

ANNUAL REPORT **2019**

KEY FIGURES AT GLANCE

Key Figures

in CHF 1,000	1.1.–31.12.2019	1.1.–31.12.2018
Total operating income	8,186	10,928
Income from management services	4,140	2,714
Income from investment property	4,043	4,139
Share of results of associated companies	-344	3,002
Other income	347	1,073
Administrative expense	-10,526	-11,344
Personnel expense	-5,487	-5,231
General expense	-5,039	-6,113
Earnings before depreciation, valuation adjustments, provisions, interest and taxes	-2,340	-416
Depreciation, valuation adjustments and provisions	1,215	467
Earnings before interest and taxes (EBIT)	-1,125	51
Finance result, net (financial income, financial expense, market value adjustment)	5,170	-8,138
Net result from continued operations before taxes	4,045	-8,087
Income taxes	-905	1,189
Net result from continued operations	3,140	-6,898
Net result from discontinued operations	-718	-46
Net result	2,422	-6,944
attributable to shareholders of Valartis Group AG	448	-5,026
attributable to non-controlling interests	1,974	-1,918
in CHF million	31.12.2019	31.12.2018
Total assets	168,570	163,978
Current assets	60,319	69,487
Non-current assets	106,310	91,831
Non-current assets classified as held for sale	1,941	2,660
Total liabilities	44,879	39,984
Current liabilities	26,637	22,970
Non-current liabilities	18,242	17,014
Total shareholders' equity (including non-controlling interests)	123,691	123,994
Equity capital quota, in per cent	73.4	75.6
Staff (full-time equivalents, FTE)	65.5	56.0
Closing price of VLRT share, in CHF	10.20	10.30
Equity of Shareholders per share, in CHF	27.52	24.84

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TO OUR SHAREHOLDERS

Dear Shareholders



Gustav Stenbolt,
Chairman and Delegate of the Board of Directors

The course of business in the year 2019 was more pleasing than 2018. Furthermore, the business restructuring measures in the Group had a positive effect. Therefore, according to International Financial Reporting Standards (IFRS), Valartis Group reports a net profit for 2019 of CHF 2.4 million (previous year: net loss of CHF 6.9 million). Even though operating business developed in line with planning, the improvement in net profit is primarily attributable to the improvement of the investment property value of Petrovsky Fort and the increase of the Russian ruble value. Compared to the 2018 financial year, the RUB/CHF currency gained 10 per cent in value. The main financial effects are currency movements, fair value adjustments on assets and an impairment on a Russian real estate project. On an operational level, costs remained stable despite of new project developments and business expansions in 2019.

FUTURE DEVELOPEMENTS

The future of Valartis Group lies in the successful development of existing and new profitable, cash producing activities. Valartis Group has applied a bottom-up approach over the last years, based on overriding corporate objectives reflected in the strategy, geared to attaining one objective: a consistent focus on profitability with a favourable risk-return ratio.

As a result from this process, Valartis Group took the first steps in 2018 in selecting new investment targets 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 Valartis its international financing and structuring expertise. A first low-scale investment in the amount of

CHF 1.6 million was made in 2018. As this investment has proven successful during the first semester of 2019, two additional 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.

Furthermore, Valartis Group has geared its market development accordingly and adapted its range of services. The group structure was adapted to new circumstances, requirements and range of services which required further adjustments to the group's organisation and infrastructure. From a strategic and tactical perspective, the focus of activities in 2020 will be on the successful set-up and management of Valartis Group's new strategic projects in addition to the daily business activities of ENR Russia Invest SA and the property management activities for EPH Eastern Property Holdings Ltd. In connection with this further expansion on the real estate side, our property management subsidiary, VLR Germany GmbH, has opened offices in Frankfurt, Stuttgart and Hamburg.

ACTIVITIES IN 2019

Valartis Group continued to actively pursue its business activities and participations in 2019:

EPH Eastern Property Holdings Ltd. (EPH) negotiated successfully during 2018 the acquisition of the newly built BDO Headquarter in Vienna, Austria. The transaction closed in February 2019. The BDO Austria Headquarter – QBC 4 – is occupied by BDO Austria, a reputable and long-standing company providing audit and tax advisory services and the Austrian state company WKO Inhouse GmbH as anchor tenants. QBC 4 is a prime office property in the newly developed and striving Viennese business district Quartier Belvedere comprising an approx. gross floor area of 20,000 sqm. and approx. 70 parking spaces. Quartier Belvedere is a new city district in Vienna and with 25 hectares one of the biggest development areas of Europe. Located directly at the Vienna Central Station, the new Quartier Belvedere arose over the past years comprising a total of six buildings and a parking garage below the area: a unique office, residential and commercial centre thanks to its size and its location. In August 2019, EPH signed a forward purchase of three additional buildings, QBC 1, 2 & 7 in the same area comprising 38,000 m² of gross leasable space and an underground garage with 580 spaces. The development is expected to be finalized at yearend 2020/Q1 2021.

As an investor as well as an investment advisor, Valartis participates in managing and developing the Valartis German Residential Health Care Fund which was created exclusively for qualified investors. The fund benefits from the megatrend "Aging" and the growth of the aging population in Germany. Valartis German Residential Health Care services the silver generation in their need for nursing homes and barrier-free living as well as day care facilities. The properties are leased out for 20 to 25 years to reputable tenants which take care of the nursing services for their residents. These operators are large and experienced organisations operating a series of buildings in the health care and elderly living sector. By respecting certain sustainability topics throughout the acquisition,

the maintenance, and daily management process the Fund contributes to the U.N.'s Sustainable Developing Goals.

The size of the portfolio has been increasing significantly from three nursing homes with 319 beds by end of 2018 to thirteen properties with 773 beds, 67 apartments for independent and assisted living, and 45 day care places by end of December 2019 including one nursing home with 106 nursing home places and 5 barrier-free apartments under construction. The total investment volume amounts to approximately EUR 70 million by end of 2019. The Fund has distributed dividends to its investors between EUR 60 and EUR 75 per share (the initial investment was EUR 1,000 per share) over the last six years.

ENR Russia Invest SA, via a wholly owned subsidiary (ENR), acquired in 2019 a 50 per cent interest in a 27.4-hectare greenhouse and engineering facility for flower growing in the Kaluga Oblast in Russia ("Flower Growing Facility"). ENR teamed-up with a Russia based investment group, who owns the remaining 50 per cent interest. The purchase price and initial investment for capital and operational expenses amounted to RUB 742 million (approximately CHF 11.5 million). ENR's 50 per cent contribution is RUB 371 million (approximately CHF 5.75 million). Together with further investments (see below), it is anticipated that the Investors could ultimately invest a total of about CHF 25 million. Investor contributions will be made via a combination of equity and shareholder loans.

It is an objective to become the leading grower and seller of quality roses and seasonal flowers in Russia. In Russia demand for flowers remain strong and 80 per cent of cut flowers are imported. Russian grown flowers will be a substitute for imported flowers and the Flower Growing Facility (located some 135 km from Moscow, Russia's largest flower customer market) will have a shorter and less expensive route to market compared to imported flowers and also compete on quality and have longer shelf lives. The focus will be on strong cash-flows generation within a reasonable time period, to introduce operational efficiencies, to improve profit margins and returns for the Investors. Strong corporate governance and financial reporting control structures and processes will be put into place.

Valartis continues to hold a stake of 25 per cent in Norinvest Holding SA, the parent company of Banque Cramer Cie SA. On the operational side, the Swiss private banking market continues to be challenging.

VALARTIS GROUP TODAY

The business model continues to be based on the core competencies Financial Services, Real Estate project management and Participations and comprises for participations the three areas active management, management of third-party assets and exploration of new opportunities.

We continue to look for new or additional investments today. We are mainly looking for investments which will increase our cash flow. Our main industries are still financial services and real

estate projects, but we are also looking for opportunities in other markets.

At the end of 2019, Valartis Group employed a total of 66 people (65.5 Full Time Equivalents, FTE) in the Swiss front and service organisation and in Russian real estate management in Moscow and St. Petersburg (marketing, leasing and maintenance) – previous year: 56 employees (56 FTE).

The 2018 Annual General Meeting authorised the repurchase of up to a maximum of 400,000 shares of Valartis Group's own shares prior to the 2019 Annual General Meeting by way of a public share buy-back programme for cancellation purposes. The share capital was reduced accordingly in September 2019 from CHF 5,000,000 to CHF 4,769,295 after the amendment of the Articles of Association (reduction of share capital) was approved by the Annual General Meeting 2019. 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 buy-back 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, 470,000 shares will be submitted to the Annual General Meeting 2020 for approval. By 31 December 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), and 111,000 shares had been purchased for CHF 1.1 million at a purchase price of CHF 10.00 per share (2nd stage). This corresponds to a total number of shares bought of 470,000 shares.

TODAY'S AND TOMORROW'S PRIORITIES

The 2020 financial year will continue to present us with challenges. A key success factor in our front units Private Equity, Real Estate Project Management and Financial Services continues to be the rapid and successful development of new profitable activities and the further development of existing projects. Valartis Group focuses on market development, develops and launches innovative investment opportunities and adapts its range of services to demand.

THANK YOU

We would like to take this opportunity to express our special appreciation and gratitude to our employees for their continued loyalty. We thank you, dear Clients, and dear Shareholders of Valartis Group AG, for the loyalty and understanding you have shown us. We are confident that Valartis Group is well prepared for future challenges and will return to sustained corporate success.

Fribourg, Switzerland, 31 March 2020



Gustav Stenbolt, Chairman and Delegate of the Board of Directors

MANAGEMENT REPORT

BUSINESS PERFORMANCE AND ECONOMIC SITUATION OF VALARTIS GROUP

Operational business developed in line with expectations for 2019, and the Group's restructuring measures had a positive income impact. Furthermore, the investment side of business was more appealing than 2018 with both equity and fixed income markets worldwide and, thus, foreign currency exchange rates generally recovering. According to International Financial Reporting Standards (IFRS), an annual net profit of CHF 2.4 million (previous year: annual net loss of CHF 6.9 million) resulted. A positive effect is the reversal of the valuation impairment on a long-term investment asset, the investment property of ENR Group: +22 per cent compared to year-end 2018, stemming from a higher valuation and from the recovery of the Russian ruble (+10 per cent year-over-year). Furthermore, operational costs remained stable despite new project developments and business expansions in 2019. From an overall perspective, fair value adjustments (+ CHF 3.7 million), market developments for trading assets (+ CHF 4.3 million), and a net impairment for a real estate project (- CHF 2.0 million; net of deferred taxes) also impacted the annual result from the investment side of business.

With the sale of investments and business activities in previous years, Valartis Group is seeking new, additional investments. In 2019, 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 still 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 2018 in selecting new investment targets 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 Valartis its international financing and structuring expertise. A first low-scale investment in the amount of CHF 1.6 million was made in 2018. As this investment has proven successful during the first semester of 2019, two additional 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.

Overview of the 2019 financial year

EPH Eastern Property Holdings Ltd. (EPH) negotiated successfully during 2018 the acquisition of the newly built BDO Headquarter in Vienna, Austria. The transaction closed in February 2019. The BDO Austria Headquarter – QBC 4 – is occupied by BDO Austria, a reputable and long-standing company providing audit and tax advisory services and the Austrian state company WKO Inhouse GmbH as anchor tenants. QBC 4 is a prime office property in the newly developed and striving Viennese business district Quartier

Belvedere comprising an approx. gross floor area of 20,000 sqm. and approx. 70 parking spaces.

Quartier Belvedere is a new city district in Vienna and with 25 hectares one of the biggest development areas of Europe. Located directly at the Vienna Central Station, the new Quartier Belvedere arose over the past years comprising a total of six buildings and a parking garage below the area: a unique office, residential and commercial centre thanks to its size and its location. In August 2019, EPH signed a forward purchase of three additional buildings, QBC 1, 2 and 7 in the same area comprising 38,000 m² of gross leasable space and an underground garage with 580 spaces. The development is expected to be finalized at year-end 2020/Q1 2021.

Valartis Group continues to be responsible for certain of EPH's investment management functions under a management contract thus generating management fees for these services.

As an investor as well as an investment advisor, Valartis participates in managing and developing the Valartis German Residential Health Care Fund, Luxembourg which was created exclusively for qualified investors. The fund benefits from the megatrend "Aging" and the growth of the aging population in Germany. Valartis German Residential Health Care services the silver generation in their need for nursing homes and barrier-free living as well as day care facilities. The properties are leased out for 20 to 25 years to reputable tenants which take care of the nursing services for their residents. These operators are large and experienced organisations operating a series of buildings in the health care and elderly living sector. By respecting certain sustainability topics throughout the acquisition, the maintenance, and daily management process the Fund contributes to the U.N.'s Sustainable Developing Goals.

The size of the portfolio has been increasing significantly from three nursing homes with 319 beds by end of 2018 to thirteen properties with 773 beds, 67 apartments for independent and assisted living, and 45 day care places by end of December 2019 including one nursing home with 106 nursing home places and 5 barrier-free apartments under construction. The total investment volume amounts to approximately EUR 70 million by end of 2019. The Fund has distributed dividends to its investors between EUR 60 and EUR 75 per share (the initial investment was EUR 1,000 per share) over the last six years.

Valartis Group continues to hold a stake of 25 per cent in Norinvest Holding SA, the parent company of Banque Cramer Cie SA, Geneva, Switzerland.

ENR Group's office building investment in St. Petersburg, Petrovsky Fort showed an increase in the fair value of 12 per cent in ruble terms according to the Jones Lang Lasalle valuation (independent assessment from a licensed professional valuation specialist). With a stronger ruble against the CHF at year-end, there was an additional valuation uplift of 11 per cent in CHF terms. In aggregate, this had a CHF 7.5 million positive impact on ENR. The refinanced Petrovsky Fort mortgage with Bank Austria/Unicredit at

attractive rates reduced interest costs by 50 per cent in 2019 (CHF 0.6 million).

ENR increased an impairment of a real estate project by CHF 2.0 million due to the liquidation of the developer and has registered its claim for amounts invested, together with penalties.

In September 2019, ENR partnered with a Russian partner and on a 50/50 basis acquired a greenhouse complex for flower production in Russia (close to Moscow). The complex is well engineered and equipped with five stand-alone greenhouses. Investments are required to service or replace parts of engineering systems, to buy flower plants and bulbs and to part fund operations until the business is cash-flow positive. At 31 December 2019, ENR had invested a total of RUB 342,905,000 (CHF 5.3 million).

The 2018 Annual General Meeting authorised the repurchase of up to a maximum of 400,000 shares of Valartis Group's own shares prior to the 2019 Annual General Meeting by way of a public share buy-back programme for cancellation purposes. The share capital was reduced accordingly in September 2019 from CHF 5,000,000 to CHF 4,769,295 after the amendment of the Articles of Association (reduction of share capital) was approved by the Annual General Meeting 2019. 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, 470,000 shares will be submitted to the Annual General Meeting 2020 for approval. By 31 December 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), and 111,000 shares had been purchased for CHF 1.1 million at a purchase price of CHF 10.00 per share (2nd stage). This corresponds to a total number of shares bought of 470,000 shares.

THE FINANCIAL SITUATION OF VALARTIS GROUP

Consolidated equity at the end of 2019 stands unchanged compared to the previous year at CHF 124 million (31.12.2018: CHF 124 million). Total Group equity of Valartis Group remained stable on a net basis but shows material movements within the individual equity positions: increase due to the annual profit (+ CHF 2.4 million), increase due to a value increase of a financial assets through OCI (+ CHF 2.4 million), increase in CTA (currency translation adjustments; + CHF 1.3 million), and a decrease due to the expense for the share buyback programme (- CHF 5.4 million) besides other smaller decreases. For an overview, please refer the consolidated statement of changes in equity on page 42. Overall, this corresponds to an equity ratio (i.e. total equity in per cent of balance sheet total) of 73.4 per cent (previous year: 75.6 per cent due to a lower balance sheet total).

The 2019 cash flow statement is strongly influenced by investment activities. In 2019, approximately CHF 6 million were invested in participations in line with the new strategic business activities, i.e. the shipping industry and the private equity investment of ENR.

EMPLOYEES OF VALARTIS GROUP

Over the years, Valartis Group employees have made a decisive contribution to the restructuring success of Valartis Group through their identification with the company and their commitment to its objectives. They are of great importance for the success of Valartis Group and its future competitiveness. See also chapter Corporate Sustainability, page 12 ff. The financial recognition of individual performance through modern remuneration models is an important factor, and it is a specific concern of the Board of Directors to recognize the performance of the employees accordingly. For further information, see the section entitled Compensation Report, page 26 ff.

The Board of Directors and the Executive Committee of Valartis Group would like to take this opportunity to thank the employees for their commitment over the past year and the continued high level of loyalty and trust they have shown to Valartis Group.

As of 31 December 2019, Valartis Group employed a total of 65.5 full-time adjusted employees in operations in Russia (Moscow and St. Petersburg), Switzerland and Germany; previous year for the Group: 56.0 employees).

The organisational structure of Valartis Group, see organisation chart, page 10, consists of a Board of Directors at Group level and a Delegate of the Board of Directors (additional function for the Chairman of the Board of Directors) as well as 9.5 full-time positions in Switzerland. These employees provide services in the areas of real estate projects, investment projects, corporate finance and, as part of the Group's service organisation, in the areas of Group Accounting & Controlling, IT & Logistics and Corporate Communications. Other services required by the Group (personnel administration, tax and legal advice) are obtained from external providers.

Due to the full consolidation of Group companies, further employees of Valartis International Ltd. in Moscow (36 employees), of ENR Group in St. Petersburg (18 employees) and of VLR Germany GmbH in Frankfurt (2 employees) are included. All these employees provide services in the areas of real estate projects and real estate administration (marketing, rentals and maintenance).

CARRYING OUT A RISK ASSESSMENT

The Board of Directors monitors the risk management system and deals with all risks on a quarterly basis with corresponding reports. Current risk topics are discussed and evaluated. See also Risk Management in the separate chapter and in Valartis Group's consolidated financial statements, pages 15 and 62 ff.

Each year, the Board of Directors conducts a structured analysis of the main risks to which the Group is exposed on account of its business model. These include credit, market, liquidity, operational, strategic, business and reputational risks. The Board of Directors considers risk-minimizing measures, internal controls and findings from changes in political, economic, sociocultural or technological conditions. Building on this, the Board of Directors sets overall targets and risk limits, compliance with which is continuously monitored.

Strategic and organisational decisions are made on this basis with the aim of optimising Valartis Group's risk positions. A key component of this is the design and further development of the internal control system which is intended to address identified risks through appropriate, stringent control measures and minimise their probability of occurrence. The appropriate establishment of risk management and controlling processes which ensure the identification, assessment, management, monitoring and reporting of material risks and the associated risk concentrations, ensures that all risks are taken into account accordingly. A key objective here is to create transparency about risks at an early stage and to reduce potential losses. The Board of Directors considers the structures and measures for controlling and monitoring material risks to be appropriate.

Description of the accounting-related internal control system

Valartis Group's internal control system comprises all principles, procedures and measures designed to ensure the effectiveness, efficiency and regularity of accounting and compliance with the relevant legal provisions. It is based on the international COSO model and comprises the components control environment, risk assessment process, accounting-related information systems, control activities and monitoring of the internal control system (ICS). COSO (Committee of Sponsoring Organisations of the Treadway Commission) is a voluntary private sector organisation in the United States that aims to help improve the quality of financial reporting through ethical conduct, effective internal controls and good corporate governance. There have been no significant changes since the balance sheet date that would require an adjustment of the internal control system.

BUSINESS DEVELOPMENT

Income statement

The Group posted a net profit of CHF 2.4 million for the 2019 financial year (31.12.2018: net loss of CHF 6.9 million). The course of business in the year 2019 was more pleasing than 2018. Furthermore, the business restructuring measures in the Group had a positive effect. Even though operating business developed in line with planning, the improvement in net profit is primarily attributable to the improvement of the investment property value of Petrovsky Fort and the increase of the Russian ruble value. Compared to the 2018 financial year, the RUB/CHF currency gained 10 per cent in value. The main financial effects are market and currency movements (+ CHF 4.3 million), fair value adjustments on assets (+ CHF 3.7 million) and impairments (- CHF 2.0 million). On an operational level, costs remained stable despite of new project developments and business expansions in 2019 (- 5 per cent).

Management Services increased from CHF 2.7 million in the previous year to CHF 4.1 million in 2019. The increase is due to the expansion of our operational business and thus increasing our management services. Income from investment property 2019 – CHF 4.0 million – closes in line with last year's result (previous year: CHF 4.1 million). This income corresponds to the rental income on the property.

Share of results of associated companies is down from CHF 3.0 million as of 31 December 2018 and amounts to a loss of CHF 0.3 million at year-end 2019; this is largely due to Valartis holding a stake of 25 per cent in Norinvest Holding SA. Associated companies are accounted for using the equity method. Norinvest Holding SA 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 estimates are corrected if available in the Valartis Group's consolidated financial statements for the following year.

Other ordinary income includes various consulting fees and a payable amount adjustment. At CHF 0.3 million, other ordinary income is lower than the previous year (2018: CHF 1.1 million).

Operating expenses fell by 7 per cent to CHF 10.5 million (31.12.2018: CHF 11.3 million) due to the resizing of the organisation and further cost-cutting measures and the reduction of consulting costs from previous years. This is remarkable as on an operational level, Valartis was able during 2019 to develop new projects and expand its business. Personnel expenses increased by 4.9 per cent year-over-year from CHF 5.2 million to CHF 5.5 million. General and administrative expenses, however, were reduced to CHF 5.0 million (31.12.2018: CHF 6.1 million).

Valuation adjustments, provisions and losses for 2019 amount to CHF 2.0 million, caused by the impairment for a Russian real estate project of ENR Group.

Net financial income amounts to CHF 5.2 million for 2019 (2018 net financial loss of - CHF 8.1 million). This is caused primarily by the recovery of the value of the Russian ruble (+ 10 per cent year-over-year). These are an unrealised gains.

Income taxes for the previous year (2018) show a positive contribution of CHF 1.2 million, rather than an expense, due to changes in deferred tax assets. The impairment booked in 2018 for a Russian real estate project gave rise to a tax asset as did the value increase of the Russian investment property. Temporary differences can result in needing to record a deferred tax asset instead of a liability.

BALANCE SHEET

The balance sheet total of CHF 169 million reported as of 31 December 2019 (31.12.2018: CHF 164 million), increased compared to the previous year mainly due to the increase in value of the investment property (both in substance and valuation due to the recovery of the Russian ruble value). Cash remained stable in spite of the expense for the share buyback programme 2019 in the amount of CHF 5.4 million and a dividend payment of CHF 0.4 million; this shows that operational costs are largely covered by operational income, and that cash reserves do not have to be used for operations. Liabilities amount to CHF 45 million (previous year: CHF 40 million), around half of which comprise loan obligations (e.g. for a real estate property of the fully consolidated Group company Petrovsky Fort LLC financed by an external loan). While Group equity stood at CHF 123 million at the end of 2019 (end of 2018: CHF 124 million), equity attributable to shareholders of Valartis Group AG now stands at CHF 106 million (end of 2018: CHF 108 million). Total Group equity of Valartis Group remained stable on a net basis but shows movements within: increase due to the annual profit (+ CHF 2.4 million), increase due to a value increase of a financial assets through OCI (+ CHF 2.4 million), increase in CTA (currency translation adjustments; + CHF 1.3), and a decrease due to the expense for the share buyback programme (- CHF 5.4 million) besides other smaller decreases. For an overview, please refer the consolidated statement of changes in equity on page 42.

SIGNIFICANT 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 Valartis Group's consolidated financial statements, Note 43.

Segment reporting

Valartis Group has only one single segment and, in accordance with IFRS 8, reporting is only for one business component of the Group. See also the notes to the consolidated financial statements in Note 36.

OUTLOOK

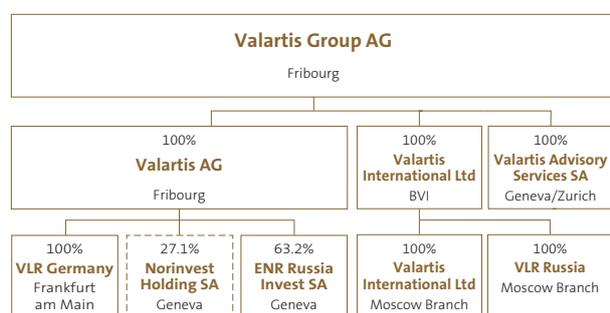
Expected development of Valartis Group

The focus in the front units Private Equity, Real Estate Project Management and Financial Services for 2020 will be on continuing the successful development of new profitable activities started in 2018 and 2019 and on the further development of projects already underway, with a continued focus on results. While cost recovery was enough for 2017, a modest overall positive contribution sufficient for 2018, increased earnings must continue to grow in 2020 as in 2019. Valartis Group continues to focus its market development and adapts its range of services to demand. The group structure will be adapted to new circumstances and project implementations, new requirements and an expanded range of services which will require further adjustments to the Group's organisation and infrastructure. From a strategic and tactical point of view, the activities of 2019 will now focus on building up and managing new participations and new projects in line with Valartis Group's strategic guidelines. An important aspect of these new projects is their ability to increase the Group's operating cash flow. For further information see also chapter Strategy and Objectives, page 9 f.

STRATEGY AND OBJECTIVES

Valartis Group is an internationally active financial group with offices in Switzerland (Fribourg, Geneva and Zurich), Luxembourg, Russia (Moscow and St. Petersburg), and Germany (Frankfurt, Stuttgart, Hamburg). 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). Valartis Group AG holds direct or indirect participations in fully consolidated companies and in associated companies (see Note 37).

Valartis Group – Operational Structure



THE STRATEGIC DIRECTION

Today, Valartis Group's business activities comprise the areas of financial services, real estate projects and participations. Therefore, considering the basic principle of risk-bearing capacity, the return-oriented assumption of risks is the focus of operational management.

Financial services

Here, Valartis Group concentrates on the comprehensive management of niche funds (investment satellites). The focus of investment activity is on the markets of Russia and Germany. Valartis Group also provides certain advisory services in the area of corporate finance.

Valartis German Residential Health Care Fund

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 performs various administrative tasks for the fund. For these services, it is compensated at customary market fees.

Corporate Finance

Valartis Corporate Finance services focus primarily on advisory activities for listed and non-listed medium-sized companies in Germany, Austria and Switzerland as well as in Central and Eastern Europe.

Real estate projects

On the real estate side, Valartis Group combines the management of profitable commercial and residential properties with investments in promising development projects. With their know-how and broad network of contacts, the real estate in-

vestment specialists of Valartis Group also support the search for specific investment vehicles in the real estate sector.

Especially for Russian real estate investment companies, the direct acquisition of properties with project development and management of well let properties in top locations in Moscow and St. Petersburg have proven to be a valuable investment.

ENR Russia Invest SA

ENR Russia Invest SA (ENR) is an investment company listed on the SIX Swiss Exchange and a member of the Swiss Association of Investment Companies. Since 1996, the company has been investing in private equity, listed shares, real estate and non-current-income instruments of Russian companies and companies from other states of the Commonwealth of Independent States and the Baltic States. ENR Group holds an investment property in St. Petersburg, Russia, the business property Petrovsky Fort. This is a class B+ office and retail property, completed in 2003, located in the centre of St. Petersburg near Neva Dam. It has nine office and two retail levels with a large central atrium. Of the total net rental area, approximately 15,000 square metres are earmarked for office purposes and approximately 6,000 square metres for retail space. Furthermore, ENR owns 50 per cent of a parking garage located very centrally on Moscow's Turgenevskaya Square. The underground car park offers spaces for 290 cars on 6 underground floors. And finally, via a wholly owned subsidiary, ENR acquired in 2019 a 50 per cent interest in a 27.4-hectare greenhouse and engineering facility for flower growing in the Kaluga Oblast in Russia.

Eastern Property Holdings Limited

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 (close to 40 per cent). Valartis International Ltd, a company of Valartis Group, continues to be responsible for certain investment management functions at EPH under a management contract.

Participations

The focus is on equity participations as a shareholder. Valartis Group pursues a bottom-up approach and is constantly looking for investments for its own investment portfolio.

Elements of the traditional portfolio management process such as portfolio realisation (asset allocation, monitoring, review) and portfolio control (performance measurement, attribution) are used to select investment opportunities. The disciplined implementation of these steps contributes to achieving the objective 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 optimising the expected return (value growth including interest and dividends less costs) within a certain period on the one hand and limiting the risk of loss on the other. Typically, the structure of an investment portfolio will show a certain consist-

ency over time which implies an anti-cyclical behaviour which involves both opportunities and risks.

Norinvest Holding SA

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.

Whitebox Services AG

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 Rheine, 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.

Briese Schifffahrts GmbH & CO KG MS

In 2018 and in 2019, Valartis Group invested in 3 limited partnerships called Briese Schifffahrts GmbH & Co. KG MS, by way of contributing as a limited partner a total of approximately CHF 7.2 million. Briese Schifffahrts GmbH & Co. KG MS operates a mid-size freight cargo and is in Leer, Germany (see also Note 38).

Athris Holding AG

Athris Holding AG (until August 2008 Jelmoli Beteiligungen 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 category Assets at fair value through OCI.

The organisational structure

Board of Directors and Executive Committee

With confirmation of the Annual General Meeting of 14 May 2019, the Board of Directors of Valartis Group is composed as follows: Gustav Stenbolt, Chairman of the Board of Directors, Philipp LeibundGut, Vice Chairman, and Olivier Brunisholz, Member. See also press release of 14 May 2019: Results of the Annual General Meeting of Valartis Group AG; at <http://www.valartisgroup.ch/en/#medienmitteilungen>. The Executive Committee was reduced at the beginning of 2017 when the Chairman of the Board of Directors, Gustav Stenbolt, additionally assumed the function of Delegate of the Board of Directors after the then CEO had decided to resign from his function as CEO of Valartis Group and to leave the Group on 28 February 2017: <http://www.valartisgroup.ch/en/#medienmitteilungen>. George M. Isliker served as CFO/CRO since 2011 until 31 March 2020 when he left Valartis Group.

Organisational chart



1 Business Development Committee

2 Compensation Committee

Valartis Group employs a total of 66 people.

The employees provide services in the areas of real estate projects, investment projects, corporate finance and, as part of the Group's service organisation, in the areas of group Accounting & controlling, IT & logistics and corporate communications. Other services required by the company (personnel administration and tax and legal advice) are obtained from external providers.

Due to the full consolidation of Group companies, further employees of Valartis International Ltd. in Moscow (36 employees), of ENR Group in St. Petersburg (18 employees), and of VLR Germany GmbH, Germany (2 employees) have been added. These employees provide services in the areas of real estate administration (marketing, leasing and maintenance) and projects.

Focused growth

One of the central challenges in the composition of investments is to solve the conflict of objectives between optimising the expected return (value growth including interest and dividends less costs) within a certain period of time on the one hand and limiting the risk of loss on the other. Typically, the structure and composition of investments will show a certain consistency over time which implies an anti-cyclical behaviour and, therefore, involves both opportunities and risks. Pro-cyclical behaviour would result in strong annual changes in the percentage composition of the investments which would result in increased transaction costs.

Measures to increase earnings and control costs

All front units of the Group have already initiated or newly launched programs with the aim of increasing earnings or reducing costs in order to achieve the targeted increase in efficiency and profitability in a timely manner. In particular, management is working to increase short-term flexibility despite increasing challenges and complexity in setting up additional investments in order to make the business model more scalable and to keep costs under control. Stringent risk management and compliance with the criteria for risk-bearing capacity remain key principles of the Group. The internal control system of Valartis Group (ICS) is continuously adapted and helps to manage operational risks efficiently. Details can be found in the chapter Risk Management of Valartis Group, page 15 and in the chapter Notes on risk management, pages 62 and ff.

Increase in commission income

In addition to building up and managing investments, Valartis Group also aims to increase income from services. This will require a substantial increase in commission income in order to generate positive contributions to earnings in the medium term beyond the sustainable coverage of operating costs. Cooperation opens up a way not only to counter rising costs, but also to jointly develop and implement investment projects. Valartis Group is therefore in constant exchange with partners in order to jointly use existing resources and optimise their use.

OUTLOOK

The focus in the front units for 2019 will be on the successful development of new profitable activities and the further development of projects already under way, whereby the target of a significantly increased earnings orientation must be adhered to. Valartis Group focuses its market development by working on the development and launch of innovative and promising investment opportunities within a reasonable period of time and continuously adapts its range of services to demand.

CORPORATE SUSTAINABILITY

SUSTAINABLE CORPORATE GOVERNANCE

We are an interactive, internationally focussed company and are aware of the diversity and the great importance of our international and local stakeholders and dialog groups. In a phase of realignment of the business model in particular, it is essential to know the interests and needs of our stakeholders and to take them into account appropriately for the further development of the Group in order to ensure the sustained success of the company's development.

We not only integrate economic criteria into our thinking and actions, but also include social and ecological aspects and thus strive for a holistic perception of our corporate responsibility. Our ethical and professional core values such as integrity, respect, trust, customer and dialogue orientation, partnership and transparent communication as well as a sustainable sense of responsibility are laid down in the Code of Conduct. The Code of Conduct is published under Investor Relations at <http://www.valartisgroup.ch/en/#codeofconduct>.

Sustainable business practices and thus sustainable profitability are central to our long-term success. We integrate environmental and social aspects into our business decisions and into the management of our resources and infrastructure. We want to achieve continuous sustainability for our internal and external stakeholders¹

¹ Code of Conduct of Valartis Group, section Sustainability

An essential function of the Code of Conduct is to make all people in the company aware of applicable laws and company guidelines and to make them aware of legal risks in everyday working life. The Code of Conduct summarises laws and other rules that are of relevance to Valartis Group and provides guidance. As a binding guideline for legally compliant and ethically responsible conduct in our company, the Code of Conduct also defines the standards for responsible conduct towards business partners and the public, but also in dealing with one another within the company. All employees and the Board of Directors of Valartis Group are obliged to comply with the principles laid down in the Code of Conduct (see chart in the right column). Valartis Group maintains an open, transparent dialogue and strives for a relationship based on trust and responsibility with clients, partners, investors and employees. Effective Corporate Governance is essential for sustainable business success which is why Valartis Group consistently complies with corporate governance rules and follows the principles and recommendations of economiesuisse's Swiss Code of Best Practice for Corporate Governance.

Corporate responsibility



VALUES AND PARTNERSHIP

We adhere to our traditional core values such as trust, partnership, a sense of risk and responsibility, dialogue orientation and innovative strength, combined with competence, know-how and many years of experience. Our core competencies – real estate project management, financial services and our own participations – form the basis for our current corporate alignment.

Risk Management and Compliance

We attach great importance to both risk management and compliance – in the sense of compliance with rules, i.e. compliance with laws and guidelines, but also with voluntary codes. Compliance governs the exercise of legal responsibility and compliance with all relevant internal and external regulations as well as the timely implementation of new requirements. Our business activities are based on disciplined, prudent risk management. We only take those risks that we can assess and evaluate and want to bear within our risk appetite. In the interest and for the protection of our stakeholders, we as a Group attach great importance to internally independent control procedures and activities, descriptions and information on risk management (see pages 15, 62 and ff.).

For an overview and assessment of the main risks associated with the current business model, please refer to Risk Management on pages 15, 62 and ff.

FOR OUR SHAREHOLDERS – TRANSPARENCY AND SUSTAINABLE CORPORATE DEVELOPMENT

As a listed company, important stakeholder groups of Valartis Group AG are our shareholders with a free float of 35 per cent of the shares (excluding the treasury shares) and the majority shareholder, MCG Holding SA, Baar ZG, Switzerland which holds 45.33 per cent of the nominal capital and voting rights of the company (see Registered shares, page 135 and Note 29). The remaining shares are held by the company itself.

We remain committed to generating sustained profits vis-à-vis our majority shareholder and minority shareholders. These profits form the basis for a development that not only allows targeted reinvestment in business activities, but also enables the funding of reserves for economically difficult times. The Group also aims to return the capital provided by the owners at an appropriate rate of interest in the form of dividends.

Sustainable corporate development – value-oriented management

The basis of overall corporate management is a systematic, multi-level financial planning and management process based on a dual management concept with a separation between decentralized control of front activities and centralisation of the service organisation, including the company's own financial assets and investment strategies. With the new on-set of the company, overall corporate management will remain in place, whereby the dual management concept will be considerably simplified due to the significant reduction in the size of the Group and its front organisations.

Board of Directors and Executive Committee

The three-member Board of Directors is responsible for determining the medium- and long-term strategic orientation of Valartis Group. Its members have many years of experience and expertise in the areas of finance & banking, international investments and investment projects, international taxation, finance and accounting, risk management and in dealing with internal control systems (see also Corporate Governance, page 16 ff.). The strategic guidelines of the Board of Directors are implemented by the Executive Committee. It is also responsible for the operational management of Valartis Group, operational liquidity planning and overall results, defines as a decision-making body the operational medium-term planning (roll-over) and the profit targets at gross profit level valid for the next three years, and defines the central tactical measures at Group level.

The persons responsible for private equity, real estate project management and funds report to the Executive Committee. Based on a detailed annual plan, they determine their income, risk and activity budget for the coming year and, within this framework, decide on the use of necessary funds. Non-operative taxable income and expenses such as trading or valuation gains, however, do not form part of medium-term planning. Timely monitoring and discussion of the monthly results allows countermeasures to be implemented quickly during ongoing operations, especially in the event of significant budget deviations. At the same time, appropriately designed information and risk

management systems always make it possible to keep operational risk under control (see also Risk Management on pages 15, 62 and ff.). The three-year capital planning process concludes the financial management process.

SUSTAINABLE EMPLOYEE DEVELOPMENT

We are proud to have employees who take on challenges, overcome obstacles and are committed to the company, even under difficult conditions.

The challenging conditions in the internationally competitive environment will make prudent, sustainable promotion and constant further training of Valartis Group employees even more important in the future. Our continued international activities demand a high degree of professionalism, expertise, knowledge of people and culture from our employees, as well as the values we desire. Furthermore, Valartis Group can only operate sustainably and master future challenges due to the specific expertise, the highly solution-oriented service approach and the high personal commitment of each individual employee.

Wherever possible, we offer our employees a high degree of flexibility so that they can balance their workload with their private lives. Our value-oriented management approach is characterised by a leadership style based on partnership and a climate of cooperation supported by comradery and provides for attractive salaries in line with the market, a performance-oriented remuneration system and progressive social benefits that create incentives for personal development.

The compatibility of career and family and a balanced work-life balance are important prerequisites for the long-term performance of employees. Accordingly, within the Group we offer market-conform, regionally adapted holiday and vacation regulations as well as the possibility of flexible working hours and are open to the home office concepts in accordance with operational requirements.

Equal treatment also applies to the individual determination of remuneration. In this way, female specialists at the same location receive the same salaries as their male colleagues with the same qualifications and experience. Dealing with issues of gender equality is regulated by the personnel regulations. At the same time, a culture of freedom of expression encourages a high degree of employee participation and co-determination.

Value-based remuneration system – target orientation and appreciation

We are committed to fair, balanced and performance-oriented remuneration and offer our employees in all Group companies not only attractive salaries in line with market conditions and progressive social benefits, but also a bonus system that appropriately rewards above-average performance. Our value-based remuneration system is geared to the medium-term economic success and sustainable competitiveness of the Group (for details see also Compensation Report of Valartis Group, page 26 ff.). Due to the significantly reduced size of Valartis Group, the Com-

OUR PROMISE TO OUR EMPLOYEES

Accept social responsibility	Sustainable employee development – future-driven	Value-driven compensation system – target-oriented, appreciation	Values – trust, responsibility, cooperation, respect
<p>We wish all employees an adequate work-life balance, i.e. a good work-life balance and an adequate balance between work and appropriate leisure, exercise and nutrition. Accordingly, the Valartis companies offer market-con-form, regionally adapted holiday and holiday regulations as well as the possibility of flexible working hours.</p>	<p>We promote and facilitate personal and professional development within the group.</p> <p>We have institutionalised internal and external training and further education.</p>	<p>We offer market-based remuneration at all locations. The remuneration system provides incentives that promote performance-, team- and risk-conscious culture as well as entrepreneurial thinking and acting and strengthening Valartis Group as a whole.</p>	<p>We follow the principle of equal treatment, especially in determining salaries. Female specialists receive the same salaries within the same location with the same qualifications and experience as their male colleagues.</p> <p>We have institutionalised internal and external training and further education.</p> <p>We offer and expect from our employees a cosmopolitan attitude and respect towards other nations, cultures, mentalities, age groups and needs.</p>

compensation Committee replaced in 2018/2019 the previous bonus programme with a new employee participation programme. As a company, we motivate employees to live a performance-, team- and risk-conscious culture and promote independent entrepreneurial thinking and acting in the interests of the Group. In addition to targeted employee development and advancement, a salary in line with market conditions and progressive social benefits, Valartis Group offers its employees a range of fringe benefits such as benefits for long-service anniversaries, weddings or births as well as benefits and discounts from external partners.

SOCIAL COMMITMENT

As a company aware of its social responsibility, Valartis Group can only modestly support several international charitable organisations due to its much small size.

FOR THE ENVIRONMENT – FUTURE-ORIENTED, LONG-TERM BALANCE

In our corporate management, we are guided by the basic principle of an adequate, long-term balance between our economic, social and ecological responsibility as a company.

In matters of sustainability, we will continue to focus on resource efficiency because we are convinced that this is an important factor for the long-term success of the company and our investment portfolio. In the future, stakeholders will increasingly demand concrete steps from companies with regard to sustainable use of non-renewable resources, a further increase in resource efficiency and a shift towards renewable energies.

Due to its very limited capacities and infrastructures, Valartis Group refrains from systematically collecting and evaluating ecologically relevant information.

- We reduce our ecological footprint by, for example
- use public transport for business travel;
 - critically question the necessity of air travel;
 - use new technologies for meetings (online or video conferencing);
 - strive for efficiency in the consumption of electricity for computer systems and other electrical equipment;
 - reduce paper consumption;
 - develop and offer user-friendly online communication tools and platforms, such as microsites and apps for annual reports and publications;
 - use chilled ceilings in the offices which contribute to a pleasant room climate in summer and winter;
 - collect waste paper and recycle it;
 - obtain beverages from our customers and employees in returnable bottles and return them to the dealer after use.

OUR EMPLOYEES IN 2019

	31.12.2019	31.12.2018
Valartis Group (full-time equivalents)	65,5	56
Nationalities	10	9
Locations	9	6

RISK MANAGEMENT OF VALARTIS GROUP

RISK SITUATION OF VALARTIS GROUP

Overview

The balance sheet total of CHF 169 million reported as of 31 December 2019 (31.12.2018: CHF 164 million), increased compared to the previous year mainly due to the increase in value of the investment property (both in substance and valuation due to the recovery of the Russian ruble value). Cash remained stable in spite of the expense for the share buyback programme 2019 in the amount of CHF 5.4 million and a dividend payment of CHF 0.4 million; this shows that operational costs are largely covered by operational income, and that cash reserves do not have to be used for operations. Liabilities amount to CHF 45 million (previous year: CHF 40 million), around half of which comprise loan obligations (e.g. for a real estate property of the fully consolidated Group company Petrovsky Fort LLC financed by an external loan). While Group equity stood at CHF 123 million at the end of 2019 (end of 2018: CHF 124 million), equity attributable to shareholders of Valartis Group AG now stands at CHF 106 million (end of 2018: CHF 108 million). Total Group equity of Valartis Group remained stable on a net basis but shows movements within: increase due to the annual profit (+ CHF 2.4 million), increase due to a value increase of a financial assets through OCI (+ CHF 2.4 million), increase in CTA (currency translation adjustments; + CHF 1.3), and a decrease due to the expense for the share buyback programme (- CHF 5.4 million) besides other smaller decreases. For an overview, please refer the consolidated statement of changes in equity on page 42.

The assets side of the balance sheet at year-end was as follows:

in CHF million	31.12.2019	31.12.2018
Current assets	60.3/36%	69.5/42%
Non-current assets	106.3/63%	91.8/56%
Assets classified as held for sale	1.9/1%	2.7/2%

Risk management for the remaining risks on the asset side is based on the professional principles of value-oriented corporate management which include the targeted assumption of risks and their professional management. Considering the basic principle of risk-bearing capacity, return-oriented risk assumption is now the focus of risk management.

Valartis Group takes a bottom-up approach to its own investments and is constantly looking for new long-term investments for its participation portfolio. Elements of the traditional portfolio management process such as portfolio realisation (asset allocation, monitoring, review) and portfolio control (performance measurement, attribution) are used to select own investment opportunities. The disciplined implementation of these steps contributes to achieving the objective 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 optimising the expected return (value growth including interest and dividends less costs) within a certain period of time on the one hand and limiting the risk of loss on the other. Typically, the structure of an investment

portfolio will have a certain consistency over time which implies an anti-cyclical behaviour and involves both opportunities and risks.

Organisation of risk management

Valartis Group has a central risk management organisation.

In its capacity as the highest operative supervisory body, the Board of Directors continues to bear responsibility for all risks of the Group and defines the corresponding risk policy. It is responsible for determining the annual risk budget, the structure of limits and the maximum risk tolerance (quantitative and qualitative) in relation to the risk-bearing capacity of the Group. Operational management is responsible for the implementation of risk management and control principles and ensures permanent compliance with the specified limits. Risk monitoring and risk assessment see chapter Management Report, page 5 ff.

At present, the business activities of Valartis Group essentially comprise the following risks:

- Market risk (price risk of equity instruments, interest rate risk and foreign currency risk)
- Credit risk (bond default risk)
- Non-counterparty-related risk (real estate project risk)
- Liquidity risk

Generally, the currency risk is currently the main risk to be assessed. See also further explanations in the consolidated financial statements of Valartis Group, page 62 ff.

The currency balance sheet at the end of the year was as follows:

in CHF million	31.12.2019	31.12.2018
Current assets	60.3	69.5
in CHF	11.4/19%	12.9/19%
in EUR	15.3/25%	18.9/27%
in USD	25.5/42%	34.3/49%
in RUB	8.1/14%	3.4/5%

Non-current assets	106.3	91.8
in CHF	50.5/48%	48.2/52%
in EUR	7.5/7%	1.6/2%
in USD	3.6/3%	3.6/4%
in RUB	44.7/42%	38.4/42%

Net position per foreign currency
(total assets per currency less total liabilities per currency)

in EUR	4.8	5.3
in USD	22.3	21.2
in RUB	48.8	38.9

CORPORATE GOVERNANCE

Valartis Group attaches great importance to a strong Corporate Governance and sees this as a central factor for corporate success. The protection of shareholder interests, a transparent and comprehensive information policy and an appropriate remuneration policy are key elements of Valartis Group's Corporate Governance. Corporate Governance also regulates the relationship between management and control of the Group.

LEGAL GUIDELINES AND PRINCIPLES

Valartis Group follows the principles and recommendations of *économiesuisse's* Swiss Code of Best Practice for Corporate Governance and its appendix with recommendations on the remuneration of the Board of Directors and the Executive Committee (see Compensation Report, page 26 ff.). As a company listed on the SIX Swiss Exchange (SIX), Valartis Group is also subject to the guidelines of SIX Exchange Regulation. The principles of Valartis Group's corporate governance correspond to the SIX Directive on Information Relating to Corporate Governance (DCG) of 13 December 2016 and the disclosure requirements under Art. 663bbis and 663c para. 3 of the Swiss Code of Obligations (CO). The following information is as of 31 December 2019, unless otherwise stated.

CORPORATE GOVERNANCE FRAMEWORK OF VALARTIS GROUP

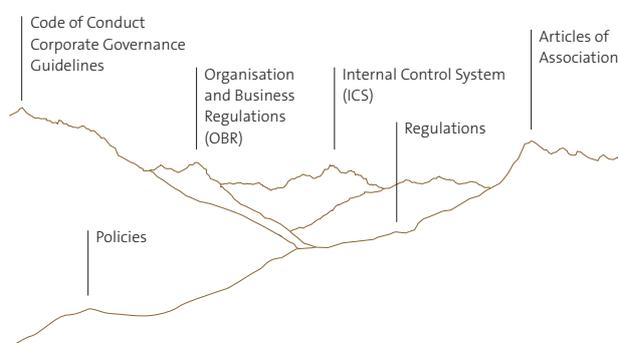
Valartis Group's corporate governance guidelines define and allocate the roles, competencies and areas of responsibility of the management and supervisory bodies in a clear and balanced manner and provide for appropriate controls. All principles and guidelines relating to Corporate Governance are binding for the organisation and management of Valartis Group. These documents form the corporate governance framework of Valartis Group and comprise the following elements:

- The Articles of Association explain the corporate purpose and the comprehensive organisational framework of Valartis Group. The Articles of Association are posted under Investor Relations at <http://www.valartisgroup.ch/en/#statuten>.
- Valartis Group's Code of Conduct defines basic ethical and professional values such as integrity, respect, client and dialogue orientation, fairness, transparent communication and a sustainable sense of responsibility. The Code of Conduct is published under Investor Relations at <http://www.valartisgroup.ch/en/#codeofconduct>.
- The internal Organisation and Business Regulations (OBR) define the responsibilities and competencies within Valartis Group. The essential elements of these regulations are set out in this Corporate Governance Report in the chapters Board of Directors (see page 16 ff.), Compensation Committee (see page 21 f) and Executive Committee (see page 22 and ff.).
- The rules of the Compensation Committee set out the duties and responsibilities of this body and its members. The essential elements of these regulations are set out in Compensation Report 2019 (see page 26 and ff.).

- The remuneration policy: The Compensation Report – see also <http://www.valartisgroup.ch/en/#investorrelations> under Annual Report or <http://www.valartisgroup.ch/en/#geschaeftsberichte> – defines the essential elements and principles of an appropriate compensation system for the members of the Board of Directors, the Executive Committee and the employees (see Compensation Report 2019, pages 29, 31 and 32).
- The responsibilities and competencies defined in the internal Organisation and Business Regulations (OBR) are, where appropriate, additionally described and defined in various regulations.

Corporate Governance

Organisation and Business Regulations (OBR)



GROUP STRUCTURE AND SHAREHOLDERS

Group's structure

Valartis Group AG is a stock corporation under Swiss law with its registered office in Fribourg, Canton of Fribourg, Switzerland. The registered shares of Valartis Group AG (ISIN CH0367427686) are listed on the SIX Swiss Exchange. As of 31 December 2019, the market capitalisation of Valartis Group AG amounted to CHF 48.6 million for 4,769,295 shares issued (share capital reduction registered in September 2019 from 5,000,000 shares). Valartis Group held 9.71 per cent or 462,878 treasury shares and 9.85 per cent or 470,000 shares held for cancellation (from the share buyback programme 2019) as of 31 December 2019. The organisational chart in the chapter Strategy and Objectives on page 9 illustrates the operational structure and organisation of Valartis Group. Information on segment reporting and further explanations can be found in the management report on page 5 ff. and the notes to the consolidated financial statements, Note 37. For an overview of treasury shares, please refer to Note 27 to the Consolidated Financial Statements.

Consolidation

The Group companies of Valartis Group AG (scope of consolidation) are listed in the notes to the Group financial statements in Note 38, together with information on the company, registered office, purpose, share capital, shareholding and capital and voting rights. The associated companies are also listed and described in Note 20 to the consolidated financial statements.

The following material participation in the scope of consolidation is listed on the SIX Swiss Exchange: ENR Russia Invest SA, Geneva (Switzerland), ISIN CH0034476959 which had a market capitalisation of CHF 26.4 million as of 31 December 2019.

Significant shareholders

MCG Holding SA, Baar, Canton Zug, Switzerland, directly holds 45.3 per cent of the nominal capital and voting rights of Valartis Group AG. The beneficial owners of MCG Holding SA are Gustav Stenbolt, Geneva, and Philipp LeibundGut, Zurich.

In addition, Nebag AG, Zurich, Switzerland, holds 3.15916 per cent of the capital and voting rights in Valartis Group AG in accordance with its disclosure of 2 September 2016. No other shareholders are known to hold more than 3.0 per cent of the voting registered shares. Detailed information on the shareholder structure can be found in the notes to the consolidated financial statements, Note 29 and in the notes to the financial statements of Valartis Group AG, on page 128. There are no shareholders' agreements.

For an overview of the disclosures made in the year under review, please refer to the website of SIX Exchange Regulation (<https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html>).

Cross-shareholdings

There are no cross-shareholdings in terms of capital or voting rights between Valartis Group AG and its subsidiaries and other companies.

CAPITAL STRUCTURE

Share capital

The share capital of Valartis Group AG amounts to CHF 4,769,295, divided into 4,769,295 registered shares with a par value of CHF 1.00 each. All registered shares of Valartis Group AG are fully paid up and listed on the SIX Swiss Exchange. With the exception of the registered shares held as treasury shares (an overview of treasury shares can be found in the notes to the consolidated financial statements, Note 27), all registered shares of Valartis Group AG are entitled to dividend and there are no preferential rights. As of the balance sheet date of the financial year 2019, there are no financial instruments outstanding that could lead to a dilution of the Company's equity.

The registered shares of Valartis Group AG are issued as uncertificated securities and carried as intermediated securities. The Company may withdraw shares held as intermediated securities from the custody system. Dispositions of intermediated securities, including the provision of collateral, are subject to the Intermediated Securities Act.

Shareholders may at any time request the Company to issue a certificate for their registered shares. However, shareholders are not entitled to the printing and delivery of certificates or the conversion of registered shares issued in a particular form into another form. In contrast, the Company may issue certificates (individual certificates or share certificates) or convert uncertifi-

cated securities and certificates into another form at any time and cancel issued certificates that are delivered to it.

Entry in the share register

Valartis Group AG keeps a share register for the registered shares in which the owners and usufructuaries, insofar as they are entitled to voting rights, are entered with their name, address and nationality (in the case of legal entities the registered office). The entry in the share register requires proof of the formal and statutory acquisition of the shares. In relation to the Company, a shareholder is only deemed to be a shareholder if registered in the share register as a shareholder.

After hearing the person concerned, the Board of Directors of Valartis Group AG may delete entries in the share register with retroactive effect to the date of entry if these were made on the basis of incorrect information provided by the acquirer. The affected shareholder must be informed immediately of the deletion.

The Board of Directors shall make the necessary arrangements for maintaining the share register and may issue corresponding regulations or guidelines. He may delegate his duties. In 2017, the Board of Directors appointed Computershare Switzerland AG in Olten, Switzerland, to manage the share register.

In the invitation to the General Meeting, the Board of Directors announces the date of entry in the share register which is decisive for participation and voting rights. For the corporate calendar of Valartis Group AG see below, Agenda 2019, page 25.

Conditional capital

Valartis Group AG has no conditional capital.

Authorised capital

Valartis Group AG has no authorised capital.

Changes in capital

The share capital of Valartis Group AG was reduced from 5,000,000 to 4,769,295 registered shares during the business year 2019 after the AGM 2019. The changes in equity for the years 2019 and 2018 are listed in the table Consolidated statement of changes in equity on page 42 and 43. The changes in equity for the year 2017 are listed in the table Consolidated statement of changes in equity of Valartis Group Annual Report 2017 on pages 46 and 47 (<http://www.valartisgroup.ch/en/#geschaeftsberichte>). The changes in equity for the year 2016 are listed in the same table (<https://valartisgroup.ch/wp-content/uploads/2019/02/ANNUAL-REPORT-2016.pdf>).

Profit participation certificates

Valartis Group AG has no profit participation capital.

Limitations on transferability

The registered shares of Valartis Group AG can be transferred without restriction. The only condition for entry in the share register is a declaration by the purchaser that the shares were acquired in his own name and for his own account. There are no other restrictions on registration (see also Art. 5 of the current Articles of Association at <http://www.valartisgroup.ch/en/#statuten>).

Convertible Bonds and Options

Valartis Group AG has not issued any convertible bonds or options.

Annual General Meeting 2019

Board of Directors after the ordinary Annual General Meeting of 14 May 2019.

At the Annual General Meeting of 14 May 2019, Gustav Stenbolt was re-elected as Chairman of the Board of Directors, and Philipp LeibundGut as a member of the Board of Directors and its Vice Chairman; Olivier Brunisholz was re-elected as a member of the Board of Directors. All were elected for a term of office ending at the close of the Annual General Meeting 2020. See also press release, 14 May 2019: Outcome of Valartis Group AG General Meeting 2019; https://valartisgroup.ch/wp-content/uploads/2019/05/MR_AGM-180515_e_final.pdf.

In accordance with the law and the Articles of Association of Valartis Group AG (available at <http://www.valartisgroup.ch/en/#statuten>), apart from non-transferable and irrevocable responsibilities, some responsibilities of the Board of Directors may be transferred to individual members (delegates), to a group of members (committees) or to third parties. Details on this are laid down in the Organisational Business Regulations (OBR). The Board of Directors as a body does not perform any management tasks within the Group. However, since 1 March 2017, the Chairman of the Board of Directors additionally assumed the function of Delegate of the Board of Directors following the then finalised restructuring and resizing of the Group.

The Board of Directors is considered adequately independent in accordance with the Corporate Governance Guidelines and the criteria laid down in the OBR and the Committee Regulations, and taking into account applicable law and listing requirements.

When filling an open position on the Board of Directors of Valartis Group as a small company – regardless of gender – primarily focuses on the professional skills and international experience of the persons to be elected.

BOARD OF DIRECTORS

Members of the Board of Directors

Name	Function	Nationality	Elected until	First election
Gustav Stenbolt ¹⁾	Chairman & Delegate of the BoD	Norwegian	2020	2015
Philipp LeibundGut ²⁾	Vice-Chairman/ non-executive member of the Board of the Directors	Swiss	2020	2016
Olivier Brunisholz ³⁾	Member/non-executive member of the Board of Directors	Swiss	2020	2019

1) Gustav Stenbolt had served as Group CEO since 2007 until he was elected Chairman of the Board of Directors by the Annual General Meeting on 2 June 2015. Gustav Stenbolt has been a member of the Compensation Committee since 2016. Gustav Stenbolt has also been Chairman of the Board of Directors of Valartis Advisory Services SA since 2014 and Chairman of the Board of Directors of ENR Russia Invest SA since 2015. Since March 2017, he is also the Delegate of the Board of Directors of Valartis Group.

2) From 2011 to 2014, Philipp LeibundGut was a member of the Executive Committee of Valartis Bank AG, Switzerland. In 2016, he became a member of the Board of Directors and the remuneration committee of Valartis Group upon his return to Valartis Group. Since 2018, he is the Chairman of the Compensation Committee.

3) In 2018, Olivier Brunisholz became a member of the Board of Directors and the remuneration committee of Valartis Group.



Gustav Stenbolt, born 1957

Lic. rer. pol. from the University of Fribourg, Switzerland. Delegate of the Board of Directors as of 1 March 2017 and Chairman of the Board of Directors since 2015. From 2007 to 2015, he was Group CEO of Valartis Group. Gustav Stenbolt is also Chairman of the Board of Trustees of the Pension Fund Foundation of Valartis Group and since 2014 Chairman of the Board of Directors of Valartis Advisory Services SA and other Group companies of Valartis Group. From 2004 to 2007, he was Chief Executive Officer of Jelmoli Holding Ltd. Gustav Stenbolt founded the MCT Group in Geneva in 1996 and was its CEO until 2004. In 2005, the MCT Group merged with OZ Holding AG and has been operating under the Valartis Group brand since 2007. From 1983 to 1996, he was Chief Investment Officer of Unifund for Asia, Latin America, Eastern Europe and the CIS. Gustav Stenbolt is a member of the Board of Directors of ENR Russia Invest SA (as Chairman), Eastern Property Holdings Ltd, Norinvest Holding SA, Whitebox Services AG and Anglo Chinese Group Ltd, Hong Kong.



Philipp LeibundGut, born 1973

Graduate of the Basel University of Applied Sciences (FHBB), member of the Board of Directors of Valartis Group AG since 2016. From 2011 to 2016 Philipp LeibundGut was responsible for the Institutional Clients segment of Valartis Group and until its sale in 2014, a member of the Executive Committee of Valartis Bank AG, Switzerland, where he was responsible for the Bank's Corporate Finance, Structured Finance and Portfolio and Fund Management activities. From 2002 to 2006 he was a member of the Executive Committee of Valartis Asset Management SA and from 2005 to 2011 a member of the Board of Directors of Valartis Group AG, Valartis Bank (Liechtenstein) AG, Valartis Bonus Card AG and Eastern Property Holdings Ltd, Tortola (BVI), as well as a member of the Supervisory Board of Valartis Bank (Austria) AG. Prior to that, Philipp LeibundGut worked from 1998 to 2001 as an investment advisor at Hansa AG, Baar, Canton of Zug, Switzerland, where he was responsible for the development of an investment portfolio in Russia.



Olivier Brunisholz, born 1955

Lic.iur. of the University of Fribourg, Switzerland. Since 15 May 2018, member of the Board of Directors. He is a founding partner of the law firm Briner & Brunisholz Lawyers in Geneva, Switzerland. Olivier Brunisholz specialises in Swiss and international taxation. As a board member in many Swiss and foreign companies and foundations, he has an international client basis. Furthermore, he is active in the field of immigration law, advises and assists clients on their establishment in Switzerland, as well as the formation or the transfer of their corporations to Swiss soil. He was admitted to the bar in 1983 in Geneva and in 1991 in Fribourg. Before founding his own law practice in 1991, he was with ABN Trust Company, Geneva (1983–1986) and with KPMG Peat Marwick, Geneva (1986–1991).

Articles of Association

The last amendment to the Articles of Association was unanimously approved by the Annual General Meeting on 14 May 2019 (see also press release, 14 May 2019: Outcome of Valartis Group AG General Meeting 2019; https://valartisgroup.ch/wp-content/uploads/2019/05/MR_AGM-180515_e_final.pdf).

Each member of the Board of Directors is elected individually. Re-election is permissible. If a member resigns before the end of his term of office, the next General Meeting shall elect a substitute. If the number of members of the Board of Directors falls below three, an Extraordinary General Meeting shall be held within a reasonable period for supplementary elections. The substitute elected member enters the term of office of his predecessor. The first election is regulated in the section Members of the Board of Directors of the Articles of Association; see also <http://www.valartisgroup.ch/en/#statuten>. The Board of Directors constitutes itself, appoints from among its members a Vice Chairman and may appoint a Secretary who needs not be a member of the Board of Directors.

Internal Organisation

The Board of Directors is the highest operative oversight body of Valartis Group AG. It is responsible to the shareholders for the ultimate direction of the company and decides on all matters that are not delegated to the General Meeting by law or the Articles of Association (available at <http://www.valartisgroup.ch/en/#statuten>).

Other activities and vested interests

The other activities and interests of the individual members of the Board of Directors are listed in the above short biographies. Article 23 of the current Articles of Association (available at <http://www.valartisgroup.ch/en/#statuten>) regulates the number of additional mandates that a Board of Directors member may exercise (15 additional mandates, of which no more than 5 in listed companies).

Main tasks of the Board of Directors

The Board of Directors is responsible for controlling and supervising the management of the Group. It performs the tasks assigned to it by law, the Articles of Association or internal regulations, insofar as these are not assigned to other bodies. In addition to the duties listed in the Articles of Association, the Board of Directors performs the following irrevocable and non-transferable duties and duties in particular:

- the definition and periodic review of medium- and long-term corporate objectives (strategy) and the determination of the resources required to achieve the corporate objectives (medium-term planning);
- the harmonisation of strategy, risks and finances;
- the definition of the organisation;
- the determination of the compensation principles of personnel and remuneration policy (see also Compensation Report, page 26 f.);
- the determination of the compensation principles of personnel and remuneration policy (see also Compensation Report, page 26 f.);

- the design of the accounting system, financial control, financial planning and approval of annual planning;
- the appointment of the members of the committees of the Board of Directors from among its members;
- the appointment and dismissal of the persons entrusted with the management of the company;
- the supervision of the persons entrusted with the management, in particular with regard to compliance with the law, the Articles of Association, regulations and directives;
- the responsibility for the content of the annual report, the preparation of the Annual General Meeting and the execution of its resolutions;
- the adoption of resolutions on the proposals to be submitted to the Annual General Meeting regarding the remuneration of the Board of Directors and the Executive Committee and the preparation of the Compensation Report;
- the handling and acceptance of the reports of the external auditors.

Other exclusive duties of the Board of Directors

- the regular exchange of information on the course of business and special events, in particular on the earnings situation, balance sheet development, liquidity, equity and risk situation;
- the definition of risk policy and risk control systems as well as the monitoring of consolidated risk management (see also risk management pages 15 and 62 ff.) and the management report page 5 ff.);
- the issuance of guidelines or regulations for risk management as well as the regulation of responsibilities and the procedure for the approval of risk transactions;
- the decision on the acquisition or sale of participations in other companies and on the formation or liquidation of subsidiaries;
- the decision regarding the establishment and liquidation of companies, branches and representative offices;
- setting group and overall position limits;
- the decision on the admissibility of non-Group related part-time activities by employees.

Subject to irrevocable and non-transferable duties, parts of the agendas of the Board of Directors may be transferred to individual members (delegates), to a circle of members (committees) or to third parties. The Compensation Committee was established in 2014 and the Business Development Committee in 2017.

The meeting of the Board of Directors is convened by the Chairman or, in his absence, by the Vice Chairman as often as business requires, at the request of one of its members or the external auditors. The Board of Directors passes its resolutions by an absolute majority of the votes of the members present. In the event of a tie, the Chairman has the casting vote. Minutes of the meetings of the Board of Directors are kept and signed by the Chairman and the acting Secretary.

Information and control instruments

The Board of Directors and its committees have various information and control instruments at their disposal to exercise their management and supervisory duties vis-à-vis the Executive Committee. These instruments include the strategy process, medium-term planning, the annual planning process and internal and external reporting.

The members of the Board of Directors regularly receive the corresponding reports, in particular the monthly management controlling report (MIS), including a risk overview, the liquidity report as well as the reports on the quarterly, half-yearly and annual financial statements (consolidated financial statements and individual financial statements). These reports include quantitative and qualitative information such as budget deviations, benchmark comparisons, period and multi-year comparisons, key management figures and risk analyses. The reports are prepared both for the operating Group companies and for the entire Group.

These reports allow the Board of Directors to keep abreast of key developments and the risk situation. Those reports that fall within the remit of the committees are discussed in the relevant committee and, if necessary, forwarded to the Board of Directors with appropriate proposals for decision. The current reports are discussed in detail at the meetings of the Board of Directors. The meetings of the Board of Directors are also attended by the CFO/CRO of the Group and, if necessary, other persons. The description of the performance of a risk assessment by the Board of Directors and the description of the Group's accounting-related internal control system can be found in the chapter Management Report of the Executive Committee on page 5. For current risks, see also the chapters on risk management, pages 15 and 62 ff.

In 2019, seven ordinary and two extraordinary Board of Directors meetings were held. The usual frequency of meetings for the full Board of Directors is generally quarterly, whereby the meetings usually last from 10.00 a.m. to 5.00 p.m. Committee meetings are held following a Board of Directors meeting, usually three in a financial year, each lasting one hour.

COMPENSATION COMMITTEE

The Compensation Committee was convened in 2014 and consists of at least three members of the Board of Directors, each of whom is elected individually by the General Meeting for a term of one year, i.e. up to and including the first Annual General Meeting after their election. Re-election is permissible. If one or more members resign or if the Compensation Committee is not fully composed, the Board of Directors elects the missing members from among its members until the end of the next General Meeting. Philipp LeibundGut, Gustav Stenbolt and Olivier Brunisholz were confirmed as members of the Compensation Committee at the Annual General Meeting on 14 May 2019.

The Compensation Committee constitutes itself and appoints one of its members as Chairman. The Compensation Committee meets as often as business requires, but generally three times a year, including in 2019.

Duties

The Compensation Committee performs its duties and competencies as an overall and collective body. The members have no personal powers and therefore cannot issue any orders. In all compensation-related matters, the Compensation Committee can in principle only submit proposals to the Board of Directors; due to the current constellation, both bodies – Board of Directors and Compensation Committee – consist of the same members which means that the decisions of the Compensation Committee are binding for Valartis Group.

The Compensation Committee supports the Board of Directors in its tasks and responsibilities in the area of human resources policy. These include, among other things:

- the preparation, development and periodic review of the remuneration policy and performance targets of the Executive Committee;
- the periodic review of the implementation of remuneration policy;
- the annual review of the remuneration of the individual members of the Executive Committee;
- the annual assessment of the members of the Executive Committee;
- succession planning and nomination for executive management positions;
- the selection of candidates for election or re-election to the Board of Directors.

Compensation of the Board of Directors and the Executive Committee

The members of the Board of Directors are entitled to a fixed remuneration which (i) is determined in accordance with the duties and functional responsibilities of the members of the Board of Directors and (ii) is independent of the business result (see also Article 27 of the Articles of Association at <http://www.valartisgroup.ch/en/#statuten>; for details see Compensation Report, page 29 ff.). Furthermore, due to the small size of Valartis, members of the Board of Directors may take on activities and projects with a sustainable benefit to Valartis Group and may thus merit a performance-related compensation.

The members of the Executive Committee are entitled to (a) a fixed compensation which is (i) calculated in accordance with the duties and functional responsibilities of the person concerned and (ii) independent of the business performance, and (b) a variable compensation (bonus). The variable remuneration component is determined taking due account of the individual performance of the employee of the business operation concerned and the success of the company. The variable remuneration can be paid in cash or in the form of the company shares. The performance targets and the type of compensation (i.e. cash and/or company shares) are determined by the Board of Directors at the request of the Compensation Committee. Regarding the remuneration in the form of company shares, the Board of Directors determines the conditions for allocation. Which are to take place at market price and in particular provide for holding or vesting periods (see also Article 28 of the Articles of Association; for details, see Compensation Report, page 31 ff.).

The Compensation Committee decides on the total remuneration of the Board of Directors and the Executive Committee which the Board of Directors is required to submit annually to the Annual General Meeting for approval.

Compensation report

The Compensation Committee prepares the Compensation Report and submits it to the Board of Directors for approval; see Compensation Report, page 26 ff.

Insurance and employee benefits

The Compensation Committee periodically evaluates appropriate insurance policies for the members of the Board of Directors and the Executive Committee with the involvement of experts and, if necessary, proposes adjustments to the Board of Directors. The Compensation Committee is informed by the Executive Committee at least every three years about the pension plans of all employees.

The tasks of the Compensation Committee are explained in detail in a separate set of regulations.

EXECUTIVE COMMITTEE

Members of the Executive Committee

Name	Function	Nationality	First election
Gustav Stenbolt ¹⁾	Delegate of the Board of Directors	Norwegian	2018
George M. Isliker	Chief Financial Officer and Chief Risk Officer (CFO/CRO)	Swiss	2011

1) Gustav Stenbolt had served as Group CEO since 2007 until he was elected Chairman of the Board of Directors by the Annual General Meeting on 2 June 2015. Stephan Häberle was CEO of Valartis Group from 3 June 2015 until his departure on 28 February 2017 when Gustav Stenbolt assumed the function as Delegate of the Board of Directors as of March 2017.

Organisation of operational management

The Executive Committee conducts the business of the Company to the extent that the law, the Articles of Association (available at <http://www.valartisgroup.ch/en/#statuten>) or the Organisational Regulations do not reserve such business for the Board of Directors. The Delegate of the Board of Directors heads the Group and the Executive Committee which decides on business development. The Executive Committee is responsible in particular for the implementation of the Group strategy defined by the Board of Directors and for its results. The Delegate of the Board of Directors is thus responsible for overall management and overall group coordination as well as for corporate development.

Other activities and vested interests

The other activities and interests of the individual members of the Executive Committee are listed in the above short biographies. According to the current Articles of Association, Article 25, no member of the Executive Committee may hold more than 15 additional offices, of which no more than 5 are held in listed companies; see also the Articles of Association at <http://www.valartisgroup.ch/en/#statuten>.

Management contracts

Valartis Group AG has not delegated any management tasks to third parties. A consulting agreement was concluded in 2017 between a Group company of Valartis Group and a Swiss stock corporation privately held by the Board of Directors' Chairman at arm's length terms. This agreement provides for the provision of advisory and consulting services in the areas of the Group's short-term investment policy and strategy, in particular in the areas of short-term cash management, business development and project development. The remuneration for this agreement is disclosed in the Compensation report on page 30 and under Note 35 Related parties and companies, page 100.



Gustav Stenbolt, born 1957

Lic. rer. pol. from the University of Fribourg. Delegate of the Board of Directors as of 1 March 2017 and Chairman of the Board of Directors since 2015. From 2007 to 2015, he was Group CEO of Valartis Group. Gustav Stenbolt is also Chairman of the Board of Trustees of the Pension Fund Foundation of Valartis Group and since 2014 Chairman of the Board of Directors of Valartis Advisory Services SA and other Group companies of Valartis Group. From 2004 to 2007, he was Chief Executive Officer of Jelmoli Holding Ltd. Gustav Stenbolt founded the MCT Group in Geneva in 1996 and was its CEO until 2004. In 2005, MCT Group merged with OZ Holding AG and has been operating under the Valartis Group brand since 2007. From 1983 to 1996, he was Chief Investment Officer of Unifund for Asia, Latin America, Eastern Europe and the CIS. Gustav Stenbolt is a member of the Board of Directors of ENR Russia Invest SA (as Chairman), Eastern Property Holdings Ltd, Norinvest Holding SA, Whitebox Services AG and Anglo Chinese Group Ltd, Hong Kong.



George Marc Isliker, born 1964

Certified Public Accountant (CPA), Trust and Estate Practitioner (TEP), law studies at the University of St. Gallen (HSG). George M. Isliker joined Valartis Group in 2011 as Chief Financial Officer & Chief Risk Officer. He has been a member of the Board of Directors of Valartis Advisory Services SA and other Group companies of Valartis Group since 2014 and a member of the Board of Trustees of the Pension Fund Foundation of Valartis Group AG since 2015. From 2004 to 2010, he was Head of Group Finance & Risk at VP Bank Group, Vaduz, Liechtenstein. In 2003, he enjoyed a sabbatical year. From 1995 to 2002 he was Head of Finance and Head of the Credit Department at the private banking group Hottinger & Cie Banquiers, Zurich, Switzerland, and from 1992 to 1995 as an auditor at the auditing firm KPMG, Zurich, Switzerland.

REMUNERATION, SHAREHOLDINGS AND LOANS

Information on the remuneration system of Valartis Group and on the remuneration of the members of the Board of Directors, including the Delegate of the Board of Directors, and the Executive Committee in the 2019 business year can be found in the separate Compensation Report (see page 26 ff.) and in the notes to the Group financial statements in Note 35 and Note 36.

Loans to members of the Board of Directors and the Executive Committee may only be granted if their amount corresponds to

market practice and the applicable internal guidelines of the company. The total amount of outstanding loans per member of the Board of Directors or Executive Committee may not exceed CHF 5 million (according to the current Articles of Association, Article 30; see Articles of Association at <http://www.valartisgroup.ch/en/#statuten>). Details of the shareholdings and loans of the members of the Board of Directors and the Executive Committee are disclosed in the Compensation Report on page 33 f. and in the notes to the consolidated financial statements, Note 35.

SHAREHOLDERS' PARTICIPATION RIGHTS

Restriction and representation of voting rights

Shareholders' participation rights comply with the legal provisions of the Swiss Code of Obligations. There are no voting restrictions. Each share entitles the holder to one vote at the Annual General Meeting of Valartis Group. Shareholders may exercise their voting rights at the General Meeting themselves or be represented by a proxy, another shareholder with voting rights or the independent proxy. Powers of attorney are only valid for one General Meeting at a time.

Statutory quorums

There are no regulations deviating from Article 704 of the Swiss Code of Obligations. Accordingly, no special statutory quorums were determined.

Convocation of the General Meeting of Shareholders

There are no provisions in the Articles of Association that deviate from the law regarding the convening of the Annual General Meeting. The General Meeting is convened by the Board of Directors at least 20 days before the date of the meeting, stating the agenda and proposals. In the invitation to the Annual General Meeting, the Board of Directors announces the date of entry in the share register which is decisive for participation and voting rights. The invitation is issued by means of a single announcement in the company's official publication channel. This is currently the Swiss Official Gazette of Commerce (SOGC). An Extraordinary General Meeting may also be convened in writing by one or more shareholders who together represent at least ten per cent of the share capital, stating the agenda items and proposals.

Addition to the agenda

The Articles of Association provide that shareholders who together represent at least three per cent of the share capital may request in writing that an item be included on the agenda for the General Meeting, stating the item and the proposal to be included on the agenda, whereby this proposal must be received by the Company at least 45 days before the General Meeting.

CHANGE OF CONTROL AND DEFENSIVE MEASURES

Duty to make an offer (opting-out)

An acquirer of shares in the Company is not obliged to make a public purchase offer pursuant to Articles 135 and 163 of the Swiss Federal Act on Financial Market Infrastructures and Market Behaviour in Securities and Derivatives Trading.

Clauses on changes of control

The rules explicitly exclude severance payments for members of the Board of Directors and employees. There are also no other clauses on changes of control.

AUDITORS

Duration of the mandate and term of office of the lead auditor

BDO AG was first elected in 2017, with Nigel Le Masurier as auditor in charge, who has held this function since the election in 2017. The rotation frequency for this office is seven years (maximum duration) in accordance with the applicable legal requirements.

Audit fee

BDO AG charges Valartis Group CHF 0.28 million in the business year 2019 for services in connection with a half-year review, the interim audit, the audit of the annual financial statements and the audit of the consolidated financial statements of Valartis Group and its Group companies. BDO AG charged Valartis Group CHF 0.28 million in the business year 2018.

Additional fees

Furthermore, Valartis Group did not use any other services from BDO such as services in the areas of legal advice, taxes, projects and IT. New audit items and any special audits must be approved by the Board of Directors. There is no set catalogue of criteria to be used in the approval of such additional mandates. The Board of Directors decides in each individual case whether the granting of the additional mandate calls the independence of the audit firm into question.

Supervisory and control instruments vis-à-vis the auditors

The external auditors and the group auditor are supervised by the Board of Directors. It is responsible for dealing with the reports of the external auditors.

As a rule, the external auditors report in person and in writing at the December meeting of the Board of Directors on the planning, dates and budget of the audit activities of the following year and present the head of the mandate and his deputy with brief biographies. At the following March meeting of the Board of Directors, at which the Board of Directors approves the annual report for the past business year, the external auditors present the comprehensive report of the statutory auditors to the Board of Directors, both in person and in writing, for the respective annual financial statements as of 31 December, of the previous year for Valartis Group (the Group) and for the individual company Valartis Group AG and report on the audit activities performed. Further meetings of the external auditors at board of directors' meetings are instructed by the Chairman of the Board.

When selecting the audit firm and assessing the performance of the audit firm, the legal requirements must be met. Further decisive selection and assessment criteria for the Board of Directors are the proven expertise in complex financial and valuation issues in accordance with IFRS accounting standards as well as in Valartis-specific special topics. Great attention is also paid to continuity. At medium-term intervals – usually every three to five years – an in-depth assessment takes place. The results are discussed with the auditing company in each case.

INFORMATION POLICY

The legally prescribed announcements of Valartis Group are legally effective in the official publication channel (Swiss Official Gazette of Commerce, SOGC). Valartis Group AG informs shareholders and capital market participants in a timely, open and comprehensive manner. Its information policy is based on the principle of equal treatment. As a company listed on the SIX Swiss Exchange, Valartis Group AG is subject to the obligation to disclose price-sensitive events without delay (SIX Ad hoc Publicity Directive, RLAhP). In 2019, the company published 7 adhoc announcements (see also <http://www.valartisgroup.ch/en/#medienmitteilungen>).

Market participants who wish to be directly informed about Valartis Group regarding potentially price-sensitive facts can register with the pertinent e-mail service: <http://www.valartisgroup.ch/en/#kontakt>.

In addition to ad-hoc announcements and the publication of annual and half-yearly reports prepared in accordance with International Financial Reporting Standards (IFRS), reporting also includes media information on current developments, the annual media and analyst conference, usually in April, and the Annual General Meeting in May (see also <http://www.valartisgroup.ch/en/#events>). In addition to the electronic distribution of media information, the annual reports are available online to all interested parties. The annual report is available online as a document in pdf format, see Investor Relations at <http://www.valartisgroup.ch/en/#geschaeftsberichte>.

The corporate governance rules (see page 16) are briefly described and the Articles of Association and Code of Conduct are published on the Valartis website under the title Investor Relations: <http://www.valartisgroup.ch/en/#investorrelations>.

Agenda 2020

Annual Report 2019	7 April 2020
Closing date for the share register	30 April 2020
Annual General Meeting 2020	19 May 2020
Half-year results 2020	27 August 2020

Investor Relations

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Valartis Market Information

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

COMPENSATION REPORT

DEAR SHAREHOLDERS



Philipp LeibundGut,
Chairman of the Compensation Committee

Placing the long-term interest of Valartis Group and its stakeholders at the centre of all undertakings is a key factor in our compensation system. We believe that a consistent and predictable compensation system over time supports employees who take responsibility and display entrepreneurship. Thus, it is very valuable and in the interest of all. This report informs you on the one hand about Valartis Group's compensation policy and compensation system and on the other hand, it shows how performance components are linked to overall compensation. The report comprises the following chapters:

- Compensation Committee: organisation, tasks and responsibilities
- Compensation principles for the Board of Directors, the Executive Committee and employees
- Determination of compensation
- Compensation of the Board of Directors
- Compensation of the Executive Committee
- Compensation of Employees
- Overview of the loans and shareholdings of the members of the Board of Directors and the Executive Committee as of yearend 2019

The Compensation Report 2019 complies with current corporate governance requirements and is based on the requirements of economiesuisse's Swiss Code of Best Practice for Corporate Governance, the SIX Swiss Exchange Corporate Governance directives, the transparency provisions of Art. 663 bbis Swiss Code of Obligation, Art. 95 para. 3 of the Swiss Federal Constitution and its implementing provisions within the framework of the Swiss Ordinance against excessive remuneration in listed stock corporations (VegüV).

In accordance with the provisions of the Swiss Code of Best Practice for Corporate Governance and the VegüV, the Board of Directors proposed to the 2019 Annual General Meeting of 14 May 2019 for the fiscal years 2018 and 2019 the overall framework for the compensation of the Board of Directors and the Executive Committee. The shareholders approved the proposed total amounts with a large majority.

Value-based compensation system

Valartis Group's remuneration system serves as an instrument for harmonising the interests of shareholders and employees. As a company, we thus create incentives for our employees to achieve our corporate objectives and offer competitive remuneration in line with the market while safeguarding the interests of our shareholders. We are committed to a fair, balanced and performance-oriented remuneration. In addition to progressive social benefits, the employees of the Group companies also receive attractive base salaries in line with market conditions and have the opportunity to participate in a bonus system of Valartis Group that is dependent on individual performance and the success of the company.

Valartis Group's performance-related remuneration system is geared to the Group's medium-term economic success and sustainable competitiveness. It coordinates the interests of shareholders and employees in a way that promotes a performance-, team- and risk-conscious culture as well as entrepreneurial thinking and acting and thus strengthens the Group as a whole.

On behalf of the Board of Directors

A handwritten signature in black ink, appearing to read 'P. LeibundGut', written in a cursive style.

Philipp LeibundGut

COMPENSATION COMMITTEE: ORGANISATION, TASKS AND RESPONSIBILITIES

The organisation, tasks and responsibilities of the Compensation Committee are defined as follows for the Board of Directors of Valartis Group AG in accordance with Art. 24 of the Articles of Association of 14 May 2019 (see Articles of Association at <http://www.valartisgroup.ch/en/#statuten>) and Art. 3.10 (a) of the Organisational Regulations of 3 April 2017:

Organisation

The Compensation Committee consists of at least three members of the Board of Directors who are elected individually by the General Meeting for a term of one year, i.e. up to and including the first Annual General Meeting after their election. Re-election is permissible. If one or more members resign or if the Compensation Committee is not fully composed, the Board of Directors shall appoint the missing members from among its members by the end of the next General Meeting.

On 14 May 2019, the General Meeting re-elected Philipp Leibund-Gut, Gustav Stenbolt and Olivier Brunisholz as members of the Compensation Committee for a term of office until the conclusion of the next Annual General Meeting (2020) on 19 May 2020. Therefore, the Compensation Committee is currently made up of the same three members as the Board of Directors of Valartis Group currently consists of.

The Compensation Committee is self-constituting and appoints one of its members as Chairman, whereby the Chairman of the Board of Directors may not chair the Compensation Committee. Philipp LeibundGut is the Chairman of the Compensation Committee. The Compensation Committee meets as often as business requires, generally three times a year. The Compensation Committee performs its duties and competencies as a collective body. The members have no personal powers and therefore cannot issue any instructions. The Compensation Committee is generally quorate if a majority of its members are present. Resolutions are passed by a majority of the votes cast. In the event of a tie, the Chairman has the casting vote. Minutes of the meetings are made available to the Board of Directors.

Tasks and responsibilities

In all compensation-related matters, the Compensation Committee can in principle only submit proposals to the Board of Directors; due to the current constellation, both bodies – Board of Directors and Compensation Committee – consist of the same members which means that the decisions of the Compensation Committee are binding for Valartis Group. The associated tasks with the Compensation Committee include, among others:

- the establishment of principles for the compensation of the Board of Directors, the Executive Committee and employees;
- the preparation, development and periodic review of the remuneration policy and performance targets of the Executive Committee;
- the periodic review of the implementation of remuneration policy;
- the annual performance assessment of the members of the Executive Committee;

- succession planning and nomination for executive management positions;
- the annual review of the remuneration of each member of the Executive Committee;
- the selection of candidates for election or re-election to the Board of Directors and the preparation of corresponding proposals for the attention of the Board of Directors;
- the preparation and presentation of the Compensation Report for approval by the Board of Directors;
- the periodic evaluation of appropriate insurance policies for the members of the Board of Directors and the Executive Committee with the involvement of external experts and the preparation of appropriate recommendations for the Board of Directors.

COMPENSATION PRINCIPLES FOR THE BOARD OF DIRECTORS, THE EXECUTIVE COMMITTEE AND EMPLOYEES

Valartis Group's performance-related remuneration system aims to attract, promote and retain suitable employees in order to ensure the Group's long-term economic success and sustainable competitiveness. It is based on the following principles:

- The remuneration system provides incentives that promote a performance-, team- and risk-conscious culture as well as entrepreneurial thinking and acting and thus strengthens Valartis Group as a whole.
- The total compensation generally includes a fixed and a variable component.
- The variable remuneration component depends to an appropriate extent on individual performance, the result of the business unit and the success of the Group as a whole.
- Both directly measurable and non-measurable criteria serve as the basis of assessment for the variable remuneration component.
- The variable component may to a large extent be remunerated in Valartis Group AG shares.
- The payment of a significant portion of the variable remuneration is dependent on the future success of Valartis Group. In doing so, the risks entered into must be adequately taken into account.
- Severance payments for members of the Board of Directors and the Executive Committee are excluded.

Valartis Group AG employs a total of 66 people at various locations (e.g. Geneva, Zurich, Frankfurt am Main, Hamburg, Stuttgart, Luxembourg, St. Petersburg and Moscow) in the areas of financial services, real estate projects and participations. Due to the small size of the individual business activities, the Board of Directors and the Executive Committee consider it unproductive and disproportionate to make benchmark comparisons when determining the remuneration of both the Executive Committee and employees. Rather, the relevant bodies base their decisions on their own experience and discretion.

Compensation of the Board of Directors

The compensation of the members of the Board of Directors consists of a fixed compensation and, if applicable, a performance-related compensation (for details see page 29 f.). Due to the small size of Valartis, members of the Board of Directors may take on activities and projects with a sustainable benefit to Valartis Group and may thus merit a performance-related compensation (for details see page 29 f.).

Compensation of the Executive Committee

The compensation of the members of the Executive Committee consists of a fixed compensation and, if applicable, a performance-related compensation (for details see page 31 f.):

- The fixed compensation is determined by the task and functional responsibility of the member of the Executive Committee.
- The performance-related compensation is determined, if the Board of Directors decides to grant it, by the Group's operating profit, the operating profit of the business unit and the individual contribution.
- The agreement of performance-related remuneration components forms an element of the annual target agreement process, within the framework of which both individual and financial performance targets are defined. At the end of the period, the degree of target achievement is measured.
- The interests of shareholders (return on equity, contribution to earnings from market movements, etc.) must be adequately considered when determining the quantitative objectives of the members of the Executive Committee.
- In addition to measurable parameters such as earnings improvement, project completion, etc., individual contributions also include non-financial target parameters (compliance, compliance with risk policy requirements, employee management, and commitment to the Group as a whole).

Bonus Shares Programs

Valartis Group's Bonus Shares Programme is an integral component of the remuneration system which considers the company's success and individual performance as well as the objective of long-term employee loyalty and safeguarding shareholder interests (see details on page 29 f.).

DETERMINATION OF COMPENSATION

The Compensation Committee decides on the total remuneration of the Board of Directors and the Executive Committee which the Board of Directors must submit annually to the Annual General Meeting for approval. This task comprises the following two steps:

- The Compensation Committee decides on the compensation of the members of the Board of Directors within the maximum total amount approved or to be approved by the General Meeting and submits corresponding proposals to the Board of Directors (see also table Competences and responsibilities, see page 29).

- The Compensation Committee decides on the compensation of the Delegate of the Board of Directors and, after consulting the Delegate of the Board of Directors, the other members of the Executive Committee within the maximum overall amount approved or to be approved by the General Meeting and submits corresponding proposals to the Board of Directors (see also table Competences and Responsibilities, page 29).
- Since the Board of Directors has only three members and that the Chairman simultaneously performs the duties of the Delegate of the Board of Directors, he is also a member of the Compensation Committee. Decisions on the proposals and recommendations of the Compensation Committee are taken jointly by the Board of Directors. The members of the Board of Directors or the Delegate of the Board of Directors concerned in each individual case shall abstain from voting on their case.

Board of Directors and Executive Committee

Subject to approval by the General Meeting and in accordance with the company's organisational regulations, the Board of Directors of Valartis Group determines the remuneration of the members of the Board of Directors and, after consultation with the Delegate of the Board of Directors, of the members of the Executive Committee on the proposal of the Compensation Committee.

Employees

The Delegate of the Board of Directors proposes the amount of bonus per operating profit centre, based on the total bonus amount decided by the Board of Directors, to the Compensation Committee which reviews the corresponding proposal. In consultation with the Delegate of the Board of Directors, the manager responsible for the profit centre determines the bonus payments to the employees of such a unit.

Approval of the remuneration of the members of the Board of Directors and the Executive Committee

In accordance with the provisions of the Swiss Code of Best Practice for Corporate Governance and the Swiss VegüV, the Board of Directors proposed to the 2019 Annual General Meeting of 14 May 2019 the overall framework for the compensation of the Board of Directors and the Executive Committee. The shareholders approved the proposed total amounts with a large majority. Valartis Group seeks dialogue with shareholders and shareholder representatives in order to receive valuable feedback on its remuneration policy. This is regularly evaluated and appropriately taken into account.

COMPENSATION OF THE BOARD OF DIRECTORS

The members of the Board of Directors receive a fixed remuneration for their work, the amount of which depends on their function within the Group. In 2019, there is no variable remuneration component for members of the Board of Directors. The Compensation Committee decides on the remuneration of the members and the Chairman of the Board of Directors within the maximum total amount approved or to be approved by the General Meeting and submits the corresponding proposals to the Board of Directors (see also table Responsibilities and competencies, page 29).

The fees of the members of the Board of Directors are fixed for the period between two Annual General Meetings.

The entire remuneration is to be paid out in cash. However, each member of the Board of Directors has the option of receiving all or part of the remuneration in the form of shares. Information on loans, shares and options held is disclosed in Note 35 and on page 33 f. of this Compensation Report).

The Chairman of the Board of Directors receives a board of directors' fee plus, in his function as Delegate of the Board of Directors, an additional fee in the form of a salary. This salary is based on the performance of the operational management of the company. The total remuneration corresponds to the status of the Chairman of the Board of Directors and his active role as a delegate in implementing the strategy, managing and monitoring Group activities and exchanging information with shareholders. As Chairman of the Board of Directors, he coordinates the activities of the Board of Directors, works with the committees to coordinate the tasks of the committees and ensures a sufficient flow of information between the individual members of the Board of directors so that they can properly discharge their responsibilities. As Delegate, he is in charge of the implementation of the strategy, the implementation of the structural and organisational guidelines set by the Board of Directors and bears a significant responsibility for the fulfilment of the company's objectives. In addition, the Chairman of the Board of directors exerts influence on compensation issues, including performance evaluation. He chairs the Board of Directors, the General Meetings and plays an active role in representing the Company to key shareholders, investors, regulators, industry associations and other stakeholders.

The other members of the Board of Directors assume the areas of responsibility assigned to them in accordance with the organisa-

tional responsibility of the Board of Directors and serve on the committees of the Board of Directors in accordance with the organisational regulations.

Remuneration of the Chairman of the Board of Directors and Delegate of the Board of Directors

The Executive Committee which had consisted of two members since 2016, was further reduced at the beginning of 2017 after the successful reorganisation of the previous years. Besides being Chairman of the Board of Directors, Gustav Stenbolt assumed the additional function as Delegate of the Board of Directors as of 1 March 2017.

After the additional time burden for a board of directors Chairman and Delegate of the Board of Directors increased significantly due to the very large reduction in the number of employees in the group service organisation and included tasks which traditionally are not performed directly by these two functions, a consulting agreement was concluded between a Group company of Valartis Group and a Swiss stock corporation privately held by the board of directors' Chairman at arm's length terms. This agreement provides for the provision of national and international advisory and consulting services in the areas of the Group's investment policy and strategy and asset management, in particular in the areas of short-term cash management, business development and project development. This agreement is also disclosed under Note 34 Related parties and companies, page 100. The contract was concluded with Valartis International Ltd. because this company uses most of these advisory and consulting services.

Competencies and responsibilities

Decision	Delegate of the BoD	Compensation Committee	BoD	AGM
Compensation of the members of the BoD ¹⁾ , the Chairman ¹⁾ and the Delegate of the BoD		proposal	approval	
Fixed compensation of members of the Executive Committee	proposal	review proposal	approval	
Bonus Shares Programme for the Delegate of the Board of Directors ²⁾		proposal	approval	
Bonus Shares Programme for the Executive Committee members (excluding the Delegate of the BoD)	proposal	review proposal	approval	
Bonus Shares Programmes for the Employees	proposal	review proposal	approval	
Total remuneration of BoD and Executive committee			proposal	approval

1) Board of Directors

2) Cash and Bonus Share Programme of Valartis Group: Cash, Bonus Shares and Super Bonus Shares (details see page 33.)

Compensation of the Board of Directors 2019 and 2018

2019 in CHF	Gustav Stenbolt, Chairman & Delegate of the BoD ²⁾	Philipp LeibundGut, Vice Chairman	Olivier Brunisholz, Member	Total
Compensation of the Board of Directors				
Fees from Group companies (fixed)	130,000	161,250	60,000	351,250
Compensation of the Delegate of the Board of Directors	123,500			123,500
Pension contributions ¹⁾	42,680	17,900	6,670	67,250
Other employers' social security contributions ¹⁾	11,841	5,112	2,937	19,890
Fees for additional services (to related parties) ²⁾	323,100			323,100
Other benefits	6,500			6,500
Total	637,621	184,262	69,607	891,490

1) In addition to employer contributions, Valartis Group also pays the employee contributions on the fees of the Board of Directors. Pension contributions only include AHV contributions. For the remuneration of the Delegate of the Board of Directors, only the employer's contributions are included (the employee's contributions are deducted from the employee's gross salary); the pension contributions include not only the AHV contributions but also the BVG contributions.

2) The remuneration of the Chairman and Delegate of the Board of Directors for a financial year is composed as follows: CHF 130,000 as fee as Chairman of the Board of Directors (net) + CHF 130,000 as salary as Delegate of the Board of Directors (gross, including lump-sum expenses) + CHF 300,000 as compensation for a consulting agreement (net) with a Swiss public limited company privately held by the Chairman of the Board of Directors. = Total CHF 560,000 as total remuneration, plus social security contributions and VAT.

2018 in CHF	Gustav Stenbolt, Chairman & Delegate of the BoD ³⁾	Christoph N. Meister, Vice Chairman ⁴⁾	Philipp LeibundGut, Vice Chairman ⁴⁾	Olivier Brunisholz, Member ⁴⁾	Total
Compensation of the Board of Directors					
Fees from Group companies (fixed)	130,000	33,750	126,250	37,500	327,500
Compensation of the Delegate of the Board of Directors	123,500				123,500
Pension contributions ¹⁾	43,048	3,428	14,027	4,169	64,672
Other employers' social security contributions ¹⁾	12,003	923	4,577	1,897	19,400
Fees for additional services (to related parties) ²⁾	323,100				323,100
Other benefits	6,500				6,500
Total	638,151	38,101	144,854	43,566	864,672

1) In addition to employer contributions, Valartis Group also pays the employee contributions on the fees of the Board of Directors. Pension contributions only include AHV contributions. For the remuneration of the Delegate of the Board of Directors, only the employer's contributions are included (the employee's contributions are deducted from the employee's gross salary); the pension contributions include not only the AHV contributions but also the BVG contributions.

2) The remuneration of the Chairman and Delegate of the Board of Directors for a financial year is composed as follows: CHF 130,000 as fee as Chairman of the Board of Directors (net) + CHF 130,000 as salary as Delegate of the Board of Directors (gross, including lump-sum expenses) + CHF 300,000 as compensation for a consulting agreement (net) with a Swiss public limited company privately held by the Chairman of the Board of Directors. = Total CHF 560,000 as total remuneration, plus social security contributions and VAT

3) Gustav Stenbolt had held the position as Group CEO since 2007 until he was elected Chairman of the Board of Directors by the Annual General Meeting on 2 June 2015. Stephan Häberle was CEO of Valartis Group from 3 June 2015 until his departure in February 2017. Gustav Stenbolt took over as Delegate of the Board of Directors in March 2017.

4) At the 30th Annual General Meeting of Valartis Group AG on 15 May 2018, following the resignation of Christoph N. Meister as a member of the Board of Directors, Olivier Brunisholz was elected as a new member of the Board of Directors for a term of office until the next Annual General Meeting in 2019. The Board of Directors subsequently elected Philipp LeibundGut as the new Vice Chairman of the Board of Directors.

COMPENSATION OF THE EXECUTIVE COMMITTEE

The remuneration policy for the Executive Committee is issued by the Board of Directors based on Art. 3.9 (b) of the Organisational Regulations of Valartis Group AG dated 3 April 2017. The requirements contained therein follow the guidelines of the SIX Swiss Exchange regarding information on Corporate Governance (DCG). The Board of Directors of Valartis Group AG approves the remuneration of the Delegate of the Board of Directors and, after consulting the Delegate of the Board of Directors, the remuneration of the other members of the Executive Committee within the framework of the maximum total amount approved or to be approved by the General Meeting.

Structure of the remuneration system for the Executive Committee

The structure of the remuneration system for the Executive Committee is based on the combining business success with individual performance components which are also listed in the chapter Determination of compensation on page 28.

The remuneration is determined according to the following criteria:

- The compensation of the members of the Executive Committee consists of a fixed compensation and, if applicable, a performance-related compensation.
- The fixed compensation is determined by the task and functional responsibility of the individual member.
- The performance-related compensation is determined on the basis of the following quantitative and qualitative components:
 - operating net income;
 - operating profit of the business unit;
 - individual contribution.

Compensation of members of the Executive Committee 2019 and 2018

The compensation paid to Gustav Stenbolt as Delegate of the Board of Directors²⁾ is shown above under Compensation of the Board of Directors.

2019 in CHF	George M. Isliker, CFO/CRO	Total
Compensation of the Executive Committee		
Fixed compensation in cash	350,000	350,000
Employer pension contributions ¹⁾	72,247	72,247
Other employers' social security contributions	13,031	13,031
Total	435,278	435,278

1) The pension contributions include the employer's contributions for AHV and pension fund contributions.

2) Gustav Stenbolt holds the position of Delegate of the Board of Directors since March 2017.

The remuneration of the Chairman and Delegate of the Board of Directors for a financial year is composed as follows: CHF 130,000 as fee as Chairman of the Board of Directors (net) + CHF 130,000 as salary as Delegate of the Board of Directors (gross, including lump-sum expenses) + CHF 300,000 as compensation for a consulting agreement (net) with a Swiss public limited company privately held by the Chairman of the Board of Directors. = Total CHF 560,000 as total remuneration, plus social security contributions and VAT.

This total remuneration is shown in the table of remuneration to the Board of Directors.

2018 in CHF	George M. Isliker, CFO/CRO	Total
Compensation of the Executive Committee		
Fixed compensation in cash	350,000	350,000
Employer pension contributions ¹⁾	71,013	71,013
Other employers' social security contributions	13,060	13,060
Total	434,073	434,073

1) The pension contributions include the employer's contributions for AHV and pension fund contributions.

Weighting

When determining the individual components, the interests of the shareholders (return on equity, contribution to earnings from market movements, etc.) are taken into account in an appropriate manner. In addition to measurable parameters such as changes in earnings or the degree to which project objectives are achieved, individual contributions also include qualitative factors such as compliance, compliance with risk policy requirements, employee management and commitment to the Group as a whole (non-exhaustive list).

Due to the dependency on the course of business and the individual performance contributions, the total remuneration of a member of the Executive Committee may vary from year to year. The ratio between the fixed and variable compensation components changes accordingly.

Information on loans, shares and option holdings can be found in the notes to the consolidated financial statements in Note 35 and on page 33 f. of this Compensation Report.

COMPENSATION OF EMPLOYEES

The remuneration model described for the Executive Committee also applies to all employees in Switzerland. Based on the total bonus amount decided by the Board of Directors, the Delegate of The Board of Directors determines the total bonus payment for each operating profit centre and submits a corresponding proposal to the Compensation Committee (see also page 28 f.). In consultation with the Delegate of the Board of Directors, the manager responsible for the respective unit determines the bonus payments to the employees working in such a unit.

Further information on salaries, bonuses, social benefits, employee benefits and equity compensation can be found in the Notes 5, 25, 30 and 36 to the Consolidated financial statements.

OVERVIEW: LOANS, SHARES AND OPTIONS HELD BY MEMBERS OF THE BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE

The table below shows the total loans held by the Board of Directors and the Executive Committee, as well as all shares and options listed as of 31 December 2019 with comparative figures for the previous year:

Loans, shares and options held by the members of the Board of Directors 2019 and 2018

2019 in CHF	Gustav Stenbolt, Chairman & Dele- gate of the BoD	Philipp LeibundGut, Vice Chairman	Olivier Brunisholz, Member	Total
Shareholdings held by and Loans/Credits to Directors				
Number of shares held	1,886,678	332,314	6,815	2,225,807
Number of shares (entitlements) ¹⁾				
Loans and credits, in CHF				
Loans and credits to related parties, in CHF ²⁾	1,500,000			1,500,000

1) Shares allocated as bonus components in the year under review or in previous years but not yet vested would be reported as entitlements.

2) Tudor Private Portfolio LLC (Tudor) was a shareholder of MCG Holding AG (MCG, majority shareholder of Valartis Group AG) and sold its stake in MCG on 21 December 2018. Tidesea SA, a Swiss stock corporation privately held by the Chairman of the Board of Directors, has acquired the shares in MCG, financed by a loan of CHF 3.5 million from Valartis Group and of which CHF 2.0 million was reimbursed by end of 2019. This loan was granted on market terms.

2018 in CHF	Gustav Stenbolt, Chairman & Dele- gate of the BoD	Christoph N. Meister, Vice Chairman ³⁾	Philipp LeibundGut, Member	Olivier Brunisholz, Member ⁴⁾	Total
Shareholdings held by and Loans/Credits to Directors					
Number of shares held	2,183,787	4,821	384,333		2,572,941
Number of shares (entitlements) ¹⁾					
Loans and credits, in CHF					
Loans and credits to related parties, in CHF ²⁾	3,500,000				3,500,000

1) Shares allocated as bonus components in the year under review or in previous years but not yet vested would be reported as entitlements.

2) Tudor Private Portfolio LLC (Tudor) was a shareholder of MCG Holding AG (MCG, majority shareholder of Valartis Group AG) and sold its stake in MCG on 21 December 2018. Tidesea SA, a Swiss stock corporation privately held by the Chairman of the Board of Directors, has acquired the shares in MCG, financed by a loan of CHF 3.5 million from Valartis Group. This loan was granted on market terms.

3) Member of the Board of Directors until the Annual General Meeting of Valartis Group AG on 15 May 2018.

4) Member of the Board of Directors since the Annual General Meeting of Valartis Group AG on 15 May 2018

Loans, shares and options held by the members of the Executive Committee 2019 and 2018

Loans, shares and options held by Gustav Stenbolt as Delegate of the Board of Directors are shown above under Loans, shares and options held by the members of the Board of Directors 2019 and 2018.

2019 in CHF	George M. Isliker, CFO/CRO	Total
Shareholdings held by and Loans/Credits to the Executive Committee		
Number of shares held	15,285	15,285
Number of shares (entitlements) ¹⁾		0
Loans and credits, in CHF		0
Loans and credits to related parties, in CHF		0

1) The entitlements shown are shares that were allocated to members of Group Executive Management as a bonus component in the year under review or in previous years but have not yet been transferred as vested.

There are no loans or credits to former members of Group Executive Management.

2018 in CHF	George M. Isliker, CFO/CRO	Total
Shareholdings held by and Loans/Credits to the Executive Committee		
Number of shares held	15,285	15,285
Number of shares (entitlements) ¹⁾		0
Loans and credits, in CHF		0
Loans and credits to related parties, in CHF		0

1) Shares allocated to members of Group Management as bonus components in the year under review or in previous years, but not yet transferred as vested, would be reported as entitlements.

There are no loans to former members of Group Executive Management.

AUDITOR'S REPORT ON THE COMPENSATION REPORT



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REPORT OF THE STATUTORY AUDITOR ON THE COMPENSATION REPORT

To the General Meeting of
Valartis Group AG, Fribourg

We have audited the compensation report (annual report page 26 to 34) of Valartis Group AG for the year ended 31 December 2019. The audit was limited to the information provided under articles 14 - 16 of the Ordinance against Excessive Compensation with respect to Listed Stock Companies (the Ordinance).

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance against Excessive Compensation with respect to Listed Stock Companies. The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14 - 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14 - 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the compensation report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the compensation report of Valartis Group AG for the year ended 31 December 2019 complies with Swiss law and articles 14 - 16 of the Ordinance.

Geneva, 6 April 2020

BDO Ltd

Nigel Le Masurier
Auditor in Charge
Licensed Audit Expert

Markus Schenkel
Licensed Audit Expert

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VALARTIS GROUP CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED INCOME STATEMENT

in CHF 1,000	Note	1.1.–31.12.2019	1.1.–31.12.2018 ¹⁾
Income from management services	1	4,140	2,714
Income from investment property	2	4,043	4,139
Share of results of associated companies	3	-344	3,002
Other income	4	347	1,073
Total operating income		8,186	10,928
Personnel expenses	5	-5,487	-5,231
General expenses	6	-5,039	-6,113
Administrative expenses		-10,526	-11,344
Earnings before depreciation, valuation adjustments, provisions, interest and taxes		-2,340	-416
Depreciation/amortisation of property, plant and equipment and intangible assets ²⁾	7	-643	-54
Valuation adjustments, provisions and losses	8	1,858	521
Earnings before interest and taxes (EBIT)		-1,125	51
Financial income	9	6,409	2,587
Financial expenses	9	-1,239	-10,725
Net result from continued operations before taxes		4,045	-8,087
Income taxes	10	-905	1,189
Net result from continued operations		3,140	-6,898
Net result from discontinued operations, after taxes	39	-718	-46
Net result		2,422	-6,944
Net gain/(loss) attributable to shareholders of Valartis Group AG		448	-5,026
Net gain/(loss) attributable to non-controlling interests		1,974	-1,918
in CHF			
Earnings per share			
Undiluted earnings attributable to shareholders of Valartis Group AG		0.11	-1.11
Diluted earnings attributable to shareholders of Valartis Group AG		0.11	-1.11
Earnings per share – continued operations			
Undiluted earnings attributable to shareholders of Valartis Group AG		0.28	-1.10
Diluted earnings attributable to shareholders of Valartis Group AG		0.28	-1.10
Earnings per share – discontinued operations			
Undiluted earnings attributable to shareholders of Valartis Group AG		-0.17	-0.01
Diluted earnings attributable to shareholders of Valartis Group AG		-0.17	-0.01

1) Figures for comparative period restated, refer to page 49, 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.–31.12.2019	1.1.–31.12.2018
Net gain/(loss) in the income statement	2,422	-6,944
Other comprehensive income which will be reclassified to the income statement		
Foreign exchange translation differences	1,304	-3,446
Other comprehensive income which will be reclassified to the income statement	1,304	-3,446
Other comprehensive income which will not be reclassified to the income statement		
Change in fair value of financial assets at fair value through OCI	2,373	3,128
Remeasurement of defined benefit pension plans	-589	119
Associated companies – attributable comprehensive income	-	-
Other comprehensive income which will not be reclassified to the income statement	1,784	3,247
Total other comprehensive income, after tax	3,088	-199
Total comprehensive income	5,510	-7,143
Allocation of total comprehensive income		
attributable to shareholders of Valartis Group AG	3,012	-3,942
attributable to non-controlling interests	2,498	-3,201

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets

in CHF 1,000	Note	31.12.2019	31.12.2018
Cash and cash equivalents		7,472	6,051
Trading portfolio assets	11	27,657	40,448
Derivative financial instruments	12	-	51
Other financial assets at fair value	13	1,633	1,635
Due from third parties	14	21,373	19,054
Accrued and deferred assets		2,184	2,248
Total current assets		60,319	69,487
Assets under development	15	-	2,480
Financial assets at fair value through OCI	16	28,963	26,590
Property, plant and equipment	17	1,788	217
Investment property	18	41,147	33,619
Goodwill	19	2,134	1,939
Associated companies	20	27,537	22,008
Non-current receivables	21	4,718	4,211
Deferred tax assets	10	23	767
Total non-current assets		106,310	91,831
Total current and non-current assets		166,629	161,318
Non-current assets classified as held for sale	39	1,941	2,660
Total assets		168,570	163,978

Liabilities and Shareholders' equity

in CHF 1,000	Note	31.12.2019	31.12.2018
Liabilities			
Accounts payable		609	1,202
Current financial liabilities	22	20,621	17,242
Current tax liabilities		809	835
Other current liabilities	23	4,546	3,615
Current provisions	26	52	76
Total current liabilities		26,637	22,970
Non-current financial liabilities	24	16,190	15,440
Liabilities from defined benefit pension plans	25	1,882	1,306
Deferred tax liabilities	10	22	22
Non-current provisions	26	148	246
Total non-current liabilities		18,242	17,014
Total liabilities		44,879	39,984
Shareholders' equity			
Share capital	27	4,769	5,000
Treasury shares	27	-12,106	-9,277
Reserves		103,446	105,751
Cumulated income from financial assets at fair value through OCI		12,048	9,675
Foreign exchange translation differences		-2,917	-3,697
Remeasurement of defined benefit pension plans	25	331	920
Shareholders' equity of the shareholders of Valartis Group AG		105,571	108,372
Non-controlling interests		18,120	15,622
Total shareholders' equity (including non-controlling interests)		123,691	123,994
Total liabilities and shareholders' equity		168,570	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 loss	-	-	-	-5,026
Comprehensive income	-	-	-	-5,026
Dividend payments	-	-	-	-908
Change in treasury shares	-	-3,405	-	-
Employee participation plan	-	-	-	-
Transaction with non-controlling interests	-	-	-	102
Ownership-related changes	-	-3,405	-	-806
Total shareholders' equity at 31 December 2018	5,000	-9,277	-5,804	111,555
2019 in CHF 1,000				
Opening balance at 1 January 2019	5,000	-9,277	-5,804	111,555
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	-	-	-	448
Comprehensive income	-	-	-	448
Dividend payments	-	-	-	-431
Change in treasury shares	-	-5,382	-	-
Share-based compensation	-	-	-	-
Share capital reduction	-231	2,553	-	-2,322
Ownership-related changes	-231	-2,829	-	-2,753
Total shareholders' equity at 31 December 2019	4,769	-12,106	-5,804	109,250

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
-	-	-	-	-	-	-	-
3,128	-	-	3,128	-	-	-	3,128
-	-2,163	-	-2,163	-	-1,283	-1,283	-3,446
-	-	119	119	-	-	-	119
3,128	-2,163	119	1,084	-	-1,283	-1,283	-199
-	-	-	-5,026	-1,918	-	-1,918	-6,944
3,128	-2,163	119	-3,942	-1,918	-1,283	-3,201	-7,143
-	-	-	-908	-	-	-	-908
-	-	-	-3,405	-	-	-	-3,405
-	-	-	-	-	-	-	-
-102	-	-	-	246	-	246	246
-102	-	-	-4,313	246	-	246	-4,067
9,675	-3,697	920	108,372	17,615	-1,993	15,622	123,994
9,675	-3,697	920	108,372	17,615	-1,993	15,622	123,994
2,373	-	-	2,373	-	-	-	2,373
-	780	-	780	-	524	524	1,304
-	-	-589	-589	-	-	-	-589
2,373	780	-589	2,564	-	524	524	3,088
-	-	-	448	1,974	-	1,974	2,422
2,373	780	-589	3,012	1,974	524	2,498	5,510
-	-	-	-431	-	-	-	-431
-	-	-	-5,382	-	-	-	-5,382
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-5,813	-	-	-	-5,813
12,048	-2,917	331	105,571	19,589	-1,469	18,120	123,691

CONSOLIDATED CASH FLOW STATEMENT

in CHF 1,000	31.12.2019	31.12.2018 ¹⁾
Net result after taxes from continued operations	3,140	-6,898
Net result after taxes from discontinued operations	-718	-46
Net result	2,422	-6,944
Depreciation of property, plant and equipment	643	54
Value adjustment on investment property	-3,724	-3,041
Share of results of associated companies	344	-3,002
Change in valuation adjustments and provisions	1,866	3,961
Finance result, net	-5,170	8,138
Change in taxes	905	-1,189
Other non-cash income and expenses	3,500	-688
Operating cash flow before changes in the working capital and taxes	786	-2,711
Due from third parties	-2,085	-5,406
Accrued and deferred assets	70	35
Accounts payables	-601	189
Other current liabilities	2,188	6,821
Taxes paid	-145	-102
Cash flow from/(used in) operating activities	213	-1,174
Trading portfolio assets (including derivative financial instruments)	12,634	-9,275
(Increase)/decrease other financial assets at fair value	-	62
Non-current receivables	494	2,158
Interest and dividends received	1,828	2,586
Purchase of property, plant and equipment, investment property and intangible assets	-518	-1,195
Sale of property, plant and equipment, investment property and intangible assets	37	-
Acquisition of associated companies	-6,103	-1,628
Cash flow from/(used in) investment activities	8,372	-7,292

1) Figures for comparative period restated, refer to page 51, Other change (concerning investment property).

in CHF 1,000	31.12.2019	31.12.2018 ¹⁾
Proceeds from/(repayments of) current financial liabilities	219	-13,802
Proceeds from/(repayments of) non-current financial liabilities	-1,246	13,913
Interest paid	-1,239	-1,226
Dividends paid to shareholders of the Company	-430	-908
Change in treasury shares	-5,382	-3,405
Change in non-controlling interests	898	-1,574
Foreign exchange effect on banking loan for the investment property	16	-4,226
Cash flow used in financing activities	-7,164	-11,228
Effect of foreign exchange translation differences (including non-controlling interests)	-	-
Increase/(decrease) in cash and cash equivalents	1,421	-19,694
Position at 1 January	6,051	25,745
Position at 31 December	7,472	6,051
Cash	2	4
Due from banks on demand	7,470	6,047
Total cash and cash equivalents	7,472	6,051

1) Figures for comparative period restated, refer to page 51, Other change (concerning investment property).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DESCRIPTION OF BUSINESS

Valartis Group's activities 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). 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, Frankfurt am Main, Hamburg, Stuttgart, St. Petersburg and Moscow with 65.5 employees (full-time equivalents as of 31 December 2019). 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 have been prepared in accordance with International Financial Reporting Standards (IFRS) and comply with the provisions of the listing regulations of the Swiss Stock Exchange SIX Swiss Exchange.

Consolidation is based on the individual financial statements of the Group companies prepared in accordance with uniform accounting principles. The consolidated financial statements are presented in Swiss francs (CHF).

CHANGES TO ACCOUNTING POLICIES

Implemented International Financial Reporting Standards and interpretations

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 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 the consolidated statement of financial position.

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 lease implicit rate or, if this rate cannot be readily determined, 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 implicit rate in the lease or, if this rate cannot be readily determined, 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.

Due to the first-time application of IFRS 16, interest expenses on land lease of investment property previously reported under General expenses are now reported as part of Financial expenses. The comparative information of the previous period were not modified as the Group applied the modified retrospective approach.

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 corresponding income is recognised in the income statement position "Income from investment property".

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 the lease implicit rate or if this rate could not be readily determined, its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 1.4 per cent.

The following table shows the changes applied to the Group's Balance sheet opening balances following to IFRS 16 adoption:

Balance sheet opening balances following to IFRS 16 adoption:

in CHF 1,000	31 December 2018	Adjustment	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

IFRIC 23 – Uncertainty over Income Tax treatments

IFRIC 23 specifies how to reflect the effect of uncertainty in accounting for income taxes when it is unclear how tax law applies to a particular transaction or circumstance, or it is unclear

whether a taxation authority will accept an entity's tax treatment. It clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, whilst also aiming to enhance transparency.

IFRIC 23 addresses the following key areas:

- Whether an entity considers uncertain tax treatments separately.
- The assumptions an entity makes about the examination of tax treatments by taxation authorities.
- How an entity determines taxable profit/(loss), tax bases, unused tax losses, unused tax credits and tax rates.
- How an entity considers changes in facts and circumstances.

The first-time application of IFRIC 23 had no impact on the consolidated financial statements.

Implemented International Financial Reporting Standards and interpretations

The following new or revised standards and interpretations have been in force since 1 January 2019 and had no effect on the financial statements of Valartis Group at the time of their first application or were of no significance to it:

- Amendments to IFRS 9 – Financial Instruments – Prepayment Features with Negative Compensation.
- Amendments to IAS 28 – Investment in Associates and Joint Ventures – Long-term interests in Associates and Joint Ventures.
- Amendments to IAS 19 Employee Benefits – Plan Amendment, Curtailment or Settlement.
- Annual Improvements to IFRS Standards 2015 to 2017.

Standards and interpretations not yet implemented

Various new and revised IFRS and interpretations should be applied for financial years beginning after 1 January 2020. Valartis Group has not availed itself of the possibility of early application of these revised standards and interpretations (see following) and based on analyses to date, it does not expect any material overall effects of these provisions.

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts will be effective from 1 January 2021 and apply to: insurance contracts, including reinsurance contracts, issued by an entity; reinsurance contracts held by an entity; and investment contracts with discretionary participation features issued by an entity that issues insurance contracts.

Definition of a Business (amendments to IFRS 3)

In October 2018, IASB published a new definition of Business, which amends IFRS 3 and clarifies whether a transaction should be accounted for as a business combination or as an asset acquisition.

Interest Rate Benchmark Reform (amendments to IFRS 9, IFRS 7 and IAS 39)

In September 2019, IASB published several amendments that modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the reform of benchmark interest rates, such as interbank offer rates (IBORs). In addition, the amendments require an entity to provide

additional information to investors about its hedging relationships which are directly affected by any such uncertainty.

Other new standards and interpretations

Based on primary analyses, the following new and revised standards and interpretations are not expected to have any significant impact on Valartis Group's net profit, comprehensive income and shareholders' equity:

- IAS 1/IAS 8 – Definition of Material;
- IAS 1 – Classification of Liabilities as Current or Non-current;
- Conceptual Framework.

Other changes

In previous years, income from investment property was reported as a net position due to its lack of materiality regarding 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 31 December 2019, the associated expenses were shown separately under general and administrative expenses, fair value adjustments including foreign currency effects (including fair value adjustment on embedded derivatives) separately under value adjustments, provisions and losses and foreign currency effects on the valuation of the associated financing in financial income.

In addition, as the net effect of derecognition of embedded derivative being initially recognised under the total income from investment property, the income resulting from the derecognition of the negative replacement value of the embedded derivative has been also shown under value adjustments, provisions and losses. This specific change had no effect on the current year figures as, in 2019, there were no embedded derivatives related to the operating lease contracts of the investment property.

The comparative information of the previous period for income statement, cash flow statement and related notes were reclassified according to the changes mentioned here above. 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:

Effect on consolidated income statement

in CHF 1,000	1.1.–31.12.2018 before adjustment	Adjustment	1.1.–31.12.2018 after adjustment
Rental income	4,139	-	4,139
Impact of embedded derivatives in rental contracts	1,638	-1,638	-
Gross rental income	5,777	-1,638	4,139
Value adjustment on investment property	1,403	-1,403	-
of which, Fair value adjustment on investment property, including effects from foreign currency translation	3,154	-3,154	-
of which, Fair value adjustment on embedded derivatives	-1,751	1,751	-
Foreign exchange effect on banking loan for the investment property	-4,226	4,226	-
Net result from fair value adjustment and foreign currency effect on investment property	-2,823	2,823	-
Total income from investment property	2,954	1,185	4,139
Total operating income	9,743	1,185	10,928
General expenses	-6,113	-	-6,113
Administrative expenses	-11,344	-	-11,344
Earnings before depreciation, valuation adjustments, provisions, interest and taxes	-1,601	1,185	-416
Valuation adjustments, provisions and losses	-2,520	3,041	521
Earnings before interest and taxes (EBIT)	-4,175	4,226	51
Financial expenses	-6,499	-4,226	-10,725
Net result from continued operations before taxes	-8,087	-	-8,087
Net result from continued operations	-6,898	-	-6,898
Net result	-6,944	-	-6,944

Effect on consolidated cash flow statement

in CHF 1,000	1.1.–31.12.2018 before adjustment	Adjustment	1.1.–31.12.2018 after adjustment
Value adjustment on investment property	-1,403	-1,638	-3,041
Change in valuation adjustments and provisions	2,323	1,638	3,961
Finance result, net	3,912	4,226	8,138
Operating cash flow before changes in the working capital and taxes	-6,937	4,226	-2,711
Cash flow from/(used in) operating activities	-5,400	4,226	-1,174
Foreign exchange effect on banking loan for the investment property	-	-4,226	-4,226
Cash flow from financing activities	-7,002	-4,226	-11,228
Increase/(decrease) in cash and cash equivalents	-19,694	-	-19,694

APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The 2019 consolidated financial statements were approved by the Board of Directors on 31 March 2020. The consolidated financial statements are subject to the approval of the Shareholders' Meeting on 19 May 2020.

MAJOR ACCOUNTING PRINCIPLES

Consolidation principles

Subsidiaries

The consolidated financial statements comprise the accounts of Valartis Group AG, Fribourg, canton of Fribourg, Switzerland, and its subsidiaries as of 31 December 2019. A controlling relationship is deemed to exist if the following conditions are met cumulatively: Valartis Group has power over the other company; it is exposed to variable returns from its involvement with the other company; and it has the ability to affect the amount of those returns through its control over the other company.

If the Group does not hold a majority of the voting rights of an investee, it takes into account all the relevant facts and circumstances in determining whether control exists. These include, among others, contractual arrangements with other parties holding voting rights or rights arising from other contractual arrangements. If the facts and circumstances indicate a change in one or more of the three control elements, the Group will reassess whether it has control over an investee.

Consolidation of a subsidiary begins at the date the Group obtains control over that subsidiary and ceases when the Group loses control over a subsidiary. Assets, liabilities, income, and expenses of a subsidiary acquired or disposed of during the reporting period are included on the balance sheet and in the statement of comprehensive income from the date the Group obtains control of the subsidiary until the date the Group ceases to control the subsidiary. If Valartis Group loses control over a company, any retained interest is recognised as an investment in an associate or as a financial instrument under IFRS 9.

Investments in associates and joint ventures

Group companies over which Valartis Group can exercise a significant influence are accounted for using the equity method and are recorded under Associated companies. As a rule, influence is considered significant if the Group holds between 20 per cent and 50 per cent of the voting rights.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The Group's investments in a joint

ventures are accounted for under Joint ventures in accordance with the equity method.

The considerations made in determining significant influence or joint control are comparable with those necessary to determine control over subsidiaries.

The acquisition of an investment in an associated company or a joint venture must be recognised and measured analogously to majority ownership in accordance with IFRS 3. Accordingly, the purchase price must be compared with the value of the investor's share (after revaluation) of the associated company or joint venture in order to identify any necessary adjustments and any positive or negative goodwill (bargain purchase). In contrast to IFRS 3, however, under the equity method all adjustments and goodwill positions are reported as a separate balance sheet item under Associated companies or under Joint ventures. Any negative goodwill positions are recognised as income under Income from business combinations (negative goodwill). Subsequently, the carrying amount of the associated company is increased or decreased depending on the Group's share in the profit or loss for the period of the associated company or joint venture, minus dividends received and foreign exchange translation differences.

Structured entities

The collective investment instruments of Valartis Group are structured entities as defined under IFRS 12. If Valartis Group operates such an investment instrument acting as an agent primarily in the interests of investors, this structured entity is not consolidated. Investments in such investment instruments held by Valartis Group are recognised as financial instruments. If Valartis Group acts as a principal primarily in its own interests, the investment instrument is consolidated.

Method of consolidation

All intercompany receivables and liabilities, earnings and expenses, as well as off balance sheet transactions, are completely eliminated in the Group financial statements. The equity of consolidated companies is recorded at the carrying amount of the participations at the parent company at the time of purchase or the time of establishment.

After the initial consolidation, changes resulting from business operations that are included in the result for the reporting period are allocated to retained earnings. Non-controlling interests in equity and net profit are stated separately in the consolidated statement of financial position and income statement.

Changes in the scope of consolidation

In October 2019, the Group founded VLR Germany GmbH, a new Group company, which offers real estate property management services. VLR Germany GmbH is fully consolidated since its incorporation.

Changes in the scope of consolidation in the previous year:
There were no changes in the scope of consolidation in 2018.

Discontinued operations

The shares in the associated company Darsi Investment Ltd. are shown in the consolidated financial statements as discontinued operations (same as for 31 December 2018).

Consolidation period

The consolidation period for all Group companies is the calendar year. The closing date for the consolidated financial statements is 31 December 2019.

General principles

Revenue recognition

The Group applies IFRS 15. Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue for each contract with a client if the following criteria are met:

- the parties to the contract have approved the contract and are committed to perform their respective obligations;
- the Group can identify each party's rights regarding the goods or services to be transferred;
- the Group can identify the payment terms for the goods or services to be transferred;
- the contract has commercial substance (i.e. the risk, timing or amount of the Group's future cash flows is expected to change as a result of the contract); and
- it is probable that the Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

In evaluating whether collectability of an amount of consideration is probable, the Group considers only the customer's ability and intention to pay that amount of consideration when it is due. In the eventuality of a price concession the amount of consideration to which the Group will be entitled is considered to be less than the price stated in the contract.

Currency translation

The Group's functional currency is the Swiss franc (CHF), the currency of the country in which Valartis Group AG is domiciled. The assets and liabilities denominated in foreign currencies of foreign Group companies are translated into Swiss francs at the respective exchange rates on the balance sheet date. For the income statement and the cash flow statement, annual average exchange rates are used. Any exchange rate differences resulting from consolidation are reported as translation differences in equity.

In the individual financial statements of the Group companies, transactions in foreign currencies are recognised at the corresponding daily exchange rates. Monetary assets are translated and booked at the exchange rates valid on the balance sheet date with the exception of exchange differences arising on monetary

items that form part of the reporting entity's net investment in a foreign operation; these are recognised, in the consolidated financial statements that include the foreign operation in other comprehensive income; they will be recognised in profit or loss on disposal of the net investment.

Valartis Group assesses regularly its internal group loans and identifies any loans to be qualified as net investment in a foreign operation. The following tables provide an overview of the effects on the balance sheet and income statement for the reporting and comparative period:

Balance sheet:

in CHF 1,000	Reporting period	31.12 before reassessment according to IAS 21	Impact of reassessment according to IAS 21	31.12 after reassessment according to IAS 21
Currency translation adjustments in equity	2019	-2,733	4,037	1,304
Currency translation adjustments in equity	2018	4,072	-7,518	-3,446

Income statement:

in CHF 1,000	Reporting period	31.12 before reassessment according to IAS 21	Impact of reassessment according to IAS 21	31.12 after reassessment according to IAS 21
Financial result, net	2019	9,207	-4,037	5,170
Result for the year	2019	6,459	-4,037	2,422
Financial result, net ¹⁾	2018	-15,656	7,518	-8,138
Result for the year	2018	-14,462	7,518	-6,944

1) Figures for comparative period restated, refer to page 51, Other change (concerning investment property).

Non-monetary items recorded at historical cost in a foreign currency are translated at the historical exchange rate.

The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, ex-

pense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

Unrealised foreign exchange differences of an equity investment at fair value through other comprehensive income are part of the change of its entire fair value and are recognised in other comprehensive income.

The following exchange rates are used for the major currencies:

	2019 Balance sheet date rate	2019 Annual average rate	2018 Balance sheet date rate	2018 Annual average rate
EUR	1.0858	1.1110	1.1265	1.1511
USD	0.9683	0.9925	0.9850	0.9760
RUB (100)	1.5590	1.5394	1.4170	1.5574

Segments

Determination of the operating segments is based on the management approach. The management approach reflects the way in which management organises the entity for making operating decisions and for assessing performance, based on specific financial information. Therefore, the adoption of the management approach results in the disclosure of information for segments in substantially the same manner as they are reported internally and used by the entity's chief operating decision maker for purposes of evaluating performance and making resource allocation decisions.

Cash and cash equivalents

Cash and cash equivalents in the cash flow statement consist of liquid assets (petty cash, postal cheque balances) and at sight/immediately callable amounts due from banks.

Domestic and non-domestic positions

Domestic includes positions in Liechtenstein.

Determination of fair value

Valartis Group measures some of its financial instruments and financial liabilities as well as individual non-financial assets at fair value on each balance sheet date. Fair value is defined as the value that would be generated in an orderly transaction between market participants at the time of valuation upon sale of an asset or upon transfer of an obligation. Fair values are determined either to determine the balance sheet value or for disclosure purposes in the notes.

All assets and liabilities carried at fair value or for which disclosure of fair value is made in the notes are classified in the following fair value hierarchy:

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. This category essentially comprises forex and interest-rate derivatives as well as illiquid debt instruments and investment funds for which a binding net asset value is not published daily basis. If no active market exists, the fair value is determined based on generally accepted valuation methods. If all the significant inputs are directly observable in the market, the instrument is deemed to be a level 2 instrument.

The valuation models consider the relevant input such as the contract specifications, market price of the underlying asset, the foreign exchange rate, the corresponding yield curve, default risks, and volatility. The valuation of interest rate instruments for which no quoted prices exist is carried out using generally recognised methods. For the valuation of OTC derivatives, generally recognised option pricing models and quoted prices in markets that are not active are used. In the case of investment funds, the published net asset values are used. The credit risk is only considered 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 observed 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 categorisation of the financial instruments and financial liabilities in the described fair value hierarchy is shown in Note 32. 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.

Financial instruments

Basic principle

The Group recognises a financial asset or a financial liability in its statement of financial position according to IFRS 9 when, and only when, the entity becomes party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets is recognised using the settlement date that is the date that an asset is delivered to or by the Group.

Classification of financial assets

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI-debt investment, FVOCI-equity investment (FVOCI – fair value through other comprehensive income) or FVTPL (fair value through profit & loss). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument is assessed for classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as of FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as of FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Initial measurement

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise

meets the requirements to be measured at amortised cost or at FVOCI as of FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

Subsequent measurement of financial assets

The following accounting policies apply to the subsequent measurement of financial assets:

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the consolidated income statement.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on de-recognition is recognised in the consolidated income statement.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified into the consolidated income statement.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified into the consolidated income statement.

Subsequent measurement of financial liabilities

After initial recognition, the Group measures a financial liability at amortised cost except for financial liabilities at fair value through profit or loss including derivatives that are liabilities and are measured at fair value.

Impairment of financial assets (impairment model)

IFRS 9 uses an expected credit loss (ECL) model. The impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group measures loss allowances at an amount equal to lifetime ECLs for all categories. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligation to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognised in OCI, instead of reducing the carrying amount of the asset. Impairment losses related to due from third parties and other receivables and on other financial assets are presented under finance costs and not presented separately in the statement of profit or loss and OCI due to materiality considerations.

Derecognition of financial assets

The Group derecognises a financial asset when, and only when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset.

Derecognition of financial liabilities

The Group removes a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires.

Hedge accounting

The Group does not use hedge accounting according to IFRS 9.

Assets under development

Properties acquired or constructed for sale in the ordinary course of business (and not for rental or for capital appreciation) are not classified as investment property but as inventories (based on IAS 2 and IAS 40.9a).

Therefore, these assets are measured at the lower of cost and net realisable value (NRV). The acquisition or construction costs include the purchase of real estate and/or lease costs for land, the amounts paid to contractors for construction services, the cost of borrowed capital, the costs of planning and property preparation, and the fees for legal advice and services. Property acquisition taxes and other related costs are also considered.

The NRV is the estimated selling price in the ordinary course of business, based on market prices at the balance sheet date, discounted to present value (if material) less costs of completion and estimated selling costs. The NRV is determined by external valuation experts and considering current market transactions. The NRV for assets under development that are still under construction is valued at market prices for similar assets, less the estimated costs of completion of the construction up to the estimated completion date.

The acquisition or production costs of inventories are recognised in the income statement on disposal. Non-refundable commissions paid to sales agents for the sale of real estate units are recognised as an expense upon payment.

If a contract with third parties for the acquisition of assets under development provides for the future transfer of these assets to the Group company which is the contracting party, these assets are recognised as assets under development if this party acquires the right to the material risks and opportunities of these assets (management makes an assessment of whether and when this party has acquired the right to these risks and opportunities).

Property, plant and equipment

Property, plant and equipment include properties, undeveloped land and fixtures in third-party properties, IT and telecommunications equipment, software (including software in development), and other fixed assets. Acquisition and production costs are carried as an asset if future economic income is likely to flow

from them to the Group and the costs can be identified and reliably determined. Property, plant and equipment is depreciated on a straight-line basis over the estimated useful life as follows:

Property	max. 100 years
Fixtures in third-party properties	max. 10 years
IT and telecommunication equipment	max. 5 years
Software	max. 5 years
Other fixed assets	max. 5 years

Impairment tests are performed on property, plant, and equipment if events or circumstances suggest that the carrying amount may have been impaired. If the carrying amount exceeds the achievable income, the carrying amount is written down.

Investment properties

Investment properties are real estate (land, premises or both) which is held by the Group in order to generate rental income, and/or income from added value. For initial reporting, investment properties are recorded at purchase or building cost. For later evaluation, investment properties are recorded at fair value and changes to fair value affect net income. Fair value is evaluated based on an annual independent assessment which is based on the highest level and best possible usage of the property. This takes into consideration the use of the asset which is physically possible, legally permissible, and financially meaningful. In case of investment properties being constructed, the investment properties also include part of the direct attributable costs necessary to obtain the authorisation of construction.

Goodwill

Goodwill is measured as the difference between the sum of the fair value of consideration transferred plus the recognised amount of any non-controlling interests in the acquiree and the recognised amount of the identifiable assets acquired and liabilities assumed.

In accordance with IFRS 3, goodwill is carried as an asset and allocated to the corresponding cash-generating unit (CGU). It is subject to an impairment test at least annually or more often if there are indications of a potential decrease in value.

For this purpose, the carrying amount of the CGU to which goodwill was allocated is compared with its recoverable amount. The recoverable amount is the higher of the fair value of the CGU less costs to sell and its value in use.

Fair value less costs to sell is the amount that could be realised by the sale of a CGU in a transaction at market conditions between knowledgeable, willing parties after deduction of the sales costs.

The value in use is the present value of future cash flows a CGU is expected to generate. Should the carrying amount of the CGU

exceed the recoverable amount, a goodwill adjustment charge is recognised in the income statement.

Provisions

A provision is recognised if as a result of past events the Group has a current liability on the balance sheet date that is likely to result in the outflow of resources, and the amount of which can be reliably estimated. If the liability cannot be sufficiently reliably estimated, it is shown as a contingent liability.

Taxes and deferred taxes

Income taxes are based on the tax laws of each tax authority where a Group company has its domicile and are expensed in the period in which the related profits are made. Capital taxes are included in office and business expense. The effective tax rate is applied to net profit.

Deferred income/expense taxes arising from temporal differences between the stated values of assets and liabilities in the consolidated balance sheet and their corresponding tax values are recognised as deferred tax assets or deferred tax liabilities. Deferred tax assets are capitalised if there is likely to be enough taxable profit to offset these differences. In order to calculate deferred income taxes, the Group applies the tax rates expected to be applicable in the period in which the assets will be realised or the liabilities settled. Deferred taxes are recognised only to the extent it is likely they will arise in the future. Tax claims and tax liabilities are offset against each other if they apply to the same tax subject and the same tax authority, and if there is an enforceable right to their offsetting. Changes in deferred taxes are reported in the income statement under taxes. Deferred taxes related to changes that are recognised directly in shareholders' equity are directly charged or credited to shareholders' equity.

Treasury shares

Shares in Valartis Group AG held by the Group (treasury shares) are deducted from equity at weighted average acquisition cost. Changes in fair value are not recorded. The difference between the sales proceeds from treasury shares and the corresponding acquisition cost is recognised under Reserves.

Employee benefits

Short-term employee benefits

Short-term employee benefit obligations are measured and recorded on an undiscounted basis as soon as the employees render the related service and the obligation can be reliably estimated.

Pension plans

Valartis Group makes contributions for its employees to a pension plan that provides benefits in the event of death, disability, retirement, or termination of employment. There is only one plan for Swiss employees. In the case of defined benefit plans, the period costs are determined by an independent recognised actuary. The benefits provided by these plans are generally

based on the years of insurance, age, and pensionable salary. The net liability or net asset for each defined benefit plan is measured on the basis of the present value of the pension obligations determined using the projected unit credit method and the present value of the plan asset and reported in the balance sheet. These calculations are carried out annually by the actuary based on the estimated future benefits based on the years of service. If the calculation shows an over-funding, the net asset to be recorded is limited to the present value of the economic benefit.

Remeasurement resulting from actuarial gains and losses, the effect of the asset ceiling, or the return on plan assets (excluding net interest), are recorded in other comprehensive income with a corresponding debit or credit to retained earnings. All expenses related to defined benefit plans are recorded through the consolidated income statement as employee benefits.

Valartis Group does not exercise the option to recognise contributions from employees or third parties as a reduction in the service cost in the period in which the related service is rendered.

Share-based payment

Valartis Group does not have any share-based payments in relation to a performance-related remuneration.

ESTIMATES, ASSUMPTIONS, AND EXERCISE OF DISCRETION BY MANAGEMENT

Basic principle

In applying the accounting principles, management is required to make numerous estimates and assumptions which can influence the disclosures made in the consolidated income statement, consolidated balance sheet and notes to the consolidated financial statements. The actual results can deviate from these estimates.

Valartis Group is confident that the consolidated financial statements present a true and fair view of the assets, financial position, and income situation. Management reviews the estimates and assumptions on a continuous basis and adapts them to new knowledge and circumstances. This can influence aspects of the consolidated financial statements including the following:

Fair value of financial instruments

If the determination of the fair value of financial assets and liabilities is not based on quoted market prices or price quotes by brokers, the fair value is calculated by means of valuation methods, e.g., discounted cash flow models. As far as possible, input parameters for modelling are based on observable market data. If there are no observable market data available, discretionary decisions and estimates are used considering parameters such as liquidity risk, default risk, and volatility risk. Changes in these estimates may influence the fair value of such financial instruments. For further details see General principles, Determination of fair value on page 56.

Measurement of ECL (Expected Credit Losses) impairment allowance

Allowance for financial assets measured at amortised costs are based on key assumptions in determining the weighted-average loss rate.

Fair value of contingent purchase price consideration

Valartis Group sold its strategic stake of around 40 per cent in Eastern Property Holdings Ltd. (EPH) on 19 December 2012. Valartis Group received part of the sales consideration in cash in 2012. Another part is linked to the successful completion of a development project of EPH. The determination of the fair value of the deferred contingent purchase price consideration of the EPH transaction is still to a large extent based on a semi-annual project evaluation based on the expected cash flows and the resultant net asset value (NAV). If these parameters change due to changes in the economic situation or new market conditions, future results may deviate from the calculated NAV. Such deviations may impact the valuation of the contingent purchase price consideration. The contingent purchase price payment is currently valued at CHF 0.4 million.

Value adjustments on credit positions

Various factors can influence the value adjustment estimates for credit positions. These factors include changes in borrowers' credit ratings, loan collateral valuations and the expected scale of loss. Management determines how high the value adjustment needs to be based on the present value of the expected future cash flows. In order to estimate the expected cash flows, management must make assumptions regarding the financial situation of the counterparty and the estimated recoverable amount of collateral.

Investment properties

The fair value of investment properties was calculated by an independent, accredited surveyor. Evaluation was carried out in accordance with the standards of the Royal Institution of Chartered Surveyors (RICS). The discounted cash flow model used in the evaluation takes into consideration the present value of net cash flows from a property, i.e. anticipated trends in rental income, vacancy rate, rent-free periods, other costs not borne by tenants, maintenance costs and investment plans. The anticipated net cash flows are discounted using risk-adjusted discount rates. Location and property-specific criteria are factored into the discount rate.

Evaluation of the investment property held by Valartis Group in St. Petersburg in Russia is influenced by the economic and political risks inherent in the Russian national economy. For Valartis Group management, investments in property presuppose a long investment horizon. By means of this approach, risks from short-term value fluctuations can be minimised.

For the purpose of obtaining all necessary authorisations to construct a new asset, some related service costs have been capitalised. In doing so, Management assesses the feasibility of the project and is of the opinion that it will be realised.

Goodwill

Among other factors, the value of goodwill is largely determined by the cash flow forecasts, the discount factor (weighted average cost of capital, WACC), and long-term client retention and AuM multipliers (Assets under Management). All material assumptions are disclosed in the notes to the financial statements. The principal assumptions are listed in the notes to the consolidated financial statements. A change in assumptions can lead to disclosure of impairment in the subsequent year.

Provisions

Valartis Group recognises provisions for imminent threats if in the opinion of the responsible experts the probability that losses will occur is greater than the probability that they will not occur and if their amount can be reliably estimated. In judging whether the creation of a provision and its amount are reasonable, the best possible estimates and assumptions as of the balance sheet date are applied. If necessary, these will be adjusted to reflect new knowledge and circumstances later. New knowledge may have a significant effect on the income statement.

Actuarial assumptions

For the defined benefit plans, statistical assumptions have been made to estimate future trends. These include assumptions and estimates regarding discount rates and expected rates of salary increases. The actuaries also use statistical information such as mortality tables and turnover probabilities in their actuarial calculations to determine the pension liabilities.

If these parameters change due to demographic developments, changes in the economic situation, or new market conditions, future results may deviate significantly from the actuarial reports and calculations. In the medium term, such deviations can have an influence on the expenses and revenue arising from the employee pension plans.

Associated companies

Associated companies are accounted for using the equity method. Norinvest Holding SA 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 considering publicly available information. Differences between the actual results and these estimates are corrected if available in the Valartis Group's consolidated financial statements for the following year. For the valuation of the associated companies in the 2019 financial year, see the additional explanations in Note 20 Associated companies.

Joint-ventures

Briese Schifffahrts GmbH & Co. KG MS "Langeoog", "Folmhusen", "Nesseborg" and Kaluga Flower Holding LLC are joint-ventures and accounted for using the equity method based on the financial reporting provided by those companies as of 31 December 2019.

For Briese Schifffahrts GmbH & Co. KG MS "Langeoog", "Folmhusen", and "Nesseborg", each operating a vessel, the annual result have to be adjusted to reflect the fair value of the boat. The latter is tested for impairment based on a Management value assumption on expected boat's future income.

Restrictions on capital outflows

On 4 April 2017, Valartis Group sold its shareholding in a shopping, leisure and business centre in Algeria to another existing investor under a share purchase agreement (SPA). The contract was executed on 26 September 2017 with the transfer of the purchase amount. Via a subgroup – the Darsi Group – Valartis Group held a minority stake in Société des Centres Commerciaux d'Algérie SPA (SCCA) in Algeria. Subsequent negotiations are currently still being held with the buyers on an additional and contractually agreed purchase price claim in favour of Valartis arising from currency developments. As at 31 December 2019, Valartis Group therefore still reported various receivables – from services and additional purchase price claim – from buyers and SCCA. There are legal requirements which only allow capital exports from Algeria under certain conditions. As a result of these conditions, there are many uncertainties regarding the transfer of funds from Algeria. In the opinion of management, the conditions for the export of capital can be met by submission of appropriate contractual documents – which has already been proven once with the transfer of the sales price for the shareholding as per 26 September 2017.

Income taxes

The current tax obligations reported as of the balance sheet date and the current tax expenses resulting for the reporting period are based in part on estimates and assumptions and can therefore deviate from the amounts determined in the future by the tax authorities. Deferred taxes are calculated at the tax rates which are expected to be applicable in the accounting period in which the assets will be realised or the liabilities settled. Changes in the expected tax rates and any unexpected reductions in the value of goodwill can have a significant effect on the income statement.

Uncertainty over income tax treatment

The Group has adopted the new IFRIC 23 Uncertainty over tax treatment interpretation on 1 January 2019. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 Income Taxes

When there is uncertainty over income tax treatment, The Group considers whether it is probable that the relevant tax authority will accept each tax treatment. If the entity concludes that it is not probable that a particular tax treatment will be accepted, the entity has to use the most likely amount or the expected value of the tax treatment when determining taxable profit (or tax losses), tax bases, unused loss carry forwards and tax rates.

NOTES ON RISK MANAGEMENT

STRUCTURE OF RISK MANAGEMENT

Overview

Risk management for the risks on assets is based on the principles of value-oriented corporate management which includes the targeted assumption of risks and their professional management. Taking into account the basic principle of risk-bearing capacity, return-oriented risk assumption is thus the focus of risk management.

Organisation of risk management

The Board of Directors is responsible for the overall risk management of Valartis Group and determines the risk policy. It is responsible for setting the annual risk budget, setting limits and the maximum risk tolerance (quantitative and qualitative) in relation to the Group's overall risk capacity. Operational management is responsible for implementing risk management and control principles and assures that set limits are always adhered to, see Management Report, page 5 ff.

Valartis Group's activities currently comprise the following types of risks:

- Market risks (changes in market prices and exchange rates on investment assets, interest rate changes and foreign currency risks)
- Liquidity risks
- Credit risks (risk of default on bonds)
- Non-counterparty-related risks (e.g. real estate project risk)

The foreign currency risk is currently assessed as the main risk.

MARKET RISK

Market risk refers to the risk of a loss of value due to detrimental changes in the market prices of interest rate products, equities, currencies, and other equity instruments, as well as derivative positions.

Market price fluctuations on equity holdings

The method for measuring market price fluctuations is based on a sensitivity analysis using historical volatility. Equity investments are usually characterised by a high level of liquidity. That means that the market risks can be managed in a timely manner and, when necessary, quickly and efficiently reduced. The risk calculation method which is applied takes this factor into consideration and the choice of parameters are regularly reviewed based on market conditions and adjusted as required.

Less liquid products may have longer term holding periods, amongst other things, because market liquidity does not permit rapid expansion or reduction of positions. For this reason, risk assessments are made based on a sensitivity analysis which takes into consideration significant markdowns, with simultaneous changes in other market parameters such as volatility or a sudden drop in product trading volumes.

Valartis Group is subjected to these types of risk via its investments. In 2019, these risks mainly arose in connection with the financial investments at fair value through OCI and the trading portfolio comprising investments in Russian equities.

Table 1: Sensitivity analysis for market price fluctuations on equity holdings

in CHF 1,000	2019	2018
Volume of FVOCI	28,963	26,590
Sensitivity 15% based on SIX volatility p.a.	+/-4,344	+/-3,989
Volume trading position equities	5,347	6,249
Sensitivity 30% based on RTX volatility p.a.	+/-1,604	+/-1,875

Interest rate risks

Following divestment of its banking operations, Valartis Group is subject to only low levels of interest rate risks. There is a certain interest rate risk by building up a bond portfolio in order to generate additional financial income from interest income.

Table 2: Sensitivity analysis of interest rate risks

in CHF 1,000	2019	2018
Volume trading positions debt instruments	20,063	32,073
Sensitivity +/-1%	+/-201	+/-321

Currency risks

Currency risks relating to trading book positions and financial investments are pooled for control and management purposes. Valartis Group tries to maintain low currency risks. The Group's business activities expose it to the Euro (EUR), US dollar (USD) and Ruble (RUB) which are restricted by means of defined limits.

The sensitivity to move in exchange rates is shown for all currency risks in table 3. Sensitivities are based on monthly volatility against the Swiss franc (CHF).

Table 3: Sensitivity analysis of currency risks

in CHF 1,000	2019	2018
Net currency position in EUR	4,853	5,284
Sensitivity +/- 4% EUR	194	211
Net currency position in USD	22,313	21,168
Sensitivity +/- 4% USD	893	847
Net currency position in RUB	48,888	38,956
Sensitivity +/- 7% RUB	3,422	2,727

Net currency positions are disclosed in Note 30, Consolidated Statement of Financial Positions by Currency.

LIQUIDITY RISK

Liquidity risk is the risk of the Group not having sufficient liquid funds available to meet its short-term payment obligations.

The table Maturity structure of assets and liabilities (Note 32) shows future cash flows based on the earliest contractual maturity, disregarding assumptions about the probability of individual cash flows.

Changes in liquidity are shown in the cash flow statement on pages 44 and 45.

CREDIT RISK

Credit risk reflects the risk of loss arising from the failure of a counterparty to fulfil its contractual obligations. It includes default risks from any direct lending business, the invested bond portfolio, concluded transactions (such as money market transactions, derivative transactions, etc.), and settlement risks.

Management of credit risk

Credit exposure comprises receivables from banks, receivables from services provided, loans to minority holdings, financial instruments, and other assets.

Table 4: Credit risk – total credit risk/geographical credit risk

in CHF 1,000	Switzerland	Europe	Other	Total
Geographical credit risk 2019				
Cash and cash equivalents	4,972	697	1,803	7,472
Trading portfolio assets	8,302	15,416	3,939	27,657
Derivative financial instruments	-	-	-	-
Other financial assets at fair value	1,250	-	383	1,633
Due from third parties	1,708	4,018	15,647	21,373
Accrued and deferred assets	416	503	1,265	2,184
Financial assets at fair value through OCI	28,963	-	-	28,963
Non-current receivables	199	1	4,518	4,718
Deferred tax assets	-	-	23	23
Total at 31 December 2019	45,810	20,635	27,578	94,023
Geographical credit risk 2018				
Cash and cash equivalents	4,406	747	898	6,051
Trading portfolio assets	9,179	26,218	5,051	40,448
Derivative financial instruments	51	-	-	51
Other financial assets at fair value	1,250	-	385	1,635
Due from third parties	3,895	3,780	11,379	19,054
Accrued and deferred assets	332	448	1,468	2,248
Financial assets at fair value through OCI	26,590	-	-	26,590
Non-current receivables	687	-	3,524	4,211
Deferred tax assets	-	-	767	767
Total at 31 December 2018	46,390	31,193	23,472	101,055

The classification of due from third parties is based on the underlying country risk and, therefore, may differ compared with an allocation based purely on the domicile of the borrower.

Table 5: Credit risk – total credit risk/breakdown by counterparty

in CHF 1,000	Banks	Public sector entities	Other	Total
Breakdown by counterparty 2019				
Cash and cash equivalents	7,094	-	378	7,472
Trading portfolio assets	2,638	8,097	16,922	27,657
Derivative financial instruments	-	-	-	-
Other financial assets at fair value	-	-	1,633	1,633
Due from third parties	-	968	20,405	21,373
Accrued and deferred assets	33	136	2,015	2,184
Financial assets at fair value through OCI	-	-	28,963	28,963
Non-current receivables	199	-	4,519	4,718
Deferred tax assets	-	-	23	23
Total at 31 December 2019	9,964	9,201	74,858	94,023
Breakdown by counterparty 2018				
Cash and cash equivalents	5,607	-	444	6,051
Trading portfolio assets	5,362	9,508	25,578	40,448
Derivative financial instruments	51	-	-	51
Other financial assets at fair value	-	-	1,635	1,635
Due from third parties	-	1,133	17,921	19,054
Accrued and deferred assets	86	177	1,985	2,248
Financial assets at fair value through OCI	-	-	26,590	26,590
Non-current receivables	687	-	3,524	4,211
Deferred tax assets	-	-	767	767
Total at 31 December 2018	11,793	10,818	78,444	101,055

Table 6: Credit risk – quality of assets

in CHF 1,000	AAA to AA-	A+ to BBB-	BB+ or lower	No external rating	Total
Quality of assets 2019					
Cash and cash equivalents	-	1,635	-	5,837	7,472
Trading portfolio assets	544	10,982	7,032	9,099	27,657
Derivative financial instruments	-	-	-	-	-
Other financial assets at fair value	-	-	-	1,633	1,633
Due from third parties	170	-	-	21,203	21,373
Accrued and deferred assets	78	86	73	1,947	2,184
Financial assets at fair value through OCI	-	-	-	28,963	28,963
Non-current receivables	1	-	-	4,717	4,718
Deferred tax assets	-	-	-	23	23
Total at 31 December 2019	793	12,703	7,105	73,422	94,023
Quality of assets 2018					
Cash and cash equivalents	-	1,174	-	4,877	6,051
Trading portfolio assets	451	15,695	10,507	13,795	40,448
Derivative financial instruments	-	-	-	51	51
Other financial assets at fair value	-	-	-	1,635	1,635
Due from third parties	1,137	-	-	17,917	19,054
Accrued and deferred assets	82	145	120	1,901	2,248
Financial assets at fair value through OCI	-	-	-	26,590	26,590
Non-current receivables	-	-	-	4,211	4,211
Deferred tax assets	-	-	-	767	767
Total at 31 December 2018	1,670	17,014	10,627	71,744	101,055

As in the previous year, there are no overdue receivables without value adjustments for the 2019 financial year.

OPERATIONAL RISK

Operational risk is the risk of losses due to faulty internal processes, procedures and systems, inappropriate behaviour by employees or by external influences. The definition includes all legal risks as well as reputational risks. However, it excludes strategic risks.

Management of operational risk

Identification of operational risks is one of the permanent responsibilities of management and is carried out when introducing new operational activities, processes and products and periodically for those which have already been established. In the case of critical operational processes, key risk monitoring processes and indicators are used.

Treatment of risks which have been identified is always processed by the operational unit within the framework conditions which have been stipulated. A decision as to whether risk avoidance, risk reduction or risk transfer is most appropriate, or whether the risk should be accepted, is based mainly on a cost-benefit analysis.

Regular monitoring of operational risks is embedded in operational processes, as far as possible. Separation of functions and a four-eye principle are central elements of monitoring. The Board of Directors has the overall control of management of operational risks based on standardised reporting and regular ad-hoc information.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

1. INCOME FROM MANAGEMENT SERVICES

in CHF 1,000	1.1.–31.12.2019	1.1.–31.12.2018
Revenue from management services	4,140	2,714
Revenue from management services	4,140	2,714

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.

2. INCOME FROM INVESTMENT PROPERTY

in CHF 1,000	1.1.–31.12.2019	1.1.–31.12.2018
Rental income	4,043	4,139
Total income from investment property ¹⁾	4,043	4,139

1) As of 31 December 2018, the total income from investment property was presented net of fair value adjustment and foreign currency effect. As of the 31 December 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 31 December 2018 have been reclassified accordingly. See Other Changes in page 51.

3. SHARE OF RESULTS OF ASSOCIATED COMPANIES

in CHF 1,000	1.1.–31.12.2019	1.1.–31.12.2018
Share in net profit	534	3,002
Impairment	-878	-
Total	-344	3,002

As of 31 December 2019, the impairments related to net investment in associated companies are mainly composed by: Norinvest Holding SA in the amount of CHF 0.6 million and Kaluga Flower Holding in the amount of 0.3 million.

In respect to Norinvest Holding SA, the latter 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 considering publicly available infor-

mation. Differences between the actual results and these estimate are corrected in the Valartis Group's consolidated financial statements of the following period.

As of the 31 December 2018, the following associated companies had contributed a pro rata profit: Norinvest Holding SA in the amount of CHF 2.9 million and Société des Carrières SA in the amount of CHF 0.1 million.

4. OTHER INCOME

in CHF 1,000	1.1.–31.12.2019	1.1.–31.12.2018
Other income	592	1,162
Other expenses	-245	-89
Total other ordinary income	347	1,073

The other income includes CHF 0.3 million relating to trade payables reversals after final payable amount has been agreed, CHF 0.2 million various consulting fees as well as CHF 0.1 million following a favourable settlement of a court case in favour of a Valartis Group company.

In the previous period, other income included CHF 0.4 million various consulting fees, of which CHF 0.3 million related to the appraisal of a tax matter and CHF 0.1 million to the interest received on a reimbursement by the tax authorities for one Group subsidiary.

5. PERSONNEL EXPENSE

in CHF 1,000	1.1.–31.12.2019	1.1.–31.12.2018
Salaries and bonuses	-4,019	-3,998
Social security benefits	-686	-603
Contributions to occupational pension plans	-237	-201
Other personnel expenses	-545	-429
Total	-5,487	-5,231

6. GENERAL EXPENSE

in CHF 1,000	1.1.–31.12.2019	1.1.–31.12.2018
Occupancy expense ^{1) 2)}	-269	-1,229
IT and information expense	-285	-306
Consultancy, audit, corporate communication and representation expense	-2,602	-2,210
Land lease expenses of investment property ³⁾	-	-207
Operating expenses of investment property	-994	-989
Investment property tax and non-recoverable VAT	-353	-422
Other general expenses	-536	-750
Total	-5,039	-6,113

1) Lease contracts with a term of less than 12 months for the period from 1 January to 31 December 2019.

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

3) Due to the first-time application of IFRS 16, interest expenses on land lease of investment property previously reported under General expenses are now reported as part of Financial expenses. The comparative information of the previous period was not modified as the Group applied the modified retrospective approach.

7. DEPRECIATION

in CHF 1,000	1.1.–31.12.2019	1.1.–31.12.2018
Depreciation office leases ¹⁾	-601	-
Depreciation of property, plant and equipment	-42	-54
Total	-643	-54

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

8. VALUE ADJUSTMENTS, PROVISIONS AND LOSSES

in CHF 1,000	1.1.–31.12.2019	1.1.–31.12.2018 ¹⁾
Impairments	-3,404	-2,780
Impairment reversals	1,417	117
Value adjustment on investment property	3,724	1,403
Impact of embedded derivatives in rental contracts ²⁾	-	1,638
Change in provisions	121	143
Total	1,858	521

1) Previous period figures have been restated, see footnote Other changes in page 51 in the Change to accounting policies.

2) Effect of derecognition of embedded derivatives in rental contracts in financial year 2018, as there were no embedded derivatives in 2019, no effect had to be shown in 2019.

In 2019, the impairments amount to CHF 2.0 million on an asset under development (see Note 15 Assets under Development) and CHF 1.4 million related to receivable from third parties. Impairment reversals relate mainly to a loan provided to Vestive Ltd., an associated company (see Note 39 Acquisition of Group Companies).

In 2018, the impairments amounted to CHF 2.48 million on an asset under development and to CHF 0.3 million on a loan provided to Vestive Ltd.

9. FINANCIAL RESULT

in CHF 1,000	1.1.–31.12.2019	1.1.–31.12.2018 ¹⁾
Interest and dividend income from trading portfolios	1,870	2,210
Other interest income third parties	184	377
Total interest income	2,054	2,587
Net gain on trading portfolio assets	4,339	-
Foreign exchange effect on banking loan for the investment property ¹⁾	16	-
Total financial income	6,409	2,587
Interest expenses for loans	-343	-108
Interest expenses on leasing liabilities ¹⁾	-231	-
Interest expenses for financial liabilities due to banks	-665	-1,119
Total interest expenses	-1,239	-1,227
Net losses on trading portfolio assets	-	-5,272
Foreign exchange effect on banking loan for the investment property ¹⁾	-	-4,226
Total financial expenses	-1,239	-10,725
Total financial result, net	5,170	-8,138

1) Previous period figures have been restated, see footnote Other changes in page 51 in the Change to accounting policies.

10. INCOME TAXES

in CHF 1,000	1.1.–31.12.2019	1.1.–31.12.2018
Current income taxes	-136	-94
Change in deferred taxes	-769	1,283
Total income taxes	-905	1,189
Analysis of income tax charges		
Net profit /(loss) from continued operations before tax	4,045	-8,087
Net loss from discontinued operations before tax	-718	-47
Net profit/(loss) before tax	3,327	-8,134
Expected income tax rate ¹⁾	19.9%	19.9%
Expected income taxes	-661	1,615
Reconciliation from expected to effective income taxes		
Difference between expected and actual tax rate	-15	1,856
Tax-exempted income (including income from investments)	1,050	-1,861
Not recognised tax loss carry-forwards	-492	-235
Impairment on tax assets	-496	-
Use of not recognised tax loss carry-forwards	250	83
Non-tax-deductible expenses	-524	-123
Other effects	-17	-146
Effective income taxes	-905	1,189
Income tax as disclosed in the consolidated income statement	-905	1,189
Income tax attributable to discontinued operations	-	-
Effective income taxes	-905	1,189

1) The expected income tax rate is based on the ordinary income tax rate at the domicile of the parent company – Valartis Group AG – in Fribourg, Switzerland.

Deferred taxes

in CHF 1,000	2019	2018
Development of deferred tax (assets)/liabilities, net		
Position at 1 January	-745	553
Changes affecting the income statement	768	-1,283
Changes not affecting the income statement	-	-
Foreign exchange translation differences	-24	-15
Position at 31 December tax liabilities/(assets), net	-1	-745
Expiry of non-capitalised tax allowances for losses		
Within 1 year	632	44
From 1 to 5 years	148,097	147,135
After 5 years	1,860	3,077
Total	150,589	150,256
Expiry of non-capitalised tax allowances for losses from continued operations	-44	-1,329
Disposal of non-capitalised tax allowances for losses from discontinued operations	-	-
Reconciliation deferred taxes		
Deferred tax assets		
Tax loss carry-forwards	23	5,816
Others	-	12
Netting	-	-5,061
Total deferred tax assets	23	767
Deferred tax liabilities		
Contingent purchase consideration for Eastern Property Holdings Ltd. (Note 13)	22	22
Property, plant and equipment and investment properties	-	5,061
Netting	-	-5,061
Total deferred tax liabilities	22	22

11. TRADING PORTFOLIO ASSETS

in CHF 1,000	31.12.2019	31.12.2018
Debt instruments	20,063	32,073
Equity instruments	5,347	6,249
Investment fund units	2,247	2,126
Total trading portfolio assets	27,657	40,448

NOTES TO THE CONSOLIDATED BALANCE SHEET

12. DERIVATIVE FINANCIAL INSTRUMENTS

in CHF 1,000	Positive replacement values	Negative replacement values	Contract volume
Currencies			
Forward contracts	-	-	-
Options (OTC)	-	-	-
Total at 31 December 2019	-	-	-
Forward contracts	51	-	9,821
Options (OTC)	-	-	-
Total at 31 December 2018	51	-	9,821
Total open derivative financial instruments at 31 December 2019	-	-	-
Total open derivative financial instruments at 31 December 2018	51	-	9,821

13. OTHER FINANCIAL ASSETS AT FAIR VALUE

in CHF 1,000	31.12.2019	31.12.2018
Debt instruments	383	385
Equity instruments	1,250	1,250
Total other financial assets at fair value	1,633	1,635

The debt instruments of companies relate primarily to the contingent purchase price considerations from the sale of Eastern Property Holdings Ltd. (EPH) on 19 December 2012. Amounts to be paid depend on the successful completion and sale of development projects of EPH.

The contract runs until end 2020 (subject to extension) and governs a real estate project in Moscow which is due to be sold by the end of the contract.

The equity instruments relate to an investment amounting to 5 per cent of the share capital of Whitebox Services AG, a second stage start-up company in the field of online asset management.

14. DUE FROM THIRD PARTIES AND ASSOCIATED COMPANIES

in CHF 1,000	31.12.2019	31.12.2018
Due from third parties and associated companies	30,526	26,421
Total due from third parties and associated companies gross	30,526	26,421
Valuation adjustments for default risk	-9,153	-7,367
Total due from third parties and associated companies net	21,373	19,054

Receivables from third parties include loans and receivables due from the associated companies, Inkonika LLC, Kaluga Flower Holding LLC, Darsi Investment Ltd. and Société des Carrières SA as well as a loan to Tidesea Ltd. (see Note 35).

15. ASSETS UNDER DEVELOPMENT

in CHF 1,000	31.12.2019	31.12.2018
Assets under development	0	2,480
Total assets under development	0	2,480

Valartis Group, through one of its subsidiaries, participated in a residential real estate development comprising of free standing multi-story apartment buildings at Zaytsevo in Odintsovsky district of south-west of Moscow. The investment is regulated via an agreement for the participation in share construction.

During late 2019, the developer was placed in liquidation. Subsequently, the Group registered its claim of its investment under the agreement for the participation in shared construction, together

with contractual penalties. As a result of the liquidation, the investment is no longer shown as Asset Under Development in 2019 but as a Non-current receivable (see Note 21).

As the liquidation process will take time and the proceeds the Group may realise from this process is uncertain, the impairment of the carrying value of the asset under Development (now a Non-current receivable) was increased by CHF 2.0 million (2018: CHF 2.5 million)

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI

in CHF 1,000	31.12.2019	31.12.2018
Equity instruments	28,963	26,590
Total financial assets at fair value through OCI	28,963	26,590

17. PROPERTY, PLANT, EQUIPMENT AND LEASES

in CHF 1,000	Fixtures in third-party properties	IT and telecom- munications	Leases	Other property, plant and equipment	Total
Acquisition costs					
Carrying amount at 31 December 2017	277	67	-	482	826
Investments	415	8	-	3	426
Reclassification to investment properties	-	-	-	-	-
Other movements	-255	-	-	-	-255
Foreign exchange translation differences	-44	-	-	-54	-98
Carrying amount at 31 December 2018	393	75	-	431	899
Adoption of IFRS 16	-	-	2,160	-	2,160
Investments	46	-	-	8	54
Reclassification to investment properties	-	-	-	-	-
Other movements	-	-	-	-	-
Foreign exchange translation differences	24	-	-	28	52
Carrying amount at 31 December 2019	463	75	2,160	467	3,165
Cumulative depreciation					
Carrying amount at 31 December 2017	-249	-8	-	-466	-723
Depreciation	-25	-17	-	-12	-54
Other movements	229	-	-	-	229
Foreign exchange translation differences	40	-	-	52	92
Carrying amount at 31 December 2018	-231	-25	-	-426	-682
Depreciation	-20	-18	-601	-4	-643
Foreign exchange translation differences	-24	-	-	-28	-52
Carrying amount at 31 December 2019	-275	-43	-601	-458	-1,377
Net carrying amount at 31 December 2019	188	32	1,559	9	1,788
Net carrying amount at 31 December 2018	162	50	-	5	217

18. INVESTMENT PROPERTY

in CHF 1,000	Investment property building	Embedded derivatives	Investment property financial 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	414	-	-	49	463
Transfer from property, plant and equipment	-	-	-	-	-
Disposals	-37	-	-	-	-37
Fair value adjustments	3,729	-	-5	-	3,724
Foreign exchange translation differences	3,220	-	158	-	3,378
Carrying amount at 31 December 2019	38,930	-	1,730	487	41,147

Valuation

Valartis Group, through one of its subsidiaries, holds the business centre real estate Petrovsky Fort in St. Petersburg, Russia. The fair value of real estate investment property is determined by independent real estate valuation experts using recognised valuation techniques on an annual basis. Based on the input parameters of the valuation method used, the measurement of fair value is categorised under level 3 instruments.

As of 31 December 2019, the fair value based on the external valuation report has increased by CHF 3.7 million on a Ruble basis. In addition, this increase has been enhanced by a positive development of the CHF/Ruble foreign currency rate during 2019 for an amount of CHF 3.2 million.

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. In 2019, there were no embedded derivatives related to the operating lease contracts.

Investment property under construction

Investment property under construction is a parking garage project in Geneva.

Future receivables from operating leases

in CHF 1,000	31.12.2019	31.12.2018
Future receivables from operating leases		
Remaining term up to 1 year	2,143	1,075
Remaining term from 1 to 5 years	1,120	537
Remaining term over 5 years	127	-
Total	3,390	1,612

19. GOODWILL

in CHF 1,000	Goodwill	Total
Acquisition costs		
Carrying amount at 31 December 2017	2,313	2,313
Investments	-	-
Foreign exchange translation differences	-374	-374
Carrying amount at 31 December 2018	1,939	1,939
Investments	-	-
Foreign exchange translation differences	195	195
Carrying amount at 31 December 2019	2,134	2,134
Cumulative amortisation/impairment		
Carrying amount at 31 December 2017	-	-
Carrying amount at 31 December 2018	-	-
Carrying amount at 31 December 2019	-	-
Net carrying amount at 31 December 2019	2,134	2,134
Net carrying amount at 31 December 2018	1,939	1,939

Allocation and carrying amounts of goodwill

As of 31 December 2019, the carrying amounts of goodwill for continued operations are allocated to the corresponding cash-generating units (CGU) as follows:

2019 in CHF 1,000	Goodwill	Total	Approach for determining the recoverable amount
CGU Petrovsky Fort (Investment property)	2,134	2,134	Fair Value less cost of disposal
Total	2,134	2,134	

2018 in CHF 1,000	Goodwill	Total	Approach for determining the recoverable amount
CGU Petrovsky Fort (Investment property)	1,939	1,939	Fair Value less cost of disposal
Total	1,939	1,939	

Goodwill impairment testing

The cash-generating units are measured at least twice a year (i.e. as of 30 June and as of 31 December) and are subjected to an impairment test. The carrying amount of the cash-generating unit to which the goodwill were allocated is compared with the recoverable amount. If the carrying amount of the cash-generating unit exceeds the recoverable amount, an impairment loss is recognised.

Measurement at fair value was determined as fair value based on the input factors of the valuation technique used for level 3 instruments.

The goodwill was tested for impairment as of 31 December 2019 and is explained following.

CGU Petrovsky Fort

The acquisition of Romsay Properties Ltd and Stainfield Ltd. by ENR Group in 2014 resulted in a goodwill position (goodwill Petrovsky Fort). The goodwill as of 31 December 2019 amounts to CHF 2.1 million (previous year: CHF 1.9 million). The increase of CHF 0.2 million compared to the prior year is due to exchange-rate differences arising from the development of the Russian Ruble.

Recognised goodwill is based on the structure of the three entities acquired which hold the investment property Petrovsky Fort. Goodwill can primarily be attributed to recognised deferred taxes which are linked with the investment property and its company holding structure. Impairment testing of goodwill is based on a comparison between the market value of deferred taxes and their book value. In 2019 as well as for prior years, there was no need for impairment.

20. ASSOCIATED COMPANIES AND JOINT ARRANGEMENTS

in CHF 1,000	31.12.2019	31.12.2018
Position at 1 January	22,008	17,381
Additions	6,108	1,628
Disposals	-	-
Share in result	-344	3,002
Currency translation effects	-235	-3
Impairment	-	-
Position at 31 December	27,537	22,008

Norinvest Group

Following the completed sale of the two Swiss subsidiaries Valartis Bank AG and Valartis Wealth Management SA to Banque Cramer & Cie SA in August 2014, Valartis Group AG acquired a 25 per cent stake in Norinvest Holding SA, the parent company of Banque Cramer & Cie SA, in September 2014.

Vestive Limited.

On 6 July 2017 Valartis Group acquired all shares in Eastern Property Partners II LP (EPP II) from Eastern Property Holdings Ltd. EPP II holds a 50 per cent stake in Vestive Limited (Vestive) which owns and operates a parking garage in Moscow via the Russian company Inkonika LLC (Inkonika).

EPP II Ltd. has been fully consolidated since 6 July 2017. Since this date, Vestive and Inkonika have been accounted for as associated companies in the form of a sub-consolidated unit.

Société des Carrières SA

Valartis Group holds a 33.3 per cent stake in Société des Carrières SA, Luxembourg. This company has acquired various interests which extract volcanic rock (Pozzolan earth) in France and use it to produce products for the construction industry.

Briese Schiffahrts GmbH & CO KG MS "Langeoog"

On 12 December 2018, Valartis Group invested in Briese Schiffahrts GmbH & Co. KG MS "Langeoog", a limited partnership, by way of a contribution as a limited partner of EUR 1.4 million representing CHF 1.6 million or 49.8 per cent of the capital contributions of the company as of year-end 2018. This percentage of participation in the capital contribution was increased to 50.0%

following an additional contribution in 2019. Briese Schiffahrts GmbH & Co. KG MS "Langeoog" operates a mid-size freight cargo and is in Leer, Germany. (see also Note 38).

Detailed information on the associated companies can be found in the table on the following page.

Briese Schiffahrts GmbH & CO KG MS "Folmhusen"

On 26 June 2019, Valartis Group invested in Briese Schiffahrts GmbH & Co. KG MS "Folmhusen", a limited partnership, by way of a contribution as a limited partner of EUR 2,500 million representing CHF 2.6 million or 50.0 per cent of the capital contributions of the company as of year-end 2019.

Briese Schiffahrts GmbH & CO KG MS "Nesseborg"

On 26 June 2019, Valartis Group invested in Briese Schiffahrts GmbH & Co. KG MS "Nesseborg", a limited partnership, by way of a contribution as a limited partner of EUR 2,500 million representing CHF 2.6 million or 50.0 per cent of the capital contributions of the company as of year-end 2019.

Kaluga Flower Holding LLC

In October 2019, the Group acquired a 50% interest in a 27.4 hectare greenhouse and engineering facility for flower growing in Kaluga Oblast in Russia. The Group's investment amounted RUB 333 million (CHF 5.3 million) by way of several loans granted to associated companies for an amount of RUB 311 million (CHF 4.8 million as of 31 December 2019). In addition, the Group's investment in Kaluga Flower Holding LLC's equity amounted to RUB 32 million (CHF 0.5 million).

Details on associated companies and joint arrangements

in CHF 1,000	Norinvest Group ^{1) 2)}		Vestive Ltd		Société des Carrières SA	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Revenue	20,670	24,668	579	512	6,056	5,833
Income from operations	-2,809	5,802	-2,175	-1,285	25	1,060
Other comprehensive income	-2,595	3,765	2,305	-7,690	-	-5
Total comprehensive income	-5,404	9,567	130	-8,975	25	1,055
Current assets	659,388	1,056,571	133	239	4,065	4,139
Non-current assets	235,280	228,888	9,288	8,234	12,428	11,516
Current liabilities	818,941	1,200,330	46,850	42,539	1,708	152
Non-current liabilities	6,100	7,545	-	74	14,177	14,826
Shareholder's equity as of 31 December	69,627	77,584	-37,429	-34,066	608	677
Non-controlling interests	-	-	-	-	64	31
Total shareholders' equity (excluding non-controlling interests)	69,627	77,584	-37,429	-34,066	672	708
Share of the Group	27.1%	25.0%	50.0%	50.0%	33.3%	33.3%
Total carrying amount of associated companies	18,834	19,412	-	-	224	234
Goodwill	751	751	-	-	-	-
Impairment	-	-	-	-	-	-
Net carrying amount	19,586	20,163	-	-	224	234

1) Norinvest Holding SA is reporting its financial results after Valartis Group. Therefore, Valartis Group estimates its share on the result of Norinvest Group for the equity accounting of this associated company, based on publicly available information. Any differences between these estimates and actual results will be adjusted in the Group's 2020 consolidated financial statements when available.

2) In 2019, as Norinvest Holding SA acquired its treasury shares, the share of the Group increased from 25.0 per cent to 27.1 per cent.

The assets of Vestive Ltd. mainly consist of the Turgenevskaya parking garage in Moscow, valued at USD 9.6 million as of 31 December 2019 (31 December 2018: USD 8.3 million). Liabilities consist almost exclusively of loans from shareholders and clearly exceed Vestive's assets, resulting in negative equity. As

there is no obligation for shareholders to make additional contributions, the negative equity and its change are not included in the consolidated financial statements. The carrying amount of the associated company Vestive is therefore zero as of 31 December 2019 (31 December 2018: zero).

in CHF 1,000	Briese Schifffahrts GmbH & CO KG MS "Langeoog" ¹⁾		Briese Schifffahrts GmbH & CO KG MS "Folmhusen" ²⁾	Briese Schifffahrts GmbH & CO KG MS "Nesseborg" ³⁾	Kaluga Flower Holding LLC
	31.12.2019	31.12.2018	31.12.2019	31.12.2019	31.12.2019
Revenue	2,474	-	1,440	1,446	-
Income from operations	567	-	548	613	-613
Other comprehensive income		-			-
Total comprehensive income	567	-	548	613	-613
Current assets	407	-	768	793	874
Non-current assets	6,249	-	10,546	10,546	9,406
Current liabilities	169	-	153	114	267
Non-current liabilities	3,104	-	5,347	5,347	9,635
Shareholder's equity as of 31 December ⁴⁾	3,383	3,267	5,814	5,879	378
Non-controlling interests	-	-	-	-	-
Total shareholders' equity (excluding non-controlling interests)	3,383	3,267	5,814	5,879	378
Share of the Group	50.0%	49.8%	50.0%	50.0%	50.0%
Total carrying amount of associated companies	1,692	1,628	2,907	2,939	189
Goodwill	-	-	-	-	-
Impairment	-	-	-	-	-
Net carrying amount	1,692	1,628	2,907	2,939	189

1) On 12 December 2018, a contribution as a limited partner of EUR 1,445,000 was done in Briese Schifffahrts GmbH & Co. KG MS which is a limited partnership. In November 2019, this contribution has been increased by EUR 5,000.

2) On 26 June 2019, a contribution as a limited partner of EUR 2,500,000 was done in Briese Schifffahrts GmbH & Co. KG MS "Folmhusen" which is a limited partnership.

3) On 26 June 2019, a contribution as a limited partner of EUR 2,500,000 was done in Briese Schifffahrts GmbH & Co. KG MS "Nesseborg" which is a limited partnership.

4) The shareholder's equity in Briese Schifffahrts GmbH & Co. KG MS corresponds to the total of capital contributions done by all partners.

For details on the purchase of the associated interest in Kaluga Flower Holding LLC and Briese Schifffahrts GmbH & CO KG MS "Langeoog", "Folmhusen" and "Nesseborg", please refer to Note 38.

21. NON-CURRENT RECEIVABLES

in CHF 1,000	31.12.2019	31.12.2018
Tax receivables	1	5
Other receivables	4,717	4,206
whereof escrow accounts	3,658	4,206
Total non-current receivables	4,718	4,211

In 2019, Other receivables includes a claim of CHF 1.0 million for its investment under the agreement for the participation in shared construction together with contractual penalties reclassified from Asset under Development (see Note 15).

Escrow accounts relate to a residual purchase prices payment due from the buyer of Valartis Bank AG, Switzerland of approximately CHF 0.2 million (as of 31 December 2018: CHF 0.7 million) and

from the sale of the investment in Eastern Property Holdings Ltd. of around CHF 3.5 million (31 December 2018: CHF 3.5 million).

The claim of CHF 0.2 million will be settled in several payments until October 2020. The receivable from the buyers of Eastern Property Holdings Ltd. relates to a third party. The development of this position has not affected Valartis Group since 2015.

22. CURRENT FINANCIAL LIABILITIES

in CHF 1,000	31.12.2019	31.12.2018
Due to banks	8,498	8,180
Other current liabilities	12,123	9,062
Current financial liabilities	20,621	17,242

Due to banks include the principal repayment part (CHF 0.4 million) of a loan of CHF 13.3 million (31 December 2018: CHF 14.3 million) from UniCredit Bank to finance the Petrovsky Fort investment property. The remaining CHF 12.9 million are disclosed under Non-current financial liabilities (31 December 2018: CHF 13.8 million).

The loan from UniCredit Bank 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.

23. OTHER CURRENT LIABILITIES

in CHF 1,000	31.12.2019	31.12.2018
Value added tax and other indirect tax liabilities	125	217
Accrued and deferred liabilities	4,421	3,398
Total other current liabilities	4,546	3,615

24. NON-CURRENT FINANCIAL LIABILITIES

in CHF 1,000	31.12.2019	31.12.2018
Leasing liabilities	3,298	1,578
Non-current financial liabilities	12,892	13,862
Total non-current financial liabilities	16,190	15,440

Non-current financial liabilities include the partial principal repayment (CHF 12.9 million) of a loan of CHF 13.3 million (31 December 2018: CHF 14.3 million) from UniCredit Bank to finance the Petrovsky Fort investment property.

Details on leasing liabilities

The movement on leasing liabilities are shown in the following table:

in CHF 1,000	2019	2018
Position at 1 January	1,578	1,826
Impact of application of IFRS 16	2,160	0
Investments	-	2
Interest expense	231	207
Lease payments	-834	-208
Translation differences	163	-249
Position at 31 December	3,298	1,578

Lease liabilities are repaid over the term of the contract and are due as follows as of balance sheet date:

in CHF 1,000	31.12.2019	31.12.2018
Sum of future leasing payments (nominal value)		
Up to 1 year	842	193
More than 1 and up to 5 years	1,829	771
More than 5 years	5,725	5,348
Total	8,396	6,312
Sum of future leasing payments (present value)		
Up to 1 year	618	4
More than 1 and up to 5 years	982	22
More than 5 years	1,698	1,552
Total	3,298	1,578

In 2018, the leases originate from the land lease of Petrovsky Fort investment property in St. Petersburg, Russia.

As Valartis Group applies the recognition exemption for short-term leases and leases of low-value assets. Neither a lease liability nor a right-of-use asset is recognised for these kinds of leases.

In the year under review, operating expense included a charge of CHF 0.2 million for short-term leases.

25. DEFINED BENEFIT OBLIGATIONS

Although contributions are paid by the employer and employees in the case of Swiss pension plans, they are defined benefit plans owing to the guaranteed interest rate and the prescribed conversion rate. The employee pension plan in Switzerland is covered by an insurance contract with Axa Winterthur which has been transferred

to Swiss Life as per 1 January 2019. There are no pension plans in place for the Valartis Group employees in Russia. The last actuarial calculation for performance-related plans took place on 31 December 2019, with the following results:

in CHF 1,000	31.12.2019	31.12.2018
Other provision, including provision for pension funds	1,882	1,306
Total defined benefit obligation	1,882	1,306

Statement of balance sheet item

in CHF 1,000	31.12.2019	31.12.2018
Present value of pension liabilities	9,557	8,882
Market value of plan assets	7,675	7,576
Total pension liabilities/(pension assets)	1,882	1,306

Change in net liabilities/(assets) on the balance sheet

in CHF 1,000	2019	2018
Net liabilities/(assets) at 1 January	1,306	1,458
Defined benefit cost recognised in personnel expenses	237	201
Defined benefit cost recognised in other comprehensive income	589	-119
Employer contributions	-250	-234
Paid out benefits	-	-
Net liabilities/(assets) at 31 December	1,882	1,306

Costs and remeasurement for employee pension plan in income statement and comprehensive income

in CHF 1,000	2019	2018
Components of pension costs in personnel expenses		
Service costs	229	204
Past service costs	-	-13
Curtailement	-	-
Net interest expense/(income)	8	10
Pension costs for defined benefit plans	237	201
Employer's pension expense for defined contribution plans	-	-
Total pension costs	237	201
whereof discontinued operations	-	-
Total pension costs recognised in personnel expenses	237	201
Defined benefit cost recognised in other comprehensive income		
Actuarial (gain)/loss on liabilities	629	-126
Actuarial (gain)/loss on assets	-40	7
Total remeasurement recognised in other comprehensive income	589	-119

Change in pension liabilities

in CHF 1,000	2019	2018
Present value of pension liabilities at 1 January	8,882	10,025
Service costs	229	204
Employee contributions	167	157
Interest on pension liabilities	61	66
Paid (out)/in benefits and vested benefits	-411	-1,431
Actuarial (gains)/losses	629	-126
of which from adjustment to financial assumptions	540	-
of which from adjustment to demographic assumptions	-	-
of which from adjustment to experience-based assumptions	89	-126
Past service-costs	-	-13
Present value of pension liabilities at 31 December	9,557	8,882

Change in pension assets

in CHF 1,000	2019	2018
Market value of available pension assets at 1 January	7,576	8,567
Employee contributions	167	157
Employer contributions	250	234
Paid (out)/in benefits and vested benefits	-411	-1,431
Expected return on plan assets	53	56
Actuarial loss/(gain)	40	-7
Market value of available pension assets at 31 December	7,675	7,576

Main groups of the pension fund assets

in per cent	31.12.2019	31.12.2018
Liquidity	3.0	4.3
Bonds	59.0	65.1
Real estate	17.1	18.1
Shares and convertibles ¹⁾	11.3	2.7
Others ²⁾	9.6	9.8

1) There are no treasury shares of Valartis Group AG in the pension fund assets.

2) Assets named Others are consisting of assets invested by group insurance foundation Swisslife at Swiss Life Ltd. based on limitation of BVG/LLP regulations.

Actuarial assumptions

in per cent	31.12.2019	31.12.2018
Discount rate (Switzerland)	0.2	0.7
Expected rate of salary increases (Switzerland)	1.5	1.5
Pension adjustments (Switzerland)	0.0	0.0

Demographic assumptions (e. g. probabilities of death, disability and turnover) are based on the BVG/LLP 2015 actuarial tables (prior year on BVG/LLP 2015 actuarial tables). These generational

tables are based on observations of large pools of insured persons in Switzerland over several years.

Estimate of contributions for the following year

in CHF 1,000	2019	2018
Employee contributions	170	159
Employer contributions	254	238

Sensitivity

The table below shows the change in the present value of the defined benefit obligation if one of the key assumptions for the

actuarial calculation is reduced or increased ceteris paribus by 50 basis points.

	31.12.2019	Proportion in per cent
Current actuarial calculation of the defined benefit obligation	9,557	100
Discount rate		
Increase of 50 basis points	-540	-5.7
Reduction of 50 basis points	612	6.4
Salary trend		
Increase of 50 basis points	67	0.7
Reduction of 50 basis points	-65	-0.7

There were no pension obligations following the change in Group insurance for employee benefits as of 1 January 2019 to Swiss Life. If Valartis Group would terminate the contract with the Group insurance for employee benefits and sign a new contract

with another provider, these current pension obligations would stay with Swiss Life. Therefore, no sensitivity analysis for changes in longevity is disclosed.

26. PROVISIONS

in CHF 1,000	Provision for other business risks	Total according to balance sheet 2019	Total according to balance sheet 2018
Position at 1 January	322	322	694
Utilised/released in accordance with designated purpose	-22	-22	-164
Newly formed and charged to income statement	-	-	0
Released and credited to income statement	-121	-121	-143
Foreign exchange translation differences	21	21	-65
Position at 31 December	200	200	322
Maturity of the provisions			
Within 1 year	52	52	76
More than 1 year	148	148	246

As part of its normal business activities, Valartis Group is exposed to a wide range of legal risks. These include risks relating to litigation and tax law. Valartis Group recognises provisions for such litigation and tax risks if the Group's management and its legal advisers are of the opinion that an out-flow of resources embodying economic benefits is probable and a reliable estimate can be made of the amount.

The amount of the provisions and their timing are by their nature subject to uncertainty. However, these uncertainties are evaluated as being low since it was possible to reliably estimate the individual amounts.

In 2019, there were no contingent liabilities as set down in IAS 37 (prior year: zero).

27. SHARE CAPITAL AND TREASURY SHARES

Share capital

in CHF	31.12.2019	31.12.2018
Share capital, fully paid-in	4,769,295	5,000,000
Number of registered shares	4,769,295	5,000,000
Nominal value per share	1	1
Equity per share (attributable to shareholders of Valartis Group AG, before appropriation of profit)	27.5	24.8

For the financial year 2019, the Board of Directors proposes to the Shareholders' Meeting 2020 to pay no dividend (previous year: CHF 0.10 per share).

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	
of which for the purpose of cancellation (at an average price of CHF 10.24 each)	525,580
of which for other purposes	-
Sales	-
Cancellation	-230,705
Position at 31 December 2019	932,878
of which for the purpose of cancellation	470,000
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 31 December 2019 in CHF	12,107,971
of which held for the purpose of cancellation	4,807,701
of which held for other purposes	7,300,270
Historical average rate at 31 December 2019 in CHF	
of which held for the purpose of cancellation	10.23
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.

ADDITIONAL INFORMATION

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.

As part of the share buyback offer submitted by the Board of Directors of Valartis Group AG on 21 October 2019 for a maximum of 111,000 registered shares at a fixed price of CHF 10.00 per registered share for the purpose of capital reduction (stage 2), Valartis was tendered a total of 239,436 registered shares during the offer period from 28 October 2019 to 8 November 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 111,000 registered shares.

As of 31 December 2019, both Stage 1 and 2 are completed and 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.

28. EARNINGS PER SHARE

	2019	2018
Net result attributable to the shareholders of Valartis Group AG in CHF 1,000	448	-5,026
Net result from continued operations attributable to the shareholders of Valartis Group AG, in CHF 1,000	1,166	-4,980
Net result from discontinued operations attributable to the shareholders of Valartis Group AG, in CHF 1,000	-718	-46
Weighted average number of shares	4,932,396	5,000,000
less weighted average number of treasury shares	-817,647	-454,490
Undiluted weighted average number of shares	4,114,749	4,545,510
Diluted weighted average number of shares	4,114,749	4,545,510
Earnings per share	in CHF	in CHF
Undiluted, attributable to shareholders of Valartis Group AG	0.11	-1.11
Diluted, attributable to shareholders of Valartis Group AG	0.11	-1.11
Earnings per share from continued operations		
Undiluted, attributable to shareholders of Valartis Group AG	0.28	-1.10
Diluted, attributable to shareholders of Valartis Group AG	0.28	-1.10
Earnings per share from discontinued operations		
Undiluted, attributable to shareholders of Valartis Group AG	-0.17	-0.01
Diluted, attributable to shareholders of Valartis Group AG	-0.17	-0.01

29. SHAREHOLDER STRUCTURE

The share capital has been divided into registered shares (previously bearer shares) since 18 May 2017. According to the Swiss Financial Market Infrastructure Act (FinMIA), anyone holding shares in a company listed on the SIX is obliged to notify the company concerned and SIX as soon as their voting rights exceed or fall below certain thresholds. Under the Swiss Code of Obliga-

tions, the company is obliged to disclose the identity of all shareholders holding more than 5 per cent of the shares in the notes to the annual financial statements.

The following is a summary of the holders of 3 or more per cent in Valartis Group AG, based on the published reports:

in per cent	31.12.2019	31.12.2018
MCG Holding SA, Baar ZG	45.3	50.2
Nebag AG, Zurich (according to their reporting of 2 September 2016)	3.9	3.2
Gustav Stenbolt	1.0	0.9
Philipp LeibundGut	0.2	0.3

As per 31 December 2019 the beneficial owners of MCG Holding SA are Gustav Stenbolt, Geneva, Tidesea Ltd., Fribourg (100 per cent controlled by Gustav Stenbolt, Geneva) and Philipp LeibundGut, Zurich. The following are deemed to be holders of qualified participations: a) Gustav Stenbolt, who holds 85.1 per cent of the voting rights (80.2 per cent of the share capital) of MCG Holding SA (partly held through Tidesea Ltd.) and b) Philipp LeibundGut, who holds 14.9 per cent of the voting rights (19.8 per cent of the share capital) of MCG Holding SA. In 2018, Tudor Private Portfolio LLC disposed of its shares in MCG Holding SA consisting in

12.3 per cent of the voting rights (16.3 per cent of the share capital) which were acquired by Tidesea Ltd by way of a loan of CHF 3.5 million provided by Valartis Group and granted at market conditions. The latter amounts to CHF 1.5 million as per 31 December 2019.

The shares held directly by Gustav Stenbolt and Philipp LeibundGut originate from bonus plans of previous years run by Valartis companies for the Executive Board and employees on the basis of their respective functions they held at the time.

30. CONSOLIDATED STATEMENT OF FINANCIAL POSITIONS BY CURRENCY

2019 in CHF 1,000	CHF	EUR	USD	RUB	Total currencies
Assets					
Cash and cash equivalents	3,645	1,293	882	1,652	7,472
Trading portfolio assets	4,356	3,027	19,690	584	27,657
Derivative financial instruments	-	-	-	-	-
Other assets at fair value	1,250	-	383	-	1,633
Due from third parties	1,718	9,798	4,304	5,553	21,373
Accrued and deferred assets	386	1,217	316	265	2,184
Total current assets	11,355	15,335	25,575	8,054	60,319
Assets under development	-	-	-	-	-
Financial assets at fair value through OCI	28,963	-	-	-	28,963
Property, plant and equipment	1,130	-	-	658	1,788
Investment property	488	-	-	40,659	41,147
Goodwill and other intangible assets	-	-	-	2,134	2,134
Associated companies	19,810	7,537	-	190	27,537
Non-current receivables	150	-	3,568	1,000	4,718
Deferred tax claims	-	-	-	23	23
Total non-current assets	50,541	7,537	3,568	44,664	106,310
Total current and non-current assets	61,896	22,872	29,143	52,718	166,629
Non-current assets classified as held for sale	-	1,941	-	-	1,941
Total assets					168,570
Claims arising from forex spot and forward trans.	-	-	-	-	-
Total at 31 December 2019	61,896	24,813	29,143	52,718	168,570
Liabilities and shareholders' equity					
Accounts payables	299	207	48	55	609
Current financial liabilities	8,003	5,840	6,778	-	20,621
Derivative financial instruments	-	-	-	-	-
Current tax liabilities	136	673	-	-	809
Other current liabilities	2,971	326	4	1,245	4,546
Current provisions	-	52	-	-	52
Total current liabilities	11,409	7,098	6,830	1,300	26,637
Non-current financial liabilities	946	12,862	-	2,382	16,190
Defined benefit obligation	1,882	-	-	-	1,882
Deferred tax liabilities	22	-	-	-	22
Provisions	-	-	-	148	148
Total non-current liabilities	2,850	12,862	-	2,530	18,242
Shareholders' equity	123,691	-	-	-	123,691
On-balance-sheet liabilities	137,950	19,960	6,830	3,830	168,570
Total liabilities					168,570
Oblig. arising from forex spot and forward trans.	-	-	-	-	-
Total at 31 December 2019	137,950	19,960	6,830	3,830	168,570
Net position per currency 31 December 2019	-76,054	4,853	22,313	48,888	

2018	CHF	EUR	USD	RUB	Total currencies
in CHF 1,000					
Assets					
Cash and cash equivalents	2,421	1,006	2,018	606	6,051
Trading portfolio assets	3,948	6,594	27,843	2,063	40,448
Derivative financial instruments	51	-	-	-	51
Other assets at fair value	1,250	-	385	-	1,635
Due from third parties	4,816	9,776	3,801	661	19,054
Accrued and deferred assets	418	1,482	304	44	2,248
Total current assets	12,904	18,858	34,351	3,374	69,487
Assets under development	-	-	-	2,480	2,480
Financial assets at fair value through OCI	26,590	-	-	-	26,590
Property, plant and equipment	211	-	-	6	217
Investment property	438	-	-	33,181	33,619
Goodwill and other intangible assets	-	-	-	1,939	1,939
Associated companies	20,380	1,628	-	-	22,008
Non-current receivables	638	-	3,568	5	4,211
Deferred tax claims	-	-	-	767	767
Total non-current assets	48,257	1,628	3,568	38,378	91,831
Total current and non-current assets	61,161	20,486	37,919	41,752	161,318
Non-current assets classified as held for sale	-	2,660	-	-	2,660
Total assets					163,978
Claims arising from forex spot and forward trans.	9,821	-	-	-	9,821
Total at 31 December 2018	70,982	23,146	37,919	41,752	173,799
Liabilities and shareholders' equity					
Accounts payables	738	290	83	91	1,202
Current financial liabilities	7,752	2,643	6,847	-	17,242
Derivative financial instruments	-	-	-	-	-
Current tax liabilities	40	700	-	95	835
Other current liabilities	2,508	321	-	786	3,615
Current provisions	-	76	-	-	76
Total current liabilities	11,038	4,030	6,930	972	22,970
Non-current financial liabilities	30	13,832	-	1,578	15,440
Defined benefit obligation	1,306	-	-	-	1,306
Deferred tax liabilities	22	-	-	-	22
Provisions	-	-	-	246	246
Total non-current liabilities	1,358	13,832	-	1,824	17,014
Shareholders' equity	123,994	-	-	-	123,994
On-balance-sheet liabilities	136,390	17,862	6,930	2,796	163,978
Total liabilities					163,978
Oblig. arising from forex spot and forward trans.	-	-	9,821	-	9,821
Total at 31 December 2018	136,390	17,862	16,751	2,796	173,799
Net position per currency 31 December 2018	-65,408	5,284	21,168	38,956	

31. MATURITY STRUCTURE OF ASSETS, LIABILITIES AND OFF-BALANCE-SHEET ITEMS

2019 in CHF 1,000	Demand	Subject to notice	Due within 3 months	Due within 3 to 12 months	Due within 1 to 5 years	Due after 5 years	Total
Assets							
Cash and cash equivalents	6,584	651	237	-	-	-	7,472
Trading portfolio assets	27,657	-	-	-	-	-	27,657
Derivative financial instruments	-	-	-	-	-	-	-
Other assets at fair value	-	-	-	1,250	383	-	1,633
Due from third parties	351	-	17,897	918	2,207	-	21,373
Accrued and deferred assets	26	-	1,806	192	97	63	2,184
Total current assets	34,618	651	19,940	2,360	2,687	63	60,319
Assets under development	-	-	-	-	-	-	-
Financial assets at fair value through OCI	-	-	1,838	-	27,125	-	28,963
Property, plant and equipment	-	-	153	460	1,001	174	1,788
Investment property	-	-	-	-	-	41,147	41,147
Goodwill and other intangible assets	-	-	-	-	-	2,134	2,134
Associated companies	-	-	-	-	-	27,537	27,537
Non-current receivables	-	-	-	-	4,718	-	4,718
Deferred tax claims	-	-	-	-	-	23	23
Total non-current assets	-	-	1,991	460	32,844	71,015	106,310
Total current and non-current assets	34,618	651	21,931	2,820	35,531	71,078	166,629
Non-current assets classified as held for sale	-	-	-	-	-	-	1,941
Total at 31 December 2019	34,618	651	21,931	2,820	35,531	71,078	168,570
Liabilities and shareholders' equity							
Accounts payables	-	-	361	248	-	-	609
Current financial liabilities	4,297	-	103	16,221	-	-	20,621
Derivative financial instruments	-	-	-	-	-	-	-
Current tax liabilities	-	-	22	787	-	-	809
Other current liabilities	41	-	1,689	2,816	-	-	4,546
Current provisions	-	-	-	52	-	-	52
Total current liabilities	4,338	-	2,175	20,124	-	-	26,637
Non-current financial liabilities	-	-	-	-	14,493	1,697	16,190
Defined benefit obligation	-	-	-	-	1,882	-	1,882
Deferred tax liabilities	-	-	-	-	22	-	22
Provisions	-	-	-	-	148	-	148
Total non-current liabilities	-	-	-	-	16,545	1,697	18,242
Total liabilities	-	-	-	-	-	-	44,879
Contingent liabilities	-	-	-	-	-	-	-
Total at 31 December 2019	4,338	-	2,175	20,124	16,545	1,697	44,879

2018 in CHF 1,000	Demand	Subject to notice	Due within 3 months	Due within 3 to 12 months	Due within 1 to 5 years	Due after 5 years	Total
Assets							
Cash and cash equivalents	4,500	1,464	87	-	-	-	6,051
Trading portfolio assets	40,448	-	-	-	-	-	40,448
Derivative financial instruments	-	-	51	-	-	-	51
Other assets at fair value	-	-	-	1,250	385	-	1,635
Due from third parties	256	-	16,086	1,936	776	-	19,054
Accrued and deferred assets	21	-	1,682	239	306	-	2,248
Total current assets	45,225	1,464	17,906	3,425	1,467	-	69,487
Assets under development	-	-	-	-	2,480	-	2,480
Financial assets at fair value through OCI	-	-	1,712	-	24,878	-	26,590
Property, plant and equipment	-	-	-	-	56	161	217
Investment property	-	-	-	-	-	33,619	33,619
Goodwill and other intangible assets	-	-	-	-	-	1,939	1,939
Associated companies	-	-	-	-	-	22,008	22,008
Non-current receivables	-	-	-	-	4,211	-	4,211
Deferred tax claims	-	-	-	-	-	767	767
Total non-current assets	-	-	1,712	-	31,625	58,494	91,831
Total current and non-current assets	45,225	1,464	19,618	3,425	33,092	58,494	161,318
Non-current assets classified as held for sale	-	-	-	-	-	-	2,660
Total at 31 December 2018	45,225	1,464	19,618	3,425	33,092	58,494	163,978
Liabilities and shareholders' equity							
Accounts payables	-	-	1,141	61	-	-	1,202
Current financial liabilities	3,196	-	214	13,832	-	-	17,242
Derivative financial instruments	-	-	-	-	-	-	-
Current tax liabilities	-	-	17	818	-	-	835
Other current liabilities	54	-	788	2,773	-	-	3,615
Current provisions	-	-	-	76	-	-	76
Total current liabilities	3,250	-	2,160	17,560	-	-	22,970
Non-current financial liabilities	-	-	-	-	13,890	1,550	15,440
Defined benefit obligation	-	-	-	-	-	1,306	1,306
Deferred tax liabilities	-	-	-	-	22	-	22
Provisions	-	-	-	-	246	-	246
Total non-current liabilities	-	-	-	-	14,158	2,856	17,014
Total liabilities	-	-	-	-	-	-	39,984
Contingent liabilities	-	-	-	-	-	-	-
Total at 31 December 2018	3,250	-	2,160	17,560	14,158	2,856	39,984

32. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

in CHF 1,000	31.12.2019			31.12.2018		
	Book value	Fair value	Variation	Book value	Fair value	Variation
Assets						
Cash and cash equivalents	7,472	7,472	-	6,051	6,051	-
Due from third parties	21,373	21,373	-	19,054	19,054	-
Accrued and deferred assets	2,184	2,184	-	2,248	2,248	-
Non-current receivables	4,718	4,718	-	4,211	4,211	-
Financial assets at amortised costs	35,747	35,747	-	31,564	31,564	-
Trading portfolio assets	27,657	27,657	-	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	28,963	28,963	-	26,590	26,590	-
Financial assets at fair value	58,253	58,253	-	68,724	68,724	-
Liabilities						
Trade payables	609	609	-	1,202	1,202	-
Current financial liabilities	20,621	20,621	-	17,242	17,242	-
Current income taxes	809	809	-	835	835	-
Other current liabilities	4,546	4,546	-	3,615	3,615	-
Non-current financial liabilities	16,190	16,190	-	15,440	15,440	-
Financial liabilities at amortised costs	42,775	42,775	-	38,334	38,334	-
Derivative financial instruments	-	-	-	-	-	-
Financial liabilities at fair value	-	-	-	-	-	-

The following table shows the assets and financial liabilities measured at fair value, classified by a fair value hierarchy of three levels. For an explanation of the levels, please refer to the accounting principles, page 56.

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)	31.12.2019
Assets				
Trading portfolio assets	21,983	-	5,674	27,657
Derivative financial instruments	-	-	-	-
Other financial assets at fair value	-	-	1,633	1,633
Financial assets at fair value through OCI	-	28,963	-	28,963
Investment property	-	-	41,147	41,147
Embedded derivatives on investment property	-	-	-	-
Total investment property	-	-	41,147	41,147
Assets at fair value	21,983	28,963	48,454	99,400
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
Embedded derivatives on investment property	-	-	-	-
Total 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	-	-	-	-

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	31.12.2019
Trading portfolio assets	4,637	-224	-	-	1,266	-5	5,674
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	3,724	3,378	-	463	-37	41,147
Embedded derivatives on investment property	-	-	-	-	-	-	-
Total assets at fair value (level 3)	39,891	3,498	3,378	-	1,729	-42	48,454
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 significant unobservable input parameters

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

Since 2018, the following item was reclassified from level 3 to level 2 due to a change in the availability of market prices and liquidity: the previous financial assets at fair value through OCI consisted on the balance sheet date of the investment in Athris Holding AG, whose shares were traded sporadically on the OTC platform of Berner Kantonalbank. Athris Holding AG was renamed Athris AG at the 2018 Annual General Meeting and the nominal share capital was increased. In addition, the company has been listed on the BX Swiss since 15 June 2018. As a result, the equities of this company were no longer traded on an over-the-counter trading platform, but on a regulated trading market. Accordingly, the company publishes its NAV on a quarterly basis shortly after the end of each quarter. As the prices of these equity instruments are directly observable on the market but still have a low trading volume, the financial assets at fair value through OCI were reclassified from level 3 instruments to level 2 instruments. Since May 2018, trading volumes in Athris AG

shares have increased and are higher than in the previous year. According to the company, the aim of the listing is to improve the liquidity of Athris AG shares. In addition, some very rarely traded bearer shares with a nominal value of CHF 1.00 exist.

Other financial assets at fair value includes the existing contingent purchase price payment from the sale of Eastern Property Holdings Ltd. (EPH) of CHF 0.4 million (prior year: CHF 0.4 million) is reported under 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 real estate project by an external independent expert and a supplementary management assessment.

An increase or a decrease of 1 per cent in the underlying used would lead to an increase (or a decrease) of the remaining purchase price receivable of CHF 3,000.

Significant unobservable input parameters for the valuation of investment property and embedded derivatives are the following:

Significant, unobservable inputs in the evaluation of the investment property Petrovsky Fort	31.12.2019	31.12.2018
Fair value of Petrovsky Fort (investment property)		
in RUB	2,497,000,000	2,228,884,000
in CHF	38,930,000	31,603,970
Capitalisation rate for income capitalisation	10.75%	11.25%
Discount rate for discounted cash flow	14.25%	14.75%
Estimated Rental Value (ERV) per square meter in RUB	11,500	11,122

Effects of changes in input parameters on fair value

The fair values of the investment property were determined using a 4 per cent vacancy rate for 2019 year end valuation. Should this rate be increased by 5 per cent, the valuation of the property would decrease by RUB 33.5 million from RUB 2,497.0 million to RUB 2,463.5 million. The previous year valuation used a 5.8 per cent vacancy rate and had this rate increased by 5 per cent, the 2018 year-end valuation would have reduced by RUB 31,0 million from RUB 2,228.9 million to RUB 2,197.9 million.

If the ERV (Estimated Rental Value) decreases by 5% then the value of the investment property would decrease by RUB 120.6 million from RUB 2,497.0 million to RUB 2,376.4 million. The same variance of ERV would have caused the investment property to decrease by RUB 104.4 million from RUB 2,228.9 to RUB 2,124.4 million for the 2018 year end valuation.

33. NETTING-AGREEMENTS

In order to reduce credit risks in connection with derivatives transactions, Valartis Group concludes global netting agreements or similar agreements with its counterparties (netting agreements). These include clearing agreements for derivatives.

Netting agreements enable Valartis Group to protect itself against losses from possible insolvency proceedings or other circumstances in which the counterparty is unable to meet its obligations. In such cases, netting agreements provide for the immedi-

ate offsetting or settlement of all financial instruments covered by the corresponding agreement. A claim to set-off exists only if there is a delay in payment or other circumstances which are not to be expected in the normal course of business. As a result, the financial instruments covered by a netting agreement do not meet the requirements for balance sheet offsetting which is why the book values of the corresponding financial instruments are not offset in the balance sheet.

Financial assets with netting agreements

in CHF 1,000	Amount before balance sheet off-setting	Balance sheet off-setting	Book value	Financial instruments not off-set	Collateral received	Net exposure
Derivative financial instruments			-			-
Total 31 December 2019	-	-	-	-	-	-
Derivative financial instruments	51		51			51
Total 31 December 2018	51	-	51	-	-	51

Financial liabilities with netting agreements

in CHF 1,000	Amount before balance sheet off-setting	Balance sheet off-setting	Book value	Financial instruments not off-set	Collateral provided	Net exposure
Derivative financial instruments			-			-
Total 31 December 2019	-	-	-	-	-	-
Derivative financial instruments	-		-			-
Total 31 December 2018	-	-	-	-	-	-

34. RELATED PARTIES AND COMPANIES

Persons and companies are considered related parties if they could control the Group or can exert a significant influence on operational and financial decisions.

The following table provides an overview of transactions with related parties and companies:

in CHF 1,000	31.12.2019	31.12.2018
Assets		
Key management and relatives	-	-
Associated companies	18,632	13,909
Other related entities	2,116	3,506
Total	20,748	17,415
Liabilities		
Key management and relatives	-	133
Associated companies	5,470	2,255
Other related entities	-	81
Total	5,470	2,469
Expenses		
Key management and relatives	-338	-208
Associated companies	-298	-
Other related entities	-481	-300
Total	-1,117	-508
Income		
Key management and relatives	-	-
Associated companies	796	323
Other related entities	1,575	250
Total	2,371	573

Assets associated companies comprise CHF 4.6 million loan toward Vestive Ltd., a receivable of CHF 6.0 million from Darsi Investment Ltd., a loan of CHF 2.8 million to Société des Carrières SA and a loan of CHF 5.0 million to Kaluga Flower Holding LLC.

Assets other related entities comprises the loan of CHF 1.5 million granted to a company privately held by the Chairman of the Board of Directors (see Note 29).

Liabilities associated companies are mainly due to a loan from Darsi Investments Ltd.

Expenses for other related parties include an amount of CHF 0.3 million which is attributable to the following circumstances: after the additional time burden for a Chairman of the Board of Directors and Delegate of the Board of Directors due to the very large reduction of staff in the Group service organisa-

tion has increased significantly and since 2017 included tasks which traditionally are not directly performed by these two functions, a consulting agreement was concluded between a Valartis Group company and a Swiss stock corporation privately held by the Chairman of the Board of Directors at arm's length terms. This agreement provides for the provision of national and international advisory services in the areas of the Group's investment policy and strategy and asset management, in particular short-term cash management, business development and project development. The contract was concluded with Valartis International Ltd. because this company uses most of these consulting and management services. The fee from the consulting contract amounts to CHF 0.3 million plus VAT per year. CHF 0.3 million was expensed for the previous financial year. The fee is included in the total remuneration of the Chairman of the Board of Directors and the Delegate of the Board of Directors and is disclosed in the compensation report on page 30.

35. LOANS AND SHARE HOLDINGS BY MEMBERS OF THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

2019

Members of the Board of Directors	Gustav Stenbolt, Chairman & Delegate of the BoD	Philipp LeibundGut, Vice Chairman	Olivier Brunisholz, Member	Total
Numbers of shares	1,886,678	332,314	1,815	2,220,807
Loans and advances in CHF	-	-	-	-
Loans and advances in CHF to related parties	1,500,000	-	-	1,500,000

2019

Executive Management	Gustav Stenbolt, Chairman & Delegate of the BoD	George M. Isliker, CFO/CRO	Total
Numbers of shares	-	15,285	15,285
Loans and advances in CHF	-	-	-
Loans and advances in CHF to related parties	-	-	-

2018

Members of the Board of Directors	Gustav Stenbolt, Chairman & Delegate of the BoD	Christoph N.Meister, Vice Chairman ¹⁾	Philipp LeibundGut, Vice Chairman ¹⁾	Olivier Brunisholz, Member ¹⁾	Total
Numbers of shares	2,183,787	4,821	384,333	-	2,572,941
Loans and advances in CHF	-	-	-	-	-
Loans and advances in CHF to related parties	3,500,000	-	-	-	3,500,000

2018

Executive Management	Gustav Stenbolt, Chairman & Delegate of the BoD	George M. Isliker, CFO/CRO	Total
Numbers of shares	-	15,285	15,285
Loans and advances in CHF	-	-	0
Loans and advances in CHF to related parties	-	-	-

1) Olivier Brunisholz was elected by the General Shareholder's Meeting on 15 May 2018 as member of the Board of Directors. At the same time, Philipp LeibundGut was elected as Vice Chairman of the Board of Directors. This function was held by Christoph N.Meister until that date.

36. BUSINESS SEGMENTS

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

Valartis Group's external segment reporting is based on the internal reporting as of 31 December 2019.

Valartis Group prepares a monthly management report containing consolidated financial information for the Executive Board

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.

The Executive Board 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 geographical information does not reflect the Group's management structure.

Information on regions

in CHF 1,000	1.1.–31.12.2019			1.1.–31.12.2018		
	Domestic	Non-domestic	Total	Domestic	Non-domestic	Total
Operating income ¹⁾	1,201	6,985	8,186	4,247	6,681	10,928
Total assets	67,660	98,969	166,629	69,075	92,243	161,318

1) 2018 figures have been restated in order to reflect operating income related to investment property before deduction of general expenses. See also Other changes in page 51 in Changes to accounting policies.

Reporting is based on operating locations.

37. GROUP COMPANIES

In addition to the financials of Valartis Group AG, Fribourg, the consolidated financial statements include the financial statements of the following fully consolidated companies and associated companies:

Fully consolidated entities	Domicile	Purpose	Currency	Share capital	Participation in per cent 31.12.2019	Participation in per cent 31.12.2018
Valartis International Ltd.	Tortola, BVI	Investment Advisor	USD	20,000,000	100.00	100.00
VLR Property Management Ltd.	Moscow, RU	Investment Advisor	RUB	100,000	99.99	99.99
ENR Russia Invest SA (Group)	Geneva, CH	Investment Company	CHF	32,790,585	63.22	63.22
ENR Investment Ltd.	Limassol, CY	Investment Company	EUR	6,576,660	63.22	63.22
ENR Private Equity Ltd.	Grand Cayman, CYM	Investment Company	USD	500	63.22	63.22
Stainfield Ltd.	Limassol, CY	Holding Company	EUR	3,420	63.22	63.22
ENR Development LLC	Moscow, RU	Real estate project Company	RUB	15,535,100	63.22	63.22
Petrovsky Fort LLC	Moscow, RU	Real estate Company	RUB	18,000	63.22	63.22
Romsay Properties Ltd.	Limassol, CY	Holding Company	EUR	1,710	63.22	63.22
Eastern Property Partners II LP	Grand Cayman, CYM	Holding Company	USD	67,831,133	100.00	100.00
EPP GP Ltd.	Grand Cayman, CYM	Holding Company	USD	50,000	100.00	100.00
Parking Clé de Rive SA	Geneva, CH	Real estate project Company	CHF	148,500	50.98	50.98
Valartis Finance Holding AG	Vaduz, FL	Holding Company	CHF	100,000	100.00	100.00
Valartis AG	Fribourg, CH	Holding Company	CHF	100,000	100.00	100.00
Vaba1 Holding GmbH in liquidation (formerly Valartis (Austria) GmbH)	Vienna, AT	Holding Company	EUR	35,000	100.00	100.00
MCT Luxembourg Management S.à.r.l.	Luxembourg, L	Investment Advisor	EUR	12,085	100.00	100.00
Valartis Advisory Services SA	Geneva, CH	Investment- Advisory- and Corporate- Centre- functions	CHF	1,896,210	100.00	100.00
Valartis Immobilier AG	Fribourg, CH	Real estate Company	CHF	100,000	100.00	100.00
Valartis Group Foundation	Vaduz, FL	Foundation	CHF	30,000	100.00	100.00
VLR Germany GmbH	Frankfurt am Main, DE	Investment Advisor	EUR	25,000	100.00	0.00

Associated companies	Domicile	Purpose	Currency	Share capital	Participation in per cent 31 December 2019	Participation in per cent 31 December 2018
Norinvest Holding SA	Geneva, CH	Holding Company	CHF	25,689,000	27.05	25.02
Darsi Investment Ltd.	Tortola, BVI	Real estate project Company	EUR	7,476,190	38.81	38.81
Société des Carrières SA	Luxembourg, L	Holding Company	EUR	33,000	33.33	33.33
Vestive Limited	Nicosia, CY	Holding Company	EUR	5,000	50.00	50.00
Briese Schifffahrts GmbH & Co. KG MS "Langeoog"	Leer, DE	Holding Company	EUR	2,900,000	50.00	49.83
Briese Schifffahrts GmbH & Co. KG MS "Folmhusen"	Leer, DE	Holding Company	EUR	5,000,000	50.00	0.00
Briese Schifffahrts GmbH & Co. KG MS "Nesseborg"	Leer, DE	Holding Company	EUR	5,000,000	50.00	0.00
Inkonika LLC	Moscow, RU	Real estate Company	RUB	16,510,836	50.00	50.00
Kaluga Flower Holding LLC	Kaluga Oblast, RU	Flower Production Company	RUB	10,000	50.00	0.00

38. ACQUISITION OF ASSOCIATED COMPANIES

Acquisition during the financial year

Briese Schifffahrts GmbH & Co. KG MS. "Folmhusen" and "Nesseborg"

On 28 June 2019, Valartis Group invested in two mid size freight cargo companies (Briese Schifffahrts GmbH & Co. KG MS. "Folmhusen" and "Nesseborg"), which both are German KG (Kommanditgesellschaft) i.e. a limited partnership, characterised by the fact that at least one personally liable partner is present, who is indefinitely liable for the company's liabilities with his entire assets. The KG is the only mixed form among the partnerships in which, in addition to this or these personally liable partners,

there are also partners who are only liable with their capital contribution.

Valartis Group values this capital contribution as a limited partner at cost. Any differences between this estimate and actual results will be adjusted in the Group's consolidated financial statements when available.

Capital contribution in Briese Schifffahrts GmbH & Co. KG MS "Folmhusen" and "Nesseborg"

in CHF 1,000	28.06.2019	28.06.2019
	Briese Schifffahrts GmbH & Co. KG MS "Folmhusen"	Briese Schifffahrts GmbH & Co. KG MS "Nesseborg"
Current assets, including cash & cash equivalents	n/a	n/a
Non-current assets, including investment property	n/a	n/a
Total assets	n/a	n/a
Current liabilities	n/a	n/a
Non-current liabilities	n/a	n/a
Total liabilities	n/a	n/a
Equity	5,604	5,604
Proportion of the Group's ownership in per cent	50.00	50.00
Group's share of equity	2,802	2,802
Unrecognized Group's share of equity	n/a	n/a
Carrying amount of the investment in associated company	2,802	2,802
Purchase price paid cash	2,802	2,802
Goodwill	-	-
Net cash outflow	-2,802	-2,802

Acquisition of interest in Kaluga Flower Holding LLC

On 3 September 2019, Valartis Group had acquired 50% of the participation interest in Kaluga Flower Holding LLC (“KFH”) for a cash consideration of RUB 5,000 (CHF 76). Valartis Group teamed-up with a Russia based investment group, who owns the remaining 50% interest in KFH.

KFH acquisition of flower production facility

On 13 September 2019, for RUB 581.7 million (CHF 9.0 million) in cash (“Purchase Price”), KFH via a public auction acquired a greenhouse complex for flower in the Kaluga Oblast in Russia (135 km south-west of Moscow) (“Flower Growing Facility”).

The Flower Growing Facility is well engineered and equipped with five stand-alone greenhouses (the largest of which is 100,000 sq.m). Each greenhouse has gas driven combined cycle generators and heating systems, water treatment and distribution systems as well as flower growing and harvesting machinery and equipment (mainly Dutch manufactured).

The Flower Growing Facility was not operational for several years whilst under the control of the Russian Deposit Insurance Agency. Investments are required to service or replace parts of engineering equipment, to buy flower plants and bulbs and to part fund operations until the business is cash-flow positive.

Valartis Group cash contributions

At 31 December 2019, Valartis Group had invested a total of RUB 342.9 million (CHF 5.3 million) in KFH (Valartis Group’s Russian partner also invested the same amount) via a combination of equity of RUB 32 million (CHF 0.5 million) and shareholder loans of RUB 310.9 million (CHF 4.8 million). These proceeds were used by KFH to settle the Purchase Price and make initial investments for engineering and technical equipment, tulip flower bulbs, maintenance and servicing and set-up and operational costs.

Since 31 December 2019 and up to 31 March 2020, Valartis Group will invest a further total of RUB 195 million (CHF 3.0 million) in KFH (the Russian partner will also invest the same amount) via shareholder loans. These proceeds will be used by KFH to make further investments for engineering and technical equipment, rose plants acquisition, further maintenance and servicing and operational costs.

For further financial information related to Kaluga Flower Holding LLC, please refer to note 20 – Associated companies and joint arrangements.

Acquisition in the same period of the previous year

On 12 December 2018, Valartis Group invested in Briese Schifffahrts GmbH & Co. KG MS "Langeoog". The company is a German KG (Kommanditgesellschaft) i.e. a limited partnership, characterised by the fact that at least one personally liable partner is present, who is indefinitely liable for the company's liabilities with his entire assets.

Valartis Group has valued this capital contribution as a limited partner using the equity accounting.

Capital contribution in Briese Schifffahrts GmbH & Co. KG MS "Langeoog"

in CHF 1,000	20.12.2018
	Briese Schifffahrts GmbH & Co. KG MS
Current assets, including cash & cash equivalents	n/a
Non-current assets, including investment property	n/a
Total assets	n/a
Current liabilities	n/a
Non-current liabilities	n/a
Total liabilities	n/a
Equity	3,285
Proportion of the Group's ownership in per cent	49.83
Group's share of equity	1,637
Unrecognized Group's share of equity	n/a
Carrying amount of the investment in associated company	1,637
Purchase price paid cash	1,637
Goodwill	-
Net cash outflow	-1,637

39. SALE TRANSACTIONS AND DISCONTINUED OPERATIONS

Disposals during the financial year

There was no disposal during the financial year.

Disposal in the same period of the previous year

There was no disposal during the same period of previous year.

Darsi Group

As of 31 December 2019 (as in the previous year), the investment in the Darsi Group is allocated to discontinued operations. Following the disposal of the shareholding in the shopping, leisure and business centre in Algeria (Société des Centres Commerciaux d'Algérie SPA), subsequent negotiations are currently being held with the purchasers on an additional purchase price receivable in favour of Valartis Group due to currency developments.

Those receivables will be collected in Darsi Investment Ltd. and Darsi Property Holdings Ltd., a subsidiary of Darsi Investment Ltd. (together the Darsi Group) which are intended to be disposed once Valartis Group will settle the negotiations.

Due to the recent change in the political and business environment occurred in Algeria in 2019, the subsequent negotiations with the purchasers on an additional purchase price receivable in favour of Valartis Group due to currency developments has been delayed. These circumstances were previously considered unlikely. Thus, once the negotiation could be resumed, the additional purchase price will be paid within Darsi Group, which will in turn repay existing liabilities with the proceeds of this additional purchase price and return the remaining funds to the shareholders.

Results of discontinued operations

The discontinued operations break down as follows:

The sole result from discontinued operations is related to the foreign exchange effect of the translation of the non-current asset held for sale (Darsi Group).

Through its associated company Darsi Group, Valartis Group held a minority interest in Société des Centres Commerciaux d'Algérie SPA (SCCA) in Algeria. The sale of the shares in SCCA to another existing investor was agreed on 4 April 2017 and completed on 26 September 2017. The result on Darsi Group relates to foreign exchange adjustments on the additional purchase price receivable as well as a value adjustment on the value of the participation itself.

Income statement, statement of comprehensive income and cash flow of discontinued operations

in CHF 1,000	2019		2018	
	Darsi Group	Total	Darsi Group	Total
Income statement of discontinued operations				
Operating income	-	-	-	-
Administrative expense	-	-	-	-
Gross income	-	-	-	-
Valuation adjustments, provisions and losses	-606	-606	-	-
Impairment loss recognised on the revaluation to fair value less costs to disposal	-	-	-	-
	-606	-606	-	-
(Loss) from reclass of cumulated foreign currency translation differences formerly booked in equity	-112	-112	-46	-46
Net profit/(loss) from discontinued operations before tax	-718	-718	-46	-46
Income taxes	-	-	-	-
Net profit/(loss) from discontinued operations	-718	-718	-46	-46
whereof (loss) from reclass of cumulated foreign currency translation differences formerly booked in equity	-112	-112	-46	-46
whereof result of discontinued operations before reclass of cumulated foreign currency differences	-606	-606	-	-
Other comprehensive income of discontinued operations	-	-	-	-
Foreign exchange translation difference	-	-	-29	-29
Total recognised in other comprehensive income	-	-	-29	-29
Cash flow from discontinued operations	-	-	-	-
From operating activities	-	-	-	-
From investment activities	-	-	-	-
From financing activities	-	-	-	-
Net cash flow	-	-	-	-

The Valartis Group has held a stake in SCCA SPA through the Darsi Group since 2008 until 2017. Until the sale of the investment in SCCA SPA which included the operating business of operating the shopping, leisure and business centre in Algeria, the translation of the book value of the associated company from Algerian Dinar

and EUR into the Group currency CHF was recorded as a reduction in the Group equity level in the currency translation adjustments due to falling exchange rates. IFRS requires these cumulative currency differences to be reclassified from the Group's equity to its income statement upon sale.

Non-current assets and liabilities classified as held for sale

in CHF 1,000	31.12.2019		31.12.2018	
Balance Sheet	Darsi Group	Total 2019	Darsi Group	Total 2018
Associated companies	1,941	1,941	2,660	2,660
Total non-current assets classified as held for sale	1,941	1,941	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)	1,941	1,941	2,660	2,660

40. SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

The following table shows the information on each subsidiary of the Group with significant non-controlling interests. Figures refer to the figures before intra-group elimination:

in CHF 1,000	Parking Clé de Rive SA		ENR Russia Invest SA	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Share of non-controlling interests in per cent				
Participation	49.02%	49.02%	36.78%	36.78%
Voting rights	49.02%	49.02%	36.78%	36.78%
Total asset	676	962	68,097	61,245
Total liabilities	1,191	823	19,969	20,773
Net asset	-515	139	48,128	40,472
Carrying amount of non-controlling interests	-251	68	18,371	15,554
Operating income	-650	-561	-480	1,225
Profit/loss	-650	-583	6,235	-4,439
Other comprehensive income	-	-	1,421	-3,490
Total comprehensive income	-650	-583	7,656	-7,929
(Loss)/profit allocated to non-controlling interests	-319	-286	2,293	-1,633
Other comprehensive income allocated to non-controlling interests	-	-	524	-1,283
Cash flow from operating activities	-272	106	2,041	286
Cash flow investing from investment activities	-52	-127	45	64
Cash flow from financing activity	-	245	-1,910	-1,294
Foreign currency translation effects	-	-	34	116
Net cash flow	-324	224	210	-828
Paid dividends to non-controlling interests				

Changes in non-controlling interests

The following table shows the effects of the change in the shareholding quota on non-controlling interests (minorities):

in CHF 1,000	Parking Clé de Rive SA	ENR Russia Invest SA
	2018	2018
Non-controlling interests at 1 January	107	18,470
Gains/losses from financial assets at fair value through OCI	-	-
Foreign exchange translation differences	-	-1,283
Other comprehensive income	-	-1,283
Net (loss)/profit	-286	-1,633
Total comprehensive income	-286	-2,916
Transaction with non-controlling interests	-	-
Increase in capital	245	-
Owner-related changes	247	-
Total non-controlling interests at 31 December	68	15,554
	Parking Clé de Rive SA	ENR Russia Invest SA
	2019	2019
Non-controlling interests at 1 January	68	15,554
Gains/losses from financial assets at fair value through OCI	-	-
Foreign exchange translation differences	-	524
Other comprehensive income	-	524
Net (loss)/profit	-319	2,293
Total comprehensive income	-319	2,817
Transaction with non-controlling interests	-	-
Increase in capital	-	-
Other movements	-	-
Owner-related changes	-	-
Total non-controlling interests at 31 December	-251	18,371

41. STRUCTURED ENTITIES

Valartis Group acts as an investment advisor to a collective investment instrument that meets the definition of IFRS 12 for structured entities. As Valartis Group acted as an agent in the interests of investors, this investment instrument was not consolidated. As of 31 December 2019, there was no contractual or constructive obligations to provide financial or other support to the investment fund. Valartis Group took on various administrative tasks for the collective investment instrument. For these services, it was compensated with customary market fees.

Gross income from services for the collective investment instrument amounted to CHF 1.1 million for the 2019 financial year (2018: CHF 0.2 million). Shares in own investment funds held by Valartis Group were treated as financial instruments.

The following table shows the development of the book value of the units in the collective investment instruments held by Valartis Group. The carrying amount corresponds to the maximum risk of loss.

in CHF 1,000	Trading portfolio assets	Trading portfolio assets
	2019	2018
Carrying amount 1 January	976	-
Purchase	1,266	989
Sales	-	-
Recognised in the income statement	-69	-13
Total as of 31 December	2,173	976

42. ASSETS PLEDGED OR ASSIGNED TO SECURE OWN LIABILITIES AND ASSETS UNDER RESERVATION OF OWNERSHIP

in CHF 1,000	31.12.2019		31.12.2018	
	Market value	Effective commitment	Market value	Effective commitment
Cash and cash equivalents	415	1,117	907	873
Trading portfolio assets	14,265	7,000	13,690	7,000
Financial assets at fair value through OCI	7,848	-	8,404	-
Investment property	38,930	13,357	31,604	14,260
Total	61,458	21,474	54,605	22,133

43. EVENTS AFTER THE BALANCE SHEET DATE

None.

AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS



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STATUTORY AUDITOR'S REPORT

To the General Meeting of Valartis Group AG, Fribourg

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Valartis Group AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 38 to 113) give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter
<p>Valuation of the investment property "Petrovsky Fort"</p> <p>As of 31 December 2019, the investment property "Petrovsky Fort" is valued at KCHF 40'660 in the consolidated financial statements. This corresponds to 25 percent of the total assets as of 31 December 2019.</p> <p>On initial recognition (30 September 2014), the investment property was recognised at cost. For subsequent measurement, they are recorded at fair value and changes are recognised in the consolidated income statement. The fair value is determined on the basis of an independent third party valuation.</p> <p>In our view, this key position was of particular importance due to the associated discretionary powers and estimates of the Management and external experts.</p> <p>Valartis Group AG explains the accounting principles applied on page 59 of the annual report. Please also refer to Major accounting principles and notes 8, 18 and 32 to the consolidated financial statements.</p>	<p>We have examined the valuation on the basis of the report from an independent real estate expert. We assessed the objectivity, independence and expertise of the valuation specialist.</p> <p>With the support of our own internal specialists, we have verified the appropriateness of the valuation method and the underlying assumptions used. We also assessed the adequacy of the input factors used on the basis of externally available data. These input factors included rent, vacancy rate, interest rates and expected maintenance costs.</p> <p>We also focused on the adequacy of disclosures in the annual report in connection with this investment property.</p>

Key Audit Matter	How our audit addressed the key audit matter
------------------	----------------------------------------------

Valuation of the equity investment and loans to Kaluga Flower Holding LLC

The Group acquired a 50% interest in Kaluga Flower Holding LLC (KFH). KFH subsequently acquired a greenhouse and engineering facility for flower growing in Kaluga Oblast in Russia through a public auction.

KFH is presented as associated company with a total value of KCHF 189 as at 31 December 2019. The Group granted loans for a total value of KCHF 4'817 to Kaluga Flower Holding LLC which are presented as due from third parties and Accrued and deferred assets in the consolidated financial statements. The loans and equity were used by KFH to purchase the facility in a public auction and for capital and operational expenses. This corresponds to 3.0 percent of total assets as of 31 December 2019.

The initial investment in the associated company of KCHF 499 in 2019 was based on equity accounting and was revalued to KCHF 189 as at 31 December 2019.

Details of the Group's investment in associated companies are described in notes 3, 14, 20, 34 and 38 of the consolidated financial statements.

We have assessed the underlying information and assumptions based on externally available data and have examined the valuation method chosen by Management and the calculations made. We assessed the adequacy of the input information used for the valuation and revaluation analysis, which include financial statements, budget and long-term business plan.

We have also assessed the adequacy of disclosures and classification in relation with the valuation into this investment.

Other Information in the Annual Report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the Company, remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Geneva, 6 April 2020

BDO Ltd

Nigel Le Masurier
Auditor in Charge
Licensed Audit Expert

Markus Schenkel
Licensed Audit Expert

INCOME STATEMENT OF VALARTIS GROUP AG

Income			
in CHF	Note	1.1.–31.12.2019	1.1.–31.12.2018
Dividend income	3.1	225,627	17,413,270
Other financial income	3.2	598,874	542,996
Other operating income	3.3	-	37,800
Total income		824,501	17,994,066
Expenses			
Other operating expenses	3.4	-2,432,370	-3,108,649
Reversal of impairment/(Impairment) losses on financial assets and securities shareholdings	3.5	1,463,357	-14,075,365
Financial expenditure	3.6	-541,216	-756,374
Depreciation on property, plant & equipment		-1,458	-
Result for the year before extraordinary and off-period income and taxes		-687,186	53,678
Extraordinary and out-of-period income	3.7	207,191	23,566
Extraordinary and out-of-period expenses	3.8	-8,017	-4,045
Result before tax		-488,012	73,199
Direct Taxes		-64,900	-2,907
Annual result		-552,912	70,292

STATEMENT OF FINANCIAL POSITION OF VALARTIS GROUP AG

Assets

in CHF	Note	1.1.– 31.12.2019	1.1.– 31.12.2018
Current assets			
Due from banks		547,312	573,396
Shares		1,522,227	4,540,174
Other short-term receivables	4.1	437,782	895,275
Prepaid expenses and accrued income		45,242	58,512
Total current assets		2,552,563	6,067,357
Non-current assets			
Property, plant and equipment		11,278	-
Financial assets	4.2	4,604,873	4,803,382
Participations	4.3	93,983,734	92,520,377
Total non-current assets		98,599,885	97,323,759
Total assets		101,152,448	103,391,116

Liabilities and Shareholders' equity

Short-term liabilities			
Bank overdraft		978,062	727,045
Trade accounts payable		9,577	12,748
Short-term interest-bearing liabilities	4.4	4,000,000	-
Other short-term liabilities		-	5,816
Accrued expenses and deferred income		193,576	308,337
Total short-term liabilities		5,181,215	1,053,946
Long-term liabilities			
Total long-term liabilities		-	-
Shareholders' equity			
Share capital	4.5	4,769,295	5,000,000
Legal retained earnings			
General legal retained earnings		1,000,000	1,000,000
Reserve for treasury shares	4.6	6,207,713	6,207,713
Voluntary retained earnings			
General voluntary retained earnings		23,324,843	25,647,230
Profit brought forward		67,122,552	67,482,901
Profit/(loss) for the year		-552,912	70,292
Treasury shares	4.6	-5,900,258	-3,070,966
Total shareholders' equity		95,971,233	102,337,170
Total liabilities and shareholders' equity		101,152,448	103,391,116

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Company/name, domicile

Valartis Group AG, rue de Romont 29/31, Fribourg. Swiss company identification number (UID) CHE-101.833.144.

Number of full-time employees

The company had no employees in the year under review (previous year: none).

2. ACCOUNTING PRINCIPLES

General information on the accounting principles

The financial statements were prepared according to the provisions of the Swiss Code of Obligations (Art. 959 ff.). All amounts are disclosed in CHF unless expressed otherwise. The main valuation principles, other than required by law are explained below:

Securities

Investments are carried at cost less any necessary write-downs.

Share-based payment

In 2019, similarly to 2018, there were no shares allocated to members or former members of the Executive Board as part of a bonus payment.

Information on exchange rates

The financial statements are kept and accounted for in Swiss francs. For foreign currency translations, closing rates are used for the balance sheet items, average rates are used for transactions during the year and the income statement.

	31.12.2019	31.12.2018
USD balance-sheet date rate	0.9683	0.9850
USD average price	0.9925	0.9760
EUR balance-sheet date rate	1.0858	1.1265
EUR average price	1.1110	1.1511

Treasury shares

Treasury shares are held for the purpose of servicing employee participation programs. Treasury shares held directly are recognised at cost as a negative item in equity at the time of acquisition.

On subsequent resale, the gain or loss is recognised in the income statement as financial income or expense. For indirect Valartis Group AG shares held by other Group companies, a reserve for treasury shares is created in equity.

In case of cancellation, the corresponding treasury shares reserve is offset with corresponding amount of General voluntary retained earnings and share capital.

Long-term interest-bearing liability

Loans in foreign currencies are valued at the current closing rate, whereby unrealised losses are posted but unrealised gains are not booked (impairment principle).

No cash flow statement and additional disclosures in the appendix

Since Valartis Group AG prepares consolidated financial statements in accordance with a recognised accounting standard (IFRS), it has waived the disclosures in the notes on interest-bearing liabilities and auditing fees as well as the presentation of a cash flow statement in these annual financial statements in accordance with statutory provisions.

3. INCOME STATEMENT

in CHF	2019	2018
3.1 Dividend income		
Dividend of Valartis International Ltd.	-	-
Dividend of Valartis Finance Holding AG	-	17,391,273
Dividend of MCT Luxembourg Management S.à.r.l.	184,282	-
Dividend from shares held for trading purposes	41,345	21,997
Total	225,627	17,413,270
3.2 Other financial income		
Income from cash and marketable securities	598,874	542,996
Total	598,874	542,996
3.3 Other operating income		
Other operating income	-	37,800
Total	-	37,800
3.4 Other operating expenses		
Occupancy expense	-15,071	-
Consulting and auditing expenses	-314,841	-268,186
IT and telecommunications expenses	-1,128	-12,291
Other operating expenses	-2,101,330	-2,828,172
Total	-2,432,370	-3,108,649

Other operating expenses include intercompany cost allocations based on a service level agreement (transfer pricing) of CHF 1.9 million (previous year CHF 2.6 million).

3. INCOME STATEMENT (CONTINUED)

in CHF	2019	2018
3.5 Reversal of impairment losses/(value adjustments) on financial assets and investments		
Reversals of impairment losses on investments	2,716,859	-
Allowances for investments	-1,253,502	-14,075,365
Total	1,463,357	-14,075,365

In 2019, Reversal of impairment losses related to ENR Russia Invest SA (CHF 2.1 million) and Valartis Advisory Services SA (CHF 0.6 million). Allowance for investments mainly relates to Valartis International Ltd (CHF 1.1 million) and Vaba1 Holding GmbH in Liquidation (CHF 0.1 million).

In 2018, the impairments relate to the impairment of the participation in Valartis Finance Holding AG (CHF 13.8 million) following the dividend-in-kind received in June 2018. In addition, an impairment of CHF 0.3 million was done on the participation Parking Clé de Rive SA.

3.6 Financial expenditure

Interest expense on interest-bearing liabilities to third parties	-12,929	-
Interest expense from interest-bearing liabilities to participating interests	-9,582	-10,469
Losses from marketable securities	-441,123	-739,386
Other financial expenses (incl. losses from foreign currencies)	-77,582	-6,519
Total	-541,216	-756,374

3.7 Extraordinary and out-of-period income

Income relating to other periods	7,191	23,566
Reversal of unnecessary provisions	200,000	-
Total	207,191	23,566

3.8 Extraordinary and out-of-period expenses

Expenses relating to other periods	-8,017	-4,045
Total	-8,017	-4,045

In 2019, the reversal of unnecessary provisions relates to marketing fees not deemed necessary during the current year.

4. BALANCE SHEET

in CHF	31.12.2019	31.12.2018
4.1 Other current receivables		
Third parties	117,225	296,572
Group companies	320,557	598,703
Total	437,782	895,275
4.2 Financial assets		
Securities	4,604,873	4,604,873
Long-term receivables from companies in which the entities holds an investment		198,509
Total	4,604,873	4,803,382

In 2019, Receivables from Group companies relate to a residual purchase price receivable from Banque Cramer & Cie SA from the sale of Valartis Bank AG and Valartis Wealth Management SA. In the previous year, this receivable was composed by a short term

receivable of CHF 0.6 million and a long term receivable of CHF 0.2 million. The periodic payments will be made in accordance with an agreed phased schedule running until October 2020.

4.3 Participations

Name and domicile	Capital/ participation quote 2019	Capital/ participation quote 2018	Share capital
Valartis AG, Fribourg, Switzerland	100%/100%	100%/100%	CHF 100,000
Valartis Finance Holding AG, Vaduz, Liechtenstein	100%/100%	100%/100%	CHF 100,000
Valartis Advisory Services SA, Geneva & Zurich, Switzerland	100%/100%	100%/100%	CHF 1,896,210
Valartis International Ltd., Tortola, BVI	100%/100%	100%/100%	CHF 20,504,000
Valartis Immobilier AG, Fribourg, Switzerland	100%/100%	100%/100%	CHF 100,000
Parking Clé de Rive SA, Geneva, Switzerland	51%/51%	51%/51%	CHF 148,500
MCT Luxembourg Management S.à.r.l., Luxembourg	100%/100%	100%/100%	EUR 12,085
ENR Russia Invest SA, Geneva, Switzerland	23.43%/23.43%	23.43%/23.43%	CHF 32,790,585
Vaba1 Holding GmbH in Liquidation, Vienna, Austria (formerly Valartis [Austria] GmbH)	100%/100%	100%/100%	EUR 35,000

In June 2018, all shares and securities held by Valartis Finance Holding AG were transferred by way of a dividend-in-kind to the Company. Those shares included a participation of 22.5 per cent in ENR Russia Invest SA and 100 per cent in Vaba1 Holding GmbH in Liquidation.

Significant indirect investments

Name and domicile	Parent company	Capital/ participation quote 2019	Capital/ participation quote 2018	Share capital/ Nominal capital
ENR Russia Invest SA, Geneva, Switzerland	Valartis AG	38.11%/38.11%	38.11%/38.11%	CHF 32,790,585
Norinvest Holding SA, Geneva, Switzerland	Valartis AG	27.1%/27.1% ¹⁾	25.02%/25.02% ²⁾	CHF 25,689,000
Darsi Investment Ltd., Tortola, BVI	Valartis International Ltd.	38.81%/38.81%	38.81%/38.81%	EUR 7,476,190
Briese Schifffahrts GmbH & Co. KG MS "Langeoog", Leer, Germany ³⁾	Valartis International Ltd.	50.00%/50.00%	49.83%/49.83%	EUR 2,900,000
Briese Schifffahrts GmbH & Co. KG MS "Folmhusen", Leer, Germany ³⁾	Valartis International Ltd.	50.00%/50.00%	0%/0%	EUR 5,000,000
Briese Schifffahrts GmbH & Co. KG MS "Nesseborg", Leer, Germany ³⁾	Valartis International Ltd.	50.00%/50.00%	0%/0%	EUR 5,000,000
Kaluga Flower Holding LLC	ENR Investment Ltd ⁴⁾	50.00%/50.00%	0%/0%	RUB 10,000
VLR Germany GmbH, Frankfurt am Main, Germany	Valartis AG	100%/100%	0%/0%	EUR 25,000

1) In 2019, as Norinvest Holding SA has acquired treasury shares, Valartis Group AG's share in the issued shares has increased to 27.1%.

2) In 2018, as Norinvest Holding SA has disposed treasury shares, Valartis Group AG's share in the issued shares has decreased to 25.02%.

3) Briese Schifffahrts GmbH & Co. KG MS "Langeoog", Briese Schifffahrts GmbH & Co. KG MS "Folmhusen" and Briese Schifffahrts GmbH & Co. KG MS "Nesseborg" are German KG (Kommanditgesellschaft) i.e. Limited partnerships. Valartis Group AG through is indirectly limited Partner in these companies.

4) ENR Investment Ltd is a 100% subsidiary of ENR Russia Invest SA

4.4 Short-term interest-bearing liabilities

	31.12.2019	31.12.2018
Short-term interest-bearing liabilities to third parties	-	-
Short-term interest-bearing liabilities to participations	4,000,000	-
Total	4,000,000	-

4.5 Share capital

	31.12.2019	31.12.2018
Share capital (CHF) ¹⁾	4,769,295	5,000,000
Number of registered shares ¹⁾	4,769,295	5,000,000
Nominal value per share (CHF)	1	1

1) On 16 September 2019, Valartis Group AG reduced its share capital by CHF 230,705 corresponding to the nominal value of shares acquired during the share buyback program approved by the Annual General Meeting on 15 May 2018 and ended on 12 April 2019.

4.6 Treasury shares

	Quantity 2019	Quantity 2018	in CHF 2019	in CHF 2018
Balance at 1 January	638,003	301,166	9,278,679	5,872,173
Purchases	525,580	336,837	5,382,384	3,406,506
Cancellation	-230,705	-	-2,553,092	-
Balance at 31 December	932,878	638,003	12,107,971	9,278,679
thereof held directly by Valartis Group AG	87,305	87,305	1,092,557	1,092,557
thereof held directly by Valartis Group AG for purpose of cancelation	470,000	175,125	4,807,701	1,978,409
thereof held by participations	375,573	375,573	6,207,713	6,207,713
			2019	2018
Average purchase price per share in the reporting period			10.24	10.11
Average selling price per share in the reporting period			11.07	-
Average acquisition price per share as of balance sheet date			12.98	14.54

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.

As part of the share buyback offer submitted by the Board of Directors of Valartis Group AG on 21 October 2019 for a maximum of 111,000 registered shares at a fixed price of CHF 10.00 per registered share for the purpose of capital reduction (stage 2), Valartis was tendered a total of 239,436 registered shares during the offer period from 28 October 2019 to 8 November 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 111,000 registered shares.

As of 31 December 2019, both Stage 1 and 2 are completed and 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.

in CHF	31.12.2019	31.12.2018
Presentation in the equity		
Deduction from equity for treasury shares held directly	-5,900,258	-3,070,966
Reserve for treasury shares of Valartis Group AG held by participations	6,207,713	6,207,713

5. ADDITIONAL INFORMATION

in CHF	31.12.2019	31.12.2018
Total amount of collateral provided for third-party liabilities		
Total amount of collateral provided for third-party liabilities		-
Total amount of assets used to secure own liabilities		
Total amount of assets used to secure own liabilities	978,062	727,044
Total assets under restricted control		
Total assets under restricted control	978,062	727,044

Shareholders

The share capital has been divided into registered shares (previously bearer shares) since 18 May 2017. According to the Swiss Financial Market Infrastructure Act (FinfraG), anyone holding shares in a company listed on the SIX is obliged to notify the company concerned and SIX as soon as their voting rights exceed or fall below certain thresholds. Under the Swiss Code of Obligations, the company is obliged to disclose the identity of all shareholders holding more than 5 per cent of the shares in the notes to the annual financial statements.

The following is a summary of the holders of 3 or more per cent in Valartis Group AG, based on the published reports:

in per cent	31.12.2019	31.12.2018
MCG Holding SA, Baar ZG	45.3	50.2
Nebag AG, Zurich	3.9	3.2
Gustav Stenbolt	1.0	0.9
Philipp LeibundGut	0.2	0.3

As per 31 December 2019 the beneficial owners of MCG Holding SA are Gustav Stenbolt, Geneva, Tidesea Ltd., Fribourg (100 per cent controlled by Gustav Stenbolt, Geneva) and Philipp LeibundGut, Zurich. The following are deemed to be holders of qualified participations: a) Gustav Stenbolt, who holds 85.1 per cent of the voting rights (80.2 per cent of the share capital) of MCG Holding SA (partly held through Tidesea Ltd.) and b) Philipp LeibundGut, who holds 14.9 per cent of the voting rights (19.8 per cent of the share capital) of MCG Holding SA. In 2018, Tudor Private Portfolio LLC disposed of its shares in MCG Holding SA consisting in 12.3 per cent of the voting rights (16.3 per cent of the share capital) which were acquired by Tidesea Ltd by way of a loan of CHF 3.5 million provided by Valartis Group and granted at market conditions. The latter amounts to CHF 1.5 million as per 31 December 2019.

The shares held directly by Gustav Stenbolt and Philipp LeibundGut originate from bonus plans of previous years run by Valartis companies for the Executive Board and employees on the basis of their respective functions they held at the time.

Loans and equity holdings of the members of the board of directors and executive management at year end

2019	Gustav Stenbolt, Chairman & Delegate of the BoD	Philipp LeibundGut, Vice Chairman	Olivier Brunisholz, Member	Total
Shareholdings held by and Loans/loans to Directors				
Number of shares held by	1,886,678	332,314	6,815	2,225,807
Number of shares (entitlements)	-	-	-	-
Loans and credits directly in CHF	-	-	-	-
Loans and credits to related parties in CHF	-	-	-	-

2018	Gustav Stenbolt, Chairman & Delegate of the BoD	Christoph N.Meister, Vice Chairman ¹⁾	Philipp LeibundGut, Vice Chairman ¹⁾	Olivier Brunisholz, Member ¹⁾	Total
Shareholdings held by and Loans/loans to Directors					
Number of shares held by	2,183,787	4,821	384,333	-	2,572,941
Number of shares (entitlements) ¹⁾	-	-	-	-	-
Loans and credits directly in CHF	-	-	-	-	-
Loans and credits to related parties in CHF	-	-	-	-	-

1) Olivier Brunisholz was elected by the General Shareholder's Meeting on 15 May 2018 as member of the Board of Directors. At the same time, Philippe LeibundGut was elected as Vice Chairman of the Board of Directors. This function was held by Christoph N.Meister until that date.

2019	Gustav Stenbolt, Chairman & Delegate of the BoD	George M. Isliker, CFO/CRO	Total
Shareholdings held by and loans/loans to members of the Executive Board			
Number of shares held by	-	15,285	15,285
Number of shares (entitlements)	-	-	-
Loans and credits directly in CHF	-	-	-
Loans and credits to related parties in CHF	-	-	-

2018	Gustav Stenbolt, Chairman & Delegate of the BoD	George M. Isliker, CFO/CRO	Total
Shareholdings held by and loans/loans to members of the Executive Board			
Number of shares held by	-	15,285	15,285
Number of shares (entitlements)	-	-	-
Loans and credits directly in CHF	-	-	-
Loans and credits to related parties in CHF	-	-	-

EVENTS AFTER THE BALANCE SHEET DATE

None.

PROPOSAL OF THE BOARD OF DIRECTORS TO THE GENERAL MEETING OF SHAREHOLDERS

The Board of Directors will submit the following proposal to the Ordinary General Meeting of Shareholders on 19 May 2020 in respect of the distribution of retained earnings:

in CHF	2019
Profit brought forward from previous year	67,122,552
Net result	-552,912
Retained earnings available for the general meeting of shareholders	66,569,640
Profit to be carried forward	66,569,640

Dividend payments

For the financial year 2019, the Board of Directors proposes to the Shareholders' Meeting 2020 to pay no dividend (previous year: CHF 0.10 per share).

REPORT OF THE STATUTORY AUDITORS ON THE FINANCIAL STATEMENTS



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STATUTORY AUDITOR'S REPORT

To the General Meeting of Valartis Group AG, Fribourg

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Valartis Group AG (the Company), which comprise the balance sheet as at 31 December 2019 and the income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion the financial statements (pages 118 to 129) as at 31 December 2019 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter
------------------	----------------------------------------------

Existence and valuation of participations

As at 31 December 2019, the Company shows participations in its financial statements with a total value of CHF 93'983'734. Participations are accounted for at the higher of acquisition costs and net realisable value according to the principle of individual valuation. A potential impairment loss is determined by comparing the book value with the net asset value.

This position represents 93 percent of total assets as of the balance sheet date and was therefore, in our opinion, of particular importance.

Details of the Company's participations are described in Note 4.3 to the financial statements of Valartis Group AG as at 31 December 2019.

We tested the existence of the participations recognised as of the balance sheet date by matching them with the shareholders registers of the respective companies.

We assessed the valuation based on a net asset value analysis of the most recent audited annual financial statements of the respective companies. We analysed whether the net asset value was lower than the cost of acquisition.

In the event of any changes in the value of the participations, we have also examined whether these changes are correctly reflected in the income statement.

We also assessed the presentation and disclosures in the statutory financial statements of Valartis Group AG as at 31 December 2019.

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTSuisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.



Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Geneva, 6 April 2020

BDO Ltd

Nigel Le Masurier
Auditor in Charge
Licensed Audit Expert

Markus Schenkel
Licensed Audit Expert

VALARTIS GROUP AG REGISTERED SHARE

in CHF	31.12.2015	31.12.2016	31.12.2017	31.12.2018	31.12.2019
Share capital Valartis Group AG	5,000,000	5,000,000	5,000,000	5,000,000	4,769,295
Number of VLRT shares issued	5,000,000	5,000,000	5,000,000	5,000,000	4,769,295
Number of outstanding VLRT shares, entitled to dividends	4,716,842	4,735,512	4,698,834	4,361,997	3,836,417
Nominal value of VLRT share	1.00	1.00	1.00	1.00	1.00
Closing price VLRT share	8.45	6.80	9.56	10.30	10.20
High for the year VLRT share	17.25	8.20	10.10	13.20	11.30
Low for the year VLRT share	6.40	6.10	6.67	7.45	9.60
Market capitalisation	42,225,000	34,000,000	47,800,000	51,500,000	48,646,809
Dividend per share	0.00	0.20	0.20	0.10	0.00
Dividend yield	n/a	2.9%	2.1%	1.0%	0.0%
Price-to-book ratio	0.26	0.26	0.35	0.42	0.39

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Valartis Market Information

Stock exchange listing: SIX Swiss Exchange
Securities symbol: VLRT
Reuters: VLRT.S
Bloomberg: VLRT SW
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Valartis market information

Listed: SIX Swiss Exchange
Symbol on SIX: VLRT
Reuters: VLRT.S
Bloomberg: VLRT SW
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