



Half-Year Report 2008

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Board of Directors and Group Executive Board

Board of Directors

Prof. Dr. Erwin W. Heri, Chairman
Dr. Stefan Holzer, Vice-Chairman
Jean-François Ducrest
Philipp LeibundGut

Group Executive Board

Gustav Stenbolt, CEO
Michel Arni, Head Wealth Management
Dr. Hanspeter Kaspar, CFO (from 1 September 2008)
Felix Morf, Head Asset Management (from 1 July 2008)
Reto Peczinka, Head Investment Banking

Letter to the Shareholders

Dear Shareholders

You may remember our letter to the shareholders in the spring of this year. We were expecting an unpleasant environment in 2008. Unfortunately things turned out much worse than we thought. Beginning with the dramatic real estate and banking crisis in the U.S., the entire world economy has been clouded. Whether things to come will end in a recession or not will be for economists and statisticians to decide. It is a fact, however, that we are stuck in an economic downturn unlike any we have seen in a long time. An economic downturn with all its side effects, such as a drop in consumer sentiment, "consumer strike" and an increase in savings ratios, restraints in new loans, bursting of real estate bubbles, further problems at over-involved banks, disappointed earnings expectations and so on. Since banks usually react strongly and early in the cycle to such changes in the economic environment, all relevant stock markets around the world have shown a negative performance in the double digits this year.

Looking at the banks' interim reports so far this year, results of this unpleasant environment can be seen all around. We were hit as well: While we were able to show a profit of more than CHF 27 million for the first six months of 2007, our half-year profit 2008 is a mere CHF 4 million. Examining the factors of this decline in earnings in more detail, we find that the decline was mostly due to a negative result from trading. It is not the first time that we have to report such a development and, as a matter of course, we are considering our strategic options in this field. For some time now we have been trying to reduce the Group's exposure to the volatilities of the market environment and, instead, promote the commissions business. We have made some progress in this respect. We will make further adjustments in the second half of the year.

At the same time, income from commissions also suffered. Not quite unexpectedly brokerage commissions declined, while we were able to increase commission income in the corporate-finance and M&A business substantially. To a significant degree this was due to the success of our youngest subsidiary in Vienna (Valartis Europe AG), which offers corporate-finance services mainly in Eastern and Central Europe. Including the first full consolidation of ENR Russia Invest Ltd., over which we have significant control, overall income reached CHF 32 million.

As a matter of course, volatility can not be passed on one-to-one to expenses. The further expansion of our organization requires investments and costs which are not directly and immediately reflected on the income side. Consequently, overall administrative expenses rose by 17%. All of this resulted in the above-mentioned Group profit of approximately CHF 4 million for the first half of 2008.

As a matter of course we are not pleased with this result, and we do not want to put the entire blame on the financial-market environment. As mentioned, we will try to reduce the Group's exposure to the pure financial-market risks. On the other hand we should not forget that these risks are part of our core business. We are a banking group. And even the more stable commissions business cannot be shielded completely from the economic developments and the imponderabilities of the global financial markets.

What now, looking forward? While the current bear market on the stock markets has not been extreme in an historic context, it has been going on for quite some time. Meanwhile we can see valuations at record lows. Certain central banks also seem to begin preparing to "hit the accelerator". Does this mean a change in direction as early as this year? Probably not. The structural problems in the banking sector – particularly among mortgage lenders and real estate financing companies in Anglo-Saxon countries and Southern Europe – have not been solved yet at all. Here, a lot more bad news will have to be digested. At least this environment also opens up new market opportunities which, historically, have paid off for those who don't always get cold feet when the wolves (or, rather, the bears) are howling the loudest.

Baar ZG, 24 August 2008



Erwin W. Heri
Chairman of the
Board of Directors



Gustav Stenbolt
CEO

Valartis Group

Group Financial Statements

Consolidated Income Statement

	1.1.-30.6.2008	1.1.-30.6.2007
	CHF	CHF
Interest and discount income	3,828,646	1,463,747
Dividend income	1,458,124	1,542,622
Interest expenses	- 3,476,469	- 1,159,140
<i>Income from interest / dividend business</i>	<i>1,810,301</i>	<i>1,847,229</i>
Commission income from loan business	384,121	52,155
Commission income from securities and investment business	32,909,789	36,273,435
Commission expenses	- 3,463,200	- 4,424,179
<i>Income from commission and fee business</i>	<i>29,830,710</i>	<i>31,901,411</i>
<i>Income from trading</i>	<i>- 13,615,694</i>	<i>25,591,000</i>
<i>Income from business combination</i>	<i>10,361,949</i>	<i>n.a.</i>
<i>Other ordinary income</i>	<i>3,684,031</i>	<i>- 1,151,637</i>
Total operating income	32,071,297	58,188,003
Personnel expense	15,949,044	15,456,898
General expense	10,122,745	6,735,019
<i>Administrative expenses</i>	<i>26,071,789</i>	<i>22,191,917</i>
Group profit (operating result)	5,999,508	35,996,086
Depreciation on property, equipment and intangible assets	1,437,263	895,905
Group profit before tax	4,562,245	35,100,181
Taxes	971,429	7,540,694
Group profit	3,590,816	27,559,487
Group profit allocation		
Group profit allocated to shareholders of Valartis Group AG	4,001,733	27,565,345
Group profit allocated to minority interests	- 410,917	- 5,858
Group profit per share of Valartis Group AG (undiluted)	0.81	5.58
Group profit per share of Valartis Group AG (diluted)	0.77	5.31

Consolidated Balance Sheet

Assets	Notes	30.6.2008	31.12.2007
		CHF	CHF
Cash		4,987,197	4,014,468
Cash deposits for borrowed securities		9,000,000	9,900,000
Due from banks		135,419,910	104,521,027
Due from clients		61,016,592	48,575,757
Trading securities		183,614,344	209,872,206
Financial investments – available-for-sale		47,962,781	14,951,385
Associated companies		2,188,365	2,153,479
Property and equipment	4	23,931,710	18,700,628
Accrued and deferred assets		20,304,301	31,239,388
Positive replacement values		5,284,678	6,810,978
Other assets		1,420,607	527,332
Goodwill and other intangible assets		38,758,657	39,084,271
Other financial assets at fair value		0	365,433
Total assets		533,889,141	490,716,352

Liabilities and Shareholders' Equity

Liabilities

Due to banks		25,199,450	57,729,095
Cash deposits for loaned securities		15,000,000	15,000,000
Due to clients		115,543,627	76,646,223
Due from trading		7,706,436	7,071,162
Negative replacement values		20,687,975	25,733,831
Taxes		12,343,775	13,795,201
Accrued and deferred liabilities		8,525,143	21,390,085
Other liabilities		3,618,204	4,179,121
Valuation adjustments and provisions		1,423,000	1,423,000
Deferred tax liabilities		3,510,042	3,665,016
Other financial liabilities at fair value		24,722,057	19,684,073
Total liabilities		238,279,709	246,316,807

Shareholders' equity

Share capital	1	5,000,000	5,000,000
Reserves		233,680,301	243,926,862
Translation adjustments		- 154,443	232,180
Unrealized gains from financial investments – available-for-sale		- 2,875,321	- 229,469
Treasury shares	2	- 5,835,642	- 3,973,947
Shareholders' equity of Valartis Group AG shareholders		229,814,895	244,955,626
Minority interests		65,794,537	- 556,081
Total shareholders' equity		295,609,432	244,399,545
Total liabilities and shareholders' equity		533,889,141	490,716,352

Statement of Changes in Equity

	30.6.2008	30.6.2007
	CHF	CHF
Share capital		
Position at the beginning of the accounting year	5,000,000	5,000,000
Change in share capital	0	0
Position at the end of the reporting period	5,000,000	5,000,000
Capital reserves		
Position at the beginning of the accounting year	- 7,573,060	- 8,537,140
Income from the sale of treasury shares and of derivatives on treasury shares	- 143,860	984,803
Other changes in reserves	- 354,434	0
Position at the end of the reporting period	- 8,071,354	- 7,552,337
Translation adjustments		
Position at the beginning of the accounting year	232,180	76,486
Change during the reporting period	- 386,623	70,801
Position at the end of the reporting period	- 154,443	147,287
Retained earnings		
Position at the beginning of the accounting year	251,499,922	215,335,094
Group profit	4,001,733	27,565,345
Dividend payment	- 13,750,000	- 13,750,000
Position at the end of the reporting period	241,751,655	229,150,439
Unrealized gains from financial investments – available-for-sale		
Position at the beginning of the accounting year	- 229,469	0
Unrealized gains from financial investments – available-for-sale	- 2,645,852	56,700
Position at the end of the reporting period	- 2,875,321	56,700
Treasury shares		
Position at the beginning of the accounting year	- 3,973,947	- 2,700,000
Change in treasury shares	- 1,861,695	- 2,315,549
Position at the end of the reporting period	- 5,835,642	- 5,015,549
Minority interests		
Position at the beginning of the accounting year	- 556,081	0
Change of minority interests in shareholders' equity	66,999,608	81,873
Minority interest in Group profit	- 410,917	- 5,858
Translation adjustments	- 238,073	- 11,537
Position at the end of the reporting period	65,794,537	64,478

Consolidated Cash Flow Statement

	Notes	1.1.-30.6.2008	1.1.-30.6.2007
		CHF	CHF
Group profit of Valartis Group AG		4,001,733	27,565,345
Minority interest in Group profit		- 410,917	- 5,858
Depreciation on intangible assets		1,015,208	783,537
Depreciation on property and equipment		422,055	112,368
Changes in valuation adjustments and provisions		0	0
Income from associated companies		- 34,886	1,151,637
Income from business combination		- 10,361,949	0
(Increase) decrease accrued and deferred assets		11,281,840	10,691,577
(Decrease) increase accrued and deferred liabilities		- 13,401,163	- 6,135,319
(Increase) decrease trading securities		54,846,003	- 75,504,032
(Decrease) increase amounts due to trading		635,275	1,289,059
(Increase) decrease amounts due from clients		30,228,568	11,091,678
(Decrease) increase amounts due to clients		- 10,912,934	45,538,886
(Increase) decrease amounts due from banks		- 4,297,000	4,605,689
(Decrease) increase amounts due to banks		- 32,541,280	41,230,454
(Increase) decrease cash deposits for borrowed securities		900,000	- 1,000,000
(Increase) decrease positive replacement values		1,526,300	- 19,591,688
(Decrease) increase negative replacement values		- 5,045,856	33,540,873
(Increase) decrease other financial assets at fair value		95,232	2,947,939
(Decrease) increase other financial liabilities at fair value		5,037,984	- 6,016,478
(Increase) decrease other assets		- 535,675	- 44,869
(Decrease) increase other liabilities		- 560,921	1,648,769
(Decrease) increase deferred tax liabilities		115,227	- 170,631
(Decrease) increase taxes		- 1,451,426	5,515,106
Cash flow from operating activities		30,551,418	79,244,042
Acquisition of property and equipment		- 5,653,137	- 13,796,388
Acquisition of goodwill and other intangible assets		- 689,593	- 168,089
Net increase in financial investments – available-for-sale		187,093	- 2,242,237
Acquisition of subsidiaries minus acquired cash	6	18,391,287	- 18,019
Cash flow from investing activities		12,235,650	- 16,224,733
Dividends		- 13,750,000	- 13,750,000
Change in treasury shares and derivatives on treasury shares		- 837,760	- 1,330,746
Effect of translation adjustments (incl. minority interest)		- 624,696	59,264
Change in minority interest in shareholders' equity		0	81,873
Cash flow from financing activities		- 15,212,456	- 14,939,609

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Consolidated Cash Flow Statement

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	1.1.-30.6.2008	1.1.-30.6.2007
	CHF	CHF
(Decrease) increase in cash and cash equivalents	27,574,612	48,079,700
Position at the beginning of the reporting period	44,832,495	6,876,932
Position at the end of the reporting period	72,407,107	54,956,632

For the purpose of the cash flow statement, cash and cash equivalents are made up of the following accounts:

Cash	4,987,197	5,607,206
Amounts due from banks at sight / callable	67,419,910	49,349,426
Total cash and cash equivalents	72,407,107	54,956,632

Dividends received	1,458,125	1,542,622
Interest received	3,066,278	1,427,785
Interest paid	2,972,548	1,159,142
Taxes paid	856,202	766,836

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 concentrates 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 in other European countries, in particular in Central and Eastern Europe.

The following exchange rates were used for the major currencies:

	30.6.2008	1.1.–30.6.2008	30.6.2007	1.1.–30.6.2007
	Balance sheet day rates	Annual average rates	Balance sheet day rates	Annual average rates
EUR	1.6061	1.6043	1.6540	1.6319
USD	1.0206	1.0470	1.2220	1.2327
GBP	2.0143	2.0692	2.4516	2.4196

2. Principles of Accounting

The interim report was prepared in compliance with the International Accounting Standard 34 (IAS 34) "Interim Financial Reporting". This does not include all the information as it is contained in the consolidated annual report and should therefore be read in connection with the 2007 annual report.

The interim report is based on the uniformly prepared individual financial statements of the Group companies, drawn up according to the same accounting and valuation principles as the 2007 annual report.

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

As a financial group, Valartis Group is subject to the consolidated supervision by the Swiss Federal Banking Commission.

3. Modifications of the Accounting Principles

The accounting principles have not been changed since the annual financial statements as at 31 December 2007.

4. Approval of the Group Financial Statements

The unaudited 2008 interim financial statements were released by the Board of Directors on 26 August 2008. Up until that date, no significant events are to be reported.

5. Major Accounting Principles

The preparation of the this interim report was made according to the same accounting principles as the annual financial statements as at 31 December 2007.

Comment on the Group Financial Statements

1. Share Capital	30.6.2008	31.12.2007
	CHF	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 ¹⁾	47	50

The share capital has been paid in full. For the 2007 business year a dividend of CHF 2.75 per share has been paid (previous year: CHF 2.75).

2. Treasury Shares

Valartis Group	Number
Position at 1.1.2007	29,240
Purchases	403,587
Sales	- 379,350
Position at 30.6.2007	53,477
Purchases	122,641
Sales	- 134,930
Position at 31.12.2007	41,188
Purchases	74,183
Sales	- 67,598
Position at 30.6.2008	47,773

During the reporting period 74,183 shares were bought at CHF 64.15 each and 67,598 shares were sold at CHF 65.82 each. During the previous year's period 403,587 shares were

bought at CHF 93.97 each and 379,350 shares were sold at CHF 93.87 each (average prices).

ENR Russia Invest Ltd.

In the business combination with ENR Russia Invest Ltd., ENR treasury shares worth CHF 1,552,229 were consolidated as at 30.6.2008.

3. Shareholder Structure

MCG Holding S.A., Baar ZG	50.00%	50.00% ²⁾
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1) Shareholders' equity excl. minority interest.

2) Economic beneficiaries of MCG Holding S.A. are Gustav Stenbolt, Geneva, Tidesea Ltd., Gibraltar (controlled 100% by Gustav Stenbolt, Geneva), Philipp LeibundGut, Herrliberg, Michel Houmard, Geneva, and Tudor Global Trading LLC, Greenwich, USA.

Qualified participations are a) Gustav Stenbolt, who holds 36.3% of the voting rights (resp. 31.9% of the capital) of Valartis Group AG through Tidesea Ltd., Gibraltar, and MCG Holding S.A., Baar ZG, b) Philipp LeibundGut, who holds 7.4% of the voting rights (resp. 9.7% of the capital) of Valartis Group AG through MCG Holding S.A., Baar ZG, c) Tudor Global Trading LLC, Greenwich, USA, which holds 6.1% of the voting rights (resp. 8.1% of the capital) of Valartis Group AG through MCG Holding S.A., Baar ZG.

4. Property and Equipment

In the period from 1.1. to 30.6.2008 Valartis Group acquired property and equipment totalling CHF 5,653,137. In the same period depreciations totalling CHF 422,055 accrued.

No depreciation is made on undeveloped land.

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

Segment reporting 1.1. – 30.6.2008

	Investment Banking CHF	Asset Management CHF	Wealth Management CHF	Corporate Center CHF	Total CHF
Income	- 588,269	32,309,766	1,444,859	- 1,095,059	32,071,297
Expenses	- 9,869,143	- 10,523,115	- 2,792,188	- 2,887,343	- 26,071,789
Gross profit	- 10,457,412	21,786,651	- 1,347,329	- 3,982,402	5,999,508
Depreciation	- 439,780	- 254,071	- 37,880	- 705,532	- 1,437,263
Segment result before taxes	- 10,897,192	21,532,580	- 1,385,209	- 4,687,934	4,562,245
Taxes					- 971,429
Group profit					3,590,816
thereof shareholders of Valartis Group AG					4,001,733
thereof minority interests					- 410,917
Total assets	281,778,990	190,245,778	2,281,502	59,582,871	533,889,141
Total liabilities	148,008,216	42,509,021	632,696	47,129,776	238,279,709
Assets under management 30.6.2008	1,130,554,439	1,907,621,654	428,894,617	0	3,467,070,709
Staff at 30.6.2008	44	81	11	21	157

Segment reporting

1.1.-30.6.2007

	Investment Banking CHF	Asset Management CHF	Wealth Management CHF	Corporate Center CHF	Total CHF
Income	29,675,342	33,156,468	1,595,533	- 656,021	63,771,322
Expenses	- 10,347,633	- 13,946,493	- 1,417,073	- 2,064,037	- 27,775,236
Gross profit	19,327,709	19,209,975	178,460	- 2,720,058	35,996,086
Depreciation	- 71,734	- 45,871	- 1,607	- 776,693	- 895,905
Segment result before taxes	19,255,975	19,164,104	176,853	- 3,496,751	35,100,181
Taxes					- 7,540,694
Group profit					27,559,487
thereof shareholders of Valartis Group AG					27,565,345
thereof minority interests					- 5,858
Total assets	327,594,236	124,844,042	5,072,090	60,249,276	517,759,644
Total liabilities	214,491,555	21,296,168	5,382,506	54,738,397	295,908,626
Assets under management 30.6.2007	1,248,274,666	2,796,124,853	421,205,515	0	4,465,605,034
Staff at 30.6.2007	20	35	6	24	85

6. Acquisition

As of 30 June 2008 Valartis Group acquired a 38.32% participation in the investment company ENR Russia Invest Ltd., which is domiciled in Geneva. Even though the percentage of shares acquired by the Group does not exceed the 50% control threshold, the Group controls ENR Russia Invest due to the fact that it has decision-making power over ENR

Russia Invest through:

- the asset-management contract between ENR Russia Invest and Valartis Asset Management and
- the fact that the majority of the directors of ENR Russia Invest are Valartis employees.

Details with respect to the fair value of the acquired net assets

	CHF
Purchase price	
Purchase price paid (in cash)	32,494,906
consisting of	
Due from banks	50,856,193
Due from clients	1,527,900
Investments at fair value through profit and loss	64,432,481
Accrued and deferred items	346,753
Other assets	357,600
Treasury shares	1,552,229
Due to banks	- 11,635
Due to clients	- 8,705,058
Other liabilities	- 500,000
Subtotal	109,856,463
Minority interests	- 66,999,608
Total	42,856,855

The figures in the table above are based on the carrying amounts of the assets and liabilities of ENR Russia Invest Ltd. as of 30 June 2008. The figures are provisional in nature and may change.

Due to the business combination Valartis Group recognized a gain of CHF 10,361,949 as a result of a bargain purchase.

Had the acquisition taken place as of 1 January 2008, the revenue and net income (loss) of the Group would have been as follows:

	CHF
Total Group revenue	39,010,965
Pre-acquisition revenue of ENR Russia Invest Ltd.	12,459,365
Total	51,470,330
Total net loss of Valartis Group	4,001,733
Pre-acquisition loss of ENR Russia Invest Ltd.	- 9,362,896
Total	- 5,361,163
Net of minorities	348,331

7. 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. As part of regular business operations, transactions (such as securities business, money transfer etc.) are also carried out with related parties. 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.

Related parties and companies

6 months to 30.6.2008 TCHF

Due from clients	1,509
Due to clients	3,536
Interest income	11
Interest expense	16
Other income	7,276
Other expenses	1,661

6 months to 30.6.2007

Due from clients	15,862
Due to clients	17,192
Interest income	0
Interest expense	33
Other income	17,118
Other expenses	2,517

8. Contingent Liabilities	30.6.2008	30.6.2007
	CHF	CHF
Contingent liabilities vis-à-vis third parties	35,805,000	8,537,900
Irrevocable commitments	17,838,759	18,706,587

9. Post-Balance-Sheet Events

There are no events to report since 30 June 2008.

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