Implenia

Annual Report 2021

CREATE AND BUILD TOMORROW'S WORLD TODAY

IMPLENIA ANNUAL REPORT 2021

THE YEAR IN BRIEF

IMPLENIA WELL ON TRACK
INCREASED PROFIT BASED ON UNDERLYING PERFORMANCE

- Implenia improved underlying performance by 24% compared to previous year and significantly exceeded EBIT target of CHF >100 million with CHF 114.8 million
- Execution of transformation far advanced; strong and high-quality order intake
- Equity strengthened; strong cash flow in second half of year; refinancing of maturing convertible bond secured
- Implenia aims for EBIT of more than CHF 120 million in 2022 from further improved underlying performance and a strengthening of the equity base by CHF >80 million

This report includes alternative performance measures. These are defined on page 177.
This Annual Report is also available in German. The original German version is binding.

The year in brief

Order book
in CHF m

6,881

(2020: 6,386)

Consolidated revenue
in CHF m

3,765

(2020: 3,989)

EBIT
in CHF m

114.8

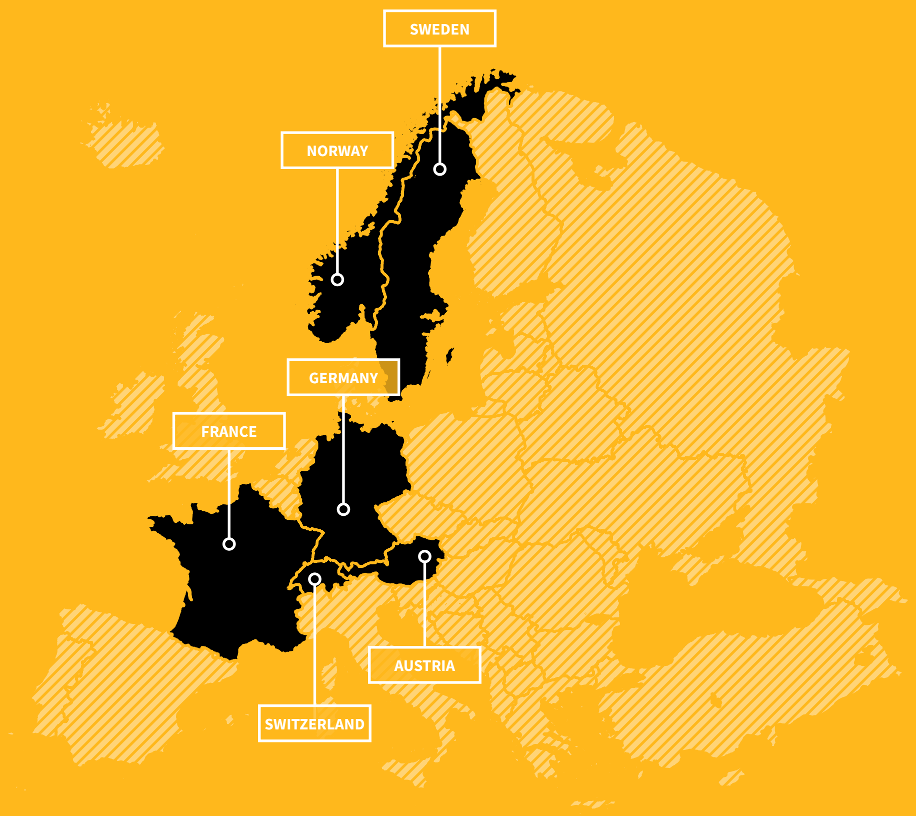
(2020: -146.8)

Employees (FTE)
as at 31.12.2021

7,653

(2020: 8,701)

Geographical presence
Implenia's relevant markets



1 TO OUR SHAREHOLDERS

DEAR SHAREHOLDERS

2021 was a good year for Implenia. After a challenging transformation phase, the Group has achieved some important milestones on the path to sustainable profitability. All Divisions and relevant markets contributed positively to the result, underlying performance at EBIT level was significantly improved, there was a healthy increase in equity, and the convertible bond maturing in 2022 was successfully refinanced. These results show that Implenia is well on track with the execution of its strategy.

With a clear focus on profitable, complex projects, and by strictly applying Value Assurance – Implenia's risk management system – the Group was able to acquire several strategically relevant assignments with significantly improved risk and margin profiles in 2021. This clearly shows that clients trust Implenia and that the company is well positioned with its expertise and experience along with its services and competencies.

Measures to intensify and accelerate strategy execution were adopted in October 2020 and are set to run until 2023. These have largely been completed. Implenia continues to focus on integrated construction and real estate services in Switzerland and Germany and offers tunnelling and related infrastructure projects in other markets. In order to further improve profitability, the Group is constantly reviewing further portfolio adjustments and opportunities to outsource asset-heavy activities.

Implenia's position as an industry leader in sustainability was confirmed in 2021 by significant environmental, social and governance (ESG) ratings. Implenia is also noted for its increasingly digitalized, industrialised and partnership-based development, planning and construction services – and it now uses Lean Construction methods and BIM on all major projects.

As a result of the portfolio adjustments, a more focused geographical presence and application of the Value Assurance process, all Divisions are well positioned to further increase profitability. As communicated in autumn 2021, we want to strengthen our equity by at least CHF 80 million in the current year. Consequently, the Board of Directors will propose to the Annual General Meeting of 29 March 2022 to refrain from paying a dividend.

On behalf of the Board of Directors, I would like to thank all our employees for their hard work during the year, and to thank you for your trust. I look forward to your continued support as a shareholder.

Hans Ulrich Meister
Chairman of the Board of Directors

IMPLENIA WELL ON TRACK, INCREASED PROFIT BASED ON UNDERLYING PERFORMANCE

Implenia improved its underlying performance compared to the previous year and significantly exceeded its target for 2021 with EBIT of CHF 114.8 million. The strong, high-quality order intake shows our clients' high level of trust in Implenia. The company's transformation is well advanced and planned portfolio adjustments are almost complete. With an attractive portfolio of services geared toward partnership-based cooperation with customers, all Divisions are well positioned to further increase their profitability with complex, profitable projects.

André Wyss
CEO

View from the CEO

"The strong, high-quality order intake shows our clients' high level of trust in Implenia. The increase in underlying performance of 24% demonstrates the consistent execution of our transformation."

André Wyss
CEO

André Wyss, Implenia has significantly exceeded its 2021 target of EBIT over CHF 100 million. How do you assess the 2021 financial year?

Implenia achieved reported EBIT of CHF 114.8 million, with all Divisions and relevant markets contributing positively to the result. Based on improvements by Divisions Buildings and Civil Engineering, our underlying performance at EBIT level rose by 24% to CHF 76.5 million (2020: CHF 61.5 million). Consistent execution of the transformation led to one-time effects that had a positive impact on the result. Due to the strategic focus on large and complex projects, the order book increased to an all-time high of CHF 6,881 million (2020: CHF 6,386 million). Revenue decreased less than expected to CHF 3,765 million (2020: CHF 3,989 million) despite portfolio adjustments and longer project duration.

How is Implenia progressing with the transformation?

The execution of the transformation is far advanced. Implenia continues to focus on integrated construction and real estate services in Switzerland and Germany and offers tunnelling and related infrastructure projects in other markets. With a clear focus on profitable, complex projects, and by strictly applying Value Assurance, the Group was able to acquire several strategically relevant assignments with significantly improved risk and margin profiles in 2021. This shows that clients trust Implenia and that the company is well positioned with its expertise and experience along with its services and competencies. Meanwhile, Implenia adequately managed the impact of rising material costs by ensuring close cooperation between the operating units and the global procurement organisation.

The acceleration and intensification of strategy implementation was prompted by, among other things, write-downs on projects. There were no further write-downs in 2021, so risk management seems to be working?

Many of our projects run for 10 years or even longer. Such large and complex projects always bring risks. With Value Assurance we have introduced a comprehensive approach to risk assessment that defines how projects are selected and assessed from a technical, financial and legal perspective. It is applied through periodic reviews throughout the entire life of a project.

And the Divisions control this process?

It depends on the construction project's size, complexity and risk profile. We have four levels of Value Assurance Committee, starting with branch-level committees, then business units and national companies, and then finally at the highest level decisions are made by the CFO, the Head of Legal and me, together with the business. Every project manager has to complete a checklist for new projects, and this determines the level at which the proposal is evaluated.

Are existing projects also being assessed according to this system?

Yes. Risk management continues with contract management, followed by periodic reviews throughout the whole construction period up to the conclusion of the project. An early warning system based on benchmark figures flags up potential irregularities and risks, which helps make the financial side of the project highly professional.

In June 2020 Implenia outsourced half of its development portfolio to Ina Invest. How is the cooperation with Ina Invest going, and what is happening with Implenia's remaining real estate portfolio?

The cooperation with Ina Invest is proving successful in all areas, from acquisition to development and other real estate services, to execution. Last year, Ina Invest was able to expand its portfolio even more than planned. Division Real Estate reported EBIT for 2021 that was higher than expected and already in line with the years prior to the Ina Invest transaction. The Division invested further in its attractive real estate portfolio in 2021, and continues to develop it. Based on its increasing services offering, the Division expects higher earnings

View from the CEO

from services and from the participation in Ina Invest as well as from the business with further clients. Given the maturity of its own Real Estate portfolio, the Group anticipates a significant contribution to profit in 2022.

So Division Real Estate is well positioned to make a significant contribution to the Group's profits in future. How are the other three Divisions positioned?

Division Buildings put in a strong underlying performance in 2021, and completed its planned geographical transformation. It expanded its expertise in the rapidly growing areas of general planning, consulting and construction for healthcare and R&D facilities. Division Civil Engineering also saw a significant improvement in its underlying performance, excluding the positive one-off effects of divestments and restructuring. The business units Tunnelling and Special Foundations contributed positively to the result. Local branches of business unit Civil in Sweden, Norway, Austria and Romania were ramped down as planned to purely complete current projects. The market presence of business unit Civil in Switzerland was further adjusted according to strategy.

As part of the transformation, Division Specialties is adjusting its business units in line with strategy: The strategic businesses contributed positively to EBIT and improved their underlying performance compared to the previous year. Other non-strategic businesses didn't achieve their planned profitability. The Division's reported EBIT was positively influenced by one-time effects from divestments. In 2022, the Division plans to continue developing and scaling businesses with high potential, selling non-strategic businesses, and expanding its portfolio with specialised planning and engineering services.

How did the cash situation and equity develop in 2021?

In the second half of 2021, cash flow clearly showed a positive development. In November, we successfully issued a CHF 175 million bond, securing the full refinancing of the convertible bond ahead of its maturity in June 2022. The successful placement further strengthens our financing structure. Equity increased to CHF 346 million, compared to CHF 303 million as of 31 December 2020. Total assets remained around the same level as the prior year at CHF 2,988 million (2020: CHF 2,943 million). The equity ratio as of 31 December 2021 was 11.6% (2020: 10.3%). Adjusted for the temporary effect of the CHF 175 million bond, the equity ratio stood at 12.3%. Reducing total assets, especially net working capital, remains a high priority. Implenia intends to achieve this mainly through an accelerated cash conversion cycle and the consistent implementation of the asset-light strategy. Implenia aims for an equity ratio of over 20% mid-term, based on an improved underlying business, including increasing earnings from services and expected dividends from participations. The equity ratio shall also be improved by potential outsourcing of further non-core businesses and asset-heavy activities.

What goals have you set for Implenia in 2022?

Implenia has set itself an EBIT target of more than CHF 120 million for 2022 resulting from a further improved underlying performance. The estimated share of positive one-time effects from the transformation is less than 20%. As communicated in autumn 2021, we want to strengthen our equity by at least CHF 80 million in the current year. With execution of the transformation so far advanced, all Divisions are ready to meet the target.

"As a result of portfolio adjustments and a strategic focus on profitable, complex projects – and thanks to Value Assurance – all Divisions are well positioned to increase their profitability still further."

André Wyss
CEO

SHARE AND FINANCING

Earnings per share, undiluted
in CHF

3.31

(2020: – 7.30)

Market capitalisation
in CHF m

383

(2020: 444)

Cash dividend per share[1]
in CHF

0.00

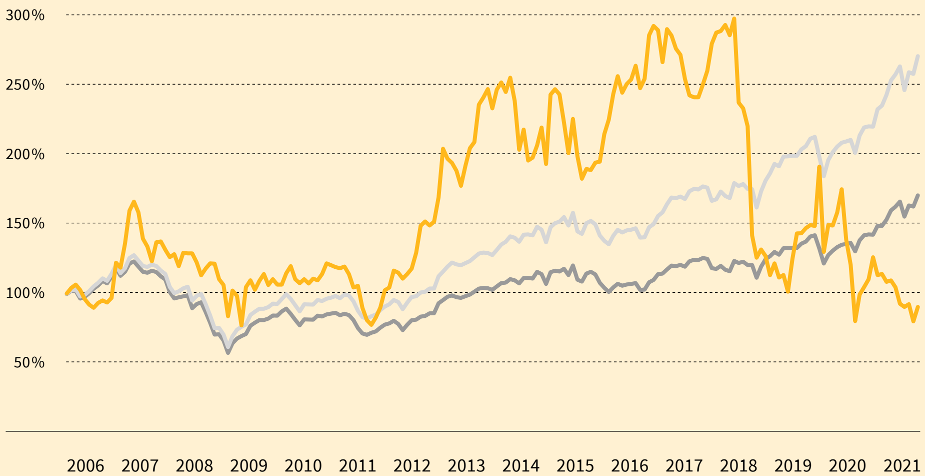
(2020: 0.00)

Daily trading volume
in CHF m

1.0

(2020: 3.0)

Share price since 6 March 2006 (1st day of trading)
Total shareholder return +26.9%



Implenia N
SPI
Swiss All Share

Source: Bloomberg

1 Subject to approval by General Meeting of Shareholders

Share and financing

INFORMATION ABOUT IMPLENIA'S SHARES

Review

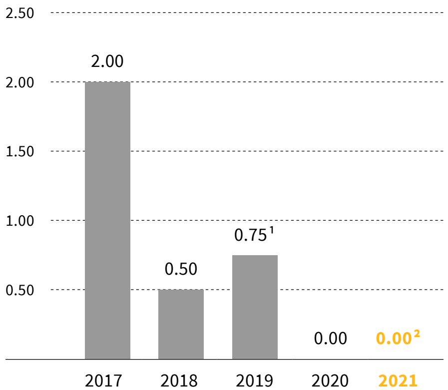
The average number of shares traded each day fell to approximately 42,500 in 2021, compared with approx. 91,000 in the previous year. This reduced the average daily trading volume to CHF 1.0 million (from CHF 3.0 million). Implenia's closing price at the end of 2021 was CHF 20.76 (closing price 2020: CHF 24.04), a decline of 13.6%.

Share performance

	2021	2020	2019	2018	2017
Year-high (in CHF per share)[1]	30.88	46.25	35.48	70.15	68.14
Year-low (in CHF per share)[1]	17.81	16.79	22.97	26.68	52.88
Price at 31.12. (in CHF per share)[1]	20.76	24.04	34.32	28.92	57.60
Annual performance in %	(13,6%)	30,0%	18,7%	(49,8%)	(12,4%)
Average number of shares traded per day	42,545	90,846	99,524	53,506	39,775
Stock market capitalisation at 31.12. (in CHF t)[1]	383,479	444,067	633,959	534,210	1,063,987

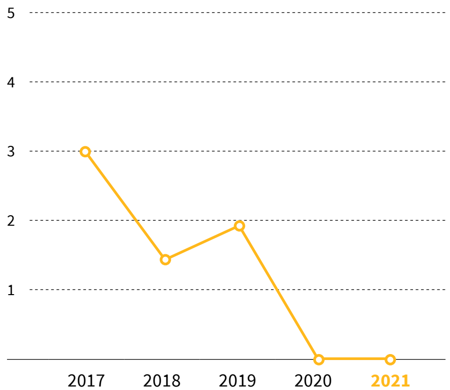
Source: Bloomberg
1 Share price before 2020 adjusted for Ina Invest spin-off

Cash dividend
in CHF per share



1 2019: Plus dividend in kind from the Ina Invest transaction of max. CHF 1.20 per share
2 Subject to approval by the General Meeting of Shareholders

Dividend yield
in %



Share and financing

DIVIDEND POLICY AND RETURNS

No dividend to be paid for 2021 financial year

As communicated in autumn 2021, we want to strengthen our equity by at least CHF 80 million in the current year. Consequently, the Board of Directors is recommending to the General Meeting of Shareholders on 29 March 2022 that no dividend be paid out for the 2021 financial year.

KEY DATA

Symbol	IMPN
Valor	2 386 855
ISIN	CH002 386 8554

Index membership

- SPI
- SPI ESG
- SPI ESG Select
- SPI ex SLI
- SPI EXTRA
- Swiss All Share

Share capital

	31.12.2021	31.12.2020	31.12.2019	31.12.2018	31.12.2017
Share capital (in CHF 1,000)	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	63,854	29,404	13,851	67,054	210,223
Number of outstanding registered shares	18,408,146	18,442,596	18,458,149	18,404,946	18,261,777
Par value of each registered share (in CHF)	1.02	1.02	1.02	1.02	1.02
Conditional / Authorised capital (in CHF 1,000)	3,768	3,768	3,768	3,768	3,768

Key figures

	31.12.2021	31.12.2020	31.12.2019	31.12.2018	31.12.2017
Earnings per share (in CHF)	3.31	(7.30)	1.61	(0.28)	1.95
Price-earnings ratio[1]	6.0	(3.3)	21.3	(103.2)	29.5
Equity per share (in CHF)	18.73	16.40	30.48	30.44	34.67
Gross dividend[2] (in CHF)	–	–	0.75	0.50	2.00
Dividend yield	0.0%	0.0%	1.9%	1.5%	3.0%
Distribution ratio[3]	0.0%	0.0%	46.7%	n.a.	102.1%

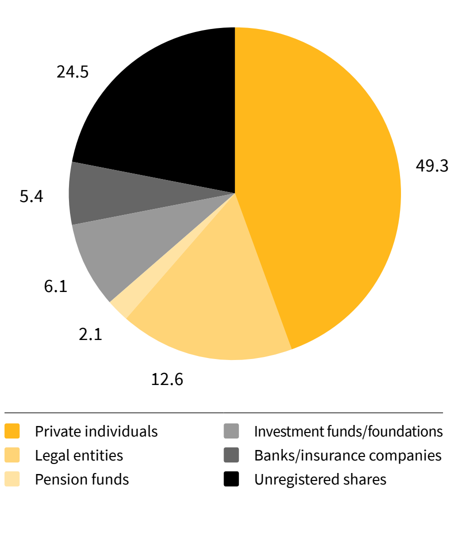
1 Share price before 2020 adjusted for Ina Invest spin-off

2 2019: Plus dividend in kind from the Ina Invest transaction of max. CHF 1.20 per share
2021: Subject to approval by the Annual General Meeting

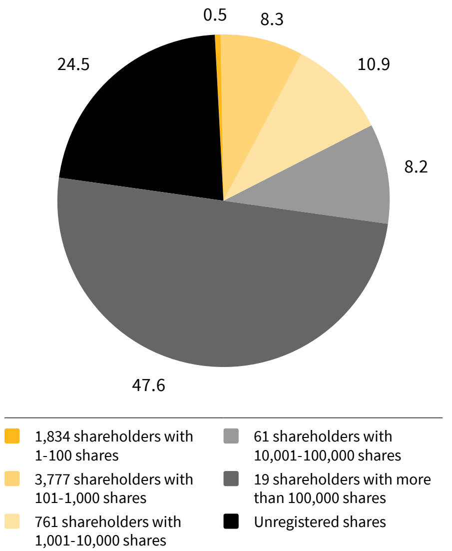
3 Based on number of outstanding shares as at 31.12.

Share and financing

Share capital by type of shareholder
(shares with and without voting rights) in %
as at 31 December 2021



Shareholders by size of shareholding
(shares with and without voting rights) in %
as at 31 December 2021



SHAREHOLDER STRUCTURE

Major shareholders / nominees owning more than 3% of share capital (as at 31 December 2021)

Name	Number of shares	Percentage of share capital
Parmino Holding AG / Max Rössler	3,048,970	16.5%
Norbert Ketterer	1,848,000	10.0%
Rudolf Maag	1,000,000	5.4%
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
Credit Suisse	Neutral
Kepler Cheuvreux	Hold
Research Partners	Hold
Vontobel	Hold
Zürcher Kantonalbank	Market weightings

As at: 25.2.2022

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	High BB	Stable
UBS	BB+	Deteriorating
Zürcher Kantonalbank	BB+	Negative
Fedafin	Not disclosed	Not disclosed

As at: 25.2.2022

DEBT FINANCING

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 m	101.06%	15.10.2024	CH025 359 2767
0.500%	2015 – 2022	CHF 175 m	100.00%	30.6.2022	CH028 550 9359
1.000%	2016 – 2026	CHF 125 m	100.74%	20.3.2026	CH031 699 4661
2.000%	2021–2025	CHF 175 m	100.00%	26.11.2025	CH114 509 6173

Implenia placed a CHF 175 million issue of a 2.00% 4–year bond in November 2021. The proceeds of the issue will be used exclusively to repay the outstanding convertible bond due on 30 June 2022. The successful issue enables Implenia to extend its maturity profile and further strengthen the company’s financing structure.

The CHF 175 million subordinated convertible bond has a conversion price of CHF 66.15 (conversion price reduced from CHF 75.06 to CHF 66.15 on 12 June 2020 as a result of the Ina Invest transaction). In the event of conversion, 2.3 million registered shares of Implenia AG would be convertible, corresponding to 12.6% of outstanding registered shares. These would be made available by creating new shares from conditional capital.

Outstanding promissory note loans

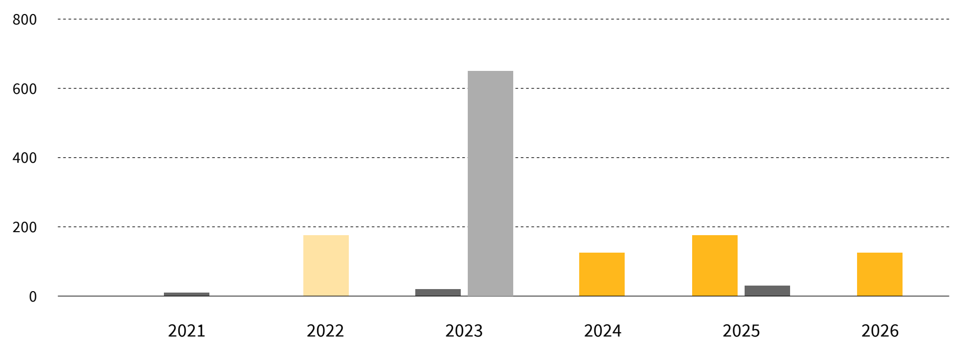
In June 2017, Implenia issued a promissory note loan (private placement), for a total amount of EUR 60 million. The three EUR-denominated tranches have fixed interest rates and maturities of four, six and eight years. The first tranche of EUR 10 million was repaid in 2021.

Coupon	Term	Nominal	Due
Fixed	2017 –2023	EUR 20 m	9.6.2023
Fixed	2017 –2025	EUR 30 m	9.6.2025

Syndicated loan agreement

On 22 August 2012 Implenia signed a revolving syndicated loan agreement for CHF 800 million, which was adjusted to CHF 650 million in 2021. The unsecured credit facility, with a term to 31 December 2023, consists of a revolving credit of CHF 100 million and a guarantee facility of CHF 550 million. No liquidity had been drawn from the cash part of the credit facility as of the balance sheet date.

Maturity profile of debt financing instruments
as at 31.12.2021



Bond
Convertible bond (refinanced)*
Promissory note
Credit facility

* In November, Implenia issued a CHF 175 million bond with a term to 2025, thus ensuring early and full repayment of the convertible bond maturing in June 2022.

Share and financing

OVERVIEW OF KEY FIGURES

Five-year Implenia Group overview

in TCHF	2021	2020	2019	2018	2017
Order book (as at 31.12.)	6,880,921	6,386,284	6,157,507	6,248,291	6,043,261
Income statement					
Production output	4,174,113	4,060,298	4,517,550	4,452,761	3,926,727
Consolidated revenue	3,764,670	3,988,946	4,430,833	4,364,473	3,859,478
EBIT	114,826	(146,757)	63,507	12,935	63,591
Consolidated profit	63,956	(132,052)	33,920	504	39,033
Cash flow statement					
Cash flow from operating activities	(69,246)	(161,533)	143,549	16,052	197,345
Cash flow from investment activities	(123,248)	(31,809)	(58,678)	(68,638)	(34,810)
Cash flow from financing activities	107,425	4,161	(79,732)	(14,872)	23,112
Free cash flow	(17,494)	(193,342)	84,871	(52,586)	162,535
Investment activities					
Investments in real estate transactions	41,078	57,926	53,170	62,821	39,802
Real estate disposals	(28,351)	(116,510)	(48,951)	(35,584)	(67,378)
Investments in fixed assets	42,653	52,106	70,635	80,025	70,050

in TCHF	31.12.2021	31.12.2020	31.12.2019	31.12.2018	31.12.2017
Balance sheet					
Cash and cash equivalents and fixed short-term deposits	796,895	719,990	912,317	913,233	985,443
Real estate transactions	149,269	137,130	189,486	185,292	158,055
Other current assets	1,136,534	1,093,712	1,124,833	1,044,098	1,043,616
Non-current assets	905,138	992,379	856,627	718,732	709,880
Total assets	2,987,836	2,943,211	3,083,263	2,861,355	2,896,994
Financial liabilities	888,453	732,837	639,753	516,022	496,930
Other liabilities	1,753,465	1,907,347	1,853,041	1,760,158	1,745,155
Equity	345,918	303,027	590,469	585,175	654,909
Total equity and liabilities	2,987,836	2,943,211	3,083,263	2,861,355	2,896,994
Net cash position excl. lease liabilities	67,319	160,526	420,500	405,540	495,270
Capital structure					
Equity ratio in %	11.6%	10.3%	19.2%	20.5%	22.6%
Equity ratio in %[1]	17.4%	16.1%	24.6%	26.2%	28.2%
Long-term liabilities in %	25.2%	24.6%	22.6%	21.1%	21.6%
Short-term liabilities in %	63.2%	65.1%	58.2%	58.4%	55.8%
Workforce (FTE; as at 31.12.)[2]	7,653	8,701	8,867	8,765	8,391

1 Incl. subordinated convertible bond
2 Excl. temporary staff

Five-year Implenia Group overview

in TCHF	2021	2020	2019	2018	2017
Key figures					
EBIT margin in %[1]	3.1	(3.7)	1.4	0.3	1.6
Return on Invested Capital (ROIC) in %	48.7	(82.0)	32.5	6.8	26.8

1 Basis: consolidated revenue IFRS

Overview of sustainability ratings and standards

Ratings	Score	Assessment period	Rank
Sustainalytics	84 / 100	2020	1
MSCI	AAA / AAA	2021	1
EcoVadis	60 / 100	2020	15th percentile
Inrate	B / A+	2020	5

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 those investors who take a socially responsible approach to investment (SRI).

Certification and ratings

Implenia is certified under the ISO 14001 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 by numerous external rating agencies. We are one of the leading construction companies for sustainability. Sustainalytics, the world's leading provider of research and ratings on environmental, social and governance (ESG) issues, most recently awarded Implenia an outstanding 84 points. This marks an improvement of five points on the previous year and strengthens Implenia's position as industry leader within the "Construction & Engineering" sector. Implenia has also become the first company in the Construction & Engineering index to be awarded an AAA rating by MSCI ESG; it has been awarded a B rating by Inrate, and silver status by EcoVadis.

The use by Implenia of any MSCI ESG Research LLC or its affiliates ("MSCI") data, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement, recommendation, or promotion of Implenia by MSCI. MSCI services and data are the property of MSCI or its information providers, and are provided "as-is" and without warranty. MSCI names and logos are trademarks or service marks of MSCI.

Pioneer of "green" credit financing

Implenia is the first industrial company in Switzerland to have a syndicated loan partially linked to its Sustainalytics rating, making it a pioneer of "green" credit financing. Implenia enjoys better borrowing conditions thanks to its current good rating. For more details see the Sustainability chapter.

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.

Implenia publishes an update on its **Sustainability Report** in parallel with the Annual Report. This includes all the company's goals and measures in the three dimensions of environment, economy and society.

COMMUNICATIONS, CONTACTS AND 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 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 on the "Investors" and "Media" pages at implenia.com.

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 2021 the CEO, CFO and Investor Relations presented the company at roadshows, conferences and meetings. In 2021 Implenia held its two customary conferences on the financial results – half-year and full-year – for analysts and the media.

Contacts

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

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Dates

2022 Annual General Meeting	29.3.2022
Media and analysts conference on the 2022 first-half results	17.8.2022
Media and analysts conference on the 2022 annual results	1.3.2023

2 THE YEAR 2021

GROUP PROFILE AND STRATEGY

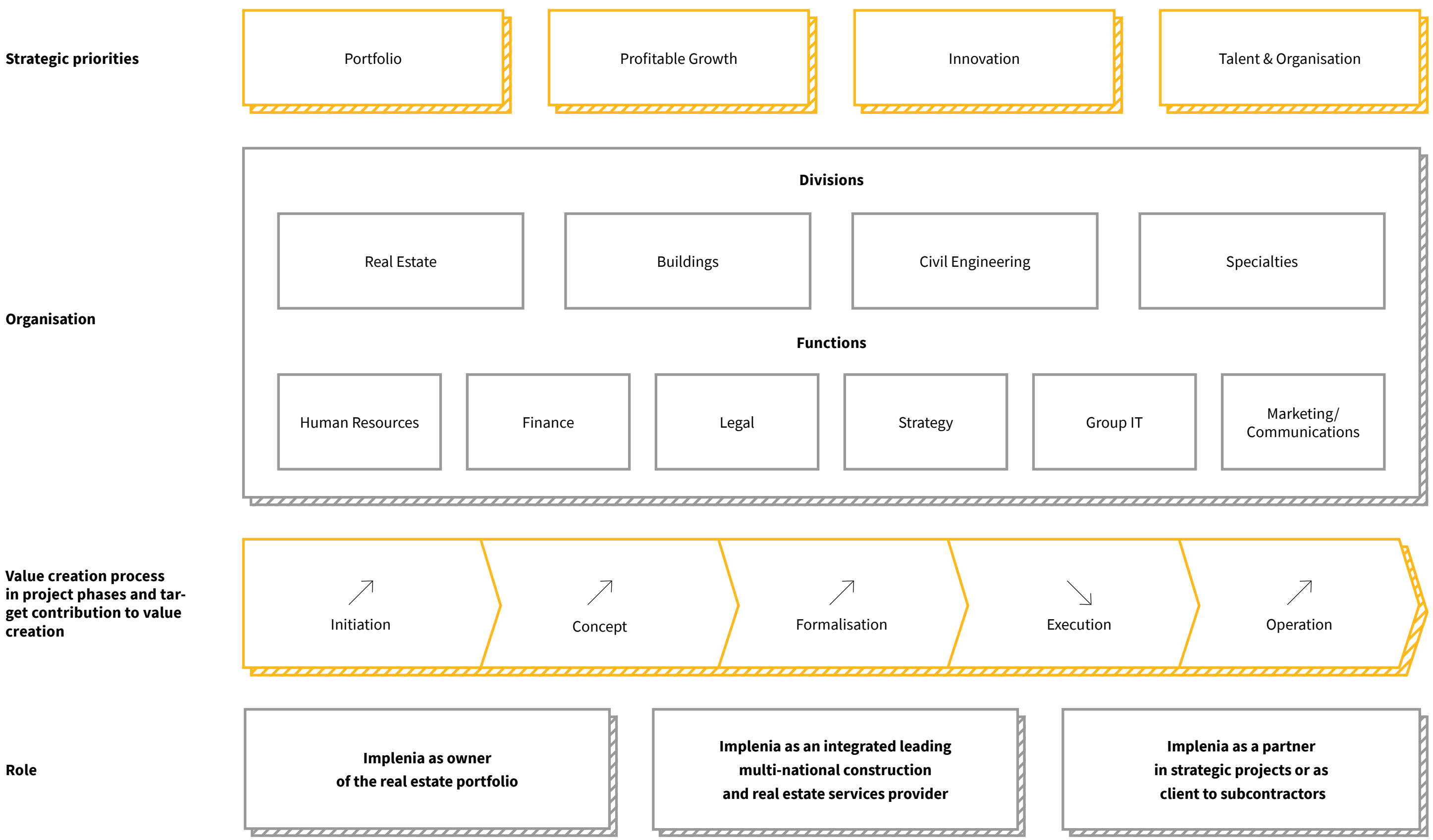
Implenia is an integrated leading construction and real estate service provider with clear strategic priorities and a dynamic organisation.

Sustainably customer-oriented

Based on our strategic priorities and a powerful organisation, we generate added value for our customers in all phases of the value creation process. Our focus is on the first three phases of the process: We are expanding our capabilities in consulting, planning, engineering and project management – both organically and through appropriate acquisitions.

Formed in 2006 from the merger between Zschokke and Batigroup, Implenia can look back on around 150 years of history in the construction industry. Today, the company brings together the know-how of its highly skilled consulting, planning and execution units under the umbrella of an integrated leading multi-national construction and real estate service provider.

Our strategy, organisational units and value creation



Group profile and strategy

What we are building on

As a leading construction and real estate services provider, Implenia develops and builds homes, workplaces and infrastructure for future generations. In order to achieve our vision and make our mission a reality, we always focus our day-to-day work on the five values that shape our corporate culture and guide our actions.

Our vision, mission and values

Our vision

Our vision is to be a integrated leading multi-national provider of construction and real estate services.

Our mission

Our mission is to sustainably develop properties and construct buildings as well as infrastructure with and for people to fit their modern living, working and mobility needs.

Our values

Implenia is committed to the values of excellence, collaboration, agility, integrity and sustainability. Working together across the company, we have defined how we want to live up to each value.

Excellence

We meet the most demanding requirements in our projects, services and internal processes. We live up to Excellence by setting standards based on tradition and innovation that help us exceed our partners' expectations. Today and tomorrow.

Collaboration

We combine our multi-faceted market knowledge and insight with professional expertise to the benefit of our customers and other stakeholders. We live up to Collaboration by creating trust through fairness, transparency and respect. With all our partners.

Agility

We recognise opportunities and threats at an early stage, and we address them quickly – both strategically and operationally. We live up to Agility by being a highly mobile, passionate, multinational team that constantly looks for new and innovative ways of overcoming barriers, thus achieving the best value for our customers.

Integrity

We meet high ethical standards, are honest, and act in accordance with the agreements we make. We live up to Integrity by being honest and reliable, acting respectfully and always doing so with a smile.

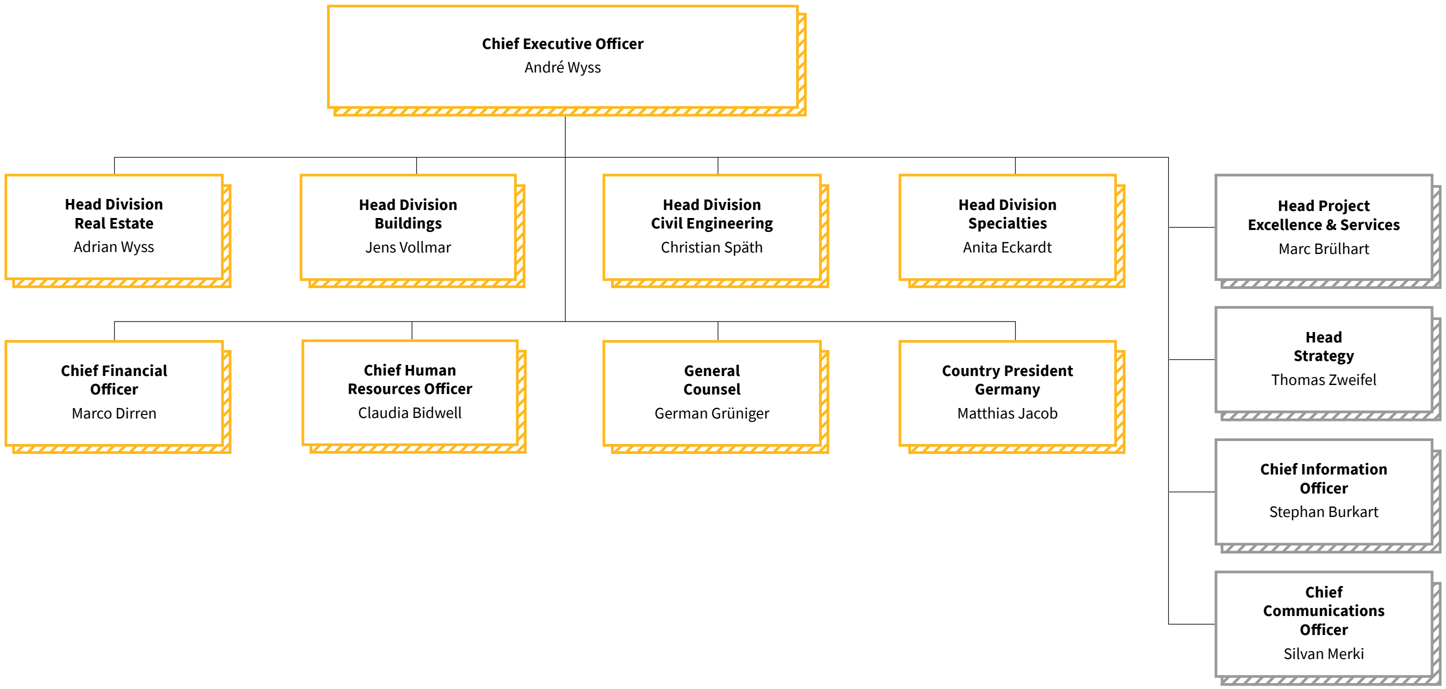
Sustainability

We generate results that endure and we protect our fellow human beings and the environment. We live up to Sustainability by working together to create a future worth living for everyone.

How we work together

Implenia has organised its operational business into four Divisions: Real Estate, Buildings, Civil Engineering and Specialties. The Divisions are supported by Global Functions: Finance, Human Resources, Legal, Strategy, Group IT and Marketing/Communications.

Our organisation
Organisation chart as at 31 December 2021



Members of the Implenia Executive Committee

Other members of senior management

Group profile and strategy

Our Divisions in the markets

Division	Real Estate	Buildings	Civil Engineering			Specialties
	Division Real Estate develops sustainable real estate solutions. Implenia is already a leading real estate developer in Switzerland and is currently growing this business in Germany. The Division's services also include active asset and portfolio management, designing new types of real estate investment vehicle, and the development and industrial production of standardised and scalable real estate products.	**Division Buildings** focuses on the integrated conception and construction of complex new buildings and challenging modernisation projects. The focus is on providing expert customer-oriented advice and planning across the entire life cycle of a property. The range of services covers the entire value chain, from initial analysis and planning steps – often even before the contracts have been signed – to handover of the finished building. Implenia is a leading general and total contractor in its core markets of Germany and Switzerland.	**Division Civil Engineering** offers tunnel construction, special foundations, road construction and civil engineering. Services range from the planning of specific special solutions to the entire execution of complex, hybrid infrastructure and civil engineering projects. The use of the latest construction methods and processes, such as BIM and Lean, is becoming increasingly important. In all of these areas, Implenia occupies a leading position in Switzerland and Germany. In other international markets, Implenia limits its offering to tunnelling and related services.			**Division Specialties** develops solutions for an efficient and sustainable construction industry in niches such as wood construction, geotechnical engineering, pre-tensioning technology, formwork, facade engineering, building technology planning and construction logistics. By continuously adding new services to its portfolio, the Division is actively helping to shape the major changes occurring in the construction industry. Innovation and the added value it brings to customers is a central theme. This innovation can come from screening potential acquisitions, from external partnerships or from Implenia's internal innovation management system.
			Civil	Tunnelling	Special Foundations	
Switzerland	✓	✓	✓	✓	✓	✓
Germany	✓	✓	✓	✓	✓	✓
Austria				✓		
Sweden				✓		
Norway				✓		
France				✓		
Other				✓		✓

Group profile and strategy

The Implenia Executive Committee in 2021, from left to right:
Adrian Wyss (Head Division Real Estate), **Anita Eckardt** (Head Division Specialties), **Marco Dirren** (Chief Financial Officer), **André Wyss** (Chief Executive Officer), **Christian Späth** (Head Division Civil Engineering), **Matthias Jacob** (Country President Germany), **Jens Vollmar** (Head Division Buildings and Country President Switzerland), **Claudia Bidwell** (Chief Human Resources Officer), **German Grüniger** (General Counsel)

Our strategic priorities

In order to achieve our vision, implement our mission and use our strengths to exploit opportunities in the markets, we pursue a strategy built on four priorities.

Goals, initiatives and achievements of our strategy

Portfolio

Our goal is to engage in areas of business where we can set ourselves apart from the competition.

Aim: Strong, differentiated businesses

Key initiatives and achievements:
Building up high-margin businesses that fit with the core business

Selling or winding down non-core and low-performing businesses (almost completed)

Outsourcing asset-heavy activities and refocusing selected business areas on less asset-heavy activities as an ongoing priority

Profitable Growth

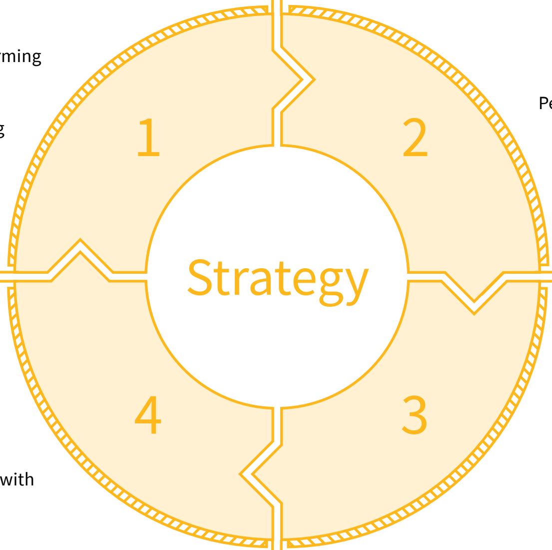
Our goal is to grow profitably, gain market share and increase our margins.

Aim: Increase market share and margins

Key initiatives and achievements:
Opportunities and risk management with Value Assurance fully implemented

Operational Excellence introduced

Performance Management initiatives implemented



Talent & Organisation

Our aim is to be an attractive employer so we can attract, train and retain the top talent needed to meet future challenges.

Aim: The right organisation that puts employees with the right skills in the right roles

Key initiatives and achievements:
Focus on change and talent management in support of our operational business.

Implenia's values and operating model provide the foundation

Innovation

Our aim is to exploit the fundamental changes occurring in the construction industry to the benefit of our customers, employees and shareholders.

Aim: Quickly scale up proven innovations

Key initiatives and achievements:
Selective testing and application of new technologies

Development of standardised products in the real estate and construction sectors (industrialisation and standardisation)

MARKET AND CUSTOMERS

The market outlook for the real estate and construction sector in the core markets of Switzerland and Germany, as well as for tunnel construction and related infrastructure projects in other countries, remains good for the years up to 2024. With an integrated range of services for consulting, development, planning and construction, Implenia is well set up to meet its customers' exacting requirements.

In brief

Implenia is ideally positioned in a comparatively stable market environment to:

- Exploit the potential for profitable growth of its core markets Switzerland and Germany, as well as that of other markets in the civil engineering sector
- Offer the services customers want in each market
- Strengthen and expand its market position
- Use its expertise and experience to meet customer needs

Construction industry in Europe

Investment in real estate and infrastructure construction accelerated sharply in 2021 thanks to the international economic recovery, fiscal policy support for infrastructure investment, incentives for building renovation, low mortgage rates and rising housing prices. This was despite uncertainties caused by the pandemic and rising prices for construction materials. The outlook for the growth of construction output in Europe (EC-15 countries) is very robust. Growth in construction output in the building construction sector (CAGR 2021–2024) is forecast to be +1.9%, and in infrastructure construction +2.6%.

Market assessments and forecasts are based on data and insights from Euroconstruct.
This data is based on Euroconstruct's segmentation of the construction sector, which is as follows:
– Residential: permanent residences and second homes occupied by households
– Non-residential: all buildings that are not intended as dwellings; this includes commercial buildings offering time-limited accommodation, e.g. hotels and care homes.
– Civil engineering: transport and utility infrastructure

Prospects for core market Switzerland

Housing investment in Switzerland is forecast to rise slightly (+0.2%) in 2022. Non-residential construction is being supported by the general economic recovery and the impulses delivered by significant investments in health, pharmaceutical and educational buildings. Growth expectations for this sector are 1.6% for 2022, 2.1% for 2023 and 1.0% for 2024. The civil engineering sector is mainly driven by public investment in complex transport infrastructure projects. These are financed through two large federal infrastructure funds. Civil engineering is expected to grow moderately for the next three years (2022: 0.5%, 2023: 0.4%, 2024: 0.7%), with much of this growth accounted for by a solid level of investment in transport infrastructure.

Prospects for core market Germany

Factors inhibiting investment in residential construction should subside in 2022 while positive effects, such as continued large catch-up demand for housing production and low interest rates, should have their effect. The very full project pipeline should stabilise construction activity in the medium term.

New construction of non-residential buildings is being driven mainly by private-sector demand. Growth (CAGR 2021–2024) of +0.3% is expected for the building construction sector.

Market and customers

Civil engineering is dominated by the public sector, which has greatly expanded its transport construction activities since 2016. The federal states have to submit a balanced budget again from 2023 (the so-called debt brake is suspended until then), meaning they will have to control their expenditure more carefully; but the federal government has more leeway. According to its medium-term financial plans, it will keep its investment spending on roads, railways and waterways at the current level. The civil engineering sector is forecast to grow by 0.6% (CAGR 2021–2024).

Complex infrastructure projects

In the other European markets Implenia's expertise in tunnel construction and related infrastructure make it a sought-after partner for complex large-scale projects. In France, further significant growth rates are expected for the civil engineering sector in 2022 thanks to fiscal stimulus measures by the government. Norway is currently experiencing an investment boom in infrastructure projects, which is likely to result in overall annual growth of between 12% and 14% in 2022. In Sweden, too, favourable financing conditions and a backlog of maintenance and repair work are driving demand. Civil engineering remained relatively stable in Austria during the pandemic. We expect investment there to grow slowly but steadily.

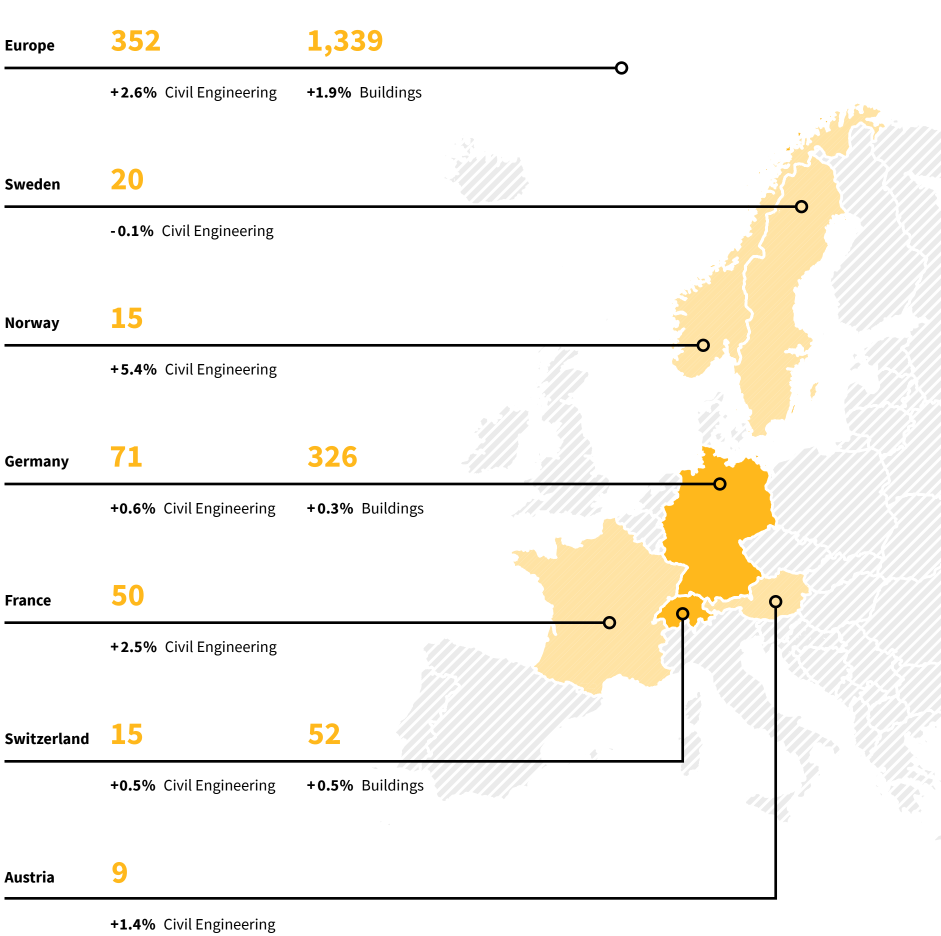
Significance for Implenia

With its comprehensive, integrated range of services across all four Divisions, Implenia is excellently positioned as a construction and real estate service provider in its core markets of Switzerland and Germany. In Germany, in particular, where market share is still lower, there is considerable growth potential for Division Buildings – with its focus on large, complex projects and partnership-based contract models – as well as for Division Real Estate, with its activities in real estate development and its newly founded joint venture Rubus. Implenia will continue to expand its capabilities in the higher-margin areas of consulting, planning and engineering in Switzerland and Germany, both organically and, if necessary, through suitable acquisitions.

The company will use its expertise and experience in tunnel construction and related infrastructure in other markets throughout Europe. Here, too, the focus is on large, complex projects in which specialised expertise and management skills can be optimally applied from a single source.

With its geographically streamlined, focused service portfolio, the Group is ready to use its strengths to meet customer requirements in all markets, gain market share and grow profitably.

Sustainable investments in markets relevant to Implenia in EUR billion



% CAGR 2021–2024 Investments (Compound Annual Growth Rate)

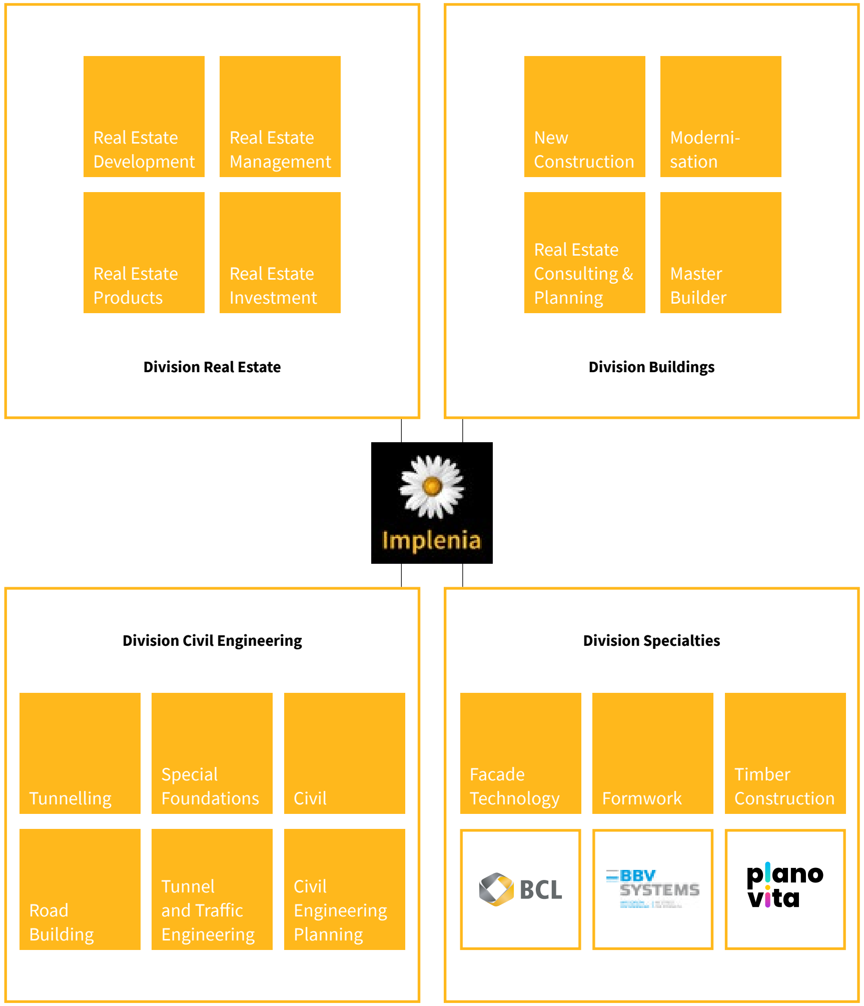
Market and customers

Customer-oriented service structure

Implenia's customer segments are very heterogeneous: They range from large B2B customers in the public sector and international corporations to broad B2C buyer groups in the market for owner-occupied apartments. Customer requirements are similarly varied. Implenia's corporate values – excellence, collaboration, agility, integrity and sustainability – guide and shape every customer relationship. For Implenia, close collaboration as partners is the ultimate goal for all customer relationships. The services provided by each Division are structured to fit the requirements and opportunities of their customer segments as effectively as possible.

- **REAL ESTATE** Division Real Estate develops and sells Implenia's own real estate portfolio as well as offering all the real estate services customers need to develop their own real estate portfolios. The Division's services include Real Estate Development, Management, Investment and Products. At Real Estate Products, the Division is developing industrially manufactured, sustainable property products for green hospitality in a joint venture with Deutsche Seereederei (DSR). It also has a successful partnership with Ina Invest on acquisition, development and other real estate services, as well as execution. Major ongoing projects include Lokstadt in Winterthur, Green Village in Geneva, Unterfeld in Baar, Tivoli in Neuchâtel and newly acquired sites in Pully (CH), Darmstadt and Rüsselsheim (both DE).
- **BUILDINGS** The customers at Division Buildings tend to be private companies, public sector institutions or other organisations with complex construction projects. These customers increasingly want Implenia to get involved in the project at an early stage based on new partnership-based collaborative and contractual models. Partnership models strengthen customer relationships and often lead to long-term cooperation across numerous projects. The Division's customers also demand the highest standards in terms of quality, adherence to deadlines, safety and sustainability. There is attractive growth potential in buildings for the healthcare sector (e.g. cantonal hospitals in Aarau and Baden) and for the research and development sector (e.g. Empa, the Irchel Campus shared by the University of Zurich and ETH). With this in mind, Implenia has further expanded its market presence and expertise in these areas through the acquisition of BAM Swiss.
- **CIVIL ENGINEERING** Division Civil Engineering's customers are usually public sector institutions or the companies associated with them (federal government, cantons, federal states, railway companies, etc.). These customers value the Division as a specialist in large, complex tunnelling and infrastructure projects. On a regional level, Implenia is also in demand for complex large-scale engineering, road and rail construction projects, such as the Brugg bypass and the Liestal four-track expansion.

An overview of services at Implenia's Divisions



Implenia offers its customers an integrated range of consulting, development, planning and construction services for real estate and infrastructure in Switzerland and Germany. Implenia also offers tunnelling and related infrastructure projects in other markets.

Market and customers

- **SPECIALTIES** This Division mainly works as a service provider for third-party customers, but also for Implenia's other Divisions – with a focus on engineering and planning services. Customers particularly appreciate the services provided by BCL (construction logistics), which can make construction sites more efficient and sustainable. The Division also expects growing demand for Planovita (integrated digital building technology planning), Facade Technology and Timber Construction. Thanks to its wide variety of customer projects Implenia can evaluate ideas generated by its internal Innovation Hub at an early stage, in different phases and under real-life conditions.

Working with its customers, Implenia is creating and building the world of tomorrow – how we live, work and move in the future.

"We want to build as partners, because it simply makes more sense for everyone involved. If we can create trust, agree on common goals and find a good balance between the interests of all parties, the outcomes will ultimately be much better."

Marc Bosch
Managing Director Wüstenrot Haus- und Städtebau GmbH,
a customer of Division Buildings

Megatrends and changes in the construction and real estate industry

Longer-term megatrends reflect significant changes in people's needs.

URBANISATION By 2025, 81.2% of Western Europe's population[1] will live in urban regions (84.6% by 2040). The resulting densification requires new housing concepts that can be adapted flexibly to residents' different lifestyles and phases of life, and that are designed to be environmentally, financially and socially sustainable.

MOBILITY AND INFRASTRUCTURE INVESTMENT By 2040, there will have to be EUR 10.7 trillion of investment in mobility and infrastructure[2] within Europe. The way people want to move around will become increasingly individualised and complex; but this will have to go hand in hand with careful husbandry of natural resources. Mobility infrastructure has to be designed and built accordingly.

In addition to demand-side mega-trends, the construction industry itself will also see significant changes over the next few years. Economies of scale, risk diversification and investments in innovation will gain in importance as the industry undergoes consolidation and internationalisation. Prefabrication of modules in factories is speeding up the ongoing industrialisation of the construction industry and raising productivity. Digitalization is improving and simplifying construction planning and processes – through end-to-end use of Building Information Modeling (BIM), for example, and through the application of digital Lean Construction methods and Integrated Project Delivery (IPD). Due to increasing demand from investors and project owners, as well as through the efforts of construction companies themselves, the trend towards environmentally and socially sustainable building solutions will continue to increase.

1 United Nations World Urbanization Prospects
2 Estimate by Oxford Economics

KEY FIGURES FOR THE GROUP

Order book
in CHF m

6,881

(2020: 6,386)

Order book at all-time high, with focus on large and complex projects

Consolidated revenue
in CHF m

3,765

(2020: 3,989)

Revenue decreased less than expected despite portfolio adjustments and longer project lead times

EBIT
in CHF m

114.8

(2020: -146.8)

Profit from underlying performance increased and EBIT target significantly exceeded

Employees (FTE)
as at 31.12.2021

7,653

(2020: 8,701)

Employee numbers reduced as planned following portfolio adjustments

Consolidated key figures

in TCHF	2021	2020	Δ	Δ like for like[1]
Consolidated revenue	3,764,670	3,988,946	(5.6%)	(6.6%)
EBIT	114,826	(146,757)		
in % of consolidated revenue	3.1%	(3.7%)		
Consolidated profit	63,956	(132,052)		
Free cash flow	(17,494)	(193,342)		
Net cash position excl. lease liabilities (as at 31.12.)	67,319	160,526	(58.1%)	(51.8%)
Net cash position (as at 31.12.)	(91,558)	(12,847)	612.7%	561.3%
Equity (as at 31.12.)	345,918	303,027	14.2%	16.4%
Order book (as at 31.12.)	6,880,921	6,386,284	7.7%	10.5%
Production output	4,174,113	4,060,298	2.8%	1.9%
Workforce (FTE; as at 31.12.)	7,653	8,701	(12.0%)	

1 Foreign currency adjusted

Key figures for the Group

Implenia improved underlying performance by 24% compared to previous year and significantly exceeded EBIT target of CHF >100 million with CHF 114.8 million

Implenia achieved reported EBIT of CHF 114.8 million (2020: CHF –146.8 million). All Divisions and relevant markets contributed positively to this result. Based on improvements by Divisions Buildings and Civil Engineering, the Group's underlying performance at EBIT level increased by 24% to CHF 76.5 million (2020: CHF 61.5 million). The consistent execution of the transformation led to one-time effects of CHF 38.3 million, which had a positive impact on the result. Due to the strategic focus on large and complex projects, the order book increased to an all-time high of CHF 6,881 million (2020: CHF 6,386 million). Revenue decreased less than expected to CHF 3,765 million (2020: CHF 3,989 million) despite portfolio adjustments and longer project duration. By strictly applying Value Assurance, Implenia's risk management, the Group ensures that the acquired projects are strategically relevant and have a significantly improved risk and margin profile. The pre-calculated gross margin has improved by over 1 percentage point since the introduction of Value Assurance. The net result amounted to CHF 64.0 million (2020: CHF -132.1 million).

Execution of transformation far advanced; strong and high-quality order intake

The execution of the transformation is far advanced. Implenia continues to focus on integrated construction and real estate services in Switzerland and Germany and offers tunnelling and related infrastructure projects in other markets. With a clear focus on profitable, complex projects, and by strictly applying Value Assurance, the Group was able to acquire several strategically relevant assignments with significantly improved risk and margin profiles in 2021. This shows that clients trust Implenia and that the company is well positioned with its expertise and experience along with its services and competencies. Meanwhile, Implenia adequately managed the impact of rising material costs by ensuring close cooperation between the operating units and the global procurement organisation.

Industry leader in sustainability; shaping digital construction

The company's position as an industry leader in sustainability was confirmed in 2021 by significant environmental, social, and governance (ESG) rating agencies. MSCI raised Implenia's rating to AAA, making it the first company in the MSCI Index Construction & Engineering to gain an AAA rating. Sustainalytics ranked Implenia as industry leader with 84 points for 2020 and EcoVadis awarded the group Silver status. Implenia is shaping industrialised, digitalized, and partnership-based development, planning, and construction services. Furthermore, the Group applies Lean Construction methods and BIM (Building Information Modeling) in all major projects and received various awards over the past two years.

Equity strengthened; strong cash flow in second half of year; refinancing of maturing convertible bond secured

Implenia's operational cash flow amounted to CHF – 69.2 million (2020: CHF –161.5 million) and free cash flow to CHF –17.5 million (2020: –193.3 million). In the second half of 2021, cash flow clearly showed a positive development. Implenia reported a net cash position of CHF 67.3 million as of 31 December 2021, excluding liabilities from leasing. In November, Implenia successfully issued a CHF 175 million bond, securing the full refinancing of the convertible bond ahead of its maturity in June 2022. The successful placement further strengthens the company's financing structure and has improved the maturity profile of its capital market instruments.

Equity increased by 12% to CHF 345.9 million (2020: CHF 303.0 million). With CHF 2,988 million, total assets remained at previous year's level (2020: CHF 2,943 million). The equity ratio was 11.6% (2020: 10.3%) as of 31 December 2021. Adjusted for the temporary effect of the CHF 175 million bond, the equity ratio stood at 12.3%. Reducing total assets, especially net working capital, remains a high priority for the Group. Implenia intends to achieve this mainly through an accelerated cash conversion cycle and the consistent implementation of the asset-light strategy. Implenia aims for an equity ratio of over 20% mid-term, based on an improved underlying business, including increasing earnings from services and expected dividends from participations. The equity ratio shall also be improved by potential outsourcing of further non-core businesses and asset-heavy activities.

Implenia aims for EBIT of more than CHF 120 million in 2022 from further improved underlying performance and a strengthening of the equity base by CHF >80 million

Implenia expects EBIT of more than CHF 120 million in 2022 resulting from further improved underlying performance. The estimated share of positive one-time effects from the transformation is less than 20%. Given the sustained improvement in profitability and the positive outlook for its core markets, Implenia is aiming mid-term for an EBIT margin of 3.5%. The ambition of an EBIT margin of 4.5% remains unchanged.

Board of Directors proposes to refrain from paying a dividend

As already announced in autumn 2021, Implenia intends to strengthen its equity by at least CHF 80 million in the current year. Consequently, the Board of Directors will propose to the Annual General Meeting of 29 March 2022 to refrain from paying a dividend.

Key figures for the Group

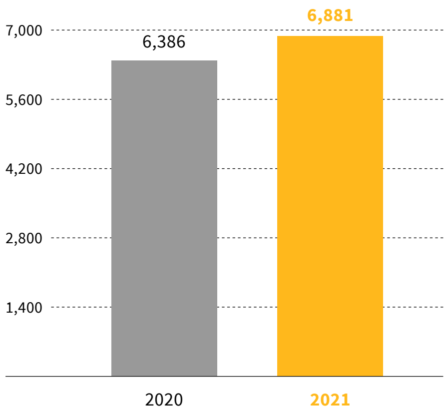
Key balance sheet figures

in TCHF	31.12.2021	31.12.2020	Δ
Cash and cash equivalents and fixed short-term deposits	796,895	719,990	10.7%
Real estate transactions	149,269	137,130	8.9%
Other current assets	1,136,534	1,093,712	3.9%
Non-current assets	905,138	992,379	(8.8%)
Total assets	2,987,836	2,943,211	1.5%
Financial liabilities	888,453	732,837	21.2%
Other liabilities	1,753,465	1,907,347	(8.1%)
Equity	345,918	303,027	14.2%
Total equity and liabilities	2,987,836	2,943,211	1.5%
Net cash position excl. lease liabilities (as at 31.12.)	67,319	160,526	(58.1%)
Investments in real estate transactions	41,078	57,926	(29.1%)
Investments in fixed assets	42,653	52,106	(18.1%)
Equity ratio	11.6%	10.3%	

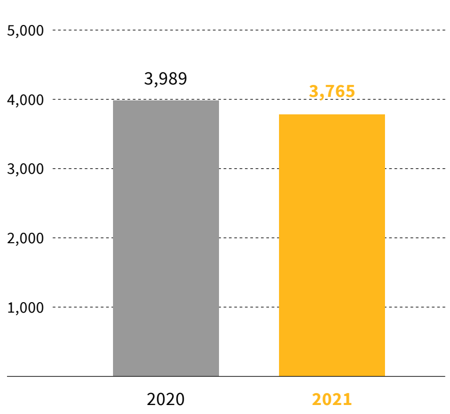
EBIT

in TCHF	2021	2020	Δ
Real Estate	42,133	109,408	(61.5%)
Buildings	32,352	(19,236)	(268.2%)
Civil Engineering	51,776	(206,675)	(125.1%)
Specialties	8,764	(9,479)	(192.5%)
Functions	(20,200)	(20,775)	(2.8%)
EBIT Total	114,826	(146,757)	(178.2%)

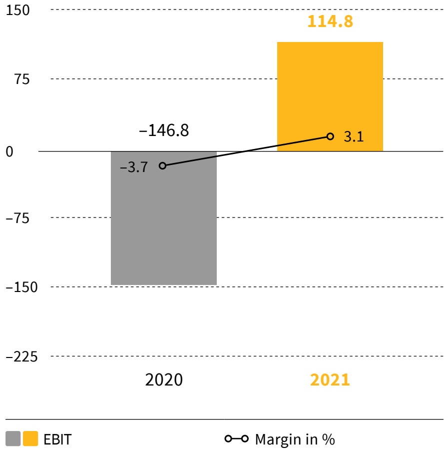
Order book
in CHF m



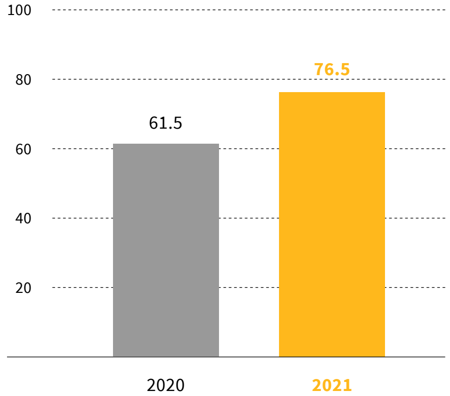
Consolidated revenue
in CHF m



EBIT
in CHF m

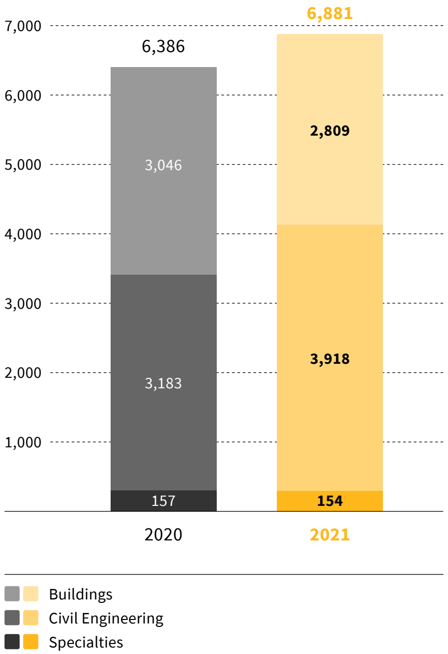


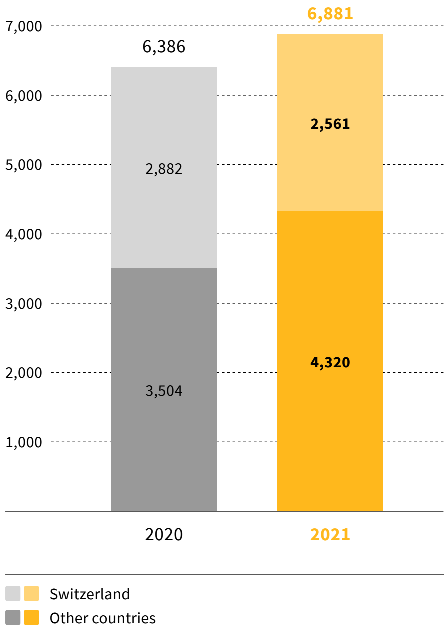
Operating performance
in CHF m



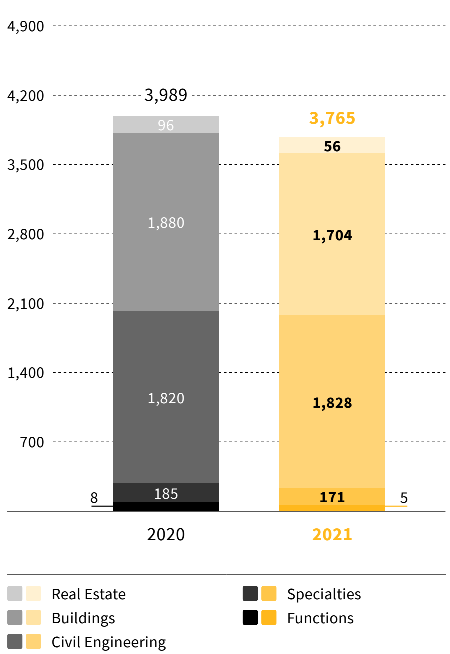
Key figures for the Group

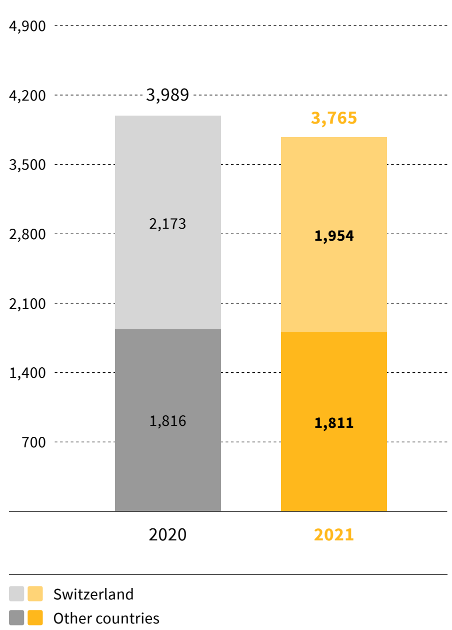
Order book
in CHF m





Consolidated Group revenue
in CHF m





Order book

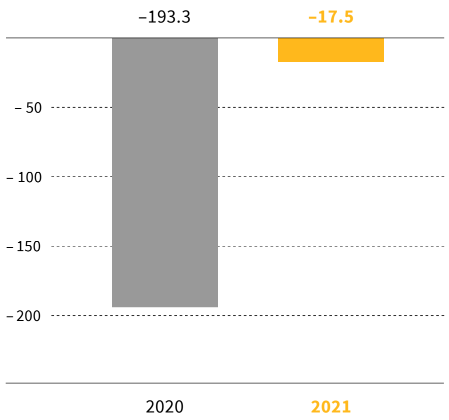
in TCHF	31.12.2021	31.12.2020	Δ
Buildings	2,809,189	3,046,474	(7.8%)
Civil Engineering	3,918,114	3,183,202	23.1%
Specialties	153,618	156,607	(1.9%)
Total order book	6,880,921	6,386,284	7.7%

Consolidated revenue

in TCHF	2021	2020	Δ
Real Estate	82,120	124,466	(34.0%)
Buildings	1,818,760	2,079,821	(12.6%)
Civil Engineering	2,060,672	2,012,855	2.4%
Specialties	208,583	223,628	(6.7%)
Functions / elimination of intra-group services	(405,465)	(451,824)	10.3%
Total consolidated revenue	3,764,670	3,988,946	(5.6%)

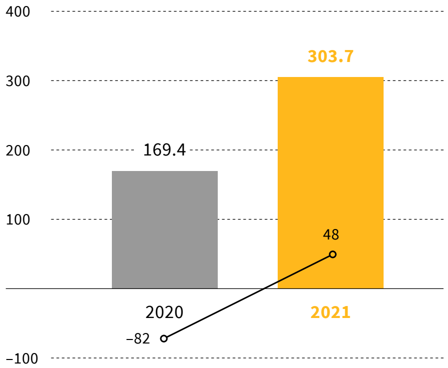
Key figures for the Group

Free cash flow
in CHF m



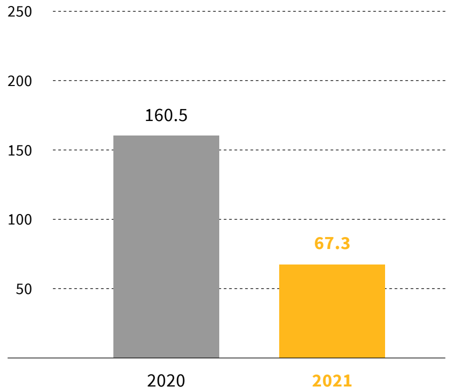
Free cash flow

Return on invested capital (ROIC)
in CHF m



Invested capital excl. usage rights from leasing
Margin (ROIC) in %

Net cash position, excluding liabilities from leasing
in CHF m



Invested capital

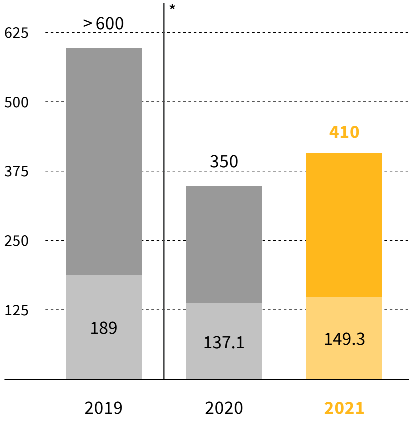
in TCHF	31.12.2021	31.12.2020	Δ
Current assets (excl. cash and cash equivalents and fixed short-term deposits)	1,285,803	1,230,843	4.5%
Non-current assets (excl. pension assets and rights of use from leases)	755,765	824,528	(8.3%)
Debt capital (excl. financial and pension liabilities)	(1,737,839)	(1,885,928)	(7.8%)
Total invested capital excl. rights of use from leases	303,729	169,443	78.1%
Rights of use from leases	148,929	167,306	(11.0%)
Total invested capital	452,658	336,749	34.4%

KEY FIGURES FOR DIVISION REAL ESTATE

Division Real Estate achieved reported EBIT of CHF 42.1 million (2020: CHF 109.4 million; positively impacted by the Ina Invest transaction). The underlying performance at EBIT level was CHF 42.1 million (2020: CHF 60.4 million), which is higher than expected and already in line with the years prior to the Ina Invest transaction.

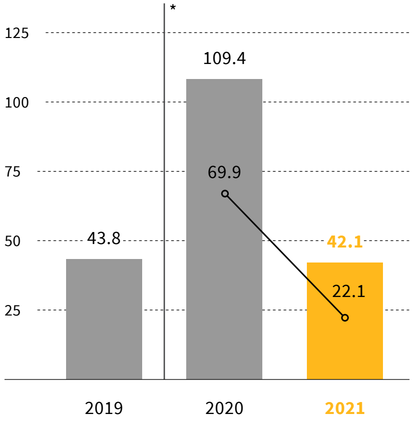
Adrian Wyss
Head Division Real Estate

Market value of development portfolio
in CHF m



Book value
* Ina Invest transaction

EBIT
in CHF m



ROIC (EBIT/ø invested capital)
* Ina Invest transaction

Real Estate facts

22.1
Return on invested capital in %
(2020: 69.9)

1,050
Assets under management in CHF million
(2020: ~700)

2,310
Assets under development in CHF m
(2020: ~2'300)

97
Employees (FTE) as at 31.12.2021
(2020: 81)

Significant profit contribution expected for the Group

The Division's gross investments in its Real Estate portfolio amounted to CHF 41.1 million in 2021 (2020: CHF 57.9 million). The Division continues to develop its Real Estate portfolio, which has a current market value of CHF 410 million and an estimated market value after completion of more than CHF 2.3 billion. Based on its increasing services offering, the Division expects higher earnings from services and from the participation in Ina Invest as well as from the business with further clients. Given the maturity of its own Real Estate portfolio, the Group anticipates a significant contribution to profit in 2022.

Key figures for Division Real Estate

Rue du Valais, Geneva: Development and expansion of mixed-use office premises with small urban apartments

Unterfeld Süd, Plot 4, Baar: Development of an upscale 60m high-rise residential building with views of Lake Zug and the Alps

Attractive real estate portfolio, services and products

The project pipeline at Division Real Estate is well diversified, and successful residential property sales in the Zurich and Geneva metropolitan areas contributed to earnings. In 2021, the Division acquired properties with high development potential in Pully (Switzerland) and in Darmstadt and Rüsselsheim (Germany). It will continue to invest in its own attractive property portfolio. The cooperation with Ina Invest is proving successful in all areas, from acquisition to development and other real estate services, to execution. In addition, the Division offers all its services to clients so they can develop their own real estate portfolios. These services include active asset and portfolio management, designing new types of real estate investment vehicle, and the development and industrial production of standardised and scalable real estate products. A good example is the joint venture with Deutsche Seereerderei (DSR) for the green hospitality segment.

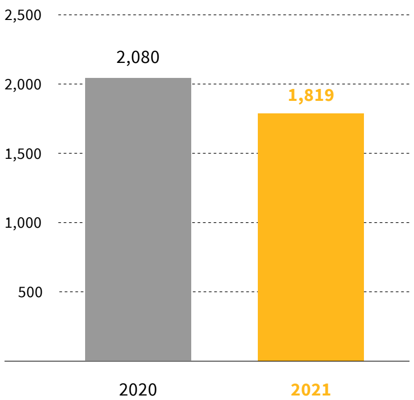
Lokstadt Bestandeshallen, Winterthur: Historical industrial halls are being revitalised with a diverse mix of restaurants, cafés, a casino, hotels and a kindergarten.

KEY FIGURES FOR DIVISION BUILDINGS

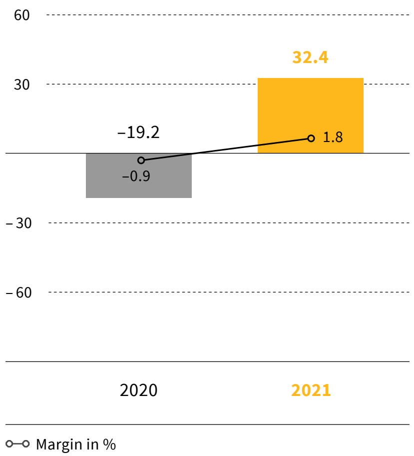
Division Buildings improved its reported EBIT to CHF 32.4 million (2020: CHF –19.2 million), based on a strong underlying performance at EBIT level of CHF 33.9 million (2020: CHF 27.4 million).

Jens Vollmar
Head Division Buildings

Revenue, unconsolidated
in CHF m



EBIT
in CHF m



Buildings facts

2,809 Order book in CHF m (2020: 3,046)	**77.7** Visibility in % (2020: 83.7)
1,839 Unconsolidated production output in CHF m (2020: 2,088)	**1,946** Employees (FTE) as at 31.12.2021 (2020: 1,905)

Strong operating performance

With its strong and high-quality order book in Switzerland and particularly in Germany, the Division is well positioned to further increase its profitability. Negative one-time effects occurred from the sale of the Building Construction unit in Austria, which completed the planned geographical transformation of the Division. Revenue decreased by 13% to CHF 1,819 million (2020: CHF 2,080 million) based on strict application of Value Assurance and the focus on large, complex projects. The order book decreased to CHF 2,809 million (2020: CHF 3,046 million) but improved in quality. The Division expanded its competencies in the growing areas of general planning, consulting, and realisation for healthcare and R &D facilities.

Key figures for Division Buildings

Cantonal Hospital Aarau: Construction of new hospital building as total contractor

Flösserhof, Mainz, Germany: Construction of a building complex surrounded by canals in the customs port

Focus on partnership-based contract models as well as consulting and planning services

Division Buildings has won several large and complex projects for sustainable residential and commercial property in Switzerland and Germany. Through the acquisition of BAM Swiss, Implenia became sole total contractor for the new “Dreiklang” building at Aarau Cantonal Hospital. Other interesting project gains included a general contractor commission from Swiss Federal Railways for five buildings in Central Malley near Lausanne, and several follow-up orders from existing customers in Germany, including two residential developments: Turley Areal in Mannheim and Flösserhof in Mainz. With a focus on customer needs, partnership-based contract models and the offer of consulting, planning and execution services from a single source, the Division will continue to grow profitably. The Division is improving its strategic positioning through an expanded, integrated service and product portfolio.

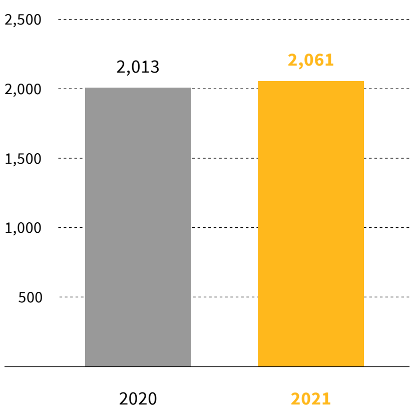
Central Malley, Prilly/Renens: Acting as a total contractor, Implenia is building five buildings for offices, apartments and businesses, including two high-rises of 19 and 24 floors.

KEY FIGURES FOR DIVISION CIVIL ENGINEERING

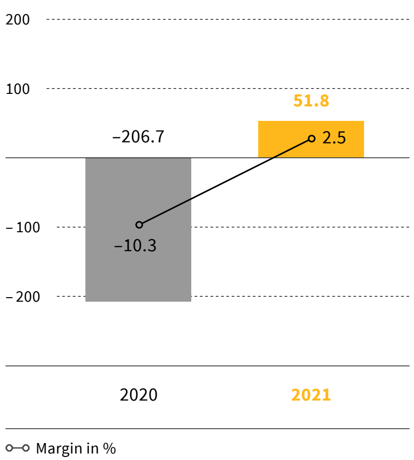
Division Civil Engineering achieved reported EBIT of CHF 51.8 million (2020: CHF – 206.7 million). Underlying performance at EBIT level, excluding positive one-time effects from divestments and restructuring, improved significantly to CHF 25.0 million (2020: CHF –17.3 million).

Christian Späth
Head Division Civil Engineering

Revenue, unconsolidated
in CHF m



EBIT
in CHF m



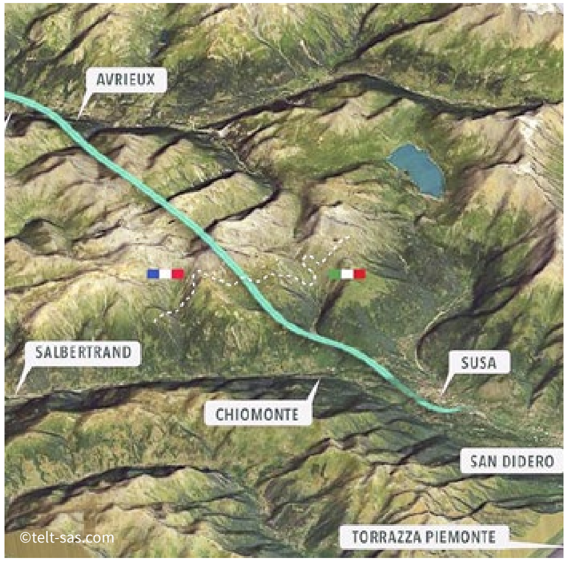
Civil Engineering facts

3,918 Order book in CHF m (2020: 3,183)	**67.5** Visibility in % (2020: 76.1)
2,050 Unconsolidated production output in CHF m (2020: 2,069)	**4,262** Employees (FTE) as at 31.12.2021 (2020: 5,142)

Focus on profitable and complex large-scale projects

Revenue remained at previous year's level of CHF 2,061 million (2020: CHF 2,013 million). The order book increased to CHF 3,918 million (2020: CHF 3,183 million) and is of better quality, reflecting the strategic focus on more profitable and complex large-scale projects. The business units Tunnelling and Special Foundations contributed positively to the result. Local branches of business unit Civil in Sweden, Norway, Austria and Romania were ramped down as planned to purely complete current projects. The market presence of business unit Civil in Switzerland was further adjusted according to strategy.

Key figures for Division Civil Engineering



Euralpin Lyon-Turin tunnel, Lot 3, France: 4 km section of tunnel from the Villard-Clément portal, including relocation of existing structures

Ludwigslust, Germany: Implenia is carrying out special foundations work for the new railway bridge.

Successes in tunnelling and major infrastructure projects

In 2021, Division Civil Engineering acquired several large, complex infrastructure and tunnelling projects in Switzerland and Germany. It has won tenders for these types of project in other European countries too. These project acquisitions are in line with the Group's strategy and core competencies. They also show that Implenia's many years of experience and extensive expertise in tunnelling are recognised throughout Europe. Implenia is currently involved in all the major European base tunnel projects, having won the contract for a section on the Austrian side of the Brenner base tunnel, as well as the high-speed Franzensfeste-Waidbruck railway line (southern end), and a section of the Euralpin tunnel between Lyon and Turin. Implenia has also been asked to do the preparatory work on two sections of the project to build the second tube of the Gotthard road tunnel. The Lysaker-Fornebu Tunnel and the Tunnel E39 Lyngdal motorway project (both Norway), and Sofia Station on the Stockholm Metro (Sweden) are good examples of the complex tunnel construction contracts Implenia has won in Scandinavia. With its strong position in major tunnelling and related infrastructure projects, and with measures in place to increase profitability at the Civil unit, the Division is on track to further improve its underlying performance.

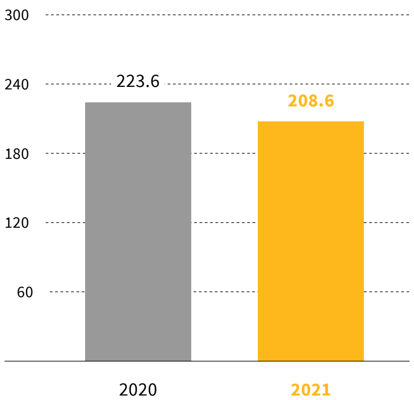
STEP AS25, Rüthi SG – Oberriet: Railway station and two-track expansion

KEY FIGURES FOR DIVISION SPECIALTIES

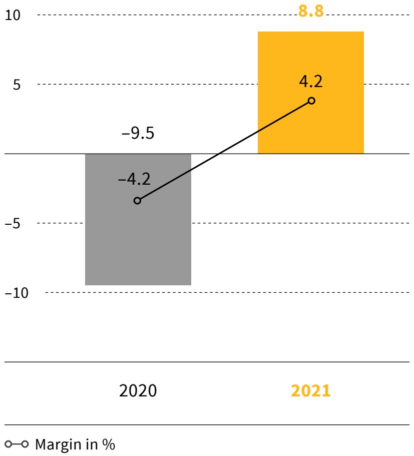
Division Specialities reported EBIT of CHF 8.8 million (2020: CHF – 9.5 million). As part of the transformation, the Division is adjusting its business units in line with strategy.

Anita Eckardt
Head Division Specialties

Revenue, unconsolidated
in CHF m



EBIT
in CHF m



Specialties facts

153.6 Order book in CHF m (2020: 156.6)	53.3 Visibility in % (2020: 48.6)
189.8 Unconsolidated production output in CHF m (2020: 228.7)	869 Employees (FTE) as at 31.12.2021 (2020: 954)

Portfolio adjustments on track

The strategic businesses contributed positively to EBIT and improved their underlying performance at EBIT level by 12% compared to the previous year. Other non-strategic businesses didn't achieve their planned profitability. Reported EBIT was positively influenced by one-time effects from divestments. The underlying performance at EBIT level amounted to CHF – 3.2 million (2020: CHF 8.7 million) and is difficult to compare with the previous year due to the transformation. Revenue decreased as planned to CHF 209 million (2020: CHF 224 million) due to the sale of non-strategic businesses. The order book stood at CHF 154 million (2020: CHF 157 million) at previous year's level. In 2022, the Division plans to continue developing and scaling businesses with high potential, selling non-strategic businesses, and expanding its portfolio with specialised planning and engineering services.

Key figures for Division Specialties

DSTRCT.Berlin, Germany: Facade Technology is creating a modern aluminium-and-glass facade for a new six-storey building that will be certified under DGNB and WELL Gold.

A7 Tunnel Altona, Hamburg, Germany: Prestressing work by BBV Systems with more than 3,000 tensioning elements and over 2,000 tonnes of prestressing steel

Innovative services for the construction industry

Division Specialties creates added value for its customers by offering expert knowledge in specialised areas of the construction industry. In 2021, the Facade Technology unit successfully completed the “DSTRCT.Berlin” project. BCL established its construction logistics services in Switzerland, with projects including optimised logistics planning and execution for the demanding “Telli” renovation in Aarau. Meanwhile, BBV Systems won and started work on one the largest prestressing projects Germany has seen in recent decades: the A7 Altona noise-protection tunnel. In 2022, the Division plans to continue developing and scaling businesses with high potential, selling non-strategic businesses, and expanding its portfolio with specialised planning and engineering services. This will be achieved through organic as well as inorganic growth. There is great market demand for the capabilities offered by BCL, Planovita and the Timber Construction unit. These businesses have great growth potential.

Telli, Aarau: BCL handling construction logistics planning and execution for energy-efficient renovation of 24 buildings with 581 residential units

OPPORTUNITIES AND RISKS

One of Implenia's four strategic priorities is "Profitable Growth". Enterprise Risk Management (ERM) is used to identify strategic risks early and initiate steps to improve the risk profile. Value Assurance is used to do the same thing for operational risks. These tools and the associated performance management system help minimise the risks inherent in Implenia's business and ensure they are managed effectively.

Managing risks effectively at all levels – with a focus on value generation

Anticipatory, proactive management of opportunities and risks is a central element of successful corporate management. At Implenia, holistic risk management supports the strategic priority of "Profitable Growth". Implenia carries out risk management as a continuous task based on consistently applied processes and clearly defined responsibilities.

Counteracting risks with the Three Lines of Defence model

Implenia uses the Three Lines of Defence model as the overarching framework for risk management. This defines roles and responsibilities for effective and efficient risk management and deals with risks along three lines:

- First line: the business unit responsible for the identified risks and for the efficient mitigation of these risks through controls and measures as part of day-to-day business.
- Second line: the Value Assurance, Performance Management, HR and Compliance functions. ERM supports the first line by defining the methodology and parameters.
- Third line: internal and external audit bodies. These have a monitoring role, i.e. they provide independent confirmation that Implenia's risks and opportunities are being treated effectively and in accordance with the company's ERM regulations.

Enterprise Risk Management: 40 top risks identified

ERM regulates the handling of strategic risks, including market, environmental, legal and financial risks. These are identified, evaluated, controlled, monitored and reported in an annual cycle using standardised processes. The internal and external conditions under which Implenia works are constantly changing, so risk identification and assessment are carried out continuously based on the probability of occurrence and likely size of impact. In 2021, Implenia identified 40 top risks in this way, nine of which are included in the "Group Risk Report".

Rebecca Gerth, who coordinates ERM at Implenia, explains: "In order to control the risk catalogue from an overarching perspective, risk management was initially done using a top-down process in 2021. From 2022, we are using a synchronised bottom-up/top-down process linked to the strategic plan; this should ensure a holistic, integrated ERM." In summary, "ERM" refers to the integrated, systematic, forward-looking and targeted management of opportunities and risks. At Implenia it includes the following important tasks:

- ERM strengthens the company's resilience and protects its reputation.
- ERM helps management achieve strategic and operational goals by laying the foundations for risk mitigation decisions.
- ERM increases the quality and safety of work.

Value Assurance: Using operational risk management to generate value

Implenia's Value Assurance approach – an operational risk management tool that applies at the project level – is another part of the second line. The goal of Value Assurance is to ensure that bid decisions are based on the relevant facts and data, as well as to optimise profitability estimates and project management throughout the whole life of the project. "Value Assurance is the method we use to present a project in a transparent and standardised way, so that we can evaluate opportunities and risks at every stage of the project," explains Axel Metzger, Head Value Assurance at Implenia. The Group has been working with the following process since 2019:

Project selection

- **PRE-SELECTION WITH SELECTION CHECKLIST** The first step is to register and check each potentially interesting project. The selection checklist includes clear criteria that tell us whether a project is worth further testing, or whether it should be dropped.
- **CLASSIFICATION** Selected projects are classified with the help of an automated matrix tailored to the Division concerned. It divides projects into one of four classes, depending on their complexity and risk profile. Class I is for very complex projects, Class IV is for the least complex ones.
- **PROJECT SELECTION** All projects are evaluated by a Value Assurance Committee (VAC), whose members are determined by the project class. Class I projects, for example, are decided on by the CEO, CFO and General Counsel, Class II projects by Division management and their Finance and Legal Business Partners, Class III projects by management in the countries, sectors or business units, and Class IV projects by regional management. This ensures that only strategically and financially attractive projects make it through to the bid phase.

Approval to bid

The approval to prepare a bid is given in a dedicated, project-specific VAC meeting of the relevant project class. Bids are presented using previously submitted standardised documents, and the strategy, opportunities and risks are discussed. If the bid is approved, with amendments if appropriate, the result is minuted.

Reviews throughout the project

Project reviews, which include on-site inspections, help us check the progress of a project, identify potential problems and agree steps to exploit opportunities or mitigate risks. Any lessons learned can benefit other bids as well as projects that are already in the execution phase. There is also an early warning system built into performance management, with benchmarks used to identify potential irregularities across the entire project period. The whole Value Assurance process is continuously supported by Operations, Legal and Finance.

With complex projects – i.e. Class I and Class II projects – the team executing the project coordinates regularly with independent Implenia experts to ensure that any discrepancies that occur during execution are picked up as early as possible. On-site visits are made to determine how the project is progressing, how relationships with the client and other project stakeholders are developing, how the financial and legal situation is looking, how the performance is, and what challenges there might be. This information is collected by means of a standardised questionnaire. Project managers then use the responses to initiate measures wherever required.

Comprehensive reviews of Class III and IV projects are carried out through spot-checks at the Division level, so Implenia can efficiently manage the risks of all projects in progress.

Through the strict application of Value Assurance, Implenia ensures that the projects it acquires are strategically relevant and have a significantly improved risk and margin profile. The pre-calculated gross margin has improved by over one percentage point since the introduction of Value Assurance.

3 SUSTAINABILITY

SUSTAINABILITY AS A CORPORATE VALUE

Construction companies can make a real difference to the environment, economy and society. This brings a great responsibility. Implenia acknowledges this responsibility and takes account of all the aspects of sustainability when developing, planning and building its projects.

As one of Implenia's five corporate values, sustainability is firmly anchored in the Group's culture. Implenia always thinks about sustainability holistically and tries to take a lead in all its aspects – environmental, financial and social. One of its strategic focuses is on the real estate development projects over which it has complete control from the planning stage to hand-over. When it has such control, the Group can utilise its skills to maximum effect, and set its own sustainability standards. Implenia's commitment to sustainability is also reflected in its close collaboration with the Network for Sustainable Construction Switzerland (NNBS) and the WWF; it participated, for example, in developing the "SNBS – Swiss Sustainable Construction Standard" and "SEED – Next Generation Living" certification systems for sustainable neighbourhoods.

Five environmental, social and economic priorities

Implenia's sustainability goals are divided into five priorities across environmental, social and economic dimensions. The interaction between these dimensions is important: we continuously develop environmentally friendly solutions that also make economic and social sense. The priorities have guided us since 2010, reflecting both our long-term commitment and the ongoing relevance of the priorities themselves:

Environment

1. Sustainable products and services: e.g. sustainable development and sustainable building, supplier management
2. Respect for the environment: e.g. during construction, use of machines, CO_2 emissions, recycling

Society

3. Attractive working environment: e.g. reduction of accidents at work, promotion of diversity and integration
4. Social commitment and compliance: e.g. support for development projects and social responsibility

Business

5. Financial and operational excellence: e.g. ratings, Lean Construction, BIM (Building Information Modeling), digitalization

Sustainability as a corporate value

In 2020 Implenia set itself ambitious long-term sustainability goals based on the UN Sustainable Development Goals. The new goals are for five years rather than for two as previously, and are being worked on between 2021 and the end of 2025. As part of its commitment to transparency, the Group now continuously reports on its progress and level of achievement through a goals dashboard within the Sustainability Report. The dashboard also shows the sub-goals, derived from the main targets, for each Division and global function. These sustainability goals are integrated into operational business and are woven into day-to-day working life.

Strong sustainability governance

There are three levels of governance for sustainability at Implenia: A Sustainability Committee was set up as early as 2012. In 2018, this committee was adjusted and its remit expanded to include a representative from each of the four Divisions as well as from global functions such as HR, Procurement, Finance, Marketing/Communications and Compliance. The Sustainability Committee (SusCom) meets quarterly to discuss current issues, define sustainability goals, take strategic decisions and launch Group-wide initiatives. It also monitors and reviews sustainability reporting.

Secondly, a global Sustainability Team has the task of anchoring sustainability within the company and supporting site managers and project managers on large-scale projects. Everyone in the team is responsible for several sustainability issues, but the sustainability agenda still has to be promoted locally by individual departments and functions. Thirdly, there are local sustainability delegates, who often also work as environmental protection officers, at the Division and country unit level.

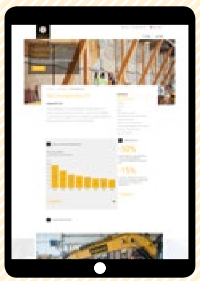
This triad of SusCom, global experts and delegates has proved to be a very successful operational model. Meanwhile, the Board of Directors provides oversight, and executive management is heavily involved: Anita Eckardt, Member of the Implenia Executive Committee (IEC), is Chairwoman of the Sustainability Committee and represents its decisions on the Executive Committee. The Board of Directors, in turn, is responsible for approving the sustainability strategy.

External recognition reflected in top ratings

Implenia performed outstandingly in various sustainability ratings during the year under review, thus building on its leading position in the sector. Sustainalytics, a global leader in research and ratings for environmental, social and governance issues, awarded Implenia an outstanding 84 points for 2020. This confirms the Group's position as industry leader in "Construction & Engineering", which we have been since 2018, and is 5 points more than in the previous year. Implenia is ahead of its competitors in all three areas – environmental, social and governance. 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 the many years of sustainability work is also having a financial effect: thanks to its currently very good rating, Implenia can source funding on more favourable conditions, making it a pioneer of "green" credit financing.

EcoVadis, the world's largest provider of sustainability ratings, also ranks Implenia higher. After 52 points in the previous year, the Group achieved 60 points in 2021, moving it up from bronze to silver status. This makes Implenia one of the best 15 per cent of the more than 75,000 companies rated by EcoVadis. EcoVadis ratings are used by more than 600 sustainable procurement programmes within global value chains, while the number of customers who ask for EcoVadis ratings in project acquisitions is also constantly rising. These include major public clients such as Swiss Federal Railways (SBB) and Deutsche Bahn, as well as private clients such as Johnson & Johnson. In addition, MSCI increased its ESG rating for Implenia from AA to AAA in December 2021.

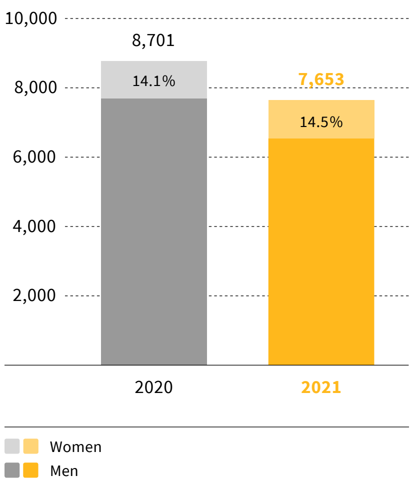
Implenia has been publishing a Sustainability Report in accordance with the Global Reporting Initiative (GRI) since 2012. The current Sustainability Report is available at sustainability.implenia.com. Among other things, it contains the Sustainability Goals for 2025, sustainability indicators and reports on concrete implementation.



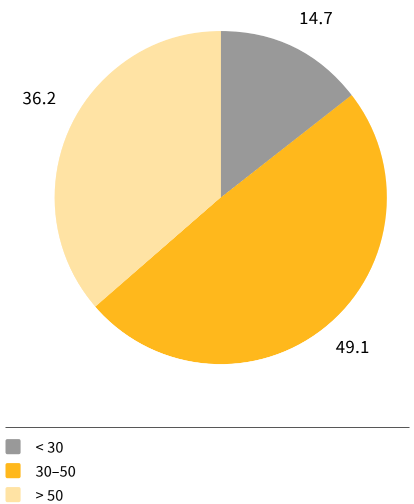
EMPLOYEES

Engaged and committed employees are enthusiastic about their work and dedicate themselves to the success of the company – every day. Implenia encourages this commitment through measures such as targeted training and development, a modern, family-friendly working environment, and a culture of diversity and integration. These efforts have been further strengthened by the 2025 Sustainability Goals.

Number of employees (FTE) and proportion of women
as at 31.12.2021



Age structure 2021
in %



Commitment to committed employees

A young carpenter had to give up his trade at the age of 27 owing to health problems. Following a second apprenticeship at Implenia he is still working at the company – as a junior controller. He is also studying business economics on the side.

And then there's the explosives expert who took over project management of a tunnelling project for the first time, proving that you don't need years of university study to progress in your career. Not if you're brave, curious and passionate about your work – and are prepared to take on the challenges that Implenia can offer you.

And there's the Iraqi civil engineer, who made his living as a pizza cook for almost 19 years before returning to the construction industry by training as a surveyor and doing an internship at Implenia.

It's very personal stories like these that most clearly show why Implenia actively invests in its employees – it pays off in commitment. Recruiting and retaining committed employees is enshrined in the company's 2025 Sustainability Goals. Implenia aims to achieve these goals with a range of existing and new tools.

Progress through training and employee development

Implenia is committed to professional advancement. It offers its employees the opportunity for long-term development and progress within the company through a variety of training and development programmes that are always geared towards new challenges. These range from safety training on construction sites to specialist skills training, education in new technologies to individual career development programmes, not to mention the digital eCampus, which has now been rolled out to all countries. Employees can now register for training or start an eLearning course with a click of the mouse.

Employees

In 2021 there was a particular focus on the ongoing development of management competencies among the Implenia Extended Leadership Forum (IELF), which comprises around 100 of Implenia's top managers. Together with emba X – a new joint Executive MBA course run by the ETH Zurich and the University of St. Gallen (www.embax.ch) – Implenia created a development programme tailored to its specific needs. It consisted of several modules on topics such as change management, leadership and collaboration. The foundation modules were mandatory for all managers, while additional modules on important professional and personal topics could be selected by the individual. Participants could work through the topics interactively and to suit their personal leadership experience. Well-trained managers act as multipliers: they have a direct impact on the satisfaction and commitment of their employees.

Proud of our diversity and training

94	112
Nationalities as at 31.12.2021	Completed apprenticeships as at 31.12.2021
(2020: 85)	(2020: 96)

Committed employees thanks to modern, family-friendly working conditions and a culture of diversity and inclusion

Shaping your working life to fit your own life: Implenia wants to make this possible for its employees. As an employer, Implenia actively lives up to its values, promotes cooperation in diverse teams and provides a framework in which employees can realise their different life plans. They should be able to arrange their working hours to suit their needs – with clear agreements. Implenia offers flexible mobile working and home working solutions where practicable. This cuts down on travelling and allows employees to spend break times with their families, for example.

Using direct contact and surveys to gauge feelings

It's important to know how employees are doing. Particularly important, in Implenia's view, at a time when the Covid pandemic keeps putting severe constraints on opportunities to interact in person. In 2021, therefore, Implenia introduced a new survey tool that quickly and easily allows all units in the Group to gauge how their workforce is feeling.

Being socially responsible together

Implenia is involved in social projects in many countries. These offer employees the opportunity to contribute to a good cause. A good example is the annual social project week arranged for Implenia apprentices in Switzerland in cooperation with Swiss Berghilfe: shortly before graduation, these apprentices work on a construction project that benefits the wider community. In July 2021, 19 apprentices and three supervisors went to the mountain community of Romoos and in just one week built a new playground, a meeting place and a machine washing station for a young farming couple.

On the global level Implenia has worked for many years as a partner of "Smiling Gecko", an aid organisation that runs economically and environmentally sustainable projects designed to improve the living conditions of people in rural Cambodia. In 2021, Implenia once again dispatched an employee to support the local team for a few months. Further examples of our social commitment, for example in the field of education and promoting young talent, are described in our sustainability report.

Motivate through mutual recognition and praise: You matter!

And last but not least, initiatives such as "YOU MATTER!" make it clear that people are the most important factor in everything Implenia does. Projects can only be planned and implemented with the involvement of lots of different people; results are only achieved with the help of a wide variety of teams. "YOU MATTER!" is the recognition initiative launched in 2021 to encourage employees to praise their colleagues. A platform was created to host short videos as well as pictures and text. Recognition is especially important in an environment characterised by change.

Promoting employee engagement through recognition:

Employees

"I love working at Implenia because I can use my newly acquired knowledge directly in major projects."

Yves Serventi
BIM Manager with a passion for lifelong learning

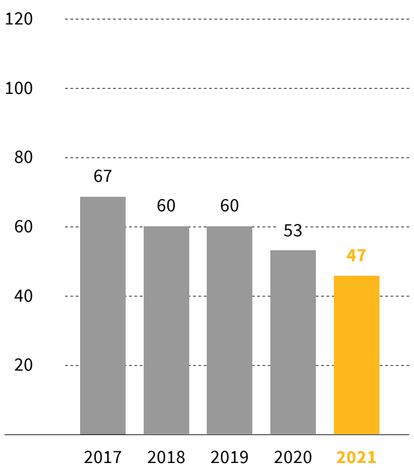
DIGITAL CONSTRUCTION SITE The word "construction" makes most people think of diggers, concrete and soil. BIM Manager Yves Serventi's job is to simplify the work through digital technology. Ever since his apprenticeship he has continued to learn and develop; he is now taking a master's degree in "Digital Construction" with the help of an Implenia scholarship.

Link to video

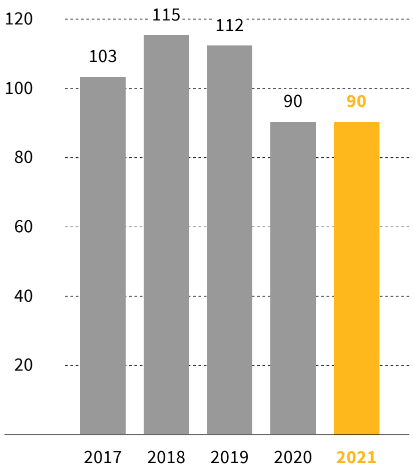
HEALTH & SAFETY

Making work safer is a matter of looking ahead and proactively putting the right measures in place. A newly introduced system provides the statistical underpinnings for this at Implenia by systematically recording accident data across the whole Group. This system also captures potential damage and near misses.

Occupational accidents
Incidents per 1000 full-time posts
Base: All Implenia Group units
as at 31.12.2021



Non-occupational accidents
Incidents per 1000 full-time posts
Base: All units in Switzerland
as at 31.12.2021 excluding relapses



Accurate data as a basis for proactive measures

The consistent and continuous efforts Implenia makes to reduce the number of accidents at work continued to pay off in 2021. The accident rate was reduced once again – to 47 accidents per thousand full-time jobs. This puts Implenia on the right path to achieve its ambitious sustainability goal for safety at work: taking the 2020 figure as the baseline, it aims to reduce the accident rate by 50 per cent by 2025. In financial 2021, the Global Safety unit introduced various tools designed to make it easier to move towards the safety target.

Statistical analysis leads to targeted measures

In 2021 Implenia implemented a new system for collecting accident data called Synergi Life, in which all accidents are reported in accordance with the same standard. In addition to information on the type of accident and how it occurred, potential damage is now also recorded. Felix Akeret, Global Head Safety, explains: “This means the system can also answer questions about the consequences an accident could have in the worst case. What would have happened, for example, if the falling pipe had hit the site worker on the head rather than the arm?” Information on near misses – incidents that did not cause damage but could have done – is also collected consistently.

As the system is continuously fed with relevant information, Synergi Life becomes a powerful tool for identifying weaknesses in occupational safety at Implenia, and for deriving measures based on statistical analysis of real-life data. Based on historical information, it enables Implenia to initiate proactive steps that create an even safer working environment and so reduce the number of accidents even further. The introduction of Synergi Life was backed up by a communications

Health & Safety

campaign involving regular exchanges between the Global Safety unit and the Health & Safety network, as well as help with preparing accident data and estimating potential damage.

Clear responsibilities sharpen awareness of occupational safety

Global Safety also laid foundations at the organisational level in the 2021 financial year: an incident management process now governs roles, responsibilities and tasks when incidents occur. With a structured approach at all levels and in all functions, the process helps to reduce damage – or avoid potential damage. “It also helps sharpen awareness of how destructive incidents can be, which in turn promotes a proactive attitude,” Felix Akeret says. “Especially for managers, because the process ensures they get involved with every incident.”

The importance Implenia attaches to safety at work is also reflected in the fact that the topic is a fixed point on the agenda of Implenia Executive Committee (IEC) meetings: an IEC member prepares a 20-minute safety presentation for every meeting.

Safety walks provide on-the-spot information

Safety walks are another measure aimed at getting managers even more closely involved in the topic of safety at work, while at the same time visibly signalling attention and support to the local workforce. They have been a mandatory task for managers since 2021 and the number of visits to be made is fixed as part of each manager’s annual targets. During the inspections the managers conduct open, direct discussions with personnel on site and assess the site as a whole from the occupational health perspective. Safety walks have the following objectives:

- Visibly demonstrating to the workforce that managers are committed to occupational health and safety
- Opportunity for managers to talk directly to employees at all levels about safety
- Managers get a direct impression of the conditions on the construction site with regard to occupational health and safety

Safety leadership will play a greater role at Implenia in future: managers need to be role models for safety.

Figures from health management

- **OCCUPATIONAL AND NON-OCCUPATIONAL ACCIDENTS** The number of occupational accidents decreased during the year under review, while there was also a substantial –11.08% fall in non-occupational accidents in Switzerland compared to the previous year (2020: –22.34%). Most 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.
- **ABSENCE RATES** In terms of absence rates, the ratio of occupational accidents to non-occupational accidents was virtually the same as in 2020. Around 69% of absences were caused by illness, 20.37% by occupational accidents and 10.3% by non-occupational accidents. A total of 474 employees were off work for more than 30 days as a result of illness or accident in 2021.

Health & Safety facts

20.37

Percentage of absences due to occupational accidents[1] in % 2021

(2020: 17.05%)

4.4

Absence rate[1] in % 2021

(2020: 4.4%)

1 Switzerland

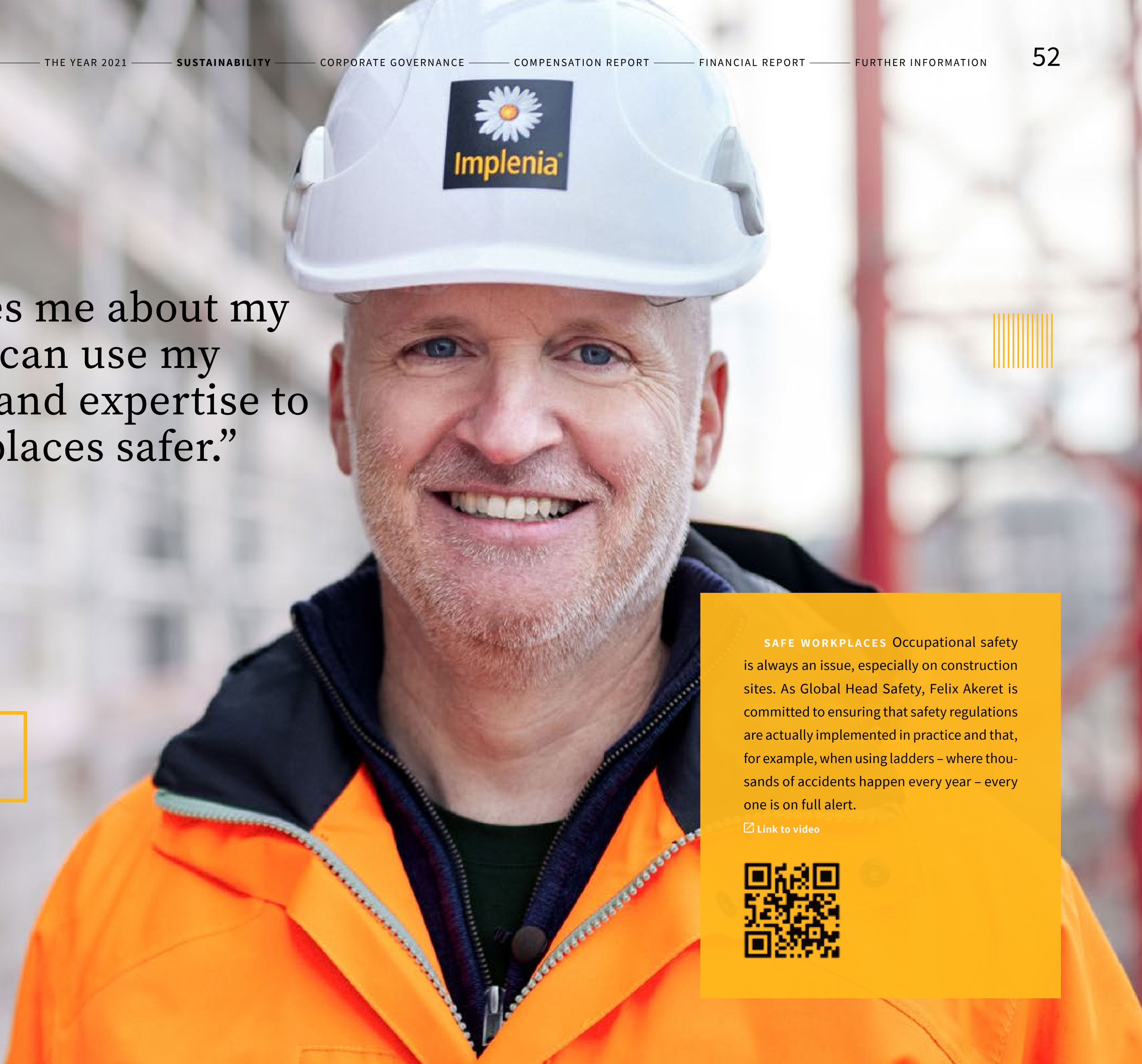
- **SUPPORT, REINTEGRATION** During the year under review, the BGM team in Switzerland looked after 153 people. The team’s mission and aim is to support employees during their recovery and help reintegrate them into working life. Affected employees are put into a special reintegration programme that gradually reintroduces them to an appropriate independent activity, with external experts brought in if needed.

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, as well as on cardiovascular disease.

And the “Golden Helmet” goes to ...

Implenia presented its seventh annual Health & Safety Award in 2021 . As well as highlighting the great importance of health and safety at work, the award motivates employees to be even more aware of their responsibilities. In an internal ballot, employees vote for the nominated construction sites, teams or individuals. The 2021 Health & Safety Award went to the DüdingenPlus team from Switzerland. The noise barrier team from Germany came second, and the CERN team from France came third.

Health & Safety



"What excites me about my job is that I can use my experience and expertise to make workplaces safer."

Felix Akeret
Global Head Safety and an ambitious advocate of safe construction sites

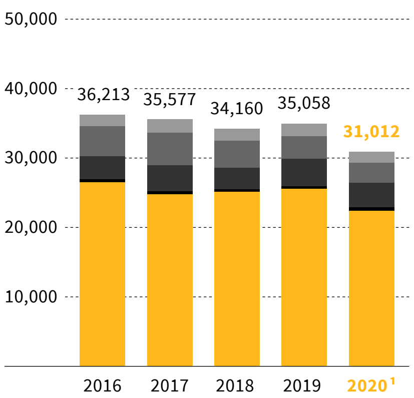
SAFE WORKPLACES Occupational safety is always an issue, especially on construction sites. As Global Head Safety, Felix Akeret is committed to ensuring that safety regulations are actually implemented in practice and that, for example, when using ladders – where thousands of accidents happen every year – every one is on full alert.

Link to video

ENVIRONMENT

As part of its 2025 Sustainability Goals, Implenia is pursuing ambitious plans to protect the environment. In 2021, the Global Sustainability unit continued to implement initial measures and draft roadmaps, but also to create transparency – as a basis for measuring progress towards environmental targets, and to ensure that the right measures are being taken.

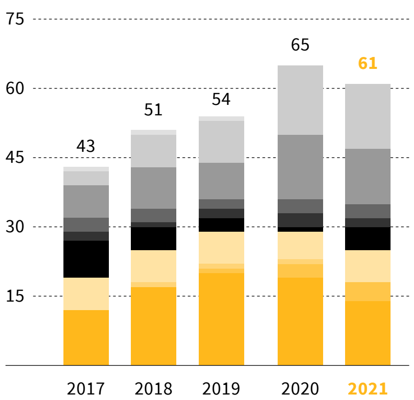
Greenhouse gas emissions, Implenia Switzerland (scopes 1+2)
by energy source in tons of CO_2 equivalents



- Electricity
- Heating oil
- Natural gas
- Petrol
- Diesel

1 Data for 2020 has been estimated, current figures can be found at sustainability.implenia.com.

Sustainability certificates in building construction
Number of certificates by sustainability label



- Minergie (only with P, A and ECO supplement)
- SEED
- BREEAM
- LEED
- DGNB
- SNBS
- CS greenproperty
- SIA 2040
- 2000-Watt Site
- SMEO

A variety of measures to protect the environment

One of the Global Sustainability unit's main jobs in 2021 was to create transparency for various sustainability goals – through knowledge transfer and by developing new sustainability indicators. This transparency is a prerequisite for taking concrete action from 2022 onwards. Measures for other goals have already been developed and introduced.

Consistent application of sustainability standards to new development projects

Sustainability standards are particularly relevant for Implenia when working on the projects it has developed itself, such as Lokstadt in Winterthur, Tivoli in Neuchâtel and Unterfeld in Baar. With these projects, the company can determine the location, architecture, construction and energy concept at an early stage, meaning that it can have an influence on the factors that are most relevant to the sustainability of a building – in the construction phase, in the operating phase and right through to eventual decommissioning. Implenia uses this leverage to set the highest possible standards for its own development projects. "We have stipulated that half our projects in Switzerland must be certified under the Swiss Sustainable Construction Standard (SNBS)," says Rolf Wagenbach, Global Head Sustainability. Consequently, a process was set up with the Real Estate Division in 2021 to ensure that new development projects meet SNBS criteria. A similar process is to be introduced in the German market in 2022 based on the Effizienzhaus standard.

Environment

Accurate analysis to reduce emissions

Implenia also wants to exert a positive influence on the consumption of grey energy, the use of renewable energies, water consumption and waste generation within its own development projects. Step one in the effort to continuously reduce emissions and increase the share of renewable energy was the analysis conducted in 2021 of the entire Real Estate portfolio, which currently includes 16 projects and 46 buildings in Switzerland. The analysis resulted in a list showing each project's profile in three categories: construction, operation and mobility. Targeted measures are being defined on the basis of these profiles. In this way Implenia is creating an important foundation for the development, construction and operation of future "Net Zero Carbon Buildings".

Group-wide collection of ideas for project-specific sustainability concepts

Global Sustainability also put in the groundwork for another goal: proactively offering customers project-specific sustainability concepts. "Implenia has many years of experience in the field of sustainability and can reference a large number of projects and concepts. Good solutions have been documented across the entire Group and made available internally," says Rolf Wagenbach. "The aim is to provide a pool of options that can be incorporated into new projects." The Real Estate Consulting unit is also trying to integrate sustainability concepts into customer projects as early as possible in the process.

Many small measures lead to a large reduction in CO_2

Implenia is constantly initiating and implementing measures to achieve net CO_2 emissions by 2050, and reduce Group-wide CO_2 emissions by 15% by 2025. Implenia has been developing solutions for emission-free construction sites in Norway, for example, since 2021 in partnership with clean-tech firm Teco 2030. Teco 2030 specialises in hydrogen fuel cells for marine applications. Further measures that help cut CO_2 emissions include making concrete on site, which reduces lorry journeys, and decreasing the time equipment is left on stand-by. Implenia is also working on measures to promote sustainable supplier management.

Environment fact

>1.1

Solar electricity produced in GWh 2021

(2020: >1.2 GWh)

Environmental incidents are systematically recorded throughout the group

An important step towards even more professional environmental management was taken in 2021 with the Group-wide introduction of Synergi Life. This is a tool that systematically records not only accidents involving people, but also environmental incidents, assigning them to five categories according to their severity. Category 1 covers environmental disasters, while category 5 is for incidents with minor consequences. Rolf Wagenbach: "The introduction of Synergi Life gives Implenia the data it needs to define measures that prevent environmental incidents or at least reduce their size."

Initial projects and strategic work to close material cycles

Implenia believes that closing material cycles has great potential to reduce CO_2 emissions in the construction industry and save primary resources. The company intends to develop new circular business models by 2025. At the same time as preparing a strategy for a Group-wide circular economy, various bottom-up initiatives are already being implemented. These include efforts by the Real Estate Products business unit, which is developing scalable, industrially manufactured real estate products based on far-reaching circularity principles and thus helping to close material cycles. The circular philosophy is also finding its way into the overhaul of the Waldenburg railway and other major civil engineering infrastructure projects: Implenia is using a semi-mobile gravel plant, in which excavated material is washed, sorted and then reused on site. Shorter transport routes reduce CO_2 emissions and costs.

Environment

"The thing that excites me about my job is that my work helps us build the world of tomorrow in an environmentally friendly way."

Bernadette Arbogast
Project Manager Sustainability and ambitious activist for lower CO_2 emissions

SUSTAINABLE CONSTRUCTION Waste, noise and dirt are features of every construction site. As Project Manager Sustainability, Bernadette Arbogast looks for environmentally friendly methods and materials – and encourages project teams to use them. A good example is wood-pellet construction heating, which produces 90% less CO_2 than oil-powered alternatives.

Link to video

INNOVATION

Innovations create sustainable and economic solutions that generate added value for our customers. With this aspiration in mind, Implenia develops new ideas and business models along the entire building and infrastructure value chain. The company continued to tap into the innovative strength of its employees and external partners in 2021.

Innovations for greater sustainability and economic efficiency

For companies that want to survive in today's marketplace, it is no longer enough to deliver solid work using traditional techniques and methods. The entire construction and real estate industry is in transition and Implenia is actively involved in shaping this change. Because it wants to build a world for future generations in the best possible way, Implenia is constantly developing and using new services, products and methods. Innovation is the key to doing this successfully. And innovation is another component of Implenia's 2025 Sustainability Goals. For Implenia, successful innovation means developing ideas that make sense environmentally, socially and economically. The company gets its innovative strength from various sources.

Source of innovation: employees

It's simple. It can be installed safely and quickly in a tunnel by just one person. And, above all, it can be used flexibly to produce different thicknesses depending on the geological conditions. What is it? The yielding element, which is made of very light but very resistant high-strength polystyrene layers. The stress controller is a great example of how Implenia successfully develops ideas generated by its own workforce. The idea for this particular project was submitted in 2019 by civil engineer Manuel Entfellner to "Kickbox", the Implenia intrapreneurship programme that helps the company harness the entrepreneurial spirit and innovative power of its employees. The yielding element was successfully tested in a pilot project and then developed further through to the patent application phase in 2021. The next step is to market the product.

A total of 33 new ideas were developed, validated and tested via the Group-wide Kickbox programme in 2021, five of them in response to a specific Kickbox campaign: "Sustainable Implenia". This was designed to generate ideas that make the construction industry more environmentally friendly, safer and better for society. It focused on six of the twelve Implenia Sustainability Goals for 2025. A pitch event was held in December 2021 at which employees presented their innovative sustainability ideas to an internal and external jury. The ideas were examined in detail to assess how much potential they had to be turned into viable business models and to attract internal sponsors. "As well as generating some very promising ideas, the campaign helped us make a lot of new people aware of the topic of sustainability," explains Karel van Eechoud, who works as Senior Innovation Manager and Head of the Implenia Innovation Hub. Implenia will continue to promote

> "We are looking for and finding new business models precisely where the biggest emissions and costs arise."

Karel Van Eechoud, Senior Innovation Manager

intrapreneurship as an important driver of innovation – with the clear aim of bringing sustainable, implementable Kickbox ideas into the Divisions as promising business models.

Source of innovation: Open Innovation

For Implenia, innovation also means opening up to the outside and gaining new perspectives by engaging with external parties. The company works closely with various partners – including research institutions such as the Fraunhofer Institute for Building Physics IBP, the ETH Zurich and numerous start-ups. In 2021, for example, Implenia set up a pilot with two start-ups, Imerso and Scaled Robotics, to develop methods for quality and construction progress management using BIM, reality capture and artificial intelligence. Collaboration with energy supply companies has also been initiated, with Implenia focusing on optimising and modernising energy supply in neighbourhoods and districts – a sustainability issue that is of great relevance to Implenia's property development and building construction work.

Source of innovation: screening new technologies

The third source of innovation is the screening of new technologies that appear on the market, including new processes, products and services that increase productivity and efficiency, conserve resources and reduce waste. Using such innovations can help optimise energy consumption across the whole life cycle of a building infrastructure project, for example. Karel van Eechoud: "We seek out and find new business models, not just for traditional execution processes, but also throughout the design, planning and operating phases – i.e. exactly where the greatest emissions and costs are generated." A good example is the Predictive Asset Management initiative that was launched in 2021. This will allow Implenia to offer owners or operators of infrastructure a comprehensive maintenance and repair package using new or existing technologies.

Pushing ahead with innovation projects

2021 was also the financial year in which Implenia took numerous existing innovation projects to the next stage. This includes the multi-chamber skip that facilitates sustainable waste disposal on construction sites, an idea proposed by Frank Reschke, Head of Calculation at Implenia subsidiary BCL. Then there is the modular, energy-generating facade system that uses the latest technological innovations to provide office buildings with an autonomous sustainable energy supply. The innovative facade system was developed by the team at Implenia Fassadentechnik, which worked with the Fraunhofer Institute for Building Physics IBP to create a product that is both sustainable and affordable.

Sustainability focus on digitalization: augmented, virtual and mixed reality

As innovation drivers for digitalization, the Innovation Hub Team put a particular emphasis on mixed reality, virtual reality and augmented reality in 2021. "Together with the Building Information Modeling (BIM) team and the Divisions, we provided an overview of the latest technologies, identified possible applications and evaluated potential partners", says Karel van Eechoud. This resulted in various pilot projects, including one to optimise support for customers and investors when they are making decisions about real estate. "The aim is to gain more facts – and so make construction more efficient."

Ideas only become innovations if it's possible to commercialise them

There is a benchmark equation for all the innovation projects Implenia considers: Innovation = idea x commercialisation. As well as being innovative, an idea must offer customers and end-users added value for which they are willing to pay. Innovative ideas only become commercial solutions when they can be marketed successfully. This is the background against which Implenia drives innovations forward – to give construction a sustainable and economically viable future.

Innovation

“What excites me about my work is that my idea will soon be used in tunnel construction projects across the whole of Europe.”

Manuel Entfellner
Construction Manager and innovative developer of new tunnelling technology

INNOVATIVE TUNNEL CONSTRUCTION Tunnellers often encounter difficult geological conditions. Manuel Entfellner, Construction Manager at the Semmering Base Tunnel infrastructure project in Austria, invented a yielding element to protect shotcrete linings against pressure. It is better, lighter and cheaper than traditional products.

Link to video

4 CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

As required by the SIX Swiss Exchange Ltd's Directive on Information relating to Corporate Governance of 18 June 2021, in force since 1 October 2021 (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 2021).

The structure and numbering of the chapter correspond to those of the Annex to the Directive Corporate Governance. The information about compensation, shareholdings and loans is summarised in the Compensation Report (see pages 81 et seqq.). The principles and rules of Implenia's Corporate Governance are implemented in the Articles of Association and the Organisational Regulation. 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 of 24 March 2020, which were applicable as of the balance sheet date of the reporting year (hereinafter "Articles of Association" or "AoA"), the Organisational Regulations of 11 July 2019 applicable as of the balance sheet date of the reporting year (hereinafter "Implenia OR"), and the Code of Conduct are available on Implenia's website:

https://www.implenia.com/goto/corporategovernance/2021/en/articles-of-association-20200324.pdf

https://www.implenia.com/goto/corporategovernance/2021/en/or-implenia-20190711.pdf

https://www.implenia.com/goto/corporategovernance/2021/en/code-of-conduct-20201201.pdf

1 — GROUP STRUCTURE AND SHAREHOLDERS

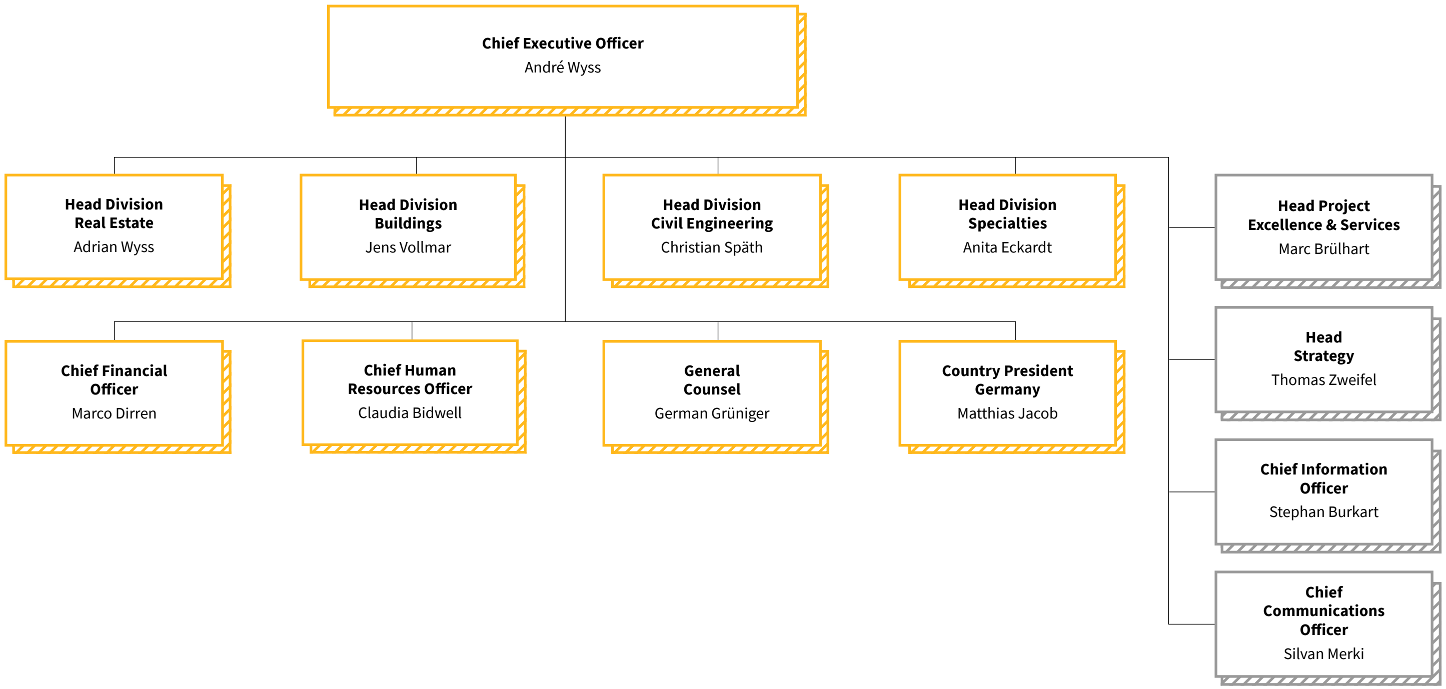
1.1 — Group structure

1.1.1 — Operational group structure

Implenia's internal organisation is based on four divisions (Real Estate, Buildings, Civil Engineering and Specialties). The divisions are supported by the global functions (Finance/Procurement, HR, Legal, Strategy, Group IT and Marketing/Communications), and a "Project Excellence & Services" competence center, which also ensure groupwide management in their areas (see figure on the right).

The Implenia Executive Committee (IEC), which provides group management for the Implenia Group, consists of nine members: the CEO, the four Division Heads, the Head Country Management and three Function Heads (CFO, Chief Human Resources Officer and General Counsel).

Our organisation
Organisation chart as at 31 December 2021



Members of the Implenia Executive Committee

Other members of senior management

1.1.2 — Consolidated listed entities

The Implenia Group has only one listed entity, Implenia Ltd, with its registered office in Opfikon, in the Canton of Zurich. Implenia Ltd has been listed on SIX Swiss Exchange Ltd since 6 March 2006 (security number: 2386 855, ISIN: CH002 386 8554, security symbol: IMPN). It holds no shares in listed companies within its scope of consolidation. As of 31 December 2021, the market capitalisation of Implenia Ltd amounted to CHF 383.5 million.

1.1.3 — Consolidated unlisted entities

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, can be found on page 158 of the Notes of Implenia's consolidated financial statements.

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 shareholding of more than 3% of the share capital and voting rights of Implenia Ltd on 31 December 2021.

Disclosed shareholdings

Shareholder's name	Investment
Max Rössler / Parmino Holding AG	16.51%
Norbert Ketterer	10.004%
Rudolf Maag	5.41%
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 2022, are available at the following link of the Disclosure Office of SIX Swiss Exchange Ltd:

https://www.ser-ag.com/en/resources/notifications-market-participants/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 2021 amounted to CHF 18,841,440, divided into 18,472,000 registered shares with a nominal value of CHF 1.02 each. 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 under 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 from 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 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 from 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/2021/en/articles-of-association-20200324.pdf

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

The Company has no authorised capital.

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

The share capital remained unchanged from 2019 to 2021. The equity capital of Implenia Ltd developed as follows in that period:

Changes in equity capital during the last three years

in TCHF	31 December 2021	31 December 2020	31 December 2019
Share capital	18,841	18,841	18,841
Statutory capital reserves			
– Reserves from capital contributions	77	77	132
Statutory retained earnings	16,185	16,185	16,185
Balance sheet profit			
– Profit carried forward	417,111	433,446	364,969
– Profit/(loss) for the year	(17,104)	(16,335)	93,274
Treasury shares	(1,246)	(955)	(540)
Total equity	433,864	451,259	492,861

For further information about changes in share capital in the reporting years 2019 and 2020, see the respective annual reports.

https://implenia.com/en/investor-relations/annualreport/annual-report-2020/

https://implenia.com/en/investor-relations/annualreport/annual-report-2019/

2.4 — Shares and participation certificates

The share capital as of 31 December 2021 was divided into 18,472,000 fully paid-up registered shares with a nominal value of CHF 1.02 each. Subject to Art. 7 of the Articles of Association, each share shall carry the right to one vote. There are no multiple voting 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/2021/en/articles-of-association-20200324.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

No percentage clause under the Articles of Association 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 (Koller Act) 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").

https://www.implenia.com/goto/corporategovernance/2021/en/registration-regulations-20130204.pdf

https://www.implenia.com/goto/corporategovernance/2021/en/articles-of-association-20200324.pdf

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 registration of 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 Koller Act. 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/2021/en/articles-of-association-20200324.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.

https://www.implenia.com/goto/corporategovernance/2021/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 be found on Implenia's website.

https://www.implenia.com/goto/corporategovernance/2021/en/application-for-registration-nominees.pdf

2.6.4 — Procedures and prerequisites 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 (security symbol: IMP15, ISIN: CH028 550 9359). 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 66.15. 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.

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. There has been no change in the Board of Directors in the reporting year. No member 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 maintains significant business relationships with the Implenia Group. The members are therefore independent. The Board of Directors is composed of the following members as of 31 December 2021:

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

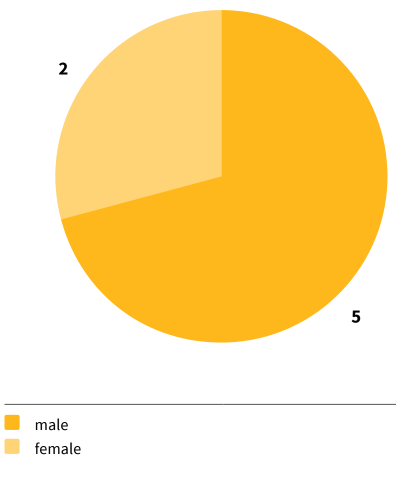
1 Annual General Meeting in the designated year

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.

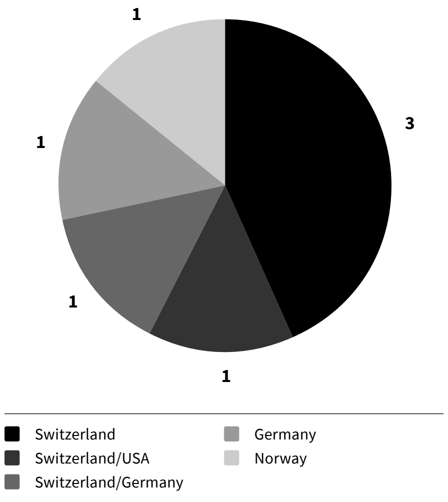
3.2 — Education, activities and vested interests

The summary on the next 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.

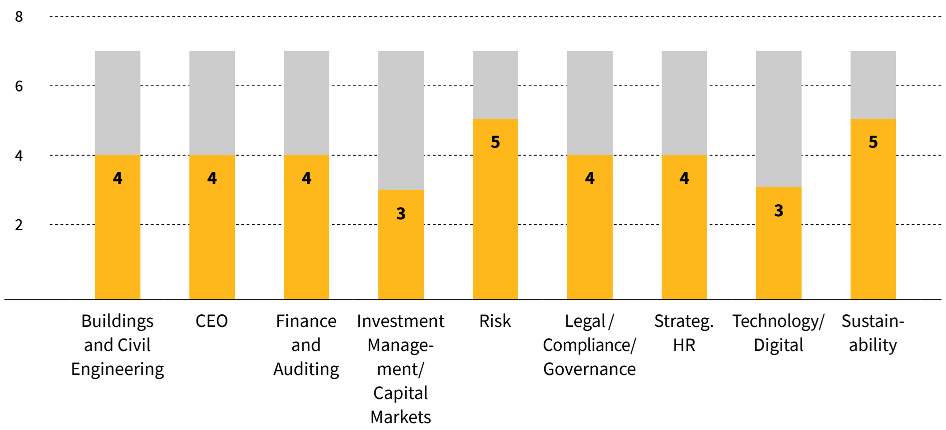
Composition of the Board of Directors
by gender (number)



Composition of the Board of Directors
by nationality (number)



Composition of the Board of Directors
Number of members by background, experience, know-how



HANS ULRICH MEISTER

Member[1] and Chairman of the Board of Directors

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 – 2015	Member of management of Credit Suisse Group AG and Credit Suisse AG
2012 – 2015	Head of the Private Banking & Wealth Management Division, responsible for the Private Banking business in EMEA and Asia Pacific of Credit Suisse
2011 – 2012	CEO of the Private Banking Division of Credit Suisse
2008 – 2015	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 at UBS, New York

Additional memberships on boards of directors

Ina Invest Holding Ltd (Member and Chair of the Audit Committee) – listed

1 Since March 2016

HENNER MAHLSTEDT

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

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

2 Since March 2015

MARTIN FISCHER

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

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 at colleges and universities 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)

Cadwork Informatik CI AG (member)

Singular AG (member)

3 Since March 2018

KYRRE OLAF JOHANSEN

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

Born 1962
Norwegian citizen

Non executive / independent

Education

Business Candidate, BI Norwegian Business School

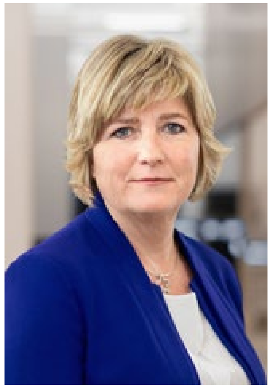
MSc Civil Engineer, NTNU Trondheim

Professional Experience

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

1 Since March 2016

BARBARA LAMBERT



Member[2] of the Board of Directors and Chair of the Audit Committee

Born 1962
Swiss and German citizen

Non executive / independent

Finance and Audit Expert

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 SA
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 SA (Member of th Board of Directors and Member of the Risk and Audit Committee)

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

SYNLAB AG (Member of the Supervisory Board, Chair of the Audit and Risk Committee) - listed

Additional functions and offices

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

2 Since March 2019

INES PÖSCHEL

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

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 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-Chairperson of the Lotti Latrous Foundation

Member of the Swiss Expert Commission for the Commercial Register

Co-Chairperson of the Smiling Gecko Association

3 Since March 2016

LAURENT VULLIET

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

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	Full 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 Faculty of Architecture, Civil and Environmental Engineering at EPFL
1989 – 1993	Senior Engineer at De Cérenville Géotechnique SA
1986 – 1989	Lecturer in Soil Mechanics at the University of Arizona

Additional memberships on boards of directors

De Cérenville Géothechnique S.A. (Chairman)

Additional functions and offices

President of the "Société pour le quartier nord de l'EPFL"

Member of the Swiss Federal Geological Commission

1 Since March 2016

3.3 — Rules of the Articles of Association regarding the number of permissible activities according to Art. 12(1)(1) 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. 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. 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/2021/en/articles-of-association-20200324.pdf

3.4 — Election and term of office

The members of the Board of Directors have a one year term of office. It commences with the election and ends 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). Similarly, 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 constitutes itself and, in particular, appoints its Vice-Chairman and secretary of the Board of Directors.

If the office of the Chairman of the Board of Directors becomes vacant or 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 Art. 4 (4), Art. 7 (4) and Art. 8 (6) OaEC.

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-Chairperson 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 member of the Board of Directors 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.

https://www.implenia.com/goto/corporategovernance/2021/en/or-implenia-20190711.pdf

3.5.2 — Breakdown of the members of the committees of the Board of Directors, their duties and areas of responsibility

The Board of Directors has the following two internal committees in the reporting year: the Audit Committee (AC) and the Nomination and Compensation Committee (NCC). The Board of Directors elects one Chair per committee. The AC and NCC analyses 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 Chairs 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 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). No 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 30 March 2021)	Nomination and Compensation Committee (from 30 March 2021)
Hans Ulrich Meister, Chairman	(standing guest)	(standing guest)
Henner Mahlstedt	•	
Kyrre Olaf Johansen	•	
Ines Pöschel		• (Chair)
Laurent Vulliet		•
Martin Fischer		•
Barbara Lambert	• (Chair)	

3.5.2.1 — Audit Committee

The AC is independent and shall consist of at least two members of the Board of Directors designated by the Board of Directors. The AC is chaired by a member of the Board of Directors with proven expertise in auditing and finance. 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 impending) 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.

https://www.implenia.com/goto/corporategovernance/2021/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 are described in greater detail in the Compensation Report (page 85).

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

https://www.implenia.com/goto/corporategovernance/2021/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) resp. three times (AC and NCC) per year. The meetings shall be held at the invitation of the Chair of the relevant committee and accompanied by an agenda and meeting documents each time. 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 Chair. 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 resolutions and votes of the Board of Directors and its committees shall be carried by a majority of the voting members present. Abstentions are not permitted. In case of a tie vote, the Chairperson 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 respective 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 Chair. 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 videomeetings of the Board of Directors, AC and NCC in 2021:

Overview meetings of the Board of Directors

	(Video-) Meetings[1]
Total	13
Average duration (in hours)	3:20
Participation	
Hans Ulrich Meister, Chairman	13
Henner Mahlstedt, Vice Chairman	13
Kyrre Olaf Johansen, Member	11
Ines Pöschel, Member	13
Laurent Vulliet, Member	13
Martin Fischer, Member	13
Barbara Lambert, Member	13

1 The Implenia Executive Committee was usually present in the person of the CEO.

Overview meetings of the Audit Committee

	Meetings[1]
Total	3
Average duration (in hours)	4:50
Participation	
Barbara Lambert, Chairman	3
Henner Mahlstedt, Member	3
Kyrre Olaf Johansen, Member	3

1 The Chairman of the Board of Directors, the CEO, the CFO, the General Counsel and the auditors attended all meetings.

Overview meetings of the Nomination and Compensation Committee

	(Video-) Meetings[1, 2]
Total	5
Average duration (in hours)	2:10
Participation	
Ines Pöschel, Chairman	5
Laurent Vulliet, Member	5
Martin Fischer, Member	5

1 The Chairman of the Board of Directors attended all meetings; the CEO, the Chief Human Resources Officer and the Head Compensation & Benefits attended three meetings

2 In addition, supplementary and preparatory meetings and telephone conferences were held. Some of these meetings were with the full Board or involved third parties as deemed necessary.

3.6 — Definition of areas of responsibility

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. 716(a) 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. He 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.

The CEO shall be assisted with the conduct of business by members of the IEC and other Function Heads. They report directly to him. The CEO is responsible for reporting to the Chairman of the Board of Directors and/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.

https://www.implenia.com/goto/corporategovernance/2021/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	•			
Result Delivery Assessment (RDA)		•		
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 liquidity planning. The annual planning for the next three calendar years (three-year plan) is performed like the budget planning.

The IEC and the Board of Directors evaluate the Implenia Group's risk position annually, specifying and assessing the main Group risks in terms of their consequences and probability. The implementation and impact of the specified measures are monitored constantly by the IEC. When assessing the operational risks, current or impending legal actions are taken into account, as well as major scope changes in construction projects. The related reports show the risks and opportunities at the Group and Division levels and are constantly updated by the operational managers in cooperation with the Legal & Finance Department, in order to introduce measures and monitor their effectiveness. As part of the Result Delivery Assessment (RDA) reporting, management reports on the volume of completed and open claims at each regular AC meeting.

All the divisional projects and the choice of construction consortium partners shall undergo in-depth evaluation thanks to the value assurance process, with the Value Assurance Committee (VAC) acting as the steering body. 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 (current or impending) legal actions are given in each ordinary Audit Committee meeting.

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 and Legal Department. They are then delivered simultaneously to the Board of Directors and the IEC. At the meetings of the IEC and AC, the reports are presented by the CFO respectively by the General Counsel 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 members of the Board of Directors and AC.

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. In the reporting year, the focus was on “PPP Projects, Treasury, Claim Management, BPO Accounting Review, CSA Review, Country Check Germany” as well as a follow-up on past audits. The Internal Audit’s audit plan is implemented in coordination with the CFO. Internal Audit created the audit plan according to the reports that the AC submitted together with the 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.

3.8 — Environmental, Social and Governance (ESG) Management

Environmental, social and corporate governance actions form an integral part of Implenia’s core values and are continuously monitored by the Board of Directors. The Sustainability Committee, which was reorganised in 2019, consists of representatives of all divisions and business units. The Sustainability Committee reports directly to the IEC, which in turn reports on regular basis to the Board of Directors. The sustainability strategy is finally approved by the Board of Directors. Given the size of the Board of Directors and the strategic importance of the topic, sustainability shall be discussed by the plenary Board of Directors. That is also why no separate Board of Directors committee has been formed. Along with the annual report, Implenia will publish an update on its **Sustainability Report.**

4 — IMPLENIA EXECUTIVE COMMITTEE

4.1 — Implenia Executive Committee members

The IEC continues to consist of nine members.
The table below shows the composition of the IEC as of 31 December 2021:

Name	Nationality	Position	Member of IEC since
André Wyss	Switzerland	CEO	2018
Marco Dirren	Switzerland	CFO	2019
Adrian Wyss	Switzerland	Head Division Real Estate	2019
Jens Vollmar	Germany	Head Division Buildings	2019
Christian Späth	Germany	Head Division Civil Engineering	2020
Anita Eckardt	Denmark	Head Division Specialties	2019
German Grüniger	Switzerland	General Counsel	2019
Claudia Bidwell	Switzerland and Germany	Chief Human Resources Officer	2020
Matthias Jacob	Germany	Head Country Management	2019

4.2 — Education, activities and vested interests

The summary on the following pages contains basic information about the career paths and education of the individual IEC-members. 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.

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 Zurich (HWV)

Trainee chemist at Sandoz (today Novartis)

Professional Experience

SINCE 2018	CEO Implenia Group
2016 – 2018	President of Novartis Operations (global, 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) and Country President of Novartis Switzerland
2014 – 2018	Member of Novartis Group Management
PREVIOUSLY:	Various positions at Novartis, including President of Novartis USA, Executive for other Country and Regional Companies (Asia Pacific, Middle East & Africa, Group Emerging Markets, Greece), and Executive for Novartis Business Services, Head of Pharmaceutical Production in Europe, CFO for Research & Development

Memberships on Boards of Directors

Ina Invest Holding Ltd (Member) - listed

ADRIAN WYSS

Head Division Real Estate

Born 1975
Swiss citizen

Member of the Implenia Executive Committee

Education

Architect, University of Applied Sciences

Postgraduate degree in Business Administration, Bern/University of Applied Sciences

Professional Experience

SINCE 2019	Head Division Real Estate
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. Gall (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. Gall (HSG)

Additional functions and offices

Lecturer in Corporate Transactions and Construction and Real Estate Management, University of St. Gallen (HSG)

Vice-Chairman of the Executive Board Development Switzerland

Member of the Board of Bauenschweiz

CHRISTIAN SPÄTH

Head Division Civil Engineering

Born 1968
German citizen

Member of the Implenia Executive Committee

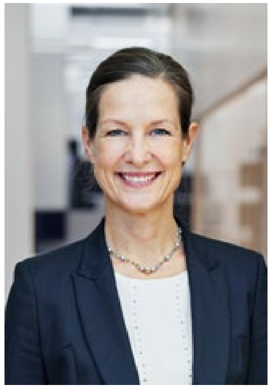
Education

Diploma in Civil Engineering, Munich Technical University

Professional Experience

SINCE 2020	Head of Civil Engineering Division
2019 – 2020	Head of Civil Engineering Business Unit at Implenia
2015 – 2019	Head of Tunnelling Business Unit at Implenia
2013 – 2015	Head of Tunnelling for Germany and Austria at Implenia
2012 – 2013	Engineering and management positions for complex projects at Implenia
2005 – 2012	Various tunnelling and engineering management positions at Alpine Bau
1995 – 2005	Construction and Project Director for Tunnelling at Hochtief

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

Memberships on Boards of Directors

CKW AG (Member)

Additional functions and offices

Vice-Chairperson of the SEED next generation living association

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 Beijing / Babson College Boston

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

CLAUDIA BIDWELL

Chief Human Resources Officer

Born 1966
Swiss and German citizen

Member of the Implenia Executive Committee [1]

Education

Bachelor of Science in Economics, University of London (UCL)

British Psychological Society, certified in "Work & Organizational Assessment"

Various Executive Education Modules in Leadership Development at Harvard Business School

Professional Experience

SINCE 2020 Human Resources Officer Implenia Group

2019 – 2020 Global Head of People and Organization Development and Head of HR in Switzerland at Implenia

2017 – 2019 Global Head of Talent Development & Organisational Capability at Takeda Pharmaceuticals

2004 – 2017 Various management positions at Novartis

1 Since 1 December 2020

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
Country President Germany

Born 1961
German citizen

Member of the Implenia Executive Committee

Education

Degree in Civil Engineering from Dortmund Technical University in 1987

Doctoral degree in Civil Engineering from Dortmund Technical University in 1995

Professional Experience

SINCE 2019 Head of Country Management of the Implenia Group and Country President Germany

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 – 2007 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"

Executive Member of the Central Real Estate Committee

Member of the Advisory Board of BIM Germany

Lectureship at the University of Wuppertal

4.3 — Rules of the Articles of Association regarding the number of permissible activities according to Art. 12(1)(1) 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/2021/en/or-implenia-20190711.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 81-103 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 see Art. 15a, 22a and 22b of the Articles of Association and pages 84-85 et seqq. of the separate Compensation Report for information about the rules governing the principles of compensation.

https://www.implenia.com/goto/corporategovernance/2021/en/or-implenia-20190711.pdf

5.2.2 — Rules under the Articles of Association concerning loans, credit and pension benefits to members of the Board of Directors and Management Board

Please see Art. 22c of the Articles of Association and pages 91 and 102 of the separate Compensation Report for information about the rules governing the principles of loans, credit facilities and pension benefits.

https://www.implenia.com/goto/corporategovernance/2021/en/articles-of-association-20200324.pdf

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

Please see Art. 15a of the Articles of Association and pages 85-86 of the separate Compensation Report for information about the rules concerning the vote by the General Meeting on compensation.

https://www.implenia.com/goto/corporategovernance/2021/en/or-implenia-20190711.pdf

6 — SHAREHOLDERS' PARTICIPATION RIGHTS

6.1 — Limitation of voting rights and proxy voting

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 in 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).

https://www.implenia.com/goto/corporategovernance/2021/en/registration-regulations-20130204.pdf

No exceptions were granted in the reporting year. The restrictions on registration and voting rights under section 2.6.1 above may be suspended by amendment of the Articles of Association. The latter requires a General Meeting resolution passed by at least two thirds of the voting shares represented and the absolute majority of the nominal 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 (OaEC Art.11). The general instruction to vote in favor of the proposal of the Board of Directors for motions announced and not announced in the letter of invitation is deemed to be a valid instruction to exercise voting rights.

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 is set by the Board of Directors based on Art.13 (2) of the Articles of Association. The relevant data is cited in the 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/2021/en/or-implenia-20190711.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 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 they already possess, thereby exceeds the threshold of $33\,^1/_3$ % of the company's voting rights, must submit an offer for all 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 case of a change in control, the LTIP will be automatically ended and the number of the PSUs awarded will be adjusted pro rata.

8 — AUDITOR

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

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 2020. The position of Head Auditor is held by Michael Abresch. 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 2,021,580 (2020: CHF 1,502,000). The change results from one-time auditing activities in connection with the restructuring (Way Forward) and the system implementation (INSPIRE).

8.3 — Additional fees

The total amount of the additional fees for the reporting year amounted to CHF 477,758 (2020: CHF 320,500). The additional fees were charged in connection with the bond offering, taxes and due diligence.

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 Communications Officer is available to 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, conferences for the press and analysts
- General meeting (March / April)

Over the course of the year, Implenia provides information about important business events 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 press statements are released simultaneously on the website and in the media. In addition, all publications since 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/newsroom/

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

10 — TRADING BLACKOUT PERIODS

Implenia has clear rules related to trading blackout periods. Fixed recurring trading blackout periods apply to everyone entrusted with financial reporting in connection with the preparation and publication of regular financial reports (annual and semi-annual reports). The information is provided by letter or by e-mail. The fixed trading blackout periods shall begin when the relevant figures become available internally, or on the balance sheet date by the latest, with the proviso that 15 December is considered to be the latest possible date in the case of the annual financial report. Each fixed trading blackout period shall end no sooner than 24 hours after the relevant publication.

Moreover, variable trading blackout periods are applicable to specific substantial corporate projects (such as restructuring or M&A transactions, etc.) which shall be announced to everyone involved in the specific project by letter or by e-mail. The variable trading blackout periods shall be applicable from notice of the project until the publication or express revocation.

Contact for shareholders, investors and analysts
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5 COMPENSATION REPORT

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

DEAR SHAREHOLDERS,

On behalf of our Nomination and Compensation Committee (NCC), I am pleased to present our Compensation Report for the financial year 2021.

In March 2019 Implenia announced its Way Forward initiative. Since then, the Company and its employees have been successful in delivering on the key milestones of the strategic initiative across all four pillars: running a portfolio of attractive businesses, focusing on profitable growth, driving innovation, and attracting and developing the best talents. Implementing the strategy also meant taking a number of painful decisions, including restructuring, significant write-downs and the rightsizing of businesses and functions. For the current executive management (Implenia Executive Committee, IEC), these decisions led to situations where their compensation was impacted negatively mainly due to underlying legacy projects not attributable to them. In particular, the performance targets of the awards granted in 2019 under the Long-Term Incentive plan (LTIP) could not be achieved due to the Company's turnaround and none of the granted Performance Share Units (PSUs) vested into shares at the end of the performance period (end of 2021). For the NCC, one of the major challenges is to find the balance between performance-based compensation and the retention of executives, who are key to the successful implementation of the adopted strategic targets. In order to further support the desired effects, including an increase of the earnings per share ratio, the Board of Directors has decided, at the request of the NCC, to nevertheless keep all targets for the already awarded entitlements and neither apply adjustment nor discretion, but instead to include a matching share system in the 2021 LTI grant. To ensure greater alignment with shareholders' expectations, an absolute Total Shareholder Return (TSR) of 7% until the end of 2023 must be achieved for any matching shares to vest.

In order to further mitigate the market exposure of certain IEC members, the Board of Directors has decided to grant relatively small one-time retention awards in the total aggregate amount of CHF 0.7 million to six of the IEC members in the form of restricted stock (RS), with a vesting period of three years (amounting to 70%), combined with a cash payment (amounting to 30%) to allow tax payments directly due on the RS allocation. The awards are further subject to a clawback provision.

Another priority for the NCC is to ensure that Implenia's compensation model appropriately rewards the right performance and behaviour. Financial performance is still the main priority, and this will continue to be the primary underlying driver of Implenia's variable compensation. For 2021, Implenia saw significant increases in almost all key financial indicators compared with the prior year. As such, we managed to exceed the EBIT and Net Working Capital targets. It is not only in terms of the financial figures that Implenia was able to deliver good results: the Company was also able to exceed the Health & Safety targets (part of individual objectives) thanks to the dedicated efforts of Implenia employees across the organisation. For Implenia, sustainability/ESG has long been a strategic area of focus, with emissions and energy consumption being tracked and reduced since 2013, ensuring a safe and healthy environment for its employees resulting, among others, in the industry's best MSCI ESG rating (AAA) in January 2022. Throughout 2021, the NCC evaluated different ways in which Implenia's compensation model could be used to further strengthen the link between executive pay and promoting sustainability/ESG. Starting with the financial year 2023, the Board of Directors has decided to formalise the commitment to Implenia's sustainability objectives in a stand-alone component of the IEC's Short-Term Incentive (STI) plan, in addition to the pre-existing financial-, individual and values-based components, including the existing Health & Safety targets.

As part of its regular review of the compensation model, the NCC has also initiated a review of the weighting of the various compensation elements compared to market peers in order to ensure, as far as possible, a balance between fixed and variable compensation on the one hand and a mix of short-term and long-term compensation on the other.

The Compensation Report will be submitted to a non-binding advisory vote by the shareholders at the AGM 2022. At the AGM 2021, shareholders supported the compensation proposals put forward by the Board of Directors by a large majority. The Board compensation between the AGM 2021 and the AGM 2022 will fall within the approved amount of CHF 1.6 million. The maximum amount submitted to be voted on at

Letter to shareholders from the Chair of the Nomination and Compensation Committee

the AGM 2022 for the next term will remain unchanged at CHF 1.6 million, as will the compensation paid to individual members of the Board of Directors. At the AGM 2020, our shareholders approved, for the financial year 2021, a maximum total compensation of CHF 13 million for the IEC. The total awarded compensation for the IEC does not exceed this approved amount. For the upcoming AGM, the Board of Directors will not propose an increase of the maximum total compensation for the IEC. Consequently, this will remain at CHF 13 million.

As part of our mandate, we will continue to review the compensation strategy on an ongoing basis in order to adapt it to the evolving environment and keep alignment with shareholder and other stakeholder interests.

We count on your trust, look forward to our continued dialogue and thank you for your ongoing support.

Ines Pöschel
Chair 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 the 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 2020. 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 their entirety online:

http://www.implenia.com/goto/corporategovernance/2021/en/articles-of-association-20200324.pdf

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 to 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 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 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 and as per applicable law, 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 on 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 (BoD), the NCC, and the CEO:

Approval and authority levels on compensation matters

Decision on	CEO	NCC	BoD	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 the Board of Directors within the amount approved by the AGM		Proposal	Approval	
Compensation Report		Proposal	Approval	Consultative vote

1 Within the framework of the AoA 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. From these members, the Board of Directors appoints the NCC Chair. 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 a year. During the financial year 2021, the NCC held three regular physical or video meetings, two additional meetings and supplementary shorter 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 NCC Chair 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 2021, and the participants:

Overview of NCC meetings

	(Video) Meetings[1, 2]
Total	5
Average duration (in hours)	02:10
Participants	
Ines Pöschel, Chair	5
Laurent Vulliet, Member	5
Martin Fischer, Member	5

1 The Chairman of the Board of Directors attended all meetings, the CEO as well as the Chief Human Resources Officer and the Head Compensation & Benefits attended three meetings

2 In addition, supplementary and preparatory meetings as well as telephone conferences were held. Some of these meetings were with the full Board 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/2021/en/articles-of-association-20200324.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.

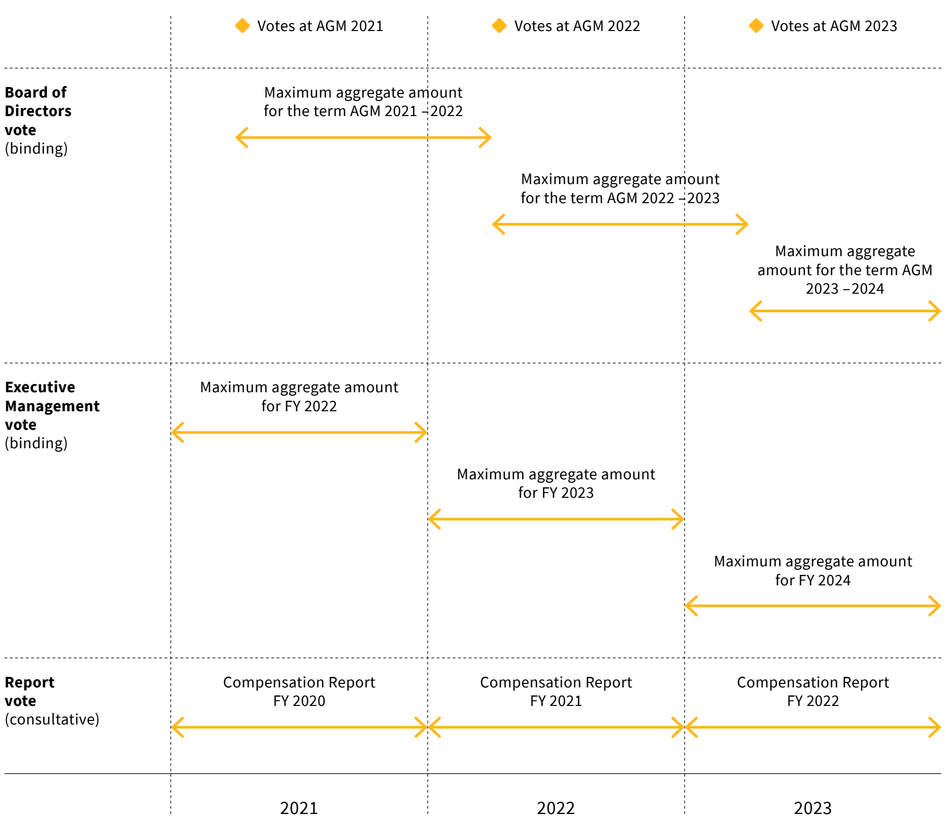
The maximum aggregate compensation amount for the Board of Directors comprises only fixed compensation, paid in cash and in equity (blocked shares). The maximum compensation amount for the IEC (including the CEO) comprises fixed compensation components (fixed base salary, other compensation, social security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

The maximum aggregate compensation amount submitted to the 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 2020 and 2021 for the Board 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 the members of the Board of Directors follows the concept outlined under Art. 22 of the Articles of Association.

http://www.implenia.com/goto/corporategovernance/2021/en/articles-of-association-20200324.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). Due to Swiss legal requirements, Implenia paid for two members of the Board of Directors the mandatory contributions to the pension fund. These contributions are paid by Implenia and are disclosed in section 2 of this chapter. No other 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 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 are regularly benchmarked. The most recent benchmark analysis was performed in October 2021, and showed that the compensation of Implenia's Board of Directors is below the market median. No adjustments to the amount or structure of board pay were made as a result of the benchmark analysis.

The compensation structure and fee level for the members of the Board of Directors remained unchanged in the 2021 / 2022 term of office in comparison to the previous term.

The following table shows the compensation structure for 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
Chair Audit Committee	170,000	1/3
Chair 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 2021

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

Board Compensation 2021

in CHF t	Total fee[1],2021	Cash fee 2021	Number of shares[2,3],2021	Share-based compensa-tion[4],2021	Social security contributions[5] 2021	Total 2021
Hans Ulrich Meister, Chairman of the Board of Directors	398	280	6,970	118	67	465
Henner Mahlstedt, Vice Chairman of the Board of Directors	142	100	2,490	42	16	158
Barbara Lambert, Chair of the Audit Committee	161	113	2,822	48	34	195
Ines Pöschel, Chair of the Nomination and Compensation Committee	142	100	2,490	42	21	163
Kyrre Olaf Johansen, Member	123	87	2,157	36	19	142
Laurent Vulliet, Member	123	87	2,157	36	19	142
Martin Fischer, Member	123	87	2,157	36	19	142
Total 2021	1,212	854	21,243	358	195	**1,407**

1 The total fee is shown first followed by the breakdown into 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 3.1.2022. 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%).
5 This refers to mandatory social security contributions (AHV / ALV).

Board Compensation 2020

in CHF t	Total fee[1],2020	Cash fee 2020	Number of shares[2,3],2020	Share-based compensa-tion[4],2020	Social security contributions[5] 2020	Total 2020
Hans Ulrich Meister, Chairman of the Board of Directors	398	280	5,454	118	56	454
Henner Mahlstedt, Vice Chairman of the Board of Directors as of 24.3.2020	146	103	1,990	43	16	162
Barbara Lambert, Chair of the Audit Committee as of 24.3.2020	152	107	2,122	45	23	175
Ines Pöschel, Chair of the Nomination and Compensation Committee	142	100	1,948	42	21	163
Kyrre Olaf Johansen, Member, Vice Chairman of the Board of Directors until 24.3.2020	128	90	1,731	38	19	147
Laurent Vulliet, Member	123	87	1,688	36	19	142
Martin Fischer, Member	123	87	1,688	36	19	142
Total 2020	1,212	854	16,621	358	173	**1,385**

1 The total fee is shown first followed by the breakdown into 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 4.1.2021. 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%).
5 This refers to mandatory social security contributions (AHV / ALV).

Compensation of the Board of Directors

The total compensation paid to the Board of Directors for the year 2021 was identical to that of the previous year as the compensation structure and fee level for the Board of Directors remained unchanged.

The shareholders approved:

- at the AGM 2021, a maximum aggregate compensation amount of CHF 1,600,000 for the term of office between the AGM 2021 and the AGM 2022;
- at the AGM 2020, a maximum aggregate compensation amount of CHF 1,500,000 for the term of office between the AGM 2020 and the AGM 2021.

The table below reconciles realised 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.

Further details regarding the proposed total compensation of the Board of Directors for the period from the AGM 2022 to the AGM 2023 will be provided in the invitation to the AGM 2022.

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 2021–AGM 2022	2021	1.1.2021 to 2021 AGM	1.1.2022 to 2022 AGM	2021 AGM to 2022 AGM	2021 AGM	2021 AGM
Total in CHF t	1,407	350	353	1,410	1,600	88.1%
AGM 2020–AGM 2021	2020	1.1.2020 to 2020 AGM	1.1.2021 to 2021 AGM	2020 AGM to 2021 AGM	2020 AGM	2020 AGM
Total in CHF t	1,385	343	350	1,392	1,500	92.8%

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. These 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 that 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 regular assessment of share ownership in relation to the shareholding guideline at year-end 2021. Using as a basis the average share price in 2021 and including the shares allocated on 3 January 2022 six members of the Board of Directors met the guideline.

Neither Implenia Ltd. nor its group companies have granted any collateral, loans, advances, or credit facilities to any 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 2021. In total, the members of the Board of Directors held 130,614 shares or 0.7% of the share capital (2020: 112,094 shares or 0.6%).

Board of Directors

		Number of shares, as at		Shares blocked until		
	Date of initial election to the Board	31.12.2021[1]	31.12.2020[2]	2022	2023	2024
Hans Ulrich Meister, Chairman	22.03.2016	86,056 (93,324)	79,979 (86,056)	4,231	3,584	6,077
Henner Mahlstedt, Vice Chairman	24.03.2015	12,684 (15,280)	10,514 (12,684)	1,712	1,451	2,170
Kyrre Olaf Johansen, Member	22.03.2016	6,064 (8,313)	4,183 (6,064)	1,511	1,280	1,881
Ines Pöschel, Member	22.03.2016	10,854 (13,796)	8,684 (10,854)	1,511	1,280	2,170
Laurent Vulliet, Member	22.03.2016	7,088 (9,684)	5,207 (7,088)	1,309	1,109	1,881
Martin Fischer, Member	27.03.2018	4,299 (6,548)	2,418 (4,299)	1,309	1,109	1,881
Barbara Lambert, Member	26.03.2019	3,569 (5,818)	1,109 (3,569)	–	1,109	2,460
Total		130,614 (152,763)	112,094 (130,614)	11,583	10,922	18,520

1 The shares allocated for the 2021/22 year of office (see table under chapter 2, above) were transferred on 3.1.2022 (in parentheses including shares allocated on 3.1.2022).

2 The shares allocated for the 2020/21 year of office (see table under chapter 2, above) were transferred on 4.1.2021 (in parentheses including shares allocated on 4.1.2021).

COMPENSATION OF THE IMPLENIA EXECUTIVE COMMITTEE

The Implenia IEC, operational since 1 March 2019, consists of nine executive management positions: the CEO, the four Division Heads for Buildings, Civil Engineering, Real Estate and Specialties, the Head Country Management coordinating cross-divisional activities in the countries where Implenia operates and finally the Global Functions Heads for Finance/ Procurement, Human Resources and Legal.

The compensation mix for executive management has three key components: base salary, a Short-Term Incentive (STI) plan and a Long-Term Incentive plan (LTIP), consisting of Performance Share Units. The different compensation components are detailed in this chapter.

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 EBIT Total (35%): of which Division (20%) and Group (15%) + Net Working Capital (35%): of which Division (20%) and Group (15%), Individual targets incl. ESG targets (30%) ▪ Other IEC members EBIT Group (35%), New Working Capital Group (35%), individual targets incl. ESG 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 1 EBITDA will be replaced by EBIT and Invested Capital by Net Working Capital from January 1, 2021

Compensation of the Implenia Executive Committee

Compensation mix

The compensation structure applicable since 2019 has placed 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. 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.

Process of determining compensation

Implenia periodically reviews the total compensation of executive management. The last benchmarking was done in 2020 when Mercer, an independent benchmarking consultant, was appointed to support a benchmarking exercise at the end of 2020.

To recap, due to the lack of comparable listed companies in the construction sector in Switzerland, the focus has been on organisations with similar activities – undertaking mid- to long-term projects requiring engineering skills or/and with an industrial service orientation – and competing for the same talent pools within the industrial sector. As shown in the table on the right, the size of the comparator group varied between 15 and 6 organisations depending on position and data availability. The executive role based in Germany was benchmarked against the German market.

In terms of revenue, Implenia is situated around the median in all comparator groups except for Germany where it is at the 25th percentile. However, Mercer uses a position evaluation methodology to size each role, and therefore in all cases positions were compared with strictly similar positions in terms of scope.

Implenia aims to be positioned around the median in terms of base salary and total direct compensation. For members of the IEC, the analysis showed that compensation levels for all components were generally situated around the median with opportunity for further growth. For 2022, the NCC approved one small compensation increase for one of the members of the IEC to position that member along the market median.

In addition, 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. Mercer and HCM have no further mandates with Implenia Ltd.

Benchmarking

Position	CEO	Other members of the IEC based in Switzerland	Other member of the IEC based in Germany
Comparator Group	Bucher Industries, dormakaba Holding, Franke Management, Franke Water Systems, Georg Fischer, Landis+Gyr, Lonza, OC Oerlikon, Parker Hannifin EMEA, Sika, Schindler, Schmolz+Bickenbach, Sulzer Management, Tetra Pak International	dormakaba Holding , Franke Management, Franke Water Systems, Georg Fischer, Landis+Gyr, Lonza, OC Oerlikon, Parker Hannifin EMEA, Schindler, Sulzer Management, Tetra Pak International An additional review was carried out for the positions of Head of Buildings and Head of Real Estate to include four real estate companies: Allreal, Mobimo, PSP Property and Swiss Prime Site	Bilfinger, CNH Industrial, Hochtief, OC Oerlikon, Parker Hannifin Manufacturing Germany, Schindler Germany

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 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

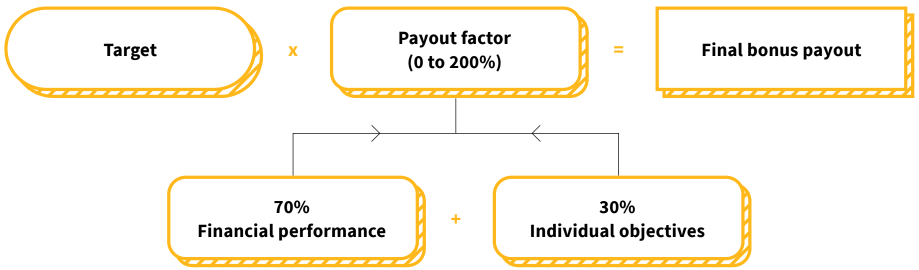
The Short-Term Incentive (STI) is designed to reward financial performance and individual contributions with the objective to incentivise the eligible participants to deliver strong performance and contribute to Implenia's annual business objectives.

The STI is a cash incentive plan, paid annually. For IEC members, it is broken down into financial targets (70%) and individual objectives (30%).

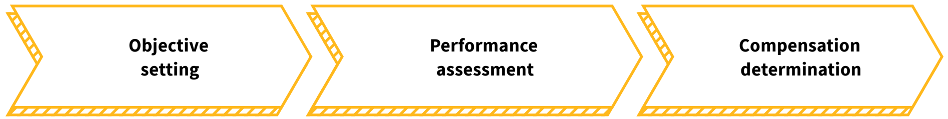
The STI final payout depends on the performance of the Company and of the respective division for divisional roles, as well as on the achievement of the individual objectives defined over one financial year.

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 Company's strategic initiatives, operational targets as well as people, culture and values' targets (for many years now including Health & Safety targets). As of the 2023 performance year, it is planned that the existing ESG component (Health & Safety) will be supplemented by a dedicated set of metrics rewarding progress in line with Implenia's ESG agenda. The final objectives are signed off by the CEO and reviewed by the NCC.

Payout calculation



Individual objectives



Definition of three individual performance objectives at the beginning of the year. The objectives of the CEO are approved by the Board, upon proposal of the Chairman and recommendation of the NCC. The objectives of other IEC members are proposed by the CEO to the NCC, which has final approval authority.

Progress in line with the individual objectives for Divisions and Group Functions is reviewed throughout the year. At year-end, the performance of each IEC member is assessed by the CEO and recommendations are then made by the CEO to the NCC for final approval. For the CEO, a proposal is made by the Chairman to the NCC. The NCC makes a recommendation to the Board with which final approval rests.

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

The financial targets are determined annually and underpin the strategic priorities and the focus on profitable growth. As of financial year 2021, the Key Performance Indicators (KPIs) were replaced with EBIT (previously EBITDA) and Net Working Capital (previously Invested Capital) to support the Company's strategic priorities. Both are weighted evenly and both are deemed critical to the long-term success of the Company. EBIT has a strong focus on the holistic performance of the different business areas and incentivises both revenue growth and cost control. Net Working Capital supports the asset-light strategy followed by Implenia, drives free cash flow and rewards good management of current assets.

Compensation of the Implenia Executive Committee

Design of the Short-Term Incentive 2021

Category	Weight	Metrics	Rationale		CEO & IEC members responsible for Global Functions	Divisions Heads & Head Country Management[1]
Financial performance targets	70%	EBIT	Measures Group and / or Divisional Operational profitability	Group	35%	15%
				Division		20%
		Net Working Capital	Measures the capital required to run operations	Group	35%	15%
				Division		20%
Individual objectives	30%	Three objectives, equally weighted, broken down into milestones, deliverables, or measurable components	The objectives are structured around three dimensions: ▪ the implementation of strategic initiatives of the Division or Function, including operational excellence, achievements of key milestones, growth and innovation objectives ▪ operative business development targets; ▪ people, culture and values targets with a focus on health and safety, compliance and talent management (ESG targets)		30%	30%
				Total	100%	100%
Payout range					0% to 200% Capped at 200%	0% to 200% Capped at 200%

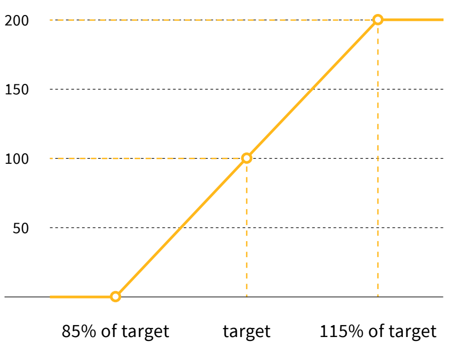
1 The financial performance of their respective Division applies to the four Division Heads. For the Head Country Management, the financial performance indicators are those of the Buildings Division as the incumbent also leads the Buildings Division in Germany.

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. Financial targets are proposed by the CEO and recommended by the NCC for approval by the Board of Directors. The NCC approves the achievement of the financial targets upon proposal of the CEO.

Financial performance targets are commercially sensitive and as such are not disclosed. A minimum level of performance (threshold) is required to achieve a payout.

EBIT
in % achievement

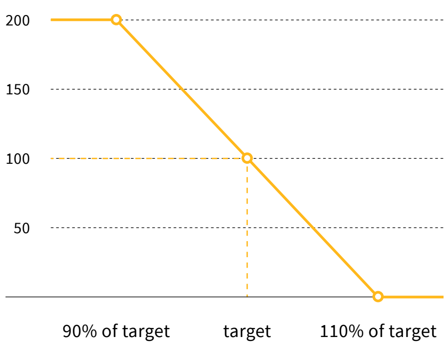


The payout is capped at 200% for performance that reaches or exceeds the performance level shown in the graph.

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.

The IEC employment contracts stipulate that all or part of already paid STI may be recouped ("clawback") within a period of one year after payment 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.

Net Working Capital
in % achievement



LTIP

The Long-Term Incentive plan (LTIP) for members of the IEC, in place since March 2019, consists of Performance Share Units.

The purpose of the plan is to reward long-term value creation, align the interests of the shareholders and the management, and to ensure the long-term retention of talents at Implenia. Each year, an LTIP award is granted to plan participants in the form of Performance Share Units (PSUs). 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 the other IEC members.

The payout under the LTIP is based on the achievement of two equally weighted performance conditions:

- relative TSR (50%)
- earnings per share EPS (50%)

The two performance conditions have an overall vesting range of 0% to 200% of the granted PSUs. At 100%, each PSU granted under the plan will vest into one Implenia share; at 200% each unit vests into two shares. Failure to reach the minimum thresholds of both performance conditions will cause the units to lapse with no shares being awarded. For performance between 0% and 200% the vesting of units to shares will be determined based on a straight-line prorated basis.

The relative TSR measure adds a stock market perspective to Implenia's LTIP and is designed to create alignment with shareholder experience. The earnings per share (EPS) measure provides an internal operating perspective, indicating the portion of Implenia's net income allocated to each outstanding share and, therefore, is the measurement of the company's profitability to investors.

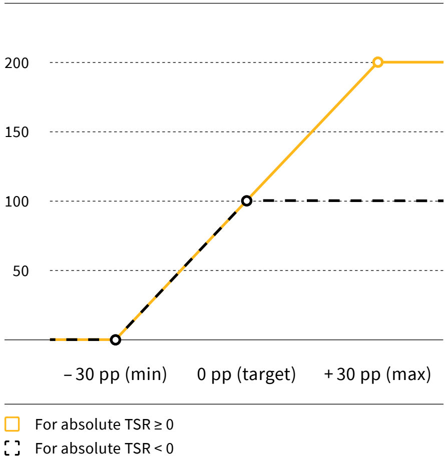
Targets for the LTIP are determined with each grant for a three-year performance period.

Compensation of the Implenia Executive Committee

TSR

TSR is the Total Shareholders' Return, considering the variations of the share price and dividends distributed over the three-year performance period, including the reinvestment of any dividends paid during that period into Company shares. Relative TSR is the difference between Implenia's TSR and the TSR of the SPI EXTRA® Index which includes about 195 stocks with small or mid-sized market capitalisation.

Three-year relative TSR
in %

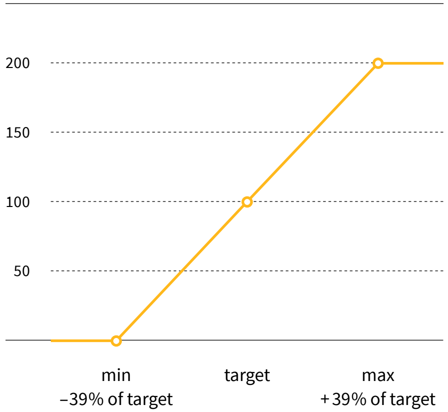


If Implenia's TSR equals the SPI EXTRA®, the vesting will be 100%. The threshold for a payout is at – 30 percentage points, while the cap for a 200% payout is at + 30 percentage points. As shown in the graph, vesting between threshold and maximum is defined on a straight line. However, in the event that 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

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 financial years 2020, 2021 and 2022, measured against the targets. The payout curve is shown in the next column.

Three-year average EPS
in %



Operational financial targets, with the exception of relative TSR, are considered sensitive information and are therefore not disclosed. EPS targets will be disclosed at the end of the performance period.

To determine the final results, the achievements of both performance conditions are added. 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 into shares.

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 achievement of the targets.

In the event of change of control, the number of PSUs granted will also be adjusted pro-rata. The vesting factor of the share-price-related performance indicator is calculated as if the vesting period terminates as of the date of the change of control while the other performance indicator shall be assumed to vest at 100%.

Additionally, the Board of Directors may recoup all or part of the vested shares ("clawback") 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.

Overview on 2019, 2020 and 2021 LTI Grants

2019 Grant vesting in spring 2022

The first award for the LTIP was granted in April 2019 and will vest in April 2022, subject to performance against the Key Performance Indicators for the performance year starting 1 January 2019 and finishing 31 December 2021. As during the performance period the minimum performance thresholds for both relative TSR and EPS were not met, vesting in April 2022 will not result in the distribution of any Implenia shares under the LTIP.

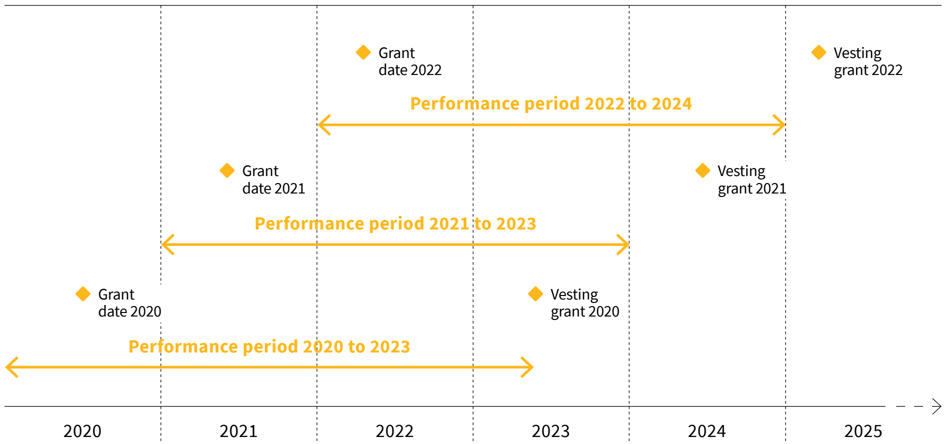
In the second quarter of 2020, Implenia transferred half of its development portfolio at market value into Ina Invest. Implenia remains a significant minority shareholder in Ina Invest, while Implenia shareholders participated via Ina Invest shares in the newly founded real estate company which was listed on SIX Swiss Exchange. In order to economically neutralise and mitigate the adverse spin-off effect on the LTI 2019, Implenia did not adjust the targets, however, adjusted the underlying performance measure (EPS and Implenia TSR as part of the Relative TSR). EPS was adjusted

Compensation of the Implenia Executive Committee

for the discontinued earnings as well as any book value changes of the Ina Invest investment. The TSR measurement was adjusted by the spin-off value per Implenia share as a one-time dividend distribution (dividend in kind).

With regards to the underlying value, the LTI grant 2019 was amended for the participants by granting a total of around 20,000 Ina Invest RSUs, i.e. 1 Ina Invest RSU at spin-off for every 5 PSUs granted for the LTI 2019 (i.e. same as shareholder treatment at spin-off). For the granted RSUs, the same vesting period and service conditions as for the LTI 2019 were applied. Since the adjustments do not provide any additional benefit to the recipients of the LTI grant 2019, the additional grant of approx. 20,000 Ina Invest RSU's at spin-off does not qualify as additional compensation and, hence, was not shown in the compensation table for the IEC in 2020.

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



2020 Grant vesting in spring 2023
The LTI grant 2020 intentionally took place on 30 June 2020, after the spin-off on 12 June 2020. For this LTIP cycle, the award will therefore vest on 29 June 2023. Comments on overall achievements for this award will be made at the end of the performance period in the Compensation Report for the financial year 2022.

To determine the targets, different target options and their corresponding vesting curves were assessed. An external independent 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.

2021 Grant vesting in spring 2024
The plan design of the 2021 grant remained essentially unchanged: both EPS and relative TSR as two equal KPIs with unchanged features were applied. However, to reward management efforts in terms of strategy implementation and driving the turnaround forward, the Board has decided to supplement the 2021 LTIP grant with an additional share matching scheme that would increase the vesting potential from 200% to 300%. The additional share matching is conditional on the achievement of an absolute Total Shareholder Return of 7% until the end of 2023. If the challenging TSR target is not met, no matching shares will vest.

Retention awards

In order to mitigate the market exposure of six of Implenia's IEC members at a critical point in the company's turnaround strategy, the Board of Directors decided to issue a relatively small one-off retention award in the total aggregate amount of CHF 0.7 million. To align the value of the award with Implenia's long-term success, this award will be predominantly (70%) in the form of restricted stock, blocked for three years, with 30% paid in the form of cash in order to mitigate the impact of tax, social security and other costs to be borne by the participant at grant.

Contracts of employment

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 the countries where Implenia is active.

Compensation of the Implenia Executive Committee

2 — IMPLENIA EXECUTIVE COMMITTEE COMPENSATION

For the year under review, the IEC comprises nine members: the CEO, the four Division Heads, the Head Country Management, as well as the Function Heads of Human Resources, Finance/Procurement, and Legal. One former member of the IEC, who left in 2020, was still on notice period until 31 March 2021. The CEO received the highest compensation. The detailed disclosure of compensation of the IEC is as follows:

Compensation awarded in 2021
Implenia Executive Committee

	Annual base salary	Short-Term Incentive[4, 5]	Long-Term Incentive PSU 2021–2024 cycle[6]		Retention award[7] Restricted shares (70%) / Cash (30%)	Other 2021 compensation[8]	Social security expenses[9]	**Total compensation[10]**
2021	CHF t	CHF t	Number of PSUs allocated	CHF t	CHF t	CHF t	CHF t	**CHF t**
André Wyss, CEO[1]	1,200	1,146	29,017	1,100	–	–	582	**4,028**
Other members of the IEC[2]	2,802	1,949	45,069	1,708	700	119	1,414	**8,692**
Total IEC	4,002	3,095	74,086	2,808	700	119	1,996	**12,720**
Former members of the Implenia Executive Committee[3]	75	51	–	–	–	73	51	**250**
Grand total 2021	4,077	3,146	74,086	2,808	700	192	2,047	**12,970**

1 This is the highest compensation for an IEC member.
2 Marco Dirren, Anita Eckardt, German Grüniger, Matthias Jacob, Christian Späth, Jens Vollmar, Adrian Wyss, and Claudia Bidwell were part of executive management for the full year. Amounts in EUR for Matthias Jacob, Head Country Management, were converted at a rate of EUR 1 = CHF 1.08157 which is the average yearly exchange rate used in Implenia 2021 consolidated financial statements.
3 Included in this table is one former member of executive management: Christelle Beneteau left the executive management on 30 November 2020 and her executive management employment contract expired on 31 March 2021. Her compensation is included pro-rata.
4 Short-Term Incentive for the performance year 2021, which is paid in the subsequent year.
5 Short-Term Incentives for former members of executive management: the Short-Term Incentive payment for Christelle Beneteau is included pro-rata until the expiration of her executive management employment contract, respectively until 31 March 2021.
6 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 37.91. The potential matching shares described in detail under the section “Overview on 2019, 2020 and 2021 LTI Grants” have been considered in this fair value. For Matthias Jacob, Head Country Management, the LTI award in EUR was converted at a rate of EUR 1 = CHF 1.1036 (the currency exchange rate on grant date).
7 The total reported value of the retention awards is composed of restricted shares with a three-year blocking period (CHF 490,068.18 respectively 25,551 shares using the closing price at grant, CHF 19.18) and a cash payment (CHF 209,941.82). Six members of the IEC received a retention award, with total individual payouts ranging from CHF 100,000 to CHF 155,000.
8 Other compensation includes perquisites such as mobility allowance, car lease financed by the Company, child benefit or accumulated vacation paid to executive members leaving Implenia.
9 Social security expenses include mandatory employer social security expenses and pension contributions as per governmental requirements and market practice.
10 No additional fees or compensation were invoiced by members of the IEC for the year under review (2020: CHF 0).

Compensation of the Implenia Executive Committee

Compensation awarded in 2020
Implenia Executive Committee

	Annual base salary	Short-Term Incentive[4, 5]	Long-Term Incentive PSU 2020–2023 cycle[6]		Blocked shares allocated[7]		Other 2020 compensation[8]	Social security expenses[9]	**Total Compensation[10]**
2020	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	240	31,610	1,100	–	–	–	437	**2,977**
Other members of the IEC[2]	2,683	1,127	46,275	1,610	–	–	112	1,256	**6,788**
Total IEC	3,883	1,367	77,885	2,710	–	–	112	1,693	**9,765**
Former members of the Implenia Executive Committee[3]	570	60	–	–	459	8	138	223	**999**
Grand Total 2020	4,453	1,427	77,885	2,710	459	8	250	1,916	**10,764**

1 This is the highest compensation for an IEC member.
2 Marco Dirren, Anita Eckardt, German Grüniger, Matthias Jacob, Christian Späth, Jens Vollmar and Adrian Wyss were part of executive management for the full year. Christelle Beneteau left executive management on 30 November 2020. Her compensation is included for the entire year as the notice period of her executive management contract started on 1 December 2020 and will end on 31 May 2021. Claudia Bidwell, CHRO, became a member of the IEC on 1 December 2020 and her compensation is included pro-rata. Amounts in EUR for Matthias Jacob, Head Country Management, were converted at a rate of EUR 1 = CHF 1.07024 which is the average yearly exchange rate used in Implenia 2020 consolidated financial statements.
3 Included in this table are two former members of executive management: André Métral left the Group Executive Board on 28 February 2019, but remained employed with Implenia; his compensation related to the notice period of his executive position is included for the first two months of the year. René Kotacka left the IEC on 31 December 2019 and his executive management employment contract expired on 31 August 2020. His compensation is included pro-rata.
4 Short-Term Incentive for the performance year 2020, which is paid in the subsequent year. As a sign of solidarity with all stakeholders of Implenia, the CEO has, in agreement with the Board of Directors, decided to forfeit a substantial part of his STI.
5 Short-Term Incentives for former members of Executive Management: the Short-Term Incentive payments for André Metral and René Kotacka are included pro-rata until the expiration of their executive management employment contract, respectively until 29 February 2020 and 31 August 2020.
6 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 34.80. For Matthias Jacob, Head Country Management, the LTI award in EUR was converted at a rate of EUR 1 = CHF 1.0659 (the currency exchange rate on grant date). Not included are the Ina Invest RSUs that 2019 LTIP plan participants received following the spin-off of half of Implenia's development portfolio into Ina Invest.
7 Amounts based on closing price when shares were allocated at the end of November 2020.
8 Other compensation includes perquisites such as mobility allowance, car lease financed by the Company, child benefit or accumulated vacation paid to executive members leaving Implenia.
9 Social security expenses include mandatory employer social security expenses and pension contributions as per governmental requirements and market practice.
10 No additional fees or compensation were invoiced by members of the IEC for the year under review (2019: CHF 0).

At the AGM 2020, the shareholders approved a maximum compensation amount of CHF 13 million for the financial year 2021. In 2021, executive management total compensation amounted to CHF 12.97 million. The Company is therefore within the approved limits.

At the AGM 2021, the shareholders approved a maximum compensation amount of CHF 13 million for the financial year 2022. The Company expects to be within the approved limits.

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 have been in place since 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 that 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 members of the IEC and persons closely linked to them. As of 31 December 2021, the members of the IEC held 142,577 shares or 0.77% of the share capital (2020: 137,641 shares or 0.75%).

Compensation of the Implenia Executive Committee

Implenia Executive Committee

		Number of shares as at		Number of PSUs as at	Shares blocked until		
	Date of joining or leaving executive management	31.12.2021	31.12.2020	31.12.2021	2022	2023	2024
André Wyss, CEO	as of 1.10.2018	102,448	102,448	111,553	–	–	–
Marco Dirren, CFO	as of 1.5.2019	6,000	6,000	14,350	–	–	–
Adrian Wyss, Division Head Real Estate	as of 1.3.2019	12,455	10,255	19,064	458	–	–
Jens Vollmar, Division Head Buildings	as of 1.3.2019	5,591	5,591	22,122	458	–	–
Christian Späth, Division Head Civil Engineering	as of 1.1.2020	3,481	3,171	12,366	724	1,133	400
Anita Eckardt, Division Head Specialties	as of 1.9.2019	260	260	13,759	–	–	–
German Grüniger, General Counsel	as of 1.3.2019	6,641	6,641	15,461	1,257	–	–
Claudia Bidwell, Chief Human Resources Officer	as of 1.12.2020	3,301	1,875	–[1]	1,553	322	1,426
Matthias Jacob, Head Country Management	as of 1.3.2019	2,400	1,400	22,267	200	–	–
Total		142,577	137,641	230,942	4,650	1,455	1,826

1 The number of PSUs allocated will be disclosed in the 2022 Compensation Report.

All members of the IEC are in compliance with the requirements of the shareholding guidelines. At the end of December 2021, based on the average share price in 2021, three members of the IEC already meet the guidelines. Most members, apart from two who joined the IEC in 2020, have until 2024 to fulfil the requirements.

Neither Implenia Ltd. nor its group companies have granted any collateral, loans, advances, or credit facilities to any 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 2021 The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables on page 89 and pages 99 / 100 and also the paragraphs related to loans on pages 91 / 101 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 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 articles 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 articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the 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 2021 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Dr. Michael Abresch
Audit expert, Auditor in charge

Christoph Angst
Audit expert

Zürich, 28 February 2022

6 FINANCIAL REPORT

CONSOLIDATED INCOME STATEMENT

in TCHF	Notes	1.1.–31.12.2021	1.1.–31.12.2020
Group revenue	6	3,764,670	3,988,946
Materials and third party services	7	(2,258,492)	(2,720,370)
Personnel expenses	8	(1,025,377)	(1,083,492)
Other operating expenses	10	(280,153)	(312,191)
Income from associates		24,137	11,114
Income from Ina Invest transaction	3	–	111,102
EBITDA		224,785	(4,891)
Depreciation and amortisation		(109,959)	(101,945)
Goodwill impairment	20	–	(39,921)
EBIT		114,826	(146,757)
Financial expenses	11	(30,532)	(20,226)
Financial income	11	6,194	3,234
Result before tax		90,488	(163,749)
Tax	12	(26,532)	31,697
Consolidated result		63,956	(132,052)
Attributable to:			
Shareholders of Implenia Ltd.		61,157	(134,702)
Non-controlling interests		2,799	2,650
Earnings per share (CHF)			
Basic earnings per share	26	3.31	(7.30)
Diluted earnings per share	26	3.04	(7.30)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in TCHF	Notes	1.1.–31.12.2021	1.1.–31.12.2020
Consolidated result		63,956	(132,052)
Remeasurement of post-employment benefits	23	(3,169)	(14,586)
Income tax on remeasurement of post-employment benefits		725	3,214
Fair value adjustments on financial instruments		543	(38)
Total items that will not be reclassified to income statement in the future		(1,901)	(11,410)
Changes from cash flow hedges		–	30
Changes from net investment hedges		2,500	268
Foreign exchange differences		(6,418)	(11,639)
Total items that will be reclassified to income statement in the future		(3,918)	(11,341)
Other comprehensive income		(5,819)	(22,751)
Attributable to:			
Shareholders of Implenia Ltd.		(5,810)	(22,720)
Non-controlling interests		(9)	(31)
Total comprehensive income		58,137	(154,803)
Attributable to:			
Shareholders of Implenia Ltd.		55,347	(157,422)
Non-controlling interests		2,790	2,619

CONSOLIDATED BALANCE SHEET

Assets

in TCHF	Notes	31.12.2021	31.12.2020
Cash and cash equivalents		621,913	719,990
Fixed short-term deposits		174,982	–
Derivative financial instruments		368	172
Trade receivables	13	551,540	611,796
Contract assets	14	396,267	311,898
Joint ventures (equity method)	15	37,540	24,843
Income tax receivables		1,813	992
Other receivables		34,436	42,513
Raw materials and supplies		78,861	86,827
Real estate transactions	16	149,269	137,130
Accrued income and prepaid expenses		35,709	14,671
Total current assets		2,082,698	1,950,832
Property, plant and equipment	17	219,456	261,202
Rights of use from leases	18	148,929	167,306
Investment property		5,415	5,662
Investments in associates	3, 19	194,699	196,084
Other financial assets		12,767	15,346
Pension assets	23	444	546
Intangible assets	20	253,344	266,676
Deferred tax assets	24	70,084	79,557
Total non-current assets		905,138	992,379
Total assets		2,987,836	2,943,211

Equity and liabilities

in TCHF	Notes	31.12.2021	31.12.2020
Financial liabilities	21	236,513	126,660
Derivative financial instruments		1,261	1,279
Trade payables		679,361	935,416
Contract liabilities	14	518,220	324,303
Joint ventures (equity method)	15	61,566	69,114
Income tax liabilities		15,613	11,679
Other liabilities		127,916	106,157
Prepaid income and accrued expenses		131,321	126,877
Provisions	22	117,317	213,519
Total current liabilities		1,889,088	1,915,004
Financial liabilities	21	651,940	606,177
Deferred tax liabilities	24	57,328	49,151
Pension liabilities	23	15,626	21,421
Provisions	22	27,936	48,431
Total non-current liabilities		752,830	725,180
Share capital	25	18,841	18,841
Treasury shares	25	(1,246)	(955)
Reserves		255,204	395,558
Consolidated profit attributable to shareholders		61,157	(134,702)
Equity attributable to shareholders		333,956	278,742
Non-controlling interests		11,962	24,285
Total equity		345,918	303,027
Total equity and liabilities		2,987,836	2,943,211

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

			Reserves						
in TCHF	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 1.1.2021	18,841	(955)	88,105	(58,592)	–	231,343	278,742	24,285	303,027
Consolidated result	–	–	–	–	–	61,157	61,157	2,799	63,956
Other comprehensive income	–	–	–	2,050	–	(7,860)	(5,810)	(9)	(5,819)
Total comprehensive income	–	–	–	2,050	–	53,297	55,347	2,790	58,137
Dividends	–	–	–	–	–	–	–	(10,153)	(10,153)
Change in treasury shares	–	(291)	(271)	–	–	–	(562)	–	(562)
Share-based payments	–	–	–	–	–	1,924	1,924	–	1,924
Change in scope of consolidation	–	–	–	–	–	(1,496)	(1,496)	(4,959)	(6,455)
Total other changes in equity	–	(291)	(271)	–	–	428	(134)	(15,112)	(15,246)
Total equity as at 31.12.2021	18,841	(1,246)	87,834	(56,542)	–	285,068	333,955	11,963	345,918
Equity as at 1.1.2020	18,841	(540)	87,978	(44,868)	(30)	501,308	562,689	27,780	590,469
Consolidated result	–	–	–	–	–	(134,702)	(134,702)	2,650	(132,052)
Other comprehensive income	–	–	–	(13,724)	30	(9,025)	(22,719)	(31)	(22,750)
Total comprehensive income	–	–	–	(13,724)	30	(143,727)	(157,421)	2,619	(154,802)
Dividends	–	–	–	–	–	(13,850)	(13,850)	(1,550)	(15,400)
Dividend in kind Ina Invest Holding AG	–	–	–	–	–	(112,388)	(112,388)	–	(112,388)
Change in treasury shares	–	(415)	127	–	–	(1,070)	(1,358)	–	(1,358)
Share-based payments	–	–	–	–	–	1,070	1,070	–	1,070
Change in non-controlling interests	–	–	–	–	–	–	–	(4,564)	(4,564)
Total other changes in equity	–	(415)	127	–	–	(126,238)	(126,526)	(6,114)	(132,640)
Total equity as at 31.12.2020	18,841	(955)	88,105	(58,592)	–	231,343	278,742	24,285	303,027

CONSOLIDATED CASH FLOW STATEMENT

in TCHF	Notes	1.1.–31.12.2021	1.1.–31.12.2020
Consolidated profit		63,956	(132,052)
Tax	12	26,532	(31,697)
Financial result	11	24,338	16,992
Depreciation and amortisation		109,959	141,866
Result from sales of non-current assets and subsidiaries		(62,865)	(4,301)
Income from associates[1]		(8,809)	(10,983)
Change in provisions		(121,219)	96,605
Change in pension assets and liabilities		(8,096)	(10,183)
Change in net working capital			
Change in trade and other receivables		73,778	(54,353)
Change in contract assets and liabilities (net), raw materials and supplies		120,039	(21,096)
Change in real estate transactions		(12,727)	(13,694)
Change in trade payables and other liabilities		(243,859)	(3,948)
Change in accruals and joint ventures (equity method)		(8,301)	1,112
Expenses / income not affecting liquidity relating to the Ina Invest transaction	3	–	(111,102)
Other expenses / income not affecting liquidity		(12,620)	(371)
Interest paid		(12,801)	(12,222)
Interest received		1,388	1,457
Tax paid		(2,050)	(17,775)
Distributions from associates received[1]		4,111	4,212
Cash flow from operating activities		(69,246)	(161,533)

in TCHF	Notes	1.1.–31.12.2021	1.1.–31.12.2020
Investments in property, plant and equipment		(42,653)	(52,609)
Disposals of property, plant and equipment		30,152	29,349
Investments in other financial assets and associates		(177,307)	(6,343)
Disposals of other financial assets and associates		23,910	5,063
Investments in intangible assets		(4,440)	(8,279)
Acquisition of subsidiaries, net of cash and cash equivalents acquired	3	6,657	–
Sale of subsidiaries		40,433	1,010
Cash flow from investing activities		(123,248)	(31,809)
Increase in financial liabilities	21	212,003	111,702
Repayment of financial liabilities	21	(93,919)	(91,853)
Purchase of treasury shares		(3,276)	(2,289)
Sale of treasury shares		2,770	2,001
Dividends		–	(13,850)
Cash flow with non-controlling interests		(10,153)	(1,550)
Cash flow from financing activities		107,425	4,161
Foreign exchange differences on cash and cash equivalents		(13,008)	(3,146)
Change in cash and cash equivalents		(98,077)	(192,327)
Cash and cash equivalents at the beginning of the period		719,990	912,317
Cash and cash equivalents at the end of the period		621,913	719,990

1 The result and distrubtions received from associates are presented separately in the current reporting period. Prior year figures have been adjusted accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF IMPLENIA

1 — GENERAL INFORMATION

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

The German version of the financial report is the authoritative version. The English version is a non-binding translation.

The consolidated financial statements as at 31 December 2021 were approved by the Board of Directors of Implenia Ltd. on 28 February 2022 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 statements were audited by the statutory auditor PricewaterhouseCoopers Ltd., Zurich.

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

The consolidated financial statements of Implenia Ltd. ("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 assets and liabilities on the balance sheet date, and income and expenses during the reporting period. Actual values may differ from these estimates. Material judgements are presented in note 4.

Implenia's business activities are described in note 6.

2 — CHANGE TO ACCOUNTING POLICIES

The accounting policies applied to the 2021 consolidated financial statements are identical to those applied to and described in the financial report 2020.

The IASB has adopted additional standards and amendments that are applicable to annual financial statements beginning after 1 January 2022, which may be applied before this date, and the IFRS Interpretations Committee has also published additional interpretations. On the basis of an initial assessment, Implenia assumes that the application of these standards, amendments and interpretations will not have a material impact on the consolidated financial statements. Implenia does not plan to early adopt new standards. The following IFRS-amendments affect key issues for Implenia:

Standard and name	Effective date	Impact	Planned first-time application
Amendments to IFRS 3: Updating a reference to the conceptual framework	01.01.2022	1)	01.01.2022
Amendments to IAS 16: Property, plant and equipment; Proceeds before intended use	01.01.2022	1)	01.01.2022
Amendments to IAS 37: Onerous contracts - costs of fulfilling contracts	01.01.2022	2)	01.01.2022
Annual improvements to IFRS: 2018–2020 cycle	01.01.2022	1)	01.01.2022
IFRS 17: Insurance contracts	01.01.2023	1)	01.01.2023
Amendments to IAS 1: Classification of liabilities as current or non-current	01.01.2023*	2)	01.01.2023*
Amendments to IAS 8: Definition of accounting estimates	01.01.2023	1)	01.01.2023
Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of accounting policies	01.01.2023	1)	01.01.2023
Amendments to IFRS 1 and IAS 12: Deferred tax related to assets and liabilities arising from a single transaction	01.01.2023	2)	01.01.2023
Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture	noch offen	3)	noch offen

1) No material impact expected.
2) Initial analysis shows no material impact, detailed assessment in progress.
3) Detailed clarifications will be made as soon as the entry into force has been clarified.
* In July 2021, the IASB tentatively decided to delay the effective date of these amendments until January 1, 2024 at the earliest.

Amendments to IAS 37: Onerous Contracts – Costs of Fulfilling Contracts
In May 2020, the IASB published amendments to IAS 37, which state that all directly attributable costs are part of the costs of fulfilling a contract, i.e., both the direct costs caused by fulfilment (such as wage costs and the cost of materials) but also other directly attributable costs such as pro rata depreciation of the property, plant and equipment used to fulfil the contract. An initial analysis has shown that there are no significant adjustments for Implenia for the determination of provisions.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

The amendments specify the regulations for classifying debts as current or non-current. They make clear that classification is based on the rights existing at the end of the reporting period and must be independent of management's expectations or possible events. In July 2021, the IASB decided temporarily to postpone the effective date of the amendments. Implenia is currently examining the impact of the amendments on current reporting practice.

3 — MATERIAL EVENTS

Completion of the takeover of BAM Swiss Ltd.

On 11 May 2021, Implenia acquired 100% of the shares in BAM Swiss Ltd., incorporated in Basel (Switzerland). BAM Swiss Ltd. is engaged in building construction in the rapidly growing area of Northwestern Switzerland. It supplies services from planning through to turnkey buildings and has particular expertise in complex construction projects in healthcare, but also in pharmaceuticals, transport and logistics as well as education and research. Through the takeover Implenia will become a leading provider of construction services in healthcare and will consolidate its market presence as a total contractor for complex large-scale projects in Switzerland. The acquired company was fully consolidated from the date of acquisition.

The purchase price amounted to CHF 6.0 million and included the acquisition of cash and cash equivalents of CHF 12.6 million.

Based on the provisional purchase price allocation, the identifiable net assets amount to CHF –0.9 million. The transaction resulted in goodwill of CHF 6.8 million, which reflects the assets acquired that cannot be capitalised, such as market entry and anticipated synergy effects. The acquired goodwill is not expected to be tax-deductible. The acquisition-related costs of CHF 0.2 million were recognised in the income statement under other operating expenses.

In the 2021 financial year, the acquired company generated EBIT of CHF –0.6 million on revenue of CHF 34.3 million. For the period from 11 May to 31 December 2021, the acquired company reported EBIT of CHF 0.1 million and revenue of CHF 23.7 million. Following the takeover, BAM Swiss Ltd. was renamed as Implenia Buildings Basel Ltd. and merged with Implenia Switzerland Ltd. as of 30 June 2021.

Valuation of the identified assets and liabilities at their fair value is not finalised at the reporting date. Accordingly, the following overview shows the provisional figures recognised for the fair values of the assets acquired and liabilities assumed as well as goodwill. Gross receivables from services of CHF 27.9 million were acquired, less value adjustments of CHF 12.9 million, which represent the best possible assessment at the acquisition date of those contractual cash flows that are expected to be unrecoverable. The only contingent liabilities identified are lease commitments. These were measured and recognised in the purchase price allocation in accordance with the requirements of IFRS 16.

	11.5.2021
Cash and cash equivalents	12,614
Trade receivables	14,982
Other current assets	186
Property, plant and equipment	367
Deferred tax assets	1,262
Trade payables	(11,755)
Current and non-current provisions	(9,069)
Contract liabilities and other current liabilities	(8,024)
Other non-current liabilities	(1,424)
Fair value identifiable net assets	**(861)**
Goodwill	**6,818**
Purchase price	**5,957**
Cash and cash equivalents acquired	12,614
Net cash inflow	**6,657**

Completion of sales

As at 31 May 2021, Implenia sold 100% of the shares in Implenia Instandsetzung GmbH, incorporated in Munich (Germany).

On 2 June 2021, Implenia sold its shares in the associate Catram Ltd., incorporated in Chur (Switzerland).

As at 30 June 2021, Implenia sold 100% of the shares in Tetrag Automation Ltd., incorporated in Dietlikon (Switzerland).

As at 21 December 2021, Implenia sold its land in Echandens. The purchase price will be settled through set-off, a leaseback of the land over five years and a remaining cash payment.

On completion as at 22 December 2021, Implenia sold its 66.67% investment in Gravière De La Claie-aux-Moines SA (GCM SA) to existing shareholders in GCM SA.

Implenia sold these sectors to focus on the defined core portfolio in line with strategy. The sectors sold were fully deconsolidated from the date on which they were sold. The positive effects on earnings at EBIT level resulting from the transactions, including deconsolidations and leaseback, totalling CHF 46.3 million, were recognised in Group revenue or income from associates. CHF 31.3 million meet the requirements of the defined alternative perfomance measure "underlying performance".

Agreement in the Letzigrund Dispute

In March 2021, Implenia and the City of Zurich reached agreement on ongoing court proceedings and threatened new proceedings and settled all claims. The outcome of the settlement had no impact on EBIT in the 2021 annual financial statements, as it had already been taken into consideration in the provisions in the 2020 annual financial statements.

Placement of a CHF 175 million bond to refinance the convertible bond in full

On 26 November 2021, Implenia issued a bond for CHF 175 million in total and listed it on the SIX Swiss Exchange. The bond was placed at nominal value with a term of four years and an interest rate of 2.00%. The proceeds of the issue will entirely be used solely to refinance the outstanding convertible bond in the amount of CHF 175 million, which matures on 30 June 2022. The proceeds of the issue have been invested as a fixed deposit until the convertible bond matures in June 2022.

Execution of the spin-off of Ina Invest Holding Ltd. by way of a dividend in kind to the shareholders of Implenia Ltd.

On 12 June 2020, Implenia transferred around half its portfolio of real estate projects at fair value to the newly established real estate company Ina Invest Ltd. through a distribution. On 12 June 2020, Ina Invest Holding Ltd. was listed on the SIX Swiss Exchange (ISIN CH052 402 6959, INA). The effect on earnings before tax resulting from the transaction amounted to CHF 111.1 million.

4 — 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.

4.1 — 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 6. Costs for material and third party services are shown in note 7.

4.2 — 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.

4.3 — 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 equity 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 15 and 33.

4.4 — 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, EBIT and EBITDA margins and growth rates used may result in impairments. More information is shown in note 20.

4.5 — 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. 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.

4.6 — 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.

4.7 — 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 sufficiently 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 will not be correctly recognised. Disclosures regarding leasing are shown in notes 10, 18 and 21.

Notes to the consolidated financial statements of Implenia

5 — RISK ASSESSMENT

The risk to which the 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 are monitored continuously by the IEC.

Assessment of operational risks takes account of current and impending lawsuits as well as claims from projects. The relevant reports present these risks and opportunities at Group and divisional level and are assessed continuously by the managers with operational responsibility in collaboration with the legal and finance department to initiate measures and monitor their effectiveness. The opportunities and risks consolidated by divisions and the Implenia Group are presented to the Audit Committee and commented on twice a year.

The value assurance process is managed for all the divisions' projects and the selection of joint venture partners 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.

5.1 — 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.

5.2 — Credit risk

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

5.2.1 — 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.). Generally, 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 13.

5.2.2 — 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 412.7 million (2020: CHF 471.1 million). This is the equivalent of 66.4% of the carrying amount of total cash and cash equivalents (2020: 65.4%).

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

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

in TCHF	Rating[1]	Balance
As at 31.12.2021		
Cash and other financial assets		**412,680**
Financial institution	A–	128,836
Financial institution	BBB+	185,053
Financial institution	BBB+	98,791
As at 31.12.2020		
Cash and other financial assets		**471,083**
Financial institution	A–	163,335
Financial institution	BBB+	244,477
Financial institution	A	63,271

1 Standard & Poor´s Rating

5.3 — 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 2021, the Group had cash and cash equivalents of CHF 621.9 million (2020: CHF 720.0 million) and unused credit lines of CHF 180.3 million (2020: CHF 279.0 million). The Group seeks to maintain appropriate minimum liquidity (consisting of cash and cash equivalents and confirmed unused credit lines).

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 2,476.5 million (2020: CHF 2,552.1 million). Of this figure, CHF 1,658.8 million had been used as at 31 December 2021 (2020: CHF 1,521.6 million).

	Short-term			Long-term	
in TCHF	not specified[1]	0–3 mo.	4–12 mo.	2–5 years	over 5 years
As at 31.12.2021					
Trade payables	(347,497)	(247,479)	(84,385)	–	–
Other liabilities	–	(91,482)	(36,434)	–	–
Bond issues	–	(1,250)	(5,531)	(434,063)	–
Subordinated convertible bond	–	–	(175,875)	–	–
Promissory note loans	–	–	(846)	(53,655)	–
Liabilities to banks	–	–	(7,000)	(13,578)	(53,988)
Lease liabilities	–	(13,564)	(37,304)	(119,144)	(15,121)
Other financial liabilities	–	–	–	(8,207)	–
Total	(347,497)	(353,775)	(347,376)	(628,647)	(69,109)
As at 31.12.2020					
Trade payables	(540,721)	(255,406)	(139,289)	–	–
Other liabilities	–	(84,367)	(23,069)	–	–
Bond issues	–	(1,250)	(2,031)	(136,094)	(126,250)
Subordinated convertible bond	–	–	(875)	(175,875)	–
Promissory note loans	–	–	(11,738)	(56,851)	–
Liabilities to banks	–	(62,654)	(8,445)	(2,305)	–
Lease liabilities	–	(26,363)	(30,378)	(100,420)	(16,212)
Other financial liabilities	–	–	–	(301)	–
Total	(540,721)	(430,040)	(215,825)	(471,846)	(142,462)

1 This categorie contains contractual cash outflows from accruals for which the due date is not specified. Usually, the cash outflow of these liabilities is withing the next twelve months.

5.4 — 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 primarily 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 result.

The maturity structure of interest-bearing financial instruments as at 31 December 2021 is as follows:

in TCHF	Up to 1 year	2–5 years	Over 5 years	Total
Variable rate				
Cash and cash equivalents	621,913	–	–	621,913
Loans and other financial assets	175,027	262	–	175,289
Financial liabilities	(9,079)	(7,507)	–	(16,586)
Total	787,861	(7,245)	–	780,616
Fixed rate				
Loans and other financial assets	–	4,332	100	4,432
Financial liabilities	(227,434)	(633,562)	(10,871)	(871,867)
Total	(227,434)	(629,230)	(10,771)	(867,435)
Overall total	560,427	(636,475)	(10,771)	(86,819)

Maturity structure as at 31 December 2020:

in TCHF	Up to 1 year	2–5 years	Over 5 years	Total
Variable rate				
Cash and cash equivalents	719,990	–	–	719,990
Loans and other financial assets	177	129	213	519
Financial liabilities	(57,151)	–	–	(57,151)
Total	663,016	129	213	663,358
Fixed rate				
Loans and other financial assets	6,566	544	100	7,210
Financial liabilities	(69,509)	(480,894)	(125,283)	(675,686)
Total	(62,943)	(480,350)	(125,183)	(668,476)
Overall total	600,073	(480,221)	(124,970)	(5,118)

If the interest rates on the average total assets in 2021 were 0.5 percentage points higher or lower, the profit before tax, provided that all other variables remained constant, would have been CHF 1.9 million (2020: CHF 2.5 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

5.5 — 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 2021, this would have had a positive impact on profit before tax of CHF 2.5 million (2020: CHF 3.1 million positive). Equity would have been CHF 5.0 million lower (2020: CHF 3.2 million lower). This effect is largely attributable to net investments in foreign businesses.

5.6 — 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 with 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 2.5 million (2020: CHF 0.3 million) was posted in other comprehensive income in the reporting period. A repayment in 2021 of EUR 10.0 million was made.

5.7 — Policy regarding capital structure/indebtedness

The Group targets an equity ratio of > 20% . At the reporting date, taking into account the temporary effect of the issuance of the bond in 2021, the equity ratio amounted to 12.3% (without consideration as reported 1.6%; 31 December 2020: 10.3%).

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.

The financial provisions (including financial covenant) stipulated in the financial agreements were not met in the reporting year because a CHF 175 million bond was issued. When the issue of this bond was announced, Implenia started discussions with the bank syndicate and obtained a waiver as at the balance sheet date. More information is shown in note 21.

Notes to the consolidated financial statements of Implenia

5.8 — Fair value measurement

		Carrying amounts		Fair values	
in TCHF	Level	31.12.2021	31.12.2020	31.12.2021	31.12.2020
FINANCIAL ASSETS					
Fair value through profit or loss					
Currency derivatives	2	368	172	368	172
Marketable securities	1	88	92	88	92
Fair value through other comprehensive income					
Unlisted participations	3	8,043	7,525	8,043	7,525
At amortised cost					
Fixed short-term deposits	*	174,982	–	174,982	–
Trade receivables	*	551,540	611,796	551,540	611,796
Other receivables	*	34,436	42,513	34,436	42,513
Other financial assets	*	4,636	7,729	4,636	7,729
FINANCIAL LIABILITIES					
Fair value through profit or loss					
Currency derivatives	2	1,261	1,279	1,261	1,279
At amortised cost					
Trade payables	*	679,361	935,416	679,361	935,416
Promissory note loans	2	51,610	64,768	52,577	66,548
Bonds	1	424,141	250,228	417,073	233,125
Convertible bond	2	173,573	170,763	172,605	167,888
Other liabilities	*	127,916	107,458	127,916	107,458
Other financial liabilities[1]	*	80,252	247,078	80,252	73,705
Investment property	3	5,415	5,662	5,415	5,662

1 Carrying amounts and fair values 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 173.6 million (2020: CHF 170.8 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 and investment properties. 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. Implenia's investment property is assigned to fair value level 3. The fair values are determined by an internal valuation team.

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

Notes to the consolidated financial statements of Implenia

6 — SEGMENT REPORTING

The Group's business segments are based on the organisational units, about 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.

The Group consists of the following divisions:

- Real Estate
- 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 activities of the divisions are described on page 22.

Notes to the consolidated financial statements of Implenia

Segment reporting, as reported to the Board of Directors as at 31 December 2021:

in TCHF	Real Estate	Buildings	Civil Engineering	Specialties	Total of divisions	Functions[1]	Total
Revenue unconsolidated	82,120	1,818,760	2,060,672	208,583	4,170,134	91,561	4,261,695
Intra-Group revenue	(25,915)	(115,155)	(232,448)	(37,210)	(410,728)	(86,297)	(497,025)
Group revenue	56,206	1,703,605	1,828,223	171,373	3,759,406	5,264	3,764,670
EBIT excl. IFRS 16[2]	42,125	31,411	49,295	8,325	131,155	(17,304)	113,851
EBIT	42,133	32,352	51,776	8,764	135,025	(20,200)	114,826
Current assets (excl. cash and cash equivalents and fixed short-term deposits)	181,645	376,570	635,438	68,533	1,262,186	23,618	1,285,803
Non-current assets (excl. pension assets and rights of use from leases)	155,159	157,229	316,613	61,757	690,759	65,006	755,765
Debt capital (excl. financial and pension liabilities)[3]	(110,653)	(775,267)	(679,126)	(63,301)	(1,628,347)	(111,405)	(1,739,752)
Total invested capital excl. rights of use from leases	226,151	(241,467)	272,925	66,989	324,598	(22,781)	301,817
Rights of use from leases	(105)	24,824	75,945	7,008	107,673	41,257	148,929
Total invested capital[3]	226,046	(216,643)	348,870	73,997	432,271	20,388	452,658
Investments in property, plant and equipment and intangible assets	570	644	25,164	5,441	31,819	15,274	47,093

1 Including eliminations
2 EBIT as reported to the chief operating decision maker (EBIT before adjustments due to the application of IFRS 16)
3 Debt capital (excl. financial and pension liabilities) excl. rights of use from leases includes provisions for onerous lease contracts that under IFRS 16 are reflected as impairment on the right of use asset (see note 18)

Notes to the consolidated financial statements of Implenia

Segment reporting, as reported to the Board of Directors as at 31 December 2020:

in TCHF	Real Estate	Buildings	Civil Engineering	Specialties	Total of divisions	Functions[1]	Total
Revenue unconsolidated	124,466	2,079,821	2,012,855	223,628	4,440,770	27,509	4,468,279
Intra-Group revenue	(28,619)	(200,001)	(193,143)	(38,257)	(460,020)	(19,313)	(479,333)
Group revenue	95,847	1,879,820	1,819,712	185,371	3,980,750	8,196	3,988,946
EBIT excl. IFRS 16[2]	109,363	(19,384)	(207,828)	(9,501)	(127,350)	(19,284)	(146,634)
EBIT	109,408	(19,236)	(206,675)	(9,479)	(125,982)	(20,775)	(146,757)
Current assets (excl. cash and cash equivalents)	146,512	328,585	637,145	84,016	1,196,258	34,585	1,230,843
Non-current assets (excl. pension assets and rights of use from leases)	163,120	153,056	359,368	98,708	774,252	50,276	824,528
Debt capital (excl. financial and pension liabilities)	(154,481)	(861,274)	(687,340)	(79,724)	(1,782,819)	(103,109)	(1,885,928)
Total invested capital excl. rights of use from leases	155,151	(379,633)	309,173	103,000	187,691	(18,248)	169,443
Rights of use from leases	744	33,343	86,805	2,715	123,607	43,699	167,306
Total invested capital	155,895	(346,290)	395,978	105,715	311,298	25,451	336,749
Investments in property, plant and equipment and intangible assets	–	665	45,144	5,483	51,292	9,093	60,385

1 Including eliminations
2 EBIT as reported to the chief operating decision maker (EBIT before adjustments due to the application of IFRS 16)

Notes to the consolidated financial statements of Implenia

Notes

The reconciliation to invested capital is as follows:

in TCHF	31.12.2021	31.12.2020
Total assets	2,987,836	2,943,211
Minus cash and cash equivalents and fixed short-term deposits	(796,895)	(719,990)
Minus pension assets	(444)	(546)
Assets of invested capital	2,190,497	2,222,675
Total equity and liabilities	2,987,836	2,943,211
Minus equity	(345,918)	(303,027)
Minus financial liabilities	(888,453)	(732,837)
Minus pension liabilities	(15,626)	(21,421)
Liabilities of invested capital	1,737,839	1,885,926
Total invested capital	452,658	336,749

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

in TCHF	31.12.2021	31.12.2020
Switzerland	282,334	311,960
Germany	219,855	242,624
Austria	21,406	35,691
Norway	56,267	56,562
Sweden	24,393	33,527
France	4,034	4,278
Other countries	18,855	16,204
Total as at reporting date	627,144	700,846

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 2021 to 31 December 2021:

in TCHF	Real Estate	Buildings	Civil Engineering	Specialties	Functions	Total
Switzerland	55,048	1,202,384	620,806	33,563	57	1,911,858
Germany	91	463,941	368,991	94,767	3,292	931,081
Austria	–	36,017	121,479	16	542	158,054
Norway	–	–	194,892	–	15	194,907
Sweden	–	–	328,165	–	(603)	327,562
France	33	–	151,511	–	–	151,544
Other countries	–	–	130	27,716	1,212	29,058
Revenue from contracts with customers	55,172	1,702,342	1,785,974	156,061	4,514	3,704,063
Other income	1,034	1,263	42,250	15,311	749	60,607
Group revenue	56,206	1,703,605	1,828,223	171,373	5,264	3,764,670

Revenue from contracts with customers was distributed geographically as follows from 1 January 2020 to 31 December 2020:

in TCHF	Real Estate	Buildings	Civil Engineering	Specialties	Functions	Total
Switzerland	95,837	1,358,881	673,329	29,899	–	2,157,946
Germany	10	469,197	406,962	111,665	–	987,834
Austria	–	48,794	85,149	11,491	–	145,434
Norway	–	–	187,592	–	–	187,592
Sweden	–	–	326,569	–	–	326,569
France	–	–	122,999	–	–	122,999
Other countries	–	–	–	32,316	–	32,316
Revenue from contracts with customers	95,847	1,876,872	1,802,600	185,371	–	3,960,690
Other income	–	2,948	17,112	–	8,196	28,256
Group revenue	95,847	1,879,820	1,819,712	185,371	8,196	3,988,946

Revenue is usually recognised over time. The sale of land in the Real Estate Division, where revenue is recognised at a certain date, constitutes an exception to this rule. Other income is largely the result of the effects on the events mentioned in note 3 and leasing income.

Notes to the consolidated financial statements of Implenia

The order book as at 31 December 2021 amounted to CHF 6,881 million (2020: CHF 6,386 million). Of this figure, CHF 2,900 million is expected to be performed in the 2022 financial year, CHF 1,855 million in the 2023 financial year and CHF 2,126 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. Is a project margin expected to be negative, losses are recognised.

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 are determined in principle in accordance with the same criteria as for Implenia's own construction projects.

Usually several performance obligations must be fulfilled in Real Estate. 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

7 — MATERIALS AND THIRD PARTY SERVICES

in TCHF	**1.1.–31.12.2021**	1.1.–31.12.2020
Material expenses	**572,003**	608,171
Third party services	**1,686,489**	2,112,199
Total	**2,258,492**	2,720,370

8 — PERSONNEL EXPENSES

in TCHF	**1.1.–31.12.2021**	1.1.–31.12.2020
Wages, salaries and fees	**724,272**	776,835
Social security contributions	**121,818**	128,257
Expenses for defined benefit pension plans	**29,721**	22,141
Expenses for defined contribution pension plans	**6,726**	7,167
Expenses for the foundation for flexible retirement	**10,325**	11,222
Temporary staff	**94,970**	89,915
Other personnel expenses	**37,545**	47,955
Total	**1,025,377**	1,083,492

Notes

In the reporting year, short-time working benefits of CHF 1.2 million (previous year: CHF 6.5 million) were recognised in connection with COVID-19. Those benefits are mainly recognised in the position wages, salaries and fees.

9 — EMPLOYEE PARTICIPATION PROGRAMME AND COMPENSATION

9.1 — Employee participation programme

Based on the regulations on the employee participation programme dated 1 April 2021, qualifying persons may subscribe for Implenia Ltd. shares annually in April/May normally in the amount of one-half of the gross monthly salary. For the 2021 purchase period, the difference between the average market price in March 2021 of CHF 27.20 (previous year: CHF 42.20) per share and the preferential price of CHF 19.05 (previous year: CHF 29.55) per share was recognised.

in TCHF		**2021**	2020
Number of shares subscribed	Number	**34,092**	14,877
Amount recognised in the income statement	in TCHF	**278**	188

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 programme.

9.2 — Share-based compensation for the Implenia Executive Committee

Share-based compensation for the Implenia Executive Committee
Since January 2019, the compensation 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. They are only paid out if the person achieves the performance indicators 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 at the date the shares were granted was determined in each case 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 Compensation Report.

LTI plan	Grant-date fair value	Granted PSUs	Vested PSUs	Forfeited PSUs	Amount recognised in the income statement 2021	2020
	in CHF	Number	Number	Number	in TCHF	in TCHF
2019–2021	21.60	100,570	–	3,058	258	83
2020–2022	34.80	77,885	–	2,730	436	433
2021–2023	37.91	74,068	–	–	1,404	–
Total		252,523	–	5,788	2,098	516

74,068 PSUs were granted in 2021. The expenses for the LTI plans are spread over the three-year vesting period.

Share-based compensation for the former Group Executive Board
in the previous year, 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 2020. The amount was expensed entirely in the previous 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. In the previous year, the Group either bought the shares on the market or drew from its treasury shares and allocated them at an average price of CHF 17.45 per share.

		2021	2020
Shares definitely allocated	Number	–	459
Amount recognised in the income statement	in TCHF	–	8

9.3 — Share-based compensation for the Board of Directors

Members of the Board of Directors receive two-thirds of their annual compensation 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 2021, the shares were allocated at an average price of CHF 16.87 per share (2020: CHF 21.54 per share).

		2021	2020
Entitlement and allocated shares	Number	21,243	16,621
Amount recognised in the income statement	in TCHF	358	358

9.4 — 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 compensation of members of the Implenia Executive Committee consists of various parts: a fixed basic salary in cash, a variable performance-related salary in cash and a share-based payment. 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 TCHF	2021	2020
Short-term benefits[1]	8,428	7,380
Pension expenses	883	822
Share-based payments – LTIP	2,098	516
Share-based payments	358	358
Total Implenia Executive Committee and Board of Directors	**11,767**	9,076
Former members of the Group Executive Board[2]	250	1,014
Total	**12,017**	10,090

1 In prior year, CEO André Wyss has in agreement with the Board of Directors decided to forfeit a substantial part of his short term incentive.

2 This position includes annual base salary, short-term incentive, share-based payments, social security expenses and other compensation.

The members of the Implenia Executive Committee have been awarded, as part of the variable salary in 2021, 25,551 shares with a fair value of CHF 19.18. The corresponding personnel expenses amounting to CHF 0.5 million were recognised in the profit and loss statement in 2021 accordingly.

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 programme 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 fair value at the time they are granted and are not recalculated.

Notes to the consolidated financial statements of Implenia

10 — OTHER OPERATING EXPENSES

in TCHF	**1.1.–31.12.2021**	1.1.–31.12.2020
Rental expenses	**112,635**	106,644
Infrastructure expenses	**24,530**	27,704
Maintenance and repairs	**39,243**	39,306
Insurance	**9,739**	11,334
Administration and consultants	**31,605**	40,995
Office, IT and communication costs	**44,882**	49,578
Taxes and fees	**11,062**	10,711
Marketing, advertising and other administration expenses	**6,457**	25,919
Total	**280,153**	312,191

Notes

Rental expenses include:

in TCHF	**2021**	2020
Rental expense for short term leasings	**80,337**	83,809
Rental expense for low-value leasings	**13,869**	8,604
Expense for utilities and service costs	**18,429**	14,231
Total	**112,635**	106,644

11 — FINANCIAL EXPENSES AND INCOME

in TCHF	**1.1.–31.12.2021**	1.1.–31.12.2020
Financial expenses		
Interest expenses	**11,105**	10,245
Interest expenses from leases	**4,376**	4,280
Bank charges	**1,396**	1,046
Costs of financial guarantees	**2,608**	1,104
Other financial expenses	**5,391**	3,306
Foreign currency losses	**5,656**	245
Total	**30,532**	20,226
Financial income		
Interest income	**1,388**	1,457
Income from investments	**54**	220
Other financial income	**152**	102
Foreign currency gains	**4,600**	1,455
Total	**6,194**	3,234
Financial result	**(24,338)**	(16,992)

Notes to the consolidated financial statements of Implenia

12 — TAX

in TCHF	2021	2020
Profit before tax		
Switzerland	62,605	80,530
Abroad	27,883	(244,279)
Total profit before tax	90,488	(163,749)
Current and deferred tax		
Switzerland	(6,198)	1,921
Abroad	(788)	6,102
Total current tax	(6,987)	8,023
Switzerland	(4,910)	(6,342)
Abroad	(14,636)	(33,378)
Total deferred tax	(19,546)	(39,720)
Total tax	(26,532)	(31,697)

in TCHF	2021	2020
Profit before tax	90,488	(163,749)
Expected income tax rate in %	23.9	26.3
Tax at the expected income tax rate	(21,662)	43,064
Reconciliation to tax at the effective tax rate		
Effect of non-taxable items	281	11,821
Effect of non-deductible items	(169)	(6,490)
Effect of non-capitalised tax losses incurred in the year	(3,239)	(12,100)
Effect of changes in the applicable tax rates	4	(439)
Effect of the use of non-capitalised tax loss carryforwards	239	399
Prior years' taxes	(443)	(308)
Income components with different tax rates	(865)	(2,348)
Other effects	(678)	(1,902)
Tax at the effective income tax rate	(26,532)	31,697
Effective tax rate in %	29.3	19.4

Notes

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

The effect of non-taxable items in the previous year mainly contains tax free income in connection with the Ina Invest transaction. Further information is provided in note 3. The effect of non-deductible items also mainly contained non-deductible expenses in connection with the impairment of goodwill in the previous year. Further information is provided in note 20. The effect 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.

13 — TRADE RECEIVABLES

in TCHF	31.12.2021	31.12.2020
Third parties	505,392	559,513
Contract costs in relation to future services by suppliers and subcontractors	3,641	25,576
Joint ventures (equity method)	31,623	32,593
Associates	15,530	2,516
Related parties	92	218
Allowance for expected credit losses	(4,738)	(8,620)
Total	551,540	611,796

Notes

The allowance for expected credit losses has changed as follows:

in TCHF	31.12.2021	31.12.2020
As at 1.1.	8,620	9,126
Increase	1,185	1,498
Used	(299)	(343)
Reversed	(4,630)	(1,535)
Foreign exchange differences	(139)	(126)
Total as at reporting date	4,738	8,620

Agreements with customers generally stipulate payment terms between 30 and 90 days. The total amount of due receivables amounted to CHF 358.0 million as at 31 December 2021 (2020: CHF 368.2 million). Of the allowance for expected credit losses, CHF 4.7 million is attributable to receivables outstanding for more than 90 days (2020: CHF 8.5 million). Credit losses related to trade receivables in the amount of CHF 1.2 million were recorded in the income statement (2020: CHF 1.4 million).

Notes to the consolidated financial statements of Implenia

in TCHF	Total 31.12.2021	Not due	Due within 1–30 days	31–60 days	61–90 days	>90 days
Third parties	505,392	171,359	29,688	38,332	4,372	261,641
Contract costs in relation to future services by suppliers and subcontractors	3,641	3,641	–	–	–	–
Joint ventures (equity method)	31,623	7,689	9,207	2,571	1,846	10,310
Associates	15,530	15,418	112	–	–	–
Related parties	92	92	–	–	–	–
Sub-total	556,278	198,199	39,007	40,903	6,218	271,951
Allowance for expected credit losses	(4,738)					
Total	551,540					

in TCHF	Total 31.12.2020	Not due	Due within 1–30 days	31–60 days	61–90 days	>90 days
Third parties	559,513	214,443	73,560	20,032	2,990	248,488
Contract costs in relation to future services by suppliers and subcontractors	25,576	25,576	–	–	–	–
Joint ventures (equity method)	32,593	9,604	4,785	2,850	1,966	13,388
Associates	2,516	2,388	102	26	–	–
Related parties	218	218	–	–	–	–
Sub-total	620,416	252,229	78,447	22,908	4,956	261,876
Allowance for expected credit losses	(8,620)					
Total	611,796					

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. 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, provisions in the statutory mortgage of contractor and significant prefinancing for construction services, no material credit losses are expected.

14 — CONTRACT ASSETS AND LIABILITIES

in TCHF	31.12.2021	31.12.2020
Contract assets	396,267	311,898
Contract liabilities	(518,220)	(324,303)

Notes

As at 31 December 2021, contracts with a positive balance from advance payment plans reported under contract liabilities amounted to CHF 518.2 million (2020: CHF 324.3 million). They will be depleted in the following years. Advance payments, which are secured through guarantees, totalled CHF 367.9 million (2020: CHF 228.3 million).

In the previous year, project depreciation amounting to CHF 142.1 million was derecognised from contract assets in connection with the announced restructuring.

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.

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.

15 — JOINT VENTURES

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

in TCHF	31.12.2021	31.12.2020
As at 1.1.	(44,271)	(47,467)
Share of results	(3,066)	5,367
Other changes	22,998	(1,881)
Foreign exchange differences	313	(290)
Total as at reporting date	(24,026)	(44,271)
of which net asset	37,540	24,843
of which net liability	(61,566)	(69,114)

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

in TCHF	31.12.2021	31.12.2020
Joint ventures, assets	37,540	24,843
Joint ventures, liabilities	(61,566)	(69,114)
Receivables from joint ventures (equity method)	31,623	32,593
Liabilities to joint ventures (equity method)	(27)	(191)
Total	7,570	(11,869)

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

in TCHF	31.12.2021	31.12.2020
Total assets	325,101	302,518
Total liabilities	(349,127)	(346,789)
Net assets	(24,026)	(44,271)

in TCHF	2021	2020
Net revenue	225,580	230,330
Expenses	(228,646)	(224,963)
Income from joint ventures	(3,066)	5,367

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

in TCHF	31.12.2021	31.12.2020
Total assets	165,671	167,426
Total liabilities	(106,345)	(140,705)
Net assets	59,326	26,721

in TCHF	2021	2020
Revenue	296,062	261,557
Expenses	(270,722)	(266,741)
EBIT	25,340	(5,184)

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.

The non-controlling interests in equity are amended for completed fully consolidated joint ventures by CHF 0.8 million (2020: CHF 4.6 million).

Selected joint ventures recognised under the equity method, recognised proportionately and fully consolidated 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 individual parties.

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 the parties have rights to the assets and obligations for the liabilities of the jointly managed activity. If the parties 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 governing body (such as the building commission) 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 as a component of EBIT as the execution of customer orders qualifies as an operating activity, and because the profit or loss of the joint venture excludes the results of the internal service charge.

If 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

16 — REAL ESTATE TRANSACTIONS

in TCHF	31.12.2021	31.12.2020
Acquisition costs as at 1.1.	140,836	191,135
Additions	41,078	57,926
Disposals	(28,351)	(116,598)
Reclassifications	–	8,285
Foreign exchange differences	(648)	87
Acquisition costs as at reporting date	152,915	140,835
Cumulative value adjustments as at 1.1.	(3,705)	(1,649)
Additions	–	(2,033)
Disposals	–	–
Reclassifications	–	–
Foreign exchange differences	59	(23)
Cumulative value adjustments as at reporting date	(3,646)	(3,705)
Net carrying amount as at reporting date	149,269	137,130

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

17 — PROPERTY, PLANT AND EQUIPMENT

in TCHF	Business premises	Production facilities	Machinery, furniture, IT	Assets under construction	Total
31.12.2021					
Acquisition costs as at 1.1.	85,762	85,939	334,440	2,343	508,484
Additions	12,574	447	22,123	7,509	42,653
Disposals	(14,778)	(1,293)	(69,567)	(79)	(85,717)
Reclassifications	–	–	67	(67)	–
Change in scope of consolidation	(11,567)	(17,008)	(8,318)	–	(36,893)
Foreign exchange differences	(365)	(1,561)	(8,353)	(268)	(10,547)
Acquisition costs as at reporting date	71,626	66,524	270,392	9,438	417,980
Cumulative depreciations as at 1.1.	(35,584)	(49,929)	(161,771)	–	(247,284)
Additions	(2,774)	(3,881)	(47,335)	–	(53,990)
Disposals	8,240	450	61,135	–	69,825
Reclassifications	(529)	529	–	–	–
Change in scope of consolidation	6,605	13,116	6,883	–	26,604
Foreign exchange differences	112	797	5,412	–	6,321
Cumulative depreciations as at reporting date	(23,930)	(38,918)	(135,676)	–	(198,524)
Net carrying amount as at reporting date	47,696	27,606	134,716	9,438	219,456
of which pledged	7,000	–	–	–	7,000

in TCHF	Business premises	Production facilities	Machinery, furniture, IT	Assets under construction	Total
31.12.2020					
Acquisition costs as at 1.1.	99,324	84,781	366,043	977	551,125
Additions	1,067	2,297	45,896	2,846	52,106
Disposals	(14,613)	(702)	(74,171)	(538)	(90,024)
Reclassifications	–	(442)	1,397	(955)	–
Change in scope of consolidation	–	(29)	(2,785)	–	(2,814)
Foreign exchange differences	(16)	34	(1,940)	13	(1,909)
Acquisition costs as at reporting date	85,762	85,939	334,440	2,343	508,484
Cumulative depreciations as at 1.1.	(36,560)	(45,930)	(181,583)	–	(264,073)
Additions	(2,199)	(4,368)	(44,958)	–	(51,525)
Disposals	3,169	419	61,747	–	65,335
Change in scope of consolidation	–	3	1,751	–	1,754
Foreign exchange differences	8	(53)	1,272	–	1,227
Cumulative depreciations as at reporting date	(35,583)	(49,929)	(161,770)	–	(247,282)
Net carrying amount as at reporting date	50,179	36,010	172,670	2,343	261,202
of which pledged	3,445	–	–	–	3,445

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 5–20 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 might be impaired.

Notes to the consolidated financial statements of Implenia

18 — RIGHTS OF USE FROM LEASES

in TCHF	Business premises	Production facilities	Machinery, vehicles, furniture, IT	Total
31.12.2021				
Acquisition costs as at 1.1.	123,252	1,194	128,939	253,385
Additions	12,567	–	31,803	44,370
Disposals	(15,213)	–	(19,447)	(34,660)
Foreign exchange differences	(1,705)	(79)	(4,175)	(5,959)
Acquisition costs as at reporting date	118,901	1,115	137,120	257,136
Cumulative depreciations as at 1.1.	(36,311)	(398)	(49,370)	(86,079)
Additions	(22,018)	(262)	(27,144)	(49,424)
Disposals	11,543	–	15,339	26,882
Impairment	(1,913)	–		(1,913)
Foreign exchange differences	702	41	1,584	2,327
Cumulative depreciations as at reporting date	(47,997)	(619)	(59,591)	(108,207)
Net carrying amount as at reporting date	70,904	496	77,529	148,929

in TCHF	Business premises	Production facilities	Machinery, vehicles, furniture, IT	Total
31.12.2021				
Acquisition costs as at 1.1.	93,500	1,674	101,498	196,672
Additions	37,016	–	40,868	77,884
Disposals	(6,843)	(526)	(13,491)	(20,860)
Foreign exchange differences	(421)	46	64	(311)
Acquisition costs as at reporting date	123,252	1,194	128,939	253,385
Cumulative depreciations as at 1.1.	(18,267)	(360)	(31,554)	(50,181)
Additions	(22,018)	(546)	(25,002)	(47,566)
Disposals	4,000	526	6,918	11,444
Foreign exchange differences	(26)	(18)	268	224
Cumulative depreciations as at reporting date	(36,311)	(398)	(49,370)	(86,079)
Net carrying amount as at reporting date	86,941	796	79,569	167,306

Amendments to existing leases resulted in a change in rights of use of CHF 2.7 million (2020: CHF 0.7 million) and liabilities from leases of CHF 2.3 million (2020: CHF 0.2 million) at the reporting date. The impairment of CHF 1.9 million results from leasing agreements of not longer used business premises in Switzerland.

The outflow of cash and cash equivalents arising from leases totalled CHF 151.2 million in the financial year (2020: CHF 137.6 million).

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

Notes to the consolidated financial statements of Implenia

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 posted on the balance sheet. An overview of the remaining rental expense is presented in note 10.

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 52.9 million (undiscounted) were not taken into account at the reporting date (2020: CHF 41.3 million).

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 reinstatement costs.

Rights of use are depreciated on a straight line basis over the lease term, or, if shorter, over their useful life. It there is sufficient certainty 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 leases and leases of low value are recognised on a straight line basis over the term of the lease and posted in the income statement. Leases of low value mostly comprise office machinery, IT equipment, small machinery and site equipment.

Notes to the consolidated financial statements of Implenia

19 — INVESTMENTS IN ASSOCIATES

in TCHF	31.12.2021	31.12.2020
As at 1.1.	196,084	52,624
Additions	797	141,640
Disposals	(3,978)	(4,988)
Change in scope of consolidation	(2,860)	–
Share of results	8,808	10,984
Dividends received	(4,111)	(4,212)
Foreign exchange differences	(41)	36
Total as at reporting date	194,699	196,084

Notes

As stated in note 3, the investment in Ina Invest Ltd. of 42.5% is held as an investment in associates.

Ina Invest Ltd. is a Swiss public limited company incorporated in Zurich. The purpose of the company comprises developing and implementing real estate and construction projects of different kinds and uses, planning and constructing new buildings and conversions of properties held by Ina Invest, and holding, managing, letting and brokering properties.

There are no additional investments in associates that on their own are material to the consolidated financial statements.

Additional selected associates are listed in note 32.

Summarised financial information relating to Ina Invest Ltd. is shown hereafter.

The income statement of Ina Invest Ltd. is as follows:

in TCHF	1.1.–31.12.2021	12.6.–31.12.2020
Income	36,969	10,523
Other operating costs	(22,156)	(2,693)
EBITDA	14,813	7,830
Depreciation and amortisation	–	–
EBIT	14,813	7,830
Financial expenses	(289)	(824)
Profit before tax	14,524	7,006
Income tax	(2,616)	(1,098)
Profit	11,908	5,908

Notes to the consolidated financial statements of Implenia

The balance sheet of Ina Invest Ltd. is as follows:

Assets

in TCHF	31.12.2021	31.12.2020
Cash and cash equivalents	10,372	13,820
Other current assets	88,512	80,494
Total current assets	98,884	94,314
Total non-current assets	351,837	290,104
Total assets	450,721	384,418

Equity and liabilities

in CHF t	31.12.2021	31.12.2020
Other current liabilities	7,371	6,533
Total current liabilities	7,371	6,533
Non-current financial liabilities	43,000	–
Other non-current liabilities	50,669	40,112
Total non-current liabilities	93,669	40,112
Total equity	349,681	337,773
Total equity and liabilities	450,721	384,418

The reconciliation of the summarised financial information relating to Ina Invest Ltd. to the carrying amounts of investments in associates is as follows:

in CHF t	31.12.2021	31.12.2020
Share of 42.5% of shareholder's equity of Ina Invest Ltd	148,614	143,570
Total of carrying amount on Ina Invest Ltd	148,614	143,570

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. The current figures of Ina Invest Ltd. were available at the time Implenia's 2021 consolidated financial statements were prepared. Income from associates as well as gains and losses on the disposal of investments in associates are reported in a separate financial statement line item within EBIT as the execution of customer orders qualifies as an operating activity.

20 — INTANGIBLE ASSETS

in TCHF	Licences and software	Customer relationships and order book	Goodwill	Total
31.12.2021				
Acquisition costs as at 1.1.	26,958	3,896	292,377	323,231
Additions	4,440	–	–	4,440
Disposals	(1,774)	–	–	(1,774)
Change in scope of consolidation	(847)	–	(5,178)	(6,025)
Foreign exchange differences	(257)	8	(9,278)	(9,527)
Acquisition costs as at reporting date	28,520	3,904	277,921	310,345
Cumulative amortisations as at 1.1.	(12,148)	(3,853)	(40,554)	(56,555)
Additions	(4,495)	(45)	–	(4,540)
Disposals	1,766	–	–	1,766
Change in scope of consolidation	847	–	–	847
Foreign exchange differences	210	(6)	1,277	1,481
Cumulative amortisations as at reporting date	(13,820)	(3,904)	(39,277)	(57,001)
Net carrying amount as at reporting date	14,700	–	238,644	253,344
of which with indefinite useful life	–	–	238,644	238,644

in TCHF	Licences and software	Customer relationships and order book	Goodwill	Total
31.12.2020				
Acquisition costs as at 1.1.	27,499	15,664	295,153	338,316
Additions	8,279	–	–	8,279
Disposals	(8,742)	(11,507)	(1,138)	(21,387)
Change in scope of consolidation	(53)	–	–	(53)
Foreign exchange differences	(25)	(261)	(1,638)	(1,924)
Acquisition costs as at reporting date	26,958	3,896	292,377	323,231
Cumulative amortisations as at 1.1.	(18,419)	(15,524)	–	(33,943)
Additions	(2,542)	(85)	(39,921)	(42,548)
Disposals	8,735	11,507	–	20,242
Change in scope of consolidation	51	–	–	51
Foreign exchange differences	27	249	(633)	(357)
Cumulative amortisations as at reporting date	(12,148)	(3,853)	(40,554)	(56,555)
Net carrying amount as at reporting date	14,810	43	251,823	266,676
of which with indefinite useful life	–	–	251,823	251,823

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 projected cash flows derived from the business plan for the three subsequent planning years approved by management. Subsequent years' cash flows are estimated based on the growth rates shown below.

The change in goodwill in the Buildings Division is attributable to the acquisition of BAM Swiss Ltd., in the Specialties Division to the sales of Gravière de La Claie-aux-Moines SA and Tetrag Automation Ltd., in the Civil Engineering Division to the sale of Implenia Instandsetzung GmbH and is affected by foreign exchange differences in all divisions.

In the previous year, an extraordinary goodwill impairment test was carried out as at 30 September 2020 as a result of the significant impact on the Civil Engineering Division due to the restructuring measures announced on 27 October 2020 and the resultant adjustments in the projections of individual groups of CGUs. The test led to goodwill being written down in the amount of CHF 39.9 million. A discount rate before tax of 8.8% was used to calculate the recoverable amount based on value in use. The recoverable amount of the Division was CHF 671 million.

Goodwill is distributed between the groups of CGUs as follows:

in TCHF	31.12.2021	Change	31.12.2020
Buildings	145,146	2,352	142,794
Civil Engineering	72,557	(3,138)	75,695
Specialties	20,941	(12,393)	33,334
Total	238,644	(13,179)	251,823

Assumptions for the calculation of value in use:

in %	Buildings	Civil Engineering	Specialties
31.12.2021			
Average EBITDA margin in the planning years (excl. IFRS 16)	2.4	3.2	7.4
Average EBIT margin in the planning years (excl. IFRS 16)	2.4	1.7	5.5
Discount rate, pre-tax	9.0	9.0	11.2
Post-business plan growth rate	1.2	1.4	1.5

in %	Buildings	Civil Engineering	Specialties
31.12.2020			
Average EBITDA margin in the planning years (excl. IFRS 16)	2.5	3.8	9.0
Discount rate, pre-tax	9.0	9.1	10.3
Post-business plan growth rate	0.6	1.3	1.0

Management has defined the EBIT for the planning years based on historical trends and expectations of future market development. The EBIT margins are calculated based on the production output of the individual groups of CGUs. Discount rates applied are before tax and reflect the specific risks faced by the CGUs concerned. Weighted average growth rates correspond to the International Monetary Fund's country-specific expectations regarding inflation.

In addition, the goodwill positions were verified by sensitivity analysis for possible changes in key assumptions which could lead to an impairment.

The sensitivity analysis showed that the recoverable amount of the Civil Engineering Division would equate to the carrying amount of the Division if the pre-tax discount rate were 0.56 percentage point higher, the average EBIT margin for the planning years were reduced by 0.12 percentage point or the post-business plan growth rate were reduced by 0.55 percentage points. The recoverable amount of the Division exceeds the present carrying amount by CHF 27.6 million.

The sensitivity analyses of the Buildings and Specialties Divisions show that no reasonably possible change to key assumptions would lead to the difference between the respective recoverable amount and the carrying amount of the Division being completely reduced.

The impairment tests for goodwill did not lead to any need for impairment in the current financial year (previous year: impairment of goodwill in the Civil Engineering Division of CHF 39.9 million based on the extraordinary goodwill impairment test as at 30 September 2020).

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 least annually.

When testing goodwill for impairment, the realisable value is computed on the basis of a 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 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 reduced 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
- 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 TCHF	31.12.2021	31.12.2020
Bond issues	424,141	250,228
Subordinated convertible bond	173,573	170,763
Promissory note loans	51,610	64,768
Liabilities to banks	72,046	73,404
Lease liabilities	158,876	173,373
Other financial liabilities	8,207	301
Total as at reporting date	888,453	732,837
Maturity		
Less than 1 year	236,513	126,660
Between 2 and 5 years	641,069	448,578
Over 5 years	10,871	157,599
Total as at reporting date	888,453	732,837

Bonds and promissory note loans comprise the following:

in TCHF	Term	Effective interest rate	31.12.2021	31.12.2020
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%	125,185	125,228
2,000% Bond issue CHF 175 million / CH114 509 6173	2021–2025	2.161%	173,956	–
0,500% Subordinated convertible bond CHF 175 million / CH028 550 9359	2015–2022	2.158%	173,573	170,763
Total as at reporting date			597,714	420,991
Promissory note loans				
Promissory note loan EUR 10 million	2017–2021	0.927%	–	10,806
Promissory note loan EUR 20 million	2017–2023	1.349%	20,652	21,591
Promissory note loan EUR 30 million	2017–2025	1.792%	30,958	32,371
Total as at reporting date			51,610	64,768

Notes to the consolidated financial statements of Implenia

There have been the following changes to financial liabilities:

		Affecting liquidity		Not affecting liquidity			
in TCHF	1.1.2021	Increase	Repayments	Foreign Exchange Differences	Unwinding of discount	Change in Leasing	**31.12.2021**
Bond issues	420,991	173,932	–	–	2,791	–	**597,714**
Promissory note loans	64,768	–	(10,684)	(2,500)	26	–	**51,610**
Liabilities to banks	73,404	28,848	(29,591)	(619)	5	–	**72,046**
Lease liabilities	173,373	–	(52,590)	(3,618)	4,376	37,335	**158,876**
Other financial liabilities	301	9,224	(1,054)	(264)	–	–	**8,207**
Total	732,837	212,003	(93,919)	(7,001)	7,197	37,335	**888,453**

		Affecting liquidity		Not affecting liquidity			
in TCHF	1.1.2020	Increase	Repayments	Foreign Exchange Differences	Unwinding of discount	Change in Leasing	**31.12.2020**
Bond issues	418,283	–	–	–	2,708	–	**420,991**
Promissory note loans	65,002	–	–	(268)	34	–	**64,768**
Liabilities to banks	7,380	111,401	(45,474)	97	–	–	**73,404**
Lease liabilities	147,936	–	(45,227)	(70)	–	70,734	**173,373**
Other financial liabilities	1,152	301	(1,152)	–	–	–	**301**
Total	639,753	111,702	(91,853)	(241)	2,742	70,734	**732,837**

Notes

The convertible bond includes a conversion premium of 32.5% and a conversion price of CHF 66.15 (2020: CHF 66.15).

The promissory note loans were designated as net investment hedges in foreign businesses.

Under a syndicated loan agreement signed on 22 March 2021, Implenia had a cash credit line of CHF 100 million (2020: CHF 250 million) and a guarantee limit of CHF 550 million. (2020: CHF 550 million). The syndicated financing runs until 31 December 2023. The financial provisions (including financial covenant) stipulated in the financing agreements were not met in the financial year from November 2021 (previous year: from October 2020) because a CHF 175 million bond was issued (previous year: because of project adjustments and provisions for restructuring). When the issue of the above-mentioned bond was announced (previous year: when the restructuring took place), Implenia started discussions with the bank syndicate and obtained a waiver as at the balance sheet date.

While the cash credit line is used as a backup liquidity, the immediate availability of guarantee lines in order to assure contractual obligations is of high importance for the continuation of the operating business. The guarantee line can be used for liquidity purposes up to CHF 100 million.

Implenia also has bilateral loan agreements with various banks for an amount of CHF 161 million (2020: CHF 113 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 there is sufficient certainty that they can be exercised. For purchase options where there is sufficient certainty 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 TCHF	Service guarantees	Litigation	Restruc-turing	Provisions for ongoing projects	Others	Total
31.12.2021						
As at 1.1.	7,146	51,491	35,943	152,207	15,163	261,950
Increase	1,178	19,985	–	21,848	5,412	48,423
Used	(4,533)	(37,079)	(16,957)	(76,763)	(760)	(136,092)
Reversed	–	(9,148)	(14,906)	(7,601)	(1,753)	(33,408)
Change in scope of consolidation	7,161	(182)	–	–	916	7,895
Foreign exchange differences	(22)	(1,405)	24	(1,708)	(405)	(3,516)
Total as at reporting date	10,930	23,662	4,104	87,985	18,573	145,252
of which current	2,426	20,618	2,939	87,985	3,348	117,316
31.12.2020						
As at 1.1.	4,454	26,840	–	66,190	18,854	116,338
Increase	3,066	31,481	35,573	102,764	183	173,067
Used	–	(5,553)	–	(16,747)	(1,951)	(24,251)
Reversed	(366)	(1,234)	–	–	(1,947)	(3,547)
Foreign exchange differences	(8)	(43)	370	–	24	343
Total as at reporting date	7,146	51,491	35,943	152,207	15,163	261,950
of which current	324	30,449	26,524	152,207	4,015	213,519

Notes

The 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.

In the previous year, provisions associated with restructuring costs were recognised in the amount of CHF 35.9 million. The provisions for restructuring mainly relate to provisions associated with personnel expenses.

The provisions for current projects include provisions for impending losses arising from current projects and provisions for litigation associated with current projects. The provisions for current projects also included provisions for projects associated with the Ina Invest transaction of CHF 35.2 million (2020: CHF 48.7 million.)

Other provisions relate to contractual risks, personnel-related provisions and the rehabilitation costs of contaminated sites.

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.

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 previous year pension liability includes the last of three conversion rate reductions from 5.1% to 4.75% resolved by the board 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 TCHF	Defined benefit obligations	Market value of plan assets	Adjustment to asset ceiling	Pension asset / (Pension liabilities)
As at 1.1.2021	(1,328,789)	1,632,205	(324,291)	(20,875)
Current service cost	(29,187)	–	–	(29,187)
Past service (cost) / gain	197	–	–	197
(Interest expense) / Interest income	(2,840)	3,392	(649)	(97)
Administration cost (excl. cost for managing plan assets)	(634)	–	–	(634)
Income / (expenses) recognised in the income statement	(32,464)	3,392	(649)	(29,721)
Return on plan assets (excl. interest income)	–	86,488	–	86,488
Gain / (loss) araising from changes in financial assumptions	21,636	–	–	21,636
Gain / (loss) araising from changes in demographical assumptions	26,069	–	–	26,069
Gain / (loss) araising from experience adjustments	7,614	–	–	7,614
Change in effect of asset ceiling	–	–	(144,976)	(144,976)
Income / (expenses) recognised in other comprehensive income	55,319	86,488	(144,976)	(3,169)
Employer contributions	–	33,965	–	33,965
Employee contributions	(28,978)	28,978	–	–
Benefits deposited / (paid)	125,558	(122,601)	–	2,957
Change in scope of consolidation	362	(116)	–	246
Foreign exchange differences	3,351	(1,936)	–	1,415
Contributions and other effects	100,293	(61,710)	–	38,583
As at 31.12.2021	(1,205,641)	1,660,375	(469,916)	(15,182)

in TCHF	Defined benefit obligations	Market value of plan assets	Adjustment to asset ceiling	Pension asset / (Pension liabilities)
As at 1.1.2020	(1,275,135)	1,562,748	(304,627)	(17,014)
Current service cost	(28,781)	–	–	(28,781)
Past service (cost) / gain	7,378	–	–	7,378
(Interest expense) / Interest income	(5,289)	6,377	(1,219)	(131)
Administration cost (excl. cost for managing plan assets)	(607)	–	–	(607)
Income / (expenses) recognised in the income statement	(27,299)	6,377	(1,219)	(22,141)
Return on plan assets (excl. interest income)	–	70,113	–	70,113
Gain / (loss) araising from changes in financial assumptions	(23,029)	–	–	(23,029)
Gain / (loss) araising from changes in demographical assumptions	–	–	–	–
Gain / (loss) araising from experience adjustments	(43,225)	–	–	(43,225)
Change in effect of asset ceiling	–	–	(18,445)	(18,445)
Income / (expenses) recognised in other comprehensive income	(66,254)	70,113	(18,445)	(14,586)
Employer contributions	–	30,361	–	30,361
Employee contributions	(30,532)	30,532	–	–
Benefits deposited / (paid)	69,708	(67,855)	–	1,853
Change in scope of consolidation	491	–	–	491
Foreign exchange differences	232	(71)	–	161
Contributions and other effects	39,899	(7,033)	–	32,866
As at 31.12.2020	(1,328,789)	1,632,205	(324,291)	(20,875)

Notes

Plan assets comprise the following:

	31.12.2021		31.12.2020	
	in TCHF	%	in TCHF	%
Quoted				
Cash and cash equivalents	49,964	3.0	46,857	2.9
Equity instruments	3,345	0.2	3,908	0.2
Debt instruments	736,870	44.4	733,306	44.9
Investment funds	433,820	26.1	419,934	25.7
Other	47,558	2.9	44,573	2.7
Unquoted				
Cash and cash equivalents	1,133	0.1	1,289	0.1
Debt instruments	4,768	0.3	5,955	0.4
Real estate	374,151	22.5	367,179	22.5
Other	8,766	0.5	9,298	0.6
Total	1,660,375	100.0	1,632,299	100.0
of which debt instruments of Implenia Ltd.	–	0.0	–	0.0
of which real estate used by Implenia	47,654	2.9	44,977	2.9

The pension liability was calculated on the basis of the following actuarial assumptions:

	Switzerland		Germany	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Discount rate	0.40%	0.20%	0.85%	0.65%
Expected salary increase	1.25%	1.25%	0,00%	0,00%
Future pension increase	0,00%	0,00%	1.50%	1.50%
Mortality table	BVG 2020–CMI	BVG 2015–CMI	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 TCHF	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Discount rate (0.25% adjustment)	(33,321)	(39,784)	35,444	42,428
Salary progression (0.25% adjustment)	2,914	3,800	(3,778)	(4,631)
Life expectancy (1 year adjustment)	38,939	38,795	(39,393)	(39,255)

Notes to the consolidated financial statements of Implenia

The actual gain on plan assets for the 2021 financial year was CHF 89.9 million (2020: gain of CHF 76.6 million). The employer contributions in 2022 are estimated at CHF 33.1 million (2021: CHF 35.8 million). The weighted average duration of the obligation is 11.4 years (2020: 12.4 years). Curtailment gains amounting to CHF 7.6 million were recognised in connection with the restructuring announced in the previous year. The curtailment gains are a component of the past service cost/gain of the previous year.

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 2021 is limited to the amount of employer contribution reserves paid in of CHF 0.4 million (2020: CHF 0.4 million). In the reporting period, no employer contribution reserves were released (2020: CHF 5.2 million). The increase in the asset ceiling is mainly associated with the positive return on the plan assets as well as the reduction of the defined benefit obligation.

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 and the most recent reporting as at 31 December 2020, FAR had a funding ratio of 87.1% (31 December 2019: 87.7%). In 2021, Implenia paid FAR contributions of CHF 10.3 million (2020: CHF 11.2 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 TCHF	Receivables and contract assets / liabilities	Raw materials and supplies and real estate transactions	Property, plant and equipment	Intangible assets	Pension	Provisions	Other items	Tax loss carryforwards	Total
31.12.2021									
Deferred tax assets as at 1.1.	–	–	–	–	261	–	–	79,296	79,557
Deferred tax liabilities as at 1.1.	(40,489)	(2,688)	(5,518)	729	6,856	(7,725)	(36,533)	36,217	(49,151)
Net deferred tax as at 1.1.	(40,489)	(2,688)	(5,518)	729	7,117	(7,725)	(36,533)	115,513	30,406
Credited / (debited) to the income statement	(13,318)	524	176	(239)	(1,332)	(3,937)	14,250	(15,670)	(19,546)
Credited / (debited) directly to other comprehensive income	–	–	–	–	725	–	–	–	725
Change in scope of consolidation	551	47	615	–	57	968	152	–	2,390
Foreign exchange differences	2,035	–	23	–	(273)	78	263	(3,345)	(1,219)
Net deferred tax as at reporting date	(51,221)	(2,117)	(4,704)	490	6,294	(10,616)	(21,868)	96,498	12,756
Deferred tax assets as at reporting date	–	–	–	–	–	–	–	70,084	70,084
Deferred tax liabilities as at reporting date	(51,221)	(2,117)	(4,704)	490	6,294	(10,616)	(21,868)	26,414	(57,328)

in TCHF	Receivables and contract assets / liabilities	Raw materials and supplies and real estate transactions	Property, plant and equipment	Intangible assets	Pension	Provisions	Other items	Tax loss carryforwards	Total
31.12.2020									
Deferred tax assets as at 1.1.	–	–	–	–	263	–	–	36,725	36,988
Deferred tax liabilities as at 1.1.	(45,325)	(3,647)	(5,650)	672	3,896	(14,649)	(9,988)	25,985	(48,706)
Net deferred tax as at 1.1.	(45,325)	(3,647)	(5,650)	672	4,159	(14,649)	(9,988)	62,710	(11,718)
Credited / (debited) to the income statement	4,670	960	92	56	(255)	6,907	(26,070)	53,360	39,720
Credited / (debited) directly to other comprehensive income	–	–	–	–	3,214	–	(101)	–	3,113
Foreign exchange differences	166	(1)	40	1	(1)	17	(374)	(557)	(709)
Net deferred tax as at reporting date	(40,489)	(2,688)	(5,518)	729	7,117	(7,725)	(36,533)	115,513	30,406
Deferred tax assets as at reporting date	–	–	–	–	261	–	–	79,296	79,557
Deferred tax liabilities as at reporting date	(40,489)	(2,688)	(5,518)	729	6,856	(7,725)	(36,533)	36,217	(49,151)

Notes

Temporary differences for which no deferred taxes have been recognised:

in TCHF	31.12.2021	31.12.2020
Investments	215,570	103,081
Goodwill	238,644	251,823

Unused tax loss carryforwards by maturity:

in TCHF	Not capitalised	Capitalised	Total 31.12.2021	Not capitalised	Capitalised	Total 31.12.2020
6 years	–	57,621	57,621	–	–	–
7 years	–	–	–	–	142,209	142,209
Usable indefinitely	239,209	324,676	563,885	207,500	354,563	562,063
Total	239,209	382,297	621,506	207,500	496,772	704,272

In the reporting period, loss carryforwards were essentially capitalised in the amount of taxable temporary differences available at company level. As in the previous 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 loss carryforwards were also capitalised. In the reporting year, tax loss carryforwards from companies with negative results in Germany were capitalised. In the previous year, tax loss carryforwards from companies with negative results in Switzerland, Germany 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 2021 Annual General Meeting decided not to pay a dividend. The 2020 Annual General Meeting approved the distribution of ordinary dividends of CHF 0.75 per share, resulting in a total payment of CHF 13.9 million. In addition, the dividend in kind relating to the spin-off of Ina Invest was distributed in the previous year. The distribution resulted in a reduction in retained earnings in the amount of CHF 112.4 million.

In the course of 2021, a total of 114,105 shares with a carrying amount of CHF 3.0 million (2020: 46,447 shares with a carrying amount of CHF 1.9 million) were sold or used for employee participation programmes and for the compensation of the Board of Directors. The loss resulting from these transactions of CHF 0.3 million (2020: gain of CHF 0.1 million) is recognised in the capital reserve without affecting profit or loss.

	31.12.2019	Changes 2020	31.12.2020	Changes 2021	31.12.2021
	No. of shares	No. of shares	No. of shares	No. of shares	No. of shares
Total shares of Implenia Ltd.	18,472,000	–	18,472,000	–	18,472,000
Treasury shares	13,851	15,553	29,404	34,450	63,854
Total shares outstanding	18,458,149	(15,553)	18,442,596	(34,450)	18,408,146

All shares are subscribed and fully paid up. As at 31 December 2021, all shares with the exception of 63,854 treasury shares (2020: 29,404 treasury shares) have voting rights and qualify for dividends.

Notes to the consolidated financial statements of Implenia

	31.12.2019	Changes 2020	31.12.2020	Changes 2021	31.12.2021
Share capital	18,841	–	18,841	–	18,841
Treasury shares	(14)	(16)	(30)	(35)	(65)
Total share capital outstanding	18,827	(16)	18,811	(35)	18,776

The par value of a share remained 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.

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

in TCHF	1.1.–31.12.2021	1.1.–31.12.2020
Data for calculating earnings per share:		
Consolidated profit attributable to shareholders of Implenia Ltd.	61,157	(134,702)
Adjustment to effect on result due to convertible bond	2,948	2,900
Consolidated profit attributable to shareholders of Implenia Ltd. after adjustment	64,105	(131,802)
Weighted average number of shares outstanding	18,454,206	18,461,875
Adjustment due to diluting effect of convertible bond	2,645,503	2,645,503
Weighted average for calculating diluted earnings per share	21,099,709	21,107,378
Basic earnings per share in CHF	3.31	(7.30)
Diluted earnings per share in CHF	3.04	(7.30)

Notes

There has been no conversion since the issue of the convertible bond.

Dilution resulted from the convertible bond in the financial year (2020: 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 net profit attributable to shareholders of Implenia Ltd. to take account of the effect of the convertible bond after tax. 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 million	31.12.2021	31.12.2020
As at 1.1.	210.5	209.8
Change	206.9	0.7
Total as at reporting date	417.4	210.5

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 and for tax disputes / litigation.

Contractual investment obligations

in CHF million	31.12.2021	31.12.2020
Real estate transactions	41.7	51.5
Total	41.7	51.5

Government representatives contacted Implenia Baugesellschaft mbH 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 mbH, 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 TCHF	2021	2020
Sales to related parties		
Joint ventures (equity method)	100,513	77,914
Associates	54,163	72,995
Other related parties	5,802	5,104
Purchases from related parties		
Joint ventures (equity method)	414	2,123
Associates	16,577	24,467
Other related parties	4,146	3,236

in TCHF	31.12.2021	31.12.2020
Receivables / accruals from related parties		
Joint ventures (equity method)	31,623	32,593
Associates	15,530	2,516
Other related parties	92	218
Payables to related parties		
Joint ventures (equity method)	27	191
Associates	3,092	4,928
Other related parties	407	104

Notes to the consolidated financial statements of Implenia

Notes

Compensation paid to related parties is shown in note 9.4.

In the financial year, revenue was mainly recognised with Ina Invest Ltd. in the amount of CHF 43.9 million (previous year: CHF 62.5 million). This is included in sales to associates.

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.

29 — EVENTS AFTER THE BALANCE SHEET DATE

The Group does not know of any material events after the balance sheet date.

Proposed dividend for the 2021 financial year

For the 2021 financial year, the Board of Directors will propose to the Annual General Meeting to be held on 29 March 2022 that no dividend is paid.

30 — FOREIGN EXCHANGE RATES

		Average rate 1.1.–31.12.		Closing rate	
		2021	2020	31.12.2021	31.12.2020
European Union	1 EUR	CHF 1.08	CHF 1.07	CHF 1.03	CHF 1.08
Ivory Coast / Mali	100 XOF	CHF 0.17	CHF 0.16	CHF 0.16	CHF 0.17
Norway	100 NOK	CHF 10.64	CHF 10.02	CHF 10.35	CHF 10.33
Sweden	100 SEK	CHF 10.66	CHF 10.21	CHF 10.08	CHF 10.80

Notes to the consolidated financial statements of Implenia

31 — SELECTED FULLY CONSOLIDATED COMPANIES

Name	Share-holding	Registered office	Country	Currency	Capital	Division	Held by
BBV Systems GmbH	100%	Bobenheim	D	EUR	520,000	Specialties	Implenia Specialties GmbH
Building Construction Logistics GmbH	100%	Raunheim	D	EUR	25,000	Specialties	Implenia Specialties GmbH
Implenia Constructii SRL	100%	Voluntari	RO	RON	4,750,100	Civil Engineering	Implenia Baugesellschaft mbH
Implenia Construction GmbH	100%	Raunheim	D	EUR	10,100,000	Several Divisions	Implenia Holding GmbH
Implenia Fassadentechnik GmbH	93%	Hamburg	D	EUR	750,000	Specialties	Implenia Specialties GmbH
Implenia France SA	100%	Archamps	F	EUR	5,059,119	Civil Engineering	Implenia Switzerland Ltd.
Implenia Hochbau GmbH	100%	Raunheim	D	EUR	20,025,000	Buildings	Zschokke Holding Deutschland GmbH
Implenia Holding GmbH	100%	Raunheim	D	EUR	3,067,751	Functions	Implenia Switzerland Ltd.
Implenia Immobilien AG	100%	Opfikon	CH	CHF	30,600,000	Real Estate	Implenia Ltd.
Implenia Norge AS	100%	Oslo	N	NOK	12,491,068	Civil Engineering	Implenia Switzerland Ltd.
Implenia Österreich GmbH	100%	Salzburg	A	EUR	35,000	Civil Engineering	Implenia Ltd.
Implenia Real Estate Services AG	100%	Opfikon	CH	CHF	100,000	Buildings	Implenia Schweiz AG
Implenia Real Estate GmbH	100%	Raunheim	DE	EUR	800,000	Buildings	Implenia Holding GmbH
Implenia Schalungsbau GmbH	100%	Bobenheim	D	EUR	520,000	Specialties	Implenia Specialties GmbH
Implenia Switzerland Ltd.	100%	Opfikon	CH	CHF	40,000,000	Several Divisions	Implenia Ltd.
Implenia Specialties GmbH	100%	Raunheim	D	EUR	25,000	Specialties	Implenia Holding GmbH
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 Switzerland Ltd.
SAPA, Société Anonyme de Produits Asphaltiques	75%	Satigny	CH	CHF	500,000	Civil Engineering	Implenia Switzerland 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	Share-holding	Registered office	Country	Currency	Capital
ARGE Deponie Schwanental	37,0%	Eglisau	CH	CHF	–
Argo Mineral AG	50,0%	Aarau	CH	CHF	300,000
Argobit AG	20,0%	Schafisheim	CH	CHF	1,200,000
Belagswerke Heimberg AG	33,3%	Heimberg	CH	CHF	120,000
BEWO Belagslieferwerk Oberwallis (sp)	25,0%	Niedergesteln	CH	CHF	–
GU Kies AG	33,3%	Schaffhausen	CH	CHF	450,000
Holcim Betondrance SA	46,0%	Martigny	CH	CHF	300,000
Ina Invest AG	42,5%	Zürich	CH	CHF	202,000
Kieswerk Oldis AG	26,4%	Haldenstein	CH	CHF	1,200,000
Miphalt AG	26,0%	Niederbipp	CH	CHF	1,758,000
MOAG Baustoffe Holding AG	10.0%	Mörschwil	CH	CHF	325,000
Mobival (sp)	26,0%	Massongex	CH	CHF	–
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	–

(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.

Notes to the consolidated financial statements of Implenia

33 — SELECTED JOINT VENTURES

Name	Shareholding	Country	Recognition in consolidated financial statements
Arbeidsfellesskapet Risa	50,0%	NO	PC
ARGE EHS	27.0%	CH	EM
ARGE FWZ Los 1 + 2	50,0%	CH	EM
ARGE Mythenquai	50,0%	CH	FC
ARGE Porta Nova Trier	33,0%	DE	EM
ARGE Stammstrecke VE41 Marienhof	50.0%	DE	EM
ARGE STIBU	50,0%	CH	EM
ARGE Tunnel Fröschnitzgraben	50,0%	AT	PC
ARGE Tunnel Gloggnitz	40.0%	AT	EM
ARGE Tunnel Granitztal	50,0%	AT	PC
Consorzio Dolomiti Webuild Implenia	49,0%	IT	EM
Arge WA Benzstrasse Regensburg	50,0%	DE	EM
ARGE ZUGO	20,0%	CH	EM
CERN HiLumi LHC P5	60,0%	FR	PC
Consortium PIC	30,0%	CH	EM
Consorzio Lotto 301	26,0%	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 (L17.1)	25,0%	FR	PC
Grand Paris Express (Lot T2C)	25,0%	FR	PC
Grand Paris Express (Lot 16.3)	33,0%	FR	PC
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 15.

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. GLATTPARK (OPFIKON)

Opinion

We have audited the consolidated financial statements of Implenia Ltd. and its subsidiaries (the Group), which comprise the consolidated income statement and consolidated statement of comprehensive income for the year ended 31 December 2021, the consolidated balance sheet as at 31 December 2021, the consol-idated statement of changes in equity and consolidated cash flow statement for the year then ended and notes to the consolidated financial statements of Implenia including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements (pages 105–160) give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and its consolidated finan-cial 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 International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code) 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 11,300,000

We concluded full scope audits at nine Group companies in five coun-tries. These Group companies contribute 77% of the Group's revenue. Additionally, specified audit procedures were concluded at a further seven Group companies, which represented an additional 10% of the Group's revenue.

As key audit matters, the following areas of focus were identified:

- Recognition of revenue from construction projects, total contract-ing projects, general contracting projects and development projects
- Recoverability of goodwill

Report on the audit of the consolidated financial statements

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

On the basis of our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	CHF 11,300,000
How we determined it	consolidated revenue
Rationale for the materiality benchmark applied	We chose consolidated revenue as the benchmark because, in our view, 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 565,000 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 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 work 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.

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.

Report on the audit of the consolidated financial statements

Recognition of revenue from construction projects, total contracting projects, general contracting projects and development projects

Key audit matter	How our audit addressed the key audit matter
According to IFRS 15 'Revenue from contracts with customers', revenue can be recognised either at a point in time or over time. Land sales are recognised at the point in time of the transfer of property. Revenue relating to the Group's main operations (construction projects, total contracting projects, general contracting projects and development projects) is recognised over a specific period of time. We consider the revenue recognition over time from construction projects, total contracting projects, general contracting projects and development projects to be a key audit matter for the following reasons: Revenue recognition and the appropriate valuation of projects depends significantly on the determination of the stage of completion, the future costs and the assessment of the recoverability of change orders. Determining the stage of completion and the transaction price requires the use of estimates by project managers and Management. Depending on the contractual arrangements, input-based or output-based methods are used to determine the degree of a project's completion. Revenue recognition therefore involves significant Management judgement, which has a material impact on the recognised revenue from construction projects, total contracting projects, general contracting projects and development projects, the associated assets (contract assets of CHF 396.3 million and contract liabilities of CHF 518.2 million) and consolidated profit. Please refer to notes 4.1 'Revenue and cost recognition for projects' (page 111), 6 'Segment reporting' (page 119) and 14 'Contract assets and liabilities' (page 132) in the notes to the consolidated financial statements.	We addressed the identified risks in relation to the recognition of revenue from construction projects, general contracting projects and development projects by performing in particular the following audit procedures: We tested the design and effectiveness of the key controls over project valuation implemented by the company. We performed inquiries and inspected evidence at Project Review Meetings and reviewed the internal reporting to Management and the Board of Directors. We analysed the accuracy of estimates in connection with project valuation. We discussed selected projects with Management and the Audit Committee. For a sample of contracts, we assessed the accounting treatment applied by the company. We made a risk-based selection of projects for sample testing based on our defined criteria, including: - Amount of and change in the revenue or contribution margin in the year under review. - Material project-related accruals. - Project size. - Additional random selection. For the selected projects, we performed the following audit procedures: - We discussed and assessed with the project managers and finance managers the stage of completion of the work and the future costs and accruals until completion of the project. - We analysed contracts in terms of their impact on project valuation 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 and lawyers' letters in connection with selected projects. - The projects were assessed in terms of the appropriateness of the project valuation. Any resulting provisions were assessed critically and discussed with Management. On the basis of our audit procedures, we consider the recognition of revenue from construction projects, general contracting projects and development projects to be appropriate.

Report on the audit of the consolidated financial statements

Recoverability of goodwill

Key audit matter	How our audit addressed the key audit matter
Recoverability of goodwill was deemed a key audit matter for the following reasons: Goodwill is recognised on the balance sheet in the amount of CHF 238.6 million, which is material. The disposals of the fully consolidated companies Implenia Instandsetzungs GmbH, Tetrag Automation AG and Gravière de la Claie-aux-Moines (GCM) SA resulted in a goodwill disposal of CHF 12.0 million. Impairment testing of goodwill depends on forecasts of future cash flows. Significant judgement is required to determine the assumptions relating to future business results and the discount rate applied to the forecasted cash flows. Please refer to notes 3 ‘Material events – Completion of sales’ (page 111) and 20 ' Intangible assets’ (page 142) in the notes to the consolidated financial statements.	We addressed the identified risks in relation to the impairment testing of goodwill by performing in particular the following audit procedures: We validated management’s assumptions regarding the forecasted cash flows for the planning period (2022 to 2025) as well as its intentions and ability to implement the strategic initiatives. We compared the forecasted cash flows with relevant industry and economic forecasts. We focussed on the plausibility of the applied assumptions, such as development of the EBITDA and EBIT margin throughout the forecast years and the growth of cash flows after that period. We assessed, with the support of our internal valuation specialists the valuation model, the discount rates applied to future cash flows and the growth rates used to extrapolate beyond the business planning period by performing plausibility checks on market and industry-specific data. We assessed management’s sensitivity analysis of the key assumptions, such as lower growth, higher discount rates and lower EBITDA and lower EBIT, to quantify potential negative changes in the assumptions that could lead to further impairment of goodwill. We have performed plausibility checks of the valuations and their key assumptions for the calculations of the determination of the disposal in goodwill from the sales. On the basis of our audit procedures, we consider that the conclusions drawn by management regarding the recoverability of goodwill are reasonable.

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 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/wirtschaftspruefung-revisionsbericht. 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
Audit expert, Auditor in charge

Christoph Angst
Audit expert

Zurich, 28 February 2022
Pricewaterhouse Coopers AG, Birchstrasse 160, 8050 Zurich

INCOME STATEMENT OF IMPLENIA LTD.

in TCHF	Notes	1.1.–31.12.2021	1.1.–31.12.2020
Income from investments		68	28,744
Income from sale of investments		3,250	–
Change in value adjustments and provisions	3	(9,440)	(25,589)
Other operational income	3	20,271	6,918
Total operating income		14,149	10,073
Personnel expenses		(12,454)	(11,254)
Other operational costs		(11,662)	(5,373)
Depreciation and valuation adjustments on fixed asset items		(190)	(7,158)
Operating earnings before interest and taxes		(10,157)	(13,712)
Financial income		11,351	11,155
Financial expenses		(18,292)	(13,510)
Operating earnings before taxes		(17,098)	(16,067)
Direct taxes		(6)	(268)
Profit for the year		(17,104)	(16,335)

BALANCE SHEET OF IMPLENIA LTD.

Assets

in TCHF	Notes	31.12.2021	31.12.2020
Cash and cash equivalents and current assets with a stock exchange price	3	132,899	296,170
Financial assets from third parties	3	174,981	–
Trade receivables from third parties		76	203
Trade receivables from Group companies		152,586	585
Other current receivables from third parties		140	346
Other current receivables from Group companies		404,957	314,181
Accrued income and prepaid expenses		2,411	3,307
Total current assets		868,050	614,792
Financial assets from third parties	3	1,046	780
Financial assets from Group companies	3	230,557	251,567
Investments in Group companies		322,542	316,685
Investments in associates and other investments	3	70,109	70,116
Property, plant and equipment		16	25
Intangible assets		187	368
Total non-current assets		624,457	639,541
Total assets		1,492,507	1,254,333

Equity and Liabilities

in TCHF	Notes	31.12.2021	31.12.2020
Trade payables to third parties		76	295
Trade payables to Group companies		19,318	–
Current interest-bearing liabilities to third parties	5	225,000	62,807
Current interest-bearing liabilities to Group companies		273,780	195,177
Other current liabilities to third parties		2,085	6,352
Deferred income and accrued expenses		17,157	14,865
Total current liabilities		537,416	279,496
Long-term interest-bearing liabilities to third parties	5	476,610	478,961
Long-term interest-bearing liabilities to Group companies		44,617	44,617
Total non-current liabilities		521,227	523,578
Share capital	3	18,841	18,841
Statutory capital reserves			
– Reserves from capital contributions		77	77
Statutory retained earnings		16,185	16,185
Profit carried forward		417,111	433,446
Profit for the year		(17,104)	(16,335)
Treasury shares	3	(1,246)	(955)
Total equity		433,864	451,259
Total equity and liabilities		1,492,507	1,254,333

NOTES TO THE STATUTORY FINANCIAL STATEMENTS OF IMPLENIA LTD.

1 — GENERAL INFORMATION

Implenia Ltd. is a Swiss public limited company incorporated in Opfikon, Zurich. The average number of full-time employees employed by the company was less than 50 (previous year: less than 50).

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. Investments in associates are investments in which between 20% and 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

Change in value adjustments and provisions

This item includes the recognition of value adjustment on loans from investments of CHF 9.5 million in the financial year (2020: CHF 25.6 million).

Depreciation and valuation adjustments on fixed asset items

In the financial year, no value adjustment on a Group company has been recognised (2020: CHF 7.0 million).

Other operating income

In essence, other operating income contains expenses charged to Group companies.

Cash and cash equivalents

Cash and cash equivalents solely comprise bank deposits at sight.

Financial assets

The item financial assets from third parties includes current financial assets of CHF 175.0 million, non-current securities without a stock exchange price that are held on a long-term basis of CHF 0.8 million (2020: CHF 0.8 million) and derivative financial instruments of CHF 0.2 million (2020: CHF 0.0 million). 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.

Investments in Group companies and associates

The item for investments in associates includes an investment of 42.5% in Ina Invest Ltd.

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 financial year (2020: none).

Notes to the Statutory Financial Statements of Implenia Ltd.

Share capital

As at 31 December 2021, Implenia Ltd.'s share capital amounts to CHF 18,841,440, divided into 18,472,000 registered shares with a par value of CHF 1.02 each. The share capital is fully paid up. As at the balance sheet date, Implenia Ltd. also has 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.

Shareholders holding more than three per cent of the share capital and of the voting rights as at 31 December 2021:

	Share capital participation	
in %	31.12.2021	31.12.2020
Parmino Holding AG / Max Rössler	16.5	16.5
Norbert Ketterer	10.0	10.0
Rudolf Maag	5.4	5.4
Dimensional Holdings Inc.	3.0	3.0
Credit Suisse Funds AG	n/a	n/a

The following shares were allocated in the reporting year:

	Shares definitely allocated		Amount recognised in the income statement	
	2021	2020	2021	2020
Board of Directors	21,243	16,622	358	358
Group Executive Board	–	459	–	8
Managers	33,576	20,648	673	832
Total	54,819	37,729	1,031	1,198

Treasury shares (as a minus position)

	31.12.2021		31.12.2020	
	Number	CHF 1000	Number	CHF 1000
As at 1.1	29,404	955	13,851	540
Purchase	148,555	3,276	62,000	2,289
Sale and use for employees and Board of Directors	(114,105)	(2,985)	(46,447)	(1,874)
Total as at reporting date	63,854	1,246	29,404	955

4 — CONTINGENT LIABILITIES

in TCHF	31.12.2021	31.12.2020
Guarantees and contingent liabilities	157,853	39,443
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 three 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 66.15, effective interest rate 2.158%
- CHF 175 million bond, payment under subscription 26 November 2021, interest rate (affecting liquidity) 2.000%, term 2021–2025, issue price 100.000%, ISIN CH114 509 6172, effective interest rate 2.161%

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%. This was repaid in the financial year.
- 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 2021, 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 130,614 shares or 0.7% of the share capital (2020: 112,094 shares or 0.6%). This figure includes any shares acquired in a private capacity:

Non-executive Board of Directors

	Number of shares, as at		Shares blocked until		
	31.12.2021	31.12.2020	2022	2023	2024
Hans Ulrich Meister, Chairman	**86,056**	79,979	4,231	3,584	6,077
Henner Mahlstedt, Member	**12,684**	10,514	1,712	1,451	2,170
Kyrre Olaf Johansen, Vice-Chairman	**6,064**	4,183	1,511	1,280	1,881
Ines Pöschel, Member	**10,854**	8,684	1,511	1,280	2,170
Laurent Vulliet, Member	**7,088**	5,207	1,309	1,109	1,881
Martin Fischer, Member	**4,299**	2,418	1,309	1,109	1,881
Barbara Lambert, Member	**3,569**	1,109	–	1,109	2,460
Total	**130,614**	112,094	11,583	10,922	18,520

As at 31 December 2021, 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 142,577 shares or 0.8% of the share capital (2020: 137,641 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		
	31.12.2021	31.12.2020	2022	2023	2024
André Wyss, CEO	**102,448**	102,448	–	–	–
Marco Dirren, CFO	**6,000**	6,000	–	–	–
Adrian Wyss, Division Head Development	**12,455**	10,255	458	–	–
Jens Vollmar, Division Head Buildings	**5,591**	5,591	458	–	–
Christian Späth, Division Head Civil Engineering	**3,481**	3,171	724	1,133	400
Anita Eckardt, Division Head Specialties	**260**	260	–	–	–
German Grüniger, General Counsel	**6,641**	6,641	1,257	–	–
Claudia Bidwell, Chief Human Resources Officer	**3,301**	1,875	1,553	322	1,426
Matthias Jacob, Head Country Management	**2,400**	1,400	200	–	–
Total	**142,577**	137,641	4,650	1,455	1,826

7 — DIRECT SHAREHOLDINGS AND SIGNIFICANT INDIRECT SHAREHOLDINGS

Name	Registered office	Shareholding	Currency	Capital
Gebr. Ulmer GmbH	Bruchsal (D)	100%	EUR	25,565
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 Norge AS	Oslo (N)	100%	NOK	12,491,068
Implenia Österreich GmbH	Salzburg (A)	100%	EUR	35,000
Implenia Real Estate Ltd.	Opfikon	100%	CHF	30,600,000
Implenia Spezialtiefbau GmbH	Langen (D)	100%	EUR	1,000,000
Implenia Switzerland Ltd.	Opfikon	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

Notes to the Statutory Financial Statements of Implenia Ltd.

Proposal of the Board of Directors regarding the appropriation of available earnings

in TCHF	2021
Profit carried forward	417,111
Net result for the year	(17,104)
	400,007

The Board of Directors proposes to the General Meeting the following appropriation of available earnings and reserves:

Distribution of a dividend of	–
To be carried forward	400,007
	400,007

Proposed cash dividend for the 2021 financial year

For the 2021 financial year, the Board of Directors will propose to the Annual General Meeting to be held on 29 March 2022 that no dividend is paid.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS OF IMPLENIA LTD.

REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF IMPLENIA LTD. GLATTPARK (OPFIKON)

Opinion

We have audited the financial statements of Implenia Ltd., which comprise the income statement for the year ended 31 December 2021, the balance sheet as at 31 December 2021 and notes to the statutory financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 166–172) as at 31 December 2021 comply with Swiss law and the 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 6,000,000

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:

- Recoverability 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.

On the basis of 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 6,000,000
How we determined it	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 300,000 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.

Recoverability of investments and financial assets (Group companies)

Key audit matter	How our audit addressed the key audit matter
Recoverability of investments and financial assets (Group companies) was deemed a key audit matter for the following reasons: Investments and financial assets (Group companies) recognised on the balance sheet represent a significant portion of total assets, amounting to approximately CHF 322.5 million (22%) and CHF 230.6 million (15%), respectively. Investments and financial assets (Group companies) are valued individually at acquisition cost less any necessary impairment charges. The valuations of the Group companies are derived by Implenia on the basis of the value of the underlying assets or by using the discounted cash flow (DCF) method, which involves significant judgement in determining the parameters, such as discount rates. Please refer to note 3 ‘Breakdowns and explanations’ (page 168) and note 7 ‘Direct shareholdings and significant indirect shareholdings’ (page 171) in the notes to the statutory financial statements.	To identify any impairment of investments and financial assets (Group companies), we performed the following main 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, which we tested as follows: ▪ We checked the plausibility of the assumptions used by Management of the holding company 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 any country-specific considerations. The results of our audit support the assumptions used by the company when assessing the recoverability of investments and financial assets (Group companies) as at 31 December 2021.

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 intends either to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 available from 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 retained 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

Christoph Angst
Audit expert

Zurich, 28 February 2022

7 FURTHER INFORMATION

ALTERNATIVE PERFORMANCE MEASURES

In addition to the ones prescribed by IFRS, Implenia uses alternative measures to help it manage its business. The following overview explains the Alternative Performance Measures (APMs) 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 book	The order book 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 book. The order book increases when orders are secured, and decreases by the level of production output during the period. This measure helps predict the future development of Implenia's construction activities.
Equity ratio	The equity ratio is the ratio of equity to total assets on the balance sheet date. The reported equity ratio takes account of the subordinated convertible bond. Our equity ratio reflects the Implenia Group's financing situation.
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 the consolidated companies' income, expenditure and cash flows 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.
Underlying performance at EBIT level	Underlying performance at EBIT level is a measure of Implenia's underlying performance excluding the impact of one-off effects, such as special transactions, restructuring provisions and other non-recurring effects.
Performance measures excl. IFRS 16	Performance measures excl. IFRS 16 adjust for the impact of the IFRS 16 leasing standard. Performance reports made to the Implenia Executive Committee and Board of Directors contain figures that exclude the impact of IFRS 16.
Production output	Production output is calculated as 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 EBIT 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”, “EBIT” and “underlying performance at EBIT level”:

in TCHF	APM	31.12.2021	31.12.2020
Production output	X	4,174,113	4,060,298
Proportional revenue and services invoiced to JVs		(409,443)	(71,352)
Consolidated revenue		3,764,670	3,988,946
EBIT		114,826	146,757
Other expenses from leases		(975)	123
EBIT excl. IFRS 16	X	113,851	146,634
EBIT		114,826	(146,757)
Ina Invest transaction		–	(52,500)
Write downs and re-evaluations		–	242,542
Restructuring		(14,906)	36,311
Sale of subsidiaries		(21,497)	–
Other effects		(1,897)	(18,083)
Underlying performance at EBIT level	X	76,526	61,513

The following reconciliation shows the derivation of the alternative performance measure “net cash position”:

in TCHF	APM	31.12.2021	31.12.2020
Cash and cash equivalents and fixed short-term deposits		796,895	719,990
Financial liabilities		(888,453)	(732,837)
Net cash position	X	(91,558)	(12,847)
Lease liabilities		158,877	173,373
Net cash position excl. lease liabilities	X	67,319	160,526

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 TCHF	APM	31.12.2021	31.12.2020
Cash flow from operating activities		(69,246)	(161,533)
Investments in non-current assets		(49,400)	(67,231)
Disposal of non-current assets		54,062	34,412
Acquisition of subsidiaries		6,657	–
Sale of subsidiaries		40,433	1,010
Free cash flow	X	(17,494)	(193,342)
Impact of IFRS 16 Leases		(52,590)	(40,077)
Free cash flow excl. IFRS 16	X	(70,084)	(233,419)

CONTACTS, DATES AND IMPRESSUM

You can find all of Implenia's latest figures and information in our online Annual Report, which also includes videos and other additional content.

Implenia's 2021 Annual Report and the latest Sustainability Report 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 2022
17 August 2022

Media and analysts conference on the 2022 annual results
1 March 2023

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