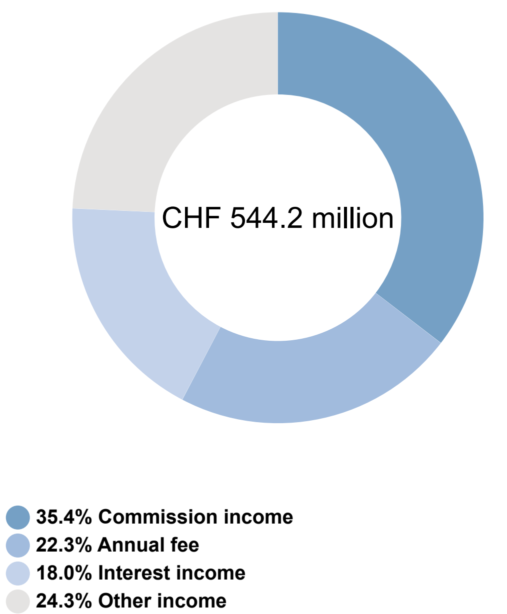
Annual Report
2019

Aduno Group
the smart way to pay

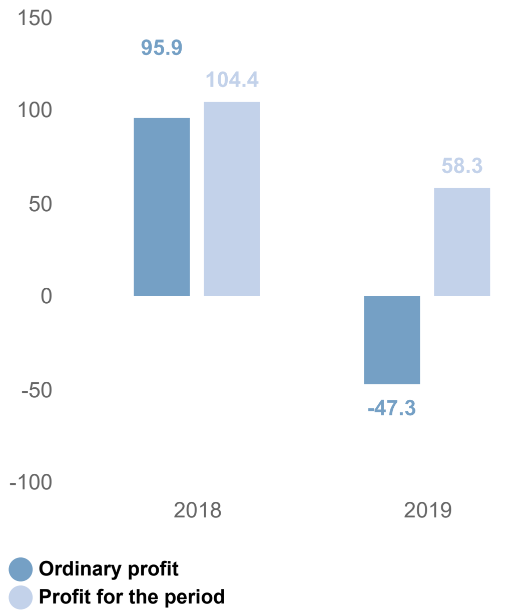
AT A GLANCE

Financial Year		2019	2018	2019/2018
Total revenue	in million CHF	544.2	516.1	5.4%
Ordinary result	in million CHF	(47.3)	95.9	(149.3%)
in % of revenue		(8.7%)	18.6%	
Profit for the period	in million CHF	58.3	104.4	(44.1%)
in % of revenue		10.7%	20.2%	
Total assets	in million CHF	1,421.8	2,578.3	(44.9%)
Total equity	in million CHF	654.8	650.3	0.7%
in % of total assets		46.1%	25.2%	
Profit per share	in CHF	2,345	4,180	(43.9%)
Number of issued cards only Issuing	in 1,000	1,671	1,577	5.9%
Transactions volume only Issuing	in billion CHF	10.9	9.9	9.3%
Number of employees (as at 31 December)	in FTE	783	912	(14.1%)

Distribution of revenue 2019 by source



Operating results and profit from 2018 to 2019
[in CHF million]



EDITORIAL

Dear shareholders,

On its way to becoming the leader in the Swiss payment market, the Aduno Group assigned top priority to the card business in 2019.

We made significant progress towards achieving this goal last year. The sale of the leasing and private credit business bundled in cashgate AG to Cembra Money Bank on 2 September 2019 was a key milestone in this regard. As a result, the Aduno Group further refined its activities last year and is now ideally placed to expand its leading position in the payment segment. The increase in its stake in Contovista from 70% to 100% on 24 July 2019 is an example of this: the pioneering solutions of the Schlieren-based FinTech company – from personal and business finance management through to data analytics and AI – complement our existing portfolio perfectly. It will allow us to continue to provide both customer banks and end users with innovative cashless payment services and products in the future.

In terms of its products, the Aduno Group was able to convince further key customer banks of the added value offered by its next generation of debit cards. These debit cards combine the advantages of previous debit cards with modern functionalities such as online shopping, digital payment solutions and global acceptance at 43 million points of sale. The Aduno Group is Switzerland’s first and so far only provider of these new payment cards. As a result, customer banks benefit from a fully modular product and service structure, Europe's leading fraud management system, a state-of-the-art card app and the largest range of mobile payment solutions. In a rapidly evolving and converging market, the Aduno Group is the only provider to offer banks the strategic flexibility of debit, credit and flex cards from a single source.

However, the Aduno Group is also a trailblazer in the area of digitisation: by June 2019, the "one" app had already surpassed one million downloads, making it one of the most successful financial apps in Switzerland. As a result, the "one" app won multiple awards last year in the categories of design, usability and user experience. Further key milestones in the digitisation strategy in 2019 included the introduction of Apple Pay, Samsung Pay and SwatchPAY!. Today, customers of the Aduno Group have a broad range of mobile payment solutions at their disposal. Of course, we will continue to expand our offering in 2020.

The first quarter of 2020 was dominated by the coronavirus pandemic. The pandemic has left its mark on the business. The Aduno Group has recorded a significant decline in transaction volumes in various parts of the business in recent weeks – especially in the catering and tourism sectors. It is not yet possible to predict the extent of these declines overall, but a significant contraction in sales is expected in the current year.

This Annual Report was prepared in accordance with the new Swiss GAAP FER accounting standards.

We would like to take this opportunity to thank all those who contributed to the success of the Aduno Group. Last year our employees once again delivered a tremendous performance in the front office, in support and in the projects. We would

Pascal Niquille
Chairman of the Board of Directors

Max Schönholzer
Chief Executive Officer

like to extend a special thanks for their enormous commitment and willingness to embrace change as part of the Group's realignment. Our gratitude of course also goes out to our customers and shareholders for the trust they have placed in us and for our good collaborative relationship.

Pascal Niquille
Chairman of the Board of Directors

Max Schönholzer
Chief Executive Officer

Aduno Group once again posts solid results

The Aduno Group can look back on another good year in 2019. In the Payment business division, both transaction volumes and the number of issued cards reached new heights. Consolidated revenues at Group level exceeded the previous year's figure despite the disposal of the consumer lending and leasing business on 2 September 2019. The Group is maintaining its strategic focus on the card business.

This Annual Report was prepared in accordance with the new Swiss GAAP FER accounting standards.

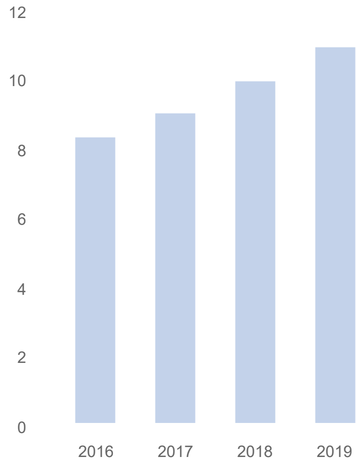
Consolidated revenues of the Aduno Group rose by 5.4% in 2019 to CHF 544.2 million (previous year: CHF 516.1 million). The Payment business division (including Accarda) posted revenues of CHF 473.4 million. In the eight months until its disposal, the Consumer Finance segment generated revenues of CHF 67.5 million. Of the total turnover, 35.4% was attributable to commission income, 22.3% to annual fees, 18.0% to interest income and 24.3% to other income. Commission income increased from CHF 172.0 million in 2018 to CHF 192.9 million in 2019, a gain of 12.1%. Income from annual fees was at the previous year's level. Interest income declined by 8.0% compared with 2018. Other income rose by 13.9% in the year under review.

Disposals and impairments impact net profit

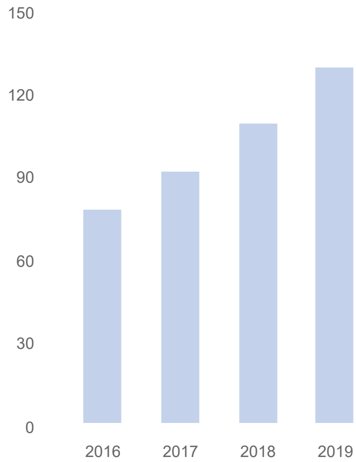
Net profit amounted to CHF 58.3 million, with a profit margin of 10.7%. Net profit was therefore 44.1% below the previous year's figure of CHF 104.4 million. The disposal of the consumer lending and leasing business is reflected in this figure: cashgate AG was sold to Cembra Money Bank AG for CHF 275 million on 2 September 2019. The sale generated a capital gain of CHF 155.5 million.

On 24 July 2019, the Aduno Group increased its 70% stake in Contovista AG to 100%. The complete acquisition was associated with an impairment of proprietary software, which resulted in an impairment loss of CHF 14.6 million. In 2019, the Aduno Group also sold its stake in SwissWallet AG and carried out various smaller divestitures at Accarda AG. As part of the annual impairment test on intagible assets, an individual value adjustment in the amount of CHF 91.7 million was also made on customer and license agreements. Furthermore, an additional provision of CHF 53.3 million was created as a precaution due to the development of the tax dispute with the Canton of Zurich.

Issuing turnover
[in CHF billion]



Card transactions
[in million transactions]



Very solid capital base and declining headcount

As at 31 December 2019, the Aduno Group had total assets of CHF 1,421.8 million (previous year: CHF 2,578.3 million). Share capital increased from CHF 650.3 million as at the end of 2018 to CHF 654.8 million in the period under review. This corresponds to an equity ratio of 46.1%. As at 31 December 2019, the Aduno Group had 783 (previous year: 912) employees (full-time equivalents). The decrease is due to the disposal of cashgate AG and the divestitures at Accarda AG.

Card business still on track

Transaction turnover in Issuing rose again sharply in 2019, with a 9.3% increase to CHF 10.9 billion (previous year: CHF 9.9 billion). Cash substitutes were the largest growth driver, which is also underscored by the number of credit card transactions that were carried out (+18.9%). Nowadays, even smaller amounts are increasingly being paid for by credit card. The ratio of contactless payments in domestic face-to-face business (POS transactions) also continued to rise markedly, from an average of 48.3% in 2018 to 54.9% in 2019. In foreign volume, business in 2019 grew in the areas of food (discounters/supermarkets), department stores, software and digital products, leisure and restaurants.

The number of issued cards exceeded 1.6 million (excluding Accarda), amounting to an increase of 5.9% compared with the previous year. The next-generation debit cards (Debit Mastercard® and Mastercard Flex®) made a particular contribution to this result, as they continued to grow in popularity last year after their launch in 2018. In particular, the increase was the result of strong growth among sales partners, as various client banks introduced a Debit Mastercard® or Mastercard Flex® in the year under review.

The sustained growth in cards is a clear indication that the Aduno Group is on the right path with its strategic focus. The expansion of the card business will also be systematically implemented in 2020.

Digitisation progress

The strategic focus is being accompanied by the progressive digitisation of services. As a result, numerous updates were made to the "one" app in 2019, which will further enhance the benefits customers can enjoy from the multi-award-winning app. For example, thanks to the personal finance management solution from Contovista, customers now receive detailed information on their spending. This gives them much more control over their own finances – and makes the app more attractive. The self-service functions were also further expanded, for example with the new “Order replacement card” option.

In addition, mobile payment was the dominant digitisation topic in 2019: with the introduction of Apple Pay, Samsung Pay and SwatchPAY!, the Aduno Group added no less than three mobile payment solutions from major providers to its portfolio in 2019. Today, customers benefit from a broad range of solutions and further mobile payment solutions will be added this year.

In 2019, more customers were gained in the third pillar of the Aduno Group’s digitisation strategy, APIs. The platform was expanded by 15 new application programming interfaces, including one to query transaction data, one to manage card limits and one to access card statements. The digital interfaces will help client banks integrate the data, services and functions of Viseca into their own applications in order to make them available to their customers.

Contovista with new solution for SMEs

The wholly owned subsidiary and Swiss market leader for data-driven banking further expanded its product portfolio in 2019: in collaboration with Valiant and Swisscom, Contovista launched a multi-banking solution with a financial cockpit for SMEs last September. Valiant thus enables SMEs to manage their liquidity centrally across multiple banking relationships. This expansion of the business finance manager from Contovista provides SMEs with even more control over their finances and allows them to save time.

In 2019, Contovista also entered into a partnership with NDGIT, the first API platform for banking and insurance in Europe. The two partners launched a joint project for digital lending processes. At the same time, Contovista can now be immediately connected via NDGIT's API marketplace.

With the sale of the remaining shares to the Aduno Group, the co-founders of Contovista, Gian Reto à Porta and Nicolas Cepeda have stepped down from the operating business. Dominik Wurzer, who had served as Chief Sales Officer at Contovista since 2017, was appointed the new CEO on 1 January 2020.

No noteworthy developments in the COMCO investigation or criminal proceedings

In November 2018, the Competition Commission launched an investigation into multiple Swiss credit card issuers. The Aduno Group is cooperating fully with the Commission. No notable developments resulted from this matter during the year under review.

In 2017, the Aduno Group initiated proceedings against former directors of the company through an independent inquiry and subsequent criminal complaint. The proceedings are pending with the Public Prosecutor’s Office of the Canton of Zurich.

GROUP STRUCTURE

The Aduno Group is committed to clear and transparent information processes and the protection of the interests of its shareholders and investors.

Introduction

This chapter describes the principles of management and control at the highest corporate level of the Aduno Group under the directive on information relating to corporate governance (Directive Corporate Governance, DCG) of SIX Swiss Exchange. Where no information is provided on a specific section of the SIX directive, this issue is not relevant for or does not apply to the Aduno Group.

Group structure

As the holding company, Aduno Holding AG, with its registered office in Zurich, directly or indirectly owns all companies that belong to the Aduno Group. The scope of consolidation includes non-listed companies only. The Group structure with the business segments and legal entities is described on the right. All the companies included in the scope of consolidation are listed in the financial report.

The Aduno Group's operating management structure is outlined in the organisational chart on the right.

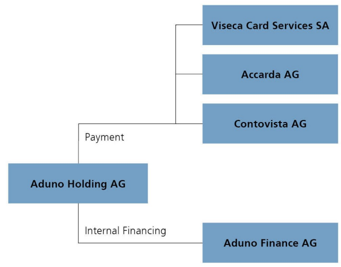
Major shareholders

The following shareholders held more than three per cent of the company as at 31 December 2019.

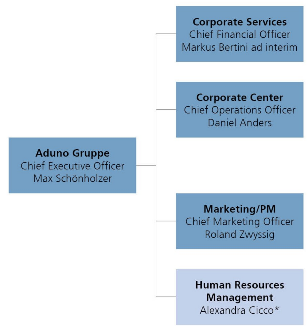
Shareholder	Number of shares	Shareholding
Raiffeisen Group	6,382	25.5%
Zürcher Kantonalbank	3,679	14.7%
Entris Banking AG	3,500	14.0%
Migros Bank AG	1,750	7.0%
Banque Cantonale Vaudoise	1,201	4.8%
Berner Kantonalbank	918	3.7%
EFG Bank AG	893	3.6%
Basellandschaftliche Kantonalbank	771	3.1%

There is a shareholders' agreement binding on all shareholders. The contracting parties include all Swiss cantonal banks, Bank Cler AG, Raiffeisen Switzerland Cooperative, Entris Banking AG, EFG Bank AG and Migros Bank AG. The agreement was last renewed in 2010 for another ten years.

Group structure



Operating management structure



* Expanded Executive Board

CAPITAL STRUCTURE

The share capital of Aduno Holding amounted to CHF 25 million on 31 December 2019. It is divided into 25,000 registered shares with restricted transferability and a par value of CHF 1,000 each. There is no authorised or contingent capital.

Changes in equity

Changes in equity over the past three years are shown below (values as at 31 December every year):

in 1,000 CHF	2019	2018	2017
Equity			
Share capital	25,000	25,000	25,000
Capital reserve	94,101	94,101	94,101
Retained earnings	535,678	525,530	571,349
Shareholders' equity in the company	**654,779**	**644,631**	**690,450**
Non-controlling interests	0	5,657	4,753
Total Equity	**654,779**	**650,288**	**695,204**

Shares and participation certificates

The share capital of Aduno Holding amounted to CHF 25 million as at 31 December 2019, divided into 25,000 fully paid-in registered shares with restricted transferability with a par value of CHF 1,000 each. All shares are fully entitled to dividends for financial year 2019. There are no participation certificates.

Restriction of transferability

The transfer of shares is restricted in accordance with the bylaws and requires the approval of the Board of Directors, who can refuse approval for the reasons listed in the bylaws. The shareholders are bound by a shareholders' agreement, pursuant to which the transfer of shares of the company is limited. All parties to the shareholders' agreement have a right of first refusal to the shares of a shareholder wishing to sell its shares. If any first privileges are not exercised or are incompletely exercised, remaining shares may be transferred to a third party. In addition, all parties to the shareholders' agreement have a pre-emptive right to buy shares vis-à-vis any third-party buyer. Finally, in the case of specific events as described in the shareholders' agreement, every shareholder has a right to purchase the shares of a shareholder having to sell its shares.

No exceptions were approved by the Board of Directors in the reporting year.

There is no percentage clause. The registration of nominees is not generally excluded. However, the Board of Directors can refuse to give its approval if the buyer does not explicitly declare that it has acquired the shares in its own name and on its own behalf.

The transferability restrictions pursuant to bylaws can be cancelled by an amendment to the bylaws approved by the Annual General Meeting.

BOARD OF DIRECTORS

The Board of Directors of Aduno Holding consists of seven members. Their CVs are based on information available to the Group. Only major mandates are listed.

I. Pascal Niquille
Swiss citizen

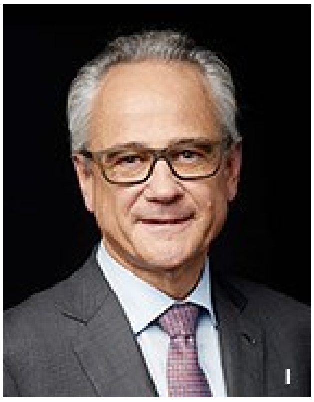
Pascal Niquille became a member of the Board of Directors in 2015 and has been Chairman of the Board of Directors of Aduno Holding AG since 2017. He obtained a degree in law (lic. iur.) from the University of St. Gallen before working for UBS in various functions, both in Switzerland and abroad. He has been Chief Executive Officer of Zuger Kantonalbank since 2009. In addition, he is a member of the Executive Committee of the Association of Swiss Cantonal Banks, a member of the Board of Directors of Pfandbriefzentrale der schweizerischen Kantonalbanken AG, a member of the Board of Directors of Zug Chamber of Commerce and Chairman of the Board of Trustees of Zuger Kantonalbank's Pension Fund.

II. Michael Auer
Swiss citizen

Michael Auer was appointed a member of the Board of Directors by the 2017 Annual General Meeting. He has been a member of the Executive Board of Raiffeisen Schweiz since 2008 and Head of Private and Investment Clients since 2015. He stood down from Raiffeisen Schweiz at the end of 2018. As well as his activities on behalf of the Aduno Group, his functions in 2018 were that of Chairman of the Executive Committee of the UNICO Banking Group, a member of the Retail Banking Steering Committee and a member of the Domestic Banks Coordination Platform. He is also Chairman of the Board of Directors of the Raiffeisen Group Pension Fund and a member of the Board of Directors of Säntis Schwebebahn AG. He studied business administration at the University of St. Gallen.

III. Ewald Burgener
Swiss citizen

Ewald Burgener has been a member of the Board of Directors since 2013. He has held the position of CEO of Valiant Bank AG since May 2019. Prior to that he was Chief Financial Officer at Valiant Bank, responsible for finances and infrastructure. Until 2013 he held the role of CFO at Entris Holding AG and Entris Banking AG. Before being promoted to CFO, he held various managerial positions at subsidiaries of Entris Holding AG between 2002 and 2009. From 1996 to 2002 he worked as an auditor in the Financial Services organisational unit at Ernst & Young. As well as his activities on behalf of the Aduno Group, he is a member of the Board of Directors of Pfandbriefbank schweizerischer Hypothekarinstitute AG, Entris Holding AG and its subsidiaries. Ewald Burgener studied economics at the University of Berne and holds a lic.rer.pol. degree. He has been a Swiss certified auditor since 1999.



IV. Rudolf Dudler
Swiss citizen

He has been a member of the Board of Directors since 1999 and represents EFG Bank AG. He worked at BSI SA between 1999 and 2016 as Chief Financial Officer and a member of the Executive Board. As well as his activities on behalf of the Aduno Group, he is Chairman of the Board of Directors of Chemholding SA, R. S. D. Trust AG, EFG Art Collection SA and TPF Switzerland AG, Zurich. Equally, he is vice-chairman of the board of directors of Cerbios Pharma SA, Phargentis SA and GMT Fine Chemicals SA, as well as a member of the board of directors of Immobiliare Pharmapark SA. Rudolf Dudler is a Swiss certified accountant/controller.

V. Christian Meixenberger
Swiss citizen

Christian Meixenberger has been a member of the Board of Directors since 2014. He has been managing Division Services as a member of the Executive Board of Banque Cantonale Vaudoise (BCV) since 2017. He worked at Freiburger Kantonalbank from 1997 to 2016, where he was most recently a member of the management and responsible for the Service Centre area. Previously, he worked for Credit Suisse in Geneva for three years, where he headed the Organisation, IT and HR Logistics departments. From 1987 to 1993, he worked at Centre Suisse d’Electronique et de Microtechnique SA in Neuchâtel as engineer and deputy head of the department for computer-supported development. Christian Meixenberger graduated from the University of Neuchâtel with a master’s degree in physics and electrical engineering, and he has an MBA from the Business School in Lausanne.

VI. Dr. Harald Nedwed
Swiss citizen

Dr Harald Nedwed has been a member of the Board of Directors since 2007 and Chief Executive Officer of Migros Bank AG since 2003. As well as his activities on behalf of the Aduno Group and Migros Bank AG, he is a member of the board of directors of Pfandbriefbank schweizerischer Hypothekarinstitute AG, founding board chairman of the vested benefits foundation and support foundation of the Migros Bank as well as founding board member of the Migros pension fund, of the investment foundation of the Migros pension fund and of the investment foundation, real estate, of the Migros pension fund. In addition he is chairman of the investment committee of the foundation board of the Migros pension fund. Harald Nedwed studied economics and business administration at the University of Basel, where he was also awarded his doctorate.

VII. Daniel Previdoli
Swiss citizen

Daniel Previdoli has been a member of the Board of Directors since 2015. He has been a member of Zürcher Kantonalbank’s Executive Board since 2007 and Head of its Products, Services & Direct Banking business unit since 2014. Prior to this, he worked for 11 years at UBS and held various functions at Credit Suisse both in Switzerland and abroad between 1987 and 1996. As well as his activities on behalf of the Aduno Group, he is Chairman of the Board of Directors of Swisscanto Fund Management Company Ltd., a member of the Boards of Directors of Swisscanto

Holding AG, Homegate AG and Twint AG as well as Vice-Chairman of the Greater Zurich Area Foundation. Daniel Previdoli has a degree in economics and social sciences (lic. rer. pol.) from the University of Fribourg.

Election and term of office

In accordance with the principle of re-electing the entire Board of Directors, the members of the Board of Directors are usually elected at the Annual General Meeting for a term of three years. Re-election is possible. The term of office ends on the date of the Annual General Meeting held in the final year of the Board members' term of office. New members continue the term of office of their predecessors. The current term of office runs until the Annual General Meeting in 2020.

Internal organisation

The Board of Directors is the highest management body of the company and also supervises and monitors the Executive Board. It issues guidelines on the business policy and regularly receives information on the course of business. The Board of Directors delegates the management of operations in its entirety to the Executive Board, unless a ruling to the contrary exists under the law, the company's bylaws or the organisational regulations.

The tasks of the Board of Directors include the following in particular:

Strategy and organisation

- Establishment of the basic principles of the business strategy
- Approval of basic organisational structures within the Group
- Establishment of business units, acquisition and sale of companies and parts of companies as well as investments, company foundations and liquidations
- Approval of new business activities, development of new products and expansion into new markets where this affects the business strategy or changes the risk profile
- Appointment and dismissal of internal audit

Finance and investments

- Structure and principles of accounting and approval of financial plans
- Approval of budget and investments
- Principles of obtaining outside capital (e.g. master loan agreements, bonds)

Employees

- Adoption of the fundamentals of the personnel policy and the salary policy of the Aduno Group
- Appointment and dismissal of the Chief Executive Officer of the Aduno Group and other members of the Executive Board

Risk management and compliance

- Establishment of the basic principles of the risk policy
- Establishment of the basic principles of risk management and the compliance organisation
- Establishment of risk capacity, risk appetite and global risk limits
- Receipt and discussion of reports prepared by Group Risk Management and by Legal & Compliance
- Adoption of rules for handling conflicts of interests and implementation of measures for handling conflicts of interests that cannot be avoided

The Board of Directors may pass resolutions on all matters that are not reserved for or were not transferred to the Annual General Meeting or another governing body of the company in accordance with the law, the bylaws or the organisational regulations. The Board of Directors may appoint individual committees and delegate specific tasks and responsibilities to these committees. The activities of the committees are governed by regulations that must be approved by the Board of Directors.

Information and reports

Every member of the Board of Directors may – subject to conflicts of interest – request information on all matters concerning the company. The Executive Board must inform the Board of Directors about the general course of business and any events particularly relevant to the business. The members of the Board of Directors must be informed of any extraordinary events without delay.

Members of the Board of Directors who wish to receive information must submit a request to the Chairman of the Board of Directors.

Committees

The Board of Directors has set up an Audit & Risk Committee and a Nomination & Compensation Committee. The Board of Directors determines the composition of these committees. The committees meet regularly, prepare meeting minutes, prepare recommendations for the attention of the regular Board meetings, and have the power to take certain decisions themselves. The relevant chairmen of the committees determine the agendas for committee meetings. Before every meeting, the committee members receive documents to help them prepare for the topics listed on the agenda.

Audit & Risk Committee

The Audit & Risk Committee (ARC) consists of four members of the Board of Directors. These are Ewald Burgener, Pascal Niquille, Daniel Previdoli and Christian Meixenberger. Ewald Burgener acts as chairman. Four meetings of this committee took place in financial year 2019. Meetings are attended in an advisory capacity by the Chief Executive Officer, the Chief Financial Officer and the internal audit unit, and the meeting to discuss the annual financial statements is also attended in an advisory capacity by the external auditors.

Based on the Legal & Compliance Report, the ARC provides the Board of Directors with an annual overview of the main legal and compliance issues and the resulting measures taken by the Aduno Group.

The ARC assists the Board of Directors in examining and evaluating the appropriateness of the company's risk management, in monitoring the internal audit function, the external auditors and the internal control system, and in reviewing the annual financial statements. The ARC also assesses the performance of the external auditors and their fees and makes sure that they are independent. In addition, the ARC supports the Board of Directors in supervising risk management and compliance with regulatory provisions regarding risk management.

Nomination & Compensation Committee

The Nomination & Compensation Committee (NCC) consists of four members of the Board of Directors. The committee currently consists of Michael Auer, Rudolf Dudler, Dr. Harald Nedwed and Pascal Niquille, with Pascal Niquille as chairman. Meetings are also attended in an advisory capacity by the Chief Executive Officer and the Head of Human Resources of the Aduno Group. The committee held four meetings in the financial year 2019. The NCC establishes, among other things, the personnel policy and salary policy of the Aduno Group, the annual payroll and annual bonuses of the Aduno Group, and the individual remuneration for the Chief Executive Officer and the other members of the Executive Board.

There are no other Board committees.

Information and control tools vis-à-vis the Executive Board

The Aduno Group has a comprehensive management information system (MIS). Monthly, quarterly, semi-annual and annual financial statements are prepared for the Group and the results per business segment are discussed in the management report. All figures are analysed and commented against the budget and the prior year's figures and, if available, the forecast. The budget is drawn up once a year for the next financial year and is based on a previously approved three-year plan. At the meetings of the Board of Directors, the board is informed of the status of budget compliance and any deviations from the forecast by the Chief Executive Officer and Chief Financial Officer and any measures required are discussed.

EXECUTIVE BOARD AND EXPANDED EXECUTIVE BOARD

I. Max Schönholzer
Swiss citizen, born in 1966

Max Schönholzer has been the Chief Executive Officer of the Aduno Group since September 2018. Previously he has, among other things, worked for Zurich Financial Services for 15 years, most recently as a member of the Executive Committee and Chief Claims Officer at Zurich Switzerland. Between 2017 and 2018 he was CEO of health insurer Sanitas. As part of his activities for the Aduno Group, Max Schönholzer is chairman of the board of directors of Contonvista AG, Aduno Finance AG and Accarda AG. After gaining a degree in physics at ETH, Max Schönholzer went on to obtain a Master of Business Administration at Harvard Business School in Cambridge, USA..

II. Markus Bertini
Swiss citizen, born in 1958

Markus Bertini has been Chief Financial Officer ad interim of the Aduno Group since February 2020. He has been an independent management consultant since 2000 and during this time has worked in various functions (CFO a.i.) for numerous national and international groups in the financial industry, medtech, transport and other sectors. Previously, he was CFO of a division at a large American listed medtech group. Due to intensive professional and worldwide travel activities, he decided to start his own company and to offer his knowledge in the financial sector to various companies on an interim basis. Markus Bertini trained as an accountant after obtaining his commercial diploma and was a lecturer and examiner for the Swiss federal accountancy examinations for many years.

III. Daniel Anders
Swiss citizen, born in 1970

Daniel Anders has been Chief Operations Officer of the Aduno Group since 2010. Between 2004 and 2009, he was Chief Executive Officer of the Corporate Center of the Aduno Group and before that Chief Technology Officer at Viseca Card Services SA. Before moving to Viseca, he was the head of strategic development of electronic channels and economic organiser and project manager at Zürcher Kantonalbank. He is a member of the Boards of Directors of cashgate AG, Contovista AG and Accarda AG. After qualifying as an engineer, Daniel Anders also obtained an executive master of business administration degree from the Zurich University of Applied Sciences.

IV. Roland Zwyssig
Swiss citizen, born in 1966

Roland Zwyssig has been Chief Marketing Officer of the Aduno Group since 2010. Before that he held various posts at Viseca Card Services SA between 2002 and 2009, as Chief Executive Officer, Chief Operating Officer, Head Strategic Projects and Head Business Management. Before moving to Viseca, he worked in various companies and roles connected with the credit card business. Roland Zwyssig is a member of the Boards of Directors of Aduno Finance AG and Contovista AG as well as Chairman of the Swiss Payment Association. After obtaining his qualification as a Swiss certified merchant, Roland Zwyssig attended various management, sales and business administration courses.

Expanded Executive Board

V. Alexandra Cicco
Swiss and Italian citizen, born in 1971

Alexandra Cicco has been Head Human Resources Management of the Aduno Group since 2017. She joined the Aduno Group in 2015 as Deputy Head Human Resources Management and Senior Human Resources Manager. Before that she worked for various international companies, including as Head Human Resources at Skandia/Old Mutual Group and at Credit Suisse as Head of Resource Management. After becoming a Swiss certified business administrator, Alexandra Cicco qualified as an HR specialist and attended various coaching and HR strategy courses

Remuneration

The remuneration of the members of the Executive Board comprises a fixed basic salary and a variable bonus. The basic salary is agreed in the employment contract. The bonus is applied for by the Chief Executive Officer in accordance with the Aduno Group's staff manual and approved by the NCC.

CO-DETERMINATION RIGHTS OF SHAREHOLDERS

Restrictions on voting rights and proxies

Every share entitles the holder to one vote. Shareholders can be represented at the Annual General Meeting by a person with a written power of attorney, who does not have to be a shareholder.

Statutory quorum

The following resolutions of the Annual General Meeting must be passed with at least two-thirds of the votes represented and the absolute majority of the par value of the shares represented:

1. The cases governed by Art. 704 (1) of the Swiss Code of Obligations
2. The conversion of registered shares into bearer shares
3. The cancellation or dilution of the transferability restrictions applying to the registered shares
4. The liquidation of the company

Invitation to the Annual General Meeting and agenda

The Annual General Meeting is convened by the Board of Directors or, if necessary, by the auditors. The Annual General Meeting is held annually within six months after the close of the financial year. Extraordinary General Meetings are called as often as required, in particular in the cases prescribed by law. The Board of Directors must call Extraordinary General Meetings within four weeks if requested to do so by shareholders who together represent at least ten per cent of the share capital. The invitation must be in writing and must contain the items on the agenda and the proposals.

The invitation to the Annual General Meeting must be issued at least 20 days before the date of the meeting by publication in the Swiss Official Gazette of Commerce or by letter to the shareholders. The invitation to the meeting must include the items on the agenda and the proposals of the Board of Directors. No resolutions may be passed on matters that have not been notified in this manner, subject to the provisions on a meeting of all shareholders, except for a motion to convene an Extraordinary General Meeting or a motion to carry out a special audit.

If no objection is raised, the owners or representatives of all shares may hold an Annual General Meeting without complying with the rules regarding notice of the meeting (meeting of all shareholders). Such a meeting may discuss and pass valid resolutions on all matters within the power of the Annual General Meeting, provided that the owners or representatives of all shares are present.

Entry in the share register

The Board of Directors maintains a share register in which the names and addresses of the owners and beneficiaries of registered shares are recorded. As far as the company is concerned, only those whose names are entered in the share register are deemed to be shareholders or beneficiaries.

AUDITORS

KPMG Zurich has been company auditor since the founding of Aduno Holding AG. The responsible and lead auditor has held this position since the 2019 financial year.

The fees of the Group auditor KPMG for services related to the audit of the annual financial statements of Aduno Holding AG and its subsidiaries and the consolidated financial statements of the Aduno Group amounted to CHF 0.8 million in the 2019 financial year (previous year: CHF 0.6 million). The Aduno Group also posted CHF 0.2 million for other services rendered by KPMG in the 2019 financial year (previous year: CHF 0.7 million). Of this, CHF 0.1 million fell to services in the tax area and CHF 0.1 million to auditing-related services.

The Audit & Risk Committee of the Board of Directors evaluates the performance, fees and independence of the external auditors and Group auditors every year and submits a proposal to the Board of Directors on which external auditors should be proposed for election to the Annual General Meeting. Every year, the Audit & Risk Committee also monitors the scope of the external audit, the audit plans and relevant procedures, and discusses the audit results with the external auditors.

INFORMATION POLICY

The online annual report contains information on the full financial year just ended. The access is enclosed with the invitation to the Annual General Meeting. The Aduno Group prepares its corporate governance report based on the Directive Corporate Governance (DCG) of SIX Swiss Exchange. The Aduno Group prepares an interim online report on the half-year financial statements, which is sent to all shareholders entered in the share register and published at the latest on 31 August of the reporting year.

During the course of the year, the Aduno Group issues media releases concerning important events that affect its business operations. The Aduno Group also reserves the right to publish and send out additional letters to shareholders to inform them of important events.

More information on the Aduno Group and its services can be found on the website www.aduno-gruppe.ch as well as the websites of the individual Group companies.

Financial Report 2019

Consolidated Financial Statements Aduno Group

Annual Financial Statement Aduno Holding AG

Consolidated income statement

In 1,000 CHF	Note	2019	2018
Commission income	1.2	192,880	172,015
Annual fees		121,123	121,449
Interest income		98,142	106,725
Other operating income	1.2	132,065	115,957
Operating income		**544,210**	**516,146**
Processing and service expenses	1.3	(80,909)	(63,719)
Distribution, advertising and promotion expenses	1.3	(108,577)	(111,484)
Interest expenses	1.3	(11,794)	(11,649)
Expected credit and impairment losses	1.3	(12,895)	(16,424)
Personnel expenses	1.3	(126,232)	(113,759)
Other operating expenses	1.3	(106,177)	(84,593)
Depreciation of property and equipment	2.3	(5,137)	(3,732)
Amortisation of intangible assets	2.4	(29,022)	(13,643)
Amortisation of goodwill	2.4	(16,752)	(8,328)
Impairment of intangible assets	2.4	(106,293)	0
Operating expenses		**(603,786)**	**(427,330)**
Operating result		**(59,576)**	**88,816**
Financial income	2.5	12,166	4,282
Income from associates		96	2,785
Ordinary result		**(47,314)**	**95,883**
Non-operating result	4.1	154,478	27,834
Profit before income tax		**107,164**	**123,717**
Income taxes	5.2	(48,838)	(19,318)
Profit for the period		**58,326**	**104,399**
Profit attributable to:			
Owners of the Company		58,616	104,489
Non-controlling interests		(290)	(90)

Earnings per share			
Undiluted earnings per share (in CHF)	1.4	2,344.64	4,179.56
Diluted earnings per share (in CHF)	1.4	2,344.64	4,179.56

Consolidated balance sheet

In 1,000 CHF	Note	31.12.2019	31.12.2018
Assets			
Cash and cash equivalents		587,990	67,258
Receivables from business unit Payment	2.1	674,265	680,889
Receivables from business unit Consumer Finance	2.2	0	467,826
Other receivables		7,717	14,606
Prepaid expenses	2.7	20,938	64,378
Inventories		4,052	2,364
Total current assets		**1,294,963**	**1,297,320**
Receivables from business unit Consumer Finance	2.2	0	992,108
Property and equipment	2.3	5,912	12,675
Goodwill	2.4	55,321	72,994
Intangible assets	2.4	18,407	159,369
Financial assets	2.5	43,813	33,073
Deferred tax assets		3,350	10,801
Total non-current assets		**126,803**	**1,281,021**
Total assets		**1,421,766**	**2,578,341**

In 1,000 CHF	Note	31.12.2019	31.12.2018
Liabilities			
Payables to counterparties	2.7	203,060	241,498
Other payables		24,268	32,570
Interest-bearing liabilities	3.1	144	1,117,921
Short-term provisions	2.6	141,023	97,184
Accrued expenses and deferred income	2.7	112,045	121,526
Total current liabilities		**480,539**	**1,610,699**
Interest-bearing liabilities	3.1	274,575	274,767
Long-term provisions	2.6	4,725	7,367
Deferred tax liabilities		7,148	35,220
Total non-current liabilities		**286,448**	**317,354**
Total liabilities		**766,987**	**1,928,053**
Equity			
Share capital		25,000	25,000
Capital reserves		94,101	94,101
Retained earnings		535,678	525,530
Equity attributable to the owners of the Company		**654,779**	**644,631**
Non-controlling interests		0	5,657
Total equity		**654,779**	**650,288**
Total equity and liabilities		**1,421,766**	**2,578,341**

Consolidated statement of changes in equity

As at 31 December 2019

In 1,000 CHF	Note	Share capital	Capital reserves	Translation reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2019		25,000	94,101	(41)	525,571	644,631	5,657	650,288
Profit for the period		0	0	0	58,616	58,616	(290)	58,326
Foreign currency translation differences		0	0	41	0	41	0	41
Transaction with non-controlling interests	4.1	0	0	0	(8,509)	(8,509)	(4,907)	(13,416)
Dividends non-controlling interests		0	0	0	0	0	(460)	(460)
Dividends to shareholders	3.2	0	0	0	(40,000)	(40,000)	0	(40,000)
Balance at 31 December 2019		**25,000**	**94,101**	**0**	**535,678**	**654,779**	**0**	**654,779**

For details on transactions with non-controlling interests and changes in the Group, please refer to section 4.1 Changes in the scope of consolidation.

As at 31 December 2018

In 1,000 CHF	Note	Share capital	Capital reserves	Translation reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 31 December 2017 after IFRS		25,000	94,101	0	682,885	801,986	4,867	806,852
Impairment model adjustment [1)]		0	0	0	(2,506)	(2,506)	0	(2,506)
Balance at 1 Januar 2018 after IFRS		25,000	94,101	0	680,379	799,480	4,867	804,346
Switch from IFRS to Swiss GAAP FER		0	0	0	(109,030)	(109,030)	(114)	(109,143)
Balance at 1 January 2018 after Swiss GAAP FER		**25,000**	**94,101**	**0**	**571,349**	**690,450**	**4,753**	**695,203**
Profit for the period		0	0	0	104,489	104,489	(90)	104,399
Foreign currency translation differences		0	0	(41)	0	(41)	(1)	(42)
Effective portion of the changes in the fair value of cash flow hedges, net of tax		0	0	0	51	51	0	51
Transaction with non-controlling interests		0	0	0	(318)	(318)	994	676
Dividends to shareholders	3.2	0	0	0	(150,000)	(150,000)	0	(150,000)
Balance at 31 December 2018		**25,000**	**94,101**	**(41)**	**525,571**	**644,631**	**5,657**	**650,288**

1) Adoption of new impairment model for expected credit loss (ECL).

The switch in accounting from IFRS to Swiss GAAP FER is presented in detail in the reconciliation.

Consolidated cash flow statement

For the year ended 31 December

In 1,000 CHF	Note	2019	2018
Company profit incl. non-controlling interests		**58,326**	**104,399**
+ Depreciation of non-current assets		50,911	25,703
+ Impairment of non-current assets		106,293	0
+/– Change in provisions		42,770	(584)
–/+ Change in deferred taxes		(21,946)	7,052
– Share of profit of associates		(96)	(30,234)
– Profit from sale of interests in consolidated companies	4.1	(154,480)	0
+ Loss on sale of non-current assets		500	386
+/– Other non-cash items		(13,955)	1,629
Changes in net working capital			
– Increase in trade receivables		(72,832)	(41,215)
+/– Decrease/Increase in inventories		(1,692)	293
+/– Decrease/Increease in other current assets, prepayments and accrued income		27,714	(7,989)
+ Increase in trade payables		3,588	28,520
+/– Increase/Decrease in other liabilities and accrued expenses		1,412,458	(460)
Cash flow from operating activities (operating cash flow)		**1,437,559**	**87,499**
– Investments in property and equipment	2.3	(903)	(2,421)
+ Proceeds from sale of property and equipment	2.3	190	163
– Investments in financial assets and loans	2.5	0	0
+ Proceeds from sale of financial assets and loans	2.5	260	0
– Investments in intangible assets	2.4	(1,683)	(2,646)
+ Proceeds from sale of intangible assets	2.4	33	404
– Investments in consolidated companies (less cash and cash equivalents acquired)	4.1	0	(179,179)
+ Proceeds from sale of consolidated companies (less cash and cash equivalents sold)	4.1	252,055	3,223
+ Dividends received from associates		0	1,500
Cash flow from investing activities		**249,952**	**(178,956)**
– Acquisition of non-controlling interests in existing equity interests	4.1	(12,390)	0
– Dividend payments to non-controlling shareholders		(460)	0
– Dividend payments to the owners of the Company		(40,000)	(150,000)

+ Proceeds of interest-bearing liabilities	0	1,017,980
– Repayments of current interest-bearing liabilities	(1,113,777)	(731,378)
– Repayments of non-current interest-bearing liabilities	(192)	0
Cash flow from financing activities	**(1,166,820)**	**136,602**
Effect of currency translation	41	(33)
Net change in cash and cash equivalents	**520,732**	**45,112**
Cash and cash equivalents at the start of the reporting period	**67,258**	**22,146**
Cash and cash equivalents at the end of the reporting period	**587,990**	**67,258**

Information about this report

Aduno Holding AG is a company domiciled in Zurich (Switzerland) which, together with its subsidiaries (together the Group), offer financial services in the business field of cashless payment solutions, consumer finance and leasing.

Subsidiary	Services
Viseca Card Services SA (Viseca)	Viseca offers services for cashless payments. Viseca issues payments cards (Issuing) under the brands of the credit card organisations (schemes) Mastercard and Visa. These are issued to personal and corporate customers, for Swiss retail banks, for a number of co-branding partners and in Viseca's own name. It provides all associated customer services.
Aduno Finance AG (Aduno Finance)	Aduno Finance acts as the central treasury unit for the entire Group.
Accarda AG (Accarda)	Accarda operates in the business of customer cards with a payment function.
cashgate AG (cashgate)	cashgate provides personal credit and leasing finance to personal and corporate customers and offers rental guarantees for its customers in the Swiss market. This company was sold on 2 September 2019.
Contovista AG (Contovista)	Contovista develops software for finance management and analytics and makes this available to banks.

As a result of the bonds issued (Bonds CHF domestic), Aduno Holding AG is listed in Switzerland on the Swiss Reporting Standard of SIX Swiss Exchange with ISIN number CH0246921537.

The consolidated financial statements were approved by the Board of Directors on 23 April 2020 and will be submitted to the General Meeting scheduled for 16 June 2020 for final approval.

Key accounting policies

These consolidated financial statements give a true and fair view of the Aduno Group's financial performance and financial position. They have been prepared in accordance with all existing accounting guidelines (Swiss GAAP FER). The consolidated financial statements are based on the financial statements of the Group companies prepared in accordance with uniform accounting principles as at 31 December. They follow the principle of historical cost unless a standard prescribes a different measurement basis for a financial statement item or a different measurement basis is applied if this is provided as an option. The relevant accounting policies for understanding the consolidated financial statements are set out in the specific notes to the financial statements.

Assets are reviewed each year for indications of impairment. If there are any indications, the recoverable amount is determined and if this exceeds the carrying amount, an appropriate posting is made in the income statement.

The consolidated financial statements are presented in Swiss francs, the Company's functional currency. Unless noted otherwise, all financial data in Swiss francs have been rounded to the nearest thousand. This may result in rounding differences.

Consolidation principles

Group companies include those companies that are directly or indirectly controlled by Aduno Holding AG. Control is defined as the power to govern the financial and operating policies of an entity so as to benefit from them. This is usually the case when the Group holds more than half of the voting rights in an entity's share capital. Group companies are consolidated from the date on which control is transferred to the Group. Subsidiaries held for sale are excluded from the scope of consolidation from the date on which control ceases.

Capital consolidation is based on the purchase method. This means that the purchase price or carrying amount of the interests is offset against the Group's share in the revalued equity of the consolidated companies at the time of acquisition or first-time consolidation. Any goodwill from the purchase of interests is capitalised and amortised over five years. All intercompany transactions, balances and unrealised gains and losses from transactions between Group companies are eliminated in full.

Non-controlling interests in equity and the Group's profit for the period are shown separately in the balance sheet and income statement. Changes in ownership interests in subsidiaries are booked as equity transactions with non-controlling interests, provided that control is retained. In the case of a direct buyout of non-controlling interests, Swiss GAAP FER 24 (equity and transactions with shareholders) is applied, i.e. the transaction is valued at net market value and booked in equity with no impact on profit or loss.

Changes in the scope of consolidation during 2019

The following changes to the scope of consolidation took place in the reporting year:

		Share 2019	Share 2018
cashgate AG, Zurich (ZH)	Sale	0%	100%
Contovista AG, Schlieren (ZH)	Purchase	100%	70%
SwissWallet AG, Zurich (ZH) [1)]	Sale	0%	33%
Subsidiaries of Accarda AG			
Loyalty Gift Card AG	Sales	0%	100%
Loyalty Gift Card GmbH, Austria	Sales	0%	100%
Loyalty Gift Card GmbH, Germany	Sales	0%	100%
Loyalty Services AG [1)]	Sales	0%	20%
Paycoach AG	Sales	0%	60%
Sanavena GmbH	Sales	0%	100%
Zaala AG	Sales	0%	55%

1) Associates

The detailed information can be found under section 4.2.

Foreign currency translation

Foreign currency transactions in Group companies

The foreign currency transactions and items contained in the separate financial statements of the consolidated companies are translated as follows Foreign currency transactions are translated into the posting currency at the exchange rate as at the transaction date (spot rate). At year-end, monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate on the reporting date and booked to the income statement.

Translation of financial statements to be consolidated

The consolidated financial statements are presented in Swiss francs. Assets and liabilities of Group companies with a different currency are translated at year-end rates (closing rates), equity at historical rates, and the income statement and cash flow statement at average rates for the year. The translation differences that arise are booked to equity instead of being recognised in profit or loss. If a foreign Group company is sold, the associated cumulative foreign currency differences are transferred to the income statement.

The following principal exchange rates have been used:

	Average 2019	Average 2018	Balance at 31.12.2019	Balance at 31.12.2018
EUR 1	1.1223	1.1619	1.0960	1.1373
USD 1	1.0026	0.9869	0.9778	0.9943
GBP 1	1.2811	1.3105	1.2835	1.2616

Effects of the switch to Swiss GAAP FER

As at 1 January 2019, the Aduno Group switched its financial reporting from IFRS to Swiss GAAP FER. In past years the International Financial Reporting Standards (IFRS) were applied. In view of the increasing complexity and ongoing adjustments of the IFRS and the associated reporting workload, the Group decided to switch its financial reporting.

The date of the switch was 1 January 2019. Accordingly, in its first consolidated financial statements under Swiss GAAP FER the Group presents the two balance sheets as at 31 December 2019 and as at 31 December 2018 and the two income statements for the 2019 and 2018 half-years in accordance with Swiss GAAP FER. All provisions of the standards in force at the time of the switch have been applied in full and retroactively.

Reconciliation for equity

In 1,000 CHF	**01.01.2018 Opening amount**	**31.12.2018 Closing amount**
Equity in accordance with IFRS	804,346	769,919
Adjustment of goodwill	(105,853)	(114,181)
Adjustment of intangible assets	(42,084)	(50,609)
Adjustment of employee pension benefit obligations	37,651	43,586
Effect of adjustments on deferred tax items	1,143	1,573
Total Adjustments	(109,143)	(119,631)
Equity in accordance with Swiss GAAP FER	**695,203**	**650,288**

Reconciliation for profit and income

In 1,000 CHF	2018 Profit for the period	2018 Other comprehensive income
Result in accordance with IFRS	106,393	8,502
Adjustment of goodwill	(8,328)	
Adjustment of intangible assets	(8,525)	
Adjustment of financial assets	4,282	(4,282)
Adjustment of employee pension benefit obligations	12,217	(6,417)
Adjustment of foreign currency translation differences		42
Adjustment of fair value of cash flow hedges		(57)
Effect of adjustments on deferred tax items	(1,640)	2,212
Result in accordance with Swiss GAAP FER	**104,399**	**0**

Adjustment	Description
Goodwill	According to the options available under FER 30 “Consolidated financial statements”, goodwill from acquisitions is capitalised at the time of the acquisition and amortised over the useful life of five years. Under IFRS goodwill recognised as part of an acquisition was capitalised without being amortised. The goodwill was reviewed annually for any impairment in value at the level of the cash generating unit. Useful lives and residual values are reviewed annually on the reporting date and any impairment losses recognised in the income statement.
Intangible assets from acquisitions	Under Swiss GAAP FER any intangible assets from acquisitions, including customer relationships, are capitalised and amortised. They are carried at cost less accumulated amortisation and impairment losses. Under IFRS the customer relationships that came with an acquisition were amortised over a period of 7 to 15 years in line with an average “customer lifespan” depending on the business area involved using the digital degressive method. The switch has no effect on profit for 2018 and 2019.
Intangible assets generated internally	Intangible assets generated internally are not capitalised under Swiss GAAP FER. Intangible assets generated internally as a result of acquisitions are classified as assets acquired from third parties and as such are valued as part of the purchase price allocation, capitalised and amortised over their expected useful life.
Financial assets	Under Swiss GAAP FER equity instruments shown in financial investments are measured at fair value; changes in value are recognised in the income statement. Under IFRS they were measured at fair value. However, changes in the fair value were booked to other comprehensive income. The switch has no effect on the balance sheet item “financial investments” or on total equity. The switch leads to a reclassification within equity from the “financial investments at fair value through other comprehensive income” reserves to retained earnings, and to a shift from other comprehensive income to the income statement. The IFRS “financial investments at fair value through other comprehensive income” reserves amounting to CHF 4.2 million and the reclassification to retained earnings have not been set out separately in the consolidated statement of changes in equity and have no effect on the amount of equity.
Financial assets, classification	The structure of the balance sheet according to FER 3 envisages among other things that securities, deferred income tax assets, associates and employer contribution reserves can be recognised as financial investments. The Aduno Group now shows these items in aggregated form as financial investments. Under IFRS these were shown as individual items in the balance sheet, with the exception of employer contribution reserves.
Employee pension benefit obligations	Under FER 16 “Pension benefit obligations”, the real economic impact (obligation or benefit) for the Group is established on the basis of the financial statements of the Swiss pension institutions, which are prepared in accordance with FER 26 “Accounting of pension plans”. On this basis it is assessed whether there is an economic obligation or an economic benefit. An economic benefit is capitalised if it is permitted and intended to use the surplus to reduce the employer contributions. If there are freely available employer contribution reserves these are also capitalised. Under IFRS defined benefit plans were valued with the aid of the Projected Unit Credit Method and recognised in accordance with IAS 19.
Provisions	The basic structure in accordance with FER 3 envisages that tax liabilities be disclosed as part of provisions. Under IFRS tax liabilities were shown separately. This switch is merely a reallocation and has no effect on the balance sheet or equity.

Adjustment	Description
Foreign currency translation differences	Differences from currency translation for foreign entities are recognised directly in equity under Swiss GAAP FER. Under IFRS they were recognised in other comprehensive income. The switch has no effect on the equity total.
Fair value of cash flow hedges	The changes in the fair value of cash flow hedges recognised in other comprehensive income under IFRS were reclassified to equity in the restatement. Under Swiss GAAP FER they are booked directly to the income statement.

Assumptions and estimations of the management

In order to prepare the consolidated financial statements in accordance with Swiss GAAP FER, the management must make estimations, evaluations and assumptions that have an impact on the application of accounting and valuation methods and on the amounts shown for assets, liabilities, income and expenses. The estimations and associated assumptions are based on previous experience and various other factors deemed useful. The actual results may differ from these estimations.

The estimations and underlying assumptions are regularly reviewed. Changes in estimations relating to the financial reporting are recognised in the periods currently under review and future periods affected.

Assessments made by management when applying Swiss GAAP FER that have a significant effect on the financial statements, and estimates with a high risk of being adjusted in the following year, are presented in the notes.

The switch to Swiss GAAP FER has not resulted in any major changes in assumptions and estimates. The option was exercised for intangible assets generated internally. The expenses for these are no longer capitalised, but directly recognised in the income statement, resulting in substantially higher project-related costs in other operating expenses.

1 Performance

This section describes the operational performance of the Aduno Group. The segment reporting sets out the segment results used at the most senior level of management to guide the Company.

1.1 Segment reporting

External segment reporting is based on the internal reporting that is used by the Executive Board to guide the Company. The Executive Board is comprised of the CEO (Chief Executive Officer) of the Group, the CFO (Chief Financial Officer), the CMO (Chief Marketing Officer) and the COO (Chief Operations Officer).

For the purposes of financial reporting and organisation, the management has divided the Group's business activities into three segments:

Segment	Activity
Payment	The business unit Payment provides services for cashless payments via credit, prepaid, debit and customer cards to private and corporate customers, and also the associated transaction and customer services in this area. The majority of the business is linked to the Mastercard and Visa brands. The Payment division consists of Viseca, Accarda and Contovista. The business unit's main revenue streams come from interchange fees and commission, annual fees for cards, services, income from card transactions in foreign currencies and interest income. Contovista provides software solutions for banks and generates revenues from this business through projects and licences.
Consumer Finance	The Consumer Finance business offers leasing contracts and loans for consumer goods to personal and corporate customers. The business unit Consumer Finance is operated by cashgate. The main revenue streams are interest income, commission income and fees for chargeable services. This business was sold in 2019.
Corporate Functions	The result of Aduno Holding and the treasury services of Aduno Finance, which include the handling of payments and the processing of foreign currency transactions, are reported in this segment. The income from the sale of Group companies as well as cross-company consolidation items and reclassifications are also shown in this segment.

The following table contains information about the business segments that are based on the management's evaluation and the internal reporting structure as at 31 December in each case.

	Payment		Consumer Finance		Corporate Functions		Consolidated	
In 1,000 CHF	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Operating income	473,411	396,036	67,455	97,503	3,344	22,606	544,210	516,146
Operating expenses	535,631	309,591	51,467	77,218	16,689	40,522	603,786	427,330
Operating profit	**(62,220)**	**86,446**	**15,988**	**20,285**	**(13,345)**	**(17,916)**	**(59,576)**	**88,816**
Ordinary profit	**(43,907)**	**84,966**	**14,892**	**19,307**	**(18,299)**	**(8,391)**	**(47,314)**	**95,883**
Non-operating profit	(5,126)	(7,234)	(7,867)	(1,551)	167,472	36,620	154,478	27,834
Income taxes	(37,113)	(8,297)	(1,851)	(1,497)	(9,874)	(9,524)	(48,838)	(19,318)
Profit for the period	**(86,146)**	**69,435**	**5,174**	**16,259**	**139,298**	**18,705**	**58,326**	**104,399**

Due to the sale of cashgate AG (Consumer Finance business unit), internal management reporting and external segment reporting were adjusted. This means that the former Internal Financing segment is no longer reported separately. The central treasury unit, which was included in this segment, has been integrated into the Corporate Functions segment.

1.2 Further information on selected income statement items

Additional information on commission income

In 1,000 CHF	2019	2018
Interchange revenue and related revenue	93,136	79,195
Currency exchange commissions	68,606	65,514
Other commission revenue	31,138	27,306
Commission income	**192,880**	**172,015**

Additional information on other income

In 1,000 CHF	2019	2018
Foreign exchange gains or losses	56,011	53,283
Income from services	59,086	39,684
Other income	16,968	22,990
Other operating income	**132,065**	**115,957**

Accounting principles

Category	Accounting principle
Commission income	Commission income consists of transaction-based fees charged net to clients in all business segments. They are recorded on a transaction basis and already adjusted for fees at the time of the transaction.
Annual fees	Annual fees are recognised on a straight-line basis over the term of the service contract and deferred accordingly.
Interest income	Interest income is comprised of interest on short-term credit for credit card holders. In the cards business, credit card holders can convert the balance on their credit card to personal credit, for which the Group charges interest over its short-term duration. In addition, interest income includes interest on leasing finance granted to personal and corporate customers.
Other operating income	Other income is chiefly comprised of net foreign currency gains, income from services and other income. Foreign exchange gains and losses are recognised on a transaction basis at the time of the transaction. Customers in the Group’s cards business are billed based on a typical exchange rate close to the spot rate, whereas the Group is billed near the interbank rate (interbank rate plus Group,s credit spread). Most of the income from services originates from Accarda AG’s card business. The revenues from Contovista AG’s software business are shown in other income.

1.3 Operating expenses

In 1,000 CHF	Note	2019	2018
Card processing expenses		46,826	36,249
Service expenses		34,083	27,305
Material expenses		0	165
Processing and service expenses		**80,909**	**63,719**
Distribution channel remuneration		83,190	83,738
Expenses for customer retention		10,278	8,924
Advertising expenses		15,006	18,670
Distribution expenses		102	152
Distribution, advertising and promotion expenses		**108,577**	**111,484**
Interest expenses		**11,794**	**11,649**
Expected credit losses in the Payment business, credit cards		1,322	4,188
Expected credit losses in the Payment business, other payment cards		3,485	0
Expected credit losses in Consumer Finance		6,487	10,777
Impairment losses on commission income		1,600	1,458
Expected credit losses and impairment losses		**12,895**	**16,424**
Wages and salaries		99,399	87,816
Social insurance expenses		10,031	9,131
Employee pension benefit expenses		7,418	6,326
Other personnel expenses		9,384	10,485
Personnel expenses		**126,232**	**113,759**
Audit and professional services		55,737	42,018
Information technology expenses		27,435	23,518
Telephone and postage		2,212	2,219
Premises expenses		10,119	8,662
Travel and representation expenses		662	833
Loss on sale of property and equipment and intangible assets		500	383
Other administration expenses		9,511	6,959
Other operating expenses		**106,177**	**84,593**

Depreciation of property and equipment	**2.3**	**5,137**	3,732
Amortisation of intangible assets	**2.4**	**29,022**	13,643
Amortisation of goodwill	**2.4**	**16,752**	8,328
Impairment of intangible assets	**2.4**	**106,293**	0
Operating expenses		**603,786**	427,330

Accounting principles

Expenses are recognised on an accrual basis, i.e. at the time they are incurred. The table below provides information on selected expense items.

Category	Accounting principle
Processing and service expenses	Processing and service expenses comprise processing fees for service partners, fees for the use of the global network of card organisations and other service fees.
Distribution, advertising and promotion expenses	The Group offers a customer loyalty programme in which customers collect points through their card transactions that are credited to special points accounts. Customers can exchange the points for gifts, vouchers and annual fee credits. The estimated future expense increases accrued expenses and deferred income. In cases in which bonus programmes are run by third parties, the associated costs are recognised directly in the income statement.
Interest expenses	Interest expenses consist of the expense of refinancing the areas of business that generate interest income. Interest expenses are recognised using the effective interest method.
Expected credit losses on financial assets	The expected credit losses on financial assets arise principally from defaults on receivables and from the increase in expected credit losses in the Payment business and the Consumer Finance business.
Impairement losses on commission income	The impairment losses on commission income consist of impairments on fraudulent and chargeback transactions that do not represent a credit loss.

1.4 Earnings per share

In 1,000 CHF or as indicated	2019	2018
Profit attributable to equity holders of the Company	58,616	104,489
Weighted average number of ordinary shares	25,000	25,000
Diluted earnings per share in CHF	**2,344.64**	**4,179.56**

As there are no convertible bonds, subscription rights or other potential shares outstanding, the shares are not diluted.

2 Operational assets and liabilities

The following section sets out the items in current and non-current assets of relevance to the business activity of the Aduno Group. The notes on the assets are focused on the receivables of the Payment and Consumer Finance businesses, goodwill and intangible assets. This section also contains a presentation of the changes in provisions and off-balance sheet transactions and notes on selected, operationally relevant items.

2.1 Receivables from the business unit Payment

In 1,000 CHF	31.12.2019	31.12.2018
Receivables within the scope of the ECL calculation*		
Receivables from cardholders, credit card business	447,660	424,280
Receivables from debt collection, credit card business	4,105	3,483
Other receivables in the Payment business, credit card business	0	4,960
Receivables from cardholders, other payment cards	221,873	239,913
Receivables from debt collection, other payment cards	9,816	7,636
Other receivables in the Payment business, other payment cards	2,019	8,783
Impairments	(11,529)	(8,498)
Receivables outside the scope of the ECL calculation*		
Receivables from fraud and chargeback	403	419
Impairments	(81)	(86)
Total receivables in the Payment business	**674,265**	**680,889**

* Allowances for doubtful accounts are calculated on the basis of the expected credit loss (ECL) model.

Receivables Payment	Description
Receivables from the business unit Payment – credit cards	Receivables from credit cardholders (credit card business) comprise open balances on credit card accounts and debit accounts. Open cardholder balances that have been past due for more than 90–120 days are transferred to a dedicated collection portfolio, which is reported under “Receivables from debt collection – credit cards”.
Receivables from the Payment business – other payment cards	Receivables from cardholders consists of open balances on other payment card accounts. The vast majority of these other payment cards is a homogeneous retail card portfolio with a long tracking history. A small part of the other payment card accounts comprises a heterogeneous corporate portfolio and a retailcard portfolio with a short tracking history. Open cardholder balances that fulfil the transfer criteria are transferred to a dedicated collection portfolio, which is included under “Receivables from debt collection, other payment cards”. The portfolio shrank in size due to the sale of some subsidiaries.
Receivables from fraud and chargeback	If a cardholder is suspected of making a fraudulent transaction or claims a chargeback, the balance is transferred to a dedicated portfolio until the case is settled. Suitable allowances are set aside for all receivables in the portfolio, although these are not subject to the expected credit loss model. The balance of all currently investigated fraudulent and chargeback transactions is shown under “Receivables from fraud and chargeback”.

Management of credit risk in the Payment business

It is in the nature of the credit card business that customers get temporarily into debt with the credit card company.

The credit counterparty in the issuing business is a private or corporate consumer using a credit card for purchases or cash transactions. All credit card customers, when applying for a credit card, are assigned an individual credit rating before a credit card is issued. If a customer does not meet the stringent customer credit rating criteria, no credit card is issued.

Risk and credit management is a core process in the credit card business and the Group therefore runs sophisticated risk assessment tools and delinquency reports to monitor and assess risk exposure. All incoming payments of customers are closely monitored.

The Group issues credit cards on behalf of various distribution partners. The Group has entered into agreements with some of its partners, so that the partner bears the risk of default for any receivable outstanding from cardholders. If a cardholder becomes delinquent, the outstanding amount is paid in full by the partner.

If a cardholder has a direct relationship with the Group and not via a partner, the Group bears the default risk.

Accounting principles

Receivables from cardholders and others are measured at fair value. The effective interest rate method is used for customers with an instalment facility or customers in default.

Impairment losses are booked to the allowance accounts for receivables unless the Group is of the view that the amount owed is not recoverable. In this case the amount deemed uncollectible is written off directly against the receivable.

Expected credit loss model

Allowances for doubtful accounts are calculated on the basis of the expected credit loss (ECL) model. Receivables are placed into one of the three stages on the basis of which the ECL is calculated.

At each reporting date, credit risk is assessed to see whether it has increased significantly. The assessment considers both quantitative and qualitative factors. Where the impairment has not already been identified, a receivable from the Payment business is allocated to Stage 2 when it is 60 days past due. Receivables are transferred from Stage 2 back to Stage 1 if their credit risk is no longer considered to be significantly increased. The Group allocates a customer to Stage 3 after debt management reminders have proved unsuccessful and the customer has had to be transferred to the pre-collection and legal collection processes. The transfer decision is made on a case-by-case basis for each customer and generally occurs when payments are 90–120 days past due. Contracts of customers in the collection process are terminated, so that the customer can no longer be improved from Stage 3. Receivables in Stage 3 that are older than 2 years are written off. Based on past experience, the Group forecasts that the receivables will not generate any further significant cash flow.

The loss allowance is adjusted based on management’s judgement as to whether actual losses are likely to fall above or below historical trends given current economic and loan conditions. Management deems the loss allowance for doubtful debts for the business unit Payment to be adequate.

2.2. Receivables from the business unit Consumer Finance

The receivables from the business unit Consumer Finance set out below ceased to be included in the consolidated balance sheet as at 31 December 2019 due to the sale of cashgate AG.

In 1,000 CHF	31.12.2019	31.12.2018
Receivables from personal credit	0	782,445
Receivables from finance leases	0	707,374
Impairments	0	(29,885)
Total receivables in the Consumer Finance business, net	**0**	**1,459,934**
- of which short-term	0	467,826
- of which long-term	0	992,108

In the business unit Consumer Finance, the Group granted its customers cash loans or financed vehicles via finance leases. The counterparty to a loan was a private customer in the case of cash loans and a private or corporate customer in the case of leasing transactions.

Finance lease receivables were collateralised by the vehicles being financed; no security was held for consumer loans.

The allowance for doubtful debts from the business unit Consumer Finance was composed of impairments on receivables that were already past due plus a group of receivables that were not yet past due, but which had been collectively assessed and were expected to generate an impairment.

Accounting principles

Receivables from Consumer Finance customers were calculated using the effective interest method and valued at amortised cost after impairment losses.

Impairment losses were booked to the allowance accounts for receivables unless the Group is of the view that the amount owed was not recoverable. In this case the amount deemed uncollectible was written off directly against the receivable.

Expected credit loss model

Allowances for doubtful accounts were calculated on the basis of the expected credit loss (ECL) model. Receivables were placed into one of the three stages on the basis of which the ECL was calculated (see section 2.1 for a full explanation).

2.3 Property and equipment

In 1,000 CHF	Furniture	IT & office equipment	Cars	Leasehold improvement	Buildings	Total
Costs						
Balance at 1 January 2019	3,793	12,219	916	10,241	1,939	29,108
Change of scope in consolidation	(167)	(299)	(809)	(567)	(1,940)	(3,781)
Acquisitions	307	207	0	388	0	903
Transfers	(1,097)	302	0	795	0	0
Disposals and other changes	(1,112)	(273)	(107)	(9)	0	(1,500)
Balance at 31 December 2019	**1,724**	**12,156**	**0**	**10,849**	**(0)**	**24,730**
Depreciation and impairment losses						
Balance at 1 January 2019	(1,659)	(8,595)	(372)	(5,360)	(448)	(16,433)
Change of scope in consolidation	122	190	427	212	490	1,442
Depreciation charge for the year	(386)	(1,761)	(104)	(2,845)	(42)	(5,137)
Disposals and other changes	984	277	49	1	0	1,311
Balance at 31 December 2019	**(938)**	**(9,888)**	**0**	**(7,992)**	**0**	**(18,817)**
Carrying amount						
At 1 January 2019	2,134	3,624	544	4,881	1,492	12,675
At 31 December 2019	786	2,268	0	2,857	0	5,912

In 1,000 CHF	Furniture	IT & office equipment	Cars	Leasehold improvement	Buildings	Total
Costs						
Balance at 1 January 2018	3,328	10,820	892	9,072	1,939	26,052
Change of scope in consolidation	181	1,639	(13)	1,471	0	3,277
Acquisitions	839	1,017	389	176	0	2,421
Disposals and other changes	(555)	(1,256)	(352)	(478)	0	(2,641)
Effect of movements in foreign exchange	0	(1)	0	0	0	(1)
Balance at 31 December 2018	**3,793**	**12,219**	**916**	**10,241**	**1,939**	**29,108**
Depreciation and impairment losses						
Balance at 1 January 2018	(1,922)	(7,395)	(449)	(4,700)	(384)	(14,850)
Change of scope in consolidation	6	24	13	0	0	44
Depreciation charge for the year	(298)	(2,176)	(165)	(1,029)	(64)	(3,732)
Disposals and other changes	555	952	228	369	0	2,104
Effect of movements in exchange rates	0	1	0	0	0	1
Balance at 31 December 2018	**(1,659)**	**(8,595)**	**(372)**	**(5,360)**	**(448)**	**(16,433)**
Carrying amount						
At 1 January 2018	1,407	3,425	444	4,372	1,555	11,202
At 31 December 2018	2,134	3,624	544	4,881	1,492	12,675

Accounting principles

Property and equipment are carried at cost less accumulated amortisation and impairment losses. Depreciation is calculated using the straight-line method over the estimated useful life. The estimated useful lives are as follows:

Categorie	Estimated useful life
Furniture	5 to 10 years
IT & office equipment	2 to 5 years
Cars	4 to 5 years
Leasehold improvement	4 to 10 years, depending on rental period

Useful lives and residual values are reviewed annually on the reporting date and any impairment losses recognised in the income statement.

2.4 Goodwill and intangible assets

In 1,000 CHF	Goodwill	Software	Licences	Client relationships	Total intangible assets
Costs					
Balance at 1 January 2019	85,708	26,195	9,325	158,592	194,113
Change of scope in consolidation	(920)	(1,320)	(944)	(32,296)	(34,560)
Acquisitions	0	1,646	36	0	1,682
Disposals and other changes	0	(33)	0	0	(33)
Balance at 31 December 2019	**84,788**	**26,489**	**8,417**	**126,296**	**161,202**
Amortisation and impairment losses					
Balance at 1 January 2019	(12,714)	(4,796)	(446)	(29,501)	(34,743)
Change of scope in consolidation	0	1,019	937	25,306	27,262
Amortisation charges for the period	(16,752)	(3,963)	(1,335)	(23,724)	(29,022)
Impairment loss	0	(14,634)	(2,019)	(89,639)	(106,293)
Disposals and other changes	0	0	0	0	0
Balance at 31 December 2019	**(29,467)**	**(22,374)**	**(2,863)**	**(117,558)**	**(142,795)**
Carrying amounts					
At 1 January 2019	72,994	21,399	8,879	129,091	159,369
At 31 December 2019	55,321	4,115	5,554	8,738	18,407

In 1,000 CHF	Goodwill	Software	Licences	Client relationships	Total intangible assets
Costs					
Balance at 1 January 2018	26,967	33,165	2,992	40,940	77,098
Change of scope in consolidation	58,741	1,955	9,181	125,316	136,453
Acquisitions	0	2,646	0	0	2,646
Disposals and other changes	0	(11,572)	(2,848)	(7,664)	(22,084)
Balance at 31 December 2018	**85,708**	**26,195**	**9,325**	**158,592**	**194,113**
Amortisation and impairment losses					
Balance at 1 January 2018	(4,386)	(3,733)	(1,587)	(28,521)	(33,841)
Change of scope in consolidation	0	0	0	0	0
Amortisation charges for the period	(8,328)	(3,292)	(1,708)	(8,644)	(13,643)
Disposals and other changes	0	2,229	2,848	7,664	12,742
Balance at 31 December 2018	**(12,714)**	**(4,796)**	**(446)**	**(29,501)**	**(34,743)**
Carrying amounts					
At 1 January 2018	22,581	29,432	1,405	12,419	43,256
At 31 December 2018	72,994	21,399	8,879	129,091	159,369

In the case of software of Contovista AG, a new code was developed in the course of 2019 as part of the modularisation and the change in the programming language used, replaced the old code capitalised when the acquisition was made. This means the old code is no longer in use and had to be written down, resulting in an additional write-off of CHF 14.6 million.

As part of the annual impairment test of the intangible assets license agreement, customer relationship and co-branding agreement, a one-time individual value adjustment of CHF 91.7 million was necessary. The intangible assets were assessed using the same methodology as that used for capitalisation from the purchase price allocation of Accarda AG. The basis of calculation was lower than when the assets were originally capitalized, due to market developments in the retail business and growth prospects.

Accounting principles

Goodwill
Net assets acquired in an acquisition are measured at current values. The excess of the cost of acquisition over the revalued net assets is recognised as goodwill. Goodwill is amortised over a period of five years.

Intangible assets
Intangible assets are carried at cost less accumulated amortisation and impairment losses.

Internally generated intangible assets are not capitalised.

Intangible assets acquired as part of an acquisition that were already recognised in the acquired company are classified and reported as acquired intangible assets. The customer relationships acquired in an acquisition are measured at current values and recognised as intangible assets from sales price allocation.

Intangible assets are amortised on a straight-line basis over their estimated useful lives. Customer relationships are amortised using the arithmetic declining balance method. The ordinary amortisation rates are as follows:

Category	Estimated useful life
Software	as a rule 3 years
Client relationships	7 to 15 years
Licences	5 to 7 years

Useful lives and residual values are reviewed annually on the reporting date and any impairment losses recognised in the income statement.

Impairment
Goodwill and intangible assets are tested for impairment at each reporting date. If there are indications that goodwill or intangible assets may be impaired in value, the recoverable amount is calculated. If the carrying amount of the asset exceeds the recoverable amount, an impairment loss is recognised in the income statement.

If the asset does not generate independent cash flows on its own, the recoverable amount is determined for the smallest possible group of assets (cash-generating unit; CGU) to which the asset belongs. If impairments have to recognised, they are first charged to the goodwill associated with the CGU. The remainder of the impairment loss is allocated pro rata to other assets based on their carrying amounts.

Additions as a result of the reversal impairment losses on intangible assets other than goodwill are recognised in the income statement. A reversal of an impairment loss on goodwill is not added back.

2.5 Financial assets

In 1,000 CHF	Note	31.12.2019	31.12.2018
Securities		42,579	30,413
Investments in associates		0	1,427
Employer contribution reserve	5.1	1,234	1,233
Total finacial asset		**43,813**	**33,073**

Financial assets	Description and accounting principles
Securities	The Group holds preference shares in Visa Inc. which are reported under financial investments. These shares are measured at fair value. Changes in fair value are recognised in financial income.
Investments in associates	The entire 33.3% stake in SwissWallet AG was sold in mid-December. Investments in associated companies were valued according to the equity method.
Employer contribution reserve	Existing employer contribution reserves, which can be used as contributions at any time and have been withdrawn by the pension fund as employer contribution reserves, must be recognised as an asset under financial assets to the extent of the economic benefit.

2.6 Provisions

In 1,000 CHF	Tax	Onerous contracts	Removal obligations	Legal	Other	Total Provisions
Balance at 1 Januar 2019	**90,009**	**4,901**	**1,690**	**840**	**7,111**	**104,551**
Change of scope in consolidation	(1,451)	0	0	(120)	(2)	(1,573)
Additions	72,388	2,708	50	626	3,133	78,905
Utilisations	(28,227)	(104)	0	(25)	(2,758)	(31,114)
Releases	(94)	(2,134)	0	(13)	(2,779)	(5,020)
Balance at 31 December 2019	**132,625**	**5,371**	**1,740**	**1,307**	**4,705**	**145,748**
- of which short-term	132,625	2,824	0	1,011	4,562	141,023
- of which long-term	0	2,547	1,740	297	142	4,725

In 1,000 CHF	Tax	Onerous contracts	Removal obligations	Legal	Other	Total Provisions
Balance at 1 Januar 2018	**79,543**	**7,717**	**1,640**	**126**	**302**	**89,328**
Change of scope in consolidation	1,725	0	0	0	3,899	5,624
Additions	26,792	266	50	714	6,903	34,725
Utilisations	(18,052)	0	0	0	(2,617)	(20,669)
Releases	0	(3,082)	0	0	(1,376)	(4,458)
Balance at 31 December 2018	**90,009**	**4,901**	**1,690**	**840**	**7,111**	**104,551**
- of which short-term	90,009	2,125	0	543	4,507	97,184
- of which long-term	0	2,777	1,690	297	2,604	7,367

Categorie	Description
Taxes	In 2011, the Aduno Group transferred the areas of cash management, payment transactions, financing, foreign currency management and brand management to the newly incorporated Aduno Finance AG, which is headquartered in Stans (Nidwalden), with offices in Freienbach (Schwyz). During the ordinary tax inspections for 2011 and 2012, the cantonal tax authorities in Zurich questioned the transfer prices applied. Based on the development of the tax appeal submitted by Aduno, an estimate adjustment of CHF 53.3 million was made in 2019 and booked as an additional tax provision.
Onerous Contracts	Provisions for loss-making contracts were made because the Group has undertaken to provide transitional services to the buyers in connection with the sale of Aduno SA and cashgate AG and the costs of the services to be provided, including rental expenses, exceed expected income.
Provisions for the leasehold restoration obligation	In accordance with the lease and applicable constructive requirements / legal obligation, a provision for the leasehold restoration obligation in respect of reinstatement of the original condition of the premises is made when the Group enters into a contractual agreement. A related payment is recognised when the obligation event to restore the premises to the specified condition occurs. The expenses are recorded over the lifetime of the lease.
Legal proceedings	The Group establishes provisions for pending legal cases where management believes that the Group is likely to be required to make payments and where the payment amounts can be reasonably estimated. The legal cases for which provisions have been set aside are for a breach of the share purchase agreement in connection with the sale of cashgate AG, for disputes with a construction project for the use of ground water for cooling and heating and an investigation by the Competition Commission (WEKO) into a boycott of mobile payment solutions by international providers.
Other provisions	Other provisions mainly include provisions for the dividend from Accarda's collection business. As the amount and the timing of payments are estimated, they are reported as provisions.

Accounting principles

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

2.7 Other operative assets and liabilities

Prepaid expenses

In 1,000 CHF	31.12.2019	31.12.2018
Prepaid expenses to partners	10,295	30,884
Other	10,643	33,493
Total prepaid expenses	**20,938**	**64,378**

In the Payment segment, the Group pays commissions to its distribution partners (mainly the shareholder banks). The commission contains a reimbursement for annual charges for credit cards. The share paid to the partner but not yet consumed is recognised as a prepaid expense to partners.

Other includes prepaid vendor invoices for licences and software maintenance contracts, and the input tax credit from the FTA. Prepaid expenses for unbilled service revenues are also included.

Accrued expenses and deferred income

In 1,000 CHF	31.12.2019	31.12.2018
Deferred annual fees	36,299	36,774
Commission payable to partners	37,897	39,446
Accrued expenses arising from loyalty programs	19,488	19,597
Accrued interest expenses	1,431	1,552
Other	16,930	24,157
Total accrued expenses and deferred income	**112,045**	**121,526**

In the annual fees, the fees charged to customers once a year are deferred pro rata temporis.

The commission liabilities include accrued compensation which is paid to the distribution partners in January.

The accrual from loyalty programs includes the liability from the surprize programme, in which points are collected when the credit or pre-paid card is used, which can then be redeemed at a later date using vouchers or through discounts.

Other includes outstanding vendor invoices for projects and accruals for payments to banks.

Payables to counterparties

In 1,000 CHF	31.12.2019	31.12.2018
Advances received	68,729	115,117
Payables to merchants	47,445	59,617
Payables to schemes	86,886	66,765
Total payables to counterparties	**203,060**	**241,498**

The Group receives advance payments from customers with issued prepaid credit cards. In the previous year 2018, the advance payments included the cashgate-advance payments.

Accounting principles

The purpose of accruals and deferrals of assets and liabilities is to book expenses and income at the time they arise. This also means that all expenses used to generate a certain level of income are recognised according to when income is incurred.

2.8 Off-balance liabilities

In 1,000 CHF	2019	2018
Guarantees to 3rd parties	83,925	83,535
Total sureties, guarantee obligations and pledges	**83,925**	**83,535**
Total contingent liabilities	**83,925**	**83,535**
Investment obligations from contracts already concluded	38,764	46,630
Obligation from long-term rental agreements	15,737	7,572
Total other obligations not recognised in the balance sheet	**54,501**	**54,202**

The guarantees to 3rd parties are bank guarantees. The leases are mainly for offices and parking spaces. The liabilities from long-term rental agreements were extended by five years at the end of 2019. The change from 2018 to 2019 is due to this extension. Investment obligations are primarily contracts with suppliers in the Payment segment. Investment obligations from contracts already concluded fell. This was mainly due to the fact that the remaining term of the contracts was shortened by one year.

Accounting principles

Contingent liabilities and other obligations not to be reported in the balance sheet are measured and disclosed on each reporting date. The measurement is based on the amount of the future, unilateral irrevocable payments and costs, less any promised consideration.

3 Financing and risk management

The following describes the guidelines and procedures that are applied in managing the capital structure and financial risks. The Aduno Group seeks to ensure that it has an appropriate equity base in order to retain the trust of investors, creditors and the market and to continue the Group’s expansion.

3.1. Interest-bearing liabilities

In 1,000 CHF	31.12.2019	31.12.2018
Other bank liabilities	144	202,652
Current portion of syndicated loan	0	390,000
Current portion of unsecured bond issues	0	525,269
Short-term interest-bearing liabilities	**144**	**1,117,921**
Unsecured bond issues	274,575	274,299
Other long-term liabilities	0	468
Long-term interest-bearing liabilities	**274,575**	**274,767**
Total interest-bearing liabilities	**274,719**	**1,392,688**

Changes in interest-bearing liabilities are mainly changes to cash flows from financing activities and are disclosed in the consolidated cash flow statement.

Terms and debt repayment schedule

In 1,000 CHF	Currency	Nominal interest rate	Year of maturity	Nominal value 31.12.2019	Carrying amount 31.12.2019	Nominal value 31.12.2018	Carrying amount 31.12.2018
Syndicated loan	CHF	0.68%	2019	0	0	390,000	390,000
Unsecured bond issue	CHF	0.00%	2019	0	0	175,000	175,082
Unsecured bond issue	CHF	1.125%	2021	275,000	274,575	275,000	274,299
Unsecured bond issue	CHF	3 M Libor	2019	0	0	100,000	100,022
Unsecured bond issue	CHF	3 M Libor	2019	0	0	100,000	100,000
Unsecured bond issue	CHF	0.00%	2019	0	0	150,000	150,165
Other bank liabilities	CHF	0.78%	2019	0	0	7,170	7,170
Other bank liabilities	CHF	0.20%	2019	0	0	195,469	195,469
Other bank liabilities	CHF	various	current account	144	144	13	13
Other long-term liabilities	CHF	0.00%	2019	0	0	468	468
Total				**275,144**	**274,719**	**1,393,120**	**1,392,688**

Syndicated loan

With the sale of cashgate AG, the syndicated loan agreement for CHF 600 million under Zürcher Kantonalbank was also repaid.

Other bank liabilities

As at 31 December 2019, the Group had access to a bilateral credit line with Zürcher Kantonalbank of CHF 800 million (31 December 2018: CHF 800 million). The interest rate for the credit facility is set at the market interest rate plus a fixed credit margin. As at 31 December 2019, CHF 0.0 million (31 December 2018: CHF 7.6 million) of this credit line had been utilised.

Accounting principles

Interest-bearing financial liabilities are generally recorded at nominal value. Non-current financial liabilities (bonds) are recognized at amortized cost.

3.2 Share capital and reserves

Share capital

As at 31 December 2019 the share capital of parent company Aduno Holding consisted of 25,000 registered shares with a par value of CHF 1,000 each (31 December 2018: 25,000 registered shares with a par value of CHF 1,000 each). Shareholders are entitled to receive the declared dividends and to exercise one vote per share at the Company’s Annual General Meeting.

Reserves

The statutory reserves not available for distribution amounted to CHF 5.0 million as at 31 December 2019 (31. December 2018: CHF 5.0 million).

Dividends

The following dividends were declared and paid by the Group:

In 1,000 CHF or as indicated	2019	2018
Number of registered shares eligible for dividends (number)	25,000	25,000
Ordinary dividend per registered share (in CHF)	1,600	6,000
Dividends paid	**40,000**	**150,000**

After 31 December 2019, the Board of Directors proposed dividends of CHF 4,800 per registered share, making a total of CHF 120.0 million for 2019. The proposed dividend will be submitted for approval to the General Meeting to be held in June 2020.

Capital management

The Board’s policy is to maintain an adequate equity base so as to maintain the confidence of investors, creditors and the market and to sustain the future development of the business. The Board of Directors monitors the return on capital, which the Group defines as the total shareholders, equity and the development of dividends paid to shareholders.

3.3 Risk management

As a financial services provider the Aduno Group is subject to constant change and thus confronted with opportunities and risks that can have a decisive influence on its ability to achieve its strategies and goals.

Overall responsibility for risk management lies with the Board of Directors, which approves the principles for risk management. The Board of Directors receives regular reports about the risk situation of the Group and the status of measures implemented. The Board of Directors monitors the effective implementation of the risk policy and risk strategies as well as the adopted measures. The Audit and Risk Committee and the internal auditors support the Board of Directors in the execution of its responsibilities.

The Executive Board is responsible for the implementation of the risk management standards defined in the risk management regulations and the design, implementation and continuous review of the Internal Control System (ICS). A risk board has been set up at the Executive Board level that meets quarterly to discuss the structure and effectiveness of the risk management system, the design and monitoring of the risk policy and the management of the Group's risks. In order to support the Executive Board expert committees have been set up to prepare requests for approval, proposals and recommendations as a decision-making basis for the Excutive Board.

A central risk control function is responsible for identifying and monitoring risks at an aggregated portfolio level, monitoring compliance with the risk policy and ensuring integrated risk reporting to the Board of Directors and the Executive Board. Risk control is responsible for risk measurement methodologies, risk-based approval processes for new business activities, model validation and quality assurance of the implemented risk measurement processes If required, risk control can propose directives for approval by the Executive Board. Central risk control is responsible for monitoring compliance with the policies and their supporting directives and providing reports or information as requested.

The following risks have been identified as significant risks for the Aduno Group:

Overall risks

The overall risks include environmental, business and operational risks, which are systematically identified and either accepted or mitigated using suitable measures within the scope of risk affinity. These measures are reported as controls in the Aduno Group's ICS.

Financial risks: Credit risk

The Aduno Group is exposed to the risk of counterparty default as a result of its operating activities. This risk exists mainly in relation to receivables from customers of the Group and depends primarily on the individual characteristics of each customer. Geographically, credit risk is concentrated in Switzerland where the Group mainly operates.

The default risk is limited to the carrying amount of the financial assets. The maximum credit risk, to which the Group is theoretically exposed at 31 December 2019 and 2018 respectively, is represented by the carrying amounts stated for financial assets in the balance sheet. Additionally, credit risk can occur from debt collection and from fraud in the Payment business as shown in note 2.1.

Financial risks: Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Liquidity risk arises if the Group is unable to obtain under economic conditions the funds needed to carry out its operations. The Group closely monitors its liquidity needs and also maintains liquidity forecasts and validates its validation models.

Management ensures that cash funds and credit lines currently available and funds that will be generated from operating activities enable the Group to satisfy its requirements resulting from its operating activities and to fulfil its obligations to repay its debts at their natural due date.

Financial risks: Market risk

Market risk is the risk of losses arising from movements in market prices in on-balance and off-balance sheet items. The definition includes risks from interest rate instruments and equities, and foreign currency risks.

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational and financing activities.

In 1,000 CHF	Assets	31.12.2019 Liabilities	Assets	31.12.2018 Liabilities
Foreign currency derivatives	94	(78)	93	(495)

The positive and negative values of derivatives are recognised in other receivables and other liabilities.

The Group has a permanent requirement to refinance outstanding receivables due from cardholders and consumer finance customers. The refinancing need is fulfilled with bank loans with durations from one to 90 days and is aligned to Libor conditions. In addition, the Group can enter into interest rate swaps and thereby exchange Libor-based interest payments for fixed-rate ones to hedge against fluctuating interest rates. As at 31 December 2019 no receivables were hedged with interest rate swaps (31 December 2018: CHF 0.0 million).

Risks in the preparation of the financial statements

To ensure that the consolidated financial statements comply with the applicable accounting standards and that reporting is correct, the Aduno Group has set up effective internal control and management systems which are regularly reviewed. When accounting and measuring, estimates and assumptions are made about the future. These are based on the knowledge of the respective employees and are critically reviewed on a regular basis. If there is a material measurement uncertainty for an item that could lead to a material adjustment of the carrying amounts, this measurement uncertainty must be revealed in the notes. As at the reporting date, the Company was unaware of any such risks that could lead to a significant correction of the financial performance and financial position presented in the annual financial statements.

4 Group structure

This section sets out the structure of the Aduno Group including significant changes and resulting effects on the consolidated financial statements. It also contains disclosures on related party transactions.

4.1 Change in scope of consolidation

Acquisition of subsidiaries
As at 24 July 2019, on the basis of the sale announcement by minority shareholders on 20 June 2019, the Group acquired the remaining 30% of Contovista AG for CHF 12.4 million and now has full ownership of Contovista AG. The buy-out of non-controlling interests is shown in the statement of changes in equity. The surcharge of CHF 7.5 million was booked to equity, as the net assets of Contovista AG were not remeasured and this is equivalent to a transaction with shareholders in their capacity as shareholders and can therefore be recognised with no impact on profit.

Sale of subsidiaries
The 100% investment in the Loyalty Group including Sanavena GmbH was sold on 30 October 2019. The sale produced a loss of CHF 1.0 million.

As at 27 September 2019 the Group sold its 55% investment in Zaala AG. The sale resulted in a gain of CHF 0.1 million, which was recognised in non-operating profit.

As at 4 March 2019 the Group sold its 60% investment in Paycoach AG. The sale resulted in a gain of CHF 1.2 million.

The following table shows the consolidated balance sheet as at the date of sale of the Loyalty Group, including Sanavena GmbH, Zaala AG and Paycoach AG.

Effect of disposal on the financial position of the Group

In 1,000 CHF	Paycoach AG	Zaala AG	Sanavena GmbH	Loyalty Gift Card AG	Loyalty Gift Card Germany	Loyalty Gift Card Austria
Total current assets	2,984	4,704	26	241	903	98
Total non-current assets	186	113	0	144	0	0
Total assets	**3,171**	**4,817**	**26**	**385**	**903**	**98**
Total current liabilities	2,454	711	1	224	674	25
Total non-current liabilities	0	4,000	0	8	0	0
Total liabilities	**2,454**	**4,711**	**1**	**231**	**674**	**25**
Total equity	**717**	**106**	**25**	**154**	**229**	**73**
Total liabilities and equity	**3,171**	**4,817**	**26**	**385**	**903**	**98**

Discontinued business units

The Consumer Finance business unit, which included cashgate AG, was sold, which means that cashgate AG was sold to Cembra Money Bank AG on 2 September 2019. The sales price amounted to CHF 275 million.

The gain on disposal of CHF 155.5 million, which is calculated from the sales price less shareholders' equity of CHF 120 million, was booked to the non-operating income.

The income statement for the first eight months of 2019 and the balance sheet as at 31 August 2019 of cashgate AG is shown below.

Income statement for the first 8 months

In 1,000 CHF	2019
Operating income	**67,926**
Operating expenses	**60,692**
Operating result	**7,235**
Profit before income tax	**7,203**
Profit for the period	**5,210**

Balance sheet as at 31.08.2019

In 1,000 CHF	31.08.2019
Assets	
Receivables from business unit Consumer Finance	449,784
Remaining current assets	43,472
Total current assets	**493,255**
Receivables from business unit Consumer Finance	1,086,286
Remaining non-current assets	10,516
Total non-current assets	**1,096,802**
Total assets	**1,590,057**
Liabilities	
Accrued expenses and deferred income	1,418,574
Remaining current liabilities	51,205
Total current liabilities	**1,469,778**
Total liabilities	**1,469,778**
Total Equity	**120,279**
Total Liabilities and Equity	**1,590,057**

Sale of at-equity companies

On 13 December 2019 the 33% investment in SwissWallet AG was sold. This sale produced a loss of CHF 1.2 million, which is reported in non-operating profit.

On 9 May 2019 the Group sold its 20% investment in Loyalty Services AG. The sale resulted in a loss of CHF 0.1 million.

4.2 Group companies

In 1,000	Country of incorporation	Currency	Share capital 31.12.2019	Share capital 31.12.2018	Ownership interest 31.12.2019	Ownership interest 31.12.2018
Aduno Holding AG, Zurich (ZH), parent company	Switzerland	CHF	25,000	25,000	-	-
Accarda AG, Brüttisellen (ZH)	Switzerland	CHF	18,500	18,500	100%	100%
Aduno Finance AG, Stans (NW)	Switzerland	CHF	1,000	1,000	100%	100%
cashgate AG, Zurich (ZH)	Switzerland	CHF	n/a	35,000	n/a	100%
Contovista AG, Schlieren (ZH)	Switzerland	CHF	140	140	100%	70%
SwissWallet AG, Zurich (ZH) 1)	Switzerland	CHF	n/a	105	n/a	33.3%
Viseca Card Services SA, Zurich (ZH)	Switzerland	CHF	20,000	20,000	100%	100%
Subsidiaries of Accarda AG						
Loyalty Gift Card AG	Switzerland	CHF	n/a	500	n/a	100%
Loyalty Gift Card GmbH	Austria	EUR	n/a	35	n/a	100%
Loyalty Gift Card GmbH	Germany	EUR	n/a	100	n/a	100%
Loyalty Services AG 1)	Switzerland	CHF	n/a	100	n/a	20%
Paycoach AG	Switzerland	CHF	n/a	300	n/a	60%
Sanavena GmbH	Switzerland	CHF	n/a	336	n/a	100%
Zaala AG	Switzerland	CHF	n/a	500	n/a	55%

1) Associates

Accounting principles

Consolidation of subsidiaries

The consolidated financial statements are based on individual financial statements of all subsidiaries prepared in accordance with uniform principles. Subsidiaries are entities controlled by the Group. Control is assumed to exist if the Group holds more than half of the voting rights in the subsidiary or it has control in another way. Consolidation is based on the purchase method. Group-internal balance sheet assets and liabilities and unrealised gains and losses or income and expenses from Group-internal transactions are eliminated when preparing the consolidated financial statements.

Investments in associates

Associates are recognised in the balance sheet using the equity method and initially at fair value. Associates are those entities in which the Group has significant influence on their financial and business policy but does not control them. The Group’s share in the profit or loss of the associate is included in the income statement.

4.3 Related parties

Related parties are defined as parties that can exercise significant influence, directly or indirectly, over the Group's financial or operating decisions. They include shareholders with significant influence, members of the Group's Board of Directors and the members of the Executive Committee. Organisations which are directly or indirectly controlled by the same related parties are also considered to be related.

Entities in which the Group has a significant equity interest are also deemed to be related parties. In the two reporting periods these are the associates SwissWallet AG (2019: up to and including 13 December 2019) and Loyalty Services AG (2019: up to and including 9 May 2019).

The following shareholders are regarded as related parties:

Part of share capital in % held at 31 December	2019	2018
Raiffeisen Group	25.5%	25.5%
Zürcher Kantonalbank	14.7%	14.7%
Entris Banking AG	14.0%	14.0%
Migros Bank AG	7.0%	7.0%
Banque Cantonale Vaudoise BCV	4.8%	4.8%
EFG Bank AG	3.6%	3.6%
Zuger Kantonalbank	1.4%	1.4%
Valiant Bank AG	n/a	n/a
Total related parties	**71.0%**	**71.0%**

All transactions between the Group and its related parties as well as its associates are entered into at market rates.

Transactions with related parties (excluding associates)

The Group does extensive business with its shareholders and other related parties, especially within financing activities and card distribution in the Payment business.

Income and expenses with related parties as stated in the following table is included in the Group's consolidated statement of comprehensive income.

In 1,000 CHF	2019	2018
Interest income	0	27
Interest expenses	3,697	3,715
Other income	19	0
Distribution, advertising and promotion expenses	17,737	17,608
Total income (–) and expenses (+) with related parties (without associated parties)	**21,414**	**21,295**

At the closing date, the Group had the following balance sheet exposure with its related parties:

In 1,000 CHF	2019	2018
Cash and cash equivalents	568,344	33,394
Other receivables	94	93
Prepaid expenses and accrued income	5,678	6,701
Short-term interest-bearing liabilities	51	155,772
Other payables	78	189
Accrued expenses and deferred income 1)	20,901	18,766
Total exposure to related parties (without associated parties)	**595,145**	**214,914**

1) In the previous year's figure, a correction of CHF 17.9 million was made concerning the transaction "Remuneration to banks" in the position Distribution, advertising and promotion expenses.

The Group’s balance sheet does not contain provisions for doubtful debts from related parties, nor does the consolidated statement of comprehensive income recognise any expenses in respect of bad or doubtful debts due from related parties.

Transactions with associates

The transactions with associates mainly comprise processing expenses for services provided by SwissWallet AG to the Group (up to 13 December 2019).

The income and expenses relating to associates shown in the following table are included in the Group’s consolidated income statement.

In 1,000 CHF	2019	2018
Other income	11	16
Processing and service expenses	802	745
Total income (–) and expenses (+) with associated parties	**791**	**729**

At the closing date, there were no transactions by the Group with associates in the balance sheet.

Transactions with key management personnel

Viseca issues credit cards to key management personnel. It is in the nature of the credit card business for customers to have temporary liabilities with Viseca. In the normal course of business, employees and key management personnel may also request these services. They are granted normal terms and conditions that are also applied to other third parties.

5 Other information

This section presents information that has not been disclosed in previous sections of the report. This includes, for example, notes on employee benefits and income taxes.

5.1 Employee benefits

The Group is affiliated with Sammelstiftung der Kantonalbanken, which is a collective foundation of cantonal banks. The collective foundation is a separate legal entity. The foundation is responsible for managing the pension plan; its board of trustees comprises an equal number of employer and employee representatives from all affiliated companies.

The Swisscanto Sammelstiftung is not the only risk carrier, since Swisscanto is not a foundation with a full insurance guarantee. However, the payment of special contributions to finance a deficit is only applied if other measures do not promise success.

Economic benefit/economic obligation and pension expense

As at 31 December 2019, the collective foundation’s coverage ratio was 107.5% (2018: 101.1%). The following table shows the economic benefit and the economic obligation and the corresponding changes in the pension expense.

		Economic portion of the Aduno Group				Economic portion of personnel expenses	
In 1,000 CHF	**Surplus/ deficit 31.12.2019**	**31.12.2019**	31.12.2018	**Change from previous year (expense in 2019))**	**Contributions accrued for the period**	**2019**	2018
Pension plans with no surplus/deficit	-	-	-	-	7,854	7,854	6,699
Total					**7,854**	**7,854**	**6,699**

Employer contribution reserve

Accarda AG holds employer contribution reserves:

						Expense (+) / income (-) from the employer contribution reserve in personnel expenses	
In 1,000 CHF	**Nominal value 31.12.2019**	**Utilisation waiver 31.12.2019**	**Carrying value 31.12.2019**	**Change from previous year (expense in 2019)**	Carried value 31.12.2018	**2019**	2018
Pension schemes	1,234	0	1,234	0	1,233	0	0
Total	**1,234**	**0**	**1,234**	**0**	**1,233**	**0**	**0**

Summary of pension costs

In 1,000 CHF	2019	2018
Contributions to pension plans charged to Group companies	7,854	6,699
Contributions to pension plans paid from employer contributions reserve	0	0
Total contributions	**7,854**	**6,699**
Change of employer contributions reserve from evolution of fortune, impairments, discounting, etc. [1)]	1	0
Contributions and change in employer contributions reserve	**1**	**0**

1) Interest income

Accounting principles

The economic impact of the employee benefit plans on the Aduno Group is evaluated annually. Surpluses and deficits are calculated on the basis of the annual financial statements of the corresponding pension funds, which are based on Swiss GAAP FER 26. An economic benefit is capitalised if it is eligible and it is the intention to use the surplus of the pension plan assets to reduce the Group's future pension expense. In the event of a deficit, an economic obligation must be recognised if the conditions for the recognition of a provision are met.

Existing employer contribution reserves, which can be used as contributions at any time and have been withdrawn by the pension fund as employer contribution reserves, must be recognised as an asset under financial assets to the extent of the economic benefit, freely available reserves on the other hand are not activated. If the Group has granted the pension fund a conditional waiver of use, the asset will be impaired.

Changes in the value of recognised economic benefits or obligations from pension plans and employer contribution reserves are recognised in the income statement under personnel expenses.

5.2 Income taxes

Income taxes recognised in the income statement

Income taxes comprise:

In 1,000 CHF	2019	2018
Current income tax expenses	70,784	22,695
Deferred tax expenses	(21,946)	(3,378)
Total income tax expenses	**48,838**	**19,318**

In 1,000 CHF	2019	2018
Profit before income tax	107,164	123,717
Expected tax rate	18.39%	23.02%
Expected income tax	**19,707**	**28,478**
Use of non-actived looses	0	(2,053)
Additional incomes / non-deductable expenses	7,733	6,551
Non-taxable income	(27,982)	(13,796)
Tax rate changes	(331)	0
Change of provisions from last year	51,450	0
Various effects	(1,738)	138
Total income tax expenses	**48,838**	**19,318**
Effective income tax rate	45.57%	15.61%

Analysis of the income tax burden

The Group operates throughout Switzerland and is therefore taxed in many different tax jurisdictions. The Group's expected tax rate is calculated as a weighted average of the tax rates of the relevant tax jurisdictions.

Tax losses carried forward

As at 31 December 2019, deferred tax assets of CHF 0.1 million were recognised on tax loss carryforwards of CHF 0.7 million.

Accounting principles

Income taxes comprise all profit-related current and deferred income taxes. Current income taxes are calculated on the taxable gain or loss. Deferred income taxes are calculated on the basis of a balance sheet-oriented perspective of temporary differences between the figures determined in accordance with Swiss GAAP FER and the figures in the tax balance sheets. No deferred taxes are recognised when goodwill is initially recognised. Furthermore, no deferred taxes are recognised for temporary differences relating to interests if the timing of the temporary differences is controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred taxes are calculated on the basis of the tax rates expected to be applicable which have been legally agreed on the reporting date or for which the decision process has essentially been concluded.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profit will allow the asset to be recovered. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable for the respective tax benefit to be realised.

Deferred tax assets and liabilities are offset within the legal entities if there is a legally enforceable right to offset current tax assets and liabilities and if the deferred taxes relate to the same tax authority.

6. Events after the reporting date

Since the extensive spread of COVID-19 and its international implications did not happen until 2020, it is deemed a non-bookable event after the reporting date of 31 December 2019.

However, in the weeks ahead to the publication of the report, the Aduno Group recorded a significant decline in transaction volumes in various areas - especially in the restaurant and tourism sectors. At present, it is not yet possible to foresee the overall extent of these declines, but a noticeable drop in sales is expected in 2020.

Zurich, 23 April 2020

Pascal Niquille
Chairman of the Board of Directors

Max Schönholzer
Chief Executive Officer

Markus Bertini
Chief Financial Officer a.i.

Statutory Auditor's Report

To the General Meeting of Aduno Holding AG, Zurich

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Aduno Holding AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2019 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 25 to 78) give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

Basis for Opinion

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

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

Key Audit Matters

Revenue recognition

Assessment of impairment of goodwill and intangible assets

Allowance for receivables from the business unit Payment

Conversion of the accounting framework from IFRS to Swiss GAAP FER

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

KPMG

Revenue recognition

Key Audit Matter

The Group offers its clients services in the business field of cashless payment solutions and loyalty cards with payment function. Until the date of the disposal of the respective subsidiary on 2 September 2019, the Group also offered consumer finance facilities to private and corporate customers.

Revenue consists of commission income, annual fees and interest as well as other income. Commission income consists of transaction-based fees. Annual fees include the fees charged to credit card holders. Interest income comprises interest from short-term loans to credit card owners, long-term retail loans and lease financing.

We considered this matter to be of special significance as the posting of these income items on an accrual basis can have a material impact on the Group’s net profit. Income must be captured correctly and must provide a true account of the business on hand.

Our response

We analyzed and tested the design and effectiveness of key controls in the area of revenue recognition in order to assess whether revenues are captured correctly.

Our audit procedures also included the following:

— Reconciliation of revenues from the Payment business with relevant third parties;

— Evaluation of revenue trends from retail loans and leasing portfolios with effectively recorded interest income;

— On a sample basis, reconciliation of revenues from the Payment business to the final accounts of international credit card companies, such as Mastercard and Visa;

— Sample testing of static data in Consumer Finance business with relevant contracts;

— Inspection of the reconciliations between sub-ledgers and the general ledger and assessment of deviations for materiality; and

— Testing of relevant system interfaces.

Assessment of impairment of goodwill and intangible assets

Key Audit Matter

As of 31 December 2019, goodwill amounts to CHF 55.3m (31 December 2018: CHF 72.9m). Total intangible assets amount to CHF 18.4m as of 31 December 2019 (31 December 2018: CHF 159.4m).

In the course of the conversion of the accounting framework from IFRS to Swiss GAAP FER, parts of goodwill and intangible assets were offset against equity.

Goodwill and intangible assets are assessed for impairment on an annual basis. In case there are indications of impairment for goodwill and intangible assets, the value in use is calculated.

Due to the inherent uncertainty regarding the assumptions used in determining the value in use of the business units and the intangible assets, this area is subject to significant judgment.

Management concluded that an impairment of CHF 106.3m is required on intangible assets. Management further concluded that no impairment is required for goodwill as of 31 December 2019.

Our response

We assessed and tested the design and operating effectiveness of key controls regarding the assessment of impairment of goodwill and intangible assets.

Our audit of management's assessment of impairment of goodwill and intangible assets included the following procedures:

— Reconciliation of cash-flow forecasts used to the strategic business plan approved by the board of directors and the allocation of such cash flows to business units and intangible assets;

— Assessment of discount rates, growth rates and cash-flow forecasts by reference to externally available data and by back-testing historical forecasts to actual results; and

— Conducting sensitivity analysis taking into account the historical forecasting accuracy of the Group.

We further recalculated the difference between the carrying values and the values in use.

Concerning the offset of parts of goodwill and intangible assets against equity in the course of the conversion from IFRS to Swiss GAAP FER, we evaluated whether such offset is in accordance with Swiss GAAP FER and whether it has been applied consistently.

We used our own valuation specialists to support our procedures.

KPMG

Allowance for receivables from the business unit Payment

Key Audit Matter	Our response
As of 31 December 2019, receivables from the business unit payment amount to CHF 674.3m (31 December 2018: CHF 680.9m). The total loss allowance for receivables from the business unit payment amounts to CHF 11.5m (31 December 2018: CHF 8.5m).	We assessed and tested the design and operating effectiveness of the key controls over the assessment for allowances for receivables from the business unit Payment. This included the controls around the calculation, approval, recording and monitoring of the allowances.
Loss allowances for receivables from the business unit Payment are based an expected credit loss model. At each reporting date, credit risk is re-assessed to determine whether it has increased significantly. The assessment considers both quantitative and qualitative factors.	Together with our own valuation specialists, we verified the adequacy of the model methodology, the key assumptions used, the model implementation and its compliance with Swiss GAAP FER through substantive audit procedures. We have also assessed the adequacy of the allowance recorded.
The loss allowances are adjusted based on management's judgement as to whether actual losses are likely to fall above or below historical trends given current economic and loan conditions.	

Conversion of the accounting framework from IFRS to Swiss GAAP FER

Key Audit Matter

With effect as of 1 January 2019, the Aduno Group changed its accounting framework from International Financial Reporting Standards (IFRS) to Swiss GAAP FER.

In the course of the conversion, the Board of Directors and Management have exercised various accounting policy choices and implemented for the first time the disclosure requirements in accordance with Swiss GAAP FER for the consolidated financial statements 2019.

The conversion from IFRS to Swiss GAAP FER has a significant impact on the consolidated financial statements 2019 and the comparative information presented therein.

Our response

In our audit of the conversion from IFRS to Swiss GAAP FER, we performed in particular the following audit procedures:

- Assessment of the impact analysis prepared by management in relation to the effects of the conversion on the comparative information as of 1 January and 31 December 2018 as well as for the 2018 financial year regarding completeness; and
- Evaluation whether all effects identified were processed correctly in the comparative information as of 1 January and 31 December 2018 as well as for the 2018 financial year.

Assessment whether the accounting policy choices were made in accordance with Swiss GAAP FER and whether they were applied consistently.

We also assessed the completeness and the appropriateness of the disclosures according to Swiss GAAP FER in the 2019 consolidated financial statements.

Responsibility of the Board of Directors for the Consolidated Financial Statements

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

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

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

KPMG AG

Thomas Dorst Licensed Audit Expert Auditor in Charge	Marcel Bader Licensed Audit Expert

Zurich, 23 April 2020

Income statement

In 1,000 CHF	2019	2018
Cost / revenue category		
Dividend income	45,000	116,500
Interest income from third parties	269	697
Interest income from other Group companies	11,160	12,274
Total revenue	**56,429**	**129,471**
Other income	7,593	8,050
Operating income	**64,022**	**137,521**
Interest expenses to third parties	(9,296)	(9,224)
Interest expenses to other Group companies	(2,657)	(2,157)
Other expenses	(11,227)	(6,776)
Depreciation on property and equipment	(1,627)	(605)
Depreciation on intangible assets	(1)	(3)
Operating expenses	**(24,807)**	**(18,765)**
Results from operating activities	**39,215**	**118,756**
Depreciation on associated companies	0	(1,335)
Extraordinary and prior period income	127,779	86
Extraordinary and prior period expenses	0	(3,137)
Profit before income tax	**166,994**	**114,371**
Income tax expenses	(2,182)	(479)
Profit for the year	**164,812**	**113,892**

Balance sheet

In 1,000 CHF	2019	2018
Assets		
Cash and cash equivalents	564,779	45
Short-term receivables from other Group companies	710	1,094,952
Other short-term receivables	283	151
Prepaid expenses	424	924
Total current assets	**566,197**	**1,096,072**
Investments	309,365	437,475
Long-term receivables from other Group companies	275,000	275,000
Property, plant and equipment	311	1,937
Intangible assets	35	0
Total non-current assets	**584,710**	**714,412**
Total assets	**1,150,907**	**1,810,485**
Liabilities		
Other trade payables	30	133
Short-term interest-bearing liabilities	1	1,117,641
Short-term interest-bearing liabilities to other Group companies	328,805	0
Other payables	22	147
Accrued expenses	4,052	3,224
Short-term provisions	5,971	2,226
Total current liabilities	**338,881**	**1,123,371**
Long-term interest-bearing liabilities	275,000	275,468
Long-term provisions	2,048	1,480
Total non-current liabilities	**277,048**	**276,948**
Total liabilities	**615,929**	**1,400,318**
Share capital	25,000	25,000
Legal capital reserves		
Reserves from capital contributions	94,256	94,256
Other capital reserves	1,014	1,014
Legal retained earnings reserves	6,428	6,428
Voluntary retained earnings		
Free reserves and statutory reserves	169,240	169,240

Accumulated profit brought forward	74,229	337
Net profit for the year	164,812	113,892
Total equity	**534,978**	**410,167**
Total liabilities and equity	**1,150,907**	**1,810,485**

Notes to the annual financial statements

Accounting principles

Basis of preparation

The statutory financial statements of Aduno Holding AG have been prepared in accordance with the requirements of the Swiss Code of Obligations (SCO). Unless stated otherwise, all assets and liabilities are reported at their nominal value. All figures in the annual financial statements are rounded in accordance with commercial principles. All financial information presented in Swiss Francs has been rounded to the nearest thousand, except when indicated differently.

Reporting period

The reporting period begins on 1 January and ends on 31 December of the calendar year.

Recognition of business transactions

Business transactions are presented according to the settlement date principle.

Foreign currency translation

The translation of foreign currency is carried out in accordance with the closing rate method. At year end all financial assets and liabilities in foreign currencies are translated at the year-end rate according to the exchange rate list of Bloomberg Corporation (market data provider: Swiss Federal Department of Finance).

Investments in other Group companies

Company	Participation	Share capital in 1,000 CHF	Since
Viseca Card Services SA, Zurich	100%	20,000	2007
cashgate AG, Zurich *	0%	-	-
Accarda AG, Brüttisellen	100%	18,500	2007
Aduno Finance AG, Stans	100%	1,000	2011
Contovista AG, Schlieren **	100%	140	2016

* Sale of investment as per 02.09.2019

** 70% participation until 24 July 2019

The participations are reported at initial cost.

Impairments and provisions

Provisions, i.e. individual or general reserves for bad debts, are accrued for all the risks identified at the balance sheet date in accordance with the caution principle. Currently no risks have been identified.

Income taxes

Income taxes are calculated and reserved based on the results of the financial year.

Events after the reporting date

Since the strong spread of COVID-19 with international implications did not occur until 2020, this is a non-bookable event after the balance sheet date of December 31, 2019. The financial impact on the 2020 reporting period and beyond cannot currently be estimated.

Other disclosures

Extraordinary and prior period income

The extraordinary and prior period income includes reversals of overstated tax provisions from 2013 until 2015 (TCHF 94), reversals of overstated deferrals from 2017 until 2018 (TCHF 413) and gains on the sale of investments (TCHF 127'272).

Guarantee obligations

As at 31 December 2019 the following guarantees exist:

- Rental liabilities of Aduno Holding AG for its premises in Business Center Andreaspark in Zurich, amounting to CHF 1.3 million (2018: CHF 1.3 million)
- Guarantees for prepayments of credit card owners of Viseca Card Services SA, amounting to CHF 16 million (2018: CHF 15 million)
- Guarantees for prepayments of prepaid credit card owners of Viseca Card Services SA, amounting to CHF 66 million (2018: CHF 66 million)
- Instalments option of consumer credit customers of Viseca Card Services SA, amounting to CHF 0.5 million (2018: CHF 0.5 million)
- Rental liabilities of Viseca Card Services SA for its premises in Bedano, amounting to CHF 0.2 million (2018: CHF 0.2 million)
- Keep-well guarantee in favour of Aduno Finance AG, amounting to CHF 1,500 million (2018: CHF 2,600 million)

Unsecured bond issues

In 1,000 CHF	Nominal interest rate	Maturity	Due date	Accrued interest at 31.12.2019	Accrued interest at 31.12.2018
275 million bond issue	1.125%	2014-2021	16.07.2021	1,431	1,431

Contingent liabilities

The company has entered into long-term rental agreements for CHF 9.0 million as of 31.12.2019.

Information on the performance of a risk assessment

Aduno Holding AG is part of the Group-wide risk management system of the Aduno Group. Therefore, the Board of Directors of Aduno Holding AG decided not to perform an individual risk assessment for the company.

The Board of Directors of Aduno Holding AG has, as parent company, delegated the execution of the risk assessment to the Group's Executive Management. The Executive Management maintains a risk assessment board, which records any material risks, assesses their importance and probability of occurrence and, if required, defines measures and monitors the processing thereof. The risk analysis is regularly confirmed by the Board of Directors of the Group.

In order to ensure that the company's Annual Financial Statement comply with the underlying accounting principles and proper corporate reporting, the company has introduced further operative internal control and steering systems, which are examined on a regular basis. For accounting and valuations, assumptions and estimates are made regarding the future. The estimates and assumptions that represent a significant risk in the form of a major adjustment to the carrying amounts of assets and liabilities in the coming financial year are presented in the notes for the individual positions. Overall, no risks were identified in the financial year just ended that could lead to a material correction in the assets, financial situation and results of operations of the company and/or group of companies as presented in the Annual Financial Statements.

To improve the risk assessment, an Internal Control System (ICS) has been introduced that is reviewed and updated on an ongoing basis. All the risk-relevant processes of Aduno Holding AG are listed in the ICS. This system is reviewed by the auditors as part of the annual audit.

Zurich, 23. April 2020

Pascal Niquille
Chairman of the Board of Directors

Max Schönholzer

Max Schönholzer
Chief Executive Officer

Markus Bertini
Chief Financial Officer a.i.

Proposal for the appropriation of earnings at the general meeting

The Board of Directors proposes that the retained earnings be appropriated as follows:

In CHF	2019	2018
Appropriation of retained earnings		
Balance carried forward from prior year	74,228,902	337,355
Profit after tax	164,811,640	113,891,547
Total retained earnings	**239,040,542**	**114,228,902**
Dividend payment	120,000,000	40,000,000
Balance to be carried forward	119,040,542	74,228,902
Total appropriation of retained earnings	**239,040,542**	**114,228,902**

As the general reserves reached 20% of the share capital, no further allocation is made.

On behalf of the Board of Directors

Pascal Niquille
Chairman of the Board of Directors

Statutory Auditor's Report

To the General Meeting of Aduno Holding AG, Zurich

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Aduno Holding AG, which comprise the balance sheet as at 31 December 2019, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting principles.

In our opinion the financial statements (pages 86 to 93) for the year ended 31 December 2019 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

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

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

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

Valuation of investments in other Group companies

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

Valuation of investments in other Group companies

Key Audit Matter	Our response
Total investments in other Group companies amount to CHF 309.4m as of 31 December 2019 (31 December 2018: CHF 437.5m) Investments in other Group companies are valued at the lower of acquisition cost or value in use. Management reviews investments in subsidiaries for impairment on an annual basis. As of 31 December 2019, management concluded that no impairment is required (2018: no impairment). The assessment of the value in use requires judgement about projected future cash-flows and discount rates used.	Amongst others, our audit procedures included evaluating the method used for impairment testing, assessing the appropriateness of the assumptions used and comparing the cash-flow forecasts used to the strategic business plan approved by the board of directors. We also tested the mathematical accuracy of the comparison of the value in use and the book values. We further considered the appropriateness of disclosures in relation to investments in other Group companies.

Responsibility of the Board of Directors for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Thomas Dorst
Licensed Audit Expert
Auditor in Charge

Marcel Bader
Licensed Audit Expert

Zurich, 23 April 2020

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PUBLISHING DETAILS

Annual Report 2019

This Annual Report is published in German and English. The German version is binding for the condensed consolidated financial statements.

Exclusion of liability

This report contains forward-looking statements that do not give any guarantees of future performance. These statements contain risks and uncertainties, including but not restricted to future economic conditions, legal provisions, market conditions, activities of competitors and other factors that are outside the Company’s control.

Publisher

Aduno Group