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MEDIA RELEASE

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Valartis Group presents its results for the first half-year 2011

Valartis Group made further progress in the first half of 2011 in implementing its new strategic focus on the private client business. Net new money inflows more than doubled to CHF 577 million in the first half of the year compared with the prior-year period, despite the difficult market environment. Therefore, client assets under management overcame negative currency effects to rise to CHF 6.5 billion. While net interest income decreased slightly, net commission income rose 59 percent to CHF 35.9 million. In addition, the Group invested in its back-office systems to provide a solid technical base for growth going forward. Due to negative currency effects and a non-operative valuation adjustment on the associated companies of CHF 28.8 million, Valartis Group posted a loss of CHF 19.9 million for the first half-year 2011.

Strategic focus on track

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 percent 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.

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.

Increase in managed assets, but currency effects have adverse impact

Client assets were down 6 percent 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 percent; same as prior year) and Institutional Clients with CHF 1.9 billion (29 percent). The Private Client segment accounted for 65 percent, or CHF 373 million, of the net new money inflows of CHF 577 million, while the Institutional Clients segment was responsible for 35 percent, or CHF 204 million.

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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 percent. 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 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.

The half-year report 2011 of the Valartis Group can be downloaded in PDF format from our homepage *www.valartisgroup.ch*.

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Key Figures

Income statement, in CHF million	**H1 / 2011**	**H1 / 2010**	**Δ%**
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, in CHF million	**30.6.2011**	**30.6.2010**	**Δ%**
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**	**Δ%**
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