

HALF-YEAR REPORT 2011

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KEY FIGURES

Income Statement

	1.1.-30.6.2011 in CHF million	1.1.-30.6.2010 in CHF million	△ %
Income from interest and dividend business	24.5	26.9	-8.9
Income from commission and service fee business	35.9	22.6	+58.8
Income from trading	1.7	-17.0	
Other ordinary income	-23.1	24.2	
Total operating income	39.0	56.7	-31.2
Personnel expense	-33.1	-28.3	+17.0
General expense	-20.4	-17.6	+15.9
Administrative expense	-53.5	-45.9	+16.6
Gross operating profit	-14.5	10.8	
Depreciation, amortisation and provisions	-10.2	-7.5	+36.0
Taxes	5.4	3.5	+54.3
Minority interests	-0.6	0.2	
Net profit (shareholders of Valartis Group AG)	-19.9	7.0	

Balance Sheet

	30.6.2011 in CHF million	30.6.2010 in CHF million	△ %
Total assets	2,469.5	2,630.5	-6.1
Liabilities	2,161.8	2,289.3	-5.6
Shareholders' equity (including minority interests)	307.7	341.2	-9.8

Key Figures

	30.6.2011	30.6.2010	△ %
Earnings per share, in CHF ¹⁾	-4.29	1.54	
Equity per share, in CHF	53.8	58.5	-8.0
Return on equity, in % ¹⁾	-14.5	5.0	
Cost/income ratio, in % ¹⁾	137.3	81.0	
Equity ratio, in %	12.5	13.0	
Total assets under management, in CHF million	6,481	6,468	+0.2
Employees, as full-time equivalents	385	372	+3.5

¹⁾ Figures for the first half 2011 and 2010, respectively

CONSOLIDATED HALF-YEAR REPORT

New strategic focus on private client business successful: increase in net commission income, solid net new money inflows, costs within budget – however, impairments and currency effects weigh on overall results

At the operating level the Valartis Group ended the first half-year 2011 successfully, against the backdrop of a difficult market environment featuring a strong Swiss franc, uncertainty with corporate and public-sector bonds, and a deteriorating economic outlook. Net commission income was 59% higher than in first-half 2010, increasing to CHF 35.9 million at 30 June 2011 (30 June 2010: CHF 22.6 million). The Group's acquisitions of the last two years played an important role in this. Net new money inflows totalled CHF 577 million, more than double the volume compared to the prior-year period (30 June 2010: CHF 202 million).

Net interest income was only slightly lower compared with the first half of 2010 at CHF 24.5 million (30 June 2010: CHF 26.9 million). The bond portfolio, one of the main sources of interest income, performed well thanks to active portfolio management.

Valartis Group's positive results at the operating level were impaired by non-operative valuation adjustments on the associated companies in the amount of CHF 28.8 million. As a result, the first half-year 2011 closed with a loss of CHF 19.9 million (30 June 2010: a profit of CHF 7.0 million).

Strategic focus on track

The Group's strategic refocusing on private client business has so far proved successful and is developing in line with the mid-term financial plan. The results of core operating activities, that is net profit excluding valuation adjustments and depreciation on intangible assets from acquisitions, increased to CHF 7.0 million. This is especially noteworthy given the fact that revenues are largely received in foreign currencies whereas costs are incurred for the most part in Swiss francs.

Assets under management – overall increase, but currency effects have adverse impact

Client assets were down 6% or CHF 372 million due to the strong Swiss franc and the negative trend on the financial markets. However, net new money inflows were a robust CHF 577 million, so that total assets under management were nevertheless able to increase to CHF 6.5 billion (31 December 2010: CHF 6.3 billion).

Client assets under management were distributed between the two business segments as follows: Private Clients with CHF 4.6 billion (71%; same as prior year) and Institutional Clients with CHF 1.9 billion (29%). The Private Client segment accounted for 65%, or CHF 373 million, of the net new money inflows of CHF 577 million, while the Institutional Clients segment was responsible for 35%, or CHF 204 million.

Financial markets – a turbulent first half-year 2011, with no outlook for stability in the short term

The financial markets moved sharply lower on a renewed escalation of the Euro debt crisis and the drop in many leading economic indicators at the end of the 2011 second quarter. The two-year recovery period following the financial crisis of 2008 and 2009 flattened out in the first quarter of 2011, and the economic indicators in the United States and Europe came in much weaker than expected in the second quarter. This led to heightened volatility on the markets, which had also a certain positive influence on the commission income of the Valartis Group due to the adjustments and restructurings of client portfolios to bring them in line with market events.

Group net profit – net loss due to non-operative impairment charges

The solid result from the operating activities of Valartis Group were materially affected by the first-half results of Eastern Property Holdings Limited (EPH), in which the Group holds a stake of about 38%. The real estate company, which is quoted on the SIX Swiss Exchange and invests in commercial properties in Russia (in particular Moscow and St. Petersburg), is accounted for as an associated company within the consolidated financial statements of Valartis Group using the equity method as per International Financial Reporting Standards (IFRS).

Due to the reassessment of valuations in the real estate portfolio, the net asset value of EPH has declined from around USD 80 at 31 December 2010 to around USD 69 at 30 June 2011. This results in negative non-operative valuation adjustments on the associated companies of the Valartis Group totalling some CHF 15.9 million, which together with negative US dollar exchange rate effects of CHF 12.9 million, have an adverse impact on the other ordinary income of the Valartis Group of CHF 28.8 million.

Given this material valuation adjustment, which is recognised in the income statement, Valartis Group will close the first half-year 2011 with a loss of CHF 19.9 million (30 June 2010: profit of CHF 7.0 million).

The segment result before amortisation for Private Clients was CHF 0.1 million (30 June 2010: CHF -2.1 million), and for Institutional Clients it was a loss of CHF 15.5 million (30 June 2010: CHF +13.6 million). Since income from associated companies has been recognised in the Institutional Clients segment so far, the non-operative valuation adjustments on EPH will also be recognised in the segment result of Institutional Clients.

Investing in the future

During the first half-year 2011 Valartis Group continued to invest in its technical infrastructure. As part of the “Global Partner” project, the execution of securities transactions and the back-office processes and procedures have been highly automated per July 2011. This means that the anticipated increase in client assets under management over the next years can be managed and administered without having to hire more personnel for the back office. Thus income can be increased while keeping the cost base stable.

It is our conviction that the Valartis Group is well placed for the private client business despite the current turbulences and changes in the markets. We have good reason to look to the future with cautious optimism.

Baar ZG, 16 August 2011



Erwin W. Heri
Chairman of the Board of Directors



Gustav Stenbolt
Chief Executive Officer

ORGANISATION

Group structure

Valartis Group AG is a public limited company under Swiss law. The domicile of the Company is Baar, Canton of Zug, Switzerland. The bearer shares of Valartis Group AG (ISIN CH0001840450) are traded on the SIX Swiss Exchange. Of the total of 5,000,000 outstanding shares, 7.8% are owned by the Company itself.

The Group structures its activities on the basis of the client groups Private Clients and Institutional Clients. All service, support and group functions are part of the Corporate Center.

VALARTIS GROUP		
Private Clients	Institutional Clients	Corporate Center
Private Banking Switzerland	Asset Management Funds & Investment Companies	Finance & Controlling
Private Banking Austria	Real Estate Funds & Property Companies	Risk Office
Private Banking Liechtenstein	Corporate Finance / Mergers & Acquisitions	Banking Operations
Credit Card & Customer Loyalty Business	Structured Finance	Information Technology

Private Clients

The Private Clients segment consists of the private banking activities of the three Valartis banks in Switzerland, in Austria, and in the Principality of Liechtenstein as well as the credit card and customer loyalty business of Valartis Bonus Card AG.

The Valartis Group's private banking teams in Zurich, Geneva, Vienna and Liechtenstein provide their clientele with wealth management and investment advisory services. A professional, solution-based investment approach forms the foundation of our comprehensive investment advisory and planning. This approach is implemented using an open architecture with a first-class product offering.

The core markets include Switzerland and its neighbouring countries, and in particular Eastern Europe/CIS (including Greece and Turkey), as well as portions of the American and Asian continents.

Institutional Clients

The Institutional Clients segment includes the asset management and investment banking activities of Valartis Group.

In Asset Management, Valartis specialises in actively managed niche investment products (satellites) in the asset classes of equities, private equity, fixed income, fund of funds and real estate. They are structured in the form of funds or investment companies, and as such they act typically as a supplement to index-oriented core portfolios for specific investment needs. Investments are focused on the markets of Russia and Eastern Europe as well as Switzerland. In making investment decisions, the Group is supported by a team of experienced portfolio managers, analysts and other investment specialists in Geneva, Zurich, Moscow, Vienna, Luxembourg and Liechtenstein.

In Investment Banking, Valartis focuses on corporate finance and M&A services, primarily in the form of advisory for listed and unlisted medium-sized firms in Switzerland as well as in Central and Eastern Europe. In addition, our Structured Finance team that specialises in tax, regulatory and accounting structuring offers tailored solutions for internationally active companies and investment structures with special cross-border business needs.

Board of Directors

As at 30 June 2011, the Board of Directors of Valartis Group AG consisted of five non-executive members as follows:

Name	Function	Nationality	Elected until	First elected
Prof. Dr Erwin W. Heri	Chairman	Swiss	2012	2003
Jean-François Ducrest	Vice-Chairman *	Swiss	2014	2008
Rolf Müller	Member *	Swiss	2014	2011
Christoph N. Meister	Member *	Swiss	2014	2011
Urs Maurer-Lambrou	Member	Swiss	2014	2011

* Member of the Audit Committee

Group Executive Board

As at 30 June 2011, the Valartis Group Executive Board consisted of five members as follows:

Name	Function	Nationality
Gustav Stenbolt	Chief Executive Officer (CEO)	Norwegian
Dr Stefan Holzer	Deputy CEO/CEO Valartis Bank AG	Swiss
George Isliker	Chief Financial Officer and Chief Risk Officer (CFO/CRO)	Swiss
Ernst Traun	CEO Valartis Bank (Austria) AG	Austrian
Dr Andreas Insam	CEO Valartis Bank (Liechtenstein) AG	Austrian

VALARTIS GROUP
CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

	Note	1.1.–30.6.2011 CHF 1,000	1.7.–31.12.2010 CHF 1,000	1.1.–30.6.2010 CHF 1,000
Interest and discount income		30,491	33,475	33,721
Dividend income		398	40	269
Interest expense		-6,388	-6,855	-7,123
Income from interest and dividend business	1	24,501	26,660	26,867
Commission income from loan business		8,301	8,488	2,202
Commission income from securities and investment business		33,285	29,984	27,252
Commission expense		-5,706	-6,372	-6,880
Income from commission and service fee business	2	35,880	32,100	22,574
Income from trading	3	1,688	10,144	-17,016
Income from business combination (negative goodwill)		0	1,282	10,110
Income from participations		-27,018	-6,777	5,901
Other income		3,913	2,722	8,232
Other ordinary income	4	-23,105	-2,773	24,243
Total operating income		38,964	66,131	56,668
Personnel expense	5	33,116	32,861	28,308
General expense	6	20,396	20,732	17,579
Administrative expense		53,512	53,593	45,887
Gross operating profit		-14,548	12,538	10,781
Depreciation / amortisation of property, plant and equipment and intangible assets	7	8,579	8,726	8,012
Valuation adjustments, provisions and losses	8	1,568	2,373	-475
Net profit before taxes		-24,695	1,439	3,244
Taxes	9	-5,432	-2,523	-3,552
Net profit		-19,263	3,962	6,796
Net profit attributable to minority interests		-609	-74	244
Net profit attributable to shareholders of Valartis Group AG		-19,872	3,888	7,040
Undiluted earnings per share of Valartis Group AG (in CHF)		-4.29	0.83	1.54
Diluted earnings per share of Valartis Group AG (in CHF) ¹⁾		-4.29	0.83	1.54

¹⁾ The calculation of diluted earnings per share for the prior year contained an immaterial error. The correct value of diluted earnings per share as at 30 June 2011 was CHF 1.54 instead of CHF 1.46.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	1.1.-30.6.2011 CHF 1,000	1.7.-31.12.2010 CHF 1,000	1.1.-30.6.2010 CHF 1,000
Net profit in the income statement	-19,263	3,962	6,796
Unrealised gains / losses from financial assets available for sale	-69	733	-648
Income from financial assets available for sale transferred to the income statement	131	-232	231
Foreign exchange translation differences	-3,810	-6,736	-16,758
Net income for the financial year recognised directly in equity	-3,748	-6,235	-17,175
Net income for the financial year recognised in the income statement and in equity	-23,011	-2,273	-10,379
Allocation			
Shareholders of Valartis Group AG	-23,633	-2,398	-10,171
Minority interests	622	125	-208

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets

	30.6.2011 CHF 1,000	31.12.2010 CHF 1,000	30.6.2010 CHF 1,000
Cash	183,448	517,304	351,168
Due from banks	517,216	438,173	430,089
Due from clients	630,659	393,957	351,989
Trading portfolio assets	559,329	477,717	1,067,471
Financial assets available for sale	57,041	31,051	13,527
Financial assets held to maturity	197,412	201,816	18,646
Other financial assets at fair value	749	763	1,011
Associated companies	105,605	136,470	143,188
Property, plant and equipment	68,319	72,067	77,092
Accrued and deferred assets	25,246	31,523	31,855
Positive replacement values	5,622	8,313	16,475
Other assets	7,024	10,209	4,835
Goodwill and other intangible assets	92,850	97,599	103,423
Deferred tax assets	18,945	19,856	19,740
Total assets	2,469,465	2,436,818	2,630,509

Liabilities and Shareholders' Equity

	Note	30.6.2011 CHF 1,000	31.12.2010 CHF 1,000	30.6.2010 CHF 1,000
Liabilities				
Due to banks		181,020	231,505	251,063
Cash deposits for repurchase agreements		0	81,159	303,389
Due to clients		1,907,781	1,703,318	1,645,533
Negative replacement values		14,821	19,467	18,427
Taxes		1,750	1,246	3,891
Accrued and deferred liabilities		19,861	18,570	18,212
Other liabilities		4,590	4,911	5,105
Valuation adjustments and provisions		4,941	6,240	7,500
Deferred tax liabilities		27,033	33,743	36,182
Total liabilities		2,161,797	2,100,159	2,289,302
Shareholders' equity				
Share capital	10	5,000	5,000	5,000
Reserves		291,438	313,663	307,767
Foreign exchange translation differences		-34,308	-30,503	-22,667
Unrealised income from financial assets available for sale		-3,282	-3,326	-3,814
Treasury shares		-10,520	-8,261	-5,609
Shareholders' equity of the shareholders of Valartis Group AG		248,328	276,573	280,677
Minority interests		59,340	60,086	60,530
Total shareholders' equity (including minority interests)		307,668	336,659	341,207
Total liabilities and shareholders' equity		2,469,465	2,436,818	2,630,509

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

2010	Share capital	Treasury shares	Capital reserves	Retained earnings
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Opening balance at 1 January 2010	5,000	-12,192	-7,251	311,116
Gains / losses from financial assets available for sale				
Foreign exchange translation differences				
Net profit				7,040
Comprehensive income	0	0	0	7,040
Dividend payments				-2,500
Change in treasury shares		6,583	430	
Change in scope of consolidation				
Employee participation plan			157	
Transactions with minority shareholders				-1,225
Owner-related changes	0	6,583	587	-3,725
Total shareholders' equity at 30 June 2010	5,000	-5,609	-6,664	314,431
2011				
Opening balance at 1 January 2011	5,000	-8,261	-5,319	318,982
Gains / losses from financial assets available for sale				
Foreign exchange translation differences				
Net profit				-19,872
Comprehensive income	0	0	0	-19,872
Dividend payments				-2,500
Change in treasury shares		-2,259	-131	
Change in scope of consolidation				
Employee participation plan			29	
Transactions with minority shareholders				249
Owner-related changes	0	-2,259	-102	-2,251
Total shareholders' equity at 30 June 2011	5,000	-10,520	-5,421	296,859

Net unrealised gains/losses on financial instruments CHF 1,000	Foreign exchange translation difference CHF 1,000	Total equity (exclusive minority interests) CHF 1,000	Minority interests CHF 1,000	Foreign exchange effect on minority interests CHF 1,000	Total minority interests CHF 1,000	Total shareholders' equity CHF 1,000
-3,371	-6,961	286,341	70,481	-71	70,410	356,751
-444		-444	27		27	-417
	-16,767	-16,767		9	9	-16,758
		7,040	-244		-244	6,796
-444	-16,767	-10,171	-217	9	-208	-10,379
		-2,500	-902		-902	-3,402
		7,013			0	7,013
	1,061	1,061	-8,834	64	-8,770	-7,709
		157			0	157
		-1,225			0	-1,225
0	1,061	4,506	-9,736	64	-9,672	-5,166
-3,814	-22,667	280,677	60,528	2	60,530	341,207
-3,326	-30,503	276,573	60,109	-23	60,086	336,659
44		44	18		18	62
	-3,805	-3,805		-5	-5	-3,810
		-19,872	609		609	-19,263
44	-3,805	-23,633	627	-5	622	-23,011
		-2,500	-101		-101	-2,601
		-2,390			0	-2,390
		0			0	0
		29			0	29
		249	-1,267		-1,267	-1,018
0	0	-4,612	-1,368	0	-1,368	-5,980
-3,282	-34,308	248,328	59,368	-28	59,340	307,668

CONSOLIDATED CASH FLOW STATEMENT

	30.6.2011 CHF 1,000	30.6.2010 CHF 1,000
Net profit before taxes (including minority interests)	-24,695	3,244
Cash flow from operating activities	-284,565	54,268
Cash flow from investment activities	-20,141	-5,693
Cash flow from financing activities	-6,239	3,636
Effect of foreign exchange translation differences (including minority interests)	11,073	-2,620
(Decrease) / increase in cash and cash equivalents	-299,872	49,591
Position at 1 January	893,478	512,106
Position at 30 June	593,606	561,697

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

Cash	183,448	351,168
Due from banks at sight / callable	410,158	210,529
Total cash and cash equivalents	593,606	561,697

CONSOLIDATED STATEMENT OF OFF-BALANCE-SHEET ITEMS

	30.6.2011 CHF 1,000	31.12.2010 CHF 1,000	30.6.2010 CHF 1,000
Credit guarantees	12,833	14,083	13,373
Warranties	0	0	0
Other contingent liabilities	16,940	17,765	49,547
Total contingent liabilities	29,773	31,848	62,920
Irrevocable commitments	394	394	184
Loan commitments	0	0	0
Call commitments and additional funding obligations	0	0	0
Positive replacement values	5,622	8,313	16,475
Negative replacement values	14,821	19,467	18,427
Contract volume	755,483	1,332,660	1,343,612
Fiduciary transactions	357,155	190,599	224,514

INFORMATION ON THE CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business

The Valartis Group is a Swiss banking group whose parent company, Valartis Group AG, Baar, Canton of Zug, Switzerland, is listed on the SIX Swiss Exchange. In its two core activities – Private clients and Institutional clients – the Valartis Group focuses on developing and managing innovative investment and niche products and providing specialised banking services. Geographically, the Group is primarily active in Switzerland and other European countries, in particular in central and eastern Europe.

2. Accounting Principles

This half-year report was prepared in accordance with the International Accounting Standard on Interim Financial Reporting (IAS 34). This standard does not require the same amount of information as for the Group annual report, and should therefore be read in conjunction with the 2010 Annual Report.

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

The following exchange rates are used for the major currencies:

	30.06.2011 Balance sheet date rate	1.1.–30.6.2011 Average rate	30.6.2010 Balance sheet date rate	1.1.–30.6.2010 Average rate
EUR	1.2090	1.2704	1.3214	1.4360
USD	0.8342	0.9066	1.0772	1.0829
GBP	1.3422	1.4644	1.6112	1.6522

As a financial group, the Valartis Group is subject to consolidated supervision by the Swiss Financial Market Supervisory Authority (FINMA).

The half-year report is based on uniformly prepared individual financial statements of the Group companies. With the exception of subsequent amendments, the same accounting principles were applied as in the preparation of the annual financial statements as at 31 December 2010.

3. Changes to Accounting Policies

3.1 Implemented international financial reporting standards and interpretations

The following new or revised standards and interpretations applicable for financial years beginning 1 January 2011, are considered unlikely, to have a material impact on the net profit or loss or on the shareholders' equity of the Valartis Group:

IFRS 3	Business Combinations (Annual Improvements Project)
IFRS 7	Financial Instruments: Disclosures (Annual Improvements Project)
IAS 24	Related Party Disclosures
IAS 32	Financial Instruments: Presentation
IAS 34	Interim Financial Reporting (Annual Improvements Project)
IFRIC 13	Customer Loyalty Programmes (Annual Improvements Project)
IFRIC 14	The Limit on a Defined Benefit Asset
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

Annual Improvements Project (2010 publication)

3.2 Other changes

Restatement of financial investments available for sale

In 2011 an error was discovered in the classifying of financial investments at two Group companies. In the balance sheet of these two Group companies the positions were erroneously posted to the category "available for sale" instead of to "trading portfolio assets." However, the changes in income on these positions were consistently recognised in the income statement. These financial investments were reclassified as at 30 June 2011 and the previous periods were adjusted accordingly. As at 30 June 2011 financial investments available for sale amounting to CHF 23.1 million were reclassified to trading portfolio assets (as at 31 December 2010 CHF 51.7 million and as at 30 June 2010 CHF 46.1 million). This reclassification will have no impact on the income statement.

4. Approval of the Consolidated Financial Statements

The statutory auditor has reviewed the Half-Year Report 2011, and it was approved by the Board of Directors on 16 August 2011. There were no significant events up until that date requiring disclosure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Income from Interest and Dividend Business

	1.1.-30.6.2011 CHF 1,000	1.7.-31.12.2010 CHF 1,000	1.1.-30.6.2010 CHF 1,000
Interest income from banking business	2,570	2,371	2,954
Interest income from client business	9,218	8,564	3,185
Interest and dividend income from the trading portfolio	12,918	20,341	27,160
Interest income from mortgage business	290	723	270
Interest and dividend income from financial assets available for sale	295	63	47
Interest income from financial assets held to maturity	5,430	1,163	176
Interest and dividend income from financial assets at fair value	52	55	61
Other interest income	116	235	137
Total interest and dividend income	30,889	33,515	33,990
Interest expense from banking business	-3,012	-3,787	-4,084
Interest expense from client business	-2,486	-2,093	-2,147
Other interest expense	-890	-975	-892
Total interest expense	-6,388	-6,855	-7,123
Total	24,501	26,660	26,867

2. Income from Commission and Service Fee Business

	1.1.-30.6.2011 CHF 1,000	1.7.-31.12.2010 CHF 1,000	1.1.-30.6.2010 CHF 1,000
Commission income from loan business	8,301	8,488	2,202
Brokerage fees	5,023	4,757	5,600
Custody account fees	4,485	4,216	3,975
Commission on investment advice and asset management	12,158	12,380	9,578
Issuing business	4,434	715	454
Commission income from service fee business	3,348	3,294	2,845
Commission income from fiduciary business	717	792	465
Commission income from retrocessions	339	192	212
Other commission income	2,781	3,638	4,123
Total income from commission and service fee business	41,586	38,472	29,454
Brokerage expense	-1,275	-1,513	-1,679
Asset management /fund management by third parties	-699	-276	-321
Commission expense to client intermediaries and representatives	-1,367	-1,134	-1,521
Other securities trading expense	-154	-307	-367
Commission expense on retrocessions to third parties	-1,259	-974	-955
Other commission and service fee expense	-952	-2,168	-2,037
Total expense from commission and service fee business	-5,706	-6,372	-6,880
Total	35,880	32,100	22,574

3. Income from Trading

	1.1.-30.6.2011 CHF 1,000	1.7.-31.12.2010 CHF 1,000	1.1.-30.6.2010 CHF 1,000
Interest rate instruments	-9,900	-11,045	-49,362
Securities	-4,726	-8,084	8,947
Currencies and precious metals	16,343	29,217	23,409
Funds	-29	56	-10
Total	1,688	10,144	-17,016

4. Other Ordinary Income

	1.1.-30.6.2011 CHF 1,000	1.7.-31.12.2010 CHF 1,000	1.1.-30.6.2010 CHF 1,000
Income from real estate	314	40	95
Income from business combination (negative goodwill)	0	1,282	10,110
Income from the sale of tangible and intangible assets	-10	1	12
Income from the sale of financial assets	131	-260	259
Income from participations ¹⁾	-27,018	-6,777	5,901
Other income from the credit card business	2,478	2,821	415
Other income	1,000	120	7,451
Total	-23,105	-2,773	24,243

¹⁾ For 2011 it includes negative valuation adjustments from Eastern Property Holdings Ltd. of CHF 28.8 million (of which a negative USD exchange rate impact of CHF 12.9 million).

5. Personnel Expense

	1.1.-30.6.2011 CHF 1,000	1.7.-31.12.2010 CHF 1,000	1.1.-30.6.2010 CHF 1,000
Salaries and bonuses	25,590	26,808	21,299
Social security benefits	3,225	2,442	3,059
Contributions to occupational pension plans	1,875	1,441	1,366
Share-based payments	538	702	159
Other personnel expense	1,888	1,468	2,425
Total	33,116	32,861	28,308

6. General Expense

	1.1.-30.6.2011 CHF 1,000	1.7.-31.12.2010 CHF 1,000	1.1.-30.6.2010 CHF 1,000
Occupancy expense	3,093	3,556	2,594
IT and information expense	4,727	4,588	4,845
Office and business expense	9,587	9,427	8,045
Other general expense	2,989	3,161	2,095
Total	20,396	20,732	17,579

7. Depreciation and Amortisation

	1.1.-30.6.2011 CHF 1,000	1.7.-31.12.2010 CHF 1,000	1.1.-30.6.2010 CHF 1,000
Depreciation of property, plant and equipment	4,864	4,942	4,570
Amortisation of intangible assets	3,715	3,784	3,442
Total	8,579	8,726	8,012

8. Valuation Adjustments, Provisions and Losses

	1.1.-30.6.2011 CHF 1,000	1.7.-31.12.2010 CHF 1,000	1.1.-30.6.2010 CHF 1,000
Impairments	1,834	2,282	880
Impairment reversals	-480	-930	-1,487
Losses	14	47	0
Change in provisions	200	974	132
Total	1,568	2,373	-475

9. Taxes

	1.1.-30.6.2011 CHF 1,000	1.7.-31.12.2010 CHF 1,000	1.1.-30.6.2010 CHF 1,000
Current income taxes	338	-168	489
Deferred taxes	-5,802	-2,308	-3,938
Taxes on the comprehensive income	32	-47	-103
Total	-5,432	-2,523	-3,552

SHARE CAPITAL

10. Share Capital

	30.6.2011 CHF	31.12.2010 CHF	30.6.2010 CHF
Share capital	5,000,000	5,000,000	5,000,000
Number of bearer shares	5,000,000	5,000,000	5,000,000
Nominal value per share	1	1	1
Equity per share (attributable to shareholders of Valartis Group AG, before appropriation of profit)	54	59	59

The capital is fully paid up. A dividend of CHF 0.50 per share was distributed for financial year 2010 (previous year: CHF 0.50).

11. Treasury Shares

Valartis Group AG	Number
Position at 1 January 2010	448,170
Purchases	33,578
Sales	-277,823
Position at 30 June 2010	203,925
Purchases	185,567
Sales	-100,612
Position at 31 December 2010	288,880
Purchases	138,726
Sales	-39,732
Position at 30 June 2011	387,874

During the reporting period, 138,726 shares were purchased at CHF 24.59 each and 39,732 shares were sold at CHF 20.95 each. In the prior-year period, 33,578 shares were purchased at CHF 31.61 each and 277,823 shares were sold at CHF 29.06 each (each with average price).

BUSINESS SEGMENTS

12. Primary Segment Reporting

Business Segments

The Valartis Group is divided into two operational business segments: Private clients and Institutional clients. To the extent permissible and material, the balance sheet and income statement items are directly allocated to these business segments.

Corporate Center

All service, support and group functions are part of the Corporate Center. Items that cannot be directly allocated to the business segments are recognised under Corporate Center. Consolidation items are also included in the Corporate Center.

1.1. – 30.6.2011	Private Clients CHF 1,000	Institutional Clients CHF 1,000	Corporate Center CHF 1,000	Total CHF 1,000
Operating income	39,189	-221	-4	38,964
Administrative expense	-30,497	-11,231	-11,784	-53,512
Service from / to other segments	-5,189	-3,902	9,091	0
Gross operating profit	3,503	-15,354	-2,697	-14,548
Depreciation and amortisation	-1,880	-117	-740	-2,737
Valuation adjustments, provisions and losses	-1,533	-35	0	-1,568
Segment result before amortisation	90	-15,506	-3,437	-18,853
Amortisation of tangible and intangible assets (PPA) ¹⁾	-5,342	-500	0	-5,842
Segment result after amortisation	-5,252	-16,006	-3,437	-24,695
Taxes				5,432
Net profit				-19,263
Net profit attributable to minority interests				-609
Net profit attributable to shareholders of Valartis Group AG				-19,872
Total assets	2,872,652	897,375	-1,300,562	2,469,465
Total liabilities	2,842,422	330,785	-1,011,410	2,161,797
Assets under management at 30 June 2011	4,604,417	1,876,789	0	6,481,206
Employees (full-time equivalents) at 30 June 2011	258	78	49	385

¹⁾ The additional amortisation of tangible and intangible assets that are capitalised using the purchase price allocation approach is recognised separately.

1.1. - 30.6.2010	Private Clients CHF 1,000	Institutional Clients CHF 1,000	Corporate Center CHF 1,000	Total CHF 1,000
Operating income	26,745	30,962	-1,039	56,668
Administrative expense	-22,549	-14,850	-8,488	-45,887
Service from / to other segments	-3,863	-3,778	7,641	0
Gross operating profit	333	12,334	-1,886	10,781
Depreciation and amortisation	-1,428	-169	-790	-2,387
Valuation adjustments, provisions and losses	-961	1,436	0	475
Segment result before amortisation	-2,056	13,601	-2,676	8,869
Amortisation of tangible and intangible assets (PPA) ¹⁾	-5,125	-500	0	-5,625
Segment result after amortisation	-7,181	13,101	-2,676	3,244
Taxes				3,552
Net profit				6,796
Net profit attributable to minority interests				244
Net profit attributable to shareholders of Valartis Group AG				7,040
Total assets	2,190,274	1,985,936	-1,545,701	2,630,509
Total liabilities	1,979,901	1,571,167	-1,261,766	2,289,302
Assets under management at 30 June 2010	4,608,972	1,858,808	0	6,467,780
Employees (full-time equivalents) at 30 June 2010	243	98	31	372

¹⁾ The additional amortisation of tangible and intangible assets that are capitalised using the purchase price allocation approach is recognised separately.

ADDITIONAL INFORMATION

13. Assets under Management

	30.6.2011 CHF 1,000	31.12.2010 CHF 1,000
Assets in self-managed funds	495,865	512,105
Assets with management mandates	730,118	876,501
Other client assets	4,488,030	4,052,643
Total assets under management ¹⁾	5,714,013	5,441,249
of which double counts	-19,097	-19,421
Net new money inflow ²⁾	576,869	18,866
Custody assets	2,259	5,328
Assets in leveraged funds ³⁾	764,934	830,174
Total assets under management (incl. leveraged funds and custody assets)	6,481,206	6,276,751

¹⁾ According to FINMA's accounting rules.

²⁾ First half year 2011 and second half year 2010; net new money inflow includes all deposits and withdrawals plus inward and outward deliveries of non-monetary assets. In particular, performance-related changes in value and interest and dividend payments do not constitute inflows or outflows.

³⁾ Leveraged funds that exceed the internal gross profitability criteria.

14. Events after the Balance Sheet Date

There were no events after the balance sheet date that had a material effect on the consolidated financial statements.

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