

**Turnover and earnings increase once again, room occupancy running at 81%  
CHF 150 million refurbishment and new building programme successfully  
underway**

**Kursaal Business & Event Center reopened**

**From Grand Hotels to Grand Resort**

During the 2007 financial year, the Grand Hotels Bad Ragaz have made a successful start on the realisation of the extensive refurbishment and new building work programme to position the company as the leading resort in Europe. Keeping up the operation of the resort at the same time proved a major challenge for the staff and management. It is therefore all the more gratifying to be able to report record results during the year under review:

- Consolidated turnover increased by 4.4% to CHF 99.1 million (previous year CHF 94.9 million) a new all time high in the company's history.
- The operating result (EBIT) from normal business activities amounted to CHF 11.6 million. This means that last year's outstanding result (CHF 10.8 million) has been surpassed despite higher additional costs incurred in the improvement of guest services and in preparation for the business reorientation.
- After one-time write-downs and expenditures in connection with the current refurbishment and new building programme (in particular for residual value write-downs on buildings and fittings amounting to CHF 9.7 million), the result was an operating loss of CHF 1.0 million and an annual loss of CHF 4.6 million.
- The cash flow from normal business activities was increased by 3.6% from CHF 16.9 million to CHF 17.5 million. CHF 27.9 million has already been invested as part of the current refurbishment and new building programme.
- Even after the heavy investment in the first building phase, the consolidated balance sheet total continues to show a healthy equity ratio of 43.7 % (previous year 50.4%).

**Resort: Best ever result**

In the Resort business sector – consisting of the Grand Hotels Quellenhof and Hof Ragaz, the To B. Wellness and Beauty area, the Medical Health Center, the Business and Event Center plus the golf courses – the Grand Hotels Bad Ragaz achieved an operating result of CHF 5.0 million (previous year CHF 4.1 million) on a total turnover of CHF 68.4 million (previous year CHF 65.8 million). This is the best operating result ever achieved by the Resort business sector.

With a room occupancy rate of 81.3% (previous year 80.4%) the two hotels recorded a total of 99,620 guest nights (previous year 97,291 guest nights), an increase of 2.4%. In view of the building work going on in the grounds at the same time, this is a remarkable achievement. The increase has come about from a consistent orientation on the wellness, health, business/events and golf guest segments as well as ceaseless endeavours to make the packages and services even better for guests.

**Tamina Therme: declining visitor numbers in the year before the total refurbishment**

The number of visitors to the Tamina Therme in the final reporting year before the rebuilding and expansion work fell by 13.3 % to 237,144 (previous year 273,447). At CHF 4.2 million (previous year CHF 4.9) the turnover was down on account of the lower volume of visitors, resulting in an operating loss of CHF 0.1 million. (previous year: operating profit CHF 1.9 million). The old Therme was closed at the beginning of March 2008 and a start made on the demolition work. The management of the Grand Hotels is confident that the newly designed Tamina Therme with separate sauna landscape, modern wellness and massage facilities as well as an integrated restaurant will provide attractive stimuli to spa tourism in the region from 2009.

**Casino: significant increase in gross gaming revenue – five successful years**

The Casino Bad Ragaz enjoyed a Swiss premiere with the launch of Multi Roulette which even attracted great attention in the international casino press. After five years, the Casino Bad Ragaz consistently proves that constant innovation and natural hospitality are the keys to sustained success even in a predominantly rural region. In comparison to the previous year, the result in the live game area was increased by around 9.5% and in the slot machine area by as much as 11.4 %. The result of this was to increase the gross gaming revenue by 11.1% to CHF 24.8 million (previous year CHF 22.3 million). The operating profit was improved from CHF 4.4 million to CHF 5.2 million.

**Valens Clinic: clinical success and expertise**

The Valens Clinic continues to prove its medical expertise and outstanding reputation. Specialising in functional impairments of the musculoskeletal and nervous systems, it continues to experience a constant flow of patient referrals from Switzerland and abroad, enabling it to report 2,537 patients with a total of 45,852 inpatient days and a bed utilisation of 99.7%.

**Extensive refurbishment and new building programme successfully started**

At the beginning of 2007, the ambitious building programme intended to position the resort as the number 1 in Europe in the 21st century was started on schedule at the Grand Hotels Bad Ragaz. Project enhancements incorporated during the planning, higher quality standards and rising building costs increased the total investment sum from CHF 115 million to CHF 150 million.

The first building phase involved the conversion of the Kursaal erected by Bernhard Simon in 1869. In order to meet growing demands by guests for appropriate facilities for up-market business and private events, the historic Kursaal has been converted into a modern business & event center. The conversion was completed just before Christmas. The highly successful new “Kursaal” is an impressive testimony to the business philosophy of conserving and developing established traditions and values through contemporary reinterpretations.

Four further building phases are to follow. As early as April 2008, the Medical Health Center will move into the new therapy building with its own therapy pool. The new building will satisfy the modern therapy needs of today’s guests.

The Grand Hotel Hof Ragaz was closed at the end of March 2008. It is being renovated and partially rebuilt. Once the building work is completed, the hotel will reopen in the 5-star category. At the same time, the Grand Hotel Quellenhof is being enlarged with a new building housing 56 exclusive spa suites. These suites will epitomise the modern spa age and offer luxury-seeking guests a private ambiance of the highest order.

The To. B. wellbeing and beauty area is also being expanded and comprehensively refurbished. Wellbeing and health will occupy an even more prominent role in the Grand Hotels Bad Ragaz in future.

In early summer 2009, the Tamina Therme will reopen to the public as a modern thermal spa landscape. Visitors can look forward to selected well-being offers, new sauna landscapes and refreshing, high quality thermal spa water.

The building programme will be completed in April 2009. This forward-looking investment programme is being financed with a combination of additional equity and outside capital. At the end of 2007, an outline credit facility of around CHF 200 million was granted to the group of companies, including the newly founded Tamina Therme AG. In addition to that, at the General Meeting on 20 May 2008 the Board of Directors intends to propose an ordinary increase in capital with an issue volume of around CHF 40 million and to inform the shareholders on the details and the significance for their existing shareholdings.

### **Changes to the Board of Directors and the Management**

With the exception of Marco Früh, all members of the Board of Directors are standing for re-election for a further period of office in May. The Board of Directors would like to take this opportunity to thank Marco Früh for his active collaboration in an important phase for the company.

With effect from January 2008, Patrick Vogler as Commercial Director and Member of the Management took charge of the Finance and Financial Control department. He succeeds Christoph Glutz who is going freelance after a successful eight-year period. The Board of Directors would like to express its thanks to Christoph Glutz for his dedicated and successful work. As President of the Valens Clinic Foundation, he will maintain his association with the company.

### **Vision**

The re-orientation of the company will also be expressed in a new business name and in the brand communication activities. With the renaming of the Grand Hotels Bad Ragaz to the Grand Resort Bad Ragaz AG, the Grand Hotels Bad Ragaz are creating an umbrella brand and at the same time taking into account the diversification and varied character of its services that extend far beyond the traditional hotel sector. This also involves an updating of the brand design. The proposal to adopt the new company name is to be submitted to the General Meeting on 20 May 2008.

## **Outlook**

The 2008 financial year has begun positively in line with our expectations, enabling the management of the Grand Hotels Bad Ragaz to tackle the impending tasks with confidence. We are setting about the new year - one that will be even more marked by radical change, expansion and re-orientation than 2007 - with ambitious goals.

## **Further information**

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## **Enclosure**

- Consolidated key figures for the Grand Hotels Bad Ragaz
- Key figures for the Valens Clinic

## **Pictures** (photo-CD)



*New SPA-Suite*

KEY FIGURES FOR THE GRAND HOTELS BAD RAGAZ (CONSOLIDATED) in CHF millions

	2007	2006	2005	2004	2003
Turnover	99.1	94.9	90.8	87.5	85.6
Grossw Operating Income (GOI)	38.5	36.9	35.7	34.1	34.7
As a % of turnover	38.9	38.9	39.3	38.9	40.5
Earnings before Interest, Tax, Depreciation & Amortisation (EBITDA) from normal business activities	21.2	20.9	19.6	20.0	19.2
As a % of turnover	21.4	22.0	21.6	22.9	22.4
Earnings before Interest an Tax (EBIT) from normal business activities	11.6	10.8	10.2	8.8	9.2
As a % of turnover	11.7	11.3	11.2	10.1	10.7
Special expenditure	-12.6	-0.5	-0.4	-0.3	0.0
Earnings before Interest and Tax	-1.0	10.3	9.7	8.5	9.2
Annual profit	-4.6	7.4	5.2	3.8	4.6
Cashflow from normal business activities	17.5	16.9	16.3	15.2	14.8
Investments	27.9	4.0	4.0	4.5	5.1
Balance sheet total	193.5	183.3	186.4	201.3	225.7
Equity capital	84.6	92.3	85.9	84.4	83.0
As % of the balance sheet total	43.7	50.4	46.1	41.9	36.8

**OTHER KEY FIGURES  
(CONSOLIDATED)**

in CHF millions

	2007	2006	2005	2004	2003
Guest nights	99'620	97'291	95'964	95'046	96'892
Room occupancy in %	81.3	80.4	79.1	78.1	79.7
Guest rooms	237	237	237	237	237
Average room rate in CHF	430	414	397	388	416
Number of employees (full-time)	581	567	559	559	566

<sup>1</sup> Gross Operating Income

<sup>2</sup> Earnings before Interest, Tax, Depreciation and Amortisation

<sup>3</sup> Earnings before Interest and Tax