

# ANNUAL REPORT **2021**

## KEY FIGURES AT GLANCE

### Key Figures

in CHF 1,000	1.1.–31.12.2021	1.1.–31.12.2020
<b>Total operating income</b>	<b>13,239</b>	<b>9,831</b>
Income from management services	5,766	5,331
Income from investment property	3,888	3,608
Share of results of associated companies	3,474	684
Other income	111	208
<b>Administrative expense</b>	<b>-9,546</b>	<b>-10,092</b>
Personnel expense	-5,636	-6,176
General expense	-3,910	-3,916
<b>Earnings before depreciation, valuation adjustments, provisions, interest and taxes</b>	<b>3,693</b>	<b>-261</b>
Depreciation, valuation adjustments and provisions	-212	1,897
<b>Earnings before interest and taxes (EBIT)</b>	<b>3,481</b>	<b>1,636</b>
Finance result, net (financial income, financial expense, market value adjustment)	2,756	-9,857
<b>Net result from continued operations before taxes</b>	<b>6,237</b>	<b>-8,221</b>
Income taxes	-336	-523
<b>Net result from continued operations</b>	<b>5,901</b>	<b>-8,744</b>
<b>Net result from discontinued operations</b>	<b>-</b>	<b>-1,941</b>
<b>Net result</b>	<b>5,901</b>	<b>-10,685</b>
attributable to shareholders of Valartis Group AG	5,190	-8,385
attributable to non-controlling interests	711	-2,300
in CHF 1,000	31.12.2021	31.12.2020
<b>Total assets</b>	<b>173,368</b>	<b>172,708</b>
Current assets	50,419	76,084
Non-current assets	122,949	96,624
Non-current assets classified as held for sale	-	0
<b>Total liabilities</b>	<b>56,088</b>	<b>65,335</b>
Current liabilities	16,071	24,632
Non-current liabilities	40,017	40,703
<b>Total shareholders' equity (including non-controlling interests)</b>	<b>117,280</b>	<b>107,373</b>
Equity capital quota, in per cent	67.6	62.2
Staff (full-time equivalents, FTE)	68.0	69.5
Closing price of VLRT share, in CHF	13.80	9.00
Equity of Shareholders per share, in CHF	25.93	23.94

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# TO OUR SHAREHOLDERS

Dear Shareholders



Gustav Stenbolt,  
Chairman and Delegate of the Board of Directors

The business development was very positive in 2021 with operational businesses performing in line with expectations. According to International Financial Reporting Standards ("IFRS"), Valartis Group reports a net profit of CHF 5.9 million (previous year: net loss of CHF 10.7 million) due to increased operational activities, reduction of costs and improved market conditions as the global economy recovered after almost two years of the pandemic. The operating businesses developed well thanks to the successful completion of several transactions and projects, with income from management services increasing by 8 per cent compared to the previous year. The contribution of associated companies increased to CHF 3.5 million (previous year: gain of CHF 0.7 million) thanks to a successful year at Banque Cramer as well as at our shipping investments. Overall, operating income increased by 35 per cent and operating expenses were lower by 5 per cent thanks to efficient cost control measures. As a result, the earnings before interest and taxes ("EBIT") were a gain of CHF 3.5 million (previous year: gain of CHF 1.6 million).

## FUTURE DEVELOPEMENTS

The Valartis Group will focus on successfully developing existing and new profitable, cash-producing activities. A bottom-up approach was applied over the past years, based on strategies to become operationally profitable and to gear development initiatives and services accordingly. The focus of activities in 2022 will be on the successful management of Valartis Group's strategic projects in collaboration with EPH European Property Holdings PLC ("EPH") and the Valartis German Residential Health Care Fund. The business activities of ENR Russia Invest SA ("ENR") and the successful management of the Group's participations will be a challenge in the light of the latest developments in Ukraine and its impact on the Russian and global economy.

## ACTIVITIES IN 2021

Valartis Group continued to actively manage its business activities and participations in 2021:

Valartis Group continues to hold a 63.2 per cent participation in ENR. At Petrovsky Fort, the business developed well in 2021. Total vacancies in the building reduced to 8 per cent (20 per cent at year-end 2020). The optimisation programme at the two retail floors to realign the tenant mix and to introduce new service focused retail tenants in the building progressed well and vacancies on these floors reduced. Regular ongoing improvements and capex programmes continue.

At Kaluga Flower Holding LLC, the greenhouses are nearing full capacity utilisation with 23.5 of 25.4 hectares in productive use. Flower growing, cutting and sales developed well in 2021 and the client portfolio includes most major Russian retail and wholesale groups and many smaller clients.

On the real estate advisory side, Valartis Group successfully supported the acquisition of the real estate and commercial company Société de l'Hôtel des Trois Couronnes, à Vevey, SA operating a prestigious hotel palace in a historical building located on the border of Lake Geneva.

On the asset management side, EPH focused on the successful integration and operation of its recent real estate acquisitions and continued the refurbishment of Lasallestrasse 1, an office building in Vienna originally built in 1993. The property is already 100 per cent leased out and will be occupied once the construction work has been completed, expected to be finalised in the middle of 2022.

EPH has significantly increased the total value of its investment properties in recent years, with about two-thirds now located in Europe. At the beginning of 2022, EPH, in line with its investment strategy, also moved its registered head office to Cyprus.

Valartis Group as external asset manager of EPH is supporting the EPH transactions, organising the refinancing of its real estate assets, the development of EPH capital structures, managing its properties and its investor relations (Valartis Group has managed EPH's assets since its incorporation). From 2019, Valartis Group has also built up a team of asset management professionals in Germany and Austria, who are responsible for managing EPH's European assets.

As initiator, investor as well as investment advisor, Valartis Group advises and develops the Luxembourg based Fund Valartis German Residential Health Care Fund. The growth of an aging population in Germany and demographic shifts are factors in Germany which lead to increasing higher demand for senior care home offerings and care services. The properties in the fund are leased out for 20 to 25 years to reputable tenants/operators which take care of the nursing services for residents. These oper-

ators are large, experienced and reliable organisations which operate a series of buildings in the health care and senior citizen sector.

Fortunately, the Fund has not faced any negative impact resulting from the COVID-19 pandemic thanks to the protective measures taken by all the operators. In addition, the German government protects nursing home operators against loss of revenues and higher costs related to necessary COVID-19 measures. As a result, rental income remained stable.

On banking activities, Valartis Group holds a stake of 25 per cent in Norinvest Holding SA, the parent company of Banque Cramer Cie SA, Geneva, Switzerland. In 2021, Banque Cramer has successfully been able to find a niche as a profitable small Swiss private bank.

On the shipping side, our joint-venture investments in multi-purpose vessels benefited in 2021 from record high daily time charter rates not seen in the last decade. This has positively impacted the profitability of these investments. To further benefit from this general trend in the shipping industry, the Group has invested through a new joint venture in a mid-size container cargo vessel.

## VALARTIS GROUP TODAY

The business model continues to be based on our core competencies i.e. financial services, real estate management and investments. We continue to look for new or add on investments, especially if they will increase our cash flows. Our main focus industries remain financial services and real estate projects, but we will also consider opportunities in other industries. At the end of 2021, Valartis Group employed 68 people (68 Full-Time Equivalents ("FTE") across the Group in the real estate management, in marketing, leasing and maintenance businesses – previous year: 70 employees (69.5 FTE).

## TODAY AND TOMORROW'S PRIORITIES

The 2022 financial year will continue to present us with challenges and opportunities. A key success factor in our businesses continues to be the rapid and successful development of new profitable and cash generative activities and the further development of existing projects and the launch of innovative investment products and services.

Since February 2022, the operating environment has changed in Russia, particularly with regards to imports/exports and currency conversions. Valartis Group's exposure to Russia is through its investment in ENR. ENR's operational businesses in Russia continue to operate at levels comparable to those before the conflict had started. Currently, no material remedial actions are required to sustain these businesses in the Russian domestic market. ENR's main challenges relate to currency conversions and capital controls and

ENR will examine possible actions to mitigate these challenges as best possible in a rapidly changing environment.

## 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 the shareholders of Valartis Group AG for their loyalty and understanding. We are confident that Valartis Group is well prepared for future challenges and sustained corporate success.

Fribourg, Switzerland, 4 April 2022



Gustav Stenbolt,  
Chairman and Delegate of  
the Board of Directors



# MANAGEMENT REPORT

## BUSINESS PERFORMANCE

The COVID-19 pandemic continues to impact economic conditions worldwide. Economic activity picked up in many economies but has triggered inflation pressures and price growth. Supply chains are still disrupted and will take time to recover. New challenges and uncertainty remain with new outbreaks linked to more infectious variants of the virus.

For Valartis Group, our operational businesses performed in line with expectations in 2021. According to IFRS, Valartis Group reports a net profit of CHF 5.9 million (previous year: net loss of CHF 10.7 million) due to increased operational activities, reduction of costs and improved market conditions as the global economy recovered after almost two years of pandemic.

The operating businesses developed well thanks to the successful completion of several transactions and projects, with the income from management services increasing by 8 per cent compared to the previous year. The income from investment property also increased compared to the previous year. The contribution of associated companies increased to CHF 3.5 million (previous year: gain of CHF 0.7 million) thanks to a successful year at Banque Cramer as well as at our shipping investments. Overall, operating income increased by 35 per cent and operating expenses were lower by 5 per cent thanks to efficient cost control measures. As a result, EBIT were a gain of CHF 3.5 million (previous year: gain of CHF 1.6 million). The net value adjustment on the investments assets also had a favourable effect of CHF 0.5 million in 2021.

ENR's office building investment in St. Petersburg, Petrovsky Fort, developed well in 2021. Total vacancies in the building reduced to 8 per cent (20 per cent at year-end 2020). The optimisation programme at the two retail floors to realign the tenant mix and to introduce new service focused on retail tenants in the building progressed well and vacancies on these floors reduced. Regular ongoing improvements and capex programmes continue.

At Kaluga Flower Holding LLC, the greenhouses are nearing full capacity utilisation with 23.5 of 25.4 hectares in productive use. Flower growing, cutting and sales developed well in 2021 and the client portfolio includes most major Russian retail and wholesale groups and many smaller clients. Russia is one of the five largest flower consumption markets in the world and still imports 85 per cent of all its flowers. As Kaluga Flowers is the largest Russian domestic flower producer, it is well positioned with locally produced flowers to substitute imported flowers, especially as its flowers are high-quality, last longer and it can provide regular and reliable supply.

### Overview of the 2021 financial year

On the asset management side, EPH focused on the successful integration and operation of its real estate acquisitions from 2020 and continued the refurbishment of Lasallestrasse 1, an office building in Vienna originally built in 1993. The property is already 100 per cent leased out and will be occupied once the construction work has been completed, expected in 2022.

EPH has significantly increased the total value of its investment properties in recent years to reach a value in excess of USD 1,500 million, with about two-thirds now located in Europe. At the beginning of 2022, EPH, in line with its investment strategy, moved its registered head office to Cyprus. The company continues to operate as a public company limited by shares, listed on the SIX Swiss Stock Exchange.

Valartis Group as the external asset manager is not only supporting EPH transactions, but also the refinancing of its real estate assets, the development of EPH capital structures, its investor relations as well as managing the Company's assets since EPH's incorporation in 2003. From 2019, Valartis Group has built up a team of asset management professionals in Germany and Austria, which are responsible to manage EPH's assets on a daily basis. The teams in VLR Germany and VLR Austria are managing current buildings and will enable future growth in Europe.

As initiator, investor as well as investment advisor, Valartis Group advises and develops the Luxembourg based Valartis German Residential Health Care SICAV- FIS Fund, which was created exclusively for qualified investors. The growth of an aging population in Germany and demographic shifts are factors in Germany which lead to increasing higher demand for senior care home offerings and care services. The properties in the fund are leased out for 20 to 25 years to reputable tenants who take care of the nursing services for their residents. These operators are large, experienced and reliable organisations which operate a series of buildings in the health care and senior living sector. By respecting sustainability requirements when considering acquisitions, in the development, maintenance and daily management, the Fund contributes to the U.N. Sustainable Developing Goals.

In Netzschkau, the Fund is building a new nursing home with barrier-free living apartments which will be commissioned and then managed by an experienced operator in summer 2022. There will be 106 residents in single and family rooms and 5 apartments for independent and assisted living. The highlights in 2021 comprise of the acquisition of "Haus Saline", a barrier-free nursing home next to one of the Fund's existing nursing homes to further strengthen the location in Artern as well as the home construction project in Netzschkau, Saxony.

The total number of all properties totals up to fourteen properties with 773 places, 77 apartments for independent and assisted living and 45 day-care places. To date the total investment volume amounts to approximately EUR 75 million at the end of 2021. Fortunately, the Fund has not faced any negative impact from the COVID-19 pandemic thanks to protective measures taken by all the operators. The German government also protects nursing home operators against loss of revenues and higher costs related to necessary COVID-19 measures. Consequently, rental income remained stable.

On the real estate advisory side, Valartis Group successfully supported the acquisition of the real estate and commercial company Société de l'Hôtel des Trois Couronnes, à Vevey, SA operating a prestigious hotel palace in a historical building located on the border of Lake Geneva.

On banking activities, Valartis Group holds a stake of 25 per cent in Norinvest Holding SA, the parent company of Banque Cramer Cie SA, Geneva, Switzerland. In 2021, Banque Cramer has successfully been able to find a niche as a profitable small Swiss private bank.

On the shipping side, our joint-venture investments in multi-purpose vessels benefited in 2021 from record high daily time charter rates not seen in the last decade. This has positively impacted the profitability of these investments. With the objective to benefit from this general trend in the shipping industry, the Group has further invested in a new joint venture to build a mid-size container cargo vessel.

## THE FINANCIAL SITUATION OF VALARTIS GROUP

Consolidated equity at the end of 2021 stood at CHF 117 million (end of 2020: CHF 107 million). Total equity of Valartis Group was positively impacted by, inter alia, the following movements: the annual profit (CHF 5.9 million), the increase due to the change in value of a financial assets through OCI (CHF 2.7 million), the remeasurement of pension liabilities (CHF 0.6 million). For an overview, please refer to 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 67.6 per cent (previous year: 62.2 per cent).

## EMPLOYEES OF VALARTIS GROUP

Over the years, Valartis Group employees have made a decisive contribution to the success of Valartis Group through their loyalty and alignment with the Group's strategies and their commitment to execute these strategies in practice. They are of great importance for the success of Valartis Group and its future competitiveness. See also chapter Corporate Sustainability, page 12. The financial recognition of individual performance through up to date remuneration models is an important factor, and it is a specific focus of the Board of Directors to recognise the performance of the employees accordingly. For further information, see the section entitled Compensation Report, page 26.

The Board of Directors and the Executive Management 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 2021, Valartis Group employed a total of 68 full-time adjusted employees in its businesses (previous year for the Group: 69.5 full-time adjusted employees).

The organisational structure of Valartis Group, see organisational chart, page 10, consists of a Board of Directors at Group level and a Delegate of the Board of Directors.

## 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 59.

Each year, the Board of Directors conducts a structured analysis of the main risks to which the Group is exposed related to its business model. These include credit, market, liquidity, operational, strategic, business and reputational risks. The Board of Directors considers risk-minimising measures, internal controls and changes in political, economic, sociocultural and/or information technological environment. The Board of Directors then 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. A key objective here is to create transparency about risks at an early stage and to limit potential losses. The Board of Directors considers the structures and measures which are in place 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 Committee of Sponsoring Organisations of the Treadway Commission ("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 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 gain of CHF 5.9 million for the 2021 financial year (2020: net loss of CHF 10.7 million). Business development was very positive in the year 2021, with operational businesses performing in line with expectations and the profit as a result of an increase of operational activities, cost reduction and improved market conditions. Overall, operating in-

come increased by 35 per cent and operating expense was lower by 5 per cent thanks to efficient cost control measures. As a result, the EBIT show a gain of CHF 3.5 million (previous year: gain of CHF 1.6 million).

Management services fees increased from CHF 5.3 million in the previous year to CHF 5.8 million in 2021. The increase is due to the successful completion of several transactions and projects and expansion of our operational businesses. In June 2021, Valartis Group successfully supported the acquisition of the real estate and commercial company Société de l'Hôtel des Trois Couronnes, à Vevey, SA operating a prestigious hotel palace in a historical building located on the border of Lake Geneva.

The income from investment property in 2021 was CHF 3.9 million, increasing from the previous year's CHF 3.6 million, reflecting the increase in occupancy and profitability levels of the property.

The result of associated companies contributed a gain of CHF 3.5 million (previous year: gain of CHF 0.7 million) thanks to the successful operating environment in the banking as well as shipping industries. Banque Cramer held by Norinvest Holding SA, continued to benefit from favourable business trends in the Swiss Banking sector in 2021 and our joint-venture investments in multi-purpose vessels benefited in 2021 from record high daily time charter rates not seen in the last decade. This positively impacted the profitability of these investments. 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 necessary in the Valartis Group's consolidated financial statements for the following reporting period.

Operating expenses fell by 5 per cent to CHF 9.5 million (2020: CHF 10.1 million) where personnel expenses reduced by 9 per cent compared to previous year, in spite of the continuation of the Long Term Incentive Programme to retain key personnel.

Valuation adjustments, provisions and losses for 2021 amount to CHF 0.5 million and related mainly to the increase in value of the investments ENR holds in Petrovsky Fort and in a Moscow based parking garage, partially compensated by the impairment of a parking garage project in Geneva which could not be proceeded with due to the lack of cantonal support and approvals.

The net finance result, i.e. a gain of CHF 2.8 million compared to a loss of CHF 9.9 million in previous year, was positively impacted by the strengthening of Russian ruble against the Swiss franc by 4 per cent and stabilised market conditions.

Finally, income taxes (-CHF 0.3 million) is essentially due to changes in deferred taxes in relation to value increase of the Russian investment property.

## BALANCE SHEET

The balance sheet total assets of CHF 173 million as of 31 December 2021 (31.12.2020: CHF 173 million), remained constant compared to the previous year. In 2021, Valartis Group investment assets on the balance sheet grew: Financial assets at fair value through OCI increased by CHF 2.7 million compared to the previous year, Investment property increased by CHF 1.9 million, and Associated companies by CHF 5.3 million, taking into consideration an investment of CHF 2.6 in a new associate. The Group reimbursed CHF 8.9 million of debt by way of compensation against related receivables. Cash and cash equivalents decreased by CHF 2.5 million and the trading portfolio by CHF 1.6 million due to a partial disposal to fund investment plans. Liabilities reduced to CHF 56 million at year-end 2021 (previous year: CHF 65 million), of which two thirds comprise loan obligations (e.g. for the real estate property of the fully consolidated Group company Petrovsky Fort LLC and investment facility, both financed by external loans). Total equity was CHF 117 million at end 2021 (31.12.2020: CHF 107 million) and equity attributable to shareholders of Valartis Group at CHF 102 million (end of 2020: CHF 93 million). The total equity was positively impacted by, inter alia, the following movements: the full year profit (CHF 5.9 million); an increase due to the change in value of a financial assets through OCI (CHF 2.7 million); the remeasurement of pension liabilities (CHF 0.6 million). For an overview, refer to the consolidated statement of changes in equity on page 42.

## SIGNIFICANT EVENTS

### Significant events after the balance sheet date

Due to the current military conflict in Ukraine, a range of sanctions were enacted against Russia, Russian entities and individuals. This has changed the operating environment in Russia, particularly with regards to imports/exports and currency conversions. Currently, the operational business of ENR in Russia continues to operate at levels comparable to those before the conflict had started and no material remedial actions are required to sustain these businesses in the Russian domestic market. The Group's main challenges relate to currency conversions and capital controls and the Group is examining possible actions to mitigate these challenges as best possible in a rapidly changing environment. Events after the balance sheet date are also reported in Valartis Group's consolidated financial statements, Note 44.

### 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

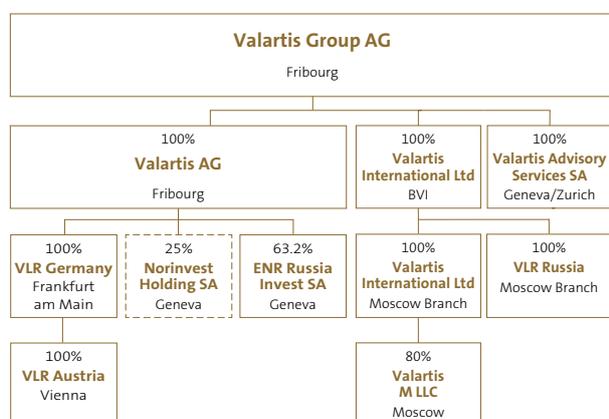
### **Expected development of Valartis Group**

In the view of the changed operating environment in Russia, the Group will focus on protecting the value of its investments. In addition, the focus will be on Private Equity, Real Estate Project Management and Financial Services for 2022 where we will continue the development of new profitable and cash generative activities and to advance the further development of projects underway. Valartis Group continues to focus its market development and adapts its range of services and product taking account of market demand and other relevant dynamics. Where required, the Group structure will be adapted to react to, inter alia, key external market developments and project requirements or implementations, or expanded services which may require further adjustments to the Group's organisation and infrastructure. From a strategic and tactical point of view, the activities will continue to focus on development and managing of 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.

# 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), Germany (Frankfurt, Stuttgart, Hamburg) and Austria (Vienna). Valartis Group AG, headquartered in Fribourg, canton of 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 of the Consolidated Financial Statements).

## Valartis Group – Operational Structure



## THE STRATEGIC DIRECTION

Today, Valartis Group's business activities comprise 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

Valartis Group concentrates on focused management of niche funds (investment satellites). The focus of investment activity is in the countries of Russia, Germany and Austria. Valartis Group also provides certain advisory services through its corporate finance team (see below). Furthermore, Valartis Group holds a 25 per cent stake in Banque Cramer & Cie SA through an investment in Norinvest Holding SA.

### Valartis German Residential Health Care Fund

For Valartis German Residential Health Care Fund, the Group acts as investment advisor and manages the fund which was launched for qualified investors. The fund focuses on investing in nursing homes in Germany. Valartis Group performs various advisory and administrative tasks for the fund. For these services, it is compensated at market related 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 investment specialists of Valartis Group also support the search for specific investment opportunities in the real estate sector.

### 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. It 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 has an investment property in St. Petersburg, Russia, being the business centre Petrovsky Fort. This is a class B+ office and retail property, completed in 2003, located in the centre of St. Petersburg near the Neva River. It has nine office and two retail levels with a large central atrium as well as two floors for technical equipment, an underground parking facility and an above-ground car park. 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. ENR also owns 50 per cent of a parking garage located very centrally on Moscow's Turgenevskaya Square. The underground car park offers spaces for approximately 290 cars on 6 underground floors. 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.

### EPH European Property Holdings PLC

EPH European Property Holdings PLC (formerly "Eastern Property Holdings Limited") is a stock corporation listed on the SIX Swiss Exchange. As a real estate investment and development company, EPH concentrates primarily on the European and Russian commercial and residential property markets. Valartis Group holds a 4.9 per cent stake in EPH. Valartis International Ltd, a company of Valartis Group, continues to be responsible for certain investment advisory, property management and administrative functions at EPH under a management contract.

### Participations

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

Elements of the traditional portfolio management process such as portfolio realisation and portfolio control 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 an 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 consistency 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 Bern 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 through the merger of Valartis Bank AG and Banque Cramer & Cie 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 Rhein, is a wholly owned subsidiary of Whitebox Services AG which is based in Switzerland. The owners of Whitebox Services AG are the founders, former management members of leading banks and industry experts. Valartis has acquired a small stake in Whitebox Services AG.

#### Briese Schiffahrts GmbH & Co. KG MS

In 2018 and in 2019, Valartis Group invested in three limited partnerships called Briese Schiffahrts GmbH & Co KG MS "Langeoog", Briese Schiffahrts GmbH & Co KG MS "Folmhusen" and Briese Schiffahrts GmbH & Co KG MS "Nesseborg", who each owned a mid-size multipurpose vessel. In 2021, the Group has further invested in a new joint venture called Briese Schiffahrts GmbH & Co KG MS "Marz", which is investing in a new mid-size container cargo vessel which will be built.

#### Athris Holding AG

Athris 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 Swiss which is a Swiss regulated stock exchange under the supervision of FINMA. Valartis Group holds this investment in the category Financial assets at fair value through OCI.

### The organisational structure

#### Board of Directors and Executive Management

With confirmation of the Annual General Meeting of 11 May 2021, 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 11 May 2021: Results of the Annual General Meeting of Valartis Group AG; at <http://www.valartisgroup.ch/en/#medienmitteilungen>.

#### Organisational chart



Valartis Group employs a total of 68 people (full-time equivalent).

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 and controlling, IT & logistics and corporate communications. Other services required by the Group (personnel administration and tax and legal advice) are obtained from external providers.

#### Measures to increase earnings and control costs

All business units of the Group have already initiated or newly launched programmes 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 59.

### **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 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**

In 2022, a key success factor in the Group businesses continues to be the rapid and successful development of new profitable and cash generative activities and the further development of existing projects and the launch of innovative investment products and services. With the change in the operating environment in Russia, the Group will also examine possible actions to mitigate the new challenges in regard to currency conversions and capital controls.

# CORPORATE SUSTAINABILITY

## SUSTAINABLE CORPORATE GOVERNANCE

We are an interactive, internationally focused 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, 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 Group'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 stakeholders<sup>1)</sup>.

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 economie-suisse'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 and 59).

For an overview and assessment of the main risks associated with the current business model, please refer to Risk Management on pages 15 and 59.

## 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 28.4 per cent of the shares (excluding the treasury shares) and the majority shareholders: 1) MCG Holding SA, Baar ZG, Switzerland, controlled by Gustav Stenbolt and Philipp LeibundGut, and which holds 50.3 per cent of the nominal capital and voting rights of the Company. Gustav Stenbolt and Philipp LeibundGut also directly own respectively 2.0 and 0.7 per cent of nominal capital and voting rights of the Company, 2) Beat Kähli, Zurich, who holds 10.5 per cent of the nominal capital and voting rights of the Company (see Note 28 of the Consolidated Financial Statements). The remaining shares are held by the company itself.

We remain committed to generate sustained profits vis-à-vis our majority 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, multilevel financial planning and management process based on a dual management concept with a separation between decentralised control of front activities and centralisation of the service organisation, including the Group's own financial assets and investment strategies. The corporate management in place relies on the Board of Directors and the Executive Management.

### Board of Directors and Executive Management

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). The strategic guidelines of the Board of Directors are implemented by the Executive Management. 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 people responsible for private equity, real estate project management and funds report to the Executive Management. 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 opera-

tions, 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 and 59). 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 Group, 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 together with work-life balance is an important prerequisite 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 de-

## 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-conform, 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>

tails see also Compensation Report of Valartis Group, page 26). In 2021, the Group continued its Long Term Incentive Programme (“LTI”) covering members of the Board of Directors, Executive Management and certain employees. As a Group, 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.

### 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 group.

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 Group 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:

- using public transport for business travel;
- critically questioning the necessity of air travel;
- using new technologies for meetings (online or video conferencing);
- striving for efficiency in the consumption of electricity for computer systems and other electrical equipment;
- reducing paper consumption;
- developing and offering user-friendly online communication tools and platforms, such as microsites and apps for annual reports and publications;
- using chilled ceilings in the offices which contribute to a pleasant room climate in summer and winter;
- collecting waste paper and recycle it.

### OUR EMPLOYEES IN 2021

	31.12.2021	31.12.2020
Valartis Group (full-time equivalents)	68.0	69.5
Nationalities	10	10
Locations	9	9

# RISK MANAGEMENT OF VALARTIS GROUP

## RISK SITUATION OF VALARTIS GROUP

### Overview

The balance sheet total assets of CHF 173 million reported as of 31 December 2021 (31.12.2020: CHF 173 million), remained constant compared to the previous year.

In 2021, Valartis Group experienced a positive evolution of its investment assets on the balance sheet: Financial assets at fair value through OCI increased by CHF 2.7 million compared to previous year, Investment property by CHF 1.9 million, and Associated companies by CHF 5.3 million taking into consideration an investment of CHF 2.6 in a new associate. Valartis Group reimbursed CHF 8.9 million of debts by way of compensation against related receivables. Cash and cash equivalents decreased by CHF 2.5 million and the trading portfolio by CHF 1.6 million as a result of partial disposal to conduct the investment plans. Liabilities amounted to CHF 56 million (previous year: CHF 65 million), around two thirds of which comprise loan obligations (e.g. for a real estate property of the fully consolidated Group company Petrovsky Fort LLC and investment facility both financed by an external loans). While Group equity stood at CHF 117 million at the end of 2021 (end of 2020: CHF 107 million), equity attributable to shareholders of Valartis Group AG now stands at CHF 102 million (end of 2020: CHF 93 million). Total Group equity of Valartis Group was positively impacted by, inter alia, the following movements: annual profit (CHF 5.9 million); an increase due to the change in value of a financial assets through OCI (CHF 2.7 million); the remeasurement of pension liabilities (CHF 0.6 million). For an overview, please refer to 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	31.12.2021	31.12.2020
Current assets	50.4/29%	76.1/44%
Non-current assets	122.9/71%	96.6/56%
Assets classified as held for sale	-/0%	-/0%

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 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 dividend less costs) within a certain period of time on the one hand and limiting the risk of loss on the other hand. 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 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.

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 (bonds default risk)
- Operational risk (real estate project risk)
- Liquidity risk

The currency risk is currently the main risk to be assessed. See also further explanations in the consolidated financial statements of Valartis Group, page 59.

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

in CHF million	31.12.2021	31.12.2020
Current assets	50.4	76.1
in CHF	9.6/19%	9.2/12%
in EUR	6.1/12%	16.4/21%
in USD	33.4/66%	38.4/51%
in RUB	1.3/3%	12.1/16%
Non-current assets	122.9	96.6
in CHF	55.3/45%	49.0/51%
in EUR	13.6/11%	7.8/8%
in USD	1.1/1%	3.3/3%
in RUB	53.1/43%	36.5/38%

Net position per foreign currency

(total assets per currency less total liabilities per currency)

in EUR	6.5	4.3
in USD	7.2	12.2
in RUB	50.5	45.6

# 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 Management (see Compensation Report, page 26). As a company listed on the SIX Swiss Exchange ("SIX"), Valartis Group is also subject to the guidelines of SIX Exchange Regulation. The following information as of 31 December 2021, unless otherwise stated, meets the requirements of the SIX Directive on Information relating to Corporate Governance ("DCG") of 18 June 2021 taking into account the SIX commentary last updated on 10 April 2017 in addition of the disclosure requirements as per Art. 663b bis and 663c para. 3 of the Swiss Code of Obligations ("CO").

## CORPORATE GOVERNANCE FRAMEWORK OF VALARTIS GROUP

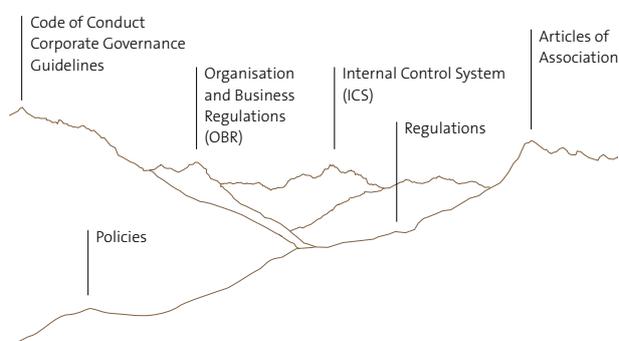
Valartis Group's corporate governance guidelines define and allocate the roles, competencies and areas of responsibility of the management and supervisory bodies in a clear and balanced manner and provide for appropriate controls. All principles and guidelines relating to Corporate Governance are binding 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 section Board of Directors (see page 18), Compensation Committee (see page 21) and Executive Management (see page 22).
- 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 2021 (see page 26).

- 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 Management and the employees (see Compensation Report 2021, pages 28, 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 2021, the market capitalisation of Valartis Group AG amounts to CHF 59.3 million for 4,299,295 shares issued. Valartis Group holds 8.23 per cent or 353,978 treasury shares as of 31 December 2021. 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 36. For an overview of treasury shares, please refer to Note 26 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 37, 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 Notes 19 and 37 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 23.3 million as of 31 December 2021.

#### Significant shareholders

MCG Holding SA, Baar ZG, Switzerland, directly holds 50.3 per cent of the nominal capital and voting rights of the Company. The beneficial owners of MCG Holding SA are Gustav Stenbolt and Philipp LeibundGut who also directly own respectively 2.0 and 0.7 per cent of nominal capital and voting rights of the Company.

In addition, Beat Kähli, Zurich, holds 10.5 per cent of the nominal capital and voting rights of the Company and Nebag AG, Zurich, holds 4.5 per cent of the capital and voting rights. 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 28, and in the notes to the financial statements of Valartis Group AG, on page 120. 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 4,299,295, divided into 4,299,295 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 26), 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 2021, 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 uncertificated 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 please refer to Agenda 2022, page 24.

#### 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. During the following year, i.e. during the business year 2020 after the AGM 2020, the share capital was reduced from 4,769,295 to 4,299,295 registered shares. The changes in equity for the years 2019 and 2020 are listed within the Annual Report 2020 in Consolidated statement of changes in equity on page 42 and 43 (<http://www.valartisgroup.ch/en/#geschaeftsberichte>).

#### 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 oth-

er 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 2021

Board of Directors after the ordinary Annual General Meeting of 11 May 2021

At the Annual General Meeting of 11 May 2021, 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 2022. See also press release, 11 May 2021: Outcome of Valartis Group AG General Meeting 2021; [https://valartisgroup.ch/wp-content/uploads/2021/05/MR\\_AGM-210511\\_e.pdf](https://valartisgroup.ch/wp-content/uploads/2021/05/MR_AGM-210511_e.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. In addition, since 1 April 2020, Philipp LeibundGut also holds an executive position within Valartis Group AG.

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 – the focus is primarily placed 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 <sup>1)</sup>	Chairman & Delegate of the Board of Directors	Norwegian	2022	2015
Philipp LeibundGut <sup>2)</sup>	Vice-Chairman/ executive member of the Board of Directors	Swiss	2022	2016
Olivier Brunisholz <sup>3)</sup>	Member/non-executive member of the Board of Directors	Swiss	2022	2018

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. He 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. As of 1 April 2020, Philipp LeibundGut holds an executive position within Valartis Group.

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 AG. 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), EPH European Property Holdings PLC and Norinvest Holding SA.



**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 EPH European 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 territory. 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 approved by the Annual General Meeting on 19 May 2020 (see also press release, 19 May 2020: Outcome of Valartis Group AG General Meeting 2020; [https://valartisgroup.ch/wp-content/uploads/2020/05/MR\\_AGM-200519\\_e.pdf](https://valartisgroup.ch/wp-content/uploads/2020/05/MR_AGM-200519_e.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 short biographies in page 19. 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 finance;
- the definition of the organisation;
- the determination of the compensation principles of personnel and remuneration policy (see also Compensation Report, page 26);
- 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 chapters on pages 15 and 59 and the Management Report on page 5).
- 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 Management Report of the Executive Management on page 5. For current risks, see also the chapters on risk management on pages 15 and 59.

In 2021, five ordinary and three 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 created 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 11 May 2021.

The Compensation Committee constitutes itself and appoints one of its members as Chairman. The Compensation Committee meets as often as business requires. In 2021, it met two times.

### 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 mem-

bers 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 Management;
- the annual assessment of the members of the Executive Management;
- 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 Management

The members of the Board of Directors are entitled to (a) 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 and, for executive members of the Board of Directors, a (b) variable compensation (bonus). See also Article 27 of the Articles of Association at <http://www.valartisgroup.ch/en/#statuten>; for details see Compensation Report, page 28 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 Management 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 32).

The Compensation Committee decides on the total remuneration of the Board of Directors and the Executive Management 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.

### Insurance and employee benefits

The Compensation Committee periodically evaluates appropriate insurance policies for the members of the Board of Directors and the Executive Management with the involvement of experts and, if necessary, proposes adjustments to the Board of Directors. The Compensation Committee is informed by the Executive Management 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 MANAGEMENT

### Executive Management 2021

Besides being Chairman of the Board of Directors, Gustav Stenbolt assumes the additional function as Delegate of the Board of Directors since 1 March 2017 and is the sole member of the Executive committee since the 1 April 2020.

### Organisation of operational management

The Executive Management 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 Management which decides on business development. The Executive Management 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 Management are listed in the above short biographies. According to the current Articles of Association, Article 25, no member of the Executive Management may hold more than 5 additional offices, of which no more than 1 is 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 34 Related parties and companies, page 94.

## 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 Management in the 2021 business year can be found in the separate Compensation Report (see page 26). Loans to members of the Board of Directors and the Executive Management 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 Management 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 Management are disclosed in the Compensation Report on page 33 ff. 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 10 per cent of the share capital, stating the agenda items and proposals.



#### 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), EPH European Property Holdings PLC and Norinvest Holding SA.

#### Addition to the agenda

The Articles of Association provide that shareholders who together represent at least 3 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 0.22 million in the business year 2021 for services in connection with the audit of the annual financial statements and the audit of the consolidated financial statements of Valartis Group and its Group companies. In the business year 2020, BDO AG charged Valartis Group CHF 0.23 million for the same scope of services.

#### 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 (Directive Ad hoc Publicity, DAH). In 2021, the company published 6 adhoc announcements (see also <https://valartisgroup.ch/en/#adhoc>).

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 adhoc 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, and the Annual General Meeting in May. 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 <https://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 2022

Annual Report 2021	5 April 2022
Closing date for the share register	28 April 2022
Annual General Meeting 2022	17 May 2022
Half-year results 2022	25 August 2022

### Investor Relations

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CH-1700 Fribourg FR  
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### Valartis Market Information

Listing:	SIX Swiss Exchange
Security symbol:	VLRT
Reuters:	VLRT.S
Bloomberg:	VLRT SW
ISIN:	CH0367427686
<a href="http://www.valartisgroup.ch">www.valartisgroup.ch</a>	

## QUIET PERIODS

There are no defined blackout periods. The Board of Directors and Executive Management members are responsible to abstain from using price sensitive information in case they trade any share of the Group.



# COMPENSATION REPORT

DEAR SHAREHOLDERS



Philipp LeibundGut,  
Chairman of the Compensation Committee

The key factor of our compensation system is to place the long-term interest of Valartis Group and its stakeholders at the centre of all our actions. We believe that a consistent and predictable compensation system over time supports employees who take responsibility and demonstrate 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 Management and employees
- Determination of compensation
- Compensation of the Board of Directors
- Compensation of the Executive Management
- Compensation of Employees
- Long Term Incentive Programme description
- Overview of the loans and shareholdings of the members of the Board of Directors and the Executive Management as of year-end 2021

The Compensation Report 2021 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 2021 Annual General Meeting of 11 May 2021 the overall framework for the compensation of the Board of Directors and the Executive Management. 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 Group, 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 Group.

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 19 May 2020 (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 11 May 2021, the General Meeting re-elected Philipp LeibundGut, 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 (2022) on 17 May 2022. 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 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 Management and employees;
- the preparation, development and periodic review of the remuneration policy and performance targets of the Executive Management;
- the periodic review of the implementation of remuneration policy;
- the annual performance assessment of the members of the Executive Management;

- succession planning and nomination for executive management positions;
- the annual review of the remuneration of each member of the Executive Management;
- 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 Management 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 MANAGEMENT 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 Management are excluded.

Valartis Group employs a total of 68 people full-time equivalent at various locations (e.g. Geneva, Zurich, Frankfurt am Main, Hamburg, Stuttgart, Vienna, 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 Management consider it unproductive and disproportionate to make benchmark comparisons when determining the remuneration of both the Executive Management 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 here below). 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.

### Compensation of the Executive Management

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

- The fixed compensation is determined by the task and functional responsibility of the member of the Executive Management.
- 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 Management.
- 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).

### Long Term Incentive Programme

Valartis Group's Long Term Incentive Programme ("LTI") is an integral component of the remuneration system which considers the Group's success and individual performance as well as the objective of long-term employee loyalty and safeguarding shareholder interests (see details on page 32 ff.).

## DETERMINATION OF COMPENSATION

The Compensation Committee decides on the total remuneration of the Board of Directors and the Executive Management 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 Management within the maximum overall amount approved or to be approved by the General Meeting and submits corresponding proposals to the Board of Directors.
- Since the Board of Directors has only three members and 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 Management

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 Management on the proposal of the Compensation Committee.

### Employees

The Delegate of the Board of Directors proposes the amount of bonus per operating business unit, 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 business unit 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 Management

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 2021 Annual General Meeting of 11 May 2021 the overall framework for the compensation of the Board of Directors and the Executive Management. 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 2021, a variable remuneration component for members of the Board of Directors took place through the LTI Programme. 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 Competencies and responsibilities hereafter). The fees of the members of the Board of Directors are fixed for the period between two Annual General Meetings.

The fixed remuneration is to be paid out in cash whereas the variable remuneration is paid in Group share (LTI Programme). Information on loans, shares and options held is disclosed on page 33 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 Group. 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 Group'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 Group 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 organisational 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 Management which had consisted of two members since 2017 after the successful reorganisation of the previous years was further reduced as of the 1 April 2020. Besides being Chairman of the Board of Directors, Gustav Stenbolt assumes the additional function as Delegate of the Board of Directors since 1 March 2017 and is the sole member of the Executive Management since the 1 April 2020.

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 of the consolidated financial statements "Related parties and companies". 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 <sup>1)</sup>	Compensation Committee	Board of Directors	AGM
Compensation of the members of the BoD <sup>1)</sup> , the Chairman and the Delegate of the BoD <sup>1)</sup>		proposal	approval	
Fixed compensation of members of the Executive Management	proposal	review proposal	approval	
Long Term Incentive Programme for the Delegate of the Board of Directors		proposal	approval	
Long Term Incentive Programme for Executive Management members (excluding Delegate of the BoD <sup>1)</sup> )	proposal	review proposal	approval	
Long Term Incentive Programme for the employees	proposal	review proposal	approval	
Total remuneration of the Board of Directors and the Executive Management			proposal	approval

1) Board of Directors

## Compensation of the Board of Directors 2021 and 2020

2021 in CHF	Gustav Stenbolt, Chairman & Delegate of the BoD <sup>2)</sup>	Philipp LeibundGut, Vice Chairman	Olivier Brunisholz, Member	Total
<b>Compensation of the Board of Directors</b>				
Fees from Group companies (fixed)	130,000	80,000	60,000	270,000
Long Term Incentive Programme	70,528	35,264	-	105,792
Compensation of the Delegate of the Board of Directors	123,500	-	-	123,500
Compensation of executive Board member	-	100,000	-	100,000
Pension contributions <sup>1)</sup>	44,766	40,819	4,917	90,502
Other employers' social security contributions <sup>1)</sup>	19,180	11,655	1,509	32,344
Fees for additional services (to related parties) <sup>2)</sup>	323,100	-	-	323,100
Other benefits	6,500	-	-	6,500
<b>Total</b>	<b>717,574</b>	<b>267,738</b>	<b>66,426</b>	<b>1,051,738</b>

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 the financial year 2021 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 70,528 as variable remuneration (LTI) + 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 630,528 as total remuneration, plus social security contributions and VAT.

2020 in CHF	Gustav Stenbolt, Chairman & Delegate of the BoD <sup>3)</sup>	Philipp LeibundGut, Vice Chairman	Olivier Brunisholz, Member	Total
<b>Compensation of the Board of Directors</b>				
Fees from Group companies (fixed)	130,000	105,000	60,000	295,000
Long Term Incentive Programme	82,073	41,036	-	123,109
Compensation of the Delegate of the Board of Directors	123,500	-	-	123,500
Compensation of executive Board member <sup>1)</sup>	-	75,000	-	75,000
Pension contributions <sup>2)</sup>	47,003	40,807	6,380	94,190
Other employers' social security contributions <sup>2)</sup>	19,020	9,352	2,582	30,954
Fees for additional services (to related parties) <sup>3)</sup>	323,100	-	-	323,100
Other benefits	6,500	-	-	6,500
<b>Total</b>	<b>731,196</b>	<b>271,195</b>	<b>68,962</b>	<b>1,071,353</b>

1) Philipp LeibundGut is also executive board member since the 1 April 2020.

2) 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.

3) The remuneration of the Chairman and Delegate of the Board of Directors for the financial year 2020 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 82,073 as variable remuneration (LTI) + 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 642,073 as total remuneration, plus social security contributions and VAT.

## COMPENSATION OF THE EXECUTIVE MANAGEMENT

The remuneration policy for the Executive Management 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 Management 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 Management

The structure of the remuneration system for the Executive Management 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 Management 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 Management 2021 and 2020

The remuneration of the Chairman and Delegate of the Board of Directors for the financial year 2021 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 70,528 as variable remuneration (LTI) + 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 630,528 as total remuneration, plus social security contributions and VAT.

The remuneration of the Chairman and Delegate of the Board of Directors for the financial year 2020 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 82,073 as variable remuneration (LTI) + 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 642,073 as total remuneration, plus social security contributions and VAT.

2020 in CHF	George M. Isliker, CFO/CRO <sup>1)</sup>	Total
<b>Compensation of the Executive Management</b>		
Fixed compensation in cash	162,838	162,838
Employer pension contributions <sup>2)</sup>	22,004	22,004
Other employers' social security contributions	4,970	4,970
<b>Total</b>	<b>189,812</b>	<b>189,812</b>

1) George M. Isliker left Valartis Group by 31 March 2020.

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

The remuneration of the Chairman and Delegate of the Board of Directors for the financial year 2020 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 82,073 as variable remuneration (LTI) + 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 642,073 as total remuneration, plus social security contributions and VAT.

The remuneration of the Chairman and Delegate of the Board of Directors for the financial year 2021 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 70,528 as variable remuneration (LTI) + 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 630,528 as total remuneration, plus social security contributions and VAT.

### 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 Management 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 Note 35 of the Consolidated financial statements and on page 33 ff. of this Compensation Report.

## COMPENSATION OF EMPLOYEES

The remuneration model described for the Executive Management 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 business unit and submits a corresponding proposal to the Compensation Committee (see also page 28). 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, 24 and 33 to the Consolidated financial statements.

## LONG TERM INCENTIVE PROGRAMME DESCRIPTION

In 2021, the Group continued to deploy its Long Term Incentive Program ("LTI") that initially started in 2010 and covers members of the Board of Directors, Executive Management and certain employees based on criteria presented on page 28 ff.

For each participant, the LTI package consists of grant shares ("Award Shares") in combination of a sale of shares at preferential conditions ("Purchase Shares") financed by way of a loan granted by the Valartis Group. In some instances, participants have the possibility to only acquire shares at preferential conditions. In that case, Valartis Group financing is provided only for half of the Purchase Shares. Preferential conditions mean a discount of 16 per cent compared to the relevant market closing price on the previous day of shares allocation. The shares are restricted for a period of 3 years.

In addition, LTI participants are remitted with put options in order to cover the loan value in case they would need to sell their shares to reimburse the financing provided by the Group. The strike price has been set at 42 per cent of the relevant market closing price on the previous day of shares allocation.

Ownership of shares will only vest to the eligible participant if their employment or mandate contract with Valartis Group, or a subsidiary controlled by Valartis Group has not been terminated. In case they have left the Group:

- as a good leaver, both Award and Purchase Shares remain vested to the eligible participant
- as a medium leaver, Award Shares remain vested to the eligible participant. The Group has the right, but not the obligation to acquire any Purchase Shares at the lower of original purchase price and the fair market value.
- as a bad leaver, the Group has the right, but not the obligation to acquire any Award and Purchase Shares at the lower of original purchase price and the fair market value.

The Long Term Incentive Agreement governs conditions and the definition of good, medium and bad leaver.

In case, the Group would repurchase any restricted shares, it will reallocate them as well as the loan portion to one or more participants or buy them for its account to be reissued in a future programme.

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

The table below shows the total loans held by the Board of Directors and the Executive Management, as well as all shares and options listed as of 31 December 2021 with comparative figures for the previous year:

### Loans, shares and options held by the members of the Board of Directors 2021 and 2020

2021 in CHF	Gustav Stenbolt, Chairman & Dele- gate of the BoD	Philipp LeibundGut, Vice Chairman	Olivier Brunisholz, Member	Total
<i>Shareholdings held by and Loans/Credits to Directors</i>				
Number of shares held <sup>1)</sup>	1,923,678	350,814	12,915	2,287,407
Number of shares (entitlements) <sup>2)</sup>	14,000	7,000	1,600	22,600
Value of shares (entitlements) in CHF <sup>2)</sup>	141,056	70,528	16,121	227,705
Loans and credits in CHF <sup>3)</sup>	152,804	76,402	17,003	246,209
Loans and credits to related parties in CHF <sup>4)</sup>	1,547,754	-	-	1,547,754
Number of put options (entitlements) <sup>5) 6)</sup>	14,000	7,000	1,600	22,600
Value of put options (entitlements) in CHF	3,780	1,890	432	6,102
Number of put options (balance)	37,000	18,500	4,100	59,600

1) Includes entitled Valartis Group shares during 2021

2) Entitled shares refer to all shares of Valartis Group all shares granted to participants of the Long Term Incentive Programme in 2021.

3) Refer to loan granted to finance ("Purchase Shares") within the Long Term Incentive Programme in 2020 and 2021

4) Tidesea Ltd, a Swiss stock corporation privately held by the Chairman of the Board of Directors, owns shares in MCG Holding AG (majority shareholder of Valartis Group AG) partially financed by a loan from Valartis Group. This loan was granted in line with market conditions.

5) Put options have been granted to each LTI participant for all Award and Purchase Shares in order to cover the loan value at maturity in case the market value of the shares would not be sufficient to reimburse the financing loan.

6) 1:1 ratio with Group's shares

2020 in CHF	Gustav Stenbolt, Chairman & Dele- gate of the BoD	Philipp LeibundGut, Vice Chairman	Olivier Brunisholz, Member	Total
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#### Shareholdings held by and Loans/Credits to Directors

Number of shares held <sup>1)</sup>	1,909,678	343,814	11,315	2,264,807
Number of shares (entitlements) <sup>2)</sup>	23,000	11,500	2,500	37,000
Value of shares (entitlements) in CHF <sup>2)</sup>	164,450	82,225	17,875	264,550
Loans and credits in CHF <sup>3)</sup>	82,225	41,113	8,937	132,275
Loans and credits to related parties in CHF <sup>4)</sup>	1,536,334	-	-	1,536,334
Number of put options (entitlements) <sup>5) 6)</sup>	23,000	11,500	2,500	37,000
Value of put options (entitlements) in CHF	3,450	1,725	375	5,550
Number of put options (balance)	23,000	11,500	2,500	37,000

1) Includes entitled Valartis Group shares during 2020

2) Entitled shares refer to all shares of Valartis Group all shares granted to participants of the Long Term Incentive Programme in 2020.

3) Refer to loan granted to finance ("Purchase Shares" <sup>5) 6)</sup>) within the Long Term Incentive Programme in 2020

4) Tidesea Ltd, a Swiss stock corporation privately held by the Chairman of the Board of Directors, owns shares in MCG Holding AG (majority shareholder of Valartis Group AG) partially financed by a loan from Valartis Group. This loan was granted in line with market conditions.

5) Put options have been granted to each LTI participant for all Award and Purchase Shares in order to cover the loan value at maturity in case the market value of the shares would not be sufficient to reimburse the financing loan.

6) 1:1 ratio with Group's shares

#### Loans, shares and options held by the members of the Executive Management 2021 and 2020

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 2021 and 2020.

2020 in CHF	George M. Isliker, CFO/CRO <sup>1)</sup>	Total
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#### Shareholdings held by and Loans/Credits to the Executive Management

Number of shares held by	15,285	15,285
Number of shares (entitlements)	-	-
Loans and credits, in CHF	-	-
Loans and credits to related parties, in CHF	-	-

1) George M. Isliker left Valartis Group by 31 March 2020.

There are no loans or credits 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 2021. 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

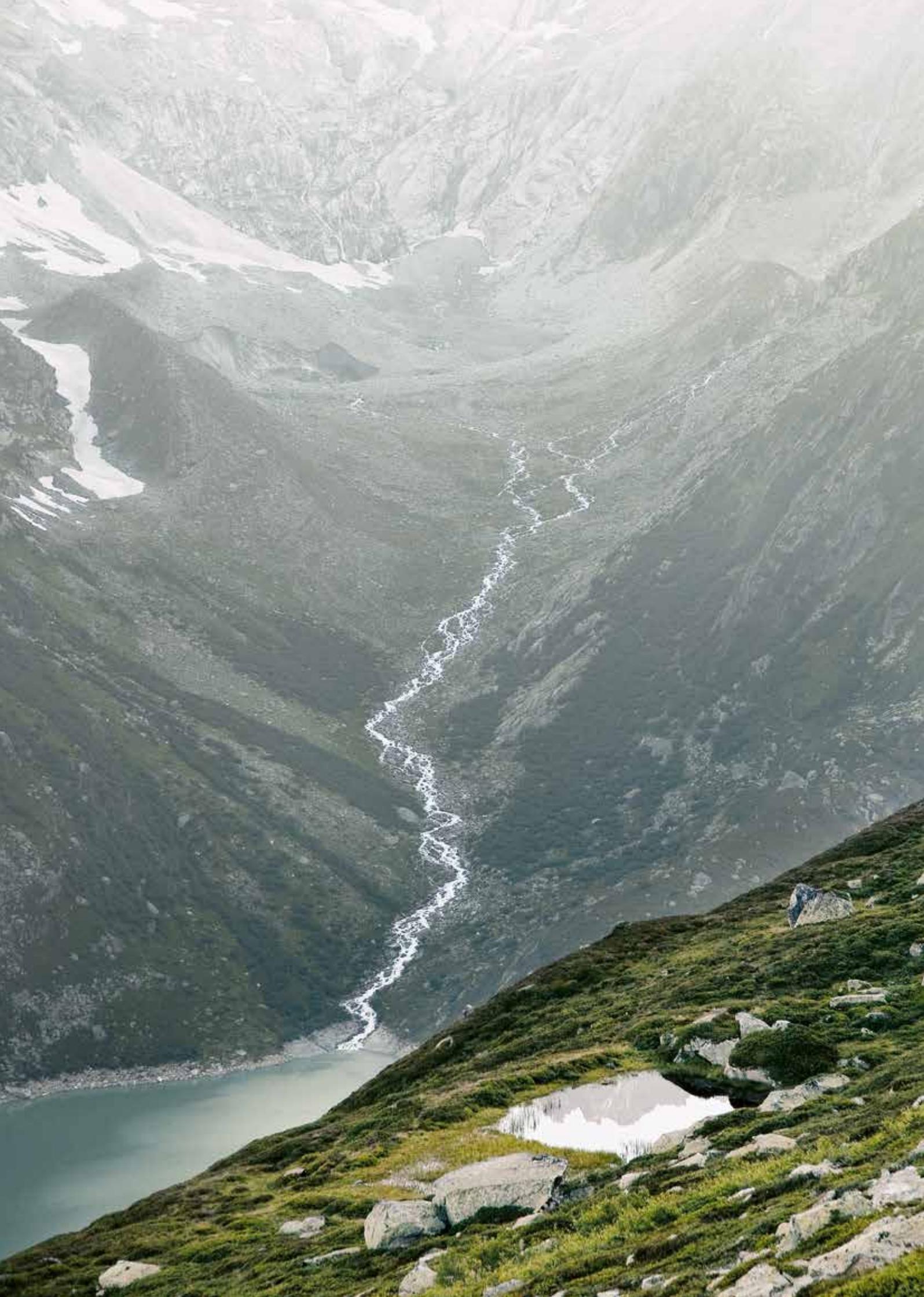
In our opinion, the compensation report of Valartis Group AG for the year ended 31 December 2021 complies with Swiss law and articles 14 - 16 of the Ordinance.

Geneva, 4 April 2022

BDO AG

Nigel Le Masurier  
Auditor in Charge  
Licensed Audit Expert

Olivier Griot  
Licensed Audit Expert



# VALARTIS GROUP CONSOLIDATED FINANCIAL STATEMENTS

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# CONSOLIDATED INCOME STATEMENT

in CHF 1,000	Note	1.1.–31.12.2021	1.1.–31.12.2020
Income from management services	1	5,766	5,331
Income from investment property	2	3,888	3,608
Share of results of associated companies	3	3,474	684
Other income	4	111	208
<b>Total operating income</b>		<b>13,239</b>	<b>9,831</b>
Personnel expenses	5	-5,636	-6,176
General expenses	6	-3,910	-3,916
<b>Administrative expenses</b>		<b>-9,546</b>	<b>-10,092</b>
<b>Earnings before depreciation, valuation adjustments, provisions, interest and taxes</b>		<b>3,693</b>	<b>-261</b>
Depreciation/amortisation of property, plant and equipment and intangible assets	7	-667	-665
Valuation adjustments, provisions and losses	8	455	2,562
<b>Earnings before interest and taxes (EBIT)</b>		<b>3,481</b>	<b>1,636</b>
Financial income	9	4,016	1,579
Financial expenses	9	-1,260	-11,436
<b>Net result from continued operations before taxes</b>		<b>6,237</b>	<b>-8,221</b>
Income taxes	10	-336	-523
<b>Net result from continued operations</b>		<b>5,901</b>	<b>-8,744</b>
Net result from discontinued operations, after taxes	40	-	-1,941
<b>Net result</b>		<b>5,901</b>	<b>-10,685</b>
Net (loss)/gain attributable to shareholders of Valartis Group AG		5,190	-8,385
Net (loss)/gain attributable to non-controlling interests		711	-2,300
in CHF			
<b>Earnings per share</b>			
Undiluted earnings attributable to shareholders of Valartis Group AG		1.33	-2.18
Diluted earnings attributable to shareholders of Valartis Group AG		1.33	-2.18
<b>Earnings per share – continued operations</b>			
Undiluted earnings attributable to shareholders of Valartis Group AG		1.33	-1.67
Diluted earnings attributable to shareholders of Valartis Group AG		1.33	-1.67
<b>Earnings per share – discontinued operations</b>			
Undiluted earnings attributable to shareholders of Valartis Group AG		0.00	-0.51
Diluted earnings attributable to shareholders of Valartis Group AG		0.00	-0.51

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in CHF 1,000	1.1.–31.12.2021	1.1.–31.12.2020
<b>Net result in the income statement</b>	<b>5,901</b>	<b>-10,685</b>
<b>Other comprehensive income which will be reclassified to the income statement</b>		
Foreign exchange translation differences	69	-4,735
<b>Other comprehensive income which will be reclassified to the income statement</b>	<b>69</b>	<b>-4,735</b>
<b>Other comprehensive income which will not be reclassified to the income statement</b>		
Change in fair value of financial assets at fair value through OCI	2,744	-1,605
Remeasurement of defined benefit pension plans	626	93
Associated companies – attributable comprehensive income	-	-
<b>Other comprehensive income which will not be reclassified to the income statement</b>	<b>3,370</b>	<b>-1,512</b>
<b>Total other comprehensive income, after tax</b>	<b>3,439</b>	<b>-6,247</b>
<b>Total comprehensive income</b>	<b>9,340</b>	<b>-16,932</b>
Allocation of total comprehensive income		
attributable to shareholders of Valartis Group AG	8,368	-12,556
attributable to non-controlling interests	972	-4,376

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## Assets

in CHF 1,000	Note	31.12.2021	31.12.2020
Cash and cash equivalents		7,493	10,022
Trading portfolio assets	11	14,267	15,851
Derivative financial instruments	12	5,586	5,143
Other financial assets at fair value	13	19,903	19,498
Due from third parties	14	2,518	23,356
Accrued and deferred assets		652	2,214
<b>Total current assets</b>		<b>50,419</b>	<b>76,084</b>
Financial assets at fair value through OCI	15	30,102	27,357
Property, plant, equipment and leases	16	1,301	1,152
Investment property	17	36,195	34,331
Goodwill	18	1,667	1,607
Associated companies	19	33,186	27,921
Non-current receivables	20	20,498	4,256
<b>Total non-current assets</b>		<b>122,949</b>	<b>96,624</b>
<b>Total current and non-current assets</b>		<b>173,368</b>	<b>172,708</b>
Non-current assets classified as held for sale	40	-	-
<b>Total assets</b>		<b>173,368</b>	<b>172,708</b>

## Liabilities and Shareholders' equity

in CHF 1,000	Note	31.12.2021	31.12.2020
<b>Liabilities</b>			
Accounts payable		619	640
Current financial liabilities	21	10,489	18,952
Derivative financial instruments	12	13	10
Current tax liabilities		622	771
Other current liabilities	22	4,277	4,189
Current provisions	25	51	70
<b>Total current liabilities</b>		<b>16,071</b>	<b>24,632</b>
Non-current financial liabilities	23	38,220	38,471
Liabilities from defined benefit pension plans	24	1,108	1,799
Deferred tax liabilities	10	658	393
Non-current provisions	25	31	40
<b>Total non-current liabilities</b>		<b>40,017</b>	<b>40,703</b>
<b>Total liabilities</b>		<b>56,088</b>	<b>65,335</b>
<b>Shareholders' equity</b>			
Share capital	26	4,299	4,299
Treasury shares	26	-5,584	-6,525
Reserves		95,101	90,319
Cumulated income from financial assets at fair value through OCI		13,187	10,443
Foreign exchange translation differences		-5,768	-5,576
Remeasurement of defined benefit pension plans	24	1,050	424
<b>Shareholders' equity of the shareholders of Valartis Group AG</b>		<b>102,285</b>	<b>93,384</b>
Non-controlling interests		14,995	13,989
<b>Total shareholders' equity (including non-controlling interests)</b>		<b>117,280</b>	<b>107,373</b>
<b>Total liabilities and shareholders' equity</b>		<b>173,368</b>	<b>172,708</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<b>2020</b>	Share capital	Treasury shares	Capital reserves	Retained earnings
in CHF 1,000				
<b>Opening balance at 1 January 2020</b>	<b>4,769</b>	<b>-12,106</b>	<b>-5,804</b>	<b>109,250</b>
Gains/(losses) from financial assets at fair value through OCI	-	-	-	-
Foreign exchange translation differences	-	-	-	-
Remeasurement of defined benefit pension plans	-	-	-	-
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net result	-	-	-	-8,385
<b>Comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-8,385</b>
Dividend payments	-	-	-	-
Change in treasury shares <sup>1)</sup>	-	776	-	-228
Change in scope of consolidation	-	-	-	-179
Transaction with non-controlling interests	-	-	-	-
Share capital reduction	-470	4,805	-	-4,335
<b>Ownership-related changes</b>	<b>-470</b>	<b>5,581</b>	<b>-</b>	<b>-4,742</b>
<b>Total shareholders' equity at 31 December 2020</b>	<b>4,299</b>	<b>-6,525</b>	<b>-5,804</b>	<b>96,123</b>
<b>2021</b>				
in CHF 1,000				
<b>Opening balance at 1 January 2021</b>	<b>4,299</b>	<b>-6,525</b>	<b>-5,804</b>	<b>96,123</b>
Gains/(losses) from financial assets at fair value through OCI	-	-	-	-
Foreign exchange translation differences	-	-	-	-
Remeasurement of defined benefit pension plans	-	-	-	-
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net result	-	-	-	5,190
<b>Comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,190</b>
Dividend payments	-	-	-	-
Change in treasury shares <sup>1)</sup>	-	941	-	-408
Change in scope of consolidation	-	-	-	-
Transaction with non-controlling interests	-	-	-	-
Share capital reduction	-	-	-	-
<b>Ownership-related changes</b>	<b>-</b>	<b>941</b>	<b>-</b>	<b>-408</b>
<b>Total shareholders' equity at 31 December 2021</b>	<b>4,299</b>	<b>-5,584</b>	<b>-5,804</b>	<b>100,905</b>

1) Relates to the Long Term Incentive Programme, see details in Note 33.

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
<b>12,048</b>	<b>-2,917</b>	<b>331</b>	<b>105,571</b>	<b>19,589</b>	<b>-1,469</b>	<b>18,120</b>	<b>123,691</b>
-1,605	-	-	-1,605	-	-	-	-1,605
-	-2,659	-	-2,659	-	-2,076	-2,076	-4,735
-	-	93	93	-	-	-	93
<b>-1,605</b>	<b>-2,659</b>	<b>93</b>	<b>-4,171</b>	<b>-</b>	<b>-2,076</b>	<b>-2,076</b>	<b>-6,247</b>
-	-	-	-8,385	-2,300	-	-2,300	-10,685
<b>-1,605</b>	<b>-2,659</b>	<b>93</b>	<b>-12,556</b>	<b>-2,300</b>	<b>-2,076</b>	<b>-4,376</b>	<b>-16,932</b>
-	-	-	-	-	-	-	-
-	-	-	548	-	-	-	548
-	-	-	-179	-	-	-	-179
-	-	-	-	245	-	245	245
-	-	-	-	-	-	-	-
-	-	-	<b>369</b>	<b>245</b>	-	<b>245</b>	<b>614</b>
<b>10,443</b>	<b>-5,576</b>	<b>424</b>	<b>93,384</b>	<b>17,534</b>	<b>-3,545</b>	<b>13,989</b>	<b>107,373</b>
<b>10,443</b>	<b>-5,576</b>	<b>424</b>	<b>93,384</b>	<b>17,534</b>	<b>-3,545</b>	<b>13,989</b>	<b>107,373</b>
2,744	-	-	2,744	-	-	-	2,744
-	-192	-	-192	-	261	261	69
-	-	626	626	-	-	-	626
<b>2,744</b>	<b>-192</b>	<b>626</b>	<b>3,178</b>	<b>-</b>	<b>261</b>	<b>261</b>	<b>3,439</b>
-	-	-	5,190	711	-	711	5,901
<b>2,744</b>	<b>-192</b>	<b>626</b>	<b>8,368</b>	<b>711</b>	<b>261</b>	<b>972</b>	<b>9,340</b>
-	-	-	-	-	-	-	-
-	-	-	533	-	-	-	533
-	-	-	-	-	-	-	-
-	-	-	-	34	-	34	34
-	-	-	-	-	-	-	-
-	-	-	<b>533</b>	<b>34</b>	-	<b>34</b>	<b>567</b>
<b>13,187</b>	<b>-5,768</b>	<b>1,050</b>	<b>102,285</b>	<b>18,279</b>	<b>-3,284</b>	<b>14,995</b>	<b>117,280</b>

# CONSOLIDATED CASH FLOW STATEMENT

in CHF 1,000	31.12.2021	31.12.2020
Net result after taxes from continued operations	5,901	-8,744
Net result after taxes from discontinued operations	-	-1,941
<b>Net result</b>	<b>5,901</b>	<b>-10,685</b>
Depreciation of property, plant and equipment	667	665
Value adjustment on investment property	-124	-2,938
Share of results of associated companies	-3,474	-684
Change in valuation adjustments and provisions	-331	376
Finance result, net	-2,756	9,857
Change in taxes	336	523
Other non-cash income and expenses	1,030	-5,130
<b>Operating cash flow before changes in the working capital and taxes</b>	<b>1,249</b>	<b>-8,016</b>
Due from third parties	20,838	-1,178
Accrued and deferred assets	1,562	-34
Accounts payables	-21	44
Other current liabilities	88	-453
Taxes paid	-185	-133
<b>Cash flow from/(used in) operating activities from continued operations</b>	<b>23,531</b>	<b>-9,770</b>
Cash flow from/(used in) operating activities from discontinued operations	-	1,941
<b>Cash flow from/(used in) operating activities</b>	<b>23,531</b>	<b>-7,829</b>
Change in trading portfolio assets	2,323	12,152
(Increase)/decrease other financial assets at fair value	-405	-17,711
Realised and unrealised result on forward contracts	-443	-5,090
Non-current receivables	-16,242	393
Interest and dividends received	549	1,407
Purchase of property, plant and equipment, investment property and intangible assets	-542	-618
Sale of property, plant and equipment, investment property and intangible assets	-	2
Acquisition of associated companies	-2,580	-
Dividend income from associated companies	450	278
Acquisition of subsidiaries less acquired cash	-	-2
Sale of subsidiaries less attributable cash	10	-
<b>Cash flow from/(used in) investment activities</b>	<b>-16,880</b>	<b>-9,189</b>

in CHF 1,000	31.12.2021	31.12.2020
Proceeds from/(repayments of) current financial liabilities	-8,463	-1,009
Proceeds from/(repayments of) non-current financial liabilities	-310	23,668
Interest paid	-1,059	-895
Dividends paid to shareholders of the Company	-	-
Change in treasury shares	313	-
Change in non-controlling interests	339	-2,196
Foreign exchange effect on banking loan for the investment property	-	-
<b>Cash flow used in financing activities</b>	<b>-9,180</b>	<b>19,568</b>
Effect of foreign exchange translation differences on cash and cash equivalents (including non-controlling interests)	-	-
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>-2,529</b>	<b>2,550</b>
Position at 1 January	10,022	7,472
Position at 31 December	7,493	10,022
Cash	-	1
Due from banks on demand	7,493	10,021
Total cash and cash equivalents	7,493	10,022



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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 and Zurich), Luxembourg, Frankfurt am Main, Hamburg, Stuttgart, Vienna, St. Petersburg and Moscow with 68 employees (full-time equivalents as of 31 December 2021). 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**

There was no change to the accounting policies during the current reporting period.

### **Standards and interpretations not yet implemented**

Various new and revised IFRS and interpretations should be applied for financial years beginning after 1 January 2022. 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.

### **Amendments to IAS 1**

IAS 1 clarifies a criterion for classification of Liabilities as non-current as the requirement to have the right to defer settlement of the liability for at least 12 months after the reporting period.

### **Amendments to IAS 16**

Proceeds before Intended Use amends IAS 16 Property, Plant and Equipment. The amendments prohibit from deducting from the cost of property, plant and equipment amounts received from selling items produced while the asset is prepared for its intended use. Instead, such sales proceeds and related cost is recognised in profit or loss.

### **Amendments to IAS 37**

Onerous Contracts – Cost of Fulfilling a Contract amends IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

### **Other not yet implemented standards and interpretations**

- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets;
- Amendments to IFRS 3 – Reference to the Conceptual Framework;
- Annual Improvements to IFRS Standards 2018-2020;
- Amendments to IFRS 17.

## APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The 2021 consolidated financial statements were approved by the Board of Directors on 4 April 2022. The consolidated financial statements are subject to the approval of the Shareholders Meeting on 17 May 2022.

## 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 2021. 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

joint ventures are accounted for under Associated companies 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

On the 1 June 2021, the Group sold 100 per cent of its stake in Valartis Immobilier AG, a dormant company, to MCG Holding SA, which is the main shareholder of Valartis Group. Valartis Immobilier AG has been consequently scoped out from the Group consolidation since then.

In July 2021, the Group founded Valartis M LLC, Russia, a new Group entity, which offers corporate director services. Valartis M LLC is fully consolidated since its incorporation.

#### Changes in the scope of consolidation in the previous year:

In July 2020, the Group founded VLR Austria GmbH, a new Group company, which offers real estate property management services. VLR Austria GmbH is fully consolidated since its incorporation.

Since December 2020, the Group took control of Valartis Property Holding Ltd, which is a holding company. Valartis Property Holding Ltd is a fully consolidated subsidiary since then.

#### 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 2020) but have been fully impaired since 31 December 2020.

#### Consolidation period

The consolidation period for all Group companies is the calendar year. The closing date for the consolidated financial statements is 31 December 2021.

#### 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 re-assessment according to IAS 21	Impact of re-assessment according to IAS 21	31.12 after re-assessment according to IAS 21
Currency translation adjustments in equity	2021	-957	1,026	69
Currency translation adjustments in equity	2020	4,810	-9,545	-4,735

#### Income statement:

in CHF 1,000	Reporting period	31.12 before re-assessment according to IAS 21	Impact of re-assessment according to IAS 21	31.12 after re-assessment according to IAS 21
Financial result, net	2021	3,782	-1,026	2,756
Result for the year	2021	6,927	-1,026	5,901
Financial result, net	2020	-19,402	9,545	-9,857
Result for the year	2020	-20,230	9,545	-10,685

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, expense 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:

	2021 Balance sheet date rate	2021 Annual average rate	2020 Balance sheet date rate	2020 Annual average rate
EUR	1.0339	1.0798	1.0822	1.0711
USD	0.9127	0.9137	0.8812	0.9347
RUB (100)	1.2180	1.2367	1.1740	1.2816

### 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 finan-

cial 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 reassessing 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 31. 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 derecognition 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 derecognition, 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.

##### Derivative financial instruments

The Group's derivatives are subsequently remeasured at fair value with all their gains and losses, realised and unrealised, recognised in the consolidated income statement unless they qualify as a hedging relationship.

### 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 designates and documents the use of some derivative financial instruments (options) as hedging instruments against changes in fair values of some financial assets (fair value hedges). The effectiveness of such hedges is assessed at inception and verified on a regular basis to ensure that an economic relationship exists between the hedged item and hedging instrument.

The Group excludes from the designation of the hedging relationship the hedging cost element. Subsequently, this cost element impacts the income statement at the same time as the underlying hedged item.

### Fair value hedges

The Group uses fair value hedges to mitigate the market risk of its some of its financial assets at fair value. Changes in fair values of hedging instruments designated as fair value hedges and the adjustments for the risks being hedged in the carrying amounts of the underlying financial assets are recognised in the income statement.

### 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.

### Leases

As a lessee, the Group recognises 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 for all leases with a term of more than 12 months, unless the underlying asset is of low value. As a lessor, the Group classifies its leases as operating leases or finance leases and accounts for those two types of leases in different ways.

### Definition of a lease

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

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.

When measuring lease liabilities, the Group discounts lease payments using the lease implicit rate or if this rate could not be readily determined, its incremental borrowing rate at 1 January 2021. The weighted-average rate applied is 1.4 per cent.

### As a lessor

The Group accounts for its leases from the date of entering into a new agreement. The corresponding income is recognised in the income statement position "Income from investment property". The Group applies IFRS 15 Revenue from Contracts with Customers to allocate consideration in the contract to each lease and non-lease component.

### 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.

#### Long Term Incentive Programme (LTI)

The LTI package consists of grant shares ("Award Shares") in combination of a sale of shares at preferential conditions ("Purchase Shares") financed by way of a loan granted by the Valartis Group. In addition, put options are granted to each LTI participant in order to cover the loan value.

On the balance sheet date, the fair value of LTI shares for Award Shares estimated for the entire vesting period, the difference between the fair value and the preferential price for Purchase Shares as well as the fair value of the put options are charged to personnel expenses on a pro rata temporis basis. The loan granted to LTI participants is recognised under Non-current receivables and the put option under Derivative Financial Instruments (liabilities).

The Group measures the service rendered by the LTI participants at the fair value of the shares granted i.e. relevant market price on the day of share allocation.

## 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.

#### Fair value of options

The Group determines the fair value of European options, using the Black-Scholes model with the assumption of past underlying's volatility for the time to maturity. In case of American options, the binomial model is taken into consideration for the purpose of determining the fair value.

#### 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.

#### 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 necessary in the Valartis Group's consolidated financial statements for the following year. For the valuation of the associated companies in the 2021 financial year, see the additional explanations in Note 19 Associated companies.

#### Joint-ventures

Briese Schifffahrts GmbH & Co. KG MS "Langeoog", "Folmhusen", "Nesseborg", "Marz", Florentika Management Company LLC 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 2021.

For Briese Schifffahrts GmbH & Co. KG MS "Langeoog", "Folmhusen", "Nesseborg", and "Marz" each owning a vessel, the annual results 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.

#### **Vestive Ltd**

The Group owns 50 per cent stake in Vestive Limited, which in turn owns and operates a parking in Moscow through a Russian company. 50 per cent of Vestive is held by two other investors. According to the provision of the shareholder's agreement, at least one of the two shareholders must vote together with the Group for decision to be endorsed. Due to this setting, Valartis Group does not have control over Vestive, which is therefore classified as associated company, whose 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 impairment test is therefore based on the development in value of the parking garage building, which materialise in adjustment of the receivable toward Vestive carried on the consolidated statement of financial position.

#### **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**

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.

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)
- Operational risk (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. The tables on this page, assess the potential impact of market risk on shareholders' equity.

### 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 2021, these risks mainly arose in connection with the financial investments at fair value through OCI, other financial assets at fair value and the trading portfolio comprising investments in Russian equities.

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

in CHF 1,000	2021	2020
Volume of FVOCI	30,102	27,357
Sensitivity 15% based on SIX volatility p.a.	+/-4,515	+/-4,104
Volume of other financial assets at fair value	19,903	19,498
Sensitivity 30% based on RTX volatility p.a.	+/-5,971	+/-5,849
Volume trading position equities	5,418	4,663
Sensitivity 30% based on RTX volatility p.a.	+/-1,625	+/-1,399

### 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	2021	2020
Volume trading positions debt instruments	6,757	8,968
Sensitivity 1%	+/-68	+/-90

### 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 movements 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	2021	2020
Net currency position in EUR	6,523	4,322
Sensitivity 4% EUR	+/-261	+/-173
Net currency position in USD	7,249	12,219
Sensitivity 4% USD	+/-290	+/-489
Net currency position in RUB	50,529	45,576
Sensitivity 7% RUB	+/-3,537	+/-3,190
Sensitivity 30% RUB	+/-15,158	+/-13,673

Net currency positions are disclosed in Note 29, 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 30) 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
<b>Geographical credit risk 2021</b>				
Cash and cash equivalents	6,268	551	674	7,493
Trading portfolio assets	1,982	8,056	4,229	14,267
Derivative financial instruments	5,586	-	-	5,586
Other financial assets at fair value	1,629	-	18,274	19,903
Due from third parties	132	1,317	1,069	2,518
Accrued and deferred assets	289	53	310	652
Financial assets at fair value through OCI	30,102	-	-	30,102
Non-current receivables	2,010	2,980	15,508	20,498
<b>Total at 31 December 2021</b>	<b>47,998</b>	<b>12,957</b>	<b>40,064</b>	<b>101,019</b>
<b>Geographical credit risk 2020</b>				
Cash and cash equivalents	9,301	535	186	10,022
Trading portfolio assets	2,834	8,851	4,166	15,851
Derivative financial instruments	5,143	-	-	5,143
Other financial assets at fair value	1,250	-	18,248	19,498
Due from third parties	1,646	1,412	20,298	23,356
Accrued and deferred assets	169	844	1,201	2,214
Financial assets at fair value through OCI	27,357	-	-	27,357
Non-current receivables	231	-	4,025	4,256
<b>Total at 31 December 2020</b>	<b>47,931</b>	<b>11,642</b>	<b>48,124</b>	<b>107,697</b>

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
<b>Breakdown by counterparty 2021</b>				
Cash and cash equivalents	7,112	-	381	7,493
Trading portfolio assets	1,458	3,231	9,578	14,267
Derivative financial instruments	-	-	5,586	5,586
Other financial assets at fair value	-	-	19,903	19,903
Due from third parties	-	927	1,591	2,518
Accrued and deferred assets	13	96	543	652
Financial assets at fair value through OCI	-	-	30,102	30,102
Non-current receivables	-	2	20,496	20,498
<b>Total at 31 December 2021</b>	<b>8,583</b>	<b>4,256</b>	<b>88,180</b>	<b>101,019</b>
<b>Breakdown by counterparty 2020</b>				
Cash and cash equivalents	9,956	-	66	10,022
Trading portfolio assets	1,499	3,941	10,411	15,851
Derivative financial instruments	-	-	5,143	5,143
Other financial assets at fair value	-	-	19,498	19,498
Due from third parties	-	1,203	22,153	23,356
Accrued and deferred assets	9	43	2,162	2,214
Financial assets at fair value through OCI	-	-	27,357	27,357
Non-current receivables	-	-	4,256	4,256
<b>Total at 31 December 2020</b>	<b>11,464</b>	<b>5,187</b>	<b>91,046</b>	<b>107,697</b>

**Table 6: Credit risk – quality of assets**

in CHF 1,000	AAA to AA-	A+ to BBB-	BB+ or lower	No external rating	Total
<b>Quality of assets 2021</b>					
Cash and cash equivalents	-	1,652	-	5,841	7,493
Trading portfolio assets	451	3,505	3,431	6,880	14,267
Derivative financial instruments				5,586	5,586
Other financial assets at fair value				19,903	19,903
Due from third parties	89			2,429	2,518
Accrued and deferred assets	163	13	51	425	652
Financial assets at fair value through OCI				30,102	30,102
Non-current receivables	2			20,496	20,498
<b>Total at 31 December 2021</b>	<b>705</b>	<b>5,170</b>	<b>3,482</b>	<b>91,662</b>	<b>101,019</b>
<b>Quality of assets 2020</b>					
Cash and cash equivalents	-	305	-	9,717	10,022
Trading portfolio assets	417	5,177	4,718	5,539	15,851
Derivative financial instruments	-	-	-	5,143	5,143
Other financial assets at fair value	-	-	-	19,498	19,498
Due from third parties	120	-	-	23,236	23,356
Accrued and deferred assets	31	17	64	2,102	2,214
Financial assets at fair value through OCI	-	-	-	27,357	27,357
Non-current receivables	-	-	-	4,256	4,256
<b>Total at 31 December 2020</b>	<b>568</b>	<b>5,499</b>	<b>4,782</b>	<b>96,848</b>	<b>107,697</b>

As in the previous year, there are no overdue receivables without value adjustments for the 2021 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.–31.12.2021	1.1.–31.12.2020
Revenue from management services	5,766	5,331
<b>Revenue from management services</b>	<b>5,766</b>	<b>5,331</b>

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.–31.12.2021	1.1.–31.12.2020
Rental income	3,888	3,608
<b>Total income from investment property</b>	<b>3,888</b>	<b>3,608</b>

Income from investment property comprises the gross rental income from Petrovsky Fort, an office and retail building located in St. Petersburg. Expenses in relation to the Investment Property

are disclosed under General Expenses (see Note 6). Fair value adjustments on the Investment Property are presented under Value Adjustments, provisions and losses (see Note 8).

## 3. SHARE OF RESULTS OF ASSOCIATED COMPANIES

in CHF 1,000	1.1.–31.12.2021	1.1.–31.12.2020
Share in net profit	3,474	1,060
Impairments	-	-376
<b>Total</b>	<b>3,474</b>	<b>684</b>

As of 31 December 2021, the Share in net profit relates to Norinvest Holding SA in the amount of CHF 2.1 million, Brieese Schiffahrts GmbH & Co. KG MS "Folmhusen" in the amount of CHF 0.9 million, Brieese Schiffahrts GmbH & Co. KG MS "Nesseborg" in the amount of CHF 0.3 million, Brieese Schiffahrts GmbH & Co. KG MS "Langeoog" in the amount of CHF 0.1 million, and Société des Carrières SA in the amount of CHF 0.1 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 information. Differences between the actual results and these esti-

mate are corrected in the Valartis Group's consolidated financial statements of the following period.

As of 31 December 2020, the impairments related to net investment in associated companies are mainly composed by: Kaluga Flower Holding in the amount of CHF 0.2 million and Brieese Schiffahrts GmbH & Co. KG MS "Langeoog" in the amount of CHF 0.2 million. The Share in net profit relates to Brieese Schiffahrts GmbH & Co. KG MS "Folmhusen" in the amount of CHF 0.3 million, Brieese Schiffahrts GmbH & Co. KG MS "Nesseborg" in the amount of CHF 0.2 million and Norinvest Holding SA in the amount of CHF 0.6 million.

#### 4. OTHER INCOME

in CHF 1,000	1.1.–31.12.2021	1.1.–31.12.2020
Other income	128	283
Other expenses	-17	-75
<b>Total other income</b>	<b>111</b>	<b>208</b>

The other income and expenses include various consulting fees as well as trade payables adjustments after final payable amount has been agreed.

#### 5. PERSONNEL EXPENSES

in CHF 1,000	1.1.–31.12.2021	1.1.–31.12.2020
Salaries and bonuses	-3,966	-4,187
Social security benefits	-677	-681
Contributions to occupational pension plans	-146	-242
Long Term Incentive Programme (LTI) <sup>1)</sup>	-313	-318
Other personnel expenses	-534	-748
<b>Total</b>	<b>-5,636</b>	<b>-6,176</b>

1) Details in Note 33.

#### 6. GENERAL EXPENSES

in CHF 1,000	1.1.–31.12.2021	1.1.–31.12.2020
Occupancy expense <sup>1)</sup>	-202	-237
IT and information expense	-265	-326
Consultancy, audit, corporate communication and representation expense	-1,887	-1,814
Operating expenses of investment property	-775	-856
Investment property tax and non-recoverable VAT	-420	-364
Other general expenses	-361	-319
<b>Total</b>	<b>-3,910</b>	<b>-3,916</b>

1) Lease contracts with a term of less than 12 months or with low value underlying asset.

#### 7. DEPRECIATION

in CHF 1,000	1.1.–31.12.2021	1.1.–31.12.2020
Depreciation office leases <sup>1)</sup>	-613	-613
Depreciation of property, plant and equipment	-54	-52
<b>Total</b>	<b>-667</b>	<b>-665</b>

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

## 8. VALUE ADJUSTMENTS, PROVISIONS AND LOSSES

in CHF 1,000	1.1.–31.12.2021	1.1.–31.12.2020
Impairments	-2	-483
Impairment reversals	321	29
Value adjustment on investment property	124	2,938
Change in provisions	12	78
<b>Total</b>	<b>455</b>	<b>2,562</b>

In 2021, impairment reversals included an amount of CHF 0.3 million in regard to loans provided to Vestive Ltd., an associated company (2020: impairment of CHF 0.5 million).

Details on Value adjustment on investment property are provided under Note 17.

## 9. FINANCIAL RESULT

in CHF 1,000	1.1.–31.12.2021	1.1.–31.12.2020
Interest and dividend income from trading portfolios	696	923
Other interest income third parties	1,133	656
<b>Total interest and dividend income</b>	<b>1,829</b>	<b>1,579</b>
Net income from financial instruments measured at fair value through profit or loss	379	-
Net foreign exchange gain	1,808	-
<b>Total financial income</b>	<b>4,016</b>	<b>1,579</b>
Interest expenses for loans	-259	-56
Interest expenses on leasing liabilities	-173	-188
Interest expenses for financial liabilities due to banks	-627	-652
<b>Total interest expenses</b>	<b>-1,059</b>	<b>-896</b>
Net loss on trading portfolio assets	-201	-791
Net foreign exchange loss	-	-9,749
<b>Total financial expenses</b>	<b>-1,260</b>	<b>-11,436</b>
<b>Total financial result, net</b>	<b>2,756</b>	<b>-9,857</b>

The Net foreign exchange gain related mainly to translation into Swiss francs of loans, investments (including investment property) and trading assets held in RUB and USD.

## 10. TAXES

### Taxes expense

in CHF 1,000	1.1.–31.12.2021	1.1.–31.12.2020
Current income taxes	-59	-98
Change in deferred taxes	-277	-425
<b>Total income taxes</b>	<b>-336</b>	<b>-523</b>
<b>Analysis of income tax charges</b>		
Net profit/(loss) from continued operations before tax	6,237	-8,221
Net loss from discontinued operations before tax	-	-1,941
Net profit/(loss) before tax	6,237	-10,162
Expected income tax rate <sup>1)</sup>	14.1%	14.1%
Expected income taxes	-881	1,435
<b>Reconciliation from expected to effective income taxes</b>		
Difference between expected and actual tax rate	591	-601
Tax-exempted income (including income from investments)	230	2,111
Not recognised tax loss carry-forwards	-630	-454
Impairment on tax assets	-	-
Use of not recognised tax loss carry-forwards	373	17
Non-tax-deductible expenses	8	-2,944
Other effects	-27	-87
<b>Effective income taxes</b>	<b>-336</b>	<b>-523</b>
Income tax as disclosed in the consolidated income statement	-336	-523
Income tax attributable to discontinued operations	-	-
<b>Effective income taxes</b>	<b>-336</b>	<b>-523</b>

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	2021	2020
<b>Development of deferred tax (assets)/liabilities, net</b>		
Position at 1 January	393	-1
Changes affecting the income statement	275	435
Changes not affecting the income statement	-20	-3
Foreign exchange translation differences	10	-38
<b>Position at 31 December tax liabilities/(assets), net</b>	<b>658</b>	<b>393</b>
<b>Expiry of non-capitalised tax allowances for losses</b>		
Within 1 year	12,044	38
From 1 to 5 years	12,075	23,005
After 5 years	15,098	10,893
<b>Total</b>	<b>39,217</b>	<b>33,936</b>
Expiry of non-capitalised tax allowances for losses from continued operations	-57	-610
Disposal of non-capitalised tax allowances for losses from discontinued operations	-	-
<b>Reconciliation deferred taxes</b>		
<b>Deferred tax assets</b>		
Tax loss carry-forwards	-	-
Others	-	-
Netting	-	-
<b>Total deferred tax assets</b>	<b>-</b>	<b>-</b>
<b>Deferred tax liabilities</b>		
Contingent purchase consideration for European Property Holdings Ltd.	-	22
Property, plant and equipment and investment properties	658	371
Netting	-	-
<b>Total deferred tax liabilities</b>	<b>658</b>	<b>393</b>

# NOTES TO THE CONSOLIDATED BALANCE SHEET

## 11. TRADING PORTFOLIO ASSETS

in CHF 1,000	31.12.2021	31.12.2020
Debt instruments	6,757	8,968
Equity instruments	5,418	4,663
Investment fund units	2,092	2,220
<b>Total trading portfolio assets</b>	<b>14,267</b>	<b>15,851</b>

## 12. DERIVATIVE FINANCIAL INSTRUMENTS

in CHF 1,000	Positive replacement values	Negative replacement values
<i>On equity instruments/indices</i>		
Options (OTC)	5,586	13
<b>Total at 31 December 2021</b>	<b>5,586</b>	<b>13</b>
Options (OTC)	5,143	10
Total at 31 December 2020	5,143	10
<b>Total open derivative financial instruments at 31 December 2021</b>	<b>5,586</b>	<b>13</b>
<b>Total open derivative financial instruments at 31 December 2020</b>	<b>5,143</b>	<b>10</b>

## 13. OTHER FINANCIAL ASSETS AT FAIR VALUE

in CHF 1,000	31.12.2021	31.12.2020
Debt instruments	-	354
Listed equity instruments	18,274	17,894
Non-listed equity instruments	1,629	1,250
<b>Total other financial assets at fair value</b>	<b>19,903</b>	<b>19,498</b>

Listed equity instruments relate to an investment amounting to 4.93 per cent of the share capital of EPH European Property Holdings PLC (EPH) in the context of its share capital increase in December 2020. EPH is listed on the SIX Swiss Exchange.

The Non-listed equity instruments relate to an investment amounting to 3.92 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	31.12.2021	31.12.2020
Due from third parties and associated companies	7,306	31,717
<b>Total due from third parties and associated companies gross</b>	<b>7,306</b>	<b>31,717</b>
Valuation adjustments for default risk	-4,788	-8,361
<b>Total due from third parties and associated companies net</b>	<b>2,518</b>	<b>23,356</b>

In 2021, CHF 9.3 million loans to Kaluga Flower Holding LLC presented in Due from third parties and associated companies were converted into promissory notes and shown under non-current

receivables. In addition, some other amounts due from third parties and associated companies have either been reimbursed or reassessed as non-current receivables.

## 15. FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI

in CHF 1,000	31.12.2021	31.12.2020
Equity instruments	30,102	27,357
<b>Total financial assets at fair value through OCI</b>	<b>30,102</b>	<b>27,357</b>

The investment in Athris AG, classified as financial assets at fair value through OCI, in Athris AG is listed on the BX Swiss, a regulated trading market, since 15 June 2018. 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 is classified as a level 2 instrument. 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.

## 16. PROPERTY, PLANT, EQUIPMENT AND LEASES

in CHF 1,000	Fixtures in third-party properties	IT and telecommunications	Leases	Other property, plant and equipment	Software	Total
<b>Acquisition costs</b>						
Carrying amount at 31 December 2019	463	75	2,160	467	-	3,165
Investments	-	-	-	26	7	33
Divestments	-	-	-	-1	-	-1
Foreign exchange translation differences	-63	-	-	-80	-	-143
<b>Carrying amount at 31 December 2020</b>	<b>400</b>	<b>75</b>	<b>2,160</b>	<b>412</b>	<b>7</b>	<b>3,054</b>
Investments	-	-	763	46	7	816
Divestments	-	-	-	-	-	-
Foreign exchange translation differences	7	-	-	7	-	14
<b>Carrying amount at 31 December 2021</b>	<b>407</b>	<b>75</b>	<b>2,923</b>	<b>465</b>	<b>14</b>	<b>3,884</b>
<b>Cumulative depreciation</b>						
Carrying amount at 31 December 2019	-275	-43	-601	-458	-	-1,377
Depreciation	-22	-18	-613	-11	-1	-665
Foreign exchange translation differences	62	-	-	78	-	140
<b>Carrying amount at 31 December 2020</b>	<b>-235</b>	<b>-61</b>	<b>-1,214</b>	<b>-391</b>	<b>-1</b>	<b>-1,902</b>
Depreciation	-22	-13	-613	-14	-5	-667
Foreign exchange translation differences	-7	-	-	-7	-	-14
<b>Carrying amount at 31 December 2021</b>	<b>-264</b>	<b>-74</b>	<b>-1,827</b>	<b>-412</b>	<b>-6</b>	<b>-2,583</b>
<b>Net carrying amount at 31 December 2021</b>	<b>143</b>	<b>1</b>	<b>1,096</b>	<b>53</b>	<b>8</b>	<b>1,301</b>
<b>Net carrying amount at 31 December 2020</b>	<b>165</b>	<b>14</b>	<b>946</b>	<b>21</b>	<b>6</b>	<b>1,152</b>

## 17. INVESTMENT PROPERTY

in CHF 1,000	Investment property building	Investment property financial leasing	Investment property under construction	Total
Carrying amount at 31 December 2019	38,930	1,730	487	41,147
Investments	585	-	-	585
Transfer from property, plant and equipment	-	-	-	-
Disposals	-2	-	-	-2
Fair value adjustments	2,942	-4	-	2,938
Foreign exchange translation differences	-9,910	-427	-	-10,337
<b>Carrying amount at 31 December 2020</b>	<b>32,545</b>	<b>1,299</b>	<b>487</b>	<b>34,331</b>
Carrying amount at 31 December 2020	32,545	1,299	487	34,331
Investments	489	-	-	489
Transfer from property, plant and equipment	-	-	-	-
Disposals	-	-	-	-
Fair value adjustments	616	-5	-487	124
Foreign exchange translation differences	1,203	48	-	1,251
<b>Carrying amount at 31 December 2021</b>	<b>34,853</b>	<b>1,342</b>	<b>-</b>	<b>36,195</b>

### 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 2021, the fair value based on the external valuation report has increased by CHF 0.6 million on a Ruble basis (31 December 2020: by CHF 2.9 million). This effect has been enhanced in 2021 due to the positive development of the Ruble currency rate against the CHF with an effect of CHF 1.2 million.

### Investment property under construction

Investment property under construction is a parking garage project in Geneva that was abandoned in 2021 and fully impaired accordingly.

### Future receivables from operating leases

The table below presents the future rent receivable in relation to the investment property

in CHF 1,000	31.12.2021	31.12.2020
Future receivables from operating leases		
Remaining term up to 1 year	2,114	1,809
Remaining term from 1 to 5 years	400	525
Remaining term over 5 years	32	46
<b>Total</b>	<b>2,546</b>	<b>2,380</b>

## 18. GOODWILL

in CHF 1,000	Goodwill	Total
<i>Acquisition costs</i>		
<b>Carrying amount at 31 December 2019</b>	<b>2,134</b>	<b>2,134</b>
Investments	-	-
Foreign exchange translation differences	-527	-527
<b>Carrying amount at 31 December 2020</b>	<b>1,607</b>	<b>1,607</b>
Investments	-	-
Foreign exchange translation differences	60	60
<b>Carrying amount at 31 December 2021</b>	<b>1,667</b>	<b>1,667</b>
<i>Cumulative amortisation/impairment</i>		
<b>Carrying amount at 31 December 2019</b>	-	-
<b>Carrying amount at 31 December 2020</b>	-	-
<b>Carrying amount at 31 December 2021</b>	-	-
<b>Net carrying amount at 31 December 2021</b>	<b>1,667</b>	<b>1,667</b>
<b>Net carrying amount at 31 December 2020</b>	<b>1,607</b>	<b>1,607</b>

### Allocation and carrying amounts of goodwill

As of 31 December 2021, the carrying amounts of goodwill for continued operations are allocated to the corresponding cash-generating units (CGU) as follows:

2021 in CHF 1,000	Goodwill	Total	Approach for determining the recoverable amount
CGU Petrovsky Fort (Investment property)	1,667	1,667	Fair Value less cost of disposal
<b>Total</b>	<b>1,667</b>	<b>1,667</b>	
<hr/>			
2020 in CHF 1,000	Goodwill	Total	Approach for determining the recoverable amount
CGU Petrovsky Fort (Investment property)	1,607	1,607	Fair Value less cost of disposal
<b>Total</b>	<b>1,607</b>	<b>1,607</b>	

#### 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-generat-

ing 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 2021 and is explained as per 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 2021 amounts to CHF 1.7 million (previous year: CHF 1.6 million). The increase of CHF 0.1 million compared to the prior year is due to exchange rate difference 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 2021 as well as for prior years, there was no need for impairment.

## 19. ASSOCIATED COMPANIES AND JOINT ARRANGEMENTS

in CHF 1,000	31.12.2021	31.12.2020
Position at 1 January	27,921	27,537
Additions	2,580	-
Dividends	-451	-278
Share in result	3,474	684
Currency translation effects	-338	-22
<b>Position at 31 December</b>	<b>33,186</b>	<b>27,921</b>

### 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 Ltd

In 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 Ltd (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"

In 2018, Valartis Group invested in Briese Schiffahrts GmbH & Co. KG MS "Langeoog", a limited partnership, by way of a contribution as a limited partner for 49.8 per cent of the capital contributions of the company. This percentage of participation in the capital contribution was increased to 50.0 per cent following an additional contribution in 2019.

### Briese Schiffahrts GmbH & Co. KG MS "Folmhusen"

In 2019, Valartis Group invested in Briese Schiffahrts GmbH & Co. KG MS "Folmhusen", a limited partnership, by way of a contribution as a limited partner for 50.0 per cent of the capital contributions of the company.

### Briese Schiffahrts GmbH & Co. KG MS "Nesseborg"

In 2019, Valartis Group invested in Briese Schiffahrts GmbH & Co. KG MS "Nesseborg", a limited partnership, by way of a contribution for 50.0 per cent of the capital contributions of the company.

Briese Schiffahrts GmbH & Co. KG MS "Langeoog", "Folmhusen" and "Nesseborg" operate each a mid-size freight cargo and are in Leer, Germany.

### Briese Schiffahrts GmbH & Co. KG MS "Marz"

In November 2021, Valartis Group invested in Briese Schiffahrts GmbH & Co. KG MS "Marz", a limited partnership, by way of a contribution for 50.0 per cent of the capital contributions of the company, which is in the process of building a mid-size container cargo and is in Leer, Germany. See also Note 39.

### Kaluga Flower Holding LLC

In 2019, the Group acquired a 50 per cent interest in a 27.4 hectare greenhouse and engineering facility for flower growing in Kaluga Oblast in Russia. As of 31 December 2021, the Group has invested RUB 764 million, which represents CHF 9.3 million at current year-end conversion rate, by way of several loans granted to the associated company (31 December 2020: RUB 674 million representing CHF 7.9 million). In addition, the Group's investment in Kaluga Flower Holding LLC's equity amounted to RUB 32 million (CHF 0.5 million).

### Florentika Mangement Company LLC

In October 2021, the Group acquired a 50 per cent interest in Florentika Management Company LLC which was established as a newly incorporated company in the Russian Federation to act as the corporate general manager of Kaluga Flower Holding LLC. See also Note 39.

## Details on associated companies and joint arrangements

in CHF 1,000	Norinvest Group <sup>1) 2)</sup>		Vestive Ltd		Société des Carrières SA		Kaluga Flower Holding LLC	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Revenue	22,939	20,317	444	449	4,463	5,084	8,338	2,352
Result from operations	3,522	292	-625	-1,942	-670	23	-4,720	-5,208
Other comprehensive income	-	-	172	-3,469	-	-	-	-
Total comprehensive income	3,522	292	-453	-5,411	-670	23	-4,720	-5,208
Current assets	573,847	507,342	157	155	4,030	4,073	4,888	2,559
Non-current assets	252,392	228,192	7,617	7,192	10,637	12,241	16,077	10,493
Current liabilities	748,088	668,979	42,604	40,489	1,504	2,060	2,164	1,713
Non-current liabilities	8,209	2,070	-	-	12,154	13,528	28,104	15,826
Shareholder's equity as of 31 December	69,942	64,485	-34,830	-33,142	1,009	726	-9,303	-4,487
Non-controlling interests	-	-	-	-	88	33	-	-
<b>Total shareholders' equity (excluding non-controlling interests)</b>	<b>69,942</b>	<b>64,485</b>	<b>-34,830</b>	<b>-33,142</b>	<b>1,097</b>	<b>759</b>	<b>-9,303</b>	<b>-4,487</b>
Share of the Group	30.8%	30.1%	50.0%	50.0%	33.3%	33.3%	50.0%	50.0%
Total carrying amount of associated companies	21,530	19,394	-	-	366	253	-	-
Goodwill	751	751	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
Net carrying amount	22,281	20,145	-	-	366	253	-	-

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 2022 consolidated financial statements when available.

2) In 2021, as Norinvest Holding SA acquired its treasury shares, the share of the Group increased from 30.1 per cent to 30.8 per cent.

The assets of Vestive Ltd. mainly consist of the Turgenevskaya parking garage in Moscow, valued at USD 8.4 million as of 31 December 2021 (31 December 2020: USD 8.2 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 2021 (31 December 2020: zero).

in CHF 1,000	Briese Schifffahrts GmbH & Co. KG MS "Langeoog" <sup>1)</sup>		Briese Schifffahrts GmbH & Co. KG MS "Folmhusen" <sup>1)</sup>		Briese Schifffahrts GmbH & Co. KG MS "Nesseborg" <sup>1)</sup>		Briese Schifffahrts GmbH & Co. KG MS "Marz" <sup>1) 2)</sup>	Florentika Management Company LLC
	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2021
Revenue	3,174	2,489	3,894	3,138	3,894	3,029	-	-
Result from operations	101	285	1,840	852	532	645	-9	-
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income	101	285	1,840	852	532	645	-9	-
Current assets	869	597	2,183	1,119	1,227	991	2,965	-
Non-current assets	4,027	4,886	8,754	9,702	8,663	9,644	4,976	-
Current liabilities	175	26	167	11	-	11	-	-
Non-current liabilities	1,981	2,587	3,736	4,638	3,745	4,621	2,781	-
Shareholder's equity as of 31 December <sup>1)</sup>	2,740	2,870	7,034	6,172	6,145	6,003	5,160	-
Non-controlling interests	-	-	-	-	-	-	-	-
<b>Total shareholders' equity (excluding non-controlling interests)</b>	<b>2,740</b>	<b>2,870</b>	<b>7,034</b>	<b>6,172</b>	<b>6,145</b>	<b>6,003</b>	<b>5,160</b>	-
Share of the Group	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
Total carrying amount of associated companies	1,370	1,435	3,517	3,086	3,073	3,002	2,580	-
Goodwill	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
Net carrying amount	1,370	1,435	3,517	3,086	3,073	3,002	2,580	-

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

2) On 24 November 2021, a contribution as a limited partner of USD 2.8 was done in Briese Schifffahrts GmbH & Co. KG MS "Marz" which is a limited partnership.

In 2021, following dividend payments were received: CHF 0.1 million from Briese Schifffahrts GmbH & Co. KG MS "Langeoog" (2020: CHF 0.1 million), CHF 0.3 million from Briese Schifffahrts GmbH & Co. KG MS "Folmhusen" (2020: CHF 0.1 million) and CHF 0.1 million from Briese Schifffahrts GmbH & Co. KG MS "Nesseborg" (2020: CHF 0.1 million).

For details on the purchase of the associated interest in Briese Schifffahrts GmbH & Co. KG MS "Marz" and Florentika Management Company, please refer to Note 39.

## 20. NON-CURRENT RECEIVABLES

in CHF 1,000	31.12.2021	31.12.2020
<b>Total non-current receivables gross</b>	<b>25,157</b>	<b>4,256</b>
whereof escrow accounts	-	3,272
Valuation adjustments for default risk	-4,659	-
<b>Total non-current receivables net</b>	<b>20,498</b>	<b>4,256</b>

As of 31 December 2021, Non-current receivables include CHF 11 million promissory notes (loans) including accrued interests to Kaluga Flower Holding LLC. As of 31 December 2020, the loans (CHF 7.9 million) were presented under Due from third parties and were converted into promissory notes in the first half 2021 as part of the new bank financing facility to this entity.

Non-current receivables also include receivables due from the associated companies Inkonika LLC and Société des Carrières SA, a loan to Tidesea Ltd, as well as a claim of CHF 0.8 million (31 December 2020: CHF 0.8 million) for an investment under the

agreement for the participation in shared construction together with contractual penalties related to a residential real estate development comprising of free standing multi-story apartment buildings in Zaytsevo in Odintsovsky district of south-west of Moscow. During 2021, the liquidation process of the project developer continued.

In 2020, the non-current receivable included a CHF 3.3 million receivable from the buyers of EPH European Property Holdings, which has been settled in the course of 2021.

## 21. CURRENT FINANCIAL LIABILITIES

in CHF 1,000	31.12.2021	31.12.2020
Due to banks	7,441	7,449
Other current liabilities	3,048	11,503
<b>Current financial liabilities</b>	<b>10,489</b>	<b>18,952</b>

Due to banks include the principal repayment part (CHF 0.4 million) of a bank loan of CHF 11.9 million (31 December 2020: CHF 12.8 million) to finance the Petrovsky Fort investment

property. The remaining CHF 11.5 million are disclosed under Non-current financial liabilities (31 December 2020: CHF 12.4 million).

## 22. OTHER CURRENT LIABILITIES

in CHF 1,000	31.12.2021	31.12.2020
Value added tax and other indirect tax liabilities	144	171
Accrued and deferred liabilities	4,133	4,018
<b>Total other current liabilities</b>	<b>4,277</b>	<b>4,189</b>

## 23. NON-CURRENT FINANCIAL LIABILITIES

in CHF 1,000	31.12.2021	31.12.2020
Leasing liabilities	2,438	2,254
Non-current financial liabilities	35,782	36,217
<b>Total non-current financial liabilities</b>	<b>38,220</b>	<b>38,471</b>

Non-current financial liabilities include the partial principal repayment (CHF 11.5 million) of a bank loan of CHF 11.9 million (31 December 2020: CHF 12.8 million) to finance the Petrovsky

Fort investment property as well as an investment facility long term loan of CHF 23.9 million.

### Details on leasing liabilities

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

in CHF 1,000	2021	2020
Position at 1 January	2,254	3,298
Investments	763	-
Interest expense	173	188
Lease payments	-799	-805
Translation differences	47	-427
<b>Position at 31 December</b>	<b>2,438</b>	<b>2,254</b>

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

in CHF 1,000	31.12.2021	31.12.2020
Sum of future leasing payments (nominal value)		
Up to 1 year	690	790
More than 1 and up to 5 years	1,264	988
More than 5 years	4,100	4,111
<b>Total</b>	<b>6,054</b>	<b>5,889</b>
Sum of future leasing payments (present value)		
Up to 1 year	519	627
More than 1 and up to 5 years	609	356
More than 5 years	1,310	1,271
<b>Total</b>	<b>2,438</b>	<b>2,254</b>

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 (2020: CHF 0.2 million).

## 24. 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 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 2021, with the following results:

in CHF 1,000	31.12.2021	31.12.2020
Other provision, including provision for pension funds	1,108	1,799
<b>Total defined benefit obligation</b>	<b>1,108</b>	<b>1,799</b>

### Statement of balance sheet item

in CHF 1,000	31.12.2021	31.12.2020
Present value of pension liabilities	7,754	8,814
Market value of plan assets	6,646	7,015
<b>Total pension liabilities/(pension assets)</b>	<b>1,108</b>	<b>1,799</b>

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

in CHF 1,000	2021	2020
Net liabilities/(assets) at 1 January	1,799	1,882
Defined benefit cost recognised in personnel expenses	146	242
Defined benefit cost recognised in other comprehensive income	-626	-93
Employer contributions	-211	-232
Paid out benefits	-	-
<b>Net liabilities/(assets) at 31 December</b>	<b>1,108</b>	<b>1,799</b>

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

in CHF 1,000	2021	2020
Components of pension costs in personnel expenses		
Service costs	272	306
Past service costs	-128	-67
Net interest expense/(income)	2	3
<b>Pension costs for defined benefit plans</b>	<b>146</b>	<b>242</b>
Employer's pension expense for defined contribution plans	-	-
<b>Total pension costs</b>	<b>146</b>	<b>242</b>
whereof discontinued operations	-	-
<b>Total pension costs recognised in personnel expenses</b>	<b>146</b>	<b>242</b>
Defined benefit cost recognised in other comprehensive income		
Actuarial (gain)/loss on liabilities	-585	-59
Actuarial (gain)/loss on assets	-41	-34
<b>Total remeasurement recognised in other comprehensive income</b>	<b>-626</b>	<b>-93</b>

### Change in pension liabilities

in CHF 1,000	2021	2020
Present value of pension liabilities at 1 January	8,814	9,557
Service costs	272	306
Employee contributions	140	155
Interest on pension liabilities	9	19
Paid (out)/in benefits and vested benefits	-768	-1,097
Actuarial (gains)/losses	-585	-59
of which from adjustment to financial assumptions	-246	104
of which from adjustment to demographic assumptions	-164	-
of which from adjustment to experience-based assumptions	-175	-163
Past service costs	-128	-67
<b>Present value of pension liabilities at 31 December</b>	<b>7,754</b>	<b>8,814</b>

### Change in pension assets

in CHF 1,000	2021	2020
Market value of available pension assets at 1 January	7,015	7,675
Employee contributions	140	155
Employer contributions	211	232
Paid (out)/in benefits and vested benefits	-768	-1,097
Expected return on plan assets	7	16
Actuarial loss/(gain)	41	34
<b>Market value of available pension assets at 31 December</b>	<b>6,646</b>	<b>7,015</b>

### Main groups of the pension fund assets

in per cent	31.12.2021	31.12.2020
Liquidity	0.8	1.5
Bonds	56.1	56.4
Real estate	21.4	20.3
Shares and convertibles <sup>1)</sup>	9.8	11.8
Others <sup>2)</sup>	11.9	10.0

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	31.12.2021	31.12.2020
Discount rate (Switzerland)	0.3	0.1
Expected rate of salary increases (Switzerland)	1.5	1.5
Pension adjustments (Switzerland)		-

Demographic assumptions (e.g. probabilities of death, disability and turnover) are based on the BVG/LLP 2020 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	2021	2020
Employee contributions	142	157
Employer contributions	214	235

### 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.

in CHF 1,000	31.12.2021	Proportion in per cent
Current actuarial calculation of the defined benefit obligation	7,754	100
<b>Discount rate</b>		
Increase of 50 basis points	-376	-4.8
Reduction of 50 basis points	424	5.5
<b>Salary trend</b>		
Increase of 50 basis points	53	0.7
Reduction of 50 basis points	-51	-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.

## 25. PROVISIONS

in CHF 1,000	Provision for other business risks	Total according to balance sheet 2021	Total according to balance sheet 2020
Position at 1 January	110	110	200
Utilised/released in accordance with designated purpose	-16	-16	18
Newly formed and charged to income statement	-	-	-
Released and credited to income statement	-12	-12	-78
Foreign exchange translation differences	-	0	-30
<b>Position at 31 December</b>	<b>82</b>	<b>82</b>	<b>110</b>
Maturity of the provisions			
Within 1 year	51	51	70
More than 1 year	31	31	40

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 outflow 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. Provisions mainly relate to operational risks within the real estate activity in Russia.

In 2021, there were no contingent liabilities as set down in IAS 37 (prior year: zero).

## 26. SHARE CAPITAL AND TREASURY SHARES

### Share capital

in CHF	31.12.2021	31.12.2020
Share capital, fully paid-in	4,299,295	4,299,295
Number of registered shares	4,299,295	4,299,295
Nominal value per share	1	1
Equity per share (attributable to shareholders of Valartis Group AG, before appropriation of profit)	25.9	23.9

For the financial year 2021, the Board of Directors proposes to the Shareholders' Meeting 2022 to pay no dividend (previous year: none).

## Treasury shares

	Number of shares
<b>Position at 1 January 2020</b>	<b>932,878</b>
Purchases	
of which for the purpose of cancellation	-
of which for other purposes	-
Sales	-
Long Term Incentive Programme (LTI) (at an average price of CHF 8.50 each) <sup>1)</sup>	-64,500
Cancellation	-470,000
<b>Position at 31 December 2020</b>	<b>398,378</b>
Purchases	
of which for the purpose of cancellation	-
of which for other purposes	-
Sales	-
Long Term Incentive Programme (LTI) (at an average price of CHF 12.00 each) <sup>1)</sup>	-44,400
Cancellation	
<b>Position at 31 December 2021</b>	<b>353,978</b>
of which for the purpose of cancellation	-
of which for other purposes	353,978
Historical cost value at 31 December 2020 in CHF	6,283,009
of which held for the purpose of cancellation	-
of which held for other purposes	6,283,009
Historical average rate at 31 December 2020 in CHF	
of which held for the purpose of cancellation	-
of which held for other purposes	15.77
Historical cost value at 31 December 2021 in CHF	5,582,756
of which held for the purpose of cancellation	-
of which held for other purposes	5,582,756
Historical average rate at 31 December 2021 in CHF	
of which held for the purpose of cancellation	-
of which held for other purposes	15.77

1) Details in the Compensation Report pages 32–33.

### Share buyback programme (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.

The Annual General Meeting on 19 May 2020 has approved a capital reduction by cancellation of the registered shares repurchased under the share buyback programme 2019 and the amendment to the Articles of Association (capital reduction) with regard to the actual number of repurchased shares. The capital reduction has been filled in October 2020.

## ADDITIONAL INFORMATION

### 27. EARNINGS PER SHARE

	2021	2020
Net result attributable to the shareholders of Valartis Group AG in CHF 1,000	5,190	-8,385
Net result from continued operations attributable to the shareholders of Valartis Group AG, in CHF 1,000	5,190	-6,444
Net result from discontinued operations attributable to the shareholders of Valartis Group AG, in CHF 1,000	-	-1,941
Weighted average number of shares	4,299,295	4,688,393
less weighted average number of treasury shares	-397,770	-835,411
Undiluted weighted average number of shares	3,901,525	3,852,982
Diluted weighted average number of shares	3,901,525	3,852,982
<b>Earnings per share</b>	<b>in CHF</b>	<b>in CHF</b>
Undiluted, attributable to shareholders of Valartis Group AG	1.33	-2.18
Diluted, attributable to shareholders of Valartis Group AG	1.33	-2.18
<b>Earnings per share from continued operations</b>		
Undiluted, attributable to shareholders of Valartis Group AG	1.33	-1.67
Diluted, attributable to shareholders of Valartis Group AG	1.33	-1.67
<b>Earnings per share from discontinued operations</b>		
Undiluted, attributable to shareholders of Valartis Group AG	0.00	-0.51
Diluted, attributable to shareholders of Valartis Group AG	0.00	-0.51

### 28. 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 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	31.12.2021	31.12.2020
MCG Holding SA, Baar ZG	50.3	50.3
Beat Kähli	10.5 <sup>1)</sup>	0.0
Nebag AG, Zurich	4.5 <sup>1)</sup>	5.9
Gustav Stenbolt	2.0	1.6
Philipp LeibundGut	0.7	0.5

1) As of the 31 December 2021, in addition to the Valartis Group shares owned and disclosed here above, Beat Kähli holds an option contract to acquire 4.7 per cent of the capital of Valartis Group from Nebag AG.

As per 31 December 2021 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.

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

## 29. CONSOLIDATED STATEMENT OF FINANCIAL POSITIONS BY CURRENCY

2021 in CHF 1,000	CHF	EUR	USD	RUB	Total currencies
<b>Assets</b>					
Cash and cash equivalents	4,843	1,881	64	705	7,493
Trading portfolio assets	2,594	2,117	9,258	298	14,267
Derivative financial instruments	-	-	5,586	-	5,586
Other financial assets at fair value	1,629	-	18,274	-	19,903
Due from third parties	142	2,053	23	300	2,518
Accrued and deferred assets	351	16	245	40	652
<b>Total current assets</b>	<b>9,559</b>	<b>6,067</b>	<b>33,450</b>	<b>1,343</b>	<b>50,419</b>
Financial assets at fair value through OCI	30,102	-	-	-	30,102
Property, plant and equipment	542	54	-	705	1,301
Investment property	-	-	-	36,195	36,195
Goodwill and other intangible assets	-	-	-	1,667	1,667
Associated companies	22,647	10,537	-	2	33,186
Non-current receivables	1,961	2,980	996	14,561	20,498
<b>Total non-current assets</b>	<b>55,252</b>	<b>13,571</b>	<b>996</b>	<b>53,130</b>	<b>122,949</b>
<b>Total current and non-current assets</b>	<b>64,811</b>	<b>19,638</b>	<b>34,446</b>	<b>54,473</b>	<b>173,368</b>
Non-current assets classified as held for sale	-	-	-	-	-
<b>Total assets</b>					<b>173,368</b>
Claims arising from forex spot and forward trans.	-	-	-	-	-
<b>Total at 31 December 2021</b>	<b>64,811</b>	<b>19,638</b>	<b>34,446</b>	<b>54,473</b>	<b>173,368</b>
<b>Liabilities and shareholders' equity</b>					
Accounts payables	178	382	3	56	619
Current financial liabilities	7,032	408	3,049	-	10,489
Derivative financial instruments	13	-	-	-	13
Current tax liabilities	91	512	19	-	622
Other current liabilities	2,549	298	266	1,164	4,277
Current provisions	-	51	-	-	51
<b>Total current liabilities</b>	<b>9,863</b>	<b>1,651</b>	<b>3,337</b>	<b>1,220</b>	<b>16,071</b>
Non-current financial liabilities	856	11,465	23,860	2,039	38,220
Defined benefit obligation	1,108	-	-	-	1,108
Deferred tax liabilities	-	-	-	658	658
Provisions	-	1	-	30	31
<b>Total non-current liabilities</b>	<b>1,964</b>	<b>11,466</b>	<b>23,860</b>	<b>2,727</b>	<b>40,017</b>
Shareholders' equity	117,280	-	-	-	117,280
<b>On-balance-sheet liabilities</b>	<b>129,107</b>	<b>13,117</b>	<b>27,197</b>	<b>3,947</b>	<b>173,368</b>
<b>Total liabilities</b>					<b>173,368</b>
Oblig. arising from forex spot and forward trans.	-	-	-	-	-
<b>Total at 31 December 2021</b>	<b>129,107</b>	<b>13,117</b>	<b>27,197</b>	<b>3,947</b>	<b>173,368</b>
<b>Net position per currency 31 December 2021</b>	<b>-64,296</b>	<b>6,521</b>	<b>7,249</b>	<b>50,526</b>	

<b>2020</b> in CHF 1,000	CHF	EUR	USD	RUB	Total currencies
<b>Assets</b>					
Cash and cash equivalents	3,567	2,886	3,370	199	10,022
Trading portfolio assets	2,568	2,216	10,551	516	15,851
Derivative financial instruments	-	-	5,143	-	5,143
Other financial assets at fair value	1,250	-	18,248	-	19,498
Due from third parties	1,655	9,959	1,006	10,736	23,356
Accrued and deferred assets	174	1,285	105	650	2,214
<b>Total current assets</b>	<b>9,214</b>	<b>16,346</b>	<b>38,423</b>	<b>12,101</b>	<b>76,084</b>
Financial assets at fair value through OCI	27,357	-	-	-	27,357
Property, plant and equipment	799	14	-	339	1,152
Investment property	488	-	-	33,843	34,331
Goodwill and other intangible assets	-	-	-	1,607	1,607
Associated companies	20,145	7,775	-	1	27,921
Non-current receivables	182	-	3,321	753	4,256
<b>Total non-current assets</b>	<b>48,971</b>	<b>7,789</b>	<b>3,321</b>	<b>36,543</b>	<b>96,624</b>
<b>Total current and non-current assets</b>	<b>58,185</b>	<b>24,135</b>	<b>41,744</b>	<b>48,644</b>	<b>172,708</b>
Non-current assets classified as held for sale	-	-	-	-	-
<b>Total assets</b>					<b>172,708</b>
Claims arising from forex spot and forward trans.	-	-	-	-	-
<b>Total at 31 December 2020</b>	<b>58,185</b>	<b>24,135</b>	<b>41,744</b>	<b>48,644</b>	<b>172,708</b>
<b>Liabilities and shareholders' equity</b>					
Accounts payables	182	362	47	49	640
Current financial liabilities	7,040	5,820	6,092	-	18,952
Derivative financial instruments	10	-	-	-	10
Current tax liabilities	115	648	8	-	771
Other current liabilities	2,680	503	27	979	4,189
Current provisions	-	70	-	-	70
<b>Total current liabilities</b>	<b>10,027</b>	<b>7,403</b>	<b>6,174</b>	<b>1,028</b>	<b>24,632</b>
Non-current financial liabilities	1,083	12,409	23,352	1,627	38,471
Defined benefit obligation	1,799	-	-	-	1,799
Deferred tax liabilities	20	-	-	373	393
Provisions	-	-	-	40	40
<b>Total non-current liabilities</b>	<b>2,902</b>	<b>12,409</b>	<b>23,352</b>	<b>2,040</b>	<b>40,703</b>
Shareholders' equity	107,373	-	-	-	107,373
<b>On-balance-sheet liabilities</b>	<b>120,302</b>	<b>19,812</b>	<b>29,526</b>	<b>3,068</b>	<b>172,708</b>
<b>Total liabilities</b>					<b>172,708</b>
Oblig. arising from forex spot and forward trans.	-	-	-	-	-
<b>Total at 31 December 2020</b>	<b>120,302</b>	<b>19,812</b>	<b>29,526</b>	<b>3,068</b>	<b>172,708</b>
<b>Net position per currency 31 December 2020</b>	<b>-62,117</b>	<b>4,323</b>	<b>12,218</b>	<b>45,576</b>	

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

2021 in CHF 1,000	Demand	Due within 3 months	Due within 3 to 12 months	Due within 1 to 5 years	Due after 5 years	Total
<b>Assets</b>						
Cash and cash equivalents	7,493	-	-	-	-	7,493
Trading portfolio assets	14,267	-	-	-	-	14,267
Derivative financial instruments	-	5,586	-	-	-	5,586
Other financial assets at fair value	-	18,274	1,629	-	-	19,903
Due from third parties	150	952	1,416	-	-	2,518
Accrued and deferred assets	30	414	208	-	-	652
<b>Total current assets</b>	<b>21,940</b>	<b>25,226</b>	<b>3,253</b>	<b>-</b>	<b>-</b>	<b>50,419</b>
Financial assets at fair value through OCI	-	-	-	30,102	-	30,102
Property, plant and equipment	-	151	359	602	189	1,301
Investment property	-	-	-	-	36,195	36,195
Goodwill and other intangible assets	-	-	-	-	1,667	1,667
Associated companies	-	-	-	-	33,186	33,186
Non-current receivables	-	-	-	20,547	-49	20,498
<b>Total non-current assets</b>	<b>-</b>	<b>151</b>	<b>359</b>	<b>51,251</b>	<b>71,188</b>	<b>122,949</b>
<b>Total current and non-current assets</b>	<b>21,940</b>	<b>25,377</b>	<b>3,612</b>	<b>51,251</b>	<b>71,188</b>	<b>173,368</b>
Non-current assets classified as held for sale	-	-	-	-	-	-
<b>Total at 31 December 2021</b>	<b>21,940</b>	<b>25,377</b>	<b>3,612</b>	<b>51,251</b>	<b>71,188</b>	<b>173,368</b>
<b>Liabilities and shareholders' equity</b>						
Accounts payables	-	235	384	-	-	619
Current financial liabilities	3,073	98	7,318	-	-	10,489
Derivative financial instruments	-	-	13	-	-	13
Current tax liabilities	-	19	603	-	-	622
Other current liabilities	95	1,777	2,405	-	-	4,277
Current provisions	-	-	51	-	-	51
<b>Total current liabilities</b>	<b>3,168</b>	<b>2,129</b>	<b>10,774</b>	<b>-</b>	<b>-</b>	<b>16,071</b>
Non-current financial liabilities	-	152	362	36,396	1,310	38,220
Defined benefit obligation	-	-	-	1,108	-	1,108
Deferred tax liabilities	-	-	-	-	658	658
Provisions	-	-	-	31	-	31
<b>Total non-current liabilities</b>	<b>-</b>	<b>152</b>	<b>362</b>	<b>37,535</b>	<b>1,968</b>	<b>40,017</b>
<b>Total liabilities</b>	<b>-</b>	<b>152</b>	<b>362</b>	<b>37,535</b>	<b>1,968</b>	<b>56,088</b>
Contingent liabilities	-	-	-	-	-	-
<b>Total at 31 December 2021</b>	<b>3,168</b>	<b>2,281</b>	<b>11,136</b>	<b>37,535</b>	<b>1,968</b>	<b>56,088</b>

<b>2020</b> in CHF 1,000	Demand	Due within 3 months	Due within 3 to 12 months	Due within 1 to 5 years	Due after 5 years	Total
<b>Assets</b>						
Cash and cash equivalents	9,907	115	-	-	-	10,022
Trading portfolio assets	15,851	-	-	-	-	15,851
Derivative financial instruments	-	5,143	-	-	-	5,143
Other financial assets at fair value	-	17,894	1,250	354	-	19,498
Due from third parties	565	12,101	6,449	4,241	-	23,356
Accrued and deferred assets	16	1,981	133	84	-	2,214
<b>Total current assets</b>	<b>26,339</b>	<b>37,234</b>	<b>7,832</b>	<b>4,679</b>	-	<b>76,084</b>
Financial assets at fair value through OCI	-	1,722	-	25,635	-	27,357
Property, plant and equipment	-	153	460	371	168	1,152
Investment property	-	-	-	-	34,331	34,331
Goodwill and other intangible assets	-	-	-	-	1,607	1,607
Associated companies	-	-	-	-	27,921	27,921
Non-current receivables	-	-	-	4,256	-	4,256
<b>Total non-current assets</b>	-	<b>1,875</b>	<b>460</b>	<b>30,262</b>	<b>64,027</b>	<b>96,624</b>
<b>Total current and non-current assets</b>	<b>26,339</b>	<b>39,109</b>	<b>8,292</b>	<b>34,941</b>	<b>64,027</b>	<b>172,708</b>
Non-current assets classified as held for sale	-	-	-	-	-	-
<b>Total at 31 December 2020</b>	<b>26,339</b>	<b>39,109</b>	<b>8,292</b>	<b>34,941</b>	<b>64,027</b>	<b>172,708</b>
<b>Liabilities and shareholders' equity</b>						
Accounts payables	-	198	442	-	-	640
Current financial liabilities	2,943	102	15,907	-	-	18,952
Derivative financial instruments	-	-	10	-	-	10
Current tax liabilities	-	14	757	-	-	771
Other current liabilities	197	601	3,391	-	-	4,189
Current provisions	-	-	70	-	-	70
<b>Total current liabilities</b>	<b>3,140</b>	<b>915</b>	<b>20,577</b>	-	-	<b>24,632</b>
Non-current financial liabilities	-	-	-	37,199	1,272	38,471
Defined benefit obligation	-	-	-	1,799	-	1,799
Deferred tax liabilities	-	-	-	393	-	393
Provisions	-	-	-	40	-	40
<b>Total non-current liabilities</b>	-	-	-	<b>39,431</b>	<b>1,272</b>	<b>40,703</b>
<b>Total liabilities</b>	-	-	-	-	-	<b>65,335</b>
Contingent liabilities	-	-	-	-	-	-
<b>Total at 31 December 2020</b>	<b>3,140</b>	<b>915</b>	<b>20,577</b>	<b>39,431</b>	<b>1,272</b>	<b>65,335</b>

### 31. 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	31.12.2021			31.12.2020		
	Book value	Fair value	Variation	Book value	Fair value	Variation
<b>Assets</b>						
Cash and cash equivalents	7,493	7,493	-	10,022	10,022	-
Due from third parties	2,518	2,518	-	23,356	23,356	-
Accrued and deferred assets	652	652	-	2,214	2,214	-
Non-current receivables	20,498	20,498	-	4,256	4,256	-
<b>Financial assets at amortised costs</b>	<b>31,161</b>	<b>31,161</b>	-	<b>39,848</b>	<b>39,848</b>	-
Trading portfolio assets	14,267	14,267	-	15,851	15,851	-
Derivative financial instruments	5,586	5,586	-	5,143	5,143	-
Other financial assets at fair value	19,903	19,903	-	19,498	19,498	-
Financial assets at fair value through OCI	30,102	30,102	-	27,357	27,357	-
<b>Financial assets at fair value</b>	<b>69,858</b>	<b>69,858</b>	-	<b>67,849</b>	<b>67,849</b>	-
<b>Liabilities</b>						
Accounts payables	619	619	-	640	640	-
Current financial liabilities	10,489	10,489	-	18,952	18,952	-
Current income taxes	622	622	-	771	771	-
Other current liabilities	4,277	4,277	-	4,189	4,189	-
Non-current financial liabilities	38,219	38,219	-	38,471	38,471	-
<b>Financial liabilities at amortised costs</b>	<b>54,226</b>	<b>54,226</b>	-	<b>63,023</b>	<b>63,023</b>	-
Derivative financial instruments	13	13	-	10	10	-
<b>Financial liabilities at fair value</b>	<b>13</b>	<b>13</b>	-	<b>10</b>	<b>10</b>	-

The following table shows the financial assets and 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, pages 52 and 53.

<b>2021</b> 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)	31.12.2021
<b>Assets</b>				
Trading portfolio assets	8,944	-	5,323	14,267
Derivative financial instruments	-	-	5,586	5,586
Other financial assets at fair value	18,274	-	1,629	19,903
Financial assets at fair value through OCI	-	30,102	-	30,102
Investment property	-	-	36,195	36,195
<b>Assets at fair value</b>	<b>27,218</b>	<b>30,102</b>	<b>48,733</b>	<b>106,053</b>
<b>Liabilities</b>				
Derivative financial instruments	-	13	-	13
<b>Total financial liabilities at fair value</b>	<b>-</b>	<b>13</b>	<b>-</b>	<b>13</b>
<b>2020</b> 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)	31.12.2020
<b>Assets</b>				
Trading portfolio assets	10,511	-	5,340	15,851
Derivative financial instruments	-	-	5,143	5,143
Other financial assets at fair value	17,894	-	1,604	19,498
Financial assets at fair value through OCI	-	27,357	-	27,357
Investment property	-	-	34,331	34,331
<b>Assets at fair value</b>	<b>28,405</b>	<b>27,357</b>	<b>46,418</b>	<b>102,180</b>
<b>Liabilities</b>				
Derivative financial instruments	-	-	10	10
<b>Total financial liabilities at fair value</b>	<b>-</b>	<b>-</b>	<b>10</b>	<b>10</b>

The following table shows the movement of the Level 3 financial assets and liabilities measured at fair value.

<b>2021</b> in CHF 1,000	1.1.2021	Recognised in the income statement	Net income recognised in OCI	Transfer from/(to) level 1 and level 2	Purchase	Sales	31.12.2021
Trading portfolio assets	5,340	-17	-	-	-	-	5,323
Derivative financial instruments	5,143	443	-	-	-	-	5,586
Financial assets at fair value through OCI	-	-	-	-	-	-	-
Other financial assets at fair value	1,604	25	-	-	-	-	1,629
Investment property	34,331	124	1,251	-	489	-	36,195
<b>Total assets at fair value (level 3)</b>	<b>46,418</b>	<b>575</b>	<b>1,251</b>	<b>-</b>	<b>489</b>	<b>-</b>	<b>48,733</b>
Derivative financial instruments	10	-	-	-10	-	-	-
<b>Total financial liabilities at fair value (level 3)</b>	<b>10</b>	<b>-</b>	<b>-</b>	<b>-10</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2020</b> in CHF 1,000	1.1.2020	Recognised in the income statement	Net income recognised in OCI	Transfer from/(to) level 1 and level 2	Purchase	Sales	31.12.2020
Trading portfolio assets	5,674	-334	-	-	-	-	5,340
Derivative financial instruments	-	5,143	-	-	-	-	5,143
Financial assets at fair value through OCI	-	-	-	-	-	-	-
Other financial assets at fair value	1,633	-29	-	-	-	-	1,604
Investment property	41,147	2,938	-10,337	-	585	-2	34,331
<b>Total assets at fair value (level 3)</b>	<b>48,454</b>	<b>7,718</b>	<b>-10,337</b>	<b>-</b>	<b>585</b>	<b>-2</b>	<b>46,418</b>
Derivative financial instruments	-	10	-	-	-	-	10
<b>Total financial liabilities at fair value (level 3)</b>	<b>-</b>	<b>10</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10</b>

### 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.

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

Significant, unobservable inputs in the evaluation of the investment property Petrovsky Fort	31.12.2021	31.12.2020
Fair value of Petrovsky Fort (investment property)		
in RUB	2,861,390,000	2,772,000,000
in CHF	34,853,000	32,545,000
Capitalisation rate for income capitalisation	10.25%	10.25%
Discount rate for discounted cash flow	14.25%	13.50%
Estimated Rental Value (ERV) per square meter in RUB	12,730	12,600

### Effects of changes in input parameters on fair value

The fair values of the investment property were determined using a 3 per cent vacancy rate for 2021 year-end valuation. Should this rate be increased by 5 per cent, the valuation of the property would decrease by RUB 132.9 million from RUB 2,861.4 million to RUB 2,728.5 million. The previous year valuation used a 4 per cent vacancy rate and had this rate increased by 5 per cent, the 2020 year-end valuation would have reduced by RUB 45.0 million from RUB 2,772.0 million to RUB 2,727.0 million.

If the ERV (Estimated Rental Value) decreases by 5 per cent then the value of the investment property would decrease by RUB 42.1 million from RUB 2,861.4 million to RUB 2,819.3 million. The same variance of ERV would have caused the investment property to decrease by RUB 133.0 million from RUB 2,772.0 to RUB 2,639.0 million for the 2020 year-end valuation.

## 32. INFORMATION ON HEDGING INSTRUMENTS

in CHF 1,000	1.1.–31.12.2021	1.1.–31.12.2020
Fair value hedges		
Positive replacement values of Options (OTC)	5,586	5,143
<b>Total</b>	<b>5,586</b>	<b>5,143</b>
in CHF 1,000	1.1.–31.12.2021	1.1.–31.12.2020
Ineffectiveness		
Fair value hedges	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

### 33. LONG TERM INCENTIVE PROGRAMME (LTI)

Number	2021	2020
Holdings of rights at 1 January	-	-
Allotted rights (addition) <sup>1)</sup>	44,400	64,500
Granted during the year (reduction) <sup>1)</sup>	-44,400	-64,500
<b>Holdings of rights at 31 December</b>	<b>-</b>	<b>-</b>
Average price of shares upon allotment, in CHF	12.00	8.50
in CHF 1,000		
Charged as personnel expense in the year under review	-313	-318
of which continued operations	-313	-318
of which discontinued operations	-	-

1) Refer to Valartis Group all shares granted to participants of the Long Term Incentive Programme.

The Long Term Incentive Programme (the "LTI") as implemented by the Group is a share-based performance-related remuneration offered to elected members of the Board of Directors and Executive Management as well as employees to reward and retain them on a long-term basis. The LTI package consists of a certain number of grant shares ("Award Shares") in combination of a sale of shares at preferential conditions ("Purchase Shares") financed by way of a loan granted by the Valartis Group. The shares are awarded or sold at a preferential price corresponding to 84 per cent of the relevant market price on the day of shares allocation because the shares are restricted for a period of 3 years and cannot be sold during this period.

Ownership of shares will only vest to the eligible participant if their employment or mandate contract with Valartis Group, or a subsidiary controlled by Valartis Group has not been terminated. In case, they have left the Group:

- as a good leaver, both Award and Purchase Shares remain vested to the eligible participant
- as a medium leaver, Award Shares remain vested to the eligible participant. The Group has the right, but not the obligation to acquire any Purchase Shares at the lower of original purchase price and the fair market value.

- as a bad leaver, the Group has the right, but not the obligation to acquire any Award and Purchase Shares at the lower of original purchase price and the fair market value.

The Long Term Incentive Agreement governs conditions and the definition of good, medium and bad leaver.

In case, the Group would repurchase any restricted shares, it will reallocate them as well as the loan portion to one or more participants or buy them for its account to be reissued in a future programme.

In addition, put options are granted to each LTI participant for all Award and Purchase Shares in order to cover the loan value at maturity in case the market value of the shares would not be sufficient. The strike price has been set a 42 per cent of the relevant market price on the day of shares allocation.

The Group fulfils its requirement in regard to the LTI shares distribution using its treasury shares acquired over the former periods.

### 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 operatio-

nal and financial decisions. The following table provides an overview of transactions with related parties and companies:

in CHF 1,000	31.12.2021	31.12.2020
<b>Assets</b>		
Key management and relatives	246	132
Associated companies	17,656	20,996
Other related entities <sup>1)</sup>	2,424	2,039
<b>Total</b>	<b>20,326</b>	<b>23,167</b>
<b>Liabilities</b>		
Key management and relatives	-	-
Associated companies	-	5,505
Other related entities	1	-
<b>Total</b>	<b>1</b>	<b>5,505</b>
<b>Expenses</b>		
Key management and relatives	-878	-780
Associated companies	-20	-3
Other related entities	-660	-323
<b>Total</b>	<b>-1,558</b>	<b>-1,106</b>
<b>Income</b>		
Key management and relatives	-	-
Associated companies	4,611	958
Other related entities	4,044	2,435
<b>Total</b>	<b>8,655</b>	<b>3,393</b>

1) Includes CHF 0.2 million loan granted to the LTI participant to finance the Purchase Shares, please refer to Note 33.

Assets associated companies comprise CHF 11.0 million promissory loans to Kaluga Flower Holding LLC, CHF 3.8 million of loans toward Inkonika LLC, a loan of CHF 2.9 million to Société des Carrières SA. Assets other related entities comprises a loan of CHF 1.5 million granted to a company privately held by the Chairman of the Board of Directors (see Note 28).

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 organisation has increased significantly and since 2017 included tasks which traditionally are not directly performed by these two func-

tions, 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 (2020: CHF 0.3 million). 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

#### 2021

Members of the Board of Directors	Gustav Stenbolt, Chairman & Delegate of the BoD	Philipp LeibundGut, Vice Chairman	Olivier Brunisholz, Member	Total
Numbers of shares	1,923,678	350,814	12,915	2,287,407
Loans and advances in CHF	152,804	76,402	17,003	246,209
Loans and advances in CHF to related parties	1,547,754	-	-	1,547,754
Number of put options (bal- ance) <sup>1) 2)</sup>	37,000	18,500	4,100	59,600

#### 2021

Executive Management	Gustav Stenbolt, Chairman & Delegate of the BoD			Total
Numbers of shares	-			-
Loans and advances in CHF	-			-
Loans and advances in CHF to related parties	-			-

1) Put options have been granted to each LTI participant for all Award and Purchase Shares in order to cover the loan value at maturity in case the market value of the shares would not be sufficient to reimburse the financing loan.

2) 1:1 ratio with Group's shares

#### 2020

Members of the Board of Directors	Gustav Stenbolt, Chairman & Delegate of the BoD	Philipp LeibundGut, Vice Chairman	Olivier Brunisholz, Member	Total
Numbers of shares	1,909,678	343,814	11,315	2,264,807
Loans and advances in CHF	82,225	41,113	8,938	132,276
Loans and advances in CHF to related parties	1,536,334	-	-	1,536,334
Number of put options (bal- ance) <sup>2) 3)</sup>	23,000	11,500	2,500	37,000

#### 2020

Executive Management	Gustav Stenbolt, Chairman & Delegate of the BoD	George M. Isliker, CFO/CRO <sup>1)</sup>		Total
Numbers of shares	-	15,285		15,285
Loans and advances in CHF	-	-		-
Loans and advances in CHF to related parties	-	-		-

1) Until 31 March 2020

2) Put options have been granted to each LTI participant for all Award and Purchase Shares in order to cover the loan value at maturity in case the market value of the shares would not be sufficient to reimburse the financing loan.

3) 1:1 ratio with Group's shares

### 36. BUSINESS SEGMENTS

In the current organisational structure, there is only one management level in the sense of a leading decisions-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 2021.

Valartis Group prepares a monthly Management Report containing consolidated financial information for the Executive

Management and quarterly for the Board of Directors. The same principles apply to the valuation as to the consolidated financial statements. Management reviews the consolidated financial information and uses it in its management decisions to implement the overall strategy.

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.–31.12.2021			1.1.–31.12.2020		
	Domestic	Non-domestic	Total	Domestic	Non-domestic	Total
Operating income	3,326	9,913	13,239	2,050	7,781	9,831
Total assets	70,821	102,547	173,368	69,364	103,344	172,708

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:

<b>Fully consolidated entities</b>	Domicile	Purpose	Currency	Share capital	Participation in per cent 31.12.2021	Participation in per cent 31.12.2020
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	St. Petersburg, RU	Real estate project Company	RUB	15,535,100	63.22	63.22
Petrovsky Fort LLC	St. Petersburg, 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	63.22	63.22
EPP GP Ltd.	Grand Cayman, CYM	Holding Company	USD	50,000	63.22	63.22
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	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	CHF	1,896,210	100.00	100.00
Valartis Immobilier AG	Fribourg, CH	Real estate Company	CHF	100,000	0.00	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	100.00
VLR Austria GmbH	Vienna, AT	Investment Advisor	EUR	35,000	100.00	100.00
Valartis Property Holdings Ltd	Tortola, BVI	Holding Company	USD	-	100.00	100.00
Valartis M LLC	Moscow, RU	Corporate director	RUB	100,000	80.00	-

<b>Associated companies and joint arrangements</b>	Domicile	Purpose	Currency	Share capital	Participation in per cent 31 December 2021	Participation in per cent 31 December 2020
Norinvest Holding SA	Geneva, CH	Holding Company	CHF	25,689,000	30.78	27.05
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 Ltd	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	50.00
Briese Schifffahrts GmbH & Co. KG MS "Folmhusen"	Leer, DE	Holding Company	EUR	5,000,000	50.00	50.00
Briese Schifffahrts GmbH & Co. KG MS "Nesseborg"	Leer, DE	Holding Company	EUR	5,000,000	50.00	50.00
Briese Schifffahrts GmbH & Co. KG MS "Marz"	Leer, DE	Holding Company	EUR	5,003,208	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	64,010,000	50.00	50.00
Florentika Mangement Company LLC	Kaluga Oblast, RU	Corporate director	RUB	20,000	50.00	-

### 38. ACQUISITION OF SUBSIDIARIES

#### Acquisition during the financial year

There was no acquisition of subsidiaries during the current financial year.

#### Acquisition in the same period of the previous year

Since December 2020, the Group took ownership of Darsi Property Holdings Ltd. Until then, the shares of Darsi Property Holdings were kept as collateral until reimbursement of an outstanding receivable related to the disposal of the shareholding in Société des Centres Commerciaux d'Algérie SPA. Following a new assessment of the current political and business environment in Algeria in 2020 post-COVID-19, the Group concluded that this receivable is not likely to be recovered and decided to fully endorse the ownership of Darsi Property Holdings Ltd, which was subsequently renamed Valartis Property Holdings Ltd (see Note 40).

At the time of the endorsement of ownership, assets and liabilities of Darsi Property Holdings Ltd were of immaterial values. The purchase price for the 100 per cent of the share of the entity was set to CHF 1.

From the 1<sup>st</sup> December 2020, Valartis Property Holdings Ltd has been fully integrated into the Valartis Group consolidation scope. Since then, the company has had no turnover and made a loss of CHF 0.1 million related to foreign exchange adjustments. If the Company had been integrated into the consolidation scope at the beginning of the financial year, Valartis Group would have not posted a different turnover or result.

### Capital contribution in Valartis Property Holdings Ltd

in CHF 1,000	01.12.2020
	Valartis Property Holdings Ltd
Current assets, including cash & cash equivalents	5
Non-current assets, including investment property	-
<b>Total assets</b>	<b>5</b>
Current liabilities	184
Non-current liabilities	-
<b>Total liabilities</b>	<b>184</b>
<b>Equity</b>	<b>-179</b>
Proportion of the Group's ownership in per cent	100.00
Group's share of equity	-179
<b>Purchase consideration</b>	
Purchase considerations in cash and cash equivalents	-
Acquired cash and cash equivalents	5
<b>Net cash inflow</b>	<b>5</b>

## 39. ACQUISITION OF ASSOCIATED COMPANIES AND JOINT ARRANGEMENTS

### Acquisition during the financial year

#### Briese Schiffahrts GmbH & Co. KG MS "Marz"

On 24 November 2021, Valartis Group invested in Briese Schiffahrts GmbH & Co. KG MS "Marz", which is a company in the process of building a mid-size container cargo. 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. 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.

In addition, Valartis Group has committed to invest an additional amount of USD 3.8 million as a further capital contribution in Briese Schiffahrts GmbH & Co. KG MS "Marz" until end of 2023 to finance the construction of the new ship.

**Capital contribution in Briese Schiffahrts GmbH & Co. KG MS "Marz"**

in CHF 1,000	24.11.2021
	Briese Schiffahrts GmbH & Co. KG MS "Marz"
Current assets, including cash & cash equivalents	5,190
Non-current assets, including investment property	n/a
<b>Total assets</b>	<b>n/a</b>
Current liabilities	n/a
Non-current liabilities	n/a
<b>Total liabilities</b>	<b>n/a</b>
<b>Equity</b>	<b>5,190</b>
Proportion of the Group's ownership in per cent	50.00
Group's share of equity	2,595
Unrecognised Group's share of equity	n/a
Carrying amount of the investment in associated company	2,595
Purchase price paid cash	2,595
Goodwill	-
<b>Net cash outflow</b>	<b>-2,595</b>

**Florentika Management Company LLC**

In October 2021, the Group acquired a 50 per cent interest in Florentika Management Company LLC for a cash consideration of RUB 10,000 (CHF 129). The company will act as the corporate general manager of Kaluga Flower Holding LLC and is incorporated in the Russian Federation

**Acquisition in the same period of the previous year**

There was no acquisition of associated company during the previous year.

## 40. SALE TRANSACTIONS AND DISCONTINUED OPERATIONS

### Disposals during the financial year

On the 1<sup>st</sup> June 2021, the Group sold 100 per cent of its stake in Valartis Immobilier AG, a dormant company, to MCG Holding SA, which is the main shareholder of Valartis Group. Until then Valartis Immobilier had neither any operational activity nor held

any kind of investment. The sale price of KCHF 83 represented the book value of the company as per the latest audited financial statements i.e. 31<sup>st</sup> December 2020.

in CHF 1,000	01.06.2021
Balance sheet at closing date	Valartis Immobilier AG
<b>Assets</b>	
Cash and cash equivalents	94
Accrued and deferred assets	1,000
<b>Total assets</b>	<b>1,094</b>
<b>Liabilities</b>	
Current financial liabilities	1,020
Other current liabilities	2
<b>Total liabilities</b>	<b>1,022</b>
<b>Disposal of net assets</b>	<b>72</b>
Sales price	83
<b>Sales price in cash and cash equivalents</b>	<b>83</b>
Gain from sale of subsidiary before currency translation differences	11
Transfer of cumulated foreign currency translation difference from equity of Valartis Group to income statement	-
<b>Gain from sale of subsidiary</b>	<b>11</b>
Sales price received in cash and cash equivalents	83
Cash and cash equivalents disposed of	-94
<b>Net inflow of funds</b>	<b>-11</b>

### Disposal in the same period of the previous year

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

### Darsi Group

The investment in the Darsi Group reflected additional purchase price adjustment in favour of Darsi Group, which in turn would be paid to Valartis Group, in relation to currency developments following the disposal of the shopping, leisure and business cen-

tre in Algeria (Société des Centres Commerciaux d'Algérie SPA). The remaining investment in Darsi Investment Ltd had been fully impaired in 2020 and there was no further result from discontinued operations in 2021.

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

in CHF 1,000	2021		2020	
	Darsi Group	Total	Darsi Group	Total
<b>Income statement of discontinued operations</b>				
Operating income	-	-	-	-
Administrative expense	-	-	-	-
<b>Gross income</b>	-	-	-	-
Valuation adjustments, provisions and losses			-1,933	-1,933
Impairment loss recognised on the revaluation to fair value less costs to disposal	-	-	-	-
	-	-	-1,933	-1,933
(Loss) from reclassification of cumulated foreign currency translation differences formerly booked in equity	-	-	-8	-8
<b>Net profit/(loss) from discontinued operations before tax</b>	-	-	<b>-1,941</b>	<b>-1,941</b>
Income taxes	-	-	-	-
<b>Net profit/(loss) from discontinued operations</b>	-	-	<b>-1,941</b>	<b>-1,941</b>
whereof (loss) from reclassification of cumulated foreign currency translation differences formerly booked in equity	-	-	-8	-8
whereof result of discontinued operations before reclassification of cumulated foreign currency differences	-	-	-1,933	-1,933
<b>Other comprehensive income of discontinued operations</b>	-	-	-	-
Foreign exchange translation difference				
<b>Total recognised in other comprehensive income</b>	-	-	-	-
<b>Cash flow from discontinued operations</b>				
From operating activities	-	-	-	-
From investment activities	-	-	-	-
From financing activities	-	-	-	-
<b>Net cash flow</b>	-	-	-	-

#### 41. 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		Valartis M LLC <sup>1)</sup>	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
<b>Share of non-controlling interests in per cent</b>						
Participation	49.02%	49.02%	36.78%	36.78%	20.00%	0.00%
Voting rights	49.02%	49.02%	36.78%	36.78%	20.00%	0.00%
Total asset	31	913	59,124	55,420	1	-
Total liabilities	1,421	1,321	18,323	18,664	1	-
Net asset	-1,390	-408	40,801	36,756	-	-
<b>Carrying amount of non-controlling interests</b>	<b>-681</b>	<b>-199</b>	<b>15,676</b>	<b>14,188</b>		
Operating income	-1,052	-393	453	-149	-2	-
Profit/loss	-1,052	-393	3,336	-5,728	-1	-
Other comprehensive income	-	-	709	-5,643	-	-
<b>Total comprehensive income</b>	<b>-1,052</b>	<b>-393</b>	<b>4,045</b>	<b>-11,371</b>	<b>-1</b>	
(Loss)/profit allocated to non-controlling interests	-516	-193	1,227	-2,107		
Other comprehensive income allocated to non-controlling interests	-	-	261	-2,076		
Cash flow from operating activities	-461	-255	2,078	-389	-1	-
Cash flow investing from investment activities	-	-	-332	266	-	-
Cash flow from financing activity	33	244	-1,637	-1,324	-	-
Foreign currency translation effects	-	-	9	-133	-	-
<b>Net cash flow</b>	<b>-428</b>	<b>-11</b>	<b>118</b>	<b>-1,580</b>	<b>-1</b>	
Paid dividends to non-controlling interests	-	-	-	-		

1) Valartis M LLC was founded in July 2021.

### 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	Valartis M LLC <sup>1)</sup>
	2020	2020	2020
<b>Non-controlling interests at 1 January</b>	<b>-251</b>	<b>18,371</b>	-
Gains/losses from financial assets at fair value through OCI	-	-	-
Foreign exchange translation differences	-	-2,076	-
<b>Other comprehensive income</b>	<b>-</b>	<b>-2,076</b>	<b>-</b>
Net (loss)/profit	-193	-2,107	-
<b>Total comprehensive income</b>	<b>-193</b>	<b>-4,183</b>	<b>-</b>
Transaction with non-controlling interests	-	-	-
Increase in capital	245	-	-
<b>Owner-related changes</b>	<b>245</b>	<b>-</b>	<b>-</b>
<b>Total non-controlling interests at 31 December</b>	<b>-199</b>	<b>14,188</b>	<b>-</b>
	Parking Clé de Rive SA	ENR Russia Invest SA	Valartis M LLC <sup>1)</sup>
	2021	2021	2021
<b>Non-controlling interests at 1 January</b>	<b>-199</b>	<b>14,188</b>	<b>-</b>
Gains/losses from financial assets at fair value through OCI	-	-	-
Foreign exchange translation differences	-	261	-
<b>Other comprehensive income</b>	<b>-</b>	<b>261</b>	<b>-</b>
Net (loss)/profit	-516	1,227	-
<b>Total comprehensive income</b>	<b>-516</b>	<b>1,488</b>	<b>-</b>
Transaction with non-controlling interests	-	-	-
Increase in capital	34	-	-
<b>Owner-related changes</b>	<b>34</b>	<b>-</b>	<b>-</b>
<b>Total non-controlling interests at 31 December</b>	<b>-681</b>	<b>15,676</b>	<b>-</b>

1) Valartis M LLC was founded in July 2021.

## 42. 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 2021, 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 0.6 million for the 2021 financial year (2020: CHF 1.0 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
	2021	2020
<b>Carrying amount 1 January</b>	<b>2,163</b>	<b>2,173</b>
Purchase	-	-
Sales	-	-
Recognised in the income statement	-96	-10
<b>Total as of 31 December</b>	<b>2,067</b>	<b>2,163</b>

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

in CHF 1,000	31.12.2021		31.12.2020	
	Market value	Effective commitment	Market value	Effective commitment
Cash and cash equivalents	2,988	139	2,040	139
Trading portfolio assets	11,143	7,000	13,071	7,000
Other financial assets at fair value	17,894	24,111	17,894	23,352
Financial assets at fair value through OCI	10,554	-	9,473	-
Investment property	36,195	11,856	32,545	12,818
Non-current receivables	9,311	-	-	-
<b>Total</b>	<b>88,085</b>	<b>43,106</b>	<b>75,023</b>	<b>43,309</b>

## 44. EVENTS AFTER THE BALANCE SHEET DATE

Due to the current military conflict in Ukraine, a range of sanctions were enacted against Russia, Russian entities, and individuals. This has changed the operating environment in Russia, particularly with regards to imports/exports and currency conversions. Currently, the operational businesses in Russia continue to operate at levels comparable to those before the conflict

had started and no material remedial actions are required to sustain these businesses in the Russian domestic market. The Group's main challenges relate to currency conversions (see also Notes on Risk Management on page 59) and capital controls and the Group is examining possible actions to mitigate these challenges as best possible in a rapidly changing environment.

# 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 2021 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 37 to 105) give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, 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
<b>Valuation of the investment property "Petrovsky Fort"</b> <p>As of 31 December 2021, the investment property "Petrovsky Fort" is valued at KCHF 36'195 in the consolidated financial statements. This corresponds to 20.9 percent of the total assets as of 31 December 2021.</p> <p>On initial recognition (30 September 2014), the investment property was recognised at cost. For subsequent measurement, it was 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>The valuation techniques used are subjective in nature and involve key assumptions concerning the pricing factors. These key assumptions include future rental cash flows, capitalisation rates and discount rates. The use of different valuation techniques and could result in different estimates of fair value.</p> <p>Valartis Group AG explains the accounting principles applied section "major accounting principle". Please also refer to Major accounting principles and notes 8 and 17 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 with experience of the Russian market, 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 supporting documentation. 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 loans to Kaluga Flower Holding LLC

The Group acquired a 50 percent interest in Kaluga Flower Holding LLC (KFH) in late 2019. KFH subsequently acquired a greenhouse facility for flower growing in Kaluga Oblast in Russia through a public auction.

The Group granted loans for a total value of KCHF 9'311 and accrued interest for a total value of KCHF 1'658' to Kaluga Flower Holding LLC which are presented as non-current receivables in the consolidated financial statements. The loans were used by KFH to purchase a greenhouse facility in a public auction and for capital and operational expenses. In 2021 the loans were converted into promissory notes and was pledged for KFH to obtain facilities. This corresponds to 6.3 percent of total assets as of 31 December 2021.

In our view, this key position was of particular importance due to the development phase of the project and the judgement basis included in the impairment analysis performed by the Group.

The Group explains the accounting principles applied in section "major accounting principle". Please also refer to notes 19, 20, 34 and 37 of the consolidated financial statements.

We have assessed the underlying information and supporting documentation for the recording of the loans and their conversion into promissory notes. We have also reviewed the assumptions by the Group and the calculations made in assessing the need for impairment of the loans. 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 of the loans.

### Emphasis of matter

We draw attention to note 44 of the consolidated financial statements, which describes the effects of the conflict in Ukraine and the sanctions enacted against Russia, Russian entities and individuals.

### 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, compensation 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, 4 April 2022

BDO Ltd

Nigel Le Masurier  
Auditor in Charge  
Licensed Audit Expert

Olivier Griot  
Licensed Audit Expert

# INCOME STATEMENT OF VALARTIS GROUP AG

<b>Income</b>			
in CHF	Note	1.1.–31.12.2021	1.1.–31.12.2020
Dividend income	3.1	-	7,368
Other financial income	3.2	74,467	37,176
<b>Total income</b>		<b>74,467</b>	<b>44,544</b>
<b>Expenses</b>			
Operating expenses	3.3	-1,913,428	-1,717,561
Reversal of impairment/(Impairment) on financial assets and securities shareholdings	3.4	2,265,015	-6,081,877
Financial expenditure	3.5	-83,722	-429,433
Depreciation on property, plant and equipment		-2,547	-2,547
<b>Result for the year before extraordinary and off-period income and taxes</b>		<b>339,785</b>	<b>-8,186,874</b>
Extraordinary and out-of-period income	3.6	37,253	24,959
Extraordinary and out-of-period expenses		-2,775	-3,579
<b>Result before tax</b>		<b>374,263</b>	<b>-8,165,494</b>
Direct Taxes		-20,557	-36,000
<b>Annual result</b>		<b>353,706</b>	<b>-8,201,494</b>

# STATEMENT OF FINANCIAL POSITION OF VALARTIS GROUP AG

<b>Assets</b>				
in CHF	Note	31.12.2021		31.12.2020
<b>Current assets</b>				
Due from banks		138,844		290,358
Trading portfolio		4,517		10,706
Other short-term receivables	4.1	236,274		280,610
Prepaid expenses and accrued income		75,962		3,560
<b>Total current assets</b>		<b>455,597</b>		<b>585,234</b>
<b>Non-current assets</b>				
Property, plant and equipment		6,184		8,731
Loans	4.2	462,323		230,587
Financial assets	4.3	4,604,873		4,604,873
Participations	4.4	90,609,329		88,156,757
<b>Total non-current assets</b>		<b>95,682,709</b>		<b>93,000,948</b>
<b>Total assets</b>		<b>96,138,306</b>		<b>93,586,182</b>
<b>Liabilities and Shareholders' equity</b>				
<b>Short-term liabilities</b>				
Trade accounts payable		27,485		15,455
Short-term interest-bearing liabilities	4.5	6,901,782		5,100,000
Accrued expenses and deferred income		232,577		406,563
<b>Total short-term liabilities</b>		<b>7,161,844</b>		<b>5,522,018</b>
<b>Long-term liabilities</b>				
Other long-term liabilities		12,633		9,675
<b>Total long-term liabilities</b>		<b>12,633</b>		<b>9,675</b>
<b>Shareholders' equity</b>				
Share capital	4.6	4,299,295		4,299,295
Legal retained earnings				
General legal retained earnings		1,000,000		1,000,000
Reserve for treasury shares	4.7	5,465,058		5,718,797
Voluntary retained earnings				
General voluntary retained earnings		19,595,321		19,232,465
Profit brought forward		58,368,146		66,569,640
(loss)/Profit for the year		353,706		-8,201,494
Treasury shares	4.7	-117,697		-564,214
<b>Total shareholders' equity</b>		<b>88,963,829</b>		<b>88,054,489</b>
<b>Total liabilities and shareholders' equity</b>		<b>96,138,306</b>		<b>93,586,182</b>

# 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.

### Long Term Incentive Programme

Expenditures related to the Valartis Group shares awarded or sold to Company's Board member as well as to employees of subsidiaries at preferential price as part of the Long Term Incentive Programme have been charged to other operating expenses. Details on the compensation system can be found in the Compensation Report (see page 26 ff).

### 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.

	31.12.2021	31.12.2020
USD balance-sheet date rate	0.9127	0.8812
USD average price	0.9137	0.9347
EUR balance-sheet date rate	1.0339	1.0822
EUR average price	1.0798	1.0711

### Treasury shares

Treasury shares are held for the purpose of servicing employee participation programmes. 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.

### 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	2021	2020
<b>3.1 Dividend income</b>		
Dividend from shares held for trading purposes	-	7,368
<b>Total</b>	<b>-</b>	<b>7,368</b>
<b>3.2 Other financial income</b>		
Income from cash and marketable securities	63,555	36,523
Fair value adjustment on long term liabilities	9,030	-
Interest income	1,882	653
<b>Total</b>	<b>74,467</b>	<b>37,176</b>
<b>3.3 Operating expenses</b>		
Occupancy expense	-16,308	-15,214
Consulting and auditing expenses	-164,775	-202,781
Other operating expenses	-1,732,345	-1,499,566
<b>Total</b>	<b>-1,913,428</b>	<b>-1,717,561</b>

Other operating expenses include intercompany cost allocations based on a service level agreement (transfer pricing) of CHF 1.3 million (previous year: CHF 1.3 million).

### 3. INCOME STATEMENT (CONTINUED)

in CHF	2021	2020
<b>3.4 Reversal of impairment/(value adjustment) on financial assets and investments</b>		
Reversals of impairment on investments	3,588,070	-
Allowances for investments	-1,323,055	-6,081,877
<b>Total</b>	<b>2,265,015</b>	<b>-6,081,877</b>

In 2021, Reversal of impairment losses related to Valartis International Ltd (CHF 2.6 million) and ENR Russia Invest SA (CHF 1.0 million). Allowance for investments mainly related to Valartis Advisory Services SA (CHF 1.0 million) and Vaba1 Holding GmbH in Liquidation (CHF 0.3 million).

In 2020, allowance for investments mainly related to ENR Russia Invest SA (CHF 2.9 million), Valartis Advisory Services SA (CHF 0.6 million), Valartis International Ltd (CHF 2.3 million), Parking Clé de Rive SA (CHF 0.3 million) and Valartis Finance Holding AG (CHF 0.1 million).

in CHF	2021	2020
<b>3.5 Financial expenditure</b>		
Interest expense on interest-bearing liabilities to third parties	-365	-10,975
Interest expense from interest-bearing liabilities to subsidiaries	-34,169	-21,982
Losses from marketable securities	-10,385	-370,895
Other financial expenses (incl. losses from foreign currencies)	-38,803	-25,581
<b>Total</b>	<b>-83,722</b>	<b>-429,433</b>

<b>3.6 Extraordinary and out-of-period income</b>		
Income relating to other periods	11,422	24,959
Profit on sale of participation	25,831	-
<b>Total</b>	<b>37,253</b>	<b>24,959</b>

#### 4. BALANCE SHEET

in CHF	31.12.2021	31.12.2020
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##### 4.1 Other short-term receivables

Third parties	45,641	84,255
Group companies	190,633	196,355
<b>Total</b>	<b>236,274</b>	<b>280,610</b>

##### 4.2 Loans

Loans to shareholders	462,323	230,587
<b>Total</b>	<b>462,323</b>	<b>230,587</b>

Loans to shareholders refer to the loans granted to participants of the Long Term Incentive Programmes as implemented by Valartis Group in 2020 and 2021.

in CHF	31.12.2021	31.12.2020
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##### 4.3 Financial assets

Securities	4,604,873	4,604,873
<b>Total</b>	<b>4,604,873</b>	<b>4,604,873</b>

##### 4.4 Participations

Name and domicile	Capital/ participation quote 2021	Capital/ participation quote 2020	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%	USD 20,000,000
Valartis Immobilier AG, Fribourg, Switzerland	0%/0%	100%/100%	CHF 100,000
Parking Clé de Rive SA, Geneva, Switzerland	50.98%/50.98%	50.98%/50.98%	CHF 148,500
MCT Luxembourg Management S.à.r.l., Luxembourg	100%/100%	100%/100%	EUR 12,500
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	100%/100%	100%/100%	EUR 35,000

### Significant indirect investments

Name and domicile	Parent company	Capital/ participation quote 2021	Capital/ participation quote 2020	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	30.8%/30.8% <sup>1)</sup>	30.1%/30.1% <sup>2)</sup>	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 <sup>3)</sup>	Valartis International Ltd.	50%/50%	50%/50%	EUR 2,900,000
Briese Schifffahrts GmbH & Co. KG MS "Folmhusen", Leer, Germany <sup>3)</sup>	Valartis International Ltd.	50%/50%	50%/50%	EUR 5,000,000
Briese Schifffahrts GmbH & Co. KG MS "Nesseborg", Leer, Germany <sup>3)</sup>	Valartis International Ltd.	50%/50%	50%/50%	EUR 5,000,000
Briese Schifffahrts GmbH & Co. KG MS "Marz", Leer, Germany <sup>3)</sup>	Valartis International Ltd.	50%/50%	0%/0%	EUR 5,003,208
VLR Germany GmbH, Frankfurt am Main, Germany	Valartis AG	100%/100%	100%/100%	EUR 25,000
VLR Austria GmbH, Vienna, Austria	VLR Germany GmbH	100%/100%	100%/100%	EUR 35,000
Kaluga Flower Holding LLC, Kaluga Oblast, Russia	ENR Investment Ltd 4)	50%/50%	50%/50%	RUB 64,010,000
Petrovsky Fort LLC, Saint Petersburg, Russia	Romsay Properties Ltd 4)	100%/100%	100%/100%	RUB 18,000
Vestive Ltd, Nicosia, Cyprus	EPP II LP Ltd 4)	50%/50%	50%/50%	EUR 5,000

1) In 2021, as Norinvest Holding SA has acquired its treasury shares, Valartis Group AG's share in the issued shares has increased to 30.8%.

2) In 2020, as Norinvest Holding SA has acquired treasury shares, Valartis Group AG's share in the issued shares has increased to 30.1%.

3) Briese Schifffahrts GmbH & Co. KG MS "Langeoog", Briese Schifffahrts GmbH & Co. KG MS "Folmhusen", Briese Schifffahrts GmbH & Co. KG MS "Nesseborg"

and Briese Schifffahrts GmbH & Co. KG MS "Marz" are German KG (Kommanditgesellschaft) i.e. Limited partnerships. Valartis Group AG through Valartis International Ltd. is indirectly limited Partner in these companies.

4) ENR Investment Ltd, Romsay Properties Ltd and EPP II LP Ltd are subsidiaries of ENR Russia Invest SA

in CHF 31.12.2021 31.12.2020

### 4.5 Short-term interest-bearing liabilities

Short-term interest-bearing liabilities to third parties	-	-
Short-term interest-bearing liabilities to participations	6,901,782	5,100,000
<b>Total</b>	<b>6,901,782</b>	<b>5,100,000</b>

### 4.6 Share capital

Share capital (CHF)	4,299,295	4,299,295
Number of registered shares	4,299,295	4,299,295
Nominal value per share (CHF)	1	1

#### 4.7 Treasury shares

	Quantity 2021	Quantity 2020	in CHF 2021	in CHF 2020
Balance at 1 January	398,378	932,878	6,283,011	12,107,971
Purchases	-	-	-	-
Cancellation	-	-470,000	-	-4,807,700
Long Term Incentive Programme	-44,400	-64,500	-700,256	-1,017,260
Balance at 31 December	353,978	398,378	5,582,755	6,283,011
thereof held directly by Valartis Group AG	9,405	53,805	117,697	564,214
thereof held directly by Valartis Group AG for purpose of cancellation	-	-	-	-
thereof held by participations	344,573	344,573	5,465,058	5,718,797
			2021	2020
Average purchase price per share in the reporting period			-	-
Average disposal price per share in the reporting period			12.00	10.02
Average acquisition price per share as of balance sheet date			15.77	15.77

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.

The Annual General Meeting on 19 May 2020 has approved a capital reduction by cancellation of the registered shares repurchased under the share buyback programme 2019 and the amendment to the Articles of Association (capital reduction) with regard to the actual number of repurchased shares. The capital reduction has been filled in October 2020.

in CHF	31.12.2021	31.12.2020
<b>Presentation in the equity</b>		
Deduction from equity for treasury shares held directly	-117,697	-564,214
Reserve for treasury shares of Valartis Group AG held by participations	5,465,058	5,718,797

## 5. ADDITIONAL INFORMATION

in CHF	31.12.2021	31.12.2020
Total amount of assets used to secure own liabilities		
Total amount of assets used to secure own liabilities	-	-
Total assets under restricted control		
Total assets under restricted control	-	-

### 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 (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 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	31.12.2021	31.12.2020
MCG Holding SA, Baar ZG	50.3	50.3
Beat Kähli	10.5 <sup>1)</sup>	-
Nebag AG, Zurich	4.5 <sup>1)</sup>	5.9
Gustav Stenbolt	2.0	1.6
Philipp LeibundGut	0.7	0.5

1) As of the 31 December 2021, in addition to the Valartis Group shares owned and disclosed here above, Beat Kähli holds an option contract to acquire 4.7 per cent of the capital of Valartis Group from Nebag AG.

As per 31 December 2021 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.

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

## Loans and equity holdings of the members of the Board of Directors at year end

2021	Gustav Stenbolt, Chairman & Delegate of the BoD	Philipp LeibundGut, Vice Chairman	Olivier Brunisholz, Member	Total
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### Shareholdings held by and Loans/loans to Directors

Number of shares held by <sup>1)</sup>	1,923,678	350,814	12,915	2,287,407
Number of shares (entitlements) <sup>2)</sup>	14,000	7,000	1,600	22,600
Value of shares (entitlements) in CHF <sup>2)</sup>	141,056	70,528	16,120	227,704
Loans and credits in CHF <sup>3)</sup>	152,804	76,402	17,003	246,209
Loans and credits to related parties in CHF	-	-	-	-
Number of put options (entitlements) <sup>4) 5)</sup>	14,000	7,000	1,600	22,600
Value of put options (entitlements) in CHF	3,780	1,890	432	6,102
Number of put options (balance)	37,000	18,500	4,100	59,600

1) Includes entitled Company shares during 2021

2) Entitled shares refer to Valartis Group shares awarded ("Award Shares") or sold to participants ("Purchase Shares") of the Long Term Incentive Programme in 2021. Sold shares are financed by way of a loan granted by the Company. Further details on the Long Term Incentive programme can be found in the Compensation Report (see page 26 ff).

3) Refer to loan granted to finance ("Purchase Shares") within the Long Term Incentive Programme 2021 and 2020

4) Put options have been granted to each LTI participant for all Award and Purchase Shares in order to cover the loan value at maturity in case the market value of the shares would not be sufficient to reimburse the financing loan.

5) 1:1 ratio with company's shares

2020	Gustav Stenbolt, Chairman & Delegate of the BoD	Philipp LeibundGut, Vice Chairman	Olivier Brunisholz, Member	Total
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### Shareholdings held by and Loans/loans to Directors

Number of shares held by <sup>1)</sup>	1,909,678	343,814	11,315	2,264,807
Number of shares (entitlements) <sup>2)</sup>	11,500	5,750	2,500	19,750
Value of shares (entitlements) in CHF	82,225	41,113	8,937	132,275
Loans and credits in CHF <sup>3)</sup>	82,225	41,113	8,937	132,275
Loans and credits to related parties in CHF	-	-	-	-
Number of put options (entitlements) <sup>4) 5)</sup>	23,000	11,500	2,500	37,000
Value of put options (entitlements) in CHF	3,450	1,725	375	5,550
Number of put options (balance)	23,000	11,500	2,500	37,000

1) Includes entitled Company shares during 2020

2) Entitled shares refer to Valartis Group shares sold to participants ("Purchase Shares") of the Long Term Incentive Programme in 2020 and financed by way of a loan granted by the Company. Further details on the Long Term Incentive programme 2020 can be found in the Compensation Report (see page 26 ff).

3) Refer to loan granted to finance ("Purchase Shares") within the Long Term Incentive Programme 2020

4) Put options have been granted to each LTI participant for all Award and Purchase Shares in order to cover the loan value at maturity in case the market value of the shares would not be sufficient to reimburse the financing loan.

5) 1:1 ratio with company's shares

### Loans and equity holdings of the members of Executive Management at year end

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 2021 and 2020.

2020	Gustav Stenbolt, Chairman & Delegate of the BoD	George M. Isliker, CFO/CRO 1)	Total
Shareholdings held by and loans/loans to members of the Executive Management			
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	-	-	-

1) Until 31 March 2020

### EVENTS AFTER THE BALANCE SHEET DATE

Due to the current military conflict in Ukraine, a range of sanctions were enacted against Russia, Russian entities, and individuals. This has changed the operating environment in Russia, particularly with regards to imports/exports and currency conversions. Valartis Group AG is mainly exposed to Russia through its subsidiary ENR Russia Invest SA (see Note 4.4). Currently, the operational businesses in Russia continue to operate at levels comparable to

those before the conflict had started and no material remedial actions are required to sustain these businesses in the Russian domestic market. ENR's main challenges relate to currency conversions and capital controls and possible actions are examined to mitigate these challenges as best possible in a rapidly changing environment.

## 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 17 May 2022 in respect of the distribution of retained earnings:

in CHF	2021
Profit brought forward from previous year	58,368,146
Net result	353,706
Retained earnings available for the General Meeting of Shareholders	58,721,852
Profit to be carried forward	58,721,852

### **Dividend payments**

For the financial year 2021, the Board of Directors proposes to the Shareholders' Meeting 2022 to pay no dividend (previous year: none).

# 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 2021 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 110 to 121) as at 31 December 2021 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
<p><b>Existence and valuation of participations</b></p> <p>As at 31 December 2021, the Company shows participations in its financial statements with a total value of CHF 90'609'329. Participations are accounted for at the lower 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.</p> <p>This position represents 94 percent of total assets as of the balance sheet date and was therefore, in our opinion, of particular importance.</p> <p>Details of the Company's participations are described in Note 4.4 to the financial statements of Valartis Group AG as at 31 December 2021.</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>We also assessed the presentation and disclosures in the statutory financial statements of Valartis Group AG as at 31 December 2021.</p>

### Emphasis of matter

We draw attention to note "Events after the balance sheet date" of the statutory financial statements, which describes the effects of the conflict in Ukraine and the sanctions enacted against Russia, Russian entities and individuals.

### 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, 4 April 2022

BDO Ltd

Nigel Le Masurier  
Auditor in Charge  
Licensed Audit Expert

Olivier Griot  
Licensed Audit Expert

## VALARTIS GROUP AG REGISTERED SHARE

in CHF	31.12.2017	31.12.2018	31.12.2019	31.12.2020	31.12.2021
Share capital Valartis Group AG	5,000,000	5,000,000	4,769,295	4,299,295	4,299,295
Number of VLRT shares issued	5,000,000	5,000,000	4,769,295	4,299,295	4,299,295
Number of outstanding VLRT shares, entitled to dividends	4,698,834	4,361,997	3,836,417	3,900,917	3,945,317
Nominal value of VLRT share	1.00	1.00	1.00	1.00	1.00
Closing price VLRT share	9.56	10.30	10.20	9.00	13.80
High for the year VLRT share	10.10	13.20	11.30	10.70	13.80
Low for the year VLRT share	6.67	7.45	9.60	7.40	8.00
Market capitalisation	47,800,000	51,500,000	48,646,809	38,693,655	59,330,271
Dividend per share	0.20	0.10	0.00	0.00	0.00
Dividend yield	2.1%	1.0%	0.0%	0.0%	0.0%
Price-to-book ratio	0.35	0.42	0.39	0.36	0.51

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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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