ANNUAL REPORT 2019

Built to Build

Strong Foundation for Profitable Growth

Implenia®

Implenia Annual Report 2019

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THE YEAR IN BRIEF

Built to Build

2019 was a year of transition for Implenia. The Group met expectations for EBITDA and delivered solid performance and free cash flow. The strategy is being implemented successfully and the operating model is effective. Implenia is aiming for mid single-digit percentage EBITDA growth in 2020 before strategy implementation costs.

Implenia applied the new IFRS 16 leasing standard for the first time in this reporting period. IFRS 16 states that assets and liabilities arising from leasing contracts are to be recognised in the balance sheet. This recognition of leased items and lease liabilities results in higher total assets, EBITDA and free cash flow.

Due to the new organisational structure the previous year's figures have been adjusted. This report includes alternative performance measures. These are defined on page 184.

This Annual Report is also available in German. The original German version is binding.

The year in brief

Consolidated revenue
in CHF m

4,431

(2018: 4,364)

1.5% increase in revenue reflects focus on profitable growth.

EBITDA
in CHF m

187

(2018: 90)

EBITDA meets expectations.

Market capitalisation
in CHF m

725

(2018: 611)

Rise in market capitalisation is an indicator of increased confidence in our strategy.

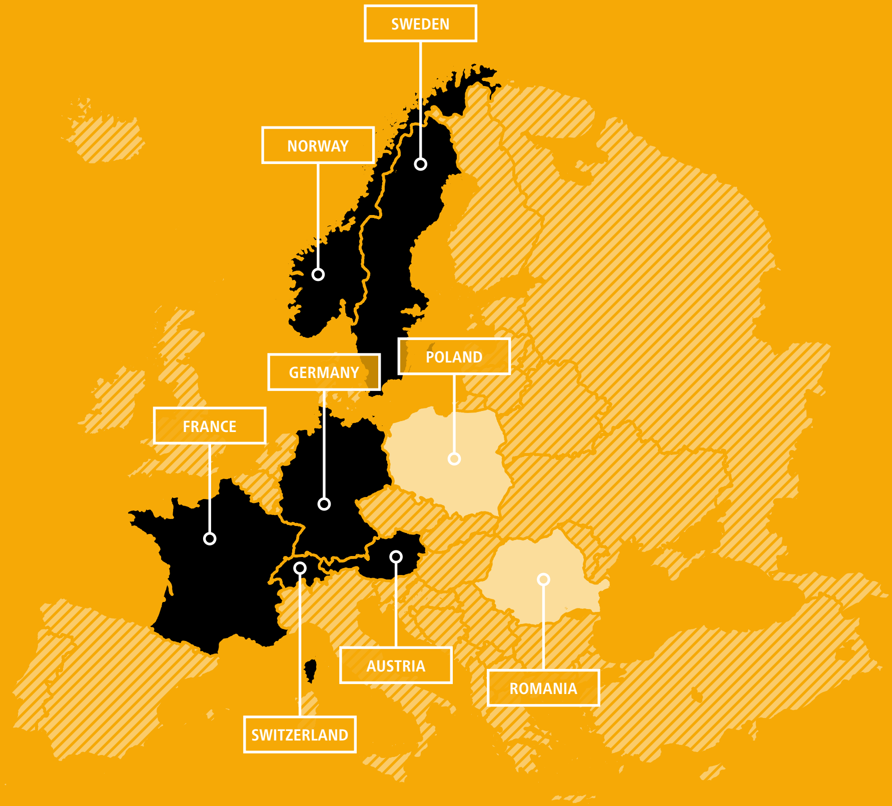
Total workforce[1]
as at 31.12.

10,168

(2018: 10,028)

The new organisational structure is well bedded in. Employees understand their roles and are carrying them out effectively.

Geographical presence
Home markets and other markets



Home markets
Other markets

1 Incl. temporary employees

1 To our shareholders

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LETTER FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

DEAR SHAREHOLDERS

With a new strategy and a new organisational structure, 2019 was a year of renewal for Implenia. The company swiftly implemented its operating model, which is based on divisions with their own profit and loss responsibility. This organisational structure was embedded very quickly and well; employees understand their roles and are carrying them out effectively. The new structure has improved international co-operation across the divisions.

In implementing its strategy, Implenia made significant progress on all its strategic priorities in 2019. The value chain has been extended and a comprehensive Value Assurance approach has been rolled out for projects across the Group. This is already having a positive impact on the quality of the order book. Further strategic initiatives, including BIM and Lean Construction, the ERP transformation project INSPIRE and supplier consolidation, are progressing on schedule. Implenia has also launched an internal platform for innovation management, the Innovation Hub.

The next major step is planned for the second quarter of 2020: Implenia intends to transfer about half of its development portfolio at current market value to the real estate company called Ina Invest Ltd. Ina Invest Ltd.'s parent company, Ina Invest Holding Ltd., will be listed. The other half of the attractive development portfolio will remain at Implenia, which will continue to develop it. Implenia Ltd. will participate in Ina Invest Ltd. as a significant minority shareholder. You, as Implenia shareholders, will participate in Ina Invest Holding Ltd. via new shares (dividend in kind) and will be able to vote on the transaction at the upcoming Annual General Meeting. The aim is for Implenia to generate continuous earnings in the medium term by expanding its value chain instead of selling its ready to build and approved development projects as it has done previously.

The business result for 2019 met expectations. Operating business went well in all four divisions and the order book is looking healthy. The Implenia Group is ready to realise its full potential.

The Board of Directors has therefore decided to ask the Annual General Meeting of Shareholders on 24 March 2020 to approve a cash dividend of CHF 0.75 per share.

On behalf of the entire Board of Directors I would like to thank you for your trust during the past year and look forward to your continued support as shareholders.

Hans Ulrich Meister
Chairman of the Board of Directors

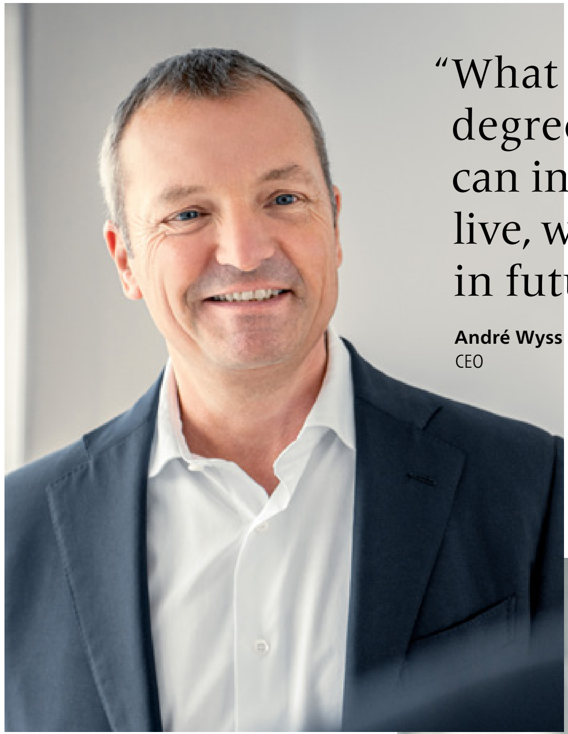
BUILT TO BUILD – CEO IN DIALOGUE

Successfully towards a new world of construction

Evidence of how fast the world is changing is everywhere. In the middle of all this change, Implenia has embarked on its own active transformation process so that it can do even more to help shape the spaces where people live in future. "Built to Build" not only describes the result of the recent realignment, but also stands as a clear mission statement for each individual project.

Implenia develops, plans and constructs buildings and infrastructure for future modern life.

André Wyss, CEO of Implenia, and Daniel Hall, Professor of Innovative and Industrial Construction at the ETH Zurich, give two perspectives on the challenges and opportunities presented by the new world of construction.



"What excites me is the degree to which Implenia can influence how people live, work and move around in future."

André Wyss
CEO

Daniel Hall
Professor for Innovative and Industrial Construction

Daniel Hall's academic work focuses on the nature of the upheaval within the construction sector as it moves towards a new way of building: "Reorganising Today for Innovation Tomorrow." The construction industry has to be re-thought and become more digital, integrative and agile. It's a big challenge that brings huge potential. Modular, industrialised construction, for example. Daniel Hall: "We now have predefined, standardised elements that we can configure and put together in all sorts of ways." Implenia has already adopted this efficient and flexible way of building – especially in its Division Specialties. "We are already very successfully using prefabrication and a high degree of modularisation in timber construction," CEO André Wyss adds. Digitalization is changing project management, process structures and

> "The transformation of the construction industry, driven by digitalization and new construction methods, is something we experience every day."
>
> **André Wyss**

organisational models – especially for complex major projects. The decisive key to success is the ability to bring together different interests and processes in one tool. "Building Information Modeling" (BIM) is a way of integrating all the stakeholders that would normally be fragmented and that wouldn't talk to each other even when working on the same project. BIM brings them together and helps them coordinate their work more efficiently," says Daniel Hall. Implenia is already using BIM to plan, model and visualise new projects digitally in Divisions Buildings and Civil Engineering. This, together with the increasingly frequent use of "Lean Construction" on projects, is saving time and costs for Implenia and everyone else involved. Greater transparency, better communication, simpler cooperation and more secure planning,

> "Digitalization gives us an opportunity to shape the whole work process more efficiently with new methods such as Building Information Modeling and Lean Construction."
>
> **Daniel Hall**

especially in complex projects: digital tools are among the most important growth drivers in the industry. They aren't just a tool for greater efficiency and productivity; they are also the most important means to maximise customer benefits and fulfil society's changing expectations of construction. CEO André Wyss: "We are influencing how people live, work and move around in the future. This is why I believe we have a crucial role to play, and a huge responsibility, especially with regard to social and environmental sustainability."

Megatrends are changing construction

URBANISATION 70% of the world's population will live in cities by 2050. The shortage of space means we need innovative living concepts that align with new forms of networking and mobility.

MOBILITY We are at the start of a multi-mobile age. The way people want to move around is becoming more individual, multi-layered and complex. Infrastructure has to be designed and built in ways that allow the new mobility to develop properly.

CONNECTIVITY Society is connected, and is never more than a click away from services and information. Spatial boundaries are dissolving, sharing concepts are coming to the fore. As urbanity becomes a comprehensive way of living and thinking, it needs to be given shape.

INDIVIDUALISATION The trend towards pure self-determination is changing values, consumer behaviour and everyday culture within society. Freedom of choice is influencing what people want in terms of residential and work spaces, as well as mobility.

Digital tools and new construction methods are also changing the skills required of employees. The talented young people being educated by Daniel Hall at the ETH are exactly who Implenia needs. As a construction company, Implenia must continuously transform itself if it wants to succeed long term in a changing environment. "We have to understand our customers' needs in detail, and develop innovative solutions to their complex real estate and infrastructure challenges," says CEO André Wyss. "Only then can we generate the added value for our customers that allows us to grow." In 2019, Implenia positioned itself for the future with a new strategy: the company is now implementing its four priorities – portfolio, profitable growth, innovation and talent & organization – quickly and consistently. And with its results for the 2019 financial year, Implenia has delivered on its promises. The fact that Implenia has chosen the right path is also shown by the success of its projects – including the "Lokstadt" site development in Winterthur, the systematic digital planning of a complex infrastructure project in Sweden, and the third tallest timber-built highrise in the world, which Implenia is planning and building in the Swiss city of Zug. André Wyss: "After a time of transition, we have now laid the foundations for profitable growth. We are on track to make Implenia a leading multinational provider of construction services. We are Built to Build."

"Construction companies are becoming more agile and innovative. This will attract new talent."

Daniel Hall

"We need to understand our customers' needs in detail, and develop innovative solutions to the challenges they present. This is how we generate the added value that allows us to grow."

André Wyss

"We are on track to make Implenia a leading multinational provider of construction services. Built to build – it's what inspires us. On every project."

André Wyss
CEO

STRATEGY UPDATE

The foundations for growth have been laid

2019 was a year of renewal for Implenia. The operating model and organisational structure introduced in the second quarter quickly proved their worth, thanks to the clear roles and responsibilities established. In addition, the operating model encouraged rapid and effective implementation of numerous Group-wide strategic initiatives. These include measures in various business areas, an improved Value Assurance approach, Procurement Excellence and the ERP transformation programme INSPIRE. The five corporate values defined in the new strategy (Excellence, Agility, Integrity, Collaboration and Sustainability) are already being put into practice and are helping to create a culture in which our employees can develop their talents to the full. We have, thus, laid the foundations for growth, and Implenia is now ready to realise its potential – profitably and for the long term.

Portfolio – ongoing optimisation of business areas

With our new operating model, we have organised ourselves into four different business divisions, each with its own profit and loss and balance sheet responsibility. All four divisions refined their plans for organic and inorganic growth, both geographically and along the value chain, in 2019. As a result, the divisions are now in a position to plan specific portfolio alterations that will allow them to grow profitably and help shape the changes that the construction industry will face in future.

We made particularly good progress in Division Development: Implenia's integrated project development unit manages an attractive pipeline of projects that create space to live, work and do business, mainly in the Zurich and Geneva metropolitan regions. Implenia plans to expand the current value chain in order to turn Division Development into a leading real estate business. Alongside the existing "trader developer" model, the aim is for Implenia to generate continuous earnings in the medium term instead of always selling its ready to build, approved development projects as it has done previously. To facilitate this, Implenia intends to create a new investment vehicle with attractive projects from its own development portfolio, and to open this up to Implenia shareholders and investors. The vehicle will make financing, whether with equity or debt, more flexible, which will in turn allow stronger growth for Implenia's existing development platform.

Implenia has established the investment vehicle as a pure real estate company, called Ina Invest Ltd. Approximately half the development portfolio, valued at current market prices, will be transferred to the newly created company. Ina Invest Ltd.'s parent company, Ina Invest Holding Ltd., will be listed. Existing Implenia shareholders will participate in Ina Invest Holding Ltd. in the form of new shares (dividend in kind). Implenia will retain a stake in Ina Invest Ltd. as a significant minority shareholder. The Implenia sharesholders will vote on this transaction at the upcoming Annual General Meeting. The other half of the attractive development portfolio will remain at Implenia, which will continue to develop it. A real estate management unit at Implenia will handle project, portfolio and property management for Ina Invest Ltd. All of Implenia's divisions will provide their services for the development and execution of real estate projects at standard market conditions (arm's length). The new real estate company will allow Implenia to generate significant added value from its development portfolio.

Profitable growth – Value Assurance introduced throughout the group

The "Operational Excellence" programme was an important focus and integral component of the strategy in 2019, laying a foundation for profitable growth. Implenia carried out various initiatives within the comprehensive "Operational Excellence" programme:

- **VALUE ASSURANCE (FORMERLY RISK MANAGEMENT)** A comprehensive and enhanced approach – consisting of standards, processes and governance – was implemented to improve project performance. An appropriate organisation has been set up to ensure implementation is properly supported and monitored. Implenia divides projects into four classes according to their risk profile. Decisions about the projects are made by

Strategy update

committees at different hierarchical levels depending on the class. The Value Assurance approach has been applied to complex projects since summer 2019. Since December, Value Assurance has been used systematically for all projects, including less complex ones. The operational phase is accompanied by review milestones, and there are plans to introduce analytics-based support tools. There is a Group-wide organisation for Value Assurance with specific capacities established in each division.

- **PROCUREMENT EXCELLENCE** This initiative encourages closer partnerships with suppliers and subcontractors and generates short- and long-term savings in purchasing. Implenia organised numerous supplier summits and one-to-one negotiations with key suppliers in 2019 in order to start a dialogue, identify potential savings and define measures that would have a rapid effect. These activities are continuing and are gradually being integrated into medium and long-term purchasing strategies for the top categories so that the full potential can be realised.
- **LEAN CONSTRUCTION** Lean methods and tools are increasingly used in the construction industry. They help to reduce construction time and costs, and improve quality. Implenia has, therefore, standardised the principles of Lean Construction and collated them into a toolbox. This was launched in 2019 and is now being used on a growing number of projects in all divisions. An internal Lean Academy has been established to ensure that those working on the projects acquire the necessary skills and retain them for the long term. As the systematic roll-out continues, Lean Construction is becoming the standard for Implenia's project work.
- **DIGITALIZATION INSPIRE,** the transformation programme which is harmonising procedures and the ERP systems for core and support processes, is now in the implementation phase. It is being coordinated with the ongoing development of BIM (Building Information Modeling) within Implenia. Further BIM projects were rolled out in 2019 as part of the Group-wide BIM-strategy. Model-based core processes and skilled employees are helping to turn BIM into a clear competitive advantage for Implenia.

Innovation – "Innovation Hub" facilitates implementation of new ideas

The "Innovation Hub", Implenia's internal innovation management programme, was launched in September. Since then, all employees have been invited to submit their ideas via a digital platform. These ideas are then put through a three-stage process that takes the successful ones right through to implementation. Through the various phases, employees are given time to work on their ideas, as well as support, coaching and a financial budget. The following five areas are prioritised: services, products, production methods, sustainable solutions, process optimisation. By the end of 2019, around 40 ideas had been submitted. Some of them have already passed the initial hurdles and are now being developed further. A few months ago we also started a new programme aimed at industrialising appropriate processes. This is allowing us to exploit the opportunities created by new technologies and increase productivity.

Talent and organisation – Organisational structure and management team in place and working productively

The new organisational structure was implemented quickly and effectively. It is now well embedded; employees understand their roles and are carrying them out effectively. The new structure is based on four divisions (Development, Buildings, Civil Engineering, Specialties), several global functions (Finance/Procurement, HR, Legal, Strategy, Group IT, Marketing/Communications), the "Project Excellence & Services" Competence Centre, and the country organisations. This simplifies cross-disciplinary cooperation on complex projects, promotes entrepreneurship in the divisions and – thanks to the country organisations led by Country Presidents – helps to strengthen local relations with customers and other stakeholders. International cooperation is also being improved as a result.

The following personnel changes occurred in the management team: Christelle Beneteau began work as Chief Human Resources Officer on 1 May 2019; Marco Dirren started as Chief Financial Officer on the same date. Anita Eckardt, an experienced and proven leader in the construction industry, took over as Head of Division Specialties on 1 September 2019. This completed the line-up of the top operational management team, the Implenia Executive Committee. There was another change in the leadership team on 1 January 2020: Christian Späth succeeded René Kotacka as Head of Division Civil Engineering. Christian Späth is an experienced construction engineer who has worked for many years in all areas of civil engineering. His career at Implenia has taken him through various leadership roles. Further key positions within the Group were successfully filled during the year under review.

INFORMATION FOR INVESTORS

The urbanisation and mobility megatrends offer attractive growth potential

Earnings per share, undiluted
in CHF

1.61

(2018: – 0.28)

Market capitalisation
in CHF m

725

(2018: 611)

Cash dividend per share[1]
in CHF

0.75

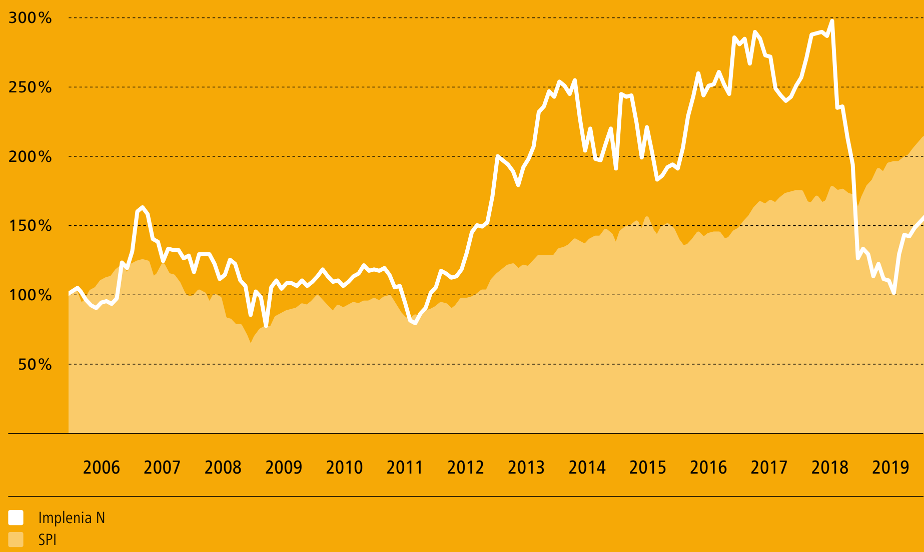
(2018: 0.5)

Daily trading volume
in CHF m

3.3

(2018: 3.2)

Share price since 6 March 2006 (first trading day)
Total shareholder return +105.2% (SPI Total Shareholder Return: 111.7%)



Source: Bloomberg

1 2019: Plus dividend in kind from the Ina Invest transaction of max. CHF 1.20 per share; subject of approval by the AGM.

Information for investors

INFORMATION ABOUT IMPLENIA'S SHARES

Review

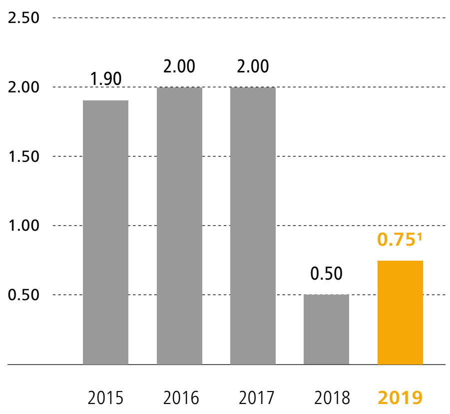
Average trading volume rose to around 100,000 shares per day in 2019, compared with 54,000 in the previous year. This increased the shares' average daily liquidity by CHF 0.1 million to CHF 3.3 million. In 2019, the free float went down 5.3% to 73%.

Share performance

	2019	2018	2017	2016	2015
Year-high (in CHF per share)	40.74	81.05	78.95	75.45	68.20
Year-low (in CHF per share)	25.32	29.50	60.10	41.15	45.55
Price at 31.12. (in CHF per share)	39.26	33.08	65.90	75.25	51.10
Annual performance in %	18.7%	(49.8%)	(12.4%)	47.3%	(11.5%)
Average number of shares traded per day	99,524	53,506	39,775	34,010	46,814
Stock market capitalisation at 31.12. (in CHF t)	725,210	611,054	1,217,305	1,390,018	943,919

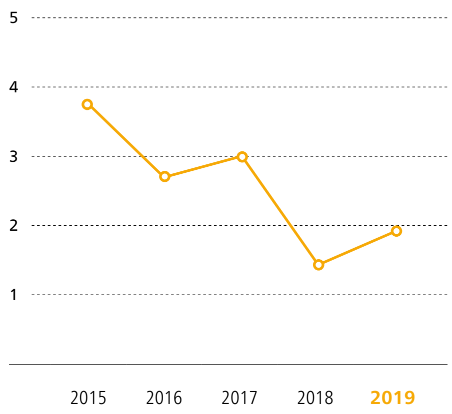
Source: Bloomberg

Cash dividend
in CHF per share



1 2019: Plus dividend in kind from the Ina Invest transaction of max. CHF 1.20 per share; subject of approval by the AGM.

Dividend yield
in %



Information for investors

DIVIDEND POLICY AND RETURNS

Position of strength

The Board of Directors is asking the Annual General Meeting of Shareholders of 24 March 2020 to approve an ordinary dividend of CHF 0.75 per share for the 2019 financial year. The proposed total dividend payout for 2019 is CHF 13.9 million. This means that Implenia will have made almost CHF 287 million in overall dividend payments since its IPO in 2006.

KEY DATA

Ticker symbol	IMPN
Security number	2 386 855
ISIN	CH002 386 8554

Share capital

	31.12.2019	31.12.2018	31.12.2017	31.12.2016	31.12.2015
Share capital (in CHF t)	18,841	18,841	18,841	18,841	18,841
Number of registered shares issued	18,472,000	18,472,000	18,472,000	18,472,000	18,472,000
Of which treasury shares	13,851	67,054	210,223	94,042	163,105
Number of outstanding registered shares	18,458,149	18,404,946	18,261,777	18,377,958	18,308,895
Par value of each registered share (in CHF)	1.02	1.02	1.02	1.02	1.02
Conditional / Authorised capital (in CHF t)	3,768	3,768	3,768	4,710	4,710

Key figures

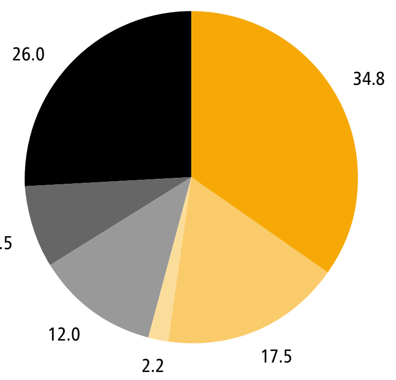
	31.12.2019	31.12.2018	31.12.2017	31.12.2016	31.12.2015
Earnings per share, undiluted (in CHF)	1.61	(0.28)	1.95	3.27	2.64
Price-earnings ratio	24.4	(118.1)	33.8	23.0	19.4
Equity per share (in CHF)	30.48	30.44	34.67	35.08	33.07
Gross dividend[1] (in CHF)	0.75	0.50	2.00	2.00	1.90
Dividend yield	1.9%	1.5%	3.0%	2.7%	3.7%
Distribution ratio[2]	46.7%	n.a.	102.1%	61.4%	71.9%

1 2015: CHF 1.80 ordinary dividend, CHF 0.10 one-off anniversary dividend
2019: Plus dividend in kind from the Ina invest transaction of max. CHF 1.20 per share; subject of approval by the AGM.

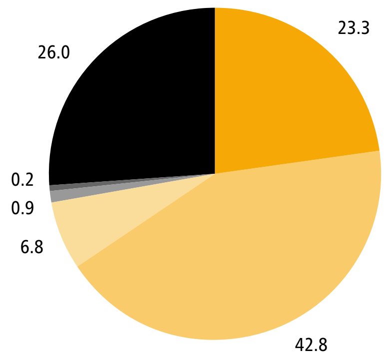
2 Based on number of outstanding shares at 31.12.

Information for investors

Share capital by type of shareholder
(shares with and without voting rights) in %



Shareholders by size of shareholding
(shares with and without voting rights) in %



SHAREHOLDER STRUCTURE

Major shareholders / nominees owning more than 3% of share capital (as at 27 December 2019)

Name	Number of shares	Percentage of share capital
Parmino Holding AG / Max Rössler	3,048,970	16.5%
Rudolf Maag	1,000,000	5.4%
Credit Suisse Funds AG	932,675	5.1%
Norbert Ketterer	930,000	5.0%
Chase Nominees Ltd.	596,592	3.2%
Dimensional Holdings Inc.	555,019	3.0%

ANALYST RECOMMENDATIONS

Coverage of Implenia's shares

Investment specialists continuously analyse Implenia's business performance, results and market situation. Five analysts regularly publish studies on Implenia shares.

Broker / bank	Rating
Bank Vontobel	Hold
HSBC	Hold
Kepler Cheuvreux	Buy
Research Partners	Buy
Zürcher Kantonalbank	Outperform

Status: 29.1.2020

Credit ratings

Implenia Ltd. has no official credit rating from a credit rating agency. The listed ratings are based on each bank's internal criteria. Please note that credit ratings can change at any time.

Rating agency / bank	Rating	Outlook
Credit Suisse	Low BBB	stable
UBS	BBB–	stable
Zürcher Kantonalbank	BBB–	negative
Fedafin	Baa–	negative

Status: 29.1.2020

Information for investors

BONDS/PROMISSORY NOTE LOANS

Outstanding bonds

Implenia Ltd. has issued the following CHF bonds and listed them on the SIX Swiss Exchange.

Coupon	Term	Nominal	Issue price	Due	ISIN code
1.625%	2014–2024	CHF 125 million	101.06%	15.10.2024	CH0253592767
0.500%	2015–2022	CHF 175 million	100.00%	30.6.2022	CH0285509359
1.000%	2016–2026	CHF 125 million	100.74%	20.3.2026	CH0316994661

The CHF 175 million issue (0.500% coupon) is a subordinated convertible bond, which has an unchanged conversion price of CHF 75.06. The convertible bond will be convertible into 2.3 million registered shares of Implenia Ltd., which is equivalent to around 12.6% of outstanding registered shares. The shares to be delivered as a result of conversion will be made available by providing new shares from conditional capital.

Outstanding promissory note loans

In June 2017, Implenia issued a promissory note loan (private placement), for a total amount of EUR 60 million. The three EUR tranches have fixed interest rates and maturities of four, six and eight years.

Coupon	Term	Nominal	Due
Fixed	2017–2021	EUR 10 million	9.6.2021
Fixed	2017–2023	EUR 20 million	9.6.2023
Fixed	2017–2025	EUR 30 million	9.6.2025

OVERVIEW OF KEY FIGURES

Five-year Implenia Group overview

in CHF t	2019	2018	2017	2016	2015
Order book (as at 31.12.)	**6,157,507**	6,248,291	6,043,261	5,171,795	5,133,513
Income statement					
Production output	**4,517,550**	4,452,761	3,926,727	3,320,418	3,430,459
Consolidated revenue	**4,430,833**	4,364,473	3,859,478	3,266,986	3,288,200
EBITDA	**186,768**	89,726	173,835	166,184	161,360
Depreciation and amortisation	**(123,261)**	(76,791)	(110,244)	(68,277)	(81,424)
Operating income	**63,507**	12,935	63,591	97,907	79,936
Consolidated profit	**33,920**	504	39,033	64,453	52,018
Cash flow statement					
Cash flow from operating activities	**143,549**	16,052	197,345	62,429	145,194
Cash flow from investment activities	**(58,678)**	(68,638)	(34,810)	(34,487)	(129,016)
Cash flow from financing activities	**(79,732)**	(14,872)	23,112	(114,573)	136,119
Free cash flow	**84,871**	(52,586)	162,535	27,942	16,178
Investment activities					
Investments in real estate transactions	**53,170**	62,821	39,802	49,016	65,381
Real estate disposals	**(48,951)**	(35,584)	(67,378)	(59,472)	(98,648)
Investments in fixed assets	**70,635**	80,025	70,050	61,243	58,843

Information for investors

in CHF t	31.12.2019	31.12.2018	31.12.2017	31.12.2016	31.12.2015
Balance sheet					
Cash and cash equivalents	912,317	913,233	985,443	791,703	877,108
Real estate transactions	189,486	185,292	158,055	185,631	196,087
Other current assets	1,124,833	1,044,098	1,043,616	1,087,291	1,068,281
Non-current assets	856,627	718,732	709,880	564,552	589,190
Total assets	3,083,263	2,861,355	2,896,994	2,629,177	2,730,666
Financial liabilities	639,753	516,022	496,930	415,406	489,002
Other liabilities	1,853,041	1,760,158	1,745,155	1,548,265	1,617,888
Equity	590,469	585,175	654,909	665,506	623,776
Total equity and liabilities	3,083,263	2,861,355	2,896,994	2,629,177	2,730,666
Net cash position excl. lease liabilities	420,500	405,540	495,270	381,035	392,804
Capital structure					
Equity ratio in %	19.2	20.5	22.6	25.3	22.8
Equity ratio in %[1]	24.6	26.2	28.2	31.4	28.6
Long-term liabilities in %	22.6	21.1	21.6	19.9	16.1
Short-term liabilities in %	58.2	58.4	55.8	54.8	61.1
Employees (FTE; as at 31.12.)[2]	8,867	8,765	8,391	7,388	7,445

1 Incl. subordinated convertible bond
2 Excl. temporary staff

	2019	2018	2017	2016	2015
Key figures					
EBITDA margin in %[1]	4.2	2.1	4.5	5.1	4.9
Operating income margin in %[1]	1.4	0.3	1.6	3.0	2.4
Return on invested capital (ROIC) in %	32.5	6.8	26.8	34.5	32.1

1 Basis: consolidated revenue

SUSTAINABLE INVESTMENT

Increasing value through sustainability
Sustainability is an integral component of our business and our value system. This makes Implenia's shares and bonds attractive to investors who take a socially responsible approach to investment.

Global Compact
Implenia is certified under the ISO 14000 standard – Environmental Management – and has pursued its own sustainability strategy since 2009. Our sustainability reporting is based on the Global Reporting Initiative (GRI).

Our commitment has been recognised in a series of external ratings. We are one of the leading construction companies for sustainability. Implenia received an AA rating from MSCI ESG (2019) and is covered by sustainability research units at various Swiss banks.

MSCI | MSCI ESG RESEARCH INC.

Bank coverage	Sustainability rating
J. Safra Sarasin	Above average
Zürcher Kantonalbank	A

Information for investors

Pioneer of "green" credit financing

The world's leading provider of research and ratings on environmental, social and governance (ESG) issues, most recently awarded Implenia an outstanding 79 points. This was a further improvement on the previous year's rating. It makes Implenia an industry leader, as well as a pioneer of "green" credit financing. Implenia is the first industrial company in Switzerland to have a syndicated loan partially linked to its Sustainalytics rating. Thanks to its current good rating, Implenia enjoys better borrowing conditions.

The fact that Implenia's many years of sustainability work are having a clear monetary impact on its funding situation marks a very important milestone.

SUSTAINALYTICS

COMMUNICATION, CONTACTS, DATES

Communications

Implenia follows an open, transparent and timely information policy in the interests of its shareholders, investors and the general public. In its periodic and its 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 under the "Investors" link. All the latest investor presentations are also available at this address.

Interested parties can subscribe to our ad hoc communications by clicking through to the "Media/News Service" page on the site. As in previous years, in 2019 the CEO, CFO and Head of Investor Relations presented the company to institutional investors at roadshows, conferences and meetings, as well as at a Capital Market Day. In 2019 Implenia held its two customary conferences on the financial results – half-year and full-year – for analysts and the media.

Contacts

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Dates

2020 Annual General Meeting	24.3.2020
Ex-date (dividend distribution)	30.3.2020[1]
Record date (dividend distribution)	31.3.2020[1]
Payment date (dividend distribution)	1.4.2020[1]
Media and analysts' conference on the 2020 first-half results	19.8.2020

1 Dates subject to approval of dividend distribution by AGM.

2 Annual Review

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GROUP PROFILE

Implenia meets expectations in transition year 2019

Implenia has met expectations with its results for the 2019 financial year. The internationally active Swiss construction services provider achieved EBITDA of CHF 186.8 million after strategy implementation costs of around CHF 20 million. Implenia is executing its new strategy rigorously and successfully. The operating model and new organisational structure have been bedded in quickly and are having a positive impact. Significant progress has been made on the implementation of strategic priorities in all areas.

Group profile

Order backlog
in CHF m

6,158

(2018: 6,248)

The order backlog is diversified and, thanks to Value Assurance, has improved in quality.

Consolidated revenue
in CHF m

4,431

(2018: 4,364)

The 1.5% increase in revenue reflects the focus on profitable growth.

EBITDA
in CHF m

187

(2018: 90)

EBITDA meets expectations.

Total workforce[1]
as at 31.12.

10,168

(2018: 10,028)

The new organisational structure is well bedded in. Employees understand their roles and are carrying them out effectively.

1 Incl. temporary employees

Consolidated key figures

in CHF t	2019	2018	Δ	Δ like for like[1]
Consolidated revenue	**4,430,833**	4,364,473	1.5%	3.6%
EBITDA excl. IFRS 16	**130,782**	89,726		
in % of consolidated revenue	**3.0%**	2.1%		
EBITDA	**186,768**	89,726		
in % of consolidated revenue	**4.2%**	2.1%		
Operating income	**63,507**	12,935		
Consolidated profit	**33,920**	504		
Free cash flow	**84,871**	(52,586)		
Net cash position excl. lease liabilities (as at 31.12.)	**420,500**	405,540	3.7%	6.0%
Net cash position (as at 31.12.)	**272,564**	397,211		
Equity (as at 31.12.)	**590,469**	585,175	0.9%	2.3%
Order book (as at 31.12.)	**6,157,507**	6,248,291	(1.5%)	0.9%
Production output	**4,517,550**	4,452,761	1.5%	3.5%
Employees (FTE; as at 31.12.)	**8,867**	8,765	1.2%	

1 Foreign currency adjusted

Implenia Executive Committee

From left to right:
Christian Späth (Head Division Civil Engineering), **Christelle Beneteau** (Chief Human Resources Officer), **Jens Vollmar** (Head Division Buildings and Country President Switzerland), **Marco Dirren** (Chief Financial Officer), **André Wyss** (Chief Executive Officer), **German Grüniger** (General Counsel), **Matthias Jacob** (Head Country Management and Country President Germany), **Anita Eckardt** (Head Division Specialties), **Adrian Wyss** (Head Division Development)

Group profile

Key balance sheet figures

in CHF t	31.12.2019	31.12.2018	Δ
Cash and cash equivalents	912,317	913,233	(0.1%)
Real estate transactions	189,486	185,292	2.3%
Other current assets	1,124,833	1,044,098	7.7%
Non-current assets	856,627	718,732	19.2%
Total assets	3,083,263	2,861,355	7.8%
Financial liabilities	639,753	516,022	24.0%
Other liabilities	1,853,041	1,760,158	5.3%
Equity	590,469	585,175	0.9%
Total equity and liabilities	3,083,263	2,861,355	7.8%
Net cash position excl. lease liabilities	420,500	405,540	3.7%
Investments in real estate transactions	53,170	62,821	(15.4%)
Investments in fixed assets	70,635	80,025	(11.7%)
Equity ratio	19.2%	20.5%	

Revenue and EBIT both up

Implenia generated revenue of CHF 4,431 million in 2019 (2018: CHF 4,364 million), an increase of around 1.5 % on the previous year. After adjusting for currency movements, revenue growth was 3.6 %. As expected, the Group achieved EBITDA of CHF 186.8 million (excl. IFRS 16: CHF 130.8 million), up from the prior year's CHF 89.7 million. A total of around CHF 20 million was spent on strategy implementation. This spending was concentrated mainly on Value Assurance, supplier consolidation and contract renegotiation, the ERP transformation project INSPIRE and implementation of the operating model and new organisational structure. Group operating income (excl. PPA) met expectations at CHF 67.6 million (2018: CHF 31.0 million). Consolidated profit was CHF 33.9 million (2018: CHF 0.5 million).

Much higher operating cash flow

Implenia delivered a solid operating cash flow and was able to finance all investments from its own business. Incoming payments from key projects helped to improve operating cash flow from CHF 16.1 million in the previous year to CHF 143.5 million (excl. IFRS 16: CHF 92.3 million). Free cash flow came to CHF 84.9 million (excl. IFRS 16: CHF 33.5 million; 2018: –52.6 million).

Balance sheet remains robust

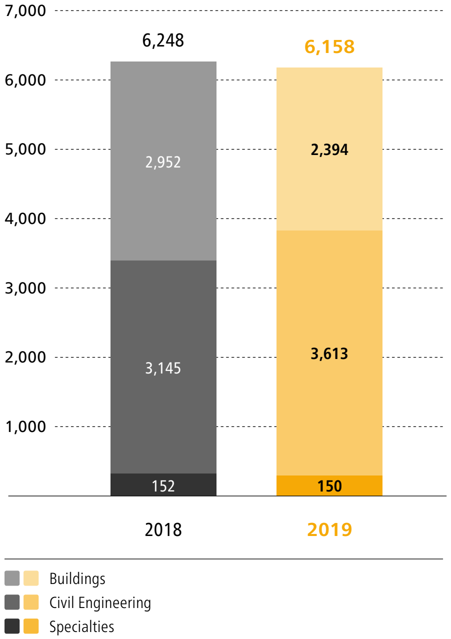
Implenia's balance sheet remains robust. Cash and cash equivalents remained around the same level as the prior year at CHF 912.3 million (2018: CHF 913.2 million). Total assets at end-2019 came to CHF 3,083 million (2018: CHF 2,861 million). The increase is primarily due to the first-time application of IFRS 16. Equity rose over the year from CHF 585.2 million to CHF 590.5 million. As a result, the equity ratio is basically unchanged at 19.2 % (incl. negative currency and pension impact). The Group still has a solid equity base by industry standards, and Implenia is confident that this will continue. Confidence is fuelled by the completion of PPA amortisation and the expected positive contributions from operating business, as well as by the planned Ina Invest transaction. Implenia is unequivocally committed to maintaining its investment-grade credit rating.

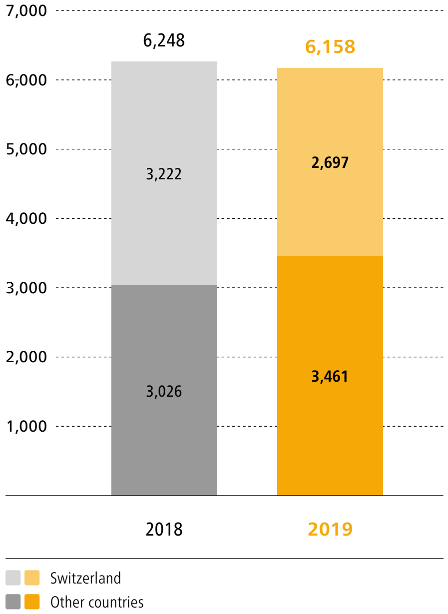
All divisions post strong operating results and a positive trend

Divisions Development and Buildings achieved a very good result in 2019. Division Civil Engineering saw a continuation of the positive trend established in the first half year. Division Specialties achieved a solid EBITDA and the legacy projects in Poland were completed.

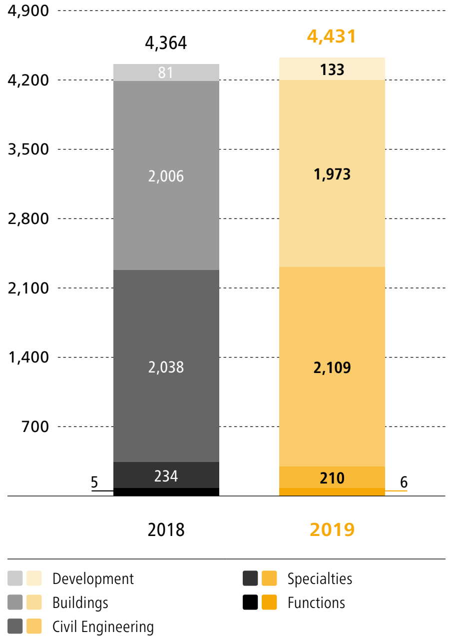
Group profile

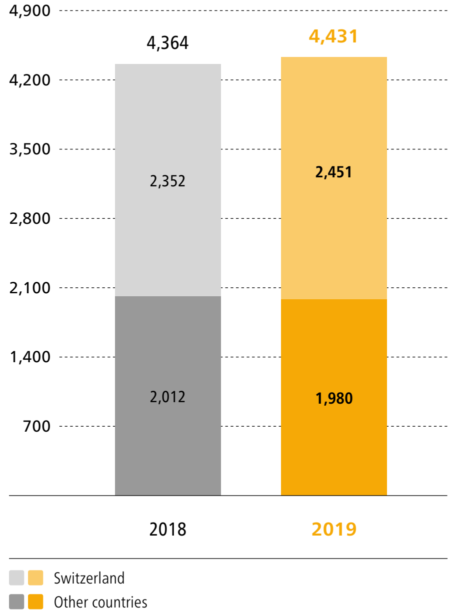
Order backlog
in CHF m





Consolidated revenue
in CHF m





Order book

in CHF t	31.12.2019	31.12.2018	Δ
Buildings	2,394,192	2,951,599	(18.9%)
Civil Engineering	3,612,993	3,144,817	14.9%
Specialties	150,322	151,875	(1.0%)
Total order book	6,157,507	6,248,291	(1.5%)

Consolidated revenue

in CHF t	2019	2018	Δ
Development	160,419	107,772	48.9%
Buildings	2,241,754	2,260,997	(0.9%)
Civil Engineering	2,300,218	2,299,551	0.0%
Specialties	242,021	255,149	(5.1%)
Functions / elimination of intra-group services	(513,579)	(558,996)	8.1%
Total revenue	4,430,833	4,364,473	1.5%

Group profile

The Implenia Group is ready to realise its full potential
Thanks to the foundations laid over a short period of time in 2019, Implenia is ready to create sustainable added value. Implenia is growing profitably aiming for an EBITDA growth with current Group structure – before intended spin-off of part of development portfolio – for 2020 in the mid single-digit percentage before strategy implementation costs of CHF 10 million (2019: CHF 20 million).

The Group's overall margin will be strengthened and extended through the use of digital planning and construction techniques, as well as through the Value Assurance approach and other strategic priorities. Implenia will devote its full energies to implementing its strategy and innovating, always keeping focused on its vision of becoming a leading multinational provider of construction services. The Group is now in a good position to realise its full potential. Combined with the latest market forecasts, this means that it can confirm its medium-term target EBITDA margin of 6.25% to 6.75% (incl. IFRS 16).

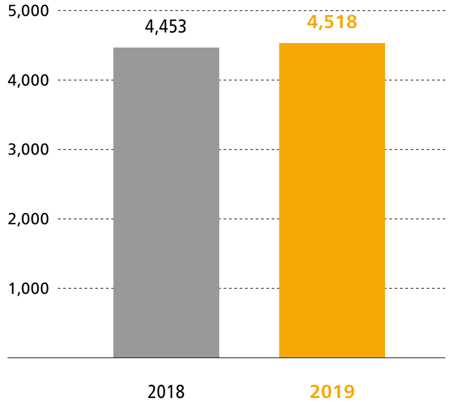
At the end of 2019, Implenia employed 8,867 people (full-time equivalents, excluding temporary employees), compared with 8,765 at the end of 2018.

EBITDA

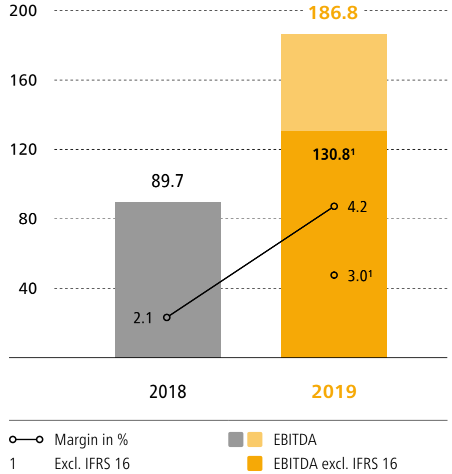
in CHF t	2019	2018	Δ[1]
Development	44,474	40,781	9.1%
Buildings	51,477	33,260	54.8%
Civil Engineering	77,221	2,010	
Specialties	19,234	20,137	(4.5%)
Functions	(5,638)	(6,462)	(12.8%)
Total EBITDA	186,768	89,726	108.2%

1 EBITDA is comparable with previous year if note 2 in the financial report (page 117) is taken into account.

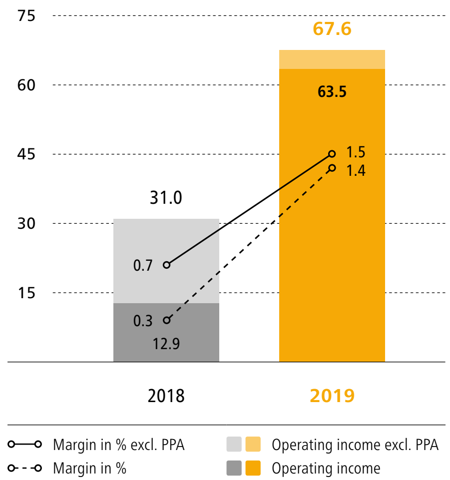
Production output
in CHF m



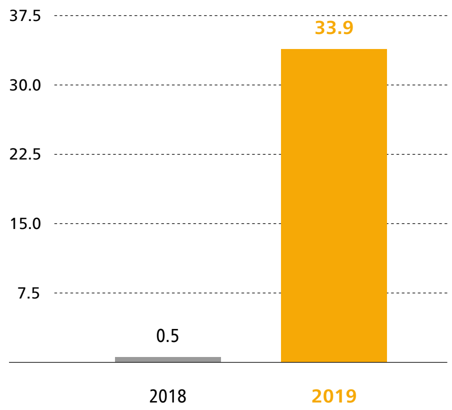
EBITDA
in CHF m



Operating income
in CHF m



Consolidated profit
in CHF m

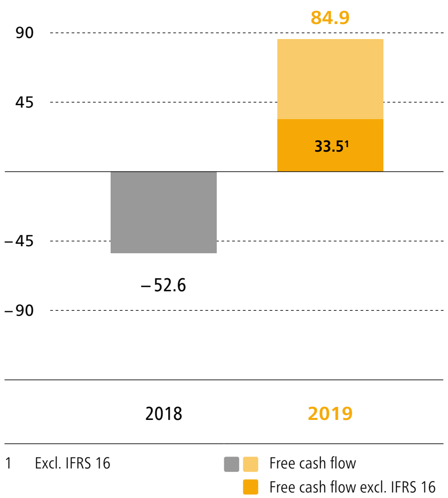


Group profile

Invested capital

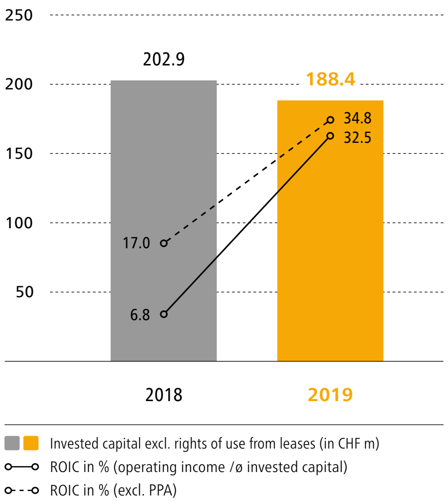
in CHF t	31.12.2019	31.12.2018	Δ
Current assets (excl. cash and cash equivalents)	1,314,319	1,229,390	6.9%
Non-current assets (excl. pension assets and rights of use from leases)	704,437	713,025	(1.2%)
Less debt capital (excl. financial liabilities and pension liabilities)	(1,830,328)	(1,739,480)	(5.2%)
Invested capital excl. rights of use from leases	188,428	202,935	(7.1%)
Rights of use from leases	146,491	–	
Total invested capital	334,919	202,935	

Free cash flow
in CHF m

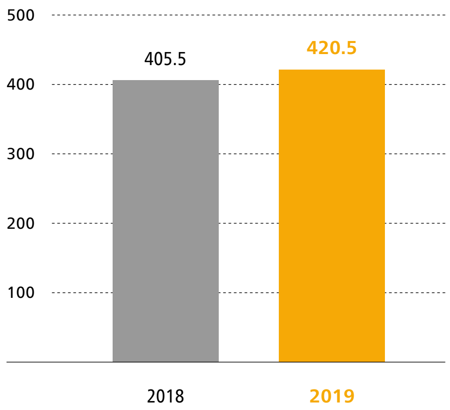


1 Excl. IFRS 16

Return on invested capital (ROIC)
in CHF m



Net cash position, excluding liabilities from leasing
in CHF m



BUSINESS REPORT

Assessment of market environment and forecast

The world economy remains in good shape and this will have a positive influence on activity in the construction sector. We will continue to see overall economic growth, though this will be somewhat weaker than in previous years. We expect the strongest growth within the construction sector to come in civil engineering.

Our assessments of market conditions and our forecasts are based on data and insights from Euroconstruct. This data refers to segments of the construction industry, which Euroconstruct defines as follows:

- Residential: permanent residences and second homes owned by households
- Non-Residential: all buildings that are not intended as dwellings; this includes commercial buildings used as temporary places of residence, i.e. hotels, nursing facilities, etc.
- Civil Engineering: Transport and utility infrastructure

The construction industry in international context

The world economy has lost some traction. This can be seen, for example, in the downward trajectory of demand in G20 countries, which has resulted not least from trade conflicts between the major economic powers. Overall, however, the world economy remains stable: inflation is still moderate, and interest rates are low.

Factors that are helping to support the construction industry include demographic trends, attractive financing terms, tax incentives and underlying economic growth. Business volumes in most markets and segments will remain positive.

The construction industry in Switzerland

The Swiss economy as a whole has lost some of its momentum, not least because of the strong Swiss franc and the effect this has on exports. In recent years the construction sector has consistently bolstered the Swiss economy with stable growth rates. The onset of overcapacities and vacancies in the residential market is now slowing investment down, though this trend is counterbalanced by solid capital spending on infrastructure. Consequently, we are seeing a structural change. Residential construction has been the main engine of rising investment in the construction sector for many years, but now civil engineering is increasingly taking over this role. This trend is being driven primarily by government investment in roads and railways.

Business report

However, demand for residential property is still strong in good locations within urban centres, thanks in part to the positive effect of attractive financing conditions.

Trends in the non-residential sector remain solid in spite of the cooling economic environment. Expected investments in healthcare, and by pharmaceutical and biotech companies are the main growth drivers here.

Construction industry in Germany

The German economy has weakened after a period of strong growth rates, but is already set to stabilise again in 2020. Construction volume continues to grow, but due to rising construction costs, higher required standards of insulation and fire protection, and shortages of suitable land and skilled employees, this growth is a little slower than in recent years. In the longer term, however, changing age structures, technological progress and the energy transition will drive construction activity and, therefore, growth in the industry.

The main sources of stimulus in the residential construction market are rising incomes, low interest rates and the increased housing demand generated by urbanisation and immigration. However, capacities are largely exhausted, which is driving construction costs up. Building Information Modeling and modular, prefabricated construction methods offer potential for efficiency gains. In the non-residential sector, healthcare is driving demand, particularly because of demographic change.

Civil Engineering depends very much on the propensity of the public sector to invest. Investment levels remain high in the transport sector. Demand is stable in road construction. Growth is expected to weaken in the utilities sector and in infrastructure for energy and telecommunications.

Construction industry in Sweden and Norway

Sweden and Norway are still making up for the lack of capital spending caused by the financial crisis of the 1990s. There are various government programmes underway and, given population growth in these countries, these are likely to continue.

Civil engineering is the driving force in the construction industry in both countries. In addition to the programmes already mentioned, there are numerous short-term initiatives in play. Local authorities are also able to source half the funding they need for public transport infrastructure projects from central government. Road and rail construction are the main drivers here. New investment is clearly playing a much more significant role than maintenance and repair. In the utilities sector, efforts to modernise power stations and power grids are being driven by slightly higher electricity prices and climate change.

Construction industry in Austria

Residential construction has long been a growth driver for the Austrian construction industry, but factors such as steadily slowing population growth and rising land prices are set to dampen this effect from 2020 onwards. There is also a trend away from new construction and towards modernisation. Demand in the non-residential sector will increase, mainly because of the rise in demand in the healthcare industry as the population ages.

Investment within the civil engineering sector, especially in the railway network, has benefited from the higher tax revenues and low budget deficits of recent years. This will largely stop, though much of the slack will be taken up by stable road construction activity.

Construction industry in France

The French economy as a whole will continue to enjoy positive growth rates.

The civil engineering sector in France has grown strongly, mainly because of large transport infrastructure projects. This has led to lively activity, high employment and well-filled order books. Continued healthy growth is expected in the civil engineering sector, though the emphasis will shift from road to rail. The government has announced that it wants to improve the situation significantly in terms of passengers, the track network and freight. In the longer term, the recently adopted Mobility Orientation Law will provide new impetus by enshrining the goal of a comprehensive mobility network in legislation.

Good conditions for Implenia to grow

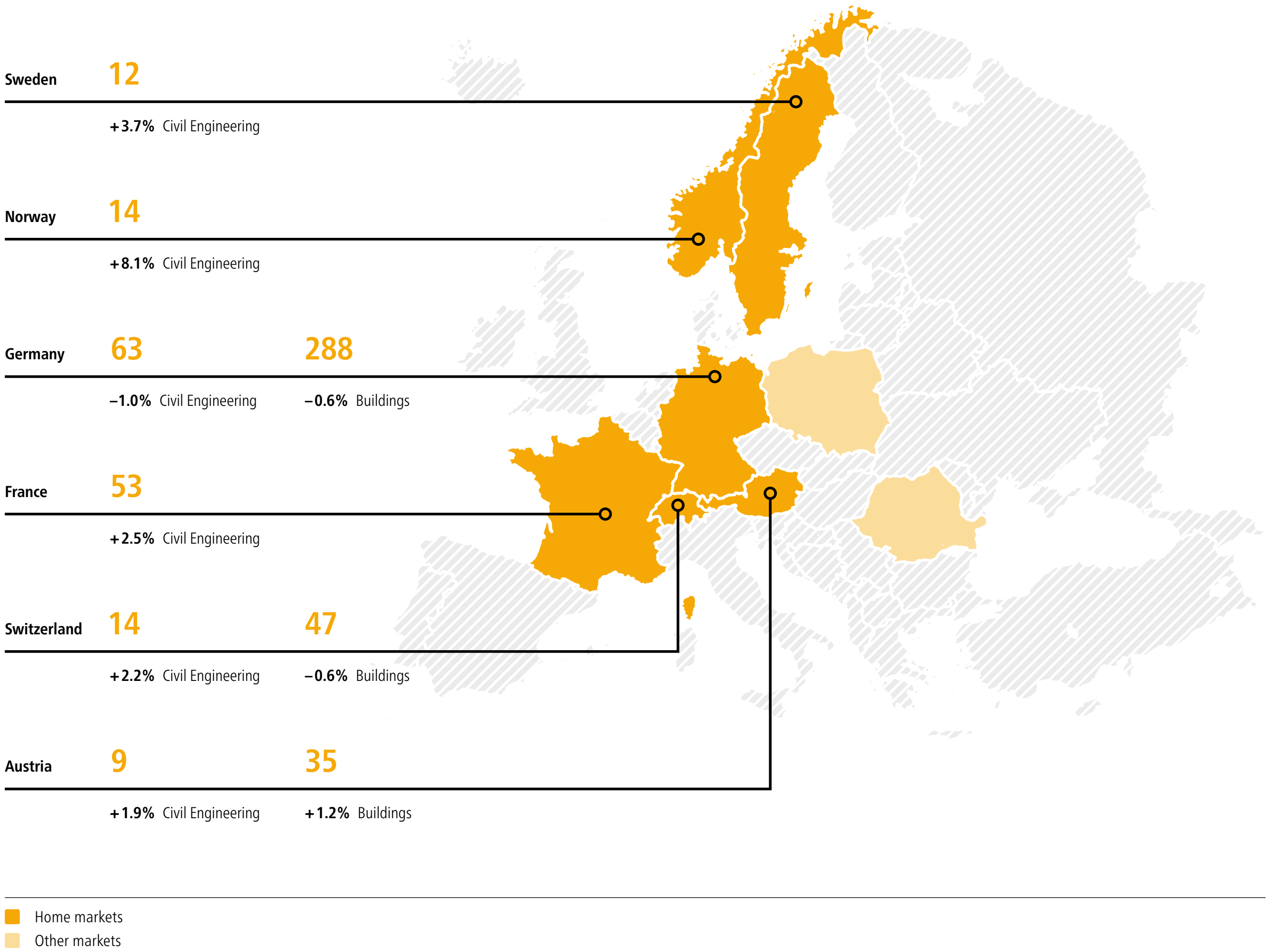
With our good operating performance in 2019 we are well positioned in all our home markets and in the segments where Implenia is active. Continuing solid growth in demand for the real estate and construction services we provide in our home markets is a good foundation for profitable growth at all our divisions – Development, Buildings, Civil Engineering and Specialties. Geographically and along the value chain, we position our businesses so that they can help shape future changes in the construction industry.

Business report

In the long term, we are aligning our activities to the following megatrends, which will fundamentally change our customers' needs and demands:

- **URBANISATION** 70% of the world's population will live in cities by 2050. The resulting densification will require new housing concepts that can be adapted flexibly to residents' differing lifestyles and life phases.
- **MOBILITY** This is hugely important in our globalised society. The way people want to move around will become increasingly individualised and complex; but at the same time we have to be careful about our use of natural resources. Mobility infrastructure has to be designed and built accordingly.
- **CONNECTIVITY** Society is connected, and many everyday actions and transactions are done via digital platforms. Spatial boundaries are dissolving, sharing concepts are coming to the fore. And despite digitalization, people still want social spaces nearby where they can interact in person with others.
- **INDIVIDUALISATION** Self-determination is a priority across all generations. Personal life plans and needs are influencing what people want in terms of residential and work spaces, as well as mobility.

Sustainable investment in our home markets
in EUR bn



CAGR 2019–2022 investments

DIVISIONS AND KEY PROJECTS

Four divisions, one goal

The new structure based on Divisions Development, Buildings, Civil Engineering and Specialties, each responsible for its own results and balance sheet, has been established successfully. Managers and employees are carrying out their roles and applying the new processes effectively. This is reflected in our good operating results, successful project acquisitions and the positive trends with which all divisions are supporting Implenia's overall performance.

DIVISION DEVELOPMENT

Continued growth and sustainable added value

Adrian Wyss
Head Division Development

With EBITDA of CHF 44.5 million (2018: CHF 40.8 million), Division Development achieved a very good result for 2019. In addition, land in attractive locations was purchased for a total of CHF 53.2 million. The intended spin-off of half of Implenia's development portfolio should deliver attractive added value for existing shareholders and for Implenia.

Improved performance

The 2019 result is heavily influenced by the successful sale of the development project KIM inno-living to life insurance company Swiss Life. This development of over 200 residential units is built of solid wood in accordance with the highest sustainability standards. In addition, we sold numerous other owner-occupied residential projects in the Zurich region (including Lokstadt's project "Kokodil" and project "sue&til", both in Winterthur), as well as in Fribourg, Geneva and Ticino. The market for owner-occupied homes remains very stable thanks to a continuing favourable interest rate environment and attractive products. Owner-occupied residential property remains a central pillar of the Division's business.

Division Development

In terms of land acquisitions, we were able to grow our portfolio by around CHF 53.2 million. This increase included the cancellation of a buy-back option in Unterfeld Baar, a plot in Suhr, an existing property with further potential for development in Zurich, and a large site in Kloten.

We started to grow our development business in the German market in 2019, building up a team in Frankfurt and making some initial acquisitions. We came first in an investor/design competition for the 30,000 m² Marienplatz project in Darmstadt, for example, making this our first project success in Germany.

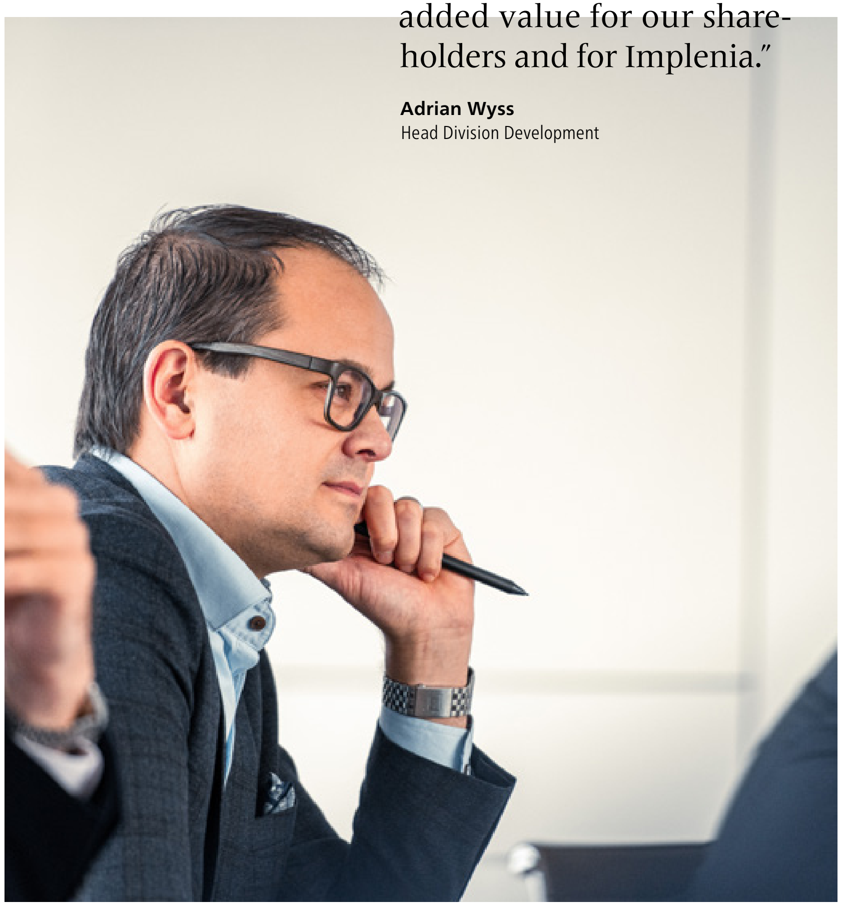
Crystallisation of the development portfolio's value

Experience has shown that we operate with a successful business model in Division Development: the yields are attractive, and promising projects in outstanding locations are driving demand. From this position of strength we have decided to transfer half of our attractive development portfolio, with a current market value of around CHF 300 million, into a new real estate company. This will create an interesting investment opportunity for our shareholders. It also allows us to extend our value chain for the long term and expand our real estate development business.

To do this we founded a new company, Ina Invest Ltd., in which Implenia Ltd. shall participate as a significant minority shareholder. The parent company, Ina Invest Holding Ltd., will be listed. With its real estate services unit, Implenia will offer project, portfolio and asset management services to Ina Invest. This extension of the value chain will allow us to generate continuous earnings in the medium term instead of selling ready to build and approved development projects as we have done previously. At the same time, we will continue to apply our traditional business model to Implenia's remaining development portfolio as a classic property development company. This portfolio remains attractive.

"Based on our strong position as an innovative and integrated property developer, we are ready for the next important step, the planned spin-off, which will generate added value for our shareholders and for Implenia."

Adrian Wyss
Head Division Development

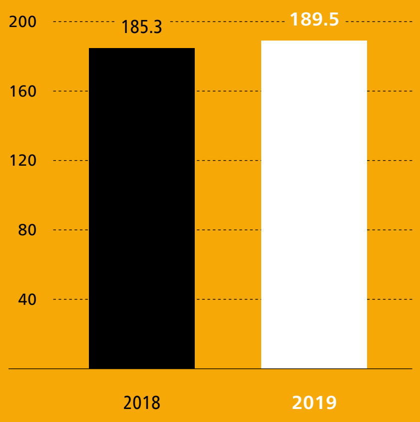


Division Development

From idea through to completely developed site. Division Development specialises in value-oriented development of properties and sites. Implenia already has a leading position in this area in Switzerland, and is already expanding beyond its home market. The division will be adding to its range of services in future by developing innovative, scalable, real estate products and comprehensive real estate services.

Division Development

Development portfolio
in CHF m, at historical cost



CHF 53.2 million invested in plots of land in attractive locations.

Return on invested capital
in %

28.4

(2018: 26.3)

Further increase in profitability.

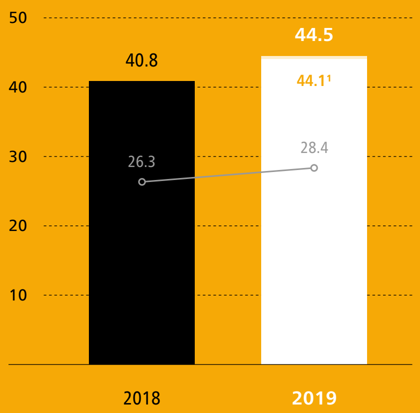
Sold homes
as at 31.12.

364

(2018: 289)

Successful sales, especially of one major project and of owner-occupied homes in the Zurich region.

EBITDA
in CHF m



ROIC (operating income/ø invested capital)

1 Excl. IFRS 16

Good EBITDA as a basis for further profitable growth.

Homes in development
as at 31.12.

2,873

(2018: 4,191)

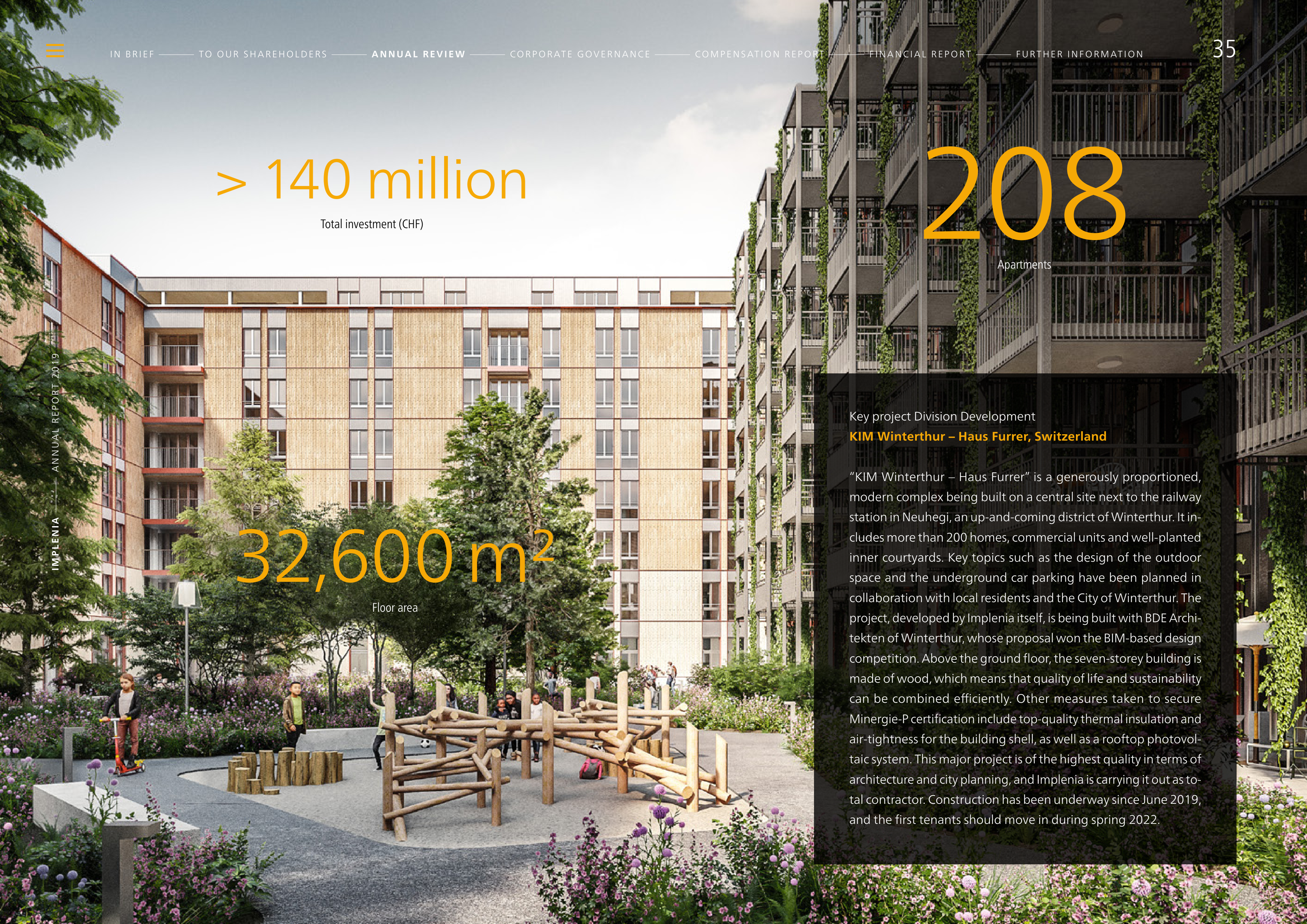
Decrease due to successful completion and sale of projects.

Employees (FTE)
as at 31.12.

76

(2018: 64)

The new development team in Germany gives the division greater geographical reach.



> 140 million

Total investment (CHF)

208

Apartments

32,600 m²

Floor area

Key project Division Development

KIM Winterthur – Haus Furrer, Switzerland

"KIM Winterthur – Haus Furrer" is a generously proportioned, modern complex being built on a central site next to the railway station in Neuhegi, an up-and-coming district of Winterthur. It includes more than 200 homes, commercial units and well-planted inner courtyards. Key topics such as the design of the outdoor space and the underground car parking have been planned in collaboration with local residents and the City of Winterthur. The project, developed by Implenia itself, is being built with BDE Architekten of Winterthur, whose proposal won the BIM-based design competition. Above the ground floor, the seven-storey building is made of wood, which means that quality of life and sustainability can be combined efficiently. Other measures taken to secure Minergie-P certification include top-quality thermal insulation and air-tightness for the building shell, as well as a rooftop photovoltaic system. This major project is of the highest quality in terms of architecture and city planning, and Implenia is carrying it out as total contractor. Construction has been underway since June 2019, and the first tenants should move in during spring 2022.

DIVISION BUILDINGS

Strong operating contribution

Jens Vollmar
Head Division Buildings

Division Buildings achieved a good operating performance in 2019. Its EBITDA of CHF 51.5 million (excluding IFRS 16: CHF 42.8 million; 2018: CHF 33.3 million) is broad-based and underlines the division's solid earnings power. All countries contributed to the positive result. Revenue remains around the same level as the prior year at CHF 2,242 million (2018: CHF 2,261 million). After the significant revenue growth of the previous year, the division is following our strategy of profitable growth by focusing more on new contract models for its projects and on the phase prior to contract signing. The order backlog is down on the year at CHF 2,394 million (2018: CHF 2,952 million), but in terms of quality the pipeline is very promising.

Quality before quantity

Integrated services, involvement in early phases of projects, general planning and real estate consulting, project management partnerships with a high level of customer proximity: we have systematically implemented the Value Assurance approach in the acquisition phase of new projects. The increased quality of our order book is reflected in solid revenue and a slightly lower order backlog. After adjusting for exchange rates, our revenue volume for the period under review stood at CHF 2,262 million, meaning that we contribute around 50% of Implenia's total revenues. We were particularly successful at acquiring projects in the Zurich region and western Switzerland.

Division Buildings

One of the highlights of 2020 is the contract we have won to build project "Pi", the tallest wooden high-rise in Switzerland. At 80 metres high, it will be the third tallest in the world. This unique residential tower is being built in collaboration with Duplex Architekten and WaltGarmarini Ingenieure for the client V-ZUG Immobilien as part of the Zug Tech Cluster. Implenia is executing the Pi project, which focuses on environmental and social sustainability, as total contractor with a volume of CHF 100 million.

"In 2019 we increased our quality and expanded our value chain, focusing above all on general planning and real estate consulting."

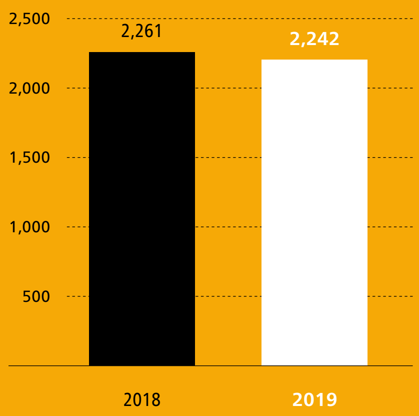
Jens Vollmar
Head Division Buildings

Division Buildings

From new builds to renovations. Division Buildings focuses on the integrated conception and construction of complex new buildings, as well as on the modernisation of existing properties. The focus is always on working closely with the customer to provide expert advice and planning across the entire life cycle of a property. The range of services covers the whole value chain, stretching from initial analysis to finished turnkey building. Implenia is already a leading general and total contractor in Switzerland, Germany and Austria.

Division Buildings

Revenue
in CHF m



Solid revenue at previous year's level.

Order backlog
in CHF m

2,394

(2018: 2,952)

Lower order backlog, but promising pipeline thanks to extension of value chain.

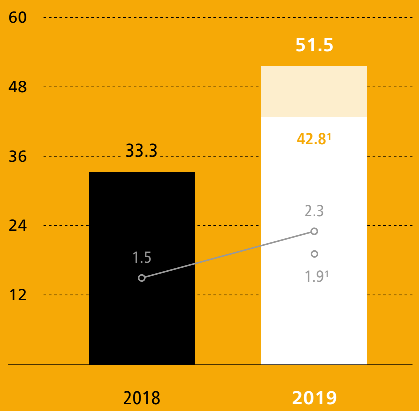
Visibility
in %

70.1

(2018: 84.5)

Continued high visibility.

EBITDA
in CHF m



Margin in %
1 Excl. IFRS 16

All countries and departments contributed to the significant improvement in EBITDA.

Production output
unconsolidated in CHF m

2,276

(2018: 2,288)

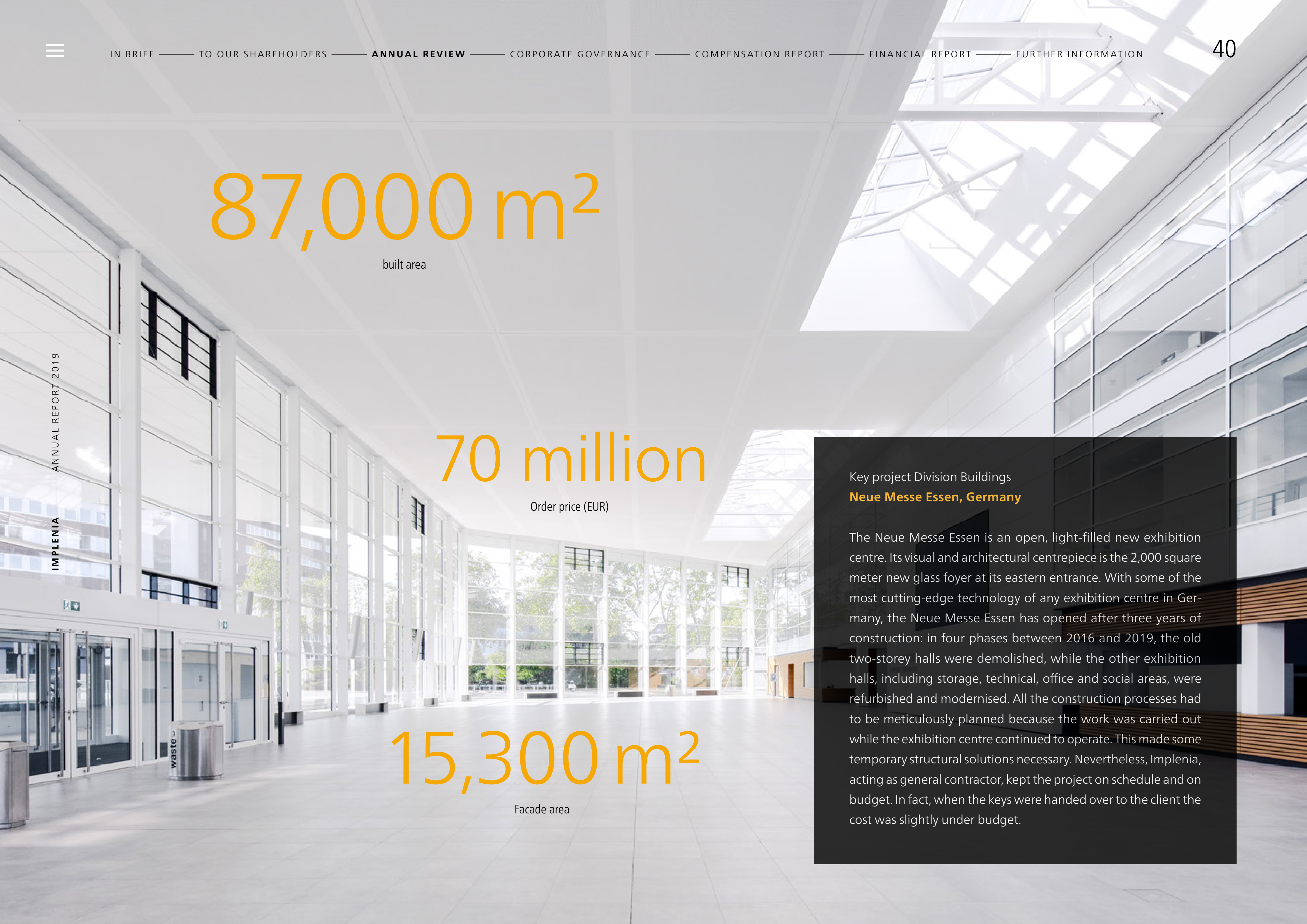
Production output stable, with a slight decline.

Employees (FTE)
as at 31.12.

2,058

(2018: 2,131)

Stable headcount and combined capabilities.



87,000 m^2

built area

70 million

Order price (EUR)

15,300 m^2

Facade area

Key project Division Buildings

Neue Messe Essen, Germany

The Neue Messe Essen is an open, light-filled new exhibition centre. Its visual and architectural centrepiece is the 2,000 square meter new glass foyer at its eastern entrance. With some of the most cutting-edge technology of any exhibition centre in Germany, the Neue Messe Essen has opened after three years of construction: in four phases between 2016 and 2019, the old two-storey halls were demolished, while the other exhibition halls, including storage, technical, office and social areas, were refurbished and modernised. All the construction processes had to be meticulously planned because the work was carried out while the exhibition centre continued to operate. This made some temporary structural solutions necessary. Nevertheless, Implenia, acting as general contractor, kept the project on schedule and on budget. In fact, when the keys were handed over to the client the cost was slightly under budget.

DIVISION CIVIL ENGINEERING

Significant improvement

Division Civil Engineering saw a continuation of the positive trend established in the first half-year and increased its EBITDA to CHF 77.2 million (excluding IFRS 16: CHF 40.9 million) in 2019. There are several reasons for this improvement (2018: CHF 2.0 million). Firstly, the unprofitable legacy projects ran their course; secondly, the earnings situation at special foundations is very stable; and thirdly the major tunnel construction projects are making good progress. We acquired projects successfully in all three business units, increasing the order book by around 15% to CHF 3,613 million.

Successful order acquisition

The division’s revenue is exactly the same as in 2018 at CHF 2,300 million. The excellent order growth seen in the first half continued during the second six months of the year. We made successful project acquisitions in all units. Some examples: replacing the Grimsel dam wall in Switzerland, winning a third section of the Grand Paris Express in France, a new railway line and station for the town of Moss in Norway, detailed planning and execution of the twin-track rail expansion between Varberg and Hamra in Sweden. All of these successes reinforce our position in our home markets and confirm how well we are able to exploit market opportunities created by the mobility megatrend and by increasing infrastructure investment.

“The new organisational structure has greatly strengthened collaboration across national borders, which is particularly important for Civil Engineering. This is also reflected in our acquisition successes.”

René Kotacka
Former Head Division Civil Engineering

Division Civil Engineering

The earnings situation in the challenging "civil" market is still not as good as required. The turnarounds in Swiss regional business and in Germany are progressing according to plan, and the quality of the order book has improved further. Thanks to more integrated internal collaboration and the use of new techniques like project modelling, we were able to bring a smarter and more competitive approach to the projects. We are currently evaluating different organic and inorganic growth options, geographically and along the value chain. We are also developing very specific actions to accelerate profitable growth in existing markets; these include setting clear priorities in selected regions.

New divisional management

The appointment of Christian Späth as the new head of the division meant that we were able to find a successor to René Kotacka from within our own ranks. Christian Späth took over as Head Division Civil Engineering on 1 January 2020, also becoming a Member of the Implenia Executive Committee. He is a manager with many years of international experience. Christian Späth has worked in various specialist and leadership positions at Implenia since 2012. Among other things, he was responsible for Implenia's entry into the Austrian and German tunnelling markets between 2013 and 2015. He took over as head of the whole tunnelling business in all markets in 2015. In the wake of Implenia's new strategy and reorganisation, Christian Späth took over as head of the global civil business in March 2019.

"After my experience in engineering, tunnelling and special foundations, I am very pleased to be taking on even more responsibility at Implenia. I would like to thank my predecessor René Kotacka very much for his great work. I will continue his efforts to implement the strategy in Division Civil Engineering."

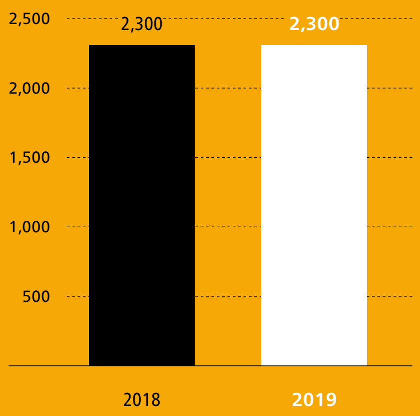
Christian Späth
New Head Division Civil Engineering

Division Civil Engineering

From underground to the regions. Division Civil Engineering encompasses tunnel construction, special foundations and Implenia's regional business, which includes road and railway construction. Its aim is to develop its leading international engineering expertise further in order to make full use of the mobility and infrastructure investment megatrends. The division's range of services extends from the development of specific solutions to the integrated management of major hybrid projects. In all of these areas, Implenia has a leading position in Switzerland and a recognised presence in its other home markets.

Division Civil Engineering

Revenue
in CHF m



Revenue steady at previous year's level.

Order backlog
in CHF m

3,613

(2018: 3,145)

Successful acquisitions in all three areas, despite more selective approach.

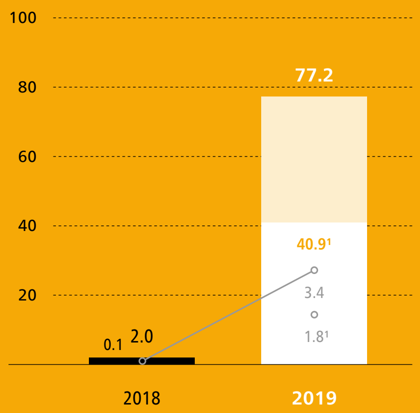
Visibility
in %

70.2

(2018: 68.6)

Slight improvement in visibility, which was already high.

EBITDA
in CHF m



Margin in %
1 Excl. IFRS 16

Significantly improved EBITDA as unprofitable special foundations and tunnelling projects come to an end and based on solid profit situation.

Production output
unconsolidated in CHF m

2,344

(2018: 2,363)

Production output remains solid.

Employees (FTE)
as at 31.12.

5,250

(2018: 5,044)

Further expansion of leading international capabilities.

400 m

Depth of access shaft at Fröschnitzgraben

27.3 km

Total length

400

Implenia workers during peak phases

Key project Division Civil Engineering

Semmering Base Tunnel, Austria

The planned Semmering Base Tunnel (SBT) is currently one of the most important large-scale infrastructure projects in Central Europe. It forms part of Austria's new southern railway, which serves as the central axis for trans-European routes from the Baltic coast to the Adriatic. With a total length of 27.3 km, the SBT links the country's Lower Austria and Steiermark regions. Implenia is the lead company on two of the three sections, Gloggnitz (SBT 1.1) and Fröschnitzgraben (SBT 2.1). Two single-track tunnels, each 7.8 km in length, are being built on the Gloggnitz section, and two of 12.9 km on the Fröschnitzgraben section. Both sets of tunnels are being made through a combination of drill and blast, and excavation, though one part of the Fröschnitzgraben section is being created with tunnel boring machines. Owing to the difficult geological conditions in an extremely heterogeneous mountain with huge fault zones, water ingress of up to 300 l/s is forecast. The SBT marks Implenia's successful entry into the Austrian market for large-scale infrastructure projects.

Anita Eckardt
Head Division Specialties

DIVISION SPECIALTIES

Solid performance

Division Specialties achieved solid EBITDA of CHF 19.2 million (2018: CHF 20.1 million). At CHF 150.3 million, the order book was practically unchanged (2018: CHF 151.9 million). Revenue fell by 5.1% to CHF 242.0 million (2018: CHF 255.1 million). This result was due mainly to a downturn in the German wind energy market and to unprofitable legacy projects in Poland. Performances varied between the individual companies within Division Specialties. We are currently aligning the different areas of business in such a way that we can help shape the future of the construction industry with our adjusted portfolio.

Mixed performance

We put in a much improved performance in the second half of the year. Revenue fell by 5.1% from CHF 255.1 million to 242.0 million in 2019. After adjusting for currency movements, revenue came to CHF 247.9 million. The reduction was due to unprofitable legacy projects and to a virtual collapse in the market for wind energy, in Germany, which was caused by a variety of factors. At CHF 150.3 million, the order book was practically unchanged (2018: CHF 151.9 million). We made successful contract acquisitions particularly in the wooden construction and facade technology sectors, for example in Berlin, Cologne and Zug.

Division Specialties

"We are in the middle of realigning Division Specialties. We already reached several milestones in the second half of 2019, but we'll only really get up to speed in 2020."

Anita Eckardt
Head Division Specialties

Performances varied between the individual companies within the division. Prestressing technology and our traditional building and civil engineering services failed to meet expectations, for example, while the gravel plants and our specialist operations, such as facade technology and energy management, put in a solid performance in their niches. The reorganisation of prestressing technology in Poland is practically complete. We are currently developing our portfolio further. Implenia is well positioned in its niche markets to help shape the fundamental changes occurring in the construction industry and to accelerate the Group's own ability to innovate.

Anita Eckardt took over as Head of Division Specialties on 1 September 2019. Since then, the strategy work has been completed, plans for onward development have been worked out with the appropriate business units, and initial potential for new business models has already been identified.

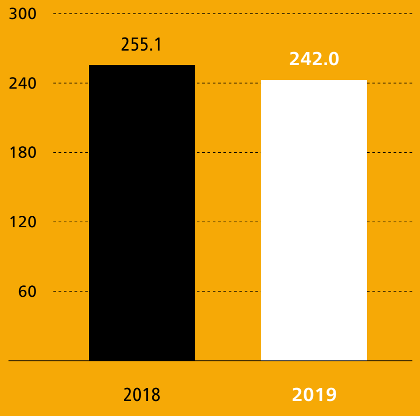
Another new feature is the Innovation Hub, which uses a structured process to turn promising ideas into new business models as quickly as possible. The Innovation Hub is supported by a digital platform.

Division Specialties

From specialist expertise to innovation driver. Division Specialties brings together Implenia’s niche services, including timber construction, formwork, facade and prestressing technology, energy management and construction logistics. The aim is to continue expanding our portfolio of services so we can help shape the fundamental changes occurring in the construction industry. Our range of activities also includes our own gravel, concrete and bitumen plants, interior construction, and an Innovation Hub that acts as an accelerator for new services.

Division Specialties

Revenue
in CHF m



Falling revenue due to weak market for wind energy projects.

Order backlog
in CHF m

150.3

(2018: 151.9)

Order backlog at year-back level, successful acquisitions particularly in timber construction and facade technology sectors.

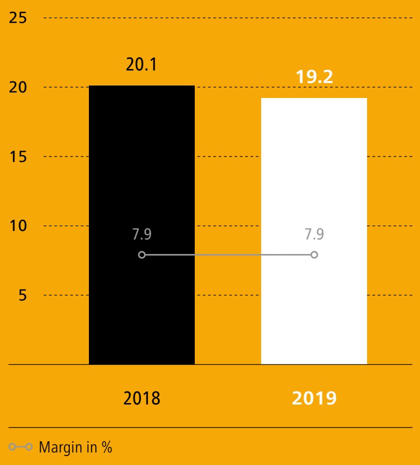
Visibility
in %

52.7

(2018: 67.6)

Incoming orders generate satisfactory visibility.

EBITDA
in CHF m



Solid EBITDA despite unprofitable projects in Poland.

Production output
unconsolidated in CHF m

248.7

(2018: 262.3)

Reduced production output owing to decline in wind energy market.

Employees (FTE)
as at 31.12.

952

(2018: 1,050)

Focus on niche capabilities and reduced use of own staff for execution lead to lower headcount.

10.7 million

Contract amount (EUR)

149,000 m²

Total area

18,000 m²

Facade area

Key project Division Specialties

Frankfurt Airport Terminal 3, Germany

Frankfurt Airport – which sees itself as Germany's gateway to the world – is expanding: Terminal 3 is designed to meet rising demand for global mobility. After its successful work on the new Fire Station 3 at Frankfurt Airport, Implenia's facade technology department has now been given a follow-up order for the facade of the new terminal. The project is being managed by Wenzel + Wenzel, a Frankfurt architectural practice. Division Specialties will be responsible for the post-and-rail facades, punched and ribbon windows and doors. Some of these elements need to meet enhanced sound installation and safety standards. The ground-breaking ceremony for Terminal 3 took place in 2015. Facade construction will last from 2020 to 2022, and then the terminal will be ready for operations in 2023.

NON-FINANCIAL REPORT

Holistic values

We create holistic values because in addition to good corporate governance, we systematically integrate our social and environmental obligations into our business. We take responsibility for our employees, but also for people and the environment – and we do so with care and by innovating in the right place at the right time.

EMPLOYEES

We are shaping the way work is changing – with and for people

Employees (FTE)
as at 31.12.

8,867

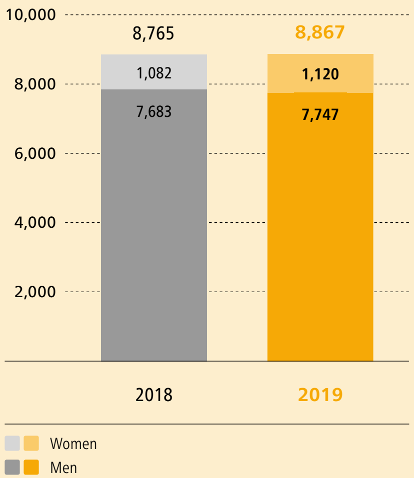
(2018: 8,765)

Voluntary attrition
in %

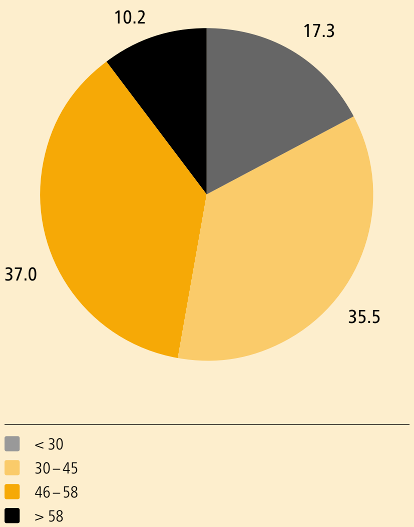
8.4

(2018: 9.5)

Number of men and women
Employees



Age structure 2019
in %



Completed apprenticeships
as at 31.12.

91

(2018: 82)

Nationalities
as at 31.12.

84

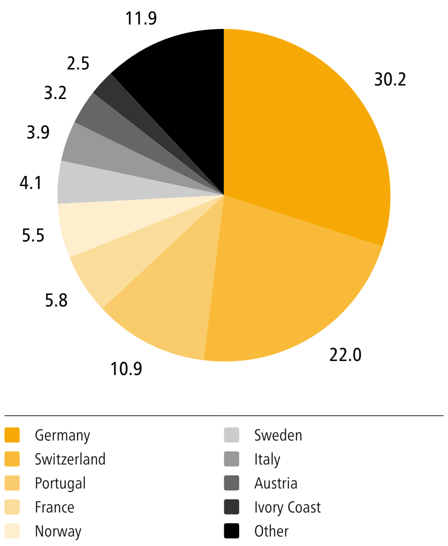
(2018: 86)

- Comprehensive HR strategy developed and Group-wide benchmarks defined
- Focus on helping people develop at Implenia
- Much lower voluntary attrition

Employees

The world of work is in flux, presenting us with new challenges. We know that we have to change if we want to keep developing and progressing. We see this as an opportunity that we want to meet and exploit for the benefit of our company and our employees.

Employees by country of origin 2019
in %



"Implenia is only as good as the people who work for it", says Christelle Beneteau, Chief Human Resources Officer. "That is why our employees are our top priority." The HR and wider social challenges that Implenia faces in this context cannot be underestimated. The general scarcity of skilled workers and specialists is just one of them. But we also see great potential: we see growth opportunities, and the chance to develop new working methods, processes, skills and employee profiles that will make us stronger and enable us to operate even more effectively in a changing environment. We have to put the people who work for our company at the centre of all we do. And there is plenty to do. We are currently adjusting our HR processes in line with our employees' requirements with the aim of supporting Implenia people in their roles even more effectively, and preparing the way for future employees to grow professionally. We believe that perseverance and patience in this task will lead to success.

The course we have taken is focussed entirely on our workforce. Ignoring hierarchies, we are embarking on a journey together that will change many aspects of our company's approach to HR and social matters. Our employees are our most important asset, which is why we are investing in teams that work efficiently and in leaders who inspire. This is how we ensure that our workforce can go about its business with the right attitude and the right skills.

Employees

Employees (FTE)

Office and on-site staff	end-2019	end-2018
Development	76	64
Buildings	2,058	2,131
Civil Engineering	5,250	5,044
Specialties	952	1,050
Functions	531	476
Total employees (FTE, excl. temporary staff)	8,867	8,765

Implenia apprentices finishing

	2019		2018[1]	
	Apprentices finishing	Offered work	Apprentices finishing	Offered work
Functions	7	4	6	4
Development	2	0	2	2
Buildings	15	17	48	34
Civil Engineering	50	43	1	1
Specialties	17	12	25	20
Total	91	76	82	61
Total of young people doing apprenticeships at Implenia	414		322	

1 Previous year comparison not applicable for Buildings, Civil Engineering and Specialties due to new organisational structure.

Four priorities, one path

To get all this off the ground, we set ourselves four priorities for the year under review.

HR STRATEGY We have developed a comprehensive HR strategy at Group level for the first time, and defined Group-wide benchmarks. The aim of this is to take our Human Resources operation forward – away from administrative tasks and towards being a genuine partner that provides powerful support for the Implenia Group as it seeks to realise its corporate vision and achieve its goals. When developing our personnel and our organisation, we try to think ahead and identify and respond to emerging external, as well as internal trends that have an influence on our business. Specifically, our HR strategy is focused on the core business and covers four important aspects: We want to optimise our HR skills and the digitalization of our HR processes, make our recruitment work excellently, continue to improve our talent development and increase our employees' sense of commitment.

INDIVIDUAL DEVELOPMENT During the year under review, we concentrated on the ongoing development of our people and our organisation. Our goal is to make Implenia into an innovative employer that attracts outstanding talents and instils a long-term enthusiasm for the company. At the same time, we want to give our employees more space for their personal growth and promote their professional careers. To do this, we're working on the range and quality of our training so we can promote our employees' development even more actively. During the year under review, we developed our new digital eCampus, which we are rolling out in Germany and Switzerland in 2020, and then later in our other home markets. This will allow our people to register for training or begin an eLearning course with just one mouse-click, making it the perfect tool for each individual employee's personal development. In order to be able to assess employee development more consistently, we also introduced a new appraisal standard in 2019 called the "Organisation Capabilities Review". Having successfully launched this standard review for managers, we are currently preparing to roll it out for all functional levels in the coming years. While we're on the subject of the entire workforce: we are encouraging diversity in order to unite the widest variety of personalities, backgrounds and talents within our global Implenia team.

We also put a special focus on promoting our trainees, who we support with a series of activities, including excursions, social days and, for example, a cooperation arrangement with Zurich Career Centre. Meanwhile, our managers benefit from programmes such "Winning Performance", which delivers knowledge from six different areas in six days and stages evening social sessions that prioritise meeting new people, networking and exchanging ideas. 64 executives took part in Winning Performance in 2019, and the programme is helping Implenia to grow more close-knit every year.

Employees

HR MANAGEMENT TEAM We established an HR management team in 2019. It is defining our future HR strategy and serves as the policy maker for all divisions, functions, countries and HR responsibilities. The aim is to coordinate all HR activities and initiatives closely in order to achieve the maximum benefit for our employees and for Implenia. As a professional, reliable HR consultant and equal partner, we want to help push forward the change in our company.

DIGITALIZATION We are working to digitalize our work to make it more efficient and to ensure our decisions are based on better data. Overall, we are trying to align our employee development standards in all our markets, improve the quality of reporting and make sure information is quickly and easily available to those who need it. At the same time we want to empower employees and help them work more independently and autonomously.

Benchmarks: the key to our onward development

We need data and benchmarks so we can analyse trends among the employees and teams in our company and gain a better understanding of our workforce and its behaviour. Attrition and the proportion of women employees are, for example, two of our most important benchmarks. Voluntary attrition continued to fall across the Group during the year under review, from 9.5 to 8.4 per cent. While we are very happy with the attrition rate in central Europe – in our Swiss home market and neighbouring markets – we would like it to improve in our further-flung locations. To achieve this we will be implementing personnel measures tailored to the needs of international locations and working to embed the values that characterise our company throughout the Group.

The proportion of women in our company went up slightly, rising from 12.3 per cent in the previous year to 13.5 per cent. Obviously we want to encourage and promote all our employees, but we particularly want to see a further rise in the proportion of female employees, especially in management positions. In November 2018 we became a member of "Advance", an association dedicated to the promotion of high-potential women employees that also offers a mentoring programme. Every year Implenia offers eight women the opportunity to gain further leadership skills in a "Skill Building Workshop", and enables one woman to receive coaching from a mentor. The "Role Model Networking" events, by contrast, are open to both female and male employees.

Campaigns: bundled strength with local impact

Implenia is a leading multinational provider of construction services. We work hand in hand across national borders. Together with all our employees, we launched a long-term HR change process during the year under review. The overall HR strategy is also supported by country-specific and innovative initiatives: In Norway, for example, we have launched an intranet blog in which managers can post their thoughts and perspectives and generally show something of their personal side. The response has been extremely positive. We have encouraged stronger networking among our Norwegian employees on LinkedIn. This has been successful: our number of followers more than doubled in the year under review, and the engagement rate has also risen considerably. In 2019 we launched the "Mentor and Trainee of the Year" award – also in Norway – to show our appreciation and to encourage our employees. In Germany, we have continuously expanded our network of partner universities since 2016 and are currently working closely with eight institutions. Every year we present the Implenia Awards for the best bachelor's degree theses, which come with a cash prize. Last year's awards were presented in November at the Albvorland Tunnel project (Stuttgart), with prizes in various categories: construction, BIM, structural engineering and a special category. All winners also get a chance to gain valuable practical experience by doing an internship at Implenia. These are just some of examples of how Implenia seeks to attract and retain talent, and how it is gradually implementing its Group HR strategy at country level.

Looking ahead

2019 was a year of transition for Human Resources, as for the Implenia Group as a whole, and it completed a lot of valuable groundwork. One thing is clear: cultural change does not happen overnight. In 2020, Implenia's HR department will continue to work with strong commitment on further improving its strategic services for the business, and thus making the most effective possible contribution to Implenia's success. It will do this with new digital tools such as eCampus, new processes, training and development opportunities and all-round professional support for our business partners and employees across the entire employee lifecycle: from initial contact and appointment, to ongoing development and right through to retirement or departure. The foundations for this have been laid.

HEALTH & SAFETY

Prevention is the key to safety at work and employee health

Number of accidents
per 1,000 full-time positions

60

(2018: 60)

Absence rate[1,2]
in %

4.3

(2018: 4.1)

Number of employees absent
> 30 days[1]

471

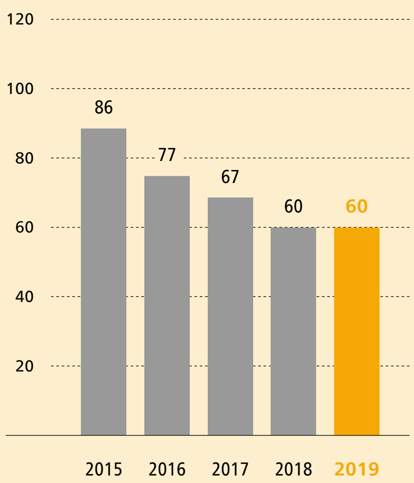
(2018: 469)

Percentage of absences due to accidents at work[1]

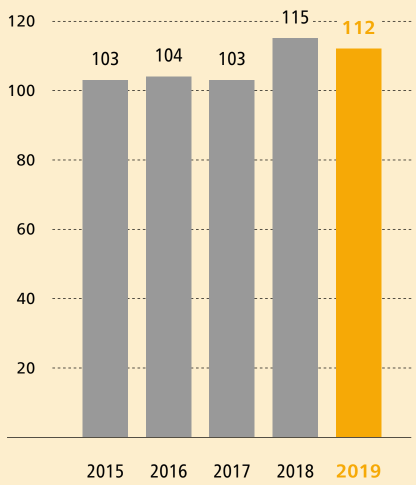
17.8

(2018: 17.7)

Accidents at work
Incidents per 1,000 full-time positions
Basis: All Implenia Group units; as at 31.12.



Non-occupational accidents
Incidents per 1,000 full-time positions; based on all units in Switzerland; as at 31.12., excluding relapses



- Number of accidents at the same level as previous year
- Intensive training increases awareness
- Safety at work is a management issue

1 Switzerland
2 Due to illness, work accident or non-occupational accident

Health & Safety

Look carefully. Recognise danger. Act conscientiously. These are the things we have done to improve our health and safety performance even further. Because we are well aware that accidents are preventable and that greater attentiveness is the best form of prevention. Together we can make our work even safer. More than this, we can save lives.

Pre-mounted fall protection
These pre-mounted railings mean suspended ceilings can be installed more safely.

Working on a construction site is inherently risky. The risks involved are the reason why health and safety is our highest priority – and why safety is a management issue for everyone from members of the Executive Committee to foremen on site. Implenia's aim is to avoid situations that endanger people's physical well-being and health. We are trying to create the safest possible working environment, as set out in our "Code of Conduct", and to define the relevant rules and guidelines as clearly as possible. Together with regular and meticulous safety inspections on construction sites, intensive training courses and open communication, this is the basis for a dedicated safety culture that involves both managers and employees. Another important component is the regular reporting that gives managers of the relevant operational units an overview of the latest accident statistics and allows them to make forecasts. We can then recognise problems quickly and take the necessary corrective measures.

This year, our consistent focus on safety has helped us keep accident and absenteeism figures stable at 60 accidents per 1,000 full-time positions (2018: 60 accidents per 1,000 full-time positions). However, the fact that there are any accidents at all shows that we must keep up our efforts to make Implenia even safer and to reduce accident and absenteeism rates. Because even one accident or absence is one too many.

Health & Safety

Projects and initiatives: safety can be learned

Can you learn to be safe? Implenia believes that you absolutely can, which is why we carried out various programmes and campaigns in 2019, most of them at local level and in the operational units. We have also taken several initiatives that have a single goal: embedding safety awareness and the safety culture even more strongly throughout the Group. This begins when people first join Implenia: health and safety is a key focus of the induction programme for new trainees in Switzerland. Regular Health & Safety meetings and workshops were also held during the year under review as part of our internal H & S processes. At management level we used leadership workshops to create an even greater awareness of health and safety issues and of our Group-wide safety culture.

Cooperation on health and safety was expanded at international level. By talking to colleagues in different operational units and countries, we are learning from each other. The issues discussed include weekly updates of accident figures, best practices, new opportunities to introduce safety measures and potential for improvements.

A new, expanded safety programme is planned for 2020. We are intensifying and further improving campaigns and programmes that are already running, and our motto "Health and Safety is a Management Issue" will be made an even more central part of the safety awareness of employees at all levels of the hierarchy.

Prevention: every accident is avoidable

We believe that every accident can be avoided. The key to this is prevention. Our aim is to make accident prevention even more consistent at Implenia, and to put our safety culture even more to the forefront of our actions and our discussions with each other. Our internal safety officers play a central role here. They give direct support to line managers on our construction sites, helping them implement and monitor safety processes and sensitise employees to these processes. Meanwhile, "15–Minute Safety" training sessions take place each month at every Implenia project, providing an opportunity to discuss risks and analyse the causes of accidents together. This sharpens awareness of the relevant dangers and so helps to prevent accidents. It is equally important for us to record and evaluate accidents centrally so we can see where improvements are required and initiate the right measures in response. In concrete terms, our clearly defined prevention objectives and activities include safety inspections by managers as well as discussions between line managers, accident victims and HR officers. It goes without saying that causes of accidents are thoroughly analysed, and each incident is comprehensively documented.

Red carpet rolled out
Red carpeting is used at the Pont Rouge project in Lancy to guide people safely through the construction site.

Health & Safety

Finally we also make use of ideas and suggestions that our employees give us about the concrete, pragmatic things that can be done to prevent accidents. One good example is the "red carpet" used at our major Pont Rouge construction site in Lancy, which helps guide people safely around the site. Another is the simple pre-mounted railing system we're using to improve safety for workers installing suspended ceilings at the office complex we're building for the United Nations in Geneva. Shafts always present a possible danger of falling, so at our "Espace Tourbillon" project in Geneva we are using "Aestuver®" boards" to completely cover shaft openings during construction – and afterwards too if required. Tailor-made holes for the necessary pipes and cabling can then easily be made as required. Another example is the adoption of full-face masks with integrated fans. Implenia Maintenance, for example, uses these on concrete spraying jobs to protect workers' eyes and skin.

Health management: prevent, heal, help[1]
We were able to keep the number of accidents at work stable during the year under review, and were even able to reduce the number of non-occupational accidents slightly (–3.2%). Most of the non-occupational accidents happened when playing ball sports, on the roads outside work hours, or as a result of slips and trips in the home or garden. The ratio between absences due to accidents at work and those due to non-occupational accidents was virtually the same as in 2018. Roughly 68% of total absences were the result of illness, with another 18% down to accidents at work and 14% caused by non-work-related accidents. A total of 471 employees were off work for more than 30 days as a result of illness or accident in 2019.

The job of our internal occupational health management (OHM) team is to support our employees during recovery and as they reintegrate themselves into working life. Affected employees are put into a special reintegration programme that gradually reintroduces them to an appropriate independent activity, with external experts brought in if needed. The OHM team in Switzerland supported 168 people in this way during the year under review.

We at Implenia also know that prevention is better than cure, so we offer various preventive measures and training courses to help our employees stay healthy. The focus here is on workplace ergonomics and safety, and cardiovascular disease. We organised a special health day in Aarau in 2019 with a varied programme centring on these issues. Employees learned about how to set up their workplace ergonomically, for example. A yoga teacher taught exercises designed to relax the back, and there was an opportunity to practice using a defibrillator. We also carried out a series of health campaigns in Germany during the year under review, as well as taking part in various running events and a "Cycle to Work" campaign. Our employees in Germany also benefited from the "Qualitrain" company fitness programme and a bike leasing offer.

1 Switzerland

Health & Safety Award: Implenia recognises safety efforts
Implenia has presented a Health & Safety Award every year since 2015. The idea of the award is twofold: firstly to emphasise how important the issue is to our company, and secondly to motivate our employees and increase their sense of ownership of the issue. The winner is chosen from submitted suggestions in an employee vote. The 2019 prize was won by the CERN Team at Implenia Civil Engineering France for their simple but effective initiative: all the workers at the CERN site have Vital-ID cards attached to their helmets, so that all the important information about the person is readily available in an emergency or accident situation.

Accidents by type 2019
in %

Trips and slips	Manual load handling	Eye injuries	Tools and equipment	Other
28	23	13	13	23

SUSTAINABILITY

Implenia is an industry leader on sustainability, and is continuously expanding its commitment

Customer satisfaction
in %

93

(2018: 94)

Solar electricity produced
in GWh

>1

(2018: >1)

Sustainability Reports that meet GRI standards since

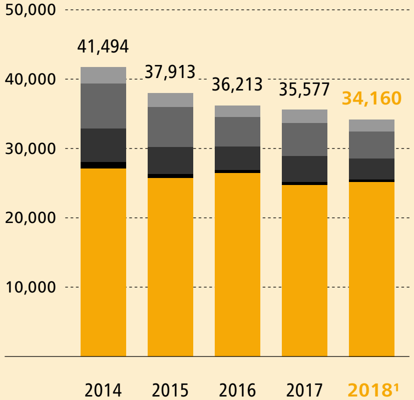
2011

Current large-scale projects with sustainability labels

54

(2018: 51)

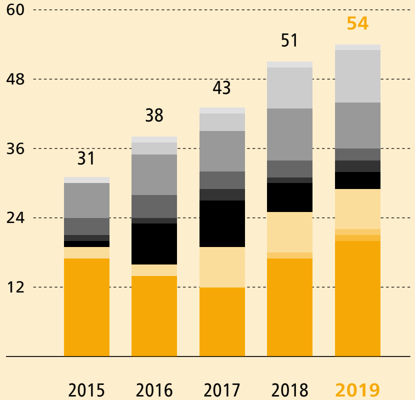
Greenhouse gas emissions, Implenia Switzerland (Scopes 1+2)
by fuel type in equivalent tonnes of CO_2



Electricity
Heating oil
Natural gas
Petrol
Diesel

1 2019 figures only available in summer 2020; reported on sustainability.implenia.com.

Sustainability certificates in building construction 2019
number of certificates by sustainability label



Minergie (only with P, A and ECO supplement)
One Planet Living
BREEAM
LEED
DGNB
SNBS
CS greenproperty
SIA 2040
2,000-Watt Site
SMEO

- Industry leader, currently with an outstanding 79 points (ESG) in the Sustainalytics rating system
- Applicable credit margin linked in part to sustainability performance
- Sustainability Committee set up in 2019

Sustainability

Implenia, a pioneer in many areas, wants to be a pioneer in sustainability too. An evaluation by Sustainalytics, a leading provider of environmental, social and governance sustainability ratings, shows that it is doing this very successfully. Implenia was once again confirmed as an industry leader on sustainability issues in 2019.

Sustainable building materials
New buildings made of wood require less grey energy than other buildings and contribute to a positive climate balance.

Sustainability is deeply rooted in our corporate values. More than this, it is an integral part of everything that Implenia does. Because our future as a company and our long-term success depend on us being environmentally, socially and commercially sustainable. Our efforts have been proven by the ranking given to us by Sustainalytics, one of the world's leading providers of research and ratings on environmental, social and governance issues. Sustainalytics gave Implenia a score of 79 points in the year under review, two points better than the previous year, making us leaders in our industry once again.

In our Group-wide Sustainability Report, which can be found at sustainability.implenia.com, we have reported on our activities and objectives in accordance with Global Reporting Initiative (GRI) standards continuously since 2011. Our excellent ranking is gratifying, of course, but above all it encourages us to maintain the course we embarked on in 2009, guided by our five pillars of sustainability. We are well aware that the construction industry has a significant economic impact in our markets. It is a major employer and makes a substantial contribution to overall value creation and prosperity. However, it is also responsible for substantial greenhouse gas emissions, as well as creating waste and consuming a lot of energy. We take our responsibilities seriously on this front. For today's world and tomorrow. And we want to make our contribution to a sustainable economy. We do this by taking appropriate measures in accordance with clearly defined priorities.

Five sustainability priorities: Our contribution to the world of tomorrow

PRIORITY 1

Sustainable products and services

We aim to execute, or even develop, our construction and real estate projects in the most sustainable manner possible. This requires us to use appropriate products and services. Consequently, we apply Implenia's sustainability standards to the projects we develop ourselves, but also demand that our planners, suppliers and subcontractors act sustainably. The standards we apply to them are integrated into our Group-wide supplier management system.

PRIORITY 2

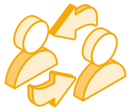
Attractive working environment

Recruiting and retaining good employees is one of the keys to our company's future success, so we offer our workforce an attractive working environment. We provide them with a wide range of training and development opportunities, as well as healthy and safe workplaces.

PRIORITY 3

Respect for the environment

We want to look after the environment and have set ourselves ambitious objectives. Our focus is on reducing the environmental impact of our construction sites. Specifically, we want to reduce our consumption of resources and energy, and aim to cut our emissions of greenhouse gases by 2.5% a year relative to revenue. Since the base year of 2013, Implenia has reduced CO_2 emissions by 10.8% in Switzerland, and so is on track to reach this target.



PRIORITY 4

Social commitments and compliance

We take our responsibilities to society seriously and are committed to social projects that go beyond our own business activities. This includes greater cooperation with universities, as exemplified by our support for the Chair for Innovative and Industrialised Construction at the ETH Zurich. This connection is allowing us to intensify knowledge transfer between academia and business and promote the training of skilled specialists. Our work on the social side of sustainable development is rounded out by our talent development efforts and social projects. Our ethical corporate values are enshrined in our "Code of Conduct". We make sure all our employees abide by our rules and guidelines by providing training and adopting a clearly defined zero-tolerance policy towards any lack of integrity and any infringement of competition law.

PRIORITY 5

Financial and operational excellence

For Implenia, doing business sustainably also means maintaining our competitiveness. We aim to do this through financial and operational excellence, which is why these things are embedded in our strategy. We maintain our long-term commercial freedom by constantly adapting our structures and processes to changes in the market and by carefully weighing up risks and opportunities against each other. This also helps us create sustainable corporate value for our stakeholders.

Sustainability

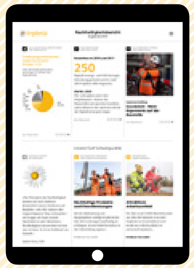
Energy-optimised
The Haus Adeline-Favre project in Winterthur is being built in line with the SIA-Effizienzpfad Energie. This means it is optimised in terms of construction, operation and mobility connected to its use.

"Green credit financing": Implenia leads the way
In 2018 Implenia became the first industrial company in Switzerland to link its credit margin to its sustainability performance as measured by Sustainalytics. This means that our years of work on sustainability are now also having a direct financial effect: thanks to its positive rating (79 points in the Sustainalytics systems), Implenia can access financing on more favourable conditions.

A proven sustainability organisation
Implenia has had an internal Sustainability Committee since 2011; this was adjusted in 2019 to suit the new organisational structure. The Committee is made up of twelve decision-makers from all home markets, divisions and relevant global functions. It manages and develops the Group-wide sustainability strategy and defines objectives. It is currently formulating the Group's 2025 sustainability goals, for example.

The internal global sustainability team has acted as the interface with our construction projects for more than twelve years. These specialists work on Group-wide sustainability strategy and sustainability reporting, help implement specific measures on construction projects and push initiatives at Group level in collaboration with sustainability officers in the country units.

Implenia has continuously reported on its sustainability activities in line with Global Reporting Initiative (GRI) guidelines since 2011. The Report, which can be found at **sustainability.implenia.com,** includes all the latest measures and objectives.



INNOVATION

Success through change: Innovation as an integral component of our strategy

The construction sector is changing. This change is being driven by the digitalization and industrialisation of construction, but also by consolidation and internationalisation. We at Implenia are well aware that companies that aspire to long-term success in a changing environment need to change themselves. This is why innovation is one of Implenia's four strategic pillars.

Never standing still, using change as a spur to action, and systematically promoting innovative solutions – this is all integral to our corporate strategy. We aim to exploit the fundamental changes occurring in the construction industry, as well as new technologies and insights, to the benefit of our customers, our employees and our shareholders. We want to continue sharpening the focus of our innovative capacity by making the right investments and managing our innovation sustainably. The Innovation Hub, which was launched in September 2019, is one of the things that helps us do this.

New technologies: high-tech on site

Implenia has been utilising digital technologies in building construction for a long time, and is now using them more and more in civil engineering too. This is benefiting our customers – and benefiting us as a business. Digital construction has many advantages for both sides: greater transparency, more secure planning, better communication and simpler collaboration. All the data is available to all those involved at any time, and this data can be synchronised and exchanged as required. Digitalization also makes construction more profitable and more sustainable. BIM ("Building Information Modeling") is used to plan, model and visualise structures digitally, meaning that complex major projects can be planned more effectively and executed more profitably. The process is made faster and more efficient right from the tendering phase. Our ability to digitalize our work and our workflow, and create "digital twins" of planned structures is giving us a clear competitive advantage. Last but not least, BIM is creating a bank of knowledge within our company that will help us optimise future projects and tenders.

Innovation

Advantage: innovative materials
New types of concrete provide numerous advantages in terms of, for example, processing, durability and sustainability.

We also use two software tools that we developed in-house: TEMP!Riss® and ThirdStep. Both programmes allow us to make three-dimensional calculations, determine temperature and voltage distributions in the hydration of concrete, and simulate thermo- and hydro-mechanical processes for a wide range of building materials.

New construction materials can do more

Implenia wants to be a pioneer – not just in digitalization, but also with regard to the materials and substances that we use every day on our construction projects. We were quick to recognise the potential of innovative building materials – and quick to develop them in-house to the benefit of our customers, employees and shareholders.

One good example is carbon-fibre concrete. Carbon-fibre concrete, which doesn't need steel reinforcement, is already being used to repair buildings, and its application throughout the building construction sector is set to accelerate significantly in future. This new material facilitates an innovative construction method based on prefabricated elements that just need to be installed on site. Another product developed by Implenia is b.congreen®, a concrete that contains a lower proportion of cement. Its small carbon footprint makes it perfect for sustainable construction. Implenia is also meeting stringent sustainability standards by using concrete made from a high proportion of recycled material on more and more projects.

Furthermore, Implenia is a leader when it comes to timber construction. In Winterthur, for example, the Group has acted as developer and total contractor on "sue & til", the largest wooden residential building in Switzerland. This 500 metre-long, wave-shaped development contains more than 300 apartments and commercial units, which are now occupied by their tenants and owners. The base of the building is made of concrete, but above that it consists of 250,000 interlocking, prefabricated wooden parts. As well as being very sustainable and contributing significantly to the building's classification as a 2,000-Watt site, this method allows a high degree of prefabrication. The project was executed by Implenia's own Timber Construction unit, which is also working on other major wood-based projects, including "Krokodil" in Lokstadt, Winterthur, and "Pi" in Zug.

Innovation

Innovation Hub: because innovation starts with people

Since September 2019, Implenia has been using the "Innovation Hub" systematically to capture ideas generated by employees and to encourage entrepreneurial thinking. Because we know that innovation always starts with people. Our employees lie at the heart of our innovative power; they are the engines of our progress. Their ideas and suggestions for improvements can now be submitted to the Innovation Hub, which subjects proposals to a three-step evaluation process involving internal and external experts. Our innovators receive intensive coaching during this process. As well as being able to use work time to develop their ideas, they have access to a small test budget. If an idea proves itself, it will be piloted and put into practice.

We also use the Innovation Hub to refine the application of existing technologies and access additional expertise through partnerships.

In 2019, for example, exoskeletons originally developed for car assembly were used at a construction project in Basel. A weight distribution mechanism allows users to reduce strain when working above shoulder height – a perfect example of making sensible use of technologies from other industries.

We're pleased to say that the Innovation Hub has been well received in its initial months, with 37 ideas hitting the inbox before the end of 2019.

Implenia Innovation Map

Objectives of Implenia's innovation strategy

Improve margins and increase revenues

- Develop new and lucrative business models and open up new markets
- Improve competitiveness in our core business and highlight factors that differentiate us in the market
- Surprise customers with unconventional solutions

Press ahead with cultural transformation

- Establish a distinctive culture of innovation at Implenia
- Motivate employees to think and act beyond their day-to-day work, and increase their levels of satisfaction
- Attract new talent and keep current talent

Implenia Innovation Map

The "Implenia Innovation Map" explores relevant megatrends and industry trends to identify opportunities for innovation. It is divided into the following areas: new products and services, new production, new simplicity and new sustainable solutions. We see various opportunities within these areas, including "building-as-a-service" and modular construction, using the "Internet of Things" and artificial intelligence to monitor and maintain infrastructure, and using data to optimise building processes. Implenia is also looking at circular building methods and the utilisation of closed material cycles.

GLOBAL FUNCTIONS

Newly established Group-wide functions

Implenia realigned its Group-wide functions in 2019. These now provide their services via business partners in the divisions. This ensures quick and easy communication with the operational parts of the business and allows agility when shaping efficient overarching processes and when defining Group-wide standards.

The functional heads of Finance/Procurement, Human Resources, Legal/Compliance, Strategy, Group IT and Marketing/Communications, as well as the Project Excellence & Services competence centre (PES) all report directly to the Group CEO. Controlling, Insurances, Finance & Tax, Treasury & Investor Relations and Procurement all report to the CFO. This new organisational structure relieves the burden on divisional management levels, shortens communication paths and improves functional management of employees.

HIGHLIGHTS OF 2019

Operational Excellence as a claim

Numerous different measures and initiatives were launched and executed within the global functions in 2019. Many of them are described in other parts of this report, including in the chapters on “Employees”, “Health and Safety”, “Sustainability” and “Strategy Update”. Highlights include the establishment of a global innovation organisation and a Sustainability Committee, the introduction of a Group-wide Value Assurance initiative and the creation of a proper basis for standardised and integrated processes as part of project INSPIRE.

Implenia is pursuing an “Operational Excellence” programme designed to secure profitable growth, higher margins and greater market share. Supplier relationships are one of the main focuses of this programme; these were strengthened and developed in 2019 at a series of special “supplier summits”. Implenia makes clear demands on its suppliers and partners in order to ensure high quality in the execution of its projects.

Global functions

New, integrated communications platforms

Readers of this Annual Report may have noticed a change. We fundamentally redesigned Implenia's financial communications in 2019, and already took a step in this direction with the 2019 Half-Year Report. With the publication of the 2019 Annual Report, we are now taking a systematic "online first" approach, with a clear focus on an integrated online report combined with a functional PDF and "print-on-demand" extracts that can be ordered by investors, analysts and other interested stakeholders.

The Group-wide Intranet and the corporate website (www.implenia.com) were both given a fundamental relaunch in 2019. The relaunch of the Intranet marked an important step towards an integrated real-time communications tool for all employees, including those who joined us when Implenia acquired companies in countries outside Switzerland. As well as state-of-the-art design and a consolidation of the different content management systems, the relaunch of the corporate website also brought useful new functions for the user, including an overview of Implenia projects and agencies that can be filtered according to individual criteria.

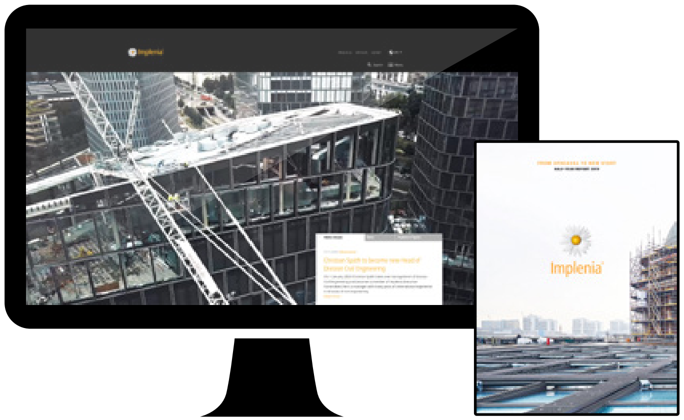
OUTLOOK FOR 2020

Ensuring profitable growth – with the help of financial management

In 2019 the Finance Department laid the foundations for a consistent financial management system throughout the whole of Implenia, implemented and supported at the appropriate levels by internal business partners. This "Performance Management" will be initiated in 2020 and rolled out in 2021. The "centre" concept (profit centre – service centre – cost centre) encourages a consistent focus on the divisions, functions and strategy. Objective measures will be used in future to assess what different centres contribute to the success of the business from a strategic point of view.

In 2020, we will also continue to pursue multi-year initiatives and measures developed by the global functions, including the comprehensive Group IT-driven ERP integration project "INSPIRE". Another initiative is the Value Assurance process, which is being introduced systematically to ensure uniform, end-to-end, transparent assessment and processing of projects of all sizes.

New image
Implenia redesigned its financial communications and revamped its corporate website during the year under review.



Corporate Website

Half-year Report 2019

3 Corporate Governance

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Corporate Governance

As required by the SIX Swiss Exchange Ltd's Directive on Information relating to Corporate Governance of 20 March 2018, in force since 1 May 2018 (Directive Corporate Governance, DCG), this chapter describes the main structural and organisational principles of the Implenia Group, to the extent that they directly or indirectly concern the interests of the shareholders and other stakeholders. Unless specified otherwise, the information is provided as of the balance sheet date (31 December 2019).

The structure and numbering of the chapter correspond to those of the Annex to the Corporate Governance Guideline. The information about compensation, shareholdings and loans is summarised in the Compensation Report (see pages 90 et seq.). The principles and rules of Implenia's Corporate Governance are expressed in its organisational regulations. The Code of Conduct establishes the guidelines for the applicable business practices and proper conduct, which are binding on all Implenia Group employees.

The Articles of Association dated 27 March 2018 applicable as of the balance sheet date of the reporting year (hereinafter "Articles of Association"), and the Organizational Regulations of 11 July 2019 applicable as of the balance sheet date of the reporting year (hereinafter "Implenia OR"), as well as the Code of Conduct, are available on Implenia's website.

https://www.implenia.com/goto/corporategovernance/2019/en/Articles-of-Association-20180327.pdf

http://www.implenia.com/goto/corporategovernance/2019/en/OR-Implenia-20190711.pdf

http://www.implenia.com/goto/corporategovernance/2019/en/Code-of-Conduct-20181112.pdf

Corporate Governance

1 — GROUP STRUCTURE AND SHAREHOLDERS

1.1 — Group structure

1.1.1 — Operational group structure (since 1 March 2019)

On 1 March 2019, Implenia reorganised itself around four Divisions (Development, Buildings, Civil Engineering and Specialties), several global functions and one "Project Excellence & Services" competence center (see graph on the right). The global functions (Finance / Procurement, HR, Legal, Marketing / Communications, and IT) assist the divisions and ensure group-wide management in their areas. The competence center assists the Divisions with project implementation. To ensure proximity to the customers and solid local footholds, Implenia has established regional and national organisations representing Implenia's interests across multiple sectors.

The Implenia Executive Committee (IEC), which has replaced the Group Executive Board, was likewise created on 1 March 2019 and consists of nine members. In addition to the CEO, these are the four Division Heads, the Head Country Management and three Function Heads (CFO, Chief Human Resources Officer, General Counsel).

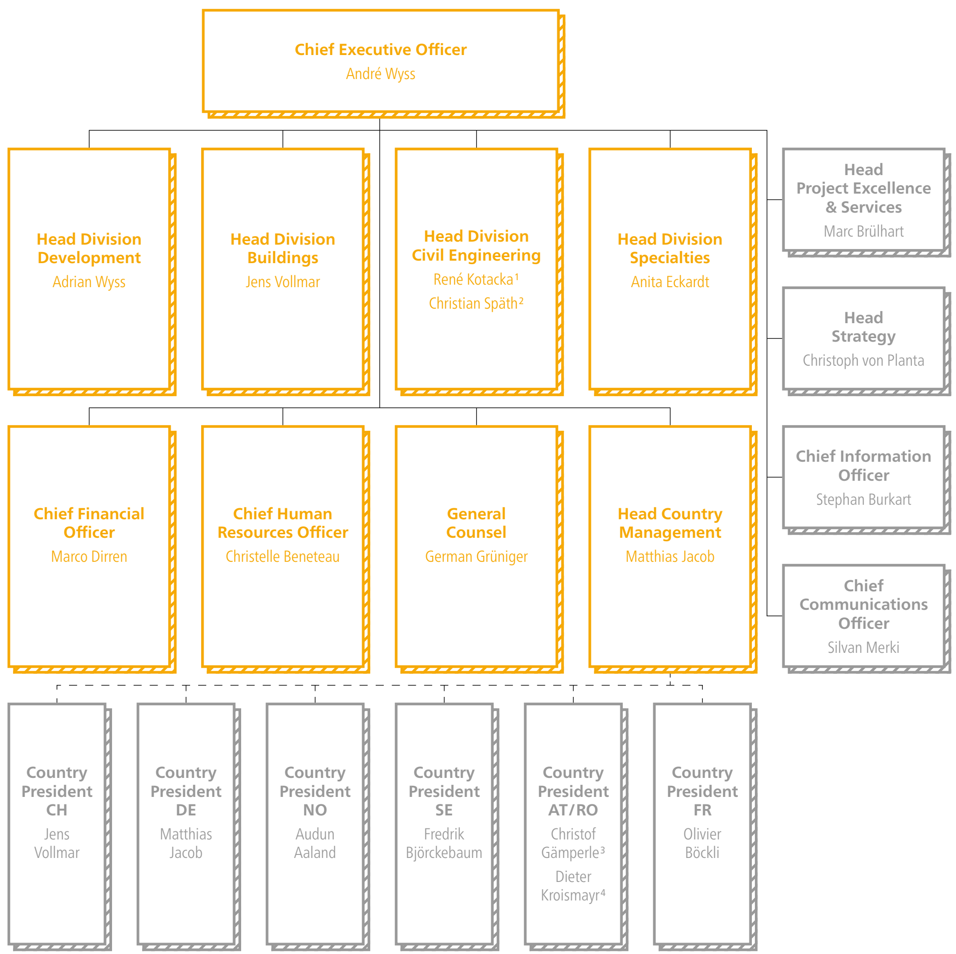
1.1.2 — Consolidated listed entities

The Implenia Group has only one listed entity, Implenia Ltd., with its registered office in Dietlikon, in the Canton of Zurich. Implenia Ltd., which has been listed on SIX Swiss Exchange Ltd since 6 March 2006 (valor number: 2 386 855, ISIN: CH0023868554, valor symbol: IMPN), has no shareholdings in listed entities within its scope of consolidation. As of 31 December 2019, the market capitalisation of Implenia Ltd. amounted to CHF 725 million.

1.1.3 — Consolidated unlisted entities

Pages 165 et seqq. of the Notes to Implenia's consolidated financial statements show a list of the main unlisted entities within the scope of consolidation, along with their company names, registered office, share capital and the Group's equity interest in each.

Implenia Group



1 Until 31 December 2019
2 As of 1 January 2020
3 Until 31 October 2019
4 As of 1 November 2019
☐ Implenia Executive Committee Member

Corporate Governance

1.2 — Significant shareholders

Shareholders of an entity listed in Switzerland who, based on their interest in the share capital, reach, exceed or fall below certain threshold values of voting rights, have reporting and disclosure obligations according to the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (Financial Market Infrastructure Act, FMIA). According to the disclosure reports of SIX Swiss Exchange Ltd and the share register, the shareholders listed below held a share of more than 3% of the share capital and voting rights of Implenia Ltd. on 31 December 2019.

Significant shareholders

Shareholder	Share-holdings
Parmino Holding AG / Max Rössler	16.51 %
Rudolf Maag	5.40 %
Credit Suisse Funds AG	5.05 %
Norbert Ketterer	5.03 %
Dimensional Holdings Inc.	3.01 %

All reports concerning the disclosure of shareholdings under Art. 120 FMIA, which were published in the reporting year and since 1 January 2020, are available at the following link of the Disclosure Office of SIX Swiss Exchange Ltd:

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

1.3 — Cross-shareholdings

There are no cross-shareholdings.

2 — CAPITAL STRUCTURE

2.1 — Capital

The share capital of Implenia Ltd. as of 31 December 2019 amounted 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 of the balance sheet date, Implenia Ltd. had conditional capital of CHF 3,768,288. Based on the conditional capital, the share capital can be increased by a total of CHF 3,768,288 according to the conditions established in Art. 3b of the Articles of Association.

2.2 — Conditional and authorised capital in particular

Conditional capital (Art. 3b of the Articles of Association)
The conditional capital can amount to a maximum of CHF 3,768,288, accounting for 20% of the existing share capital. The increase out of the conditional capital would be made by issuing no more than 3,694,400 registered shares to be fully paid up with a par value of CHF 1.02 each, by exercising conversion and / or option rights that will be granted in connection with bonds or other financial market instruments of Implenia Ltd. or any of its Group companies. During any issue of bonds or other financial market instruments connected with conversion and / or option rights, the shareholders' subscription rights shall be suspended. The existing holders of the respective conversion and / or option rights shall be entitled to subscribe for new shares. The terms and conditions of conversion and / or options shall be determined by the Board of Directors (Art. 3b (1) of the Articles of Association).

In the reporting year, no increase was performed out of the conditional capital, i.e., no conversion and / or option rights were exercised in connection with the convertible bond issued on 30 June 2015 (on that subject, see section 2.7 below). For further information about conversion and / or option rights and the applicable terms and conditions, see Art. 3b of the Articles of Association.

https://www.implenia.com/goto/corporategovernance/2019/en/Articles-of-Association-20180327.pdf

Authorised capital (Art. 3a of the Articles of Association)
The Company has no authorised capital.

Corporate Governance

2.3 — Changes in share capital during the last three reporting years

The share capital remained unchanged from 2017 to 2019. The equity capital of Implenia Ltd developed as follows in that period:

Changes in capital over the last three years

in CHF t	31.12.2019	31.12.2018	31.12.2017
Share capital	18,841	18,841	18,841
Statutory capital reserves – Reserves from capital contributions	132	132	132
Statutory retained earnings	16,185	16,185	16,185
Retained earnings – Profit carried forward – Profit for the year	 364,969 93,274	 310,147 64,025	 284,556 62,210
Treasury shares	(540)	(4,468)	(14,090)
Total equity	492,861	404,862	367,834

For further information about changes in share capital in the reporting years 2017 and 2018, see the respective annual reports.

https://annualreport.implenia.com/en/gb2018/home.html

https://annualreport.implenia.com/en/gb2017/home.html

2.4 — Shares and participation certificates

The share capital as of 31 December 2019 is divided into 18,472,000 fully paid-up registered shares with a par value of CHF 1.02 each. Subject to the provisions of Art. 7 of the Articles of Association, each share gives the right to one vote. There are no voting right shares or other shares with preferential rights. All registered shares are entitled to dividends, except for the treasury shares held by Implenia Ltd.

https://www.implenia.com/goto/corporategovernance/2019/en/Articles-of-Association-20180327.pdf

Implenia Ltd has not issued any participation certificates.

2.5 — Dividend-right certificates

Implenia Ltd. has not issued any dividend-right certificates.

2.6 — Restrictions on transferability and nominee registrations

2.6.1 — Restrictions on transferability

There is no percentage clause under the Articles of Association that would enable any limitations on transferability of shares of Implenia Ltd. within the meaning of Art. 685d (1) of the Swiss Code of Obligations. According to Art. 7 (4) (a) and (b) of the Articles of Association, the Board of Directors can refuse to register a holder of registered shares as a shareholder with voting rights if (i) he fails to prove, at the request of Implenia Ltd., that he acquired and held the shares in his own name and for his own account (Art. 7 (4) (a) of the Articles of Association), or (ii) his recognition as a shareholder prevents or could prevent Implenia Ltd. and / or its subsidiaries from supplying legally required proof of the composition of the set of shareholders and / or of the beneficial owners of the shares (Art. 7 (4) (b) of the Articles of Association). Since the Implenia Group is active in the project development and real estate business, Implenia Ltd. must refuse to register persons abroad as defined by the Swiss Federal Act on the Acquisition of Real Estate by Persons Abroad (Lex Koller) if doing so might jeopardise being able to prove that the Company and / or its subsidiaries are under Swiss control.

The implementing provisions for Art. 7 (4) (b) of the Articles of Association are found in the Regulations on Registration of Registered Shares and Keeping of the Share Register of Implenia Ltd. of 4 February 2013 (hereinafter "Registration Regulations").

http://www.implenia.com/goto/corporategovernance/2019/en/Registration-Regulations-20130204.pdf

http://www.implenia.com/goto/corporategovernance/2019/en/Articles-of-Association-20180327.pdf

Corporate Governance

According to section 5 of the Registration Regulations, the Board of Directors shall register a foreign shareholder as a shareholder with voting rights in the Share Register if:

i. the foreign shareholder meets the requirements applicable to all shareholders (sections 2 to 4 of the Registration Regulations);
ii. the total number of the registered voting shares of foreign shareholders (including the shares of the foreign shareholder in question), does not exceed 20% of the total number of registered voting shares of all shareholders; and
iii. the number of registered voting shares held by the foreign shareholder in question does not exceed 10% of the total number of registered voting shares of all shareholders.

Where these thresholds are exceeded, foreign shareholders shall be registered only where a ruling is issued by the authority responsible for such authorisations at the location of Implenia Ltd's registered office to the effect that Implenia Ltd. and its subsidiaries will not be considered under foreign control even after registering the additional foreign shareholder. A foreign shareholder is considered to be any shareholder who is a person abroad within the meaning of Art. 5d in conjunction with Art. 6 of the Lex Koller. Foreign shareholders within the meaning of that provision also include nominees (trustees) who have not disclosed the shareholders they represent.

2.6.2 — Granting of exceptions

No exceptions were granted in the reporting year.

2.6.3 — Admissibility of nominee registrations

According to section 4 of the Registration Regulations, any persons who do not expressly declare in their registration application that they hold the shares for their own account are considered to be nominees (trustees). According to Art. 7 (4) (a) of the Articles of Association, a nominee is entered in the share register as a shareholder with voting rights if the nominee declares in writing that he is willing to disclose the names, addresses and shareholdings of the persons for whom he holds the shares and / or will promptly disclose that information in writing on first demand. The exact wording of that rule can be found in the Articles of Association.

https://www.implenia.com/goto/corporategovernance/2019/en/Articles-of-Association-20180327.pdf

According to section 4 of the Registration Regulations, the Board of Directors shall register a nominee as a shareholder with voting rights, recognising a share of up to 1% of the registered share capital entered in the Commercial Register, if the nominee declares in writing that he is willing to disclose the names, addresses and shareholdings of the persons for whom he holds the shares and / or will promptly disclose that information in writing on first demand. Nominees are required to have entered into an agreement with the Board of Directors regarding their status. Above the 1% limit, the Board of Directors shall enter the registered voting shares of a nominee on condition that the nominee discloses the names, addresses, place of residence or registered office and the shareholdings of those persons for whose account he holds 0.25% or more of the registered share capital entered in the Commercial Register.

For further information, see the Registration Regulations.

http://www.implenia.com/goto/corporategovernance/2019/en/Registration-Regulations-20130204.pdf

In order to be registered as a nominee, the nominee must submit a application in due form in accordance with the annex “Application for Registration as Nominee”. That form can found on Implenia’s website.

http://www.implenia.com/goto/corporategovernance/2019/en/Application-for-Registration-Nominees.pdf

2.6.4 — Procedures and requirements for suspension of preferential rights and restrictions on transferability under the Articles of Association

There are no preferential rights under the Articles of Association. A suspension of restrictions on transferability requires a General Meeting resolution passed by at least two thirds of the voting shares represented and the absolute majority of the par value of the shares represented (Art. 16 (1) (c) of the Articles of Association).

2.7 — Convertible bonds and options

On 30 June 2015, Implenia Ltd. issued a subordinated convertible bond in the amount of CHF 175,000,000 (valor symbol: IMP15, ISIN: CH0285509359). The convertible bond will be due for repayment on 30 June 2022 unless it is redeemed, converted, repurchased or cancelled earlier. The convertible bond has an annual coupon of 0.5%. The conversion price amounts to CHF 75.06. The convertible bond will be convertible into approximately 2.33 million shares of Implenia Ltd., corresponding to around 12.6% of the currently outstanding shares. The shares to be delivered at the time of conversion will be made available through a supply of new shares from the conditional capital. There are no further outstanding convertible bonds or options.

Corporate Governance

3 — BOARD OF DIRECTORS

3.1 — Members of the Board of Directors

The Board of Directors, which should have at least five members according to the Articles of Association, currently has seven members. In the reporting year, Barbara Lambert was newly elected to the Board of Directors. No member of the Board of Directors performs any operational management duties for Implenia Ltd. or for any of its Group companies. Nor has any member of the Board of Directors belonged to the Group Executive Board or Implenia Executive Committee of Implenia Ltd. or any of the Group companies thereof during the last three financial years preceding the reporting period. No member of the Board of Directors maintains significant business relations with the Implenia Group. For this reason, the members of the Boards of Directors are independent. As of 31 December 2019, the Board of Directors was composed of the following members:

Name	Nationality	Position	In office since[1]
Hans Ulrich Meister	Switzerland	Chairman	2016
Kyrre Olaf Johansen	Norway	Vice Chairman	2016
Henner Mahlstedt	Germany	Member	2015
Ines Pöschel	Switzerland	Member	2016
Laurent Vulliet	Switzerland	Member	2016
Martin Fischer	Switzerland and USA	Member	2018
Barbara Lambert	Switzerland and Germany	Member	2019

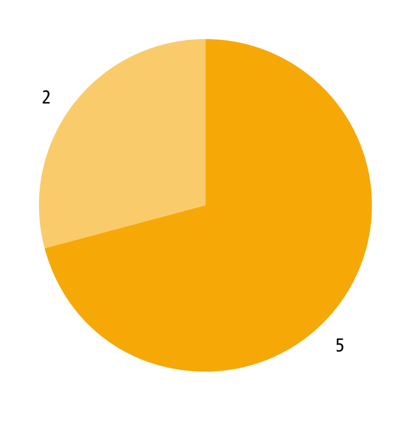
1 Annual General Meeting in the designated year

The current composition of the Board of Directors covers a number of areas of competence. The members have many years of professional experience in a variety of industries. The graphs on the right illustrate the diversity of the Board of Directors.

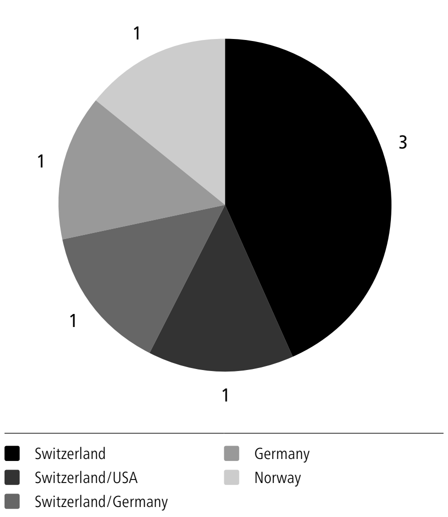
3.2 — Eduction, activities and vested interests

The summary on the following pages provides essential information about the education and career path of each member of the Board of Directors. It also discloses the mandates held by each member of the Board of Directors outside the Group as well as any further significant activities and permanent positions in significant interest groups.

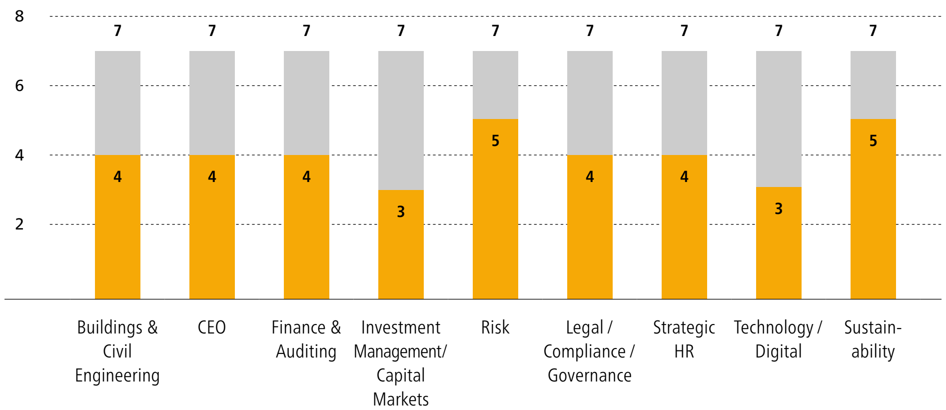
Composition of the Board of Directors
by gender (number)



Composition of the Board of Directors
by nationality (number)



Composition of the Board of Directors
by background, experience, know-how (number of members)



Board of Directors

HANS ULRICH MEISTER

Member and Chairman of the Board of Directors[1]

Born 1959
Swiss citizen

Non-executive / independent

Education

Advanced Management Program, Harvard Business School

Advanced Management Program, Wharton School

Business degree, Zurich University of Applied Sciences

Professional Experience

2008 – 2016	Member of Executive Board of Credit Suisse Group AG and Credit Suisse AG
2012 – 2016	Head of the Private Banking & Wealth Management Division, responsible for the Private Banking business in EMEA and Asia Pacific
2011 – 2012	CEO of the Private Banking Division
2008 – 2016	CEO of Credit Suisse Switzerland Region
2005 – 2007	Head of Private and Corporate Customers Switzerland at UBS
2004 – 2007	Member of the Managing Board of UBS Group
2003 – 2004	Head of Large Corporates & Multinationals at UBS
2002	Wealth Management of UBS, New York

Additional memberships on boards of directors

Alpiq Holding AG (member of the Board of Directors and Chairman of the Audit and Risk Committee)

1 Since March 2016

KYRRE OLAF JOHANSEN

Member and Vice-Chairman of the Board of Directors and Member of the Audit Committee[2]

Born 1962
Norwegian citizen

Non-executive / independent

Education

Degree as Business Candidate, BI Norwegian Business School

MSc Civil Engineer, NTNU Trondheim

Professional Experience

SINCE 2013	CEO of Norsk Mineral AS
2008 – 2012	CEO of Entra Eiendom ASA
2003 – 2008	CEO of Mesta AS
2000 – 2003	CEO of the Road Construction Division of NCC Industri
1999 – 2003	Region Head of NCC in Norway
1991 – 1998	Various leadership positions for construction work at ABB Power Generation AG
1986 – 1991	Engineering consultant

2 Since March 2016

HENNER MAHLSTEDT

Member of the Board of Directors and Chairman of the Audit Committee[3]

Born 1953
German citizen

Non-executive / independent

Education

Civil engineering, Braunschweig Technical University

Professional Experience

SINCE 2012	Managing shareholder of Mahlstedt Consultants GbR
2007 – 2012	Member of the Global Executive Committee of Hochtief AG
2010 – 2012	Chairman of the Executive Board of Hochtief Solutions AG
2007 – 2010	Chairman of the Executive Board of Hochtief Construction AG
2005 – 2007	Member of the Executive Board of Hochtief Construction AG
2003 – 2005	Division Head for the new German federal states at Hochtief Construction AG
2001 – 2003	Chairman of the Management of Pegel & Sohn GmbH
1997 – 2001	Member of the Executive Board of Strabag Hoch- und Ingenieurbau AG
1980 – 1997	Various positions within Strabag Hoch- und Ingenieurbau AG

Additional functions and offices

Lecturer, Westphalian College at Gelsenkirchen

Member of the Advisory Board of Huesker Synthetic GmbH

Member of the Board of Trustees of Diakonie Kaiserswerth

3 Since March 2015

Board of Directors

INES PÖSCHEL

Member of the Board of Directors and Chairman of the Nomination and Compensation Committee[1]

Born 1968
Swiss citizen

Non-executive / independent

Education

Attorney-at-law

Lic. iur., University of Zurich

Stanford Executive Program (2018)

Professional Experience

SINCE 2007 Partner at the Kellerhals Carrard law firm

2002 – 2007 Attorney-at-law at Bär & Karrer

1999 – 2002 Senior Manager at Andersen Legal

Additional memberships on boards of directors

Alcon AG (member) – listed

Graubündner Kantonalbank (member) – listed

Reichle Holding AG (member)

Wirz Partner Holding AG (member)

Bioengineering Holding AG (member)

Additional functions and offices

Vice-Chairman of the Lotti Latrous Foundation

Member of the Swiss Expert Commission for the Commercial Register

Co-Chairman of the Association Smiling Gecko

1 Since March 2016

LAURENT VULLIET

Member of the Board of Directors and Chairman of the Nomination and Compensation Committee[2]

Born 1958
Swiss citizen

Non-executive / independent

Education

Advanced Management Program INSEAD, Fontainebleau

Dr. sc. Tech. EPF Lausanne

Diploma in Civil Engineering, ETH Zurich

Professional Experience

SINCE 1994 Professor for Soil Mechanics and Risk Management at EPFL

SINCE 2018 Owner, Prof. Vulliet Consulting

2009 – 2013 Vice-President of the Swiss Society of Engineers and Architects (SIA)

2006 – 2013 Member, CEO and partner at BG Ingenieure und Berater AG

2001 – 2007 Dean of the ENAC Faculty at EPFL

1989 – 1993 Senior Engineer at Cérenville Géotechnique SA

1986 – 1989 Lecturer for Solid Mechanics at the University of Arizona

Additional functions and offices

Chairman of "Société du quartier nord de l'EPFL"

Member of the Federal Geological Expert Commission

2 Since March 2016

MARTIN FISCHER

Member of the Board of Directors and Chairman of the Nomination and Compensation Committee[3]

Born 1960
Swiss and American citizen

Non-executive / independent

Education

Ph.D. in Civil Engineering, Stanford University

M.S. in Industrial Engineering, Stanford University

Diploma in Civil Engineering, EPF Lausanne

Professional Experience

SINCE 2006 Professor for Civil and Environmental Engineering at Stanford University

1999 – 2001 Associate Professor for Civil and Environmental Engineering at Stanford University

1992 – 1999 Assistant Professor for Civil and Environmental Engineering at Stanford University

1991 – 1992 Acting Assistant Professor for Civil and Environmental Engineering at Stanford University

1984 – 1991 Various positions in industry and academy in Switzerland, Germany, the USA, and Japan

Additional memberships on boards of directors

RIB Software SE (member) – listed

sfirion AG (Chairman of the Supervisory Board)

3 Since March 2018

Board of Directors

BARBARA LAMBERT

Member of the Board of Directors and Member of the Audit Committee[1]

Born 1962
Swiss and German citizen

Non-executive / independent

Education

Degree in Economics, University of Geneva

Certified Public Accountant

Banker

Professional Experience

2008 – 2018 Member of the Management Committee and Group Chief Risk Officer at Banque Pictet & Cie S.A.

2002 – 2007 Partner at Ernst & Young, Head of Banking and Insurance Auditing

1987 – 2002 Partner at Arthur Andersen, Switzerland

Additional memberships on boards of directors

Banque Pictet & Cie S.A. (Member)

Deutsche Börse AG (Member of the Supervisory Board, Chairman of the Audit Committee and Member of the Risk Committee) – listed

Additional functions and offices

Member of the Advisory Board of the Geneva School of Economics and Management

1 Since March 2019

Corporate Governance

3.3 — Rules of the Articles of Association regarding the number of permissible activities according to Art. 12(1)(1) of the Swiss Ordinance against Excessive Compensation at Stock Exchange Listed Companies ("OaEC")

According to Art. 22e of the Articles of Association, each Board Member may hold no more than 14 mandates as a director or officer of legal entities outside the Implenia Group (no more than four of which may be held in exchange-listed companies), which are to be registered in the Swiss Commercial Register or a similar foreign register. Mandates held in different legal entities of one and the same corporate group or held on behalf of a corporate group or a legal entity shall count as a single mandate in each case. According to the above-cited provision of the Articles of Association, it is permissible to exceed the foregoing limits for short periods.

The Articles of Association with the exact wording of the above-cited provision can be viewed on Implenia's website.

https://www.implenia.com/goto/corporategovernance/2019/en/Articles-of-Association-20180327.pdf

3.4 — Election and term of office

The members of the Board of Directors shall have a one year term of office, commencing with the election and ending after the close of the next Annual General Meeting, without prejudice to prior resignation or prior removal from office (Art. 18 (3) of the Articles of Association). The members of the Board of Directors may be re-elected at any time (Art. 18 (4) of the Articles of Association) subject to an upper age limit of 70 years of age. The retirement occurs at the end of the Annual General Meeting following the 70th birthday (Art. 18 (5) of the Articles of Association). In compliance with the Swiss Ordinance against Excessive Compensation at Stock Exchange Listed Companies ("OaEC"), the members and Chairman of the Board of Directors and the members of the Nomination and Compensation Committee shall be elected individually by the General Meeting (Art. 9 (b) and Art. 18 (2) of the Articles of Association). Likewise in compliance with the OaEC, the Independent Proxy is elected by the General Meeting (Art. 9 (b) of the Articles of Association). Moreover, the Board of Directors generally chooses its own members and, in particular, appoints its Vice-Chairman and Secretary of the Board of Directors.

In case of vacancy of the office of the Chairman of the Board of Directors or in case the Nomination and Compensation Committee is not completely filled or the Company lacks an Independent Proxy, the Articles of Association have no rules to eliminate such organisational problems that deviate from OaEC Art. 4 (4), Art. 7 (4) and Art. 8 (6).

Corporate Governance

3.5 — Internal Organisation

3.5.1 — Division of responsibilities on the Board of Directors

The Board of Directors is responsible for the strategic and financial management of Implenia and the supervision of its management. It adopts resolutions as the highest corporate body, except in matters for which the General Meeting is competent by law. The Chairman of the Board of Directors shall call the Board of Directors' meetings. If the Chairman is unable to call the meeting, the meeting shall be called by the Vice Chairman or, if need be, by a member of the Board of Directors designated to that purpose by the Board of Directors. The CEO and CFO shall attend the Board of Directors meetings on a regular basis. The Chairman shall determine the agenda and prepare and direct the meetings. The Chairman shall also decide on a case-by-case basis whether to involve others in the deliberations of the Board of Directors. Board of Directors' meetings may be called by any board member by specifying the agenda item and giving a short justification for the call.

The duties, responsibilities and working procedures of the Board of Directors as well as its conduct in case of conflicts of interest are regulated by the Implenia OR and Table of Responsibilities of 11 July 2019 (hereinafter "Table of Responsibilities").

The Implenia OR (without the Table of Responsibilities) can be found on Implenia's website.

http://www.implenia.com/goto/corporategovernance/2019/en/OR-Implenia-20190711.pdf

3.5.2 — Committees of the Board of Directors

The Board of Directors has formed two committees, the Audit Committee ("AC") and the Nomination and Compensation Committee ("NCC"), and elects a chairperson for each. The AC and NCC analyse the areas assigned to them by the Board of Directors and submit reports to the Board of Directors to assist with the preparation of its resolutions or the performance of its supervisory duties. The Chairman of the individual committees inform the Board of Directors of all the essential points and make recommendations on decisions to be made by the plenary Board of Directors. The committees' duties and responsibilities are defined in the Implenia OR, the Table of Responsibilities annexed hereto and the regulations issued by the Board of Directors.

The committees generally organise themselves. The Board of Directors shall enact appropriate regulations at request of the committees. The committees shall generally have an advisory function, with decision-making authority reserved for the plenary Board of Directors. The committees shall have decision-making authority only where so determined in the Table of Responsibilities or in a committee's regulation or by a special Board of Directors resolution.

The committees are authorised to conduct or have investigations conducted on all matters within their area of responsibility. They may call upon the services of independent experts. The Board of Directors may appoint ad-hoc-committees for certain tasks and assign preparatory, supervisory and / or decision-making authority to such committees (sections 5.1.1 and 5.1.6 of the Implenia OR). One ad-hoc-committee was formed in the reporting year.

The table below shows the committees existing in the reporting year and their members:

	Audit Committee (from 26 March 2019)	Nomination and Compensation Committee (from 26 March 2019)
Hans Ulrich Meister, Chairman	(standing guest)	(standing guest)
Kyrre Olaf Johansen, Vice Chairman	•	
Henner Mahlstedt, Member	• (Chairman)	
Ines Pöschel, Member		• (Chairman)
Laurent Vulliet, Member		•
Martin Fischer, Member		•
Barbara Lambert , Member	•	

3.5.2.1 — Audit committee

The AC shall consist of at least two members of the Board of Directors designated by the Board of Directors. The AC shall perform all of the Board of Directors' duties relating to accounting oversight and organisation, financial controlling (including the internal control system), financial planning and risk management. Risk management shall include reporting on (current or pending) legal actions. In addition, the AC shall monitor and report on the Compliance Management System to the Board of Directors. The AC shall coordinate and define the internal and external auditing tasks and be responsible for regular communications with the internal and external auditors and formulate the internal and external audit engagements. It shall have the authority to order special audits (section 5.1.1 of the Implenia OR). For more information about the AC's tasks, also see the Implenia OR.

http://www.implenia.com/goto/corporategovernance/2019/en/OR-Implenia-20190711.pdf

3.5.2.2 — Nomination and Compensation Committee

The NCC shall be composed of two to four members of the Board of Directors who are elected individually by the General Meeting. The general principles of the duties and responsibilities of the NCC concerning compensation have been established by the General Meeting in Art. 21a of the Articles of Association and described in greater detail in the Compensation Report (page 90).

For more information about the NCC's tasks, also see the Implenia OR.

http://www.implenia.com/goto/corporategovernance/2019/en/OR-Implenia-20190711.pdf

3.5.3 — Working procedure of the Board of Directors and its committees

The Board of Directors and its committees shall meet as often as required by business, at least six times (Board of Directors) and three times (AC and NCC) per year. The meetings, each of them supplemented by an agenda and meeting documents, shall be held at the invitation of the chairperson of the relevant committee. Moreover, each member can call a meeting and request the inclusion of additional agenda items. The meetings of the Board of Directors and of the committees shall be presided over by their respective chairpersons. The presence of the majority of the members shall constitute a quorum. Members who participate in the meeting via telephone or videoconference shall be deemed present, too.

The Board of Directors and its committees shall adopt resolutions and win elections by a majority of the votes of the members present. Abstentions are not permitted. In case of a tie vote, the Chairman shall have the casting vote. The results of the negotiations and resolutions shall be recorded in the minutes. The Chairman of the Board of Directors shall decide whether or not the CEO participates (section 3.3.6 of the Implenia OR). In case of need, further IEC members or other persons may be invited to the meetings. Moreover, the Division and Function Heads shall report once a year on their division or function; in addition, the Division Heads shall give semi-annual and annual reports at the meetings of the Board of Directors.

The Chairman of the Board of Directors shall participate in the meetings of the AC and of the NCC as a permanent guest. Further participants in the AC generally include the CEO, CFO and General Counsel and, if necessary, a representative of Internal Audit and one or more representatives of the external auditor and other persons designated by the chairperson. The CEO and Chief Human Resources Officer generally participate in the NCC meetings. Guests of the meetings of the Board of Directors and of the committees generally have no right to vote. In addition, the IEC members cannot attend meetings of the NCC or of the Board of Directors whenever their own performance or compensation is being discussed.

The tables below give an overview of the meetings and conference calls of the Board of Directors, AC and NCC in 2019.

Overview meetings of the Board of Directors

	Meetings[1]	Conference calls[2]
Total	8	9
Average duration (in hours)	6:45	0:40
Participation		
Hans Ulrich Meister, Chairman	8	9
Kyrre Olaf Johansen, Vice Chairman	5[3]	6[3]
Henner Mahlstedt, Member	8	7
Ines Pöschel, Member	8	9
Laurent Vulliet, Member	8	9
Martin Fischer, Member	8	9
Barbara Lambert, Member as of 26 March 2019[4]	8	9

1 The Implenia Executive Committee was usually present in the person of the CEO.
2 In addition, various supplementary and preparatory meetings and telephone conferences, also involving third parties, and interviews with candidates took place.
3 Due to illness, Kyrre Olaf Johansen was unable to attend certain meetings and telephone conferences.
4 Before her election, Barbara Lambert attended the Board meetings in January and February 2019 as a guest.

Corporate Governance

Overview meetings of the Audit Committee

	Meetings[1]	Conference calls
Total	3	–
Average duration (in hours)	4:15	–
Participation		
Henner Mahlstedt, Chairman	3	–
Kyrre Olaf Johansen, Member	3	–
Barbara Lambert, Member[2,3]	3	–

1 The Chairman of the Board of Directors, the CEO, the CFO, the General Counsel and the auditors attended all meetings.
2 Appointed to the Audit Committee on 26 March 2019.
3 Before her election, Barbara Lambert attended the first AC meeting in February 2019 as a guest.

Overview meetings of the Nomination and Compensation Committee

	Meetings[1]	Conference calls[2]
Total	3	1
Average duration (in hours)	3:20	0:30
Participation		
Ines Pöschel, Chairman	3	1
Laurent Vulliet, Member	3	1
Martin Fischer, Member	3	1

1 The Chairman of the Board of Directors, and the CEO attended all, the Chief Human Resources Officer and the Head Compensation & Benefits attended two meetings, since they only joined Implenia in the course of 2019.
2 In addition, various supplementary and preparatory meetings as well as telephone conferences were held. These meetings included interviews with candidates or involved third parties as deemed necessary.

3.6 — Definition of areas of responsibilities

The overall management and supervision of the Group is assigned by law to the Board of Directors. In addition to the responsibilities reserved to the Board under Art. 716a of the Swiss Code of Obligations, the Board of Directors rules on the following major transactions in accordance with the Table of Responsibilities:

- the acquisition or sale of holdings with an Enterprise Value of CHF 25 million or more;
- the purchase and sale of land / buildings / areas (commercial properties) worth more than CHF 30 million;
- the determination of target markets and the resolution to enter a market;
- the determination of the principles of the financial policy (debt-to-equity ratio and financial indicators);
- determination of the financing plan;
- procurement of outside capital of CHF 50 million or more (credit lines, bonds, private investments and other capital market transactions, finance leasing, hire-purchase activities, etc.);
- fundamental issues and guidelines relating to the investment of financial resources;
- the granting of any kind of loan of CHF 5 million or more to third parties;
- the granting of group guarantees and sureties, other guarantees, bid, performance and payment bonds etc., other security interests and entering into contingent liabilities outside of the ordinary course of business of CHF 5 million or more; and
- the use of financial derivatives when not used strictly for hedging purposes.

Moreover, the Board of Directors is in charge of determining the sustainability strategy.

The Board of Directors delegates the management of the Implenia Group to the CEO, unless provided otherwise by law, by the Articles of Association or the Implenia OR, and insofar as such powers have not been delegated to the IEC or to individual members of the IEC.

The CEO shall take care of the management and representation of the Implenia Group, unless delegated to other governing bodies by law, by the Articles of Association or by the Implenia OR. The CEO is responsible for the conduct of business and representation of the Group, in particular, for leadership of its operations and the implementation of corporate strategy. Insofar as such powers have not been reserved to the Board of Directors, the CEO is authorised to organise, perform and / or delegate to qualified subordinates the duties and powers assigned to him according to the Implenia OR, subject to providing such subordinates with proper instructions and supervision.

Corporate Governance

The CEO shall be assisted with the conduct of business by members of the IEC and other Function Heads, who shall report directly to the CEO. The CEO is responsible for reporting to the Chairman of the Board of Directors or to the Board of Directors (section 6.2.3 of the Implenia OR). For the details of the division of responsibilities among the Board of Directors, CEO and IEC, see the Implenia OR and Table of Responsibilities.

http://www.implenia.com/goto/corporategovernance/2019/en/OR-Implenia-20190711.pdf

3.7 — Information and control instruments vis-à-vis the Implenia Executive Committee

In order to monitor how the CEO and members of the IEC perform their assigned responsibilities, the following information and control instruments are available to the Board of Directors, among others:

Information and control tools

	Annual	Semiannual	Quarterly	Monthly
MIS (Management Information System, by division and consolidated)				•
Financial report (balance sheet, income statement and cash flow statement)			•	
Budget (by division and consolidated)	•			
Three-year plan (by division and consolidated)	•			
VAC Reporting	•			
Group risk situation	•			
Risk Map for operational risks (by division and consolidated)		•		
Litigation Reporting		•		
Compliance Reporting		•		

The MIS (Management Information System) ensures monthly reporting on the course of business. The MIS reports provide information about the sales revenue, margins, costs and the operational result, supplemented with information about the order book, investments, invested capital, liquidity and the number of employees. The IEC and Board of Directors shall be sent the related documents, together with comments and an estimate, updated quarterly, for the whole financial year.

The IFRS Financial Reporting shall be delivered to the Board of Directors quarterly. The Half-Year Report is subject to approval by the Board of Directors and then released for publication.

As part of the budget planning for the following year, the indicators, like those of the MIS, are determined based on the expected economic trend and specified together with the corporate objectives for each division. Such indicators are used as a basis for budgeting the balance sheet, income statement, cash flow statement and cash flow forecast. The annual planning for the next three calendar years (3-year plan) is performed like the budget planning.

The risk to which Implenia Group is exposed is assessed once a year by the IEC and the Board of Directors. In doing so, the key Group risks are defined and measured in terms of implications and probability. The implementation and impact of defined measures are monitored continously by the IEC.

When assessing the operational risks, the current and pending legal actions are taken into account, as well as material claims from projects. The risk map, which gives an overview of the risks and opportunities on the Group and Division levels, is constantly updated by the persons in charge in cooperation with the Finance Department, in order to initiate measures and monitor their effectiveness. The risks and opportunities recorded are evaluated in quantitative terms as worst / real / best cases. Twice a year, the risk maps, by division and consolidated for the Implenia Group, are commented on and explained to the AC.

In the reporting year, a new Value Assurance Process was introduced for projects of the divisions and for the selection of JV partners, under the direction of the Value Assurance Committee (VAC). The VAC has been set up on four levels: Group (class 1), Global Division (class 2); Country Unit (class 3) and Regional Unit (class 4). In the VAC reports, VAC class 1 shall give the AC reports, at least every six months, on the outcome of its assignments and the appropriateness and effectiveness of the project management.

Litigation reports on the (current or impending) legal actions are given in each ordinary AC meeting.

Corporate Governance

As part of the compliance reporting, a report is given in each ordinary AC meeting on the Compliance Management System in general and, in particular, on compliance cases, the state of progress in the investigations and the measures taken.

The Internal Control System is audited by the external auditor as required by law, and the resulting report is given to the Board of Directors (Art. 728a (1) (3) and 728b (1) of the Swiss Code of Obligations). The reports on the individual information instruments are prepared and consolidated by the Finance Department. They are then delivered simultaneously to the Board of Directors and to the IEC. At the meetings of the IEC and AC, the reports are presented by the CFO and commented on.

The CEO and CFO each provide detailed information about the course of business, comment on it and answer the questions of the AC members.

The Board of Directors has engaged a recognised audit firm to conduct the internal audit. The AC determines the focal points of the internal audit based on a multi-year audit plan. The focal points in the reporting year were the topics "Project Controlling", "Launch of the ICS", project audits in Norway and Sweden and a follow-up on past audits. The Internal Audit's audit plan is implemented in coordination with the CFO. Internal Audit prepared reports in line with the audit plan and submitted these to the AC together with necessary comments and recommendations. Internal Audit reports directly to the AC. The reports of Internal Audit are transmitted to the external auditor without limitation. A regular exchange of information takes place between Internal and External audit.

4 — IMPLENIA EXECUTIVE COMMITTEE

4.1 — Implenia Executive Committee members

The IEC consists of the CEO, the CFO and other members designated by the Board of Directors.

In the reporting year, the Group Executive Board that existed up to 28 February 2019 was replaced by the Implenia Executive Committee. Instead of five members, as previously, the IEC now has nine members. The newly appointed members of the IEC are Jens Vollmar, Head Division Buildings, Adrian Wyss, Head Division Development, German Grüniger, General Counsel and Matthias Jacob, Head Country Management since 1 March 2019; Marco Dirren, CFO, and Christelle Beneteau, Chief Human Resources Officer since 1 May 2019 and, finally, Anita Eckardt, Head Division Specialities since 1 September 2019. Beat Fellmann, André Métral and Christof Gämperle left the Group Executive Board on 1 March 2019.

The table below shows the composition of the IEC as of 31 December 2019:

Name	Nationality	Position	Member of IEC[1] since
André Wyss	Switzerland	CEO	2018
Marco Dirren	Switzerland	CFO	2019
Adrian Wyss	Switzerland	Head Division Development	2019
René Kotacka[2]	Switzerland	Head Division Civil Engineering	2015
Jens Vollmar	Germany	Head Division Buildings	2019
Anita Eckardt	Denmark	Head Division Specialties	2019
German Grüniger	Switzerland	General Counsel	2019
Christelle Beneteau	France	Chief Human Resources Officer	2019
Matthias Jacob	Germany	Head Country Management	2019

1 Formerly of the Group Executive Board.
2 Since 1 January 2020 Christian Späth.

4.2 — Eduction, activities and vested interests

The summary on the following pages provides essential information about the education and career path of each member of the IEC. It also discloses the mandates held by each member outside the Group as well as any further significant activities and permanent positions in significant interest groups.

Implenia Executive Committee

ANDRÉ WYSS

Chief Executive Officer

Born 1967
Swiss citizen

Education

Various Executive Education Modules in Leadership Development at Harvard Business School

Study of economics at the University of Applied Sciences in Business Administration (HWV)

Apprenticeship as chemical worker at Sandoz (today Novartis)

Professional Experience

SINCE 2018	CEO Implenia Group
2016 – 2018	President of Novartis Operations (global) and Country President of Novartis Switzerland (responsible for, among other things, the entire production process, central group services such as real estate and infrastructure, IT, procurement, personnel, and accounting, as well as corporate affairs)
2014 – 2018	Member of the Executive Committee of Novartis
EARLIER	Various roles within Novartis (including Head of Finance Research & Development, Head of Pharmaceutical Production in Europe and Executive for Country and Regional Companies, including the USA, Greece, and Asia Pacific, Middle East & Africa)

ADRIAN WYSS

Head Division Development

Born 1975
Swiss citizen

Member of the Implenia Executive Committee

Education

Architect, University of Applied Sciences

Postgraduate Diploma in Business Administration, Bern University of Applied Sciences

Professional Experience

SINCE 2019	Head Division Development
2015 – 2019	Business Unit Head Modernization & Development, Implenia
2013 – 2015	Head Modernization, Implenia
2006 – 2013	Various functions within Implenia
2000 – 2006	Architect at Pfister Schiess Tropeano Architekten, Zurich

JENS VOLLMAR

Head Division Buildings
Country President Switzerland

Born 1984
German citizen

Member of the Implenia Executive Committee

Education

Degree in business economics from the University of St. Gallen (Dr. oec. HSG)

Professional Experience

SINCE 2019	Head Division Buildings and Country President Switzerland
2015 – 2018	Business Unit Head Buildings, Implenia
2014 – 2015	Head Business Development Buildings, Implenia
2013 – 2014	Head CEO Support, Implenia
2011 – 2013	Senior Consultant at the Institute for Finance, Financial Law, and Law & Economics, University of St. Gallen (HSG)

Additional functions and offices

Lecturer in the areas of Controlling, Financial Accounting, and M&A, University of St. Gallen (HSG)

Member of Executive Board Development Switzerland

Implenia Executive Committee

RENÉ KOTACKA

Head Division Civil Engineering[1]

Born 1962
Swiss citizen

Member of the Implenia Executive Committee[1]

Education

Civil Engineer, ETH Zurich

Professional Experience

2019 – 2019 Head Division Civil Engineering

2015 – 2019 Head Business Unit Infrastructure, Implenia

2014 – 2015 Head Business Unit Tunneling & Civil Engineering, Implenia

2011 – 2014 Head Acquisition Area Tunneling and Member of the Management of Implenia Tunneling & Civil Engineering, Implenia

2006 – 2011 Head Production Foreign and Reorganization, Implenia

Memberships on Boards of Directors

Versuchsstollen Hagerbach AG (Member)

Additional functions and offices

Member of the SCOUT (Swiss Center of Applied Underground Technologies) Supporting Association

ANITA ECKARDT

Head Division Specialties

Born 1973
Danish citizen

Member of the Implenia Executive Committee

Education

Master of International Business, Munich Business School

Executive Coach, Coaching Institute Copenhagen

Professional Experience

SINCE 2019 Head Division Specialties

2019 – 2019 CEO of Habitects AG

2017 – 2018 Chief Operating Officer at CRH Swiss Distribution

2008 – 2016 CMO Saint-Gobain Distribution Denmark & Sales Director Vetrotech Saint-Gobain International

2005 – 2008 Global Key Account & Marketing Manager at Bang & Olufsen

2001 – 2005 Global Brand Manager at Grundfos

MARCO DIRREN

Chief Financial Officer

Born 1973
Swiss citizen

Member of the Implenia Executive Committee

Education

MSc in Finance and Financial Law, University of London

Executive MBA in International Management, FH Bern / University of Pejing / Babson College Boston

Study of economics at the University of Applied Sciences in Business Administration (HWV)

Professional Experience

SINCE 2019 CFO Implenia Group

2014 – 2019 CFO of the Infrastructure Division at SBB

2010 – 2014 CFO of the Aviation Division at RUAG

2006 – 2010 Commercial Finance Director of Compass Group in London

1 Until 31 December 2019

Implenia Executive Committee

CHRISTELLE BENETEAU

Chief Human Resources Officer

Born 1973
French citizen

Member of the Implenia Executive Committee

Education

Master in Organic Chemistry from Heriott-Watt University in Edinburgh (UK)

Ingénieur Chimiste in Organic Chemistry from École Nationale Supérieure de Chimie de Lille (FR)

Professional Experience

SINCE 2019 Chief Human Resources Officer Implenia Group

2017 – 2019 Global Head of HR Business Partnering and Corporate HR Head at LafargeHolcim

2015 – 2017 Global Head of HR Services at Clariant

2013 – 2014 European HR Head of Commercial Operations at ebay

2005 – 2013 Various HR positions within Novartis

GERMAN GRÜNIGER

General Counsel

Born 1969
Swiss citizen

Member of the Implenia Executive Committee

Education

Lic. iur., University of Freiburg

Dr. iur., University of Basel

LL.M., New York University

Attorney at Law

Stanford Executive Program (2019)

Professional Experience

SINCE 2014 General Counsel Implenia Group

2007 – 2014 Partner at Baur Hürlimann law firm

1996 – 2006 Intern / Associate at Baur Hürlimann

1995 – 1996 Law clerk at court

Memberships on Boards of Directors

MediData AG (Member)

Bürgenstock Hotels AG (Member)

Bergbahnen Beckenried-Emmetten AG (Member)

Additional functions and offices

Board of Trustees of the Felsenweg am Bürgenstock Foundation (Member)

MATTHIAS JACOB

Head Country Management

Born 1961
German citizen

Member of the Implenia Executive Committee

Education

Civil Engineering, Dipl.-Ing., 1987, TU Dortmund

Completed Dissertation, 1995, TU Dortmund

Professional Experience

SINCE 2019 Head Country Management Implenia Group

SINCE 2018 Business Unit Head Implenia Buildings Germany

2011 – 2017 Technical Managing Director of Wolff & Müller Holding GmbH & Co. KG

2007 – 2010 Chairman of the Management of Bilfinger Hochbau GmbH

2005 – 2010 Member of management of Bilfinger Hochbau GmbH

Additional functions and offices

Vice-President of Technology of the Federation of the German Construction Industry

Chairman of the Executive Board, German Concrete and Construction Engineering Association

Deputy Chairman of the Supervisory Board of the Initiative “planen-bauen 4.0”

Lectureship at the University of Wuppertal

Corporate Governance

4.3 — Rules of the Articles of Association regarding the number of permissible activities according to Art. 12(1)(1) of the Swiss Ordinance against Excessive Compensation at Stock Exchange Listed Companies ("OaEC")

According to Art. 22e of the Articles of Association, each member of the IEC may hold no more than nine mandates as a director or officer of legal entities outside the Implenia Group (no more than four of which may be held in exchange-listed companies), which are to be registered in the Swiss Commercial Register or a similar foreign register, providing that they are approved on a case-by-case basis by the NCC. If mandates are held in different legal entities of one and the same corporate group or are held on behalf of a corporate group or a legal entity, then these will be counted in their entirety as one mandate in each case. It is permissible to exceed the foregoing limits for short periods. The Articles of Association with the exact wording of the above-cited provision can be viewed on Implenia's website.

https://www.implenia.com/goto/corporategovernance/2019/en/Articles-of-Association-20180327.pdf

4.4 — Management contracts

There are no management contracts with third parties.

5 — COMPENSATION, SHAREHOLDINGS AND LOANS

5.1 — Content and procedure to determine compensation and the shareholding programmes

Please see pages 90–111 of the separate Compensation Report for further information about the content and procedure to determine compensation and the grant of shareholdings and loans to members of the Board of Directors and of the IEC.

5.2 — Rules under the Articles of Association

5.2.1 — Rules under the Articles of Association concerning the principles of compensation

Please also see Art. 15a, 22a and 22b of the Articles of Association on the pages 92–93 of the separate Compensation Report for further information about the rules governing the principles of compensation.

https://www.implenia.com/goto/corporategovernance/2019/en/Articles-of-Association-20180327.pdf

5.2.2 — Rules under the Articles of Association concerning loans, credit and pension benefits

Please also see Art. 22c of the Articles of Association page 99 and 110 of the separate Compensation Report for further information about the rules governing the principles of loans, credit facilities and pension benefits.

https://www.implenia.com/goto/corporategovernance/2019/en/Articles-of-Association-20180327.pdf

5.2.3 — Rules under the Articles of Association concerning the vote by the General Meeting on compensation

Please also see Art. 15a of the Articles of Association and pages 94–95 of the separate Compensation Report for further information about the rules concerning the vote by the Annual General Meeting on compensation.

https://www.implenia.com/goto/corporategovernance/2019/en/Articles-of-Association-20180327.pdf

6 — SHAREHOLDERS' PARTICIPATION RIGHTS

6.1 — Limitation of voting rights and representation

All shareholders who are registered in the share register as shareholders with voting rights by the relevant cut-off date are entitled to participate and vote at the Annual General Meeting. The Articles of Association do not provide any limitation of voting rights for shareholders, subject to restrictions on the transferability of shares (see section 2.6.1 of this report). Each share carries one vote. Moreover, as mentioned above, the Board of Directors is authorised to enter into agreements with the nominees on their reporting obligation (see section 2.6 of this report and the Registration Regulations).

http://www.implenia.com/goto/corporategovernance/2019/en/Registration-Regulations-20130204.pdf

No exceptions were granted in the reporting year. The limitations on registration and voting rights described in section 2.6.1 can be suspended by amendment to the Articles of Association, which requires a General Meeting resolution passed by at least two thirds of the voting shares represented and the absolute majority of the par value of the shares represented (Art. 16 (1) (c) of the Articles of Association).

The shareholders' rights to participate in the General Meeting are governed by the relevant statutory provisions and the Articles of Association. Each shareholder can vote by participating personally in the General Meeting or have himself represented by an independent proxy or by another shareholder with voting rights with a written proxy form issued by the shareholder. Representation by a governing officer or custodian under Art. 689c and 689d, respectively, of the Swiss Code of Obligations, is not permitted (Art. 11 of the OaEC). The general policy that both motions disclosed in the letter of invitation and motions not so disclosed should be put to vote as motions of the Board of Directors is held to be the applicable voting policy.

In addition, partnerships and legal persons can have themselves represented by authorised signatories or other authorised representatives, minors or wards by their legal representatives, and married persons by their spouse, even if the representatives are not shareholders. The Chairperson of the General Meeting decides on the admissibility of a form of representation (Art. 13 (5) of the Articles of Association).

The shareholders may grant the independent proxy instructions and powers of attorney electronically, as well, in which case the Board of Directors shall determine the requirements for such powers of attorney and instructions (Art. 13 (1) of the Articles of Association).

The Articles of Association have no further rules on issuing instructions to the independent proxy or on electronic participation in the General Meeting. The applicable rules are described in the relevant letter of invitation.

6.2 — Quorums under the Articles of Association

The General Meeting shall adopt resolutions by the majorities prescribed by law. The Articles of Association do not provide for any different majorities, except for resolutions to suspend or ease the limitations of transferability thereunder, which require a majority vote of two thirds of the voting shares represented and an absolute majority of the par value of the shares represented (Art. 16 (1) of the Articles of Association). Resolutions on mergers, de-mergers and conversion are subject to the rules set out in the Swiss Merger Act.

6.3 — Convening of the General Meeting

General meetings shall be convened by the Board of Directors; the invitation, indicating the agenda items and motions, shall be published in the Swiss Official Gazette of Commerce at least 20 days before the meeting. In addition, registered shareholders may also be informed in writing (Art. 10(1) and Art. 11(1) of the Articles of Association). The decision to determine the location of the General Meeting shall be made by the Board of Directors. The minutes of the General Meetings shall be published on Implenia's website.

https://implenia.com/en/investor-relations/general-meeting/

6.4 — Adding items to the agenda

The Board of Directors shall be responsible for adding items to the agenda. Any shareholders representing at least 1% of the issued share capital can move to add an item to the agenda (Art. 11 (2) of the Articles of Association). Such a request, specifying the agenda item and motions, shall be submitted in writing to the Board of Directors at least 45 days before the General Meeting.

6.5 — Registrations in the Share Register

The invitation to the General Meeting shall be sent to the shareholders registered as shareholders with voting rights in the Share Register as of the cut-off date. The cut-off date for eligibility to vote in the General Meeting shall be set by the Board of Directors each year based on Art. 13 (2) of the Articles of Association. The data concerned shall be mentioned in the relevant invitation.

The Articles of Association with the exact wording of the above-cited provision can be viewed on Implenia's website.

https://www.implenia.com/goto/corporategovernance/2019/en/Articles-of-Association-20180327.pdf

7 — CHANGE OF CONTROL AND DEFENSIVE MEASURES

7.1 — Duty to make an offer

The Articles of Association contain no opting-out or opting-up clause. Art. 135 of the FMIA is therefore applicable, according to which a shareholder who acquires equity securities from Implenia directly or indirectly or by arrangement with third parties and, together with the securities that he already possesses, thereby exceeds the threshold of 33 ⅓% of the company's voting rights, must submit an offer for all of the company's listed equity securities.

7.2 — Change-of-control clause

There are no agreements concerning change of control, whether with the members of the Board of Directors and of the IEC or with other members of Management. In the event of change of control, the LTIP will automatically terminate and the number of PSUs granted will be adjusted pro-rata.

8 — AUDITOR

8.1 — Duration of the mandate and term of office of the Head Auditor

The auditor has been PricewaterhouseCoopers Ltd (Zurich) since financial year 2006. The duration of the mandate assigned to PricewaterhouseCoopers Ltd is one financial year in each case (Art. 22 of the Articles of Association). The current mandate commenced on 1 January 2019. Michael Abresch took over the position as lead auditor from Christian Kessler. According to Art. 730a of the Swiss Code of Obligations, the person who manages the audit may generally exercise his mandate for seven years at the most.

8.2 — Audit fee

In the reporting year, the fee invoiced by the auditor amounted to a total of CHF 1,574,000 (2018: CHF 1,543,000).

8.3 — Additional fees

The total amount of the additional fees for the reporting year amounts to CHF 176,000 (2018: CHF 84,000). The additional fees were approved in advance by the AC and mainly concerned tax consulting assignments.

8.4 — Information instruments of the External Audit

In particular, the AC is tasked with effective and regular monitoring of the auditor's reports in order to ensure their quality, integrity and transparency. The auditor's representatives participated in all three AC meetings during the financial year. The audit plan, including the fees, is presented to the members of the AC and discussed with them. In the meetings, the auditor reports the main findings to the AC together with the related recommendations.

9 — INFORMATION POLICY

Implenia maintains open and transparent communication on a regular basis with the shareholders, the capital market and the public. As contacts, the CEO, CFO and Head Investor Relations are available to shareholders, and the Chief of Communications is available for the media. The most important information is communicated periodically as follows:

- Annual results (February / March): Publication of the Annual Report, conferences for the press and analysts
- Half-year results (August / September): Publication of the Half-Year Report, conference for the press and analysts
- General meeting (March / April)

Over the course of the year, Implenia provides information about important events in the business trend through press releases and letters to shareholders. As a company listed on SIX Swiss Exchange Ltd, Implenia has an ad hoc public disclosure obligation, i.e., the obligation to disclose information that may potentially affect share prices. In addition, Implenia maintains a dialogue with investors and media at special events and roadshows.

The website www.implenia.com is constantly available to shareholders, the capital market and public as an up-to-date news platform. It contains the main facts and figures regarding Implenia, financial publications, presentations on important developments and the dates of all the relevant events (General Meetings, press conferences, etc.). Interested parties can sign up for the free e-mail news service.

All media releases are simultaneously released on the website and in the media. In addition, all the publications since the year 2006 are retrievable there.

https://implenia.com/en/investor-relations/shares/

https://implenia.com/en/investor-relations/publications/financial-publications/

https://implenia.com/en/media/media-releases/

https://implenia.com/en/investor-relations/news-service/

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4 Compensation Report

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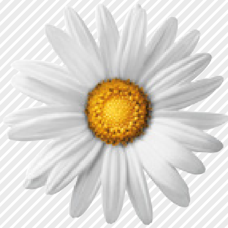


LETTER TO SHAREHOLDERS FROM THE CHAIRMAN OF THE NOMINATION AND COMPENSATION COMMITTEE

DEAR SHAREHOLDERS

We are pleased to present to you Implenia's Compensation Report for the financial year 2019.

The year 2019 was a transition year for Implenia. The Company focused on the implementation of its new strategy with four key priorities: running a portfolio of attractive businesses, focus on profitable growth, innovation, talent and organisation.

To drive this strategy, a new organisational structure was established on 1 March 2019 that led to changes in executive management. Four Implenia senior managers were promoted to the Implenia Executive Committee (IEC) and three external talents were appointed to the remaining executive positions, thus allowing us to strike a healthy balance between promoting internal talents and attracting external candidates with considerable experience in diverse industries.

As announced in the Compensation Report 2018, 2019 was also a year of transition in terms of compensation.

We executed the changes to our compensation framework announced last year, namely:

- A change to the total compensation mix for both the CEO and IEC members with an increased focus on performance-related variable pay components following an initial benchmarking;
- The introduction of a performance-related long-term incentive plan (LTIP) with performance share units associated with pre-defined targets;
- The short-term incentive (STI) for the division heads is now also linked to divisional financial results rather than just to Group results;
- The introduction of shareholding guidelines for both IEC and Board members.

In this Compensation Report, you will find additional information on the STI plan as well as on the LTIP, including details on absolute or relative targets. A new table has also been introduced, showing the exact reconciliation between the reported Board compensation and the amount approved by the shareholders at the AGM 2019.

As communicated last year, due to promotions and new appointments, following the expansion of the IEC from five to nine members, part of the additional sum allowed for by Art.15a para. 5 of the Articles of Association had to be used for the financial year 2019 in accordance with the provisions.

At the AGM 2018, the shareholders approved a maximum total compensation of CHF 10.0 million for executive management. In addition to compensation for the new members, throughout 2019, payments had to be made, for contractual termination periods, to four executives who left executive management in 2018 or 2019. This led to a total spending of CHF 11.4 million.

For the financial year 2020, the shareholders approved a maximum compensation of CHF 13.0 million. For the financial year 2021, the proposed maximum compensation for the IEC will be unchanged at CHF 13.0 million. The per capita compensation for the two top management levels will remain stable.

The Board of Directors further proposes the re-election of all seven of its members. The compensation paid to individual members of the Board of Directors is not being changed. Therefore, the proposed maximum total compensation for the period AGM 2020 to AGM 2021 is again CHF 1.5 million, as for the previous term.

This Compensation Report will also be submitted to a non-binding advisory vote by the shareholders at the AGM 2020.

Looking ahead, we will continue to regularly assess and review our compensation practices and build further on prior year improvements.

We count on your trust and thank you very much for your ongoing support as Implenia carries on its transformation journey.

Ines Pöschel
Chairman of the Nomination and Compensation Committee

Compensation philosophy and governance

The Compensation Report provides an overview of Implenia's compensation principles and key components.

In particular, the compensation paid to members of the Board of Directors and to Implenia Executive Committee (IEC) is outlined.

Furthermore, the responsibilities and governance process in the design, approval, and implementation of compensation plans are detailed.

This report has been prepared in accordance with Swiss laws and regulations, including the requirements of the Ordinance against Excessive Compensation at Stock Exchange Listed Companies (OaEC), the Directive on Information relating to Corporate Governance issued by the SIX Swiss Stock Exchange and the Swiss Code of Best Practice for Corporate Governance drawn up by economiesuisse.

The compensation amounts shown under chapters "Compensation of the Board of Directors" and "Compensation of the Implenia Executive Committee" of this report were audited by the statutory auditor.

In addition, certain provisions on compensation are governed by the Articles of Association, which were last updated and approved by the shareholders in March 2018. The following provisions on compensation, implemented in 2014, are included in the Articles of Association:

- Powers (Art. 9)
- Approval of compensation of the Board of Directors for the period until the next AGM and of executive management for the next financial year by the General Meeting (Art. 15a)
- Additional amount of up to 50% of the applicable total amount of compensation of management authorised if members of management join management or take additional responsibilities during the period for which the compensation of management has already been approved (Art. 15a 5)
- Set-up and tasks of the compensation committee (Art. 21 a)
- Principles of compensation applicable to the Board of Directors and executive management (Art. 22 a, b, c) and contracts (Art. 22 d)

The Articles of Association can be consulted in its entirety online:

http://www.implenia.com/goto/corporategovernance/2019/en/Articles-of-Association-20180327.pdf

Compensation philosophy and governance

1 — COMPENSATION PRINCIPLES

Implenia's compensation philosophy, applicable to the Implenia Executive Committee (IEC) and more generally to all employees, is based on the following main principles:

- **SUPPORT OF THE COMPANY'S STRATEGIC PLANS** The compensation components are designed with a view of balancing the need to deliver short-term goals with achieving sustainable, long-term success.
- **PAY FOR PERFORMANCE** The different compensation elements aim to reward business performance and individual contributions, and motivate employees to deliver outstanding performance while avoiding excessive risk-taking.
- **ALIGNMENT WITH SHAREHOLDERS' INTERESTS** The new performance share plan for the IEC incentivises management to create long-term shareholder value. Shareholding guidelines apply to both the Board of Directors and the IEC. Additional details on the shareholding guidelines can be found in the chapters "Compensation of the Board of Directors" and "Compensation of the Implenia Executive Committee", in the paragraphs "Shareholding and Loans".
- **MARKET COMPETITIVENESS** In order to attract and retain talent, benchmarking is carried out periodically. This ensures that the different compensation elements are adequate without being excessive, in line with local market practices, and take into account the scope, complexity, and responsibilities of the roles as well as the experience and skills of the incumbents.
- **INTERNAL EQUITY AND TRANSPARENCY** To ensure consistent treatment of employees, compensation guidelines and approval processes are in place across the organisation. Compensation decisions for all employees are subject to the reviews and approvals by the superior and the next level manager with the guidance of Human Resources at a global or local level. Regular internal assessments are carried out for comparable positions to ensure a fair approach.
- **COMPLIANCE** As a responsible employer, Implenia strictly follows local laws and collective agreements as well as its internal guidelines and Code of Conduct. Implenia also regularly demonstrates its compliance as part of project tendering processes.

2 — COMPENSATION GOVERNANCE

2.1 — Nomination and Compensation Committee

The Board of Directors has, in accordance with the Articles of Association, established a Nomination and Compensation Committee (NCC) to assist it with compensation and other matters (see Art. 21a of the Articles of Association). As determined in the Articles of Association, its organisational regulations and the respective charter, the NCC supports the Board of Directors, which has the ultimate decision authority, in the fulfilment of its duties and responsibilities in the area of compensation and personnel related matters. The responsibilities and tasks related to areas of compensation include, among others:

- Assessment of overall compensation principles and compensation strategy of the Implenia Group;
- Recommendation of all elements of the compensation of the members of the Board of Directors and the IEC;
- Recommendation on the maximum total compensation amount of the Board of Directors and the IEC;
- Recommendation on the individual compensation of the CEO;
- Decision on the individual compensation of the other members of the IEC;
- Recommendation on the targets under the short-term and long-term incentive plans;
- Preparation and recommendation of the Compensation Report.

Compensation philosophy and governance

The following table provides an overview of the division of responsibilities between the Annual General Meeting (AGM), the Board of Directors (Board), the NCC, and the CEO:

Approval and authority levels on compensation matters

Decision on	CEO	NCC	Board	AGM
Compensation principles and strategy		Proposal	Approval	
Key terms of compensation framework for the Board of Directors and the IEC		Proposal	Approval	
Employment and termination agreements for the CEO		Proposal	Approval	
Employment and termination agreements for the members of the IEC	Proposal	Review	Approval	
Maximum aggregate amount of compensation for the Board of Directors		Proposal	Review and submission to AGM	Binding vote
Maximum aggregate amount of compensation for executive management		Proposal	Review and submission to AGM	Binding vote
Individual compensation, including fixed base salary, variable cash compensation and LTI, for the CEO[1]		Proposal	Approval	
Individual compensation, including fixed base salary, variable cash compensation and LTI, of the IEC (excluding the CEO)[1]	Proposal	Decision		
Individual compensation, including cash components and shares, to be granted to the members of Board of Directors, within the amount approved by the AGM		Proposal	Approval	
Compensation report		Proposal	Approval	Consultative vote

1 Within the framework of the Articles of Association and the maximum aggregate amount of compensation approved by the AGM.

The NCC consists of a minimum of two and a maximum of four independent, non-executive members of the Board of Directors, who are elected annually and individually by the AGM. The NCC Chair is appointed by the Board of Directors (among the elected NCC members). For the period under review, as highlighted in the Corporate Governance Report, the NCC consisted of three members: Ines Pöschel (NCC Chair), Laurent Vulliet, and Martin Fischer.

The NCC meets as often as business requires but at least three times per year. During the financial year 2019, the NCC held three regular meetings and various supplementary meetings and calls. The NCC reports to the Board of Directors at the Board meeting following each NCC meeting, ensuring that the Board of Directors is kept informed in a timely and appropriate manner of all material matters within the NCC's areas of responsibility. In addition, all NCC documents (e.g. agenda, minutes, presentations, etc.) are available to the Board of Directors.

As a general rule, the Chairman of the Board of Directors, the CEO, and the Chief Human Resources Officer attend the NCC meetings. The Chairman of the NCC may invite other executives or external advisors as appropriate. The NCC regularly holds private sessions (i.e. without the presence of members of the executive management, members of the HR department, or third parties). Furthermore, executives (and the Chairman of the Board of Directors) do not participate during the sections of the meetings where their own performance and / or compensation are discussed.

The following table shows the number and duration of the meetings held in 2019, and the participants:

Overview of NCC meetings

	Meetings[1]	Conference calls[2]
Total	3	1
Average duration (in hours)	3:20	0:30
Participants		
Ines Pöschel, Chairman	3	1
Laurent Vulliet, Member	3	1
Martin Fischer, Member	3	1

1 The Chairman of the Board of Directors, and the CEO attended all meetings, the Chief Human Resources Officer and the Head Compensation & Benefits attended two meetings, after having joined Implenia in the course of 2019.

2 In addition, various supplementary and preparatory meetings as well as telephone conferences were held. These meetings included interviews with candidates for executive positions or involved third parties as deemed necessary.

Compensation philosophy and governance

2.2 — Shareholders' involvement

Authority for decisions related to the compensation of the members of the Board of Directors and the IEC is governed by Art. 15a of the Articles of Association.

http://www.implenia.com/goto/corporategovernance/2019/en/Articles-of-Association-20180327.pdf

The maximum aggregate compensation amounts to be awarded to the Board of Directors and the IEC are subject to an annual binding shareholder vote at the AGM. These binding votes are prospective. Shareholders vote on the maximum total compensation amount for the Board of Directors for the period until the next AGM, and on the maximum total compensation amount for the IEC for the following financial year.

In addition, the compensation report is submitted annually to a consultative shareholders' vote.

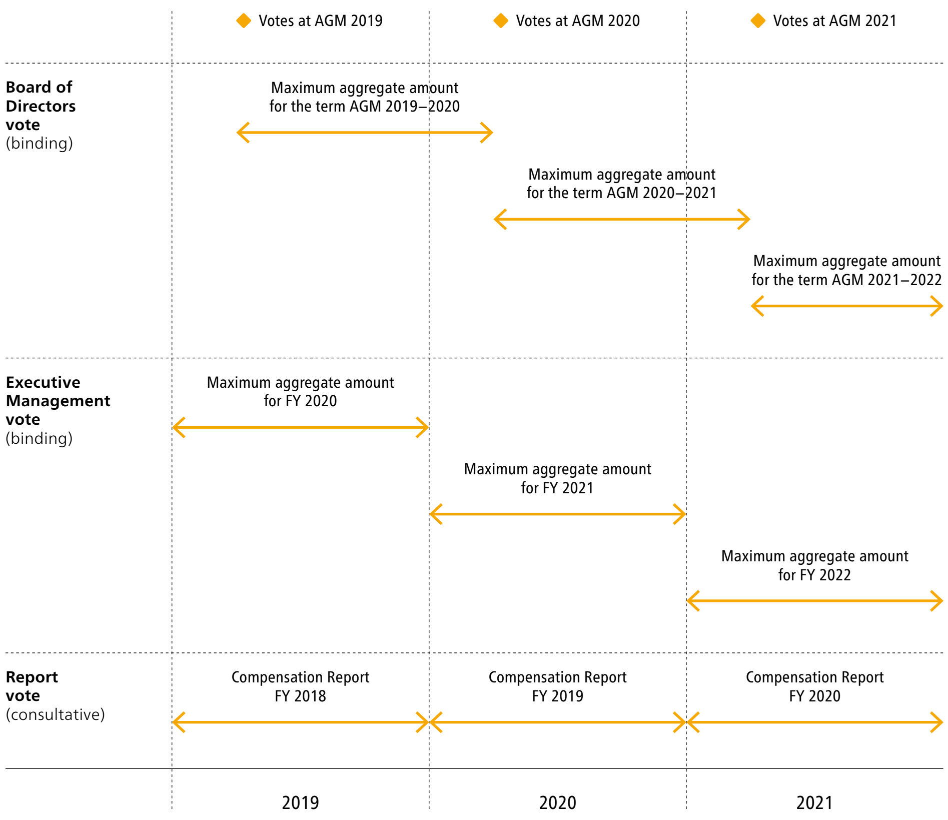
The maximum aggregate compensation amount for the Board of Directors comprises only fixed compensation, paid in cash and in equity (blocked shares). The maximum compensation amount for the IEC (including the CEO) comprises fixed compensation components (fixed base salary, other compensation, social security and pension contributions) and variable compensation components – short-term incentive (STI) and long-term incentive plans (LTIP).

The maximum aggregate compensation amount submitted to shareholders' vote differs from the actual amount of total compensation paid out to the IEC members. The reason is that the actual payouts in terms of STI depend on the performance achieved within the maximum amount. The size of the LTIP award at grant is included in the maximum aggregate compensation amount for the IEC. The number of shares vesting will depend on the achievements against targets at the end of the three-year performance period.

The actual total compensation amount awarded to the IEC will be disclosed in the compensation report of the respective financial year, which will be subject to a consultative shareholders' vote at the AGM.

Actual compensation amounts in 2018 and 2019 for the Boards of Directors and the IEC as well as reconciliations with the total amounts approved are shown respectively in the chapters "Compensation of the Board of Directors" and "Compensation of the Implenia Executive Committee" of this report.

Votes at the AGM



Compensation of the Board of Directors

1 — STRUCTURE

The compensation structure for members of the Board of Directors follows the concept outlined under Art. 22 of the Articles of Association.

http://www.implenia.com/goto/corporategovernance/2019/en/Articles-of-Association-20180327.pdf

In order to ensure the independence of the Board of Directors in exercising its supervisory duties over the IEC, the members of the Board of Directors receive an annual fixed total compensation and have no entitlement to variable compensation components.

The compensation of the members of the Board of Directors is subject to mandatory social security contributions (AHV/ALV). These contributions are paid by Implenia and are disclosed in section 2 of this chapter. No contributions were or are made to insurance or pension institutions. In addition, members of the Board of Directors have their travel expenses reimbursed against receipts. Any other business expenses are out of pocket.

Two-thirds of the compensation of the members of the Board of Directors is paid in cash. To align with the shareholders' interests and link the Board of Directors compensation with Implenia's share performance, one third of their compensation is paid out in shares. These shares are blocked for three years from the date of allocation. This blocking period continues to apply in the event of resignation from the Board of Directors, except in the cases of disability or death or compulsory retirement from the Board of Directors on reaching 70 years of age. The number of shares is calculated by taking the average price of Implenia shares during the month of December in the relevant term of office. The allocation is made during the first trading day in January.

The individual Board members' compensation depends on their functions and responsibilities within the Board and its committees.

The compensation structure and level of the members of the Board of Directors is regularly benchmarked.

The compensation structure and fee level for the members of the Board of Directors remained unchanged in the 2019/2020 term of office from to the previous term.

The following table shows the compensation structure of the members of the Board of Directors:

Compensation structure and levels of the Board of Directors

Function	Total CHF	Thereof in blocked shares of Implenia
Chairman	420,000	1/3
Vice Chairman	150,000	1/3
Chairman Audit Committee	170,000	1/3
Chairman Nomination and Compensation Committee	150,000	1/3
Other Members of the Board of Directors	130,000	1/3

Compensation of the Board of Directors

2 — BOARD COMPENSATION FOR 2019

The detailed disclosure of compensation to the Board of Directors is as follows:

Board Compensation 2019

in CHF t	Total fee[1] 2019	Cash fee 2019	Number of shares[2,3] 2019	Share-based compen-sation[4] 2019	Social security contributions 2019	Total 2019
Hans Ulrich Meister, Chairman of the Board of Directors	398	280	3,746	118	55	453
Kyrre Olaf Johansen, Vice Chairman of the Board of Directors	142	100	1,338	42	21	163
Henner Mahlstedt, Chairman of the Audit Committee	161	113	1,516	48	18	179
Ines Pöschel, Chairman of the Nomination and Compensation Committee	142	100	1,338	42	21	163
Laurent Vulliet, Member	123	87	1,159	36	18	141
Martin Fischer, Member	123	87	1,159	36	18	141
Barbara Lambert, Member as of 26.3.2019	92	65	832	27	13	105
Grand total 2019	1,181	832	11,088	349	164	**1,345**

1 The total fee is first shown and then the breakdown in cash fee and blocked shares.
2 Implenia Ltd. shares, valor number 2386855, par value CHF 1.02.
3 The calculation is based on the average share price for December. The shares were transferred on 3.1.2020. They were included as a component of the compensation for the year under review.
4 The value of the shares is calculated as follows: average share price in December minus tax discount (16.038%).

Board Compensation 2018

in CHF t	Total fee[1] 2018	Cash fee 2018	Number of shares[2,3] 2018	Share-based compen-sation[4] 2018	Social security contributions 2018	Total 2018
Hans Ulrich Meister, Chairman of the Board of Directors	398	280	3,709	118	55	453
Kyrre Olaf Johansen, Vice Chairman of the Board of Directors	142	100	1,325	42	21	163
Henner Mahlstedt, Chairman of the Audit Committee	161	113	1,501	48	23	184
Ines Pöschel, Chairman of the Nomination and Compensation Committee	142	100	1,325	42	21	163
Laurent Vulliet, Member	123	87	1,148	36	18	141
Martin Fischer, Member as of 27.3.2018	92	65	982	27	13	105
Chantel Balet Emery, Member until 27.3.2018	31	22	166	9	2	33
Grand total 2018	1,089	767	10,156	322	153	**1,242**

1 The total fee is first shown and then the breakdown in cash fee and blocked shares.
2 Implenia Ltd. shares, valor number 2386855, par value CHF 1.02.
3 The calculation is based on the average share price for December. The shares were transferred on 3.1.2019. They were included as a component of the compensation for the year under review.
4 The value of the shares is calculated as follows: average share price in December minus tax discount (16.038%).

Compensation of the Board of Directors

The total compensation paid to the Board of Directors for the year 2019 was above that of the previous year. The increase is explained by the increase (from six back to seven as per the AGM 2019), of the number of members of the Board of Directors, as the compensation structure and fee level for the Board of Directors remained unchanged.

The shareholders approved:

- at the AGM 2019, a maximum aggregate compensation amount of CHF 1,500,000 for the term of office between the AGM 2019 and the AGM 2020;
- at the AGM 2018, a maximum aggregate compensation amount of CHF 1,350,000 for the term of office between the AGM 2018 and the AGM 2019.

The table below reconciles actual Board compensation from AGM to AGM with the amount approved by the shareholders. For the last two completed terms of office, the compensation was within the limits approved at the AGM. Information regarding the proposed total compensation of the Board of Directors for the period from the AGM 2020 to the AGM 2021 will be provided in the invitation to the AGM 2020.

Reconciliation between the reported Board compensation and the amount approved by the shareholders at the AGM

	Compensation paid during financial year as reported (A)	Minus compensation earned from Jan to AGM of financial year (B)	Plus compensation accrued from Jan to AGM of year following financial year (C)	Total compensation earned from period AGM to AGM (A-B+C)	Amount approved by shareholders at respective AGM	Ratio between compensation earned for the period from AGM to AGM versus amount approved by shareholders
AGM 2019–AGM 2020[1]	2019	1.1.2019 to AGM 2019	1.1.2020 to AGM 2020	AGM 2019 to AGM 2020	AGM 2019	AGM 2019
Total in CHF t	1,345	308	343	1,380	1,500	92.0%
AGM 2018–AGM 2019[2]	2,018	1.1.2018 to AGM 2018	1.1.2019 to AGM 2019	AGM 2018 to AGM 2019	AGM 2018	AGM 2018
Total in CHF t	1,242	307	308	1,243	1,350	92.1%

1 Seven members of the Board of Directors.
2 Six members of the Board of Directors.

Compensation of the Board of Directors

3 — SHAREHOLDING AND LOANS

In order to further align the interests of the Board of Directors with those of the shareholders, shareholding guidelines were introduced in 2019. The shareholding guidelines expect the members of the Board of Directors to hold shares of Implenia worth the equivalent of at least 100% of their annual fees within three years, starting with the introduction of the guidelines for current members of the Board of Directors or from their initial election to the Board of Directors for future members. To determine whether the minimum shareholding has been complied with, all blocked and unblocked shares received as compensation as well as shares acquired privately, either outright or beneficially, are taken into account. The NCC reviews this share ownership once a year. In the event the shareholding guidelines are not met by a member of the Board of Directors at the end of the build-up period, such member will be restricted from selling unblocked shares in the near future until the minimum shareholding is fulfilled.

The NCC conducted its annual assessment of share ownership in relation to the shareholding guideline at year end 2019. Based on the average share price in 2019, four members of the Board of Directors on 31 December 2019 already meet the guideline.

No loans have been granted to any members of the Board of Directors or persons linked to them. Neither Implenia Ltd. nor its group companies have granted any collateral, loans, advances, or credit facilities to members of the Board of Directors or persons linked to them.

The following table shows the number of shares held by the individual members of the Board of Directors and persons linked to them as of 31 December 2019. In total, the members of the Board of Directors held 95,171 shares or 0.5% of the share capital (2018: 57,588 shares or 0.3%).

Board of Directors

	Date of initial election to the Board	Number of shares, as at		Shares blocked until		
		31.12.2019[1]	31.12.2018[2]	2020	2021	2022
Hans Ulrich Meister, Chairman	22.03.2016	73,395 (76,979)	44,164 (48,395)	2,021	2,143	4,231
Kyrre Olaf Johansen, Vice Chairman	22.03.2016	2,903 (4,183)	1,392 (2,903)	626	766	1,511
Henner Mahlstedt, Member	24.03.2015	7,063 (8,514)	5,351 (7,063)	818	868	1,712
Ines Pöschel, Member	22.03.2016	6,403 (7,683)	4,892 (6,403)	626	766	1,511
Laurent Vulliet, Member	22.03.2016	4,098 (5,207)	1,789 (3,098)	626	663	1,309
Martin Fischer, Member	27.03.2018	1,309 (2,418)	0 (1,309)	–	–	1,309
Barbara Lambert, Member	26.03.2019	0 (1,109)	–	–	–	–
Total		95,171 (106,093)	57,588 (69,171)	4,717	5,206	11,583

1 The shares allocated for the 2019/20 year of office (see table under chapter 2, above) were transferred on 3.1.2020 (in parentheses including shares allocated on 3.1.2020).

2 The shares allocated for the 2018/19 year of office (see table under chapter 2, above) were transferred on 3.1.2019 (in parentheses including shares allocated on 3.1.2019).

Compensation of the Implenia Executive Committee

The new Implenia IEC became operational on 1 March 2019. With the reorganisation of Implenia into four divisions – Buildings, Civil Engineering, Development and Specialties – the Divisions Heads became IEC members. In addition, the role Head Country Management was created to coordinate cross-divisional activities in the countries where Implenia operates. The global functions Finance / Procurement, Human Resources and Legal support the divisions and are also members of the IEC. Since March 2019, Implenia hence has nine executive management positions compared with five in 2018.

Furthermore, in 2019, Implenia implemented changes to its compensation mix as well as to the short-term and long-term incentives (STI and LTI). The revised STI and the new LTI plan (LTIP) are outlined in the section below. In short, Implenia has added Divisional Financial Performance conditions in the short-term incentives of the Division Heads. The previous equity compensation plan, based on blocked shares without any performance conditions, has been replaced by a new LTIP consisting of performance share units.

1 — COMPENSATION STRUCTURE

As illustrated below, the compensation model for the IEC consists of fixed and variable elements.

Executive Management compensation at a glance

	Annual base salary	Short-term Incentives (STI)	Long-term Incentives (LTI)	Benefits and perquisites
Purpose	Rewards the scope of the function, the skills required to perform in the role, the experience of the incumbent and current market compensation levels.	Designed to reward financial performance and individual contributions.	Intended to anchor the company's strategy and focus on long–term value creation.	Reflects local market practices in terms of pension and insurance benefits as well as perquisites. Aims to protect against risk.
Performance measures	—	Annual financial and individual targets as follows: ▪ Division Heads EBITDA Total (35%): of which Division (20%) and Group (15%) + Invested Capital (35%): of which Division (20%) and Group (15%), Individual targets (30%) ▪ Other IEC members EBITDA Group (35%), Invested Capital Group (35%), Individual targets (30%) ▪ Payout range: from 0% to 200%	Performance–related entitlement to receive shares after a performance period of three years. ▪ Subject to performance of two equally weighted vesting conditions: — Relative Total Shareholder Return — Earnings per share ▪ Number of PSUs: from 0% to 200%	—
Link to Compensation Principle	Market competitiveness	Pay for performance, alignment with business goals	Pay for performance, alignment with shareholders' interests and strategic plans	Market competitiveness, compliance
Vehicle	Monthly cash	Annual cash	Performance Share Units with three–year cliff vesting	Pension and other benefits

Note For members who left the former Group Executive Board on 28 February, 2019, the annual financial targets for the short-term incentives consist only of Group targets (EBITDA and Invested Capital). The previous long-term incentive plan based on a fixed number of blocked shares was still applicable for these members. Additional details can be found in section 2 of this chapter.

Compensation of the Implenia Executive Committee

Compensation mix

As part of a fundamental review of the compensation system and structure, the Board of Directors adjusted, at the end of 2018, the proportion of the variable compensation components in relation to the total annual target compensation.

Previously, base pay at contract signing represented around 55% of the total target compensation of the Group Executive Board. As the equity compensation plan consisted of a fixed number of blocked shares, the percentage composition of the compensation varied in line with the development of the share price.

In 2019, this previous compensation structure was applicable mainly to members of the Group Executive Board who ceased to be members of executive management by 1 March 2019.

The new compensation structure as defined by the Board of Directors puts additional emphasis on compensation at risk, focusing on pay for performance, long–term value creation, and anchoring of the company strategy. Generally, base pay no longer exceeds 50% of the total target compensation.

The short–term incentive (STI) represents, at target, 50% of the CEO's annual base salary and the LTI around 92% of his base salary. In general, for other members of the IEC, the STI, at target, is set at 40% of the annual base salary and the target LTI at 60% of the annual base salary.

Benchmarking

Implenia periodically reviews the total compensation of the IEC.

Korn Ferry Hay Group (Hay), an independent international benchmarking consultant, carried out a detailed benchmarking end of 2018, which was updated as changes were made in the IEC in 2019.

Positions were compared with other positions similar in terms of scope and size across industrial sectors.

In addition, a peer group benchmark was carried out. Due to the lack of comparable listed companies operating in the construction sector in Switzerland, companies in a wider range of industries, but with similarities in terms of size, revenue and number of employees, as well as geographical scope or complexity of business, were chosen.

The peer group consists of the following companies:

- Alpiq AG
- Bucher Industries AG
- dormakaba Holding AG
- Geberit AG
- Georg Fischer AG
- Landis + Gyr AG
- Lonza Group AG
- OC Oerlikon AG
- Schindler Aufzüge AG
- Sika AG
- Sulzer AG

Furthermore, the NCC appointed HCM International Ltd. (HCM), an external independent advisory firm to advise the NCC and the Board of Directors on specific compensation matters. HCM had no further mandates with Implenia Ltd.

Base salary

The base salary is a recurrent monthly payment in cash in equal instalments. When determining the base salary, the following factors are taken into account:

- the scope and complexity of the position;
- the level of education, industry or technical knowledge, seniority, experience and skills brought by the incumbent;
- the market benchmark.

Perquisites, pension and benefits

Rules for expenses relevant for all employees as well as additional rules for senior employees are also applicable to the IEC members based in Switzerland. These provide lump-sum compensation for representation and out-of-pocket expenses. Both sets of rules were approved by the responsible tax authorities. For the IEC member based in Germany, the expense rules in use in the German organisation apply.

Members of the IEC are entitled to either a company car or a mobility allowance.

Members of the IEC participate in the regular employee pension fund applicable to all employees in Switzerland or in Germany. Pension and social costs comprise of the employer's contribution to social insurance and to the mandatory or supplementary benefit cover applicable in the country of the employment contract.

Compensation of the Implenia Executive Committee

STI

The short-term incentive (STI) is designed to reward financial performance and individual contributions with the objective to incentivize the eligible participants to deliver strong performance and contribution to Implenia's annual business objectives.

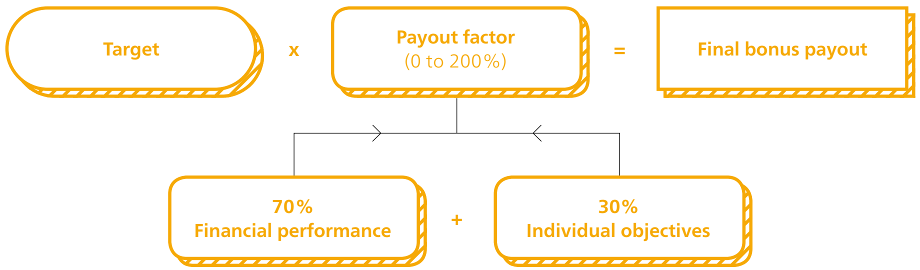
The STI is a cash incentive plan, paid annually.

For IEC members, it is broken down into financial targets (70%) and individual objectives (30%).

The STI final payout depends on the performance of the company and of the respective division for divisional roles, as well as on the achievement of the individual objectives for each IEC member defined over one financial year.

A rigorous approach is followed in order to define the individual objectives for each IEC member. The individual objectives are specific to each Division or Function but all support the four strategic priorities communicated by Implenia in early 2019: running a portfolio of attractive businesses, focus on profitable growth, innovation, talent and organisation.

Payout calculation



Individual objectives

Definition of four to six individual performance objectives at the beginning of the year. The objectives of the CEO are approved by the Board.

Progress against the individual objectives for Divisions and Group functions is reviewed throughout the year. At year-end, the performance of the IEC members is assessed by the CEO and recommendations are made to the NCC for review. For the CEO, the recommendation is made by the Chairman to the NCC and the approval rests with the Board.

The individual objectives' achievements are added to the financial KPIs achievements to calculate the final STI payout.

Compensation of the Implenia Executive Committee

The financial targets are determined annually and underpin the strategic priorities and the focus on profitable growth.

Design of the short-term incentive 2019

Category	Weight	Metrics	Rationale		CEO & IEC members responsible for Global Functions	Divisions Heads & Head Country Management[1]
Financial performance targets	70%	EBITDA	Measures Group and / or Divisional Operational profitability	Group	35%	15%
				Division		20%
		Invested Capital	Measures the capital required to run operations	Group	35%	15%
				Division		20%
Individual objectives	30%	Four to six objectives broken down into milestones, deliverables, or measurable components	Includes initiatives focusing on stabilisation of the business, operational excellence, achievements of key milestones, growth objectives and innovation; people and culture targets; values and license to play (health and safety targets)		30%	30%
				Total	100%	100%
Payout range					0% to 200% Capped at 200%	0% to 200% Capped at 200%

1 The STI for 2019 reflects the structure of the new organisation. Financial targets for Division Heads and Head Country Management are not only based on Group results but also on divisional results. The financial performance of their respective division applies to the four Divisions Heads. For the Head Country Management, the financial performance indicators are those of the Buildings Division as the incumbent also leads the Buildings Division in Germany.

Compensation of the Implenia Executive Committee

Payout mechanism for financial targets
For each financial indicator, a target level of performance is established at the beginning of the performance year. This corresponds to the expected performance, the achievement of which would lead to a payout factor of 100% of the respective financial metric. Performance is defined between the threshold and a maximum level on a straight line. Financial performance targets are commercially sensitive and as such are not disclosed.

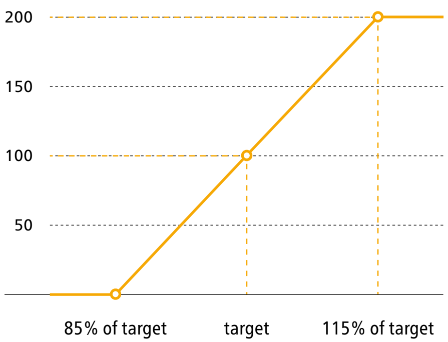
A minimum level of performance (threshold) is required to achieve a payout.

The payout is capped at 200% for performance that reaches or exceeds the performance level shown in the graph.

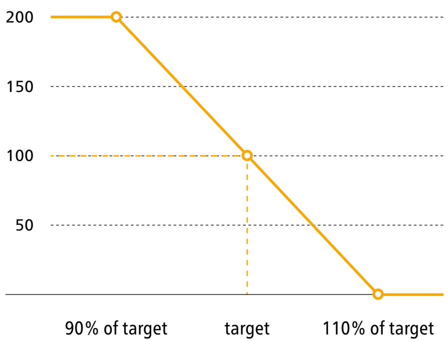
A percentage achievement is also allocated to each individual objective, which is measured at the end of the year in a predefined process. The weighted average of the resulting payout factors on each performance indicator is multiplied by the bonus target amount to obtain the final bonus payout.

A thorough process is followed to set the targets, which are reviewed by the NCC and approved by the Board of Directors.

EBITDA
in % achievement



Invested Capital
in % achievement



The IEC employment contracts provide that all or part of already paid STI may be recouped ("clawback") and all or part of future STI forfeited ("malus") in the event of a serious breach of Implenia's Code of Conduct or legal obligations.

LTIP

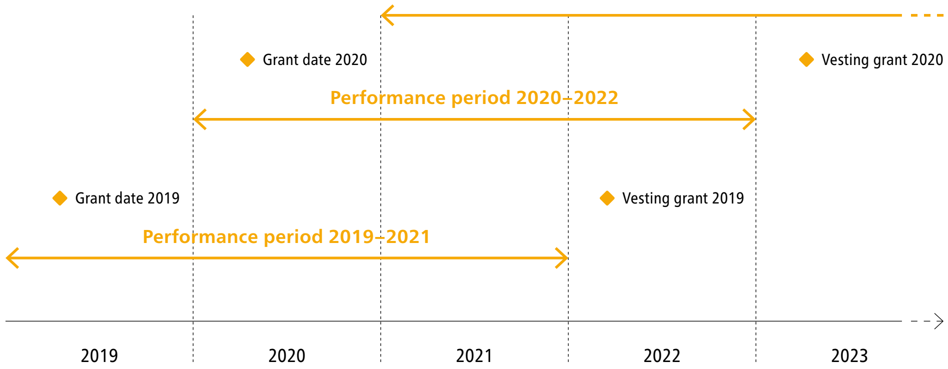
As of 1 March 2019, a new long-term incentive plan (LTIP), consisting of performance share units, was introduced for members of the IEC.

The purpose of the plan is to reward long-term value creation and align shareholders and management interest, and to ensure the long-term retention of talents at Implenia.

In principle, each year, an LTIP award is granted to eligible participants in the form of Performance Share Units (PSUs). PSUs represent an unsecured contingent right to receive a multiple of Implenia shares subject to the achievement of certain performance targets at the end of the three-year performance period. The first award for the new LTIP was granted in April 2019.

The number of granted PSUs depends on the individual LTIP award in CHF, determined each year as a percentage of the annual base salary – around 92% for the CEO and 60% for other IEC members.

LTIP – performance periods and grant dates
The LTIP is granted each year.



Compensation of the Implenia Executive Committee

The payout under the LTIP is based on the achievement of two equally weighted performance conditions and subject to continuing service:

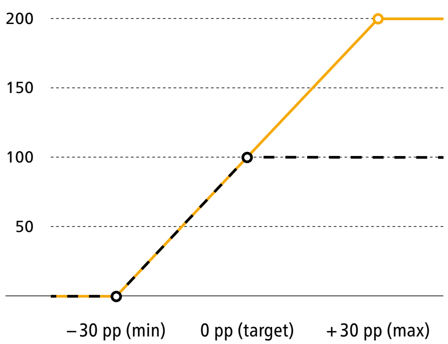
- relative TSR (50%)
- Earnings per Share (50%)

The two performance conditions have an overall vesting range of 0% to 200% of the granted PSUs. The relative TSR measure adds a stock market perspective to Implenia's LTIP and is designed to reward management for outperformance and to create alignment with shareholder experience. The Earnings per Share (EPS) measure provides an internal operating perspective, indicating the portion of the Implenia's net income allocated to each outstanding share and, therefore, measures the company's profitability to investors.

Targets for the LTIP are determined with each grant for a three-year performance period. Conclusively, for the LTIP award granted in 2019, the three-year performance period will come to an end on 31 December 2021, with the award vesting in April 2022.

TSR is the total shareholders' return, considering the variations of the share price and dividends distributed over the performance period, assuming the reinvestment of any dividends paid during the performance period into company shares. Relative TSR is calculated as the difference between Implenia's TSR and the TSR of the SPI EXTRA® Index. The SPI EXTRA® Index includes about 195 stocks with small or mid-sized market capitalisation. For relative TSR calculations, three-year TSRs are considered.

Three-year relative TSR
in %



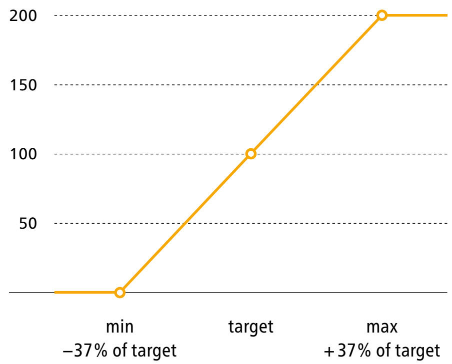
For absolute TSR ≥ 0
For absolute TSR < 0

If Implenia's TSR equals the SPI EXTRA®, the vesting will be 100%. The threshold for a payout is at –30 percentage points, while the cap for a 200% payout is at +30 percentage points. As shown in the graph, vesting between threshold and maximum is defined on a straight line. In any case, in the event that Implenia TSR is negative over the performance period but still outperforms the SPI EXTRA® Index, the vesting will be capped at 100%.

The payout curve provides for stretching and, at the same time, sets statistically reasonable performance corridors, and therewith supports symmetrical performance and payout situations below and above the target. In doing so, potential excessive risk-taking around the kink of payout curves is avoided.

EPS are the fully diluted earnings per share as disclosed by the company, attributable to shareholders. The final vesting for the performance period is calculated by taking the simple average of Implenia's EPS for each of the respective three financial years, measured against the targets. The payout curve is shown in the next column.

Three-year average EPS
in %



Compensation of the Implenia Executive Committee

To determine the overall LTI performance multiple, the achievements of both performance conditions are combined by equal weighting. Low performance in one KPI can be balanced by a higher performance in the other KPI; however,the combined vesting multiple will never exceed 200%. If the performance of each of the two KPIs lies below the respective minimum performance requirement, the resulting combined vesting multiple is 0% and consequently no PSUs will vest. The number of PSUs vesting is then transformed into shares. One PSU vesting equals one share.

Operational financial targets, with the exception of relative TSR, are considered sensitive information and are therefore not disclosed. To determine the targets, different target options and their corresponding vesting curves were discussed. An external advisor supported the NCC in the target setting process, providing, in particular, a thorough outside-in approach. The targets set were subject to the final approval of the Board of Directors, following a proposal by the NCC.

Comments on overall achievements for the grant 2019 will be made at the end of the performance period in the compensation report for the financial year 2021.

Termination of employment under the LTIP
In the case of death, disability, or retirement, the unvested PSUs will vest immediately with an overall vesting factor of 100%.

In the case of termination of employment by Implenia for cause or for breach of the non-compete clause, all unvested PSUs will be forfeited. In the case of a termination of employment by a plan participant or by Implenia (except in cases of termination for cause), the number of PSUs granted will be adjusted pro-rata. The vesting at the end of the performance period will be based on the targets' achievements.

In the event of change of control, the number of PSUs granted will also be adjusted pro-rata.

Additionally, the Board of Directors may recoup all or part of the vested shares ("claw-back") or forfeit all or part of any unvested PSUs ("malus") in the event of a serious breach of Implenia's Code of Conduct or legal obligations within a period of three years after vesting.

Contract of employments

The employment contracts of the IEC are of unlimited duration and have a notice period of six to 12 months. Members of the IEC are not contractually entitled to joining or leaving payments such as "golden hellos", "golden parachutes", "golden handshakes", etc.

Employment contracts include non-compete clauses, extending for up to 12 months and covering all the countries where Implenia is active.

Compensation of the Implenia Executive Committee

2 — IMPLENIA EXECUTIVE COMMITTEE COMPENSATION

As explained earlier in this report, Implenia underwent a reorganisation in 2019, which impacted executive management. The four Division Heads, the Head Country Management, as well as the Function Heads of Human Resources, Finance / Procurement, and Legal became members of the newly formed IEC. For the year under review, the IEC comprises nine members and there were four departures from the former executive management team. The CEO received the highest compensation. The detailed disclosure of compensation of the IEC is as follows:

Compensation paid to the Implenia Executive Committee in 2019

	Annual base salary	Short-Term Incentive[4, 9]	Long-Term Incentive PSU cycle 2019 – 2021[5]		Blocked shares allocated[6]		Other compensation 2019[7]	Social security expenses[8]	Total compensation[10]
	CHF t	CHF t	Number of PSUs allocated	CHF t	Number	CHF t	CHF t	CHF t	CHF t
André Wyss, CEO[1]	1,200	222	50,926	1,100	–	–	–	386	2,908
Other members of the IEC[2]	2,440	922	49,644	1,072	–	–	75	987	5,496
Total IEC	3,640	1,144	100,570	2,172	–	–	75	1,373	8,404
Members of the Group Executive Board[3]	1,171	449	–	–	13,754	438	409	561	3,028
Grand total 2019	4,811	1,593	100,570	2,172	13,754	438	484	1,934	11,432

1 This is the highest compensation for an IEC member.

2 The members include René Kotacka for the full year and the new members pro rata on joining the IEC. Amounts in EUR for Matthias Jacob, Head Country Management, were converted at a rate of EUR 1 = CHF 1.11245 which is the same average yearly exchange rate used in Implenia 2019 consolidated financial statements.

3 Included in this table are four members of the Group Executive Board (GEBO), as executive management was called until 28.2.2019. Anton Affentranger, former CEO, left Implenia on 30.9.2018 based on a termination agreement as per 31.01.2019. The compensation paid in January 2019 is included here. André Métral left the Group Executive Board on 28.2.2019, but remained employed with Implenia; his compensation related to his executive position is included for the full year. Christoph Gämperle's executive management employment contract expired on 30.9.2019, and Beat Fellmann terminated his employment with Implenia on 30.11.2019. Their compensation is included pro rata.

4 Short-term incentive for the performance year 2019, paid in the subsequent year. The CEO has, in agreement with the Board of Directors, decided to forfeit a substantial part of his deserved STI in order to personally contribute to the transition year 2019 of Implenia.

5 The number of PSUs is calculated by dividing the LTI award amount by the fair value per PSU. The fair value at time of grant was CHF 21.6. For Matthias Jacob, Head Country Management, the LTI award in EUR was converted at a rate of EUR 1 = CHF 1.1236 (the currency exchange rate on grant date).

6 Amounts based on closing price when shares allocated at year-end 2019.

7 Under other compensation are included perquisites such as mobility allowance, car lease financed by the Company, or accumulated vacation paid to executive members leaving Implenia.

8 Social security expenses include mandatory employer social security expenses and pension contributions as per governmental requirements and market practice.

9 Short-term incentives for former members of the Group Executive Board: one month for Anton Affentranger; for Beat Fellmann, the short-term incentive payment for 2019 is pro-rated until the termination of his employment with Implenia on 30.11.2019 and is capped at 100%. The short-term incentive payments for André Metral and Christoph Gämperle are included respectively for the entire year or pro-rata until the expiration of the executive management employment contract.

10 No additional fees or compensation were invoiced by members of the IEC for the year under review (2018: CHF 0).

Compensation of the Implenia Executive Committee

Compensation paid to the Group Executive Board in 2018

	Fixed compensation	Variable compensation[1]	Definitely allocated shares[2]		Allocation of other shares[2]		Social security expenses[13]	Total
	CHF t	CHF t	Number	CHF t	Number	CHF t	CHF t	CHF t
Anton Affentranger (CEO until 30.9.2018)[3,4,5]	906	421	25,000	1,141[6]	–	–	384	2,852
Other members of the Group Executive Board[7,12]	1,802	842	26,433[8]	729[9,10]	–	–	754	4,127
Extraordinary	–	–	–	–	13,777[11]	721	37	758
Grand total 2018	2,708	1,263	51,433	1,870	13,777	721	1,175	7,737

1 Paid in the subsequent year. In 2018, one-off payments of CHF 211,000 were attributed, most of which related to the previous period.
2 Implenia Ltd shares, valor number 2386855, par value CHF 1.02. Amounts based on the fair value discounted by the three-year vesting period.
3 This is the highest compensation of the Group Executive Board.
4 Resigned as CEO on 30.9.2018.
5 Anton Affentranger left Implenia on 30.9.2018 based on a termination agreement effective 31.1.2019. Payment in accordance with the terms of the 2018 agreement are included in the line "Anton Affentranger" in the table above, as he received the highest compensation in 2018. The compensation paid in 2019 is included in the table "Compensation paid in 2019" in the line "Members of the Group Executive Board".
6 Amounts based on closing price at the time when shares allocated on 30.6.2018 and on 31.12.2018.
7 Including André Wyss, CEO since 1.10.2018. His annual target salary amounts to CHF 2.9 million.
8 For a member of the Group Executive Board, the shares are allocated at the end of February based on the average closing price in January.
9 Amounts based on closing price when shares allocated at year-end 2018.
10 For the fourth quarter of 2018, the new CEO received a pro rata CHF amount converted into number of shares. These shares are blocked for three years. As of 2019, a new LTI is introduced.
11 In order to ensure that he take up his office at Implenia Ltd. as soon as possible, the new CEO terminated his employment contract with his previous employer prematurely, which meant that he had to forego share allocations and other entitlements. A smaller part of the loss thus incurred by the new CEO has been replaced as follows: based on the share prices on the five trading days before his commencement of office at Implenia, he received blocked Implenia Ltd. shares of the same value as his former employer has confirmed that it would have allocated to him ("replacement award"). As at 31.12.2018, the value of these shares corresponded to CHF 382,000.
12 With the exception of Anton Affentranger, no members resigned from the Group Executive Board in 2018.
13 Including pension contributions.

At the AGM 2018, the shareholders have approved a maximum compensation amount of CHF 10 million for the financial year 2019. In 2019, executive management total compensation amounted to CHF 11.4 million.

This is explained by the fact that seven new members of management joined the IEC during the year while four members left the previous executive management team. For the financial year 2019, the amounts paid to members departing from executive management reached CHF 3 million or 26.5% of the total executive management compensation. As anticipated in the Compensation Report 2018 , part of the additional sum (up to CHF 5 million) foreseen by Art. 15a para. 5 of the Articles of Association had to be used to fund the compensation for the new members of the IEC as a result of the restructuring of executive management.

The CEO has, in agreement with the Board of Directors decided to forfeit a substantial part of his deserved STI in order to personally contribute to the transition year 2019 of Implenia.

At the AGM 2019, the shareholders approved a maximum compensation amount of CHF 13 million for the financial year 2020. The Company expects to be within the approved limits.

Compensation of the Implenia Executive Committee

3 — SHAREHOLDING AND LOANS

In order to further align the long-term commitment of the IEC, and to reconcile its interests even more closely with those of the Implenia shareholders, shareholding guidelines were introduced in 2019. The shareholding guidelines expect the members of the IEC to hold shares of Implenia worth the equivalent of at least 300% (CEO) or at least 150% (other members of the IEC) of their base salary within five years starting at the introduction of the guidelines for current members of the IEC or from the beginning of their tenure for future members. To determine whether the minimum shareholding has been complied with, all blocked and unblocked shares received as compensation and shares acquired privately, either outright or beneficially, are taken into account. The NCC reviews this share ownership once a year.

In the event the shareholding guidelines are not met by an IEC member at the end of the build-up period, such IEC members will be restricted from selling up to 50% of their unblocked shares, including shares vesting from possible compensation equity plans, in the near future until the minimum shareholding is fulfilled.

The following table shows the equity of the individual member of the IEC and persons closely linked to them. As of 31 December 2019, the members of the IEC held 137,299 shares or 0.74% of the share capital (2018: 121,265 shares or 0.70%).

Compensation of the Implenia Executive Committee

Implenia Executive Committee Shareholding

		Number of shares as at		Shares blocked until		
	Date of joining or leaving executive management	31.12.2019	31.12.2018	2020	2021	2022
André Wyss, CEO	as of 1.10.2018	97,448	47,448	–	22,448	–
Marco Dirren, CFO	as of 1.5.2019	2,000	n / a	–	–	–
Adrian Wyss, Division Head Development	as of 1.3.2019	10,255	n / a	2,500	2,750	458
Jens Vollmar, Division Head Buildings	as of 1.3.2019	5,591	n / a	2,273	2,860	458
René Kotacka, Division Head Civil Engineering	as of 16.12.2014	10,650	10,650	2,750	2,750	–
Anita Eckardt, Division Head Specialties	as of 1.9.2019	–	n / a	–	–	–
German Grüniger, General Counsel	as of 1.3.2019	6,455	n / a	868	907	1,257
Christelle Beneteau, Chief Human Resources Officer	as of 1.5.2019	3,500	n / a	–	–	–
Matthias Jacob, Head Country Management	as of 1.3.2019	1,400	n / a	–	1,200	200
Anton Affentranger	until 31.1.2019	n / a	n / a	12,500	25,000	–
Beat Fellmann	until 28.2.2019	n / a	45,000	10,000	10,000	9,167
André Métral	until 28.2.2019	n / a	10,882	2,750	2,750	2,750
Christof Gämperle	until 28.2.2019	n / a	7,285	–	1,972	4,099
Total		137,299	121,265	33,641	72,637	18,389

Individual members of the executive committee have five years from the introduction of the shareholding guideline at the beginning of 2019 to meet the thresholds of the guideline.

No loans have been granted to any members of the IEC or persons linked to them. Neither Implenia Ltd. nor its group companies have granted any collateral, loans, advances, or credit facilities to members of the IEC or persons linked to them.

Approval of the compensation report

REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF IMPLENIA LTD

We have audited the compensation report of Implenia Ltd for the year ended 31 December 2019. The audit was limited to the information according to Art. 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables on page 97 and pages 107/108 and also the paragraphs related to loans on pages 99/110 of the compensation report.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation 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 compensation system and defining individual compensation packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying compensation 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 compensation report complies with Swiss law and Art. 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with Art. 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 compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the compensation 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 compensation report of Implenia Ltd for the year ended 31 December 2019 complies with Swiss law and Art. 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Dr. Michael Abresch
Audit expert, Auditor in charge

Christian Kessler
Audit expert

Zürich, 24 February 2020

5 Financial report

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Consolidated income statement

in CHF t	Notes	1.1.–31.12.2019	1.1.–31.12.2018
Group revenue	5	4,430,833	4,364,473
Materials and third party services	6	(2,861,232)	(2,890,774)
Personnel expenses	7	(1,116,055)	(1,050,510)
Other operating expenses	9	(268,957)	(338,341)
Income from associates		2,179	4,878
EBITDA		186,768	89,726
Depreciation and amortisation		(123,261)	(76,791)
Operating income		63,507	12,935
Financial expenses	10	(20,736)	(15,011)
Financial income	10	1,536	2,739
Profit before tax		44,307	663
Tax	11	(10,387)	(159)
Consolidated profit		33,920	504
Attributable to:			
Shareholders of Implenia Ltd.		29,651	(5,059)
Non-controlling interests		4,269	5,563
Earnings per share (CHF)			
Basic earnings per share	26	1.61	(0.28)
Diluted earnings per share	26	1.57	(0.28)

The consolidated income statement for the reporting period from 1 January 2019 to 31 December 2019 is comparable with the previous year if note 2 is taken into account.

Consolidated statement of comprehensive income

in CHF t	Notes	1.1.–31.12.2019	1.1.–31.12.2018
Consolidated profit		33,920	504
Remeasurement of post-employment benefits	23	(14,163)	(22,296)
Income tax on remeasurement of post-employment benefits		3,413	5,077
Fair value adjustments on financial instruments		99	(121)
Total items that will not be reclassified to income statement in the future		(10,651)	(17,340)
Changes from cash flow hedges		(39)	(110)
Changes from net investment hedges		2,390	2,678
Foreign exchange differences		(12,169)	(10,756)
Total items that will be reclassified to income statement in the future		(9,818)	(8,188)
Other comprehensive income		(20,469)	(25,528)
Attributable to:			
Shareholders of Implenia Ltd.		(20,434)	(25,477)
Non-controlling interests		(35)	(51)
Total comprehensive income		13,451	(25,024)
Attributable to:			
Shareholders of Implenia Ltd.		9,217	(30,536)
Non-controlling interests		4,234	5,512

Consolidated balance sheet

Assets

in CHF t	Notes	31.12.2019	31.12.2018
Cash and cash equivalents		912,317	913,233
Derivative financial instruments		126	1,144
Trade receivables	12	538,700	494,988
Work in progress	13	400,067	357,531
Joint ventures (equity method)	14	27,830	39,069
Income tax receivables		5,104	9,360
Other receivables		46,713	46,488
Raw materials and supplies		80,438	73,941
Real estate transactions	15	189,486	185,292
Accrued income and prepaid expenses		25,855	21,577
Total current assets		2,226,636	2,142,623
Property, plant and equipment	16	287,052	301,688
Rights of use from leases	2,17	146,491	–
Investment property	18	13,785	14,381
Investments in associates	19	52,624	53,061
Other financial assets		9,615	9,669
Pension assets	23	5,699	5,707
Intangible assets	20	304,373	308,045
Deferred tax assets	24	36,988	26,181
Total non-current assets		856,627	718,732
Total assets		3,083,263	2,861,355

The consolidated balance sheet as at 31 December 2019 is comparable with the previous year if note 2 is taken into account.

Equity and liabilities

in CHF t	Notes	31.12.2019	31.12.2018
Financial liabilities	2,21	48,247	21,739
Derivative financial instruments		668	364
Trade payables		367,942	370,602
Work in progress	13	1,034,699	980,350
Joint ventures (equity method)	14	75,297	29,573
Income tax liabilities		25,479	26,700
Other liabilities		98,979	98,864
Prepaid income and accrued expenses		128,410	127,669
Provisions	22	17,303	15,672
Total current liabilities		1,797,024	1,671,533
Financial liabilities	2,21	591,506	494,283
Deferred tax liabilities	24	48,706	49,309
Pension liabilities	23	22,713	20,678
Provisions	22	32,845	40,377
Total non-current liabilities		695,770	604,647
Share capital	25	18,841	18,841
Treasury shares	25	(540)	(4,468)
Reserves		514,737	550,983
Consolidated profit attributable to shareholders		29,651	(5,059)
Equity attributable to shareholders		562,689	560,297
Non-controlling interests		27,780	24,878
Total equity		590,469	585,175
Total equity and liabilities		3,083,263	2,861,355

Consolidated statement of changes in equity

			Reserves						
in CHF t	Share capital	Treasury shares	Capital reserves	Foreign exchange differences	Cash flow hedge reserves	Retained earnings	Total shareholders' equity	Non-controlling interests	Total equity
Equity as at 1.1.2019	18,841	(4,468)	90,414	(35,119)	9	490,620	560,297	24,878	585,175
Consolidated profit	–	–	–	–	–	29,651	29,651	4,269	33,920
Other comprehensive income	–	–	–	(9,749)	(39)	(10,646)	(20,434)	(35)	(20,469)
Total comprehensive income	–	–	–	(9,749)	(39)	19,005	9,217	4,234	13,451
Dividends	–	–	–	–	–	(9,202)	(9,202)	(1,218)	(10,420)
Change in treasury shares	–	3,928	(2,550)	–	–	(1,730)	(352)	–	(352)
Share-based payments	–	–	–	–	–	2,615	2,615	–	2,615
Change in non-controlling interests	–	–	114	–	–	–	114	(114)	–
Total other changes in equity	–	3,928	(2,436)	–	–	(8,317)	(6,825)	(1,332)	(8,157)
Total equity as at 31.12.2019	18,841	(540)	87,978	(44,868)	(30)	501,308	562,689	27,780	590,469
Equity as at 1.1.2018	18,841	(14,090)	91,938	(27,064)	119	549,611	619,355	21,358	640,713
Consolidated profit	–	–	–	–	–	(5,059)	(5,059)	5,563	504
Other comprehensive income	–	–	–	(8,055)	(110)	(17,312)	(25,477)	(51)	(25,528)
Total comprehensive income	–	–	–	(8,055)	(110)	(22,371)	(30,536)	5,512	(25,024)
Dividends	–	–	–	–	–	(36,620)	(36,620)	(1,669)	(38,289)
Change in treasury shares	–	9,622	(1,524)	–	–	(3,505)	4,593	–	4,593
Share-based payments	–	–	–	–	–	3,505	3,505	–	3,505
Change in non-controlling interests	–	–	–	–	–	–	–	(323)	(323)
Total other changes in equity	–	9,622	(1,524)	–	–	(36,620)	(28,522)	(1,992)	(30,514)
Total equity as at 31.12.2018	18,841	(4,468)	90,414	(35,119)	9	490,620	560,297	24,878	585,175

Consolidated cash flow statement

in CHF t	Notes	1.1.–31.12.2019	1.1.–31.12.2018
Consolidated profit		33,920	504
Tax	11	10,387	159
Financial result	2,10	19,200	12,272
Depreciation and amortisation	2	123,261	76,791
Result from sale of non-current assets		(12,063)	(3,612)
Income and distribution from associates		1,586	(617)
Change in provisions		(4,825)	(12,855)
Change in pension assets and liabilities		(11,485)	(14,924)
Change in net working capital			
Change in trade and other receivables		(55,102)	(32,359)
Change in work in progress (net), raw materials and supplies		12,603	37,245
Change in real estate transactions		(4,199)	(27,237)
Change in trade payables and other liabilities		5,930	25,649
Change in accruals and joint ventures (equity method)		54,541	2,901
Other expenses / income not affecting liquidity		(3,554)	(3,153)
Interest paid	2	(11,866)	(5,549)
Interest received		849	524
Tax paid		(15,634)	(39,687)
Cash flow from operating activities		143,549	16,052

in CHF t	Notes	1.1.–31.12.2019	1.1.–31.12.2018
Investments in property, plant and equipment		(70,998)	(75,082)
Disposals of property, plant and equipment		21,445	9,289
Investments in other financial assets and associates		(5,785)	(2,112)
Disposals of other financial assets and associates		4,159	1,846
Investments in intangible assets		(7,499)	(2,579)
Cash flow from investing activities		(58,678)	(68,638)
Increase in financial liabilities	2,21	1,611	19,565
Repayment of financial liabilities	2,21	(72,301)	(4,386)
Purchase of treasury shares		(16,430)	(1,124)
Sale of treasury shares		17,808	9,222
Dividends		(9,202)	(36,620)
Cash flow with non-controlling interests		(1,218)	(1,529)
Cash flow from financing activities		(79,732)	(14,872)
Foreign exchange differences on cash and cash equivalents		(6,055)	(4,752)
Change in cash and cash equivalents		(916)	(72,210)
Cash and cash equivalents at the beginning of the period		913,233	985,443
Cash and cash equivalents at the end of the period		912,317	913,233

The consolidated cash flow statement for the reporting period from 1 January 2019 to 31 December 2019 is comparable with the previous year if note 2 is taken into account.

Notes to the consolidated financial statements of Implenia

1 — GENERAL INFORMATION

Implenia Ltd. is a Swiss public limited company incorporated in Dietlikon, Zurich. The shares of Implenia 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 version is a non-binding translation.

Implenia's business activities are described in note 5.

The consolidated financial statements as at 31 December 2019 were approved by the Board of Directors of Implenia Ltd. on 24 February 2020 for submission to the Annual General Meeting. In accordance with Art. 698 of the Swiss Code of Obligations, the Annual General Meeting must approve the consolidated financial reports. The consolidated financial reports 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.

The consolidated financial reports of Implenia 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. Material judgements are presented in note 3.

2 — CHANGE TO ACCOUNTING POLICIES

The accounting policies applied to the 2019 consolidated financial statements are identical to those applied to and described in the financial report 2018, with the exception of IFRS 16 "Leases", which has been applied for the first time to the financial year starting on 1 January 2019.

The material impacts of the conversion to IFRS 16 "Leases" on these consolidated financial statements are explained as follows.

IFRS 16 Leases

IFRS 16 "Leases" replaces the previous standard IAS 17 "Leases" and the interpretations associated therewith, and is to be applied to all leasing agreements.

Under IFRS 16, all assets and liabilities arising from leases must be recognised in the balance sheet unless the lease term is not more than twelve months or the asset is of minor value. The capitalisation of leased assets and the recognition of lease obligations as liabilities expand the balance sheet.

Implenia has material leases for real estate, large-scale equipment, vehicles and small machinery as well as site equipment. The impact is largely dependent on the number of pieces of large-scale equipment leased at the reporting date, the interest rate and the assessment regarding the exercise of possible extension, purchase or cancellation options. Leases for small machinery and site equipment often have a term of less than one year and are therefore not posted on the balance sheet under the new standard either.

Implenia applies the modified retrospective method for the conversion to IFRS 16. All existing leases subject to the provisions of IAS 17 were reported without re-evaluation for the first application of IFRS 16. Initial direct costs were not taken into account. Information that was available after the first application was used for the assessment of the lease periods. In addition, a uniform discount rate was utilised for leasing agreement portfolios that display similar characteristics (e.g. with regard to the residual term) as at first application. The weighted average discount rate as at the first application is 3.2%. With regard to existing finance leases, the carrying amount of property, plant and equipment as well as lease liabilities as at 31 December 2018 were carried over. In general, most of Implenia's leases were operating leases. Service components such as insurance premiums or incidental rental costs were posted separately in the income statement, provided such costs could be discerned from the leasing agreements.

Extension and cancellation options with respect to the lease period are taken into account if the exercise or non-exercise of such options is assessed as reasonably certain. The further in the future the assessment date for these options lies, the more uncertain their exercise will be. For most agreements, an assessment was made that an exercise of the options after five years can no longer be considered reasonably certain. Due to the counterparty's right of termination, the term of certain agreements is limited to the enforceable lease period.

Right of use assets in the amount of CHF 161.5 million were recognised as at 1 January 2019. These rights of use relate mainly to the categories of business premises (CHF 92.4 million) and machines and vehicles (CHF 69.1 million). They are reported in the "Rights of use from leases" balance sheet item. Existing assets from finance leases amounting to CHF 8.2 million were transferred from property, plant and equipment to rights of use. The first application resulted in the recognition of additional liabilities arising from leases in the amount of CHF 152.8 million. Financial liabilities in the amount of CHF 8.3 million arising from existing finance leases remain unchanged. Liabilities arising from leases consist of current liabilities of CHF 50.9 million and non-current liabilities of CHF 110.2 million and are included in financial liabilities. The difference of CHF 0.4 million between the recognition of

Notes to the consolidated financial statements of Implenia

rights of use and lease liabilities is the result of adjustments made due to advance payments in the amount of CHF 0.5 million, as well as a difference of CHF –0.1 million in the carrying amounts of the finance leases that were carried over.

The operating lease obligations reported as at 31 December 2018 have the following effects on the lease liabilities recognised as at 1 January 2019:

in CHF t	
Operating leases as of 31 December 2018	172,617
Effect of discounting (average interest rate: 3.2%)	(26,533)
Finance leases	8,329
Short term leases and leases of low value	(8,170)
Previously not considered options	14,905
Lease liabilities as of 1 January 2019	161,148

The application of IFRS 16 increased total assets by CHF 137.6 million as at 31 December 2019. The equity ratio decreased by around one percentage point to 19.2%. Under IAS 17, leasing expenses were included in the income statement item "Other operating expenses". Now the expense for leases that must be recognised in accordance with IFRS 16 is split between the "Depreciation and amortisation" and "Financial expense" items. EBITDA increased by CHF 56.0 million due to the application of IFRS 16 in the reporting period, operating income increased by CHF 2.9 million as a result. Other operating expenses (rental expenses) decreased by CHF 56.0 million, while depreciation increased by CHF 53.1 million and interest expenses by CHF 4.7 million. The impact on profit before tax and on earnings per share in the reporting period is immaterial. The cash flow from the newly recognised leasing payments was previously included in full in "Cash flow from operating activities". The amortisation component of lease liabilities is now recognised as "Cash flow from financing activities". Cash flow from operating activities increased by CHF 51.3 million in the reporting period, cash flow from financing activities decreased accordingly.

The accounting policies previously applicable are reported in note 16. The disclosures regarding IFRS 16 are presented in notes 9, 17 and 21.

Impact on the consolidated balance sheet (condensed) as at 1 January 2019:

Assets

in CHF t	31.12.2018 reported	IFRS 16	1.1.2019 restated
Accrued income and prepaid expenses	21,577	(492)	21,085
Total current assets	2,142,623	(492)	2,142,131
Property, plant and equipment	301,688	(8,197)	293,491
Rights of use from leases	–	161,508	161,508
Total non-current assets	718,732	153,311	872,043
Total assets	2,861,355	152,819	3,014,174

Equity and liabilities

in CHF t	31.12.2018 reported	IFRS 16	1.1.2019 restated
Financial liabilities	21,739	47,550	69,289
Total current liabilities	1,671,533	47,550	1,719,083
Financial liabilities	494,283	105,269	599,552
Total non-current liabilities	604,647	105,269	709,916
Equity attributable to shareholders	560,297	–	560,297
Total equity	585,175	–	585,175
Total equity and liabilities	2,861,355	152,819	3,014,174

3 — KEY MANAGEMENT DECISIONS AND ESTIMATES

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 explained below.

3.1 — Revenue and cost recognition for projects

The order amount is contractually agreed. Variable considerations and contract modifications (claims) are recognised on the basis of judgements. If it is highly probable that these components are recoverable, they must be added to the transaction price. The decision is based on an assessment of various criteria. In principle, if claims are approved in writing by the client, they must always be taken into account in the transaction price. In cases that are less clear, the amount which is highly probable to be paid by the client will be recognised. This minimises the risk of revenue having to be reversed subsequently. The judgement is based on the project documentation, the legal assessment and, if applicable, external expert opinions. Experience from similar projects or with the same customer are also taken into consideration.

If the client has not agreed to a claim and if there is no enforceable right to payment, it may not be recognised.

In case of technically demanding construction projects, the estimated costs to complete may deviate from the future cost development, since consideration of future events is fraught with uncertainty. This can lead to results being adjusted as the project progresses.

Revenue is shown in note 5. Costs for material and third party services are shown in note 6.

3.2 — Litigation cases involving projects

Implenia relies on the professional expertise of internal and external lawyers to assess existing legal risks when appraising projects. 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 the project assessment being adjusted.

Letzigrund Dispute

The litigation against the City of Zurich for full repayment of the guarantee is still in progress. Furthermore, the City of Zurich has drawn the warranty bond provided after the completion of the Letzigrund stadium, forcing Implenia to pay CHF 12 million. Implenia sees no basis for this guarantee being drawn and is reclaiming this amount. The amount in question is included in “Other receivables”.

Notes to the consolidated financial statements of Implenia

3.3 — Inclusion of joint ventures

The Group engages in construction projects that can lead to control, joint control or significant influence over the joint venture. This includes 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 joint venture. 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. Information on joint ventures is shown in notes 14 and 33.

3.4 — Goodwill impairment

Goodwill is tested for impairment annually. To assess whether any impairment exists, estimates are made of future cash flows expected to arise from the use of these assets and their possible disposal. Actual cash flows may differ significantly from the future discounted cash flows based on these estimates. Changes in discount rates, EBITDA margins and growth rates used may result in impairments.

As part of the strategic reorganisation in 2019, goodwill was reallocated as at 1 January 2019. More detailed information on this is provided in notes 5 and 20.

3.5 — Capitalisation of tax loss carryforwards

Capitalisation of tax loss carryforwards requires material decisions and estimates by management on whether tax loss carryforwards can be offset against future taxable profits of the respective companies or existing temporary differences. The estimate is based on the business plans updated each year and on whether sufficient taxable profits will be available in future to be able to utilise capitalised tax loss carryforwards. The actual results of the companies in question may differ significantly from the estimates. If the planned profits are not achieved, there is a risk that capitalised tax loss carryforwards will not be recoverable and must be derecognised through profit or loss. Information on tax loss carryforwards can be found in note 24.

3.6 — 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.

Implenia'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. Information on employee benefits can be found in note 23.

3.7 — Leases

In principle, lease terms are stipulated by contract. Assessments regarding the exercise of extension, cancellation and purchase options are based on material judgements. In doing so, the management takes all facts and circumstances into account to assess how certain it is that options will be exercised. Options are only taken into account if their exercise is assessed as reasonably certain. The further in the future the assessment date for these options lies, the more uncertain their exercise will be. For most agreements, an assessment was made that an exercise of the options after five years can no longer be considered reasonably certain. The exercise of options is reassessed when an option is actually exercised. Re-evaluations as to whether there is sufficient certainty of the option being exercised are only carried out in response to material events or material changes in circumstances.

If the exercise of options is incorrectly assessed, there is a risk that rights of use and lease liabilities are not correctly recognised. Disclosures regarding leasing are shown in notes 9, 17 and 21.

4 — RISK ASSESSMENT

The risk to which Implenia Group is exposed is assessed once a year by the Implenia Executive Committee (IEC) and the Board of Directors. In doing so, the key Group risks are defined and measured in terms of implications and probability. The implementation and impact of defined measures is monitored continuously by the IEC.

Assessment of operational risks takes account of current and impending lawsuits as well as material claims from projects. The risk map presents these risks and opportunities at Group and divisional level and is assessed continuously by the managers with operational responsibility in collaboration with the finance department to initiate measures and monitor their effectiveness. The risks and opportunities recorded are evaluated in quantitative terms as worst/real/best case. The risks maps consolidated by divisions and the Implenia Group are presented to the Audit Committee twice a year.

A new value assurance process for all the divisions' projects and the selection of joint venture partners was introduced in the financial year with the Value Assurance Committee (VAC) as the steering body. The VAC was set up on four levels: Group (class 1), global division/business unit (class 2); BU country (class 3) and BU region (class 4). As part of the VAC reporting, class 1 VAC reports on the results of its tasks and the adequacy and effectiveness of project management to the Audit Committee at least every six months.

4.1 — Financial risk management

The principles used for financial risk management are defined at Group level and apply to all Group entities. They include rules about holding and investing 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, contract assets, financial and other receivables, current and non-current financial liabilities, trade payables and contract liabilities. Trade receivables and trade payables as well as contract assets and liabilities are generated in the course of normal business activities. Financial liabilities are mainly used to finance operating activities as well as strategic decisions such as the acquisition of a business. Financial investments serve mainly to finance associates.

Within the Group, derivative financial instruments are used to hedge operating cash flows and intercompany loans in foreign currency.

The main risks for the Group resulting from financial instruments are credit risk, liquidity risk, market risk and foreign currency risk.

4.2 — Credit risk

The credit risk consists mainly of the risk of default on trade receivables and cash and cash equivalents.

4.2.1 — 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 obtained. 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. Due to the customer structure, provisions in the statutory mortgage of contractor as well as significant prefinancing for construction services, irrecoverable debts are negligible in relation to Group revenue.

Age structure of trade receivables: see note 12.

4.2.2 — 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 an investment grade rating (S & P / Moody's), a direct state guarantee or at least be classified as systemically important by the competent regulatory bodies. 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 total CHF 604.8 million (2018: CHF 587.3 million). This is the equivalent of 66.3% of the carrying amount of total cash and cash equivalents (2018: 64.3%).

The maximum credit risk corresponds to the amount of individual receivables in the event of default.

Notes to the consolidated financial statements of Implenia

The following table shows the receivables from the largest financial institutions on the balance sheet date:

in CHF t	Rating[1]	Balance
As at 31.12.2019		
Cash and other financial assets		**604,802**
Financial institution	A-	282,854
Financial institution	BBB+	223,414
Financial institution	A-	98,534
As at 31.12.2018		
Cash and other financial assets		**587,306**
Financial institution	A-	261,080
Financial institution	BBB+	227,326
Financial institution	A-	98,900

1 Standard & Poor's rating

	Short-term		Long-term	
in CHF t	0–3 mo.	4–12 mo.	2–5 years	over 5 years
As at 31.12.2019				
Trade payables and other liabilities	(292,916)	(174,673)	–	–
Bond issues	(1,250)	(2,031)	(138,125)	(127,500)
Subordinated convertible bond	–	(875)	(176,750)	–
Promissory note loans	–	(964)	(35,855)	(33,151)
Liabilities to banks	(3,778)	–	(3,602)	–
Lease liabilities[1]	(13,317)	(33,033)	(91,104)	(18,000)
Other financial liabilities	(1,152)	–	–	–
As at 31.12.2018				
Trade payables and other liabilities	(327,014)	(142,816)	–	–
Bond issue	(1,250)	(2,031)	(13,125)	(255,781)
Subordinated convertible bond	–	(875)	(177,625)	–
Promissory note loans	–	(1,001)	(37,575)	(34,977)
Liabilities to banks	(2,297)	(19,439)	(10,619)	(673)

1 Contains lease obligations from the first application of IFRS 16 in the reporting year, see note 2

4.3 — Liquidity risk

The liquidity risk derives mainly from the eventuality that liabilities cannot be settled on the due date. Future liquidity forecast is 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 2019, the Group had cash and cash equivalents of CHF 912.3 million (2018: CHF 913.2 million) and unused credit lines of CHF 332.6 million (2018: CHF 332.9 million).

The Group seeks to maintain appropriate minimum liquidity (consisting of cash and cash equivalents and confirmed unused credit lines).

The balance sheet item for "work in progress" (liabilities) also contains contract costs in relation to past services from suppliers and third party service providers of CHF 584.8 million (2018: CHF 622.8 million). Corresponding invoices are outstanding. The payment is normally expected within the next twelve months.

Liquidity in the broader sense also includes the constant availability of unused guaranteed credit lines. The issue of guarantees or sureties to guarantee contractual services is of major importance in the operational construction business. A distinction is made between tender guarantees, advance payment bonds, performance bonds and retention guarantees or sureties in advance. The Group has numerous guarantee lines covering various terms with Swiss and European banks and insurance companies totalling CHF 2,648.1 million (2018: CHF 2,663.3 million). Of this figure, CHF 1,524.1 million had been called at 31 December 2019 (2018: CHF 1,519.7 million).

Notes to the consolidated financial statements of Implenia

4.4 — Market risk / interest rate risk

The Group has very few non-current interest-bearing assets. Consequently, the Group's interest risk results from the structure and volume of its financing. Because the Group has financed its operations with fixed-rate bond issues, promissory note loans and a convertible bond, the risk associated with changes in interest rates is minimal. Interest rate increases generally have no negative impact on consolidated profit.

The maturity structure of interest-bearing financial instruments as at 31 December 2019 is as follows:

in CHF t	Up to 1 year	2–5 years	Over 5 years	Total
Variable rate				
Cash and cash equivalents	912,317	–	–	912,317
Loans and other financial assets	–	527	484	1,011
Financial liabilities	(3,778)	–	–	(3,778)
Total	908,539	527	484	909,550
Fixed rate				
Loans and other financial assets	–	–	902	902
Financial liabilities[1]	(44,469)	(416,970)	(174,536)	(635,975)
Total	(44,469)	(416,970)	(173,634)	(635,073)
Overall total	864,070	(416,443)	(173,150)	274,477

1 Contains lease obligations from the first application of IFRS 16 in the reporting year, see note 2

Maturity structure as at 31 December 2018:

in CHF t	Up to 1 year	2–5 years	Over 5 years	Total
Variable rate				
Cash and cash equivalents	913,233	–	–	913,233
Loans and other financial assets	–	514	496	1,010
Financial liabilities	(18,598)	–	–	(18,598)
Total	894,635	514	496	895,645
Fixed rate				
Loans and other financial assets	–	–	1,002	1,002
Financial liabilities	(3,141)	(210,298)	(283,985)	(497,424)
Total	(3,141)	(210,298)	(282,983)	(496,422)
Overall total	891,494	(209,784)	(282,487)	399,223

If the interest rates on the average total assets in 2019 were 0.5 percentage points higher or lower, the profit before tax, provided that all other variables remained constant, would have been CHF 2.7 million (2018: CHF 3.2 million) higher or lower for the year as a whole. This would be largely due to higher or lower interest income on cash and cash equivalents.

Notes to the consolidated financial statements of Implenia

4.5 — Foreign currency risks

At Implenia, there are 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 (transaction risk). Significant foreign currency positions are hedged with currency derivatives. Implenia is mainly exposed to risks from the euro and to a lesser extent from the Norwegian and the Swedish krona.

If the Swiss franc had been 15% stronger against the euro on 31 December 2019, foreign currency positions would have had a positive impact on profit before tax of CHF 0.1 million (2018: CHF 0.5 million). Equity would have been CHF 11.7 million lower (2018: CHF 15.8 million lower). This effect is largely attributable to net investments in foreign businesses.

4.6 — Hedge accounting

Major projects at Implenia 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 (cash flow hedges). Given Implenia's local business in the construction sector and its entrepreneurial coverage on location, the foreign currency risk in projects is limited. As at the reporting date, there were no material hedges of cash flows in foreign currency.

In addition, part of the foreign currency risk on net investments in foreign businesses was hedged (net investment hedges). The promissory note loans totalling EUR 60.0 million placed in 2017 were used to hedge euro loans to subsidiaries. A compensating effect of CHF 2.4 million (2018: CHF 2.7 million) was posted in other comprehensive income in the reporting period.

4.7 — Policy regarding capital structure/indebtedness

The Group targets an equity ratio of more than 25% according to the accounting standards currently in force (incl. IFRS 16). At the reporting date, the equity ratio amounted to 19.2% (as of 1 January 2019: 19.4%). As of 31 December 2018 the equity ratio at the accounting standards applicable at the time amounted to 20.5%. If the liability component of the subordinated convertible bond is included in equity, the equity ratio amounts to 24.6% (previous year at the accounting standards applicable at the time: 26.2%).

The aim is for current assets to be financed through current debt. Non-current assets should be financed through non-current liabilities and equity. Investments as part of ordinary business activities are to be financed through ongoing cash flows wherever possible.
The syndicated loan contains one financial covenant (debt ratio). The financial position and performance are monitored continuously, based on consolidated values.

As in the previous year, the financial provisions (including financial covenant) stipulated in financing agreements were met.

Notes to the consolidated financial statements of Implenia

4.8 — Fair value measurement

		Carrying amounts		Fair values	
in CHF t	Level	31.12.2019	31.12.2018	31.12.2019	31.12.2018
FINANCIAL ASSETS					
Fair value through profit or loss					
Currency derivatives	2	126	1,144	126	1,144
Fair value through other comprehensive income					
Unlisted participations	3	7,703	7,657	7,703	7,657
At amortised cost					
Trade receivables	*	538,700	494,988	538,700	494,988
Other receivables	*	46,713	46,488	46,713	46,488
Other financial assets	*	1,912	2,012	1,912	2,012
FINANCIAL LIABILITIES					
Fair value through profit or loss					
Currency derivatives	2	668	364	668	364
At amortised cost					
Trade payables	*	367,942	370,602	367,942	370,602
Promissory note loans	2	65,002	67,359	66,869	68,073
Bonds	1	250,270	250,311	258,375	232,164
Convertible bond	2	168,013	165,321	169,445	146,918
Other liabilities	*	98,979	98,864	98,979	98,864
Other financial liabilities[1]	*	156,468	33,031	8,532	33,031

1 Fair values as at 31 December 2019 do not contain any liabilities from leases
* The carrying amounts of these financial instruments roughly correspond to their fair value.

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 carrying amount of the liability component of the convertible bond issued on 30 June 2015 is CHF 168.0 million (2018: CHF 165.3 million) while the carrying amount of the equity component is unchanged at CHF 15.2 million. The fair value of the liability component of the convertible bond and the fair value of the promissory note loans are calculated on the basis of 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. Implenia owns a portfolio of unlisted domestic interests. These are revalued each year on the basis of the financial statements of the individual unlisted interests.

Fair value estimates for non-financial items are provided in the relevant notes.

Notes to the consolidated financial statements of Implenia

5 — SEGMENT REPORTING

The Group's business segments are based on the organisational units, for which the Implenia Executive Committee (IEC) 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. Within the framework of a new Group strategy, the Implenia Group was given a divisional structure in 2019. On the basis of the adjusted internal organisation and reporting structure, the following divisions were identified:

- Development
- Buildings
- Civil Engineering
- Specialties

The organisational structure also includes "Functions". This unit relates to costs that cannot be assigned to any other division. It also includes Group companies with no activities.

The divisions undertake the following activities:

Development
The Development Division brings together Implenia's expertise in project development from the initial idea to the completed building project. As a partner for private and institutional property developers, the division develops and realises sustainable real estate and sites and can utilise its own land bank. The division has a geographically broad project portfolio with a focus on the strong growth regions of Zurich and Lake Geneva.

Buildings
The Buildings Division comprises the holistic design and execution of complex new constructions as well as modernisation work on existing properties. As a general and total contractor, Implenia offers comprehensive services from a single source. Modernisation brings together the division's capabilities in conversion and renovation, from consultancy to implementation. The division's home markets are Switzerland, Germany and Austria.

Civil Engineering
The Civil Engineering Division is responsible for tunnelling, foundation engineering and regional business – e.g. road and rail construction. The division is present in all of Implenia's home markets. It also bids for large, complex projects in Europe outside these markets.

Specialties
The Specialties Division comprises Implenia's niche offers, such as those relating to wood-based construction, formwork construction, façade and pre-tensioning technology and construction logistics. The division is also responsible for gravel works in Switzerland and abroad.

The relationship between the current divisions and the previous segments as per the 2018 financial statements is illustrated below:

	Current divisions			
Previous segments	Development	Buildings	Civil Engineering	Specialties
Development	X			
Switzerland	X	X	X	X
Infrastructure			X	
International		X	X	X

The previous year's figures in the segment reporting were adjusted accordingly.

Notes to the consolidated financial statements of Implenia

Segment reporting, as presented to the Board of Directors, as at 31 December 2019:

in CHF t	Development	Buildings	Civil Engineering	Specialties	Total of divisions	Functions[1]	Total
IFRS revenue unconsolidated	160,419	2,241,754	2,300,218	242,021	4,944,412	33,055	4,977,467
Intra-Group revenue	(26,967)	(269,268)	(191,057)	(31,752)	(519,044)	(27,590)	(546,634)
Group revenue	133,452	1,972,486	2,109,161	210,269	4,425,368	5,465	4,430,833
EBITDA excl. IFRS 16[2]	44,136	42,820	40,898	19,155	147,009	(16,227)	130,782
EBITDA	44,474	51,477	77,221	19,234	192,406	(5,638)	186,768
Current assets (excl. cash and cash equivalents)	215,220	355,203	625,338	89,288	1,285,049	29,270	1,314,319
Non-current assets (excl. pension assets and rights of use from leases)	13,494	158,262	400,965	101,751	674,472	29,965	704,437
Debt capital (excl. financial and pension liabilities)	(72,675)	(1,021,091)	(586,430)	(62,607)	(1,742,803)	(87,525)	(1,830,328)
Total invested capital excl. rights of use from leases	156,039	(507,626)	439,873	128,432	216,718	(28,290)	188,428
Rights of use from leases	1,299	38,605	77,944	674	118,522	27,969	146,491
Total invested capital	157,338	(469,021)	517,817	129,106	335,240	(321)	334,919
Investments in property, plant and equipment and intangible assets	–	2,018	56,814	9,549	68,381	9,753	78,134

1 Including eliminations

2 EBITDA as reported to the chief operating decision maker (EBITDA before adjustments due to the conversion to IFRS 16)

Notes to the consolidated financial statements of Implenia

Segment reporting, as presented to the Board of Directors, as at 31 December 2018 (restated):

in CHF t	Development	Buildings	Civil Engineering	Specialties	Total of divisions	Functions[1]	Total
IFRS revenue unconsolidated	107,772	2,260,997	2,299,551	255,149	4,923,469	39,870	4,963,339
Intra-Group revenue	(26,876)	(255,172)	(261,615)	(20,933)	(564,596)	(34,270)	(598,866)
Group revenue	80,896	2,005,825	2,037,936	234,216	4,358,873	5,600	4,364,473
EBITDA	40,781	33,260	2,010	20,137	96,188	(6,462)	89,726
Current assets (excl. cash and cash equivalents)	221,719	435,568	476,869	94,419	1,228,576	814	1,229,390
Non-current assets (excl. pension assets)	16,972	159,829	415,214	105,941	697,957	15,068	713,025
Debt capital (excl. financial and pension liabilities)	(86,554)	(1,026,646)	(521,265)	(61,885)	(1,696,350)	(43,130)	(1,739,480)
Total invested capital	152,138	(431,249)	370,819	138,475	230,183	(27,248)	202,935
Investments in property, plant and equipment and intangible assets	–	3,105	58,998	15,986	78,089	4,515	82,604

1 Including eliminations

Notes to the consolidated financial statements of Implenia

Notes

The reconciliation to invested capital is as follows:

in CHF t	31.12.2019	31.12.2018
Total assets	3,083,263	2,861,355
Minus cash and cash equivalents	(912,317)	(913,233)
Minus pension assets	(5,699)	(5,707)
Assets of invested capital	2,165,247	1,942,415
Total equity and liabilities	3,083,263	2,861,355
Minus equity	(590,469)	(585,175)
Minus financial liabilities	(639,753)	(516,022)
Minus pension liabilities	(22,713)	(20,678)
Liabilities of invested capital	1,830,328	1,739,480
Total invested capital	334,919	202,935

Non-current assets (excluding financial assets, pension assets and deferred tax assets) are distributed geographically as follows:

in CHF t	31.12.2019	31.12.2018
Switzerland	305,200	237,539
Germany	281,146	279,188
Austria	31,405	25,047
Norway	72,369	52,864
Sweden	33,360	284
France	11,065	10,225
Other countries	17,156	18,967
Total as at reporting date	751,701	624,114

Notes to the consolidated financial statements of Implenia

Revenue from contracts with customers was distributed geographically as follows in the reporting period from 1 January 2019 to 31 December 2019:

in CHF t	Development	Buildings	Civil Engineering	Specialties	Functions	Total
Switzerland	132,777	1,451,006	811,810	37,831	–	2,433,424
Germany	98	425,377	547,860	131,166	–	1,104,501
Austria	–	91,186	112,503	7,497	–	211,186
Norway	–	–	247,503	–	–	247,503
Sweden	–	–	241,343	–	–	241,343
France	–	–	127,134	–	–	127,134
Other countries	–	–	1,563	33,574	–	35,137
Revenue from contracts with customers	132,875	1,967,569	2,089,716	210,068	–	4,400,228
Other revenue	577	4,917	19,445	201	5,465	30,605
Group revenue	133,452	1,972,486	2,109,161	210,269	5,465	4,430,833

Revenue from contracts with customers was distributed geographically as follows from 1 January 2018 to 31 December 2018 (restated):

in CHF t	Development	Buildings	Civil Engineering	Specialties	Functions	Total
Switzerland	80,342	1,455,557	767,414	36,482	–	2,339,795
Germany	–	472,490	569,923	145,930	–	1,188,343
Austria	–	72,927	135,169	8,615	–	216,711
Norway	–	–	315,427	–	–	315,427
Sweden	–	–	159,155	–	–	159,155
France	–	–	75,007	–	–	75,007
Others	–	–	7,352	42,849	–	50,201
Revenue from contracts with customers	80,342	2,000,974	2,029,447	233,876	–	4,344,639
Other revenue	554	4,851	8,489	340	5,600	19,834
Group revenue	80,896	2,005,825	2,037,936	234,216	5,600	4,364,473

Revenue is usually recognised over time. The sale of land in the Development Division, where revenue is recognised at a certain date, constitutes an exception to this rule. Other revenue is largely the result of leasing income.

Notes to the consolidated financial statements of Implenia

The order book as at 31 December 2019 amounted to CHF 6,158 million (2018: CHF 6,248 million). Of this figure, CHF 3,397 million is expected to be performed in the 2020 financial year, CHF 1,672 million in the 2021 financial year and CHF 1,089 million in subsequent years (unconsolidated).

Accounting policies

Revenue from contracts with customers contains all revenues from Implenia's various business activities. Depending on the type of service, revenue is recognised over a certain time or at a certain point in time. Subcontractors are usually commissioned to carry out construction projects. However, only Implenia has a relationship with the client. Therefore, only Implenia is exposed to any risk and can benefit from any opportunities from commissioning. Accordingly, Implenia recognises revenue for the transfer of services to the client equal to the consideration expected.

The anticipated order amount for the respective project is based on the contractual agreements and on amendments to the contract such as claims and order variations. Contract modifications are usual in the construction industry. Inclusion thereof in the transaction price depends on the assessment of their recoverability. Contract modifications are added to the transaction price if it is highly probable that a significant part will not have to be reversed again at a later date. Variable considerations in the form of performance bonuses and contractual penalties are also subject to these guidelines.

Future expected losses from contracts are taken into consideration when measuring the value of contracts and provided for immediately as a provision for impending losses. Such provisions for impending losses are recognized when project margin is expected to be negative at the end of the project.

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. If it is probable that the total contract costs will exceed the total contract revenues, the expected loss is recognised immediately as an expense.

As a practical expedient, Implenia does not adjust the transaction price by financing components if, when the contract starts, the period between fulfilment of the performance obligation and payment by the customer is not expected to exceed twelve months.

The following comments specify how revenue is recognised in Implenia's key revenue streams:

In General Contracting and Construction Works, the work to be supplied equates in principle to a single performance obligation. This is fulfilled when the customer accepts the work. In general, revenue is recognised over the term of the construction activities. Both cost and performance-based methods are used to determine construction progress. The cost-based method is based on the order costs incurred compared with the estimated order costs contained in the final forecast. Cost overruns and still unused material are not taken into consideration in the calculation. With performance-based methods, the performance reached is compared with the total performance owed. For example, factors such as the amount of soil extracted in cubic metres or concrete poured are used to measure performance. The method is chosen on the basis of an analysis of which method reflects construction progress more accurately. The process is applied consistently for projects of the same type.

For joint venture contracts, only the service actually performed by Implenia in the joint venture and its share of the profits of the joint venture are recognised as revenue (equity method). The results of joint ventures is determined in principle in accordance with the same criteria as for Implenia's own construction projects.

Usually several performance obligations must be fulfilled in Development. In principle, the sale of land, project development and construction work on the customer's land are separate performance obligations. The transaction price is allocated to the respective performance obligations using individual sales prices.

For the sale of land, revenue is recognised at the time it is transferred to the customer. This is usually the date on which title is transferred. The recognition of revenue for the project development depends on the structure of the contract. Usually revenue is recorded over the term in which this performance obligation is fulfilled. The actual construction work on land that has already been sold takes place in accordance with the specific explanations under "Revenue recognition in General Contracting and Construction Works".

Generally, construction does not start on condominium projects until at least 50% of the properties have been sold. Unsold apartments are accounted for within "Real estate transactions" at the cost of production. Revenue is recognised when these apartments are sold.

Besides its actual core business, Implenia also operates as a lessor. It mainly leases machinery and site equipment as well as office space which it does not use itself. Without exception, these are operating leases.

Notes to the consolidated financial statements of Implenia

6 — MATERIALS AND THIRD PARTY SERVICES

in CHF t	2019	2018
Material expenses	639,405	670,634
Third party services	2,221,827	2,220,140
Total	2,861,232	2,890,774

7 — PERSONNEL EXPENSES

in CHF t	2019	2018
Wages, salaries and fees	795,437	757,897
Social security contributions	129,708	126,468
Expenses for defined benefit pension plans	25,588	15,544
Expenses for defined contribution pension plans	8,865	6,802
Expenses for the foundation for flexible retirement	11,702	11,705
Temporary staff	103,496	91,242
Other personnel expenses	41,259	40,852
Total	1,116,055	1,050,510

8 — EMPLOYEE PARTICIPATION PROGRAM AND REMUNERATION

8.1 — Employee participation program

Based on the regulations on profit sharing dated 15 February 2012 and 8 September 2016, in each calendar year qualifying persons may subscribe for Implenia 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 2019 purchase period, the difference between the average market price of CHF 34.20 per share and the preferential price of CHF 23.95 per share was charged to the income statement and for the September 2019 purchase period, the difference between the average market price of CHF 29.40 per share and the preferential price of CHF 20.60 per share was charged to the income statement.

in CHF t		2019	2018
Number of shares subscribed	Number	98,657	26,910
Amount recognised in the income statement	in CHF t	943	592

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 Implenia Executive Committee and the Board of Directors are excluded from the employee participation program.

Notes to the consolidated financial statements of Implenia

8.2 — Share-based compensation for the Implenia Executive Committee

Share-based compensation of the former Group Executive Board
The departing members of the former Group Executive Board received part of their compensation in a fixed number of shares in Implenia Ltd. until their departure in 2019. The amount was expensed entirely in the current financial year. The amount charged to the Group was calculated on the basis of the fair value of the shares at the time of allocation. The Group could either buy shares on the market or draw from its treasury shares. In the financial year, the shares were allocated at an average price of CHF 31.85 per share (2018: CHF 39.75 per share).

		2019	2018
Shares definitely allocated	Number	13,754	65,210
Amount recognised in the income statement	in CHF t	438	2,591

Share-based compensation of the Implenia Executive Committee
Since January 2019, the remuneration for the Implenia Executive Committee has been structured as a "Long Term Incentive Plan (LTIP)".

The LTI plan corresponds to a fixed percentage of base salary per function level, which at the beginning of the performance period is translated into a specific number of future subscription rights in the form of Performance Share Units (PSU). The PSUs are subject to a three-year vesting period. The payout is dependant on certain target achievements set at the time of allocation (relative total shareholder return and diluted earnings per share). Depending on the level of target achievement, the PSUs will be settled in shares of Implenia Ltd. at a conversion rate of between 0% and 200%. The fair value as at the issue date amounts to CHF 21.60 per share for the LTI plan 2019. The fair value was determined by using a Monte Carlo simulation. Anticipated dividends are included in the model. Additional information on the functionality of the LTI plan is provided in the Remuneration Report.

100,570 PSUs were granted in 2019. The expenses for the LTI plan 2019 are spread over the three-year vesting period. In 2019, the expenses for the plan amounted to CHF 0.9 million and were posted as share-based remuneration with payment through equity instruments against equity.

8.3 — Share-based compensation for 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 for calculating the number of shares. The expenditure is calculated from the average price in December less a tax deduction and 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.

For the financial year 2019, the shares were allocated at an average price of CHF 31.50 per share (2018: CHF 31.70 per share).

		2019	2018
Entitlement and allocated shares	Number	11,088	10,156
Amount recognised in the income statement	in CHF t	349	322

Notes to the consolidated financial statements of Implenia

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.

The remuneration of members of the Implenia Executive Committee (previously Group Executive Board) consists of various parts: a fixed basic salary in cash, a variable performance-related salary in cash as well as share-based remuneration. 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.

in CHF t	2019	2018
Short-term benefits[1]	6,622	5,595
Pension expenses	606	471
Share-based payments – LTIP	886	–
Share-based payments[2]	349	2,913
Total Implenia Executive Committee and Board of Directors	8,463	8,979
Former members of the Group Executive Board[3]	3,028	–
Total	11,491	8,979

1 In the reporting year, CEO André Wyss has in agreement with the Board of Directors decided to forfeit a substantial part of his short term incentive.
2 In prior year, this item contains a one-off allocation of 13,777 shares worth CHF 0.7 million to the new CEO André Wyss as replacement for the rights he has lost from his former employer.
3 This position includes short-term benefits of CHF 2.4 million, pension expenses of CHF 0.2 million and share-based payments of CHF 0.4 million.

Accounting policies

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. Shares received as compensation and as part of the employee participation program cannot be traded for three years and are not tied to any exercise conditions. Costs are recognised fully in the year in which service is rendered even if the shares are not transferred until the following year. The expenses for the LTI plan are recognised on a straight-line basis over the three-year vesting period. Non-market conditions are remeasured at each reporting date. Adjustments from the remeasurement are recognised prospectively. Market conditions are already included in the calculation of fair value at the time they are granted and are not recalculated.

Notes to the consolidated financial statements of Implenia

9 — OTHER OPERATING EXPENSES

in CHF t	2019	2018
Rental expenses	106,365	176,483
Infrastructure expenses	33,086	29,212
Maintenance and repairs	44,748	46,175
Insurance	9,167	10,845
Administration and consultants	17,806	25,033
Office, IT and communication costs	40,796	32,775
Taxes and fees	8,519	9,945
Marketing, advertising and other administration expenses	8,470	7,873
Total	268,957	338,341

Notes

Rental expenses include:

in CHF t	2019
Rental expense for short term leasings	68,631
Rental expense for low value leasings	11,686
Expense for utilities and service costs	26,048
Total	106,365

10 — FINANCIAL EXPENSES AND INCOME

in CHF t	2019	2018
Financial expenses		
Interest expenses	10,870	9,160
Interest expenses from leases[1]	4,702	292
Bank charges	536	763
Costs of financial guarantees	872	882
Other financial expenses	2,567	1,735
Foreign currency losses	1,189	2,179
Total	20,736	15,011
Financial income		
Interest income	839	524
Income from investments	410	497
Other financial income	2	476
Foreign currency gains	285	1,242
Total	1,536	2,739
Financial result	(19,200)	(12,272)

1 Contains the additional interest expenses from IFRS 16 in the reporting period, see note 2

11 — TAX

in CHF t	2019	2018
Profit before tax		
Switzerland	94,778	106,108
Abroad[1]	(50,471)	(105,445)
Total profit before tax	44,307	663
Current and deferred tax		
Switzerland	22,660	25,936
Abroad	(3,457)	1,316
Total current tax	19,203	27,252
Switzerland	491	607
Abroad	(9,307)	(27,700)
Total deferred tax	(8,816)	(27,093)
Total tax	10,387	159

1 Contains depreciation and amortisation from redetermining fair values from acquisitions

in CHF t	2019	2018
Profit before tax	44,307	663
Expected income tax rate in %	20.8	22.4
Tax at the expected income tax rate	(9,204)	(148)
Reconciliation to tax at the effective tax rate		
Effect of non-taxable items	6,381	831
Effect of non-deductible items	(708)	(301)
Effect of non-capitalised tax losses incurred in the year	(6,554)	(1,579)
Effect of changes in the applicable tax rates	1,176	428
Effect of the use of non-capitalised tax loss carryforwards	499	407
Prior years' taxes	100	(736)
Income components with different tax rates	(1,917)	491
Other effects	(160)	448
Tax at the effective income tax rate	(10,387)	(159)
Effective tax rate in %	23.4	24.0

Notes

The following elements explain in essence the differences between the expected Group tax rate and the effective tax rate.

Implenia takes account of the tax reform (TRAF) adopted by Swiss voters in 2019 in those cantons which have already enacted the changes resulting from the referendum. The positive impact from this amounts to CHF 1.2 million.

In Germany, an issue that affects profit and loss under IFRS but has no impact on profit and loss under local accounting standards had a positive impact on "Effect of non-taxable items" of CHF 6.1 million in the financial year.

The impacts of non-capitalised loss carryforwards mainly affect subsidiaries abroad for which use is not expected at present.

Accounting policies

Income taxes are recognised in the same period as the income and expenses to which they relate. Income taxes also contain property gains tax. 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. Deferred taxes are recognised in accordance with the balance sheet liability method. Taxes not dependent on income such as capital taxes are recognised in other operating expenses.

12 — TRADE RECEIVABLES

in CHF t	31.12.2019	31.12.2018
Third parties	525,533	476,602
Joint ventures (equity method)	20,161	22,632
Associates	2,128	2,122
Related parties	4	–
Allowance for expected credit losses	(9,126)	(6,368)
Total	538,700	494,988

Notes

The allowance for expected credit losses has changed as follows:

in CHF t	31.12.2019	31.12.2018
As at 1.1.	6,368	6,230
Increase	4,543	1,254
Used	(120)	(427)
Reversed	(1,430)	(486)
Foreign exchange differences	(235)	(203)
Total as at reporting date	9,126	6,368

Agreements with customers generally stipulate payment terms between 30 and 90 days. The total amount of due receivables amounted to CHF 273.8 million as at 31 December 2019 (2018: CHF 250.1 million). Of the allowance for expected credit losses, CHF 8.6 million is attributable to receivables outstanding for more than 90 days (2018: CHF 5.9 million). Credit losses related to trade receivables in the amount of CHF 0.4 million were recorded in the income statement (2018: CHF 0.5 million).

Notes to the consolidated financial statements of Implenia

in CHF t	Total 31.12.2019	Not due	Due within 1–30 days	31–60 days	61–90 days	>90 days
Third parties	525,533	262,530	66,000	16,181	24,853	155,969
Joint ventures (equity method)	20,161	9,734	3,579	2,851	614	3,383
Associates	2,128	1,728	–	–	–	400
Related parties	4	4	–	–	–	–
Sub-total	547,826	273,996	69,579	19,032	25,467	159,752
Allowance for expected credit losses	(9,126)					
Total	538,700					

in CHF t	Total 31.12.2018	Not due	Due within 1–30 days	31–60 days	61–90 days	>90 days
Third parties	476,602	241,759	64,571	10,853	18,509	140,910
Joint ventures (equity method)	22,632	7,932	4,517	1,356	2,476	6,351
Associates	2,122	1,588	98	22	–	414
Sub-total	501,356	251,279	69,186	12,231	20,985	147,675
Allowance for expected credit losses	(6,368)					
Total	494,988					

Accounting policies

Trade receivables are classified as such if they are unconditional receivables. "Unconditional" means that Implenia has a right to payment as soon as the payment period expires.

Trade receivables are recognised at the amounts invoiced less allowances for estimated shortfalls in receipts, e.g. due to rebates, refunds and discounts. They are subsequently measured at amortised cost.

For trade receivables, allowances are calculated in the amount of the expected credit losses over the term. Implenia periodically analyses the credit losses incurred in the past and also estimates expected credit losses based on economic conditions. Due to the customer structure, provisions in the statutory mortgage of contractor and significant prefinancing for construction services, no material credit losses are expected.

Notes to the consolidated financial statements of Implenia

13 — WORK IN PROGRESS

in CHF t	31.12.2019	31.12.2018
Contract assets	377,773	339,446
Contract costs in relation to future services by suppliers and subcontractors	22,294	18,085
Work in progress, assets	400,067	357,531
Contract liabilities	(383,682)	(311,693)
Provisions for current projects	(66,190)	(45,842)
Contract costs in relation to past services by suppliers and subcontractors	(584,827)	(622,815)
Work in progress, liabilities	(1,034,699)	(980,350)

Notes

As at 31 December 2019, contracts with a positive balance from advance payment plans reported under contract liabilities amounted to CHF 383.7 million (2018: CHF 311.7 million). The majority of this balance will be depleted in the following year. Real advance payments, which are secured through guarantees, totalled CHF 216.1 million (2018: CHF 174.4 million).

Accounting policies

Contract assets include conditional claims to consideration. "Conditional" means that Implenia has supplied construction services but these have not yet been invoiced. Invoicing is often dependent on achieving milestones, contractually agreed payment plans or the work being accepted by the client. Contract liabilities mainly contain prepayments received from customers. Contract costs in relation to past services by suppliers and subcontractors include outstanding invoices for current projects.

For contract assets, allowances are calculated in the amount of the expected credit losses over the term. Regarding this, Implenia periodically analyses the credit losses incurred in the past and also estimates expected credit losses based on economic conditions. Due to the customer structure, relevant provisions in the statutory mortgage of contractor and significant prefinancing for construction services, no material credit losses are expected.

Notes to the consolidated financial statements of Implenia

14 — JOINT VENTURES

There have been the following changes to joint ventures accounted for under the equity method:

in CHF t	31.12.2019	31.12.2018
As at 1.1.	9,496	26,762
Share of results	10,165	11,701
Other changes	(67,389)	(28,264)
Foreign exchange differences	261	(703)
Total as at reporting date	(47,467)	9,496
of which net asset	27,830	39,069
of which net liability	(75,297)	(29,573)

The carrying amount of total receivables (payables) from joint ventures accounted for under the equity method amounted to:

in CHF t	31.12.2019	31.12.2018
Joint ventures, assets	27,830	39,069
Joint ventures, liabilities	(75,297)	(29,573)
Receivables from joint ventures (equity method)	20,161	22,632
Liabilities to joint ventures (equity method)	(287)	(2,737)
Total	(27,593)	29,391

Implenia's share of the balance sheets and income statements of the joint ventures is:

in CHF t	31.12.2019	31.12.2018
Total assets	303,373	288,416
Total liabilities	(350,840)	(278,920)
Net assets	(47,467)	9,496

in CHF t	2019	2018
Net revenue	290,276	287,470
Expenses	(280,111)	(275,769)
Income from joint ventures	10,165	11,701

Notes to the consolidated financial statements of Implenia

The proportionately and fully consolidated joint ventures have the following effect on the consolidated balance sheet and income statement:

in CHF t	31.12.2019	31.12.2018
Total assets	181,464	144,871
Total liabilities	(137,867)	(104,508)
Net assets	43,597	40,363

in CHF t	2019	2018
Revenue	255,082	196,311
Expenses	(243,132)	(181,188)
Operating income	11,950	15,123

Notes

Services invoiced to joint ventures (included in Implenia's revenue) are disclosed in note 28.

There are no joint ventures accounted for under the equity method that on their own are material to the consolidated financial statements. Selected joint ventures are listed in note 33.

The non-controlling interests in equity are not impacted by completed fully consolidated joint ventures (2018: CHF 0.5 million).

Selected proportionately recognised and fully consolidated joint ventures are listed in note 33.

Accounting policies

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 financial 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 Implenia 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 Implenia directly or indirectly holds 20% or more of the voting rights in a joint venture or if Implenia is represented on the building commission or an equivalent governing body 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 Implenia in respect of joint ventures are disclosed separately in the corresponding receivables and payables items. Income from joint ventures is reported within group 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 Implenia's consolidated financial statements are prepared, the net profit and Implenia'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 of the following year.

Notes to the consolidated financial statements of Implenia

15 — REAL ESTATE TRANSACTIONS

in CHF t	31.12.2019	31.12.2018
Acquisition costs as at 1.1.	186,916	159,767
Additions	53,170	62,821
Disposals	(48,951)	(35,672)
Acquisition costs as at reporting date	**191,135**	186,916
Cumulative value adjustments as at 1.1.	(1,624)	(1,712)
Additions	(25)	–
Disposals	–	88
Cumulative value adjustments as at reporting date	**(1,649)**	(1,624)
Net carrying amount as at reporting date	**189,486**	185,292

Accounting policies

The real estate reported (real estate and land) are held for sale and are 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 realisable value.

Write-downs arising from impairments determined on the basis of the above measurement principles are charged directly to the item real estate transactions. 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.

Notes to the consolidated financial statements of Implenia

16 — PROPERTY, PLANT AND EQUIPMENT

in CHF t	Business premises	Production facilities	Machinery, furniture, IT	Assets under construction	Total
31.12.2019					
Acquisition costs as at 1.1.	108,225	82,963	360,792	6,038	558,018
Additions	1,123	2,244	66,584	684	70,635
Disposals	(9,868)	(156)	(58,212)	–	(68,236)
Reclassifications	–	735	4,930	(5,665)	–
Foreign exchange differences	(156)	(1,005)	(8,051)	(80)	(9,292)
Acquisition costs as at reporting date	99,324	84,781	366,043	977	551,125
Cumulative depreciations as at 1.1.	(41,470)	(42,210)	(180,847)	–	(264,527)
Additions	(3,447)	(4,259)	(55,947)	–	(63,653)
Disposals	8,307	156	50,829	–	59,292
Foreign exchange differences	50	383	4,382	–	4,815
Cumulative depreciations as at reporting date	(36,560)	(45,930)	(181,583)	–	(264,073)
Net carrying amount as at reporting date	62,764	38,851	184,460	977	287,052
of which pledged	3,445	–	–	–	3,445

in CHF t	Business premises	Production facilities	Machinery, furniture, IT	Assets under construction	Total
31.12.2018					
Acquisition costs as at 1.1.	107,868	81,715	355,508	6,407	551,498
Additions	869	4,060	71,420	3,676	80,025
Disposals	(310)	(1,763)	(52,607)	–	(54,680)
Reclassifications	–	–	3,831	(3,831)	–
Foreign exchange differences	(202)	(1,049)	(9,163)	(214)	(10,628)
Acquisition costs as at reporting date	108,225	82,963	368,989	6,038	566,215
Cumulative depreciations as at 1.1.	(38,970)	(39,002)	(181,666)	–	(259,638)
Additions	(2,832)	(4,171)	(52,269)	–	(59,272)
Disposals	274	604	48,130	–	49,008
Foreign exchange differences	58	359	4,958	–	5,375
Cumulative depreciations as at reporting date	(41,470)	(42,210)	(180,847)	–	(264,527)
Net carrying amount as at reporting date	66,755	40,753	188,142	6,038	301,688
of which pledged	3,445	–	–	–	3,445
of which finance leases	–	–	8,197	–	8,197

Notes to the consolidated financial statements of Implenia

Notes

As a lessee, Implenia had various finance leases in the previous year:

in CHF t	Up to 1 year	2–5 years	Over 5 years	Total
Future minimum lease payment	3,614	5,345	–	8,959
Net present value of minimum lease payment	3,370	4,959	–	8,329

As a lessee, Implenia had various operating leases in the previous year:

in CHF t	Up to 1 year	2–5 years	Over 5 years	Total
Future minimum lease payment	49,022	101,295	22,300	172,617

The subsidiaries had numerous operating leases, mainly for the short-term rental of construction machinery and real estate, in the previous year.

Accounting policies

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:

- Business premises 25–50 years
- Production facilities 15–20 years
- Machinery and vehicles 6–15 years
- Furniture 5–10 years
- IT 3–5 years

If the economic useful life is outside the ranges detailed above, the ranges shall not apply. In particular, project-related property, plant and equipment such as tunnel boring machines may have shorter useful lives. Costs, which extend economic useful lives, are capitalised separately. The value of property, plant and equipment is reviewed when events or changes in circumstances indicate that the carrying amount may be impaired.

Accounting policies applicable to the comparative period

In case of leasing agreements, Implenia 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.

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.

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.

The accounting policies according to IFRS 16, applicable for the financial year, are presented in note 17.

Notes to the consolidated financial statements of Implenia

17 — RIGHTS OF USE FROM LEASES

in CHF t	Business premises	Production facilities	Machinery, vehicles, furniture, IT	Total
31.12.2019				
Acquisition costs as at 1.1.	91,797	132	88,345	**180,274**
Additions	15,974	1,579	32,993	**50,546**
Disposals	(12,907)	–	(16,186)	**(29,093)**
Foreign exchange differences	(1,364)	(37)	(3,654)	**(5,055)**
Acquisition costs as at reporting date	93,500	1,674	101,498	**196,672**
Cumulative depreciations as at 1.1.	–	–	(11,006)	**(11,006)**
Additions	(19,676)	(367)	(36,301)	**(56,344)**
Disposals	1,223	–	15,054	**16,277**
Foreign exchange differences	186	7	699	**892**
Cumulative depreciations as at reporting date	(18,267)	(360)	(31,554)	**(50,181)**
Net carrying amount as at reporting date	75,233	1,314	69,944	**146,491**

Notes

Implenia has material leases for real estate, large-scale equipment, vehicles and small machinery as well as site equipment. Leases are negotiated individually in most cases. The term may vary significantly. Vehicles are usually leased for three to five years. Small machinery and site equipment often have a term of less than one year and are therefore not recognised on the balance sheet. An overview of the remaining rental expense is presented in note 9.

Where there is insufficient certainty that options will be exercised, they are not recognised in the right of use and in the lease liability. This mainly relates to business premises. Accordingly, potential future outflows of CHF 13.3 million (undiscounted) were not taken into account at the reporting date.

Amendments to existing leases resulted in a reduction in rights of use of CHF 8.9 million and liabilities from leases of CHF 8.8 million at the reporting date.

The outflow of cash and cash equivalents arising from leases totalled CHF 135.3 million in the financial year.

Information on liabilities arising from leases is presented in note 21.

Accounting policies

Under IFRS 16, all assets and liabilities arising from leases must be recognised in the balance sheet unless the lease term is not more than twelve months or the asset is of minor value.

Extension and cancellation options with respect to the lease period are taken into account if the exercise or non-exercise of such options is assessed as reasonably certain. The further in the future the assessment date for these options lies, the more uncertain their exercise will be. For most agreements, an assessment was made that an exercise of the options after five years can no longer be considered reasonably certain. Due to the counterparty's right of termination, the term of certain agreements is limited to the enforceable lease period.

Rights of use are valued for the first time at the value of the lease liability, adjusted for any advance payments, initial direct costs and restoration costs.

Rights of use are depreciated on a straight line basis over the lease term, or, if shorter, over their useful life. If it is reasonably certain that a purchase option will be exercised, the useful life remaining after the lease will be added to the depreciation period.

Leases may include other costs in addition to the actual lease payments, such as insurance premiums or maintenance costs. Costs of this kind are deducted from the lease amount and posted separately in the income statement.

Lease payments for short term and low value leases are recognised on a straight line basis over the term of the lease and posted in the income statement. Low value leases mostly comprise office machinery, IT equipment, small machinery and site equipment.

Notes to the consolidated financial statements of Implenia

18 — INVESTMENT PROPERTY

in CHF t	31.12.2019	31.12.2018
Acquisition costs as at 1.1.	25,590	26,169
Additions	363	79
Disposals	(294)	–
Foreign exchange differences	(596)	(658)
Acquisition costs as at reporting date	25,063	25,590
Cumulative depreciations as at 1.1.	(11,209)	(11,155)
Additions	(371)	(381)
Disposals	–	–
Foreign exchange differences	302	327
Cumulative depreciations as at reporting date	(11,278)	(11,209)
Net carrying amount as at reporting date	13,785	14,381

Notes

The item “investment property” includes real estate and agricultural land. Investment property is measured in accordance with the cost model and assigned to fair value level 3. The fair value of investment property 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 current valuations show that the fair value of investment property differs only marginally from the carrying amount.

Accounting policies

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) over 25–50 years. 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.

Notes to the consolidated financial statements of Implenia

19 — INVESTMENTS IN ASSOCIATES

in CHF t	31.12.2019	31.12.2018
As at 1.1.	53,061	51,294
Additions	5,691	2,096
Disposals	(4,528)	(519)
Share of results	2,246	4,475
Dividends received	(3,832)	(4,260)
Foreign exchange differences	(14)	(25)
Total as at reporting date	52,624	53,061

Notes

There are no investments in associates that on their own are material to the consolidated financial statements. Selected associates are listed in note 32.

Accounting policies

Associates are companies over which the Group exercises significant influence but does not have control. As a rule, these are companies in which Implenia holds a stake of between 20 and 50%. These companies are accounted for under the equity method and are reported separately in the consolidated balance sheet. If associates are not already applying IFRS, their results are adjusted accordingly. If there is no current financial data available when Implenia's consolidated financial statements are prepared, the net profit and Implenia's share of the profit are based on estimates by management or on figures from previous periods respectively. Any deviations between the actual results and these estimates are corrected in the consolidated financial statements of the following year. 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.

Notes to the consolidated financial statements of Implenia

20 — INTANGIBLE ASSETS

in CHF t	Licences and software	Brands	Customer relationships and order book	Goodwill	Total
31.12.2019					
Acquisition costs as at 1.1.	24,727	3,062	15,798	303,412	346,999
Additions	7,499	–	–	–	7,499
Disposals	(4,496)	(3,049)	–	–	(7,545)
Foreign exchange differences	(231)	(13)	(134)	(8,259)	(8,637)
Acquisition costs as at reporting date	27,499	–	15,664	295,153	338,316
Cumulative amortisations as at 1.1.	(21,054)	(2,344)	(15,556)	–	(38,954)
Additions	(2,058)	(710)	(96)	–	(2,864)
Disposals	4,496	3,049	–	–	7,545
Foreign exchange differences	197	5	128	–	330
Cumulative amortisations as at reporting date	(18,419)	–	(15,524)	–	(33,943)
Net carrying amount as at reporting date	9,080	–	140	295,153	304,373
of which with indefinite useful life	–	–	–	295,153	295,153

in CHF t	Licences and software	Brands	Customer relationships and order book	Goodwill	Total
31.12.2018					
Acquisition costs as at 1.1.	22,470	3,109	98,288	312,786	436,653
Additions	2,579	–	–	–	2,579
Disposals	–	–	(81,222)	–	(81,222)
Foreign exchange differences	(322)	(47)	(1,268)	(9,374)	(11,011)
Acquisition costs as at reporting date	24,727	3,062	15,798	303,412	346,999
Cumulative amortisations as at 1.1.	(19,920)	(2,237)	(82,182)	–	(104,339)
Additions	(1,373)	(124)	(15,640)	–	(17,137)
Disposals	–	–	81,222	–	81,222
Foreign exchange differences	239	17	1,044	–	1,300
Cumulative amortisations as at reporting date	(21,054)	(2,344)	(15,556)	–	(38,954)
Net carrying amount as at reporting date	3,673	718	242	303,412	308,045
of which with indefinite useful life	–	–	–	303,412	303,412

Notes to the consolidated financial statements of Implenia

Notes

Goodwill is allocated to the Group's relevant groups of cash generating units (CGUs), which correspond to the business segments.

The recoverable amount of a group of CGUs is determined by calculating its value in use by means of the discounted cash flow method. These calculations are based on the budget for the following year and the projected cash flows derived from the business plan for the two subsequent planning years approved by management. Subsequent years' cash flows are estimated based on the growth rates shown below.

As part of the strategic reorganisation in 2019, goodwill was reallocated as at 1 January 2019. The allocation was basically performed as a one-to-one relationship. Goodwill in the Division Specialties was allocated primarily on the basis of a relative value approach. At the time of reallocation, goodwill was tested for impairments and assessed as recoverable. Goodwill was allocated as follows:

	Current divisions			
Previous segments	Buildings	Civil Engineering	Specialties	Total
in CHF t				
Switzerland	41,360	6,561	2,413	50,334
Infrastructure	–	53,141	–	53,141
International	105,603	60,944	33,390	199,937
Total	146,963	120,646	35,803	303,412

Goodwill is distributed between the groups of CGUs as follows:

in CHF t	31.12.2019	Change	1.1.2019
Buildings	143,215	(3,748)	146,963
Civil Engineering	117,320	(3,326)	120,646
Specialties	34,618	(1,185)	35,803
Total	295,153	(8,259)	303,412

The change in goodwill is attributable to foreign exchange differences.

Notes to the consolidated financial statements of Implenia

Assumptions for the calculation of value in use:

in %	Buildings	Civil Engineering	Specialties
31.12.2019			
Average EBITDA margin in the planning years (excl. IFRS 16)	1.9	3.6	10.4
Discount rate, pre-tax	8.3	9.0	9.5
Post-business plan growth rate	1.2	1.9	1.4

in %	Switzerland	Infrastructure	International
31.12.2018			
Average EBITDA margin in the planning years	3.3	4.5	3.9
Discount rate, pre-tax	8.9	9.9	10.2
Post-business plan growth rate	1.0	2.0	2.0

Management has defined the EBITDA margins for the planning years 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 Implenia'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, a higher discount rate as well as a reduced EBITDA by 25% for post business plan period.

The impairment tests for goodwill did not lead to any need for impairment as in previous year.

Accounting policies

Business combinations are accounted for using the purchase method.

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.

When testing goodwill for impairment, the realisable value is computed on the basis of the group of CGUs to which the goodwill is allocated. Realisable value is the 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.

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:

- Customer relationships 10–15 years
- Brands 5–12 years
- Licences and software 3–5 years
- Order book 2–5 years

Notes to the consolidated financial statements of Implenia

21 — CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

in CHF t	31.12.2019	31.12.2018
Bond issues	250,270	250,311
Subordinated convertible bond	168,013	165,321
Promissory note loans	65,002	67,359
Liabilities to banks	7,380	24,702
Lease liabilities[1]	147,936	8,329
Other financial liabilities	1,152	–
Total as at reporting date	**639,753**	516,022
Maturity		
Less than 1 year	48,247	21,739
Between 2 and 5 years	416,970	210,299
Over 5 years	174,536	283,984
Total as at reporting date	**639,753**	516,022

1 Contains lease obligations from the first application of IFRS 16 in the reporting year, see note 2

Bonds and promissory note loans comprise the following:

in CHF t	Term	Effective interest rate	31.12.2019	31.12.2018
Bond issues / ISIN				
1.625% Bond issue CHF 125 million / CH025 359 2767	2014–2024	1.624%	125,000	125,000
1.000% Bond issue CHF 125 million / CH031 699 4661	2016–2026	0.964%	125,270	125,311
0.500% Subordinated convertible bond CHF 175 million / CH028 550 9359	2015–2022	2.158%	168,013	165,321
Total as at reporting date			**418,283**	415,632
Promissory note loans				
Promissory note loan EUR 10 million	2017–2021	0.927%	10,842	11,232
Promissory note loan EUR 20 million	2017–2023	1.349%	21,669	22,454
Promissory note loan EUR 30 million	2017–2025	1.792%	32,491	33,673
Total as at reporting date			**65,002**	67,359

Notes to the consolidated financial statements of Implenia

There have been the following changes to financial liabilities:

		Affecting liquidity		Not affecting liquidity			
in CHF t	1.1.2019	Increase	Repayments	Foreign Exchange Differences	Unwinding of discount	Change in Leasing	**31.12.2019**
Bond issues	415,632	–	–	–	2,651	–	**418,283**
Promissory note loans	67,359	–	–	(2,390)	33	–	**65,002**
Liabilities to banks	24,702	459	(17,317)	(464)	–	–	**7,380**
Lease liabilities[1]	161,148	–	(54,984)	(4,187)	–	45,959	**147,936**
Other financial liabilities	–	1,152	–	–	–	–	**1,152**
Total	668,841	1,611	(72,301)	(7,041)	2,685	45,959	**639,753**

1 Contains lease obligations from the first application of IFRS 16 from 1 January 2019, see note 2

		Affecting liquidity		Not affecting liquidity			
in CHF t	1.1.2018	Increase	Repayments	Foreign Exchange Differences	Unwinding of discount	Change in Leasing	**31.12.2018**
Bond issues	413,038	–	–	–	2,594	–	**415,632**
Promissory note loans	70,001	–	–	(2,678)	36	–	**67,359**
Liabilities to banks	7,134	19,565	(1,286)	(711)	–	–	**24,702**
Lease liabilities	6,757	–	(3,100)	(388)	–	5,060	**8,329**
Total	496,930	19,565	(4,386)	(3,777)	2,630	5,060	**516,022**

Notes to the consolidated financial statements of Implenia

Notes

The convertible bond includes a conversion premium of 32.5% and a conversion price of CHF 75.06.

The promissory note loans were designated as net investment hedges in foreign businesses.

Under a syndicated loan agreement signed on 29 June 2018, Implenia has a cash credit line of CHF 250 million (2018: CHF 250 million) and a guarantee limit of CHF 550 million (2018: CHF 550 million). The syndicated financing runs until 31 December 2023 and includes two options for extensions until 31 December 2025 at the latest.

Implenia also has bilateral loan agreements with various banks for the amount of CHF 100 million (2018: CHF 116 million).

Accounting policies

Financial liabilities are initially recognised at fair value and subsequently 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.

Liabilities arising from leases are measured for the first time at the present value of the minimum lease payments. The implicit interest rates in the leases are used to discount the lease payments. If the interest rates cannot be determined, company-specific interest rates are used, which would be used when raising a loan to purchase the leased item. Calculation thereof depends on the currency and term of the lease. In determining the lease term, extension, cancellation and purchase options are also taken into account if it is reasonably certain that they will be exercised. For purchase options where it is reasonably certain that they will be exercised, the exercise price of the option is added to the lease liability. Liabilities arising from leases are subsequently measured at amortised cost.

Notes to the consolidated financial statements of Implenia

22 — CURRENT AND NON-CURRENT PROVISIONS

in CHF t	Service guarantees	Litigation	Restoration, remediation	Others	Total
31.12.2019					
As at 1.1.	4,079	23,886	8,484	19,600	56,049
Increase	434	13,125	–	1,913	15,472
Used	(37)	(7,671)	(2,363)	(8,152)	(18,223)
Reversed	(6)	(1,720)	(17)	(330)	(2,073)
Foreign exchange differences	(16)	(780)	–	(281)	(1,077)
Total as at reporting date	4,454	26,840	6,104	12,750	50,148
of which current	326	11,309	–	5,668	17,303
31.12.2018					
As at 1.1.	6,446	21,975	19,610	17,080	65,111
Increase	665	5,107	–	6,938	12,710
Used	(2,983)	(1,663)	(6,133)	(3,605)	(14,384)
Reversed	–	(738)	(4,993)	(451)	(6,182)
Foreign exchange differences	(49)	(795)	–	(362)	(1,206)
Total as at reporting date	4,079	23,886	8,484	19,600	56,049
of which current	–	8,423	375	6,874	15,672

Notes

Provisions for service guarantees concern completed projects. Related costs tend to be payable within two to five years.

Provisions for litigation mainly relate to pending judicial rulings from completed projects.

The provisions for restoration and the rehabilitation of contaminated sites primarily relate to future real estate restoration costs.

Other provisions primarily relate to contractual risks and personnel-related provisions.

In the financial year, provisions for litigation were recognised in the amount of CHF 6.9 million in connection with projects taken over as part of the acquisition of Bilfinger Hochbau in 2017. The total anticipated outflows were compensated by the vendor on the basis of a contractual agreement. Furthermore, a legally binding settlement affecting a project run by the Buildings Division in Germany also led to provisions of CHF 9.1 million being utilised. Of this figure, CHF 5.6 million related to "Litigation" and CHF 3.5 million to "Others" (onerous contract).

Provisions of CHF 11.1 million in connection with the former Sulzer site (Lokstadt) were reduced in the previous year. As a result of selling sites and spending less on decontamination, CHF 5.0 million of this was reversed, CHF 6.1 million was used for the purpose.

Accounting policies

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.

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

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

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

Notes to the consolidated financial statements of Implenia

23 — DEFINED BENEFIT PENSION PLAN

Swiss pension system

In Switzerland, the company insures its employees against the financial consequences of old age, disability and death with the independent Implenia Pension Fund. It also manages a Welfare Fund (employer-funded foundation). The board of trustees of the Implenia 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 applicable on the retirement date. 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 Implenia Pension Fund. The assets are managed by the Implenia Pension Fund itself.

The Implenia 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 Implenia 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 implemented a package of measures designed to stabilise and optimise the Implenia Pension Fund long term in previous years. The measures were associated with demographic change and the low level of interest rates. The package of measures contain a gradual reduction in the conversion rate from 5.65% to 4.75%. The pension liability includes the last of three conversion rate reductions from 5.1% to 4.75% resolved by the board of trustees on 8 March 2018.

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 2% 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 Arrangement.

Notes to the consolidated financial statements of Implenia

in CHF t	Defined benefit obligations	Market value of plan assets	Adjustment to asset ceiling	Pension asset / (Pension liabilities)
As at 1.1.2019	(1,290,998)	1,453,890	(177,863)	**(14,971)**
Current service cost	(25,061)	–	–	**(25,061)**
Past service (cost) / gain	316	–	–	**316**
(Interest expense) / Interest income	(14,431)	16,161	(1,956)	**(226)**
Administration cost (excl. cost for managing plan assets)	(617)	–	–	**(617)**
Income / (expenses) recognised in the income statement	(39,793)	16,161	(1,956)	**(25,588)**
Return on plan assets (excl. interest income)		115,275	–	**115,275**
Gain / (loss) araising from changes in financial assumptions	(76,120)	–	–	**(76,120)**
Gain / (loss) araising from changes in demographical assumptions	32,559	–	–	**32,559**
Gain / (loss) araising from experience adjustments	38,931	–	–	**38,931**
Change in effect of asset ceiling	–	–	(124,808)	**(124,808)**
Income / (expenses) recognised in other comprehensive income	(4,630)	115,275	(124,808)	**(14,163)**
Employer contributions	–	35,246	–	**35,246**
Employee contributions	(30,704)	30,704	–	**–**
Benefits deposited / (paid)	88,857	(87,124)	–	**1,733**
Foreign exchange differences	2,133	(1,404)	–	**729**
Contributions and other effects	60,286	(22,578)	–	**37,708**
As at 31.12.2019	(1,275,135)	1,562,748	(304,627)	**(17,014)**

in CHF t	Defined benefit obligations	Market value of plan assets	Adjustment to asset ceiling	Pension asset / (Pension liabilities)
As at 1.1.2018	(1,340,860)	1,445,479	(117,954)	**(13,335)**
Current service cost	(26,691)	–	–	**(26,691)**
Past service (cost) / gain	12,009	–	–	**12,009**
(Interest expense) / Interest income	(12,683)	13,525	(1,062)	**(220)**
Administration cost (excl. cost for managing plan assets)	(642)	–	–	**(642)**
Income / (expenses) recognised in the income statement	(28,007)	13,525	(1,062)	**(15,544)**
Return on plan assets (excl. interest income)	–	(30,157)	–	**(30,157)**
Gain / (loss) araising from changes in financial assumptions	12,086	–	–	**12,086**
Gain / (loss) araising from changes in demographical assumptions	–	–	–	**–**
Gain / (loss) araising from experience adjustments	54,622	–	–	**54,622**
Change in effect of asset ceiling	–	–	(58,847)	**(58,847)**
Income / (expenses) recognised in other comprehensive income	66,708	(30,157)	(58,847)	**(22,296)**
Employer contributions	–	33,716	–	**33,716**
Employee contributions	(30,639)	30,639	–	**–**
Benefits deposited / (paid)	39,574	(37,840)	–	**1,734**
Foreign exchange differences	2,226	(1,472)	–	**754**
Contributions and other effects	11,161	25,043	–	**36,204**
As at 31.12.2018	(1,290,998)	1,453,890	(177,863)	**(14,971)**

Notes to the consolidated financial statements of Implenia

Notes

Plan assets comprise the following:

	31.12.2019		31.12.2018	
	in CHF t	%	in CHF t	%
Quoted				
Cash and cash equivalents	61,987	4.0	54,173	3.7
Debt instruments	702,226	44.9	582,460	40.1
Investment funds	412,621	26.4	442,831	30.5
Other	39,492	2.5	29,629	2.0
Unquoted				
Cash and cash equivalents	1,731	0.1	1,406	0.1
Debt instruments	137	0.0	6,298	0.4
Real estate	335,686	21.5	327,221	22.5
Other	8,868	0.6	9,872	0.7
Total	1,562,748	100.0	1,453,890	100.0
of which debt instruments of Implenia Ltd.	–	0.0	4,984	0.3
of which real estate used by Implenia	38,930	2.5	36,867	2.5

The pension commitment was calculated on the basis of the following actuarial assumptions:

	Switzerland		Germany	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Discount rate	0.40%	1.10%	0.85%	1.90%
Expected salary increase	1.25%	1.25%	0,00%	2.75%
Future pension increase	0,00%	0,00%	1.50%	1.50%
Mortality table	BVG 2015-CMI	BVG 2015-GT	Heubeck 2018	Heubeck 2018

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 fixed percentage points. 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	
in CHF t	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Discount rate (0.25% adjustment)	(36,499)	(36,619)	38,587	38,953
Salary progression (0.25% adjustment)	3,525	3,503	(4,392)	(3,644)
Life expectancy (1 year adjustment)	34,725	33,998	(35,385)	(34,918)

Notes to the consolidated financial statements of Implenia

The actual gain on plan assets for the 2019 financial year was CHF 131.4 million (2018: loss of CHF –16.6 million). The employer contributions in 2020 are estimated at CHF 36.2 million (2018: CHF 35.3 million). The weighted average duration of the obligation is 11.8 years (2018: 11.9 years).

Swiss pension legislation forbids repayment of funds transferred to pension funds to the company. However, the company may benefit economically from any surplus by the reduction in future contributions. An economic benefit of this kind equates to the present value of the amount by which the future service cost exceeds the employer's anticipated contributions but at least to the employer contribution reserves paid in.

The asset ceiling disclosed relates to the Swiss pension fund and the economic benefit as at 31 December 2019 is limited to the amount of the employer contribution reserves paid in of CHF 5.7 million (2018: CHF 5.7 million). The increase in the asset ceiling is mainly associated with the positive return on the plan assets.

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 2018 FAR had a funding ratio of 84.0% (31 December 2017: 93.8%). In 2019, Implenia paid FAR contributions of CHF 11.7 million (2018: CHF 11.7 million).

Accounting policies

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 the remeasurement of pension liabilities. The service cost and net interest income form part of the personnel expenses.

24 — DEFERRED TAX ASSETS AND LIABILITIES

in CHF t	Receivables and work in progress	Raw materials and supplies and real estate transactions	Property, plant and equipment	Intangible assets	Pension	Provisions	Other items	Tax loss carryforwards	Total
31.12.2019									
Deferred tax assets as at 1.1.	–	–	–	–	272	–	–	25,909	26,181
Deferred tax liabilities as at 1.1.	(45,503)	(5,009)	(6,172)	(2,537)	5,273	(13,567)	(11,367)	29,573	(49,309)
Net deferred tax as at 1.1.	(45,503)	(5,009)	(6,172)	(2,537)	5,545	(13,567)	(11,367)	55,482	(23,128)
Credited / (debited) to the income statement	(1,270)	1,367	485	3,198	(4,613)	(1,047)	1,308	9,388	8,816
Credited / (debited) directly to other comprehensive income	–	–	–	–	3,413	–	19	–	3,432
Foreign exchange differences	1,448	(5)	37	11	(186)	(35)	52	(2,160)	(838)
Net deferred tax as at reporting date	(45,325)	(3,647)	(5,650)	672	4,159	(14,649)	(9,988)	62,710	(11,718)
Deferred tax assets as at reporting date	–	–	–	–	263	–	–	36,725	36,988
Deferred tax liabilities as at reporting date	(45,325)	(3,647)	(5,650)	672	3,896	(14,649)	(9,988)	25,985	(48,706)
31.12.2018									
Deferred tax assets as at 1.1.	–	–	–	–	283	–	–	2,980	3,263
Deferred tax liabilities as at 1.1.	(34,846)	(5,824)	(6,683)	(6,897)	5,340	(13,102)	(18,138)	22,426	(57,724)
Net deferred tax as at 1.1.	(34,846)	(5,824)	(6,683)	(6,897)	5,623	(13,102)	(18,138)	25,406	(54,461)
Credited / (debited) to the income statement	(12,018)	824	489	4,269	(4,928)	(367)	6,613	32,211	27,093
Credited / (debited) directly to other comprehensive income	–	–	–	–	5,077	–	43	–	5,120
Foreign exchange differences	1,361	(9)	22	91	(227)	(98)	115	(2,135)	(880)
Net deferred tax as at reporting date	(45,503)	(5,009)	(6,172)	(2,537)	5,545	(13,567)	(11,367)	55,482	(23,128)
Deferred tax assets as at reporting date	–	–	–	–	272	–	–	25,909	26,181
Deferred tax liabilities as at reporting date	(45,503)	(5,009)	(6,172)	(2,537)	5,273	(13,567)	(11,367)	29,573	(49,309)

Notes to the consolidated financial statements of Implenia

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Temporary differences for which no deferred taxes have been recognised:

in CHF t	31.12.2019	31.12.2018
Investments	107,951	149,789
Goodwill	295,153	303,412

Unused tax loss carryforwards by maturity:

in CHF t	Not capitalised	Capitalised	Total 31.12.2019	Not capitalised	Capitalised	Total 31.12.2018
Usable indefinitely	148,245	249,533	397,778	127,447	207,980	335,427
Total	148,245	249,533	397,778	127,447	207,980	335,427

In the reporting period, tax loss carryforwards were essentially capitalised in the amount of taxable temporary differences available at company level. As in the prior year, tax loss carryforwards from companies where it is likely that they can be offset against future taxable profits and where there is no time limit to utilisation of tax loss carryforwards were capitalised in the reporting period. In the reporting year, tax loss carryforwards from companies with negative results in Germany, Norway and Sweden were capitalised.

The remaining non-capitalised tax loss carryforwards mainly affect subsidiaries abroad for which use is not expected at present.

Accounting policies

Tax loss carryforwards are capitalised if the company in question contains taxable temporary differences of at least the same extent or if, according to planning figures, it is likely to earn taxable profits in future.

Deferred tax assets and liabilities are netted if these items relate to the same legal entity and are levied by the same tax authority.

25 — EQUITY

The 2019 Annual General Meeting approved a distribution of ordinary dividends of CHF 0.50 per share, resulting in a total payment of CHF 9.2 million.

In the course of 2019, at total of 484,657 shares with a carrying amount of CHF 20.4 million (2018: 160,651 shares with a carrying amount of CHF 10.7 million) were sold or used for employee participation programmes and for the remuneration of the Board of Directors and the former Group Executive Board. This figure includes a sale of 330,000 shares at a value of CHF 12.8 million to an investor. The loss resulting from these transactions of CHF 2.6 million (2018: loss of CHF 1.5 million) is recognised in the capital reserve without affecting profit or loss.

No. of shares	31.12.2017	Changes 2018	31.12.2018	Changes 2019	31.12.2019
Total shares of Implenia Ltd.	18,472,000	–	18,472,000	–	18,472,000
Unreserved treasury shares	210,223	(143,169)	67,054	(53,203)	13,851
Total shares outstanding	18,261,777	143,169	18,404,946	53,203	18,458,149

All shares are subscribed and fully paid up. As at 31 December 2019 all shares with the exception of 13,851 treasury shares (2018: 67,054 treasury shares) have voting rights and qualify for dividends.

Par value of shares

in CHF t	31.12.2017	Changes 2018	31.12.2018	Changes 2019	31.12.2019
Share capital	18,841	–	18,841	–	18,841
Treasury shares	(214)	146	(68)	54	(14)
Total share capital outstanding	18,627	146	18,773	54	18,827

The par value of a share is unchanged at CHF 1.02.

Accounting policies

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

Treasury shares represent shares of Implenia Ltd. that have been reacquired on the market. They are deducted from equity.

Equity comprises additional items, which are reflected in the statement of changes in equity.

The foreign exchange differences include exchange differences relating to net assets and to non-current intra-Group financing transactions in connection with net investments in foreign businesses. Exchange differences relating to financial liabilities are also recorded here, if they were raised in foreign currency and are designated as a net investment hedge in a foreign business. 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 fulfil the criteria for hedge accounting. They are reclassified to the income statement as soon as the underlying transaction is recognised in profit or 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.

26 — EARNINGS PER SHARE

Data for calculating earnings per share:

in CHF t	2019	2018
Consolidated profit attributable to shareholders of Implenia Ltd.	29,651	(5,059)
Adjustment to effect on result due to convertible bond	2,854	2,808
Consolidated profit attributable to shareholders of Implenia Ltd. after adjustment	32,505	(2,251)
Weighted average number of shares outstanding	18,426,367	18,312,027
Adjustment due to diluting effect of convertible bond	2,331,469	2,331,469
Weighted average for calculating diluted earnings per share	20,757,836	20,643,496
Basic earnings per share in CHF	1.61	(0.28)
Diluted earnings per share in CHF	1.57	(0.28)

Notes

There has been no conversion since the issue of the convertible bond.

Dilution resulted from the convertible bond in the financial year (2018: no dilution).

Accounting policies

Basic earnings per share (EPS) are calculated by dividing the net income attributable to shareholders of Implenia 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 Implenia 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.

Notes to the consolidated financial statements of Implenia

27 — CONTINGENT LIABILITIES

in CHF m	31.12.2019	31.12.2018
As at 1.1.	213.3	207.3
Change	(3.5)	6.0
Total as at reporting date	209.8	213.3

Notes

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 for tax disputes/litigation.

Contractual investment obligations

in CHF m	31.12.2019	31.12.2018
Real estate transactions	103.2	69.7
Total	103.2	69.7

The Swiss Competition Commission has completed the investigations in the regional market for road construction and civil engineering in the canton of Grisons against Implenia and many other construction companies (see media releases in November 2012). Implenia had cooperated with the Competition Commission in these investigations, which is the reason Implenia was not fined in this regard.

Government representatives contacted Implenia Baugesellschaft m.b.H. in Vienna on 9 May 2017 in connection with an ongoing investigation in Austria being conducted by the public prosecutor against some 20 civil works companies and over 200 people. This concerned two projects dating from the time of Bilfinger Baugesellschaft m.b.H., which was integrated in the Implenia Group in 2015 (see media release of 11 May 2017). Implenia is cooperating with the authorities in Vienna and has promised its full support to the ongoing investigations. Management felt that it was impossible to make a reliable estimate of the outcome or amount of any penalties during the closing. Therefore, no provisions were made.

28 — RELATED PARTY DISCLOSURES

The following transactions took place between the Group and associates, joint ventures accounted for under the equity method, pension funds and other related parties:

in CHF t	2019	2018
Sales to related parties		
Joint ventures (equity method)	67,009	52,705
Associates	12,395	13,102
Other related parties	3,521	410
Purchases from related parties		
Joint ventures (equity method)	2,996	4,579
Associates	27,682	26,410
Other related parties	1,552	610

in CHF t	31.12.2019	31.12.2018
Receivables / accruals from related parties		
Joint ventures (equity method)	20,161	22,632
Associates	2,128	2,122
Other related parties	4	–
Payables to related parties		
Joint ventures (equity method)	287	2,737
Associates	2,657	4,181
Other related parties	22	–

Notes

Compensation paid to related parties is shown in note 8.4.

A contract of sale and a contract for work for a property with a market value of CHF 3.6 million was concluded with a member of the Implenia Executive Committee in the financial year. Of this figure, CHF 1.8 million is included in sales to other related parties.

Accounting policies

Related parties include 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 Implenia, members of the IEC (key management personnel), their related parties and the companies at which these persons exercise a senior management function as well as the Implenia Pension Fund.

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Notes to the consolidated financial statements of Implenia

29 — EVENTS AFTER THE BALANCE SHEET DATE

Proposed cash dividend for the 2019 financial year
For the 2019 financial year, the Board of Directors will propose a cash dividend of CHF 0.75 per share to the Annual General Meeting to be held on 24 March 2020. The proposed cash dividend amounts to a maximum of CHF 13.9 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. The balance sheet presented as at 31 December 2019 does not reflect the proposed dividend for the 2019 financial year.

Special distribution by way of a dividend in kind to effect the planned spin-off of Ina Invest Holding Ltd.
In the second quarter 2020, approximately half of Implenia's development portfolio, measured at the current market price, will be transferred to the already founded real estate company Ina Invest Ltd. An IPO is planned for Ina Invest Ltd.'s parent company, Ina Invest Holding Ltd. The Board of Directors agreed to the transaction in February 2020 and proposes to distribute, by way of a dividend in kind, 1 share in Ina Invest Holding Ltd. (an «Ina Share») for every 5 dividend bearing shares of Implenia Ltd. (the «Distribution»). A dividend in kind shall also be distributed on treasury shares. The Distribution will be made at the book value of Ina Invest Holding Ltd. according to the stand-alone balance sheet of Implenia Ltd. and corresponds to a maximum of CHF 1.20 per Implenia Ltd. share.

The Distribution is subject to the following conditions:

(i) the Ina Shares shall have been admitted to listing on the SIX Swiss Exchange as from the ex-dividend date for the Distribution (subject to technical deliverables only);
(ii) neither an order, injunction or decree issued by any governmental authority of competent jurisdiction nor any other legal restraint, prohibition or any other circumstance prevents the consummation of the spin-off of Ina Invest Holding Ltd.; and
(iii) no other events or developments shall have occurred prior to the ex-dividend date for the Distribution that, in the judgment of the Board of Directors, would result in the spin-off of Ina Invest Holding Ltd. having a material adverse effect (including, but not limited to, material adverse tax consequences or risks) on Implenia Ltd. or its shareholders.

The Board of Directors shall determine whether these conditions are met and, to the extent legally permissible, shall be authorized to waive one or several of these conditions if such waiver is, in the judgment of the Board of Directors, in the best interest of Implenia Ltd. and its shareholders. The Board of Directors shall determine the ex-dividend, record and settlement date for the Distribution.

Following approval by the Annual General Meeting to be held on 24 March 2020, the dividend in kind will be measured at the fair value of the assets to be transferred. The assets mainly comprise real estate transactions, which are measured at historical acquisition costs. The fair value of the dividend in kind is therefore significantly more than the current carrying amount of the assets to be transferred.

30 — FOREIGN EXCHANGE RATES

		Average rate		Closing rate	
		2019	2018	31.12.2019	31.12.2018
European Union	1 EUR	CHF 1.11	CHF 1.15	CHF 1.09	CHF 1.13
Ivory Coast / Mali	100 XOF	CHF 0.17	CHF 0.17	CHF 0.17	CHF 0.17
Norway	100 NOK	CHF 11.30	CHF 12.03	CHF 11.02	CHF 11.37
Sweden	100 SEK	CHF 10.51	CHF 11.26	CHF 10.33	CHF 11.08

Notes to the consolidated financial statements of Implenia

31 — SELECTED FULLY CONSOLIDATED COMPANIES

Name	Shareholding	Registered office	Country	Currency	Capital	Division	Held by
BBV Systems GmbH	100%	Bobenheim	D	EUR	520,000	Specialties	Implenia Construction GmbH
Building Construction Logistics GmbH	100%	Raunheim	D	EUR	25,000	Specialties	Implenia Hochbau GmbH
Gravière de La Claie-aux-Moines SA	66.7%	Savigny	CH	CHF	1,500,000	Specialties	Implenia Ltd.
Implenia Bau GmbH	100%	Rümmingen	D	EUR	2,556,459	Buildings	Implenia Holding GmbH
Implenia Baugesellschaft mbH	100%	Vienna	A	EUR	1,530,000	Several Divisions	Implenia Construction GmbH
Implenia Constructii SRL	100%	Voluntari	RO	RON	2,250,100	Civil Engineering	Implenia Baugesellschaft mbH
Implenia Construction GmbH	100%	Wiesbaden	D	EUR	10,100,000	Several Divisions	Implenia Holding GmbH
Implenia Fassadentechnik GmbH	93%	Hamburg	D	EUR	750,000	Specialties	Implenia Hochbau GmbH
Implenia France SA	100%	Archamps	F	EUR	5,059,119	Civil Engineering	Implenia Switzerland Ltd.
Implenia Gesellschaft für Bau- und Prüftechnik mbH	100%	Mannheim	D	EUR	178,952	Civil Engineering	Implenia Construction GmbH
Implenia Hochbau GmbH	100%	Raunheim	D	EUR	20,025,000	Buildings	Zschokke Holding Deutschland GmbH
Implenia Holding GmbH	100%	Rümmingen	D	EUR	3,067,751	Functions	Implenia Switzerland Ltd.
Implenia Real Estate Ltd.	100%	Dietlikon	CH	CHF	30,600,000	Development	Implenia Ltd.
Implenia Instandsetzung GmbH	100%	Munich	D	EUR	260,000	Civil Engineering	Implenia Construction GmbH
Implenia Kühllagerbau GmbH	100%	Bielefeld	D	EUR	25,000	Buildings	Implenia Hochbau GmbH
Implenia Modernbau GmbH	100%	Saarbrücken	D	EUR	511,292	Specialties	Implenia Hochbau GmbH
Implenia Norge AS	100%	Oslo	N	NOK	10,443,352	Civil Engineering	Implenia Switzerland Ltd.
Implenia Österreich GmbH	100%	Salzburg	A	EUR	35,000	Civil Engineering	Implenia Ltd.
Implenia Regiobau GmbH	100%	Freiburg	D	EUR	1,500,000	Civil Engineering	Implenia Construction GmbH
Implenia Schalungsbau GmbH	100%	Bobenheim	D	EUR	520,000	Specialties	Implenia Construction GmbH
Implenia Switzerland Ltd.	100%	Dietlikon	CH	CHF	40,000,000	Several Divisions	Implenia Ltd.

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Name	Shareholding	Registered office	Country	Currency	Capital	Division	Held by
Implenia Spezialtiefbau GmbH	100%	Langen	D	EUR	1,000,000	Civil Engineering	Implenia Construction GmbH
Implenia Sverige AB	100%	Stockholm	S	SEK	10,000,000	Civil Engineering	Implenia Switzerland Ltd.
Implenia Tesch GmbH	100%	Essen	D	EUR	255,646	Buildings	Implenia Hochbau GmbH
Reprojet AG	100%	Zurich	CH	CHF	100,000	Civil Engineering	Implenia Ltd.
SAPA, Société Anonyme de Produits Asphaltiques	75%	Satigny	CH	CHF	500,000	Civil Engineering	Implenia Ltd.
Sisag SA	100%	Abidjan	CI	XOF	492,000,000	Specialties	Implenia Ltd.
Socarco Mali Sàrl	100%	Bamako	RMM	XOF	100,000,000	Specialties	Sisag SA

Accounting policies

Fully consolidated companies are companies controlled by Implenia Ltd. Control is usually said to exist if Implenia Ltd. directly or indirectly controls more than 50% of the company's voting rights or of the potential voting rights that can be exercised at any given time and thereby controls the relevant activities. Consolidation starts from the date on which Implenia Ltd. obtains control over the company and it is deconsolidated at the date on which Implenia Ltd. loses control.

Notes to the consolidated financial statements of Implenia

32 — SELECTED ASSOCIATES

Name	Shareholding	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%	Nieder-gesteln	CH	CHF	–
Catram AG	24.0%	Chur	CH	CHF	1,000,000
GU Kies AG	33.3%	Schaff-hausen	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	13.2%	Mörschwil	CH	CHF	325,000
Mobival (sp)	26.0%	Massongex	CH	CHF	–
Parking Port d'Ouchy SA	29.7%	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	–
TIB Recycla SA	50.0%	Mezzovico-Vira	CH	CHF	1,000,000
Urner Belagszentrum (UBZ) (sp)	50.0%	Flüelen	CH	CHF	–
Valver (sp)	27.9%	Martigny	CH	CHF	–
wsb AG	50.0%	Rafz	CH	CHF	500,000

(sp) simple partnership

Accounting policies

Associates are recognised according to the equity method (see note 19).

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 control 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.

33 — SELECTED JOINT VENTURES

Name	Shareholding	Country	Recognition in consolidated financial statements
Arbeidsfellesskapet Risa	50.0%	NO	PC
ARGE EHS	30.0%	CH	EM
ARGE EP Küssnacht Brunnen	49.3%	CH	EM
ARGE FWZ Los 1 + 2	50.0%	CH	EM
ARGE Porta Nova Trier	33.0%	D	EM
ARGE S21 Berlin-Tunnel	25.0%	D	EM
ARGE Tunnel Fröschnitzgraben	50.0%	AT	PC
ARGE Tunnel Gloggnitz	40.0%	AT	EM
ARGE Tunnel Granitztal	50.0%	AT	PC
ARGE VAP	50.0%	CH	EM
Arge WA Benzstrasse Regensburg	50.0%	D	EM
ARGE ZOE	60.0%	CH	FC
ARGE ZUGO	20.0%	CH	EM
CERN HiLumi LHC P5	60.0%	FR	PC
Consortium PIC	30.0%	CH	EM
E16 Implenia-Isachsen ANS	50.0%	NO	PC
Extension Métro Lyon	50.0%	FR	PC
Grand Paris Express (L11-GC01)	25.0%	FR	PC
Grand Paris Express (Lot T2C)	25.0%	FR	PC
Groupement Marti-Implenia (Nant de Drance, Emosson)	50.0%	CH	EM
JV Hjulsta-S Handelsbolag	50.0%	SE	EM
MossIA ANS	55.0%	NO	PC

FC = fully consolidated; PC = proportionately consolidated; EM = equity method

Accounting policies

Joint ventures are included in the consolidated financial statements in accordance with note 14.

Although shares of 50% are held in some joint ventures, these are fully consolidated because Implenia controls them. This is the case if Implenia is the lead manager and has the casting vote based on the contractual arrangements.

Report on the audit of the consolidated financial statements

REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF IMPLENIA LTD., DIETLIKON

Opinion

We have audited the consolidated financial statements of Implenia Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2019 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.

In our opinion, the accompanying consolidated financial statements (pages 113 to 168) give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 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

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 Group materiality: CHF 6,200,000

- We conducted full scope audits at 12 Group companies in six countries.
- Our audit scope for these Group companies addressed 83% of the Group's revenue.
- In addition, reviews and audit procedures determined at Group level were performed at other Group companies. The reviews performed consisted of critical reviews of the balance sheet and the income statement.

As key audit matter, the following area of focus has been identified:

- Revenue recognition according to IFRS 15/ Work in progress

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.

On the basis of our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group 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 6,200,000
How we determined it	0.14% of the consolidated revenue
Rationale for the materiality benchmark applied	We chose consolidated revenue as the benchmark because, in our view, alongside EBITDA, it is the benchmark against which the performance of the Group, among others, is measured, and it is a generally accepted benchmark for materiality considerations.

We agreed with the Audit Committee that we would report to them misstatements above CHF 620,000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Report on the audit of the consolidated financial statements

Audit scope

We designed our audit by determining the 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.

We tailored the scope of our audit in order to perform sufficient audit procedures to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates. The Group companies in scope were audited by PwC component auditors and we were in constant contact with the audit teams that performed the work. As the group auditor of the consolidated financial statements, we regularly visited local management and auditors of the most significant Group companies. During these visits, we discussed the risks of a material misstatement of the local entity's financial statements as well as audit focus areas and audit scope.

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 IFRS 15/Work in progress

Key audit matter	How our audit addressed the key audit matter
In accordance with IFRS 15, revenue can be recognised at a point in time or over time. Land sales are recognised at the point in time in which transfer of property occurs. Revenue relating to the main areas of the Group's operations (construction projects, general contracting projects and development projects) is recognised over a specific time. Depending on the contractual arrangements, input based or output-based methods are used to determine the degree of a project's completion. This is the basis for revenue recognized in the period. This requires the use of estimates made by project leaders and Management. As such, determining revenue recognition involves significant judgements made by Management, which also have a material impact on the consolidated financial statements (assets recorded under work in progress, CHF 400.1 million and liabilities recorded under work in progress, CHF 1,034.7 million). The Implenia Executive Committee (IEC) discusses and monitors any non-standard projects (e.g. unusual size or unusual exposure to risk). At the request of IEC, these projects are discussed at Board of Directors meetings. For further information, please refer to notes 3.1, 5 and 13 in the notes to the consolidated financial statements.	Our audit focused on revenue recognition, and as a result of, the complexity of the projects, we focused on the estimates made by project leaders and Management. These estimates are mainly comprised of assumptions in connection with the progress of work, the forecast of final costs and projectrelated accruals and deferrals. We gained an understanding and evaluated the method used by Management on project reviews and revenue recognition, and performed a critical assessment of the process applied by Management. Our conclusion is based on the following audit procedures: ▪ We evaluated the application of revenue recognition was in accordance with IFRS 15 ▪ We reviewed the internal reporting to Management and the Board of Directors ▪ We performed inquiries and inspected evidence at Project Review Meetings ▪ We discussed selected projects with Management and the Audit Committee ▪ We tested related key controls. Examples of key controls in this area are: — Amounts booked to projects are reviewed by the Project Controller and the Division Controller (Business Partner Finance) for completeness and accuracy. — Controls over project-related accruals and deferrals. ▪ We performed in depth reviews of numerous projects. The sample of projects selected for review were made based on a risk-based criteria we determined. These included: — Contribution margin amount in the financial year — Amount of revenue in the financial year — Change in the contribution margin compared with the prior year — Material project-related accruals — Size of projects — Key projects from Implenia's Management's perspective — Introduction of an element of unpredictability in the selection of projects

Report on the audit of the consolidated financial statements

Key audit matter	How our audit addressed the key audit matter
	▪ For the selected projects, we performed the following audit procedures: — We discussed and assessed with project controlling and, in selected cases, operational leaders, the stage of completion of the work on the project, future costs to be incurred and accruals to completion. As part of our procedures, progress of selected projects was followed up and assessed. For those projects involving significant judgement, we also involved the operational leaders. In doing so, 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 change orders recognised as assets. Further, we obtained confirmations of accounts receivable. — To minimise losses on projects, Implenia has defined a target contribution margin. Any resulting provisions 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 in determining estimates for the stage of completion and valuation of work in progress (cost estimates and revenue to completion) of their projects appropriate, and provides sufficient basis to support revenue recognized in the 2019 financial year.

Other information in the annual report

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 Implenia 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

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 either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Report on the audit of the consolidated financial statements

Auditor's responsibilities for the audit of the consolidated financial statements

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 available on the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Dr Michael Abresch	Christian Kessler
Audit expert	Audit expert
Auditor in charge	

Zurich, 24 February 2020

Income statement of Implenia Ltd.

in CHF t	Notes	1.1.–31.12.2019	1.1.–31.12.2018
Income from investments		93,035	64,688
Change in value adjustments and provisions	3	8,147	2,737
Other operational income	3	31,582	28,946
Total operating income		132,764	96,371
Personnel expenses		(26,579)	(23,690)
Other operational costs		(14,871)	(10,371)
Depreciation and valuation adjustments on fixed asset items		(80)	(103)
Operating earnings before interest and taxes		91,234	62,207
Financial income		12,521	12,882
Financial expenses		(9,946)	(10,944)
Operating earnings before taxes		93,809	64,145
Direct taxes		(535)	(120)
Profit for the year		93,274	64,025

Balance sheet of Implenia Ltd.

Assets

in CHF t	Notes	31.12.2019	31.12.2018
Cash and cash equivalents and current assets with a stock exchange price	3	370,619	326,708
Trade receivables from third parties		203	315
Trade receivables from Group companies		2,059	1,952
Other current receivables from third parties		359	410
Other current receivables from Group companies		144,334	141,948
Accrued income and prepaid expenses		3,740	5,034
Total current assets		**521,314**	476,367
Financial assets from third parties	3	801	1,837
Financial assets from Group companies	3	244,310	218,152
Investments in Group companies		353,607	343,870
Property, plant and equipment		259	47
Intangible assets		547	19
Total non-current assets		**599,524**	563,925
Total assets		**1,120,838**	1,040,292

Equity and liabilities

in CHF t	Notes	31.12.2019	31.12.2018
Trade payables to third parties		1,175	275
Trade payables to Group companies		19	57
Current interest-bearing liabilities to Group companies		78,223	123,157
Other current liabilities to third parties		1,937	1,473
Deferred income and accrued expenses		15,012	11,975
Total current liabilities		**96,366**	136,937
Long-term interest-bearing liabilities to third parties	5	490,002	492,359
Long-term interest-bearing liabilities to Group companies		41,609	6,134
Total non-current liabilities		**531,611**	498,493
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		364,969	310,147
Profit for the year		93,274	64,025
Treasury shares	3	(540)	(4,468)
Total equity		**492,861**	404,862
Total equity and liabilities		**1,120,838**	1,040,292

Notes to the Statutory Financial Statements of Implenia Ltd.

1 — GENERAL INFORMATION

Implenia Ltd. is a Swiss public limited company incorporated in Dietlikon, Zurich. As in the previous year, the average number of full-time employees employed by the company in the financial year was between 50 and 100.

2 — SIGNIFICANT ACCOUNTING POLICIES

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.

Investments
Shares in the capital of another company held long-term are regarded as a stake in a Group company once more than 50% 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 as well as promissory note loans are recognised under interest-bearing liabilities at their nominal value. Issuance costs are capitalised as deferred items and depreciated over the maturity. If the financial liability 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 on the balance sheet.

3 — BREAKDOWNS AND EXPLANATIONS OF ITEMS IN THE INCOME STATEMENT AND THE BALANCE SHEET

Change in value adjustments and provisions
This item includes the reversal of a value adjustment on investments of CHF 6.6 million in the financial year (2018: increase in bad debts of CHF 5.6 million and reversal of CHF 8.4 million).

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 that are held on a long-term basis of CHF 0.7 million (2018: CHF 0.7 million) and derivative financial instruments of CHF 0.1 million (2018: 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 fair value through profit or loss on the balance sheet date. Financial assets from Group companies contain long-term loans.

Liabilities from lease obligations
As in the previous year, there are no material liabilities from lease obligations.

Significant release of hidden reserves
There was no net release of hidden reserves in the reporting year (2018: none).

Share capital
As at 31 December 2019, Implenia Ltd.'s share capital amount amounts to CHF 18,841,440, divided into 18,472,000 registered shares with a par value of CHF 1.02 each. The share capital is fully paid up. As at the balance sheet date, Implenia Ltd. also had conditional capital of CHF 3,768,288. Based on this conditional capital, share capital can be increased in line with the criteria set out in Art. 3b of the Articles of Association by a total of CHF 3,768,288. At the balance sheet date, no shares have been issued from the conditional share capital.

Notes to the Statutory Financial Statements of Implenia Ltd.

Shareholders holding more than three percent of the share capital and of the voting rights as at 31 December 2019:

	Share capital participation	
in %	**31.12.2019**	31.12.2018
Parmino Holding AG / Max Rössler	**16.5**	16.3
Rudolf Maag	**5.4**	5.4
Credit Suisse Funds AG	**5.1**	3.1
Norbert Ketterer	**5.0**	n.a.
Dimensional Holdings Inc.	**3.0**	3.0

The following shares were allocated in the reporting year:

	Shares definitely allocated		Amount recognised in the income statement in CHF t	
	2019	2018	**2019**	2018
Board of Directors	**11,088**	10,156	**349**	322
Group Executive Board	**13,754**	65,210	**438**	2,591
Managers	**30,584**	16,264	**1,608**	1,090
Total	**55,426**	91,630	**2,395**	4,003

Treasury shares (as a minus position)

	31.12.2019		31.12.2018	
	Number	**in CHF t**	Number	in CHF t
As at 1.1	**67,054**	**4,468**	210,223	14,090
Purchase	**431,454**	**16,430**	17,482	1,124
Sale and use for employees and Board of Directors	**(484,657)**	**(20,358)**	(160,651)	(10,746)
Total as at reporting date	**13,851**	**540**	67,054	4,468

In the reporting period, 347,454 shares were purchased from an investor at a market value of CHF 13.5 million and subsequently 330,000 shares were sold to an investor at a market value of CHF 12.8 million.

4 — CONTINGENT LIABILITIES

in CHF t	**31.12.2019**	31.12.2018
Guarantees and contingent liabilities	**34,993**	36,590
Security for joint liability regarding the levying of VAT for the Implenia-VAT-group	**p.m.**	p.m.

Notes to the Statutory Financial Statements of Implenia Ltd.

5 — FINANCIAL LIABILITIES

Implenia Ltd. placed the following two bonds and a subordinated convertible bond:

- CHF 125 million bond, 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 bond, 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 subordinated convertible bond, payment under subscription 30 June 2015, 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%

On 9 June 2017, Implenia Ltd. placed three fixed-rate promissory note loans totalling EUR 60 million:

- EUR 10 million, due in 2021, effective interest rate 0.927%
- EUR 20 million, due in 2023, effective interest rate 1.349%
- EUR 30 million, due in 2025, effective interest rate 1.792%

6 — SHARES HELD BY MEMBERS OF THE BOARD OF DIRECTORS AND IMPLENIA EXECUTIVE COMMITTEE

As at 31 December 2019, 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 95,171 or 0.5% of the share capital (2018: 57,588 shares or 0.3%). This figure includes any shares acquired in a private capacity:

Non-executive Board of Directors

	Number of shares, as at		Shares blocked until		
	31.12.2019	31.12.2018	2020	2021	2022
Hans Ulrich Meister, Chairman	73,395	44,164	2,021	2,143	4,231
Kyrre Olaf Johansen, Vice-Chairman	2,903	1,392	626	766	1,511
Henner Mahlstedt, Member	7,063	5,351	818	868	1,712
Ines Pöschel, Member	6,403	4,892	626	766	1,511
Laurent Vulliet, Member	4,098	1,789	626	663	1,309
Martin Fischer, Mitglied	1,309	–	–	–	1,309
Barbara Lambert, Member	–	–	–	–	–
Total	95,171	57,588	4,717	5,206	11,583

Notes to the Statutory Financial Statements of Implenia Ltd.

As at 31 December 2019, the number of shares held by people serving as members of the Implenia Executive Committee during the year under review, as well as by related persons, totalled 137,299 or 0.7% of the share capital (2018: 121,265 shares or 0.7%). This figure includes any shares acquired in a private capacity.

Implenia Executive Committee

	Number of shares, as at		Shares blocked until		
	31.12.2019	31.12.2018	2020	2021	2022
André Wyss, CEO	97,448	47,448	–	22,448	–
Marco Dirren, CFO	2,000	n.a.	–	–	–
Adrian Wyss, Division Head Development	10,255	n.a.	2,500	2,750	458
Jens Vollmar, Division Head Buildings	5,591	n.a.	2,273	2,860	458
René Kotacka, Division Head Civil Engineering	10,650	10,650	2,750	2,750	–
Anita Eckardt, Division Head Specialties	–	n.a.	–	–	–
German Grüniger, General Counsel	6,455	n.a.	868	907	1,257
Christelle Beneteau, Chief Human Resources Officer	3,500	n.a.	–	–	–
Matthias Jacob, Head Country Management	1,400	n.a.	–	1,200	200
Anton Affentranger (until 31.1.2019)	n.a.	n.a.	12,500	25,000	–
Beat Fellmann (until 28.2.2019)	n.a.	45,000	10,000	10,000	9,167
André Métral (until 28.2.2019)	n.a.	10,882	2,750	2,750	2,750
Christof Gämperle (until 28.2.2019)	n.a.	7,285	–	1,972	4,099
Total	137,299	121,265	33,641	72,637	18,389

7 — 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
Implenia Construction GmbH	Raunheim (D)	100%	EUR	10,100,000
Implenia Cyprus Ltd.	Nicosia (CY)	100%	EUR	3,001
Implenia Holding GmbH	Rümmingen (D)	100%	EUR	3,067,751
Implenia Hochbau GmbH	Raunheim (D)	100%	EUR	20,025,000
Implenia Modernbau GmbH	Saarbrücken (D)	100%	EUR	511,292
Implenia Norge AS	Oslo (N)	100%	NOK	10,443,352
Implenia Österreich GmbH	Salzburg (A)	100%	EUR	35,000
Implenia Real Estate Ltd.	Dietlikon	100%	CHF	30,600,000
Implenia Spezialtiefbau GmbH	Langen (D)	100%	EUR	1,000,000
Implenia Switzerland Ltd.	Dietlikon	100%	CHF	40,000,000
Implenia Tesch GmbH	Essen (D)	100%	EUR	255,646
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	Onex	100%	CHF	200,000
Tetrag Automation Ltd.	Dietlikon	100%	CHF	100,000

Notes to the Statutory Financial Statements of Implenia Ltd.

Proposal of the Board of Directors regarding the appropriation of available earnings

in CHF t	2019
Profit carried forward	364,969
Profit for the year	93,274
	458,243

The Board of Directors proposes to the General Meeting the following appropriation of available earnings and reserves:

in CHF t	2019
Distribution of a dividend of	13,854
To be carried forward	444,389
	458,243

Proposed cash dividend for the 2019 financial year

For the 2019 financial year, the Board of Directors will propose a cash dividend of CHF 0.75 per share to the Annual General Meeting to be held on 24 March 2020. The proposed cash dividend amounts to a maximum of CHF 13.9 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 (record date: 31 March 2020).

Special distribution by way of a dividend in kind to effect the planned spin-off of Ina Invest Holding Ltd.

The Board of Directors proposes to distribute, by way of a dividend in kind, 1 share in Ina Invest Holding Ltd. (an "Ina Share") for every 5 dividend bearing shares of Implenia Ltd. (the "Distribution"). A dividend in kind shall also be distributed on treasury shares. The Distribution will be made at the book value of Ina Invest Holding Ltd. according to the stand-alone balance sheet of Implenia Ltd. and corresponds to a maximum of CHF 1.20 per Implenia Ltd. share. The Distribution will be booked (i) against CHF 55,416 of capital contribution reserves and (ii) for the remaining part, against other reserves. The Board of Directors shall determine, at its discretion, how fractions of Ina shares and holders of physical share certificates of Implenia (Heimverwahrer) will be treated (it being understood that fractions and the respective Ina shares, respectively, shall in principle be sold on the shareholders' behalf, with the shareholders receiving the cash proceeds in lieu of fractions and the Ina Shares, respectively).

The Distribution is subject to the following conditions:

(i) the Ina Shares shall have been admitted to listing on the SIX Swiss Exchange as from the ex-dividend date for the Distribution (subject to technical deliverables only);

(ii) neither an order, injunction or decree issued by any governmental authority of competent jurisdiction nor any other legal restraint, prohibition or any other circumstance prevents the consummation of the spin-off of Ina Invest Holding Ltd.; and

(iii) no other events or developments shall have occurred prior to the ex-dividend date for the Distribution that, in the judgment of the Board of Directors, would result in the spin-off of Ina Invest Holding Ltd. having a material adverse effect (including, but not limited to, material adverse tax consequences or risks) on Implenia Ltd. or its shareholders.

The Board of Directors shall determine whether these conditions are met and, to the extent legally permissible, shall be authorized to waive one or several of these conditions if such waiver is, in the judgment of the Board of Directors, in the best interest of Implenia Ltd. and its shareholders. The Board of Directors shall determine the ex-dividend, record and settlement date for the Distribution.

Report on the audit of the financial statements of Implenia Ltd.

REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF IMPLENIA LTD., DIETLIKON

Opinion

We have audited the financial statements of Implenia Ltd., which comprise the balance sheet as at 31 December 2019, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements (pages 173 to 179) as at 31 December 2019 comply with Swiss law and the company's articles of incorporation.

Basis for opinion

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.

Our audit approach

Overview

Overall materiality: CHF 5,600,000

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 key audit matter the following area of focus has been identified:

- Impairment of investments and financial assets (Group companies)

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 5,600,000
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 560,000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

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 on the audit of the financial statements of Implenia Ltd.

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 of investments and financial assets (Group companies)

Key audit matter	How our audit addressed the key audit matter
Impairment of investments and financial assets (Group companies) was deemed a key audit matter. Investments and financial assets (Group companies) recognised on the balance sheet represent a significant portion of the assets, amounting to approximately CHF 353.5 million (32%) and CHF 244.3 million (22%), respectively. Investments and financial assets (Group companies) are valued individually and stated at acquisition cost less any necessary impairment charges. In identifying the potential need for impairment of investments and financial assets (Group companies), Management performs an impairment test as determined by the Board of Directors. The company valuations are determined by Implenia on the basis of the value of the underlying assets or the use of the discounted cash flow (DCF) method, which involves significant judgement in determining the parameters, such as capitalisation rates. Please refer to notes 2, 3 and 7 in the notes to the financial statements.	To identify any impairment of investments and financial assets (Group companies), we performed the following audit procedures: ▪ We compared the book values of the investments in the year under review with their pro-rata share of the respective company's equity. Where there was little or no excess of underlying assets over book values, valuations were prepared using the DCF method or compared with impairment tests that, for example, were performed to test goodwill at the Group level. ▪ We checked the plausibility of the assumptions used by the holding company's Management concerning revenue growth, costs, long-term growth rates and margins. ▪ We compared the discount rate with the cost of capital of the Group, taking into account the country-specific particularities. Based on audit procedures performed, assumptions used by the company for the impairment of investments and financial assets (Group companies) as at 31 December 2019 are reasonable.

Report on the audit of the financial statements of Implenia Ltd.

Responsibilities of the Board of Directors for the financial statements

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 either intends 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

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 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.

Report on other legal and regulatory requirements

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 further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Dr. Michael Abresch
Audit expert
Auditor in charge

Christian Kessler
Audit expert

Zurich, 24 February 2020

6 Further Information

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Alternative performance measures

In addition to the ones prescribed by IFRS, Implenia uses other measures to manage its business. The following overview explains the alternative performance measures (APM) used in this report. The aim is to clarify the reasons for using these measures and to improve transparency and comprehensibility.

Definitions of alternative performance measures

APM	Definition
Order backlog	The order backlog is defined as services that have been contractually agreed but not yet performed, valued by contract amount on the balance sheet date. Approved contractual changes are also included in the backlog. The order backlog increases when orders are secured, and decreases by the level of production output during the period. This measure helps predict the development of Implenia's construction activity.
Equity ratio	The equity ratio is the ratio of equity to total assets on the balance sheet date. In addition, the equity ratio takes account of the subordinated convertible bond. Our equity ratio shows the Implenia Group's financing situation.
Income figures excl. PPA	Income figures excluding PPA show the income situation if depreciation and amortisation from redetermining the fair value of acquisitions is excluded.
Free cash flow	Free cash flow is defined as cash flow from operating activities minus the acquisition and sale of fixed assets. The free cash flow figure reflects our ability to generate cash, repay liabilities, make acquisitions and pay dividends.
Like-for-like	Implenia shows like-for-like figures (currency-adjusted) in order to measure changes since the previous reporting period without the distorting effect of exchange rate fluctuations. The adjustment is made by recalculating balance sheet items at the closing exchange rate on the last day of the previous year. Meanwhile, figures for income, expenditure and cash flows at consolidated companies are recalculated at the average exchange rates for the previous period converted into CHF. These like-for-like figures allow an assessment of Implenia's performance over time without the influence of exchange rate effects.
Net cash position	The net cash position corresponds to the difference between cash and cash equivalents on the one hand, and interest-bearing short and long-term financial liabilities on the other. The net cash position reflects our ability to settle interest-bearing financial liabilities.
Performance measures excl. IFRS 16	Performance measures excl. IFRS 16 adjust for the impact of the IFRS 16 leasing standard. Reporting to the Implenia Executive Committee and Board of Directors contains figures that exclude the impact of IFRS 16.
Production output	Production output is calculated as the IFRS revenue plus the proportionate revenue from joint ventures valued using the equity method. Production output is a purely statistical measure that reflects the work actually done by the Group for its clients.
Return on invested capital (ROIC)	This measure is defined as the ratio between operating income and average capital invested, excl. rights of use from leasing, during the period under review. It is a measure of profitability and capital efficiency.
Visibility	Visibility is calculated as the order book for the current year divided by planned production output for the next reporting period. Visibility is an indicator of future assured capacity utilisation.

Alternative performance measures

Reconciliations

The following reconciliation shows the derivation of the alternative performance measures "production output", "EBITDA" and "operating income excluding PPA":

in CHF t	APM	1.1.–31.12.2019	1.1.–31.12.2018
Production output (unconsolidated)	X	4,517,550	4,452,761
Proportional revenue and services invoiced to JVs		(86,717)	(88,288)
Group revenue		4,430,833	4,364,473
EBITDA		186,768	89,726
Other operating expenses from leases		(55,986)	–
EBITDA excl. IFRS 16	X	130,782	89,726
Operating income		63,507	12,935
Depreciation and amortisation from PPA		4,053	18,065
Operating income excl. PPA	X	67,560	31,000

The following reconciliation shows the derivation of the alternative performance measure "net cash position":

in CHF t	APM	31.12.2019	31.12.2018
Cash and cash equivalents		912,317	913,233
Financial liabilities		(639,753)	(516,022)
Net cash position	X	272,564	397,211
Lease liabilities		147,936	8,329
Net cash position excl. lease liabilities	X	420,500	405,540

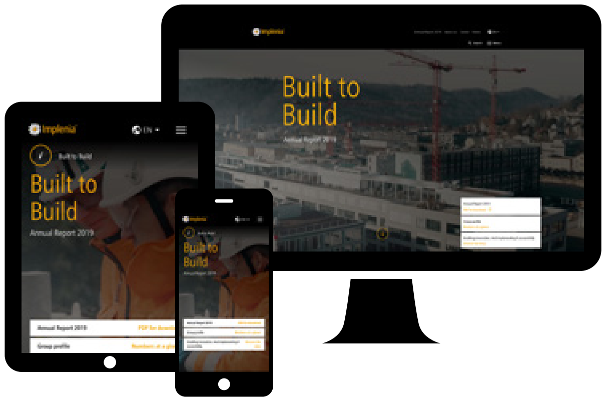
Implenia defines free cash flow as cash flow from operating activities minus the acquisition and sale of fixed assets. The following table gives an overview of free cash flow:

in CHF t	APM	1.1.–31.12.2019	1.1.–31.12.2018
Cash flow from operating activities		143,549	16,052
Investments in non-current assets		(84,282)	(79,773)
Disposal of non-current assets		25,604	11,135
Free cash flow	X	84,871	(52,586)
Impact of IFRS 16 Leases		(51,352)	–
Free cash flow excl. IFRS 16	X	33,519	(52,586)

Contacts, dates and publication details

You can find all of Implenia’s latest figures and information in our online Annual Report, which also provides additional content, including stories relating to our strategic priorities and videos in various formats.

Implenia’s online 2019 Annual Report in German and English can be accessed at **www.implenia.com**



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KEY DATES

Media and analysts conference on the results for the first half of 2020
19 August 2020

Media and analysts conference on the 2020 annual results
3 March 2021

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