Annual Report 2007

valartisgroup+ valartisbank+

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Group Overview

Key Figures

	2007 Million CHF	2006 Million CHF
Income statement		
Income from trading	23.0	11.7
Net income from commission	86.4	76.3
Other income	1.9	3.3
Total operating income	111.3	91.3
Gross profit	61.3	54.2
Group profit	49.2	45.3

	2007 Million CHF	2006 Million CHF
Balance sheet		
Total assets	490.7	381.2
Total liabilities	246.3	172.0
Shareholders' equity	244.4	209.2

	2007 CHF	2006 CHF
Key figures		
Group profit per share (undiluted)	10.1	9.2
Group profit per share (diluted)	9.6	8.7
Equity per share	49.8	41.8
Dividend per share	2.75 [1)]	2.75
Stock exchange price Valartis bearer share	83.00	84.95
Market capitalization (million CHF)	415.0	424.8

	2007 in %	2006 in %
Return on equity	22.0	24.2
Dividend yield	3.3	3.2
Cost / income ratio	46.7	42.4
Self-financing ratio	46.2	54.9
Total assets under management (million CHF)	4,239	3,825
Staff	131	60

1) Proposal of the Board of Directors to the Shareholders' Meeting

Letter to the Shareholders

Dear Shareholders

The two halves of the 2007 calendar year could hardly have been more different on the global financial and stock markets. After recording historic highs on many stock exchanges after a bull run lasting more than four years in the middle of the year, the markets set out on a rather depressed course in the second half. While the correction did not really come out of the blue – the inverted U.S. yield curve since mid-2006 did not bold well – the severity of the shakeout, particularly in the banking sector, due to the U.S. mortgage and real estate crisis, passed all negative expectations. Meanwhile many stock markets have dived more than 20% while certain bank shares plunged far more than 50%. In many places the economic data still looks reasonable but we know all too well that stock market trends are rather reliable leading indicators of the economic development. 2008 therefore is likely to remain unpleasant.

Group profit rises to nearly CHF 50 million

As a matter of course these developments also had their effect on our business results. And consequently our annual results are not quite as brilliant as the semi-annual ones. But all in all we were still able to raise our group profit by 8.6% to nearly CHF 50 million in this demanding year. Shareholders' equity rose 17% to CHF 244 million, and assets under management increased to CHF 4.2 billion despite the market corrections.

But 2007 was a demanding year for Valartis Group not just because of the nasty environment. We are still a «growth story». Just one year ago we had 60 employees (we had grown from 45 to 60 in that year). Today we have a staff of 131. Such growth is not easy to digest and is a real challenge, not least in building up the necessary structures and processes.

Various growth factors

Our new subsidiary in Vienna (Valartis Europe AG) contributed significantly to the expansion of our operations with its corporate-finance services particularly in Central and Eastern Europe. Furthermore we opened a branch of the Bank in Geneva, and – as has been reported earlier – we took over and integrated Valaxis Asset Management. We restructured the Moscow office into a branch, opened a new office in St. Petersburg and established a representative office in London. And we remain on the lookout for reasonable expansion opportunities in the field of private banking, offering independent asset managers a professional platform for their client services.

Basically all these activities have two goals: exploiting opportunities which may arise in the markets and establishing a broader foundation for our traditional investment and client business. The fact that these endeavors also pay off for our clients can be shown with two examples from asset management: While the Swiss market fell around 8% in the second half of the year, our specialty fund for Central and Eastern Europe and our Russian equity fund gained 20% in the same period and our energy product 2.5%. Consequently and despite these turbulences our most important pillar, asset management, generated a slightly better segment result than in the previous year.

Our second pillar, investment banking, benefited from the benign environment in the first half of the year but also designed a number of interesting product innovations which resulted in very positive commission income.

Cost management

It is in the nature of things that the attempt to exploit opportunities cannot always be successful. Things don't always work out. This is what happened with our euphoria with regard to structured financing for real estate projects which had to give way to a more realistic view after the U.S. property crisis brought part of the business field to a virtual standstill. The corresponding activities are being re-positioned.

The greatest challenge in the management of a growing structure in a volatile environment is cost management. In a first phase, growth and expansion always mean investing. Despite our substantial expansion in manpower in 2007 we were able to keep our cost/income ratio under 50% which is very good compared to the competition. We will not lose sight of this important parameter in the current year.

Remuneration model

In the past weeks «remuneration philosophies» have come up in conversations just about everywhere. Indeed, we also believe that remuneration structures and, in particular, incentive structures should not only be a topic in job interviews and human resources in general in banks; they should also contain structural elements.

We present this topic in detail in the remuneration section of the present annual report. In short, we have begun not only to pay part of the bonus in shares which are blocked for a certain period. We even go one step further: Beneficiaries will only gain legal ownership of part of this share bonus after a certain time, and, in the case of failure in the meantime, these shares will be transferred back to the Company.

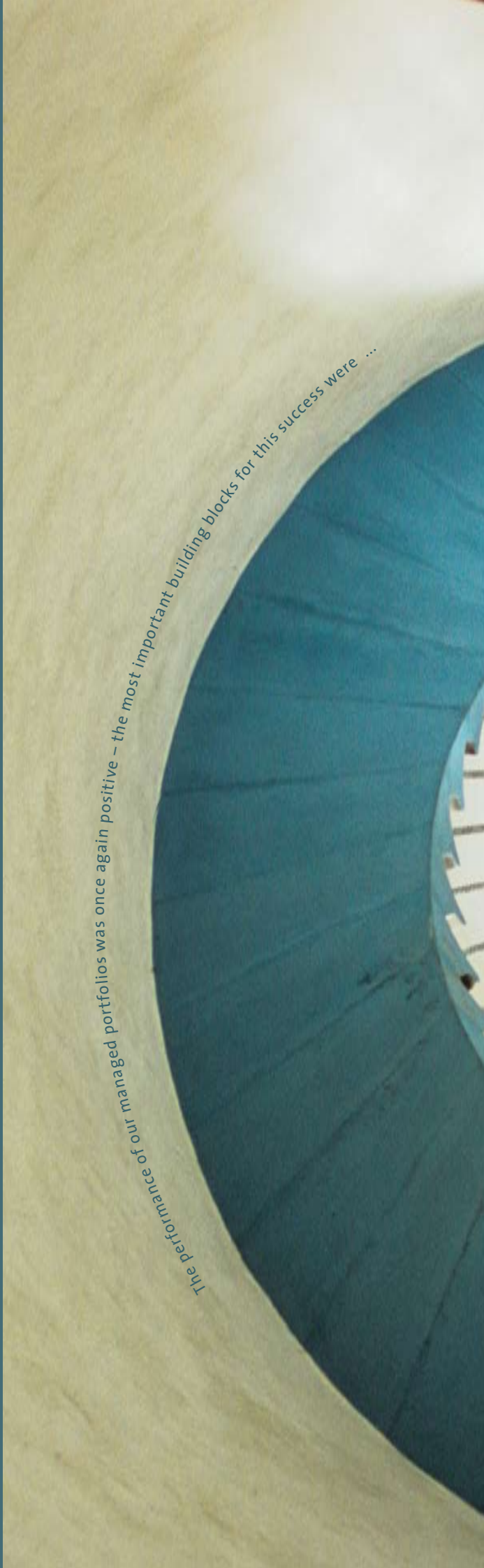
Back to the figures. One year ago we wrote that 2006 was a transitional year, because we had grown substantially and had to report a decrease in profit. We do not want to declare 2007 another transitional year, even if the structural adaptations have not yet been

completed (but then again, when are they really, in such an environment?). But, since we did not cut the dividend last year, we think it is right to keep it at CHF 2.75 a share this year. We have recently (just as at Shareholders' Meetings) talked to shareholders about this topic and evaluated alternative models. Balancing the various interests, we came to the conclusion that an unchanged dividend is a valid compromise.

Baar ZG, 20 March 2008

Erwin W. Heri
Chairman of the Board of Directors

Gustav Stenbolt
Chief Executive Officer



The performance of our managed portfolios was once again positive – the most important building blocks for this success were ...

Private Banking

Valartis Bank offers its international wealthy clients individualized investment solutions. In order to obtain an optimal asset allocation, the Valartis team uses outstanding third-party products as well as its own niche products. In its investment process Valartis adheres strictly to the risk profile which it works out together with each client.

investments in the sectors energy and gold as well as Russia, a number of hedge funds with low volatility and selected direct investments, mainly in European stocks.

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Business Activities

Valartis Group

Our mission: Through our entrepreneurial approach, we provide our clients with innovative investment and financial solutions that generate returns and create value.

Our vision. We want to be a leading Swiss financial boutique for discerning and sophisticated clients and a preferred employer for skilled and passionate professionals.

Financial boutique with clearly defined business segments
Established in 1988, Valartis Group is active as a financial boutique in three business segments: asset management, wealth management and investment banking. It is Valartis' goal to go beyond the ordinary in each of these segments.

The three segments have two things in common: their rigorous orientation towards the needs of similar client groups (high net worth individuals, family offices, pension funds and financial institutions) and the Group's focus on first-class investment advice and unique, attractive products and services meeting the clients' financial needs.

Valartis' investment philosophy is characterized by a consistent niche strategy and targeted geographical as well as sector diversification.

In asset management, Valartis offers an attractive, specialized range of regional and sector funds as well as investment companies in various asset classes. At the same time the asset management team uses its strength in derivatives trading and in the derivatives market to create and implement alternative investments for institutional clients. Valartis strives to further strengthen and expand its position as an innovative and nimble niche player.

In wealth management, Valarits acts as a niche player focusing on the Swiss market as well as clients in emerging markets, particularly Eastern Europe and Russia. In doing so, the wealth management team draws on the Group's investment know-how and research capabilities.

In investment banking, Valartis designs creative and unique solutions for its business clients' investment and financing needs. The Valartis team has its core compentence in the Swiss equity market, where it has established itself as an issuer of listed warrants and structured products. Both in brokerage and in corporate finance, the Bank focuses on small & mid caps. Valartis Europe AG complements the Group's corporate finance and M&A activities, which had in the past been focused on Switzerland and, at the same time, takes advantage of Valartis Group's position in the Central and Eastern European market.

Entrepreneurship and fostering talents
Valartis strives for growth and outstanding performance in everything it does. The Company anticipates and occupies lucrative market niches. Consequently, fostering and supporting its employees has top priority: As a relatively young, fast growing company, Valartis does everything possible to create a professionally ambitious and inspiring environment for top bankers and young talents.

Valartis wants to generate above-average profits for its clients and sustainable added value for its shareholders by means of an entrepreneurial attitude on all levels and innovative investment and financing solutions.

Convergence and synergies
Working with three segments under one roof enables Valartis to benefit from the trend that the various business fields in banking increasingly converge – whether in brokerage and private banking or in asset management and investment banking. Brokerage and private banking, for instance, are nowaday based on similar business models, whose sole distinction is in the quality of the advice and service. Mere brokerage has become matter of course, a «commodity». This means that brokerage has developed into a consulting business, where a fee can only be justified by the result of a recommendation. But in asset management and private banking, new trends are also beginning to show: An increasing number of wealthy private clients today act rather like institutional investors than retail investors. And the development towards more convergence is far from over.

This opens a financial boutique like Valartis a variety of opportunities. All in all, the Company is in an excellent position to benefit from the fact that the market as a whole is becoming more professional and, at the same time, more intertwined. Furthermore, increased cooperation within the Group offers all segments and teams an excellent chance to distinguish themselves from the competition in a competitive market environment due to Valartis' unique market experience in Switzerland, Eastern Europe and Russia as well as in the global real estate market and alternative asset management. In addition. Valartis has achieved a special position in the trade with CO_2 emission certificates; in this field the Group belongs to the pioneers among financial institutions in Switzerland and has decisively shaped the market.

Small is beautiful
Due to its presence in Geneva, Zurich, Moscow, London, St. Petersburg and Vienna, Valartis is in a position to unite an attractive international network of know-how and contacts. This enables the Group to meet its self-proclaimed goals time and again: identifying and implementing fresh ideas and investment opportunities early and regularly for its clients. And – not least because of the small size and slim organization – unbureaucratically, consistently and at relatively favorable conditions.

Our mission in asset management:
We manage an attractive range of specialized regional and sector funds and investment companies across multiple asset classes and combine our excellent capabilities in the derivatives markets and trading to create alternative investment products for our institutional clients.

Asset Management

An active management approach
As asset managers, our vision is to progressively identify compelling investment opportunities – satellites – and to launch dedicated vehicles with which to benefit from these opportunities. We seek excess returns through active management and a value-based investment process. Our investment strategies result in deviations from index investments, thereby creating opportunities for outperformance.

Funds, investment companies and alternative products
Over the past decade, the Group has launched a range of specialized regional and sector funds and investment companies across multiple asset classes. Furthermore, we have combined our established capabilities in the derivatives markets and trading to create a number of alternative investment products. Within all these asset classes we manage portfolios for institutional clients on a tailor-made basis to meet their specific needs.

Experienced team
Valartis Asset Management brings together an experienced and focused team of around 60 portfolio managers, analysts, traders and associated professionals based in Geneva, Zurich, Moscow and St. Petersburg.

Business development 2007 and outlook 2008
2007 proved to be a good year, both in terms of net performance produced for our clients and net new assets raised. By year-end, total assets under management in this segment reached CHF 2805 million, up 3% compared to the previous year. Our capacity to identify less exploited investment themes with low correlations and attractive risk-adjusted returns was rewarded. We were able to swiftly react to new developments and to structure and launch appropriate vehicles. Due to the new investment vehicles, our product range expanded significantly across all asset classes. In 2008, we plan to create innovative absolute return products in the fields of real estate, private equity and global funds of funds.

Eastern Europe, Russia and CIS
In Eastern Europe, Russia and the CIS asset prices continued to benefit from the solid macroeconomic environment. Our flagship MC Russian Market Fund generated a 27% net return with total assets reaching an all-time high. The regional "equity hedged" fund reached 42% with strict control of downside volatility. The MC Premium Eastern European Equities produced an 11 % return, one of the best in its category. Eastern Property Holding (EPH) successfully completed an equity offering, with total funds now around CHF 500 million. Also in 2007 the ENR Russia Invest was reorganized; it is now a pure private equity play dedicated to Russia, CIS and the Baltic States. ENR also successfully completed a capital increase in 2007 (CHF 33,1 million).

European energy trading
The investment strategy of the European energy team proved right with low volatility and stable returns that are not correlated to the traditional financial and commodity markets. The annualized standard deviation of returns was 2.11% and the correlation with the Swiss Performance Index - 0.05.

Swiss equities
After a strong first six months with double digit percentage gains, the U.S. subprime crisis also became a drag on the financial heavy Swiss market. The Valartis Optimized Fund achieved an outperformance during the first three quarters but was dragged down in the last quarter. The Valartis Selection Fund suffered about the same fate. Nebag, which invests mainly in non-listed Swiss companies, closed the year well above broad market indexes.

German real estate
In 2007, we successfully completed the EUR 300 million investment program in Berlin residential real estate, bringing the net asset value of our investment company to EUR 124 million. The portfolio includes properties in the Western and Eastern parts of Berlin as well as in Leipzig; it includes both income producing properties and renovation projects. Given the attractive average acquisition cost, the portfolio has interesting upside potential. In addition, the management team has launched a second German real estate investment vehicle targeting nursing homes across Germany, with the objective to benefit from demographic changes.

International real estate
On the international real estate market, we are currently raising funds for a new multi-manager product giving investors access to the best-in-class property managers in their respective areas of expertise. The target markets for this vehicle are the Asia/Pacific as well as emerging market.

Our mission in wealth management:
We are a recognized niche provider with a focus on both the domestic market in Switzerland and on emerging markets.

Wealth Management

Open to diversity
Our investment process is shaped around conceptual model portfolios designed to fit different lifestyle objectives. We recommend, however, a custom-fit approach, driven by our high respect for the individuality of clients' investment personalities and by our desire to offer the most customized investment strategies.

Open to tradition
Our first loyalty is to our clients, and we seek to establish a long-term trustful investment partnership with them. We share their respect for their wealth and the complexity and unpredictability of a rapidly evolving environment. Our approach to private wealth is strongly focused on risk control and the preservation of capital, even for more aggressive investors.

Open to initiative
We complement our own skills with the talents and proven capabilities of selected external managers by investing in successful externals products. Our way of diversifying between various traditional and alternative asset classes enables us to apply a different value perspective to the asset-allocation process. When suitable, the recommended asset selection can be supplemented by our innovative in-house investment solutions.

Open to vision
Our wealth managers are mainly focused – as a logical response to historical experience – on strategic and tactical asset allocation, the most important element of the investment process. We trust diversification as a well-established concept, and we are close to the concept of absolute-return investing. We also believe that occasionally successful investing requires patient inactivity.

Private banking for entrepreneurs
Valartis wealth management offers private banking and family office services to selected high net worth individuals. Protecting and increasing the real wealth of our clients by achieving superior returns is our objective. We work on an agreed level of risk which is the result of a thorough analysis of the client's needs. Valartis wealth management has grown out of our institutional asset management expertise. We also provide advice in other asset classes especially real estate and art.

In addition to active investment advisory services for our clients, our core competence lies in asset management tailored to the individual needs of each client. Our investment and advisory philosophy is based on the development of long-term solutions.

The asset management process is based on a thorough evaluation of the individual, specific client needs. This process takes place within the investment policy of the Bank and reflects the guidelines and instructions of the client; at the same time the asset management process minimizes the investment risks. An internal investment committee reviews recommendations. To ensure an ideal asset allocation, we use both outstanding third-party products as well as niche products developed by Valartis Group.

Valartis is a recognized «financial boutique» delivering consistent added value and performance to its clients through market know-how as well as entrepreneurial spirit. Therefore we are a perfect partner for long-term oriented entrepreneurs.

Business development 2007 and outlook 2008
In the past year the wealth management division continued expanding its business with wealthy individuals and family offices. The managed portfolios once against performed remarkably well in a volatile environment. The most important building blocks for this success were investments in the energy and gold sectors as well as Russia, a number of low volatility hedge funds and selected individual securities, in particular European stocks.

Under new leadership, the bank opened a fully operational branch in Geneva in 2007, and private banking services are now also offered out of Zurich.

We will continue to expand our marketing activities in Central and Eastern Europe and Russia. And we will take advantage of our unique market know-how in the region as well as synergies withing the Group. To this end we opened a representative office of the Bank for clients from Eastern Europe in London in January 2008.

In the current year, our goal is to further improve the wealth management division's profitability. It shall be achieved mainly by employing additional account executives who are attracted by Valartis' unique entrepreneurial culture.

Our mission in investment banking:
We want to accompany our clients with expertise and enthusiasm, designing creative solutions for their investment and corporate finance needs. At the heart of our activities lies the small & mid cap segment.

Investment Banking

Creativity and reliability
Valartis Bank has been active in the Swiss equity market since its establishment as a derivatives boutique in 1988. It has established itself as brand in particular in the small & mid cap segment. On this basis the Bank develops creative investment ideas for institutional investors and, at the same time, works out sustainable financing solutions for corporate clients.

In addition to creativity in the development of products, professional and discerning clients also expect reliability in the implementation. As an established Swiss bank the quality-conscious processing of product ideas and transactions is a matter of course for Valartis Bank.

Derivatives as core competence
One of Valartis Bank's core competences is the derivatives business. We apply this know-how in various forms to our products and solutions; this enables us to react flexibly and cost-efficiently to our clients' needs.

Corporate finance and M&A
Valartis Group expands its corporate finance and M&A activities in Europe substantially. For this pupose Valartis Europe was established. The new company will offer its services throughout Europe, with a special focus on Central and Eastern Europe. It will mainly concentrate on unlisted medium-sized companies in its advisory activities. This way Valartis Europe AG complements the Group's corporate finance and M&A activities, which had in the past been focused on Switzerland and, at the same time, takes advantage of Valartis Group's position in the Central and Eastern European market.

Business development 2007 and outlook 2008
All in all, 2007 was a good business year for Valartis' asset management division – a year, in which various strategic decisions were made.

We are convinced that our success in investment banking depends on the combination of the three activities corporate finance, research and sales/trading. Therefore, we decided at the beginning of the year to strengthen all three fields and to partly reorganize them. One consequence was the transformation of our research division, which had in the past been an internal organization only, to become a public entity. The studies in German and English which have been published so far, received a warm welcome from our clients.

New legal regulations introduced in 2007 were implemented without major problems.

Due to an expansion of our sales and corporate finance teams, we were able to achieve a number of considerable successful transactions. As joint lead manager we were responsible for the USD 120 million capital increase of Eastern Property Holdings (EPH); among all the involved banks we were able to clearly place most shares. This was a direct consequence of the strenghtening of the involved team.

In addition to optimizing the existing Swiss equity and derivatives business, establishing the derivatives business in CO2 and energy products was at the top of the agenda in 2007. We were able to issue a number of mostly innovative structured products thanks to the know-how within Valartis Group. We are convinced that we have enormous potential in this hot market, which we want to exploit in the coming years. By combining our CO2 and energy know-how even better with our core competences in equity analysis and product structuring, we will be able to design interesting investment ideas and products for our clients. We excpect that the demand for such innovative product ideas will increase significantly due to the current importance of the topic climate change and the growing acceptance of CO2 and energy as asset classes.

We will continue to strengthen our team's market power by further selectively expanding our staff.

Last year we also decided to update our trading environment. The needed investments are substantial, but they enable us to continue offering first-class trading services. At the same time the investments will bring significant productivity gains in the back office.

Visa Bonus Card

Jelmoli Bonus Card AG, established in 2006, domiciled in Zurich, offers services in the credit card business. The company is majority owned by Jelmoli Holding AG. Valartis Bank AG holds a 27.5% participation in Jelmoli Bonus Card AG and acts as principal member of Visa Europe, the world's largest credit card organization. Jelmoli Bonus Card AG is an associated member of Visa Europe.

Corporate strategy and goals
At the top of the agenda is the launch of additional products and services in the Swiss credit card market, which clearly distinguish themselves from the competition by innovation and an attractive price/benefit relationship. This also includes the continuous further development of the client retention system and the constant adaptation to the market environment, which contributes sustainably to the company's success.

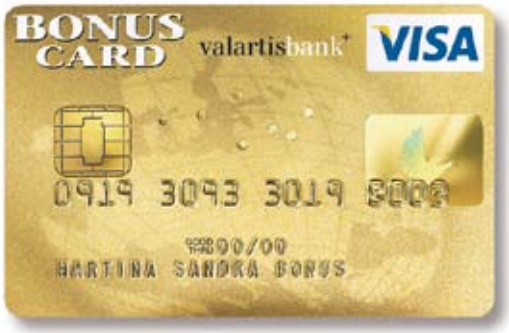
Jelmoli Bonus Card AG focuses on client needs to ensure a successful positioning in the market. At the center of attention is winning new and activating existing Bonus Card clients.

Today's partner network includes renowned companies, which use the bonus system as a core client retention instrument. It is Jelmoli Bonus Card AG's goal to expand the current partner network to further increase its attraction. In order to reach this goal, sound know-how in the credit card business is essential. With the introduction of new credit card products, the specialists at Jelmoli Bonus Card AG have proven that they are able to professionally implement significant projects.

Milestones 2007
In 2007 Jelmoli Bonus Card AG had two major goals: increasing its market share in the Swiss credit card market and cultivating existing clients.

In order to facilitate the change from a bonus card to the Visa Bonus Card, the application process was simplified. The positive reactions from clients confirm that the expansion of the Visa Bonus Card by the Visa function meets a real need. Since the launch of the Visa Bonus Card until the end of 2007, a total of 85,000 existing bonus card clients opted for the new Visa Bonus Card.

By means of a targeted national campaign, Jelmoli Bonus Card AG reached a strong presence in the market. As a result, the new Visa



Bonus Card was one of those cards with the most attractive price/benefit relationship in all credit card comparisons. This had a positive effect on the number of new clients: In 2007, almost 20,000 new clients chose our card.

Another milestone was the expansion of customer service, including a 24-hour service.

In oder to further strengthen the market position and to issue an alternative product, the Visa Advanced Card was added to the product range of the Jelmoli Bonus Card AG in December 2007. The Visa Advanced Card works like a Visa credit card – the client can draw on the paid-in amount wordwide. The credit card on credit basis is useful for clients, who always want to keep their costs and expenses under control. Consequently, the Visa Advanced Card is an ideal offer for adolescents and travellers in search of an optimal addition to cash.

Figures
Sales reached nearly CHF 500 million in 2007. The increase was, inter alia, due to the positive development of sales in the retail business and the additional sales, which were generated by the new Visa Bonus Card outside the Bonus Card partner network.

Overall, far more than 300,000 Bonus Cards and Visa Bonus Card credit cards were in circulation at the end of 2007.

Outlook and goals 2008
Jelmoli Bonus Card AG will continue to direct its activities towards client needs. The required core competences in the credit card business will be reinforced accordingly.

Jelmoli Bonus Card AG aims at further increasing the number of clients as well as sales with the new product strategy and an expansion of additional services. Combined with strict cost control, this will result in higher income.


The value approach means focusing on undervalued companies. The research team analyzes ...
companies with above-average potential, based on financially relevant ...

Research

Valartis Bank's experienced team of analysts offers a broad institutional clientele special know-how access to Swiss small & mid caps. At irregular intervals the Bank publishes written analyses and ratings on Swiss companies. The results of the analyzed companies are constantly monitored. Clients are informed about changes.

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Corporate Governance

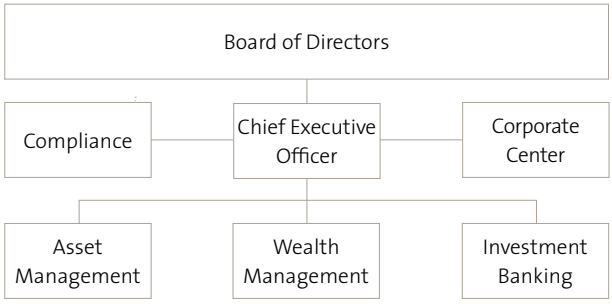
Corporate Governance

Group and Shareholder Structure

Group structure
Valartis Group AG is a public limited company under Swiss law. It directly or indirectly holds a shareholding in 14 fully consolidated, unlisted companies. These shareholdings are completely listed on page 61 of the Group Financial Statements. In addition, it holds a 27.5% shareholding in Jelmoli Bonus Card AG, Zurich. This unlisted company is taken into consideration in the financial statements according to the equity method.

The stock exchange capitalization of Valartis Group AG as per 31 December 2007 amounted to CHF 415 million. Out of the total of 5,000,000 outstanding shares, 0.8% are owned by the Company itself.

The domicile of Valartis Group AG is Baar ZG, Switzerland. The bearer shares of Valartis Group AG (ISIN CH0001840450) are traded on the SWX Swiss Exchange.



Asset management
In asset management Valartis Group focuses on actively managed portfolios (satellites) in the asset classes equities, private equity, real estate and other alternative investments. It has many years experience on the capital markets of Russia, Eastern Europe and Switzerland, where it structures specific products in the form of listed investment companies, investment funds and individual mandate solutions.

Wealth management
We offer wealthy individuals private-banking and family-office services in the form of asset-management or advisory mandates. Our wealth management team works independently; it can, however, draw on the investment know-how and research capacities of the Group.

Investment banking
With Valartis Bank AG, the Group has broad know-how of the Swiss equity market, where it has established itself as a leading issuer of listed warrants and other structured products. Both in brokerage and in its corporate-finance activities the Bank focuses on small & mid caps. Valartis Europe AG complements the Group's activities, which had in the past been focused on Switzerland and, at the same time, takes advantage of Valartis Group's position in the Central and Eastern European market.

On the international real estate market, Valartis Bank AG specializes in complex financing solutions. As manager and arranger of senior-debt financings it focuses on the higher yielding mezzanine and equity segments.

Consolidated companies
The consolidated companies of the Group are listed with information as to name and domicile, capital, stock exchange listing and shareholding percentage in the Comments to the Group Financial Statements on page 61.

Major shareholders
MCG Holding S.A., Baar ZG, holds 50% of the capital and the voting rights of Valartis Group AG. Economic beneficiary of MCG Holding S.A. is a shareholder group consisting of Hansa AG, Baar ZG (controlled 100% by Georg von Opel, Wollerau SZ), Gustav Stenbolt, Geneva, Philipp LeibundGut, Steinhausen ZG, Pierre Michel Houmard, Geneva, and Tudor Global Trading LLC, Greenwich, USA. Timothy Rogers, Geneva, sold his shareholding in MCG Holding S.A. as at 29 January 2008 within the existing shareholder group. There are no additional shareholders who have a shareholding greater than 3% of the shares entitled to vote.

Cross-over shareholdings
There are no cross-over shareholdings with other corporations between Valartis Group AG and its subsidiaries.

Capital Structure

Capital
The share capital of Valartis Group AG amounts to CHF 5,000,000, divided into 5,000,000 bearer shares entitled to dividends and voting rights with a par value of CHF 1 each. All bearer shares of Valartis Group AG are fully paid in and traded on the main segment of the SWX Swiss Exchange.

With the exception of the conditional capital, there are no instruments outstanding which would result in a dilution.

Conditional capital
At its Extraordinary General Meeting on 14 December 2005, Valartis Group AG approved the creation of conditional capital amounting to CHF 250,000 (divided into 250,000 bearer shares of Valartis Group AG with a nominal value of CHF 1 each) for staff participation programs as follows: Excluding existing shareholders' subscription rights, the Company's share capital shall be increased at most by CHF 250,000 by issuing a maximum of 250,000 bearer shares, to be fully paid, with a nominal value of CHF 1 each; this shall be carried out by means of options rights granted to employees of the Company or one of its Group companies or to Members of the Board of Directors within the framework of a staff participation plan to be approved by the Board of Directors. Issuance below market price is permitted. The Board of Directors shall specify the details.

After introduction of the conditional capital, a staff participation plan was set up. The exercise of these options will have a diluting effect. Authorization to carry out the capital increase will end on 18 March 2011.

The formal listing of the bearer shares of Valartis Group AG stemming from the conditional capital was applied for at the SWX Swiss Exchange as of 28 December 2005 and approved by the SWX Swiss Exchange.

Authorized capital
Valartis Group AG has no authorized capital.

Capital changes
As at 31 December 2004 Valartis Group AG had a share capital of CHF 4,000,000, divided into 4,000,000 bearer shares with a nominal value of CHF 1 each as well as a holding of 500,000 own shares.

At the Annual Sharholders' Meeting of 23 February 2005 a decrease in share capital of CHF 500,000 by cancelling 500,000 shares was approved. The decrease was entered into the Commercial Register in May 2005, taking into account the regulations of Art. 734 of the Swiss Code of Obligations.

At the Extraordinary Shareholders' Meeting of Valartis Group AG on 14 December 2005 an increase in share capital from CHF 3,500,000 to CHF 5,000,000 by issuing 1,500,000 new bearer shares of Valartis Group AG with a nominal value of CHF 1 each, excluding shareholders' subscription rights, was approved.

In the 2007 business year, Valartis Group AG's share capital remained unchanged. The conditional capital of CHF 250,000, which was approved at the Extraordinary Shareholders' Meeting on 14 December 2005 and added to the Company's Articles of Association, remains unchanged.

Participation certificates
Valartis Group AG has no participation certificates.

Limitation of transferability and nominee registrations
There are no registered shares; therefore there are also no limitations on transferability and no limitations regarding nominees.

Convertible bonds and options
Valartis Group AG has not issued any convertible bonds. Options on its own bearer shares have been issued within the scope of the creation of conditional capital (see section «Conditional capital»).

Board of Directors

Members of the Board of Directors
As at 31 December 2007 the Board of Directors consists of four members and is made up as follows:

Name	Function	Executive / Non-Executive Member	Nationality	Elected until	First election
Prof. Dr. Erwin W. Heri	Chairman	Non-Executive Member	CH	2009	2003
Dr. Stefan Holzer	Vice-Chairman	Non-Executive Member	CH	2009	2003
Philipp Leibund-Gut	Member	Executive Member	CH	2008	2005
Timothy Rogers	Member	Executive Member	CAN	2008	2005

Timothy Rogers will not stand for re-election to the Board of Directors.

Erwin W. Heri, born 1954
Dr. rer. pol. University of Basel. Associate professor for financial market theory at the University of Basel and visiting professor at the University of Geneva; Chairman of the investment committee of Publica (federal pension fund); among others he is Member of the Board of Directors of Ciba Specialty Chemicals Ltd., Basel, Losinger Construction AG, Bern, and Sofisa Société Financière S.A., Fribourg; Chairman of the Board of Directors of Valartis Group AG and Valartis Bank AG; Vice-Chairman of the Board of Directors of Valartis Europe AG; until mid-September 2007 he was also interim CEO of Valartis Group AG. From 1995 to 1999 Erwin W. Heri was Chief Investment Officer of «Winterthur Versicherungen» and after the takeover of «Winterthur» by Credit Suisse, Chief Financial Officer of Credit Suisse Financial Services. He has been an independent business consultant since 2003.

Stefan Holzer, born 1961
Dr. rer. pol. University of Basel. Vice-Chairman of the Board of Directors of Valartis Group AG and Valartis Bank AG as well as Member of the Board of Directors of Jelmoli Bonus Card AG, Zurich, and of Valartis Europe AG, Vienna. He is Member of the Board of Directors of Burkhalter Holding AG, Zurich, and co-owner of the investment company H&H Holding. From 1994 to 1999 Stefan Holzer was a partner at BZ Group.

Philipp LeibundGut, born 1973
Graduate of the Technical College of Basel-Land and Basel-Stadt. Responsible for corporate development at Valartis Asset Management S.A., Geneva. From 2002 to 2006 Member of the Executive Board of Valartis Asset Management S.A.; Member of the Board of Directors of Valartis Group AG and Eastern Property Holdings Ltd., Tortola (BVI). From August 1998 to December 2001 he worked for Hansa AG, Baar ZG.

Timothy Rogers, born 1966
Graduate of the University of Alberta, Canada. Has worked for various Valartis companies since 1996; since 1 January 2006 Member of the Valartis Group Executive Board and Member of the Board of Directors of Valartis Group AG, Valartis Asset Management S.A., Geneva, Valartis Wealth Management S.A., Geneva, and MC Premium Sicav, Luxembourg.

Changes on the Board of Directors
In mid-September 2007 Gustav Stenbolt took over the management of Valartis Group AG and Valartis Bank AG as CEO; at the same time he stepped down from the Board of Directors of Valartis Group AG and Valartis Bank AG. As at 6 November 2007 Georg von Opel stepped down from the Board of Directors of Valartis Group AG. Timothy Rogers will not stand for re-election to the Board of Directors.

Additional activities and interests
The additional activities and interest commitments of the individual Members of the Board of Directors are listed under «Members of the Board of Directors».

Election and period of office
The Members of the Board of Directors are elected by the Shareholders' Meeting for an office period of three years, meaning up to and including the third Ordinary Shareholders' Meeting after their election. Each Member is elected individually. Re-election is allowed. In the event a Member withdraws before the expiration of his period of office, the next Shareholders' Meeting shall elect a replacement. Should the number of Members of the Board of Directors fall below three, an Extraordinary Shareholders' Meeting must be held within a reasonable period for holding additional elections. The Member elected as a replacement enters into the period of office of his predecessor. The first election date and the expiration of the period of office are listed in the section «Members of the Board of Directors». The Board of Directors shall organize itself and appoints from among its Members a Chairman. It can appoint a Vice-Chairman and a Secretary.

Internal organization
The Board of Directors is the highest governing body of Valartis Group AG. It is responsible for the Company's overall management and decides on all matters which are not delegated to the Shareholders' Meeting according to the law or the Articles of Association. Subject to the reservation of non-transferable and irrevocable powers, parts of the duties of the Board of Directors may be transferred to individual Members (Delegates) or to a circle of Members (Committees) or to third parties. In the business year 2007 there were no Board Committees.

In addition to the non-transferable and irrevocable powers (Art. 716a Paragraph 1 CO, Swiss Code of Obligations), the Board of Directors has additional exclusive tasks. The more important of these include defining the Group's goals, the Group's strategy and the basics of the financing policy. The Board of Directors also decides on the basics of personnel and remuneration policy, determines the risk policy and control systems and secures the consolidated risk monitoring. The Board of Directors approves the business plan and the budget. The Board of Directors must approve the establishment, acquisition or sale of companies and substantial parts of companies, including subsidiaries.

The Board of Directors consists of three or more Members. The convening of the Board of Directors is done by the Chairman or, in the event of his prevention from doing so, by the Vice-Chairman so often as business requires, in addition upon request of one of its Members or the Auditors. The Board of Directors passes its resolutions with an absolute majority of Members present. In the event of a tie, the Chairperson shall decide.

Minutes are to be taken regarding the discussions of the Board of Directors. The Secretary is designated by the Board of Directors. He does not have to be a Member of the Board of Directors.

Regulation regarding powers
The Board of Directors is responsible for the supervision and control of the Group's management. It fulfills the duties according to law (Art. 716a CO). The Board of Directors has ultimate responsibility for the Company's medium- and long-term orientation and issues the necessary directives and regulations. Furthermore the Board of Directors defines the Group's basic risk principles and has to approve investments and other pecuniary decisions and legal transactions which pass a certain limit. The Board of Directors also has to approve entering and ending strategic cooperations with third parties, the acquisition of participations which pass a certain limit as well as the establishment, acquisition and sale of companies and substantial parts of companies, including subsidiaries.

Information and control instruments
The Board of Directors shall meet as often as the business of the Company requires, at a minimum however once per quarter. In the year 2007 four ordinary meetings were held. The ordinary meetings as a rule take at least half a day. At the meetings also the President of the Group Executive Board (CEO), the Chief Financial Officer (CFO) and, depending on the agenda item, additional Members of the Group Executive Board attend. The Board of Directors is informed on a monthly basis regarding the assets and liabilities, financial, liquidity and income situation and the risks associated therewith. The risk policy and its reasonableness are constantly examined. It forms the basis for risk management. The Board of Directors examines the control systems, compliance with limits as well as the principles of accounting and reporting. In doing this it relies on its own inquiries and the work of internal and external auditors. In addition the Board of Directors has an independent internal auditing unit. The duties and powers of the internal auditing unit are laid down in a separate directive. The internal auditing unit sets up a detailed auditing program each year. It makes sure that all risk-relevant business activities are checked within the framework of a multi-year plan. The Chairman of the Board of Directors can also use the internal auditing unit for special tasks in addition to its regular auditing work.

Group Executive Board

Members of the Group Executive Board
As at 31 December 2007 Valartis Group Executive Board consists of six Members and is made up as follows:

Name	Function	Nationality
Gustav Stenbolt	Chief Executive Officer (CEO)	N
Dr. Lorenzo Trezzini	Chief Financial Officer (CFO)	CH
Timothy Rogers	Head Asset Management	CAN
Michel Arni	Head Wealth Management	CH
Reto Peczinka	Head Investment Banking	CH
Henrik Bartl	Head Real Estate Structured Finance	D

Gustav Stenbolt, born 1957
Lic. rer. pol. University of Fribourg. CEO of Valartis Group and Valartis Bank AG, Zurich, Member of the Board of Directors of Jelmoli Holding AG, Zurich, and further companies of the Jelmoli group; Chairman of the Board of Directors of Valartis Asset Management S.A. and Valartis Wealth Management S.A., Geneva, of ENR Russia Invest S.A., Geneva, MCG Holding AG, Baar, and Valartis Europe AG, Vienna; furthermore, Gustav Stenbolt is a Member of the Board of Directors of Eastern Property Holdings Ltd., Tortola (BVI), Anglo Chinese Group, Hong Kong, and Hypercenter Investments S.A., Luxembourg. In 1996, Gustav Stenbolt founded MCT Group.

Lorenzo Trezzini, born 1968
Dr. oec. publ. University of Zurich and Swiss certified accountant. CFO; Member of the Group Executive Board and Member of the Executive Board of Valartis Bank AG since 1 January 2005. Lorenzo Trezzini is head of the corporate center; in addition to the finance division he also heads business operations and controlling as well as the risk office. previously manager at Deloitte & Touche in the field of auditing, at Ernst & Young in corporate finance and at Invision in venture capital and private equity.

Timothy Rogers, born 1966
Responsible for the division «Asset Management» (see «Members of the Board of Directors» on page 20).

Michel Arni, born 1953
Lic. iur. University of Geneva and attorney-at-law. Responsible for the division «Wealth Management». Arni worked at Rothschild Group from 1993 to 2007, eventually as head of the private-banking activities of Rothschild Bank AG, Zurich; Member of the Group Executive Board and Member of the Executive Board of Valartis Bank AG since 17 April 2007; head of the advisory committee of Christie's Switzerland.

Reto Peczinka, born 1970
Lic. oec. publ. University of Zurich. Responsible for the division «Investment Banking»; training as a certified financial analyst CFA; Member of the Group Executive Board and Member of the Executive Board of Valartis Bank AG since 1 January 2006.

Henrik Bartl, born 1968
B.Sc. Cornell University. Responsible for real estate structured finance; previously Managing Director at Aareal Bank AG and staff member of HVS International in London and Vancouver; Member of the Group Executive Board and Member of the Executive Board of Valartis Bank AG since 1 January 2007.

Organization of the Group Executive Board
The Group Executive Board is responsible for the management of the Company's business activities, inasmuch as this is not reserved for the Board of Directors according to the law, the Articles of Association and the Organizing Statute. The CEO heads the Group Executive Board and decides on the business development. In particular he is responsible for the development and implementation of the Group's strategy as well as its results and he implements the directives of the Board of Directors.

Changes on the Group Executive Board
On 17 April 2007 Michel Arni took over the management of the division «Wealth Management» of Valartis Group from Michel Houmard, who headed the division until then. Mid-September 2007 Gustav Stenbolt took over the position of CEO from Erwin W. Heri, who had held this position on an interim basis. As at the end of February 2008 Timothy Rogers gave up the management of the division «Asset Management» of Valartis Group.

Additional activities and interest obligations
The additional activities and interest obligations of the individual Members of the Management are listed in the section «Members of the Group Executive Board».

Management contracts
Valartis Group AG and its subsidiaries have not transferred any management powers of the management to third parties.

Compensation, Shareholdings and Loans

Contents and procedures for fixing compensation and participation programs
The Board of Directors of Valartis Group AG («Company») has drawn up internal regulation with regard to fixing the compensation of the Members of the Board of Directors and the Group Executive Board. These regulations determine the decision-making powers as well as the compensation system. These regulations are checked annually with regard to their approriateness and, if necessary, adjusted.

The compensation of each individual Member of the Board of Directors and the Group Executive Board is approved by the entire Board of Directors of Valartis Group AG. A Member of the Board of Directors whose compensation is being determined, abstains from voting. At present there is no permanent compensation committee or external consultant for the design and fixing of the compensation system.

The *Members of the Board of Directors* are paid a fixed compensation depending on their function and their contribution within the Group. There are no additional (variable) attendance fees. The compensation of a Member of the Board of Directors is paid in shares of the Company until this Member holds shares in the Company at least corresponding to three times his current annual compensation. Members are obligated to keep these shares during their term of office.

Compensation for the *Members of the Group Executive Board* consists of a base salary and a performance-related compensation. The latter includes both quantitative and qualitative factors. The base salary depends on the task and the functional responsibility of each Member of the Group Executive Board. The performance-related compensation (bonus) is determined by the following factors:(a) operative Group profit, (b) operative profit of the business segment and (c) individual, personal contribution. In the determination of the compensation the shareholders' capital interests (return on equity, impact of market fluctuation on the results etc.) are taken into account in an appropriate manner.

The composition of the bonus according to the individual components (a) to (c) depends on the function of the Member of the Group Executive Board. The following table shows the minimum and maximum weighting of these components. The exact percentages are determined each year within these bandwidths.

Components \ Function	CEO	CFO	Head business segment
(a) Operative Group profit	30%–50%	20%–40%	20%–30%
(b) Operative profit business segment	–	–	30%–40%
(c) Individual, personal contribution	70%–50%	80%–60%	50%–30%

If the operative profit goals of the components (a) and/or (b) are not met, the bonus (of these components) is reduced. If the operative profit goals of the components (a) and/or (b) are surpassed, the Members of the Group Executive Board participate in the exceeding profit contribution. Basically the same applies to the compensation from the personal performance (c); the fixing of this compensation component, however, is impacted by factors which cannot be quantified.

For the Members of the Group Executive Board to think and act with a view to sustainably strengthen the Company's earnings power, 50% of the performance-related compensation is paid in shares of the Company. Thereof, half of the shares are blocked for 2 years, whereby ownership of the shares is transferred to the Member of the Group Executive Board at the time of allocation. The other half is paid in shares of the Company which have a vesting period of 2 years. Consequently, ownership of the shares is not transferred when the shares are allocated but only when actual payment takes place to the entitled Member of the Group Executive Board after 2 years.

If a Member of the Group Executive Board leaves the Company, the Board of Directors decides which part of the shares which were

allocated but not yet transferred to the property of this Member of the Group Executive Board are returned to the Company. If the Company has to show a Group loss, the CEO and the head of the business segment responsible for the loss lose their claim to a bonus. Furthermore the shares which were allocated but not yet transferred to the property of the CEO and the head of the business segment are reduced by 50% or returned to the Company.

Due to the dependence on the course of the business and the individual performance contributions, the total compensation of a Member of the Group Executive Board may vary significantly from year to year. The relation between fixed and variable compensation fluctuates accordingly. In the 2007 business year the performance-related compensation corresponded to 104% of the base salaries which were paid to the Members of the Group Executive Board.

Transitional year 2007
The compensation system described above was introduced in the past business year and will be applicable in whole for the first time for the 2008 business year. However, in order to gather first experiences with the methodology, the basic elements for the compensation of the Members of the Group Executive Board, were, wherever possible, applied for the 2007 business year. The payment of the performance-related remuneration was made according to the existing practice, which leaves it up to the individual Members of the Group Executive Board to receive the bonus in full or in part in blocked or non-blocked shares of the Company. The shares were transferred immediately to the ownership of the Members at the time of the allocation.

Information on the compensation of the Members of the Board of Directors and the Group Executive Board can be found both in the Comments to the Group Financial Statements on page 64 and in the Notes to Valartis Group AG on page 78 and the Notes to Valartis Bank AG on page 111. In order to determine the overall remuneration, the figures of the various Notes must be considered together.

Shareholders' Rights of Participation

Voting limitations and representation
The shareholders' rights of participation correspond to the statutory regulations of the Swiss Code of Obligations. There are no limitations on voting rights.

Statutory quorum
There are no regulations which deviate from Art. 704 of the Swiss Code of Obligations.

Convening of the Shareholders' Meeting
There are no provisions in the Articles of Association which deviate from the law for convening the Shareholders' Meeting.

Agenda
The Articles of Association provide that an agenda item for the Shareholders' Meeting can be requested in writing with information as to the item to be discussed and motions submitted by one or more shareholders who together represent at least 3% of the share capital, whereby this agenda request must be received by the Company at least 45 days before the Shareholders' Meeting.

Recording in share register
There are no registered shares; therefore no share register is kept.

Change in Control and Defense Measures

Opting out
An acquirer of the shares of the Company is not obligated to make a public purchase offer pursuant to Articles 32 and 52 of the Swiss Federal Law regarding the Stock Exchange and Securities Dealing.

Change in control clause
There are no contractual termination compensations for Members of the Board of Directors or employees of Valartis Group.

Auditors

The Group financial statements as well as the annual financial statements of Valartis Group AG and its subsidiaries are audited by Ernst & Young AG. The Auditor of Valartis Group AG, resp. the Group auditor are elected at the Ordinary Shareholders' Meeting in each case for one year.

Duration of mandate and period of office of the Managing Auditor
The election of Ernst & Young AG occurred the first time at the establishment of Valartis Group AG in the year 1988. Managing Auditor is Cataldo Castagna who has exercised this function since the 2004 business year.

Auditor's fee
Ernst & Young AG invoiced Valartis Group in the 2007 business year CHF 853,724 (previous year: CHF 657,825) for services in connection with the auditing of the annual financial statements and the Group financial statements of Valartis Group and the Valartis Group companies.

Additional fees
In addition, Ernst & Young AG invoiced Valartis Group for other services in the areas of legal matters, tax, risk policy and information technology the amount of CHF 296,930 (previous year: CHF 58,330).

Supervision and control instruments vis-à-vis the auditors
The Board of Directors has the responsibility to supervise and control the external auditors and Group auditor. Within the scope of this responsibility is the handling of the reports of the internal and external auditors.

Information Policy

The Group balance sheet and profit and loss statement are published bi-annually according to IFRS accounting standards. In addition to electronic communication, the report is also sent in written form to those interested or can be downloaded from the homepage www.valartis.ch. The contact addresses are listed on page 121.

MC Russian Market Fund

The MC Russian Market Fund is an investment company with variable capital (Sicav) domiciled in Luxembourg. The fund's main investment goal is long-term capital gain through active management of a diversified portfolio of Russian and other stocks in the region. Due to their many years experience in the Russian market our portfolio managers are in a position to select the best companies.

Investors achieved an outstanding performance once again in ...

2007 with our MC Russian Market Fund: + 27%. Since its launch in 1996 the fund rose more than 1800%.

Contents

Valartis Group
Group Financial Statements 2007

Consolidated Income Statement

	Notes/ Comments	1.1.-31.12.2007 CHF	1.1.-31.12.2006 CHF
Interest and discount income		3,800,501	2,301,430
Dividend income		2,446,881	2,258,752
Interest expenses		– 2,788,752	– 871,490
Income from interest / dividend business		**3,458,630**	**3,688,692**
Commission income from loan business		1,172,289	1,000
Commission income from securities and investment business		94,877,609	89,964,513
Commission expenses		– 9,683,025	– 13,644,346
Income from commission and fee business		**86,366,873**	**76,321,167**
Income from trading		**23,008,237**	**11,697,981**
Income from associated companies		– 1,556,021	– 388,000
Other ordinary income		**– 1,556,021**	**– 388,000**
Total operating income		**111,277,719**	**91,319,840**
Personnel expense	12	32,533,031	23,561,381
General expense	9	17,475,467	13,581,394
Administrative expenses		**50,008,498**	**37,142,775**
Gross profit		**61,269,221**	**54,177,065**
Depreciation on property, equipment and intangible assets	13	2,008,252	1,565,277
Valuation adjustments, provisions and losses	13	0	105,000
Group profit before tax		**59,260,969**	**52,506,788**
Taxes	14	10,078,468	7,165,874
Group profit		**49,182,501**	**45,340,914**
Group profit allocation			
Group profit allocated to shareholders of Valartis Group AG		49,914,828	45,340,914
Group profit allocated to minority interests		– 732,327	0
Group profit per share of Valartis Group AG (undiluted)	15	10.1	9.2
Group profit per share of Valartis Group AG (diluted)	15	9.6	8.7

Consolidated Balance Sheet

Assets

	Notes/ Comments	31.12.2007 CHF	31.12.2006 CHF
Cash		4,014,468	3,479,291
Cash deposits for borrowed securities		9,900,000	4,000,000
Due from banks		104,521,027	69,655,530
Due from clients		48,575,757	35,445,420
Trading securities	1	209,872,206	203,698,178
Financial investments – available for sale		14,951,385	0
Other financial assets at fair value		95,232	3,293,789
Associated companies	25	2,153,479	3,709,500
Property and equipment	4	18,700,628	0
Accrued and deferred assets	7	31,239,388	20,255,961
Positive replacement values	2	6,810,978	2,580,291
Other assets		527,332	439,811
Goodwill and other intangible assets	3	39,084,271	34,646,108
Deferred taxes	5	270,201	0
Total assets		**490,716,352**	**381,203,879**

Liabilities and Shareholders' Equity

Liabilities			
Due to banks		57,729,095	4,634,844
Cash deposits for loaned securities		15,000,000	0
Due to clients		76,646,223	65,453,058
Due from trading	1	7,071,162	831,695
Other financial liabilities at fair value		19,684,073	49,510,144
Negative replacement values	2	25,733,831	14,831,429
Taxes		13,795,201	5,046,145
Accrued and deferred liabilities	8	21,390,085	26,671,215
Other liabilities		4,179,121	564,962
Valuation adjustments and provisions	6	1,423,000	1,423,000
Deferred taxes	5	3,665,016	3,062,947
Total liabilities		**246,316,807**	**172,029,439**
Shareholders' equity			
Share capital	20	5,000,000	5,000,000
Reserves		243,926,862	206,797,954
Translation adjustments		232,180	76,486
Unrealised income from financial investments – available for sale		– 229,469	0
Own shares		– 3,973,947	– 2,700,000
Shareholders' equity of the shareholders of Valartis Group AG		**244,955,626**	**209,174,440**
Minority interests		**– 556,081**	**0**
Total shareholders' equity (incl. minority interests)		**244,399,545**	**209,174,440**
Total liabilities and shareholders' equity		**490,716,352**	**381,203,879**

Statement of Changes in Equity

	2007 CHF	2006 CHF
Share capital		
Position at 1 January	5,000,000	5,000,000
Change in share capital	0	0
Position at 31 December	**5,000,000**	**5,000,000**
Capital reserves		
Position at 1 January	– 8,537,140	– 9,711,037
Income from the sale of own shares and derivatives on own shares	964,080	1,173,897
Position at 31 December	**– 7,573,060**	**– 8,537,140**
Translation adjustments		
Position at 1 January	76,486	3,790
Change during the reporting period	155,694	72,696
Position at 31 December	**232,180**	**76,486**
Retained earnings		
Position at 1 January	215,335,094	183,744,180
Group profit	49,914,828	45,340,914
Dividend distributions	– 13,750,000	– 13,750,000
Position at 31 December	**251,499,922**	**215,335,094**
Unrealized income from financial investments – available for sale		
Position at 1 January	0	0
Unrealized income from financial investments – available for sale	– 229,469	0
Position at 31 December	**– 229,469**	**0**
Own shares		
Position at 1 January	– 2,700,000	– 13,900,000
Change in own shares	– 1,273,947	11,200,000
Position at 31 December	**– 3,973,947**	**– 2,700,000**
Minority interests		
Position at 1 January	0	0
Change in minority interests in equity	119,644	0
Minority interests in Group profit	– 732,327	0
Translation adjustments	56,602	0
Position at 31 December	**– 556,081**	**0**

The conditional share capital amounts to CHF 250,000, divided into 250,000 bearer shares with a nominal value of CHF 1 each.

Consolidated Cash Flow Statement

	Notes/ Comments	2007 CHF	2006 CHF
Group profit before taxes (incl. minority interests)		59,260,969	52,506,788
Non-cash activities in the consolidated income statement			
Depreciation on intangible assets	13	1,496,099	1,000,000
Depreciation on property and equipment	13	512,153	565,277
Change in valuation adjustments and provisions	13	0	105,000
Income from associated companies	25	1,556,021	388,000
Change in deferred taxes		– 578,992	– 219,512
Paid income tax		– 1,302,889	– 5,072,258
Net (increase) decrease in assets and liabilities of the banking business			
(Increase) decrease accrued and deferred assets		– 10,983,427	11,185,303
(Decrease) increase accrued and deferred liabilities		– 5,281,130	6,518,464
(Increase) decrease trading securities		– 6,174,028	1,242,096
(Decrease) increase amounts due to trading		6,239,467	– 45,748,648
(Decrease) increase amounts due to clients		11,109,746	– 62,038,705
(Increase) decrease amounts due from clients		– 12,632,756	15,981,040
(Decrease) increase amounts due to banks		53,094,251	– 9,210,462
(Increase) decrease amounts due from banks		– 1,445,111	– 22,146,774
(Increase) decrease cash deposits for borrowed securities		– 5,900,000	56,000,000
(Decrease) increase cash deposits for lent securities		15,000,000	0
(Increase) decrease positive replacement values		– 4,230,687	3,795,657
(Decrease) increase negative replacement values		10,902,402	– 2,049,449
(Increase) decrease other financial assets at fair value		3,198,557	– 3,293,789
(Decrease) increase other financial liabilities at fair value		– 29,826,071	– 13,741,647
(Increase) decrease other assets		– 27,048	36,699
(Decrease) increase other liabilities		407,439	– 154,935
Cash flow from operating activities		**84,394,965**	**– 14,351,855**
Acquisition of property and equipment	4	– 19,017,452	– 565,277
Acquisition of associated companies		0	– 4,097,500
Acquisition of intangible assets	3	– 851,459	0
Acquisition of financial investments – available for sale		– 15,180,854	0
Acquisition of subsidiaries minus acquired cash		– 18,019	0
Cash flow from investment activities		**– 35,067,784**	**– 4,662,777**
Dividends		– 13,750,000	– 13,750,000
Change in own shares and derivatives on own shares		– 1,725,747	12,373,897
Change in minority interests in equity		81,946	0
Cash flow from financing activities		**– 15,393,801**	**– 1,376,103**
Effect of translation adjustments (incl. minority interests)		22,183	72,696
(Increase) decrease cash and cash equivalents		**33,955,563**	**– 20,318,039**
Position at 1 January		10,876,932	31,194,971
Position at 31 December		44,832,495	10,876,932

Consolidated Cash Flow Statement

	2007 CHF	2006 CHF
For the purpose of the cash flow statement, cash and cash equivalents are made up of the following deposits:		
Cash	4,014,468	3,479,291
Due from banks at sight / callable	40,818,027	7,397,641
Total cash and cash equivalents	**44,832,495**	**10,876,932**
Dividend received	2,446,881	2,258,752
Interest received	3,799,174	2,287,602
Interest paid	1,911,561	871,490

Notes to the Group Financial Statements

1. Clarifications to Business Activity

Valartis Group is a Swiss banking group whose parent company, Valartis Group AG, Baar ZG, Switzerland, is listed on the SWX Swiss Exchange. In its core activities asset management, wealth management and investment banking, Valartis Group focuses on developing and managing innovative investment and niche products as well as providing specialized banking services. Geographically the Group is primarily active in Switzerland as well as Europe, especially Central and Eastern Europe.

2. Principles of Accounting

The Group financial statements of Valartis Group are prepared in compliance with International Financial Reporting Standards (IFRS) and correspond to the provisions of the trading regulations of the SWX Swiss Exchange. As a financial group, Valartis Group is subject to the consolidated supervision by the Swiss Federal Banking Commission.

Consolidation is based on uniformly prepared individual financial statements of the Group companies.

The Group financial statements are in Swiss francs (CHF).

3. Modifications of the Accounting Principles

3.1 Implemented International Financial Reporting Standards and Interpretations

The following new and revised International Financial Reporting Standards as well as their interpretations have been implemented by Valartis Group as per 1 January 2007:

IFRS 7 – Financial instruments: Information as well as IAS 1 – Presentation of Financial Statements

In August 2005 the IASB issued IFRS 7. The content of this new standard concerns the disclosure provisions for financial instruments. IFRS 7 therefore replaces the requirements of IAS 30 relevant for banks and other financial institutions. The disclosure provisions of IAS 32 – «Financial Instruments: Information and Presentation» were also taken over and modified.

IFRS 7 requires information about the significance of financial instruments for the assets and earnings situation of companies. Furthermore, the standard contains new requirements regarding reporting about risks related to financial instruments. Concurrent with the approval of IFRS 7, IAS 1 regarding the disclosure provisions for targets, methods and procedures for capital management was also expanded. Both standards became effective as per 1 January 2007. They have no effect on the Group results and the equity of Valartis Group. The disclosure requirements according to IFRS 7 are implemented for the first time in the 2007 annual report.

Other standards and interpretations

Valartis Group has adopted IFRIC 8 scope of IFRS 2 «Share-Based Payment», IFRIC 9 «Reassessment of Embedded Derivatives», IFRIC 10 «Interim Financial Reporting and Impairment» for the business years beginning 1 January 2007. There were no significant effects on the Group results or the equity of Valartis Group.

3.2 Not yet implemented International Financial Reporting Standards

Various new and revised International Financial Reporting Standards as well as their interpretations must first be applied on or after 1 January 2008. Valartis Group does not make use of the possibility of early application.

IAS 1 – Presentation of financial statements

This modified standard concerns the presentation of changes in equity from equity holders as well as the presentation of profits and losses which are directly recognized in equity. The modified standard must first be applied as of 1 January 2009. It has no effect on the result and equity of Valartis Group.

IFRS 8 – Operating segments

IFRS 8 was issued within the framework of the joint convergence project by the IASB and the FASB. This new standard replaces IAS 14 «Reporting Financial Information by Segment» and follows a «management approach» in segment reporting as required according to SFAS 131 «Disclosure about Segments of an Entreprise and Related Information». Reporting would be based on the information which the management applies internally for the valuation of the performance of operating segments and the allocation of resources to these segments. IFRS 8 must first be applied for annual reporting periods beginning on or after 1 January 2009. Valartis Group does not make use of the possibility of early application.

IFRIC 11, IFRS 2 – Group and treasury share transactions

The IFRIC 11 interpretations (International Financial Reporting Interpretations Committee) were issued in November 2006. They stipulate that arrangements which grant an employee rights to equity instruments of the company as consideration for services shall be accounted for as equity-settled share-based payments. This requirement also applies, if a company either chooses or is required to buy these equity instruments from another party to satisfy its obligations to its employees under the share-based payment arrangements. Furthermore the interpretations contain guidelines, whether share-based payment arrangements of a Group entity shall be accounted for as equity-settled share-based payments or as cash-settled share-based payments, if equity instruments of the parent company are granted.

IFRIC 11 must first be applied for annual reporting periods beginning on or after 1 March 2007. Valartis Group does not make use of the possibility of early application. Furthermore no significant effect on reporting is expected.

IFRIC 14, IAS 19 – Limit on the recognition of a performance-related asset, minimum financing requirements and their interdependence

This interpretation indicates how to assess the limitation for a surplus, which can be recognized in the balance sheet as an asset, according to IAS 19. The interpretation also determines the effect on the valuation of assets and provisions from benefit oriented pension plans due to a legal obligation for minimum contribution payments. The interpretation must first be applied as of 1 January 2008. Valartis Group does not make use of the possibility of early application.

4. Approval of the Group Financial Statements

The 2007 Group financial statements were released by the Board of Directors on 20 March 2008. Up until that date, no significant events are to be reported. The Group financial statements are subject to the approval of the Shareholders' Meeting on 6 May 2008.

5. Major Accounting Principles

5.1 Consolidation principles

In addition to the values of Valartis Group AG, Baar ZG, Switzerland, the Group financial statements include the balances of the shareholdings according to the following rules:

Fully consolidated companies

Group companies which are directly or indirectly controlled by Valartis Group are fully consolidated according to the method of full consolidation. Acquired Group companies are consolidated from the time control is transferred to the Group and deconsolidated from the time control is lost.

Method of consolidation

All Group internal claims and liabilities, earnings and expenses as well as off-balance-sheet transactions are completely eliminated in the Group financial statements. The equity of consolidated companies is recorded at the carrying value of the participations at the parent company at the time of purchase resp. the time of establishment. After the initial consolidation, changes resulting from business operations which are included in the result for the reporting period are allocated to earnings reserves. Minority interests in equity and Group results are stated separately in the consolidated balance sheet and income statement.

Investments in associates

Group companies over which Valartis Group can exercise a substantial influence are included according to the equity method in the position «Associated companies». Influence is, as a rule, considered as substantial, if the Group holds between 20% and 50% of the voting rights.

According to the equity method of accounting, the interest acquired in a company is recorded at cost in the balance sheet upon acquisition. Subsequently the carrying amount of the associated company is increased or decreased depending on the Group's share of the profit or loss of the associated company.

Changes in consolidated companies

At the end of January 2007 Valartis Group AG acquired Valaxis Asset Management S.A., domiciled in Geneva, retroactively as of 1 January 2007. Detailed information related to this acquisition can be found in the Notes on page 48. In addition, in March 2007, Darsi Investment Ltd., BVI, was established as a wholly owned subsidiary of Valartis International Ltd. Also during the first half of 2007 Société des Centres Commerciaux d'Algérie, Algeria, was established. Valartis International Ltd. holds 55% of the capital and the votes of this company. In July 2007 SCCA Finance Ltd. was established as a wholly owned subsidiary of Valartis International Ltd. In September 2007 Valartis Europe AG was established in Vienna as a wholly owned subsidiary of Valartis International Ltd. which, in turn, is wholly owned by Valartis Group AG. Also in September Valartis Fund Management S.à.r.l. was established with domicile in Luxembourg as a wholly owned subsidiary of Valartis Group AG.

Consolidation period

The consolidation period for all Group companies is the calendar year. The closing date for the Group financial statements is 31 December.

5.2 Basic principles

Foreign currency translation

The functional currency is the Swiss franc (CHF), the currency of the country, where Valartis Group AG is domiciled.

The assets and liabilities denominated in foreign currencies of foreign Group companies are translated into Swiss francs at the respective exchange rates on the balance sheet date. For the profit and loss statement and the cash flow statement, annual average exchange rates are used. Any exchange rate differences resulting from consolidation are reported as translation adjustments in equity.

In the individual financial statements of the Group companies, transactions in foreign currencies are recognized at the corresponding daily exchange rates. Monetary assets are translated and booked in the income statement at the exchange rates valid on the balance sheet day. Non-monetary items recorded at historical cost in a foreign currency are translated at the historical exchange rate.

The following exchange rates are used for the major currencies:

	2007 Balance sheet day rates	2007 Annual averate rates	2006 Balance sheet day rates	2006 Annual average rates
EUR	1.656	1.643	1.609	1.573
USD	1.124	1.200	1.220	1.249
GBP	2.256	2.402	2.388	2.308
CAD	1.146	1.121	1.047	1.105

Segments (business segments and regions)
Valartis Group differentiates between primary and secondary segment reporting. The business segments form the primary format for segment reporting, while the geographical segments present the secondary reporting format.

Valartis Group is divided into the three operational business segments «Asset Management», «Wealth Management» and «Investment Banking». In the regional segment reporting, the regions Switzerland and abroad are shown. Reporting is based on operating locations.

Items which cannot directly be allocated to a particular segment are recognized in the «Corporate Center». Furthermore consolidation items are included in the «Corporate Center».

Cash and cash equivalents
Cash and cash equivalents in the cash flow statement contain liquid assets (petty cash, post check balances and deposits at the Swiss National Bank) as well as amounts due from banks at sight / callable.

Accrual of earnings
Income from services is recorded when the services are provided. Individual transactions, particularly in corporate finance, are recognized when the service is completed. Interest is accrued according to the period. Dividends are recognized upon receipt of payment.

5.3 Financial instruments
Principle
Purchases and disposals of financial assets are recognized in the balance sheet at the trade date. At the time of initial recognition, financial assets and liabilities are, pursuant to the criteria of IAS 39, attributed to the corresponding categories and valued dependent on their classification.

Valartis Group classifies the financial instruments, which also include traditional financial assets and liabilities as well as equity instruments, as follows.

- Financial assets resp. financial liabilities which are valued at fair value through profit or loss
- Financial assets – available-for-sale
- Financial instruments held to maturity
- Loans made which are neither held for trading nor represent «Financial assets – available-for-sale» and which are not valued at fair value in the income statement

Determination of fair value
The fair value is the amount for which an asset could be exchanged or a liability be paid between two knowledgable, willing and mutually independent contractual parties. The determination of the fair value of financial assets and liabilities is based on quoted market prices or price quotes by brokers, provided that the financial instruments are traded in an active market. For the remaining financial instruments, the fair value is determined by means of valuation methods. These include the «discounted-cash-flow model», the comparison with similar instruments, for which market prices are available, as well as generally accepted valuation models which are based on input parameters observable on the market.

Trading securities and liabilities due to trading
Principle
«Trading securities» include money-market papers, other debt instruments, including marketable loans, as well as equity instruments which belong to the Group (long positions). The item «Due from trading» includes obligations to deliver financial instruments such as money-market papers, as well as other debt and equity instruments, which the Group has sold to third parties but which do not belong to the Group (short positions).

A financial asset or liability is classified as for trading, if the asset was bought or if the liability was engaged mainly with the goal of a short-term sale or repurchase and if it is part of a portfolio which can definitely be identified and for which there are indications for short-term profit taking in the recent past.

Valuation
Trading securities as well as liabilities from trading are reported at fair value. Profits and losses from the sale and repayment as well as changes in fair value are recorded under «Income from trading». Interest and dividend income resp. interest and dividend expense from trading are recorded in «Income from interest business».

Derivative financial instruments

Principle

All derivative financial instruments are reported as positive or negative replacement values. Derivatives which are embedded in a «basic contract» count as hybrid instruments and originate from the issue of structured debt instruments. For these products Valartis Group applies the fair value option; therefore there is no need for a separation of the embedded derivative components for valuation purposes. Consequently, reporting is under the positions «Financial assets at fair value» resp. «Financial liabilities at fair value».

Valartis Group uses derivative financial instruments for trading purposes.

There are no netting agreements; therefore there is no clearing of positive and negative replacement values with the same counterparty.

Valuation

Changes in the fair value of derivatives which are used for trading or which do not meet the stringent criteria for «hedge accounting» are recognized in the income statement in «Income from trading».

Other financial instruments at fair value (fair value option)

Principle

At the initial recognition a financial instrument may be attributed to the category «Other financial instruments at fair value» and recognized in the balance sheet in «Financial assets at fair value» or «Financial liabilities at fair value». Profits and losses from the sale or repayment as well as changes in the fair value are recognized in «Income from trading».

In its issuing business, Valartis Group reports issued structured products which include a debt instrument and an embedded derivative in the position «Other financial liabilities at fair value». In compliance with the fair value option as defined in IAS 39, the requirement to split the structured products into underlying contract and embedded derivative and to report them separately does not apply.

Financial investments in equity instruments which do not have a quoted price on an active market and whose fair value cannot be determined reliably, are precluded from classification as «valued at fair value and recognized in the income statement». These equity instruments are valued at historical cost.

Financial investments – available for sale

Principle

The category „Financial investments – available for sale» includes financial instruments, which are kept for an indefinite period. Their sale allows the management to react to liquidity squeezes resp. interest rate, exchange rate or equity price fluctuations. They may comprise equity instruments, including specific private-equity investments, as well as debt instruments.

Valuation

«Financial investments – available for sale» are reported at fair value. Unrealized gains or losses from «Financial investments – available-for-sale» are recognized in «Shareholders' equity» (after deferred taxes) in the position «Unrealized income from financial investments – available for sale» until the financial investments are derecognized or impaired.

As soon as a «Financial investments – available for sale» is classified as permanently impaired, the accumulated, unrealized loss which had hitherto been recognized in equity (this corresponds to the difference between historical cost and the current fair value, minus any depreciation on this asset which may previously have been recognized in the income statement) is transferred to the income statement under «Other ordinary income». Equity instruments are classified as impaired, if their market value remains significantly or for a longer period of time beneath their historical cost. Debt instruments are impaired, if there is a significant deterioration in the corresponding debtor's credit-worthiness or if there are other signs of problems at the debtor.

If a subsequent event shows that there is no or only a partial sustainable impairment, a value appreciation may be made. In the case of equity instruments any value appreciation is recognized in «Shareholders' equity». In the case of debt instruments, on the other hand, it is reversed through the position «Other ordinary income».

After the sale of «Financial investments – available-for-sale» the accumulated unrealized gain or loss which had hitherto been recognized in equity, is transferred to the position «Other ordinary income» for the reporting period.

Interest and dividend income is accrued according to the effective interest rate method and recorded in «Income from interest and dividend business».

Financial investments – held to maturity

Principle

«Financial investments – held to maturity» are investments with fixed or determinable payments and a fixed maturity which the Group has the intention and capability to hold until maturity. Shares, participation certificates and fund shares are not «Financial investments – held to maturity» because they do not mature. Convertible bonds also do not qualify as «Financial investments – held to maturity», because this would not reflect their character.

Valuation

A «Financial investment – held to maturity» is recognized at continued historical cost using the effective interest rate method, unless it is impaired. Financial investments are considered impaired, if there are objective signs that not the full contractually agreed amount may be recovered. If an impairment has been made, the book value is reduced on the recoverable amount and recognized in the income statement. Interest and dividend income is accrued according to the effective interest rate method and recognized in «Income from interest and dividend business».

Loans

Principle

Loans include loans which the Group grants to a debtor directly as well as purchased loans, which are not held for trading and which are not traded on an active market. Granted loans which are to be sold soon are recognized in «Trading securities» and designated accordingly at fair value in the income statement.

Valuation

Initial valuation is at acquisition cost including transaction costs. Subsequent valuation is at continued historical cost using the effective interest rate method minus any individual valuation adjustment for credit risks.

Any difference between the original amount and the amount to be repaid at maturity is amortized using the effective interest rate method and deferred as «Interest and discount income» resp. «Interest expenses» in the income statement.

At each balance sheet date a credit assessment is made to see if there are objective signs that the entire contractually owed amount may not be recovered. If there are such signs, individual valuation adjustments are made on these impaired loans for credit risks. An impairment for credit risks is recognized in the balance sheet as a write-down of the book value of the corresponding loan. The impairment is measured based on the difference between the carrying amount of the receivable and the prospective recoverable amount, taking into consideration the net proceeds from the realization of any collateral securities. Loans with variable interest rates are discounted according to the actual effective interest rate. If there are changes with regard to the amount and the time of expected future cash flows compared to previous estimates, the valuation adjustment for credit risks is adjusted and recognized in the income statement in «Valuation adjustments, provisions and losses».

Non-performing loans are receivables for which the contractually agreed payments for capital and/or interest is overdue for more than 90 days and if there are no clear indications that they may be recovered by later payments or the sale of collateral. Interest for non-performing loans is still charged. It is, however, no longer recorded in the income position «Interest and discount income» but directly allocated to individual valuation adjustments. If the interest at risk is paid, it is not recorded in the income statement but the client's commitment is reduced. Loans are fixed without interest when the yielding of the interest is so doubtful that an accrual can no longer be considered reasonable. Overdue receivables which are classified as completely or partially unrecoverable are eliminated and charged to a possible individual valuation adjustment. Loans at risk are reclassified at full value if the outstanding capital and interest is paid again on time according to contractual agreements and if further requirements regarding credit quality are met. The recovery of loans which had formerly been written off and taken off the books is recorded in the income statement.

The existing procedures for the assessment and calculation of individual valuation adjustments results in a comprehensive valuation of loans; consequently across-the-board valuation adjustments are basically unnecessary.

Realized income from loans which are sold before their maturity or repaid early are booked in the income statement under the position «Interest and discount income».

5.4 Securities borrowing and lending operations

Securities borrowing and lending operations are made on a secured basis. In such transactions the Group lends or borrows securities against securities or cash deposits as security. The Group also borrows securities from the securities portfolios of individual clients. Shares are used for securities borrowing and lending operations.

Securities received or delivered within the scope of securities borrowing or lending operations are recognized or removed from the balance sheet only if control over the contractual rights connected with the securities is transferred.

In securities lending operations the cash deposit which is received is recognized in the balance sheet in «Cash» and a corresponding liability «Cash deposit for lent securities» is recognized. In securities borrowing operations the cash deposit which is made is eliminated from the balance sheet and a corresponding claim is recognized in «Cash deposits for borrowed securities».

Own securities which the Group has transferred to third parties and for which it has conceded the right to resell or repledge to the recipient, are reclassified from the trading portfolio to the position «Lent securities or securities deposited as security».

5.5 Repurchase and reverse repurchase operations

Repurchase transactions resp. reverse repurchase operations are, inasmuch as existing, treated as secured financing transactions. As a rule these include debt securities such as bonds or money-market papers. The transactions are settled on the financial markets according to standardized contracts.

In reverse repurchase operations, securities are purchased and concurrently resold as per a fixed or open date. The purchased securities are not recorded in the Group's balance sheet as long as the conveying party keeps control of the economics rights (taking of price and credit risks, entitlement to current income and other property rights) over the securities. The cash deposit paid in reverse repurchase operations is eliminated from the «Cash» position and recognized in the balance sheet as a claim under «Reverse repurchase operations». This claim reflects the Group's right to recover the cash deposit. Securities which the Group has received in a reverse repurchase operation are recognized as off-balance-sheet business, if the Group has a right to resell or repledge the securities. On the other hand, the resale of the purchased securities is

recognized under «Cash» and the balance-sheet position «Due from trading» (short sale). The valuation of the position «Due from trading» is at fair value. In addition to cash deposits, securities or guarantees can also be used as collateral. Interest income from reverse repurchase operations is accrued over the term of the corresponding transaction.

In repurchase operations, securities are sold and concurrently repurchased as per a fixed or open date. The cash deposit received in a repurchase operation is recognized in the position «Cash», while the corresponding liability to return the securities is recognized in the balance sheet in «Repurchase operations». The sold securities are kept in the Group's balance sheet according to their original classification as long as the economic rights have not been transferred. Securities which the Group has transferred from its own portfolio to third parties and for which it has granted the recipient a right to resale or repledge, are reclassified from the trading portfolio to the position «Lent securities or securities deposited as security». In addition to cash deposits, securities or guarantees can also be accepted as collateral. Interest expense for repurchase operations is accrued over the term of the corresponding transaction.

5.6 Property and equipment

Property and equipment includes properties, undeveloped land and fixtures in third-party properties, information and telecommunications equipment as well as other fixed assets. The acquisition and manufacturing costs are capitalized, if probable future economic income can flow from them to the Group and the costs can be identified and reliably estimated. Property and equipment is depreciated on a straight-line basis over the estimated useful life as follows:

Properties	maximum 100 years
Fixtures in third-party properties	maximum 10 years
Information and telecommunications equipment	maximum 3 years
Other fixed assets	maximum 5 years

No depreciation is made on undeveloped land. The sustainable value of property and equipment is examined if events or circumstances indicate that the carrying value may have been impaired. If the carrying value exceeds the achievable income, a depreciation is made.

5.7 Goodwill

Goodwill is the amount paid by the Group in excess of the fair value of the interest acquired in the net assets of a subsidiary or associated company.

In accordance with IFRS 3, goodwill is capitalized and allocated to the corresponding cash-generating unit «CGU». This is subject, annually or more often, inasmuch as the indications point to a decrease in value, to an impairment test.

For this purpose the carrying amount of the cash-generating unit, which goodwill was allocated to, is compared with its recoverable amount. The recoverable amount shows the higher amount from the fair value of the CGU less costs to sell and its value in use.

Fair value less costs to sell is the amount which could be realized by the sale of a cash-generating unit in a transaction at market conditions between experienced contractual parties after deduction of the sales costs.

The value in use is the present value of future cash flows expected to be derived from a cash-generating unit.

Should the carrying amount of the cash-generating unit exceed the recoverable amount, an adjustment of goodwill in the income statement will be recognized. The business segments «Investment Banking» and «Asset Management» have been identified as cash-generating units.

5.8 Intangible assets

Intangible assets are classified into software, intangible assets with finite useful lives and intangible assets with indefinite useful lives.

Software

Acquisition costs for software are capitalized, if the Bank is likely to receive future economic income therefrom. Depreciation is on a straight-line basis over the estimated useful life of, as a rule, 3 years.

Intangible assets with finite useful lives

Intangible assets with finite useful lives mainly include the long-term client relationships acquired from the acquisition of the company. These assets are depreciated on a straight-line basis over a 10-year period. When necessary, a value adjustment to the income statement is made in addition to the depreciation.

Intangible assets with indefinite useful lives

The intangible assets with indefinite useful lives include assets in connection with the bank license. Valartis Group expects no end to the economic use from these assets. They are correspondingly not depreciated. These assets are, however, reviewed regarding their sustainable value on an annual basis or more often should indications point to a possible reduction in value. Should the carrying amount exceed the recoverable amount, a reduction in value is made.

5.9 Valuation adjustments

Valuation adjustments are made, if there are objective indications that claims cannot be brought in with their respective equivalent amount. Valuation adjustments are calculated based on the estimated recoverable amount. The recoverable amount corresponds to the cash value of the expected future cash flows, discounted according to the original effective interest rate. Valuation adjustments are shown in the balance sheet as a reduction of the carrying amount of the claims and recognized in the income statement in «Valuation adjustments, provisions and losses».

5.10 Provisions
A provision is recognized if the Group has, as a result of past events, a current liability on the balance sheet, which is likely to result in the outflow of resources and whose amount can be reliably estimated.

5.11 Taxes and deferred taxes
Income taxes are based on the tax laws of each fiscal authority and recognized as expense in the period in which the related profits are made. Capital taxes are included in administrative expenses. The current tax rate is used on the annual profit.

Deferred taxes which arise from temporary differences between the carrying amount of assets and liabilities in the Group's balance sheet and their corresponding tax values are recognized as deferred tax claims resp. deferred tax liabilities. Deferred taxes are capitalized, if there is likely to be enough taxable profit to offset these differences. In order to calculate deferred income taxes, those tax rates are applied which are expected to be applicable in the period in which the assets will be realized or the liabilities will be paid. Deferred taxes are recognized only in so far as it is likely that they will arise. Tax claims and tax liabilities are offset against each other, if they apply to the same tax subject and the same tax authority and if there is an enforceable right for their offsetting. Changes in deferred taxes are reported in the income statement under «Taxes». Deferred taxes related to changes which are recognized directly in shareholders' equity are directly charged resp. credited to shareholders' equity.

5.12 Leasing
In operating leasing operations the Group does not recognize leased assets in its books, because ownership rights and duties from the object of the leasing contract remain with the lease-giving party. Expenses for operating leasing are charged to the position «Property, equipment and administrative expenses» on a straight-line basis over the contractual period.

5.13 Own shares and derivatives on own shares
Shares of Valartis Group AG held by the Group are recognized at weighted average acquisition value and deducted from equity. Changes in fair value are not recorded. The difference between the sales proceeds from own shares and the corresponding acquisition cost is recognized in «Capital reserves». Derivatives on own shares, which must be settled physically, qualify as equity instruments and are recognized as «Capital reserves» in shareholders' equity. Changes in fair value are not recognized. When a contract is settled, the sales proceeds after cost are recognized in «Capital reserves» resp. the purchase price is recognized in the position «Own shares».

5.14 Assets under management
The calculation and identification of client assets is done according to the guidelines of the Swiss Federal Banking Commission to the auditing provisions (RRV-EBK). Assets under management include all assets of private and corporate clients as well as institutional clients managed or held for investment purposes as well as assets in self-managed funds and investment companies of the Group. Included therein are, basically, all liabilities due to clients, fixed deposits and fiduciary assets as well as all appraised assets. Client assets which are deposited with third parties are also included, inasmuch as they are managed by a Group company. Pure custody assets (strict clearing accounts), on the other hand, are not included in the calculation of assets under management. Double counts show those assets which are added up more than once, i.e. in several discloseable categories of assets under management.

5.15 Pension plans
For the employees of Valartis Group there are employee pension plans. For the defined benefit oriented plans, independent experts conduct actuarial calculations.

6. Estimates, Assumptions and Exercise of Discretion by Management

6.1 Principle
In applying the accounting principles, the Management is required to make numerous estimates, assumptions and discretionary decisions which can influence the level of reported expenses and income, assets and liabilities as well as the disclosure of contingent assets and liabilities. The actual results can deviate from these estimates.

Valartis Group is convinced that the Group financial statements present a picture of the assets, financial and income situation which corresponds to the actual situation.

The Management reviews its estimates and assumptions on a continuous basis and adapts them to new findings which can have an effect, inter alia, on the following areas in the Group financial statements:

6.2 Goodwill and intangible assets
On 31 December 2007 the net carrying amount of goodwill from the acquisition of companies was CHF 21,625,915, while the intangible assets (excl. software) constituted CHF 16,687,885. The value of goodwill and the intangible assets are, inter alia, determined to a significant degree by the cash flow forecasts, the interest discount factor (WACC) as well as the maintaining of long-term client relationships. The essential assumptions are specified in the «Comment on the Group Financial Statements». A change in the assumptions can lead to the identification of a value reduction in the subsequent year.

6.3 Income taxes
The current tax obligations shown as per the balance sheet date as well as the current tax expenses resulting for the reporting period are based in part on estimates and assumptions and can therefore deviate from the amounts determined in the future by the tax authorities. The deferred taxes are calculated at the tax rates which are expected to be applicable in the accounting period in which the asset will be realized or the liabilities will be paid. Changes in the expected tax rates as well as any unexpected reductions in the value of the goodwill and intangible assets can have a significant effect on the income statement.

6.4 Provisions
Valartis Group recognizes provisions for imminent proceedings when, according to the opinion of the responsible specialists, the probability is greater that losses will occur than the probability that they will not occur, and when their amount can be estimated in a reliable manner. In judging whether the creation of a reserve and its amount are reasonable, the best possible estimates and assumptions as per the balance sheet date are made, which, if necessary, will be adjusted for new findings and circumstances at some later date. New findings may have a significant effect on the income statement.

6.5 Assumptions based on actuarial calculations
For the defined benefit plans, statistical assumptions are made to estimate future developments. These include, alia are, assumptions and estimates with regard to discount rates and expected salary increase rates. The actuaries also use statistical information such as mortality tables and retirement probabilities in their actuarial calculations to determine the pension obligations. Should these parameters change due to a changed economic situation or new market conditions, the later results can deviate significantly from the actuarial reports and calculations. These deviations can, in the medium term, have an influence on the expenses and revenue arising from the personnel pension plans.

7. Risk Management and Risk Control

7.1 Structure of risk management
Overview
Taking controlled risks and their professional management is the basis for a company's value-oriented success. Therefore taking return-oriented risks is at the center of risk management and risk control at Valartis Group.

In order to meet the constantly growing requirements with regard to risk management and risk control due to the new business activities and additional regulatory requirements, investments in human and technical resources were increased in the past year. Major investments were made in a trading platform with integrated risk monitoring for investment banking as well as within the framework of the implementation of the new supervisory regulations (Basel II). Furthermore internal regulations and directives were adjusted to the expanded business activity.

In risk policy, the basic principles of Valartis Group's risk management, the risk management process and the organization as well as the corresponding system of limits and information flows are defined. The Board of Directors checks the risk policy with regard to its appropriatedness at least once a year.

Risk management organization
In its role as top supervisory body, the Board of Directors is responsible for risks of the Group and defines the corresponding risk policy. The Group Executive Board is responsible for the operative implementation of the risk management and risk control principles and ensures that the defined limites are kept at all times. The risk management is made directly in each business segment. The Risk Office is responsible for an independent risk control on Group level and reports directly to the Group CFO. This function also ensures the adherence to and constant monitoring of the risk management process, based on the core elements risk identification, risk measurement and risk valuation, risk management and risk controlling.

Risk reporting
Valartis Group's risk policy distinguishes between strategic and business risks, market risk, credit risk, operational risk and liquidity risk.

The reporting duties are clearly defined with regard to contents, responsibility, recipient and periodicity and include both qualitative and quantitative data. The reporting with regard to market, credit and liquidity risks is made to the Group Executive Board and the Board of Directors basically each month but at least once every three months. A detailed analysis of all the risk categories is made on an annual basis. In extraordinary cases, the Board of Directors must be informed immediately.

7.2 Market risk
Market risk includes potential losses from unexpected changes in market prices such as interest rates, exchange rates, share prices and commodity prices as well as corresponding volatilities.

Market risk investment banking and other securities holdings
Valartis Group's investment banking is primarily handled at Valartis Bank. It focuses mainly on the Swiss equity and options market. Most risk positions originate in the business with own products such as warrants, certificates, structured products as well as their hedging or market making activities. In addition minor own holdings were taken up in energy and CO_2 positions in 2007.

Securities, commodities and derivative instruments in the trading book are valued at market prices or by means of a model valuation.

The investment banking division manages and monitors the risks with adequate instruments, which enable the monitoring of the risk positions adhering to the defined value at risk, sensitivity, concentration and volume limits. Securities positions held in the trading book and in financial investments outside the investment banking division are managed independently by the Group companies themselves, adhering to the corresponding limits.

The value at risk (VaR) measures the magnitude of the loss of a portfolio that, under normal circumstances and for a specific probability, will not be exceeded during a given time horizon. In order to measure the value at risk, the investment banking division applies the method of historical simulation. Thereby historical market price changes are used for the new valuation of the current portfolio. Commodity risk in energy and CO_2 is exceptional in this respect; here VaR is calculated by means of a Monte Carlo simulation. Table 1 shows the Group's value at risk at a confidence level of 99% and a holding period of 1 day.

Tabel 1: Value at risk of Valartis Group

in million CHF	31.12.2007	31.12.2006	Change
VaR 99%, 1 day	3.2	2.6	+ 0.6

In order to monitor the impact of extraordinary market situations on the current portfolio, stress tests and sensitivity analyses are made within Valartis Group.

In order to measure the equity requirements for market risk in the trading book, a standard factor is used both at the level of the Bank and at the level of the Group (see 7.6 «Equity»).

Market risk balance sheet structure

In balance sheet structure management, interest rate and currency risks are managed outside the trading book. This includes all major interest rate and currency risks with various interest rate maturities and currency positions in assets, liabilities and off-balance-sheet positions.

Interest rate change risks and currency exposures outside the trading book are mainly taken by Valartis Bank; during the reporting year these were rather small. In order to ensure the measurement, management and monitoring within the Bank, an asset and liability committee was formed in 2007 which deals with these risk categories. At the other Group companies, the market risk in the balance sheet structure is limited by given limits in risk policy and managed independently by the Group units.

Interest rate change risk

The interest rate sensitivities on the market value of the equity are shown in table 2. The table shows the changes in market value for each currency, assuming an interest rate change of +/- 100 basis points for all maturities.

Table 2: Interest rate change risk outside the trading book

in million CHF	31.12.2007 Interest rate sensitivity outside the trading book		31.12.2006 Interest rate sensitivity outside the trading book	
	+ 1%	– 1%	+ 1%	– 1%
CHF	+ 0.1	– 0.1	+ 0.1	– 0.1
EUR	+ 0.1	– 0.1	0.0	0.0
USD	– 0.3	+ 0.3	0.0	0.0
Others	– 0.1	+ 0.1	0.0	0.0

Due to the maturity structure the income effect from the risk of interest rate changes is insignificant.

Currency risk

Table 3 shows the sensitivity with regard to changes in the exchange rates by +/- 1%. For better transparency, currency risk from the trading book positions were also included in this table despite the fact that they are managed directly by the trading departments.

Table 3: Exchange rate risk in the trading and the banking book

in million CHF	31.12.2007 Currency sensitivity		31.12.2006 Currency sensitivity	
	+ 1%	– 1%	+ 1%	– 1%
EUR	+ 0.3	– 0.3	+ 0.1	– 0.1
USD	+ 0,8	– 0.8	+ 0.3	– 0.3
Others	+ 0.1	– 0.1	0.0	0.0

7.3 Liquidity risk

Liquidity risks include the risk that the Group does not have sufficient liquid funds available to meet its short-term obligations. Market liquidity risk is the risk of a loss due to a liquidity squeeze at traded products.

Management of liquidity risk

Operative liquidity management is decentralized in the individual Group companies of Valartis Group, whereby these companies are restricted to their given limits. Valartis Bank AG ensures the consolidated monitoring with regard to the adherence to legal minimum reserve and liquidity requirements and the internal limits.

It is Valartis goal to constantly open up new, diversified refinancing sources to ensure the availability of the needed liquidity at all times. By holding easily sellable assets, which are checked with regard to their market liquidity by those responsible for the portfolios, additional liquidity is available in times of crisis.

The table «Maturity structure of assets and liabilities» on pages 53 and 54 shows future cash flows based on the earliest possible contractual maturity excluding assumptions regarding the probability of individual cash flows.

7.4 Credit risk

The credit risk reflects the risk of losses due to the fact that a counterparty does not fulfil its contractual obligations. It includes deficit risks from direct credit transactions, deficit risks within the scope of transactions which are connected to credit risks (such as OTC derivatives transactions, money-market transactions etc.) as well as deficit risks in processing.

Management of credit risk

In its issuing business Valartis issues options in its own name, but for the account of options writers. In order to reduce credit risk of options for the account of third parties, in the case of call options all the underlyings of the options writer are usually pledged in favor of Valartis Bank. In the case of put options the options writer pays Valartis Bank a margin or cover.

The direct loan business is mainly handled by Valartis Bank. In this field financings in real estate structured finance and, due to the buildup of the wealth management business, lombard loans have increased in importance. In the management and monitoring of lombard loans the market value of the existing securities is reduced by discount factors and continuously checked with regard to their usability. Credit exposure must always remain within the limits given by the Group Executive Board resp. the Board of Directors and is secured by the loan value. The real estate structured finance divisions gives loans for the operational financing or the purchase of income properties. The requirements with regard to the quality of the counterparties and the quality of the market value estimates are high. Consequently the continuous management of the loan position is important and includes the periodical reassessment of the market value of the securities by renowned external assessors. Loan positions whose securities have no cover after a reduction by the discount factors are managed and recognized as unsecured positions. All credit risk from the real estate structured finance area approved by the Bank's Board of Directors and reassessed periodically. The remaining loan business of Group companies is relatively small and restricted by limits given by the Board of Directors.

Table 4: Comparison loan value / cover value as at 31.12.2007

in million	Mortgage cover	Other cover[1)]	Without cover	Total
Loans				
Loan value (CHF)	13.5	2.3	32.8	48.6
Cover value (CHF)	32.6	265.3	0.0	n.a.
Off-balance-sheet				
Loan value (CHF)	18.4	16.7	0.3	35.4
Cover value (CHF)	162.4	91.3	0.0	n.a.

1) Lombard cover

In the business with other banks and brokers care is taken that credit risk is only entered into with first-class counterparties.

Table 5: Amounts due from banks divided according to rating categories as at 31.12.2007

in million	AAA to AA-	A+ to A-	From BBB+	Without rating
Due from banks (CHF)	36.7	0	1.8	75.9

Within the framework of the loan resp. investment process cluster risks with regard to groups of counterparties are specifically evaluated and intently entered into resp. avoided. As at 31.12.2007 no equity was reserved for cluster risks.

Country risk in the loan business is mainly entered into by the real estate structured finance unit and in the interbank business. As at 31.12.2007 foreign loans totalled CHF 54.0 million resp. 33.1% of the total loan volume.

7.5 Operational risk

Operational risk is defined as the risk of losses due to faulty internal processes, procedures and systems, inappropriate behavior of employees or external influences. The definition includes all legal risks as well as reputational risks. However, it excludes strategic risks.

Management of operational risk

Basic responsibility for the operative management of operational risk is decentralized directly in the individual front- and back-office units in the individual Group companies.

In this respect, the identification of operational risk belongs to the continuous tasks of Management and is made whenever new business activities, processes or products are introduced, but also periodically for business activities, process and products which have already been implemented. In the case of critical business processes, additional key risk indicators are used.

Identified high risks are assessed periodically by Valartis Group key personnel and consolidated by the Risk Office. The Board of Directors assesses and approves the Group's risk landscape for operational risk at least once a year.

Identifed risks are basically taken care of by the operational units within the legal requirements. The decision whether a risk avoidance, a risk minimization or a risk transfer should be aimed at or whether the risk shall be accepted, is made mainly on the basis of a cost/benefit analysis.

The continuous monitoring of operational risk is, whenever possible, embedded in the operational processes. A separation of functions and a 4-eyes principle are crucial elements in monitoring. A

separate, process-independent monitoring is made by centralized units such as the Compliance Office or the Risk Office. Special attention is given to an actual-versus-target analysis in identification, valuation and coping. The Board of Directors takes charge of the superintendence over the management of operational risk on the basis of standardized reporting as well as ad-hoc information.

7.6 Equity

The main goals of equity management are the adherence to supervisory minimal requirements as well as keeping a solid capital structure to ensure financial power and creditworthiness. Furthermore the risk capital needs of the individual business segments is integrated into the performance measurement.

Management of own funds

The regulatory capital adequacy rules and own funds are assessed and managed at Bank and Group level.

Since 1 January 2007 the new capital adequacy rules (Basel II) have been in force in Switzerland, replacing the old capital adequacy rules (Basel I). The banks have been given a transitional period of one year. Valartis Group has adopted the new regulations as from 1 January 2008.

Table 6: Capital adequacy rules of Valartis Group

in million CHF	31.12.2007	31.12.2006
Core capital eligible for inclusion	196.3	180.7
Own funds eligible for inclusion	194.1	177.0
Required own funds	100.6	58.6
Surplus own funds	93.5	118.4
Tier 1 ratio (core capital eligible for inclusion / risk weighted positions)	15.6%	24.7%

1. Trading Securities

		31.12.2007 CHF	31.12.2006 CHF
Debt securities	Long	4,696,715	2,717,860
Equities	Long	160,411,683	160,127,222
Funds	Long	44,763,808	40,853,096
Total	**Long**	**209,872,206**	**203,698,178**
Equities	Short	– 7,071,162	– 831,695
Total	**Short**	**– 7,071,162**	**– 831,695**
Total net trading securities		**202,801,044**	**202,866,483**

2. Open Derivative Financial Instruments (Trading Instruments)

	Positive replacement values CHF	Negative replacement values CHF	Contract volume CHF
Currencies / precious metals			
Forward contracts	376,524	592,621	92,590,620
Combined interest rate / currency swaps	0	0	0
Futures	0	0	0
Options (OTC)	0	0	0
Options (exchange traded)	0	0	0
Total 31.12.2007	**376,524**	**592,621**	**92,590,620**
Total 31.12.2006	**0**	**0**	**0**
Equities / indexes			
Forward contracts	0	0	0
Swaps	0	0	0
Futures	0	0	8,385,000
Options (OTC)	6,051,386	22,882,746	287,496,658
Options (exchange traded)	0	142,540	2,497,500
Total 31.12.2007	**6,051,386**	**23,025,286**	**298,379,158**
Total 31.12.2006	**2,026,188**	**14,459,671**	**89,078,415**
Other			
Forward contracts	52,008	13,693	1,646,415
Swaps	0	0	0
Futures	0	0	8,139,607
Options (OTC)	331,060	2,102,231	11,504,335
Options (exchange traded)	0	0	0
Total 31.12.2007	**383,068**	**2,115,924**	**21,290,357**
Total 31.12.2006	**554,103**	**371,758**	**12,871,861**
Total open derivative financial instruments 31.12.2007	**6,810,978**	**25,733,831**	**412,260,135**
Total open derivative financial instruments 31.12.2006	**2,580,291**	**14,831,429**	**101,950,276**

3. Goodwill and Other Intangible Assets

	Goodwill CHF	Intangible assets with finite useful lives CHF	Intangible assets with indefinite useful lives CHF	Software CHF	Total CHF
Acquisition costs					
Carrying amount at 31.12.2005	20,692,683	10,000,000	5,000,000	0	35,692,683
Investments	0	0	0	0	0
Disinvestments	0	0	0	0	0
Carrying amount at 31.12.2006	20,692,683	10,000,000	5,000,000	0	35,692,683
Investments	933,232	4,149,400	0	851,459	5,934,091
Disinvestments	0	0	0	0	0
Translation adjustments	0	0	0	214	214
Carrying amount at 31.12.2007	**21,625,915**	**14,149,400**	**5,000,000**	**851,673**	**41,626,988**
Cumulative depreciation / impairment					
Carrying amount at 31.12.2005	0	– 46,575	0	0	– 46,575
Depreciation	0	– 1,000,000	0	0	– 1,000,000
Losses from impairment	0	0	0	0	0
Carrying amount at 31.12.2006	0	– 1,046,575	0	0	– 1,046,575
Depreciation	0	– 1,414,940	0	– 81,159	– 1,496,099
Losses from impairment	0	0	0	0	0
Translation adjustments	0	0	0	– 43	– 43
Carrying amount at 31.12.2007	**0**	**– 2,461,515**	**0**	**– 81,202**	**– 2,542,717**
Net carrying amount at 31.12.2007	**21,625,915**	**11,687,885**	**5,000,000**	**770,471**	**39,084,271**
Net carrying amount at 31.12.2006	**20,692,683**	**8,953,425**	**5,000,000**	**0**	**34,646,108**

Goodwill and intangible assets from acquisition
The Group has purchased various companies since its establishment. In general these acquisitions were used to take over client relationships or to obtain certain know-how or products. The following table shows the costs from the acquisitions for goodwill and intangible assets for each company..

	Purchase date	Goodwill CHF	Intangible assets CHF
Valartis Group AG	14.12.2005	20,692,683	15,000,000
Valaxis Asset Management S.A.	01.01.2007	933,232	4,149,400
Total		**21,625,915**	**19,149,400**

Takeover of Valaxis Asset Management S.A.
Valartis Group purchased Valaxis Asset Management S.A. as at 1 January 2007 (100% of the voting rights). The fair value of the acquired net assets corresponds to its carrying amount. The following table shows the details with regard to the fair value of the acquired net assets, goodwill and intangible assets.

	Fair value at acquisition in CHF	Carrying value at acquisition in CHF
Purchase price		
Paid purchase price (in cash)	1,268,592	
Paid purchase price (in shares)	1,415,880	
Maximum purchase price to be paid (in shares) in the following years	2,733,520	
Direct expenses in connection with the acquisition	27,761	
Total	**5,445,753**	
consisting of		
Due from banks	1,278,334	1,278,334
Due from clients	497,581	497,581
Other assets	30,170	30,170
Due to clients	– 83,419	– 83,419
Other liabilities	– 446,677	– 446,677
Subtotal	**1,275,989**	**1,275,989**
Intangible assets with finite useful lives (client relationships)	4,149,400	
Intangible assets with indefinite useful lives	0	
Goodwill (excluding deferred taxes)	20,364	
Total	**5,445,753**	
Goodwill (according to IAS 12.19 and .66 regarding deferred tax liabilities on intangible assets)	912,868	
Total	**6,358,621**	
Acquisition costs paid in cash	1,296,353	
minus cash and cash equivalents of the acquired subsidiary, consisting of amounts due from banks	1,278,334	
Net cash drain at acquisition	**18,019**	

In order to limit risks in connection with the acquisition, the purchase price for Valaxis Asset Management contains a variable payment component (earn-out). Note must be taken that only a downward correction of the purchase price is possible due to the earn-out structure; this would result in lower goodwill and lower intangible assets. As at 31.12.2007 49.8% of the estimated purchase price were already ascertained. The remaining 50.2% of the total acquisition price are related to estimated future payments, which will be made over the next four years, ascertained on the basis of the acquired assets under management. Consequently the fair value corresponds to an estimate.

The purchase price to be paid in the following years will be paid in shares of Valartis Group AG. The maximum number of shares to be paid is 61,550. The fair value per share has been fixed at CHF 92 and corresponds to the stock market price at the date of the acquisition.

Examination of impairment for cash-generating unit with goodwill portion

The carrying amount of the goodwill equals CHF 21.63 million. From this amount CHF 10.11 million is applied to the segment «Investment Banking», CHF 10.58 million to the segment «Asset Management» and CHF 0.94 million to the segment «Wealth Management». To implement the impairment review, goodwill is allocated to the cash-generating units. Valartis Group carried out its review as per 31 December 2007.

In conformity with IFRS 3, goodwill is allocated to the respective cash-generating unit (CGU) which is subject annually to an impairment test. For calculation of any impairment, the carrying amount of the unit is compared with the recoverable amount. The basis of the recoverable amount of the unit is the higher of both amounts from the corresponding present value less costs to sell and value in use.

Basis for the determination of the value in use are the cash flow estimates of the cash-generating unit. Basis for the preparation of the cash flow estimates are the financial plans prepared by Management. These are built on justifiable assumptions which present the best made assessment of Management regarding the economical development of the CGU. The cash flow estimates outside of the five-year period is taken into consideration by means of a perpetual annuity. Inclusion of a growth rate for the perpetual annuity is not done due to the great reliance of the cash flow on external factors. In the capital asset pricing models (CAPM), a capital cost rate (WACC) of about 11% is used.

In determining the corresponding fair value less costs to sell, Valartis Group uses various valuation methods. The market valuation is made based on the analysis of comparable companies traded on the stock exchange. Thereby a theoretical market value of the cash-generating unit is determined by applying the multiplication factors, for which the shares of the comparable listed companies are traded for, to the cash-generating unit. Peer groups are, on the one hand, European investment banks and, on the other hand, Swiss banks.

Changes in the underlying capital cost rates by +1% / – 1% lead to a change in the value in use of CHF - 20.56 million resp. CHF 24.79 million.

Carrying values of the goodwill and the intangible assets

The carrying values of the goodwill and the intangible assets are allocated to the cash-generating units as at 31.12.2007 as follows:

	Goodwill TCHF	Intangible assets TCHF	Total TCHF
Valartis Group AG	20,693	12,954	33,647
Valaxis Asset Management S.A.	933	3,734	4,667
Total	**21,626**	**16,688**	**38,314**

Shown under the intangible assets with finite useful lives are the long-term client relationships acquired from the company acquisition. These assets are depreciated on a straight-line basis over a period of 10 years. The intangible assets with finite useful lives show a remaining term of 8 years and 11.5 months, at Valaxis Asset Management S.A. 9 years. The intangible assets with indefinite useful lives include assets in connection with the bank license.

4. Property and Equipment

	Fixtures in third-party properties CHF	Information and telecommunications equipment CHF	Other fixed assets CHF	Properties CHF	Total CHF
Acquisition costs					
Carrying value at 31.12.2005	0	0	0	0	0
Investments	0	51,465	513,812	0	565,277
Disinvestments	0	0	0	0	0
Translation adjustments	0	0	0	0	0
Carrying value at 31.12.2006	0	51,465	513,812	0	565,277
Investments	3,284,819	1,134,678	605,060	13,992,895	19,017,452
Acquisition of subsidiaries	0	3,477	10,268	0	13,745
Disinvestments	0	0	0	0	0
Translation adjustments	0	541	64	187,514	188,119
Carrying value at 31.12.2007	**3,284,819**	**1,190,161**	**1,129,204**	**14,180,409**	**19,784,593**
Cumulative depreciation					
Carrying value at 31.12.2005	0	0	0	0	0
Depreciation	0	51,465	513,812	0	565,277
Disinvestments	0	0	0	0	0
Translation adjustments	0	0	0	0	0
Carrying value at 31.12.2006	0	51,465	513,812	0	565,277
Depreciation	218,891	219,299	73,963	0	512,153
Acquisition of subsidiaries	0	1,110	5,239	0	6,349
Disinvestments	0	0	0	0	0
Translation adjustments	0	130	56	0	186
Carrying value at 31.12.2007	**218,891**	**272,004**	**593,070**	**0**	**1,083,965**
Net carrying value at 31.12.2007	**3,065,928**	**918,157**	**536,134**	**14,180,409**	**18,700,628**
Net carrying value at 31.12.2006	**0**	**0**	**0**	**0**	**0**

5. Deferred taxes

	2007 CHF	2006 CHF
Deferred tax claims		
Tax allowances for losses		
Position at 1 January	0	0
Change affecting the income statement	268,193	0
Change not affecting the income statement	0	0
Translation adjustments	2,008	0
Total deferred tax claims at 31 December	**270,201**	**0**
Deferred tax liabilities		
Intangible assets with limited useful lives		
Position at 1 January	1,965,386	2,184,898
Change affecting the income statement	– 310,799	– 219,512
Change not affecting the income statement	912,868	0
Translation adjustments	0	0
Position at 31 December	**2,567,455**	**1,965,386**
Intangible assets with indefinite useful lives		
Position at 1 January	1,097,561	1,097,561
Change affecting the income statement	0	0
Change not affecting the income statement	0	0
Translation adjustments	0	0
Position at 31 December	**1,097,561**	**1,097,561**
Total deferred tax liabilities at 1 January	3,062,947	3,282,459
Total deferred tax liabilities at 31 December	**3,665,016**	**3,062,947**
Expiration of not activated tax allowances for losses		
Within 1 year	0	0
From 1 to 5 years	0	0
After 5 years	0	0
Total	**0**	**0**

6. Valuation Adjustments and Provisions

	Default risk (del credere and country risk) CHF	Other business risks CHF	Other provisions CHF	Total valuation adjustments and provisions CHF	Valuation adjustments offset against assets CHF	**Total according to balance sheet 2007 CHF**	Total according to balance sheet 2006 CHF
Position at 1 January	0	0	1,423,000	1,423,000	0	**1,423,000**	1,318,000
Utilized/released in accordance with designated purpose	0	0	0	0	0	**0**	0
Newly formed and charged to income statement	0	0	0	0	0	**0**	105,000
Released and credited to income statement	0	0	0	0	0	**0**	0
Position at 31 December	**0**	**0**	**1,423,000**	**1,423,000**	**0**	**1,423,000**	**1,423,000**

The position «Valuation adjustments and provisions» mainly includes provisions for operational risk. The expected outflow of money is after 5 years.

7. Accrued and Deferred Assets

	2007 CHF	2006 CHF
Management and performance fees	28,505,242	18,430,596
Other accrued and deferred assets	2,734,146	1,825,365
Total	**31,239,388**	**20,255,961**

8. Accrued and Deferred Liabilities

	2007 CHF	2006 CHF
Commission and service fees	3,599,443	9,903,568
Prepaid income	6,364,306	6,933,241
Accrued and deferred salaries, bonuses and social benefits	11,426,336	9,834,406
Total	**21,390,085**	**26,671,215**

9. General Expense

	2007 CHF	2006 CHF
Premises	1,698,547	1,485,927
IT expense	2,487,321	2,110,555
Information and telecommunications expense	1,990,468	2,148,869
Office and business expenses	11,256,522	7,539,655
Other administrative expenses	42,609	296,388
Total	**17,475,467**	**13,581,394**

10. Maturity Structure of Assets and Liabilities

2007	At sight TCHF	Callable TCHF	Within 3 months TCHF	After 3 months up to 12 months TCHF	After 12 months up to 5 years TCHF	After 5 years TCHF	Total TCHF
Assets							
Cash	4,014	0	0	0	0	0	4,014
Cash deposits for borrowed securities	0	0	9,900	0	0	0	9,900
Due from banks	40,818	0	63,703	0	0	0	104,521
Due from clients	33,674	14,488	0	414	0	0	48,576
Trading securities	209,872	0	0	0	0	0	209,872
Financial investments – available for sale	14,951	0	0	0	0	0	14,951
Other financial assets at fair value	0	0	95	0	0	0	95
Associated companies	0	0	0	0	0	2,154	2,154
Property and equipment	0	0	0	0	0	18,701	18,701
Accrued and deferred assets	31,240	0	0	0	0	0	31,240
Positive replacement values	0	0	442	414	4,851	1,104	6,811
Other assets	527	0	0	0	0	0	527
Goodwill and other intangible assets	0	0	0	0	0	39,084	39,084
Deferred tax claims	0	0	0	0	0	270	270
Total 31.12.2007	**335,096**	**14,488**	**74,140**	**828**	**4,851**	**61,313**	**490,716**
Liabilities							
Due to banks	1,835	0	45,394	10,500	0	0	57,729
Cash deposits for lent securities	0	0	15,000	0	0	0	15,000
Due to clients	61,543	0	10,221	4,883	0	0	76,647
Due from trading	7,071	0	0	0	0	0	7,071
Other financial liabilities as fair value	0	0	10,928	8,756	0	0	19,684
Negative replacement values	0	0	3,387	10,774	11,573	0	25,734
Taxes	13,795	0	0	0	0	0	13,795
Accrued and deferred liabilities	21,390	0	0	0	0	0	21,390
Other liabilities	4,179	0	0	0	0	0	4,179
Valuation adjustments and provisions	0	0	0	0	0	1,423	1,423
Deferred tax liabilities	3,665	0	0	0	0	0	3,665
Total 31.12.2007	**113,478**	**0**	**84,930**	**34,913**	**11,573**	**1,423**	**246,317**

(continued on next page)

10. Maturity Structure of Assets and Liabilities

(continued from previous page)

2006	At sight TCHF	Callable TCHF	Within 3 months TCHF	After 3 months up to 12 months TCHF	After 12 months up to 5 years TCHF	After 5 years TCHF	Total TCHF
Assets							
Cash	3,479	0	0	0	0	0	3,479
Cash deposits for borrowed securities	0	0	4,000	0	0	0	4,000
Due from banks	7,398	0	62,258	0	0	0	69,656
Due from clients	32,922	523	2,000	0	0	0	35,445
Trading securities	191,554	12,145	0	0	0	0	203,699
Financial investments – available for sale	0	0	0	0	0	0	0
Other financial assets at fair value	0	0	0	3,274	20	0	3,294
Associated companies	0	0	0	0	0	3,709	3,709
Property and equipment	0	0	0	0	0	0	0
Accrued and deferred assets	20,228	0	28	0	0	0	20,256
Positive replacement values	0	0	338	1,454	95	693	2,580
Other assets	440	0	0	0	0	0	440
Goodwill and other intangible assets	0	0	0	0	0	34,646	34,646
Deferred tax claims	0	0	0	0	0	0	0
Total 31.12.2006	**256,021**	**12,668**	**68,624**	**4,728**	**115**	**39,048**	**381,204**
Liabilities							
Due to banks	4,112	523	0	0	0	0	4,635
Cash deposits for lent securities	0	0	0	0	0	0	0
Due to clients	31,684	26,214	7,500	55	0	0	65,453
Due from trading	832	0	0	0	0	0	832
Other liabilities at fair value	0	0	2,612	45,359	1,539	0	49,510
Negative replacement values	0	0	7,573	7,257	1	0	14,831
Taxes	5,046	0	0	0	0	0	5,046
Accrued and deferred liabilities	23,175	0	3,496	0	0	0	26,671
Other liabilities	565	0	0	0	0	0	565
Valuation adjustments and provisions	0	0	0	0	0	1,423	1,423
Deferred tax liabilities	3,063	0	0	0	0	0	3,063
Total 31.12.2006	**68,477**	**26,737**	**21,181**	**52,671**	**1,540**	**1,423**	**172,029**

11. Income from Commission and Fee Business

The «Income from commission and fee business» mainly reflects income from the divisions «Investment Banking» and «Asset Management». The latter include management fees and performance fees.

12. Personnel Expense

	2007 CHF	2006 CHF
Salaries and bonuses	27,195,326	19,687,642
Social contributions	3,497,067	2,001,649
thereof contributions for corporate pension plans	2,053,699	897,764
Share-based payments	399,005	1,019,933
Other personnel expense	1,441,633	852,157
Total	**32,533,031**	**23,561,381**

13. Depreciation, Valuation Adjustments, Provisions and Losses

	2007 CHF	2006 CHF
Depreciation on property and equipment	512,153	565,277
Depreciation on intangible assets	1,496,099	1,000,000
Change in valuation adjustments, provisions and losses affecting the income statement	0	105,000
Total	**2,008,252**	**1,670,277**

14. Income Taxes

	2007 CHF	2006 CHF
Current income and capital taxes	10,700,069	7,450,461
Reclassification of capital taxes to administrative expenses	– 42,609	– 65,075
Change in deferred taxes	– 578,992	– 219,512
Total	**10,078,468**	**7,165,874**

Analysis of income tax charges		
Group profit before taxe	59,260,969	52,506,788
Expected income tax rate[1)]	16.0%	17.0%
Expected income taxes	9,481,755	8,926,154
Group result with other tax rate (tax effect)	– 5,289,472	– 5,828,974
Previous year adjustments	473,580	1,441,018
Appropriation of non-capitalized tax carry-forwards (tax effect)	0	– 311,751
Non-deductible expenses	4,900,000	2,462,950
Others	512,605	476,477
Effective income taxes	**10,078,468**	**7,165,874**
Effective income tax rate	17.0%	13.6%

1) The change in the expected income tax rate is due to the move of the domicile of Valartis Group AG to Zug.

15. Profit per Share

	31.12.2007	31.12.2006
Group profit of Valartis Group AG (CHF)	49,914,828	45,340,914
Weighted average number of shares	5,000,000	5,000,000
minus weighted average number of own shares	– 60,204	– 58,992
Undiluted weighted average number of shares	4,939,796	4,941,008
Relevant outstanding share options, number of shares	250,000	250,000
Diluted weighted average number of shares	5,189,796	5,191,008
Group profit per share of Valartis Group AG (undiluted, CHF)	10.1	9.2
Group profit per share of Valartis Group AG (diluted, CHF)	9.6	8.7

The diluted Group profit per share takes into account the diluting effect of a potential complete conversion of staff options.

16. Pledged Assets

	31.12.2007 CHF	31.12.2006 CHF
Amounts due from cash deposits related to securities borrowing	9,900,000	4,000,000
Other amounts due from banks and clients	15,005,116	582,000

The transaction were carried out at customary conditions.

17. Contingent Liabilities / Fiduciary Transactions

	31.12.2007 CHF	31.12.2006 CHF
Contingent liabilities vis-à-vis third parties[1)]	17,049,900	8,811,270
Fiduciary transactions	301,428,253	160,937,910

1) For most contingent liabilities vis-à-vis third parties corresponding collateral has been deposited with Group companies.

18. Liabilities from Operating Leasing

As at 31 December 2007 there were a number of non-terminable operating leasing contracts for other property and equipment, which are mostly used for the Group's business activities. The major leasing contracts, as a rule, contain extension as well as termination clauses. There are no dependent leasing payments or purchase options for the objects in leasing contracts. Also there are no restrictions with regard to future leasing contracts. The following table shows the minimum liabilities from non-terminable leasing contracts for real estate and other property and equipment:

	31.12.2007 CHF	31.12.2006 CHF
Remaining term to maturity up to 1 year	727,553	0
Remaining term to maturity up to 5 years	2,066,911	0
Remaining term to maturity over 5 years	0	0
Liabilities from operating leasing	**2,794,464**	**0**

In the 2007 business year expenses totalling CHF 219,238 (previous year CHF 0) from operating leasing are included in property, equipment and administrative expenses.

19. Assets under Management

	31.12.2007 CHF	31.12.2006 CHF
Assets in own-managed funds	1,681,771,794	1,805,947,605
Assets with management mandates	1,593,339,211	1,214,099,711
Subtotal (incl. double counts)	3,275,111,005	3,020,047,316
Other client assets	963,444,125	804,622,575
Total	**4,238,555,130**	**3,824,669,891**
Thereof double counts	– 308,955,032	– 387,320,318
Net new money inflow (outflow)[1]	27,916,649	– 122,237,039

1) Net new money inflow (outflow) includes all cash deposits and withdrawals as well as inward and outward deliveries of securities without compensation. In particular, performance-related changes in value as well as interest and dividend payments do not constitute net new money inflow (outflow).

20. Share Capital / Conditional Capital

	31.12.2007 CHF	31.12.2006 CHF
Share capital	5,000,000	5,000,000
Number of bearer shares	5,000,000	5,000,000
Nominal value per share	1	1
Equity per share of Valartis Group AG (before distribution of profit)	50	42

For the 2006 business year a dividend of CHF 2.75 was distributed. For the 2007 business year the Board of Directors proposes to the Shareholders' Meeting a dividend of CHF 2.75 per share. All shares are fully paid in.

The conditional capital amounts to CHF 250,000, divided into 250,000 bearer shares with a nominal value of CHF 1 each.

21. Own Shares

	31.12.2007	31.12.2006
Position at 1 January	29,240	168,206
Purchases	526,228	582,841
Sales	– 514,280	– 721,807
Position at 31 December	**41,188**	**29,240**

During the reporting period 526,228 shares were bought at CHF 92.74 and 514,280 shares were sold at CHF 92.42. In the previous year's period 582,841 shares were bought at CHF93.84 and 721,807 shares were sold at CHF 94.65 (average prices).

22. Shareholder Structure

	31.12.2007 in %	31.12.2006 in %
MCG Holding S.A., Baar ZG	50.0	50.0

Economic beneficiaries of MCG Holding S.A. is a shareholder group consisting of Hansa AG, Baar ZG (controlled 100% by Georg von Opel, Wollerau SZ), Gustav Stenbolt, Geneva, Philipp LeibundGut, Steinhausen ZG, Michel Houmard, Geneva, and Tudor Global Trading LLC, Greenwich, USA. Qualified participations are a) Gustav Stenbolt, who holds 20.0% of the voting rights (resp. 14.8% of the capital) of Valartis Group AG, b) Hansa AG, Baar ZG (controlled 100% by Georg von Opel), who holds 16.64% of the voting rights (resp. 19.28% of the capital) of Valartis Group AG, and c) Philipp LeibundGut, who holds 5.00% of the voting rights (resp. 5.79% of the capital) of Valartis Group AG. Timothy Rogers, Geneva, who held 4.05% of the voting rights (resp. 3.54% of the capital as at 31 December 2007, sold his participation in MCG Holding S.A. within the existing shareholder group as at 29 January 2008.

23. Business Segments

Valartis Group differentiates between primary and secondary segment reporting. The business segments form the primary format for the segment reporting while the geographical segments present the secondary reporting format.

Business segments

Valartis Group is divided into the three operational business segments «Asset Management», «Wealth Management» and «Investment Banking». Balance sheet and profit and loss statement items are, inasmuch as allowable and material, directly allocated to these business segments. In the regional segment report the regions Switzerland and abroad are shown. Reporting is based on operating locations.

Corporate Center

Items which cannot directly be allocated to the segments are recognized in the «Corporate Center». Furthermore consolidation items are included in «Corporate Center».

Primary segment reporting

2007	Investment Banking TCHF	Asset Management TCHF	Wealth Management TCHF	Corporate Center TCHF	Total TCHF
Operating income	36,927	71,509	3,337	– 495	111,278
Administrative expenses	– 18,149	– 26,242	– 3,257	– 2,360	– 50,008
Gross profit	**18,778**	**45,267**	**80**	**– 2,855**	**61,270**
Depreciation	– 431	– 127	– 35	– 1,415	– 2,008
Valuation adjustments, provisions and losses	0	0	0	0	0
Segment result before taxes	**18,347**	**45,140**	**45**	**– 4,270** [1]	**59,262**
Taxes					– 10,079
Group profit					**49,183**
thereof shareholders of Valartis Group AG					49,915
thereof minority interests					– 732
Total assets	**276,535**	**156,316**	**5,159**	**52,706**	**490,716**
Total liabilities	**164,694**	**29,883**	**501**	**51,239**	**246,317**
Total investments	**3,718**	**14,985**	**5,397**	**0**	**24,100**
Assets under management at 31.12.2007	**1,097,787**	**2,804,878**	**335,890**	**0**	**4,238,555**
Staff numbers at 31.12.2007	**41**	**59**	**9**	**22**	**131**

1) Income from the associated company is included in full in the segment result before taxes and amounts to CHF - 1,556,021.

Primary segment reporting

2006	Investment Banking TCHF	Asset Management TCHF	Wealth Management TCHF	Corporate Center TCHF	Total TCHF
Operating income	22,536	66,638	1,597	548	91,319
Administrative expenses	– 10,613	– 23,921	– 1,368	– 1,240	– 37,142
Gross profit	**11,923**	**42,717**	**229**	**– 692**	**54,177**
Depreciation	– 330	– 235	0	– 1,000	– 1,565
Valuation adjustments, provisions and losses	– 105	0	0	0	– 105
Segment result before taxes	**11,488**	**42,482**	**229**	**– 1,692[1)]**	**52,507**
Taxes					– 7,166
Group profit					**45,341**
thereof shareholders of Valartis Group AG					45,341
thereof minority interests					0
Total assets	**153,206**	**111,799**	**2,253**	**113,946**	**381,204**
Total liabilities	**113,411**	**42,308**	**140**	**16,170**	**172,029**
Total investments	**510**	**55**	**0**	**0**	**565**
Assets under management at 31.12.2006	**804,622**	**2,732,026**	**288,022**	**0**	**3,824,670**
Staff numbers at 31.12.2006	**14**	**28**	**2**	**16**	**60**

1) Income from the associated company is included in full in the segment result before taxes and amounts to CHF - 388,000 (previous year: CHF 0).

Secondary segment reporting

	31.12.2007			31.12.2006		
	Switzerland CHF	Abroad CHF	Total CHF	Switzerland CHF	Abroad CHF	Total CHF
Operating income	58,038,084	53,239,635	111,277,719	45,097,351	46,222,489	91,319,840
Assets	304,258,738	186,457,614	490,716,352	282,606,318	98,597,561	381,203,879
Investments	10,852,745	14,098,798	24,951,543	565,277	0	565,277

In the regional segment report the regions Switzerland and abroad are shown. Reporting is based on operating locations.

24. Group Companies

In addition to the figures for Valartis Group AG, Baar ZG, the Group financial statements include the accounts of the following companies:

Company name	Domicile	Purpose	Currency	Share capital	Participation capital and votes
Valartis Bank AG	Zurich, CH	Bank	CHF	20,000,000	100.0%
Valartis Asset Management S.A.	Geneva, CH	Investment advisor	CHF	1,896,210	100.0%
Valartis Wealth Management S.A.	Geneva, CH	Wealth management	CHF	2,000,000	100.0%
Valartis S.A.	Geneva, CH	Investment advisor	CHF	100,000	100.0%
Valaxis Asset Management S.A.	Geneva, CH	Wealth management	CHF	200,000	100.0%
Valartis International Ltd.	Tortola, BVI	Investment advisor	USD	50,000	100.0%
Eastern Property Management Ltd.	Tortola, BVI	Investment advisor	USD	50,000	100.0%
MCT Luxembourg Management S.à.r.l.	Luxembourg, L	Investment advisor	EUR	12,500	100.0%
Valartis Fund Advisory S.A.	Luxembourg, L	Investment advisor	EUR	91,166	100.0%
Valartis Fund Management S.à.r.l.	Luxembourg, L	Investment advisor	EUR	125,000	100.0%
Valartis Europe S.A.	Vienna, A	Investment advisor	EUR	1,010,000	100.0%
Darsi Investment Ltd.	Tortola, BVI	Financial company	EUR	7,000,000	100.0%
SCCA Finance Ltd.	Tortola, BVI	Financial company	EUR	50,000	55.5%
Société des Centres Commerciaux Algérie SPA	Alger, DZ	Trading company	DZD	10,000,000	55.5%

25. Associated Companies

	2007 CHF	2006 CHF
Position at 1 January	3,709,500	0
Additions	0	4,097,500
Share in result	– 1,556,021	– 388,000
Position at 31 December	**2,153,479**	**3,709,500**

Information on the major companies consolidated according to the equity method:

Company	Domicile	Purpose	Share capital CHF	Share of capital and votes
Jelmoli Bonus Card AG	Zurich, CH	Financial company	7,500,000	27.5%

Jelmoli Bonus Card AG is issuer of the Visa Bonus Card. Valartis Bank AG has taken a shareholding of 27.5% of the votes and the capital of Jelmoli Bonus Card AG on 3 July 2006. There is a Shareholders' and Cooperation Agreement between Jelmoli Bonus Card AG and Valartis Bank AG.

Vis-à-vis the VISA Organization Valartis Bank AG acts as Principal Member and is responsible for the processing of a daily collective payment of Jelmoli Bonus Card to VISA. The following table gives a summary overview of Jelmoli Bonus Card AG.

	31.12.2007		31.12.2006	
	Total in TCHF	Participation 27.5%	Total in TCHF	Participation 27.5%
Assets	125,714	34,571	84,068	23,119
Liabilities	117,883	32,418	70,577	19,409
Equity	7,831	2,153	13,491	3,710
Revenue	15,978	4,394	3,591	988

31 December has been chosen as reporting date for application of the equity method. The details given are based, on the one hand, on the unaudited interim report as of 30 November and, on the other hand, on best possible estimates and assumptions on the part of the Management for the month of December. The use of different reporting dates is due to technical reasons in connection with the preparation of the financial statements of the associated company.

26. Related Parties and Companies

Related parties and companies are individuals or companies which have the capability to control the Group or have a significant influence on operational and financial decisions. Transactions (such as securities business, money transfer etc.) with related parties are carried out within the framework of regular business activity.

Members of the Board of Directors as well as employees have staff conditions with regard to the securities business (brokerage commissions and custody charges). The other transactions with related parties are at market conditions. The following tables offer an overview of transactions with related parties and companies.

2007	Management in key positions[1] TCHF	Qualified participations[2] TCHF	Associated companies[3] TCHF	Other related parties and companies[4] TCHF	Total TCHF
Due from clients	2	9,095	10	5,547	14,654
Due to clients	520	3,002	8,763	9,006	21,291
Loans to governing bodies	0	0	0	0	0
Interest income	0	7	0	0	7
Interest expense	29	6	27	43	105
Other income	11	11,619	0	24,220	35,850
Other expenses	0	5,834	0	0	5,834
Number of options	0	0	0	0	0

2006	Management in key positions[1] TCHF	Qualified participations[2] TCHF	Associated companies[3] TCHF	Other related parties and companies[4] TCHF	Total TCHF
Due from clients	0	5,180	0	18,259	23,439
Due to clients	470	8,070	533	3,592	12,665
Loans to governing bodies	0	0	0	0	0
Interest income	0	0	0	2	2
Interest expense	0	0	0	2	2
Other income	3	15,632	0	16,689	32,324
Other expenses	0	9,779	0	642	10,421
Number of options	10,000	25,000	0	0	35,000

1) Management in key positions: Member of the Board of Directors and the Group Executive Board (excluding qualified participations).
2) Qualified participations: see Notes to the Group financial statements on p. 58.
3) Associated companies: Jelmoli Bonus Card AG.
4) Other related parties and companies: These include all other related parties and companies who have a close personal, economic, legal or actual relation with Members of the Board of Directors or the Group Executive Board.

Based on an investment advisory and services agreement, Valartis Group acts as investment advisor to Hansa AG. The agreement, whose corresponding conditions and stipulations conformed to the market, was terminated as at the end of January 2008.

27. Remuneration of the Members of the Board of Directors and Group Executive Board

	Direct and indirect remuneration CHF	Loans and credits CHF	Shares number	Blocking period in years
Remuneration, loans and credits to current Members of the Board of Directors[1)]				
Erwin W. Heri, Chairman	0	0	0	0
Stefan Holzer, Vice-Chairman	0	0	0	0
Philipp LeibundGut, Member	162,343	0	0	0
Timothy Rogers, Member	0	0	0	0
Total 2007	**162,343**	**0**	**0**	**0**
Total 2006	**796,636**	**0**	**0**	**0**
Remuneration, loans and credits to former Members of the Board of Directors[1)]				
Gustav Stenbolt, Vice-Chairman	0	0	0	0
Georg von Opel, Member	0	0	0	0
Total 2007	**0**	**0**	**0**	**0**
Total 2006	**0**	**0**	**0**	**0**

	Options number	Blocking period in years	Strike price in CHF	Expiration date
Remuneration, loans and credits to current Members of the Board of Directors[1)]				
Erwin W. Heri, Chairman	0	0	0	0
Stefan Holzer, Vice-Chairman	0	0	0	0
Philipp LeibundGut, Member	0	0	0	0
Timothy Rogers, Member	0	0	0	0
Total 2007	**0**	**0**	**0**	**0**
Total 2006	**0**	**0**	**0**	**0**
Remuneration, loans and credits to former Members of the Board of Directors[1)]				
Gustav Stenbolt, Vice-Chairman	0	0	0	0
Georg von Opel, Member	0	0	0	0
Total 2007	**0**	**0**	**0**	**0**
Total 2006	**10,000**	**3**	**85**	**18.3.2011**

	Direct and indirect remuneration CHF[2)]	Loans and credits CHF[2)]	Shares number	Blocking period in years
Remuneration, loans and credits to Members of the Group Executive Board[1)]				
Total 2007	**3,774,714**	**0**	**0**	**0**
Total 2006	**2,076,498**	**0**	**0**	**0**
thereof Member with the highest amount – 2007 (Timothy Rogers)	2,156,831	0	0	0
thereof Member with the highest amount – 2006 (Timothy Rogers)	1,333,281	0	0	0

1) Information on the compensation of the Members of the Board of Directors and the Group Executive Board can be found both in the Notes to the Group Financial Statements on page 64 and in the Notes to Valartis Group AG on page 78 and the Notes to Valartis Bank AG on page 111. In order to determine the overall remuneration, the figures of the various Notes must me considered together.
2) There were no remunerations, loans and credits to Members of the Group Executive Board which did not conform to market condition neither in 2006 nor in 2007.

No options were allocated to the Members of the Group Executive Board in 2007. In 2006 a total of 10,000 options were allocated. The blocking period is 3 years at a strike price of 85 francs and a maturity at 18 March 2011.

28. Participations

	Number of bearer shares	Nominal value in CHF	Voting rights in %
Major shareholders			
MCG Holding S.A., Baar ZG	2,500,000	2,500,000	50.0
Total 2007	**2,500,000**	**2,500,000**	**50.0**
Total 2006	**2,500,000**	**2,500,000**	**50.0**
Current Members of the Board of Directors and related parties			
Erwin W. Heri, Chairman	18,636	18,636	0.4
Stefan Holzer, Vice-Chairman	31,349	31,349	0.6
Timothy Rogers, Member[1)]	202,556	202,556	4.1
Philipp LeibundGut, Member[1)]	249,770	249,770	5.0
Total 2007	**502,311**	**502,311**	**10.1**
Total 2006	**2,115,285**	**2,115,285**	**42.3**
Current Members of the Group Executive Board and related parties			
Gustav Stenbolt, CEO[1)]	1,002,074	1,002,074	20.0
Lorenzo Trezzini, CFO	1,140	1,140	0.0
Reto Peczinka, Head Investment Banking	15,725	15,725	0.3
Henrik Bartl, Head Real Estate Structured Finance	0	0	0.0
Timothy Rogers, Head Asset Management[2)]			
Michel Arni, Head Wealth Management	100	100	0.0
Total 2007	**1,019,039**	**1,019,039**	**20.3**
Total 2006	**244,494**	**244,494**	**4.9**

1) The shareholdings of Gustav Stenbolt, Timothy Rogers and Philipp LeibundGut are already included in the shareholdings of MCG Holding S.A.

2) See information under «Current Members of the Board of Directors and related parties».

Economic beneficiaries of MCG Holding S.A. is a shareholder group consisting of Hansa AG, Baar ZG (controlled 100% by Georg von Opel, Wollerau SZ), Gustav Stenbolt, Geneva, Philipp LeibundGut, Steinhausen ZG, Michel Houmard, Geneva, and Tudor Global Trading LLC, Greenwich, USA. Qualified participations are a) Gustav Stenbolt, who holds 20.0% of the voting rights (resp. 14.8% of the capital) of Valartis Group AG, b) Hansa AG, Baar ZG (controlled 100% by Georg von Opel), who holds 16.64% of the voting rights (resp. 19.28% of the capital) of Valartis Group AG, and c) Philipp LeibundGut, who holds 5.00% of the voting rights (resp. 5.79% of the capital) of Valartis Group AG. Timothy Rogers, Geneva, who held 4.05% of the voting rights (resp. 3.54% of the capital) as at 31 December 2007, sold his participation in MCG Holding S.A. within the existing shareholder group as at 29 January 2008.

29. Options Rights

	2007			2006		
	Options rights holding/ number	Ratio	Strike price CHF	Options rights holding/ number	Ratio	Strike price CHF
Current Members of the Board of Directors and related parties						
Erwin W. Heri, Chairman	10,000	1:1	85	10,000	1:1	85
Stefan Holzer, Vice-Chairman	10,000	1:1	85	10,000	1:1	85
Georg von Opel, Member	n/a			0		
Philipp LeibundGut, Member	10,000	1:1	85	10,000	1:1	85
Timothy Rogers, Member	10,000	1:1	85	10,000	1:1	85
Total	**40,000**			**40,000**		
Current Members of the Group Executive Board and related parties						
Gustav Stenbolt, CEO	15,000	1:1	85	15,000	1:1	85
Lorenzo Trezzini, CFO	2,000	1:1	85	2,000	1:1	85
Reto Peczinka, Head Investment Banking	25,000	1:1	85	25,000	1:1	85
Henrik Bartl, Head Real Estate Structured Finance	0			0		
Timothy Rogers, Mitglied[1)]						
Michel Arni, Head Wealth Management	0			n/a		
Michel Houmard, Head Wealth Management	n/a			0		
Total	**42,000**			**42,000**		

1) See information under «Current Members of the Board of Directors and related parties».

30. Staff Participation

After receipt, the shares or options received in 2006 are in the irrevocable ownership of the employees. Therefore the vesting period corresponds to the services provided in the business year. The allocated shares and options are subject to a three- resp. five-year blocking period. Independent from the type of receipt, the personnel expense resulting from the staff participation plan is entered in the period in which the services were provided (vesting period).

The allocated market value per share corresponds to the market price of the share at grant date after deduction of a discount for the blocking period of 6% for each full blocking year and equals CHF 72.13 for the bonus for the business year 2007 (previous year: CHF 84.30).

The allocated value per option for the business year 2006 corresponds to the fair value at grant date after deduction of a discount on the share price for the blocking period of around 16%. For determining the fair value, the Black Sholes options valuation model was used (expected volatility of 18% for a risk-free interest rate of 2.2% and an expected dividend of CHF 3). The expected volatility was determined by looking at comparable options traded on the market. In 2007 no options were allocated.

31. Irrevocable Commitments

	31.12.2007 CHF	31.12.2006 CHF
Irrevocable commitments	18,438,582	932,000

32. Staff Pension Plans

There are pension plans for the majority of Valartis Group employees. The staff pension plans provide benefits in the event of death, disability, retirement or termination of the employment relationship. As at the balance-sheet date there were amounts due to pension institutions totalling CHF 286,656 (previous year: CHF 0). Pension plan expenses amounted to CHF 1,789,698 (previous year: CHF 346,513).

In Switzerland contributions to pension institutions are paid by employer and employee. According to IAS 19 the Swiss pension institutions are considered as defined benefit plans because of their interest guarantee and the prescribed translation rate. For defined benefit plans, the cash value of the pension obligations are determined according to actuarial calculations pursuant to the Projected Unit Credit Method. The calculations, which are prepared by independent experts, are based on the service years completed and the projected covered salary at the end age, resp. the time of the pension event (death, disability, termination). The last actuarial calculations were carried out as per 31 December 2007.

In the event that the balance of cumulated unrecorded actuarial profits resp. losses at the end of the previous year's period exceeds both 10% of the fair value of the assets as well as 10% of the cash value of the obligations of the pension plans at that time, the higher of both parts of the unrecorded actuarial profits and losses exceeding the threshold values is booked over the remaining years of service in the profit and loss statement.

Actuarial information for the benefit oriented pension plans:

	31.12.2007 TCHF	31.12.2006 TCHF
Balance sheet items		
Present value of pension obligations	9,225	2,149
Fair value of plan assets	8,943	2,146
Unsecured pension obligations	**282**	**3**
Unrecognized actuarial loss	–552	– 9
Total assets recognized on the balance sheet	**–270**	**– 6**

	2007 TCHF	2006 TCHF
Change in net obligations / assets on the balance sheet		
Net obligations as per 1 January	– 6	0
Net pension cost of employer	430	87
Employer contributions	–694	– 93
Net assets as per 31 December	**–270**	**– 6**

	2007 TCHF	2006 TCHF
Expenses from personnel pension benefits		
Annual pension costs	819	149
Interest on pension obligations	220	50
Expected return on plan assets	–267	– 59
Past service cost from change in plan	352	40
Total pension expenses	**1,124**	**180**
Employee contributions	– 694	– 93
Net pension expenses of the employer	**430**	**87**

	2007 TCHF	2006 TCHF
Development of pension assets		
Fair value of plan assets as per 1 January	2,149	1,362
Increase in pension obligations	4,252	0
Annual pension costs	819	149
Expected return on plan assets	220	50
Paid out benefits	1,822	588
Insurance technical gains	– 37	0
Market value of available assets as per 31 December	**9,225**	**2,149**

	2007 TCHF	2006 TCHF
Development of pension assets		
Market value of available assets as per 1 January	2,146	1,322
Increase in pension obligations	3,900	0
Employee contributions	694	93
Employer contributions	694	93
Paid out benefits	1,822	588
Expected return on plan assets	267	59
Investment loss	–580	– 9
Market value of available assets as per 31 December	**8,943**	**2,146**

	31.12.2007 in %	31.12.2006 in %
Insurance technical assumptions		
Discount rate (technical interest rate)	3.25	3.00
Expected return on plan assets	3.50	3.50
Expected rate of salary increases	1.50	1.50
Development of old age plan assets	3.25	2.50

More than 95% of the plan assets of the collective pension institution are made up of insurance contracts and assets deposited at an insurance company.

33. Fair Value of Financial Instruments

Due to their short-term character, the fair value of the positions amounts due from and due to banks resp. clients as well as positive and negative replacement values virtually correspond to their carrying amount. The other financial instruments' fair value corresponds to their carrying amount.

34. Financial Instruments

The fair value is based on quoted market prices or price quotation from traders, inasmuch as the financial instrument is listed on a representative market. For other financial instruments a generally accepted valuation method is used for determining the fair value. Financial assets and liabilities in the banking book are valued at their carrying value.

	Quoted market prices	Valuation method based on market data	31.12.2007	Quoted market prices	Valuation method based on market data	31.12.2006
Financial assets – trading book						
Trading securities	209,872,206	0	209,872,206	203,698,178	0	203,698,178
thereof listed	177,544,388	0	177,544,388	165,998,675	0	165,998,675
Positive replacement values	1,534,122	5,276,856	6,810,978	1,041,748	1,538,543	2,580,291
Other financial assets at fair value	95,232	0	95,232	3,293,789	0	3,293,789
Financial liabilities – trading book						
Due from trading	7,071,162	0	7,071,162	831,695	0	831,695
thereof listed	7,071,162	0	7,071,162	0	0	0
Negative replacement values	14,157,717	11,576,114	25,733,831	12,066,804	2,764,625	14,831,429
Other financial liabilities at fair value	19,684,073	0	19,684,073	49,510,144	0	49,510,144
Income from trading book[1]			23,008,237			11,697,981
Financial assets – banking book						
Financial investments held to maturity	0	0	0	0	0	0
Income from financial investments held to maturity[1]			0			0
Financial investments available for sale	14,951,385	0	14,951,385	0	0	0
Income from financial investments available for sale[1]			– 229,469			0
Credits and receivables	162,996,784	0	162,996,784	109,100,950	0	109,100,950
Financial liabilities – banking book						
Financial liabilities	– 149,375,318	0	– 149,375,318	– 70,087,902	0	– 70,087,902

1) In both reporting periods no income was recognized from estimates of the fair value due to valuation methods which are not based on market data. Also no income was recognized from fluctuations in fair value due to a change of the own credit risk.

35. Post-Balance-Sheet Events

There are no post-balance-sheet events to report.

Group Auditor's Report

ERNST & YOUNG

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To the General Meeting of

Valartis Group AG, Baar

Zurich, March 20, 2008

Report of the group auditors

As group auditors, we have audited the group financial statements (balance sheet, income statement, cash flow statement, statement of changes in equity and notes / pages 30 to 68) of Valartis Group for the year ended December 31, 2007.

These group financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these group financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards and International Standards on Auditing (ISA), which require that an audit be planned and performed to obtain reasonable assurance about whether the group financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the group financial statements. We have also assessed the accounting principles used, significant estimates made and the overall group financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

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

Ernst & Young Ltd

Cataldo Castagna
Swiss Certified Accountant
(Auditor in charge)

Dr. Matteo Maccio
Swiss Certified Accountant

The Valartis "Clean Discount" certificate is an intelligent investment in the CO_2 environmental certificate market of phase 2 (2008 – 2012). The "KEEPY ... Strangle on CO_2" is an investment instrument which combines the sale of a put option ...

CO_2 Certificates

Valartis was able to establish itself on the financial markets with various CO_2 certificates. The certificates' strength is the fact that they allow investors to bet on all possible scenarios, on rising as well as falling markets. The CO_2 environmental certificates are ideal diversification instruments, because they move virtually independently from the traditional stock markets. Valartis has launched certificates for rising, falling and sideways moving markets.

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Income Statement

Income

	1.1.-31.12.2007 CHF	1.1.-31.12.2006 CHF
Securities income	– 685,397	– 160,794
Dividend income	12,141,762	26,000,000
Commission income	0	50,000
Total income	**11,456,365**	**25,889,206**

Expenses

Administrative expenses	872,269	426,716
Personnel expense	155,890	150,000
Interest expense	1,434,899	1,233,527
Commission expense	0	9,297
Taxes	– 6,371	7,345
Total expenses	**2,456,687**	**1,826,885**
Annual profit	**8,999,678**	**24,062,321**

Balance Sheet

Assets

	Notes	31.12.2007 CHF	31.12.2006 CHF
Current assets			
Trading securities		3,001,280	0
Total current assets		**3,001,280**	**0**
Fixed assets			
Participations	2	109,418,920	106,500,000
Total fixed assets		**109,418,920**	**106,500,000**
Total assets		**112,420,200**	**106,500,000**

Liabilities and Shareholders' Equity

Liabilities			
Due to Group companies		58,143,427	47,419,497
Accrued and deferred liabilities		132,062	185,470
Total liabilities		**58,275,489**	**47,604,967**
Shareholders' equity			
Share capital	3	5,000,000	5,000,000
General legal reserve		1,000,000	1,000,000
Reserve for own shares	5	3,973,947	2,700,000
Free reserve		35,106,086	26,068,712
Retained earnings			
Profit carried forward from previous year		65,000	64,000
Annual profit		8,999,678	24,062,321
Total shareholders' equity		**54,144,711**	**58,895,033**
Total liabilities and shareholders' equity		**112,420,200**	**106,500,000**

Notes

1. Guarantees in Favor of Third Parties

	31.12.2007 CHF	31.12.2006 CHF
Guarantees in favor of Valartis Bank AG (certificates)	1,862,845	23,583,112

2. Participations

Company name	Domicile	Purpose	Currency	Share capital	31.12.2007 Participation capital and votes	31.12.2006 Participation capital and votes
Valartis Bank AG	Zurich, CH	Bank	CHF	20,000,000	100.0%	100.0%
Valartis Asset Management S.A.	Geneva, CH	Investment advisor	CHF	1,896,210	100.0%	100.0%
Valartis Wealth Management S.A.	Geneva, CH	Wealth management	CHF	2,000,000	100.0%	100.0%
Valartis S.A.	Geneva, CH	Investment advisor	CHF	100,000	100.0%	100.0%
Valaxis Asset Management S.A.	Geneva, CH	Wealth management	CHF	200,000	100.0%	0.0%
Valartis International Ltd.	Tortola, BVI	Investment advisor	USD	50,000	100.0%	100.0%
Eastern Property Management Ltd.	Tortola, BVI	Investment advisor	USD	50,000	100.0%	100.0%
MCT Luxembourg Management S.à.r.l.	Luxembourg, L	Investment advisor	EUR	12,500	100.0%	100.0%
Valartis Fund Advisory S.A.	Luxembourg, L	Investment advisor	EUR	91,166	100.0%	100.0%
Valartis Fund Management S.à.r.l.	Luxembourg, L	Investment advisor	EUR	125,000	100.0%	0.0%

3. Share Capital

	31.12.2007	31.12.2006
Share capital (CHF)	5,000,000	5,000,000
Number of bearer shares	5,000,000	5,000,000
Nominal value per share (CHF)	1	1

4. Conditional Share Capital

	31.12.2007	31.12.2006
Conditional share capital (CHF)	250,000	250,000
Number of bearer shares	250,000	250,000
Nominal value per share (CHF)	1	1

At its Extraordinary General Meeting on 14 December 2005, Valartis Group AG approved the creation of conditional capital amounting to CHF 250,000 (divided into 250,000 bearer shares of Valartis Group AG with a nominal value of CHF 1 each) for staff participation programs as follows: Excluding existing shareholders' subscription rights, the Company's share capital shall be increased at most by CHF 250,000 by issuing a maximum of 250,000 bearer shares, to be fully paid, with a nominal value of CHF 1 each; this shall be carried out by means of options rights granted to employees of the Company or one of its Group companies or to Members of the Board of Directors within the framework of a staff participation plan to be approved by the Board of Directors. Issuance below market price is permitted. The Board of Directors shall specify the details.

After introduction of the conditional capital, a staff participation plan was set up. The exercise of these options will have a diluting effect. The formal listing of the bearer shares of Valartis Group AG stemming from the conditional capital was applied for at the SWX Swiss Exchange as of 28 December 2005 and approved by the SWX Swiss Exchange.

5. Own shares

	31.12.2007	31.12.2006
Number of shares in Valartis Bank AG's trading portfolio	5,028	29,240
Number of shares in Valartis Group AG's trading portfolio	36,160	0
Reserve for own shares (CHF)[1)]	3,973,947	2,700,000

1) In 2007 526,228 shares were bought by Valartis Bank AG at CHF 92.74 and 514,280 shares were sold at CHF 92.42 (average prices).

6. Shareholder Structure

	31.12.2007 in %	31.12.2006 in %
MCG Holding S.A., Baar ZG	50,0	50,0

Economic beneficiaries of MCG Holding S.A. is a shareholder group consisting of Hansa AG, Baar ZG (controlled 100% by Georg von Opel, Wollerau SZ), Gustav Stenbolt, Geneva, Philipp LeibundGut, Steinhausen ZG, Michel Houmard, Geneva, and Tudor Global Trading LLC, Greenwich, USA. Qualified participations are a) Gustav Stenbolt, who holds 20.0% of the voting rights (resp. 14.8% of the capital) of Valartis Group AG, b) Hansa AG, Baar ZG (controlled 100% by Georg von Opel), who holds 16.64% of the voting rights (resp. 19.28% of the capital) of Valartis Group AG, and c) Philipp LeibundGut, who holds 5.00% of the voting rights (resp. 5.79% of the capital) of Valartis Group AG. Timothy Rogers, Geneva, who held 4.05% of the voting rights (resp. 3.54% of the capital) as at 31 December 2007, sold his participation in MCG Holding S.A. within the existing shareholder group as at 29 January 2008.

7. Remuneration of the Members of the Board of Directors

	Direct and indirect remuneration CHF	Loans and credits CHF	Shares number	Blocking period in years
Remuneration, loans and credits to current Members of the Board of Directors				
Erwin W. Heri, Chairman[1]	428,500	0	301	3
Stefan Holzer, Vice-Chairman	25,000	0	0	0
Philipp LeibundGut, Member	26,455	0	0	0
Timothy Rogers, Member	26,455	0	0	0
Total 2007	**506,410**	**0**	**301**	**3**
Total 2006	**210,510**	**0**	**296**	**3**
Remuneration, loans and credits to former Members of the Board of Directors				
Gustav Stenbolt, Vice-Chairman	19,644	0	0	0
Georg von Opel, Member	24,046	0	0	0
Total 2007	**43,690**	**0**	**0**	**0**
Total 2006	**51,710**	**0**	**0**	**0**

	Options Number	Blocking period in years	Strike price in CHF	Maturity date
Remuneration, loans and credits to current Members of the Board of Directors				
Erwin W. Heri, Chairman	0	0	0	0
Stefan Holzer, Vice-Chairman	0	0	0	0
Philipp LeibundGut, Member	0	0	0	0
Timothy Rogers, Member	0	0	0	0
Total 2007	**0**	**0**	**0**	**0**
Total 2006	**0**	**0**	**0**	**0**
Remuneration, loans and credits to former Members of the Board of Directors				
Gustav Stenbolt, Vice-Chairman	0	0	0	0
Georg von Opel, Member	0	0	0	0
Total 2007	**0**	**0**	**0**	**0**
Total 2006	**0**	**0**	**0**	**0**

1) This position also includes remuneration to Erwin W. Heri in his function as interim CEO for the period from 1 January 2007 to mid-September 2007.

There are no remunerations, loans or credits to Members of the Group Executive Board. There are also no remunerations, loans or credits to related parties which would not conform to market conditions.

8. Participations

	Number of bearer shares	Nominal value in CHF	Voting rights in %
Major shareholders			
MCG Holding S.A., Baar ZG	2,500,000	2,500,000	50.0
Total 2007	**2,500,000**	**2,500,000**	**50.0**
Total 2006	**2,500,000**	**2,500,000**	**50.0**
Current Members of the Board of Directors and related parties			
Erwin W. Heri, Chairman	18,636	18,636	0.4
Stefan Holzer, Vice-Chairman	31,349	31,349	0.6
Philipp LeibundGut, Member[1)]	249,770	249,770	5.0
Timothy Rogers, Member[1)]	202,556	202,556	4.1
Total 2007	**502,311**	**502,311**	**10.1**
Total 2006	**2,115,285**	**2,115,285**	**42.3**
Current Members of the Group Executive Board and related parties			
Gustav Stenbolt, CEO[1)]	1,002,074	1,002,074	20.0
Total 2007	**1,002,074**	**1,002,074**	**20.0**
Total 2006	**1,002,074**	**1,002,074**	**20.0**

1) The participations of Gustav Stenbolt, Timothy Rogers and Philipp LeibundGut are already included in the participations held by MCG Holding S.A.

Economic beneficiaries of MCG Holding S.A. is a shareholder group consisting of Hansa AG, Baar ZG (controlled 100% by Georg von Opel, Wollerau SZ), Gustav Stenbolt, Geneva, Philipp LeibundGut, Steinhausen ZG, Michel Houmard, Geneva, and Tudor Global Trading LLC, Greenwich, USA. Qualified participations are a) Gustav Stenbolt, who holds 20.0% of the voting rights (resp. 14.8% of the capital) of Valartis Group AG, b) Hansa AG, Baar ZG (controlled 100% by Georg von Opel), who holds 16.64% of the voting rights (resp. 19.28% of the capital) of Valartis Group AG, and c) Philipp LeibundGut, who holds 5.00% of the voting rights (resp. 5.79% of the capital) of Valartis Group AG. Timothy Rogers, Geneva, who held 4.05% of the voting rights (resp. 3.54% of the capital) as at 31 December 2007, sold his participation in MCG Holding S.A. within the existing shareholder group as at 29 January 2008.

9. Options Rights

	2007			2006		
	Options rights holding/ number	Ratio	Strike price CHF	Options rights holding/ number	Ratio	Strike price CHF
Current Members of the Board of Directors and related parties						
Erwin W. Heri, Chairman	10,000	1:1	85	10,000	1:1	85
Stefan Holzer, Vice-Chairman	10,000	1:1	85	10,000	1:1	85
Georg von Opel	n/a			0		
Philipp LeibundGut, Member	10,000	1:1	85	10,000	1:1	85
Timothy Rogers, Member	10,000	1:1	85	10,000	1:1	85
Total	**40,000**			**40,000**		
Current Members of the Group Executive Board and related parties						
Gustav Stenbolt, CEO	15,000	1:1	85	15,000	1:1	85
Total	**15,000**			**15,000**		

10. Post-Balance-Sheet Events

There are no post-balance-sheet events to report.

Proposal of the Board of Directors to the Shareholders' Meeting

The Board of Directors submits the following proposal for the distribution of profit to the Annual Shareholder's Meeting on 6 May 2008:

	2007 CHF	2006 CHF
Profit carried forward from previous year	65,000	64,000
Annual profit	8,999,678	24,062,321
Retained earnings	9,064,678	24,126,321
Drawing on / allocation to free reserves	4,751,322	– 10,311,321
Subtotal	13,816,000	13,815,000
Dividend on capital entitled to dividend payments	– 13,750,000	– 13,750,000
Earnings to be carried forward	**66,000**	**65,000**
Dividend per bearer share entitled to dividend payments	2.75	2.75

Auditor's Report

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To the General Meeting of

Valartis Group AG, Baar

Zurich, March 20, 2008

Report of the statutory auditors

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes / pages 74 to 81) of Valartis Group AG for the year ended December 31, 2007.

These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

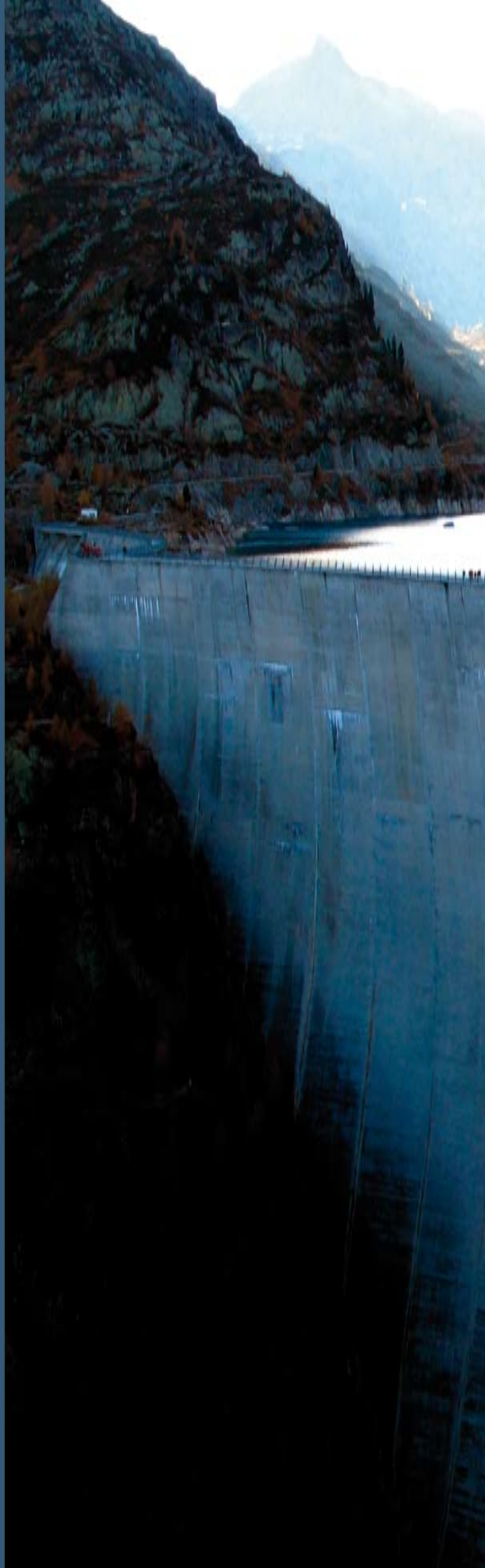
In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

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

Ernst & Young Ltd

Cataldo Castagna
Swiss Certified Accountant
(Auditor in charge)

Dr. Matteo Maccio
Swiss Certified Accountant



European Energy Trading Strategy

The goal of our investment strategy in the European energy market are stable, positive absolute returns by trading standardized financial contracts on energy and CO_2 (no physical delivery), which are listed on leading European energy trading exchanges. The strategy offers excellent diversification opportunities, because its income is not systematically correlated with the traditional financial markets.

Due to the fact that the returns from our trading strategy in the European energy market moves independently ...

from the traditional financial markets, we were able to generate an attractive...

risk-return profile with 7% return and 2% volatility in the last year.

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Letter to the Shareholders

Dear Shareholders

2007 was a year full of change for Valartis Bank AG as well. Despite the sudden end to the bull run on the stock markets which had lasted several years in the summer, the Bank was able to generate a quite satisfying year-round result with a net profit just about equalling the previous year.

Our employees deserve a special thank you for moving our Bank without any major hitches from Pfäffikon to Zurich. After all, you don't move an entire bank from place A to place B just like that every day.

In our daily business, as usual, we again issued a number of successful options last year. Furthermore we were involved in various capital increases. Our mutual funds, investment companies and alternative products also did well in 2007. Meanwhile our product range encompasses a great number of traditional, but above all niche products, which are welcomed in the investment community.

It becomes increasingly obvious that we can harness our strengths in various markets, first and foremost our home market Switzerland as well as Eastern Europe, Russia and the CIS states, for the benefit of all our business segments. At the same time, the synergies which result from our many years of experience in various asset classes are beginning to bear fruit.

Last but not least the developments at Jelmoli Bonus Card AG should not be forgotten. Not least due to attractive new extra services, far more than 300,000 Bonus Cards and Visa Bonus Card credit cards are now in circulation, generating sales of nearly half a billion francs.

Zurich, 20 March 2008

Erwin W. Heri
Chariman of the Board of Directors

Gustav Stenbolt
Chief Executive Officer

Valartis Bank AG
Financial Statements 2007

Income Statement

	Notes	1.1.-31.12.2007 CHF	1.1.-31.12.2006 CHF
Interest and discount income		4,694,507	2,307,873
Interest and dividend income from trading portfolio		1,460,820	2,030,974
Interest and dividend income from financial investments		0	0
Interest expense		– 2,762,794	– 196,450
Income from interest business		**3,392,533**	**4,142,397**
Commission income from credit business		1,172,289	1,000
Commission income from securities and investment business		19,612,688	21,075,713
Commission expense		– 1,486,377	– 1,915,705
Income from commission and service business		**19,298,600**	**19,161,008**
Income from trading	5.1	**21,933,967**	**10,100,242**
Total operating income		**44,625,100**	**33,403,647**
Personnel expense	5.2	16,663,568	9,239,564
General expense	5.3	9,414,714	6,135,811
Administrative expenses		**26,078,282**	**15,375,375**
Gross profit		**18,546,818**	**18,028,272**
Depreciation on property, equipment and intangible assets		519,677	509,812
Income from associated companies		1,556,021	388,000
Valuation adjustments, provisions and losses		0	0
Subtotal		**16,471,120**	**17,130,460**
Extraordinary income	5.4	0	0
Extraordinary expense	5.4	0	0
Taxes		3,663,310	4,431,304
Annual profit		**12,807,810**	**12,699,156**

Balance Sheet

Assets

	Notes	31.12.2007 CHF	31.12.2006 CHF
Cash		4,005,646	3,472,102
Due from banks		105,350,931	70,027,546
Due from clients	3.1	68,854,535	49,497,789
Due from mortgages	3.1	13,460,000	2,000,000
Trading securites	3.2	143,263,201	148,468,947
Non-consolidated participations	3.4	2,153,479	3,709,500
Property and equipment	3.4	5,096,786	0
Accrued and deferred assets		1,694,609	754,216
Other assets	3.5	6,862,522	5,984,571
Total assets		**350,741,709**	**283,914,671**
Total amounts due from Group companies and qualified participations		59,826,253	47,419,497

Liabilities and Shareholders' Equity

Liabilities			
Due to banks		78,403,039	5,454,149
Other liabilities to clients		75,150,016	64,181,447
Accrued and deferred liabilities		7,513,336	6,226,767
Other liabilities	3.5	45,621,524	64,806,324
Total liabilities		**206,687,915**	**140,668,687**
Shareholders' equity			
Share capital	3.10	20,000,000	20,000,000
General legal reserve		11,020,000	9,920,000
Other reserves		100,000,000	100,000,000
Profit carried forward from previous year		225,984	626,828
Annual profit		12,807,810	12,699,156
Total shareholders' equity	3.11	**144,053,794**	**143,245,984**
Total liabilities and shareholders' equity		**350,741,709**	**283,914,671**
Total amounts due to Group companies and qualified participations		65,628	154,527

Off-Balance-Sheet Items

	Notes	31.12.2007 CHF	31.12.2006 CHF
Contingent liabilities	3.1, 4.1	17,049,900	8,811,270
Irrevocable commitments	3.1	18,438,582	932,000
Derivative financial instruments	4.2		
Contract volume		371,578,180	142,555,208
Positive replacement values		6,713,209	5,621,080
Negative replacement values		44,934,404	64,341,573
Fiduciary transactions	4.3	244,342,853	160,937,910

Notes

1. Comment on Business Activitiy / Number of Employees

Valartis Bank AG belongs to Valartis Group, a Swiss banking Group. It is a wholly owned subsidiary of Valartis Group AG, Baar ZG, which is itself listed on the SWX Swiss Exchange.

Valartis Bank focuses on the development and management of innovative investment and niche products as well providing specialized banking services in its three core segments asset management, wealth management and investment banking. Geographically the Bank is mainly active in Switzerland, but also in Central and Eastern Europe.

As at 31 December 2007 the Bank had 52 employees, adjusted for part-time employments (31 December 2006: 31).

Risk management: market, credit and interest rate variation risk
Since the Bank is not engaged in the credit and interest-related business to any significant degree, neither credit nor interest rate variation risk are relevant. The market risk policy is continuously reviewed by the Board of Directors. This forms the basis for risk management. The valuation of trading positions for the own account and the monitoring of market risk are carried out on a continuous basis. The Board of Directors is regularly informed about assets and liabilities, financial, liquidity and income as well as concurrent risks.

Outsourcing of business segments
The technical support of the emergency center has been outsourced. This outsourcing was arranged in detail according to the regulations of the Federal Banking Commission. All employees of the service provider are subject to banking secrecy which guarantees confidentiality.

2. Accounting and Valuation Principles

2.1 Basis and general principles
Bookkeeping, accounting and valuation principles are in accordance with the regulations of the Swiss Code of Obligations, the Federal Law on Banks and Savings Banks and its ordinances, the regulations of the Swiss Banking Commission and the statutory regulations. Detailed positions reported in the balance sheet are valued individually (individual valuation).

2.2 Recognition and accounting of transactions
All transactions are recognized in the Bank's books on the date of the transaction and valued from that date for the income statement. As the Bank primarily engages in spot stock market transactions, it records these transactions as receivables resp. liabilities in the balance sheet at the time of execution. Borrowed securities are recorded in the balance sheet provided that the Bank acts as a counterparty.

2.3 Foreign currency translation
Transactions in foreign currencies are recognized at the corresponding daily exchange rates. Monetary assets are converted and booked in the income statement at the exchange rate valid on the balance sheet day. Exchange rate differences between conclusion of a transaction and its settlement are taken through the income statement. The following exchange rates were used for translating the major currencies:

Balance sheet day rates	2007	2006
EUR	1.656	1.609
USD	1.124	1.220
GBP	2.256	2.388
CAD	1.146	1.047

2.4 Cash, receivables from and liabilities to banks, deposits
Recognition is according to nominal value minus individual valuation adjustments for receivables at risk. Deviating from this principle are receivables and liabilities from non-monetary assets, such as securities lending and borrowing, which are recognized at market value.

2.5 Lendings (receivables from clients and mortgage claims)
Loans include loans customary in banking which the Bank grants to a debtor directly as well as purchased loans, which are not held for trading and which are not traded on an active market. Granted and purchased loans which are actively managed to benefit from market price fluctuations, i.e. where the Group is ready to increase, decrease or close the position at any time, are, inasmuch as existing, recognized in the position «Trading securities».

Initial valuation is at acquisition cost including transaction costs. Subsequent valuation is at continued historical cost using the effective interest rate method minus any individual valuation adjustment for credit risks.

Any difference between the original amount and the amount to be repaid at maturity is amortized using the effective interest rate method and deferred as «Interest and discount income» resp. «Interest expenses» in the income statement.

At the balance sheet date a credit assessment is made to see if there are objective signs that the entire contractually owed amount may not be recovered. If there are such signs, individual valuation adjustments are made on these impaired loans for credit risks. An impairment for credit risks is recognized in the balance sheet as a write-down of the carrying value of the corresponding loan. The impairment is measured based on the difference between the carrying amount of the receivable and the prospective

recoverable amount, taking into consideration the net proceeds from the realization of any collateral securities. Loans with variable interest rates are discounted according to the actual effective interest rate. If there are changes with regard to the amount and the time of expected future cash flows compared to previous estimates, the valuation adjustment for credit risks is adjusted and recognized in the income statement in «Valuation adjustments, provisions and losses».

Non-performing loans are receivables for which the contractually agreed payments for capital and/or interest are overdue for more than 90 days and if there are no clear indications that they may be recovered by later payments or the sale of collateral. Interest for non-performing loans is still charged. It is, however, no longer recorded in the income position «Interest and discount income» but directly allocated to individual valuation adjustments. Loans are fixed without interest when the yielding of the interest is so doubtful that an accrual can no longer be considered reasonable. Overdue receivables which are classified as completely or partially unrecoverable are eliminated and charged to a possible individual valuation adjustment. Loans at risk are reclassified at full value if the outstanding capital and interest is paid again on time according to contractual agreements and if further requirements regarding credit quality are met. The recovery of loans which had formerly been written off and taken off the books is recorded in the income statement.

The existing procedures for the ascertainment and calculation of individual valuation adjustments results in a comprehensive valuation of loans; consequently across-the-board valuation adjustments are basically unnecessary.

Realized income from loans which are sold before their maturity or repaid early are recognized in the income statement under the position «Interest and discount income», if these are loans which are not intended to be kept to maturity.

2.6 Trading securities and precious metals

Trading securities are basically valued and recognized at fair value. Fair value corresponds to the price on a price-efficient and liquid market («mark to market») or to the price determined according to a valuation model («mark to model»). If, in exceptional cases, no fair value is available, valuation and recognition are made according to the lower of cost or market principle.

Profits and losses from valuation are recognized under «Income from trading». Interest and dividend income from the securities trading portfolio are credited to «Interest and dividend income from trading portfolio». Income from trading is not charged with any capital refinancing costs.

2.7 Securities borrowing and lending operations

Securities borrowing and lending operations are made on a secured basis. In such transactions the Group lends or borrows securities against securities or cash deposits as security. The Group also borrows securities from the securities portfolios of individual clients. Shares are mainly used for securities borrowing and lending operations. The transactions are settled on the fincancial markets by means of standardized contracts.

Securities received or delivered within the scope of securities borrowing or lending operations are recognized or removed from the balance sheet only if control over the contractual rights connected with the securities is transferred.

In securities lending operations the cash deposit which is received is recognized in the balance sheet in «Cash» and a corresponding liability «Cash deposit for lent securities» is recognized. In securities borrowing operations the cash deposit which is made is eliminated from the balance sheet and a corresponding claim is recognized in «Cash deposits for borrowed securities».

Own securities which the Group has transferred to third parties and for which it has conceded the right to resell or repledge to the recipient, are recognized as off-balance-sheet items.

2.8 Repurchase and reverse repurchase operations

Repurchase transactions resp. reverse repurchase operations are, inasmuch as existing, treated as secured financing transactions. As a rule these include debt securities such as bonds or money-market papers. The transactions are settled on the financial markets according to standardized contracts.

In reverse repurchase operations, securities are purchased and concurrently resold as per a fixed or open date. The purchased securities are not recorded in the Group's balance sheet as long as the conveying party keeps control of the economics rights (taking of price and credit risks, entitlement to current income and other property rights) over the securities. The cash deposit paid in reverse repurchase operations is eliminated from the «Cash» position and recognized in the balance sheet as a claim under «Reverse repurchase operations». This claim reflects the Group's right to recover the cash deposit. Securities which the Group has received in a reverse repurchase operation are recognized as off-balance-sheet business, if the Group has a right to resell or repledge the securities. On the other hand, the resale of the purchased securities is recognized under «Cash» and the balance-sheet position «Due from trading» (short sale). The valuation of the position «Due from trading» is at fair value. In addition to cash deposits, securities or guarantees can also be used as collateral. Interest income from reverse repurchase operations is accrued over the term of the corresponding transaction.

In repurchase operations, securities are sold and concurrently repurchased as per a fixed or open date. The cash deposit received in a repurchase operation is recognized in the position «Cash», while the corresponding liability to return the securities is recognized in the balance sheet in «Repurchase operations». The sold securities are kept in the Group's balance sheet according to their original classification as long as the economic rights have not been transferred. Securities which the Group has transferred from its own portfolio to third parties and for which it has granted the recipient a right to resale or repledge, are reclassified from the trading portfolio to the position «Lent securities or securities deposited as security». In addition to cash deposits, securities or guarantees can also be accepted as collateral. Interest expense for repurchase operations is accrued over the term of the corresponding transaction.

2.9 Derivative financial instruments
The valuation of derivative financial instruments is done at fair value. They are presented in the balance sheet as positive or negative replacement values. The fair value is based on market rates, price quotes from brokers, discounted cash flow or options price models. There are no netting agreements so that there is no offsetting of positive and negative replacement values vis-à-vis the same counterparty. The Bank deals in transactions with derivative financial instruments only for trading purposes. The realized and unrealized income is booked in «Income from trading».

2.10 Non-consolidated participations (associated companies)
Minority shareholdings over which the Bank can exercise a substantial influence are included according to the equity method. Influence is considered as a rule as substantial when the Bank holds a percentage of 20% to 50% of the votes. Companies in which the bank has an interest of less than 20% or whose size and activities have no substantial influence on the Bank are listed under shareholdings according to the lowest value principle.

2.11 Property and equipment
Property and equipment includes properties, undeveloped land and fixtures in third-party properties, information and telecommunications equipment, other fixed assets as well as purchased software. The acquisition and manufacturing costs are capitalized, if probable future economic income can flow from them to the Group and the costs can be identified and reliably estimated. Property and equipment is depreciated on a straight-line basis over the estimated useful life as follows:

Properties	maximum 100 years
Fixtures in third-party properties	maximum 10 years
Information and telecommunications equipment	maximum 3 years
Other fixed assets	maximum 5 years
Purchased software	maximum 5 years

No depreciation is made on undeveloped land.

The sustainable value of property and equipment is examined if events or circumstances indicate that the carrying value may have been impaired. If the carrying value exceeds the achievable income, a depreciation is made. No goodwill has been activated.

2.12 Taxes
Direct taxes owed on current profit are recognized as accrued and deferred liabilities.

2.13 Pension plans
The Bank has split off its pension obligations for the compulsory company social security portion in a legally independent collective foundation of an insurance company. For company social security obligations exceeding the compulsory provisions there is a legally independent personnel pension foundation. Rightful claimants of both pension plans are the employees of the Bank. Contributions are paid by the employees and employer pursuant to the corresponding regulations.

2.14 Valuation adjustments and provisions
Individual valuation adjustments and provisions are made according to the principle of prudence for all recognizable risks of loss. Valuation adjustments and provisions which are no longer needed in an accounting period are released through the income statement. Individual valuation adjustments are directly deducted from the corresponding asset position. Provisions for other risks are shown under this balance-sheet position.

2.15 Modifications of accounting and valuation principles
There are no modifications of accounting and valuation principles compared to the previous year.

3. Information on the Balance Sheet

3.1 Summary of collateral loans and off-balance-sheet transactions

	Mortgage cover CHF	Other collateral [1] CHF	Without collateral CHF	Total CHF
Loans				
Due from clients	0	5,487,316	63,367,219	68,854,535
Mortgage claims				
Residential properties	0	0	0	0
Office and business properties	0	0	0	0
Commercial and industrial properties	13,460,000	0	0	13,460,000
Others	0	0	0	0
31.12.2007	**13,460,000**	**5,487,316**	**63,367,219**	**82,314,535**
31.12.2006	**2,000,000**	**523,078**	**48,974,711**	**51,497,789**

1) Lombard cover

	Mortgage cover CHF	Other collateral [1] CHF	Without collateral CHF	Total CHF
Off balance sheet				
Contingent liabilities	0	16,740,500	309,400	17,049,900
Irrevocable commitments	18,372,582	0	66,000	18,438,582
Call commitments additional funding obligations	0	0	0	0
Loan commitments	0	0	0	0
31.12.2007	**18,372,582**	**16,740,500**	**375,400**	**35,488,482**
31.12.2006	**0**	**8,578,860**	**1,164,410**	**9,743,270**

1) Lombard cover

	Gross debt CHF	Estimated realization proceeds from collateral CHF	Net debt CHF	Individual valuation adjustments CHF
Receivables at risk				
31.12.2007	**0**	**0**	**0**	**0**
31.12.2006	**0**	**0**	**0**	**0**

3.2 Breakdown of trading securities and participations

	31.12.2007 CHF	31.12.2006 CHF
Trading securities		
Debt securities	7,686,844	1,308,150
listed	5,118,622	1,308,150
not listed	2,568,222	0
thereof own bonds and public notes	0	0
Equities	135,576,357	147,160,797
thereof equities of Valartis Group AG	0	0
Total	**143,263,201**	**148,468,947**
thereof eligible for repo transactions according to liquidity requirements	54,800	0
Participations		
With price quotation	0	0
Without price quotation	2,153,479	3,709,500
Total	**2,153,479**	**3,709,500**

3.3 Information on major participations

Recognized under participations according to the equity method:

Company	Domicile	Purpose	Share capital CHF	Share of capital and votes
Jelmoli Bonus Card AG	Zurich	Financial company	7,500,000	27.5%

Jelmoli Bonus Card AG is issuer of the VISA Bonus Card. Valartis Bank AG has taken a shareholding of 27.5% of the votes and the capital of Jelmoli Bonus Card AG on 3 July 2006. The share in the capital and the votes have remained unchanged since the acquisition. There is a Shareholders' Agreement and Cooperation Agreement between Jelmoli Bonus Card AG and Valartis Bank AG.

Vis-à-vis the VISA Organization Valartis Bank AG acts as Principal Member and is responsible for the processing of a daily collective payment of Jelmoli Bonus Card AG to VISA.

There are neither participations which are balanced under financial investment nor participations which are fully consolidated.

3.4 Participations and fixed assets

	Valued according to the equity method CHF	Other participations CHF	Total participations CHF
Participations			
Acquisition costs as at 31.12.2006	4,097,500	0	4,097,500
Investments	0	0	0
Disinvestments/eliminations	0	0	0
Acquisition costs as at 31.12.2007	**4,097,500**	**0**	**4,097,500**
Accumulated depreciation as at 31.12.2006	388,000	0	388,000
Depreciation	0	0	0
Disinvestments/eliminations	0	0	0
Valuation adjustment of participations valued according to the equity method	1,556,021	0	1,556,021
Accumulated depreciation as at 31.12.2007	**1,944,021**	**0**	**1,944,021**
Net carrying value as at 31.12.2007	**2,153,479**	**0**	**2,153,479**
Net carrying value as at 31.12.2006	**3,709,500**	**0**	**3,709,500**

	Properties CHF	Other fixed assets CHF	Objects in financial leasing CHF	Fixtures in third-party properties CHF	Total property and equipment CHF
Fixed assets					
Acquisition cost as at 31.12.2006	0	3,258,812	0	0	3,258,812
Investments	0	2,331,645	0	3,284,818	5,616,463
Disinvestments/eliminations	0	0	0	0	0
Acquisition costs as at 31.12.2007	**0**	**5,590,457**	**0**	**3,284,818**	**8,875,275**
Accumulated depreciation as at 31.12.2006	0	3,258,812	0	0	3,258,812
Depreciation	0	300,786	0	218,891	519,677
Disinvestments/eliminations	0	0	0	0	0
Accumulated depreciation as at 31.12.2007	**0**	**3,559,598**	**0**	**218,891**	**3,778,489**
Net carrying value as at 31.12.2007	**0**	**2,030,859**	**0**	**3,065,927**	**5,096,786**
Net carrying value as at 31.12.2006	**0**	**0**	**0**	**0**	**0**

	31.12.2007 CHF	31.12.2006 CHF
Fire insurance value of the properties	0	0
Fire insurance value of the other fixed assets	2,900,000	790,000
Liabilities: future leasing instalments from operational leasing	151,571	217,239

3.5 Other assets and other liabilities

	31.12.2007		31.12.2006	
	Other assets CHF	Other liabilities CHF	Other assets CHF	Other liabilities CHF
Replacement values from derivative financial instruments				
Trading securities	6,713,209	44,934,404	5,621,080	64,341,573
Balance-sheet-structure management	0	0	0	0
Total derivative financial instruments	6,713,209	44,934,404	5,621,080	64,341,573
Indirect taxes	149,313	617,166	363,491	223,205
Clearing accounts	0	69,954	0	241,546
Total	**6,862,522**	**45,621,524**	**5,984,571**	**64,806,324**

3.6 Collateral liabilities entered into pledged or assigned shares as well as assets under title retention

	31.12.2007		31.12.2006	
	Carrying value CHF	Effective liability CHF	Carrying value CHF	Effective liability CHF
Due from banks	5,116	5,116	582,000	582,000
Trading securities and precious metals	17,514,500	15,000,000	0	0
Total	**17,519,616**	**15,005,116**	**582,000**	**582,000**

3.6.1 Loan and repurchase agreements with securities

	31.12.2007 CHF	31.12.2006 CHF
Carrying value of receivables from cash deposits in securities borrowing and reverse repurchase transactions	9,900,000	4,000,000
Carrying value of the liabilities from cash deposits in securities lending and repurchase transactions	15,000,000	0
Carrying value of own securities lent in securities lending transactions or delivered in securities borrowing transactions as collateral as well as transferred in repurchase transaction	18,967,350	0
thereof with the unlimited right to resell or repledge	18,967,350	0
Fair value of the securities lent as collateral in securities lending transactions or borrowed in securities borrowing transactions or received through reverse repurchase transactions with the unlimited right to resell or repledge.	28,908,597	2,824,000
therof fair value of resold or repledged securities	6,235,162	1,354,773

3.7 Liabilities to own pension institutions

For social security, the economic usage, resp. economic obligation is determined by means of actuarial calculations. The calculations are carried out by independent experts based on service years completed and the projected covered salary at the end age, resp. the time of the pension event (death, disability, termination). The last actuarial calculations were carried out as per 31 December 2007.

Actuarial information for the benefit oriented pension plans:

	31.12.2007 TCHF	31.12.2006 TCHF
Balance-sheet items		
Present value of pension obligations	4,193	2,149
Fair value of plan assets	4,192	2,146
Unsecured pension obligations	**1**	**3**
Unrecognized actuarial loss	– 100	– 9
Net assets	**– 99**	**– 6**

	2007 TCHF	2006 TCHF
Change in net obligations / assets on the balance sheet		
Net obligations as at 1 January	– 6	0
Net pension cost of the employer	69	87
Employer contributions	– 162	– 93
Net assets as at 31 December	**– 99**	**– 6**

	2007 TCHF	2006 TCHF
Expenses from personnel pension plans		
Annual pension costs	251	149
Interest on pension obligations	90	50
Expected return on plan assets	– 110	– 59
Past service cost from change in plan	0	40
Total pension expenses	**231**	**180**
Employee contributions	– 162	– 93
Net pension expenses of the employer	**69**	**87**

	2007 TCHF	2006 TCHF
Development of pension obligations		
Present value of pension obligations as at 1 January	2,149	1,322
Past service cost from change in plan	31	40
Annual pension costs	251	149
Interest on pension obligations	90	50
Paid out benefits	1,672	588
Present value of pension obligations as at 31 December	**4,193**	**2,149**

	2007 TCHF	2006 TCHF
Development of pension assets		
Present value of pension assets as at 1 January	2,146	1,322
Employee contributions	162	93
Employer contributions	162	93
Paid out benefits	1,672	588
Expected income from assets	110	59
Investment loss	– 60	– 9
Market value of available assets as at 31 December	**4,192**	**2,146**

More than 95% of the plan assets of the collective pension institution are made up of insurance contracts and assets deposited at an insurance company. As per 31 December 2007 there was an employer contribution reserve of CHF 0 (previous year: CHF 0). The change in 2007 was CHF 0 (previous year: CHF 96,800). Employer contributions totalling CHF 1,467,049 (previous year: CHF 760,970) are booked in «Social benefits» and shown in «Personnel expense». As at the balance-sheet date there were liabilities to the pension institutions totalling CHF 273,032 (previous year: CHF 0).

3.8 Outstanding bonds

There are no outstanding bonds.

3.9 Valuation adjustments and provisions, fluctuation reserves for credit risks and reserves for general banking risks

	Default risk (delcredere and country risk) CHF	Other business risks CHF	Other provisions CHF	Total valuation adjustments and provisions CHF	Valuation adjustments offset against assets CHF	Total according to balance sheet CHF
Position at 1 January	0	388,000	0	388,000	–388,000	0
Utilized/released in accordance with designated purpose	0	0	0	0	0	0
Change of purpose (account transfer)	0	0	0	0	0	0
Recoveries, Overdue interest, currency differences	0	0	0	0	0	0
Newly formed and charged to income statement	0	1,556,021	0	1,556,021	– 1,556,021	0
Position at 31.12.2007	**0**	**1,944,021**	**0**	**1,944,021**	**– 1,944,021**	**0**

The Bank has neither fluctuation reserves for credit risks nor reserves for general banking risks.

3.10 Share capital

	Number	Nominal value CHF	31.12.2007 CHF	31.12.2006 CHF
Bearer shares	20,000	1,000	20,000,000	20,000,000
Total share capital			**20,000,000**	**20,000,000**

100% of the share capital is held by Valartis Group AG, Baar ZG. There are no restrictions on voting or dividend entitlements. Details on the shareholder structure of Valartis Group AG are shown on page 77.

3.11 Shareholders' equity

	2007 CHF	2006 CHF
Share capital		
Position at 1 January	20,000,000	20,000,000
Change in share capital	0	0
Position at 31 December	**20,000,000**	**20,000,000**
General legal reserve		
Position at 1 January	9,920,000	7,420,000
Change in general legal reserve	1,100,000	2,500,000
Position at 31 December	**11,020,000**	**9,920,000**
Reserve for own shares		
Position at 1 January	0	0
Change in reserve for own share	0	0
Position at 31 December	**0**	**0**
Revaluation reserve		
Position at 1 January	0	0
Change in revaluation reserve	0	0
Position at 31 December	**0**	**0**
Other reserves		
Position at 1 January	100,000,000	100,000,000
Change in other reserves	0	0
Position at 31 December	**100,000,000**	**100,000,000**
Reserve for general banking risks		
Position at 1 January	0	0
Change in reserve of general banking risks	0	0
Position at 31 December	**0**	**0**
Retained earnings		
Position at 1 January	13,325,984	29,126,828
Allocation to general legal reserves	– 1,100,000	– 2,500,000
Dividend	– 12,000,000	– 26,000,000
Annual profit	12,807,810	12,699,156
Position at 31 December	**13,033,794**	**13,325,984**
Total shareholders' equity		
Position at 1 January	143,245,984	156,546,828
Change in shareholders' equity	807,810	– 13,300,844
Position at 31 December	**144,053,794**	**143,245,984**

3.12 Maturity structure

	At sight TCHF	Callable TCHF	Within 3 months TCHF	After 3 months up to 12 months TCHF	After 12 months up to 5 years TCHF	After 5 years TCHF	Total TCHF
Assets							
Cash	4,006	0	0	0	0	0	4,006
Due from banks	31,748	0	73,603	0	0	0	105,351
Due from clients	67,413	1,028	0	414	0	0	68,855
Mortgage claims	0	0	2,000	0	11,460	0	13,460
Trading securities and precious metals	125,749	17,515	0	0	0	0	143,264
Financial investments	0	0	0	0	0	0	0
Non-consolidated participations	0	0	0	0	0	2,153	2,153
Property and equipment	0	0	0	0	0	5,097	5,097
Accrued and deferred assets	1,694	0	0	0	0	0	1,694
Other assets	149	0	345	413	4,851	1,104	6,862
Total 31.12.2007	**230,759**	**18,543**	**75,948**	**827**	**16,311**	**8,354**	**350,742**
Total 31.12.2006	**205,965**	**523**	**68,181**	**4,728**	**115**	**4,403**	**283,915**
Liabilities							
Due to banks	1,722	5,787	60,394	10,500	0	0	78,403
Other amounts due to clients	59,597	449	10,221	4,883	0	0	75,150
Accrued and deferred liabilities	7,514	0	0	0	0	0	7,514
Other liabilities	687	0	13,830	19,531	11,573	0	45,621
Valuation adjustments and provisions	0	0	0	0	0	0	0
Total 31.12.2007	**69,520**	**6,236**	**84,445**	**34,914**	**11,573**	**0**	**206,688**
Total 31.12.2006	**41,259**	**27,569**	**17,686**	**52,616**	**1,539**	**0**	**140,669**

3.13 Transactions with related companies as well as loans to governing bodies

	31.12.2007 CHF	31.12.2006 CHF
Due from Group companies	0	2,827
Due to Group companies	1,279,890	126,554
Loans to governing bodies	0	0

Valartis Bank AG performs the function of asset manager for Valartis Group AG. Transactions such as securities operations, money transfer etc. are performed for both Valartis Group AG and related parties at the same conditions which apply for third parties.

3.14 Breakdown of assets and liabilities according to domestic and non-domestic positions

	31.12.2007		31.12.2006	
	Domestic CHF	Abroad CHF	Domestic CHF	Abroad CHF
Assets				
Cash	4,005,646	0	3,472,102	0
Due from banks	99,501,577	5,849,354	66,612,000	3,415,546
Due from clients	60,033,232	8,821,303	47,948,380	1,549,409
Mortgage claims	2,000,000	11,460,000	2,000,000	0
Trading securities and precious metals	128,442,401	14,820,800	134,584,249	13,884,698
Financial investments	0	0	0	0
Non-consolidated participations	2,153,479	0	3,709,500	0
Property and equipment	5,096,786	0	0	0
Accrued and deferred assets	1,553,253	141,356	754,216	0
Other assets	6,475,574	386,948	5,683,467	301,104
Total assets	**309,261,948**	**41,479,761**	**264,763,914**	**19,150,757**
Liabilities				
Due to banks	48,025,604	30,377,435	4,860,934	593,215
Due to clients	71,896,343	3,253,673	57,166,919	7,014,528
Accrued and deferred liabilities	6,937,077	576,259	6,226,767	0
Other liabilities	43,466,060	2,155,464	64,556,054	250,270
Valuation adjustments and provisions	0	0	0	0
Share capital	20,000,000	0	20,000,000	0
General legal reserve	11,020,000	0	9,920,000	0
Other reserves	100,000,000	0	100,000,000	0
Profit carried forward	225,984	0	626,828	0
Annual profit	12,807,810	0	12,699,156	0
Total liabilities	**314,378,878**	**36,362,831**	**276,056,658**	**7,858,013**

3.15 Assets according to countries resp. regions

	31.12.2007		31.12.2006	
	CHF	Share in %	CHF	Share in %
Switzerland	309,261,948	88.17	264,763,915	93.26
Western Europe	19,568,157	5.58	10,685,091	3.76
USA	0	0.00	635,258	0.22
Others	21,911,604	6.25	7,830,407	2.76
Total	**350,741,709**	**100.00**	**283,914,671**	**100.00**

3.16 Breakdown of the balance sheet according to currencies

	CHF in TCHF	EUR in TCHF	USD in TCHF	Others in TCHF	Total in TCHF
Assets					
Cash	4,006	0	0	0	4,006
Due from banks	62,422	39,588	2,516	825	105,351
Due from clients	60,992	7,818	45	0	68,855
Mortgage claims	2,000	0	0	11,460	13,460
Trading securities and precious metals	129,407	5,772	8,085	0	143,264
Financial investments	0	0	0	0	0
Non-consolidated participations	2,153	0	0	0	2,153
Property and equipment	5,097	0	0	0	5,097
Accrued and deferred assets	1,378	225	0	91	1,694
Other assets	6,479	383	0	0	6,862
Total 31.12.2007	**273,934**	**53,786**	**10,646**	**12,376**	**350,742**
Total 31.12.2006	**256,816**	**11,253**	**13,028**	**2,818**	**283,915**
Liabilities					
Due to banks	32,428	33,934	581	11,460	78,403
Due to clients	66,890	6,426	1,707	127	75,150
Accrued and deferred liabilities	6,719	623	0	172	7,514
Other liabilities	43,554	2,067	0	0	45,621
Valuation adjustments and provisions	0	0	0	0	0
Share capital	20,000	0	0	0	20,000
General legal reserve	11,020	0	0	0	11,020
Other reserves	100,000	0	0	0	100,000
Profit carried forward	226	0	0	0	226
Annual profit	12,808	0	0	0	12,808
Total 31.12.2007	**293,645**	**43,050**	**2,288**	**11,759**	**350,742**
Total 31.12.2006	**273,198**	**4,009**	**6,707**	**1**	**283,915**

4. Information on Off-Balance-Sheet Items

4.1 Contingent liabilities

	31.12.2007 CHF	31.12.2006 CHF
Loan security guarantees	0	0
Warranties	0	0
Irrevocable commitments	0	0
Other contingent liabilities	17,049,900	8,811,270
Total	**17,049,900**	**8,811,270**

4.2 Open derivative financial instruments (trading instruments)

	Positive replacement value CHF	Negative replacement value CHF	Contract volume CHF
Interest instruments			
Forward contracts incl. FRAs	0	0	0
Swaps	0	0	0
Futures	0	0	0
Options (OTC)	0	0	0
Options (exchange traded)	0	0	0
Total 31.12.2007	**0**	**0**	**0**
Total 31.12.2006	**0**	**0**	**0**
Currencies / precious metals			
Forward contracts	183,524	109,121	32,129,361
Combines interest/currency swaps	0	0	0
Futures	0	0	0
Options (OTC)	0	0	0
Options (exchange traded)	0	0	0
Total 31.12.2007	**183,524**	**109,121**	**32,129,361**
Total 31.12.2006	**0**	**0**	**0**
Equities / indexes			
Forward contracts	0	0	0
Swaps	0	0	0
Futures	0	0	8,385,000
Options (OTC)	6,051,386	22,882,746	287,496,658
Options (exchange traded)	0	142,540	2,497,500
Structured products (certificates)	95,231	18,824,249	18,919,480
Total 31.12.2007	**6,146,617**	**41,849,535**	**317,298,638**
Total 31.12.2006	**5,319,977**	**63,969,815**	**141,882,347**
Others			
Forward contracts	52,008	13,693	1,646,415
Swaps	0	0	0
Futures	0	0	8,139,607
Options (OTC)	0	0	0
Options (exchange traded)	331,060	2,102,231	11,504,335
Structured products (certificates)	0	859,824	859,824
Total 31.12.2007	**383,068**	**2,975,748**	**22,150,181**
Total 31.12.2006	**301,103**	**371,758**	**672,861**
Total open derivative financial instruments 31.12.2007	**6,713,209**	**44,934,404**	**371,578,180**
Total open derivative financial instruments 31.12.2006	**5,621,080**	**64,341,573**	**142,555,208**

4.3 Fiduciary transactions

	31.12.2007 CHF	31.12.2006 CHF
Fiduciary transactions at third banks	244,342,853	160,937,910
Trustee loans	0	0
Other fiduciary financial transactions	0	0
Total	**244,342,853**	**160,937,910**

4.4 Assets under management

	31.12.2007 CHF	31.12.2006 CHF
Assets in self-managed collective investment instruments	170,797,307	140,143,254
Assets with management mandates	134,342,630	85,380,404
Subtotal (incl. double counts)	305,139,937	225,523,658
Other client assets	963,444,125	804,622,575
Total assets under management (incl. double counts)	**1,268,584,062**	**1,030,146,233**
Thereof double counts	62,554,235	85,760,192
Net new money inflow (outflow)	87,116,499	– 362,321,557

Net new money inflow (outflow) includes all cash deposits and withdrawals as well as inward and outward deliveries of securities without compensation. In particular, performance-related changes in value as well as interest and dividend payments do not constitute net new money inflow/outflow.

Assets under management include all assets of private and business clients as well as institutional clients managed or held for investment purposes as well as assets in self-managed funds and investment companies of the Bank. Included therein are, basically, all liabilities due to clients, fixed deposits and fiduciary assets as well as all appraised assets. Clients assets which are deposited with third parties are also included, inasmuch as they are managed by the Bank. Pure custody assets (strict clearing accounts), on the other hand, are not included in the calculation of assets under management. Double counts show those assets which are added up more than once, i.e. in several discloseable categories of assets under management.

5. Information on the Income Statement

5.1 Income from trading

«Income from trading» mainly reflects the result from securities trading.

5.2 Breakdown of personnel expense

	2007 CHF	2006 CHF
Salaries	13,546,453	7,482,629
Social contributions	2,443,284	1,337,675
thereof contributions for corporate pension plan	1,467,049	760,970
Other personnel expense	673,831	419,260
Total	**16,663,568**	**9,239,564**
Number of employees as at 31.12.	52	31

5.3 Breakdown of property and equipment

	2007 CHF	2006 CHF
Premises	1,658,765	589,713
IT, machinery, furnishings and other equipment	2,660,688	2,604,534
Other administrative expenses	5,095,261	2,941,564
Total	**9,414,714**	**6,135,811**

5.4 Information on extraordinary income and expenses, major releases of hidden reserves, reserves for general banking risks and released valuation adjustments and provisions

There is no «extraordinary income and expense». Furthermore there is no release of hidden reserves and «Reserves for general banking risks» and no release of valuation adjustments and provisions.

5.5 Revaluation in fixed assets up to acquisition cost (Art. 665 and 665a CO)

There are no revaluations according to Art. 665 and 665a CO.

5.6 Income and expense from the ordinary banking business broken down according to domestic and non-domestic items based on operating locations

The bank has no subsidiaries abroad.

6. Additional Important Information

6.1 Remuneration of Members of the Board of Directors and the Group Executive Board

	Direct and indirect remuneration CHF	Loans snd credits CHF	Shares number	Blocking period in years
Remuneration, loans and credits to current Members of the Board of Directors				
Erwin W. Heri, Chairman	416,994	0	4,344	3
Stefan Holzer, Vice-Chairman	421,792	0	0	0
Total 2007	**838,786**	**0**	**4,344**	**3**
Total 2006	**832,805**	**0**	**5,142**	**3**
Remuneration, loans and credits to former Members of the Board of Directors				
Gustav Stenbolt, Vice-Chairman	19,879	0	0	0
Total 2007	**19,879**	**0**	**0**	**0**
Total 2006	**28,065**	**0**	**0**	**0**

	Options number	Blocking period in years	Strike price in CHF	Expiration date
Remuneration, loans and credits to current Members of the Board of Directors				
Erwin W. Heri, Chairman	0	0	0	0
Stefan Holzer, Vice-Chairman	0	0	0	0
Total 2007	**0**	**0**	**0**	**0**
Total 2006	**0**	**0**	**0**	**0**
Remuneration, loans and credits to former Members of the Board of Directors				
Gustav Stenbolt, Vice-Chairman	0	0	0	0
Total 2007	**0**	**0**	**0**	**0**
Total 2006	**0**	**0**	**0**	**0**

	Direct and indirect remuneration CHF	Loans snd credits CHF	Shares number	Blocking period in years
Remuneration, loans and credits to Members of the Group Executive Board				
Total 2007	**3,736,441**	**0**	**0**	**0**
Total 2006	**2,987,269**	**0**	**4,684**	**3**
thereof Member with the highest amount – 2007 (Reto Peczinka)	927,224	0	0	0
thereof Member with the highest amount – 2006 (Reto Peczinka)	795,373	0	2,000	3

Remuneration, loans and credits to related parties which do not conform to market conditions				
Total 2007	**0**	**0**	**0**	**0**
Total 2006	**0**	**0**	**0**	**0**

6.2 Participations

	Number of bearer shares	Nominal value in CHF	Share of the votes in %
Major shareholders			
Valartis Group AG, Baar ZG	20,000,000	20,000,000	100.0
Total 2007	**20,000,000**	**20,000,000**	**100.0**
Total 2006	**20,000,000**	**20,000,000**	**100.0**

7. Post-Balance-Sheet Events

There are no post-balance-sheet events to report.

Proposal of the Board of Directors to the Shareholders' Meeting

The Board of Directors submits the following proposal for the distribution of profit to the Annual Shareholders' Meeting on 6 May 2008:

	2007 CHF	2006 CHF
Profit carried forward from previous year	225,984	626,828
Annual profit	12,807,810	12,699,156
Retained earnings	13,033,794	13,325,984
Drawn from other reserves	100,000	0
Subtotal	13,133,794	13,325,984
Allocation to general legal reserve	– 1,100,000	– 1,100,000
Dividend	– 12,000,000	– 12,000,000
Earnings to be carried forward	**33,794**	**225,984**

Auditor's Report

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To the General Meeting of

Valartis Bank AG, Zurich

Zurich, March 20, 2008

Report of the statutory auditors

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes / pages 90 to 113) of Valartis Bank AG for the year ended December 31, 2007.

These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

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

Ernst & Young Ltd

Cataldo Castagna
Swiss Certified Accountant
(Auditor in charge)

Dr. Matteo Maccio
Swiss Certified Accountant

Due to a successful capital increase Eastern Property Holdings was able to continue its expansion ...

strategy. In addition to the investment properties in Moscow and St. Petersburg ...

Eastern Property Holdings currently has further office, retail, residential and parking...

on four properties in Moscow and Nizhny Novgord.

Eastern Property Holdings
Eastern Property Holdings Ltd is an investment company listed on the SWX Swiss Exchange focusing on Russia and the CIS States. Eastern Property Holdings manages a portfolio of properties and development projects in the commercial and the residential real estate markets.

Outstanding Options and Structured Products
(as at 31.12.2007)

Symbol	Number	Underlying	Strike price CHF	Maturity	Ratio	Capitalization of underlyings Million CHF
JELVB	20,000,000	JEL	4,300	20.03.2008	1/1,000	54.3
METVA	5,000,000	METP	7,500	20.03.2008	1/1,000	37.0
ROLPI	5,000,000	ROL	10.4129	20.03.2008	1/1.8933	22.5
ROLVA	5,000,000	ROL	9.4663	20.03.2008	1/1.8933	21.3
SFZVA	5,000,000	SFZN	200	20.03.2008	1/50	19.3
SWTVA	5,000,000	SWTQ	450	20.03.2008	1/100	17.7
WTGVA	10,000,000	WTGN	63.47	20.03.2008	1/18.13	34.7
BOBO	5,000,000	BOBNN	75	21.03.2008	1/10	40.3
INDEX	5,000,000	INDN	500	21.03.2008	1/50	44.2
JELMO	10,000,000	JEL	3,700	21.03.2008	1/1,000	27.2
KARMA	2,500,000	KAR	60	21.03.2008	1/10	15.4
ORSON	5,000,000	OFN	200	21.03.2008	1/50	20.8
SLOVA	20,000,000	SLOG	1.50	21.03.2008	1/2	16.0
BOBVB	5,000,000	BOBNN	85	20.06.2008	1/10	20.2
JELVN	5,000,000	JELN	860	20.06.2008	1/100	27.0
MASER	5,000,000	MASN	26	20.06.2008	1/20	5.7
SLOGO	20,000,000	SLOG	2	20.06.2008	1/2	16.0
WTGVB	10,000,000	WTGN	68	20.06.2008	1/18.13	34.7
WTGVC	5,000,000	WTGN	90.67	20.06.2008	1/18.13	17.3
STGVA	2,500,000	STGN	820	15.08.2008	1/100	18.9
ASCVC	10,000,000	ASCN	14	19.09.2008	1/10	12.4
CICVA	2,500,000	CICN	88	19.09.2008	1/20	9.0
DAEVA	5,000,000	DAE	80	19.09.2008	1/50	7.6
FTOVA	5,000,000	FTON	400	19.09.2008	1/100	19.8
IMPVA	10,000,000	IMPN	30	19.09.2008	1/20	17.3
INDVA	2,500,000	INDN	450	19.09.2008	1/50	22.1
JELVC	10,000,000	JEL	4,000	19.09.2008	1/1,000	27.2
JELVD	10,000,000	JEL	3,400	19.09.2008	1/1,000	27.2
JELVE	10,000,000	JEL	3,000	19.09.2008	1/1,000	27.2
KARVA	2,500,000	KAR	65	19.09.2008	1/10	15.4
MASLI	20,000,000	MASN	20	19.09.2008	1/20	11.3
METVB	2,500,000	METP	8,000	19.09.2008	1/1,000	18.5
QUACK	5,000,000	QUAN	250	19.09.2008	1/100	7.7
QUASI	5,000,000	QUASI	200	19.09.2008	1/100	7.4
ROLVB	5,000,000	ROL	8.5197	19.09.2008	1/9.4663	4.3
SFZVB	5,000,000	SFZN	190	19.09.2008	1/50	19.3
SLOVO	20,000,000	SLOG	1.80	19.09.2008	1/2	16.0
SLOVZ	10,000,000	SLOG	1.60	19.09.2008	1/2	8.0
WTGVD	5,000,000	WTGN	70	19.09.2008	1/20	17.3
BOBVD	5,000,000	BOBNN	60	19.12.2008	1/10	40.3
COTVA	2,000,000	COTN	270	19.12.2008	1/100	5.0
GURVB	5,000,000	GUR	750	19.12.2008	1/500	11.2
GURVA	5,000,000	GUR	900	19.12.2008	1/500	11.2
HELVA	10,000,000	HELN	425	19.12.2008	1/200	20.4
HELVB	10,000,000	HELN	350	19.12.2008	1/200	20.4

Outstanding Options and Structured Products
(as at 31.12.2007)

Symbol	Number	Underlying	Strike price CHF	Maturity	Ratio	Capitalization of underlyings Million CHF
IMPVB	5,000,000	IMPN	37.50	19.12.2008	1/20	8.7
INDVB	2,500,000	INDN	400	19.12.2008	1/50	22.1
JELVF	10,000,000	JEL	2,500	19.12.2008	1/1,000	27.2
KARVC	5,000,000	KAR	50	19.12.2008	1/20	15.4
MASVA	10,000,000	MASN	8	19.12.2008	1/20	5.7
METVC	2,500,000	METP	7,000	19.12.2008	1/1,000	18.5
METVD	2,500,000	METP	6,000	19.12.2008	1/1,000	18.5
METVE	2,500,000	METP	5,000	19.12.2008	1/1,000	18.5
OFNVA	2,500,000	OFN	210	19.12.2008	1/50	10.4
QUAVA	5,000,000	QUAN	165	19.12.2008	1/100	7.7
ROLVC	10,000,000	ROL	8	19.12.2008	1/10	8.5
SLOVB	10,000,000	SLOG	1.40	19.12.2008	1/2	8.0
SLOVF	20,000,000	SLOG	1.20	19.12.2008	1/2	16.0
ZUBVA	10,000,000	ZUBN	10	19.12.2008	1/5	20.0
KARVB	5,000,000	KAR	60	20.03.2009	1/20	15.4
SWTVB	2,500,000	SWTQ	350	20.03.2009	1/100	8.9
BOBVA	5,000,000	BOBNN	80	19.06.2009	1/10	40.3
NEBVA	10,000,000	NBEN	20	18.09.2009	1/10	16.9
OZZLO	3,000,000	VLRT	85	18.03.2011	1/10	24.9
JELLO	7,500,000	JEL	1,900	20.12.2013	1/500	40.7
INDZI	50,000	INDN	525	20.03.2008	1/1	
JELZI	100,000	JEL	420	20.03.2008	1/10	
KEEPY	5,000,000	CO_2	18	12.06.2008	1/1	
BOBXI	500,000	BOBNN	90	20.06.2008	1/1	
METXI	20,000	METP	775	20.06.2008	1/10	
ROLZI	5,000,000	ROL	9.466	20.06.2008	1/0.9466	
SLOXI	25,000,000	SLOG	2	20.06.2008	1/1	
KABXI	50,000	KABN	360	19.09.2008	1/1	
CZWEI	2,500,000	CO_2		17.10.2008	1/1	
BEARY	5,000,000	CO_2	25	28.11.2008	1/1	
BRUMI	5,000,000	CO_2	18	28.11.2008	1/1	
BRULLY	5,000,000	CO_2	18	28.11.2008	1/1	
DOWNY	2,500,000	Strom	60	28.11.2008	1/1	
CLEAN	200,000	CO_2	130	30.11.2008	1/10	
GURXI	20,000	GUR	850	19.12.2008	1/1	
JELXI	100,000	JEL	370	19.12.2008	1/10	
STROM	300,000	Basket		29.02.2008		

Valartis Group AG Bearer Share

Performance of the Valartis Group AG bearer share
1 January 2003 to 31 December 2007, in CHF

Valartis Group AG bearer share

Source: Datastream

Since it was first listed on 26.8.1991 the Valartis Group AG bearer share has achieved an average annual performance of 9.10%. Taking all the payouts (dividends, nominal value reductions and stock buybacks) into account, the annual overall performance was 11.43%.

Closing price VLRT on 31.12.2006	84.95
Closing price VLRT on 31.12.2007	83.00
Year's high on 23.2.2007	102.30
Year's low on 27.11.2007	76.00
Dividend paid per share for the business year 2006	2.75
Dividend per share proposed for the business year 2007	2.75
Dividend yield (closing price on 31.12.2007)	3.3%
Reuters symbol	VLRT.S
Bloomberg symbol	VLRT SW

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Shareholders' Meeting
6 May 2008

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