm	S	SEK
Implenia France SA	100%	Archamps	F	EUR
Implenia Funderingstechnieken B.V.	100%	Maastricht	NL	EUR
Implenia Gesellschaft für Bau- und Prüftechnik mbH	100%	Mannheim	D	EUR
Implenia Holding GmbH	100%	Rümmingen	D	EUR
Implenia Real Estate Ltd.	100%	Dietlikon	CH	CHF
Implenia Instandsetzung GmbH	100%	Munich	D	EUR
Implenia Norge AS <sup>1</sup>	100%	Oslo	N	NOK
Implenia Österreich GmbH	100%	Vienna	A	EUR
Implenia Regiobau GmbH	100%	Freiburg	D	EUR
Implenia Schalungsbau GmbH	100%	Bobenheim-Roxheim	D	EUR
Implenia Switzerland Ltd.	100%	Dietlikon	CH	CHF
Implenia Spezialtiefbau GmbH	100%	Frankfurt	D	EUR
Implenia Sverige AB	100%	Stockholm	S	SEK
Midtnorsk Betongsprøyting AS	100%	Orkanger	N	NOK
Norbridge AS	51%	Stjørdal	N	NOK
Reprojet AG	100%	Zurich	CH	CHF
SAPA, Société Anonyme de Produits Asphaltiques	75%	Satigny	CH	CHF
Sisag SA	100%	Abidjan	CI	XOF
Socarco Bénin Sàrl	100%	Cotonou	BJ	XOF
Socarco Burkina Sàrl	100%	Ouagadougou	BF	XOF
Socarco Mali Sàrl	100%	Bamako	RMM	XOF
Tüchler Ausbau GmbH	90%	Vienna	A	EUR

1 Implenla Norge AS: Merged as per 31.12.2016 with Implenla Miljø AS

Capital	Segment	Held by
520,000	International	Implenia Construction GmbH
14,663,800	Miscellaneous/Holding	Implenia Immobilien Ltd.
1,500,000	Switzerland	Implenia Ltd.
2,556,459	International	Implenia Holding GmbH
1,530,000	Several Segments	Implenia Construction GmbH
2,250,100	International	Implenia Baugesellschaft mbH
10,100,000	Several Segments	Implenia Holding GmbH
100,000	Several Segments	Implenia Construction GmbH
157,019	Miscellaneous/Holding	Implenia Switzerland Ltd.
18,000	Infrastructure	Implenia Spezialtiefbau GmbH
178,952	Miscellaneous/Holding	Implenia Construction GmbH
18,067,751	International	Implenia Switzerland Ltd.
30,600,000	Development	Implenia Ltd.
260,000	International	Implenia Construction GmbH
4,095,432	International	Implenia Switzerland Ltd.
35,000	Infrastructure	Implenia Ltd.
1,500,000	International	Implenia Construction GmbH
520,000	Miscellaneous/Holding	Implenia Construction GmbH
40,000,000	Several Segments	Implenia Ltd.
1,000,000	Infrastructure	Implenia Construction GmbH
10,000,000	International	Implenia Switzerland Ltd.
100,000	International	Implenia Norge AS
3,000,000	International	Implenia Norge AS
100,000	Switzerland	Implenia Ltd.
500,000	Switzerland	Implenia Ltd.
492,000,000	International	Implenia Ltd.
1,000,000	International	Sisag SA
10,000,000	International	Sisag SA
100,000,000	International	Sisag SA
364,000	International	Implenia Holding GmbH

## Notes to the consolidated financial statements of Implenia

### 35 Selected associates

Name	Share-holding	Registered office	Country	Currency	Capital
ARGE Deponie Schwanental	37.0%	Eglisau	CH	CHF	–
Argo Mineral AG	50.0%	Aarau	CH	CHF	300,000
Argobit AG	40.0%	Schafisheim	CH	CHF	1,200,000
Belagswerke Heimberg AG	33.3%	Heimberg	CH	CHF	120,000
BEWO Belagslieferwerk Oberwallis (sp)	25.0%	Niedergesteln	CH	CHF	1,500,000
Catram AG	24.0%	Chur	CH	CHF	1,000,000
GU Kies AG	33.3%	Schaffhausen	CH	CHF	450,000
Holcim Betondrance SA	46.0%	Martigny	CH	CHF	300,000
Kieswerk Oldis AG	26.4%	Haldenstein	CH	CHF	1,200,000
Miphalt AG	25.1%	Niederbipp	CH	CHF	1,758,000
MOAG Baustoffe Holding AG	14.3%	Mörschwil	CH	CHF	300,000
Mobival (sp)	26.0%	Massongex	CH	CHF	–
Parking Port d'Ouchy SA	24.0%	Lausanne	CH	CHF	5,649,000
Prüflabor AG	20.0%	Mörschwil	CH	CHF	250,000
Reproad AG	33.3%	Bremgarten	CH	CHF	1,500,000
Société Coopérative Les Terrasses	45.1%	Versoix	CH	CHF	757,500
Tapidrance (sp)	60.0%	Martigny	CH	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	CH	CHF	1,729,936
wsb AG	50.0%	Rafz	CH	CHF	500,000

(sp) simple partnership

Associates are recognised according to the equity method (see note 2.14). Although the stakes held in some companies are higher than 50%, these companies are accounted for as associates and the equity method is applied as Implenia does not have control over these companies. The composition of the executive boards of the companies named does not allow Implenia to 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.

### 36 Selected joint ventures

Name	Share- holding	Country	Recognition in consolidated financial statements
ARGE AS Rheinhafen	60.0%	CH	FC
ARGE Doppelspur Kehlhof	70.0%	CH	FC
ARGE EquiTec Gotthard	50.0%	CH	PC
ARGE Forch-Burgwies	55.0%	CH	FC
ARGE Gate Oerlikon	80.5%	CH	FC
ARGE KiRu	25.0%	CH	EM
ARGE Rheintal	30.0%	CH	EM
ARGE StaBe	50.0%	CH	EM
ARGE Transco Gottardo Sedrun	40.0%	CH	EM
ARGE Tunnel Fröschnitzgraben	50.0%	AT	PC
ARGE Tunnel Gloggnitz	40.0%	AT	EM
ARGE Tunnel Granitztal	50.0%	AT	PC
ARGE WIGA	50.0%	CH	PC
ARGE WKW Hagneck	30.0%	CH	EM
Ass. Implenla-Induni Aile Est BAT 1	50.0%	CH	FC
Consortium IGR	40.0%	CH	EM
Consortium ITIS	60.0%	CH	FC
Consortium IW 111	60.0%	CH	FC
Consortium Tunnel Pinchat	31.0%	CH	EM
Consorzio TAT Tunnel Alp Transit Ticino	25.0%	CH	EM
Groupement Marti-Implenla (Nant de Drance, Emosson)	50.0%	CH	EM

FC = fully consolidated; PC = proportionately consolidated; EM = equity method

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



### **Report of the statutory auditor to the General Meeting of Implenla Ltd., Dietlikon**

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#### **Opinion**

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We have audited the consolidated financial statements of Implenla Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2016 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (pages 198 to 295).

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

#### **Basis for opinion**

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We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

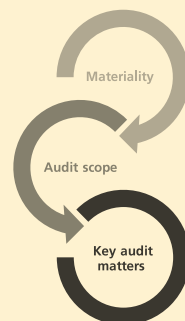
We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Our audit approach

### Overview

Overall materiality: CHF 4.6 million – this refers to 5 % of the average earnings before income taxes (EBT) of the last three years.

- We concluded full scope audit work at ten reporting units in five countries.
- Our audit scope addressed 93% of the Group's revenue and 85% of the earnings before interest and taxes (EBIT).
- In addition, reviews and audit procedures defined at Group level were performed at other Group companies, which addressed 4% of revenue and 11% of EBIT. The reviews consisted of a critical examination of the balance sheet and the income statement. The audit procedures defined at Group level concerned mainly cash and cash equivalents.



As key audit matters, the following areas of focus were identified:

- Revenue recognition and work in progress valuation according to the percentage-of-completion method
- Litigation cases – Letzigrund

### Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

In order to perform adequate audit procedures, we have designed the scope of our audit in such a way that we can issue an opinion on the consolidated financial statements as a whole. Taking into account the Group's organisation, the audit objectives and the audit plan regarding the internal controls and processes relating to the financial reporting were established based on the Group's instructions and the appropriate audit procedures were performed.

Report of the statutory auditor  
on the consolidated financial statements

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	CHF 4.6 millions
How we determined it	5% of average earnings before tax (EBT) of the last three years
Rationale for the materiality benchmark applied	We chose earnings before interest and tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured, and it is a generally accepted benchmark. To account for the volatility of the project-based business, the average value of the last three years was chosen for the materiality calculation.

We agreed with the Audit Committee that we would report to them misstatements above CHF 0.46 million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.



## Key audit matters

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

### Revenue recognition according to the PoC method / work in progress

#### Key audit matter

Revenue from the main areas of activity (construction projects, general contracting projects and real-estate projects) is recognised when the work is performed based on the stage of completion of the total contract (percentage-of-completion (PoC) method). For this purpose the stage of completion as at the balance sheet date and the expected future costs to completion are assessed. This requires the use of estimates made by the project leadership and Management. The use of the PoC method involves significant scope for judgement by Management, which can have a material impact on the consolidated financial statements (net assets from work in progress of CHF 314.4 million and net liabilities from work in progress of CHF 753.7 million).

The Group Executive Board (GEBO) discusses and monitors any non-standard projects (e.g. of unusual size or unusual exposure to risk). These projects are discussed at meetings of the Board of Directors at the request of the GEBO.

Please refer to note 2.6, 4.1.1 and 13 in the notes to the consolidated financial statements for further information.

#### How our audit addressed the key audit matter

Our audit focussed on revenue recognition and, as part of this, due to the complexity of the projects, on the use of the PoC method. We checked the logic and the systematic application of this approach to project valuations and revenue recognition and performed a critical assessment of the process. Our opinion is based on the following audit procedures:

- We reviewed the internal reporting to Management and the Board of Directors
- We tabled questions at Project Review Meetings
- We discussed selected projects with Management and the Audit Committee.
- We tested the related key controls. The tests of controls is the basis for the examination of project revenue. Examples of key controls in this area are:
  - Ensuring that amounts booked to projects were checked by the project leader and the project controller for completeness and accuracy.
  - Checking the existence of period-end accruals controls for construction and production projects.
- During the 2016 interim and year-end audits, we examined in depth numerous projects. We made a risk-based selection of projects for our samples by applying criteria that we defined, including:
  - The amount of the contribution margin in the financial year.
  - The amount of revenue in the financial year.
  - Change in the contribution margin compared with the prior year.
  - Material project-related accruals.
  - The size of the projects.
  - Projects attracting particular attention from Implenia Management.

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

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### Key audit matter

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### How our audit addressed the key audit matter

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For the selected projects, we performed the following audit procedures:

- We discussed and assessed with the project controllers and business unit leader the stage of completion of the work considering the future costs and accruals to completion. As part of this, the progress of selected projects was assessed and followed up. For projects involving significant scope for judgement, we also involved the operational leaders. In doing this, we assessed any potential impairments.
- We analysed contracts in terms of their impact on the project valuations and the related financial reporting.
- During discussions about the projects, we assessed the recoverability of contract variations already recognised as assets. Further, we requested confirmations of accounts receivable.
- To minimise losses on projects, Implenia has defined a target contribution margin. Any provisions resulting from this were discussed with Management. Further, we followed up on changes in provisions for impending losses compared with the prior year.

We consider Management's approach to assessing the estimates of stage of completion, of costs to completion and of the valuation of project work in progress as an appropriate and sufficient basis for revenue recognition in the 2016 financial year.

## Litigation cases – Letzigrund

### Key audit matter

The outcome of the legal cases relating to the Letzigrund project is difficult to assess and possible outcomes might be significant.

Implenia has rejected the Zurich High Court's ruling that it renounce its claim for around CHF 20 million and it has lodged an appeal with the Swiss Federal Supreme Court. The recoverability of the recognised receivables depends on the assessment of the prospects of a successful end to the case.

Additionally, the City of Zurich has claimed CHF 12 million under the project performance bond. Implenia discloses this amount under 'other receivables'. With regard to this matter, there is a separate legal case, which is now being heard at the court of first instance, the District Court.

Please refer to note 4.2.3. 'litigation', note 12 'Trade receivables' and note 15 'Other receivables' in the notes to the consolidated financial statements concerning the performance bond called in by the City of Zurich.

### How our audit addressed the key audit matter

On account of the importance and the complexity of the legal cases, we examined Management's assessments by means of confirmations from external lawyers.

- We examined the impact of the Zurich High Court's decision on the recognised receivables. In doing so, we relied on the lawyer's letter that we had obtained and on the assessments of the internal lawyer familiar with the case and of Management. We compared the facts and the views as set out in the legal ruling and in the lawyer's letter with the amounts recognised in the accounts.
- Even after the Zurich Supreme Court's ruling, Management still considers that the recognised receivables are recoverable. The prospects of winning the case are still undiminished according to the assessment by the internal and external lawyer.
- With regard to the legal case concerning the repayment by the City of Zurich of the amount paid out under the performance bond, it is not possible at this stage to make a clear assessment. The external lawyer assesses that the prospects of the performance bond claim amount being repaid are undiminished.
- We acknowledged the opinions of the lawyer concerning both these cases and we discussed Implenia's assessment with Management and the Audit Committee. In addition, we examined the disclosure of the legal case in the notes to the consolidated financial statements.

In our opinion, Management's assessments relating to the legal cases concerning the Letzigrund project are coherent and plausible.

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

### **Other information in the annual report**

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The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and the compensation report of Implenía AG and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of the Board of Directors for the consolidated financial statements**

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The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors intends either to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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## **Auditor's responsibilities for the audit of the consolidated financial statements**

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Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

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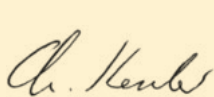
## **Report on other legal and regulatory requirements**

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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 Ltd.



Christian Kessler  
Audit expert  
Auditor in charge



Diego J. Alvarez  
Audit expert

Zurich, 22 February 2017



## Income statement

		1.1.–31.12.2016	1.1.–31.12.2015
	Notes	CHF 1000	CHF 1000
Income from investments		44,967	38,501
Income from sale of investments		2,152	1,802
Change in value adjustments and provisions	3	(1,216)	1,616
Other income	3	33,635	38,425
<b>Total operating income</b>		<b>79,538</b>	<b>80,344</b>
Staff costs		(19,606)	(18,356)
Other operational costs		(15,532)	(22,790)
Depreciation and valuation adjustments on fixed asset items		(721)	(875)
<b>Operating earnings before interest and taxes</b>		<b>43,679</b>	<b>38,323</b>
Financial income		12,496	13,132
Financial expenses		(13,220)	(15,909)
<b>Operating earnings before taxes</b>		<b>42,955</b>	<b>35,546</b>
Direct taxes		–	(393)
<b>Profit for the year</b>		<b>42,955</b>	<b>35,153</b>

## Balance sheet

		31.12.2016	31.12.2015
	Notes	CHF 1000	CHF 1000
ASSETS			
Cash and cash equivalents and current assets with a stock exchange price	3	385,649	448,460
Trade receivables from third parties		28	18
Trade receivables from Group companies		18,958	12,149
Other current receivables from third parties		514	685
Other current receivables from Group companies		31,038	171,504
Accrued income and prepaid expenses		4,851	18,354
<b>Total current assets</b>		<b>441,038</b>	<b>651,170</b>
Financial assets from third parties	3	1,824	692
Financial assets from Group companies	3	240,149	167,758
Investments in Group companies		327,829	318,282
Property, plant and equipment		70	20
Intangible assets		637	1,345
<b>Total non-current assets</b>		<b>570,509</b>	<b>488,097</b>
<b>Total assets</b>		<b>1,011,547</b>	<b>1,139,267</b>



		31.12.2016	31.12.2015
	Notes	CHF 1000	CHF 1000
EQUITY AND LIABILITIES			
Trade payables to third parties		2,020	1,874
Trade payables to Group companies		73	876
Current interest-bearing liabilities to third parties	5	–	200,000
Current interest-bearing liabilities to Group companies		216,224	284,037
Other current liabilities to third parties		884	402
Other current liabilities to Group companies		5,374	–
Deferred income and accrued expenses		9,052	12,804
<b>Total current liabilities</b>		<b>233,627</b>	<b>499,993</b>
Long-term interest-bearing liabilities to third parties	5	425,000	300,000
Long-term interest-bearing liabilities to Group companies		2,091	–
<b>Total non-current liabilities</b>		<b>427,091</b>	<b>300,000</b>
Share capital	3	18,841	18,841
Statutory capital reserves			
– Reserves from capital contributions		132	132
Statutory retained earnings		16,185	16,185
Profit carried forward		278,214	277,796
Profit for the year		42,955	35,153
Treasury shares	3	(5,498)	(8,833)
<b>Total equity</b>		<b>350,829</b>	<b>339,274</b>
<b>Total equity and liabilities</b>		<b>1,011,547</b>	<b>1,139,267</b>

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

### **1 General information**

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Implenia Ltd. is a Swiss public limited company incorporated in Dietlikon, Zurich. The average number of full-time employees employed by the company in the reporting year numbered 57 (previous year: 53 full-time employees).

### **2 Significant accounting policies**

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The present annual financial statements have been prepared in accordance with the provisions covering commercial accounting in the Swiss Code of Obligations. The key valuation principles applied, which are not prescribed by law, are described below.

#### **Trade receivables and other current receivables**

Trade receivables and other current receivables are accounted for at their nominal values. Specific valuation allowances are applied on an individual basis. A flat rate valuation allowance is applied to the remainder.

#### **Shareholdings**

Shares in the capital of another company held long-term are regarded as a stake in a Group company once more than 50 percent of the voting rights are held. They are initially recognised in the balance sheet at cost. If there are concrete indications that the stake is overvalued, an impairment loss will be recognised. Shareholdings are measured separately.

#### **Intangible assets**

Intangible assets are mainly licences. They are amortised over their estimated useful life (over four years as a rule) on a straight line basis. Intangible assets, which are amortised on a scheduled basis, are only tested for impairment when the carrying amount no longer seems recoverable. Impairment charges are recognised via the income statement.

#### **Current and non-current interest-bearing liabilities**

Bonds and convertible bonds are recognised under interest-bearing liabilities at their nominal value. Issuance costs are capitalised as deferred items and depreciated over the maturity. If the bond matures within a year, the item is reported as a current interest-bearing liability.

#### **Liabilities from lease obligations**

Lease and tenancy agreements are accounted for in accordance with legal ownership. Accordingly, expenses as lessee or tenant are recognised as expenditure on an accrual basis. However, the leased or rented items themselves are not accounted for.

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### **3 Breakdowns and explanations of items in the income statement and the balance sheet**

#### **Change in value adjustments and provisions**

The increase of bad debts (CHF 5.4 million) and the reversal of valuation allowances on shareholdings (CHF 4.2 million) were posted under this item in the reporting year. The reversal of bad debts (CHF 0.9 million) and the reversal of valuation allowances on shareholdings (CHF 0.7 million) were reported in the previous year.

#### **Other operating income**

In essence, other operating income contains expenses charged to Group companies.

#### **Cash and cash equivalents and current assets with a stock exchange price**

Cash and cash equivalents solely comprise bank deposits at sight.

#### **Financial assets**

Securities without a stock exchange price (CHF 0.7 million) and derivative financial instruments (CHF 1.1 million) are reported in the balance sheet item for financial assets from third parties. They are currency derivatives which were concluded to hedge currency risks. The derivative financial instruments are measured at market price on the balance sheet date through profit or loss. Financial assets from Group companies contain long-term loans. Current receivables from Group companies were converted into long-term loans in the reporting year.

#### **Liabilities from lease obligations**

As in the previous year, there are no material liabilities from lease obligations.

#### **Share capital**

As at 31 December 2016, the share capital of Implenla Ltd. amounts to CHF 18,841,440, divided into 18,472,000 registered shares with a nominal value of CHF 1.02 each. The shares are fully paid up. Implenla Ltd. also has conditional capital of CHF 3,768,288 and authorised capital of CHF 3,768,288. On the basis of the conditional and authorised capital, the share capital may be increased to CHF 4,710,360 in total in accordance with the conditions laid down in article 3a and 3b of the Articles of Association dated 24 March 2015. At the balance sheet date, no shares have been issued from the conditional or authorised share capital.

## Notes to the Statutory Financial Statements

Shareholders holding more than 3 percent of the share capital and the voting rights as at 31 December:

	Share capital participation	
	31.12.2016	31.12.2015
	%	%
Parmino Holding AG/Max Rössler	16.1	16.1
Rudolf Maag	5.4	5.4
Norges Bank (the Central Bank of Norway)	3.3	n.a.

The following shares were allocated in the reporting year:

	Shares definitely allocated		Amount recognised in the income statement	
	2016	2015	2016	2015
Board of Directors	5,775	5,376	328	299
Group Executive Board	37,050	49,367	2,225	2,126
Managers	19,737	11,160	1,047	601
<b>Total</b>	<b>62,562</b>	<b>65,903</b>	<b>3,600</b>	<b>3,026</b>

### Treasury shares (as a minus item)

	2016	2016	2015	2015
	Number	CHF 1000	Number	CHF 1000
As at 1.1.	163,105	8,833	155,301	8,405
Purchase	250,233	13,995	109,413	5,938
Sale and use for employees and Board of Directors	(319,296)	(17,330)	(101,609)	(5,510)
<b>As at 31.12.</b>	<b>94,042</b>	<b>5,498</b>	<b>163,105</b>	<b>8,833</b>

#### 4 Contingent liabilities

	31.12.2016	31.12.2015
	CHF 1000	CHF 1000
Guarantees and contingent liabilities	46,233	42,201
Security for joint liability regarding the levying of VAT for the Implenla-VAT-group	p.m.	p.m.

As part of a syndicated loan agreement signed on 5 August 2015, Implenla Ltd. issued a guarantee in the amount of CHF 715 million in favour of the bank consortium for the liabilities of Group companies.

#### 5 Bonds and convertible bond

Implenla AG floated the following two bonds and a subordinated convertible bond:

- CHF 125 million Payment under subscription 15 October 2014, interest rate (affecting liquidity) 1.625%, term 2014–2024, issue price 101.063%, ISIN CH025 359 2767, effective interest rate 1.624%
- CHF 125 million Payment under subscription 21 March 2016, interest rate (affecting liquidity) 1.000%, term 2016–2026, issue price 100.739%, ISIN CH031 699 4661, effective interest rate 0.964%
- CHF 175 million Payment under subscription 30 June 2015, subordinated convertible bond, interest rate (affecting liquidity) 0.500%, term 2015–2022, issue price 100.000%, ISIN CH028 550 9359, conversion premium 32.5%, conversion price CHF 75.06, effective interest rate 2.158%

Implenla repaid the outstanding amount of CHF 200 million on the bond with a term from 2010 to 2016 when it matured on 12 May 2016.

#### 6 Significant release of hidden reserves

The net release of hidden reserves amounts to CHF 4.2 million in the reporting year (previous year: CHF 3.5 million).

## Notes to the Statutory Financial Statements

### 7 Shares owned by members of the Board of Directors and members of the Group Executive Board

As at 31 December 2016, the number of shares held by non-executive members of the Board of Directors and related persons was 20,611 or 0.1 percent of the shares (previous year in former constitution: 34,833 or 0.2%). This figure includes any shares acquired in a private capacity.

#### Non-executive Board of Directors

	Number of shares, as at		Shares blocked until		
	31.12.2016 <sup>1</sup>	31.12.2015	2017	2018	2019
Hans Ulrich Meister, Chairman	–	–	–	–	–
Calvin Grieder, Vice-Chairman	2,163	1,988	678	653	175
Chantal Balet Emery, Member	2,263	2,088	678	653	175
Kyrre Olaf Johansen, Member	–	–	–	–	–
Henner Mahlstedt, Member	1,165	490	–	490	175
Ines Pöschel, Member	750	–	–	–	–
Laurent Vulliet, Member	–	–	–	–	–
Members of the Board of Directors who left	14,270	30,267	4,904	3,580	626
<b>Total</b>	<b>20,611</b>	<b>34,833</b>	<b>6,260</b>	<b>5,376</b>	<b>1,151</b>

<sup>1</sup> The shares for the 2016/17 year in office are not included in the portfolio as at 31.12.2016. The transfer of the shares took place on 3 January 2017.

As at 31 December 2016, the number of shares held by members of the Group Executive Board and related persons was 367,257 or 1.9 percent of the share capital (previous year in former constitution: 359,494 shares or 1.9%). This figure includes any shares acquired in a private capacity.

### Group Executive Board

	Number of shares, as at		Shares blocked until		
	31.12.2016	31.12.2015	2017	2018	2019
Anton Affentranger, CEO	<b>271,840</b>	263,840	12,500	25,000	17,000
Beat Fellmann, CFO and Head of Corporate Center	<b>43,500</b>	41,500	10,000	10,000	10,000
Christof Gämperle, Member and Business Unit Head of Construction German-speaking Switzerland	<b>9,813</b>	8,763	2,543	2,500	2,500
René Kotacka, Member and Business Unit Head of Infrastructure	<b>6,076</b>	5,314	655	2,671	2,750
André Métral, Member and Business Unit Head of Construction French-speaking Switzerland	<b>9,882</b>	7,382	2,337	2,500	2,500
Members of the Group Executive Board who left	<b>26,146</b>	32,695	9,249	6,967	4,600
<b>Total</b>	<b>367,257</b>	359,494	37,284	49,638	39,350

## Notes to the Statutory Financial Statements

### 8 Direct shareholdings and significant indirect shareholdings

Name	Registered office	Shareholding	Currency	Capital
Gebr. Ulmer GmbH	Bruchsal (D)	100%	EUR	25,565
Gravière de La Claie-aux-Moines SA	Savigny	66,7%	CHF	1,500,000
Implenla (Ticino) SA	Bioggio	100%	CHF	150,000
Implenla Construction GmbH	Wiesbaden (D)	100%	EUR	10,100,000
Implenla Cyprus Ltd.	Nicosia (CY)	100%	EUR	3,001
Implenla Global Solutions AG	Dietlikon	100%	CHF	100,000
Implenla Holding GmbH	Rümmingen (D)	100%	EUR	18,067,751
Implenla Norge AS <sup>1</sup>	Oslo (N)	100%	NOK	4,095,432
Implenla Österreich GmbH	Vienna (A)	100%	EUR	35,000
Implenla Real Estate Ltd.	Dietlikon	100%	CHF	30,600,000
Implenla Spezialtiefbau GmbH	Frankfurt (D)	100%	EUR	1,000,000
Implenla Switzerland Ltd.	Dietlikon	100%	CHF	40,000,000
Reprojet AG	Zurich	100%	CHF	100,000
SAPA, Société Anonyme de Produits Asphaltiques	Satigny	75%	CHF	500,000
Sisag SA	Abidjan (CI)	100%	XOF	492,000,000
Swiss Overseas Engineering Company	Geneva	100%	CHF	200,000
Tetrag Automation Ltd.	Dietlikon	100%	CHF	100,000

1 Implenla Norge AS: Merged as per 31.12.2016 with Implenla Miljø AS



## Proposal of the Board of Directors

### Proposal of the Board of Directors regarding the appropriation of available earnings

	2016
	CHF 1000
Profit carried forward	<b>278,214</b>
Profit for the year	<b>42,955</b>
	<b>321,169</b>

The Board of Directors proposes to the General Meeting the following appropriation of available earnings and reserves:

Distribution of a dividend of	<b>36,944</b>
To be carried forward	<b>284,225</b>
	<b>321,169</b>

The Board of Directors will submit a proposal to the General Meeting of 22 March 2017 to pay an ordinary dividend of CHF 2.00 per share. The amount distributed per share for the previous year consisted of a dividend of CHF 1.80 and an anniversary dividend of CHF 0.10. As at 31 December 2016, the assumed dividend totalled around CHF 36.8 million. The final amount will equal the dividend multiplied by the number of outstanding shares entitled to a dividend payment on the dividend record date (27 March 2017). The number of shares can change until the dividend record date.

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



### **Report of the statutory auditor to the General Meeting of Impenia Ltd., Dietlikon**

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#### **Opinion**

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We have audited the financial statements of Impenia Ltd., which comprise the balance sheet as at 31 December 2016, income statement and notes for the year then ended, including a summary of significant accounting policies (pages 304 to 315).

In our opinion, the accompanying financial statements as at 31 December 2016 comply with Swiss law and the company's articles of incorporation.

#### **Basis for opinion**

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We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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## Our audit approach

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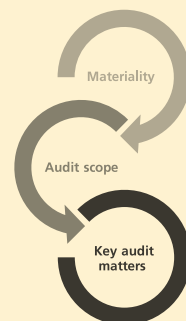
### Overview

Overall materiality: CHF 4.5 million, this refers to 0.5 % of total assets

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As a key audit matter, the following area of focus was identified:

- Impairment testing of shareholdings



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### Audit scope

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We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

# Report of the statutory auditor on the financial statements

## Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	CHF 4.5 millions
How we determined it	0.5% of total assets
Rationale for the materiality benchmark applied	We chose total assets as the benchmark because, in our view, it is an appropriate benchmark for materiality considerations relating to a holding company.

We agreed with the Audit Committee that we would report to them misstatements above CHF 0.45 million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

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

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

### Impairment testing of shareholdings

#### Key audit matter

The impairment testing of shareholdings was a key audit matter.

Shareholdings amount to CHF 327.8 million, thus representing a significant share (33%) of total assets.

The company valuations are calculated on the basis of the value of the underlying assets or using the discounted cash flow (DCF) method, which involves significant scope for judgement in determining the parameters, such as the capitalisation rate. Valuations are performed on an individual basis.

In identifying the potential need for impairment of shareholdings, Management uses an impairment testing process specified by the Board of Directors

Refer to note 8 in the financial statement.

#### How our audit addressed the key audit matter

In the regard to the impairment testing we have performed the following procedures:

- We compared the carrying amount of the shareholdings in the year under review with their pro-rata share of the respective company's equity, with the company's valuation according to the DCF method or with the impairment tests performed, for example, at company level to test goodwill.
- We checked the plausibility of the assumptions used by Management concerning sales growth, costs, long-term growth rates and margins.
- We compared the discount rate with the cost of capital of the Group, taking into account country-specific particularities.

Our audit results support Management's assumptions regarding the impairment testing of shareholdings.

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

### **Responsibilities of the Board of Directors for the financial statements**

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The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors intends either to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

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Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

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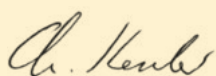
**Report on other legal and regulatory requirements**

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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 financial statements according to the instructions of the Board of Directors.

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

PricewaterhouseCoopers Ltd.



Christian Kessler  
Audit expert  
Auditor in charge



Diego J. Alvarez  
Audit expert

Zurich, 22 February 2017

Implenia also has a presence in the Netherlands, France, Italy, Poland, Romania, Thailand, Hong Kong, Mali and the Ivory Coast. For location details see the maps or visit our website at [www.implenia.com](http://www.implenia.com).







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### Key dates

Media and analysts' conference  
on the 2017 first-half results  
**24 August 2017**

Media and analysts' conference  
on the 2017 full-year results  
**1 March 2018**

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