

# HALF-YEAR REPORT **2017**

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The English Valartis Half-year Report is a translation of the German original. Only the German original is legally binding

# MANAGEMENT REPORT

## VALARTIS GROUP'S BUSINESS PERFORMANCE AND ECONOMIC SITUATION

The first half-year was subject to the Group's realignment to meet the requirements of the new circumstances, facts and ranges of services. As a result of divestment of the share in the associated company «Gebäudebesitz Rathausstrasse 20» in Vienna and of the sale of the shares in a shopping, leisure and business centre in Algeria, the provisions of International Financial Reporting Standards for continued and discontinued operations (IFRS 5) apply for the 2017 Half-year Report for Valartis Group.

In accordance with International Financial Reporting Standards (IFRS), the first half-year 2017 for Valartis Group shows a Group loss of CHF -0.2 m (30 June 2016: Group loss of CHF -46.5 m). This loss is mainly due to follow-up costs for the group restructuring of the last years and currency adjustments on balance sheet assets.

It should be noted, though, that the gain attributable to the shareholders of Valartis Group amounts to CHF 0.5 m (30.6.2016: loss of CHF -49.4 m). The loss attributable to the minority shareholders amounts to CHF -0.7 m (30.6.2016: gain of CHF 2.9m).

From discontinued operations, a gain after tax on the sale of the share in the associated company «Gebäudebesitz Rathausstrasse 20 GmbH» in Vienna was realised totalling CHF 4.3 m for the first half-year 2017 (30 June 2016: loss from discontinued operations: CHF -39.7 m). Discontinued operations encompass as of 30 June 2017 the divestment of the share in the associated company «Gebäudebesitz Rathausstrasse 20» in Vienna and of the sale of the shares in a shopping, leisure and business centre in Algeria. The final closing of this sale's transaction – in a share purchase agreement – is expected by the end of 2017.

## VALARTIS GROUP'S FINANCIAL BASIS

Valartis Group's financial basis continues to be stable. Equity capital amounts to CHF 132.2 m (31.12.2016: CHF 130.9 m). This translates to a new equity capital quota of 72.8 per cent.

Cash and cash equivalents of continued operations have increased on a net basis from CHF 24.6 m to CHF 25.3 m in spite of the payment of minor liabilities and operational cash-out. Thus, liquidity improved significantly (see also Consolidated Cash flow Statement, page 14).

## EMPLOYEES OF VALARTIS GROUP

As at 30 June 2017, Valartis Group employed 56 members of staff in continued operations (adjusted for part-time employees) in Switzerland, Moscow and St. Petersburg as well as in Luxembourg (30.6.2016: 161 employees; 31.12.2016: 59 employees).

The new organisational structure of Valartis Group comprises the Board of Directors on Group level with the Chairman of the Board of Directors as CEO (delegate of the Board of Directors) plus 11.7 full-time employees, 5.5 employees belonging to the front organisation. Based on the more streamlined management structure and services required within the Group, the number of employees in the Swiss organisation was substantially reduced from 21.5 employees as at end-2015 up to today. The current employees provide services in the fields of real estate projects, investment projects, Corporate Finance and, within the framework of the Group's service organisation, in Accounting & Controlling and IT & Logistics. Other services which are required (personnel administration and tax and legal advisory) are obtained from third-party, external providers.

## RISK ASSESSMENT

The Board of Directors monitors supervision of the risk management system and processing of all risks on a quarterly basis and production of corresponding reports. Significant, current risk issues are discussed and evaluated. This then forms the basis for strategic and organisational decisions aimed at optimising Valartis Group's risk positions. A core factor is the design and further development of the internal control system which identifies risks, addresses them by implementing the appropriate control measures and should thus minimise the probability of their ever arising. The implementation of suitable risk management and control processes which support identification, evaluation, management, as well as monitoring and communication of the most significant risks and the related risk concentrations, makes it possible to take all risks into consideration. The focus is to achieve early transparency on risks and to reduce the potential dangers of losses.

### **The accounting-related internal control system**

Valartis Group's internal control system encompasses all principles, procedures and measures which are intended to assure the effectiveness, economical efficiency and correctness of accounting and compliance with the appropriate legal stipulations. It is based on the international "COSO" model and comprises the following components: control environment, risk assessment process, accounting-related information systems, control activities and monitoring of the internal control system (ICS). Since the reporting date, no major changes have taken place which would require adjustment of the internal control system.

## BUSINESS PERFORMANCE 2017

### Profit and loss account

In continued operations, the loss decreased to CHF -4.5 m (30.06.2016: CHF -6.8 m). The half-year loss is mainly due to follow-up costs of the group restructuring of the last years and currency adjustments on balance sheet assets. From a purely operational viewpoint, total operating profit was up at CHF 4.4 m (30.06.2016: CHF 2.1 m). Operating expenditure was down by 43 per cent to CHF 5.9 m (30.06.2016: CHF 10.5 m) primarily due to the reduction in consultancy costs. Continuing low market interest rates, a lack of attractive investment opportunities for the bond portfolio, and adverse market corrections had a negative effect on the financial income for 2017. Financial income was at CHF 0.7 m for the first half of 2017 (30.06.2016: CHF 4.3 m) while financial expenses were up from CHF 2.5 m to CHF 3.3 m due to the aforementioned currency adjustments.

### Balance Sheet

As of 30 June 2017, the balance sheet total amounting to CHF 181.6 m, including assets classified as held for sale, decreased as a result of currency adjustments on balance sheet assets and a decrease of receivables compared to year-end 2016 (31.12.2016: CHF 188.7 m). External capital is now limited to CHF 49.4 m (end of 2016: CHF 57.8 m), of which roughly half can be attributed to one, fully consolidated Group company's property (ENR Russia Invest SA) which has been externally financed by means of a loan. While Group equity capital as per mid-2017 amounted to CHF 132.2 m (end-2016: CHF 130.9 m), Valartis Group AG shareholders' capital now amounts to CHF 114.8 m (as at end-2016: CHF 112.4 m).

## SIGNIFICANT EVENTS

For information on significant events after the balance sheet date as of 30 June 2017, please see also the Valartis Group Half-Year Consolidated Financial Statements, Note 23.

### Significant events after the balance sheet date

The most significant events after the balance sheet date as of 31 December 2016 include the release of funds amounting to CHF 2.1 m from the escrow accounts from the Austrian sales transaction, the closing of the sale's transaction of the share of the real estate SPV for Gebäudebesitz Rathausstrasse in Vienna in the amount of EUR 4.8 m and release of these funds, and the signed share purchase agreement for the sale of the participation in Darsi Group. Furthermore, the profit allocation for Valartis Group of the 2016 financial results of the Liechtenstein Bank sold during 2016 has also been transferred.

The most significant event after the balance sheet date as of 30 June 2017 includes the purchase of a share in a business centre in Moscow by ENR Russia Invest SA.

## OUTLOOK

As expected, 2017 continues to throw up challenges. To the fore, are the current developments in monetary policy in the USA on its course towards normalisation, while the expansion course set, and then further tightened, by the European Central Bank (ECB) for all other European Central Banks – above all the Swiss National Bank – remains challenging. Further uncertainty is likely to arise out of the troubled transformation processes in important emerging countries, whose budgetary and corporate balances have deteriorated considerably since the financial crisis.

### Expected development of Valartis Group

In 2017, the central focus for our front-organisation Private Equity, Real Estate Project Management and Financial Advisory Services are the rapid and successful establishment of new profitable activities and the further development of existing projects. Valartis Group is focused on market cultivation, is working on developing and launching innovative investment possibilities and is adjusting its range of services to demand. Group structure will be realigned to meet the requirements of the new circumstances, requirements and range of services, which will entail further adjustments to Group organisation and infrastructure.

From a strategic and tactical viewpoint, in the second half of 2017, the focus will be on establishing and managing participations which are in-line with Valartis Group's strategic guiding principles.

Valartis Group comprises in the first half of 2017 the active management of participations in Banking & Finance, Real Estate projects and Private Equity as well as business activities in Corporate Finance and Real Estate management. Currently, Valartis Group has offices in Switzerland, Luxembourg, Moscow and St. Petersburg.

Valartis Group AG, domiciled in Baar, Canton Zug, Switzerland, is the parent company of the Group. Valartis Group's registered shares are listed on SIX Swiss Exchange (ISIN CH0367427686). The major shareholder is MCG Holding SA, Baar, Canton Zug, Switzerland, holding directly 50.2 per cent of the capital and voting rights of Valartis Group AG as of 30 June 2017. Valartis Group AG has direct and indirect participations in various fully consolidated companies.

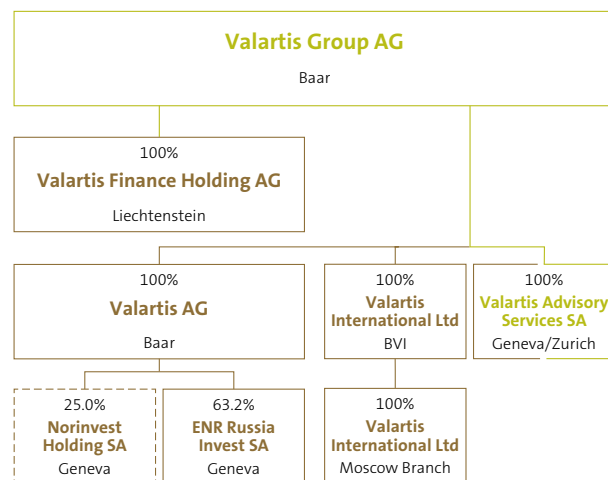
As at 30 June 2017, Valartis Group employed 56 members of staff in continued and discontinued operations, adjusted for part-time employees (30.6.2016: 161 employees; 31.12.2016: 59 employees).

By deciding 2016 to divest the two private banks in Liechtenstein and in Austria, the Board of Directors of Valartis Group AG also determined to relinquish the private banking business model in order to focus strategically on management of holdings in the fields of financial services, real estate projects and private equity.

### Core elements of the new business model

Valartis Group's focus is on the company's expertise in the finance and real estate sectors, on the one hand, and its in-house services and advisory competencies, supplemented wherever necessary by services from third parties, on the other. The operative approaches encompass the active management of own participations, management of third-party assets within the framework of the participations and identification of new opportunities.

### Valartis Group – organisation structure



### Our Holdings

#### Private Equity Investments in Eastern Europe

Valartis Group holds 62.3 per cent of the investment company ENR Russia Invest SA (ENR), which is listed on the Swiss Stock Exchange, SIX Swiss Exchange (ISIN CH0034476959). This company specialises in private equity, real estate investments and equity-related investments, as well as fixed-income investment instruments in Russia and other CIS states and the Baltic states ([www.enr.ch](http://www.enr.ch)).

#### Real Estate Funds and Investment Companies

In the real estate sector, we combine management of profitable business and residential real estate with investment in promising development projects, currently focusing on Russia, as well as management of a niche fund: Valartis German Residential Health Care SICAV for institutional investors.

#### Holdings in the financial services sector

- Valartis AG, Baar (100 per cent, holding company)
- Valartis International Ltd. (100 per cent, investment advisor)
- Valartis Advisory Services SA (100 per cent, corporate services and investment advisor)
- MCT Luxembourg Management Sàrl (100 per cent, investment advisor)
- Norinvest Holding SA, Geneva (ISIN CH0013592248, BEKB OTC-X, minority holding of 25 per cent, [www.norinvest.ch](http://www.norinvest.ch))

## BOARD OF DIRECTORS

The Board of Directors of Valartis Group is made up of the following: Gustav Stenbolt, Chairman of the Board of Directors and Delegate of the Board of Directors (CEO), Christoph N. Meister, Vice-Chairman and Philipp LeibundGut, member.

### Organisation chart



1 Compensation Committee

2 Audit Representative

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# CONSOLIDATED INCOME STATEMENT

in CHF 1,000	Note	1.1.–30.6.2017	1.1.–30.6.2016 <sup>1)</sup>
Income from management services	1	1,944	1,603
Income from investment property, net	2	1,350	1,767
Share of results of associated companies	3	140	-675
Other ordinary income	4	1,010	-563
<b>Total operating income</b>		<b>4,444</b>	<b>2,132</b>
Personnel expense	5	-3,387	-4,576
General expense	6	-2,567	-5,900
<b>Administrative expense</b>		<b>-5,954</b>	<b>-10,476</b>
<b>Earnings before depreciation, valuation adjustments, provisions, interest and taxes</b>		<b>-1,510</b>	<b>-8,344</b>
Depreciation/amortisation of property, plant and equipment and intangible assets	7	-46	-41
Valuation adjustments, provisions and losses	8	-288	-205
<b>Earnings before interest and taxes (EBIT)</b>		<b>-1,844</b>	<b>-8,590</b>
Financial income	9	652	4,301
Financial expenses	9	-3,296	-2,563
<b>Net loss from continued operations before taxes</b>		<b>-4,488</b>	<b>-6,852</b>
Income taxes	10	-26	82
<b>Net loss from continued operations</b>		<b>-4,514</b>	<b>-6,770</b>
Net loss from discontinued operations after taxes	23	4,266	-39,749
<b>Net loss</b>		<b>-249</b>	<b>-46,519</b>
Net gain/(loss) attributable to shareholders of Valartis Group AG		506	-49,376
Net (loss)/gain attributable to non-controlling interests		-755	2,857
in CHF			
<b>Earnings per share</b>			
Undiluted earnings attributable to shareholders of Valartis Group AG		0.11	-10.46
Diluted earnings attributable to shareholders of Valartis Group AG		0.11	-10.46
<b>Earnings per share – continued operations</b>			
Undiluted earnings attributable to shareholders of Valartis Group AG		-0.79	-2.20
Diluted earnings per share attributable to shareholders of Valartis Group AG		-0.79	-2.20
<b>Earnings per share – discontinued operations</b>			
Undiluted earnings attributable to shareholders of Valartis Group AG		0.90	-8.26
Diluted earnings per share attributable to shareholders of Valartis Group AG		0.90	-8.26

1) Adjusted to new structure.



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in CHF 1,000	1.1.–30.6.2017	1.1.–30.6.2016
<b>Net loss in the income statement</b>	<b>-249</b>	<b>-46,519</b>
Unrealised gains/(losses) from financial assets available for sale <sup>1)</sup>	1,825	-359
(Gains) on financial assets available for sale transferred to income statement <sup>1)</sup>	-155	-11
Foreign exchange translation differences	1,322	-612
Foreign exchange translation differences transferred to income statement	0	39,814
<b>Other comprehensive income that will be reclassified to the income statement</b>	<b>2,992</b>	<b>38,832</b>
Remeasurement of defined benefit pension plans <sup>2)</sup>	0	-2,408
Associated companies - attributable comprehensive income	0	0
<b>Other comprehensive income that will not be reclassified to the income statement</b>	<b>0</b>	<b>-2,408</b>
<b>Total other comprehensive income, after tax</b>	<b>2,992</b>	<b>36,424</b>
<b>Total comprehensive income</b>	<b>2,743</b>	<b>-10,094</b>
<b>Allocation of total comprehensive income</b>		
Shareholders of Valartis Group AG	3,415	-12,485
Non-controlling interests	-672	2,391

1) The gains/losses on financial assets available for sale before tax amount to TCHF 1'708 and the income tax to TCHF -38. In the previous year, the loss on financial instruments available for sale before tax was TCHF -389 and the income tax TCHF -30.

2) The tax effect on the remeasurement for defined benefit pension plans is TCHF 0 (previous year: tax effect TCHF 0).

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## ASSETS

in CHF 1,000	Note	30.6.2017	31.12.2016 <sup>1)</sup>
Cash and cash equivalents		25,321	24,640
Trading portfolio assets	11	33,937	31,052
Derivative financial instruments		0	204
Other financial assets at fair value		438	462
Due from third parties	12	22,002	29,273
Accrued and deferred assets		2,819	2,787
Assets under development	13	5,676	5,868
<b>Total current assets</b>		<b>90,193</b>	<b>94,286</b>
Financial assets available for sale	14	20,961	19,458
Property, plant and equipment		297	292
Investment property	15	32,710	35,643
Goodwill and other intangible assets		2,217	2,292
Associated companies	3	17,194	17,054
Non-current receivables	16	6,748	7,827
Deferred tax assets		0	536
<b>Total non-current assets</b>		<b>80,127</b>	<b>83,101</b>
		<b>170,320</b>	<b>177,388</b>
Assets classified as held for sale	23	11,304	11,274
<b>Total assets</b>		<b>181,624</b>	<b>188,662</b>

1) Adjusted to new structure.

## LIABILITIES

in CHF 1,000	Note	30.6.2017	31.12.2016
<b>Liabilities</b>			
Trade payables		1,387	1,974
Current financial liabilities		36,347	39,159
Derivative financial instruments		867	1,838
Current income taxes		174	636
Other current liabilities		4,866	7,756
Current provisions		78	173
<b>Total current liabilities</b>	<b>17</b>	<b>43,719</b>	<b>51,536</b>
Non-current financial liabilities		1,972	2,308
Defined benefit obligations		2,295	2,248
Deferred tax liabilities		921	1,161
Non-current provisions		540	558
<b>Total non-current liabilities</b>	<b>18</b>	<b>5,728</b>	<b>6,275</b>
		<b>49,447</b>	<b>57,811</b>
Liabilities directly associated with assets classified as held for sale	23	0	0
<b>Total liabilities</b>		<b>49,447</b>	<b>57,811</b>
<b>Shareholders' equity</b>			
Share capital	19	5,000	5,000
Reserves		114,695	115,181
Foreign exchange translation differences		-4,802	-6,042
Unrealised income from financial assets available for sale		5,632	3,963
Treasury shares	20	-5,690	-5,726
<b>Shareholders' equity of the shareholders of Valartis Group AG</b>		<b>114,835</b>	<b>112,376</b>
Non-controlling interests		17,342	18,475
<b>Total shareholders' equity (including non-controlling interests)</b>		<b>132,177</b>	<b>130,851</b>
<b>Total liabilities and shareholders' equity</b>		<b>181,624</b>	<b>188,662</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

2016 in CHF 1,000	Share capital	Treasury shares	Capital reserves	Retained earnings	Net
<b>Opening balance at 1 January 2016</b>	<b>5,000</b>	<b>-6,130</b>	<b>-5,199</b>	<b>163,412</b>	
Gains/(losses) from financial assets available for sale					
Foreign exchange translation differences					
Remeasurement of defined benefit pension plans					
<b>Other comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
Net loss				-49,376	
<b>Comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-49,376</b>	
Dividend payments					
Change in treasury shares		404	-271		
Employee participation plan			-39		
Transaction with non-controlling interests					
<b>Owner-related changes</b>	<b>0</b>	<b>404</b>	<b>-310</b>	<b>0</b>	
<b>Total shareholders' equity at 30 June 2016</b>	<b>5,000</b>	<b>-5,726</b>	<b>-5,509</b>	<b>114,036</b>	
<b>2017</b> in CHF 1,000					
<b>Opening balance at 1 January 2017</b>	<b>5,000</b>	<b>-5,726</b>	<b>-5,507</b>	<b>120,718</b>	
Gains/(losses) from financial assets available for sale					
Foreign exchange translation differences					
Remeasurement of defined benefit pension plans					
<b>Other comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
Net loss				506	
<b>Comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>506</b>	
Dividend payments				-948	
Change in treasury shares		36	-208		
Employee participation plan			19		
Transaction with non-controlling interests				145	
<b>Owner-related changes</b>	<b>0</b>	<b>36</b>	<b>-189</b>	<b>-803</b>	
<b>Total shareholders' equity at 30 June 2017</b>	<b>5,000</b>	<b>-5,690</b>	<b>-5,696</b>	<b>120,421</b>	

unrealised gains/losses on financials available for sale	Foreign exchange translation difference	Remeasurement defined benefit pension plans	Total equity shareholders of the Valartis Group AG	Non-controlling interests	Foreign exchange effect on non-con- trolling interests	Total non-con- trolling interests	Total shareholders' equity
<b>5,821</b>	<b>-44,404</b>	<b>-612</b>	<b>117,888</b>	<b>41,714</b>	<b>6</b>	<b>41,720</b>	<b>159,608</b>
-338			-338	-31		-31	-369
	39,637		39,637		-435	-435	39,202
		-2,408	-2,408			0	-2,408
<b>-338</b>	<b>39,637</b>	<b>-2,408</b>	<b>36,891</b>	<b>-31</b>	<b>-435</b>	<b>-466</b>	<b>36,425</b>
			-49,376	2,857		2,857	-46,519
<b>-338</b>	<b>39,637</b>	<b>-2,408</b>	<b>-12,485</b>	<b>2,826</b>	<b>-435</b>	<b>2,391</b>	<b>-10,094</b>
						0	0
			133			0	133
			-39			0	-39
			0			0	0
<b>0</b>	<b>0</b>	<b>0</b>	<b>94</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>94</b>
<b>5,483</b>	<b>-4,767</b>	<b>-3,020</b>	<b>105,497</b>	<b>44,540</b>	<b>-429</b>	<b>44,111</b>	<b>149,608</b>
<b>3,963</b>	<b>-6,042</b>	<b>-30</b>	<b>112,376</b>	<b>19,149</b>	<b>-674</b>	<b>18,475</b>	<b>130,851</b>
1,669			1,669			0	1,669
	1,240		1,240		82	82	1,322
			0			0	0
<b>1,669</b>	<b>1,240</b>	<b>0</b>	<b>2,909</b>	<b>0</b>	<b>82</b>	<b>82</b>	<b>2,991</b>
			506	-755		-755	-249
<b>1,669</b>	<b>1,240</b>	<b>0</b>	<b>3,415</b>	<b>-755</b>	<b>82</b>	<b>-673</b>	<b>2,742</b>
			-948			0	-948
			-172			0	-172
			19			0	19
			145	-460		-460	-315
<b>0</b>	<b>0</b>	<b>0</b>	<b>-956</b>	<b>-460</b>	<b>0</b>	<b>-460</b>	<b>-1,416</b>
<b>5,632</b>	<b>-4,802</b>	<b>-30</b>	<b>114,835</b>	<b>17,934</b>	<b>-592</b>	<b>17,342</b>	<b>132,177</b>

# CONSOLIDATED CASH FLOW STATEMENT

in CHF 1,000	30.6.2017	30.6.2016 <sup>1)</sup>
Net loss after taxes from continued operations	-4,514	-7,542
Net loss after taxes from discontinued operations	4,266	-38,977
<b>Net loss</b>	<b>-249</b>	<b>-46,519</b>
Depreciation of property, plant and equipment	46	41
Gain from sale of property, plant and equipment		-4,472
Net result from fair value adjustment and foreign currency effect on investment property	1,172	938
Share of results of associated companies	-4,802	3,636
Change in valuation adjustments and provisions	285	1,709
Income from sale of participations		249
Transfer of foreign currency differences from equity to profit and loss statements		39,817
Finance result, net	2,644	-9,407
Income taxes	562	-3,685
Other non-cash income and expenses	-1,151	1,477
<b>Operating cash flow before changes in the working capital and taxes</b>	<b>-1,493</b>	<b>-16,216</b>
Due from third parties	102	-215,188
Accrued and deferred assets	504	863
Accounts payables	-587	1,780
Other current liabilities	-2,890	-2,406
Taxes paid	-528	-1,028
<b>Cash flow from operating activities</b>	<b>-4,892</b>	<b>-232,195</b>
Trading portfolio assets (including derivative financial instruments)	-4,688	-5,623
Other financial assets at fair value including available for sale	717	172,013
Financial assets held to maturity		145,641
Non-current receivables	881	4,050
Interest and dividends received	652	4,806
Purchase of property, plant and equipment, investment property and intangible assets	-53	-136
Sale of property, plant and equipment, investment property and intangible assets		22,785
Acquisition of associated companies		-2,188
Sale of associated companies	5,184	
Acquisition of subsidiaries less acquired cash		-1
Sale of subsidiaries less attributable cash <sup>2)</sup>	7,169	1,960
<b>Cash flow from investment activities</b>	<b>9,862</b>	<b>343,307</b>

1) Adjusted to new structure.

2) Consistent payments in current year from escrow accounts related to sale of banking business in Liechtenstein and Austria from previous year.

in CHF 1,000	30.6.2017	30.6.2016
Proceeds from/(repayments of) current financial liabilities	-1,680	-349,542
Proceeds from/(repayments of) non-current financial liabilities	-471	13,347
Interest paid	-941	-2,003
Dividends paid to shareholders of the Company	-948	
Change in treasury shares	-171	133
Change in non-controlling interests in equity	-330	
<b>Cash flow from financing activities</b>	<b>-4,541</b>	<b>-338,065</b>
Effect of foreign exchange translation differences (including non-controlling interests)	252	1,211
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>681</b>	<b>-225,742</b>
Position at 1 January	24,640	1,219,176
Position at 30 June / 31 December	25,321	993,434







# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## DESCRIPTION OF BUSINESS

Valartis Group focuses on the active management of participations in Banking & Finance, Real Estate projects and Private Equity as well as business activities in Corporate Finance and Real Estate management. Currently, Valartis Group has offices in Switzerland, Luxembourg, Moscow and St. Petersburg. Valartis Group AG, domiciled in Baar, Canton Zug, Switzerland, is the parent company of the Group, and its registered shares are listed on SIX Swiss Exchange. The emphasis lies strategically on management of holdings in the fields of financial services, real estate projects and private equity. Further business activities comprise the development, implementation, and management of innovative niche investment products and provision of specialised financial services. Geographically, Valartis Group operates in Switzerland and Eastern Europe.

## ACCOUNTING PRINCIPLES

The unaudited 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 annual report, and should therefore be read in conjunction with the Valartis Group 2016 Annual Report. The half-year report is based on individual financial statements for the Group companies which have been compiled in accordance with unified accounting standards. Furthermore, the report was compiled in accordance with the accounting standards applied for the Valartis Group Annual Report 2016 with the exception of the following.

The consolidated financial statements are in Swiss Francs (CHF). The following exchange rates are used for the major currencies:

	30.6.2017 Balance sheet date rate	1.1.–30.6.2017 Annual average rate	31.12.2016 Balance sheet date rate	1.1.–30.6.2016 Annual average rate
EUR	1.0930	1.0773	1.0737	1.0961
USD	0.9586	0.9880	1.0190	0.9820
RUB	1.6200	1.7100	1.6750	1.4064
DZD	0.8754	0.9023	0.9222	0.9035

## CHANGES TO ACCOUNTING POLICIES

### Implemented international financial reporting standards and interpretations

The following new, or revised standards and interpretations became applicable on 1 January 2017 and upon their initial application have had no effect on, or were of no significance for, the consolidated financial statements for Valartis Group: :

- IAS 7 - Disclosure Initiative;
- IAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses;
- Annual Improvements 2014 to 2016.

### Changes in structure of income statement, statement of financial position and cash flow statement

Income statement and statement of financial position of Valartis Group have been structured based on the private banking business activities until now. After the disposal of the private banking business in 2016, the structure of the statements no longer corresponds to the current strategic alignment and business activities. Therefore presentation and classification in the income statement, statement of financial position and cash flow statement have been changed based on IAS 1.45(a) and 1.46. The changes have been made as of 1 January 2017. The comparative information of the previous period for income statement, statement of financial position, cash flow statement and related notes were reclassified accordingly.

There were no changes for comprehensive income statement and statement of changes in equity.

The changes had no effect on the result, the earnings per share, the total and individual shareholder's equity components of the previous reporting period.

### Impact on valuation of balance sheet positions

There were no changes for the measurement of balance sheet positions.

### Changes in accounting principles

Accounting principles are omitted or have been streamlined, when these principles were related to the private banking business and have no relevance for the current or future business activities of Valartis Group.

The significant changes in the structure of the income statement are as follows:

- The previous Commission income has been renamed Income from management services. Income from management services consists of fees for the management of real estate property of third parties and for real estate project management, as well as revenues from financial services.
- Income from investment property as well as the Share of results of associated companies is reported as a separate line in the income statement and not anymore as part of the Other ordinary income.
- Previously reported Gross profit or Gross loss are named Earnings before depreciation, value adjustments, provisions, interest and taxes.
- The subtotal Earnings before interest and taxes (EBIT) has been newly added. This new subtotal is intended to make it easier for the financial report reader, to assess the results of Valartis Group before interest and taxes.
- Financial income and financial expense are now disclosed after EBIT and not anymore as Income from interest and dividends as one of the main components of the Operating income from banking business. Income from trading was disclosed separately and is now part of Finance income or Finance expenses.

## New structure of income statement

in CHF 1,000	1.1.–30.6.2016 new structure	Reclassification	1.1.–30.6.2016 previous structure
Interest and dividend income		702	-702
Income from commission and service fees		-1,603	1,603
Income from trading		-3,305	3,305
Other ordinary income		14	-14
Income from management services	1,603	1,603	
Income from investment property, net	1,767	1,767	
Share of results of associated companies	-675	-675	
Other ordinary income	-563	-563	
<b>Total operating income</b>	<b>2,132</b>		<b>4,192</b>
Personnel expense	-4,576		-4,576
General expense	-5,900	322	-6,222
<b>Administrative expense</b>	<b>-10,476</b>		<b>-10,798</b>
<b>Earnings before depreciation, valuation adjustments, provisions, interests and taxes (before: "Gross profit/(loss)")</b>	<b>-8,344</b>		<b>-6,606</b>
Depreciation/amortisation of property, plant and equipment and intangible assets	-41		-41
Valuation adjustments, provisions and losses	-205		-205
<b>Earnings before interest and taxes (EBIT)</b>	<b>-8,590</b>		
Financial income	4,301	4,301	
Financial expenses	-2,563	-2,563	
<b>Net loss from continued operations before taxes</b>	<b>-6,852</b>		<b>-6,852</b>
Income taxes	82		82
<b>Net loss from continued operations</b>	<b>-6,770</b>		<b>-6,770</b>
Net loss from discontinued operations after taxes	-39,749		-39,749
<b>Net loss</b>	<b>-46,519</b>	<b>0</b>	<b>-46,519</b>
Net loss attributable to shareholders of Valartis Group AG	-49,376		-49,376
Net gain attributable to non-controlling interests	2,857		2,857

The structure of the balance sheet was essentially changed in the following way:

- Classification is made for current and non-current balance sheet items and not anymore based on liquidity. For current and non-current assets as well as for liabilities, new subtotals are disclosed.
- The previous positions Cash balance and Due from banks have been combined and are disclosed as Cash and cash equivalents.
- Other assets were split into Non-current receivables and Assets under development, which includes a real estate development project of the group company ENR Russia Invest SA (ENR).

- The previous positions Due to banks and Other short-term financial liabilities are combined and reported as Current financial liabilities.
- The previous position Other liabilities is split into Trade payables, Other current liabilities, Non-current financial liabilities and Defined benefit obligations.

Balance sheet total is substantially lower after the sale of the banking business 2016 and the composition of assets and liabilities has changed significantly. The new structure is intended to enable a better understanding for the financial report reader regarding classification and content of the assets and liabilities of Valartis Group following the sale of said banking business.

### New structure of balance sheet

in CHF 1,000	31.12.2016 new structure	Reclassification	31.12.2016 previous structure
Due from banks		-24,639	24,639
Cash and cash equivalents	24,640	24,639	1
Trading portfolio assets	31,052		31,052
Derivative financial instruments	204		204
Other financial assets at fair value	462		462
Due from third parties	29,273	11,277	17,996
Accrued and deferred assets	2,787		2,787
Assets under development	5,868	5,868	
<b>Total current assets</b>	<b>94,286</b>		
Financial assets available for sale	19,458		19,458
Property, plant and equipment	292		292
Investment property	35,643		35,643
Goodwill and other intangible assets	2,292		2,292
Associated companies	17,054		17,054
Non-current receivables	7,827	7,827	
Other assets		-24,972	24,972
Deferred tax assets	536		536
<b>Total non-current assets</b>	<b>83,101</b>		
	<b>177,388</b>	<b>0</b>	<b>177,388</b>
Assets classified as held for sale	11,274	0	11,274
<b>Total assets</b>	<b>188,662</b>	<b>0</b>	<b>188,662</b>

### New structure of balance sheet (continued)

in CHF 1,000	31.12.2016 new structure	Reclassification	31.12.2016 previous structure
Trade payables	1,974	1,974	
Due to banks		-32,004	32,004
Current financial liabilities	39,159	32,004	7,155
Derivative financial instruments	1,838		1,838
Current income taxes	636		636
Accrued and deferred liabilities			5,331
Other current liabilities	7,756	2,425	
Current provisions	173	173	
<b>Total current liabilities</b>	<b>51,536</b>		
Other liabilities		-8,955	8,955
Non-current financial liabilities	2,308	2,308	
Defined benefit obligations	2,248	2,248	
Deferred tax liabilities	1,161		1,161
Non-current provisions	558	558	
Provisions		-731	731
<b>Total non-current liabilities</b>	<b>6,275</b>		
	<b>57,811</b>	<b>0</b>	<b>57,811</b>
<b>Liabilities directly associated with assets classified as held for sale</b>	<b>0</b>		<b>0</b>
<b>Total liabilities</b>	<b>57,811</b>	<b>0</b>	<b>57,811</b>
<b>Shareholders' equity of the shareholders of Valartis Group AG</b>	<b>112,376</b>	<b>0</b>	<b>112,376</b>
Non-controlling interests	18,475	0	18,475
<b>Total shareholders' equity (including non-controlling interests)</b>	<b>130,851</b>	<b>0</b>	<b>130,851</b>
<b>Total liabilities and shareholders' equity</b>	<b>188,662</b>	<b>0</b>	<b>188,662</b>

The cash flow statement has been adapted primarily in the following points.

- Cash flows from financial instruments (Trading portfolio assets, Financial assets available for sale, Other financial assets at fair value etc.) will not anymore be represented in the section of net change in assets/liabilities of the banking business but as cash flow from investment activities.

- The previous positions Due from/to banks, Due from/to clients and Other assets/liabilities are no longer required (banking business).
- The names of the various positions have been adapted to the changed terms of the balance sheet and the income statement.

### New structure of cash flow statement

in CHF 1,000	30.6.2016 new structure	Reclassification	30.6.2016 previous structure
<b>Net loss after tax</b>	<b>-46,519</b>	<b>3,685</b>	<b>-50,204</b>
Various non-cash income and expenses	41,918		41,918
Net financial (income)/expenses <sup>1)</sup> / income from financial Instruments <sup>2)</sup>	-9,407	-10,295	888
Income taxes <sup>1)</sup> /change in deferred taxes <sup>2)</sup>	-3,685	-9,542	5,857
Other non-cash income and expenses	1,477	1,477	
<b>Operating cash flow before changes in working capital &amp; taxes</b>	<b>-16,216</b>	<b>-14,675</b>	<b>-1,541</b>
Trading portfolio assets (incl. derivative financial instruments)		8,786	-8,786
Financial assets available for sale		-171,680	171,680
From/due to clients		328,691	-328,691
From/due to banks		223,520	-223,520
Other assets/other liabilities		-1,520	1,520
Due from third parties	-215,188	-215,188	
Accrued and deferred assets	863		863
Accounts payables	1,780	1,780	
Other current liabilities	-2,406	3,014	-5,420
Taxes paid	-1,028		-1,028
<b>Cash flow from operating activities</b>	<b>-232,195</b>	<b>162,728</b>	<b>-394,923</b>
Trading portfolio assets (incl. derivative financial instruments)	-5,623	-5,623	
Other financial assets at fair value including available for sale	172,013	172,013	
Financial assets held to maturity	145,641	224	145,417
Non-current receivables	4,050	4,050	
Interest and dividends received	4,806	4,806	
Purchase/sale of property, plant and equipment, investment property and intangible assets	20,461		20,461
Acquisition/sale of subsidiaries	1,959		1,959
<b>Cash flow from investment activities</b>	<b>343,307</b>	<b>175,470</b>	<b>167,837</b>
Proceeds from/(repayments of) current financial liabilities	-349,542	-349,542	
Proceeds from/(repayments of) non-current financial liabilities	13,347	13,347	
Interest paid	-2,003	-2,003	
Change in treasury shares	133		133
<b>Cash flow from financing activities</b>	<b>-338,065</b>	<b>-338,198</b>	<b>133</b>
Effect of foreign exchange translation differences	1,211	0	1,211
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>-225,742</b>	<b>0</b>	<b>-225,742</b>

1) New name of position 2) Prior name of position

## CHANGE IN THE SCOPE OF CONSOLIDATION

### Changes in the current period of review

On 2 January 2017, closing took place on the sale of the share held by Valartis (Austria) GmbH in the associated company, "Gebäudebesitz Rathausstrasse 20 GmbH" (RHS GmbH). During divestment of the Valartis Bank (Austria) AG banking business, the former Valartis Bank (Austria) AG's property in Vienna was sold to a joint venture set up with Wiener Privatbank SE. Valartis Group held 49.9 per cent of RHS GmbH. On 16 December 2016, a sales contract governing the sale of shares held by Valartis Group in RHS GmbH to a third party was signed with the planned closing in January 2017.

### Changes in prior period of review

On 1 April 2016, the holding in Valartis Asset Management (Austria) Kapitalanlagegesellschaft m.b.H was sold to Wiener Privatbank SE (see Note 23 Sale of subsidiaries and discontinued operations).

On 1 April 2016, Valartis Bank (Austria) AG's banking business was divested to Wiener Privatbank SE within the framework of an asset deal (see Note 23 Sale of subsidiaries and discontinued operations).

On 20 September 2016, the holding in Valartis Bank (Liechtenstein) AG was sold. This disposal had no impact on the consolidated income statement of the prior period under review but on the consolidated statement of financial position as per 31 December 2016.

## DISCONTINUED OPERATIONS

At the beginning of April 2017, a share purchase agreement (SPA) has been signed governing divestment of the minority holding in Darsi Group. The final closing has not yet taken place as at 30 June 2017. Results for the associated company, Darsi Group, are therefore reported under discontinued operations in this half-year report (and in the 2016 annual report).

In the previous reporting period, in addition to results from Darsi Group the divested private banking businesses in Austria (sold on 1 April 2016) and in Liechtenstein (sold on 20 September 2016) are reported under discontinued operations (see Note 23).

## ESTIMATES, ASSUMPTIONS, AND EXERCISE OF DISCRETION BY MANAGEMENT

No material changes.

## APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The half-year report was approved by the Board of Directors on 24 August 2017.

# NOTES TO THE CONSOLIDATED INCOME STATEMENT

## 1. INCOME FROM MANAGEMENT SERVICES

in CHF 1,000	1.1.-30.6.2017	1.1.-30.6.2016
Revenue from management services	1,944	1,603
<b>Revenue from management services</b>	<b>1,944</b>	<b>1,603</b>

Revenue from management services consists of fees for the development and management of real estate portfolios, management fees for administration and accounting services and fees

for investment advisory services from investment funds distributed abroad.

## 2. INCOME FROM INVESTMENT PROPERTY

in CHF 1,000	1.1.-30.6.2017	1.1.-30.6.2016
Gross rental income	3,360	3,517
Land lease expense	-110	-91
Property operating expense	-497	-400
Property tax and non-recoverable VAT	-230	-320
<b>Net rental income from real estate</b>	<b>2,522</b>	<b>2,705</b>
<b>Net result from fair value adjustment and foreign currency for investment property</b>	<b>-1,172</b>	<b>-938</b>
<b>Total income from investment property</b>	<b>1,350</b>	<b>1,767</b>
<i>Income from fair value adjustment and foreign currency effects on investment property</i>		
Fair value adjustment on investment property including effects from foreign currency translation	-893	-3,891
Fair value adjustment on embedded derivatives (asset)	-967	-1,635
Subtotal	-1,860	-5,526
Result from foreign exchange translation on banking loan for investment property	688	4,588
Subtotal	688	4,588
<b>Net result from fair value adjustment and foreign currency effect on investment property</b>	<b>-1,172</b>	<b>-938</b>

For more details on the investment property Petrovsky Fort, please see note 15.



### 3. SHARE OF RESULTS OF ASSOCIATED COMPANIES

#### Associated companies

in CHF 1,000	30.6.2017	31.12.2016
Position at 1 January	17,054	37,125
Additions <sup>1)</sup>		2,189
Re-classification to discontinued operations (see Note 21)		-22,950
Share in net profit	140	690
<b>Position at 30 June / 31 December</b>	<b>17,194</b>	<b>17,054</b>
of which Norinvest Group	17,080	16,940
of which others	114	114
	1.1.-30.6.2017	1.1.-30.6.2016
Share in net profit/(loss)	140	-675
<b>Result from associated companies (continued operations)</b>	<b>140</b>	<b>-675</b>

1) Additions to associated companies in the previous year refers to the banking real estate sold by Valartis Bank (Austria) AG to the associated company, Gebäudebesitz Rathausstrasse 20 GmbH.

### 4. OTHER ORDINARY INCOME

in CHF 1,000	1.1.-30.6.2017	1.1.-30.6.2016
Income from the sale of financial assets available for sale	562	
Other income	492	
Other expenses	-44	-563
<b>Total other ordinary income</b>	<b>1,010</b>	<b>-563</b>
Details of income from financial assets available for sale		
Sale of equity instruments	562	
Interest income on financial investments available for sale		
Dividend income on financial investments available for sale		
<b>Income from the sale of financial assets available for sale</b>	<b>562</b>	<b>0</b>

In Other income, a compensation from a legal dispute is included.

## 5. PERSONNEL EXPENSE

in CHF 1,000	1.1.-30.6.2017	1.1.-30.6.2016
Salaries and bonuses	-2,689	-3,063
Social security benefits	-378	-390
Contributions to occupational pension plans	-181	-587
Share-based payments	-19	-91
Other personnel expense	-120	-445
<b>Total</b>	<b>-3,387</b>	<b>-4,576</b>

Personnel expense is significantly lower due to the reduction of staff level.

## 6. GENERAL EXPENSE

in CHF 1,000	1.1.-30.6.2017	1.1.-30.6.2016
Occupancy expense	-814	-793
IT and information expense	-196	-239
Consultancy/audit expenses and public relations	-1,311	-4,628
Other general expense	-246	-240
<b>Total</b>	<b>-2,567</b>	<b>-5,900</b>

General expense was down by 56 per cent to CHF 2.6 Mio. (30.6.2016: CHF 5.9 Mio.) primarily due to the reduction in consultancy costs.

## 7. DEPRECIATION AND AMORTISATION OF PROPERTY, PLANT AND EQUIPEMENT AND INTANGIBLE ASSETS

in CHF 1,000	1.1.-30.6.2017	1.1.-30.6.2016
Depreciation of property, plant and equipment	-46	-41
<b>Total</b>	<b>-46</b>	<b>-41</b>

## 8. VALUATION ADJUSTMENTS, PROVISIONS AND LOSSES

in CHF 1,000	1.1.-30.6.2017	1.1.-30.6.2016
Other impairments	-288	0
Losses	0	-22
Change in provisions	0	-183
<b>Total</b>	<b>-288</b>	<b>-205</b>

An impairment of CHF 0.3 m has been booked on receivables from clients.

## 9. FINANCIAL RESULT

in CHF 1,000	1.1.-30.6.2017	1.1.-30.6.2016
Interest and dividend income from the trading portfolio	634	507
Other interest income third parties	18	429
<b>Total interest income</b>	<b>652</b>	<b>936</b>
Net gain on:		
Held for trading instruments	0	3,365
Fair value through profit or loss instruments, designated	0	0
<b>Total financial income</b>	<b>652</b>	<b>4,301</b>
Other interest expense	-2	-4
Interest expenses for financial liabilities	-939	-2,499
<b>Total interest expense</b>	<b>-941</b>	<b>-2,503</b>
Net losses on:		
Held for trading instruments	-2,120	0
Fair value through profit or loss instruments, designated	-235	-60
<b>Total financial expenses</b>	<b>-3,296</b>	<b>-2,563</b>
<b>Total financial result, net</b>	<b>-2,644</b>	<b>1,738</b>

Interest expense in the amount of TCHF -941 is significantly lower than the previous period (TCHF -2,503) due to the repayment of a financial liability in October 2016.

## 10. INCOME TAXES

in CHF 1,000	1.1.-30.6.2017	1.1.-30.6.2016
Current income taxes	-71	-39
Change in deferred taxes	-491	3,724
<b>Total</b>	<b>-562</b>	<b>3,685</b>
Income tax as disclosed in the consolidated income statement	-26	82
Income tax attributable to discontinued operations	-536	3,603
	<b>-562</b>	<b>3,685</b>

# NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## 11. TRADING PORTFOLIO ASSETS

in CHF 1,000	30.6.2017	31.12.2016
Debt instruments	26,874	23,301
Equity instruments	6,880	7,295
Investment fund units	183	456
<b>Total trading portfolio assets</b>	<b>33,937</b>	<b>31,052</b>

Trading portfolio assets comprise of debt and equity securities of Russian based companies, held in the portfolio of the group company ENR Russia Invest SA.

## 12. DUE FROM THIRD PARTIES

in CHF 1,000	30.6.2017	31.12.2016
Due from third parties	17,894	17,996
Escrow accounts	4,108	11,277
<b>Total due from third parties</b>	<b>22,002</b>	<b>29,273</b>

Due from third parties includes loans and receivables from the associated company Darsi Group and an escrow receivable,

stemming from the sale of the shares in the Liechtenstein-based Valartis Bank. The escrow account is due in December 2017.

## 13. ASSETS UNDER DEVELOPMENT

in CHF 1,000	30.6.2017	31.12.2016
Assets under development	5,676	5,868
<b>Total assets under development</b>	<b>5,676</b>	<b>5,868</b>

ENR Russia Invest Group (ENR) is participating in a residential real estate development project comprising of free standing multi-story apartment buildings in the agglomeration of Moscow. At 30 June 2017 ENR had invested CHF 5.7 m in accordance with contractual commitments (31 December 2016: CHF 5.9 m). ENR will obtain ownership of apartments in these multi-story apartment buildings once construction is completed and will sell them afterwards. The construction was temporarily halted during 2016 to obtain a final construction agreement with the local

city building authority. End of 2016, new approvals and permits were granted. Based on the investment contract and by means of tranche based payments, ENR is to invest approximately RUB 615 m (CHF 10.0 m based on the exchange rate at 30 June 2017).

No impairment was required as of 30 June 2017.

## 14. FINANCIAL ASSETS AVAILABLE FOR SALE

in CHF 1,000	30.6.2017	31.12.2016
Equity instruments	20,961	19,458
<b>Total financial assets available for sale</b>	<b>20,961</b>	<b>19,458</b>

Financial assets available for sale at 30 June 2017 mainly comprise the holding in Athris Holding AG (same as per 31 December 2016).

## 15. INVESTMENT PROPERTY

in CHF 1,000	Investment property building	Embedded derivatives	Investment property financial leasing	Total
Carrying amount at 31 December 2015	28,150	3,547	1,456	33,153
Investments				0
Fair value adjustments including foreign currency effects	-2,543	-2,287		-4,830
Foreign exchange translation differences	6,632	578	343	7,553
<b>Carrying amount at 31 December 2016</b>	<b>32,006</b>	<b>1,838</b>	<b>1,799</b>	<b>35,643</b>
Carrying amount at 31 December 2016	32,006	1,838	1,799	35,643
Investments				0
Fair value adjustments including foreign currency effects	-893	-967		-1,860
Foreign exchange translation differences	-1,004	-9	-60	-1,073
<b>Carrying amount at 30 June 2017</b>	<b>30,109</b>	<b>862</b>	<b>1,739</b>	<b>32,710</b>

### Valuation

ENR Group holds the business centre real estate Petrovsky Fort in St. Petersburg, Russia. Rental incomes of the investment property are contractually linked to USD/Rouble rates. The translation to functional currency results in a significant impact on the fair value of the investment property. The fair value is appraised by an independent expert yearly. At year-end 2016 an independent third party valuator performed a valuation. For the half-year valuation a discounted cash flow method was used to verify the value of the investment property. The discounted cash flow calculation supported the USD fair value of the investment property. The fair value adjustments as disclosed in the table are caused by the translation of the USD-valued investment property into the Rouble-based balance sheet of the company and by the fair value change of the embedded derivatives. Based on the input parameters of the valuation method used, the measurement of fair value is categorised under level 3.

### Embedded derivatives

The majority of the rental contracts for Petrovsky Fort are linked to the USD/Rouble rate. They contain a corridor for the USD/Rouble rate which governs the level of rents, which are paid in Roubles. The inherent put and call options on the purchase and sale of foreign currency are classified as embedded derivatives because the USD is not the functional currency of the Petrovsky Fort LLC company, or for the tenants. The anticipated income used to value the real estate income does not include the effects of these embedded derivatives, which is why they are incorporated as separate components in the overall value of the real estate. At the same time, the derivatives are reported as a derivative financial instrument with negative replacement value on the liabilities side.

## 16. NON-CURRENT RECEIVABLES

in CHF 1,000	30.6.2017	31.12.2016
Tax receivables	1,093	1,413
Other receivables	5,655	6,414
whereof escrow accounts	5,122	5,883
<b>Total non-current receivables</b>	<b>6,748</b>	<b>7,827</b>

Non-current receivables consist mainly of the following: Included in this category is a receivable of CHF 1.7 m (as of 31.12.2016: CHF 2.2 m) due from the purchaser of Valartis Bank AG which constitutes the deferred divestment price. Furthermore, Non-current receivables include the cash-secured escrow account from divestment of Eastern Property Holdings Ltd. in the amount of CHF 3.7 m (31.12.2016: CHF 3.6 m). The receivable of

CHF 1.7 m will be paid in several instalments until 2020. The remaining Eastern Property Holdings Ltd. escrow account refers to a third party. Developments in this position have had no influence on Valartis Group's results since 2015.

## 17. CURRENT LIABILITIES

in CHF 1,000	30.6.2017	31.12.2016
Trade payables	1,387	1,974
<b>Trade payables</b>	<b>1,387</b>	<b>1,974</b>
Due to banks	28,927	32,004
Other current financial liabilities	7,420	7,155
<b>Current financial liabilities</b>	<b>36,347</b>	<b>39,159</b>
<b>Derivative financial instruments</b>	<b>867</b>	<b>1,838</b>
<b>Current income taxes</b>	<b>174</b>	<b>636</b>
Value added tax and other indirect tax liabilities	881	2,425
Accrued and deferred liabilities	3,985	5,331
<b>Total other current liabilities</b>	<b>4,866</b>	<b>7,756</b>
<b>Current provisions</b>	<b>78</b>	<b>173</b>
<b>Total current liabilities</b>	<b>43,719</b>	<b>51,536</b>

The position due to banks includes the loan facility agreement of CHF 21.9 m (31.12.2016: CHF 23.8 m) with UniCredit Bank to finance the investment property Petrovsky Fort of ENR Russia Invest SA. In July 2016, an agreement was reached with UniCredit Bank to facilitate credit clauses for the period from 1 January 2016 to 31 July 2017. In particular, the maximum credit level in relation to the fair value of the real estate was raised from 55 per cent to 85 per cent and net rent income in relation to interest and repayment expenditure must now be at least 100 per cent (previously at least 115 per cent). The clauses in the credit contract relating to the foreign exchange security strategy, the targeted minimum average rent income and stipulations governing the rent income currency had been suspended until

31 July 2017. The credit clauses as per the agreement were fulfilled as of 30 June 2017. However, with the end of the agreement on 31 July 2017, the previous credit clauses would have applied again and could not have been kept. Thus, the bank loan has been classified as current liability as of 30 June 2017.

After the balance sheet date of 30 June 2017, a new agreement for the fulfilment of these credit clauses could be reached and is now valid until 30 July 2018 (see Note 23).

## 18. NON-CURRENT LIABILITIES

in CHF 1,000	30.6.2017	31.12.2016
Other non-current liabilities	220	494
Liabilities from financial leasing	1,752	1,814
<b>Total non-current financial liabilities</b>	<b>1,972</b>	<b>2,308</b>
<b>Defined benefit obligations</b>	<b>2,295</b>	<b>2,248</b>
<b>Deferred tax liabilities</b>	<b>921</b>	<b>1,161</b>
<b>Non-current provisions</b>	<b>540</b>	<b>558</b>
<b>Total non-current liabilities</b>	<b>5,728</b>	<b>6,275</b>

## 19. SHARE CAPITAL

in CHF	30.6.2017	31.12.2016
Share capital, fully paid-in	5,000,000	5,000,000
Number of registered shares <sup>1)</sup>	5,000,000	5,000,000
Nominal value per share	1	1
Equity per share (attributable to shareholders of Valartis Group AG, before appropriation of profit)	24.3	23.7

1) In May 2017, the bearer shares were converted into registered shares.

For the business year 2016, a dividend of TCHF 948, i.e. CHF 0.20 per share, was paid to the shareholders on 22 May 2017.

## 20. TREASURY SHARES

	Number of shares
<b>Position at 1 January 2016</b>	<b>283,158</b>
Purchases	0
Sales (at an average price of CHF 7.11 with a historical average price of CHF 21.65 each)	-18,670
<b>Position at 30 June 2016</b>	<b>264,488</b>
Purchases	0
Sales	0
<b>Position at 31 December 2016</b>	<b>264,488</b>
Purchases (at an average price of CHF 8.85 each)	32,721
Sales (at an average price of CHF 7.90 with a historical average price of CHF 21.65 each)	-15,102
<b>Position at 30 June 2017</b>	<b>282,107</b>
Historical cost value in TCHF	5,690
Historical average rate in CHF	20.17

## 21. FAIR VALUE

### Determination of fair value

Valartis Group measures part of the financial instruments and the financial liabilities as well as individual non-financial assets at fair value at each balance sheet date. Fair value is defined as being the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an orderly arm's length transaction.

The fair values are used either to determine the carrying amount or for the disclosure in the notes. All assets and liabilities, which are reported at fair value or for which the fair value is disclosed in

the notes, are categorised within the fair value hierarchy which is described in the accounting principles.

The categorisation of the financial instruments and financial liabilities in the described fair value hierarchy is shown in the tables on the next pages. In the case of non-financial assets that are recorded at fair value or for which a fair value must be disclosed, the information on the determination of the fair value and the categorisation level can be found in the corresponding notes.

### Fair Value of financial instruments

in CHF 1,000	30.6.2017			31.12.2016		
	Book value	Fair value	Deviation	Book value	Fair value	Deviation
<b>Assets</b>						
Cash and cash equivalents	25,321	25,321		24,640	24,640	
Due from third parties	22,002	22,002		17,996	17,996	
Accrued and deferred assets	2,819	2,819		2,787	2,787	
Non-current receivables	6,748	6,748		7,827	7,827	
<b>Financial assets at amortised costs</b>	<b>56,890</b>	<b>56,890</b>	<b>0</b>	<b>53,250</b>	<b>53,250</b>	<b>0</b>
Trading portfolio assets	33,937	33,937		31,052	31,052	
Derivative financial instruments	0	0		204	204	
Financial assets available for sale	20,961	20,961		19,458	19,458	
Other financial assets at fair value	438	438		462	462	
<b>Financial assets at fair value</b>	<b>55,336</b>	<b>55,336</b>	<b>0</b>	<b>51,176</b>	<b>51,176</b>	<b>0</b>
<b>Liabilities</b>						
Trade payables	1,387	1,387		1,974	1,974	
Current financial liabilities	36,347	36,347		39,159	39,159	
Current income taxes	174	174		636	636	
Other current liabilities	4,866	4,866		7,756	7,756	
Non-current financial liabilities	1,972	1,972		2,308	2,308	
<b>Financial liabilities at amortised costs</b>	<b>44,746</b>	<b>44,746</b>	<b>0</b>	<b>51,833</b>	<b>51,833</b>	<b>0</b>
Derivative financial instruments	867	867		1,838	1,838	
<b>Financial liabilities at fair value</b>	<b>867</b>	<b>867</b>	<b>0</b>	<b>1,838</b>	<b>1,838</b>	<b>0</b>



<b>2017</b> in CHF 1,000		Valuation method based on market data (level 2)	Valuation method not based on market data (level 3)	30.6.2017
	Quoted market prices (level 1)			
<b>Assets</b>				
Trading portfolio assets	28,920	11	5,006	33,937
Financial assets available for sale			20,961	20,961
Derivative financial instruments				0
Other financial assets at fair value			438	438
Investment property			31,848	31,848
Embedded derivatives on investment property			862	862
Total investment property			32,710	32,710
<b>Assets at fair value</b>	<b>28,920</b>	<b>11</b>	<b>59,115</b>	<b>88,046</b>
<b>Liabilities</b>				
Derivative financial instruments	5		862	867
<b>Total financial liabilities at fair value</b>	<b>5</b>	<b>0</b>	<b>862</b>	<b>867</b>

In the event of changes in the availability of market prices and/or market liquidity, reclassifications are made at the end of the period under review. In the current period under review, no positions were reclassified.

<b>2016</b> in CHF 1,000		Valuation method based on market data (level 2)	Valuation method not based on market data (level 3)	31.12.2016
	Quoted market prices (level 1)			
<b>Assets</b>				
Trading portfolio assets	25,679	234	5,139	31,052
Derivative financial instruments		204		204
Financial assets available for sale			19,458	19,458
Other financial assets at fair value			462	462
Investment property			33,805	33,805
Embedded derivatives on investment property			1,838	1,838
Total investment property			35,643	35,643
<b>Assets at fair value</b>	<b>25,679</b>	<b>438</b>	<b>60,702</b>	<b>86,819</b>
<b>Liabilities</b>				
Derivative financial instruments			1,838	1,838
<b>Total financial liabilities at fair value</b>	<b>0</b>	<b>0</b>	<b>1,838</b>	<b>1,838</b>

### Movements of level-3 positions

2017 in CHF 1,000	1.1.2017	Recognised in the income statement <sup>1)</sup>	Net income recognised in shareholders' equity <sup>2)</sup>	Transfer from level 1 and level 2	Purchase	Sales	30.6.2017
Trading portfolio assets	5,139	-133					5,006
Financial assets available for sale	19,458	562	1,655			-714	20,961
Other financial assets at fair value	462		-24				438
Investment property (excl. embedded derivatives)	33,805	-893	-1,064				31,848
Embedded derivatives on investment property	1,838	-967	-9				862
<b>Total assets at fair value (level 3)</b>	<b>60,702</b>	<b>-1,431</b>	<b>558</b>	<b>0</b>	<b>0</b>	<b>-714</b>	<b>59,115</b>
Derivative financial instruments	1,838	-967	-9				862
<b>Total financial liabilities at fair value (level 3)</b>	<b>1,838</b>	<b>-967</b>	<b>-9</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>862</b>
<hr/>							
2016 in CHF 1,000	1.1.2016	Recognised in the income statement <sup>1)</sup>	Net income recognised in shareholders' equity <sup>2)</sup>	Transfer from level 1 and level 2	Purchase	Sales	31.12.2016
Trading portfolio assets	5,579	-440					5,139
Financial assets available for sale continued operations	21,128		-1,670				19,458
Other financial assets at fair value	2,063		-834			-767	462
Investment property (excl. embedded derivatives)	29,606	-2,543	6,975			-233	33,805
Embedded derivatives on investment property	3,547	-2,287	578				1,838
<b>Total assets at fair value (level 3)</b>	<b>61,923</b>	<b>-5,270</b>	<b>5,049</b>	<b>0</b>	<b>0</b>	<b>-1,000</b>	<b>60,702</b>
Derivative financial instruments	3,547	-2,287	578				1,838
<b>Total financial liabilities at fair value (level 3)</b>	<b>3,547</b>	<b>-2,287</b>	<b>578</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,838</b>

1) The unrealised trading loss recorded in the income statement for the trading portfolio held at year-end amounts to TCHF -427 (previous year TCHF -600) and the unrealised loss of other financial assets at fair value to TCHF -1,424 (previous year: TCHF -5,150).

2) The unrealised gain on financial assets available for sale held at year-end recorded in shareholders equity amounts to TCHF -1,670 (previous year's unrealised gain TCHF 344).

### Unobservable inputs

To evaluate the trading portfolio and financial investments held as “available for sale” under level 3, year-end closing documents for the individual titles and individual transactions which are observable on the markets are used.

As at balance sheet date, financial instruments classified as “Available for sale” mainly comprise the holding in Athris Holding AG, whose shares are traded sporadically on the OTC platform of Berner Kantonalbank (book value as at 30 June 2017: CHF 20.9 m; 31 December 2016: CHF 19.3 m).

Trading in these shares is not liquid. The company is dominated by a majority shareholder and makes financial information on the previous financial year available to shareholders on an annual basis, in the second quarter of the year.

Trading prices show a markdown against the company’s disclosed equity capital. This markdown is generally within a range of between 10 to 15 per cent, which is not unusual for minority holdings of this type. The fair value on Athris shares on the balance sheet date, 30 June 2017, (same procedure as the previous period) is based on the trading prices on the OTC platform and includes the assumption that the markdown against the company’s equity capital value is within the above-mentioned range. Following presentation of the financial information, back testing

is carried out as to whether these valuation assumptions remain correct. Should the markdown rise significantly, the evaluation approach for the following year would be adjusted. An increase, or decrease of the markdown of 5 per cent, would lead to value adjustments of around +/- CHF 1.3 m (previous period: +/- CHF 1.2 m) on the Athris holding which is posted as a financial instrument held as Available for Sale.

The contingent residual purchase price payment from the sale of Eastern Property Holdings Ltd. (EPH) amounting to TCHF 373 (previous year: TCHF 398) is recognised as other financial assets at fair value under level 3. The amount of this contingent residual purchase price payment is dependent on the successful completion and sale of a real estate project. Evaluation of the contingent residual purchase price payment is based on an estimate of the real estate project by an external, independent specialist and an additional estimate by management.

An increase (or a decrease) of one per cent in the value of the underlying assets would lead to a rise (or a decline) in the contingent residual purchase price payment of TCHF 3 (previous period +/- TCHF 3).

Significant, unobservable inputs in the evaluation of the investment property Petrovsky Fort	30.6.2017	31.12.2016
Fair value of Petrovsky Fort (property)		
in TUSD	31,410	31,410
in TCHF	30,109	32,006
Capitalisation rate for income capitalisation	n/a	12.5%
Discount rate for discounted cash flow	14.0%	n/a
Embedded derivatives on investment property; Black-Scholes		
Fair value of embedded derivatives in kCHF	862	1,838
Range of USD/Ruble exchange rate corridor in lease contracts	USD/Rouble 53.18–64.99	USD/Rouble 54.59–66.72

### Investment property

For the half-year valuation, a discounted cash flow method was used to verify the value of the investment property, while for year-end an independent third party valuator performed a valuation. The discounted cash flow requires an estimate of the future cash benefits (taking into account factors such as leasing rates including lease incentives, vacancy rates and refurbishment costs) and the application of return requirements, a discount rate and a potential future exit value. The discounted cash flow calculation supports the current fair value of USD 31.4 m for the investment property (31 December 2016: USD 31.4 m).

### Embedded derivatives

Evaluation of embedded derivatives (see description in Note 15) is based on the Black-Scholes model. A rise, or decrease of around 10 per cent in the USD/Rouble corridor in the rent contracts would result in a change in value of CHF 0.2 m (Roubles 14.5 m) (previous year: CHF 0.5 m or Roubles 27.7 m).

## ADDITIONAL INFORMATION

### 22. BUSINESS SEGMENTS

As of 31 December 2016, Group external segment reporting is based on internal reporting to the executive decision-making body, which is responsible for allocating resources and assesses the financial performance of the business. Executive Management has been identified as the executive decision-making body, as they are responsible for the implementation of the overall strategy and the operational management. Valartis Executive Management comprises the Delegate of the Board of Directors (CEO) and the Chief Financial Officer.

Segment reporting takes place in accordance with IFRS 8.31 ff. (one single reportable segment); for evaluation, the same principles apply as for the consolidated financial statements. The following information on geographic areas is listed in accordance with the domicile of the reporting component. This geographic information does not reflect the management structure of the Group.

in CHF 1,000	30.6.2017			30.6.2016		
	Domestic	Non-domestic	Total	Domestic	Non-domestic	Total
Operating income						
1.1.-30.6.2017 / 2016	1,049	3,395	4,444	-631	2,763	2,132
Total assets 30.6.2017 / 31.12.2016	56,269	114,051	170,320	60,083	117,305	177,388

### 23. SALE OF SUBSIDIARIES AND DISCONTINUED OPERATIONS

#### Divestments 2017

On 1 April 2016, the former Valartis Bank (Austria) AG's property was sold to Gebäudebesitz Rathausstrasse 20 GmbH (RHS GmbH), a joint venture set up with Wiener Privatbank SE,

with the aim of selling the property to a third party. Valartis held 49.9 per cent and Wiener Privatbank SE held 51.1 per cent. On 2 January 2017, the shares in the RHS GmbH held by Valartis were then sold to a third party.

#### Sale of associated company Gebäudebesitz Rathausstrasse 20 GmbH, Vienna

in CHF 1,000	2.1.2017
<b>Disposal of net assets</b>	-
<b>Sales price</b>	<b>5,183</b>
<b>Gain from sale of subsidiary before currency translation differences and income tax</b>	<b>5,183</b>
Transfer of cumulated foreign currency translation difference from equity to income statement	-
Income tax on sale	-538
<b>Gain from sale of associated company</b>	<b>4,645</b>
Sales price received in cash and cash equivalents	5,183
<b>Net inflow of funds</b>	<b>5,183</b>

### Divestments first semester 2016

In first semester 2016, the banking business of Valartis Bank (Austria) AG was sold. The components of the divestments are disclosed in the tables below.

### Sale of shares Valartis Asset Management Kapitalanlagegesellschaft m.b.H.

in CHF 1,000	1.4.2016
Balance sheet at closing date	Valartis Asset Management Kapitalanlagegesellschaft m.b.H.
<b>Assets</b>	
Cash and due from banks	773
Financial assets available for sale	2,342
Accrued and deferred assets including other assets	90
<b>Liabilities</b>	
Accrued and deferred liabilities including other liabilities	-93
Provisions	-131
<b>Disposal of net assets</b>	<b>2,982</b>
<b>Sales price in cash and cash equivalents</b>	<b>2,733</b>
<b>Loss from sale of subsidiary before currency translation differences</b>	<b>-249</b>
Transfer of cumulated foreign currency translation difference since 2008 from equity of Valartis Group to income statement	-1,130
<b>Loss from sale of subsidiary</b>	<b>-1,379</b>
Sales price received in cash and cash equivalents	2,733
Cash and cash equivalents disposed of	-773
<b>Net inflow of funds</b>	<b>1,960</b>

### Sale of banking operation and real estate of Valartis Bank (Austria) AG

in CHF 1,000			1.4.2016
Balance sheet at closing date	Sale of assets/liabilities banking business	Sale of real estate	Total
<b>Assets</b>			
Cash and due from banks	168,510		
Due from clients	10,772		
Financial assets available for sale	142,552		
Property, plant and equipment	277	17,450	
Accrued and deferred assets including other assets	3,659		
<b>Total assets</b>	<b>325,770</b>	<b>17,450</b>	<b>343,220</b>
Due to banks	6,260		
Due to clients	319,011		
Accrued and deferred liabilities including other liabilities	589		
Provisions	4,060		
<b>Total liabilities</b>	<b>329,920</b>	<b>0</b>	<b>329,920</b>
<b>Net assets/(liabilities) sold</b>	<b>-4,150</b>	<b>17,450</b>	<b>13,300</b>
<b>Sales price</b>			
Payment to acquirer in cash for settlement of liabilities surplus – not affecting income	-2,228		
Payment to acquirer in cash for settlement of liabilities surplus – affecting income	-1,921		
Additional lump sum payment to acquirer for purchase of banking operations	-7,673		
Received from acquirer in cash and cash equivalents		21,922	21,922
<b>Subtotal of payments affecting income/gain from sale of real estate</b>	<b>-9,594</b>	<b>4,472</b>	<b>-5,122</b>
Elimination of not yet realised gain from sale of real estate		-2,188	-2,188
<b>(Loss)/gain from sale 2016 before currency translation difference</b>	<b>-9,594</b>	<b>2,284</b>	<b>-7,310</b>
Transfer of cumulated foreign currency translation difference since 2008 from equity of Valartis Group to income statement			-38,686

## Results from discontinued operations

in CHF 1,000		2017			2016	
<b>Income statement of discontinued operations</b>	<b>Associated companies</b>	<b>Total</b>	<b>BU Austria</b>	<b>BU Liechtenstein</b>	<b>Associated companies</b>	<b>Total</b>
Operating income	4,802	4,802	-5,092	21,043	-772	15,179
Administrative expense		0	-2,368	-16,233	-	-18,601
<b>Gross income</b>	<b>4,802</b>	<b>4,802</b>	<b>-7,460</b>	<b>4,810</b>	<b>-772</b>	<b>-3,422</b>
(Loss) from transfer of cumulated foreign currency translation differences formerly booked in equity		0	-39,817			-39,817
Valuation adjustments, provisions and losses		-		-113		-113
Impairment loss recognised on the revaluation to fair value less costs to disposal		0				-
<b>Net profit/(loss) from discontinued operations before tax</b>	<b>4,802</b>	<b>4,802</b>	<b>-47,277</b>	<b>4,697</b>	<b>-772</b>	<b>-43,352</b>
Income taxes	-536	-536	4,562	-959		3,603
Income tax effects from measurement to fair value less cost to distribute (deferred tax)		0				0
<b>Net profit/(loss) from discontinued operations</b>	<b>4,266</b>	<b>4,266</b>	<b>-42,715</b>	<b>3,738</b>	<b>-772</b>	<b>-39,749</b>
whereof (loss) from transfer of cumulated foreign currency translation differences formerly booked in equity		-	-39,817			-39,817
whereof result of discontinued operations before transfer of cumulated foreign currency differences	4,266	4,266	-2,898	3,738	-772	68
<b>Other comprehensive income of discontinued operations</b>						
Unrealised gains/(losses) from financial assets available for sale		0	6	-107		-101
Foreign exchange translation difference	412	412	39,817	-3		39,814
<b>Total recognised in other comprehensive income</b>	<b>412</b>	<b>412</b>	<b>39,823</b>	<b>-110</b>	<b>0</b>	<b>39,713</b>
<b>Cash flow from discontinued operations</b>						
From operating activities		0	-172,988	-129,219		-302,207
From investment activities	5,184	5,184	15,873	145,316		161,189
From financing activities		0		-33		-33
<b>Net cash flow</b>	<b>5,184</b>	<b>5,184</b>	<b>-157,115</b>	<b>16,064</b>	<b>0</b>	<b>-141,051</b>

Valartis Group acquired Valartis Bank (Austria) AG in December 2008 at the then EUR/CHF exchange rate of 1.49. At the time of divestment of the banking business, translation of the balance sheet position from EUR into the corporate reference currency CHF, as a result of the falling value of the EUR, was posted as a Group-level reduction in equity capital in the currency transla-

tion position. IFRS accounting standards stipulate that these accumulated currency translations must be reposted out of the Group's equity capital, into the profit and loss account, upon divestment. This results in a loss of CHF 39.8 m for Valartis Group as at 30 June 2016. This reposting has no effect on Valartis Group's consolidated equity capital level.

in CHF 1,000	30.6.2017		31.12.2016	
<b>Balance Sheet</b>	<b>Associated companies</b>	<b>Total 2017</b>	<b>Associated companies</b>	<b>Total 2016</b>
Associated companies	11,304	11,304	11,274	11,274
<b>Total assets classified as held for sale</b>	<b>11,304</b>	<b>11,304</b>	<b>11,274</b>	<b>0</b>
Liabilities directly associated with the assets classified as held for sale				
<b>Total liabilities directly associated with the assets classified as held for sale</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net assets/(liabilities)</b>		<b>11,304</b>		<b>11,274</b>

## 24. EVENTS AFTER THE BALANCE SHEET DATE

### Loan to the investment property Petrovsky Fort

The waiver period where UniCredit bank had waived required compliance with certain loan covenants was valid from 1 January 2016 until 31 July 2017 (see Note 17). After the reporting period, UniCredit bank agreed to waive compliance of certain loan covenants until 30 July 2018. According to this agreement, it is not required to hedge the interest rate risk associated with the UniCredit bank loan. At the same time ENR made a voluntary prepayment to reduce the loan principal from USD 22.42 m to USD 15 m. UniCredit bank agreed to reduce the margin on the loan from 6.75 per cent to 5.90 per cent.

### New acquisition

Demand for paid parking increased over the past few years in Moscow. On 6 July 2017 (i.e. after the reporting period), ENR acquired on a cash basis (paid in July 2017) Eastern Property Partners II L.P. who has an effective 50 per cent stake in an operational parking garage in central Moscow. Accounting for this acquisition is expected to be completed during September 2017. Therefore, it is not possible to disclose figures, including the purchase price, according to IFRS 3 Business Combinations at this point in time.



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## Valartis Market Information

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