investors HANDBOOK

september 2008

GENOLIER
Swiss Medical Network

www.gsmn.ch

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1 SUMMARY

1.1 The Genolier Swiss Medical Network (GSMN)

The Genolier Swiss Medical Network (GSMN), now only in its fifth year of existence, is entering adulthood and ready to participate in the consolidation of the healthcare industry in Switzerland and Europe. Today, GSMN is the leading hospital network in the French speaking region of Switzerland (Romandie). GSMN is highly reputed for its quality treatment, centers of excellence and high level of hospitality provided in its hospitals. GSMN's is focusing on acquiring clinics that need restructuring and optimization of its operations. Presently, GSMN has four fully owned private hospitals in its portfolio with 338 available beds and more than 200 additional licensed beds for organic growth. Additionally, GSMN has a management contract with Centre Médico-Chirurgical des Eaux-Vives, an out-patients center in Geneva.

1.2 The Swiss Healthcare Market – Attractive Fundamentals

Healthcare is one of the most attractive markets in Switzerland as evident from the fact that the per capita spend on healthcare in Switzerland is amongst the highest in the world. In 2006, the size of the Swiss healthcare market was estimated to be worth approximately CHF 53.1 billion representing 11.3% of the overall Swiss GDP. Based on a population of about 7.5 million in 2006, per capita healthcare spend in Switzerland was approximately CHF 7,100 per annum and has grown at a CAGR of 3.7% during 2000–2006.

The demand for healthcare is growing in Switzerland and in Western Europe driven by ageing population, socio-economic and clinical factors, increasing disposable income, rising number of rich individuals, growing healthcare tourism and technology advances.

1.3 Business Model and Strategy

GSMN focuses on providing premium hospital care to HNWIs, foreign patients and patients with supplementary insurance. GSMN strategy is focused on increasing revenues and profits through acquisition of underperforming clinics that can be restructured and operationally optimized. The acquisition and renovation requires a relatively large investment upfront to reap long term benefits in terms of increasing revenues and margins by attracting a higher number of wealthy customers and offering non-reimbursed and complex treatments. The strategy has been successful in the French speaking region of Switzerland and can be replicated in the German speaking region of Switzerland and other European countries.

1.4 Differentiating Factors

GSMN distinguishes itself over other healthcare providers on the basis of its quality of services, high brand value, congenial working environment and an experienced and entrepreneurial management team who is motivated with a high incentive structure. The key differentiating factors of GSMN are as below:

- Hospitality at new levels in terms of high quality treatment and overall services
- Well known international brand
- Platform to attract reputed and experienced doctors
- Experienced, entrepreneurial management team
- Potential for scalability with high profitability

1.5 Evolution of GSMN

GSMN (Genolier Swiss Medical Network) AG, formerly called AGEN Holding AG, has shifted its focus completely to healthcare and the operations of its four clinics. Presently, there are four fully owned hospitals in its portfolio. GSMN has invested in the acquisition of hospitals and renovating them to create a high-class luxury hospital network. It has successfully created an international brand identity and is a leading healthcare provider in the French speaking region of Switzerland.

The management has taken several marketing and cost-optimization initiatives, as a result of which, the revenue and the EBITDA margin have already started to pick up in 2008. Turnover increased from CHF 113 million in 2006 to CHF 117 million in 2007 while the EBITDA margin increased from 0.5% to 4.7% during the same period. GSMN management is expecting an EBITDA margin of 15–16% in the years to come. The company's revenues & EBITDA are expected to grow strongly over the next three to five years.

2 KEY FINANCIALS

Consolidated P/L summary – Healthcare only
(in mCHF)

	2005	2006	2007	2008E
GSMN consolidated revenues	**109.2**	**112.9**	**116.7**	**126.6**
Total operating costs	(104.9)	(112.3)	(111.2)	
EBITDA	**4.3**	**1.2**	**5.5**	**>10.0**
Depreciation & Amortization	(4.0)	(5.2)	(6.3)	
Total interest	(0.3)	(1.0)	(0.8)	
Profit before tax	**0.0**	**(5.0)**	**(1.6)**	
Tax	2.8	1.2	(0.2)	
Net Profit/Loss (Profit after tax)	**2.8**	**(3.8)**	**(1.8)**	

Figure 1: GSMN's consolidated P/L summary

Consolidated balance sheet of Genolier Swiss Medical Network

	31.12.2007	31.12.2006
Assets	mCHF	mCHF
Goodwill	85.1	85.1
Other intangible assets	0.4	0.0
Net fixed assets	34.1	26.4
Financial assets	0.1	0.5
Other Non-current assets	7.4	4.2
Non-current assets	**127.1**	**116.2**
Inventories	**3.9**	**3.0**
Trade receivables	24.6	24.3
Other receivables and assets	9.4	14.9
Current receivables	**34.0**	**39.2**
Cash and cash equivalents	**5.7**	**18.3**
Current assets	**43.6**	**60.6**
Total assets	**170.7**	**176.8**
Liabilities and shareholders' equity		
Shareholder's equity	**113.8**	**118.1**
Equity attributable to minority interest	0	0
Equity	**113.8**	**118.1**
Financial debt	4.9	4.9
Tax liabilities	1.3	1.4
Other non-current liabilities	0	0
Non-current liabilities	**6.2**	**6.3**
Short-term debt	19.3	19.2
Trade payables	25.9	25.0
Other current liabilities	5.4	8.2
Current liabilities	**50.7**	**52.4**
Total Liabilities	**170.7**	**176.8**

Figure 2: GSMN's consolidated balance sheet

3 SUMMARY OF GSMN'S 'STRATEGIC THEMES' AND THE 'EQUITY STORY'

3.1 Introduction

GSMN (Genolier Swiss Medical Network) AG, formerly called AGEN Holding AG, has shifted its focus completely to healthcare and the operations of its four clinics. Its media business will be sold in the near future. GSMN wants to play a vital role in the ongoing consolidation of the acute healthcare market in Switzerland and in Europe. The company has a unique market position in Romandie (the French speaking part of Switzerland) and has successfully set-up a growth and profitability strategy that should lead to a substantial increase of revenues, margins and profits in the next three to five years.

3.2 Attractive Industry Fundamentals

In Switzerland, acute healthcare is a growth market with demand for acute procedures both predictable and growing. The market is still very attractive due to favorable demographics. Demand is expected to grow due to an ageing population (16.2% of the population is aged 65 or above and 43% of the population is aged 45 or over) and a very high life expectancy (third highest in the world), rising disposable incomes, socio-economic factors and increasingly complex medical procedures. Overall, penetration of supplementary private medical insurance is approx. 27% of the population. However, it is lower in some of GSMN's key markets and therefore offers potential to be increased. For example, GSMN (through the new product offer) managed to introduce a need for such contracts in Fribourg, a canton that did lack private medical insurance before, and thereby generated a good number of new clients and patients. Healthcare spending is the second highest in the world as a proportion of GDP (11.3% in 2006); and expected to at least remain at this high level because of a compulsory medical insurance implemented in Switzerland. Last but not least, there is a strong trend towards wellness/anti-ageing/fitness and the willingness to spend on non-reimbursed treatments.

3.3 Inefficiencies Due to Regulation

In Switzerland, the market is mainly dominated by three forces: regulation that limits business opportunities to some extent, the important role of public hospitals due to the fact that they distort competition and the all important segment of patients with private medical insurance or a healthcare tourism. The Swiss political environment is extremely stable and therefore supports the defensive characteristics of the healthcare market. It is foreseen that only few material regulatory changes will occur in the coming years. And if they do occur, they should be rather supporting of private hospitals/clinics. Furthermore, securing planning consent for new facilities for any new competitor would be difficult and therefore existing players are well protected in their areas of operation.

3.4 Leading Market Position in the Romandie

GSMN is the second biggest independent provider of acute healthcare in Switzerland with four clinics in its portfolio. GSMN is the leading provider in the Canton of Vaud (25% market share) and rapidly establishing a strong foothold in the Canton of Fribourg (15% market share already). Their clinics, Genolier above all, are renowned for providing highest quality and unique hospitality to its patients. The network operates 338 beds and has some 200 additional beds for organic growth. The network's wide expertise and entrepreneurial spirit attracts highly skilled managers, leading physicians and patients from all over the world. The outstanding reputation of the firm is a crucial contributor of its ongoing success.

3.5 Strategic Focus

Figure 3: GSMN's strategic focus

3.5.1. Hospitality at new levels

In the private medical insurance market, differentiation is mainly achieved through both a better level of service and availability of well-known physicians. To attract world-class doctors, a clinic must offer the latest equipment and have a good reputation. The presence of renowned physicians will attract "outside" patients in the reimbursed, but especially in the non-reimbursed treatments sector. In combination, this will lead to higher revenues for the clinic itself.

Most of the privately owned clinics try to attract world-class doctors; and are actually successful in doing so. Therefore, real differentiation can only be achieved on the individual service level. At GSMN, hospitality is the crucial factor to deliver added-value to the client and customer. It basically means that the patient is put at the center of all actions, not only during treatments but also during the recovery phase. GSMN clinics aim to be hospitals without the smell of a hospital and thereby are rather recognized as a five-star luxury wellness oasis. Such services make the stay of patients pleasant and increases the probability of patients' re-visit to GSMN.

3.5.2. Profiting from a strong reputation

As in luxury goods markets, in healthcare too the clients prefer to choose a strong brand. They are more loyal to a network that offers emotional value on top of first class medical care. GSMN has already got a strong reputation in Romandie which can be replicated in the German speaking part of Switzerland as well as for the customers abroad, especially in key areas such as the Middle East, Asia and Russia. On the local level it is important to see that GSMN act as "network" and less as "a Group" and thereby differentiate itself by using a unique local brand name for each clinic. To emphasize, the headquarters of GSMN act rather as a strategy and support center to its four clinics than as a ruler and organizer of the business.

3.5.3. Acquisition-led and organic growth

The private medical insurance market is very fragmented and pressure for further consolidation remains high. As there is only one large group (Hirslanden) in the market, mid-size players such as GSMN can profit over-proportionally. GSMN's strategy is focused on increasing revenues and profits through acquisition of underperforming clinics that can be restructured and operationally optimized. Secondly, organic growth can be achieved through increasing inpatient admissions, especially in the private medical insurance and foreign VIP market segments. Margins improvements mainly derive from a) a better medical mix with the focus on non-reimbursement treatments b) better operational efficiency and c) a better patient-mix. The non-reimbursement sector (covering treatments like dental implants or plastic surgery among many others) is lucrative because the price level is not restricted by the governments and because the proportion of wealthy foreign customers is much higher. Furthermore, GSMN has managed to grow the size of its private medical insurance market and thereby generated new clients for its upscale services. Increased "hospital tourism" will be a key driver of the anticipated growth in the years to come.

3.5.4. Profitability increase

GSMN has introduced initiatives to improve its profitability in the years to come. First of all, profits are expected to rise due to more efficient operations at its restructured clinics. Patient and Revenue mix are expected to move to higher paid non-reimbursed treatments as well as to a higher proportion of foreign VIP clients. Cost cuttings will help to improve cost/income ratios. The main focus will be on inventory and supply management. Personnel costs are one of the main matters of expense; GSMN will therefore strengthen HR management and thereby enhance productivity. State-of-the-art Management Information Systems further improve its margins. Other than its competitors, GSMN is not always buying real estate facilities or technological equipment. To the contrary, most of these are leased and therefore e.g. the balance sheet not affected by any potential downturn in the real estate market. Nevertheless, patients enjoy first class facilities in which they receive treatments and recuperate. Last but not the least, management of GSMN is working on incentive schemes which will nurture highly entrepreneurial spirit thus improving the overall performance of the network.

3.5.5. Execution: Buy – invest – reap

GSMN follows a five step cycle where it first identifies take-over targets, analyses the situation carefully and then makes significant investments to upgrade the facilities and standing of an acquired clinic and hire experienced management. Following that, the market will be penetrated and marketed through various measures such as the extension of the agent network and conducting high level events abroad. As soon as the business starts reaping benefits, ongoing optimization in fields such as inventory management, sales force and profitability enhancement is taking place. The typical evolution of EBITDA over time is shown for each clinic in GSMN portfolio in the accompanying figure. The investment phase usually sees EBITDA shrinking before turning to the upside and growing exponentially.

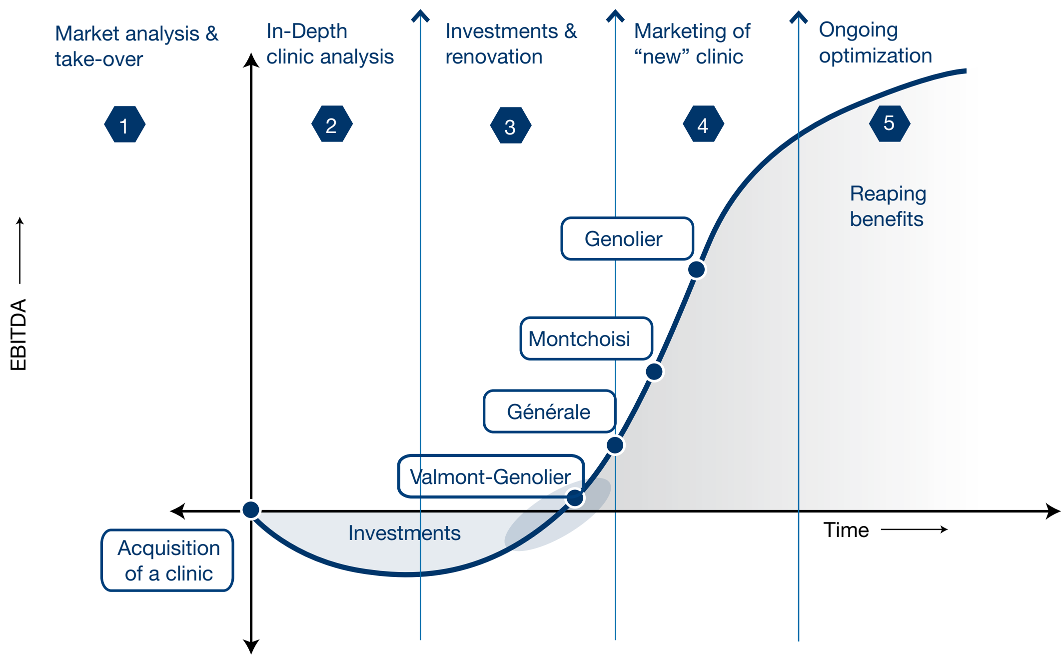


Figure 4: GSMN's buy – invest – reap strategy

3.6 Ready for Take Off

- Revenues in all hospitals growing steadily
- Ongoing cost cutting programs
- EBITDA margin is expected to turn sharply higher
- Net profit will increase strongly

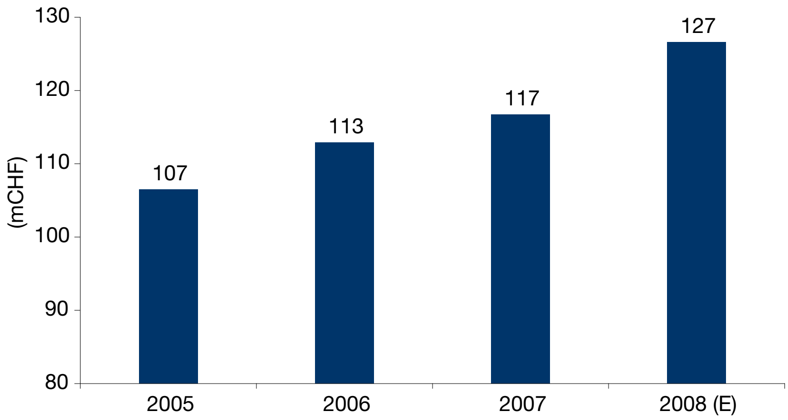


Figure 5: Gross revenue trends

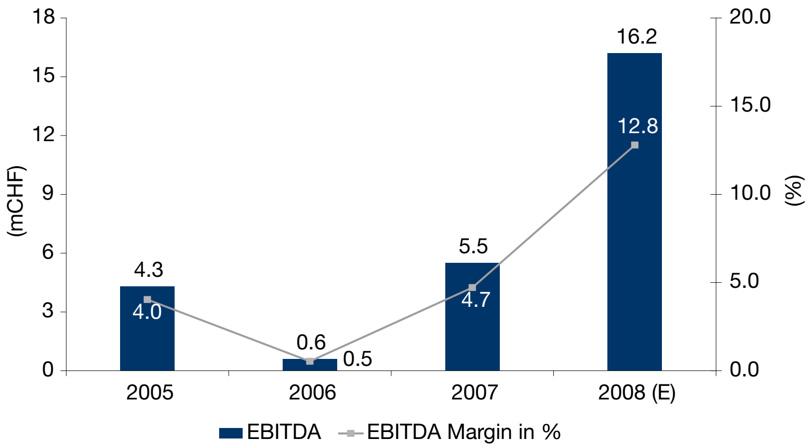


Figure 6: EBITDA and EBITDA margin trends

Summary of the investment case

- Management team with relevant experience and entrepreneurial approach
- Attractive market with high barriers to entry
- Proven business model that leads to above average growth rates
- Asset lean (= less exposed to financing needs)
- Strong reputation

4 SWISS HEALTHCARE MARKET

4.1 Market Size and Growth

Healthcare is one of the most attractive markets in Switzerland as evident from the fact that the per capita spend on healthcare in Switzerland is amongst the highest in the world. In 2006, the size of the Swiss healthcare market was estimated to be worth approximately 53.1 bCHF representing 11.3%[1] of the overall Swiss GDP. Based on a population of about 7.5 million[2] in 2006, per capita healthcare spend in Switzerland was approximately 7,100 CHF per annum and has grown at a CAGR of 3.7%[3] during 2000–2006.

Amongst developed countries, Switzerland is ranked second in the world after the US in terms of the healthcare spend as % of GDP. Healthcare spends as a % of GDP, for the leading OECD countries, is shown in the following chart. GSMN currently operates in Switzerland and plans to grow in France and Germany which are also leading countries in terms of healthcare spend as % of GDP. In those markets, GSMN is largely targeting the slice of private spend. The following chart provides healthcare spend as % of GDP for leading OECD countries.

1 OECD
2 UN Statistics
3 OECD

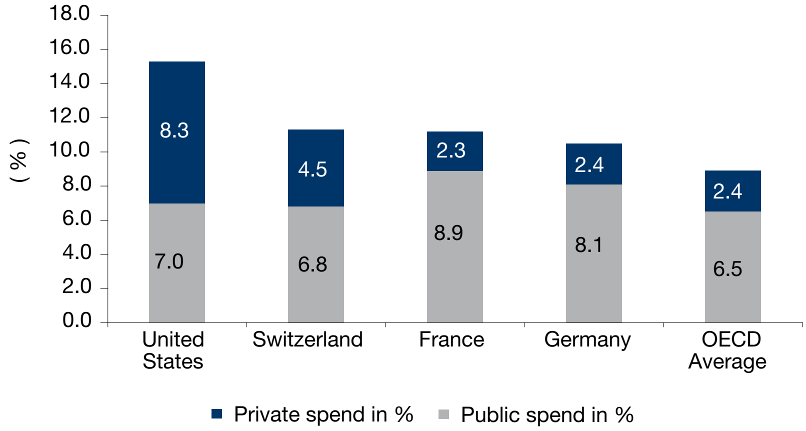


Figure 7: Healthcare spend as % of GDP (2006)

Source: OECD

The healthcare spend in Switzerland is increasing in real-terms[4] as seen in the following chart.

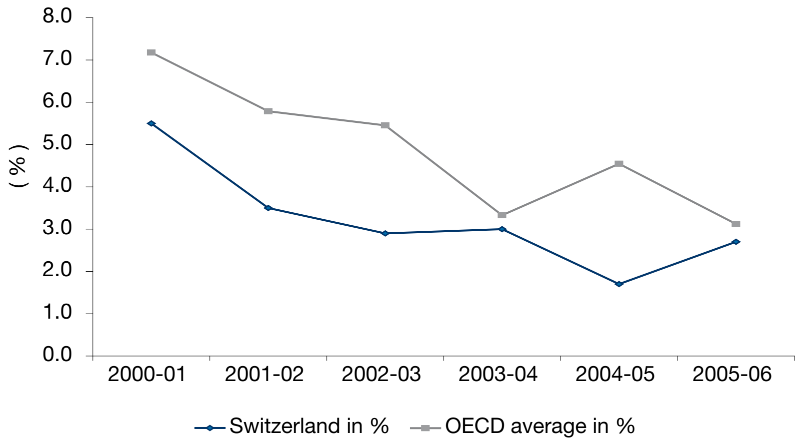


Figure 8: Healthcare spend – Real growth rates

Source: OECD

In 2005, the healthcare spend in Switzerland exceeded 52.9 bCHF, out of which 57% (30.1 bCHF) was spent on basic curative and rehabilitative services followed by 20% on long term care, 13% on medical goods and 10% on other services.

Out of 30.1 bCHF spent on basic curative and rehabilitative services in Switzerland, 49% was spent on inpatient services while 48% was spent on outpatient service and 3% was spent on other services. The following chart provides the distribution of basic curative and rehabilitative spend by type of services, inpatient and outpatient, for Switzerland, Germany and France.

4 Adjusted for inflation

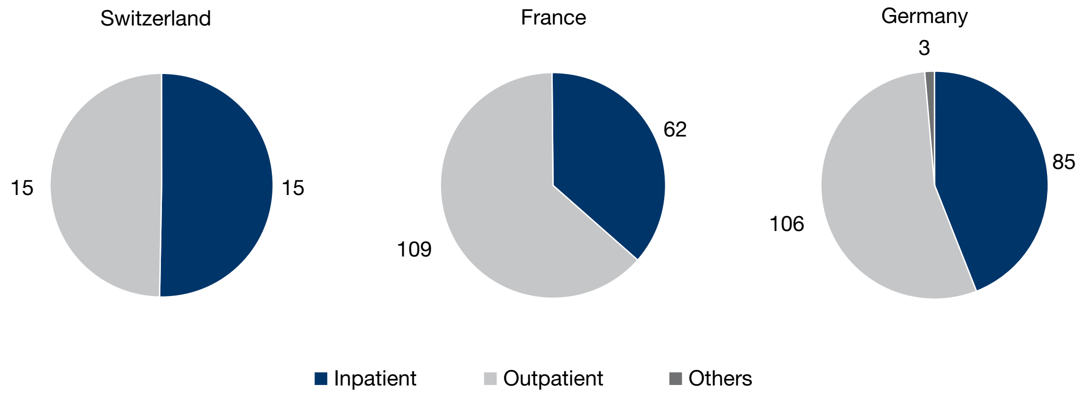


Figure 9: Break-up of curative and rehabilitative spend (in bCHF) by type of services

Source: OECD

4.2 Market Structure

In Switzerland, healthcare is provided by public hospitals, university hospitals and private hospitals. The responsibility of managing public hospitals is with the 26 cantons, which are also responsible for planning, setting targets, as well as funding capital investments and any operating deficits. Federal government is responsible for providing social insurance which contributes to accident insurance.
The private hospital sector in Switzerland is fragmented with few large hospitals and a large number of small hospitals. The private hospitals compete against both other private hospitals and public hospitals primarily on quality of service rather than access.

With limited waiting lists in the public hospitals, the reputation of doctor and the hospital in which the doctor operates are critical success factors for private hospitals such as GSMN. Private hospitals are keenly aware that the choice of physicians and physician continuity is a key determinant for the selection of a hospital by patients, and therefore seek to recruit the best physicians.

Private hospitals such as GSMN, attract top physicians by providing both monetary and non-monetary incentives such as

- Physicians practicing exclusively in private hospitals working with patients with supplementary insurance can typically earn four to five times the amount they might earn in the public sector
- Non-monetary benefits include, access to improved technology provided by well-capitalized hospitals, better working environment and lack of politics which is prevalent in public hospitals

4.3 Healthcare Market Drivers

4.3.1. Demand drivers

Demand for healthcare is growing in Switzerland, as well as in Western Europe, driven largely by demographic and social reasons. The healthcare spend is expected to increase due to ageing population, increasing level of disposable income, socio-economic factors, technological advances making new medical treatments available and growth in healthcare tourism.

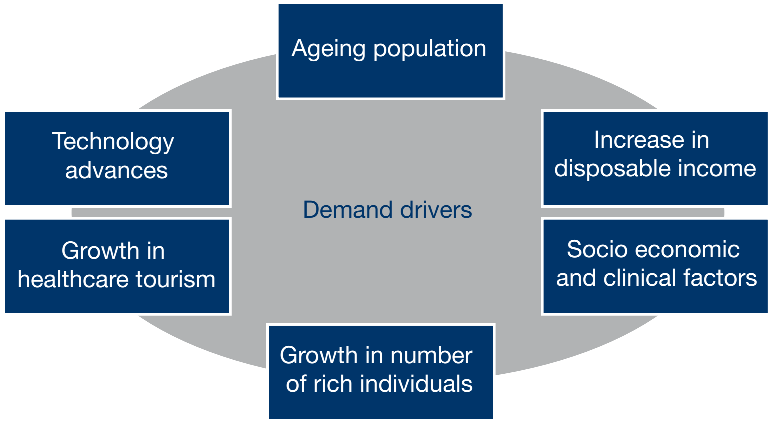


Figure 10: Demand drivers for healthcare services

1) Ageing population

As in many Western European nations, Swiss longevity is increasing and the number of older individuals is now an increasingly large proportion of the population. Older patients require more complex medical care which is normally highly profitable. The Swiss demographic profile is a strong indicator for the continuing demand for highly profitable complex medical procedures and the penetration of supplementary insurance. With 16.2% of the Swiss population over 65 years old, there is a strong pool of demand from older patients with high income or high net worth and definite medical needs. Following charts provides Swiss population, its growth rates and distribution by age group.

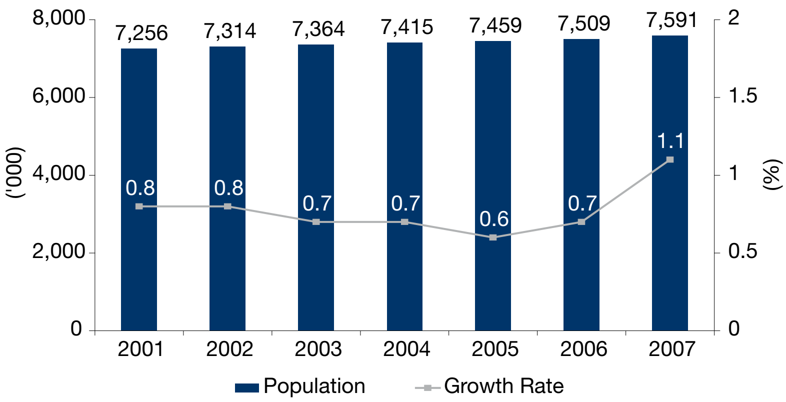


Figure 11: Swiss population and growth rates

Source: Federal Statistical Office (FSO)

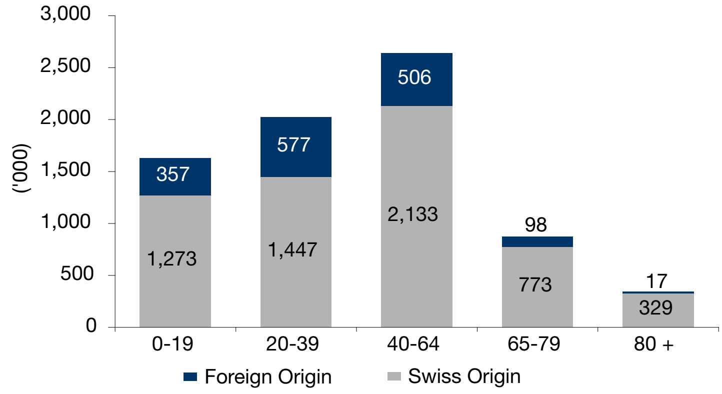


Figure 12: Swiss population by age group and nationality (2006)

Source: Federal Statistical Office (FSO)

Life Expectancy

Less child births and increased life expectancy have led to a progressive ageing trend in Switzerland. The following chart shows the increase in life expectancy since 1960 which combined with low child birth rate has led to an increasing number of older individuals who require complex medical needs.

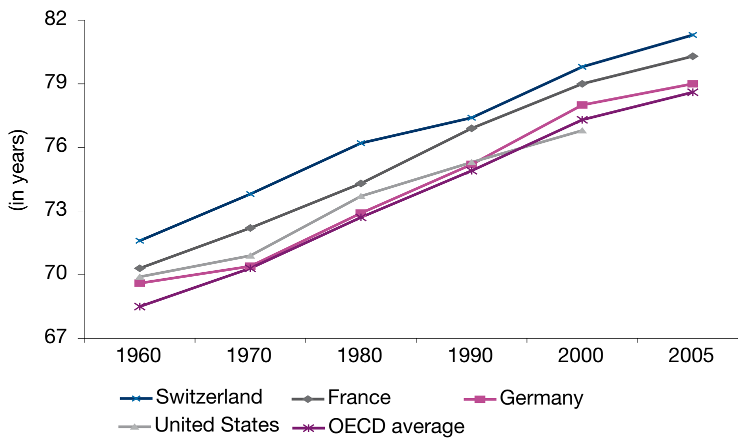


Figure 13: Life expectancy in selected OECD countries (1960–2005)

Source: OECD

The average life expectancy for OECD countries has increased from 68.5 years to 78.6 years during 1960–2005 and 71.6 years to 81.3 years for Switzerland during the same period[5]. The trends are similar to those noted in France, Germany and even the US.

The Swiss population is old relative to the OECD average. In 2005, the proportion of the population aged over 65 years old was 16.2% compared with the OECD average of 14.7%. Switzerland has the fourth highest life expectancy in the OECD for men and the third highest for women. Since 1950, the number of over 65 year olds has more than doubled and the number of people aged over 80 years old has quadrupled. The dependency ratio, which measures the ratio of those 65 years old or older to those aged 19–64, is also forecasted to increase from 48.5% to 80% during 2005–2050[6].

5 OECD
6 OECD

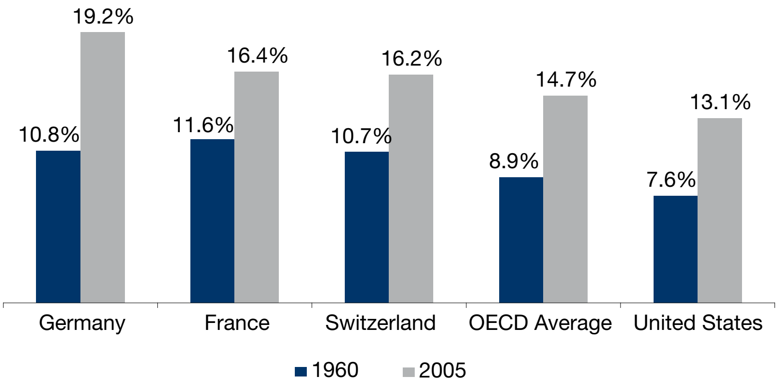


Figure 14: Share of population aged 65 and over (1960 and 2005)

Source: OECD

Increased disability and dependence with age

An ageing population is likely to lead to continued increase in the use of healthcare facilities as spend per capita on healthcare generally increases with age, especially for age related procedures such as orthopedics and cardiology.

2) Increasing level of disposable income

Switzerland is one of the wealthiest countries in the world, with nominal value of GDP per capita of more than 50,000 USD[7] in 2006. In terms of PPP, the GDP per capita of Switzerland was more than 37,700 USD[8] in 2006, which is over 20% above the OECD average. The GDP per capita for Switzerland, in terms of PPP, has grown at a CAGR of 3.3% during 2001–2006.

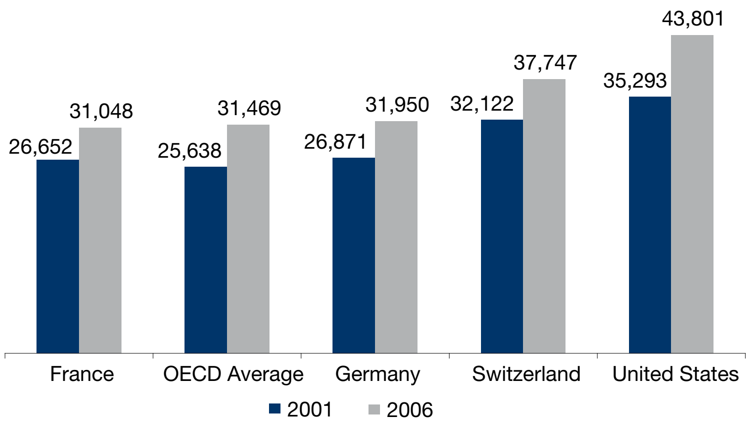


Figure 15: GDP per capita in US dollars, current prices and PPPs

Source: OECD

7 United Nation statistics

8 OECD

The real GDP of Switzerland has grown at a CAGR of 2.9%[9] during 2004–2007. Due to recent financial crisis in the global market, short-term real growth rate of Swiss economy has been revised and adjusted at 1.9%[10] for the period 2008–2009. However, in the long-term, Swiss economy is expected to register a modest growth rate. The nominal and real GDP of Switzerland is forecasted to grow at a CAGR of 4.8%[11] and 2.2%[12] respectively during 2007–2030. Following table provides historical and forecasted growth GDP rates for selected countries.

Historical and forecasted GDP growth rates for selected countries

Country	Real GDP growth rate (CAGR 2004–2007)	Real GDP growth rate forecast (CAGR 2008–2009)
Switzerland	2.9%	1.9%
France	2.2%	1.5%
Germany	1.9%	1.7%
United States	2.8%	1.6%

Figure 16: Historical and forecasted GDP growth rates for selected countries

Source: Bloomberg

3) Socio-economic and clinical factors

A number of socio-economic factors are likely to boost the demand for acute healthcare in Switzerland.

Desire for improved quality of life

Individuals are seeking to remain active in their old age. Developments in orthopedic and cardiovascular surgery help support this with advances in medical technology. Surgery to improve quality of life can now be sought any time with low clinical risks. For example, the number of hip replacement operations in Switzerland increased by 11% during 2003–2005. Similarly, the number of knee operations increased by 24% over the same period. Once a patient undergoes this kind of a procedure, usually conducted and paid for privately, the probability of repeating the procedure increases[13].

Increased obesity and related conditions

Due to poor diet and low level of physical activity, the incidence of obesity (severe condition of overweight) and related conditions, such as diabetes, is increasing. For example, the proportion of overweight individuals with age equal to or more than 15 years increased from 24.9% in 1992 to 29.4% in 2002. Similarly, the proportion of obese individuals within similar age profile increased from 5.4% to 7.7% during the same period. Analysis reveals that the number of overweight children tripled and number of obese children increased by six fold during 1986–2006. Obesity is likely to cause heart disease and other conditions that will drive the growth of acute healthcare market.

9 UBS, Bloomberg
10 Bloomberg
11 OECD, Swiss Federal Statistics Office
12 European Commission
13 OECD and UN Statistics

Overweight population aged 15 or more as percentage of population aged 15 and above

Country	Past data (year)	Recent data (year)	CAGR
Switzerland	24.9 (1992)	29.4 (2002)	1.7%
Germany	36.2 (1999)	36.0 (2005)	–0.1%
France	23.9 (1990)	25.1 (2004)	0.4%
United States	32.7 (1991)	34.1 (2004)	0.3%

Figure 17: Overweight population aged 15 or more as percentage of population aged 15 and above

Source: OECD

Obese population aged 15 or more as percentage of population aged 15 and above

Country	Past data (year)	Recent data (year)	CAGR
Switzerland	5.4 (1992)	7.7 (2002)	3.6%
Germany	11.5 (1999)	13.6 (2005)	2.8%
France	5.8 (1990)	9.5 (2004)	3.6%
United States	23.3 (1991)	32.2 (2004)	2.5%

Figure 18: Obese population aged 15 or more as percentage of population aged 15 and above

Source: OECD

4) Technology advances

Technological advances are now making new treatments possible for patients that were previously not available, or making existing treatments safer and more effective, thereby increasing the size of the market. The technology advances include diagnostic imaging techniques, such as MRI, CT and PET scans, and keyhole surgeries. Patients in their 80s and 90s can now undergo cardiac catheterization to address conditions previously only treatable through open heart surgery. Technological advances in diagnostic testing have also tended to help doctors identify medical problems that were previously not detectable, leading to acute surgery, again increasing the size of the market.

Newer technologies also initially tend to increase the cost of procedures due to the development costs associated with the technology and the trend towards increasing treatment complexity. Both factors continue to drive growth in the value of medical treatments.

While technology advances do lead to the benefits above, the counter effect can be a reduction in average length of stay (AVLOS) and re-admission rates. For hospitals operating at high occupancy levels, reduced AVLOS can actually be beneficial, leading to increasing operating theatre utilization, driving operating leverage and helping to improve profitability.

5) Growth in healthcare tourism

Healthcare tourism refers to patients travelling abroad in order to obtain health services. The motive for going abroad ranges from receiving higher quality, lower cost, or faster treatments as well as receiving services which are unavailable in home countries.

The estimated gross value of global medical tourism market was 60 bUSD in 2006 and is increasing at a CAGR of 20%[14]. The growth in this sector is driven by a combination of two factors: increased healthcare costs in countries such as the US and unavailability of sophisticated healthcare systems in the newly rich countries in Middle East and Eastern Europe.

European Union (EU) has tipped healthcare tourism to be a lucrative industry for Europe with the dominant market operators cited as being Switzerland and Germany and the targeted consumers cited as wealthy individuals from the Middle East and Eastern Europe.

The healthcare tourism market in Switzerland is increasing. The revenues from healthcare tourism and education in Switzerland increased at a CAGR of 5.4% from 1.7 bCHF in 2003 to 2.1 bCHF in 2007[15].

Switzerland is well-positioned to capture a niche segment of patients, mainly HNWIs, due to the following factors:

- No waiting list in the Swiss hospitals
- High quality of healthcare services, mainly provided by private hospitals in Switzerland
- Cost benefits with respect to other specialized healthcare service providers such as the US

6) Growth in number of rich individuals

One of the main customer segments of GSMN are rich individuals who can afford premium healthcare services. The number of rich individuals and their cumulative value of wealth are increasing. For example, the number of HNWI (who are defined as individual having minimum one mUSD worth of financial assets) has grown from 9.5 million to 10.1 million at an annual rate of 6.0% during 2007. HNWI financial wealth, currently at 40.7 tUSD, is projected to grow at a CAGR of 7.7% to reach 59.1 tUSD by 2012. Following chart provides trends in number of HNWIs by region[16].

14 Lancet
15 Swiss Tourism Federation
16 World Wealth Report 2008

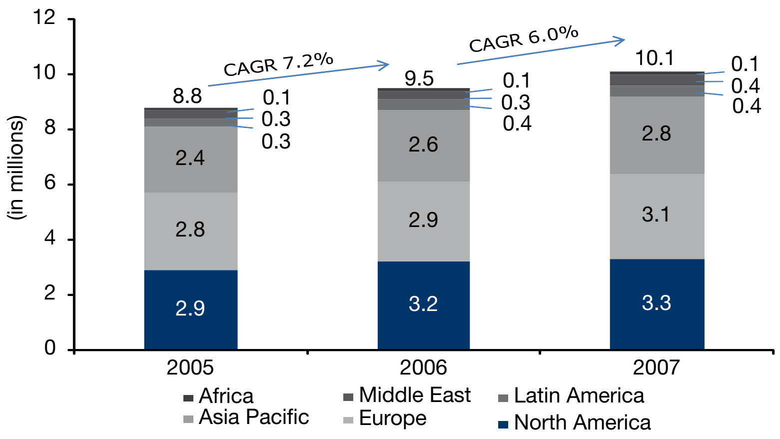


Figure 19: HNWI population by region

Source: World Wealth Report 2008

4.3.2. Decrease in Supply

For general treatments, there are no waiting lists in public hospitals in Switzerland. However, waiting lists exist for the complex treatments which require advanced equipments. These fields, such as nuclear radiology, are targeted by well-capitalized private hospitals who continue making investments.

The number of hospitals and clinics decreased from 407 in 1997 to 333 in 2006 which resulted into a decrease in the supply of beds. This is mainly due to

- Trends in reducing AVLOS
- Technological advances requiring high level of capital spend
- Cost containment efforts in public sector
- Smaller private clinics going out of the business

The following chart provides AVLOS in Swiss, German, and French hospitals in 1990 and 2005.

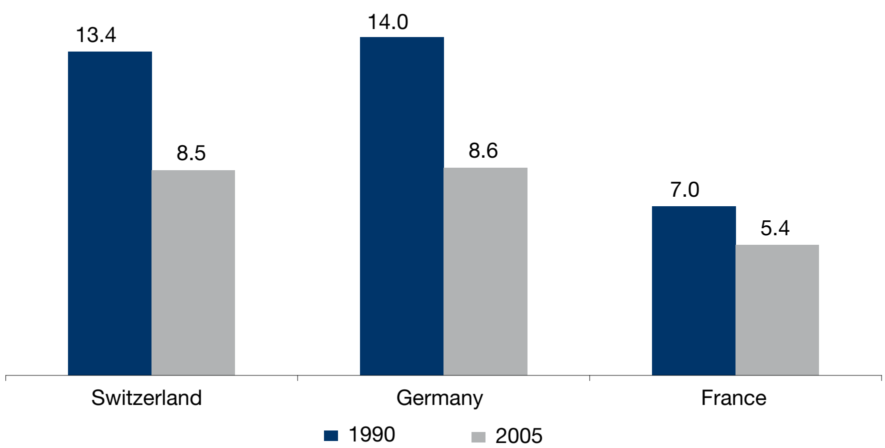


Figure 20: AVLOS in hospitals for acture care treatment (in days)

Source: OECD

4.4 Non-Cyclical Nature of the Market

The Swiss healthcare market is a non-cyclical market and is continuously growing since 1995. Following chart provides per-capita healthcare expenditure in the Swiss healthcare market from 1995 to 2005.

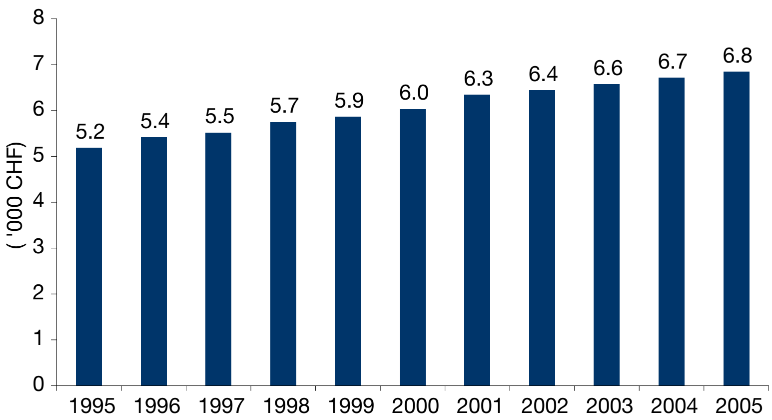


Figure 21: Healthcare expenditure per capita in Switzerland

Source: OECD

The market has grown consistently during 1995–2005 confirming the non-cyclical nature of the market.

4.5 Overview of Healthcare Financing and the Swiss Insurance System

The healthcare spend is financed mainly by individuals with basic insurance and supplementary insurance, by governments who are responsible for emergency services and access to healthcare for every citizen, and by individuals who pay for private procedures which are not covered by insurance. These individuals also include people coming for healthcare tourism. The following diagram provides a broad classification of Swiss healthcare industry.

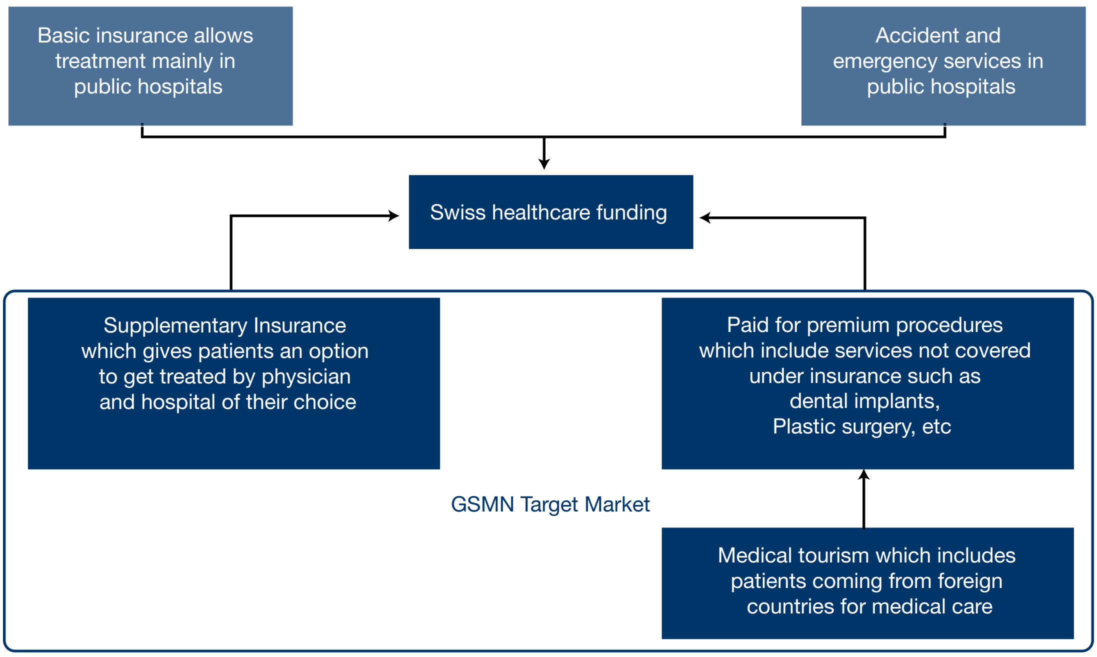


Figure 22: GSMN target market

Basic insurance is offered by both public and private insurance companies and covers basic and life threatening illnesses and provides the patients with a fixed list of options of hospitals in his canton of residence. Supplementary insurance is offered by private insurance companies and offers the patients flexibility in the choice of cantons, hospitals and even physicians. The federal government provides the accidental and emergency services. Private procedures such as dental implants and plastic surgery etc., also considered as premium services, are paid for by the patients directly.

The public spending (which is sum of contributions from government and basic insurance) contributed to 60% of total Swiss healthcare spend in 2005 while supplementary insurance and payments for private procedures contributed to 9% and 31% respectively. Supplementary insurance and payments for private procedures for Switzerland, Germany and France, in 2005, were 21 bCHF, 60 bCHF and 167 bCHF respectively. The following chart provides sources of healthcare financing in Switzerland and some other countries.

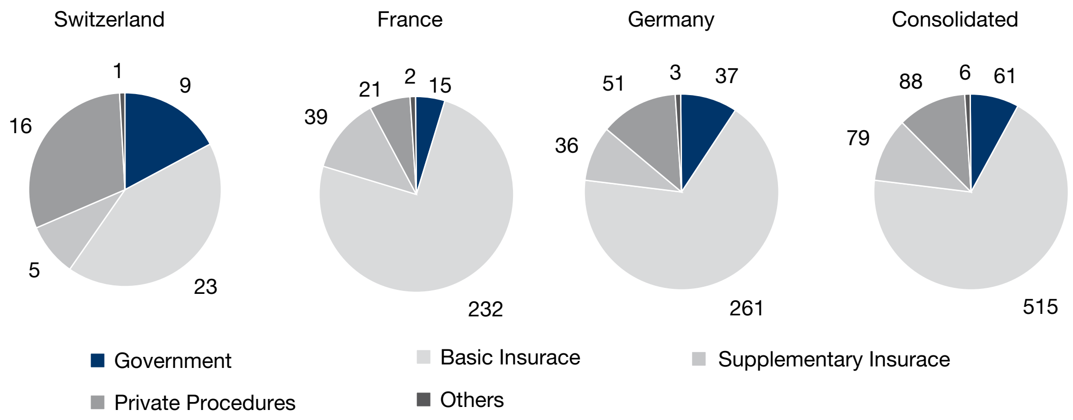


Figure 23: Sources of finance and their contribution (in bCHF, 2005)
Source: OECD

GSMN's main focus is to capture the supplementary insurance and private procedures segments in these countries. In 2005, the consolidated value of these segments was 167 bCHF in 2005.

4.5.1. Insurance providers

The Swiss medical insurance market consisted of 85 recognized insurers in 2005, with the largest five insurers making up roughly 50% of the supplementary insurance market in 2004. Due to fragmented nature of insurance market, the negotiating power of Swiss insurers is very low as compared to that in some other European countries, such as the UK.

The Swiss medical insurance market is witnessing consolidation, but the pace of consolidation is slow. The fragmentation in the insurance market has been cited as one of the possible causes for continual increase in healthcare costs in Switzerland. However, in a recent referendum held to determining whether the Swiss citizens would support a move towards mandated consolidation, the proposal was soundly defeated, reaffirming the traditional Swiss support for choice.

4.5.2. Introduction of new insurance law (KVG) in 1996

There was no mandatory healthcare insurance before 1996 and the private insurance providers charged premiums on the basis of risk profile of individuals. As in any market, the young and healthy individuals enjoyed lower premiums whereas the old and ill individuals had to pay higher premiums based on their high-risk profile. With the rise in insurance premiums, increase in the ageing population, the low income individuals were not able to afford themselves a health insurance.

A new law Krankenversicherungsgesetz (KVG) designed to secure access to appropriate care for everyone was approved in a referendum in 1994 and came into force in 1996.

4.5.3. Mechanics of the new insurance system

Basic insurance

Under KVG, basic insurance is made mandatory for every citizen of Switzerland. The premiums for basic insurance are shared by the entire community independent of age, gender and risk profile of individuals. Thus, for any given insurer the premium is same for each and every person and is independent of risk profile of the individual. Additionally, an insurer can't deny insuring any person depending upon his or her risk profile. The premiums are also independent of the income level of the policy holders; however premium payments are subsidized for lower income individuals. In most cantons, some of these subsidies, for lower income individuals, are paid for by the canton to the insurer.

Each canton has defined a list of hospitals where an individual can seek the medical services with basic insurance. Inpatient coverage comprises only services provided on general wards in hospitals defined on the respective canton's list. However, in case of emergencies, coverage can also extend to hospitals in other cantons subject to approval by the canton's Medical Officer.

Supplementary insurance

An individual can also buy supplementary insurance, in addition to his basic insurance, to gain wider choice of services. For example, with supplementary insurance, an individual can opt for own choice of hospital and doctor in any canton of choice.

Key features of basic and supplementary insurance

	Basic	Supplementary
Mandatory by law	Yes	No
Choice of Physicians	No	Yes
Choice of Hospitals	Limited to public hospitals in canton of residence	Yes, depends on the choice of the policy
Choice of ward or cabin	Shared room or Ward	Single or twin bed cabin
Treatment	Covers an extensive list of treatments but doesn't cover certain areas such as alternative medical treatment and a number of elective medical treatments	Depends upon the policy
Penetration	100%	27%

Figure 24: Key features of basic and supplementary insurance

The penetration of supplementary insurance depends upon the levels of employment and disposable income. For example, the wealthy cantons of Zurich, Geneva, Vaud, Zug and Basel-Stadt have a higher penetration of supplementary insurance.

4.5.4. Supplementary insurance – drives the potential market size for GSMN

Patients opt for supplementary insurance mainly due to the freedom of choice[17]. Once an individual opts for supplementary insurance, it becomes increasingly unlikely over the time that he/she will step down the level of cover as,

- Premiums are established at the time the policy is first taken out and can therefore be significantly higher should a policyholder choose another supplementary insurance scheme later in life
- The requirement of medical care increases with age

This "stickiness" helps to explain the stable penetration rates observed historically.

Key drivers of supplementary insurance demand

The main drivers for preference of supplementary insurance as compared to basic insurance are listed in the following table:

Driver	Description
Freedom of doctor's choice	• Patients with supplementary insurance have a choice of physicians and hence can use same physician throughout the lifecycle of their treatments whereas basic insurance is access-only • Patients believe that private clinics provide access to the most reputed physicians
Freedom of Hospitals choice	• Patients with limited supplementary insurance have some choice of where they are treated though likely to share a room • Patients with full supplementary insurance have complete freedom of choice and may cross cantons for treatment at a hospital of their choice. They are guaranteed a private single room
Hotel services	• Supplementary medical insurance covers many of the hotel services offered by private clinics. These services include room service, a la carte dining, internet, email, television, gym and other services that enhance the patient's experience
Advanced technology	• Private clinics invest in the latest technology which help to improve clinical outcomes and extend the number of treatment options available

Figure 25: Key drivers of supplementary insurance demand

Additionally, the relative affordability of supplementary insurance has increased as basic insurance costs are increasing at higher pace that that of supplementary insurance.

17 Swiss Private Hospitals Association

4.5.5. Pricing system for inpatient treatment

Inpatients are defined as those patients who stay for more than 24 hours. Inpatient services are split into two parts by insurers as medical therapy-related and nursing and care (hotel) related and are priced accordingly. There are two plans for inpatient tariffs:

1) **Tariff of inpatients with basic Insurance (Obligatorische Krankenpflegeversicherung – Compulsory Care Insurance):** OKP applies to inpatient treatment of patients with basic insurance. OKP depends on the canton in and the location of the hospital. In most cantons, rates are calculated on the basis of daily rates approved by the canton reflecting the costs incurred by the hospital. In locations such as Berne, OKP is a DRG (diagnosis related group) based system that prices around 100 key treatments on a package basis, while in locations such as Aargau, the tariff structure combines a daily rate with a DRG-system.

2) **Tariff of inpatients with supplementary insurance:** For patients with supplementary insurance, there are three services characterized by distinct and negotiated tariffs:
   a) Surgical interventions, including operating theatre and ICU utilization are charged in time increments
   b) Supplies are charged at cost plus a margin and
   c) Room and nursing are charged at a daily rate.

Differential rates apply depending on the category of supplementary insurance held by the patient.
Many patients have different providers for their basic and supplementary insurance cover. Hence, their invoice is usually split into two elements, the cost covered by the basic insurance and the supplement calculated by application of the tariffs described above.

The nursing and care (hotel) costs of the tariff are usually the focus of negotiations between the insurers and the hospitals, which take place every two or three years, or more regularly in specific cases. If cost increases come through (for example as a function of nursing pay settlements), these can typically be passed through to insurers with a three to six months delay.

4.5.6. Pricing system for outpatient treatment

A new national outpatient pricing system TARMED (Tarif Médical), which applies to all cantons and independent of the type of insurance cover, was introduced in January 2004. TARMED was introduced following a review of outpatient cost development over the last 15 years; the purpose of the new system was to facilitate greater cost transparency and comparability across cantons. It was intended to be cost neutral compared to previous system.

The tariff applies to 4,700 outpatient procedures/ services and sets a fixed number of points per treatment.

4.5.7. Recent trends in Swiss insurance and healthcare costs

The healthcare cost in Switzerland is increasing and is expected to rise by almost 5% mainly due to the rise in hospital services cost by 8.8%. According to KOF Swiss Economic Institute, the healthcare expenditure will exceed 60 bCHF by 2009. The economists expect an increase of 4% and 4.2% of the costs in the healthcare sector in 2008 and 2009, respectively.

The rise in healthcare costs will put pressure on Swiss insurance companies and it is expected that the premiums will rise by 2.2% in a year. Following chart provides average insurance premiums, including basic and supplementary, from 1997–2006.

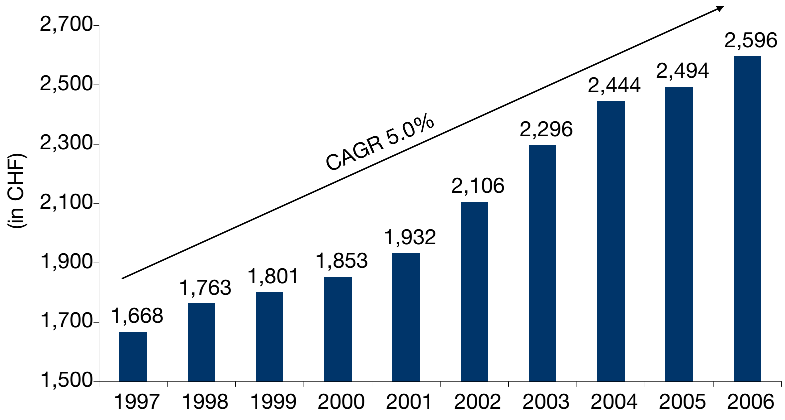


Figure 26: Average annual premium per insured person

Source: Bundesamt für Gesundheit (BAG)

5 COMPANY OVERVIEW AND MANAGEMENT

5.1 GSMN in Brief

GSMN is the leading hospital network in the French speaking region of Switzerland. GSMN is highly reputed for its quality treatment and high level of hospitality provided in its hospitals. Presently, its portfolio consists of four private hospitals and one hospital under management with a combined total of 338 available beds. Some of the key figures for 2007:

Key Figures (2007)

Number of Admissions	41,554
Number of Doctors	275
Operations	7,300
Number of full time employees	527
Revenue	CHF 117 m
Revenue YoY growth	4.5%

Figure 27: GSMN key figures

5.2 Strategy Summary

The specific themes underlying GSMN's strategic roadmap so far have been explained in the section "SUMMARY OF GSMN'S 'STRATEGIC THEMES' AND THE 'EQUITY STORY" (Chapter 3). In brief:

- Acquire Swiss and European hospitals with a potential for cost and process optimization, renovate them into a high quality and luxury hospital, optimize their performance, use brand image and other tools to market the services;
- Increase the profitability by focusing on niche services, such as non-reimbursed treatments and complex medical treatments, and target customers such as HNWIs, foreign patients, patients with supplementary insurance etc.

- Expand leadership in the healthcare tourism segment. GSMN, especially with its Genolier clinic, has already a very notable footstep in this segment and profits from a strong brand name. Super-VIPs and their entourage from the Middle East are often checking in at Genolier. Marketing measures will be intensified to attract even more such high caliber clients. GSMN shall be positioned around the world as the first healthcare destination in Switzerland.
- GSMN plans to become a major player in Switzerland and intends to play a significant role in the ongoing consolidation process in the Swiss and European hospital market.

5.3 Business Model

GSMN follows an innovative 'invest and reap' model in which it acquires, renovates and optimizes operational performance of premium hospitals. The acquisition and renovation requires a relatively large investment upfront to reap long term benefits in terms of increasing revenues and margins.

The operating costs-optimization by GSMN is based on following:

- As a group of hospitals, GSMN has stronger bargaining power and can better negotiate with its suppliers
- GSMN can optimize inventory management within the group
- GSMN can also optimize employees' utilization by temporary relocation within the group
- Focus on profitable activities only

Expansion will be achieved through further acquisition of hospitals in Switzerland and other European countries as well as internal growth.

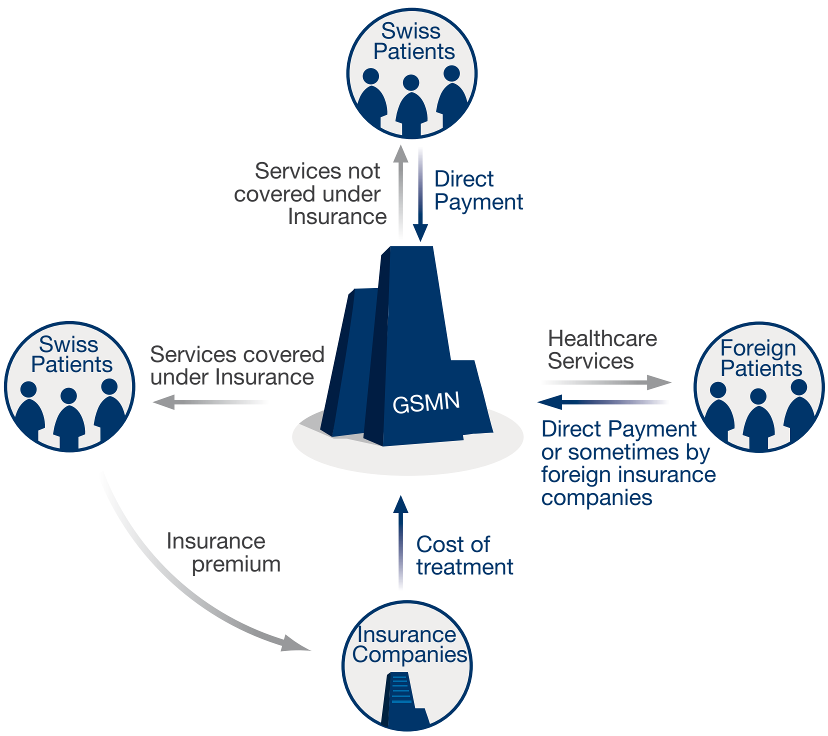


Figure 28: Revenue model for GSMN

Revenue drivers

Driver	GSMN current approach	Plans
More regional and foreign wealthy clients	Renovate hospitals to convert them in luxury hospitals and provide high-quality services Collaborate with foreign insurance companies and organize high level information activities, e.g. in embassies, to attract more foreign patients	Further acquire hospitals in Switzerland and other European countries Increase the collaboration with foreign insurance companies
Increasing number of patients with non-reimbursed treatments in the customer mix	Offer elective medical procedures which are not covered under insurance	Increase the portfolio of such treatments
Presence of reputed doctors	Recruit and retail top-level doctors by providing them congenial working environment, access to latest technologies and one of the best monetary incentives	Attract and retain the doctors
Number of hospitals and beds	Renovating and optimization of acquired hospitals	Acquisition of more hospitals in Switzerland and other European countries
Reimbursement by Insurance companies	Negotiate with insurance companies to get higher prices for treatments of patients with supplementary insurance	Group with other hospitals to further strengthen the bargaining power

Figure 29: GSMN revenue drivers

Cost drivers

Driver	GSMN current approach	Plans
Rising prices of hospital supplies	Bargain with suppliers as a group of hospitals	Grouping with other hospitals to increasing its bargaining power
Operations & maintenance costs	Optimize the operations with its management having cost optimization expertise	Further increase the inventory management efficiency and employees utilization
Finance costs	Keep debt at low level	Keep debt at low level and increase the capital base through equity offerings

Figure 30: GSMN cost drivers

Scaling drivers

Driver	GSMN current approach	Plans
Increasing pressure for consolidation in Swiss private hospital market	Acquire additional hospitals and optimize their performance	Acquire more hospitals in other regions
Volume of funds to invest	Current equity base of 114 mCHF	Utilize the access to capital market as a listed company. Financial structure to provide high returns to equity holders while protecting interest of debt providers.

Figure 31: GSMN scaling drivers

5.4 Differentiating Factors

Hospitality at new levels

GSMN offers high quality services both in terms of the quality of treatment and the level of hospitality. The hospitality levels are as high as those in luxury hotels. These services make stay of patients pleasant and increase the probability of patients' re-visit to GSMN.

Strong brand image on a global scale

Clinique de Genolier is established as a strong brand internationally and is one of the leading hospitals in Switzerland. Due to its strong brand and numerous high level marketing activities (Middle East, Russia, Americas), GSMN will be able to attract an increasing number of international patients.

Platform to attract doctors

Doctors are one of the key success factors for any private hospital. GSMN offers congenial working environment, access to latest technologies and one of the best monetary incentives to attract and retain reputed doctors. Additionally, GSMN provides the opportunity to treat "Super VIP" patients which also attracts the doctors.

Experienced management team

The management team of GSMN is highly experienced in acquiring, restructuring and operating private hospitals efficiently. The management team has been successful in acquisition of hospitals and turning them into high-class profitable hospitals.

In depth knowledge of hospital industry

GSMN has in-depth knowledge of this industry and has extensive experience of acquisition and efficient operations of the hospitals. The management continuously keeps close eyes on the regulatory environment. The company can quickly and efficiently solve problems and adapt to change in technological framework and technologies.

Scalability with profitability

GSMN has the potential to scale up quickly. The scaling up is based on the fact that the pressure for consolidation in healthcare industry is increasing in Switzerland as in other developed countries. Additionally, as a listed company, GSMN has access to capital markets.

Entrepreneurial approach

GSMN offers their doctors a platform to perform their art. This is based on up-to-date technology and facilities as well as innovative salary structures. Doctors and managers payment is partly based on the result of the clinic and/or the network as a whole. This approach not only delivers better financial results but also ensures that the most capable doctors and managers are keen to work for GSMN.

5.5 Historical Evolution of GSMN

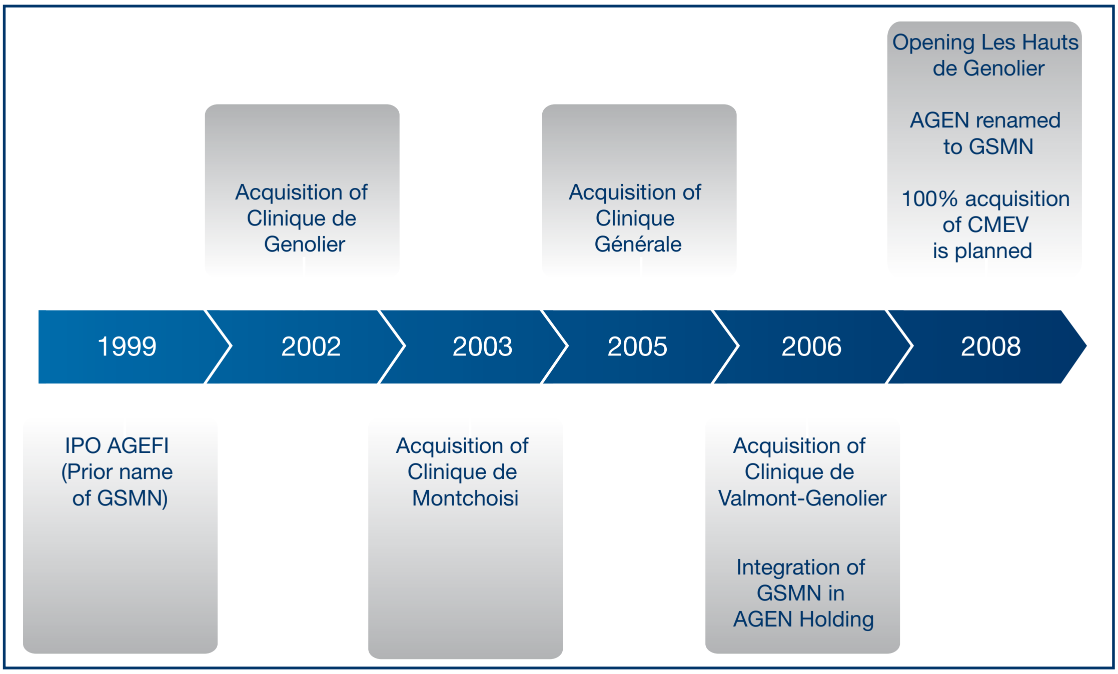
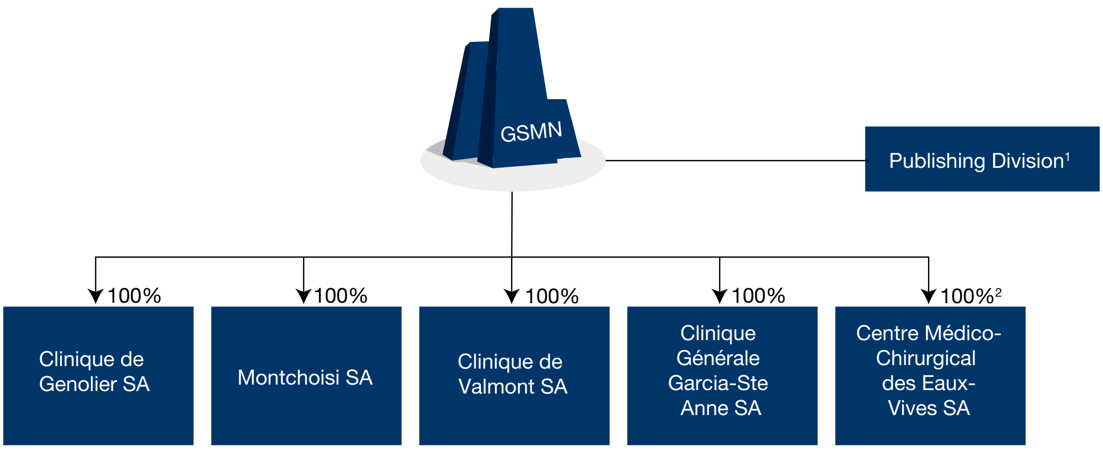


Figure 32: Historical evolution of GSMN

5.6 Group Structure



[1] The management has shifted its focus from publishing division to healthcare division and might sell the publishing division in near future.
[2] Complete acquisition by autumn 2008

Figure 33: Group structure

5.7 Introduction to GSMN Hospitals

GSMN has four hospitals in its current portfolio and a management contract with an outpatient center.

Necessary restructuring, investments and acquisitions costs weighted on the network's profit since 2005. A plan to reduce overheads, including the decentralisation of certain administrative functions has been initiated end of 2007, when unit's realignment was mostly completed. The Group continues to implement cost saving programs which should result in a reduction of the overhead costs of more than CHF 2 millions on an annual basis in 2009. The initiated efforts already begun to bear fruit in terms of EBITDA in 2008 and will lead to a significant improvement of the results as of 2009.

The management team of GSMN has been strengthened and the clinics' operations are now lead by COO Louis Martin, a versatile healthcare manager. All this should lead to further improvements of both processes and financial performance of GSMN. Overall, the network is now well positioned to profit from market opportunities and to play a leading role in the ongoing concentration process in the Swiss and European hospital market.

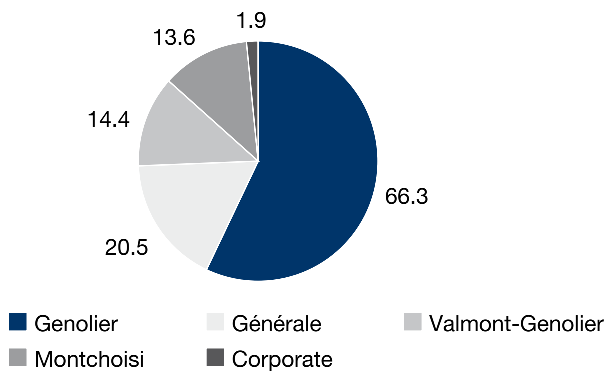


Figure 34: Distribution of revenue (2007) by hospitals

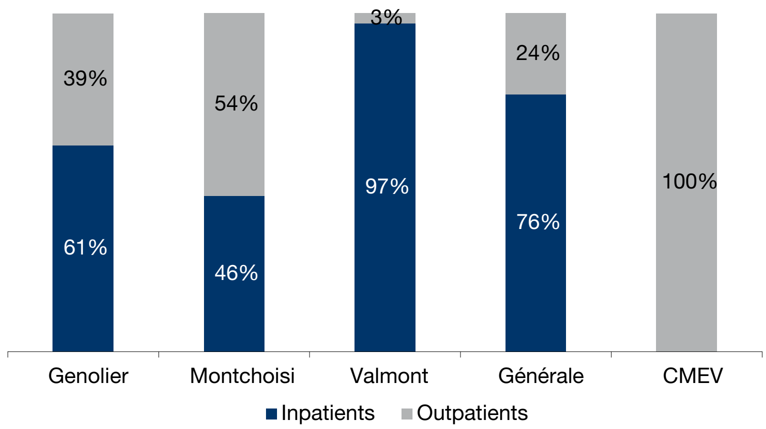


Figure 35: Distribution of revenue (2007) by type of admission

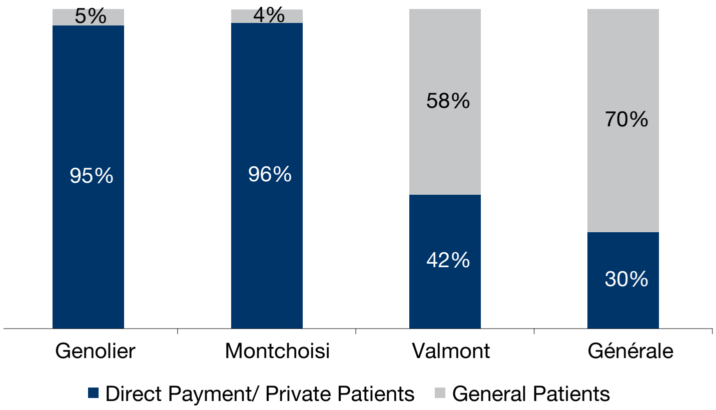


Figure 36: Customer mix for the various clinics (January ‘08–June ‘08)

Figure 37: Location map of GSMN clinics

CLINIQUE DE GENOLIER

5.7.1. Clinique de Genolier, Genolier

The flagship hospital

Clinique de Genolier is GSMN's largest hospital and has 168 available beds. Since its inception in 1970, the clinic has developed an international reputation in the field of cardiology. Today, it offers a wide range of medical services.
The radio-oncology centre, which actually was the first such therapy in Switzerland in 1995, has been completely modernized and equipped with the latest technology. It ranks among Europe's most modern facilities. Genolier is also the first clinic to offer IORT (Intra-Operative Radio Therapy) in Switzerland. Medical competencies will be further strengthened with the arrival of well-known specialist, particularly in the areas of cardiology, oncology and orthopaedic medicine.

In addition to the medical services, Clinique de Genolier has also taken advantage of its privileged location overlooking Lake Geneva to establish a part of the clinic where guests can stay in luxurious suites and rooms while still benefiting from all medical services. This is highly appreciated by wealthy clients who tend to travel with numerous family members and private staff. The Genolier brand is well established in both the Romandie and in many foreign countries, especially in the Middle East, Russia and the Americas. GSMN will further market the Genolier brand and exploit market opportunities and thereby increase the number of hospital tourists.

Restructuring success

Turnover and EBITDA of the clinic surged continuously and reflected the ongoing modernization and upgrading of the clinic as well as its high attractiveness for doctors and patients alike.
Important to note is the fact that the results of the clinic have improved in every year although the reported figures show a decreasing EBITDA in 2006 and 2007. This is due to the fact that Group costs to build-up GSMN (such as restructuring costs, acquisition costs, stock market and M&A fees) have been directly put on Genolier's profit and loss statement. Under IFRS accounting rules, such costs cannot be activated.

The positive operational trend has not been negatively affected by these Group costs. They show a clear uptrend and it is expected that growth will continue in the years to come and that margins and profits will increase over-proportionally. In general, sales growth at Genolier – Super-VIP's contribution excluded – should reach 10–15% in the next years.

Les Hauts de Genolier

Located right behind the clinic and overlooking Lake Geneva, Les Hauts de Genolier is a clinical residence (assisted living) due to open in 2009. The Clinique de Genolier will operate the luxury high-end facilities. A total of 63 spacious junior suites are offered to retirees and other tenants.

Services offered:

Multidisciplinary Oncology, Cardiology and Invasive Cardiology, General Surgery, Medicine, Gynecology, Radiology and Intensive Care as well as premium procedures which are not covered under insurance such as Health-Center, Age Prevention Center, Plastic and aesthetic surgery and refractive surgery.

Strengths and opportunities

Strengths	Opportunities
• Offers wide portfolio of medical and paramedical services and is equipped with ultra-modern facilities • Range of premium procedures which are not covered under insurance such as plastic and aesthetic surgery, refractive surgery, health-center etc. • Very high level of hospitality and care	• Further development of oncology and strengthening intensive care units • Increasing its visibility and awareness through marketing efforts • More Super-VIPs • Les Hauts de Genolier

Financial performance

Turnover in 2007 was slightly below 2006 because the number Super-VIP was much smaller. However, the clinic usually should achieve a turnover with Super-VIP's between CHF 5–10 million per year. Due to major refurbishments, EBITDA also slightly decreased and net profit was affected by acquisitions costs, which were fully paid by Genolier. Nevertheless, the overall uptrend resumes in 2008 and it is expected to reach substantial growth in terms of sales, EBITDA and net profit. Clinique de Genolier should reach a turnover of more than CHF 70 million and an EBITDA in excess of CHF 10 million in 2008. As of 2009, Les Hauts de Genolier should add more than 12 million in sales and CHF 2.5 million EBITDA per year.

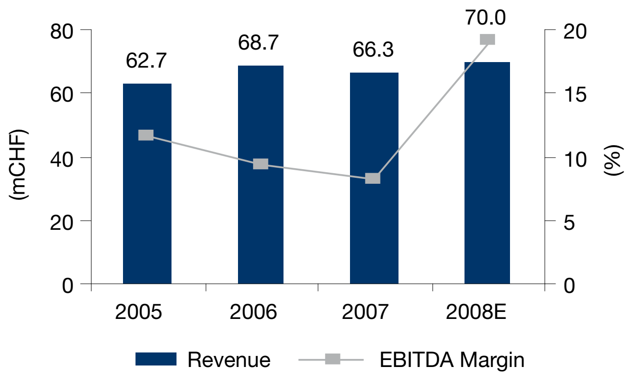


Figure 38: Revenue and EBITDA margin

CLINIQUE DE MONTCHOISI

5.7.2. Clinique de Montchoisi, Lausanne

High-end since 2007

Clinique de Montchoisi with its 21 available beds is located in the centre of the city of Lausanne. Since its inclusion in GSMN in 2004, the clinic has undergone heavy renovation and modernization works. Facilities have been closed for a month each for two prior years in order to conduct reconstruction works. Since September 2006, the facilities are fully operational again. The central location and modern, state-of-the-art equipment attract a steady flow of in and outpatients and allow it to focus on high value-added services. The top floor has been arranged and furnished to offer VIP services to a clientele of wealthy patients. These rooms offer top-notch facilities, a feeling of privacy and intimacy and views on Lake Geneva. Numerous new physicians joined the clinic since 2007. Ophthalmology (more than 2000, operations a year) and orthopeadic have been strengthened considerably and constitute the core activity for the years to come. Radiology will be developed in the near future.

Services offered: Orthopedics, Gynecology, General Surgery, Ophthalmology and Esthetics

Strengths and opportunities

Strengths

- Provides hospitalization comfort, state of-the-art operation room, premium quality care
- Successful in attracting foreign and domestic HNWI patients
- Highly reputed for gynecology as it started as a hospital for women
- Focused on high growth and high margin fields such as orthopedics and ophthalmology
- Highly specialized physicians in every field. In orthopedics, the clinic has separate specialists for knee, hip, shoulder treatments

Opportunities

- Orthopedics and ophthalmology are highly growing fields and the company is dedicated to increase its strength
- High margin fields such as neurosurgery is being developed
- High potential for the development of VIP clients (foreign as well as domestic)

Financial performance

Orthopedics and Ophthalmology are the two major segments and contribute 34% and 30% of the total revenue respectively in 2007. The modernization and the arrival of additional specialists enabled the clinic to boost sales and EBITDA since 2007. Strong growth will continue and an EBITDA margin of over 15% is targeted for the years to come.

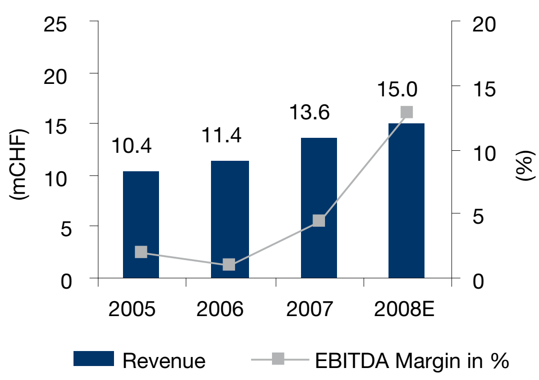


Figure 39: Revenue and EBITDA margin trend

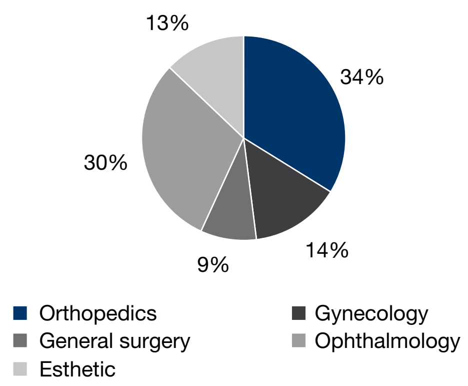


Figure 40: Distribution of revenue (2007) by type of services

CLINIQUE DE VALMONT-GENOLIER

5.7.3. Clinique de Valmont-Genolier, Glion sur Montreux

The GSMN rehabilitation centre

Clinique de Valmont-Genolier joined GSMN in 2006 and offers 85 beds today. The century old landmark clinic in a unique location above Lake Geneva has been exclusively dedicated to rehabilitation. Heavy construction, renovation and up-grading works have been done in recent years. Benefiting from the influx of patients coming from the all GSMN clinics, the occupancy rate raised substantially. And the patient mix shifted to private clients thanks to investments in the technical platform and the high-class hospitality area.

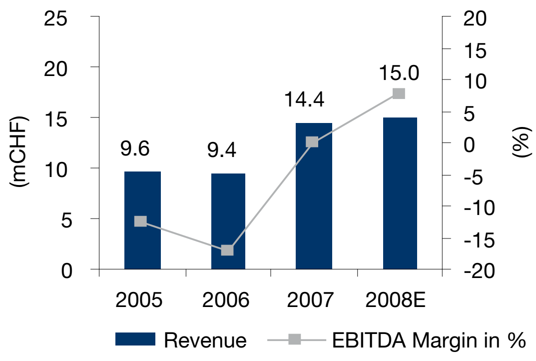
Services offered: Orthopedics, Neurology and Cardiology

Strengths and opportunities

Strengths	Opportunities
• Highly reputed and competent doctors and therapists • Established hospital with excellent image for its outstanding treatments	• Further potential in increasing the number of VIP patients and individuals with private insurance • Development of sector expertise in other areas of treatment • “Cross-selling” from other GSMN hospitals

Financial performance

Orthopedics and SNP[18] is the major segment contributing 45% of the total revenue while SNC[19], the second major segment, contributing 30% of the total revenue. Growth in 2007 was high and a positive EBITDA was reached for the first time in many years. This positive trend will continue.



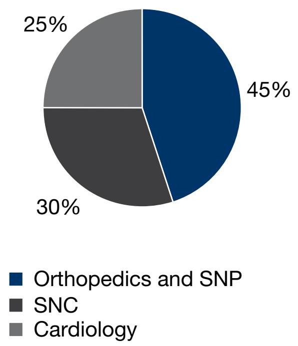


Figure 41: Revenue and EBITDA margin trend

Figure 42: Distribution of revenue (2007) by type of services

18 Système nerveux périphérique i.e. Peripheral nervous system

19 Système nerveux central or Central nervous system

CLINIQUE GÉNÉRALE

5.7.4. Clinique Générale, Fribourg

The only private hospital in Canton of Fribourg

This clinic, which has been acquired by GSMN in 2005, is the result of the merger of the activities of Clinique Garcia and Clinique Sainte-Anne in the city of Fribourg. These two private hospitals were in financial distress and Clinique Garcia bought assets in the bankruptcy of Clinique Sainte-Anne prior to be integrated in GSMN. Four state-of-the-art operating rooms, which are among the most modern in Europe and new private rooms in only one combined hospital have been set up. Totally, 64 beds are available at the clinic.

Successful turnaround

After two years of refurbishment and investment Clinique Générale is operating in brand new facilities since autumn 2007 and has become another representative example of GSMN's unique approach. Substantial financial and organizational efforts were needed to achieve today's unique positioning in the canton of Fribourg. A partial closing of the hospitals during the refurbishment and modernization phase from 2005–2007 was necessary and led to a negative impact on turnover, margins and profits. The number of available beds sunk continuously from a combined 130 beds to between 70 and 60 beds during the renovation period.

Services offered: Orthopedics, Neurosurgery, ENT[20], Gynecology, Obstetrics, General Surgery and Medicine (including oncology)

20 Ear, nose and throat

Strengths and opportunities

Strengths

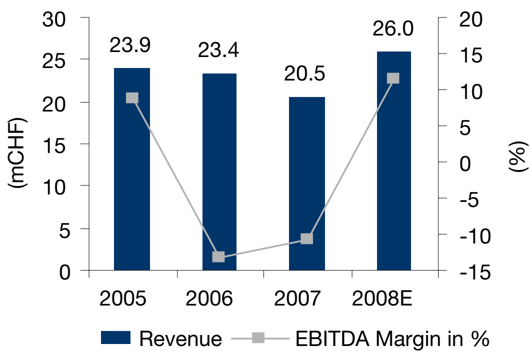
- Only neurosurgery provider in the canton
- All three gynecologist present in the canton are accredited at this hospital
- Highly specialized surgeons in orthopedics and neurosurgery
- Offers complementary services such as pain centre, sensitive rehabilitation, alimentary problems, high frequency radiations etc. which augments it core services
- One of the few providers of premium quality care with high-class facilities such as state-of-the-art operation rooms and newly built 3rd floor which is entirely dedicated to private patients
- ISO certified for quality services

Opportunities

- Strengthening its neurosurgery units by recruitment of additional doctors
- Developing oncology and ophthalmology units, which are the areas of strength of GSMN
- Other units such as Esthetics are also being developed

Financial performance

Orthopedics and neurosurgery is the biggest segment and contributes around 55% of the total revenue. In 2007, the clinic was responsible for the major part of the negative result of GSMN, because its reduced capacity due to renovations had a substantial negative impact. However, three years after it was taken over by GSMN, Clinic Générale has now a profitable operating structure.



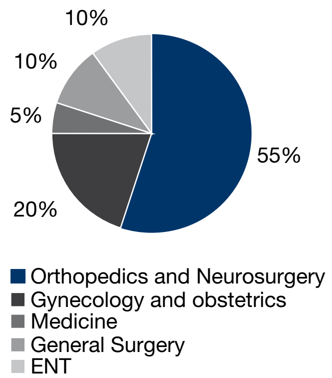


Figure 43: Revenue and EBITDA margin trend

Figure 44: Distribution of revenue (2007) by type of services

5.7.5. Management Contracts

CMEV – Centre Médico-Chirurgical des Eaux-Vives, Geneva

Located in Geneva, CMEV is a multi-disciplinary outpatient centre that opened its doors in 1955. In 2006, CMEV signed a Management contract with GSMN and became member of the GSMN network. At that time it was decided to expand the oncology activities by launching the first project of the Private Radio-Oncology Centre in Geneva. This new cancer radiotherapy centre which is for outpatient treatment opened in September 2007 and currently treats approx. 35 patients a day. In late 2007, GSMN signed a letter of intent to fully acquire CMEV. It is expected that this transaction will be completed by autumn 2008.

Services offered: General medicine, Sports medicine, Pediatrics (including neuro-pediatrics), Pneumology, Gynecology, Dermatology and others21. Services are 100% ambulatory.

Strengths and opportunities

Strengths	Opportunities
• Highly reputed and competent specialists • Small structure that enables flexibility in changing market dynamics	• Developing new activities such as gastro-enterology • Possibility of synergies between newly opened radio-oncology center in Geneva • Expand numbers of doctors in the near future; leads to additional sales

Financial performance

General medicine is the major segment contributing 44% of the total revenue while both sports medicine and pediatrics contribute 16% each. Beginning in 2009, the optimized business is expected to generate close to CHF 12 million in sales and an EBITDA of CHF 2.3 million.

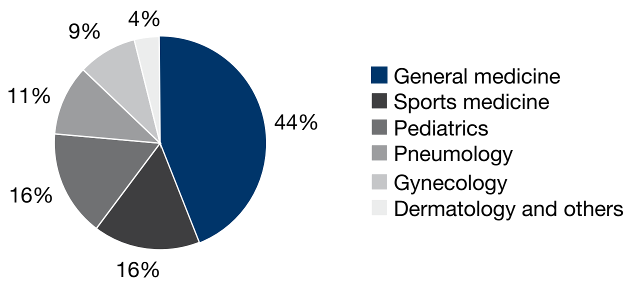


Figure 45: Distribution of revenue (2007) by type of services

21 Others include angiology, cardiology, orthopedics, oncology

5.8 Publishing Division

GSMN's strategic focus is on healthcare only. Therefore, the publishing Division, mainly consisting of L'Agefi newspaper and several magazines, is for full or partial sale. GSMN has mandated Credit Suisse to investigate potential partners.

The publishing Division is fully dedicated to the world of business and finance, mainly in the French speaking part of Switzerland (Romandie). L'Agefi, the flagship newspaper and the only Swiss daily newspaper exclusively dedicated to business, finance and markets has a circulation of approx. 7,500 copies. There is no other daily newspaper in the Romandie that offer predominantly coverage of in-depth economic and financial issues. Somehow the limited size of the Romandie market represents a kind of barrier protecting L'Agefi's leading position in this area. Nonetheless, the competition to attract advertising has become fiercer in recent years.
Other publications that belong to the Publishing Division include magazines such as 1NDICES, Evasion, L'Agefi Magazine, Swiss Finanical Year Book, Profil or XXS. All together aim to deliver cutting edge economic and financial information.

5.9 Board of Directors and Management Team

5.9.1. Board of Directors

Name	Designation
Raymond Loretan	Executive chairman
Robert Pennone	Vice-chairman and non executive member
Dr. Michael Schroeder	Non executive member
Antoine Kohler	Non executive member
Prof. Hans-Reinhard Zerkowski	Non executive member

Raymond Loretan (Age: 53, Nationality: Swiss)
Executive Chairman of the Board

Raymond Loretan holds a law degree from the University of Fribourg and a diploma in European Organizations from the University of Strasbourg. Raymond Loretan held several positions within and outside the Swiss administration for more than 20 years which include

- Diplomatic Assistant to the Secretary of State at the Federal Department of Foreign Affairs (1984–1987)
- Personal advisor to Federal Councilor Arnold Koller (1987–1990)
- Counselor for European Affairs of the Canton of Valais (1991–1992)
- Secretary general of the Swiss Christian Democratic Party (1993–1997)
- Swiss Ambassador to the Republic of Singapore and to the Sultanate of Brunei Darussalam in 1997
- Consul General of Switzerland in New York with ambassadorial ranking in 2002

He is founding associate of the consultancy firm Fasel Balet Loretan, Pully and Director of the Société Suisse des Explosifs.

Raymond Loretan joined GSMN in January 2007 and was elected Chairman of the Board during the ordinary general meeting of shareholders on June 13, 2007. Within the Group, Raymond Loretan is Chairman of Clinique de Genolier SA, Montchoisi SA, Clinique de Valmont SA, as well as in various subsidiaries of the publishing division. He is also Vice-Chairman of Clinique Générale Garcia-Ste-Anne SA, Fribourg.

Robert Pennone (Age: 64, Nationality: Swiss)
Vice-Chairman of the Board and Non-Executive Member
Robert Pennone qualified as a Swiss certified accountant in 1974 and later became a Partner with Deloitte. He joined Fiduciaire Revex, which was affiliated with the law firm Lenz & Staehelin, in 1979. In his role as Managing Director, he developed the firm and managed it to merge with Ernst & Whitney in 1987. Further to the firm's merger to become Ernst & Young, Robert Pennone became the Managing Director of Mergers & Acquisitions in Europe. In 1993 he started Pennone & Partners SA. Robert Pennone also was a co-founder of the MC Group of companies and acted as CEO of its bank, Marcuard Cook & Cie, until 2000. Robert Pennone is Co-Founder and Director of GEM Global Estate Managers SA, Vice-Chairman of Banque Bénédict Hentsch & Cie SA, Chairman of Pennone & Partners SA, Director of Compagnie Financière Tradition. He joined the Board of Directors of GSMN in 1998. Robert Pennone is also the chairman of the Nomination and Compensation Committee. Within the Group, Robert Pennone is Vice-chairman of various subsidiaries of the publishing division.

Dr. Michael Schroeder (Age: 52, Nationality: Swiss)
Non-Executive Member of the Board
Dr. Michael Schroeder holds a degree in architecture from the University of Wuppertal and a degree in medicine from the Universities of Munich and Freiburg-im-Breisgau, Germany. He holds various positions in hospitals and medical centres and is also active in the property and real estate industry. Dr. Michael Schroeder is shareholder and member of the Board of Unigerim SA, a real estate company which owns the premises of the clinics and shareholder of Bio Tissue GmbH Freiburg, a biotechnology. He is a major shareholder of Centre Médico-Chirurgical des Eaux-Vives SA (CMEV).

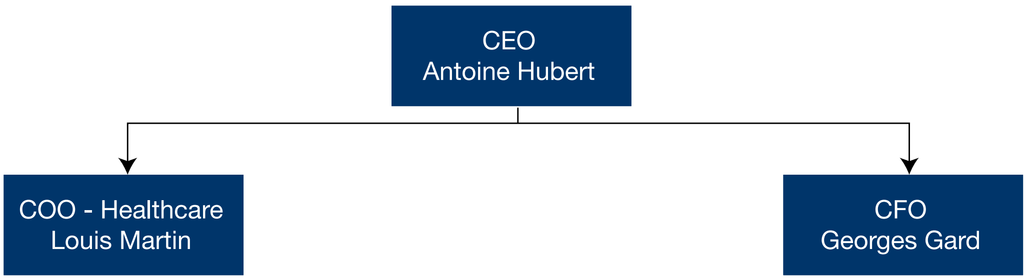
Within the group, Dr. Michael Schroeder is member of the Board of Directors of Clinique de Genolier SA, Montchoisi SA, Clinique de Valmont SA, Clinique Générale Garcia-Ste-Anne and various subsidiaries of publishing division.

Antoine Kohler (Age: 52, Nationality: Swiss)
Non-Executive Member of the Board
Antoine Kohler holds a law degree from the University of Geneva and following postgraduate studies at the Graduate Institute of International Studies, Geneva, Antoine Kohler has been practicing law as a qualified attorney in Geneva since 1983. He is a senior partner of the law firm Perréard, de Boccard, Kohler, Ador & Associés. Antoine Kohler is, amongst others, a Board member of Cicor Technologies, Boudry, COS Computer Systems AG, Baden, Mitsubishi UFJ Wealth Management Bank (Switzerland) Ltd., Geneva and Sixt AG, Sixt rent-a-car AG and Sixt Leasing AG in Basel.

Prof. Hans-Reinhard Zerkowski (Age: 54, Nationality: German)
Non-Executive Member of the Board

Prof. Hans-Reinhard Zerkowski is a doctor, scientist, manager and publicist. After obtaining his doctorate (cardiac surgery) in 1980, he became lecturer at the University of Essen (Germany) in 1989. He held positions as full professor at the Universities of Basel and Halle (Germany) and was chairman of the department of surgery of the University Hospital of Basel. He is also senior consultant for the company BioMedPartners in Basel and a medical consultant for various international consultancy companies. Professor Zerkowski is a scientific consultant for a number of companies focussing on medical technology, politics and media, a tribunal expert in Germany and Switzerland and looks back on more than 20 years of experience in management of hospitals, research groups, guideline committees, political groups, professional associations and charitable organisations. He also is a member of the Supervisory Board of Lifebridge MedTech AG in Munich.

5.9.2. Management Team



The management board was restructured in the beginning of 2008 and the key executive members, including CEO of individual clinics, are now not considered as part of senior management. Now, they report to divisional COO.

Figure 46: Management structure

Antoine Hubert (Age: 42, Nationality: Swiss)
Chief Executive Officer – GSMN

Prior to acquiring a stake in Clinique de Genolier in 2002 and founding GSMN in 2004, Antoine Hubert was mainly active in the property and real estate industry and has set up businesses and served as a director to several companies in various industries.

Antoine Hubert is member of the Board of Directors of Clinique de Genolier SA since August 2003, Genolier Swiss Medical Network since December 2005, Montchoisi SA since October 2003, Clinique de Valmont SA since January 2006 and Clinique Générale Garcia-Ste-Anne since July 2005. Antoine Hubert is also a major shareholder of Centre Médico-Chirurgical des Eaux-Vives SA. He is also shareholder and Chairman of the Board of Unigerim SA, a real estate company which owns the premises of the clinics and shareholder of Bio Tissue GmbH Freiburg, a biotechnology company. Within the Group, Antoine Hubert is Vice-Chairman of Clinique de Genolier SA, Montchoisi SA and Clinique de Valmont SA. He is member of the Board of Clinique Générale Garcia-Ste-Anne SA, Fribourg and Genolier Swiss Medical Network, Genolier.

Georges Gard (Age: 47, Nationality: Swiss and French)
Chief Financial Officer – GSMN
Georges Gard is a Swiss certified accountant and holds a degree in business administration from the University of Geneva. After serving Ernst & Young in Zurich and Geneva for eight years, he joined Pennone & Partners in 1995.

George Gard has been serving GSMN in various capacities since 1999. He served the group for initial 8 years (1999–2007) on the basis of a management contract. In July 2007, Georges Gard joined GSMN Group as a full-time employee and serving the group as Chief Financial Officer. He is the in-charge of financial consolidation of both medical and media divisions. Within the Group, Georges Gard is secretary to the Board of directors of GSMN (non member).

Louis Martin (Age: 44, Nationality: Swiss and Canadian)
Chief Operating Officer – Healthcare division
Louis Martin holds an Accounting & Finance degree (USA), an International Business Administration degree from the American College in Paris (France) and an MBA from the University of Geneva (Switzerland). He also has completed an Executive International Management Program with Stanford University (USA – Singapore).

Louis Martin has extensive experience in hospital management. He began his international healthcare career in 1987 with Humana Inc. in the USA. In 1991 he went to Geneva, Switzerland and occupied both financial and operational responsibilities with Hospital de la Tour, owned and operated by Hospital Corporation of America (HCA). In 2000, he became the General Manager of Vietnam International Hospital in Hanoi, Vietnam. In January 2003, he joined the management team of Bumrungrad Hospital International where he occupied the function of Director, Financial Operations and reported to the Group CFO and Director International Development. In early 2006, he became the Chief Financial Officer (CFO) of Bangkok Hospital Medical Center. He joined the Company in January 2008 as the COO, Healthcare Division.

Other Key Persons

Eric Frey (Age: 44, Nationality: French)
Chief Development Officer – Healthcare Division
Eric Frey joined GSMN in 2006 and served the group as Chief Operating Officer until June 2007. Starting July 2007, he is in-charge of the development projects of the group. He is also the Manager of BioTissue GmbH, a biotech company developing cell tissues. Prior to joining GSMN, Eric Frey was active in the franchising of leather furniture and has set up his own company.

Valérie Dubois-Héquet (Age: 39, Nationality: French)
Chief Sales Officer – Healthcare Division
Valérie Dubois holds a French diploma (BTS) in international trade. She started her career as a sales representative in the healthcare sector with Sofamor Danek Group. She joined Surgitech, a medical products distributor, as Chief Marketing and Sales Officer in 1995.

In 1999, she joined Clinique de Genolier as Chief Marketing Officer and is since, in-charge of commercial development especially for the foreign clientele.

Beat Röthlisberger (Age: 42, Nationality: Swiss)
Chief Administrative Officer – Healthcare Division

Beat Röthlisberger holds a degree in accounting and finance from the University of St-Gall. He has held positions in the controlling and finance departments of Biberist and Allseas Group. Prior to joining Clinique de Genolier in 2006, he had acquired a stake in and served as chief financial officer to Reymond SA in Lausanne, a distributor of luxury products and accessories.

5.10 Capital Structure and Major Shareholders

GSMN needs capital for the renovation of acquired hospitals as well as for additional acquisitions in the future. These funds will mainly be raised through equity offerings.

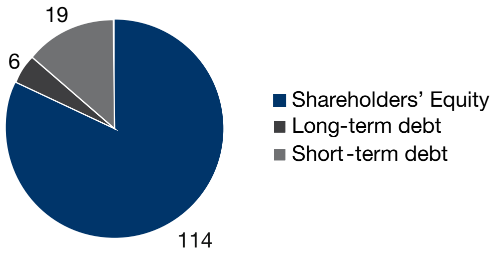


Figure 47: Capital structure as of 31.12.2007

Total outstanding shares amount to 5.6 million which lead to a market capitalization of 140.0 mCHF as per 29 August 2008.

Major Shareholders

Name	(as at 31.12.2007) Shareholding (%)
Antoine Hubert & Géraldine Reynard-Hubert	13.6
Dr. Michael Schroeder	10.7
Jaime Rosell	8.3
Alain Fabarez	6.5
Total Free Float	**67.5%**

Figure 48: Major shareholders

6 PEER ANALYSIS

6.1 Swiss Peers

The private hospital market in Switzerland is fragmented, similar to the hospital markets in Germany and France. This market has few big hospitals and many small individual clinics. According to Swiss federal statistics, there were about 129 private clinics in 2005. However, there are few key players such as Hirslanden (group of 13 clinics which was acquired by South African healthcare provider Medi-Clinic in 2007) and GSMN (group of four fully owned clinics and one clinic with management contract) having multiple clinics in their portfolio. Additionally, there is an association of private clinics (Swiss Leading Hospitals or SLH) which has 19 members. Following table provides key information for GSMN and its peers in Switzerland.

	Revenue (2007)		EBITDA	Number	Number
	Value (mCHF)	Growth (YoY)	margin	of clinics	of beds
GSMN	117	3.40%	4.7%	4[1]	338
Hirslanden	1,001	8.30%	22.2%	13	1,301
SLH	668	1.40%	n/a	19	1,500

[1]GSMN has four fully owned and one with management contract which will be acquired by autumn '08

The revenue of GSMN grew at slower rate than Hirslanden mainly because its clinics were undergoing renovation which affected the operations of hospitals for that duration. With most of its clinics renovated, GSMN is now ready to grow at a fast pace. Additionally, with the cost-optimization initiatives implemented by GSMN, the EBITDA margin is increasing and management estimates it to increase further to 15–16% of its revenue. Following charts provide revenue and EBITDA comparison between GSMN and Hirslanden.

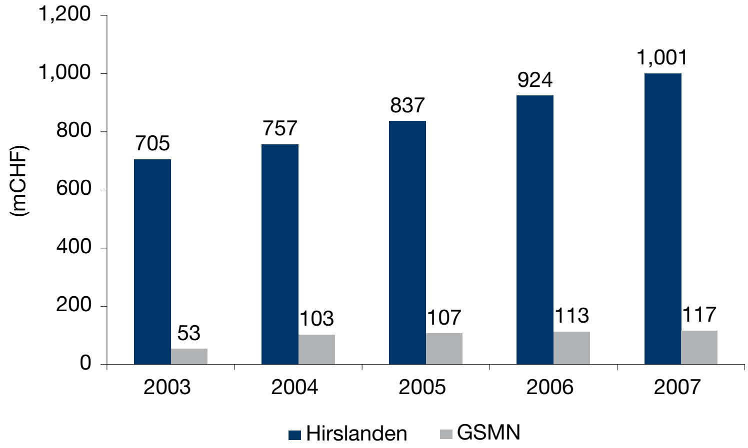


Figure 49: GSMN and Hirslanden revenues trends

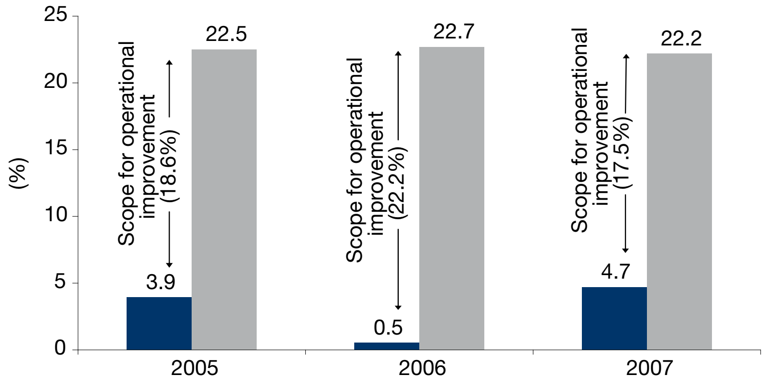


Figure 50: GSMN and Hirslanden EBITDA margins trends

It is evident that the cost optimization initiatives implemented by GSMN have begun to take effect. The EBITDA gap between Hirslanden and GSMN has decreased from 22.6% in 2006 to 17.5% in 2007 and is expected to shrink quickly in following years.

6.2 German and French Peers

The revenue per-bed for GSMN is much higher than that of German and French peers. As mentioned in the previous section, the EBITDA margin for the GSMN is growing due to its cost-optimization initiatives.

Following chart provides productivity comparison of GSMN with its German and French peers on the basis of Revenue per bed and EBITDA margin. The size of the bubble represents the revenue growth rate.

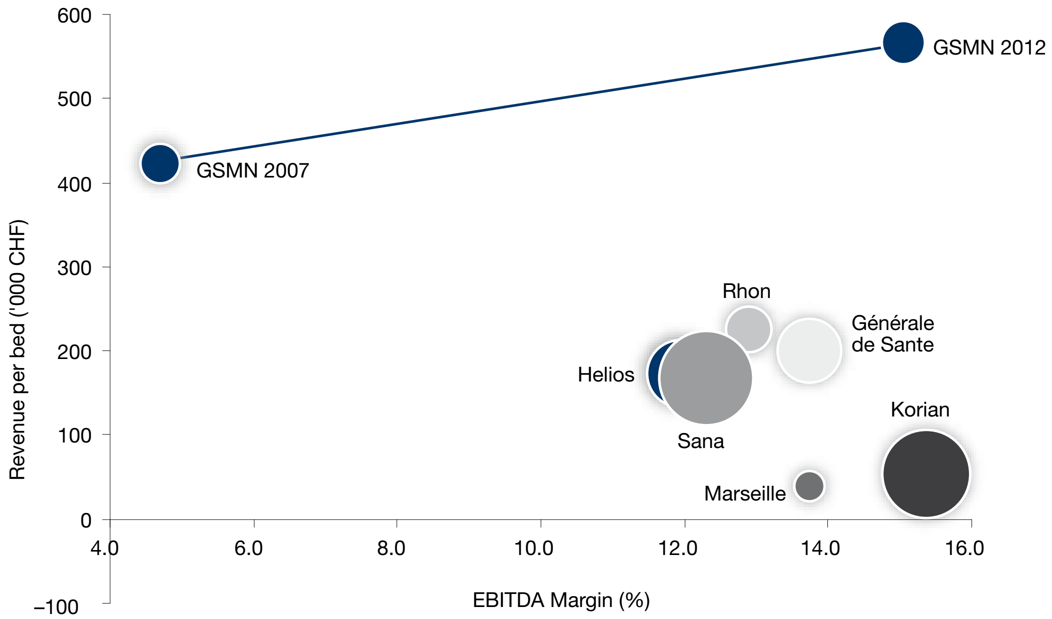


Figure 51: Competitive positioning of GSMN

Some of the key comparables for GSMN and its peers in Germany and France are as shown in the following table.

	Revenue (2007) Value (mCHF)	Growth (YoY)	EBITDA margin	Number of clinics	Number of beds	Geographical focus
GSMN	117	3.40%	4.7%	4[1]	277	Switzerland
Helios	2,982	10.0%	12.0%	60	17,192	Germany
Rhon	3,281	4.8%	12.9%	60	14,584	Germany
Marseille	348	2.1%	13.7%	63	8,765	Germany
Sana	1,533	19.4%	12.3%	37	9,150	Germany
Générale de Sante	3,088	9.4%	13.7%	206	15,400	France
Korian	985	17.1%	15.4%	210	18,341	France

Figure 52: Key comparables for GSMN and its peers in Germany and France

[1]GSMN has four fully owned and one with management contract which will be acquired by autumn '08

7 RISK ANALYSIS

The key risks for the GSMN are listed below:

General economic risks

The effect of global and regional economic slowdown will have little effect on GSMN as it is operating in a healthcare market which is relatively less affected by economic slowdown. The choice of a patient to be treated by a same doctor during the course of their treatment further gives stickiness to the same facility. However, a prolonged and severe economic crisis may lead to change in patients' preference and they may choose public or low cost hospitals.

Industry risks

GSMN operates in a lucrative market, which offers enormous growth potential. However, the risks are also correspondingly high. The attractiveness of the Swiss healthcare market may attract additional competitors which will lead to increased competition. Additionally, the number of private hospitals in Switzerland is decreasing mainly due to overcapacity and inefficient management of the hospitals. However, GSMN has experience in the cost-optimization and efficient management of hospitals.

Regulatory risks

The healthcare industry in Switzerland is highly regulated as in other developed countries. The prices for many procedures, which are covered under basic insurance, are regulated by the Swiss federal and cantonal governments. The government also regulates the insurance policies. Any change in healthcare or insurance policy may have a big impact on GSMN and other private hospitals in the country. For example, a decrease in TARMED points will lead to decreased profitability for those procedures. However, the pace of change in healthcare regulations in Switzerland is very slow primarily due to the involvement of both federal as well as cantonal governments. The management of GSMN keeps a close eye on the local regulatory environment to recognize regulatory changes and associated opportunities and risks at an early stage.

Additionally, prices for some of GSMN's key-focus areas, non-reimbursed treatments and the treatment of foreign patients are not regulated by the government and are less vulnerable to the regulatory risks.

Operational risks and forecasting uncertainties

As a result of the across-the-board implementation of the company's strategy, forecasts included high growth rates for GSMN as well as for individual clinics. An experienced management team, strong track record in hospital consolidation, knowledge of the market, focused marketing efforts and keeping close eyes on the regulations reduce the amount of uncertainty in the assumptions and forecasts by the company.

Liquidity risks

GSMN has raised capital mainly through shareholders and there is relatively very less long-term debt in the balance sheet. For this reason, the long-term liquidity position of GSMN is very sound. To manage short-term liquidity position, GSMN has managed to decrease the gap between receivable-days and payable-days. Additionally GSMN has access to debt required to manage short-term liquidity.

Being a listed company, GSMN has the opportunity to acquire additional capital, required for strong growth, from the capital market. In addition, supplementary borrowing may also be used. As a result, the underlying liquidity forecast should not lead to any unreasonable risks, or risks that threaten GSMN's continued existence.

Personnel and management risks

One of the key success factors for private hospital business is recruitment and retention of good doctors. The success of GSMN also lies with these doctors. To attract and further retain these doctors, GSMN provides access to latest technologies, congenial working environment and monetary incentives which are one of the best in the industry. Additionally, the leading brand image and the high hospitality level provided in GSMN attract high-profile patients which make working in GSMN very attractive for the doctors.

Hygiene related risks

The image of private hospitals is very sensitive to hygiene related issues. Any negligence in hygiene may lead to a severe loss in brand image as well as legal actions against the hospital. GSMN has maintained high level of hygiene in hospitals and therefore the probability of occurrence of a hygiene related problem is very low.

Risk related to acquisitions of hospitals and technology

Acquisition of hospitals is the dominant part of GSMN's strategy and involves significant amount of risks in restructuring and optimizing its performance. However, the experience of the management team and successful track record in past reduces this risk.

The private hospitals, such as GSMN, use latest technologies and are exposed to technological risks as some of the equipments with new technology may not work properly. However, the probability of such events is very low.

Other risks

GSMN has plans to acquire more clinics in Switzerland as well as other European countries such as France and Germany. These acquisitions involve financial, legal and various other issues and can therefore be delayed which can affect further inorganic growth of the company.

As a rule, changes to the tax laws in Switzerland bring with them the risk that the taxes to be paid by the company could develop unfavorably. Other risks could, for example, result from litigation.

The named risks could have a negative impact on the economic position and the future growth of GSMN; however, the management believes that these will not pose a sustained danger to the company's substance. The current solid positioning forms the basis for a successful presence in the market. If deviations should become major, this may have a negative impact on GSMN's financial position and results of operations.

8 SCOT-ANALYSIS OF GSMN HOSPITAL

Strength

- Leading position in Romandie and well known brand amongst healthcare tourists internationally
- Ability to attract highly reputed doctors
- Experienced and entrepreneurial management with strong track record in hospital management
- Favorable capital structure and access to capital markets enabling acquisition-led and organic growth

Challenges

- Recruitment of reputed doctors
- Optimization of the customer mix by increasing the proportion of private patients
- Negotiation with insurance companies on medical reimbursement

Opportunities

- Expansion in the German speaking region of Switzerland and other European countries
- Growth in the existing Swiss healthcare market

Threats

- Adverse regulatory reforms
- Overall economic slowdown for long period

9 FAQ AND LEXICON

9.1 FAQ

What is Genolier Swiss Medical Network?

Genolier Swiss Medical Network is one of the largest networks of private hospitals in French speaking region of Switzerland (Romandie). The company is mainly focused on providing high-class healthcare services to high net worth individuals. It is a group of four fully owned clinics and one v with management contract, located in Romandie. The company was previously named as AGEN Holding and was involved mainly in media business. However, the company changed its focus from media business to hospital business.

Why invest in Switzerland private hospital market?

Healthcare is one of the most attractive markets in Switzerland as evident from the fact that the per capita spend on healthcare in Switzerland is amongst the highest in the world. Amongst developed countries, Switzerland is ranked second in the world after the US in terms of the healthcare spend as % of GDP (11.3% of the GDP in 2006). The market has scope for further growth based on ageing population, increasing level of disposable income, growing medical tourism, technical advances and a number of Socio-economic and clinical factors. Last but not least, the country's risk for Switzerland is very low based on highly stable political and economic environment.

What are the core competencies of GSMN?

GSMN's core competences are in efficient management of private hospitals and acquisition of underperforming hospitals to convert them into high-class profitable ones. The company is expanding fast within the private hospital industry and is well on the way to becoming a leader in Swiss lucrative private hospital sector. High experience of the management team and presence of highly reputed physicians are the basis for its outstanding success in the private hospital business.

Why invest in GSMN?

GSMN provides high growth opportunity for investors with relatively low risk levels based on following factors:

- GSMN's strategy is to acquire low-performing clinics and to convert them into highly profitable hospitals. Presently, the company has four fully owned clinics, which are already being renovated, and one clinic with management contract. The revenue as well as the EBITDA margin for GSMN has already started to increase as a result of cost-optimization and marketing efforts made by the company. Now, GSMN is ready to take-off for moving on fast-growth track.
- GSMN is currently operating in market with attractive fundamentals (already explained in the previous question). GSMN has successfully created a strong reputation in Swiss healthcare market and has become market leader in Romandie and will benefit from its strong reputation and the market leading position.
- Swiss private hospital market is highly fragmented and there is high pressure for consolidation in the market. GSMN is highly experienced in acquisition of hospitals and optimization of their profitability.

What are GSMN's growth and expansion plans?

GSMN's growth plan is based on three pillars.

1. Acquisition led (inorganic) growth
2. Renovation of hospitals to make it high class hospital and optimization of the profitability
3. Using strong reputation and leading healthcare position together with further marketing to increase the revenues (organic growth)

The company has plans to strengthen its presence in Switzerland as well as expand in other European countries such as Germany and France.

Where are GSMN clinics located?

GSMN's existing hospitals are spread across French speaking region of Switzerland. The company's future plan is to expand its position in other parts of the Switzerland as well as in other European countries such as Germany and France. Ultimately, the company wants to become one of the leading players in European private hospital market.

9.2 Lexicon

AVLOS	Average length of stay
bCHF	Billion CHF
bUSD	Billion USD
CAGR	Compound annual growth rate
CMEV	Centre Médico-Chirurgical des Eaux Vives – A clinic having management contract with GSMN
DRG	Diagnosis related group – A healthcare pricing that prices around 100 key treatments on a package basis
ENT	Eye, nose and throat
GSMN	Genolier Swiss Medical Network
HNWI	High net worth individual
IORT	Intra-Operative Radio Therapy
KVG	Krankenversicherungsgesetz – A new insurance law designed to secure access to appropriate care for everyone which was approved in a referendum in 1994 and came into force in 1996
M&A	Mergers and acquisitions
mCHF	Million CHF
mUSD	Million USD
MIS	Management Information System
OECD	Organisation for Economic Co-operation and Development
OKP	Obligatorische Krankenpflegeversicherung – Compulsory Care Insurance
PPP	Purchasing power parity
TARMED	Tarif Médical – A national pricing system for outpatient treatment
tCHF	Trillion CHF
tUSD	Trillion USD
UN	United Nations
YoY	Year over year

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