ANNUAL REPORT 2016

HDLT Holding SA

CONTENT

MANAGEMENT REPORT

Let's build tomorrow's healthcare together

Corporate Information

HDLT Holding SA owns and operates the largest private hospital group in the Canton of Geneva, being Hôpital de la Tour, Clinique de Carouge and Centre Médical de Meyrin, collectively “La Tour”.

La Tour, created in 1976, has developed and expanded over the years to become Geneva's largest private full-service hospital measured by beds, patient days and revenue, enjoying a unique positioning as the only hospital on Geneva's more densely populated right bank. It is also the sole unique private hospital in the canton of Geneva that has a certified intensive care unit, an intermediate care unit, a 24/7 emergency service, a renowned level IIA neonatal department and a renal dialysis service, whilst also being a recognised medical teaching facility in 7 specialties. La Tour has an estimated market share in relation to private inpatient admissions in Geneva of 29%[1].

La Tour is recognized on the Canton of Geneva’s hospital list and is also mandated to receive patients without additional private health insurance in certain specialties. Outpatient services are available to all those with basic national health insurance (LAMal and LAA).

La Tours’ focus is to provide quality medical services to the entire regional population, while also carrying out all the activities of a private clinic. As a healthcare group reputed for its medical training programs, La Tour also strives to prepare medical professionals of the future.

Activity of the Group

Activity
La Tour has 170 beds, including 10 intensive care unit beds, and is equipped with 7 state-of-the-art operating rooms, 2 catheterization laboratories, 4 delivery rooms and around-the-clock emergency services in Geneva and Carouge. In 2016, it generated consolidated revenues of KCHF 206’333, with 88.4% of its inpatient revenues generated by patients with private insurance coverage. During the same year, it recorded 6’796 inpatient admissions, 543 deliveries, 2’888 day cases and 311’432 outpatient visits. The group employs 765 full time equivalent employees and works with 350 independent attending physicians with admission rights.

A comprehensive range of more than 60 medical specialities are offered to patients, including orthopaedics & sports medicine, cardiology & cardiovascular surgery, pulmonary medicine & thoracic surgery, gastroenterology & digestive surgery, internal medicine & diabetology, women & children’s services, oncology, renal dialysis, emergency services as well as progressive & intensive care medicine.

Involved in medical teaching in 7 specialties and currently employing 42 physicians on one or two-year training programs, La Tour is positioned as the first private teaching hospital of the French speaking part of Switzerland.

The activities of the La Tour are guided by the following values: humanity, kindness, responsibility, anticipation and proximity.

Expansion project – The “B2 Building”
With planned opening of the B2 Building on the Hôpital de La Tour campus in the Autumn 2017, La Tour can continue to expand and develop its activities. It will provide a net increase of 47 beds, 4 new operating rooms, a radiotherapy bunker with a linear accelerator, extensive

[1] As per Genève Clinique website based on last data available

medical imaging services and a new sports medicine and physiotherapy wing in a state-of-the-art facility.

Total investment on the new B2 Building is expected to be around KCHF 103'000 for construction and KCHF 22'000 for equipment. As of 31 December 2016, the HDLT Group had already spent KCHF 74'000 on the B2 Project.

Perspectives 2017

40 years of caring for patients
Inaugurated in 1976, La Tour celebrated its 40th anniversary in 2016. This milestone, together with the challenges of future healthcare, has led La Tour to re-evaluate and to open itself up to new strategic perspectives with the establishment of new fully integrated healthcare delivery models.

Integrated Healthcare delivery models
Based on the principle of a healthcare pathway, this model will provide fully integrated, coordinated and personalized care to patients as well as catering to the needs or their families. It systematically brings together local participants, such as the family doctor, thematic networks, patient associations and all upstream and downstream service providers.
The integrated healthcare delivery models are defined around six specialties:

- Orthopaedics and sport medicine
- Cancerology
- Internal medicine
- Cardiology
- Woman and child
- Obesity

Growth dynamics
As mentioned above, La Tour will be expanding its capacity with the opening of the B2 Building as well as the opening of additional medical offices in the larger Geneva area, allowing it to continually expand its current fields of expertise, as well as further developing its specialties. During 2017 the focus will principally be on:

1. ***Orthopaedics and sport medicine centre***

Thanks to its strong experience in sport medicine and its constant support to elite athletes, La Tour is one of the leading medical sport centres in Switzerland and is accredited as a "Swiss Olympic Medical Center".

The opening of the new B2 Building in autumn 2017 will bring the orthopaedics and sport medicine centre to the next level. Patients will benefit from state of the art facilities on the same location and will be offered integrated care pathways from prevention, diagnostic, surgical, reeducation and other services for well being. La Tour will offer the latest technology in terms of imaging, radiology, surgical equipment and reeducation.

2. ***Opening of a fully integrated in-house cancer centre:***

In June 2017, the first public-private partnership in oncology in the canton of Geneva will be launched at La Tour. The partnership was signed in January 2017 with the University hospital of Geneva ("HUG"), and will offer all patients best in class shared diagnostics as well as protocols of treatment and research on both river-sides of Geneva and under a common medical governance of a leading professor in the field.

In the second semester of 2017, the new radio-oncology department will be operational at the La Tour campus and will represent the first and only radio-therapy bunker on the right bank of Geneva.

La Tour will therefore be able to provide in-house a wide range of services for the treatment of cancer, from prevention, diagnostic, chemotherapy, radiation therapy, haematology, re-education to support services, nutrition and physical activity.

3. ***Internal medicine centre:***

Internal medicine, including pneumology, intensive care medicine as well as emergency medicine services have experienced strong progression over the years. The launch of the integrated cancer centre and the venue, in early 2017, of three in-house neurologists, will further support future growth.

4. ***Cardiology centre:***

La Tour is strongly renowned for its cardiology centre and is the only private structure as an alternative to the "HUG" with the ability to offer the complete range of cares related to cardiology for ambulatory treatments as well as for inpatient surgeries. The objectives is to remain the regions market leader as the private alternative for healthcare in this sector, thanks to it having a strong team of more than 20 specialists active on the La Tour site specialised in detection, prevention, non invasive, mini invasive and invasive heart and cardiovascular surgery, as well as having access to the latest medical technology for cardiovascular imagining, rythmology and angiography.

5. ***Woman and child centre:***

Having had a stable activity for many years in this area, La Tour's ambition within the next two years is to bring the woman and child centre to the next level, with the development of fully dedicated emergency departments for paediatrics and for gynaecology, this in addition to being the only private structure with a IIA neonatology accreditation in the canton. Immediate growth however will be supported by the fact that several new gynaecologists and neonatologists are joining the La Tour site in 2017.

6. Launch of the obesity centre

In autumn 2017, La Tour will launch the first Geneva private centre for the treatment of obesity. This offers the opportunity to provide patients fully integrated treatment pathways within the wide range of already existing services.

Board of Directors of HDLT Holding SA

Name	Function	Domicile (country)	Citizenship
Photios Antonatos	Chairman	Vandoeuvres (CH)	Greece
Michel Bourrit	Member	Genève (CH)	Switzerland
Christophe Douineau	Member	Prevessin Moëns (FR)	France
Evgenia Paizi	Member	Chambésy (CH)	Greece/ Switzerland
Christopher Potter	Member	Commugny (CH)	United Kingdom

Members of the Executive Management of the Hôpital de la Tour

Nicolas F. Froelicher, CEO
Joined La Tour Réseau de Soins SA in 1983, holds a MBA from University of Geneva and is Certified Swiss Hospital Manager. Appointed CFO in 1986, he was promoted to CEO in September 2015.
Other activities include past President and Vice President of the Geneva and Swiss Private Hospital Association and member of the working group on Swiss DRGs.

Nathalie Delbarre, COO
Joined La Tour Réseau de Soins SA in 1992 as respiratory and physical therapist and appointed COO in 1999, holds a MBA from University of Geneva and is Certified International Investment Analyst.

Patrick Mignot, CSO
Joined in 2015 to oversee La Tour's strategic projects, previously was CEO of the Lyon pole of hospitals for Groupe Générale de Santé (France), where he has held senior positions since 2002 and worked as well for Fresenius. He holds a MBACESA from HEC Paris and a DUA from EM Lyon and is graduated in economics.

Risk assessment

On a yearly basis the Board of Directors conducts and approves an assessment of the risks facing the Group, with the participation and input of the Management. Identified risks are assessed according to their likelihood, severity and mitigation. Adequate measures to have in place to mitigate and manage risks are determined and responsibility is delegated to the management for implementation of such measures.

Internal audit ensure adequate implementation of such actions and findings are communicated to the Board of Directors so that progress and identified risks can be monitored objectively and independently from Management.

FINANCIAL REPORT 2016

Consolidated annual financial statements

CONSOLIDATED BALANCE SHEET

Amounts expressed in '000 CHF	**Note**	**31/12/2016**	**31/12/2015**
ASSETS			
Current assets			
Cash and banks		64'124	99'384
Trade receivables, net	[4]	42'976	40'162
Tax receivable		4'206	183
Other receivables		238	151
Inventories	[5]	4'872	4'845
Prepaid expenses		3'996	4'166
Total Current assets		**120'412**	**148'891**
Non-current assets			
Fixed assets	[6]	370'049	350'927
Intangible assets	[7]	120'909	128'483
Deferred tax assets	[8]	3'911	10'898
Total Non-current assets		**494'869**	**490'308**
TOTAL ASSETS		**615'281**	**639'199**

CONSOLIDATED BALANCE SHEET

Amounts expressed in '000 CHF	Note	31/12/2016	31/12/2015
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade payables		20'247	22'283
Other payables		36	51
Lease debt, short-term portion	[9]	922	907
Accrued taxes		1	95
Accrued expenses	[10]	10'215	12'571
Bank loans	[11]	5'500	3'000
Total Current liabilities		**36'921**	**38'907**
Non-current liabilities			
Loans from parent company	[12]	174'300	190'575
Convertible loan	[13]	672	672
Bank loans	[11]	184'000	189'500
Bond loan	[14]	82'000	82'000
Other loans	[15]	20'000	20'000
Lease debt, long-term portion	[9]	1'078	2'001
Deferred income		143	286
Deferred tax liability	[8]	56'177	58'746
Provision	[16]	145	0
Total Non-current liabilities		**518'515**	**543'780**
Total Liabilities		**555'436**	**582'687**
Shareholders' equity			
Share capital	[18]	60'012	2'012
Capital reserve		443	56'690
Retained Earnings		(610)	(2'190)
Total Shareholders' equity		**59'845**	**56'512**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**615'281**	**639'199**

CONSOLIDATED INCOME STATEMENT

Amounts expressed in '000 CHF	Note	**2016**	**2015**
REVENUE			
Net revenue		202'722	200'698
Other operating income		3'611	3'777
Total revenue		**206'333**	**204'475**
EXPENSES			
Personnel expenses	[19]	(75'920)	(76'119)
Doctors fees		(30'638)	(30'631)
Medical material and supplies		(33'851)	(33'700)
Rental expenses		(2'404)	(2'571)
Other operating expenses		(13'736)	(13'638)
Total expenses		**(156'549)**	**(156'659)**
EBITDA (earnings before interest, taxes, depreciation, amortization and non-operating items)		**49'784**	**47'816**
		24.1%	**23.4%**
Depreciation on fixed assets	[6]	(23'019)	(22'550)
Amortization on intangible assets	[7]	(7'945)	(8'250)
Operating Result		**18'820**	**17'016**
Financial expenses		(10'573)	(9'155)
Financial incomes		2	3
Financial Result		**(10'571)**	**(9'152)**
Ordinary Result		**8'249**	**7'864**
Refinancing costs	[11]	0	(1'800)
Other non-operating expenses		(1'296)	(1'939)
Total non-operating expenses		**(1'296)**	**(3'739)**
Net income before tax		**6'953**	**4'125**
Current taxes		(955)	(682)
Deferred taxes	[8]	(4'418)	(4'386)
Net profit/(loss) for the year		**1'580**	**(943)**
Earnings per share (EPS) expressed in CHF per share:			
Registered shares - Basic earnings per share		26	(557)
Registered shares - Diluted earnings per share	[13]	26	(549)

CONSOLIDATED CASH FLOW STATEMENT

Amounts expressed in '000 CHF		2016	2015
Net profit /(loss) after tax		**1'580**	**(943)**
Non-cash items			
Depreciation of fixed assets		23'019	22'550
Amortization on intangible assets		7'945	8'250
Movement in provisions		145	0
Taxation		5'373	5'068
Financial expenses and refinancing costs		10'573	10'955
Working capital adjustments			
Decrease (increase) in accounts receivable		(2'814)	1'986
Decrease (increase) in inventories		(27)	(49)
Decrease (increase) in other current assets		83	(2'140)
Increase (decrease) in accounts payable		(8'812)	1'854
Increase (decrease) in other current liabilities		1'648	1'029
Increase (decrease) of deferred income and use of provision		(143)	(1'083)
Income taxes reimbursement (payment)		(5'072)	(876)
Net cash flow from operating activities		**33'498**	**46'601**
Purchase of fixed assets	[*]	(36'415)	(29'141)
Purchase of intangible assets		(371)	(420)
Proceed from sale of lands and buildings		142	
Net cash flow from investing activities		**(36'644)**	**(29'561)**
Share capital and capital reserves		0	2'188
Proceeds from convertible loan		0	672
Proceeds from bond loan		0	82'000
Repayment of parent company loans		(14'569)	0
Repayment from bank loans		(3'000)	(3'000)
Bank financing fees		0	(1'800)
Interest paid		(14'545)	(7'738)
Net cash flow from financing activities	[*]	**(32'114)**	**72'322**
Net increase (decrease) in cash and cash equivalents		**(35'260)**	**89'362**
Cash and cash equivalents, beginning of period		99'384	10'022
Cash and cash equivalents, end of period		**64'124**	**99'384**

(*) The Group acquired KCHF 0 of finance lease in 2016 (2015: KCHF 2'546).

CONSOLIDATED CHANGE IN EQUITY STATEMENT

Amounts expressed in '000 CHF	Note	Share capital	Capital Reserve	Retained earnings	Total Equity
Balance at 31.12.2014		**100**	**56'414**	**(1'247)**	**55'267**
Capital increase		1'912	276	0	2'188
Loss for the period		0	0	(943)	(943)
Balance at 31.12.2015		**2'012**	**56'690**	**(2'190)**	**56'512**
Capital increase	[18]	58'000			58'000
Conversion from parent company loans previously qualifying as contribution reserve in share capital	[18]	0	(56'247)	0	(56'247)
Profit for the period		0	0	1'580	1'580
Balance at 31.12.2016		**60'012**	**443**	**(610)**	**59'845**

NOTES

1. Corporate Information

HDLT Holding SA ("the Company"), a limited company, incorporated on 15 February 2013 in Geneva Switzerland, is based at 24, quai du Seujet, 1201 Geneva. On 26 February 2013, it acquired the group of companies owning and operating the largest private hospital in the Canton of Geneva: Hôpital de la Tour, Clinique de Carouge and Centre Médical de Meyrin.

2. Activity of the Group

The main activity of the Company and its consolidated subsidiaries (collectively "the Group") is to operate hospitals in Geneva, Switzerland.

In 2016, the Group employed 765.2 full time equivalent employees and worked with 350 independent attending physicians with admission rights.

3. Consolidated Financial Statements

A. Basis of preparation

The consolidated financial statements give a true and fair view of the financial position, results of operations and cash flows of the Group. They have been prepared in accordance with the complete set of Swiss GAAP Accounting and Reporting Recommendations (Swiss GAAP RPC) and are based on the subsidiaries' annual financial statements at 31 December 2016 prepared using uniform classification and accounting policies. The consolidated financial statements are prepared under the going concern assumption, based on the historical cost principle.

There is no cross-section analysis because there is only a single business sector (medical) and a single geographical place (Geneva).

B. Basis of consolidation

Principles of consolidation

The consolidated financial statements comprise the accounts of the Company and its wholly owned subsidiaries, after elimination of all material inter-company transactions and balances.

Subsidiaries are consolidated from the date the parent obtains control until such time as control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets acquired, equity instruments issued or exchanged and liabilities undertaken at the date of acquisition. Costs related to the acquisition are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the identifiable net assets of the subsidiary acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statement of income.

The consolidated financial statements include the financial statements of the Company and the subsidiaries listed below:

Name	Place of incorporation	% equity interest and voting rights
La Tour Sàrl (*)	Meyrin, Switzerland	100%
La Tour Réseau de Soins SA	Meyrin, Switzerland	100%
Permanence de la Clinique de Carouge SA	Carouge, Switzerland	100%

(*) A restructuring of the Group structure (transfer of the 100% shares of La Tour Sàrl from La Tour Réseau de Soins SA to HDLT Holding SA) occurred in October 2015.

C. Summary of significant accounting policies

1. Basis of presentation

The consolidated financial statements are presented in thousand Swiss francs (‘000 CHF), which is the Group’s functional and presentation currency. Other Group companies also have Swiss francs as their functional currency.

2. Estimates and assumptions

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. If in future, such assumptions and estimates deviate from the actual circumstances, the original assumptions and estimates will be modified as appropriate in the period in which the circumstances change.

The key assumptions and estimates which have a risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below:

- Impairment of non-financial assets:

  The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value-in-use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit, and chooses a suitable discount rate in order to calculate the present value of those cash flows.

- Deferred tax assets:

  Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profits will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

- Contingent liabilities:

  The Group has various outstanding contingent liabilities; management judgment is required in order to determine the probability of materialisation of the underlying risk, and to determine whether or not a provision should be recorded. The determination of the provision, if any, is also subject to management judgment.

3. Balance sheet

3.1 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits in postal and bank accounts. They are stated at nominal value.

3.2 Trade and other receivables

Receivables are carried at nominal value less allowance for doubtful receivables. The allowance is based on the aging of trade receivables, specific risks and historical loss experience. Given the significant number of patients, the Group provides its receivables on a statistical basis, based on historical observations, all receivable balances which are overdue for more than 210 days from the date of the end of treatment are fully provided for.

3.3 Inventories

Inventories, which are principally composed of medical material and drugs, are valued at the lower of cost and net realizable value, determined using the weighted average cost. When necessary, provision is made for obsolete, slow-moving and defective stocks.

3.4 Fixed assets

Fixed assets are stated at cost less accumulated depreciation and any accumulated impairment losses.

Major additions and improvements that significantly increase values or asset lives are capitalized.

Borrowing costs related to construction-in-progress, premises and equipment, and costs of maintenance and repairs of fixed assets, are charged to the consolidated statement of income as incurred.

Assets under construction are not amortized until the asset is available to be put into service.

Depreciation is computed on a straight-line basis over the estimated useful life of assets, other than land (which is not depreciated), as follows:

Designation	Number of years
Building	40
Major fixed equipment	20
Minor fixed equipment	4 to 10
Medical equipment	4 to 10
Office furniture and equipment	3 to 10
Vehicles	4

Fixed assets are de-recognized upon disposal or when no future economic benefits are expected from their use or disposal. Any gain or loss arising on de-recognition of the asset is included in the consolidated statement of income in the period the asset is de-recognized.

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year-end.

3.5 Intangible assets

Goodwill
Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business acquisition over the Group's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities. Goodwill is stated at cost less accumulated amortization calculated on a straight-line basis over 20 years and less any accumulated impairment losses. Goodwill residual value, useful life and method of amortization are reviewed, and adjusted if appropriate, at each financial year-end

Other intangible assets
Other intangible assets of the group are mainly composed of software, they are stated at cost less accumulated amortization calculated on useful economic life on a straight-line basis and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period is of 3 years and the amortization method is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Assets under construction are not amortized until the asset is available to be put into service.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of income when the asset is de-recognized.

3.6 Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charge and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the consolidated statement of income. Capitalized leased assets are depreciated over the shorter of the useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating leases payments are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term.

3.7 Investments and other financial assets / liabilities

Purchases and sales of financial assets are recognized on the trade date, which is the date when the Group commits to purchase or sell the asset.

3.8 Impairment of financial assets

The Group assesses at each financial year end whether a financial asset or group of financial assets is impaired.

3.9 Trade and other payables

Trade and other payables are recognized at nominal value.

3.10 Financial liabilities

Financial liabilities and other borrowings are initially recognized at fair value. The fair value of the transactions with third parties corresponds to the nominal value. For transactions with related parties, the difference between the fair value and the nominal value is recognized through equity. The related inherent interest charge is recorded in the income statement over the length of the borrowing. Transaction costs are recognized immediately in the consolidated statement of income. Financial liabilities and other borrowings are classified as short-term liabilities when payable or renewable within 12 months.

3.11 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, if it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risk specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

3.12 Employee benefits

The Group entities contribute to various benefit plans according to Swiss law. Pension plans from autonomous pensions institutions are valued in accordance to Swiss GAAP RPC 16. At the reporting date, it is assessed if the Group has an economic benefit or obligation based on the financial statements of the funds.

3.13 Share-based capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

4. Consolidated statement of income

4.1 Revenue recognition

As of 1 January 2015, the Group adopted early implementation of the new revenue recognition rule (changes in Swiss GAAP FER Framework, FER 3 and FER 6), which is applicable to consolidated financial statements as of 1 January 2016. It specifies how revenue is to be recognized, valued and disclosed. Current accounting and reporting principles of the Group are compliant with the new revenue recognition rule according to Swiss GAAP FER. Therefore the changes had no impact on revenue recognition for the Group and it was not necessary to restate the previous year figures.

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenues from medical care are recognized when the related care has been provided to the patient.

Interest income is recognized as interest accrues.

4.2 Taxes

Income taxes comprise current and deferred taxes.

Current income taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. Tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted at the reporting date. Applicable income tax rate applicable to operational entities is 24%.

Deferred income taxes

Deferred taxes are recognized using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are measured at the tax rate (24%) expected to apply to the temporary differences when they reverse, based on the laws that have been enacted or substantially enacted at the reporting date. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences or carry-forward of unused tax losses can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

4. Trade receivables, net

expressed in '000 CHF	**31/12/16**	**31/12/15**
Trade receivables	47'482	44'250
Allowance for doubtful receivables	(4'506)	(4'088)
Total trade receivables, net	**42'976**	**40'162**

5. Inventories

Inventories are mainly composed of drugs and medical supplies.

6. Fixed Assets

expressed in '000 CHF	Lands and buildings	Fittings & Maintenance	Medical equipments	Assets under construction	Other fixed assets	Total
Cost						
31/12/2014	**342'538**	**2'855**	**14'699**	**16'247**	**2'973**	**379'312**
Additions	0	2'516	4'892	24'532	1'235	33'175
Transfers	0	1'972	412	(2'745)	361	0
Disposals	0	0	(39)	0	(11)	(50)
31/12/2015	**342'538**	**7'343**	**19'964**	**38'034**	**4'558**	**412'437**
Additions	0	1'449	3'158	36'660	1'016	42'283
Transfers	0	410	239	(1'280)	631	0
Disposals	(142)	0	(239)	0	(18)	(399)
31/12/2016	**342'396**	**9'202**	**23'122**	**73'414**	**6'187**	**454'321**
Accumulated Depreciation						
31/12/2014	**(31'056)**	**(1'104)**	**(5'714)**	**0**	**(1'136)**	**(39'010)**
Disposals	0	0	39	0	11	50
Depreciation	(16'893)	(816)	(4'034)	0	(807)	(22'550)
31/12/2015	**(47'949)**	**(1'920)**	**(9'709)**	**0**	**(1'932)**	**(61'510)**
Disposals	0	0	239	0	18	257
Depreciation	(16'940)	(1'274)	(3'893)	0	(912)	(23'019)
31/12/2016	**(64'889)**	**(3'194)**	**(13'363)**	**0**	**(2'826)**	**(84'272)**
Net book value						
31/12/2015	294'589	5'423	10'255	38'034	2'626	350'927
31/12/2016	**277'507**	**6'008**	**9'759**	**73'414**	**3'361**	**370'049**

Assets under construction mainly refer to the construction of a new building B2. Interest expenses related to B2 building under construction have been expensed in the consolidated income statement.

7. Intangible assets

expressed in '000 CHF	Goodwill	Assets under construction	Other intangible assets	Total
Cost				
31/12/2014	**148'819**	**8**	**3'685**	**152'512**
Additions, net	0	420	0	420
Transfers	0	(340)	340	0
31/12/2015	**148'819**	**88**	**4'025**	**152'932**
Additions, net	0	371	0	371
Transfers	0	(384)	384	0
31/12/2016	**148'819**	**75**	**4'409**	**153'303**
Accumulated Amortization				
31/12/2014	**(13'642)**	**0**	**(2'557)**	**(16'199)**
Amortization	(7'441)	0	(809)	(8'250)
31/12/2015	**(21'083)**	**0**	**(3'366)**	**(24'449)**
Amortization	(7'441)	0	(504)	(7'945)
31/12/2016	**(28'524)**	**0**	**(3'870)**	**(32'394)**
Net book value				
31/12/2015	127'736	88	659	128'483
31/12/2016	**120'295**	**75**	**539**	**120'909**

8. Deferred tax assets and liabilities

Movements in deferred tax assets and liabilities during the period were as follows:

expressed in '000 CHF	Deferred tax assets	Deferred tax liabilities	Net
31/12/2014	**17'530**	**(60'992)**	**(43'462)**
Use of tax loss carry-forwards	(6'489)	0	(6'489)
Other movements	(143)	2'246	2'103
31/12/2015	**10'898**	**(58'746)**	**(47'848)**
Use of tax loss carry-forwards	(6'987)	0	(6'987)
Other movements		2'569	2'569
31/12/2016	**3'911**	**(56'177)**	**(52'266)**

The Group recognized deferred tax assets in connection with tax losses to be carried forwards of La Tour Réseau de Soins and La Tour Sàrl, as the Group's management is confident that future taxable profits will be available to use those tax losses carried forwards.

9. Lease debt

The Group has entered into finance leases on medical equipment. These leases have renewal terms with purchase options and escalation clauses. Renewals are at the option of the entity that holds the lease. Fixed interest rates and payments terms are defined contractually.

expressed in '000 CHF		Total	Less than 1 year	Between 1 to 5 years	More than 5 years
Medical equipment	fixed	2'908	907	2'001	0
31/12/2015		**2'908**	**907**	**2'001**	**0**

expressed in '000 CHF	Interest rate	Total	Less than 1 year	Between 1 to 5 years	More than 5 years
Medical equipment	fixed	2'000	922	1'078	0
31/12/2016		**2'000**	**922**	**1'078**	**0**

10. Accrued expenses

expressed in '000 CHF	31/12/16	31/12/15
Accrued interests	2'247	6'266
Accrued personnel expenses	2'075	1'730
Other accrued expenses	5'893	4'575
Total accrued expenses	**10'215**	**12'571**

11. Bank loans

The Group has the following committed bank loans and facilities outstanding:

expressed in '000 CHF	Interest rate	Total	Less than 1 year	Between 1 to 5 years	More than 5 years
Bank loans	Floating	192'500	3'000	22'000	167'500
31/12/2015		**192'500**	**3'000**	**22'000**	**167'500**

expressed in '000 CHF	Interest rate	Total	Less than 1 year	Between 1 to 5 years	More than 5 years
Bank loans	Floating	189'500	5'500	184'000	-
31/12/2016		**189'500**	**5'500**	**184'000**	**-**

In 2015, the group proceeded to a refinancing operation of the bank loans, resulting in a reduction of the margin on these interest rates and in an increase of the duration of the loans.

The final maturity of all bank loans is 31 December 2021.

Bank loans and facilities are secured collectively by:

- pledge of mortgage over real estate of La Tour Sàrl certificates for a total of CHF 477 million;
- pledge of shares of La Tour Sàrl and La Tour Réseau de Soins SA;
- assignment of all existing and future intercompany loans and all existing and future shareholder loans;
- guarantee from HDLT Holding SA;
- pledge of La Tour Sàrl receivable bank accounts.

The bank facilities have various covenants that were all met at year-end.

12. Loans from parent company

The parent company, Pronia Holding SA, has granted following loan facilities to the company:

A facility for a total amount of CHF 200 million, of which CHF 174.30 million (2015: 188.87 million) has been drawn as of 31 December 2016. The loan is unsecured and the interest level is adjusted on an annual basis according to the annual tax circular of the Swiss Federal Tax Administration (in 2016 amounting to 0,75%) and the maximal interest deduction authorized as per the thin capitalization rules of the Swiss Federal Tax Administration. The facility is repayable on 31 December 2035.

A facility for a total amount of CHF 58 million, which was fully drawn (2015: 58 million); in November 2016, this loan has been converted into share capital (see note 18). The loan was unsecured, interest free and repayable on 31 December 2112, unless converted into formal share capital of the company at the option of the borrower. Until November 2016, in accordance with Swiss GAAP FER norm 24, the net present value of this loan (unsecured, interest free, convertible into formal share capital at the option of the borrower) was accounted for and presented as loan from the parent company.

13. Convertible loan

In 2015, the company issued a convertible loan, amounting to CHF 0.672 million. After the achievement of specific milestones, loan holders will have the right to exercise the conversion option to obtain a maximum of 28 shares of the company in 2018.

14. Bond loan

On November 30, 2015, the company issued a bond (ISIN: CH0299477387) for a nominal value of CHF 82 million with a maturity date on June 30, 2022 and a edemption at par. Interest rate is fixed at 2.50 % p.a., payable annually on June 30.

15. Other loans

The company issued loan notes for a total nominal value of CHF 20 million. The loan notes bear interest at 4.25% and are repayable on 25 July 2023.

16. Provision

expressed in '000 CHF	2016	2015
Opening balance	0	940
Addition of the period	145	0
Utilization of the period	0	(940)
Total provision	**145**	**0**

17. Pension fund liability

The eligible Swiss employees of the Group are all affiliated to a pension plan in Switzerland. The Group sponsors an independent pension plan separate from the obligatory Swiss social security plans. Retirement benefits are based on contributions, computed as a percentage of salary, adjusted for the age of the employee and shared 50% / 50% by employee and employer. In addition to retirement benefits, the plan provides death and long-term disability benefits to the employees.

Amounts for the last period 2016 are as follows:

expressed in '000 CHF	Surplus	Economic part of the Group	Change of Economic part impacting current result	Employer's contributions concerning business period	Pension plan expenses in personnel expenses
Fondation de Prévoyance de La Tour SA	0	0	0	3'909	3'909

Fondation de Prévoyance de la Tour SA pension fund reported a cover ratio of 109.6 in 2015. 2016 cover ratio is not available yet.

18. Shareholders' Equity

Until November 2016, in accordance with Swiss GAAP RPC norm 24, the difference between the nominal and the net present value of the nominal CHF 58 million loan from the parent company (being unsecured, interest free, convertible into formal share capital at the option of the borrower) was accounted for according to its substance and presented as a capital reserve in equity (see note 12).

In February 2015, the company proceeded with its first capital increase, increasing its share capital from CHF 100'000 to CHF 2'012'000 through the issuance, for cash, of 1'912 registered shares of nominal value CHF 1'000.

In November 2016, the company proceeded with a second capital increase by converting the loan from parent company of CHF 58 million (previously accounted for as per Swiss GAAP RPC norm 24 as capital reserve in equity) into share capital, thus increasing the share capital from CHF 2'012'000 to CHF 60'012'000, through the issuance of 58'000 registered shares of nominal value CHF 1'000. From a consolidated equity point of view, the conversion of the loan from the parent company into equity resulted in a net increase of the consolidated equity of CHF 1'752'843 and a transfer of CHF 56'247'159 from the capital reserve to share capital.
The residual impact from qualifying the loan according to Swiss GAAP RPC 24 during the period 2013-to November 2016 is a definitive contribution to capital reserve of CHF 167'062.

At 31 December 2016, the share capital of the company amounts to CHF 60'012'000, fully paid, divided into 60'012 registered shares of nominal value CHF 1'000.

19. Personnel expenses

expressed in '000 CHF	2016	2015
Salaries and wages	64'296	65'249
Social benefits	11'389	10'673
Other personnel costs	235	197
Total personnel expenses	**75'920**	**76'119**

20. Commitments and contingencies

Operating lease commitments

The Group has entered into operating leases for the use of administrative offices or physician offices. These rental contracts have duration between 1 and 12 years with a tacit renewal option included in the contracts. Guarantees for a total of KCHF 282 (2015: KCHF 282) were issued in favor of various third parties.

Future minimum rentals payable under non-cancellable operating leases are as follow:

expressed in '000 CHF	31/12/16	31/12/15
Due within 12 months	2'587	3'422
Due in 2-5 years	8'052	6'148
Due beyond 5 years	3'709	6'797
Total non-cancellable operating leases	**14'348**	**16'367**

Contingent liabilities

One of the Group companies entered into a renewed agreement with the *Association d'aide aux enfants malades du pavillon Gourgas* ("the Association") on 16 March 2009 (the old agreement was signed on 17 September 1991) whereby it was agreed that should the Company withdraw certain facilities, including hospital beds, and support to the Association then it would be obliged to repay KCHF 9'000 that the Association initially invested in the construction of the hospital.

Given its activity, the Group is potentially exposed to claims from patients. There are currently no claims outstanding against the Group that, in management's view, could materially affect the consolidated accounts.

Swap

La Tour has entered into an Interest Rate Swap Transaction with a termination date 31 December 2019, whereby La Tour pays a fixed rate of 0.77% in exchange of a floating rate of 6 month CHF Libor BBA.

21. Audit fees

Total audit fees paid to Pricewaterhousecoopers SA for the audit of the Company and the Group financial statements in 2016 amounted to KCHF 125.

22. Approval of financial statements and subsequent events

The Board of Directors is responsible for the preparation and presentation of the financial statements. These financial statements were authorised for issue by the Board of Directors on 26 April 2017.

There are no events after balance sheet date that could materially impact the financial statement.

Report of the statutory auditor
to the General Meeting of HDLT Holding SA, Geneva

Report on the audit of the consolidated financial statements

Opinion
We have audited the consolidated financial statements (pages 8 to 26) of HDLT Holding SA and its subsidiaries (the Group) for the year ended 31 December 2016, which comprise the consolidated balance sheet, consolidated income statement, consolidated cash flow statement, consolidated change in equity statement and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

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

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

Basis for opinion
Overview

Overall materiality: CHF 1'240'000

We conducted full scope audit procedures on the 4 Group entities, including a dormant company. Our audit scope addressed 100% of the Group's revenue and 100% of the Group's total assets.

No areas of focus have been identified as key audit matters.

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Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

The Group operates two private clinics - Hôpital de la Tour and Permanence de la Clinique de Carouge – in one single geographical location – Switzerland. The Group financial statements are a consolidation of 4 reporting units, comprising the Group's holding entity, one operating entity, one entity owning the operating buildings and one dormant entity. We conducted full scope audit procedures on 3 Group entities (excluding the dormant one) and we covered 100% of the Group's revenue and 100% of the Group's total assets.

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Overall Group materiality	CHF 1.240.000
How we determined it	2.5% of earnings before interest, tax, depreciation and amortisation (EBITDA)
Rationale for the materiality benchmark applied	We chose EBITDA as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured, and is a generally accepted benchmark within the hospital industry.

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

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

Responsibilities of the Board of Directors for the consolidated financial statements

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

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

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

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-public-companies. 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.

PricewaterhouseCoopers SA

Philippe Tzaud	Nicolas Biderbost
Audit expert Auditor in charge	Audit expert

Geneva, 27 April 2017

Enclosure:

- Consolidated financial statements (consolidated balance sheet, consolidated income statement, consolidated cash flow statement, consolidated change in equity statement and notes)

Annual financial statements of HDLT Holding SA

BALANCE SHEET

Amounts expressed in '000 CHF	Note	31/12/2016	31/12/2015
ASSETS			
Current assets			
Cash and banks		5'755	83'347
Receivable from subsidiaries		948	0
Other receivable		9	0
Total Current assets		**6'712**	**83'347**
Non-current assets			
Investments, net	[2]	311'165	311'165
Loans to subsidiaries	[3]	14'214	41'500
Total Non-current assets		**325'379**	**352'665**
TOTAL ASSETS		**332'091**	**436'012**

BALANCE SHEET

Amounts expressed in '000 CHF	Note	31/12/2016	31/12/2015
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Shareholders' liabilities		0	1'195
Accrued expenses			
due to shareholders		637	5'620
due to third parties		1'705	633
due to subsidiaries		0	171
Total Current liabilities		**2'342**	**7'619**
Non-current liabilities			
Interest-bearing liabilities			
due to shareholders	[4]	174'301	188'870
due to third parties	[5]	20'000	20'000
due to subsidiaries		0	80'176
bond loan	[6]	82'000	82'000
Other long-term liabilities			
convertible loan	[7]	672	672
due to shareholders	[4]	0	58'000
Total Non-current liabilities		**276'973**	**429'718**
Total Liabilities		**279'315**	**437'337**
Shareholders' equity			
Share capital	[8]	60'012	2'012
Capital reserve		276	276
Accumulated deficit		(7'512)	(3'613)
Total Shareholders' equity		**52'776**	**(1'325)**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**332'091**	**436'012**

INCOME STATEMENT

Amounts expressed in '000 CHF	Note	2016	2015
INCOME			
Financial income		214	1'415
Other income		948	963
Total Income		**1'162**	**2'379**
EXPENSES			
Financial expenses		4'223	2'438
Other operating expenses		118	39
Non-operating expenses		720	47
Total Expenses		**5'061**	**2'524**
Result before tax		**(3'899)**	**(146)**
Income tax		0	0
Net result for the period		**(3'899)**	**(146)**
Accumulated deficit, beginning of the period		(3'613)	(3'467)
Accumulated deficit, end of the period		**(7'512)**	**(3'613)**

NOTES

HDLT Holding SA ("the Company"), a limited company, incorporated on 15 February 2013 in Geneva Switzerland, is based at 24, quai du Seujet, 1201 Geneva. On 26 February 2013, it acquired the group of companies owning and operating the largest private hospital in the Canton of Geneva: Hôpital de la Tour, Clinique de Carouge and Centre Médical de Meyrin.
The company had no employees during the year.

1. Significant accounting policies

The financial statements are prepared in accordance with the new accounting principles required by Swiss law.

Investments in subsidiaries:
Investments in subsidiaries are valued individually at acquisition cost less an adjustment for impairment where appropriate.

All other assets and liabilities:
All other assets and liabilities are recorded at nominal value.

2. Investments

expressed in '000 CHF	Place of incorporation (Switzerland)	Book value 31/12/16	% equity interest and voting rights	Book value 31/12/15	% equity interest and voting rights
Direct investments					
La Tour Réseau de Soins SA	Meyrin	48'475	100%	48'475	100%
La Tour Sàrl (*)	Meyrin	262'690	100%	262'690	100%
Total		**311'165**		**311'165**	
Indirect investments					
Permanence de la Clinique de Carouge SA	Carouge		100%		100%

(*) A restructuring of the Group structure (transfer of the 100% shares of La Tour Sàrl from La Tour Réseau de Soins SA to HDLT Holding SA) occurred in October 2015.

3. Loans to subsidiaries

expressed in '000 CHF	31/12/16	31/12/15
La Tour Sàrl	0	2'500
La Tour Réseau de Soins SA	14'214	39'000
Total loans to subsidiaries	**14'214**	**41'500**

Loans to subsidiaries are subordinated.

4. Loans from shareholders

Pronia Holding SA, has granted two loan facilities to the company as follows:

A facility for a total amount of CHF 200 million, of which CHF 174.30 million (2015: 188.87 million) has been drawn as of 31 December 2016. The loan is unsecured and the interest level is adjusted on an annual basis according to the annual tax circular of the Swiss Federal Tax Administration (in 2016 amounting to 0,75%) and the maximal interest deduction authorized as per the thin capitalization rules of the Swiss Federal Tax Administration. The facility is repayable on 31 December 2035.

A facility for a total amount of CHF 58 million, which was fully drawn (2015: 58 million). In November 2016, this loan has been converted into share capital (see note 8). The loan was unsecured, interest free and repayable on 31 December 2112, unless converted into formal share capital of the company at the option of the borrower.

5. Loan notes

The company issued loan notes for a total nominal value of CHF 20 million. The loan notes bear interest at 4.25% and are repayable on 25 July 2023.

6. Bond loan

On November 30, 2015, the company issued a bond (ISIN: CH0299477387) for a nominal value of CHF 82 million with a maturity date on June 30, 2022 and a redemption at par. Interest rate is fixed at 2.50 % p.a., payable annually on June 30.

7. Convertible loan

In 2015, the company issued a convertible loan, amounting to CHF 0.672 million. After the achievement of specific milestones, loan holders will have the right to exercise the conversion option to obtain a maximum of 28 shares of the company in 2018.

8. Share capital

In February 2015, the company proceeded with its first capital increase, increasing its share capital from CHF 100'000 to CHF 2'012'000 through the issuance of 1'912 registered shares of nominal value CHF 1'000. In November 2016, the company proceeded with its second capital increase by converting the shareholder loan of CHF 58 million (see note 4) into share capital, increasing the share capital from CHF 2'012'000 to CHF 60'012'000 through the issuance of 58’000 registered shares of nominal value CHF 1'000.

Following the capital increases, the share capital of the company as of December 31, 2016, amounts to CHF 60'012'000, fully paid, divided into 60'012 registered shares of nominal value CHF 1'000.

The Company has no own shares in 2015 and 2016.

9. Guarantee

Pledge of shares of La Tour Sàrl and La Tour Réseau de Soins SA;
Assignment of all existing and future intercompany loans and all existing and future shareholder loans;
Guarantee amounting to CHF 189.5 million from HDLT Holding SA to the bank on banking loans to the subsidiaries.

10. Approval of financial statements and subsequent events

The Board of Directors is responsible for the preparation and presentation of the financial statements. These financial statements were authorised for issue by the Board of Directors on 26 April 2017.

There are no events after balance sheet date that could materially impact financial statements.

Report of the statutory auditor
to the General Meeting of HDLT Holding SA, Geneva

Report on the audit of the financial statements

Opinion

We have audited the financial statements (pages 30 to 36) of HDLT Holding SA for the year ended 31 December 2016, which comprise the balance sheet, income statement and notes, including a summary of significant accounting policies.

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.

Our audit approach

Overview

Overall materiality: CHF 1'000'000

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As key audit matter the following area of focus has been identified:

Valuation of investments in subsidiaries

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future

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events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall materiality	CHF 1'000'000
How we determined it	0.3% of total assets
Rationale for the materiality benchmark applied	We chose total assets as the benchmark because, in our view, it is the most relevant financial information of the company and is a generally accepted benchmark for holding entities.

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

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the 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.

Valuation of investments in subsidiaries

Key audit matter	*How our audit addressed the key audit matter*
We considered the valuation of investments in subsidiaries to be a key audit matter for the following reasons. • As of 31 December 2016, the balance sheet discloses investments in subsidiaries of CHF 311 million, which is a significant amount. • In addition, judgement is required to determine the assumptions relating to the future business results and the discount rate applied to the forecasted cash flows. Please refer to the valuation principles (note 1) and the details of the investments (note 2).	We discussed with management the composition of future results forecasts and the process by which they were drawn up. We found that management had followed their process for assessing the future results and related value of the investments, which was subject to oversight and challenge by the Board of Directors. Further, we compared the weighted cost of capital applied as discount rate with those of comparable enterprises. We assessed the forecasted change in net working capital and in investments for plausibility. Finally, we examined the sensitivity analyses of the key assumptions prepared by management. We consider the valuation process and the assumptions applied by management to be adequate and a sufficient basis for the impairment testing of investments.

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Responsibilities 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.

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.

PricewaterhouseCoopers SA

Philippe Tzaud	Nicolas Biderbost
Audit expert Auditor in charge	Audit expert

Geneva, 27 April 2017

Enclosure:

Financial statements (balance sheet, income statement and notes)

ADDITIONAL INFORMATION

Information for bondholders:

ISIN: CH0299477387
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