# *Valora Annual Report 2008*

# *Dear Shareholder*

2008 has been an exciting and challenging year. The new Board which took office last year found Valora in a far more difficult position than had previously been assumed. The immediate task, which required relentless effort from all concerned, was to build the foundations to enable Valora to set out on a new, clear course and to start putting into effect the various measures which the situation demanded. In the autumn of 2008, we launched the «Valora 4 Success» strategy programme, with which we have set ourselves some ambitious objectives. Our principal goal is to make Valora more profitable, and thus more attractive to all our stakeholders.

We already reached a number of important milestones on this journey during 2008. Valora grew its sales by CHF 110 million to CHF 2 932 in 2008, a good result given the base from which the firm was starting and one which is in line with our projections.

Further milestones have been reached since last autumn. We have a new CEO and new people in other key positions. Valora's production companies have been sold, the first parts of our logistics operations are now up and running in Egerkingen and the rest of the logistics relocation project is on track. In February 2009, the roll-out of the new closed loop inventory management system was successfully completed. Further projects have been initiated, all with the common objective of fundamentally streamlining our structures and processes so that they become faster, better and more efficient. Most important of all, however, is our focus on our core expertise in small-outlet retail in heavily frequented locations. Clearly presented, easily recognisable outlet formats, simple structures and attractive product ranges are the key elements on which we are building to strengthen our position in Europe.

These key elements should enable us to identify new market trends more rapidly and to exploit them more effectively. Consumers' requirements are becoming ever more individualised, so our response needs to be more dynamic. This presents an exciting opportunity for growth. The convenience store sector is expanding apace. Our strong avec. brand will help us to secure a strong position in that market.

Our first priority, however, is to continue with the thorough and disciplined implementation of our strategy programme. Restructuring Valora will remain a dominant theme in 2009. We see this as an investment in the future, which we expect to yield tangible results in 2010.

With its current business model, the Valora Group is well placed to execute the next phase of its development and we are confident that we will be able to make the most of the Group's significant potential. We have an international market presence. In Switzerland, Germany and Luxembourg, we are market leaders in small-outlet retail. Our quality locations and our four clearly defined retail formats give us the momentum we need. We will continue to develop our expertise in press distribution. We are an attractive distributor of branded fast-moving consumer goods in key European markets.

The new management team led by Thomas Vollmoeller is well placed to master the challenges facing Valora, and it enjoys the full confidence of the Board of Directors. Valora will in future devote more attention to growing all its businesses. Now, however, the main operational priority is to achieve sustained improvements in the metrics which are critical to our business success: turnover, operating margin and lower costs in our main business.

The Board and Group Executive Management are confident that Valora will achieve the objectives set for 2012.

Valora's key assets are the many committed staff it employs. On behalf of the entire Board, I would like to take this opportunity to thank all our employees for the great commitment which they show in their work at Valora every day.

I would also like to thank our many customers and our business partners for their loyalty and support. You may count on us to do all in our power to continue to develop the strong cooperation we have with you.

The share buyback programme, which was completed ahead of schedule, honours our promise to return some of the proceeds of Valora's divestiture sales to its shareholders. At the forthcoming General Meeting, in addition to recommending that the company's outstanding share capital be reduced by cancelling the repurchased shares, we will also recommend that a dividend of CHF 9.00 per share again be distributed to our shareholders. We will further recommend that the company's registered offices be moved from Berne to Muttenz.

Valora is a strong company which is soundly financed. In the current economic climate and global financial crisis, private consumption is the principal, if weakening, driver of economic growth. Although the present generalised uncertainty will also mark 2009, it would be wrong to paint everything black. Despite an unending flow of negative news, retail consumption is proving to be relatively resilient, and we are confident that we will be able to guide our company successfully into the years ahead, even if some adaptations will be needed. Courage and determination will serve us much better in these demanding times than pessimism.

I would like to thank you, our shareholders, for the confidence that you have entrusted in Valora. Trust is a critical asset, one which we must earn anew each day. And that is exactly what we intend to do, by proving that we have made the right decisions and by putting our strategy vigorously into effect.

**Rolando Benedick**
Chairman of the Board of Directors





| | |
|---|---|
| Rolando Benedick<br>*Chairman* | Markus Fiechter<br>*Vice Chairman* |
| Bernhard Heusler | Franz Julen |
| Conrad Löffel | |

# *The business is performing well*

The Valora Group achieved the objectives it had set itself for 2008. Net sales reached CHF 2 932 million, a 5.7% increase on 2007 in local currency terms, led by the Retail and Media divisions, which both raised their local currency sales by 5.8%. In the face of challenging market conditions, Valora Trade expanded its local currency net sales by 3.3% on the year.

Operating results (EBIT) for 2008 came in at CHF 38.1 million after restructuring costs. Without these costs, Valora's operating profit would have risen 6.9% year-on-year to CHF 63.2 million, which equates to an EBIT margin of 2.2%. The Group successfully completed the sale of its production companies during 2008, recording a book profit in the process. Group net income for 2008 amounted to CHF 40 million. Before restructuring costs, the Group generated a net profit of CHF 65 million, a CHF 10 million increase on that achieved in 2007. Consolidated net earnings per share from continuing operations were CHF 7.91 in 2008.

With net liquidity of CHF 6 million at December 31, 2008, and shareholders' equity accounting for more than 45% of total assets, Valora maintains an extremely sound balance sheet structure.

This positive performance is mainly due to the exemplary commitment which our many employees have demonstrated, and continue to demonstrate. I would like to take this opportunity of thanking them on behalf of Group Executive Management for their hard work, entrepreneurial approach and the substantial contribution they have made in enabling Valora to reach its objectives.

**2008 – SETTING THE COURSE FOR THE FUTURE**

The injection of new blood in Valora's Board of Directors and Group Executive Management signals a clear break with the turbulences of the Group's recent past. While Valora's long-term strategic goals have been reaffirmed, the present focus is clearly centred on rapid and consistent execution. It is only when we believe in our own success that we can mobilise the will and the enthusiasm we need to give of our best. I am firmly convinced that for any company to succeed, its employees first need fully to identify with the work they are carrying out on the company's behalf and to pursue their duties with enthusiasm. Close co-operation between the Board of Directors and Group Executive Management in setting priorities and objectives is a further prerequisite for success. At Valora, I can certainly say that there is mutual respect between these bodies, and that they have complete confidence in each other.

In the autumn of 2008, we launched the «Valora 4 Success» strategy programme, paving the way for us to bring about a sustainable increase in Valora's profitability, and to make our firm a significantly more attractive employer and business partner. The main focus of this programme is on increasing both the turnover and the profit generated in the Retail division, and on raising efficiency levels in logistics and IT. The objective we have set for our strategy programme is to achieve a step change in the Group's operating results by 2012 and to strengthen Valora's competitive edge. By 2012, we intend to raise the Group's EBIT margin to 3-4%. Despite the challenges posed by the current economic environment, we expect the strategy programme to start yielding its first positive results from the second half of 2009 onwards.

By the end of 2008, a number of initiatives had already been implemented and they have achieved some important successes:

*Valora Group*

- We have centralised our head office functions at the Muttenz site, thus disposing of our former offices in Berne and Wallisellen. Having management working alongside staff in one location promotes team building and strengthens individual commitment to, and identification with, daily tasks.
- Successful completion of the sale of the Group's production companies means that Valora has now completed its divestiture programme.

*Valora Retail*

- Valora's decision to dissolve its joint venture with Migros is clear testimony to our commitment to the convenience store sector. This is an area with great growth potential and Valora is determined, using its strong avec. brand, to increase its share of it.
- Valora Retail Germany has expanded further. Since early 2009, the company can for the first time boast an outlet network of more than 200 shops

*Valora Media*

- Signing up both Egmont Ehapa and Marquard Media as new publishers has significantly broadened the product range offered by the Media division. This has enabled Media Austria to assume a leadership position in various key market segments, such as children's and young people's magazines.

Clockwise from top left: Lorenzo Trezzini (Valora CFO), Stefan Gächter* (Head of Logistics), Alex Minder (Valora Trade CEO), Markus Guggenbühler* (CIO), Christian Schock (Valora Media CEO), Thomas Vollmoeller (Valora CEO), Kaspar Niklaus (Valora Retail CEO) [* Extended Group Executive Management]

– The Euro 2008 soccer championship hosted by Austria and Switzerland led to an above-average increase in sales of collectible soccer picture cards in Austria, a major contribution to Valora Media Austria's success in 2008.

*Valora Trade*
– Despite demanding economic conditions, the Trade division grew its business with existing major principals significantly, as well as achieving considerable success in acquiring new ones.
– Trade Switzerland expanded its turnover in all key brands and all major channels, boosting its sales to record levels.

*Logistics and IT*
– The logistics function's move to Egerkingen successfully reached a number of initial milestones. The key benefits can be seen in enhanced quality and greater efficiency, as evidenced by shorter throughput times and lower logistics costs. A centralised logistics unit also helps to reduce road traffic considerably.
– Another major milestone here is the replacement of the existing, highly complex logistics infrastructure, which is being carried out as the move progresses. The introduction of new logistics software will make it possible to deploy new sorting and packing technologies, such as voice- and light activated picking routines, and multi-customer sorting and packing.
– The foundations for a modern, integrated inventory management system are now in place. With the new outlet network complete since early 2009, the Retail division now has detailed inventory information at its fingertips, right down to individual article types and locations. Since the closed loop inventory management system went live at the beginning of

the year, all major processes run on a modern, state-of-the-art platform.

*Employees*
– Valora's successful negotiation of general employment conditions with the Syna trade union is a significant landmark in the company's history. The contract marks a major step in Valora's successful and positive development, as an employer and as a business, and it is one from which all Valora employees in Switzerland will benefit.
– Succession planning and staff development are important elements in Valora's staff and employment policies. The number of training places was increased in 2008. On October 1, 2008, four women graduates began their 1 year Valora trainee programme, which offers them an attractive introduction to professional careers.

*Shareholders*
– Share buyback: the share re-purchases and the reduction in share capital which it is recommending, underscore the Board of Directors intention to have Valora's financial resources put to effective use and to manage its capital efficiently. Having successfully achieved its objectives, the programme has been completed ahead of schedule.

These individual successes are examples of the achievements which, taken together, will enable us to reach the goals for which we strive.

**2009 – A YEAR OF CHANGE**

We are now very well placed to move ahead. We have identified Valora's great potential and will make the most of it over the next few years. With more than 1 400 outlets in prime locations, a leading position in the Swiss, German and Luxembourg markets, a clear focus on small-outlet retail, the unique and privileged relationships our Media division has established with its publishers and our Trade division's leading role in the market for branded goods, there is plenty of scope for Valora to generate good profits.

The «Valora 4 Success» strategy programme, building on its key initiatives in the fields of expertise, growth, efficiency and people, has set the course for the future. We have defined 13 strategic projects around these four core initiatives, and our attention will be focused on implementing them successfully. Each of these projects comprises many individual component measures, and both Board of Directors and Group Executive Management will be monitoring their implementation closely.

Although economic conditions in 2009 have worsened substantially, we remain confident that we will be able to put our strategy programme into effect as planned and that its objectives will be achieved. We aim to grow our sales, even in these challenging times, and set great store by disciplined cost management.

All the key ingredients for success are here. We have a first-class retail network, our outlet formats are competitive and our products are good. We have the resources we need and we have the determination to improve our knowledge of our customers' needs and to succeed in our markets. We have a strong, skilled management team, focused on the Valora Group's achievement of its ambitious objectives. I am particularly pleased by the way our staff have been seized by this pioneering spirit at Valora and by their acceptance and understanding of the changes which a demanding environment requires of our organisation. We will do all in our power to promote co-operation with our business partners and to develop our relationships with them. To our customers, we pledge a speedier and more effective response to their needs. On behalf of Group Executive Management, I would like to reiterate my thanks to all involved for what we have achieved. I look forward with confidence to our future success.

**Thomas Vollmoeller**
CEO

# GROUP STRUCTURE 2009 as of 1.4.2009

*Divisions*

## VALORA RETAIL

**Kaspar Niklaus** CEO Valora Retail

**Kaspar Niklaus**
Valora Retail Switzerland

**Mathias Gehle/Lars Bauer**
Valora Retail Germany

**Lars Bauer**
Valora Retail Luxembourg

*Retail formats*

**Patrick Stäuble**
k kiosk

**Jörg Brun**
avec.

**Hanspeter Büchler**
Presse + Buch

**Hans-Peter Oettli**
Caffè Spettacolo

## VALORA MEDIA

**Christian Schock** CEO Valora Media

**Wolfgang Schickli**
Valora Media Switzerland

**Andreas Balazs**
Services Switzerland

**Robert Gehmacher/Sergio Mazzarella**
Valora Media Austria

**Christian Schock**
Valora Media Luxembourg

## VALORA TRADE

**Alex Minder** CEO Valora Trade

**Carsten Ørnbo**
Valora Trade Nordic

**John-Peter Strebel**
Valora Trade Switzerland

**Christine Schönowitz**
Valora Trade Austria

**Heiner Kuroczik/Dirk Kuroczik**
Valora Trade Germany

*Support divisions*

## LOGISTICS

**Stefan Gächter**

## IT

**Markus Guggenbühler**

## VALORA FINANCE

**Lorenzo Trezzini** CFO

*Corporate Functions*

**CORPORATE COMMUNICATIONS & STRATEGIC BRANDING**

Stefania Misteli

**CORPORATE HUMAN RESOURCES**

Susanne Berger since 25.5.2009

**CORPORATE BUSINESS DEVELOPMENT**

Thomas Eisele

**CORPORATE LEGAL SERVICES**

Georg Matiaska

*Group Executive Management*

**GROUP EXECUTIVE MANAGEMENT**

Thomas Vollmoeller
CEO
Lorenzo Trezzini
CFO
Kaspar Niklaus
Christian Schock
Alex Minder

*Extended Group Executive Management*

Stefan Gächter
Markus Guggenbühler

*Board of Directors*

**BOARD OF DIRECTORS**

Rolando Benedick
Chairman
Markus Fiechter
Vice Chairman
Franz Julen
Conrad Löffel
Bernhard Heusler

*Audit Committee*

Conrad Löffel
Chairman
Bernhard Heusler
Rolando Benedick

*Nomination and Compensation Committee*

Franz Julen
Chairman
Markus Fiechter
Rolando Benedick

# *Valora Strategy*

## COMPETENCE

Valora has three sound core businesses. Its Retail division has a strong network of clearly defined outlet formats, Media enjoys close relationships with its publishers and Trade has attained a clear leadership position in branded goods trading.

## PEOPLE

Whatever is at stake – be it competence, growth or efficiency – it is people that make it happen. That is why the People core initiative is centred around Valora's employees and customers.

## GROWTH

Moving ahead, focusing on the future. Using our convenience store strategy to drive further growth, both in Switzerland and beyond. Reviewing the possibility of mergers, acquisitions and joint ventures is also part of this core initiative.

## EFFICIENCY

Doing the right thing and doing it well. Optimising processes, shortening itineraries, consolidating systems and calibrating them with each other. This saves time, frees up resources needed elsewhere and improves quality.

**— Being strong means sticking to what makes you strong. Doing only what you do best. Only that. Nothing else. Focusing on essentials brings the momentum which drives progress. — Valora's competence is based on its sound understanding and broad experience of small-outlet retail. Valora also observes social trends competently, seizing their key messages. Take a place, any place, and you'll find that the people who spend time there are linked. Valora understands that. People's movements, their behaviour, their habits. That is what determines what Valora puts on its shelves.**

# 1000m

A city's structure appears homogeneous, if you focus on small details. Look at larger objects, and the structure becomes heterogeneous. Each part of a city has its own character. Traffic streams from node to node. People come and go. Competence means being in the right place with the right product.

**View from 1 000m up, Zurich city centre**

## 1428
### sales outlets

That's almost one Valora shop on every corner! Valora's network is really comprehensive. That way, its customers can shop quickly and easily until late at night.

## 40 000 000
### sweets

Isn't carnival time sweet? People out celebrating carnival in Germany boosted demand for sweets massively. Valora Trade Germany made sure their carnival was as sweet as they wanted.

## 1 000 000
### people trying their luck

Just over 1 in 7 people in Switzerland go to a k kiosk to try their luck on lotteries of one kind or another.

## 34 000 000
### tomatoes

Who can imagine chips without ketchup? You'd need 34 million tomatoes to make the 1 700 tonnes of ketchup Valora Trade Finland delivers each year.

## 995
### kilometres

Let's catch some sun! Put all packs of «Capri Sonne» Valora Trade Switzerland sells each year end to end, and you would have a line from Muttenz to the Costa Brava.

## 500
### lucky people

What luck! In February 2009 Swisslotto started looking for its 500th millionaire. It didn't take long. Valora. For that daily treat. And the chance of a lot more.

## 4
### formats

A 4-ace hand and everyone gets what they want. Valora's k kiosk, avec., k presse + buch, and Caffè Spettacolo units are in 1 400 central locations in 3 countries.

## 6 000
### products

A huge range in a tiny space. k kiosks carry an average of 6 000 products on just 50m².

0.1m

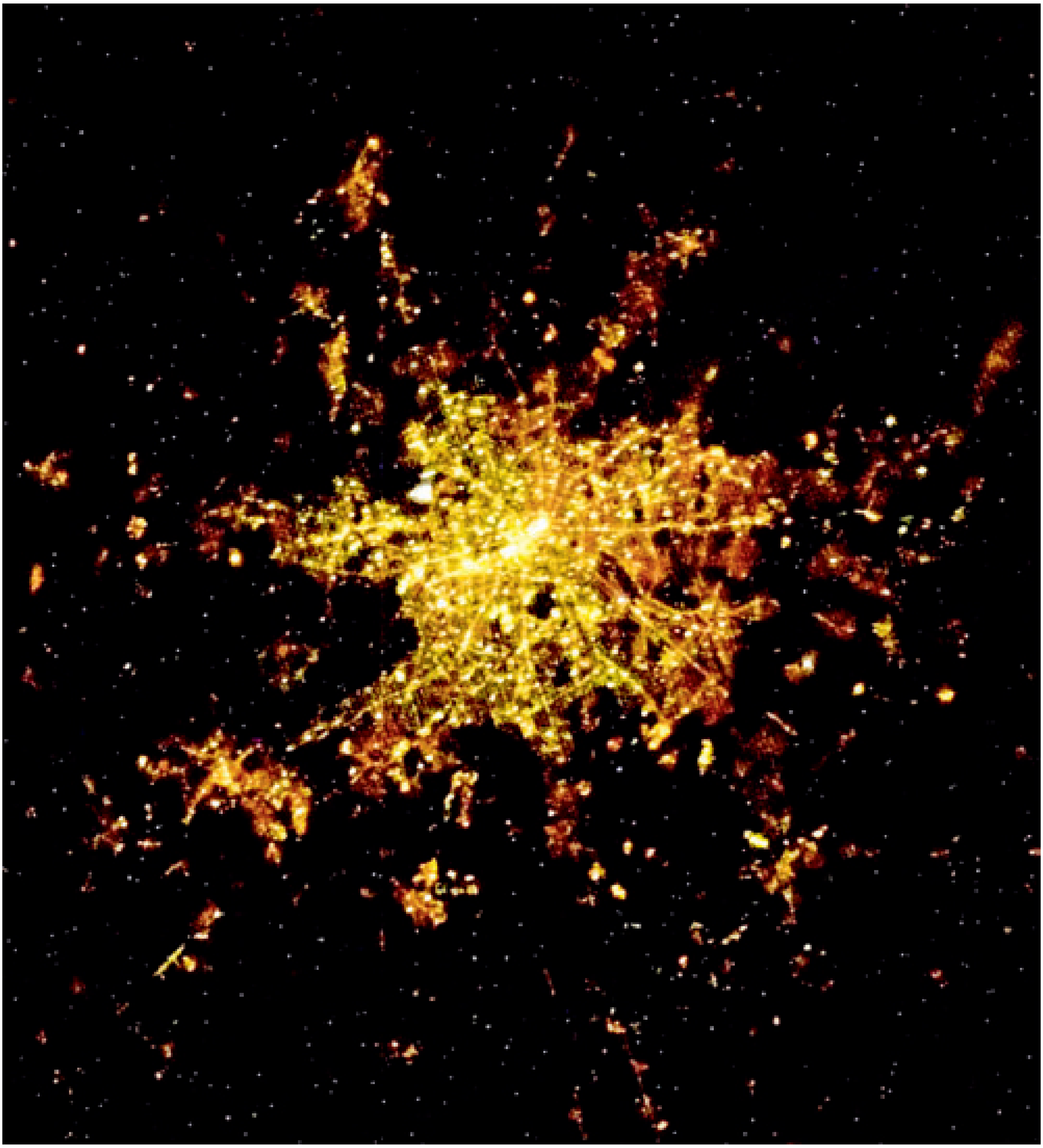
Treat yourself. Here and now. You've earned it.
**View from 0.1m away, Chupa-Chups**

GROWTH IS A SIGN OF STRENGTH.
IN THINGS BOTH LARGE AND SMALL.

**— Growing is living. A dynamic organism keeps on developing. Usually at a steady rate. Occasionally in quick bursts. Generated within clear strategic parameters, growth is healthy.**

**— Valora exploits growth opportunities when they present themselves. Some come from the company honing its skills, others are there to be seized. Growth has its roots in the past, takes place in the present and always points to the future. It leaves tracks behind it whose course is foretold by long-term trends and which point in the direction the world is moving.**

# 100 000m



Society's long-term development can be seen in the growth of large cities. Cities' promises of quality of life, work, prosperity and cultural diversity are immensely attractive to people. Societal shifts are not easy to recognise, but their progress is relentless. If you want to grasp future opportunities, you can't afford to ignore change.

**View from 100 000m up, Berlin by night**

# GROWTH

GROWTH IS A SIGN OF STRENGTH.
IN THINGS BOTH LARGE AND SMALL.

## 40
### percent

Growing in step with public transport. Swiss railway passenger volumes grew more than 40% from 2000 to 2007. Roughly half Valora's outlets are at stations, at airports or close to bus or tram stops.

## 6
### percent

Start a new hobby. Go to your kiosk. Sales of hobby & leisure (travel, science, nature) press products rose 6.2% in 2008. People are making more time for themselves, their hobbies and their reading.

## 0.0
### calories

Zero calories can taste this good? Only Valora Trade Switzerland distributes «Storms», the new, stevia-sweetened, organic lemonade. Just what the doctor ordered to meet increased demand for healthy, low-calorie beverages.

## 1 080 000
### hours

Longer opening hours mean greater consumer freedom! Roughly half Valora's outlets are open up to 5 hours longer each day than traditional shops.

## 160
### percent

More fresh and convenience products. With the avec. network expanding to 100 shops in 2009, there'll be plenty more fresh and convenience products to choose from.

# 0,01m

Right up close. Pulsating freshness exemplifying healthy growth.
**View from 0.01m away, fresh kiwi sliced in half**

**— To be efficient, things have to be simple. You can see that by looking at the structure of logically built systems and lean processes. Raising efficiency not only means breaking up unwieldy structures, it also means creating new, smart links.**

**— The challenge for Valora is to find the right way, not necessarily the most direct way, of ensuring efficiency. The fastest route isn't always a straight line. Efficient solutions are found by studying the bigger picture. That is when patterns emerge, telling you when to standardise, when to duplicate and when to adapt.**

# 10 000m

Many factors influence modern housing and transport structures. That makes them complex. Yet, from a distance, they assume logical structures. Distance provides the overarching perspective which is essential for organising distribution processes efficiently.

**View from 10 000m up, Skovlunde, an area of Copenhagen**

EFFICIENCY BRINGS FLEXBILITY. WITHIN VALORA, BUT ALSO FOR THE CUSTOMER'S BENEFIT.

## 9 000 kilogrammes

The world's business elite must be avid readers! The day the World Economic Forum opened in Davos 11 times more press products were delivered than on a normal working day. Co-ordinating the shipping and distribution for that, on time, takes experience and know-how.

## 450 000 kilometres

Boosting efficiency and spending less, too. Moving logistics operations from Muttenz to Egerkingen not only makes many processes more efficient, it also saves costs and cuts freight mileage.

## 15 000 000 delivery items

Simpler, faster and more efficient. Valora's new IT systems process 15 million items a year, which are then wrapped in 1.5 million packages, delivered and invoiced.

## 98-99 percent

Quality drives success in business. Raising service levels to the industry average is the key element in Valora's new efficiency drive. The new logistics centre is making it happen.

## 220 pallets

Phenomenal logistics performance. Every day 220 pallets of beverages leave the Egerkingen warehouse, their contents correctly sorted and labelled, on their way to Valora's 1 000 odd outlets in Switzerland.

10m

Simple. Quick. Safe. Process efficiency breeds distribution efficiency.
**View from 10m up, storage shelves in Egerkingen**

**— Notions like competence, growth and efficiency are only as credible as the people who claim to deliver them. Whether these objectives are met depends on people's ability to meet high standards, exercise business acumen and seize opportunities.**
**— Valora recognises the immense strategic importance of relationships between people in and outside the company. How individuals interact is critical to the quality of relationships: being respected and respecting others. Giving and taking. Lending support to others and expecting more from them. These ongoing exchanges nurture mutual understanding.**

# 100m

A perspective simultaneously close and remote heightens awareness of human behaviour. Some people observe norms, others always go their own way. Some are in a hurry, others take their time. Some know exactly where they're going, others go with the flow. Recognising character types helps to structure and focus product ranges. Yet, when two people meet, there's always a personal element.

**View from 100m away, pedestrian crossing**

# PEOPLE

AT VALORA, PEOPLE ARE WHAT
OUR PEOPLE ARE THERE FOR.

## 3 580 years

Many happy returns of the day. 2008 saw 162 employees celebrate 20th, 25th, 30th, and even 40th employment anniversaries. A wealth of experience on which Valora can depend.

## 12 800 hours

A thirst for knowledge. In 2008 1 600 sales staff from Valora Retail Switzerland attended vocational and ongoing training courses, which were focused on: recognising customer needs, managing staff and learning new processes.

## 190 apprentices

Starting a career at Valora. In 2008, some 3% of Valora's entire Swiss workforce were apprentices. Every company with long-term objectives is founded on developing talent and promoting its employees' development.

## 112 530 meals

Bon appétit! The 500 meals served at the Muttenz staff restaurant each day enable all those working there to meet in one central place. The administrator, finance chief, IT specialist, warehouse employee, purchasing manager, apprentice. They meet, they eat, they talk, they relax. Plenty happens at these tables.

## 40 nations

The benefits of cultural diversity. Valora is active internationally. It employs staff from some 40 different nations. Valuable cultural diversity and a clear manifesto for tolerance and mutual respect.

1m

Be yourself. Listen. Advise. A smile costs nothing.
**View from 1m away, Sabrina Kosic, Migros Sole kiosk, Rheinfelden**

*4 objectives*

- **Sales growth of 3-5% annually**
- **An EBIT margin of 3-4% by 2012**
- **Significant gains in efficiency and effectiveness**
- **Customers, business partners, shareholders and employees who are satisfied**

*4 Core initiatives*

## {Competence}

For the Retail division, the priority is on clear format strategies and a total focus on the customer. Each format – be it k kiosk, avec. or k presse + buch – is positioning itself with a distinct format and a clearly differentiated product range. Product range configuration is being targeted by outlet location and with higher productivity in mind. k kiosk, for example, specialises in the «everyday treat», tobacco, press products, confectionery and lottery tickets. They are also developing improved distribution management for the k kiosk channel, cutting costs and enhancing profitability. This format continues to optimise its current 1 000 plus outlet network.

As a major press and book wholesaler and a leading distributor in three countries, Valora Media is responding to changing market conditions. It is doing this by making its service offering even more professional and thinking beyond national borders. Further enhancements to category management are broadening the range of add-on services offered to publishers and thus adapting the division's offering to changing customer needs.

Closer co-operation within the division and a systematic co-ordination of activities are key for Valora Trade. Initial successes have already been achieved through a supra-national approach to principal acquisition. The Nordic platform has made processes and structures more efficient, enhancing the effectiveness of market activities. Acquiring new principals will remain a priority. High-margin niches in health and functional food have big potential, which the division is exploiting, as does expanding the division's European presence and making its service even more professional and specialised.

## {Growth}

Growth means moving forward, exploring new avenues, claiming new territory. It also means identifying and exploiting new opportunities in existing businesses. That is exactly what Valora is doing with its future strategy for avec. Since dissolving its joint venture with Migros, Valora now has an opportunity for independent, rapid growth in the attractive convenience store market. By late 2009, some 100 avec. outlets should be flourishing in Switzerland. The avec. brand is firmly established in the market, and its fresh approach and modern appearance are appealing to consumers. 38 outlets are now up and running, more will come on stream as existing shops are refitted and new locations and partnerships are established. Besides organic growth, Valora is constantly reviewing possible co-operations or acquisitions which fit its business model and have the potential to strengthen its core activities. The acquisition of Media Center GmbH in Berlin in late 2008 is an example of this. This move not only strengthens the division's outlet network in the non-travel retail sector, beyond stations and airports, it also makes Valora's retail operations in Germany more competitive and more profitable.

## {Efficiency}

Doing the right thing and doing it well. Concentrating on essentials. That helps to save resources. Even greater efficiency is something Valora can and must achieve in several areas. A major logistics project is under way, moving operations from Muttenz to Egerkingen. Since the first quarter of 2009 Tobacco and beverage logistics were moved and are now up and running in Egerkingen. The new location raises capacity, shortens delivery routes, simplifies systems and processes and significantly raises quality levels. It also means moving from several systems to one integrated, standardised logistics infrastructure. This not only cuts error rates, it also substantially shortens pick and pack throughput times for press products and other goods. The logistics move for all product areas should be completed by the end of 2009.

Improved efficiency and standardised systems are a key agenda item for finance and HR as well. The new closed loop inventory management system means that data can be evaluated faster and more reliably, increasing the speed and accuracy of control and reporting activities. Rollout of the new SAP HCM system on January 1, 2009 provides Valora with a uniform personnel and payroll administration system for the whole of Switzerland. New modules are now being added, bringing Valora further along the path from HR administration to modern human capital management. IT, whose consolidation of Valora's previously disparate systems and platforms has now introduced a comprehensive standard across business areas, is at the heart of all these projects.

## {People}

Whatever is at stake – be it competence, growth or efficiency – it is people that make it happen. That is why the People core initiative is centred around Valora's employees and customers.

Valora employs some 9 000 staff (6 523 on a full time equivalent basis). How Valora develops depends on them. The Group intends to strengthen its corporate culture and encourage its staff to identify with it. The keys to this are active, transparent communication and a clear leadership culture based on recently promulgated principles. Centralising head office functions in Muttenz has greatly facilitated communication and simplified co-operation between staff across the firm. The sharing of knowledge across divisions and national borders is being actively encouraged at all levels. Staff development is being further professionalised through targeted investments in human capital, thus fostering a climate of mutual trust.

Responsible, entrepreneurially minded staff are being empowered to take on and delegate decision-making authority. The idea here is that it is customer requirements which will drive the changes the firm needs to make.

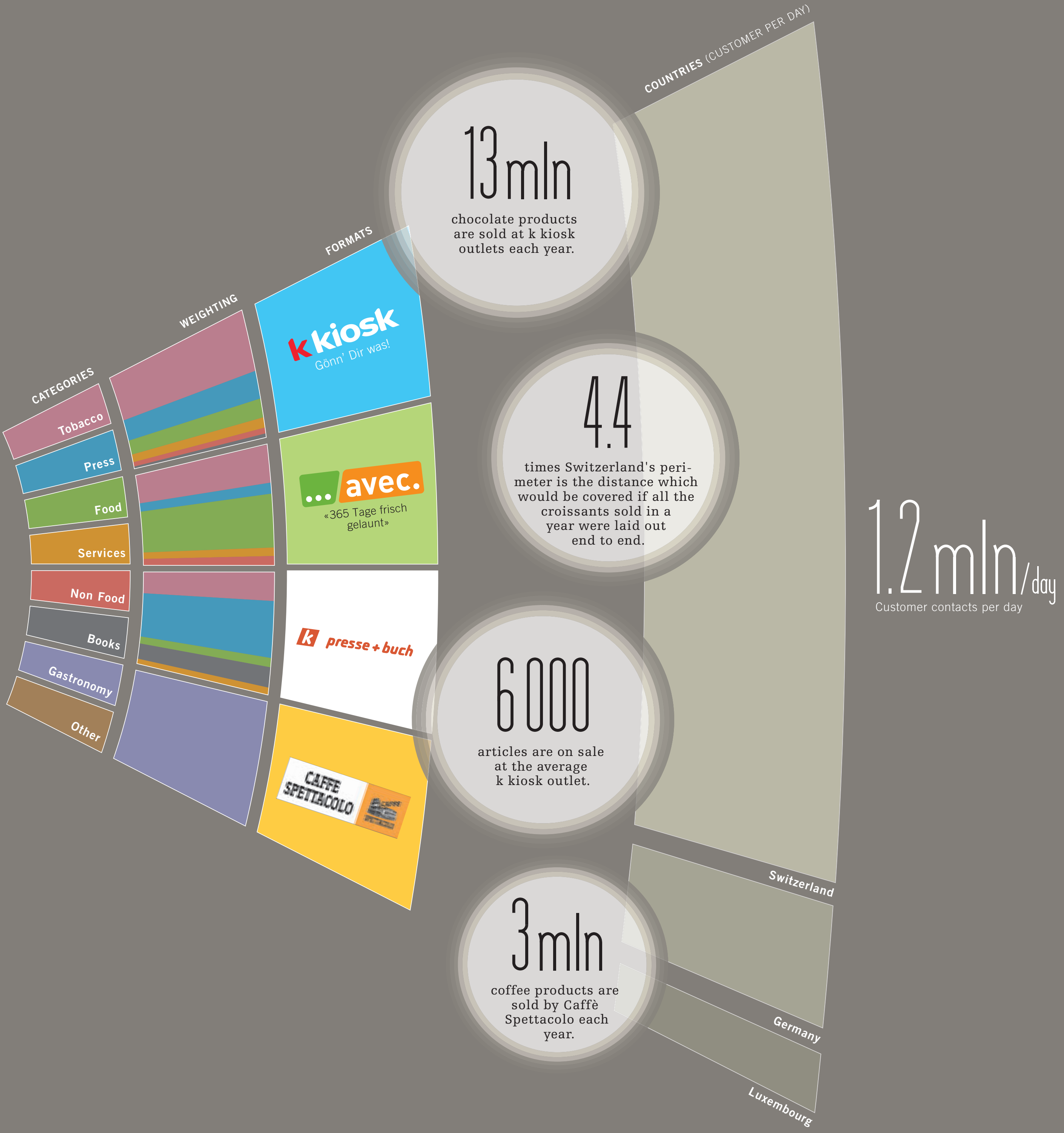
The Retail division's newly created strategic marketing unit is playing a key role in promoting and enhancing focus on the customer. Besides carrying out research into market trends, this unit will concentrate on consumer intelligence. This involves gaining a better understanding of Valora's customers and their buying patterns, responding quickly to new trends and delivering new ideas to the market, thus bringing Valora and its customers closer together.

# *Valora Report*

2008

# Valora Retail

Valora Retail's product range is comprehensive, averaging nearly 6 000 articles per outlet. The staff at the 4 formats Valora Retail operates in its 3 main national markets engage with more than 1.2 million individual customers every single day.



# *Valora Retail*

## SMALL-OUTLET RETAIL'S POTENTIAL REMAINS PROMISING

Through its k kiosk, avec., k presse + buch and Caffè Spettacolo formats, Valora Retail provides, and will continue to provide, the many little daily treats which today's and tomorrow's consumers want.
The outlets' product ranges, locations and formats are designed around the behaviour of modern people on the move. While k kiosk's offering is centred on the quick small indulgence and avec. provides convenience and freshness, k presse + buch and Caffè Spettacolo invite customers with more time on their hands to concentrate on life's finer things.

### KEY FIGURES

| | **2008** | 2007 | 2006 |
|---|---|---|---|
| **Net Revenues** in CHF million | | | |
| Total Valora Retail | 1749 | 1 665 | 1 633 |
| Percent of Valora total | 60% | 59% | 59% |
| **Operating Profit** in CHF million | | | |
| Total Valora Retail | 23* | 20 | 21 |
| Percent of Valora total | 36% | 34% | 32% |
| Percent of net revenues | 1.3% | 1.2% | 1.3% |
| **Employees** full time equivalent | | | |
| Total Valora Retail | 4 818 | 4 672 | 4 852 |
| Percent of Valora total | 74% | 72% | 72% |
| **Investments** in CHF million | | | |
| Total Valora Retail | 21 | 24 | 24 |
| Percent of Valora total | 47% | 51% | 41% |

* Operating profit before restructuring

# [VALORA RETAIL:]

*Success driven by focus, brand recognition, product range expertise and efficiency.* **Today, Valora Retail operates more than 1 400 small-outlet retail sites in heavily frequented locations, acting as a geographically comprehensive marketing and distribution organisation for the press and consumer products which are part of everyday life. The division's dense network provides millions of customers with direct, simple access to its products. Understanding customer needs and a flair for picking the right location are the keys to success in retail. In future, the division will place even greater emphasis on accessibility and customer choice. The new closed loop inventory management system is helping to raise efficiency levels considerably.**

—— Valora Retail is the leading kiosk operator in Switzerland and Luxembourg. To stay ahead, the k kiosks in these markets will increasingly use defined customer clusters to focus on appropriate locations and the specific product ranges appropriate to them. Press and tobacco products, food, confectionery and lottery tickets will remain at the heart of the product ranges on offer. Analysis and interpretation of macro trends will help to fine tune these by providing an improved understanding of local customers' needs and buying patterns.

In Germany, Valora Retail is the leading operator of railway station bookstores. Since early 2009, the number of outlets the division runs in Germany has exceeded the 200 mark for the first time, giving it nationwide market coverage. The successful k presse + buch format has further expanded its market presence.

The convenience store sector, where Valora Retail benefits from its strong avec. brand, will be the key driver of the division's growth and is thus central to the Group's strategy.

The objective is to expand the avec. network to 100 shops. The avec. format is designed to appeal to modern urban customers who make the most of their time and appreciate the shops' accessibility, long opening hours and attractive range of fresh products. Alongside its Swiss expansion plans for this format, Valora Retail intends to run pilot locations in Germany.

2009 marks the 10th anniversary of Caffè Spettacolo, the division's gastronomy arm. In that time, this contemporary format has been meeting the enduring demand for high-quality coffee and Italian style.

As the Group's largest division, Valora Retail is at the centre of the «Valora 4 Success» strategy. The objective is to put the four core initiatives – competence, growth, efficiency and people – into effect at Valora Retail in order to strengthen the Group's base.

The competence core initiative centres on k kiosk. It involves adjusting product ranges, optimising locations and raising market profile to make the kiosks more responsive to changing customer needs and market conditions.

The growth core initiative is focused on the already successful avec. format, which will be expanded significantly.

The efficiency initiative has already taken a great step forward with the roll out of the new inventory management system. Efficiency levels will see a second major increase when the logistics centralisation project is completed during 2009.

Finally, the people core initiative is evidenced by Valora's efforts to create a working environment characterised by motivation, a sense of security and competent leadership. A major milestone was reached in this area with the general conditions of employment which were jointly developed with the Syna trade union in 2008 and came into effect in Switzerland in 2009. Throughout its organisation, Valora Retail is working to implement far-reaching improvements in other areas, too. New product range concepts, for example, are being subjected to intensive testing at selected sites, after which phased roll out begins. The division expects to report the first significant results from these efforts at k kiosk, avec. (Switzerland and Germany) and k presse + buch during the second half of 2009.

# K KIOSK SYMBOLISES THAT LITTLE DAILY TREAT.

**With its dense network of outlets in central, heavily frequented locations, k kiosk is the ideal channel through which a multiplicity of daily small-item purchases can be made by consumers on the move. With product ranges suited to customer needs, clearly presented articles, a well-honed market profile and new services, k kiosk is in tune with what today's modern consumers want.**

## [SWITZERLAND:] K KIOSK – AN ICON OF MOBILITY, INSPIRATION AND CONVENIENCE

*k kiosk comprehensively meets consumers' evolving needs. As time becomes ever scarcer, people today need efficient ways of enjoying free time and meeting their impulse purchasing needs. Because making the most of their time is increasingly important to many people, many of their small-item consumer purchases are made while they are out and about.*

As a result, k kiosks are no longer merely there to supply people quickly and efficiently with the consumer items and printed media they need. They should also provide inspiration – by, for example, offering a wide range of press products. In a hectic world which the current economic downturn has also made more daunting, the k kiosk provides an oasis where people can treat themselves to a small indulgence. This is where customers reward themselves with a little something, often on a spur-of-the moment decision. Be it a lottery ticket, a quality magazine, tobacco goods, confectionery or a refreshing drink, k kiosk is the place to come for that everyday treat everyone can enjoy.

### DENSE DISTRIBUTION NETWORK

In Switzerland alone, Valora Retail operates over 1000 k kiosk outlets. While location-specific factors will often determine the type of outlet used, the following locations are preferred:

- Conurbations – smaller outlets are deployed, usually close to towns and in rural areas
- Major public transport nodes, such as larger stations and airports, tend to be used for larger outlets
- City-centre locations and shopping centres
- Special locations, such as hospitals

Valora Retail operates over 200 outlets since 2009 in Germany, 179 of which are at railway stations and airports, with a further 27 units in shopping centres and department stores. This makes Valora Germany's leading railway bookstore retailer. In Luxembourg, the division's 75 outlets make it that country's market leader, too. The density of the network in Switzerland, Germany and Luxembourg makes the units easily accessible to their customers.

### PRODUCT RANGES ATTUNED TO CUSTOMER NEEDS

A crucial element in the «Valora 4 Success» strategy programme is product range reconfiguration. The objective here is to put together product ranges which are appropriate to their locations and formats and which ensure that customers find what they want, thus enhancing the revenues generated by Valora Retail. Product presentation and optimised use of the space available are further important factors in this equation. Sales space should be compact, yet uncluttered, offering the best possible choice of products. While customers appreciate being able to find and buy what they want quickly, they also expect a wide and inspiring range of goods to choose from.

*Competence*
**Valora Retail's decades of experience enable it to make the most of optimal product positioning, calibrated product ranges and appropriate formats to address customer needs competently and directly.**

### STRENGTHENING THE K KIOSK BRAND

The k kiosk brand has been diluted in recent years, and this has blunted its market profile. By eliminating sub-brands, deploying clearly recognisable formats in appropriate locations and attuning its product ranges to customer needs, Valora Retail is injecting new life into its brand. Market research has an important role to play here, and it is being put to telling use. Disciplined application of the research results is enabling the division to define customer clusters and to improve its understanding of customers and their behaviour.

#### MODERNISATION AND PROCESS STREAMLINING RAISE EFFICIENCY LEVELS

Roll out of the closed loop inventory management system had been largely completed by the end of 2008, providing Valora Retail with a modern, integrated, state-of the-art inventory information infrastructure. The new system compiles sales, gross margin and inventory stock data by day, product item and outlet. This allows a wealth of evaluation and analysis to be performed. The increased transparency which the new data provides makes it easier to run efficient inventory levels and provides far more reliable data on which to base product range decisions. Items no longer run out, because re-stocking can be arranged in a timely fashion.

*People*
**The people core initiative encompasses all Valora's stakeholders and is central to the outcome of the «Valora 4 Success» programme. Valora Retail is currently focusing efforts on providing additional training to sales staff in direct contact with the public.**

In late 2008 and early 2009, the logistics operations for beverage and tobacco products were successfully moved to the new Egerkingen facility. Relocation of the logistics operations for food, non-food and articles for operational use is planned during 2009. The objective is to streamline processes, thus boosting delivery quality significantly.

#### OUTLOOK FOR 2009

The Swiss kiosk operations will direct their strategic focus to improving their core business in 2009. The existing shop format concept and its various constituent elements will be developed further, with formats being tested at selected pilot sites. Where these are successful, they will then be rolled out to a wider target market. The k kiosk format will concentrate on its proven strengths - press and tobacco products, services, confectionery and beverages. An outlet optimisation programme is now under way to configure shelf presentation around this format's strategic products, so that the goods on offer are easily visible and accessible to customers. The efficiency core initiative will focus on further streamlining processes at the Swiss k kiosks, and to making the most of new opportunities for product range configuration, data evaluation and inventory management. The objective is to achieve markedly higher productivity levels. The sharing of experience gained in different national markets will also be important here.

## [LUXEMBOURG:] CONTINUING TO BUILD ON LEADERSHIP POSITION

*Valora Retail Luxembourg has continuously raised its market profile in recent years and has been able to secure extremely attractive and well-frequented outlet sites, as evidenced by its opening a new shop at Luxembourg airport.*

With its network of 75 k kiosk and Caffè Spettacolo units, Valora Retail has achieved a solid market share of more than 50%. Focused, active product range management enabled the company to hold its sales at 2007 levels, despite a contraction of the overall market during 2008.

#### NEW BOOK CONCEPT

2008 saw the new approach to promoting book sales successfully put into effect. In order to encourage book purchases, the company's bookshops began displaying bestseller lists. In response to the size of Luxembourg's expatriate community, the share of books in English was also increased.

#### OUTLOOK FOR 2009

For Valora Luxembourg, implementation of the «Valora 4 Success» programme will involve streamlining its structures. Brand proliferation will be scaled back further. All Luxembourg retail outlets – except the MDL bookshops and Caffè Spettacolo units – will in future operate under the k kiosk banner.

#### SALES OUTLETS PER COUNTRY

| Number | 2008 | 2007 |
|---|---|---|
| Total Valora Retail | 1 428 | 1 404 |
| Switzerland* | 1 170 | 1 172 |
| Germany | 183 | 159 |
| Luxembourg | 75 | 73 |

* including Franchise

# ...avec. AN ENGINE OF GROWTH FOR THE ENTIRE GROUP.

**The avec. convenience stores are the format which will drive Valora's growth. Having expanded its network from 14 to 38 units through its acquisition of the cevanova franchise operations in 2008, Valora Retail will expand its avec. operation to 100 units by the end of 2009. The avec. convenience stores have adopted a modern look, designed to appeal to an urban, mobile clientele which appreciates fresh produce, food and drink articles for immediate consumption and the long opening hours these stores keep. Initial tests of the avec. format beyond Switzerland's borders are now in the planning stage.**

## [SWITZERLAND:]
## AN INDEPENDENT, CONTEMPORARY FORMAT FOR A DYNAMIC CUSTOMER GROUP

*With its avec. format, Valora is creating Europe's most refreshing convenience store operation. Every day, avec. presents its customers with fresh ideas in an appealing, contemporary setting. What sets avec. apart is its expertise in fresh bread, vegetables, fruit and health food. An international range of branded products, in-house labels and special services complete the picture.*

*Growth*
**Convenience stores are rapidly gaining ground in the retail sector. The potential market in Switzerland is estimated to be worth some CHF 2.5 billion annually. Between 2005 and 2007, convenience store sales grew by 10%.**

Besides the attractive range of products it offers and its pleasing, modern appearance, avec.'s central locations and, above all, its long opening hours appeal to customers, who can do their grocery shopping simply, unconstrained by traditional shop opening times and on their way somewhere else. This customer-oriented form of convenience store format is a key component in the Valora Group's expansion strategy.

### ACQUISITION OF THE CEVANOVA FRANCHISE UNITS AND INTEGRATION OF THE 14 VALORA-OPERATED SITES.

The network of modern avec. stores underwent significant change during 2008. Dissolution of the cevanova joint venture meant that 21 franchised avec. units were transferred to Valora's control. Along with 3 further cevanova units then in the planning stage, plus the 14 avec. units Valora itself was already operating, this gave the division a comprehensive network of 38 avec. units at the beginning of 2009. The second half of 2008 saw new avec. units opened in Bonstetten (Valora-operated) and Uznach (a franchise operation).

The avec. brand is already well established in Switzerland. The new concept will be further enhanced by broadening its product range to include new, fresh food products ready for immediate consumption or for heating up at home. Alongside avec., Valora Retail also operates a network of shops at filling stations, which themselves constitute important nodes in its convenience store network, providing customers with the opportunity of buying essential basic items after filling their cars.

### OUTLOOK FOR 2009

The «Valora 4 Success» strategy programme will be a characteristic feature of 2009. Expanding the avec. network to 100 units is the clear focus here. Product ranges will emphasise freshness and quality, attributes in tune with modern healthy living. Selected avec. stores will be test marketing these new components in their product range during the spring of 2009, and will distribute them throughout the network if they are successful. During the year, the 38 existing stores will be complemented by 20 to 30 new ones to be created by refitting some larger k kiosk sites. In addition, efforts are under way to run more stores in co-operation with business partners, oil companies being one possibility. Valora Retail's general objective is to run as many units as possible on a franchise basis. A small number of outlets will continue to be operated by the division itself, in order to carry out marketing tests.

# k presse + buch INNOVATION AND MARKET PRESENCE SECURE LEADERSHIP POSITION.

**In Germany, the k presse + buch format has proved very successful at railway station bookstores and is now present in all Federal German states. Innovations for its customers and add-on services provided to publishers have enabled it to maintain its market leadership. During 2009, Valora Retail will also test this successful concept in Switzerland, using a modified market profile and an adapted product range. Should the tests yield positive results, further such units will be opened there.**

## [GERMANY:] REINFORCING LEADERSHIP OF THE GERMAN STATION BOOKSTORE MARKET

*Valora Retail Germany is that country's leading railway station bookseller. Since 2009 its more than 200 shops have a daily potential market of some 50 million customers. Sunday shopping at the nearest large station is becoming increasingly attractive to German consumers, and the time factor is less critical to them then than during the week. Recognising this trend, Valora Retail Germany now has k presse + buch bookstores available to railway travellers and station shoppers throughout the country.*

### ADDITIONAL OUTLETS ACQUIRED

During 2008, Valora Retail Germany acquired 12 shops from Media Center GmbH in Berlin. Most of these operate classical kiosks, selling press and tobacco products and lottery tickets, and are located in prime sites. This transaction doubled the number of non-travel retail units operated by the firm at a stroke.

In December 2008, the firm opened its first flagship travel retail outlet, sited at the Hamburg Airport Plaza. This sizeable operation, with 350 square metres of floor space and its own unique shopping concept, has enabled Valora Retail Germany to break new ground in the German retail travel market.

Competence

**As Germany's leading railway station bookseller, Valora Retail Germany is the only firm offering its customers press and book products under one roof. The result is a uniquely broad selection, which addresses numerous customer requirements. Media walls in many shops and a print on demand facility are testimony to the firm's innovative prowess.**

### «PRINT ON DEMAND» AND NEW «MEDIA WALLS» POINT THE WAY FORWARD

In addition to growing its network through acquisitions, Valora Retail Germany has launched various innovations aimed at increasing customer footfall. In December 2008, for example, the firm introduced new print on demand facilities at two Hamburg test sites (the Mediencentrum at Hamburg's main station and the Airport Plaza bookstore). This facility enables customers to print current copies of some 700 international press titles from more than 70 countries. Customers choose their title on a touch screen monitor, shop staff then launch the print routine and within three to six minutes the customer's freshly printed newspaper copy is ready. Established international titles such as the New York Times and the Washington Post are proving the most popular.

At its Mediencentrum store at Hamburg's main station, the firm has also set up new media walls as a sales generating tool. These consist of a wall of individual 100 cm screens which publishers use to showcase their press titles and other products. A particular advantage of this approach is that each publisher is allocated a separate data feed to transmit live content of their own, such as news broadcasts. In the year since it was first launched, this has proved a very useful sales promotion tool. To date, 17 such installations have been set up at prime locations.

### OUTLOOK FOR 2009

Valora Retail Germany's focus for 2009 will be on integrating its recent Konrad Wittwer GmbH and Media Center GmbH acquisitions. Valora intends to continue expanding its German non-travel retail business at a manageable pace.

CAFFE SPETTACOLO «ITALIANITÀ» MAINTAINS ITS APPEAL. **Despite the significant competition it now faces, Valora's Caffè Spettacolo format, with its focus on the enjoyment of coffee Italian-style, still enjoys strong demand after 10 years of operation, and can count on a loyal customer base to support it. Customers can expect to find a wide range of coffee and refreshing drinks, complemented by an appropriate selection of selected light snacks. Where the locale permits, events of various kinds inject a cultural note.**

## [SWITZERLAND:] UNBROKEN ENTHUSIASM FOR TOP-QUALITY COFFEE AND ITALIAN FLAIR

*Demand for premium-segment coffee bars offering top-quality products at reasonable prices seven days a week continues apace. With its extensive, but select, product range and geographically comprehensive network, Caffè Spettacolo is extremely well placed in this trend-conscious segment of the gastronomy market, providing its customers with an identifiably intense atmosphere of its own which meets many lifestyle needs.*

During 2008, suitably sited coffee shops staged weekly cultural events. These events, which have included salsa dance courses followed by specially organised fiestas, have met with strong customer approval, and will be continued. Caffè Spettacolo is responding to customer demand for communicative, comfortable surroundings by improving its service quality. Staff training has a key role to play here, and courses have focused on behavioural training as well as more technical matters.

By the end of 2008, Caffè Spettacolo was operating a total of 32 coffee shops in central, heavily frequented locations.

*People*
**Small-outlet retail, where the division focuses its activities, draws its strength from the people who work in and around the various formats which Valora Retail operates. Much emphasis is therefore placed on the philosophy of being «friendly and competent», and it is the focus of the training the division provides to all its staff, especially those working directly with customers.**

### OUTLOOK FOR 2009

2009 marks Caffè Spettacolo's tenth anniversary. Ten years on, there is plenty of evidence that this coffee bar concept, which in fact originated from an internal employee competition, remains entirely viable. The yearning for «italianità» is as strong as it was back then, and it continues to attract customers.

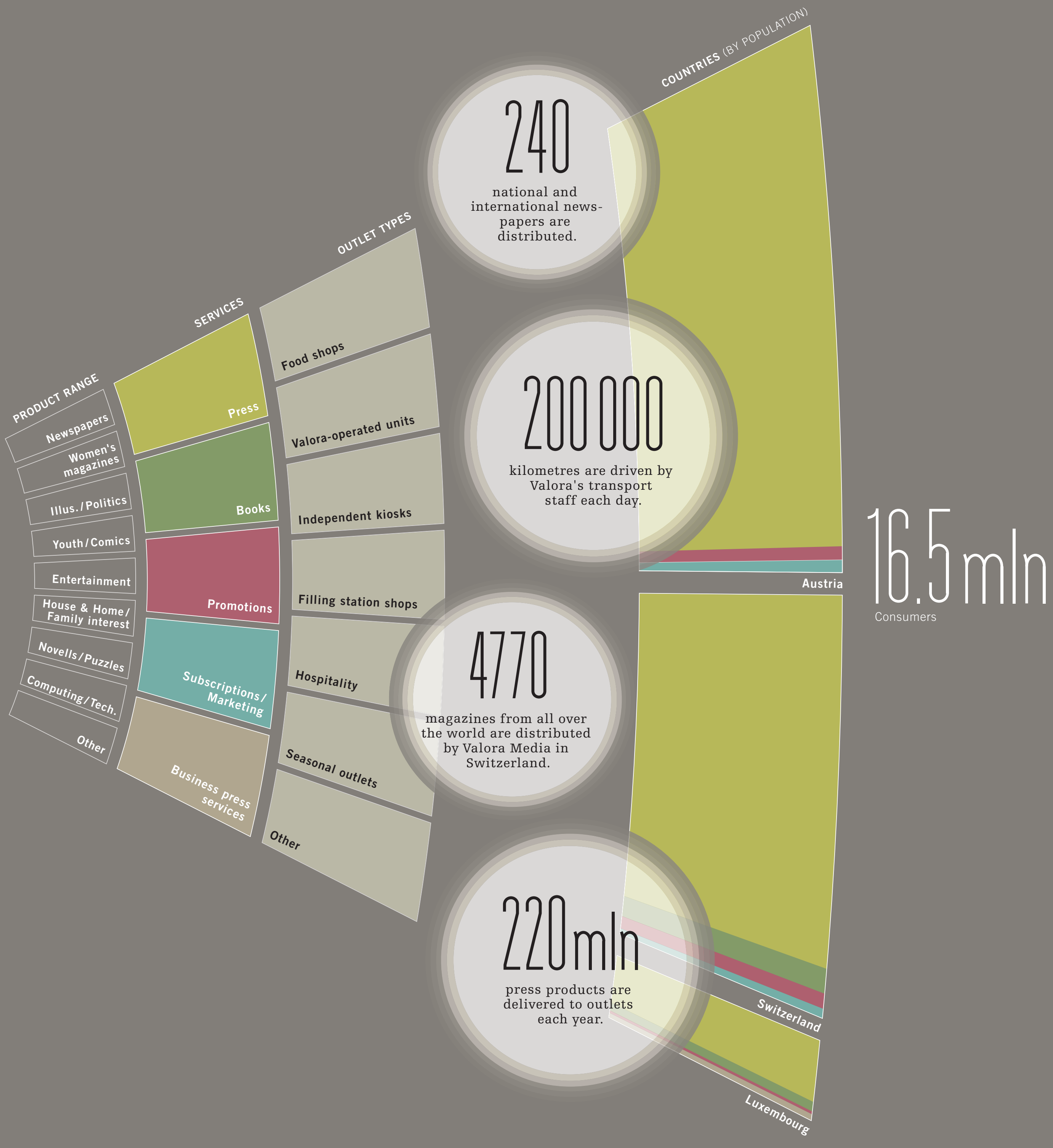
Even today, staff are still inspired by the creative, pioneering and lively spirit of those who invented the concept. This anniversary year will offer guests a wide range of activities centred around the tantalising subject of coffee. The chain will also open two more units in the second half of the year, one in Basle and one in Berne.

### NET REVENUES PER BUSINESS AREA

| in CHF million | 2008 | 2007 |
|---|---|---|
| Kiosk Switzerland | 954 | 919 |
| Gastronomy and Caffè Spettacolo | 48 | 46 |
| Convenience and Tamoil | 173 | 165 |
| Kiosk Germany | 262 | 246 |
| Kiosk Luxembourg | 98 | 98 |
| Wholesale and others | 214 | 191 |
| Total Valora Retail | 1 749 | 1 665 |

# Valora Media

This division uses various services and 7 distribution channels to deliver its extraordinarily comprehensive, varied and international range of press products to existing and potential new customers in Austria, Switzerland and Luxembourg.



# *Valora Media*

## VALORA MEDIA POSTS STABLE PERFORMANCE IN A CHALLENGING MARKET

The Valora Media division offers its customers a range of press titles of extraordinary breadth and depth. Press products from every corner of the globe are made available through well over 7 000 outlets to end consumers in Switzerland, Austria and Luxembourg. Valora Media is responding to an increasingly challenging market by offering additional services, engaging in co-operative ventures, and through innovation.

### KEY FIGURES

| | **2008** | 2007 | 2006 |
|---|---|---|---|
| **Net Revenues** in CHF million | | | |
| Total Valora Media | 576 | 553 | 560 |
| Percent of Valora total | 20% | 20% | 20% |
| **Operating Profit** in CHF million | | | |
| Total Valora Media | 29* | 25 | 28 |
| Percent of Valora total | 46% | 43% | 42% |
| Percent of net revenues | 5.0% | 4.6% | 5.0% |
| **Employees** full time equivalent | | | |
| Total Valora Media | 472 | 446 | 455 |
| Percent of Valora total | 7% | 7% | 7% |
| **Investments** in CHF million | | | |
| Total Valora Media | 3 | 2 | 2 |
| Percent of Valora total | 7% | 4% | 3% |

* Operating profit before restructuring

[VALORA MEDIA:]*Expanding services and joining co-operations in response to a demanding market.* **As a leading press and book wholesaler, Valora's Media division is engaging robustly with the challenges posed by today's markets. Valora Media and a number of publishers are making increased use of co-operative structures to counter the press world's current shift away from daily newspapers towards tabloid-format free sheets and online media. The objective is to use retail outlets to showcase attractive presentational material as a means of stabilising sales of paid daily newspapers. Valora Media is deploying new services to strengthen its press business, while actively pursuing opportunities in the more stable magazine sector.**

Valora Media believes that the current changes in the press market also offer it an opportunity to strengthen its position in established business sectors and to use innovation as a means of generating customer demand. 2008 provided some examples of this approach being successfully applied, and innovation will remain a high priority for this division. Valora Media currently enjoys a strong position in all three of its markets.

The division intends to continue strengthening its market share, expanding sales where it can. The «Valora 4 Success» strategy programme has defined important initiatives for the future, all aimed at responding more effectively to customer needs in an increasingly tough market environment.

Efficiency is a critical factor in all the division's markets. The objective is to work as a reliable and competent partner with publishers, in order to develop common and effective responses to the increasingly demanding market conditions for daily newspapers. This is where higher efficiency levels really count. The division also intends to provide publishers with additional services in the areas of market data, market analysis, promotion and marketing. Implementing this strategy will demand a lot of the division's staff, which is why significant emphasis is being placed on training, employee development and improved leadership as the foundation for continued strong performance in 2009.

*Competence*
**Getting the right quantity of the right product to the right place at the right time – expertise Valora Media is building on.**

Modern category management techniques, innovation, detailed analysis of retail structures and enhanced know how will help Valora Media to raise its game and generate growth.

## [SWITZERLAND:] SERVICE EXPERTISE SHARPENS COMPETITIVE EDGE IN A TOUGH MARKET

*Valora Media Switzerland's value proposition is the comprehensive range of services it offers in a turbulent press market. The changes which the new media are bringing to the press sector have given rise to opportunities which Valora is using professional product range configuration and market innovations to exploit. The division is also subjecting its internal processes and technical infrastructure to thorough analysis, so as to boost efficiency further and provide customers with the most attractive offering possible.*

In 2008, a number of Valora Media's publishing partners used its supplementary services in the fields of marketing, promotion and market analysis to launch new press products. The comprehensive efforts the division put into serving its publishers in this way have paid off, and are reflected in good turnover results. A key factor in this is the wealth of market and technical expertise which Valora Media Switzerland has accumulated. Targeted staff training raised quality levels significantly, enabling more detailed analyses to be carried out. The insights thus gained have resulted, for example, in new and clear responsibilities being defined based on product type – daily newspapers, weekly magazines, monthly magazines, etc. This will improve the quality of product management.

### A CHANGING MARKET AND NEW MEDIA USHER IN A NEW AND DYNAMIC ERA OF OPPORTUNITY

Media consumers' habits are changing fast. More and more information is being sourced online and through mobile devices and this trend can be expected to accelerate. This trend is also characterised by a narrowing of the individual consumer's focus, so that interest in niche products in the fields of information, knowledge and entertainment is growing across all distribution channels. Customers are taking an increasingly hybrid approach to the press landscape. On the one hand, they want information to be available quickly, cheaply and constantly. On the other hand, consumers do want to be entertained as well, and they are prepared to set time aside for this. There is an opportunity here for Valora Media Switzerland to deploy its multiplicity of high-quality press titles to meet this demand.

*People*
**Understanding customers' needs is an essential skill in press retailing, and success depends on it. Providing every customer with access to information is not enough, emotions must be engaged as well. As customers leaf through magazines, read articles or simply listen, success comes from engaging emotions.**

Daily newspapers have suffered the most from consumers' changing approach to sourcing information. The influence which free sheets will have on them can however be expected to diminish somewhat compared to recent years. Partly, this is due to market saturation and partly to the further decline in advertising revenue which free sheets can be expected to experience in the current economic climate. This suggests that the number of players in the free sheet market will diminish in the foreseeable future.

The economic downturn did however also further accelerate the migration of advertising budgets from classical media to a variety of online channels during the fourth quarter of 2008. To what extent generally weaker consumer demand will impact the subscription business will become evident in 2009. Were this to happen, retail sales would again become more important to publishers, a trend from which Valora Media would benefit.

### CATEGORY MANAGEMENT AND INNOVATION PAVE THE WAY FOR SUCCESS

Valora Media Switzerland is developing a comprehensive category management capability for its retail distribution partners. This is designed to enable them to make more professional and efficient use of market opportunities and exploit them to the full. Valora Media Switzerland has established a reputation in the press retail market as a proactive, innovative and flexible business partner. The company lived up to this reputation during 2008 by launching advertising campaigns around Mother's Day, the Sunday press and the advent season.

### MODERNISING LOGISTICS PROCESSES AND ROLLING OUT NEW IT

In mid-2009, Valora Media Switzerland will move its press operations (press returns and press sorting and packing) to the Valora Group's new Egerkingen logistics centre. Before the move is executed, a number of possible new product flow models will be tested at the Muttenz railhead. The insights from these will feed into the subsequent decision-making process. The model ultimately chosen will then be optimised and adopted at the division's 10 other railheads. The objective is to improve dispatch quality, significantly enhance the service offered to publishers and reduce throughput times.

During 2008, Valora Media Switzerland's finance processes were migrated to the new SAP ECC 6.0 system, thus making it possible to harmonise processes and increase transparency.

### OUTLOOK FOR 2009

As part of the Valora Group's strategic programme's four core initiatives – competence, growth, efficiency and people – Valora Media Switzerland is taking action in a number of areas. On the competence front, the further development of the division's category management capability across all distribution channels is the key initiative. It aims to enhance the competence with which the division executes its work for its retail and publishing partners. The growth initiative is being directed towards improving the range of additional services offered (market data, market analysis, promotions and marketing). These services are based on analyses of retail market structure and socio-demographic trends. The division's efficiency initiatives are concentrating on enhanced retail market penetration, im-

**NET REVENUES PER COUNTRY**

| in CHF million | 2008 | 2007 |
|---|---|---|
| Valora Media Switzerland | 314 | 321 |
| Valora Media Austria | 185 | 153 |
| Valora Media Luxembourg | 77 | 79 |
| Total Valora Media | 576 | 553 |

provements in press distribution and further improvements to distribution performance, while its people initiative will be devoted to intensified staff training.

## [AUSTRIA:] CLOSE CO-OPERATION WITH PUBLISHERS

*Valora Media Austria's objective is to stabilise or grow its revenues in a challenging market environment through a combination of broader product ranges, process optimisation and publisher acquisitions. The firm is responding to evolving customer requirements by working more closely and intensively with its publishing partners.*

The adverse trend affecting the press market continued during 2008, resulting in declining sales in Austria as well. Valora Media Austria responded to this by focusing on reducing costs and, above all, on broadening its product range. In addition to the magazine titles produced by two recently acquired publishing houses, a number of new merchandising ranges were also offered, particularly during the Euro 2008 soccer championships.

Press distribution to the classical retail market is encountering increasingly fierce competition from distribution to discount retailers. Valora Media Austria acted to counter this trend by optimising and expanding its category management activities and establishing preferred partnerships in the press market. A series of future measures to raise efficiency levels in distribution was also defined in this connection. These measures, combined with enhanced marketing efforts at the point of sale, will help to raise turnover.

### NEW PUBLISHERS SIGNED UP, MAJOR EURO 2008 SUCCESS ACHIEVED

The contracts signed with the two publishers Egmont Ehapa and Marquard Media in late 2007 enabled PGV Salzburg to broaden its product range significantly. In a number of key segments, such as magazines for children and young people, the firm assumed a leadership position in the Austrian market.

The Euro 2008 soccer championships held in Austria and Switzerland made a major contribution to PGV Salzburg's results for 2008. The euphoria unleashed in Austria as a host nation for such an event and the new distribution partners which the firm signed up ahead of it helped Valora Media Austria to achieve record levels of collectible picture card sales. The smooth logistics execution supporting this project once again demonstrated the great flexibility of the systems the firm relies on.

### ENHANCED SERVICES AND CHANGING READING HABITS

Valora Media Austria succeeded in building further on its position as a subscriptions service provider during 2008. In addition to administering renewals of expiring subscriptions for the Styria Multimedia group, Austria's second-largest magazine publisher, the firm also secured a contract to run this client's entire subscriptions administration service. This is a significant success, which underscores the firm's professionalism and competitiveness.

Changing reading habits among consumers are increasing the pressure on publishers' margins. In order to strengthen its position as a press wholesaler in this demanding climate, and to foster closer ties to its customers, Valora Media Austria also expanded the range of wholesale services it offers. Initiatives in this area which met with particularly positive responses were a laptop-based application for press sales reps and an automated product range configuration system for retailers with branch networks.

*Competence*
**Correctly predicting when a specific press product will run out at retail outlets is critical and the consequences of errors can be very significant. Valora Media uses detailed analytical methods to ensure that publishers' products can be delivered to retail outlets in the correct quantity and at the time they are needed.**

### OUTLOOK FOR 2009

In executing its part of the «Valora 4 Success» Group strategy in 2009, Valora Media Austria is focusing primarily on the growth and efficiency initiatives. The firm will actively pursue opportunities to sign up new publishers as its preferred growth strategy. These efforts will be complemented by further improvements to current service standards, which will be driven by ongoing product range monitoring and near-time analysis of title returns. Additional services are planned to complement these initiatives and add to PGV Salzburg's revenue potential.

On the efficiency front, efforts are under way to streamline and combine internal processes. A number of technical improvements will be implemented in this regard, both in workflow management and logistics processes. Valora Media Austria will also be focusing on further expanding the e-billing services offered to suppliers and customers.

## [LUXEMBOURG:]
## STABILISING REVENUES IN A DECLINING MARKET

*A wider press product range, new services and the introduction of new products helped Valora Media Luxembourg to counter generally adverse market trends, thus dampening their impact on the firm's revenues.*

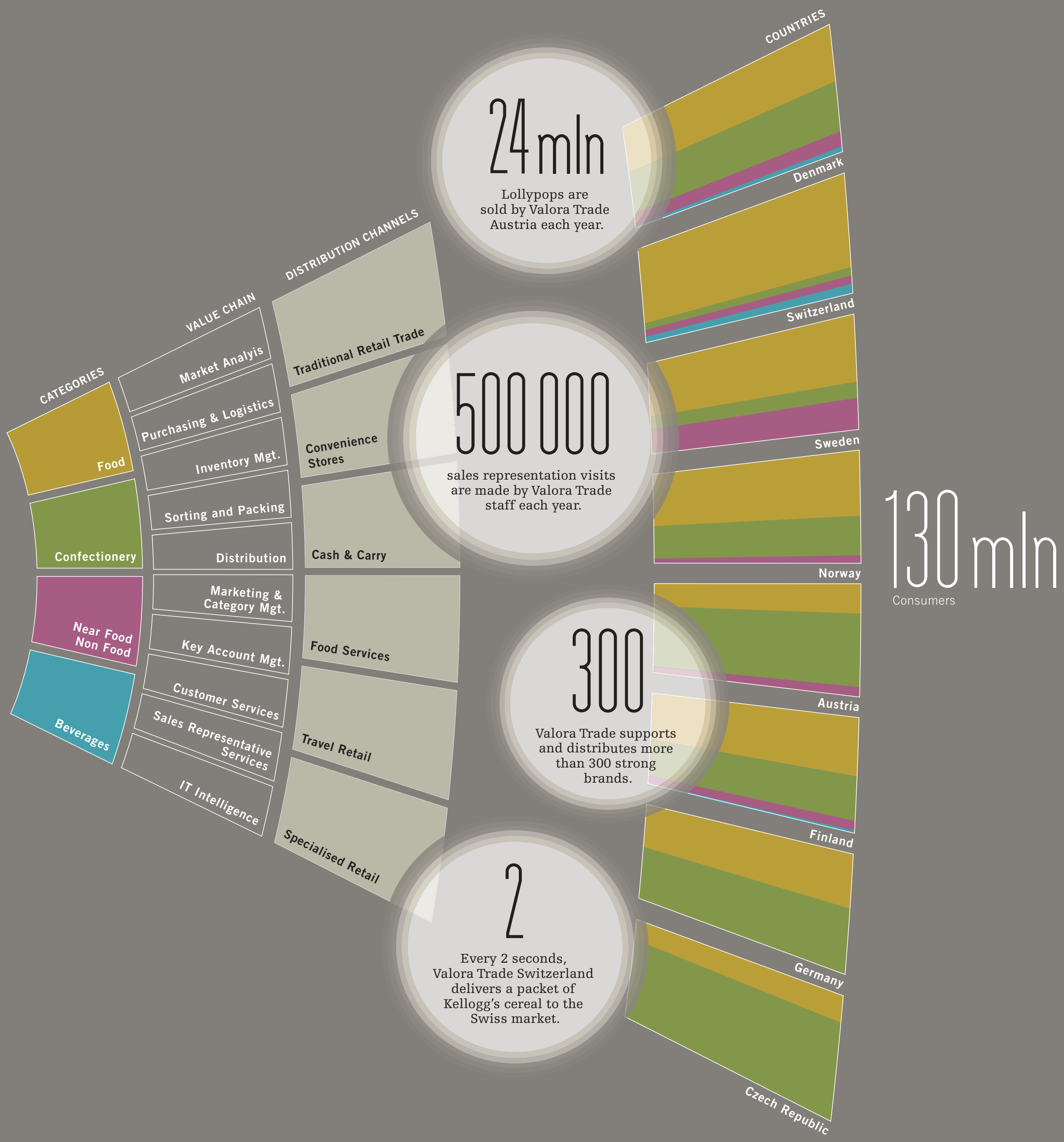
The introduction of two free sheets in Luxembourg has significantly changed the local press landscape, further accelerating the downturn in paid daily newspaper sales. By improving the quality of its services, Valora Media Luxembourg was able to ensure that a wide and attractive range of press products is available to the country's culturally diverse population. This meant that the firm was better cushioned against the general downtrend than its counterparts in neighbouring countries. Valora Media Luxembourg also benefited from the trend among publishers to outsource services which are not directly associated with their core business. An example of this is the whole area of business subscriptions and their administration. This gave Valora Media Luxembourg an opportunity to expand its services in this area further and to increase their professionalism. The firm was thus able to secure major new contracts from banks and insurance companies. The introduction of an automatic title replenishment capability is an example of the further service enhancements the firm is offering its customers.

#### OUTLOOK FOR 2009

Valora Media Luxembourg is concentrating on internal processes during 2009, as a means of further raising efficiency levels. The firm's entire IT landscape is being modernised in stages, thus bringing it into line with Group standards. The firm is also beefing up its logistics functions to meet the growing demands placed on them. The focus here is on developing efficient ways of handling the growing number of low-volume titles which the firm is distributing. The introduction of new, modern category management concepts should help to make press products more attractive at retail outlets. Valora Media Luxembourg is also gearing up its distribution to third-party customers and has expanded its product range to include non-press items.

# Valora Trade

Valora Trade is a leading distributor and marketer offering a comprehensive range of services and delivering more than 300 strong national and international brands to 130 million European consumers.



# *Valora Trade*

## SECURING ITS POSITION AS A LEADING PROFESSIONAL PROVIDER OF DISTRIBUTION AND MARKETING SERVICES

In 2008, Valora Trade further strengthened its position as a leading European distributor of fast-moving consumer goods. In the face of challenging economic conditions, the division made substantial progress both in growing its volume of business with existing business partners and in acquiring new principals. The successful sale of the division's production companies has now freed up resources to concentrate on exploiting the full potential of its core business.

### KEY FIGURES

| | **2008*** | 2007* | 2006* |
|---|---|---|---|
| **Net Revenues** in CHF million | | | |
| Total Valora Trade | 788 | 791 | 748 |
| Percent of Valora total | 27% | 28% | 27% |
| **Operating Profit** in CHF million | | | |
| Total Valora Trade | 18** | 17 | 20 |
| Percent of Valora total | 28% | 29% | 30% |
| Percent of net revenues | 2.3% | 2.2% | 2.6% |
| **Employees** full time equivalent | | | |
| Total Valora Trade | 638 | 649 | 645 |
| Percent of Valora total | 10% | 10% | 10% |
| **Investments** in CHF million | | | |
| Total Valora Trade | 5 | 3 | 3 |
| Percent of Valora total | 10% | 6% | 5% |

* from continuing operations
** Operating profit before restructuring

**[VALORA TRADE:]** *Access to 130 million consumers.* **2008 was characterised by volatile raw material prices, fluctuating foreign exchange rates and greater market share being taken by discount retailers and private label products. Enhanced co-operation between its constituent companies enabled Valora Trade to respond to these challenges energetically and successfully. Increased volumes of business generated with existing partners, the signing up of new principals, a comprehensive approach to category management and more efficient cost structures all contributed to improved margins. As part of the «Valora 4 Success» programme, the division is focusing on further professionalising the services it offers and pursuing additional growth opportunities, as production companies follow the trend of outsourcing their distribution functions in smaller and medium-sized markets.**

—— Valora Trade is the modern and efficient provider of tailor-made, modular distribution and marketing solutions for fast-moving consumer goods *par excellence*.

Through its nine distribution companies in eight countries, the division delivers a wealth of national and international brands to 130 million European consumers. Its services cover every step in the value chain for the successful marketing of branded goods. Individual service modules are configured to build solutions tailored to each principal's specific needs. Valora Trade has marketing know-how which transcends national borders in all product categories, be it confectionery, food, near food, non food or beverages.

#### EXPANDING THE BUSINESS IN A DEMANDING CLIMATE

Valora Trade had a number of economic challenges to confront in 2008. Rapidly changing raw material prices made terms hard to negotiate and exchange rate volatility was a problem. Discount products gained market share from branded goods. Overall sales of private label increased in the medium and higher price segments, which resulted in lower sales volumes for branded goods in these categories.

*Growth*
**Valora Trade intends to push ahead with principal acquisitions in 2009. The division aims to achieve additional growth in niche categories such as health and functional food products, in addition to its more established categories. The necessary internal know-how is being developed for this, as are networks of appropriate business and retail partners.**

Despite adverse economic conditions in 2008, Valora Trade nevertheless came a step closer to realising its ambition of becoming Europe's prime distributor of branded goods. Co-operation between the division and its companies was further enhanced, as planned, particularly in the area of principal acquisition. One result of this was that Valora Trade was able to grow its volumes with major producers such as Wasa Barilla, Storck, McNeil, Perfetti van Melle, Wrigley's and Ferrero. Another was that it was notably successful in signing up new principals.

#### MARGINS IMPROVE, BUT UNFAVOURABLE EXCHANGE RATES IMPACT NET RESULTS

Most distribution companies raised their sales in local currency terms, in some cases substantially. Part of this success was however cancelled out on consolidation due to exchange rate factors. An improved product mix enabled the division to report a pleasing increase in its operating profit.

#### «VALORA 4 SUCCESS»: FULLY EXPLOITING CURRENT POTENTIAL AND EMERGING OUTSOURCING OPPORTUNITIES

Having now successfully completed the sale of its five production companies, Valora Trade can focus all its energies on its core business. Within the framework of the «Valora 4 Success» strategy programme, the division intends to pursue growth opportunities vigorously – with new and existing principals, new services and more efficient structures. The objective is further to enhance the professionalism of the services the division offers. The key drivers for this will be well-qualified staff, excellent IT connectivity, competent key account management and an active approach to principal acquisition. Valora Trade's efforts in this endeavour should benefit from the current trend for production companies to outsource their distribution functions in smaller and medium-sized markets.

## [SWITZERLAND:]
## VALORA TRADE SWITZERLAND ACHIEVES RECORD SALES

*Valora Trade Switzerland achieved very good performance in 2008. The decision by Carrefour, the French retailer, to leave the Swiss market led to further retail consolidation and increased competition for market share. Despite this, Valora Trade managed to increase its turnover to new record levels, an achievement which was the result of individual successes across the board.*

Valora Trade Switzerland managed to increase its turnover with all its core brands and all its major retail partners. On the product side, there was good demand for high-quality items. There was also increased interest in near food articles with specific attributes, such as health products.

The dictum that innovation drives business was once again proved correct. Valora Trade was able to secure distribution of recently developed products from its existing principals, such as Kellogg's, Ferrero and GSK, and it has introduced these new ranges to the market very successfully. Above-average sales growth was also achieved by a number of strong promotion initiatives, such as the Euro 2008 campaign for Ferrero, Uefa's official confectionery sponsor. Before and after the championships, Ferrero was also a very visible sponsor of the Swiss national soccer team. Ferrero's strong commitment to Euro 2008, underscored by a TV presence, its ingenious promotional activities and its separate sponsoring of the Swiss national soccer team all helped to raise the profile of Ferrero products at retail outlets and stimulated vigorous demand.

Valora Trade Switzerland's strong 2008 results were also helped by its business with new customers such as Aldi Suisse. Indeed, it was thanks to a co-operation agreement with Aldi Suisse that Ferrero products are now comprehensively represented throughout the Swiss market.

Spiwag also had a successful year, mainly due to its strong co-operation with Migros, underscored by the two companies' joint development of a fruit gums line for the Swiss market.

*Competence*
**Vendor Managed Inventory is a concept which offers new advantages to retailers. Under this new logistics approach, Valora Trade is responsible for ensuring that its retailing customers always maintain optimal quantities of branded goods in their warehouses. The advantage is that retailers' logistics and handling costs are reduced. In Switzerland, VMI was introduced for Migros during 2008.**

Invigorated by the ongoing uptrend it has achieved in recent years, Valora Trade Switzerland has set itself ambitious revenue growth targets for 2009, with the objective of gaining overall market share. This goal applies to all its core brands and the acquisition of new principals. There are a number of promising product innovations in the pipeline. Promotions planned for events such as the ice hockey world cup – with its Ferrero 2009 commitment – open up

**CATEGORIES AND DISTRIBUTION CHANNELS**

| | | *Categories* | | | | *Distribution Channels* | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Confectionery | Food | Near Food, Non Food | Beverages | Retail | Cash & Carry | Convenience | Food Services | Travel Retail |
| *Northern Europe* | Valora Trade Denmark | • | • | • | • | • | • | • | • | • |
| | Valora Trade Sweden | • | • | • | • | • | • | • | • | • |
| | Valora Trade Norway | • | • | • | • | • | • | • | • | • |
| | Valora Trade Finland | • | • | • | • | • | • | • | • | • |
| *Central- / Eastern Europe* | Valora Trade Switzerland | • | • | • | • | • | • | • | • | |
| | Valora Trade Austria | • | • | • | | • | • | • | | |
| | Valora Trade Germany | • | • | | | • | • | • | | |
| | Kaumy Czech Republic | • | • | | | • | • | • | | |

a number of exciting possibilities for actively promoting brand growth.

As part of the «Valora 4 Success» strategy programme, Trade Switzerland has also prepared a master plan for 2011, which includes a number of projects aimed at improving both earnings and quality metrics. Specifically, these involve developing a location-independent IT platform with efficient back office processes, a number of new IT solutions and an optimisation of distribution structures.

## [GERMANY:]
## VALORA TRADE GERMANY MAINTAINS ITS MARKET POSITION

*The German market saw prices for food and confectionery increase during 2008 as a result of significantly higher raw material and energy costs. Consumers' increasing price sensitivity increased footfall at discount retailers and raised demand for private label brands. This trend is evidenced by the fact that every second packet of biscuits sold in Germany is now a private label product.*

Thanks to a concerted focus on its two core product ranges – children's sweets and bakery and biscuit products – Valora Trade Germany was nevertheless able to maintain its market share. Targeted marketing initiatives and adjustments to product ranges for drugstores and food retailers enabled the firm to offset the effects of declining impulse purchase turnover. One example of this was its success in securing national listings for Toggo children's confectionery with drugstores and food retailers. Valora Trade Germany also managed to compensate for lower sales with its three new principals Lonka, Halter and Napoleon Bonbons.

Further growth is targeted for 2009, partly from the full integration of newly acquired principals and partly through targeted new acquisitions.

## [AUSTRIA:]
## VALORA TRADE AUSTRIA FACES DIFFICULT TIMES

*The economic crisis has clearly reached Austria. At nearly 12% of income in 2008, household savings reached their highest level since the Second World War. Although Valora Trade Austria did not escape unscathed, it nevertheless achieved some noteworthy successes.*

The firm succeeded in further enhancing the already strong position which Ricola enjoys in the Austrian market. Ricola, Valora Trade Austria's largest principal, was able to increase its share of the overall sweets category significantly, thus further enhancing its leadership position in Austria. This success is principally due to an increased number of additional placings and expanded listings with food and drugstore retailers.

Valora Trade Austria signed up new principals in the food supplement and fine food categories, being awarded Austrian distribution rights for the food range sponsored by the UK celebrity chef Jamie Oliver in this latter category. The Jamie Oliver products range from spices and antipasti, to pasta sauces, olive oil and balsamic vinegar. Valora Trade Austria is currently working on launching these products locally. The firm was also awarded distribution rights for N.A.D.H. Plus. These are sweet pastilles enriched with the N.A.D.H. coenzyme, which acts as a metabolic stimulant. Initial listings have already been secured.

Valora Trade Austria is also actively working on broadening its category portfolio. Having established food as a second major category last year, the firm is now concentrating on developing a games category based on an exclusive range of products.

In 2009, Valora Trade Austria intends to extend the work it does with existing principals and sign up a number of new partners.

## [SCANDINAVIA:]
## VALORA TRADE NORDIC'S NORDIC PLATFORM ON TRACK

*A consolidation of distribution channels, higher raw material costs and the increased market share gained by private label brands and discount retailers were key features of 2008 for Valora Trade Nordic. Thanks to its scale and its leverage as a key partner in specific categories, Trade Nordic was nevertheless able to meet these challenges, again achieving growth in its overall sales in local currency terms. This achievement was principally driven by superb execution in Denmark and Finland, and by the acquisition of new principals.*

**NET REVENUES PER BUSINESS AREA**

| in CHF million | 2008 | 2007 |
|---|---|---|
| Valora Trade Switzerland | 214 | 204 |
| Valora Trade Central Europe | 73 | 82 |
| Valora Trade Nordic | 501 | 505 |
| Total Valora Trade | 788 | 791 |

Consumer trends broadly followed their 2007 course, with interest centred on products with strong ecological, health and wellness attributes, as well as items with specific additional characteristics (functional food). Greater attention was also paid to value for money. Valora Trade responded to the higher profile of discount retailers and private label products and to the ongoing consolidation of the retail market by refocusing the emphasis of its own operations. Resources in business development and category management were also strengthened.

*Efficiency*

**Retail Nordic is currently migrating all its processes to a modern enterprise resource platform. A new customer relationship management system will be introduced in the summer of 2009. Preparations are also under way to roll out this new platform in Germany, Austria and Switzerland.**

Valora Trade Nordic continued to expand its portfolio of principals in 2008. Although LU discontinued its contract with Valora Trade's Danish, Swedish and Norwegian companies following its integration into Kraft, significant new acquisitions in the region managed to offset the volume thus lost. Trade Nordic now represents Wrigley's in Finland and Wasa Barilla in both Denmark and Finland. Storck was acquired as a new confectionery principal in Denmark and McNeil was signed up for body care products and non-prescription drugs in all Trade Nordic markets. Finland and Norway were thus notably successful in expanding their category management activities, adding food and non-food to their core confectionery portfolio. Both Valora Trade Denmark and Valora Trade Finland achieved their best year ever in 2008. For 2009, the focus will be on implementation of the IT platform strategy, where co-operation between the Nordic companies will be intensified. The importance of IT is further underscored by the replacement, planned for 2009, of the existing customer relationship management (CRM system) with a new, state-of-the-art CRM application. Another major project planned for 2009 is Trade Nordic's preparation for its Nordic Platform to receive IIP (Investors in People) certification. This involves ensuring that the company's core values are implemented throughout the organisation and that employees and their know-how are developed to the full. During 2009 and 2010, Trade Nordic also intends to make further enhancements to its practice of category management.

[VALORA'S COMMITMENT AS AN EMPLOYER:] *Motivating staff and developing their skills.* **The fourth clover leaf in the the «Valora 4 Success» strategy programme stands for People. Its red colour symbolises lifeblood. Having motivated and happy employees is important to Valora. The firm is keen to train its staff and see them develop their skills. It also takes its social responsibilities seriously. The signing of the general contract of employment concluded a successful negotiation process.**

## [EMPLOYER AND EMPLOYEE AS PARTNERS:] CONCLUSION OF THE GENERAL EMPLOYMENT CONTRACT MARKS MAJOR MILESTONE

*The conclusion of the general employment contract marked a milestone in Valora Switzerland's history as an employer. Valora conducted negotiations with Syna, the Swiss trade union, throughout 2008, and these were also attended by representatives of Valora staff. The talks were successfully concluded in mid-February 2009 and the contract came into force with retroactive effect from January 1, 2009.*

The principal changes for Valora Switzerland's staff are:

- a guaranteed minimum monthly gross salary
- an increase in minimum salary for unqualified staff to CHF 3 500 in 2009, rising to CHF 3 600 in 2010
- Entitlement to a 13th monthly salary for all employees
- Unrestricted entitlement to five weeks' holiday for all employees (six weeks for staff aged 50 and above)
- Higher rates of night shift pay for logistics staff
- A 42.5-hour week for logistics staff
- Entitlement to five days' paternity leave
- Entitlement to paid annual training leave of up to three days
- As a contribution towards the costs arising from the general employment contract and the new training arrangements, a contributory fund will be established into which all employees under the contract make a monthly contribution of CHF 5.

The new general contract of employment applies to all Valora staff in Switzerland, with the exception of executive level employees. Valora Trade Switzerland staff, those employed in Valora's gastronomy operations and staff at Melisa SA.

## [STAFF DEVELOPMENT:] VOCATIONAL AND ONGOING TRAINING PROGRAMME EXTENDED

*The recruitment, vocational and ongoing training of its employees, as well as their continuing development of their skills, are important elements in Valora's staff and employment policies. The range of courses offered to employees was systematically extended during 2008, in line with the firm's objectives. A group-wide young talent programme is in place for the identification and development of staff with significant future potential.*

### STAFF DEVELOPMENT CONCEPT SUCCESSFULLY IMPLEMENTED

The staff development programme, which was first planned in 2007 and successfully launched in 2008, covers the four key areas of vocational training, group-wide ongoing training, ongoing training related to specific business areas and management development. It aims to strengthen the ties between Valora and its staff and is the basis for all staff development. After some initial hesitation, employees made increasing use of the courses on offer and the number of participants showed pleasing and steady increases. In all, 17 of 25 courses offered were carried out, with some 170 employees taking part.

The curriculum of the group-wide ongoing training programme was published in a new format and the courses began during the year. Course supervisors made continuous use of the feedback they received from participants and have used this input to fine tune the 2009 programme, whose content will be further extended and now includes a series of Leadership Weeks.

Advisory services to employees and career coaching services got off to a good start, with some dozen employees availing of these services so far.

#### DEVELOPING TOMORROW'S TALENT: 30% MORE APPRENTICE PLACES

Valora Switzerland is becoming an increasingly attractive firm for vocational training, offering 30% more apprentice places in 2008 than in 2007. Last year, 39 young people embarked on apprenticeships as retail specialists, some 60% more than in 2007. 22 new apprentices began their training as retail assistants (20 in 2007), seven as business administrators (6 in 2007) and three as logistics specialists (two in 2007).

2008 also saw 56 apprentices successfully completing final exams, with 15 qualifying as retail assistants, 32 as retail specialists, four as business administrators, one as an IT specialist and two as logistics specialists.

Valora granted ongoing employment to 45 of its apprentices qualifying in 2008, which is more than 80% of the total (40 took up positions in retail, three in business administration, and one each in both IT and logistics). Outside Switzerland, Valora Group companies also played their part in developing tomorrow's talent, taking on more than 50 young people as trainees or apprentices in a number of vocations.

#### SPERANZA: FROM INTERN TO APPRENTICE

The objective of the Speranza 2000 programme, initiated by Swiss parliamentarian Otto Ineichen, is to create apprenticeship opportunities for young people who have experienced learning difficulties at school or who are socially disadvantaged. In recent years it has been very effective in opening up career prospects for these people. Valora participates in this programme with other companies and several cantonal vocational training departments. Valora offers participants a one-year internship during which they gain a very good insight into the retail business. Those with suitable potential and interest are then given the opportunity to start a 2 or 3 year apprenticeship with Valora.

As part of this programme, Valora offered 37 retail internships to young people in 2008 (37 in 2007). 2008 also saw nine interns from the previous year's intake start an apprenticeship with Valora.

#### ENCOURAGING RESULTS FROM NEW PROGRAMME FOR GRADUATE TRAINEES

On October 1, 2008, four women graduates began a one-year traineeship with Valora designed to provide them with an attractive introduction to professional life. These trainees are serving assignments with the various divisions, mostly Retail, where they are making worthwhile contributions to a number of projects, such as the «Valora 4 Success» strategy programme. The trainees have integrated well into the company and are unanimously positive in their assessment of their experiences so far. The pioneering spirit at Valora appeals to them, as does the prospect of assignments abroad. In 2009, Valora plans to extend the traineeship programme to include its European subsidiaries.

#### NUMEROUS EMPLOYMENT ANNIVERSARIES

Valora relies on the experience and specialist knowledge of numerous long-serving employees and is proud of its loyal staff.

Valora Retail Switzerland (sales and administration) saw no fewer than 140 staff celebrate a major anniversary. 95 employees reached their 20th year of service, 36 their 25th and 9 their 30th. Valora Trade boasts one staff member who has been with the firm for 35 years and Spiwag one with 30 years' service. Valora's corporate functions and finance department saw no fewer than three staff members each reaching 20, 25 and 30 years of service. In logistics, four employees reached their 20th anniversary, while two others have been with the firm for 30 and 40 years respectively. Melisa has four staff with 10 years' service and one with 30.

## [EMPLOYEE BENEFITS:] VALORA MEETS ITS RESPONSIBILITIES AS AN EMPLOYER

*Despite the collapse in financial markets, the Valora pension fund's assets and reserves fully cover its short and medium-term obligations to participants.*
*Social, economic and company-specific developments inevitably affect Valora's staff. When problems arise, Valora's ombudsman unit and its in-house advisory services on employment-related issues are there to help.*

#### VALORA PENSION FUND'S FUTURE LIABILITY COVER CLOSE TO 100%

In 2008, the Valora pension fund recorded an investment loss of -14.2% (+ 2.8% in 2008). In spite of this, the proportion of the fund's future liabilities covered by its invested assets is still 98.5%, and very few of the losses have been realised. Inflows from employer and employee contributions are sufficient to meet current pension outgoings, so that Valora's pension fund does not need to liquidate any of its investment portfolio and can hold marked down assets until their prices recover. The fund's liabilities, which are 98.5% covered by its assets, comprise projected benefit obligations in respect of employees presently working, liabilities in respect of current pension outgoings and a 10% technical provision. The disbursements which the fund will need to make in the short and medium term are thus fully covered by its assets at December 31, 2008. The fund's board of trustees will review the situation when the fund's audited financial statements have been prepared. The objective for the next few years will be to rebuild a comfortable reserve to counter future fluctuations in portfolio value.

### DAILY SICKNESS INDEMNITY INSURANCE FOR HOURLY-PAID STAFF

In spring 2008, Valora provided new daily sickness indemnity insurance under Swiss insurance legislation for all its hourly-paid staff in Switzerland. This insurance replaces pay lost through illness, thus offering financial security to those covered. This meant that hourly-paid staff could cancel the individual cover they had previously been paying for themselves.

### IN-HOUSE EMPLOYMENT LAW COUNSELLING FOR INDIVIDUALS

In the summer of 2008, Valora transferred its contract for external employment-law advice for staff from Proitera GmbH to Trust Sympany's Care Management company. Care Management's task is to help employees who have been absent from work for long periods of time back into the workplace, or to provide them with expert support in redirecting their careers. The firm also intervenes in a timely fashion when short absences become more frequent, so as to avoid greater costs later on.

Valora Switzerland's staff can avail themselves of the services of the firm's ombudsman unit when needed. This unit is contacted between three and five times on an average day (usually by telephone) by employees seeking confidential advice on personal matters or problems at work. In an average year, this unit handles some 60 to 80 cases which require more than one intervention, supporting employees until the issues are resolved. Advice tends to be sought more frequently when significant change is under way within the Group. The ombudsman unit helps the victims of hold-ups (sales staff at k kiosk and convenience store outlets) to return to work, holding debriefing sessions after the incidents and developing individually tailored solutions for the future of those affected.

### ASSUMING SOCIAL RESPONSIBILITY THROUGH SOLIDARITY AND SUPPORT

Valora lends its support to charitable organisations. At the end of 2008, for example, individual entities throughout the Group sent out more than 10 000 Christmas cards sponsoring the Swiss charity Kinder in Not (in English, «children in need») to customers and business partners.

Valora sees supporting the work of organisations offering employment to the disabled as part of its social responsibility. For many years, Valora has maintained strong co-operative links with WBZ, an organisation based in the town of Reinach which provides accommodation and office work to the physically handicapped. Each month, WBZ's staff put some 8 000 Valora salary advices into envelopes by hand. This work, which the WBZ employees usually carry out sitting in wheelchairs, takes them two or three days to complete. WBZ provides employment to some 120 disabled people, helping to foster their independence and self-reliance.

### SONS' AND DAUGHTERS' DAY OFFERS AN INSIGHT INTO THE WORLD OF WORK

Valora's open day for daughters, sons, grandchildren, nieces, nephews and godchildren, referred to simply as «sons' and daughters' day» is a well-established tradition at Valora. The event aims to provide the young visitors with an insight into the daily working lives of their parents and relations. It also acquaints them with a range of different careers, thus helping them to make their own plans.

In 2008, the members of sales staff were also allowed to invite their children. 70 of the more than 100 children who attended the open day decided to help out at a k kiosk, while 6 opted for an assignment in a gastronomy unit.

The young people were fascinated by the wide range of tasks their relatives' jobs involved and were eager to help them. Seven young people spent their day with Valora Trade and 29 visited various parts of the head office at Muttenz, where they found the logistics area the most interesting. After a communal lunch at the staff restaurant, they spent the afternoon at their parents' or relatives' workplaces.

# [THE ENVIRONMENT:]

## *Managing resources sustainably.* **Valora intensified its efforts to limit its impact on the environment during 2008. Using resources in a sustainable manner is as important here as cutting direct energy consumption. Collecting re-usable materials and disposing of them correctly is a constant agenda item.**

### DISPOSAL OF RE-USABLE MATERIALS

The volume of waste material generated at the Muttenz centre and the regional distribution centers in Switzerland was slightly lower than in 2007. Quantities of waste paper, cardboard, polyethylene sheeting, PET bottles, metal, wood, batteries and general office waste came down by 10%. Control of all flows of recyclable material have been centralised at Muttenz since 2008, thus improving recycling processes. All materials are sorted by type and packed for collection by disposal or recycling firms. An example of this is cardboard and polyethylene sheeting. These are separately compacted into bails by pressing machines at Muttenz ready for collection.

Valora Media constantly strives for ever-lower return rates for its press products. Any titles which are returned but need not be sent back to their publishers are collected and recycled.

In preparing for the logistics move from Muttenz to Egerkingen, a disposal and recycling concept was developed stipulating how each type of waste material is handled on its way from retail outlet to end user (i.e. the company ultimately recycling or disposing of it). This concept provides a basis for further process optimisation, improved controls to promote environmentally friendly disposal of materials and awareness programmes for staff on the importance of handling materials. A simplified process for handling PET bottles will be introduced in Egerkingen in 2009.

Valora Trade Switzerland has a policy of always using the most environmentally friendly packing materials and recycling them whenever possible. Attention is also paid to the wrapping on individual products, concentrating on those whose production and disposal meet Swiss retailers' environmental standards.

Valora Trade Austria collects 10 tonnes of waste paper and 1 tonne of synthetic materials annually, all of which are sent off for recycling.

### 20% IMPROVEMENT IN PET RECYCLING RATES

PET recycling is an area where Valora is making a significant contribution to protecting the environment. In 2008, the Group managed to raise PET return rates by 20%. The 85 650 kg of PET returned to Muttenz in 2007 were raised to 102 250 kg in 2008.

PET recycling reduces $CO_2$ emissions, saves energy and cuts the use of non-renewable resources. A study commissioned by PET-Recycling Schweiz, a trade organisation, found that the total impact of recycling PET was 50% lower than that caused by disposing of it with household waste and replacing it with new material.

### REDUCING TRANSPORT-RELATED ENERGY CONSUMPTION

Moving its logistics centre from Muttenz to Egerkingen by the end of 2009 will significantly reduce freight distances and help to cut transport costs. It is estimated that shorter overall distances to regional distribution centres, the fact that goods need no longer be collected from Muttenz and further optimisation of load factors will make it possible to reduce overall presale freight vehicle kilometres by about 450 000 per annum. There are also plans to move a greater portion of goods supply and wastepaper disposal freight from road to rail.

Valora Trade Switzerland reached an agreement with its transport outsourcing partner to switch its truck fleet to vehicles with emissions in the most recent Euronorm 5 category.

Cost and environmental considerations prompted Valora Trade and Valora Retail to replace their sales reps' older vehicles with new ones which consume less fuel and are less polluting.

### OPTIMISING ENERGY USE

There is still scope for further optimisation of the use of energy in all locations. Initiatives in this area range from insulating outside walls and using energy efficient lighting to regularly cleaning and maintaining cooling machines and replacing old air conditioning systems. Valora strives to make the most of the scope for efficient energy use at all its sites with a view to cutting energy use of all kinds.

# *Valora Financial Report 2008*

# REVIEW OF GROUP RESULTS

In the face of challenging market conditions, Valora met the objectives it had set itself for 2008. Operating profit for the year amounted to CHF 63.2 million, a CHF 4.1 million improvement on the 2007 result. The «Valora 4 Success» restructuring programme, which will result in a CHF 25.1 million charge to 2008 operating income, aims to establish the foundations on which improved profitability and future growth will be built. Group net sales for 2008 rose 3.9 % on the year in Swiss francs and 5.7 % in local currencies. While Valora Retail and Valora Media were able to derive substantial benefit from the distribution and sale of merchandise associated with the Euro 2008 soccer championships, the higher net sales in local currencies notched up by Valora Trade were mainly due to the increased volume of business it conducted with major principals. It is gratifying to note that all three market divisions achieved an improvement in operating profit before restructuring costs in 2008. The Valora Group's net profit before restructuring charges rose from CHF 55 million in 2007 to CHF 65 million in 2008. Net income after restructuring charges amounted to CHF 40 million for 2008. The Valora Group has no net debt. The Group's equity cover remains at a comfortable 45.1 % of total assets.

## A VALORA GROUP

In 2008, the Valora Group increased its net sales by CHF 110.0 million, or 3.9 %, to CHF 2 932 million. In local currency terms, Group net sales advanced 5.7 %. All divisions contributed to this 3.9 % advance in Swiss franc sales, with the greatest increases being generated by Valora Retail and Valora Media, both of whose local currency net sales rose 5.8 % year-on-year. Valora Trade expanded its net sales in local currency terms by a pleasing 3.3 %, thus further building on its position as a leading trader and distributor of branded goods. The sale and distribution of Euro 2008 merchandise, which contributed CHF 46.1 million to Group sales, was an important factor in the higher turnover the Group achieved in 2008. The main beneficiaries of this were Valora Retail, with Euro 2008 net sales of CHF 15.8 million, and Valora Media, whose net sales in this category reached 26.6 million.

During the second six months of 2008, the Group's Swiss franc net sales were up 1.4 % compared to the same period of 2007. In local currency terms, the increase was 4.1 %. Second-half gross profits in 2008 were up CHF 7.2 million on the figure achieved the year before. Operating results in the second half of 2008 were negatively impacted on the cost side, where a number of extraordinary depreciation and staff costs were incurred. The second half of 2008 saw Valora generate an operating profit before restructuring costs of CHF 34.5 million.

| *Net revenues* in CHF million | **2008** | **2008 share in %** | 2007 | 2007 share in % | Change in % |
|---|---|---|---|---|---|
| Valora Retail | 1 748.9 | 59.7 % | 1 665.3 | 59.0 % | 5.0 % |
| Valora Media | 575.8 | 19.6 % | 553.2 | 19.6 % | 4.1 % |
| Valora Trade | 788.0 | 26.9 % | 791.0 | 28.0 % | – 0.4 % |
| Other | 14.3 | 0.5 % | 14.4 | 0.5 % | |
| Intersegment elimination | – 195.3 | | – 202.2 | | |
| **Group total** | **2 931.7** | **100.0 %** | **2 821.7** | **100.0 %** | **3.9 %** |
| Switzerland | 1 770.8 | 60.4 % | 1 696.1 | 60.1 % | 4.4 % |
| Elsewhere | 1 160.9 | 39.6 % | 1 125.6 | 39.9 % | 3.1 % |

The proportions of the Group's overall net Swiss franc sales generated in Switzerland and other markets are in line with 2007 levels, though it should be noted that sales generated outside Switzerland, when expressed in Swiss franc terms, were reduced by CHF 50.7 million due to the overall change in exchange rates between 2007 and 2008.

| in CHF million | 2008 | 2008 share in % | 2007 | 2007 share in % |
|---|---|---|---|---|
| **Net revenues** | **2 931.7** | **100.0 %** | **2 821.7** | **100.0 %** |
| | | | | |
| **Gross profit** | **893.3** | **30.5 %** | **861.5** | **30.5 %** |
| – Operating costs, net | – 855.2 | – 29.2 % | – 802.4 | – 28.4 % |
| **Operating profit** | **38.1** | **1.3 %** | **59.1** | **2.1 %** |
| + Restructuring costs | 25.1 | 0.9 % | 0.0 | 0.0 % |
| **Operating profit before restructuring costs** | **63.2** | **2.2 %** | **59.1** | **2.1 %** |

The Valora Group's operating profits before restructuring costs rose by CHF 4.1 million year-on-year, to reach CHF 63.2 million. This improvement was largely attributable to the sale and distribution of Euro 2008 merchandise, which contributed CHF 13.2 million to Group operating profit. On the cost side, Valora succeeded in keeping the ratio of operating costs as a percentage of net sales (28.3 % in 2008) in line with 2007 levels, despite increased salary and wage costs, the expansion of the Group's operations and rental costs which are linked to turnover. All divisions played their part in this positive development, with the Retail division improving its operating profit by CHF 2.6 million on the year, while that generated by the Media division rose CHF 3.7 million. In September 2008, CHF 25.1 million of restructuring costs arising from the «Valora 4 Success» programme were charged to Group operating profit, so that consolidated operating profit after restructuring charges amounted to CHF 38.1 million for 2008. This one-off expenditure should see profitability begin to pick up noticeably from 2009 onwards. By 2012, Valora intends to achieve an operating margin of 3-4 %. The Group's operating margin before restructuring costs was 2.2 % in 2008.

### *Restructuring costs*

| in CHF 000 | before restructuring costs | restructuring costs | after restructuring costs |
|---|---|---|---|
| **Net revenues** | **2 931 656** | | **2 931 656** |
| Cost of goods | – 2 038 374 | | – 2 038 374 |
| **Operating profit** | **893 282** | | **893 282** |
| Personnel expenditure | – 460 203 | – 3 874 | – 464 077 |
| Other operating costs | – 331 711 | – 4 876 | – 336 587 |
| Depreciation of operating assets | – 45 539 | – 16 314 | – 61 853 |
| Other revenues, net | 7 336 | | 7 336 |
| **Operating profit** | **63 165** | – 25 064 | **38 101** |
| Net result from financial operations | – 6 476 | | – 6 476 |
| **Earnings before taxes** | **56 689** | – 25 064 | **31 625** |
| Income taxes | – 6 451 | | – 6 451 |
| **Net profit from continuing operations** | **50 238** | – 25 064 | **25 174** |

The «Valora 4 Success» strategy programme was presented in September 2008. Implementation of this programme, which aims to accelerate sales growth and enhance profitability, will cost a total of CHF 25.1 million, all of which has been charged to 2008 results. The programme comprises 13 specific initiatives. Of these, the following projects are those which account for significant restructuring costs: relocating the logistics operations from Muttenz to Egerkingen (CHF 3.9 million), centralising head office functions at the Muttenz site (CHF 4.6 million) and refitting and reconfiguring the outlet network in accordance with strategic plans (CHF 10.4 million). CHF 13.4 million of direct restructuring costs was charged to the three market divisions' operating results.

No internal chargeback of the restructuring costs associated with centralised corporate functions has been made.

## B VALORA RETAIL

| in CHF million | 2008 | 2008 share in % | 2007 | 2007 share in % |
|---|---|---|---|---|
| **Net revenues** | **1 748.9** | **100.0 %** | **1 665.3** | **100.0 %** |
| | | | | |
| **Gross profit** | **558.6** | **31.9 %** | **539.6** | **32.4 %** |
| – Operating costs, net | – 547.6 | – 31.3 % | – 519.3 | – 31.2 % |
| **Operating profit** | **11.0** | **0.6 %** | **20.3** | **1.2 %** |
| + Restructuring costs | 11.9 | 0.7 % | 0.0 | 0.0 % |
| **Operating profit before restructuring costs** | **22.9** | **1.3 %** | **20.3** | **1.2 %** |

Valora Retail raised its net sales by CHF 83.6 million compared to 2007 levels, to reach CHF 1 748.9 million. Sales of Euro 2008 merchandise accounted for CHF 16 million of this increase. The division's kiosk business in Switzerland raised its net sales by 3.9 %, or CHF 35 million, on 2007 levels, the greatest absolute increase achieved by any business unit in the division. These higher kiosk sales were partly due to increased turnover in non-food articles, mostly Euro 2008 merchandise (sales of which totalled CHF 9 million), and partly to higher revenue from tobacco products, which benefited both from the higher prices applied by the tobacco industry and increased sales volumes. The division's wholesale activities boosted their net sales by an impressive 9.9 % compared to 2007, mainly thanks to Euro 2008 items (CHF 5 million of net sales) and a greater range of goods distributed to the outlets of major retailers. The division's Retail Germany unit continued to expand, with net sales in local currency up 10.2 % year-on-year, an excellent result. Convenience stores and filling station shops raised their net sales by some 5 %, though this was principally due to 8 avec. stores starting up during the year, having been closed for refitting during some of 2007, and the fact that the cevanova AG avec. outlets taken over by Valora were consolidated with effect from July 1, 2008. In this transaction, Valora acquired 20 avec. outlets from cevanova which were already operational and one further shop which was in construction and was opened during the second half of the year. The franchise fee revenue from these units amounted to CHF 2.9 million. The division's gastronomy operations raised their net sales by 5.5 %, while net turnover at its Retail Luxembourg unit was up 0.5 %.

Sales growth by product category was led by tobacco products (up 6.4 %), food (up 8.4 %) and non-food (up 28.8 %), while turnover from press and books was in line with 2007 levels. The increase in non-food sales is entirely the result of sales of Euro 2008 merchandise by the Swiss kiosks and the division's wholesaling operation. The growth in net sales did not raise gross profits by the same percentage, however, partly because a significant portion of the increased turnover came from tobacco products, which have relatively low margins, and also because the margins on Euro 2008 merchandise were lower than the average margins the division achieved. Consequently, the division's overall gross profit margin fell by 0.5 % compared to 2007. On the plus side, the division managed to reduce the proportion of its net sales accounted for by operating costs, cutting these to 30.6 % of net revenues, despite incurring higher rental costs (which are linked to turnover), increased wage and salary costs, and expenditure associated with expanding its operations. The aggregate effect of these various factors was that the division improved its operating profit for the year by CHF 2.6 million to CHF 22.9 million. Direct costs of CHF 11.9 million arising from the restructuring programme were applied to this operating result, CHF 9.9 million of which relate to the strategic reconfiguration of the outlet network.

## C VALORA MEDIA

| in CHF million | 2008 | 2008 share in % | 2007 | 2007 share in % |
|---|---|---|---|---|
| **Net revenues** | **575.8** | **100.0 %** | **553.2** | **100.0 %** |
| | | | | |
| **Gross profit** | **162.5** | **28.2 %** | **154.3** | **27.9 %** |
| – Operating costs, net | – 135.0 | – 23.4 % | – 129.1 | – 23.3 % |
| **Operating profit** | **27.5** | **4.8 %** | **25.2** | **4.6 %** |
| + Restructuring costs | 1.4 | 0.2 % | 0.0 | 0.0 % |
| **Operating profit before restructuring costs** | **28.9** | **5.0 %** | **25.2** | **4.6 %** |

In a contracting overall market for purchased press products, Valora Media succeeded in raising its net sales by CHF 22.6 million, or 4.1 %, to CHF 575.8 million. In local currencies, the division's net revenues were up 5.8 % year-on-year in 2008. This encouraging performance is mainly due to the distribution of Euro 2008 merchandise in Austria, Luxembourg and the Italian-speaking part of Switzerland. Encouragingly, the division's Austrian unit also raised its non-Euro 2008 related sales by 8.3 % in local currency terms. This was due to Valora Media Austria having signed up two new publishers, Egmont Ehapa and Marquard Media. Higher sales and improved operating margins enabled the division to increase its operating profit before restructuring costs by CHF 3.7 million, despite an increase in operating costs principally driven by higher logistics expenditure. As part of the restructuring programme, a total of CHF 1.4 million has been charged to Valora Media's 2008 operating result. These costs relate to the integration of certain wholesaling operations and Melisa SA into Media Switzerland.

## D VALORA TRADE

| in CHF million | 2008 | 2008 share in % | 2007 | 2007 share in % |
|---|---|---|---|---|
| **Net revenues** | **788.0** | **100.0 %** | **791.0** | **100.0 %** |
| | | | | |
| **Gross profit** | **157.8** | **20.0 %** | **153.1** | **19.4 %** |
| – Operating costs, net | – 140.0 | – 17.7 % | – 136.0 | – 17.2 % |
| **Operating profit** | **17.8** | **2.3 %** | **17.1** | **2.2 %** |
| + Restructuring costs | 0.1 | 0.0 % | 0.0 | 0.0 % |
| **Operating profit before restructuring costs** | **17.9** | **2.3 %** | **17.1** | **2.2 %** |

Despite a demanding market environment, characterised by volatile raw material costs and above-average growth by discount retailers, Valora Trade raised its net sales in local currency terms by 3.3 % in 2008. This positive local currency performance was mainly driven by increased sales in the Nordic region (with Finland up 34 % and Norway advancing 16 %) and in Switzerland, where net sales rose 5 %. The growth notched up by Valora Trade Finland and Valora Trade Norway was partly achieved through signing up new principals and partly through increasing the turnover transacted for existing principals, such as Ferrero and Sørlandschips. The record level of net sales which Valora Media generated in Switzerland was driven by the successful introduction of a number of new products and strong sales growth by Ferrero. Unfortunately, some local markets saw net sales fall, with turnover in Sweden down 4 % while revenue in Austria was off 6 %. These setbacks were mostly due to the departure of individual principals. Sales growth expressed in Swiss francs was dented by the strength of the Swiss currrency and this resulted in the 76 % of its turnover which the division generates outside Switzerland declining by CHF 29 million in Swiss franc terms compared to that seen in 2007. Despite this, Valora Trade managed to keeps its aggregate net sales expressed in Swiss francs very close to 2007 levels, registering a marginal decline of 0.4 % year-on-year. A further positive aspect of the division's 2008 performance was that greater emphasis on higher-margin products and increased prices helped to boost overall operating results, which were up 4.6 % before restructuring charges, despite the effect of higher operating costs. This was achieved largely thanks to the record results recorded in Switzerland, Denmark and Finland.

## E CORPORATE

The Corporate division, which comprises the Group's Swiss logistics operations, Group IT and central support functions such as finance, HR, business development, legal services and corporate communication, generated net sales of CHF 14.3 million, in line with the previous year. This division's turnover essentially emanates from logistics services provided to third parties. The Corporate division's net costs, however, rose by CHF 14.5 million, largely because CHF 11.6 million of the Group's restructuring costs have been charged to Corporate. Impairments of CHF 2 million which were required on the 2008 IT platform accounted for a further CHF 2 million of this increased charge.

Valora's general policy is to charge the net costs of the Corporate division - i.e. its direct costs minus the logistics revenues generated with third parties - to the individual divisions on the basis of the use they make of them. The impairments recorded in corporate information services in 2008 and the CHF 11.6 million of restructuring costs allocated to the Corporate division were not charged to the market divisions, however.

## F FINANCIAL RESULT AND TAXES

Volatile foreign exchange markets and low interest rates were key factors in 2008. Against this backdrop, the Group was impacted by a net currency loss of CHF 4.7 million, mainly arising from currency translation differences on intra-Group loans. Net interest expense was lowered by CHF 1.9 million, thanks to reducing the Group's outstanding balance on its syndicated loan facility by a net CHF 45 million and to ongoing improvements in the efficiency of cash pooling structures. The Group's aggregate financial result for 2008 was CHF - 7.6 million.

The Valora Group's overall tax rate was down slightly on the year, to 20.4 %, and consolidated net income tax expenses amounted to CHF 6.5 million.

## G LIQUIDITY, CASH FLOW AND KEY FINANCIAL DATA

| *Key financial data*<br>in CHF million | **2008** | 2007 |
|---|---|---|
| Cash and cash equivalents [1] | 158.4 | 153.4 |
| **Free cash flow** [1] | **176.7** | **70.6** |
| Shareholders' equity | 493.9 | 599.3 |
| **Shareholders' equity in % of total assets** | **45.1 %** | **45.2 %** |
| Group net profit | 39.9 | 55.5 |
| **Net debt** [1] | **– 6.0** | **46.0** |
| Net working capital [1] | 129.7 | 119.2 |
| Net working capital in % of net revenues [1] | 4.4 % | 4.2 % |
| **Earnings per share** [1] | **7.91** | **14.08** |

[1] from continuing operations

Liquidity not required for operational purposes and the liquidity arising from the sale of the Own Brands companies (CHF 118 million) were essentially directed towards paying back CHF 45 million of the Group's outstanding syndicated loan facility and financing the share repurchase programme. By December 31, 2008, CHF 85 million had been spent on buying back shares. The programme was terminated at the end of February 2009, when it had successfully repurchased the targeted number of shares. In the current climate of financial turbulence the Valora Group continued to maintain optimal levels of liquidity without any net debt (CHF - 6 million), as well as stable and ample equity cover of 45.1 % of total assets, thus affording itself the room for manoeuvre it needed.

## H VALORA VALUE ADDED

| *Valora Value Added*<br>in CHF million | **2008** | 2007 |
|---|---|---|
| Net operating profit after taxes (NOPAT) [1] | 57.8 | 48.3 |
| Average invested capital | 731.5 | 756.3 |
| WACC | 7.0 % | 7.0 % |
| Capital costs | 51.2 | 52.9 |
| **Valora Value Added** | **6.6** | **– 4.6** |

[1] excluding discontinued operations

In order to measure the sustained return it earns over and above its cost of capital, the Valora Group introduced the concept of Valora Value Added (VVA) in 2008. VVA, which is based on the classical definition of economic value added, compares Valora's net operating profit after tax (NOPAT) with its weighted average cost of capital (WACC), the weighted average of its equity and debt financing costs. The current calculations, which are based on industry comparisons and expected interest rate levels, put WACC at 7 %. Valora regularly reviews its WACC assumptions, adjusting the WACC figure if it moves outside a defined range. The original definitions of NOPAT and WACC used in the VVA calculations were modified during the year, so that they now exclude the effect which discontinued operations have on these values, so as to make comparisons between periods more meaningful. The 2007 VVA values were adjusted accordingly.

In 2008, Valora's operating profits after tax, but before restructuring costs, equated to a VVA figure of CHF 6.6 million. This represents a CHF 11.2 million improvement on the VVA generated in 2007 and was chiefly the result of the Group's improved operating profit for 2008. VVA after restructuring costs was CHF -18.2 million in 2008.

## I OUTLOOK

In the near term, Valora will be concentrating its attention on implementing the «Valora 4 Success» strategy programme in the face of a worsened economic climate. The Group is however confident that the steps it has taken through its strategy programme will enable it to meet the challenges posed by the current economic difficulties and meet its objectives. Significant growth potential has been identified, particularly in the convenience store business, where Valora intends to invest in up to 100 outlets by the end of 2009. The Group will also strengthen its core kiosk operations by optimising their product ranges, fine tuning their distribution and enhancing their formats. A key element in this initiative is the significantly more detailed and timely data available from the new closed loop inventory management system.

A number of opportunities for cutting support function costs have also been identified. As the Group exploits these over the next few years, profitability will be further enhanced. The main focus here is on centralising logistics functions in Egerkingen and consolidating and harmonising the Group's IT architecture. The sound financing and balance sheet structure which Valora enjoys mean that the Group will be able to finance both organic growth and any future acquisitions from its own resources.

# CONSOLIDATED INCOME STATEMENT

| January 1 to December 31, in CHF 000 (except per-share amounts) | Note | 2008 | % | 2007 | % |
|---|---|---|---|---|---|
| **Net revenues** | 8 | **2 931 656** | **100.0** | **2 821 692** | **100.0** |
| Cost of goods | | – 2 038 374 | – 69.5 | – 1 960 186 | – 69.5 |
| **Gross profit** | | **893 282** | **30.5** | **861 506** | **30.5** |
| | | | | | |
| Personnel expense | 9 | – 464 077 | – 15.8 | – 454 654 | – 16.1 |
| Other operating expenses | 10 | – 336 587 | – 11.5 | – 320 048 | – 11.3 |
| Depreciation and amortisation of operating assets | 20, 21, 22 | – 61 853 | – 2.1 | – 42 137 | – 1.5 |
| Other income, net | 11 | 7 336 | 0.2 | 14 417 | 0.5 |
| **Operating profit** | | **38 101** | **1.3** | **59 084** | **2.1** |
| | | | | | |
| Financial expense | 12 | – 12 202 | – 0.4 | –10 377 | – 0.4 |
| Financial income | 13 | 4 595 | 0.2 | 8 072 | 0.3 |
| Share of result from associates and joint ventures | | 1 131 | 0.0 | 1 806 | 0.1 |
| **Earnings before taxes** | | **31 625** | **1.1** | **58 585** | **2.1** |
| Income taxes | 14 | – 6 451 | – 0.2 | – 12 604 | – 0.5 |
| **Net profit from continuing operations** | | **25 174** | **0.9** | **45 981** | **1.6** |
| Net profit from discontinued operations | 7 | 14 727 | 0.5 | 9 471 | 0.3 |
| **Net Group profit** | | **39 901** | **1.4** | **55 452** | **1.9** |
| Attributable to shareholders of Valora Holding AG | | 39 062 | 1.4 | 54 537 | 1.9 |
| Attributable to minority interests | | 839 | 0.0 | 915 | 0.0 |
| *Earnings per share* | | | | | |
| from continuing operations, diluted and undiluted (in CHF) | 15 | 7.91 | | 14.08 | |

The accompanying notes from page 74 to page 119 form an integral part of these consolidated financial statements.

# CONSOLIDATED BALANCE SHEET

## ASSETS

| At December 31, in CHF 000 | Note | 2008 | % | 2007 | % |
|---|---|---|---|---|---|
| *Current assets* | | | | | |
| Cash and cash equivalents | 16 | 158 436 | | 153 426 | |
| Derivative assets | 33 | 712 | | 286 | |
| Trade accounts receivable | 17 | 153 728 | | 164 499 | |
| Inventories | 18 | 228 977 | | 236 564 | |
| Current income tax receivable | | 796 | | 75 | |
| Other current receivables | 19 | 47 118 | | 43 802 | |
| **Current assets** | | **589 767** | **53.8%** | **598 652** | **45.2%** |
| Assets held in disposal groups | 7 | 0 | | 178 053 | |
| **Total current assets** | | **589 767** | **53.8%** | **776 705** | **58.6%** |
| *Non-current assets* | | | | | |
| Property, plant and equipment | 20 | 219 124 | | 237 977 | |
| Goodwill, software and other intangible assets | 22 | 138 412 | | 134 515 | |
| Investment property | 21 | 14 662 | | 15 316 | |
| Investment in associates and joint ventures | 25 | 4 931 | | 14 635 | |
| Long-term financial assets | 24 | 8 458 | | 26 349 | |
| Net pension asset | 30 | 83 997 | | 82 920 | |
| Deferred income tax assets | 14 | 36 677 | | 36 041 | |
| **Total non-current assets** | | **506 261** | **46.2%** | **547 753** | **41.4%** |
| **Total assets** | | **1 096 028** | **100.0%** | **1 324 458** | **100.0%** |

## LIABILITIES AND EQUITY

| At December 31, in CHF 000 | Note | 2008 | % | 2007 | % |
|---|---|---|---|---|---|
| *Current liabilities* | | | | | |
| Short-term financial debt | 26 | 1 447 | | 1 708 | |
| Derivative liabilities | 33 | 617 | | 0 | |
| Trade accounts payable | 27 | 252 988 | | 281 854 | |
| Current income tax liabilities | | 8 834 | | 9 696 | |
| Other current liabilities | 28 | 134 522 | | 121 218 | |
| Current provisions | 29 | 7 652 | | 250 | |
| **Current liabilities** | | **406 060** | **37.0%** | **414 726** | **31.3%** |
| Liabilities from disposal groups | 7 | 0 | | 69 963 | |
| **Total current liabilities** | | **406 060** | **37.0%** | **484 689** | **36.6%** |
| *Non-current liabilities* | | | | | |
| Long-term financial debt | 26 | 151 022 | | 197 740 | |
| Long-term accrued pension cost | 30 | 8 335 | | 10 012 | |
| Long-term provisions | 29 | 12 770 | | 8 812 | |
| Deferred income tax liabilities | 14 | 23 952 | | 23 934 | |
| **Total non-current liabilities** | | **196 079** | **17.9%** | **240 498** | **18.2%** |
| **Total liabilities** | | **602 139** | **54.9%** | **725 187** | **54.8%** |
| *Equity* | | | | | |
| Share capital | 36 | 3 300 | | 3 300 | |
| Additional paid-in capital | | 118 | | 3 986 | |
| Treasury stock | | – 108 180 | | – 28 481 | |
| Valuation reserves | | – 46 | | 152 | |
| Retained earnings | | 613 107 | | 602 651 | |
| Cumulative translation adjustments | | – 17 735 | | 14 239 | |
| **Equity of Valora Holding AG shareholders** | | **490 564** | **44.8%** | **595 847** | **45.0%** |
| Minority interest in shareholders' equity | | 3 325 | | 3 424 | |
| **Total equity** | | **493 889** | **45.1%** | **599 271** | **45.2%** |
| **Total liabilities and equity** | | **1 096 028** | **100.0%** | **1 324 458** | **100.0%** |

The accompanying notes from page 74 to page 119 form an integral part of these consolidated financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

| **January 1 to December 31,** in CHF 000 | **Note** | **2008** | 2007 |
|---|---|---|---|
| **Operating profit from continuing operations** | | **38 101** | **59 084** |
| *Elimination of non-cash transactions in operating profit* | | | |
| Depreciation on property, plant, equipment and investment property | 20, 21 | 45 609 | 32 202 |
| Amortisation of intangible assets | 22 | 16 244 | 9 935 |
| Book losses (gains) on sale of fixed assets, net | 11 | 956 | – 14 |
| Share-based payments | 31 | 1 404 | 1 947 |
| Creation (release) of provisions, net | 29 | 5 873 | – 7 694 |
| *Changes in net working capital, net of acquisitions and disposals of business units* | | | |
| Increase in trade accounts receivable | | – 2 051 | – 8 927 |
| (Increase) decrease in inventories | | – 4 503 | 9 269 |
| (Increase) decrease in other current assets | | – 4 787 | 4 208 |
| Decrease in trade accounts payable | | – 11 851 | – 3 076 |
| Decrease in accrued pension cost | | – 881 | – 179 |
| Provisions assigned | 29 | – 501 | – 7 022 |
| Increase in other liabilities | | 15 981 | 10 762 |
| **Cash generated from operating activities from continuing operations** | | **99 594** | **100 495** |
| Interest paid | | – 10 429 | – 10 095 |
| Income taxes paid | | – 9 199 | – 3 014 |
| Interest received | | 6 615 | 6 218 |
| **Net cash provided by operating activities from continuing operations** | | **86 581** | **93 604** |
| Net cash provided by operating activities from discontinued operations | 7 | 4 917 | 14 564 |
| **Net cash provided by operating activities** | | **91 498** | **108 168** |

| January 1 to December 31, in CHF 000 | Note | 2008 | 2007 |
|---|---|---|---|
| *Cash flow from investing activities* | | | |
| Investment in fixed assets | 20 | – 26 025 | – 33 230 |
| Proceeds from sale of fixed assets | 20 | 643 | 1 361 |
| Investment in investment property | 21 | 0 | – 23 |
| Proceeds from sale of investment property | 21 | 0 | 4 524 |
| Acquisition of subsidiaries, net of cash acquired | 6 | – 3 556 | 0 |
| Disposal of business units, net of cash sold | 7, 6 | 118 238 | 0 |
| Sale of financial investments | | 18 524 | 19 002 |
| Purchases of other intangible assets | 22 | – 17 889 | – 14 792 |
| Proceeds from sale of other intangible assets | 22 | 158 | 169 |
| **Net cash provided by/(used in) investing activities from continuing operations** | | **90 093** | **– 22 989** |
| Net cash used in investing activities from discontinued operations | 7 | – 17 598 | – 13 636 |
| **Net cash provided by/(used in) investing activities** | | **72 495** | **– 36 625** |
| *Cash flow from financing activities* | | | |
| Repayment of short-term financial debt, net | | – 1 743 | – 12 738 |
| Increase in long-term financial liabilities | 26 | 43 506 | 30 002 |
| Repayment of long-term financial liabilities | 26 | – 89 798 | – 111 925 |
| Treasury stock purchased | | – 84 661 | – 6 556 |
| Treasury stock sold | | 1 140 | 3 694 |
| Dividends paid | | – 28 606 | – 28 808 |
| Dividends paid to minorities | | – 573 | – 506 |
| **Net cash used in financing activities from continuing operations** | | **– 160 735** | **– 126 837** |
| Net cash provided by/(used in) financing activities from discontinued operations | 7 | 1 046 | – 1 949 |
| **Net cash used in financing activities** | | **– 159 689** | **– 128 786** |
| **Net increase/(decrease) in cash and cash equivalents from continuing operations** | | **15 939** | **– 56 222** |
| Net decrease in cash and cash equivalents from discontinued operations | | – 11 635 | – 1 021 |
| **Net increase/(decrease) in cash and cash equivalents** | | **4 304** | **– 57 243** |
| Translation adjustments on cash and cash equivalents | | – 12 363 | 1 638 |
| Cash and cash equivalents at beginning of year from continuing operations | | 153 426 | 218 643 |
| Cash and cash equivalents at beginning of year from discontinued operations | | 13 069 | 3 457 |
| Cash and cash equivalents at beginning of year | | 166 495 | 222 100 |
| **Cash and cash equivalents at year end from continuing operations** | 16 | **158 436** | **153 426** |
| Cash and cash equivalents at year end from discontinued operations | 7 | 0 | 13 069 |
| **Cash and cash equivalents at year end** | | **158 436** | **166 495** |

The accompanying notes from page 74 to page 119 form an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*Equity*

| in CHF 000 | Note | *Equity of Valora Holding AG* Share capital | Treasury stock | Additional paid-in capital |
|---|---|---|---|---|
| **Balance at December 31, 2006** | | **3 300** | **– 29 567** | **4 432** |
| IAS 19 restatement of pension fund asset | | | | |
| Deferred taxes on IAS 19 restatement | | | | |
| Inventory restatement | | | | |
| **Balance at January 1, 2007** | | **3 300** | **– 29 567** | **4 432** |
| Fair value loss on available-for-sale financial assets | 24 | | | |
| Fair value gain on cash flow hedges | 33 | | | |
| Release of tax assets on share-based payments | 14 | | | – 92 |
| Translation adjustments | | | | |
| **Income (expense) recognised directly in equity** | | | | **– 92** |
| Net profit | | | | |
| **Total profit (loss) reported** | | | | **– 92** |
| | | | | |
| Share-based payments | 31 | | | – 354 |
| Dividend paid on 2006 result | | | | |
| Treasury stock purchased | | | – 6 556 | |
| Decrease in treasury stock [1] | | | 7 642 | |
| | | | | |
| **Balance at December 31, 2007** | | **3 300** | **– 28 481** | **3 986** |
| | | | | |
| Fair value gain on available-for-sale financial assets | 24 | | | |
| Liquidation of cash flow hedges | 33 | | | |
| Release of tax assets on share-based payments | 14 | | | – 4 |
| Translation adjustments | | | | |
| **Income (expense) recognised directly in equity** | | | | **– 4** |
| Net profit | | | | |
| **Total profit (loss) reported** | | | | **– 4** |
| | | | | |
| Share-based payments | 31 | | | – 1 893 |
| Dividend paid on 2007 result | | | | |
| Treasury stock purchased | | | – 84 661 | |
| Decrease in treasury stock [1] | | | 4 962 | – 1 971 |
| | | | | |
| **Balance at December 31, 2008** | | **3 300** | **– 108 180** | **118** |

[1] 2008: sales to staff and in market, 2007: sales to staff, Board of Directors and in market

The accompanying notes from page 74 to page 119 form an integral part of these consolidated financial statements.

| *Equity of Valora Holding AG* | | | | | |
|---|---|---|---|---|---|
| **Valuation reserves** | **Retained earnings** | **Cumulative translation adjustments** | **Total equity of majority shareholders** | **Minority interest** | **Total equity** |
| **– 518** | **568 764** | **11 522** | **557 933** | **2 923** | **560 856** |
| | 28 085 | | 28 085 | | **28 085** |
| | – 5 617 | | – 5 617 | | **– 5 617** |
| | – 14 310 | | – 14 310 | | **– 14 310** |
| **– 518** | **576 922** | **11 522** | **566 091** | **2 923** | **569 014** |
| – 50 | | | – 50 | | **– 50** |
| 720 | | | 720 | | **720** |
| | | | – 92 | | **– 92** |
| | | 2 717 | 2 717 | 92 | **2 809** |
| **670** | | **2 717** | **3 295** | **92** | **3 387** |
| | 54 537 | | 54 537 | 915 | **55 452** |
| **670** | **54 537** | **2 717** | **57 832** | **1 007** | **58 839** |
| | | | | | |
| | | | – 354 | | **– 354** |
| | – 28 808 | | – 28 808 | – 506 | **– 29 314** |
| | | | – 6 556 | | **– 6 556** |
| | | | 7 642 | | **7 642** |
| | | | | | |
| **152** | **602 651** | **14 239** | **595 847** | **3 424** | **599 271** |
| | | | | | |
| 7 | | | 7 | | **7** |
| – 205 | | | – 205 | | **– 205** |
| | | | – 4 | | **– 4** |
| | | – 31 974 | – 31 974 | – 365 | **– 32 339** |
| **– 198** | | **– 31 974** | **– 32 176** | **– 365** | **– 32 541** |
| | 39 062 | | 39 062 | 839 | **39 901** |
| **– 198** | **39 062** | **– 31 974** | **6 886** | **474** | **7 360** |
| | | | | | |
| | | | – 1 893 | | **– 1 893** |
| | – 28 606 | | – 28 606 | – 573 | **– 29 179** |
| | | | – 84 661 | | **– 84 661** |
| | | | 2 991 | | **2 991** |
| | | | | | |
| **– 46** | **613 107** | **– 17 735** | **490 564** | **3 325** | **493 889** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 INFORMATION REGARDING THE GROUP

Valora is a Swiss trading group, whose parent company, Valora Holding AG, is listed on the Swiss Stock Exchange. Valora's consolidated financial statements for the 2008 financial year were approved by the Board of Directors on March 24, 2009. These consolidated financial statements are subject to approval by the General Meeting of Shareholders to be held on April 29, 2009.

## 2 ACCOUNTING POLICIES

*Basis of financial statement presentation.* In preparing its consolidated financial statements Valora generally applies the historical cost principle. The exceptions to this are derivative financial instruments and financial assets available for sale, both of which are stated at fair value. Consolidation is based on the individual group companies' financial statements, which are prepared according to a uniform set of accounting principles. The Group consolidates its accounts in Swiss francs. Unless otherwise stated, all values stated in money terms have been rounded to the nearest thousand Swiss francs.

*Compliance with IFRS, the Swiss Code of Obligations and Swiss Stock Exchange listing rules.* The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in compliance with the legal provisions of the Swiss Code of Obligations. They also meet all the listing regulations promulgated by the Swiss Stock Exchange.

*Key accounting principles.*

*Consolidation.* In addition to the accounts of Valora Holding AG, Berne, Switzerland, the Valora Group's financial statements also encompasses those of its subsidiaries and participations as follows:

*Consolidated companies.* Group companies which Valora Holding AG directly or indirectly controls are fully consolidated. In determining whether such control exists, any potential voting rights arising from shares which could currently be acquired through exercise or conversion are also taken into account. Group companies acquired are consolidated from the day Valora assumes control over them and deconsolidated from the day Valora ceases to exercise such control.

*Consolidation method.* All intra-Group assets, liabilities, revenues and expenditures, and all unrealised gains or losses on intra-Group transactions are fully eliminated. The shareholders' equity of consolidated Group companies matches and offsets the book value of the parent company's participation in them at the time these companies are acquired or established. Once initial consolidation has taken place, profit or loss attributable to each accounting period is passed to the subsidiaries' retained earnings. Minority interests are defined as that part of subsidiaries' net profit and net equity which are not attributable to the Valora Group. These minority interests are disclosed separately in the consolidated income statement and balance sheet. In the Group balance sheet, minority interests are shown in the shareholders' equity section, but are reported separately from the equity attributable to shareholders of Valora Holding AG. Valora's purchases of minority interests are treated according to the purchase method, with the difference between the purchase price paid and the book value of net assets acquired being recognised as goodwill.

*Non-consolidated participations (associated companies and joint ventures).* Associated companies and joint ventures are treated according to the equity method. Associated companies are companies over which Valora exerts significant influence, but does not control. Significant influence is assumed to be exerted on companies in which Valora holds between 20 % and 50 % of the voting shares. Joint ventures are defined as joint undertakings which are managed with one partner under a contractual agreement. Participations treated under the equity method are recorded on the balance sheet at purchase cost and reported under «Investments in associates and joint ventures».

In the reporting periods following acquisition, the value of this item is adjusted to reflect Valora's share of the changes in shareholders' equity of the associated companies and joint ventures. Any valuation gains or losses impacting the equity of associated companies and joint ventures are also credited or debited directly to Valora's equity. Divdends received by Valora reduce the value of its investments.

*Scope of consolidation.* Note 38 provides an overview of the Valora Group's significant subsidiaries.

*Changes in consolidation scope.* In 2008, Valora acquired Media Center Gesellschaft für Presse- & Tabakhandel mbH, whose registered offices are in Berlin. Cevanova AG, which originally operated the avec. retail chain in Switzerland, was a joint venture between Valora and Migros which was dissolved with effect from July 1, 2008. Valora's Own Brands companies, which had already been classified as discontinued operations in 2007, were sold during the first half of 2008. Additional information on these transactions is presented in notes 6 and 7 below.

*Consolidation period.* The consolidation period applied to all Group companies is the calendar year. The financial statements are presented as of December 31.

## 3 CHANGES TO ACCOUNTING POLICIES

*Implementation of new International Financial Reporting Standards (IFRS) and interpretations thereof.* Adoption of the following significant changes to International Financial Reporting Standards (IFRS) and interpretations thereof was first first required for the Group's 2008 accounts: IFRIC 14 ‹IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction› came into effect on January 1, 2008. Adoption of IFRIC 14 resulted in the carrying value of the pension fund asset at January 1, 2007 being increased by CHF 28.1 million to CHF 82.7 million. Deferred taxes on this were raised by CHF 5.6 million. These changes resulted in retained earnings at January 1, 2007 being increased by CHF 22.5 million. At December 31, 2007, the carrying value of the pension fund asset was raised by a further CHF 261 thousand and deferred taxes on it were increased by a further CHF 53 thousand. These changes have increased the Group's reported net income for 2007 by CHF 208 thousand. IFRIC 12 ‹Service Concession Arrangements›, which came into effect on January 1, 2008, has no effect on the Valora Group's consolidated accounts.

The additional provisions to IAS 39 ‹Financial Instruments: Recognition and Measurement›, which came into effect on July 1, 2008, have no effect on the Valora Group's consolidated accounts. IFRIC 11 ‹IFRS 2 - Group Treasury Share Transactions›, which comes into effect for financial statements for reporting periods commencing on or after July 1, 2008, will have no effect on the Valora Group's consolidated accounts.

*Future implementation of International Financial Reporting Standards (IFRS) and interpretations thereof.* These consolidated financial statements have not yet adopted the following new standards or modifications to existing standards and their interpretation, all of which come into effect on January 1, 2009 or thereafter: IFRS 8 ‹Operating Segments›, which replaces IAS 14 ‹Segment Reporting›, IAS 23 ‹Borrowing Costs›, IAS 27 ‹Consolidated and Separate Financial Statements›, IFRS 3 ‹Business Combinations›, and further changes to IAS 1 ‹Presentation of Financial Statements› and IFRIC 17 ‹Distributions of Non-cash Assets to Owners ›. A complete assessment of the effects which these could have on the Group's accounts is not possible at this stage.

IFRIC 13 ‹Customer Loyalty Programmes›, which will apply to financial years commencing on or after July 1, 2008, will affect the Valora Group's accounts only marginally, since the Group's loyalty programmes are limited in scope. These programmes are subject to ongoing assessment. IFRIC 16 ‹Hedges of Net Investment in a Foreign Operation›, which will apply to financial years commencing on or after October 1, 2008, does not at present affect the Valora Group's accounts, since no such hedges are currently in place.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The modifications to IFRIC 15 ‹Agreements for the Construction of Real Estate› and to IAS 32 ‹Financial Instruments: Presentation›, which come into effect on January 1, 2009, do not currently affect the Valora Group's accounts. The modifications to IFRS 2 ‹Share-based Payment›, which come into effect on January 1, 2009, do not currently affect the Valora Group's accounts. IFRIC 18 ‹Transfer of Assets from Customers›, which comes into effect on July 1, 2009, does not currently affect the Valora Group's accounts. The additional provisions in IAS 39 ‹Financial Instruments: Recognition and Measurement› which apply to reporting for financial years commencing on or after July 1, 2009, do not currently have any effect on the Valora Group's accounts.

## 4 GENERAL ACCOUNTING POLICIES

*Conversion of foreign currencies.* Transactions in foreign currencies are converted into Swiss francs at the exchange rate applicable on the transaction date. At the balance sheet date, amounts receivable and payable in foreign currencies are converted into Swiss francs at the exchange rate applicable on that date, and any exchange rate differences so arising are booked to the income statement.

Upon consolidation, the assets and liabilities of subsidiaries whose operating currency is not the Swiss franc are converted into Swiss francs at the exchange rate prevailing on the balance sheet date. Income statement, cash flow statement and other movement items are converted into Swiss francs at average exchange rates for the period, provided such presentation sufficiently approximates the figures which would result from the application of transaction date rates. If not, movement items are converted at effective transaction rates. Exchange rate gains and losses arising from the translation of annual financial statements of non-Swiss-franc subsidiaries are booked directly to consolidated shareholders' equity and reported separately as accumulated currency translation differences.

*Exchange rates applied for key foreign currencies*

| | **Average rate for 2008** | **Rate at December 31, 2008** | Average rate for 2007 | Rate at December 31, 2007 |
|---|---|---|---|---|
| Euro, 1 EUR | 1.587 | 1.487 | 1.643 | 1.656 |
| Swedish krona: SEK 100 | 16.49 | 13.72 | 17.75 | 17.55 |
| Danish krone: DKK 100 | 21.29 | 19.97 | 22.04 | 22.21 |

*Net revenues and revenue recognition.* Net revenues include all proceeds from the sale of goods and services, net of any deductions including rebates, discounts and other agreed concessions. Retail sales by the Valora Retail division are recognised upon sale to the customer. Payment is made in cash or by credit card. The sales value recorded is the amount received net of credit card fees. Wholesale revenues are recognised when the goods have been delivered, the customer has accepted them and there is sufficient certainty of the amount being received. Goods sold wholesale may be supplied on a sale-or-return basis. Where this applies, net revenues will be reduced by estimated return rates based on experience and other appropriate assumptions.

*Equity-based compensation.* The Valora Group pays some of the compensation it grants in the form of Valora shares. The expense from this recorded in the income statement is calculated by multiplying the number of shares granted by the market price prevailing on the grant date (minus any amount payable by the recipients). The expense arising from schemes which will definitely be paid out in shares (equity settled schemes) is accrued against shareholders' equity.

The expense from schemes where payment in shares is not certain is accrued as a liability. If the conditions for the allocation of shares extend over several years, the relevant expenses are accrued in appropriate proportions to the years concerned, based on the degree to which the targets are expected to be achieved.

Expenses for services provided by third parties which are paid for with Valora shares are charged to the income statement at the market value of the services provided.

*Net financial results.* Net gains and losses on the valuation of financial instruments at balance sheet dates which are credited or debited to the income statement do not include any dividend or interest payments. Dividend and interest income is reported separately (see Notes 12 and 13).

*Income tax.* Income tax is calculated based on the tax laws of each applicable sovereign jurisdiction and is charged to the income statement for the accounting period in which the net income in question arose. Taxes on capital are reported under «Other operating expenses». The applicable effective tax rates are applied to net income.

Deferred taxes which arise as a result of timing differences between the values of assets and liabilities reported on the balance sheet and their applicable tax values are shown as deferred tax assets or deferred tax liablities. Deferred tax assets are recognised when there is a probability that sufficient taxable income will be available to offset against them. Deferred income taxes are calculated based on the rates of tax which are expected to apply in the tax period in which the deferred tax asset or liability concerned will be realised or settled. Deferred taxes are recognised only if it is probable that they will arise in future. Taxes receivable are offset against taxes payable if they relate to the same taxable entity and there is an enforceable legal basis for them to be offset against each other. Changes to deferred tax liablities are reported as taxes in the income statement. Deferred taxes relating to changes made directly to equity are immediately charged or credited to equity.

*Disposals of business units.* When business units are sold, their operating results until the date of their sale are included under the appropriate line items in the income statement and cash flow statement.

*Net profit / loss from discontinued operations.* When business segments or significant business areas are sold, all the income statement items relating to these units are aggregated and shown in a separate income statement line as results from discontinued operations. The cash flow statement shows cash flow from continuing operations only.

*Earnings per share.* Earnings per share are calculated by dividing the net profit from continuing operations attributable to shareholders of Valora Holding AG by the average number of shares of the Valora Holding AG parent company outstanding. Diluted earnings per share take account of potentially dilutive effects such as those arising from convertible bond issues or option schemes. These shares are included in the calculation of the number of outstanding shares and the diluted earnings per share figures are reported accordingly.

*Cash and cash equivalents.* Cash and cash equivalents comprise cash balances, sight deposits with banks and short-term money market investments with an initial maturity not exceeding 3 months.

*Trade accounts receivable.* Trade accounts receivable are recorded at amortised costs minus any necessary impairment adjustments for doubtful accounts. Impairment adjustments are made if there is objective evidence that the amount may not be received in full.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*Inventory.* Inventory is carried at the lower of average purchase cost or net realisable value. For the Valora Retail division, average purchase cost is determined according to the standard cost method, while the Valora Media and Valora Trade divisions apply the first in, first out (FIFO) method.

Slow-moving or obsolete inventory items are valued according to standard business practices, with the items being partially or wholly written off accordingly.

*Non-current assets held for sale.* Fixed assets are classified as held for sale and valued at the lower of book or market value minus selling costs, if their book value is expected to be realised principally from their sale rather than from their continued operational use. If entire business units are held for sale, all their fixed assets and all their directly attributable liabilities are recor-ded in the balance sheet separately as assets held in, or liabilities from, disposal groups.

*Property, plant and equipment.* Property plant and equipment, excluding property held for investment, is recorded at cost minus accumulated depreciation. Subsequent expenditure for renovation is capitalised only if the costs can be reliably determined and an economic benefit results from them. If these conditions are met, the renovation costs so capitalised are depreciated over their useful economic life. All other renovation and maintenance costs are expensed directly to the income statement. Interest payable on loans for facilities under construction is charged directly to the income statement

A straight line amortisation schedule is used, based on the following estimates of economically useful life:

| | Years |
|---|---|
| Real estate used for operations | 20-40 |
| Machinery, equipment, fixtures and fittings | 6-10 |
| Vehicles | 5 |
| IT hardware | 3-5 |

*Investment property.* Investment property is recorded at cost minus accumulated depreciation. The fair values stated in the notes are based on capitalisations of current earnings value calculations. Increases in fair value are not capitalised. Subsequent expenditure for renovation is capitalised only if the costs can be reliably determined and an economic benefit results from them. If these conditions are met, the renovation costs so capitalised are depreciated over their useful economic life. All other renovation and maintenance costs are expensed directly to the income statement. Capitalised extensions and other installations on rented premises are amortised over their expected useful life or the remaining period of the lease, should this be shorter. Interest payable on loans for facilities under construction is charged directly to the income statement.

The depreciation method is straight line, based on the following estimates of economically useful life:

| | Years |
|---|---|
| Investment property | 20-60 |

*Impairments to property, plant and equipment.* The current values of property, plant and equipment are reviewed whenever changing circumstances or specific events suggest that their current book values might be too high. If the current book value of an asset exceeds its realisable value, which is defined as the higher of its current fair value minus selling costs or its value in use, the asset will be written down to its realisable value. Once made, a non-scheduled write-down may be reversed only if the assumptions previously used in determining its realisable value have been subject to change. If such a change has occurred, the book value of the asset in question will be raised to its current realisable value. This new realisable value may not, however, exceed the value at which the asset would have been carried if no previous non-scheduled write-downs had occurred and it had simply been subjected to regular straight-line depreciation. Any increase in value resulting from such an adjustment is recorded in the income statement immediately.

*Leases.* Assets acquired under leasing agreements which transfer the benefits and risks of ownership from the lessor to the lessee are classified as non-current assets of the relevant category. Assets acquired under finance leases are initially capitalised at the lower of their market value or the net present value of all binding future leasing payments contracted at the beginning of the lease. On the liabilities side this same amount is recognised as a finance lease liability. Leased assets are amortised over their anticipated economically useful lives or the life of the lease if this is shorter and transfer of ownership at the end of the lease is not certain.

Similarly, fixed assets leased to third parties under agreements transferring substantially all the benefits and risks of ownership to the lessee are classified not as property, plant and equipment but as financial assets, recorded at the present value of the future leasing payments receivable.

Operating lease payments are charged - and operating lease payments received are credited - to the income statement linearly over the life of the leases.

*Intangible assets, excluding goodwill.* These intangible assets are classified into one of the following three categories: software, intangible assets of limited duration or intangible assets of unlimited duration. All intangible assets, excluding goodwill, are carried at historical purchase or production cost minus accumulated depreciation.

*Software.* The purchase or production costs of software are recognised on the balance sheet if Valora expects to derive future economic benefit from the software concerned. Straight-line depreciation is applied over the expected economically useful life of the software.

*Intangible assets of limited duration.* These are depreciated according to the straight-line method.

*Intangible assets of unlimited duration.* Valora does not currently own any assets in this category.

Amortisation is carried out based on the following estimates of economically useful life:

| | Years |
|---|---|
| Software | 3-5 |
| Intangible assets of limited duration | 3-10 |

*Impairments to intangible assets.* The current values of intangible assets excluding goodwill are reviewed whenever changing circumstances or specific events suggest that their current book values might be too high. If the current book value of an asset exceeds its realisable value, which is defined as the higher of its current fair value minus selling costs or its value in use, the asset will be written down to its realisable value. Once made, a non-scheduled write-down may be reversed only if the assumptions previously used in determining its realisable value have been subject to change. If such a change has occurred, the book value of the asset in question will be raised to its current realisable value. This new realisable value may not, however, exceed the value at which the asset would have been carried if no previous non-scheduled write-downs had occurred

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

and it had simply been subjected to regular straight-line depreciation. Any increase in value resulting from such an adjustment is recorded in the income statement immediately.

*Goodwill.* Goodwill is the amount by which the purchase price which the Group paid for a company it acquired exceeds the fair value of that company's net assets.

Goodwill is recognised on the balance sheet in accordance with IFRS 3, and is attributed to the appropriate cash generating unit (CGU). The CGU is then subjected to an impairment test, which is carried out at least once a year, and more frequently should there be evidence suggesting possible impairment. This involves comparing the book value of the CGU to which the goodwill was assigned with the CGU's current realisable value. This realisable value is defined as the higher of the fair value of the CGU minus selling costs and its value in use. The fair value minus selling costs is defined as the amount which could be obtained for its disposal in an arm's length transaction on current market terms between willing and knowledgeable transacting parties after deduction of selling costs. If the book value of the cash generating unit exceeds this realisable value, the goodwill is impaired and the amount of the impairment will be charged to the income statement. No increases in the carrying value of goodwill are permitted.

*Financial assets.* Financial assets are classified as:

- at fair value through profit or loss
- loans and receivables
- held to maturity
- available for sale

Classification depends on the purpose for which the financial assets were aquired and is determined when the assets are first recognised.

*Financial assets at fair value through profit or loss.* These include financial assets and derivatives held for trading purposes, as well as other assets assigned to this category on initial recognition. Financial assets are assigned to this category if they are acquired with a view to short-term sale. Financial assets in this category are recorded as current financial assets if they are held for trading purposes or are intended to be sold within 12 months.

*Loans and receivables.* Loans and receivables are financial assets whose payment dates and amounts are either fixed or can be determined and which are not traded in a market. They include the trade accounts receivable and other receivables which are shown separately on the balance sheet. They are classified as current assets unless their maturity is more than 12 months after the balance sheet date.

*Held to maturity.* This category covers financial assets which the company has the intention and the ability to hold until they mature. They are classified as current assets if they mature within 12 months of the balance sheet date or non-current assets if they mature thereafter.

*Available for sale.* This category covers minority interests (i.e. shareholdings of less than 20%) and financial assets not assigned to any other category. Financial assets available for sale are classified as non-current assets.

All purchases and sales of financial assets are recorded on the trade date. Financial assets, except those held at fair value through profit and loss, are initially recorded at fair value plus transaction costs. Financial assets held for trading pruposs are initially recorded at market value excluding transaction costs and thereafter, like all other «at fair value through profit or loss» assets, at their market value. Loans and receivables and financial assets held to maturity are recorded at their amortised value calculated by the effective yield method. Financial assets available for sale are carried at market value, using market offered prices where available or model-based valuations where no market exists. Equity participations which are not traded in a market and for which insufficient data is available to perform a valuation are carried at cost. Unrealised gains and losses are credited or debited directly to shareholders' equity. Enduring or significant impairments are recorded and charged to the income statement. When an available for sale financial asset is sold, the valuation adjustments which have been accumulated against shareholders' equity in respect of it are passed to the income statement.

*Interest-bearing debt.* Interest-bearing liabilities are carried at their amortised value, with differences between initial and maturity values being determined by the effective yield method and charged to financial expenses.

*Provisions.* Provisions are recorded when events in the past give rise to a liability whose amount can be reliably estimated and for whose settlement an outflow of cash is probable. Provisions are carried at fair value.

*Liabilities from employee pension schemes.* Valora pays employer contributions to various pension schemes established according to local legislation. For defined benefit schemes, the present value of the benefit obligation is determined by an annual actuarial assessment under the projected unit credit method. These assessments take account of the contribution years accumulated by employees at the assessment date as well as their expected future compensation trajectories. Years of service costs are charged to the income statement in the period in which they are incurred. The effect of changes in actuarial assumptions is distributed equally over the participants' assumed average remaining years of service and recorded in the income statement proportionately each year. Actuarial gains and losses exceeding 10% of the greater of the dynamically calculated present value of projected benefit obligations or the pension fund assets at market prices are systematically amortised over the scheme participants' average remaining years of service, using the so-called corridor method.

Expenses for defined contribution pension schemes are charged to the income statement in the period in which they are incurred.

*Accounting for derivative financial instruments and hedging transactions.* Derivative financial instruments are recorded at their market value prevailing on the balance sheet date. Recognition methods for gains or losses depend on whether the instrument was used to hedge an identifiable risk and whether the conditions for hedge accounting are met. The objective of recognising a transaction as a hedge is to ensure that changes in value of the item being hedged and those in the hedging instrument cancel each other out in the income statement. If a derivative financial instrument is not designated as a hedge or if it does not meet hedge accounting criteria, gains and losses arising from changes in its market value are recognised in the income statement. To qualify for hedge accounting treatment, a hedging transaction must meet a number of strict criteria relating to transaction documentation, probability, hedge effectiveness and valuation reliability. When engaging in a hedging transaction, the Group documents the relationship between the hedging instrument and the hedged item and the purpose and strategy of the hedge. This process also requires that all derivatives used for hedging purposes be linked to specific assets or liabilities, or to firm commitments and expected future transactions. Both when a hedge is set up and during its life the Group documents the extent to which changes in the fair value of the derivative offset changes in the value of the item it hedges. When hedges which qualify for hedge accounting treatment are intially transacted, they are classified either as a) hedging the fair value of a specific asset or liability (fair value hedges), b) hedging future cash flows arising from an expected future transaction or a firm commitment (cash flow hedges), or c) hedging a net investment in a foreign subsidiary.

Any gains or losses from hedging instruments classified as cash flow hedges which effectively offset changes in value of future cash flows are credited or debited to shareholders' equity, while gains or losses which do not meet this effectiveness requirement are immediately recorded in the income statement. The amounts recorded in shareholders' equity are then transferred to the income statement when the cash flows they hedge are booked.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

When a derivative financial instrument held for hedging purposes matures, is sold or no longer meets hedge accounting criteria, any unrealised gains or losses accumulated against shareholders' equity up to that time are not transferred to the income statement until the expected transaction for which the hedge was established is recognised in the income statement. However, if a previously anticipated transaction is no longer expected to occur, any such gains or losses previously booked to shareholders' equity are released to the income statement immediately.

## 5 MANAGEMENT'S ESTIMATIONS, ASSUMPTIONS AND EXERCISE OF DISCRETION

*Significant assumptions in the application of accounting principles.* The application of accounting principles to the Group requires assessments by management which – while no estimates are used to this end – may have a significant influence on the figures reported in the consolidated financial statements. In particular, management assessments are needed in the analysis of the substance of complex transactions. In the opinion of management, these financial statements do not contain any assumptions concerning the application of accounting principles which have a material effect on the figures reported.

*Significant estimations.* Preparation of the consolidated financial statements under IFRS requires the use of estimations regarding the future and may have an influence on the amount of certain items reported in the income statement, the balance sheet and their explanatory notes. Any estimations underlying the figures reported in the consolidated financial statements are based on experience and the information available at the time the statements were prepared. Estimations and assumptions are reviewed regularly and adapted where necessary. Nevertheless, subsequent actual outcomes may diverge from earlier estimations. Any changes resulting from modifications of estimated values are recognised in the consolidated financial statements in the year in which such modifications are made. Estimations and assumptions bearing significant risks of substantial future changes to book values are listed below:

*Goodwill.* The consolidated balance sheet carries goodwill from continuing operations at CHF 92 million (see note 22). As explained above, this goodwill is subjected to an impairment test whenever evidence suggests that its realisable value may have diminished and in any event at least once annually.

The impairment tests are based on estimated future free cash flows, using discounted cash flow analysis, for each of the cash generating units concerned. The principal factors affecting these valuations are the estimated net revenues, estimated operating margins and the discount rate applied.

*Net pension asset.* The Group maintains occupational pension schemes of its own for many of its employees which are classified as defined benefit schemes for IFRS purposes. IFRS requires an annual comparison of the pension plans' assets with the dynamically calculated net present value of their benefit obligations. These valuations showed a pension plan asset surplus, which is capitalised in the consolidated balance sheet at CHF 84 million, representing the portion of the surplus from which the Group could derive future economic benefit net of actuarial losses not recorded. These valuations are based on a number of assumptions, principal among which are the discount rate applied to future benefits, the expected return on the invested capital, and the expected future pensions and salaries of the plan participants (see note 30). Actual outcomes may diverge considerably from the assumptions made and thus require an amortisation of the capitalised asset value shown.

*Income tax.* Under IFRS rules, that portion of any tax loss carry forwards which can be expected to result in future tax savings should be recognised as a deferrred tax asset. The amount of tax savings which are then actually achieved will depend on the level of net income generated before the tax loss carry forwards expire. This means that future net income may be impacted by extraordinary write-offs of deferred tax assets if the profits the Group generates during the relevant period are below initial expectations. Conversely, additional net income may be recognised if the profits the Group generates exceed expectations and previously unrecognised tax loss carry forwards can be drawn on.

*Provisions.* Provisions are created to reflect imminent potential events, if applicable expert opinion holds that the probability of a loss occurring is greater than that of its failing to materialise. A further prerequisite for the creation of such provisions is that the amount of the potential loss can be reliably estimated. In assessing whether a provision is appropriate and what its amount should be, the best available estimates and assumptions are made with regard to the situation as of the balance sheet date. Since new evidence and unfolding events can have a significant effect on subsequent outcomes, earlier estimates and assumptions may be revised in the light of later evidence and events, if their effect on these estimates and assumptions is substantial.

*Restatement of Group accounts.* In the past, Valora applied a specific retail method to valuing inventories and service revenues. During the roll out of new IT systems for monitoring inventories and evaluating service revenues the method which had been used hitherto was analysed. This analysis showed that the results from valuations under the old method had been incorrectly interpreted.

Valuation using the standard cost method provides a more exact approximation of inventory value. Application of this approach shows that the inventories position shown in previous reporting periods was misstated.

IAS 8 «Accounting Policies, Changes in Accounting Estimates and Errors» requires that prior period errors be corrected retro-actively and the corrections published.

Additionally, the new IFRIC 14 interpretation of IAS 19 has also made it necessary to make adjustments to Valora's consolidated financial statements for 2007.

The effect of the above on net income and shareholders' equity is presented in the table below:

| in CHF 000 | 2007 | **2007 Restated** |
|---|---|---|
| Inventories | 246 995 | **236 564** |
| Net pension asset | 54 574 | **82 920** |
| Other current liabilities | 120 304 | **121 218** |
| Deferred income tax liabilities | 18 264 | **23 934** |
| | | |
| Equity | 587 940 | **599 271** |
| Net revenues | 2 821 755 | **2 821 692** |
| Cost of goods | – 1 963 214 | **– 1 960 186** |
| Personnel expense | – 454 915 | **– 454 654** |
| Operating profit | 55 858 | **59 084** |
| Income tax | – 12 551 | **– 12 604** |
| Net Group profit | 52 279 | **55 452** |
| | | |
| Shareholders' equity opening balance on 1.01.2007 | 560 856 | **569 014** |
| | | |
| Earnings per share | 13.09 | **14.08** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 6 ACQUISITIONS AND DISPOSALS OF BUSINESS UNITS

*Transactions completed in 2008.* In Germany, the Valora Group purchased 100% of the shares of Media Center Gesellschaft für Presse- & Tabakhandel mbH, Berlin, assuming control on December 1, 2008. This company owns 12 non-travel retail outlets.

cevanova AG, the company which previously operated the avec. outlets in Switzerland, and was set up as a joint venture between Valora and Migros, was dissolved with effect from July 1, 2008. Valora's 50% stake, which was held by Valora Retail, was sold to Migros, with some cevanova assets being transferred to the Valora Group. Valora has taken over 24 outlets from cevanova AG, 20 of which were already in operation when the transaction was finalised, with 1 unit opening in the second half of 2008 and 3 further units are at the planning stage. The assets and liabilities assumed as a result of this transaction are recorded in the consolidated balance sheet under the relevant headings.

*Balance sheet values of companies initially consolidated during the period*

| in CHF 000 | Fair Value | Book values in the acquired entity's books |
|---|---|---|
| Current assets | 3 074 | 3 074 |
| Non-current assets | 8 493 | 8 684 |
| Short-term liabilities | – 978 | – 978 |
| Long-term liabilities | 0 | 0 |
| **= Net assets/shareholders' equity acquired** | **10 589** | **10 780** |
| Goodwill | 2 976 | |
| Derecognition of joint venture | – 10 000 | |
| **= Purchase price** | **3 565** | |
| Cash purchase price paid | 3 565 | |
| Cash and cash equivalents acquired | – 91 | |
| Cumulative translation adjustments | 82 | |
| **= Cash flow from acquisition of new Group companies** | **3 556** | |

The CHF 3.0 million of goodwill recognised and the purchase price of CHF 3.6 million relate to Media Center Gesellschaft für Presse- & Tabakhandel mbH. The goodwill results from the portion of the purchase price which exceeded recognisable book value and is attributable to the value to Valora of extending its market presence in Berlin, the improved purchasing leverage Valora has gained in convenience store goods and the strategic tenant position Valora now has vis-à-vis its landlord.

Between the date of their acquisition by Valora and December 31, 2008, Media Center Gesellschaft für Presse- & Tabakhandel mbH generated CHF 16 thousand of net income, while the outlets acquired from cevanova AG generated CHF 402 thousand of net income.

If Valora had purchased Media Center Gesellschaft für Presse- & Tabakhandel mbH on January 1, 2008, sales from that entity for 2008 would have been CHF 13 075 thousand and net income CHF 171 thousand. This same information cannot be provided for the outlets acquired from cevanova AG, because that firm's prior accounting data is insufficiently detailed.

Valora's Own Brands companies, which had already been classified as discontinued operations in the 2007 financial statements, were sold in the first half of 2008 (see note 7).

*Transactions in 2007.* No business units were acquired or disposed of during 2007.

## 7 DISCONTINUED OPERATIONS

During the first half of 2008, the Group sold its Trade division's Own Brands companies, which had already been classified as discontinued operations. Roland Murten AG, Kägi Söhne AG and Cansimag France SA were sold as a single package. Sale of these three units was backdated to February 29, 2008, while that of Gillebagaren AB was backdated to April 30, 2008 and the sale of Sørlandschips AS was backdated to May 31, 2008. The results generated by the units sold until control over them was transferred to their new owners, including net book profits arising from their sale, are shown as net profit from discontinued operations in the consolidated financial statements.

In 2007 it was possible to release provisions established for guarantees made in connection with the Fotolabo disposal which were no longer needed. In addition, a number of costs were reimbursed. These revenues are included in the results from discontinued operations shown in the consolidated income statement.

*Income statement for discontinued operations*

| **January 1 – December 31,** in CHF 000 | **Own Brands 2008** | Own Brands 2007 | Fotolabo 2007 | Total 2007 |
|---|---|---|---|---|
| Net revenues | 42 018 | 181 406 | 0 | 181 406 |
| **Gross profit** | **22 954** | **102 615** | **0** | **102 615** |
| Operating expenses | – 18 248 | – 86 032 | 0 | – 86 032 |
| Other income, net | 2 919 | 3 044 | 991 | 4 035 |
| Goodwill amortisation | 0 | – 10 000 | 0 | – 10 000 |
| **Operating profit** | **7 625** | **9 627** | **991** | **10 618** |
| Financial result | – 387 | – 1 744 | 0 | – 1 744 |
| **Profit before taxes** | **7 238** | **7 883** | **991** | 8 874 |
| Income taxes | – 330 | 597 | 0 | 597 |
| **Operating profit** | **6 908** | **8 480** | **991** | **9 471** |
| Accumulated exchange rate differences | 7 819 | 0 | 0 | 0 |
| **Net profit from discontinued operations** | **14 727** | **8 480** | **991** | **9 471** |

Earnings per share from discontinued operations amounted to CHF 4.78 in 2008 (CHF 2.96 in 2007). There were no dilutive effects in 2008 or 2007.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*Net assets of discontinued operations*

| in CHF 000 | **31.12.2008** | 31.12.2007 |
|---|---|---|
| Cash and cash equivalents | 0 | 13 069 |
| Trade accounts receivable | 0 | 21 537 |
| Inventories | 0 | 10 896 |
| Other current assets | 0 | 8 059 |
| Property, plant and equipment | 0 | 99 548 |
| Goodwill | 0 | 20 639 |
| Other fixed assets | 0 | 4 305 |
| Trade accounts payable | 0 | –13 125 |
| Other current liabilities | 0 | – 19 250 |
| Long-term financial liabilities | 0 | – 29 081 |
| Other long-term liabilities | 0 | – 8 507 |
| **Net assets** | **0** | **108 090** |

*Cash flow from discontinued operations*

| in CHF 000 | **1.1. – 31.12.2008** | 1.1. – 31.12.2007 |
|---|---|---|
| Net cash generated by operating activities | 4 917 | 14 564 |
| Net cash used in investing activities | – 17 598 | – 13 636 |
| Net cash from (used in) financing activities | 1 046 | – 1 949 |
| Translation adjustments on cash and cash equivalents | – 270 | – 32 |
| **Total change in cash and cash equivalents** | **– 11 905** | **– 1 053** |

## 8 SEGMENT REPORTING

The Valora Group is an international trading and services group, with operating activities carried out by the following divisions:

*Valora Retail:* Valora Retail operates small retail outlets at heavily frequented locations in Switzerland, Germany and Luxembourg. The division operates country-wide marketing and distribution systems for press, tobacco and consumer products for daily use and the impulse buyer's market. Valora Retail's market presence comprises the k kiosk, avec., k presse + buch and Caffè Spettacolo formats.

*Valora Media:* Valora Media is a specialised wholesaler intermediating between publishers and the retail sector. The division supplies newspapers, magazines and books to the Group's own retail outlets and those of third parties in Switzerland, Austria and Luxembourg.

*Valora Trade:* Valora Trade acts as an exclusive distributor to the retail sector of both food and non-food branded goods.

*Other:* This division comprises the Group support functions provided by finance, HR, business development, legal services and corporate communication. It also includes Group IT and the central logistics functions for Valora Retail Switzerland and Valora Media Switzerland. The balance sheet items relating to operations which were discontinued as of December 31, 2007 (assets totalling CHF 178.1 million and liabilties totalling CHF 70.0 million) are also allocated to this division. The revenues shown for this division are those arising from the logistics services it provides.

### *Segment data by division*

| in CHF 000 | Valora Retail | Valora Media | Valora Trade | Others | Intersegment elimination | Total Group |
|---|---|---|---|---|---|---|
| *Net revenues for 2008* | | | | | | |
| From third parties | 1 746 787 | 389 772 | 780 806 | 14 291 | 0 | 2 931 656 |
| From other divisions | 2 089 | 186 045 | 7 184 | 0 | – 195 318 | 0 |
| **Total** | **1 748 876** | **575 817** | **787 990** | **14 291** | **– 195 318** | **2 931 656** |
| *Net revenues for 2007* | | | | | | |
| From third parties | 1 664 830 | 358 235 | 784 249 | 14 378 | 0 | 2 821 692 |
| From other divisions | 470 | 194 947 | 6 768 | 0 | – 202 185 | 0 |
| **Total** | **1 665 300** | **553 182** | **791 017** | **14 378** | **– 202 185** | **2 821 692** |
| Change (%) | 5.0 | 4.1 | – 0.4 | | | 3.9 |
| *Operating profit for 2008* | | | | | | |
| **Operating profit** | **10 973** | **27 505** | **17 768** | **– 18 145** | **0** | **38 101** |
| *Operating profit for 2007* | | | | | | |
| Operating profit | 20 331 | 25 242 | 17 091 | – 3 580 | 0 | 59 084 |

The 2008 operating result recorded under «Others» includes restructuring costs of CHF 11.6 million which were not allocated to the market divisions. This operating result also includes further impairments totalling CHF 2.0 million relating to the 2008 IT platform, which are not related to the restructuring programme or to implementation of the Group's new strategy.

The shares of the net income generated by associated companies and joint ventures attributable to the market divisions were as follows: Valora Retail CHF 0.7 million (CHF 0.9 million in 2007), Valora Media CHF 0.0 million (CHF 0.1 million in 2007), and Valora Trade CHF 0.4 million (CHF 0.8 million in 2007).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

| in CHF 000 | Valora Retail | Valora Media | Valora Trade | Others | Intersegment elimination | Total Group |
|---|---|---|---|---|---|---|
| *Operating profit for 2008 included the following non-cash expenses* | | | | | | |
| Depreciation | 23 926 | 6 536 | 2 487 | 10 533 | | 43 482 |
| Impairments | 9 882 | 554 | 0 | 7 935 | | 18 371 |
| Creation of provisions, net | 1 827 | 841 | 0 | 3 205 | | 5 873 |
| *Operating profit for 2007 included the following non-cash expenses* | | | | | | |
| Depreciation | 20 866 | 5 751 | 3 063 | 11 507 | | 41 187 |
| Impairments | 0 | 48 | 0 | 902 | | 950 |
| Release of provisions, net | – 3 264 | 0 | 0 | – 4 430 | | – 7 694 |
| *Capital expenditure* | | | | | | |
| **2008** | **21 147** | **3 203** | **4 540** | **16 363** | | **45 253** |
| 2007 | 24 437 | 2 138 | 2 923 | 18 040 | | 47 538 |
| *Segment assets* | | | | | | |
| **December 31, 2008** | **578 271** | **265 415** | **273 526** | **387 199** | **– 408 383** | **1 096 028** |
| December 31, 2007 | 549 528 | 214 346 | 325 434 | 566 823 | – 331 673 | 1 324 458 |
| *Segment liabilities* | | | | | | |
| **December 31, 2008** | **442 287** | **178 398** | **169 300** | **220 537** | **– 408 383** | **602 139** |
| December 31, 2007 | 452 474 | 119 295 | 187 853 | 297 238 | – 331 673 | 725 187 |

Valora Retail's share of the book values attributable to associates and joint ventures amounted to CHF 0.0 million in 2008 (CHF 9.3 million in 2007). For Valora Media the corresponding figures were CHF 0.0 million in 2008 (CHF 0.0 million in 2007) and for Valora Trade they were CHF 4.9 million in 2008 (CHF 5.3 million in 2007).

## *Segment data by region*

| in CHF 000 | Switzerland | Europe | Total Group |
|---|---|---|---|
| *Net revenues from third parties* | | | |
| **2008** | **1 770 761** | **1 160 895** | **2 931 656** |
| 2007 | 1 696 114 | 1 125 578 | 2 821 692 |
| Change (%) | 4.4 | 3.1 | 3.9 |
| *Capital expenditure* | | | |
| **2008** | **29 586** | **15 667** | **45 253** |
| 2007 | 36 080 | 11 458 | 47 538 |
| *Segment assets* | | | |
| **December 31, 2008** | **769 063** | **326 965** | **1 096 028** |
| December 31, 2007 | 900 496 | 423 962 | 1 324 458 |

## 9 PERSONNEL EXPENSES

| in CHF 000 | 2008 | 2007 |
|---|---|---|
| Salaries and wages | 388 657 | 381 915 |
| Pension cost of defined benefit plans | 10 144 | 11 407 |
| Pension cost of defined contribution plans | 2 968 | 2 544 |
| Other social security payments | 42 918 | 40 850 |
| Share-based payments | 1 404 | 1 947 |
| Other personnel expenses | 17 986 | 15 991 |
| **Total personnel expense** | **464 077** | **454 654** |
| | | |
| Average number of employees (full-time equivalents) | 6 523 | 6 495 |

Other personnel expenses principally relate to payments made to employment agencies for temporary staff and costs associated with staff training and recruitment.

## 10 OTHER OPERATING EXPENSES

| in CHF 000 | 2008 | 2007 |
|---|---|---|
| Rent | 120 904 | 113 422 |
| Real-estate expenses | 7 934 | 7 439 |
| Energy | 20 881 | 18 476 |
| Insurance | 2 878 | 3 581 |
| Communications and IT | 18 773 | 19 312 |
| Advertising and sales | 51 900 | 50 847 |
| Shipping and dispatch | 69 507 | 68 828 |
| General administration | 26 125 | 24 387 |
| Capital and other taxes | 1 639 | 1 080 |
| Miscellaneous | 16 046 | 12 676 |
| **Total other operating expenses** | **336 587** | **320 048** |

Miscellaneous operating expenses include operating lease payments totalling CHF 5.0 million (CHF 4.8 million in 2007).

## 11 OTHER INCOME, NET

| in CHF 000 | 2008 | 2007 |
|---|---|---|
| Rental income | 2 671 | 2 378 |
| (Losses) gains from disposal of non-current assets, net | – 956 | 14 |
| Miscellaneous expenses | – 69 | – 86 |
| Miscellaneous income | 5 690 | 12 111 |
| **Total other income, net** | **7 336** | **14 417** |

Valora reached a settlement with regard to Selecta during 2008. This resulted in the Group receiving a payment of CHF 3.5 million which is included under miscellaneous income above. No existing provisions in respect of continuing operations were released during 2008 (CHF 7.7 million

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

in 2007). Miscellaneous income for 2007 included a receipt of CHF 2.9 million from an impaired account payable relating to a previously sold entity.

## 12 FINANCIAL EXPENSE

| in CHF 000 | 2008 | 2007 |
|---|---|---|
| Interest on bank debt and mortgages | 3 652 | 6 056 |
| Interest on bonds issued | 4 609 | 4 591 |
| Interest on finance leases | 154 | 162 |
| Net gains on financial derivative instruments | – 1 161 | – 185 |
| Fair value adjustments on long-term provisions | 205 | – 247 |
| Currency translation losses, net | 4 743 | 0 |
| **Total financial expense** | **12 202** | **10 377** |

Interest on bank debt and mortgages fell principally as a result of the outstanding balance on the syndicated loan facility being reduced.

Fair value adjustment on long-term provisions for 2007 include CHF 0.7 million of provisions which were no longer required and therefore released.

## 13 FINANCIAL INCOME

| in CHF 000 | 2008 | 2007 |
|---|---|---|
| Interest earned on cash, cash equivalents, loans and receivables | 4 257 | 5 291 |
| Interest income from finance leases | 329 | 335 |
| Dividend income from financial investments available for sale | 9 | 17 |
| Realised gains on financial investments available for sale | 0 | 6 |
| Foreign exchange gains, net | 0 | 2 423 |
| **Total financial income** | **4 595** | **8 072** |

## 14 INCOME TAXES

Income tax expense was as follows:

| in CHF 000 | 2008 | 2007 |
|---|---|---|
| Expense on current income taxes | 7 552 | 7 020 |
| (Revenue) expense from deferred taxes | – 1 101 | 5 584 |
| **Total income tax expense for continuing operations** | **6 451** | **12 604** |

In addition, temporary differences arising from the recognition of equity based compensation from share schemes resulted in CHF 4 thousand of deferred tax assets being released to shareholders' equity (CHF 92 thousand in 2007).

The differences between reported Group income tax expense and the expected tax expenses of the individual Group companies based on their applicable tax rates can be reconciled as follows:

| in CHF 000 | **2008** | 2007 |
|---|---|---|
| Profit before income taxes | 31 625 | 58 585 |
| Expected average Group tax rate | 21.0 % | 21.9 % |
| **Income taxes at expected Group tax rate** | **6 634** | **12 819** |
| Non-tax-deductible tax expense | 1 422 | 189 |
| Utilisation of losses not previously recognised | – 4 377 | – 3 027 |
| Out-of-period effects on current income taxes | – 793 | 2 592 |
| Impairments on deferred tax assets, net | 3 930 | 304 |
| Tax rate changes and other effects, net | – 365 | – 273 |
| **Total reported income taxes** | **6 451** | **12 604** |

Despite the restated inventory values for 2007, reported tax expenses for that year were not revised, because the subsidiary concerned had capitalised tax loss carry forwards which meant that income tax payable was not affected.

Changes to deferred income taxes were as follows:

| *Changes to deferred tax assets and liabilities*<br>in CHF 000 | **Deferred tax assets** | **Deferred tax liabilities** | **Net assets (+)/ Net liabilities(-)** |
|---|---|---|---|
| **Balance at December 31, 2006** | **41 557** | **– 25 778** | **15 779** |
| Restatement of deferred taxes under IAS 19 | 0 | – 5 617 | – 5 617 |
| Of which from discontinued operations | – 489 | 8 038 | 7 549 |
| **Balance at January, 2007** | **41 068** | **– 23 357** | **17 711** |
| Deferred taxes included in net income | – 5 187 | – 397 | – 5 584 |
| Deferred taxes included in shareholders' equity | – 92 | 0 | – 92 |
| Exchange rate differences | 252 | – 180 | 72 |
| **Balance at December 31, 2007** | **36 041** | **– 23 934** | **12 107** |
| Deferred taxes included in net income | 1 920 | – 819 | 1 101 |
| Deferred taxes included in shareholders' equity | – 4 | 0 | – 4 |
| Exchange rate differences | – 1 280 | 801 | – 479 |
| **Balance at December 31, 2008** | **36 677** | **– 23 952** | **12 725** |

Deferred taxes principally relate to the pension fund asset, intangible assets, real estate and tax loss carry forwards.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Tax deductible losses carried forward amount to CHF 397.7 million (CHF 541.4 million in 2007). In 2008, deferred tax assets amounting to CHF 103.8 million (out of a total of CHF 377.2 million) were not capitalised, as it is unlikely that they will be realised. In 2007, CHF 125.9 million (out of a total of CHF 432.1 million) were not capitalised for the same reason. These will lapse as follows:

| in CHF 000 | **2008** | 2007 |
|---|---|---|
| Within one year | 4 | 6 |
| Within 2 years | 10 383 | 6 |
| Within 3 years | 61 991 | 137 254 |
| Within 4 years | 51 035 | 14 105 |
| Within 5 years | 1 | 51 037 |
| After more than 5 years | 253 797 | 229 645 |
| **Total** | **377 211** | **432 053** |

The change in the amounts of capitalised deferred taxes results from a reclassification approved by the applicable tax authorities.

Deferred tax liabilities on temporary valuation differences on investments carried at CHF 345.0 million (CHF 514.2 million in 2007) were not capitalised, as it is not intended to realise them in the foreseeable future.

The distribution of dividends by Valora Holding AG is of no relevance to the Group's income tax position.

## 15 EARNINGS PER SHARE

Earnings per share are calculated by dividing the net profit attributable to shareholders of Valora Holding AG by the weighted average number of shares outstanding.

| in CHF 000 | **2008** | 2007 |
|---|---|---|
| Net profit from continuing operations | 25 174 | 45 981 |
| Net profit attributable to minority interests | – 839 | – 915 |
| **Net profit from continuing operations attributable to Valora Holding AG shareholders** | **24 335** | **45 066** |
| Average number of shares outstanding | 3 078 254 | 3 201 312 |
| **Earnings per share from continuing operations (in CHF)** | **7.91** | **14.08** |

There were no dilutive effects in 2008 or 2007.

On April 29, 2009, the General Meeting will vote on a recommendation to cancel 500 000 registered shares of Valora Holding AG. Some 350 000 of these had been repurchased by the end of 2008, and are reflected in the calculation of the average number of shares outstanding for 2008. The remainder, amounting to some 150 000 shares, were repurchased during the first two months of 2009.

## 16 CASH AND CASH EQUIVALENTS

| in CHF 000 | 2008 | 2007 |
|---|---|---|
| Petty cash and bank sight deposits | 157 865 | 147 958 |
| Short-term deposits and money-market investments < 3 months | 571 | 5 468 |
| **Total cash and cash equivalents** | **158 436** | **153 426** |

## 17 TRADE ACCOUNTS RECEIVABLE

| in CHF 000 | 2008 | 2007 |
|---|---|---|
| Trade accounts receivable, gross | 156 011 | 166 613 |
| Allowance for bad and doubtful debts | – 2 283 | – 2 114 |
| **Total trade accounts receivable, net** | **153 728** | **164 499** |

Impairments to trade accounts receivable are shown in the table below:

| in CHF 000 | 2008 | 2007 |
|---|---|---|
| **Position at January 1** | **2 114** | **3 088** |
| Of which from discontinued operations | 0 | – 70 |
| Impairment creation charged to income | 1 236 | 390 |
| Impairments released to income | – 877 | – 1 072 |
| Impairments utilised | – 139 | – 239 |
| Exchange rate differences | – 51 | 17 |
| **Position at December 31** | **2 283** | **2 114** |

The year-end composition, by vintage, of overdue trade accounts receivable which have not been subjected to impairment is as follows:

| in CHF 000 | 2008 | 2007 |
|---|---|---|
| **Total trade accounts receivable, net** | **153 728** | **164 499** |
| Of which | | |
| Not yet overdue | 122 319 | 131 447 |
| Up to 10 days overdue | 14 785 | 13 455 |
| More than 10 days, but less than one month overdue | 12 535 | 16 053 |
| More than one month, but less than two months overdue | 2 639 | 1 563 |
| More than two months, but less than four months overdue | 1 062 | 1 267 |
| More than four months overdue | 388 | 714 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The breakdown of trade accounts receivable by currency is as follows:

| in CHF 000 | 2008 | 2007 |
|---|---|---|
| CHF | 69 457 | 67 367 |
| DKK | 29 518 | 28 060 |
| EUR | 32 219 | 39 260 |
| NOK | 5 071 | 4 928 |
| SEK | 17 066 | 24 670 |
| Others | 397 | 214 |
| **Total trade accounts receivable, net** | **153 728** | **164 499** |

## 18 INVENTORIES

| in CHF 000 | 2008 | 2007 |
|---|---|---|
| Ancillary material and other inventories | 244 | 335 |
| Merchandise | 228 733 | 236 229 |
| **Total inventories** | **228 977** | **236 564** |

In 2008, inventory write-downs of CHF 23.0 million (CHF 20.0 million in 2007) were charged to cost of goods sold. No inventories were carried at their net realisable value (none in 2007).

## 19 OTHER CURRENT RECEIVABLES

| in CHF 000 | 2008 | 2007 |
|---|---|---|
| Value-added tax, withholding tax and other taxes recoverable | 3 403 | 2 443 |
| Prepaid expenses and accrued income | 11 752 | 12 341 |
| Short-term receivables from finance leases | 290 | 278 |
| Miscellaneous receivables | 31 673 | 28 740 |
| **Total other current receivables** | **47 118** | **43 802** |

The miscellaneous receivables above principally comprise advance payments for goods and equipment and payments receivable from social security agencies and insurers.

Additional information relating to receivables from finance leases can be found in note 23.

## 20 PROPERTY, PLANT AND EQUIPMENT

| in CHF 000 | Land | Buildings | Machinery & equipment | Projects in progress | Total |
|---|---|---|---|---|---|
| *At cost* | | | | | |
| **Balance at December 31, 2006** | **24 495** | **194 551** | **499 590** | **6 322** | **724 958** |
| of which from discontinued operations | – 2 784 | – 45 458 | – 121 312 | – 4 714 | – 174 268 |
| **Balance at January 1, 2007** | **21 711** | **149 093** | **378 278** | **1 608** | **550 690** |
| Additions | 0 | 264 | 32 069 | 428 | 32 761 |
| Disposals | 0 | 0 | – 55 257 | 0 | – 55 257 |
| Reclassifications | 0 | 1 022 | 574 | – 1 596 | 0 |
| Translation adjustments | 246 | 675 | 2 112 | 6 | 3 039 |
| **Balance at December 31, 2007** | **21 957** | **151 054** | **357 776** | **446** | **531 233** |
| Changes in consolidation scope | 0 | 0 | 8 400 | 83 | 8 483 |
| Additions | 0 | 1 897 | 20 598 | 2 232 | 24 727 |
| Disposals | – 10 | – 108 | – 9 808 | 0 | – 9 926 |
| Reclassifications | 0 | 0 | 410 | – 410 | 0 |
| Translation adjustments | – 857 | – 2 052 | – 9 373 | – 23 | – 12 305 |
| **Balance at December 31, 2008** | **21 090** | **150 791** | **368 003** | **2 328** | **542 212** |
| *Accumulated depreciation* | | | | | |
| **Balance at December 31, 2006** | **0** | **– 55 424** | **–350 960** | **0** | **– 406 384** |
| of which from discontinued operations | 0 | 9 518 | 84 197 | 0 | 93 715 |
| **Balance at January 1, 2007** | **0** | **– 45 906** | **– 266 763** | **0** | **– 312 669** |
| Additions | 0 | – 4 492 | – 27 075 | 0 | – 31 567 |
| Impairments | 0 | 0 | – 266 | 0 | – 266 |
| Disposals | 0 | 0 | 52 877 | 0 | 52 877 |
| Translation adjustments | 0 | – 139 | – 1 492 | 0 | – 1 631 |
| **Balance at December 31, 2007** | **0** | **– 50 537** | **– 242 719** | **0** | **– 293 256** |
| Additions | 0 | – 4 439 | – 27 680 | 0 | – 32 119 |
| Impairments | 0 | 0 | – 13 134 | 0 | – 13 134 |
| Disposals | 0 | 56 | 8 271 | 0 | 8 327 |
| Translation adjustments | 0 | 638 | 6 456 | 0 | 7 094 |
| **Balance at December 31, 2008** | **0** | **– 54 282** | **– 268 806** | **0** | **– 323 088** |
| *Net book value* | | | | | |
| at December 31, 2007 | 21 957 | 100 517 | 115 057 | 446 | 237 977 |
| **at December 31, 2008** | **21 090** | **96 509** | **99 197** | **2 328** | **219 124** |

The impairments for 2008 are due to write-offs arising from the restructuring programme. These non-scheduled write-offs principally relate to retail outlet infrastructure which became obsolete when outlets were reconfigured. Fixtures and fittings which became redundant as a result of moving the logistics operations from Muttenz to Egerkingen and of centralising head office functions at Muttenz were also written off.

No property, plant and equipment was pledged to secure mortgage loans (none in 2007). Property, plant and equipment at year end 2008 includes no real estate held on finance leases (none in 2007), but does include machinery and equipment held on finance leases amounting to CHF 2.4 million (CHF 3.0 million in 2007)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

| *Fire insurance values of property, plant and equipment*<br>in CHF 000 | **2008** | 2007 |
|---|---|---|
| Property (including investment property) | 200 164 | 223 055 |
| Plant and equipment | 418 210 | 423 541 |
| **Total** | **618 374** | **646 596** |

## 21 INVESTMENT PROPERTY

The acquisition costs and book values for the investment property portfolio were as follows:

| *Investment property*<br>in CHF 000 | **2008** | 2007 |
|---|---|---|
| *At cost* | | |
| **Balance at January 1** | **23 778** | **27 904** |
| Additions | 0 | 23 |
| Disposals | 0 | – 4 380 |
| Translation adjustments | – 802 | 231 |
| **Balance at December 31** | **22 976** | **23 778** |
| *Accumulated depreciation* | | |
| **Balance at January 1** | **– 8 462** | **– 8 821** |
| Additions | – 356 | – 369 |
| Disposals | 0 | 889 |
| Translation adjustments | 504 | – 161 |
| **Balance at December 31** | **– 8 314** | **– 8 462** |
| **Total net carrying amount** | **14 662** | **15 316** |

The estimated market value (based on yield value assessments) of the investment properties was CHF 20.4 million (CHF 20.8 in 2007). These assessments are carried out by a suitably qualified surveyor. The rental income from the investment properties was CHF 2.5 million (CHF 2.2 million in 2007) and the associated maintenance and operational costs were CHF 1.4 million (CHF 1.6 million in 2007). No mortgage liens were in place on these investment properties (CHF 2.4 million in 2007). An industrial building in Germany was sold as planned during 2007.

## 22 GOODWILL, SOFTWARE AND INTANGIBLE ASSETS WITH LIMITED USEFUL LIFE

| in CHF 000 | Goodwill from acquisitions | Software and intangible assets with limited useful life | Projects in progress | Total |
|---|---|---|---|---|
| *At cost* | | | | |
| **Balance at December 31, 2006** | **120 242** | **98 227** | **1 873** | **220 342** |
| Of which from discontinued operations | – 30 639 | – 1 319 | 0 | – 31 958 |
| **Balance at January 1, 2007** | **89 603** | **96 908** | **1 873** | **188 384** |
| Additions | 0 | 11 493 | 3 261 | 14 754 |
| Disposals | 0 | – 28 938 | 0 | – 28 938 |
| Reclassifications | 0 | 115 | – 115 | 0 |
| Translation adjustments | 154 | 1 395 | 16 | 1 565 |
| **Balance at December 31, 2007** | **89 757** | **80 973** | **5 035** | **175 765** |
| Change in consolidation scope | 2 856 | 4 | 0 | 2 860 |
| Additions | 0 | 11 097 | 9 429 | 20 526 |
| Disposals | 0 | – 2 279 | 0 | – 2 279 |
| Reclassifications | 0 | 828 | – 828 | 0 |
| Translation adjustments | – 535 | – 5 150 | – 240 | – 5 925 |
| **Balance at December 31, 2008** | **92 078** | **85 473** | **13 396** | **190 947** |
| *Accumulated amortisation* | | | | |
| **Balance at December 31, 2006** | **0** | **– 60 497** | **0** | **– 60 497** |
| Of which from discontinued operations | 0 | 1 061 | 0 | 1 061 |
| **Balance at January 1, 2007** | **0** | **– 59 436** | **0** | **– 59 436** |
| Additions | 0 | – 9 251 | 0 | – 9 251 |
| Impairments | 0 | – 684 | 0 | – 684 |
| Disposals | 0 | 28 769 | 0 | 28 769 |
| Translation adjustments | 0 | – 648 | 0 | – 648 |
| **Balance at December 31, 2007** | **0** | **– 41 250** | **0** | **– 41 250** |
| Additions | 0 | – 11 007 | 0 | – 11 007 |
| Impairments | 0 | 0 | – 5 237 | – 5 237 |
| Disposals | 0 | 2 121 | 0 | 2 121 |
| Translation adjustments | 0 | 2 838 | 0 | 2 838 |
| **Balance at December 31, 2008** | **0** | **– 47 298** | **– 5 237** | **– 52 535** |
| *Book value* | | | | |
| At December 31, 2007 | 89 757 | 39 723 | 5 035 | 134 515 |
| **At December 31, 2008** | **92 078** | **38 175** | **8 159** | **138 412** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*Software and intangible assets with limited useful life.* Software and intangible assets with limited useful life include CHF 18.9 million for software and CHF 19.3 million for intangible assets of limited useful life, CHF 13.7 million of which relate to delivery rights capitalised on the balance sheet of Valora Media Austria (PGV). The impairments of CHF 5.2 million relates to the 2008 IT platform. Of this total, CHF 3.2 million is attributable to restructuring measures and the implementation of the Valora 4 Success strategy programme. The remaining CHF 2.0 million is not attributable to the restructuring programme. Increases in project costs, which did not extend the scope of the project, meant that previously capitalised costs were no longer justified. The remaining capitalised cost (value in use) of the 2008 IT platform was CHF 11.7 million at December 31, 2008.

*Goodwill Impairment-Test.* Fair value is calculated on the basis of value-in-use. Valuations were based on the discounted value of estimated future free cash flows of cash generating units to which goodwill has been attributed. Cash flows for the next 3 years, drawn from the business plans approved by division management, are taken into account, after which a residual value is assumed. The discount rate applied is based on weighted average cost of capital calculations, and also takes currency-specific risks into account. The main goodwill items are as follows:

*Valora Trade Nordics - Distribution.* Valora Trade's Scandinavian business units carried goodwill on their balance sheets at December 31, 2008 amounting to CHF 16.3 million (acquired in 2001). The key assumptions used for valuation are discount rates of 7.0% for Denmark and 6.0% for Sweden and the operating margins budgeted.

*Valora Media Luxembourg - MPK.* Goodwill amounting to CHF 43.3 million has been assigned to the Luxembourg press wholesale unit (acquired in 2000). The key assumptions here are a 7.0% discount rate and the budgeted operating margin.

*Valora Media Austria - PGV.* Goodwill amounting to CHF 4.7 million has been assigned to the press wholesaling unit in Austria (acquired in 2004). The key assumptions used are a discount rate of 7.0% and the budgeted operating margin.

*Valora Retail Switzerland.* Goodwill amounting to CHF 12.8 million has been assigned to Valora Retail Switzerland. This relates to the remaining minority rights which Valora acquired in 2002. The key assumptions here are a 6.0% discount rate and the budgeted operating margin.

Impairment tests were also conducted for the other, smaller goodwill items.

No impairments to goodwill on continuing operations were charged to the income statements for 2008 or 2007. The impairment tests carried out show that if the discount rate applied were raised by 1.5 percentage points, all book values would still be below the resulting realisable values. If the discount rates were raised by 3.0 percentage points, all book values except the CHF 14.0 million of goodwill recoreded for Valora Trade Denmark would still be below the resulting realisable values.

## 23 RECEIVABLES FROM REAL ESTATE AND FINANCE LEASES

| *Future receivables from real estate leases* in CHF 000 | **2008** | 2007 |
|---|---|---|
| Rental payments received during period | 2 671 | 2 378 |
| *Future rental receivables from current real estate leases* | | |
| Within one year | 1 710 | 1 801 |
| Within 1-2 years | 1 514 | 1 429 |
| Within 2-3 years | 1 550 | 1 197 |
| Within 3-4 years | 1 513 | 1 146 |
| Within 4-5 years | 1 140 | 1 098 |
| After more than 5 years | 1 629 | 1 588 |
| **Total receivables from current real estate leases** | **9 056** | **8 259** |

| *Future receivables from finance leases* in CHF 000 | **2008** | 2007 |
|---|---|---|
| Payments received during period | 604 | 599 |
| *Future receivables from current finance leases* | | |
| Within one year | 643 | 604 |
| Within 1-2 years | 643 | 604 |
| Within 2-3 years | 643 | 604 |
| Within 3-4 years | 643 | 604 |
| Within 4-5 years | 643 | 604 |
| After more than 5 years | 5 906 | 6 133 |
| **Total future receivables from finance leases** | **9 121** | **9 153** |
| minus future interest credits | – 3 173 | – 2 931 |
| **Total future receivables from finance leases (present value)** | **5 948** | **6 222** |
| minus current portion (see Note 19) | – 290 | – 278 |
| **Non-current receivables from finance leases (see Note 24)** | **5 658** | **5 944** |

| *Present value of minimum future finance lease revenues* in CHF 000 | **2008** | 2007 |
|---|---|---|
| Within one year | 621 | 587 |
| Within 1-2 years | 582 | 556 |
| Within 2-3 years | 546 | 526 |
| Within 3-4 years | 512 | 499 |
| Within 4-5 years | 480 | 473 |
| After more than 5 years | 3 207 | 3 581 |
| **Total present value of minimum future finance lease revenues** | **5 948** | **6 222** |

The finance leases cover extensions to the former headquarters made during the Valora tenancy, which the new tenant is using.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 24 FINANCIAL ASSETS

| *Non-current financial assets*<br>in CHF 000 | 2008 | 2007 |
|---|---|---|
| Loans and receivables | 1 389 | 18 842 |
| Receivables from finance leases | 5 658 | 5 944 |
| Financial assets available for sale | 1 411 | 1 563 |
| **Total financial assets** | **8 458** | **26 349** |

Note 23 provides further information on receivables from finance leases.

The financial assets available for sale include CHF 676 thousand (CHF 677 thousand in 2007) of unlisted shareholdings for which there is no active market and about which insufficient information is available to form the basis for a valuation. These items are therefore carried at cost minus an impairment for enduring loss in value. None of these financial assets were sold in 2008.

A profit of CHF 6 thousand was realised on an asset in this category sold in 2007.

## 25 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

| *Summary balance sheet of associates and joint ventures*<br>in CHF 000 | 2008 | 2007 |
|---|---|---|
| Current assets | 5 747 | 11 333 |
| Non-current assets | 23 704 | 40 539 |
| Current liabilities | – 10 508 | – 13 821 |
| Non-current liabilities | – 7 076 | – 6 654 |
| **= Equity** | **11 867** | **31 397** |

| *Summary income statement of associates and joint ventures*<br>in CHF 000 | 2008 | 2007 |
|---|---|---|
| Net revenues | 38 118 | 49 659 |
| Operating profit | 1 899 | 4 182 |
| **Net profit** | **933** | **3 438** |

Investments in associates and joint ventures comprise 45% of Borup Kemi A/S, Denmark (Valora Trade), 50% of Kaumy S.r.o., Czech Republic (Valora Trade) and 22% of Karl Schmelzer - J. Bettenhausen bookshops, OHG, Vienna, Austria (Valora Media).

Valora Retail's 50% stake in cevanova AG, the company which formerly operated the avec. shops in Switzerland, was sold to Migros in 2008, though some of the company's assets were transferred to the Valora Group. The assets and liabilities thus transferred are included under the relevant headings in these consolidated financial statements.

## 26 FINANCIAL DEBT

| *Short-term financial debt*<br>in CHF 000 | **2008** | 2007 |
|---|---|---|
| Current bank debt | 638 | 3 |
| Current portion of non-current bank debt | 0 | 740 |
| Current portion of finance lease obligations | 809 | 965 |
| **Total short-term financial debt** | **1 447** | **1 708** |

| *Long-term financial debt*<br>in CHF 000 | **2008** | 2007 |
|---|---|---|
| Bank loans | 4 558 | 49 545 |
| Bonds | 138 935 | 138 650 |
| Finance lease obligations | 1 276 | 1 882 |
| Other long-term debt | 6 253 | 7 663 |
| **Total long-term financial debt** | **151 022** | **197 740** |

Note 32 provides further information on liabilities arising from finance leases.

Bank loans relate solely to the syndicated credit facility totalling CHF 5 million taken out by Valora Holding AG, all of which is floating rate. The interest rate swap which was entered into as a hedge for a portion of these floating rate interest payments and which qualified as a cash flow hedge was closed out when its matching liability was reimbursed (see note 33). Under the syndicated loan agreement, the Valora Group has covenanted to maintain its equity ratio and indebtedness within certain parameters during the life of the facility.

| *Bonds*<br>in CHF 000 | **Gross** | **Discount** | **2008 net** | 2007 net |
|---|---|---|---|---|
| 2.875 % bond 2005–2012 | 140 000 | 1 065 | 138 935 | 138 650 |

The effective yield on the bond is 3.1 %.

| *Maturities at year end were as follows*<br>in CHF 000 | **2008** | 2007 |
|---|---|---|
| Within one year | 809 | 1 705 |
| Within 1-2 years | 999 | 3 264 |
| Within 2-3 years | 539 | 0 |
| Within 3-4 years | 143 070 | 0 |
| Within 4-5 years | 4 558 | 194 208 |
| After more than 5 years | 1 856 | 268 |
| **Total** | **151 831** | **199 445** |
| Current portion of long-term financial debt | – 809 | – 1 705 |
| **Total long-term financial debt** | **151 022** | **197 740** |

During 2008, a nominal total of CHF 45.0 million in outstanding syndicated loans were redeemed.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Interest rates ranged from 2.00% to 5.83%. The weighted average rate of interest on financial liabilities was 3.12% (3.14% in 2007).

The currency composition of the Group's long-term financial debt is as follows:

| in CHF 000 | **2008** | 2007 |
|---|---|---|
| CHF | 145 411 | 190 379 |
| DKK | 474 | 0 |
| EUR | 4 129 | 6 013 |
| SEK | 1 008 | 1 348 |
| **Total long-term financial debt** | **151 022** | **197 740** |

## 27 TRADE ACCOUNTS PAYABLE

The currency composition of the Group's trade accounts payable is as follows:

| in CHF 000 | **2008** | 2007 |
|---|---|---|
| CHF | 125 470 | 130 213 |
| DKK | 6 300 | 15 849 |
| EUR | 98 395 | 101 853 |
| NOK | 5 847 | 4 437 |
| SEK | 16 057 | 28 756 |
| Other | 919 | 746 |
| **Total trade accounts payable** | **252 988** | **281 854** |

## 28 OTHER CURRENT LIABILITIES

| in CHF 000 | **2008** | 2007 |
|---|---|---|
| Value-added tax and other taxes owed | 15 726 | 11 530 |
| Social security contributions payable | 3 061 | 3 497 |
| Accruals for overtime, unused vacation and variable elements of remuneration | 22 647 | 19 377 |
| Pension cost payable | 733 | 763 |
| Warranties and similar current accruals | 0 | 17 |
| Accrued expenses | 69 660 | 66 079 |
| Miscellaneous current liabilities | 22 695 | 19 955 |
| **Total other current liabilities** | **134 522** | **121 218** |

## 29 PROVISIONS

| in CHF 000 | Guarantees | Litigation | Restructuring | Total |
|---|---|---|---|---|
| **Balance at January 1, 2007** | **15 576** | **4 228** | **5 070** | **24 874** |
| Utilised | – 5 092 | – 124 | – 1 806 | – 7 022 |
| Amounts released to income | – 5 978 | 0 | – 3 264 | – 9 242 |
| Fair value adjustment | 244 | 205 | 0 | 449 |
| Translation adjustments | 0 | 3 | 0 | 3 |
| **Balance at December 31, 2007** | **4 750** | **4 312** | **0** | **9 062** |
| Utilised | – 501 | 0 | 0 | – 501 |
| Amounts released to income | – 500 | 0 | 0 | – 500 |
| Recognised | 6 230 | 0 | 5 873 | 12 103 |
| Fair value adjustment | 53 | 205 | 0 | 258 |
| **Balance at December 31, 2008** | **10 032** | **4 517** | **5 873** | **20 422** |
| Current provisions | 2 149 | 0 | 5 503 | 7 652 |
| Long-term provisions | 7 883 | 4 517 | 370 | 12 770 |
| **Total provisions** | **10 032** | **4 517** | **5 873** | **20 422** |

*Guarantees.* These comprise contractual guarantees in connection with the business units sold as part of the focusing strategy and the sales of Fotolabo and Own Brands.

Changes in 2008: CHF 250 thousand of the Fotolabo guarantees were utilised. The sale of Own Brands resulted in provisions totalling CHF 6.2 million being created in the first half of 2008, CHF 2.9 million of which are short-term and the remaining CHF 3.3 million long-term. CHF 251 thousand of these had been utilised by December 31, 2008. A further CHF 0.5 million were released to the income statement, after an environmental survey commissioned by the purchaser showed that no environmental guarantee claims would arise.

The guarantees issued in connection with the focusing strategy disposals will all expire no later than 2014, while those related to the Fotolabo sale will run no later than 2013. The guarantees issued in connection with the Own Brands sale run for between two and five years.

*Litigation.* A remaining CHF 4.5 million of the provisions made in Germany in relation to a fraud case and to Valora Retail cases pending since 2003 are still in place.

The court proceedings relating to the fraud case in Germany are lasting longer than originally foreseen and will probably be concluded after 2009.

*Restructuring.* Provisions created in respect of restructuring measures in the Group's Swiss operations amounted to CHF 5.9 million in 2008. CHF 1.8 million of these related to Valora Retail, CHF 0.9 million to Valora Media and CHF 3.2 million to the Corporate division. The majority of these restructuring projects are expected to be completed during 2009.

## 30 RETIREMENT BENEFIT LIABILITIES

Current legislation requires most employees to be covered by pension schemes financed by contributions from the Valora Group and its employees. These schemes take the form of state and employer-sponsored plans, contracts with private insurers and independent foundations or welfare plans. While the benefits paid by these schemes vary according to the legislative provisions and economic circumstances of the countries in which they are established, they are generally based

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

on years of service and average remuneration of the employees and cover the risks of old age, death and disability in accordance with applicable local occupational pension plan law.

The most recent actuarial assessment of these schemes was conducted as of December 31, 2008. The assumptions used were based on the economic circumstances prevailing in the countries in which the plans operate. The plans' assets are invested according to the guidelines laid down by local legislation. Valora pays its contributions in accordance with the various plans' rules.

| *Plan liabilities and assets* in CHF 000 | **2008** | 2007 |
|---|---|---|
| Current present value of benefit obligation at January 1 | 585 515 | 651 327 |
| Benefit entitlements earned by participants | 29 739 | 34 506 |
| Prior pension costs recognised in period | 2 644 | 0 |
| Interest costs | 19 186 | 19 739 |
| Benefits paid out | – 50 820 | – 36 865 |
| Actuarial gain on benefit obligation | – 45 818 | – 83 207 |
| Exchange rate (gains) losses | – 2 613 | 15 |
| **Current present value of benefit obligation at December 31** | **537 833** | **585 515** |
| Plan assets at market value at January 1 | 697 786 | 697 449 |
| Expected net return on assets | 31 340 | 32 070 |
| Employer contributions | 10 453 | 10 990 |
| Employee contributions | 10 085 | 10 768 |
| Benefits paid out | – 50 442 | – 36 686 |
| Actuarial loss on plan assets | – 127 445 | – 16 868 |
| Exchange rate (losses) gains | – 230 | 63 |
| **Plan assets at market value at December 31** | **571 547** | **697 786** |

Changes made in 2008 with regard to assumed discount rates and assumed future pension increases resulted in an actuarial gain on the Group's pension liabilities. The actuarial loss on fund assets resulted from investment returns which were below expectations.

For 2009, the Group expects to make employer's contributions of CHF 12.7 million.

| *Balance sheet data* in CHF 000 | **2008** | 2007 |
|---|---|---|
| Current present value of funded plan benefit obligations | – 527 572 | – 574 095 |
| Plan assets at market value | 571 547 | 697 786 |
| **Surplus on funded plans** | **43 975** | **123 691** |
| Current present value of unfunded benefit obligations | – 10 261 | – 11 420 |
| Unrecorded actuarial losses (gains) | 41 948 | – 39 363 |
| **Total surplus** | **75 662** | **72 908** |
| of which capitalised as employer contribution surplus | 83 997 | 82 920 |
| of which capitalised as employer contribution liability | – 8 335 | – 10 012 |

The surplus on funded plans decreased by CHF 79.7 million during 2008. This was mainly due to investment returns failing to match expectations and the decrease in the fund's assets which resulted from this.

| *Income statement* in CHF 000 | 2008 | 2007 |
|---|---|---|
| Actuarial pension costs | – 29 739 | – 34 506 |
| Interest costs | – 19 186 | – 19 739 |
| Expected net return on assets | 31 340 | 32 070 |
| Prior pension costs recognised in period | – 2 644 | 0 |
| **Net pension cost for period** | **– 20 229** | **– 22 175** |
| Employee contributions | 10 085 | 10 768 |
| **Actuarial net pension costs** | **– 10 144** | **– 11 407** |

| *Key actuarial assumptions* | 2008 | 2007 |
|---|---|---|
| Discount rate | 3.50% | 3.25% |
| Expected net return on plan assets | 4.50% | 4.50% |
| Expected rate of increase in future salary levels | 2.00% | 2.00% |
| Expected rate of increase of future pension levels | 0.25% | 0.50% |

The calculations for the Swiss plans, which use the EVK 2000 mortality table, were adjusted to reflect increased longevity.

| *Asset allocation* | 2008 | Langfristig erwarteter Ertrag | Beitrag zum Vermögensertrag | 2007 |
|---|---|---|---|---|
| Cash and cash equivalents | 4.10% | 2.00% | 0.08% | 5.10% |
| Fixed income | 31.20% | 3.50% | 1.09% | 24.80% |
| Equity | 25.80% | 7.00% | 1.81% | 40.50% |
| Real estate | 33.40% | 4.50% | 1.50% | 27.60% |
| Other | 5.50% | 3.50% | 0.19% | 2.00% |
| **Total** | **100.00%** | | **4.67%** | **100.00%** |
| Costs | | | 0.17% | |
| **Net return** | | | **4.50%** | |

The effective total return generated in 2008 was -14.2% (2.8% in 2007). The pension plans hold no securities issued by Valora Holding AG and do not let any significant portion of their real estate to the Valora Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

| *Surpluses* | **2008** | 2007 | 2006 | 2005 |
|---|---|---|---|---|
| in CHF 000 | | | | |
| Current present value of pension liabilities | – 537 833 | – 585 515 | – 651 327 | – 568 599 |
| Pension assets at market prices | 571 547 | 697 786 | 697 449 | 651 862 |
| **Surplus** | **33 714** | **112 271** | **46 122** | **83 263** |
| *Adjustments based on past experience* | | | | |
| Adjustments to pension plan liabilities based on past experience | 17 692 | 43 100 | – 42 756 | 1 645 |
| Adjustments to pension plan liabilities based on modified assumptions | 28 126 | 40 107 | – 21 940 | – 35 496 |
| Adjustments to pension plan assets based on past experience | – 127 445 | – 16 868 | 25 270 | 2 313 |
| **Actuarial gains (losses)** | **– 81 627** | **66 339** | **– 39 426** | **– 31 538** |

## 31 SHARE-BASED PAYMENTS

*Employees.* Valora operates the following share-based remuneration plans for its Board of Directors, management and staff.

*Board share ownership plan.* For 2007, this plan provided for shares to be allocated to Board members on the basis of the increase in earnings per share compared to the previous year. Shares are allocated on a linear scale rising from zero to a fixed maximum amount, corresponding to a 10% year-on-year increase in earnings per share. The value of the shares allocated – based on their market value on the day of allocation – can reach a maximum of 100% of the basic director's fee paid in cash. The shares may not be sold during the 5 years following their initial allocation, and a cash payment in lieu is not possible. Directors leaving the Board may keep shares already allocated to them, but remain bound by the lock-up period. Based on the 2007 results, no shares were awarded.

No share-based remuneration will be granted to Board members in 2008.

*Group Executive share ownership plan.* For those members of Group Executive Management who were already in office in 2007, the remuneration plan etablished in 2006 continues to apply until the end of 2008. Under this plan, 40% of any bonuses paid in respect of the years 2006 to 2008 is in the form of Valora shares. Shares are allocated on the basis of a share price of CHF 237 and the shares are subject to a 5-year lock-up period. In addition, provided growth targets for earnings per share in a given year are reached, participants in this plan will subsequently receive 30% of the number of shares allocated under the plan in prior years. Cash payment in lieu is not possible. Unconditionally allocated shares remain in the participants' possession upon cessation of employment, but the lock-up period continues to apply. A total of 1 182 shares were allocated in respect of 2008 (2 229 in respect of 2007). The market price prevailing for the shares at the time of their allocation was CHF 270.25. Members of Group Executive Management who joined Valora in 2008 will receive no share-based reumuneration for 2008.

*Management share ownership plan.* Since 2003, higher management in Switzerland (except, with effect from 2006, members of Group Executive Management) has been entitled to participate, on a voluntary basis, in a share plan under which shares are allocated on the basis of the year-on-year growth achieved in Valora earnings per share. Managers electing to join the scheme must commit to remain in it for the next three years and to purchase shares with a market value of

CHF 6 000 for cash each year. Additional shares are then awarded on a linear scale from zero to a fixed maximum amount – corresponding to a 10% year-on-year increase in earnings per share. Participants may earn a maximum of 50 shares each year. Neither the purchased nor the awarded shares may be sold during the 5 years immediately following their acquisition and a cash payment in lieu is not possible. Allocated shares remain in the employee's possession upon cessation of employment, but the lock-up period continues to apply. This programme was closed to new participants at the end of 2008. No further awards will be made to existing participants. Based on the results for those years, no awards were made in respect of 2007 or 2008.

*Valora Performance Shares (VPS).* In 2008, a programme for middle and upper management (excluding Group Executive Management) was established. Individual participation is voluntary. The plan pays a portion of a manager's total remuneration in the form of Valora shares. The Valora performance shares awarded on January 1, 2008 (or thereafter in the case of those joining during the year) vest on December 31, 2010, after which ownership passes to the individual participants. Participants leaving Valora before the end of the vesting period lose their entitlement to shares. At December 31, 2008, 13 178 registered shares had been allocated to participating managers. The personnel expense arising from these awards, recognition of which will be spread over the entire vesting period, amounted to CHF 1.12 million in 2008. Awards under this programme were discontinued as of December 31, 2008 and the programme was closed. Valora will continue to meet its existing obligations under the plan with regard to awards already made.

*Employee share ownership plan.* Provided specific criteria are fulfilled and based on their function or management position, employees in Switzerland are entitled to acquire shares at the beginning of each year on preferential terms. Shares may be purchased at 40% of the average market price for the shares during the previous November. Shares so acquired enjoy all usual shareholder rights, but may not be sold during the 5 years immediately following purchase. The proceeds of these share sales to employees are credited directly to shareholders' equity.

*Suppliers.* In 2008, no goods or services were paid for with Valora shares, nor were the prices paid for any goods or services linked to the Valora share price.

| *Share based payment expense* | **2008** | 2007 |
|---|---|---|
| in CHF 000 | | |
| Employee and executive share ownership plans reported as personnel expense (see Note 9) | 1 404 | 1 947 |
| **Total share-based payment expense** | **1 404** | **1 947** |

## 32 CONTINGENCIES AND COMMITMENTS

| *Contingent liabilities* | **2008** | 2007 |
|---|---|---|
| in CHF 000 | | |
| Sureties | 292 | 344 |
| Other contingent liabilities | 360 | 662 |
| **Total contingent liabilities** | **652** | **1 006** |

The probability of any of these contingent liabilities triggering a cash outflow is estimated not to exceed 25%.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

| *Commitments* in CHF 000 | **2008** | 2007 |
|---|---|---|
| Long-term rental commitments | 282 421 | 285 904 |
| Operating lease commitments | 12 631 | 10 641 |
| Finance lease commitments | 2 201 | 3 000 |
| Future contractual obligations and other commitments | 193 | 0 |
| **Total commitments** | **297 446** | **299 545** |

| *Long-term rental commitments* in CHF 000 | **2008** | 2007 |
|---|---|---|
| Minimum rental expense in period | 46 472 | 39 287 |
| Conditional rental expense in period | 74 432 | 74 135 |
| **Total rental expense in period** | **120 904** | **113 422** |
| *Leases maturing* | | |
| Within one year | 60 356 | 62 855 |
| Within 1-2 years | 57 038 | 52 876 |
| Within 2-3 years | 41 449 | 47 882 |
| Within 3-4 years | 38 284 | 33 360 |
| Within 4-5 years | 28 684 | 30 677 |
| After more than 5 years | 56 610 | 58 254 |
| **Total long-term rental commitments** | **282 421** | **285 904** |

Long-term rental commitments serve primarily to secure kiosk locations for the long term. Some of the rents under these agreements are linked to turnover.

| *Operating lease commitments* in CHF 000 | **2008** | 2007 |
|---|---|---|
| Total expenses for operating leases in period | 4 983 | 4 776 |
| *Leases maturing* | | |
| Within one year | 4 721 | 4 711 |
| Within 1-2 years | 4 300 | 3 026 |
| Within 2-3 years | 2 379 | 1 728 |
| Within 3-4 years | 886 | 845 |
| Within 4-5 years | 345 | 331 |
| **Total operating lease commitments** | **12 631** | **10 641** |

| *Finance lease commitments* in CHF 000 | 2008 | 2007 |
|---|---|---|
| Total in period | 840 | 943 |
| *Leases maturing* | | |
| Within one year | 1 409 | 1 566 |
| Within 1-2 years | 689 | 1 100 |
| Within 2-3 years | 97 | 310 |
| Within 3-4 years | 6 | 24 |
| **Total financial lease commitments** | **2 201** | **3 000** |
| Less future interest charges | – 116 | – 153 |
| **Total finance lease obligation (present value)** | **2 085** | **2 847** |
| Less current portion of finance lease obligation (see Note 26) | – 809 | – 965 |
| **Long-term finance lease obligation (see Note 26)** | **1 276** | **1 882** |

| *Resent value of future minimum payments under finance leases* in CHF 000 | 2008 | 2007 |
|---|---|---|
| Within one year | 1 339 | 1 477 |
| Within 1-2 years | 648 | 1 044 |
| Within 2-3 years | 92 | 302 |
| Within 3-4 years | 6 | 24 |
| **Total present value of future minimum finance lease payments** | **2 085** | **2 847** |

The operating lease liabilities principally relate to leased vehicles. The finance leasing obligations relate both to leased vehicles and leased coffee machines in use at Valora outlets.

## 33 RISK MANAGEMENT AND DERIVATIVE FINANCIAL INSTRUMENTS

The international scale of its business operations and its financing structure both expose the Valora Group to a variety of financial risks. These not only include market risks such as foreign exchange and interest rate risk, but also encompass liquidity and credit risks. Valora's financial risk management activities aim to limit these risks.

Valora's fundamental financial policies are promulgated by Group Executive Management and overseen by the Board of Directors. Responsibility for implementing Group financial policy and for financial risk management lies with the central Corporate Treasury.

In order to visualise market risks, sensitivity analyses are conducted which show the effects which hypothetical changes in relevant risk variables would have on pre-tax net income and shareholders' equity. These potential effects are determined by applying the assumed changes in risk variables to the valuation of the Group's positions in financial instruments. The interest rate scenarios used show differences between the current level of interest rates and those assumed to prevail at the end of the following year. The hypothetical changes in currencies are based on 1-year volatility levels prevailing at the balance sheet date.

*Exchange rate risks.* Transaction risks arise from the fact that the local currency value of payments whose amounts have been fixed in another currency can increase or decrease as a result of fluctuations in the exchange rate between the two currencies. For Valora, transaction risks

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

arise as a result of its purchasing goods and services from suppliers abroad and on intra-Group transactions. Most Group companies transact the majority of their business in their local currency. In order to limit transaction risk, currency derivatives are used from time to time. Currency translation risks, on the other hand, arise when the balance sheets of subsidiaries outside Switzerland are converted into Swiss francs for consolidation.

The table below shows the main effects on pre-tax earnings and shareholders' equity which would result from hypothetical changes in key exchange rates. Translation risks are not taken into account.

| *FX rate sensitivity* in CHF 000 | **Hypothetical change (in percent) 2008** | **Impact on 2008 pre-tax earnings** | **Impact on 2008 shareholders' equity** | Hypothetical change (in percent) 2007 | Impact on 2007 pre-tax earnings | Impact on 2007 shareholders' equity |
|---|---|---|---|---|---|---|
| CHF/DKK | +/– 8.7% | +/– 2 064 | +/– 0 | +/– 3.6% | +/– 818 | +/– 0 |
| CHF/EUR | +/– 8.7% | +/– 260 | +/– 9 259 | +/– 3.7% | +/– 451 | +/– 4 773 |
| CHF/NOK | +/– 15.5% | +/– 139 | +/– 356 | +/– 7.3% | +/– 24 | +/– 1 108 |
| CHF/SEK | +/– 13.9% | +/– 72 | +/– 1 544 | +/– 6.9% | +/– 206 | +/– 6 322 |

Net investments in subsidiaries outside Switzerland are also analysed periodically and the risks are assessed in the light of the volatility of the currencies concerned. These analyses show that the currency translation risk is modest compared to available shareholders' equity.

*Interest rate risks.* Cash and cash equivalents are the Group's principal interest-bearing assets. Since the interest rates applicable to these assets are floating, the interest earnings derived Zfrom them are directly affected by market interest rates. Under normal circumstances, the Group's principal interest rate risk relates to the interest paid on its financial liabilities. Floating rate financial liabilities expose the Group to net interest income or expense risk. Financial liabilities with fixed interest rates, on the other hand, expose the Group to the risk of shifts in the current market value of its liabilities. Group financial policy stipulates that at least 50% of its credits should be at fixed interest rates. In order to achieve the target mix between fixed and floating interest rate exposure, interest rate hedging transactions are entered into where necessary. The Group's main liabilities with fixed long-term effective interest rates are the 2.875% bond issue, which matures in July 2012, and the syndicated loan (see note 26).

The table below shows the principal changes in pre-tax earnings and shareholders' equity which would result from hypothetical shifts in the level of interest rates in the main currencies in which Valora operates.

| *Interest rate sensitivity* in CHF 000 | **Hypothetical change (in basis points) 2008** | **Impact on 2008 pre-tax earnings** | **Impact on 2008 shareholders' equity** | Hypothetical change (in basis points) 2007 | Impact on 2007 pre-tax earnings | Impact on 2007 shareholders' equity |
|---|---|---|---|---|---|---|
| CHF | +/– 15 | +/– 80 | +/– 0 | +/– 20 | +/– 35 | +/– 330 |
| DKK | +/– 105 | +/– 112 | +/– 0 | +/– 40 | +/– 67 | +/– 0 |
| EUR | +/– 80 | +/– 400 | +/– 0 | +/– 60 | +/– 318 | +/– 0 |
| NOK | +/– 35 | +/– 15 | +/– 0 | +/– 40 | +/– 23 | +/– 0 |
| SEK | +/– 125 | +/– 185 | +/– 0 | +/– 30 | +/– 85 | +/– 0 |

*Liquidity risks.* Liquidity risk management aims to ensure the Group is always able to meet its payment obligations in full and on time. The Valora Group continually monitors its liquidity position and uses cash pool structures to optimise it. Additional liquidity reserves in the form of credit lines and cash ensure that the Group remains both solvent and financially flexible.

The table below shows the nominal interest and redemption payments arising from the Group's financial obligations. It takes account of all instruments in which the Group held positions at December 31. Interest amounts payable on floating rate instruments have been determined based on the most recent fixing preceding year end.

| in CHF 000 | up to 1 month | from 1 to 3 months | from 3 months to 1 year | from 1 to 5 years | more than 5 years |
|---|---|---|---|---|---|
| **At December 31, 2008** | | | | | |
| Short-term financial liabilities | 708 | 159 | 649 | 0 | 0 |
| Trade accounts payable | 183 503 | 69 428 | 57 | 0 | 0 |
| Other short-term financial liabilities | 110 121 | 15 358 | 9 043 | 0 | 0 |
| Long-term financial liabilities | 122 | 0 | 6 001 | 162 110 | 1 382 |
| **Total** | **294 454** | **84 945** | **15 750** | **162 110** | **1 382** |
| **At December 31, 2007** | | | | | |
| Short-term financial liabilities | 62 | 198 | 1 553 | 0 | 0 |
| Interest rate swaps | 0 | 211 | 628 | 3 348 | 836 |
| Trade accounts payable | 213 671 | 67 984 | 199 | 0 | 0 |
| Other short-term financial liabilities | 96 717 | 13 836 | 10 665 | 0 | 0 |
| Long-term financial liabilities | 129 | 485 | 7 403 | 220 159 | 1 382 |
| **Total** | **310 579** | **82 714** | **20 448** | **223 507** | **2 218** |

The Valora Group has at its disposal a variety of committed and uncommitted credit lines whose purpose is to enable it to manage its liquidity position smoothly at all times.

*Credit risks.* Credit risks arise when a contractual partner is not in a position to meet its obligations as agreed. Valora constantly reviews its accounts receivable and manages them so as to avoid the formation of significant credit or concentration risks. At year end 2008 and year end 2007, the Valora Group had no accounts receivable from individual customers which accounted for more than 8.0% of its total accounts receivable.

The Valora Group conducts its financial transactions with a selected number of first-class financial institutions. Specific situations may require subsidiaries to transact business with other banks. The establishment and discontinuation of banking relationships is subject to approval by the Group's corporate treasury, which regularly reviews all banking relationships on the basis of external ratings and sets exposure limits for all counterparties.

The maximum default risk of CHF 368 million on the Group's financial assets (CHF 388 million in 2007) is equal to the book value of these instruments (see note 34).

The table below shows the Group's sight deposits and fixed maturity deposits with maturities of 3 months or less by rating of the banking counterparties with whom they are placed. The table uses Standard & Poor's ratings.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

| *Sight deposits and fixed maturity deposits maturing in < 3 months placed with banks* | **2008** | 2007 |
|---|---|---|
| in CHF 000 | | |
| AAA and/or state guarantee | 31 335 | 13 480 |
| AA | 42 252 | 59 504 |
| A | 59 125 | 44 159 |
| No rating | 2 382 | 6 374 |
| **Total sight deposits and fixed maturity deposits maturing in < 3 months placed with banks [1]** | **135 094** | **123 517** |

[1] the remainder of the cash and cash equivalents shown in the balance sheet is cash (including cash in transit).

*Tools for hedging and risk management.* The Valora Group enters into interest rate swaps in order to hedge the Group's interest rate exposure. Risk positions arising from existing asset and liability items, as well as those arising from future commitments, are centrally managed.

The table below shows both the contract values, or nominal underlying amounts, of the Group's positions in derivative financial instruments as well as their aggregate replacement values. The information, which is presented by instrument type, relates to valuations at balance sheet dates.

Contract values or underlying nominal amounts show the volume of the underlying transactions at the balance sheet dates. They do not contain any information about the market risk these positions involve. The replacement values have been determined either by valuations made by the counterparty with whom the positions are held, market closing prices at December 31 2008 and December 31 2007, or by the use of standard pricing models.

| *Derivative financial instruments* | **2008 contract value** | 2007 contract value | **2008 replacement value** | 2007 replacement value |
|---|---|---|---|---|
| in CHF 000 | | | | |
| *Interest rate instruments* | | | | |
| Swaps | 0 | 30 000 | 0 | 205 |
| *Currency instruments* | | | | |
| Forward contracts | 15 182 | 10 370 | 95 | 81 |
| **Total derivative financial instruments** | **15 182** | **40 370** | **95** | **286** |

| *Derivative financial instruments maturing* | **2008** | 2007 |
|---|---|---|
| in CHF 000 | | |
| Within one year | 15 182 | 10 370 |
| Within 1-2 years | 0 | 0 |
| Within 2-3 years | 0 | 0 |
| Within 3-4 years | 0 | 0 |
| Within 4-5 years | 0 | 0 |
| After more than 5 years | 0 | 30 000 |
| **Total derivative financial instruments** | **15 182** | **40 370** |

| *Market value of cash flow hedges* | **2008** | 2007 |
|---|---|---|
| in CHF 000 | | |
| *Contracts with positive (negative) replacement value* | | |
| **Interest rate swaps** | **0** | **205** |

The interest rate swap which was entered into in order to hedge floating rate interest payments and which qualified as a cash flow hedge was closed out when the matching liability underlying it was repaid. Closing out the swap resulted in a realised profit of CHF 827 thousand. This profit, and the CHF 75 thousand in valuation gains which had accumulated since inception, are included in the income statement under net profits from derivative financial instruments.

*Capital management.* The overarching objective of the Valora Group's capital management activities is to ensure that high credit quality and a sound shareholders' equity foundation are maintained so as to support the Group's business activities and maximise value for its shareholders.

The Valora Group manages its capital structure and modifies it in response to changes in economic circumstances. In order to maintain or adapt its capital structure, the Valora Group can elect to implement a number of measures, such as modifying the amount of dividends paid to shareholders, capital repayments to shareholders or the issuance of new shares.

The Group monitors its capital position by reference to its equity cover, which is calculated on the basis of the percentage of total assets represented by shareholders' equity (including minority interests). Calculation of equity cover does not take account of any of the changes to shareholders' equity shown in the statement of changes in equity on page 72. The Group's capital and equity cover are shown in the table below:

| | **2008** | 2007 |
|---|---|---|
| in CHF 000 | | |
| Equity attributable to shareholders of Valora Holding AG | 490 564 | 595 847 |
| Equity attributable to minority interests | 3 325 | 3 424 |
| **Total shareholders' equity** | **493 889** | **599 271** |
| **Equity cover** | **45.1%** | **45.2%** |

The Valora Group is not subject to any regulatory capital requirements of the type prevalent in the financial services industry.

*Risk assessment required by Swiss Code of Obligations.* During October and November 2008, the Valora Group's Board of Directors and Group Executive Management carried out a risk assessment. The objective was to make the main risks to which Valora is exposed more transparent, to improve the quality of risk dialogue, and to define practical steps for addressing the key risks which Valora faces. The process began with a series of structured interviews with individual members of Group Executive Management. A Group Executive Management workshop was then held which discussed the results, identified the main risks, analysed and evaluated them, and planned appropriate action. The workshop results were then discussed with the Board of Directors and a set of planned measures was decided upon.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 34 FINANCIAL INSTRUMENTS

| *Book values, fair values and valuation categories* in CHF 000 | Valuation category | **2008 book value** | 2007 book value | **2008 fair value** | 2007 fair value |
|---|---|---|---|---|---|
| *Assets* | | | | | |
| Cash and cash equivalents | LaR | 158 436 | 153 426 | 158 436 | 153 426 |
| Derivatives not designated as hedges | FAHfT | 712 | 81 | 712 | 81 |
| Derivatives designated as hedges | n/a | 0 | 205 | 0 | 205 |
| Trade accounts receivable | LaR | 153 728 | 164 499 | 153 728 | 164 499 |
| Other short-term receivables | LaR | 47 118 | 43 802 | 47 118 | 43 802 |
| Long-term interest-bearing investments | LaR | 7 047 | 24 786 | 7 047 | 24 786 |
| Financial assets available for sale valued at cost | AfS | 676 | 677 | n/a | n/a |
| Financial assets available for sale valued at fair value | AfS | 735 | 886 | 735 | 886 |
| *Liabilities* | | | | | |
| Short-term financial liabilities | FLAC | 1 447 | 1 708 | 1 447 | 1 708 |
| Derivatives not designated as hedges | FLHfT | 617 | 0 | 617 | 0 |
| Trade accounts payable | FLAC | 252 988 | 281 854 | 252 988 | 281 854 |
| Other short-term liabilities | FLAC | 134 522 | 121 218 | 134 522 | 121 218 |
| Long-term financial liabilities | FLAC | 151 022 | 197 740 | 147 969 | 190 192 |
| *Classified by category* | | | | | |
| Loans and receivables (LaR) | | 366 329 | 386 513 | 366 329 | 386 513 |
| Financial assets held for trading (FAHfT) | | 712 | 81 | 712 | 81 |
| Financial assets available for sale (AfS) | | 1 411 | 1 563 | n/a | n/a |
| Financial investments held to maturity (HtM) | | 0 | 0 | 0 | 0 |
| Financial liabilities at cost (FLAC) | | 539 979 | 602 520 | 536 926 | 594 972 |
| Financial liabilities held for trading (FLHfT) | | 617 | 0 | 617 | 0 |

The fair value of long-term fixed income instruments – with the exception of that of the Group's outstanding bond issue – was determined by discounting their expected future cash flows at prevailing market interest rates. The fair value of the bond issue corresponds to the nominal value of the outstanding amount multiplied by the market price prevailing on the balance sheet date. Details of the valuation methods applied to the derivative financial instrument positions and to the Group's financial assets available for sale can be found in notes 4, 24 and 33. All short-term financial instruments have been valued on the assumption that their book values constitute reasonable approximations of their fair value, since the effects of discounting them are negligible.

## 35 TRANSACTIONS AND BALANCES OUTSTANDING WITH RELATED PARTIES

The consolidated financial statements encompass Valora Holding AG as the ultimate parent company along with all subsidiaries it directly or indirectly controls, as set out in note 38.

*Transactions.* Business was transacted with related individuals and companies as follows:

| *Goods and services sold to related parties* | **2008** | 2007 |
|---|---|---|
| in CHF 000 | | |
| *Goods sold to* | | |
| Joint ventures in which Valora is a partner | 162 | 191 |
| *Services to* | | |
| Associates | 268 | 278 |
| **Total goods and services sold** | **430** | **469** |

| *Goods and services purchased from related parties* | **2008** | 2007 |
|---|---|---|
| in CHF 000 | | |
| *Services purchased from* | | |
| Other related parties | 148 | 174 |
| **Total goods and services purchased** | **148** | **174** |

| *Leasing payments to related parties* | **2008** | 2007 |
|---|---|---|
| in CHF 000 | | |
| Other related parties | 4 059 | 3 348 |
| **Total leasing payments** | **4 059** | **3 348** |

The leasing payments relate to business premises in Luxembourg made available to Valora subsidiaries by a related party.

| *Leasing payments from related parties* | **2008** | 2007 |
|---|---|---|
| in CHF 000 | | |
| Pension plan foundation and other related companies | 168 | 167 |
| **Total leasing payments** | **168** | **167** |

*Management and board compensation.* Compensation paid to management and the Board of Directors includes all expenses shown in the consolidated financial statements directly relating to members of the Group Executive Committee and the Board of Directors.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

| *Management and Board compensation* <br> in CHF 000 | **2008** | 2007 |
|---|---|---|
| Salaries and other short-term benefits [1] | 7 410 | 5 898 |
| Post-employment benefits | 341 | 289 |
| Termination benefits [2] | 2 505 | 0 |
| Share-based payments | 399 | 660 |
| **Total management and Board compensation** [3] | **10 655** | **6 847** |

[1] Including vehicle costs paid by the employer.
[2] If a member of Group Executive Management leaves Valora, the Nomination and Compensation Committee will decide on any severance payment which might be granted, inasfar as this is not governed by the employment contract in question. As of January 1, 2009, there is no longer any contractual provision for any severance payments or termination benefits to members of Group Executive Management. The termination benefits shown above include payments beyond those arising from a 12-month notice period.
[3] Board member Paul-Bernhard Kallen elected not to receive his Director's fee in 2007. Valora Holding AG transferred an equivalent amount to a charitable foundation. The amount thus donated is not included in the total management and Board compensation figure shown here.

Details of emoluments paid to the Board of Directors and Group Executive Management, as well as details of their holdings of Valora Holding AG shares and of the shares held by significant shareholders (as required by Articles 663bbis and 663c of the Swiss Code of Obligations) can be found in notes 5 and 6 to the financial statements of Valora Holding AG.

*Receivables and liabilities.* The terms and conditions governing receivables and liabilities are those commonly used by the relevant companies. The Valora Group has not received any sureties for receivables nor has it issued any guarantees for liabilities.

| *Receivables for the sale of goods and services to related parties* <br> in CHF 000 | **2008** | 2007 |
|---|---|---|
| Gross receivables from joint ventures | 24 | 56 |
| Impairments | 0 | 0 |
| **Total receivables** | **24** | **56** |

*Loans.* The cevanova AG joint venture was financed by a high level of borrowing in proportion to its equity capital. The loans provided to the joint venture by Valora were therefore classified as being economically equivalent to shareholders' equity and Valora's stake in the assets of the company have been reported in the balance sheet accordingly. In the table below, the changes in the balances of these loans are shown in accordance with the contractually specified lenders and borrowers concerned. Valora's participation was sold to Migros in 2008 and certain net assets owned by the joint venture were transferred to Valora as part of this transaction.

| *Loans to related parties* in CHF 000 | 2008 | 2007 |
|---|---|---|
| **Nominal loans to joint ventures on January 1** | **10 000** | **10 000** |
| Loans granted to joint ventures | 0 | 0 |
| Sale of cevanova AG | –10 000 | 0 |
| **Nominal loans on December 31** | **0** | **10 000** |
| **Impairments on January 1** | **– 665** | **– 1 539** |
| Valuation increases | 665 | 874 |
| **Total impairments** | **0** | **– 665** |
| **Loans to joint ventures, net** | **0** | **9 335** |

*Contingent liabilities and guarantees.* No guarantees or other contingent liabilities exist towards related parties.

## 36 EQUITY

| *Shares outstanding* in number of shares | 2008 | 2007 |
|---|---|---|
| Total registered shares | 3 300 000 | 3 300 000 |
| *of which treasury stock* | | |
| Position at January 1 | 107 057 | 106 791 |
| Share-based plans for employees and management | – 9 910 | – 16 852 |
| Market sales | – 1 640 | – 9 582 |
| Buy-back programme for employee share plan | 3 836 | 0 |
| Purchases in market | 387 971 | 26 700 |
| **Total treasury stock** | **487 314** | **107 057** |
| | | |
| **Total shares outstanding** | **2 812 686** | **3 192 943** |
| | | |
| **Average number of shares outstanding** | **3 078 254** | **3 201 312** |

A dividend of CHF 9.00 per share was paid in 2008 (CHF 9.00 per share was paid in 2007). Dividend distributions are based on net income for the year and earnings carried forward by the Valora Holding AG parent company.

Under the employee share programme, 7 201 shares (7 661 shares in 2007) were sold to employees from treasury stock.

Since the capital reduction in 2005, the share capital has consisted of 3 300 000 registered shares of CHF 1.00 nominal value each.

A conditional share capital of 84 000 shares exists which the Board of Directors may use for existing or future management share plans. None of these shares had been issued at December 31, 2008.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 37 SUBSEQUENT EVENTS

These consolidated financial statements were approved by the Board of Directors of Valora Holding AG on March 24, 2009. The Board of Directors recommends that the Ordinary General Meeting of Shareholders to be held on April 29, 2009 approve these financial statements and approve the payment of a dividend of CHF 9.00 per share from the profits of Valora Holding AG available for distribution.

At the General Meeting, i.e. after publication of the Group financial statements, the shareholders of Valora Holding AG, in their capacity as owners of the parent company, have the right to send these statements back for modification.

## 38 SIGNIFICANT SUBSIDIARIES OF THE VALORA GROUP

| | Currency | Nominal capital in million | Share-holding in % | Corporate | Valora Retail | Valora Media | Valora Trade |
|---|---|---|---|---|---|---|---|
| *Switzerland* | | | | | | | |
| Valora Management AG, Berne | CHF | 0.5 | 100.0 | • | | | |
| Valora Beteiligungen AG, Muttenz | CHF | 29.4 | 100.0 | • | • | | |
| Valora Investment AG, Berne | CHF | 0.3 | 100.0 | • | | | |
| Ravita AG, Baar | CHF | 0.1 | 100.0 | | • | | |
| Merkur AG, Berne | CHF | 20.0 | 100.0 | • | | | |
| Valora AG, Muttenz | CHF | 5.2 | 100.0 | • | • | • | • |
| Melisa SA, Lugano | CHF | 0.4 | 100.0 | | | • | |
| *Germany* | | | | | | | |
| Valora Holding Germany GmbH, Hamburg | EUR | 0.4 | 100.0 | • | | | |
| Stilke GmbH, Hamburg | EUR | 3.8 | 100.0 | | • | | |
| Sussmann's Presse&Buch GmbH, Hamburg | EUR | 0.1 | 100.0 | | • | | |
| BHG Bahnhofs-Handels GmbH, Hamburg | EUR | 0.5 | 100.0 | | • | | |
| HD Presse&Buch GmbH, Hamburg | EUR | 0.1 | 100.0 | | • | | |
| Media Center Gesellschaft für Presse und Tabakhandel mbH, Berlin | EUR | 0.1 | 100.0 | | • | | |
| Valora Retail City Operations GmbH, Hamburg | EUR | 0.1 | 100.0 | | • | | |
| Valora Retail Services GmbH, Hamburg | EUR | 0.1 | 100.0 | | • | | |
| Valora Trade Germany GmbH, Mülheim a.d.Ruhr | EUR | 0.2 | 68.0 | | | | • |
| *Benelux* | | | | | | | |
| MPK Shop S.à r.l., Luxembourg | EUR | 3.0 | 100.0 | | • | | |
| Messageries Paul Kraus S.à r.l., Luxembourg | EUR | 7.0 | 100.0 | | | • | |
| Messageries du livre S.à r.l., Luxembourg | EUR | 1.5 | 100.0 | | | • | |
| Transports et Garages Presse S.à r.l., Luxembourg | EUR | 0.1 | 100.0 | | | • | |
| *United Kingdom* | | | | | | | |
| Valora Holding Finance Ltd, Guernsey | CHF | 475.4 | 100.0 | • | | | |

| | Currency | Nominal capital in millions | Sharehold-ing in % | Corporate | Valora Retail | Valora Media | Valora Trade |
|---|---|---|---|---|---|---|---|
| *Austria* | | | | | | | |
| Valora Holding Austria AG, Anif | EUR | 1.1 | 100.0 | • | | | |
| Valora Trade Austria GmbH + Co. KG, Neunkirchen | EUR | 3.6 | 100.0 | | | | • |
| Plagemann Lebensmittelhandels GmbH + Co. KG, Neunkirchen | EUR | 0.1 | 100.0 | | | | • |
| Pressegrossvertrieb Salzburg GmbH, Anif | EUR | 0.7 | 100.0 | | | • | |
| *Sweden* | | | | | | | |
| Valora Holding Sweden AB, Stockholm | SEK | 0.5 | 100.0 | • | | | |
| Valora Trade Sweden AB, Stockholm | SEK | 12.0 | 100.0 | | | | • |
| *Norway* | | | | | | | |
| Valora Holding Norway AS, Røyken | NOK | 10.0 | 100.0 | • | | | |
| Valora Trade Norway AS, Røyken | NOK | 2.0 | 100.0 | | | | • |
| *Denmark* | | | | | | | |
| Valora Trade Denmark A/S, Herlev | DKK | 43.0 | 100.0 | | | | • |
| Valora Trade Denmark Beverages A/S, Herlev | DKK | 2.0 | 75.0 | | | | • |
| *Finland* | | | | | | | |
| Oy Valora Trade Finland AB, Helsinki | EUR | 0.1 | 100.0 | | | | • |
| *Other countries* | | | | | | | |
| Kaumy S.r.o., Fulnek, Czech Republic | CZK | 0.1 | 50.0 | | | | • |

# REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF VALORA HOLDING AG, BERN

## REPORT OF THE STATUTORY AUDITOR ON THE CONSOLIDATED FINANCIAL STATEMENTS

As statutory auditor, we have audited the consolidated financial statements of Valora Holding AG, which comprise the balance sheet, income statement, cash flow statement, statement of changes in equity and notes (pages 67 to 119), for the year ended 31 December 2008.

*Board of Directors' Responsibility.* The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

*Auditor's Responsibility.* Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor con-siders the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion.* In our opinion, the consolidated financial statements for the year ended 31 December 2008 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

## REPORT ON OTHER LEGAL REQUIREMENTS

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

| | |
|---|---|
| Hanspeter Gerber | Moritz Oberli |
| Audit expert | Audit expert |
| Auditor in charge | |

Bern, 24. March 2009

# INCOME STATEMENT

| **January 1 to December 31,** in CHF 000 | **2008** | 2007 |
|---|---|---|
| *Income* | | |
| Dividend income | 28 200 | 31 100 |
| Interest income | 2 980 | 1 264 |
| Foreign exchange gains | 1 249 | 735 |
| Income from securities | 1 042 | 1 528 |
| Income from royalties | 420 | 15 016 |
| Other income | 18 948 | 26 |
| **Total income** | **52 839** | **49 669** |
| *Expense* | | |
| Interest expense | – 8 457 | – 11 720 |
| Foreign exchange losses | – 2 932 | – 676 |
| Losses on securities | – 36 621 | 0 |
| Write-down on majority shareholdings | 0 | – 5 000 |
| General administration expense | – 4 770 | – 6 000 |
| **Total expense** | **– 52 780** | **– 23 396** |
| **Net profit for the year** | **59** | **26 273** |

# BALANCE SHEET BEFORE APPROPRIATION OF AVAILABLE RETAINED EARNINGS

## ASSETS

| at December 31, in CHF 000 | | 2008 | 2007 |
|---|---|---|---|
| *Current assets* | | | |
| Cash and cash equivalents | | 2 711 | 3 609 |
| Securities | | 72 063 | 27 033 |
| Short-term receivables | from third parties | 352 | 156 |
| | from Group companies | 591 | 3 322 |
| **Total current assets** | | **75 717** | **34 120** |
| *Non-current assets* | | | |
| Investments | | 514 375 | 608 875 |
| Loans and receivables from Group companies | | 17 969 | 22 210 |
| Discounts and capitalised issuance cost on bonds issued | | 991 | 1 274 |
| Brands | | 0 | 111 025 |
| **Total non-current assets** | | **533 335** | **743 384** |
| **Total assets** | | **609 052** | **777 504** |

## LIABILITIES AND EQUITY

| at December 31, in CHF 000 | | 2008 | 2007 |
|---|---|---|---|
| *Liabilities* | | | |
| Short-term bank debt/overdrafts | | 577 | 0 |
| Current liabilities | towards third parties | 3 624 | 1 273 |
| | towards Group companies | 35 716 | 50 950 |
| Accrued expenses | towards third parties | 2 403 | 2 701 |
| Loans payable to Group companies | | 0 | 77 380 |
| Syndicated credit loans | | 5 000 | 50 000 |
| Bonds payable | | 140 000 | 140 000 |
| Accrued liabilities | | 51 081 | 56 002 |
| **Total liabilities** | | **238 401** | **378 306** |
| *Equity* | | | |
| Share capital | | 3 300 | 3 300 |
| Allgemeine gesetzliche Reserve | | 140 664 | 140 664 |
| Reserve für eigene Aktie | | 108 180 | 28 999 |
| Unrestricted reserves | | 50 673 | 129 659 |
| Earnings available for distribution | Earnings brought forward | 67 775 | 70 303 |
| | Net profit for the year | 59 | 26 273 |
| **Total equity** | | **370 651** | **399 198** |
| | | | |
| **Total liabilities and equity** | | **609 052** | **777 504** |

# NOTES TO THE FINANCIAL STATEMENTS OF VALORA HOLDING AG

# NOTES TO THE FINANCIAL STATEMENTS OF VALORA HOLDING AG

## A BASIS OF PRESENTATION

Valora AG's annual accounts are drawn up in accordance with the provisions of Swiss company law (Obligationenrecht).

## B NOTES

**1 CONTINGENT LIABILITIES.** At December 31, 2008 the Group's contingent liabilities, consisting of sureties, subordination and keep well agreements, guarantees and other contingent liabilities in favour of subsidiaries totalled CHF 123.3 million, vs CHF 149.6 million at year-end 2007. None of these contingent liabilities covered obligations by third parties.

**2 BONDS OUTSTANDING**

| in CHF 000 | **Coupon** | **Maturity** | **At 31.12.2008** | At 31.12.2007 |
|---|---|---|---|---|
| Bond 2005–2012 | 2.875 % | 12.07.2012 | 140 000 | 140 000 |

**3 TREASURY STOCK HELD BY THE COMPANY AND ITS SUBSIDIARIES**

| in CHF 000 | **2008 Number of shares** | **2008 Net book value** | 2007 Number of shares | 2007 Net book value |
|---|---|---|---|---|
| **Opening balance (at January 1)** | **107 057** | **27 015** | **106 791** | **27 205** |
| *Disposals* | | | | |
| Employee/executive share ownership plans | – 9 910 | – 2 525 | – 16 852 | – 4 293 |
| *Stock market purchases and sales* | | | | |
| Sales | – 1 640 | – 287 | – 9 582 | – 2 441 |
| Value adjustments | – | – 36 787 | – | – |
| Purchases | 391 807 | 84 629 | 26 700 | 6 544 |
| **Closing balance (at December 31)** | **487 314** | **72 045** | **107 057** | **27 015** |

These purchases were made at prevailing market prices ranging from CHF 135.63 to CHF 275.29.

During 2008, Valora Holding AG purchased 391 807 of its registered shares at an average price of CHF 216.00 and sold 11 550 shares at an average price of CHF 243.46. As of December 31, 2008, a total of 350 257 shares had been purchased through a second trading line established on the Swiss stock exchange for the purpose of buying back shares to reduce outstanding share capital. The proportion of its issued share capital held by the company itself was 14.77% at December 31, 2008 (3.24% in 2007).

**4 NET RELEASE OF HIDDEN RESERVES.** There were no net releases of hidden reserves in the 2008 or 2007 financial years.

## 5 COMPENSATION AND SHAREHOLDINGS

*Compensation 2008*

| in CHF 000 | Director's fee/ base salary | Profit sharing: Cash payments 1) Bonus | Profit sharing: Group Executive share plan No. of shares allocated | Profit sharing: Group Executive share plan Value of shares 2) | Emolument in kind | Termination payments 3) | Other compensation 4) | Total 2008 |
|---|---|---|---|---|---|---|---|---|
| **Board of Directors** | | | | | | | | |
| Rolando Benedick<br>Chairman | 387.5 | – | – | – | 0.0 | 0.0 | 46.0 | 433.5 |
| Markus Fiechter<br>Vice-Chairman | 129.2 | – | – | – | 0.0 | 0.0 | 16.8 | 146.0 |
| Bernhard Heusler<br>Board member | 75.0 | – | – | – | 0.0 | 0.0 | 9.5 | 84.5 |
| Franz Julen<br>Chairman of Nomination and Compensation Committee | 90.0 | – | – | – | 0.0 | 0.0 | 11.6 | 101.6 |
| Conrad Löffel<br>Chairman of Audit Committee | 110.0 | – | – | – | 0.0 | 0.0 | 14.1 | 124.1 |
| **Total emoluments to present Board members** | **791.7** | **–** | **–** | **–** | **0.0** | **0.0** | **98.0** | **889.7** |
| | | | | | | | | |
| Beatrice Tschanz Kramel<br>Chairwoman till January 30, 2008 | 80.0 | – | – | – | 0.0 | 0.0 | 12.1 | 92.1 |
| Charges arising from early share allocations 5) | – | – | – | – | – | – | 15.0 | 15.0 |
| **Total emoluments to former Board members** | **80.0** | **–** | **–** | **–** | **0.0** | **0.0** | **27.1** | **107.1** |
| **Total Board compensation** | **871.7** | **–** | **–** | **–** | **0.0** | **0.0** | **125.1** | **996.8** |
| | | | | | | | | |
| **Group Management** | | | | | | | | |
| Thomas Vollmoeller 6)<br>CEO | 327.0 | 193.0 | – | – | 10.7 | – | 72.2 | 602.9 |
| **Total compensation to current Group Executive Management (GEM), including CEO** | **1 378.8** | **767.4** | **1 182** | **319.4** | **51.3** | **–** | **330.7** | **2 847.6** |
| | | | | | | | | |
| Total compensation to former members of Group Executive Management 3) | 2 068.3 | 1 552.6 | – | – | 57.5 | 2 504.6 | 628.0 | 6 811.0 |
| **Total GEM compensation, including CEO 3)** | **3 447.1** | **2 320.0** | **1 182** | **319.4** | **108.8** | **2 504.6** | **958.7** | **9 658.6** |

1) The amounts shown here relate to the effective costs booked in relation to bonuses granted to the current members of Group Executive Management in respect of 2008 and payable in April 2009.

2) Under IFRS 2 the market value of the shares at the time they were granted was CHF 270.25 per share. The shares are subject to a 5-year lock-up period. Details of the Group Executive share ownership programme can be found in note 31 to the consolidated financial statements.

3) Total compensation to former Members of Group Executive Management included compensation paid in respect of 2008 in the form of continuing salary payments (ongoing salary payments for up to 12 months under employment contracts and termination provisions thereto are recorded as base salary and profit-sharing. Further payments are shown here in the termination payments column).

4) These amounts constitute payments made to pension plans and other benefit schemes as well as the discount granted by the employer as part of the employee share ownership programme.

5) Shares were allocated to several Board members before the applicable lock-up periods had expired. The additional social security contributions arising from this were borne by Valora Holding AG.

6) Thomas Vollmoeller has been CEO of the Valora Group since June 2008.

# NOTES TO THE FINANCIAL STATEMENTS OF VALORA HOLDING AG

*Compensation 2007*

| in CHF 000 | Director's fee/ base salary | Profit sharing: Cash payments [2]: Regular bonus | Profit sharing: Cash payments [2]: Special bonus | Profit sharing: Board share plan: No. of shares allocated | Profit sharing: Board share plan: Value of shares [3] | Profit sharing: Group Executive share plan: No. of shares allocated | Profit sharing: Group Executive share plan: Value of shares [4] | Emolument in kind | Termination payments | Other compensation [5] | Total 2007 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Board of Directors** [1] | | | | | | | | | | | |
| Beatrice Tschanz Kramel<br>Chairwoman from Nov. 30, 2007. Also chaired Nomination and Compensation Committe. | 120.0 | – | – | 0 | 0.0 | – | – | 0.0 | 0.0 | 15.2 | 135.2 |
| Werner Kuster<br>Vice-Chairman | 100.0 | – | – | 0 | 0.0 | – | – | 0.0 | 0.0 | 8.6 | 108.6 |
| Andreas Gubler<br>Chairman of Audit Committee | 110.0 | – | – | 0 | 0.0 | – | – | 0.0 | 0.0 | 14.0 | 124.0 |
| Franz Julen<br>Board member since 2007 AGM | 100.0 | – | – | 0 | 0.0 | – | – | 0.0 | 0.0 | 12.7 | 112.7 |
| Paul-Bernhard Kallen [7]<br>Board member from 2007 AGM | 0.0 | – | – | 0 | 0.0 | – | – | 0.0 | 0.0 | 0.0 | 0.0 |
| Felix Weber<br>Board member | 110.0 | – | – | 0 | 0.0 | – | – | 0.0 | 0.0 | 14.0 | 124.0 |
| **Total emoluments to current Board members** | **540.0** | **–** | **–** | **0** | **0.0** | **–** | **–** | **0.0** | **0.0** | **64.5** | **604.5** |
| | | | | | | | | | | | |
| Fritz Ammann<br>Chairman till Nov. 30, 2007 | 175.0 | – | – | 0 | 0.0 | – | – | 0.0 | 0.0 | 21.4 | 196.4 |
| **Total emoluments to former Board members** | **175.0** | **–** | **–** | **0** | **0.0** | **–** | **–** | **0.0** | **0.0** | **21.4** | **196.4** |
| **Total Board compensation** [7] | **715.0** | **–** | **–** | **0** | **0.0** | **–** | **–** | **0.0** | **0.0** | **85.9** | **800.9** |
| **Group Management** | | | | | | | | | | | |
| Peter Wüst, CEO and interim Head of Valora Retail division | 600.0 | 261.0 | 225.0 | – | – | 735 | 198.6 | 50.1 | 0.0 | 219.8 | 1 554.5 |
| **Total compensation to current Group Executive Management, incl. CEO** | **2 000.0** | **791.3** | **881.2** | **–** | **–** | **2 229** | **602.4** | **172.5** | **0.0** | **655.2** | **5 102.6** |
| | | | | | | | | | | | |
| Total compensation to former members of Group Executive Management (GEM) [6] | 666.7 | 80.0 | – | – | – | – | – | 50.1 | – | 146.9 | 943.7 |
| **Total GEM compensation, incl. CEO** [6] | **2 666.7** | **871.3** | **881.2** | **–** | **–** | **2 229** | **602.4** | **222.6** | **0.0** | **802.1** | **6 046.3** |

[1] Functions of Board members at December 31, 2007

[2] The amounts shown in the table represent the effective expenses booked for the 2007 financial year in relation to bonuses which will be paid in April 2008. The regular bonus relates to reported financial results and the 2006 - 2008 bonus plan. The Nomination and Compensation Committee decided to award a special cash bonus in respect of 2007.

[3] Under IFRS 2 the market value of the shares at the time they were granted was CHF 351.75 per share. The shares are subject to a 5-year lock-up period. Based on 2007 results, no shares were awarded. Details of the Board of Directors' share ownership programme can be found in note 31 to the consolidated financial statements.

4) Under IFRS 2 the market value of the shares at the time they were granted was CHF 270.25 per share. The shares are subject to a 5-year lock-up period. Details of the Group Executive share ownership programme can be found in note 31 to the consolidated financial statements.
5) These amounts constitute payments made to pension plans and other benefit schemes as well as the discount granted by the employer as part of the employee share ownership programme.
6) These amounts also include continuing salary payments to former members of Group Executive Management in addition to regular 2007 compensation (continuing salary payments provided for by employment contracts).
7) Board Director Paul-Bernhard Kallen elected not to receive his Director's fee. Valora Holding AG donated an equivalent amount to a charitable foundation. The amount donated is not included in the total Board compensation shown here.

No payments were made to persons closely associated with current or former members of the Board of Directors or Group Executive Management which were not commensurate with market practice.

Emoluments paid to Board members are directly charged to Valora Holding AG. Compensation paid to members of Group Executive Management are made by their employer, Valora Management AG.

*Loans and advances.* At December 31, 2007 and 2008 there were no loans or advances outstanding to members of the Board or of Group Executive Management or to persons associated with them.

*Shareholdings.* At December 31, 2007 and 2008, individual members of the Board and Group Executive Management (including persons associated with them) held the following numbers of shares of Valora Holding AG:

| | **2008 Number of shares** | **2008 Share of total voting rights in %** | **2008 of which subject to a lock-period till** | 2007 Number of shares | 2007 Share of total voting rights in % | 2007 of which subject to a lock-period till |
|---|---|---|---|---|---|---|
| **Board of Directors** | | | | | | |
| Rolando Benedick<br>Chairman | 5 690 | 0.17 | none | – | – | – |
| Markus Fiechter<br>Vice-Chairman | 1 000 | 0.03 | none | – | – | – |
| Bernhard Heusler<br>Board member | 0 | 0.00 | none | – | – | – |
| Franz Julen<br>Chairman of Nomination and Compensation Committee | 450 | 0.02 | none | 100 | 0.00 | none |
| Conrad Löffel<br>Chairman of Audit Committee | 0 | 0.00 | none | – | – | – |
| Beatrice Tschanz Kramel<br>Chairwoman, also chaired Nomination and Compensation Commitee, stepped down in April 08 | – | – | – | 909 | 0.03 | 286: 27.04.2010<br>323: 25.04.2012 |
| Werner Kuster<br>Vice-Chairman, stepped down in April 08 | – | – | – | 655 | 0.02 | 229: 27.04.2010<br>231: 25.04.2012 |
| Andreas Gubler<br>Chairman of Audit Committee, stepped down in April 08 | – | – | – | 540 | 0.02 | 229: 27.04.2010<br>231: 25.04.2012 |
| Paul-Bernhard Kallen<br>Board member, stepped down in April 08 | – | – | – | 2 500 | 0.08 | none |
| Felix Weber<br>Board member, stepped down in 2008 | – | – | – | 324 | 0.01 | 323: 25.04.2012 |

# NOTES TO THE FINANCIAL STATEMENTS OF VALORA HOLDING AG

| | **2008 Number of shares** | **2008 Share of total voting rights in %** | **2008 of which subject to a lock-period till** | 2007 Number of shares | 2007 Share of total voting rights in % | 2007 of which subject to a lock-period till |
|---|---|---|---|---|---|---|
| **Group Management** | | | | | | |
| Thomas Vollmoeller<br>CEO | 0 | 0.00 | none | – | – | – |
| Lorenzo Trezzini<br>CFO | 0 | 0.00 | none | – | – | – |
| Kaspar Niklaus<br>Head of Valora Retail division | 0 | 0.00 | none | – | – | – |
| Christian Schock<br>Head of Valora Media division | 961 | 0.03 | 436: 28.03.2012<br>429: 03.04.2013<br>96: 22.04.2013 | 436 | 0.01 | 436: 28.03.2012 |
| Alex Minder<br>Head of Valora Trade division | 1 708 | 0.05 | 304: 06.04.2010<br>153: 01.07.2011<br>120: 21.03.2012<br>828: 28.03.2012<br>207: 03.04.2013<br>96: 22.04.2013 | 1 405 | 0.04 | 304: 06.04.2010<br>153: 01.07.2011<br>120: 21.03.2012<br>828: 28.03.2012 |
| Peter Wüst<br>CEO and interim Head of Retail Division, left Valora in June 08 | – | – | – | 3 286 | 0.10 | 63: 22.03.2010<br>1 200: 06.04.2010<br>29: 01.07.2011<br>120: 21.03.2012<br>1 874: 28.03.2012 |
| Markus Voegeli<br>CFO, left Valora in September 08 | – | – | – | 1 869 | 0.06 | 190: 06.04.2010<br>180: 01.07.2011<br>120: 21.03.2012<br>1 249: 28.03.2012 |
| Ruedi Keller<br>Head of Valora Management Services Division, left Valora in March 08 | – | – | – | 1 357 | 0.04 | 456: 06.04.2010<br>27: 01.07.2011<br>120: 21.03.2012<br>754: 28.03.2012 |
| **Total for Board and Group Management** | 9 809 | **0.30** | | **13 381** | **0.41** | |

**6 MAJOR SHAREHOLDERS.** Valora Holding AG's articles of incorporation stipulate that no shareholder may hold more than 5% of the issued voting share capital without Board approval. At December 31, 2008, this 5% threshold was equivalent to 165 000 registered shares.

On December 31, 2008, the Pictet Group, through its subsidiaries,[1] held a total of 220 272 registered shares of Valora Holding AG, equivalent to 6.67% of the total outstanding shares of the company. Of these, the shares recorded in the Share Register as having voting rights amounted to only 4.16% of the outstanding voting shares.

On December 31, 2008, UBS Fund Management (Switzerland) Ltd, Basle held a total of 197 989 registered shares of Valora Holding AG, equivalent to 6.00% of the total outstanding shares of the company. Of these, the shares recorded in the Share Register as having voting rights amounted to only 5% of the outstanding voting shares.

On December 31, 2007, the Pictet Group, through its subsidiaries[2], held a total of 219 211 registered shares of Valora Holding AG, equivalent to 6.64% of the total outstanding shares of the company. Of these, the shares recorded in the Share Register as having voting rights amounted to only 5% of the outstanding voting shares. Also, on January 10, 2008, UBS Fund Management (Switzerland) Ltd, Basle held a total of 173 604 registered shares of Valora Holding AG, equivalent to 5.26% of the total outstanding shares of the company. Of these, the shares recorded in the Share Register as having voting rights amounted to only 4.16% of the outstanding voting shares.

1) Pictet & Cie nominee, Geneva; Pictet Funds SA - Swiss Mid Small Cap, Geneva; Pictet Funds (LUX) Sicav - Small Caps Europe, Luxembourg; Pictet Funds (Europe) SA - Pictet Funds (CH) - Swiss Equities, Geneva; Pictet Funds (LUX) Sicav - Pool Swiss Equities, Luxembourg; Pictet Funds SA - Pictet Institut. Swiss Equities, Geneva; Pictet Funds (LUX) Sicav - Continental European Equit., Luxembourg; Pictet Funds SA - Pictet Fund (CH) Enhanced, Geneva; Pictet Funds SA - Swiss Market Tracker, Geneva; Pictet Funds SA - Institutional Swiss Equit. Tracker, Geneva; Pictet Funds SA - Swiss Equities Pool, Geneva; Pictet Funds SA - Subvenimus Institutional Fund, Geneva; Pictet et Cie (Europe) S.A., Luxembourg

2) Pictet Funds SA - Swiss Mid Small Cap, Geneva; The Alphanatics Funds Ltd, Grand Cayman; Pictet Funds (LUX) Sicav - Small Caps Europe, Luxembourg; Pictet Funds (Europe) SA - Pictet Funds (CH) - Swiss Equities, Geneva; Pictet Funds (LUX) Sicav - Pool Swiss Equities, Luxembourg; Pictet Funds SA - Pictet Institut. Swiss Equities, Geneva; Pictet Funds (LUX) Sicav - Continental European Equit., Luxembourg; Pictet Funds SA - Pictet Fund (CH) Enhanced, Geneva; Pictet Funds (LUX) Sicav - EAFE Pool Equities, Luxembourg; Pictet Funds SA - Swiss Market Tracker, Geneva; Pictet Funds (LUX) Sicav - EAFE Pool, Luxembourg; Pictet International Equity Fund, Wilmington; Pictet Funds SA - Institutional Swiss Equit. Tracker, Geneva; Pictet Funds SA - Swiss Equities Pool, Geneva; Pictet Funds SA - Subvenimus Institutional Fund, Geneva

# NOTES TO THE FINANCIAL STATEMENTS OF VALORA HOLDING AG

### 7 SIGNIFICANT SUBSIDIARIES OF VALORA HOLDING AG

| | **31.12.2008 Holding in %** | 31.12.2007 Holding in % |
|---|---|---|
| *Switzerland* | | |
| Valora Beteiligungen AG, Muttenz | 100.0 | 100.0 |
| Valora Management AG, Bern | 100.0 | 100.0 |
| Valora Investment AG, Bern | 100.0 | 100.0 |
| Merkur AG, Bern | 100.0 | 100.0 |
| *Germany* | | |
| Valora Holding Germany GmbH, Hamburg | 5.1 | 5.1 |
| *United Kingdom* | | |
| Valora Holding Finance Ltd, Guernsey | 100.0 | 100.0 |

As a result of the reorganised structure of the Group's investments in its subsidiaries, a revaluation profit of CHF 5.1 million was generated in 2008 (CHF – 5.0 million in 2007).

**8 CURRENT LIABILITIES.** Valora Holding AG's current liabilities towards Group companies include Valora Holding AG's portion of the Group's cash pool. The banking arrangements for the entire cash pool are managed by a subsidiary of Valora Holding AG. The disclosure for 2007 has been adjusted to make the 2007 and 2008 figures easier to compare.

**9 APPROVED AND CONDITIONAL SHARE CAPITAL.** The Annual General Meeting held on 11 May, 2000 approved the creation of additional conditional share capital of a nominal CHF 84 000. At December 31, 2008, none of these shares had been issued.

**10 RISK ASSESSMENT.** During October and November 2008, the Valora Group's Board of Directors and Group Executive Management carried out a risk assessment. The objective was to make the main risks to which Valora is exposed more transparent, to improve the quality of risk dialogue, and to define practical steps for addressing the key risks which Valora faces. The process began with a series of structured interviews with individual members of Group Executive Management. A Group Executive Management workshop was then held which discussed the results, identified the main risks, analysed and evaluated them, and planned appropriate action. The workshop results were then discussed with the Board of Directors and a set of planned measures was decided upon.

# PROPOSED APPROPRIATION OF EARNINGS AVAILABLE FOR DISTRIBUTION

*Proposal for the appropriation of earnings available for distribution*

| in CHF 000 | 2008 | 2007 |
|---|---|---|
| **Net profit for the year** | **59** | **26 273** |
| + Earnings brought forward | 67 775 | 70 303 |
| **Earnings available for distribution** | **67 834** | **96 576** |
| *The Board of Directors proposes* | | |
| Payment of a dividend of CHF 9.00 per registered share entitled to dividend | – 25 200 | – 28 801 |
| **Balance to be carried forward** | **42 634** | **67 775** |
| *Dividend distribution (in CHF)* | | |
| Gross dividend per share | 9.00 | 9.00 |
| – 35% withholding tax | – 3.15 | – 3.15 |
| | | |
| **Net dividend per share (in CHF)** | **5.85** | **5.85** |

# REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF VALORA HOLDING AG, BERN

## REPORT OF THE STATUTORY AUDITOR ON THE FINANCIAL STATEMENTS

As statutory auditor, we have audited the financial statements of Valora Holding AG, which comprise the balance sheet, income statement and notes (pages 123 to 132), for the year ended 31 December 2008.

*Board of Directors' Responsibility.* The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

*Auditor's Responsibility.* Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion.* In our opinion, the financial statements for the year ended 31 December 2008 comply with Swiss law and the company's articles of incorporation.

## REPORT ON OTHER LEGAL REQUIREMENTS

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

| | |
|---|---|
| Hanspeter Gerber | Moritz Oberli |
| Audit expert | Audit expert |
| Auditor in charge | |

Bern, 24 March 2009

# REPORT ON CORPORATE GOVERNANCE AND COMPENSATION

Valora is aware of the expectations placed on its corporate governance and is committed to meeting them. Our objective is to attain the highest levels of transparency commensurate with best practice standards. We believe that this applies particularly to the structure of our organisation and of the control and management infrastructure we have in place. Above all, this transparency should protect shareholders' interests and create value for all other stakeholders.

The corporate governance and compensation section of this annual report follows the structure set out in the applicable SIX Swiss Exchange guidelines:



## 1 GROUP STRUCTURE AND SHAREHOLDERS

**1.1 GROUP STRUCTURE.** Valora Holding AG, the Group's parent company, is a limited company established under Swiss law. Either directly or indirectly, it holds stakes in 45 significant unlisted companies, all of which are fully consolidated in its accounts. The Group's operational structure is set out on page 8.

**1.1.1 LISTED COMPANIES.** The only listed company in the Valora Group is Valora Holding AG, which is domiciled in Berne. The company is listed on the main section of SIX Swiss Exchange and on the BX Berne Exchange (Swiss securities number 208 897, Telekurs VALN, Reuters VALN.S, Bloomberg VALN.SW, ISIN number CH0002088976). The company itself holds 14.77% of the total of 3 300 000 issued shares. The number of company shares which were acquired through the second trading line established as part of the share buyback programme amount to 10.61% of the total number of issued shares. At December 31, 2008 the market capitalisation of Valora Holding AG amounted to CHF 433 million. The company's market capitalisation over the last 5 years is shown on page 155.

**1.1.2 CONSOLIDATED COMPANIES.** The significant companies within the Group are shown in the notes to the consolidated financial statements on pages 118 to 119, which list the name, domicile, total share capital and percentage of share capital held by Valora Holding AG.

**1.2 SIGNIFICANT SHAREHOLDERS.** The following significant shareholders have disclosed shareholdings to Valora Holding AG in accordance with article 20 of the Swiss Federal Stock Exchange Act (in German, «Börsengesetz» or «BEHG»):

On January 14, 2008, UBS Fund Management (Switzerland) Ltd, P.O. Box, 4002 Basle, Switzerland reported that its total holdings at January 10, 2008 had exceeded the 5% threshold, reaching a total of 173 604 registered shares in Valora Holding AG, equivalent to 5.26% of the issued share capital. This shareholder's overall holdings as of that date thus corresponded to 5.26% of the outstanding voting shares.

On January 28, 2008, Lombard Odier Darier Hentsch Fund Managers SA (LODHFM) reported that, following sales made by its LODH Swiss Cap (ex-SMI) and its LODH Opportunity Swiss Small and Mid Caps funds on January 25, 2008, its holdings as of that date totalled 96 441 registered shares in Valora Holding AG, equivalent to 2.92% of the issued share capital. This shareholder's overall holdings as of that date thus corresponded to 2.92% of the outstanding voting shares.

On January 29, 2008, Richelieu Finance Gestion Privée, société anonyme, 6 av. Franklin Roosevelt, 75008 Paris, France reported that, following sales by two of its public managed funds on January 24, 2008, its holdings as of that date totalled 97 628 registered shares in Valora Holding AG, equivalent to 2.96% of the issued share capital. This shareholder's overall holdings as of that date thus corresponded to 2.96% of the outstanding voting shares.

On February 20, 2008, the State of New Jersey Common Pension Fund D, Trenton, NJ 08625, USA reported that its holdings in Valora Holding AG registered shares as of December 1, 2007 amounted to a total of 150 000, equivalent to 4.55% of the issued share capital. This shareholder's overall holdings as of that date thus corresponded to 4.55% of the outstanding voting shares.

On April 21, 2008, Pictet Funds SA, Route des Acacias, 1211 Geneva, Switzerland, reported that purchases made on April 16, 2008 by its Pictet (CH) Enhanced (0.19%), Pictet (CH) Swiss Market Tracker (0.10%), Pictet (CH) Swiss Mid Small Cap (1.03%), Pictet Swiss Equities (0.64%), Pictet Fund (CH) Pool Swiss Equities (0.02%), Pictet Institutional Swiss Equities (0.90%), Pictet Institutional Swiss Equities Tracker (0.06%), Ethos (0.07%) and Subvenimus Institutional Fund (0.01%) had resulted in its holding a total of 99 509 registered shares in Valora Holding AG, equivalent to 3.02% of the issued share capital. This shareholder's overall holdings as of that date thus corresponded to 3.02% of the outstanding voting shares.

On July 4, 2008, Amber Capital LP, 153 East 53rd Street, New York, NY 10022, USA, acting as investment manager of Amber Master Fund (Cayman) SPC, P.O. Box 309GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands reported that sales on June 30, 2008 had resulted in that fund's holdings of Valora Holding AG registered shares falling below 3% of the outstanding voting shares. Amber Capital LP is entrusted with the independent management of the Amber Master Fund (Cayman) SPC, the legal owner of the shares.

On July 8, 2008, Valora Holding AG, Belpstrasse 37, 3000 Berne 14, Switzerland reported that, as a result of purchases made, it held a total of 5.19% of its own outstanding share capital and thus of its outstanding voting shares. This resulted from holdings of 163 774 registered shares (4.96% of the total outstanding shares) and a short position in put options on a further 7 681 registered shares (0.23% of the total outstanding shares). The options (European puts expiring on January 31, 2013, each of which entitles its holder to sell one registered share at the average closing price recorded during the first week after the options vest) are an obligation which arose from employee share participation programmes.

On July 9, 2008, Valora Holding AG, Belpstrasse 37, 3000 Berne 14, Switzerland reported that, as a result of purchases made, it held a total of 5.65% of its own outstanding share capital and thus of its outstanding voting shares. This resulted from holdings of 179 024 registered shares (5.42% of the total outstanding shares) and a short position in put options on a further 7 681 registered shares (0.23% of the total outstanding shares). The options (European puts expiring on January 31, 2013, each of which entitles its holder to sell one registered share at the average closing price recorded during the first week after the options vest) are an obligation which arose from employee share participation programmes.

On September 18, 2008, Manning & Napier Advisors Inc., 290 Woodcliff Drive, Fairport, NY 14450, USA, reported that, as a result of purchases made, it held 99 860 registered shares in Valora Holding AG, equivalent to 3.02% of the total issued share capital. This shareholder's overall holdings as of that date thus corresponded to 3.02% of the total outstanding voting shares.

On October 3, 2008, Valora Holding AG, Belpstrasse 37, 3000 Berne 14, Switzerland reported that, as a result of purchases made, it held a total of 10.15% of its own outstanding share capital and thus of its outstanding voting shares. This resulted from holdings of 327 159 registered shares (9.92% of the total outstanding shares) and a short position in put options amounting to a further 0.23% of the total outstanding shares. The options (European puts expiring on January 31, 2013, each of which entitles its holder to sell one registered share at the average closing price recorded during the first week after the options vest) are an obligation which arose from employee share participation programmes.

On October 6, 2008, Valora Holding AG, Belpstrasse 37, 3000 Berne 14, Switzerland reported that, as a result of purchases made, it held a total of 10.48% of its own outstanding share capital and thus of its outstanding voting shares. This resulted from holdings of 338 344 registered shares (10.25% of the total outstanding shares) and a short position in put options amounting to a further 0.23% of the total outstanding shares. The options (European puts expiring on January 31, 2013, each of which entitles its holder to sell one registered share at the average closing price recorded during the first week after the options vest) are an obligation which arose from employee share participation programmes.

On October 16, 2008, Manning & Napier Advisors Inc., 290 Woodcliff Drive, Fairport, NY 14450, USA, reported that following sales made on October 15, 2008, its total holdings in registered shares of Valora Holding AG had fallen below 3% of the outstanding voting shares.

On January 5, 2009, Valora Holding AG, Belpstrasse 37, 3000 Berne 14, Switzerland reported that, as a result of purchases made, it held a total of 15.36% of its own outstanding share capital and thus of its outstanding voting shares. This resulted from holdings of 499 214 registered shares (15.13% of the total outstanding shares) and a short position in put options amounting to a further 0.23% of the total outstanding shares. The options (European puts expiring on January 31, 2013, each of which entitles its holder to sell one registered share at the average closing price recorded during the first week after the options vest) are an obligation which arose from employee share participation programmes.

On January 23, 2009, GoldenPeaks Capital Management Ltd, Suite 7, Provident House, Havilland Street, St. Peter Port, GY1 2QE, Guernsey, acting as investment manager for GoldenPeaks Active Value Master Fund Ltd, Zephyr House, 122, Mary Street, Grand Cayman, K1 1107, Cayman Islands, reported that on January 21, 2009, its holdings in registered shares of Valora Holding AG had reached a reporting threshold. As of that date it held 87 588 registered shares (equivalent to 2.65% of issued share capital) and a long position in 1 153 800 call warrants exercisable into Valora Holding AG shares (VALAA, ISIN: CH0049933747, conversion ratio: 30:1, expiration: January 21, 2010, strike price: CHF 178). In aggregate, these two positions represented 3.81% of the outstanding voting shares.

On March 4, 2009, Pictet Funds S.A., Route des Acacias, 1211 Geneva, Switzerland reported that sales made on February 26, 2009 by its Pictet (CH) Enhanced (0.21%), Pictet (CH) Swiss Market Tracker (0.09%), Pictet (CH) Swiss Mid Small Cap (0.82%), Pictet (CH) Swiss Equities (0.51%), Pictet Institutional Swiss Equities (1.06%), Pictet Institutional Swiss Equities Tracker (0.07%), Pictet Institutional - Pool Swiss Equities (0.02%), Ethos - Equities CH Indexed Corporate Governance (0.08%) and Subvenimus Institutional Fund (0.02%) had resulted in its overall holdings of Valora Holding AG registered shares falling below 3% of the outstanding voting shares.

**1.3 CROSS SHAREHOLDINGS.** There are no reportable cross shareholdings between Valora Holding AG or its subsidiaries and other companies.

## 2 CAPITAL STRUCTURE

**2.1 CAPITAL STRUCTURE AT DECEMBER 31, 2008.** Ordinary capital of Valora Holding AG:
CHF 3 300 000, comprising 3 300 000 single-class registered voting shares of CHF 1.00 nominal value each, each entitled to dividends. All Valora Holding AG ordinary registered shares are fully paid up and listed on the main section of the SIX Swiss Exchange and BX Berne eXchange.
Valora Holding AG has conditional capital of CHF 84 000, comprising 84 000 registered shares of CHF 1.00 nominal value.

**2.2 CONDITIONAL AND AUTHORISED CAPITAL.** Conditional capital amounting to a maximum of CHF 84 000, comprising 84 000 registered shares of CHF 1.00 nominal value each, was approved by the Annual General Meeting of May 11, 2000. These shares can be used at any time by the Board of Directors to cover the exercising of options granted to employees of the company or Group companies within the overall framework laid down by the Board of Directors. Existing shareholders have no subscription rights for such shares. No time limits apply. None of this conditional capital had been issued by December 31, 2008. The conditional capital of CHF 84 000 remains unchanged.

Valora Holding AG has no authorised capital.

**2.3 CHANGES IN CAPITAL.** The Ordinary General Meeting of Shareholders of Valora Holding AG held on April 29, 2008, approved the Board's proposal to initiate a share buyback programme covering a maximum of 500 000 shares (which rounds to 15.2% of the outstanding share capital) and lasting 18 months (till the end of 2009) to be conducted through a second trading line on the SIX Swiss Exchange for the purpose of definitively cancelling the shares so repurchased and reducing the issued share capital accordingly. Valora Holding AG initiated a public buyback programme on July 1, 2008. The Board of Directors will recommend to future General Meetings that the ordinary capital be reduced by the amount represented by the shares so repurchased. On June 12, 2008, Valora Holding AG applied in writing to the Swiss Takeover Board for the provisions regarding public purchase offers to be waived in respect of this buyback programme and received approval for its application. Valora Holding AG's offering advertisement and the Swiss Takeover Board's recommendation have both been published. In addition, since the programme began, Valora has published weekly reports showing the total number of shares purchased through the second trading line on its website. No changes in capital structure occurred in 2006 or 2007. Details of the changes in capital structure made in 2005 are contained in the 2005 Financial Report in the changes in capital structure section of the corporate governance report on page 68.

Changes in the reserves and overall shareholders' equity of Valora Holding AG are shown in the balance sheet (on page 125) and the notes to the financial statements of Valora Holding AG (on page 126).

**2.4 SHARES, PARTICIPATION CERTIFICATES AND DIVIDEND-RIGHT CERTIFICATES.** All 3 300 000 registered shares each have a nominal value of CHF 1.00 and are fully paid up. Each share entitles its holder to a dividend, except the shares held in treasury by Valora Holding AG. There are no preferential shares.Valora holding AG has not issued any participation certificates or dividend right-certificates.

**2.5 CONVERTIBLE BONDS AND OPTIONS.** At December 31, 2008, Valora Holding AG had no convertible bonds or options outstanding.

**2.6 LIMITATIONS ON TRANSFERABILITY AND NOMINEE REGISTRATIONS.** Details of limitations on transferability and nominee registrations are shown in section 6.1 of this corporate governance report.

## 3 BOARD OF DIRECTORS

**3.1 BOARD OF DIRECTORS.** At December 31, 2008, the Board of Directors of Valora Holding AG comprised the following five members:

*Rolando Benedick, 1946, Swiss citizen,* Chairman
Previous activities: CEO of Innovazione, CEO of the Manor Group, Board Chairman of the Manor Group, Member of the Board of Directors of Manor Sud (Innovazione SA), Jacobs Holding AG.
Current activities: Board Chairman of Manor Sud (since 1999), Member of the Boards of Directors of Barry Callebaut (since 2001), of MCH Messe Schweiz AG (since 2004).

*Markus Fiechter, 1956, Swiss citizen,* Vice-Chairman
Master's degrees in Chemical Engineering from the Swiss Federal Institute of Technology and in Economics from the St. Gallen Business School.
Previous activities: SBU Leiter Mettler Toledo AG, Manager, Boston Consulting Group, CEO, Minibar Group.
Current activities: CEO, Jacobs Holding AG (since 2004), Member of the Boards of Directors of Barry Callebaut (since 2004) and Minibar AG (since 2005).

*Bernhard Heusler, 1963, Swiss citizen*
Doctorate in Law, Attorney-at-law.
Previous activities: Temporary Associate at Davis Polk & Wardwell, New York, Wenger Plattner, Attorneys-at-law.
Current activities: Partner with Wenger Plattner, Attorneys-at-law (since 2000), Representative of the Board of Directors of the FC Basel 1893 AG football club (since 2005), member of various professional associations, Member of the Boards of Directors of various trading and service companies.

*Franz Julen, 1958, Swiss citizen*
Diploma in hotel and restaurant management from the Swiss Hotel Management School, Lucerne.
Previous activities: Deputy Managing Director, Marc Biver Development Sportmarketing, Chairman of the Management Committee, Völkl International AG, COO, INTERSPORT International Corporation.
Current activities: CEO, INTERSPORT International Corporation (since 2000).

*Conrad Löffel, 1946, Swiss citizen*
Federally qualified Swiss chartered accountant.
Previous activities: CFO, Intercontainer, CFO, Kuoni, CFO, Danzas and partner and Board director of Ernst & Young AG, Basle.
Current activities: Member of the Board of Directors of Adimmo AG (since 2006), of Swiss Federal Railways (since 2008).

No member of the Board of Directors has any management mandate within the Valora Group or any significant business relations to the Group.

**3.2 OTHER ACTIVITIES AND VESTED INTERESTS.** Some Board members engage in other business activities with major companies.

**3.2.1 MEMBERSHIP OF SUPERVISORY BOARDS.**
- Rolando Benedick: Board Chairman of Manor Sud, Member of the Boards of Directors of Barry Callebaut, Jacobs Holding AG and MCH Messe Schweiz AG.
- Markus Fiechter: Member of the Board of Directors of Barry Callebaut and Minibar AG.
- Bernhard Heusler: Member of various professional associations, Member of the Boards of Directors of various trading and service companies.
- Franz Julen: Vice-Chairman of the Supervisory Board of the Union of Groups of Independent Retailers of Europe (UGAL), a non-profit international organisation.
- Conrad Löffel: Member of the Board of Directors of Adimmo AG and Swiss Federal Railways

**3.2.2 MEMBERSHIP OF EXECUTIVE COMMITTEES.**
- Markus Fiechter: CEO of Jacobs Holding AG, Zurich; member of the Advisory Board of Manres AG, Zollikon
- Bernhard Heusler: Partner with Wenger Plattner, Attorneys-at-law, Basle, Representative of the Board of Directors of FC Basel 1893 AG, Basle
- Franz Julen: CEO of INTERSPORT International Corporation, Berne

**3.3 ELECTIONS AND TERMS OF OFFICE.** The Board of Directors comprises at least three members who are elected by the General Meeting of Shareholders for a term of one year - one year being the period from one Ordinary General Meeting to the next. Each Board member is elected individually. Outgoing Board members may be re-elected. Members retire permanently from the Board on the date of the Ordinary General Meeting following their 70th birthday. Any exceptions to these rules must be recommended by the Board of Directors to the General Meeting and approved by the latter.

The Board of Directors is self-constituting. The Board names a Chairman and a Deputy Chairman and a Secretary. The Secretary need not be a Board member.

With the exception of Franz Julen, who was first elected in 2007, all Board members were first elected in 2008.

**3.4 INTERNAL ORGANISATIONAL STRUCTURE AND COMMITTEES.** The Board of Directors discharges the duties required of it by law (article 716a of the Swiss Code of Obligations). The Board has supreme managerial responsibility for the company and the supervision of its conduct of business. It represents the company to the outside world and attends to all matters which the law, the company's articles of incorporation or the company's bylaws have not assigned to another executive body of the company. The Board of Directors may delegate powers and the management of the company or individual parts thereof to one or more persons, to members of the Board or to third parties who need not be shareholders, provided such affairs are not inalienably assigned to it by law or the articles of incorporation. The Board issues the company's bylaws and regulates the corresponding contractual relations.

There is no explicit allocation of responsibilities among Board members other than that arising from Board committee memberships. Board members are, however, selected so as to ensure that the Board as a whole has specific expertise in the fields of finance, retail, franchising, trade, IT and law.

Minutes are kept of Board meetings.

The composition of the Board committees is as follows:
- Audit Committee: Conrad Löffel (Chairman), Bernhard Heusler.
- Nomination and Compensation Committee: Franz Julen (Chairman), Markus Fiechter.

In addition, Board Chairman Rolando Benedick is an *ex officio* member of these standing committees.

The duties of the Audit Committee are as follows:
a) To assess accounting practices and principles, financial reporting and other financial information and to report on these to the Board of Directors
b) To assess other financial information which is published or submitted to third parties.
c) To assess the financial reporting for the annual and half-yearly reports and make appropriate recommendations to the Board of Directors.
d) To monitor and discuss possible financial risks.
e) To assess risk management principles and activities with regard to financial risk.
f) To assess the quality of ICS (internal control system) processes within the company.
g) To assess the Group's risk situation and report on it to the Board of Directors.
h) To assess and finalise the internal audit function's budget, organisation and multi-year planning.
i) To assess and finalise the internal audit function's annual audit plan.
j) To decide on the appointment and dismissal of the head of internal audit.
k) To assess the audit scope, performance and independence of the external auditors and the fees paid to them, and to propose nominations for the external audit function (for the financial statements of Valora Holding AG and the Valora Group) to the Board of Directors.
l) To assess audit findings in the internal and external auditors' reports.
m) To commission additional and follow-up audits with regard to specific issues or problems as needed.
n) To assess the implementation of measures recommended in audit reports.
o) To assess the collaboration between internal and external auditors.
p) To assess financing and treasury policy.
q) To assess the legal department's annual report on major, potential, pending and resolved legal issues whose financial consequences are significant.
r) To assess tax planning, tax management and tax audits and their outcomes.
s) To assess the evolution of corporate governance and to formulate appropriate recommendations to the Board of Directors.
t) To carry out other tasks and projects as instructed by the Board of Directors.

For the duties specified in a), b), c), d), e), f), g) k), l), n), o), p), q), r), s) and t) above, the Audit Committee exercises a preparatory function. For the duties specified in h), i), j) and m) the Audit Committee exercises a decision-making function.

The duties of the Nomination and Compensation Committee are as follows:
a) To prepare proposals on the remuneration of the Chairman of the Board and the other Board members and submit these to the Board.
b) To determine the salaries and other terms and conditions of employment for the CEO and the other members of Group Executive Management.
c) To assess general annual salary increases proposed by the CEO and to make recommendations on these to the Board.
d) To review share programmes for management and employees and share option and profitsharing programmes for the Board and Group Executive Management and to make recommendations on these to the Board.

e) To approve general salary increases (wage round [Lohnrunde]).
f) To approve share, share option and profit-sharing programmes for management and employees.
g) To prepare proposals for new candidate Board members for submission to the Board.
h) To prepare proposals for submission to the Board on the appointment or dismissal of the CEO and other Group level executives (CFO, members of Group Executive Management).
i) To approve the conditions of employment of the CEO and the other members of Group Executive Management.
j) To remain informed of and monitor succession planning for the top two tiers of management.
k) To discuss the performance appraisals of the CEO and the other members of Group Executive Management.
l) To monitor the implementation of Board decisions within the scope of the Nomination and Compensation Committee's remit.
m) To approve the principles governing the company's pension funds and to appoint the employer's representatives to serve on their supervisory boards.
n) To resolve matters of principle relating to the company's dealings with trade unions.
o) To carry out other tasks and projects as instructed by the Board of Directors.

For the duties specified in a), c), d), e), f), g), h), i), j), k), l), m), n) and o) above, the Nomination and Compensation Committee exercises a preparatory function. For the duties specified in b) above, the Nomination and Compensation Committee exercises a decision-making function.

**3.5 DEFINITION OF AREAS OF RESPONSIBILITY.** The Board of Directors meets as frequently as business demands. Board meetings are convened by the Chairman or, in his absence, by the Deputy Chairman or another Board member. The Chairman is also required to convene a Board meeting within 30 days of receiving a written request to do so from any of its members.

The Board is quorate if a majority of its members are present. A quorum is not required for the Board to approve reports on capital increases or on the subsequent paying in of shares not fully paid up, or for any resolutions which require notarisation. Board resolutions are passed and elections decided by a simple majority of the votes cast. In the event of a tie, the Chairman has the casting vote. Voting and elections are normally conducted by a show of hands, unless a Board member requests a secret ballot. Board resolutions on proposals submitted to it may also be passed by majority written approval (in letter, telegram, fax or other written form), provided all Board members have been invited to vote and no member has requested that the issue concerned be discussed verbally. All Board resolutions must be recorded in a set of minutes, which the Chairman and Secretary must jointly sign. Every Board member is entitled to information and access to documents, within the overall provisions of the law.

The Board of Directors is responsible for approving corporate strategy and specifying organisational structure, and bears ultimate responsibility for personnel matters. It establishes the guidelines for financial and investment policy, and approves long-term borrowings in excess of CHF 30 million, acquisitions and disposals of shareholdings and the purchase and sale of real estate whose transaction price exceeds CHF 2 million.

**3.6 INFORMATION AND CONTROL INSTRUMENTS AVAILABLE TO THE BOARD OF DIRECTORS.** In 2008, the Board of Directors held 14 meetings, of which 7 were full-day and 7 half-day sessions. A number of conference calls were also held. The Audit Committee held 4 half-day meetings, while the Nominationa and Compensation committee convened for 6 half-day sessions. These committees also conducted a number of conference calls. The Board and its committees may also invite further persons, particularly the CEO, the CFO and representatives of the internal and external auditors, to attend their meetings. Internal and external auditors took part in all Audit Committee meetings.

The Board of Directors is regularly provided, through the Valora Group's management information system, with monthly sales figures, monthly reporting at division and Group level, details of significant business events, information on the shareholder structure and details of current progress towards the implementation of decisions made by the General Meeting or itself.

The Chairman of the Board is provided with a copy of the minutes of all Group Executive Management meetings. Any member of the Board of Directors may demand information from management about the course of business and operations and, with the approval of the Chairman of Board, on specific business transactions. Any Board member may also demand that company books and files be made available for their inspection.

In late 2008, the Board of Directors and Group Executive Management jointly carried out a risk assessment. The objective was to make key risks to Valora more transparent, to improve the quality of risk dialogue and to define practical ways of addressing the main risks facing Valora. The results of this assessment were reviewed in a meeting between the Board of Directors and Group Executive Management and an appropriate action plan was resolved.

The Board of Directors is also supported in its supervisory duties by an internal control system which has been reviewed by Valora's external/internal (WHICH?) auditors.

## 4 GROUP EXECUTIVE MANAGEMENT

**4.1 MEMBERS OF GROUP EXECUTIVE MANAGEMENT.** The CEO is responsible for managing the Group. He co-ordinates the activities of the individual divisions and chairs the Group Executive Management committee. The other members of Group Executive Management report to the CEO. The division heads run their divisions with a view to achieving sustainably profitable performance. They define the specific management tools their divisions require in addition to the Group-wide guidelines which are in place.

*Dr. Thomas Vollmoeller, 1960, German citizen*
Master's degree in Economics from the University of Stuttgart, doctorate in Economics from the University of St. Gallen.
Previous activities: consultant with McKinsey & Co. in Hamburg und Düsseldorf, Chief Executive of Tchibo direct GmbH, CFO, Head of Operations and Member of the Executive Committee of Tchibo.
CEO of Valora since June 16, 2008.

*Dr. Lorenzo Trezzini, 1968, Swiss citizen*
Doctorate in Economics from the University of Zurich and Federally qualified Swiss chartered accountant.
Previous activities: Group CFO of the Valartis Group and member of the executive committees of the Valartis Group and Valartis Bank AG, venture capital and private equity manager at Invision AG, corporate finance manager at Ernst & Young, audit manager at Deloitte.
CFO of Valora since December 4, 2008.

*Kaspar Niklaus, 1968, Swiss citizen*
Master's degree in Agronomy from the Swiss Federal Institute of Technology, MBA from the Erasmus Graduate School of Business in Rotterdam, Master of Business Informatics (MBI).
Previous activities: various management roles with Switzerland's major retailers, consultant with McKinsey & Co., COO of Coop City in Zurich, Chief Executive of Coop Bau+Hobby, Basle.
Head of Valora's Retail division since June 23, 2008.

*Christian Schock, 1954, Luxembourg citizen*
Graduate in Mechanical Engineering, INSEAD MBA.
Previous activities: various management positions at Reuters in Luxembourg and Germany, Managing Director of SES-Astra's multimedia subsidiary and CEO of Messageries Paul Kraus, Luxembourg.
Head of Valora's Media division since July 1, 2006.

*Alex Minder, 1957, Swiss citizen*
Graduate in Business Administration, Executive MBA.
Previous activities: senior management positions at Bally International Ltd, client service director and executive committee member at Impuls Saatchi & Saatchi, Managing Director of Cadbury Switzerland, Board member of Cadbury Western Europe.
Head of Valora's Trade division since May 1, 2004.

*Group Executive Management changes.* As announced in early April 2008, Peter Wüst, CEO of Valora and interim Head of the Group's Retail division, left the Group on June 30, 2008. Ruedi Keller, Head of the Valora Management Services division, left the Group on March 31, 2008 when this division was dissolved. Markus Voegeli, CFO of Valora, left the Group on September 30, 2008.

Prior to his appointment to the Group Executive Committee, Christian Schock had been CEO of Messageries Paul Kraus (MPK) for 3 years and was thus responsible for Valora's press and book wholesale and kiosk activities in Luxembourg. None of the other members of Group Executive Management had previously worked for Valora.

**4.2 FURTHER SIGNIFICANT ACTIVITIES AND VESTED INTERESTS IN LISTED COMPANIES.** None of the members of the Group Executive Committee engages in any further activities in any management or supervisory body of any listed Swiss or foreign company, has any long-term management or consultancy function for any company outside the Valora Group, has any public function or holds any political office.

The Valora Group is a founding member of the Swiss Retail Industry Group [Interessengemeinschaft Detailhandel Schweiz], where it is represented by Thomas Vollmoeller. Rolando Benedick is Chairman of the supervisory boards of the Valora pension fund, the Valora executive pension fund and the Valora employer's foundation, all of which have their registered offices in Berne.

**4.3 MANAGEMENT CONTRACTS.** There are no management contracts between Valora Holding AG and any companies or individuals outside the Valora Group.

## 5 COMPENSATION, SHAREHOLDINGS AND LOANS

### 5.1 COMPONENTS OF COMPENSATION AND SHAREHOLDING PROGRAMMES AND THEIR DETERMINATION

The Board of Directors of Valora Holding AG has laid down internal guidelines for determining the compensation paid to the Board and to Group Executive Management which define where decision-making authority rests and how compensation is determined. The appropriateness of these guidelines is reviewed annually, with modifications being made when necessary.

The compensation paid to each individual member of the Board of Directors and of Group Executive Management is authorised by the entire Board. Each Board member abstains from voting on his own compensation.

**5.1.1 BOARD OF DIRECTORS.** A fixed director's annual fee is paid to each member of the Board of Directors. This fee is paid in cash in four equal quarterly portions. In 2008, no share-based payments were made in addition to the director's fees.

No attendance fees are paid for meetings, though travel expenses are reimbursed. The full Board of Directors determines the level of directors' emoluments and reviews them on a regular basis.

**5.1.2 GROUP EXECUTIVE MANAGEMENT**. Those members of Group Executive Management who were already in office in 2007 (Messrs. Minder and Schock) received an annual salary which continued to comprise a fixed and a variable component (regular bonus) in 2008. The variable component (regular bonus) is based on qualitative and quantitative criteria. The fixed base salary reflects the duties and functional responsibilities of the members of Group Executive Management concerned. The fixed and variable components sum to a figure which will be 50% fixed and 50% variable if individual objectives are 100% met. This compensation system was established in 2006 for a period running until the end of 2008. An independent external consultant carried out benchmark comparisons based on data for analogous economic sectors and job descriptions collected throughout Western Europe.

The variable compensation component is based on the following key figures (comparing final Group financial statements with budget targets): Group net income (40% weighting), EBITA of the market division managed by the member of Group Executive Management concerned, or return on invested capital for non-market divisions (30% weighting) and the extent to which specific individual objectives were reached (30% weighting). In order to focus the thoughts and actions of the members of Group Executive Management on the sustained improvement of the Group's profit-generating capacity, 40% of the variable portion of total compensation is paid in the form of Valora shares. Payment in shares is made on the basis of a share price of CHF 237. While ownership of the shares awarded passes to the participants immediately, the shares are then blocked and may not be sold during the 5 years immediately following their allocation. In addition, provided an agreed target level of earnings-per-share growth of 3% is reached in the following year, the participants will be granted an additional allocation of shares equal to 30% of the total number of shares granted under the scheme in prior years. If earnings-per-share growth is below 3%, no additional share allocation is granted. A cash payment in lieu is not possible.

A new compensation model has been defined for those members of Group Executive Management who joined Valora during 2008. For 2008, this model comprises a «fixed annual salary» component and a «short-term bonus» (STB) component. The STB component is calculated each year based on the extent to which objectives have been attained. Depending on the function of the Group Executive Management member concerned, the STB has a weighting of between 20% and 50% of the fixed annual salary. The criteria which determine the amount of any STB paid are the achievement of individual objectives and the economic value added (EVA) achieved by the division or management area concerned.

The Board's Nomination and Compensation Committee sets the level of overall compensation and decides on any awards of results-based compensation, informing the Board of Directors of its decision at the next Board meeting. Compensation paid to Group Executive Management is subject to periodic review.

Because it is linked to the performance of the business and to individual contributions to that performance, the total compensation paid to members of Group Executive Management can vary substantially from year to year.

Details of compensation paid to the Board of Directors and Group Executive Management and of the Valora shares held by their members can be found in note 5 to the financial statements of Valora Holding AG on page 127.

## 6 SHAREHOLDERS' PARTICIPATION RIGHTS

**6.1 VOTING RIGHT AND REPRESENTATION RESTRICTIONS.** Each share entitles its holder to one vote at the General Meeting. Voting is limited to those individuals who are entered as shareholders with voting rights in the Share Register. The Board of Directors may refuse to acknowledge a holder of Valora shares as a shareholder with voting rights if the holder's new holding, together with the voting shares they are already shown in the Share Register as holding, would exceed 5% of all Valora registered shares entered in the Commercial Register. This limitation does not apply, however, in the case of the exercising of subscription rights. In such an event, the holder will be entered in the Share Register as a shareholder without voting rights for the portion of shares held in excess of this 5% threshold. A group clause applies to the determination of this 5% threshold.

The Board of Directors may exceptionally acknowledge a shareholder as holding more than 5% of all registered shares with voting rights, in particular:

- if the shares are acquired following a merger or business combination;
- if the shares are acquired through a non-cash payment or a share exchange;
- if the shares are intended to underpin a long-term collaboration or strategic alliance.

No such exceptions were granted in 2008.

The Board of Directors may also refuse acknowledgement and entry in the Share Register as a shareholder with voting rights to any shareholder who fails to confirm expressly, on request, that they have acquired the shares concerned in their own name and for their own account. The Board of Directors may also cancel - with retroactive effect to the date of original entry - the entry in the Share Register as a shareholder with voting rights of any shareholder who, on subsequent inquiry, is found to have had the voting rights concerned registered by making a false declaration, and may have them entered instead as shares without voting rights. Any such cancellation must be communicated immediately to the shareholder concerned.

To enhance the tradability of Valora shares on the stock exchange, the Board of Directors may devise regulations or agreements which approve the fiduciary entry of registered shares with voting rights above the 5% limit for trustees who disclose the nature of their trusteeship (nominees, ADR banks). Such trustees must be overseen by banking or financial market regulators, however, or must otherwise provide the necessary guarantees that they are acting on behalf of one or several persons who are not linked to each other in any way, and are able to provide the names, addresses and shareholdings of the owners of the shares concerned. No exceptions for the fiduciary entry of registered shares above the 5% threshold were granted in 2008.

A shareholder may be represented at a General Meeting only by their legal representative, by another shareholder attending the General Meeting whose name is entered in the Share Register, by a proxy for deposited shares, by an executive body of the company or by the independent shareholders' representative.

Recognition of powers of attorney will be at the discretion of the Board members attending the General Meeting.

**6.2 STATUTORY QUORUMS.** Unless the law or the Articles of Incorporation require otherwise, the General Meeting passes its resolutions and conducts its elections by a simple majority of the votes cast, irrespective of the number of shareholders attending or the number of shares represented. In the event of a tied vote, the Chairman of the Board of Directors holds the casting vote.
Under Article 12 of the Articles of Incorporation (dated April 29, 2008), the following resolutions require a majority of two thirds of the votes represented and an absolute majority of the nominal value of the votes represented:

- changing the object of the company;
- introducing shares with privileged voting rights;
- limiting or facilitating the transferability of registered shares;
- increases in authorised or conditional capital;
- capital increases from shareholders' equity, against non-cash payments or for acquisition purposes, and the granting of special benefits;
- limiting or suspending subscription rights;
- relocating the company's registered office;
- dissolving the company without liquidation or by merger.

**6.3 CONVOCATION OF THE GENERAL MEETING.** Ordinary or Extraordinary General Meetings are formally called at least 20 days in advance by publication in the «Schweizerisches Handelsamtsblatt» (Swiss Official Gazette of Commerce). The holders of registered shares shown in the Share Register may also be invited by letter. Such publication and letters of invitation must indicate the venue, date and time of the meeting, the items on the agenda and the wording of any motions proposed by the Board of Directors or by shareholders who have requested the convening of a General Meeting or the inclusion of an item on the meeting's agenda.

The notice of an Ordinary General Meeting must also indicate that the Annual Report and the Report of the Auditors will be available for inspection at the company's registered office at least 20 days in advance of the meeting, and that any shareholder will immediately be sent a copy of these documents on request.
No resolution may be passed on any matters that are not announced in the way described above, except on a motion to convene an Extraordinary General Meeting or to conduct a special audit.

The Articles of Incorporation stipulate that the convening of a General Meeting may also be requested by one or more shareholders who together represent at least 10% of the company's share capital.

**6.4 ADDITIONAL AGENDA ITEMS.** Shareholders who together represent at least 3% of the company's share capital or shares with a total nominal value of at least CHF 1 million may request that an item be placed on the agenda of a General Meeting, provided they submit details thereof to the company in writing at least 50 days in advance of the General Meeting concerned.

**6.5 REGISTRATIONS IN THE SHARE REGISTER.** To attend the 2009 Annual General Meeting, a shareholder must submit their request for registration in the Share Register to the company no later than April 17, 2009.

## 7 CHANGES OF CONTROL AND DEFENCE MEASURES

**7.1 DUTY TO MAKE AN OFFER.** The company has no ‹opting out› or ‹opting up› clauses in its Articles of Incorporation.

**7.2 CLAUSES ON CHANGE OF CONTROL.** There are no change of control clauses in favour of any members of the Board of Directors, Group Executive Management or other members of management.

## 8 AUDITORS

The consolidated financial statements and the financial statements of Valora Holding AG and its subsidiaries are audited by PricewaterhouseCoopers AG. The General meeting appoints an individual or corporate body that satisfies the relevant legal requirements to act as Statutory Auditors, with the rights and obligations prescribed by the law. The Statutory Auditors are elected for a one-year term of office.

**8.1 DURATION OF THE MANDATE AND TERM OF OFFICE OF THE LEAD AUDITOR.** PricewaterhouseCoopers AG assumed the audit mandate at the 1942 Annual General Meeting. The lead auditor, Hanspeter Gerber, took over the mandate from Andreas Baur in 2006, as provided for by PricewaterhouseCoopers rotation rules. These rules also stipulate that the roles of both engagement manager and lead auditor may be carried out by the same pesons for no longer than seven years.

**8.2 AUDIT FEES.** The total cost to Valora Holding AG of the auditing conducted by PricewaterhouseCoopers AG in 2008 in respect of the consolidated financial statements and the financial statements of Valora Holding AG and its subsidiaries amounted to CHF 1.5 million (CHF 1.4 million in 2007).

**8.3 ADDITIONAL FEES.** During 2008, PricewaterhouseCoopers AG invoiced Valora Holding AG for a total of CHF 0.07 million (CHF 0.2 million in 2007) for additional services in relation to legal, tax and risk policy matters.

**8.4 INFORMATION INSTRUMENTS AVAILABLE TO THE EXTERNAL AND INTERNAL AUDITORS.** The Board of Directors' Audit Committee defines the audit mandates of the statutory and Group auditors and has the responsibility of ensuring appropriate controls are carried out. The internal mandate audit was carried out by Ernst & Young and ended on December 31, 2008. Internal audit duties will in future be carried out by internal Valora resources. Both internal and external auditors attended all Audit Committee meetings. The Audit Committee meetings at which the interim and full-year financial results are reviewed are always attended by all members of the Board of Directors. The external auditors submit to the Audit Committee both their report on the financial statements for the year just completed as well as their audit plan for the current financial year. The internal auditors submit their audit plan for the current year to the Audit Committee and also provide it with a separate report on each audit they carry out.

## 9 INFORMATION POLICY

Valora Holding AG meets all legal requirements and strives to meet best practice standards. Valora Holding AG uses all appropriate communication channels to maintain contact with the financial community and the general public. The firm reports on important news items concerning it on an ad hoc basis. In addition, the Valora website provides comprehensive information on a range of topics, as well as publishing details of all matters whose disclosure is required by law.

The Investor Relations unit is responsible for managing all contacts with investors and financial analysts. Regular conferences covering important company topics are held for the media, institutional investors and analysts. Shareholders and other interested parties may dial into these events by telephone or log on via the the Valora Holding AG website.

Valora Holding AG is committed to treating all interested parties equally. The Group ensures that information is not disclosed selectively by adhering to the relevant directives on ad hoc publicity and on blackout periods ahead of the publication of interim and full-year results. These blackout periods commence on dates before the official publication of results which are set in advance and end when the results are published. No meetings with financial analysts or investors take place during the blackout periods.

Every spring, the company holds a results press conference for the media and financial analysts. The invitation to the General Meeting sent to all shareholders includes a summary of the key figures in the full-year financial statements.

At the end of August each year, the company publishes consolidated interim results for the first six months of the year and sends these to all shareholders entered in the Share Register (these results are unaudited).

Every autumn, the company hosts a media and investor's day, which may focus on customers, markets, strategy or other subjects.

Ongoing sources of information:
- The www.valora.com company website
- Group interim and annual reports
- Media releases

Media relations: *Stefania Misteli*
Investor relations: *Mladen Tomic*

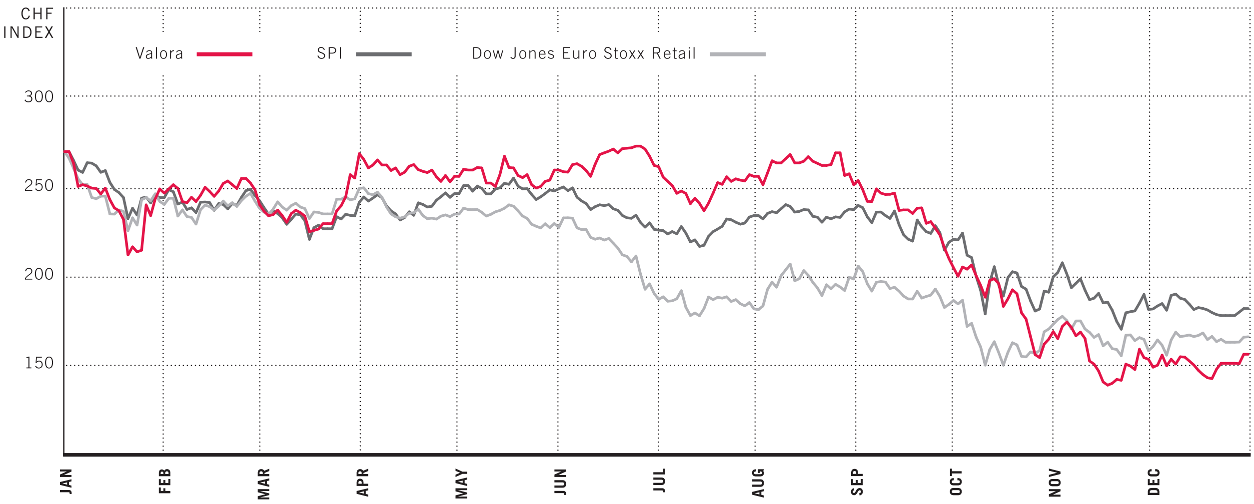
# VALORA SHARES

## 1 SHARE PRICE TRENDS

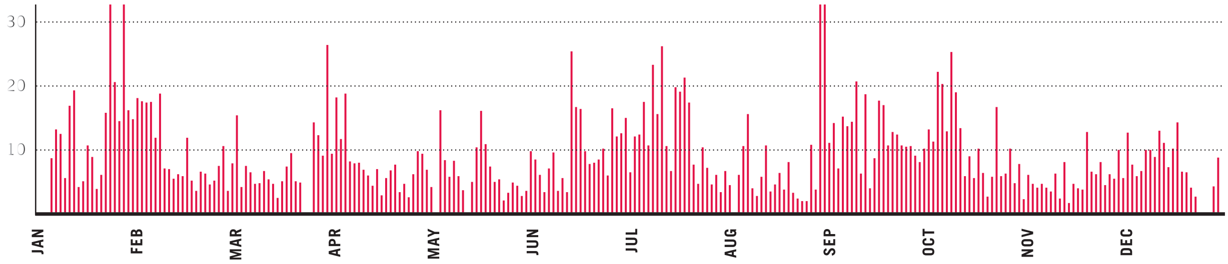
*Global equity markets.* 2008 was a turbulent year on the world's equity markets, reflecting wider financial market dislocations, which became evident from January. Initially limited to banks and insurers, the crisis assumed ever wider and severe dimensions, with all economic sectors, exchanges and geographical regions suffering more or less equally. The downtrend accelerated noticeably in the third quarter of 2008, reaching lows for the year in October and November 2008. For the first time in recent history, all asset classes suffered substantial losses, though these were greatest in equities.

*Valora share performance.*Valora shares started the year at CHF 275. As the global financial crisis took hold, the shares lost some 25% to close January at CHF 207.20, in line with international markets. Valora's publication of its provisional 2007 results on January 25, 2008 and the extraordinary general meeting on January 30 provided some initial confidence, allaying concerns about Valora's outlook. This helped the shares to recover, closing at CHF 252.50 on the day the meeting was held. After testing new 2008 lows in line with global markets, the shares rallied in the run-up to Valora's media and financial analysts' conference on April 3, 2008, closing that evening down 3.5% since the New Year, versus a performance by the SPI, the broad Swiss market index, of -10.8%. Shortly before Valora's share buyback programme commenced, the shares reached a 2008 peak of CHF 279 on June 27, 2008. From then until the marked deterioration in overall sentiment which took hold in September 2008, Valora's shares moved within a range between 0% and -10% from their late June levels. After a series of global financial institution failures and bail-outs, equity markets then staged further steep declines, with several broad-based, single-day falls of 10% seen in October 2008. Valora's earlier relative strength versus its benchmarks then waned rapidly, taking the shares to a low for the year of CHF 132.80 on November 18, 2008. Valora's two acquisitions (Wittwer GmbH and Mediacenter Berlin) announced in the two final months of 2008 helped raise the price somewhat, to close at CHF 154 on December 31, 2008 - a 43.95% decline on the year, versus - 34.05% for the benchmark Swiss Performance Index.

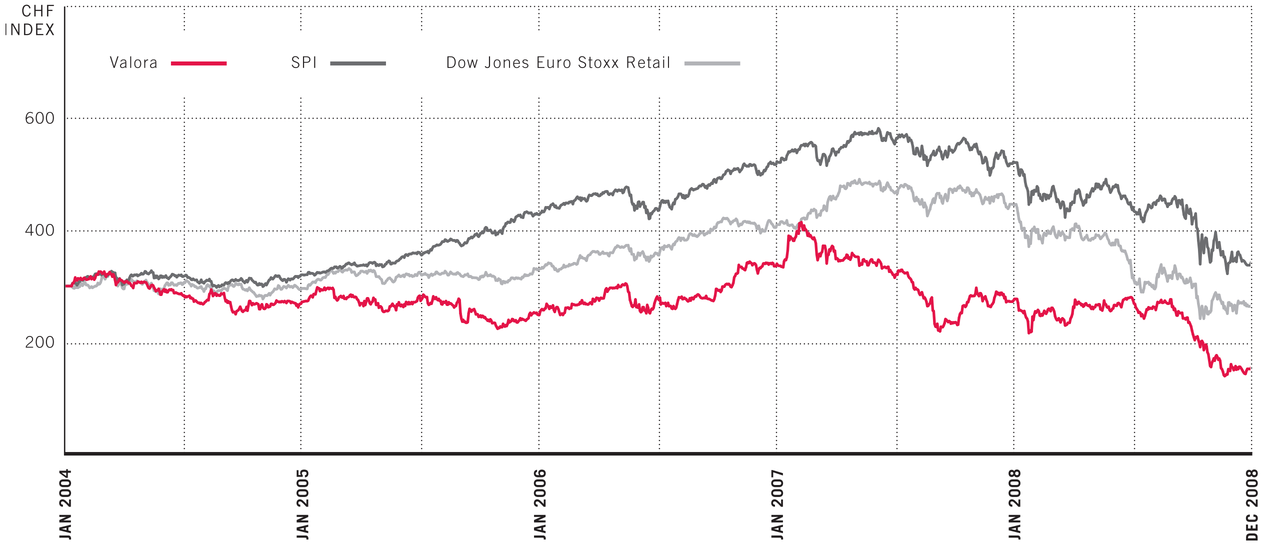
### VALORA SHARE PRICE TREND 2008



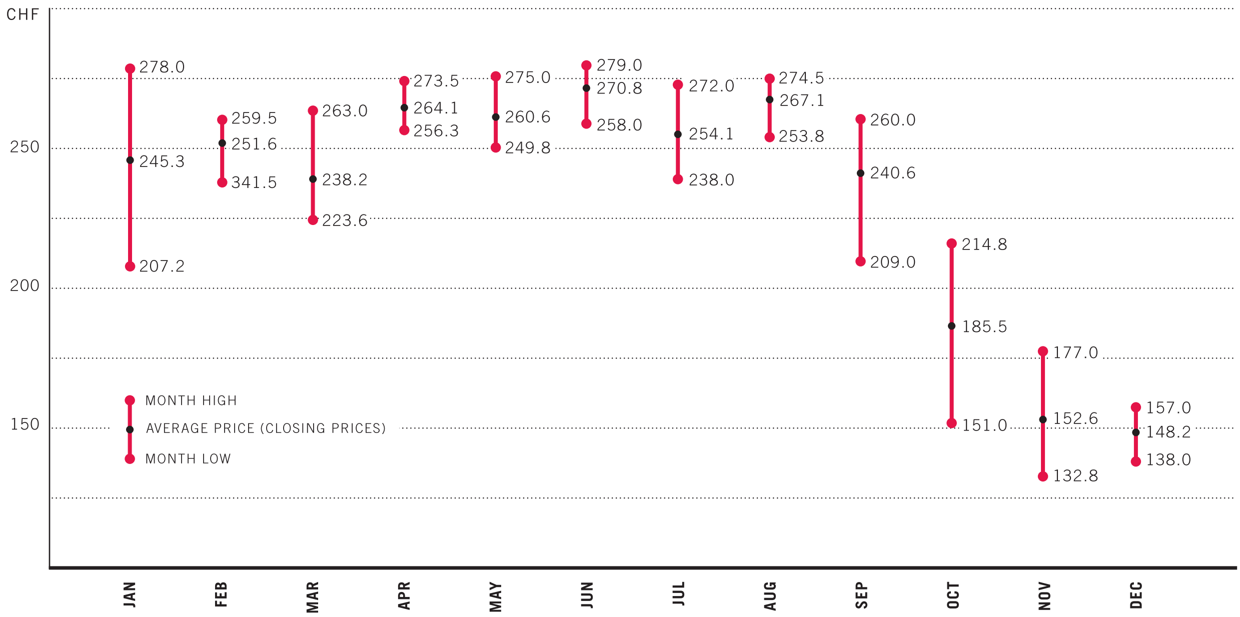
## VALORA SHARE VOLUME 2008




## VALORA SHARE PRICE TREND 2004-2008




## MONTH HIGHS/LOWS IN 2008



## 2 SHAREHOLDER RETURNS

| | | **2008** | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|---|
| *Share price* | | | | | | |
| Year end | CHF | 154.00 | 274.75 | 334.75 | 254.75 | 280.00 |
| *Distributions to shareholders* | | | | | | |
| Dividends/Reimbursements of nominal value | CHF | [1] 9 | 9 | 9 | 9 | [2] 9 |
| Dividend yield | % | 5.8 | 3.3 | 2.7 | 3.5 | 3.2 |
| *Annual returns* | | | | | | |
| excluding dividends | % | – 43.9 | – 17.9 | 31.4 | – 9.0 | – 9.1 |
| including dividends | % | – 40.7 | – 15.2 | 34.9 | – 5.8 | – 6.2 |
| *Average return* | | **2004–2008 5 Years** | 2004–2007 4 Years | 2004–2006 3 Years | 2004–2005 2 Years | 2004 1 Year |
| excluding dividends | % | – 12.9 | – 2.8 | 2.8 | – 9.1 | – 9.1 |
| including dividends | % | – 9.1 | 0.2 | 5.7 | – 6.0 | – 6.2 |

[1] Proposed
[2] Reimbursement of nominal value

## 3 KEY SHARE RATIOS

| | | **2008** | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|---|
| Operating profit per share [1] | CHF | [3] 12.38 | [3] 18.46 | [3] 20.80 | [2] 8.45 | [2] 46.76 |
| Free cash flow per share [1] [4] | CHF | [3] 57.39 | [3] 22.06 | [3] 18.28 | [2] 17.41 | [2] 87.95 |
| Earnings per share [1] | CHF | [3] 7.91 | [3] 14.08 | [3] 16.89 | [2] 1.17 | [2] 41.66 |
| Equity per share [1] | CHF | 160.44 | 187.20 | 175.42 | 160.68 | 170.27 |
| P/E Ratio [1] | 31.12 | [3] 19.5 | [3] 19.5 | [3] 19.8 | [2] 217.9 | [2] 6.7 |

[1] Based on average number of shares outstanding
[2] Continuing operations (without Fotolabo Group)
[3] Continuing operations (without Fotolabo Group and Own Brands)
[4] Free cash flow: net cash provided by operating activities less net cash used in investing activities

## 4 SHAREHOLDER DATA AND CAPITAL STRUCTURE

| | | **At 31.12.2008** | At 31.12.2007 |
|---|---|---|---|
| *Structure of registered shareholders* | | | |
| Structure | Significant shareholders > 5% | 12.67% of shares | 6.64% of shares |
| | 10 largest shareholders | 46.9% of shares | 37.0% of shares |
| | 100 largest shareholders | 63.2% of shares | 55.0% of shares |
| | | | |
| Origin | Switzerland | 76.5% of shares | 61.6% of shares |
| | Elsewhere | 23.5% of shares | 38.4% of shares |

Valora Holding AG's share capital of CHF 3.3 million comprises 3.3 million registered shares with a nominal value of CHF 1.00 each.

Conditional capital amounting to a maximum of CHF 84 000, comprising 84 000 registered shares of CHF 1.00 nominal value each, was approved by the Annual General Meeting of May 11, 2000. These shares can be used at any time by the Board of Directors to cover the exercising of options granted to employees of the company or Group companies within the overall framework laid down by the Board of Directors. Existing shareholders have no subscription rights for such shares. No time limits apply. None of this conditional capital had been issued by December 31, 2008.

Valora's articles of incorporation limit the number of votes which may be exercised by a single shareholder or by a group of shareholders acting in concert to 5% of the company's issued voting shares. The Board of Directors may, at its discretion, grant exceptions to this rule. No such exceptions were granted in 2008. Swiss and non-Swiss shareholders are registered on the same terms in the Share Register. The company has distributed dividends to its shareholders without interruption since 1920.

## 5 SHARE CAPITAL

| | | **2008** | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|---|
| Total registered shares [1] | Shares | 3 300 000 | 3 300 000 | 3 300 000 | 3 300 000 | 3 570 000 |
| Treasury shares [1] | Shares | 487 314 | 107 057 | 106 791 | 109 221 | 300 157 |
| Number of shares outstanding [1] | Shares | 2 812 686 | 3 192 943 | 3 193 209 | 3 190 779 | 3 269 843 |
| Market capitalisation [1] [2] | CHF million | 433 | 877 | 1 069 | 813 | 916 |
| Average number of shares outstanding | Shares | 3 078 254 | 3 201 312 | 3 197 186 | 3 196 384 | 3 664 006 |
| Number of registered shareholders [1] | | 7 090 | 7 385 | 7 789 | 9 344 | 9 581 |

[1] At 31.12.
[2] Based on number of shares outstanding at 31.12

## 6 TAX VALUES

| | Securities no. | **At 31.12.2008** | At 31.12.2007 | At 31.12.2006 | At 31.12.2005 | At 31.12.2004 |
|---|---|---|---|---|---|---|
| Registered shares of CHF 1.00/CHF 10.00 | 208 897 | 154.00 | 274.75 | 334.75 | 254.75 | 280.00 |
| 2.875% bond 2005-2012 | 2 189 351 | 97.00% | 93.70% | 98.80% | 98.90% | – |

# FIVE-YEAR SUMMARY

| | | 2008 [2] | 2007 [2] | 2006 [2] | 2005 [1] | 2004 [1] |
|---|---|---|---|---|---|---|
| **Net revenues** | **CHF million** | **2 921.7** | **2 821.7** | **2 749.3** | **2 846.4** | **2 858.5** |
| Change | % | + 3.9 | + 2.6 | – 3.4 | – 0.4 | – 5.4 |
| **Operating profit** | **Mio. CHF** | **38.1** | **59.1** | **66.5** | **27.0** | **171.3** |
| in % of net revenues | % | 1.3 | 2.1 | 2.4 | 0.9 | 6.0 |
| **Net profit (net loss)** | **CHF million** | **25.2** | **46.0** | **54.7** | **4.7** | **153.7** |
| Change | % | – 45.3 | – 15.9 | + 1 055.5 | – 96.9 | n/a |
| in % of net revenues | % | 0.9 | 1.6 | 2.0 | 0.2 | 5.4 |
| in % of equity | % | 5.1 | 7.7 | 9.8 | 0.9 | 24.6 |
| **Net cash provided by (used in)** | | | | | | |
| Operating activities | CHF million | 86.6 | 93.6 | 84.8 | 96.4 | 173.3 |
| Investing activities | CHF million | 90.1 | – 23.0 | – 26.4 | – 40.7 | 148.9 |
| **Free cash flow** | **CHF million** | **176.7** | **70.6** | **58.4** | **55.7** | **322.2** |
| Financing activities | CHF million | – 160.7 | – 126.8 | – 83.0 | – 123.7 | – 232.2 |
| **Earnings per share** | **CHF** | **7.91** | **14.08** | **16.89** | **1.17** | **41.66** |
| Change | % | – 43.8 | – 16.6 | + 1 343.6 | – 97.2 | n/a |
| **Free cash flow per share** | **CHF** | **57.39** | **22.06** | **18.28** | **17.41** | **87.95** |
| Change | % | + 160.2 | + 20.7 | + 5.0 | – 80.2 | + 370.8 |
| **Cash and cash equivalents** | **CHF million** | **158.4** | **153.4** | **222.1** | **219.7** | **291.6** |
| **Equity** | **CHF million** | **493.9** | **599.3** | **560.9** | **513.6** | **623.9** |
| Balance sheet equity ratio | % | 45.1 | 45.2 | 42.3 | 37.8 | 41.4 |
| **Average number of employees** | **FTE** | **6 523** | **6 495** | **6 707** | **7 454** | **7 903** |
| Change | % | + 0.4 | – 3.2 | – 10.0 | – 5.7 | – 12.1 |
| **Net revenues per employee** | **CHF 000** | **449** | **434** | **410** | **382** | **362** |
| Change | % | + 3.5 | + 5.9 | + 7.3 | + 5.5 | + 7.7 |
| **Number of outlets operated by Valora** | | **1 407** | **1 404** | **1 414** | **1 464** | **1 531** |
| Net sales per outlet [3] | CHF 000 | 1 243 | 1 186 | 1 155 | 1 153 | 1 099 |
| **Number of franchise outlets** | | **21** | – | – | – | – |

All totals and percentages are based on unrounded figures from the consolidated financial statements.
[1] From continuing operations (without Fotolabo Group)
[2] From continuing operations (without Fotolabo Group and Own Brands)
[3] Net sales of Valora Retail only

If there is any doubt or there are different interpretations, the German wording carries weight, not the English wording.

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on Valora’s website: wwww.valora.com.



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