HALF-YEAR 2018 REPORT

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.

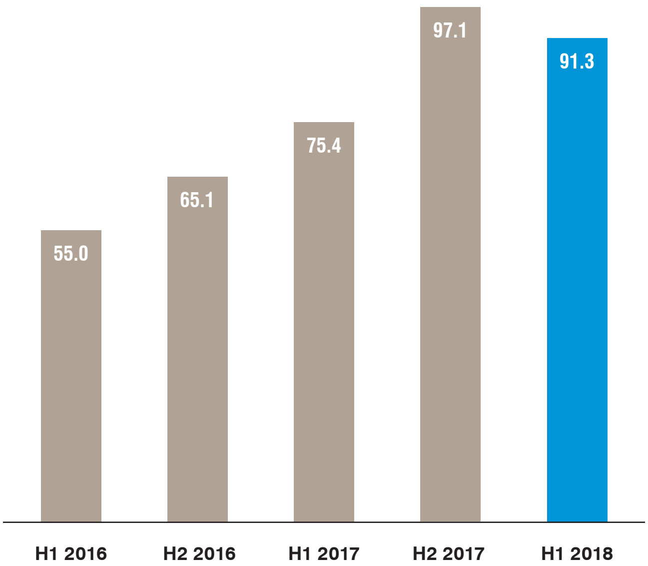
GAM Investments

CONTENTS

KEY FIGURES

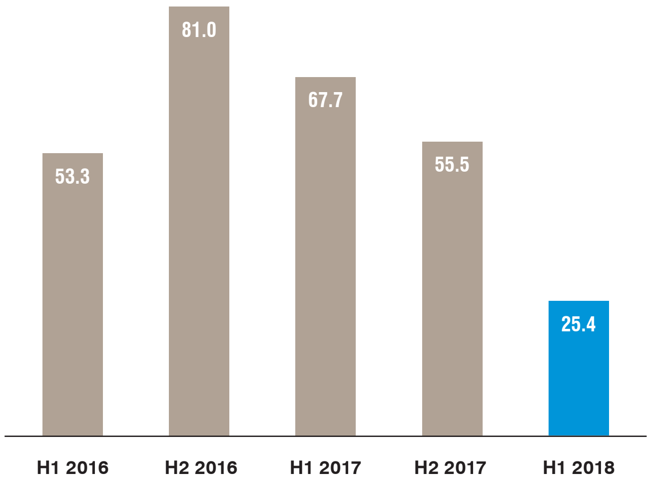
Underlying profit before taxes (CHF m)

CHF 91.3 m



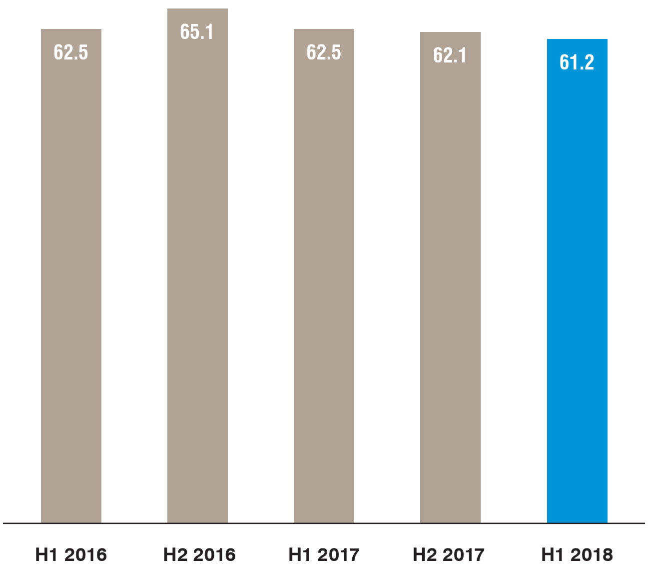
IFRS net profit (CHF m)

CHF 25.4 m



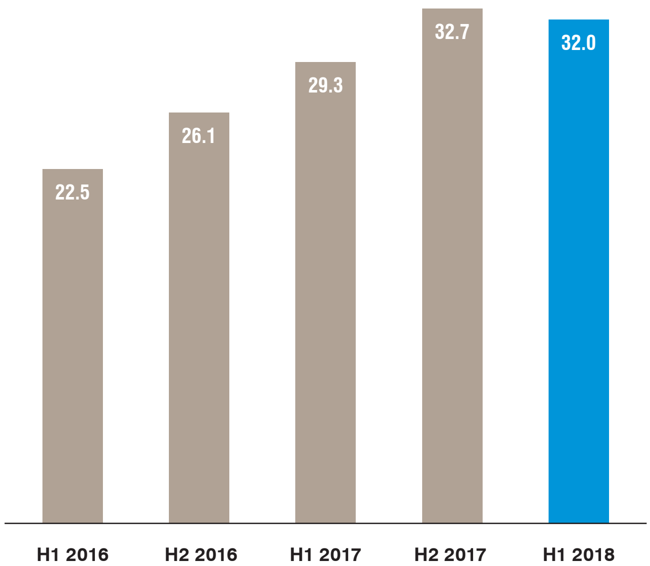
Management fee margin – investment management (bps)

61.2 bps



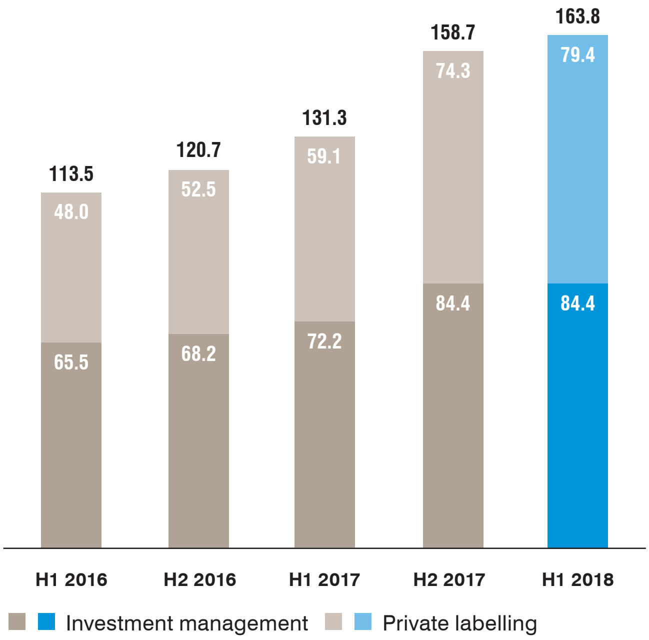
Operating margin (%)

32.0 %



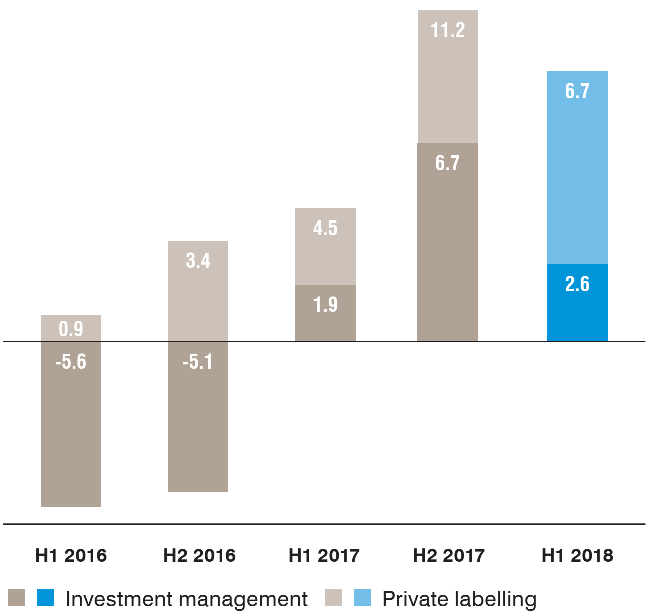
Assets under management (CHF bn)

CHF 163.8 bn



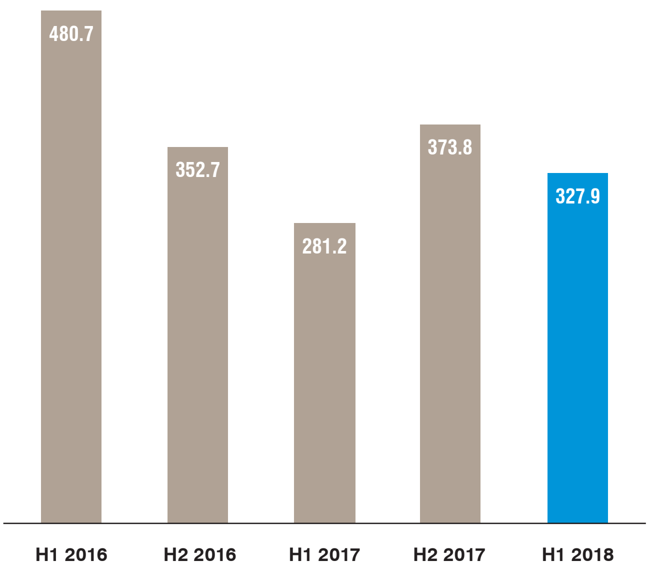
Net flows (CHF bn)

CHF 9.3 bn



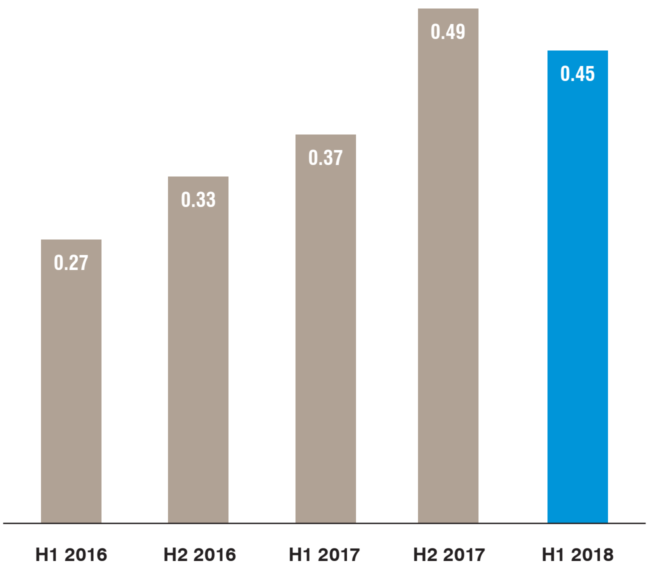
Net cash (CHF m)

CHF 327.9 m



Diluted underlying EPS (CHF)

CHF 0.45



CHAIRMAN
CEO
LETTER

Dear Shareholder

The first half of 2018 has seen the return of significant volatility to the markets and with it more challenging conditions for asset managers. At the same time, we have continued to make good progress on the implementation of our strategy.

We have made tangible progress on all our strategic initiatives, as is evident in our underlying results, which increased 21% from the first half of 2017. Continued growth in the Group's assets under management drove the increase in management fees, which along with cost discipline helped improve our operating margin.

However, our IFRS profit was impacted by an impairment charge related to the acquisition of Cantab Capital Partners in October 2016 as a result of lower assets under management and cash flows from that business compared with those forecast at the time of the acquisition.

Forecasts are always based on certain assumptions with regard to the market environment, performance and investor preferences. While we anticipated the shift in investor preference toward less volatile products, it happened faster than expected. As a result, GAM Systematic Cantab's more volatile funds have suffered, in line with industry peers.

Nevertheless, we continue to see GAM Systematic Cantab as a key driver of long-term growth for our company. The ability to quickly and accurately analyse a myriad of data sets for stocks, bonds and other asset classes offers a distinct advantage for quantitative and discretionary managers alike. GAM Systematic Cantab's strategies provide investors valuable diversification and non-correlated returns to traditional assets classes over the economic cycle, while our industry-leading and scalable technology platform allows us to continue expanding our systematic product range to meet client demand. We have already launched several new lower-volatility systematic products that are receiving increasing interest from clients and are integral to diversifying GAM's business into capabilities with strong future growth potential.

We have also announced the suspension of Tim Haywood, investment director business unit head for the unconstrained/absolute return bond strategy ("ARBF"), following an internal investigation. The issues relate to some of his risk management procedures and his record keeping in certain instances. The investigation has not raised concerns regarding his honesty.

We take our responsibilities and controls very seriously. Having conducted the investigation with external counsel, we now intend to follow our usual internal processes and will take any further action that may be appropriate.

We will continue to safeguard the interests of our clients and shareholders. Jack Flaherty and Alex McKnight, two experienced investment directors from the ARBF team, have assumed joint responsibility for the portfolios, supported by 18 other investment professionals. GAM is a leader in the absolute return bond category, and has been for many years. We are committed to maintaining this strength and are actively engaging with our clients.

We are managing this situation, while continuing to implement our strategy to diversify and strengthen GAM.

In the second half of this year we plan to launch systematic strategies in global long only equity and in credit, as well as discretionary strategies focused on Europe, Australasia and the Far East (EAFE) and on global asset-backed securities. In the first half of the year, we launched an insurance-linked strategy, a second fund for the GAM Systematic Alternative Risk Premia strategy in Australia and offshore funds for institutional investors in emerging market equities and local-currency emerging market bonds. We have extended our range of private debt products through a partnership with Kimura Capital LLP in commodity trade finance and a successful fund-raising for our second real estate debt fund, with locked-up capital.

We are also seeing good results from our new distribution strategy, focused on building out regional client bases and leveraging our global institutional and consultant relationships. In the first half of 2018, we won multiple mandates around the world spanning all our capabilities. To continue building on this success, we are expanding in Asia Pacific, where we have obtained a discretionary investment management license in Japan and are opening an office in Australia.

We also continue to focus on realising efficiency gains where possible and investing in the business in a measured manner to create a robust and scalable operating platform aligned with our growth ambitions. An important element to this is ensuring we have the right risk and control platforms for our businesses to operate effectively given the increased regulatory scrutiny in our industry.

Following the changes we have made to the Group's compensation framework, in particular the introduction of deferred elements to employees' remuneration, we are continuing to review and amend our policies and conduct guidelines to ensure alignment of interests with our clients and shareholders in everything we do.

Lastly, our private labelling capability is continuing to grow well, providing a highly complementary services business positioned alongside our core investment management business. Our Luxembourg-based fund management company was recently named the largest by third-party assets under management in the country, and given the solid growth in the first half of 2018, we are confident of expanding this leading position.

H1 2018 results

Group assets under management rose to CHF 163.8 billion as at 30 June 2018 from CHF 158.7 billion as at 31 December 2017.

In investment management, the net inflows of CHF 2.6 billion were offset by a net negative CHF 2.6 billion impact from market and foreign exchange movements, resulting in unchanged assets under management at CHF 84.4 billion. Private labelling assets rose by CHF 5.1 billion to CHF 79.4 billion as net inflows added CHF 6.7 billion, while market and foreign exchange movements resulted in a negative impact of CHF 1.6 billion.

Net fee and commission income increased 12% to CHF 287.7 million due to higher net management fees and commissions, which rose 20% in the first half of 2018 to CHF 285.4 million. This was driven by higher average assets under management, only partly offset by a reduction in the management fee margins as a result of fluctuations in the asset mix between products and client segments in investment management and the lower margin on new assets in private labelling compared with the existing portfolio. Performance fees decreased to CHF 2.3 million from CHF 19.3 million in challenging market conditions.

Total expenses increased 7% in the first half of 2018 compared with the same period a year earlier. Personnel expenses increased 3% to CHF 128.9 million, with fixed and variable personnel costs up slightly as a result of investments in the underlying business, bonus accruals related to higher net fee and commission income and some inflationary pressure. General expenses rose by CHF 10.7 million to CHF 63.9 million, with the increase reflecting the first-time inclusion of research costs paid by GAM following the implementation of MiFID II, increased regulatory and compliance costs, and investments focused on broadening the investment and distribution capabilities of the firm as well as enhancing our infrastructure, risk and control platforms.

Our underlying pre-tax profit of CHF 91.3 million was 21% higher than in the first half of 2017 and our operating margin improved to 32.0% from 29.3%, moving closer to our target range of 35–40% despite the disappointing performance fees.

The compensation ratio, which tracks our ability to manage our largest expense category (personnel expenses) in line with net fee and commission income, declined to 44.8% from 48.8%. This is better than the target range of our new compensation framework of 45–50% and demonstrates the Group's operating leverage as assets and revenues increase.

Diluted underlying earnings per share rose to CHF 0.45 from CHF 0.37 as a result of a 22% increase in the underlying net profit.

Under IFRS, our net profit was CHF 25.4 million, 62% lower than in the first half of 2017, reflecting the adjustments related to the Cantab acquisition. The IFRS figure includes two items that are not included in the underlying results: non-recurring items that resulted in a charge of CHF 60.8 million and acquisition-related items that resulted in a credit of CHF 14.5 million (all net of taxes). The former include the CHF 58.6 million impairment charge of investment management and client contracts related to the Cantab acquisition and reorganisation charges of CHF 2.6 million. Acquisition-related items include a reduction in our estimate of the deferred consideration liabilities for the acquisitions of Cantab and Arkos (now GAM Lugano), partly offset by the amortisation of investment management and client contracts from businesses we acquired and finance charges on the deferred consideration liabilities.

Summary and outlook

We continue to see opportunities for high performing active asset managers to capture growing investor demand for strategies that offer true diversification versus traditional asset classes and broad market trends. However, some clients are choosing to rebalance their portfolios as we enter the later stages of this long-running bull market.

As a result, we saw a significant slowdown in net inflows in the later part of the first half of 2018. As volatile and directionless market conditions are likely to continue in the second half of this year, this may affect clients' risk appetite and our flows. We may also experience client redemptions as a result of the changes in the ARBF team.

Despite these challenges, we are committed to continuing the disciplined execution of our strategy, aimed at delivering superior investment returns, a differentiated product range, global distribution strength, operating efficiency and sound risk management.

We remain committed to increasing diluted underlying earnings per share in excess of 10% on an annualised basis and achieving an operating margin of 35–40%, both over the five to eight-year business cycle.

We would like to thank our employees, clients and shareholders for their support.

With best regards,

Hugh Scott-Barrett
Chairman

Alexander S. Friedman
Group chief executive officer

Zurich, 31 July 2018

THE BUSINESS REVIEW

OUR STRATEGY

Our mission

Our job is to help clients achieve their investment goals by putting their capital to work effectively. We share insights, act with integrity and execute with purpose to make the right investment decisions for our clients. We consider our mission to advance the potential of capital.

Our strategy

We are an independent global asset management firm built by investors, for investors. With a 35-year heritage, we invest our clients' capital using active strategies across discretionary, systematic and specialist solutions.

Our strategic priorities are superior investment returns, a differentiated and commercially compelling product offering, global distribution strength, operating efficiency and sound risk management. We execute on these priorities with a high-performance talent culture motivated by sustainable growth for all stakeholders. We create shareholder value through long-term earnings growth and predictable capital returns.

We seek superior investment returns from active, high-conviction strategies managed by independent and talented teams. We value original thinking, integrity and a disciplined approach to investing. GAM has no 'house view' to constrain investment decisions, and we encourage collaboration and knowledge sharing among our managers to enhance outcomes for our clients. Success is measured over the medium to long term against our clients' expectations and appropriate benchmarks or peers.

We develop innovative, differentiated and scalable products relevant to investors worldwide. These hard-to-commoditise products span diversified liquid and illiquid asset classes. We focus on core markets and tailor our fund development by geography, client segment and distribution expertise. Our product shelf is continually managed by adding capabilities with growth potential and consolidating products where appropriate.

We distribute our products globally and have offices in 13 countries to service our growing client base. Our company is client-focused in all areas, and we support institutional, intermediary and private clients with relationship managers, product specialists, marketing and client-servicing professionals. We match our distribution strength to core geographies, products and growth opportunities and prudently invest in our strong and credible GAM brand, widely recognised for investment excellence, innovation and insight.

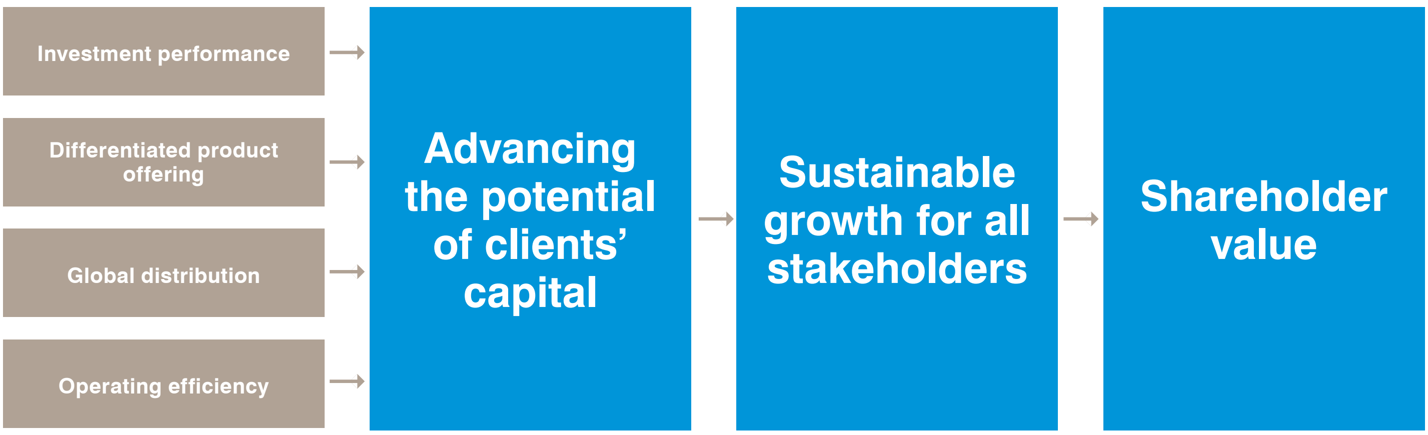
We continually seek efficiencies through tight cost control and appropriate investment in our operating platform and risk controls. We see substantial benefits in continued efforts to simplify, consolidate and streamline our administrative processes, servicing and IT support. These steps are leading to a highly-aligned and stable business model that supports growth with limited incremental resources.

In addition to our investment management business, we continue to expand our private labelling business, which is highly complementary and provides attractive operating leverage.

Over a business cycle of five to eight years, we target an operating margin of 35–40% based upon platform leverage, cost discipline and operating efficiencies, and annualised growth in diluted underlying earnings per share in excess of 10%.

We maintain a policy of sustainable, progressive and predictable capital returns to shareholders, firstly through dividends in line with earnings growth and then through share buy-backs from excess capital.

Our business model



Update on strategic priorities

Investment performance

GAM's model is designed to bring out the best of truly active asset managers. We have continued to improve links between our investment teams (without compromising their decision-making autonomy) to foster collaboration and a productive environment for innovative thinking. We are also continually improving the overall risk and control framework by enhancing front office oversight infrastructure and implementing new risk tools consistently across teams.

Differentiated product offering

We launched an insurance-linked securities strategy at the end of March, and have extended our range of private debt products through a partnership with Kimura Capital LLP in commodity trade finance strategies. We also launched a higher volatility fund for the GAM Systematic Alternative Risk Premia strategy in Australia and offshore funds for institutional investors in emerging market equities and local-currency emerging market bonds. Our real estate debt team reached its first close in April and the second close in June for its second fund.

There is a strong pipeline of other fund launches planned for the near term, including an equity fund focused on Europe, Australasia and the Far East (EAFE), a global income fund focused on asset-backed securities, as well as systematic strategies in global long only equity and in credit.

At the same time, we continue to simplify our product range to concentrate on the most promising and scalable strategies, with six funds merged or closed in the first half of 2018 in addition to 82 funds in the previous three years, all with a de minimis loss of assets under management.

Spotlight on Australia

In June 2018, we announced plans to open an office in Sydney, expanding our global presence to 14 countries. This step reflects the growth in assets under management in Australia over the past years and our desire to be closer to our clients. We manage CHF 4.1 billion for Australian institutional and wholesale clients as at 30 June 2018, an increase from CHF 1.7 billion at the end of June 2016.

Australia has the fourth-largest pension (locally called 'superannuation') market in the world, valued at USD 1.9 trillion, according to the Willis Tower Watson Global Pensions Asset Study – 2018. Pension assets grew at a compound annual growth rate of about 6% between 2007 and 2017, well above the 4% global average over the same period, driving the expansion in the country's managed funds industry.

To foster continued growth for GAM in the country, we hired Alex Zaika as managing director Australia, who joined us in July 2018 from BlackRock. He is building a team of dedicated professionals for the Australian market, enhancing our local support infrastructure and servicing capabilities to further develop and deepen relationships with Australian clients. Our Sydney office will open in August 2018.

Having launched an Australian-domiciled fund for GAM Systematic Alternative Risk Premia for the superannuation sector in 2017, this year we added a higher volatility version of the strategy. We plan to further expand our local offering for Australian clients with new and existing strategies.

Global distribution

Following the appointment of the new head of distribution in Asia Pacific last year, we have made targeted steps to strengthen our presence in the region. We have obtained a discretionary investment management license in Japan and will expand our capabilities there. We are also opening an office in Sydney to enhance our local support infrastructure and servicing capabilities, and further develop and deepen relationships with Australian clients (see 'Spotlight on Australia' above).

Our new distribution strategy, focused on building out regional client bases and leveraging our global institutional and consultant relationships, has resulted in multiple mandate wins around the world in the first half of 2018. These included: GAM Systematic Alternative Risk Premia and unconstrained/absolute return bond strategies in Australia, local-currency emerging market bonds in Hong Kong, GAM Systematic Core Macro in the US, healthcare equities in Taiwan, alternative investments solutions in Switzerland, and multi asset in Italy.

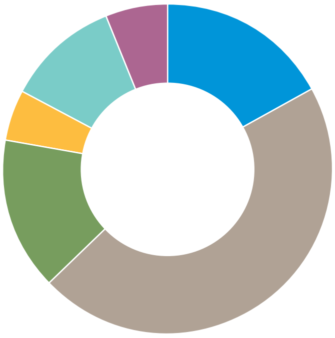
Operating efficiency

We are progressing our multi-year change programme to optimise GAM's efficiency, creating a robust, scalable operating platform aligned with our growth ambitions. This extensive programme involves multiple projects, including the implementation of a single data architecture, a move to cloud-based IT infrastructure, simplification of our systems, processes and reporting, outsourcing of back and middle office activities, creation of centres of excellence, real estate footprint simplification and legal entity rationalisation. We continue to focus on realising efficiency gains up to and beyond 2019.

As we continue to drive efficiency gains, we are also investing in a measured manner in the development of investment and distribution talent across the business and in improving our technology, infrastructure, risk and control capabilities.

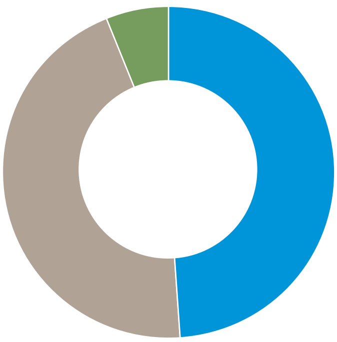
BUSINESS AND RESULTS OVERVIEW

Investment management assets by capability



- 17% Absolute return
- 46% Fixed income
- 15% Equity
- 5% Systematic
- 11% Multi asset
- 6% Alternatives

Investment management assets by client segment



- 49% Intermediaries
- 45% Institutional clients
- 6% Private clients

Investment management snapshot

Investment strategies, mandates and funds managed by in-house professionals and selected third-party specialists

92%

of our Group net management fees and commissions are generated in investment management

188

in-house investment professionals in Zurich, London, Cambridge, Hong Kong, New York, Milan and Lugano

75

relationship managers serving our global client base, supported by 93 employees in marketing, sales support and product specialist roles

56%

of assets in funds outperformed their benchmark over three years

Private labelling snapshot

Tailored third-party fund solutions for banks, insurers, independent asset managers and institutional investors

8%

of our Group net management fees and commissions are generated in private labelling

11

client directors, supported by experts from legal and compliance, risk management, marketing and operations

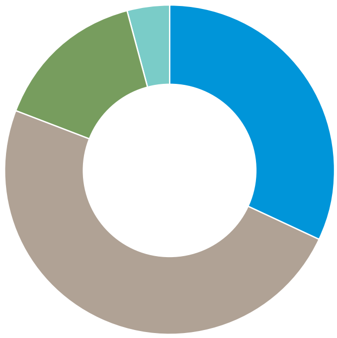
4

fund domiciles on offer: Switzerland, Luxembourg, Ireland and Italy

200+

private label funds launched since 1992

Private labelling assets by asset class



- 32% Equity
- 49% Fixed income
- 15% Alternative
- 4% Money market

Private labelling assets by fund domicile

- 43% Switzerland
- 57% Rest of Europe

OUR BUSINESSES

Investment management

The first half of 2018 has seen the return of volatility and directionless equity markets, resulting in muted risk appetite. Investors' unease was fuelled by the sharp turn from US business-friendly policies in 2017 in the form of tax cuts and deregulation to populist anti-trade policies.

Following the attainment of cyclical peaks in May, global government bond yields generally fell as investors trimmed allocations to equities, credit and emerging markets. As a consequence, yield curves flattened, contributing to renewed weakness in value styles, but also gave a lift to interest rate sensitive sectors, such as utilities. Given the escalation of global trade conflict, from a sector perspective the consumer discretionary and auto sectors were among the hardest hit, as were trade-exposed segments of the emerging markets. The latter also suffered against the backdrop of US dollar strength.

The reversal of many popular pro-cyclical trades contributed to creating challenging conditions for many active managers. Trend-following strategies also struggled against fluctuating equity and bond markets.

Over the three-year period to 30 June 2018, 56% of our assets under management in funds outperformed their respective benchmark, compared with 77% that outperformed over three years to 31 December 2017. Over the five-year period to 30 June 2018, 57% of our assets under management in funds outperformed their respective benchmark, compared with 56% that outperformed over five years to 31 December 2017.

Over 75% of GAM's assets under management tracked by Morningstar outperformed their respective peer groups over three and five years to 30 June 2018.[1]

Assets under management as at 30 June 2018 amounted to CHF 84.4 billion, unchanged from 31 December 2017. The challenging market environment resulted in a negative CHF 3.2 billion impact on assets under management in our investment management business, while foreign exchange movements had a positive CHF 0.6 billion impact.

Net inflows in investment management totalled CHF 2.6 billion in the first half of the year, with CHF 2.5 billion in the first quarter and CHF 0.1 billion in the second quarter as investors grew more risk averse. Financial intermediaries added CHF 2.7 billion in the first half, while net inflows from institutional clients amounted to CHF 0.2 billion. Net outflows from the private client channel of CHF 0.3 billion largely reflect redemptions from our previous captive channels (UBS and Julius Baer).

Our specialist fixed income strategies were a key driver of inflows in the first half, with investors adding a net CHF 2.8 billion. Our GAM Star Credit Opportunities strategy, which predominantly invests in debt of investment grade or high quality issuers, the GAM Local Emerging Bond fund, which invests in debt of emerging countries denominated or pegged to the respective local currency and the GAM Star MBS Total Return fund all attracted strong inflows.

In the absolute return category, the unconstrained/absolute return bond strategy continued to attract net inflows. However, the GAM Star Global Rates fund

Investment management assets and management fee margins (CHF bn)

Capability	Opening AuM 1 Jan 2018	Net flows H1 2018	Market/FX H1 2018	Closing AuM 30 Jun 2018	Management fee margin H1 2018 (bps)
Absolute return	15.6	(0.8)	(0.4)	14.4	73
Fixed income	37.1	2.8	(1.3)	38.6	61
Equity	12.6	-	(0.1)	12.5	75
Systematic	4.7	0.3	(0.4)	4.6	77
Multi asset	9.5	(0.1)	(0.1)	9.3	22
Alternatives	4.9	0.4	(0.3)	5.0	50
Total	**84.4**	**2.6**	**(2.6)**	**84.4**	**61.2**

Client segment	Opening AuM 1 Jan 2018	Net flows H1 2018	Market/FX H1 2018	Closing AuM 30 Jun 2018
Intermediaries	40.6	2.7	(1.5)	41.8
Institutional clients	38.5	0.2	(1.1)	37.6
Private clients	5.3	(0.3)	-	5.0
Total	**84.4**	**2.6**	**(2.6)**	**84.4**

[1] The assets under management analysed refer to onshore open-ended funds. The peer group comparison is based on 'industry-standard' Morningstar Direct Sector Classification. For consistency purposes, the share class preferences in Morningstar have been set to capture the institutional share class (where available) or the cheapest retail share class for each and every fund in a given peer group.

and the GAM Absolute Return Europe Equity fund saw redemptions following a period of weaker performance. Overall, investors withdrew net CHF 0.8 billion from our absolute return strategies.

In equity, the GAM Emerging Market Equity fund saw strong inflows, while the GAM Japan Equity fund registered withdrawals.

In systematic strategies, net inflows into our alternative risk premia strategy remained robust. These were partly offset by client withdrawals from our higher volatility products. Despite a difficult environment for quantitative funds generally over the last six months, our systematic strategies attracted net inflows of CHF 0.3 billion.

Net outflows from multi asset strategies slowed to CHF 0.1 billion as an inflow into a new mandate in Italy partly offset redemptions stemming mostly from private clients from our previous captive channels.

Alternatives recorded net inflows of CHF 0.4 billion, reflecting a mandate win in Switzerland for a new product that combines multi asset alternative risk premia funds and hedge premia into a single solution.

Private labelling

Assets under management in private labelling, which provides fund solutions for third parties, rose to CHF 79.4 billion as at 30 June 2018 from CHF 74.3 billion as at 31 December 2017. In the first half of 2018 net inflows amounted to CHF 6.7 billion, with CHF 3.5 billion in the first and CHF 3.2 billion in the second quarter. Negative market performance and foreign exchange movements reduced assets by a combined CHF 1.6 billion.

Our Luxembourg-based fund management company was named the largest by third-party assets under management in the country in the latest release of PwC's Observatory for Management Companies – 2018 Barometer.

Investment performance[1]

Capability	3 years **30 Jun 2018**	3 years 31 Dec 2017	5 years **30 Jun 2018**	5 years 31 Dec 2017
Absolute return	63%	76%	65%	66%
Fixed income	53%	82%	51%	51%
Equity	61%	67%	72%	68%
Systematic	58%	100%	44%	40%
Alternatives[2]	0%	0%	0%	0%
Total	**56%**	**77%**	**57%**	**56%**

[1] % of AuM in funds outperforming their benchmark (excluding mandates and segregated accounts). Three and five year investment performance based on applicable AuM of CHF 55.6 billion and CHF 53.0 billion respectively.

[2] Reflects performance of products in alternative investments solutions.

GAM's long/short equity team outperforms in volatile markets

Our long/short equity team, based in Lugano, Switzerland, consists of 10 highly experienced investment professionals. Their objective is to achieve positive investment returns with low volatility in all market conditions. Applying the same methodology since 2002, the team selects investments based on a bottom-up fundamental analysis.

The fund managers take long positions in companies for which their fundamental analysis indicates the likelihood that earnings reported over the next 12–18 months will be above the consensus of analysts' estimates. They take short positions where the same analysis indicates the probability that the earnings reported over the next 12–18 months will be below consensus. They use a quantitative filter to identify potential stocks for this in-depth analysis, which they conduct interpreting available public information through intense discussions with sell-side analysts, companies' management and the team's substantial experience.

The team also analyses the stocks' valuations and price momentums, as historical evidence shows that earnings revision strategies work best if these factors are supportive. For example, companies with cheaper valuations tend to appreciate more on positive earnings revisions than those that are more expensive, so the team may assign a bigger weighting for their position if the valuation is supportive. Analysing the price momentum gives the fund managers an additional degree of confidence.

Their flagship GAM Star (Lux) – European Alpha strategy takes a very diversified approach (typically 120–140 positions) across sectors and countries. The strategy delivered consistent positive returns in the first half of 2018, despite significant market volatility, placing it in the first quartile of the peer group.[1] The team uses the same methodology of analysing earnings revisions for our GAM Star (Lux) – Emerging Alpha and GAM Star (Lux) – Financials Alpha funds. It also manages a long-only strategy, GAM Star (Lux) – European Momentum, which selects only long positions in companies that are likely to beat the consensus, as well as GAM Star (Lux) – Convertible Alpha and GAM Star (Lux) – Merger Arbitrage strategies.

[1] This analysis is based on GAM and Morningstar data.

FINANCIAL REVIEW

How we report results

Our key performance indicators (KPIs) and business metrics reflect our internal approach to analysing our results. They guide us in managing the Group, informing investment decisions and helping us gauge how successful we have been in the implementation of our strategy. The same KPIs and business metrics are disclosed externally and form the basis for the review of our financial results.

Our results are reported in accordance with International Financial Reporting Standards (IFRS), but as in previous years our internal analysis and external disclosure of our financial performance focuses on underlying profitability. The adjustments we make from IFRS to an underlying profit before taxes are always related to specific non-recurring events or items related to acquisition activities that are neither indicative of the underlying performance of our business nor of its future growth potential. Where applicable, our KPIs are disclosed and discussed on the same adjusted basis.

Our Group KPIs:

Diluted underlying earnings per share (EPS) is calculated as the underlying net profit or loss attributable to ordinary equity holders, divided by the weighted average number of ordinary shares outstanding and adjusted for the potential dilution impact from any outstanding share or option plans. It is important that the use of equity-linked instruments and share-based awards in our compensation structure is reflected in this earnings measure. Our financial target of annualised EPS growth in excess of 10% over a business cycle, which we define as five to eight years, applies to the diluted underlying EPS.

Operating margin is calculated as net fee and commission income less expenses, divided by net fee and commission income. It excludes the impact of 'net other income' – such as gains and losses from foreign exchange movements, seed capital investments and hedging, or net interest income and expenses – and therefore gives a good representation of the operating performance in our business. Over a business cycle we strive to achieve an operating margin of 35–40%.

Compensation ratio is calculated as total personnel expenses divided by net fee and commission income. It tracks our ability to manage our largest expense category – personnel expenses – in line with net fee and commission income, the source of revenues that drives most of the compensation at GAM.

Underlying profit before taxes and the **underlying effective tax rate** give emphasis to our pre-tax profitability and transparency on the bottom-line impact of the underlying effective tax rate, which is driven by a number of factors that are not immediately tied to our business performance.

Net cash is defined as cash and cash equivalents minus interest bearing liabilities.

Tangible equity is defined as equity excluding non-controlling interests, goodwill and other intangible assets.

Business metrics for investment management and private labelling:

Net fee and commission income is defined as fee and commission income minus distribution, fee and commission expenses. It includes performance fees, but not net other income.

Management fee margin is calculated as net management fees and commissions divided by average assets under management. For investment management, we additionally report a total fee margin that includes performance fees (ie net fee and commission income divided by average assets under management).

Assets under management in investment management are broken down by capability, client segment and currency. In private labelling, assets are disclosed by fund domicile.

Net flows represent the net asset additions or redemptions by clients. For our investment management business, we additionally disclose and discuss the net flows by individual capability and client segment. These developments are discussed in the 'Our businesses' section on pages 14–15.

Assets under management and net flows

Group assets under management as at 30 June 2018 amounted to CHF 163.8 billion, compared with CHF 158.7 billion as at 31 December 2017.

Investment management assets remained flat compared with 31 December 2017 at CHF 84.4 billion as CHF 2.6 billion of net inflows were offset by a net negative CHF 2.6 billion impact from market and foreign exchange movements. Private labelling assets were CHF 79.4 billion, CHF 5.1 billion higher than at the end of 2017. Net inflows added CHF 6.7 billion, while market and foreign exchange movements resulted in a negative impact of CHF 1.6 billion.

Income drivers and developments

Management fee margins

The management fee margin earned on investment management assets during the first half of 2018 was 61.2 basis points, compared with 62.5 basis points in the first half of 2017. The mix of net flows and market movements across products and client segments, in particular outflows from higher-margin absolute return and systematic products, and last year's re-pricing of our Global Rates strategy contributed to this decline.

In private labelling, the management fee margin was 6.2 basis points, compared with 7.0 basis points in the same period one year ago, with the reduction primarily reflecting a lower margin on new assets compared with the existing portfolio.

Management fees

Net management fees and commissions in the first half of 2018 totalled CHF 285.4 million, up 20% from the previous year. This was driven by higher average assets under management, partly offset by the reduction in the management fee margins for investment management and private labelling.

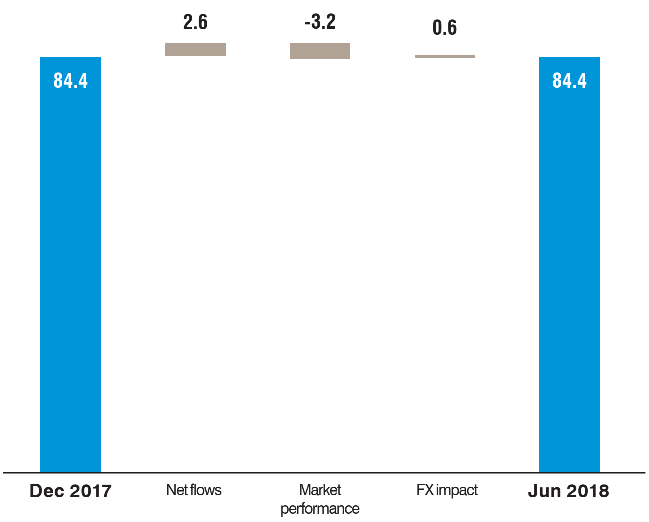
Performance fees

Performance fees decreased to CHF 2.3 million from CHF 19.3 million, with the mortgage-backed securities strategy being the single largest contributor.

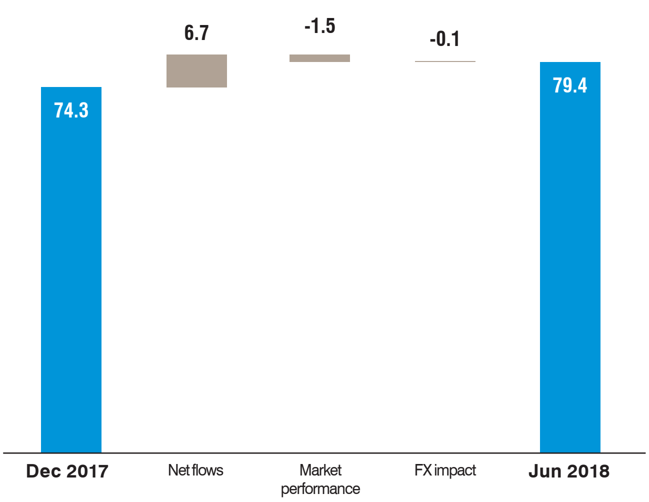
Net other income

Under the category 'net other income,' where we include the 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, we reported a net expense of CHF 0.7 million in the first half of 2018 compared with a net expense of CHF 0.2 million in the first half of 2017. This was driven by net seed capital losses compared with gains in the first half of 2017, partly offset by lower losses from foreign exchange movements.

Investment management AuM movements (CHF bn)



Private labelling AuM movements (CHF bn)



Expense drivers and developments

Personnel expenses

Personnel expenses in the first half of 2018 increased 3% to CHF 128.9 million. Variable compensation was 3% higher compared with the first half of 2017, mainly due to higher accruals related to the increased management fees, partly offset by lower accruals for performance fee-related bonuses. Fixed personnel costs were also up 3%, driven by some recruitment expenses, inflationary pressure and increased use of temporary staff compared with the first half of 2017. Staff levels were down slightly to 935 as at 30 June 2018 from 937 full-time equivalents as at 30 June 2017.

Compensation ratio

Our compensation ratio declined to 44.8% from 48.8%, which is better than the target range of the new compensation framework of 45–50%. Demonstrating the Group's operating leverage, the 12% increase in total net fee and commission income was significantly greater than the 3% increase in total personnel expenses.

General expenses

General expenses for the first half of 2018 amounted to CHF 63.9 million, up 20% from the previous year. This increase was mainly driven by the first-time inclusion of research costs paid by GAM following the implementation of MiFID II, increased regulatory and compliance costs, and increased investments focused on broadening the investment and distribution capabilities of the firm as well as improving our infrastructure, risk and control platforms.

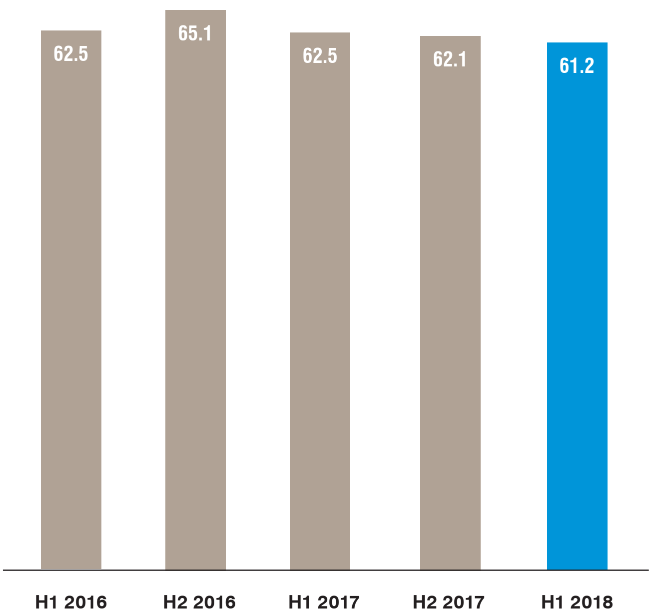
Depreciation and amortisation

Depreciation and amortisation decreased by 9% to CHF 2.9 million from the same period last year as the depreciation period for some leasehold improvements has ended.

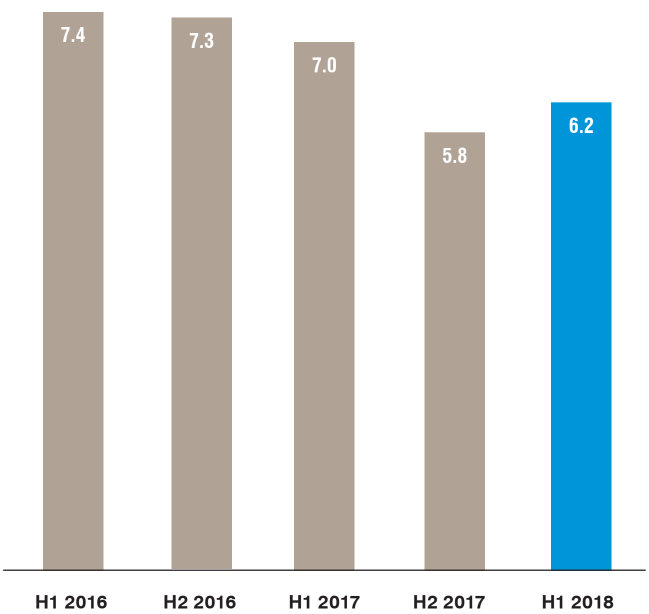
Operating margin

The operating margin for the first half of 2018 was 32.0% compared with 29.3% in the first half of 2017. The increase in net fee and commission income was greater than the increase in expenses, demonstrating the Group's operating leverage, despite a drop in performance fees of CHF 17 million.

Management fee margin – investment management (bps)



Management fee margin – private labelling (bps)



Underlying profitability and earnings per share

Underlying profit before taxes

The underlying pre-tax profit of CHF 91.3 million in the first half of 2018 was 21% higher than in the first half of 2017. The 12% increase in net fee and commission income was only partly offset by a 7% increase in expenses.

Effective tax rate

The underlying tax expense for the first half of 2018 was CHF 19.6 million, representing an underlying effective tax rate of 21.5%. The decrease from the underlying effective tax rate of 22.1% in the first half of 2017 mainly reflects a change in the geographical split of our earnings and the tax rate reduction in the UK.

Earnings per share

Diluted underlying earnings per share for the first half of 2018 were CHF 0.45. This represents an increase from CHF 0.37 in the first half of 2017, as a result of higher underlying net profit. This was partly offset by the slight increase in the diluted weighted average number of shares outstanding, driven by the higher average GAM share price, resulting in a higher level of awards expected to vest.

IFRS net profit

Our net profit according to IFRS in the first half of 2018 was CHF 25.4 million, all attributable to the shareholders of GAM Holding AG and compared with CHF 67.7 million in the first half of 2017. This reduction mainly reflects the recognition of an impairment charge related to the Cantab investment management and client contracts, partly offset by the higher underlying profitability.

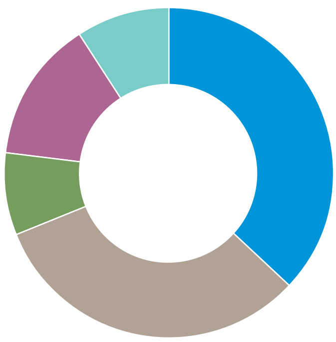
Non-recurring and acquisition-related items excluded from underlying profits

The following items, all net of taxes, reflected in our results according to IFRS, are excluded from our underlying profits:

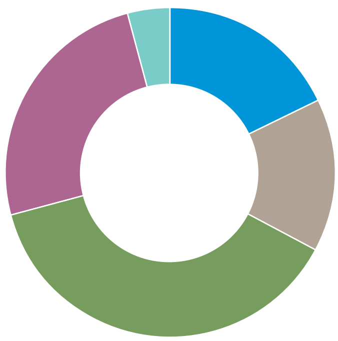
Non-recurring items, resulting in a net charge of CHF 60.8 million (all items net of taxes). These include the CHF 58.6 million impairment charge of investment management and client contracts related to the acquisition of Cantab, as a result of lower assets under management and cash flows compared with those forecast at the time of the Cantab acquisition and reorganisation charges of CHF 2.6 million. In the first half of 2017 the non-recurring items resulted in a net loss of CHF 7.3 million, including the CHF 4.7 million impairment of investment management and client contracts of THS and reorganisation charges of CHF 1.8 million.

Acquisition-related items, resulting in a net credit of CHF 14.5 million (all items net of taxes). These include adjustments to the deferred consideration liabilities related to the acquisitions of Cantab of CHF 29.7 million and Arkos (now GAM Lugano) of CHF 0.8 million. These liabilities represent the part of the purchase price which was deferred over multiple years and linked to the future profitability of these businesses. The credit from the reduction in these liabilities was partly offset by the amortisation of investment management

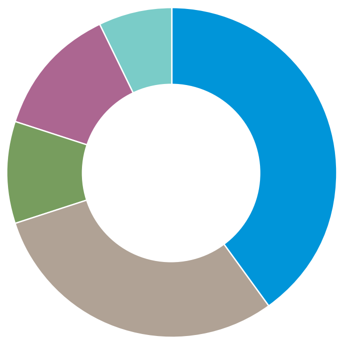
Group income[1]



Group expenses[2]



Investment management AuM



[1] Percentage splits are estimated based upon the currency exposure of the underlying AuM on which the revenues are earned.

[2] Percentage splits are estimated based upon the transactional currency, except for contractual bonuses which follow the same basis as revenue.

and client contracts from businesses we acquired in 2016 and prior years and finance charges on the deferred consideration liabilities. In the first half of 2017 the acquisition-related items resulted in a net credit of CHF 16.3 million as a reduction in deferred consideration liabilities more than offset amortisation and finance charges.

Balance sheet and capital management

Assets and net cash

Total assets as at 30 June 2018 were CHF 2,237.0 million, compared with CHF 2,445.4 million as at 31 December 2017. These include goodwill and other intangible assets of CHF 1,630.6 million, which were down CHF 85.9 million, mainly due to the impairment and amortisation of investment management and client contracts related to the Cantab acquisition.

Cash and cash equivalents as at 30 June 2018 amounted to CHF 327.9 million, down from CHF 373.8 million as at 31 December 2017, mainly reflecting the impact of the dividend payment for the 2017 financial year (CHF 101.6 million), bonus payments for 2017 and share repurchases to cover the Group's obligations under share-based compensation plans. These effects were partly offset by cash flows generated from our first half operating activities and net redemptions of investments in seed capital.

Liabilities and tangible equity

Total liabilities as at 30 June 2018 were CHF 423.3 million, compared with CHF 562.8 million as at 31 December 2017. This mainly reflects a decrease in accrued expenses as a result of 2017 bonus payments in the first half of 2018 and a decrease in the deferred consideration liabilities driven by first-half payments and adjustments in expected future payments related to acquisitions of Cantab, GAM Lugano and Singleterry Mansley. Defined pension liabilities declined to CHF 69.7 million, mainly driven by an increase in the UK discount rate.

Tangible equity amounted to CHF 183.1 million, compared with CHF 166.1 million at the end of 2017. The main contributors to this increase were the underlying net profit, the impact from the adjustments to the deferred consideration liabilities, the remeasurement of pension liabilities and share-based payment expenses. These effects were partly offset by the dividend payment (CHF 101.6 million) and share repurchases to cover the Group's obligations under share-based compensation plans.

As at 30 June 2018 the Group had no financial debt, as in previous years. However, the Group has credit facilities with two banks for CHF 50 million each, one running through the end of 2019 and the other through the end of 2020. Those credit facilities, which are subject to customary financial covenants, provide the Group with further flexibility over its cash and capital resources.

Treasury shares

IFRS requires a company that holds its own shares for trading and non-trading purposes to record those shares as treasury shares and deduct them from shareholders' equity. As at 30 June 2018, our holding of own shares of 4.6 million was equivalent to 2.9% of shares in issue. All of these shares were bought back over the regular trading line at the SIX Swiss Exchange (first trading line) and held to cover the Group's obligations under share-based compensation plans. This position increased by 1.2 million shares reflecting the impact of the new compensation framework to increase the proportion of share-based compensation as part of total remuneration. No shares were bought back under the current 2017–2020 share buy-back programme.

Current share buy-back programme 2017–2020

The current share buy-back programme with the purpose of capital reduction started on 28 April 2017, following the expiration of its predecessor programme. It allows for the repurchase of up to 16.0 million shares over a maximum period of three years. The share buy-backs would be executed over a second trading line at the SIX Swiss Exchange, where GAM Holding AG acts as sole buyer, and are funded from the Group's cash flows. This programme will allow the Group to return excess capital to shareholders once capital buffers are rebuilt and in the absence of other opportunities for investment. No share buy-backs were made during the first half of 2018.

Authorised capital

At the Annual General Meeting in 2018, shareholders approved the renewal of authorised capital equal to 10% of GAM Holding AG's share capital for another two years in order to maintain the Group's strategic flexibility. The Board of Directors was given the authorisation to increase the share capital at any time until 26 April 2020 by issuing a maximum of 15,968,240 fully paid registered shares with a par value of CHF 0.05 each. Of these 15,968,240 registered shares, the Board is authorised to restrict or withdraw the pre-emptive rights of the existing shareholders with respect to a maximum of 7,984,120 registered shares and allocate such rights to third parties in certain cases.

Dividend for the 2017 financial year

After receiving shareholder approval at the Annual General Meeting on 26 April 2018, the annual dividend for the 2017 financial year of CHF 0.65 per share was paid, resulting in a total distribution to shareholders of CHF 101.6 million. The distribution was made from the capital contribution reserves, making it exempt from Swiss withholding tax of 35% and income tax free for private investors resident in Switzerland.

Group income statement

	H1 2018 CHF m	H2 2017 CHF m	H1 2017 CHF m	Change from H2 2017 in %	Change from H1 2017 in %
Net management fees and commissions	285.4	265.2	238.4	8	20
Net performance fees	2.3	24.8	19.3	(91)	(88)
Net fee and commission income	**287.7**	**290.0**	**257.7**	**(1)**	**12**
Net other (expenses)/income	(0.7)	2.4	(0.2)	-	-
Income	**287.0**	**292.4**	**257.5**	**(2)**	**11**
Personnel expenses	128.9	138.9	125.7	(7)	3
Fixed personnel expenses	77.2	74.8	75.3	3	3
Variable personnel expenses	51.7	64.1	50.4	(19)	3
General expenses	63.9	52.9	53.2	21	20
Occupancy	11.3	11.0	11.2	3	1
Technology and communication	7.5	6.5	6.2	15	21
Data and research	11.5	9.0	8.9	28	29
Professional and consulting services	10.9	7.1	8.4	54	30
Marketing and travel	9.0	9.5	8.7	(5)	3
Administration	5.1	4.7	4.1	9	24
Other general expenses	8.6	5.1	5.7	69	51
Depreciation and amortisation	2.9	3.5	3.2	(17)	(9)
Expenses	**195.7**	**195.3**	**182.1**	**0**	**7**
Underlying profit before taxes	**91.3**	**97.1**	**75.4**	**(6)**	**21**
Underlying income tax expense	19.6	18.7	16.7	5	17
Underlying net profit	**71.7**	**78.4**	**58.7**	**(9)**	**22**
Acquisition-related items	11.4	(16.3)	13.2	-	-
Non-recurring items	(73.5)	(12.1)	(9.1)	-	-
Tax on acquisition-related items	3.1	3.3	3.1	-	-
Tax on non-recurring items	12.7	2.2	1.8	-	-
IFRS net profit	**25.4**	**55.5**	**67.7**	**(54)**	**(62)**

CONDENSED INTERIM

CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

NOTES TO THE CONDENSED CONSOLIDATED INCOME STATEMENT

NOTES TO THE CONDENSED CONSOLIDATED BALANCE SHEET

ADDITIONAL NOTES

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	H1 2018 CHF m	H2 2017 CHF m	H1 2017 CHF m	Change from H2 2017 in %	Change from H1 2017 in %
Net management fees and commissions	2	285.4	265.2	238.4	8	20
Net performance fees	2	2.6	39.5	19.5	(93)	(87)
Net fee and commission income	2	**288.0**	**304.7**	**257.9**	**(5)**	**12**
Net other income/(expenses)	3	25.7	(12.8)	25.2	-	2
Income		**313.7**	**291.9**	**283.1**	**7**	**11**
Personnel expenses	4	125.2	146.6	125.0	(15)	0
General expenses	5	69.4	56.4	54.1	23	28
Depreciation and amortisation		18.8	19.1	18.8	(2)	0
Impairment loss	6	71.1	1.1	5.7	-	-
Expenses		**284.5**	**223.2**	**203.6**	**27**	**40**
Profit before taxes		**29.2**	**68.7**	**79.5**	**(57)**	**(63)**
Income tax expense		3.8	13.2	11.8	(71)	(68)
Net profit attributable to the shareholders of the Company		**25.4**	**55.5**	**67.7**	**(54)**	**(62)**
Earnings per share						
Basic earnings per share (CHF)	8	0.16	0.35	0.43	(54)	(63)
Diluted earnings per share (CHF)	8	0.16	0.35	0.43	(54)	(63)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	H1 2018 CHF m	H2 2017 CHF m	H1 2017 CHF m	Change from H2 2017 in %	Change from H1 2017 in %
Net profit attributable to the shareholders of the Company	**25.4**	**55.5**	**67.7**	**(54)**	**(62)**
Remeasurements of pension liabilities	35.2	(1.5)	11.4	-	-
Income tax (charges)/credits relating to remeasurements of pension liabilities	(7.6)	0.3	(2.4)	-	-
Items that will not be reclassified subsequently to the income statement, net of taxes	**27.6**	**(1.2)**	**9.0**	**-**	**207**
Net gains on financial assets available-for-sale	-	2.0	0.4	-	-
Net realised gains on financial assets available-for-sale reclassified to the income statement	-	(1.9)	(0.6)	-	-
Translation differences	(0.6)	12.4	(1.7)	-	-
Items that may be reclassified subsequently to the income statement, net of taxes	**(0.6)**	**12.5**	**(1.9)**	**-**	**-**
Other comprehensive income, net of taxes	**27.0**	**11.3**	**7.1**	**139**	**280**
Total comprehensive income attributable to the shareholders of the Company	**52.4**	**66.8**	**74.8**	**(22)**	**(30)**

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	30.06.2018 CHF m	31.12.2017 CHF m	Change from 31.12.2017 in %
Cash and cash equivalents		327.9	373.8	(12)
Trade and other receivables		38.3	53.6	(29)
Accrued income and prepaid expenses		126.3	152.8	(17)
Financial investments		40.6	45.9	(12)
Assets held for sale		12.3	39.2	(69)
Current assets		**545.4**	**665.3**	**(18)**
Financial investments and other financial assets		9.1	2.5	264
Deferred tax assets		44.0	52.3	(16)
Property and equipment		7.9	8.8	(10)
Goodwill and other intangible assets		1,630.6	1,716.5	(5)
Non-current assets		**1,691.6**	**1,780.1**	**(5)**
Assets		**2,237.0**	**2,445.4**	**(9)**
Trade and other payables		28.6	30.9	(7)
Other financial liabilities		18.5	21.8	(15)
Accrued expenses and deferred income		211.9	250.0	(15)
Current tax liabilities		18.2	15.7	16
Provisions		4.7	6.8	(31)
Liabilities held for sale		2.4	2.6	(8)
Current liabilities		**284.3**	**327.8**	**(13)**
Financial liabilities		44.3	79.8	(44)
Provisions		3.0	7.8	(62)
Pension liabilities		69.7	109.7	(36)
Deferred tax liabilities		22.0	37.7	(42)
Non-current liabilities		**139.0**	**235.0**	**(41)**
Liabilities		**423.3**	**562.8**	**(25)**
Share capital		8.0	8.0	0
Capital reserves		893.4	995.0	(10)
Retained earnings		1,080.7	1,026.5	5
Revaluation reserve		-	0.8	(100)
Foreign currency translation reserve		(96.8)	(96.2)	1
Treasury shares	10	(71.6)	(51.5)	39
Equity attributable to the shareholders of the Company		**1,813.7**	**1,882.6**	**(4)**
Liabilities and equity		**2,237.0**	**2,445.4**	**(9)**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital CHF m	Capital reserves CHF m
Balance at 1 January 2017		**8.0**	**1,097.2**
Net profit attributable to the shareholders of the Company		-	-
Other comprehensive income, net of taxes[1]		-	-
Total comprehensive income		**-**	**-**
Dividends paid		-	(102.2)
Share-based payment expenses, net of taxes	9	-	-
Acquisitions of own shares and derivatives on own shares	10	-	-
Disposals of own shares and derivatives on own shares	10	-	-
Total transactions with shareholders of the Company		**-**	**(102.2)**
Balance at 30 June 2017		**8.0**	**995.0**
Net profit attributable to the shareholders of the Company		-	-
Other comprehensive income, net of taxes[1]		-	-
Total comprehensive income		**-**	**-**
Capital reduction		-	-
Share-based payment expenses, net of taxes		-	-
Acquisitions of own shares and derivatives on own shares	10	-	-
Disposals of own shares and derivatives on own shares	10	-	-
Total transactions with shareholders of the Company		**-**	**-**
Balance at 31 December 2017		**8.0**	**995.0**
Effect of adoption of IFRS 9, net of taxes	17	-	-
Adjusted balance at 1 January 2018		**8.0**	**995.0**
Net profit attributable to the shareholders of the Company		-	-
Other comprehensive income, net of taxes[1]		-	-
Total comprehensive income		**-**	**-**
Dividends paid		-	(101.6)
Share-based payment expenses, net of taxes	9	-	-
Acquisitions of own shares and derivatives on own shares	10	-	-
Disposals of own shares and derivatives on own shares	10	-	-
Total transactions with shareholders of the Company		**-**	**(101.6)**
Balance at 30 June 2018		**8.0**	**893.4**

[1] Details of the line item ‘other comprehensive income, net of taxes’ are shown in the consolidated statement of comprehensive income.

Retained earnings CHF m	Revaluation reserve CHF m	Foreign currency translation reserve CHF m	Treasury shares CHF m	**Equity attributable to the shareholders of the Company** CHF m
889.6	**0.9**	**(106.9)**	**(44.8)**	**1,844.0**
67.7	-	-	-	**67.7**
9.0	(0.2)	(1.7)	-	**7.1**
76.7	**(0.2)**	**(1.7)**	**-**	**74.8**
-	-	-	-	**(102.2)**
9.8	-	-	-	**9.8**
-	-	-	(6.5)	**(6.5)**
(1.2)	-	-	1.2	**-**
8.6	**-**	**-**	**(5.3)**	**(98.9)**
974.9	**0.7**	**(108.6)**	**(50.1)**	**1,819.9**
55.5	-	-	-	**55.5**
(1.2)	0.1	12.4	-	**11.3**
54.3	**0.1**	**12.4**	**-**	**66.8**
(9.6)	-	-	9.6	**-**
7.8	-	-	-	**7.8**
-	-	-	(11.9)	**(11.9)**
(0.9)	-	-	0.9	**-**
(2.7)	**-**	**-**	**(1.4)**	**(4.1)**
1,026.5	**0.8**	**(96.2)**	**(51.5)**	**1,882.6**
0.8	(0.8)	-	-	**-**
1,027.3	**-**	**(96.2)**	**(51.5)**	**1,882.6**
25.4	-	-	-	**25.4**
27.6	-	(0.6)	-	**27.0**
53.0	**-**	**(0.6)**	**-**	**52.4**
-	-	-	-	**(101.6)**
7.7	-	-	-	**7.7**
-	-	-	(27.4)	**(27.4)**
(7.3)	-	-	7.3	**-**
0.4	**-**	**-**	**(20.1)**	**(121.3)**
1,080.7	**-**	**(96.8)**	**(71.6)**	**1,813.7**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	H1 2018 CHF m	H2 2017 CHF m	H1 2017 CHF m
Net profit attributable to the shareholders of the Company	**25.4**	**55.5**	**67.7**
Adjustments to reconcile net profit to cash flow from operating activities			
Non-cash items included in net profit:			
– Impairment loss	71.1	1.1	5.7
– Depreciation and amortisation	18.8	19.1	18.8
– Share-based payment expenses	7.8	7.3	9.7
– Other non-cash items	(1.2)	7.3	2.5
Net changes in:			
– Financial investments and other financial assets	26.4	(16.3)	31.2
– Accrued income and prepaid expenses	25.7	(13.7)	(33.0)
– Accrued expenses and deferred income	(36.8)	51.4	(18.8)
– Other assets and liabilities	(44.8)	(15.7)	(39.5)
Cash flow from operating activities	**92.4**	**96.0**	**44.3**
Acquisition of business (net of cash)	(1.3)	-	(1.1)
Disposal of subsidiaries (net of cash)	-	0.1	-
Purchase of property, equipment and intangible assets	(4.8)	(3.6)	(1.8)
Disposal of property, equipment and intangible assets	-	-	0.1
Cash flow from investing activities	**(6.1)**	**(3.5)**	**(2.8)**
Purchase of treasury shares	(27.4)	(11.9)	(6.5)
Dividends paid to shareholders of the Company	(101.6)	-	(102.2)
Deferred payment for the acquisition of non-controlling interests	(2.2)	-	(3.5)
Cash flow from financing activities	**(131.2)**	**(11.9)**	**(112.2)**
Effects of exchange rate changes on cash and cash equivalents	(1.0)	12.0	(0.8)
Net decrease in cash and cash equivalents	**(45.9)**	**92.6**	**(71.5)**
Cash and cash equivalents at the beginning of the period	373.8	281.2	352.7
Cash and cash equivalents at the end of the period	**327.9**	**373.8**	**281.2**

NOTES TO THE CONDENSED CONSOLIDATED INCOME STATEMENT

1. Volatility of earnings

Management fees are recognised throughout the period and can vary, among other things, due to fluctuations in the levels of assets under management. However, performance fees are only recognised if performance hurdles have been achieved at certain defined dates when it is highly probable that a significant reversal will not occur. As a result, the Group's earnings can be volatile and therefore the income and the related expenses generated in the second half of the year may vary from those generated in the first half.

2. Net fee and commission income

	H1 2018 CHF m	H1 2017 CHF m	Change in %
Investment management, advisory and other fees	577.1	473.7	22
Distribution, fee and commission expenses	(291.7)	(235.3)	24
Net management fees and commissions	**285.4**	**238.4**	**20**
of which investment management	261.6	218.7	20
of which private labelling	23.8	19.7	21
Performance fees	4.0	24.1	(83)
Performance fees paid to external investment managers	(1.4)	(4.6)	(70)
Net performance fees	**2.6**	**19.5**	**(87)**
Net fee and commission income	**288.0**	**257.9**	**12**

3. Net other income/(expenses)

	H1 2018 CHF m	H1 2017 CHF m	Change in %
Net foreign exchange losses	(1.2)	(3.7)	-
Interest income	0.1	-	-
Interest expenses	(4.2)	(4.7)	-
Net gains on financial assets available-for-sale reclassified from other comprehensive income	-	0.6	(100)
Net losses on financial assets at fair value through profit or loss	(0.7)	(0.3)	-
Adjustments to deferred consideration liabilities	29.9	30.8	(3)
Fair value changes of performance fees attributed to external interests	(0.3)	(0.2)	-
Other	2.1	2.7	(22)
Net other income/(expenses)	**25.7**	**25.2**	**2**

4. Personnel expenses

	H1 2018 CHF m	H1 2017 CHF m	Change in %
Salaries and bonuses	93.4	91.6	2
Social security expenses	10.3	9.8	5
Defined benefit pension plan expenses	4.3	6.0	(28)
Defined contribution pension plan expenses	4.4	4.1	7
Share-based payment expenses	7.8	9.7	(20)
Other personnel expenses	5.0	3.8	32
Personnel expenses	**125.2**	**125.0**	**0**

5. General expenses

	H1 2018 CHF m	H1 2017 CHF m re-presented [1]	Change in %
Occupancy	11.3	11.2	1
Technology and communication	9.8	6.2	58
Data and research	11.5	8.9	29
Professional and consulting services	14.0	9.1	54
Marketing and travel	9.1	8.7	5
Administration	5.1	4.1	24
Other general expenses	8.6	5.9	46
General expenses	**69.4**	**54.1**	**28**

[1] Comparative figures have been re-presented. For further information see note 16.

6. Impairment loss

Driven by lower than anticipated net inflows and investment performance the assets under management of the acquired Cantab business further decreased in the first half of 2018. Consequently, the actual and expected future cash flows were lower than originally assumed at the time of acquisition in 2016, which was considered an indication of impairment of the related investment management and client contracts. Therefore, an impairment test was performed using a discounted cash flow model based on estimated future cash flows attributable to identified investment management and client contracts acquired through the acquisition of Cantab to determine the recoverable amount, being CHF 120.6 million based on the value in use as at 30 June 2018. The estimated future cash flows were discounted to their present value, using an average pre-tax discount rate of 15.8%. As a result, an impairment loss of CHF 71.1 million before taxes was recognised in the first half of 2018.

As a result of the loss of mandates and clients, the assets under management of the Taube Hodson Stonex (THS) business significantly decreased in the first half of 2017 reflecting an indication of impairment of related investment management and client contracts. Therefore, an impairment test was performed using a discounted cash flow model based on future cash flows attributable to identified investment management and client contracts relating to the acquisition of THS to determine the recoverable amount as at 30 June 2017. As a result, an impairment loss of CHF 5.7 million was recognised in the first half of 2017.

7. Reconciliation between net profit (IFRS) and underlying net profit

			H1 2018			H1 2017
	IFRS CHF m	Reconciling items CHF m	Underlying CHF m	IFRS CHF m	Reconciling items CHF m	Underlying CHF m
Net management fees and commissions	285.4	-	285.4	238.4	-	238.4
Net performance fees	2.6	(0.3)	2.3	19.5	(0.2)	19.3
Net fee and commission income	**288.0**	**(0.3)**	**287.7**	**257.9**	**(0.2)**	**257.7**
Net other income/(expenses)	25.7	(26.4)	(0.7)	25.2	(25.4)	(0.2)
Income	**313.7**	**(26.7)**	**287.0**	**283.1**	**(25.6)**	**257.5**
Personnel expenses	125.2	3.7	128.9	125.0	0.7	125.7
General expenses	69.4	(5.5)	63.9	54.1	(0.9)	53.2
Depreciation and amortisation	18.8	(15.9)	2.9	18.8	(15.6)	3.2
Impairment loss	71.1	(71.1)	-	5.7	(5.7)	-
Expenses	**284.5**	**(88.8)**	**195.7**	**203.6**	**(21.5)**	**182.1**
Profit before taxes	**29.2**	**62.1**	**91.3**	**79.5**	**(4.1)**	**75.4**
Income tax expense	3.8	15.8	19.6	11.8	4.9	16.7
Net profit	**25.4**	**46.3**	**71.7**	**67.7**	**(9.0)**	**58.7**
Earnings per share						
Basic earnings per share (CHF)	0.16		0.46	0.43		0.37
Diluted earnings per share (CHF)	0.16		0.45	0.43		0.37

Reconciling items

			H1 2018			H1 2017
	Acquisition-related items CHF m	Non-recurring items CHF m	Total reconciling items CHF m	Acquisition-related items CHF m	Non-recurring items CHF m	Total reconciling items CHF m
Performance fees attributed to external interests	(0.3)	-	(0.3)	(0.2)	-	(0.2)
Net fee and commission income	**(0.3)**	**-**	**(0.3)**	**(0.2)**	**-**	**(0.2)**
Adjustments to deferred consideration liabilities	(29.9)	-	(29.9)	(30.8)	-	(30.8)
Foreign exchange (gains)/losses on deferred consideration liabilities	(0.3)	-	(0.3)	1.0	-	1.0
Fair value changes of performance fees attributed to external interests	0.3	-	0.3	0.2	-	0.2
Finance charges on discounted liabilities	3.5	-	3.5	4.2	-	4.2
Net other income/(expenses)	**(26.4)**	**-**	**(26.4)**	**(25.4)**	**-**	**(25.4)**
Adjustments to deferred consideration liabilities	0.6	-	0.6	3.2	-	3.2
Reorganisation charge	-	2.0	2.0	-	(1.9)	(1.9)
Pension plan curtailment	-	1.1	1.1	-	-	-
Deal and integration costs	-	-	-	-	(0.6)	(0.6)
Personnel expenses	**0.6**	**3.1**	**3.7**	**3.2**	**(2.5)**	**0.7**
Reorganisation charge	-	(5.0)	(5.0)	-	(0.5)	(0.5)
Deal and integration costs	-	-	-	-	(0.4)	(0.4)
Other expenses	-	(0.5)	(0.5)	-	-	-
General expenses	**-**	**(5.5)**	**(5.5)**	**-**	**(0.9)**	**(0.9)**
Amortisation of investment management and client contracts	(15.9)	-	(15.9)	(15.6)	-	(15.6)
Depreciation and amortisation	**(15.9)**	**-**	**(15.9)**	**(15.6)**	**-**	**(15.6)**
Impairment of investment management and client contracts	-	(71.1)	(71.1)	-	(5.7)	(5.7)
Impairment loss	**-**	**(71.1)**	**(71.1)**	**-**	**(5.7)**	**(5.7)**
Total reconciling items before taxes	**(11.4)**	**73.5**	**62.1**	**(13.2)**	**9.1**	**(4.1)**
Income tax expense	3.1	12.7	15.8	3.1	1.8	4.9
Total reconciling items after taxes	**(14.5)**	**60.8**	**46.3**	**(16.3)**	**7.3**	**(9.0)**

The Group has defined principles for reporting non-IFRS profit information – including labelling, transparency, prominence and presentation, comparability, consistency and materiality – which are considered to be appropriate to meet the needs of users of financial information. The Group discloses underlying profit before and after taxes as alternative performance measures representing a measure of earnings adjusted to exclude items which are not viewed as part of the Group's underlying operating activities. This enables better comparison of business performance across periods.

According to its policy, the Group distinguishes between two categories of excluded items, in adherence to the principles mentioned above, being acquisition-related items and non-recurring items.

Below items are stated before taxes.

Acquisition-related items

H1 2018

Adjustments to deferred consideration liabilities and related foreign exchange impacts

The Group acquired Arkos Capital SA (subsequently renamed and now known as 'GAM Lugano'), the Singleterry Mansley business, the Renshaw Bay real estate debt business, and the investment management businesses of Taube Hodson Stonex and Cantab Capital Partners (Cantab), all with a deferred consideration element. In H1 2018, the consideration payable, compared with that recognised at acquisition or in subsequent periods, was reduced by CHF 30.8 million. Thereof, CHF 29.9 million was recognised as income in the line item 'net other income/(expenses)' and CHF 0.6 million as a credit in the line item 'personnel expenses'. In addition, a net of hedging gain of CHF 0.3 million was recognised as a credit in the line item 'net foreign exchange losses' included within 'net other income/(expense)'.

Finance charges on discounted liabilities

The CHF 3.5 million finance charges on discounted liabilities relate to the deferred consideration elements of the acquisitions of GAM Lugano, the Singleterry Mansley business, the Renshaw Bay real estate business and the investment management businesses of Taube Hodson Stonex and Cantab Capital Partners.

Amortisation of investment management and client contracts

The CHF 15.9 million amortisation of investment management and client contracts relates to the acquisitions of the Singleterry Mansley business, the Renshaw Bay real estate business and the investment management businesses of Taube Hodson Stonex and Cantab Capital Partners.

Performance fees, and related fair value changes, attributed to external interests

The Group has a contractual commitment, through the agreement to acquire Cantab, to allocate 40% of performance fees generated by Cantab to employees (in the first five years and capped at USD 50 million as determined by previous partners) and previous partners thereafter indefinitely via "A" interests. Such liabilities are recognised when respective performance fees crystallise. The fair value changes of performance fees payable in relation to "A" interests of Cantab amount to CHF 0.3 million.

H1 2017

Adjustments to deferred consideration liabilities

The Group acquired GAM Lugano, the Singleterry Mansley business, the Renshaw Bay real estate debt business, and the investment management businesses of Taube Hodson Stonex and Cantab Capital Partners, all with a deferred consideration element. In H1 2017, the consideration payable, compared with that recognised at acquisition or in subsequent periods, was reduced by CHF 33.0 million. Thereof, CHF 29.8 million were recognised as income in the line item 'net other income(expenses)' (including a net of hedging loss of CHF 1.0 million recognised in the line item 'foreign exchange (losses)/gains') and CHF 3.2 million as a credit in the line item 'personnel expenses'.

Finance charges on discounted liabilities

The CHF 4.2 million finance charges on discounted liabilities relate to the deferred consideration elements of the acquisitions of GAM Lugano, the Singleterry Mansley business, the Renshaw Bay real estate business and the investment management businesses of Taube Hodson Stonex and Cantab Capital Partners.

Amortisation of investment management and client contracts

The CHF 15.6 million amortisation of investment management and client contracts relates to the acquisitions of the Singleterry Mansley business, the Renshaw Bay real estate business and the investment management businesses of Taube Hodson Stonex and Cantab Capital Partners.

Performance fees, and related fair value changes, attributed to external interests

The Group has a contractual commitment, through the agreement to acquire Cantab Capital Partners, to allocate 40% of performance fees generated by Cantab to employees (in the first five years and capped at USD 50 million as determined by previous partners) and previous partners thereafter indefinitely via "A" interests. Such liabilities are recognised when respective performance fees crystallise. The fair value changes of performance fees payable in relation to "A" interests of Cantab amount to CHF 0.2 million.

Non-recurring items

H1 2018

Reorganisation charge

The charge of CHF 3.0 million in respect of the Group's implementation of its strategic initiatives includes a reversal of restructuring costs of CHF 2.0 million associated with redundancies and the revaluation of the restructuring provision recognised in the line item 'personnel expenses' as well as charges of CHF 5.0 million in connection with non-staff costs recognised in the line item 'general expenses' relating to the office facility exit in the UK, IT transformation, the liquidation of Group legal entities and rebranding cost.

Pension plan curtailment

As a result of a pension increase exchange exercise carried out for pensioners of the UK defined benefit pension scheme, a one-off gain of CHF 1.1 million was recognised in the income statement.

Other expenses

Other expenses include certain costs which have been combined in one line item considering materiality.

Impairment of investment management and client contracts

The CHF 71.1 million impairment loss before taxes (CHF 58.6 million net of taxes) on investment management and client contracts relates to the acquisition of the investment management business of Cantab. For further information see note 6.

H1 2017

Reorganisation charge

The charge of CHF 2.4 million in respect of the Group's operational reorganisation includes costs of CHF 1.9 million associated with redundancies and the revaluation of the restructuring provision as well as CHF 0.5 million in connection with non-staff costs.

Impairment of investment management and client contracts

The CHF 5.7 million impairment loss on investment management and client contracts relates to the acquisition of the investment management business of Taube Hodson Stonex. For further information see note 6.

Deal and integration costs

In H2 2016, the Group acquired the investment management businesses of Taube Hodson Stonex and Cantab Capital Partners. As part of these acquisitions, CHF 1.0 million of deal and integration costs were incurred in the first half of 2017.

8. Earnings per share and shares outstanding

8.1. Earnings per share

	H1 2018	H1 2017
Basic earnings per share		
Net profit attributable to the shareholders of the Company (CHF m)	25.4	67.7
Weighted average number of shares outstanding (millions)	155.8	157.3
Basic earnings per share (CHF)	**0.16**	**0.43**
Diluted earnings per share		
Net profit attributable to the shareholders of the Company for diluted EPS (CHF m)	25.4	67.7
Weighted average number of shares outstanding (millions)	155.8	157.3
Dilution effect (millions)	4.2	0.7
Weighted average number of shares outstanding for diluted EPS (millions)	160.0	158.0
Diluted earnings per share (CHF)	**0.16**	**0.43**

8.2. Shares outstanding

	H1 2018	H1 2017
Shares issued at the end of the period	159,682,531	160,294,731
Treasury shares – share buy-back programmes	-	(612,200)
Treasury shares – share-based payment plans	(4,564,656)	(2,629,179)
Shares outstanding at the end of the period	**155,117,875**	**157,053,352**

NOTES TO THE CONDENSED CONSOLIDATED BALANCE SHEET

9. Tax effects recognised directly in equity

Tax effects on share-based payments resulted in a debit to equity of CHF 0.1 million (H1 2017: credit of CHF 0.1 million). With the share-based payment expenses of CHF 7.8 million (H1 2017: CHF 9.7 million) and these tax effects, CHF 7.7 million (H1 2017: CHF 9.8 million) is included in the respective line item within equity as shown in the condensed consolidated statement of changes in equity.

10. Treasury shares

As at 30 June 2018, the Group held 4.6 million treasury shares. These consist of:

- 4.6 million treasury shares held to meet the Group's obligation to deliver shares for the various share-based payment plans (31 December 2017: 3.4 million), all of which are expected to be net equity settled; and
- no treasury shares acquired under the Company's 2017–2020 share buy-back programme (31 December 2017: no treasury shares acquired).

	Shares	CHF m
Balance at 1 January 2017	2,798,816	44.8
Acquisition of own shares	533,500	6.5
Disposals of own shares	(90,937)	(1.2)
Balance at 30 June 2017	**3,241,379**	**50.1**
Capital reduction	(612,200)	(9.6)
Acquisition of own shares	792,300	11.9
Disposals of own shares	(60,406)	(0.9)
Balance at 31 December 2017	**3,361,073**	**51.5**
Acquisition of own shares	1,672,366	27.4
Disposals of own shares	(468,783)	(7.3)
Balance at 30 June 2018	**4,564,656**	**71.6**

The GAM Employee Benefit Trust (EBT) owns shares in the Company. The purpose of the EBT is to encourage, motivate and retain the Group's employees by providing benefits, through a trust, to such employees. As at 30 June 2018, of the 4.6 million treasury shares GAM Holding AG holds 3.7 million and the EBT holds 0.9 million.

11. Financial instruments – fair value determination

For financial investments whose prices are quoted in an active market, the fair value is derived directly from the quoted market prices.

For financial instruments for which quoted market prices are not directly available, fair values are estimated using valuation techniques or models based, where possible, on assumptions supported by observable market prices or rates existing at the balance sheet date.

For a small portion of financial instruments, neither quoted market prices nor valuation techniques or models based on observable market prices are available for determining the fair value. In these cases, fair values are estimated indirectly using valuation techniques or models based on reasonable assumptions reflecting market conditions.

These valuation techniques remained unchanged from those disclosed in the consolidated financial statements as at and for the year ended 31 December 2017.

The carrying amount of the financial assets and liabilities, including cash and cash equivalents, accrued income and expenses, trade and other receivables and payables, and other financial assets and liabilities, approximates their fair value.

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Level 1 CHF m	Level 2 CHF m	Level 3 CHF m	**30.06.2018** **Total** CHF m
Derivative financial instruments	-	0.5	-	**0.5**
Investments in seed capital at fair value through profit or loss	44.6	6.4	-	**51.0**
Other financial assets at fair value through profit or loss	-	7.7	0.3	**8.0**
Financial assets measured at fair value[1]	**44.6**	**14.6**	**0.3**	**59.5**
Derivative financial instruments	-	0.8	-	**0.8**
Financial liabilities at fair value through profit or loss	2.4	5.8	53.3	**61.5**
Financial liabilities measured at fair value	**2.4**	**6.6**	**53.3**	**62.3**

	Level 1 CHF m	Level 2 CHF m	Level 3 CHF m	31.12.2017 **Total** CHF m
Derivative financial instruments	-	0.4	-	**0.4**
Financial assets at fair value through profit or loss	61.3	7.4	0.3	**69.0**
Financial assets available-for-sale	15.7	0.8	0.1	**16.6**
Financial assets measured at fair value[1]	**77.0**	**8.6**	**0.4**	**86.0**
Derivative financial instruments	-	1.5	-	**1.5**
Financial liabilities at fair value through profit or loss	2.6	14.9	82.8	**100.3**
Financial liabilities measured at fair value	**2.6**	**16.4**	**82.8**	**101.8**

[1] Under the transition method chosen, the opening balances have been adjusted to reflect the adoption of new accounting policies in line with IFRS 9 as of 1 January 2018. Therefore, comparative information is not restated. For further information see note 17.

The categories ‘financial assets at fair value through profit or loss’ and ‘financial liabilities at fair value through profit or loss’ include the balance sheet line items ‘assets held for sale’ and ‘liabilities held for sale’ which contain the controlled funds’ direct investments in the amount of CHF 12.3 million (31 December 2017: CHF 39.2 million). These direct investments are invested into financial instruments.

Transfers into and transfers out of the fair value hierarchy levels are recognised as of the date of the event or change in circumstances that caused the transfer. In H1 2018, there were no transfers between levels.

The following table presents the changes in level 3 financial instruments:

	Financial assets at fair value through profit or loss CHF m	Financial assets available-for-sale CHF m	**Total financial assets** CHF m	Financial liabilities at fair value through profit or loss CHF m
Balance at 1 January 2017	0.4	10.9	**11.3**	120.5
Disposals/settlements	(0.2)	(0.6)	**(0.8)**	(5.9)
Total gains/losses:				
– in profit or loss	-	(1.4)	**(1.4)**	(33.2)
– in other comprehensive income	-	0.8	**0.8**	-
Translation differences	-	-	**-**	(1.5)
Balance at 30 June 2017	**0.2**	**9.7**	**9.9**	**79.9**
Disposals/settlements	-	(11.4)	**(11.4)**	-
Total gains/losses:				
– in profit or loss	0.1	0.3	**0.4**	(2.0)
– in other comprehensive income	-	1.5	**1.5**	-
Translation differences	-	-	**-**	4.9
Balance at 31 December 2017	**0.3**	**0.1**	**0.4**	**82.8**
Effect of adoption of IFRS 9, net of taxes[1]	0.1	(0.1)	-	-
Adjusted balance at 1 January 2018	**0.4**	**-**	**0.4**	**82.8**
Disposals/settlements	(0.1)	-	**(0.1)**	(4.3)
Total gains in profit or loss	-	-	**-**	(24.7)
Translation differences	-	-	**-**	(0.5)
Balance at 30 June 2018	**0.3**	**-**	**0.3**	**53.3**

[1] Opening balances have been adjusted to reflect the adoption of new accounting policies in line with IFRS 9 as of 1 January 2018. For further information see note 17.

Financial liabilities at fair value through profit or loss represent mainly deferred consideration liabilities relating to previous acquisitions. These are measured based on their contractual terms and expected future business performance.

In H1 2018, net gains of CHF 24.7 million (H1 2017: net gains of CHF 31.8 million) included in profit or loss relate to level 3 financial instruments held at the end of the reporting period. These gains and losses are included in the line items ‘net other income/(expenses)’ and ‘personnel expenses’. For further information on the financial liabilities see note 7 regarding adjustments to the deferred consideration liabilities.

Sensitivity of fair value measurements of financial assets

As in the prior year, no reasonably possible change in the inputs used in determining the fair value of financial assets would cause a significant change in the fair value of these level 3 financial assets.

Sensitivity of fair value measurements of financial liabilities

Level 3 financial liabilities, representing the deferred consideration liabilities from acquisitions made by the Group, are impacted by reasonable possible changes to the inputs used in determining their fair value, predominantly the deferred consideration liability from the acquisition of Cantab Capital Partners which is estimated to be CHF 47.7 million as at 30 June 2018 (31 December 2017: CHF 72.6 million).

The deferred consideration regarding the acquisition of Cantab Capital Partners is based on net management fee revenue from the strategies managed by the Cantab investment team for 2018, 2019 and 2020, payable after each period end. The deferred consideration liability represents the present value of expected payments, determined by considering the forecasted net management fee revenue, discounted using a risk-adjusted discount rate. The significant unobservable inputs are as follows:

- forecasted revenue from net management fees for 2018; and
- estimated future growth rates (2019 to 2020: 23% to 31% annually; 31 December 2017 for 2018 to 2020: 15% to 32% annually).

The estimated fair value would increase / (decrease) if:

- the forecasted revenue from net management fees for 2018 were higher / (lower). An increase / (decrease) of 10% would result in the estimated fair value being higher / (lower) by CHF 5 million / (CHF 5 million);
- the estimated future growth rates were higher / (lower). An increase / (decrease) by 10 percentage points would result in the estimated fair value being higher / (lower) by CHF 4 million / (CHF 4 million).

ADDITIONAL NOTES

12. Share-based payments

Share plan for members of the Board of Directors

On 27 April 2018, the members of the Board of Directors were granted a total of 53,355 GAM Holding AG shares at a fair value of CHF 15.93 per share. These shares will vest and be delivered on the day before the Company's 2019 Annual General Meeting, subject to certain conditions being met. The fair value at grant date is recognised as an expense over the relevant vesting period. In H1 2018, an expense of CHF 0.1 million was recognised.

Other share-based grants

Share awards

Between 9 March 2018 and 14 May 2018 certain new employees were granted a total of 34,948 GAM Holding AG shares with a fair value between CHF 14.02 and 15.60 per share. The shares will vest in one to three equal tranches after a maximum of three years, subject to the recipient continuing to be employed with the Group on each vesting date. In H1 2018, an expense of CHF 0.1 million was recognised.

CEO share award

On 3 May 2018, the Group CEO was granted a total of 21,073 GAM Holding AG shares with a fair value of CHF 15.82 per share. The shares will vest in four equal tranches after a maximum of four years, subject to the recipient continuing to be employed with the Group on each vesting date. In H1 2018, an expense of CHF 0.1 million was recognised.

13. Changes to subsidiaries consolidated

In February 2018, the Group established the GAM Employee Benefit Trust (EBT). As the EBT is under control of the Group in accordance with IFRS 10, the EBT is fully consolidated. For further information see note 10.

In February 2018, the Group established GAM GP Inc. in the British Virgin Islands.

14. Events after the reporting period

The Board of Directors approved these condensed interim consolidated financial statements on 30 July 2018.

Suspension of an investment director

On 31 July 2018, the Group announced the suspension of Tim Haywood, investment director business unit head for the unconstrained/absolute return bond strategy (ARBF), following an internal investigation involving external counsel. The issues relate to some of his risk management procedures and his record keeping in certain instances. Two internal investment directors, Jack Flaherty and Alex McKnight, have assumed joint responsibility for the ARBF and other associated portfolios. The total assets in the ARBF portfolios as at 30 June 2018 were CHF 11.0 billion. In addition to these portfolios, Tim Haywood is a named manager of CHF 2.9 billion in trade finance funds and of CHF 653 million in other fixed income portfolios.

An estimate of the financial effect of this event cannot be made at this point in time.

15. General information

GAM Holding AG (the Company) is a Swiss corporation domiciled in Zurich and listed on the SIX Swiss Exchange. The condensed interim consolidated financial statements as at and for the six months ended 30 June 2018 are unaudited and comprise those of the Company and all its subsidiaries (together referred to as the Group) including structured entities under the Group's control. The Group provides asset management services. The core investment management business is complemented by private labelling services, which include management company and other support services to third-party asset managers.

16. Basis of preparation

These condensed interim consolidated financial statements were prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements as at and for the year ended 31 December 2017, which were prepared in accordance with International Financial Reporting Standards (IFRS).

Except where otherwise indicated in these condensed interim consolidated financial statements, all financial information is presented in millions of Swiss francs.

Re-presentation within general expenses

The breakdown of general expenses in note 5 has been enhanced to increase comprehensibility and clarity of expense categories by disclosing a more detailed breakdown. Re-presentations have been made to the prior year figures to conform to the current year presentation. These had no impact on net profit or total equity.

17. Significant accounting policies

These condensed interim consolidated financial statements were prepared on the basis of accounting policies and valuation principles consistent with those used in the consolidated financial statements as at and for the year ended 31 December 2017, except for the following.

There were no new accounting pronouncements with effective date 1 January 2018 that had a significant impact on the condensed interim consolidated financial statements of the Group, except for IFRS 9 and IFRS 15:

IFRS 9 – Financial Instruments

- The Group has applied IFRS 9 on a retrospective basis and under the transition method chosen, the cumulative effect of initially applying this standard is recognised as an adjustment to the opening balance of retained earnings on 1 January 2018, with the benefit of certain optional practical reliefs. Therefore, comparative information is not restated.
- The main impact derived from unrecognised gains or losses on financial assets available-for-sale which, under IFRS 9, are recognised in the income statement instead of the revaluation reserve within equity (other comprehensive income). As at 31 December 2017, the revaluation reserve amounted to CHF 0.8 million and was recognised as an adjustment to the opening balance of retained earnings on 1 January 2018.
- Equity financial assets previously classified as available-for-sale under IAS 39, amounting to CHF 16.6 million as at 31 December 2017, have been classified as financial assets at fair value through profit or loss on 1 January 2018.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 results in more extensive disclosures about contracts with customers with no other significant impact on the Group's consolidated financial statements on adoption.

Disaggregation of revenue from contracts with customers
In line with the requirements of IFRS 15 on revenue from contracts with customers the Group now disaggregates 'net management fees and commissions' into revenue from investment management and private labelling. See note 2.

FINANCIAL SUMMARY AND SHARE INFORMATION

FIVE-YEAR FINANCIAL SUMMARY

	H1 2018 CHF m	H2 2017 CHF m	H1 2017 CHF m	2017 CHF m	2016 CHF m	2015 CHF m	2014 CHF m
Net management fees and commissions	285.4	265.2	238.4	503.6	470.5	517.8	542.9
Net performance fees	2.3	24.8	19.3	44.1	3.0	82.8	65.9
Net fee and commission income	**287.7**	**290.0**	**257.7**	**547.7**	**473.5**	**600.6**	**608.8**
Net other (expenses)/income	(0.7)	2.4	(0.2)	2.2	5.1	0.7	14.7
Income	**287.0**	**292.4**	**257.5**	**549.9**	**478.6**	**601.3**	**623.5**
Personnel expenses	128.9	138.9	125.7	264.6	246.2	290.0	293.2
Fixed personnel expenses	77.2	74.8	75.3	150.1	155.7	165.1	166.0
Variable personnel expenses	51.7	64.1	50.4	114.5	90.5	124.9	127.2
General expenses	63.9	52.9	53.2	106.1	102.9	104.9	105.8
Occupancy	11.3	11.0	11.2	22.2	25.7	28.6	28.8
Technology and communication	7.5	6.5	6.2	12.7	13.8	15.1	17.2
Data and research	11.5	9.0	8.9	17.9	17.5	16.5	14.4
Professional and consulting services	10.9	7.1	8.4	15.5	10.2	11.7	15.1
Marketing and travel	9.0	9.5	8.7	18.2	17.8	20.3	20.6
Administration	5.1	4.7	4.1	8.8	6.1	-	-
Other general expenses	8.6	5.1	5.7	10.8	11.8	12.7	9.7
Depreciation and amortisation	2.9	3.5	3.2	6.7	9.4	8.6	7.8
Expenses	**195.7**	**195.3**	**182.1**	**377.4**	**358.5**	**403.5**	**406.8**
Underlying profit before taxes	**91.3**	**97.1**	**75.4**	**172.5**	**120.1**	**197.8**	**216.7**
Underlying income tax expense	19.6	18.7	16.7	35.4	25.9	39.4	39.5
Underlying net profit	**71.7**	**78.4**	**58.7**	**137.1**	**94.2**	**158.4**	**177.2**
Acquisition-related items	11.4	(16.3)	13.2	(3.1)	8.6	(13.4)	(5.9)
Non-recurring items	(73.5)	(12.1)	(9.1)	(21.2)	2.9	(8.5)	(2.3)
Tax on acquisition-related items	3.1	3.3	3.1	6.4	1.5	(0.5)	-
Tax on non-recurring items	12.7	2.2	1.8	4.0	(0.7)	2.3	-
Non-recurring tax item	-	-	-	-	27.8	-	-
IFRS net profit	**25.4**	**55.5**	**67.7**	**123.2**	**134.3**	**138.3**	**169.0**
IFRS net profit attributable to:							
The shareholders of the Company	25.4	55.5	67.7	123.2	134.3	138.3	165.8
Non-controlling interests	-	-	-	-	-	-	3.2
Operating margin (%)[1]	32.0	32.7	29.3	31.1	24.3	32.8	33.2
Compensation ratio (%)[2]	44.8	47.9	48.8	48.3	52.0	48.3	48.2
Average personnel (FTEs)	931	940	960	951	1,023	1,093	1,082

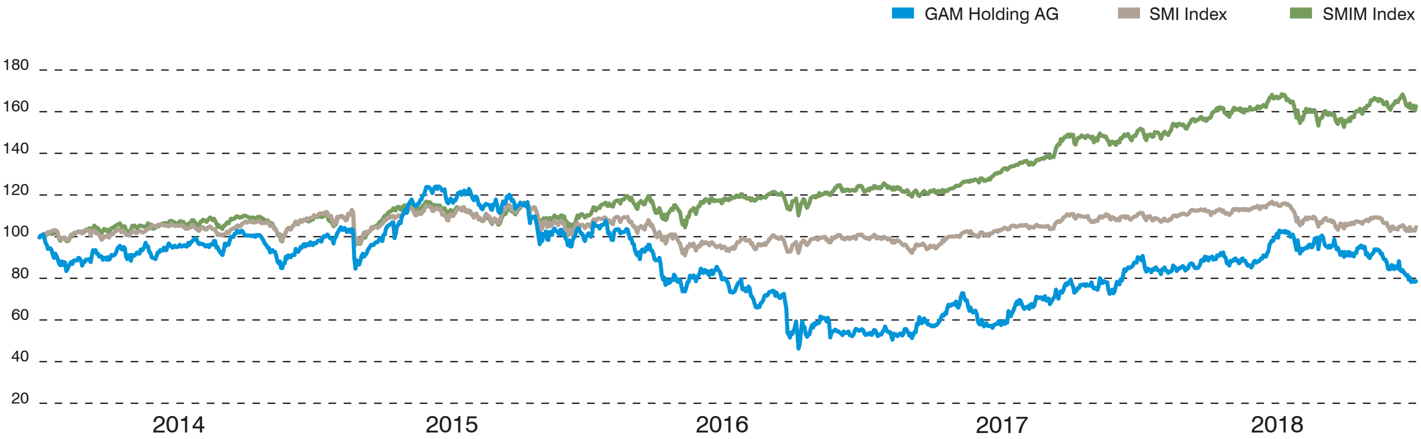
[1] (Net fee and commission income - expenses) / net fee and commission income.

[2] Personnel expenses / net fee and commission income.

	H1 2018	H2 2017	H1 2017	2017	2016	2015	2014
Assets under management at the end of the period (CHF bn)	**163.8**	**158.7**	**131.3**	**158.7**	**120.7**	**119.0**	**123.2**
in investment management	84.4	84.4	72.2	84.4	68.2	72.3	76.1
in private labelling	79.4	74.3	59.1	74.3	52.5	46.7	47.1
Average assets under management (CHF bn)	**162.4**	**148.5**	**126.4**	**138.0**	**117.2**	**123.3**	**119.6**
in investment management	85.5	79.0	70.0	74.7	68.3	73.7	72.9
in private labelling	76.9	69.5	56.4	63.3	48.9	49.6	46.7
Net flows (CHF bn)	**9.3**	**17.9**	**6.4**	**24.3**	**(6.4)**	**3.0**	**1.2**
in investment management	2.6	6.7	1.9	8.6	(10.7)	0.3	2.0
in private labelling	6.7	11.2	4.5	15.7	4.3	2.7	(0.8)
Net management fees and commissions (CHF m)	**285.4**	**265.2**	**238.4**	**503.6**	**470.5**	**517.8**	**542.9**
in investment management	261.6	245.1	218.7	463.8	434.4	476.2	501.6
in private labelling	23.8	20.1	19.7	39.8	36.1	41.6	41.3
Total fee margin in investment management (bps)	61.7	68.3	68.0	68.0	64.1	75.8	77.8
Management fee margin in investment management (bps)	61.2	62.1	62.5	62.1	63.6	64.6	68.8
Management fee margin in private labelling (bps)	6.2	5.8	7.0	6.3	7.4	8.4	8.8
Weighted average number of shares outstanding for basic EPS (m)	155.8	156.7	157.3	157.0	157.7	159.9	162.3
Basic underlying EPS (CHF)	0.46	0.50	0.37	0.87	0.60	0.99	1.07
Basic IFRS EPS (CHF)	0.16	0.35	0.43	0.78	0.85	0.87	1.02
Weighted average number of shares outstanding for diluted EPS (m)	160.0	159.6	158.0	158.8	157.8	160.8	163.4
Diluted underlying EPS (CHF)	0.45	0.49	0.37	0.86	0.60	0.98	1.06
Diluted IFRS EPS (CHF)	0.16	0.35	0.43	0.78	0.85	0.86	1.01
Dividend per share for the financial year (CHF)				0.65	0.65	0.65	0.65

SHARE INFORMATION

Share price performance (indexed)



Listing information

Swiss securities number	10265962
ISIN	CH0102659627
Listing	SIX Swiss Exchange and a component of the Swiss Market Index Mid (SMIM)

Share information CHF

	H1 2018	H2 2017	H1 2017	Change from H2 2017 in %	Change from H1 2017 in %
Closing price at the end of the period	13.70	15.75	12.85	(13)	7
Highest price	17.92	16.10	13.95	11	28
Lowest price	13.63	12.70	9.82	7	39
Market capitalisation at the end of the period (CHF m)[1]	2,188	2,515	2,060	(13)	6

Treasury shares

	30.06.2018	31.12.2017	30.06.2017	Change from 31.12.2017 in %	Change from 30.06.2017 in %
Shares issued	159,682,531	159,682,531	160,294,731	0	0
Treasury shares	(4,564,656)	(3,361,073)	(3,241,379)	36	41
Shares outstanding	155,117,875	156,321,458	157,053,352	(1)	(1)

[1] Based on shares issued.

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Further information
Our website provides further information on GAM Holding AG, including share price data, details of our share buy-back programmes, media releases, historical financial information and an events calendar.

www.gam.com

‘Forward-looking statements’

This Annual Report contains statements that constitute ‘forward-looking statements’, including statements of the future financial performance of the Company, its plans and objectives and their anticipated effect on the Company’s future business and development, as well as other projections and statements that are forward-looking or contain subjective assessments, regarding the intent, belief or current expectations of the Company. 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’, ‘predict’ and similar expressions. Such statements are made on the basis of assumptions, estimates and expectations which, although the Company believes them to be reasonable at this time, may prove to be erroneous or unfounded in the future, as forward-looking statements are subject to risks and uncertainties that could cause the actual development, results and financial position of the Company to differ materially from the information presented herein. These risks and uncertainties facing the Company, which could affect the future accuracy of these forward-looking statements, include, but are not limited to, the effects of, and changes in, fiscal, monetary and tax policies; currency fluctuations; the effect of the current economic environment on the financial position or creditworthiness of the Company’s clients and counterparties; the Company’s ability to retain and attract the employees that are necessary to generate revenues and to manage its businesses effectively; possible political, legal and regulatory developments, including the effect of more stringent capital and liquidity requirements; changes in accounting standards or policies; limitations on the effectiveness of the Company’s internal risk management processes, including the occurrence of operational failures; political and social developments, including war, civil unrest or terrorist activity; the adverse resolution of litigation and other contingencies; and changes in the size, capabilities and effectiveness of the Company’s competitors. If one of these risks or uncertainties materialises or if underlying assumptions prove to be incorrect, actual outcomes may vary materially from those indicated in the forward-looking statements. Other than in accordance with the ad-hoc publicity rules of the SIX Swiss Exchange, the Company undertakes no obligation to release publicly any revisions or updates to any forward-looking statements herein to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events or to reflect any change in the Company’s expectations.