

# **Andermatt Swiss Alps Group**

**Consolidated financial statements  
together with auditor's report for the  
year ended 31 December 2017**

**Andermatt Swiss Alps AG**
**Consolidated statement of comprehensive income for the year ended 31 December 2017**

CHF	Notes	2017	2016
<b>CONTINUING OPERATIONS</b>			
Revenue	6	72,575,125	80,725,764
Cost of sales		(82,708,548)	(97,808,436)
<b>GROSS (LOSS)/PROFIT</b>		<b>(10,133,423)</b>	<b>(17,082,672)</b>
Investment income	7	33,271	271,685
Other gains and losses	8	32,600	194,429
Administrative expenses	9	(16,113,344)	(15,363,361)
Finance expenses	10	(5,330,532)	(4,164,498)
<b>(LOSS)BEFORE TAX</b>		<b>(31,511,428)</b>	<b>(36,144,417)</b>
Income tax (expense)/income	12	682,948	1,104,831
<b>LOSS FOR THE YEAR</b>		<b>(30,828,480)</b>	<b>(35,039,586)</b>
<b>Other comprehensive income, net of income tax</b>			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Remeasurement of defined benefit obligation		1,042,392	(1,074,899)
		<b>1,042,392</b>	<b>(1,074,899)</b>
<i>Items that may be reclassified subsequently to profit or loss</i>			
Remeasurement of financial assets classified as available for sale		(249)	(1,434)
		<b>(249)</b>	<b>(1,434)</b>
<b>Total other comprehensive income for the year, net of tax</b>		<b>1,042,143</b>	<b>(1,076,333)</b>
<b>Total comprehensive income for the year</b>		<b>(29,786,337)</b>	<b>(36,115,919)</b>
<b>(Loss) attributable to:</b>			
Owners of the Parent Company		(31,502,500)	(33,170,863)
Non-controlling interests	23	674,020	(1,868,723)
		<b>(30,828,480)</b>	<b>(35,039,586)</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Parent Company		(30,549,595)	(34,042,512)
Non-controlling interests	23	763,258	(2,073,407)
		<b>(29,786,337)</b>	<b>(36,115,919)</b>



**Franz-Xaver Simmen**  
Group CEO



**Matthias Ernst Jäggi**  
Group CFO

# Andermatt Swiss Alps AG

## Consolidated statement of financial position at 31 December 2017

CHF	Notes	31 December 2017	31 December 2016
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	329,040,837	249,299,596
Investments in associates	15	2,500,000	-
Deferred tax assets	12.3	11,926,034	11,018,737
Other financial assets	16	1,067,401	916,766
<b>TOTAL NON-CURRENT ASSETS</b>		<b>344,534,272</b>	<b>261,235,099</b>
<b>CURRENT ASSETS</b>			
Inventories	17	168,708,703	160,746,905
Trade and other receivables	18	9,386,234	8,465,881
Other current assets	19	6,905,987	20,266,145
Cash and bank balances	20	11,759,039	19,134,278
<b>TOTAL CURRENT ASSETS</b>		<b>196,759,963</b>	<b>208,613,209</b>
<b>TOTAL ASSETS</b>		<b>541,294,235</b>	<b>469,848,308</b>

CHF	Notes	31 December 2017	31 December 2016
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Issued capital	21	231,147,000	231,147,000
Reserves	22	(2,141,470)	(2,141,470)
Retained earnings	23	(165,811,927)	(132,958,220)
<b>Equity attributable to owners of the Parent Company</b>		<b>63,193,603</b>	<b>96,047,310</b>
<b>Non-controlling interests</b>	24	<b>8,782,048</b>	<b>5,463,803</b>
<b>Total equity</b>		<b>71,975,651</b>	<b>101,511,113</b>
<b>NON-CURRENT LIABILITIES</b>			
Shareholder's loan	25	196,466,399	142,591,951
Borrowings (excluding shareholder's loan)	26	175,470,180	139,930,829
Retirement benefit obligation	32	6,123,746	6,595,812
Deferred tax liabilities	12.3	1,060,278	1,060,278
Provisions	27	4,195,000	3,105,000
Deferred income from government grants	31	3,024,150	1,859,000
<b>Total non-current liabilities</b>		<b>386,339,753</b>	<b>295,142,870</b>
<b>CURRENT LIABILITIES</b>			
Borrowings	26	11,863,022	8,232,022
Trade and other payables	28	27,257,483	19,518,338
Current payables due to related parties	34	686,250	846,758
Provisions	27	70,000	200,000
Deferred revenue	29	25,423,128	23,831,343
Other current liabilities	30	17,678,948	20,565,864
<b>Total current liabilities</b>		<b>82,978,831</b>	<b>73,194,325</b>
<b>Total liabilities</b>		<b>469,318,584</b>	<b>368,337,195</b>
<b>Total equity and liabilities</b>		<b>541,294,235</b>	<b>469,848,308</b>



**Franz-Xaver Simmen**  
Group CEO



**Matthias Ernst Jäggi**  
Group CFO

# Andermatt Swiss Alps AG

## Consolidated statement of changes in equity for the year ended 31 December 2017

CHF	Issued Capital	General reserve	Retained earnings	Attributable to owners of the Parent Company	Non-controlling interests	Total
<b>Balance at 1 January 2016</b>	<b>231,147,000</b>	<b>(2,141,470)</b>	<b>(98,912,499)</b>	<b>130,093,031</b>	<b>7,485,993</b>	<b>137,579,024</b>
Loss for the year	-	-	(33,170,863)	(33,170,863)	(1,868,723)	(35,039,586)
Other comprehensive income for the year, net of income tax	-	-	(871,649)	(871,649)	(204,684)	(1,076,333)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>(34,042,512)</b>	<b>(34,042,512)</b>	<b>(2,073,407)</b>	<b>(36,115,919)</b>
Non-controlling interests' share in equity of consolidated subsidiaries	-	-	-	-	49,000	49,000
Disposal of non-controlling interests' share in equity of consolidated subsidiaries	-	-	(2,681)	(2,681)	2,689	8
Acquisition of non-controlling interests' share in equity of consolidated subsidiaries	-	-	(528)	(528)	(472)	(1,000)
<b>Balance at 31 December 2016</b>	<b>231,147,000</b>	<b>(2,141,470)</b>	<b>(132,958,220)</b>	<b>96,047,310</b>	<b>5,463,803</b>	<b>101,511,113</b>
<b>Balance at 1 January 2017</b>	<b>231,147,000</b>	<b>(2,141,470)</b>	<b>(132,958,220)</b>	<b>96,047,310</b>	<b>5,463,803</b>	<b>101,511,113</b>
Loss for the year	-	-	(31,502,500)	(31,502,500)	674,020	(30,828,480)
Other comprehensive income for the year, net of income tax	-	-	952,905	952,905	89,238	1,042,143
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>(30,549,595)</b>	<b>(30,549,595)</b>	<b>763,258</b>	<b>(29,786,337)</b>
Non-controlling interests' share in equity of consolidated subsidiaries	-	-	-	-	150,875	150,875
Disposal of non-controlling interests' share in equity of consolidated subsidiaries	-	-	19,556	19,556	80,444	100,000
Acquisition of non-controlling interests' share in equity of consolidated subsidiaries	-	-	(2,323,668)	(2,323,668)	2,323,668	-
<b>Balance at 31 December 2017</b>	<b>231,147,000</b>	<b>(2,141,470)</b>	<b>(165,811,927)</b>	<b>63,193,603</b>	<b>8,782,048</b>	<b>71,975,651</b>

**Andermatt Swiss Alps AG**
**Consolidated cash flow statement for the year ended 31 December 2017**

CHF	Notes	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Loss) for the year		(30,828,480)	(35,039,586)
Adjustments for:			
Income tax expense/(income) recognized in profit or loss	12.1	(682,948)	(1,104,831)
Finance expenses recognized in profit or loss	10	5,330,532	4,164,498
Investment income recognized in profit or loss	7	(33,271)	(271,685)
Depreciation expenses	13	13,214,203	12,697,212
(Gain)/loss on disposal of property, plant and equipment		8,670	(34,211)
Income from government grants	31	(168,056)	(98,737)
Change in defined benefit obligation		570,326	212,580
<b>MOVEMENTS IN WORKING CAPITAL</b>			
(Increase)/decrease in trade and other receivables		(920,354)	4,202,259
(Increase)/decrease in inventories		(11,971,307)	9,877,758
Decrease in current receivables due from related parties		-	352,562
Decrease in other current assets		13,360,160	19,814,604
Increase/(decrease) in trade and other payables		7,739,146	(2,052,532)
(Decrease) in current payables due to related parties		(162,487)	(1,314,903)
Increase in provision		960,000	2,980,000
Increase/(decrease) in deferred revenue		1,591,785	(6,146,217)
(Decrease) in other liabilities		(2,886,918)	(974,373)
<b>Cash (used in)/generated from operations</b>		<b>(4,878,999)</b>	<b>7,264,398</b>
Interest paid		(3,758,837)	(2,873,113)
Income tax paid		(224,349)	(137,938)
<b>Net cash (used in)/generated from operating activities</b>		<b>(8,862,185)</b>	<b>4,253,347</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for property, plant and equipment	13	(88,142,019)	(71,337,382)
Proceeds from disposal of property, plant and equipment		41,353	63,477
Net cash inflow on acquisition of subsidiaries		100,000	49,000
Cash outflow on acquisition of non-controlling interests			(1,000)
Proceeds from sale of non-controlling interests			8
Payments to acquired investments in associates		(2,500,000)	-
Payments to acquire other financial assets		(150,900)	(851,000)
Proceeds from sale of other financial assets		32	
Interest received		33,255	270,577
<b>Net cash (used in) investing activities</b>		<b>(90,618,279)</b>	<b>(71,806,320)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from shareholder's loan		52,300,000	-
Repayment of borrowings		(13,727,291)	(11,080,230)
Proceeds from borrowings		52,048,435	55,025,580
Proceeds from non-controlling interests' share in capital increase of subsidiaries		150,875	-
Government grants received	31	1,333,206	1,957,737
<b>Net cash generated by financing activities</b>		<b>92,105,225</b>	<b>45,903,087</b>
Net (decrease) in cash and cash equivalents		(7,375,239)	(21,649,886)
Cash and bank balances at the beginning of the year		19,134,278	40,784,164
<b>Cash and bank balances at the end of the year</b>	<b>20</b>	<b>11,759,039</b>	<b>19,134,278</b>

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# Notes to the consolidated financial statements for the year ended 31 December 2017

## 1 GENERAL INFORMATION

Andermatt Swiss Alps AG (“ASA” or “the Parent Company”) is a limited company incorporated in Andermatt, Switzerland.

The Parent Company and its subsidiaries (the “Group”) are responsible for the development, planning, implementation and operation of the newly integrated holiday resort in the Swiss mountain village of Andermatt which includes hotels, chalets and apartments as well as leisure facilities such as golf courses and supporting infrastructure. Since 2013, the Company also controls the operating companies of the Ski Arena Andermatt Sedrun.

The address of its registered office and principal place of business is Gotthardstrasse 2 in Andermatt, Switzerland.

## 2 Application of International Financial Reporting Standards (“IFRSs”)

### 2.1 Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for the current year. None of the revised Standards has had a material effect on these financial statements. The details of the revised Standards are as follows:

#### **Amendments to IFRS 12 Disclosure of Interests in Other Entities**

The Group has applied the amendments to IFRS 12 Disclosure of Interests in Other Entities for the first time in the current year.

The amendment to IFRS 12 Disclosure of Interests in Other Entities clarifies the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10-B16, apply to an entity’s interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5.

The application of these amendments has had no impact on the disclosures or on the amounts recognised in the Group’s consolidated financial statements.

#### **Amendments to IAS 7 Statement of Cash Flows – Disclosure Initiative**

The Group has applied the amendments to IAS 7 Statement of Cash Flows in relation to the disclosure initiative for the first time in the current year. IAS 7 Statement of Cash Flows is amended to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The application of these amendments led to the reconciliation table shown within note 26.2 but did not have any impact on the amounts recognised in the Group’s consolidated financial statements. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior period.

#### **Amendments to IAS 12 Income Taxes**

The Group has applied the amendments to IAS 12 Income Taxes in relation to the recognition of deferred tax assets for unrealised losses for the first time in the current year. IAS 12 Income Taxes is amended to clarify the following aspects:

- Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument’s holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

The application of these amendments has had no impact on the disclosures or on the amounts recognised in the Group’s consolidated financial statements.

## 2.2 Standards and amendments issued but not yet effective

At the date of authorisation of these financial statements, the Group has not adopted the following Standards and Interpretations that have been issued but are not yet effective. They will be effective for annual periods beginning on or after the dates indicated below, with earlier application permitted.

IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers (and the related clarifications)	1 January 2018
IFRS 16	Leases	1 January 2019
Amendments to IFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019
Various	Annual Improvements to IFRS Standards 2015-2017 Cycle	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019

### IFRS 9 Financial Instruments

The Group has not yet applied the requirements for general hedge accounting (issued in November 2013), another revised version of IFRS 9 issued in July 2014 which mainly includes a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a “fair value through other comprehensive income” (FVTOCI) measurement category for certain simple debt instruments.

As the Group does not apply hedge accounting and does not measure any simple debt instruments at FVTOCI, the only requirements of IFRS 9, which are not yet applied by the Group are those on impairment of financial assets. IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Trade and other receivables (note 18), which are measured at amortised cost, could mainly be impacted by the impairment provisions of IFRS 9. However, as currently and also historically the Group has not had any significant credit losses, management does not expect any bad debt allowance due to the new requirements of IFRS 9.

### IFRS 15 Revenue from Contracts with Customers

The new Standard IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

Unlike the scope of IAS 18, the recognition and measurement of interest income and dividend income from debt and equity investments are no longer within the scope of IFRS 15. Instead, they are within the scope of IFRS 9 Financial Instruments.

In April 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Group recognises revenue from the following sources:

- Revenue from rendering of hotel services and other operations related to destination management;
- Revenue from real estate constructions; and
- Revenue from ski arena operations

So far hotel and ski arena revenue was recognised over time and the Group will continue to do so under IFRS 15, hence no impact on application of IFRS 15 is expected.

Revenue from construction of real estate is recognised in full once construction is finalised and the real estate unit registered in the name of the buyer. As control over the unit is only fully transferred to the buyer once the unit is registered in the land register, the Group will continue to recognise revenue from real estate constructions at point in time, hence no impact on application of IFRS 15 is expected from this revenue stream.

Also for all residual revenue streams, management does not expect any significant impact, except for additional disclosures in the notes to the consolidated financial statements.

#### **IFRS 16 Leases**

The new Standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It supersedes IAS 17 Leases and its associated interpretative guidance.

IFRS 16 applies a control model to the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). In contrast, the Standard does not include significant changes to the requirements for accounting by lessors.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of CHF 6.0 million. IAS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease in note 36. A first assessment indicates that these arrangements will meet the definition of a lease under IFRS 16 and therefore the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. Even though it is not practicable to provide a reasonable estimate of the financial effect until management of the Group completes their review, the new requirements are expected to have some impact on the amounts recognised in the Group's consolidated financial statements.

In contrast, for finance leases where the Group is a lessee and in cases where the Group is a lessor (or both operating and finance leases), management of the Group does not anticipate that the application of IFRS 16 will have a significant impact on the amounts recognised in the Group's consolidated financial statements.

It is expected that the Group will apply the modified retrospective approach, which would mean that the cumulative effect of initially applying the standard is recognised at the date of initial application and there is no restatement of comparative information.

#### **Amendments to IFRS 9 Financial Instruments**

Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

Management of the Group does not expect any significant changes from the amended Standard.

#### **Amendments to IAS 19 Employee Benefits**

The amendments in Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) are:

- if a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.
- in addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

Management of the Group does not expect any significant changes from the amended Standard.

#### **Annual Improvements to IFRS Standards 2014-2015-2016-2017 Cycle**

Makes amendments to the following standards:

- IFRS 3 and IFRS 11 - The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- IAS 12 - The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.
- IAS 23 - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

Management of the Group does not expect any significant changes from the amended Standards.

### **IFRIC 23 Uncertainty over Income Tax Treatments**

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- whether tax treatments should be considered collectively
- assumptions for taxation authorities' examinations
- the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- the effect of changes in facts and circumstances

Management of the Group does not expect any significant changes from this new interpretation.

## **3 SIGNIFICANT ACCOUNTING POLICIES**

### **3.1 Statement of compliance**

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

### **3.2 Basis of preparation**

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value or amortized cost, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies are set out below.

### **3.3 Basis of consolidation**

The consolidated financial statements of the Group incorporate the financial statements of the Parent Company and entities (including special purpose entities) controlled by the Parent Company (its subsidiaries). Control is achieved when the Company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use its power to affect its returns

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

### Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Parent Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received or receivable and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at re-valued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Parent Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

### 3.4 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with IFRS 9 (or where applicable IAS 39 or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss).

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

For common control transactions in which all of the combining entities or businesses ultimately are controlled by the same party or parties both before and after the combination, and that control is not transitory, the Group recognises the difference between purchase consideration and carrying amount of net assets of acquired entities or businesses as an adjustment to equity. This accounting treatment is also applied to later acquisitions of some or all shares of the non-controlling interests in a subsidiary.

### **3.5 Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

#### **3.5.1 Revenue on sale of land**

Revenue from sale of land, sale of land right and associated cost are recognised when land is delivered and the significant risks, rewards of ownership and control have been transferred to the buyer, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Group and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Management uses its judgment and considers the opinion obtained from the legal advisors in assessing whether the Group's contractual and legal rights and obligations in the agreements are satisfied and the above criteria are met.

#### **3.5.2 Revenue from agreements for construction of real estate**

Management uses its judgment to analyze the Group's agreements for the construction of real estate and any related agreements to conclude whether or not the contractual terms of such agreements indicate that they are, in substance, for the provision of construction services or for the delivery of goods that are not complete at the time of entering into the agreement. Such conclusion depends on the terms of the agreement and all the surrounding facts and circumstances and on whether such an agreement meets the definition of a construction contract, as described in 3.5.3 below.

In accordance with IFRIC 15, an agreement for the construction of real estate will meet the definition of a construction contract when the buyer is able to specify the major structural elements of the design of the real estate before construction begins and / or specify major structural changes once construction is in progress, whether it exercises that ability or not. Where such conditions are met, revenue and costs associated with such contracts are accounted for in accordance with IAS 11 Construction Contracts (see 3.5.3).

Where an agreement for the construction of real estate does not meet the definition of a construction contract and is not for the rendering of services, then it is accounted for as a sale of goods under the scope of IAS 18 Revenue.

Accordingly, revenue from the sale of real estate is recognised when all the following conditions are satisfied: the Group has transferred to the buyer the significant risks and rewards of ownership of the real estate, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the real estate sold, the amount of revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the entity.

#### **3.5.3 Construction revenue**

A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in term of their design, technology and function or their ultimate purpose or use.

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period measured based on the completion of a physical proportion of the contract work. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer, their amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that is probable to be recovered. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When contract costs incurred to date plus recognized profits less recognized losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognized profits less recognized losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

Construction contract revenue comprises revenue arising from finishing of sold units, extra works requested by customers and any construction agreement with third parties.

### 3.5.4 Revenue from the rendering of services

Revenue from services is recognised in the accounting periods in which the services are rendered.

### 3.5.5 Dividend and interest income

Dividend income from investments other than in associates is recognised when the shareholder's right to receive payment has been established, provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on original recognition.

### 3.5.6 Rental income

The Group's policy for recognition of revenue from operating leases is described in 3.6.1.

## 3.6 Leasing

Leases are classified as finance leases whenever the terms of the lease substantially transfer all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

### 3.6.1 The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

### 3.6.2 The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see 3.8 below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

If a sale and leaseback transaction results in a finance lease, the asset is recognized at its previous carrying amount and any gain/loss recognized over the lease term. In case of a loss, management assesses whether the asset is impaired.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

## 3.7 Foreign currencies

The individual financial statements of each subsidiary are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the preparation of the Group's consolidated financial statements, the results and financial position of each subsidiary are translated into Swiss Franc (CHF), which is the Group's presentation currency.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- Exchange differences on monetary items that qualify as hedging instruments in transactions entered into to hedge certain foreign currency risks; and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Swiss Francs (CHF) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in the Group's foreign currency reserve, a separate component in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in other comprehensive income in respect of that operation attributable to the owners of the Parent are reclassified to profit or loss.

In the case of a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (i.e. reductions in the Group's ownership interest in associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the exchange rate prevailing at the end of each reporting period. Exchange differences arising are recognised in equity.

The exchange rates for the major foreign currencies against CHF relevant to the annual consolidated financial statements were:

Currency table	2017		2016	
	Average	Year end	Average	Year end
1 USD US Dollar	0.9735	0.9800	0.9848	1.0190
1 EUR Euro	1.1114	1.1685	1.0899	1.0713

### 3.8 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessary take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time, as the assets are substantially ready for their intended use or sale.

The following principles apply when borrowing costs are partly or fully capitalized by the Group as part of a qualifying asset:

- Where hedge accounting is not applied to minimize the interest rate risk on borrowings used to fund that asset and, therefore derivatives are classified as at fair value through profit or loss, all gains / losses on non-hedging derivatives are immediately recognized in profit or loss.
- Where variable rate borrowings are used to finance a qualifying asset and a derivative is designated to cash flow hedge the variability in interest rates on such borrowings, any gain or loss on the hedging derivative that is effective and, therefore previously recognized in other comprehensive income, is reclassified from equity to profit or loss when the hedged risk impacts profit or loss. The hedged interest component of the qualifying asset (hedged risk) impacts profit or loss when the qualifying asset is amortized, impaired or sold.
- Where fixed rate borrowings are used to finance a qualifying asset and a derivative is designated to hedge the fair value exposure to changes in interest rates of such borrowings, the synthetic floating interest rate that is achieved as a result of a highly effective hedge is capitalized, so that borrowing costs always reflect the hedged interest rate. The amount of borrowing costs capitalized in such a case comprises the actual fixed rate on the borrowings plus the effect of swapping this fixed rate into floating rates.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

The amount of borrowing costs that an entity capitalises during the period shall not exceed the amount of borrowing costs it incurred during that period, provided that the carrying amount of the qualifying asset on which eligible borrowing costs have been capitalized does not exceed its recoverable amount (being the higher of fair value less costs to sell or amount in use for that asset).

### 3.9 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are received.

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan granted at an interest rate below market level is treated as a government grant and measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

### 3.10 Retirement benefit costs

Employee pension and retirement benefits are based on the regulations and prevailing circumstances of those countries in which the Group is represented. In Switzerland, ordinary pension and retirement benefit plans qualify as defined-benefit plans and are accounted for in conformity with IAS 19 Employee Benefits.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefits liability or asset. Defined benefit costs are categorized as service cost (including current service cost, past service cost as well as gains and losses on curtailments and settlements), net interest expense or income and remeasurement. The Group presents the first two components of defined benefit costs in profit or loss in administrative expenses. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

### 3.11 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

#### 3.11.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

#### 3.11.2 Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the Balance Sheet Liability Method.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Such deferred tax liabilities are not recognised if the temporary difference arises from goodwill and no deferred tax assets or liabilities are recognised for temporary differences resulting from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### 3.11.3 Current and deferred tax for the year

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

## 3.12 Property, plant and equipment

Buildings, plant and equipment, furniture and fixtures held for use in the production, supply of goods or services or for administrative purposes are stated in the consolidated statement of financial position at cost less any accumulated depreciation and accumulated impairment losses.

Properties in the course of construction for production, administrative purposes or for a currently undetermined future use are carried at cost less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy as described in note 3.9. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation of buildings, plant and equipment as well as furniture and fixtures commences when the assets are ready for their intended use.

Freehold land is not depreciated.

Depreciation is recognized so as to write off the cost of assets (other than freehold land and properties under construction) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership of the leased asset will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The following estimated useful lives are used in the calculation of depreciation:

Buildings	20 – 50 years
Plant and equipment	4 – 10 years
Furniture and fixtures	3 – 10 years

## 3.13 Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

### **3.14 Investment in associates**

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results, assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting.

Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

### **3.15 Inventories**

Inventories are stated at the lower of cost and net realizable value.

Costs, including an appropriate portion of fixed and variable production overheads as well as other costs incurred in bringing the inventories to their present location and condition, are assigned to inventories by the method most appropriate to the particular class of inventory, with the majority being valued on a weighted average basis. For items acquired on credit and where payment terms of the transaction are extended beyond normal credit terms, the cost of that item is its cash price equivalent at the recognition date with any difference from that price being treated as an interest expense on an effective-yield basis (see note 10).

Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Estimates of net realisable value are generally made on an item-by-item basis, except in circumstances, where it is more appropriate to group items of similar or related inventories.

The net realizable value of an item of inventory may fall below its cost for many reasons including, damage, obsolescence, slow moving items, a decline in selling prices, or an increase in the estimate of costs to complete and costs necessary to make the sale. In such cases, the cost of that item is written-down to its net realizable value and the difference is recognized immediately in profit or loss.

Properties intended for sale in the ordinary course of business or in the process of construction or development for such a sale are included in inventories. These are stated at the lower of cost and net realizable value. The cost of development properties includes the cost of land and other related expenditure attributable to the construction or development during the period in which activities are in progress that are necessary to get the properties ready for its intended sale.

### 3.16 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset, if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### 3.17 Financial instruments

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

### 3.18 Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the timeframe established by regulation or convention in the market place.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

#### 3.18.1 Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost less impairment loss (except for debt investments that are designated as at fair value through profit or loss on initial recognition):

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

#### 3.18.2 Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees or points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments measured subsequently at amortised cost. Interest income is recognised in profit or loss and is included in the “investment income” line item.

#### 3.18.3 Financial assets at fair value through other comprehensive income (FVTOCI)

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the investments.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with IAS 18 Revenue. Dividends earned are recognised in profit or loss and are included in the 'investment income' line item.

#### **3.18.4 Impairment of financial assets**

Financial assets that are measured at amortised cost are assessed for impairment at the end of each reporting period.

Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the asset have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows reflecting the amount of collateral and guarantee, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

#### **3.18.5 De-recognition of financial assets**

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a financial asset that is classified as FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is reclassified to retained earnings.

### **3.19 Financial liabilities and equity instruments**

#### **3.19.1 Classification as debt or equity**

Debt and equity instruments issued by a Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### **3.19.2 Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

The instrument is an equity instrument if, and only if, both conditions (a) and (b) below are met:

- a) The instrument includes no contractual obligation:
  - i. to deliver cash or another financial asset to another entity; or
  - ii. to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer.
- b) If the instrument will or may be settled in the issuer's own equity instruments, it is:
  - i. a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments; or
  - ii. a derivative that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

A contract that will be settled by the Group entity receiving or delivering a fixed number of its own equity instruments in exchange for a fixed amount of cash or another financial asset is an equity instrument.

Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

### **3.19.3 Financial liabilities**

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

A financial liability is classified as current liability when it satisfies any of the following criteria:

- It is expected to be settled in the entity's normal operating cycle
- It is held primarily for the purposes of trading;
- It is due to be settled within twelve months after the reporting period;
- The entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

All other financial liabilities are classified as non-current

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantee contracts issued by the Group, and commitments issued by the Group to provide a loan at below-market interest rate are measured in accordance with the specific accounting policies set out below.

#### **Financial liabilities subsequently measured at amortised cost**

Financial liabilities that are not held-for-trading and are not designated as at FVTPL are measured at amortised cost at the end of subsequent accounting periods. The carrying amounts of financial liabilities that are subsequently measured at amortised cost are determined based on the effective interest method. Interest expense that is not capitalised as part of costs of an asset is included in the 'finance costs' line item.

#### **Derecognition of financial liabilities**

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

## 4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### 4.1 Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see note 4.2 below), that management have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

#### 4.1.1 Revenue recognition – Real estate sales

The operating cycle of residential construction projects predominantly starts when the Group enters into agreements to sell the real estate units off-plan. The Group treats the sale of real estate units as sale of goods in accordance with IAS 18 Revenue and IFRIC 15 Agreements for the Construction of Real Estates. Management takes the view that the critical event of revenue recognition depends on the transfer of significant risks and rewards of ownership and control to the buyer. When management makes this assessment it ensures that the detailed criteria for revenue recognition from the sale of goods as set out in IAS 18 and IFRIC 15 - including the transfer of significant risks and rewards of ownership and control to the buyer - are satisfied and that recognition of revenue from the sale of real estate is appropriate in the current reporting period.

Given the structure of the real estate sale contracts and the application of IAS 18 and IFRIC 15 as described above, revenue recognition from residential construction projects can occur in independent stages which consist of the sale of land, constructed, but unfinished units and finished units. The transfer of significant risks and rewards of ownership and control of each stage is documented in an official delivery protocol and signed by representatives of the Group as well as the buyer.

For the current construction projects, management has assessed that significant risk and rewards will be transferred to the buyer on completion of construction stages and the handing over of the properties.

#### 4.1.2 Cost of sales

Cost of sales in relation to the construction of real estate are capitalized during construction and presented as inventory. On completion of the construction certain construction cost, which cannot be allocated directly to the units (i.e. infrastructure, common parts of the building) have to be allocated to the respective units based on their share of the total size of the respective real estate (m<sup>2</sup>) or other reasonable allocation keys. In selection of the allocation keys, management has to apply a significant degree of judgement.

#### 4.1.3 Employee benefits expense

Employee benefits expense which are directly related to the sale of goods or rendering of services form part of the operation's cost of sales. Where employee benefit expense is incurred to perform head quarter functions or relate to non-revenue generating entities, such as corporate companies, holding companies and start-up companies, they are allocated to administration expenses.

### 4.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### 4.2.1 Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise, they are allocated to the smallest Group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Due to the ongoing development of the Andermatt project and the financial risks going along with it, management reconsidered the recoverability of the Group's significant items of property, plant and equipment, which are included in the consolidated statement of financial position at 31 December 2017 at CHF 329,040,837 (31 December 2016: CHF 249,299,596).

In 2017 and 2016, the impairment tests did not result in any impairment losses.

Management periodically reconsider their assumptions in light of the macroeconomic developments regarding future anticipated margins on their products. Detailed sensitivity analyses have been carried out and management is confident that the carrying amount of the residual assets will be recovered in full. This situation will be closely monitored, and adjustments will be made in future periods if future market activity indicates that such adjustments are appropriate. However, recoverability of the carrying values of the tangible assets and unsold inventory is dependent on the successful completion of the overall Andermatt project and thus subject to material estimation uncertainties.

#### **4.2.2 Deferred income taxes**

The measurement of deferred income tax assets and liabilities is based on the judgment of management. Deferred income tax assets are only capitalized if it is probable that they can be used. Whether or not they can be used depends on whether the deductible tax temporary difference can be offset against future taxable gains. In order to assess the probability of their future use, estimates must be made of various factors including future taxable profits. At 31 December 2017, deferred income tax assets amounted to CHF 11,926,034 (31 December 2016: CHF 11,018,737) and have mainly resulted from the tax impact of carry forward tax losses (refer to note 12). Such deferred tax assets are only recorded when the development phase of the project has been started and it becomes evident that future taxable profits are probable. If the actual values differ from the estimates, this can lead to a change in the assessment of recoverability of the deferred tax assets and accounting for such a change, if any, is to be made on a prospective basis in the reporting periods affected by the change.

#### **4.2.3 Retirement benefit obligations**

The retirement benefit obligation is calculated on the basis of various financial and actuarial assumptions. The key assumptions for assessing these obligations are the discount rate, future salary and pension increases and the probability of the employee reaching retirement. The obligation was calculated using a discount rate between 0.7% and 0.8% (31 December 2016: 0.4%). The calculations were done by an external expert and the principal assumptions used are summarised in note 32. At 31 December 2017, the underfunding amounted to CHF 6,123,746 (31 December 2016: CHF 6,595,812). Using other basis for the calculations could have led to different results.

#### **4.2.4 Net realizable value of inventory**

Inventory mainly includes real estate construction work under progress which is recognised at cost or net realisable value.

Some of the real estate under construction is already sold at market prices which in total are higher than construction cost. In the rare cases where the price of the sold unit was below the cost price, a respective provision has been built. Therefore, the estimation uncertainty only relates to the unsold real estate under construction. In general, the profit margins on these real estate projects are high and management currently does not expect any of these projects to be sold below cost.

In 2017 and 2016, there were no write-downs of inventory.

## **5 THE GROUP AND MAJOR CHANGES IN GROUP ENTITIES**

The Group is comprised of the Parent Company and its subsidiaries which are all operating in Switzerland (for further details on the group structure refer to note 14). The group controls its subsidiaries directly and indirectly.

In 2017, the Group increased its share in ASS and its subsidiaries, the entities operating the ski arena, from 52.80% to 73.88 (note 14).

Except for the newly incorporated subsidiaries Andermatt Invest AG (100%) in 2017 as well as SAGA Andermatt Immobilien AG (51%) in 2016, which are all used for construction projects in Andermatt in, there have been no other major changes in the group structure during the financial period.

## 6 SEGMENT INFORMATION

The analysis of the Group's revenue for the year is as follows:

The Group currently has three reportable segments which are its business units. The business units offer different products and services and are managed separately because they require different skills or have different customers. For each of the business units, the Head of Segments together with the Group CEO and Group CFO review the internal management reports regularly. The following summary describes the operations in each of the Group's reportable segments:

- Hotels – Includes hotel operating services for The Chedi in Andermatt, which currently is the Group's only operating hotel.
- Real estate, construction and other operations – Includes acquisition of land and addition of substantial value by building residential real estate and other facilities which are sold upon completion. Further, it includes other destination operations like rental of holiday units as well as the operation of the golf course in Andermatt. These various revenue streams are shown as one operating segment as they have similar operating characteristics and risk profiles.
- Ski Arena – Includes development and operation of Ski Arena Andermatt Sedrun.

### 6.1 Segment results

CHF	Hotels		Real estate, construction and other operations		Ski Arena		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Total segment revenue	24,866,105	22,643,221	43,585,583	46,640,139	15,371,116	13,473,455	83,822,804	82,756,815
./ inter-segment revenue	(2,000,000)	(2,000,000)	(9,247,679)	(31,051)	-	-	(11,247,679)	(2,031,051)
<b>Revenue external customers</b>	<b>22,866,105</b>	<b>20,643,221</b>	<b>34,337,904</b>	<b>46,609,088</b>	<b>15,371,116</b>	<b>13,473,455</b>	<b>72,575,125</b>	<b>80,725,764</b>
Depreciation expense	(6,584,773)	(6,500,330)	(1,433,487)	(1,300,494)	(4,381,490)	(4,301,598)	(12,399,749)	(12,102,422)
Other cost of sales	(28,674,873)	(30,083,243)	(30,904,347)	(46,386,135)	(10,729,578)	(9,236,636)	(70,308,799)	(85,706,014)
<b>Gross profit/(loss)</b>	<b>(12,393,541)</b>	<b>(15,940,352)</b>	<b>2,000,070</b>	<b>(1,077,541)</b>	<b>260,048</b>	<b>(64,779)</b>	<b>(10,133,423)</b>	<b>(17,082,672)</b>
<b>Segment result</b>	<b>(15,078,379)</b>	<b>(18,465,032)</b>	<b>(8,883,509)</b>	<b>(11,686,169)</b>	<b>(2,252,279)</b>	<b>(2,100,403)</b>	<b>(26,214,167)</b>	<b>(32,251,604)</b>
Investment income							33,271	271,685
Finance costs							(5,330,532)	(4,164,498)
<b>Profit/(loss) before tax</b>							<b>(31,511,428)</b>	<b>(36,144,417)</b>
Income tax (expense)/income							682,948	1,104,831
<b>Profit/(loss) for the period</b>							<b>(30,828,480)</b>	<b>(35,039,586)</b>

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment result represents the profit before financial result and income taxes. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

In 2017, revenue of a total of CHF 0.7 million (2016: CHF 0.5 million) in the segment real estate, construction and other operations were realised with Acuro Immobilien AG. For further details on this transaction refer to note 34.

## 6.2 Segment assets and liabilities

CHF	2017	2016
Hotels	63,690,492	71,069,858
Real estate, construction and other operations	334,410,555	288,792,233
Ski Arena	115,940,715	78,916,436
<b>Segment assets</b>	<b>514,041,762</b>	<b>438,778,527</b>
Unallocated assets	27,252,473	31,069,781
<b>Total consolidated assets</b>	<b>541,294,235</b>	<b>469,848,308</b>
Hotels	7,564,045	7,826,180
Real estate, construction and other operations	55,142,844	56,162,371
Ski Arena	21,065,566	11,686,806
<b>Segment liabilities</b>	<b>83,772,455</b>	<b>75,675,357</b>
Unallocated liabilities	385,546,129	292,661,838
<b>Total consolidated liabilities</b>	<b>469,318,584</b>	<b>368,337,195</b>

For the purposes of monitoring segment performance and allocating resources between segments:

- All assets are allocated to reportable segments other than other financial assets, amount due from related parties, cash and cash equivalents as well as current and deferred tax assets.
- All liabilities are allocated to reportable segments other than shareholder's loan, borrowings, amounts due to related parties as well as current and deferred tax liabilities

### Additions to non-current assets

CHF	2017	2016
Hotels	524,118	413,352
Real estate, construction and other operations	43,060,903	43,983,197
Ski Arena	45,158,587	27,951,995
<b>TOTAL</b>	<b>88,743,608</b>	<b>72,348,544</b>

## 6.3 Geographical information

All operations of the Group are located in Switzerland. Hence, all revenue of the Group was generated in Switzerland. Further, all non-current assets are located in Switzerland.

## 7 INVESTMENT INCOME

CHF	2017	2016
Interest income:		
- Bank deposits	33,225	270,565
- Other loans and receivables	46	1,120
<b>TOTAL</b>	<b>33,271</b>	<b>271,685</b>

All investment income is related to loans and receivables including cash and bank balances.

## 8 OTHER GAINS AND LOSSES

CHF	2017	2016
Income from government grants (note 31)	168,056	98,737
(Loss)/gain on sale of property, plant and equipment	(8,670)	34,211
Net foreign exchange losses	(30,420)	(16,350)
Liquidation gain from financial investment (note 16)	-	15,134
Other (losses)/gains (i)	(96,366)	62,697
<b>TOTAL</b>	<b>32,600</b>	<b>194,429</b>

(i) In 2017, other losses mainly relate to provisions made for dismantling of ski lifts.

In 2016, the gains mainly relate to payment received from insurance companies due to damages in the ski area from prior years.

## 9 ADMINISTRATIVE EXPENSES

CHF	2017	2016
Employee expenses	(6,739,637)	(6,461,934)
Marketing expenses	(5,482,685)	(4,982,088)
Depreciation expenses	(814,454)	(594,929)
Other administrative expenses	(3,076,568)	(3,324,410)
<b>TOTAL</b>	<b>(16,113,344)</b>	<b>(15,363,361)</b>

## 10 FINANCE EXPENSES

CHF	2017	2016
Interest on bank overdrafts and loans	(5,482,824)	(4,739,517)
Bank charges	(95,251)	(62,822)
Other finance expense	(201,857)	-
<b>Total interest expense for financial liabilities not classified as at fair value through profit or loss</b>	<b>(5,779,932)</b>	<b>(4,802,339)</b>
Less: amounts included in the cost of qualifying assets	449,400	637,841
<b>TOTAL</b>	<b>(5,330,532)</b>	<b>(4,164,498)</b>

## 11 COMPENSATION OF KEY MANAGEMENT PERSONNEL

CHF	2017	2016
Salaries	706,914	666,552
Other short-term employee benefits	155,250	61,250
Post employment benefits	66,160	50,325
<b>TOTAL COMPENSATION OF KEY MANAGEMENT PERSONNEL</b>	<b>928,324</b>	<b>778,127</b>

Since 2013 there is a compensation plan in place for the external members of the Board of Directors which consists of a fixed compensation subject to an annual review.

As to the compensation of the members of Executive Management, the base salary as well as the bonuses, if any, is determined in a discretionary decision by the Board of Directors. The annual proposals and decisions concerning the compensation of Executive Management are based on an evaluation of the individual performance of each member, as well as of the performance of the business area for which each member is responsible and the Group's performance overall.

## 12 INCOME TAXES

### 12.1 Income tax recognized in profit or loss

CHF	2017	2016
<b>CURRENT TAX</b>		
Current tax expense for the current year	340,884	-
	<b>340,884</b>	-
<b>DEFERRED TAX</b>		
Deferred tax (income) recognized in the current year	(2,203,597)	(2,903,898)
Write-down of deferred tax assets	1,179,765	1,799,067
	<b>(1,023,832)</b>	<b>(1,104,831)</b>
<b>TOTAL INCOME TAX EXPENSE/(INCOME) RECOGNIZED IN THE CURRENT YEAR</b>	<b>(682,948)</b>	<b>(1,104,831)</b>

The following table provides reconciliation between income tax expense recognized for the year and the tax calculated by applying the applicable tax rates on accounting profit:

CHF	2017	2016
(Loss) before tax from continuing operations	(31,511,428)	(36,144,417)
Income tax (income) calculated at 11.02% (2016: 10.95%)	(3,471,686)	(3,957,450)
Unrecognized deferred tax assets during the year	1,510,524	1,257,617
Effect of previously unrecognised tax losses	(39,294)	-
Effect of income that is exempt from taxation	(125,713)	(193,438)
Effect of expenses that are not deductible in determining taxable profit	14,376	40,209
Effect of concession (capitalized expense)	249,080	(50,836)
Effect of derecognized deferred tax assets	1,179,765	1,799,067
<b>INCOME TAX EXPENSE/(INCOME) RECOGNIZED IN PROFIT OR LOSS</b>	<b>(682,948)</b>	<b>(1,104,831)</b>

The average tax rate of 11.02% (2016: 10.95%) is the applicable tax rate of the individual companies that generate taxable results.

### 12.2 Income tax recognized in other comprehensive income

CHF	2017	2016
<b>DEFERRED TAX</b>		
Remeasurement of defined benefit obligation	116,534	(137,938)
<b>TOTAL INCOME TAX RECOGNISED IN OTHER COMPREHENSIVE INCOME</b>	<b>116,534</b>	<b>(137,938)</b>

## 12.3 Deferred tax balances

Deferred tax assets and liabilities arise from the following:

2017 CHF	Opening balance	Charged to income	Recognized in OCI	Closing balance
<b>ASSETS</b>				
<i>Temporary differences</i>				
Tax losses	10,359,872	959,340	-	11,319,212
Pension plan	658,865	64,492	(116,535)	606,822
	<b>11,018,737</b>	<b>1,023,832</b>	<b>(116,535)</b>	<b>11,926,034</b>
<b>LIABILITIES</b>				
<i>Temporary differences</i>				
Property, plant & equipment	1,060,278	-	-	1,060,278
	<b>1,060,278</b>	<b>-</b>	<b>-</b>	<b>1,060,278</b>
<b>NET DEFERRED TAX ASSETS</b>	<b>9,958,459</b>	<b>1,023,832</b>	<b>(116,535)</b>	<b>10,865,756</b>

2016 CHF	Opening balance	Charged to income	Recognized in OCI	Closing balance
<b>ASSETS</b>				
<i>Temporary differences</i>				
Tax losses	9,266,780	1,093,092	-	10,359,872
Pension Plan	509,188	11,739	137,938	658,865
	<b>9,775,968</b>	<b>1,104,831</b>	<b>137,938</b>	<b>11,018,737</b>
<b>LIABILITIES</b>				
<i>Temporary differences</i>				
Property, plant & equipment	1,060,278	-	-	1,060,278
	<b>1,060,278</b>	<b>-</b>	<b>-</b>	<b>1,060,278</b>
<b>NET DEFERRED TAX ASSETS</b>	<b>8,715,690</b>	<b>1,104,831</b>	<b>137,938</b>	<b>9,958,459</b>

## 12.4 Unrecognized deferred tax assets

Unused tax losses for which no deferred tax assets have been recognized:

CHF	31 December 2017	31 December 2016
Tax losses (expiry in 2017)	-	350,547
Tax losses (expiry in 2018)	12,553,381	12,553,381
Tax losses (expiry in 2019)	12,354,965	12,354,965
Tax losses (expiry in 2020)	16,931,822	1,872,467
Tax losses (expiry in 2021)	2,235,562	2,235,562
Tax losses (expiry in 2022)	1,912,650	1,912,650
Tax losses (expiry in 2023)	2,988,508	2,988,508
Tax losses (expiry in 2024)	5,007,536	-
<b>Total unused tax losses</b>	<b>53,984,424</b>	<b>34,268,080</b>

No deferred tax assets have been recognized for the above federal tax losses as the future realization of the tax losses is currently uncertain.

Further, state taxes have only been recognized for the hotel operation business as gains from real estate sales are exempt from this taxation and therefore total tax losses of CHF 117.5 million (31 December 2016: CHF 127.2 million) will not be useable in the future.

## 13 PROPERTY, PLANT AND EQUIPMENT

CHF	Freehold land	Buildings	Plant and equipment	Furniture and fixtures	Property under construction	Assets under finance lease	Total
<b>COST</b>							
<b>Balance at 1 January 2016</b>	<b>14,005,290</b>	<b>76,258,318</b>	<b>48,211,155</b>	<b>8,200,187</b>	<b>62,937,343</b>	<b>11,116,721</b>	<b>220,729,014</b>
Additions	-	188,966	1,093,151	514,531	69,964,902	586,992	72,348,542
Disposals	-	(38,764)	(2,023,513)	(213,231)	-	(46,030)	(2,321,538)
Transfers within property, plant and equipment	-	23,912,630	14,175,609	-	(29,863,239)	(8,225,000)	-
<b>Balance at 31 December 2016</b>	<b>14,005,290</b>	<b>100,321,150</b>	<b>61,456,402</b>	<b>8,501,487</b>	<b>103,039,006</b>	<b>3,432,683</b>	<b>290,756,018</b>
Additions	-	962,070	664,002	627,147	85,964,581	525,808	88,743,608
Disposals	-	(28,125)	(72,500)	-	-	-	(100,625)
Transfer from inventory	-	4,261,860	-	-	-	-	4,261,860
Transfers within property, plant and equipment	-	4,834,834	23,459,374	-	(27,317,508)	(976,700)	-
<b>Balance at 31 December 2017</b>	<b>14,005,290</b>	<b>110,351,789</b>	<b>85,507,278</b>	<b>9,128,634</b>	<b>161,686,079</b>	<b>2,981,791</b>	<b>383,660,861</b>
<b>ACCUMULATED DEPRECIATION</b>							
<b>Balance at 1 January 2016</b>	<b>(120,577)</b>	<b>(10,458,414)</b>	<b>(9,012,671)</b>	<b>(3,649,052)</b>	<b>(5,203,905)</b>	<b>(2,606,863)</b>	<b>(31,051,482)</b>
Disposals	-	38,764	2,021,865	213,231	-	18,412	2,292,272
Depreciation expenses	(16,056)	(3,622,545)	(6,078,770)	(1,547,780)	-	(1,432,061)	(12,697,212)
Transfers within property, plant and equipment	-	-	(3,755,127)	-	-	3,755,127	-
<b>Balance at 31 December 2016</b>	<b>(136,633)</b>	<b>(14,042,195)</b>	<b>(16,824,703)</b>	<b>(4,983,601)</b>	<b>(5,203,905)</b>	<b>(265,385)</b>	<b>(41,456,422)</b>
Disposals	-	4,684	45,917	-	-	-	50,601
Depreciation expenses	(11,640)	(3,464,675)	(6,958,828)	(1,647,681)	-	(1,131,379)	(13,214,203)
Transfers within property, plant and equipment	-	-	(507,416)	-	-	507,416	-
<b>Balance at 31 December 2017</b>	<b>(148,273)</b>	<b>(17,502,186)</b>	<b>(24,245,030)</b>	<b>(6,631,282)</b>	<b>(5,203,905)</b>	<b>(889,348)</b>	<b>(54,620,024)</b>
<b>CARRYING AMOUNT</b>							
At 31 December 2016	13,868,657	86,278,955	44,631,699	3,517,886	97,835,101	3,167,298	249,299,596
<b>At 31 December 2017</b>	<b>13,857,017</b>	<b>92,849,603</b>	<b>61,262,248</b>	<b>2,497,352</b>	<b>156,482,174</b>	<b>2,092,443</b>	<b>329,040,837</b>

In 2017 and 2016, there were no impairment losses.

At 31 December 2017, property, plant and equipment of the Group with a carrying amount of CHF 66.0 million (31 December 2016: CHF 69.8 million) were pledged to secure borrowings of the Group as described in note 26. In addition, the Group's obligations under finance leases are secured by the lessors's title to the leased assets, which have a carrying amount of CHF 2.1 million (2016: CHF 3.2 million). Refer to note 37 for further details on obligations under finance leases.

See note 10 for the capitalized finance cost during the year.

## 14 SUBSIDIARIES

The Group has control over all the subsidiaries below either directly or indirectly through subsidiaries controlled by the Parent Company. Details of the Group's significant subsidiaries at the end of the reporting period are as follows:

Company name	Domicile	Purpose	Share/paid- in capital		Proportion of ownership interest and voting power held by the Group	
					2017	2016
Bellevue Hotel & Appartement Development AG	Andermatt	Hotels and Real Estate	CHF	4,360,000	100.00%	100.00%
Bellevue Hotel & Appartement Management AG	Andermatt	Hotel	CHF	100,000	100.00%	100.00%
Hotel 4B Development AG	Andermatt	Real Estate	CHF	100,000	51.00%	51.00%
Alpine Development Andermatt AG	Andermatt	Real Estate	CHF	100,000	51.00%	51.00%
Saschi Immobilien AG	Andermatt	Real Estate	CHF	100,000	51.00%	51.00%
SAGA Andermatt Immobilien AG	Andermatt	Real Estate	CHF	100,000	51.00%	51.00%
Andermatt Invest AG	Andermatt	Real Estate	CHF	100,000	100.00%	-
Andermatt Sedrun Sport AG	Andermatt	Ski Arena Operator	CHF	23,814,275	73.88%	52.80%
Andermatt Gotthard Sportbahnen AG	Andermatt	Ski Arena Operator	CHF	9,293,640	70.62%	50.47%
Sedrun Bergbahnen AG	Tujetsch	Ski Arena Operator	CHF	3,000,000	72.50%	51.81%
Schneesportschule Andermatt GmbH	Andermatt	Ski Arena Operator	CHF	80,000	60.95%	43.56%
White Emotion GmbH	Altdorf	Ski Arena Operator	CHF	20,000	60.95%	43.56%

In 2017, Andermatt Invest AG was incorporated. In 2016, SAGA Andermatt Immobilien AG was incorporated.

## 15 INVESTMENTS IN ASSOCIATES

Details of the Group's associates at the end of the reporting period are as follows:

Name of associate	Place of incorporation	Proportion of ownership interest and voting power held by the Group	Carrying value (CHF)	
			2017	2016
Andermatt Central AG	Andermatt	25%	2,500,000	-
<b>TOTAL</b>			<b>2,500,000</b>	<b>-</b>

The Group measures all its associate using the equity method of accounting as described in policy 3.14 of the notes to the consolidated financial statements. Andermatt Central AG was incorporated late in 2017 and does not have any activities yet. Therefore, equity value equals cost value of the investment. The Group did not receive any dividends during the current year from its material investments (2016: none).

Summarised financial information in respect of Andermatt Central AG is set out below:

	2017	2016
Current assets	5,211,800	-
Non-current assets	4,788,200	-
Current liabilities	-	-
Non-current liabilities	-	-
Net assets	10,000,000	-
Revenue for the year	-	-
(Loss) for the year	-	-
Other comprehensive income for the year	-	-
Total comprehensive income for the year	-	-
Group's share of comprehensive income for the year	-	-

Reconciliation of the above summarised financial information to the carrying amount of the interest in ASA recognised in the consolidated financial statements:

	2017	2016
Net assets of the associate over Group level	10,000,000	-
Proportion of the Group's ownership interest in ASA	25%	-
Carrying amount of the Group's interest in ASA	2,500,000	-

## 16 OTHER FINANCIAL ASSETS

Details of the Group's other financial assets are as follows:

CHF	31 December 2017	31 December 2016
<b>Financial assets carried at amortised cost</b>		
Pledged bank deposits	1,000,017	850,000
<b>Financial assets carried at fair value through other comprehensive income (FVTOCI)</b>		
Green Power Uri AG (i)	-	-
Andermatt-Urserntal Tourismus GmbH	10,000	10,000
Golfplatz Sedrun AG	7,300	7,300
Luzern Tourismus AG	36,000	36,000
Others	14,084	13,466
<b>TOTAL</b>	<b>1,067,401</b>	<b>916,766</b>

- (i) As at 31 December 2013 management decided to revalue its investment in Green Power Uri AG to zero due to uncertainties regarding the future business development of the investment. In 2016, Green Power Uri AG was liquidated and the resulting gain from liquidation of CHF 15'134 recognised as other gains in profit or loss.

## 17 INVENTORIES

CHF	31 December 2017	31 December 2016
Construction work in progress (i)	97,788,494	90,044,453
Other inventories (ii)	70,920,209	70,702,452
<b>TOTAL</b>	<b>168,708,703</b>	<b>160,746,905</b>

- (i) These include real estate construction work in progress. The real estate units are sold off plan. The increase is mainly due to ongoing construction of apartment on the podium. The increase was partly off-set by the revenue recognition for completed and sold units of the Chedi residences and apartments on the podium as well as reclassification of completed but unsold units to other inventory.
- (ii) This amount includes hotels and ski arena inventory of CHF 2.4 million (2016: CHF 2.2 million) as well as completed but unsold units of CHF 68.5 million (2016: CHF 68.5 million) regarding the Chedi project as well as the units on the podium. At 31 December 2017, completed but unsold units with a carrying amount of CHF 149.7 million (31 December 2016: CHF 65.7 million) were pledged to secure borrowings of the Group as described in note 26.

There were no material write-downs or reversal of write-downs of inventory in 2016 and 2017.

## 18 TRADE AND OTHER RECEIVABLES

CHF	31 December 2017	31 December 2016
Current receivables	9,386,234	8,465,881
Allowance for doubtful debts	-	-
<b>TOTAL</b>	<b>9,386,234</b>	<b>8,465,881</b>

Interest is only charged in case of customers' default.

In 2017, none of the Group's trade and other receivables is past due (2016: none).

## 19 OTHER CURRENT ASSETS

CHF	31 December 2017	31 December 2016
Shareholder loan (i)	-	11,000,000
VAT	3,435,068	2,766,584
Other prepaid expenses	1,548,240	5,251,103
Loans to third parties (ii) (iv)	1,168,047	696,000
Prepaid sales commissions related to uncompleted units (iii)	591,137	467,512
Deposit with others (iv)	102,667	84,883
Withholding tax	31	63
Other debtors (iv)	60,797	-
<b>TOTAL</b>	<b>6,905,987</b>	<b>20,266,145</b>

- (i) The Group placed some of its excess cash with Mr. Samih Sawiris as a short-term treasury measure. The objective of this transaction was to avoid being charged negative interest compared to holding this excess cash on a bank account. This short-term treasury measure was fully repaid in 2017.
- (ii) These are deferred payments granted to buyers of real estate units. None of those loans are past due.
- (iii) These are sales commissions of sold but uncompleted real estate units which have been paid to sales companies. As the revenue for these sold real estate units is only recognized on completion of the respective units, the corresponding prepaid commissions are accrued accordingly.
- (iv) These assets meet the definition of a financial instrument in accordance with IFRS 9 (refer to note 33.3).

## 20 CASH AND BANK BALANCES

For the purposes of the consolidated cash flow statement, cash and bank balances include cash on hand, demand deposits and balances at banks. Cash equivalents are short-term, highly liquid investments of maturities of three months or less from the acquisition date, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## 21 CAPITAL

### 20.1 Issued capital

CHF	31 December 2017	31 December 2016
Par value per share (in CHF)	1,000	1,000
Number of ordinary shares issued and fully paid	231,147	231,147
<b>Issued capital</b>	<b>231,147,000</b>	<b>231,147,000</b>

### 20.2 Significant shareholders

CHF	2017		2016	
	Number of shares	%	Number of shares	%
SOSTNT Luxembourg S.a.r.l. (i)	117,885	51.00	117,885	51.00
Orascom Development Holding AG	113,262	49.00	113,262	49.00
<b>TOTAL</b>	<b>231,147</b>	<b>100.00</b>	<b>231,147</b>	<b>100.00</b>

(i) The ultimate beneficial owner is Mr. Samih Sawiris

## 22 RESERVES

CHF	31 December 2017	31 December 2016
General reserves	(2,141,470)	(2,141,470)
<b>TOTAL</b>	<b>(2,141,470)</b>	<b>(2,141,470)</b>

## 23 RETAINED EARNINGS

CHF	2017	2016
Balance at beginning of year	(132,958,220)	(98,912,499)
(Loss) attributable to owners of the Parent Company	(31,505,085)	(33,170,863)
Other comprehensive income attributable to owners of the Parent Company	952,905	(871,649)
Disposal of non-controlling interests' share in equity of consolidated subsidiaries	19,556	(2,681)
Acquisition of non-controlling interests' share in equity of consolidated subsidiaries	(2,323,668)	(528)
<b>Balance at end of year</b>	<b>(165,814,512)</b>	<b>(132,958,220)</b>

During 2016 and 2017 no dividends had been paid. In respect of the current year, the Board of Directors will not propose a dividend or a capital reduction to the shareholders at the Annual General Meeting.

## 24 NON-CONTROLLING INTERESTS

CHF	2017	2016
Balance at beginning of year	5,463,803	7,485,993
Share of (loss)/profit for the year	674,020	(1,868,723)
Share of other comprehensive income for the year	89,238	(204,684)
Disposal of non-controlling interests' share in equity of consolidated subsidiaries	80,444	2,689
Acquisition of non-controlling interests' share in equity of consolidated subsidiaries	2,323,668	(472)
Non-controlling interests' share in equity of consolidated subsidiaries (i)	150,875	49,000
<b>Balance at end of year</b>	<b>8,782,048</b>	<b>5,463,803</b>

- (i) In 2017, the increase relates to non-controlling interests' share in capital increases of the ski arena operators.  
In 2016, the increase relates to the newly incorporated subsidiary, in which the joint venture partner holds a 49% interest.

## 25 SHAREHOLDER'S LOAN

Since the capital increase in June 2013, Mr. Samih Sawiris has invested a further CHF 196.5 million (31 December 2016: CHF 142.6 million) in order to provide financing for the resort Andermatt. The loan has currently an interest rate of 1%. In 2017, the Group fully drew-down the invested excess cash with Mr. Samih Sawiris of CHF 11 million. This invested excess cash is was a short-term treasury measure to avoid negative interest amounts (refer to note 19 for further details).

## 26 BORROWINGS

CHF	Current		Non-current	
	31.12.17	31.12.16	31.12.17	31.12.16
<b>Loans from JV Partners (i)</b>	-	-	<b>39,216,997</b>	<b>26,941,851</b>
Bond (ii)	-	-	49,391,196	49,174,560
Bank loans (iii)	9,634,028	6,580,000	67,745,783	52,035,783
Finance lease liabilities (iv)	1,951,994	1,375,022	2,139,499	1,190,957
Government loans (v)	-	-	16,454,705	9,788,678
Other borrowings	277,000	277,000	522,000	799,000
<b>Due to third parties</b>	<b>11,863,022</b>	<b>8,232,022</b>	<b>136,253,183</b>	<b>112,988,978</b>
<b>TOTAL</b>	<b>11,863,022</b>	<b>8,232,022</b>	<b>175,470,180</b>	<b>139,930,829</b>

- (i) Some of the buildings on the podium including one hotel and several apartment houses, are developed and financed together with joint venture partners. Whereas the Company contributes the land and additional financing, the joint venture partners provide financing for their share of the project costs.
- (ii) On 26 November 2015, Andermatt Swiss Alps AG placed its first bond listed on the SIX Swiss Exchange with a nominal value of CHF 50 million. The bond has a term of five years and pays annual interest of 3.875%.
- (iii) In November 2015, the Group has signed a very long dated credit arrangement with a major Swiss bank of CHF 30 million which was increased in 2016 by CHF 10 million to a total of CHF 40 million. The variable interest loan is secured with hotel property (note 13) as well as unsold units recognised in inventory (note 17) and has a maximum term of more than 20 years. The Group has further bank loans with various banks. In general, they have variable interest rates including a mark-up.
- (iv) Refer to note 37 for details on finance lease liabilities
- (v) Refer to note 31 for details on the government loans

Property, plant and equipment as well as inventory with a total carrying amount of CHF 215.7 million (2016: CHF 135.5 million) have been pledged to secure borrowings (see note 13 and 17).

## 26.1 Summary of borrowing arrangements

The weighted average contractual effective interest rate for all interest-bearing credit facilities and loans (including shareholder's loan (note 25)) is 1.59% (2016: 1.91%). For a breakdown of debt bearing variable and fixed interest see note 33.4.

## 26.2 Reconciliation of liabilities arising from financing activities

CHF	1 January 2017	Financing Cash Flows	Non-cash changes		31 December 2017
			Accrued Interest	Finance leases	
Shareholder's loan	142,591,951	52,300,000	1,574,448	-	196,466,399
Loans from JV Partners	26,941,851	12,168,382	106,764	-	39,216,997
Due to third parties	121,221,000	26,152,761	-	525,808	148,116,205
<b>TOTAL</b>	<b>290,754,802</b>	<b>90,621,143</b>	<b>1,897,848</b>	<b>525,808</b>	<b>383,799,601</b>

## 27 PROVISIONS

CHF	Warranties (i)	Dismantling (ii)	Rectification Work (iii)	Total
Balance at 1 January 2016	-	-	-	-
Additional provision recognised	2,780,000	325,000	200,000	3,305,000
<b>Balance at 31 December 2016</b>	<b>2,780,000</b>	<b>325,000</b>	<b>200,000</b>	<b>3,305,000</b>
Additional provision recognised	-	1,090,000	-	1,090,000
Provisions used	-	-	(130,000)	(130,000)
<b>Balance at 31 December 2017</b>	<b>2,780,000</b>	<b>1,415,000</b>	<b>70,000</b>	<b>4,265,000</b>
thereof current	-	-	70,000	70,000
thereof non-current	2,780,000	1,415,000	-	4,195,000

- (i) In relation to the Chedi construction work, the Group is involved in warranty issues with one of the suppliers. The issue is not expected to be settled within the next 12 months.
- (ii) Estimated costs of dismantling or removing newly built ski lifts at the end of their useful lives are accrued with the corresponding amount shown as part of the acquisition cost of the ski lift. Cash outflow will incur once ski lift will be removed or replaced.
- (iii) The provision for rectification work relates to estimated cost of work agreed to be carried out in relation to the construction of a villa. The work is expected to be carried out within the next 12 months.

## 28 TRADE AND OTHER PAYABLES

CHF	31 December 2017	31 December 2016
Non-current trade payables	-	-
Current trade and other payables	27,257,483	19,518,338

Trade and other payables are in general interest free. However, when they are overdue, certain penalty interest rates might apply.

## 29 DEFERRED REVENUE

CHF	31 December 2017	31 December 2016
Deferred revenue from real estate sales (i)	22,887,721	21,202,448
Deferred revenue from ski ticket sales	956,684	942,650
Other deferred revenue	1,578,723	1,686,245
<b>TOTAL</b>	<b>25,423,128</b>	<b>23,831,343</b>

- (i) Advances from customers include amounts received (progress payments) from buyers of real estate units between the time of the initial agreement and contractual completion.

## 30 OTHER CURRENT LIABILITIES

CHF	31 December 2017	31 December 2016
Accrued expenses (i) (ii)	9,794,117	13,514,587
Deferred income from government grants (note 31)	5,986,046	5,986,046
VAT payables	1,039,892	79,959
Deposits from others (ii)	62,587	60,240
Other credit balances (ii)	796,306	925,032
<b>TOTAL</b>	<b>17,678,948</b>	<b>20,565,864</b>

(i) Accrued expenses mainly include operating costs for the operational activities.

(ii) These liabilities meet the definition of a financial instrument in accordance with IFRS 9 (refer to note 33.3).

## 31 GOVERNMENT GRANTS

In 2016, Andermatt Sedrun Sport AG, the main subsidiary operating the ski area, signed a contract with the cantons of Uri and Graubünden under which the two cantons provide financing for the further development of the ski area. These government grants are provided as part of the “Neue Regionalpolitik” (“NRP”) program of the Swiss government and therefore qualify as government grants under the requirements of IAS 20.

Over the next three years the Group will receive up to CHF 48 million in several tranches based on the progress of the development of the ski area. CHF 40 million are repayable within 20 years whereas the remaining CHF 8 million are granted without further obligations (“a-fonds-perdu”). The repayable grant has an interest rate of 0.63% per annum.

In 2017, the Group received a second tranche of 8.0 million of which CHF 6.7 million are recognised as non-current borrowings (note 26). The remaining CHF 1.3 million are deferred as non-current liabilities and recognised as income from government grants over the next 20 years. In 2017, an income of CHF 0.2 million is recognised within other gains and losses (note 10)

In 2016, the Group received the first tranche of CHF 11.7 million of which CHF 9.8 million are recognised as non-current borrowings (note 26). The remaining CHF 1.9 million are deferred as non-current liabilities and recognised as income from government grants over the next 20 years. In 2016, an income of CHF 0.1 million is recognised within other gains and losses (note 10).

Further, when the Group purchased the land in Andermatt, they received a part of the land for free with the obligation to build a sports centre in Andermatt. This government grant from the municipality of Andermatt is treated as a prepayment for the construction of the sports centre and is recognised as other current liability (note 30).

## 32 RETIREMENT BENEFIT PLANS

### 32.1 Defined benefit plans

Swiss pension plans need to be administered by a separate pension fund that is legally separated from the entity. The law prescribes certain minimum benefits.

The pension plan of the employees of the parent entity are carried out by a collective fund with Baloise-Sammelstiftung whereas the pension plans of the subsidiaries are carried by collective funds of Swiss Life, Hotela Vorsorgestiftung as well as Symova. Under the pension plans, the employees are entitled to retirement benefits and risk insurance for death and disability. The boards of the various pension funds are composed of an equal number of representatives from both employers and employees.

Due to the requirements of IAS 19 the above mentioned pension plans are classified as defined benefit plans. The pension plans are described in detail in the corresponding statutes and regulations. The contributions of employers and employees in general are defined in percentages of the insured salary. The retirement pension is calculated based on the old-age credit balance on retirement multiplied by the fixed conversion rate. The employee has the option to withdraw the capital at once. The death and disability pensions are defined as percentage of the insured salary. The assets are invested directly with the corresponding pension funds.

The pension funds can change their financing system (contributions and future payments) at any time. Also, when there is a deficit which cannot be eliminated through other measures, the pension funds can oblige the entity to pay a restructuring contribution. For the pension funds of the Group such a deficit currently cannot occur as the plans are fully reinsured. However, the pension funds could cancel the contracts and the entities of the Group would have to join another pension fund.

In the current and comparative period no plan amendments, curtailments or settlements occurred.

The fully reinsured pension funds have concluded insurance contracts to cover the biometric and investment risk. The board of each pension fund is responsible for the investment of assets and the investment strategies are defined in a way that the benefits can be paid out on due date.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out on 31 December 2016. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

Amounts recognised in profit or loss in respect of these defined benefit plans are as follows:

CHF	2017	2016
Current service cost	1,583,878	1,426,586
Net interest expense	25,784	50,046
Administration cost excl. cost for managing plan assets	10,105	8,370
Past service cost	-	(488,433)
<b>Expense recognised in profit or loss</b>	<b>1,619,767</b>	<b>996,569</b>

Amounts recognised in other comprehensive income in respect of these defined benefit plans are as follows:

CHF	2017	2016
Remeasurement (gain)/loss on defined benefit obligation	(867,357)	1,315,885
Return on plan assets excl. interest income	(291,569)	(103,048)
<b>(Income)/expense recognised in other comprehensive income</b>	<b>(1,158,926)</b>	<b>1,212,837</b>

The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of its defined benefit plans is as follows:

CHF	31 December 2017	31 December 2016
Present value of funded defined benefit obligation	20,878,640	20,209,678
Fair value of plan assets	(14,754,894)	(13,613,866)
<b>Net liability arising from defined benefit obligation</b>	<b>6,123,746</b>	<b>6,595,812</b>

Movements in the present value of the defined benefit obligation in the current year were as follows:

CHF	2017	2016
Opening defined benefit obligation	20,209,678	16,741,649
Current service cost	1,583,878	1,426,586
Interest expense on defined benefit obligation	76,883	161,792
Contributions from plan participants	932,907	921,925
Past service cost	-	(488,433)
Benefits (paid)/deposited	(1,067,454)	121,904
Remeasurement (gain)/loss on defined benefit obligation	(867,357)	1,315,885
Administration cost (excl. cost for managing plan assets)	10,105	8,370
<b>Closing defined benefit obligation</b>	<b>20,878,640</b>	<b>20,209,678</b>

Movements in the present value of the plan assets in the current period were as follows:

CHF	2017	2016
Opening fair value of plan assets	13,613,866	11,433,318
Interest income on plan assets	51,099	111,746
Return on plan assets excluding interest income	291,569	103,048
Contributions from the employer	932,907	921,925
Contributions from plan participants	932,907	921,925
Benefits (paid)/deposited	(1,067,454)	121,904
<b>Closing fair value of plan assets</b>	<b>14,754,894</b>	<b>13,613,866</b>

The respective insurance companies are providing reinsurance of these assets and bear all market risk on these assets.

The actual return on plan assets was CHF 342,668 (2016: CHF 214,794).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2017	2016
Discount rates	0.70%/0.80%	0.40%
Expected rates of salary increase	1.00%	1.00%
Expected pension increases	0.00%	0.00%
Mortality tables	BVG 2015 GT	BVG 2015 GT

The following sensitivity analyses based on the principal assumptions have been undertaken based on reasonably possible changes to the assumptions occurring at the end of the reporting period:

- If the discount rate would be 25 basis points (0.25 percent) higher (lower), the defined benefit obligation would decrease by CHF 959,050 (increase by CHF 1,043,707) if all other assumptions were held constant
- If the expected salary growth would increase (decrease) by 0.25%, the defined benefit obligation would increase by CHF 149,591 (decrease by CHF 156,940) if all other assumptions were held constant
- If the life expectancy would increase (decrease) with one year for both men and women, the defined benefit obligation would increase by CHF 456,650 (decrease by CHF 459,557) if all other assumptions were held constant

The average duration of the defined benefit obligation at the end of the reporting period is 19.3 years (2016: 21.0 years)

The Group expects to make a contribution of CHF 964,041 to the defined benefit plans during the next financial year.

## 32.2 Defined contribution plans

Within the subsidiaries operating the SkiArena Andermatt-Sedrun there are a lot of seasonal workers who generally leave the Group at the end of the skiing season and draw the pension benefits at the same time which leaves no further liability to the Group. Therefore, for the season workers, the pension plan was treated as a defined contribution plan.

# 33 FINANCIAL INSTRUMENTS

## 33.1 Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings from third parties (note 26), shareholder's loan (note 25), offset by cash and bank balances (note 20) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests as detailed in notes 21 to 24).

The Group is not subject to any externally imposed capital requirements.

According to the Group's internal policies and procedures, Group Management reviews the capital structure on a regular basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital.

During 2016 and 2017 the Group was refinanced through further debt investments of Mr. Samih Sawiris of total CHF 53.9 million as well as a new bond placement of CHF 50 million, a credit arrangement with a Swiss bank of CHF 40 million and financing by the government up to CHF 48 million for the development of the ski area, of which CHF 19.7 million were received in 2016/2017 and the residual amount will be received based on the progress of the development of the ski area.

As there were no further capital increases, the net debt to equity ratio increased considerably.

The gearing ratio was as follows:

CHF	31 December 2017	31 December 2016
Shareholder's loan	196,466,399	142,591,951
Loans from JV partners	39,216,997	26,941,851
Loans due to third parties	148,116,205	121,221,000
<b>Total debt (i)</b>	<b>383,799,601</b>	<b>290,754,802</b>
Less: Loan to shareholder	-	(11,000,000)
Less: Cash and cash equivalents	(11,759,039)	(19,134,278)
<b>Net debt</b>	<b>372,040,562</b>	<b>260,620,524</b>
<b>Equity (ii)</b>	<b>71,975,651</b>	<b>101,511,113</b>
<b>Net debt to equity ratio</b>	<b>516.90%</b>	<b>256.74%</b>

(i) Debt is defined as shareholder's loan as well as long- and short-term borrowings, as detailed in notes 25 and 26.

(ii) Equity includes all capital and reserves of the Group and non- controlling interests that are managed as capital.

### 33.2 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in 3.17 Financial instruments.

### 33.3 Categories of financial instruments

CHF	31 December 2017	31 December 2016
<b>Financial assets</b>		
Cash and bank balances	11,759,039	19,134,278
Fair value through other comprehensive income (FVTOCI) (i)	67,384	66,766
Financial assets measured at amortized cost (ii)	11,717,762	21,096,763
<b>Financial liabilities</b>		
At amortised cost (iii)	421,710,094	270,497,545

(i) Refer to note 16 for further details.

(ii) Consists of trade and other receivables (note 18), receivables due from related parties (note 34) as well as other current assets (note 19).

(iii) Consists of shareholder's loan (note 25), borrowings (note 26), trade and other payables (note 28), payables due to related parties (note 34) as well as other current liabilities (note 30).

### 33.4 Financial risk management

In the course of its business, the Group is exposed to a limited number of financial risks. The Group's activities expose it primarily to the market risks of changes in foreign currency exchange rates (note 33.4.1), interest rates (note 33.4.2) and certain price risk on equity investments (note 33.4.3) as well as credit risk (note 33.4.4) and liquidity risk (note 33.4.5). Most of these risks are minimal which is further described below.

It is, and has been throughout 2017 and 2016, the Group's policy not to use derivatives.

#### 33.4.1 Foreign currency risk management

The Group's activities are mainly carried out in CHF and therefore no significant foreign currency risk exists. As at year end there are no foreign currency exposures.

#### 33.4.2 Interest rate risk management

The Group's exposure to interest rate risk is very limited as the main part of the financing is provided by the majority shareholder through loans with fixed interest as well as through the bond which also has a fixed coupon. The residual risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings. The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. Due to the immaterial interest rate risk no sensitivity analyses have been prepared.

#### 33.4.3 Other price risks

The Group is exposed to limited equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments.

### 33.4.4 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group credit risk arises from transactions with counterparties, mainly individual customers and corporations. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

Trade receivables consist mainly of a few customers from sales of real estates. The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. The credit risk on sales of real estate is limited because the Group controls this risk through the property itself by registering the unit in the name of the customer only after receiving the entire amount due from the customer.

Counterparty risk is also minimized by ensuring that all financial assets are placed with well-known banks in Switzerland.

The carrying amount of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

### 33.4.5 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements.

Since 2015, the Group has demonstrated that the Andermatt project had reached a size and development threshold which makes it attractive for outside investors. This was exemplified with the inaugural bond transaction (CHF 50 million), the long-dated bank funding arrangement (CHF 40 million) as well as the development projects for multifamily houses with joint venture partners. This is further evidenced by the government loans received for the development of the ski area.

In addition to the external financing referred to above, the Group's majority shareholder has in the past provided significant amounts of funding when this was required.

### Liquidity and interest rate risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest cash flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Group may be required to pay.

2017	Weighted average effective interest rate	Less than 6 month	6 months to one year	1 – 5 years	5 + years	Total
CHF						
Non-interest bearing	-	38,267,952	250,000	522,000	29,628,050	68,668,002
Variable interest rate instruments	2.17%	1,344,312	894,674	44,137,703	30,048,229	76,424,918
Fixed interest rate instruments	1.45%	2,855,118	10,240,144	73,762,302	204,837,508	291,695,072
<b>TOTAL</b>		<b>42,467,382</b>	<b>11,384,818</b>	<b>118,422,005</b>	<b>264,513,787</b>	<b>436,787,992</b>

2016	Weighted average effective interest Rate	Less than 6 month	6 months to one year	1 – 5 years	5 + years	Total
CHF						
Non-interest bearing	-	34,839,606	250,000	799,000	20,318,100	56,206,706
Variable interest rate instruments	2.89%	7,096,637	790,236	32,699,813	20,791,157	61,377,843
Fixed interest rate instruments	1.67%	1,962,840	1,579,052	67,521,761	153,737,371	224,801,024
<b>TOTAL</b>		<b>43,899,083</b>	<b>2,619,288</b>	<b>101,020,574</b>	<b>194,846,628</b>	<b>342,385,573</b>

## 33.6 Fair value of financial instruments

### 33.6.1 Fair value of financial instruments carried at amortised cost

Management considers that except for the bond, the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values. The fair value of the bond is CHF 50.0 million compared to the carrying amount of CHF 49.4 million (note 26).

### 33.6.2 Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes unlisted and listed equity investments classified as at FVTOCI).
- The fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis. Specifically, significant assumptions used in determining the fair value of the following financial assets and liabilities are set out below.

### 33.6.3 Fair value measurements recognised in the consolidated statement of financial position

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: fair value measurements are those derived from inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All financial assets at FVTOCI (see note 16 for further details) are grouped into Level 3 as none of them are listed and their values are not based on observable market data. The financial assets at FVTOCI were measured at fair value based on a method that combined the earning and net equity book values of the companies.

#### Reconciliation of Level 3 fair value measurements of financial assets

CHF	Unquoted equity securities	
	2017	2016
<b>Opening balance</b>	<b>66,766</b>	<b>67,200</b>
Purchases	900	1,000
Disposals	(33)	-
Remeasurement losses through other comprehensive income	(249)	(1,434)
<b>Closing balance</b>	<b>67,384</b>	<b>66,766</b>

## 34 RELATED PARTY TRANSACTIONS

A party (a company or individual) is related to an entity if:

- directly, or indirectly through one or more intermediaries, the party:
  - controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
  - has an interest in the entity that gives it significant influence over the entity; or
  - has joint control over the entity;
- the party is an associate (as defined in IAS 28 Investments in Associates) of the entity;
- the party is a joint venture in which the entity is a venturer (as defined in IAS 31 Interests in joint ventures);
- the party is a member of the key management personnel of the entity or its parent;
- the party is a close member family of any individual referred to in (a) or (d);
- the party is an entity that is controlled, jointly controlled or significantly influenced by, or which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is related party of the entity.

Balances and transactions between the Group and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

The following balances were outstanding at the end of the reporting period:

CHF	Due from related parties		Due to related parties	
	31.12.17	31.12.16	31.12.17	31.12.16
<b>JV-Partners (i)</b>				
Besix Group SA	-	-	29,628,051	20,318,100
Schmid	-	-	5,615,418	6,623,751
Migati	-	-	3,973,528	-
<b>Non controlling shareholders</b>				
Orascom Development Holding AG	-	-	355,791	52,349
<b>Close family members</b>				
Samih Sawiris(ii)	-	11,000,000	196,796,858	143,386,360
<b>Total</b>	-	<b>11,000,000</b>	<b>236,369,646</b>	<b>170,380,560</b>
Current	-	11,000,000	686,250	846,758
Non-current	-	-	235,683,396	169,533,802
<b>Total</b>	-	<b>11,000,000</b>	<b>236,369,646</b>	<b>170,380,560</b>

- (i) Loans due to JV-Partners are classified as borrowings and disclosed in note 26.
- (ii) Amounts due from Mr. Samih Sawiris are classified as other current assets and are disclosed in note 19. Amounts due to Mr. Samih Sawiris include a loan of CHF 196,466,399 (31 December 2016: CHF 142,591,951) which is classified as shareholder's loan (note 25) as well as a current account of CHF 330,459 (31 December 2016: CHF 794,409) which is classified as current payables due to related parties.

Further transactions involving Mr. Samih Sawiris, Chairman and major shareholder:

#### Acuro Transaction

In 2012, Acuro Immobilien AG ("Acuro") has purchased 73 apartments in The Chedi Andermatt, Switzerland from one of the Swiss subsidiaries of the Group for CHF 122.7 million plus participation in future sales profits on the properties.

Acuro is a real estate investment vehicle that is managed by third parties. Mr. Samih Sawiris, Chairman of the Board of Directors and major shareholder of Orascom Development, and his family are invested in Acuro as important minority shareholder.

As at 31 December 2017 there were receivables due from Acuro in the total amount of CHF 0.1 million outstanding (31 December 2016: CHF 0.2 million). As the real estate units were completed and in general handed over in 2015, no revenue from sale of real estate (2016: none) was recognised. However, there was revenue in relation to resale provisions of CHF 0.7 million (2016: CHF 0.5 million). As at 31 December 2017, there are no residual deferred revenues in relation to the above transaction.

## 35 NON-CASH TRANSACTIONS

During the current year, the Group entered into the following non-cash investing and financing activities which are not reflected in the consolidated statement of cash flow:

- Capitalization of interest of CHF 0.4 million over projects under constructions (note 10).
- Accrued interest on loans of CHF 1.9 million (note 26.2)
- New finance lease contract of CHF 0.5 million.

## 36 OPERATING LEASE ARRANGEMENTS

### 36.1 The Group as lessee

#### 36.1.1 Leasing arrangements

Operating leases relate to office facilities with lease terms of 5 to 10 years as well as cars with lease terms of 2 to 3 years. The Group (as a lessee) does not have an option to purchase these leased assets at the expiry of the lease periods.

#### 36.1.2 Payments recognised as an expense in the period

CHF	2017	2016
Minimum lease payments	5,118,282	5,243,698
<b>TOTAL</b>	<b>5,118,282</b>	<b>5,243,698</b>

#### 36.1.3 Non-cancellable operating lease commitments

CHF	Total of future minimum lease payments	
	31 December 2017	31 December 2016
Not longer than 1 year	1,282,600	1,393,333
Longer than 1 year and not longer than 5 years	744,479	1,811,049
Longer than 5 years	3,932,475	4,047,868
<b>TOTAL</b>	<b>5,959,554</b>	<b>7,252,250</b>

During 2017 and 2016, the Group did not enter into any significant new lease arrangements.

In respect of non-cancellable operating leases, no liabilities have been recognised.

## 37 FINANCE LEASE ARRANGEMENTS

### 37.1 The Group as lessee

#### 37.1.1 Leasing arrangements

The Group leased certain of its operating equipment in the SkiArena Andermatt-Sedrun as well as certain electronic equipment for the Chedi hotel as well as various apartment houses. The lease terms are between 5 and 10 years. The Group has options to purchase the equipment for a nominal amount at the end of the lease terms. The Group's obligations under finance leases are secured by the lessors' title in the leased assets.

#### 37.1.2 Finance lease liabilities

CHF	Minimum lease payments		Present value of minimum lease payments	
	31.12.17	31.12.16	31.12.17	31.12.16
Not longer than 1 year	2,070,688	1,438,294	1,951,994	1,375,022
Longer than 1 year and not longer than 5 years	2,326,916	1,216,245	2,139,499	1,190,957
Longer than 5 years	-	-	-	-
	4,397,604	2,654,539	4,091,493	2,565,979
Less: future finance charges	(306,111)	(88,560)	-	-
<b>Present value of minimum lease payments</b>	<b>4,091,493</b>	<b>2,565,979</b>	<b>4,091,493</b>	<b>2,565,979</b>
thereof current borrowings (note 26)			<b>1,951,994</b>	<b>1,375,022</b>
thereof non-current borrowings (note 26)			<b>2,139,499</b>	<b>1,190,957</b>

## 38 COMMITMENTS FOR EXPENDITURE

The following commitments for expenditure have been made for the future development of the respective projects:

CHF	2017
Andermatt Swiss Alps AG (i)	20,985,000

- (i) ASA has obligations towards the canton of Uri and the municipality of Andermatt. ASA is responsible for the construction of certain parts of the tourism resort Andermatt. Within certain periods of time or should the construction work be stopped for whatever reason, ASA has the obligation to rebuild the relevant plots of land to the original state. At 31 December 2017, 19,985 ASA shares with a nominal value of CHF 1,000 each, amounting to a total book value of CHF 19,985,000, have been pledged as a security to the canton and municipality. Additionally, land with a value of CHF 1,000,000 has been pledged under this transaction.

One part of the Group's business is to acquire land for the development of touristic projects. Out of these business opportunities often no legally binding commitments incur however the Group has unbinding business opportunity commitments in relation to their projects. Such commitments should be considered together with the legally binding commitments for expenditure listed above.

## 39 LITIGATION

There were no significant litigations in process as at 31 December 2017 and 2016.

## 40 SUBSEQUENT EVENTS

There were no subsequent events after 31 December 2017.

## 41 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the directors and authorized for issue on 4 April 2018.

## Statutory Auditor's Report

To the General Meeting of  
**ANDERMATT SWISS ALPS AG, ANDERMATT**

### Report on the Audit of the Consolidated Financial Statements

#### **Opinion**

We have audited the consolidated financial statements of Andermatt Swiss Alps AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statement (pages F-2 to F-44) give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

#### **Basis for Opinion**

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### **Impairment testing of the assets related to the hotel "The Chedi" and the "Ski Arena" (included in property, plant and equipment)**

#### Key audit matter

The consolidated financial statements of Andermatt Swiss Alps include significant assets in relation to the segments "Hotel" and "Ski Arena" for CHF 91 million, which is part of the total recorded property, plant and equipment balance of 329 million. The assets comprise the capitalized costs for the hotel and the skiing infrastructure.

Management prepares an annual impairment test to identify if there is any need for impairment.

Management used the discounted cash flow method to assess the value of the recorded assets. The net present value is dependent on Management's forecast of the future cash flows as well as the applicable discount rates and growth rates. The valuation involves an exercise of judgment by Management including the use of assumptions and estimates that contains an inherent uncertainty.

The valuation methodology is explained in the notes to the consolidated financial statements (Note 4.2.1) and the capitalized costs are part of Note 13, *Property, plant, and equipment*.

#### How the scope of our audit responded to the key audit matter

We assessed the Group's definition of segments and its documentation and tested design and implementation of the related controls. We evaluated the preparation of the valuation model and underlying assumptions. We assessed how the Group determines budget and forecast information on earnings and related cash flows by segments and year and how it derived the applicable discount rate. We also audited the different input factors to the discount rate against observable market data and evaluated whether these are consistently applied by Management. We performed sensitivity analysis of the valuation models and corroborated the budgets and forecasts through review of underlying documentation and discussions with Management. Furthermore, we involved internal valuation specialists to assist us in evaluating the valuation models (structure, completeness and mathematical accuracy) and in validating the discount rates applied.

Based on the audit procedures performed, we consider the audit risk in relation to impairment of "The Chedi" and the "Ski Arena" to be adequately addressed.

## **Recoverability of the capitalized cost related to "Radisson Blu" and "Gotthard Residences" (included in property, plant and equipment under construction)**

### **Key audit matter**

The consolidated financial statements of Andermatt Swiss Alps include significant assets in relation to a building under construction related to the hotel "Radisson Blu" and the apartments "Gotthard Residences" for CHF 84 million, which is part of the total recorded property, plant and equipment balance of 329 million. The assets compromise the capitalized costs for the building under construction.

Management prepares an annual impairment test to identify if there is any need for impairment.

Management used the discounted cash flow method to assess the value of the recorded assets related to the hotel and expected sales prices minus costs to sell for the apartments. The net present value is dependent on Management's forecast of the future cash flows as well as the applicable discount rates and growth rates. The forecast in this case also includes the estimation of the cost to complete. The valuation involves an exercise of judgment by Management including the use of assumptions and estimates that contains an inherent uncertainty.

The valuation methodology is explained in the notes to the consolidated financial statements (Note 4.2.1) and the capitalized costs are part of Note 13, *Property, plant, and equipment*.

### **How the scope of our audit responded to the key audit matter**

We tested design and implementation of the related controls. We evaluated the preparation of the valuation model and underlying assumptions. We assessed how the Group determines forecast information for the hotel and the apartments and how it derived the applicable discount rate. We audited the different input factors to the discount rate against observable market data and evaluated whether these are consistently applied by Management. We corroborated the budgets and forecasts, including cost to complete, through review of underlying documentation and discussions with Management. Furthermore, we involved internal valuation specialists to assist us in evaluating the valuation models (structure, completeness and mathematical accuracy) and in validating the discount rates applied.

Based on the audit procedures performed, we consider the audit risk in relation to recoverability of capitalized costs for the hotel "Radisson Blu" and the apartments "Gotthard Residences" to be adequately addressed.

## ***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 of the Company and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## ***Responsibility 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.

## ***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 located at the website of EXPERTsuisse: <http://expertsuisse.ch/en/audit-report-for-publiccompanies>. 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.

### **Deloitte AG**



Roland Müller  
Licensed Audit Expert  
Auditor in Charge



Adrian Käppeli  
Licensed Audit Expert

Zurich, 4 April 2018  
ROM/AKA

# **Andermatt Swiss Alps AG**

**Statutory standalone financial statements  
together with auditor's report for the  
year ended 31 December 2017**

# Andermatt Swiss Alps AG

**Bilanz per 31. Dezember**  
Balance Sheet as of 31 December

**Anhang**  
Notes

**2017**

**2016**

**AKTIVEN**  
ASSETS

CHF

CHF

**Umlaufvermögen**  
Current assets

Flüssige Mittel  
Cash and cash equivalents

3'980'906

6'162'223

Forderungen aus Lieferungen und Leistungen  
Trade accounts receivable

1'890'260

1'756'222

Übrige kurzfristige Forderungen  
Other current receivables

- gegenüber Dritten  
from third parties

716'273

315'279

- gegenüber Konzerngesellschaften  
from group companies

50'692'971

70'466'075

- gegenüber Aktionäre  
from shareholders

-

11'000'000

Vorauszahlungen  
Advance payments

10'000

-

Vorräte  
Inventories

3.1

75'520'875

64'216'237

Aktive Rechnungsabgrenzungen  
Prepaid expenses and accrued income

166'706

136'950

132'977'991

154'052'986

**Anlagevermögen**  
Non-current assets

Übrige langfristige Forderungen  
Other non-current assets

- gegenüber Dritten  
from third parties

500'000

500'000

- gegenüber Konzerngesellschaften  
from group companies

5.2

164'728'390

128'459'390

Finanzanlagen  
Financial assets

53'300

53'300

Beteiligungen  
Shareholdings

3.2 / 5.2

39'958'484

17'423'634

Sachanlagen  
Tangible fixed assets

- Mobile Sachanlagen  
Movable fixed assets

1'946'612

1'589'548

- Immobile Sachanlagen  
Immovable fixed assets

50'925'594

43'389'148

- Angefangene Bauten  
Project under progress

15'890'286

15'586'254

274'002'666

207'001'274

406'980'657

361'054'260

# Andermatt Swiss Alps AG

**Bilanz per 31. Dezember**  
Balance Sheet as of 31 December

**Anhang**  
Notes

**2017**

**2016**

**PASSIVEN**  
LIABILITIES AND SHAREHOLDERS' EQUITY

CHF

CHF

## Fremdkapital

Liabilities

### Kurzfristiges Fremdkapital

Current borrowed capital

Verbindlichkeiten aus Lieferungen und Leistungen

Trade accounts payable

-	gegenüber Dritten to third parties	3'286'739	4'495'174
-	gegenüber Konzerngesellschaften to group companies	363'174	466'910
-	gegenüber Aktionäre to shareholders	355'790	52'349

Kurzfristige verzinsliche Verbindlichkeiten

Current interest-bearing liabilities

-	gegenüber Dritten to third parties	363'321	309'117
-	gegenüber Konzerngesellschaften to group companies	285'024	-

Übrige kurzfristige Verbindlichkeiten

Other current liabilities

Passive Rechnungsabgrenzungen

Accrued expenses and deferred income

10'465'211

10'666'313

15'210'773

16'102'333

### Langfristige Verbindlichkeiten

Long-term borrowed capital

Vorausahlungen von Kunden

Advances from customers

2'523'765

2'331'153

Rückstellungen

Provisions

70'000

200'000

Langfristige verzinsliche Verbindlichkeiten

Long-term interest-bearing liabilities

-	gegenüber Dritten to third parties	3.4	59'577'888	55'504'034
-	gegenüber Aktionären to shareholders	3.3	196'466'399	142'591'951

Übrige langfristige Verbindlichkeiten

Other long-term liabilities

-	gegenüber Aktionären to shareholders	3.3	330'459	794'409
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258'968'511

201'421'547

### Eigenkapital

Shareholders' equity

Grundkapital

Share capital

231'147'000

231'147'000

Kumulierte Verluste

Accumulated losses

-	Verlustvortrag Loss carried forward	-87'616'620	-69'453'023
-	Jahresverlust Net loss for the year	-10'729'007	-18'163'597

132'801'373

143'530'380

406'980'657

361'054'260

## Andermatt Swiss Alps AG

### Erfolgsrechnung Income statement

### Anhang Notes

01.01. - 31.12.17

01.01. - 31.12.16

		CHF	CHF
Verkaufserlös Revenue from sales		8'613'832	16'564'419
Dienstleistungsertrag Revenue from services		357'141	139'240
Dienstleistungsertrag Konzerngesellschaften Revenue from services to group companies		905'652	1'004'542
Diverse Erträge Other income		86'173	72'219
<b>Betrieblicher Gesamtertrag</b> <b>Total operating income</b>		<b>9'962'798</b>	<b>17'780'420</b>
Herstellkosten des Verkaufs Cost of sales	4.1 / 4.2	-7'446'937	-22'634'058
<b>Bruttoergebnis</b> <b>Gross margin</b>		<b>2'515'861</b>	<b>-4'853'638</b>
Verkaufs- und Verwaltungsaufwand Selling, General and administrative expenses	4.1 / 4.2	-10'454'296	-11'145'302
Übriger Betriebsertrag Other operating income		42'646	48'356
<b>Betriebsergebnis vor Zinsen und Steuer</b> <b>Operating result before interests and tax (EBIT)</b>		<b>-7'895'789</b>	<b>-15'950'584</b>
Finanzertrag Financial income		1'036'219	1'458'406
Finanzaufwand Financial expenses		-3'861'564	-3'662'810
<b>Ordentliches Unternehmungsergebnis (vor Steuer)</b> <b>Ordinary loss before tax</b>		<b>-10'721'134</b>	<b>-18'154'988</b>
Ausserordentlicher Aufwand Extraordinary expenses	4.3	-7'873	-23'743
Ausserordentlicher Ertrag Extraordinary income		-	15'134
<b>Jahresergebnis (vor Steuer)</b> <b>Result before tax</b>		<b>-10'729'007</b>	<b>-18'163'597</b>
Einkommensteuern Income tax		-	-
<b>Jahresverlust</b> <b>Net loss for the year</b>		<b>-10'729'007</b>	<b>-18'163'597</b>

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**1. Allgemeine Informationen / General information**

<b>Grundsatz / Basic principle</b>	<b>Erläuterung / Explanation</b>
<b>Allgemeine Informationen</b>	Die Andermatt Swiss Alps AG (die Gesellschaft) und ihre Tochtergesellschaften sind in der Schweiz tätig. Der Zweck ist insbesondere die Entwicklung eines umfassenden Tourismusprojektes in Andermatt.
<b>General information</b>	Andermatt Swiss Alps AG (the company) and its subsidiaries are active in Switzerland. The main purpose of the company is to develop a tourism resort in Andermatt.
<b>Rechtsform, Sitz und Stammkapital</b>	Die Gesellschaft wurde am 11. Mai 2007 gegründet und ist in Andermatt, UR domiziliert. Das Grundkapital beträgt CHF 231'147'000 und setzt sich aus 231'147 Namenaktien zu je CHF 1'000 zusammen.
<b>Legal form, registered office and capital</b>	Andermatt Swiss Alps AG was founded on 11 May 2007 and is domiciled in Andermatt, UR. The share capital of the company amounts to CHF 231'147'000 and consists of 231'147 registered shares with a par value of CHF 1'000.
<b>Angaben zu den Vollzeitstellen im Jahresdurchschnitt</b>	Die Gesellschaft weist im Jahresdurchschnitt weniger als 250 Vollzeitstellen (Vorjahr weniger als 250 Vollzeitstellen) aus.
<b>Information on full-time positions on annual average</b>	The company has an annual average of less than 250 full-time positions (prior year: less than 250 full-time positions).

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**2. Wichtige Bilanzierungs- und Bewertungsgrundsätze / Key accounting and valuation principles**

<b>Rechnungslegungsgrundsätze</b>	Die vorliegende Jahresrechnung wurde gemäss den Bestimmungen des Schweizer Rechnungslegungsrechtes erstellt. Die wesentlichen angewandten Bilanzierungs- und Bewertungsgrundsätze, die nicht bereits durch das Obligationenrecht vorgeschrieben sind, sind nachfolgend beschrieben.
<b>Principles of financial reporting</b>	The present annual accounts have been prepared in accordance with the regulations of Swiss financial reporting law. The main accounting and valuation principles used, which are not already specified by the Code of Obligations, are described as follows.
<b>Schätzungen und Annahmen des Managements</b>	Die Rechnungslegung in Übereinstimmung mit dem Obligationenrecht erfordert gewisse Schätzungen und Annahmen durch das Management. Diese werden laufend vorgenommen und basieren auf Erfahrungswerten und anderen Faktoren. Die später tatsächlich eintreffenden Ergebnisse können von diesen Schätzungen abweichen. Wesentliche Positionen in der Jahresrechnung, die auf Schätzungen und Annahmen des Managements basieren, sind die Abgrenzungen.
<b>Estimates and assumptions made by management</b>	Financial reporting under the Code of Obligations requires certain estimates and assumptions to be made by management. These are made continuously and are based on past experience and other factors. The results subsequently achieved may deviate from these estimates. Actual items in the annual accounts which are based on estimates and assumptions made by management are the accruals.

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<b>Grundsatz / Basic principle</b>	<b>Erläuterung / Explanation</b>
<b>Fremdwährungspositionen</b>	Die funktionale Währung der Gesellschaft ist Schweizer Franken (CHF). Transaktionen in fremden Währungen werden zum jeweiligen Tageskurs der Transaktion in die funktionale Währung (CHF) umgerechnet. Monetäre Aktiven in Fremdwährungen werden per Bilanzstichtag zum Stichtagskurs in die funktionale Währung umgerechnet. Die sich daraus ergebenden Fremdwährungsdifferenzen werden in der Erfolgsrechnung erfasst.
<b>Foreign currency items</b>	The currency in which the company operates is Swiss Francs (CHF). Transactions in foreign currencies are converted into the currency in which the company operates (CHF) at the exchange rate on the day the transaction takes place. At year end close monetary assets in foreign currency are converted at closing rate into the functional currency (CHF). The resulting foreign exchange difference is recorded in the Profit and Loss.
<b>Konzerngesellschaften</b>	Bei den Konzerngesellschaften handelt es sich um die Beteiligungsgesellschaften (siehe Anhang 3.2). Transaktionen erfolgen grundsätzlich zu marktgerechten Bedingungen (Dealing at arms' length).
<b>Group companies</b>	As group companies are considered the shareholdings (see note 3.2). Transactions with group companies take place at proper market conditions (dealing at arm's length).
<b>Flüssige Mittel</b>	Die Position Flüssige Mittel beinhaltet Kassenbestände und Bankguthaben. Sie werden zu Nominalwerten bilanziert.
<b>Cash and cash equivalents</b>	The position Cash and cash equivalents comprises of petty cash and bank balances. They are recorded at nominal value.
<b>Forderungen aus Lieferungen und Leistungen</b>	Forderungen aus Lieferungen und Leistungen werden mit dem ursprünglichen Netto-Rechnungsbetrag erfasst, abzüglich einer Wertberichtigung für spezifische risikobehaftete Forderungen (Delkredere).
<b>Trade accounts receivable</b>	Trade accounts receivable are recorded at their original net invoice amount, less a value adjustment for specific receivables carrying risk (contingency reserves).
<b>Vorräte</b>	Vorräte sind grundsätzlich zu Anschaffungs- bzw. Herstellungskosten erfasst. Herstellungskosten umfassen sämtliche direkt zurechenbaren Material- und Fertigungskosten. Liegt der Nettoveräußerungswert am Abschlussstichtag unter den Anschaffungs- oder Herstellungskosten, ist dieser massgebend für die Bewertung.
<b>Inventories</b>	Inventories are generally recorded at acquisition or manufacturing costs. Manufacturing costs cover all the directly attributable materials and production costs. The lower of cost or net realisable value is determining the value at closing date.

<b>Grundsatz / Basic principle</b>	<b>Erläuterung / Explanation</b>												
<b>Sachanlagen</b>	<p>Sachanlagen werden entsprechend ihrer erwarteten wirtschaftlichen Nutzungsdauer linear abgeschrieben. Ausnahmen bilden Grundstücke (Land), die nicht abgeschrieben werden. Die Nutzungsdauer ist wie folgt festgelegt:</p> <table> <tr> <td>Grundstücke (Land)</td><td>Keine Abschreibungen</td></tr> <tr> <td>Gebäude</td><td>20 bis 50 Jahre</td></tr> <tr> <td>Maschinen und Anlagen</td><td>4 bis 10 Jahre</td></tr> <tr> <td>Mobile Sachanlagen</td><td>3 bis 10 Jahre</td></tr> <tr> <td>Anlagen im Bau</td><td>Keine Abschreibungen</td></tr> <tr> <td>Anlagen im Leasing</td><td>Gemäss Vertragslaufzeit</td></tr> </table> <p>Sofern Anzeichen einer Überbewertung erkennbar werden, werden die Buchwerte überprüft und gegebenenfalls wertberichtigt.</p>	Grundstücke (Land)	Keine Abschreibungen	Gebäude	20 bis 50 Jahre	Maschinen und Anlagen	4 bis 10 Jahre	Mobile Sachanlagen	3 bis 10 Jahre	Anlagen im Bau	Keine Abschreibungen	Anlagen im Leasing	Gemäss Vertragslaufzeit
Grundstücke (Land)	Keine Abschreibungen												
Gebäude	20 bis 50 Jahre												
Maschinen und Anlagen	4 bis 10 Jahre												
Mobile Sachanlagen	3 bis 10 Jahre												
Anlagen im Bau	Keine Abschreibungen												
Anlagen im Leasing	Gemäss Vertragslaufzeit												
<b>Tangible fixed assets</b>	<p>The straight-line depreciation method is used for tangible fixed assets according to their expected used life. Exceptions are made for land which are not depreciated. Useful life is established as follows:</p> <table> <tr> <td>Land</td><td>No depreciation</td></tr> <tr> <td>Buildings</td><td>20 to 50 years</td></tr> <tr> <td>Machines and facilities</td><td>4 to 10 years</td></tr> <tr> <td>Furniture, fixtures and equipment</td><td>3 to 10 years</td></tr> <tr> <td>Assets under production</td><td>No depreciation</td></tr> <tr> <td>Leased assets</td><td>According to term of contract</td></tr> </table> <p>If there is any evidence of an over-valuation, the accounting values are checked and adjusted where necessary.</p>	Land	No depreciation	Buildings	20 to 50 years	Machines and facilities	4 to 10 years	Furniture, fixtures and equipment	3 to 10 years	Assets under production	No depreciation	Leased assets	According to term of contract
Land	No depreciation												
Buildings	20 to 50 years												
Machines and facilities	4 to 10 years												
Furniture, fixtures and equipment	3 to 10 years												
Assets under production	No depreciation												
Leased assets	According to term of contract												
<b>Umsatzrealisierung</b>	<p>Die Gesellschaft verbucht die auf den Rechnungen brutto ausgewiesenen Beträge, nach Abzug der Mehrwertsteuer, als Erlöse aus Lieferungen und Leistungen. In Übereinstimmung mit IAS 18 werden Erlöse aus Verkauf von Immobilien verbucht, wenn die massgeblichen Risiken und Chancen auf den Kunden übertragen sind (grundsätzlich im Zeitpunkt der Anmeldung beim Grundbuchamt). Der Dienstleistungsumsatz wird erst bei Abschluss des Auftrages erfasst.</p>												
<b>Revenue recognition</b>	<p>The company records the gross invoice amounts, after deduction of value-added tax, as profits from goods and services.</p> <p>In accordance with IAS 18 revenue from real estate are recorded when the significant risks and rewards have transferred to the customer (basically, at the time of registration at land register).</p> <p>Revenues from services are recognised when contracts are completed only.</p>												
<b>Leasinggeschäfte</b>	<p>Leasing- und Mietverträge werden nach Massgabe des rechtlichen Eigentums bilanziert. Entsprechend werden die Aufwendungen als Leasingnehmerin bzw. als Mieterin periodengerecht im Aufwand erfasst.</p>												
<b>Leasing transactions</b>	<p>Leasing and rental contracts are accounted for in accordance with legal ownership. Expenses as a lessee or tenant are recorded correspondingly as expenditure in the relevant period.</p>												

## Andermatt Swiss Alps AG

### Anhang der Jahresrechnung

Notes to the Financial Statements

### 3. Angaben zu Bilanzpositionen / Information relating to items on balance sheet

#### 3.1 Vorräte / Inventories

	31.12.2017	31.12.2016
Angefangene Bauten / Project under progress	51'309'513	37'085'471
Nicht verkaufte Einheiten / Unsold units	24'211'362	27'130'766
<b>Total</b>	<b>75'520'875</b>	<b>64'216'237</b>

#### 3.2 Beteiligungen / Shareholdings

		Kapitalanteile in % Capital shares in %		Stimmanteile in % Voting shares in %	
Name, Sitz Shareholdings, Registered office	Grundkapital Share capital in 1'000	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Direkte Beteiligungen Direct investments					
Bellevue Hotel & Appartment Development AG, Andermatt	CHF 4'360	100	100	100	100
Hotel 4b Development AG, Andermatt	CHF 100	51	51	51	51
Andermatt-Sedrun Sport AG, Andermatt	CHF 44'000	73.88	52.80	73.88	52.80
Alpine Development Andermatt AG, Andermatt	CHF 100	51	51	51	51
Saschi Immobilien AG, Andermatt	CHF 100	51	51	51	51
SAGA Andermatt Immobilien AG, Andermatt	CHF 100	51	51	51	51
Andermatt Invest AG, Andermatt	CHF 100	100	-	100	-
Signifikante indirekte Beteiligung Significant indirect investment					
Bellevue Hotel & Appartment Management AG, Andermatt	CHF 100	100	100	100	100

#### 3.3 Langfristige Verbindlichkeiten gegenüber Aktionäre / Long-term liabilities to shareholders

	31.12.2017	31.12.2016
<b>Darlehen / Loan Samih O. Sawiris</b>	196'796'858	143'386'360

#### 3.4 Langfristige verzinsliche Verbindlichkeiten gegenüber Dritte / Long-term interest-bearing liabilities

	31.12.2017	31.12.2016
<b>Anleihe / Bond</b>	49'391'196	49'174'560
<b>Hypothek / Mortgage</b>	9'870'000	6'000'000
<b>Leasing / Leasing</b>	316'692	329'474

Die Gesellschaft hat eine an der SIX Swiss Exchange kotierte Schweizer-Franken-Anleihe (ISIN: CH0305954585) in Höhe von CHF 50 Millionen ausgegeben. Die Anleihe ist mit 3.875% p.a. verzinst und ist zur Rückzahlung fällig am 11. Dezember 2020.

The company has issued a SIX Swiss Exchange listed bond (ISIN: CH0305954585) with a nominal value of CHF 50 millions. The bond has a coupon of 3.875% p.a. and is due on 11 December 2020.

### 4. Angaben zu Erfolgsrechnungspositionen / Information relating to items on income statement

	31.12.2017	31.12.2016
<b>4.1 Personalaufwand / Personnel expense</b>	6'882'295	7'044'768
<b>4.2 Abschreibungen Total / Depreciation total</b>	2'107'835	1'756'193

#### 4.3 Ausserordentlicher Aufwand / Extraordinary expenses

Beim ausserordentlichen Aufwand handelt es sich um Verluste aus Veräusserungen des Anlagevermögens.

The extraordinary expenses are losses from sale of fixed assets.

**5. Weitere Angaben / Further informations**

**5.1 Restbetrag der Leasingverpflichtungen / Residual amount of leasing liabilities**

	31.12.2017	31.12.2016
< 1 Jahr / < 1 year	0	6'116
1 - 5 Jahre / 1 - 5 years	0	0
> 5 Jahre / > 5 years	-	-
<b>Total</b>	<b>0</b>	<b>6'116</b>

**5.2 Gesamtbetrag der zur Sicherung eigener Verbindlichkeiten verwendeten Aktiven**

Total amount of assets pledged or assigned to secure own liabilities and assets under reservation

	31.12.2017	31.12.2016
Rangrücktritt auf Darlehen gegenüber Bellevue Hotel & Appartement Development AG		
Subordinated loan Bellevue Hotel & Appartement Development AG	94'850'000	71'770'000
Rangrücktritt auf Darlehen gegenüber Hotel 4b Development AG		
Subordinated loan Hotel 4b Development AG	30'231'850	20'681'850
Grundpfandgesicherte Hypothek der Urner Kantonalbank		
Real security pledged for mortgage of Urner Kantonalbank	20'606'514	12'993'033
<b>Total</b>	<b>145'688'364</b>	<b>105'444'883</b>

**5.3 Eventualverbindlichkeiten / Contingent Liabilities**

	31.12.2017	31.12.2016
Die Gesellschaft hat Verpflichtungen gegenüber dem Kanton Uri und der Gemeinde Andermatt. Sie ist verantwortlich für den Bau von bestimmten Teilen des Tourismusresorts Andermatt. Sollten die Bauarbeiten aus einem bestimmten Grund nicht weitergeführt werden, hat die Gesellschaft die Verpflichtung die betreffenden Landteile zurückzubauen zum ursprünglichen Status. Per 31. Dezember 2017 waren 19'985 (2016: 19'985) ASA Aktien, die von der Orascom Development AG gehalten werden, mit einem Nominalwert von CHF 1'000 verpfändet als Sicherheit an den Kanton und die Gemeinde. Zusätzlich wurde im Zusammenhang mit dieser Transaktion Land mit einem Wert von CHF 1'000'000 CHF verpfändet.		
	10'167'500	10'167'500
The company has obligations towards the canton of Uri and the municipality of Andermatt. It is responsible for the construction of certain parts of the tourism resort Andermatt. Should the construction work be stopped for whatever reason, the company has the obligation to rebuild the relevant plots of land to the original state. At 31 December 2017, 19'985 (2016: 19'985) ASA shares, owned by Orascom Development Holding AG, with a nominal value of CHF 1'000 each, have been pledged as a security to the canton and municipality. Additionally, land with a value of CHF 1'000'000 has been pledged under this transaction.		

**5.4 Sicherungsverpflichtung zugunsten Dritter / Joint liability in favour of third parties**

Die Andermatt Swiss Alps Gruppe tritt gegenüber der Eidgenössischen Mehrwertsteuerverwaltung als Gruppe auf, was zu einer Solidarhaftung aus Gruppenbesteuerung für die Mehrwertsteuer führt.

Andermatt Swiss Alps Group acts as Group company against federal value-added tax authorities. This leads to a joint liability from Group taxation for value-added tax purposes.

## **Report of the Statutory Auditor**

To the General Meeting of  
ANDERMATT SWISS ALPS AG, ANDERMATT

## **Report of the Statutory Auditor on the Financial Statements**

As statutory auditor, we have audited the accompanying financial statements of Andermatt Swiss Alps AG, which comprise the balance sheet as at 31 December 2017, and the income statement and notes for the year then ended.

### *Board of Directors' Responsibility*

The Board of Directors is responsible for the preparation of these financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements for the year ended 31 December 2017 comply with Swiss law and the company's articles of incorporation.

## **Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority**

We have determined that there are no key audit matters to communicate in our report.


## **Report on Other Legal Requirements**

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 Code of Obligations (CO) and article 11 AOA) and that there are no circumstances incompatible with our independence.

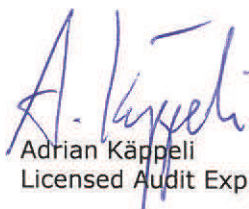
In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We recommend that the financial statements submitted to you be approved.

### **Deloitte AG**



Roland Müller  
Licensed Audit Expert  
Auditor in Charge



Adrian Käppeli  
Licensed Audit Expert

Zurich, 4 April 2018  
RM/AKA

### Enclosures

- Financial statements (balance sheet, income statement and notes)