

Investing for a better life



Investing for a better life

**CHF
593M**
TOTAL REVENUE
INCREASED

15.6%
EBITDA
GROWTH

AEVIS VICTORIA SA invests in services to people, healthcare, hospitality, life sciences and lifestyle. 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 five luxury hotels in Switzerland, a healthcare and hospitality real estate division, Medgate, the leading telemedicine provider in Switzerland, and NESSENS SA, a brand dedicated to better aging. AEVIS is listed on the Swiss Reporting Standard of the SIX Swiss Exchange (AEVS.SW).

www.aevis.com

**CHF
1.1BN**
REAL ESTATE
PORTFOLIO OF
44 PROPERTIES

**CHF
55.6M**
OPERATING
CASH FLOW

Key Figures

(In thousands of CHF unless otherwise stated)	FY2016	FY2016 (pro-forma incl. 12 months GBH)	FY2015 Restated
Total revenue	592'595	664'870	576'058
Net revenue	517'106	583'055	508'607
EBITDAR*	87'141	101'432	78'452
EBITDAR margin	16.9%	17.4%	15.4%
EBITDA	74'605	86'658	64'513
EBITDA margin	14.4%	14.9%	12.7%
EBIT	31'448	37'928	23'862
EBIT margin	6.1%	6.5%	4.7%
Profit for the period	2'692	5'791	3'747
Number of FTE at year-end	2'856		2'587
Market price per share at 31.12. in CHF	64.00		40.95
Number of outstanding shares	15'016'768		15'010'091
Market capitalisation	961'073		614'663

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

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Share and bond information

Share Register
Computershare Schweiz AG
Tel. +41 62 205 77 00
share.register@computer-
share.ch

Number of shares

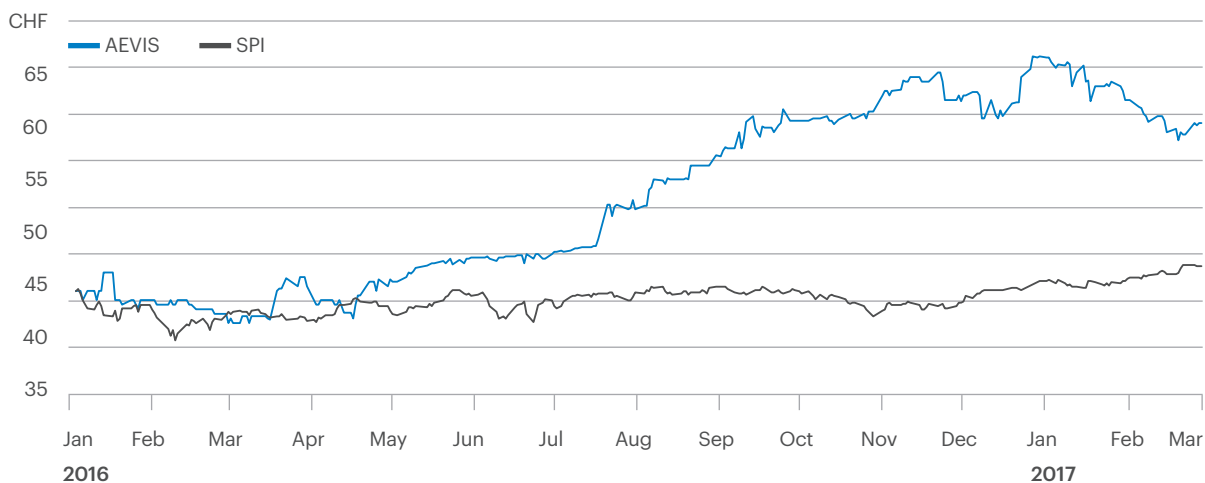
	31.12.2016	31.12.2015
Share capital (in CHF)	75'662'035	75'176'035
No. of registered shares issued	15'132'407	15'035'207
Nominal value per registered shares (in CHF)	5	5
No. of treasury shares	115'639	25'116
No. of registered shares outstanding	15'016'768	15'010'091

Data per share

	31.12.2016	31.12.2015
EBITDA per share* (in CHF)	4.99	4.41
High (in CHF)	64.40	47.10
Low (in CHF)	37.50	39.50
End price (in CHF)	64.00	40.95
Average volume per day	1'692	1'517
Market capitalisation (in CHF)	961'073'152	614'663'226

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

Share price performance



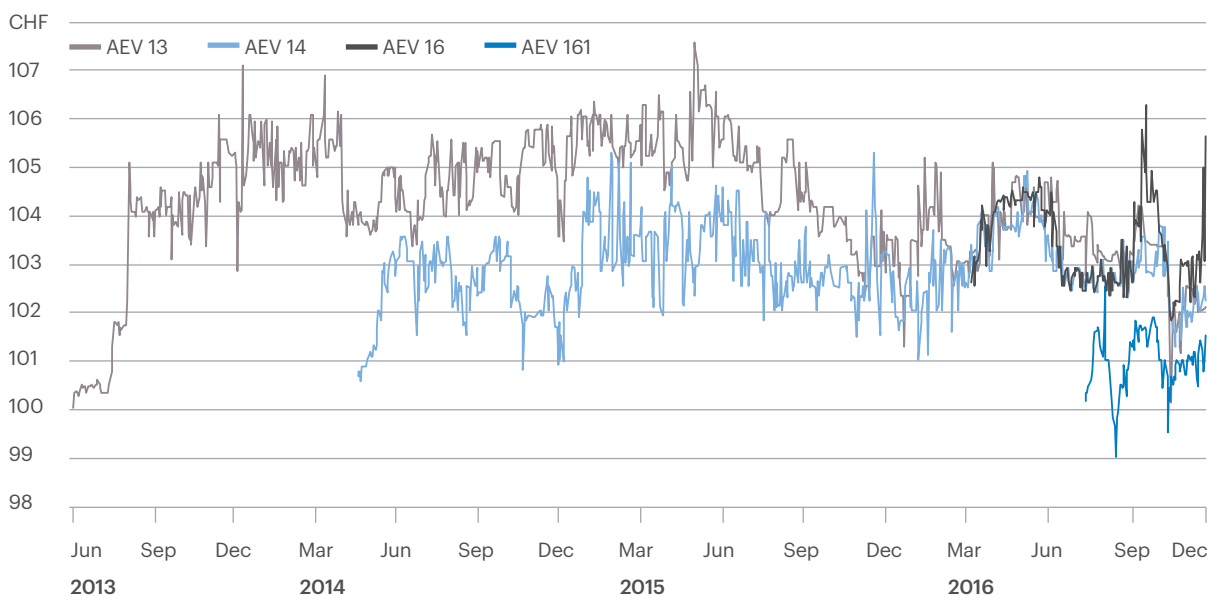
The registered shares of AEVIS VICTORIA SA are traded on the Swiss Reporting Standard of SIX Swiss Exchange and are part of the Swiss Performance Index SPI, the SXI Life Sciences Index (SLIFE) and the SXI Bio+Medtech Index (SBIOM).

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

AEVIS VICTORIA SA Bonds

- In July/August 2013, AEVIS has successfully issued a 5-year bond in the amount of CHF 100 million maturing on 02.07.2018. The coupon was set at 3.5%. The AEVIS VICTORIA bond is traded on SIX Swiss Exchange (Valor symbol: AEV13 / ISIN CH0214926096).
- 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).

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Major shareholders

The following shareholders held more than 3% on 31 December 2016:

Group Hubert/Reybier/M.R.S.I. Medical Research, Services and Investments SA	77.49%
Kuwait Investment Office as agent for the Government of the State of Kuwait	3.52%
Total shareholders (31 December 2016)	1'640

Financial reporting

13 June 2017	Ordinary general shareholders meeting for the year 2016
15 September 2017	Publication of the 2017 Half-Year Results
November 2017	Publication of 3Q 2017 Revenue
March 2018	Publication of 2017 Revenue
29 March 2018	Publication of the 2017 Annual Results



Successful business year 2016



Dear Shareholder,

In 2016, all three major subsidiaries of AEVIS VICTORIA SA (AEVIS VICTORIA) realised operational and financial progress. Organic growth combined with targeted acquisitions and internal optimisations contributed to increased revenues and improved profit margins. Swiss Medical Network finalised the integration of Clinique Générale-Beaulieu in Geneva, Victoria-Jungfrau Collection improved revenues in spite of the negative trend in the luxury hotel industry, and the value of the property portfolio grew to more than one billion Swiss Francs. The corporate structure is designed to absorb the acquisitions of 2016 and allows the continuation of the successful buy-and-build-strategy at the same time.

Total revenues grew by 2.9% to CHF 592.6 million (2015: CHF 576.1 million) and net revenues (medical fees excluded) amounted to CHF 517.1 million (2015: CHF 508.6 million). Substantial efficiency gains and the exploitation of synergies contributed to a higher operating profit. The EBITDAR in the two main segments surpassed the 20% level in the year under review. On the Group level, an EBITDAR of CHF 87.1 million, up by 11.1% from the previous year (2015: CHF 78.5 million) resulted, corresponding to a solid EBITDAR margin of 16.9%. EBITDA reached CHF 74.6 million or 14.4% of turnover and the EBIT increased by 31.8% from CHF 23.9 million to CHF 31.4 million. The operating cash flow surged significantly by 52.0% to CHF 55.6 million in the year under review. The profit for the period amounts to CHF 2.7 million. On a pro-forma basis, consolidating Générale-Beaulieu for 12 months, the increases in sales, profit margins and net profit was even higher.

The Board of Directors will propose to the Annual General Meeting a distribution from capital contribution reserves of CHF 0.55 per share, in line with its long-term distribution policy.

High efficiency at hospitals of Swiss Medical Network

Swiss Medical Network performed well in 2016. An increased number of patients offset lower DRG and TARMED rates in Switzerland and resulted in a record turnover of CHF 521.0 million, up from CHF 482.8 million in the previous year. Operational improvements and synergies contributed to an EBITDAR of CHF 91.9 million, 29.8% more than a year ago. This solid operational result corresponds to an EBITDAR margin of 20.6% (2015: 17.0%). A full year consolidation of Clinique Générale-Beaulieu in Swiss Medical Network would have generated a pro forma revenue of CHF 591.0 million and a pro forma EBITDAR of 104.6 million.

Distribution from capital contribution reserves of CHF 0.55 per share proposed

The network's growth continued with the successful integration of Clinique Générale-Beaulieu in late 2016. The Geneva-based multidisciplinary hospital is specialised in orthopaedics, general surgery, urology, gynaecology and obstetrics. Clinique Générale-Beaulieu has 477 employees and 571 admitting physicians, and achieved a turnover of CHF 83.4 million and an EBITDAR of CHF 15.7 million in 2016. The network now consists of 15 hospitals, one affiliated hospital and one clinic, with 988 available beds, 1'782 admitting physicians and 2'948 employees.

Swiss Medical Network made a crucial contribution to contain healthcare costs in Switzerland in reducing its base rates. A common flat rate payment system for all listed hospitals at the rate of CHF 9'050 per case was introduced in March 2016, and it was further reduced on 1 January 2017 to CHF 8'930. These rates are substantially lower than the insurers' benchmark (HSK and Tarifsuisse, both around CHF 9'500) and around 10% below those of the public hospitals (above CHF 10'000).

Hotels of Victoria-Jungfrau Collection gain market share

The luxury hotels of Victoria-Jungfrau Collection achieved turnover gains despite a drop in tourism activities in Switzerland. The net revenue grew from CHF 58.9 million in 2015 to CHF 60.7 million in 2016. Palace Lucerne is operated by the Group but no longer consolidated, as a new management contract structure was put in place on 1 January 2016. The number of overnight stays remained constant at around 169'000 and the average room rate increased from CHF 366 a year ago to CHF 372 in the period under review (three fully consolidated hotels). Further efficiency gains and cost savings contributed to the profitability and the EBITDAR margin reached 20.1%. On 1 December 2016, Victoria-Jungfrau Collection acquired the operations of the Hotel Crans Ambassador, a luxury sport resort in Crans-Montana (canton of Valais), and thereby enlarged the portfolio to a fifth establishment. The hotel Crans Ambassador has 56 rooms and employs 60 people.

Healthcare- and hotel-related real estate exceeds CHF 1 billion

Rental income in the real estate segment, composed of healthcare- and hospitality-related real estate, amounted to CHF 51.2 (2015: CHF 36.4 million) and EBITDAR surged to CHF 42.4 (2015: CHF 32.5 million), which mostly corresponds to inter-company payments with AEVIS VICTORIA's hospital and hospitality segments. With the purchase of an office building in Echandens and the acquisition of three buildings in Geneva in connection with the integration of Générale Beaulieu, the property portfolio grew to 44 properties on 17 sites and represents a total rentable surface of 193'880 sqm with a market value of CHF 1'148.3 million.

An extensive refurbishment program was completed at Clinique de Valère in Sion, and further targeted investments were made in Clinique Générale in Fribourg, Clinique Montchoisi in Lausanne, Clinica Ars Medica in Gravesano, Privatklinik Lindberg in Winterthur and Privatklinik Bethanien in Zurich. At Privatklinik Villa im Park in Rothrist, construction of a new building will start in spring 2017 and rental space of 2'300 sqm with 30 new rooms will be available upon completion.

Acquisition of 40% of Medgate

In January 2016 the acquisition of 40% of Medgate Group, the leading provider of telemedical services in Switzerland, was completed. Since July 2016, AEVIS VICTORIA holds a participation in the listed company LifeWatch AG, a leading developer and provider of medical solutions and remote diagnostic monitoring services in the digital health market. After the purchase of a 4.6% stake within the context of LifeWatch's rights offering, the shareholding was further increased to 11.99% later in 2016.

AEVIS VICTORIA has a proven track record in transforming and growing companies in the health sector

Public takeover offer for LifeWatch

AEVIS VICTORIA launched a public takeover bid for all publicly held registered shares of LifeWatch in early 2017, with the offer period ranging from 7 March 2017 to 10 April 2017. LifeWatch shareholders can opt for an exchange offer or a cash alternative. For each registered share of LifeWatch, 0.1818 registered shares of AEVIS VICTORIA are offered. Alternatively, AEVIS VICTORIA offers CHF 10.00 in cash per registered share of LifeWatch.

In the event of a completion of its public takeover bid, AEVIS VICTORIA intends to significantly contribute to pursuing LifeWatch's growth strategy and is convinced that LifeWatch would benefit from the support of a reference shareholder with a strong presence in the healthcare sector. AEVIS VICTORIA would be able to provide a long-term vision and the necessary financial means to develop the business strategy of LifeWatch. AEVIS VICTORIA has a proven track record in transforming and growing companies in the health sector, and LifeWatch would also benefit from this broad experience.

On 9 March 2017, a committee of the Board of Directors of LifeWatch has recommended the rejection of AEVIS VICTORIA's offer. The committee considers AEVIS VICTORIA's offer not to be in the best interest of LifeWatch and its shareholders as they believe that it does not reflect the real value of the company. The committee has solicited alternative offers and mandated an investment bank to help them in this process. AEVIS VICTORIA is concerned about how the process is being handled by the committee and management of LifeWatch. AEVIS VICTORIA will wait and see how the transaction evolves and take the necessary measures in due course to protect the best interest of its shareholders.

Other activities

AEVIS VICTORIA invests in various other businesses along the value chain of its main pillars of activity. The rescue entity based in Geneva was rebranded as Swiss Ambulance Rescue in late September 2016. NESSENS preventive medical check-up centres are now operative in Genolier, Lausanne, Lugano and soon in Zurich, while NESSENS better-aging medspa programs are available in Interlaken and Geneva. For the first time, the anti-aging cosmetics of NESSENS are also sold in a dedicated e-shop targeting international buyers. In addition, Nescens Clinique de Genolier is offering a unique combination of both hotel services and medical care.

Authorised capital for potential acquisitions

The Board of Directors is authorised to increase the share capital by a nominal value of maximum CHF 35.5 million through the issuance of 7.1 million new shares until 28 June 2017, with the objective to finance potential acquisitions. This would also include the potential takeover of LifeWatch.

Successful bond issuances

AEVIS VICTORIA was once again active on the capital markets and benefited from favourable refinancing conditions. In May 2016 it successfully issued a new 5-year CHF 150 million straight bond with a coupon of 2.5%. The net proceeds of the bond were partially used to refinance the CHF 80 million, 4.25% bond AEV12 that matured on 3 August 2016. Another 6-year CHF 130 million straight bond with a coupon of 2.0% was issued on 20 September 2016. It was subsequently increased to CHF 145 million due to high investor demand.

Inclusion in Swiss Performance Index

As the free float soared above the 20% threshold following the full integration of Victoria-Jungfrau Collection, the nominal shares of AEVIS VICTORIA were included in the Swiss Performance Index (SPI) in late July 2016. They are also included in the SXI Life Sciences Index (SLIFE) and SXI Bio+Medtech Index (SBIOM) since 19 September 2016.

Outlook

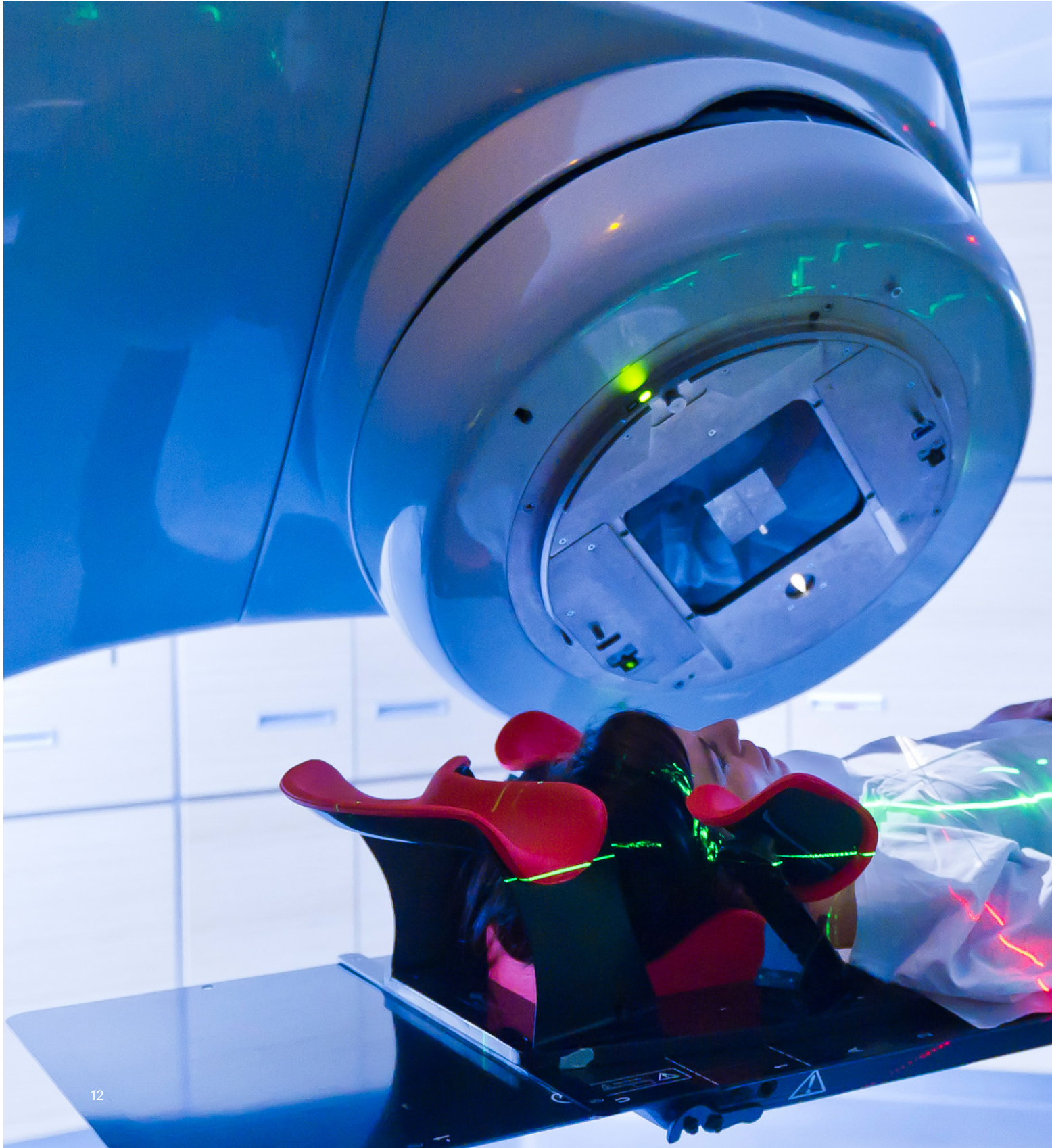
For the entire business year 2017, AEVIS VICTORIA SA expects to realise a total revenue of more than CHF 700 million based on an unchanged portfolio consolidated over a 12-month period. AEVIS VICTORIA expects to realise an EBITDA of more than CHF 100 million, without acquisitions.

We would like to conclude by thanking our customers and partners for the gratifying development of our collaboration, our shareholders for their confidence and all our employees and physicians for their great work and commitment.

Fribourg, 24 March 2017

Christian Wenger
Chairman of the Board

Antoine Hubert
Delegate of the Board



Second largest network of private hospitals in Switzerland



Swiss Medical Network – Key Figures 2016

The network's growth path continued with the acquisition and integration of Clinique Générale-Beaulieu in Geneva in the last quarter of 2016. Overall, turnover of CHF 521.0 million, up from CHF 482.8 million in the previous year, represented growth of 7.9%.

AARGAU

- I Privatlinik Villa Im Park

BASEL

- I Schmerzlinik Basel

FRIBOURG

- I Clinique Générale

GENEVA

- I Clinique Générale-Beaulieu
- I Centre Médical des Eaux-Vives

NEUCHÂTEL

- I Clinique Montbrillant
- I Hôpital de la Providence

SOLOTHURN

- I Privatlinik Obach

TICINO

- I Clinica Sant'Anna
- I Clinica Ars Medica

VALAIS

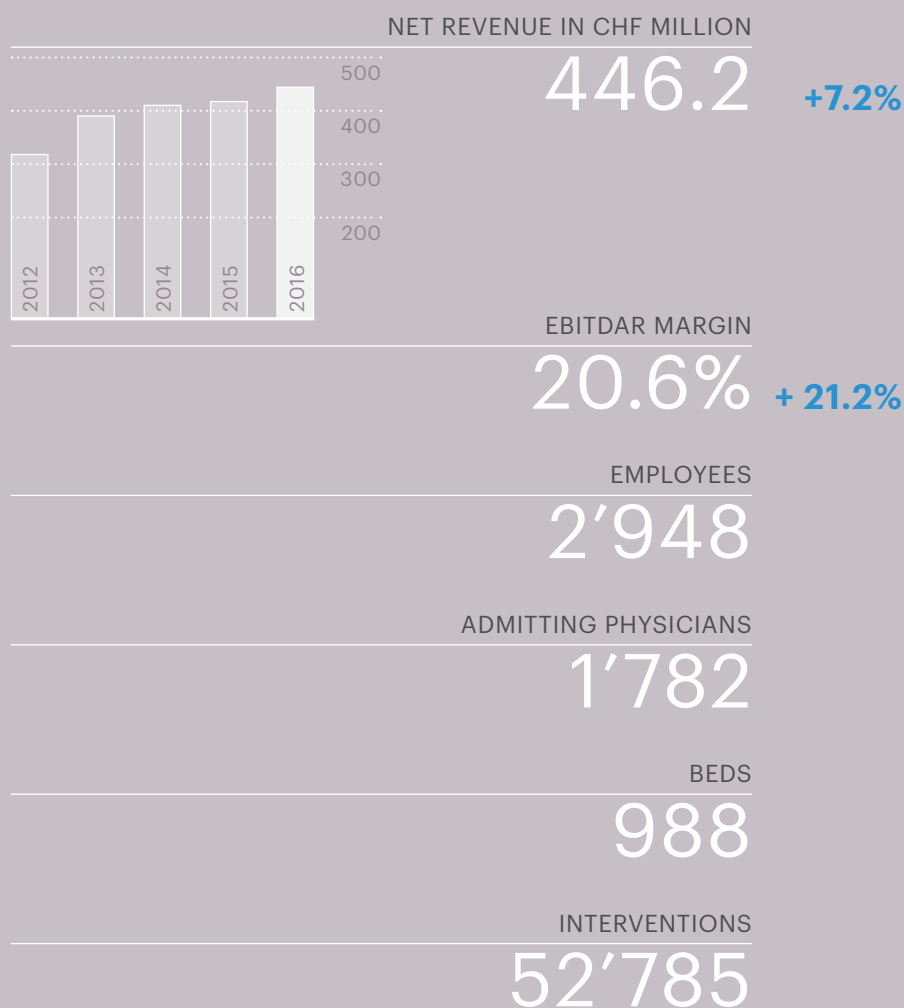
- I Clinique de Valère

VAUD

- I Clinique de Genolier
- I Clinique de Montchoisi
- I Clinique Valmont

ZURICH

- I Privatlinik Bethanien
- I Privatlinik Lindberg
- I Pyramide am See



Swiss Medical Network – Profile

Swiss Medical Network, founded in 2002, is one of Switzerland's leading private hospitals groups. Its hospitals, which are located in all three of the country's main language regions, provide first-class hospital treatment, care and assistance to patients from Switzerland and abroad.

All Swiss Medical Network hospitals are renowned for the quality of their services, their excellent medical facilities, their top-notch hotellerie and their pleasant ambience. With their state-of-the-art medical technology and their comprehensive specialist expertise, the hospitals of Swiss Medical Network offer reliable medical care of the very highest calibre which puts the patient's comfort and well-being firmly centre stage.

Swiss Medical Network continues to develop and expand its Swiss-wide network by acquiring and restructuring further hospital facilities. The network currently extends to 16 private institutions and one affiliated hospital in Switzerland, which count 1'782 doctors and employ 2'948 other personnel. Swiss Medical Network is also linked with Klinik Pyramide am See AG, which operates a hospital in the canton of Zürich.

The medical competences of the Swiss Medical Network hospitals are recognised beyond the Swiss borders with, for example, the first Breast Centre of a group of private hospitals to be certified in French speaking Switzerland, a pain clinic in Basel, expertise and high-tech oncology equipment and recognised maternity wards.

Swiss Medical Network SA is a fully-owned subsidiary of AEVIS VICTORIA.

www.swissmedical.net

Swiss Medical Network posts EBITDAR growth of 29.8%

Swiss Medical Network reached a turnover of CHF 521.0 million, up from CHF 482.8 million in the previous year, representing growth of 7.9%. Organic growth excluding acquisitions amounted to 4.3%. The exploitation of synergies and efficiency gains contributed to the improved EBITDAR of CHF 91.9 million, corresponding to an EBITDAR margin of 20.6%. The network's growth path continued with the acquisition and integration of Clinique Générale-Beaulieu in Geneva in the last quarter of 2016. Swiss Medical Network now consists of 15 hospitals, one affiliated hospital and one clinic in 10 cantons.

Growth continues as turnover reaches record level

An overall increase in the number of patients resulted in a record turnover, despite lower DRG and TARMED rates for the domestic activities of Swiss Medical Network. Medical tourism recovered compared to the previous year and surged by nearly 10%. In total, turnover including the residence Nescens Clinique de Genolier increased by 7.9% from CHF 482.8 million to CHF 521.0 million. Net revenues, excluding medical fees, amounted to CHF 446.2 million (2015: CHF 416.1 million).

Operational excellence across the board

All hospitals but Privatklinik Lindberg are in the optimisation phase of their business cycle and thereby contributed to the positive earnings. Further operational improvements combined with synergy gains led to an improved EBITDAR of CHF 91.9 million (2015: CHF 70.9 million) corresponding to a solid EBITDAR margin of 20.6% (2015: 17.0%). Once again, the actions initiated and implemented in the year under review proved to be effective. The substantial increase in operational profitability resulted in a margin of more than 20% for the first time.

Successful integration of Clinique Générale-Beaulieu in Geneva

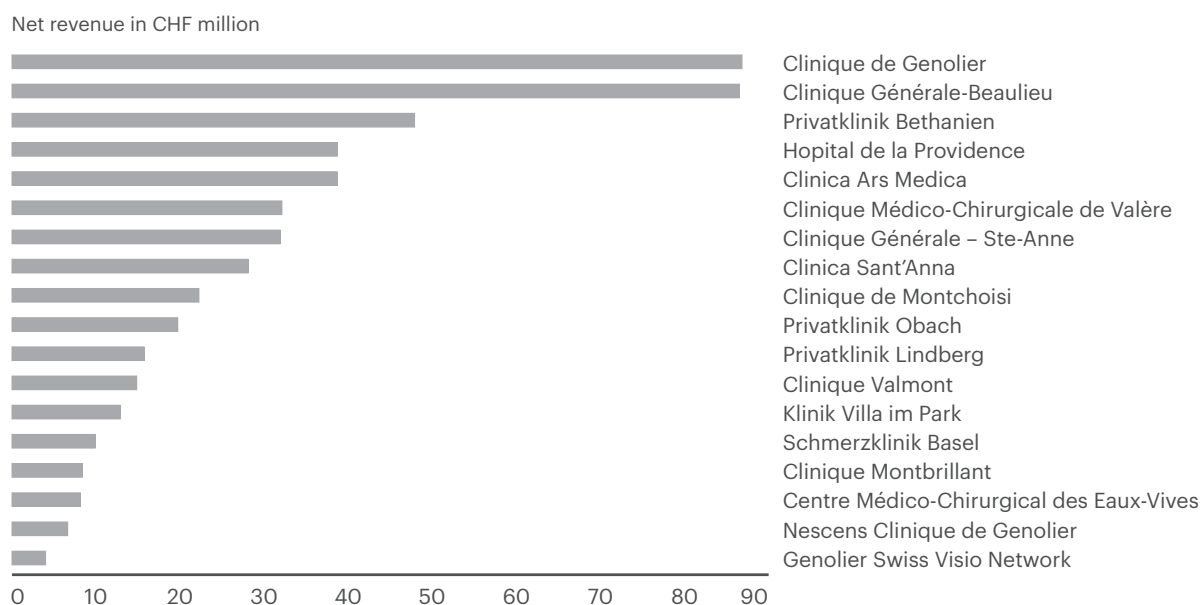
On 13 September 2016, Swiss Medical Network launched an acquisition offer for all shares of Générale Beaulieu Holding SA. The offered price per share of Générale Beaulieu Holding SA amounted to CHF 25'000. On 31 December 2016, Swiss Medical Network SA held 67.99% of Générale Beaulieu Holding SA. The Société coopérative médicale de Beaulieu, which holds 28.7% of Générale Beaulieu Holding SA, has until the end of 2017 to either sell its shares according to the conditions of the offer, or remain a shareholder alongside Swiss Medical Network. Générale Beaulieu Holding SA has been consolidated into Swiss Medical Network SA as of 1 November 2016.

Clinique Générale-Beaulieu, founded in 1899, is a multidisciplinary private hospital, specialised in orthopaedics, general surgery, urology, gynaecology and obstetrics. The hospital also has a radiology institute, an institute of nuclear medicine and a physiotherapy & functional rehabilitation centre. The hospital buildings, which are now owned by the Group, are ideally located in the heart of the residential area of Champel in Geneva, in very pleasant natural surroundings. The main building of the hospital was constructed in 1983 and has a total surface of 18,000 sqm. On its site and the various annex buildings, Clinique Générale-Beaulieu accommodates approximately 70 medical practices covering all medical specialties.

Organic growth
without acquisitions
of 4.3%

Clinique Générale-Beaulieu has 477 employees and 571 admitting physicians. With a turnover of CHF 83.4 million, Clinique Générale-Beaulieu is now the second largest hospital of Swiss Medical Network, followed by Clinique de Genolier and Privatlinik Bethanien.

After the integration of Clinique Générale-Beaulieu, the network now consists of 15 hospitals, one affiliated hospital as well as one clinic, with 988 available beds, 1'782 admitting physicians and 2'948 employees. Swiss Medical Network has an outstanding track record in acquiring and restructuring private hospitals. This buy-and-build strategy will be continued in the years to come as the Group matures on its way to reaching the medium-term goal of 20–25 hospitals in the majority of Switzerland's cantons. The current acquisition pipeline looks promising, and it is expected that Swiss Medical Network will again be engaged in acquisitions to expand its unique network of medical excellence in the months to come.



Attractive partner for admitting physicians

The number of admitting physicians continued to grow. The underlying attractiveness of the network's hospitals encouraged 76 new doctors to join the Group. The ability to perform state-of-the-art medicine in well-equipped hospitals applying an entrepreneurial approach, in a pleasant environment, makes the Swiss Medical Network hospitals unique working places. During the past year, the network's physicians conducted nearly 53'000 interventions and carried out more than 2'500 deliveries. A survey carried-out by ANQ, the Swiss association for quality development in hospitals and clinics, showed very high patient satisfaction in the hospitals of Swiss Medical Network.

1'782 admitting physicians and 2'948 employees

In addition, the establishment of competence centres and the build-up of regional platforms progressed in the reporting period. The aim of the network to continuously enhance the level of specialisation and quality is supported by investments in cutting-edge medical technology and infrastructure, including high-quality hospitality services. At Clinique de Genolier, a new catheterisation room equipped with a new cardiovascular technical platform helps to put the hospital at the top of the field. The creation of the "Gyne Centro Ticino" and the installation of a spectral computer tomography device at the Clinica Sant'Anna (only the second in Switzerland, with the other at Clinique de Genolier) upgraded the hospital's offering. At Privatklinik Bethanien, the creation of a new neurosurgery practice further strengthened the hospital's expertise in this growing field.

**Lowest base rate of
CHF 8'930 per case**

Proactive measures to contain healthcare costs

By further intensifying the efforts already made during the last years, Swiss Medical Network took another important step in reducing its tariffs. In early March 2016, a common flat rate payment system for all listed hospitals was introduced. As a direct consequence of the increased efficiency of the hospital group in the year under review, the base rates were further reduced by CHF 100 as of 1 January 2017. These base rates are substantially lower than the insurers' benchmark (HSK and Tarifsuisse, both around CHF 9'500) and around 10% below those of the public hospitals (above CHF 10'000). Swiss Medical Network remains committed to further improving efficiencies and passing on the gains to the insured, while generating profit margins that allow investments in infrastructure and people. The ability of Swiss Medical Network to lower its flat rate is a crucial contribution to containing healthcare costs in Switzerland and underlines the importance of well-managed, cost-conscious private healthcare providers.

Defence of private practice

The importance of the Group as a key partner is highlighted by the establishment of multi-year term tariff agreements with all major insurance companies for all the hospitals in the network. Swiss Medical Network thereby follows a flexible business model combining contracted hospitals with listed hospitals. In the field of contracted hospitals, insurance coverage for listed specialties can be negotiated while the hospitals remain a health partner for the public authorities. In the field of listed hospitals, a hospital can negotiate insurance coverage for non-listed specialties. Swiss Medical Network advocates for the equal treatment of private and public hospitals. Patients must have a real free choice to select their healthcare provider or physician, and every institution should be eligible to get the basic allowance ("Sockelbeitrag"). On the other hand, volume quotas for services or other limitations (medical materials) will be rejected going forward.

CANTON	HOSPITAL	EMPLOYEES	ADMITTING PHYSICIANS	AVAILABLE BEDS
Contracted hospitals				
Vaud	Clinique de Genolier	302	137	112
Vaud	Clinique de Montchoisi	99	120	22
Vaud	Clinique Valmont	122	6	59
Zurich	Privatklinik Bethanien	250	257	96
Zurich	Privatklinik Lindberg	200	89	73
Zurich	Pyramide am See*	115	125	40
Listed hospitals				
Neuchâtel	Clinique Montbrillant	60	97**	26
Neuchâtel	Hôpital de la Providence	240	97**	59
Fribourg	Clinique Générale	150	77	66
Geneva	Clinique Générale-Beaulieu	477	571	131
Valais	Clinique de Valère	158	52	46
Solothurn	Privatklinik Obach	120	40	54
Aargau	Privatklinik Villa im Park	90	42	39
Basel	Schmerzklinik Basel	70	31	15
Ticino	Clinica Sant'Anna	173	70	80
Ticino	Clinica Ars Medica	176	44	70
Clinic				
Geneva	Centre Médical des Eaux-Vives	29	24	0
Total		2'948***	1'782	988

* affiliated hospital

** All doctors accredited at Hôpital de la Providence are also accredited at Clinique Montbrillant.

*** Including the employees of the Group's central services

Outlook 2017

The development of Swiss Medical Network and the further integration of hospitals will continue, as the pipeline looks promising. The recruitment of new physicians is a key priority of Swiss Medical Network. New collaboration platforms and centers of excellence are being built up to promote the sharing of knowledge, resources and technology, in order to optimise the medical outcome for each patient. The focus on cost cutting, the exploitation of synergies and efficiency gains will have a positive effect on profitability. Swiss Medical Network will continue to be active on a federal and cantonal level to promote unbiased competition, for the benefit of the patients and for a more efficient healthcare system. Swiss Medical Network has the ambition to become the preferred partner for public institutions, the insurance sector and all stakeholders of the medical sector in Switzerland.

Recruitment of physicians is of key importance

Raymond Loretan Beat Röthlisberger
Executive Chairman CEO



Luxury hotels in unique settings in Switzerland



Victoria-Jungfrau Collection – Key Figures 2016

Net revenue of the fully consolidated hotels reached CHF 60.7 million, based on a well-diversified customer portfolio that once again proved advantageous in times where travel destinations change quickly.

ZÜRICH

| Eden au Lac

LUCERNE

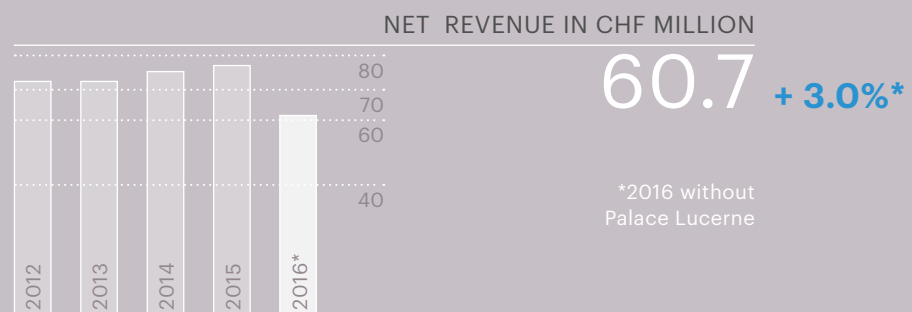
| Palace Luzern

BERNE

| Victoria-Jungfrau
Grand Hotel & SPA
| Bellvue Palace

VALAIS

| Crans Ambassador



EBITDAR MARGIN

20.1%

EMPLOYEES

575

OVERNIGHT STAYS

169'000

ROOMS

587

Ø ROOM RATE

372

Victoria-Jungfrau Collection – Profile

The Victoria-Jungfrau Collection is a small but exclusive hotel group with a unique portfolio of luxury five-star hotels of long standing. The Victoria-Jungfrau Grand Hotel & Spa in Interlaken and the Palace Luzern on the shores of Lake Lucerne were joined as members of the Victoria-Jungfrau Collection by the Eden au Lac in Zurich in November 2005 and the renowned Bellevue Palace in Bern in January 2007. The latest hotel to have joined the Collection is the Crans Ambassador Hotel in Crans-Montana.

All hotels are individually managed but share a commitment to personal hospitality and top-quality service. The historic establishments with Swiss tradition offer luxurious accommodation, gourmet cuisine, wellness and contemporary infrastructure to their guests. The Victoria-Jungfrau Collection yearly counts around 169'000 overnight bookings.

AEVIS VICTORIA owns 100% of the Interlaken based luxury hotel group.

www.vjc.ch

Hotels outperform in challenging environment

The offerings of the five luxury hotels of Victoria-Jungfrau Collection, the Victoria-Jungfrau Grand Hotel & Spa in Interlaken, the Eden au Lac in Zurich, the Bellevue Palace in Berne and the Palace in Lucerne, as well as the newly integrated Crans Ambassador in Crans-Montana, were in solid demand in 2016. Net revenue of the five hotels (12 months consolidated for three hotels, one month consolidated for the Crans Ambassador, management fees for the Palace in Lucerne) reached CHF 60.7 million, based on a well-diversified customer portfolio that once again proved advantageous in times where travel destinations change quickly. The management fee from the Palace in Lucerne, efficiency gains and cost savings contributed to the profitability, and the EBITDAR margin reached 20.1%.

EBITDAR surges to
CHF 12.2 million

Turnover gains despite drop in tourism activities in Switzerland

The tourism industry in Switzerland was affected by the fear of further terrorist attacks in Europe and the strong Swiss Franc, which remained a challenge. Overall, the number of travellers declined once again. However, the luxury hotels of Victoria-Jungfrau Collection were able to compensate, performing very well in the reporting period. The Bellevue Palace in Berne in particular displayed solid turnover growth, while the luxury hotels of the Group located in Interlaken and Zurich posted turnover in line with the previous year's figures. Overall, a highlight of the 2016 results was the net revenue growth from CHF 58.9 million in 2015 to CHF 60.7 million this year. The Palace Lucerne is operated by the Group but no longer consolidated since a new management contract structure was put in place on 1 January 2016. The number of overnight stays remained constant at around 169'000 and the average room rate increased from CHF 366 a year ago to CHF 372 in the period under review (three fully consolidated hotels).

Additional efficiency gains

Productivity further increased in 2016. In addition to increased turnover and the management fee earned from operations at the Palace in Lucerne, efficiency gains and the exploitation of synergies within the Group contributed an EBITDAR of CHF 12.2 million, corresponding to an EBITDAR margin of 20.1%. Further improvements are anticipated in the current business year as energy costs, which represent a sizable part of the cost structure of a hotel, will be reduced based on a Group-wide electricity procurement scheme.

Substantial increase
in guests from the
United States, the UAE,
France and Hong Kong

Diversified client portfolio

The management team has further intensified its national and international sales activities in order to respond to the challenging market environment. Although Victoria-Jungfrau Collection profits from a very well-diversified client base, continued efforts are necessary to counteract the difficult market circumstances. This strategy paid off in the period under review. The effects of a 19% decrease in Chinese guests, mainly triggered by new visa regulations, and fewer travellers from Russia and Great Britain, were offset by a substantial increase in guests coming from the United States, the United Arab Emirates, France and Hong Kong. Switzerland remained the biggest market, accounting for approximately 25% of turnover.

Successful management of the Palace Lucerne

The Palace Hotel in Lucerne, bought by Chinese investor Yunfeng Gao in 2015, remains managed by Victoria-Jungfrau Collection. The collaboration was successful in the reporting period, as highlighted by higher occupancy and surging operational profitability.

Regular investments into refurbishment projects and the expansion of services

Refurbishment projects bolster market position

Unique customer experiences and outstanding services are key to defending the solid market position achieved. Therefore, investments in refurbishment projects and the expansion of services are regularly implemented. At the Victoria-Jungfrau Grand Hotel & Spa in Interlaken, the flagship hotel of the group, the renovated restaurant "La Terrasse" was reopened in the spring, and "The Garden" is a new attraction during the summer months. In October 2016, the hotel inaugurated its new SPA Nescens, a comprehensive spa offering a unique range of services and better-aging programs, in an elegant, lush green setting. The refurbishment, including the installation of air conditioning in 30 rooms, has started, and as of next summer, an enhanced experience, especially during the summer, will be ensured. At the Bellevue Palace in Berne, a major renovation project has been completed and all rooms now offer state-of-the-art amenities. It is foreseen that the Eden au Lac in Zurich will undergo a major renovation phase in the years to come, in order to provide a facelift to the existing facilities and turn the establishment into an outstanding reference for city hotels. The intended project is currently in the approval process and clearance is expected later this year.

New hotel in Crans-Montana added to the Collection

On 1 December 2016, the Group acquired the operations of the Hotel Crans Ambassador, a luxury sport resort in Crans-Montana (canton of Valais). The hotel is ideally located in the prestigious ski resort of Crans-Montana, offering a panoramic view of the Swiss Alps. The Group does not own the hotel premises but signed a long-term lease with the owner. Results have been consolidated for the month of December 2016.

	TOTAL ROOMS	SUITES	SURFACE (sqm)	EMPLOYEES
Victoria-Jungfrau Grand Hotel and Spa	224	102	44'269	227
Eden au Lac	50	5	1'419	54
Palace Luzern	129	31	3'337	106
Bellevue Palace	128	25	3'296	128
Crans Ambassador	56	12	10'898	60

Outlook 2017

The Victoria-Jungfrau Collection product is attractive and in demand across a wide range of customers. Even though the Swiss tourism industry faces major challenges, the Group's hotels are expected to match the performance achieved in 2016. The diversified customer base, regular investments in the infrastructure and services and the exploitation of additional synergistic potential will remain the keys to success.

Christian Seiler
Chairman

Beat Sigg
CEO



Premium real estate portfolio with
a value of more than one billion CHF



Real Estate Segment – Key Figures 2016

With the acquisition of an office building in Echandens and the integration of three buildings in Geneva in connection with the acquisition of Générale Beaulieu Holding, the healthcare- and hotel-related real estate portfolio grew to 44 properties on 18 sites.

AARGAU

| Privatklinik Villa Im Park

BERNE

| Hotel Victoria-Jungfrau

FRIBOURG

| Clinique Générale

GENEVA

| Clinique Générale-
Beaulieu

NEUCHÂTEL

| Clinique Montbrillant

SOLOTHURN

| Privatklinik Obach

TICINO

| Clinica Sant'Anna
| Clinica Ars Medica

VALAIS

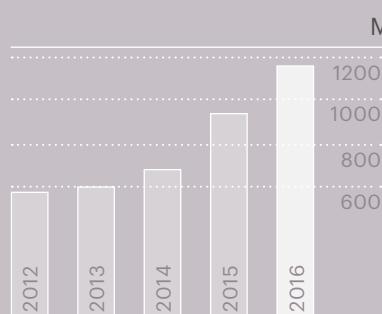
| Clinique de Valère
| Hangar SHP (Air-Glaciers)

VAUD

| Clinique de Genolier
| Clinique de Montchoisi
| Clinique Valmont
| Chocolatière 21

ZURICH

| Privatklinik Bethanien
| Privatklinik Lindberg
| Hotel Eden au Lac



MARKET VALUE IN CHF MILLION

1'148.3 **+23.2%**

EBITDAR MARGIN

82.8%

PROPERTIES

44

LOCATIONS

17

RENTAL SURFACE SQM

193'880

RENTAL INCOME IN CHF MILLION

51.2

Swiss Healthcare Properties and Swiss Hospitality Properties

Swiss Healthcare Properties AG (SHP I), founded in 1997, is a unique healthcare-related real estate company in Switzerland. The portfolio of SHP I, with a market value of CHF 779.4 million and a rental surface of 133'318 sqm consists of 33 quality entities situated in premium locations. All properties are fully let, mainly to the various Swiss Medical Network hospitals, and have been bought or constructed in the context of the development of the group. SHP I's properties present a development potential of 35'000 sqm. SHP I has a buy/build & hold strategy with a long-term perspective of ongoing renovation and maintenance programs.

The real estate company is committed over the long-term to the hospital's operations growth but also aims to realise healthcare-related real estate acquisitions with reliable operators outside the Swiss Medical Network. SHP I is a 100% subsidiary of AEVIS VICTORIA.

Générale-Beaulieu Immobilière SA owns the hospital premises of Clinique-Générale-Beaulieu as well as several other buildings surrounding the hospital. The three properties represent a rental surface of 18'990 sqm and a market value of CHF 190.8 million.

Swiss Hospitality Properties in Interlaken AG (SHP II) owns the buildings of the hotels Eden au Lac in Zurich and Victoria-Jungfrau Grand Hotel & Spa in Interlaken, as well as six smaller annex properties in Interlaken. The 8 properties represent a rental surface of 41'572 sqm and a market value of CHF 163.3 million. SHP II is a 100% subsidiary of AEVIS VICTORIA.

www.shp.net

Value of property portfolio crosses one billion CHF threshold

The real estate segment continued its expansion in the year under review. With the acquisition of an office building in Echandens and the integration of three buildings in Geneva in connection with the acquisition of Générale Beaulieu Holding, the healthcare- and hotel-related real estate portfolio grew to 44 properties on 17 sites. Rental income amounted to CHF 51.2 million (2015: CHF 36.4 million) and EBITDAR surged to CHF 42.4 million (2015: CHF 32.5 million), which mostly corresponds to intercompany payments with AEVIS VICTORIA's hospital and hotel segments. The portfolio represents a total rentable surface of 193'880 sqm with a market value of CHF 1'148.3 million. The loan to value remains very low at 35.2%. The average interest on mortgages was 1.72% at the end of 2016.

The real estate segment of AEVIS VICTORIA is composed of healthcare- and hospitality-related real estate and is subdivided into Swiss Healthcare Properties SA (SHP I), Swiss Hospitality Properties SA (SHP II) and Générale-Beaulieu Immobilière SA. SHP I owns most of the hospital buildings of Swiss Medical Network and some outbuildings next to the hospitals, used as doctors' offices and for administration, while SHP II owns the hotel premises of Victoria-Jungfrau Collection in Zurich and Interlaken. Générale-Beaulieu Immobilière SA owns the hospital premises of Clinique Générale-Beaulieu as well as several other buildings surrounding the hospital.

NAME	MAIN USE	PLACE (CANTON / NUMBER OF BUILDINGS)	RENTAL AREA (sqm)	PARKING SPACES
Clinique de Genolier	Multi-specialty hospital	Genolier (VD / 4)	32'903.7	388
Clinique de Montchoisi	Multi-specialty hospital	Lausanne (VD)	3'441.0	43
Clinique Valmont	Rehabilitation hospital	Glion-sur-Montreux (VD)	6'733.0	22
Clinique Générale	Multi-specialty hospital	Fribourg (FR)	6'540.1	
Clinica Ars Medica	Multi-specialty hospital	Gravesano (TI)	8'075.0	123
Clinica Sant'Anna	Multi-specialty hospital	Sorengo (TI / 6)	14'508.7	188
Privatklinik Lindberg	Multi-specialty hospital	Winterthur (ZH / 4)	13'078.6	117
Privatklinik Obach	Multi-specialty hospital	Solothurn (SO / 2)	5'838.9	92
Clinique de Valère	Multi-specialty hospital	Sion (VS / 2)	9'565.0	110
Privatklinik Bethanien	Multi-specialty hospital	Zürich (ZH / 5)	18'546.0	210
Klinik Villa im Park	Multi-specialty hospital	Rothrist (AG / 2)	4'320.0	77
Hangar SHP (Air-Glacières)	Hangar (air rescue)	Sion (VS)	2'284.9	14
Clinique Montbrillant	Multi-specialty hospital	La Chaux-de-Fonds (NE / 2)	5'715.0	59
Chocolatière 21	Offices	Echandens (VD)	1'768.0	53
Clinique Générale-Beaulieu	Multi-specialty hospital	Genève (GE / 3)	18'990.0	310
Hotel Victoria-Jungfrau	Hotel	Interlaken (BE / 7)	37'120.0	170
Hotel Eden au Lac	Hotel	Zürich (ZH / 1)	4'452.0	18

SHP I is composed of 33 quality entities on 14 sites with a rental surface of 133'318 sqm, a market value of CHF 779.4 million and additional development potential of up to 35'000 sqm. The portfolio was enlarged by one entity in the period under review with the integration of an office building in Echandens, located between Morges and Lausanne. The building is on a plot area of 2'881 sqm and offers rental space of 1'768 sqm with 53 parking spaces. The building is in very good condition and is fully let. Swiss Medical Network occupies the first floor, thus bundling all major administration-related works in one location.

Générale-Beaulieu Holding, operating a hospital in Geneva, was acquired in the second half of 2016 by Swiss Medical Network. The transaction included the purchase of three buildings on the hospital site in a residential area of Geneva. The properties offer 18'990 sqm rental space and had a market value of CHF 190.8 million at the end of 2016.

SHP II consists of seven properties in Interlaken (the Victoria-Jungfrau Grand Hotel & Spa and six smaller annex buildings) and the Eden au Lac building in Zurich, representing a total rental surface of 41'572 sqm and a market value of CHF 163.3 million. The old unoccupied building "Schweizerhof" in Interlaken has been demolished. The open space will be landscaped and the shopping area in proximity to the Victoria-Jungfrau Grand Hotel & Spa will be upgraded.

State-of-the art hospitals

An extensive refurbishment program was completed at Clinique de Valère in Sion. The standard for the patient rooms was improved, and new suites and hospital-ity areas were created. This major renovation will enable the hospital to further advance its activities in the years to come. Targeted investments have also been made in Clinique Générale in Fribourg, Clinique Montchoisi in Lausanne, Clinica Ars Medica in Gravesano, Privatklinik Lindberg in Winterthur and Privatklinik Bethanien in Zurich. All these investments contribute to a state-of-the-art patient experience and underpin the unique positioning of the hospitals of Swiss Medical Network. To save energy and reduce energy costs, the central heating regulation systems have been upgraded in Clinique de Genolier, Clinica Ars Medica and Clinica Sant'Anna.

Investments into
environment-friendly
technologies

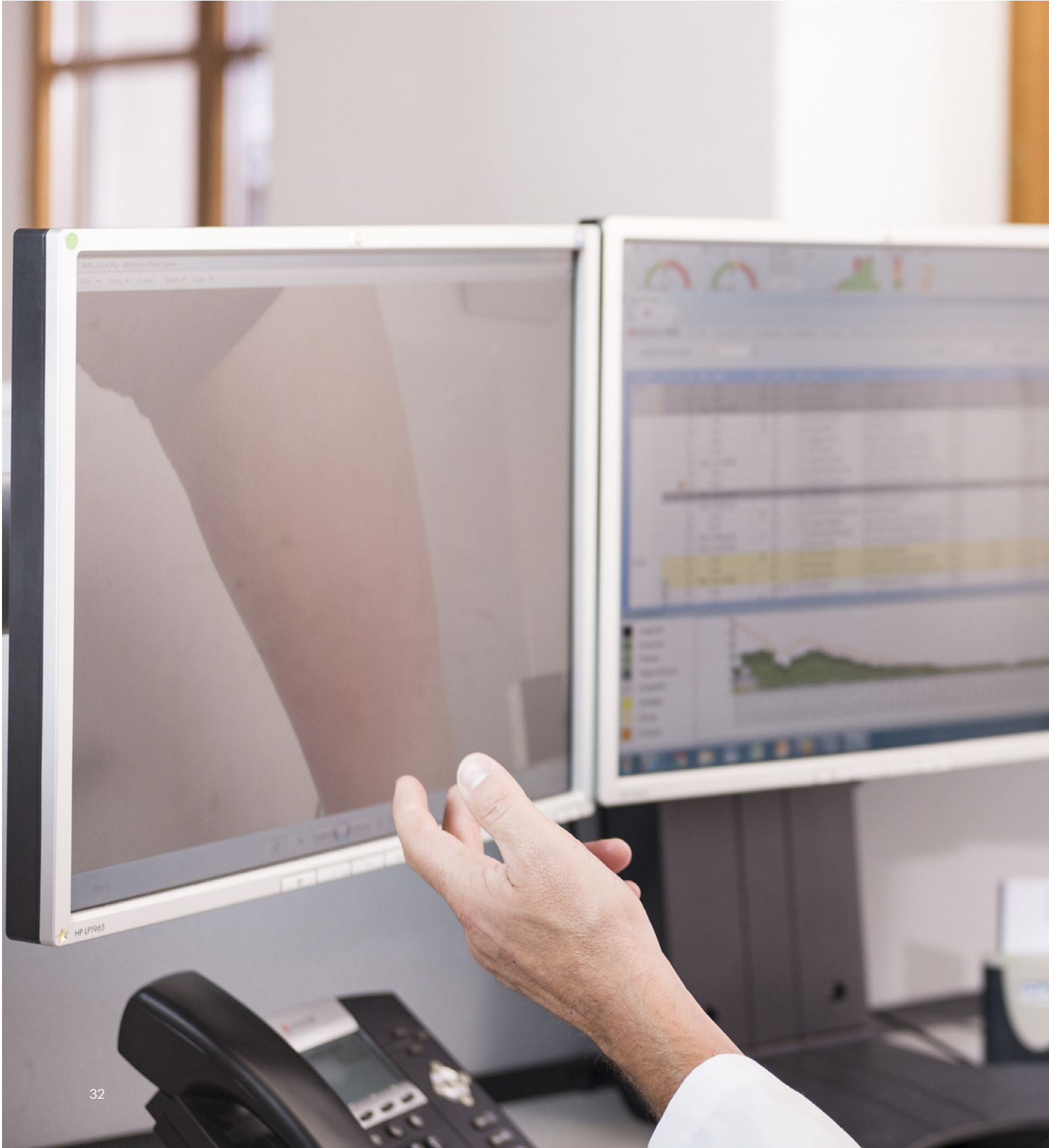
The construction of a new building in Rothrist for the Privatklinik Villa im Park will start in April 2017. The additional building will offer rental space of 2'300 sqm and contain 30 new rooms offering a maximum of 56 beds, 4 operating theatres and an underground parking with more than 100 places. Construction is expected to last until late 2018.

Development plans on various sites

The evolution of the hospital's activities creates a need for additional surfaces on many sites. In order to meet the expected future demand from the hospitals, plans are being developed to increase the ground area ratio either by changing area plans or by searching for new buildings near the current premises. In Zurich, adjacent to Privatklinik Bethanien, SHP I owns a plot of 4'623 sqm with three buildings. It is planned to replace the old buildings with a new one of around 6'000 sqm to be used by Privatklinik Bethanien. Furthermore, SHP I continued to work on the development of a large project in Genolier (additional 15'000 sqm on the existing plot) and expansion of the hospital in Gravesano (new land use plan in discussion), both of them depending on communal or cantonal approvals. The city of Winterthur and the canton of Zurich have approved the plans submitted by Privatklinik Lindberg to construct an additional 11'000 sqm on the plot.

Antoine Hubert
Chairman

Christoph Syz
CEO



AEVIS VICTORIA invests in various other activities along the value chain of its main divisions



Other participations

AEVIS VICTORIA SA invests in various other activities along the value chain of its main divisions. Although these ventures account for a small portion of total revenues, they reflect the Group's vision of becoming an integrated healthcare provider. In January 2016, AEVIS VICTORIA acquired a participation of 40% in Medgate Group, the leading provider of integrated out-patient healthcare in Switzerland. Furthermore, AEVIS VICTORIA and its reference shareholders acquired 11.99% of the listed company LifeWatch AG, a leading developer and provider of remote diagnostic monitoring services in the digital health market.

Medgate continues expansion

Medgate is one of the leading providers of integrated outpatient healthcare in Switzerland and employs around 100 physicians. The Medgate Telemedicine Center in Basel (in operation since 2000), Medgate Health Centres and the Medgate Partner Network work together closely. This network of telemedicine and medical centres, as well as external specialists and basic healthcare providers, guarantees comprehensive, efficient and high-quality care for patients. The Medgate Telemedicine Center is delivering up to 5'000 teleconsultations a day. Medgate internationalised its successful business model and offers its different telemedicine services in Abu Dhabi, in Australia and, since 2016, in the Philippines. AEVIS VICTORIA holds a 40% stake in the Medgate Group, while its founders, Andy Fischer and Lorenz Fitzi, remain the majority shareholders. Medgate continued to expand during the reporting period. In addition to the third international outlet, business Switzerland was bolstered once again. The partnership with the Federal Office of Health in the field of vaccination was renewed after 10 years, and the Medgate Telemedicine Centre will continue to operate the vaccine hotline for the next five years after winning a public tender. In general, demand for telemedical consultations is expected to increase significantly, both in Switzerland and abroad. On the medical side, this growth is driven by the pressure on healthcare costs and progress in the use of telemedicine sensors. On the technological side, it is driven by the increased availability of powerful transmission technologies.

Nescens

To lever and link selected points of excellence within both the hospital and hotel segments, AEVIS VICTORIA has developed the umbrella brand Nescens focused on products and services aimed at helping people to live and age better. Nescens is built on five pillars: Nescens Check-up Centres (linked with selected hospitals of Swiss Medical Network), Nescens better-aging therapies (linked with Victoria-Jungfrau Collection as well as La Reserve Hotel & Spa), Nescens aesthetic surgery and medicine (Clinique Nescens – Paris Spontini), Nescens cosmeceuticals (Laboratoires Genolier) and Nescens Swiss Stem Cell Science.

Swiss Ambulance Rescue

With Swiss Ambulance Rescue, AEVIS VICTORIA intends to contribute to a potential consolidation of the Swiss rescue sector, which is highly fragmented. AEVIS VICTORIA SA holds a 93.4% stake in Swiss Ambulance Rescue Genève SA, which is a leading private ambulance operator in Geneva. The company is specialised in repatriations, urgent patient transport and hospital transfers in the Geneva area. The company operates 11 vehicles and employs 66 people.

Public takeover offer for LifeWatch

Since 1993, LifeWatch has provided healthcare providers with comprehensive remote cardiac monitoring diagnostic services, allowing timely access to patient arrhythmia data and facilitating better collaboration on and earlier intervention in health events.

The company is listed on the international standard of SIX Swiss Exchange (LIFE, security no. 1'281'545). AEVIS VICTORIA and its reference shareholders hold an 11.99% participation in the company that was built up in the course of 2016. LifeWatch achieved a turnover of USD 113.8 million, an operating loss of USD 7.7 million and a net loss of USD 13.4 million in the financial year 2016.

On 24 January 2017, AEVIS VICTORIA launched a public takeover offer for all publicly held shares of LifeWatch AG, and on 20 February 2017 the corresponding prospectus was published. LifeWatch shareholders can opt for an exchange offer or a cash alternative. For each registered share of LifeWatch, AEVIS VICTORIA offers 0.1818 registered shares of AEVIS VICTORIA with a nominal value of CHF 5.00. Alternatively, AEVIS VICTORIA offers CHF 10.00 in cash per registered share of LifeWatch. The offer period will start on 7 March 2017 and end on 10 April 2017 at 16.00 CEST.

The public takeover offer is subject to several conditions, one of which being that AEVIS VICTORIA holds 67% of the LifeWatch registered shares at the end of the offer period. Upon successful completion of the offer, LifeWatch would become an independently managed subsidiary of AEVIS VICTORIA, allowing AEVIS VICTORIA to sustainably reinforce its telemedicine activities.

AEVIS VICTORIA intends to significantly contribute to pursuing LifeWatch's growth strategy and is convinced that LifeWatch would benefit from the support of a reference shareholder with a strong presence in the healthcare sector. AEVIS VICTORIA would be able to provide a long-term vision and the necessary financial means to develop the business model. AEVIS VICTORIA has a proven track record in transforming and growing companies in the health sector, and LifeWatch would also benefit from this broad experience.

On 9 March 2017, a committee of the Board of Directors of LifeWatch has recommended the rejection of AEVIS VICTORIA's offer. The committee considers AEVIS VICTORIA's offer not to be in the best interest of LifeWatch and its shareholders as they believe that it does not reflect the real value of the company. The committee has solicited alternative offers and mandated an investment bank to help them in this process. AEVIS VICTORIA is concerned about how the process is being handled by the committee and management of LifeWatch. AEVIS VICTORIA will wait and see how the transaction evolves and take the necessary measures in due course to protect the best interest of its shareholders.

Corporate Governance

The AEVIS VICTORIA Corporate Governance Report has been prepared in compliance with the requirements of the Directive on Information relating to Corporate Governance, prepared by SIX Swiss Exchange.

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 are available online at www.aevis.com in the section “The Company”.

ANTOINE HUBERT
Delegate of the Board

CHRISTIAN WENGER
Chairman

ANTOINE KOHLER
Member

RAYMOND LORETAN
Vice-chairman

CÉDRIC A. GEORGE
Member

MICHEL REYBIER
Member

From left to right



Corporate Governance report of AEVIS VICTORIA SA

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 services to people, healthcare, hospitality, life sciences and lifestyle. The Group’s operational structure is divided into the following main business segments: hospitals, hospitality, telemedicine and real estate. The other smaller subsidiaries are active in life sciences (better aging) and in ambulance services. Each business segment is managed by an Executive Committee or Management Team, reporting to their respective Board of Directors.

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 31.12.2016, its market capitalisation stood at CHF 961 million.

On 31.12.2016, the company and its reference shareholders held 11.99% of Life-Watch AG, which shares are listed on the International Reporting Standard of SIX Swiss Exchange (ISIN CH0012815459).

1.1.3. All unlisted companies belonging to the issuer's group

As at 31.12.2016, 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 of private hospitals	100'000	100.0
Victoria-Jungfrau Collection AG	Interlaken (BE)	Holding company of hotels	200'000	100.0
Swiss Healthcare Properties SA	Fribourg (FR)	Medical real estate	10'000'000	100.0
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	93.4
Medgate Integrated Care Holding AG	Zug (ZG)	Holding company in telemedicine	2'001'700	40.0
Medgate Holding AG	Zug (ZG)	Holding company in telemedicine	200'000	40.0
NESCENS SA	Genolier (VD)	Better aging	300'000	36.17
Laboratoires Genolier SA	Genolier (VD)	Cosmeceutical	866'700	84.0
Swiss Stem Cell Science SA	Fribourg (FR)	Stem Cells	100'000	70.0
Société Clinique Spontini SAS	Paris (France)	Aesthetic hospital in Paris (France)	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 (dormant)	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 32 (List of group companies) from the Swiss GAAP FER consolidated financial statements.

Full consolidation is applied if the Company controls operations of the subsidiary. Joint ventures are consolidated with the proportional method. The equity method is used if the Company owns, directly or indirectly, between 20% and 50% of the subsidiary's voting rights.

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	31.12.2016 NUMBER OF SHARES	31.12.2016 %	31.12.2015 NUMBER OF SHARES	31.12.2015 %
Group Hubert/Reybier/M.R.S.I. Medical Research, Services and Investments SA*	11'726'172	77.49	11'634'382	77.38
Kuwait Investment Office as agent for the Government of the State of Kuwait	533'312	3.52	533'312	3.55

* 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.

The Company received no disclosures of shareholdings for the year under review.

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:

31.12.2016	NUMBER OF SHARES	NOMINAL VALUE PER SHARE (IN CHF)	TOTAL CAPITAL (IN CHF)
Share capital	15'132'407	5	75'662'035
Conditional capital	6'602'800	5	33'014'000
Authorised capital	7'100'000	5	35'500'000

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 of a maximum of CHF 35'500'000 through the issuance of a maximum of 7'100'000 fully paid-up registered shares with a nominal value of CHF 5 each until 28.06.2017. 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 8'014'000 divided into a maximum of 1'602'800 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 01.01.2014	14'339'845	71'699'225
Conditional capital increase	56'450	282'250
Balance at 01.01.2015	14'396'295	71'981'475
Ordinary capital increase (merger by absorption of Victoria-Jungfrau Collection AG)	638'912	3'194'560
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 31.12.2016	15'132'407	75'662'035

On 29.06.2015, the Company registered an ordinary capital increase resulting from the merger by absorption of Victoria-Jungfrau Collection AG. The share capital was increased by CHF 3'194'560, divided into 638'912 new registered shares.

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.

2.4. Shares and participation certificates

The Company's capital is composed of registered shares only. At 31.12.2016, the number of fully paid-up registered shares with a nominal value of CHF 5 each was 15'132'407. 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 31.12.2016, the Company had no convertible bonds outstanding. During 2016, 412'500 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 and employees' 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 31.12.2016, the Board of Directors of the Company was composed of the following members.

	FUNCTION	YEAR OF BIRTH	NATIONALITY
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
Cédric A. George	Member	1952	Swiss

With the exception of Antoine Hubert, 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 a partner of the law firm Wenger & Vieli in Zurich and specialises in venture capital and private equity. He serves as Board Member of several listed and non-listed companies such as Falcon Private Bank AG, UCC Holding AG, Chemolio Holding AG, Hempel Special Metals AG, Trisport AG and Xeltis AG. He is Chairman of the Foundation BlueLion and Member of the Foundation Zoo Zürich. Furthermore, he is a member of the Swiss-American Chamber of Commerce. In 2003, he founded CTI Invest, a private investor platform (association) linked to the Commission for Technology and Innovation (CTI), which he has chaired since its establishment. In 2015 he acted as co-founder of the initiative digitalswitzerland. In 2016, this initiative launched the Kickstart Accelerator in 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 Organizations 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, Générale Beaulieu Holding SA, Centre Médico-Chirurgical des Eaux-Vives SA and Nescens Genolier SA. He is Vice-chairman of the Board of Directors of Clinique Générale Ste-Anne SA, GSMN Ticino SA, Privatklinik Obach AG, Clinique Médico-Chirurgicale de Valère SA, Klinik Villa im Park AG and Schmerzklinik Basel AG. Raymond Loretan is also Board Member of GSMN Neuchâtel SA, 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 the "Société Suisse des Explosifs", 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 the Board of Swiss Healthcare Properties SA, Swiss Hospitality Properties SA, CACM hôtels SA and Société Clinique Spontini SAS. He is Vice-chairman of the Board of Directors of Centre Médico-Chirurgical des Eaux-Vives SA and Nescens Genolier SA. He is Board Member of GSMN Suisse SA, Générale Beaulieu Holding SA, Clinique Générale Ste-Anne SA, Privatklinik Obach AG, GSMN Ticino SA, GSMN Neuchâtel SA, Clinique Médico-Chirurgicale de Valère SA, Klinik Villa im Park AG, Schmerzklinik Basel AG, Victoria-Jungfrau Collection AG, VJC-Management AG, Grand Hotel Victoria-Jungfrau AG, Hotel Eden au Lac AG, Hotel Bellevue Palace AG, NESSENS SA, Laboratoires Genolier SA, Swiss Stem Cell Science SA, Patrimonium Healthcare Property Advisors AG and Publications de l'économie et de la finance AEF 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 LifeWatch AG.

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. He is founder and owner with his family of the La Réserve hotel Group and a co-founder and shareholder of the Mama Shelter hotels. Furthermore, he is a shareholder of Seiler Hotels Zermatt AG.

Within the Group, Michel Reybier is Vice-chairman of Victoria-Jungfrau Collection AG and Board Member of Swiss Medical Network SA, GSMN Suisse SA, Swiss Healthcare Properties 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 Zermatt 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 Boccard 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, GSMN Suisse SA, Centre Médico-Chirurgical des Eaux-Vives SA and Nescens Genolier SA.

In addition, Antoine Kohler is, amongst others, Chairman of Airopack Technology Group AG, Baar, Vice-Chairman of Mitsubishi UFJ Wealth Management Bank (Switzerland) Ltd., Geneva and a Board Member of Sixt rent-a-car AG, Basel and Sixt Leasing (Schweiz) AG in Urdorf and LifeWatch AG in Zug. Antoine Kohler was elected as a Board Member of LifeWatch AG on 15.04.2016.

Dr Cédric A. George, Non-Executive Member
Chairman of the Nominations 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 a Board Member of Swiss Medical Network SA and GSMN Suisse 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 till the end 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 2016, 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	2017
Raymond Loretan*	November 2006	2017
Antoine Hubert*	June 2009	2017
Michel Reybier	June 2011	2017
Antoine Kohler*	June 2008	2017
Cédric A. George	September 2010	2017

* Raymond Loretan, Antoine Hubert and Antoine Kohler were not member of the Board between 09.06.2010 and 06.09.2010.

The Nomination and Compensation Committee Members are elected individually by the Annual General Meeting for a period of one year till the end of the next Annual General Meeting. Only independent Board Members may be elected to the Committee. 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.

MEMBER	ELECTION	EXPIRES
Cédric A. George	June 2015	2017
Antoine Kohler	June 2015	2017

The independent proxy is elected by the Annual General Meeting for a period of one year till the end 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.

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

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.

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.

In 2016, the Nomination and Compensation Committee met once. The average length of meeting is 1.0 hour.

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. 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.

In 2016, the Audit and Compliance Committee met twice, of which once by the means of telephone conferencing. The average length of meeting is 2.0 hours.

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

In 2016, 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 2016, the Board of Directors met four times and three times by means of telephone conferencing. The average attendance at the Board meetings was 100%. The average length of meeting is three to six hours. During its meetings, the Board reviews the activities of the Group with reference to operating reports. Once a year at least, the auditor is invited to take part in a Board meeting, in the course of which the results of the auditor's work are presented. 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.

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.

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 management.

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, 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;
- 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 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), which is coordinated by the ICS Manager on group level and 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 31.12.2016, 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 point 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 Clinique Générale Ste-Anne SA, GSMN Ticino SA, Swiss Healthcare Properties SA, Swiss Hospitality Properties SA, CACM hôtels SA and Société Clinique Spontini SAS.

In addition, Gilles Frachon is Chairman of MJ France SAS and Foncière PLM. He is Board Member of RDC SA, MOB Holding SAS and Mama Shelter SAS.

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. 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 Sherpany online platform.

6.2. Quorums required by the articles of association

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

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 twenty 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.

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 are applicable.

7.2. Clauses on changes of control

There are no such agreements.

8. Auditing body

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

Berney & Associés SA Société Fiduciaire, 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.

Gregor Wrzosowski is the auditor in charge for supervising the auditing of the statutory annual accounts and consolidated accounts of AEVIS VICTORIA SA since 31.12.2012.

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

8.2. Auditing fees

Auditing fees of Berney & Associés SA Société Fiduciaire for the Group amounted to CHF 515'159 for the business year 2016.

8.3. Additional fees

During 2016, Berney & Associés SA Société Fiduciaire charged additional fees of CHF 25'500.

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 and 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 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 2016, the auditor participated to one meeting of the Audit and Compliance Committee. The auditor is also invited to participate in conference calls with the Board of Directors when deemed necessary.

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 Annual and Half-yearly Reports, the website (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 Annual General Meeting of shareholders for the 2016 fiscal year will take place in Interlaken on Tuesday 13.06.2017. A full corporate calendar is available on the company's website.

Contact

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Remuneration Report 2016

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 2017.

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 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 31.12.2016, 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 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.

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 blocking 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. 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 2016

NAME	POSITION	TOTAL	OF WHICH CASH (in '000 CHF)	OF WHICH BLOCKED SHARES	PREVIOUS PERIOD
Christian Wenger	Chairman	100.0	75.0	25.0	100.0
Raymond Loretan	Vice-chairman	-	-	-	-
Antoine Hubert	Delegate of the Board	-	-	-	-
Cédric A. George	Member	68.0	54.4	13.6	68.0
Antoine Kohler	Member	93.0	46.5	46.5	93.0
Michel Reybier	Member	50.0	25.0	25.0	50.0

These are net amounts. Social insurance and pension contributions are paid by the company. Antoine Hubert and Raymond Loretan are employed by a Group's subsidiary and do not receive any Board Member compensation.

2.3. Shareholding in 2016

NAME	POSITION	2016 NUMBER OF SHARES HELD*	2016 NUMBER OF OPTIONS HELD	2015 NUMBER OF SHARES HELD*	2015 NUMBER OF OPTIONS HELD
Christian Wenger**	Chairman	406'446	-	405'827	-
Raymond Loretan	Vice-chairman	49'050	40'000	44'050	20'000
Antoine Hubert and Michel Reybier***	Delegate and Member of the Board	11'726'172	615'800****	11'634'382	277'500****
Cédric A. George	Member	16'466	-	16'129	-
Antoine Kohler	Member	3'928	-	2'777	-

* 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

**** Held by HR Finance & Participations SA

2.4. Other audited information regarding the Board of Directors

2.4.1. Loans

There are no loans to any Board Members, except for the current account of Antoine Hubert classified in accounts receivable from shareholders and related parties (2016: CHF 2'619'600; 2015: CHF 2'508'608). See also Note 12 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 2016, 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 2016 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 fixed compensation includes the base salary and can include other elements of remuneration. The variable remuneration is linked to performance measures (business success and personal objectives) and to the level of responsibility of the beneficiary. 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 2016

The total remuneration of the Senior Management (including social insurance and pension contributions) amounts to CHF 1.4 million (2015: CHF 0.50 million). Stock options were granted in 2016 (2015: n.a.).

The highest compensation in 2016 was conferred to Antoine Hubert, Delegate of the Board.

In thousands of CHF	2016 HIGHEST COMPENSA- TION	2016 OTHER MEMBERS	2016 TOTAL SENIOR MANAGE- MENT	2015 HIGHEST COMPENSA- TION	2015 OTHER MEMBERS	2015 TOTAL SEN- IOR MAN- AGEMENT
Annual Base Salary	397.2	–	397.2	396	–	396
Variable cash compensation	422.7	–	422.7	–	–	–
Stock options*	447.0	29.8	476.8	–	–	–
Pension Scheme Contribution	112.9	–	112.9	108	–	108
Total	1'379.8	29.8	1'409.6	504	–	504

* Black-Scholes model

3.3. Shareholding in 2016

NAME	POSITION	2016 NUMBER OF SHARES HELD	2016 NUMBER OF OPTIONS HELD	2015 NUMBER OF SHARES HELD	2015 NUMBER OF OPTIONS HELD
Antoine Hubert	Delegate of the Board	2'986'583*	307'900*	3'003'570*	138'750*
Gilles Frachon	CFO	31'350	10'000	36'350	40'000

* Directly and/or indirectly held through his companies.

3.4. Share based payment plans

In 2012, a stock option plan 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 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 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 DATE	VESTING CONDITIONS	EXERCISE DATE	EXPIRY DATE
12-A	Group Senior Management, Group Management and Consultants December 2012	630'500 CHF 28	Service condition	30.06.2017	30.06.2017
14-A	Delegate of the Board February 2014	100'000 CHF 34	Service condition	31.12.2017	31.12.2017
16-A	Group Senior Management, Group Management and Consultants April 2016	412'500 CHF 38	Service condition	31.12.2019	31.12.2019

The movements of share-based plans during 2015 and 2016 are the following:

	PLAN 12-A	PLAN 14-A	PLAN 16-A
Outstanding options at 01.01.2015	600'500	100'000	-
Expired during the year	-	-	-
Exercised during the year	2'500	-	-
Granted during the year	-	-	-
Forfeited options during the year	-	-	-
Outstanding options at 31.12.2015	598'000	100'000	-
Expired during the year	-	-	-
Exercised during the year	107'200	-	2'500
Granted during the year	-	-	412'500
Forfeited options during the year	5'000	-	-
Outstanding options at 31.12.2016	485'800	100'000	410'000

3.5. Other audited information regarding the Senior Management

3.5.1. Loans

There are no loans to any member of the Senior Management, except for the current account of Antoine Hubert classified in accounts receivable from shareholders and related parties (2016: CHF 2'619'600; 2015: CHF 2'508'608). See also Note 12 Other Receivables from the Swiss GAAP FER consolidated financial statements. Loans to members of the Senior Management can be granted at market conditions and cannot exceed CHF 20 million in total.

3.5.2. Additional fees

During 2016, CHF 45'000 was paid to Gilles Frachon for his terms as Board Member of GSMN Ticino SA and Clinique Générale Ste-Anne SA (2015: CHF 45'000).

During 2016, GCC Global Consulting et Communication S.à r.l., a company related to Antoine Hubert, has perceived honoraria of CHF 233'430 (2015: CHF 109'283) from Patrimonium Healthcare Property Advisors AG, a company owned for 50% by the Company.

During 2016, HMC GESTION SA, a company related to Michel Reybier, has received honoraria of CHF 960'000 (2015: n.a.) 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 2016 neither loan outstanding to former members of the Senior Management.

Report of the Statutory Auditor to the General Meeting of AEVIS VICTORIA SA, Fribourg

Geneva, March 27, 2017

We have audited the remuneration report of AEVIS VICTORIA SA for the year ended December 31, 2016. 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, 2016 of AEVIS VICTORIA SA complies with Swiss law and articles 14–16 of the Ordinance.

BERNEY & ASSOCIES SA
Société Fiduciaire



Gregor WRZOSOWSKI
Licensed Audit Expert
Auditor in charge



Gregory GRIEB
Licensed Audit Expert



Consolidated Financial Statements of AEVIS VICTORIA SA



Consolidated Income Statement

(In thousands of CHF)	NOTES	2016	2015 RESTATED
Revenue from operations		584'453	564'938
Other revenue		8'142	11'120
Total revenue		592'595	576'058
External services		(75'489)	(67'451)
Net revenue		517'106	508'607
Production expenses		(115'383)	(112'514)
Personnel expenses	5	(236'985)	(236'996)
Other operating expenses	6	(77'597)	(80'645)
EBITDAR (Earnings before interest, taxes, depreciation, amortisation and rental expenses)		87'141	78'452
Rental expenses		(12'536)	(13'939)
EBITDA		74'605	64'513
Depreciation on tangible assets	14	(38'110)	(36'514)
Amortisation on intangible assets	15	(5'047)	(4'137)
EBIT		31'448	23'862
Financial result	7	(24'969)	(22'949)
Share of profit/(loss) of associates		(1'784)	(107)
Ordinary result		4'695	806
Extraordinary result	8	(96)	(326)
Profit before taxes		4'599	480
Income taxes	9	(1'907)	3'267
Profit for the period		2'692	3'747
– Thereof attributable to shareholders of AEVIS VICTORIA SA	10	2'309	3'770
– Thereof attributable to minority interests		383	(23)

Consolidated Balance Sheet

(In thousands of CHF)	NOTES	31.12.2016	31.12.2015
Assets			
Cash and cash equivalents		15'207	13'068
Marketable securities		9'829	–
Trade receivables	11	113'381	113'150
Other receivables	12	40'147	49'848
Inventories	13	19'201	17'514
Accrued income and prepaid expenses		35'108	23'308
Total current assets		232'873	216'888
Fixed assets	14	1'377'935	1'126'161
Intangible assets	15	40'249	25'491
Financial assets	16	68'704	17'518
Total non-current assets		1'486'888	1'169'170
Total assets		1'719'761	1'386'058
Liabilities and equity			
Trade payables	17	92'371	88'972
Other current liabilities	18	19'398	20'243
Short-term financial liabilities	19	23'172	100'197
Other short-term borrowings		800	800
Accrued expenses and deferred income	20	43'662	47'181
Short-term provisions	21	282	482
Total current liabilities		179'685	257'875
Long-term financial liabilities	19	993'125	703'621
Other long-term borrowings		16'270	16'755
Other non-current liabilities	18	13'919	14'412
Long-term provisions	21	135'262	92'844
Total non-current liabilities		1'158'576	827'632
Total liabilities		1'338'261	1'085'507
Equity			
Share capital	22	75'662	75'176
Capital reserves		245'945	251'075
Treasury shares	22.1	(5'630)	(1'075)
Offset goodwill		(30'370)	(47'480)
Currency translation differences		(1'077)	(990)
Retained earnings		26'198	24'021
Shareholders' equity excl. minority interests		310'728	300'727
Minority interests		70'772	(176)
Shareholders' equity incl. minority interests		381'500	300'551
Total liabilities and equity		1'719'761	1'386'058

Consolidated Statement of Changes in Equity

(In thousands of CHF)	SHARE CAPITAL	CAPITAL RE- SERVES	TREA- SURY SHARES	OFFSET GOOD- WILL	CUR- RENCY TRANS- LATION DIFFE- RENCES	RETAINED EAR- NINGS / (ACCU- MULATED DEFICIT)	TOTAL EXCL. MI- NORITY INTE- RESTS	MINO- RITY IN- TERESTS	TOTAL INCL. MINORITY INTERESTS
Balance at 1 January 2015	71'981	232'991	(248)	(44'626)	(151)	10'509	270'456	48'746	319'202
Profit for the period	-	-	-	-	-	3'770	3'770	(23)	3'747
Capital contribution distribution	-	(7'670)	-	-	-	-	(7'670)	-	(7'670)
Capital increase	3'195	-	-	-	-	-	3'195	-	3'195
Acquisition of subsidiaries	-	-	-	(2'854)	-	-	(2'854)	(162)	(3'016)
Purchase of minority interests	-	25'493	-	-	-	9'742	35'235	(48'737)	(13'502)
Purchase of treasury shares	-	-	(18'959)	-	-	-	(18'959)	-	(18'959)
Sale of treasury shares	-	(85)	18'132	-	-	-	18'047	-	18'047
Share-based payments	-	346	-	-	-	-	346	-	346
Currency translation differences	-	-	-	-	(839)	-	(839)	-	(839)
Balance at 31 December 2015	75'176	251'075	(1'075)	(47'480)	(990)	24'021	300'727	(176)	300'551
Profit for the period	-	-	-	-	-	2'309	2'309	383	2'692
Capital contribution distribution	-	(8'103)	-	-	-	-	(8'103)	-	(8'103)
Capital increase	486	2'236	-	-	-	-	2'722	-	2'722
Acquisition of subsidiaries	-	-	-	17'110	-	-	17'110	70'497	87'607
Purchase of minority interests	-	-	-	-	-	(132)	(132)	68	(64)
Purchase of treasury shares	-	-	(21'916)	-	-	-	(21'916)	-	(21'916)
Sale of treasury shares	-	189	17'361	-	-	-	17'550	-	17'550
Share-based payments	-	548	-	-	-	-	548	-	548
Currency translation differences	-	-	-	-	(87)	-	(87)	-	(87)
Balance at 31 December 2016	75'662	245'945	(5'630)	(30'370)	(1'077)	26'198	310'728	70'772	381'500

Consolidated Cash Flow Statement

(In thousands of CHF)	2016	2015 RESTATED
Profit for the period	2'692	3'747
Changes in provisions (incl. deferred taxes)	(1'483)	(10'139)
Depreciation and amortisation	43'157	40'651
(Gain)/loss from sale of fixed assets	13	(514)
(Gain)/loss from sale of subsidiaries	(4)	-
Fair value (gains)/losses on marketable securities	(17)	-
Share of (profit)/loss from associates	1'793	107
Dividends received from associates	244	-
Share-based payments	548	346
Change in contribution reserve and other non-cash items	23	3'115
Cash flow from operating activities before changes in working capital	46'966	37'313
Change in trade receivables	13'112	(10'850)
Change in inventories	1'358	(215)
Change in other receivables and prepaid expenses	(4'346)	(9'037)
Change in trade payables	(98)	13'069
Change in other liabilities and accrued expenses	(1'392)	6'295
Cash flow from operating activities	55'600	36'575
Purchase of fixed assets	(45'925)	(124'389)
Proceeds from disposal of fixed assets	427	28'461
Purchase of intangible assets	(8'419)	(6'302)
Acquisition of subsidiaries, net of cash acquired	(126'525)	(17'820)
Divestment of subsidiaries, net of cash disposed	3	-
Investments in financial assets and marketable securities	(47'277)	7'468
Divestments of financial assets and marketable securities	2'934	-
Cash flow from investing activities	(224'782)	(112'582)
Distribution to shareholders	(8'103)	(7'670)
Proceeds from issuance of share capital, net of costs	2'722	-
Proceeds from issuance of bond	295'000	-
Repayment of bond	(80'000)	-
Sale/(purchase) of treasury shares	(11'365)	(912)
Change in minority interests	(64)	(10'308)
Change in short-term financial liabilities	1'915	1'030
Change in long-term financial liabilities	(28'888)	60'609
Change in other long-term liabilities and borrowings	109	(2'172)
Cash flow from financing activities	171'326	40'577
Currency translation effect on cash and cash equivalents	(5)	(76)
Change in cash and cash equivalents	2'139	(35'506)
Cash and cash equivalents at beginning of the period	13'068	48'574
Cash and cash equivalents at the end of the period	15'207	13'068

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 24 March 2017. Final approval is subject to acceptance by the Annual General Meeting of shareholders on 13 June 2017.

3. Accounting policies

3.1 Consolidation

The consolidated financial statements of the Company for the year ended 31 December 2016 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 dates of the transactions. 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 and the profit resulting from the sale of subsidiaries.

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. Fixed 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. Fixed 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 fixed 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 fixed 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 fixed 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 useful life or lease term: 10–30 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 issued from acquisitions. 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.

3.5.1. Changes in revenue recognition

(Swiss GAAP FER Framework Concept – Swiss GAAP FER 3 – Swiss GAAP FER 6)

The first time adoption of the changes in Swiss GAAP FER related to the revenue recognition resulted in a restatement of the financial statements of 2015. The following adjustments were made to the income statement of 2015:

(In thousands of CHF)	2015
Profit for the period before adjustments	3'747
Effects from change in revenue recognition	
Revenue from operations	(5'033)
Other revenue	3'425
Production expenses	13
Other operating expenses	1'595
Profit for the period after adjustments	3'747

3.5.2. Other changes in the accounting policies

As from 2015, the Group uses the proportional consolidation method instead of the equity method to include joint venture companies in the scope of consolidation.

3.6 Changes in scope of consolidation

The following changes to the scope of consolidation took place in 2016:

ENTITY	EVENT / DATE	CAPITAL SHARE 31.12.2016	CAPITAL SHARE 31.12.2015
CACM hôtels SA	Established on 01.12.2016	100.00%	–
Clinique Médico-Chirurgicale de Valère SA	Increase in participation on 28.07.2016	94.72%	92.30%
Générale Beaulieu Holding SA	Acquired during 2016	67.99%	–
Medgate Holding AG	Acquired on 22.01.2016	40.00%	–
Medgate Integrated Care Holding AG	Acquired on 22.01.2016	40.00%	–
Swiss Hospitality Properties AG (renamed into Fluance AG)	Sold on 01.01.2016	–	100.00%

Générale Beaulieu Holding SA, Medgate Holding AG and Medgate Integrated Care Holding AG are holding companies with several subsidiaries. All group companies are listed in note 32.

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 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.

2016 (In thousands of CHF)	HOSPITALS	HOSPITALITY	REAL ESTATE	OTHERS	CORPORATE	ELIMINATIONS	TOTAL
Net revenue 3rd	443'187	59'888	3'525	10'483	23	-	517'106
Net revenue IC	3'046	782	47'705	285	1'093	(52'911)	-
Net revenue	446'233	60'670	51'230	10'768	1'116	(52'911)	517'106
Production expenses	(105'038)	(8'774)	-	(1'673)	-	102	(115'383)
Personnel expenses	(190'004)	(30'320)	(351)	(10'186)	(6'124)	-	(236'985)
Other operating expenses	(59'243)	(9'380)	(8'454)	(3'002)	(2'621)	5'103	(77'597)
EBITDAR*	91'948	12'196	42'425	(4'093)	(7'629)	(47'706)	87'141
<i>EBITDAR margin</i>	<i>20.6%</i>	<i>20.1%</i>	<i>82.8%</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>16.9%</i>

2015 (Restated) (In thousands of CHF)	HOSPITALS	HOSPITALITY	REAL ESTATE	OTHERS	CORPORATE	ELIMINATIONS	TOTAL
Net revenue 3rd	416'116	76'686	2'933	12'872	-	-	508'607
Net revenue IC	-	342	33'477	237	157	(34'213)	-
Net revenue	416'116	77'028	36'410	13'109	157	(34'213)	508'607
Production expenses	(99'621)	(11'152)	(88)	(1'808)	-	155	(112'514)
Personnel expenses	(185'831)	(37'459)	(323)	(10'671)	(2'712)	-	(236'996)
Other operating expenses	(59'808)	(12'495)	(3'546)	(3'945)	(1'432)	581	(80'645)
EBITDAR*	70'856	15'922	32'453	(3'315)	(3'987)	(33'477)	78'452
<i>EBITDAR margin</i>	<i>17.0%</i>	<i>20.7%</i>	<i>89.1%</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>15.4%</i>

* Earnings before interest, taxes, depreciation, amortisation and rent

5. Personnel expenses

(In thousands of CHF)	2016	2015
Salaries and wages	199'806	200'896
Social security expenses	20'734	20'443
Pension expenses	11'862	11'779
Other personnel expenses	4'583	3'878
Total personnel expenses	236'985	236'996
Number of employees		
Full Time Equivalents at year-end	2'856	2'587

The other personnel expenses include expenses for share-based payments at an amount of CHF 0.5 million (2015: 0.3 million). Further information regarding the active share-based payment plans is mentioned under section 3.4 of the Remuneration Report 2016.

6. Other operating expenses

(In thousands of CHF)	2016	2015 Restated
Administrative expenses	19'169	21'620
Marketing expenses	11'340	12'052
Maintenance expenses	30'404	31'015
Energy expenses	7'193	8'006
Other expenses	9'491	7'952
Other operating expenses	77'597	80'645

7. Financial result

(In thousands of CHF)	2016	2015
Interest income	841	646
Other financial income	505	325
Total financial income	1'346	971
Interest expenses	(24'128)	(21'878)
Other financial expenses	(2'187)	(2'042)
Total financial expenses	(26'315)	(23'920)
Financial result	(24'969)	(22'949)

8. Extraordinary result

(In thousands of CHF)	2016	2015
Legal cases related to previous years	(96)	(326)
Extraordinary result	(96)	(326)

During 2016, the Group received additional invoices for an amount of CHF 0.1 million (2015: CHF 0.3 million) related to the legal case of 2010. Several court decisions have been rendered in 2014. The Group has filed countersuits in order to obtain indemnity and to cover the occurred costs.

9. Income taxes

(In thousands of CHF)	2016	2015
Current taxes	(1'974)	(2'774)
Deferred taxes	67	6'041
Income taxes	(1'907)	3'267

(In thousands of CHF unless otherwise stated)	2016 RESULT	2016 TAX RATE IN %	2016 INCOME TAXES	2015 RESULT	2015 TAX RATE IN %	2015 INCOME TAXES
Average applicable tax rate and income taxes as a proportion of ordinary earnings (before consideration of tax loss carryforwards)	4'695	20.78	975	806	21.01	169
Use of not recognised tax loss carryforwards			(280)			(95)
Tax losses not recognised from current period			1'459			1'544
Changes in recognition of tax loss carryforwards from prior years			293			243
Average applicable tax rate and income taxes as a proportion of ordinary earnings (after consideration of tax loss carryforwards)	4'695	n/a	2'447	806	n/a	1'861
Effects from extraordinary result	(96)	21.13	(20)	(326)	21.13	(69)
Expenses disregarded for tax purposes			6'699			5'434
Non-taxable income			(4'234)			(3'270)
Effects from changes in tax rate			(2'579)			(7'312)
Other effects			(406)			89
Effective tax rate and income taxes according to income statement	4'599	n/a	1'907	480	n/a	(3'267)

The effects from tax rate changes in 2015 mainly represent the change in deferred tax liabilities on assets and liabilities based in the canton of Vaud, which are consumed after the expected adoption of the new tax rate for legal entities accepted by public vote in March 2016.

10. Earnings per share

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

	2016	2015
Net profit attributable to AEVIS VICTORIA SA shareholders (in thousands of CHF)	2'309	3'770
Weighted average number of shares outstanding	14'964'075	14'641'359
Non-diluted earnings per share (in CHF)	0.15	0.26
Net profit attributable to AEVIS VICTORIA SA shareholders (in thousands of CHF)	2'309	3'770
Weighted average number of shares outstanding	14'964'075	14'641'359
Adjustment for assumed exercise of share-based payments	995'800	700'500
Weighted average potential number of shares outstanding	15'959'875	15'341'859
Diluted earnings per share (in CHF)	0.14	0.25

11. Trade receivables

(In thousands of CHF)	2016	2015
Third parties	118'753	120'662
Associates	4	5
Other related parties	1	10
Allowances for doubtful accounts	(5'377)	(7'527)
Total trade receivables	113'381	113'150

12. Other receivables

(In thousands of CHF)	2016	2015
Third parties	16'296	27'678
Associates	3'377	2'504
Shareholders	18'971	18'239
Other related parties	1'503	1'427
Total other receivables	40'147	49'848

The receivables from shareholders and other related parties were charged interest with a rate of 3.44%.

13. Inventories

(In thousands of CHF)	2016	2015
Medical supplies	12'678	11'517
Pharmaceutical products	3'325	3'089
Hotel and restaurant goods	1'888	1'690
Other inventories	1'310	1'218
Total inventories	19'201	17'514

14. Fixed assets

(In thousands of CHF)	LAND AND BUILDINGS	LEASE-HOLD IMPROVEMENTS	MACHINE-RY AND EQUIPMENT	UNDER CONSTRUCTION	OTHERS	TOTAL
Cost						
Balance at 1 January 2015	805'045	325'367	153'015	10'388	4'547	1'298'362
Restatement ¹⁾	(15'961)	-	-	-	-	(15'961)
Balance at 1 January 2015 (restated)	789'084	325'367	153'015	10'388	4'547	1'282'401
Increase in scope of consolidation	41'162	42	4'405	-	984	46'593
Additions	77'569	2'645	19'769	31'868	971	132'822
Disposals	(27'071)	(1'532)	(5'371)	-	(286)	(34'260)
Reclassifications	(6'571)	37'173	2'188	(32'784)	-	6
Translation adjustments	-	(752)	(144)	-	-	(896)
Balance at 31 December 2015	874'173	362'943	173'862	9'472	6'216	1'426'666
Increase in scope of consolidation	190'825	31'028	23'806	-	42	245'701
Additions	11'108	1'904	25'171	20'251	662	59'096
Disposals	-	(400)	(3'695)	-	(207)	(4'302)
Reclassifications	1'914	11'309	772	(13'972)	(23)	-
Translation adjustments	-	(63)	(13)	-	-	(76)
Balance at 31 December 2016	1'078'020	406'721	219'903	15'751	6'690	1'727'085

14. Fixed assets (continued)

(In thousands of CHF)	LAND AND BUILDINGS	LEASE- HOLD IMPRO- VEMENTS	MACHINE- RY AND EQUIP- MENT	UNDER CONS- TRUCTION	OTHERS	TOTAL
<i>Accumulated depreciation</i>						
Balance at 1 January 2015	32'075	145'198	103'470	-	2'381	283'124
Restatement ¹⁾	(15'961)	-	-	-	-	(15'961)
Balance at 1 January 2015 (restated)	16'114	145'198	103'470	-	2'381	267'163
Increase in scope of consolidation	-	42	2'814	-	431	3'287
Depreciation of the year	7'470	15'262	12'870	-	912	36'514
Disposals	-	(974)	(5'148)	-	(191)	(6'313)
Reclassifications	-	332	(332)	-	-	-
Translation adjustments	-	(72)	(74)	-	-	(146)
Balance at 31 December 2015	23'584	159'788	113'600	-	3'533	300'505
Increase in scope of consolidation	-	4'884	9'508	-	32	14'424
Depreciation of the year	8'123	14'728	14'311	-	948	38'110
Disposals	-	-	(3'695)	-	(167)	(3'862)
Translation adjustments	-	(15)	(12)	-	-	(27)
Balance at 31 December 2016	31'707	179'385	133'712	-	4'346	349'150
<i>Carrying amounts</i>						
At 31 December 2015	850'589	203'155	60'262	9'472	2'683	1'126'161
At 31 December 2016	1'046'313	227'336	86'191	15'751	2'344	1'377'935
<i>Net book value of leased equipment</i>						
At 31 December 2015			23'482		1'996	25'477
At 31 December 2016			33'395		1'352	34'747

¹⁾ The restatement between cost values and accumulated depreciation relates to the revaluation of the land and buildings during the acquisition of the Victoria-Jungfrau Collection Group in 2014. During the initial consolidation the gross values were adopted instead of only including the net book value of the re-evaluated assets. However, the net book value was correct as well as the depreciation shown in the consolidated income statements for 2014 and 2015.

15. Intangible assets

(In thousands of CHF)	TRADEMARKS	SOFTWARE AND OTHER INTANGIBLE ASSETS	TOTAL
Cost			
Balance at 1 January 2015	16'270	20'987	37'257
Increase in scope of consolidation	-	70	70
Additions	40	6'262	6'302
Disposals	-	(1'655)	(1'655)
Reclassifications	-	766	766
Translation adjustments	-	(77)	(77)
Balance at 31 December 2015	16'310	26'353	42'663
Increase in scope of consolidation	10'874	1'410	12'284
Additions	-	8'419	8'419
Translation adjustments	-	(6)	(6)
Balance at 31 December 2016	27'184	36'176	63'360
Accumulated amortisation			
Balance at 1 January 2015	5'996	7'915	13'911
Increase in scope of consolidation	-	10	10
Amortisation of the year	841	3'296	4'137
Disposals	-	(1'655)	(1'655)
Reclassifications	-	772	772
Translation adjustments	-	(3)	(3)
Balance at 31 December 2015	6'837	10'335	17'172
Increase in scope of consolidation	-	892	892
Amortisation of the year	947	4'100	5'047
Translation adjustments	-	-	-
Balance at 31 December 2016	7'784	15'327	23'111
Carrying amounts			
At 31 December 2015	9'473	16'018	25'491
At 31 December 2016	19'400	20'849	40'249

16. Financial assets

(In thousands of CHF)	2016	2015
Equity accounted investees ¹⁾	14'757	2'661
Loans to associates ²⁾	6'000	-
Loans to other related parties	6'740	-
Employer contribution reserves	5'156	1'400
Investments in unconsolidated companies	22'601	-
Other financial assets	3'956	3'966
Deferred tax assets ³⁾	9'494	9'491
Total financial assets	68'704	17'518

1) Equity accounted investees are disclosed net of share losses of CHF 1.0 million (2015: 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 (2015: CHF 1.9 million).

2) Loans to associates are partially depreciated. The gross value of the loans amounts to CHF 9.7 million (2015: CHF 2.7 million).

3) The Group did not recognise deferred tax assets of CHF 7.5 million (2015: CHF 6.4 million) relating to unused tax losses amounting to CHF 27.6 million (2015: CHF 23.3 million), as it is not likely that future taxable profits will be available against which the Group can offset tax losses.

17. Trade payables

(In thousands of CHF)	2016	2015
Third parties	92'364	88'603
Associates	7	369
Total trade payables	92'371	88'972

18. Other liabilities

(In thousands of CHF)	2016	2015
Third parties	33'095	34'655
Other related parties	222	-
Total other liabilities	33'317	34'655
of which short-term	19'398	20'243
of which long-term	13'919	14'412

19. Financial liabilities

	BOOK VALUE in thousands of CHF	AMOUNT IN FOREIGN CURRENCY Value in thousands	INTEREST RATE in %
		Currency	
Bank overdrafts	1'014		3.00 – 5.00
Current portion of bank loans	27		3.00
Current portion of bank loans	547	EUR	2.75
Current financial leases	5'784		1.63 – 5.96
Current portion of mortgage loans	12'825		1.10 – 4.27
Bonds (repayment within one year)	80'000		4.25
Short-term financial liabilities at 31 December 2015	100'197		
Bank loans	59'720		1.75 – 5.00
Bank loans	1'326	EUR	2.75
Non-current financial leases	10'168		1.63 – 5.96
Mortgage loans	387'407		1.10 – 4.27
Bonds issued by the company	245'000		2.75 – 3.50
Long-term financial liabilities at 31 December 2015	703'621		
Total financial liabilities at 31 December 2015	803'818		
Bank overdrafts	139		3.00
Current portion of bank loans	6'000		1.25
Current portion of bank loans	555	EUR	2.75
Current financial leases	8'568		1.20 – 5.96
Current portion of mortgage loans	7'910		1.10 – 4.27
Short-term financial liabilities at 31 December 2016	23'172		
Bank loans	47'720		1.18 – 5.00
Bank loans	760	EUR	2.75
Non-current financial leases	16'201		1.20 – 4.88
Mortgage loans	388'444		1.10 – 4.27
Bonds issued by the company	540'000		2.00 – 3.50
Long-term financial liabilities at 31 December 2016	993'125		
Total financial liabilities at 31 December 2016	1'016'297		

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 60.4 million as at 31 December 2016 (2015: CHF 51.5 million). Mortgage loans are secured by real estate, pledged for an amount of CHF 1'022.0 million (2015: CHF 827.8 million). The information about the bonds issued by AEVIS VICTORIA SA is detailed in the table below:

	AEV13	AEV14	AEV16	AEV161
Bond type	Fixed rate	Fixed rate	Fixed rate	Fixed rate
Nominal amount	CHF 100.0 million	CHF 145.0 million	CHF 150.0 million	CHF 145.0 million
Securities number	CH0214926096	CH0240109592	CH0325429162	CH0337829276
Interest rate	3.50%	2.75%	2.50%	2.00%
Term	02.07.2013 to 02.07.2018	04.06.2014 to 04.06.2019	07.06.2016 to 07.06.2021	19.10.2016 to 19.10.2022
Maturity	02.07.2018 at par value	04.06.2019 at par value	07.06.2021 at par value	19.10.2022 at par value

20. Accrued expenses and deferred income

(In thousands of CHF)	2016	2015
Accrued personnel expenses	13'267	10'899
Accrued tax expenses	4'498	3'212
Deferred income	1'295	1'447
Other accrued expenses	24'602	31'623
Accrued expenses and deferred income	43'662	47'181

The accrued personnel expenses include pension plan liabilities (contributions) at the amount of CHF 2.6 million (2015: CHF 3.2 million).

21. Provisions

(In thousands of CHF)	DEFERRED TAXES	LEGAL OBLIGATIONS	OTHER PROVISIONS	TOTAL
Balance at 1 January 2015	99'019	562	195	99'776
Increase in scope of consolidation	3'730	-	-	3'730
Additions	2'282	142	-	2'424
Utilisation	-	-	(19)	(19)
Reversals	(12'545)	-	-	(12'545)
Translation adjustments	(40)	-	-	(40)
Balance at 31 December 2015	92'446	704	176	93'326
<i>Of which short-term</i>	-	306	176	482
<i>Of which long-term</i>	92'446	398	-	92'844
Increase in scope of consolidation	41'329	2'375	-	43'704
Additions	3'904	27	39	3'970
Utilisation	-	(7)	(50)	(57)
Reversals	(5'202)	(134)	(60)	(5'396)
Translation adjustments	(3)	-	-	(3)
Balance at 31 December 2016	132'474	2'965	105	135'544
<i>Of which short-term</i>	-	177	105	282
<i>Of which long-term</i>	132'474	2'788	-	135'262

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 21.1% (2015: 20.5%).

22. Equity

At 31 December 2016, the share capital of CHF 75.7 million (2015: 75.2 million) consists of 15'132'407 fully paid-up registered shares (2015: 15'035'207) at a par value of CHF 5 each. The legally non-distributable reserves of the Company amount to CHF 55.8 million (2015: CHF 43.2 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.

22.1 Treasury shares

	NUMBER OF SHARES		IN THOUSANDS OF CHF	
	2016	2015	2016	2015
Balance at 1 January	25'116	5'879	1'075	248
Purchase of treasury shares	499'752	470'061	21'916	18'959
Sale of treasury shares	(409'229)	(450'824)	(17'361)	(18'132)
Balance at 31 December	115'639	25'116	5'630	1'075

In 2016, the group purchased 499'752 treasury shares at an average price of CHF 43.85 per share (2015: 470'061 at CHF 40.33) and sold 409'229 shares at an average price of CHF 43.01 (2015: 450'824 at CHF 40.14).

23. Non-cancellable operating leases

(In thousands of CHF)	2016	2015
Less than one year	10'243	8'966
Between one and three years	19'647	17'603
More than three years	68'376	66'097
Total non-cancellable operating leases	98'266	92'666

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

24. Capital commitments

The Group has commitments to complete leasehold improvements and to purchase equipment for a total amount of CHF 6.1 million as at 31 December 2016 (2015: CHF 20.3 million). The Company is also committed to purchase 209'912 of its own shares in the first half of 2017, for partial purchase considerations to be paid with treasury shares.

25. Contingent liabilities

The operations of the Group companies are exposed to risks from 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 Group has currently no major contingent liabilities.

26. 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 2016 and 2015.

The corresponding receivables and payables are reported separately in the respective notes to the consolidated financial statements (see notes 11, 12, 16, 17 and 18).

(In thousands of CHF)	2016	2015
Transactions with associates		
Net revenue	336	1'369
Production expenses	61	112
Personnel expenses	13	9
Other operating expenses	286	625
Transactions with shareholders		
Net revenue	-	5
Financial income	630	583
Acquisition of subsidiary (purchase price)	-	14'300
Sale of subsidiary (sales price)	100	-
Transactions with other related parties		
Net revenue	1	40
Other operating expenses	1'544	514
Rental expenses	697	697
Financial income	49	45
Purchase of intangible assets	234	-

27. Acquisition and divestment of subsidiaries

Some of the changes in scope of consolidation made in 2016 and 2015 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 3.6).

(In thousands of CHF)	ACQUISITIONS		DIVESTMENTS
	2016	2015	2016
Cash and cash equivalents	6'475	701	(97)
Marketable securities	12'496	-	-
Trade receivables	13'342	3'232	-
Other current assets	5'351	1'169	-
Fixed assets	231'276	43'306	-
Intangible assets	11'392	60	-
Other non-current assets	4'906	2	-
Assets	285'238	48'470	(97)
Short-term financial liabilities	1'065	1'539	-
Other current liabilities	9'783	9'538	(1)
Long-term financial liabilities	10'275	14'181	-
Other non-current liabilities	-	1'404	-
Long-term provisions	43'704	3'730	-
Liabilities	64'827	30'392	(1)
Total net assets	220'411	18'078	(96)

28. 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)	2016	2015
Cost		
Balance at 1 January	130'192	125'013
Additions through business combinations	2'063	5'179
Disposals	-	-
Balance at 31 December	132'255	130'192
Accumulated amortisation		
Balance at 1 January	114'778	108'312
Amortisation for the year (5 years)	7'300	6'466
Impairment	-	-
Disposals	-	-
Balance at 31 December	122'078	114'778
Carrying amounts		
At 31 December	10'177	15'414

Impact on net earnings and balance sheet:

(In thousands of CHF)	2016	2015
Profit for the period	2'692	3'747
Amortisation goodwill	(7'300)	(6'466)
Impairment goodwill	-	-
Net earnings with capitalised goodwill	(4'608)	(2'719)
Equity including minority interests	381'500	300'551
Capitalised goodwill	10'177	15'414
Equity with capitalised goodwill	391'677	315'965

29. 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 31.12.2016	WAIVER OF USAGE 31.12.2016	BALANCE SHEET 31.12.2016	IN-CREASE IN 2016	BALANCE SHEET 31.12.2015	RESULT FROM ECR IN PERSONNEL EXPENSES		CHANGE IN SCOPE OF CONSOLIDATION
						2016	2015	2016
Patronage funds / Patronage pension institutions	4'661	–	4'661	–	–	–	–	4'661
Pension institutions	495	–	495	–	1'400	1	4	–
Total	5'156	–	5'156	–	1'400	1	4	4'661

ECONOMICAL BENEFIT / OBLIGATION AND PENSION BENEFIT EXPENSES (in thousands of CHF)	SURPLUS / DEFICIT 31.12.2016	ECONOMICAL PART OF THE ORGANISATION 31.12.2016	31.12.2015	CHANGE TO PRIOR YEAR OR RECOGNISED IN THE CURRENT RESULT OF THE PERIOD	CONTRIBUTIONS CONCERNING THE BUSINESS PERIOD*	PENSION BENEFIT EXPENSES WITHIN PERSONNEL EXPENSES	
						2016	2015
Pension institutions with surplus	–	–	–	–	–	11'585	11'356
Pension institutions without surplus / deficit	–	–	–	–	–	277	423
Total	–	–	–	–	–	11'862	11'779

* Including result from employer contribution reserves

30. Subsequent events

The Company launched a public takeover bid for all publicly held registered shares of LifeWatch in early 2017, with the offer period ranging from 7 March 2017 until 10 April 2017. LifeWatch shareholders can opt for an exchange offer or a cash alternative. For each registered share of LifeWatch, the Company offers 0.1818 of its own registered shares. Alternatively, the Company offers CHF 10.00 in cash per registered share of LifeWatch.

31. Risk assessment disclosure

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

32. List of Group companies

SEGMENT / COMPANY NAME	LOCATION	ACTIVITY	IN % ON GROUP LEVEL		
				31.12.2016	31.12.2015
Corporate					
AEVIS VICTORIA SA	Fribourg	Holding company	a)	100.0%	100.0%
Hospitals					
Swiss Medical Network SA	Genolier	Holding company	a)	100.0%	100.0%
GENERALE BEAULIEU HOLDING SA	Geneva	Holding company	a)	68.0%	–
Centre Médico-Chirurgical des Eaux-Vives SA	Geneva	Day clinic	a)	100.0%	100.0%
CLINIQUE GENERALE-BEAULIEU SA	Geneva	Hospital	a)	68.0%	–
Clinique Générale - Ste-Anne SA	Fribourg	Hospital	a)	100.0%	100.0%
Clinique médico-chirurgicale de Valère SA	Sion	Hospital	a)	94.7%	92.3%
Genolier Swiss Visio Network SA	Genolier	Ophthalmology	a)	80.0%	80.0%
GRGB Santé SA	Geneva	Hospital	b)	34.0%	–
GSMN Neuchâtel SA	Neuchâtel	Hospitals	a)	100.0%	100.0%
GSMN Suisse SA ¹⁾	Genolier	Hospitals	a)	100.0%	100.0%
GSMN Ticino SA	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	Rothrist	Hospital	a)	100.0%	100.0%
Nescens Genolier SA (formerly Les Hauts de Genolier SA)	Genolier	Patient hotel	a)	100.0%	100.0%
Privatklinik Obach AG	Solothurn	Hospital	a)	100.0%	100.0%
Schmerzklinik Basel AG	Basel	Hospital	a)	100.0%	100.0%
Hospitality					
Victoria-Jungfrau Collection AG	Interlaken	Holding company	a)	100.0%	100.0%
CACM hôtels SA	Sion	Hotel	a)	100.0%	–
Grand Hotel Victoria-Jungfrau AG	Interlaken	Hotel	a)	100.0%	100.0%
Hotel Bellevue Palace AG	Bern	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%
Real estate					
GENERALE-BEAULIEU IMMOBILIERE SA	Geneva	Healthcare real estate	a)	68.0%	–
Patrimonium Healthcare Property Advisors AG	Baar	Real estate management	b)	50.0%	50.0%
Swiss Healthcare Properties SA	Fribourg	Healthcare real estate	a)	100.0%	100.0%
Swiss Hospitality Properties AG (formerly Park Résidence AG in Interlaken)	Interlaken	Hospitality real estate	a)	100.0%	100.0%
Prolival SA (merged) ²⁾	Vouvry	Real estate	a)	–	100.0%
Swiss Hospitality Properties AG (sold) (renamed into Fluance AG)	Interlaken	Real estate	a)	–	100.0%

¹⁾ GSMN Suisse SA does mainly operate in the Hospitals segment. Additionally, the company does also provide services for the entire group which are disclosed under the Corporate segment in the Segment information (see note 4).

²⁾ Prolival SA was merged in March 2017 into Swiss Hospitality Properties AG with retroactive effect from 31.12.2016.

SEGMENT / COMPANY NAME	LOCATION	ACTIVITY		IN % ON GROUP LEVEL	
				31.12.2016	31.12.2015
Telemedicine					
Medgate Holding AG	Zug	Holding company	c)	40.00%	-
Medgate Integrated Care Holding AG	Zug	Holding company	c)	40.00%	-
Medgate AG	Basel	Telemedicine	c)	24.00%	-
Health Professional Sourcing GmbH	Lörrach (DE)	Telemedicine	c)	24.00%	-
Medgate Asia-Pacific AG	Zug	Telemedicine	c)	40.00%	-
Medgate Health Centers AG	Basel	Health centers	c)	40.00%	-
Medgate International AG	Zug	Telemedicine	c)	40.00%	-
Medgate Technologies AG	Zug	IT service company	c)	24.00%	-
Others					
Healthcare incubator					
Laboratoires Genolier SA	Genolier	Cosmetics	a)	84.0%	84.0%
NESCENS SA	Genolier	Better-aging	c)	36.2%	36.2%
Société Clinique Spontini SAS	Paris (FR)	Aesthetic clinic	a)	100.0%	100.0%
Swiss Ambulance Rescue Genève SA (formerly Ambulances Services Odier SA)	Geneva	Ambulance services	a)	93.4%	93.4%
Swiss Stem Cell Science SA	Fribourg	Stem Cells	a)	70.0%	70.0%
Non-core participations					
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

Geneva, 27 March 2017

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 2016, 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 consolidated financial statements (pages 66 to 93) give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 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.

Key audit matter	How the scope of our audit responded to the key audit matter
<p>INTEGRATION OF NEW SUBSIDIARIES – GENERALE-BEAULIEU GROUP</p> <p>As of 31 October 2016, the Group (through SWISS MEDICAL NETWORK SA) acquired 67.99% of GENERALE BEAULIEU HOLDING SA, which comprise 100% of CLINIQUE GENERALE-BEAULIEU SA, 100% of GENERALE-BEAULIEU IMMOBILIERE SA and 50% of GRGB SANTE SA.</p> <p>In accordance with Swiss GAAP FER 30/60, all assets and liabilities acquired were revaluated at market values at the time of the purchase. According to the Purchase Price Allocation (PPA) report dated March 10, 2017, the negative goodwill resulting from the acquisition amounted to CHF 19'172'650. The negative goodwill has been booked in the equity segment of consolidated financial statements.</p>	<p>Our audit included the following procedures on the PPA calculation:</p> <ul style="list-style-type: none"> – We obtained from the management the PPA report from an independent expert dated March 10, 2017; – We verified the valuation of acquired identified assets and liabilities at actual values as of 31 October 2016; – We challenged supporting documents received regarding the independent valuation of the properties by an independent expert; – We verified if other intangible assets meets the criteria of Swiss GAAP FER 10; – We assessed supporting documents regarding the valuation of other intangible assets; – We critically assessed the methodology applied and the reasonableness of the underlying key assumptions and judgement; – We verified the paid purchase price taken into consideration in the goodwill calculation; – We recalculated the determination of negative goodwill resulting from the acquisition; – We evaluated the accuracy of the accounting entries regarding the integration in the consolidated statements made by the Group. <hr/> <p>Conclusion</p> <p>Based on the procedures performed, we consider the revaluation of all assets and liabilities at actual values at the acquisition date of GENERALE BEAULIEU GROUP to be appropriate.</p>

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 scepticism 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.
- 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 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 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.

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 & ASSOCIES SA
Société Fiduciaire

Gregor WRZOSOWSKI
Licensed Audit Expert
Auditor in charge

Gregory GRIEB
Licensed Audit Expert



Statutory Financial Statements of AEVIS VICTORIA SA



Statutory Balance Sheet

In CHF	NOTES	31.12.2016	31.12.2015
Assets			
Cash and cash equivalents		525'739	62'733
Current receivables	2.1	89'933'881	82'711'183
Prepaid expenses and accrued income		7'016'100	4'097'507
Current assets		97'475'720	86'871'423
Financial assets	2.2	452'287'557	304'185'680
Investments in subsidiaries and associates	4	113'688'092	75'825'693
Equipment		10'030	21'070
Intangible assets	2.3	27'188'000	30'587'000
Non-current assets		593'173'679	410'619'443
Assets		690'649'399	497'490'865
Liabilities and shareholders' equity			
Trade payables (towards third parties)		1'285'851	1'359'340
Current interest bearing liabilities	2.4	25'906'572	21'935'030
Other current liabilities		32'069	41'083
Accrued expenses and deferred income		7'343'907	15'235'768
Bonds issued by the company	5	–	80'000'000
Current liabilities		34'568'399	118'571'221
Bonds issued by the company	5	540'000'000	245'000'000
Non-current liabilities		540'000'000	245'000'000
Liabilities		574'568'399	363'571'221
Share capital		75'662'035	75'176'035
Reserves from capital contributions		78'775'118	84'642'172
Other capital reserves		2'194'691	2'194'691
Legal capital reserves		80'969'809	86'836'863
General legal retained earnings		83'000	83'000
Legal retained earnings		83'000	83'000
Loss carried forward		(27'100'869)	(13'240'187)
Loss for the year		(7'902'954)	(13'860'682)
Balance sheet loss		(35'003'823)	(27'100'869)
Treasury shares	6	(5'630'021)	(1'075'385)
Shareholders' equity		116'081'000	133'919'644
Liabilities and shareholders' equity		690'649'399	497'490'865

Statutory Income Statement

In CHF	2016	2015
Dividend income	5'850'000	5'000'000
Other operating income	800'000	156'645
Total income	6'650'000	5'156'645
Administrative expenses	(2'268'939)	(1'366'408)
Operating expenses	(2'268'939)	(1'366'408)
EBITDA	4'381'061	3'790'237
Depreciation and amortisation on non-current assets	(3'410'040)	(3'417'302)
Impairment losses (net) on non-current assets	-	(7'498'855)
EBIT	971'021	(7'125'920)
Financial expenses	(21'056'037)	(15'736'538)
Financial income	12'221'895	9'066'919
EBT	(7'863'121)	(13'795'540)
Direct taxes	(39'833)	(65'142)
Loss for the year	(7'902'954)	(13'860'682)

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	31.12.2016	31.12.2015
2.1 Current receivables		
From third parties	8'885'381	18'258'639
From shareholders and governing bodies	18'575'405	17'840'400
From companies in which the entity holds an investment	66'581'371	46'612'144
Valuation adjustments	(4'108'276)	-
Total current receivables	89'933'881	82'711'183
2.2 Financial assets		
From third parties	6'740'147	-
From companies in which the entity holds an investment	453'595'873	310'078'287
Thereof as subordinated claim	460'336'021	298'309'948
Valuation adjustments	(8'048'463)	(5'892'608)
Total financial assets	452'287'557	304'185'680
2.3 Intangible assets		
Goodwill	27'188'000	30'587'000
Total intangible assets	27'188'000	30'587'000
2.4 Current interest bearing liabilities		
Current bank loans	84'829	16'169
Other current interest bearing liabilities		
Due to companies in which the entity holds an investment	25'821'743	21'918'861
Total current interest bearing liabilities	25'906'572	21'935'030

3. Full-time equivalents

AEVIS VICTORIA SA does not have any employees.

4. Investments in subsidiaries and associates

COMPANY, LEGAL FORM AND DOMICILE	31.12.2016 SHARE IN CAPITAL	VOTING RIGHTS	31.12.2015 SHARE IN CAPITAL	VOTING RIGHTS
Swiss Medical Network SA, Genolier (formerly Genolier Swiss Medical Network SA)	100.0%	100.0%	100.0%	100.0%
Victoria-Jungfrau Collection AG, Interlaken (formerly SHI Swiss Hotels Investments S.A., Fribourg)	100.0%	100.0%	100.0%	100.0%
Victoria-Jungfrau Collection AG, Interlaken ¹⁾ (merged)	-	-	-	-
Palace Hotel Luzern AG, Luzern ²⁾³⁾ (merged)	-	-	-	-
Swiss Healthcare Properties SA, Fribourg	100.0%	100.0%	100.0%	100.0%
Swiss Hospitality Properties AG, Interlaken ²⁾ (formerly Park Résidence AG)	100.0%	100.0%	100.0%	100.0%
Swiss Hospitality Properties AG, Interlaken ²⁾ (renamed Fluance AG) (sold on 01.01.2016)	-	-	100.0%	100.0%
Prolival SA, Vouvry (merged) ⁴⁾	-	-	100.0%	100.0%
Patrimonium Healthcare Property Advisers AG, Baar	50.0%	50.0%	50.0%	50.0%
Nescens Genolier SA, Genolier (formerly Les Hauts de Genolier SA)	-	-	100.0%	100.0%
Medgate Holding AG, Zug	40.0%	40.0%	0.0%	0.0%
Medgate Integrated Care Holding AG, Zug	40.0%	40.0%	0.0%	0.0%
Swiss Ambulance Rescue Genève SA (Geneva) (formerly Ambulances Services Odier SA)	93.4%	93.4%	93.4%	93.4%
Société Clinique Spontini SAS, Paris	100.0%	100.0%	100.0%	100.0%
Laboratoires Genolier SA, Genolier	84.0%	84.0%	84.0%	84.0%
NESCENS SA, Genolier	36.2%	36.2%	36.2%	36.2%
Swiss Stem Cell Science SA, Fribourg	70.0%	70.0%	70.0%	70.0%
Publications Financières LSI SA, Geneva	100.0%	100.0%	100.0%	100.0%
Publications de l'économie et de la finance AEF SA, Lausanne (formerly AGEFI, Société de l'Agence Economique et Financière S.A., Lausanne)	49.0%	49.0%	49.0%	49.0%
Agefi Com SA, Geneva	49.0%	49.0%	49.0%	49.0%
Academy & Finance SA, Geneva	22.5%	22.5%	22.5%	22.5%

¹⁾ Victoria-Jungfrau Collection AG was merged with AEVIS VICTORIA SA (formerly AEVIS Holding SA) in June 2015, with retroactive effect from 01.01.2015.

²⁾ As a consequence of the merger with Victoria-Jungfrau Collection AG, the investments in subsidiaries have been transferred to AEVIS VICTORIA SA.

³⁾ Palace Hotel Luzern AG was merged with Grand Hotel Victoria-Jungfrau AG (a subsidiary of Victoria-Jungfrau Collection AG) in March 2016, with retroactive effect from 31.12.2015.

⁴⁾ Prolival SA was merged with Swiss Hospitality Properties AG in March 2017, with retroactive effect from 31.12.2016.

5. Bonds issued by the company

Information regarding Bonds issued by the company is mentioned in note 19 of the Swiss GAAP FER consolidated financial statements.

6. Treasury shares

Information regarding treasury shares is mentioned in note 22.1 of the Swiss GAAP FER consolidated financial statements.

7. Collateral provided for liabilities of third parties

	31.12.2016 CHF	31.12.2015 CHF
The Company pledged the shares of Swiss Medical Network SA for a total amount of CHF 100'000 as a guarantee for bank loans of	39'000'000	27'000'000

8. Contingent liabilities

	31.12.2016 CHF	31.12.2015 CHF
Guarantees in favour of subsidiaries	7'714'440	7'747'500
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. Shares or options on shares for members of the board, consultants and employees

	QUANTITY	31.12.2016 VALUE IN CHF	QUANTITY	31.12.2015 VALUE IN CHF
Options allocated to members of the board	190'000	566'200	-	-
Options allocated to consultants and employees	222'500	663'050	-	-

10. Additional information requested by the Swiss Code of Obligations

10.1 Share and stock options ownership

NAME, (POSITION)	31.12.2016 NUMBER OF SHARES HELD*	31.12.2016 NUMBER OF OPTIONS HELD	31.12.2015 NUMBER OF SHARES HELD*	31.12.2015 NUMBER OF OPTIONS HELD
Board of Directors				
Christian Wenger (Chairman) **	406'446	-	405'827	-
Raymond Loretan (Vice-chairman)	49'050	40'000	44'050	20'000
Antoine Hubert (Delegate of the Board) and Michel Reybier (Member)***	11'726'172	615'800****	11'634'382	277'500****
Cédric A. George (Member)	16'466	-	16'129	-
Antoine Kohler (Member)	3'928	-	2'777	-
Senior Management				
Antoine Hubert (Delegate of the Board)	2'986'583*****	307'900****	3'003'570*****	138'750****
Gilles Frachon (CFO)	31'350	10'000	36'360	40'000

* 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

**** Held by HR Finance & Participations SA

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

10.2 Significant shareholders

NAME	31.12.2016 NUMBER OF SHARES	31.12.2016 %	31.12.2015 NUMBER OF SHARES	31.12.2015 %
Group Hubert/Reybier/M.R.S.I. Medical Research, Services and Investments SA*	11'726'172	77.49	11'634'382	77.38
Kuwait Investment Office as agent for the Government of the State of Kuwait	533'312	3.52	533'312	3.55

* 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 distribution from capital contribution reserve

The Board of Directors proposes to the Annual General Meeting of Shareholders the distribution of CHF 0.55 (2015: CHF 0.55) per share from capital contribution reserve.

	2016	2015
Account carried forward	76'539'518	77'689'587
Increase of capital contribution due to capital increase	2'235'600	-
Increase of capital contribution reserve due to the merger with Victoria-Jungfrau Collection AG	-	6'952'584
Capital contribution reserve before proposed distribution	78'775'118	84'642'172
Proposed distribution from capital contribution reserve	(8'259'222)	(8'102'654)
Capital contribution reserve after proposed distribution	70'515'896	76'539'518

This proposal is based on distribution of CHF 0.55 per share on 15'016'768 eligible issued shares as at 31.12.2016 (2015: CHF 0.55 per share on 15'010'091 eligible issued shares). The distribution from capital contribution reserve is not subject to withholding tax. Treasury shares are not entitled to distribution.

Report of the Statutory Auditor to the General Meeting of AEVIS VICTORIA SA, Fribourg

Geneva, 27 March 2017

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 as at 31 December 2016 and 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 100 to 107) as at 31 December 2016 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.

Key audit matter**How the scope of our audit responded to the key audit matter****VALUATION OF INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES AND RELATED LOANS TO SUBSIDIARIES**

The company holds investments in subsidiaries and associates with a carrying value of CHF 113'688'092 as of 31 December 2016, representing 16.5% of total assets. The list of Group subsidiaries and associates can be found in note 4 in 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, the company has also provided loans to subsidiaries and associates in which the entity holds comprehensive investments amounting to CHF 520'177'244, which are subject to valuation adjustments amounting to CHF 12'156'739. The net book value of CHF 508'020'505 represents 73.6% of total assets.

In accordance with Article 960 CO, these investment balances 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.

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.

Conclusion

Based on the audit procedures performed above, we consider Management's estimates in the assessment of the recoverable value of investments in, and loans to, subsidiaries and associates in which the company holds an investment, to be appropriate.

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

BERNEY & ASSOCIES SA
Société Fiduciaire



Gregor WRZOSOWSKI
Licensed Audit Expert
Auditor in charge



Gregory GRIEB
Licensed Audit Expert

