valora

Half-year Report 2007

Key figures

		30.06.2007	30.06.2006 1)	30.06.2005 1)
Net revenues	**CHF million**	**1 432.7**	**1 432.2**	**1 411.5**
Change	%	+ 0.0	+ 1.5	– 1.3
Operating profit	**CHF million**	**16.7**	**39.3**	**19.7**
Change	%	– 57.4	+ 99.8	– 58.4
in % of net revenues		1.2	2.7	1.4
Net profit	**CHF million**	**11.9**	**27.2**	**7.3**
Change	%	– 56.3	+ 272.1	– 77.7
in % of net revenues		0.8	1.9	0.5
in % of equity		2.2	5.3	1.2
Net cash provided by (used in)				
Operating activities	CHF million	39.9	– 7.4	11.4
Investing activities	CHF million	– 28.7	0.2	– 25.7
Free cash flow	**CHF million**	**11.1**	**– 7.2**	**– 14.3**
Financing activities	CHF million	– 39.0	– 46.4	– 31.0
Earnings per share	**CHF**	**3.59**	**8.36**	**2.13**
Change	%	– 57.1	+ 292.5	– 75.0
Free cash flow per share	**CHF**	**3.47**	**– 2.26**	**– 4.47**
Change	%	n/a	n/a	n/a
Points of sale		**1 409**	**1 429**	**1 534**
Net sales per point of sale [2]	CHF 000	574	573	542
		30.06.2007	31.12.2006	31.12.2005
Cash and cash equivalents	**CHF million**	**196.3**	**222.1**	**219.7**
Interest-bearing liabilities	**CHF million**	**273.6**	**282.7**	**333.4**
Equity	**CHF million**	**552.8**	**560.9**	**513.6**
Balance sheet total	**CHF million**	**1 332.3**	**1 324.8**	**1 359.2**
Share price	**CHF**	**320.00**	**334.75**	**254.75**
Market capitalisation	**CHF million**	**1 027**	**1 069**	**813**
Average number of employees		**6 948**	**7 185**	**7 454**
Change	%	– 3.3	– 3.6	– 5.7

All totals and percentages are based on unrounded figures from the consolidated financial statements

[1] from continuing operations

[2] net sales of Valora Retail only

Group performance

The recovery of the Swiss kiosk business was stalled by falling sales in the 2nd quarter of 2007. Encouraging revenue growth in food products was able to offset the current downtrend in press and tobacco product sales, confirming the effectiveness of the product range strategy we are pursuing. This was not sufficient to compensate for lower non-food sales and the unexpected decline in services turnover, however. Efforts to boost earnings from the kiosk business will thus need to be further intensified. The Media and Trade divisions are on track, as are the Retail division's other activities (Germany, Spettacolo and convenience). Free cash flow was increased, and the Group maintains a sound balance sheet.

Valora Group

in CHF million	1.01. - 30.06.2007		1.01. - 30.06.2006	
Net revenues	**1 432.7**	**100.0%**	**1 432.2**	**100.0%**
Gross profit	**468.4**	**32.7%**	**472.6**	**33.0%**
- Operating costs, net	– 451.7	– 31.5%	– 433.3	– 30.3%
Operating profit	**16.7**	**1.2%**	**39.3**	**2.7%**

Consolidated sales are unchanged on those achieved in 2006, but operating income was unsatisfactory. While new business activities did well, this could not counter the effects of the substantial decline in earnings generated by kiosk operations in Switzerland. Higher food sales did compensate for lower turnover from press and tobacco products, but they were not sufficient to make good for lower non-food revenues or the unexpected fall in service activity proceeds mainly stemming from meagre lottery jackpots. The resulting CHF 468.4 million of gross profits coincided with CHF 451.7 million in net operating costs (up 4.2%), so that operating earnings for the first six months of 2007 amounted to CHF 16.7 million. The rise in net operating costs is principally due to growing business volumes in the Trade division, the expansion of Retail Germany and expenditure on the new systems environment.

The Group's other business areas performed according to plan.

Valora Retail

in CHF million	1.01. - 30.06.2007		1.01. - 30.06.2006	
Net revenues	**809.1**	**100.0%**	**819.4**	**100.0%**
Gross profit	**260.5**	**32.2%**	**268.8**	**32.8%**
- Operating costs, net	– 266.6	– 32.9%	– 258.0	– 31.5%
Operating profit	**– 6.1**	**n/a**	**10.8**	**1.3%**

Valora Retail's operations in Germany raised sales by more than 10%, thanks to their 20 odd new retail outlets, which include the flagship bookstore at Frankfurt Airport. Caffè Spettacolo and convenience products made visible progress, while wholesaling reached breakeven, putting an end to the substantial losses incurred in recent years. Kiosk operations in Switzerland are the main challenge for Valora Retail. While strong growth in food sales successfully compensated for the erosion in gross margins caused by the continuing decline in sales of tobacco and press products, it was not possible to make good the lower revenues from sales of collectible picture cards and the unexpected fall in service turnover (generated by items such as lottery tickets and scratch cards).

Meanwhile, ongoing projects to enhance the efficiency of systems and processes forged ahead. Since May, all sales outlets in Switzerland have been equipped with electronic tills, thus for the first time providing market management with sales data detailed down to individual articles for the entire outlet network. In this initial phase, these infrastructure projects are the main component of the rise in net costs, and it is apparent that complete systems modernisation will take longer than originally planned.

These factors combined to reduce operating results at Kiosk Switzerland significantly.

The Retail division's other areas, notably the concepts being used in convenience and catering (Spettacolo) as well as Retail Germany, are doing well and growing again.

Valora Media

in CHF million	1.01. - 30.06.2007		1.01. - 30.06.2006	
Net revenues	**270.9**	**100.0%**	**283.6**	**100.0%**
Gross profit	**75.6**	**27.9%**	**76.8**	**27.1%**
- Operating costs, net	– 63.1	– 23.3%	– 63.3	– 22.3%
Operating profit	**12.5**	**4.6%**	**13.5**	**4.8%**

The Media division held its own convincingly in an overall market which continues to decline. In Switzerland, sales were down some 4%, slightly less than the market as a whole. Measures to boost logistics efficiency nevertheless enabled the division's Swiss operations to achieve higher overall profitability despite this adverse trend.

The slightly lower operating profit achieved this time is due to poor business performance in Austria, where sales of collectible picture cards declined noticeably.

Valora Trade

in CHF million	1.01. - 30.06.2007		1.01. - 30.06.2006	
Net revenues	**446.2**	**100.0%**	**427.4**	**100.0%**
Gross profit	**125.1**	**28.0%**	**119.4**	**27.9%**
- Operating costs, net	– 114.4	– 25.6%	– 106.4	– 24.8%
Operating profit	**10.7**	**2.4%**	**13.0**	**3.1%**

Valora Trade achieved pleasing sales growth in both its business areas, further enhanced at its foreign subsidiaries by positive currency trends.

Distribution is expanding in most of its markets. The strategy of setting up supranational distribution companies is earning customer recognition. Operating profits were slightly higher.

Own Brands, conversely, was not able to translate its higher sales into increased operating earnings. The second quarter of 2007 was marked by massively higher prices for raw materials, particularly dairy products such as butter and cheese, and this depressed the operating margins of some companies considerably, so that overall Own Brands operating results were lower. For the division as a whole, operating earnings were down by CHF 2.4 million to CHF 11 million, representing an EBIT margin of 2.4%.

Cash flow, liquidity, key financing and equity

Operating cash flow was raised by CHF 47.3 million to CHF 39.9 million, largely thanks to strict management of working capital. Net cash used for investment came in at CHF 28.7 million, in line with expectations. Free cash flow thus increased by CHF 18.3 million to CHF 11.1 million. At June 30, 2007 the Group had available liquidity of CHF 196 million.

As its low net indebtedness of CHF 77 million and shareholders' equity equivalent to 41.5% of total assets demonstrate, the Group continues to run a sound balance sheet.

Sale of Own Brands

The sales campaign has attracted keen interest from both industrial and financial investors in and outside Switzerland. Offers received are currently being evaluated.

Outlook

With the exception of Kiosk Switzerland, all other business areas are on track for the current year. Further marked increases in raw material costs could however impact the profitability of the production companies.

Expectations for Kiosk Switzerland have to be revised, as this area's recovery is taking longer than originally projected. We anticipate that ongoing regulation, in the form of smoking bans in public places, will continue to exert downward pressure on tobacco revenues.

The measures so far taken to improve earnings - such as expanding the range of food products sold, closing uneconomic retail outlets and general cost cutting - have already produced positive initial results. We will make a concerted effort to pursue these initiatives during the second half of 2007, making further adjustments to product ranges, the outlet network and our organisational structure. A key feature of these initiatives will be the roll out of the successful new "k Growth" sales concept to some 120 retail outlets over the next one and a half years. Meanwhile, the technology project will be driven forward at full tilt, paving the way for markedly improved efficiency.

Although it will not be possible to generate sufficient profits in the second half of 2007 to reach our initial earnings goals for the year as whole, we do expect to improve operating results in the second six months of this year.

Valora Holding AG

Dr. Fritz Ammann
Chairman of the Board

Peter Wüst
CEO

Consolidated income statement

January 1 to June 30, in CHF 000 (except per-share amounts)	**2007** unaudited	%	2006 unaudited	%
Net revenues	**1 432 748**	**100.0**	**1 432 186**	**100.0**
Cost of goods	– 964 365	– 67.3	– 959 621	– 67.0
Gross profit	**468 383**	**32.7**	**472 565**	**33.0**
Personnel expense	– 249 320	– 17.4	– 238 682	– 16.7
Other operating expenses	– 178 128	– 12.4	– 176 149	– 12.3
Depreciation and amortisation of operating assets	– 26 272	– 1.8	– 23 614	– 1.7
Other income, net	2 064	0.1	5 171	0.4
Operating profit	**16 727**	**1.2**	**39 291**	**2.7**
Financial expense	– 5 944	– 0.4	– 6 741	– 0.4
Financial income	4 037	0.3	1 921	0.1
Share of result from associates and joint ventures	682	0.0	– 217	0.0
Earnings before taxes	**15 502**	**1.1**	**34 254**	**2.4**
Income taxes	– 3 614	– 0.3	– 7 079	– 0.5
Result from continuing operations	**11 888**	**0.8**	**27 175**	**1.9**
Result from discontinued operations	0	0.0	– 564	0.0
Net profit	**11 888**	**0.8**	**26 611**	**1.9**
Attributable to shareholders of Valora Holding AG	11 479	0.8	26 155	1.9
Attributable to minority interests	409	0.0	456	0.0
Average Number of shares outstanding	3 200 666		3 196 811	
Earnings per share				
from continuing operations (in CHF)	3.59		8.36	

Consolidated balance sheet

in CHF 000 Assets	At June 30, 2007 unaudited	%	At December 31, 2006	%
Current assets				
Cash and cash equivalents	196 253		222 100	
Derivative assets	764		0	
Trade accounts receivable	188 843		168 402	
Inventories	265 266		267 660	
Current income tax receivable	1 963		1 229	
Other current assets	49 882		47 092	
Total current assets	**702 971**	**52.8**	**706 483**	**53.3**
Non-current assets				
Property, plant and equipment	331 224		318 574	
Goodwill, software and other intangible assets	161 861		159 845	
Investment property	15 470		19 083	
Investment in associates and joint ventures	13 514		13 055	
Long-term financial assets	11 652		11 602	
Net pension asset	54 574		54 574	
Deferred income tax assets	41 060		41 557	
Total non-current assets	**629 355**	**47.2**	**618 290**	**46.7**
Total assets	**1 332 326**	**100.0**	**1 324 773**	**100.0**

Liabilities and equity				
Current liabilities				
Short-term financial debt	3 100		2 198	
Derivative liabilities	0		619	
Trade accounts payable	293 418		295 848	
Current income tax liabilities	7 128		7 916	
Other current liabilities	150 311		116 327	
Current provisions	4 098		10 844	
Total current liabilities	**458 055**	**34.4**	**433 752**	**32.8**
Non-current liabilities				
Long-term financial debt	270 482		280 452	
Long-term accrued pension cost	10 669		9 905	
Long-term provisions	14 255		14 030	
Deferred income tax liabilities	26 055		25 778	
Total non-current liabilities	**321 461**	**24.1**	**330 165**	**24.9**
Total liabilities	**779 516**	**58.5**	**763 917**	**57.7**
Equity				
Total equity	**552 810**	**41.5**	**560 856**	**42.3**
Total liabilities and equity	**1 332 326**	**100.0**	**1 324 773**	**100.0**

Consolidated cash flow statement (condensed)

January 1 to June 30, in CHF 000	**2007** unaudited	2006 unauditedt
Cash flow from continuing operations		
Operating profit	16 727	39 291
Elimination of non-cash transactions	27 296	21 345
Cash flow before changes in net working capital	**44 023**	**60 636**
Net changes in net working capital	1 786	– 61 775
Interest paid/received and taxes paid	– 5 958	– 6 273
Net cash provided by/(used in) operating activities	**39 851**	**– 7 412**
Net cash (used in)/provided by investing activities	– 28 742	179
Net cash used in financing activities	– 38 998	– 46 372
Net decrease in cash and cash equivalents from continuing operations	**– 27 889**	**– 53 605**
Translation adjustments on cash an cash equivalents	2 042	798
Cash and cash equivalents at beginning of period	222 100	219 655
Cash and cash equivalents at end of period	196 253	166 848

Consolidated statement of changes in equity

in CHF 000	Equity of Valora Holding AG shareholders: Share capital	Other reserves	Retained earnings	Cumulative translation adjustments	Total equity of majority share-holders	Minority interest	Total Equity unaudited
Balance at January 1, 2006	**3 300**	**– 28 558**	**532 396**	**4 005**	**511 143**	**2 454**	**513 597**
Translation adjustments				2 879	2 879	– 605	**2 274**
Income (expense) recognised directly in equity				**2 879**	**2 879**	**– 605**	**2 274**
Net profit for first half of 2006			26 155		26 155	456	**26 611**
Total profit (loss) reported			**26 155**	**2 879**	**29 034**	**– 149**	**28 885**
Share-based payments		– 236			– 236		**– 236**
Dividend paid on 2005 result			– 28 785		– 28 785	– 303	**– 29 088**
Decrease in treasury stock [1]		2 025			2 025		**2 025**
Balance at June 30, 2006	**3 300**	**– 26 769**	**529 766**	**6 884**	**513 181**	**2 002**	**515 183**
Fair value loss on available-for-sale financial assets		– 18			– 18		**– 18**
Fair value loss on cash flow hedges		– 515			– 515		**– 515**
Creation of tax assets on share based pay-ments		96			96		**96**
Translation adjustments				4 638	4 638	694	**5 332**
Income (expense) recognised directly in equity		**– 437**		**4 638**	**4 201**	**694**	**4 895**
Net profit for second half of 2006			38 998		38 998	227	**39 225**
Total profit (loss) reported		**– 437**	**38 998**	**4 638**	**43 199**	**921**	**44 120**
Share-based payments		3 394			3 394		**3 394**
Treasury stock purchased		– 1 841			– 1 841		**– 1 841**
Balance at December 31, 2006	**3 300**	**– 25 653**	**568 764**	**11 522**	**557 933**	**2 923**	**560 856**
Fair value gain on cash flow hedges		1 279			1 279		**1 279**
Release of tax assets on share based payments		– 52			– 52		**– 52**
Translation adjustments				3 774	3 774	87	**3 861**
Income recognised directly in equity		**1 227**		**3 774**	**5 001**	**87**	**5 088**
Net profit for first half of 2007			11 479		11 479	409	**11 888**
Total profit reported		**1 227**	**11 479**	**3 774**	**16 480**	**496**	**16 976**
Share-based payments		– 875			– 875		**– 875**
Dividend paid on 2006 result			– 28 808		– 28 808	– 498	**– 29 306**
Decrease in treasury stock [1]		5 159			5 159		**5 159**
Balance at June 30, 2007	**3 300**	**– 20 142**	**551 435**	**15 296**	**549 889**	**2 921**	**552 810**

[1] shares distributed to employees and members of the Board of Directors

Segment reporting

in CHF 000	Valora Retail	Valora Media	Valora Trade	Others	Intersegment elimination	Total Group unaudited
Net revenues1.01. - 30.06.2007						
From third parties	808 807	174 372	442 407	7 162	0	1 432 748
From other divisions	267	96 522	3 830	0	– 100 619	0
Total	**809 074**	**270 894**	**446 237**	**7 162**	**– 100 619**	**1 432 748**
Net revenues 1.01. - 30.06.2006						
From third parties	819 373	181 855	423 495	7 463	0	1 432 186
From other divisions	5	101 739	3 936	0	– 105 680	0
Total	**819 378**	**283 594**	**427 431**	**7 463**	**– 105 680**	**1 432 186**
Change (%)	– 1.3	– 4.5	+ 4.4			0.0
Operating profit 01.01. - 30.06.2007						
Operating profit	**– 6 081**	**12 481**	**10 659**	**– 332**		**16 727**
Operating profit 01.01. - 30.06.2006						
Operating profit	10 827	13 530	13 040	1 894		39 291
Operating profit in % of net revenues						
1.01. - 30.06.2007	**n/a**	**4.6**	**2.4**			**1.2**
1.01. - 30.06.2006	1.3	4.8	3.1			2.7

Notes to the consolidated interim financial statements

1 Significant accounting policies

This half-year report is the interim financial report of Valora Holding AG and its subsidiary companies for the first six months of 2007. It was compiled using the same accounting principles as those used for the 2006 Annual Report and, being an updated version of the consolidated financial statements for 2006, should be read in connection therewith. This report has been compiled in accordance with IAS 34 of the International Financial Reporting Standards (IFRS) in compliance with the requirements of the SWX Swiss Exchange. With the exception of the balance sheet at December 31, 2006, the figures presented are unaudited.

New IFRS/IAS standards. The new and revised IFRS/IAS standards which entered into effect on January 1, 2007 have no significant effect on this interim report.

2 Discontinued operations

The Valora Group was able to dispose of its Consumer Imaging (Fotolabo) division, previously shown as a discontinued operation, in the first half of 2006. Results from these Consumer Imaging business activities are included in the consolidated income statement as results from discontinued operations up until the transfer of their control to their new owners.

Income statement for Consumer Imaging

in CHF 000	**1.01. - 30.06.2007** unaudited	1.01. - 30.06.2006 unaudited
Net revenues	0	14 975
Gross profit	**0**	**12 159**
Operating expenses	0	– 12 807
Operating result	**0**	**– 648**
Financial result	0	– 46
Result before taxes	**0**	**– 694**
Income taxes	0	130
Net result	**0**	**– 564**

3 Provisions

in CHF 000	Guarantees	Litigation	Restructuring	Total unaudited
Balance at January 1, 2006	**7 685**	**5 514**	**19 911**	**33 110**
Utilised	0	0	– 6 840	– 6 840
Amounts released to income	– 700	0	– 956	– 1 656
Recognised	3 200	0	0	3 200
Fair value adjustment	214	0	0	214
Translation adjustments	0	10	11	21
Balance at June 30, 2006	**10 399**	**5 524**	**12 126**	**28 049**
Utilised	– 520	– 29	– 3 206	– 3 755
Amounts released to income	– 315	– 1 506	– 3 893	– 5 714
Recognised	5 995	0	0	5 995
Fair value adjustment	17	197	0	214
Translation adjustments	0	42	43	85
Balance at December 31, 2006	**15 576**	**4 228**	**5 070**	**24 874**
Utilised	– 5 092	– 124	– 1 533	– 6 749
Fair value adjustment	122	103	0	225
Translation adjustments	0	3	0	3
Balance at June 30, 2007	**10 606**	**4 210**	**3 537**	**18 353**
Current provisions	561	0	3 537	4 098
Long-term provisions	10 045	4 210	0	14 255
Total provisions	**10 606**	**4 210**	**3 537**	**18 353**

Bern, August 23, 2007

The next Ordinary General Meeting of the shareholders of Valora Holding AG will be held in Bern on Thursday, April 29 2008.

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