KUONI GROUP

Travel Industry Services

# Kuoni Group Financial Report 2016

# Financial Report Kuoni Group

## Kuoni Group

# Consolidated statement of financial position

| Assets CHF million | Notes | 31 Dec 2016 | % | 31 Dec 2015 | % |
|---|---|---|---|---|---|
| Cash and cash equivalents | 9 | 270.5 | 16.0 | 271.1 | 16.6 |
| Time deposits | | 0.7 | 0.0 | 0.1 | 0.0 |
| Accounts receivable and other receivables | 10 | 331.5 | 19.6 | 372.5 | 22.8 |
| Prepaid expenses | | 195.1 | 11.6 | 113.4 | 7.0 |
| Current income tax receivables | | 7.2 | 0.4 | 15.8 | 1.0 |
| **Total current assets** | | **805.0** | **47.6** | **772.9** | **47.4** |
| Property, plant and equipment | 11 | 39.4 | 2.3 | 43.8 | 2.7 |
| Goodwill | 12 | 600.2 | 35.6 | 592.6 | 36.4 |
| Intangible assets | 13 | 163.2 | 9.7 | 151.9 | 9.3 |
| Investments in associates | 14 | 0.5 | 0.0 | 0.0 | 0.0 |
| Financial assets | 16 | 59.7 | 3.5 | 53.4 | 3.3 |
| Deferred tax assets | 8 | 21.8 | 1.3 | 14.8 | 0.9 |
| **Total non-current assets** | | **884.8** | **52.4** | **856.5** | **52.6** |
| **Total assets** | | **1,689.8** | **100.0** | **1,629.4** | **100.0** |

| Equity and liabilities CHF million | Notes | 31 Dec 2016 | % | 31 Dec 2015 | % |
|---|---|---|---|---|---|
| Current financial debts | 19 | 112.1 | 6.6 | 37.3 | 2.3 |
| Current income tax liabilities | | 18.1 | 1.1 | 18.2 | 1.1 |
| Accounts payable and other payables | | 287.9 | 17.0 | 230.9 | 14.2 |
| Advance payments by customers | | 78.0 | 4.6 | 68.8 | 4.2 |
| Current provisions | 18 | 63.8 | 3.8 | 57.5 | 3.5 |
| Accrued expenses | | 410.0 | 24.3 | 395.2 | 24.3 |
| **Total current liabilities** | | **969.9** | **57.4** | **807.9** | **49.6** |
| Non-current financial debts | 19 | 137.4 | 8.1 | 219.6 | 13.6 |
| Non-current provisions | 18 | 19.8 | 1.2 | 38.2 | 2.3 |
| Deferred tax liabilities | 8 | 37.3 | 2.2 | 33.4 | 2.0 |
| **Total non-current liabilities** | | **194.5** | **11.5** | **291.2** | **17.9** |
| **Total liabilities** | | **1,164.4** | **68.9** | **1,099.1** | **67.5** |
| Share capital | 17 | 4.0 | 0.2 | 4.0 | 0.2 |
| Treasury shares | | 0.0 | 0.0 | -10.7 | -0.7 |
| Reserves | | 518.1 | 30.7 | 535.6 | 32.9 |
| **Equity attributable to shareholder of Kuoni Travel Holding Ltd** | **17** | **522.1** | **30.9** | **528.9** | **32.4** |
| Non-controlling interests | 17 | 3.3 | 0.2 | 1.4 | 0.1 |
| **Total equity** | **17** | **525.4** | **31.1** | **530.3** | **32.5** |
| **Total equity and liabilities** | | **1,689.8** | **100.0** | **1,629.4** | **100.0** |

# Consolidated income statement

| CHF million | Notes | 2016 | % | 2015 | % |
|---|---|---|---|---|---|
| **Continuing operations** | | | | | |
| Turnover | 3 | **3,282.8** | 100.0 | **3,348.7** | **100.0** |
| Direct costs | | -2,674.1 | -81.5 | -2,739.0 | -81.8 |
| **Gross profit** | 3 | **608.7** | **18.5** | **609.7** | **18.2** |
| Personnel expenses | 4 | -323.0 | -9.8 | -324.3 | -9.7 |
| Marketing and advertising expenses | | -8.3 | -0.3 | -9.2 | -0.3 |
| Other operating expenses | 5 | -207.5 | -6.3 | -149.4 | -4.4 |
| Other operating income | 5 | 25.8 | 0.9 | 53.2 | 1.6 |
| Share in result from joint ventures | 3/15 | -5.6 | -0.2 | -1.9 | -0.1 |
| Depreciation | 3/6 | -25.9 | -0.8 | -28.9 | -0.8 |
| Amortisation | 13 | -25.2 | -0.8 | -26.3 | -0.8 |
| Impairment of other intangible assets | 3 | 0.0 | 0.0 | -16.5 | -0.5 |
| Restructuring expenses | 3 | -18.1 | -0.6 | -25.2 | -0.8 |
| **Earnings before interest and taxes (EBIT)** | | **20.9** | **0.6** | **81.2** | **2.4** |
| Financial income | 7 | 8.6 | 0.3 | 6.7 | 0.2 |
| Financial expenses | 7 | -8.7 | -0.3 | -9.0 | -0.2 |
| **Earnings before taxes** | | **20.8** | **0.6** | **78.9** | **2.4** |
| Income tax expenses | 8 | -19.5 | -0.6 | -21.0 | -0.7 |
| **Net result from continuing operations** | | **1.3** | **0.0** | **57.9** | **1.7** |
| **Discontinued operations** | | | | | |
| Net result from discontinued operations, net of income taxes | 2 | 2.8 | 0.1 | -352.1 | -10.5 |
| **Net result** | | 4.1 | 0.1 | -294.2 | -8.8 |
| Attributable to non-controlling interests | | 0.6 | 0.0 | 0.9 | 0.0 |
| Attributable to shareholder of Kuoni Travel Holding Ltd | | 3.5 | 0.1 | -295.1 | -8.8 |
| **Net result from continuing operations:** | | | | | |
| Attributable to non-controlling interests | | 0.6 | 0.0 | 0.9 | 0.0 |
| Attributable to shareholder of Kuoni Travel Holding Ltd | | 0.7 | 0.0 | 57.0 | 1.7 |

# Consolidated statement of comprehensive income

| CHF million | Notes | 2016 | 2015 |
|---|---|---|---|
| **Net Result** | | **4.1** | **-294.2** |
| **Other comprehensive income** | | | |
| Cash flow hedges: | | | |
| -Effective portion of changes in fair value (net) | | 0.0 | 0.0 |
| -Reclassified to income statement | | -1.9 | -14.8 |
| -Income taxes | | -0.1 | 4.1 |
| Translation differences: | | | |
| -Currency translation differences | | -17.1 | -105.8 |
| -Reclassified to the income statement (Sale tour operating activities) | 2 | 0.0 | 219.7 |
| -Reclassified to the income statement (Liquidation of subsidiaries) | | -4.2 | 0.0 |
| Equity-accounted investees share of OCI | | -9.2 | 0.3 |
| **Total of items that were or may subsequently be reclassified to profit or loss** | | **-32.5** | **103.5** |
| Defined benefit pension plans: | | | |
| -Remeasurement of pension plans | 4 | -8.8 | -38.3 |
| -Income taxes | | 1.3 | 8.0 |
| **Total of items that will not be reclassified to profit and loss** | **17** | **-7.5** | **-30.3** |
| **Other comprehensive income for the period, net of taxes** | | **-40.0** | **73.2** |
| **Total comprehensive income for the period** | | **-35.9** | **-221.0** |
| **Of which:** | | | |
| Attributable to non-controlling interests | | 0.1 | 1.5 |
| Attributable to shareholder of Kuoni Travel Holding Ltd | | -36.0 | -222.5 |

# Consolidated statement of changes in equity

| CHF million | Notes | Share capital | Treasury shares | Capital reserves | Retained earnings | Other reserves[1] | Total equity of Kuoni shareholder | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Reserves | | | | | |
| **Equity as of 1 January 2015** | | **4.0** | **-11.8** | **453.2** | **664.0** | **-335.0** | **774.4** | **4.8** | **779.2** |
| Net result | | | | | -295.1 | | **-295.1** | 0.9 | -294.2 |
| Other comprehensive income | | | | | | 72.6 | **72.6** | 0.6 | 73.2 |
| **Total comprehensive income** | | | | | **-295.1** | **72.6** | **-222.5** | **1.5** | **-221.0** |
| Dividends | 17 | | | | -29.4 | | **-29.4** | -2.0 | -31.4 |
| Share-based compensation | | | 1.1 | | 5.3 | | **6.4** | | 6.4 |
| **Total contribution and distribution** | | | **1.1** | | **-24.1** | | **-23.0** | **-2.0** | **-25.0** |
| Change in scope of consolidation | 2 | | | | | | **0.0** | -2.9 | -2.9 |
| **Equity as of 31 December 2015** | | **4.0** | **-10.7** | **453.2** | **344.8** | **-262.4** | **528.9** | **1.4** | **530.3** |
| Net result | | | | | 3.5 | | **3.5** | 0.6 | 4.1 |
| Other comprehensive income | | | | | | -39.5 | **-39.5** | -0.5 | -40.0 |
| **Total comprehensive income** | | | | | **3.5** | **-39.5** | **-36.0** | **0.1** | **-35.9** |
| Dividends | 17 | | | | | | **0.0** | -1.1 | -1.1 |
| Other contribution from shareholder | 17 | | | 23.7 | | | **23.7** | 0.0 | 23.7 |
| Share-based compensation | | | 10.7 | | -5.2 | | **5.5** | 0.0 | 5.5 |
| **Total contribution and distribution** | | **0.0** | **10.7** | **23.7** | **-5.2** | **0.0** | **29.2** | **-1.1** | **28.1** |
| Change in scope of consolidation | 2 | | | | | | **0.0** | 2.9 | 2.9 |
| **Equity as of 31 December 2016** | | **4.0** | **0.0** | **476.9** | **343.1** | **-301.9** | **522.1** | **3.3** | **525.4** |

[1] For further details see note 17.

# Consolidated statement of cash flows

| CHF million | Notes | 2016 | 2015 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Net result from continuing operations | | 1.3 | 57.9 |
| Income tax expenses | 8 | 19.5 | 21.0 |
| Net financial result | 7 | 0.1 | 2.3 |
| | | | |
| Depreciation and amortisation | | 51.1 | 55.2 |
| Impairment of other intangible assets | 13 | 0.0 | 16.5 |
| Other non-cash expenses | | -18.4 | 4.1 |
| Profit from sale of properties | 5 | -25.8 | -53.2 |
| Changes in net working capital | | | |
| - Accounts receivable/other receivables | | 58.8 | -46.0 |
| - Prepaid expenses | | -6.0 | -26.0 |
| - Accounts payable/accrued expenses | | -18.5 | 78.2 |
| - Advance payments by customers | | 7.9 | -5.4 |
| Income taxes paid | | -22.2 | -30.5 |
| **Net cash from operating activities - continuing operations** | | **47.8** | **74.1** |
| Net cash from operating activities - discontinued operations | | 0.0 | 38.8 |
| **Net cash from operating activities** | | **47.8** | **112.9** |
| | | | |
| **Cash flow from investing activities** | | | |
| Purchase of property, plant and equipment | | -21.1 | -20.1 |
| Purchase of intangible assets | | -15.0 | -18.1 |
| Acquisition of subsidiaries, net of cash acquired | 2 | 2.1 | 0.0 |
| Disposal of tangible and other intangible assets | | 40.2 | 84.4 |
| Disposal of subsidiaries, net of cash and cash equivalents disposed of | 2 | 0.0 | -172.7 |
| Decrease in time deposits | | 0.5 | 7.7 |
| Increase in other financial assets | | -0.8 | -2.9 |
| Interest received | | 1.4 | 3.1 |
| Other financial income received | | 0.0 | 1.5 |
| **Net cash from / (used) in investing activities - continuing operations** | | **7.3** | **-117.1** |
| Net cash used in investing activities - discontinued operations | | 0.0 | -5.5 |
| **Net cash from / (used) in investing activities** | | **7.3** | **-122.6** |
| | | | |
| **Cash flow from financing activities** | | | |
| Repayment of Bond / mortgage | | -124.9 | -15.0 |
| Increase in financial debts | | 96.0 | 24.7 |
| Interest paid | | -7.1 | -8.5 |
| Distributions to non-controlling interests | | -1.1 | -0.9 |
| Distributions to shareholder of Kuoni Travel Holding Ltd | 17 | 0.0 | -29.4 |
| **Net cash used in financing activities - continuing operations** | | **-37.1** | **-29.1** |
| Net cash used in financing activities - discontinued operations | | 0.0 | -2.5 |
| **Net cash used in financing activities** | | **-37.1** | **-31.6** |
| | | | |
| Effects of exchange rate fluctuations on cash and cash equivalents | | -18.6 | -26.9 |
| | | | |
| **Net decrease in cash and cash equivalents** | | **-0.6** | **-68.2** |
| | | | |
| Cash and cash equivalents at beginning of year | | 271.1 | 339.3 |
| Cash and cash equivalents at end of the year | 9 | 270.5 | 271.1 |

# Main accounting principles

Kuoni Travel Holding Ltd (the company) is domiciled in Zurich, Neue Hard 7, Switzerland. The consolidated financial statements for the year ended 31 December 2016 cover the company and all its subsidiaries (Kuoni Group), associates and joint ventures. Kuoni Group is a service provider to the global travel industry and to governments. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

**Basis of preparation**

The consolidated financial statements are presented in Swiss francs (CHF). The amounts are rounded to the nearest hundred thousand and are shown in CHF million. The consolidated financial statements are prepared on the historical cost basis except for derivative financial instruments. Non-current assets and disposal groups held for sale are stated at the lower of the carrying amount and fair value less costs to sell.

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Critical judgements made by management in the application of IFRS that have a significant effect on the financial statements and key sources of estimation uncertainties are discussed separately. The accounting policies have been applied consistently to all periods presented in these consolidated financial statements, with the exceptions described below.

The accounting principles used for the consolidated financial statements and the presentation of the consolidated financial statements are in accordance with those used for the 2015 consolidated accounts, with the exception of the changes listed below.

**Adoption of new accounting provisions**

Kuoni Group has applied the following new or amended International Financial Reporting Standards (IFRS), new interpretations or requirements with effect from 1 January 2016:

- Accounting for Acquisition of Interests in Joint Operations (Amendments to IFRS 11)
- Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38)
- Annual Improvements to IFRSs 2012-2014 Cycle
- Disclosure initiative (amendments to IAS1)
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 2)
- IFRS 14 Regulatory Deferral Accounts
- Equity Method in Separate Financial Statements (Amendments to IAS 27)

None of these changes had any relevant effect on these consolidated financial statements in their application.

**Future IFRS changes**

The following new and revised Standards and Interpretations have been issued, but are not yet effective. They have not been applied early in these (consolidated) financial statements. For IFRS 15 the impact on the consolidated financial statements of Kuoni Group has been analysed. IFRS 15 will not have a material impact on the consolidated financial statements. For the other changes Kuoni is in process of analysing the impact.

| | Effective date | Planned application by Kuoni Group in reporting year |
|---|---|---|
| **New Standards or Interpretations** | | |
| IFRS 15 Revenue from Contracts with Customers and related Clarifications to IFRS 15 Revenue from Contracts with Customers | 1 January 2018 | Reporting year 2018 |
| IFRS 9 Financial Instruments | 1 January 2018 | Reporting year 2018 |
| IFRIC 22 Foreign Currency Transactions and Advance Consideration | 1 January 2018 | Reporting year 2018 |
| IFRS 16 Leases | 1 January 2019 | Reporting year 2019 |
| **Revisions and amendments of Standards and Interpretations** | | |
| Annual Improvements to IFRS Standards 2014-2016 Cycle: | | |
| - IFRS 12 Disclosure of Interests in Other Entities | 1 January 2017 | Reporting year 2017 |
| - IFRS 1 First-time Adoption of International Financial Reporting Standards | 1 January 2018 | Reporting year 2018 |
| - IAS 28 Investments in Associates and Joint Ventures | 1 January 2018 | Reporting year 2018 |
| Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12) | 1 January 2017 | Reporting year 2017 |
| Disclosure Initiative (Amendments to IAS 7) | 1 January 2017 | Reporting year 2017 |
| Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2) | 1 January 2018 | Reporting year 2018 |
| Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4) | 1 January 2018 | Reporting year 2018 |
| Transfer to and from Investment Property (Amendment to IAS 40) | 1 January 2018 | Reporting year 2018 |

### Subsidiaries

Subsidiaries are an entity controlled by Kuoni Travel Holding Ltd. Kuoni Group controls a subsidiary if it is exposed to the fluctuating returns of the investment or if it holds rights to these returns and has the ability to influence these returns given its power over the subsidiary. This is the case where the Kuoni Group holds more than 50% of the voting rights of an entity or where the Kuoni Group has been granted management of an entity contractually or is exercising control by other means. Subsidiaries acquired in the course of the accounting year are consolidated from the date the control effectively commences. Subsidiaries sold in the course of the accounting year are deconsolidated as of the date on which control ceases. Sales and purchases of non-controlling interests are recognised directly in equity. The gain or loss from the sale of subsidiaries is recorded in the financial result.

The full consolidation method is used, under which all assets, liabilities, income and expenses of the subsidiaries are included in the consolidated financial statements. The share of net assets and net profit or loss attributable to minority shareholders is presented separately as non-controlling interest on the consolidated statement of financial position, and separately as non-controlling interest in the consolidated income statement.

### Discontinued operation

A discontinued operation is a component of the Group's business for which the operations and cash flows can clearly be distinguished from the rest of the group and which:

- represents a major line of business
- is part of a single coordinated plan to dispose of a separate major line of business, or
- is a subsidiary acquired exclusively with a view to resell.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale. When an operation is classified as discontinued operation, the comparative statement of profit or loss is represented as if the operation had been discontinued from the start of the comparative year. The gain or loss on sale of discontinued operations is included in the net result from discontinued operations. All disclosures in the notes to the consolidated financial statements refer to continuing operations, except where otherwise indicated.

**Associates**
Associates are entities in which Kuoni Group is able to exercise significant influence, but not control, over the financial and operating policies. The consolidated financial statements include in the financial result the Group's share of the total recognised gains and losses of associates on an equity accounting basis, from the date significant influence commences until the date it ceases. When the Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has incurred further obligation in respect of the associate.

**Joint ventures**
Joint ventures are entities which Kuoni Group jointly controls with a joint venture partner, and whereby Kuoni Group is heavily involved in the management. The consolidated financial statements include in the operating result the Group's share of the total recognised gains and losses of joint ventures on an equity accounting basis, from the date joint management commences until the date it ceases. When the Group's share of losses exceeds the carrying amount of the joint venture, the carrying amount is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has incurred further obligations in respect of the joint venture.

**Intragroup transactions and balances**
All intragroup transactions and balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in the consolidation process.

**Foreign currency transactions**
Transactions in foreign currencies are translated at the exchange rate on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at year-end rates. Non-monetary assets and liabilities in foreign currencies that are stated at historical cost are translated at the exchange rate on the date of the transaction.

Non-monetary assets and liabilities in foreign currencies that are stated at fair value are translated at the exchange rate at the date the values were determined. Foreign exchange gains or losses arising from translation are recognised in the income statement.

**Consolidation of foreign subsidiaries**
The consolidated financial statements are presented in Swiss francs (CHF). The financial statements of foreign subsidiaries are prepared in their functional currency. Assets and liabilities (including goodwill and fair-value adjustments) of foreign subsidiaries are translated to CHF at year-end exchange rates. Revenue, expenses and cash flow amounts are translated at weighted average exchange rates. Foreign exchange differences arising from the translation of foreign subsidiaries are recognised in other comprehensive income as a translation difference. Cumulative foreign exchange differences with regard to foreign subsidiaries are reclassified from equity to the income statement when the foreign subsidiary is disposed of.

**Turnover**
The Group renders a wide range of services to the travel industry and to governments. The turnover from rendering these services to the travel industry is generally recognised on the date of the customer's departure or, in case of destination and accommodation services, on the date of arrival. In the Visa Processing Services business, turnover is recognised when the visa application is made or the value-added service is rendered. Turnover comprises net sales revenues (after deduction of sales tax or value-added tax, discounts and commission) from the Destination & Accommodation Services and the service fee received from visa applicants.

### Direct costs

Direct costs include all directly allocable airline, ship, rail, hotel, car rental and similar costs, as well as visa fees which are remitted to the diplomatic mission. Direct costs also include the currency gains or losses from exchange rate differences realised or incurred by individual subsidiaries in the course of their operations.

### Gross Profit

Gross Profit comprises turnover less direct costs, i.e. all directly allocable ship, rail, hotel, car rental and similar costs and currency gains or losses from exchange rate differences realised or incurred by individual subsidiaries in the course of their operations.

### Employee benefits

Wages, salaries, social security contributions, paid vacation and sickness-related absences, bonuses and non-monetary benefits are allocated to and shown in the year in which the employee provided the service concerned for Kuoni Group. Where Kuoni Group provides long-term employee benefits, the costs are accrued to match the service to be provided by the employee, and the liabilities of Kuoni Group are discounted to take into account the time value of money where the effects are significant.

### Share-based compensation

Certain employees participated in share-based employee participation plans, i.e. programmes based on equity instruments of Kuoni Travel Holding Ltd. For all share-based employee compensation, the current market value of the shares concerned is determined on the date the entitlement is granted, and is debited to personnel expense on the corresponding income statements throughout the period until the entitlement is awarded.

Equity-settled employee compensation is recognised with a corresponding increase in equity. Further amounts resulting from the exercising of such benefits are as well shown as increase in equity.

### Retirement benefits

State retirement benefits are provided in the majority of countries in which Kuoni Group operates. The Group has additionally set up a number of legally independent retirement benefit plans or insurance schemes in the following countries, which are generally funded by the employee and the employer:

Defined benefit plans: Switzerland
Defined contribution plans: The United Kingdom, the USA, India and Japan.

#### *Defined benefit plans*

The plans are funded by the Group's subsidiaries (employer) and the employees. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefits employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets as net liabilities or net assets in the consolidated financial statement.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of reductions in future contributions to the benefit plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses on a defined benefit liability, the return on plan assets (excluding interest) and the effect of the asset ceiling (excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in the income statement.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised in income statement. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

***Defined contribution plans***
Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

**Operating lease payments**
Leases where all the major risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

**Depreciation**
Depreciation includes the periodic consumption of property, plant and equipment and intangible assets. It includes depreciation on buildings and property, plant and equipment as well as on the other intangible assets.

**Amortisation**
Amortisation includes the periodic consumption of intangible assets capitalised in the course of acquisitions.

**EBIT**
Earnings before interest and taxes (EBIT) includes turnover less all expenses except interest result, non-operational exchange results, share in result from associations, other financial income and expenses and income tax expenses.

**Income taxes**
Income tax on the profit or loss for the year comprises current and deferred taxes, based on the local tax rates expected to apply for each Group subsidiary. Income tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income in which case it is recognised in other comprehensive income.

Current income tax is the expected tax payable on the taxable income for the year, calculated using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the statement of financial position 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. Temporary differences relating to investments in subsidiaries are not provided for to the extent that they will probably not reverse in the foreseeable future. Deferred tax liabilities on undistributed profits of subsidiaries are recognised, unless dividend payments to the ultimate Group holding company are not planned for the foreseeable future. The amount of deferred tax recognised is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

**Property, plant and equipment**
Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate property, plant and equipment items. The capitalisation of subsequent costs is evaluated under the general recognition principle for such assets at the time they are incurred. Long-term leases of property, plant and equipment, where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Property, plant and equipment acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and any impairment losses. The related liabilities are recognised as non-current or current liabilities. The interest expense component of finance lease payments is recognised in the income statement using the effective interest rate method.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of the items of property, plant and equipment (owned assets and assets under finance leases and/or components thereof) concerned. Land is not depreciated.

The estimated useful lives are as follows:

| | **Years** |
|---|---|
| Buildings | 20-50 |
| Fixtures and equipment | 10 |
| Fixtures and equipment at point of sale | 8 |
| IT hardware, office equipment and vehicles | 5 |
| Personal computers and office machines | 3 |

**Intangible assets**
Intangible assets comprise acquired and self-developed software, licences as well as trademark rights and similar rights acquired in a business combination. Intangible assets acquired in a business combination are recognised separately from goodwill if they are subject to contractual or legal rights or are separately transferable and their fair value can be reliably estimated. Intangible assets are stated at cost less accumulated depreciation and impairment losses. They are depreciated on a straight- line basis over their expected useful lives of three to ten years. The Group does not have any intangible assets with indefinite useful lives.

**Goodwill**
All business combinations are accounted for by applying the acquisition method. Goodwill arising from the acquisition of a subsidiary represents the excess of the cost of the acquisition over the fair value of the net identifiable assets acquired, and is allocated to cash-generating units. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate/joint venture. Goodwill is stated at cost less accumulated impairment losses. Goodwill is tested at least annually for impairment.

**Financial investments**
Time deposits (with a maturity exceeding 12 months from the date of acquisition), long-term loans and other long-term receivables are stated at their amortised cost less impairment losses. Interest is recognised using the effective interest rate method. The Group does not have any instruments classified as “at fair value through profit and loss” (trading), with the exception of derivative financial instruments (see the accounting policy on derivative financial instruments)

**Time deposits, loans and accounts receivable**
Time deposits (with a maturity between three and 12 months from the date of acquisition), short-term loans and accounts receivable are stated at their nominal value less impairment losses. Impairment losses are recognised on an individual basis, or on a portfolio basis (for accounts receivable), where there is objective evidence that impairment losses have been incurred. The allowance on bad debt and the receivable is written off if there are clear indicators (such as a certificate of unpaid debts) that the receivable is not collectable.

**Cash and cash equivalents**
Cash and cash equivalents contain cash balances, postal giro accounts and bank current accounts as well as time deposits and money market investments with a maturity not exceeding three months at the date of acquisition.

**Impairment**
The carrying amounts of the Group's assets (other than deferred tax assets and pension assets, for which separate accounting policies apply) are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Goodwill is tested at least annually for impairment.

An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of loans and other receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration carried at cost are not discounted. The recoverable amount of other assets is the greater of their fair value less costs of disposal and their value in use.

An impairment loss in respect of goodwill is not reversed. An impairment loss in respect of other assets is reversed if there has been a change in the estimates used to determine the recoverable amount. Reversals of impairment losses are recognised in the income statement.

**Treasury shares**
When the company or its subsidiaries purchase the company's own shares, the consideration paid, including any directly attributable costs, is presented as treasury shares and deducted from equity. Where such shares are subsequently sold or reissued, any gain or loss is included in equity.

**Financial debts**
Financial debts are initially recognised at fair value, less attributable transaction costs. Thereafter, financial debts are stated at amortised cost using the effective interest method, with any difference between cost and redemption value being recognised in the income statement under financial expense over the borrowing period.

**Provisions**
A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of economic benefits will be required to settle the obligation and when a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Restructuring provisions comprise lease termination penalties and employee termination payments as well as consulting fees. Provisions are not recognised for future operating losses.

**Accrued expenses**
An accrued expense is recognised in the statement of financial position when there is an expense without having received the corresponding invoice. Such expenses relate to direct costs, i.e. airline, ship, rail, hotel, car rental and similar costs, where the amount is known but no invoice has been received.

**Contingent liabilities**
Contingent liabilities are possible obligations arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the Group's control. They may also be present obligations that are unrecognised because the future outflow of

resources is not probable or the amount concerned cannot be reliably determined. Contingent liabilities are not recognised in the statement of financial position, but are disclosed.

**Accounts payable**
Accounts payable are stated at nominal value.

**Derivative financial instruments**
The Group uses derivative financial instruments primarily to hedge its exposure to foreign exchange risks arising from operational, financing and investment activities. The Group largely uses forward-exchange contracts, currency options and aviation fuel options for this purpose. In accordance with internal Group accounting principles, derivative financial instruments are not used for trading purposes. However, derivatives used for hedging purposes that do not qualify as hedge accounting are accounted for as trading instruments.

All derivative financial instruments were initially recognised at fair value. After initial recognition, the derivative financial instruments are recognised at their fair value and reported under accounts receivable/other receivables or accounts payable/other payables. Any gains or losses on the remeasurement of the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised immediately in the income statement. The fair value of the instruments used is the calculated amount that the Group would receive or pay to terminate the contracts at the balance sheet date, based on quotes from independent counterparties.

**Hedging**

***Cash flow hedges***
Where a derivative financial instrument is designated as a foreign currency hedge of the variability in cash flows of a firm commitment or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. Contracts of this kind are classified as cash flow hedges.

When the firm commitment or forecast transaction results in the recognition of a non-financial asset or liability, the cumulative gain or loss is removed from other comprehensive income and included in the initial cost of the non-financial asset or liability. Otherwise, the cumulative gain or loss is removed from equity and recognised in the income statement at the same time as the hedged transaction. The ineffective part of any gain or loss is recognised immediately in the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes the designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in other comprehensive income and is recognised in accordance with the above policy when the transaction occurs.

If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in other comprehensive income is recognised immediately in the income statement.

***Hedging of monetary assets and liabilities***
Where a derivative financial instrument is used to economically hedge the foreign exchange exposure of a recognised monetary asset or liability, no hedge accounting is applied, and any gain or loss on the hedging instrument is recognised in the income statement. Related foreign exchange gains and losses are also recognised in the income statement as incurred.

**Non-current assets held for sale and disposal groups**
Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than from continuing use. The asset (or disposal group) must be available for immediate sale in its present condition and the sale must be highly probable. Immediately before reclassification as held for sale, the measurement of the assets (and all assets and liabilities in

a disposal group) is brought up to date in accordance with the applicable accounting standards. On initial reclassification as held for sale, non-current assets and disposal groups are recognised at the lower of their carrying amount or fair value less costs to sell. Any impairment losses on initial classification as held for sale are recognised in the income statement.

**Segment reporting**
A segment is a distinguishable component of the Group which provides products and/or services in a particular geographical area or a particular business segment and for which separate financial information is available.

The results of the Group’s operating segments are regularly reviewed by the Board of Directors (as the Group’s chief operating decision-maker) to determine how resources should be distributed and performance potential assessed. Segments are managed at the EBIT level.

Kuoni Group consists of the three divisions: Global Travel Distribution (GTD), previously FIT (Fully Independent Traveller); Global Travel Services (GTS), previously Group Travel and Destination Management Specialists; and VFS Global. Furthermore, all tour operating activities which were previously reported as Outbound Nordic and Outbound Europe/Asia have been sold in 2015. The segment reporting reflects the management structure implemented within the Kuoni Group.

GTD populates Kuoni Group’s own worldwide databases with a wide range of different travel services. The majority of these services are overnight hotel stays, but they also include individual and regular transfer services, city tours and excursions, tickets, tour guide services and restaurants, all of which can be booked online. The business models in GTD are based on B2B relationships with various business partners like tour operators, online and offline travel agents as well as aggregators.

GTS includes B2B group travel business and the Destination Management business. These activities within the Group Travel business focus on creating individual, tailor-made group travel for tour operators as well as online and offline travel agents. These business partners buy these group arrangements from Kuoni Group and then offer them to their own customers in local source markets. The Destination Management Specialists focus on their core destinations and core styles of travel, and they pride themselves on being able to meet the most exacting customer requirements. Destination Management Specialists are local experts with offices in the holiday destinations themselves. Kuoni Group runs a worldwide network of destination management companies in the USA, Africa, Middle East and Asia/Pacific.

VFS Global takes over the external, non-judgmental, administrative parts of the visa application and other consular processes for diplomatic missions and governments worldwide.

The reportable segments apply the same accounting principles as the Group.

**Key judgements, management estimates and assumptions**
When preparing the consolidated financial statements, management must make decisions, assessments and assumptions that have an impact on income, expenses, assets and liabilities. The actual results may differ from these management assessments. Estimates and underlying assumptions are reviewed on an ongoing basis and are based on past findings and various other factors. Changes in accounting estimates may be necessary if there are changes in the circumstances on which the estimate was based, or as a result of new information or additional experience. Such changes are recognised in the period in which the estimate is revised.

The key assumptions about the future and key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying values of assets and liabilities within the next twelve months are described below. On the basis of the information currently available, they are considered to be appropriate.

***Employee pension plans***
Some employees of Kuoni Group are insured with pension plans with defined benefits. The calculation of the recognised net assets (31 Dec 2016: CHF 14.8 million) is based on statistical and insurance-mathematical calculations of the actuaries. In doing so, the present value of the defined benefit obligation relating to changing the discount rate, salary development and expected mortality rate are very sensitive in particular. In addition, the independent actuaries, appointed by Kuoni Group, use statistical data, such as the likelihood of withdrawals and life expectancy of the plan participants. Deviations from the assumptions can have an influence on the future reporting periods of recognised balances and liabilities with the defined benefit pension plans. When measuring the pension liabilities, the Kuoni Group does not consider the so-called risk sharing between employer and employees as much as possible.

***Property, plant and equipment, goodwill and intangible assets***
Kuoni Group has as at 31 December 2016 property, plant and equipment with a carrying value of CHF 39.4 million (see note 11), intangible assets with a carrying value of CHF 163.2 million (see note 13) and goodwill with a carrying value of CHF 600.2 million (see note 12). Goodwill is reviewed at least annually for impairment. The impairment of property, plant and equipment and other intangible assets are reviewed if there is any indication of impairment. To assess if any impairment exists, estimates are made of the future cash flows expected to result from the use of the asset and its eventual disposal. Actual outcomes could vary significantly from such estimates of discounted future cash flows. Factors such as changes in the planned use of buildings, the presence or absence of competition, technical obsolescence or lower than anticipated turnover from cash-generating units with capitalised goodwill could result in shortened useful lives or impairment.

***Income taxes***
As at 31 December 2016, the receivable for current income taxes amounts to CHF 7.2 million, the payable for current income taxes amounts to CHF 18.1 million and the net payable for deferred income taxes amounts to CHF 15.5 million (see note 8). Significant estimates are required in determining the current and deferred tax assets and liabilities. Some of these estimates are based on interpretations of existing tax laws and regulations. Management believes that these estimates are reasonable and that the recognised liabilities for income-tax-related uncertainties are adequate. Various internal and external factors may have favourable or unfavourable effects on income tax assets and liabilities. These factors include, but are not limited to, changes in tax laws and regulations or their interpretation, and changes in tax rates. Any such changes that arise could impact the current and deferred income tax assets and liabilities recognised in the statement of financial position in future periods. Furthermore, in order to determine whether tax loss carry forwards may be carried as assets, it is first necessary to critically assess the probability of future taxable profits against which to offset them. Such profits depend themselves on a variety of influencing factors and developments.

***Provisions***
As at 31 December 2016, a provision of CHF 17.1 million (see note 18) has been recorded for the equity accounted investments in VFS TasHeel and Vasco Worldwide (see note 15). This provision equals the proportionate equity shares of these two investments. Significant estimates are required in determining the amount of the provision. Estimates are based on unaudited draft consolidated financial statements of the two investments. Audited results may have favourable or unfavourable effects on provisions. The difference between the estimated results of the two equity investments and the corresponding final audited results are separately disclosed in note 18.

# 1. Exchange rates

The following exchange rates were used for the Group's most important currencies:

| | | Year-end rates in CHF | | Average rates in CHF | |
|---|---|---|---|---|---|
| **Currency** | **Unit** | **2016** | **2015** | **2016** | **2015** |
| AED | 100 | 27.760 | 26.920 | 26.810 | 26.220 |
| AUD | 1 | 0.738 | 0.722 | 0.733 | 0.725 |
| EUR | 1 | 1.074 | 1.081 | 1.090 | 1.069 |
| GBP | 1 | 1.252 | 1.466 | 1.335 | 1.472 |
| HKD | 100 | 13.140 | 12.760 | 12.690 | 12.420 |
| INR | 100 | 1.500 | 1.491 | 1.466 | 1.502 |
| THB | 100 | 2.850 | 2.740 | 2.791 | 2.815 |
| USD | 1 | 1.019 | 0.989 | 0.985 | 0.963 |

# 2. Acquisitions and discontinued operations

**Acquisition**

On 1 December, 2016, Kuoni Global Travel Services Ltd (Global Travel Distribution (GTD) segment) acquired MTS Globe (MTS), together with its subsidiaries operating within the hotel distribution, destination management services and IT businesses. MTS Globe holds a strong presence in sun and beach destinations and is the preferred partner for many European tour operators. Its successful and unique business model offers 12'000 hotels and customised destination services. With the acquisition, GTD complements its global city destination portfolio with large and growing beach, hotel & destination services and takes an important step towards to become the world's easiest travel distribution partner to do business with.

Kuoni Group acquired 95.1 per cent of equity interests and has CHF 2.9 million accounted for non-controlling interests at the date of acquisition. The non-controlling interests have been measured at its proportionate share of the identifiable net assets.

The provisional purchase price amounted to CHF 58.9 million (EUR 54.0 million), whereof CHF 13.1 million (EUR 12.0 million) were paid in cash, CHF 21.8 million (EUR 20 million) represent deferred consideration and CHF 24.0 million (EUR 22.0) were financed by the shareholder (see note 17).

The assets and liabilities in the following table were taken over as shown. The acquisition-related intangible assets identified were valued at CHF 32.4 million while non-tax-deductible goodwill amounted to CHF 8.3 million. The resulting goodwill largely reflects the value of synergies and future earnings which Kuoni Group expects to generate from the acquisition.

The initial accounting for this business combination is still provisional due to the fact that the Purchase price might change as a result of ongoing negotiations relating to the level in networking capital. As a consequence the Goodwill might change once the negotiations have been terminated.

MTS reported turnover of CHF 21.5 million for the one-month period of its Kuoni Group ownership in 2016 and an EBIT of CHF -3.4 million. The Group incurred acquisition and integration costs of CHF 1.0 million as a result of the acquisition. These are included in "other operating expenses".

The below table shows the acquired assets and liabilities of MTS:

| **CHF million** | **Total acquired 2016** |
|---|---|
| Cash and cash equivalents | 15.2 |
| Time deposits and securities | 1.2 |
| Accounts receivable and other receivables | 16.3 |
| Prepaid expenses | 78.7 |
| Current income tax receivables | 2.3 |
| Property, plant and equipment | 5.2 |
| Intangible assets | 33.8 |
| Investments in associates | 1.0 |
| Financial assets | 1.1 |
| Deferred tax assets | 0.3 |
| Current financial debts | -0.4 |
| Current income tax liabilities | -0.3 |
| Accounts payable and other payables | -90.0 |
| Accrued expenses | -3.8 |
| Total financial debts non-current | -0.2 |
| Deferred tax liabilities | -6.9 |
| **Net identifiable assets** | **53.5** |
| Non-controlling interests | -2.9 |
| Goodwill | 8.3 |
| **Total consideration** | **58.9** |
| | |
| Purchase price paid in cash | 13.1 |
| Shares KIWI Holding II SA | 24.0 |
| Deferred purchase price | 21.8 |
| **Total consideration** | **58.9** |
| | |
| Purchase price paid in cash | 13.1 |
| Cash and cash equivalents received | -15.2 |
| **Net of cash acquired** | **-2.1** |

## Discontinued operations

On 19 June 2015, Kuoni Group signed an agreement with the REWE Group for the sale of the European tour operating businesses. This agreement included all of the tour operators, specialists and travel agencies run by Kuoni Group's units in Switzerland, the United Kingdom, Scandinavia/Finland and Benelux. The purchase price amounted to CHF 125.1 million. The transaction was completed on 11 September 2015 (closing). Non-current provisions not used any longer totalling CHF 2.8 million have been released in 2016.
On 7 August 2015, Kuoni Group signed an agreement with Fairfax/Thomas Cook for the sale of the tour operating business in Hong Kong and India as well as the inbound business activities in India. The transaction relating to the tour operating in Hong Kong was completed on 9 November 2015 and relating to the activities in India on 16 December 2015. The purchase price amounted to CHF 80.1 million.
When the transactions were closed, the respective currency translation losses (CTA) were also reclassified from equity to net result from discontinued operations. For the Year 2015, the reclassified currency translation losses from discontinued operations came to CHF 219.7 million.

Net result from discontinued operations:

| CHF million | Notes | 2016 | 2015 |
|---|---|---|---|
| **Turnover** | | **0.0** | **1,408.0** |
| Expenses | | 2.8 | -1,454.4 |
| Impairment loss recognised on goodwill on remeasurement to fair value less cost to sell | 12 | 0.0 | -106.4 |
| Impairment loss recognised on investments in associates on remeasurement to fair value less cost to sell | 14 | 0.0 | -1.5 |
| Amortisation | | 0.0 | -0.1 |
| **Result before taxes** | | **2.8** | **-154.4** |
| Income taxes | | 0.0 | -1.5 |
| **Result of discontinued operations** | | **2.8** | **-155.9** |
| | | | |
| Result on disposal of the tour operating activities and the inbound business activities in India | | 2.8 | -196.2 |
| | | | |
| **Net result from discontinued operations, net of income taxes** | | **2.8** | **-352.1** |
| Attributable to non-controlling interests | | 0.0 | 0.0 |
| Attributable to shareholder of Kuoni Travel Holding Ltd | | 2.8 | -352.1 |

Effects from the disposal of the tour operating business and the inbound business activities in India on the statement of financial position and the statement of cash flows:

| CHF million | 2016 | 2015 |
|---|---|---|
| Cash and cash equivalents | 0.0 | -377.9 |
| Time deposit | 0.0 | -3.0 |
| Accounts receivable/other receivables | 0.0 | -84.7 |
| Prepaid expenses | 0.0 | -155.0 |
| Current tax receivables | 0.0 | -24.1 |
| Property, plant and equipment | 0.0 | -66.4 |
| Goodwill | 0.0 | -135.2 |
| Other intangible assets | 0.0 | -34.7 |
| Other financial assets | 0.0 | -16.2 |
| Deferred tax assets | 0.0 | -18.4 |
| Other current liabilities | 0.0 | 313.4 |
| Advance payments by customers | 0.0 | 337.6 |
| Net pension liabilities | 0.0 | 68.0 |
| Other non-current liabilities | 0.0 | 12.0 |
| **Net assets disposed of** | **0.0** | **-184.6** |
| Consideration received (cash) | 0.0 | 205.2 |
| Non-controlling interests | 0.0 | 2.9 |
| Reclassification of currency translation differences to the income statement | 0.0 | -219.7 |
| **Loss on disposal of the tour operating activities and the inbound business activities in India** | **0.0** | **-196.2** |
| Consideration received (cash) | 0.0 | 205.2 |
| Cash and cash equivalents disposed of | 0.0 | -377.9 |
| **Net cash outflow** | **0.0** | **-172.7** |

# 3. Segment reporting

| Information by reportable segments | Global Travel Distribution (GTD) | | Global Travel Services (GTS) | | VFS Global | | Total reportable segments | |
|---|---|---|---|---|---|---|---|---|
| **CHF million** | **2016** | **2015** | **2016** | **2015** | **2016** | **2015** | **2016** | **2015** |
| Turnover of segments | 2,022.6 | 1,979.3 | 916.5 | 1,054.8 | 347.7 | 316.5 | 3,286.8 | 3,350.6 |
| Turnover with other segments | -1.6 | 0.0 | -2.4 | -1.9 | 0.0 | 0.0 | -4.0 | -1.9 |
| External turnover | 2,021.0 | 1,979.3 | 914.1 | 1,052.9 | 347.7 | 316.5 | 3,282.8 | 3,348.7 |
| GOP | 204.0 | 224.8 | 149.6 | 159.5 | 255.1 | 225.4 | 608.7 | 609.7 |
| GOP - margin | 10.1% | 11.4% | 16.3% | 15.1% | 73.4% | 71.2% | 18.5% | 18.2% |
| Share in result from joint ventures | | | | | -5.6 | -1.9 | -5.6 | -1.9 |
| Depreciation | -7.6 | -7.4 | -3.6 | -2.4 | -11.7 | -11.8 | -22.9 | -21.6 |
| Restructuring expense | -3.8 | 0.0 | -2.2 | -18.0 | 0.0 | 0.0 | -6.0 | -18.0 |
| Negative past service costs | 1.1 | 0.4 | 4.4 | 1.3 | 0.0 | 0.0 | 5.5 | 1.7 |
| Amortisation | -17.7 | -18.7 | -7.6 | -7.6 | 0.0 | 0.0 | -25.3 | -26.3 |
| Impairment of Goodwill and other intangible assets | 0.0 | 0.0 | 0.0 | -16.5 | 0.0 | 0.0 | 0.0 | -16.5 |
| Earnings before interest and taxes (EBIT) | 0.2 | 48.0 | -22.5 | -48.8 | 60.6 | 53.9 | 38.3 | 53.1 |
| EBIT - margin | 0.0% | 2.4% | -2.5% | -4.6% | 17.4% | 17.0% | 1.2% | 1.6% |
| Share in result from associates | -0.5 | 0.0 | | | | | -0.5 | 0.0 |
| Other financial result | | | | | | | | |
| Result before taxes | | | | | | | | |
| Capital expenditure | 15.7 | 15.9 | 1.3 | 3.2 | 16.1 | 18.0 | 33.1 | 37.1 |
| Investments in joint ventures and associates | 0.5 | 0.0 | | | | | 0.5 | 0.0 |
| Total assets of joint ventures and associates | | | | | | | 0.0 | 0.0 |
| Number of staff (full-time equivalents): | | | | | | | | |
| – annual average | 1,508 | 1,489 | 2,598 | 2,820 | 4,139 | 3,561 | 8,245 | 7,870 |
| – at year-end | 1,517 | 1,535 | 2,541 | 2,708 | 4,153 | 3,776 | 8,211 | 8,019 |

The reduction in GTD’s EBIT mainly relates to a decrease in GOP margin from 11.4% in 2015 to 10.1% in 2016; driven by increased price pressure. In addition operating expenses include one-off costs from restructuring and bad debts.

| Information by reportable segments | Corporate | | Total from continuing operations | | Discontinued operations | |
|---|---|---|---|---|---|---|
| **CHF million** | **2016** | **2015** | **2016** | **2015** | **2016** | **2015** |
| Turnover of segments | | | 3,286.8 | 3,350.6 | 0.0 | 1,408.0 |
| Turnover with other segments | | | -4.0 | -1.9 | 0.0 | 0.0 |
| External turnover | | | 3,282.8 | 3,348.7 | 0.0 | 1,408.0 |
| GOP | | | 608.7 | 609.7 | 0.0 | 252.3 |
| GOP - margin | | | 18.5% | 18.2% | n.a. | 17.9% |
| Share in result from joint ventures | | | -5.6 | -1.9 | | |
| Depreciation | -3.0 | -7.3 | -25.9 | -28.9 | 0.0 | -2.0 |
| Restructuring expense | -12.1 | -7.2 | -18.1 | -25.2 | 0.0 | 0.0 |
| Negative past service costs | 6.0 | 1.8 | 11.5 | 3.5 | 0.0 | 0.0 |
| Amortisation | 0.0 | 0.0 | -25.3 | -26.3 | 0.0 | -0.1 |
| Impairment of Goodwill and other intangible assets | 0.0 | 0.0 | 0.0 | -16.5 | 0.0 | -106.4 |
| Earnings before interest and taxes (EBIT) | -17.4 | 28.1 | 20.9 | 81.2 | 2.8 | -150.5 |
| EBIT - margin | | | 0.6% | 2.4% | n.a. | -10.7% |
| Share in result from associates | 0.0 | 0.0 | -0.5 | 0.0 | 0.0 | -1.7 |
| Other financial result | 0.4 | -2.3 | 0.4 | -2.3 | 0.0 | -2.2 |
| Result before taxes | | | 20.8 | 78.9 | 2.8 | -154.4 |
| Capital expenditure | 2.9 | 1.1 | 36.0 | 38.2 | 0.0 | 7.1 |
| Investments in joint ventures and associates | 0.0 | 0.0 | 0.5 | 0.0 | 0 | 0 |
| Total assets of joint ventures and associates | 0.0 | 35.9 | 0.0 | 35.9 | 0.0 | 0.0 |
| Number of staff (full-time equivalents): | | | | | | |
| – annual average | 64 | 98 | 8,309 | 7,968 | 0 | 4,174 |
| – at year-end | 40 | 98 | 8,251 | 8,117 | 0 | 0 |

[1] Including gain from disposals of properties in UK in the amount of CHF 25.8 million in 2016 (2015: CHF 53.2 million gain on sale of properties in Zurich).

## Breakdown of turnover of continuing operations by location of legal entity

| CHF million | 2016 | 2015 |
|---|---|---|
| China/Hong Kong | 626.2 | 684.8 |
| United Kingdom | 380.3 | 437.3 |
| Switzerland | 595.6 | 428.3 |
| United Arab Emirates | 360.5 | 385.5 |
| USA | 342.1 | 343.4 |
| Other | 978.1 | 1'069.4 |
| **Total** | **3,282.8** | **3,348.7** |

## Breakdown of turnover of continuing operations by activity

| CHF million | 2016 | 2015 |
|---|---|---|
| Accommodation and Destination Services | 2'935.1 | 3'032.2 |
| Visa Processing Services | 347.7 | 316.5 |
| **Total** | **3,282.8** | **3,348.7** |

## Breakdown of EBIT

| CHF million | 2016 | 2015 |
|---|---|---|
| Total EBIT of reportable segments | 38.3 | 53.1 |
| Corporate | | |
| – Corporate cost | -43.2 | -25.1 |
| – Gain from sale of properties | 25.8 | 53.2 |
| **Total** | **20.9** | **81.2** |

## Breakdown of assets by geographical area

| CHF million | Property, plant and equipment 31 Dec 2016 | Goodwill and other intangible assets 31 Dec 2016 | Total 31 Dec 2016 | Property, plant and equipment 31 Dec 2015 | Goodwill and other intangible assets 31 Dec 2015 | Total 31 Dec 2015 |
|---|---|---|---|---|---|---|
| United Kingdom | 4.0 | 615.5 | 619.5 | 9.4 | 634.7 | 644.1 |
| United Arab Emirates | 3.6 | 34.9 | 38.5 | 4.6 | 37.1 | 41.7 |
| USA | 0.3 | 40.8 | 41.1 | 0.4 | 39.6 | 40.0 |
| Switzerland | 3.7 | 41.5 | 45.2 | 6.0 | 3.7 | 9.7 |
| Other | 27.8 | 30.7 | 58.5 | 23.4 | 29.4 | 52.8 |
| **Total** | **39.4** | **763.4** | **802.8** | **43.8** | **744.5** | **788.3** |

# 4. Personnel expenses

| CHF million | 2016 | 2015 |
|---|---|---|
| Wages and salaries | 260.5 | 248.9 |
| Pension costs | 7.8 | 15.6 |
| Other social security cost | 16.7 | 15.6 |
| Other personnel costs | 38.0 | 44.2 |
| **Total personnel expenses** | **323.0** | **324.3** |

### Share-based compensation

Compensation of members of the Board of Directors of Kuoni Travel Holding Ltd. consisted of fixed compensation and social security contributions in accordance with Swiss regulations. The fixed compensation was paid in cash. For Board members in charge before the takeover through Kiwi Holding IV S.A (EQT and Kuoni and Hugentobler-Foundation), half of the fixed compensation was settled in shares, which were subject to a three-year blocking period. The issue price of the shares concerned was determined again each year and corresponded to the final share price on the trading day before the grant date. The shares were allocated one day after the distribution of the Kuoni Travel Holding Ltd dividend.

Total compensation for the Group Executive Board (GEB) of the Company consisted of a fixed and a variable component. The fixed component consisted of a base salary and social contributions and a deferred benefit (in the form of share awards). The variable component contained a short- and a long-term incentive (performance share awards).

The short-term incentive plan was designed to reward GEB members for the achievement of annual performance measures that were specific, quantifiable and challenging. The performance measures for all GEB members included financial targets at Group and Divisional level plus strategic targets aimed at promoting growth and the development of consumer-oriented and innovative approaches. Other agreed targets related to Kuoni Group's transformational objectives, people and talent development targets and stakeholder targets that were specific to key markets and the individual's role. The mix of targets was appropriate for Kuoni Group's business model, which must be tailored to consumer and market influences, and was aligned with the Group's business strategy and annual targets for 2016.

In 2016, GEB members were granted deferred compensation under the Restricted Share Plan (RSP) 2015 as part of the fixed component of their total compensation. The deferred compensation links executive compensation more closely to shareholder value creation and supports the retention of GEB members. The shares were restricted for three years: a third of the shares were converted after one year, the next third after two years and the final third after the third year. The pay-out value of the compensation was based on the share price at the time of conversion. In 2016, the GEB members received allocations under the Performance Share Plan (PSP) 2016. The PSP was designed to reward the GEB for its contribution to the company's long-term success and for the creation of shareholder value.

In the reporting period, RSP and PSP share awards have been granted to the senior management. The average price of the 18'112 shares used for such purposes in 2016 amounted to CHF 370 (2015: 19,551 shares used; average price CHF 297). The price of each share is determined by its average stock market price on assignment, less a discount for the corresponding measurement period. Caused by the takeover of the Kuoni Group through Kiwi Holding IV S.A. all deferred and outstanding restricted share plan units and performance share plan units vested. The exceptional one-off impact of the early vesting on the Groups' consolidated income statement amounted to CHF 1.1 million recorded in personnel expenses.

**Defined benefit retirement plans**

The Group incurs costs for retirement benefit plans in accordance with prevailing regulations in the countries in which it operates. The defined benefit plans of Kuoni Group are managed in Switzerland. They constitute 100% (2015: 100%).

### Swiss pension plans

Kuoni Group organises the occupational pension provisions of its employees against the consequences of old age, disability and death within the framework of pension funds that are legally and financially separated from the employer. The pension assets are entirely separated from the assets of the relevant employing company, but also from the assets of the policyholders. The Swiss Occupational Retirement, Survivors' and Disability Pensions Act (BVG) and its implementation provisions as well as the Act on Vesting in Pension Plans specify a minimum benefit in the area of compulsory and partly also in the area of supplementary occupational pension provisions. The relevant pension plan is specified in the pensions regulations of the foundations.

The foundation board of the pension fund is the most senior management body and consists on a parity basis of the same number of employer and employee representatives. It takes decisions on the content of the pension regulations (e.g. the insured benefits), the financing of the pension (e.g. employer and employee premiums) and on the management of the assets (e.g. investing the pension funds).

The pension fund is entered in the register for occupational pension plans and is subject to a cantonal supervisory authority or the Federal Social Insurance Office directly for supervisory purposes depending on their geographical area of activity.

The occupational pension plan operates in accordance with the capital cover method. This means that over the professional life an individual, retirement credit balance is accumulated, taking into account the annual salary insured and annual retirement credit entries plus interest. The annual retirement credit entries are calculated in percent of the insured salary and are staggered depending on the age of the policyholder. The final pension benefit depends on the contributions and has certain minimum guarantees. On the basis of these minimum guarantees, retirement plans in Switzerland are assigned to the defined benefit plans despite possessing many characteristics of defined contribution-oriented plans. The employee has the option to withdraw the retirement benefits in part or in full as capital. In addition to the retirement benefits, the pension benefits also include disability and survivors' benefits, which are calculated as a percentage of the insured annual salary or of the expected retirement pension.

To finance the benefits, savings and risk contributions are collected from employees and employer as a percentage of the insured annual salary in accordance with the pension regulations. Autonomous pension funds have risks from the savings process, the asset management and bear the demographic risks (long life, death, disability) themselves. The relevant pension fund can change its financing system (premiums and future benefits). During the period of a shortfall and if other measures do not result in the financial situation improving, the pension fund can collect restructuring contributions from the employer and the policyholders on a parity basis.

The following assumptions (weighted averages) used in actuarial calculations were adjusted to take account of the economic situation in the country concerned:

| | **2016** | **2015** |
|---|---|---|
| Discount rate | 0.55% | 0.70% |
| Salary increases | 1.00% | 1.00% |
| Rate of pension increase | 0.00% | 0.00% |
| Expected average remaining working lives in years | 10.4 | 10.6 |
| Interest rate credited to account balance | 1.50% | 2.25% |

The cover ratio of the benefit plans are shown below:

| CHF million | 2016 | 2015 |
|---|---|---|
| Assets of independent retirement plans at fair value | 262.8 | 268.5 |
| Defined benefit obligations (DBO) of the funded pension plans | -222.7 | -238.2 |
| **Debit/Credit balance** | **40.1** | **30.3** |
| Effect of asset ceiling | -25.3 | -14.5 |
| **Defined benefit assets/liabilities recognised in the statement of financial position** | **14.8** | **15.8** |
| Pension assets | 14.8 | 15.8 |
| Pension obligations | 0.0 | 0.0 |

The assets of the independent retirement plans were as follows:

| CHF million | 2016 | 2015 |
|---|---|---|
| **Fair value of assets as at 1 January** | **268.5** | **419.9** |
| Interest income on assets | 1.8 | 5.0 |
| Employer contributions | 1.9 | 9.5 |
| Employee contributions | 2.0 | 4.9 |
| Benefits paid | -31.4 | -16.9 |
| Administration expenses | -0.3 | -0.4 |
| Return on plan assets excluding amounts included in interest income | 20.3 | -9.0 |
| Change in scope of consolidation | 0.0 | -142.6 |
| Translation difference | 0.0 | -1.9 |
| **Fair value of assets as at 31 December** | **262.8** | **268.5** |

Employers' contributions for 2017 are expected to be CHF 0.0 million as the Swiss subsidiaries benefit from contribution holiday's by using its employers contribution reserve. Actual gain from investments for 2016 amounted to CHF 22.1 million (2015: loss of CHF 4.0 million). The assets of the retirement plans were invested in the following asset categories at year- end.

| | 2016 | 2015 |
|---|---|---|
| Listed shares | 28% | 29% |
| Listed bonds | 53% | 52% |
| Listed indirect investments in real estate | 14% | 15% |
| Other assets | 5% | 4% |
| **Total assets** | **100%** | **100%** |

The retirement plans hold no shares or other equity instruments of Kuoni Travel Holding Ltd, Zurich. The assets were invested in stock-exchange-listed securities only. Part of the foreign-currency risks in securities investments was hedged with rolling foreign exchange futures transactions. The purpose was solely to hedge the foreign currency exposure and not to achieve an additional return by actively trading in foreign currency.

Retirement plan obligation was as follows:

| CHF million | 2016 | 2015 |
|---|---|---|
| **Present value of obligation as at 1 January** | **238.2** | **435.5** |
| Current employer service cost | 5.4 | 11.4 |
| Interest cost | 1.6 | 5.0 |
| Employee contributions | 2.0 | 4.9 |
| Benefits paid | -31.4 | -16.9 |
| Actuarial losses on obligation | 18.4 | 14.8 |
| Negative past service cost | -11.5 | -3.5 |
| Change in scope of consolidation | 0.0 | -210.6 |
| Translation difference | 0.0 | -2.4 |
| **Present value of obligation as at 31 December** | **222.7** | **238.2** |

The actuarially determined retirement benefit costs stated above were set against the Group's contributions to retirement benefit plans. The following table gives a calculation of the pension costs of the Group's major pension plans:

| CHF million | 2016 | 2015 |
|---|---|---|
| Current employer service cost | 5.4 | 11.4 |
| Net interest return on the net assets | -0.2 | 0.0 |
| Administration expenses | 0.3 | 0.4 |
| Negative past service cost | -11.5 | -3.5 |
| **Pension cost recognised in income statement in personnel expense** | **-6.0** | **8.3** |
| Other pension cost (defined contribution plans and state retirement benefits) | 13.8 | 22.9 |
| **Total pension costs** | **7.8** | **31.2** |
| *Whereof continuing operations | 7.8 | 15.6 |
| *Whereof discontinued operations | 0.0 | 15.6 |

The negative past service costs in 2015/2016 related to curtailment gains attributable to the restructuring programmes in Switzerland. The following table illustrates the remeasurement gains and losses that were recognised in other comprehensive income:

| CHF million | 2016 | 2015 |
|---|---|---|
| Return on plan assets excluding amounts included in interest income | 20.3 | -9.0 |
| Experience-based adjustments to DBO | -16.8 | 2.6 |
| DBO change due to financial and demographical assumptions | -1.5 | -17.4 |
| Effect of asset ceiling | -10.8 | -14.5 |
| **Total amount of remeasurement losses on defined benefit plan recognised in other comprehensive income** | **-8.8** | **-38.3** |

The following table illustrates the reconciliation of effect of asset ceiling:

| CHF million | 2016 | 2015 |
|---|---|---|
| **Adjustment to asset ceiling 1 January** | **-14.5** | **0.0** |
| Interest expense on effect of assets ceiling | 0.0 | 0.0 |
| Change in effect of assets ceiling excl. interest expense | -10.8 | -14.5 |
| Translation difference | 0.0 | 0.0 |
| **Adjustment to asset ceiling at 31 December** | **-25.3** | **-14.5** |

The valuation of the pension benefit obligations is particularly sensitive with regard to changes to the discount rate and the assumptions of the salary rises and the expected mortality rates. The following table shows the percentage change of the pension payment obligation on the basis of a change to these actuarial assumptions:

| **Sensitivity impact on DBO to actuarial assumptions** | **2016** | **2015** |
|---|---|---|
| Increase in discount rate by 0.25% | -3.1% | -3.2% |
| Decrease in discount rate by 0.25% | 3.1% | 3.2% |
| Increase in salary rise by 0.25% | 0.2% | 0.2% |
| Increase in mortality rate by 1 year | 4.4% | 3.9% |
| Increase of the interest rate credited to account balance by 0.25% | 0.4% | 0.5% |

Every sensitivity analysis considers the change of one assumption, while all other assumptions remain the same. This approach shows the isolating effect if an individual assumption is changed, but does not consider that some assumptions are mutually dependent.

The weighted average duration of the defined benefit obligation was 13.6 years (2015: 14.2 years).

# 5. Other operating expenses/other operating income

| CHF million | 2016 | 2015 |
|---|---|---|
| Rent and utilities | 49.6 | 46.3 |
| Administrative expenses | 63.2 | 63.5 |
| Bad debt losses | 18.1 | 10.3 |
| Transaction-related expenses | 24.4 | 0.0 |
| Other expenses | 52.2 | 29.3 |
| **Total other operating expenses** | **207.5** | **149.4** |
| Disposal of properties | 25.8 | 53.2 |
| **Total other operating income** | **25.8** | **53.2** |

Transaction-related expenses amounting to CHF 24.4 million consisted of costs in relation to the takeover of the Kuoni Group by private equity company EQT.

Other operating income included the gain from the disposals of the properties UK of CHF 25.8 million in 2016. In 2015, other operating income contained the gain from the disposal of the properties in Zurich of CHF 53.2 million.

Legal, consulting and other professional fees are included in other expenses.

# 6. Depreciation

| CHF million | 2016 | 2015 |
|---|---|---|
| On buildings | 0.0 | 1.3 |
| On plant and equipment | 15.1 | 15.1 |
| On intangible assets | 10.8 | 12.5 |
| **Total** | **25.9** | **28.9** |

# 7. Financial result

| CHF million | 2016 | 2015 |
|---|---|---|
| Interest income | 1.6 | 4.2 |
| Non-operational exchange gain (net) | 3.3 | 0.5 |
| Other financial income | 3.7 | 2.0 |
| **Financial income** | **8.6** | **6.7** |
| Interest expenses | 8.2 | 9.0 |
| Share in losses from associates | 0.5 | 0.0 |
| **Financial expense** | **8.7** | **9.0** |

Other financial income consists mainly of a release of a provision from previously-sold tour operating activities in Italy and Spain.

# 8. Income taxes

| CHF million | 2016 | 2015 |
|---|---|---|
| Current tax expenses | 26.6 | 22.7 |
| Deferred tax income | -7.1 | -1.7 |
| **Total** | **19.5** | **21.0** |

Tax expense can be analysed as follows:

| CHF million | 2016 | 2015 |
|---|---|---|
| Earnings before taxes | 20.8 | 78.9 |
| Weighted average Group tax rate | 22.6% | 27.6% |
| Tax expense at the weighted average Group tax rate (net) | 4.7 | 21.8 |
| Non-tax-deductible expenses | 8.4 | 1.5 |
| Tax-free income | -2.9 | -15.2 |
| Capitalised deferred tax assets from previously not recognised tax loss carryforwards | -4.0 | -0.3 |
| Utilisation of tax loss carryforwards, not recognised in the statement of financial position | -1.9 | -0.1 |
| Tax effect from current losses, not eligible for recognition as assets | 13.4 | 15.7 |
| Effect of changes in tax legislation | 0.0 | 0.0 |
| Tax expenses for earlier periods | 1.8 | -2.4 |
| **Tax expense reported** | **19.5** | **21.0** |
| Effective Group tax rate | 93.9% | 26.6% |

The weighted average tax rate of the Kuoni Group for the year under review was 22.6% (2015: 27.6%). Depending on the country involved, profit distributions have varying tax consequences, the extent of which cannot be estimated. In 2016, the increase in non-tax-deductible expenses are mainly due to the almost tax neutral impact of the costs related to the acquisition through EQT as well as the costs related on the group reorganisation.

The Group has the following unrecognised tax loss carryforwards:

| Expiring CHF million | 2016 | 2015 |
|---|---|---|
| Up to 1 year | 0.0 | 0.1 |
| 1 to 5 years | 8.8 | 32.0 |
| Over 5 years | 145.3 | 124.8 |
| Unlimited | 210.8 | 195.4 |
| **Total** | **364.9** | **352.3** |
| Not capitalised maximum positive tax effect | 101.7 | 98.9 |

Deferred taxes changed as follows:

| CHF million | 2016 | 2015 |
|---|---|---|
| Deferred tax assets | 14.8 | 27.1 |
| Deferred tax liabilities | 33.4 | 57.2 |
| **Deferred tax liabilities as at 1 January (net)** | **18.6** | **30.1** |
| Changes recognised in the income statement | -7.1 | -9.6 |
| Changes recognised in other comprehensive income | -1.2 | -12.1 |
| Change in scope of consolidation | 6.5 | 11.3 |
| Translation differences | -1.3 | -1.1 |
| **Deferred tax liabilities as at 31 December (net)** | **15.5** | **18.6** |
| Deferred tax assets | 21.8 | 14.8 |
| Deferred tax liabilities | 37.3 | 33.4 |

At year-end the cumulative deferred taxes recognised in equity amounted to CHF 20.3 million (2015: CHF 19.1 million). They arise largely for the tax effect on positive and negative fair values cash flow hedges re-measured through OCI and remeasurement gains and losses on defined benefit plans. Deferred taxes are derived from the following statement of financial position items:

| CHF million | Deferred tax assets 31 Dec 2016 | Deferred tax liabilities 31 Dec 2016 | Deferred tax assets 31 Dec 2015 | Deferred tax liabilities 31 Dec 2015 |
|---|---|---|---|---|
| Current assets | 0.5 | 0.8 | 0.6 | 0.6 |
| Property, plant and equipment | 7.5 | 0.1 | 4.4 | 0.0 |
| Other non-current assets | 1.7 | 25.1 | 2.4 | 22.8 |
| Accrued expenses and provisions | 3.2 | 2.2 | 2.6 | 2.7 |
| **Deferred taxes deriving from timing differences** | **12.9** | **28.2** | **10.0** | **26.1** |
| Netting of deferred taxes within each Group company | -0.6 | -0.6 | -0.6 | -0.6 |
| **Deferred taxes deriving from timing differences (net)** | **12.3** | **27.6** | **9.4** | **25.5** |
| Tax effect on undistributed retained earnings of subsidiaries | 0.0 | 9.7 | 0.0 | 7.9 |
| Deferred taxes on recognised tax loss carryforwards | 9.5 | 0.0 | 5.4 | 0.0 |
| **Total** | **21.8** | **37.3** | **14.8** | **33.4** |

# 9. Cash and cash equivalents

| CHF million | 31 Dec 2016 | 31 Dec 2015 |
|---|---|---|
| Cash and bank current accounts | 263.3 | 258.4 |
| Time deposits and money market investments with original term of up to 90 days from the date of acquisition | 7.2 | 12.7 |
| **Total** | **270.5** | **271.1** |

Cash and cash equivalents were denominated in the following currencies:

| CHF million | 31 Dec 2016 | 31 Dec 2015 |
|---|---|---|
| CHF | 19.3 | 30.3 |
| GBP | 134.6 | 40.6 |
| EUR | 24.6 | 44.7 |
| USD | 24.3 | 42.3 |
| Other | 67.7 | 113.2 |
| **Total** | **270.5** | **271.1** |

The applicable interest rates were:

| | 2016 | 2015 |
|---|---|---|
| CHF | 0.0% | 0.0% |
| GBP | 0.1% | 0.3% |
| EUR | 0.0% | 0.0% |
| USD | 0.3% | 0.0% |

# 10. Accounts receivable and other receivables

| CHF million | 31 Dec 2016 | 31 Dec 2015 |
|---|---|---|
| Accounts receivable | 336.4 | 345.0 |
| Other receivables | 32.8 | 39.7 |
| Allowance for doubtful accounts receivable | -41.9 | -26.6 |
| Positive fair values of derivative financial instruments | 4.2 | 14.4 |
| **Total** | **331.5** | **372.5** |

Accounts receivable and other receivables showed the following payment maturities

| CHF million | 31 Dec 2016 | 31 Dec 2015 |
|---|---|---|
| Payment not yet due | 209.0 | 219.4 |
| Payment overdue 1 to 30 days | 68.9 | 107.5 |
| Payment overdue 31 to 60 days | 30.8 | 29.7 |
| Payment overdue 61 to 90 days | 21.6 | 12.1 |
| Payment overdue by more than 90 days | 38.9 | 16.0 |
| | **369.2** | **384.7** |
| Allowance for doubtful accounts receivable | -41.9 | -26.6 |
| Positive fair values of derivative financial instruments | 4.2 | 14.4 |
| **Total** | **331.5** | **372.5** |

Allowance for doubtful accounts receivable totalled to CHF 5.0 million (2015: CHF 11.0 million) for receivables between 61 and 90 days overdue and CHF 36.9 million (2015: CHF 15.6 million) for receivables by more than 90 days overdue. Some of the underlying receivables are expected to be paid. The receivables with payment date not yet due relate largely to long-term customer relations with agents or processing companies. Allowance for doubtful accounts receivable showed the following developments:

| CHF million | 2016 | 2015 |
|---|---|---|
| **Allowance for doubtful accounts receivable 1 January** | **26.6** | **25.0** |
| Change (net) | 6.2 | 7.5 |
| Change in scope of consolidation | 10.1 | -4.7 |
| Translation differences | -1.0 | -1.2 |
| **Allowance for doubtful accounts receivable 31 December** | **41.9** | **26.6** |

# 11. Property, plant and equipment

| CHF million | Land and buildings | other tangible fixed assets | Total tangible fixed assets |
|---|---|---|---|
| **Cost as at 1 January 2015** | **165.3** | **165.2** | **330.5** |
| Additions | 0.5 | 22.4 | 22.9 |
| Disposals | -80.8 | -13.2 | -94.0 |
| Change in scope of consolidation | -59.6 | -59.2 | -118.8 |
| Translation differences | -8.1 | -10.4 | -18.5 |
| **Cost as at 31 December 2015** | **17.3** | **104.8** | **122.1** |
| **Accumulated depreciation as at 1 January 2015** | **73.7** | **110.8** | **184.5** |
| Depreciation | 1.3 | 15.6 | 16.9 |
| Disposals | -53.1 | -9.5 | -62.6 |
| Change in scope of consolidation | -10.7 | -41.7 | -52.4 |
| Translation differences | -1.8 | -6.3 | -8.1 |
| **Accumulated depreciation as at 31 December 2015** | **9.4** | **68.9** | **78.3** |
| **Net book value as at 31 December 2015** | **7.9** | **35.9** | **43.8** |
| **Cost as at 1 January 2016** | **17.3** | **104.8** | **122.1** |
| Additions | 2.7 | 18.4 | 21.1 |
| Disposals | -10.4 | -7.6 | -18.0 |
| Reclassification | 0.0 | -0.8 | -0.8 |
| Change in scope of consolidation | 1.2 | 13.8 | 15.0 |
| Translation differences | -2.0 | -2.7 | -4.7 |
| **Cost as at 31 December 2016** | **8.8** | **125.9** | **134.7** |
| **Accumulated depreciation as at 1 January 2016** | **9.4** | **68.9** | **78.3** |
| Depreciation | 0.0 | 15.1 | 15.1 |
| Disposals | 0.0 | -3.7 | -3.7 |
| Reclassification | 0.0 | -0.8 | -0.8 |
| Change in scope of consolidation | 0.4 | 9.5 | 9.9 |
| Translation differences | -1.7 | -1.8 | -3.5 |
| **Accumulated depreciation as at 31 December 2016** | **8.1** | **87.2** | **95.3** |
| **Net book value as at 31 December 2016** | **0.7** | **38.7** | **39.4** |

# 12. Goodwill

| CHF million | 2016 | 2015 |
|---|---|---|
| **Cost as at 1 January** | **592.6** | **916.6** |
| Change in scope of consolidation | 8.3 | -247.1 |
| Translation differences | -0.7 | -76.9 |
| **Cost as at 31 December** | **600.2** | **592.6** |
| **Accumulated impairment as at 1 January** | **0.0** | **5.5** |
| Impairment | 0.0 | 106.4 |
| Change in scope of consolidation | 0.0 | -111.9 |
| **Accumulated depreciation as at 31 December** | **0.0** | **0.0** |
| **Net book value as at 31 December** | **600.2** | **592.6** |

The impairment recognised relates to the divestiture of the European tour operating business in 2015 (for further details please refer to note 3). The cash-generating units relevant for impairment testing represent the two businesses GTD and GTS. They represent the reporting level to senior management and Board of Directors of the Company. The newly acquired MTS business (see note 2) will be integrated into GTD, for goodwill impairment testing in 2016, MTS has been assessed separately. Therefore GTD, GTS and MTS are used to assess the value-in-use of goodwill recognised in the balance sheet in 2016:

| CHF million | Growth rate | Discount rate before taxes | 31 Dec 2016 |
|---|---|---|---|
| **Cash-generating units** | | | |
| Global Travel Distribution | 1.5% | 11.3% | 529.0 |
| MTS Group | 1.5% | 12.4% | 8.1 |
| Global Travel Services | 1.5% | 9.8% | 63.1 |
| **Total** | | | **600.2** |

| CHF million | Growth rate | Discount rate before taxes | 31 Dec 2015 |
|---|---|---|---|
| **Cash-generating units** | | | |
| Global Travel Distribution | 1.5% | 10.0% | 531.3 |
| Global Travel Services | 2.5% | 9.6% | 61.3 |
| **Total** | | | **592.6** |

The value of goodwill is tested at least annually for impairment, or if indicators or conditions suggest that its carrying amount can no longer be recovered.

Kuoni Group applies a standard method to assess goodwill values. The basic amount which should be recovered by any goodwill reappraised is based on the value-in-use, which is determined from cash flow projections that are themselves based on the latest approved budgets by the Board of Directors of the Company and senior management's projections in the form of a mid-term plan. This plan includes the latest management estimates on turnover and margin trends and on projected operating costs. The business plan also pays due regard to historic values based on past experience and includes projections for the next five years. Subsequent years are considered on a perpetual annuity basis, using a growth rate of 1.5%. The discount rates have been calculated on the basis of the weighted average capital costs of the Kuoni Group with due and full regard to country- and currency-specific risks relating to cash flows.

**Sensitivity analysis**

Management conducted sensitivity analyses for all cash-generating units, which assumed an increase of discount rates of 1% in connection with a reduction of the expected cash flow by 5%. In addition, individual valuations of all divisions have been conducted in connection with the announced takeover. These valuations were executed in the first quarter of 2016 by independent third parties. The results of the sensitivity analyses and the individual valuations confirmed that no impairment charge was needed.

# 13. Intangible assets

| CHF million | Intangible assets from acquisitions | Other intangible assets | Total intangible assets |
|---|---|---|---|
| **Cost as at 1 January 2015** | **373.3** | **132.5** | **505.8** |
| Additions | 0.0 | 22.4 | 22.4 |
| Disposals | 0.0 | -10.7 | -10.7 |
| Change in scope of consolidation | -79.3 | -31.7 | -111.0 |
| Translation differences | -30.5 | -8.7 | -39.2 |
| **Cost as at 31 December 2015** | **263.5** | **103.8** | **367.3** |
| **Accumulated depreciation, amortisation and impairment as at 1 January 2015** | **193.0** | **69.3** | **262.3** |
| Amortisation | 26.4 | 0.0 | 26.4 |
| Depreciation | 0.0 | 14.0 | 14.0 |
| Impairment | 0.0 | 16.5 | 16.5 |
| Disposals | 0.0 | -9.7 | -9.7 |
| Change in scope of consolidation | -62.2 | -14.1 | -76.3 |
| Translation differences | -13.8 | -4.0 | -17.8 |
| **Accumulated depreciation, amortisation and impairment as at 31 December 2015** | **143.4** | **72.0** | **215.4** |
| **Net book value as at 31 December 2015** | **120.1** | **31.8** | **151.9** |
| **Cost as at 1 January 2016** | **263.5** | **103.8** | **367.3** |
| Additions | 0.0 | 15.0 | 15.0 |
| Disposals | 0.0 | -5.2 | -5.2 |
| Change in scope of consolidation | 32.4 | 4.4 | 36.8 |
| Translation differences | -0.7 | -2.6 | -3.3 |
| **Cost as at 31 December 2016** | **295.2** | **115.4** | **410.6** |
| **Accumulated depreciation, amortisation and impairment as at 1 January 2016** | **143.4** | **72.0** | **215.4** |
| Amortisation | 25.2 | 0.0 | 25.2 |
| Depreciation | 0.0 | 10.7 | 10.7 |
| Impairment | 0.0 | 0.0 | 0.0 |
| Disposals | 0.0 | -5.0 | -5.0 |
| Change in scope of consolidation | 0.0 | 3.1 | 3.1 |
| Translation differences | 0.0 | -2.0 | -2.0 |
| **Accumulated depreciation, amortisation and impairment as at 31 December 2016** | **168.6** | **78.8** | **247.4** |
| **Net book value as at 31 December 2016** | **126.6** | **36.6** | **163.2** |

Intangible assets from acquisitions consisted largely of capitalised trademark rights, while other intangible assets included software acquired as well as costs for software projects. The costs for software projects in the course of construction amounted to CHF 9.8 million (2015: CHF 15.0 million). In 2015, following a strategic review of the existing IT infrastructure, an existing IT solution has been abandoned and the related capitalized amount (CHF 16.5 million) has been impaired.

# 14. Investments in associates

| CHF million | 2016 | 2015 |
|---|---|---|
| **Net book value as at 1 January** | **0.0** | **2.4** |
| Change in scope of consolidation | 1.0 | -0.7 |
| Share in profits | 0.0 | 0.0 |
| Share in losses | -0.5 | -0.2 |
| Impairment | 0.0 | -1.5 |
| **Net book value as at 31 December** | **0.5** | **0.0** |

# 15. Investments in joint ventures

VFS TasHeel and Vasco Worldwide are joint ventures in which VFS Global participates. Both are as strategic partners of Kuoni Group principally engaged in visa application processing for the Saudi Arabian Government, based in Dubai, U.A.E.

VFS TasHeel and Vasco Worldwide are structured as separate vehicles and VFS Global has residual interests in the net assets of both companies. Accordingly, VFS Global has classified its interests in VFS TasHeel and Vasco Worldwide as joint ventures. In accordance with the agreement under which VFS TasHeel and Vasco Worldwide are established, VFS Global and the joint venture partner TasHeel have agreed to make additional contributions in proportion to their interests to make up any losses, if required.

The following table summarises the consolidated financial information of VFS TasHeel and Vasco Worldwide as included in its own financial statements, adjusted to the accounting principles of VFS Global. The table also reconciles the summaries financial information to the carrying amount of VFS Global's interest in VFS TasHeel and Vasco Worldwide.

| | **2016** | **2015** |
|---|---|---|
| **Share of voting rights and in capital** | **50%** | **50%** |

| **CHF million** | **2016** | **2015** |
|---|---|---|
| **Net book value as at 1 January** | **-1.9** | **0.0** |
| Share in result | -4.3 | -1.6 |
| Adjustment of prior year share in result | -1.3 | -0.3 |
| **Share in results from joint ventures** | **-5.6** | **-1.9** |
| Share in OCI | -9.2 | 0.3 |
| Reclassification[1] | 14.8 | 1.6 |
| **Translation differences** | **0.0** | **0.0** |

[1] The reclassification to short-term provisions is mainly due to the contractual loss cover (obligation to make additional payments).

| CHF million | **2016**[2] | **2015**[2] |
|---|---|---|
| Current assets | 41.4 | 32.9 |
| Non-current assets | 21.4 | 44.9 |
| Current liabilities | 30.7 | 33.5 |
| Non-current liabilities | 69.9 | 51.2 |
| **Net assets** | **-37.8** | **-6.9** |

| **CHF million** | **2016**[2] | **2015**[2] |
|---|---|---|
| **Turnover** | **53.5** | **63.0** |
| Direct costs | -29.0 | -12.4 |
| Other operating expenses | -27.0 | -46.1 |
| Depreciation and amortisation | -5.8 | -7.2 |
| **EBIT** | **-8.3** | **-2.7** |
| Financial result | 0.0 | 0.0 |
| Income taxes | -0.4 | -0.6 |
| **Net result** | **-8.7** | **-3.3** |
| Share in result | -4.3 | -1.6 |

[2] The year-end figures provided by VFS TasHeel and Vasco Worldwide are unaudited.

# 16. Financial assets

| CHF million | 2016 | 2015 |
|---|---|---|
| **Net book value as at 1 January** | **53.4** | **50.6** |
| Additions | 14.7 | 23.9 |
| Disposals | -5.6 | -1.9 |
| Change in scope of consolidation | 1.1 | -16.2 |
| Translation differences | -3.9 | -3.0 |
| **Net book value as at 31 December** | **59.7** | **53.4** |

Financial assets mainly comprised pension assets from funded pension plans totalling CHF 14.8 million (2015: CHF 15.8 million) – see note 4 – and loans to joint ventures amounting to CHF 30.3 million (2015: CHF 22.0 million).

# 17. Equity

The capital administered by the Kuoni Group corresponds to the consolidated equity. Kuoni's aims in administering this capital are:

- to maintain the sound structure of its statement of financial position based on going concern values;
- to maintain the financial scope required for future investments and acquisitions;
- to ensure a return for investors that is commensurate with their investment risk.

The Kuoni Group administers its equity by means of its statement of financial position equity ratio, i.e. the proportion of equity to total assets. The equity ratio amounted to 31.1% on 31 December 2016 (2015: 32.5%).
The Kuoni Group is not subject to any legal covenants relating to minimum equity requirements.

| CHF million | 31 Dec 2016 | 31 Dec 2015 |
|---|---|---|
| Equity attributable to shareholder of Kuoni Travel Holding Ltd | 522.1 | 528.9 |
| Non-controlling interests | 3.3 | 1.4 |
| **Total equity** | **525.4** | **530.3** |
| Total assets | 1,689.8 | 1,629.4 |
| Equity ratio | 31.1% | 32.5% |

In 2016, no dividend and no appropriation from the capital contribution reserve have been declared. In 2015 the shareholders approved the appropriation for the capital contribution reserve of CHF 1.50 per registered share A and CHF 7.50 per registered share B. The distribution in 2015 to holders of entitled shares totalled CHF 29.4 million.

### Other Contribution from Shareholder

As part of the acquisition of MTS Group (see note 2), Kiwi Holding V (Switzerland) Ltd. has contributed acquired shares of OTS Service and Holding (Switzerland) Ltd to Kuoni Travel Holding Ltd with an equivalent value of EUR 22.0 million (CHF 23.7 million).

### Composition of share capital

Unchanged to 2015 the share capital consists of 1,249,500 fully paid in registered shares A with a nominal value of CHF 0.20 and 3,748,500 fully paid in registered shares B with a nominal value of CHF 1.00. Total share capital therefore amounts to CHF 3,998,400.

### Conditional capital

Conditional capital issuable via the exercising of conversion rights and/or warrants linked to bonds or similar debt issued by Kuoni Travel Holding Ltd or any of its subsidiaries in the domestic or international capital markets amounts to a maximum of CHF 384,000. In the case of issues of bonds or similar debt instruments to which conversion and/or warrant rights are attached, the pre-emptive rights of the existing shareholders are excluded. The holders of the said conversion and/or warrant rights are entitled to subscribe for new registered shares B. The acquisition of registered shares through the exercise of conversion and/or warrant rights and any subsequent transfer thereof are subject to the transfer and voting restrictions contained in the Articles of Incorporation. The Board of Directors is authorised to restrict or revoke the pre-emptive rights of shareholders when such bonds or similar debt instruments to which conversion and/or warrant rights are attached are issued to finance the acquisition of other companies or parts of companies. If shareholders' pre-emptive rights are revoked by a decision of the Board of Directors, the conversion and/or warrant rights

concerned will be issued at the prevailing market price, and the new registered shares will be issued at market rates, with due regard to the current market price of the registered shares concerned and/or of comparable financial instruments with a market price. The exercise period is limited to ten years for conversion rights and to seven years from the date of the bond issue for warrant rights.
Conditional capital of a maximum of CHF 96,000 also exists for use in exercising subscription or option rights granted to employees of Kuoni Travel Holding Ltd or its subsidiaries under one or more employee stock option plans (in accordance with art. 28 of the Articles of Incorporation). In such cases, new registered shares B may also be issued to employees at rates below the current stock market price, and existing shareholders shall have no subscription rights. The terms and conditions for the issue of such shares shall be determined by the Board of Directors. The acquisition of registered shares under such employee stock option plans and any subsequent transfer thereof are subject to all the relevant statutory transfer and voting right restrictions.

**Principal shareholders**

The following table shows the largest shareholders as of 31 December 2016 and 2015:

| Shareholder | Number/category of shares | Share in % | Where of voting shares | Voting rights in % | Date of last disclosure |
|---|---|---|---|---|---|
| Kiwi Holding V (Switzerland) Ltd., Zug | 1,249,500/A | 6.25 | 1'249'500 | 6.25 | 19.5.2016 |
| Kiwi Holding V (Switzerland) Ltd., Zug | 3,748,500/B | 93.75 | 3'748'500 | 93.75 | 2.11.2016 |
| Previous year | 0 | 0.00 | 0 | 0.00 | n.a. |
| Kuoni and Hugentobler-Foundation, Stans | 0 | 0.00 | 0 | 0.00 | n.a. |
| Previous year | 1,249,500/A | 6.25 | 1'249'500 | 25.00 | 3.4.1995 |
| Silchester International Investors LLP, London | 0 | 0.00 | 0 | 0.00 | n.a. |
| Previous year | 702,719/B | 14.06 | 119'952 | 3.00 | 31.12.2015 |
| Veraison Capital AG, Zurich | 0 | 0.00 | 0 | 0.00 | n.a. |
| Previous year | 167,138/B | 3.34 | 119'952 | 3.00 | 31.12.2015 |
| Schroders plc, London | 0 | 0.00 | 0 | 0.00 | n.a. |
| Previous year | 192,592/B | 3.85 | 119'952 | 3.00 | 31.12.2015 |
| UBS Fund Management (Switzerland) AG, Basel | 0 | 0.00 | 0 | 0.00 | n.a. |
| Previous year | 166,427/B | 3.33 | 119'952 | 3.00 | 31.12.2015 |
| Classic Fund Management AG, Triesen | 0 | 0.00 | 0 | 0.00 | n.a. |
| Previous year | 191,529/B | 3.83 | 119'952 | 3.00 | 31.12.2015 |
| Go Investment Partners LLP, London | 0 | 0.00 | 0 | 0.00 | n.a. |
| Previous year | 211,966/B | 4.24 | 119'952 | 3.00 | 31.12.2015 |

**Treasury shares**

The number of treasury shares is 0 (2015: 78,632). The reduction is related to the take over through EQT and Kuoni and Hugentobler-Foundation and the corresponding early vesting of all employee share plans.

**Retained earnings:**

Only a limited amount of retained earnings is available for distribution

- the free reserves of Kuoni Travel Holding Ltd subsequent to the approval of an appropriate resolution by the General Meeting of Shareholder;

- the reserves of subsidiaries in accordance with local fiscal and legal provisions, provided they are distributed first to the parent company.

### Other reserves

Other reserves contain translation differences (CTA) as well as gains or losses from remeasurement of defined benefit plans, net of taxes, and fair-value gains or losses, net of taxes, from hedging activities recognised in equity.

| CHF million | Translation differences | Hedging reserves | Remeasurement gains and losses on defined benefits pension plans | Total |
|---|---|---|---|---|
| **Other reserves as at 1 January 2015** | **-293.5** | **12.2** | **-53.7** | **-335.0** |
| Recognised remeasurement gain or loss on defined benefits pension plans | | | -30.3 | -30.3 |
| Realised gains or losses from cash flow hedges transferred to income statement | | -10.8 | | -10.8 |
| Recognised gains or losses from cash flow hedges | | | | 0.0 |
| Translation differences | -106.0 | | | -106.0 |
| Reclassification to the income statement of currency translation differences relating to the disposal of tour operating business and the inbound activities in India | 219.7 | | | 219.7 |
| **Other reserves as at 31 December 2015** | **-179.8** | **1.4** | **-84.0** | **-262.4** |
| Recognised remeasurement gain or loss on defined benefits pension plans | | | -7.5 | -7.5 |
| Realised gains or losses from cash flow hedges transferred to income statement | | -1.9 | | -1.9 |
| Translation differences | -30.1 | | | -30.1 |
| **Other reserves as at 31 December 2016** | **-209.9** | **-0.5** | **-91.5** | **-301.9** |

### Translation differences

The biggest translation differences derived from the translation of the assets and liabilities of Group subsidiaries reporting in GBP or EUR and of USD-denominated intragroup loans of an equity nature/CHF-dominated intragroup loans to subsidiaries with a different currency.

### Hedging reserves

The hedging reserves correspond to the positive or negative fair value of currency and fuel price hedging contracts classified as cash flow hedges. They are expected to be removed from equity within twelve months.

### Remeasurement gains and losses on defined benefits pension plans

The reserve includes remeasurement gains and losses on defined benefits pension plans as well as the effect from the asset ceiling. Deferred taxes on the remeasurement of defined benefit plans amounted to CHF 1.3 million (2015: CHF 8.0 million).

# 18. Provisions

| CHF million | Provisions for personnel-related costs | Provisions for restructuring | Provisions for joint ventures | Other | Total |
|---|---|---|---|---|---|
| **Provisions as at 1 January 2016** | **39.3** | **23.1** | **3.7** | **29.6** | **95.7** |
| Additions | 23.5 | 7.4 | 14.8 | -0.7 | 45.0 |
| Used | -20.2 | -11.9 | 0.0 | -13.5 | -45.6 |
| Released | -4.4 | -0.7 | 0.0 | -4.5 | -9.6 |
| Reclassification | -0.2 | 0.1 | 0.0 | 0.1 | 0.0 |
| Change in scope of consolidation | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Translation differences | -0.4 | -0.1 | -1.4 | 0.0 | -1.9 |
| **Provisions as at 31 December 2016** | **37.6** | **17.9** | **17.1** | **11.0** | **83.6** |
| Of which: | | | | | |
| Current provision | 30.2 | 15.0 | 17.1 | 1.5 | 63.8 |
| Non-current provision | 7.4 | 2.9 | 0.0 | 9.5 | 19.8 |

Restructuring provisions mainly comprised lease termination penalty expenses, garden leave expenses and employee termination payments. No provisions were recognised for future operating losses.

# 19. Financial debts

| CHF million | 31 Dec 2016 | 31 Dec 2015 |
|---|---|---|
| Bond | 74.3 | 199.2 |
| Bank debts | 112.1 | 57.2 |
| Liabilities towards third parties | 21.6 | 0.5 |
| Shareholder Loan | 41.5 | 0.0 |
| **Total** | **249.5** | **256.9** |
| Current financial debts | 112.1 | 37.3 |
| Non-current financial debts | 137.4 | 219.6 |

Kuoni Travel Holding Ltd issued a CHF 200 million bond at an annual interest rate of 1.5% in October 2013. The bond was issued at 100.194%. The bond has duration of six years and matures on 28 October 2019. The effective interest rate applied is 1.62%. Due to a change of control in 2016 bondholders of Kuoni Travel Holding Ltd had the right to request the repurchase of their bonds at par value plus accrued interest. According to the notification from UBS Ltd. bonds with an aggregate par value of CHF 125,710,000 had been tendered to Kuoni for redemption. The tendered bonds were redeemed with value date 29 August 2016 in accordance with the terms and conditions of the bond, and the intermediated securities (Bucheffekten) have been deleted from the main register of the depository. The outstanding bond had a market value of 100.8% at year-end (stock exchange price on 31 December 2016); 2015: 100.5%.

**Syndicated credit facility**

All drawings under the CHF 200 million Credit Facility Agreement dated 11 September 2015 with an original duration until 30 June 2020 were paid back at the beginning of May 2016. The whole amount of this Credit Facility agreement was cancelled with effect as of 18 May 2016 in accordance with the change of control which took place on 19 May 2016 with the takeover of Kuoni Travel Holding Ltd by EQT and Kuoni and Hugentober-Foundation.

As a result of the early repayment of the Bond and refinancing of credit facilities net losses in the amount of CHF 1.5 million arising from these refinancing activities have been recognized.

Financial debts were due as follows:

| CHF million | 31 Dec 2016 | 31 Dec 2015 |
|---|---|---|
| **Statement of financial position value** | **249.5** | **256.9** |
| **Contractual cash flows (undiscounted)** | 270.2 | 269.9 |
| Up to 6 months | 56.6 | 38.4 |
| 7 to 12 months | 61.5 | 2.4 |
| 1 to 2 years | 26.4 | 3.0 |
| 2 to 5 years | 117.1 | 226.1 |
| Over 5 years | 8.6 | 0.0 |

Contractual cash flows of financial debts were denominated in the following currencies:

| CHF million | 31 Dec 2016 | 31 Dec 2015 |
|---|---|---|
| CHF | 192.4 | 266.2 |
| USD | 63.1 | 0.0 |
| Other | 14.7 | 3.7 |
| **Total** | **270.2** | **269.9** |

Average interest rates of major financial debts were:

| | 2016 | 2015 |
|---|---|---|
| CHF | 1.5% | 1.5% |

# 20. Financial risk management and financial instruments

Carrying amounts and fair values of financial assets and liabilities as at 31 December 2016:

| CHF million | Carrying amount | Fair value | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|---|
| Derivative financial assets at fair value through profit or loss | 1.4 | 1.4 | | 1.4 | |
| Derivative financial assets used as cash flow hedges | 2.8 | 2.8 | | 2.8 | |
| **Total financial assets measured at fair value** | **4.2** | **4.2** | **0.0** | **4.2** | **0.0** |
| Other financial assets[2] | 44.9 | | | | |
| Cash and cash equivalents | 270.5 | | | | |
| Time deposits | 0.7 | | | | |
| Accounts receivable and other receivables (excluding derivative financial assets) | 327.3 | | | | |
| **Total financial assets not measured at fair value[1]** | **643.4** | **0.0** | **0.0** | **0.0** | **0.0** |
| Derivative financial liabilities at fair value through profit or loss | 1.2 | 1.2 | | 1.2 | |
| Derivative financial liabilities used as cash flow hedges | 3.4 | 3.4 | | 3.4 | |
| **Total financial liabilities measured at fair value** | **4.6** | **4.6** | **0.0** | **4.6** | **0.0** |
| Bond | 74.3 | 74.9 | 74.9 | | |
| Other financial debts | 175.2 | 175.2 | 175.2 | | |
| Accounts payables and other payables (excluding derivative financial liabilities)[1] | 283.3 | | | | |
| Accrued expenses[1] | 410.0 | | | | |
| **Total financial liabilities not measured at fair value** | **942.8** | **250.1** | **250.1** | **0.0** | **0.0** |

[1] The fair values of the financial instruments do not deviate substantially from their carrying amounts.

[2] Excluding pension assets capitalised in the other financial assets.

Carrying amounts and fair values of financial assets and liabilities as at 31 December 2015:

| **CHF million** | **Carrying amount** | **Fair value** | **Level 1** | **Level 2** | **Level 3** |
|---|---|---|---|---|---|
| Derivative financial assets at fair value through profit or loss | 10.7 | 10.7 | | 10.7 | |
| Derivative financial assets used as cash flow hedges | 3.7 | 3.7 | | 3.7 | |
| **Total financial assets measured at fair value** | **14.4** | **14.4** | **0.0** | **14.4** | **0.0** |
| Other financial assets2 | 37.6 | | | | |
| Cash and cash equivalents | 271.1 | | | | |
| Time deposits | 0.1 | | | | |
| Accounts receivable and other receivables (excluding derivative financial assets) | 358.1 | | | | |
| **Total financial assets not measured at fair value1** | **666.9** | **0.0** | **0.0** | **0.0** | **0.0** |
| Derivative financial liabilities at fair value through profit or loss | 6.4 | 6.4 | | 6.4 | |
| Derivative financial liabilities used as cash flow hedges | 2.2 | 2.2 | | 2.2 | |
| **Total financial liabilities measured at fair value** | **8.6** | **8.6** | **0.0** | **8.6** | **0.0** |
| Bond | 199.2 | 201.0 | 201.0 | | |
| Other financial debts | 57.7 | 57.7 | 57.7 | | |
| Accounts payables and other payables (excluding derivative financial liabilities)[1] | 222.3 | | | | |
| Accrued expenses1 | 395.3 | | | | |
| **Total financial liabilities not measured at fair value** | **874.5** | **258.7** | **258.7** | **0.0** | **0.0** |

[1] The fair values of the financial instruments do not deviate substantially from their carrying amounts.

[2] Excluding pension assets capitalised in the other financial assets.

The measurement of the market values of active and passive financial instruments is based on observable market data where possible. The determination of the market values depends on the inputs used of the following levels 1 to 3:

Level 1: quoted market value in an active market of an identical financial instrument.
Level 2: current market value in an active market of a similar financial instrument or a valuation method whose prime input factors are based on direct or indirect observable market data.
Level 3: valuation method whose prime input factors are not based on observable market data.

The calculation of fair value level 2 is subject to the following valuation principles: Foreign currency-related futures and swaps based on valuation principles from external financial service providers that use observable market data for interest rates, yield curves, exchange rates and implied volatilities for similar instruments on the measurement date. This is the present-value method. In the past financial year, there were no transfers between the different levels.

The table below shows the financial instruments held by the Kuoni Group.

| CHF million | Loans and receivables | Derivative financial instruments: At fair value through profit and loss | Derivative financial instruments: Used as cash flow hedges | Other liabilities | Total carrying amount of financial instruments [1] |
|---|---|---|---|---|---|
| **31 Dec 2016** | | | | | |
| Other financial assets [2] | 44.9 | | | | 44.9 |
| Cash and cash equivalents | 270.5 | | | | 270.5 |
| Time deposits | 0.7 | | | | 0.7 |
| Accounts receivable and other receivables | 327.3 | 1.4 | 2.8 | | 331.5 |
| **Total financial instruments – assets** | **643.4** | **1.4** | **2.8** | | **647.6** |
| Financial debts | | | | 249.5 | 249.5 |
| Accounts payable and other payables | | 1.2 | 3.4 | 283.3 | 287.9 |
| Accrued expenses | | | | 410.0 | 410.0 |
| **Total financial instruments – liabilities** | **-** | **1.2** | **3.4** | **942.8** | **947.4** |
| **31 Dec 2015** | | | | | |
| Other financial assets [2] | 37.6 | | | | 37.6 |
| Cash and cash equivalents | 271.1 | | | | 271.1 |
| Time deposits | 0.1 | | | | 0.1 |
| Accounts receivable and other receivables | 358.1 | 10.7 | 3.7 | | 372.5 |
| **Total financial instruments – assets** | **666.9** | **10.7** | **3.7** | | **681.3** |
| Financial debts | | | | 256.9 | 256.9 |
| Accounts payable and other payables | | 6.4 | 2.2 | 222.3 | 230.9 |
| Accrued expenses | | | | 395.3 | 395.3 |
| **Total financial instruments – liabilities** | **-** | **6.4** | **2.2** | **874.5** | **883.1** |

[1] The fair values of the financial instruments do not deviate substantially from their carrying amounts.

[2] Excluding pension assets capitalised in the other financial assets.

Financial risk management is carried out by the treasury department of Kuoni Travel Management Ltd (Corporate Treasury), an indirect subsidiary of Kuoni Travel Holding Ltd. Principles for overall financial risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative instruments, and investment of excess liquidity exist in writing and are followed based on guidelines set by Corporate Treasury.

In the normal course of its business, the Kuoni Group is exposed to liquidity, credit and market risks (essentially interest rate and currency risks). To manage these risks, various derivative financial instruments are used. While these are subject to the risk of market rates changing subsequent to their acquisition, such changes are generally offset by opposite effects on the items being hedged.

### Liquidity risk

Liquidity risk is the risk that the Kuoni Group may be unable to meet its financial obligations when these become due for payment. The liquidity position of the Kuoni Group is significantly influenced by the booking and payment pattern of customers. As a result, liquidity is at its lowest in the winter months and at its highest in the summer months. Kuoni permanently monitors its liquidity to keep it at adequate levels, with monthly reports to the Group Executive Board and the Board of Directors. This is done partly by maintaining liquidity reserves, to even out the usual fluctuations in liquidity levels and needs.

Kuoni is financed through its shareholder Kiwi Holding V (Switzerland) Ltd which is financed by Kiwi Holding IV S.a.r.l.. To cope with any major liquidity fluctuations Kuoni Travel Holding Ltd can receive shareholder loans from Kiwi Holding V (Switzerland) Ltd which again finances itself through shareholder loans from Kiwi Holding IV S.a.r.l. Those financing requirements are covered through a Liquidity Facility and a Revolving Credit Facility of Kiwi Holding IV S.a.r.l. As of 31 December 2016 the unused part of these credit facilities was EUR 77.1m (CHF 82.8m).

The due dates of the financial debts held are shown in note 21. The other financial instruments held (accounts payable and accrued expenses) are all payable within six months.

**Credit risk**

Exposure to credit risk is monitored on an ongoing basis and covered by appropriate value adjustments on accounts receivable and prepayments made. Credit risks are limited because the customer base of the Kuoni Group consists of a large number of customers spread over a wide range of geographical regions. There are no risk concentrations.

The counterparties to derivative financial instruments and cash are carefully selected financial institutions. Given their high credit ratings, the Kuoni Group does not expect any counterparty to fail to meet its obligations. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

Furthermore, the Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements with the respective counterparties in order to mitigate counterparty risk. Under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding are aggregated into a single net amount that is payable by one party to the other. The ISDA agreements do not meet the criteria for off-setting in the balance sheet as the Group does not have a currently enforceable right to offset recognised amounts.

As per 31 December 2016 the amount subject to such netting arrangements was CHF 2.2 million (2015: CHF 7.4 million). Considering the effect of these agreements, the amount of derivative assets and derivative liabilities would decrease.

**Interest rate risk**

The Kuoni Group is exposed to interest rate risk as a result of movements in interest rates in the capital market. Generally, all non-current financial liabilities have fixed interest rates. Consequently, changes in interest rates can result in fluctuations in the fair value of such financial liabilities. This would not have any impact on the net result or future cash flows, however. No corresponding derivatives are outstanding on the balance sheet date.

Cash flow sensitivity analysis for financial instruments with all variable interest rates: a one percentage-point increase in the interest rate applicable would have increased the net result by CHF 1.1 million (2015: CHF 2.5 million). This analysis is based on the assumption that all other influencing factors remain unchanged.

**Foreign currency risk**

The Kuoni Group incurs foreign currency risk primarily on purchases and borrowings denominated in a currency other than the functional currency of the subsidiary concerned. A further foreign currency risk of smaller significance derives from the amount of turnover denominated in a currency other than the functional currency of the subsidiary concerned. On a consolidated basis, the Group is also exposed to currency fluctuations between the Swiss franc and the functional currencies of its subsidiaries. The major currencies giving rise to currency risk for the Kuoni Group are the euro, pound sterling and US dollar.

Foreign currency risks are monitored within the Kuoni Group in accordance with specified guidelines. These guidelines contain principles on risk limits, the forms of hedging instruments permitted and the relevant risk monitoring processes. The guidelines prohibit on principle the use of derivative financial instruments for speculative purposes. The enforcement of these guidelines and general risk management are provided by the Kuoni Group's treasury units in the form of a hedging strategy. Monthly reports are submitted to the Group Executive Board on the current risk situation.

The Kuoni Group uses forward exchange contracts to hedge its foreign currency risk. Most hedging contracts have maturities of up to 12 months. Where necessary, the forward exchange contracts are rolled over at maturity. The Kuoni Group does not hedge against the foreign currency risks associated with its net investment in foreign entities or the related foreign currency translation of local earnings.
The currency hedging contracts outstanding at year-end are summarised in the following table. The market value volatility from hedging contracts, which qualify as cash flow hedges, will likely be reclassified from the other comprehensive income to the income statement within a year. Changes in the fair value of forward exchange contracts, currency options and swaps that economically hedge monetary assets and liabilities in foreign currencies and for which no hedge accounting is applied are recognised in the income statement. Both the changes in fair value of the forward contracts and the foreign exchange gains and losses relating to the monetary items are reported under direct costs.

| **CHF million** | **Positive fair values 31 Dec 2016** | **Negative fair values 31 Dec 2016** | **Contract values 31 Dec 2016** | **Positive fair values 31 Dec 2015** | **Negative fair values 31 Dec 2015** | **Contract values 31 Dec 2015** |
|---|---|---|---|---|---|---|
| Cash flow hedges | | | | | | |
| Options | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Currency-related forward contracts and swaps | 2.7 | -3.4 | 261.5 | 3.7 | -2.2 | 349.2 |
| Commodity options (aviation fuel) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other derivative financial instruments | | | | | | |
| Currency-related forward contracts, swaps and options | 1.5 | -1.2 | 247.3 | 10.7 | -6.4 | 1,031.8 |
| **Total** | **4.2** | **-4.6** | **508.8** | **14.4** | **-8.6** | **1,381.0** |
| Of which: | | | | | | |
| Derivatives subject to master netting agreements | -2.2 | 2.2 | | -7.4 | 7.4 | |
| Net amount | 2.0 | -2.4 | | 7.0 | -1.2 | |

The fair value is the (higher or lower) value at which a derivative contract could be concluded on the balance sheet date. The fair values calculated on the balance sheet date should be looked at not in isolation but together with the calculated value of anticipated future transactions and hence in the context of the aggregate reduction in the Group’s exposure to currency movements. Positive or negative fair values of derivative financial instruments are carried on the statement of financial position under accounts receivable/other receivables or accounts payable/other payables.
The contractual cash flows are pitted against flows from underlying transactions that roughly offset the contractual cash flows.

Derivative financial instruments by currency:

| CHF million | Positive fair values 31 Dec 2016 | Negative fair values 31 Dec 2016 | Contract values 31 Dec 2016 | Positive fair values 31 Dec 2015 | Negative fair values 31 Dec 2015 | Contract values 31 Dec 2015 |
|---|---|---|---|---|---|---|
| AUD | 0.0 | -0.0 | 3.3 | 2.7 | - | 73.0 |
| EUR | 2.0 | -3.8 | 314.3 | 3.8 | -5.2 | 677.1 |
| USD | 1.2 | -0.1 | 75.5 | 5.6 | -0.8 | 238.4 |
| Other currencies | 1.0 | -0.7 | 115.7 | 2.3 | -2.6 | 392.5 |
| Commodities-related futures | - | - | - | - | - | - |
| **Total** | **4.2** | **-4.6** | **508.8** | **14.4** | **-8.6** | **1,381.0** |

Maturities of derivative financial instruments:

| **CHF million** | **Positive fair values 31 Dec 2016** | **Negative fair values 31 Dec 2016** | **Contract values 31 Dec 2016** | **Positive fair values 31 Dec 2015** | **Negative fair values 31 Dec 2015** | **Contract values 31 Dec 2015** |
|---|---|---|---|---|---|---|
| Up to 6 months | 4.0 | -4.5 | 485.5 | 14.0 | -8.3 | 1,307.5 |
| 7 to 12 months | 0.2 | -0.1 | 23.3 | 0.4 | -0.3 | 73.5 |
| 1 to 2 years | - | - | - | - | - | - |
| **Total** | **4.2** | **-4.6** | **508.8** | **14.4** | **-8.6** | **1,381.0** |

**Foreign-currency sensitivity analysis**

A change in the foreign-currency positions shown at year-end as a result of a +10% or –10% change in currency exchange rates would have increased or decreased consolidated equity and the Group net result by the amounts shown below. This analysis is based on the assumption that all other variables (and interest rates in particular) remained unchanged. The consolidated income statement may also be substantially affected by any changes in currency exchange rates relating to financial instruments bought and sold within the business year to which the provisions of IFRS 7 do not apply.

**31 Dec 2016**

| CHF million<br>Functional currency | Nominal currency USD +/– 10%<br>Equity +10% | Equity -10% | Income statement +10% | Income statement -10% | Nominal currency GBP +/– 10%<br>Equity +10% | Equity -10% | Income statement +10% | Income statement -10% |
|---|---|---|---|---|---|---|---|---|
| CHF | 0.0 | 0.0 | -0.2 | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 |
| GBP | 0.0 | -0.1 | -7.2 | 8.7 | n.a. | n.a. | n.a. | n.a. |
| USD | n.a. | n.a. | n.a. | n.a | 0.2 | 0.1 | 0.0 | 0.0 |
| EUR | -4.7 | 3.6 | 58.0 | -72.1 | -2.6 | -0.8 | -64.4 | 78.9 |

| CHF million<br>Functional currency | Nominal currency EUR +/– 10%<br>Equity +10% | Equity -10% | Income statement +10% | Income statement -10% | Nominal currency CHF +/– 10%<br>Equity +10% | Equity -10% | Income statement +10% | Income statement -10% |
|---|---|---|---|---|---|---|---|---|
| CHF | 1.4 | -0.5 | -1.2 | 0.2 | n.a. | n.a. | n.a. | n.a. |
| GBP | 1.3 | -0.4 | -0.2 | -0.2 | 0.0 | 0.0 | 0.0 | 0.0 |
| USD | -8.8 | -1.3 | 2.8 | -1.7 | 0.0 | 0.0 | 0.0 | 0.0 |
| EUR | n.a. | n.a. | n.a. | n.a. | -0.7 | 1.2 | 1.0 | -1.9 |

**31 Dec 2015**

| CHF million<br>Functional currency | Nominal currency USD +/– 10%<br>Equity +10% | Equity -10% | Income statement +10% | Income statement -10% | Nominal currency GBP +/– 10%<br>Equity +10% | Equity -10% | Income statement +10% | Income statement -10% |
|---|---|---|---|---|---|---|---|---|
| CHF | 0.0 | 0.0 | -10.3 | 12.6 | 0.0 | 0.0 | -9.0 | 11.0 |
| GBP | 0.0 | 0.0 | -1.6 | 1.9 | n.a. | n.a. | n.a. | n.a. |
| USD | n.a. | n.a. | n.a. | n.a. | 0.0 | 0.0 | -0.5 | 0.5 |
| EUR | 2.4 | -2.9 | -4.7 | 5.8 | 4.0 | -4.9 | 0.1 | -0.1 |

| CHF million<br>Functional currency | Nominal currency EUR +/– 10%<br>Equity +10% | Equity -10% | Income statement +10% | Income statement -10% | Nominal currency CHF +/– 10%<br>Equity +10% | Equity -10% | Income statement +10% | Income statement -10% |
|---|---|---|---|---|---|---|---|---|
| CHF | -0.9 | 0.9 | -9.2 | 12.1 | n.a. | n.a. | n.a. | n.a. |
| GBP | -4.0 | 4.9 | -0.6 | 0.7 | 0.0 | 0.0 | 0.5 | -0.6 |
| USD | -2.6 | 2.6 | 10.0 | -10.4 | 0.0 | 0.0 | 0.0 | 0.0 |
| EUR | n.a. | n.a. | n.a. | n.a. | 39.5 | -48.2 | 0.5 | -0.6 |

# 21. Related parties

As of 19 May 2016 Kuoni Travel Holding Ltd has been acquired by the private equity company EQT and the Kuoni and Hugentobler-Foundation. The shares have been acquired by Kiwi Holding IV S.à r.l., incorporated in Luxembourg. As per 31 December 2016, the shares of Kuoni Travel Holding Ltd are fully owned by Kiwi Holding V (Switzerland) Ltd. Related parties are the Directors, the Group Executive Board members (together with members of their families), associates, joint ventures as well as shareholders and companies controlled by these parties and pension plans.

**Loans with Shareholder**

As at 31 December 2016, two loan liabilities of CHF 33.5 million (A) and CHF 8.0 million (B) towards its shareholder Kiwi Holding V (Switzerland) Ltd existed. The applicable interest rates of the two loans are 4.53% (A) and 6.78% (B). Loans are floating but are repayable latest on 17 May 2023 and are therefore classified as long-term loans.

**Kuoni and Hugentobler-Foundation, Stans**

The Kuoni and Hugentobler-Foundation received a (gross) distribution of capital contribution reserve of CHF 0.0 million (2015: CHF 1.9 million) on the basis of its shareholding. On 19 May 2016 the Kuoni and Hugentobler-Foundation has contributed its registered shares A to the acquisition of Kuoni Travel Holding Ltd.

**Associates**

There were no transactions and no outstanding amounts with associates in 2015 and 2016.

**Joint ventures**

The Kuoni Group made no sales to joint ventures, while no purchases were made from joint ventures. There are loans/receivables to joint ventures amounting to CHF 30.3 million and CHF 6.6 million (2015: CHF 22.0 million and CHF 13.9 million) as well as CHF 1.0 million payables (2015: nil). No profits were distributed by joint ventures in 2016 and 2015.

**Pension plans**

Administrative costs charged by the Kuoni Group to the Swiss pension plans are shown in note 4 and amounted to CHF 0.3 million (2015: CHF 0.4 million). As in the previous year, the Kuoni Group currently has neither liabilities nor assets towards these pension plans.

**Group Executive Board and Board of Directors compensation**

The total compensation (including employer's contributions to social security and pension funds) paid to members of the Group Executive Board and the Board of Directors, which is included in personnel expense, consisted of:

| | **Group Executive Board** | | **Board of Directors** | | **Total** | |
|---|---|---|---|---|---|---|
| CHF million | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Short-term employee benefits | 4.3 | 5.9 | 0.0 | 1.0 | 4.3 | 6.9 |
| Post-employment benefits | 0.9 | 1.2 | 0.0 | 0.0 | 0.9 | 1.2 |
| Termination benefits | 2.2 | 2.8 | 0.0 | 0.0 | 2.2 | 2.8 |
| Share-based payments | 3.8 | 3.9 | 0.3 | 0.7 | 4.1 | 4.6 |
| **Total** | **11.2** | **13.8** | **0.3** | **1.7** | **11.5** | **15.5** |

# 22. Contingent liabilities, assets pledged

| CHF million | 31 Dec 2016 | 31 Dec 2015 |
|---|---|---|
| Contingent liabilities | 34.0 | 33.3 |

In 2016 contingent liabilities consisted of bank guarantees granted to indirect subsidiaries of Kuoni Travel Holding Ltd.

# 23. Leasing commitments

**Operating leases**

The position mainly contained lease contracts for buildings.

| CHF million | 2016 | 2015 |
|---|---|---|
| Commitments payable up to 1 year | 24.0 | 27.9 |
| Commitments payable 1 to 5 years | 22.6 | 47.3 |
| Commitments payable over 5 years | 0.5 | 8.1 |
| **Total leasing commitments not recognised in the statement of financial position** | **47.1** | **83.3** |
| Amount recognised in the income statement in respective year | 31.1 | 31.7 |

# 24. Events after balance sheet date

Kiwi Holding III S.A. and further Kiwi Holding subsidiaries, which act as parent companies of Kuoni Travel Holding Ltd, are party to a Senior Facilities Agreement (SFA) originally dated 17 May 2016. Under and subject to the terms of the SFA, the parent is obliged to procure that Kuoni Group companies comprising no less than 80% EBITDA or total assets of the Kuoni Group in aggregate, accede to the SFA and provide security over their material assets. On 12 January 2017, Kiwi Holding III S.A. and its subsidiaries, including Kuoni Group companies, have amended the SFA and completed the accession of the main Kuoni Group companies as guarantors to the SFA.

In general, Kuoni Group companies have provided an all assets security including bank accounts, shares in subsidiaries and intercompany claims with the exception of acceded entities incorporated in Switzerland, Japan and Russia, where only specific assets have been pledged. Kuoni Group companies, which have acceded to the SFA, are included in the “Principal subsidiaries, associates and joint ventures” note and have been marked specifically.

The consolidated financial statements were approved by the Board of Directors on 27 March 2017. No further events after 31 December 2016 occurred that would result in an adjustment to the carrying amounts of the Group’s assets and liabilities.

# Principal subsidiaries and joint ventures

## Europe 2016

| | | | 2016 | | 2015 | | |
|---|---|---|---|---|---|---|---|
| | Activity | Currency | Paid-in share capital | Investment in % | Paid-in share capital | Investment in % | Consolidation |
| **Switzerland** | | | | | | | |
| KIT Solution AG, Zürich[1] | CO | CHF | 1'000'000 | 100 | 1'000'000 | 100 | C |
| Kuoni Travel Investments Ltd, Zurich[1] | CO | CHF | 100'000 | 100 | 100'000 | 100 | C |
| Kuoni Travel Management Ltd, Zurich[1] | CO | CHF | 100'000 | 100 | 100'000 | 100 | C |
| Kuoni Global Travel Services AG, Zurich[1] | D | CHF | 100'000 | 100 | 100'000 | 100 | C |
| Kuoni VFS Investments Ltd, Zurich[1] | CO | CHF | 100'000 | 100 | n/a | n/a | C |
| Archorix Holding Ltd, Zug | D | CHF | 250'000 | 100 | n/a | n/a | C |
| OTS Service and Holding (Switzerland) Ltd, Opfikon | D | CHF | 14'800'000 | 100 | n/a | n/a | C |
| **Austria** | | | | | | | |
| Kuoni Destination Management GmbH, Vienna | D | EUR | 253'000 | 100 | 253'000 | 100 | C |
| **Denmark** | | | | | | | |
| Kuoni Destination Management A/S, Copenhagen | D | DKK | 600'000 | 100 | 600'000 | 100 | C |
| **France** | | | | | | | |
| Gullivers Travel Associates SAS, Paris | D | EUR | 37'000 | 100 | 37'000 | 100 | C |
| **Hungary** | | | | | | | |
| Kuoni Destination Management Kft., Budapest | D | HUF | 3'000'000 | 100 | 3'000'000 | 100 | C |
| **Italy** | | | | | | | |
| Kuoni Destination Management S.p.A., Rome | D | EUR | 1'548'000 | 100 | 1'548'000 | 100 | C |
| GTA (Italia) SRL, Rome | D | EUR | 20'000 | 100 | 20'000 | 100 | C |
| **Malta** | | | | | | | |
| OTS Open Travel Services Holding Malta Ltd, Valetta | D | EUR | 12'124'000 | 99.9 | n/a | n/a | C |
| **The Netherlands** | | | | | | | |
| Kuoni Destination Management B.V., Amsterdam | D | EUR | 55'815 | 100 | 55'815 | 100 | C |

| | | | 2016 | | 2015 | | |
|---|---|---|---|---|---|---|---|
| | **Activity** | **Currency** | **Paid-in share capital** | **Investment in %** | **Paid-in share capital** | **Investment in %** | **Consolidation** |
| **Spain** | | | | | | | |
| Kuoni Destination Management S.L., Madrid | D | EUR | 150'000 | 100 | 150'000 | 100 | C |
| Gullivers Travel Associates S.A., Madrid | D | EUR | 420'708 | 100 | 420'708 | 100 | C |
| MTS Incoming, S.L.U., Madrid | D | EUR | 1'180'244 | 100 | n/a | n/a | C |
| | | | | | | | |
| **Turkey** | | | | | | | |
| O.T.S OPEN TURİZM SEYAHAT İNŞAAT TİCAR-ET ANONIM ŞIRKETI, Antalya | D | EUR | 55'815 | 100 | 55'815 | 100 | C |
| | | | | | | | |
| **United Kingdom** | | | | | | | |
| Donvand Ltd., London[1] | D | GBP | 177'194 | 100 | 177'194 | 100 | C |
| GTA (Retail) Limited, London[1] | D | GBP | 50'000 | 100 | 50'000 | 100 | C |
| VF Services UK Limited, London[1] | V | GBP | 25'001 | 100 | 25'001 | 100 | C |
| VFS Global Services Plc, London[1] | V | GBP | 15'000 | 100 | 15'000 | 100 | C |
| Gullivers OCTGRP Limited, London[1] | D | GBP | 174'406 | 100 | 174'406 | 100 | C |
| Gullivers Travel Associates (Investments) Limited, London[1] | D | GBP | 1'000 | 100 | 1'000 | 100 | C |
| Kuoni Holdings Plc, London[1] | D | GBP | 58 | 100 | 58 | 100 | C |
| GTA Holdco Limited, London[1] | D | GBP | 7'564 | 100 | 7'564 | 100 | C |

[1] Shares of legal entity have been pledged subsequently to the balance sheet date as security to the SFA

Activity:
D = Destination & Accommodation Services
V = Visa Processing Services
CO = Corporate

Consolidation:
C = Consolidated
E = Valuation according to equity method

## Overseas 2016

| | | | 2016 | | 2015 | | |
|---|---|---|---|---|---|---|---|
| | Activity | Currency | Paid-in share capital | Investment in % | Paid-in share capital | Investment in % | Consolidation |
| **Australia** | | | | | | | |
| Australian Tours Management Pty Ltd., Melbourne | D | AUD | 500'000 | 100 | 500'000 | 100 | C |
| GTA Australasia Pty Limited, Sydney | D | AUD | 100'000 | 100 | 100'000 | 100 | C |
| Travelcube Pacific Pty Limited, Sydney[1] | D | AUD | 50'000 | 100 | 50'000 | 100 | C |
| **Cayman Islands** | | | | | | | |
| VFS Cayman Limited, George Town[1] | CO | GBP | 0 | 100 | 0 | 100 | C |
| **China** | | | | | | | |
| S.K.Y. Business Consultancy Co. Ltd., Shanghai | D | CNY | 1'198'115 | 100 | 1'198'115 | 100 | C |
| Kuoni Destination Management (Beijing) Ltd., Beijing | D | CNY | 4'000'000 | 100 | 4'000'000 | 100 | C |
| Gullivers Travel Associates (Hong Kong) Limited, Kowloon[1] | D | HKD | 3'064'000 | 100 | 3'064'000 | 100 | C |
| GTA (Hong Kong) Limited, Kowloon[1] | D | EUR | 55'250 | 100 | 55'250 | 100 | C |
| Gullivers (Beijing) Commercial Consulting Services (China), Beijing | D | USD | 250'000 | 100 | 250'000 | 100 | C |
| Gullivers Travel Associates (China) Limited, Beijing | D | CNY | 4'000'000 | 100 | 4'000'000 | 100 | C |
| VFS Business Information Consulting Co. Ltd., Shanghai | V | CNY | 1'127'862 | 100 | 1'127'862 | 100 | C |
| **India** | | | | | | | |
| VFS Global Services Pvt. Ltd., Mumbai | V | INR | 373'670'000 | 100 | 373'670'000 | 100 | C |
| **Japan** | | | | | | | |
| Kuoni Travel (Japan) Ltd., Tokyo[1] | D | JPY | 50'000'000 | 100 | 50'000'000 | 100 | C |
| Gullivers Travel Agency Co. Ltd (Japan), Tokyo | D | JPY | 40'000'000 | 100 | 40'000'000 | 100 | C |
| Octopus Travel.com Japan KK, Tokyo | D | JPY | 10'000'000 | 100 | 10'000'000 | 100 | C |
| **Jersey** | | | | | | | |
| Kuoni Holdings Limited, St Helier[1] | CO | GBP | 10'000 | 100 | 10'000 | 100 | C |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Kenya** | | | | | | | |
| Private Safaris (E.A.) Ltd., Nairobi | D | KES | 62’500’000 | 100 | 62’500’000 | 100 | C |
| **Mauritius** | | | | | | | |
| Kuoni Asian Investments (Mauritius) Ltd., Port Louis[1] | CO | USD | 1’000’000 | 100 | 1’000’000 | 100 | C |
| VF Worldwide Holdings Ltd., Port Louis[1] | V | GBP | 4’299’306 | 100 | 4’299’306 | 100 | C |
| Asian Trails Holding Ltd., Ebene[1] | CO | USD | 100’000 | 100 | 100’000 | 100 | C |
| **Singapore** | | | | | | | |
| Kuoni Travel (S) PTE Ltd., Singapore | D | SGD | 100’000 | 100 | 100’000 | 100 | C |
| Kuoni GTS (Singapore) Pte. Ltd., Singapore | D | SGD | 100’000 | 100 | 100’000 | 100 | C |
| **South Africa** | | | | | | | |
| Kuoni Private Safaris (Pty) Ltd., Cape Town | D | ZAR | 500’000 | 100 | 500’000 | 100 | C |
| VFS Visa Processing (South Africa) Pty Ltd., Pretoria | V | ZAR | 300’000 | 100 | 300’000 | 100 | C |
| **South Korea** | | | | | | | |
| Kuoni Travel (Korea) Ltd., Seoul | D | KRW | 100’000’000 | 100 | 100’000’000 | 100 | C |
| Kuoni GTS (Korea) Ltd., Seoul | D | KRW | 350’000’000 | 100 | 350’000’000 | 100 | C |
| **Taiwan** | | | | | | | |
| Kuoni GTS (Taiwan) Ltd., Taipei | D | TWD | 6’000’000 | 100 | 6’000’000 | 100 | C |
| **Thailand** | | | | | | | |
| Asian Trails Ltd., Bangkok | D | THB | 24’000’000 | 49 | 24’000’000 | 49 | C |
| Kuonissimo (Thailand) Ltd., Bangkok | D | THB | 2’000’000 | 49 | 2’000’000 | 49 | C |
| **United Arab Emirates** | | | | | | | |
| Desert Adventures Tourism LLC, Dubai | D | AED | 300’000 | 100 | 300’000 | 100 | C |
| Gulf Dunes LLC, Dubai | D | AED | 300’000 | 100 | 300’000 | 100 | C |
| GTA (Middle East) FZ LLC, Dubai | D | AED | 50’000 | 100 | 50’000 | 100 | C |
| Octopus Travel (Middle East) FZ LLC, Dubai | D | AED | 50’000 | 100 | 50’000 | 100 | C |
| VFS TasHeel International JLT, Dubai | V | USD | 5’000’000 | 50 | 5’000’000 | 50 | E |
| Vasco Worldwide JLT, Dubai | V | USD | 5’000’000 | 50 | 5’000’000 | 50 | E |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **USA** | | | | | | | |
| AlliedTPro, Inc., New York | D | USD | 170’000 | 100 | 170’000 | 100 | C |
| Kuoni Travel (Atlanta) Inc., Atlanta | D | USD | 50’000 | 100 | 50’000 | 100 | C |
| Kuoni Holding Delaware, Inc., Wilmington[1] | CO | USD | 1 | 100 | 1 | 100 | C |
| GTA Americas LLC, Delaware[1] | D | USD | 29’700’000 | 100 | 29’700’000 | 100 | C |
| Octopus Travel.com (USA) Limited, Delaware | D | USD | 1’000 | 100 | 1’000 | 100 | C |
| VFS Services (USA), Inc., Washington D.C.[1] | D | USD | 5’000 | 100 | 5’000 | 100 | C |

[1] Shares of legal entity have been pledged subsequently to the balance sheet date as security to the SFA

Activity:
D = Destination & Accommodation Services
V = Visa Processing Services
CO = Corporate

Consolidation:
C = Consolidated
E = Valuation according to equity method

# Statutory Auditor's Report

**To the General Meeting of Kuoni Travel Holding Ltd, Zurich**

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the consolidated financial statements of Kuoni Travel Holding Ltd and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2016 and the consolidated income statement, 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 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 International Financial Reporting Standards (IFRS) and comply with Swiss law.

### Basis for Opinion

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

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

### Key Audit Matters

**Impairment testing of goodwill**

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 goodwill

### Key Audit Matter

The value of goodwill is tested at least annually for impairment, or more often if indicators or conditions suggest that the carrying amount of the cash-generating units (CGUs) to which goodwill has been allocated can no longer be recovered. As at 31 December 2016, CHF 600.2 million or 35.6% of total assets consisted of goodwill:

| Goodwill per CGU in CHF million | 31.12.2016 | 31.12.2015 |
|---|---:|---:|
| GTD | 529.0 | 531.3 |
| MTS | 8.1 | 0.0 |
| GTS | 63.1 | 61.3 |
| Total | 600.2 | 592.6 |

We focused on this area because of the complexity of the valuation method (Discounted Cash Flows, DCF) and the significant influence of assumptions used in this process.

We identified and assessed the following risks that could lead to an inaccurate valuation of the recoverable amount of the CGUs, which is their value in use, and as a result of the goodwill:

- The DCF method requires an estimation of future cash flows and EBIT margins for up to five years. An overly optimistic estimate could lead to an inflated value in use.
- The projected Free Cash Flows (FCF) are discounted with the weighted average cost of capital (WACC). A too low WACC could lead to an inflated value in use.
- The residual value, which is a substantial part of the value in use, is highly influenced by the applied long-term growth rate. If this rate is set too high, an inflated value in use could be the consequence.
- Because goodwill impairment testing is made on a CGU basis, CGUs could be misidentified and therefore a necessary impairment could be missed.

### Our response

Our audit procedures included, amongst others, evaluating the methodical and mathematical accuracy of the model used for the impairment tests, the appropriateness of the assumptions used, and the methodology used by management to prepare its cash flow forecasts. We used our own valuation specialists to support our procedures.

For the CGUs GTD, MTS and GTS we performed the following audit procedures:

- assessing the reasonableness of the plans and forecasts by back-testing historical forecasts to actual results;
- comparing business plan data against the latest Board approved plans and management approved forecasts;
- challenging the robustness of the key assumptions used to determine the recoverable amount, including identification of the CGUs, forecast cash flows, long-term growth rates and the WACC based on our understanding of the commercial prospects of the related assets and by comparing them with selected publicly available data;
- conducting sensitivity analysis, taking into account the historical forecasting accuracy of the Group;
- comparing the sum of projected discounted cash flows to the market capitalisation of the Group; and
- recalculating the difference between the carrying value and the recoverable amount to assess the headroom.

We also considered the appropriateness of disclosures in relation to impairment sensitivities in the financial statements.

For further information on goodwill impairment testing refer to the following:

- Note 12 to the consolidated financial statements.
- Main accounting principles, section “Property, plant and equipment, goodwill and intangible assets”.

**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.

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

— Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

— Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

## Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the 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.

KPMG AG

Regula Wallimann
Licensed Audit Expert
Auditor in Charge

Matthias Bachmann
Licensed Audit Expert

Zurich, 27 March 2017