GAM | Holding AG

Press Release

GAM Holding AG reports underlying net profit of CHF 70.2 million for the first half of 2012

Zurich, 14 August 2012

- **Assets under management of CHF 111.1 billion, up 4% from year-end 2011.**
- **Net new money inflows of CHF 0.9 billion, CHF 0.3 billion higher than in the first half of 2011 and a turnaround from net outflows in the second half of 2011.**
- **Underlying net profit of CHF 70.2 million[1], compared to CHF 100.4 million a year earlier.**
- **Balance sheet strong and highly liquid, with tangible equity of CHF 623 million, cash of CHF 446 million and no debt.**

Assets under management for the Group were CHF 111.1 billion[2] as at 30 June 2012, compared to CHF 107.0 billion at year-end 2011. This increase primarily reflects positive market performance of CHF 2.9 billion. Currency movements also had a positive effect of CHF 0.3 billion, as the strengthening of the US dollar and the British pound against the Group's Swiss franc reporting currency counteracted the impact of the depreciation of the euro.

Net new money inflows at Group level were CHF 0.9 billion[2] for the first six months of 2012, up from the CHF 0.6 billion reported in the first half of 2011 and a significant improvement on the net outflows of CHF 4.4 billion experienced in the second half of 2011. Substantial inflows came from Swiss & Global Asset Management's market-leading private label funds business as well as from the active fixed income strategies managed by GAM. The latter generated growth via Swiss & Global Asset Management's well-established distribution channels in the wholesale market, as well as via GAM's growing direct relationships with institutions and pension consultants.

Chairman and CEO *Johannes A. de Gier* commented: "We will clearly do our best to improve our results from here. However, this set of numbers validates our diversification strategy. It demonstrates that we have the ability to capture client flows even in an environment where demand is thin and focused on specific, narrow areas."

Net new money – GAM

For the first half of 2012, GAM reported net new money outflows of CHF 1.0 billion, despite strong net inflows into its fixed income range – particularly its absolute return, emerging market and catastrophe bond strategies – driven by improved client activity from wholesale

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[1] The result for H1 2012 has been adjusted to exclude the reduction of the carrying value of the investment in Artio of CHF 22.5 million, the amortisation of customer relationships of CHF 5.8 million and defined benefit pension plan curtailment expenses of CHF 6.0 million (net of taxes). Including these non-cash items, the Group's net profit for H1 2012 amounted to CHF 35.9 million, as shown in the Condensed Interim Consolidated Financial Statements.

[2] Group assets under management and net new money totals exclude the double-count of funds managed by GAM and distributed by Swiss & Global Asset Management, which are reported in both businesses. Including these assets, Group assets under management totalled CHF 128.1 billion as at 30 June 2012 and net new money inflows CHF 2.4 billion for H1 2012.

and institutional clients. Redemptions were the result of clients rebalancing their portfolios – some at the end of 2011 – which affected certain equity and multi-manager products as well as lower-margin, long-only fixed income products, particularly in early 2012. Outflows were also recorded from GAM's historic private banking channels as they continued to move their discretionary portfolio mandates in-house, in line with common trends in the industry. The effect of this attrition is expected to ease over time as GAM continues to successfully expand and diversify its businesses. In the institutional business, the pipeline indicates the funding of new multi-manager mandates in the second half of the year. As the current low-yield environment persists, GAM is also expected to benefit from institutions increasingly allocating assets from traditional long-only fixed income investments to alternative, low-volatility fixed income strategies.

GAM's *assets under management* as at 30 June 2012 were CHF 45.4 billion, up 1% from CHF 44.8 billion at year-end 2011.

Net new money – Swiss & Global Asset Management

Swiss & Global Asset Management recorded robust net new money inflows of CHF 3.5 billion in the first half of 2012. Relative to its asset base at year-end 2011, this corresponds to an annualised growth rate of 9%. The strongest inflows were recorded in its private label funds (PLF) business, which has resumed its pattern of growth in 2012. Earlier this year, Swiss & Global Asset Management took over the servicing of a number of funds on behalf of a new PLF partner, the Royal Bank of Canada (Suisse) S.A., and also continued to expand its business with existing clients. Investor interest in the Julius Baer-branded funds also improved from the first half of 2011, with particularly strong net new money inflows into the fixed income products. The range of physical precious metal products, especially the gold fund, also saw net inflows. Despite widespread risk aversion, modest net inflows were recorded into the equity funds, fuelled by demand for the European market-neutral absolute return strategy, a US-focused product and the flagship luxury brand strategy.

At Swiss & Global Asset Management, *assets under management* as at 30 June 2012 were CHF 82.6 billion, 7% higher than at year-end 2011 (CHF 76.9 billion).

H1 2012 Group results

Adjusted for certain non-cash items[3], *underlying net profit* for the first half of 2012 amounted to CHF 70.2 million, a fall of 30% year-on-year. *Earnings per share* were CHF 0.40, down 26% from CHF 0.54 a year earlier. The 7% decline in average number of shares outstanding – a result of the Group's ongoing share buy-back programme – partly offset the decrease in underlying net profit. Annualised *return on tangible equity* was 22.5% (compared to 24.4% for the first half of 2011), reflecting lower profitability, which was partly counteracted by a reduction in tangible equity.

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[3] The **result for H1 2012** has been adjusted to exclude the reduction of the carrying value of the investment in Artio of CHF 22.5 million, the amortisation of customer relationships of CHF 5.8 million and defined benefit pension plan curtailment expenses (net of taxes) of CHF 6.0 million. Including those non-cash items, the Group's net profit for H1 2012 amounted to CHF 35.9 million, as shown in the Condensed Interim Consolidated Financial Statements.
The **result for H1 2011** was adjusted to exclude the reduction of the carrying value of the investment in Artio of CHF 92.2 million and the amortisation of customer relationships of CHF 5.8 million. Including those non-cash items, the Group's net profit for H1 2011 amounted to CHF 2.4 million, as shown in the Condensed Interim Consolidated Financial Statements.

The Group's *operating income* totalled CHF 280.8 million, 14% less than in the same period a year ago. Net fee and commission income, at CHF 245.0 million, was also 14% lower, driven by a 7% decrease in the Group's average asset base and the relative growth of lower-margin assets in both operating businesses as a result of investors' reluctance to engage in products perceived to carry greater risk. Performance fees, mainly reported at GAM, were CHF 29.4 million, recovering from the CHF 15.6 million recorded in the first half of 2011, primarily driven by the fixed income range.

Income from investment in associates, relating to the Group's minority stake in Artio Global Investors Inc. (Artio), which is held purely as a financial investment, decreased to CHF 1.8 million from CHF 12.4 million a year earlier. This income is derived from Artio's publicly available earnings statements, which showed a marked decline in profitability. Other operating income – which includes gains and losses from hedging activities – declined to CHF 4.6 million (65% lower than a year ago). The Group's *gross margin* fell 4.1 basis points to 51.1 basis points, with approximately half of the decrease resulting from the substantial decline in the income from associates.

Operating expenses declined 3% to CHF 193.7 million year-on-year. Personnel expenses were down by 6%, reflecting lower accounting charges relating to the employee options awarded under the 2009 long-term incentive plan. These non-cash charges are amortised over the relevant vesting periods of the grants. Accruals for discretionary bonuses were reduced, while contractual-based variable compensation to investment professionals increased in line with the rise in performance fees. General expenses rose by CHF 2.2 million year-on-year to CHF 52.5 million due to two non-recurring items – the release of provisions in the first half of 2011 and the one-time booking of irrevocable VAT expenses related to prior periods. Excluding these two items, general expenses decreased from the same period a year ago.

The Group's *cost/income ratio* for the first half of 2012 was 69.0%, up from 61.6% a year ago. The reduction in operating expenses was not sufficient to offset the decline in revenues and the absence of a meaningful contribution from Artio.

One-off charges following employee pension plan changes at GAM

GAM made changes to the defined benefit schemes it operates for its UK and Hong Kong employees. These changes, which became effective in the first half of 2012, are expected to have a beneficial impact on the Group's balance sheet and income statement in future periods, as they reduce the financial risk and volatility of the schemes. At the same time, the changes are designed to protect the benefits already accrued by current and former employees. The related adjustments in the actuarial valuations resulted in a total one-off charge of CHF 6.0 million, net of taxes. This non-cash charge is reflected in the Group's consolidated income statement for the first half of 2012, but excluded from underlying net profit.

Group balance sheet and capital

The Group's balance sheet remained strong, with *total assets* of CHF 2,279.1 million as at 30 June 2012. The *cash* position was CHF 445.7 million, after the dividend payment for 2011 (CHF 87.8 million) and the utilisation of CHF 66.9 million of cash for the buy-back of own shares.

The carrying value of the stake in Artio, reported as *investment in associates*, was reduced to CHF 55.5 million as at 30 June 2012, based on the outcome of an impairment test performed according to IFRS. The related non-cash charge of CHF 22.5 million is reflected in the Group's consolidated income statement for the first half of 2012, but excluded from underlying net profit. The impairment was fully absorbed by the Group's capital base, lowering tangible equity but at the same time reducing the Group's future balance sheet exposure to this non-core participation.

Total equity amounted to CHF 1,990.2 million. Excluding the GAM goodwill, customer relationships and brand, *tangible equity* stood at CHF 622.8 million, compared to CHF 726.3 million at year-end 2011.

Distributions to shareholders

The Board of Directors of GAM Holding AG remains committed to distributing the Group's earnings to shareholders in an appropriate fashion. Depending on developments in the second half of 2012, the dividend for the financial year 2012 is expected to be consistent with prior years. Additional distributions will continue to be made through the Group's share buy-back programme. As at 30 June 2012, the Group held 12.2 million treasury shares, of which 5.9 million were bought back for future cancellation subject to approval at the April 2013 Annual General Meeting. The remaining 6.3 million shares were held as an economic hedge in respect of the potential exposure to options granted to employees under the 2009 long-term incentive plan.

Outlook

Johannes A. de Gier commented: "Looking forward to the remainder of 2012, unless market conditions were to improve dramatically, we expect uncertainty to persist and to continue to impact client behaviour. This in turn will make demand for investment strategies and asset classes erratic and difficult to predict. Cost management is and will remain a priority for us. However, we will strive to achieve the right balance between calibrating costs to market conditions and maintaining the stability our businesses need to thrive. I am convinced that it will be our ability to capture opportunities when and where they arise that will determine our success over the medium term."

The presentation for media, analysts and investors on the results of GAM Holding AG for the first half of 2012 will be webcast on 14 August 2012 at 9:30am (CET). Materials relating to the results (presentation slides, Half-Year Report 2012 and press release) are available on www.gamholding.com.

Forthcoming events:

23 Oct 2012	Interim management statement Q3 2012
5 Mar 2013	Full-year results 2012
17 Apr 2013	Ordinary Annual General Meeting & interim management statement Q1 2013
13 Aug 2013	Half-year results 2013

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Notes to editors

About GAM Holding AG

GAM Holding AG is an independent, well-diversified asset management group. Its operating businesses – GAM and Swiss & Global Asset Management – focus on the development and distribution of actively managed 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". The Group has assets under management of CHF 111.1 billion (as at 30 June 2012) and employs over 1,000 staff with offices in Zurich (head office), Bermuda, Grand Cayman, Dublin, Frankfurt, Geneva, Hong Kong, London, Luxembourg, Madrid, Milan, New York and Tokyo.

Disclaimer regarding forward-looking statements

This press release by GAM Holding AG ('the Company') includes forward-looking statements that reflect the Company's intentions, beliefs or current expectations and projections about the Company's future results of operations, financial condition, liquidity, performance, prospects, strategies, opportunities and the industry in which it operates. Forward-looking statements involve all matters that are not historical fact. The Company has tried to identify those forward-looking statements by using the words 'may', 'will', 'would', 'should', 'expect', 'intend', 'estimate', 'anticipate', 'project', 'believe', 'seek', 'plan', 'predict', 'continue' and similar expressions. Such statements are made on the basis of assumptions and expectations which, although the Company believes them to be reasonable at this time, may prove to be erroneous.

These forward-looking statements are subject to risks, uncertainties, assumptions and other factors that could cause the Company's actual results of operations, financial condition, liquidity, performance, prospects or opportunities, as well as those of the markets it serves or intends to serve, to differ materially from those expressed in, or suggested by, these forward-looking statements. Important factors that could cause those differences include, but are not limited to: changing business or other market conditions, legislative, fiscal and regulatory developments, general economic conditions, and the Company's ability to respond to trends in the financial services industry. Additional factors could cause actual results, performance or achievements to differ materially. The Company expressly disclaims any obligation or undertaking to release any update of or revisions to any forward-looking statements in this press release and any change in the Company's expectations or any change in events, conditions or circumstances on which these forward-looking statements are based, except as required by applicable law or regulation.

Key Figures H1 2012

Consolidated income statement[1]	H1 2012 *CHF m*	H1 2011 *CHF m*	H2 2011 *CHF m*	*Change from H1 2011 in %*	*Change from H2 2011 in %*
Net fee and commission income	245.0	283.8	250.3	-14	-2
Performance fees	29.4	15.6	4.0	88	635
Income from investment in associates	1.8	12.4	4.7	-85	-62
Other operating income	4.6	13.1	14.6	-65	-68
Operating income	**280.8**	**324.9**	**273.6**	**-14**	**3**
Personnel expenses	137.6	146.6	130.6	-6	5
General expenses	52.5	50.3	50.2	4	5
Depreciation and amortisation	3.6	3.3	3.5	9	3
Operating expenses	**193.7**	**200.2**	**184.3**	**-3**	**5**
Profit before taxes	**87.1**	**124.7**	**89.3**	**-30**	**-2**
Income taxes	16.9	24.3	24.0	-30	-30
Underlying net profit	**70.2**	**100.4**	**65.3**	**-30**	**8**
Gross margin (basis points)[2]	*51.1*	*55.2*	*50.7*	-	-
Cost/income ratio	*69.0%*	*61.6%*	*67.4%*	-	-
Pre-tax margin (basis points)[2]	*15.8*	*21.2*	*16.5*	-	-

Client assets	H1 2012 *CHF bn*	H1 2011 *CHF bn*	H2 2011 *CHF bn*	*Change from H1 2011 in %*	*Change from H2 2011 in %*
Assets under management at the end of the period[3]	111.1	113.5	107.0	-2	4
Average assets under management	110.0	117.8	108.0	-7	2
Net new money[4]	0.9	0.6	-4.4	50	120

Personnel	30.06.2012	30.06.2011	31.12.2011	*Change from 30.06.2011 in %*	*Change from 31.12.2011 in %*
Number of full-time employees	1,083	1,061	1,078	2	0
in Switzerland	325	314	324	4	0
in the United Kingdom	405	397	405	2	0
in the rest of Europe	233	228	227	2	3
in the rest of the world	120	122	122	-2	-2

Consolidated balance sheet	30.06.2012 *CHF m*	30.06.2011 *CHF m*	31.12.2011 *CHF m*	*Change from 30.06.2011 in %*	*Change from 31.12.2011 in %*
Assets	2,279.1	2,575.8	2,425.7	-12	-6
Equity	1,990.2	2,200.6	2,099.5	-10	-5
Tangible equity[5]	622.8	821.6	726.3	-24	-14
Return on tangible equity[6]	22.5%	24.4%	18.0%	-	-

Share information	H1 2012	H1 2011	H2 2011	*Change from H1 2011 in %*	*Change from H2 2011 in %*
Number of registered shares at the end of the period	183,355,000	206,630,756	196,300,000	-11	-7
Share capital at the end of the period (CHF m)	9.2	10.3	9.8	-11	-6
EPS (CHF)[7]	0.40	0.54	0.36	-26	11
Book value at the end of the period (CHF)[8]	3.64	4.51	4.10	-19	-11
Closing price (CHF)	10.55	13.80	10.20	-24	3

[1] The result for H1 2012 has been adjusted to exclude the impairment of investments of CHF 22.5 million, the amortisation of customer relationships of CHF 5.8 million and defined benefit pension plan curtailment expenses (net of taxes) of CHF 6.0 million. Including those non-cash items, the Group's net profit for H1 2012 amounted to CHF 35.9 million, as shown in the Condensed Interim Consolidated Financial Statements.

The result for 2011 has been adjusted to exclude the impairment of investments of CHF 249.1 million (H1 2011: CHF 92.2 million, H2 2011: CHF 156.9 million) and the amortisation of customer relationships of CHF 11.6 million (H1 2011: CHF 5.8 million, H2 2011: CHF 5.8 million). Including those non-cash items, the Group's net loss for 2011 amounted to CHF 95.0 million (H1 2011: net profit of CHF 2.4 million, H2 2011: net loss of CHF 97.4 million), as shown in the Condensed Interim Consolidated Financial Statements.

[2] Annualised.

[3] Excludes CHF 16.9 billion of funds managed by GAM and distributed by Swiss & Global Asset Management.

[4] CHF 2.4 billion in total before removing double-count of net new money relating to funds managed by GAM and distributed by Swiss & Global Asset Management, which are reported in both businesses.

[5] Equity excluding goodwill, customer relationships and brand.

[6] Underlying net profit (annualised) / tangible equity at the end of the period.

[7] Underlying net profit / weighted average number of shares outstanding, excluding treasury shares.

[8] Tangible equity / number of shares outstanding at the end of the period, excluding treasury shares.