21 February 2019

Following GAM's announcement on 30 January 2020 regarding the Sanctions Commission of SIX Exchange Regulation AG decision, GAM has restated, where required, the comparative amounts relating to prior periods in its 2019 consolidated financial statements. The restatement relates to the recognition of a financial liability for future performance fees payable to the former partners of Cantab, a business acquired by GAM in 2016. Please refer to note 28.1 of the 2019 annual report and the five-year financial summary on page 192, which reflects the restatement of historical amounts since 2016.

GAM Investments

PRESS RELEASE

GAM Holding AG announces full-year 2018 results

- Assets under management (AuM) in investment management down to CHF 56.1 billion[1] as at 31 December 2018 from CHF 84.4 billion at the end of 2017, mainly driven by:
  - Reduction of CHF 11.0 billion[2] related to the unconstrained/absolute return bond funds (ARBF)
  - Net outflows of CHF 10.5 billion from non-ARBF strategies and negative impact from market and foreign exchange movements of CHF 6.8 billion
- AuM in private labelling up to CHF 76.1 billion as at 31 December 2018 from CHF 74.3 billion at the end of 2017, driven by net inflows of CHF 8.3 billion, partly offset by negative market and foreign exchange movements of CHF 6.5 billion
- Financial results in line with estimates announced on 13 December 2018:
  - Underlying profit before taxes of CHF 126.7 million in 2018, compared to CHF 172.5 million in 2017; diluted underlying EPS of CHF 0.63 in 2018, a decrease from CHF 0.86 in 2017
  - IFRS net loss of CHF 929.1 million in 2018, reflecting the goodwill impairment charge, impairment charges related to Cantab investment management and client contracts (IMCCs), and restructuring charges
- As indicated previously, the Board of Directors will propose no dividend be paid for the financial year 2018; for 2019 and beyond, GAM will target a minimum dividend pay-out of 50% of underlying net profits
- Reconfirming the financial outlook announced in December 2018, GAM expects 2019 underlying profits to be materially below those in 2018 given its significantly lower AuM in investment management

Update on ARBF

- Liquidation of ARBF is progressing well and is expected to be completed in the next few months, subject to market conditions
- Following the conclusion of the investigation and the disciplinary proceedings, the suspended investment director has now been dismissed from the company for gross misconduct

Update on strategic positioning

- Restructuring announced in December 2018 is underway. GAM expects to achieve a reduction in fixed personnel and general expenses of at least CHF 40 million by end of 2019, with one third of the savings to be reflected in 2019 and the full benefit in 2020
- Opportunities for additional savings are being examined during the course of the restructuring process
- GAM suspended its mid- to long-term financial targets, while it continues to focus on executing against the restructuring programme, further stabilising the business and emphasising the distinct products that are in demand by its clients to improve profitability and shareholder value

[1] Excluding CHF 1.5 billion ARBF-related AuM in liquidation as at 31 December 2018.
[2] Including CHF 1.5 billion ARBF-related AuM in liquidation as at 31 December 2018.

David Jacob, Group CEO, said: "2018 was a very challenging year for the asset management industry in general and for GAM in particular, given the difficult decisions we had to make around ARBF and the impact it has had on our results. We are repositioning GAM to build on the strong investment expertise we have in our business, with a distinct set of strategies that are relevant for client needs and a global distribution network to support our client relationships. A simplified business structure and more efficient processes will enable us to focus on areas of strength as well as allowing us to further enhance our control environment. This will help us to improve profitability and restore long-term shareholder value."

2018 Group results

Net fee and commission income decreased 9% to CHF 499.9 million, mainly driven by significantly lower performance fees of CHF 4.5 million in 2018, compared to CHF 44.1 million in 2017. This development reflects a challenging market environment as well as a decline in performance fee eligible assets to CHF 6.7 billion as at 31 December 2018 compared to CHF 17.3 billion a year earlier, predominantly due to the liquidation of the ARBF and a decline in AuM in other strategies. Net management fees and commissions were down 2% to CHF 495.4 million, driven by a reduction in the blended investment management fee margin, mainly as a result of the change in the asset mix.

Net other income, which includes net interest income and expenses, the impact of foreign exchange movements, gains and losses on seed capital investments and hedging as well as fund-related fees and service charges, decreased to CHF 0.3 million in 2018 from CHF 2.2 million in 2017. This was primarily driven by net seed capital losses compared to net gains in 2017.

Personnel expenses decreased 9% to CHF 239.6 million in 2018. Variable compensation decreased 25% compared to 2017, mainly due to lower formula-based bonuses and reduced discretionary bonus payments reflecting business performance. Fixed personnel costs increased 3%, mainly driven by market pressure and an increase of contractor staff to support the change programme. As at 31 December 2018, headcount stood at 925 FTEs compared to 927 FTEs in 2017. The compensation ratio declined to 47.9% from 48.3% in 2017.

General expenses totalled CHF 127.7 million, an increase of 20% compared to 2017. This was primarily driven by the first-time inclusion of research costs paid by GAM following the implementation of MiFID II, increased regulatory and compliance costs, increased irrecoverable taxes, higher professional and consulting fees in relation to the multi-year change programme, including investments in infrastructure and risk and control platforms, as well as certain one-time costs.

The operating margin stood at 25.3%, down from 31.1% in 2017, as the decrease in net fee and commission income was only partly offset by lower total expenses.

The underlying profit before taxes was CHF 126.7 million in 2018, in line with the estimate of approximately CHF 125 million announced on 13 December 2018. The 27% decrease compared to the CHF 172.5 million reported in 2017 was primarily driven by lower net performance fees and net management fees and commissions, partly offset by lower total expenses.

The underlying effective tax rate increased to 22.5% from 20.5% in 2017. This was driven by a change in the geographical split of the earnings and by lower tax deductions for share-based payment expenses due to the negative share price performance.

Diluted underlying earnings per share of CHF 0.63 decreased from CHF 0.86 in 2017, resulting from the lower underlying net profit.

The net loss under IFRS was CHF 929.1 million in 2018, in line with the estimated net loss of approximately CHF 925 million published on 13 December 2018, compared to a net profit of CHF 123.2 million in 2017. The net loss included a goodwill impairment charge of CHF 883.4 million that was recognised due to lower levels of forecast AuM and profitability. In addition, an impairment charge on IMCCs of CHF 120.7 million (net of taxes) was recognised, which mainly related to the acquisition of Cantab and was partly offset by the reduction in the estimated deferred consideration liabilities by CHF 48.9 million. Additionally, GAM recognised reorganisation charges of CHF 31.0 million (net of taxes), mainly relating to the announced restructuring programme.

2019 results expectations

GAM reconfirms the guidance published on 13 December 2018, that it expects underlying profits for the first half and full year 2019 to be materially below those of the first half and the full year 2018. This is mainly driven by the significantly lower investment management AuM and corresponding revenues.

Investment management assets, flows and performance

Assets under management movements (CHF bn)

Capability	Opening AuM 1 Jan 2018	ARBF impact[2]	Net flows 2018	Market/FX 2018	Closing AuM 31 Dec 2018
Fixed income	37.1	-	(5.4)	(2.5)	29.2
Absolute return	15.6	(11.0)	(2.2)	(0.5)	1.9
Equity	12.6	-	(1.9)	(2.0)	8.7
Systematic	4.7	-	0.2	(0.7)	4.2
Multi asset	9.5	-	(1.0)	(0.8)	7.7
Alternatives	4.9	-	(0.2)	(0.3)	4.4
Total	**84.4**	**(11.0)**	**(10.5)**[3]	**(6.8)**	**56.1**[1]

AuM totalled CHF 56.1 billion[1] as at 31 December 2018, down from CHF 84.4 billion at year end 2017, primarily driven by the CHF 11.0 billion[2] decrease in ARBF-related AuM, outflows from non-ARBF strategies as a result of challenging market conditions, especially in the second half of 2018, and negative market and foreign exchange movements.

Net flows by capability

In fixed income, net outflows of CHF 5.4 billion were mainly driven by outflows from GAM Star Credit Opportunities and GAM Local Emerging Bond funds, both of which recorded substantial net inflows in 2017 and the first half of 2018.

Other than the impact from ARBF strategies in the second half of 2018, the absolute return category saw net outflows of CHF 2.2 billion, mainly from GAM Star Global Rates, the GAM Absolute Return Europe and the GAM Star (Lux) Merger Arbitrage funds.

In equity, net outflows of CHF 1.9 billion were recorded as net inflows in the GAM Emerging Markets Equity fund were more than offset by net outflows from the GAM Japan Equity and the GAM Star Continental European Equity funds.

In systematic, net inflows of CHF 0.2 billion were driven by the alternative risk premia strategies.

In multi asset, net outflows of CHF 1.0 billion mainly reflected redemptions from some Swiss institutional mandates.

[3] Including ARBF-related net inflows in H1 2018 of CHF 0.3 billion and excluding ARBF-related net flows in the second half of 2018 and fund assets liquidated as at 31 December 2018.

Net outflows of CHF 0.2 billion in alternatives mainly reflected redemptions in the GAM Physical Gold fund and from GAM's fund of hedge funds. This was partly offset by a mandate win in Switzerland for a new product that combines multi asset alternative risk premia funds and hedge premia into a single solution.

Investment performance

Over the three-year period to 31 December 2018, 66% of AuM in funds outperformed their respective benchmark compared to 77% as at 31 December 2017. This decrease was primarily driven by an underperformance of certain equity strategies. Over the five-year period to 31 December 2018, 63% of AuM in funds outperformed their respective benchmark, up from 56% as at 31 December 2017. This increase was primarily driven by the improved performance of certain fixed income strategies. Over 75% of GAM's AuM tracked by Morningstar[4] outperformed their respective peer groups over three and five years to 31 December 2018.

Private labelling assets and flows

Assets under management movements (CHF bn)

Fund domicile	Opening AuM 1 Jan 2018	Net flows 2018	Market/FX 2018	Closing AuM 31 Dec 2018
Switzerland	33.6	2.4	(2.7)	33.3
Rest of Europe	40.7	5.9	(3.8)	42.8
Total	**74.3**	**8.3**	**(6.5)**	**76.1**

As at 31 December 2018, AuM rose to CHF 76.1 billion, up from CHF 74.3 billion at the end of 2017. Net inflows totalled CHF 8.3 billion, driven primarily by existing clients, partly offset by negative market and foreign exchange movements of CHF 6.5 billion.

Liquidity and capital management

Cash and cash equivalents at the end of 2018 amounted to CHF 328.2 million, down from CHF 373.8 million in 2017, mainly reflecting the impact of the dividend payment for the 2017 financial year of CHF 101.6 million, bonus payments, and share repurchases to cover the Group's obligations under share-based compensation plans. These effects were partly offset by cash flows generated from operating activities and net redemptions of investments in seed capital.

Tangible equity increased to CHF 184.6 million, up from CHF 166.1 million in 2017. The main contributors to this increase were the underlying net profit and the impact from the adjustments to deferred consideration liabilities. These effects were partly offset by the dividend payment and share repurchases to cover the Group's obligations under share-based compensation plans.

Recognising GAM's 2018 results and the profit outlook for 2019, the Board of Directors propose to shareholders, as indicated previously, that no dividend be paid for 2018 in order to accelerate the rebuild of capital buffers. For 2019 and beyond, GAM will target a minimum dividend pay-out of 50% of underlying net profit to shareholders.

[4] The peer group comparison is based on 'industry-standard' Morningstar Direct Sector Classification. The share class preferences in Morningstar have been set to capture the oldest institutional accumulation share class for each and every fund in a given peer group.

ARBF update

Since the approval of the relevant fund boards of directors on 10 August 2018 to place the suspended ARBF into liquidation, GAM has returned 89–92%[5] of the Luxembourg- and Irish-domiciled UCITS funds, and 66–72%[5] of the assets in the Cayman master fund and the associated Cayman and Australian feeder funds to clients. Since the beginning of the liquidation process, it has been GAM's priority to maximise liquidity and value for investors, while ensuring fair treatment to all clients. GAM will continue the liquidation of the remaining CHF 1.5 billion ARBF assets with the same rigour and dedication that has characterised its approach so far. It expects that the liquidation will be completed in the next few months, subject to market conditions.

Following the conclusion of the investigation and the disciplinary proceedings, the suspended investment director has now been dismissed from the company for gross misconduct. There was serious failure to achieve the standard of skill and care which were to be expected of someone in his position.

Update on strategic positioning

GAM is on track to deliver against its group-wide restructuring programme to rebase costs and reduce complexity, thus supporting profitability and repositioning the company for growth. GAM expects that measures to achieve a reduction in fixed personnel and general expenses of at least CHF 40 million will be implemented by the end of this year, with one third of the savings to be reflected in the 2019 financial results, and the full benefit reflected in 2020. The restructuring programme comprises measures already launched or planned, including the consolidation of some of the investment teams, the optimisation of the distribution footprint, the streamlining of operations and support functions, the refinement of the corporate structure, and the re-prioritisation of projects as part of the multi-year change programme. To date, around one third of the approximately 10% of roles impacted by the restructuring programme, have already been removed. Management continues to examine opportunities to further reduce costs while implementing the restructuring programme.

GAM's fundamental investment ability remains strong. As announced in the fourth quarter of 2018, it has consolidated parts of its fixed income and equity teams across Zurich, London and New York. This will allow GAM to better focus on areas of high client demand, where it has proven expertise to deliver differentiated active investment approaches at an attractive price point. In order to capture potential future growth opportunities, GAM continues to make selective investments in its core business. GAM is also taking steps to further enhance its control framework, which is essential for a strong, successful and compliant business.

The operating environment for the asset management industry continues to be challenging given subdued economic growth, geopolitical tensions and trade disputes, with investors continuing to remain cautious and price sensitive. Against that backdrop, and as a result of the issues encountered in the second half of 2018, 2019 will prove a challenging year. Along with normal flow dynamics, the daily flow position has improved in the first weeks of 2019 compared to December 2018, but institutional flows remain unpredictable. However, with its distinctive and scalable global product offering, GAM is well positioned to address investor needs in key growth markets.

GAM has suspended its previous financial targets for operating margin and annualised EPS growth and will focus on further stabilising the business and returning to a sustained period of growth before setting new mid- to long-term targets. In the meantime, GAM's near-term priorities are to continue delivering attractive investment performance to clients, align its product offering to changing client demand, finalise the liquidation of the remaining ARBF assets, and deliver at least CHF 40 million of cost savings to support profitability and long-term shareholder value.

[5] The amount of each fund returned to investors as percentages of the net asset value of the relevant fund as at 3 September 2018 for Luxembourg and the Cayman funds and as at 4 September 2018 for the Ireland funds.

Proposed executive compensation for 2018

For the 2018 financial year, the Board of Directors will propose total variable compensation of CHF 5.6 million for the Group Management Board, down 59% compared to 2017. Excluding one-time replacement awards for new hires, the proposed 2018 variable compensation for the Group Management Board decreased by 46% to CHF 5.0 million from CHF 9.3 million in 2017. No variable compensation will be paid to the former Group CEO for 2018. Given the financial performance of the Group and the proposed dividend suspension for 2018, the Compensation Committee agreed with the recommendation of the Group CEO and the Group CFO that no annual bonus would be awarded to the Group CFO for the 2018 performance year. He will be granted a long-term incentive plan in the form of performance shares in line with GAM's compensation framework. As announced previously, the current Group CEO and member of the Board of Directors, David Jacob, is not eligible for any variable compensation.

Hugh Scott-Barrett, Chairman of the Board of Directors, said: "2018 marked the most difficult year for GAM since its independence ten years ago and 2019 will continue to be challenging. We deeply regret that the ARBF situation has impacted all our stakeholders, including clients, shareholders and employees. The Board of Directors and the Group Management Board are fully focused on implementing all necessary measures to re-build GAM as a strong and dynamic business, known by clients for our distinctive product offering, with the aim to deliver value to our shareholders in the long-term."

The presentation for media, analysts and investors on the results of GAM Holding AG for 2018 will be webcast on 21 February 2019 at 8:30am (CET). Materials relating to the results (presentation slides, annual report 2018 and press release) are available at www.gam.com.

Upcoming events:

17 April 2019	Q1 2019 Interim management statement
08 May 2019	Annual General Meeting
30 July 2019	Half-year results 2019
17 October 2019	Q3 2019 Interim management statement

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About GAM

GAM is a leading independent, pure-play asset manager. The company provides active investment solutions and products for institutions, financial intermediaries and private investors. The core investment business is complemented by private labelling services, which include management company and other support services to third-party asset managers. GAM employs over 900 people in 14 countries with investment centres in London, Cambridge, Zurich, Hong Kong, New York, Milan and Lugano. The investment managers are supported by an extensive global distribution network. Headquartered in Zurich, GAM 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 AuM of CHF 132.2 billion (USD 134.1 billion) as at 31 December 2018, excluding ARBF-related AuM of CHF 1.5 billion in liquidation.

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 facts. The Company has tried to identify those forward-looking statements by using words such as '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 2018

Income statement	2018 CHF m	2017 CHF m	Change in %
Net management fees and commissions	495.4	503.6	(2)
Net performance fees	4.5	44.1	(90)
Net fee and commission income	**499.9**	**547.7**	**(9)**
Net other income	0.3	2.2	(86)
Income	**500.2**	**549.9**	**(9)**
Personnel expenses	239.6	264.6	(9)
Fixed personnel expenses	153.9	150.1	3
Variable personnel expenses	85.7	114.5	(25)
General expenses	127.7	106.1	20
Occupancy	22.2	22.2	0
Technology and communication	14.1	12.7	11
Data and research	23.4	17.9	31
Professional and consulting services	17.6	15.5	14
Marketing and travel	17.6	18.2	(3)
Administration	9.5	8.8	8
Other general expenses	23.3	10.8	116
Depreciation and amortisation	6.2	6.7	(7)
Expenses	**373.5**	**377.4**	**(1)**
Underlying profit before taxes	**126.7**	**172.5**	**(27)**
Underlying income tax expense	28.5	35.4	(19)
Underlying net profit	**98.2**	**137.1**	**(28)**
Acquisition-related items	18.4	(3.1)	-
Non-recurring items	(1,078.5)	(21.2)	-
Tax on acquisition-related items	4.8	6.4	-
Tax on non-recurring items	32.6	4.0	-
Non-recurring tax item	(4.6)	-	-
IFRS net (loss)/profit	**(929.1)**	**123.2**	**-**
Operating margin (%)[1]	25.3	31.1	(19)
Compensation ratio (%)[2]	47.9	48.3	(1)
Personnel at the end of the year (FTEs)	925	927	0

Client assets - investment management	2018 CHF bn	2017 CHF bn	Change in %
Assets under management at the end of the year	56.1 [3]	84.4	(34)
Average assets under management[4]	76.8 [5]	74.7	3
Net flows	(10.5) [6]	8.6	-
Total fee margin (bps)[7]	59.6	68.0	(12)
Management fee margin (bps)[8]	59.1	62.1	(5)

Client assets - private labelling	2018 CHF bn	2017 CHF bn	Change in %
Assets under management at the end of the year	76.1	74.3	2
Average assets under management[4]	77.6	63.3	23
Net flows	8.3	15.7	(47)
Management fee margin (bps)[8]	5.4	6.3	(14)

Balance sheet	31.12.2018 CHF m	31.12.2017 CHF m	Change in %
Net cash	328.2	373.8	(12)
Assets	1,258.3	2,445.4	(49)
Equity	839.2	1,882.6	(55)
Tangible equity[9]	184.6	166.1	11

Share information	2018	2017	Change in %
Number of registered shares at the end of the year	159,682,531	159,682,531	0
Share capital at the end of the year (CHF m)	8.0	8.0	0
Diluted underlying EPS (CHF)[10]	0.63	0.86	(27)
Closing price at the end of the year (CHF)	3.86	15.75	(75)

1) (Net fee and commission income - expenses) / net fee and commission income.
2) Personnel expenses / net fee and commission income.
3) Excluding CHF 1.5 billion ARBF-related assets under management in liquidation as at 31 December 2018.
4) Average calculated with 13 month-end values (December to December).
5) Excluding ARBF-related assets under management since August 2018.
6) Including ARBF-related net inflows in H1 2018 of CHF 0.3 billion and excluding ARBF-related net flows in H2 2018 and fund assets liquidated as at 31 December 2018.
7) Net fee and commission income / average assets under management.
8) Net management fees and commissions / average assets under management.
9) Equity excluding goodwill and other intangible assets.
10) Underlying net profit / weighted average number of shares outstanding for diluted EPS.