Andermatt Swiss Alps Group

Consolidated financial statements together with auditor's report for the year ended 31 December 2016

Andermatt Swiss Alps AG

Consolidated statement of comprehensive income for the year ended 31 December 2016

CHF	Notes	2016	2015
CONTINUING OPERATIONS			
Revenue	6	80,725,764	144,935,056
Cost of sales		(97,808,436)	(167,791,588)
GROSS (LOSS)/PROFIT		**(17,082,672)**	**(22,856,532)**
Investment income	7	271,685	206,012
Other gains and losses	8	194,429	361,945
Administrative expenses	9	(15,363,361)	(13,451,565)
Finance expenses	10	(4,164,498)	(1,757,063)
(LOSS)BEFORE TAX		**(36,144,417)**	**(37,497,203)**
Income tax (expense)/income	12	1,104,831	2,843,383
LOSS FOR THE YEAR		**(35,039,586)**	**(34,653,820)**
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit obligation		(1,074,899)	(959,729)
		(1,074,899)	**(959,729)**
Items that may be reclassified subsequently to profit or loss			
Remeasurement of financial assets classified as available for sale		(1,434)	-
		(1,434)	**-**
Total other comprehensive income for the year, net of tax		**(1,076,333)**	**(959,729)**
Total comprehensive income for the year		**(36,115,919)**	**(35,613,549)**
(Loss) attributable to:			
Owners of the Parent Company		(33,170,863)	(33,764,870)
Non-controlling interests	23	(1,868,723)	(888,950)
		(35,039,586)	**(34,653,820)**
Total comprehensive income attributable to:			
Owners of the Parent Company		(34,042,512)	(34,609,017)
Non-controlling interests	23	(2,073,407)	(1,004,532)
		(36,115,919)	**(35,613,549)**

Franz-Xaver Simmen
Group CEO

Matthias Ernst Jäggi
Group CFO

Andermatt Swiss Alps AG
Consolidated statement of financial position at 31 December 2016

CHF	Notes	31 December 2016	31 December 2015
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	13	249,299,596	189,677,532
Deferred tax assets	12.3	11,018,737	9,775,968
Other financial assets	15	916,766	67,200
TOTAL NON-CURRENT ASSETS		**261,235,099**	**199,520,700**
CURRENT ASSETS			
Inventories	16	160,746,905	170,379,557
Trade and other receivables	17	8,465,881	20,852,699
Current receivables due from related parties	32	-	351,454
Other current assets	18	20,266,145	35,948,967
Cash and bank balances	19	19,134,278	40,784,164
TOTAL CURRENT ASSETS		**208,613,209**	**268,316,841**
TOTAL ASSETS		**469,848,308**	**467,837,541**

CHF	Notes	31 December 2016	31 December 2015
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Issued capital	20	231,147,000	231,147,000
Reserves	21	(2,141,470)	(2,141,470)
Retained earnings	22	(132,958,220)	(98,912,499)
Equity attributable to owners of the Parent Company		**96,047,310**	**130,093,031**
Non-controlling interests	23	**5,463,803**	**7,485,993**
Total equity		**101,511,113**	**137,579,024**
NON-CURRENT LIABILITIES			
Borrowings (including shareholder loans)	24	282,522,780	236,345,555
Retirement benefit obligation	30	6,595,812	5,308,331
Deferred tax liabilities	12.3	1,060,278	1,060,278
Provisions	25	3,105,000	-
Deferred income from government grants	29	1,859,000	-
Total non-current liabilities		**295,142,870**	**242,714,164**
CURRENT LIABILITIES			
Borrowings	24	8,232,022	10,328,732
Trade and other payables	26	19,518,338	21,480,603
Current payables due to related parties	32	846,758	4,217,221
Provisions	25	200,000	-
Deferred revenue	27	23,831,343	29,977,560
Other current liabilities	28	20,565,864	21,540,236
Total current liabilities		**73,194,325**	**87,544,353**
Total liabilities		**368,337,195**	**330,258,517**
Total equity and liabilities		**469,848,308**	**467,837,541**

FX. Simmen

Franz-Xaver Simmen
Group CEO

Matthias Ernst Jäggi
Group CFO

Andermatt Swiss Alps AG
Consolidated statement of changes in equity for the year ended 31 December 2016

CHF	Issued Capital	General reserve	Retained earnings	Attributable to owners of the Parent Company	Non-controlling interests	Total
Balance at 1 January 2015	**231,147,000**	**(2,141,470)**	**(64,289,652)**	**164,715,878**	**8,380,695**	**173,096,573**
Loss for the year	-	-	(33,764,870)	(33,764,870)	(888,950)	(34,653,820)
Other comprehensive income for the year, net of income tax	-	-	(844,147)	(844,147)	(115,582)	(959,729)
Total comprehensive income for the year	**-**	**-**	**(34,609,017)**	**(34,609,017)**	**(1,004,532)**	**(35,613,549)**
Non-controlling interests' share in equity of consolidated subsidiaries	-	-	(13,830)	(13,830)	109,830	96,000
Balance at 31 December 2015	**231,147,000**	**(2,141,470)**	**(98,912,499)**	**130,093,031**	**7,485,993**	**137,579,024**
Balance at 1 January 2016	**231,147,000**	**(2,141,470)**	**(98,912,499)**	**130,093,031**	**7,485,993**	**137,579,024**
Loss for the year	-	-	(33,170,863)	(33,170,863)	(1,868,723)	(35,039,586)
Other comprehensive income for the year, net of income tax	-	-	(871,649)	(871,649)	(204,684)	(1,076,333)
Total comprehensive income for the year	**-**	**-**	**(34,042,512)**	**(34,042,512)**	**(2,073,407)**	**(36,115,919)**
Non-controlling interests' share in equity of consolidated subsidiaries	-	-			49,000	49,000
Disposal of non-controlling interests' share in equity of consolidated subsidiaries			(2,681)	(2,681)	2,689	8
Acquisition of non-controlling interests' share in equity of consolidated subsidiaries			(528)	(528)	(472)	(1,000)
Balance at 31 December 2016	**231,147,000**	**(2,141,470)**	**(132,958,220)**	**96,047,310**	**5,463,803**	**101,511,113**

Andermatt Swiss Alps AG
Consolidated cash flow statement for the year ended 31 December 2016

CHF	Notes	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) for the year		(35,039,586)	(34,653,820)
Adjustments for:			
Income tax expense/(income) recognized in profit or loss	12.1	(1,104,831)	(2,843,383)
Finance expenses recognized in profit or loss	10	4,164,498	1,757,063
Investment income recognized in profit or loss	7	(271,685)	(206,012)
Depreciation expenses	13	12,697,212	11,647,000
Impairment of non-current assets	13	-	5,203,905
(Gain)/loss on disposal of property, plant and equipment		(34,211)	2,981
Income from government grants	29	(98,737)	-
Change in defined benefit obligation		212,580	641,972
MOVEMENTS IN WORKING CAPITAL			
Decrease/(increase) in trade and other receivables		4,202,259	(11,612,486)
Decrease in inventories		9,877,758	66,858,778
Decrease in amounts due from construction contracts		-	1,118,030
Decrease in current receivables due from related parties		352,562	214,879
Decrease/(increase) in other current assets		19,814,604	(8,851,500)
(Decrease)/increase in trade and other payables		(2,052,532)	1,513,148
(Decrease) in current payables due to related parties		(1,314,903)	(602,932)
Increase in provision		2,980,000	-
(Decrease) in deferred revenue		(6,146,217)	(67,371,461)
(Decrease) in other liabilities		(974,373)	(6,982,076)
Cash generated from/(used in) operations		**7,264,398**	**(44,165,914)**
Interest paid		(2,873,113)	(1,035,764)
Income tax paid		(137,938)	(8,239)
Net cash (used in) operating activities		**4,253,347**	**(45,209,917)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment	13	(71,337,382)	(23,719,537)
Proceeds from disposal of property, plant and equipment		63,477	2,778
Net cash inflow on acquisition of subsidiaries		49,000	98,000
Cash outflow on acquisition of non-controlling interests		(1,000)	(2,000)
Proceeds from sale of non-controlling interests		8	-
Payments to acquire other financial assets		(851,000)	-
Interest received		270,577	201,182
Net cash (used in) investing activities		**(71,806,320)**	**(23,419,577)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(11,080,230)	(39,188,407)
Proceeds from borrowings		55,025,580	138,058,978
Government grants received	29	1,957,737	-
Net cash generated by financing activities		**45,903,087**	**98,870,571**
Net (decrease)/increase in cash and cash equivalents		(21,649,886)	30,241,077
Cash and bank balances at the beginning of the year		40,784,164	10,543,087
Cash and bank balances at the end of the year	19	**19,134,278**	**40,784,164**

Index to the notes to the consolidated financial statements

Notes to the consolidated financial statements for the year ended 31 December 2016

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 and the new Interpretation that are mandatorily effective for the current year

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

Amendments to IFRS 11 Joint Arrangements – Accounting for acquisition of interests in joint operations

The Group has applied the amendments to IFRS 11 Joint Arrangements regarding accounting for acquisitions of interests in joint operations for the first time in the current year. IFRS 11 Joint Arrangements is amended to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to:

– apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11
– disclose the information required by IFRS 3 and other IFRSs for business combinations.

The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured).

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

Amendments to IAS 1 Presentation of Financial Statements – Disclosure Initiative

The Group has applied the amendments to IAS 1 Presentation of Financial Statements in relation to the disclosure initiative for the first time in the current year. IAS 1 Presentation of Financial Statements is amended to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes:

– clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply;
– clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss;
– additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1.

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

Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets – Clarification of acceptable methods of depreciation and amortisation

The Group has applied the amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets regarding the clarification of acceptable methods of depreciation and amortisation for the first time in the current year. IAS 16 is amended to prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in limited circumstances.

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

Amendments resulting from annual improvement project – 2012-2014 Cycle

Makes amendments to the following applicable standards:

- IFRS 5 - Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued
- IFRS 7 - Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements
- IAS 19 - Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid
- IAS 34 - Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference

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

2.2 Standards and Interpretations 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 on or after the dates described below.

New, amended and revised Standards and Interpretations		effective from
IFRS 9	The Group has early applied IFRS 9 (issued in November 2009 and October 2010) as at 1 January 2011 which included new requirements for the classification and measurement of financial assets and financial liabilities as well as for derecognition. However, the Group has not yet applied the requirements for general hedge accounting (issued in November 2013) and another revised version of IFRS 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" (FCTOCI) measurement category for certain simple debt instruments. Financial liabilities are classified in a similar manner than under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk, only for financial liabilities that are designated on initial recognition as at FVTOCI.	Annual periods beginning on or after 1 January 2018
IFRS 15	The new Standard IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue. Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. Unlike the scope of IAS 18, the recognition and measurement of interest income and dividend income from debt and equity investments are no longer within the scope of IFRS 15. Instead, they are within the scope of IFRS 9 Financial Instruments.	Annual periods beginning on or after 1 January 2018

New, amended and revised Standards and Interpretations		effective from
IFRS 16	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 of 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 included significant changes to the requirements for accounting by lessors.	Annual periods beginning on or after 1 January 2019
IAS 7	As part of the disclosure initiative, the amendments to IAS 7 require that the changes in liabilities arising from financing activities are disclosed separately into predefined categories.	Annual periods beginning on or after 1 January 2017
IAS 12	Amends IAS 12 Income Taxes to clarify the following aspects: – Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use. – The carrying amount of an asset does not limit the estimation of probable future taxable profits. – Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. – An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.	Annual periods beginning on or after 1 January 2017

The Group is currently assessing the possible changes in relation to future implementation of IFRS 15 and IFRS 16 as both Standards could have a significant impact on the consolidated financial statements. For all other Standards and Interpretations issued which are not yet effective, the Group does not expect any material impacts on the consolidated financial statements in the period of initial application.

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 it this results in the non-controlling interests having a deficit balance.

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

3.4 Business combinations

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

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

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

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

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

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

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

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

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

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

3.5 Revenue recognition

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

3.5.1 Revenue on sale of land

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

3.5.2 Revenue from agreements for construction of real estate

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

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

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

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

3.5.3 Construction revenue

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

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

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

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

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

3.5.4 Revenue from the rendering of services

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

3.5.5 Dividend and interest income

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

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

3.5.6 Rental income

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

3.6 Leasing

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

3.6.1 The Group as lessor

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

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

3.6.2 The Group as lessee

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

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

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

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

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

3.7 Foreign currencies

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

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

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

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

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

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

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

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

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

Currency table	2016		2015	
	Average	Year end	Average	Year end
1 USD US Dollar	0.9848	1.0190	0.9625	0.9922
1 EUR Euro	1.0899	1.0713	1.0682	1.0807

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 Inventories

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

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

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

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

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

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

3.15 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.

3.16 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.

3.17 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.

3.17.1 Classification of financial assets

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

– the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

– the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

3.17.2 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.

3.17.3 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.

3.17.4 Impairment of financial assets

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

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

Objective evidence of impairment could include:

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

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

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

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

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

3.17.5 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.

3.18 Financial liabilities and equity instruments

3.18.1 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.

3.18.2 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.

3.18.3 Financial liabilities

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

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

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

All other financial liabilities are classified as non-current

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

Financial liabilities subsequently measured at amortised cost

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

Derecognition of financial liabilities

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

4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

4.1 Critical judgments in applying accounting policies

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

4.1.1 Revenue recognition – Real estate sales

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

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

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

4.1.2 Cost of sales

Cost of sales in relation to the construction of real estate are capitalized during construction and presented as inventory. On completion of the construction certain construction cost, which cannot be allocated directly to the units (i.e. infrastructure, common parts of the building) have to be allocated to the respective units based on their share of the total size of the respective real estate (m2) 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 2016 at CHF 249,299,596 (31 December 2015: CHF 189,677,532).

In 2016, there were no impairment losses. In 2015, a total of CHF 5.2 million of property under construction in relation to the construction of the second hotel were impaired due to renegotiations with joint venture partners. Other than that, impairment tests did not result in any further 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 deductable 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 2016, deferred income tax assets amounted to CHF 11,018,737 (31 December 2015: CHF 9,775,968) and have mainly resulted from the tax impact of carry forward tax losses (refer to note 12). Such deferred tax assets are only recorded when the development phase of the project has been started and it becomes evident that future taxable profits are probable. If the actual values differ from the estimates, this can lead to a change in the assessment of recoverability of the deferred tax assets and accounting for such a change, if any, is to be made on a prospective basis in the reporting periods affected by the change.

4.2.3 Retirement benefit obligations

The retirement benefit obligation is calculated on the basis of various financial and actuarial assumptions. The key assumptions for assessing these obligations are the discount rate, future salary and pension increases and the probability of the employee reaching retirement. The obligation was calculated using a discount rate of 0.4% (31 December 2015: 0.9%). The calculations were done by an external expert and the principal assumptions used are summarised in note 30. At 31 December 2016, the underfunding amounted to CHF 6,595,812 (31 December 2015: CHF 5,308,331). 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 2016, there were no write-downs of inventory. In 2015, due to acceleration measures that were required for the remainder of the year to ensure timely completion of the Chedi project as well as incremental costs for the replacement or addition of some of the contractors, the total estimated cost for the Chedi project increased by CHF 18 million. Part of the increase in total cost led to expected losses on already sold apartments of CHF 11.2 million which was booked as write-down of inventory in 2015. In addition to that, due to the newly signed contract with a joint venture partner for the construction of an apartment building, already capitalized planning costs of CHF 0.7 million had to be written off.

5 THE GROUP AND MAJOR CHANGES IN GROUP ENTITIES

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

Except for the newly incorporated subsidiaries SAGA Andermatt Immobilien AG in 2016 as well as Alpine Development Andermatt AG and Saschi Immobilien AG in 2015, which are all used for joint venture construction projects with third party in Andermatt (the Group holds a 51% interest in these new subsidiaries), there have been no major changes in the group structure during the financial period.

6 SEGMENT INFORMATION

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

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

– Hotels – Includes hotel operating services for The Chedi in Andermatt, which currently is the Group's only operating hotel.

– Real estate, construction and other operations – Includes acquisition of land and addition of substantial value by building residential real estate and other facilities which are sold upon completion. Further, it includes other destination operations like rental of holiday units as well as the operation of the golf course in Andermatt. These various revenue streams are shown as one operating segment as they have similar operating characteristics and risk profiles.

– Ski Arena – Includes development and operation of Ski Arena Andermatt Sedrun.

6.1 Segment results

CHF	Hotels		Real estate, construction and other operations		Ski Arena		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Total segment revenue	22,643,221	18,676,606	46,640,139	127,642,479	13,473,455	14,737,943	82,756,815	161,057,028
./. inter-segment revenue	(2,000,000)	(1,897,295)	(31,051)	(14,224,677)	-	-	(2,031,051)	(16,121,972)
Revenue external customers	**20,643,221**	**16,779,311**	**46,609,088**	**113,417,802**	**13,473,455**	**14,737,943**	**80,725,764**	**144,935,056**
Cost of sales	(36,583,573)	(31,655,105)	(47,686,629)	(122,200,747)	(13,538,234)	(13,935,736)	(97,808,436)	(167,791,588)
Gross profit/(loss)	**(15,940,352)**	**(14,875,794)**	**(1,077,541)**	**(8,782,945)**	**(64,779)**	**802,207**	**(17,082,672)**	**(22,856,532)**
Segment result	**(18,465,032)**	**(16,861,746)**	**(11,686,169)**	**(18,085,122)**	**(2,100,403)**	**(999,284)**	**(32,251,604)**	**(35,946,152)**
Investment income							271,685	206,012
Finance costs							(4,164,498)	(1,757,063)
Profit/(loss) before tax							**(36,144,417)**	**(37,497,203)**
Income tax (expense)/income							1,104,831	2,843,383
Profit/(loss) for the period							**(35,039,586)**	**(34,653,820)**

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 2016, revenue of a total of CHF 0.5 million (2015: CHF 85.9 million) in the segment real estate, construction and other operations were realised with Acuro Immobilien AG. For further details on this transaction refer to note 32.

6.2 Segment assets and liabilities

CHF	2016	2015
Hotels	71,069,858	78,460,219
Real estate, construction and other operations	288,792,233	283,837,727
Ski Arena	78,916,436	54,560,809
Segment assets	**438,778,527**	**416,858,755**
Unallocated assets	31,069,781	50,978,786
Total consolidated assets	**469,848,308**	**467,837,541**
Hotels	7,826,180	7,772,266
Real estate, construction and other operations	56,162,371	64,246,194
Ski Arena	11,686,806	6,288,271
Segment liabilities	**75,675,357**	**78,306,731**
Unallocated liabilities	292,661,838	251,951,786
Total consolidated liabilities	**368,337,195**	**330,258,517**

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

– All assets are allocated to reportable segments other than other financial assets, amount due from related parties, cash and cash equivalents as well as current and deferred tax assets.

– All liabilities are allocated to reportable segments other than borrowings, amounts due to related parties as well as current and deferred tax liabilities

Additions to non-current assets

CHF	2016	2015
Hotels	413,352	472,832
Real estate, construction and other operations	43,983,197	14,377,567
Ski Arena	27,951,995	10,008,143
TOTAL	**72,348,544**	**34,858,542**

6.3 Geographical information

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

7 INVESTMENT INCOME

CHF	2016	2015
Interest income:		
- Bank deposits	270,565	200,979
- Other loans and receivables	1,120	5,033
TOTAL	**271,685**	**206,012**

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

8 OTHER GAINS AND LOSSES

CHF	2016	2015
Income from government grants (note 29)	98,737	-
Gain on sale of property, plant and equipment	34,211	5,446
Net foreign exchange losses	(16,350)	(8,441)
Liquidation gain from financial investment (note 15)	15,134	
Other gains/(losses) (i)	62,697	364,940
TOTAL	**194,429**	**361,945**

(i) In 2016, the gains mainly relate to payment received from insurance companies due to damages in the ski area from prior years. The gains in 2015 mainly relate to payments received from insurance companies due to business interruptions in the hotel business.

9 ADMINISTRATIVE EXPENSES

CHF	2016	2015
Employee expenses	(6,461,934)	(6,217,214)
Marketing expenses	(4,982,088)	(3,319,444)
Depreciation expenses	(594,929)	(411,886)
Other administrative expenses	(3,324,410)	(3,503,021)
TOTAL	**(15,363,361)**	**(13,451,565)**

10 FINANCE EXPENSES

CHF	2016	2015
Interest on bank overdrafts and loans	(4,739,517)	(2,445,068)
Bank charges	(62,822)	(77,704)
Total interest expense for financial liabilities not classified as at fair value through profit or loss	**(4,802,339)**	**(2,522,772)**
Less: amounts included in the cost of qualifying assets	637,841	765,709
TOTAL	**(4,164,498)**	**(1,757,063)**

11 COMPENSATION OF KEY MANAGEMENT PERSONNEL

CHF	2016	2015
Salaries	666,552	635,000
Other short-term employee benefits	61,250	93,200
Post employment benefits	50,325	54,671
TOTAL COMPENSATION OF KEY MANAGEMENT PERSONNEL	**778,127**	**782,871**

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

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

12 INCOME TAXES

12.1 Income tax recognized in profit or loss

CHF	2016	2015
CURRENT TAX		
Current tax expense for the current year	-	-
Adjustments recognized in the current year in relation to the current tax of prior years	-	8,240
	-	**8,240**
DEFERRED TAX		
Deferred tax (income) recognized in the current year	(2,903,898)	(3,664,612)
Write-down of deferred tax assets	1,799,067	812,989
	(1,104,831)	**(2,851,623)**
TOTAL INCOME TAX EXPENSE/(INCOME) RECOGNIZED IN THE CURRENT YEAR	**(1,104,831)**	**(2,843,383)**

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	2016	2015
(Loss) before tax from continuing operations	(36,144,417)	(37,497,203)
Income tax (income) calculated at 10.95% (2015: 10.86%)	(3,957,450)	(4,077,905)
Unrecognized deferred tax assets during the year	1,257,617	1,412,909
Effect of previously unrecognised tax losses	-	(2,363)
Effect of adjustments related to prior years	-	8,240
Effect of income that is exempt from taxation	(193,438)	(1,066,812)
Effect of expenses that are not deductable in determining taxable profit	40,209	151,848
Effect of concession (capitalized expense)	(50,836)	(82,289)
Effect of derecognized deferred tax assets	1,799,067	812,989
INCOME TAX EXPENSE/(INCOME) RECOGNIZED IN PROFIT OR LOSS	**(1,104,831)**	**(2,843,383)**

The average tax rate of 10.95% (2015: 10.86%) is the applicable tax rate of the individual companies that generate taxable results.

12.2 Income tax recognized in other comprehensive income

CHF	2016	2015
DEFERRED TAX		
Remeasurement of defined benefit obligation	(137,938)	(115,033)
TOTAL INCOME TAX RECOGNISED IN OTHER COMPREHENSIVE INCOME	**(137,938)**	**(115,033)**

12.3 Deferred tax balances

Deferred tax assets and liabilities arise from the following:

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

2015 CHF	Opening balance	Charged to income	Recognized in OCI	Closing balance
ASSETS				
Temporary differences				
Tax losses	6,469,284	2,797,496	-	9,266,780
Pension Plan	340,028	54,127	115,033	509,188
	6,809,312	**2,851,623**	**115,033**	**9,775,968**
LIABILITIES				
Temporary differences				
Property, plant & equipment	1,060,278	-	-	1,060,278
	1,060,278	**-**	**-**	**1,060,278**
NET DEFERRED TAX ASSETS	**5,749,034**	**2,851,623**	**115,033**	**8,715,690**

12.4 Unrecognized deferred tax assets

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

CHF	31 December 2016	31 December 2015
Tax losses (expiry in 2016)	-	4,730,049
Tax losses (expiry in 2017)	350,547	64,156
Tax losses (expiry in 2018)	12,553,381	1,560,359
Tax losses (expiry in 2019)	12,354,965	669,808
Tax losses (expiry in 2020)	1,872,467	1,872,467
Tax losses (expiry in 2021)	2,235,562	2,235,562
Tax losses (expiry in 2022)	1,912,650	1,912,650
Tax losses (expiry in 2023)	2,988,508	-
Total unused tax losses	**34,268,080**	**13,045,051**

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 127.2 million (31 December 2015: CHF 96.0 million) will not be useable in the future.

13 PROPERTY, PLANT AND EQUIPMENT

CHF	Freehold land	Buildings	Plant and equipment	Furniture and fixtures	Property under construction	Assets under finance lease	Total
COST							
Balance at 1 January 2015	**14,023,330**	**68,334,801**	**48,937,503**	**8,082,285**	**49,163,636**	**10,562,876**	**199,104,431**
Additions	-	74,435	853,855	916,891	21,987,456	1,025,905	24,858,542
Disposals	(18,040)	(364,667)	(1,960,203)	(798,989)	-	(92,060)	(3,233,959)
Transfers within property, plant and equipment	-	8,213,749	380,000	-	(8,213,749)	(380,000)	-
Balance at 1 January 2016	**14,005,290**	**76,258,318**	**48,211,155**	**8,200,187**	**62,937,343**	**11,116,721**	**220,729,014**
Additions	-	188,966	1,093,151	514,531	69,964,902	586,992	72,348,542
Disposals	-	(38,764)	(2,023,513)	(213,231)	-	(46,030)	(2,321,538)
Transfers within property, plant and equipment	-	23,912,630	14,175,609	-	(29,863,239)	(8,225,000)	-
Balance at 31 December 2016	**14,005,290**	**100,321,150**	**61,456,402**	**8,501,487**	**103,039,006**	**3,432,683**	**290,756,018**
ACCUMULATED DEPRECIATION							
Balance at 1 January 2015	**(71,424)**	**(8,385,084)**	**(4,682,592)**	**(2,887,802)**	**-**	**(1,314,651)**	**(17,341,553)**
Disposals	18,040	364,667	1,960,203	793,231	-	4,835	3,140,976
Depreciation expenses	(67,193)	(2,437,997)	(6,076,538)	(1,554,481)	-	(1,510,791)	(11,647,000)
Impairment expenses	-	-	-	-	(5,203,905)	-	(5,203,905)
Transfers within property, plant and equipment	-	-	(213,744)	-	-	213,744	-
Balance at 1 January 2016	**(120,577)**	**(10,458,414)**	**(9,012,671)**	**(3,649,052)**	**(5,203,905)**	**(2,606,863)**	**(31,051,482)**
Disposals	-	38,764	2,021,865	213,231	-	18,412	2,292,272
Depreciation expenses	(16,056)	(3,622,545)	(6,078,770)	(1,547,780)	-	(1,432,061)	(12,697,212)
Transfers within property, plant and equipment	-	-	(3,755,127)	-	-	3,755,127	-
Balance at 31 December 2016	**(136,633)**	**(14,042,195)**	**(16,824,703)**	**(4,983,601)**	**(5,203,905)**	**(265,385)**	**(41,456,422)**
CARRYING AMOUNT							
At 31 December 2015	13,884,713	65,799,904	39,198,484	4,551,135	57,733,438	8,509,858	189,677,532
At 31 December 2016	**13,868,657**	**86,278,955**	**44,631,699**	**3,517,886**	**97,835,101**	**3,167,298**	**249,299,596**

In 2015, a total of CHF 5.2 million of property under construction in relation to the construction of the second hotel were impaired due to renegotiations with joint venture partners. In 2016, there were no impairment losses.

At 31 December 2016, property, plant and equipment of the Group with a carrying amount of CHF 69.8 million (31 December 2015: CHF 88.3 million) were pledged to secure borrowings of the Group as described in note 24. 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 3.2 million (2015: CHF 8.5 million). Refer to note 35 for further details on obligations under finance leases.

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

14 SUBSIDIARIES

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

Company name	Domicile	Purpose	Share/paid- in capital		Proportion of ownership interest and voting power held by the Group	
					2016	2015
Bellevue Hotel & Appartement Development AG	Andermatt	Hotels and Real Estate	CHF	4,360,000	100.00%	100.00%
Bellevue Hotel & Appartement Management AG	Andermatt	Hotel	CHF	100,000	100.00%	100.00%
Hotel 4B Development AG	Andermatt	Real Estate	CHF	100,000	51.00%	51.00%
Alpine Development Andermatt AG	Andermatt	Real Estate	CHF	100,000	51.00%	51.00%
Saschi Immobilien AG	Andermatt	Real Estate	CHF	100,000	51.00%	51.00%
SAGA Andermatt Immobilien AG	Andermatt	Real Estate	CHF	100,000	51.00%	-
Andermatt Sedrun Sport AG	Andermatt	Ski Arena Operator	CHF	23,814,275	52.80%	52.80%
Andermatt Gotthard Sportbahnen AG	Andermatt	Ski Arena Operator	CHF	9,293,640	50.47%	50.40%
Sedrun Bergbahnen AG	Tujetsch	Ski Arena Operator	CHF	3,000,000	51.81%	51.81%
Schneesportschule Andermatt GmbH	Andermatt	Ski Arena Operator	CHF	80,000	43.56%	43.56%
White Emotion GmbH	Altdorf	Ski Arena Operator	CHF	20,000	43.56%	43.56%

In 2016, SAGA Andermatt Immobilien AG was incorporated. In 2015 Alpine Development Andermatt AG and Saschi Immobilien AG were incorporated. Further, the Group invested in White Emotion GmbH.

15 OTHER FINANCIAL ASSETS

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

CHF	31 December 2016	31 December 2015
Financial assets carried at amortised cost		
Pledged bank deposits	850,000	-
Financial assets carried at fair value through other comprehensive income (FVTOCI)		
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	13,466	13,900
TOTAL	**916,766**	**67,200**

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

16 INVENTORIES

CHF	31 December 2016	31 December 2015
Construction work in progress (i)	90,044,453	67,735,825
Other inventories (ii)	70,702,452	102,643,732
TOTAL	**160,746,905**	**170,379,557**

(i) These include real estate construction work in progress. The real estate units are sold off plan. The increase is mainly due to ongoing construction of apartment on the podium. The increase was partly off-set by the revenue recognition for completed and sold units of the Chedi residences and apartments on the podium as well as reclassification of completed but unsold units to other inventory.

(ii) This amount includes hotels and ski arena inventory of CHF 2.2 million (2015: CHF 1.2 million) as well as completed but unsold units of CHF 68.5 million (2015: CHF 101.4 million) regarding the Chedi project as well as the units on the podium. At 31 December 2016, completed but unsold units with a carrying amount of CHF 65.7 million (31 December 2015: CHF 59.2 million) were pledged to secure borrowings of the Group as described in note 24.

In 2015, due to measures that were required for the remainder of the year to ensure timely completion of the Chedi project as well as incremental costs for the replacement of some of the contractors, the total estimated cost for the Chedi project increased by CHF 18 million compared to the budget. Part of the increase in total cost led to expected losses on already sold apartments of CHF 11.2 million which was booked as write-down of inventory in 2015. Other than that, there were no material write-downs or reversal of write-downs of inventory in 2015 and 2016.

17 TRADE AND OTHER RECEIVABLES

CHF	31 December 2016	31 December 2015
Current receivables	8,465,881	20,852,699
Allowance for doubtful debts	-	-
TOTAL	**8,465,881**	**20,852,699**

Interest is only charged in case of customers' default.

In 2016, none of the Group's trade and other receivables is past due (2015: none).

Movement in the allowance for doubtful debt:

CHF	2016	2015
Balance at beginning of the year	-	(18,000)
Reversal of impairment losses recognised on receivables	-	18,000
Balance at end of the year	**-**	**-**

18 OTHER CURRENT ASSETS

CHF	31 December 2016	31 December 2015
Shareholder loan (i)	11,000,000	25,000,000
Loans to third parties (ii) (iii)	696,000	2,485,452
Prepaid sales commissions related to uncompleted units (iv)	467,512	988,414
Other prepaid expenses	5,251,103	6,222,635
VAT	2,766,584	1,030,103
Withholding tax	63	458
Deposit with others (iii)	84,883	159,400
Other debtors	-	62,504
TOTAL	**20,266,145**	**35,948,966**

(i) The Group has placed some of its excess cash with Mr. Samih Sawiris as a short-term treasury measure. The objective of this transaction is to avoid being charged negative interest compared to holding this excess cash on a bank account. This short-term treasury measure was extended on 11 December 2016 for another year. Further, it is repayable within 5 business days if demanded by the Group. The short-term treasury measure has a variable interest rate of currently 1.3%. It should be considered in connection with the shareholder loans in excess of CHF 130 million granted by Mr. Samih Sawiris to the Group (refer to note 24 for further details).

(ii) These are deferred payments granted to buyers of real estate units. None of those loans are past due.

(iii) These assets meet the definition of a financial instrument in accordance with IFRS 9 (refer to note 31.3).

(iv) 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

19 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.

20 CAPITAL

20.1 Issued capital

CHF	31 December 2016	31 December 2015
Par value per share (in CHF)	1,000	1,000
Number of ordinary shares issued and fully paid	231,147	231,147
Issued capital	**231,147,000**	**231,147,000**

20.2 Significant shareholders

	2016		2015	
CHF	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
TOTAL	**231,147**	**100.00**	**231,147**	**100.00**

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

21 RESERVES (NET OF INCOME TAX)

CHF	31 December 2016	31 December 2015
General reserves	(2,141,470)	(2,141,470)
TOTAL	**(2,141,470)**	**(2,141,470)**

22 RETAINED EARNINGS AND DIVIDENDS ON EQUITY INSTRUMENTS

CHF	2016	2015
Balance at beginning of year	(98,912,499)	(64,289,652)
(Loss) attributable to owners of the Parent Company	(33,170,863)	(33,764,870)
Other comprehensive income attributable to owners of the Parent Company	(871,649)	(844,147)
Disposal of non-controlling interests' share in equity of consolidated subsidiaries	(2,681)	-
Acquisition of non-controlling interests' share in equity of consolidated subsidiaries	(528)	-
Non-controlling interests' share in equity of consolidated subsidiaries	-	(13,830)
Balance at end of year	**(132,958,220)**	**(98,912,499)**

During 2015 and 2016 no dividends had been paid. In respect of the current year, the Board of Directors will not propose a dividend or a capital reduction to the shareholders at the Annual General Meeting.

23 NON-CONTROLLING INTERESTS

CHF	2016	2015
Balance at beginning of year	7,485,993	8,380,695
Share of (loss)/profit for the year	(1,868,723)	(888,950)
Share of other comprehensive income for the year	(204,684)	(115,582)
Disposal of non-controlling interests' share in equity of consolidated subsidiaries	2,689	-
Acquisition of non-controlling interests' share in equity of consolidated subsidiaries	(472)	-
Non-controlling interests' share in equity of consolidated subsidiaries (i)	49,000	109,830
Balance at end of year	**5,463,803**	**7,485,993**

(i) In 2016 and 2015, the increase mainly relates to the three newly incorporated subsidiaries, in which the joint venture partners hold a 49% interest. Further insignificant increases are due to further acquisition of non-controlling interests in the ski arena operators.

24 BORROWINGS

CHF	Current 31.12.16	Current 31.12.15	Non-current 31.12.16	Non-current 31.12.15
Secured - at amortized cost				
Shareholder loans (i)	*-*	*-*	***142,591,951***	***151,171,275***
Loans from JV Partners (ii)	*-*	*-*	***26,941,851***	*-*
Bond (iii)	-	-	49,174,560	49,026,795
Bank loans (iv)	6,580,000	8,141,116	52,035,783	32,934,000
Finance lease liabilities (v)	1,375,022	1,910,616	1,190,957	2,137,485
Government loans (vi)	-	-	9,788,678	-
Other borrowings	277,000	277,000	799,000	1,076,000
Due to third parties	***8,232,022***	***10,328,732***	***112,988,978***	***85,174,280***
TOTAL	**8,232,022**	**10,328,732**	**282,522,780**	**236,345,555**

(i) Since the capital increase in June 2013, Mr. Samih Sawiris has invested a further CHF 142.6 in order to provide financing of the resort Andermatt. The loan has currently an interest rate of 1%. In 2016, the Group has reduced the invested excess cash with Mr. Samih Sawiris by CHF 14 million from CHF 25 million to CHF 11 million. This invested excess cash is a short-term treasury measure to avoid negative interest amounts (refer to note 18 for further details).

(ii) 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 used to be shown as current liabilities due from related parties. In 2016, they have been reclassified as non-current borrowings due to new contractual agreements.

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

(iv) In November 2015, the Group has signed a very long dated credit arrangement with a major Swiss bank of CHF 30 million which was increased in 2016 by CHF 10 million to a total of CHF 40 million. The variable interest loan is secured with hotel property (note 13) as well as unsold units recognised in inventory (note 16) and has a maximum term of more than 20 years. The Group has further bank loans with various banks. In general, they have variable interest rates including a mark up.

(v) Refer to note 35 for details on finance lease liabilities

(vi) Refer to note 29 for details on the government loans

Property, plant and equipment as well as inventory with a total carrying amount of CHF 135.5 million (2015: CHF 147.5 million) have been pledged to secure borrowings (see note 13 and 16).

24.1 Summary of borrowing arrangements

The weighted average contractual effective interest rate for all interest bearing credit facilities and loans is 1.91% (2015: 3.21%). For a breakdown of debts bearing variable and fixed interest see note 31.4.

25 PROVISIONS

CHF	Warranties (i)	Dismantling (ii)	Rectification Work (iii)	Total
Balance at 1 January 2016	-	-	-	-
Additional provision recognised	2,780,000	325,000	200,000	3,305,000
Balance at 31 December 2016	**2,780,000**	**325,000**	**200,000**	**3,305,000**
thereof current	-	-	200,000	200,000
thereof non-current	2,780,000	325,000	-	3,105,000

(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.

26 TRADE AND OTHER PAYABLES

CHF	31 December 2016	31 December 2015
Non-current trade payables	-	-
Current trade and other payables	19,518,338	21,480,603

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

27 DEFERRED REVENUE

CHF	31 December 2016	31 December 2015
Deferred revenue from real estate sales (i)	21,202,448	28,120,896
Deferred revenue from ski ticket sales	942,650	791,214
Other deferred revenue	1,686,245	1,065,450
TOTAL	**23,831,343**	**29,977,560**

(i) Advances from customers include amounts received (progress payments) from buyers of real estate units between the time of the initial agreement and contractual completion. The decrease is mainly due to the delivery of the R-residences of Chedi as well as apartment on the podium in 2016.

28 OTHER CURRENT LIABILITIES

CHF	31 December 2016	31 December 2015
Deferred income from government grants (note 29)	5,986,046	5,986,046
Other credit balances (ii)	925,032	868,741
Accrued expenses (i) (ii)	13,514,587	13,300,745
Deposits from others (ii)	60,240	66,600
VAT payables	79,959	1,318,104
TOTAL	**20,565,864**	**21,540,236**

(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 31.3).

29 GOVERNMENT GRANTS

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

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

In 2016, the Group received a first tranche of CHF 11.7 million of which CHF 9.8 million are recognised as non-current borrowings (note 24). The remaining CHF 1.9 million are deferred as non-current liabilities and recognised as income from government grants over the next 20 years. In 2016, an income of CHF 0.1 million is recognised within other gains and losses (note 10).

Further, when the Group purchased the land in Andermatt, they received a part of the land for free with the obligation to build a sports centre in Andermatt. This government grant from the municipality of Andermatt is treated as a prepayment for the construction of the sports centre and is recognised as other current liability (note 28).

30 RETIREMENT BENEFIT PLANS

30.1 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 statues 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	2016	2015
Current service cost	1,426,586	1,341,963
Net interest expense	50,046	65,664
Administration cost excl. cost for managing plan assets	8,370	7,413
Past service cost	(488,433)	44,818
Expense recognised in profit or loss	**996,569**	**1,459,858**

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

CHF	2016	2015
Remeasurement (gain)/loss on defined benefit obligation	1,315,885	768,107
Return on plan assets excl. interest income	(103,048)	(199,706)
Change in accounting treatment of defined benefit plan	-	506,361
Expense recognised in other comprehensive income	**1,212,837**	**1,074,762**

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 2016	31 December 2015
Present value of funded defined benefit obligation	20,209,678	16,741,649
Fair value of plan assets	(13,613,866)	(11,433,318)
Net liability arising from defined benefit obligation	**6,595,812**	**5,308,331**

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

CHF	2016	2015
Opening defined benefit obligation	16,741,649	13,648,531
Additional obligation due to first-time application of defined benefit plan	-	1,177,570
Current service cost	1,426,586	1,341,963
Interest expense on defined benefit obligation	161,792	233,624
Contributions from plan participants	921,925	817,886
Past service cost	(488,433)	44,818
Benefits (paid)/deposited	121,904	(1,298,263)
Remeasurement loss on defined benefit obligation	1,315,885	768,107
Administration cost (excl. cost for managing plan assets)	8,370	7,413
Closing defined benefit obligation	**20,209,678**	**16,741,649**

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

CHF	2016	2015
Opening fair value of plan assets	11,433,318	10,056,934
Additional plan assets due to first-time application of defined benefit plan	-	671,209
Interest income on plan assets	111,746	167,960
Return on plan assets excluding interest income	103,048	199,706
Contributions from the employer	921,925	817,886
Contributions from plan participants	921,925	817,886
Benefits (paid)/deposited	121,904	(1,298,263)
Closing fair value of plan assets	**13,613,866**	**11,433,318**

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 214,794 (2015: CHF 367,666).

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

	2016	2015
Discount rates	0.40%	0.90%
Expected rates of salary increase	1.00%	1.00%
Expected pension increases	0.00%	0.00%
Mortality tables	BVG 2015 GT	BVG 2010 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 969,580 (increase by CHF 1,057,356) 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 164,205 (decrease by CHF 163,065) 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 464,717 (decrease by CHF 465,636) if all other assumptions were held constant

The average duration of the defined benefit obligation at the end of the reporting period is 21.0 years (2015: 17.8 years)

The Group expects to make a contribution of CHF 965,390 to the defined benefit plans during the next financial year.

30.2 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.

31 FINANCIAL INSTRUMENTS

31.1 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 24), loans from shareholders (note 24, offset by cash and bank balances (note 19) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests as detailed in notes 20 to 23).

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 2015 and 2016 the Group was refinanced through further debt investments of Mr. Samih Sawiris of total CHF 142.6 million as well as a new bond placement of CHF 50 million, a credit arrangement with a Swiss bank of CHF 40 million and financing by the government up to CHF 48 million for the development of the ski area, of which CHF 11.7 million were received in 2016 and the residual amount will be received based on the progress of the development of the ski area.

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

The gearing ratio was as follows:

CHF	31 December 2016	31 December 2015
Shareholder loans	142,591,951	151,171,275
Loans from JV partners	26,941,851	-
Loans due to third parties	121,221,000	95,503,012
Total debt (i)	**290,754,802**	**246,674,287**
Less: Shareholder loans	(11,000,000)	(25,000,000)
Less: Cash and cash equivalents	(19,134,278)	(40,784,164)
Net debt	**260,620,524**	**180,890,123**
Equity (ii)	**101,511,113**	**137,579,024**
Net debt to equity ratio	**256,74%**	**131.48%**

(i) Debt is defined as long- and short-term borrowings, as detailed in note 24.

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

31.2 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.

31.3 Categories of financial instruments

CHF	31 December 2016	31 December 2015
Financial assets		
Cash and bank balances	19,134,278	40,784,164
Fair value through other comprehensive income (FVTOCI) (i)	66,766	67,200
Financial assets measured at amortized cost (ii)	21,096,763	49,262,964
Financial liabilities		
At amortised cost (iii)	270,497,545	286,608,198

(i) Refer to note 15 for further details.

(ii) Consists of trade and other receivables (note 17), receivables due from related parties (note 32) as well as other current assets (note 18).

(iii) Consists of borrowings (note 24), trade and other payables (note 26), payables due to related parties (note 32) as well as other current liabilities (note 28).

31.4 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 31.4.1), interest rates (note 31.4.2) and certain price risk on equity investments (note 31.4.3) as well as credit risk (note 31.4.4) and liquidity risk (note 31.4.5). Most of these risks are minimal which is further described below.

It is, and has been throughout 2016 and 2015, the Group's policy not to use derivatives.

31.4.1 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.

31.4.2 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.

31.4.3 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.

31.4.4 Credit risk management

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

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

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

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

31.4.5 Liquidity risk management

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

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

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

Liquidity and interest rate risk tables

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

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

2015 CHF	Weighted average effective interest Rate	Less than 6 month	6 months to one year	1 – 5 years	5 + years	Total
Non-interest bearing	-	39,960,910	250,000	1,076,000	-	41,286,910
Variable interest rate instruments	2.23%	7,950,392	876,061	37,799,266	-	46,625,719
Fixed interest rate instruments	3.41%	2,450,555	1,473,115	58,689,354	151,171,275	213,784,299
TOTAL		**50,361,857**	**2,599,176**	**97,564,620**	**151,171,275**	**301,696,928**

31.6 Fair value of financial instruments

31.6.1 Fair value of financial instruments carried at amortised cost

Management considers that except for the bond, the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values. The fair value of the bond is CHF 50.0 million compared to the carrying amount of CHF 49.2 million (note 24).

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

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

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

31.6.3 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 15 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 2016	2015
Opening balance	**67,200**	**67,200**
Purchases	1,000	-
Remeasurement losses through other comprehensive income	(1,434)	-
Closing balance	**66,766**	**67,200**

32 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 31.12.16	31.12.15	Due to related parties 31.12.16	31.12.15
JV-Partners				
Besix Group SA (i)	-	-	20,318,100	3,871,000
Schmid (i)	-	-	6,623,751	-
Non controlling shareholders				
Orascom Development Holding AG	-	351,454	52,349	-
Close family members				
Samih Sawiris – (ii)	11,000,000	25,000,000	143,386,360	151,517,496
Total	**11,000,000**	**25,351,454**	**170,380,560**	**155,388,496**
Current	11,000,000	25,351,454	846,758	4,217,221
Non-current	-	-	169,533,802	151,171,275
Total	**11,000,000**	**25,351,454**	**170,380,560**	**155,388,496**

(i) Loans due to JV Partners used to be shown as current liabilities due from related parties. In 2016, they have been reclassified as non-current borrowings due to new contractual agreements.

(ii) Loans due from and to Mr. Samih Sawiris are disclosed in note 24. Further transactions involving Mr. Samih Sawiris, Chairman and major shareholder:

Acuro Transaction

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. 50% of the agreed purchase price has been collected at closing of this transaction with the residual 50% payable in pre-agreed instalments according to the progress of construction work.

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 2016 there were receivables due from Acuro in the total amount of CHF 0.2 million outstanding (31 December 2015: CHF 7.3 million). The decrease is due to the handover of the Chedi apartments in December 2015. As the real estate units were completed and in general handed over in 2015, no revenue from sale of real estate (2015: CHF 80.0 million) was recognised. However, there was revenue in relation to resale provisions of CHF 0.5 million (2014: CHF 5.9 million). As at 31 December 2016 there are no residual deferred revenues in relation to the above transaction.

33 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 0.6 million over projects under constructions (see note 10).
- New finance lease contract of CHF 0.6 million.

34 OPERATING LEASE ARRANGEMENTS

34.1 The Group as lessee

34.1.1 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.

34.1.2 Payments recognised as an expense in the period

CHF	2016	2015
Minimum lease payments	5,243,698	4,836,142
TOTAL	**5,243,698**	**4,836,142**

32.1.3 Non-cancellable operating lease commitments

	Total of future minimum lease payments	
CHF	31 December 2016	31 December 2015
Not longer than 1 year	1,393,333	1,425,187
Longer than 1 year and not longer than 5 years	1,811,049	3,035,225
Longer than 5 years	4,047,868	4,163,261
TOTAL	**7,252,250**	**8,623,673**

During 2016 and 2015, the Group did not enter into any significant new lease arrangements.

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

35 FINANCE LEASE ARRANGEMENTS

35.1 The Group as lessee

35.1.1 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.

35.1.2 Finance lease liabilities

	Minimum lease payments		Present value of minimum lease payments	
CHF	31.12.16	31.12.15	31.12.16	31.12.15
Not longer than 1 year	1,438,294	2,023,884	1,375,022	1,910,616
Longer than 1 year and not longer than 5 years	1,216,245	2,221,722	1,190,957	2,137,485
Longer than 5 years	-	-	-	-
	2,654,539	4,245,603	2,565,979	4,048,101
Less: future finance charges	(88,560)	(197,505)	-	-
Present value of minimum lease payments	**2,565,979**	**4,048,101**	**2,565,979**	**4,048,101**
thereof current borrowings (note 24)			**1,375,022**	1,910,616
thereof non-current borrowings (note 24)			**1,190,957**	2,137,485

36 COMMITMENTS FOR EXPENDITURE

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

CHF	2016
Andermatt Swiss Alps AG (i)	10,167,500

(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 2016, 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.

37 LITIGATION

There were no significant litigations in process as at 31 December 2016 and 2015.

38 SUBSEQUENT EVENTS

There were no subsequent events after 31 December 2016.

39 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the directors and authorized for issue on 6 April 2017.

Deloitte.

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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 2016 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-42) give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with 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.

Deloitte.

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 Skiing Area and "The Chedi"

Key audit matter	How the scope of our audit responded to the 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 150 million. The assets compromise the capitalized costs for the hotel and apartments. The management prepares an annual impairment test to identify if there are any indicators for impairment. Management used the discounted cash flow method to assess the value of the recorded assets. The net present value is dependent on Management's forecast of the future cash flows as well as the applicable discount rates and growth rates. The valuation is therefore subject to a degree of uncertainty. The valuation methodology is explained in the notes to the consolidated financial statements (Note 3.13 and 4.2.1).	We assessed the Group's definition of segments and related documentation. We further assessed the preparation of the impairment testing model and underlying assumptions. We evaluated how the Group determines budget and forecast information on earnings and related cash flows by segments and year and how it derived the applicable discount rate. We also assessed the different input factors to the discount rate against observable market data and evaluated whether these are consistently applied by management. We performed sensitivity analysis of the impairment models and corroborated the budgets and forecasts through review of underlying documentation and discussions with management. We further involved internal valuation experts to review valuation models (structure, completeness and mathematical accuracy), to validate the discount rates applied and to ensure compliance with IAS 36 "Impairment of assets". Based on the audit procedures performed, we consider the audit risk in relation to impairment testing to be adequately addressed.

Deloitte.

Revenue recognition

Key audit matter	How the scope of our audit responded to the key audit matter
The consolidated revenue of CHF 80.7 million consists of CHF 20.6 million for hotel operations, CHF 46.6 million for sales of apartments and residences and CHF 13.4 million for the Ski Arena. Revenue from sales of apartments and residences is recognized when the risks and rewards have been transferred to the client in accordance with IAS 18. The risks and rewards are transferred when the sale of the apartments and residences is registered in the land register or at least when the registration request is at the land register as per year-end. The accounting policy applied by the Group in connection with the revenue recognition is explained in the notes to the consolidated statements in Note 3.5.	Our audit focused on revenue recognition and proper cut-off as of year-end for sales which have been recognized in the last month of the year. Our opinion is based on the following audit procedures: • We tested the relevant controls. The tests of controls is the basis for the examination of revenues • We have performed substantive testing throughout the year and with focus of the last month of the year to ensure proper cut-off as per year-end. Based on the audit procedures performed, we consider the audit risk in relation to revenue recognition to be adequately addressed.

Valuation of inventory

Key audit matter	How the scope of our audit responded to the key audit matter
The inventory is a significant account balance with an amount of CHF 160.7 million as per year-end 2016. The inventory compromises mainly apartments and residences for sale. The management is reviewing the valuation of the inventory regularly. The valuation of the inventory is dependent on the margins recognized, which are driven by the sales prices recognized. The valuation methodology is explained in the notes to the consolidated financial statements (Note 4.2.4).	We gathered an understanding of the relevant process and reviewed the internal controls accordingly. We held interviews with the responsible project managers as well as with the management of the group. We have performed substantive testing with an appropriate sample size to ensure that the inventories are valuated in accordance with the lower of cost or market principle. Based on the audit procedures performed we consider the audit risk in relation to the valuation of inventory to be adequately addressed.

Deloitte.

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

Deloitte AG

Roland Mueller Licensed Audit Expert Auditor in Charge	Christian Gabriel Licensed Audit Expert

Zurich, 6 April 2017
ROM/CGA/rma

Andermatt Swiss Alps AG

Statutory standalone financial statements together with auditor's report for the year ended 31 December 2016

Andermatt Swiss Alps AG

Bilanz per 31. Dezember Balance Sheet as of 31 December	**Anhang** Notes	**2016**	**2015**
AKTIVEN ASSETS		CHF	CHF
Umlaufvermögen **Current assets**			
Flüssige Mittel Cash and cash equivalents		6'162'223	23'002'809
Forderungen aus Lieferungen und Leistungen Trade accounts receivable		1'756'222	5'984'541
Übrige kurzfristige Forderungen Other current receivables			
- gegenüber Dritten from third parties		315'279	516'884
- gegenüber Konzerngesellschaften from group companies		70'466'075	98'031'903
- gegenüber Aktionäre from shareholders		11'000'000	25'351'454
Vorräte Inventories	3.1	64'216'237	76'815'265
Aktive Rechnungsabgrenzungen Prepaid expenses and accrued income		136'950	121'992
		154'052'986	229'824'848
Anlagevermögen **Non-current assets**			
Übrige langfristige Forderungen Other non-current assets			
- gegenüber Dritten from third parties		500'000	2'085'452
- gegenüber Konzerngesellschaften from group companies	5.2	128'459'390	83'320'637
Finanzanlagen Financial assets		53'300	53'300
Beteiligungen Shareholdings	3.2 / 5.2	17'423'634	17'372'634
Sachanlagen Tangible fixed assets			
- Mobile Sachanlagen Movable fixed assets		1'589'548	1'387'419
- Immobile Sachanlagen Immovable fixed assets		43'389'148	25'745'663
- Angefangene Bauten Project under progress		15'586'254	29'291'370
		207'001'274	159'256'475
		361'054'260	389'081'323

Andermatt Swiss Alps AG

Bilanz per 31. Dezember Balance Sheet as of 31 December	Anhang Notes	2016	2015
PASSIVEN LIABILITIES AND SHAREHOLDERS' EQUITY		CHF	CHF
Fremdkapital **Liabilities**			
Kurzfristiges Fremdkapital **Current borrowed capital**			
Verbindlichkeiten aus Lieferungen und Leistungen Trade accounts payable			
- gegenüber Dritten to third parties		4'495'174	4'166'460
- gegenüber Konzerngesellschaften to group companies		466'910	594'130
- gegenüber Aktionäre to shareholders		52'349	-
Kurzfristige verzinsliche Verbindlichkeiten Current interest-bearing liabilities		309'117	3'508'683
Übrige kurzfristige Verbindlichkeiten Other current liabilities		112'470	123'663
Passive Rechnungsabgrenzungen Accrued expenses and deferred income		10'666'313	10'213'871
		16'102'333	18'606'807
Langfristige Verbindlichkeiten **Long-term borrowed capital**			
Vorausahlungen von Kunden Advances from customers		2'331'153	7'797'581
Rückstellungen Provisions		200'000	-
Langfristige verzinsliche Verbindlichkeiten Long-term interest-bearing liabilities			
- gegenüber Dritten to third parties	3.4	55'504'034	49'465'462
- gegenüber Aktionären to shareholders	3.3	142'591'951	151'171'275
Übrige langfristige Verbindlichkeiten Other long-term liabilities			
- gegenüber Aktionären to shareholders	3.3	794'409	346'221
		201'421'547	208'780'539
Eigenkapital **Shareholders' equity**			
Grundkapital Share capital		231'147'000	231'147'000
Kumulierte Verluste Accumulated losses			
- Verlustvortrag Loss carried forward		-69'453'023	-48'486'545
- Jahresverlust Net loss for the year		-18'163'597	-20'966'478
		143'530'380	161'693'977
		361'054'260	389'081'323

Andermatt Swiss Alps AG

Erfolgsrechnung Income statement	Anhang Notes	01.01. - 31.12.16	01.01. - 31.12.15
		CHF	CHF
Verkaufserlös Revenue from sales		16'564'419	35'662'054
Dienstleistungsertrag Revenue from services		139'240	740'040
Dienstleistungsertrag Konzerngesellschaften Revenue from services to group companies		1'004'542	223'797
Diverse Erträge Other income		72'219	145'627
Betrieblicher Gesamtertrag **Total operating income**		17'780'420	36'771'518
Herstellkosten des Verkaufs Cost of sales	4.1 / 4.2	-22'634'058	-47'145'685
Bruttoergebnis **Gross margin**		-4'853'638	-10'374'167
Verkaufs- und Verwaltungsaufwand Selling, General and administrative expenses	4.1 / 4.2	-11'145'302	-10'036'797
Übriger Betriebsertrag Other operating income		48'356	54'241
Betriebsergebnis vor Zinsen und Steuer **Operating result before interests and tax (EBIT)**		-15'950'584	-20'356'723
Finanzertrag Financial income		1'458'406	1'434'668
Finanzaufwand Financial expenses		-3'662'810	-1'765'885
Ordentliches Unternehmungsergebnis (vor Steuer) **Ordinary loss before tax**		-18'154'988	-20'687'940
Ausserordentlicher Aufwand Extraordinary expenses	4.3	-23'743	-278'538
Ausserordentlicher Ertrag Extraordinary income	4.4	15'134	-
Jahresergebnis (vor Steuer) **Result before tax**		-18'163'597	-20'966'478
Einkommensteuern Income tax		-	-
Jahresverlust **Net loss for the year**		-18'163'597	-20'966'478

Andermatt Swiss Alps AG

Anhang der Jahresrechnung
Notes to the Financial Statements

1. Allgemeine Informationen / General information

Grundsatz / Basic principle	Erläuterung / Explanation
Allgemeine Informationen	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.
General information	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.
Rechtsform, Sitz und Stammkapital	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.
Legal form, registered office and capital	Andermatt Swiss Alps AG was founded on 11 May 2007 and is domiliced 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.
Angaben zu den Vollzeitstellen im Jahresdurchschnitt	Die Gesellschaft weist im Jahresdurchschnitt weniger als 250 Vollzeitstellen (Vorjahr weniger als 250 Vollzeitstellen) aus.
Information on full-time positions on annual average	The company has an annual average of less than 250 full-time positions (prior year: less than 250 full-time positions).

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

Rechnungslegungs-grundsätze	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.
Principles of financial reporting	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.
Schätzungen und Annahmen des Managements	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.
Estimates and assumptions made by management	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.

Grundsatz / Basic principle	**Erläuterung** / Explanation
Fremdwährungs-positionen	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.
Konzerngesellschaften	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).
Flüssige Mittel	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.
Forderungen aus Lieferungen und Leistungen	Forderungen aus Lieferungen und Leistungen werden mit dem ursprünglichen Netto-Rechnungsbetrag erfasst, abzüglich einer Wertberichtigung für spezifische risikobehaftete Forderungen (Delkredere).
Trade accounts receivable	Trade acounts receivable are recorded at their original net invoice amount, less a value adjustment for specific receivables carrying risk (contingency reserves).
Vorräte	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.

Grundsatz / Basic principle	**Erläuterung** / Explanation
Sachanlagen	Sachanlagen werden entsprechend ihrer erwateten wirtschaftlichen Nutzungsdauer linear abgeschrieben. Ausnahmen bilden Grundstücke (Land), die nicht abgeschrieben werden. Die Nutzungsdauer ist wie folgt festgelegt: 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 Sofern Anzeichen einer Überbewertung erkennbar werden, werden die Buchwerte überprüft und gegebenenfalls wertberichtigt.
Tangible fixed assets	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: 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 If there is any evidence of an over-valuation, the accounting values are checked and adjusted where necessary.
Umsatzrealisierung	Die Gesellschaft verbucht die auf den Rechnungen brutto ausgewiesenen Beträge, nach Abzug der Mehrwertsteuer, als Erlöse aus Lieferungen und Leistungen. In Übereinstimmung mit IAS 18 werden Erlöse aus Verkauf von Immobilien verbucht, wenn die massgeblichen Risiken und Chancen auf den Kunden übertragen sind (grundsätzlich im Zeitpunkt der Anmeldung beim Grundbuchamt). Der Dienstleistungsumsatz wird erst bei Abschluss des Auftrages erfasst.
Revenue recognition	The company records the gross invoice amounts, after deduction of value-added tax, as profits from goods and services. In accordance with IAS 18 revenue from real estate are recorded when the significant risks and rewards have transfered to the customer (basically, at the time of registration at land register). Revenues from services are recognised when contracts are completed only.
Leasinggeschäfte	Leasing- und Mietverträge werden nach Massgabe des rechtlichen Eigentums bilanziert. Entsprechend werden die Aufwendungen als Leasingnehmerin bzw. als Mieterin periodengerecht im Aufwand erfasst.
Leasing transactions	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.

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

3.1 Vorräte / Inventories

	31.12.2016	31.12.2015
Angefangene Bauten / Project under progress	37'085'471	39'228'839
Nicht verkaufte Einheiten / Unsold units	27'130'766	37'586'426
Total	**64'216'237**	**76'815'265**

3.2 Beteiligungen / Shareholdings

		Kapitalanteile in % Capital shares in %		Stimmanteile in % Voting shares in %	
Name, Sitz Shareholdings, Registered office	**Grundkapital** Share capital **in 1'000**	**31.12.2016**	**31.12.2015**	**31.12.2016**	**31.12.2015**
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 12'574	52.8	52.8	52.8	52.8
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	-

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

	31.12.2016	31.12.2015
Darlehen / Loan **Samih O. Sawiris**	143'386'360	151'517'496

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

	31.12.2016	31.12.2015
Anleihe / Bond	49'174'560	49'026'795
Hypothek / Mortgage	6'000'000	-
Leasing / Leasing	329'474	438'667

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

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

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

	31.12.2015	31.12.2014
4.1 Personalaufwand / Personnel expense	7'044'768	5'493'110
4.2 Abschreibungen Total / Depreciation total	1'756'193	1'096'528

4.3 Ausserordentlicher Aufwand / Extraordinary expenses

Der ausserordentliche Aufwand betrifft insbesondere eine Zahlung an einen Resort Materiallieferanten nach Konkurs seines Auftragsgebers.

The extraordinay expenses result mainly from payment to a resort supplier of material. The contracting entity went bankrupt.

4.4 Ausserordentlicher Ertrag / Extraordinary income

Beim ausserordentlichen Ertrag handelt es sich um den erhaltenen Liquidationserlös einer in 2013 abgeschriebenen Investition.

The extraordinary income is the liquidation proceeds of an investment that was fully depreciated in 2013.

5. Weitere Angaben / Further informations

5.1 Restbetrag der Leasingverpflichtungen / Residual amount of leasing liabilities

	31.12.2016	31.12.2015
< 1 Jahr / < 1 year	6'116	17'193
1 - 5 Jahre / 1 - 5 years	0	6'116
> 5 Jahre / > 5 years	-	-
Total	**6'116**	**23'309**

5.2 Gesamtbetrag der zur Sicherung eigener Verbindlichkeiten verwendeten Aktiven
Total amount of assets pledged or assigned to secure own liabilities and assets under reservation

	31.12.2016	31.12.2015
Rangrücktritt auf Darlehen gegenüber Bellevue Hotel & Appartement Development AG Subordinated loan Bellevue Hotel & Appartement Development AG	71'770'000	59'200'000
Rangrücktritt auf Darlehen gegenüber Hotel 4b Development AG Subordinated loan Hotel 4b Development AG	20'681'850	3'100'000
Grundpfandgesicherte Hypothek (in 2015 Baukredit) der Urner Kantonalbank Real security pledged for mortgage (in 2015 building loan) of Urner Kantonalbank	12'993'033	10'003'806
Total	**105'444'883**	**72'303'806**

5.3 Eventualverbindlichkeiten / Contingent Liabilities

	31.12.2016	31.12.2015
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 2016 waren 19'985 (2015: 36'985) ASA Aktien, die von der Orascom Development AG gehalten werden, mit einem Nominalwert von CHF 1'000 verpfändet als Sicherheit an den Kanton und die Gemeinde. Zusätzlich wurde im Zusammenhang mit dieser Transaktion Land mit einem Wert von CHF 1'000'000 CHF verpfändet. 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 2016, 19'985 (2015: 36'985) 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.	10'167'500	15'150'000

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

Die Andermatt Swiss Alps Gruppe tritt gegenüber der Eidgenössischen Mehrwertsteuerverwaltung als Gruppe auf, was zu einer Solidarhaftung aus Gruppenbesteuerung für die Mehrwertsteuer führt.
Andermatt Swiss Alps Group acts as Group company against federal value-added tax authorities. This leads to a joint liability from Group taxation for value-added tax purposes.

Deloitte.

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Statutory Auditor's Report

To the General Meeting of
ANDERMATT SWISS ALPS AG, ANDERMATT

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of Andermatt Swiss Alps AG, which comprise the balance sheet as at 31 December 2016 and the income statement and notes for the year then ended.

In our opinion the accompanying financial statements as at 31 December 2016 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion
We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Revenue recognition

Key audit matter	How the scope of our audit responded to the key audit matter
The revenue of CHF 17.8 million consists mainly of the sale of apartments. Revenue from sales of apartments is recognized when the risks and rewards have been transferred to the client in accordance with IAS 18. The risks and rewards are transferred when the sale of the apartments is registered in the land register or at least when the registration request is at the land register as per year-end. The accounting policy applied by the Entity in connection with the revenue recognition is explained in the notes to the financial statements (Note 2).	Our audit focused on revenue recognition and proper cut-off as of year-end for sales which have been recognized in the last month of the year. Our opinion is based on the following audit procedures: • We tested the related key controls. The tests of controls is the basis for the examination of revenues • We have performed substantive testing throughout the year and with focus of the last month of the year to ensure proper cut-off as per year-end. Based on the audit procedures performed, we consider the audit risk in relation to revenue recognition to be adequately addressed.

Valuation of inventory

Key audit matter	How the scope of our audit responded to the key audit matter
The inventory is a significant account balance with an amount of CHF 64.2 million as per year-end 2016. The inventory is related to apartments ready for sale. The management is reviewing the valuation of the inventory regularly. The valuation of the inventory is dependent on the margins recognized, which are driven by the sales prices recognized. The valuation methodology is explained in the notes to the financial statements (Note 2).	We gathered an understanding of the relevant process and reviewed the internal controls accordingly. We held interviews with the responsible project managers as well as with the management. We have performed substantive testing with an appropriate sample size to ensure that the inventories are valuated in accordance with the lower of cost or market principle. Based on the audit procedures performed we consider the audit risk in relation to the valuation of inventory to be adequately addressed.

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

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

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

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

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Report on Other Legal and Regulatory Requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of 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 Mueller
Licensed Audit Expert
Auditor in Charge

Christian Gabriel
Licensed Audit Expert

Zurich, 6 April 2017
RMU/CGA/rma

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