

*Annual report 2010*

## HAPIMAG KEYFIGURES

### KEY CORPORATE FIGURES

in EUR 1000	2010	in %	2009	in %
<b>Key balance-sheet figures</b>				
Non-current assets	618 809	93%	599 620	92%
Current assets	47 568	7%	49 360	8%
<b>TOTAL ASSETS</b>	<b>666 377</b>	<b>100%</b>	<b>648 980</b>	<b>100%</b>
<b>Key income statement figures</b>				
Equity	361 954	54%	374 838	58%
Loans from shareholders (irredeemable)	162 525	25%	139 598	21%
Other debt capital	141 898	21%	134 544	21%
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>666 377</b>	<b>100%</b>	<b>648 980</b>	<b>100%</b>
Sales	163 385		161 861	
Operating income	171 722		171 571	
Operating costs without depreciation / amortisation	139 176		136 435	
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	32 546		35 136	
Earnings before interest and taxes (EBIT)	-925		2 365	
<b>Consolidated result</b>	<b>-7 826</b>		<b>2 028</b>	

# HAPIMAG GROUP

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## REPORTING

### THE FUTURE OF HAPIMAG 2012 IS TAKING SHAPE

After the property crisis and the banking crisis, now the euro crisis: The year 2010 again posed new challenges and placed new demands on the economy with the turbulence around the euro and the high debts of individual euro countries. Giant rescue packages were put together overnight by EU politicians and placed at the disposal of afflicted countries such as Greece and Ireland. In contrast, drastic savings programmes are intended to again stabilise national budgets in countries which in previous years had lived massively beyond their own means. Yet whereas the property and banking crisis was not much able to affect Hapimag as a solid, self-financing company, the weak euro exchange rate in 2010, which for several months was at a record low, left a clear mark on the Hapimag result, especially the financial return. As a company active primarily in the euro zone, Hapimag was and is not able to escape this development. Already in the preceding years, the disproportionately high inflation rate in the southern euro countries affected the operation of Hapimag resorts in these countries, resulting in considerably increased costs for the resorts and their guests.

### UNAVOIDABLE IMPACT OF THE EURO ALSO ON OPERATING ACTIVITIES

In 2010, with regard to the operating activities, the levels achieved in the preceding years were equalled. The Group turnover (operating income), at euro 171.7 million, was of the same volume as the previous year, although the overall result was a negative EBIT of euro -0.9 million (euro 2.4 million the previous year). **Sales** in 2010, under difficult currency conditions at euro 35.2 million, were slightly lower than the previous year. With regard to **costs**, the personnel costs in Swiss francs affected the result when converted to euro; owing to the strong Swiss franc, costs increased from euro 48.4 to 51.6 million.

With over 2.7 million overnight stays, the occupancy rate at Hapimag **resorts** last year was 2% below the previous year (over 365 days on average 57.1%; in open periods 66.7%). The volcanic ash cloud, for example, had significant effects in Spain, whereas Bodrum was able to record a considerable increase. Overall, the resorts nevertheless continued to improve their results in 2010, increasing the total from euro 68.4 million to euro 70.5 million. A positive contribution was made within the context of Project 2012, with increased activities in **gastronomy**, where sales increased from euro 13.1 to 15.1 million in 2010. The already restrained development in operating activities was additionally affected, as expected, by the currency losses caused by the turbulence with the euro, to an amount of approx. 4.2 million, so that in the reporting year the Group recorded a total loss amounting to euro -7.8 million.

### VALUE RETENTION AND NEW EMPHASIS IN THE ADDRESS PORTFOLIO

Also in 2010 Hapimag further optimised and expanded the address portfolio. It is our declared policy to regularly assess the addresses in our portfolio with regard to operational and commercial criteria (costs/benefits), taking into consideration the expected requirements on the part of members, and to remove from the system any facilities that are not profitable or suitable for anticipated future requirements, or to sell them. Accordingly, the insufficiently used resort in Sörenberg was sold in 2010. Conversely, a total of euro 36.6 million was invested in expanding and maintaining the resorts, of which euro 13.7 million was spent on new properties and euro 20.1 million on renovation work. For the infrastructure in Baar (primarily data processing), there was further investment of euro 2.8 million. Among the upgraded addresses, particular mention should be made of the completed renovations in Paris and Amsterdam. As planned, on 25 November 2010 the new city resort in the renovated centre of Dresden was, after considerable delay, finally taken into operation. With its in part detailed reconstruction, for example the main façade of the vaulted cellar, it is both one of the most precious Hapimag city resorts and one of the new attractions of Dresden's baroque city centre. Another attractive addition to the portfolio in 2010 was Edinburgh; with Lisbon, a new, promising city resort is in preparation.

### PROJECT 2012 SHOWS RESULTS

The future project with the designation "2012" for the long-term repositioning of Hapimag and the renewal of the core idea of the company, which was started already in 2008, continued to take shape in 2010. By giving its members access to the current 57 addresses, Hapimag wants to offer them practically unlimited lifestyle opportunities far beyond holidays. The inclusion of specific activities and offers on location, as well as the reorganisation of the gastronomy concept, which varies according to the respective resort but is in each case authentic, is already well advanced or has even been fully implemented at various addresses. The newly created Leisure Consultants have met with a positive response on the part of members. In addition, specialised offers at individual resorts will now be gradually introduced, for example the establishment of a centre for traditional Chinese medicine and Chinese cuisine in Winterberg. They are intended to complement the existing offers in Winterberg – mainly wellness and sport – and make this resort a unique destination for prevention and healthy lifestyle.

Since the beginning of 2010, the previously eight IT systems have been replaced by a central SAP system. Although the merging in a new system of millions of data records gathered during over 40 years resulted in isolated cases in delays for members, it was nevertheless a quantum

leap with regard to the efficiency of processes and procedures. It will allow Hapimag greater flexibility and individualisation of offers for members in future, and at the same time accelerate internal procedures and administrative processes. From the middle of the year it will be possible in the low season to book various resorts by the day.

### PROGRESS

Stability in operating activities and progress on the path to opening up, transparency and flexibility in the use of the Hapimag system are among the central objectives of the present period. These objectives were – apart from the losses caused by currency fluctuations – also achieved in 2010. With the long-term Project 2012, the course has also been set for 2011, and milestones have been planned for the further progress into the future of Hapimag.

We wish to take this opportunity to thank our members and all our employees for their support and – in many places – also their enthusiasm for Hapimag.



Dr. Marisabel Spitz  
President  
of the Board of Directors



Kurt Scholl  
Chief Executive Officer

## OVERVIEW OF RESULTS

Despite the above-described uncertainties in Europe, not least also in the tourist industry, in 2010 Hapimag achieved an operating income of euro 171.7 million, which corresponded to that of the previous year. In contrast, the operating expenses rose by almost 2.0%. Thanks to the reduction in sales and marketing costs, the influence of the above-mentioned exchange rate changes on personnel costs in Swiss francs could be practically compensated for. Nevertheless, the result was a negative EBIT of euro -0.9 million (euro 2.4 million the previous year).

The net sales from shares and other right of residence products totalling euro 35.2 million was successfully maintained at a roughly stable level in comparison with the previous year. A total of 5851 shares were sold, which corresponds to over 1000 shares above the average of the last four years. Thanks to these sales it was possible to continue with the share buy-back programme.

The Resorts and Residences division reports an 3.0% increase in sales in comparison with the previous year (euro +2.1 million). Mention should be made of the significant increase in gastronomy sales (euro +2.0 million; +15%). Thanks to strict cost control, the increase in operating costs was within the range of the local cost increases and the legal wage costs adjustments.

Thanks to the revenue from annual subscription charges and the sale of right of residence products, the investment programme in the resorts and headquarters (primarily for the booking system) amounting to euro 36.6 million continued on schedule, without the need for the use of borrowed capital.

The continuing volatility in the euro/CHF exchange rate caused the negative financial result of euro -4.3 million, which overall led to an annual result of euro -7.8 million.

At the end of the year the book value of the properties totalled euro 602.0 million. This corresponds to an equity-to-fixed-assets ratio of 60%. The free cash flow increased from euro 6.0 million to euro 11.7 million, which resulted in a net surplus of euro 8.5 million (previous year euro -1.8 million). The company's equity capital base, at 79%, is still very high.

### RESULTS OF THE INDIVIDUAL FINANCIAL STATEMENT OF THE PARENT COMPANY HAPIMAG AG

The individual financial statement of the parent company, which reflects only part of the business of the Hapimag Group, is in Swiss francs, in contrast to the consolidated

## REPORTING

financial statement. The continuing negative development of the euro against the Swiss franc (-16% in 2010) resulted in considerable evaluation adjustments, which led to a negative result in the individual financial statement of the parent company totalling CHF -54.3 million, composed as follows:

1. CHF -37.8 million – Evaluation adjustments of loans to and investments in subsidiaries conducted in euro. No influence on Group values.
2. CHF -13.6 million – Value correction from the sale of property, plant & equipment of the branch to the Spanish Group company at taxable value with the aim of optimising the operating costs. No influence on Group values.
3. CHF -2.9 million – Result from activities of the Swiss resorts, the resorts in the subsidiaries, the headquarters in Baar and the sales.

## SALES

In Sales Management, the financial year 2010 was characterised by changes, adjustments and innovations. Despite extensive adjustments in Sales Management in the course of our reorientation project 2012, as well as the generally uncertain economic situation, with a turnover of euro 35.2 million we were able to limit the decline compared with the previous year.

### MEMBERSHIPS

On the basis of the various categories of the Hapimag-Card, Sales Management restructured and further developed the Hapimag product portfolio as of 1 April 2010. In this connection, the focus is not so much on the “share” as such, but much rather on memberships and the many opportunities for their use. The memberships require a certain number of shares and are the basis of the respective status of the already successful HapimagCard.

### NUMBER OF SHARES SOLD

With the share, which is still the basis for membership, the Hapimag members have a financial stake in the company. Thanks to this commitment, as a co-owner of Hapimag the member benefits from annual rights of residence.

Last year Hapimag offered existing members the option of optimising their membership on preferential terms and thus securing themselves additional opportunities. With the new memberships, it was also possible to obtain an increased number of new prospective customers with their own individual requirements.

With a total of 5851 shares sold, last year Hapimag was able to achieve the second-best result since 2002. In comparison with the previous year, the average sales price increased by euro 432. Existing members made a significant contribution to the good sales. In comparison with the previous year, 17% (in euro) more sales to existing members were made. This development shows that Hapimag is on the right course with its strategy and is meeting with approval on the part of its members.

### QUALITY AS A BASIS FOR HAPIMAG – ALSO FOR SALES MANAGEMENT

The survey carried out last year on the quality of sales advice again produced better results than the previous year. This is all the more notable as the figures were already on a very high level. The sales training measures for Hapimag Consultants are carried out in a practice-oriented, Hapimag-specific training programme. The individual training modules are continually optimised, taking into consideration the experiences from all markets.

## PROPERTIES

In 2010, Hapimag carried out extension and renovation work on its properties for a total of euro 33.8 million. In the same period, euro 4.6 million was spent on maintenance and repair work.

### ADDRESS PORTFOLIO

Last year, there was an attractive addition to the Hapimag address portfolio. Since the opening of the “British Hotel” at a prime location in the old town of Dresden at the end of November, a very special city residence has been available to Hapimag members. The outer façade, carefully copied from the original style of the 18th century, reflects the great care and elevated style with which the 38 apartments have also been furnished.

As already announced the previous year, in the financial year just completed Hapimag sold the resort in Sörenberg to the Schweizer Reisekasse Reka cooperative. The targeted optimisation of our portfolio was thus further implemented.

### RENOVATION AND EXTENSION WORK

Last year another attractive building was added to the resort in Hörnum on the North Sea island of Sylt, which opened in 2009. Hapimag completed the beach restaurant “Breizh”, which is situated on the dunes directly by the sea and has already met with a very positive reception on the part of the guests.

In the summer, Hapimag was also able to complete two major renovation projects in Amsterdam and Paris. In Amsterdam, each of the 26 apartments was designed and furnished in the style of a famous Dutch artist. In addition, the reception and the Information Center were redesigned and the façade was completely renovated. In 2010, the apartments of Paris I were adapted to today's requirements, and now have a fresh and modern appearance. At the same time, the reception was renovated and redesigned in accordance with the new Hapimag image.

Hapimag partially renovated the apartments in Saalbach, and at the end of 2010 the second stage of the partial renovation in Pentolina was started.

#### PLANNED RENOVATION WORK 2011/2012

In 2011 separate rooms are to be provided for the newly planned TCM Center (Traditional Chinese Medicine) in Winterberg. Major renovation work is also to be carried out in Unterkirnach: Many of the apartments are to be renovated, and various adjustments are to be made to ensure that the other infrastructure meets modern customer requirements.

In winter 2011/2012, in the resort in Cefalù both the restaurant and the reception are to be comprehensively renovated. In Marbella the ground floor is to be made more attractive by means of a partial renovation.

#### PLANNED NEW OPENINGS

The new city residences in Salzburg and Lisbon are in the middle of the planning stage. At present, the exact opening dates have not yet been fixed. The search continues for new resort projects on the Mediterranean.

### TOURISM

With the objective of better meeting customer requirements, within the framework of Project 2012 Hapimag has decided to introduce a new booking system. After intensive preparations in 2010, the new booking system was put into operation at most addresses and in the Hapimag restaurants before the end of the year. The system conversion at Hapimag headquarters in Baar was fixed for mid-February 2011. The standardised system significantly simplifies data exchange between the resorts and headquarters. For members, this conversion will result in various improvements and simplified procedures.

Thanks to the introduction of the new booking system, members can now book their low-season stays more flexibly. They themselves specify both the date of travel and

the length of stay at the available addresses. The residence points and local charges will accordingly be calculated on a day-by-day basis. In the main season, apartments which are not yet booked roughly four weeks before the respective arrival date will be released for day-by-day bookings. Hapimag houseboats and supplementary accommodations can still be booked on a weekly basis as previously. As a goodwill gesture to our customers, Hapimag has abolished the previously applicable handling charge for the postponement of already booked stays.

Customer concerns processed by Member Services in 2010 again increased in comparison with the previous year. A total of 286 000 telephone calls were received by Member Services over the course of last year. At the same time, over 12 000 bookings in writing and almost 54 000 online bookings were processed. On account of the system conversion to SAP, at the start of 2010 there was a backlog in dossier processing at Product Service. The situation was completely normalised by May.

#### TRAVEL BUSINESS

Hapimag makes it easier for its members to plan their travel by looking after flight reservations and organising car hire. In particular, the website [www.hapimag.com](http://www.hapimag.com) is becoming more popular in this respect. In 2010, with the sale of tourism services the Service Center achieved a turnover of euro 7.6 million.

#### TANDEM TOURS

Despite a difficult economic environment, Tandem Tours successfully concluded 2010 with sales of euro 5.5 million. The travel offers from Tandem Tours are available to all members with a HapimagCard. In 2010 over 3 500 members made use of these offers. Demand for the supplementary offers from the "Plus Points" catalogue continued to develop positively. Even though the selected offers are not part of the Hapimag world, members are still able to pay for part of the stay with points.

#### POINTS KIOSK

Hapimag provides members with a platform for buying and selling residence points. Thanks to easy access to the Points Kiosk via [www.hapimag.com](http://www.hapimag.com), in 2010 ownership of 448 125 points changed hands via this platform.

# HAPIMAG GROUP

## DEVELOPMENT OF KEY OPERATING INDICATORS

in EUR 1000	2010	2009	2008	2007	2006
<b>Net sales revenue</b>					
Right of residence products	<b>35 196</b>	<b>37 783</b>	<b>35 225</b>	<b>32 848</b>	<b>30 968</b>
<b>Sales</b>					
Sale of right of residence products	14 940	15 975	15 985	16 386	14 868
Annual subscription charges	65 244	64 032	62 615	60 092	59 869
Resort sales	70 469	68 351	64 221	59 171	56 129
Travel service/Tandem Tours sales	13 050	13 024	12 985	12 158	13 569
Other sales	3 170	3 351	2 877	3 043	2 810
Sales deductions	-3 488	-2 872	-2 357	-2 036	-1 002
<b>Total sales</b>	<b>163 385</b>	<b>161 861</b>	<b>156 326</b>	<b>148 814</b>	<b>146 243</b>
<b>Operating costs</b>					
Maintenance and operating expenses	-25 348	-24 248	-23 973	-22 731	-21 561
Personnel expenses	-51 629	-48 374	-46 944	-43 766	-42 518
Marketing and selling expenses	-12 366	-14 418	-12 747	-11 917	-10 092
Administrative expenses	-12 212	-11 915	-11 608	-11 266	-12 262
Other operating expenses	-10 341	-10 106	-8 969	-9 494	-9 109
<b>Total operating costs</b>	<b>-111 896</b>	<b>-109 061</b>	<b>-104 241</b>	<b>-99 174</b>	<b>-95 542</b>
<b>Depreciation and amortisation</b>	<b>-33 471</b>	<b>-32 771</b>	<b>-31 972</b>	<b>-31 874</b>	<b>-33 047</b>
<b>Workforce (full-time equivalent)</b>					
Head office	194	193	188	180	181
Head office "apprentices"	9	7	7	8	9
Resorts/Areas	1 194	1 170	1 134	1 100	1 056
<b>Total Workforce</b>	<b>1 397</b>	<b>1 370</b>	<b>1 329</b>	<b>1 288</b>	<b>1 246</b>
Consultants (agency basis)	146	137	130	133	126

## DEVELOPMENT OF KEY FINANCIAL INDICATORS

in EUR 1000	2010	2009	2008	2007	2006
<b>Equity &amp; internal operating resources</b>					
<b>Equity as per balance sheet</b>	<b>361 954</b>	<b>374 838</b>	<b>364 974</b>	<b>384 628</b>	<b>392 155</b>
Loans from shareholders	162 525	139 598	142 108	132 519	139 273
Investment subsidiaries	4 469	4 574	4 574	5 520	6 107
<b>Internal operating resources (I)</b>	<b>528 948</b>	<b>519 010</b>	<b>511 656</b>	<b>522 667</b>	<b>537 535</b>
Liabilities from rights of residence	77 022	64 808	64 630	57 533	62 056
<b>Internal operating resources (II)</b>	<b>605 970</b>	<b>583 818</b>	<b>576 286</b>	<b>580 200</b>	<b>599 591</b>
<b>Level of equity capitalisation</b>					
<b>Total assets</b>	<b>666 377</b>	<b>648 980</b>	<b>645 494</b>	<b>639 298</b>	<b>657 500</b>
<b>Equity as per balance sheet</b>	<b>361 954</b>	<b>374 838</b>	<b>364 974</b>	<b>384 628</b>	<b>392 155</b>
Level of equity capitalisation	54%	58%	57%	60%	60%
<b>Internal operating resources (I)</b>	<b>528 948</b>	<b>519 010</b>	<b>511 656</b>	<b>522 667</b>	<b>537 535</b>
Level of equity capitalisation	79%	80%	79%	82%	82%
<b>Internal operating resources (II)</b>	<b>605 970</b>	<b>583 818</b>	<b>576 286</b>	<b>580 200</b>	<b>599 591</b>
Level of equity capitalisation	91%	90%	89%	91%	91%
<b>Investment cover (net book value)</b>					
<b>Book value of property, plant &amp; equipment</b>	<b>601 987</b>	<b>579 880</b>	<b>586 320</b>	<b>580 092</b>	<b>578 682</b>
<b>Equity as per balance sheet</b>	<b>361 954</b>	<b>374 838</b>	<b>364 974</b>	<b>384 628</b>	<b>392 155</b>
Investment cover (net book value)	60%	65%	62%	66%	68%
<b>Internal operating resources (I)</b>	<b>528 948</b>	<b>519 010</b>	<b>511 656</b>	<b>522 667</b>	<b>537 535</b>
Investment cover (net book value)	88%	90%	87%	90%	93%
<b>Internal operating resources (II)</b>	<b>605 970</b>	<b>583 818</b>	<b>576 286</b>	<b>580 200</b>	<b>599 591</b>
Investment cover (net book value)	101%	101%	98%	100%	104%
<b>Capital expenditure</b>					
New resorts	13 710	12 123	25 223	37 276	10 105
Resort renovation	20 126	19 559	13 776	13 761	15 299
Furniture and office equipment	2 789	2 163	2 885	2 200	1 783
<b>Total capital expenditure</b>	<b>36 625</b>	<b>33 845</b>	<b>41 884</b>	<b>53 237</b>	<b>27 187</b>
<b>Cashflow</b>					
Cash flow from operating activities	37 952	34 328	39 808	35 524	38 930
Cash flow from investing activities	-30 231	-33 410	-40 360	-46 370	-27 173
Cash flow from the sale and repurchase of shares	4 002	5 094	-6 962	7	-2 274
<b>Free Cashflow</b>	<b>11 723</b>	<b>6 012</b>	<b>-7 514</b>	<b>-10 839</b>	<b>9 483</b>
Cash flow from financing activities (without shares)	-10 591	-520	6 398	-7 229	-13 763
Currency translation adjustments	154	43	112	835	1 346
<b>Increase/decrease (-) in cash and cash equivalents</b>	<b>1 286</b>	<b>5 535</b>	<b>-1 004</b>	<b>-17 233</b>	<b>-2 934</b>
<b>Liquidity</b>					
Cash and cash equivalents	14 877	13 591	8 056	9 060	26 293
Financial liabilities (bank loans, bonds)	-6 373	-15 428	-15 912	-8 605	-11 386
<b>Liquidity/Net debt (-)</b>	<b>8 504</b>	<b>-1 837</b>	<b>-7 856</b>	<b>455</b>	<b>14 907</b>

# CONSOLIDATED FINANCIAL STATEMENTS OF THE HAPIMAG GROUP AS AT 31.12.2010

## CONSOLIDATED BALANCE SHEET

### ASSETS

in EUR 1000	Notes	2010	2009
<b>Non-current assets</b>		<b>618 809</b>	<b>599 620</b>
Property, plant and equipment	1	601 987	579 880
Intangible assets	2	8 204	6 249
Non-current receivables	3	804	414
Trade receivables	6	6 792	9 780
Deferred tax assets	15	1 022	3 297
<b>Current assets</b>		<b>47 568</b>	<b>49 360</b>
Assets classified as held for sale	4	0	5 635
Inventories	5	1 661	1 494
Trade receivables	6	26 208	24 307
Other receivables and assets	7	4 822	4 333
Cash and cash equivalents	8	14 877	13 591
<b>Total assets</b>		<b>666 377</b>	<b>648 980</b>

### EQUITY AND LIABILITIES

<b>Equity</b>		<b>361 954</b>	<b>374 838</b>
<b>Equity attributable to Hapimag shareholders</b>		<b>361 910</b>	<b>374 794</b>
Share capital	9	28 902	28 902
Own shares	10	-25 405	-25 624
Capital reserves	11	395 301	388 152
Currency translation reserve		-30 637	-18 211
Retained earnings		-6 251	1 575
<b>Minority interests</b>		<b>44</b>	<b>44</b>
<b>Liabilities</b>		<b>304 423</b>	<b>274 142</b>
<b>Non-current liabilities</b>		<b>251 426</b>	<b>218 487</b>
Liabilities from rights of residence	12	61 911	52 685
Loans from shareholders	13	162 525	139 598
Financial liabilities	14	1 033	1 824
Deferred tax liabilities	15	6 467	6 701
Liabilities from employee benefits	16	3 033	3 348
Provisions	17	413	369
Other liabilities	18	16 044	13 962
<b>Current liabilities</b>		<b>52 997</b>	<b>55 655</b>
Liabilities from rights of residence	12	15 111	12 123
Trade payables	19	8 048	6 898
Financial liabilities	14	5 340	13 604
Current tax liabilities		140	638
Provisions	17	1 499	1 687
Other liabilities	20	22 859	20 705
<b>Total equity and liabilities</b>		<b>666 377</b>	<b>648 980</b>

## CONSOLIDATED INCOME STATEMENT

in EUR 1000	Notes	2010	2009
Sales	21–26	163 385	161 861
Income from exercised rights of residence	12	5 027	5 980
Other operating income	27	3 310	3 730
<b>Operating income</b>		<b>171 722</b>	<b>171 571</b>
Costs of sales	28	-27 280	-27 374
Maintenance and operating expenses	29	-25 348	-24 248
Personnel expenses	30	-51 629	-48 374
Marketing and selling expenses	31	-12 366	-14 418
Administrative expenses	32	-12 212	-11 915
Depreciation and amortisation	1/2	-33 471	-32 771
Other operating expenses	33	-10 341	-10 106
<b>Earnings before interest and taxes (EBIT)</b>		<b>- 925</b>	<b>2 365</b>
Financial income	34	851	917
Financial expense	34	-5 154	-1 255
<b>Result before tax</b>		<b>-5 228</b>	<b>2 027</b>
Income tax	35	-2 598	1
<b>Consolidated result</b>		<b>-7 826</b>	<b>2 028</b>
- Consolidated result attributable to minority shareholders		0	2
- Consolidated result attributable to Hapimag shareholders		-7 826	2 026

# CONSOLIDATED FINANCIAL STATEMENTS OF THE HAPIMAG GROUP AS AT 31.12.2010

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR 1000	2010	2009
<b>Consolidated result</b>	<b>-7 826</b>	<b>2 028</b>
<b>Other comprehensive loss</b>		
Foreign currency translation differences	-12 426	-161
<b>Total other comprehensive loss after tax</b>	<b>-12 426</b>	<b>-161</b>
<b>Total comprehensive income/loss (-)</b>	<b>-20 252</b>	<b>1 867</b>
- Total comprehensive income attributable to minority shareholders	0	2
- Total comprehensive income/loss (-) attributable to Hapimag shareholders	-20 252	1 865

## CHANGES IN CONSOLIDATED EQUITY

in EUR 1000	Share capital	Own shares	Capital reserves	Currency translation reserve	Retained earnings	Equity attributable to Hapimag shareholders	Minority interests	Total equity
<b>Balance at 1.1.2009</b>	<b>28 902</b>	<b>-26 991</b>	<b>381 522</b>	<b>-18 050</b>	<b>-451</b>	<b>364 932</b>	<b>42</b>	<b>364 974</b>
<b>Consolidated result</b>					<b>2 026</b>	<b>2 026</b>	<b>2</b>	<b>2 028</b>
Other comprehensive loss				-161		-161		-161
<b>Total comprehensive income/loss (-)</b>				<b>-161</b>	<b>2 026</b>	<b>1 865</b>	<b>2</b>	<b>1 867</b>
Own shares sold		11 570	3 188			14 758		14 758
Transferred shares repurchased		-10 203				-10 203		-10 203
Repurchase of loans from shareholders			3 442			3 442		3 442
<b>Balance at 31.12.2009</b>	<b>28 902</b>	<b>-25 624</b>	<b>388 152</b>	<b>-18 211</b>	<b>1 575</b>	<b>374 794</b>	<b>44</b>	<b>374 838</b>
<b>Balance at 1.1.2010</b>	<b>28 902</b>	<b>-25 624</b>	<b>388 152</b>	<b>-18 211</b>	<b>1 575</b>	<b>374 794</b>	<b>44</b>	<b>374 838</b>
<b>Consolidated result</b>					<b>-7 826</b>	<b>-7 826</b>	<b>0</b>	<b>-7 826</b>
Other comprehensive loss				-12 426		-12 426		-12 426
<b>Total comprehensive loss</b>				<b>-12 426</b>	<b>-7 826</b>	<b>-20 252</b>	<b>0</b>	<b>-20 252</b>
Own shares sold		11 768	2 998			14 766		14 766
Transferred shares repurchased		-11 549				-11 549		-11 549
Repurchase of loans from shareholders			4 151			4 151		4 151
<b>Balance at 31.12.2010</b>	<b>28 902</b>	<b>-25 405</b>	<b>395 301</b>	<b>-30 637</b>	<b>-6 251</b>	<b>361 910</b>	<b>44</b>	<b>361 954</b>

An overwhelming proportion of the Hapimag Group's sales is generated with shareholders. Prices of services in Hapimag's core business are based on the principle of covering prime costs. The company has no plans to distribute reserves.

## CONSOLIDATED CASH FLOW STATEMENT

in EUR 1000	Notes	2010	2009
<b>Operating activity</b>			
Consolidated result		-7 826	2 028
Income tax	35	2 598	-1
Depreciation and amortisation	1/2	33 471	32 771
Loss on disposal of property, plant & equipment, net	27/33	1 512	1 478
Income from exercised rights of residence	12	-5 027	-5 980
Financial income	34	-851	-917
Financial expense	34	5 154	1 255
Change in receivables and accruals		5 065	2 396
Change in inventories		-119	-129
Change in liabilities and provisions		4 762	1 875
Interest received		193	127
Interest paid		-136	-199
Income taxes paid		-844	-376
<b>Cash inflows from operating activities</b>		<b>37 952</b>	<b>34 328</b>
<b>Investing activity</b>			
Acquisition of property, plant & equipment	1	-29 409	-31 854
Acquisition of intangible assets	2	-2 522	-1 991
Proceeds from sale of property, plant & equipment		6 394	435
Acquisition of business operations	40	-4 694	0
<b>Cash outflows from investing activities</b>		<b>-30 231</b>	<b>-33 410</b>
<b>Financing activity</b>			
Own shares sold		14 766	14 758
Transferred shares repurchased		-10 764	-9 664
Proceeds from bank borrowings		4 107	10 541
Repayment of liabilities to banks		-14 698	-11 061
<b>Cash outflows from financing activities</b>		<b>-6 589</b>	<b>4 574</b>
Exchange differences		154	43
<b>Increase in cash and cash equivalents</b>		<b>1 286</b>	<b>5 535</b>
Cash and cash equivalents at beginning of year	8	13 591	8 056
<b>Cash and cash equivalents at year-end</b>	<b>8</b>	<b>14 877</b>	<b>13 591</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2010 OF THE HAPIMAG GROUP

## 1. ACCOUNTING POLICIES

### REPORTING COMPANY

The consolidated financial statements comprise the annual financial statements of the parent company (Hapimag AG, Baar, Switzerland, "the Company" or "Hapimag") and all companies in which the parent company has the power to govern the company's financial and operating policies (collectively referred to as "the Group", individually as "Group companies"). There are no holdings in which the stake is less than 50%.

The Group companies are listed on pages 44 to 45.

### STATEMENT OF COMPLIANCE

#### Declaration of conformity

The consolidated financial statements of the Hapimag Group have been prepared in accordance with the International Financial Reporting Standards (IFRS), which have been adopted by the International Accounting Standards Board (IASB), as well as the guidelines for interpretation of the IFRS Interpretations Committee (previously International Financial Reporting Interpretations Committee, IFRIC).

The consolidated financial statements were authorized for issue by the Board of Directors on 8 March 2011. They are also subject to approval by the ordinary Shareholders' Meeting on 20 April 2011.

### CONSOLIDATION PRINCIPLES

100% of assets and liabilities, income and expense are recognised in accordance with the full-consolidation method. Intra-Group transactions (receivables and liabilities, income and expense) are eliminated and the share in equity as well as in the results of Group companies of minority interests are reported separately. Unrealized gains on intra-Group transactions and balances are eliminated through profit or loss.

Capital consolidation is done in accordance with the acquisition method. The acquisition cost of an acquired company is offset against its net assets measured at fair value at the acquisition date.

Consolidation is based on the individual financial statements of the Group companies which are prepared in accordance with uniform accounting principles. The accounting principles are consistently applied. The uniform reporting date is 31 December. The consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments and certain financial assets.

The consolidated financial statements are presented in euro (EUR), rounded to the nearest thousand. The functional currency of the parent company Hapimag AG is the Swiss franc. The reason for choosing the euro as presentation currency is the increased international orientation of

the Group and the fact that EUR is the functional currency of most Group companies.

### CONVERSION OF FOREIGN CURRENCIES

The local currency is considered the functional currency of all Group companies. In the consolidated financial statements, assets and liabilities are translated to EUR at exchange rates at balance sheet date. Equity is translated at historic rates. Income and expenses are translated to EUR at the average exchange rates for the period. Translation differences are recognised in other comprehensive income and are presented as currency translation reserve in equity. The currency translation reserve is reclassified to profit or loss if the Group company is deconsolidated.

Transactions in foreign currencies are translated to the respective functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies held on 31 December are retranslated to the functional currency at the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the exchange rate at the date that the fair value was measured. With the exception of available-for-sale financial assets, differences arising from retranslation at the exchange rate at the balance sheet date are recognised in profit or loss and presented within the financial result.

### CHANGES IN ACCOUNTING POLICIES 2010

The IASB published the following new or amended standards and interpretations, which were applied for the first time in the consolidated financial statements 2010:

#### *New interpretation*

– IFRIC 17 (Distributions of Non-cash Assets to Owners)

#### *Revised or amended standards and interpretations (revisions and amendments)*

– IFRS 3 rev. (Business Combinations)

– IAS 27 rev. (Consolidated and Separate Financial Statements)

– Amendments to IFRSs (April 2009)

– Amendments to IAS 39 (Financial Instruments: Recognition and Measurement): Eligible Hedged Items

– IFRS 2 (Group Cash-settled Share-based Payment Transactions)

The first-time adoption of the new or amended standards and interpretations had no material effect on these consolidated financial statements.

### ACCOUNTING POLICY CHANGES FROM 2010

The following new or amended IASB standards and interpretations have been approved, but will not become effective

until a later date. Hapimag will first adopt these standards and interpretations with effect from 1 January 2011 or later. Group management determines their impact on the Hapimag consolidated financial statements as follows:

*Standards/interpretations with no or no significant effects on the Hapimag consolidated accounts:*

- Amendments to IAS 32 (Financial instruments: Presentation)
- IAS 24 (Related Party Disclosures)
- IFRIC 14 (Prepayment of Minimum Funding Requirements)
- IFRIC 19 (Extinguishing Financial Liabilities with Equity Instruments)
- Amendments to IFRSs (May 2010)
- Amendments to IFRS 7 (Disclosures – Transfers of Financial Assets)
- IAS 12 (Deferred Tax – Recovery of Underlying Assets)

*Standards/interpretations impacting disclosure and presentation in the Hapimag consolidated financial statements:*

- IFRS 9 (Financial Instruments)

#### **REVENUE RECOGNITION AND BUSINESS MODEL**

Hapimag constructs and operates its own resorts, which are primarily made available to Hapimag members: the owners of Hapimag right of residence products (such as the Share, the Holiday-World Visa, the Holiday Pass, Feridence Certificate and Hapimag Residenz). They pay no rent, but are debited with so called residence points. The expenditures for managing and operating the resorts are financed by annual subscription charges and earnings from local charges.

The legal relationship between Hapimag and its shareholders is defined both by its articles of association and by the General Provisions governing Hapimag membership. There are separate General Provisions for holders of Holiday World Visas, Holiday Passes, Feridence Certificates, Hapimag Residenz and Hapimag Explorer. All shareholders and right of residence owners are designated as members.

#### **A) Sales of shares incl. rights of residence, Hapimag Share\_21**

The purchaser of a Hapimag share also acquires a right of residence at Hapimag resorts in perpetuity, defined in the Hapimag points system as 60 residence points per year. Hapimag is obliged to provide the accommodation thus required. This is presented in the balance sheet as follows: that portion of the sale proceeds that is required for the construction of accommodation (the investment requirement) is allocated to the capital reserves (after the nominal value of the share has been deducted). The sale of shares is thus shown in the accounts as a finance activity. Sale proceeds exceeding that amount are reported in the income statement as revenue from the sale of a perpetual right of residence.

The investment requirement is determined on the basis of the actual construction costs for new resorts, and its accuracy regularly checked. No liabilities to be reflected on the balance sheet are incurred by Hapimag by granting unlimited rights of residence, as the members are contractually obligated to provide the financial means, in the form of annual subscription charges and local charges, for managing and maintaining the accommodations they finance.

Since 1 July 2007, Hapimag has sold only the Hapimag Share\_21 with new, up-to-date General Terms and Conditions. The rights of residence are identical to those of the Hapimag shares sold previously. With the Hapimag Share\_21, the shareholder is given the right to terminate the right of residence beginning seven years after purchase by giving 12 months' notice, effective at the end of a calendar year. Beginning the second calendar year after receipt of the cancellation, the shareholder is no longer obliged to pay annual subscription charges and he or she no longer receives point credits. In the event of cancellation, the shareholder can also offer the Hapimag Share\_21 for redemption. The rights of the Hapimag Share\_21 are also offered to all other shareholders, staggered according to the length of their membership. The shareholder can revoke the cancellation of the right of residence, as long as he or she has not yet offered his or her Hapimag Share\_21 to Hapimag for redemption. For details on redemption, see remark C) about revenue recognition (repurchase of shares).

#### **B) Sale of time-limited right of residence products**

The other products sold by Hapimag are Hapimag Residenz, Hapimag Explorer, the Holiday-World Visa (until 2004), the Feridence Certificate (until 2003) and Holiday Pass (until 1997), HFR (until 1996) and HTN weeks (until 1985). These are all time-limited right of residence in Hapimag resorts and residences, generally lasting many years; and they also require Hapimag to provide the necessary accommodation. This also applies to the extra points issued as supplements to the Multipack shares.

Provided that the sales proceeds are required for the provision of accommodation (capital expenditure), they will be recognised in liabilities arising from rights of residence (current and non-current liabilities). Sale proceeds exceeding that amount are recognised in the income statement as revenue from the sale of "Other right of residence products".

When rights of residence (points) are exercised, the liability arising from rights of residence is reduced (number of points times the average accrued amount per point) and allocated to revenue. The recognised revenue covers proportions of attributable depreciation.

For the Hapimag Residenz and Hapimag Explorer products and for the extra points, the annual subscription charges over

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2010 OF THE HAPIMAG GROUP

the entire duration of the contract are already included in the product price. The prepaid operational cost amounts of the annual subscription charge are booked under Other Liabilities (current and non-current liabilities). The use of annual rights of residence decreases liabilities proportionately, which are credited as turnover generated by annual subscription charges.

For the product Private Residence Sylt the member purchases a right of residence at all Hapimag resorts & residences in the amount of the contractually defined residence points. In addition, he or she is guaranteed the ability to use these rights of residence in the resort Hörnum on Sylt for the defined apartment and week. In addition, this product includes a Hapimag membership in the amount of 2 to 4 shares. For this product, the capital expenditure is secured via the included shares, see remarks under A) Sales of shares. The annual subscription charges are billed annually.

### C) Share repurchase

In connection with the sale of shares up to 30 June 2007, Hapimag has undertaken to repurchase up to 10% of the newly sold shares (Treasury Shares) offered for buy-back by shareholders (incl. right of residence). The repurchase price is equivalent to the current issue price less repurchase discount.

According to the General Terms and Conditions of the Hapimag Share\_21, shares may be redeemed (bought back) in an amount no greater than the amount of shares sold in the calendar year. This buy-back obligation includes the previously mentioned buy-back obligation for shares sold before 30 June 2007 (10% clause). As of the balance sheet date of 31 December 2010, all buy-back obligations had been fulfilled and there existed no open obligations to redeem other shares. The buy-back price for the Hapimag Share\_21 is determined by dividing the amount of internal operating resources (= equity, loans from shareholders and investment subsidies) according to the Hapimag consolidated balance sheet by the number of Hapimag shares in circulation at the end of the financial year. The balance sheet of the financial year before the payment is decisive.

Buy-backs on a voluntary basis (e.g. intermediation of shares, exchange of shares) do, however, result in the number of buy-backs and new sales more or less balancing each other in the medium term.

Commercially, buy-back does not constitute de-financing in the sense of repayment of substance to the shareholders, but rather a transfer operation between the previous and the new shareholders. The occupancy requirement is not changed as a result of the repurchase and re-issue of shares.

The value of a right of use is calculated from the difference between the buy-back price and the investment requirement. This pertains both to the redemptions provided in the rules and regulations and the redemptions from the share transfer programme. The gain or loss resulting from the resale of the rights of use is recognised in the income statement (refer also to the explanation for Own Shares).

### D) Intermediation of shares

Shareholders with a membership longer than 48 months who want to sell their share can grant Hapimag an exclusive share transfer order, specifying the desired sales price. Depending on Hapimag's assessment of the prospects for resale to interested purchasers, it can acquire the share for the agreed price, less any accrued depreciation amount (annual subscriptions not paid in cash); instructions are processed in ascending order of the target price. Sales and marketing costs are met by the buyer. The accounting treatment of the share is the same as for a repurchased share.

### E) Exchange of shares

The shareholder also has the option to receive credit if desired for his or her shares when purchasing the Hapimag Residenz product. Credit will be given for a maximum of one share per CHF 10 000 of the sales price of the Hapimag Residenz product. The converted share is recognised in a manner similar to the redemption of a share.

### F) Charge for HapimagCard and other residence points

Hapimag members who acquire right of residence products from Hapimag thereby participate in the HapimagCard bonus programme. Each member who is entitled to a bonus receives "sales vouchers" in Swiss francs for services which he procures from companies of the Hapimag Group against payment and invoicing. The amount of the sales vouchers is multiplied at the year end according to the factor applicable to the respective HapimagCard status. For annual sales of CHF 2000 the member is credited with 5 residence points. Other residence points contain points vouchers as recommendation bonuses, member compensations, etc., as well as points to employees.

## PRESENTATION IN THE CONSOLIDATED

### CASH FLOW STATEMENT

The consolidated cash flow statement is presented according to the indirect method. The change in the liability arising from rights of residence is allocated to "Cash inflows from operating activities", whereas the amounts recognised directly in equity from sales and repurchase of own shares, on the other hand, are presented as financing activities.

### PROPERTY, PLANT & EQUIPMENT

Property, plant & equipment are measured at cost less accumulated depreciation and impairment losses. Parts of build-

ings with different useful lives are recognised separately. The classification is based on the requirements of the buildings-management system. Property, plant & equipment or their separately recognised components are depreciated on a straight-line basis over their estimated useful life:

Building shells	40–60 years
Internal and external building installations	15–30 years
Technical installations	10–15 years
Other equipment and furnishings	8–12.5 years
Canal boats including fixtures	12.5 years
IT hardware, vehicles	4–5 years

Land is not depreciated, with the exception of impairment losses. Expenditure on the replacement of separate components of buildings is capitalised; other investments are only capitalised if they increase the future economic benefit of the asset. Assets under construction are assets that are not yet complete or not yet ready for use. They are capitalised but not depreciated, though they undergo an impairment test if there are indications that this is required. Borrowing costs for qualifying assets are capitalised.

The following are not capitalised: all maintenance and repair work additional to the renovation cycle, the direct costs of Hapimag staff and start-up costs. These are recognised in the income statement as operating expenses.

The acquisition of property, plant & equipment by leasing is insignificant. All leased items are classified as so-called operating leases and thus not to be capitalized in the balance sheet.

#### **INTANGIBLE ASSETS**

Intangible assets are recognised in the balance sheet at cost less amortisation and impairment losses and are depreciated over their expected useful lives as follows:

IT software	4–5 years
Licences and rights of use	Term of contract, up maximum 30 years

#### **IMPAIRMENT LOSSES**

The carrying amount of all assets except inventories and deferred tax assets are reviewed on the balance sheet date to determine whether there are any indications of impairment. If so, the recoverable amount is calculated. The recoverable amount is the higher of the value in use and fair value less costs to sell. An asset is impaired if its carrying amount exceeds the recoverable amount. The carrying amount is reduced to the recoverable amount in such case. The impairment is recognised in the income statement.

#### **ASSETS CLASSIFIED AS HELD FOR SALE**

Non-current assets (and disposal groups of assets and liabilities) which are classified as held for sale are measured at the

lower of carrying amount and fair value less costs to sell. Assets held for sale are deemed to be assets for which the carrying amount is recovered principally through a sale transaction rather than through continuing use. The sale is expected within one year from the date of classification. There is no systematic depreciation on these assets.

#### **INVENTORIES**

Inventories consist primarily of goods that are required for the operation of the resorts or are sold in them. They are stated at the lower of costs and net realisable value. The cost is equivalent to the average procurement cost.

#### **TRADE AND OTHER RECEIVABLES**

Trade receivables and other receivables are measured at amortised cost which generally equals the nominal value, less allowance for credit risk. Items to be recovered within one year are presented as current assets. Non-current trade receivables are interest-bearing.

Allowance for doubtful receivables based on experience are created for groups of assets with a similar risk profile, where there are indications that the outstanding amount will not be received in full.

#### **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of cash and bank credits, together with short-notice cash deposits with maturities up to 90 days, calculated from the date of acquisition.

#### **DERIVATIVE FINANCIAL INSTRUMENTS**

Derivative financial instruments are initially recognised at fair value on the date of acquisition, including transaction costs. Unrealised gains and losses from the fair value measurement of these instruments are recognised in the financial result in the income statement. Hapimag does not apply "Hedge Accounting". Speculative transactions are not processed.

#### **INVESTMENT SUBSIDIES**

Hapimag's activities in some countries entitle it to investment subsidies. These are presented upon receipt in "Other liabilities", and – if they are subject to the fulfilment of particular conditions – recognised on a straight-line basis over the investment's useful life as "Other operating income".

#### **OWN SHARES**

The Hapimag Group distinguishes between two categories of own shares: treasury shares and transferred shares.

Treasury shares are either shares arising from previous capital increases that have not yet been issued, or shares that were repurchased before 31 December 2003. Such shares are held for the purpose of being sold to Hapimag members. They have a par value of CHF 100 or CHF 200.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2010 OF THE HAPIMAG GROUP

Transferred shares are shares that have been repurchased since 1 January 2004 in the course of the share transfer programme or in accordance with the General Provisions. These shares are held with the purpose of reselling them to Hapimag members. The funding portion (investment requirement) is reported as own shares, while the difference between the purchase price and the funding portion is reported as a right of use.

The re-acquisition and resale of Hapimag shares in the course of the share transfer programme are presented in the income statement as explained in the notes to "revenue recognition and business model".

### LIABILITIES FROM EMPLOYEE BENEFITS

In accordance with relevant national regulations, there are various pension arrangements in the group. Some of which take the form of defined contribution plans and some of which are defined benefit plans. For defined contribution plans, the expense for Hapimag corresponds to the employer contributions paid or owed.

A material defined benefit plan for the Hapimag Group relates to employees ensured in a Swiss pension fund. This is a pension plan with the Hapimag Pension Fund, which corresponds to a defined contribution pension plan according to Swiss law. The Hapimag pension fund prepares annual actuarial calculations as required by IAS 19. Taking account of actuarial parameters, members' latest salaries and the duration of their employment, the projected unit credit method is used to determine the projected benefit obligation and the periodic pension cost. This periodic pension cost, expected return on plan assets and any actuarial gains and losses – these being credited or debited to pension cost over the average remaining years of service of insured employees if the cumulated gains or losses exceed 10% of the net present value of the obligation, or of the plan assets if higher.

The pension cost relating to service performed during the reporting period (current service cost), are recognised in the income statement. Pension costs relating to past service but attributable to improved benefits (past service cost) are recorded on a straight-line basis at the time of the vesting via the personnel pension expense.

A calculated surplus is recognised as an asset only if it is available to the Group in the form of future contribution reductions or due to cumulative unrecognised actuarial losses.

Actuarial calculations have been carried out for other obligations of the Companies of the Group in Spain and Greece. There were no actuarial calculations for the remaining Group companies due to their relative insignificance.

### LIABILITIES FROM RIGHTS OF RESIDENCE

These liabilities arise from the sale of time-limited right of residence products (see Section B) and the charge for Hapimag-Card and other residence points (see Section F). These liabilities are released according to the expired rights of residence, whose value is recognised as sales in the income statement in the year of exercise (see notes for revenue recognition).

### LOANS FROM SHAREHOLDERS

If the proceeds of the sale of a Hapimag share are required for the provision of accommodation (investment requirement), the balance after deduction of the share's par value is recognised in capital reserves (see also Section A, Sale of shares, Hapimag Share\_21). Until 28 February 2000 part of the investment requirement (CHF 1100) was recognised as liability in "Loans from shareholders". The loan as defined in the General Terms of Membership was irredeemable and did not bear interest. In the case of a re-purchase of shares with loans, the loan originally recognised as a liability is transferred to equity (capital reserves). In the event of a repurchase of shares with loans attached, the loans that had originally been reported as liabilities are transferred to equity (capital reserves). This accounts for the continuous decrease of loans from shareholders from the perspective of the nominal currency CHF.

### FINANCIAL LIABILITIES

Financial liabilities are measured at amortised cost. Differences between amortised cost and redemption value are recorded in the income statement over the period of the borrowings on an effective interest basis.

### PROVISIONS

Provisions are presented as non-current and current provisions if Hapimag has a present obligation arising from a past event, and if it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be reliably estimated.

### INCOME TAX

Income tax include current and deferred taxes on the consolidated result of the period. These are calculated at current or substantively enacted national tax rates. Current income tax includes expected taxes on the results of Group companies determined in accordance with local tax legislation, as well as supplementary tax and tax refunds in respect of prior years. In accordance with the so-called Balance Sheet Liability Method, deferred taxes are calculated on the temporary differences between the balance sheet values of the statutory financial statements and those used in the consolidated financial statements. Deferred tax assets, particularly those arising from tax loss carryforwards, are only capitalised to the extent that it is probable that future taxable profit will be available in order to recover the deferred tax assets.

### **FINANCIAL INSTRUMENTS**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets comprise in particular cash and cash equivalents, trade receivables, receivables from the sale of property, plant & equipment and other receivables, and investments held to maturity. Financial liabilities normally justify a right of return in cash or another financial asset. This includes in particular loans from shareholders, liabilities to credit institutions, trade payables and liabilities to members and from employee benefits.

### **ESTIMATES IN THE APPLICATION OF ACCOUNTING**

#### **PRINCIPLES AND FUTURE ESTIMATION UNCERTAINTIES**

The results for the period are significantly affected by the accounting and measurement principles with regard to the accounting of transactions connected with the purchase and sale of Hapimag's own shares and the sale of rights of residence.

The resorts are subject to location risks that may affect their attractiveness (natural disasters, political unrest, outbreak of disease and the like). This could result in impairment losses.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2010 OF THE HAPIMAG GROUP

## 2. NOTES

### 1 // PROPERTY, PLANT & EQUIPMENT

in EUR 1000	Land and buildings	Equipment, canal boats, furniture and equipment, vehicles	Assets under construction and advance payments made	Total
<b>At cost as at 1.1.2009</b>	<b>778 033</b>	<b>135 653</b>	<b>35 664</b>	<b>949 350</b>
Additions	18 040	9 099	4 715	31 854
Transfers	24 713	6 678	-31 391	0
Reclassifications	-13 035	-1 632	0	-14 667
Disposals	-3 380	-2 873	0	-6 253
Exchange differences	181	35	0	216
<b>At cost as at 31.12.2009</b>	<b>804 552</b>	<b>146 960</b>	<b>8 988</b>	<b>960 500</b>
<b>Accumulated depreciation as at 1.1.2009</b>	<b>264 045</b>	<b>98 985</b>	<b>0</b>	<b>363 030</b>
Additions	22 413	8 638	0	31 051
Transfers	-14	14	0	0
Reclassifications	-7 565	-1 481	0	-9 046
Disposals	-1 761	-2 632	0	-4 393
Exchange differences	-36	14	0	-22
<b>Accumulated depreciation as at 31.12.2009</b>	<b>277 082</b>	<b>103 538</b>	<b>0</b>	<b>380 620</b>
<b>Net book values as at 31.12.2009</b>	<b>527 470</b>	<b>43 422</b>	<b>8 988</b>	<b>579 880</b>
<b>At cost as at 1.1.2010</b>	<b>804 552</b>	<b>146 960</b>	<b>8 988</b>	<b>960 500</b>
Amendments by acquisitions	3 990	704	0	4 694
Additions	14 444	10 259	4 706	29 409
Transfers	4 356	791	-5 147	0
Disposals	-4 457	-1 918	0	-6 375
Exchange differences	27 071	6 691	0	33 762
<b>At cost as at 31.12.2010</b>	<b>849 956</b>	<b>163 487</b>	<b>8 547</b>	<b>1 021 990</b>
<b>Accumulated depreciation as at 1.1.2010</b>	<b>277 082</b>	<b>103 538</b>	<b>0</b>	<b>380 620</b>
Additions	22 230	9 482	0	31 712
Disposals	-2 794	-1 820	0	-4 614
Exchange differences	6 787	5 498	0	12 285
<b>Accumulated depreciation as at 31.12.2010</b>	<b>303 305</b>	<b>116 698</b>	<b>0</b>	<b>420 003</b>
<b>Net book values as at 31.12.2010</b>	<b>546 651</b>	<b>46 789</b>	<b>8 547</b>	<b>601 987</b>

In 2010 the resort in Edinburgh (GB) was purchased (see also Note 40), the resort in Dresden (DE) and the beach restaurant in Hörnum (DE) were opened.

Substantial renovations were carried out in Amsterdam (NL), Paris (FR), Saalbach (AT) and Pentolina (IT).

No borrowing costs have been capitalised in the reporting year (as was also the case in the previous year).

The reclassifications in 2009 pertain to the intended sale of a Swiss resort in 2010 (refer also to Note 4).

Details of property, plant & equipment by countries can be found on page 43.

At the end of the fiscal year property, plant & equipment had a fire-insurance value of TEUR 973580 (prior year: TEUR 875880).

Obligations of TEUR 4845 for capital commitments existed on the reporting date (prior year: TEUR 9638).

Assets with a carrying amount of TEUR 105912 (prior year: TEUR 106792) are pledged as security for liabilities. The loans covered by these assets total TEUR 6308 (prior year: TEUR 15361).

## 2 // INTANGIBLE ASSETS

in EUR 1000	IT software	Licences and rights of use	Total
<b>At cost as at 1.1.2009</b>	<b>23 847</b>	<b>400</b>	<b>24 247</b>
Additions	1 991	0	1 991
Transfers	1	-1	0
Disposals	-177	0	-177
Exchange differences	70	0	70
<b>At cost as at 31.12.2009</b>	<b>25 732</b>	<b>399</b>	<b>26 131</b>
<b>Accumulated amortisation as at 1.1.2009</b>	<b>18 166</b>	<b>67</b>	<b>18 233</b>
Additions	1 694	26	1 720
Disposals	-125	0	-125
Exchange differences	54	0	54
<b>Accumulated amortisation as at 31.12.2009</b>	<b>19 789</b>	<b>93</b>	<b>19 882</b>
<b>Net book values as at 31.12.2009</b>	<b>5 943</b>	<b>306</b>	<b>6 249</b>
<b>At cost as at 1.1.2010</b>	<b>25 732</b>	<b>399</b>	<b>26 131</b>
Additions	2 522	0	2 522
Disposals	-1	0	-1
Exchange differences	5 057	8	5 065
<b>At cost as at 31.12.2010</b>	<b>33 310</b>	<b>407</b>	<b>33 717</b>
<b>Accumulated amortisation as at 1.1.2010</b>	<b>19 789</b>	<b>93</b>	<b>19 882</b>
Additions	1 732	27	1 759
Disposals	-1	0	-1
Exchange differences	3 870	3	3 873
<b>Accumulated amortisation as at 31.12.2010</b>	<b>25 390</b>	<b>123</b>	<b>25 513</b>
<b>Net book values as at 31.12.2010</b>	<b>7 920</b>	<b>284</b>	<b>8 204</b>

No borrowing costs have been capitalised in the reporting year (as was also the case in the previous year).  
As of the reporting date there were no capital commitments (prior year: none).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2010 OF THE HAPIMAG GROUP

### 3 // NON-CURRENT RECEIVABLES

in EUR 1000

	2010	2009
Non-current receivables from suppliers (deposits)	333	265
Restricted cash	48	41
Other non-current receivables	100	108
Net pension fund (see Note 16)	323	0
<b>Total</b>	<b>804</b>	<b>414</b>
– of which falling due in 2011	0	141
– of which falling due in 2012	62	0
– of which maturity unspecified	742	273
– of which denominated in EUR	352	293
– of which denominated in CHF	408	91
– of which denominated in other currencies	44	30
– of which qualifying as financial instruments (see Note 38)	424	292

There are no known concentrations of risk. There are not expected to be any significant impairment losses on receivables.

### 4 // ASSETS CLASSIFIED AS HELD FOR SALE

On 14 April 2010 the resort in Sörenberg (CH) was sold and the asset value adjusted.

### 5 // INVENTORIES

Raw materials, supplies and goods	612	578
Finished products and goods	1 049	916
<b>Total</b>	<b>1 661</b>	<b>1 494</b>

### 6 // TRADE RECEIVABLES, NON-CURRENT AND CURRENT

#### TRADE RECEIVABLES, NON-CURRENT

Non-current receivables under instalment credit agreements with members (from sales of right of residence products) are due as follows:

	2011	0	5 919
	2012	5 090	2 817
	2013	1 573	1 032
	2014	123	12
	after	6	0
<b>Total non-current</b>		<b>6 792</b>	<b>9 780</b>

The instalment credit agreements are for terms of 12, 24, 36 or 48 months. Instalment credit agreements are interest-bearing. The interest rate depends on the type of right-of-residence products purchased:

Shares	3.9–9.9%	4.9–9.9%
Residence products	3.9–5.9%	5.9%

## TRADE RECEIVABLES, CURRENT

in EUR 1000

	2010	2009
Receivables from the sale of right of residence products and tourist services to members and customers (products, annual subscription charges, travel insurance, flights, hire cars, etc.), excluding instalment credit agreements	18 843	18 485
Current receivables from instalment credit agreements with members	11 235	8 188
Resort receivables from members and customers (guests in residence)	2 153	2 290
Allowance based on experience	-6 023	-4 656
<b>Total current</b>	<b>26 208</b>	<b>24 307</b>

Allowance based on experience has changed as follows in the year:

<b>Opening balance</b>	<b>-4 656</b>	<b>-4 341</b>
Change	-440	-302
Exchange differences	-927	-13
<b>Closing balance</b>	<b>-6 023</b>	<b>-4 656</b>

The maturity structure for current trade receivables is as follows:

Not due	19 180	16 959
– of which subject to allowance based on experience	0	0
Due for less than 360 days	2 641	3 921
– of which subject to allowance based on experience	0	0
Due for more than 360 days	10 410	8 083
– of which subject to allowance based on experience	-6 023	-4 656
<b>Total</b>	<b>26 208</b>	<b>24 307</b>

There are no concentrations of risk because the trade receivables relate to a multitude of members in different countries.

<b>Total trade receivables</b>	<b>33 000</b>	<b>34 087</b>
– of which denominated in EUR	10 072	13 881
– of which denominated in CHF	21 811	19 470
– of which denominated in USD	104	119
– of which denominated in GBP	392	462
– of which denominated in other currencies	621	155
– of which qualifying as financial instruments (see Note 38)	33 000	34 087

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2010 OF THE HAPIMAG GROUP

### 7 // OTHER RECEIVABLES AND ASSETS, CURRENT

in EUR 1000	2010	2009
VAT receivables	1 273	1 240
Other tax receivables	299	371
Advance payments to suppliers	77	95
Receivables in respect of social security contributions	5	21
Receivables from suppliers	354	358
Derivative financial instruments with positive fair value	170	134
Other receivables	838	466
Prepayments and accrued income	1 806	1 648
<b>Total</b>	<b>4 822</b>	<b>4 333</b>
– of which qualifying as financial instruments (see Note 38)	1 362	958

Of the VAT receivables, TEUR 209 (prior year TEUR 270) are denominated in CHF.

Receivables from suppliers generally arise from refunds or sales rebates.

Prepayments and accrued income only include accruals for expenditure in the following year.

There are no further known concentrations of risk. There are not expected to be any significant defaults on claims.

### 8 // CASH AND CASH EQUIVALENTS

Petty cash	327	243
Bank balances and call cash deposits (callable within 48 hours)	14 550	13 348
<b>Total</b>	<b>14 877</b>	<b>13 591</b>
– of which denominated in EUR	12 333	11 708
– of which denominated in CHF	1 031	1 089
– of which denominated in USD	116	96
– of which denominated in GBP	1 204	547
– of which denominated in other currencies	193	151
– of which non-interest-bearing	4 253	3 364
– of which bearing interest at 0.01%–0.20%	2 210	3 093
– of which bearing interest at 0.21%–0.50%	4 596	6 659
– of which bearing interest at 0.51%–1.00%	3 600	199
– of which bearing interest at 1.01%–2.00%	218	222
– of which bearing interest at 2.01%–3.00%	0	54
– of which qualifying as financial instruments (see Note 38)	14 877	13 591

### 9 // SHARE CAPITAL

The share capital (registered nominal capital) is that of Hapimag AG, Baar.

<b>Opening balance</b>	<b>28 902</b>	<b>28 902</b>
Share capital increase	0	0
<b>Closing balance</b>	<b>28 902</b>	<b>28 902</b>

As at the year-end the share capital consisted of 67 500 registered shares with a nominal value of CHF 100 each and 205 750 registered shares with a nominal value of CHF 200 each. Each share carries a voting right. The shares are not traded on the stock exchange and there is no subscription right on capital increases. Shares sold until February 2000 are inalienably associated with a loan. In accordance with article 28 of the articles of association, no dividends are paid.

## 10 // HOLDING OF HAPIMAG'S OWN SHARES

### TREASURY SHARES

Changes in the treasury shares item (CHF 100/CHF 200 per share):

in EUR 1000	Number	2010	2009
<b>Opening balance</b>	<b>3 259</b>	<b>257</b>	<b>387</b>
Sale of treasury shares	-1 073	-118	-130
<b>Closing balance</b>	<b>2 186</b>	<b>139</b>	<b>257</b>

### TRANSFERRED SHARES

Changes in the transferred shares item:

<b>Opening balance</b>	<b>12 084</b>	<b>25 367</b>	<b>26 604</b>
Repurchase of transferred shares	5 540	11 549	10 203
Sale of transferred shares	-4 778	-11 650	-11 440
<b>Closing balance</b>	<b>12 846</b>	<b>25 266</b>	<b>25 367</b>

### TOTAL OWN SHARES HELD

<b>Opening balance</b>	<b>15 343</b>	<b>25 624</b>	<b>26 991</b>
<b>Closing balance</b>	<b>15 032</b>	<b>25 405</b>	<b>25 624</b>

Average sale price per share in EUR		4 673	4 241
Average repurchase price per share in EUR		2 085	2 071

## 11 // CAPITAL RESERVES

<b>Opening balance</b>		<b>388 152</b>	<b>381 522</b>
Allocation from the sale of shares (calculation as per Note 21)		2 998	3 188
Redemption of loans from shareholders		4 151	3 442
<b>Closing balance</b>		<b>395 301</b>	<b>388 152</b>

## 12 // LIABILITIES FROM RIGHTS OF RESIDENCE

### LIABILITIES FROM THE SALE OF RIGHTS OF RESIDENCE

<b>Opening balance</b>		<b>60 548</b>	<b>62 653</b>
Increase due to sale of rights of residence (see Note 21)		2 159	3 092
Decrease due to repurchase of rights of residence (see Note 21)		0	-25
Decrease due to exercised rights of residence		-4 564	-5 257
Exchange differences		11 437	85
<b>Closing balance</b>		<b>69 580</b>	<b>60 548</b>

These liabilities represent the investment requirement recognised when rights of residence are sold. Rights of residence exercised during the fiscal year are charged to the income statement.

### LIABILITIES FROM THE ISSUE OF OTHER RESIDENCE POINTS

<b>Opening balance</b>		<b>4 260</b>	<b>1 977</b>
Increase due to HapimagCard residence points (see Note 26)		1 661	1 766
Increase due to other residence points		973	1 229
Decrease due to exercised other residence points (incl. HapimagCard)		-463	-723
Exchange differences		1 011	11
<b>Closing balance</b>		<b>7 442</b>	<b>4 260</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2010 OF THE HAPIMAG GROUP

Hapimag members who own a right of residence product involving a mandatory annual subscription charge, are credited five residence points (HapimagCard) for every CHF 2000 of sales transactions processed with Hapimag from 1 January to 31 December. If use of the right of residence is made, the liability will be released as income.

in EUR 1000	2010	2009
<b>Total liabilities from rights of residence, closing balance</b>	<b>77 022</b>	<b>64 808</b>
– of which non-current	61 911	52 685
– of which current	15 111	12 123

### 13 // LOANS FROM SHAREHOLDERS

#### LOANS IN CONNECTION WITH THE GROSS SALE OF THE SHARE PRODUCT

<b>Opening balance</b>	<b>155 436</b>	<b>158 440</b>
Repurchases	–4 151	–3 442
Exchange differences	29 238	438
<b>Closing balance</b>	<b>180 523</b>	<b>155 436</b>

#### ACCRUED AMORTISATION SUBSCRIPTION CHARGES (ANNUAL SUBSCRIPTION CHARGES NOT PAYABLE IN CASH)

<b>Opening balance</b>	<b>–15 838</b>	<b>–16 332</b>
Accrued amortisation subscription charges collected	785	539
Exchange differences	–2 945	–45
<b>Closing balance</b>	<b>–17 998</b>	<b>–15 838</b>
<b>Loans from shareholders (net), closing balance</b>	<b>162 525</b>	<b>139 598</b>

– of which qualifying as financial instruments (see Note 38)	162 525	139 598
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Up to 28 February 2000, when a share was sold part of the investment requirement (CHF 1100) was recognised as “Loans from shareholders”. The loan was described in the General Terms of Membership, was uncallable and non-interest-bearing. In the event of shares with loans being bought back, the loans originally recognised as liabilities are transferred to equity (capital reserves). For this reason, the balance of loans from shareholders – considered in the nominal currency CHF – is continuously decreasing.

### 14 // FINANCIAL LIABILITIES, NON-CURRENT AND CURRENT

#### FINANCIAL LIABILITIES, NON-CURRENT

Non-current liabilities to banks are due as follows:

	2011	0	791
	2012	822	822
	2013	211	211
	2014	0	0
	after	0	0
<b>Total non-current</b>	<b>1 033</b>	<b>1 824</b>	
– of which at an interest rate of 0–3% (variable)	1 033	1 824	

in EUR 1000	2010	2009
<b>FINANCIAL LIABILITIES, CURRENT</b>		
Bank liabilities	5 340	13 604
<b>Total current</b>	<b>5 340</b>	<b>13 604</b>
– of which at an interest rate of 0–2% (fixed)	4 549	10 563
– of which at an interest rate of 2–3% (fixed)	0	2 219
– of which at an interest rate of 0–3% (variable)	791	822
<b>Total</b>	<b>6 373</b>	<b>15 428</b>
– of which secured by mortgages	6 308	15 361
– of which denominated in EUR	1 824	2 589
– of which denominated in CHF	4 483	12 777
– of which denominated in other currencies	66	62
– of which qualifying as financial instruments (see Note 38)	6 373	15 428

## 15 // DEFERRED TAX ASSETS

in EUR 1000	2010 Assets	2010 Liabilities	2009 Assets	2009 Liabilities
<b>DEFERRED TAX ASSETS AND LIABILITIES</b>				
The deferred taxes result from the following balance sheet items:				
Prepayments and accrued income	419	–	367	–
Trade receivables	91	–	57	–
Property, plant & equipment	–	–14 743	–	–13 953
Intangible assets	10	–	2	–
Accrued expenses and deferred income	27	–	25	–
Trade payables	10	–	8	–
Non-current liabilities	636	–	649	–
Provisions (including employee benefits)	–	–52	–	–317
Loss carryforwards	8 157	–	9 758	–
<b>Total</b>	<b>9 350</b>	<b>–14 795</b>	<b>10 866</b>	<b>–14 270</b>
Set off of tax	–8 328	8 328	–7 569	7 569
<b>Net deferred tax assets and liabilities</b>	<b>1 022</b>	<b>–6 467</b>	<b>3 297</b>	<b>–6 701</b>

Hapimag has the following available tax loss carryforwards, but in view of uncertainty regarding their future usability they have not been capitalised:

in EUR 1000	2010	2009
<b>LOSS CARRYFORWARD EXPIRY</b>		
– within one year	6 171	2 564
– in 2–4 years	1 680	6 501
– in 5–7 years	64 862	6 446
– in more than 7 years	10 339	8 381
– unlimited	43 351	44 692
<b>Total</b>	<b>126 403</b>	<b>68 584</b>

Deferred tax assets on temporary differences of TEUR 19515 (previous year: TEUR 13515) were not capitalised.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2010 OF THE HAPIMAG GROUP

### 16 // LIABILITIES FROM EMPLOYEE BENEFITS, NET PENSION FUNDS

#### Pension liabilities/funds (CH)

For the employees insured in Switzerland, the following actuarial pension liabilities/funds exist based on defined benefit pension plans:

in EUR 1000	2010	2009
Change in pension liabilities (-) / funds in balance sheet:		
<b>Opening balance</b>	<b>-96</b>	<b>-288</b>
Net periodic pension cost	-541	-626
Employer contributions	942	818
Exchange differences	18	0
<b>Closing balance</b>	<b>323</b>	<b>-96</b>
Present value of defined benefit obligations:		
<b>Opening balance</b>	<b>-11 981</b>	<b>-10 328</b>
Current service cost (net)	-706	-717
Insurance premiums	345	296
Interest cost	-412	-350
Employee contributions	-683	-587
Actuarial gains (+) / losses (-) due to changes in assumptions	-1 126	-543
Actuarial gains (+) / losses (-) due to experience	-5	74
Benefits paid (net)	-502	206
Exchange differences	-2 567	-32
<b>Closing balance</b>	<b>-17 637</b>	<b>-11 981</b>
Fair value of plan assets:		
<b>Opening balance</b>	<b>12 241</b>	<b>10 219</b>
Expected return on plan assets	577	441
Actuarial gains (+) / losses (-)	-197	644
Benefits paid (net)	502	-206
Employer contributions	942	818
Employee contributions	683	587
Insurance premiums	-345	-296
Exchange differences	2 531	34
<b>Closing balance</b>	<b>16 934</b>	<b>12 241</b>
<b>Surplus/deficit (-) at closing</b>	<b>-703</b>	<b>260</b>
Unrecognised actuarial gains (-) and losses	941	-355
Exchange differences	85	-1
<b>Pension liabilities (-)/funds in balance sheet at closing</b>	<b>323</b>	<b>-96</b>
<b>Net periodic pension cost</b>		
Current service cost (net)	-706	-717
Interest cost	-412	-350
Expected return on plan assets	577	441
<b>Net periodic pension cost (included in personnel expenses)</b>	<b>-541</b>	<b>-626</b>
Actual return on plan assets	380	1 085

in EUR 1000	2010	2009
<b>Major investment categories of plan assets (in %)</b>		
– Shares	25%	24%
– Bonds	44%	54%
– Property	17%	16%
– Cash, cash equivalents and other financial investments	14%	6%
<b>Total</b>	<b>100%</b>	<b>100%</b>

#### Actuarial assumptions

Discount rate as of 31.12.	2.75%	3.25%
Expected return on plan assets as of 1.1.	4.00%	4.25%
Expected future wage increases	1.50%	1.50%
Expected future pension increases	0.25%	0.25%

Probability calculations regarding retirement, mortality and invalidity are based on the BVG2005 tables. The expected long-term return on the plan assets was 4.0% based on the investment strategy of the employee pension fund.

in EUR 1000	2010	2009	2008	2007	2006
<b>Comparison over several years</b>					
Present value of defined benefit obligations at closing	-17 637	-11 981	-10 328	-9 782	-9 702
Fair value of plan assets at closing	16 934	12 241	10 219	9 941	10 328
<b>Surplus/deficit (-) at closing</b>	<b>-703</b>	<b>260</b>	<b>-109</b>	<b>159</b>	<b>626</b>
Experience adjustments arising on plan liabilities	-5	74	636	-343	-453
Experience adjustments arising on plan assets	-197	644	-1 452	-290	74

The employer contributions expected for 2011 amount to TEUR 1003.

in EUR 1000	2010	2009
<b>Liabilities from employee benefits:</b>		
Pension liabilities	0	96
Provisions for retirement benefits related to length of service	2 150	2 503
Provisions for jubilee benefits	883	749
<b>Total liabilities from employee benefits</b>	<b>3 033</b>	<b>3 348</b>
<b>Total net pension funds (see Note 3)</b>	<b>323</b>	<b>0</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2010 OF THE HAPIMAG GROUP

### 17 // PROVISIONS, NON-CURRENT AND CURRENT

#### PROVISIONS, NON-CURRENT

in EUR 1000

	Total
<b>Opening balance on 1.1.2009</b>	<b>514</b>
Used	-75
Reversals	-80
Additions	10
Exchange differences	0
<b>Closing balance on 31.12.2009</b>	<b>369</b>
<b>Opening balance on 1.1.2010</b>	<b>369</b>
Used	-67
Reversals	0
Additions	112
Exchange differences	-1
<b>Closing balance on 31.12.2010</b>	<b>413</b>

Most of the provisions relate to legal disputes and legal costs.

#### PROVISIONS, CURRENT

in EUR 1000

	Taxes	Other	Total
<b>Opening balance on 1.1.2009</b>	<b>622</b>	<b>754</b>	<b>1 376</b>
Used	-27	-30	-57
Reversals	0	-64	-64
Additions	189	241	430
Exchange differences	2	0	2
<b>Closing balance on 31.12.2009</b>	<b>786</b>	<b>901</b>	<b>1 687</b>
<b>Opening balance on 1.1.2010</b>	<b>786</b>	<b>901</b>	<b>1 687</b>
Used	-63	-137	-200
Reversals	-47	-524	-571
Additions	325	52	377
Exchange differences	149	57	206
<b>Closing balance on 31.12.2010</b>	<b>1 150</b>	<b>349</b>	<b>1 499</b>

Most of the other provisions relate to legal disputes and legal costs.

## 18 // OTHER LIABILITIES, NON-CURRENT

### INVESTMENT SUBSIDIES

in EUR 1000	2010	2009
Resort Kanzelhöhe (AT)	8	9
Resort St. Michael (AT)	72	94
Resort Braunlage (DE)	7	34
Resort Dresden (DE)	145	0
Resort Athen (GR)	36	57
Resort Damnoni (GR)	884	972
Resort Bodrum (TR)	3 317	3 408
<b>Total</b>	<b>4 469</b>	<b>4 574</b>

### OTHER LIABILITIES

Prepaid portion of operating costs of annual subscription from other right of residence products	11 257	9 073
Other	318	315
<b>Total</b>	<b>11 575</b>	<b>9 388</b>
<b>Total</b>	<b>16 044</b>	<b>13 962</b>
– of which qualifying as financial instruments (see Note 38)	146	140

## 19 // TRADE PAYABLES, CURRENT

Trade payables up to 1 year	6 927	6 697
Commissions and sales-premium liabilities	1 121	201
<b>Total</b>	<b>8 048</b>	<b>6 898</b>
– of which denominated in EUR	3 958	3 482
– of which denominated in CHF	3 652	3 058
– of which denominated in other currencies	438	358
– of which qualifying as financial instruments (see Note 38)	8 048	6 898

## 20 // OTHER LIABILITIES, CURRENT

<b>Liabilities to members (share repurchases etc.)</b>	<b>1 830</b>	<b>1 375</b>
<b>ACCRUED EXPENSES AND DEFERRED INCOME</b>		
Deferred income, travel services	4 407	4 243
Deferred income, partial-payment surcharges	289	605
Other deferred income	7 693	7 032
Other taxes	2 208	2 076
Social-security contributions	1 216	1 055
Accrued expenses	5 216	4 319
<b>Total</b>	<b>21 029</b>	<b>19 330</b>
<b>Total</b>	<b>22 859</b>	<b>20 705</b>
– of which qualifying as financial instruments (see Note 38)	7 046	5 694

Income from travel services are deferred to the date of departure.

The partial-payment surcharges result from the instalment credit agreements with members, calculated over the entire contractual period (a maximum of 48 months). Partial-payment surcharges are deferred to the fiscal years to which they relate.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2010 OF THE HAPIMAG GROUP

### 21 // SALE OF RIGHT OF RESIDENCE PRODUCTS

in EUR 1000

	2010	2009
<b>SHARE SALES</b>		
Gross sales of shares	27 955	26 457
Less pre-paid annual subscription charges	-614	0
Transfer from own shares	-11 768	-11 570
Allocation to capital reserves	-2 998	-3 188
<b>Total share sales</b>	<b>12 575</b>	<b>11 699</b>
Repurchase of shares	-11 549	-10 203
Treatment as own shares	11 549	10 203
<b>Sales reduction</b>	<b>0</b>	<b>0</b>
<b>SALE OF OTHER RIGHT OF RESIDENCE PRODUCTS</b>		
Gross sales of other right of residence products	7 241	11 326
Less pre-paid portions of operating costs of annual subscription charges	-2 717	-3 958
Allocation to liabilities from sales of rights of residence	-2 159	-3 092
<b>Total sale of other right of residence products</b>	<b>2 365</b>	<b>4 276</b>
Repurchase of other right of residence products	0	-25
Decrease in liabilities from sales of rights of residence	0	25
<b>Sales reduction</b>	<b>0</b>	<b>0</b>
<b>Total sale of right of residence products</b>	<b>14 940</b>	<b>15 975</b>

That proportion of product sales recorded as a liability or equity corresponds to the investment requirement required by the sale of products.

### 22 // ANNUAL SUBSCRIPTION CHARGES

Annual subscription charges, shares	59 548	58 340
Annual subscription charges, other right of residence products	5 696	5 692
<b>Total</b>	<b>65 244</b>	<b>64 032</b>

### 23 // RESORT SALES

Local charges	34 676	34 614
Restaurants and bars	15 075	13 129
Shops	3 752	4 084
Additional services	6 535	6 768
Other sales from goods and services	10 431	9 756
<b>Total</b>	<b>70 469</b>	<b>68 351</b>

### 24 // TRAVEL SERVICE/TANDEM TOURS SALES

Travel Service	7 562	8 018
Tandem Tours	5 488	5 006
<b>Total</b>	<b>13 050</b>	<b>13 024</b>

The sales of the Travel Service and Tandem Tours are recognised in the income statement at the time when the significant risks and rewards are transferred to the customer. This condition is normally met on the day of departure.

## 25 // OTHER SALES

in EUR 1000

	2010	2009
Cancellation insurance on right of residence products	1 469	1 356
Fees for right of residence products	616	1 101
Other	1 085	894
<b>Total</b>	<b>3 170</b>	<b>3 351</b>

## 26 // SALES DEDUCTIONS

Distribution of HapimagCard residence points (see Note 12)	1 661	1 766
Losses on trade receivables (impaired receivables and allowance increases)	343	553
Other sales deductions	1 484	553
<b>Total</b>	<b>3 488</b>	<b>2 872</b>

## 27 // OTHER OPERATING INCOME

Sub-leasing of the Neuhof property, Baar	305	269
Gain on sale of property, plant & equipment	192	301
Income from investment subsidies	419	449
Income from damages and insurance claims	88	116
Restaurants & shops leased to third parties	1 415	1 396
Other	891	1 199
<b>Total</b>	<b>3 310</b>	<b>3 730</b>

## 28 // COST OF SALES

Cost of goods sold, restaurants and shops	7 863	7 478
Cost of services, Travel Service and Tandem Tours	10 927	11 004
Cost of additional services	3 462	3 813
Other	5 028	5 079
<b>Total</b>	<b>27 280</b>	<b>27 374</b>

## 29 // MAINTENANCE AND OPERATING EXPENSES

Maintenance and repair, resorts and residences	4 590	4 470
Maintenance and repair, furniture and office equipment	658	832
Leasing expense of supplementary accommodation	766	713
Other leasing expense	2 002	1 853
Energy supply, water and waste disposal	8 404	8 113
Cleaning, laundry and operating materials	8 357	7 930
Other	571	337
<b>Total</b>	<b>25 348</b>	<b>24 248</b>

## 30 // PERSONNEL EXPENSES

Wages and salaries	41 243	38 487
Social-security contributions	7 333	6 978
Net periodic pension cost (see Note 16)	541	626
Other	2 512	2 283
<b>Total</b>	<b>51 629</b>	<b>48 374</b>

1397 staff were employed during the fiscal year on a full-time equivalent basis (prior year: 1370). In addition 146 consultants (prior year: 137) acted on behalf of the company on an agency basis.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2010 OF THE HAPIMAG GROUP

### 31 // MARKETING AND SELLING EXPENSES

in EUR 1000	2010	2009
Sales commission	5 164	6 348
Sales expense	1 821	1 558
Sales promotion, media and direct advertising	2 403	2 599
Public Relations	739	649
Information publications for members	1 123	1 432
Other marketing expenses	1 116	1 832
<b>Total</b>	<b>12 366</b>	<b>14 418</b>

### 32 // ADMINISTRATIVE EXPENSES

Office supplies, paper and printed matter	584	496
Postage and transmission fees	2 223	2 375
Development of EDP software and licensing fees	1 297	1 180
Travel and entertainment expenses	1 396	1 157
Legal, tax and other consulting	1 197	1 511
Board of Directors' fees, accounting and audit expenses	1 701	1 878
Insurance, fees and charges	1 988	1 709
Other office and administrative expenses	1 826	1 609
<b>Total</b>	<b>12 212</b>	<b>11 915</b>

### 33 // OTHER OPERATING EXPENSES

Non-recoverable value-added tax	5 223	5 271
Property tax	2 040	1 745
Other taxes	807	560
Losses from sale of property, plant & equipment	1 704	1 779
Other	567	751
<b>Total</b>	<b>10 341</b>	<b>10 106</b>

### 34 // FINANCIAL RESULT

Interest income	196	103
Partial-payment surcharges on right of residence products	646	680
Net gains on financial assets at fair value through profit or loss (held for trading)	9	134
<b>Total financial income</b>	<b>851</b>	<b>917</b>
Interest expenses	-136	-194
Currency losses (net)	-4 220	-261
Bank charges	-158	-166
Credit and debit card fees	-640	-634
<b>Total financial expense</b>	<b>-5 154</b>	<b>-1 255</b>
<b>Total financial result</b>	<b>-4 303</b>	<b>-338</b>

### 35 // INCOME TAX

in EUR 1000

	2010	2009
Current income tax	575	469
Deferred income tax	2 023	-470
<b>Total income tax expense/income (-)</b>	<b>2 598</b>	<b>-1</b>

#### RECONCILIATION OF INCOME TAX EXPENSE

Result before tax	-5 228	2 027
Income tax expense/income (-) calculated at locally applicable tax rates (17.98%, previous year: 19.54%)	-940	396
Effect of current year losses for which no deferred tax asset was recognised	4 812	330
Utilisation of unrecognised tax loss carryforwards	-174	-196
Impairment/recognition (-) of loss carryforwards from previous years	1 468	-1 010
Change in unrecognised temporary differences	816	-11
Effect of tax-exempt income and non-deductible expenses	901	410
Prior year income taxes and tax rate adjustments	-254	48
Effect of income/expenses (-) not recognised in the income statement	-3 988	27
Other	-43	5
<b>Income tax expense/income (-)</b>	<b>2 598</b>	<b>-1</b>

### 36 // CONTINGENT LIABILITIES

No material contingent liabilities exist.

### 37 // LEASING OBLIGATIONS

The following leasing obligations exist under operating leases:

Leasing obligations up to 1 year	1 400	1 201
Leasing obligations 1 to 5 years	468	508
Leasing obligations over 5 years	0	0
<b>Total</b>	<b>1 868</b>	<b>1 709</b>

The leasing obligations consist mainly of non-current renting contracts for the Hapimag head office in Baar, and also for IT equipment and vehicles.

A total of TEUR 1314 under operating leases was recognised as expense in 2010 (prior year: TEUR 1201).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2010 OF THE HAPIMAG GROUP

### 38 // FINANCIAL INSTRUMENTS

#### Carrying amounts and fair values by category

Carrying amounts of financial assets and liabilities (taxes and social security contributions are, by definition, not financial instruments) aggregated by category in accordance with IAS 39:

in EUR 1000	Notes	2010	2009
Non-current receivables	3	424	292
Trade receivables	6	33 000	34 087
Other receivables and assets	7	1 192	824
Cash and cash equivalents (bank balances and call cash deposits)	8	14 550	13 348
<b>Total loans and receivables</b>		<b>49 166</b>	<b>48 551</b>
Derivative financial instruments with positive fair value	7	170	134
Cash and cash equivalents (petty cash)	8	327	243
<b>Total financial assets</b>		<b>49 663</b>	<b>48 928</b>
Loans from shareholders	13	162 525	139 598
Financial liabilities	14	6 373	15 428
Other liabilities, non-current	18	146	140
Trade payables	19	8 048	6 898
Other liabilities, current	20	7 046	5 694
<b>Total financial liabilities measured at amortised costs</b>		<b>184 138</b>	<b>167 758</b>

The carrying amount of the financial assets and liabilities mainly reflects the fair value

The fair value is the amount for which a financial asset or financial liability could be traded between willing, informed and independent parties.

#### Fair value hierarchy

Financial instruments assessed at their fair value are classified into levels based on their valuation method. The levels used are defined as follows:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities on active markets

Level 2: In addition to quoted prices according to Level 1, other directly or indirectly observable input factors have entered into the valuation of the asset or liability

Level 3: The valuation has been affected by input factors for the asset or liability that are not based on observable market data (non-observable factors)

31.12.2009 in EUR 1000	Level 1	Level 2	Level 3	Total
Derivative financial instruments with positive fair value	0	134	0	134
<b>Total financial assets assessed at fair value affecting net income</b>	<b>0</b>	<b>134</b>	<b>0</b>	<b>134</b>

31.12.2010 in EUR 1000	Level 1	Level 2	Level 3	Total
Derivative financial instruments with positive fair value	0	170	0	170
<b>Total financial assets assessed at fair value affecting net income</b>	<b>0</b>	<b>170</b>	<b>0</b>	<b>170</b>

## 39 // FINANCIAL RISK MANAGEMENT

### PRINCIPLES OF RISK MANAGEMENT

The Board of Directors has ultimate responsibility for risk management. The Board of Directors has therefore appointed a Risk Committee, which is responsible for establishing and supervising the principles of risk management. The Risk Committee consists of three members of the Board of Directors and is supported by the Hapimag Risk Manager. The Risk Committee reports regularly to the full Board of Directors. The established principles of risk management are oriented to identifying and analysing the risks that the Group is exposed to, defining reasonable limits and establishing controls, and also to monitoring risks and ensuring that the limits are adhered to. The principles of risk management, and the processes employed, are regularly reviewed in order to take into account changes in market conditions, and in the Group's activities.

In the property sector, Hapimag has also developed its own risk assessment system, in association with a Swiss insurance company. Using an integral risk database, natural risks such as fire, water, storms and earthquakes are identified, assessed and controlled.

With regard to its financial assets and liabilities, the Hapimag Group is exposed in particular to risks arising from changes in exchange rates and interest rates, credit risk on receivables and liquidity risk. The following sections provide an overview of the extent of the individual risks. Further information about financial risks may also be found in the notes to the accounts.

### FOREIGN CURRENCY RISKS

Hapimag is exposed to certain foreign currency risks. The prices of right of residence products, annual subscription charges and travel services (invoiced from head office in Baar) are expressed in CHF. Invoices issued to the most important countries of origin of Hapimag members are also shown in the relevant local currency. Local charges as well as products and services delivered on site are billed in the local currency. Investments and operating expenses of the resorts accrue for the most part in the local currency. Foreign currency hedging in the form of currency forwards is carried out occasionally for larger investments. On 31 December 2010 currency forwards amounting to TEUR 28 000 (previous year: TEUR 20 000) existed to hedge economically against foreign currency risks from billings.

On the balance sheet date, financial instruments were denominated in the following currencies:

in EUR 1000	2009	EUR	CHF	Other
Non-current receivables	292	172	90	30
Trade receivables	34 087	13 881	19 470	736
Other receivables and assets	824	204	543	77
Derivative financial instruments with positive fair value	134	0	134	0
Cash and cash equivalents	13 591	11 149	958	1 484
<b>Total financial assets</b>	<b>48 928</b>	<b>25 406</b>	<b>21 195</b>	<b>2 327</b>
Loans from shareholders	139 598	0	139 598	0
Financial liabilities	15 428	2 589	12 777	62
Other liabilities, non-current	140	68	72	0
Trade payables	6 898	3 482	3 058	358
Other liabilities, current	5 694	1 698	3 527	469
<b>Total financial liabilities</b>	<b>167 758</b>	<b>7 837</b>	<b>159 032</b>	<b>889</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2010 OF THE HAPIMAG GROUP

in EUR 1000	2010	EUR	CHF	Other
Non-current receivables	424	296	84	44
Trade receivables	33 000	10 072	21 811	1 117
Other receivables and assets	1 192	137	779	276
Derivative financial instruments with positive fair value	170	0	170	0
Cash and cash equivalents	14 877	12 333	1 031	1 513
<b>Total financial assets</b>	<b>49 663</b>	<b>22 838</b>	<b>23 875</b>	<b>2 950</b>
Loans from shareholders	162 525	0	162 525	0
Financial liabilities	6 373	1 824	4 483	66
Other liabilities, non-current	146	68	78	0
Trade payables	8 048	3 958	3 652	438
Other liabilities, current	7 046	1 673	4 878	495
<b>Total financial liabilities</b>	<b>184 138</b>	<b>7 523</b>	<b>175 616</b>	<b>999</b>

### Sensitivity analysis:

A change of 5 percent of the EUR against the CHF on 31 December would have had the following effect on the Group's result before tax:

in EUR 1000	Currency	Exchange rate movement	2010	2009	
	CHF	+5%	Effect on result before tax	+659	+916
	CHF	-5%	Effect on result before tax	-659	-916

This analysis assumes that all other variables, especially interest rates, remain unchanged.

### INTEREST RATE RISKS

The interest rate risk is the risk that the fair value or future payment flows of a financial instrument will fluctuate based on changes of the market interest rate. Cash is invested in short-term instruments. Trade receivables include receivables from customers under instalment credit agreements with terms of up to 48 months, which bear interest at fixed rates. Non-current loans from shareholders are interest-free. Hapimag also has current and medium-term bank loans at its disposal. In the case of the fixed interest-bearing financial assets (receivables from instalment credit agreements, TEUR 18 027, prior year TEUR 17 968) and financial liabilities (TEUR 4 549, prior year TEUR 12 782), an interest rate movement has no effect on the consolidated result, because there was no adjustment to the fair value.

### Sensitivity analysis:

In the case of the variable interest-bearing financial instruments, an increase in interest rate of 100 basis points would have increased the consolidated result before tax by TEUR +84 (prior year TEUR +73). A decrease of the interest rate by 100 base points would have decreased the consolidated result before tax by the same amounts. This analysis assumes that all other factors remain unchanged.

### CREDIT RISK

Credit risk is the risk that Hapimag will suffer financial losses if a customer or a counterparty for a financial instrument fail to meet their contractual obligations. Trade receivables relate mainly to private persons (Hapimag members), and are centrally and constantly monitored. The outstanding carrying amount is exposed to a certain credit risk that is accounted for by means of allowance for doubtful receivables. The creditworthiness of new customers with instalment credit agreements is systematically checked by inquiries to collection firms. Hapimag members with overdue items over CHF 50 are unable to book an apartment (booking block in the system). The accommodation that becomes available as a result can be reused by Hapimag. In addition, share repurchases or transfers are effected only if all open items are settled beforehand. Hapimag places deposits only with first-class financial institutions. The maximum default risk is reflected in the carrying amounts of the financial assets recognised in the balance sheet.

## LIQUIDITY RISK

Liquidity risk is the risk that Hapimag will be unable to meet its financial obligations at maturity. Liquidity is managed and controlled by a central Treasury Department, based on a short- and medium-term income/expenditure plan, which takes into account in particular the ongoing building investments in the resorts. To ensure that Hapimag is solvent at all times, and to preserve its financial flexibility, a liquidity reserve is maintained in the form of cash in hand and credit limits. Hapimag has agreed the following credit limits with well-known banks:

in EUR 1000	2010	2009
Total credit limits as at 31.12.	54 573	49 929
of which used (total current and non-current-term financial liabilities)	6 373	15 428

Hapimag does not yet pay any commitment fees for unused credit limits.

The following table shows the contractual maturities (including interest) of the financial liabilities:

<b>Financial liabilities, current</b>		
Carrying amount	20 434	26 197
Interest	43	187
<b>Contractual cash flows</b>	<b>20 477</b>	<b>26 384</b>
– of which due within 3 months	19 851	23 465
– of which maturing in 3–6 months	208	234
– of which maturing in 6–12 months	418	2 685
<b>Financial liabilities, non-current</b>		
Carrying amount	163 704	141 561
Interest	22	121
<b>Contractual cash flows</b>	<b>163 726</b>	<b>141 682</b>
– of which maturing in 12–24 months	987	1 010
– of which maturing in 24–36 months	214	861
– of which maturing in more than 36 months	162 525	139 811

## CAPITAL MANAGEMENT

It is Hapimag's paramount goal to maintain a strong capital base to secure the confidence of customers (Hapimag members), creditors and other market operators, and to strengthen the future development of the Hapimag business model. Hapimag controls the capital structure by taking into account changes in the underlying economic conditions.

Hapimag's capital comprises equity, as presented in the balance sheet, i.e. share capital (registered nominal capital), own shares, capital reserves and retained earnings, plus uncalled loans from shareholders and investment subsidies:

Equity as per balance sheet	361 954	374 838
Loans from shareholders	162 525	139 598
Investment subsidies	4 469	4 574
<b>Total</b>	<b>528 948</b>	<b>519 010</b>

In accordance with the articles of association, profits are not distributed, but remain in the company as retained earnings, to enable it to achieve its objective. For shares that were sold up to 30.6.2007, in accordance with the general conditions of membership Hapimag is under an obligation to buy back shares up to a maximum 10% of the new share sales in the current financial year. For shares that were sold after 1.7.2007 (Hapimag Share\_21), Hapimag has undertaken to buy back shares up to a maximum of the shares sold in the corresponding calendar year. Both of these restrictions ensure that Hapimag's capital base does not have to be reduced because of share buy-backs. The Hapimag resorts are funded almost exclusively by shareholders' cash (Hapimag members), and only to a very limited extent by bank loans. According to the Hapimag AG articles of incorporation, the properties of the Company and its Companies of the Group can be mortgaged up to no more than 20% of the acquisition cost of the properties.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2010 OF THE HAPIMAG GROUP

### 40 // ACQUISITIONS

On 17 November 2010 Bowness Leisure Limited (GB) acquired a city residence in Edinburgh (GB) with 29 suites, which has been operated in a timeshare system since 1996. With the purchase Bowness Leisure Limited is taking over the operating activities of the city residence and existing contracts with approximately 900 individual timeshare members. These timeshare contracts will expire in the foreseeable future and from 2022 all apartments will be available for full use by Hapimag members.

The purchase price of TEUR 4694 complies with the fair value of the acquired property, plant & equipment. Transaction costs of a total of TEUR 229 were recognised as an expense.

The effect of the acquisition on Group sales revenue in 2010 amounted to about TEUR 129 in respect of net sales and about TEUR 6 in respect of the consolidated Group result. If the business had been acquired on 1 January 2010, the effect of the acquisition on Group sales revenue in 2010 would have amounted to about TEUR 1082 and about TEUR 127 in respect of the consolidated Group result.

### 41 // TRANSACTIONS WITH RELATED PARTIES

Related persons and companies are members of the Board of Directors and the Executive Board (including members of their families), companies controlled by them, Group companies and pension funds. The vast majority of the sales of the Hapimag Group is made to shareholders. The prices of services in Hapimag's core business are based on the principle of covering original costs, and they can thus differ from market prices. Hapimag staff hold 0.10% of the company's total shares. Otherwise there are no sums due from or payable to related persons or companies.

in EUR 1000	2010	2009
Board of Directors: fees	360	329
Board of Directors: remuneration for committee activity	129	118
Board of Directors: pension contributions	37	31
Executive Board: salaries	1 296	1 198
Executive Board: pension contributions	173	147
<b>Total payments to members of the Board of Directors and Executive Board</b>	<b>1 995</b>	<b>1 823</b>

### 42 // EVENTS AFTER THE BALANCE SHEET DATE

No further significant events took place between the balance sheet date and 8 March 2011 that would have an impact on the 2010 consolidated financial statements or that would be subject to disclosure here.

### 43 // CONVERSION RATES FOR MAJOR CURRENCIES

Conversion to EUR			2010	2009
<b>Annual average rates</b>	1	CHF	0.7333	0.6707
Consolidated income statement, consolidated cash flow statement	1	GBP	1.1655	1.1181
	1	USD	0.7526	0.7170
	100	HUF	0.3626	0.3544
	1	TRY	0.4901	0.4527
	100	DKK	13.4283	13.4276
	100	SEK	10.4655	9.3913
	100	CZK	3.9392	3.7237
	100	MAD	8.9113	8.8305
<b>Year-end rates</b>	1	CHF	0.8006	0.6725
Consolidated balance sheet	1	GBP	1.1596	1.1185
	1	USD	0.7496	0.6943
	100	HUF	0.3588	0.3668
	1	TRY	0.4833	0.4617
	100	DKK	13.4107	13.4364
	100	SEK	11.1209	9.7445
	100	CZK	3.9792	3.7861
	100	MAD	8.9432	8.8366



RESORTS & RESIDENCES		MEMBER SERVICES		TRAVEL BUSINESS		CENTRAL SERVICES		TOTAL GROUP	
2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
0	0	0	0	0	0	0	0	14 940	15 975
15 456	15 937	3 380	3 799	0	0	14 267	14 712	65 244	64 032
70 469	68 351	0	0	0	0	0	0	70 469	68 351
0	0	0	0	13 050	13 024	0	0	13 050	13 024
1 086	893	1 986	1 938	0	0	0	0	3 170	3 351
-1 013	-1 164	-201	-213	0	0	-169	-194	-3 488	-2 872
<b>85 998</b>	<b>84 017</b>	<b>5 165</b>	<b>5 524</b>	<b>13 050</b>	<b>13 024</b>	<b>14 098</b>	<b>14 518</b>	<b>163 385</b>	<b>161 861</b>
0	0	0	0	0	0	0	0	5 027	5 980
2 216	2 469	21	27	0	0	399	370	3 310	3 730
<b>88 214</b>	<b>86 486</b>	<b>5 186</b>	<b>5 551</b>	<b>13 050</b>	<b>13 024</b>	<b>14 497</b>	<b>14 888</b>	<b>171 722</b>	<b>171 571</b>
-16 222	-16 195	-131	-176	-10 927	-11 003	0	0	-27 280	-27 374
-22 776	-21 885	-8	-11	-56	-53	-2 163	-2 052	-25 348	-24 248
-36 218	-34 016	-3 541	-3 212	-1 303	-1 216	-7 017	-6 570	-51 629	-48 374
-667	-808	-460	-1 025	-188	-158	-313	-308	-12 366	-14 418
-4 808	-4 697	-830	-913	-375	-362	-3 198	-3 315	-12 212	-11 915
-85	-68	-6	-24	-84	-201	-1 982	-1 870	-33 471	-32 771
-5 727	-5 736	0	-1	0	0	-652	-515	-10 341	-10 106
<b>1 711</b>	<b>3 081</b>	<b>210</b>	<b>189</b>	<b>117</b>	<b>31</b>	<b>-828</b>	<b>258</b>	<b>-925</b>	<b>2 365</b>
								851	917
								-5 154	-1 255
								<b>-5 228</b>	<b>2 027</b>
								-2 598	1
								<b>-7 826</b>	<b>2 028</b>
								0	2
								-7 826	2 026

Personnel expenses is the most important expense item. The costs for various information media for members are also included.

#### TRAVEL BUSINESS

The Travel Business subdivision includes income and expenditure from travel services and Tandem Tours (arranging travel services and its own tour operating activities).

#### CENTRAL SERVICES

Central Services include the following: Board of Directors, Executive Board, finance, human resources, IT, legal service and quality and risk management. Central Services receive proportionate credit from the annual subscription charges. The most important expenses are personnel expenses, administrative costs, depreciation and amortisation on office furniture and IT software and hardware.

#### OTHER EXPLANATIONS

Annual subscription charges are used primarily to cover depreciation and operating expenses for the running of the resorts and resi-

dences, the call centre and the central and local administrations. The annual subscription charges are allocated accordingly between the Property and Tourism divisions (Resorts & Residences and Member Services subdivision) and Central Services.

There are no significant transactions between the divisions. Apart from depreciation and amortisation there are no significant non-cash items of expense.

The presentation of business divisions is a voluntary disclosure and specifically does not construe segment reporting according to IFRS 8 (Operating Segments), as Hapimag AG is not a stock listed company and thus does not fall within the scope of application of this standard.

The divisions correspond to the management structure. Since the overwhelming proportion of the assets of the Hapimag Group are invested in the property, plant & equipment of the Resorts & Residences, most of the depreciation – with the exception of equipment and computer systems at headquarters – is allocated to the "Property" division. The other assets and liabilities cannot be allocated since they are used for the Group as a whole.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2010 OF THE HAPIMAG GROUP

### 4. GEOGRAPHICAL DISTRIBUTION OF THE MEMBERS AND PRODUCT SALES

in %	Members' country of origin 2010	Members' country of origin 2009	Product sales 2010	Product sales 2009
Germany	62.4	63.0	279	26.9
France	1.0	1.0	1.9	2.5
United Kingdom	1.6	1.6	1.1	1.1
Netherlands	8.9	8.8	7.6	7.4
Italy	7.9	7.4	33.3	34.8
Austria	6.6	6.6	2.1	4.1
Switzerland	8.9	8.9	12.2	9.2
Spain	0.2	0.2	5.5	5.3
Turkey	0.8	0.8	5.1	4.8
Other	1.7	1.7	3.3	3.9
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

The geographical distribution of members coincides approximately with the geographical distribution of sales in the Resorts & Residences and Travel Business subdivisions. The geographical breakdown of the rights of residence sold during the fiscal year largely coincides with the geographical breakdown of sales in the Sales division.

The major part of the assets of the Hapimag Group is invested in property, plant & equipment. A summary of property, plant & equipment by country can be found on page 43. There would be little point in classifying the property, plant & equipment on a regional basis as the commercial risks have to be assessed separately for each destination. A geographical breakdown of other assets, especially receivables, would hardly be meaningful because these are largely held by the Company's head office.

## 5. SUMMARY OF PROPERTY, PLANT & EQUIPMENT BY COUNTRIES (IN EUR 1000)

	Numbers of lodging units	Capital investment 2010	Capital investment 2009	At cost	Accumulated depreciation	Carrying amount 31.12.2010	Carrying amount 31.12.2009
Completed lodging units:							
Germany	1 071	7 725	11 665	201 049	-67 430	133 619	128 796
France	405	4 004	1 351	74 258	-28 419	45 839	45 212
Greece	305	365	3 843	43 273	-19 803	23 470	23 254
United Kingdom	122	4 939	151	24 083	-5 147	18 936	12 804
Italy	695	4 016	4 379	140 161	-53 903	86 258	86 646
Marocco	40	60	101	6 100	-917	5 183	5 350
Netherlands	27	2 273	544	7 401	-1 531	5 870	4 041
Austria	706	1 733	328	106 786	-54 592	52 194	54 080
Portugal	217	146	262	38 798	-14 402	24 396	23 132
Switzerland	320	495	525	91 191	-23 720	67 471	58 818
Scandinavia	176	157	217	20 544	-10 707	9 837	9 425
Spain	719	1 037	481	102 780	-54 819	47 961	49 309
Czech Republic	50	25	16	9 224	-2 516	6 708	6 636
Turkey	637	1 502	2 473	100 948	-55 128	45 820	43 983
Hungary	30	24	77	4 532	-1 576	2 956	3 128
USA	102	318	302	19 255	-5 235	14 020	13 383
Canal boats (Germany and France)	30	190	36	3 798	-2 407	1 391	1 110
<b>Total completed lodging units</b>	<b>5 652</b>	<b>29 009</b>	<b>26 751</b>	<b>994 181</b>	<b>-402 252</b>	<b>591 929</b>	<b>569 107</b>
Business & administrative premises		388	388	19 262	-17 751	1 511	1 785
Assets under construction or in planning stage		4 706	4 715	8 547	0	8 547	8 988
<b>Total property, plant &amp; equipment</b>	<b>5 652</b>	<b>34 103</b>	<b>31 854</b>	<b>1 021 990</b>	<b>-420 003</b>	<b>601 987</b>	<b>579 880</b>
<b>Total lodging units available to members</b>	<b>5 128</b>						
(without lodging units used for staff, offices and activities)							

## 6. CONSOLIDATED COMPANIES OF THE HAPIMAG GROUP AS AT 31.12.2010

COMPANY (NAME)	TYPE OF COMPANY	CAPITAL (IN MILLION)	OWNERSHIP
Hapimag AG, CH-Baar	Parent company with branches in Austria, Spain and Portugal	CHF 47.9	126 666 individual shareholders
Hapimag Touristik AG/Hapitour, CH-Baar	Management company (commercial activities)	CHF 0.1	100 % Hapimag AG
Hapimag Finanz AG, LI-Vaduz	Finance company	CHF 0.5	100 % Hapimag AG
Nordia Anstalt, LI-Vaduz	Property company Punkaharju resort land	CHF 0.1	100 % Hapimag AG
Hava Beteiligungs-GmbH & Co. Wohnungsverwaltungs-KG, DE-Winterberg	Property/operating company German resorts and house boats	EUR 2.045	100 % Hapimag AG
Hava Beteiligungs-GmbH, DE-Winterberg	Unlimited partner fo Hava Beteiligungs-GmbH & Co. KG	EUR 0.026	100 % Hapimag AG
Hapimag Praha S.R.O., CZ-Prag	Property/operating company Praque resorts	CZK 0.1	100 % Hapimag AG
Hapimag Ges.m.b.H., AT-Wien	Operating company Austrian resorts	EUR 0.036	100 % Hapimag AG
Hapimag Liegenschaftsnutzung Ges.m.b.H., AT-Wien	Property company Vienna resort land	EUR 0.509	96 % Hapimag AG 4 % Nordia Anstalt
Hapimag Ingatlanüzemeltető Kft., HU-Budapest	Operating company Budapest resort	HUF 3.0	100 % Hapimag AG
Hapimag Magyarország Ingatlanhasznosító Kft., HU-Budapest	Property company Budapest resort	HUF 3.0	100 % Hapimag AG
Hapimag España S.A., ES-Paguera	Property/operating company Spanish resorts: Paguera, Marbella, San Agustin	EUR 23.588	100 % Hapimag AG
Hapimag Playa Paguera S.A., ES-Paguera	Operating company Commercial operations, Paguera resort	EUR 0.096	80 % Hapimag España S.A. 20 % minority interest
Hapimag Sistema de Férias Lda., PT-Lisboa	Operating company Albufeira resort	EUR 0.015	93.333 % Hapimag AG 6.667 % Hapimag Touristik AG
Hapimag Italia S.r.l., IT-Forli	Property/operating company Italian resorts	EUR 20.0	100 % Hapimag AG
Gli Aranceti di Cefalù S.r.l., IT-Forli	Property/operating company Cefalù resort	EUR 0.02	100 % Hapimag Italia S.r.l.

COMPANY (NAME)	TYPE OF COMPANY	CAPITAL (IN MILLION)	OWNERSHIP
Hapimag Danmark A/S, DK-Nysted	Property/operating company Resort Nysted	DKK 4.0	100 % Hapimag AG
Svenska Hapimag AB, SE-Hok	Property/operating company Hok-Yxenhaga resort	SEK 10.0	100 % Hapimag AG
Hapimag Investments (Guernsey) Limited, GB-St. Peter Port	Property company Resort London	GBP 0.01	100 % Hapimag AG
Hapimag Management (UK) Limited, GB-London	Operating company Resort London	GBP 0.0001	100 % Hapimag AG
Bowness Leisure Limited, GB-York	Property/operating company Resorts Burnside Park, Edinburgh	GBP 0.883	100 % Hapimag AG
Bowness Time-Share Limited, GB-Bowness on Windermere	Inactive	GBP 0.550	100 % Bowness Leisure Limited
Hapimag France S.à.r.l., FR-Strasbourg	Property/operating company French resorts and cruise boats	EUR 15.280	99.9975 % Hapimag AG 0.0025 % Hapimag Touristik AG
Hapitour France S.à.r.l., FR-Strasbourg	Property/operating company Commercial operations Chamonix resort and Château Chabenet	EUR 1.6	99.8 % Hapimag Touristik AG 0.2 % Hapimag France S.à.r.l.
Hapimag (Holland) B.V., NL-Amsterdam	Property/operating company Amsterdam resort	EUR 1.361	100 % Hapimag AG
Hapimag Hellas SA, GR-Athen	Property/operating company Porto Heli, Damnoni and Athens resorts	EUR 14.425	99.95 % Hapimag AG 0.05 % Hapimag Touristik AG
Hapimag Turistik Yatirim ve Ticaret AS, TR-Istanbul	Property/operating company Sea Garden Hotel & Village resort, Bodrum	TRY 80.49	99.9820 % Hapimag AG 0.0045 % Hava Bet. GmbH & Co. KG 0.0045 % Hapimag Touristik AG 0.0045 % Hapimag Finanz AG 0.0045 % Nordia Anstalt
Hapimag Marocco SA, MA-Marrakech	Property/operating company Marrakech resort	MAD 4.01	99.9900 % Hapimag AG 0.0025 % Hapimag Touristik AG 0.0025 % Hapimag France S.à.r.l. 0.0025 % Hapimag Finanz AG 0.0025 % Nordia Anstalt
Hapimag Lake Berkley Corporation, USA-Kissimmee	Property/operating company Orlando-Lake Berkley resort	USD 0.000001	100 % Hapimag AG

The Hapimag Golfclub e.V., based in Bad-Bellingen (DE), whose management committee consists entirely of Hapimag representatives, is also consolidated. Even though Hapimag has no equity holding, this ensures that it can at any time exercise control over the association and determine its financial and business policy.



Report of the Statutory Auditor on the Consolidated Financial Statements to the General Meeting of Shareholders of

### **Hapimag AG, Baar**

As statutory auditor, we have audited the consolidated financial statements of Hapimag AG, presented on pages 8 to 45, which comprise the consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, changes in consolidated equity, consolidated cash flow statement and notes for the year ended 31 December 2010.

#### *Board of Directors' Responsibility*

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

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

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

#### *Opinion*

In our opinion, the consolidated financial statements for the year ended 31 December 2010 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

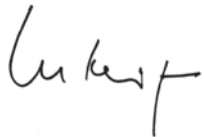
## Report on Other Legal Requirements

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

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



Fredy Luthiger  
*Licensed Audit Expert*  
*Auditor in Charge*



Beat Kuhn  
*Licensed Audit Expert*

Zurich, 24 March 2011

## HAPIMAG STATUTORY ACCOUNTS AS AT 31.12.2010

### BALANCE SHEET

#### ASSETS

in CHF 1000	Notes	2010	2009
<b>Non-current assets</b>		<b>876 230</b>	<b>927 197</b>
Property, plant & equipment		236 486	258 443
Intangible assets		9 852	8 685
Investments in Group companies	3	424 849	426 836
Equity-like loans to Group companies		196 363	218 615
Trade receivables		8 483	14 543
Non-current receivables		197	75
<b>Current assets</b>		<b>94 990</b>	<b>120 678</b>
Assets classified as held for sale	4	0	8 380
Inventories		154	206
Trade receivables		29 700	32 782
Receivables from Group companies		9 478	21 343
Other receivables and assets		1 310	1 617
Own shares	5	41 495	41 793
Cash and cash equivalents		12 239	14 196
Prepayments and accrued income		614	361
<b>Total assets</b>		<b>971 220</b>	<b>1 047 875</b>

These are the statutory financial statements of Hapimag AG, Baar, a Swiss public limited company that directly or indirectly acts as parent company to 28 subsidiary companies. This company also manages branches in Austria, Spain and Portugal.

The annual accounts of Hapimag AG therefore reflect only a part of the overall activities of the Hapimag Group, which renders them unsuitable for an assessment of its financial position and result of operations. Instead reference should be made to the consolidated financial statements of the Hapimag Group (pages 8 to 45).

In addition to the consolidated financial statements of the Hapimag Group, national law requires the statutory financial statements of Hapimag AG, Baar, the parent company, to be published and approved by the Shareholders' Meeting.

## EQUITY AND LIABILITIES

in CHF 1000	Notes	2010	2009
<b>Equity</b>		<b>608 897</b>	<b>653 396</b>
<b>Registered capital (share capital)</b>		<b>47 900</b>	<b>47 900</b>
<b>Capital reserves</b>		<b>615 245</b>	<b>602 668</b>
General statutory reserve		51 458	51 458
Reserves for own shares	6	41 495	41 793
Free reserves		20 277	16 830
Investment reserves		501 290	491 862
Other reserves		725	725
<b>Net loss (-)/income</b>		<b>-54 248</b>	<b>2 828</b>
Profit brought forward		0	0
Net loss (-)/income of the year		-54 248	2 828
<b>Liabilities</b>		<b>362 323</b>	<b>394 479</b>
<b>Non-Current liabilities</b>		<b>295 798</b>	<b>304 756</b>
Liabilities from rights of residence		77 327	78 343
Loans from shareholders		202 993	207 582
Provisions		1 046	4 894
Other liabilities	8	14 432	13 937
<b>Current liabilities</b>		<b>66 525</b>	<b>89 723</b>
Liabilities from rights of residence		18 874	18 027
Trade payables		4 607	4 676
Liabilities to Group companies	7	19 339	29 031
Financial liabilities		5 600	19 000
Taxes on income and capital gains		128	346
Other taxes		1 877	1 577
Provisions		100	735
Other liabilities	8	10 895	10 888
Accrued expenses and deferred income		5 105	5 443
<b>Total equity and liabilities</b>		<b>971 220</b>	<b>1 047 875</b>

## HAPIMAG STATUTORY ACCOUNTS AS AT 31.12.2010

### INCOME STATEMENT

in CHF 1000	Notes	2010	2009
Sales	9	113 591	112 047
Income from exercised rights of residence	10	6 855	8 917
Other operating income	11	1 167	1 292
<b>Operating income</b>		<b>121 613</b>	<b>122 256</b>
<b>Compensation of net costs of product sales</b>			
Net sales proceeds of the share product	12	17 148	17 439
Net sales proceeds of time-limited right of residence products	13	3 225	6 381
<b>Income after compensation of net costs of product sales</b>		<b>141 986</b>	<b>146 076</b>
Cost of sales		-4 048	-4 457
Personnel expenses		-29 421	-27 777
Depreciation and amortisation	14	-32 424	-17 441
Marketing and selling expenses		-15 829	-20 343
Other operating expenses	15	-71 713	-72 572
<b>Operating profit</b>		<b>-11 449</b>	<b>3 486</b>
Interest and similar income		4 153	4 490
Interest and similar expense		-140	-199
Currency gains/losses (net)		-786	-1 002
Valuation adjustments of loans with the character of equity holdings and of investments in Group companies	16	-37 793	4 120
<b>Result from ordinary operating activities</b>		<b>-46 015</b>	<b>10 895</b>
Income tax		27	57
Other taxes		-8 259	-8 124
<b>Net loss (-)/income of the year</b>		<b>-54 247</b>	<b>2 828</b>

# NOTES TO THE HAPIMAG STATUTORY ACCOUNTS 2010

## 1. ACCOUNTING POLICIES

### ACCOUNTING POLICIES

The Hapimag statutory accounts are prepared in accordance with the regulations of Swiss law. The analysis of expenses is presented based on the nature of expenses.

### RELEASE OF HIDDEN RESERVES

In the 2010 financial year the provision for currency risks over CHF 4.0 million was released, which was created in the previous year.

### RISK ASSESSMENT

The Board of Directors has periodically made adequate risk assessments and where applicable introduced suitable measures to ensure that the risk of an essential incorrect statement in the accounts can be classified as slight.

## 2. NOTES

### 1 // PLEDGED ASSETS

Assets with a book value of CHF 108.3 million (prior year: CHF 123.5 million) are pledged as collateral for the company's obligations. The bank loans thus secured total CHF 5.6 million (prior year: CHF 19.0 million).

### 2 // INSURANCE OF PROPERTY, PLANT & EQUIPMENT

At the end of the fiscal year property, plant & equipment were insured against fire for CHF 353.7 million (prior year: CHF 422.4 million).

### 3 // INVESTMENTS IN GROUP COMPANIES

These investments are listed on pages 44 and 45.

### 4 // ASSETS CLASSIFIED AS HELD FOR SALE

On 14 April 2010 the resort in Sörenberg (CH) was sold and the asset value adjusted.

### 5 // HOLDING OF HAPIMAG'S OWN SHARES

#### TREASURY SHARES

Changes in treasury shares (CHF 100/CHF 200 per share):  
in CHF 1000

	Number	2010	2009
<b>Opening balance</b>	<b>3 259</b>	<b>454</b>	<b>648</b>
Sale of treasury shares	-1 073	-161	-194
<b>Closing balance</b>	<b>2 186</b>	<b>293</b>	<b>454</b>

#### TRANSFERRED SHARES

Changes in transferred shares:

<b>Opening balance</b>	<b>12 084</b>	<b>41 339</b>	<b>43 184</b>
Repurchase of transferred shares	5 540	15 749	15 218
Sale of transferred shares	-4 778	-15 886	-17 063
<b>Closing balance</b>	<b>12 846</b>	<b>41 202</b>	<b>41 339</b>

#### TOTAL OWN SHARES HELD

<b>Opening balance</b>	<b>15 343</b>	<b>41 793</b>	<b>43 832</b>
<b>Closing balance</b>	<b>15 032</b>	<b>41 495</b>	<b>41 793</b>

The treasury shares are stated at nominal value, transferred shares at repurchase value (average CHF 3207 per share, prior year: CHF 3421 per share).

## NOTES TO THE HAPIMAG STATUTORY ACCOUNTS 2010

### 6 // RESERVES FOR HOLDING OF HAPIMAG'S OWN SHARES

The holding of own shares (treasury shares and transferred shares) as at 31 December 2010 consisted of 15 032 registered shares with a nominal value of CHF 100 and 200. In line with legal requirements a separate reserve for own shares is maintained within capital reserves.

	2010	2009
<b>Opening balance (number)</b>	<b>15 343</b>	<b>16 655</b>
Additions	5 540	4 926
Deductions	-5 851	-6 238
<b>Closing balance (number)</b>	<b>15 032</b>	<b>15 343</b>
Average sale price per share in CHF	6 372	6 324
Average repurchase price per share in CHF	2 843	3 089

### 7 // LIABILITIES TO GROUP COMPANIES

The liabilities to Group companies include the settlement accounts of Hapimag AG, Baar with other Hapimag Group companies.

### 8 // OTHER LIABILITIES

in CHF 1000

	2010	2009
Liabilities to members (share repurchases, etc)	2 283	2 040
Operating cost portion of annual subscription charges for right of residence products paid in advance (up to 1 year)	7 845	8 185
Other	767	663
<b>Total</b>	<b>10 895</b>	<b>10 888</b>
Operating cost portion of annual subscription charges for right of residence products paid in advance (over 1 year)	14 060	13 492
Other	372	445
<b>Total long-term</b>	<b>14 432</b>	<b>13 937</b>

### 9 // SALES

The sales are composed of the annual subscription charges, revenues from local charges in resorts, supplementary accommodations and houseboats, the earnings from goods and services from food service operations and shops as well as premium receipts for residence point insurance policies less sales deductions (provision for doubtful debts, creditor losses, disbursement of HapimagCard residence points). The sales also include the proceeds from the resorts of the non-Swiss branches of Hapimag AG, Baar, in Austria, Spain and Portugal.

### 10 // INCOME FROM EXERCISED RIGHTS OF RESIDENCE

When the rights of residence (points) of the time-limited right of residence products are claimed, the liability arising from rights of residence (number of points times the amount per point entered as a liability) is reduced and earnings in the same amount result.

### 11 // OTHER OPERATING INCOME

	11	17
Book gains on the sale of property, plant & equipment	11	17
Other	1 156	1 275
<b>Total</b>	<b>1 167</b>	<b>1 292</b>

## 12 // NET SALES PROCEEDS OF THE SHARE PRODUCT

The purchaser of a Hapimag share acquires a right of residence at Hapimag resorts in perpetuity as 60 residence points per year. Hapimag is obliged to provide the accommodation thus required. This is shown in the balance sheet as follows: that portion of the sale proceeds that is required for the construction of accommodation (the investment requirement) is allocated to the capital reserves (after the nominal value and agio of the share has been deducted). Sale proceeds exceeding that amount are reported in the income statement as revenue from the sale of a perpetual right of residence.

Shares bought back (transferred shares) will be booked as own shares at the repurchase price. Upon resale, the amount by which the resale value exceeds the balance sheet value is booked in the income statement as compensation of net costs of product sales (share product).

## 13 // NET SALES PROCEEDS OF TIME-LIMITED RIGHT OF RESIDENCE PRODUCTS

That portion of the sale proceeds that is required for the construction of accommodation (the investment requirement), is reported under liabilities arising from the rights of residence (current and non-current liabilities). The prepaid portion of operating costs of annual subscription, which is included in the sales prices for the entire contractual term is booked as other liabilities (current and non-current liabilities). Sale proceeds exceeding that amount are reported as revenue.

## 14 // DEPRECIATION ON PROPERTY, PLANT & EQUIPMENT AND IMMATERIAL ASSETS

In 2011 the Spanish branch will close in order to optimise processes and save costs. As a consequence the resorts in Mas Nou and Puerto de la Cruz will be sold to the Spanish Group company. On 31.12.2010 the book values of the resorts were therefore depreciated to their values for tax purposes, which explains the increase in depreciation compared to the previous year.

## 15 // OTHER OPERATING EXPENSES

The other operating expenses consist mainly of the expenditure of Group companies (rental expenses, fees for services, administrative costs) and the expenses of leased accommodation, insurance, office and administration expenses and the costs of maintenance, repairs and replacements.

## 16 // VALUATION ADJUSTMENTS OF LOANS WITH THE CHARACTER OF EQUITY HOLDINGS AND OF INVESTMENTS IN GROUP COMPANIES

Valuation adjustments arise both from fluctuations in the exchange rates of currencies in which loans to Group companies are denominated and because of the results of Group companies, which reflect not only commercial performance but also the particular circumstances of the countries concerned regarding taxation and commercial legislation.

## 17 // CONTINGENT OBLIGATIONS

in CHF 1000

	2010	2009
Guarantees in favour of Group companies for the use of loan facilities and credit lines with banks	11 360	12 456
Other guarantees in favour of Group companies	860	140
<b>Total</b>	<b>12 220</b>	<b>12 596</b>

Hapimag AG belongs to the Hapimag value-added tax group and is thus jointly and severally liable for value-added tax owed to the Swiss Federal Tax Administration. In addition Hapimag AG has undertaken by means of non-time-limited letters of comfort to ensure that certain Group companies are at all times financially in a position to meet their liabilities.

## 18 // OTHER FINANCIAL OBLIGATIONS

As at 31 December 2010 there were obligations of CHF 0.82 million for capital-expenditure projects (prior year: CHF 0.01 million).

There are no other matters for which disclosure is required by article 663b of the Swiss Code of Obligations.

## PROPOSAL OF THE BOARD OF DIRECTORS FOR THE APPROPRIATION OF THE BALANCE SHEET LOSS AS AT 31.12.2010

in CHF

Net loss 2010 of Hapimag AG	-54 247 646
Profit carried forward 2009	0
<b>Balance sheet loss as at 31.12.2010</b>	<b>-54 247 646</b>

The Board of Directors of Hapimag AG requests the ordinary Shareholders' Meeting on 20 April 2011 to approve the following appropriation of loss:

<b>Transfer from investment reserves</b>	<b>-54 247 646</b>
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## PROPOSAL OF THE BOARD OF DIRECTORS FOR THE TRANSFER OF THE REMAINING INVESTMENT RESERVES

The Board of Directors of Hapimag AG requests at the ordinary Shareholders' Meeting on 20 April 2011 to transfer the investment reserves remaining after offsetting the balance sheet loss of 31.12.2010 to the legal reserves.

in CHF

Investment reserves as at 31.12.2010	501 289 932
Balance sheet loss as at 31.12.2010	-54 247 646
<b>Transfer to legal reserves</b>	<b>447 042 286</b>

Report of the Statutory Auditor on the Financial Statements to the General Meeting of Shareholders of

### **Hapimag AG, Baar**

As statutory auditor, we have audited the financial statements of Hapimag AG, presented on pages 48 to 53 which comprise the balance sheet, income statement and notes for the year ended 31 December 2010.

#### *Board of Directors' Responsibility*

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

#### *Auditor's Responsibility*

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

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

#### *Opinion*

In our opinion, the financial statements for the year ended 31 December 2010 comply with Swiss law and the company's articles of incorporation.

### **Report on Other Legal Requirements**

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

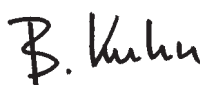
In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the board of directors.

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

KPMG AG



Fredy Luthiger  
*Licensed Audit Expert*  
*Auditor in Charge*

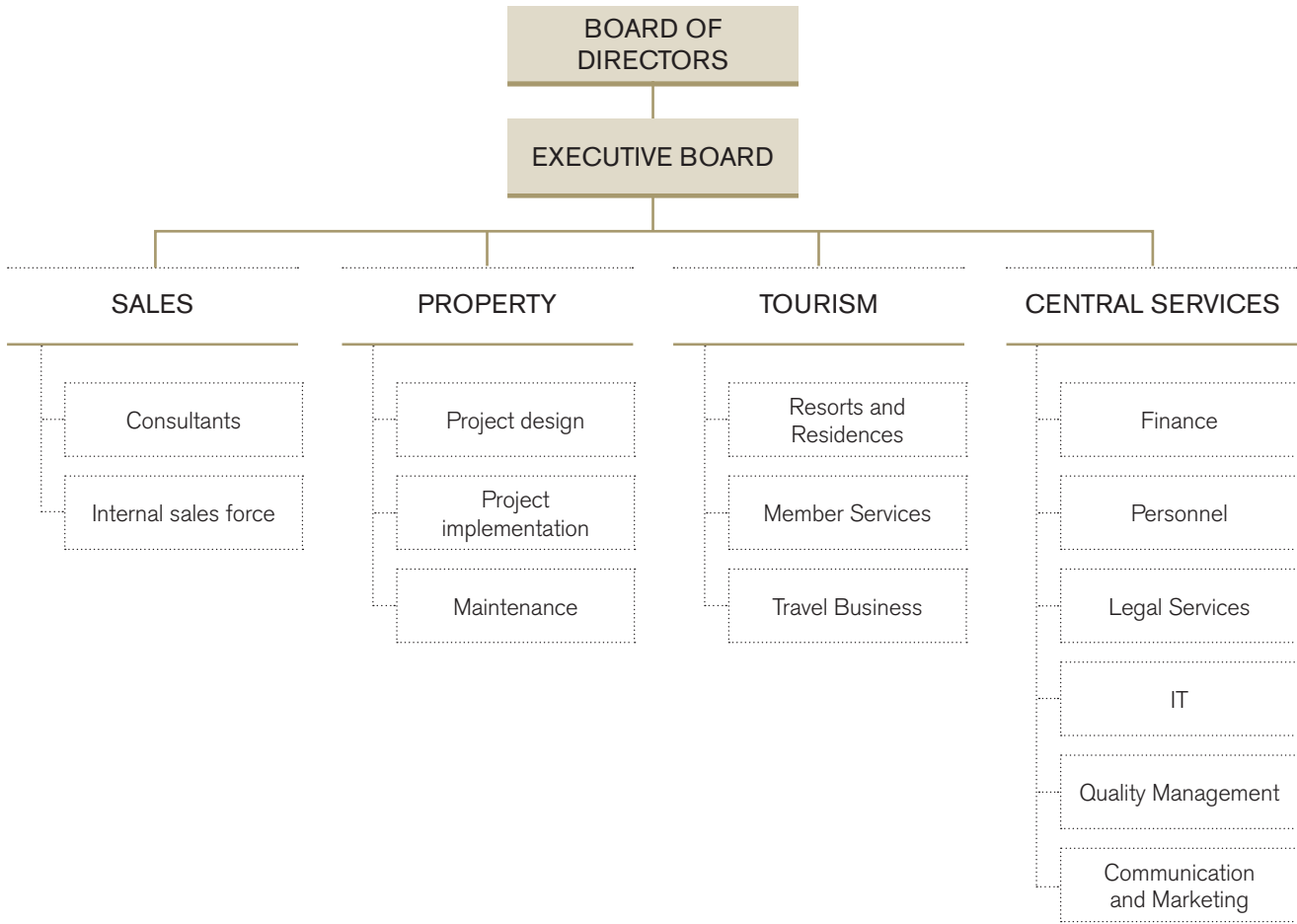


Beat Kuhn  
*Licensed Audit Expert*

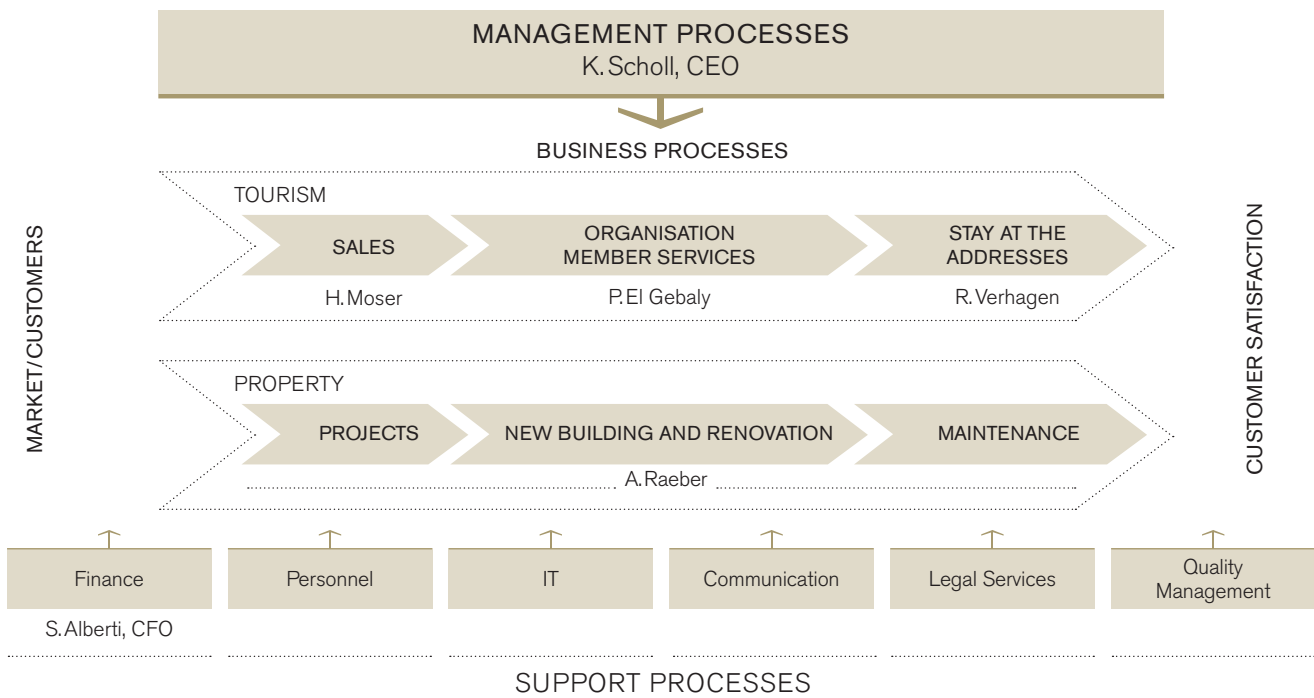
Zurich, 24 March 2011

# CORPORATE GOVERNANCE

## AREAS OF RESPONSIBILITY



## HAPIMAG IN PROCESSES



## ORGANISATION

### THE HAPIMAG BOARD OF DIRECTORS

The duties of the Board of Directors are laid down in the Swiss Law of Obligations, the Hapimag Articles of Association and the Hapimag Group's Corporate Governance guidelines. The Board of Directors consists of five independent Members. They are all shareholders of Hapimag. The individual members of the Board of Directors are as follows:

#### **Marisabel Spitz Dr. oec. (CH/GB)**

Member of the Hapimag Board of Directors since 2000 and Chairwoman since 2002. She has been responsible for restructuring, strategy and merger & acquisition projects in various tourism-based industries, and has broad strategic and operational experience in this area.

#### **Stefan H. Schalch Dr. iur. LL.M. (CH)**

Member of the Board of Directors since 2000. Stefan Schalch is a partner in a law office in Zurich, where he is primarily active in the fields of commercial law (incl. tourism and energy). A member of the legislative committee of the Resort Development Organisation (RDO), of which he has been a member since 1998, he is a recognised expert in the industry.

#### **Harald Früchtenicht Dr. Ing. (DE)**

Member of the Board of Directors since 2000. As Chief Executive Officer and proprietor of the geotechnical engineering company GeoIngenieure Früchtenicht+Lehmann GmbH, Babenhausen, he has more than 20 years of experience in leading management positions in the construction industry.

#### **Hans-Georg Vater Dr. rer. pol. (DE)**

Member of the Board of Directors since 2006. After graduating, he obtained his doctorate in 1969, gaining the title Dr. rer. pol. at the University of Freiburg/Breisgau, Germany. He has worked in leading functions in various major German companies.

#### **Hans Peter König Lic. oec. (CH)**

Member of the Board of Directors since 2002. Mr König has been an independent business consultant since 2002, with a focus on marketing and gastronomy. Prior to this, he successfully worked for several years in the tourism industry, both in Switzerland and abroad.

The Board of Directors is elected by the Annual General Meeting and was confirmed in office in 2008. It consists of no fewer than five and no more than nine members. The term of office of members of the Board of Directors is four years. Subject to an age limit prescribed in the company's rules, members are eligible for reelection indefinitely. The Board of Directors is self-constituting, designating its Chairman and the Secretary, who need not be a member of the Board.

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The Board of Directors bears ultimate responsibility for managing the company. It may pass resolutions on all matters not reserved by statute or the articles of association to the General Meeting of Shareholders. The members of the Board of Directors are responsible to the company, to individual shareholders and to the company's creditors for any damage that they cause by deliberately or negligently contravening their obligations. The Board of Directors appoints and supervises the members of the Executive Board and lays down strategic, organisational and financial planning directives. Three standing committees have been established to support the Board of Directors. Decisions are taken by the General Board of Directors. During discussions and adoption of resolutions regarding matters which might lead to a conflict of interest for a member of the Board of Directors, the member in question must withdraw from the meeting. No member of the Board of Directors may derive any benefits from contracts between the Hapimag Group and a third party. No member of the Board of Directors of the Hapimag Group sits on the Board of Directors of another company while simultaneously a member of the Board of Directors of this company sits on the Board of Directors of the Hapimag Group.

The Board of Directors held five ordinary meetings in 2010. In addition there were thirteen committee meetings and the Annual General Meeting.

## CORPORATE GOVERNANCE

### COMMITTEES OF BOARD OF DIRECTORS

Each committee appoints its own chairman. The functions and responsibilities of the committees are laid down in the Hapimag Corporate Governance guidelines. Minutes of their meetings are prepared and submitted to regular meetings of the full Board.

Committee	Chairman	Members	Meetings in 2010
Finance, audit and risk-management committee	Hans-Georg Vater	Marisabel Spitz Hans Peter König	3
Nomination and remuneration committee	Stefan H. Schalch	Marisabel Spitz	2
Property committee	Harald Früchtenicht	Hans-Georg Vater Hans Peter König	3

### COMPETENCES

The powers of the Board of Directors and the Executive Board are laid down in Hapimag's articles of incorporation and its organisation rules. All matters requiring the approval of the Board of Directors must be the subject of an application to it by the Executive Board. The Executive Board provides the Board of Directors with monthly information on the statement of income, together with other strategically important indicators and key information. The Board of Directors exercises no operational functions: these are the exclusive responsibility of the Executive Board.

### THE HAPIMAG EXECUTIVE BOARD

The duties and prerogatives of the Executive Board are laid down in the corporate governance guidelines. The divisional heads report directly to the CEO and the area managers to a member of the Executive Board. The CEO is responsible for overall management and collaboration among the divisions. The Hapimag Group has concluded no management contracts with third parties. The individual members of the Executive Board are as follows:

#### **Kurt Scholl Lic. rer. pol. (DE)**

Mr Scholl has been Chairman of the Executive Board (CEO) since 1 February 2003, prior to which he was Deputy Director of Financial Advisory and Restructuring Services with KPMG Fides. From a family of Black Forest hoteliers, he studied Economics and Business Management at the University of Fribourg (Switzerland).

#### **Petra El Gebaly Business Administrator (DE/CH)**

Petra El Gebaly has headed Hapimag's Member Services area since March 2003, and was appointed to the Executive Board in April 2007. After training at the Frankfurt Intercontinental Hotel, she attended the School of Hotel Management in Germany, and graduated from Lucerne

University with a degree in business administration. She has many years' experience in the hotel sector, and in the tourist industry. She was previously director of the Carlton Hotel Tivoli in Lucerne.

#### **Heinz Moser Qualified Sales Manager/Tourism Specialist HF (CH)**

Heinz Moser has been sales director at Hapimag since 2002, and has had overall responsibility for the sales business area since January 2005. He trained for a degree in tourism and also holds a degree in sales management. His previous employment in sales and marketing at Emmi (sale of dairy products) and Engelberg-Titlis Tourismus has given him a wealth of experience in both marketing and sales, as well as in tourism. Heinz Moser has been a member of the Executive Board since April 2007.

#### **René Verhagen (NL)**

René Verhagen has been in charge of the Resorts & Lifestyle Business area at Hapimag since December 2006. He graduated in hotel management in the Netherlands, and the time he spent working at Mercure, Sofitel and Dorint in Spain, Turkey and Germany has given him a very extensive knowledge of the hotel industry. René Verhagen has been a member of the Executive Board since April 2007.

#### **Saverio Alberti Dr. oec. (CH)**

Saverio Alberti has been CFO of the Hapimag group of companies since 1 September 2007. After studying finance and accounting, he received a doctorate from the University of St. Gallen (HSG). Before joining Hapimag, he was CFO at CWS (Franz Haniel & Cie) in Italy and Switzerland, and also Senior Division Controller at Honeywell Analytics.

#### **André Raeber Architect (CH, ZA)**

André Raeber has been Hapimag CRO (Chief Real Estate Officer) since 1 August 2008. The Swiss/South African dual national studied Architecture in South Africa and managed a construction company there for 10 years. In 2001 he became Mövenpick Vice President Facility Management, responsible for all building projects in Europe, Middle East and Africa.

### RISK MANAGEMENT

Hapimag has collaborated with the Zurich insurance company to develop its own risk-assessment system. This reviews and assesses the exposure of resorts to natural risks (fire, flood, storm, earthquake) – and also the behaviour of employees in possible emergencies, involving the local fire brigade. Its findings form the basis for devising and implementing prophylactic measures.

A risk database makes sure that monitoring and management mechanisms are in place.

### **SALARIES, EQUITY PARTICIPATION, LOANS**

The Hapimag remuneration principles are designed to attract the qualified managers who are essential to lasting success, to support their development and to retain them with the company in the long term. Remuneration at Hapimag consists of a basic salary at a level that is typical of the sector, plus, for eligible employees, annual cash bonuses (not shares) that depend partly on the success of the company as a whole and partly on individual achievement. Based on a multi-year business-plan period, the bonus system includes a penalty component: this comes into play if targets in terms of customer orientation, performance, divisional innovative strength and financial implications are not achieved (balanced scorecard). Bonuses are paid over a two-year period. Hapimag does not grant collateral, loans, advances or credits to members of the Board of Directors or the Executive Board or to persons close to them. Where members of the Board of Directors incur travelling (abroad) and other expenses in the course of their duties, these are reimbursed. No former board members received severance pay.

### **SHAREHOLDER'S PARTICIPATION RIGHTS**

Each share, regardless of its nominal value, carries a vote. At the General Meeting of Shareholders each shareholder has the right to raise any matter and obtain information on any matter that falls within the ambit of the General Meeting of Shareholders. In the absence of any legal provisions to the contrary, the General Meeting of Shareholders passes resolutions and conducts elections by an absolute majority of the voting rights represented. Shareholders can exercise their voting rights even if they do not attend the General Meeting of Shareholders in person. In accordance with Art. 689c of the Swiss Law of Obligations Hapimag has appointed a notary as an independent voting-rights representative, who can be given voting proxies and instructed as to how voting rights are to be exercised. Alternatively a shareholder can be represented by another shareholder, by his spouse or by a blood relative. The will of shareholders who are not present can thus be exercised without restraint.

### **STATUTORY AUDITOR**

KPMG Ltd of Zurich has acted as the statutory auditor since May 2001. A new auditor-in-chief with responsibility for the Hapimag audit was appointed in 2003, and in 2005 there was a major change in the audit team. The articles of incorporation provide that auditors are elected by

the General Meeting of Shareholders for a period of one fiscal year. At the General Meeting of Shareholders the Board of Directors proposed the re-election of KPMG Ltd for 2010.

### **COMMUNICATION WITH SHAREHOLDERS**

Hapimag produces Annual Reports containing detailed information on its operations during the year. In 2009 Hapimag also published two editions of the Simply Life magazine. Shareholders and the media are provided with additional information as the situation requires. The latest Annual Report and the Principles of Corporate Governance can be downloaded from the website: [www.hapimag.com](http://www.hapimag.com).

### **ADVISORY BOARD**

The Advisory Board was set up in 2005 and acts as a sparring partner, supporting the leading organs of the Hapimag Group. It uses its expertise, experience and contacts to support the company management in developing Hapimag further in the international environment. The 6 members come from the most important Hapimag markets.

PRODUCTION CREDITS

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Hapimag Finance and Communication

**Realisation**

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**Design**

Tricom AG für Gestaltung und Realisation, Zurich

## HAPIMAG KEYFIGURES

### GENERAL INFORMATION

	2010	2009	2008	2007	2006
Members	141 710	138 841	139 270	139 740	139 124
Units in circulation (share/Holiday Pass/Holiday World Visa/ Hapimag Residenz and other products)	309 079	309 658	308 607	312 125	312 171
– of which number of shares in issue	258 218	257 907	256 595	260 706	260 663
Actual master-sheet entries 31.12.	309 079	309 658	308 607	312 125	312 171
Total possible master-sheet entries 31.12.	373 482	373 797	368 756	364 057	363 653
Lodging units	5 652	5 648	5 483	5 442	5 240
Workforce (full-time equivalent)	1 397	1 370	1 329	1 288	1 246
Net surplus/net debt (-), in EUR million	8.5	-1.8	-7.9	0.5	14.9
Internal operating resources (I) per share in issue, in EUR	2 048	2 012	1 994	2 005	2 062

### POINTS INFORMATION

Number of points	2010	2009	2008	2007	2006
Share points generated (60 pts. per share)	15 559 154	15 312 925	15 459 710	15 485 985	15 652 115
No. of points per share (2010 incl. advance for 2011)	235.24	173.80	175.55	171.40	168.90
Share points exercised	13 788 456	13 939 650	13 601 355	13 456 090	13 524 460
Holiday World Visa/Holiday Pass/other points exercised	2 228 124	3 099 105	3 295 715	3 588 805	3 770 700
Residenz (in points) exercised	594 391	488 915	349 630	240 060	115 585
<b>Total points exercised</b>	<b>16 610 971</b>	<b>17 527 670</b>	<b>17 246 700</b>	<b>17 284 955</b>	<b>17 410 745</b>
Points on offer: Hapimag Resorts	21 657 099	22 097 755	21 729 885	21 307 525	21 083 245
Points on offer: supplementary accommodation	111 631	113 745	185 515	248 820	332 610
Points on offer: other	15 800	43 515	48 840	30 170	47 495
<b>Total points on offer</b>	<b>21 784 530</b>	<b>22 255 015</b>	<b>21 964 240</b>	<b>21 586 515</b>	<b>21 463 350</b>
Excess cover of generated share points vs. Hapimag resort capacities	6 097 945	6 784 830	6 270 175	5 821 540	5 431 130
Expiry points shares	1 690 263	1 514 685	1 431 270	1 376 610	1 287 190



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*56 addresses. Countless opportunities.*

  
HAPIMAG

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