

# Annual Report 2018



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**CHF  
657M**  
TOTAL REVENUE  
STABLE

**14.7%**  
EBITDAR  
MARGIN

## Investing for a better life

AEVIS VICTORIA SA invests in healthcare, lifestyle and infrastructure. AEVIS VICTORIA's main shareholdings are Swiss Medical Network SA, the second largest group of private hospitals in Switzerland, Victoria-Jungfrau Collection AG, a luxury hotel group managing four luxury hotels in Switzerland, Infracore SA (80%), a real estate company dedicated to healthcare-related infrastructure, a hospitality real estate division, Medgate (40%), the leading telemedicine provider in Switzerland, and NESSENS SA, a brand dedicated to better aging. AEVIS VICTORIA is listed on the Swiss Reporting Standard of the SIX Swiss Exchange (AEVS.SW).

[www.aevis.com](http://www.aevis.com)

**CHF  
1.3BN**  
REAL ESTATE  
PORTFOLIO OF  
47 PROPERTIES

**CHF  
1.10**  
DISTRIBUTION  
PER SHARE

## Key Figures

(In thousands of CHF unless otherwise stated)	FY2018	FY2017 (restated)
Total revenue	657'205	663'069
<b>Net revenue</b>	<b>577'028</b>	<b>582'494</b>
<b>EBITDAR*</b>	<b>84'682</b>	<b>93'066</b>
EBITDAR margin	14.7%	16.0%
<b>EBITDA</b>	<b>70'088</b>	<b>79'406</b>
EBITDA margin	12.1%	13.6%
<b>EBIT</b>	<b>16'672</b>	<b>26'276</b>
EBIT margin	2.9%	4.5%
<b>Profit/(loss) for the period</b>	<b>(6'615)</b>	<b>1'142</b>
Number of FTE at year-end	2'848	2'887
Market price per share at 31.12. in CHF	61.00	58.10
Number of outstanding shares	15'483'841	15'463'618
Market capitalisation	944'514	898'436

\* Earnings before interest, taxes, depreciation, amortisation and rental expenses

## Share and bond information

### Number of shares

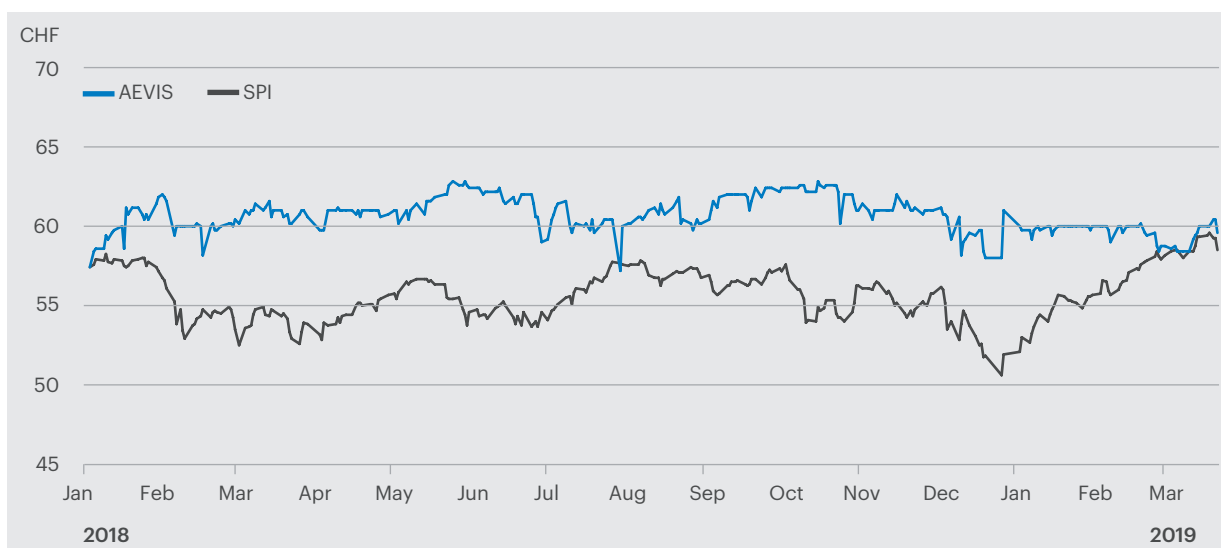
	31.12.2018	31.12.2017
Share Register Computershare Schweiz AG Tel. +41 62 205 77 00 share.register@computer- share.ch		
Share capital (in CHF)	<b>78'591'035</b>	78'091'035
No. of registered shares issued	<b>15'718'207</b>	15'618'207
Nominal value per registered shares (in CHF)	<b>5</b>	5
No. of treasury shares	<b>234'366</b>	154'589
No. of registered shares outstanding	<b>15'483'841</b>	15'463'618

### Data per share

	31.12.2018	31.12.2017
EBITDA per share* (in CHF)	<b>4.53</b>	5.19
High (in CHF)	<b>62.80</b>	66.20
Low (in CHF)	<b>57.20</b>	54.70
End price (in CHF)	<b>61.00</b>	58.10
Average volume per day	<b>5'514</b>	2'130
Market capitalisation (in CHF)	<b>944'514'301</b>	898'436'206

\* EBITDA divided by the weighted average number of shares outstanding, excluding treasury shares.

### Share price performance



The registered shares of AEVIS VICTORIA SA are traded on the Swiss Reporting Standard of SIX Swiss Exchange and are part of the Swiss Performance Index SPI, the SXI Life Sciences Index (SLIFE) and the SXI Bio+Medtech Index (SBIOM).

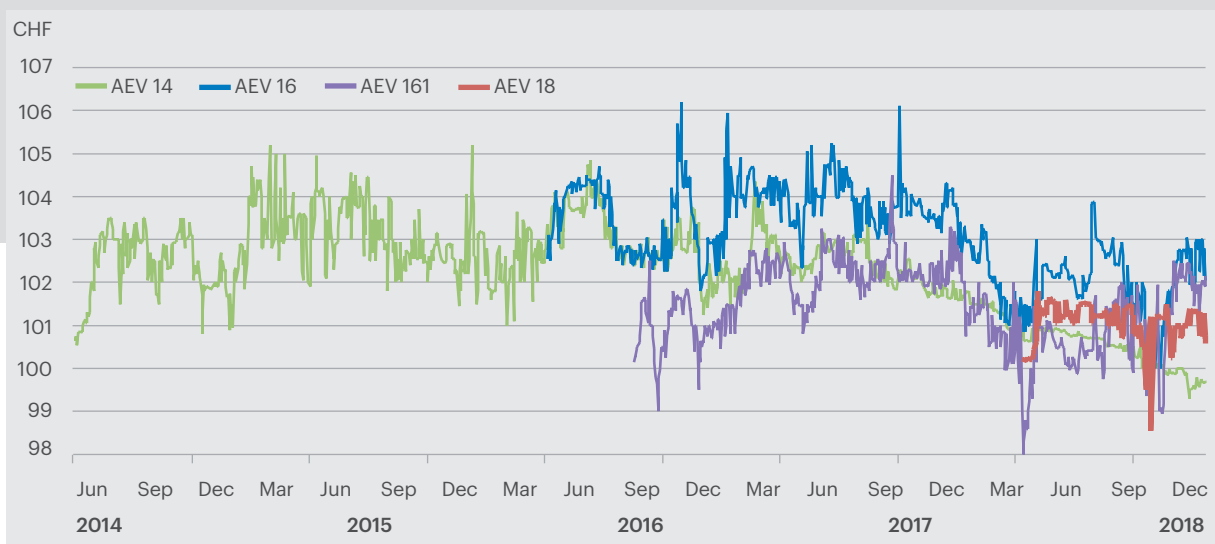
Valor symbol:	AEVS	Bloomberg:	AEVS SW Equity
Valor no.:	1248819	Reuters:	AEVS.S.
ISIN:	CH0012488190		



## AEVIS VICTORIA SA Bonds

- In July/December 2014, AEVIS has successfully issued a 5-year bond in the amount of CHF 145 million maturing on 04.06.2019. The coupon was set at 2.75%. The AEVIS VICTORIA bond is traded on SIX Swiss Exchange (Valor symbol: AEV14 / ISIN CH0240109592).
- In May/June 2016, AEVIS has successfully issued a 5-year bond in the amount of CHF 150 million maturing on 07.06.2021. The coupon was set at 2.5%. The AEVIS VICTORIA bond is traded on SIX Swiss Exchange (Valor symbol: AEV16 / ISIN CH0325429162).
- In September/October 2016, AEVIS has successfully issued a 6-year bond in the amount of CHF 145 million maturing on 19.10.2022. The coupon was set at 2.0%. The AEVIS VICTORIA bond is traded on SIX Swiss Exchange (Valor symbol: AEV161 / ISIN CH0337829276).
- In June 2018, AEVIS has successfully issued a 2-year bond in the amount of CHF 55 million maturing on 29 June 2020. The coupon was set at 2.25%. The AEVIS VICTORIA bond is traded on SIX Swiss Exchange (Valor symbol: AEV18 / CH0420465954)

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## Major shareholders

The following shareholders held more than 3% on 31 December 2018:

Group Hubert/Reybier/M.R.S.I. Medical Research, Services and Investments SA	76.81%
Kuwait Investment Office as agent for the Government of the State of Kuwait	3.39%
<b>Total shareholders (31 December 2018)</b>	<b>1'622</b>

## Financial reporting

May 2019	Publication of 1Q 2019 Revenue
27 May 2019	Ordinary general shareholders meeting for the year 2018
13 September 2019	Publication of the 2019 Half-Year Results
November 2019	Publication of 3Q 2019 Revenue
February 2020	Publication of 2019 Revenue
31 March 2020	Publication of the 2019 Annual Results





## Letter to the Shareholders

Mercedes-Benz



## Dear Shareholder,

2018 was an eventful year for AEVIS VICTORIA. The portfolio companies performed well and as expected. In the real estate sector, Baloise's investment in Infracore represented a first step towards the more independent positioning of the hospital infrastructure properties. At Swiss Medical Network, extensive renovation work was completed in various hospitals and the network was strengthened with acquisitions and an efficiency enhancement program. The hotels of Victoria-Jungfrau Collection made further operational progress and will benefit from the reopening of the Eden au Lac in Zurich in 2019. AEVIS VICTORIA initiated a transformation process into an investment company in 2018, whereby it will favour minority investments as a reference shareholder in companies operating in its preferred sectors.

### **On the path to becoming an investment company**

With several portfolio companies reaching maturity, AEVIS VICTORIA is in the process of transforming itself into an investment company focusing on three sectors: healthcare, lifestyle and infrastructure. AEVIS VICTORIA invests in promising companies, develops them, supports growth and ensures long-term sustainability. AEVIS VICTORIA SA sold its 1.6% stake in US-based BioTelemetry, Inc. (BEAT). This transaction led to a financial gain of CHF 6.6 million, which has positively impacted results in the reporting period. Combined with the realised gain of CHF 7.8 million in 2017, AEVIS VICTORIA's capital gain on its investment in LifeWatch reached CHF 14.3 million, completing the successful divestment of Lifewatch. In 2018, Infracore SA, the group's healthcare infrastructure entity, made important progress in its transition to an independent company with the sale of a 20% shareholding to Baloise, leading to a capital gain of CHF 76.8 million in AEVIS VICTORIA's statutory financial statements. AEVIS VICTORIA expects to further reduce its stake in Infracore to below 50% in the course of 2019. This will result in a strong enhancement of the equity base, a substantial deleveraging of the Group as well as a much lighter balance sheet profile for AEVIS VICTORIA.

### **Infracore becomes independent, hotel properties remain in the Group**

Infracore SA (formerly known as Swiss Healthcare Properties SA) made substantial progress in its strategy towards independence with Baloise acquiring 20% of the company in December 2018. The 20% stake was sold for CHF 86.5 million, valuing Infracore at CHF 852.5 million (including net debt) in the transaction. Becoming independent, Infracore will invest in hospital infrastructure run by third-party healthcare operators, including both the private and public sectors. The Swiss market offers enormous potential for an experienced specialist such as Infracore, as vast sums will need to be invested in the Swiss healthcare infrastructure in the coming years.

The healthcare properties of Générale-Beaulieu Immobilière SA in Geneva and the hotel properties of Swiss Hospitality Properties SA are not part of Infracore and were therefore not affected by the transaction with Baloise. The attractiveness of the hotel portfolio of Swiss Hospitality Properties SA will be boosted by the reopening of the Hotel Eden au Lac in Zurich after a refurbishment, and the ongoing improvements in the Hotel Victoria-Jungfrau in Interlaken. Combined, the real estate participations of AEVIS VICTORIA generated rental income of CHF 58.2 million in 2018 with a market value of CHF 1'284.5 million as of 31 December 2018.

### Further acquisitions in the healthcare segment

Swiss Medical Network continued its growth path by integrating additional hospitals and medical centres. At the end of June 2018, the network acquired two medical centres in Solothurn and Zurich from Medgate, Europe's largest telemedicine provider. As of 1 November 2018, Swiss Medical Network acquired the surgical activities on the Siloah campus in Gümliigen, leading to a strengthened and high-quality range of services in the Berne region. After the reporting period, Swiss Medical Network acquired 40% of Rosenklinik AG in Rapperswil, in the canton of St. Gallen, with agreements for a full takeover until 2023 at the latest. With these latest integrations, the network operates 17 hospitals in 12 different cantons. Additional attractive potential acquisitions are being analysed in both the German- and French-speaking parts of the country.

In the reporting period, different operational measures have been implemented. A cost-saving program was introduced in late 2017 that showed a positive impact in the period under review, with savings of more than CHF 15 million on an annualised basis. The restructuring measures are fully effective in 2019 and will positively influence operating margins. The new independent doctors who joined the Group in 2018 will contribute to future growth, as already highlighted by the substantial increase in revenue in the last quarter of 2018 and first quarter of 2019. Swiss Medical Network is well prepared for the outpatient trend after new and renovated facilities in several hospitals were recently put into operation.

Swiss Medical Network achieved net revenues of CHF 496.8 million and an EBITDAR of CHF 85.4 million in the reporting period. Results were influenced by several factors: in particular, these included a one-off write-down following a judgment of the federal court allowing a retroactive TARMED reduction for the fiscal years 2014 to 2017, lower capacity in existing hospitals due to construction works in Geneva, Sion and Rothrist, as well as lower TARMED tariffs in 2018. Factoring out the effects of the extraordinary TARMED write off, Swiss Medical Network generated stable adjusted revenue and EBITDAR compared to 2017. The hospitals that were not under construction improved results with an adjusted EBITDAR margin of 17.9% (up from 17.4% in 2017). In the last quarter of 2018, Swiss Medical Network achieved adjusted revenue growth of 5.2% and an EBITDAR improvement of more than 20%. This trend is expected to last, as the start into 2019 was very encouraging, with activity levels significantly above 2017 and 2018.

### Very satisfying improvements in all hotels

Victoria-Jungfrau Collection, the main participation in the hospitality sector of AEVIS VICTORIA, performed very well, in line with the Swiss tourism industry. Reported net revenues reached CHF 62.4 million despite the full closure of Eden au Lac. EBITDAR increased to CHF 12.6 million (CHF 12.3 million in 2017) achieving a margin of 20.2%. The average room rate, which improved substantially in the last two years, increased again to CHF 398 (2017: CHF 391, without Eden au Lac). Factoring out Eden au Lac and Palace Lucerne, a substantial increase in revenues of 6.5% occurred. As of summer 2019, the new Eden au Lac in Zurich will offer elegant and modern rooms and innovative gastronomic concepts, and its interior will bear the style of world-famous designer Philippe Starck.

As such, the fully modernised lakefront hotel will offer a new hotel and gastronomic experience for Zurich and start to contribute to Group sales again. Overall, the hotel segment is expected to achieve solid growth and continue to improve its results in 2019.

### **Strengthened balance sheet opens up growth opportunities**

AEVIS VICTORIA successfully issued a 2-year CHF 55 million straight bond with a coupon of 2.25% in summer 2018. The CHF 100 million, 3.5% bond AEV13 maturing on 2 July 2018 was repaid. In December 2018, Baloise provided Infracore with an additional financing in the form of a 3-year CHF 100 million bond with a coupon of 1.50%. Furthermore, the deconsolidation of Infracore, envisaged for 2019, will significantly improve balance sheet ratios at the AEVIS VICTORIA level while giving the company substantial funds to invest and grow other existing or new business lines.

### **Total revenues nearly unchanged**

Reported total revenues of AEVIS VICTORIA reached CHF 657.2 million, slightly below the previous year (2017: CHF 663.1 million). On a Group level, EBITDAR amounted to CHF 84.7 million, representing an EBITDAR margin of 14.7% (2017: CHF 93.0 million, 16.0%). Net loss amounted to CHF 6.6 million due to several one-off effects and ordinary tax of the real estate segment. Nevertheless, important economic improvements were made in the consolidated portfolio companies, which allowed to provide a strong and stable basis for the future.

### **Increased ordinary distribution of CHF 1.10 per share proposed**

The net result at the AEVIS VICTORIA holding level amounted to CHF 70.5 million (CHF 5.0 million in 2017). The Board of Directors will propose to the Annual General Meeting an increased ordinary distribution from capital contribution reserves of CHF 1.10 per share. After deconsolidation of Infracore, AEVIS VICTORIA, with a much stronger balance sheet, will propose an additional exceptional distribution to shareholders.

### **Outlook**

AEVIS VICTORIA initiated a transformation process into an investment company in 2018, which will be pursued with the deconsolidation of Infracore. This will fundamentally transform AEVIS VICTORIA's balance sheet structure and give the company increased investment capacities. The company will favour minority investments as a reference shareholder in companies active in its preferred sectors. AEVIS VICTORIA rather wishes to exert influence on its subsidiaries' strategies and leave them with the full responsibility for operational management. After Infracore in 2018, AEVIS VICTORIA is open to the entry of other strategic investors into its subsidiaries' capital, in particular through the combination with other market players. AEVIS VICTORIA wants to offer its shareholders a combination of capital gains generated by value creation in its subsidiaries and a stable annual return.

Christian Wenger  
Chairman of the Board

Antoine Hubert  
Delegate of the Board





Swiss Medical Network



## Swiss Medical Network – Key Figures 2018

The network's growth path continued with the integration of surgical activities of Siloah AG in Berne and two medical centres in Solothurn and Zurich. As such, Swiss Medical Network has extended its footprint to 17 hospitals and a network of health centres in 12 different cantons in 2018.

### AARGAU

I Privatlinik Villa im Park

### BASEL

I Schmerzlinik Basel

### BERNE

I Privatlinik Siloah

### FRIBOURG

I Clinique Générale

### GENEVA

I Clinique Générale-Beaulieu

### NEUCHÂTEL

I Clinique Montbrillant  
I Hôpital de la Providence

### SOLOTHURN

I Privatlinik Obach

### ST. GALLEN

I Rosenlinik AG  
(40%, from 2019)

### TICINO

I Clinica Sant'Anna  
I Clinica Ars Medica

### VALAIS

I Clinique de Valère

### VAUD

I Clinique de Genolier  
I Clinique de Montchoisi  
I Clinique Valmont

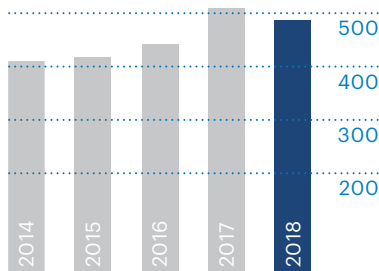
### ZURICH

I Privatlinik Bethanien  
I Privatlinik Lindberg  
I Pyramide am See (20%)



### NET REVENUE IN CHF MILLION

# 496.8



### TOTAL REVENUE IN CHF MILLION

# 576.3

### EBITDAR MARGIN

# 17.2%

### EMPLOYEES (FTE)

# 2'290

### ADMITTING PHYSICIANS

# 2'097

### BEDS

# 1'111

### INTERVENTIONS

# 50'415

## Hospital segment: organic growth returned in Q4 2018

The results in the hospital segment were influenced by a challenging market environment as well as several hospitals being under construction, which temporarily lowered capacity. At the same time, the expansion of the hospital group continued with the acquisition of the surgical activities of Siloah AG in Berne and two medical centres in Solothurn and Zurich. An extensive cost-cutting program was implemented and contributed to higher efficiency and improved operational performance. Swiss Medical Network achieved total revenues of CHF 576.3 million, net revenues (excluding medical fees) of CHF 496.8 million and an EBITDAR of CHF 85.4 million, corresponding to a margin of 17.2%. The start to the new financial year 2019 was promising, with organic growth well above recent quarters, surpassing the levels of 2018 and 2017.

### Comparable results at previous year's level

Results were influenced by a one-off write-down following a judgment of the federal court regarding TARMED 2014–2017, lower capacity in three hospitals due to construction works as well as lower TARMED tariffs in 2018. Factoring out the effects of the extraordinary TARMED write off, Swiss Medical Network generated stable adjusted revenues and EBITDAR compared to 2017. Swiss Medical Network has been able to compensate the negative effects of the construction activity and the generally lower TARMED tariffs, thanks to very satisfying improvements in market presence, more efficient processes and the significant cost savings that were achieved in 2018. The hospitals that were not under construction improved strongly in the reporting period with an adjusted EBITDAR margin of 17.9% (up from 17.4% in 2017).

More importantly, in the last quarter of 2018, the growth of certain units as well as the acquisitions of Privatklinik Siloah and the medical centres in Solothurn and Zurich-Oerlikon have made it possible to offset tariffs reductions and temporary closures for renovation works. Swiss Medical Network achieved an adjusted revenue growth of 5.2% and an EBITDAR improvement of more than 20%. This trend is expected to last, as the start into 2019 was very encouraging, with activity levels above 2017 and 2018. More specifically, the opening of a day hospital at Clinique Générale-Beaulieu in March, a new radiology centre at Clinique de Valère and a major expansion at Privatklinik Villa im Park, to be finished in June 2019, will contribute to organic growth. These three re-openings mark the end of a phase of important renovation works initiated in 2017/18.



## Network grows to 17 hospitals in 12 cantons

Regardless of the different market challenges, the acquisition strategy of Swiss Medical Network continued by integrating additional hospitals and medical centres. Swiss Medical Network aims to become a Swiss player in integrated care with a presence throughout the country. At the end of June 2018, the network became the operator of two Medgate (Europe's largest telemedicine provider) health centres in Solothurn and Zurich. As of 1 November 2018, Swiss Medical Network acquired the surgical activities of Siloah AG (45 beds, 38 affiliated physicians, approx. 2'400 interventions per year), leading to a strengthened and high-quality range of services in the Berne region. As part of the acquisition, Swiss Medical Network intends to continue the development of the hospital alongside the other geriatric activities on the Siloah campus, investing CHF 10 to 15 million in hospital infrastructure over the next three years.

After the reporting period, Swiss Medical Network acquired 40% of Rosenklinik AG in Rapperswil, in the canton of St. Gallen, with agreements for a full takeover until 2023 at the latest. The hospital, founded in 1995 by Dr Marcel Jud and Dr Martin Pfister, is on the hospital list of the canton of St. Gallen, with mandates for orthopaedics, surgery and urology and a partial mandate for neurosurgery. Synergies between the Group's various facilities, especially Privatklinik Bethanien in Zurich and Privatklinik Lindberg in Winterthur, will directly benefit patients and physicians active at Rosenklinik as well as other Group entities.

These three acquisitions, combined with the re-opening of renovated facilities and the opening of new facilities as mentioned above, will significantly contribute to total revenues in 2019. Additional very interesting potential acquisitions are being analysed in both the German- and French-speaking parts of the country. Overall, Swiss Medical Network has extended its footprint to 17 hospitals in 12 different cantons in Switzerland's main language regions. The objective of the Group remains unchanged, namely, to grow the network to 20 to 25 hospitals in Switzerland with a presence in the majority of cantons.

## Successful recruitment of medical talent

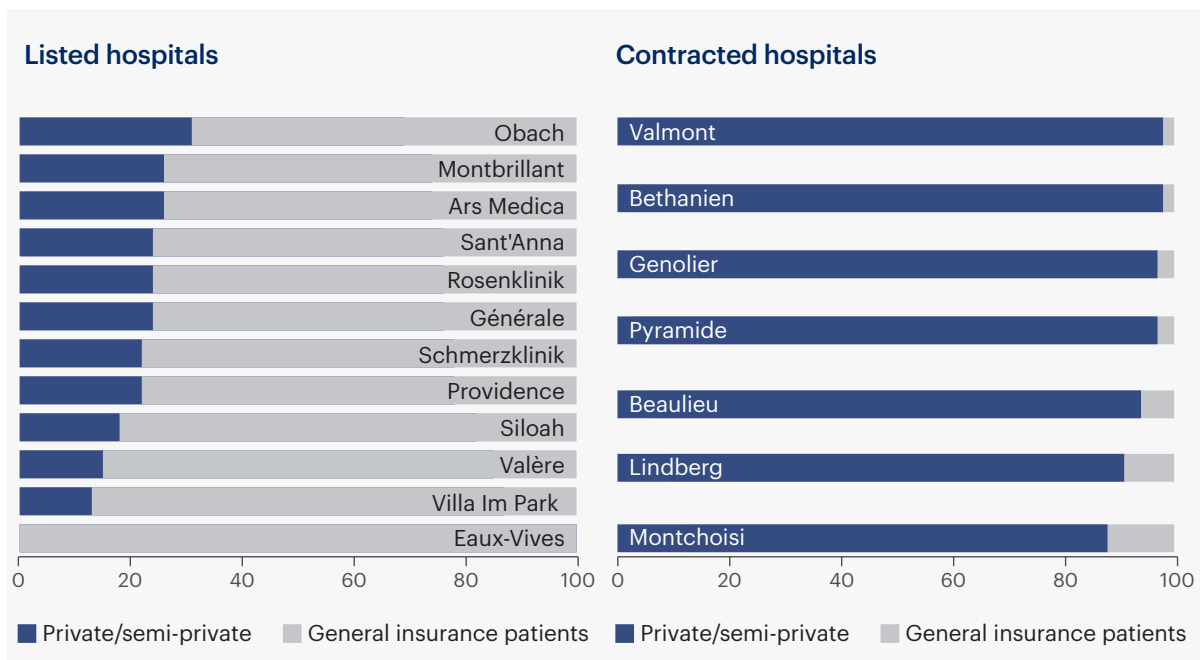
A key to the success of Swiss Medical Network is the continuous recruitment of additional physicians. The independent physician strategy paid off, allowing the new entrants to work in an entrepreneurial culture with the opportunity to practise state-of-the-art medicine in well-equipped hospitals. Furthermore, physicians profit from the promotion of collaboration across the network through competence centres, and from educational platforms, such as an annual symposium held in Berne that brings together 260 doctors with prominent speakers from international research centres. The higher number of independent doctors, 2'097 in total at the end of the reporting period, will contribute to future growth, as already highlighted by the substantial increase in turnover in the first 10 weeks of 2019.

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Adjusted EBITDAR  
margin of 17.9%, up from  
17.4% in 2017

### Resilient operator in dynamic environment

Swiss Medical Network has a well-balanced portfolio of contracted and listed hospitals, with a number of systemic hospitals among them. All listed hospitals treat at least 65% base-insured patients, while the number of private or semi-private insured patients in contracted hospitals is higher than 95% in the majority of the Group's hospitals (all are above 80%).



### Decentralised and flexible organisation

Swiss Medical Network puts an emphasis on efficient processes. As such, investments in digitalisation as well as ongoing optimisation measures are being implemented. In late 2017, a cost-saving program which will result in annualised savings of more than CHF 15 million was introduced and showed a positive impact in the period under review. The restructuring measures will continue and positively influence operating margins in 2019. Today, Swiss Medical Network operates an agile, flexible organisation that is able to quickly respond to market challenges. Furthermore, the implementation of a more decentralised structure with strong regional platforms will not only simplify processes but also enable the exploitation of additional synergies.

### Trend towards outpatient treatments

Swiss Medical Network proactively reduced its base rates in 2017 to CHF 8'930, which are lower than cantonal and private competitors. The Group thereby anticipated price pressures that became a reality in the year under review. Going forward, there is much less pressure on prices at the Swiss Medical Network level, while the competition still has to match the efficiency level reached and is therefore much more prone to difficulties.

This decision was also taken in light of the trend towards more and cheaper outpatient treatments. A clear shift of services from inpatient to outpatient care should be anticipated based on advances in medicine and changing patient needs. A stronger focus on outpatient treatment methods will also save considerable costs. Swiss Medical Network is well prepared to meet demand in this growing field. The newly constructed day hospital at Clinique Générale-Beaulieu in Geneva opening in March 2019 with two additional operating theatres, will pave the way to the inpatient-outpatient shift. The ambulatory section was integrated into existing structures, leading to shorter distances and the opportunity for more operations with less staff.

### **Towards an integrated care system**

In conjunction with all the developments described above, Swiss Medical Network is anticipating the impact of the profound transformation expected in the Swiss health system. Its strong market position and the diversity of activities are leading the group to build an innovative and disruptive project based on a complete paradigm shift in the health sector. This will be achieved by setting up an integrated care system with the objective of no longer exclusively focusing on patient care, but on keeping citizens healthy as soon as they join the model which is currently being developed.

### **Changes in management**

In early 2018 Beat Röthlisberger stepped down from his position of CEO of Swiss Medical Network. As of 1 May 2018 Dino Cauzza took over his responsibilities. He joined Swiss Medical Network in April 2017 as Delegate of the Board of Directors of the Ticino-based subsidiary that operates Clinica Sant'Anna and Clinica Ars Medica. The implemented, more decentralised organisational structure led to the abolition of one management level and thereby also contributed to an agile and flexible organisation, leading to an annual overhead reduction of more than CHF 15 million.

### **Outlook 2019**

The development of Swiss Medical Network and the further integration of hospitals will continue as the pipeline currently looks promising. Recruitment of additional physicians is planned in order to bolster the network's leading market position. The focus on cost cuttings, the exploitation of synergies and efficiency gains will have a positive effect on profitability.

Raymond Loretan  
Executive Chairman

Antoine Hubert  
Delegate of the Board

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Swiss Medical Network  
is well prepared to meet  
demand in outpatient  
treatments





Victoria-Jungfrau Collection

# Victoria-Jungfrau Collection – Key Figures 2018

Results improved on a comparable basis, but declined nominally due to the full closure of the Eden au Lac in Zurich (which will be re-opened in summer 2019) and the expiring management contract for the hotel in Lucerne in autumn 2018. On a like-for-like basis, a substantial increase in sales of 6.5% occurred.

## ZÜRICH

I Eden au Lac  
(under construction)

## BERNE

I Victoria-Jungfrau Grand Hotel & SPA  
I Bellevue Palace

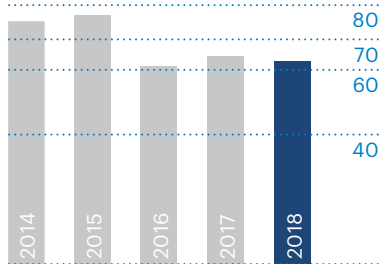
## VALAIS

I Crans Ambassador



## NET REVENUE IN CHF MILLION

# 62.4



## EBITDAR MARGIN

# 20.2%

## EMPLOYEES

# 474

## OVERNIGHT STAYS

# 128'457

## ROOMS

# 400

## Ø ROOM RATE

# 398

## SURFACE SQM

# 59'882

## Hotels: operational profit margin again surpasses 20%

Victoria-Jungfrau Collection, the hospitality segment of AEVIS VICTORIA, generally performed well in line with Swiss tourism. The results improved on a comparable basis, but declined nominally due to the full closure of the Eden au Lac in Zurich and the expiring management contract for the hotel in Lucerne in autumn 2018. Overall, turnover declined slightly to CHF 62.4 million, the rooms on offer decreased to 400 and overnight stays reached 128'457. Impactful sales activities, a diversified customer base and targeted efficiency improvement measures contributed to a better operational result (EBITDAR), which improved by 2.7% to CHF 12.6 million, corresponding to an EBITDAR margin of 20.2%.

### Comparable revenues increase by 6.5%

Even though reported net revenues decreased by 3.0% from CHF 64.3 million to CHF 62.4 million, operational improvements were achieved in all destinations. It is important to note that the decline in revenues due to the full closure of the Eden au Lac in Zurich since October 2017 (no ordinary revenues at all in 2018) and the expiration of the management contract for the Palace in Lucerne on 30 September 2018 (no contribution in the last quarter of 2018) was partially compensated by organic growth in other units. On a like-for-like basis, a substantial increase in sales of 6.5% occurred. The gross operating profit was in line with the previous year as the average room rate, which improved substantially in the last two years, remained nearly unchanged at CHF 398 (2017: CHF 397). The Crans Ambassador showed an uptrend and improved operational profitability. In combination with further process optimisation measures and the exploitation of synergy potential, the profitability on a segment level increased by 2.7% to CHF 12.6 million, corresponding to an operating margin of 20.2% (2017: 19.1%).

	TOTAL ROOMS	SUITES	EMPLOYEES
Victoria-Jungfrau Grand Hotel & Spa	216	107	244
Eden au Lac (under construction)	-	-	4
Bellevue Palace	128	25	155
Crans Ambassador	56	11	71
	<b>400</b>	<b>143</b>	<b>474</b>

### Hotels in operation improve results

At the Victoria-Jungfrau Grand Hotel & Spa in Interlaken, an additional 42 rooms have been equipped with contemporary features. The extensive renovation program, which also included modernised background installations, has thereby been completed. These measures paid off as the number of guests from the strategically important North American and Chinese markets rose significantly in the reporting period. As a direct result of intensive sales activities, an increase was especially noted in the business groups segment. Due to the political situation in the Middle East, the number of guests from the Gulf States declined slightly. Switzerland remained the biggest market in absolute terms. Its marginal decline in overnight stays was more than compensated by the increase in international travelers. Overall, a promising result was achieved and the hotel is well prepared to gain market share in the future.



At the Bellevue Palace in Berne, for the third consecutive year, occupancy increased especially in the summer months. This trend was supported by the growing international city tourism and an increasingly strong leisure group business, especially river cruises. More than 50% of all guests come from Switzerland or the USA, with Germany in third place. The new restaurant Noumi Grill & Bar, opened in January 2019, quickly became popular among locals and travellers alike. Guests can feel the pulse of an urban nomad in the trendy styled ambience, with an open kitchen celebrating world food. Additionally, the banquet and event sector developed very positively in the reporting period.

In the second year of operation, activity picked up at the Crans Ambassador in Crans-Montana. Targeted sales measures resulted in an increase in demand from abroad and in Switzerland. The home market remained the most important one, followed by Eastern Europe and the Middle East. The markets in the US, China and India are not yet fully developed and sales therefore remained rather small.

### Reopening of Eden au Lac in summer 2019

The Eden au Lac in Zurich was closed in October 2017 for a radical makeover. It is being completely modified and refurbished in a contemporary style. The new Eden au Lac will offer elegant and modern rooms and innovative gastronomic concepts (open kitchen, rooftop bar), and its interior will bear the style of world-famous designer Philippe Starck. As such, the fully modernised lakefront hotel will be a new product for Zurich and offer state-of-the-art food and hotel experiences. Reopening of the Eden au Lac is planned for summer 2019.

### Management Changes

After many years at the helm of Victoria-Jungfrau Collection, Beat Sigg stepped down from his position as Group CEO at the end of August. He will continue to serve on the Board of Directors and contribute his extensive knowledge of the hotel industry. His position was taken over by Raouf Finan, who has been working with Michel Reybier for over 20 years. Since mid-October 2018, the Victoria Jungfrau Grand Hotel & Spa is under the management of the new General Manager Peter Kämpfer, who has taken over the function from Yasmin and Urs Grimm Cachemaille.

### Outlook 2019

At the three hotels currently open (Interlaken, Berne and Crans-Montana), demand was a little lower than expected in the first trimester but looks better for the second trimester of 2019. The luxury hotels are well established in the market, attracting a diverse clientele and servicing guests with new offers and amenities. With the re-opening of the Eden au Lac in summer 2019, both the rooms on offer and the number of employees will again rise considerably. Overall, the hotel segment is expected to achieve solid growth and continue to improve its results.

Christian Seiler  
Chairman

Raouf Finan  
CEO

---

Operational  
profitability increased  
by 2.7% to CHF 12.6  
million



Real Estate



## Real Estate Segment – Key Figures 2018

The Group owns a high-quality real estate investment portfolio including properties in the healthcare and hospitality sectors. AEVIS VICTORIA aims to reduce its shareholding in Infracore to a minority stake in 2019 and thereby give its healthcare infrastructure platform full autonomy.

### AARGAU

I Privatklinik Villa im Park

### BERNE

I Hotel Victoria-Jungfrau

I Privatklinik Siloah

### FRIBOURG

I Clinique Générale

### GENEVA

I Clinique Générale-  
Beaulieu

### NEUCHÂTEL

I Clinique Montbrillant

### SOLOTHURN

I Privatklinik Obach

### TICINO

I Clinica Sant'Anna

I Clinica Ars Medica

### VALAIS

I Clinique de Valère

I Hangar Infracore

I Villa Notre-Dame

### VAUD

I Clinique de Genolier

I Clinique de Montchoisi

I Clinique Valmont

I Chocolatière 21

### ZURICH

I Privatklinik Bethanien

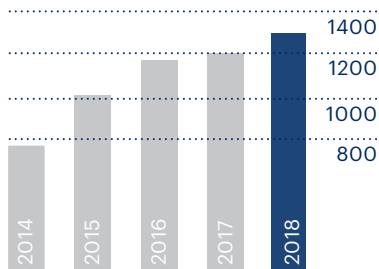
I Privatklinik Lindberg

I Hotel Eden au Lac



### MARKET VALUE IN CHF MILLION

# 1'284.5



### EBITDAR MARGIN

# 81.6%

### PROPERTIES

# 47

### LOCATIONS

# 19

### RENTAL SURFACE SQM

# 216'674

### RENTAL INCOME IN CHF MILLION

# 58.2

### LOAN TO VALUE

# 41.9%

## Real estate: a unique mix of high-quality assets

The Group's property portfolio is divided into Infracore SA, Générale-Beaulieu Immobilière SA (GBI) and Swiss Hospitality Properties SA (SHP). Combined, the high-quality portfolio with 47 properties in 19 locations across Switzerland generated rental income of CHF 58.2 million in 2018 and has a market value of CHF 1'284.5 million as of 31 December 2018. Going forward, AEVIS VICTORIA aims to reduce its shareholding in Infracore to a minority stake and thereby give its healthcare infrastructure platform full autonomy in the future.

At Group level, Infracore's properties are accounted for at their acquisition value less depreciation, not at market value.

Rental income in the reporting period amounted to CHF 58.2 million (2017: CHF 58.4 million), to which Infracore contributed CHF 44.5 million, GBI CHF 8.0 million and the hotel properties CHF 5.7 million. This result includes the rental income of Privat-klinik Siloah in Berne for three months. The hotel Eden au Lac in Zurich was closed for the entire year and did not contribute to the 2018 rental income at all. EBITDAR amounted to CHF 47.5 million, corresponding to an EBITDAR margin of 81.6%, compared to CHF 47.6 million in the previous year. The average interest on mortgages was 1.67% at the end of 2018 and the LTV remained low at 41.9%.

NAME	RENTAL AREA (sqm)	PARKING SPACES
Infracore (Investment properties and development projects)	157'499	1'508
GBI (Clinique Générale-Beaulieu)	19'005	283
SHP (Hotel properties and development property)	40'170	188

### Infracore continues to develop dynamically

Infracore made substantial progress in its strategy towards independence with Baloise acquiring 20% of the company in December 2018. AEVIS VICTORIA intends to further reduce its stake in the company by 30-60% in the near future, thereby enabling interested investors to become shareholders and participate in Infracore's attractive alternative investment in healthcare with a stable return. In close collaboration with Baloise, Infracore will continue to pursue its strategy of growth and consolidation in healthcare infrastructure in Switzerland, in both the private and public sectors. The significant investment needs over the coming years, particularly in public structures, represent an excellent opportunity for the expansion of Infracore's portfolio.

Infracore owns a portfolio of hospital buildings and other healthcare-related properties, including 35 high-quality properties on 15 sites, representing a rental surface of 157'499 sqm. The portfolio, with a total market value of CHF 891.4 million, consists of investment properties in all regions of Switzerland, investment properties under construction and development projects at several sites. All properties are very well located and are in above-average condition, due to a clear differentiation strategy and intensive investment activity as well as renovations in the past, with no capex backlog. The buildings are mainly leased to the various hospitals of Swiss Medical Network and related activities under very long-term indexed leases with a WAULT (weighted average unexpired lease term) of 23.6 years. Construction projects are ongoing at several of the company's sites. In 2019, a new building with a leasable area of 2'300 sqm at Privatklinik Villa im Park in Rothrist will be completed and a new medical centre will also be opened at Clinique de Valère in Sion.

Infracore  
Annual Report 2018:  
[www.infracore.ch/media](http://www.infracore.ch/media)

The existing portfolio offers a development potential of around 45'000 sqm or around one third of the existing portfolio surface, of which a part is currently being developed; 12'750 sqm of rental space adjacent to Clinique de Genolier; and 7'700 sqm on the Privatklinik Lindberg site in Winterthur. The company further plans to refurbish and reactivate a currently inoperative facility adjacent to Clinique Valmont in Glion sur Montreux to build an education centre for doctors and other healthcare practitioners in 2020.

### **GBI continued to invest in infrastructure**

The hospital building as well as surrounding buildings on the site of Clinique Générale-Beaulieu in Geneva are owned by GBI. The properties represent a rental surface of 19'005 sqm and had a market value of CHF 196.3 million at the end of 2018. In the reporting period, substantial investments were made for the modernisation of medical practices, medical infrastructure and specialised centres. In particular, a new urology centre opened in March 2018, the restaurant and kitchen were modernised, and a new Philips ICT scanner was installed. Furthermore, a gynaecology centre was inaugurated in the autumn, while the new day hospital with two operating blocks and an upgraded recovery room extension will be an important element to capitalise on the trend towards more outpatient treatments.

### **Swiss Hospitality Properties valued at CHF 196.8 million**

The hotel premises of Victoria-Jungfrau Collection in Zurich and Interlaken are owned by SHP. They consist of seven properties in Interlaken (the Victoria-Jungfrau Grand Hotel & Spa and six smaller annex buildings), the Eden au Lac building in Zurich, and a development property (land in Crans-Montana), representing a total rental surface of 40'170 sqm and a market value of CHF 196.8 million.

Major investments were completed in Interlaken, while the complete makeover of the Eden au Lac in Zurich is one of the most comprehensive projects of the entire Group. The renovation of 42 rooms at the Hotel Victoria-Jungfrau in Interlaken was completed in 2018, and additional upgrades of the technical installations were concluded. The Hotel Eden au Lac is being completely modified and refurbished in a contemporary style. It will offer elegant and modern rooms and innovative gastronomic concepts (open kitchen, rooftop bar), and its interior will bear the style of world-famous designer Philippe Starck. As such, it will become a landmark for a truly unique city hotel experience. Reopening of the hotel is planned for summer 2019.

### **Outlook 2019**

In the real estate segment, the spin-off of Infracore will be continued with the aim of reducing AEVIS VICTORIA's shareholding to below 50% in the near term. The healthcare properties in Geneva and the hotel buildings are located in prime sites and maintained at the highest quality standards. Refurbishments and repositioning of Victoria-Jungfrau, Eden au Lac and Clinique Générale-Beaulieu will further increase the attractiveness of these assets.

Antoine Hubert  
Delegate of the Board

Daniel Jandric  
CEO of Infracore

Wüest Partner AG, Bleicherweg 5, 8001 Zurich

AEVIS VICTORIA SA  
Rue Georges-Jordil 4  
1700 Fribourg

Zurich, 28 March 2019

## Independent valuer's report 2018

To the Executive Board of AEVIS VICTORIA SA  
(Infracore SA, Swiss Hospitality Properties AG, Générale-Beaulieu Immobilière SA)

Ref.  
108248.1901  
108492.1901

### Commission

Wüest Partner AG (Wüest Partner) was commissioned by the Executive Board of AEVIS VICTORIA SA (AEVIS) to perform a market valuation of the properties held by AEVIS as at 31 December 2018 (reporting date) for accounting purposes. The valuation encompasses 31 properties of Infracore SA (including one indicative valuation scenario of the condominium property Sion, Rue des Condémines 5) and 8 properties of Swiss Hospitality Properties AG (SHP).

Furthermore, the valuation encompasses indicative market valuation scenarios for 3 properties of the Clinique Générale-Beaulieu, Genève, owned by Générale-Beaulieu Immobilière SA (GBI).

### Valuation standards

Wüest Partner hereby confirms that the valuations were performed in accordance with national and international standards and guidelines, in particular with the International Valuation Standards (IVS and RICS/Red Book) and the Swiss Valuation Standards (SVS).

40 properties are valued in terms of going concern. For one property a conversion scenario is taken into account (Glion-sur-Montreux, Clinique de Valmont). For the condominium property of Infracore SA (Sion, Rue des Condémines 5), a conversion and exit scenario is taken into account.

### Definition of fair value

«Fair value» is defined as the amount for which a property would most probably be exchanged on the open market on the valuation date between two independent and knowledgeable parties, willing to buy and sell respectively, with due allowance made for a reasonable marketing period.

Each object is valued as an individual property and not as part of a property portfolio. The valuation excludes property transfer, real property gains and value-added taxes plus any other costs incurred, or commissions paid, during the process of selling real estate. Nor is any account taken of the owners liabilities in respect of taxation (apart from ordinary property taxes) and financing costs.

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Bleicherweg 5  
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wuestpartner.com  
Regulated by RICS

### Valuation method

Wüest Partner applied the discounted cashflow (DCF) method, by which the market value of a property is determined as the total of all projected future net earnings discounted to the valuation date. Net income is discounted separately for each property with due allowance for specific opportunities and threats and adjustment in line with market conditions and risks.

### Basis of valuation

Wüest Partner is familiar with all the properties, having carried out inspections and examined the documentation provided. The properties have been analysed in detail in terms of their quality and risk profiles (attractiveness and lettability of rented premises, construction type and condition, micro- and macro-location etc.). Currently vacant premises are valued with allowance made for a reasonable marketing period.

Wüest Partner inspects the properties at least once every three years as well as following purchase and upon completion of larger refurbishment and investment projects. Within the review period from 1 January 2018 to 31 December 2018, Wüest Partner visited 13 Infracore properties and one SHP property. For further details on the general assumptions underlying the property valuations, please refer to the Wüest Partner reporting as per 31 December 2018.

### Results

A total of 42 AEVIS investment properties were valued as at 31 December 2018 by Wüest Partner.

The fair value of 30 Infracore investment properties is estimated as at 31 December 2018 at 767,782,000 Swiss Francs (including the indicative scenario valuation, Rue des Condémines 5, Sion: 31 Infracore investment properties, 768,732,500 Swiss Francs).

The fair value of 8 SHP investment properties is estimated as at 31 December 2018 at 180,945,800 Swiss Francs.

The fair value (indicative market valuation scenarios) of the 3 GBI properties is estimated as at 31 December 2018 at 196,291,000 Swiss Francs.

### Changes during reporting period

Within the review period from 1 January 2018 to 31 December 2018, concerning the Infracore properties in comparison with the previous period from 1 January 2017 to 31 December 2017, one property has been acquired and valued by Wüest Partner for the first time (Gümligen, Worbstrasse 324), one property has been valued by Wüest Partner for the first time (Sion, Rue des Condémines 5).

Concerning the SHP and GBI properties, neither properties were acquired nor sold in comparison with the previous period from 1 January 2017 to 31 December 2017.

### Independence and confidentiality

Wüest Partner performed the valuation independently and neutrally in conformity with its business policies. It was carried out solely for those purposes specified above; Wüest Partner shall accept no liability in respect of third parties.

### Valuation fee

The fee of the valuer's services is independent of the valuation results. The rate is based upon the numbers of valuations performed and the lettable area of the property.

Wüest Partner AG, Zurich, 28 March 2019

Matthias Weber, Director

Marcel Scherrer, Partner




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 wüestpartner

Five of the 47 properties of AEVIS's real estate segment are not covered by the above report by Wüest Partner. They represent development properties and hence follow different metrics. Furthermore the investment properties under construction from Infracore SA are recognised at cost and are therefore not covered by the valuation by Wüest Partner.





# Corporate Governance



# Corporate Governance report of AEVIS VICTORIA SA

The AEVIS VICTORIA Corporate Governance Report has been prepared in compliance with the requirements of the Directive on Information relating to Corporate Governance (DCG) prepared by SIX Swiss Exchange and the SIX Exchange Regulation Guideline regarding the DCG.

Cross-references are made to other sections of the Annual Report in order to avoid duplication. The complete Articles of Association of AEVIS VICTORIA SA can be consulted under the following link: [http://www.aevis.com/aevis/pdf/180515\\_Statuts\\_AEVIS\\_VICTORIA.pdf](http://www.aevis.com/aevis/pdf/180515_Statuts_AEVIS_VICTORIA.pdf).

## 1. Group structure and shareholders

### 1.1. Group structure

#### 1.1.1. Operational group structure

The AEVIS VICTORIA group (hereinafter “the Group”) is active in healthcare, lifestyle and infrastructure. The Group’s operational structure is divided into the following main business segments: hospitals, hospitality, telemedicine and real estate. The other smaller subsidiaries are amongst other active in life sciences (better aging) and in ambulance services. An Executive Committee or Management team, reporting to their respective Boards of Directors, manage each business segment.

#### 1.1.2. All listed companies belonging to the issuer’s group

AEVIS VICTORIA SA, the Group’s parent company (hereinafter “the Company”), is a listed corporation headquartered rue Georges-Jordil 4 at 1700 Fribourg, Switzerland. The company’s shares are listed on the Swiss Reporting Standard of SIX Swiss Exchange (ISIN CH0012488190). As at 31.12.2018, its market capitalisation stood at CHF 944.5 million.

#### 1.1.3. All unlisted companies belonging to the issuer’s group

As at 31.12.2018, the company had the following subsidiaries, none of which are listed:

NAME	REGISTERED OFFICE	ACTIVITY	SHARE CAPITAL IN CHF	%
Swiss Medical Network SA	Genolier (VD)	Holding company	100'000	100.0
Victoria-Jungfrau Collection AG	Interlaken (BE)	Holding company	200'000	100.0
Infracore SA	Fribourg (FR)	Healthcare infrastructure real estate	10'000'000	80.0
Swiss Hospitality Properties AG	Interlaken (BE)	Hospitality real estate	200'000	100.0
Patrimonium Healthcare Property Advisors AG	Baar (ZG)	Real estate management	100'000	50.0
Swiss Ambulance Rescue Genève SA	Geneva (GE)	Ambulance services	500'000	100.0
Swiss Medical Transport AG	Baar (ZG)	Ambulance services	100'000	40.0
Medgate Integrated Care Holding AG	Basel (BS)	Holding company	2'001'700	40.0
Medgate Holding AG	Basel (BS)	Holding company	2'819'020	40.0
NESCENS SA	Genolier (VD)	Better aging	300'000	36.2
Laboratoires Genolier SA	Genolier (VD)	Cosmetics	866'700	89.13
Swiss Stem Cell Science SA	Fribourg (FR)	Stem Cells	100'000	100.0
Société Clinique Spontini SAS	Paris (France)	Aesthetic hospital	2'000'000 EUR	100.0
Publications de l'économie et de la finance AEF SA	Lausanne (VD)	Publishing	665'000	49.0
Agefi Com SA	Geneva (GE)	Publishing	200'000	49.0
Academy & Finances SA	Geneva (GE)	Organisation of seminars	250'000	22.5
Publications Financières LSI SA	Geneva (GE)	Publishing (dormant)	100'000	100.0

More information can be found in note 31 (List of group companies) from the Swiss GAAP FER consolidated financial statements.

## 1.2. Significant shareholders

According to the information received by the Company, the shareholders holding directly or indirectly 3% or more of the share capital are:

NAME	31.12.2018 NUMBER OF SHARES	31.12.2018 %	31.12.2017 NUMBER OF SHARES	31.12.2017 %
Group Hubert/Reybier/M.R.S.I. Medical Research, Services and Investments SA*	12'072'651	76.81	12'129'923	77.67
Kuwait Investment Office as agent for the Government of the State of Kuwait	533'312	3.39	533'312	3.41

\* Antoine Hubert and Géraldine Reynard-Hubert indirectly hold AEVIS VICTORIA shares through M.R.S.I. Medical Research, Services and Investments SA and HR Finance & Participations SA (HRFP). Antoine Hubert and Géraldine Reynard-Hubert hold 100% of the share capital and voting rights of HRFP. HRFP holds 50% of the share capital and voting rights of MRSI. Michel Reybier indirectly holds AEVIS VICTORIA shares through M.R.S.I. Medical Research, Services and Investments S.A. and EMER Holding SA (EMER). Michel Reybier holds 100% of the share capital and voting rights of EMER. EMER holds 50% of the share capital and voting rights of MRSI.

During 2018, the Company did not publish any disclosure notification on the reporting and publication platform of the Disclosure Office of SIX Swiss Exchange.



### 1.3. Cross-shareholdings

There are no cross-shareholdings exceeding 5% of capital shareholdings or voting rights on both sides.

## 2. Capital structure

### 2.1. Capital

The structure of the issued capital, conditional capital and authorised capital is as follows:

<b>31.12.2018</b>	<b>NUMBER OF SHARES</b>	<b>NOMINAL VALUE PER SHARE (IN CHF)</b>	<b>TOTAL CAPITAL (IN CHF)</b>
Share capital	15'718'207	5	78'591'035
Conditional capital	6'017'000	5	30'085'000
Authorised capital	7'560'000	5	37'800'000

### 2.2. Authorised and conditional capital in particular

#### *Authorised capital (article 10 of the Articles of Association)*

The Board of Directors is authorised to increase the share capital by a maximum of CHF 37'800'000 through the issuance of a maximum of 7'560'000 fully paid-up registered shares with a nominal value of CHF 5 each until 12.06.2019. The issue price, type of payment, timing, the beginning date for dividend entitlement and the conditions for the exercise of subscription rights attached to such shares would have to be determined by the Board of Directors. Preferred subscription rights which have been granted but not exercised are at the disposal of the Board of Directors, which can use them in the interest of the Company.

The Board of Directors is authorised to set the preferred subscription rights of existing shareholders aside and issue new shares by means of a firm underwriting through a bank or another institution with a subsequent offer of such shares to the existing shareholders. The Board of Directors may also withdraw the preferred subscription rights of shareholders in case of the acquisition of an enterprise, parts of an enterprise or participations in a company or any similar transaction.

#### *Conditional capital (articles 10bis and 10ter of the Articles of Association)*

The share capital may be increased, through the exercise of conversion rights by a maximum of CHF 25'000'000 through the issuance of a maximum of 5'000'000 fully paid-up registered shares with a nominal value of CHF 5 each. According to article 10bis of the Articles of Association, conversion rights can be granted to holders of convertible bonds.

The share capital may be increased, through the exercise of option rights by a maximum of CHF 5'085'000 divided into a maximum of 1'017'000 fully paid-up registered shares with a nominal value of CHF 5 each. According to article 10ter of the Articles of Association, option rights can be granted to employees, consultants and directors of the Company or its subsidiaries and in accordance with a stock-option plan as defined by the Board of Directors. The preferred subscription rights of shareholders are withdrawn. Shares acquired through exercise of option rights have the same limitations of transferability as described under 2.6 below.

### 2.3. Changes in capital

	NUMBER OF SHARES	SHARE CAPITAL (IN CHF)
Balance at 01.01.2016	15'035'207	75'176'035
Conditional capital increase (executed on 14.03.2017)	97'200	486'000
Balance at 01.01.2017	15'132'407	75'662'035
Conditional capital increase (executed on 04.12.2017)	485'800	2'429'000
Balance at 01.01.2018	15'618'207	78'091'035
Conditional capital increase (executed on 15.05.2018)	100'000	500'000
Balance at 31.12.2018	15'718'207	78'591'035

On 14.03.2017, the Company registered a conditional capital increase resulting from the exercise of 97'200 options rights at 31.12.2016. The share capital was increased by CHF 486'000, divided into 97'200 new registered shares.

On 04.12.2017, the Company registered a conditional capital increase resulting from the exercise of 485'800 options rights at 30.06.2017. The share capital was increased by CHF 2'429'000, divided into 485'800 new registered shares.

On 15.05.2018, the Company registered a conditional capital increase resulting from the exercise of 100'000 options rights at 30.03.2018. The share capital was increased by CHF 500'000 to CHF 78'591'035, divided into 15'718'207 registered shares.

### 2.4. Shares and participation certificates

The Company's capital is composed of registered shares only. At 31.12.2018, the number of fully paid-up registered shares with a nominal value of CHF 5 each was 15'718'207. According to article 16 of the Articles of Association, each share recorded in the share register as a share with voting rights confers the right to one vote to its holder. Shareholders have the right to receive dividends. There are no participation certificates.

### 2.5. Dividend-right certificates

There are no dividend-right certificates.

## 2.6. Limitations on transferability and nominee registration

Article 7 of the Articles of Association defines the restrictions on transferability. Registered shares of the Company can be transferred without restriction, save that the Company requires the holder to declare that the shares have been acquired on own account and own benefit to register the holder in the share register with voting rights. There are no further registration restrictions (e.g. percentage limitation).

The registration of nominees with voting rights is permitted but is subject to the consent of the Board of Directors and is conditional upon the signature by the nominees of an agreement specifying their status.

## 2.7. Convertible bonds and options

As at 31.12.2018, the Company had no convertible bonds outstanding. During 2018, no option rights were granted.

A detailed overview of the option plans can be found in the Remuneration Report under Section 3.4 – Share-based payment plans. The only options issued by the Company are for its management, employees' and consultants' compensation plans.

# 3. Board of Directors

## 3.1. Members of the Board of Directors

The Board of Directors of the Company is adapted to the optimal management of its holdings and relations with its shareholders. Its members cover the necessary financial, legal and political skills to address the challenges of the Company's scope of business.

As at 31.12.2018, the Board of Directors of the Company was composed of the following members.

	<b>FUNCTION</b>	<b>YEAR OF BIRTH</b>	<b>NATIONALITY</b>
Christian Wenger	Chairman	1964	Swiss
Raymond Loretan	Vice-chairman	1955	Swiss
Antoine Hubert	Delegate of the Board	1966	Swiss
Michel Reybier	Member	1945	French
Antoine Kohler	Member	1956	Swiss
Cedric A. George	Member	1952	Swiss

With the exception of Antoine Hubert and Raymond Loretan, who are employed by a group company, all Board Members are Non-executive Members. With the exception of Michel Reybier, all Non-executive Board Members are independent, were not part of the Company's management and have no important business connections with the Company.

### 3.2. Professional background and other activities and vested interests

Christian Wenger, Chairman

Member of the Audit and Compliance Committee

Member of the Strategy and Investment Committee

With a doctor degree in law from the University of Zurich and following post-graduate studies at Duke University Law School in North Carolina, Dr Christian Wenger is partner and Member of the Board of the law firm Wenger & Vieli AG in Zurich and specialises in commercial and business law with focus on private equity, venture capital and mergers & acquisitions. He serves as Chairman, Vice-chairman and Board Member of several listed and non-listed companies such as Breitling SA, Chemolio Holding AG, Hempel Special Metals AG, Signa Retail Selection AG, Trisport AG, Trüb Trading (International) AG, UCC Holding AG, UCC Immobilien AG and Xeltis AG. He is Chairman of the BlueLion Stiftung, Member of the Zoo Stiftung Zurich and Member of the UZH Foundation. Furthermore, he is a member of the Swiss-American Chamber of Commerce. In 2003, he founded Swiss Startup Invest (formerly CTI Invest), the largest investor platform for growth companies in Switzerland, which he has chaired since its establishment.

In 2011, he launched the Blue Lion incubator for start-ups in the ICT and cleantech sector, with the City of Zurich, Zürcher Kantonalbank, Swisscom AG, the University of Zurich and ETH. In 2015, Christian Wenger founded the digitalswitzerland movement with universities and corporations with the aim of positioning Switzerland as a leading technology nation across Europe. He is member of the Executive Committee of this Association. In spring of 2017, Christian Wenger was elected to the Board of Trustees of the UZH Foundation of the University of Zurich.

Dr Christian Wenger represents the shareholdings of CHH FINANCIERE SA.

Raymond Loretan, Vice-chairman

Member of the Strategy and Investment Committee

Raymond Loretan holds a law degree from the University of Fribourg and a diploma in European Organisations from the University of Strasbourg. Before joining the Group in January 2007, Raymond Loretan held several positions within and outside the Swiss administration for more than 20 years, serving as diplomatic Assistant to the Secretary of State at the Federal Department of Foreign Affairs (1984–1987), personal adviser to Federal Councillor Arnold Koller (1987–1990), Counsellor for European Affairs of the Canton of Valais (1991–1992) and Secretary general of the Swiss Christian Democratic Party (1993–1997). In 1997, Raymond Loretan was appointed by the Swiss government as Swiss Ambassador to the Republic of Singapore and to the Sultanate of Brunei Darussalam and in 2002 as Consul General of Switzerland in New York with ambassadorial ranking. From 2012 to 2015, he was Chairman of the Swiss Public Broadcasting Corporation.

Within the Group, Raymond Loretan is executive Chairman of the Board of Directors of Swiss Medical Network SA. He is Chairman of GSMN Suisse SA, Swiss Medical Network Hospitals SA, Générale Beaulieu Holding SA, Clinique Générale-Beaulieu SA, Générale-Beaulieu Immobilière SA, Centre Médico-Chirurgical des Eaux-Vives SA, Medgate Health Centers AG and Nescens Genolier SA. Raymond Loretan is also Board Member of Rosenklinik AG (as of January 2019), Klinik Pyramide am See AG and Victoria-Jungfrau Collection AG. Raymond Loretan is Chairman of the Fondation de Prévoyance Swiss Medical Network and the Genolier Foundation for medical solidarity.

In addition, he is founding associate of the consultancy practice FBL associés in Geneva, Chairman of the Board of Directors of Société Suisse des Explosifs SA, Fondation du Grand Prix d'Horlogerie de Genève and Nouvelle Agence Economique et Financière SA, Vice-chairman of the Cave "Vins des Chevaliers" and Member of the Board of the Center for Humanitarian Dialogue. Raymond Loretan is Chairman of The Swiss Leading Hospitals.

#### **Antoine Hubert, Delegate of the Board**

Member of the Strategy and Investment Committee

Prior to acquiring a stake in Clinique de Genolier in 2002 and founding Swiss Medical Network 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.

Within the Group, Antoine Hubert is Delegate of the Board of Swiss Medical Network SA and Chairman of Swiss Hospitality Properties SA, CACM hotels SA and Société Clinique Spontini SAS. He is Vice-chairman of the Board of Directors of Infracore SA, Centre Médico-Chirurgical des Eaux-Vives SA and Nescens Genolier SA. He is Board Member of GSMN Suisse SA, Swiss Medical Network Hospitals SA, Générale Beaulieu Holding SA, Clinique Générale-Beaulieu SA, Genolier Swiss Visio Network SA, Victoria-Jungfrau Collection AG, VJC-Management AG, Grand Hotel Victoria-Jungfrau AG, Hotel Eden au Lac AG, Hotel Bellevue Palace AG, Générale-Beaulieu Immobilière SA, Medgate Health Centers AG, Medgate Holding AG, Medgate Integrated Care Holding AG, NESSENS SA, Laboratoires Genolier SA, Swiss Stem Cell Science SA, Patrimonium Healthcare Property Advisors AG and iKentoo SA. Antoine Hubert is Member of the Fondation de Prévoyance Swiss Medical Network and the Genolier Foundation for medical solidarity.

Furthermore, Antoine Hubert is Board Member of Nouvelle Agence Economique et Financière SA.

#### Michel Reybier, Non-Executive Member

Chairman of the Strategy and Investment Committee  
Member of the Audit and Compliance Committee

Michel Reybier has held several senior management positions within the nutrition industry. In particular, he has managed a group of supermarket stores in the Lyon area, a company producing chocolate and biscuits sold under the trade name Cemoi as well as a company producing meat products, amongst others, under the trade names Aoste, Justin Bridou and Cochonou. Michel Reybier is currently active in the hotel industry and is a major shareholder of AEVIS VICTORIA. He is founder and owner with his family of the La Réserve hotel Group and Domaines Reybier SA, specialised in vine growing (Cos d'Estournel, Tokaj, Jeeper). He is a member of the Supervisory Board of Domaines Reybier SA. He is also co-founder and shareholder of the Mama Shelter and Mob Hotels. Furthermore, he is a shareholder of Seiler Hotels Zermatt AG.

Within the Group, Michel Reybier is Vice-chairman of the Board of Directors of Victoria-Jungfrau Collection AG and Board Member of Swiss Medical Network SA, Infracore SA, Swiss Hospitality Properties SA, Nescens Genolier SA, NESSENS SA, Swiss Stem Cell Science SA, Patrimonium Healthcare Property Advisors AG, VJC-Management AG, Grand Hotel Victoria-Jungfrau AG, Hotel Eden au Lac AG, Hotel Bellevue Palace AG and CACM hôtels SA.

In addition, Michel Reybier is Board Member of Seiler Hotels AG.

#### Antoine Kohler, Non-Executive Member

Chairman of the Audit and Compliance Committee  
Member of the Nomination and Compensation Committee

With 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 Bocard SA, with offices in Geneva and Zurich.

Within the Group, Antoine Kohler is Board Member of Swiss Medical Network SA, Victoria-Jungfrau Collection AG, Générale Beaulieu Holding SA, Clinique Générale-Beaulieu SA, Générale-Beaulieu Immobilière SA, Centre Médico-Chirurgical des Eaux-Vives SA, Medgate Health Centers AG, CACM hôtels and Nescens Genolier SA.

In addition, Antoine Kohler is, amongst others, Chairman of Airopack Technology Group AG (Baar), Board Member of Sixt rent-a-car AG (Basel) and Deputy Chairman of Mitsubishi UFJ Wealth Management Bank (Switzerland) Ltd.

Dr Cédric A. George, Non-Executive Member  
Chairman of the Nomination and Compensation Committee

Dr Cédric A. George obtained a Medical degree and doctor's diploma at the Medical Faculty of Zurich University. Specialised in Plastic, Reconstructive and Aesthetic Surgery (Swiss Board Certified), he is the Head physician and Delegate of the Board of Klinik Pyramide am See AG which he founded in 1993. Dr George also founded a private Centre for Plastic Surgery in Zurich where he runs a private medical practice.

Within the Group, Dr Cédric A. George is Board Member of Swiss Medical Network SA.

### 3.3. Number of permitted activities

No Board Members may hold more than five additional mandates in listed companies and 25 mandates in non-listed companies. The following mandates are not subject to these limitations:

- Mandates in companies that are controlled by the Company
- Mandates which a Board Member holds at the request of the Company or companies controlled by it. No Board Member should hold more than ten such mandates.
- Mandates in associations, charitable organisations, foundations, trusts and employee welfare foundations. No Board Member should hold more than ten such mandates.

### 3.4. Elections and terms of office

The Board of Directors consists of three or more Members. The Chairman and the Board Members are elected individually by the Annual General Meeting for a period of one year until completion of the next Annual General Meeting. Re-election of the Chairman and the Board Members is permitted. If the office of the Chairman becomes vacant, the Board of Directors appoints a Chairman for the remaining term of office. The Board of Directors elects one Vice-chairman and the members of the committees other than the Nomination and Compensation Committee. The Board of Directors currently has six members. In 2018, the Annual General Meeting confirmed Christian Wenger as the Chairman of the Board of Directors. The Board of Directors appointed Raymond Loretan as Vice-chairman.

MEMBER	ELECTION	EXPIRES
Christian Wenger	July 2012	2019
Raymond Loretan*	November 2006	2019
Antoine Hubert*	June 2009	2019
Michel Reybier	June 2011	2019
Antoine Kohler*	June 2008	2019
Cedric A. George	September 2010	2019

\* Raymond Loretan, Antoine Hubert and Antoine Kohler were not Board Members between 09.06.2010 and 06.09.2010.

### ***Nomination and Compensation Committee***

The Nomination and Compensation Committee Members are elected individually by the Annual General Meeting for a period of one year until completion of the next Annual General Meeting. Members of the Nomination and Compensation Committee whose term of office has expired are immediately eligible for re-election.

The Nomination and Compensation Committee is chaired by an independent and Non-executive Board Member and is composed of at least two independent Board Members. The Board of Directors elects the Chairman of the Nomination and Remuneration Committee amongst the elected Nomination and Remuneration Committee Members. If the Nomination and Compensation Committee is no longer complete, the Board of Directors designates substitutes amongst its Members for the remaining term of office. The Nomination and Compensation Committee currently has two members.

<b>MEMBER</b>	<b>ELECTION</b>	<b>EXPIRES</b>
Cedric A. George	June 2015	2019
Antoine Kohler	June 2015	2019

### ***Audit and Compliance Committee***

The Audit and Compliance Committee is chaired by an independent Non-executive Board Member and is composed of at least three Board Members, of which one has to be independent. The members are elected by the Board of Directors.

### ***Strategy and Investment Committee***

The Strategy and Investment Committee is composed of at least two Board Members, elected by the Board of Directors.

### ***Independent Proxy***

The independent proxy is elected by the Annual General Meeting for a period of one year until completion of the next Annual General Meeting. Re-election of the independent proxy is permitted. If the function of independent proxy is vacant, the Board of Directors appoints the independent proxy for the next Annual General Meeting. Authorisations and instructions that have already been issued will remain valid for the new independent proxy.



### 3.5. Internal organisation structure

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

	AUDIT AND COMPLIANCE COMMITTEE	NOMINATION AND COMPENSATION COMMITTEE	STRATEGY AND INVESTMENT COMMITTEE
Christian Wenger	Member		Member
Raymond Loretan			Member
Antoine Hubert			Member
Michel Reybier	Member		Chairman
Antoine Kohler	Chairman	Member	
Cédric A. George		Chairman	Member
Dr Philippe Glasson*			Member

\* Vice-chairman of the Board of Directors of Swiss Medical Network SA.

#### 3.5.2. Tasks and area of responsibility for each Committee of the Board of Directors

##### *Nomination and Compensation Committee*

The Nomination and Compensation Committee assists the Board of Directors in the establishment and the periodic revision of the compensation strategy and directives. The Committee prepares the proposals of the Board of Directors to the Annual General Meeting regarding the compensation of the Chairman of the Board, the Board Members and the Senior Management. It determines the principles for remuneration of the Board Members and the Senior Management and submits them to the Board of Directors for approval. It oversees and discusses the overall remuneration policy and the remuneration principles of the Company and the Group and keeps the Board updated. The Committee also determines the employee participation schemes, including an allocation of shares, share options or other financial instruments to the Board Members, the Senior Management and other beneficiaries and submits them to the Board for approval. The Nomination and Compensation Committee also establishes the principles for the selection of candidates to the Board, selects candidates for election or re-election and submits them to the Board. The Board of Directors may assign additional tasks to the Nomination and Compensation Committee.

The Nomination and Compensation Committee is a preparatory committee for the Board of Directors and has no decision-making powers. The Chairman of the Board and the Delegate of the Board are invited to the Nomination and Compensation Committee but have no right to a say in the decisions.

For the year 2018, the Nomination and Compensation Committee met once. The average length of meeting is one hour. The Chairman of the Nomination and Compensation Committee prepares a report of each meeting, which is presented to the next Board meeting.

### ***Audit and Compliance Committee***

The Audit and Compliance Committee supports the Board in ensuring the accuracy of the financial statements, the quality of the Internal Control System and the information provided to the shareholders and third parties. Its main duties include the preliminary examination of the financial statements, the discussion of the accounting principles, the supervision of the Internal Control System, the review of the Group's risk assessment, the relation with the external auditors and the assessment of the quality of their audit.

The Audit and Compliance Committee is a preparatory committee for the Board of Directors and has no decision-making powers. Once a year at least, the auditor is invited to take part in an Audit and Compliance Committee meeting, in the course of which the results of the auditor's work are presented.

In 2018, the Audit and Compliance Committee met twice, of which once by the means of telephone conferencing. The average length of meeting is two hours. The Chairman of the Audit and Compliance Committee prepares a report of each meeting, which is presented at the next Board meeting.

### ***Strategy and Investment Committee***

The Strategy and Investment Committee reviews the Group's strategic development in its core business as well as other businesses closely related thereto. It also coordinates the significant investment projects. The Strategy and Investment Committee has no decision-making powers. In 2018, the Strategy and Investment Committee met once.

### **3.5.3. Working methods of the Board of Directors and its Committees**

According to its organisational rules, the Board of Directors of the Company meets at least four times a year. Extraordinary meetings, either formal or by means of telephone conferencing, may take place in the course of the year. In 2018, the Board of Directors met four times and two times by means of telephone conferencing.

The average attendance at the Board meetings was 100%. The average length of meeting is three hours. During its meetings, the Board reviews the activities of the Group with reference to operating reports. Meetings are prepared by the Chairman and the Delegate of the Board.

The Board can decide when more than half of its members are present. It decides by majority of votes. In case of a tie, the vote of the Chairman decides. No quorum is necessary to complete formalities regarding share-capital increases, subsequent paying-up of capital or the issuing of participation certificates.

The Senior Management and members of the Executive Committees or Management teams of the Company's subsidiaries may take part in Board of Directors meetings, at the invitation of the Delegate of the Board and/or the Chairman. The auditor can also be invited to participate in Board meetings when deemed necessary.

The Company's main subsidiaries hold separate Board meetings. The Chairman of the Board of the Company attends the Board meetings of Swiss Medical Network SA, the Company's most important subsidiary.

### **3.6. Definition of areas of responsibility**

The Board of Directors is the ultimate governing body of the Company. It fulfils the function of defining the Group strategy, monitoring and directly controlling the Company's Senior Management. It represents the company externally and makes decisions on all matters that do not fall under the responsibility of another body within the Company by law or pursuant to the Articles of Association or other regulations.

Pursuant to Swiss Code of Obligations, the Articles of Association and the organisation rules of the Company, the Board of Directors of the Company has in particular the following non-transferable and inalienable duties:

- Provide the ultimate governance of the Company and issue the necessary instructions;
- Determine the Company's organisation;
- Set the principles of accounting including the consolidation, financial control and financial planning as far as required for the Company's management;
- Appoint and revoke the persons entrusted with the management and representation of the Company;
- Provide the ultimate supervision of the persons entrusted with the management of the Company, especially in view of their compliance with the law, the Articles of Association, regulations and instructions given;
- Pass resolutions on acquiring and disposing of Group and affiliated companies;
- Set the principles of compensation and adopt the participation and option plans;
- Establish the annual report, prepare the Annual General Meeting and carry out its resolutions;
- Notify the judge in the event of over-indebtedness.

According to the organisational rules, the Board has delegated the day-to-day management, the controlling of ongoing operations as well as the risk analysis follow-up to the Delegate of the Board, who can sub-delegate to members of the Senior Management of the Company and to the Executive Committee or Management teams of each subsidiary. The Delegate of the Board is responsible for the implementation of the decisions taken by the Board of Directors.

### **3.7. Information and control instruments with regard to the Senior Management**

The Delegate of the Board of the Company conducts the operational management of the Company pursuant to the organisational rules and reports to the Board of Directors of the Company on a regular basis. The Chairman of the Board also holds regular coordination and information meetings with the Delegate of the Board. The Senior Management of the Company and the Executive Committees or Management teams of its subsidiaries, of which the Delegate of the Board is a member, convene regularly to report on operational business issues.

The Group's Financial Department compiles monthly data regarding all its subsidiaries and a condensed report with the most important key figures of all operational units. This information is transmitted to Senior Management and analysed during the regular coordinating meetings. The Board of Directors meets regularly and receives prior to the Board meetings all relevant key data, including the condensed report. The data is analysed in detail during each Board meeting and Board Members are informed on the operational business.

The company has implemented an Internal Control System (ICS) on group level, which is also implemented in its subsidiaries. The risk management was introduced in 2009 and is reviewed yearly by the Senior Management and the Audit and Compliance Committee. The Board of Directors yearly discusses and approves the identified risks.



## 4. Senior Management

### 4.1. Senior Management

The Company wants the Senior Management to be focused on the long-term, with steady growth in turnover and profitability, allowing regular investments that will guarantee its sustainability. As at 31.12.2018, the Senior Management of the Company was composed of the following persons:

	FUNCTION	YEAR OF BIRTH	NATIONALITY
Antoine Hubert	Delegate of the Board	1966	Swiss
Gilles Frachon	CFO	1950	French

### 4.2. Other activities and vested interests

Antoine Hubert  
See Section 3.2.

Gilles Frachon  
Chief Financial Officer

Gilles Frachon is Chief Financial Officer of AEVIS VICTORIA SA and member of the Senior Management. He is also Board Member of HMC Gestion SA, the holding company of Director Michel Reybier, since 1997, and Chairman of the Executive Committee of Domaines Reybier SA. Previously, he has been Chief Financial Officer of Aoste, European leader in charcuterie, and General Manager of the holding company Fournier, owned by the founders of the hypermarkets Carrefour. Gilles Frachon graduated from the EM Lyon business school and was a Professor in Finance & Controlling at this business school from 1976 till 1980.

Within the Group, Gilles Frachon is Board Member of Swiss Medical Network Hospitals SA, GSMN Suisse SA, Infracore SA, Swiss Hospitality Properties SA and Société Clinique Spontini SAS (France).

In addition, Gilles Frachon is Chairman of MJ France SAS (France), Société Foncière PLM (France) and SCA Société Nationale de Propriété d'Immeubles (France). He is Board Member of RDC SA (France), Zemer SA, MRH-Zermatt SA and NTR SA.

### 4.3. Number of permitted activities

No member of the Senior Management may hold more than three additional mandates in listed companies and ten mandates in non-listed companies. The following mandates are not subject to these limitations:

- Mandates in companies that are controlled by the Company
- Mandates which a Member of the Senior Management holds at the request of the Company or companies controlled by it. No Member of the Senior Management should hold more than ten such mandates.
- Mandates in associations, charitable organisations, foundations, trusts and employee welfare foundations. No Member of the Senior Management should hold more than ten such mandates.

#### **4.4. Management contracts**

The Company has signed no management contracts with third parties.

### **5. Compensation, shareholdings and loans**

All information on the compensation of the Company's Board of Directors and Senior Management is provided in the separate Remuneration Report.

### **6. Shareholders' participation**

#### **6.1 Voting rights and representation restrictions**

All shareholders recorded in the share register with voting rights are entitled to attend and vote at the Annual General Meetings. Each share recorded in the share register with a right to vote entitles the holder to one vote at Annual General Meetings.

In accordance with article 16 of the Articles of Association, any shareholder recorded in the share register may be represented at the Annual General Meeting by the independent proxy, another shareholder or a third party.

No exceptions on voting right restrictions were granted in the year under review. The Board of Directors specifies the process and conditions for issuing authorisations and instructions to the independent proxy. Shareholders may issue voting instructions both for proposals relating to agenda items set out in the invitation to the Annual General Meeting and for undisclosed new proposals. If new proposals or amendments to proposals are made at the General Assembly by a shareholder or the Board of Directors, shareholders can instruct the independent proxy to vote in accordance with the proposal of the Board of Directors, to vote against such new proposals or to abstain from voting. Shareholders have the option to receive their documents for the Annual General Meeting or issue proxies and instructions to the independent proxy electronically via the "Computershare" online platform.

#### **6.2. Quorums required by the articles of association**

Pursuant to article 703 Swiss Code of Obligations, the Annual General Meeting passes resolutions and makes elections, if not otherwise required by law (article 704 Swiss Code of Obligations) or the Articles of Association, with an absolute majority of the votes represented at the meeting.

#### **6.3. Convocation of the Annual General Meeting of Shareholders**

In accordance with articles 13 and 14 of the Articles of Association, the Annual General Meeting is convened once a year within six months of the end of the financial year. The Board of Directors, the auditor, the liquidator or one or a number of shareholders together representing at least 10% of the share capital may request that an Extraordinary General Meeting be convened.

Invitations to the Annual General Meeting are issued at least 20 days before the date set for the meeting, by being published in the Swiss Official Gazette of Commerce or by means of a letter sent by priority mail to all shareholders, if these are known in the share register. The invitation must set out all agenda items together with the proposals of the Board of Directors and any shareholders who have requested that an Annual General Meeting be convened. The annual report and the auditor's report are available for consultation by the shareholders at the company's registered office and on the Company's website, no later than 20 days prior to the Annual General Meeting.

([www.aevis.com/websites/aevis/English/2200/financial-reports.html](http://www.aevis.com/websites/aevis/English/2200/financial-reports.html))

#### **6.4. Inclusion of items on the agenda**

The invitation to the meeting must indicate the items on the agenda and the motions of the Board of Directors and of those shareholders who have requested that the meeting be convened or that an item be included in the agenda. In compliance with article 699 paragraph 3 Swiss Code of Obligations, shareholders representing shares amounting to a nominal value of CHF 1 million may submit a written request for an item to be included in the agenda.

#### **6.5. Entries in the share register**

As common practice, the share register is closed approximately one week after the publication date. The closing date is mentioned in the notice. For organisational reasons, subsequent to closing the share register, no further registrations can be executed, except that shares that have been declared sold are withdrawn and cannot be voted.

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

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

The Company does not have a provision on opting out or opting up in the Articles of Association. Thus, according to article 9 of the Articles of Association, the provisions regarding the legally prescribed threshold of 33 1/3% of the voting rights for making a public takeover set out in article 32 of the Stock Exchange Act (SESTA) are applicable.

### **7.2. Clauses on changes of control**

There are no such clauses.

## 8. Auditing body

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

Berney Associés Audit SA, Geneva was first appointed on 09.06.2010 as auditor of the Company and of the Consolidated Financial Statements of the Group. The term of office is renewable each year for a period of one year by the Annual General Meeting.

Gregory Grieb is the auditor in charge for supervising the auditing of the statutory annual accounts and consolidated accounts of AEVIS VICTORIA SA since 01.07.2017.

The Group's audit firms have no "business consultancy" mandates.

### 8.2. Auditing fees

Auditing fees of Berney Associés Audit SA for the Group amounted to CHF 440'000 for the business year 2018.

### 8.3. Additional fees

During 2018, Berney Associés Audit SA charged additional fees of CHF 38'334 for the delivery of certifications and attestations.

### 8.4. Informational instruments pertaining to an external audit

The Audit and Compliance Committee is responsible for the evaluation of the external auditors and examines the mission, independence, planning and conduct of the work of the external auditors on an annual basis.

At least once a year, the auditor is invited to take part in an Audit and Compliance Committee meeting in the course of which the results of the auditor's work are presented. At the beginning of each interim and final audit, the Delegate of the Board and the Chief Financial Officer of the Group meet with the auditor in charge. A report is regularly made to the Board of Directors. The auditor is also invited to participate in Board meetings when deemed necessary.

The Audit and Compliance Committee reviews the remuneration for the services provided by the external auditors on an annual basis. The external auditors submit a detailed report of their main findings, which are analysed and discussed with the Audit and Compliance Committee before being drawn up for the Board of Directors prior to the approval of the annual financial statements by the Board of Directors.

During 2018, the auditor participated to one meeting of the Audit and Compliance Committee.



## 9. Information policy

The Company has an open and up-to-date information policy that treats all target groups of the capital investment market equally. The most important information tools are the financial reporting, the website ([www.aevis.com](http://www.aevis.com)), the press releases, the presentation of the financial statements for media and financial analysts as well as the Annual General Meeting. Shareholders are in addition informed on important matters by letter.

The Company is subject to the obligation in respect of ad hoc publicity pursuant to Article 72 of the listing rules. It is possible to receive the company's ad hoc press releases by subscribing to the News Alert Service.

([www.aevis.com/websites/aevis/English/2400/news-alert-subscription.html](http://www.aevis.com/websites/aevis/English/2400/news-alert-subscription.html))

Financial reporting takes the form of semi-annual and annual reports. The consolidated annual financial statements are prepared in accordance with Swiss GAAP FER. They comply with the requirements of the Swiss law and with the listing rules of the SIX Swiss Exchange.

The Annual General Meeting of shareholders for the 2018 fiscal year will take place in Interlaken on Monday 27.05.2019. A full corporate calendar is available on the company's website.

([www.aevis.com/websites/aevis/English/3600/calendrier-financier.html](http://www.aevis.com/websites/aevis/English/3600/calendrier-financier.html))

### Contact

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# Remuneration Report

# Remuneration Report 2018

The AEVIS VICTORIA Remuneration Report has been prepared in compliance with the requirements of the Ordinance against Excessive Compensation (OaEC) and will be submitted to the advisory vote of the shareholders at the Annual General Meeting of 2019. Article 23 ter to quinquies of the Articles of Association relate to the remuneration of Board Members and Senior Management.

## 1. Governance

The Board of Directors has the overall responsibility of defining the compensation principles used within the Group, based on a proposal of the Nomination and Compensation Committee. The Board of Directors deals with compensation matters once a year, without consulting external advisors.

The Board of Directors approves the compensation of its Chairman, its Members and the Senior Management. The compensation of Board Members and Senior Management is subject to approval by the Annual General Meeting.

The Nomination and Compensation Committee is chaired by an independent and Non-executive Board Member and is composed of at least two independent Board Members. The Nomination and Compensation Committee Members are elected individually by the Annual General Meeting for a term of office until completion of the next Annual General Meeting. Members of the Nomination and Compensation Committee whose term of office has expired are immediately eligible for re-election.

On 31.12.2018, the Nomination and Compensation Committee was composed of Cédric George (Chairman) and Antoine Kohler. The Nomination and Compensation Committee assists the Board of Directors in the establishment and the periodic revision of the compensation strategy and directives. The Committee prepares the proposals of the Board of Directors to the Annual General Meeting regarding the compensation of the Board Members and the Senior Management. It determines the principles for remuneration of the Board Members and the Senior Management and submits them to the Board of Directors for approval. It oversees and discusses the overall remuneration policy and the remuneration principles of the company and the Group and keeps the Board updated. The Committee determines the employee participation schemes, including an allocation of shares, share options or other financial instruments to the Board Members, the Senior Management and other beneficiaries and submits them to the Board for approval.

The Nomination and Compensation Committee also establishes the principles for the selection of candidates to the Board, selects candidates for election or re-election and submits them to the Board.

The Board of Directors may assign additional tasks to the Nomination and Compensation Committee.

A Nomination and Compensation Committee Charter governs the Nomination and Compensation Committee.

## 2. Board of Directors

### 2.1. Principles of compensation

According to article 23 quinquies of the Articles of Association, non-executive Board Members receive a fixed compensation, which takes into account the position and level of responsibility of the beneficiary. At least 20% and up to 50% of their compensation must be converted in AEVIS VICTORIA shares, with a two-year vesting period. The number of AEVIS VICTORIA shares is determined by taking the closing price of the share on the SIX Swiss Exchange over a period of 30 days prior to the date of allocation.

The payment in cash and the conversion in shares are executed yearly before the end of the term of office. From the date of allocation, the shares have both voting and dividend rights. The remuneration is accounted for using the accrual principle. The Annual General Meeting approves the proposal of the Board of Directors in relation to the maximum aggregate amount of the compensation of the Board of Directors for the period until the next Annual General Meeting. The Board of Directors can submit to the approval of the Annual General Meeting different or additional proposals covering the same period or different periods.

In the event the Annual General Meeting does not approve a proposal of the Board, the Board determines, taking into account all pertinent criteria, the total (maximum) amount or the partial respective (maximum) amounts and submits the(se) amount(s) thus determined to the approval of an Annual General Meeting.

Notwithstanding the previously stated information, the Company or companies controlled by it can pay remunerations prior to the approval of the Annual General Meeting, subject to the approval by the Annual General Meeting.

### 2.2. Compensation in 2018

(In thousands of CHF)							
NAME	POSITION	TOTAL	OF WHICH CASH	OF WHICH BLOCKED SHARES	SOCIAL INSURANCE CONTRIBUTIONS*	PREVIOUS PERIOD	SOCIAL INSURANCE CONTRIBUTIONS*
Christian Wenger	Chairman	100.0	75.0	25.0	2.9	100.0	2.9
Raymond Loretan	Vice-chairman	-	-	-	-	-	-
Antoine Hubert	Delegate of the Board	-	-	-	-	-	-
Cédric A. George	Member	50.0	25.0	25.0	3.2	59.0	4.2
Antoine Kohler	Member	105.0	52.5	52.5	13.0	99.0	12.8
Michel Reybier	Member	50.0	25.0	25.0	3.2	50.0	3.3
<b>Total</b>		<b>305.0</b>			<b>22.3</b>	<b>308.0</b>	<b>23.2</b>

\* The Company pays all social insurance contributions.

Antoine Hubert is employed by a group company and does not receive any Board Member compensation. His remuneration is detailed in Section 3 of the Remuneration Report.



Raymond Loretan is employed by a group company and does not receive any Board Member compensation. His remuneration is detailed hereafter:

(In thousands of CHF)	2018	2017
Annual Base Salary	485.6	389.1
Variable cash compensation	146.6	187.4
Social insurance and pension contributions	158.5	136.2
<b>Total</b>	<b>790.7</b>	<b>712.7</b>

### 2.3. Shareholding in 2018

NAME	POSITION	2018	2018	2017	2017
		NUMBER OF SHARES HELD*	NUMBER OF OPTIONS HELD	NUMBER OF SHARES HELD*	NUMBER OF OPTIONS HELD
Christian Wenger**	Chairman	407'292	–	406'875	–
Raymond Loretan	Vice-chairman	29'620	40'000	29'620	40'000
Antoine Hubert and Michel Reybier***	Delegate of the Board	12'072'651	300'000****	12'129'923	250'000****
Cédric A. George	Member	17'389	–	16'972	–
Antoine Kohler	Member	1'299	–	4'352	–

\* Including the blocked shares received as Board Member compensation

\*\* Representing the shareholding of CHH Financière S.A. – SPF

\*\*\* Antoine Hubert and Géraldine Reynard-Hubert hold indirectly AEVIS VICTORIA shares through M.R.S.I. Medical Research, Services and Investments S.A. and HR Finance & Participations SA (HRFP). Antoine Hubert and Géraldine Reynard-Hubert hold 100% of the share capital and voting rights of HRFP. HRFP holds 50% of the share capital and voting rights of MRSI. Michel Reybier holds indirectly AEVIS VICTORIA shares through M.R.S.I. Medical Research, Services and Investments S.A. and EMER Holding SA (EMER). Michel Reybier holds 100% of the share capital and voting rights of EMER. EMER holds 50% of the share capital and voting rights of MRSI.

\*\*\*\* Attributed to Antoine Hubert (HR Finance & Participations SA).

### 2.4. Other audited information regarding the Board of Directors

#### 2.4.1. Loans

As at 31.12.2018, the current accounts of companies which are controlled by Board members and related parties amounted to CHF 13'824'116 (2017: CHF 15'864'425), i.e. CHF 16'880 (2017: CHF 507'910) for M.R.S.I. Medical Research, Services and Investments SA, CHF 5'239'331 (2017: CHF 6'059'096) for EMER Holding SA, CHF 7'016'405 (2017: CHF 7'784'746) for HR Finance & Participations SA and CHF 1'551'500 (2017: CHF 1'512'673) for GCC Global Consulting et Communication S.à r.l. During the fiscal year, a reimbursement of CHF 2'506'000 has been made (2017: CHF 2'500'000). Interests at a rate of 2.98% have been accrued. As at 31.12.2018 Antoine Hubert had a current account with a subsidiary company of CHF 3'859'695 (2017: CHF 3'120'021). See also Note 11 Other Receivables from the Swiss GAAP FER consolidated financial statements. Loans to Board Members can be granted at market conditions and cannot exceed CHF 20 million in total.

#### **2.4.2. Additional fees**

There were no additional fees or remuneration paid by the Company or any of its group companies to Board Members in 2018, with the exception of Antoine Hubert and Raymond Loretan, who are employed by a group company.

#### **2.4.3. Compensation and loans for former Board Members**

There is no compensation conferred during 2018 neither loan outstanding to former Board Members.

### **3. Senior Management**

#### **3.1. Principles of compensation**

According to article 23 quinquies of the Articles of Association, the compensation of Senior Management is based on fixed and/or variable elements. Total compensation takes into account the position and level of responsibility of the beneficiary and their achievement of objectives. The remuneration is accounted for using the accrual principle. The fixed compensation includes the base salary and can include other elements of remuneration. The variable remuneration is linked to performance measures (business success, turnover and revenue goals and personal objectives) and to the level of responsibility of the beneficiary. In 2018, the Senior Management received variable compensation of 164.5% (2017: 155.1%) in relation to the fixed compensation. The Board of Directors or, if this competence has been delegated, the Nomination and Compensation Committee, determines the performance measures and the target levels of the elements of variable remuneration, as well as their fulfilment. The Compensation can be paid in cash, in shares and/or other types of benefits. It can also be paid in the form of financial instruments or share-based units. The Board of Directors or, if this competence has been delegated, the Nomination and Compensation Committee, determines the grant conditions, the vesting conditions and the revoking of rights. Remuneration can be paid by the company or companies controlled by it. The variable compensation is always paid in the following year, after the publication of the full year results.

The Annual General Meeting approves the proposal of the Board of Directors in relation to the maximum aggregate amount of the compensation of the Senior Management of the previous fiscal year.

The Board of Directors can submit to the approval of the Annual General Meeting different or additional proposals covering the same period or different periods.

In the event the Annual General Meeting does not approve a proposal of the Board, the Board determines, taking into account all pertinent criteria, the total (maximum) amount or the partial respective (maximum) amounts and submits the(se) amount(s) thus determined to the approval of an Annual General Meeting. Notwithstanding the previously stated information, the company or companies controlled by it, can pay remunerations prior to the approval of the Annual General Meeting, subject to the approval by the Annual General Meeting.

According to article 23 quater of the Articles of Association, an additional amount of 40% of the total amount of compensation payable to the Senior Management that was last approved by the Annual General Meeting for the relevant period is available for the member(s) of the Senior Management appointed after the Annual General Meeting that voted on the total amount of compensation.

### 3.2. Compensation in 2018

The total remuneration of the Senior Management (including social insurance and pension contributions) amounts to CHF 1.3 million (2017: CHF 1.2 million). No stock options were granted to the Senior Management in 2018 (2017: 0).

The highest compensation in 2018 was conferred to Antoine Hubert, Delegate of the Board.

(In thousands of CHF)	2018 HIGHEST COMPEN- SATION	2018 OTHER MEMBERS	2018 TOTAL SENIOR MANAGE- MENT	2017 HIGHEST COMPENSA- TION	2017 OTHER MEMBERS	2017 TOTAL SENIOR MANAGE- MENT
Annual base salary	398.9	-	398.9	398.9	-	398.9
Variable cash compensation	656.2	-	656.2	618.8	-	618.8
Social insurance and pension contributions	255.7	-	255.7	221.6	-	221.6
<b>Total</b>	<b>1'310.8</b>	-	<b>1'310.8</b>	<b>1'239.3</b>	-	<b>1'239.3</b>

\* Black-Scholes model

### 3.3. Shareholding in 2018

NAME	POSITION	2018 NUMBER OF SHARES HELD	2018 NUMBER OF OPTIONS HELD	2017 NUMBER OF SHARES HELD	2017 NUMBER OF OPTIONS HELD
Antoine Hubert	Delegate of the Board	3'320'728*	300'000*	3'311'667*	250'000*
Gilles Frachon	CFO	31'350	10'000	31'350	10'000

\* Directly and/or indirectly held through his companies.

### 3.4. Share-based payment plans

In 2012, a stock option plan 12-A in favour of management, employees and consultants was implemented. 630'500 options were granted, each giving rights to subscribe for one share at a unit price of CHF 28. In case of resignation, non-vested options are forfeited.

In 2014, a stock option plan 14-A in favour of the Delegate of the Board was implemented. 100'000 options were granted, each giving rights to subscribe for one share at a unit price of CHF 34.

In 2016, a stock option plan 16-A in favour of the management, employees and consultants was implemented. 412'500 options were granted, each giving rights to subscribe for one share at a unit price of CHF 38.

The details of the share based payment plans at the beginning of the schemes are as follows:

PLAN	BENEFICIARY / GRANT DATE	NUMBER OF INSTRUMENTS / EXERCISE PRICE	VESTING CONDITIONS	EXERCISE DATE	EXPIRY DATE
12-A	Group Senior Management, Group Management and Consultants December 2012	630'500 CHF 28	Service condition	As of grant	30.06.2017
14-A	Delegate of the Board February 2014	100'000 CHF 34	Service condition	As of grant	30.03.2018
16-A	Group Senior Management, Group Management and Consultants April 2016	412'500 CHF 38	Service condition	As of grant	31.12.2019

The movements of share-based plans during 2017 and 2018 are the following:

	PLAN 12-A	PLAN 14-A	PLAN 16-A
Outstanding options at 01.01.2017	485'800	100'000	410'000
Expired during the year	-	-	-
Exercised during the year	485'800		-
Granted during the year	-	-	-
Forfeited options during the year	-	-	-
<b>Outstanding options at 31.12.2017</b>	-	<b>100'000</b>	<b>410'000</b>
Expired during the year	-	-	-
Exercised during the year	-	100'000	-
Granted during the year	-	-	-
Forfeited options during the year	-	-	-
<b>Outstanding options at 31.12.2018</b>	-	-	<b>410'000</b>

### 3.5. Other audited information regarding the Senior Management

#### 3.5.1. Loans

As at 31.12.2018, the current accounts of companies which are controlled by Board members and related parties amounted to CHF 13'824'116 (2017: CHF 15'864'425), i.e. CHF 16'880 (2017: CHF 507'910) for M.R.S.I. Medical Research, Services and Investments SA, CHF 5'239'331 (2017: CHF 6'059'096) for EMER Holding SA, CHF 7'016'405 (2017: CHF 7'784'746) for HR Finance & Participations SA and CHF 1'551'500 (2017: CHF 1'512'673) for GCC Global Consulting et Communication S.à r.l. During the fiscal year, a reimbursement of CHF 2'506'000 has been made (2017: CHF 2'500'000). Interests at a rate of 2.98% have been accrued. As at 31.12.2018 Antoine Hubert had a current account with a subsidiary company of CHF 3'859'695 (2017: CHF 3'120'021). See also Note 11 Other Receivables from the Swiss GAAP FER consolidated financial statements. Loans to Board Members can be granted at market conditions and cannot exceed CHF 20 million in total.

#### 3.5.2. Additional fees

During 2018, CHF 46'666 was paid to Gilles Frachon for his terms as Board Member of GSMN Ticino SA and Clinique Générale Ste-Anne SA (2017: CHF 45'000).

During 2018, GCC Global Consulting et Communication S.à r.l., a company related to Antoine Hubert, has perceived honoraria of CHF 256'500 (2017: CHF 233'430) from Patrimonium Healthcare Property Advisors AG, a company owned for 50% by the Company.

During 2018, HMC GESTION SA, a company related to Michel Reybier, has received honoraria of CHF 304'253 (2017: CHF 722'825) from Victoria-Jungfrau Collection, which is fully-owned by the Company.

There were no other additional fees or remuneration paid by the Company or any of its group companies to the Senior Management.

#### 3.5.3. Compensation and loans for former members of the Senior Management

There is no compensation conferred during 2018 neither loan outstanding to former members of the Senior Management.



## Report of the statutory auditor to the General meeting of AEVIS VICTORIA SA, Fribourg

We have audited the remuneration report of AEVIS VICTORIA SA for the year ended December 31, 2018. The audit was limited to the information according to articles 14-16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the sections 2.2 to 2.4 and sections 3.2 to 3.5 of the remuneration report.

### Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

### Auditor's responsibility

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

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

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

### Opinion

In our opinion, the remuneration report for the year ended December 31, 2018 of AEVIS VICTORIA SA complies with Swiss law and articles 14-16 of the Ordinance.

Berney Associés Audit SA



Gregory GRIEB  
Licensed Audit Expert  
Auditor in charge



Frédéric BERNEY  
Licensed Audit Expert

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# Consolidated Financial Statements

# Consolidated Income Statement

(In thousands of CHF)	NOTE	2018	2017 (restated)
Revenue from operations		641'740	652'076
Other revenue		15'465	10'993
<b>Total revenue</b>		<b>657'205</b>	<b>663'069</b>
External services		(80'177)	(80'575)
<b>Net revenue</b>		<b>577'028</b>	<b>582'494</b>
Production expenses		(129'755)	(130'668)
Personnel expenses	5	(265'185)	(268'468)
Other operating expenses	6	(97'406)	(90'292)
<b>EBITDAR (Earnings before interest, taxes, depreciation, amortisation and rental expenses)</b>		<b>84'682</b>	<b>93'066</b>
Rental expenses		(14'594)	(13'660)
<b>EBITDA</b>		<b>70'088</b>	<b>79'406</b>
Depreciation on tangible assets	13	(44'846)	(41'186)
Amortisation on intangible assets	14	(8'570)	(6'960)
Extraordinary depreciation on tangible assets	13	-	(4'984)
<b>EBIT</b>		<b>16'672</b>	<b>26'276</b>
Financial result	7	(18'495)	(17'299)
Share of profit / (loss) of associates		(586)	(1'042)
<b>Profit/(loss) before taxes</b>		<b>(2'409)</b>	<b>7'935</b>
Income taxes	8	(4'206)	(6'793)
<b>Profit/(loss) for the period</b>		<b>(6'615)</b>	<b>1'142</b>
- Thereof attributable to shareholders of AEVIS VICTORIA SA		(8'659)	(922)
- Thereof attributable to minority interests		2'044	2'064
Non-diluted earnings per share (in CHF)	9	(0.56)	(0.06)
Diluted earnings per share (in CHF)	9	(0.55)	(0.06)

## Consolidated Balance Sheet

(In thousands of CHF)	NOTE	31.12.2018	31.12.2017 (restated)
<b>Assets</b>			
Cash and cash equivalents		34'366	18'187
Marketable securities		–	15'115
Trade receivables	10	123'863	115'895
Other receivables	11	44'707	36'341
Inventories	12	21'147	20'444
Accrued income and prepaid expenses		42'387	32'325
<b>Total current assets</b>		<b>266'470</b>	<b>238'307</b>
Tangible assets	13	1'472'692	1'407'260
Intangible assets	14	47'770	44'384
Financial assets	15	67'946	60'689
<b>Total non-current assets</b>		<b>1'588'408</b>	<b>1'512'333</b>
<b>Total assets</b>		<b>1'854'878</b>	<b>1'750'640</b>
<b>Liabilities and equity</b>			
Trade payables	16	107'539	104'783
Other current liabilities	17	22'931	19'844
Short-term financial liabilities	18	163'840	119'778
Other short-term borrowings		1'056	800
Accrued expenses and deferred income	19	47'155	42'625
Short-term provisions	20	85	90
<b>Total current liabilities</b>		<b>342'606</b>	<b>287'920</b>
Long-term financial liabilities	18	901'034	914'303
Other long-term borrowings		16'905	18'960
Other non-current liabilities	17	8'575	9'426
Long-term provisions	20	140'732	141'876
<b>Total non-current liabilities</b>		<b>1'067'246</b>	<b>1'084'565</b>
<b>Total liabilities</b>		<b>1'409'852</b>	<b>1'372'485</b>
<b>Equity</b>			
Share capital	21	78'591	78'091
Capital reserves		244'114	249'245
Treasury shares	21.1	(13'575)	(8'139)
Offset goodwill		(36'037)	(35'799)
Currency translation differences		(825)	(609)
Retained earnings		51'960	25'310
<b>Shareholders' equity excl. minority interests</b>		<b>324'228</b>	<b>308'099</b>
Minority interests		120'798	70'056
<b>Shareholders' equity incl. minority interests</b>		<b>445'026</b>	<b>378'155</b>
<b>Total liabilities and equity</b>		<b>1'854'878</b>	<b>1'750'640</b>

## Consolidated Statement of Changes in Equity

(In thousands of CHF)	SHARE CAPITAL	CAPITAL RESERVES	TREASURY SHARES	OFFSET GOODWILL	CURRENCY TRANSLATION DIFFERENCES	RETAINED EARNINGS	TOTAL EXCL. MINORITY INTERESTS	MINORITY INTERESTS	TOTAL INCL. MINORITY INTERESTS
<b>Balance at 1 January 2017</b>	<b>75'662</b>	<b>245'945</b>	<b>(5'630)</b>	<b>(30'370)</b>	<b>(1'077)</b>	<b>26'198</b>	<b>310'728</b>	<b>70'772</b>	<b>381'500</b>
Restatements	-	-	-	(5'110)	-	61	(5'049)	-	(5'049)
<b>Balance at 1 January 2017 (restated)</b>	<b>75'662</b>	<b>245'945</b>	<b>(5'630)</b>	<b>(35'480)</b>	<b>(1'077)</b>	<b>26'259</b>	<b>305'679</b>	<b>70'772</b>	<b>376'451</b>
Profit/(loss) for the period (restated)	-	-	-	-	-	(922)	(922)	2'064	1'142
Capital contribution distribution	-	(8'333)	-	-	-	-	(8'333)	-	(8'333)
Dividend distribution to minority interests	-	-	-	-	-	-	-	(147)	(147)
Capital increase	2'429	10'994	-	-	-	-	13'423	-	13'423
Acquisition of subsidiaries	-	-	-	(319)	-	-	(319)	-	(319)
Change in minority interests	-	-	-	-	-	(27)	(27)	(2'633)	(2'660)
Purchase of treasury shares	-	-	(4'112)	-	-	-	(4'112)	-	(4'112)
Sale of treasury shares	-	207	1'603	-	-	-	1'810	-	1'810
Share-based payments	-	432	-	-	-	-	432	-	432
Currency translation differences	-	-	-	-	468	-	468	-	468
<b>Balance at 31 December 2017 (restated)</b>	<b>78'091</b>	<b>249'245</b>	<b>(8'139)</b>	<b>(35'799)</b>	<b>(609)</b>	<b>25'310</b>	<b>308'099</b>	<b>70'056</b>	<b>378'155</b>
Profit/(loss) for the period	-	-	-	-	-	(8'659)	(8'659)	2'044	(6'615)
Capital contribution distribution	-	(8'356)	-	-	-	-	(8'356)	-	(8'356)
Dividend distribution to minority interests	-	-	-	-	-	-	-	(190)	(190)
Capital increase	500	2'858	-	-	-	-	3'358	-	3'358
Acquisition of subsidiaries	-	-	-	(238)	-	-	(238)	-	(238)
Change in minority interests	-	-	-	-	-	35'309	35'309	48'888	84'197
Purchase of treasury shares	-	-	(15'512)	-	-	-	(15'512)	-	(15'512)
Sale of treasury shares	-	29	10'076	-	-	-	10'105	-	10'105
Share-based payments	-	338	-	-	-	-	338	-	338
Currency translation differences	-	-	-	-	(216)	-	(216)	-	(216)
<b>Balance at 31 December 2018</b>	<b>78'591</b>	<b>244'114</b>	<b>(13'575)</b>	<b>(36'037)</b>	<b>(825)</b>	<b>51'960</b>	<b>324'228</b>	<b>120'798</b>	<b>445'026</b>



## Consolidated Cash Flow Statement

(In thousands of CHF)	2018	2017 (restated)
Profit/(loss) for the period	(6'615)	1'142
Changes in provisions (incl. deferred taxes)	(1'336)	1'349
Depreciation and amortisation	53'416	48'146
Impairments	-	4'984
(Gain)/loss from sale of fixed assets	102	11
Fair value (gains)/losses on marketable securities	34	902
(Gain)/loss from sale of financial assets and marketable securities	(6'630)	(10'352)
Share of (profit)/loss from associates	586	1'042
Share-based payments	338	432
Change in contribution reserve and other non-cash items	(2'074)	(710)
<b>Cash flow from operating activities before changes in working capital</b>	<b>37'821</b>	<b>46'946</b>
Change in trade receivables	(7'509)	(2'514)
Change in inventories	(632)	(1'524)
Change in other receivables and prepaid expenses	(17'307)	6'688
Change in trade payables	2'695	12'386
Change in other liabilities and accrued expenses	1'319	(1'888)
<b>Cash flow from operating activities</b>	<b>16'387</b>	<b>60'094</b>
Purchase of tangible assets	(90'772)	(55'227)
Proceeds from disposal of tangible assets	166	149
Purchase of intangible assets	(12'323)	(11'882)
Acquisition of subsidiaries, net of cash acquired	(2'136)	(312)
Investments in financial assets and marketable securities	(13'924)	(19'201)
Divestments of financial assets and marketable securities	27'998	29'448
<b>Cash flow from investing activities</b>	<b>(90'991)</b>	<b>(57'025)</b>
Distribution to shareholders	(8'356)	(8'333)
Dividends paid to minority interests	(190)	(147)
Proceeds from issuance of share capital, net of costs	3'358	13'423
Proceeds from issuance of bond	155'000	-
Repayment of bond	(100'000)	-
Sale/(purchase) of treasury shares	(5'407)	(2'302)
Change in minority interests	84'197	(2'660)
Change in short-term financial liabilities	(2'352)	(3'445)
Change in long-term financial liabilities	(33'503)	3'068
Change in other long-term liabilities and borrowings	(1'959)	283
<b>Cash flow from financing activities</b>	<b>90'788</b>	<b>(113)</b>
Currency translation effect on cash and cash equivalents	(5)	24
<b>Change in cash and cash equivalents</b>	<b>16'179</b>	<b>2'980</b>
Cash and cash equivalents at beginning of the period	18'187	15'207
<b>Cash and cash equivalents at the end of the period</b>	<b>34'366</b>	<b>18'187</b>

# Notes to the Consolidated Financial Statements

## 1. General information

AEVIS VICTORIA SA (hereafter “The Company”) has its registered offices at 1700 Fribourg, Switzerland. The Company’s purpose consists of holding interests in financial, commercial and industrial enterprises in Switzerland and abroad, in areas such as medical treatment, healthcare and hotels.

## 2. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis in accordance with Swiss GAAP FER. They comply with the requirements of the Swiss law and with the listing rules of the SIX Swiss Exchange. The Swiss GAAP FER apply to all companies included in the scope of consolidation. The principle of individual valuation has been applied to assets and liabilities.

The consolidated financial statements were authorised for issue by the Board of Directors on 28 March 2019. Final approval is subject to acceptance by the Annual General Meeting of Shareholders on 27 May 2019.

## 3. Accounting policies

### 3.1 Consolidation

The consolidated financial statements of the Company for the year ended 31 December 2018 comprise the Company and its subsidiaries (“the Group”) and interests in associates.

The assets and liabilities of newly acquired companies are recognised at fair value at the date of acquisition. Entities controlled by the Group are consolidated by applying the purchase method.

#### 3.1.1 Subsidiaries

Subsidiaries are companies controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of a company so as to obtain benefits from its activities. Subsidiaries are included in the consolidated financial statements from the date control effectively commences until the date control ceases. The net assets of a newly acquired company are measured at fair values at the date of acquisition. Any difference between purchase price and net assets is offset with equity. In an acquisition achieved in stages (step acquisition), the difference between purchase price and net assets is determined on each separate transaction at the corresponding acquisition date. The full consolidation method is used, whereby all assets, liabilities, income and expenses of the subsidiaries are included in the consolidated financial statements.

### **3.1.2. Joint ventures**

A joint venture is a contractual agreement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control means that the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing the control. The Group's share of each of the assets, liabilities, income and expense is shown on each item of the consolidated financial statements on a pro rata basis in accordance with the share in capital the Group holds in the joint venture.

### **3.1.3. Associates**

Associates are those entities in which the Group has significant influence, but no control (between 20% and 50% of voting rights) over the financial and operating policies. Associates are accounted for using the equity method (equity accounted investees). The consolidated financial statements include the Group's share of the profit or loss of equity accounted investees, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee.

### **3.1.4. Goodwill accounting**

The assets and liabilities of consolidated and associated companies included in the consolidation for the first time are valued at current values which do include a purchase price allocation. The goodwill arising from this revaluation is offset against equity.

### **3.1.5. Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, have been eliminated in the consolidated financial statements. Unrealised gains and losses arising from transactions with associates are eliminated to the extent of the Group's interest in the associate. Unrealised losses are only eliminated to the extent that there is no evidence of impairment.

## **3.2. Foreign currency**

The consolidated financial statements are presented in Swiss francs (CHF). Transactions in foreign currencies are translated to the respective functional currency of Group companies at exchange rates at the transaction dates. Foreign currency differences arising on retranslation are recognised in the income statement. Financial statements of subsidiaries reporting in foreign currencies are translated into Swiss francs (CHF) during consolidation process using year-end rates for balance sheet items, historical rates for equity and average rates of the year for income and cash flow statements. The translation differences are recognised in equity. Exchange differences arising from long-term intercompany loans with an equity character are booked to equity.

### **3.3. Income statement**

#### **3.3.1. Revenue**

Revenue is recognised at the fair value of the consideration received or receivable, net of discounts, losses on accounts receivables and changes in allowances for doubtful accounts. Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the services at the reporting date. The stage of completion is assessed by reference to surveys of work performed. Other revenue does include gain from disposal of assets, the profit resulting from the sale of subsidiaries and own work capitalised.

#### **3.3.2. Lease payments**

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

#### **3.3.3. Income taxes**

Income taxes comprise current and deferred taxes. Current taxes are the expected tax payables on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payables in respect of previous years.

Deferred taxes are recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### **3.4. Balance sheet**

#### **3.4.1. Cash and cash equivalents**

Cash and cash equivalents include cash at bank and in hand.

#### **3.4.2. Marketable securities**

Listed securities (incl. OTC securities with a market price) are valued at the market values prevailing on the balance sheet date. All realised and unrealised gains and losses resulting from variations in market values are recorded in the income statement.

### 3.4.3. Trade and other receivables

Receivables are carried at nominal value less allowance for doubtful receivables. The allowance is based on the aging of trade receivables, specific risks and historical loss experience.

### 3.4.4. Inventories

Inventories are measured at the lower of acquisition costs and net realisable value. The cost of inventories is based on the weighted average cost principle. Inventories are regularly adjusted to their net realisable value by the systematic elimination of out-of-date items. Cash discounts are accounted for as reduction of the acquisition value.

### 3.4.5. Tangible assets

Building position includes the building structure (roof, building facade, structure and basic installation such as heating) while all interior elements are included in leasehold improvements. Lands are not depreciated. Tangible assets are measured at cost less accumulated depreciation and impairment losses. Costs include expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. The cost of replacing part of an item of tangible assets is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of day-to-day servicing of tangible assets are recognised in profit or loss as incurred.

Depreciation is recognised in income statement on a straight-line basis over the estimated useful lives of each part of an item of tangible assets. The estimated useful lives are as follows:

- Buildings 67–100 years
- Machinery and equipment 5–10 years
- Furniture 5–10 years
- Vehicles 4–8 years
- Leasehold improvements are depreciated over the shorter of their useful life or lease term: 10–33 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

### 3.4.6. Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified at inception as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Assets under finance leases are depreciated over their estimated useful lives (4 to 10 years).

Leases where substantially all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases.



#### **3.4.7. Intangible assets**

Intangible assets include IT software, internet websites, trademarks and other intangible assets. Intangible assets are amortised over their estimated useful lives (3 to 15 years). Amortisation is recognised in income statement on a straight-line basis.

#### **3.4.8. Financial assets**

The Group has investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured. These securities are initially recognised at cost and subsequently measured at cost less accumulated impairment losses. The related long-term loans are recognised at nominal value less impairment losses.

#### **3.4.9. Impairment of assets**

Assets are reviewed at each reporting date to determine whether there is any indication of impairment. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell.

#### **3.4.10. Trade and other payables**

Trade and other payables are recognised at nominal value.

#### **3.4.11. Financial liabilities and other borrowings**

Financial liabilities and other borrowings are recognised at nominal value. Transaction costs are recognised in the income statement over the fixed period of the loans or borrowings. Financial liabilities and other borrowings are classified as short-term liabilities when payable within 12 months.

#### **3.4.12. Provisions**

A provision is recognised when the Group has a legal or constructive obligation as a result of a past event, and when it is probable that an outflow of economic benefits will be required to settle the obligation.

#### **3.4.13. Contingent liabilities**

Contingent liabilities are valued on the balance sheet date based on the agreements in place and other supporting documents. If an outflow of funds is likely, a provision is created.

#### **3.5. Accounting estimates and assumptions**

The preparation of financial information requires Group management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. If in future, such assumptions and estimates deviate from the actual circumstances, the original assumptions and estimates will be modified as appropriate in the period in which the circumstances change.

### 3.6. Restatement

During the acquisition of a company by one of the Company's subsidiaries in 2013 and the subsequent merger by absorption between these two group entities in 2014, some temporary differences were misinterpreted. The Group has therefore adjusted the deferred tax liabilities against offset goodwill. This change has no significant impact on the 2017 income statement as shown in the table below.

(In thousands of CHF)	2017
Profit for the period before restatement	1'132
Changes in deferred income taxes on temporary differences previously classified as exempt from deferred taxes	10
<b>Profit for the period after restatement</b>	<b>1'142</b>

### 3.7 Changes in scope of consolidation

The following changes to the scope of consolidation took place in 2018:

ENTITY	EVENT / DATE	CAPITAL SHARE 31.12.2018	CAPITAL SHARE 31.12.2017
Clinique médico-chirurgicale de Valère SA	Increase in participation on 19.06.2018	100.00%	94.72%
Laboratoires Genolier SA	Increase in participation on 02.07.2018	89.13%	84.00%
Medgate Health Centers AG	Increase in participation on 30.06.2018	100.00%	40.00%
Health Professional Sourcing Spain SL	Established on 04.06.2018	24.00%	-
TMIP Holdings Pty Ltd	Acquired on 15.05.2018	32.94%	-
Infracore SA	Decrease in participation on 28.12.2018	80.00%	100.00%

TMIP Holdings Pty Ltd is a holding company with several subsidiaries. All group companies are listed in note 31.

## 4. Segment information

The Group consists of the reported segments in the tables below. The decision makers measure the performance of the segments using the key figure EBITDAR (Earnings before interest, taxes, depreciation, amortisation and rent). Thus, the financial information for each segment is thus shown up to EBITDAR. For reconciliation purposes between the consolidated financial statements and the segment information, the key figure EBITDAR is also disclosed in the consolidated income statement of the Group.

2018 (In thousands of CHF)	HOSPITALS	HOSPITALITY	REAL ESTATE	OTHERS	CORPORATE	ELIMINATIONS	TOTAL
Net revenue 3rd	493'814	61'643	5'119	13'599	2'853	-	577'028
Net revenue IC	3'001	750	53'081	3'471	1'200	(61'503)	-
<b>Net revenue</b>	<b>496'815</b>	<b>62'393</b>	<b>58'200</b>	<b>17'070</b>	<b>4'053</b>	<b>(61'503)</b>	<b>577'028</b>
Production expenses	(120'614)	(9'695)	-	(2'609)	-	3'163	(129'755)
Personnel expenses	(214'832)	(30'663)	(570)	(11'623)	(7'497)	-	(265'185)
Other operating expenses	(76'007)	(9'423)	(10'114)	(4'234)	(2'835)	5'207	(97'406)
<b>EBITDAR</b>	<b>85'362</b>	<b>12'612</b>	<b>47'516</b>	<b>(1'396)</b>	<b>(6'279)</b>	<b>(53'133)</b>	<b>84'682</b>
<i>EBITDAR margin</i>	17.2%	20.2%	81.6%	-	-	-	14.7%

2017 (In thousands of CHF)	HOSPITALS	HOSPITALITY	REAL ESTATE	OTHERS	CORPORATE	ELIMINATIONS	TOTAL
Net revenue 3rd	503'501	63'247	5'426	10'320	-	-	582'494
Net revenue IC	2'555	1'071	52'967	373	1'400	(58'366)	-
<b>Net revenue</b>	<b>506'056</b>	<b>64'318</b>	<b>58'393</b>	<b>10'693</b>	<b>1'400</b>	<b>(58'366)</b>	<b>582'494</b>
Production expenses	(119'754)	(9'399)	-	(1'680)	-	165	(130'668)
Personnel expenses	(221'016)	(32'550)	(563)	(8'836)	(5'503)	-	(268'468)
Other operating expenses	(69'694)	(10'083)	(10'204)	(2'508)	(3'037)	5'234	(90'292)
<b>EBITDAR</b>	<b>95'592</b>	<b>12'286</b>	<b>47'626</b>	<b>(2'331)</b>	<b>(7'140)</b>	<b>(52'967)</b>	<b>93'066</b>
<i>EBITDAR margin</i>	18.9%	19.1%	81.6%	-	-	-	16.0%

## 5. Personnel expenses

(In thousands of CHF)	2018	2017
Salaries and wages	223'771	227'821
Social security expenses	25'010	24'111
Pension expenses	13'469	13'525
Other personnel expenses	2'935	3'011
<b>Total personnel expenses</b>	<b>265'185</b>	<b>268'468</b>
Number of employees		
<b>Full Time Equivalents at year-end</b>	<b>2'848</b>	<b>2'887</b>

The other personnel expenses include expenses for share-based payments at an amount of CHF 0.3 million (2017: CHF 0.4 million). Further information regarding the active share-based payment plans is mentioned under section 3.4 of the Remuneration Report 2018.

## 6. Other operating expenses

(In thousands of CHF)	2018	2017
Administrative expenses	28'803	25'270
Marketing expenses	12'969	10'984
Maintenance expenses	35'638	34'554
Energy expenses	9'519	8'165
Other expenses	10'477	11'319
<b>Other operating expenses</b>	<b>97'406</b>	<b>90'292</b>

## 7. Financial result

(In thousands of CHF)	2018	2017
Interest income	1'088	928
Fair value gains on marketable securities	-	162
Gain on sale of financial assets and marketable securities	6'630	10'401
Other financial income	2'881	947
<b>Total financial income</b>	<b>10'599</b>	<b>12'438</b>
Interest expenses	(27'152)	(26'270)
Fair value losses on marketable securities	(34)	(1'064)
Loss on sale of financial assets and marketable securities	-	(49)
Other financial expenses	(1'908)	(2'354)
<b>Total financial expenses</b>	<b>(29'094)</b>	<b>(29'737)</b>
<b>Financial result</b>	<b>(18'495)</b>	<b>(17'299)</b>

The gain on sale of financial assets and marketable securities in 2018 results from the divestment of the stake held in BioTelemetry Inc. The other financial income results from an extinction of a third party loan granted to one of the Company's subsidiaries.

## 8. Income taxes

(In thousands of CHF)	2018	2017 (restated)
Current taxes	(4'543)	(3'333)
Deferred taxes	337	(3'460)
<b>Income taxes</b>	<b>(4'206)</b>	<b>(6'793)</b>

(In thousands of CHF unless otherwise stated)	2018			2017 (restated)		
	RESULT	TAX RATE IN %	INCOME TAXES	RESULT	TAX RATE IN %	INCOME TAXES
<b>Average applicable tax rate and income taxes as a proportion of ordinary earnings (before consideration of tax loss carryforwards)</b>	<b>(2'409)</b>	<b>19.40</b>	<b>(467)</b>	<b>7'935</b>	<b>20.59</b>	<b>1'634</b>
Use of not recognised tax loss carryforwards			-			-
Tax losses not recognised from current period			1'481			1'276
Expiry of recognised tax loss carryforwards			542			422
Changes in recognition of tax loss carryforwards from prior years			393			741
<b>Average applicable tax rate and income taxes as a proportion of ordinary earnings (after consideration of tax loss carryforwards)</b>	<b>(2'409)</b>	<b>n/a</b>	<b>1'949</b>	<b>7'935</b>	<b>n/a</b>	<b>4'073</b>
Expenses disregarded for tax purposes			5'225			6'086
Non-taxable income			(2'668)			(2'499)
Effects from changes in tax rate			(413)			(1'749)
Other effects			113			882
<b>Effective tax rate and income taxes according to income statement</b>	<b>(2'409)</b>	<b>n/a</b>	<b>4'206</b>	<b>7'935</b>	<b>n/a</b>	<b>6'793</b>



## 9. Earnings per share

For the calculation of the earnings per share, the number of shares has been reduced by the weighted average number of shares held by the Group.

	2018	2017 (restated)
Net profit/(loss) attributable to AEVIS VICTORIA SA shareholders (In thousands of CHF)	(8'659)	(921)
Weighted average number of shares outstanding	15'462'662	15'310'292
<b>Non-diluted earnings per share (in CHF)</b>	<b>(0.56)</b>	<b>(0.06)</b>
Net profit/(loss) attributable to AEVIS VICTORIA SA shareholders (In thousands of CHF)	(8'659)	(921)
Weighted average number of shares outstanding	15'462'662	15'310'292
Adjustment for assumed exercise of share-based payments	410'000	510'000
Weighted average potential number of shares outstanding	15'872'662	15'820'292
<b>Diluted earnings per share (in CHF)</b>	<b>(0.55)</b>	<b>(0.06)</b>

## 10. Trade receivables

(In thousands of CHF)	2018	2017
Third parties	130'494	126'683
Associates	-	4
Other related parties	-	2
Allowances for doubtful accounts	(6'631)	(10'794)
<b>Total trade receivables</b>	<b>123'863</b>	<b>115'895</b>

## 11. Other receivables

(In thousands of CHF)	2018	2017
Third parties	23'692	13'935
Associates	3'326	3'421
Shareholders	16'132	17'472
Other related parties	1'557	1'513
<b>Total other receivables</b>	<b>44'707</b>	<b>36'341</b>

The receivables from shareholders and other related parties were charged interest with a rate of 2.98% (2017: 3.07%).

## 12. Inventories

(In thousands of CHF)	2018	2017
Medical supplies	13'701	13'295
Pharmaceutical products	4'659	4'344
Hotel and restaurant goods	1'773	1'741
Other inventories	1'014	1'064
<b>Total inventories</b>	<b>21'147</b>	<b>20'444</b>

## 13. Tangible assets

(In thousands of CHF)	LAND AND BUILDINGS	LEASEHOLD IMPROVEMENTS	MACHINERY AND EQUIPMENT	UNDER CONSTRUCTION	OTHERS	TOTAL
<b>Cost</b>						
<b>Balance at 1 January 2017</b>	<b>1'078'020</b>	<b>406'721</b>	<b>219'903</b>	<b>15'751</b>	<b>6'690</b>	<b>1'727'085</b>
Additions	7'093	11'928	30'526	24'297	509	74'353
Disposals	(2'766)	(2'999)	(2'014)	-	(449)	(8'228)
Reclassifications	-	28'920	(6'397)	(22'543)	81	61
Translation adjustments	-	565	131	-	-	696
<b>Balance at 31 December 2017</b>	<b>1'082'347</b>	<b>445'135</b>	<b>242'149</b>	<b>17'505</b>	<b>6'831</b>	<b>1'793'967</b>
Increase in scope of consolidation	-	3'244	3'690	-	69	7'003
Additions	17'792	12'036	27'999	49'764	827	108'418
Disposals	(47)	(283)	(10'058)	-	(740)	(11'128)
Reclassifications	4'852	4'693	(769)	(15'010)	-	(6'234)
Translation adjustments	-	(227)	(56)	-	-	(283)
<b>Balance at 31 December 2018</b>	<b>1'104'944</b>	<b>464'598</b>	<b>262'955</b>	<b>52'259</b>	<b>6'987</b>	<b>1'891'743</b>

### 13. Tangible assets (continued)

(In thousands of CHF)	LAND AND BUILDINGS	LEASEHOLD IMPROVE- MENTS	MACHINERY AND EQUIPMENT	UNDER CONSTRUC- TION	OTHERS	TOTAL
<i>Accumulated depreciation</i>						
<b>Balance at 1 January 2017</b>	<b>31'707</b>	<b>179'385</b>	<b>133'712</b>	-	<b>4'346</b>	<b>349'150</b>
Depreciation of the year	8'786	13'544	17'969	-	887	41'186
Impairment	2'181	1'908	895	-	-	4'984
Disposals	(2'766)	(2'999)	(2'014)	-	(290)	(8'069)
Reclassifications	(181)	4'885	(5'498)	-	9	(785)
Translation adjustments	-	137	104	-	-	241
<b>Balance at 31 December 2017</b>	<b>39'727</b>	<b>196'860</b>	<b>145'168</b>	-	<b>4'952</b>	<b>386'707</b>
Increase in scope of consolidation	-	1'524	3'329	-	54	4'907
Depreciation of the year	9'143	14'559	20'267	-	877	44'846
Disposals	(47)	(239)	(9'989)	-	(585)	(10'860)
Reclassifications	-	(3'793)	(2'641)	-	-	(6'434)
Translation adjustments	-	(68)	(47)	-	-	(115)
<b>Balance at 31 December 2018</b>	<b>48'823</b>	<b>208'843</b>	<b>156'087</b>	-	<b>5'298</b>	<b>419'051</b>
<i>Carrying amounts</i>						
<b>At 31 December 2017</b>	<b>1'042'620</b>	<b>248'275</b>	<b>96'981</b>	<b>17'505</b>	<b>1'879</b>	<b>1'407'260</b>
<b>At 31 December 2018</b>	<b>1'056'121</b>	<b>255'755</b>	<b>106'868</b>	<b>52'259</b>	<b>1'689</b>	<b>1'472'692</b>
<i>Net book value of leased equipment</i>						
<b>At 31 December 2017</b>			<b>44'167</b>		<b>1'192</b>	<b>45'359</b>
<b>At 31 December 2018</b>			<b>43'210</b>		<b>1'264</b>	<b>44'475</b>

The additions in the category Under construction include own work capitalised at the amount of CHF 2.4 million (2017: CHF 1.6 million).

## 14. Intangible assets

(In thousands of CHF)	TRADEMARKS	SOFTWARE AND OTHER INTAN- GIBLE ASSETS	INTANGIBLE ASSETS UNDER CONSTRUCTION	TOTAL
<i>Cost</i>				
<b>Balance at 1 January 2017</b>	<b>27'184</b>	<b>36'176</b>	-	<b>63'360</b>
Additions	-	9'041	2'841	11'882
Disposals	-	(769)	-	(769)
Reclassifications	-	1'508	(1'292)	216
Translation adjustments	-	63	-	63
<b>Balance at 31 December 2017</b>	<b>27'184</b>	<b>46'019</b>	<b>1'549</b>	<b>74'752</b>
Increase in scope of consolidation	-	150	-	150
Additions	-	12'267	55	12'322
Disposals	-	(338)	(2)	(340)
Reclassifications	-	7	(375)	(368)
Translation adjustments	-	(25)	-	(25)
<b>Balance at 31 December 2018</b>	<b>27'184</b>	<b>58'080</b>	<b>1'227</b>	<b>86'491</b>
<i>Accumulated amortisation</i>				
<b>Balance at 1 January 2017</b>	<b>7'784</b>	<b>15'327</b>	-	<b>23'111</b>
Amortisation of the year	1'553	5'407	-	6'960
Disposals	-	(769)	-	(769)
Reclassifications	-	1'062	-	1'062
Translation adjustments	-	4	-	4
<b>Balance at 31 December 2017</b>	<b>9'337</b>	<b>21'031</b>	-	<b>30'368</b>
Increase in scope of consolidation	-	150	-	150
Amortisation of the year	1'555	7'015	-	8'570
Disposals	-	(337)	-	(337)
Reclassifications	-	(28)	-	(28)
Translation adjustments	-	(2)	-	(2)
<b>Balance at 31 December 2018</b>	<b>10'892</b>	<b>27'829</b>	-	<b>38'721</b>
<i>Carrying amounts</i>				
<b>At 31 December 2017</b>	<b>17'847</b>	<b>24'988</b>	<b>1'549</b>	<b>44'384</b>
<b>At 31 December 2018</b>	<b>16'292</b>	<b>30'251</b>	<b>1'227</b>	<b>47'770</b>

The additions in the category Software and other intangible assets include own work capitalised at the amount of CHF 2.5 million (2017: CHF 1.4 million).

## 15. Financial assets

(In thousands of CHF)	2018	2017
Equity accounted investees <sup>1)</sup>	13'570	13'755
Loans to associates <sup>2)</sup>	18'000	12'460
Loans to other related parties	10'451	8'711
Employer contribution reserves	4'661	4'664
Investments in unconsolidated companies	8'294	8'294
Other financial assets	3'154	3'209
Deferred tax assets <sup>3)</sup>	9'816	9'596
<b>Total financial assets</b>	<b>67'946</b>	<b>60'689</b>

1) Equity accounted investees are disclosed net of share losses of CHF 1.0 million (2017: CHF 1.0 million) for which the Group has no obligation. Additionally goodwill has been directly offset with equity at the amount of CHF 3.9 million (2017: CHF 3.9 million).

2) Loans to associates are partially depreciated. The gross value of the loans amounts to CHF 20.5 million (2017: CHF 16.2 million).

3) The Group did not recognise deferred tax assets of CHF 8.7 million (2017: CHF 8.4 million) relating to unused tax losses amounting to CHF 37.3 million (2017: CHF 34.8 million), as it is not likely that future taxable profits will be available against which the Group can offset tax losses.

## 16. Trade payables

(In thousands of CHF)	2018	2017
Third parties	107'397	104'413
Associates	1	1
Other related parties	141	369
<b>Total trade payables</b>	<b>107'539</b>	<b>104'783</b>

## 17. Other liabilities

(In thousands of CHF)	2018	2017
Third parties	31'030	28'622
Associates	476	370
Other related parties	-	278
<b>Total other liabilities</b>	<b>31'506</b>	<b>29'270</b>
of which short-term	22'931	19'844
of which long-term	8'575	9'426



## 18. Financial liabilities

(In thousands of CHF, unless otherwise stated)	BOOK VALUE	AMOUNT IN FOREIGN CURRENCY	INTEREST RATE in %
Bank overdrafts	3		3.00
Current portion of bank loans (in EUR)	621	531	2.75
Current financial leases	10'862		1.20 - 4.88
Current portion of mortgage loans	8'292		1.10 - 4.27
Bonds (repayment within one year)	100'000		3.50
<b>Short-term financial liabilities at 31 December 2017</b>	<b>119'778</b>		
Bank loans	81'000		1.20 - 3.25
Bank loans (in EUR)	210	179	2.75
Non-current financial leases	21'123		1.20 - 4.88
Mortgage loans	371'970		1.10 - 4.27
Bonds issued by the company	440'000		2.00 - 2.75
<b>Long-term financial liabilities at 31 December 2017</b>	<b>914'303</b>		
<b>Total financial liabilities at 31 December 2017</b>	<b>1'034'081</b>		
Bank overdrafts	21		3.00
Current portion of bank loans (in EUR)	203	180	2.75
Current financial leases	11'946		1.20 - 4.88
Current portion of mortgage loans	6'670		1.20 - 1.80
Bonds (repayment within one year)	145'000		2.75
<b>Short-term financial liabilities at 31 December 2018</b>	<b>163'840</b>		
Bank loans	10'500		1.20
Non-current financial leases	18'947		1.20 - 4.88
Mortgage loans	421'587		1.00 - 2.90
Bonds issued by the company	350'000		2.00 - 2.50
Bonds issued by a subsidiary	100'000		1.50
<b>Long-term financial liabilities at 31 December 2018</b>	<b>901'034</b>		
<b>Total financial liabilities at 31 December 2018</b>	<b>1'064'874</b>		

Mortgage loans and bank loans are classified as short-term when payable or redeemed within 12 months.

As a guarantee for bank overdrafts and bank loans, the Group pledged trade receivables for an amount of CHF 54.3 million as at 31 December 2018 (2017: CHF 70.5 million). Mortgage loans are secured by real estate, pledged for an amount of CHF 1'046.7 million (2017: CHF 1'033.2 million). The information about the bonds issued by AEVIS VICTORIA SA is detailed in the table below:

	<b>AEV14</b>	<b>AEV16</b>	<b>AEV161</b>	<b>AEV18</b>
Bond type	Fixed rate	Fixed rate	Fixed rate	Fixed rate
Nominal amount	CHF 145.0 million	CHF 150.0 million	CHF 145.0 million	CHF 55.0 million
Securities number	CH0240109592	CH0325429162	CH0337829276	CH0420465954
Interest rate	2.75%	2.50%	2.00%	2.25%
Term	04.06.2014 to 04.06.2019	07.06.2016 to 07.06.2021	19.10.2016 to 19.10.2022	29.06.2018 to 29.06.2020
Maturity	04.06.2019 at par value	07.06.2021 at par value	19.10.2022 at par value	29.06.2020 at par value

## 19. Accrued expenses and deferred income

<b>(In thousands of CHF)</b>	<b>2018</b>	<b>2017</b>
Accrued personnel expenses	12'461	14'007
Accrued tax expenses	3'694	3'010
Deferred income	483	1'480
Other accrued expenses	30'517	24'128
<b>Accrued expenses and deferred income</b>	<b>47'155</b>	<b>42'625</b>

The accrued personnel expenses include pension plan liabilities (contributions) at the amount of CHF 3.1 million (2017: CHF 2.9 million).

## 20. Provisions

(In thousands of CHF)	DEFERRED TAXES	LEGAL OBLIGATIONS	OTHER PROVISIONS	TOTAL
<b>Balance at 1 January 2017</b>	<b>132'474</b>	<b>2'965</b>	<b>105</b>	<b>135'544</b>
Restatements	5'049	-	-	5'049
<b>Balance at 1 January 2017 (restated)</b>	<b>137'523</b>	<b>2'965</b>	<b>105</b>	<b>140'593</b>
Additions	5'897	-	-	5'897
Utilisation	-	(161)	(15)	(176)
Reversals (restated)	(2'372)	(2'000)	-	(4'372)
Translation adjustments	24	-	-	24
<b>Balance at 31 December 2017 (restated)</b>	<b>141'072</b>	<b>804</b>	<b>90</b>	<b>141'966</b>
<i>Of which short-term</i>	-	-	90	90
<i>Of which long-term</i>	141'072	804	-	141'876
Increase in scope of consolidation	196	-	-	196
Additions	2'645	-	10	2'655
Utilisation	-	-	-	-
Reversals	(3'768)	(209)	(15)	(3'992)
Translation adjustments	(8)	-	-	(8)
<b>Balance at 31 December 2018</b>	<b>140'137</b>	<b>595</b>	<b>85</b>	<b>140'817</b>
<i>Of which short-term</i>	-	-	85	85
<i>Of which long-term</i>	140'137	595	-	140'732

The provisions for the legal obligations were discounted at an interest rate of 2.5%.

The average applicable tax rate for deferred tax liabilities is 19.6% (2017: 20.9%).

## 21. Equity

At 31 December 2018, the share capital of CHF 78.6 million (2017: CHF 78.1 million) consists of 15'718'207 fully paid-up registered shares (2017: 15'618'207) at a par value of CHF 5 each. The legally non-distributable reserves of the Company amount to CHF 29.3 million (2017 CHF 53.8 million).

Information regarding authorised and conditional capital is mentioned under section 2.2 of the Corporate Governance Report. The significant shareholders are mentioned under section 1.2 of the Corporate Governance Report.

### 21.1 Treasury shares

	NUMBER OF SHARES		IN THOUSANDS OF CHF	
	2018	2017	2018	2017
<b>Balance at 1 January</b>	<b>154'589</b>	<b>115'639</b>	<b>8'139</b>	<b>5'630</b>
Purchase of treasury shares	258'731	71'224	15'512	4'112
Sale of treasury shares	(178'954)	(32'274)	(10'076)	(1'603)
<b>Balance at 31 December</b>	<b>234'366</b>	<b>154'589</b>	<b>13'574</b>	<b>8'139</b>

In 2018, the group purchased 258'731 treasury shares at an average price of CHF 59.95 per share (2017: 71'224 at CHF 57.73) and sold 178'954 shares at an average price of CHF 57.03 (2017: 32'274 at CHF 56.35).

## 22. Non-cancellable operating leases

(In thousands of CHF)	2018	2017
Less than one year	13'029	11'307
Between one and three years	25'827	21'651
More than three years	78'136	72'369
<b>Total non-cancellable operating leases</b>	<b>116'992</b>	<b>105'327</b>

The non-cancellable lease rentals are mainly related to the third party buildings in which some group entities are operating.

## 23. Capital commitments

The Group has commitments to complete new constructions, renovations, leasehold improvements and to purchase equipment for a total amount of CHF 34.5 million as at 31 December 2018 (2017: CHF 56.6 million).

## 24. Contingent liabilities

The operations of the Group companies are exposed to risks related to political, legal, fiscal and regulatory developments. The nature and frequency of these developments and events, which are not covered by any insurance, are not predictable. Possible obligations that are dependent on future events are disclosed as contingent liabilities.

The Company sold a minority stake of 20% in Infracore SA to Baloise on 27 December 2018. After two years from this date, Baloise is entitled to exercise the following put option: Baloise may sell all or part of its shares acquired directly from the Company at the initial purchase price with an annual return of 5%. In the event of a listing of Infracore, the put-option will expire automatically.

## 25. Transactions with related parties

Business transactions with related parties are based on arm's length conditions. All transactions are reported in the consolidated financial statements for 2018 and 2017.

The corresponding receivables and payables are reported separately in the respective notes to the consolidated financial statements (see notes 10, 11, 15, 16 and 17).

(In thousands of CHF)	2018	2017
<b>Transactions with associates</b>		
Net revenue	38	173
Production expenses	241	139
Other operating expenses	305	284
Financial income	498	276
<b>Transactions with shareholders</b>		
Net revenue	-	1
Financial income	427	530
<b>Transactions with other related parties</b>		
Net revenue	540	66
Other operating expenses	1'999	1'476
Rental expenses	730	730
Financial income	39	39
Purchase of intangible assets	1'887	502



## 26. Acquisition and divestment of subsidiaries

One change in scope of consolidation made in 2018 was accounted for using the purchase method. There were no changes in the consolidation scope in 2017, which were accounted for using the purchase method. The following table shows the amounts of assets and liabilities acquired or sold at the respective transaction date (see note 3.7).

(In thousands of CHF)	ACQUISITIONS		DIVESTMENTS	
	2018	2017	2018	2017
Cash and cash equivalents	427	-	-	-
Trade receivables	460	-	-	-
Other current assets	1'226	-	-	-
Tangible assets	2'097	-	-	-
Other non-current assets	1'269	-	-	-
<b>Assets</b>	<b>5'479</b>	-	-	-
Short-term financial liabilities	6	-	-	-
Other current liabilities	772	-	-	-
Long-term financial liabilities	6	-	-	-
Other non-current liabilities	2'164	-	-	-
Long-term provisions	196	-	-	-
<b>Liabilities</b>	<b>3'144</b>	-	-	-
<b>Total net assets</b>	<b>2'335</b>	-	-	-

## 27. Goodwill

The impact of a theoretical capitalisation of goodwill on balance sheet and net earnings is presented in the tables below:

(In thousands of CHF)	2018	2017
<b>Cost</b>		
<b>Balance at 1 January</b>	<b>132'273</b>	<b>132'255</b>
Additions through business combinations	10	18
Disposals	-	-
<b>Balance at 31 December</b>	<b>132'283</b>	<b>132'273</b>
<b>Accumulated amortisation</b>		
<b>Balance at 1 January</b>	<b>125'860</b>	<b>122'078</b>
Amortisation for the year (5 years)	3'151	3'782
Impairment	-	-
Disposals	-	-
<b>Balance at 31 December</b>	<b>129'011</b>	<b>125'860</b>
<b>Carrying amounts</b>		
<b>At 31 December</b>	<b>3'272</b>	<b>6'413</b>

Impact on net earnings and balance sheet:

(In thousands of CHF)	2018	2017 (restated)
Profit for the period	(6'615)	1'142
Amortisation goodwill	(3'151)	(3'782)
Impairment goodwill	-	-
<b>Net earnings with capitalised goodwill</b>	<b>(9'766)</b>	<b>(2'640)</b>
Equity including minority interests	445'026	378'155
Capitalised goodwill	3'272	6'413
<b>Equity with capitalised goodwill</b>	<b>448'298</b>	<b>384'568</b>

## 28. Pension plan institutions

There exist various pension schemes within the Group, which are based on regulations in accordance with Swiss pension fund law, except for the foreign subsidiary.

EMPLOYER CONTRIBUTION RESERVE – ECR (In thousands of CHF)	NOMINAL VALUE ECR 31.12.2018	WAIVER OF USAGE 31.12.2018	BALANCE SHEET 31.12.2018	IN-CREASE IN 2018	BALANCE SHEET 31.12.2017	RESULT FROM ECR IN PERSONNEL EXPENSES		CHANGE IN SCOPE OF CONSOLIDATION
						2018	2017	2018
Patronage funds / Patronage pension institutions	4'661	-	4'661	-	4'661	-	-	-
Pension institutions	-	-	-	-	3	(3)	-	-
<b>Total</b>	<b>4'661</b>	<b>-</b>	<b>4'661</b>	<b>-</b>	<b>4'664</b>	<b>(3)</b>	<b>-</b>	<b>-</b>

ECONOMICAL BENEFIT / OBLIGATION AND PENSION BENEFIT EXPENSES (In thousands of CHF)	SURPLUS / DEFICIT 31.12.2018	ECONOMICAL PART OF THE ORGANISATION		CHANGE TO PRIOR YEAR OR RECOGNISED IN THE CURRENT RESULT OF THE PERIOD	CONTRIBUTIONS CONCERNING THE BUSINESS PERIOD*	PENSION BENEFIT EXPENSES WITHIN PERSONNEL EXPENSES	
		31.12.2018	31.12.2017			2018	2017
Pension institutions with surplus	-	-	-	-	-	13'449	13'501
Pension institutions without surplus / deficit	-	-	-	-	-	21	24
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13'469</b>	<b>13'525</b>

\* Including result from employer contribution reserves

## 29. Subsequent events

There are no subsequent events between the balance sheet date and the authorisation for issue by the Board of Directors.

## 30. Risk assessment disclosure

The management proceeds to an annual review of the risks and protection measures. Risk assessment is reviewed by the Senior Management, discussed in the audit committee and approved by the Board of Directors.

## 31. List of Group companies

SEGMENT / COMPANY NAME	LOCATION	ACTIVITY	IN % ON GROUP LEVEL		
				31.12.2018	31.12.2017
<b>Corporate</b>					
AEVIS VICTORIA SA	Fribourg	Holding company	a)	100.0%	100.0%
<b>Hospitals</b>					
Swiss Medical Network SA	Genolier	Holding company	a)	100.0%	100.0%
GENERALE BEAULIEU HOLDING SA	Geneva	Holding company	a)	69.4%	69.4%
Centre Médico-Chirurgical des Eaux-Vives SA	Geneva	Day clinic	a)	100.0%	100.0%
CLINIQUE GENERALE-BEAULIEU SA	Geneva	Hospital	a)	69.4%	69.4%
Clinique médico-chirurgicale de Valère SA (merged) <sup>1)</sup>	Sion	Hospital	a)	100.0%	94.7%
Genolier Swiss Visio Network SA	Genolier	Ophthalmology	a)	80.0%	80.0%
GRGB Santé SA	Geneva	Hospital	b)	34.7%	34.7%
GSMN Neuchâtel SA (merged) <sup>1)</sup>	Neuchâtel	Hospitals	a)	100.0%	100.0%
GSMN Suisse SA	Genolier	Hospitals	a)	100.0%	100.0%
GSMN Ticino SA (merged) <sup>1)</sup>	Sorengo	Hospitals	a)	100.0%	100.0%
IRJB Institut de Radiologie du Jura Bernois SA	Saint-Imier	Radiology institute	a)	51.0%	51.0%
IRP Institut de Radiologie Providence SA	Neuchâtel	Radiology institute	a)	51.0%	51.0%
Klinik Pyramide am See AG	Zurich	Hospital	c)	20.0%	20.0%
Klinik Villa im Park AG (merged) <sup>1)</sup>	Rothrist	Hospital	a)	100.0%	100.0%
Medgate Health Centers AG	Basel	Health centers	a)	100.0%	40.0%
Privatklinik Obach AG (merged) <sup>1)</sup>	Solothurn	Hospital	a)	100.0%	100.0%
Schmerzklinik Basel AG (merged) <sup>1)</sup>	Basel	Hospital	a)	100.0%	100.0%
Swiss Medical Network Hospitals SA <sup>1)</sup>	Fribourg	Hospital	a)	100.0%	100.0%
<b>Hospitality</b>					
Victoria-Jungfrau Collection AG	Interlaken	Holding company	a)	100.0%	100.0%
CACM hôtels SA	Sion	Hotel	a)	100.0%	100.0%
Grand Hotel Victoria-Jungfrau AG	Interlaken	Hotel	a)	100.0%	100.0%
Hotel Bellevue Palace AG	Berne	Hotel	a)	100.0%	100.0%
Hotel Eden au Lac AG	Zurich	Hotel	a)	100.0%	100.0%
VJC-Management AG	Interlaken	Management	a)	100.0%	100.0%
<b>Real estate</b>					
GENERALE-BEAULIEU IMMOBILIERE SA	Geneva	Healthcare real estate	a)	69.4%	69.4%
Infracore SA	Fribourg	Healthcare real estate	a)	80.0%	100.0%
Patrimonium Healthcare Property Advisors AG	Baar	Real estate management	b)	50.0%	50.0%
Swiss Hospitality Properties AG	Interlaken	Hospitality real estate	a)	100.0%	100.0%

<sup>1)</sup> Clinique médico-chirurgicale de Valère SA, GSMN Neuchâtel SA, GSMN Ticino SA, Klinik Villa im Park AG, Privatklinik Obach AG and Schmerzklinik Basel AG were merged in June 2018 into Clinique Générale – Ste-Anne SA which was then renamed to Swiss Medical Network Hospitals SA with retroactive effect from 01.01.2018.

SEGMENT / COMPANY NAME	LOCATION	ACTIVITY		IN % ON GROUP LEVEL	
				31.12.2018	31.12.2017
<b>Telemedicine</b>					
Medgate Holding AG	Basel	Holding company	c)	40.0%	40.0%
Medgate Integrated Care Holding AG	Basel	Holding company	c)	40.0%	40.0%
Medgate (Asia) Holdings Pty Ltd	Darlinghurst (AU)	Holding company	c)	32.9%	-
Medgate (Indonesia) Holdings Pty Ltd	Sydney (AU)	Holding company	c)	32.9%	-
Medgate (Philippines) Holdings Pty Ltd	Sydney (AU)	Holding company	c)	29.6%	-
TMIP Holdings Pty Ltd	Sydney (AU)	Holding company	c)	32.9%	-
Medgate AG	Basel	Telemedicine	c)	24.0%	24.0%
Health Professional Sourcing GmbH	Lörrach (DE)	Telemedicine	c)	24.0%	24.0%
Health Professional Sourcing Spain SL	Madrid (ES)	Telemedicine	c)	24.0%	-
Medgate Asia-Pacific AG	Basel	Telemedicine	c)	40.0%	40.0%
Medgate International AG	Basel	Telemedicine	c)	40.0%	40.0%
Medgate Mini Clinic AG	Basel	Mini clinic	c)	24.0%	24.0%
Medgate Philippines Inc	Manila (PH)	Telemedicine	c)	29.6%	-
Medgate Technologies AG	Zug	IT service company	c)	24.0%	24.0%
Medgate (Philippines) Holdings Pty Ltd-Branch	Manila (PH)	Telemedicine	c)	29.6%	-
<b>Others</b>					
<b>Nescens</b>					
Laboratoires Genolier SA	Genolier	Cosmetics	a)	89.1%	84.0%
Nescens Genolier SA	Genolier	Patient hotel	a)	100.0%	100.0%
NESCENS SA	Genolier	Better-aging	c)	36.2%	36.2%
<b>Healthcare incubator</b>					
Société Clinique Spontini SAS	Paris (FR)	Aesthetic clinic	a)	100.0%	100.0%
Swiss Ambulance Rescue Genève SA	Geneva	Ambulance services	a)	100.0%	100.0%
Swiss Medical Transport AG	Baar	Ambulance services	c)	40.0%	40.0%
Swiss Stem Cell Science SA	Fribourg	Stem Cells	a)	100.0%	100.0%
<b>Non-core participations</b>					
Academy & Finance SA	Geneva	Organisation of seminars	c)	22.5%	22.5%
Agefi Com SA	Geneva	Publishing	c)	49.0%	49.0%
Publications de l'économie et de la finance AEF SA	Lausanne	Publishing	c)	49.0%	49.0%
Publications Financières LSI SA	Geneva	Publishing (dormant)	a)	100.0%	100.0%

- a) Fully consolidated  
b) Proportional method  
c) Equity method

## Report of the statutory auditor to the general meeting of AEVIS VICTORIA SA, Fribourg

### Report on the audit of the consolidated financial statements

#### Opinion

We have audited the consolidated financial statements of AEVIS VICTORIA SA and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2018, the consolidated income statement, consolidated statement of changes in equity, consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements (pages 56 to 83) give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

#### Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

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



# Berney Associés

## Valuation of tangible assets

### Key audit matter

We consider the valuation of tangible assets to be a key audit matter because they amounted to TCHF 1'472'692 on the consolidated balance sheet of the Group, representing a significant share of 79.4% of total assets.

Tangible assets include lands and buildings, leasehold improvements, machinery and equipment, fixed assets under construction and other assets.

Tangible assets are measured at cost less accumulated depreciation and impairment losses. Lands are not depreciated. Depreciation is recognised in the income statement on a straight-line basis over estimated useful lives and with no residual value.

The valuation of tangible assets depends on whether the initial recognition and the choice of an estimated useful life are correct and depends on the assessment by the management of the risk of impairment at the reporting date.

For further information on tangible assets, please refer to Accounting policies and note 13 - Tangible assets.

### How our audit addressed the key audit matter

We performed the following audit procedures:

- We obtained an understanding of the process from capital expenditure budgeting to the assessment of the valuation of the tangible assets in the consolidated balance sheet.
- We tested the effectiveness of key controls related to the tangible assets process.
- We assessed whether transactions were accurately recorded in the tangible assets register and the consolidated balance sheet.
- We tested the existence of assets under construction.
- We challenged the estimated useful lives determined by management and verified the accuracy of the calculation of depreciation of the year.
- We read the minutes of the meetings of the Board of Directors in order to identify indicators of any impairment.

We obtained sufficient audit evidence to address the risk of valuation of tangible assets.

Audit

Comptabilité

Expertise & Conseil

Fiscalité

Payroll

Corporate finance

# Berney Associés

## Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Swiss GAAP FER and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also :

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

## Berney Associés

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

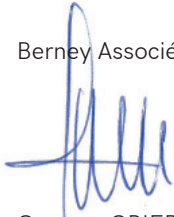
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## Report on other legal and regulatory requirements

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

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

Berney Associés Audit SA



Gregory GRIEB  
Licensed Audit Expert  
Auditor in charge



Frédéric BERNEY  
Licensed Audit Expert

Audit

Comptabilité

Expertise & Conseil

Fiscalité

Payroll

Corporate finance

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Statutory Financial Statements

# Statutory Balance Sheet

(In CHF)	NOTE	31.12.2018	31.12.2017
<b>Assets</b>			
Cash and cash equivalents		5'205'844	1'677'370
Marketable securities		-	15'112'627
Current receivables	2.1	51'790'908	87'943'406
Prepaid expenses and accrued income		6'310'255	5'383'446
<b>Current assets</b>		<b>63'307'007</b>	<b>110'116'849</b>
Financial assets	2.2	609'132'381	468'201'373
Investments in subsidiaries and associates	4	84'080'492	91'673'803
Intangible assets	2.3	25'545'000	26'289'000
<b>Non-current assets</b>		<b>718'757'873</b>	<b>586'164'176</b>
<b>Assets</b>		<b>782'064'880</b>	<b>696'281'025</b>
<b>Liabilities and shareholders' equity</b>			
Trade payables (towards third parties)		3'473'767	1'720'732
Current interest bearing liabilities	2.4	93'548'584	23'803'997
Other current liabilities		61'011	68'034
Accrued expenses and deferred income		6'227'693	7'033'484
Bonds issued by the company	5	145'000'000	100'000'000
<b>Current liabilities</b>		<b>248'311'055</b>	<b>132'626'247</b>
Bonds issued by the company	5	350'000'000	440'000'000
<b>Non-current liabilities</b>		<b>350'000'000</b>	<b>440'000'000</b>
<b>Liabilities</b>		<b>598'311'055</b>	<b>572'626'247</b>
Share capital		78'591'035	78'091'035
Reserves from capital contributions		75'938'802	81'436'237
Other capital reserves		2'194'691	2'194'691
<b>Legal capital reserves</b>		<b>78'133'493</b>	<b>83'630'928</b>
General legal retained earnings		83'000	83'000
<b>Legal retained earnings</b>		<b>83'000</b>	<b>83'000</b>
Loss carried forward		(30'011'619)	(35'003'823)
Net profit		70'532'286	4'992'204
<b>Balance sheet profit / loss</b>		<b>40'520'667</b>	<b>(30'011'619)</b>
Treasury shares	6	(13'574'370)	(8'138'567)
<b>Shareholders' equity</b>		<b>183'753'825</b>	<b>123'654'778</b>
<b>Liabilities and shareholders' equity</b>		<b>782'064'880</b>	<b>696'281'025</b>



## Statutory Income Statement

(In CHF)	NOTE	2018	2017
Dividend income		7'950'000	17'970'000
Other operating income		4'052'611	1'400'000
<b>Total income</b>		<b>12'002'611</b>	<b>19'370'000</b>
Expenses for obtained services		(7'158'335)	(5'071'507)
Administrative and other expenses		(2'833'341)	(3'015'173)
<b>Operating expenses</b>		<b>(9'991'676)</b>	<b>(8'086'680)</b>
<b>EBITDA</b>		<b>2'010'935</b>	<b>11'283'320</b>
Depreciation and amortisation on non-current assets		(4'620'621)	(3'849'828)
<b>EBIT</b>		<b>(2'609'686)</b>	<b>7'433'492</b>
Financial income	9	97'029'012	20'813'257
Financial expenses	9	(23'885'583)	(23'232'885)
<b>EBT</b>		<b>70'533'743</b>	<b>5'013'864</b>
Direct taxes		(1'457)	(21'660)
<b>Net profit</b>		<b>70'532'286</b>	<b>4'992'204</b>

# Notes to the Statutory Financial Statements

## 1. Significant accounting policies

These financial statements were prepared according to the provisions of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations). When not legally prescribed, the significant accounting and valuation principles applied are described below.

### Current receivables

Receivables are carried at nominal value less allowance for doubtful receivables. The allowance is based on the aging of trade receivables, specific risks and historical loss experience.

### Financial assets

The financial assets comprise intercompany loans granted to subsidiaries and other loans.

### Investments in subsidiaries and associates

Investments and intangible assets are valued at acquisition costs less accumulated depreciation and impairment losses.

### Financial liabilities / Bonds issued by the company

Financial liabilities are recognised at nominal value. They are classified as current liabilities when payable within 12 months.

### Treasury shares

Treasury shares are recognised at acquisition cost and deducted from shareholders' equity at the time of acquisition.

## 2. Information on balance sheet and income statement items

(In CHF)	31.12.2018	31.12.2017
<b>2.1 Current receivables</b>		
From third parties	17'468'534	8'654'459
From shareholders and governing bodies	13'614'382	15'654'690
From companies in which the entity holds an investment	32'525'937	73'203'812
Valuation adjustments	(11'817'946)	(9'569'555)
<b>Total current receivables</b>	<b>51'790'908</b>	<b>87'943'406</b>
<b>2.2 Financial assets</b>		
Securities	8'186'798	8'186'798
From third parties	-	8'710'948
From companies in which the entity holds an investment	609'419'889	459'352'090
Thereof as subordinated claim	609'419'889	468'063'038
Valuation adjustments	(8'474'306)	(8'048'463)
<b>Total financial assets</b>	<b>609'132'381</b>	<b>468'201'373</b>
<b>2.3 Intangible assets</b>		
Software / other intangible assets	5'155'000	2'500'000
Goodwill	20'390'000	23'789'000
<b>Total intangible assets</b>	<b>25'545'000</b>	<b>26'289'000</b>
<b>2.4 Current interest bearing liabilities</b>		
Other current interest bearing liabilities		
Due to companies in which the entity holds an investment	93'548'584	23'803'997
<b>Total current interest bearing liabilities</b>	<b>93'548'584</b>	<b>23'803'997</b>

## 3. Full-time equivalents

AEVIS VICTORIA SA does not have any employees.

## 4. Investments in subsidiaries and associates

<b>COMPANY, LEGAL FORM AND DOMICILE</b>	<b>31.12.2018 SHARE CAPITAL AND VOTING RIGHTS</b>	<b>31.12.2017 SHARE CAPITAL AND VOTING RIGHTS</b>
Swiss Medical Network SA, Genolier	100.0%	100.0%
Victoria-Jungfrau Collection AG, Interlaken	100.0%	100.0%
Infracore SA, Fribourg (formerly Swiss Healthcare Properties SA)	80.0%	100.0%
Swiss Hospitality Properties AG, Interlaken	100.0%	100.0%
Patrimonium Healthcare Property Advisers AG, Baar	50.0%	50.0%
Medgate Integrated Care Holding AG, Basel	40.0%	40.0%
Medgate Holding AG, Basel	40.0%	40.0%
Swiss Ambulance Rescue Genève SA, Geneva	100.0%	100.0%
Société Clinique Spontini SAS, Paris	100.0%	100.0%
Laboratoires Genolier SA, Genolier	89.1%	84.0%
NESCENS SA, Genolier	36.2%	36.2%
Swiss Stem Cell Science SA, Fribourg	100.0%	100.0%
Swiss Medical Transport AG, Baar	40.0%	40.0%
Publications Financières LSI SA, Geneva	100.0%	100.0%
Publications de l'économie et de la finance AEF SA , Lausanne	49.0%	49.0%
Agefi Com SA, Geneva	49.0%	49.0%
Academy & Finance SA, Geneva	22.5%	22.5%

## 5. Bonds issued by the company

Information regarding Bonds issued by the company is mentioned in note 18 of the Swiss GAAP FER consolidated financial statements.

## 6. Treasury shares

Information regarding treasury shares is mentioned in note 21.1 of the Swiss GAAP FER consolidated financial statements.

## 7. Collateral provided for liabilities of third parties

(In CHF)	31.12.2018	31.12.2017
The Company pledged the shares of Swiss Medical Network SA for a total amount of CHF 100'000 (book value) as a guarantee for bank loans of	-	70'000'000

## 8. Contingent liabilities

(In CHF)	31.12.2018	31.12.2017
Guarantees in favour of subsidiaries	4'703'099	5'329'340
AEVIS sold a minority stake of 20% in Infracore AG to Baloise on December 27, 2018. After two years from this date, Baloise is entitled to exercise the following put option: Baloise may sell all or part of its Shares acquired directly from AEVIS at the initial purchase price with an annual return of 5%. In the event of an IPO of Infracore, the put-option will expire automatically.	95'366'250	-
The company, as part of the group AEVIS VICTORIA SA, is subject to a group taxation with regards to Value Added Tax (VAT). The company is jointly liable for all VAT obligations towards the Federal Tax Authority.	n/a	n/a

## 9. Explanation to the financial result

(In CHF)	31.12.2018	31.12.2017
Interest income	13'506'874	11'063'560
Gain on sale of investments, financial assets and marketable securities	83'393'505	8'850'165
Other financial income	128'633	899'532
<b>Total financial income</b>	<b>97'029'012</b>	<b>20'813'257</b>
Interest expenses	15'445'572	16'539'190
Other financial expenses	8'440'011	6'693'695
<b>Total financial expenses</b>	<b>23'885'583</b>	<b>23'232'885</b>

## 10. Additional information requested by the Swiss Code of Obligations

### 10.1 Share and stock options ownership

NAME (POSITION)	31.12.2018 NUMBER OF SHARES HELD*	31.12.2018 NUMBER OF OPTIONS HELD	31.12.2017 NUMBER OF SHARES HELD*	31.12.2017 NUMBER OF OPTIONS HELD
<b>Board of Directors</b>				
Christian Wenger (Chairman) **	407'292	-	406'875	-
Raymond Loretan (Vice-chairman)	29'620	40'000	29'620	40'000
Antoine Hubert (Delegate of the Board) and Michel Reybier (Member)***	12'072'651	300'000****	12'129'923	250'000****
Cédric A. George (Member)	17'389	-	16'972	-
Antoine Kohler (Member)	1'299	-	4'352	-
<b>Senior Managment</b>				
Antoine Hubert (Delegate of the Board)	3'320'728*****	300'000*****	3'311'667*****	250'000*****
Gilles Frachon (CFO)	31'350	10'000	31'350	10'000

\* Including the blocked shares received as Board Member compensation

\*\* Representing the shareholding of CHH Financière S.A. – SPF

\*\*\* Antoine Hubert and Géraldine Reynard-Hubert hold indirectly AEVIS VICTORIA shares through M.R.S.I. Medical Research, Services and Investments S.A. and HR Finance & Participations SA (HRFP). Antoine Hubert and Géraldine Reynard-Hubert hold 100% of the share capital and voting rights of HRFP. HRFP holds 50% of the share capital and voting rights of MRSI. Michel Reybier holds indirectly AEVIS VICTORIA shares through M.R.S.I. Medical Research, Services and Investments S.A. and EMER Holding SA (EMER). Michel Reybier holds 100% of the share capital and voting rights of EMER. EMER holds 50% of the share capital and voting rights of MRSI.

\*\*\*\* Attributed to Antoine Hubert (HR Finance & Participations SA).

\*\*\*\*\* Directly and/or indirectly held through his companies.

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### 10.2 Significant shareholders

NAME	31.12.2018 NUMBER OF SHARES	31.12.2018 %	31.12.2017 NUMBER OF SHARES	31.12.2017 %
Group Hubert/Reybier/M.R.S.I. Medical Research, Services and Investments SA*	12'072'651	76.81	12'129'923	77.67
Kuwait Investment Office as agent for the Government of the State of Kuwait	533'312	3.39	533'312	3.41

\* Antoine Hubert and Géraldine Reynard-Hubert hold indirectly AEVIS VICTORIA shares through M.R.S.I. Medical Research, Services and Investments SA and HR Finance & Participations SA (HRFP). Antoine Hubert and Géraldine Reynard-Hubert hold 100% of the share capital and voting rights of HRFP. HRFP holds 50% of the share capital and voting rights of MRSI. Michel Reybier holds indirectly AEVIS VICTORIA shares through M.R.S.I. Medical Research, Services and Investments S.A. and EMER Holding SA (EMER). Michel Reybier holds 100% of the share capital and voting rights of EMER. EMER holds 50% of the share capital and voting rights of MRSI.



## Proposed appropriation of retained earnings

(In CHF)	2018	2017
<b>Retained earnings available to the Annual General Meeting</b>		
Loss carried forward	(30'011'619)	(35'003'823)
Net profit	70'532'286	4'992'204
<b>Voluntary retained earnings / (accumulated losses)</b>	<b>40'520'667</b>	<b>(30'011'619)</b>
Treasury shares (held directly)	(13'574'370)	(8'138'567)
<b>Total available to the Annual General Meeting</b>	<b>26'946'297</b>	<b>(38'150'185)</b>
<b>Proposal of the Board of Directors</b>		
Balance sheet profit / loss	40'520'667	(30'011'619)
./ Allocation to the legal retained earnings	(2'026'000)	-
<b>Balance brought forward</b>	<b>38'494'667</b>	<b>(30'011'619)</b>

## Proposed distribution from capital contribution reserve

The Board of Directors proposes to the Annual General Meeting of Shareholders the distribution of CHF 1.10 (2017: CHF 0.55) per share from capital contribution reserve.

(In CHF)	2018	2017
Account carried forward	73'080'483	70'441'770
Increase of capital contribution due to capital increase	2'858'319	10'994'467
<b>Capital contribution reserve before proposed distribution</b>	<b>75'938'802</b>	<b>81'436'237</b>
Proposed distribution from capital contribution reserve	(17'015'329)	(8'355'753)
<b>Capital contribution reserve after proposed distribution</b>	<b>58'923'473</b>	<b>73'080'483</b>

This proposal is based on distribution of CHF 1.10 per share on 15'468'481 eligible issued shares as at 31.12.2018 (2017: CHF 0.55 per share on 15'192'219 eligible issued shares). The distribution from capital contribution reserve is not subject to withholding tax. Treasury shares are not entitled to distribution.

Geneva, March 29, 2019

## Report of the statutory auditor to the general meeting of AEVIS VICTORIA SA, Fribourg

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of AEVIS VICTORIA SA, which comprise the balance sheet as at 31 December 2018, the income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion the accompanying financial statements (pages 90 to 96) as at 31 December 2018 comply with Swiss law and the company's articles of incorporation.

#### Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

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

# Berney Associés

## Valuation of investments in subsidiaries and associates and related loans to subsidiaries

### Key audit matters

The company holds investments in subsidiaries and associates with a carrying value of CHF 84'080'492 as of 31 December 2018, representing 10.75% of total assets. The list of Group subsidiaries and associates can be found in note 4 to the financial statements. The valuation of these assets is dependent on the ability of these companies to generate positive cash flows in the future.

As described in notes 2.1 and 2.2, to the financial statements, the company has also provided loans to subsidiaries and associates for a total consideration of CHF 641'945'826. These loans are subject to valuation adjustments amounting to CHF 20'292'252. The net book value of CHF 621'653'574 represents 79.5% of total assets.

In accordance with Article 960 CO, these investments are valued individually and the values must be tested annually for impairment. An impairment would need to be recorded if any of the recoverable values of investments were lower than the associated carrying values, or if loan balances were no longer considered recoverable from the associated entities.

The company uses the "income approach" for its impairment tests of investments and prepares a discounted cash flow forecast for each significant balance. The inputs to the impairment testing model which have the most significant impact on the recoverable value include :

- Projected revenue growth, EBITDA margins and operating cash-flows in the years 1-6;
- Stable long-term growth rates in perpetuity and
- Discount rates.

The annual impairment testing is considered to be a risk area for the Board of Directors and a key audit matter because the assumptions on which the tests are based are highly judgmental and are affected by future market and economic conditions which are inherently uncertain, and because of the materiality of the balances to the statutory financial statements as a whole.

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### How our audit addressed the key audit matter

We discussed with Management the adequate implementation of accounting policies and controls regarding the valuation of investments in subsidiaries and associates and related loans. We tested the design and implementation of controls to determine whether appropriate controls are in place. We critically assessed the methodology applied and the reasonableness of the underlying assumptions and judgements.

We assessed the discounted cash flow (DCF) models and calculations by :

- Checking the mechanical accuracy of DCF models.
- Challenging the significant inputs and assumptions used in the impairment testing for investments in AEVIS VICTORIA SA companies, such as the weighted average cost of capital and the projected revenues and EBITDA margin.

We tested balances on a sample basis to evidence the financial position of the entities concerned and challenged the recoverability of loans to subsidiaries and associates by assessing the projected cash flows.

Based on the audit procedures performed above, we consider Management's estimates in the assessment of the recoverable value of investments in subsidiaries and associates and related loans to be fairly stated.

Audit

Comptabilité

Expertise & Conseil

Fiscalité

Payroll

Corporate finance

# Berney Associés

## Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also :

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

# Berney Associés

If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

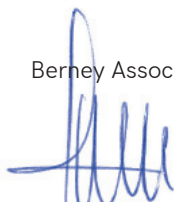
## Report on other legal and regulatory requirements

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

We further confirm that the proposed appropriation of retained earnings complies with Swiss law and the company's articles of incorporation.

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

Berney Associés Audit SA



Gregory GRIEB  
Licensed Audit Expert  
Auditor in charge



Frédéric BERNEY  
Licensed Audit Expert

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