

FIRST QUARTER REPORT 2023



CONDENSED INTERIM

**CONSOLIDATED
FINANCIAL
STATEMENTS**

**FOR THREE MONTH PERIOD TO 31 MARCH 2023
(UNAUDITED)**

5
**CONDENSED CONSOLIDATED
INCOME STATEMENT**

6
**CONDENSED CONSOLIDATED
STATEMENT OF
COMPREHENSIVE INCOME**

7
**CONDENSED CONSOLIDATED
BALANCE SHEET**

8
**CONDENSED
CONSOLIDATED STATEMENT
OF CHANGES IN EQUITY**

9
**CONDENSED CONSOLIDATED
STATEMENT OF CASH FLOWS**

10
**NOTES TO THE CONDENSED
CONSOLIDATED
FINANCIAL STATEMENTS**

(SEE THE FOLLOWING PAGE FOR A DETAILED LIST)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation	10
2. Net fee and commission income	12
3. Net other income	12
4. Personnel expenses	13
5. General expenses	13
6. Income tax (credit)/expense	14
7. Reconciliation between net profit (IFRS) and underlying net profit	14
8. Earnings per share and shares outstanding	16
9. Financial instruments	17
10. Provisions	21
11. Pension plans	21
12. Impairment losses	21
13. Treasury shares	22
14. Events after the reporting period	22

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Q1 2023 CHF m (unaudited)	Q1 2022 CHF m (unaudited)	Change in %
Investment management, advisory and other fees	2	94.3	124.6	(24)
Distribution, fee and commission expenses	2	(59.0)	(79.8)	(26)
Net management fees and commissions	2	35.3	44.8	(21)
Net performance fees	2	0.2	-	-
Net fee and commission income	2	35.5	44.8	(21)
Net other income	3	(2.6)	2.9	-
Income		32.9	47.7	(31)
Personnel expenses	4	25.2	34.0	(26)
General expenses	5	16.5	18.4	(10)
Depreciation and amortisation		4.2	4.8	(12)
Impairment losses	7	48.6	-	-
Expenses		94.5	57.2	65
Loss before taxes		(61.6)	(9.5)	-
Income tax expense		(1.6)	1.7	-
Net loss attributable to the shareholders of the Company		(63.2)	(7.8)	-
Loss per share				
Basic loss per share (CHF)	8	(0.41)	(0.05)	-
Diluted loss per share (CHF)	8	(0.41)	(0.05)	-

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Q1 2023 CHF m (unaudited)	Q1 2022 CHF m (unaudited)	Change in %
Net loss attributable to the shareholders of the Company	(63.2)	(7.8)	-
Remeasurements of pension assets and liabilities	2.3	3.6	(36)
Items that will not be reclassified subsequently to the income statement, net of taxes	2.3	3.6	(36)
Translation differences	2.1	5.4	(61)
Items that may be reclassified subsequently to the income statement, net of taxes	2.1	5.4	(61)
Other comprehensive income, net of taxes	4.4	9.0	(51)
Total comprehensive (loss)/income attributable to the shareholders of the Company	(58.8)	1.2	-

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	31.03.2023 CHF m (unaudited)	31.12.2022 CHF m (audited)	Change in %
Cash and cash equivalents		130.1	137.9	(6)
Trade and other receivables		30.3	27.1	12
Accrued income and prepaid expenses		49.0	47.7	3
Financial investments	9.1	0.6	4.7	(87)
Employee benefit asset		0.4	0.2	-
Assets held for sale		0.2	0.1	-
Current assets		210.6	217.7	(3)
			-	
Financial investments and other financial assets	9.1	1.1	1.3	(15)
Employee benefit asset		0.8	1.4	-
Deferred tax assets		2.6	2.8	(7)
Property and equipment		43.8	45.4	(4)
Pension assets		0.3	1.1	(73)
Intangible assets		34.1	83.2	(59)
Non-current assets		82.7	135.2	(39)
Assets		293.3	352.9	(17)
Trade and other payables		29.6	17.8	66
Other financial liabilities	9.2	5.8	6.2	(6)
Accrued expenses and deferred income		94.1	102.2	(8)
Current tax liabilities		3.4	2.7	26
Provisions		1.7	1.8	(6)
Current liabilities		134.6	130.7	3
Financial liabilities	9.2	37.9	38.7	(2)
Provisions		3.0	3.1	(3)
Pension liabilities		23.4	28.4	(18)
Deferred tax liabilities		1.8	1.4	29
Non-current liabilities		66.1	71.6	(8)
Liabilities		200.7	202.3	(1)
Share capital		8.0	8.0	-
Capital reserves		893.4	893.4	-
Retained earnings		(660.3)	(593.8)	11
Foreign currency translation reserve		(141.1)	(143.2)	(1)
Treasury shares		(7.4)	(13.8)	(46)
Equity attributable to the shareholders of the Company		92.6	150.6	(39)
Liabilities and equity		293.3	352.9	(17)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital CHF m	Capital reserves CHF m	Retained earnings CHF m	Foreign currency translation reserve CHF m	Treasury shares CHF m	Equity attributable to the shareholders of the Company CHF m
Balance at 1 January 2022		8.0	893.4	(275.6)	(124.0)	(23.3)	478.5
Net loss attributable to the shareholders of the Company		-	-	(7.8)	-	-	(7.8)
Other comprehensive income, net of taxes ¹		-	-	3.6	5.4	-	9.0
Total comprehensive income/(loss)		-	-	(4.2)	5.4	-	1.2
Share-based payment expenses, net of taxes ²		-	-	1.8	-	-	1.8
Acquisitions of own shares	13	-	-	-	-	(1.0)	(1.0)
Disposals of own shares	13	-	-	(9.5)	-	9.5	-
Total transactions with shareholders of the Company		-	-	(7.7)	-	8.5	0.8
Balance at 31 March 2022		8.0	893.4	(287.5)	(118.6)	(14.8)	480.5
Balance at 1 January 2023		8.0	893.4	(593.8)	(143.2)	(13.8)	150.6
Net loss attributable to the shareholders of the Company		-	-	(63.2)	-	-	(63.2)
Other comprehensive income, net of taxes ¹		-	-	2.3	2.1	-	4.4
Total comprehensive income/(loss)		-	-	(60.9)	2.1	-	(58.8)
Share-based payment expenses, net of taxes ²		-	-	1.0	-	-	1.0
Acquisitions of own shares	13	-	-	-	-	(0.2)	(0.2)
Disposals of own shares	13	-	-	(6.6)	-	6.6	-
Total transactions with shareholders of the Company		-	-	(5.6)	-	6.4	0.8
Balance at 31 March 2023		8.0	893.4	(660.3)	(141.1)	(7.4)	92.6

¹ Details of the line item 'other comprehensive income, net of taxes' are shown in the consolidated statement of comprehensive income.

² Equity settled share-based payment expenses, net of taxes

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Q1 2023 CHF m (unaudited)	Q1 2022 CHF m (unaudited)
Net loss attributable to the shareholders of the Company		(63.2)	(7.8)
Adjustments to reconcile net loss to cash flow from operating activities			
Non-cash items included in net loss:			
– Impairment losses	7	48.6	-
– Depreciation and amortisation		4.2	4.8
– Share-based payment expenses		1.0	1.8
– Other non-cash items		4.3	(3.5)
Net changes in:			
– Financial investments and other financial assets		4.3	1.5
– Trade and other receivables (excluding tax receivables)		(2.2)	(6.2)
– Accrued income and prepaid expenses (excluding accrued interest)		(1.3)	15.2
– Trade and other payables		8.4	11.1
– Accrued expenses and deferred income (excluding accrued interest)		(8.1)	(30.3)
– Other liabilities		(3.6)	(1.1)
Fund unit purchases for contractual bonuses		-	(4.7)
Pension payments		(3.3)	(5.8)
Net interest expenses		0.2	0.3
Interest received		0.3	-
Interest paid		-	(0.3)
Income tax expense		0.3	(1.6)
Income taxes paid		1.6	(0.1)
Cash flow from operating activities		(8.5)	(26.7)
Purchase of property, equipment and intangible assets		1.4	1.2
Cash flow from investing activities		1.4	1.2
Purchase of treasury shares	13	(0.2)	(1.0)
Principal payment of lease liabilities		(0.8)	(0.9)
Interest payment of lease liabilities		(0.2)	(0.2)
Cash flow from financing activities		(1.2)	(2.1)
Effects of exchange rate changes on cash and cash equivalents		0.5	(1.2)
Net decrease in cash and cash equivalents		(7.8)	(28.8)
Cash and cash equivalents at the beginning of the year		137.9	234.8
Cash and cash equivalents at the end of the year		130.1	206.0

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

GAM Holding AG (the Company) is a Swiss corporation domiciled in Zurich and listed on the SIX Swiss Exchange. The Group provides asset management services. The core investment management business is complemented by fund management services, which include management company and other support services to third-party asset managers.

This condensed set of interim consolidated financial statements ('interim financial statements') present the results of the Company and all its subsidiaries (together referred to as 'the Group') including structured entities under the Group's control for the three month period to 31 March 2023 ('Q1 2023').

These interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, applying the same accounting policies and presentation that were applied in the preparation of the Group's published consolidated financial statements for the year ended 31 December 2022 except for the adoption of new standards effective as of 1 January 2023. Several amendments apply for the first time in 2023, but do not have an impact on the interim condensed consolidated financial statements of the Group. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Except where otherwise indicated in these consolidated financial statements, all financial information is presented in millions of Swiss francs. Percentage movements between current and prior year amounts reported in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income are shown where the change is below a threshold of +/- 100%.

Going Concern

In making their assessment of the appropriateness of adopting the going concern basis of accounting, the Directors have prepared profitability, liquidity and regulatory capital forecasts ("Group forecasts") and have undertaken an assessment, for a period of at least 12 months from the date of approval of these financial statements, to determine whether there are any material uncertainties arising that could cast significant doubt on the ability of the Group to continue as a going concern.

In order to support the financial position of the Group and a return to profitability, on 4 May 2023 GAM Holding AG agreed with Liontrust Asset Management Plc ("Liontrust") to enter into a transaction agreement ("Agreement", "Transaction") for a public share offer for 100% of the equity share capital of GAM Holding AG. In addition, GAM Holding AG have entered into a short-term financing agreement (the "Loan") with Liontrust for up to approximately CHF 20 million (GBP 17.8 million). The loan will be available in two equal tranches, the first tranche became available at signing of the Agreement and the second will become available on the successful conclusion of the Liontrust shareholder vote and successful tender of the GAM Holding AG shareholders, to enable the acceleration of restructuring activity within GAM, including facilitating the fund management services ("FMS") exit, and cash management between group entities with a term up to the earlier of 31 December 2023 or when the Transaction closes. The Agreement together with the Loan provides a clear pathway to resolve the financial position of the Group going forward and support the application of the going concern basis of preparation in these consolidated financial statements. The Loan provides external funding through the period to completion of the Transaction, and GAM Holding AG will gain the resources and parental support of Liontrust once the transaction has been completed. The Board anticipates the completion of the shareholder tender process, regulatory approvals and satisfaction of other conditions in the Agreement by the end of December 2023.

The Agreement is contingent on the conditions of the shareholder tender process, Liontrust shareholder approval, regulatory approvals and the Group's exit from third party FMS business. The inclusion of these conditions in the Agreement creates material uncertainties regarding the completion of the Transaction.

Management has demonstrated a plan to support the Group's exit from third party FMS business within the timeframes stipulated in the Agreement. The completion of the exit of the third-party FMS business is dependent in part on external parties, and this reliance creates material uncertainty around the delivery of this plan.

The Directors have concluded that based on the anticipated timeline for completion of the Transaction by end of December 2023 and current Group forecasts, the Loan provides the Group with sufficient funding to operate as a going concern through to the completion of the Transaction. However, the Directors recognise that if there is material deterioration of market conditions or revenues of the Group, the amount of funding available by way of the Loan may not be sufficient for the Group to be able to meet

its financial obligations. In such an instance, the Group would need to obtain a greater level of funding under the Loan or other sources of funding to provide sufficient funds to meet its financial obligations. This creates a material uncertainty on the ability of the Group to continue as a going concern.

While the Directors acknowledge these material uncertainties, they have taken appropriate steps to mitigate their impact, and have concluded that the going concern basis remains the appropriate basis for the preparation of these interim financial statements.

Use of accounting estimates and judgements affected by the volatile market environment

GAM has continued to consider the uncertainties resulting from the current volatile market environment and has applied appropriate judgements when determining the effects of this uncertainty, for example by applying probability-weighted estimates. The following estimates and assumptions have been specifically considered, given the significant uncertainty that still exists, in particular when assessing the macroeconomic and financial impact on assets under management, and subsequently the related fee income and the Group's budget and forecasts, which serve as the basis for the measurement of various assets and liabilities:

- utilisation of tax losses and measurement of deferred tax assets (see note 6);
- measurement of the recoverable amount of intangible assets (see note 12);
- determining the carrying amount of the financial liability for performance fees attributable to external interests.

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 earnings of the Group can be volatile and therefore the income and the related expenses generated in the first quarter may vary from those generated in the subsequent three quarters.

2. Net fee and commission income

	Q1 2023 CHF m	Q1 2022 CHF m	Change in %
Investment management, advisory and other fees	94.3	124.6	(24)
of which investment management	44.5	72.8	(39)
of which fund management services	49.8	51.8	(4)
Distribution, fee and commission expenses	(59.0)	(79.8)	(26)
of which investment management	(14.1)	(13.6)	4
of which fund management services	(44.9)	(66.2)	(32)
Net management fees and commissions	35.3	44.8	(21)
Performance fees	0.2	-	-
Net performance fees	0.2	-	-
Net fee and commission income	35.5	44.8	(21)

3. Net other income

	Note	Q1 2023 CHF m	Q1 2022 CHF m	Change in %
Net foreign exchange (losses) / gains		(2.6)	4.1	-
Interest income		0.3	-	-
Interest expenses		(0.2)	(0.3)	(33)
Net loss on financial instruments at fair value through profit or loss		(0.1)	(0.5)	(80)
Other		-	(0.4)	-
Net other income		(2.6)	2.9	-

The line item 'interest expenses' includes zero negative interest payable on cash and cash equivalents in Q1 2023 (Q1 2022: CHF 0.2 million).

4. Personnel expenses

	Q1 2023 CHF m	Q1 2022 CHF m	Change in %
Salaries and bonuses	18.3	24.8	(26)
Social security expenses	2.7	3.2	(16)
Defined benefit pension plan expenses	1.2	1.5	(20)
Defined contribution pension plan expenses	1.2	1.4	(14)
Share-based payment expenses	1.0	1.8	(44)
Other personnel expenses	0.8	1.3	(38)
Personnel expenses	25.2	34.0	(26)

In Q1 2023, in respect of the Group's restructuring, CHF 0.1 million of costs were included in salaries and bonuses (Q1 2022: none).

5. General expenses

	Q1 2023 CHF m	Q1 2022 CHF m	Change in %
Occupancy	0.6	1.2	(50)
Technology and communication	3.5	5.0	(30)
Data and research	4.7	4.9	(4)
Professional and consulting services	3.3	2.0	65
Marketing and travel	1.1	1.2	(8)
Administration	0.8	1.1	(27)
Other general expenses	2.5	3.0	(17)
General expenses	16.5	18.4	(10)

Administration expenses represent outsourcing fees paid to the external service provider for back office and middle office functions.

Professional and consulting services expenses include the cost of CHF 0.7 million relating to strategic initiatives during Q1 2023.

The line item 'other general expenses' includes irrecoverable taxes of CHF 0.7 million (Q1 2022: CHF 0.6 million) and CHF 0.8 million (Q1 2022: CHF 1.4 million) for regulatory fees, insurance premiums and fund-related expenses.

6. Income tax (credit)/expense

Tax effects recognised in the income statement

In the year-ended 31 December 2022 a CHF 27.2 million deferred tax charge was recognised in the income statement following the re-assessment of the future recoverability of deferred tax assets, mainly in the UK. Deferred tax assets of CHF 2.6 million recognised in Q1 2023 relate to the Group businesses in Hong Kong, Luxembourg and Switzerland.

Tax effects recognised in other comprehensive income

For further information refer to the consolidated statement of comprehensive income.

Tax effects recognised directly in equity

In Q1 2023, tax effects on share-based payments resulted in a debit to equity of CHF 0.0 million (Q1 2022: CHF 0.0 million). With share-based payment expenses of CHF 1.0 million (Q1 2022: CHF 1.8 million) and these tax effects, CHF 1.0 million (Q1 2022: CHF 1.8 million) is included in the respective line item within equity as shown in the consolidated statement of changes in equity.

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

	Q1 2023			Q1 2022		
	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	35.3	-	35.3	44.8	-	44.8
Net performance fees	0.2	-	0.2	-	-	-
Net fee and commission income	35.5	-	35.5	44.8	-	44.8
Net other (expense) / income	(2.6)	1.0	(1.6)	2.9	(1.4)	1.5
Income	32.9	1.0	33.9	47.7	(1.4)	46.3
Personnel expenses	25.2	(0.1)	25.1	34.0	-	34.0
General expenses	16.5	(0.7)	15.8	18.4	(0.3)	18.1
Depreciation and amortisation	4.2	-	4.2	4.8	-	4.8
Impairment losses	48.6	(48.6)	-	-	-	-
Expenses	94.5	(49.4)	45.1	57.2	(0.3)	56.9
Loss before taxes	(61.6)	50.4	(11.2)	(9.5)	(1.1)	(10.6)
Income tax expense / (credit)	(1.6)	(0.4)	(2.0)	1.7	0.2	1.9
Net loss	(63.2)	50.0	(13.2)	(7.8)	(0.9)	(8.7)
Loss per share						
Basic loss per share (CHF)	(0.41)		(0.08)	(0.05)		(0.06)
Diluted loss per share (CHF)	(0.41)		(0.08)	(0.05)		(0.06)

Reconciling items

	Non- core items CHF m	Q1 2023 Total reconciling items CHF m	Non- core items CHF m	Q1 2022 Total reconciling items CHF m
Performance fees attributed to external interests	-	-	-	-
Net fee and commission income	-	-	-	-
Net foreign exchange gains on pension loan note	1.0	1.0	(1.4)	(1.4)
Net other income / (expense)	1.0	1.0	(1.4)	(1.4)
Reorganisation charge	(0.1)	(0.1)	-	-
Personnel expenses	(0.1)	(0.1)	-	-
Reorganisation charge	(0.7)	(0.7)	-	-
Onerous software contract	-	-	(0.3)	(0.3)
General expenses	(0.7)	(0.7)	(0.3)	(0.3)
Impairment of intangible asset	(48.6)	(48.6)	-	-
Impairment losses	(48.6)	(48.6)	-	-
Total reconciling items before taxes	50.4	50.4	(1.1)	(1.1)
	-	-	-	-
Adjustment to deferred tax assets	(0.4)	(0.4)	-	-
Income tax expense / (credit)	-	-	0.2	0.2
Total reconciling items after taxes	50.0	50.0	(0.9)	(0.9)

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, in our view, are neither indicative of the underlying performance of the Group's business nor of its future potential. 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-core items.

The below items are stated before taxes.

Acquisition-related items

No acquisition-related items were recognised in the first quarter 2022 or 2023.

Non-core items

Net foreign exchange gains on pension loan note

In Q1 2023 a loss of CHF 1.0 million relates to the revaluation of the GBP 70.7 million non-transferable loan note for the UK pension scheme (Q1 2022: gain CHF 1.4 million).

Reorganisation charge

In Q1 2023, CHF 0.1 million was recognised in respect of the Group's reorganisation programme in the line item 'personnel expenses' (Q1 2022: none) (for further information see note 4). Further, 'general expenses' include CHF 0.7 million in respect of the Group's implementation of its strategic initiatives (Q1 2022: none)

Onerous software contract:

Following the implementation of the SimCorp platform, certain agreements related to annual license and managed services fees were identified as onerous contracts, and a provision of CHF 0.3 million was charged in Q1 2022.

Impairment of intangible asset

For further information on the CHF 48.6 million brand impairment loss in Q1 2023 see note 12.

8. Earnings per share and shares outstanding

8.1. Earnings per share

	Q1 2023	Q1 2022
Basic loss per share		
Net loss attributable to the shareholders of the Company (CHF m)	(63.2)	(7.8)
Weighted average number of shares outstanding (millions)	156.0	156.0
Basic loss per share (CHF)	(0.41)	(0.05)
Diluted loss per share		
Net loss attributable to the shareholders of the Company for diluted EPS (CHF m)	(63.2)	(7.8)
Weighted average number of shares outstanding (millions)	156.0	156.0
Dilution effect (millions)	-	-
Weighted average number of shares outstanding for diluted EPS (millions)	156.0	156.0
Diluted loss per share (CHF)	(0.41)	(0.05)

At 31 March 2023, 5.9 million potential shares were excluded from the weighted average number of shares outstanding for diluted EPS calculation as their effect would have been anti-dilutive due to the net loss recognised in 2023 (31 March 2022: 4.2 million potential shares were excluded).

8.2. Shares outstanding

	Q1 2023	Q1 2022
Shares issued at the beginning of the year	159,682,531	159,682,531
Shares issued at the end of the year	159,682,531	159,682,531
Treasury shares – share-based payment plans	(1,519,005)	(2,522,281)
Shares outstanding at the end of the period	158,163,526	157,160,250

9. Financial instruments

9.1. Financial investments and other financial assets

	Note	31.03.2023 CHF m	31.12.2022 CHF m	Change in %
Seed capital and product management investments at fair value through profit or loss		0.4	4.5	(91)
Derivative financial instruments	9.3	0.1	0.3	(67)
Other financial assets		1.2	1.2	-
Financial investments and other financial assets		1.7	6.0	(72)
Current		0.6	4.7	(87)
Non-current		1.1	1.3	(15)
Financial investments and other financial assets		1.7	6.0	(72)

9.2. Other and non-current financial liabilities

	Note	31.03.2023 CHF m	31.12.2022 CHF m	Change in %
Derivative financial instruments	9.3	-	0.1	(100)
Lease liabilities		38.7	39.7	(3)
Financial liabilities measured at amortised cost		5.0	5.1	(2)
Other and non-current financial liabilities		43.7	44.9	(3)
Current		5.8	6.2	(6)
Non-current		37.9	38.7	(2)
Other and non-current financial liabilities		43.7	44.9	(3)

9.3. Derivative financial instruments

	Contract/ notional amount CHF m	31.03.2023 Positive replacement value CHF m	31.03.2023 Negative replacement value CHF m
Other derivative financial instruments	15.2	0.1	-
Derivative financial instruments held for trading	15.2	0.1	-

	Contract/ notional amount CHF m	31.12.2022 Positive replacement value CHF m	31.12.2022 Negative replacement value CHF m
Foreign exchange derivative financial instruments	4.9	-	0.1
Other derivative financial instruments	15.2	0.3	-
Derivative financial instruments held for trading	20.1	0.3	0.1

As at 31 March 2023 and 31 December 2022, there were no derivative financial instruments designated as hedging instruments.

9.4. Financial instruments by category

	Note	31.03.2023 Carrying amount CHF m	31.12.2022 Carrying amount CHF m
Cash and cash equivalents		130.1	137.9
Trade and other receivables (excluding tax receivables)		9.6	7.5
Accrued income		39.1	38.7
Other financial assets		0.8	0.8
Financial assets measured at amortised cost		179.6	184.9
Financial assets at fair value through profit or loss		1.0	5.0
Derivative financial instruments held for trading	9.3	0.1	0.3
Financial assets measured at fair value		1.1	5.3
Financial assets		180.7	190.2
Trade and other payables		29.6	17.8
Accrued expenses		94.1	102.2
Lease liabilities		38.7	39.7
Other financial liabilities		5.0	5.1
Financial liabilities measured at amortised cost		167.4	164.8
Derivative financial instruments held for trading	9.3	-	0.1
Financial liabilities measured at fair value		-	0.1
Financial liabilities		167.4	164.9

The Group has not disclosed the fair values for cash and cash equivalents, accrued income and expenses, trade and other receivables and payables, other financial assets and other financial liabilities as their carrying amounts are a reasonable approximation of fair values. Details of the level of the fair value hierarchy used to measure financial assets and liabilities measured at fair value are given in note 9.5.

Financial liabilities measured at amortised cost include the financial liability for uncrystallised performance fees of GAM Systematic attributable to external interests which represents the contractual obligation to pay future performance fees and is estimated to amount to CHF 1.3 million as at 31 March 2023 (31 December 2022: CHF 1.3 million). This financial liability is measured at the present value of expected performance fee payments, determined by considering the forecasted performance fee revenue, using a risk-adjusted effective interest rate of 25%.

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 contains the controlled funds' direct investments in the amount of CHF 0.2 million (31 December 2022: CHF 0.1 million), representing investments into financial instruments.

9.5. 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. This is the case for the majority of OTC derivatives, most unlisted financial instruments and other items that are not traded in active markets. The main pricing models and valuation techniques applied include forward pricing and swap models using present-value calculations and option models. The values derived from applying these models and techniques are significantly impacted by the choice of the valuation model used and the underlying assumptions made, such as the amounts and timing of future cash flows, discount rates, volatility and credit risk.

Financial instruments measured at fair value subsequent to initial recognition are grouped into levels 1 to 3 based on the degree to which the fair value is observable, ie:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of forward foreign exchange contracts is determined by discounting the difference between the contractual forward exchange rate and the current forward exchange rate at the balance sheet date for the residual maturity of the contract.
- Other techniques, such as discounted cash flow analysis, are used to determine the fair value for the remaining financial instruments.

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	Level 2	Level 3	31.03.2023
	CHF m	CHF m	CHF m	Total CHF m
Derivative financial instruments	-	0.1	-	0.1
Seed capital and product management investments at fair value through profit or loss	0.1	0.5	-	0.6
Other financial assets at fair value through profit or loss	-	0.4	-	0.4
Financial assets measured at fair value	0.1	1.0	-	1.1
Derivative financial instruments	-	-	-	-
Financial liabilities at fair value through profit or loss	-	-	-	-
Financial liabilities measured at fair value	-	-	-	-

	Level 1	Level 2	Level 3	31.12.2022
	CHF m	CHF m	CHF m	Total CHF m
Derivative financial instruments	-	0.3	-	0.3
Seed capital and product management investments at fair value through profit or loss	-	4.6	-	4.6
Other financial assets at fair value through profit or loss	-	0.4	-	0.4
Financial assets measured at fair value	-	5.3	-	5.3
Derivative financial instruments	-	0.1	-	0.1
Financial liabilities at fair value through profit or loss	-	-	-	-
Financial liabilities measured at fair value	-	0.1	-	0.1

The categories 'seed capital and product management investments 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', which solely contains the controlled funds' direct investments, and 'liabilities held for sale', which contains the direct liabilities of those controlled funds. Further details are set out in note 9.4.

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. As at 31 December 2022 and 31 March 2023, no financial assets were transferred between levels.

10. Provisions

	31.03.2023		
	Reinstatement of leasehold improvements CHF m	Other CHF m	Total CHF m
Balance at the beginning of the period	2.7	2.2	4.9
Translation differences	-	(0.2)	(0.2)
Balance at the end of the period	2.7	2.0	4.7
Current	0.2	1.5	1.7
Non-current	2.5	0.5	3.0
Balance at the end of the period	2.7	2.0	4.7

Reinstatement of leasehold improvements

The Group leases a number of buildings and provides for the reinstatement costs of these based on the lease agreements. This provision is expected to remain until 2033.

Other provisions

In 2023, other provisions include a provision of CHF 1.6 million for onerous software contracts and CHF 0.5 million for the water damage in one of our premises.

11. Pension plans

The Group maintains a number of defined contribution pension plans, primarily outside of Switzerland. In the case of defined contribution pension plans, the pension expenses are charged to the income statement in the corresponding financial period.

The Group also maintains various defined benefit pension plans, mainly in Switzerland and the UK. The plans are exposed to actuarial risks based on the legal provisions in each country. Main risks include investment, interest, disability and longevity risk. The measurement of its defined benefit obligations and plan assets at 31 March 2023, has been updated, which has resulted in a gain of CHF 2.3 million in other comprehensive income in the three months to 31 March 2023.

The principal assumptions adopted for the valuation at 31 March 2023 are the same as those adopted at 31 December 2022, other than minor changes to the discount rate for the Swiss plan (from 2.2% to 2.1%) and for the UK plan (from 4.71% to 4.68%).

12. Impairment losses

In line with IAS 36 the brand is valued at its recoverable amount, which is calculated as the higher of its fair value less costs of disposal and its value in use. At 31 December 2022 and 31 March 2023 the recoverable amount was based on its fair value less costs of disposal, which was calculated from the market capitalisation of the Company. An impairment charge of CHF 48.6 million was recognised in Q1 2023, reflecting the decrease in the Company's share price in the period.

13. Treasury shares

As at 31 March 2023, the Group held 1.5 million treasury shares to meet the Group's obligation to deliver shares for the various share-based payment plans (31 March 2022: 2.5 million), all of which are expected to be net equity settled.

No treasury shares were acquired under the Company's 2020–2023 share buy-back programme, which commenced on 5 May 2020 (the period to 31 March 2022: no treasury shares acquired), for the purpose of capital reduction.

	Shares	CHF m
Balance at 1 January 2022	4,028,783	23.3
Acquisition of own shares	810,000	1.0
Disposals of own shares	(2,316,502)	(9.5)
Balance at 31 March 2022	2,522,281	14.8
Acquisition of own shares	3,177,504	2.9
Disposals of own shares	(1,368,487)	(3.9)
Balance at 31 December 2022	4,331,298	13.8
Acquisition of own shares	210,000	0.2
Disposals of own shares	(3,022,293)	(6.6)
Balance at 31 March 2023	1,519,005	7.4

The purpose of the GAM Employee Benefit Trust (EBT) is to encourage, motivate and retain the Group's employees by providing benefits, through a trust, to such employees. As a result, the EBT holds shares in the Company. Generally, the funding for current and future plans will be provided by the Company. As the EBT is under control of the Group in accordance with IFRS 10, the EBT is fully consolidated. As at 31 March 2023, of the 1.5 million treasury shares (31 March 2022: 2.5 million), GAM Holding AG holds 0.6 million (31 March 2022: 1.8 million) and the EBT holds 0.9 million (31 March 2022: 0.7 million).

14. Events after the reporting period

As discussed in note 1, on 4 May 2023 the Company agreed with Liontrust to enter into a transaction agreement for a public share exchange offer by Liontrust for 100% of the equity share capital of the Company. The agreement is contingent on the conditions of the GAM shareholder tender process, Liontrust shareholder approval, regulatory approvals and the Group's exit from its third party FMS business.

In addition, the Company has entered into a short-term loan with Liontrust for up to approximately CHF 20 million (GBP 17.8 million). The loan will be available in two equal tranches, the first tranche became available at signing of the Agreement and the second will become available on the successful conclusion of the Liontrust shareholder vote and successful tender of the GAM Holding AG shareholders. The loan has a term up to the earlier of 31 December 2023 or when the transaction closes. Amounts drawn under the loan are secured and carry an interest rate of 7% per annum. The loan can be drawn to enable the acceleration of restructuring activity within GAM, including facilitating the FMS exit, and for cash management between group entities. The Board anticipates the completion of the shareholder tender process, regulatory approvals and satisfaction of other conditions in the agreement by the end of December 2023.

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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