HALF-YEAR REPORT
2018

valartisgroup

KEY FIGURES AT GLANCE

in CHF 1,000	1.1.–30.06.2018	1.1.–30.06.2017
Total operating income	**6,477**	**4,444**
Income from management services	1,149	1,944
Income from investment property, net	2,156	1,350
Share of results of associated companies	2,883	140
Other income	289	1,010
Administrative expense	**-4,830**	**-5,954**
Personnel expense	-2,776	-3,387
General expense	-2,054	-2,567
Earnings before depreciation, valuation adjustments, provisions, interest and taxes	**1,647**	**-1,510**
Depreciation, valuation adjustments and provisions	28	-334
Earnings before interest and taxes (EBIT)	**1,675**	**-1,844**
Finance result, net (financial income, expenses and impairment)	-1,905	-2,644
Net loss from continued operations before taxes	**-230**	**-4,488**
Income taxes	-211	-26
Net loss from continued operations	**-441**	**-4,514**
Net result from discontinued operations	**0**	**4,266**
Net loss	**-441**	**-249**
attributable to shareholders of Valartis Group AG	-212	506
attributable to non-controlling interests	-229	-755

in CHF million	30.06.2018	31.12.2017
Total assets 1)	**175,600**	**177,406**
Current assets	75,796	82,775
Non-current assets	97,104	91,896
Total liabilities	**40,947**	**42,202**
Current liabilities	36,615	37,683
Non-current liabilities	4,332	4,519
Total shareholders' equity (including non-controlling interests)	**134,653**	**135,204**
Equity capital quota, in percent	76.7	76.2
Staff (full-time equivalents, FTE)	53	54
Closing price of VLRT registered share, in CHF	12.00	9.56
Equity of Shareholders per share, in CHF	25.73	24.82

1) Total assets contain also the assets classified as held for sale of CHF 2.7 million (previous year: CHF 2.7 million).

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

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

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

MANAGEMENT REPORT

BUSINESS PERFORMANCE AND ECONOMIC SITUATION OF VALARTIS

Valartis Group reported a half-year loss for continuing and discontinued operations of CHF 0.4 million for the first half of 2018 (vs. CHF 0.2 million for the first half of 2017) due to negative fair value adjustments on short-term financial investments. The development of operating business in the first half of 2018 was gratifying in that operating expenses continue to be covered by operating income after the restructuring measures taken in 2017.

Valartis Group continues to seek new, additional investments. In the first half of 2018, various projects in this area, including corresponding due diligence processes, were actively evaluated. An important aspect of new projects is their ability to increase the Group's operating cash flow. The main sectors of the search are financial services and real estate projects, but also opportunities in other sectors.

Discontinued operations
Discontinued operations have no impact on the Group's net income for the first half of 2018 (30 June 2017: profit contribution of CHF 4.3 million). The discontinued operations comprise a residual receivable from the sale of shares in a shopping and leisure center in Algiers. As Valartis Group reported on 4 April 2017, Valartis Group sold its shareholding in a shopping, leisure and business centre in Algeria to another existing investor under a share purchase agreement (SPA). The contract was executed on 26 September 2017 with the transfer of the purchase amount. Via a subgroup – the «Darsi Group» – Valartis Group held a minority stake in Société des Centres Commerciaux d'Algérie SPA (SCCA) in Algeria. Subsequent negotiations are currently still being held with the buyers on an additional and contractually agreed purchase price claim in Valartis's favour arising from currency developments. As of 30 June 2018, Valartis Group thus still reported various receivables – from services and additional purchase price claims – from buyers and SCCA.

FINANCING SITUATION

The financing situation of Valartis Group remains very stable. Taking into account the basic principle of risk-bearing capacity, return-oriented risk assumption is now the focus of capital management. Group shareholders' equity remained at CHF 135 million as at 31 December 2017 for 2018. This corresponds to an equity ratio of 76.7 Per cent (previous period: 76.2 per cent). Equity remained stable comparing 30 June 2018 with 31 December 2017 due to two countereffects. Equity increased because the unrealised gains on financial assets (Athris AG) at fair value over other comprehensive income (FVOCI) (previously financial assets available for sale) recognised in equity increased in value. On the other hand, the increased reduction in equity due to the purchase of additional treasury shares from a total of 6.02 Per cent as of 31 December 2017 to 9.26 per cent as of 30 June 2018 in addition to currency effects (CTA) amounted to the same value as the value increase of the financial assets FVOCI.

The 2018 cash flow statement is strongly influenced by short-term cash management – for generating interest income. Net cash and cash equivalents of continuing operations decreased significantly compared to the previous period from CHF 25.7 million at the end of 2017 to CHF 5.4 million by mid-2018. In the first half of 2018, approximately CHF 15 million was invested in short-term financial assets (bonds) and approximately CHF 1.4 million was spent on treasury shares. Trading portfolio assets amount to CHF 50.9 million vs. CHF 38.0 million as per year-end 2017.

BUSINESS DEVELOPMENT IN THE FIRST HALF OF 2018

Income statement
The IFRS net loss for the first six months of 2018 reached CHF 0.4 million compared to the IFRS net loss for 2017 of CHF 0.2 million. The return of volatility on the global financial markets marked the first half of 2018, with increasing international trade barriers, growing geopolitical tensions and the slowdown in the global economy combined with rising inflation expectations leading to greater uncertainty in the markets. Demand for «safe» government bonds grew worldwide. At the same time, as a result of the more restrictive US monetary policy, yields on US government bonds temporarily rose to over three per cent and the US dollar gained significantly in value. The tightening of monetary policy in the USA contrasts with the continued expansionary monetary policy of the central banks of other industrialized countries. The US government's plans for new tariffs and announced countermeasures by the countries concerned led to significant setbacks in emerging market investments. Due to active treasury with a 34 per cent higher invested volume, net interest income doubled over the previous period to CHF 1.3 million. By contrast, negative fair value adjustments of CHF 3.2 million on

current financial assets had a negative impact on the income statement.

Income from Management Services fell from CHF 1.9 million to CHF 1.1 million compared to the previous year due to the termination of a service contract (end of project). Net income from investment property 2018 – CHF 2.2 million – was higher than in the previous year (CHF 1.4 million) due to the USD effect in the valuation of the investment property Petrovsky Fort business centre of ENR Russia Invest SA. The value of the 25 per cent stake in Norinvest Holding SA is significantly higher than in the previous period due to the sale by Banque Cramer & Cie SA in April 2018 of its 85 per cent subsidiary Private Investment Bank Limited, Bahamas. Banque Cramer & Cie SA is a wholly owned subsidiary of Norinvest Holding SA. Other ordinary income includes income and expenses from the sale of investments, from the release of provisions no longer required or other ordinary income and expenses. At CHF 0.3 million, other ordinary results were significantly lower than the previous year's figure of CHF 1.0 million.

Operating expenses fell by 19 per cent to CHF 4.8 million compared to the previous period due to the resizing of the organization and cost-cutting measures introduced in 2017 and the discontinuation of consulting costs due to the restructuring measures of recent years. Personnel expenses, the most important cost component, fell by 18 per cent to CHF 2.8 million. At the end of June 2018, Valartis employed 53 full-time staff, 1 person less than at the end of 2017, and general expenses fell by 20 per cent to CHF 2.1 million. Nevertheless, expenses for travel and representation, consulting and auditing as well as other general expenses continue to be significant. Overall, the IFRS loss after tax increased from CHF 0.2 million to CHF 0.4 million. In the reporting period, there were no major shifts in the currency composition of the income statement compared with the end of 2017.

Balance sheet

Due to the first-time application of IFRS 9 Financial Instruments, there were few reclassifications in the balance sheet. Further details can be found in the chapter Notes to the « consolidated financial statements», pages 20 ff. Valartis reported equity of CHF 135 million as at 30 June 2018 in accordance with IFRS, the same amount as at 31 December 2017. The balance sheet continues to be very liquid. Over the reporting period, total assets fell slightly by 1 per cent to CHF 175.6 million.

EXTRAORDINARY EVENTS

Significant events after the balance sheet date

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

Segment reporting

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

OUTLOOK

Expected development of Valartis Group

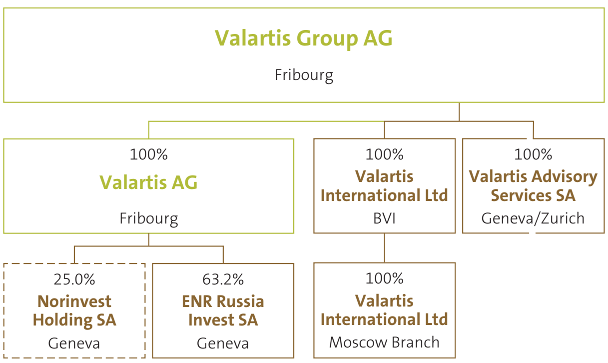
The focus for the front units Private Equity, Real Estate Project Management and Financial Services for 2018 will be on continuing the successful development of new profitable activities in 2018 and on the further development of projects already underway. Valartis Group continues to focus its market development and adapts its range of services to demand. The group structure will be geared to new circumstances and project implementations, new requirements and an expanded range of services. From a strategic and tactical point of view, the activities of 2018 continue to focus on building up and managing new participations and new projects in line with in the strategic guidelines of Valartis Group.

VALARTIS GROUP

Valartis Group's activities currently include financial services, real estate project management and equity investments. In financial services, Valartis Group concentrates on the comprehensive management of niche funds (investment satellites). As investment advisor, Valartis Group manages the Valartis German Residential Health Care Fund, which was launched exclusively for qualified investors. The fund focuses on the megatrend «Aging» and invests in nursing homes in Germany. Valartis Group assumes various administrative tasks for the fund. For these services, it is compensated with customary market fees. In addition, Valartis Group provides corporate finance advisory services for listed and unlisted medium-sized companies in Germany, Austria and Switzerland as well as in Central and Eastern Europe. The independence from larger institutions allows our clients to discuss their ideas and strategies with our specialists at a level of confidentiality that other companies cannot offer. On the real estate side, Valartis Group combines the management of profitable commercial and residential properties with investments in promising development projects. In the case of participations, the focus is on equity participation as a shareholder.

Valartis Group currently has offices in Switzerland (Fribourg, Geneva, Zurich), Luxembourg, Moscow and St. Petersburg with 53 employees (full-time equivalents; as of 30 June 2018; as of 30 June 2017: 56 employees; as of 31 December 2017: 54 employees). Valartis Group AG, headquartered in Fribourg, Canton Fribourg, Switzerland, is the holding company of the Group. The registered shares of Valartis Group AG are listed on the SIX Swiss Exchange (ISIN CH0367427686). The main shareholder is MCG Holding SA, Baar, Canton of Zug, which holds 50.2 per cent of the capital and voting rights as of 30 June 2018. Geographically, the Group has business activities in Switzerland, Europe and Russia.

Operational structure



Selected business activities in detail

Real estate projects

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

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

Investment activities

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

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

Current investments

Norinvest Holding SA, headquartered in Geneva, is a Swiss investment company founded in 1984. It is listed on the OTC platform of Berner Kantonalbank and is primarily the 100 per cent owner of Banque Cramer & Cie SA, which specialises in asset management. Following the completed sale of the two Swiss subsidiaries Valartis Bank AG and Valartis Wealth Management SA to Banque Cramer & Cie SA, Valartis Group AG acquired a 25 per cent stake in Norinvest Holding SA in 2014.

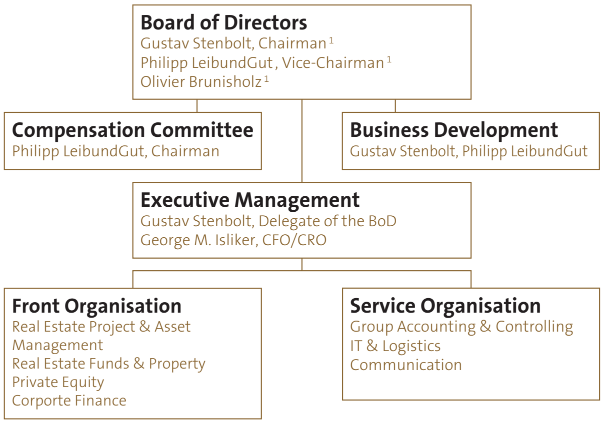
Whitebox Services AG, through its wholly-owned subsidiary Whitebox GmbH – founded in July 2014 and launched on the market in January 2016 – not only aims to set new standards in financial investment, but also to make it accessible to everyone. At an affordable price, Whitebox offers one of the first online service providers in the German market, which also meets the requirements of a quality-conscious clientele. Whitebox GmbH, Weil am Rhein, Germany is a wholly owned subsidiary of Whitebox Services AG, which is based in Switzerland. The owners of Whitebox Services AG are the founders, former members of the management of leading banks and industry experts. Valartis acquired a smaller stake in Whitebox Services AG in 2017.

Athris Holding AG was renamed Athris AG at the 2018 Annual General Meeting and the nominal share capital was increased. In addition, the company has been listed on the BX Swiss since 15 June 2018. As a result, the shares of this company are no longer traded on an OTC trading platform as before, but on a regulated trading market. Accordingly, the company publishes its NAV on a quarterly basis shortly after the end of each quarter. Athris AG (until August 2008 Jelmoli Beteiligungen AG, until June 2018 Athris Holding AG) is now based in Zug, Switzerland and is a Swiss investment company. Valartis Group holds this investment as a financial asset at fair value through OCI.

BOARD OF DIRECTORS

Gustav Stenbolt, Chairman, Philipp LeibundGut, Vice Chairman, and Olivier Brunisholz, Member, have formed the Board of Directors of Valartis Group AG since the Annual General Meeting 2018:

Organisation Chart



1 Member of the Compensation Committee

VALARTIS GROUP
CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

in CHF 1,000	Note	1.1.–30.06.2018	1.1.–30.06.2017
Income from management services	1	1,149	1,944
Income from investment property, net	2	2,156	1,350
Share of results of associated companies	3	2,883	140
Other ordinary income	4	289	1,010
Total operating income		**6,477**	**4,444**
Personnel expense	5	-2,776	-3,387
General expense	6	-2,054	-2,567
Administrative expense		**-4,830**	**-5,954**
Earnings before depreciation, valuation adjustments, provisions, interest and taxes		**1,647**	**-1,510**
Depreciation/amortisation of property, plant and equipment and intangible assets	7	-30	-46
Valuation adjustments, provisions and losses	8	58	-288
Earnings before interest and taxes (EBIT)		**1,675**	**-1,844**
Financial income	9	1,344	652
Financial expenses	9	-3,249	-3,296
Impairment (losses)/recoveries on financial assets		0	0
Net loss from continued operations before taxes		**-230**	**-4,488**
Income taxes	10	-211	-26
Net loss from continued operations		**-441**	**-4,514**
Net result from discontinued operations, after taxes	23	0	4,266
Net loss		**-441**	**-249**
Net (loss)/gain attributable to shareholders of Valartis Group AG		-212	506
Net (loss) attributable to non-controlling interests		-229	-755

in CHF			
Earnings per share			
Undiluted earnings attributable to shareholders of Valartis Group AG		-0.04	0.11
Diluted earnings attributable to shareholders of Valartis Group AG		-0.04	0.11
Earnings per share – continued operations			
Undiluted earnings attributable to shareholders of Valartis Group AG		-0.04	-0.79
Diluted earnings attributable to shareholders of Valartis Group AG		-0.04	-0.79
Earnings per share – discontinued operations			
Undiluted earnings attributable to shareholders of Valartis Group AG		0.00	0.90
Diluted earnings attributable to shareholders of Valartis Group AG		0.00	0.90

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in CHF 1,000	1.1.–30.06.2018	1.1.–30.06.2017
Net loss in the income statement	**-441**	**-249**
Other comprehensive income which will be reclassified to the income statement		
Change in fair value of financial assets available for sale [1)]	0	1,825
(Gains) on financial assets available for sale reclassified to income statement [1)]	0	-155
Foreign exchange translation differences	-1,311	1,322
Associated companies – attributable comprehensive income	0	0
Other comprehensive income which will be reclassified to the income statement	**-1,311**	**2,992**
Other comprehensive income which will not be reclassified to the income statement		
Change in fair value of financial assets at fair value through OCI	3,519	0
Remeasurement of defined benefit pension plans	0	0
Associated companies – attributable comprehensive income	0	0
Other comprehensive income which will not be reclassified to the income statement	**3,519**	**0**
Total other comprehensive income, after tax	**2,208**	**2,992**
Total comprehensive income	**1,767**	**2,743**
Allocation of total comprehensive income		
Shareholders of Valartis Group AG	2,441	3,415
Non-controlling interests	-674	-672

1) Upon adoption of IFRS 9, gains/losses on financial assets at fair value through OCI (until 31 December 2017: Financial assets available for sale) will not be recycled to the consolidated income statement anymore.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

in CHF 1,000	Note	30.06.2018	31.12.2017
Cash and cash equivalents		5,421	25,745
Trading portfolio assets	11	50,894	38,002
Derivative financial instruments		0	109
Other financial assets at fair value		1,637	1,696
Due from third parties	12	14,961	13,831
Accrued and deferred assets		2,883	3,392
Total current assets		**75,796**	**82,775**
Assets under development	13	5,548	5,921
Financial assets at fair value through OCI [1)]	14	26,981	23,462
Property, plant and equipment		74	103
Investment property	15	37,333	37,151
Goodwill and other intangible assets		2,168	2,313
Associated companies		20,265	17,381
Non-currrent receivables	16	4,735	5,565
Total non-current assets		**97,104**	**91,896**
		172,900	**174,671**
Assets classified as held for sale	23	2,700	2,735
Total assets		**175,600**	**177,406**

1) For further information, please refer to the comments on changes of accounting principles on page 20ff.

LIABILITIES

in CHF 1,000	Note	30.06.2018	31.12.2017
Liabilities			
Trade payables		1,274	814
Current financial liabilities	17	28,810	28,916
Derivative financial instruments		1,355	1,751
Current tax liabilities		755	884
Other current liabilities		4,304	5,073
Current provisions		117	245
Total current liabilities		**36,615**	**37,683**
Non-current financial liabilities	18	1,796	2,059
Defined benefit liabilities		1,442	1,458
Deferred tax liabilities	10	673	553
Non-current provisions		421	449
Total non-current liabilities		**4,332**	**4,519**
		40,947	**42,202**
Total liabilities		**40,947**	**42,202**
Shareholders' equity			
Share capital	19	5,000	5,000
Treasury shares	20	-7,282	-5,872
Reserves		110,463	111,583
Cumulated income from financial assets at fair value through OCI		10,168	6,649
Foreign exchange translation differences		-2,400	-1,534
Remeasurement defined benefit pension plans		801	801
Shareholders' equity of the shareholders of Valartis Group AG		**116,750**	**116,627**
Non-controlling interests		17,903	18,577
Total shareholders' equity (including non-controlling interests)		**134,653**	**135,204**
Total liabilities and shareholders' equity		**175,600**	**177,406**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

2017 in CHF 1,000	Share capital	Treasury shares	Capital reserves	Retained earnings
Opening balance at 1 January 2017	**5,000**	**-5,726**	**-5,507**	**120,718**
Gains/losses from financial assets available for sale [1)]				
Foreign exchange translation differences				
Remeasurement of defined benefit pension plans				
Other comprehensive income	**0**	**0**	**0**	**0**
Net loss				506
Comprehensive income	**0**	**0**	**0**	**506**
Dividend payments				-948
Change in treasury shares		36	-208	
Employee participation plan			19	
Transaction with non-controlling interests				145
Owner-related changes	**0**	**36**	**-189**	**-803**
Total shareholders' equity at 30 June 2017	**5,000**	**-5,690**	**-5,696**	**120,421**

2018 in CHF 1,000	Share capital	Treasury shares	Capital reserves	Retained earnings
Opening balance at 1 January 2018	**5,000**	**-5,872**	**-5,804**	**117,387**
Effects of changes in accounting principles				
Gains/(losses) from financial assets at fair value through OCI				
Foreign exchange translation differences				
Remeasurement of defined benefit pension plans				
Other comprehensive income	**0**	**0**	**0**	**0**
Net loss				-212
Comprehensive income	**0**	**0**	**0**	**-212**
Dividend payments				-908
Change in treasury shares		-1,408		
Employee participation plan				
Transaction with non-controlling interests				
Owner-related changes	**0**	**-1,408**	**0**	**-908**
Total shareholders' equity at 30 June 2018	**5,000**	**-7,282**	**-5,804**	**116,267**

1) as of 1 January 2018 Financial assets at fair value through OCI

	Net unrealised gains/losses on financials assets at fair value through OCI; until 31.12.2017 Available for sale	Foreign exchange translation differences	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
	3,963	**-6,042**	**-30**	**112,376**	**19,149**	**-674**	**18,475**	**130,851**
	1,669			1,669				1,669
		1,240		1,240		82	82	1,322
				0				0
	1,669	**1,240**	**0**	**2,909**	**0**	**82**	**82**	**2,991**
				506	-755		-755	-249
	1,669	**1,240**	**0**	**3,415**	**-755**	**82**	**-673**	**2,742**
				-948				-948
				-172				-172
				19				19
				145	-460		-460	-315
	0	**0**	**0**	**-956**	**-460**	**0**	**-460**	**-1,416**
	5,632	**-4,802**	**-30**	**114,835**	**17,934**	**-592**	**17,342**	**132,177**
	6,649	**-1,534**	**801**	**116,627**	**19,287**	**-710**	**18,577**	**135,204**
				0				**0**
	3,519			3,519				3,519
		-866		-866		-445	-445	-1,311
				0				0
	3,519	**-866**	**0**	**2,653**	**0**	**-445**	**-445**	**2,208**
				-212	-229		-229	-441
	3,519	**-866**	**0**	**2,441**	**-229**	**-445**	**-674**	**1,767**
				-908				-908
				-1,408				-1,408
								0
								0
	0	**0**	**0**	**-2,316**	**0**	**0**	**0**	**-2,316**
	10,168	**-2,400**	**801**	**116,750**	**19,058**	**-1,155**	**17,903**	**134,653**

CONSOLIDATED CASH FLOW STATEMENT

in CHF 1,000	30.06.2018	30.06.2017
Net loss after taxes from continued operations	-441	-4,514
Net loss after taxes from discontinued operations	0	4,266
Net loss	**-441**	**-249**
Depreciation of property, plant and equipment	30	46
Net result from fair value adjustment and foreign currency effect on investment property	-2,258	1,172
Share of results of associated companies	-2,883	-4,802
Change in valuation adjustments and provisions	-200	285
Finance result, net	1,904	2,644
Income taxes	208	562
Other non-cash income and expenses	113	-1,151
Operating cash flow before changes in the working capital and taxes	**-3,527**	**-1,493**
Due from third parties	-182	102
Accrued and deferred assets	-602	504
Accounts payables	268	-587
Other current liabilities	261	-2,890
Taxes paid	-169	-528
Cash flow from operating activities	**-3,951**	**-4,892**
Purchase of trading portfolio assets (including derivative financial instruments)	-15,601	-4,688
Other financial assets at fair value through OCI	0	717
Non-current receivables	1,886	881
Interest and dividends received	1,328	652
Purchase of property, plant and equipment, investment property and intangible assets	-298	-53
Sale of property, plant and equipment, investment property and intangible assets	0	0
Sale of associated companies	0	5,184
Sale of subsidiaries less attributable cash [1)]	0	7,169
Cash flow from investment activities	**-12,685**	**9,862**

1) Payments in the previous period relate to payments from escrow accounts.

in CHF 1,000	30.06.2018	30.06.2017
Proceeds from/(repayments of) current financial liabilities [1)]	-154	-1,680
Proceeds from/(repayments of) non-current financial liabilities [1)]	85	-471
Interest paid	-651	-941
Dividends paid to shareholders of the Company	-908	-948
Change in treasury shares	-1,410	-171
Change in non-controlling interests	-650	-330
Increase of capital	0	0
Cash flow from financing activities	**-3,688**	**-4,541**
Effect of foreign exchange translation differences (including non-controlling interests)	0	252
Increase/(decrease) in cash and cash equivalents	**-20,324**	**681**
Position at 1 January	25,745	24,640
Position at 30 June	5,421	25,321

1) For details on proceeds from and repayments of financial liabilities, see notes 17 und 18.

NOTES

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 participation as a shareholder. Valartis Group currently has offices in Switzerland (Fribourg, Geneva, Zurich), Luxembourg, Moscow and St. Petersburg with 53 employees (full-time equivalents; as of 30 June 2018). 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

Valartis' consolidated financial statements comply with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). This interim report complies with the requirements of IAS 34 «Interim Financial Reporting ». As it does not contain all the information and disclosures required in the annual report, this interim report should be read in conjunction with the audited consolidated financial statements of the Annual Report 2017.

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

	30.06.2018 Balance sheet date rate	1.1.–30.6.2018 Annual average rate	31.12.2017 Balance sheet date rate	1.1.–30.6.2017 Annual average rate
EUR	1.1571	1.1653	1.1691	1.0773
USD	0.9933	0.9653	0.9753	0.9880
RUB	1.5850	1.6255	1.6900	1.7100

The half-year report is based on the individual financial statements of the Group companies prepared in accordance with uniform principles. The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The Group applies, for the first time, IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. As required by IAS 34, the nature and effect of these changes are disclosed below. Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim condensed consolidated financial statements of the Group.

CHANGES TO ACCOUNTING POLICIES

IFRS 9 – Financial Instruments
The IASB published IFRS 9 (2014) in July 2014. The new standard replaces IAS 39 and contains provisions on the classification and measurement of financial assets and financial liabilities, the determination of impairment losses on financial assets and hedge accounting. It is applicable for the first time as of 1 January 2018.

IFRS 9 was generally adopted by the Group without restating comparative financial information. The reclassifications are therefore not reflected in the restated balance sheet at 31 December 2017, but are recognised in the opening balance sheet of 1 January 2018. There were no value adjustments needed nor changes of impairment charges for the transition from IAS 39 to IFRS 9.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial assets. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale. The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial assets and derivative financial instruments. The impact of IFRS 9 on the classification of financial assets is set out on page 22.

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 as a whole 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 at 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 at 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.

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 at 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.

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 profit or loss.

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 profit or loss.

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 to profit or loss.

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 to profit or loss.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Balance sheet adjustments Due to the transition to IFRS 9, the opening balance sheet as of 1 January 2018 was reclassified as follows compared to the balance sheet as of 31 December 2017 under IAS 39:

Financial instruments	IAS 39 Measurement category (only for financial instruments)	IFRS 9 Measurement category (only for financial instruments)	31.12.2017 in CHF 1,000	IFRS 9 Reclassification in CHF 1,000	01.01.2018 in CHF 1,000
Financial assets					
Cash and cash equivalents	Amortised cost	Amortised cost	25,745		25,745
Trading portfolio assets	Fair value through profit & loss (FVTPL)	FVTPL	38,002		38,002
Derivative financial instruments	FVTPL	FVTPL	109		109
Other financial assets at fair value [1]	Designated as at fair value	FVTPL	1,696	-1,696	-
Other financial assets at fair value (FVTPL) [1]		FVTPL		1,696	1,696
Due from third parties	Amortised cost	Amortised cost	13,831		13,831
Accrued and deferred assets	Amortised cost	Amortised cost	3,392		3,392
Financial asses available for sale [2]	Available for Sale		23,462	-23,462	-
Financial assets at fair value through OCI (FVOCI) [2]		Fair value over other comprehensive income (FVOCI)		23,462	23,462
Non-current receivables	Amortised cost	Amortised cost	5,565		5,565
Total financial assets			**111,802**	**-**	**111,802**
Financial liabilities					
Trade payables	Amortised cost	Amortised cost	814		814
Current financial liabilities	Amortised cost	Amortised cost	28,916		28,916
Derivative financial liabilities	FVTPL	FVTPL	1,751		1,751
Other current liabilities	Amortised cost	Amortised cost	5,073		5,073
Non-current financial liabilities	Amortised cost	Amortised cost	2,059		2,059
Total financial liabilities			**38,613**	**-**	**38,613**

1) Financial assets designated at fair value have been moved to Financial assets at fair value through profit & loss upon adoption of IFRS 9.
2) Financial assets available for sale have been moved to Financial assets at fair value through OCI upon adoption of IFRS 9.

There were no value adjustments needed nor changes of impairment charges for the transition from IAS 39 to IFRS 9.

Impairment of financial assets (impairment model)
IFRS 9 replaces the «incurred loss» model in IAS 39 with an «expected credit loss» (ECL) model. The new 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, credit losses are recognised earlier than under IAS 39.

The financial assets at amortised cost consist of cash and cash equivalents, due from third parties, accrued and deferred assets and non-current receivables.

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 obligations 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', similar to the presentation under IAS 39, and not presented separately in the statement of profit or loss and OCI due to materiality considerations.

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of IFRS 9's impairment requirements at 1 January 2018 results in no additional impairment.

IFSR 9 Impairment financial assets (transition and movements)

in CHF 1,000	Total
Impairment on financial assets as of 31.12.2017	7,261
IFRS 9 adjustments	0
Impairment on financial assets as of 01.01.2018	7,261
Impairment losses on financial assets for 01.01.–30.06.18	24
Release of impairment losses on financial assets for 01.01.–30.06.18	0
Impairment on financial assets as of 30.06.2018	**7,285**

Expected credit losses as of 1 January 2018 correspond to specific allowances for credit losses as of 31 December 2017 which is why no corresponding adjustment was necessary.

Hedge accounting

The Group does not use hedge accounting according to IFRS 9 (nor to IAS 39 in the past years).

IFRS 15 – Revenue from contracts with customers

IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and applies to all revenues from contracts with customers unless these contracts fall within the scope of other standards.

The new standard provides for a five-step revenue recognition model that is generally applicable to all contracts with customers. The model consists of the following steps: identification of the contract with the customer; identification of the independent service obligations in the contract; determination of the transaction price; allocation of the transaction price to the performance obligations of the contract; and, revenue recognized upon fulfillment of the service obligations by the company.

Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group has adopted IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated, i.e. it is presented as previously reported, under IAS 18, IAS 11 and related interpretations. The application of IFRS 15 had no impact on Valartis' balance sheet and income statement as of 1 January 2018 or in the first half of 2018

Other new standards and interpretations

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

- IAS 40 Transfers of investment property;
- IFRS 2 Classification and Measurement of Share-based Payment Transactions;
- IFRS 4 Application of IFRS 9 «Financial Instruments» together with IFRS 4 «Insurance Contracts»;
- IFRIC 22 Transactions in foreign currencies and consideration paid in advance;
- Annual improvements 2014–2016 (with first-time adoption on 1 January 2018).

Other changes

IAS 21: Effects of Application of IAS 21.32 (net investment in a foreign operation)

Exchange differences arising when monetary items are settled or when monetary items are translated at rates different from those at which they were translated when initially recognised or in previous financial statements are reported in profit or loss in the period, with one exception [IAS 21.28]. The exception is that exchange differences arising on monetary items that form part of the reporting entity's net investment in a foreign operation 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 [IAS 21.32].

As of 30 June 2018, a Group company reassessed its internal group loans and identified a few loans to be qualified in this way. The following tables provide an overview of the effects on the balance sheet and income statement:

Balance sheet

in CHF 1,000	30.06.2018 before application of IAS 21	Impact of IAS 21	30.06.2018
Currency translation adjustments in equity	-531	-1,869	-2,400

Income statement

in CHF 1,000	30.06.2018 before application of IAS 21	Impact of IAS 21	30.06.2018
Financial result, net	-3,774	1,869	-1,905
Loss for the year	-2,310	1,869	-441

IAS 19 – Plan amendment, curtailment or settlement

In February 2018, the IASB published amendments to IAS 19 relating to accounting for plan amendments, curtailments and settlements during the reporting period. According to the amendments, following such an event, companies must recalculate current service cost and net interest for the remaining reporting period using current actuarial assumptions. The amendments also clarify how a plan change, curtailment or settlement affects the asset ceiling requirements. The amendments are effective prospectively for plan amendments, curtailments and settlements occurring on or after 1 January 2019. Earlier application is permitted. Valartis waives the premature adjustment of the new provisions of IAS 19 to the changes in the regulations of the pension funds in Switzerland. Valartis assumes that the application of the new provisions will have no effect on consolidated equity.

CHANGES IN THE SCOPE OF CONSOLIDATION

Changes in the current period of review

There were no changes in the scope of consolidation in the first half of 2018.

Changes in the prior period of review

On 2 January 2017, the sale and purchase agreement for all shares of Valartis Group in the associated company «Gebäudebesitz Rathausstrasse 20 GmbH» (RHS GmbH) was executed. In the course of the sale of the banking business of Valartis Bank (Austria) AG on 1 April 2016, the banking property in Vienna was transferred to RHS GmbH, which was founded jointly with Wiener Privatbank SE. Since then, Valartis Group has held 49.9 per cent of the associated company. On 16 December 2016, an agreement was signed to sell the RHS-GmbH shares held by Valartis Group with planned completion in January 2017.

DISCONTINUED OPERATIONS

At the beginning of April 2017, a share purchase agreement (SPA) was signed to sell the minority interest in the Darsi Group. The agreement was executed on 26 September 2017. Subsequent negotiations are currently still being held with the buyers on an additional purchase price claim in Valartis' favour that has arisen as a result of currency developments. As a result, the associated company Darsi Group continues to be reported as a discontinued operation in the consolidated financial statements as of 30 June 2018 (as at 31 December 2017).

ESTIMATES, ASSUMPTIONS, AND EXERCISE OF DISCRETION BY MANAGEMENT

There have been no material changes in management's estimates, assumptions and judgements for the half-year financial statements as of 30 June 2018 compared with the period ended on 31 December 2017.

APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The 2018 half-year report was approved by the Board of Directors of Valartis Group AG on 23 August 2018.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

1. INCOME FROM MANAGEMENT SERVICES

in CHF 1,000	1.1.–30.6.2018	1.1.–30.6.2017
Revenue from management services	1,149	1,944
Revenue from management services	**1,149**	**1,944**

Income from management services comprises fees for the development and management of real estate projects, management fees for administration and accounting services as well as investment fees for investment funds distributed abroad. The application of IFRS 15 had no impact on Valartis' balance sheet and income statement as at 1 January 2018 or in the first half of 2018.

2. INCOME FROM INVESTMENT PROPERTY

in CHF 1,000	1.1.–30.6.2018	1.1.–30.6.2017
Rental income	2,014	2,391
Impact of embedded derivatives in rental contracts	1,345	969
Gross rental income	**3,359**	**3,360**
Land lease expenses	-107	-110
Operating expenses	-449	-497
Property tax and non-recoverable VAT	-219	-230
Net rental income from real estate	**2,584**	**2,522**
Net result from fair value adjustment and foreign currency for investment property	**-429**	**-1,172**
Total income from investment property	**2,155**	**1,350**
Income from fair value adjustment and foreign currency effects on investment property		
Fair value adjustment on investment property, including effects from foreign currency translation	2,630	-893
Fair value adjustment on embedded derivatives (positive replacement value)	-372	-967
Subtotal	2,258	-1,860
Result from foreign exchange translation on banking loan for investment property, including embedded derivatives	-2,687	688
Subtotal	-2,687	688
Net result from fair value adjustment and foreign currency effect on investment property	**-429**	**-1,172**

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

3. SHARE OF RESULTS OF ASSOCIATED COMPANIES

	1.1.–30.6.2018	1.1.–30.6.2017
Share in net profit [1)]	2,883	140
Impairment	0	0
Result from associated companies	**2,883**	**140**

1) The share in net profit increases due to the April 2018 sale of the subsidiary Private Investment Bank Limited, Bahamas by Banque Cramer & Cie SA, a group company of Norinvest Holding SA.

4. OTHER ORDINARY INCOME

in CHF 1,000	1.1.–30.6.2018	1.1.–30.6.2017
Income from the sale of financial assets at fair value through OCI	0	562
Other income	439	492
Other expenses	-150	-44
Total other ordinary income	**289**	**1,010**
Details of income from financial assets at fair value through OCI		
Sale of equity instruments	0	562
Income from the sale of financial assets at fair value through OCI	**0**	**562**

5. PERSONNEL EXPENSE

in CHF 1,000	1.1.–30.6.2018	1.1.–30.6.2017
Salaries and bonuses	-2,044	-2,689
Social security benefits	-315	-378
Contributions to occupational pension plans	-107	-181
Share-based payments	0	-19
Other personnel expense	-310	-120
Total	**-2,776**	**-3,387**

The lower personnel expenses are due to the reduction in the number of employees.

6. GENERAL EXPENSE

in CHF 1,000	1.1.–30.6.2018	1.1.–30.6.2017
Occupancy expense	-649	-814
IT and information expense	-146	-196
Consultancy, audit, travel & representation and public relations	-1,038	-1,311
Other general expense	-221	-246
Total	**-2,054**	**-2,567**

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

in CHF 1,000	1.1.–30.6.2018	1.1.–30.6.2017
Depreciation of property, plant and equipment	-30	-46
Total	**-30**	**-46**

8. VALUATION ADJUSTMENTS, PROVISIONS AND LOSSES

in CHF 1,000	1.1.–30.6.2018	1.1.–30.6.2017
Other impairments	0	-288
Impairment reversals	58	0
Change in provisions	0	0
Total	**58**	**-288**

9. FINANCIAL RESULT

in CHF 1,000	1.1.–30.6.2018	1.1.–30.6.2017
Interest and dividend income from trading portfolios	1,157	634
Other interest income third parties	187	18
Total interest income	**1,344**	**652**
Net gain on trading portfolio assets	0	0
Total financial income	**1,344**	**652**
Other interest expense	-1	-2
Interest expenses for financial liabilities due to banks	-650	-939
Total interest expense	**-651**	**-941**
Net losses on trading portfolio assets	-2,598	-2,355
Total financial expenses	**-3,249**	**-3,296**
Total financial result, net	**-1,905**	**-2,644**

10. INCOME TAXES

in CHF 1,000	1.1.–30.6.2018	1.1.–30.6.2017
Current income taxes	-51	-71
Change in deferred taxes	-160	-491
Total income taxes	**-211**	**-562**
Income tax as disclosed in the consolidated income statement	-211	-26
Income tax attributable to discontinued operations	0	-536
Effective income taxes	**-211**	**-562**

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

11. TRADING PORTFOLIO ASSETS

in CHF 1,000	30.06.2018	31.12.2017
Debt instruments	41,352	31,712
Equity instruments	7,003	6,108
Investment fund units	2,539	182
Total trading portfolio assets	**50,894**	**38,002**

The trading portfolios consist on the one hand of debt and equity securities of Russian companies held by the ENR Group (SIX listed parent company: ENR Russia Invest SA; fully consolidated Group company) as well as short-term European financial assets as part of Group Treasury Management.

12. DUE FROM THIRD PARTIES AND ASSOCIATED COMPANIES

in CHF 1,000	30.06.2018	31.12.2017
Due from third parties and associated companies	22,246	21,092
Escrow accounts	0	0
Total due from third parties and associated companies gross	**22,246**	**21,092**
Valuation adjustments for default risk	-7,285	-7,261
Total due from third parties and associated companies net	**14,961**	**13,831**

Receivables from third parties include loans and receivables from the associated Darsi Group.

13. ASSETS UNDER DEVELOPMENT

in CHF 1,000	30.06.2018	31.12.2017
Assets under development	5,548	5,921
Total assets under development	**5,548**	**5,921**

The ENR Group (SIX listed parent company: ENR Russia Invest SA; fully consolidated group company) is participating in a real estate project where free standing multi-floor apartment buildings are to be constructed South-West of Moscow, Russia. To date, ENR has made payments of 350 million rubles to the project developer, with a carrying amount of CHF 5.55 million as at 30 June 2018 (31 December 2017: CHF 5.9 million). Due to a change in the allowable height of the buildings, construction delays arose, and the developper had to reconsider the scope of the development project and prepare revised plans. The revised plans for the project have not yet been approved, and the new construction permit has not yet been issued. The total contract price for ENR to invest amounts to 615 million rubles or CHF 10.0 million (based on the ruble/CHF exchange rate of 30 June 2018).

An impairment test was performed as of 30 June 2018, and no impairment was required.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

in CHF 1,000	30.06.2018	31.12.2017
Equity instruments	26,981	23,462
Total financial assets at fair value through OCI	**26,981**	**23,462**

Financial assets at fair value through OCI as of 30 June 2018 consist of shares in Athris AG (as per 31 December 2017, then as avaible for sale; until Athris AGM 2018 under the name of Athris Holding AG).

15. INVESTMENT PROPERTY

in CHF 1,000	Investment property building	Embedded derivatives	Investment property financial leasing	Investment property under construction	Total
Carrying amount at 31 December 2016	32,006	1,838	1,799	0	35,643
Investments	67			136	203
Transfer from property, plant and equipment				175	175
Disposals					0
Fair value adjustments, including foreign currency effects	915	-103			812
Foreign exchange translation differences	287	16	15		318
Carrying amount at 31 December 2017	**33,275**	**1,751**	**1,814**	**311**	**37,151**
Carrying amount at 31 December 2017	33,275	1,751	1,814	311	37,151
Investments	197		54	24	275
Transfer from property, plant and equipment					0
Disposals					0
Fair value adjustments, including foreign currency effects	2,618	-372	12		2,258
Foreign exchange translation differences	-2,203	-34	-114		-2,351
Carrying amount at 30 June 2018	**33,887**	**1,345**	**1,766**	**335**	**37,333**

Valuation

The ENR Group (SIX listed parent company: ENR Russia Invest SA; fully consolidated group company) holds Petrovsky Fort in St. Petersburg, Russia. The tenancy fees of the property are linked to the USD. The development of the USD/ruble foreign exchange rate therefore has a strong influence on the fair value of the property. Fair value is measured annually as of the balance sheet date of 31 December by a recognised expert. For the 2018 half-year financial statements, the fair value of the company was verified by a discounted cash flow calculation. As of 30 June 2018, the verification did not result in any change in the fair value of the property in USD.

The changes in value shown in the table are offset by the translation of the property denominated in USD into the balance sheet denominated in rubles of the real estate company and the change in the value of the embedded derivative. Based on the input factors of the valuation technique used, the fair value is assigned to level 3.

Embedded derivatives

Most of Petrovsky Fort's leases are linked to the development of the USD/ruble exchange rate. They contain a corridor for the USD/ruble exchange rate, which determines the amount of the rent payments to be paid in roubles.

The inherent put and call options on the purchase and sale of foreign currency included in these lease contracts were classified as embedded derivatives because the USD is not the functional currency of the Petrovsky Fort LLC company and the tenants. The expected cash flows used for the valuation of the property do not include the effects of these embedded derivatives. The derivatives are therefore included as a separate component in the total value of the investment property. At the same time, derivatives are recognized as derivative financial instruments with negative replacement values on the liabilities side of the balance sheet.

Investment property under construction

The investment property under construction is a project of Valartis Group in Geneva, Switzerl

16. NON-CURRENT RECEIVABLES

in CHF 1,000	30.06.2018	31.12.2017
Tax receivables	1	429
Other receivables	4,734	5,136
whereof escrow accounts	4,528	4,772
Total non-current receivables	**4,735**	**5,565**

The residual purchase price of approximately CHF 1.0 million (31 December 2017: CHF 1.7 million) owed by the buyer of Valartis Bank AG Switzerland and of approximately CHF 3.5 million (31 December 2017: CHF 3.7 million) from the sale of the investment in Eastern Property Holdings Ltd. are reported as escrow accounts.

The claim of CHF 1.0 million will be paid in several tranches until 2020. The receivable from the buyers of Eastern Property Holdings Ltd. relates to a third party. The development of this position has not affected the financial statement of Valartis Group since 2015.

17. CURRENT LIABILITIES

in CHF 1,000	30.06.2018	31.12.2017
Due to banks	21,944	21,841
Other current financial liabilities	6,866	7,075
Current financial liabilities	**28,810**	**28,916**

Due to banks includes a loan of USD 14.4 million (31 December 2017: USD 14.4 million) from UniCredit Bank to finance the Petrovsky Fort investment property.

The ordinary end of the loan agreement was July 30, 2018. Loan was taken out after the balance sheet date and before the expiry of theloan agreement for a period of 3 months in advance.

18. NON-CURRENT LIABILITIES

in CHF 1,000	30.06.2018	31.12.2017
Liabilities from financial leasing	1,766	1,826
Other non-current liabilities	30	233
Total non-current financial liabilities	**1,796**	**2,059**

19. SHARE CAPITAL

in CHF	30.06.2018	31.12.2017
Share capital, fully paid-in	5,000,000	5,000,000
Number of registered shares	5,000,000	5,000,000
Nominal value per share	1	1
Equity per share (attributable to shareholders of Valartis Group AG, before appropriation of profit)	25.7	24.8

For the 2017 financial year, a dividend of TCHF 908 or CHF 0.20 per share was paid to the shareholders entitled to dividends on 22 May 2018.

20. TREASURY SHARES

	Number of shares
Position at 1 January 2017	**264,488**
Purchases (at an average price of CHF 9.14 each)	51,780
Sales (at an average price of CHF 7.96 with a historical average price of CHF 21.65 each)	-15,102
Position at 31 December 2017	**301,166**
Purchases (at an average price of CHF 8.70 each)	162,246
Sales (at an average price of CHF 9.50 with a historical average price of CHF 21.24 each)	-534
Position at 30 June 2018	**462,878**
Historical cost value in TCHF	7,282
Historical average rate in CHF	15.73

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

As part of the buyback programme, a second line for registered shares was established on SIX Swiss Exchange Ltd in accordance with the International Reporting Standard. Ordinary trading in Valartis registered shares under security number 36,742,768 are not be affected by this measure and continues normally. The maximum buy-back volume per day is 4,314 shares per day; calculated in accordance with Article 123 paragraph 1 letter c of the Swiss Ordinance on Financial Market Infrastructure and Market Behaviour in Securities and Derivatives Trading (Financial Market Infrastructure Ordinance, FMIO) of 25 November 2015. The share buyback program ends on 12 April 2019. Until 30 July 2018, no registered shares of the Company have been tendered on the second line for the purpose of subsequent cancellation and capital reduction. The share buyback program ends on 12 April 2019.

21. FAIR VALUE

Determination of Fair value

The fair value corresponds to the price that would be obtained in an orderly transaction between market participants at the time of valuation upon sale of an asset or upon transfer of an obligation.

The following table shows all assets and liabilities recognized at fair value:

Fair value of financial instruments

in CHF 1,000	30.06.2018			31.12.2017		
	Book value	Fair value	Deviation	Book value	Fair value	Deviation
Assets						
Cash and cash equivalents	5,421	5,421		25,745	25,745	
Due from third parties	14,961	14,961		13,831	13,831	
Accrued and deferred assets	2,883	2,883		3,392	3,392	
Non-current receivables	4,735	4,735		5,565	5,565	
Financial assets at amortised costs	**28,000**	**28,000**	**0**	**48,533**	**48,533**	**0**
Trading portfolio assets	50,894	50,894		38,002	38,002	
Derivative financial instruments	0	0		109	109	
Other financial assets at fair value	1,637	1,637		1,696	1,696	
Financial assets at fair value through OCI	26,981	26,981		23,462	23,462	
Financial assets at fair value	**79,512**	**79,512**	**0**	**63,269**	**63,269**	**0**
Liabilities						
Trade payables	1,274	1,274		814	814	
Current financial liabilities	28,810	28,810		28,916	28,916	
Current income taxes	755	755		884	884	
Other current liabilities	4,304	4,304		5,073	5,073	
Non-current financial liabilities	1,796	1,796		2,059	2,059	
Financial liabilities at amortised costs	**36,939**	**36,939**	**0**	**37,746**	**37,746**	**0**
Derivative financial instruments	1,355	1,355		1,751	1,751	
Financial liabilities at fair value	**1,355**	**1,355**	**0**	**1,751**	**1,751**	**0**

Level 1 instruments are financial instruments whose fair value is based on prices quoted in active markets. Almost all shares and debt securities held by the Group fall into this category. Investment funds for which a binding net asset value is published at least on a daily basis, exchange-traded derivatives and precious metals are also classified as Level 1 instruments. Closing prices are used to value debt instruments in the trading portfolio. For equities, listed investment funds and exchange-traded derivatives, the closing or settlement prices of the relevant stock exchanges are used. For unlisted investment funds, the published net asset values are applied. Generally accepted rates are used for foreign exchange and precious metals. No valuation adjustments are made for Level 1 instruments.

Level 2 classifies financial instruments if their fair value is based on prices quoted in non-active markets. The same classification is used to determine the fair value using a valuation method whose main input parameters are directly or indirectly observable. This category includes currency and interest rate derivatives as well as debt instruments and funds for which no binding net asset value is available on a daily basis. If there is no active market, the fair value is calculated on the basis of generally accepted valuation methods. If all essential parameters can be observed directly on the market, this is a level 2 instrument. The valuation models take into account relevant parameters such as contract specifications, the market price of the underlying, exchange rates, yield curves, default risks and volatility. Interest rate instruments for which no quoted prices are available are valued using generally accepted methods. Generally accepted option price models and prices quoted in non-active markets are used to value OTC derivatives. The published net asset values are used for investment funds. Credit risk is only taken into account in determining the fair value of financial obligations if market participants would take it into account in determining prices.

If at least one important parameter is not directly or indirectly observable on the market, it is a level 3 instrument. These include equities and/or funds for which a binding net asset value is not published at least quarterly. The fair value of these positions is determined on the basis of expert estimates or audited financial statements. Where possible, the underlying assumptions are supported by observed market quotations.

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

2018 in CHF 1,000	Quoted market prices (level 1)	Valuation method based on market data (level 2)	Valuation method not based on market data (level 3)	30.06.2018
Assets				
Trading portfolio assets	46,969		3,925	50,894
Derivative financial instruments				0
Other financial assets at fair value			1,637	1,637
Financial assets at fair value through OCI		26,981	0	26,981
Investment property (excl. embedded derivatives)			35,988	35,988
Embedded derivatives on investment property			1,345	1,345
Total investment property			37,333	37,333
Assets at fair value	**46,969**	**26,981**	**42,895**	**116,845**
Liabilities				
Derivative financial instruments			1,345	1,345
Total financial liabilities at fair value	**0**	**0**	**1,345**	**1,345**

In the event of a change in the availability of market prices and/or market liquidity, the reclassifications are made at the end of each reporting period. The following item was reclassified in the reporting period: Athris AG – Transfer from level 3 to level 2.

Level 2 classifies financial instruments if their fair value is based on prices quoted in non-active markets (observable on the market).

If at least one important parameter is not directly or indirectly observable on the market, it is a level 3 instrument. These include equities for which a binding net asset value is not published at least quarterly. The fair value of these positions is determined on the basis of expert estimates or audited financial statements. Where possible, the underlying assumptions are supported by observed market quotations, such as individual transactions observable on the market.

The previous financial instruments available for sale (until 31 December 2017) consisted on the balance sheet date of the investment in Athris Holding AG, whose shares were traded sporadically on the OTC platform of Berner Kantonalbank (the book value as at 31 December 2017 amounted to CHF 23.5 million; prior year: CHF 19.3 million). Athris Holding AG was renamed Athris AG at the 2018 Annual General Meeting and the nominal share capital was increased. In addition, the company has been listed on the BX Swiss since 15 June 2018. As a result, the equities of this company are no longer traded on an over-the-counter trading platform, but on a regulated trading market. Accordingly, the company publishes its NAV on a quarterly basis shortly after the end of each quarter. As the prices of these equity instruments are directly observable on the market but still have a low trading volume, the previous available for sale financial instruments were reclassified from level 3 instruments to level 2 instruments.

Since May 2018, trading volumes in Athris AG shares have increased and are significantly higher than in the previous year. The share price also rose from CHF 1,525 at the beginning of May to CHF 1,725 on 30 June 2018, an increase of more than 13 per cent. According to the company, the aim of the listing is in particular to improve the liquidity of Athris AG shares. The very rarely traded bearer shares with a nominal value of CHF 1.00 were traded at CHF 345.

2017 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)	**31.12.2017**
Assets				
Trading portfolio assets	34,375	0	3,627	38,002
Derivative financial instruments		109		109
Other financial assets at fair value			1,696	1,696
Financial assets available for sale [1]			23,462	23,462
Investment property			35,400	35,400
Embedded derivatives on investment property			1,751	1,751
Total investment property			37,151	37,151
Assets at fair value	**34,375**	**109**	**65,936**	**100,420**
Liabilities				
Derivative financial instruments			1,751	1,751
Total financial liabilities at fair value	**0**	**0**	**1,751**	**1,751**

1) as of 1 January 2018 Financial assets at fair value through OCI

Movements of level-3 positions

2018 in CHF 1,000	1.1.2018	Recognised in the income statement	Net income recognised in shareholders' equity	Transfer from level 1 and level 2	Purchase	Sales	30.06.2018
Trading portfolio assets	3,627				298		3,925
Financial assets at fair value through OCI	23,462	0	3,519	-26,981			0
Other financial assets at fair value	1,696	-59					1,637
Investment property (excl. embedded derivatives)	35,400	2,630	-2,317		275	0	35,988
Embedded derivatives on investment property	1,751	-372	-34				1,345
Total assets at fair value (level 3)	**65,936**	**2,199**	**1,168**	**-26,981**	**573**	**0**	**42,895**
Derivative financial instruments	1,751	-372	-34				1,345
Total financial liabilities at fair value (level 3)	**1,751**	**-372**	**-34**	**0**	**0**	**0**	**1,345**

2017 in CHF 1,000	1.1.2017	Recognised in the income statement	Net income recognised in shareholders' equity	Transfer from level 1 and level 2	Purchase	Sales	31.12.2017
Trading portfolio assets	5,139	1				-1,513	3,627
Financial assets available for sale [1]	19,458	572	2,686		1,511	-765	23,462
Other financial assets at fair value	462	-16			1,250		1,696
Investment property (excl. embedded derivatives)	33,805	915	302		378		35,400
Embedded derivatives on investment property	1,838	-103	16				1,751
Total assets at fair value (level 3)	**60,702**	**1,369**	**3,004**	**0**	**3,139**	**-2,278**	**65,936**
Derivative financial instruments	1,838	-103	16				1,751
Total financial liabilities at fair value (level 3)	**1,838**	**-103**	**16**	**0**	**0**	**0**	**1,751**

1) As of 1 January 2018 Financial assets at fair value through OCI

Unobservable inputs

For the valuation of level 3, the annual financial statements of the corresponding securities and individual transactions observable on the market are used.

«Other financial assets at fair value» includes the stake in Whitebox Services AG, acquired in 2017. Whitebox offers one of the first online financial services provider in Germany (BAFIN-regulated). Furthermore, it includes the existing contingent purchase price payment from the sale of Eastern Property Holdings Ltd. (EPH) of TCHF 387 (previous year: TCHF 381) in Level 3.

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

An increase or decrease of 1 per cent in the base value used would result in an increase (or decrease) of the remaining purchase price receivable of TCHF 16.

Significant, unobservable inputs in the evaluation of the investment property Petrovsky Fort	30.06.2018	31.12.2017
Fair value of Petrovsky Fort (property)		
in USD 1,000	34,117	34,117
in CHF 1,000	33,887	33,275
Capitalisation rate for income capitalisation	11.0%	11.5%
Discount rate for discounted cash flow	15.0%	14.5%
Embedded derivatives on investment property; Black-Scholes		
Fair value of embedded derivatives in CHF 1,000	1,345	1,751
Range of USD/Ruble exchange rate corridor in lease contracts [1)]	USD/Rubel 63.04 - 69.39	USD/Rubel 51.84 - 63.36

1) Disclosed USD/Ruble corridor represents the maximum range of the corridors individually included in the leasing contracts.

Investment property

For the half-year report, the value of the investment property was verified using a discounted cash flow calculation, while an independent expert assesses the value once a year as of December 31. For the discounted cash flow calculation, the future cash flows were estimated, including rental income including variable components, assumptions on vacancy rates, value maintenance costs and assumptions for the discount rate and a possible sales value. The verification showed an unchanged building value of USD 34.1 million (31 December 2017: USD 34.1 million).

Embedded derivatives

The embedded derivatives (see description Note 15) are valued using a Black-Scholes option model. An increase or reduction of the USD/ruble corridor in the rental agreements by 10 per cent would have resulted in an increase or reduction of CHF 0.17 million of the fair value of embedded derivatives (previous year: CHF 0.5 million).

22. BUSINESS SEGMENTS

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

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

Valartis Group prepares a monthly management report containing the consolidated financial information for the Executive Board and the Board of Directors. The same principles apply to the valuation as to the consolidated financial statements. Management reviews the consolidated financial information and uses it in its management decisions to implement the overall strategy.

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

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

in CHF 1,000	30.06.2018			30.06.2017		
	Domestic	Non-domestic	Total	Domestic	Non-domestic	Total
Operating income	3,337	3,140	6,477	1,049	3,395	4,444
Total assets	67,026	105,874	172,900	64,354	110,317	174,671

23. SALE OF SUBSIDIARIES AND DISCONTINUED OPERATIONS

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

Divestments in the first half of 2017
The property in Vienna held by the former Valartis Bank (Austria) AG was sold to a previously established real estate company, "Gebäudebesitz Rathausstrasse 20 GmbH" (RHS GmbH) (asset deal). Valartis held 49.9 per cent and Wiener Privatbank SE 51.1 per cent of this company. Valartis sold its shares to a third party on 2 January 2017.

Sale of associated company Gebäudebesitz Rathausstrasse 20 GmbH

in CHF 1,000	2.1.2017
Disposal of net assets	
Sales price	**5,369**
Gain from sale of subsidiary before currency translation differences and income tax	5,369
Transfer of cumulated foreign currency translation difference from equity to income statement	-
Income tax on sale	-557
Gain from sale of associated company	**4,812**
Sales price received in cash and cash equivalents	5,369
Net inflow of funds	**5,369**

Results from discontinued operations

in CHF 1,000		2018		2017
Income statement	**Associated companies**	**Total**	**Associated companies**	**Total**
Operating income		-	4,802	4,802
Administrative expense		-		-
Gross income		**-**	**4,802**	**4,802**
Valuation adjustments, provisions and losses				-
Impairment loss recognised on the revaluation to fair value less costs to disposal		-		-
Earnings before interest and taxes (EBIT)		-	4,802	4,802
Financial income				-
(Loss) from reclass of cumulated foreign currency translation differences formerly booked in equity		-		-
Net profit/(loss) from discontinued operations before tax		**-**	**4,802**	**4,802**
Income taxes		-	-536	-536
Income tax effects from measurement to fair value less cost to distribute (deferred tax)		-		-
Net profit/(loss) from discontinued operations		**-**	**4,266**	**4,266**
whereof (loss) from reclass of cumulated foreign currency translation differences formerly booked in equity		-		-
whereof result of discontinued operations before reclass of cumulated foreign currency differences		-	4,266	4,266
Other comprehensive income of discontinued operations				
Unrealised gains/(losses) from financial assets available for sale				-
Foreign exchange translation difference	-34	-34	412	412
Total recognised in other comprehensive income	**-34**	**-34**	**412**	**412**
Cash flow from discontinued operations				
From operating activities				-
From investment activities		-	5,184	5,184
From financing activities		-		-
Net cash flow		**-**	**5,184**	**5,184**

Results from discontinued operations

in CHF 1,000		30.06.2018		31.12.2017
Balance Sheet	**Darsi Group**	**Total 2018**	**Darsi Group**	**Total 2017**
Associated companies	2,700	2,700	2,735	2,735
Total assets classified as held for sale	**2,700**	**2,700**	**2,735**	**2,735**
Liabilities directly associated with the assets classified as held for sale				
Total liabilities directly associated with the assets classified as held for sale	**0**	**0**	**0**	**0**
Net assets/(liabilities)	**2,700**	**2,700**	**2,735**	**2,735**

24. EVENTS AFTER THE BALANCE SHEET DATE

None.

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