

# **Andermatt Swiss Alps Group**

**Consolidated financial statements  
together with auditor's report for the  
year ended 31 December 2018**

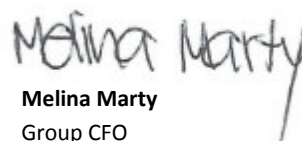
## Andermatt Swiss Alps AG

### Consolidated statement of comprehensive income for the year ended 31 December 2018

CHF	Notes	2018	2017
<b>CONTINUING OPERATIONS</b>			
Revenue	6/7	135,724,403	72,575,125
Cost of sales		(156,164,810)	(82,708,548)
<b>GROSS LOSS</b>		<b>(20,440,407)</b>	<b>(10,133,423)</b>
Investment income	8	3,030	33,271
Other gains and losses	9	290,009	32,600
Administrative expenses	10	(18,244,933)	(16,113,344)
Finance expenses	11	(6,768,833)	(5,330,532)
Share of gains/(losses) of associates	16	(54,057)	-
<b>LOSS BEFORE TAX</b>		<b>(45,215,191)</b>	<b>(31,511,428)</b>
Income tax (expense)/income	13	2,490,117	682,948
<b>LOSS FOR THE YEAR</b>		<b>(42,725,074)</b>	<b>(30,828,480)</b>
<b>Other comprehensive income, net of income tax</b>			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Remeasurement of defined benefit obligation		1,978,907	1,042,392
		<b>1,978,907</b>	<b>1,042,392</b>
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net gain/(loss) on revaluation of financial assets at FVTOCI		194	(249)
		<b>194</b>	<b>(249)</b>
<b>Total other comprehensive income for the year, net of tax</b>		<b>1,979,101</b>	<b>1,042,143</b>
<b>Total comprehensive income for the year</b>		<b>(40,745,973)</b>	<b>(29,786,337)</b>
<b>(Loss) attributable to:</b>			
Owners of the Parent Company		(38,007,323)	(31,502,500)
Non-controlling interests	25	(4,717,751)	674,020
		<b>(42,725,074)</b>	<b>(30,828,480)</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Parent Company		(36,077,620)	(30,549,595)
Non-controlling interests	25	(4,668,353)	763,258
		<b>(40,745,973)</b>	<b>(29,786,337)</b>



Franz-Xaver Simmen  
Group CEO



Melina Marty  
Group CFO

## Andermatt Swiss Alps AG


### Consolidated statement of financial position at 31 December 2018

CHF	Notes	31 December 2018	31 December 2017
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14	328,630,077	329,040,837
Investments in associates	16	2,445,943	2,500,000
Deferred tax assets	13.3	14,673,852	11,926,034
Other financial assets	17	1,067,692	1,067,401
<b>TOTAL NON-CURRENT ASSETS</b>		<b>346,817,564</b>	<b>344,534,272</b>
<b>CURRENT ASSETS</b>			
Inventories	18	214,040,149	168,708,703
Trade and other receivables	19	25,466,969	9,386,234
Other current assets	20	12,815,831	6,905,987
Cash and bank balances	21	21,250,965	11,759,039
<b>TOTAL CURRENT ASSETS</b>		<b>273,573,914</b>	<b>196,759,963</b>
<b>TOTAL ASSETS</b>		<b>620,391,478</b>	<b>541,294,235</b>

CHF	Notes	31 December 2018	31 December 2017
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Issued capital	22	231,147,000	231,147,000
Reserves	23	(2,141,470)	(2,141,470)
Retained earnings	24	(204,056,927)	(165,811,927)
<b>Equity attributable to owners of the Parent Company</b>		<b>24,948,603</b>	<b>63,193,603</b>
<b>Non-controlling interests</b>	25	<b>3,875,185</b>	<b>8,782,048</b>
<b>Total equity</b>		<b>28,823,788</b>	<b>71,975,651</b>
<b>NON-CURRENT LIABILITIES</b>			
Shareholder's loan	26	185,451,308	196,466,399
Borrowings (excluding shareholder's loan)	27	261,344,095	175,470,180
Retirement benefit obligation	33	4,468,990	6,123,746
Deferred tax liabilities	13.3	1,256,625	1,060,278
Provisions	28	4,780,000	4,195,000
Deferred income from government grants	32	5,830,280	3,024,150
<b>Total non-current liabilities</b>		<b>463,131,298</b>	<b>386,339,753</b>
<b>CURRENT LIABILITIES</b>			
Borrowings	27	20,557,288	11,863,022
Trade and other payables	29	20,368,087	27,257,483
Current payables due to related parties	35	690,412	686,250
Provisions	28	70,000	70,000
Deferred revenue	30	64,107,976	25,423,128
Other current liabilities	31	22,642,629	17,678,948
<b>Total current liabilities</b>		<b>128,436,392</b>	<b>82,978,831</b>
<b>Total liabilities</b>		<b>591,567,690</b>	<b>469,318,584</b>
<b>Total equity and liabilities</b>		<b>620,391,478</b>	<b>541,294,235</b>



**Franz-Xaver Simmen**  
Group CEO



**Melina Marty**  
Group CFO

## Andermatt Swiss Alps AG

### Consolidated statement of changes in equity for the year ended 31 December 2018

CHF	Issued Capital	General reserve	Retained earnings	Attributable to owners of the Parent Company	Non-controlling interests	Total
<b>Balance at 1 January 2017</b>	<b>231,147,000</b>	<b>(2,141,470)</b>	<b>(132,958,220)</b>	<b>96,047,310</b>	<b>5,463,803</b>	<b>101,511,113</b>
Loss for the year	-	-	(31,502,500)	(31,502,500)	674,020	(30,828,480)
Other comprehensive income for the year, net of income tax	-	-	952,905	952,905	89,238	1,042,143
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>(30,549,595)</b>	<b>(30,549,595)</b>	<b>763,258</b>	<b>(29,786,337)</b>
Non-controlling interests' share in equity of consolidated subsidiaries	-	-	-	-	150,875	150,875
Disposal of non-controlling interests' share in equity of consolidated subsidiaries	-	-	19,556	19,556	80,444	100,000
Acquisition of non-controlling interests' share in equity of consolidated subsidiaries	-	-	(2,323,668)	(2,323,668)	2,323,668	-
<b>Balance at 31 December 2017</b>	<b>231,147,000</b>	<b>(2,141,470)</b>	<b>(165,811,927)</b>	<b>63,193,603</b>	<b>8,782,048</b>	<b>71,975,651</b>
<b>Balance at 1 January 2018</b>	<b>231,147,000</b>	<b>(2,141,470)</b>	<b>(165,811,927)</b>	<b>63,193,603</b>	<b>8,782,048</b>	<b>71,975,651</b>
Loss for the year	-	-	(38,007,323)	(38,007,323)	(4,717,751)	(42,725,074)
Other comprehensive income for the year, net of income tax	-	-	1,929,703	1,929,703	49,398	1,979,101
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>(36,077,620)</b>	<b>(36,077,620)</b>	<b>(4,668,353)</b>	<b>(40,745,973)</b>
Dividends paid	-	-	(594,000)	(594,000)	(1,617,000)	(2,211,000)
Acquisition of non-controlling interests' share in equity of consolidated subsidiaries	-	-	(1,573,380)	(1,573,380)	1,378,490	(194,890)
<b>Balance at 31 December 2018</b>	<b>231,147,000</b>	<b>(2,141,470)</b>	<b>(204,056,927)</b>	<b>24,948,603</b>	<b>3,875,185</b>	<b>28,823,788</b>

## Andermatt Swiss Alps AG

### Consolidated cash flow statement for the year ended 31 December 2018

CHF	Notes	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Loss) for the year		(42,725,074)	(30,828,480)
Adjustments for:			
Income tax expense/(income) recognized in profit or loss	13.1	(2,490,117)	(682,948)
Finance expenses recognized in profit or loss	11	6,768,833	5,330,532
Investment income recognized in profit or loss	8	(3,030)	(33,271)
Depreciation expenses	14	14,009,802	13,214,203
(Gain)/loss on disposal of property, plant and equipment		(17,749)	8,670
Share of (gains)/losses in associates	16	54,057	-
Income from government grants	32	(248,594)	(168,056)
Change in defined benefit obligation		324,151	570,326
<b>MOVEMENTS IN WORKING CAPITAL</b>			
(Increase) in trade and other receivables		(16,080,735)	(920,354)
(Increase)/decrease in inventories		59,529,809	(11,971,307)
(Increase)/decrease in other current assets		(6,982,868)	13,360,160
Increase/(decrease) in trade and other payables		(6,889,396)	7,739,146
Increase/(decrease) in payables due to related parties		2,184	(162,487)
Increase in provision		585,000	960,000
Increase in deferred revenue		36,740,876	1,591,785
Increase/(decrease) in other liabilities		6,621,308	(2,886,918)
<b>Cash (used in)/generated from operations</b>		<b>49,198,457</b>	<b>(4,878,999)</b>
Interest paid		(4,664,901)	(3,758,837)
Income tax paid		(61,354)	(224,349)
<b>Net cash (used in)/generated from operating activities</b>		<b>44,472,202</b>	<b>(8,862,185)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for property, plant and equipment	14	(111,090,683)	(88,142,019)
Proceeds from disposal of property, plant and equipment		368,412	41,353
Net cash inflow on acquisition of subsidiaries		-	100,000
Payments to acquired investments in associates		-	(2,500,000)
Payments to acquire other financial assets		-	(150,900)
Proceeds from sale of other financial assets		-	32
Interest received		2,932	33,255
<b>Net cash (used in) investing activities</b>		<b>(110,719,339)</b>	<b>(90,618,279)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of shareholder's loan		(38,150,000)	-
Proceeds from shareholder's loan		25,282,000	52,300,000
Repayment of borrowings		(48,864,674)	(13,727,291)
Proceeds from borrowings		134,325,560	52,048,435
Acquisition of non-controlling interests in subsidiary		(229,890)	-
Proceeds from non-controlling interests' share in capital increase of subsidiaries		35,000	150,875
Government grants received	32	3,341,067	1,333,206
<b>Net cash generated by financing activities</b>		<b>75,739,063</b>	<b>92,105,225</b>
Net increase/(decrease) in cash and cash equivalents		9,491,926	(7,375,239)
Cash and bank balances at the beginning of the year		11,759,039	19,134,278
<b>Cash and bank balances at the end of the year</b>	<b>21</b>	<b>21,250,965</b>	<b>11,759,039</b>

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# Notes to the consolidated financial statements for the year ended 31 December 2018

## 1 GENERAL INFORMATION

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

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

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

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

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

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

#### **IFRS 9 Financial Instruments – Final version including expected loss impairment model**

For the first time, the Group has applied the requirements for general hedge accounting (issued in November 2013), another revised version of IFRS 9 issued in July 2014 which mainly includes a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a “fair value through other comprehensive income” (FVTOCI) measurement category for certain simple debt instruments. All other parts of IFRS 9 were already early adopted.

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

Trade and other receivables, which are measured at amortised cost, could be impacted by the impairment provisions of IFRS 9. However, as currently and also historically the Group has not had any significant credit losses, the expected credit loss model has not had any impact on the financial position and/or financial performance of the Group. There was no impact on any of the financial statement line items for the current and prior year.

#### **IFRS 15 Revenue from Contracts with Customers**

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

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

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

The Group has applied IFRS 15 in accordance with the fully retrospective transitional approach.

The Group’s accounting policies for its revenue streams are disclosed in detail in Note 5.1 below. Apart from providing more extensive disclosures on the Group’s revenue transactions, the application of IFRS 15 has not had any impact on the financial position and/or financial performance of the Group. There was no impact on any of the financial statement line items for the current and prior year.



## 2.2 Standards and amendments issued but not yet effective

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

IFRS 16	Leases	1 January 2019
Amendments to IFRS 3	Definition of a business	1 January 2020
Amendments to IFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an investor and its associate or joint venture	1 January 2019
Amendments to IAS 1	Definition of material	1 January 2020
Amendments to IAS 8	Definition of material	1 January 2020
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to IAS 28	Long-term interests in Associates and Joint Ventures	1 January 2019
Various	Annual Improvements to IFRS Standards 2015-2017 Cycle	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019

### IFRS 16 Leases

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

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

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

The Group will make use of the practical expedient available on transition to IFRS 16 and will not reassess whether a contract is, or contains, a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 "Determining whether an Arrangement Contains a Lease" will continue to apply to those leases entered or modified before 1 January 2019.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of CHF 6.7 million. IAS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease in note 37. A preliminary assessment indicates that as at 31 December 2018, approximately CHF 7.5 million of these commitments, which also includes a portion of the office lease in Altdorf, which is rented by Orascom Development Holding AG from a third party and therefore not included in the lease commitments, relate to leases other than short-term leases and leases of low value assets and hence, as at 1 January 2019, the Group will recognise a right-of-use asset of CHF 7.5 million and a corresponding lease liability in the same amount in respect of all these leases.

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

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

### Amendments to IFRS 3 Business Combinations

The amendments are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only in relation to definition of a business.

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

### Amendments to IFRS 9 Financial Instruments

The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.

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

### **Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures**

The amendments deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

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

### **Amendments to IAS 1 Presentation of Financial Statements and to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors**

The amendments in the above-mentioned standards clarify the definition of 'material' and align the definition used in the Conceptual Framework with the definition in the standards themselves.

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

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

The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income.

The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. An entity will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under IAS 19.99 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

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

### **Amendments to IAS 28 Investments in Associates and Joint Ventures**

The amendment clarifies that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

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

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

Makes amendments to the following standards:

- IFRS 3 and IFRS 11 - The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- IAS 12 - The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.
- IAS 23 - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

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

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

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

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

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

## 3 SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Statement of compliance

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

### 3.2 Basis of preparation

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

The principal accounting policies are set out below.

### 3.3 Basis of consolidation

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

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

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

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

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

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

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

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

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

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

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

### 3.4 Business combinations

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

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

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

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

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

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

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

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

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

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

### 3.5 Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group always acts as principal in such contracts. The Group recognises revenue when it transfers control of a product or service to a customer. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

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

Revenue from sale of land, sale of land right and associated cost is recognised when control of the land has been transferred, being when land is delivered and registered. Management uses its judgment and considers the opinion obtained from the legal advisors in assessing whether the Group's contractual and legal rights and obligations in the agreements are satisfied and therefore control is transferred.

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

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

#### Delivery of goods

As control over the apartments is only fully transferred to the buyer once the unit is registered in the land register, the Group recognises revenue from real estate constructions at point in time. Hence, revenue from construction of real estate is recognised in full once construction is finalised and the real estate unit is registered in the name of the buyer.

### **3.5.3 Revenue from the rendering of services**

The Group provides services in relation to hotel and ski area operations as well as destination management. Revenue from such services is recognised as a performance obligation satisfied over time. Revenue is recognised for these services using an output method which is based on the stage of completion of the contract. Hence, revenue is recognised in the accounting periods in which the services are rendered.

## **3.6 Leasing**

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

### **3.6.1 The Group as lessor**

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

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

### **3.6.2 The Group as lessee**

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

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

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

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

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

## **3.7 Foreign currencies**

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

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

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

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

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

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

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

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

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

Currency table	2018		2017	
	Average	Year end	Average	Year end
1 USD US Dollar	0.9786	0.9848	0.9735	0.9800
1 EUR Euro	1.1551	1.1268	1.1114	1.1685

### 3.8 Borrowing costs

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

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

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

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

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

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

### **3.9 Government grants**

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

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

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

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

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

### **3.10 Retirement benefit costs**

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

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

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

### **3.11 Taxation**

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

#### **3.11.1 Current tax**

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

#### **3.11.2 Deferred tax**

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

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

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



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

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

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

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

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

### **3.11.3 Current and deferred tax for the year**

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

## **3.12 Property, plant and equipment**

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

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

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

Freehold land is not depreciated.

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

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

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

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

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

## **3.13 Impairment of tangible assets**

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



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

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

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

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

### **3.14 Investment in associates**

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

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

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

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

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

### **3.15 Inventories**

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

Costs, including an appropriate portion of fixed and variable production overheads as well as other costs incurred in bringing the inventories to their present location and condition, are assigned to inventories by the method most appropriate to the particular class of inventory, with the majority being valued on a weighted average basis. For items acquired on credit and where payment terms of the transaction are extended beyond normal credit terms, the cost of that item is its cash price equivalent at the recognition date with any difference from that price being treated as an interest expense on an effective-yield basis (see note 11).

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

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

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

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

### 3.16 Provisions

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

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

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

### 3.17 Financial instruments

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

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

### 3.18 Financial assets

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

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

#### 3.18.1 Classification of financial assets

Debt instruments, including trade and other receivables as well as other current assets, that meet the following conditions are subsequently measured at amortised cost (except for debt investments that are designated as at fair value through profit or loss on initial recognition):

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

All other financial assets, including other non-current financial assets, are subsequently measured at fair value.

#### 3.18.2 Effective interest method

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

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

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

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

A financial asset is held for trading if:

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

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

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

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

The Group recognises a loss allowance for expected credit losses ("ECL") on financial assets that are measured at amortised cost or at FVTOCI. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12m ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

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

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

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

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

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

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

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

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

#### **3.19.2 Equity instruments**

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

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

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

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

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

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

### 3.19.3 Financial liabilities

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

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

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

All other financial liabilities are classified as non-current

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

#### Financial liabilities subsequently measured at amortised cost

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

#### Derecognition of financial liabilities

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

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

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

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

### 4.1 Critical judgments in applying accounting policies

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

#### 4.1.1 Revenue recognition – Real estate sales

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

Given the structure of the real estate sale contracts and the application of IFRS 15 as described above, revenue recognition from residential construction projects can occur over time based on percentage of completion. Such revenue recognition over time would only be applicable for construction projects, where the Group provides construction services only (e.g. villas). The Group currently has no such construction projects.

For the current construction projects, where the Group constructs units on their own risk and sells the respective units (e.g. apartments), management has assessed that significant risk and rewards will be transferred to the buyer on completion of construction and the handing over of the properties. Hence, revenue is recognised at point in time.

#### **4.1.2 Cost of sales**

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

#### **4.1.3 Employee benefits expense**

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

### **4.2 Key sources of estimation uncertainty**

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

#### **4.2.1 Impairment of tangible assets**

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

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

Due to the ongoing development of the Andermatt project and the financial risks going along with it, management reconsidered the recoverability of the Group's significant items of property, plant and equipment, which are included in the consolidated statement of financial position at 31 December 2018 at CHF 328,630,077 (31 December 2017: CHF 329,040,837).

In 2018 and 2017, the impairment tests did not result in any impairment losses.

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

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

The measurement of deferred income tax assets and liabilities is based on the judgment of management. Deferred income tax assets are only capitalized if it is probable that they can be used. Whether or not they can be used depends on whether the deductible tax temporary difference can be offset against future taxable gains. In order to assess the probability of their future use, estimates must be made of various factors including future taxable profits. At 31 December 2018, deferred income tax assets amounted to CHF 14,673,852 (31 December 2017: CHF 11,926,034) and have mainly resulted from the tax impact of carry forward tax losses (refer to note 13). Such deferred tax assets are only recorded when the development phase of the project has been started and it becomes evident that future taxable profits are probable. If the actual values differ from the estimates, this can lead to a change in the assessment of recoverability of the deferred tax assets and accounting for such a change, if any, is to be made on a prospective basis in the reporting periods affected by the change.

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

The retirement benefit obligation is calculated on the basis of various financial and actuarial assumptions. The key assumptions for assessing these obligations are the discount rate, future salary and pension increases and the probability of the employee reaching retirement. The obligation was calculated using a discount rate of 1.10% (31 December 2017: between 0.7% and 0.8%). The calculations were done by an external expert and the principal assumptions used are summarised in note 33. At 31 December 2018, the underfunding amounted to CHF 4,468,990 (31 December 2017: CHF 6,123,746). Using other basis for the calculations could have led to different results.

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

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

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

In 2018 and 2017, there were no write-downs of inventory.

## 5 THE GROUP AND MAJOR CHANGES IN GROUP ENTITIES

The Group is comprised of the Parent Company and its subsidiaries which are all operating in Switzerland (for further details on the group structure refer to note 15). The group controls its subsidiaries directly and indirectly.

In 2018, the Group increased its share in Andermatt Sedrun Sport AG, the entity operating the ski arena, from 73.88% to 82.59% (2017: from 52.80% to 73.88%).

Except for the newly incorporated subsidiaries Andermatt Sedrun Disentis Marketing AG (65%) and Hotel 4B Management AG (51%) in 2018 as well as Andermatt Invest AG (100%) in 2017, there have been no other major changes in the group structure during the financial period.

## 6 REVENUE

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

CHF	2018	2017
Revenue from hotel operations	26,895,662	22,866,105
Revenue from real estate, construction and other operations	90,960,772	34,337,904
Revenue ski arena operations	17,867,969	15,371,116
<b>TOTAL</b>	<b>135,724,403</b>	<b>72,575,125</b>

Of the total revenue of CHF 135.7 million (2017: CHF 72.6 million), CHF 87.6 million (2017: CHF 32.5 million), which are all included in revenue from real estate, construction and other operations, are recognised at point in time and the residual CHF 48.1 (2017: CHF 40.1 million) recognised in the three segments are recognised over time.

There is no transaction price allocated to (partially) unsatisfied performance obligation in relation to construction of real estate as at 31 December 2018. As permitted under the transitional provision in IFRS 15, the transaction price allocated to (partially) unsatisfied performance obligations as of 31 December 2017 is not disclosed.

## 7 SEGMENT INFORMATION

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

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

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

### 7.1 Segment results

CHF	Hotels		Real estate, construction and other operations		Ski Arena		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Total segment revenue	28,895,662	24,866,105	91,006,793	43,585,583	17,867,969	15,371,116	137,770,424	83,822,804
./. inter-segment revenue	(2,000,000)	(2,000,000)	(46,021)	(9,247,679)	-	-	(2,046,021)	(11,247,679)
<b>Revenue external customers</b>	<b>26,895,662</b>	<b>22,866,105</b>	<b>90,960,772</b>	<b>34,337,904</b>	<b>17,867,969</b>	<b>15,371,116</b>	<b>135,724,403</b>	<b>72,575,125</b>
Depreciation expense	(6,453,193)	(6,584,773)	(1,403,340)	(1,433,487)	(3,673,200)	(4,381,490)	(11,529,733)	(12,399,749)
Other cost of sales	(33,066,496)	(28,674,873)	(94,575,761)	(30,904,347)	(16,992,820)	(10,729,578)	(144,635,077)	(70,308,799)
<b>Gross profit/(loss)</b>	<b>(12,624,027)</b>	<b>(12,393,541)</b>	<b>(5,018,329)</b>	<b>2,000,070</b>	<b>(2,798,051)</b>	<b>260,048</b>	<b>(20,440,407)</b>	<b>(10,133,423)</b>
<b>Segment result</b>	<b>(15,852,563)</b>	<b>(15,078,379)</b>	<b>(16,958,943)</b>	<b>(8,883,509)</b>	<b>(5,583,825)</b>	<b>(2,252,279)</b>	<b>(38,395,331)</b>	<b>(26,214,167)</b>
Share of losses of associates							(54,057)	-
Investment income							3,030	33,271
Finance costs							(6,768,833)	(5,330,532)
<b>Profit/(loss) before tax</b>							<b>(45,215,191)</b>	<b>(31,511,428)</b>
Income tax (expense)/income							2,490,117	682,948
<b>Profit/(loss) for the period</b>							<b>(42,725,074)</b>	<b>(30,828,480)</b>

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

In 2018, revenue of a total of CHF 50.5 million (2017: CHF 0.7 million) in the segment real estate, construction and other operations were realised with related parties. For further details on these transactions refer to note 35.

## 7.2 Segment assets and liabilities

CHF	2018	2017
Hotels	103,470,190	63,690,492
Real estate, construction and other operations	315,858,528	334,410,555
Ski Arena	161,624,308	115,940,715
<b>Segment assets</b>	<b>580,953,026</b>	<b>514,041,762</b>
Unallocated assets	39,438,452	27,252,473
<b>Total consolidated assets</b>	<b>620,391,478</b>	<b>541,294,235</b>
Hotels	13,439,207	7,564,045
Real estate, construction and other operations	91,041,770	55,142,844
Ski Arena	17,786,985	21,065,566
<b>Segment liabilities</b>	<b>122,267,962</b>	<b>83,772,455</b>
Unallocated liabilities	469,299,728	385,546,129
<b>Total consolidated liabilities</b>	<b>591,567,690</b>	<b>469,318,584</b>

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

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

In December 2018, due to the opening of the Radisson Blue Hotel, construction cost of this project, which so far were allocated to the "Real estate, construction and other operations" segment, were split into the "Hotel" segment and the "Real estate, construction and other operations" segment. CHF 45.4 million were allocated to the "Hotel" segment whereas the residual CHF 102.6 million remained in the "Real estate, construction and other operations" business.

### Additions to non-current assets

CHF	2018	2017
Hotels	277,914	524,118
Real estate, construction and other operations	69,819,661	43,060,903
Ski Arena	48,657,615	45,158,587
<b>TOTAL</b>	<b>118,755,190</b>	<b>88,743,608</b>

## 7.3 Geographical information

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

## 8 INVESTMENT INCOME

CHF	2018	2017
Interest income:		
- Bank deposits	2,510	33,225
- Other loans and receivables	520	46
<b>TOTAL</b>	<b>3,030</b>	<b>33,271</b>

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



## 9 OTHER GAINS AND LOSSES

CHF	2018	2017
Income from government grants (note 32)	248,594	168,056
(Loss)/gain on sale of property, plant and equipment	(24,453)	(8,670)
Net foreign exchange losses	(3,859)	(30,420)
Other gains/(losses) (i)	69,727	(96,366)
<b>TOTAL</b>	<b>290,009</b>	<b>32,600</b>

- (i) In 2018, other gains mainly relate to release of provisions mad for dismantling of ski lifts  
In 2017, other losses mainly relate to provisions made for dismantling of ski lifts.

## 10 ADMINISTRATIVE EXPENSES

CHF	2018	2017
Employee expenses	(7,477,425)	(6,739,637)
Marketing expenses	(6,185,829)	(5,482,685)
Depreciation expenses	(885,930)	(814,454)
Other administrative expenses	(3,695,749)	(3,076,568)
<b>TOTAL</b>	<b>(18,244,933)</b>	<b>(16,113,344)</b>

## 11 FINANCE EXPENSES

CHF	2018	2017
Interest on bank overdrafts and loans	(7,564,967)	(5,482,824)
Bank charges	(130,309)	(95,251)
Other finance expense	(68,102)	(201,857)
<b>Total interest expense for financial liabilities not classified as at fair value through profit or loss</b>	<b>(7,763,378)</b>	<b>(5,779,932)</b>
Less: amounts included in the cost of qualifying assets	994,545	449,400
<b>TOTAL</b>	<b>(6,768,833)</b>	<b>(5,330,532)</b>

## 12 COMPENSATION OF KEY MANAGEMENT PERSONNEL

CHF	2018	2017
Salaries	726,000	706,914
Other short-term employee benefits	192,750	155,250
Post employment benefits	67,678	66,160
<b>TOTAL COMPENSATION OF KEY MANAGEMENT PERSONNEL</b>	<b>986,428</b>	<b>928,324</b>

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

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

## 13 INCOME TAXES

### 13.1 Income tax recognized in profit or loss

CHF	2018	2017
<b>CURRENT TAX</b>		
Current tax expense for the current year	272,441	340,884
	<b>272,441</b>	<b>340,884</b>
<b>DEFERRED TAX</b>		
Deferred tax (income) recognized in the current year	(2,958,905)	(2,203,597)
Adjustments to deferred taxes attributable to changes in tax rates	196,347	
Write-down of deferred tax assets	-	1,179,765
	<b>(2,762,558)</b>	<b>(1,023,832)</b>
<b>TOTAL INCOME TAX EXPENSE/(INCOME) RECOGNIZED IN THE CURRENT YEAR</b>	<b>(2,490,117)</b>	<b>(682,948)</b>

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

CHF	2018	2017
(Loss) before tax from continuing operations	(45,215,191)	(31,511,428)
Income tax (income) calculated at 9.54% (2017: 11.02%)	(4,312,678)	(3,471,686)
Unrecognized deferred tax assets during the year	1,828,154	1,510,524
Effect of previously unrecognised tax losses	-	(39,294)
Effect of income that is exempt from taxation	(95,371)	(125,713)
Effect of expenses that are not deductible in determining taxable profit	10,924	14,376
Effect of concession (capitalized expense)	78,854	249,080
Effect of derecognized deferred tax assets	-	1,179,765
<b>INCOME TAX EXPENSE/(INCOME) RECOGNIZED IN PROFIT OR LOSS</b>	<b>(2,490,117)</b>	<b>(682,948)</b>

The average tax rate of 9.54% (2017: 11.02%) is the applicable tax rate of the individual companies that generate taxable results.

### 13.2 Income tax recognized in other comprehensive income

CHF	2018	2017
<b>DEFERRED TAX</b>		
Remeasurement of defined benefit obligation	(211,087)	116,534
<b>TOTAL INCOME TAX RECOGNISED IN OTHER COMPREHENSIVE INCOME</b>	<b>(211,087)</b>	<b>116,534</b>

### 13.3 Deferred tax balances

Deferred tax assets and liabilities arise from the following:

2018	Opening balance	Charged to income	Recognized in OCI	Closing balance
<b>CHF</b>				
<b>ASSETS</b>				
<i>Temporary differences</i>				
Tax losses	11,319,212	2,870,389	-	14,189,601
Pension plan	606,822	88,516	(211,087)	484,251
	<b>11,926,034</b>	<b>2,958,905</b>	<b>(211,087)</b>	<b>14,673,852</b>
<b>LIABILITIES</b>				
<i>Temporary differences</i>				
Property, plant & equipment	1,060,278	196,347	-	1,256,625
	<b>1,060,278</b>	<b>196,347</b>	<b>-</b>	<b>1,256,625</b>
<b>NET DEFERRED TAX ASSETS</b>	<b>10,865,756</b>	<b>2,762,558</b>	<b>(211,087)</b>	<b>13,417,227</b>

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

### 13.4 Unrecognized deferred tax assets

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

CHF	31 December 2018	31 December 2017
Tax losses (expiry in 2018)	-	12,553,381
Tax losses (expiry in 2019)	12,354,965	12,354,965
Tax losses (expiry in 2020)	16,931,822	16,931,822
Tax losses (expiry in 2021)	2,235,562	2,235,562
Tax losses (expiry in 2022)	1,912,650	1,912,650
Tax losses (expiry in 2023)	2,988,508	2,988,508
Tax losses (expiry in 2024)	5,007,536	5,007,536
Tax losses (expiry in 2025)	6,918,464	-
<b>Total unused tax losses</b>	<b>48,349,507</b>	<b>53,984,424</b>

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

Further, state taxes have only been recognized for the hotel operation business as gains from real estate sales are exempt from this taxation and therefore total tax losses of CHF 142.6 million (31 December 2017: CHF 117.5 million) will not be useable in the future.

## 14 PROPERTY, PLANT AND EQUIPMENT

CHF	Freehold land	Buildings	Plant and equipment	Furniture and fixtures	Property under construction	Assets under finance lease	Total
<b>COST</b>							
<b>Balance at 1 January 2017</b>	<b>14,005,290</b>	<b>100,321,150</b>	<b>61,456,402</b>	<b>8,501,487</b>	<b>103,039,006</b>	<b>3,432,683</b>	<b>290,756,018</b>
Additions	-	962,070	664,002	627,147	85,964,581	525,808	88,743,608
Disposals	-	(28,125)	(72,500)	-	-	-	(100,625)
Transfer from inventory		4,261,860	-	-	-	-	4,261,860
Transfers within property, plant and equipment	-	4,834,834	23,459,374	-	(27,317,508)	(976,700)	-
<b>Balance at 31 December 2017</b>	<b>14,005,290</b>	<b>110,351,789</b>	<b>85,507,278</b>	<b>9,128,634</b>	<b>161,686,079</b>	<b>2,981,791</b>	<b>383,660,861</b>
Additions	501,629	1,805,106	476,215	1,240,089	111,387,638	3,344,513	118,755,190
Disposals	(1,783)	(1,570,326)	(1,487,209)	(488,818)		(874,568)	(4,422,704)
Transfer to inventory					(104,805,485)		(104,805,485)
Transfers within property, plant and equipment	-	13,199,306	36,496,416	992,589	(65,233,309)	14,544,998	-
<b>Balance at 31 December 2018</b>	<b>14,505,136</b>	<b>123,785,875</b>	<b>120,992,700</b>	<b>10,872,494</b>	<b>103,034,923</b>	<b>19,996,734</b>	<b>393,187,862</b>
<b>ACCUMULATED DEPRECIATION</b>							
<b>Balance at 1 January 2017</b>	<b>(136,633)</b>	<b>(14,042,195)</b>	<b>(16,824,703)</b>	<b>(4,983,601)</b>	<b>(5,203,905)</b>	<b>(265,385)</b>	<b>(41,456,422)</b>
Disposals	-	4,684	45,917	-	-	-	50,601
Depreciation expenses	(11,640)	(3,464,675)	(6,958,828)	(1,647,681)	-	(1,131,379)	(13,214,203)
Transfers within property, plant and equipment	-	-	(507,416)	-	-	507,416	-
<b>Balance at 31 December 2017</b>	<b>(148,273)</b>	<b>(17,502,186)</b>	<b>(24,245,030)</b>	<b>(6,631,282)</b>	<b>(5,203,905)</b>	<b>(889,348)</b>	<b>(54,620,024)</b>
Disposals	-	1,557,567	1,474,544	443,079	-	596,851	4,072,041
Depreciation expenses	(11,640)	(3,193,650)	(7,498,566)	(1,832,320)	-	(1,473,626)	(14,009,802)
Transfers within property, plant and equipment	-	-	(31,776)	31,776	-	-	-
<b>Balance at 31 December 2018</b>	<b>(159,913)</b>	<b>(19,138,269)</b>	<b>(30,300,828)</b>	<b>(7,988,747)</b>	<b>(5,203,905)</b>	<b>(1,766,123)</b>	<b>(64,557,785)</b>
<b>CARRYING AMOUNT</b>							
At 31 December 2017	13,857,017	92,849,603	61,262,248	2,497,352	156,482,174	2,092,443	329,040,837
<b>At 31 December 2018</b>	<b>14,345,223</b>	<b>104,647,606</b>	<b>90,691,872</b>	<b>2,883,747</b>	<b>97,831,018</b>	<b>18,230,611</b>	<b>328,630,077</b>

In 2018 and 2017, there were no impairment losses.

At 31 December 2018, property, plant and equipment of the Group with a carrying amount of CHF 147.8 million (31 December 2017: CHF 66.0 million) were pledged to secure borrowings of the Group as described in note 27. In addition, the Group's obligations under finance leases are secured by the lessors's title to the leased assets, which have a carrying amount of CHF 17.2 million (2017: CHF 2.1 million). Refer to note 38 for further details on obligations under finance leases.

As the Radisson Blue hotel was opened in December 2018, all capitalised cost incurred were reclassified from property under construction to the respective categories of property, plant and equipment. Further, an amount of CHF 104.8 million was allocated to Gotthard Residences and therefore reclassified to inventories as these are sold in the normal course of business (note 18).

See note 11 for the capitalized finance cost during the year.

## 15 SUBSIDIARIES

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

Company name	Domicile	Purpose	Share/paid- in capital		Proportion of ownership interest and voting power held by the Group	
					2018	2017
Bellevue Hotel & Appartement Development AG	Andermatt	Hotel and Real Estate	CHF	4,360,000	100.00%	100.00%
Bellevue Hotel & Appartement Management AG	Andermatt	Hotel	CHF	100,000	100.00%	100.00%
Hotel 4B Development AG	Andermatt	Hotel and Real Estate	CHF	100,000	51.00%	51.00%
Hotel 4B Management AG	Andermatt	Hotel	CHF	100,000	51.00%	-
Alpine Development Andermatt AG	Andermatt	Real Estate	CHF	100,000	51.00%	51.00%
Saschi Immobilien AG	Andermatt	Real Estate	CHF	100,000	51.00%	51.00%
SAGA Andermatt Immobilien AG	Andermatt	Real Estate	CHF	100,000	51.00%	51.00%
Andermatt Invest AG	Andermatt	Real Estate	CHF	100,000	100.00%	100.00%
Andermatt Sedrun Sport AG	Andermatt	Ski Arena Operator	CHF	23,814,275	82.59%	73.88%
Andermatt Gotthard Sportbahnen AG	Andermatt	Ski Arena Operator	CHF	9,293,640	-	70.62%
Sedrun Bergbahnen AG	Tujetsch	Ski Arena Operator	CHF	3,000,000	-	72.50%
Andermatt Sedrun Disentis Marketing AG	Andermatt	Ski-Arena Operator	CHF	100,000	53.68%	-
Schneesportschule Andermatt GmbH	Andermatt	Ski Arena Operator	CHF	80,000	68.14%	60.95%
White Emotion GmbH	Altdorf	Ski Arena Operator	CHF	20,000	68.14%	60.95%

In 2018, Hotel 4B Management AG as well as Andermatt Sedrun Disentis Marketing AG were incorporated. Further, Andermatt Gotthard Sportbahnen AG and Sedrun Bergbahnen AG, the former operating companies of the ski arena, were merged into Andermatt Sedrun Sport AG.

In 2017, Andermatt Invest AG was incorporated.

## 16 INVESTMENTS IN ASSOCIATES

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

Name of associate	Place of incorporation	Proportion of ownership interest and voting power held by the Group		Carrying value (CHF)	
		2018	2017	2018	2017
Andermatt Central AG	Andermatt	25%		2,445,943	2,500,000
<b>TOTAL</b>				<b>2,445,943</b>	<b>2,500,000</b>

The Group measures all its associate using the equity method of accounting as described in policy 3.14 of the notes to the consolidated financial statements.

The Group did not receive any dividends during the current year from Andermatt Central AG (2017: none).

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

	2018	2017
Current assets	1,095,109	5,211,800
Non-current assets	15,833,441	4,788,200
Current liabilities	(144,776)	-
Non-current liabilities	(7,000,000)	-
Net assets	9,783,774	10,000,000
Revenue for the year	-	-
(Loss) for the year	(216,226)	-
Other comprehensive income for the year	-	-
Total comprehensive income for the year	(216,226)	-
Group's share of comprehensive income for the year	(54,057)	-

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

	2018	2017
Net assets of the associate over Group level	9,783,774	10,000,000
Proportion of the Group's ownership interest in ASA	25%	25%
Carrying amount of the Group's interest in ASA	2,445,943	2,500,000

## 17 OTHER FINANCIAL ASSETS

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

CHF	31 December 2018	31 December 2017
<b>Financial assets carried at amortised cost</b>		
Pledged bank deposits	1,000,178	1,000,017
<b>Financial assets carried at fair value through other comprehensive income (FVTOCI)</b>		
Green Power Uri AG (i)	-	-
Andermatt-Urserntal Tourismus GmbH	10,000	10,000
Golfplatz Sedrun AG	7,300	7,300
Luzern Tourismus AG	36,000	36,000
Others	14,214	14,084
<b>TOTAL</b>	<b>1,067,692</b>	<b>1,067,401</b>

- (i) As at 31 December 2013 management decided to revalue its investment in Green Power Uri AG to zero due to uncertainties regarding the future business development of the investment.

## 18 INVENTORIES

CHF	31 December 2018	31 December 2017
Construction work in progress (i)	47,066,277	97,788,494
Other inventories (ii)	166,973,872	70,920,209
<b>TOTAL</b>	<b>214,040,149</b>	<b>168,708,703</b>

- (i) These include real estate construction work in progress. The real estate units are sold off plan. The decrease is mainly due to revenue recognition for completed and sold units of the Chedi residences and apartments on the podium as well as reclassification of completed but unsold units to other inventory. This decrease is partly netted off by ongoing construction of apartment on the podium. The increase was partly off-set by.
- (ii) This amount includes hotels and ski arena inventory of CHF 2.3 million (2017: CHF 2.4 million) as well as completed but unsold units of CHF 68.5 million (2017: CHF 68.5 million) regarding the Chedi project as well as the units on the podium. The increase is mainly due to the reclassification of Gotthard residences of CHF 104.8 from property under construction (note 14) to inventory. At 31 December 2018, completed but unsold units with a carrying amount of CHF 136.6 million (31 December 2017: CHF 149.7 million) were pledged to secure borrowings of the Group as described in note 27.

There were no material write-downs or reversal of write-downs of inventory in 2017 and 2018.

## 19 TRADE AND OTHER RECEIVABLES

CHF	31 December 2018	31 December 2017
Current receivables	25,466,969	9,386,234
Allowance for doubtful debts	-	-
<b>TOTAL</b>	<b>25,466,969</b>	<b>9,386,234</b>

Interest is only charged in case of customers' default.

In 2018, none of the Group's trade and other receivables is past due (2017: none).

## 20 OTHER CURRENT ASSETS

CHF	31 December 2018	31 December 2017
VAT	8,720,251	3,435,068
Other prepaid expenses	1,657,097	1,548,240
Loans to third parties (i) (iii)	1,167,334	1,168,047
Prepaid sales commissions related to uncompleted units (ii)	1,166,227	591,137
Deposit with others (iii)	102,617	102,667
Withholding tax	20	31
Other debtors (iii)	2,285	60,797
<b>TOTAL</b>	<b>12,815,831</b>	<b>6,905,987</b>

- (i) These are deferred payments granted to buyers of real estate units. None of those loans are past due.
- (ii) These are sales commissions of sold but uncompleted real estate units which have been paid to sales companies. As the revenue for these sold real estate units is only recognized on completion of the respective units, the corresponding prepaid commissions are accrued accordingly.
- (iii) These assets meet the definition of a financial instrument in accordance with IFRS 9 (refer to note 34.3).

## 21 CASH AND BANK BALANCES

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

## 22 CAPITAL

### 22.1 Issued capital

CHF	31 December 2018	31 December 2017
Par value per share (in CHF)	1,000	1,000
Number of ordinary shares issued and fully paid	231,147	231,147
<b>Issued capital</b>	<b>231,147,000</b>	<b>231,147,000</b>

### 22.2 Significant shareholders

CHF	2018		2017	
	Number of shares	%	Number of shares	%
SOSTNT Luxembourg S.a.r.l. (i)	117,885	51.00	117,885	51.00
Orascom Development Holding AG	113,262	49.00	113,262	49.00
<b>TOTAL</b>	<b>231,147</b>	<b>100.00</b>	<b>231,147</b>	<b>100.00</b>

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

## 23 RESERVES

CHF	31 December 2018	31 December 2017
General reserves	(2,141,470)	(2,141,470)
<b>TOTAL</b>	<b>(2,141,470)</b>	<b>(2,141,470)</b>

## 24 RETAINED EARNINGS

CHF	2018	2017
Balance at beginning of year	(165,811,927)	(132,958,220)
(Loss) attributable to owners of the Parent Company	(38,007,323)	(31,502,500)
Other comprehensive income attributable to owners of the Parent Company	1,929,703	952,905
Dividends paid by subsidiary (ii)	(594,000)	-
Disposal of non-controlling interests' share in equity of consolidated subsidiaries	-	19,556
Acquisition of non-controlling interests' share in equity of consolidated subsidiaries	(1,573,380)	(2,323,668)
<b>Balance at end of year</b>	<b>(204,056,927)</b>	<b>(165,811,927)</b>

(i) The Annual General Meeting of shareholders of Alpine Development Andermatt AG decided in 2018 to distribute a total dividend of CHF 3.3 million to its shareholders. Based on the statutes of ADA, the minority shareholders and joint venture partner, holding 49% of the shares (preferred shares), received CHF 2.2 million, 67% of the total dividend. As the dividend payment is not proportionate to the shareholding of the related party, a corresponding reclassification from retained earnings to non-controlling interests of CHF 0.6 million was made within equity.

During 2017 and 2018 no dividends had been paid by the Company. In respect of the current year, the Board of Directors will not propose a dividend or a capital reduction to the shareholders at the Annual General Meeting.



## 25 NON-CONTROLLING INTERESTS

CHF	2018	2017
Balance at beginning of year	8,782,048	5,463,803
Share of (loss)/profit for the year	(4,717,751)	674,020
Share of other comprehensive income for the year	49,398	89,238
Dividends paid by subsidiaries to non-controlling interests	(1,617,000)	-
Disposal of non-controlling interests' share in equity of consolidated subsidiaries	-	80,444
Acquisition of non-controlling interests' share in equity of consolidated subsidiaries	-	2,323,668
Non-controlling interests' share in equity of consolidated subsidiaries (i)	1,378,490	150,875
<b>Balance at end of year</b>	<b>3,875,185</b>	<b>8,782,048</b>

(i) The increases relate to non-controlling interests' share in capital increases of the ski arena operators.

## 26 SHAREHOLDER'S LOAN

Since the capital increase in June 2013, Mr. Samih Sawiris has invested a further net amount of CHF 185.5 million (31 December 2017: CHF 196.5 million) in order to provide financing for the resort Andermatt. The loan has currently an interest rate of 1% and is unsecured. In 2017, the Group fully drew-down the invested excess cash with Mr. Samih Sawiris of CHF 11 million. This invested excess cash was a short-term treasury measure to avoid negative interest amount.

## 27 BORROWINGS

CHF	Current		Non-current	
	31.12.18	31.12.17	31.12.18	31.12.17
<b>Loans from JV Partners (i)</b>	-	-	<b>47,115,726</b>	<b>39,216,997</b>
Bonds (ii)	-	--	99,330,812	49,391,196
Bank loans (iii)	17,742,306	9,634,028	70,446,000	67,745,783
Finance lease liabilities (iv)	1,840,662	1,951,994	11,475,123	2,139,499
Government loans (v)	588,000	-	32,572,038	16,454,705
Other borrowings	386,320	277,000	404,396	522,000
<b>Due to third parties</b>	<b>20,557,288</b>	<b>11,863,022</b>	<b>214,228,369</b>	<b>136,253,183</b>
<b>TOTAL</b>	<b>20,557,288</b>	<b>11,863,022</b>	<b>261,344,095</b>	<b>175,470,180</b>

(i) Some of the buildings on the podium including one hotel and several apartment houses, are developed and financed together with joint venture partners. Whereas the Company contributes the land and additional financing, the joint venture partners provide financing for their share of the project costs. These loans are unsecured and in general carry an interest of 1%.

(ii) On 6 July 2018, the Company placed a second bond listed on the SIX Swiss Exchange with a nominal value of CHF 50 million. The bond has a term of five years and pay annual interest of 4.00%.

On 26 November 2015, the Company placed its first bond listed on the SIX Swiss Exchange with a nominal value of CHF 50 million. The bond has a term of five years and pays annual interest of 3.875%.

(iii) The Group has two long-dated credit arrangement with major Swiss banks for the financing of its hotels. The variable interest loans are secured with hotel property (note 14) as well as unsold units recognised in inventory (note 18) and have maximum terms of more than 20 years. The Group has further bank loans with various banks. In general, they have variable interest rates including a mark-up.

(iv) Refer to note 38 for details on finance lease liabilities

(v) Refer to note 32 for details on the government loans

Property, plant and equipment as well as inventory with a total carrying amount of CHF 284.4 million (2017: CHF 215.7 million) have been pledged to secure borrowings (see note 14 and 18).

## 27.1 Summary of borrowing arrangements

The weighted average contractual effective interest rate for all interest-bearing credit facilities and loans (including shareholder's loan (note 26) is 1.87% (2017: 1.59%). For a breakdown of debt bearing variable and fixed interest see note 34.4.

## 27.2 Reconciliation of liabilities arising from financing activities

CHF	1 January 2018	Financing Cash Flows	Non-cash changes		31 December 2018
			Accrued Interest	Finance leases	
Shareholder's loan	196,466,399	(12,868,000)	1,852,909	-	185,451,308
Loans from JV Partners	39,216,997	7,841,330	57,399	-	47,115,726
Due to third parties	148,116,205	78,757,529	247,416	7,664,507	234,785,657
<b>TOTAL</b>	<b>383,799,601</b>	<b>73,730,859</b>	<b>2,157,724</b>	<b>7,664,507</b>	<b>467,352,691</b>

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

## 28 PROVISIONS

CHF	Warranties (i)	Dismantling (ii)	Rectification Work (iii)	Total
Balance at 1 January 2017	2,780,000	325,000	200,000	3,305,000
Additional provision recognised	-	1,090,000	-	1,090,000
Provisions used	-	-	(130,000)	(130,000)
<b>Balance at 31 December 2017</b>	<b>2,780,000</b>	<b>1,415,000</b>	<b>70,000</b>	<b>4,265,000</b>
Additional provision recognised	-	585,000	-	585,000
Provisions used	-	-	-	-
<b>Balance at 31 December 2018</b>	<b>2,780,000</b>	<b>2,000,000</b>	<b>70,000</b>	<b>4,850,000</b>
thereof current	-	-	70,000	70,000
thereof non-current	2,780,000	2,000,000	-	4,780,000

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

## 29 TRADE AND OTHER PAYABLES

CHF	31 December 2018	31 December 2017
Non-current trade payables	-	-
Current trade and other payables	20,368,087	27,257,483

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

### 30 DEFERRED REVENUE

CHF	31 December 2018	31 December 2017
Deferred revenue from real estate sales (i)	59,091,534	22,887,721
Deferred revenue from ski ticket sales	1,261,670	956,684
Other deferred revenue	3,754,772	1,578,723
<b>TOTAL</b>	<b>64,107,976</b>	<b>25,423,128</b>

(i) The deferred revenue from real estate sales includes advances received from buyers of real estate units (progress payments) between the time of the initial agreement and contractual completion. The increase is mainly due to advances received on the Gotthard Residences that have not yet been handed over as at 31 December 2018, as well as units in multi-family houses on the podium.

### 31 OTHER CURRENT LIABILITIES

CHF	31 December 2018	31 December 2017
Accrued expenses (i) (ii)	12,275,094	9,794,117
Deferred income from government grants (note 32)	5,986,046	5,986,046
VAT payables	3,389,353	1,039,892
Deposits from others (ii)	85,580	62,587
Other credit balances (ii)	906,556	796,306
<b>TOTAL</b>	<b>22,642,629</b>	<b>17,678,948</b>

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

(ii) These liabilities meet the definition of a financial instrument in accordance with IFRS 9 (refer to note 34.3).

### 32 GOVERNMENT GRANTS

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

From 2016 until 2019, the Group will receive up to CHF 48 million in several tranches based on the progress of the development of the ski area. CHF 40 million are repayable within 20 years whereas the remaining CHF 8 million are granted without further obligations ("a-fonds-perdu"). The repayable grant has an interest rate of 0.63% per annum.

In 2018, the Group received three additional tranches of total 20.0 million of which CHF 16.7 million are recognised as non-current borrowings (note 27). The remaining CHF 3.3 million are deferred as non-current liabilities and recognised as income from government grants over the next 20 years. In 2018, an income of CHF 0.2 million (2017: CHF 0.2 million) is recognised within other gains and losses (note 9)

In 2017, the Group received a second tranche of 8.0 million of which CHF 6.7 million are recognised as non-current borrowings (note 27). The remaining CHF 1.3 million are deferred as non-current liabilities and recognised as income from government grants over the next 20 years.

Further, when the Group purchased the land in Andermatt, they received a part of the land for free with the obligation to build a sports centre in Andermatt. This government grant from the municipality of Andermatt is treated as a prepayment for the construction of the sports centre and is recognised as other current liability (note 31).

## 33 RETIREMENT BENEFIT PLANS

### 33.1 Defined benefit plans

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

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

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

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

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

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

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

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

CHF	2018	2017
Current service cost	1,446,646	1,583,878
Net interest expense	47,203	25,784
Administration cost excl. cost for managing plan assets	10,595	10,105
Past service cost	(26,046)	-
<b>Expense recognised in profit or loss</b>	<b>1,478,398</b>	<b>1,619,767</b>

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

CHF	2018	2017
Remeasurement (gain)/loss on defined benefit obligation	(2,188,393)	(867,357)
Return on plan assets excl. interest income	(129,238)	(291,569)
Adjustments to asset ceiling	7,469	-
<b>(Income)/expense recognised in other comprehensive income</b>	<b>(2,310,162)</b>	<b>(1,158,926)</b>

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

CHF	31 December 2018	31 December 2017
Present value of funded defined benefit obligation	18,933,004	20,878,640
Fair value of plan assets	(14,471,483)	(14,754,894)
<b>Deficit/(surplus)</b>	<b>4,461,521</b>	<b>6,123,746</b>
Adjustment to asset ceiling	7,469	-
<b>Net liability arising from defined benefit obligation</b>	<b>4,468,990</b>	<b>6,123,746</b>

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

CHF	2018	2017
Opening defined benefit obligation	20,878,640	20,209,678
Current service cost	1,446,646	1,583,878
Interest expense on defined benefit obligation	154,775	76,883
Contributions from plan participants	943,160	932,907
Past service cost	(26,046)	-
Benefits (paid)/deposited	(2,596,136)	(1,067,454)
Remeasurement (gain)/loss on defined benefit obligation	(2,188,393)	(867,357)
Administration cost (excl. cost for managing plan assets)	10,595	10,105
Other	309,763	-
<b>Closing defined benefit obligation</b>	<b>18,933,004</b>	<b>20,878,640</b>

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

CHF	2018	2017
Opening fair value of plan assets	14,754,894	13,613,866
Interest income on plan assets	107,572	51,099
Return on plan assets excluding interest income	129,238	291,569
Contributions from the employer	943,160	932,907
Contributions from plan participants	943,160	932,907
Benefits (paid)/deposited	(2,596,136)	(1,067,454)
Other	189,595	-
<b>Closing fair value of plan assets</b>	<b>14,471,483</b>	<b>14,754,894</b>

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

The actual return on plan assets was CHF 236,810 (2017: CHF 342,668).

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

	2018	2017
Discount rates	1.10%	0.70%/0.80%
Expected rates of salary increase	1.00%	1.00%
Expected pension increases	0.00%	0.00%
Mortality tables	BVG 2015 GT	BVG 2015 GT

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

- If the discount rate would be 25 basis points (0.25 percent) higher (lower), the defined benefit obligation would decrease by CHF 811,921 (increase by CHF 882,036) if all other assumptions were held constant
- If the expected salary growth would increase (decrease) by 0.25%, the defined benefit obligation would increase by CHF 121,766 (decrease by CHF 125,991) if all other assumptions were held constant
- If the life expectancy would increase (decrease) with one year for both men and women, the defined benefit obligation would increase by CHF 395,284 (decrease by CHF 397,308) if all other assumptions were held constant

The average duration of the defined benefit obligation at the end of the reporting period is 18.1 years (2017: 19.3 years)

The Group expects to make a contribution of CHF 1,041,733 to the defined benefit plans during the next financial year.

### 33.2 Defined contribution plans

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

## 34 FINANCIAL INSTRUMENTS

### 34.1 Capital risk management

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

The capital structure of the Group consists of net debt (borrowings from third parties (note 27), shareholder's loan (note 26), offset by cash and bank balances (note 21) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests as detailed in notes 22 to 25).

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

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

During 2017 and 2018 the Group was refinanced through further debt investments of Mr. Samih Sawiris of total CHF 42.9 million as well as a new bond placement of CHF 50 million, a credit arrangement with a Swiss bank of CHF 50 million and financing by the government up to CHF 48 million for the development of the ski area, of which CHF 39.8 million were received so far and the residual amount will be received based on the progress of the development of the ski area in 2019.

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

The gearing ratio was as follows:

CHF	31 December 2018	31 December 2017
Shareholder's loan	185,451,308	196,466,399
Loans from JV partners	47,115,726	39,216,997
Loans due to third parties	234,785,657	148,116,205
<b>Total debt (i)</b>	<b>467,352,691</b>	<b>383,799,601</b>
Less: Cash and cash equivalents	(21,250,965)	(11,759,039)
<b>Net debt</b>	<b>446,101,726</b>	<b>372,040,562</b>
<b>Equity (ii)</b>	<b>28,823,788</b>	<b>71,975,651</b>
<b>Net debt to equity ratio</b>	<b>1,547.69%</b>	<b>516.90%</b>

(i) Debt is defined as shareholder's loan as well as long- and short-term borrowings, as detailed in notes 26 and 27.

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

### 34.2 Significant accounting policies

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

### 34.3 Categories of financial instruments

CHF	31 December 2018	31 December 2017
<b>Financial assets</b>		
Cash and bank balances	21,250,965	11,759,039
Fair value through other comprehensive income (FVTOCI) (i)	67,514	67,384
Financial assets measured at amortized cost (ii)	27,739,382	11,717,762
<b>Financial liabilities</b>		
At amortised cost (iii)	317,480,671	421,710,094

(i) Refer to note 17 for further details.

(ii) Consists of trade and other receivables (note 19), receivables due from related parties (note 35) as well as certain other current assets as disclosed in note 20.

(iii) Consists of shareholder's loan (note 26), borrowings (note 27), trade and other payables (note 29), payables due to related parties (note 35) as well as certain other current liabilities as disclosed in note 31.

## **34.4 Financial risk management**

In the course of its business, the Group is exposed to a limited number of financial risks. The Group's activities expose it primarily to the market risks of changes in foreign currency exchange rates (note 34.4.1), interest rates (note 34.4.2) and certain price risk on equity investments (note 34.4.3) as well as credit risk (note 34.4.4) and liquidity risk (note 34.4.5). Most of these risks are minimal which is further described below.

It is, and has been throughout 2018 and 2017, the Group's policy not to use derivatives.

### **34.4.1 Foreign currency risk management**

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

### **34.4.2 Interest rate risk management**

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

### **34.4.3 Other price risks**

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

### **34.4.4 Credit risk management**

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

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

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

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

### **34.4.5 Liquidity risk management**

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

In the last few years, the Group has demonstrated that the Andermatt project had reached a size and development threshold which makes it attractive for outside investors. This was exemplified with the inaugural bond transactions (total CHF 100 million), the long-dated bank funding arrangements (total CHF 90 million) as well as the development projects for multifamily houses with joint venture partners. This is further evidenced by the government loans received for the development of the ski area.

In addition to the external financing referred to above, in April 2019, the Chairman signed a letter of commitment to avail up to CHF 10 million until the end of June 2020. Of the committed amount, CHF 2.5 million were drawn-down by the Group until end of March 2019.

Management believes that these plans are sufficient to substantially mitigate the liquidity risk.

## Liquidity and interest rate risk tables

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

2018	Weighted average effective interest Rate	Less than 6 month	6 months to one year	1 – 5 years	5 + years	Total
CHF						
Non-interest bearing	-	36,071,744	479,929	404,397	42,613,025	79,569,095
Variable interest rate instruments	1.95%	7,078,706	11,935,252	52,249,202	20,783,951	92,047,111
Fixed interest rate instruments	1.85%	3,635,856	3,082,967	130,992,276	218,515,200	356,226,299
<b>TOTAL</b>		<b>46,786,306</b>	<b>15,498,148</b>	<b>183,645,875</b>	<b>281,912,176</b>	<b>527,842,505</b>

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

## 34.6 Fair value of financial instruments

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

Management considers that except for the bond, the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values. The fair value of the bond is CHF 100.0 million compared to the carrying amount of CHF 99.3 million (note 27).

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

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

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

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

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

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

All financial assets at FVTOCI (see note 17 for further details) are grouped into Level 3 as none of them are listed and their values are not based on observable market data. The financial assets at FVTOCI were measured at fair value based on a method that combined the earning and net equity book values of the companies.



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

CHF	Unquoted equity securities	
	2018	2017
<b>Opening balance</b>	<b>67,384</b>	<b>66,766</b>
Purchases	-	900
Disposals	-	(33)
Dividends received	(64)	
Remeasurement losses through other comprehensive income	194	(249)
<b>Closing balance</b>	<b>67,514</b>	<b>67,384</b>

## 35 RELATED PARTY TRANSACTIONS

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

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

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

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

CHF	Due from related parties		Due to related parties	
	31.12.18	31.12.17	31.12.18	31.12.17
<b>JV-Partners (i)</b>				
Besix Group SA	-	-	42,613,025	29,628,051
Swiss Property Group	-	-	3,006,168	-
Migati	-	-	1,496,533	3,973,528
Schmid	-	-	-	5,615,418
<b>Non-controlling shareholders</b>				
Orascom Development Holding AG	-	-	508,316	355,791
<b>Close family members</b>				
Samih Sawiris(ii)	-	-	185,633,404	196,796,858
<b>Total</b>		-	<b>233,257,446</b>	<b>236,369,646</b>
Current	-	-	690,412	686,250
Non-current	-	-	232,567,034	235,683,396
<b>Total</b>		-	<b>233,257,446</b>	<b>236,369,646</b>

- (i) Loans due to JV-Partners are classified as borrowings and disclosed in note 27.

- (ii) Amounts due to Mr. Samih Sawiris include a loan of CHF 185,451,308 (31 December 2017: CHF 196,466,399) which is classified as shareholder's loan (note 26) as well as a current account of CHF 182,096 (31 December 2017: CHF 330,459) which is classified as current payables due to related parties.

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

#### **Acuro Transaction**

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

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

As at 31 December 2018 there were no receivables due from Acuro (31 December 2017: CHF 0.1 million). As the real estate units were completed and in general handed over in 2015, no revenue from sale of real estate (2017: none) was recognised. However, in 2017 there was revenue in relation to resale provisions of CHF 0.7 million. In 2018, there were no such revenues. As at 31 December 2018, there are no residual deferred revenues in relation to the above transaction.

#### **Taurus Transaction**

Taurus Andermatt AG ("Taurus") has purchased a total of 25 apartments in multi-family houses on the podium as well as in The Chedi Andermatt from the Group for CHF 50.5 million. The agreed purchase price has been collected at closing of this transaction in 2018.

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

As the real estate units were completed by the time of the transaction, total revenue of CHF 50.5 million from sale of real estate was recognised in 2018 (2017: none).

## **36 NON-CASH TRANSACTIONS**

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

- Capitalization of interest of CHF 0.1 million over projects under constructions (note 11).
- Accrued interest on loans of CHF 2.2 million (note 27.2)
- New finance lease contracts of CHF 7.7 million.

## **37 OPERATING LEASE ARRANGEMENTS**

### **37.1 The Group as lessee**

#### **37.1.1 Leasing arrangements**

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

#### **37.1.2 Payments recognised as an expense in the period**

CHF	2018	2017
Minimum lease payments	5,309,695	5,118,282
<b>TOTAL</b>	<b>5,309,695</b>	<b>5,118,282</b>

### 37.1.3 Non-cancellable operating lease commitments

CHF	Total of future minimum lease payments	
	31 December 2018	31 December 2017
Not longer than 1 year	1,071,517	1,282,600
Longer than 1 year and not longer than 5 years	1,791,188	744,479
Longer than 5 years	3,817,081	3,932,475
<b>TOTAL</b>	<b>6,679,786</b>	<b>5,959,554</b>

During 2018 and 2017, the Group did not enter into any significant new lease arrangements except for the lease of staff apartments in relation to the hotel operations.

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

## 38 FINANCE LEASE ARRANGEMENTS

### 38.1 The Group as lessee

#### 38.1.1 Leasing arrangements

The Group leased certain of its operating equipment in the SkiArena Andermatt-Sedrun as well as certain electronic equipment for the Chedi hotel as well as various apartment houses. The lease terms are between 5 and 10 years. The Group has options to purchase the equipment for a nominal amount at the end of the lease terms. The Group's obligations under finance leases are secured by the lessors' title in the leased assets. The increase in 2018 is mainly due to leased ski arena infrastructure.

#### 38.1.2 Finance lease liabilities

CHF	Minimum lease payments		Present value of minimum lease payments	
	31.12.18	31.12.17	31.12.18	31.12.17
Not longer than 1 year	2,319,475	2,070,688	1,840,662	1,951,994
Longer than 1 year and not longer than 5 years	6,400,401	2,326,916	4,914,260	2,139,499
Longer than 5 years	7,842,704	-	6,560,863	-
	16,562,580	4,397,604	13,315,785	4,091,493
Less: future finance charges	(3,246,795)	(306,111)	-	-
<b>Present value of minimum lease payments</b>	<b>13,315,785</b>	<b>4,091,493</b>	<b>13,315,785</b>	<b>4,091,493</b>
thereof current borrowings (note 27)			<b>1,840,662</b>	<b>1,951,994</b>
thereof non-current borrowings (note 27)			<b>11,475,123</b>	<b>2,139,499</b>

## 39 COMMITMENTS FOR EXPENDITURE

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

CHF	2018
Andermatt Swiss Alps AG (i)	20,985,000

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

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

## **40 LITIGATION**

There were no significant litigations in process as at 31 December 2018 and 2017.

## **41 SUBSEQUENT EVENTS**

There were no subsequent events after 31 December 2018.

## **42 APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the directors and authorized for issue on 4 April 2019.

## Statutory Auditor's Report

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

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

#### **Opinion**

We have audited the consolidated financial statements of Andermatt Swiss Alps AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statement (pages F-2 to F-44) give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

#### **Basis for Opinion**

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

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

## Key Audit Matters

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

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

#### Key audit matter

The consolidated financial statements of Andermatt Swiss Alps include significant assets in relation to the segments "Hotel" and "Ski Arena" for CHF 146 million, which is part of the total recorded property, plant and equipment balance of CHF 329 million. The assets include the capitalized costs for the hotel and the skiing infrastructure.

Management prepares an annual impairment test to identify if the recoverable amount is higher than the carrying value.

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

The valuation methodology is explained in the notes to the consolidated financial statements (note 4.2.1) and the capitalized costs are part of note 14, *Property, plant, and equipment*.

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

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

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

## Recoverability of the capitalized cost related to "Gotthard Residences" (included in inventories)

### Key audit matter

The consolidated financial statements of Andermatt Swiss Alps include significant assets in inventory related to the apartments "Gotthard Residences" of CHF 96 million, which is part of the total inventory balance of CHF 214 million. The assets include the capitalized costs for the apartments to be sold as part of the Gotthard Residences project.

Management prepares an annual impairment test to identify if the recoverable amount is higher than the carrying value plus estimated costs to complete.

Management compares the carrying value of the apartments including the estimated costs to complete to the expected sales price minus costs to sell. As the expected sales price and costs to sell are incurred in the future, management calculates a net present value, which is dependent on Management's forecast of the future cash flows as well as the applicable discount rates. Furthermore, Management estimates the cost to complete. Due to the applied judgments by Management in the use of assumptions and estimates, the valuation contains an inherent uncertainty.

The valuation methodology is explained in the notes to the consolidated financial statements (note 4.2.1) and the capitalized costs are part of note 18, *Inventories*.

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

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

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

### ***Other Information in the Annual Report***

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the Company and our auditor's reports thereon.

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

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

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

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

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



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

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

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: <http://expertsuisse.ch/en/audit-report-for-publiccompanies>. This description forms part of our auditor's report.

## **Report on Other Legal and Regulatory Requirements**

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we noted that the internal control system for the subsidiary Andermatt-Sedrun Sport AG was not adequately documented in all material respects.

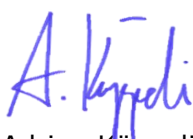
In our opinion, except for the matter described in the previous paragraph, an internal control system designed for the preparation of the consolidated financial statements exists in accordance with the instructions of the Board of Directors.

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

## **Deloitte AG**



Roland Müller  
Licensed Audit Expert  
Auditor in Charge



Adrian Käppeli  
Licensed Audit Expert

Zurich, 5 April 2019  
ROM/AKA

# **Andermatt Swiss Alps AG**

**Statutory standalone financial statements  
together with auditor's report for the  
year ended 31 December 2018**

## Andermatt Swiss Alps AG

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

**Anhang**  
Notes

**2018**

**2017**

AKTIVEN ASSETS		CHF	CHF
<b>Umlaufvermögen</b> Current assets			
Flüssige Mittel Cash and cash equivalents		6'092'184	3'980'906
Forderungen aus Lieferungen und Leistungen Trade accounts receivable		289'984	1'890'260
Übrige kurzfristige Forderungen Other current receivables			
- gegenüber Dritten from third parties		499'234	716'273
- gegenüber Konzerngesellschaften from group companies		23'159'418	50'692'971
- gegenüber Aktionäre from shareholders		220	-
Vorauszahlungen Advance payments		347'501	10'000
Vorräte Inventories	3.1	60'314'017	75'520'875
Aktive Rechnungsabgrenzungen Prepaid expenses and accrued income		89'931	166'706
		90'792'489	132'977'991
<b>Anlagevermögen</b> Non-current assets			
Übrige langfristige Forderungen Other non-current assets			
- gegenüber Dritten from third parties		500'000	500'000
- gegenüber Konzerngesellschaften from group companies	5.1	203'556'511	164'728'390
Finanzanlagen Financial assets		53'300	53'300
Beteiligungen Shareholdings	3.2 / 5.1	61'958'484	39'958'484
Sachanlagen Tangible fixed assets			
- Mobile Sachanlagen Movable fixed assets		1'379'811	1'946'612
- Immobile Sachanlagen Immovable fixed assets		50'589'601	50'925'594
- Angefangene Bauten Project under progress		18'047'679	15'890'286
		336'085'386	274'002'666
		426'877'875	406'980'657
		426'877'875	406'980'657

## Andermatt Swiss Alps AG

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

**Anhang**  
Notes

**2018**

**2017**

		CHF	CHF
<b>PASSIVEN</b>			
LIABILITIES AND SHAREHOLDERS' EQUITY			
<b>Fremdkapital</b>			
Liabilities			
<b>Kurzfristiges Fremdkapital</b>			
Current borrowed capital			
Verbindlichkeiten aus Lieferungen und Leistungen			
Trade accounts payable			
- gegenüber Dritten		3'601'103	3'286'739
to third parties			
- gegenüber Konzerngesellschaften		3'083'975	363'174
to group companies			
- gegenüber Aktionäre		508'317	355'790
to shareholders			
Kurzfristige verzinsliche Verbindlichkeiten			
Current interest-bearing liabilities			
- gegenüber Dritten		230'768	363'321
to third parties			
- gegenüber Konzerngesellschaften		333'167	285'024
to group companies			
Übrige kurzfristige Verbindlichkeiten		402'562	91'514
Other current liabilities			
Passive Rechnungsabgrenzungen		10'621'687	10'465'211
Accrued expenses and deferred income			
		<u>18'781'579</u>	<u>15'210'773</u>
<b>Langfristige Verbindlichkeiten</b>			
Long-term borrowed capital			
Vorausahlungen von Kunden		1'543'395	2'523'765
Advances from customers			
Rückstellungen		70'000	70'000
Provisions			
Langfristige verzinsliche Verbindlichkeiten			
Long-term interest-bearing liabilities			
- gegenüber Dritten	3.4	99'652'812	59'577'888
to third parties			
- gegenüber Aktionären	3.3	185'451'308	196'466'399
to shareholders			
Übrige langfristige Verbindlichkeiten			
Other long-term liabilities			
- gegenüber Aktionären	3.3	182'096	330'459
to shareholders			
		<u>286'899'611</u>	<u>258'968'511</u>
<b>Eigenkapital</b>			
Shareholders' equity			
Grundkapital		231'147'000	231'147'000
Share capital			
Kumulierte Verluste			
Accumulated losses			
- Verlustvortrag		-98'345'627	-87'616'620
Loss carried forward			
- Jahresverlust		-11'604'688	-10'729'007
Net loss for the year			
		<u>121'196'685</u>	<u>132'801'373</u>
		<u>426'877'875</u>	<u>406'980'657</u>

## Andermatt Swiss Alps AG

Erfolgsrechnung Income statement	Anhang Notes	01.01. - 31.12.18	01.01. - 31.12.17
		CHF	CHF
Verkaufserlös Revenue from sales		33'876'990	8'613'832
Ertrag aus Joint Venture Revenue from joint venture		1'089'000	-
Dienstleistungsertrag Revenue from services		771'392	357'141
Dienstleistungsertrag Konzerngesellschaften Revenue from services to group companies		2'034'453	905'652
Diverse Erträge Other income		111'668	86'173
<b>Betrieblicher Gesamtertrag</b> <b>Total operating income</b>		37'883'503	9'962'798
Herstellkosten des Verkaufs Cost of sales	4.1 / 4.2	-33'901'830	-7'446'937
<b>Bruttoergebnis</b> <b>Gross margin</b>		3'981'673	2'515'861
Verkaufs- und Verwaltungsaufwand Selling, General and administrative expenses	4.1 / 4.2	-11'466'787	-10'454'296
Übriger Betriebsertrag Other operating income		20'308	42'646
<b>Betriebsergebnis vor Zinsen und Steuer</b> <b>Operating result before interests and tax (EBIT)</b>		-7'464'806	-7'895'789
Finanzertrag Financial income		974'400	1'036'219
Finanzaufwand Financial expenses		-5'111'263	-3'861'564
<b>Ordentliches Unternehmungsergebnis (vor Steuer)</b> <b>Ordinary loss before tax</b>		-11'601'669	-10'721'134
Ausserordentlicher Aufwand Extraordinary expenses	4.3	-3'019	-7'873
<b>Jahresergebnis (vor Steuer)</b> <b>Result before tax</b>		-11'604'688	-10'729'007
Einkommensteuern Income tax		-	-
<b>Jahresverlust</b> <b>Net loss for the year</b>		-11'604'688	-10'729'007

# Andermatt Swiss Alps AG

## Anhang der Jahresrechnung

Notes to the Financial Statements

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### 1. Allgemeine Informationen / General information

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

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

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

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

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<b>Grundsatz / Basic principle</b>	<b>Erläuterung / Explanation</b>												
<b>Sachanlagen</b>	<p>Sachanlagen werden entsprechend ihrer erwarteten wirtschaftlichen Nutzungsdauer linear abgeschrieben. Ausnahmen bilden Grundstücke (Land), die nicht abgeschrieben werden. Die Nutzungsdauer ist wie folgt festgelegt:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Grundstücke (Land)</td> <td>Keine Abschreibungen</td> </tr> <tr> <td>Gebäude</td> <td>20 bis 50 Jahre</td> </tr> <tr> <td>Maschinen und Anlagen</td> <td>4 bis 10 Jahre</td> </tr> <tr> <td>Mobile Sachanlagen</td> <td>3 bis 10 Jahre</td> </tr> <tr> <td>Anlagen im Bau</td> <td>Keine Abschreibungen</td> </tr> <tr> <td>Anlagen im Leasing</td> <td>Gemäss Vertragslaufzeit</td> </tr> </table> <p>Sofern Anzeichen einer Überbewertung erkennbar werden, werden die Buchwerte überprüft und gegebenenfalls wertberichtigt.</p>	Grundstücke (Land)	Keine Abschreibungen	Gebäude	20 bis 50 Jahre	Maschinen und Anlagen	4 bis 10 Jahre	Mobile Sachanlagen	3 bis 10 Jahre	Anlagen im Bau	Keine Abschreibungen	Anlagen im Leasing	Gemäss Vertragslaufzeit
Grundstücke (Land)	Keine Abschreibungen												
Gebäude	20 bis 50 Jahre												
Maschinen und Anlagen	4 bis 10 Jahre												
Mobile Sachanlagen	3 bis 10 Jahre												
Anlagen im Bau	Keine Abschreibungen												
Anlagen im Leasing	Gemäss Vertragslaufzeit												
<b>Tangible fixed assets</b>	<p>The straight-line depreciation method is used for tangible fixed assets according to their expected used life. Exceptions are made for land which are not depreciated. Useful life is established as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Land</td> <td>No depreciation</td> </tr> <tr> <td>Buildings</td> <td>20 to 50 years</td> </tr> <tr> <td>Machines and facilities</td> <td>4 to 10 years</td> </tr> <tr> <td>Furniture, fixtures and equipment</td> <td>3 to 10 years</td> </tr> <tr> <td>Assets under production</td> <td>No depreciation</td> </tr> <tr> <td>Leased assets</td> <td>According to term of contract</td> </tr> </table> <p>If there is any evidence of an over-valuation, the accounting values are checked and adjusted where necessary.</p>	Land	No depreciation	Buildings	20 to 50 years	Machines and facilities	4 to 10 years	Furniture, fixtures and equipment	3 to 10 years	Assets under production	No depreciation	Leased assets	According to term of contract
Land	No depreciation												
Buildings	20 to 50 years												
Machines and facilities	4 to 10 years												
Furniture, fixtures and equipment	3 to 10 years												
Assets under production	No depreciation												
Leased assets	According to term of contract												
<b>Umsatzrealisierung</b>	<p>Die Gesellschaft verbucht die auf den Rechnungen brutto ausgewiesenen Beträge, nach Abzug der Mehrwertsteuer, als Erlöse aus Lieferungen und Leistungen. Die Erlöse aus Verkauf von Immobilien werden verbucht, wenn die massgeblichen Risiken und Chancen auf den Kunden übertragen sind (grundsätzlich im Zeitpunkt der Anmeldung beim Grundbuchamt). Der Dienstleistungsumsatz wird erst bei Abschluss des Auftrages erfasst.</p>												
<b>Revenue recognition</b>	<p>The company records the gross invoice amounts, after deduction of value-added tax, as profits from goods and services.</p> <p>Revenues from real estate are recorded when the significant risks and rewards have transferred to the customer (basically, at the time of registration at land register).</p> <p>Revenues from services are recognised when contracts are completed only.</p>												
<b>Leasinggeschäfte</b>	<p>Leasing- und Mietverträge werden nach Massgabe des rechtlichen Eigentums bilanziert. Entsprechend werden die Aufwendungen als Leasingnehmerin bzw. als Mieterin periodengerecht im Aufwand erfasst.</p>												
<b>Leasing transactions</b>	<p>Leasing and rental contracts are accounted for in accordance with legal ownership. Expenses as a lessee or tenant are recorded correspondingly as expenditure in the relevant period.</p>												



## Andermatt Swiss Alps AG

### Anhang der Jahresrechnung

Notes to the Financial Statements

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

#### 3.1 Vorräte / Inventories

	31.12.2018	31.12.2017
Angefangene Bauten / Project under progress	58'911'060	51'309'513
Nicht verkaufte Einheiten / Unsold units	1'402'957	24'211'362
<b>Total</b>	<b>60'314'017</b>	<b>75'520'875</b>

#### 3.2 Beteiligungen / Shareholdings

Name, Sitz Shareholdings, Registered office	Grundkapital Share capital in 1'000	Kapitalanteile in % Capital shares in %		Stimmanteile in % Voting shares in %	
		31.12.2018	31.12.2017	31.12.2018	31.12.2017
<b>Direkte Beteiligungen</b> Direct investments					
Bellevue Hotel & Appartment Development AG, Andermatt	CHF 4'360	100	100	100	100
Hotel 4b Development AG, Andermatt	CHF 100	51	51	51	51
Andermatt-Sedrun Sport AG, Andermatt	CHF 66'000	82.59	73.88	82.59	73.88
Alpine Development Andermatt AG, Andermatt	CHF 100	51	51	51	51
Saschi Immobilien AG, Andermatt	CHF 100	51	51	51	51
SAGA Andermatt Immobilien AG, Andermatt	CHF 100	51	51	51	51
Andermatt Invest AG, Andermatt	CHF 100	100	100	100	100
Andermatt Central AG, Andermatt	CHF 10'000	25	25	25	25
<b>Signifikante indirekte Beteiligung</b> Significant indirect investment					
Bellevue Hotel & Appartment Management AG, Andermatt	CHF 100	100	100	100	100

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

	31.12.2018	31.12.2017
<b>Darlehen / Loan Samih O. Sawiris</b>	185'633'404	196'796'859

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

	31.12.2018	31.12.2017
<b>Anleihe / Bond</b>	99'314'812	49'391'196
<b>Hypothek / Mortgage</b>	338'000	9'870'000
<b>Leasing / Leasing</b>	0	316'692

Die Gesellschaft hat zwei an der SIX Swiss Exchange kotierte Schweizer-Franken-Anleihen in Höhe von je CHF 50 Millionen ausgegeben. Die Anleihen sind mit 3.875% bzw. 4.0% p.a. verzinst und sind zur Rückzahlung fällig am 11. Dezember 2020 bzw. 06. Juli 2023.

The company has issued two SIX Swiss Exchange listed bonds with nominal value of CHF 50 millions each. The bonds have coupons of 3.875% resp. 4.0% p.a. and are due on 11 December 2020 resp 06 July 2023.

## Andermatt Swiss Alps AG

### Anhang der Jahresrechnung

Notes to the Financial Statements

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

	31.12.2018	31.12.2017
<b>4.1 Personalaufwand / Personnel expense</b>	7'455'324	6'882'295
<b>4.2 Abschreibungen Total / Depreciation total</b>	2'176'093	2'107'835

#### 4.3 Ausserordentlicher Aufwand / Extraordinary expenses

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

The extraordinary expenses are losses from sale of fixed assets.

#### 5. Weitere Angaben / Further informations

##### 5.1 Gesamtbetrag der zur Sicherung eigener Verbindlichkeiten verwendeten Aktiven

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

	31.12.2018	31.12.2017
Rangrücktritt auf Darlehen gegenüber Bellevue Hotel & Appartement Development AG		
Subordinated loan Bellevue Hotel & Appartement Development AG	106'850'000	94'850'000
Rangrücktritt auf Darlehen gegenüber Hotel 4b Development AG		
Subordinated loan Hotel 4b Development AG	43'886'850	30'231'850
Grundpfandgesicherte Hypothek der Urner Kantonalbank		
Real security pledged for mortgage of Urner Kantonalbank	627'594	20'606'514
<b>Total</b>	<b>151'364'444</b>	<b>145'688'364</b>

##### 5.2 Eventualverbindlichkeiten / Contingent Liabilities

	31.12.2018	31.12.2017
Die Gesellschaft hat Verpflichtungen gegenüber dem Kanton Uri und der Gemeinde Andermatt. Sie ist verantwortlich für den Bau von bestimmten Teilen des Tourismusresorts Andermatt. Sollten die Bauarbeiten aus einem bestimmten Grund nicht weitergeführt werden, hat die Gesellschaft die Verpflichtung die betreffenden Landteile zurückzubauen zum ursprünglichen Status. Per 31. Dezember 2018 waren 19'985 (2017: 19'985) ASA Aktien, die von der Orascom Development Holding AG gehalten werden, mit einem Nominalwert von CHF 1'000 verpfändet als Sicherheit an den Kanton und die Gemeinde. Zusätzlich wurde im Zusammenhang mit dieser Transaktion Land mit einem Wert von CHF 1'000'000 CHF verpfändet.	20'985'000	20'985'000
The company has obligations towards the canton of Uri and the municipality of Andermatt. It is responsible for the construction of certain parts of the tourism resort Andermatt. Should the construction work be stopped for whatever reason, the company has the obligation to rebuild the relevant plots of land to the original state. At 31 December 2018, 19'985 (2017: 19'985) ASA shares, owned by Orascom Development Holding AG, with a nominal value of CHF 1'000 each, have been pledged as a security to the canton and municipality. Additionally, land with a value of CHF 1'000'000 has been pledged under this transaction.		

##### 5.3 Sicherungsverpflichtung zugunsten Dritter / Joint liability in favour of third parties

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

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

## **Report of the Statutory Auditor**

To the General Meeting of  
ANDERMATT SWISS ALPS AG, ANDERMATT

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

As statutory auditor, we have audited the accompanying financial statements of Andermatt Swiss Alps AG, which comprise the balance sheet as at 31 December 2018, and the income statement and notes for the year then ended.

### *Board of Directors' Responsibility*

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

### *Auditor's Responsibility*

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

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

### *Opinion*

In our opinion, the financial statements for the year ended 31 December 2018 comply with Swiss law and the company's articles of incorporation.

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

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

## **Report on Other Legal Requirements**

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


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

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

### **Deloitte AG**



Roland Müller  
Licensed Audit Expert  
Auditor in Charge



Adrian Käppeli  
Licensed Audit Expert

Zurich, 5 April 2019  
RM/AKA

### Enclosures

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