

Helsana

2015

The number '2015' is rendered in a large, white, sans-serif font. The digit '2' is solid white. The digit '0' is a white oval containing a photograph of a hiker with a backpack, seen from the side, looking out over a bright, hazy landscape. The digit '1' is solid white. The digit '5' is a white shape containing a photograph of a field of tall grass or reeds under a bright sky.

Helsana Group Annual Report

Key figures

1.9

million
policyholders

5.9

billion CHF
in benefits

6

billion CHF
in premium income

3,214

employees

102.3

%
combined
ratio

16

million CHF
profit for
the period

	2015
Income statement	
Premiums earned	5,981,755
Insurance benefits	-5,863,039
Operating expenses	-601,955
Profit/loss for the period	15,936
In % of premiums earned	
Equity	32.7 %
Insurance cost (loss ratio)	92.2 %
Operating cost (cost ratio)	10.1 %
Combined ratio (sum of loss and expense ratios)	102.3 %

Dear Readers,

As expected, 2015 was a challenging year for Helsana. The renewed increase in the cost trend put pressure on results. However, the Helsana Group remains solid and looks to the future with confidence. Helsana re-defined its strategic focus in 2014: We want to be among the top three companies in the industry in terms of customer perception by 2018. Now we have the structure that is best suited to help us achieve this strategic target. We make every effort to ensure that our customers are satisfied with us and our service, that they are so pleased with Helsana that they recommend us to others. We are committed to this each and every day.



Thomas D. Szucs
Chairman of the Board of
Directors



Daniel H. Schmutz
CEO

A year of challenges

2015 was a challenging year for the Helsana Group. As expected, the result was slightly positive, our finances solid. The foundation is in place for becoming one of the industry top three in terms of customer perception.

As expected, 2015 was a challenging year for Helsana. At CHF 16 million, the result was just positive. The underwriting loss was offset by a good investment result.

The underwriting loss in basic insurance was planned. However, it was higher than expected because the benefit costs rose more sharply than predicted. In supplementary insurance, rising benefit costs as well as the decision to forgo premium adjustments in previous years led to a modest result.

2015 was dominated by the creation of a new structure intended to achieve the strategic target defined in 2014 of becoming one of the industry top three in terms of customer perception. This foundation has now been laid.

There was one change in accounting: For the first time, the Helsana Group accounts are being presented in accordance with the current accounting standards under Swiss GAAP FER as at 31 December 2015. As a consequence of this change, it is not possible to make a direct comparison with previous years.

Continuing increase in benefit costs

The Helsana Group's benefit costs continued to rise in 2015 and amounted to CHF 5.876 billion. At just under CHF 6 billion (CHF 5.982 billion), premium income was also higher than it was in 2014.

The increase in benefit costs is due to the continuing trend in all cost types. After several years of lower growth, the yearly cost increase is once again in line with the long-term level of more than 4%. In KVG business, medical costs, the costs for physiotherapy and home care, and medication costs saw a significant rise. As in 2014, medical costs were higher mainly because of the increase in approved specialists. The costs for physiotherapy and home care increased in particular because of the change in volume. With the end of the cost-cutting measures initiated over the past several years, medication costs have started to rise again. In VVG business, the main driver of cost increases stems from supplementary hospital insurance.

5.9

billion CHF
in benefits

“Working from our position of strength, we want to continue to be a committed partner in helping to shape healthcare.”

Prof. Dr. Thomas D. Szucs,
Chairman of the Board of Directors

6

billion CHF
in premium income

16

million CHF
in earnings

Underwriting loss

For 2015, the Helsana Group budgeted an underwriting loss. At CHF -137 million, the underwriting result was somewhat worse than expected. The result corresponds to a combined ratio of 102.3%.

In KVG business, the combined ratio was 103,7 %. This high value for the Group is mainly because benefit costs rose more sharply than expected. As a result, 2016 premiums had to be increased significantly as well, following increases in 2013, 2014 and 2015.

The combined ratio in VVG business was just barely in positive territory at 98,9 %. This is a result of increased benefit costs and the decision to forgo premium adjustments. In accident insurance business, the combined ratio was 97,2 %.

“We will work tirelessly on behalf of our customers. We want them to see our commitment and recommend us to others.”

Daniel Schmutz, CEO

102,3 %

Combined ratio

Investment income solid and above the benchmark

The financial markets were less positive in 2015 than in the previous years of stable growth. Even in this environment, Helsana once again outperformed the benchmarks. In 2015, the performance of Helsana's investment specialists beat the benchmark by 0.8 percentage points. Overall performance was 1.6 % on fixed assets of CHF 5.8 billion. The financial result was CHF 154 million and thus improved the overall result significantly. In recent years, our broadly diversified investment portfolio has made an ongoing contribution to strengthening financial capacity and has allowed Helsana to improve solvency and to attenuate premium increases for customers.

1.958

billion CHF
equity

Helsana is financially solid and prepared for the future

All companies in the Helsana Group continue to meet the legal requirements concerning solvency. As at the end of 2015, the Helsana Group had CHF 1.958 billion in equity capital. Its market position therefore continues to be solid. Helsana remains well prepared for the future.

Top 3

We want to be one of the industry top three in terms of customer perception by 2018.

Despite the difficult market situation and costs that continue to rise sharply, Helsana looks to the future with confidence. It aims to continue to play a leading role in Swiss healthcare and to help make health services competitive, high quality and at the same time affordable for all.

Helsana re-defined its strategic focus in 2014, setting itself the target of earning the highest marks from its customers by 2018. In all that we do, we will ask how we can work on behalf of our customers.

In deciding on this new strategic direction, Helsana was able to rely on the strength, expertise and professionalism of its employees. The total number of employees has remained constant. Helsana is only at the beginning, but it has created important conditions for becoming one of the industry top three in terms of customer perception. Helsana is well prepared to continue down this path.

Good management is based on rules

The Helsana Group operates in accordance with the principles of corporate governance – for responsible and transparent management. This creates clarity for our policyholders, employees, shareholders and the public.

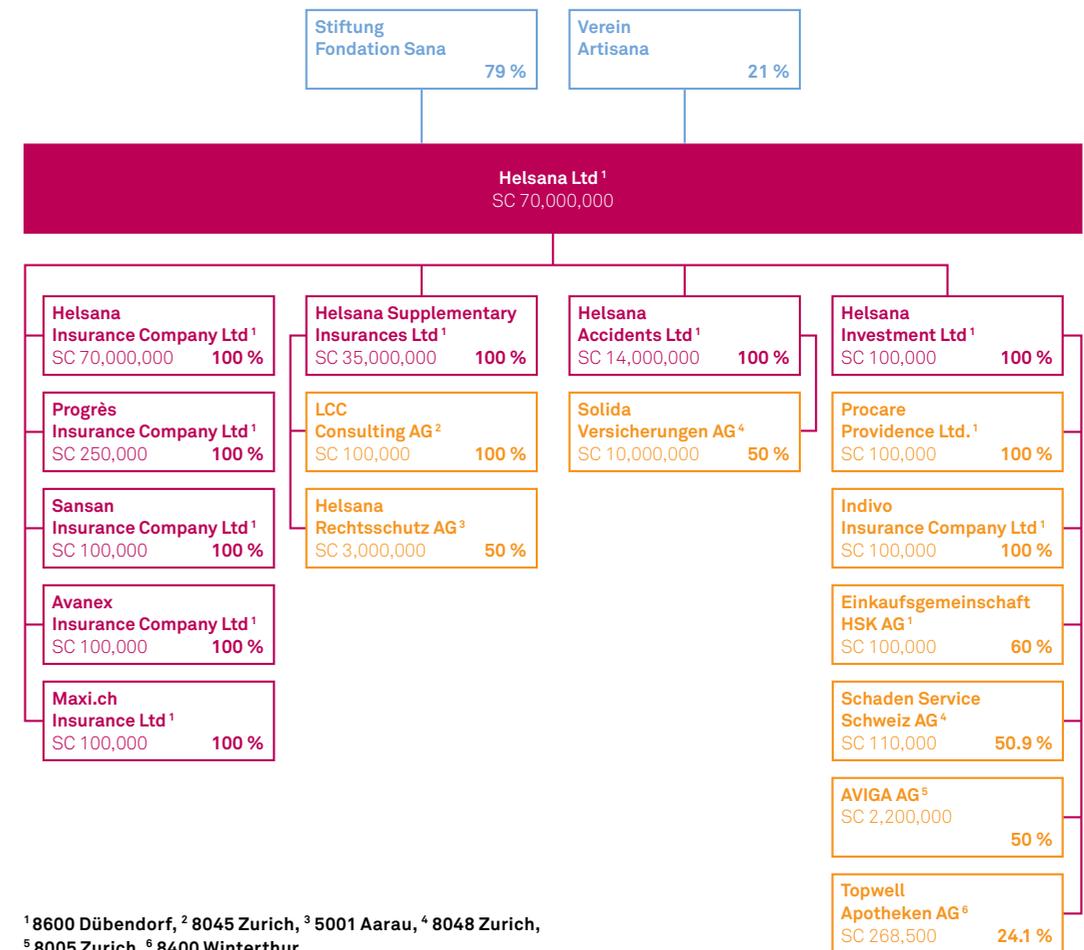
At the Helsana Group, corporate governance encompasses the entire organisation of the company as well as the management and control instruments with which it meets legal requirements. In terms of transparency and responsibilities, it follows the recommendations of the Swiss Code of Best Practice for Corporate Governance.

The Code of Conduct contains the ethical principles of business as stipulated by the Board of Directors, to which all Helsana employees are committed. The Code of Conduct contains the shared fundamental values and principles for daily work that all employees of the Helsana Group must follow to ensure the achievement of our long-term objectives. It also fosters a common understanding of what is honest and ethical business practice.

1. Group structure and shareholder base

The shareholders of Helsana AG are Stiftung Fondation Sana owning 79 percent and Verein Artisana owning 21 percent of the share capital of CHF 70 million. Stiftung Fondation Sana consists of a Foundation Board with currently 28 members and a committee of seven members. Verein Artisana is governed by a board of ten members.

Helsana does not have any holdings in the listed companies included in its consolidated financial statements. It also does not have any cross-shareholdings where either party owns more than five percent of the capital or votes.



¹ 8600 Dübendorf, ² 8045 Zurich, ³ 5001 Aarau, ⁴ 8048 Zurich, ⁵ 8005 Zurich, ⁶ 8400 Winterthur

2. Capital structure

The share capital of Helsana AG amounts to CHF 70 million, divided into 70,000 fully paid up registered shares with a nominal value of CHF 1,000 each. Each share entitles the holder to one vote at the Annual General Meeting. Registered shares may only be transferred with the approval of the Board of Directors. The share capital did not change in the past three reporting years. There are no rules restricting nominee entries.

There are no preferred or voting shares, and the company does not have any participation certificates outstanding. The company has neither conditional nor authorised capital nor has it issued any

dividend-right certificates. Helsana has not issued any convertible bonds or options nor does it have any outstanding.

3. Board of Directors

The Board of Directors is responsible for the strategic management of the Helsana Group. The Board consists of the chair and eight members. The Board of Directors comprises only non-executive members (see page 16).

- More detailed information on the members of the Board of Directors can be found at: helsana.ch/bod

None of the members sat on the Executive Board of any Helsana Group company in the past three financial years. The Board members also do not have any business relationships with the Helsana Group and its companies that could influence their decisions and activities as members of the Board of Directors.

The members of the Board of Directors are elected individually for a new term of office by the General Meeting every two years. Board members may be re-elected for a maximum of five terms. If a member leaves the Board during their term of office, their successor will serve the remainder of that term.

3.1 Internal organisation

The organisational structure of the Board of Directors and Executive Board is governed by the organisational regulations, which set out the responsibilities of the Board of Directors, its committees, the internal auditors and management as well as their reporting tasks.

The Board of Directors is the highest management authority of the Helsana Group. Three standing Board committees support the work of the Board of Directors in coordinating its tasks, issuing policy documents and preparing resolutions. They may be supplemented by additional specialised committees for specific tasks. The Board of Directors meets as often as business requires, but at least five times a year (2015: eight sessions).

Three standing committees support the work of the Board of Directors

Committees	Executive & Remuneration Committee	Audit & Risk Management Committee	Investment Committee
Composition	Prof. Dr. Thomas D. Szucs (Chairman), Michela Ferrari-Testa and Kurt Gfeller	Dr. Christiane Roth-Godat (Chair), Yves Cuendet and Severin Moser	Prof. Dr. Thomas D. Szucs (Chairman), Daniel Loup and Reto Stump
Duties and powers	Coordinating and preparing business matters that have to be submitted to the Board of Directors, preparing proposals on the remuneration of the Board members for the Board of Directors and determining the remuneration to be paid to the Executive Board in accordance with the guidelines of the Board of Directors.	Preliminary evaluation and opinion to the Board on all matters regarding accounting, auditing and reporting to the Board on the terms of reference, reporting including the management letter and determining the fees of the external auditors, election of the Head of Internal Audit, coordinating the audit plans of internal and external auditors, approval of and reporting to the Board on the reports of the internal auditors, the responsible actuary, the external group companies and the situation in risk management and the internal control system (ICS).	Preliminary assessments and preparing position statements for the Board of Directors on the reporting on non-current assets in the quarterly and annual reports, preliminary assessments and position statements for the Board of Directors on the value at risk, the investment strategy and investment transactions that fall within the remit of the Board of Directors, preliminary assessments and position statements for the Board of Directors on the annual review of the investment regulations.
Meetings	The three standing committees meet as often as business requires (number of meetings in 2015: Executive & Remuneration Committee: 7, Audit & Risk Committee: 4, Investment Committee: 5)		

3.2 Internal audit

Internal audit provides the Board of Directors with an efficient method of obtaining information independently. Internal audit reports directly to the chair of the Audit & Risk Management Committee. The objective of a risk-based process of monitoring the management and control processes is to improve the business processes and create corporate added value.

Internal audit submits quarterly reports to the Board of Directors and coordinates and supports the work of the external auditors.

4. Executive Board

The Executive Board manages the operations of the Helsana Group. It consists of five members. The CEO has executive operating responsibility (see page 17).

- More detailed information on the members of the Executive Board can be found at: helsana.ch/eb

5. Remuneration, shareholdings and loans

The Board of Directors determines the remuneration for its members at the request of the Executive and Remuneration Committee. This committee determines the remuneration for members of the Executive Board in accordance with the guidelines of the Board of Directors. The total remuneration of the Executive Board is composed of a fixed annual salary, a variable component and employer contributions to social security and the pension fund. The variable component is dependent on objective attainment.

Remuneration of serving members of Group bodies

None of the companies of the Helsana Group is listed on the stock exchange. The Helsana Group reports the highest remuneration paid to an individual member separately for each of the two bodies. In 2015, the following remuneration was paid to acting members of the Board of Directors and the Executive Board: the total remuneration of the Board of Directors amounted to CHF 758,500; this amount includes all remuneration for their work on Board committees. No variable components were paid. The Chair of the Board of Directors received remuneration of CHF 179,000. The total remuneration of the five-member Executive Board consisted of cash payments of CHF 2,857,000, pension contributions of CHF 507,000 and other compensation of CHF 146,000. The CEO of the Executive Board received the highest remuneration in the form of a cash payment of CHF 765,000, pension contributions of CHF 138,000 and other compensation of CHF 36,000. The cash payments include the basic salary and all variable components.

The members of the Executive Board must pay to the company all royalties, fees and other remuneration accruing to them from mandates performed on behalf of the Helsana Group. No additional fees or remuneration requiring disclosure were paid to members of the Board of Directors or the Executive Board.

6. Shareholders' rights of participation

Each share entitles the holder to one vote at the Annual General Meeting. There are no preferred or voting shares. Shareholders may be represented at the Annual General Meeting by a written proxy. The proxy does not have to be a shareholder.

There are no statutory rules on the restriction of voting rights and participation in the Annual General Meeting.

Resolutions are passed by the absolute majority of votes represented, unless required otherwise by a mandatory provision of the law. There is no statutory quorum.

The Annual General Meeting is held every year within six months of the end of the financial year. It is convened by the Board of Directors, the liquidator or the auditors. The Board of Directors also convenes a General Meeting if this is requested by shareholders representing at least ten percent of the share capital and indicating the agenda items and motions in writing.

The Annual General Meeting is called at least 20 days before the date of the meeting. The invitation must contain the items on the agenda and the motions of the Board of Directors and, if applicable, of the shareholders.

Helsana keeps a share register of all registered shares in which the names and addresses of all owners and beneficiaries are recorded.

7. Change in control and defence measures

As Helsana is not listed on the stock exchange, the company is not obliged to make any public purchase offers.

There are no change of control clauses in any agreements and plans favouring the members of the Board of Directors and/or the Executive Board or any other managerial employees of Helsana.

8. External auditors

The external auditor is appointed for one year according to the articles of association. The maximum term of office of the lead auditor is seven years. The mandate covers the vast majority of companies directly or indirectly held by Helsana within the scope of consolidation.

Ernst & Young AG, Zurich, has been the external auditor of the Helsana Group since 2006. The mandate was extended at the General Meeting on 10 April 2015. Stefan Marc Schmid has been the lead auditor since 2010. The audit fees amounted to CHF 700,575 in 2015. Additional fees for consulting totalled CHF 356,851 in 2015.

9. Strong risk and control management

Helsana attaches great importance to risk management and has established a company-wide internal control system (ICS) and risk management in accordance with the provisions of the Swiss Code of Obligations and the Insurance Supervision Law (VAG). Risk and control management are key management tools and help in achieving corporate goals and maintaining the existence and success of the Helsana Group over the long term.

The Board of Directors regularly receives reports on material risks and their development, as well as on the measures taken to control and limit these risks. The internal control system records risks in operating business.

10. Information policy

The Helsana Group pursues a policy of providing its shareholders, employees and customers with open and comprehensive information on a regular basis.

Under “Helsana Group” on the website www.helsana.ch, the company publishes information on topics such as its corporate strategy, legal structure, corporate governance, events, press releases, annual reports and other information addressed to specific target groups.

The Group's business results are published once a year. The press releases and presentations can be accessed on the company's website. The annual report is available in German, French, Italian and English. It can be downloaded from the website from the date of publication of the annual results.

The Annual General Meeting is held every year within six months of the end of the financial year. Extraordinary General Meetings are convened as necessary.

– Media Office: media.relations@helsana.ch

Members of the Board of Directors



Prof. Dr. Thomas D. Szucs
Chair, since 2010



Michela Ferrari-Testa
Vice President, since 2007



Kurt Gfeller
Vice President, since 2004



Yves Cuendet
Member, since 2014



Dr. Jürg Dommer
Member, since 2013



Daniel Loup
Member, since 2011



Severin Moser
Member, since 2008



Dr. Christiane Roth-Godat
Member, since 2008



Reto Stump
Member, since 2012

Members of the Executive Board



Daniel H. Schmutz
CEO



Rudolf Bruder
Finance & Insurance



Jürg Stupp
Sales & Marketing



Michael Willer
Client Services & Benefits



Achim Baumstark
IT & Services

Helsana Group Consolidated financial statements

Figures in CHF thousand	Notes	2015
Net premiums earned	4	5,981,755
Net cost of claims and benefits	4	-5,875,765
Allocated interest		9,804
Risk adjustment between insurers		375,042
Policyholder participation		-26,091
Net operating expenses	4	-601,955
Underwriting result		-137,210
Investment income		706,193
Investment expenses		-567,444
Change in provision for investment risk		15,000
Earnings from investments	5	153,749
Allocated interest expenses		-9,804
Other operating income	4	10,594
Other operating expenses	4	-5,696
Operating earnings		11,633
Non-operating earnings	4	15,993
Extraordinary earnings	4	-47
Consolidated earnings before taxes		27,579
Income taxes		-10,664
Non-controlling interest		-979
Consolidated earnings		15,936

Consolidated balance sheet

Figures in CHF thousand	Notes	31.12.2015	1.1.2015
Assets			
Investments	6, 7	5,802,947	5,790,936
Intangible assets	8	45,255	12,757
Property, plant and equipment	8	13,880	13,537
Deferred charges	9	432,670	478,891
Deferred income tax assets ¹		39,103	0
Receivables	10	271,169	228,104
Cash and cash equivalents		300,888	202,038
Total assets		6,905,912	6,726,263
Liabilities and equity			
Organisation capital		70,000	70,000
Capital reserves		405,601	405,601
Retained earnings		1,464,535	1,466,635
Consolidated earnings		15,936	0
Non-controlling interest		2,282	2,183
Equity		1,958,354	1,944,419
Technical provisions, net	11	3,400,076	3,387,349
Non-technical provisions	12	141,687	148,132
Provision for investment risk	13	639,632	654,632
Deferred credits	9	123,217	141,281
Deferred income tax liabilities ¹		2	30,383
Liabilities	10	642,944	420,067
Liabilities		4,947,558	4,781,844
Total liabilities and equity		6,905,912	6,726,263

¹ The deferred income tax rate of 21.5 % (or 0.31 % for companies that can claim a participation deduction) equals the tax rate which is expected to apply to the pre-tax profit.

Consolidated cash flow statement

Figures in CHF thousand	Notes	2015
Consolidated earnings		
Write-downs / write-ups on investments	5	94,281
<i>Of which write-downs / write-ups on equity-accounted participations</i>	5	7,672
Write-downs / write-ups on intangible assets	8	21,193
Write-downs / write-ups on property, plant and equipment	8	8,683
Write-downs / write-ups on receivables		16,672
Change in net technical provisions	11	12,727
Change in non-technical provisions	12	-6,445
Change in provision for investment risk	13	-15,000
Loss / gain on disposal of property, plant and equipment		402
Change in deferred charges	9	46,221
Change in deferred income taxes		-69,482
Change in receivables	10	-59,737
Change in deferred credits	9	-18,064
Change in liabilities	10	222,877
Cash flow from operating activities		270,264
Investment / divestment of investments	6	-106,292
Investment / divestment of intangible assets	8	-53,691
Investment / divestment of property, plant and equipment	8	-9,430
Cash flow from investment activities		-169,413
Dividends to shareholders		-2,100
Dividends to non-controlling interests		-919
Change in non-controlling interest / third parties		1,018
Cash flow from financing activities		-2,001
Total cash flow = change in cash and cash equivalents		98,850
Cash and cash equivalents opening amount at 1.1		202,038
Cash and cash equivalents closing amount at 31.12		300,888
Change in cash and cash equivalents¹		98,850

¹ **Cash and cash equivalents** operating liquidity, liquidity with custodian bank, time deposits

Figures in CHF thousand	Organisation capital	Capital reserves	Retained earnings	Consolidated earnings	Non-controlling interest	Total
Equity as at 31.12.2014 OR	70,000	405,601	945,855	138,016	2,183	1,561,655
Appropriation of net income			138,016	-138,016		0
Change in scope of consolidated financial statements			-16,885			-16,885
Valuation adjustment to Swiss GAAP FER			399,649			399,649
Equity as at 1.1.2015 Swiss GAAP FER	70,000	405,601	1,466,635	0	2,183	1,944,419
Dividend payment			-2,100			-2,100
Profit/loss for the period				15,936	99	16,035
Equity as at 31.12.2015	70,000	405,601	1,464,535	15,936	2,282	1,958,354

Equity is comprised of the following positions:

Organisation capital

This is the nominal amount of share capital. The share capital is divided into 70,000 ordinary registered shares with a par value of CHF 1,000.

Capital reserves

Capital reserves are payments in excess of the nominal amount (surplus).

Retained earnings

Retained earnings refers to accumulated equity capital in the form of earnings that are kept and not distributed from previous years. The income obtained from the first application of Swiss GAAP FER is recognised as retained earnings.

Notes to the Helsana Group consolidated financial statements

1. Income statement – Supplementary information on the business areas (divisions)

	Insurance under KVG ¹	Insurance under VVG ²	Insurance under UVG ³	Other ⁴	Elimination	Total
	2015	2015	2015	2015	2015	2015
Net premiums earned	4,326,652	1,549,818	145,445	0	-40,160	5,981,755
Net cost of claims and benefits	-4,604,727	-1,143,561	-128,551	0	1,074	-5,875,765
Allocated interest	0	0	9,804	0	0	9,804
Risk adjustment between insurers	375,042	0	0	0	0	375,042
Policyholder participation	-6,689	-18,331	-1,071	0	0	-26,091
Net operating expenses	-251,001	-370,599	-21,577	-806	42,028	-601,955
Underwriting result	-160,723	17,327	4,050	-806	2,942	-137,210
Investment income	249,453	308,316	110,297	149,034	-110,906	706,193
Investment expenses	-191,754	-269,117	-75,592	-42,056	11,074	-567,444
Change in provision for investment risk	20,000	15,000	0	-20,000	0	15,000
Earnings from investments	77,699	54,199	34,705	86,978	-99,832	153,749
Allocated interest expenses	0	0	-9,804	0	0	-9,804
Other operating income	5,977	4,146	886	811	-1,226	10,594
Other operating expenses	-2,848	-2,676	-573	-656	1,057	-5,696
Operating earnings	-79,895	72,996	29,264	86,327	-97,059	11,633
Non-operating earnings	10,827	4,407	-1	10,701	-9,941	15,993
Exceptional earnings	-7,057	0	0	10	7,000	-47
Consolidated earnings before taxes	-76,125	77,403	29,263	97,038	-100,000	27,579
Deferred income taxes	0	39,555	29,756	171	0	69,482
Income taxes	0	-57,971	-20,948	-1,227	0	-80,146
Non-controlling interest	0	0	0	-979	0	-979
Consolidated earnings	-76,125	58,987	38,071	95,003	-100,000	15,936

¹ **Insurance under KVG** This segment comprises the companies that offer mandatory health care insurance and voluntary daily benefits insurance under the KVG.

² **Insurance under VVG** This segment comprises the companies that offer insurance products under the VVG.

³ **Insurance under UVG** This segment comprises the companies that offer insurance products under the UVG.

⁴ **Other** This segment comprises all other companies.

2. Consolidation and accounting principles

General provisions

For the first time, the consolidated financial statements are being presented in accordance with the Swiss GAAP accounting and reporting recommendations (Swiss GAAP FER) and they provide a true and fair view of the Group's assets, finances and earnings. Swiss GAAP FER represents a complete body of rules. All recommendations must be applied.

Swiss GAAP FER 41 entered into force for the individual financial statements of KVG health insurers on 1 January 2012. The Helsana Group will apply Swiss GAAP FER 30 (Consolidation) in conjunction with Swiss GAAP FER 41 from financial year 2015. The application of Swiss GAAP FER is voluntary.

Consolidated companies

The consolidated financial statements include all companies that are directly or indirectly controlled by Helsana. Control means the decisive influence on the operational and financial activities in order to derive the corresponding benefit therefrom. This is usually the case if Helsana directly or indirectly holds more than 50 percent of the voting rights in a company. Companies acquired during the financial year are included from the date on which control over the business activities was transferred to Helsana, and all companies disposed of during the year are excluded from the Group statements from the date of sale.

Change in consolidated companies

Purchasing Cooperative HSK Ltd was founded in Dübendorf on 22 December 2015 and included in the scope of consolidation. The first annual financial statement for Purchasing Cooperative HSK Ltd will be prepared as at 31 December 2016 (long financial year) and included in the capital consolidation as at 31 December 2015.

2.1 Consolidation methods

Full consolidation

Companies are included in the Group statements based on the full consolidation method. Capital consolidation is carried out using the Anglo-Saxon method (purchase method). Assets and borrowed capital of companies acquired are revalued at the time control changes in accordance with Helsana Group principles; unrealised gains and losses are carried under the relevant balance sheet positions and the remaining difference between the purchase price and goodwill calculated according to the accounting policies of the Group is fully amortised over five years or in the year of consolidation. Any third-party participations in fully consolidated companies are shown separately as minority interests in equity and income.

Equity method

Companies in which Helsana holds between a 20 and 50 percent stake are stated in the balance sheet at the value corresponding to the pro rata equity capital in line with the equity method.

Consolidation balance sheet date

The balance sheet date for all companies included is 31 December.

Events after the balance sheet date

As at 1 January 2016, Avanex Insurance Company Ltd absorbed maxi.ch Insurance Ltd as part of a merger in accordance with Art. 3, para. 1A of the Swiss Mergers Act (Fusionsgesetz, or FusG) and assumed its assets and liabilities through universal succession.

Moreover, there have been no significant events after the balance sheet date up to the date of signature by the responsible body (2 February 2016).

Intragroup transactions

All intragroup transactions, relationships and earnings are eliminated as part of the consolidation process.

2.2 Valuation principles

Valuation is carried out in line with standardised criteria. In general, the principle of the individual valuation of assets and liabilities applies.

Foreign currencies

Foreign currency positions are converted at current exchange rates at year-end.

The following exchange rates were used:

Unit/currency	31.12.2015 Price	1.1.2015 Price
1 EUR	1.08737	1.20236
1 GBP	1.47536	1.54931
1 USD	1.00100	0.99360
100 JPY	0.83210	0.82880
1 CAD	0.72062	0.85789
1 AUD	0.72831	0.81314

Investments

Real estate

Real estate includes both investment properties and owner-occupied properties, and is stated in the balance sheet at current market values. Market values are estimated at least once every three years by an independent consulting firm. The values are determined using the discounted cash flow method or another recognised method during the intervening years.

Bonds

Fixed-income securities are stated in the balance sheet using the amortised cost method if the debtor is able to pay the interest and amortisation payments. Periodic changes in the carrying amount are recognised in the income statement. If there are justified doubts about the debtor's ability to pay interest and amortisation payments, fixed-income securities are stated in the balance sheet at their current values.

Equities

Equities include equity securities such as stocks and similar securities.

Such assets are marketable and are valued at market price. Any impairments are booked accordingly.

Real estate funds

Real estate funds are maintained as a separate position. They are valued at current values.

Forward exchange transactions

Derivatives include foreign exchange and options contracts, certificates on equity indices and futures. Forward exchange transactions are used to hedge exchange rate and market price fluctuations and are valued at market values.

Participations

Participations include investments in companies that are held for strategic purposes. These participations are valued using the last known pro rata equity (equity method) or valued at cost.

Loans and mortgages

Loans and mortgages are stated on the balance sheet at the nominal value less any necessary write-downs.

Assets from employer reserves

Assets from employer reserves are, provided they are not subject to a waiver of usage, stated in the balance sheet at their nominal value and deducted from staff costs accordingly if they are used. The value is reviewed annually and, if necessary, the position is written down.

Intangible assets

With intangible assets, a distinction is drawn between purchased software and projects. The latter are amortised on a straight-line basis over the course of their useful life. With purchased software, amounts below CHF 5,000 are expensed.

Projects are generally amortised over a period of five years from launch, up to a maximum of ten years in justified cases. They must provide a benefit over several years. At maximum, they are measured at cost of acquisition or production. These costs must be measurable and allocable to the project. Projects may only be capitalised if they are strategic in nature and involve an investment in excess of CHF 3 million.

Fixed assets

Fixed assets are depreciated on a linear basis over the course of their useful life. For fixtures and fittings, acquisitions and collective acquisitions for amounts of more than CHF 5,000 are capitalised. Amounts below this limit are expensed.

Useful life for each asset category:

- Five years for fixtures and fittings
- Three years for IT hardware
- Three years for vehicles

The value is reviewed annually and the position is written down accordingly.

Prepaid expenses and accrued income

This position includes expenses during the reporting year that are deducted as an expense in the following financial year, and income that only leads to revenue in the following financial year.

Receivables

Receivables due from third parties, such as policyholders, insurance organisations, agents and brokers, cantons and other parties, are valued at their nominal value. The security is determined on the basis of the maturity structure and recognisable credit risks. In addition to individual write-downs for specific known receivables risks, impairments are formed using statistical information about the risk of default. The calculation of the necessary value adjustments also includes the type of receivable (private customer, corporate customer, co-payment) in addition to the maturity structure. The assumptions are based on historical figures from previous years. Assuming the losses on accounts remain constant as in previous years, an allowance for doubtful receivables is made for the unpaid receivables up to 180 days with a rate of 0.25 %. For older receivables, the effects of Art. 64a KVG (depending on the canton) are included in the calculation of the allowance for doubtful receivables of the KVG companies. The totals of the receivables are included in the ratio of the debt collection proceedings initiated to resulting certificate of debts.

The receivables due from affiliates are valued at their nominal value, taking account of operationally necessary impairments.

Cash and cash equivalents

Cash and cash equivalents include cash on hand as well as postal and bank account balances. Cash and cash equivalents are valued at their nominal values. Any impairments are booked accordingly.

Technical provisions, net:

The position for net technical provisions includes provisions for claims and benefits, actuarial reserves, provisions for profit sharing, technical equalisation reserves and provisions for guarantees as well as other technical provisions.

Provisions for claims and benefits are calculated according to actuarial methods recognised by the supervisory authorities (e.g. chain ladder). In doing so, the following parameters are taken into account for the year of occurrence and the year of processing:

- First year of treatment versus payment year for care benefits
- First year of event versus payment year for daily benefits

The reserves for annuities are calculated according to the accounting principles pursuant to Art. 108 UVV. The calculation is based on the annuity without cost of living bonuses. For passive co-insurance, we assume our portion of the individual actuarial reserve as reported by the company that carries it.

For collective sickness benefits, provisions for profit sharing are formed for contracts that include agreements on profit sharing. They are calculated as the expected value of the profit sharing paid out after the balance sheet date for the contracts for profit sharing that are in effect through the balance sheet date. The estimate of provisions for profit sharing takes account of the active holdings and the empirical claims experience as at the balance sheet date.

The equalisation reserves and provisions for guarantees protect the capital basis against the affects of unusual fluctuations in the technical result. They are endowed up to a maximum limit of 15 percent of the insurance benefits in line with the technical result. The lower limit is zero.

The other technical provisions include additional actuarial provisions that are valued according to the applicable and approved business plan.

Non-technical provisions

If an outflow of funds is probable, a corresponding provision is formed for legal and actual obligations on an event in the past. The amount of the provisions are determined on the basis of an analysis of the respective result in the past and the economic risk. If time has a significant impact, the provision requirement must be discounted. The provisions are revalued annually.

Provision for investment risk

The provision for investment risk represents the long-term volatilities of the capital market. The provision is based on the total portfolio and is reviewed annually. The target provision for investment risk is calculated on the basis of

- ten percent of Swiss bonds
- three percent of properties and buildings as well as
- 20 percent of other investments.

If the investments during the reporting period experience above-average losses in value, the provision for investment risk can also be liquidated in the income statement in full or in part. If the investments experience above-average gains in value during the reporting period, the provision for investment risk can also be increased to the target value in the income statement in full or in part.

Accrued expenses and deferred income

This position includes deferred income during the reporting year that is credited as income in the following financial year, and expenses for the reporting year that are only paid the following financial year.

Liabilities

This position mainly involves obligations to policyholders or service providers as well as premiums billed in advance. Loans due are also recognised in this position. The liabilities are stated in the balance sheet at their nominal amount.

3. 2015 consolidated companies

Name	Sector	Consolidation	Shareholding in %	Capital in CHF m
Helsana, Dübendorf	Holding	Fully consolidated	100	70.0
– Helsana Insurance Company Ltd, Dübendorf	Health insurance	Fully consolidated	100	70.0
– Helsana Supplementary Insurances Ltd, Dübendorf	Health insurance	Fully consolidated	100	35.0
– LCC Consulting AG, Zurich	Software engineering	Fully consolidated	100	0.1
– Helsana Legal Protection Ltd, Aarau	Legal expenses insurance	Equity method	50	3.0
– Progrès Insurance Ltd, Dübendorf	Health insurance	Fully consolidated	100	0.3
– Sansan Insurance Ltd, Dübendorf	Health insurance	Fully consolidated	100	0.1
– Avanex Insurance Ltd, Dübendorf	Health insurance	Fully consolidated	100	0.1
– maxi.ch Insurance Ltd, Dübendorf	Health insurance	Fully consolidated	100	0.1
– Helsana Accidents Ltd, Dübendorf	Accident insurance	Fully consolidated	100	14.0
– Solida Insurance Ltd, Zurich	Accident insurance	Equity method	50	10.0
– Helsana Investment Ltd, Dübendorf	Holding	Fully consolidated	100	0.1
– indivo Insurance Ltd, Dübendorf	Health insurance	Fully consolidated	100	0.1
– SSS Schaden Service Switzerland Ltd, Zurich	Recourse settlement	Fully consolidated	50.9	0.1
– Procare Vorsorge AG, Dübendorf	Services	Fully consolidated	100	0.1
– Purchasing Cooperative HSK Ltd., Dübendorf	Services	Fully consolidated	60	0.1
– Aviga AG, Zurich	Case management	Equity method	50	2.2
– Topwell-Apotheken AG, Winterthur	Healthcare sector	Equity method	24.1	0.3

4. Notes to the consolidated income statement

Figures in CHF thousand	2015
Premium income	5,982,627
Reinsurers' share	-872
Total net premiums earned	5,981,755
Cost of claims and benefits	-6,449,511
Co-payments	638,539
Reinsurers' share	2,349
Change in technical provisions	-12,726
Loss mitigation costs	-54,416
Total net cost of claims and benefits	-5,875,765
Personnel expenses	-365,217
Administrative offices and operating equipment	-26,781
IT costs	-66,545
Marketing, advertising and commission	-115,058
Other administrative expenses	-17,654
Write-downs	-10,700
Total operating expenses, net	-601,955
Liquid funds (interest)	6,751
Receivables (interest risk adjustment, default interest, etc.)	3,831
Other income	12
Total other operating income	10,594
Liquid funds (interest)	-5,189
Liabilities (interest risk adjustment, etc.)	-43
Other expenses	-464
Total other operating expenses	-5,696
Non-operating income, third party	23,966
Non-operating expenses, third party	-7,973
Total non-operating income	15,993
Extraordinary income	10
Extraordinary expenses	-57
Total extraordinary income	-47

5. Notes to the consolidated income statement – investments

Figures in CHF thousand	Ordinary earnings	Realised gains	Unrealised gains	Total 2015
Investment income				
Real estate	18,737	0	0	18,737
Bonds	88,804	225,789	19,835	334,428
Equities	26,369	81,783	61,041	169,193
Alternative investments	0	0	3,052	3,052
Real estate funds	0	46,226	29,058	75,284
Currency futures	0	91,753	0	91,753
Investments in other companies	191	1,562	9,997	11,750
Employer contribution reserve	0	209	0	209
Other investment income ¹	1,787	0	0	1,787
Total investment income	135,888	447,322	122,983	706,193

Figures in CHF thousand	Administrative costs	Realised losses	Non-realised losses	Total 2015
Investment expenses				
Real estate	0	0	-1,827	-1,827
Bonds	0	-202,591	-58,795	-261,386
Equities	0	-59,033	-83,827	-142,860
Alternative investments	0	-8,379	-30,423	-38,802
Real estate funds	0	-3,674	-29,177	-32,851
Currency futures	0	-63,376	-10,890	-74,266
Investments in other companies	0	0	-2,325	-2,325
Employer contribution reserve	0	-1,896	0	-1,896
Asset management costs	-11,231	0	0	-11,231
Total investment expenses	-11,231	-338,949	-217,264	-567,444
Change in provision for investment risk	0	15,000	0	15,000
Total investment income 2015	124,657	123,373	-94,281	153,749

¹Other investment income comprises retrocession repayments by the custodian financial institution.

6. Notes to the consolidated balance sheet – investments

Figures in CHF thousand	As at 1.1.2015	Additions / disposals	Change in valuation adjustment	As at 31.12.2015
Real estate	318,265	865	-1,827	317,303
Bonds ¹	3,671,904	35,362	-38,959	3,668,307
Equities	1,099,502	53,187	-22,785	1,129,904
Alternative investments	109,366	51,535	-27,371	133,530
Real estate funds	530,448	-47,460	-120	482,868
Currency futures	-14,005	14,005	-10,891	-10,891
Investments in other companies	67,072	488	7,672	75,232
Loans and mortgages	10	-3	0	7
Employer contribution reserve	8,374	-1,687	0	6,687
Investments	5,790,936	106,292	-94,281	5,802,947

¹The market value of the bonds (excluding accrued interest) is CHF 3,857,356,000 (CHF 3,857,716,000 as at 1 January 2015).

7. Currency futures

Figures in CHF thousand	Currency	31.12.2015	1.1.2015
Futures	Hedges USD	-9,389	-12,747
Futures	Hedges EUR	-2,494	299
Futures	Hedges GBP	992	-1,557
Total currency futures		-10,891	-14,005

8. Summary of assets Fixed and intangible assets

Figures in CHF thousand	Office fixtures, fittings and equipment	IT hardware	Vehicles	Total property, plant and equipment	Projects	Software	Total intangible assets
Net carrying amount as at 1.1.2015	6,199	7,245	93	13,537	6,136	6,620	12,757
Historical cost							
Carrying amount as at 1.1.2015	143,234	50,516	567	194,317	9,204	8,276	17,480
Asset additions	1,990	7,283	199	9,472	42,988	10,703	53,691
Asset disposals	0	-6,283	-98	-6,381	0	0	0
Carrying amount as at 31.12.2015	145,224	51,516	668	197,408	52,192	18,979	71,171
Accumulated valuation adjustments							
Value adjustments as at 1.1.2015	-137,035	-43,272	-473	-180,780	-3,068	-1,655	-4,723
Depreciation and amortisation	-2,004	-6,558	-121	-8,683	-17,397	-3,796	-21,193
Asset disposals	0	5,877	58	5,935	0	0	0
Value adjustments as at 31.12.2015	-139,039	-43,953	-536	-183,528	-20,465	-5,451	-25,916
Net carrying amount as at 31.12.2015	6,185	7,563	132	13,880	31,727	13,528	45,255

9. Deferred charges and credits

Figures in CHF thousand	31.12.2015	1.1.2015
Accrued interest on investments	41,328	45,528
Risk compensation	280,370	323,094
Other accrued income and prepaid expenses	110,972	110,269
Total deferred charges	432,670	478,891
Risk compensation	89,458	114,680
Other deferred income and accrued expenses	33,759	26,601
Total deferred credits	123,217	141,281

10. Receivables and liabilities

Figures in CHF thousand	31.12.2015	1.1.2015
Policyholders	205,550	170,492
Insurance organisations	11,234	9,408
Reinsurers	0	120
Related parties	4,350	317
Government offices	35,402	35,238
Other receivables	14,633	12,529
Total receivables	271,169	228,104
Policyholders	402,462	316,221
Insurance organisations	2,226	1,992
Service providers	212,098	71,715
Agents and brokers	1,885	1,774
Related parties	3,679	2,418
Government offices	3,045	3,393
Other liabilities	17,549	22,554
Total liabilities	642,944	420,067

11. Technical provisions

Figures in CHF thousand	Provision for claims and benefits ¹	Actuarial reserve ²	Provision for policyholder participation	Claims equalisation reserve	Other technical provisions ³	Total
As at 1.1.2015	1,536,603	408,852	72,320	800,653	568,922	3,387,350
Creation	1,215,485	13,144	12,401	0	12,734	1,253,764
Release / Use	-1,155,419	-1,855	-26,091	-55,000	-2,673	-1,241,038
As at 31.12.2015	1,596,669	420,141	58,630	745,653	578,983	3,400,076

¹ The amount of reinsurance in the provisions for claims and benefits was -1,492,000 as at 31 December 2015 (CHF -5,686,000 as at 1 January 2015).

² The actuarial reserves were discounted with a technical interest rate of 2.75 per cent for the accident years up to 2013 and 2.0 per cent for 2014 and 2015 (Average term: 18.1 years).

³ The other technical provisions comprise provisions for other compulsory health insurance products (OKP) (models such as HAV/HMO). Ageing reserves were discounted with a technical interest rate of 1.0 per cent (Average term: 39.2 years).

12. Non-technical provisions

Figures in CHF thousand	Restructuring ¹	Personnel/brokers	Taxes	IT investments	Process risks	Other ²	Total
As at 1.1.2015	12,225	38,970	19,958	0	213	76,766	148,132
Creation	3,000	27,840	58,382	380	0	9,551	99,153
Use	-9,958	-43,480	-24,560	-22	-213	-27,365	-105,598
As at 31.12.2015	5,267	23,330	53,780	358	0	58,952	141,687

¹The restructuring provisions include the costs of the organisational changes that were made as part of the cost reduction programme. The provisions for holiday and overtime claims as well as staff bonuses and broker fees are included under "Personnel/brokers".

²The other non-technical provisions include past provisions for subsequent premium corrections. In 2014, the Swiss Parliament decided to correct the imbalances in basic health insurance premiums accumulated from 1996 to 2013 in accordance with Art. 106 of the Federal Health Insurance Act (KVG). The financial correction process will take place between 2015 and 2017.

13. Provision for investment risks

Figures in CHF thousand	Provision for investment risk	Total
As at 1.1.2015	654,632	654,632
Creation	20,000	20,000
Release	-35,000	-35,000
As at 31.12.2015	639,632	639,632

14. Liabilities to pension funds

Employer contribution reserve in CHF thousand	Par value	Waiver of usage	Balance sheet	Release	Balance sheet	Earnings from employer contribution reserve
	31.12.2015	2015	31.12.2015	2015	1.1.2015	2015 Prior year
Pension schemes	6,687	0	6,687	-1,896	8,374	209 68
Total	6,687	0	6,687	-1,896	8,374	209 68

Economic benefit / obligation and pension cost	Funding surplus / deficiency ¹	Economic interest of organisation	Change from prior year / recognised in income statement in reporting year	Contributions recognised in reporting period	Pension cost in personnel costs
	31.12.2015	31.12.2015 1.1.2015			2015 Prior year
Pension plans with funding surplus	181,465	0 0	0	26,216	29,443 28,856
Total	181,465	0 0	0	26,216	29,443 28,856

¹The information is based on the audited 2014 annual financial statements of the staff pension fund foundation of Helsana Insurance Company Ltd.

15. Supplementary information

Contingent receivables / liabilities

Within the scope of Group VAT taxation, the Helsana Group is jointly and severally liable to the Swiss Federal Tax Administration. Verein Artisana is also included in the VAT group together with the fully consolidated companies.

Significant associated companies

Figures in CHF thousand	Transactions with the Helsana Group (net) ¹	Investments ²	Technical provisions ²
	2015	31.12.2014	31.12.2014
Name			
Solida Insurance Ltd, Zurich	10,848	557,868	488,344
Helsana Legal Protection Ltd, Aarau	16,229	37,620	32,468

¹The transactions with associated companies include the sum of the statements of these companies, which include the transferred net premiums less any profit sharing and compensation for administration.

²The figures have been taken from the 2014 Annual Report.

Report of the statutory auditor Helsana Group



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To the General Meeting of Helsana AG, Dübendorf

Zurich, 2 February 2016

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of Helsana AG, which comprise the balance sheet, income statement, cash flow statement, statement of changes in equity and notes (pages 20 to 39), for the year ended 31 December 2015.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of these consolidated financial statements in accordance with Swiss GAAP FER and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2015 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER and comply with Swiss law.

Report on other legal requirements

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

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

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

Ernst & Young AG

Stefan Marc Schmid
Licensed audit expert
(Auditor in charge)

Martin Bolt
Licensed audit expert



