

HALF-YEAR REPORT **2019**

KEY FIGURES

in CHF 1,000	1.1.–30.06.2019	1.1.–30.06.2018
Total operating income	4,441	7,681
Income from management services	2,309	1,149
Income from investment property	1,906	3,360
Share of results of associated companies	-157	2,883
Other income	383	289
Administrative expenses	-5,404	-5,605
Personnel expenses	-2,746	-2,776
General expenses	-2,658	-2,829
Earnings before depreciation, valuation adjustments, provisions, interest and taxes	-963	2,076
Depreciation, valuation adjustments and provisions	419	2,286
Earnings before interest and taxes (EBIT)	-544	4,362
Finance result, net (financial income, financial expenses, market value adjustments)	3,965	-4,592
Net result from continued operations before taxes	3,421	-230
Income taxes	-86	-211
Net result from continued operations	3,335	-441
Net result from discontinued operations	-49	-
Net result	3,286	-441
attributable to shareholders of Valartis Group AG	2,172	-212
attributable to non-controlling interests	1,114	-229
in CHF 1,000	30.06.2019	31.12.2018
Total assets	168,348	163,978
Current assets	63,707	69,487
Non-current assets	102,028	91,831
Non-current assets classified as held for sale	2,613	2,660
Total liabilities	45,267	39,984
Current liabilities	26,515	22,970
Non-current liabilities	18,752	17,014
Total shareholders' equity (including non-controlling interests)	123,081	123,994
Equity capital quota, in per cent	73.1	75.6
Staff (full-time equivalents, FTE)	55.0	56.0
Closing price of VLRT share, in CHF	10.30	10.30
Equity of Shareholders per share, in CHF	26.80	24.84

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Legal notice

This interim report is for information purposes only. Due to their nature, statements about future developments involve general and specific risks and uncertainties. In this context, it should be noted that forecasts, projections and results described or implied in forward-looking statements are not accurate.

Notes on the figures

The amounts shown in the figures are rounded. The total may therefore differ from the sum of the individual values.

This half-year report is also published in German, whereby the English version is binding. The half-year report 2019 is available online and in a pdf version (<https://www.valartisgroup.ch/en/#geschaeftsberichte>).

MANAGEMENT REPORT

BUSINESS PERFORMANCE AND ECONOMIC SITUATION OF VALARTIS

Business development was generally pleasing in the first half-year of 2019. According to International Financial Reporting Standards (IFRS), Valartis Group reports a net profit for the first half-year of 2019 of CHF 3.3 million (previous year: net loss of CHF 0.4 million). Even though operating business developed in line with planning, the half-year profit is primarily attributable to the recovery of the Russian ruble value. Compared with the 2018 financial year, this currency gained 9 per cent in value. This resulted in reversals of previous year's impairment losses on various long-term investment assets.

With the sale of investments and business activities in previous years, Valartis Group is seeking new, additional investments. In 2017 and 2018, various projects were actively evaluated under the leadership of the Business Development Committee of the Board of Directors, including corresponding due diligence processes. An important aspect of new projects is their ability to increase the Group's operating cash flow. The main sectors of the search are financial services and real estate projects, but also opportunities in other sectors.

As a result from this process, Valartis Group took the first steps in selecting a new investment target in a market which is currently attractive in spite of the risks involved as it is not overpriced: the shipping industry, focusing on multipurpose heavy lift vessels specifically. We are looking for relatively stable investments with long-term fixed rates giving an attractive yield in comparison to other investments. Here, it is decisive for Valartis to partner up in a business endeavour whereby the new partner contributes a long-standing and successful experience in shipping and a certain market dominance in this specific shipping segment and Valartis its international financing and structuring expertise. We have found such a partner and a first low-scale investment in the amount of EUR 1,445 million was made in 2018. As this investment has proven successful during the first semester of 2019, two more smaller EUR investments were made at mid-year, each in the amount of roughly CHF 2.8 million. Thus, current investment in this segment of the shipping industry amounts to approximately CHF 7.2 million.

The 2019 Annual General Meeting of 14 May 2019 authorised the repurchase of up to a maximum of 470,000 shares of Valartis Group's own shares prior to the 2020 Annual General Meeting by way of a public share buyback programme for cancellation purposes. The amendment of the Articles of Association (reduction of share capital, article no. 3) in respect of the actual number of shares repurchased will be submitted to the Annual General Meeting 2020 for approval. As of 30 June 2019, a total volume of 359,000 shares had been purchased in a share buyback at a fixed price for CHF 3.7 million at a purchase price of CHF 10.30 per share (1st stage). The share buyback for the remaining 111,000

shares will be announced later in 2019 (2nd stage) and will be executed before 19 April 2020.

FINANCING SITUATION

The financing situation of Valartis Group remains very stable. Taking into account the basic principle of risk-bearing capacity, return-oriented risk assumption is now the focus of capital management. Group shareholders' equity amounts to CHF 123 million as at 30 June 2019 (31 December 2018: CHF 124 million). This corresponds to an equity ratio, i.e. total equity in per cent of balance sheet total, of 73.1 per cent (31 December 2018: 75.6 per cent) as equity remained stable but balance sheet assets increased. Equity remained relatively stable comparing 30 June 2019 with 31 December 2018 due to two counter-effects: equity increased due to the net profit for the 1st semester 2019; on the other hand, equity decreased due to the purchase of additional treasury shares as per the share buyback programmes.

The 2019 cash flow statement is strongly influenced by financing activities due to the share buyback programmes (- CHF 4.3 million). The investment activities show the additional investments in the shipping industry (acquisition of two additional associated companies) in the amount of CHF 5.6 million and the corresponding divestment of short-term investments to finance these acquisitions in the amount of CHF 6.9 million. Net cash and cash equivalents decreased compared to the previous period from CHF 6.1 million at the end of 2018 to CHF 4.8 million by mid-2019. Trading portfolio assets, held for short-term cash management purposes, amount to CHF 34.9 million (31 December 2018: CHF 40.4 million) after partial divestment as described above.

BUSINESS DEVELOPMENT IN THE FIRST HALF OF 2019

Income statement

IFRS net profit for the first six months of 2019 amounts to CHF 3.3 million compared to the IFRS net loss for 2018 of CHF 0.4 million. The return of volatility on the global financial markets marked the first half of 2019, with increasing international trade barriers, growing geopolitical tensions and the slowdown in the global economy combined with rising inflation expectations leading to greater uncertainty in the markets. Demand for "safe" government bonds grew worldwide. The tightening of monetary policy in the USA contrasts with the continued expansionary monetary policy of the central banks of other industrialized countries. The US government's plans for new tariffs and announced countermeasures by the countries concerned led to significant setbacks in emerging market investments.

Income from Management Services increased from CHF 1.1 million to CHF 2.3 million compared to the previous half-year due to additional special advisory mandates which end in 2019. Income from management services comprises fees for the development and management of real estate projects, management fees for administration and accounting services as well as investment fees for investment funds distributed abroad. Income from investment property 2019 (CHF 1.9 million) is lower than the previous half-year (CHF 3.4 million). Income from investment property includes rental income and, for the previous periods only, the effect of embedded derivatives on the rental contracts. By year-end 2018, it was no longer necessary to recognise embedded derivatives on the balance sheet (as had to be done in prior periods) because the operating lease contracts were renewed and/or newly concluded in Russian ruble (as opposed to US dollar) to align them with the functional currency of the subsidiary holding Petrovsky Fort. In former periods, those lease contracts used to contain a corridor for the USD/ruble rate which governed the level of rents which were paid in ruble. The inherent put and call options on the purchase and sale of foreign currency were classified as embedded derivatives because USD was not the functional currency of the subsidiary or of the tenants (see also Note 15, Investment property, Embedded derivatives). Therefore, income from investment property as of half-year 2019 is lower compared to half-year 2018.

The value of the Valartis stake in Norinvest Holding SA is slightly lower than in the previous period due to a valuation adjustment. Associated companies are accounted for using the equity method. Norinvest Holding SA publishes its financial figures after Valartis Group. Valartis Group estimated the 2018 share in the result of Norinvest Holding SA for the accounting of the associated participation taking into account publicly available information. Differences between the actual results and these estimates are corrected in the Valartis Group's consolidated financial statements for the following year, i.e. 2019. On the other hand, the Valartis stake in Norinvest Holding SA increased from 25 per cent to 25.57 per cent due Norinvest buying back its own shares thus increasing the amount of treasury shares it holds. Other income includes income and expenses from the sale of investments, and from the release of provisions no longer required or other income and expenses from previous periods. At CHF 0.4 million, other results were in line with previous year's figure of CHF 0.3 million.

Operating expenses fell by 3.6 per cent from CHF 5.6 million to CHF 5.4 million compared to the previous period due to further cost-cutting measures. Personnel expenses, the most important cost component, remained stable at CHF 2.7 million. At the end of June 2019, Valartis employed 55 full-time staff (1 person less than at year-end 2018). General expenses fell by 7 per cent from CHF 2.8 million to CHF 2.6 million. Nevertheless, expenses for travel and representation, consulting and auditing as well as other general expenses continue to be significant. Valuation adjustments, provisions and losses – CHF 0.7 million for the half-year 2019 (previous period: CHF 2.3 million) – is due to the Russian

ruble gaining 9 per cent in value compared to 31 December 2018. This resulted in a reversal of a previous year's impairment loss on a long-term investment asset. Net finance result mid-2019 is significantly higher compared to the previous period: it amounts to a net income of CHF 4.0 million as of 30 June 2019, compared to a net loss of CHF 4.6 million as of 30 June 2018. This change, compared to June 2018, is mostly due to the market and currency development for the valuation of the trading portfolio assets and the currency effect of the revaluation of the financing loan for the investment property with the Russian ruble gaining 9 per cent against the Swiss franc and 7 per cent against the US dollar. In the reporting period, there were no major shifts in the currency composition of the income statement compared with the end of 2018.

Balance sheet

Valartis reported equity of CHF 123 million as at 30 June 2019 in accordance with IFRS, roughly the same amount as at 31 December 2018 (CHF 124 million). The balance sheet continues to be very liquid. Over the reporting period, total assets rose slightly by 2.4 per cent to CHF 168 million from CHF 164 million.

EXTRAORDINARY EVENTS

Significant events after the balance sheet date

There were no significant events after the balance sheet date. Events after the balance sheet date are also reported in the Valartis Group's consolidated financial statements, Note 24.

Segment reporting

Valartis Group has only one single segment and reporting is in accordance with IFRS 8 for the single component of the company. See also the note on segment reporting in Note 22.

OUTLOOK

Expected development of Valartis Group

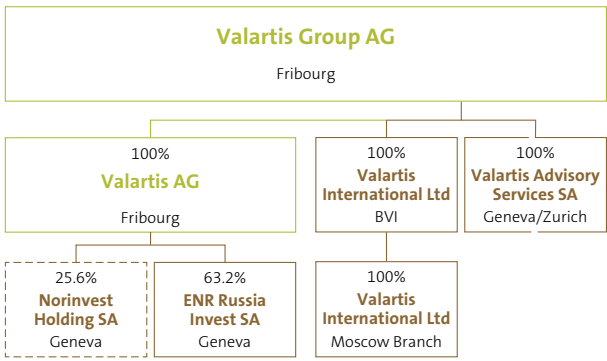
The focus for the front units Private Equity, Real Estate Project Management and Financial Services for 2019 continues to be the successful development of new profitable activities in 2019 and on the further development of projects already underway. Valartis Group continues to focus its market development and adapts its range of services to demand. The Group structure will be geared to new circumstances and project implementations, new requirements and an expanded range of services. From a strategic and tactical point of view, the activities of 2019 continue to focus on building up and managing new participations and new projects in line within the strategic guidelines of Valartis Group.

VALARTIS GROUP

Valartis Group’s activities currently include financial services, real estate project management and equity investments. In financial services, Valartis Group concentrates on the comprehensive management of niche funds (investment satellites). As investment advisor, Valartis Group manages the Valartis German Residential Health Care Fund, which was launched exclusively for qualified investors. The fund focuses on the megatrend «Aging» and invests in nursing homes in Germany. Valartis Group assumes various administrative tasks for the fund. For these services, it is compensated with customary market fees. On the real estate side, Valartis Group combines the management of profitable commercial and residential properties with investments in promising development projects. In the case of participations, the focus is on equity participation as a shareholder.

Valartis Group currently has offices in Switzerland (Fribourg, Geneva, Zurich), Luxembourg, Moscow and St. Petersburg with 55 employees (full-time equivalents as of 30 June 2019; as of 31 December 2018: 56 employees). Valartis Group AG, headquartered in Fribourg, Canton Fribourg, Switzerland, is the holding company of the Group. The registered shares of Valartis Group AG are listed on the SIX Swiss Exchange (ISIN CH0367427686). The main shareholder is MCG Holding SA, Baar, Canton of Zug, Switzerland, which holds currently 44.27 per cent of the capital and voting rights as of 30 June 2019 according to its most recently published disclosure. The majority shareholder participated in the share buyback programme 2019 at a fixed price which ended on 25 June 2019 (see also Note 20). Before participating in the share buyback programme 2019, the majority shareholder held 50.22 per cent of the capital and voting rights of Valartis Group AG. Geographically, the Group has business activities in Switzerland, Europe and Russia.

Operational structure



Selected business activities in detail

Real estate projects

Valartis Group holds 63.2 per cent of the investment company ENR Russia Invest SA (ENR), which is listed on the SIX Swiss Exchange (ISIN CH0034476959) and is a member of the Swiss Association of Investment Companies. Since 1996, the company has been investing in private equity, listed shares, real estate and fixed-income instruments of Russian companies and companies of other states of the Commonwealth of Independent States and the Baltic States. Among others, ENR Russia Invest SA (www.enr.ch) owns a large office centre, Petrovsky Fort, in St. Petersburg, Russia (www.petrofort.ru/en/).

Eastern Property Holdings Limited (EPH) is a stock corporation listed on the SIX Swiss Exchange. As a real estate investment and development company, EPH concentrates primarily on Russian and European commercial and residential property markets. On 19 December 2012, Valartis Group sold its entire stake in EPH (around 40 per cent). Today Valartis International Ltd. is still responsible for certain investment management functions of EPH (www.easternpropertyholdings.com) under a management contract.

Investment activities

The focus is on equity participation as a shareholder. Valartis Group pursues a bottom-up approach and is constantly looking for special investments for its own investment portfolio. Elements of the traditional portfolio management process such as portfolio realisation (asset allocation, monitoring, auditing) and portfolio account functions (performance measurement, attribution) are used for the selection process of own investments. The disciplined implementation of these steps contributes to achieving the goal of a stringent profitability orientation with an appropriate risk/return ratio.

One of the central challenges in putting together your own investment portfolio is to resolve the conflict between optimizing the expected return (value growth including interest and dividends less costs) on the one hand and limiting the risk of loss on the other hand. Typically, the structure of an investment portfolio will show a certain consistency over time, which implies an anti-cyclical and therefore risk-mitigating and risk-bearing behaviour.

Current investments

Norinvest Holding SA, headquartered in Geneva, Switzerland, is a Swiss investment company founded in 1984. It is listed on the OTC platform of the Cantonal Bank of Berne and is the 100 per cent owner of Banque Cramer & Cie SA which specialises in private banking and asset management. Following the completed sale of its two Swiss subsidiaries Valartis Bank AG and Valartis Wealth Management SA to Banque Cramer & Cie SA in 2014, Valartis Group AG acquired a 25 per cent stake in Norinvest Holding SA (this stake changes slightly over time due to Norinvest increasing or decreasing its treasury share holdings).

Whitebox Services AG, through its wholly owned subsidiary Whitebox GmbH, founded in July 2014, has been one of the first online asset management companies on the German market, as of January 2016. Whitebox aims at a return on investment that is significantly better than that of conventional offers at the same risk level. Whitebox GmbH, Weil am Rhein, is a wholly owned subsidiary of Whitebox Services AG which is based in Switzerland. The owners of Whitebox Services AG are the founders, former management members of leading banks and industry experts. Valartis has acquired a smaller stake in Whitebox Services AG.

On 12 December 2018, Valartis Group invested in Briese Schiffahrts GmbH & Co. KG MS, a limited partnership, by way of a contribution as a limited partner of EUR 1,445 million representing CHF 1,628 million or 49.8 per cent of the capital contributions of the company as of year-end 2018. Briese Schiffahrts GmbH & Co. KG MS operates mid-size freight cargo and is located in Leer, Germany. Mid-June 2019, two more EUR investments were made, totalling CHF 5.6 million for 2019. The current three investments in multipurpose heavy lift vessels amount to approximately CHF 7.2 million as of mid-year 2019.

Athris Holding AG, headquartered in Zug, Canton of Zug, Switzerland, is a Swiss investment company whose shares are traded on BX Bern eXchange which is a Swiss regulated stock exchange under the supervision of FINMA. Valartis Group holds this investment as a financial asset at fair value through OCI.

BOARD OF DIRECTORS

Gustav Stenbolt, Chairman, Philipp LeibundGut, Vice Chairman, and Olivier Brunisholz, Member, were all re-elected to the Board of Directors of Valartis Group AG at the Annual General Meeting 2019:

Organisation Chart



¹ Member of the Compensation Committee

CONSOLIDATED INCOME STATEMENT

in CHF 1,000	Note	1.1.–30.06.2019	1.1.–30.06.2018 ¹⁾
Income from management services	1	2,309	1,149
Income from investment property	2	1,906	3,360
Share of results of associated companies	3	-157	2,883
Other income	4	383	289
Total operating income		4,441	7,681
Personnel expenses	5	-2,746	-2,776
General expenses	6	-2,658	-2,829
Administrative expenses		-5,404	-5,605
Earnings before depreciation, valuation adjustments, provisions, interest and taxes		-963	2,076
Depreciation/amortisation of property, plant and equipment and intangible assets ²⁾	7	-282	-30
Valuation adjustments, provisions and losses	8	701	2,316
Earnings before interest and taxes (EBIT)		-544	4,362
Financial income	9	4,555	1,344
Financial expenses	9	-590	-5,936
Net result from continued operations before taxes		3,421	-230
Income taxes	10	-86	-211
Net result from continued operations		3,335	-441
Net result from discontinued operations, after taxes	23	-49	-
Net result		3,286	-441
Net gain/(loss) attributable to shareholders of Valartis Group AG		2,172	-212
Net gain/(loss) attributable to non-controlling interests		1,114	-229
in CHF			
Earnings per share			
Undiluted earnings attributable to shareholders of Valartis Group AG		0.50	-0.04
Diluted earnings attributable to shareholders of Valartis Group AG		0.50	-0.04
Earnings per share – continued operations			
Undiluted earnings attributable to shareholders of Valartis Group AG		0.51	-0.04
Diluted earnings attributable to shareholders of Valartis Group AG		0.51	-0.04
Earnings per share – discontinued operations			
Undiluted earnings attributable to shareholders of Valartis Group AG		-0.01	0.00
Diluted earnings attributable to shareholders of Valartis Group AG		-0.01	0.00

1) Figures for comparative period restated, refer to page 22, Other change (concerning investment property).

2) Due to the first-time application of IFRS 16, rental expenses previously reported under General expenses are now reported as part of Depreciation/amortisation of property, plant and equipment and intangible assets.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in CHF 1,000	1.1.–30.06.2019	1.1.–30.06.2018
Net gain/(loss) in the income statement	3,286	-441
Other comprehensive income which will be reclassified to the income statement		
Foreign exchange translation differences	1,149	-1,311
Other comprehensive income which will be reclassified to the income statement	1,149	-1,311
Other comprehensive income which will not be reclassified to the income statement		
Change in fair value of financial assets at fair value through OCI	-373	3,519
Remeasurement of defined benefit pension plans	-269	-
Other comprehensive income which will not be reclassified to the income statement	-642	3,519
Total other comprehensive income, after tax	507	2,208
Total comprehensive income	3,793	1,767
Allocation of total comprehensive income		
attributable to shareholders of Valartis Group AG	2,136	2,441
attributable to non-controlling interests	1,657	-674

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

in CHF 1,000	Note	30.06.2019	31.12.2018
Cash and cash equivalents		4,826	6,051
Trading portfolio assets	11	34,851	40,448
Derivative financial instruments		-	51
Other financial assets at fair value		1,633	1,635
Due from third parties	12	20,034	19,054
Accrued and deferred assets		2,363	2,248
Total current assets		63,707	69,487
Assets under development	13	2,924	2,480
Financial assets at fair value through OCI	14	26,217	26,590
Property, plant and equipment		1,947	217
Investment property	15	36,726	33,619
Goodwill		2,113	1,939
Associated companies		27,369	22,008
Non-current receivables	16	3,959	4,211
Deferred tax assets		773	767
Total non-current assets		102,028	91,831
Total current and non-current assets		165,735	161,318
Non-current assets classified as held for sale	23	2,613	2,660
Total assets		168,348	163,978

LIABILITIES

in CHF 1,000	Note	30.06.2019	31.12.2018
Liabilities			
Accounts payable		827	1,202
Current financial liabilities	17	20,754	17,242
Current tax liabilities		743	835
Other current liabilities		4,115	3,615
Current provisions		76	76
Total current liabilities		26,515	22,970
Non-current financial liabilities	18	16,908	15,440
Liabilities from defined benefit pension plans		1,575	1,306
Deferred tax liabilities		22	22
Non-current provisions		247	246
Total non-current liabilities		18,752	17,014
Total liabilities		45,267	39,984
Shareholders' equity			
Share capital	19	5,000	5,000
Treasury shares	20	-13,551	-9,277
Reserves		107,491	105,751
Cumulated income from financial assets at fair value through OCI		9,302	9,675
Foreign exchange translation differences		-3,091	-3,697
Remeasurement of defined benefit pension plans		651	920
Shareholders' equity of the shareholders of Valartis Group AG		105,802	108,372
Non-controlling interests		17,279	15,622
Total shareholders' equity (including non-controlling interests)		123,081	123,994
Total liabilities and shareholders' equity		168,348	163,978

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

2018 in CHF 1,000	Share capital	Treasury shares	Capital reserves	Retained earnings
Opening balance at 1 January 2018	5,000	-5,872	-5,804	117,387
Effects of changes in accounting principles	-	-	-	-
Gains/(losses) from financial assets at fair value through OCI	-	-	-	-
Foreign exchange translation differences	-	-	-	-
Remeasurement of defined benefit pension plans	-	-	-	-
Other comprehensive income	-	-	-	-
Net result	-	-	-	-212
Comprehensive income	-	-	-	-212
Dividend payments	-	-	-	-908
Change in treasury shares	-	-1,410	-	-
Share-based compensation	-	-	-	-
Transaction with non-controlling interests	-	-	-	-
Ownership-related changes	-	-1,410	-	-908
Total shareholders' equity at 30 June 2018	5,000	-7,282	-5,804	116,267
2019 in CHF 1,000				
Opening balance at 1 January 2019	5,000	-9,277	-5,804	111,555
Effects of changes in accounting principles	-	-	-	-
Gains/(losses) from financial assets at fair value through OCI	-	-	-	-
Foreign exchange translation differences	-	-	-	-
Remeasurement of defined benefit pension plans	-	-	-	-
Other comprehensive income	-	-	-	-
Net result	-	-	-	2,172
Comprehensive income	-	-	-	2,172
Dividend payments	-	-	-	-432
Change in treasury shares	-	-4,274	-	-
Share-based compensation	-	-	-	-
Transaction with non-controlling interests	-	-	-	-
Ownership-related changes	-	-4,274	-	-432
Total shareholders' equity at 30 June 2019	5,000	-13,551	-5,804	113,295

Net unrealised gains/losses on financial assets at fair value through OCI	Foreign exchange translation difference	Remeasurement defined benefit pension plans	Total equity shareholders of Valartis Group AG	Non-controlling interests	Foreign exchange effect on non-controlling interests	Total non-controlling interests	Total shareholders' equity
6,649	-1,534	801	116,627	19,287	-710	18,577	135,204
			-				-
3,519		-	3,519	-		-	3,519
	-866		-866		-445	-445	-1,311
			-			-	-
3,519	-866	-	2,653	-	-445	-445	2,208
-		-	-212	-229		-229	-441
3,519	-866	-	2,441	-229	-445	-674	1,767
-		-	-908	-		-	-908
-		-	-1,410	-		-	-1,410
-		-	-	-		-	-
-		-	-	-		-	-
-	-	-	-2,318	-	-	-	-2,318
10,168	-2,400	801	116,750	19,058	-1,155	17,903	134,653
9,675	-3,697	920	108,372	17,615	-1,993	15,622	123,994
-	-	-	-	-	-	-	-
-373	-	-	-373	-		-	-373
-	606	-	606	-	543	543	1,149
-	-	-269	-269	-	-	-	-269
-373	606	-269	-36	-	543	543	507
-	-	-	2,172	1,114	-	1,114	3,286
-373	606	-269	2,136	1,114	543	1,657	3,793
-	-	-	-432	-	-	-	-432
-	-	-	-4,274	-	-	-	-4,274
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-4,706	-	-	-	-4,706
9,302	-3,091	651	105,802	18,729	-1,450	17,279	123,081

CONSOLIDATED CASH FLOW STATEMENT

in CHF 1,000	30.06.2019	30.06.2018 ¹⁾
Net result after taxes from continued operations	3,335	-441
Net result after taxes from discontinued operations	-49	-
Net result	3,286	-441
Depreciation of property, plant and equipment	282	30
Value adjustment on investment property	-	-2,258
Share of results of associated companies	157	-2,883
Change in valuation adjustments and provisions	-701	-58
Finance result, net	-3,965	4,592
Change in taxes	86	211
Other non-cash income and expenses	2,527	-32
Operating cash flow before changes in the working capital and taxes	1,672	-839
Due from third parties	-453	-182
Accrued and deferred assets	-110	-602
Accounts payables	-384	268
Other current liabilities	-1,837	261
Taxes paid	-159	-169
Cash flow from/(used in) operating activities	-1,271	-1,263
Trading portfolio assets (including derivative financial instruments)	6,876	-15,601
(Increase)/decrease other financial assets at fair value	1	-
Non-current receivables	254	1,886
Interest and dividends received	815	1,328
Purchase of property, plant and equipment, investment property and intangible assets	-186	-298
Acquisition of associated companies	-5,604	-
Cash flow from/(used in) investment activities	2,156	-12,685

1) Figures for comparative period restated, refer to page 22, Other change (concerning investment property).

in CHF 1,000	30.06.2019	30.06.2018 ¹⁾
Proceeds from/(repayments of) current financial liabilities	-245	-154
Proceeds from/(repayments of) non-current financial liabilities	59	85
Interest paid	-363	-651
Dividends paid to shareholders of the Company	-432	-908
Change in treasury shares	-4,272	-1,410
Change in non-controlling interests	859	-650
Foreign exchange effect on banking loan for the investment property	2,284	-2,688
Cash flow used in financing activities	-2,110	-6,376
Effect of foreign exchange translation differences (including non-controlling interests)	-	-
Increase/(decrease) in cash and cash equivalents	-1,225	-20,324
Position at 1 January	6,051	25,745
Position at 30 June	4,826	5,421
Cash	2	2
Due from banks at sight/callable	4,824	5,419
Total cash and cash equivalents	4,826	5,421

1) Figures for comparative period restated, refer to page 22, Other change (concerning investment property).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DESCRIPTION OF BUSINESS

The activities of Valartis Group include financial services, real estate project management and equity investments. Within financial services, Valartis Group concentrates on the comprehensive management of niche funds (investment satellites). In addition, Valartis Group provides corporate finance advisory services for listed and unlisted medium-sized companies. On the real estate side, Valartis Group combines the management of profitable commercial and residential properties with investments in promising development projects. In the case of participations, the focus is on equity participations as a shareholder. Valartis Group currently has offices in Switzerland (Fribourg, Geneva, Zurich), Luxembourg, Moscow and St. Petersburg with 55 employees as of 30 June 2019 (full-time equivalents, FTE). Valartis Group AG, headquartered in Fribourg, Canton Fribourg, Switzerland, is the parent company of the Group, and its registered shares are listed on the SIX Swiss Exchange. Geographically, the Group operates in Switzerland, Europe and Russia.

ACCOUNTING PRINCIPLES

The consolidated financial statements of Valartis Group AG comply with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). This interim report complies with the requirements of IAS 34 Interim Financial Reporting. As it does not contain all the information and disclosures required in the annual report, this interim report should be read in conjunction with the audited consolidated financial statements of the Annual Report 2018.

The consolidated financial statements are presented in Swiss francs (CHF). The following exchange rates apply for the translation of major currencies:

	30.06.2019 Balance sheet date rate	1.1.–30.6.2019 Annual average rate	30.06.2018 Balance sheet date rate	1.1.–30.6.2018 Annual average rate
EUR	1.1093	1.1272	1.1571	1.1653
USD	0.9740	0.9971	0.9933	0.9653
RUB (100)	1.5440	1.5383	1.5850	1.6255

The half-year report is based on the individual financial statements of the Group companies prepared in accordance with uniform principles. The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the changes to accounting

policies as described below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not effective, yet. The Group applies for the first time IFRS 16 Leases. As required by IAS 34, the nature and effect of these changes are disclosed below. Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the interim condensed consolidated financial statements of the Group.

CHANGES TO ACCOUNTING POLICIES

Except for the changes below, the Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 Leases which replaces IAS 17, IFRIC 4, SIC-15 and SIC-27 and is applicable for annual reporting periods beginning on or after 1 January 2019. IFRS 16 Leases sets out the principles for the recognition, measurement, presentation and disclosure of leases. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. As a lessee, the Group is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. IFRS 16 substantially carries forward the lessor accounting requirements as per the former IAS 17 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases in different ways.

The Group applied IFRS 16 with a date of initial application of 1 January 2019. As a result, the Group has changed its accounting policy for lease contracts as detailed below. The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. The details of the changes in accounting policies are disclosed below.

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset, which may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset;

- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use;
- and the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
 - the Group has the right to operate the asset; or
 - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases, i.e. these leases are on-balance sheet.

The Group decided to apply recognition exemptions to short-term leases of machinery and leases of IT equipment. For leases of other assets, which were classified as operating under IAS 17, the Group recognised right-of-use assets and lease liabilities.

Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

Leases previously classified as finance leases

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

As a lessor

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor. The Group accounted for its leases in accordance with IFRS 16 from the date of initial application.

The Group applied IFRS 15 Revenue from Contracts with Customers to allocate consideration in the contract to each lease and non-lease component.

Impacts on financial statements

On transition to IFRS 16, the Group recognised an additional CHF 1.96 million of right-of-use assets and the same amount of lease liabilities.

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 1.4 per cent.

in CHF 1,000	31 December 2018	Adjustments	1 January 2019
Furniture, fixtures and technical equipment	167	-	167
IT and telecom	50	-	50
Right-of-use assets	-	1,964	1,964
Total property, plant and equipment	217	1,964	2,181
Total assets	163,978	1,964	165,942
Leasing liabilities	1,578	1,964	3,542
Non-current financial liabilities	13,862	-	13,862
Total non-current financial liabilities	15,440	1,964	17,404
Total liabilities and shareholders' equity	163,978	1,964	165,942

Other new standards and interpretations

The following new or revised standards and interpretations had no material effect on Valartis at the time of their first application or were of no significance for Valartis:

- IFRIC 23 Uncertainty over Tax Treatments.
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28).
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19).
- Annual Improvements to IFRS Standards 2015-2017 Cycle - various standards.

Other change

In the past, income from investment property was reported as a net position due to its lack of materiality in regard to the overall income. This no longer corresponds to the current strategic orientation and business activity: to increase transparency in the income statement, rental income from investment property was reported as income as at 30 June 2019, the associated expenses were shown separately under general and administrative expenses, fair value adjustments including foreign currency effects separately under value adjustments, provisions and losses and foreign currency effects on the valuation of the associated financing in financial income. The comparative information of the previous period for income statement, cash flow statement and related notes were reclassified accordingly. There were no changes for the statement of financial position, 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.

The following table shows the changes applied to the Comparative figures for the previous reporting period:

in CHF 1,000	1.1.–30.6.2018 before adjustment	Adjustments	1.1.–30.6.2018 after adjustment
Rental income	2,015	-	2,015
Impact of embedded derivatives in rental contracts	1,345	-	1,345
Gross rental income	3,360	-	3,360
Land lease expenses of investment property	-107	107	-
Operating expenses of investment property	-449	449	-
Investment property tax and non-recoverable VAT	-219	219	-
Cost related to the investment property	-775	775	-
Value adjustment on investment property	2,258	-2,258	-
Foreign exchange effect on banking loan for the investment property	-2,687	2,687	-
Net result from fair value adjustment and foreign currency effect on investment property	-429	429	-
Total income from investment property	2,156	1,204	3,360
Total operating income	6,477	1,204	7,681
General expenses	-2,054	-775	-2,829
Administrative expenses	-4,830	-775	-5,605
Earnings before depreciation, valuation adjustments, provisions, interest and taxes	1,647	429	2,076
Valuation adjustments, provisions and losses	58	2,258	2,316
Earnings before interest and taxes (EBIT)	1,675	2,687	4,362
Financial expenses	-3,249	-2,687	-5,936
Net result from continued operations before taxes	-230	-	-230
Net result from continued operations	-441	-	-441
Net result	-441	-	-441

CHANGES IN THE SCOPE OF CONSOLIDATION

Changes in the current period of review

There were no changes in the scope of consolidation for the first half of 2019.

Changes in the prior period of review

There were no changes in the scope of consolidation for the prior period of review.

DISCONTINUED OPERATIONS

The share in the associated company Darsi Investment Ltd. is shown in the Consolidated Financial statements as discontinued operations (same as 31 December 2018).

ESTIMATES, ASSUMPTIONS AND EXERCISE OF DISCRETION BY MANAGEMENT

There have been no material changes in management's estimates, assumptions and judgements for the half-year financial statements as of 30 June 2019 compared with the period ended on 31 December 2018.

APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The 2019 half-year report was approved by the Board of Directors of Valartis Group AG on 22 August 2019.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

1. INCOME FROM MANAGEMENT SERVICES

in CHF 1,000	1.1.–30.06.2019	1.1.–30.6.2018
Revenue from management services	2,309	1,149
Revenue from management services	2,309	1,149

Income from management services comprises fees for the development and management of real estate projects, management

fees for administration and accounting services as well as investment fees for investment funds distributed abroad.

2. INCOME FROM INVESTMENT PROPERTY

in CHF 1,000	1.1.–30.06.2019	1.1.–30.6.2018
Rental income	1,906	2,015
Impact of embedded derivatives in rental contracts ¹⁾	-	1,345
Total income from investment property ^{2) 3)}	1,906	3,360

1) By year-end 2018, it was no longer necessary to recognise embedded derivatives in rental contracts, for further details please refer to Note 15.

2) As of 30 June 2018, the total income from investment property included was presented net of related real estate expenses. As of 30 June 2019, those related real estate expenses are presented separately under General expenses (see details under Note 6). Comparative figures for 30 June 2018 have been reclassified accordingly.

3) As of 30 June 2018, the total income from investment property included was presented net of fair value adjustment and foreign currency effect. As of the 30 June 2019, those fair value adjustment and foreign currency effect are presented separately under Valuation adjustments, provisions and losses (see details under Note 8) and Financial result (Note 9), respectively. Comparative figures for 30 June 2018 have been reclassified accordingly.

For more details on the change to accounting policy, see Other change on page 22.

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

3. SHARE OF RESULTS OF ASSOCIATED COMPANIES

in CHF 1,000	1.1.–30.06.2019	1.1.–30.06.2018
Share in net profit	56	2,883
Impairment ¹⁾	-213	-
Total	-157	2,883

1) The impairment as of 30 June 2019 relates to Norinvest Holding SA, which publishes its financial figures after Valartis Group. Valartis Group estimates the share in the result of Norinvest Holding SA for the accounting of the associated participation taking into account publicly available information. Differences between the actual results and these estimate are corrected in the Valartis Group's consolidated financial statements of the following period.

4. OTHER INCOME

in CHF 1,000	1.1.–30.06.2019	1.1.–30.6.2018
Other income	470	439
Other expenses	-87	-150
Total	383	289

5. PERSONNEL EXPENSES

in CHF 1,000	1.1.–30.06.2019	1.1.–30.6.2018
Salaries and bonuses	-2,012	-2,044
Social security benefits	-309	-315
Contributions to occupational pension plans	-140	-107
Other personnel expenses	-285	-310
Total	-2,746	-2,776

6. GENERAL EXPENSES

in CHF 1,000	1.1.–30.06.2019	1.1.–30.06.2018
Occupancy expense ^{1) 2)}	-198	-649
IT and information expenses	-148	-146
Consultancy, audit, corporate communication and representation expense	-1,120	-1,038
Land lease expenses of investment property ³⁾	-100	-107
Operating expenses of investment property ³⁾	-645	-449
Investment property tax and non-recoverable VAT ³⁾	-175	-219
Other general expenses	-272	-221
Total	-2,658	-2,829

1) Lease contracts with a term of less than 12 months for the period from 1 January to 30 June 2019.

2) Due to the first-time application of IFRS 16, rental expenses previously reported under General expenses are now reported as part of Depreciation/ amortisation of property, plant and equipment and intangible assets.

3) Previous period figures have been restated, see footnote no. 2 in Note 2 - Income from investment property.

7. DEPRECIATION AND AMORTISATION OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

in CHF 1,000	1.1.–30.06.2019	1.1.–30.06.2018
Depreciation furniture and fixtures	-12	-22
Depreciation IT and telecom systems	-9	-8
Depreciation office leases ¹⁾	-261	-
Total	-282	-30

1) Related to right-of-use of office leases.

8. VALUATION ADJUSTMENTS, PROVISIONS AND LOSSES

in CHF 1,000	1.1.–30.06.2019	1.1.–30.06.2018 ¹⁾
Impairment reversals	701	58
Value adjustment on investment property	-	2,258
Total	701	2,316

1) Previous period figures have been restated, see footnote no. 3 in Note 2 - Income from investment property.

9. FINANCIAL RESULT

in CHF 1,000	1.1.–30.06.2019	1.1.–30.06.2018
Interest and dividend income from trading portfolios	1,038	1,157
Other interest income third parties	5	187
Total interest income	1,043	1,344
Net gain on trading portfolio assets	1,228	-
Foreign exchange effect on banking loan for the investment property ¹⁾	2,284	-
Total financial income	4,555	1,344
Interest expenses for loans	-293	-
Interest expenses on leasing liabilities	-12	-1
Interest expenses for financial liabilities due to banks	-285	-650
Total interest expenses	-590	-651
Net losses on trading portfolio assets	-	-2,598
Foreign exchange effect on banking loan for the investment property ¹⁾	-	-2,687
Total financial expenses	-590	-5,936
Total financial result, net	3,965	-4,592

1) Previous period figures have been restated, see footnote no. 3 in Note 2
- Income from investment property

10. INCOME TAXES

in CHF 1,000	1.1.–30.06.2019	1.1.–30.06.2018
Current income taxes	-68	-51
Change in deferred taxes	-18	-160
Total income taxes	-86	-211
Income taxes as disclosed in the consolidated income statement	-86	-211
Income taxes attributable to discontinued operations	-	-
Effective income taxes	-86	-211

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

11. TRADING PORTFOLIO ASSETS

in CHF 1,000	30.06.2019	31.12.2018
Debt instruments	26,263	32,073
Equity instruments	6,895	6,249
Investment fund units	1,693	2,126
Total trading portfolio assets	34,851	40,448

12. DUE FROM THIRD PARTIES

in CHF 1,000	30.06.2019	31.12.2018
Due from third parties and associated companies	27,945	26,421
Total due from third parties and associated companies gross	27,945	26,421
Valuation adjustments for default risk	-7,911	-7,367
Total due from third parties and associated companies net	20,034	19,054

13. ASSETS UNDER DEVELOPMENT

in CHF 1,000	30.06.2019	31.12.2018
Assets under development	2,924	2,480
Total assets under development	2,924	2,480

Valartis Group, through its group company ENR Russia Invest SA (Group), is participating in a residential real estate development comprising free-standing multi-story apartment buildings in the Odintsovsky district south-west of Moscow. The investment is regulated via an agreement for the participation in the shared construction. After construction commenced, the allowable maximum height of buildings was amended by local authorities (from 12- to 6-floor buildings) and delays arose. Consequently, development deadlines could not be met as the developer had to reassess the scope of the development, prepare new plans and has to obtain new approvals and permits to restart construction.

Due to changes in Russian legislation governing Russian residential real estate development projects, there are more capitalisation requirements for developers, and the developer is in discussions with potential third-party investors to co-invest in the development. The developer is also in discussion with banks to provide debt funding towards the development. A number of legal cases arising from development delays involving, inter alia, utility connections were resolved (remaining matters linked to land lease and land tax payments are still in process). Although progress has been made, it will take more time to deal with the various matters. No impairment was required as of 30 June 2019.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

in CHF 1,000	30.06.2019	31.12.2018
Equity instruments	26,217	26,590
Total financial assets at fair value through OCI	26,217	26,590

15. INVESTMENT PROPERTY

in CHF 1,000	Investment property building	Embedded derivatives	Investment property leasing	Investment property under construction	Total
Carrying amount at 31 December 2017	33,275	1,751	1,814	311	37,151
Investments	1,063	-	52	127	1,242
Transfer from property, plant and equipment	-	-	-	-	-
Disposals	-	-	-	-	-
Fair value adjustments	1,393	-1,751	10	-	-348
Foreign exchange translation differences	-4,127	-	-299	-	-4,426
Carrying amount at 31 December 2018	31,604	-	1,577	438	33,619
Carrying amount at 31 December 2018	31,604	-	1,577	438	33,619
Investments	94	-	-	43	137
Transfer from property, plant and equipment	-	-	-	-	-
Disposals	-	-	-	-	-
Fair value adjustments	-	-	-4	-	-4
Foreign exchange translation differences	2,833	-	141	-	2,974
Carrying amount at 30 June 2019	34,531	-	1,714	481	36,726

Valuation

Valartis Group, through its group company ENR Russia Invest SA (Group), holds the business centre Petrovsky Fort in St. Petersburg, Russia (real estate). The fair value of this investment property is determined by independent real estate valuation experts using recognised valuation techniques on an annual basis. For the 2019 half-year financial statements, the fair value of the real estate investment property was verified by a discounted cash flow calculation. As of 30 June 2019, the verification did not result in any change in the fair value of the property in RUB.

Based on the input parameters of the valuation method used, the measurement of fair value is categorised under level 3 instruments.

Embedded derivatives

By year-end 2018, it was no longer necessary to recognise embedded derivatives on the balance sheet (as had to be done in prior periods) because the operating lease contracts were renewed and/or newly concluded in ruble (as opposed to USD) to align them with the functional currency of the subsidiary holding Petrovsky Fort. The remaining USD-based contracts were immaterial by year-end 2018. In former periods, those lease contracts used to contain a corridor for the USD/ruble rate which governed the level of rents which were paid in ruble. The inherent put and call options on the purchase and sale of foreign currency were classified as embedded derivatives because USD was not the functional currency of the subsidiary or of the tenants. The anticipated income used to value the real estate did not include the effects of these embedded derivatives which is why they were incorporated as separate components in the overall value of the real estate. At the same time, the derivatives were reported as a derivative financial instrument with negative replacement value on the liabilities side.

Investment property under construction

The investment property under construction is a parking garage project in Geneva, Switzerland.

16. NON-CURRENT RECEIVABLES

in CHF 1,000	30.06.2019	31.12.2018
Tax receivables	9	5
Other receivables	3,950	4,206
whereof escrow accounts	3,950	4,206
Total non-current receivables	3,959	4,211

The residual purchase price of approximately CHF 0.4 million (31 December 2018: CHF 0.7 million) owed by the buyer of Valartis Bank AG Switzerland and of approximately CHF 3.5 million (31 December 2018: CHF 3.5 million) from the sale of the investment in Eastern Property Holdings Ltd. are reported as escrow accounts.

The claim of CHF 0.4 million will be paid in several tranches until 2020. The receivable from the buyers of Eastern Property Holdings Ltd. corresponds to expected payments from Eastern Property Holdings Limited (EPH) pursuant to a sale of EPH shares in prior years for and by a third party. The development of this position has not affected the financial statement of Valartis Group since 2015.

17. CURRENT FINANCIAL LIABILITIES

in CHF 1,000	30.06.2019	31.12.2018
Due to banks	8,473	8,180
Other current liabilities	12,281	9,062
Current financial liabilities	20,754	17,242

Liabilities to banks include the principal repayment portion (CHF 0.4 million) of a loan of CHF 13.9 million (31 December 2018: CHF 14.3 million) from UniCreditbank to finance the Petrovsky Fort investment property. The remaining CHF 13.4 million are disclosed under Non-current financial liabilities (31 December 2018: CHF 13.8 million).

The loan from UniCreditbank has been refinanced in EUR as of 14 December 2018 until 31 December 2023 with an interest rate of 4 per cent plus 3-month EUR Libor per year. In addition, an amortisation of the principle by EUR 94,000 will be done on a quarterly basis. Before refinancing, the loan amounted to USD 15 million with an interest rate of 5.90 per cent and per year.

18. NON-CURRENT FINANCIAL LIABILITIES

in CHF 1,000	30.06.2019	31.12.2018
Leasing liabilities	3,423	1,578
Non-current financial liabilities	13,485	13,862
Total non-current financial liabilities	16,908	15,440

Non-current financial liabilities include the partial principal repayment due in more than one year (CHF 13.4 million) of a loan of

CHF 13.9 million (31 December 2018: CHF 13.8 million) from UniCredit Bank to finance the Petrovsky Fort investment property.

19. SHARE CAPITAL

in CHF	30.06.2019	31.12.2018
Share capital, fully paid-in	5,000,000	5,000,000
Number of registered shares	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)	26.8	24.8

For the 2018 financial year, a dividend of CHF 0.432 million or CHF 0.10 per share was paid to the shareholders entitled to dividends on 22 May 2019.

20. TREASURY SHARES

	Number of shares
Position at 1 January 2018	301,166
Purchases	
of which for the purpose of cancellation (at an average price of CHF 11.30 each)	175,125
of which for other purposes (at an average price of CHF 8.83 each)	161,712
Sales	-
Position at 31 December 2018	638,003
Purchases	414,580
of which for the purpose of cancellation (at an average price of CHF 10.31 each)	414,580
of which for other purposes	-
Sales	-
Position at 30 June 2019	1,052,583
of which for the purpose of cancellation	589,705
of which for other purposes	462,878
Historical cost value at 31 December 2018 in CHF	9,278,679
of which held for the purpose of cancellation	1,978,409
of which held for other purposes	7,300,270
Historical average rate at 31 December 2018 in CHF	
of which held for the purpose of cancellation	11.30
of which held for other purposes	15.77
Historical cost value at 30 June 2019 in CHF	13,551,063
of which held for the purpose of cancellation	6,250,793
of which held for other purposes	7,300,270
Historical average rate at 30 June 2019 in CHF	
of which held for the purpose of cancellation	10.60
of which held for other purposes	15.77

1st Share buyback program (2018/2019)

At its meeting on 15 May 2018, the Annual General Meeting approved the repurchase of treasury shares up to a maximum of 400,000 shares by the 2019 Annual General Meeting by means of a public share buyback program aimed at cancelling the shares. The shares acquired as part of the public share buyback program will be cancelled and, therefore, do not fall within the 10 per cent limit of Art. 659 of the Swiss Code of Obligations, which restricts the acquisition of treasury shares by the company. The amendment to the Articles of Association (capital reduction) with regard to the actual number of repurchased shares to be cancelled has been approved by the 2019 Annual General Meeting. The capital reduction will be registered with the Commercial Register of the Canton of Fribourg, Switzerland, the registered office of the Company, in September 2019.

As part of the buyback programme, a second line for registered shares was established on SIX Swiss Exchange. Ordinary trading in Valartis registered shares under security number 36 742 768 were not affected by this measure and continued normally. The maximum buyback volume per day was 4,314 shares, calculated in accordance with Article 123 paragraph 1 letter c of the Swiss Ordinance on Financial Market Infrastructure and Market Behaviour in Securities and Derivatives Trading (Financial Market Infrastructure Ordinance, FMIO) of 25 November 2015. The share buyback program ended on 12 April 2019.

2nd Share buyback program (2019)

At its meeting on 14 May 2019, the Annual General Meeting approved the repurchase of treasury shares up to a maximum of 470,000 shares. Based on this authorisation, the Board of Directors of Valartis Group AG decided to buy back the maximum in two stages. As part of the share buyback offer submitted by the Board of Directors of Valartis Group AG on 28 May 2019 for a maximum of 359,000 registered shares at a fixed price of CHF 10.30 per registered share for the purpose of capital reduction (stage 1), Valartis was tendered a total of 432,966 registered shares during the offer period from 11 June 2019 to 25 June 2019. After the number of registered shares tendered exceeded the volume of the buyback offer, the registered shares were repurchased from the tendering shareholders on a pro rata basis, i.e. the tender was reduced on a pro rata basis to a maximum of 359,000 registered shares. Stage 2 will be completed prior to the 2020 AGM. The Board of Directors will propose to the Annual General Meeting on 19 May 2020 a capital reduction by cancellation of the registered shares repurchased under the share buyback program 2019.

21. FAIR VALUE OF FINANCIAL INSTRUMENTS

Determination of Fair value

The following table shows the carrying amounts and fair values of financial assets and liabilities:

Fair value of financial instruments

in CHF 1,000	30.06.2019			31.12.2018		
	Book value	Fair value	Variation	Book value	Fair value	Variation
Assets						
Cash and cash equivalents	4,826	4,826	-	6,051	6,051	-
Due from third parties	20,034	20,034	-	19,054	19,054	-
Accrued and deferred assets	2,363	2,363	-	2,248	2,248	-
Non-current receivables	3,959	3,959	-	4,211	4,211	-
Financial assets at amortised costs	31,182	31,182	-	31,564	31,564	-
Trading portfolio assets	34,851	34,851	-	40,448	40,448	-
Derivative financial instruments	-	-	-	51	51	-
Other financial assets at fair value	1,633	1,633	-	1,635	1,635	-
Financial assets at fair value through OCI	26,217	26,217	-	26,590	26,590	-
Financial assets at fair value	62,701	62,701	-	68,724	68,724	-
Liabilities						
Accounts payables	827	827	-	1,202	1,202	-
Current financial liabilities	20,754	20,754	-	17,242	17,242	-
Current income taxes	743	743	-	835	835	-
Other current liabilities	4,115	4,115	-	3,615	3,615	-
Non-current financial liabilities	16,908	16,908	-	15,440	15,440	-
Financial liabilities at amortised costs	43,347	43,347	-	38,334	38,334	-
Derivative financial instruments	-	-	-	-	-	-
Financial liabilities at fair value	-	-	-	-	-	-

Level 1 instruments

Level 1 instruments are those financial instruments whose fair value is based on quoted prices in active markets. This category comprises almost all equity and debt instruments held by the Group. Investment funds for which a binding net asset value is published at least daily, exchange-traded derivatives and precious metals are also categorised as level 1 instruments. Closing prices are used for the valuation of debt instruments in the trading book. In the case of equity instruments, listed investment funds and exchange-traded derivatives, the closing or settlement prices of the relevant exchanges are used. In the case of unlisted investment funds, the published net asset values are used. In the case of currencies and precious metals, generally accepted prices are applied. No valuation adjustments were made in the case of level 1 instruments.

Level 2 instruments

Level 2 instruments are financial instruments whose fair value is based on quoted prices in markets that are not active. The same categorisation is used where the fair value is determined using a valuation method where significant inputs are observable, either directly or indirectly. If no active market exists, the fair value is determined on the basis of generally accepted valuation methods. If all of the significant inputs are directly observable in the market, the instrument is deemed to be a level 2 instrument.

The valuation models take into account the published net asset values. The credit risk is only taken into account when market participants would take it into account when determining prices.

Level 3 instruments

If at least one significant input cannot be observed directly or indirectly in the market, the instrument is classified as a level 3 instrument. These essentially comprise equity instruments and/or investment funds for which a binding net asset value is not published at least quarterly. The fair value of these positions is based on the estimates of external experts or on audited financial statements. Where possible, the underlying assumptions are supported by observable market quotes.

The Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation at the end of each reporting period.

The following table shows the assets and financial liabilities measured at fair value, classified according to a fair value hierarchy of three levels:

2019 in CHF 1,000	Quoted market prices (level 1)	Valuation method based on market data (level 2)	Valuation method not based on market data (level 3)	30.06.2019
Assets				
Trading portfolio assets	29,710	-	5,141	34,851
Derivative financial instruments	-	-	-	-
Other financial assets at fair value	-	-	1,633	1,633
Financial assets at fair value through OCI	-	26,217	-	26,217
Investment property	-	-	36,726	36,726
Assets at fair value	29,710	26,217	43,500	99,427
Liabilities				
Derivative financial instruments	-	-	-	-
Total financial liabilities at fair value	-	-	-	-
2018 in CHF 1,000	Quoted market prices (level 1)	Valuation method based on market data (level 2)	Valuation method not based on market data (level 3)	31.12.2018
Assets				
Trading portfolio assets	35,811	-	4,637	40,448
Derivative financial instruments	-	51	-	51
Other financial assets at fair value	-	-	1,635	1,635
Financial assets at fair value through OCI	-	26,590	-	26,590
Investment property	-	-	33,619	33,619
Assets at fair value	35,811	26,641	39,891	102,343
Liabilities				
Derivative financial instruments	-	-	-	-
Total financial liabilities at fair value	-	-	-	-

Movements of level-3 positions

2019 in CHF 1,000	1.1.2019	Recognised in the income statement	Net income recognised in OCI	Transfer from/to level 1 and level 2	Purchase	Sales	30.06.2019
Trading portfolio assets	4,637	-66	-	-	570	-	5,141
Financial assets at fair value through OCI	-	-	-	-	-	-	-
Other financial assets at fair value	1,635	-2	-	-	-	-	1,633
Investment property (excl. embedded derivatives)	33,619	-4	2,974	-	137	-	36,726
Embedded derivatives on investment property	-	-	-	-	-	-	-
Total assets at fair value (level 3)	39,891	-72	2,974	-	707	-	43,500
Derivative financial instruments	-	-	-	-	-	-	-
Total financial liabilities at fair value (level 3)	-	-	-	-	-	-	-
2018 in CHF 1,000	1.1.2018	Recognised in the income statement	Net income recognised in OCI	Transfer from/to level 1 and level 2	Purchase	Sales	31.12.2018
Trading portfolio assets	3,627	34	-	-	976	-	4,637
Financial assets at fair value through OCI	23,462	-	3,128	-26,590	-	-	-
Other financial assets at fair value	1,696	-61	-	-	-	-	1,635
Investment property (excl. embedded derivatives)	35,400	1,403	-4,426	-	1,242	-	33,619
Embedded derivatives on investment property	1,751	-1,751	-	-	-	-	-
Total assets at fair value (level 3)	65,936	-375	-1,298	-26,590	2,218	-	39,891
Derivative financial instruments	1,751	-1,751	-	-	-	-	-
Total financial liabilities at fair value (level 3)	1,751	-1,751	-	-	-	-	-

Explanation of unobservable input parameters

The valuation of trading positions and financial assets at fair value through OCI classified as level 3 is based on the annual financial statements of the corresponding securities and individual transactions observable on the market.

“Other financial assets at fair value” includes the stake in Whitebox Services AG, acquired in 2017. Whitebox offers one of the first online financial services provider in Germany (BAFIN-regulated). Furthermore, it includes the existing contingent purchase price payment from the sale of Eastern Property Holdings Ltd. (EPH) of CHF 0.38 million (31 December 2018: 0.38 million) in level 3.

The amount of this remaining purchase price receivable depends on the completion and sale of an EPH real estate project. The valuation of the remaining purchase price receivable is based on an estimate of the property project by an external independent expert and a supplementary management assessment.

An increase or decrease of 1 per cent in the base value used would result in an increase (or decrease) of the remaining purchase price receivable of CHF 3,000.

Significant, unobservable inputs in the evaluation of the investment property Petrovsky Fort	30.06.2019	31.12.2018
Fair value of Petrovsky Fort (investment property)		
in RUB	2,228,884,000	2,228,884,000
in USD	n.a.	n.a.
in CHF	34,531,000	31,603,970
Capitalisation rate for income capitalisation	11.3%	11.3%
Discount rate for discounted cash flow	14.8%	14.8%

Investment property

For the half-year report, the value of the investment property was verified using a discounted cash flow calculation, while an independent expert assesses the value once a year as of 31 December. For the discounted cash flow calculation, the future cash flows were estimated, including rental income observing variable components, assumptions on vacancy rates, value maintenance costs and assumptions for the discount rate and a possible sales value. The verification showed an unchanged building value of RUB 2,228,884,000 (31 December 2018: RUB 2,228,884,000).

ADDITIONAL INFORMATION

22. BUSINESS SEGMENTS

In the current organisational structure, there is only one management level in the sense of a leading decision-maker (the Delegate of the Board of Directors). Valartis Group has only a single segment and, in accordance with IFRS 8, reporting is done only for one component of the Group.

The Group's external segment reporting is based on internal reporting.

Valartis Group prepares a monthly management report containing the consolidated financial information for Executive Management and quarterly for the Board of Directors. The same principles

apply to the valuation as to the consolidated financial statements. Management reviews the consolidated financial information and uses it in its management decisions to implement the overall strategy.

Executive Management of Valartis Group consists of the Delegate of the Board of Directors and the Chief Financial & Risk Officer.

Information on geographical areas by the domicile of the reporting unit is shown below. This geographic information does not reflect the Group's management structure:

in CHF 1,000	1.1.–30.06.2019			1.11.–30.06.2018		
	Domestic	Non-domestic	Total	Domestic	Non-domestic	Total
Operating income	902	3,539	4,441	3,337	4,344	7,681
Total assets	57,916	110,432	168,348	67,026	105,874	172,900

23. SALE OF SUBSIDIARIES AND DISCONTINUED OPERATIONS

Divestments 2019

There were no divestment transactions in the first half of 2019.

Divestments in the first half of 2018

There were no divestment transactions in the first half of 2018.

Results from discontinued operations

In 2019, as in the first half 2018, the only effect from discontinued operations was related to the foreign exchange effect of the non-current asset held for sale:

in CHF 1,000	2019		2018	
Income statement of discontinued operations	Darsi Group	Total	Darsi Group	Total
Operating income	-	-	-	-
Administrative expenses	-	-	-	-
Gross income	-	-	-	-
Valuation adjustments, provisions and losses				
Impairment loss recognised on the revaluation to fair value less costs to disposal	-	-	-	-
(Loss) from reclass of cumulated foreign currency translation differences formerly booked in equity	-49	-49	-	-
Net profit/(loss) from discontinued operations before tax	-49	-49	-	-
Income taxes	-	-	-	-
Net profit/(loss) from discontinued operations	-49	-49	-	-
whereof (loss) from reclass of cumulated foreign currency translation differences formerly booked in equity	-49	-49	-	-
whereof result of discontinued operations before reclass of cumulated foreign currency differences	-	-	-	-
Other comprehensive income of discontinued operations	-	-	-	-
Foreign exchange translation difference	-	-	-34	-34
Total recognised in other comprehensive income	-	-	-34	-34
Cash flow from discontinued operations	-	-	-	-
From operating activities	-	-	-	-
From investment activities	-	-	-	-
From financing activities	-	-	-	-
Net cash flow	-	-	-	-

Results from discontinued operations

in CHF 1,000		30.06.2019		31.12.2018
Balance Sheet	Darsi Group	Total 2019	Darsi Group	Total 2018
Associated companies	2,613	2,613	2,660	2,660
Total non-current assets classified as held for sale	2,613	2,613	2,660	2,660
Liabilities directly associated with the non-current assets classified as held for sale				
Total liabilities directly associated with the non-current assets classified as held for sale	-	-	-	-
Net assets/(liabilities)	2,613	2,613	2,660	2,660

24. EVENTS AFTER THE BALANCE SHEET DATE

None.

ADDRESSES AND IMPRINT

Group Office, Switzerland

Valartis Group AG
rue de Romont 29/31
CH-1700 Fribourg FR
Phone +41 58 501 62 20
Fax +41 58 501 62 22

Office Geneva, Switzerland

Valartis Advisory Services SA
rue du Rhône 118
CH-1204 Geneva
Phone +41 22 716 10 00
Fax +41 22 716 10 01

Office Zurich, Switzerland

Valartis Advisory Services SA
St. Annagasse 18
CH-8001 Zurich
Phone +41 44 503 54 00
Fax +41 44 503 54 49

Investor & Media Relations

Valartis Group AG
Corporate Communications
rue de Romont 29/31
CH-1700 Fribourg FR
Phone +41 44 503 54 10
corporate.communications@valartis.ch

Valartis Market Information

Stock exchange listing: SIX Swiss Exchange
Security symbol: VLRT
Reuters: VLRT.S
Bloomberg: VLRT SW
ISIN: CH0367427686
www.valartisgroup.ch

Asset Management Luxembourg

MCT Luxembourg Management S.à.r.l.
23, rue des Jardiniers
L-1835 Luxembourg
Phone +352 26 20 25 94
Fax +352 26 20 25 84

Asset Management Russia

Valartis International Ltd.
Petrovka Street 5
RU-107031 Moscow
Phone +7495 730 35 25
Fax +7495 730 35 26