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AD HOC MEDIA RELEASE
PROFIT WARNING

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Impairment charges on Eastern Property Holdings adversely impact half-year results 2011

At an operating level the Valartis Group ended the first half-year 2011 successfully, despite difficult market conditions. Net interest income was only slightly lower, and net commission income was 59 percent higher than in first-half 2010. Net new money inflows totalled CHF 577 million, more than double the volume compared to the prior-year period.

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 with finite useful lives arising from acquisitions made, increased to CHF 7.0 million, several times the amount for first-half 2010. This is all the more pleasing given the fact that revenues are largely received in foreign currencies whereas costs are incurred for the most part in Swiss francs.

However, Eastern Property Holdings (BVI) Limited (EPH), in which the Valartis Group has a share of around 38 percent, today issued a profit warning for its interim results 2011 relating to a reassessment of specific real estate projects.

This real estate company, which is quoted on SIX Swiss Exchange and invests in commercial properties in Eastern Europe (in particular Moscow and St. Petersburg), is accounted for as a significant associate at its proportionate share of net assets in 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 USD 69 at 30 June 2011. This results in negative non-operating 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, the Valartis Group will close the first half-year 2011 with a loss of approximately CHF 20 million (30 June 2010: profit of CHF 7.0 million).

The interim report of the Valartis Group will be published on 23 August 2011 and can then be downloaded in PDF format from our homepage *www.valartisgroup.ch*.

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