

Press Release

GAM Holding AG reports net profit of CHF 106.3 million for first half of 2010

Zurich, 24 August 2010

- **Underlying net profit of CHF 106.3 million, up 36% year-on-year¹.**
- **Assets under management of CHF 116.6 billion² up CHF 11.3 billion (11%) year-on-year and up CHF 3.0 billion (3%) from year-end 2009.**
- **Strong net new money inflows of CHF 5.6 billion³, highlighting progress made in diversifying product ranges and distribution channels.**
- **Share buy-back programme announced – repurchase and cancellation of up to 10% of the company's outstanding shares over two years.**
- **Complementary dividend payout target of approximately 50% of annual net profits.**
- **Capital strength intact, with tangible equity of CHF 1.27 billion. Investment in organic growth and search for targeted, accretive acquisitions ongoing.**
- **Strongly positioned to benefit from status as truly independent, active asset management firm.**

Commenting on the Group's results for the first half of 2010, *Chairman and CEO Johannes A. de Gier* said: "Following our successful separation from Julius Baer, which was completed without any negative impact on our business, our focus during the first six months of 2010 has been on laying the foundations for future value creation. I believe we have made significant headway on this front. Our solid financial performance, achieved during a period of challenging market conditions, and our progress in creating a more diversified, sustainable business re-affirm my conviction that we are on the right track. Being a truly independent, active asset manager gives us a competitive advantage on which we will continue to capitalise."

H1 2010 results

Assets under Management for the Group stood at CHF 116.6 billion on 30 June 2010, an increase of CHF 11.3 billion (11%) from a year earlier and CHF 3.0 billion (3%) from year-end 2009. Strong net new money inflows in both the first and second quarters of 2010, totalling CHF 5.6 billion, more than offset adverse currency movements and the negative impacts of the double-digit decline in core equity markets in the second quarter of 2010.

¹ The consolidated pro-forma financial results for 2009 have been adjusted to include income from associates (Artio Global Investors Inc.), but exclude the consolidation of Artio Global Investors Inc.'s results for 2009. They also exclude the amortisation of customer relationships and the elimination of non-recurring revenues paid to GAM Holding AG by Bank Julius Baer & Co Ltd. during the period to September 2009. Including the amortisation of customer relationships, the Group net profit for the first six months of 2010, as shown in the interim financial statements, amounted to CHF 100.5 million.

² Excludes CHF 14.8 billion from Julius Baer branded funds distributed by Swiss & Global Asset Management and sub-advised by GAM.

³ Excludes net new money relating to Julius Baer branded funds distributed by Swiss & Global Asset Management and sub-advised by GAM, which is counted in both businesses.

GAM recorded net inflows of CHF 3.7 billion in the first six months of 2010, reversing the net outflows of CHF 5.0 billion reported in the same period a year earlier. GAM's ongoing initiatives to diversify its product ranges and distribution capabilities contributed to growth, with strong inflows recorded into its fixed income and currency strategies and its UCITS III alternative range, as well as significant institutional investment into its funds of hedge funds strategies. Outflows in certain funds of hedge funds – mainly from private clients and wholesale distributors, in line with industry trends – and client attrition in GAM's managed portfolios offerings were both slower than in 2009 and were successfully counteracted by strong inflows.

Swiss & Global Asset Management's net inflows also improved, from CHF 3.7 billion in the first half of 2009 to CHF 7.4 billion, mainly reflecting inflows into its attractive fixed income and innovative physical commodity funds. Growth in this segment more than offset reduced interest in its actively managed equity products, which were affected by the industry-wide low demand for equity exposure, despite their good relative investment performance. According to the Lipper Swiss FundFlows Insight Report and based on net new money gains, Swiss & Global Asset Management was the most successful fund provider in Switzerland during the first six months of 2010, boosting its local market share from 4.51% to 5.56%. Net inflows in the private label fund business were solid, and although they did not reach the exceptional growth levels experienced in 2009, this market-leading business remains an important contributor to overall profitability.

Net profit for the first half of 2010 was CHF 106.3 million, a 36% increase on the pro-forma net profit for the first six months of 2009. Earnings per share were CHF 0.54, up 42% from CHF 0.38 over the same period in 2009.

Operating income for the first half of 2010 was CHF 367.9 million (up 28% from the previous year). Net fee and commission income rose by 10% to CHF 286.1 million as a result of the growth in the Group's average assets under management. Performance fees rose steeply to CHF 57.7 million (compared to CHF 3.5 million in the first half of 2009), reflecting the success of the fixed income and currency strategies. Predominantly booked annually at the end of June, the performance fees generated on the fixed income products boosted income for the first half of the year. Performance fees on other products realised in the second half of the year are unlikely to be of a similar magnitude. This seasonal effect also led to an increase in the Group's annualised gross margin, which rose to 62.4 basis points for the first six months of 2010 (compared to 57.0 basis points in the first half of 2009).

Following last year's IPO of Artio Global Investors Inc., its results no longer form part of GAM Holding AG's consolidated financial statements. The retained 27.9% stake in Artio Global Investors Inc. is accounted for as an investment in associates. GAM Holding AG's share in that company's net profit is therefore included in operating income, with the amount derived from publicly available financial information. Pro-forma results of previous periods have been adjusted accordingly. During the first half of 2010, this income from associates was CHF 16.4 million, compared to CHF 13.8 million a year earlier.

Operating expenses across the Group rose by 23% to CHF 232.2 million despite continued cost discipline. General expenses were practically unchanged (down 1%), with savings at GAM and stable expense levels at Swiss & Global Asset Management. However, personnel costs rose by 38%. The non-cash impact related to the options awarded to all Group employees in late 2009 (the long-term incentive plan) following the separation from Julius

Baer and the independent listing of GAM Holding AG increased personnel expenses by CHF 18 million. Higher income from net fees and commissions, as well as the rise in performance fees, also led to higher contractual-based payments to investment professionals.

Balance sheet, capital management and share buy-back programme

Total assets as at 30 June 2010 were CHF 3,042 million, with total equity of CHF 2,660 million. Excluding CHF 1,391 million of intangible assets (goodwill, customer relationships and brand), *tangible equity* was CHF 1,269 million. The current regulatory capital requirement, when aggregated across the Group, is approximately CHF 80 million and the cash position of the Group at the end of June 2010 stood at CHF 795 million.

GAM Holding AG is committed to maintaining a strong balance sheet and capital structure and, at the same time, to practising efficient and disciplined capital management. This includes returning excess capital to its shareholders either through dividends or the repurchase of its own shares for cancellation. The company will introduce a *share buy-back programme* over a separate trading line at the SIX Swiss Exchange where GAM Holding AG will act as the only buyer. The Board of Directors has set a maximum buy-back limit of 10% of the current shares in issue. Based on the closing share price at the end of June 2010, this would equate to approximately CHF 240 million.

Johannes A. de Gier: “The share buy-back programme complements our intention of returning approximately 50% of net profits to shareholders through dividends. We expect to be able to fund it largely with 2010 and 2011 earnings. Given our strong capital position, it does not impede the Group’s growth prospects: we continue to invest in the organic growth of our business and to screen the market for opportunities to make targeted, accretive acquisitions.”

The share buy-back programme will run for a maximum period of two years. Shares repurchased under the programme will be cancelled subject to shareholder approval.

Consistent with its intention to limit shareholder dilution to less than 5%, GAM Holding AG increased its treasury share position to 4.97% of total shares in issue. These shares are held as an economic hedge of its exposure in respect of the options granted under the 2009 long-term incentive plan. They cannot be cancelled under the buy-back programme.

Conclusion and outlook

Johannes A. de Gier: “Although our results for the first half of 2010 are encouraging, our outlook for the rest of the year remains cautious. Volatile equity and currency markets will likely impact the level of assets under management and therefore our results. Private investors remain generally risk-averse and, in particular, continue to favour other asset classes over equities and hedge fund strategies. That said, I am convinced that periods of market uncertainty play to the strengths of truly active investment managers – provided they are able to offer a range of products that caters to cyclical client demand and delivers competitive investment performance. Our two scalable, well-managed and autonomous businesses offer an excellent platform for talented investment professionals and have the potential to act as consolidators within the evolving landscape of the asset management industry.”

The presentation for media, analysts and investors on the financial results of GAM Holding AG for the first half of 2010 will be webcast on 24 August 2010, at 9:30am (CET). Materials relating to the results (presentation slides, Business Review, financial statements and press release), as well as details of the share buy-back programme, are available at www.gamholding.com.

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Notes to Editors

About GAM Holding AG

GAM Holding AG is an independent, well-diversified asset management business, with a focus on the manufacturing and distribution of investment products and services.

GAM Holding AG is listed on the SIX Swiss Exchange and is a component of the Swiss Market Index Mid (SMIM) with the symbol "GAM". GAM Holding AG has assets under management of CHF 117 billion as at the end of June 2010. It employs over 1,000 staff with offices in Zurich (head office), Bermuda, Grand Cayman, Dubai, Dublin, Frankfurt, Geneva, Hong Kong, London, Luxembourg, Milan, New York and Tokyo.

Attachment: H1 2010 Key figures

Key Figures¹

	H1 2010 CHF M	H1 2009 CHF M	H2 2009 CHF M	CHANGE FROM H1 2009 IN %
CONSOLIDATED INCOME STATEMENT				
Net fee and commission income	286.1	259.1	263.9	10.4
Performance fees	57.7	3.5	14.0	1,537.1
Income from associates	16.4	13.8	17.9	18.9
Other operating income	7.7	10.4	6.6	-26.2
Operating income	367.9	286.9	302.4	28.3
Personnel expenses	171.9	124.6	134.4	38.0
General expenses	56.9	57.7	72.9	-1.4
Depreciation and amortisation	3.4	6.5	4.4	-47.7
Operating expenses	232.2	188.8	211.7	23.0
Profit before taxes	135.7	98.1	90.7	38.4
Income taxes	29.4	19.9	19.2	47.5
Net profit	106.3	78.1	71.5	36.1
Gross margin (basis points)	62.4	57.0	54.5	9.5
Cost/income ratio	63.1%	65.8%	70.0%	-
Pre-tax margin (basis points)	23.0	19.5	16.3	18.1
Tax rate	21.6%	20.3%	21.1%	-
Client assets (CHF bn)				
Assets under management ²	116.6	105.3	113.6	10.7
Average assets under management	117.9	100.7	111.0	17.2
Net new money ³	5.6	-1.6	2.0	-
Personnel				
Number of full-time employees	1,042	1,035	1,023	0.7
in Switzerland	313	291	302	7.6
abroad	729	744	721	-2.0
	30.06.2010 CHF M	30.06.2009 CHF M	31.12.2009 CHF M	CHANGE FROM 30.06.2009 IN %
CONSOLIDATED BALANCE SHEET				
Total assets	3,042.3	3,877.6	3,161.4	-21.5
Total equity	2,659.6	3,018.9	2,619.3	-11.9
Tangible equity (total equity, excl. goodwill, customer relationships and brand)	1,268.9	258.4	1,222.8	391.1
Return on tangible equity ⁴	16.8%	60.5%	11.7%	-
	30.06.2010 CHF	30.06.2009 CHF	31.12.2009 CHF	CHANGE FROM 30.06.2009 IN %
SHARE INFORMATION				
Number of registered shares	206,630,756	206,630,756	206,630,756	-
Share capital (CHF m)	10.3	10.3	10.3	-
EPS for six-month period ⁵	0.54	0.38	0.35	42.0
Book value ⁶	6.40	1.25	5.93	412.4
Closing price	11.75	-	12.59	-

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³ Excludes the double-count of net new money relating to Julius Baer branded funds distributed by Swiss & Global Asset Management and sub-advised by GAM, which is counted in both businesses.

⁴ Net profit (annualised)/tangible equity.

⁵ Net profit for six-month period/weighted average number of shares.

⁶ Tangible equity/weighted average number of shares.