GAM Holding AG

Press Release

GAM Holding AG reports underlying net profit of CHF 165.7 million for 2011

Zurich, 6 March 2012

- Assets under management of CHF 107.0 billion, down 9% from 2010, with market declines and investor risk aversion negatively impacting asset growth.
- Net new money outflows of CHF 3.8 billion, despite net inflows into Swiss & Global Asset Management and into GAM's institutional business.
- Underlying net profit of CHF 165.7 million[1], down 18% from 2010. Effective cost management and lower levels of provisions counteracted lower revenues, contributing to an improvement in the cost/income ratio from 65.4% to 64.2%.
- Carrying value of participation in Artio Global Investors Inc. further reduced to CHF 76.5 million. Non-cash charges in 2011 totalled CHF 235.0 million and led to an IFRS net loss of CHF 95.0 million.
- Balance sheet remains strong and highly liquid, with tangible equity of CHF 726.3 million, cash of CHF 600.1 million and no debt.
- Proposed dividend of CHF 0.50 per share, unchanged from the previous year and consistent with commitment to return approximately half of underlying profits to shareholders.

Assets under management for the Group were CHF 107.0 billion[2] as at 31 December 2011, compared to CHF 117.8 billion a year earlier. This decrease resulted primarily from negative market performance of CHF 6.0 billion and *net new money outflows* of CHF 3.8 billion, reflecting financial market declines and an increased hesitancy among investors to engage with any type of market risk.

Chairman and CEO *Johannes A. de Gier* commented: "Given the turbulent market conditions in 2011, investors – particularly private investors – were understandably wary of most asset classes. Inflows were slow and combined with the widespread de-risking of investors' portfolios in the second half of the year, this impaired the asset-gathering efforts of our businesses. Underlying profitability, on the other hand, held up well. Effective cost control helped us to partly counteract the negative effects of currency and market movements on our revenues. This enabled us to avoid making disruptive cuts at a time when clients need our guidance and assistance most, and allowed us to continue to pursue our strategic growth initiatives."

[1] 2011's underlying net profit of CHF 165.7 million excludes CHF 235.0 million in non-cash charges for the reduction in the carrying value of Artio Global Investors Inc., impairments of CHF 14.1 million on financial investments and the amortisation of customer relationships of CHF 11.6 million. Including these items, the Group's net loss according to IFRS as shown in the Consolidated Financial Statements amounted to CHF 95.0 million.

[2] Group assets under management and net new money totals exclude the 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 121.7 billion as at 31 December 2011 and net new money outflows CHF 4.5 billion for 2011.

Net new money – GAM

For 2011, GAM recorded net new money outflows of CHF 4.9 billion, compared to net inflows of CHF 5.9 billion achieved in 2010. After positive net new money results in the first half of the year, GAM experienced a marked slowdown in gross inflows after the beginning of the third quarter – in particular from wholesale intermediaries – reflecting widespread risk aversion and investors' reaction to subdued performance. In addition, the uncertain macro environment led to a sell-off in liquid assets globally, which affected GAM's funds as well. While the withdrawals were not concentrated in particular strategies and, on an individual level, were not significant, the overall impact was negative. Certain alternative products, particularly GAM's macro/managed futures and fixed income emerging markets strategies, saw encouraging and robust inflows. Net new money from institutions also held up well, as divestments of certain long-only mandates were more than offset by inflows in alternative single and multi-manager strategies.

GAM's *assets under management* as at 31 December 2011 were CHF 44.8 billion, down from CHF 53.6 billion a year earlier.

Net new money – Swiss & Global Asset Management

Net new money inflows at Swiss & Global Asset Management – the exclusive manager of Julius Baer-branded investment funds – totalled CHF 0.4 billion for 2011, compared to CHF 9.7 billion in 2010. Investors' flight to 'safe havens' benefited its range of physical precious metal ETFs, which saw strong inflows. Fixed income funds, particularly the alternative products managed by GAM, were negatively affected by the turmoil in global markets. Having been in high demand until mid-2011, they experienced redemptions in the second half of the year, leading to overall net outflows for this asset class. Notable exceptions were strategies investing in emerging market bonds. Net flows into equities were roughly flat, although some funds recorded solid inflows on the back of strong performance track records (such as the Japan fund and the new market-neutral absolute return strategy) and compelling investment themes (such as energy transition).

In the institutional business, Swiss & Global Asset Management's focus on clients with real interest in active management resulted in new business wins in Switzerland and Germany, counteracting a decrease in less profitable mandates. The net new money contribution from the private label funds business was solid. Although smaller than in 2010, it was driven by inflows from established client relationships as well as from new partnerships.

At Swiss & Global Asset Management, *assets under management* as at 31 December 2011 were CHF 76.9 billion, 4% lower than a year earlier.

2011 Group results

Adjusted for certain non-cash items[3], *underlying net profit* for 2011 fell 18% year-on-year to CHF 165.7 million. Reported on the same basis, *earnings per share* were CHF 0.91, 12% lower than a year earlier, reflecting the impact of the Group's ongoing share buy-backs, which partly offset the decline in profitability. *Return on tangible equity* reached 22.8% (compared to 19.0% in 2010) as a result of the reduction in the carrying value of Artio Global Investors Inc. (Artio) and the share buy-backs.

The Group's *operating income* totalled CHF 598.5 million, a decline of 16% from 2010. Net fee and commission income fell 6% to CHF 534.1 million, reflecting lower levels of average assets under management as well as currency effects. Revenues, which are mainly denominated in US dollars and euros, were negatively impacted by the weakening of these currencies against the Group's Swiss franc reporting currency through 2011. Performance fees for the year were markedly down – from CHF 89.5 million to CHF 19.6 million – as the performance of some fixed income strategies softened in 2011.

Income from investment in associates, relating to the Group's 29% stake in Artio, which is held as a financial investment, decreased by 38% to CHF 17.1 million. This income is derived from Artio's publicly available earnings statements, which showed a marked decline in profitability through 2011. Other operating income – which includes gains from hedging activities and realised gains from the sale of financial investments – rose by CHF 2.6 million year-on-year to CHF 27.7 million.

Operating expenses were reduced by 17% to CHF 384.5 million, reflecting lower expenses for variable and share-based compensation and continued cost discipline. This was somewhat supported by the strengthening of the Swiss franc against other currencies in which the Group's costs are incurred.

Personnel expenses fell by 17%, mainly due to lower discretionary bonuses and reduced contractual-based compensation to investment professionals on the back of weaker net fee and commission income and reduced levels of performance fees. The non-cash charges relating to options awarded to all Group employees under the 2009 long-term incentive plan also declined year-on-year, in line with the vesting schedule of the awards. General expenses declined by 19%, driven by lower levels of provisions and by cost savings mainly in IT and marketing.

The Group's *cost/income ratio* for 2011 was 64.2%, down from 65.4% in the previous year, reflecting effective cost control and the decline in provisions.

The tax rate for 2011 increased from 18.0% in 2010 to 22.6%. The tax rate was negatively impacted by lower tax deductions for cumulative expenses related to share-based compensation, resulting from a decrease in GAM Holding AG's share price through 2011.

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[3] The result for 2011 has been adjusted to exclude reductions in the carrying value of the investment in associates (Artio Global Investors Inc.) of CHF 235.0 million, impairments of financial investments of CHF 14.1 million and the amortisation of customer relationships of CHF 11.6 million. Including those non-cash items, the Group's net loss for 2011 according to IFRS as shown in the Consolidated Financial Statements amounted to CHF 95.0 million.
The result for 2010 has been adjusted to exclude a reduction in the carrying value of the investment in associates (Artio Global Investors Inc.) of CHF 180.3 million and the amortisation of customer relationships of CHF 11.7 million. Including those non-cash items, the Group's net profit for 2010 according to IFRS as shown in the Consolidated Financial Statements amounted to CHF 10.2 million.

Group balance sheet, Artio impairment

The Group's balance sheet remained strong, with *total assets* as at 31 December 2011 of CHF 2,425.7 million. The *cash* position was substantial at CHF 600.1 million, despite the dividend payment for 2010, the full repayment of outstanding debt and the buy-back of own shares.

The carrying value of the stake in Artio, reported as *investment in associates*, was reduced to CHF 76.5 million as at 31 December 2011, based on the outcome of an impairment test performed according to IFRS. The related non-cash charge of CHF 235.0 million is reflected in the Group's consolidated income statement for 2011 (CHF 92.2 million incurred in the first half of the year and CHF 142.8 million in the second half), 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 participation.

Total equity amounted to CHF 2,099.5 million. Excluding GAM goodwill, customer relationships and brand, *tangible equity* stood at CHF 726.3 million, compared to CHF 1,066.8 million at year-end 2010. In comparison, the Group's regulatory capital requirement (calculated by aggregating all the regulatory requirements of the operating businesses) amounted to approximately CHF 75 million.

Dividend and share buy-back programme

At the upcoming Annual General Meeting (AGM) on 18 April 2012, the Board of Directors will propose a dividend payment of CHF 0.50 per share for the financial year 2011 – the same level as was paid for 2010. This will result in a distribution to shareholders of approximately CHF 88.5 million, the equivalent of slightly over half of the Group's underlying net profit, consistent with its stated dividend policy. The Board of Directors intends to pay this dividend from the Group's significant capital contribution reserves, making it exempt from Swiss withholding tax of 35% and income tax-free for private investors resident in Switzerland.

Combined with the Group's share buy-backs in 2011, the dividend payment will result in a total distribution to shareholders of CHF 263.7 million.

At year-end 2011, the Group held 19.2 million shares in treasury (9.8% of shares in issue). 6.3 million shares are being held as an economic hedge in respect of the potential exposure to options granted to employees under the 2009 long-term incentive plan. The remaining 12.9 million treasury shares (6.6% of shares in issue) are due to be cancelled at the 2012 AGM, subject to shareholder approval. They include 8.9 million shares repurchased under the ongoing share buy-back programme of 2011–2014, as well as 4 million shares originally designated as part of the economic hedge mentioned above.

Outlook

Johannes A. de Gier commented: "Looking ahead, we have reason to be cautiously optimistic. Markets remain volatile, but the investment performance of our funds has notably improved since the beginning of the year. Steady moves towards a resolution of the European fiscal crisis should benefit market sentiment and ultimately our business results. We have seen positive signs during the first months of 2012, but we cannot take such an improvement for granted. While we have no control over the markets, we continue to do our best to ensure we are prepared to face times of high uncertainty. We therefore remain vigilant in all aspects of managing our business and our staff continue to be fully focused on achieving the best results for our clients. This makes me confident that we are ready to capture opportunities as they arise."

The presentation for media, analysts and investors on the results of GAM Holding AG for 2011 will be webcast on 6 March 2012 at 9:30am (CET). Materials relating to the results (presentation slides, Annual Report 2011 and press release) are available on www.gamholding.com.

Forthcoming events:

18 Apr 2012	Ordinary Annual General Meeting, Interim Management Statement Q1 2012
20 Apr 2012	Ex-dividend date
24 Apr 2012	Record date
25 Apr 2012	Dividend payment date

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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 107 billion (as at 31 December 2011) 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.

Key Figures 2011

Consolidated income statement	2011 CHF m	2010 CHF m	Change in %
Net fee and commission income	534.1	570.4	-6
Performance fees	19.6	89.5	-78
Income from investment in associates	17.1	27.5	-38
Other operating income	27.7	25.1	10
Operating income	598.5	712.5	-16
Personnel expenses	277.2	334.5	-17
General expenses	100.5	124.5	-19
Depreciation and amortisation	6.8	7.0	-3
Operating expenses	384.5	466.0	-17
Profit before taxes	214.0	246.5	-13
Income taxes	48.3	44.3	9
Underlying net profit[1]	165.7	202.2	-18
Gross margin (basis points)	*53.0*	*60.2*	-
Cost/income ratio	*64.2%*	*65.4%*	-
Pre-tax margin (basis points)	*19.0*	*20.8*	-

Client assets	2011 CHF bn	2010 CHF bn	Change in %
Assets under management at the end of the year[2]	107.0	117.8	-9
Average assets under management	112.9	118.3	-5
Net new money[3]	-3.8	8.0	-148

Personnel	31.12.2011	31.12.2010	Change in %
Number of full-time employees	1,078	1,052	2
in Switzerland	324	313	4
abroad	754	739	2

Consolidated balance sheet	31.12.2011 CHF m	31.12.2010 CHF m	Change in %
Total assets	2,425.7	2,883.0	-16
Total equity	2,099.5	2,451.7	-14
Tangible equity[4]	726.3	1,066.8	-32
Return on tangible equity[5]	22.8%	19.0%	-

Share information	2011	2010	Change in %
Number of registered shares at the end of the year	196,300,000	206,630,756	-5
Share capital at the end of the year (CHF m)	9.8	10.3	-5
EPS (CHF)[6]	0.91	1.03	-12
Book value at the end of the year (CHF)[7]	4.10	5.65	-27
Closing price (CHF)	10.20	15.45	-34

[1] The result for 2011 has been adjusted to exclude the impairment of investments of CHF 249.1 million (2010: CHF 180.3 million) and the amortisation of customer relationships of CHF 11.6 million (2010: CHF 11.7 million). Including those non-cash items, the Group's net loss for 2011 amounted to CHF 95.0 million (2010: net profit of CHF 10.2 million), as shown in the Consolidated Financial Statements.

[2] Excludes CHF 14.7 billion of funds managed by GAM and distributed by Swiss & Global Asset Management.

[3] CHF -4.5 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.

[4] Total equity excluding goodwill, customer relationships and brand.

[5] Underlying net profit / tangible equity at the end of the year.

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

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