

INCOME STATEMENT

	2008	2007
January 1 to December 31, in CHF 000		
<i>Income</i>		
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
<i>Expense</i>		
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

	2008	2007
<i>at December 31, in CHF 000</i>		
<i>Current assets</i>		
Cash and cash equivalents	2 711	3 609
Securities	72 063	27 033
Short-term receivables	352	156
	from third parties	
	from Group companies	3 322
Total current assets	75 717	34 120
<i>Non-current assets</i>		
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

	2008	2007
<i>at December 31, in CHF 000</i>		
<i>Liabilities</i>		
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
<i>Equity</i>		
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

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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

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

3 TREASURY STOCK HELD BY THE COMPANY AND ITS SUBSIDIARIES

	2008 Number of shares	2008 Net book value	2007 Number of shares	2007 Net book value
in CHF 000				
Opening balance (at January 1)	107 057	27 015	106 791	27 205
<i>Disposals</i>				
Employee/executive share ownership plans	- 9 910	- 2 525	- 16 852	- 4 293
<i>Stock market purchases and sales</i>				
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

	Director's fee/ base salary	Cash pay- ments ¹⁾	Profit sharing		Emolument in kind	Termination payments ³⁾	Other compen- sation ⁴⁾	Total 2008
			Bonus	Group Executive share plan				
			No. of shares allo- cated	Value of shares ²⁾				
in CHF 000								
Board of Directors								
Rolando Benedick Chairman	387.5	–	–	–	0.0	0.0	46.0	433.5
Markus Fiechter Vice-Chairman	129.2	–	–	–	0.0	0.0	16.8	146.0
Bernhard Heusler Board member	75.0	–	–	–	0.0	0.0	9.5	84.5
Franz Julen Chairman of Nomination and Compensation Committee	90.0	–	–	–	0.0	0.0	11.6	101.6
Conrad Löffel 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 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⁾ 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

	Director's fee/ base salary	Cash payments ²⁾		Profit sharing		Group Executive share plan		Emolument in kind	Termination payments	Other compen- sation ⁵⁾	Total 2007
		Regu- lar bonus	Spe- cial bonus	Board share plan		Executive share plan					
				No. of shares allo- cated	Value of shares ³⁾	No. of shares allo- cated	Value of shares ⁴⁾				
in CHF 000											
Board of Directors ¹⁾											
Beatrice Tschanz Kramel Chairwoman from Nov. 30, 2007. Also chaired Nomination and Com- pensation Committee.	120.0	–	–	0	0.0	–	–	0.0	0.0	15.2	135.2
Werner Kuster Vice-Chairman	100.0	–	–	0	0.0	–	–	0.0	0.0	8.6	108.6
Andreas Gubler Chairman of Audit Committee	110.0	–	–	0	0.0	–	–	0.0	0.0	14.0	124.0
Franz Julen Board member since 2007 AGM	100.0	–	–	0	0.0	–	–	0.0	0.0	12.7	112.7
Paul-Bernhard Kallen ⁷⁾ Board member from 2007 AGM	0.0	–	–	0	0.0	–	–	0.0	0.0	0.0	0.0
Felix Weber 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 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 Chairman	5 690	0.17	none	–	–	–
Markus Fiechter Vice-Chairman	1 000	0.03	none	–	–	–
Bernhard Heusler Board member	0	0.00	none	–	–	–
Franz Julen Chairman of Nomination and Compensation Committee	450	0.02	none	100	0.00	none
Conrad Löffel Chairman of Audit Committee	0	0.00	none	–	–	–
Beatrice Tschanz Kramel Chairwoman, also chaired Nomination and Compensation Committee, stepped down in April 08	–	–	–	909	0.03	286: 27.04.2010 323: 25.04.2012
Werner Kuster Vice-Chairman, stepped down in April 08	–	–	–	655	0.02	229: 27.04.2010 231: 25.04.2012
Andreas Gubler Chairman of Audit Committee, stepped down in April 08	–	–	–	540	0.02	229: 27.04.2010 231: 25.04.2012
Paul-Bernhard Kallen Board member, stepped down in April 08	–	–	–	2 500	0.08	none
Felix Weber 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 CEO	0	0.00	none	–	–	–
Lorenzo Trezzini CFO	0	0.00	none	–	–	–
Kaspar Niklaus Head of Valora Retail division	0	0.00	none	–	–	–
Christian Schock Head of Valora Media division	961	0.03	436: 28.03.2012 429: 03.04.2013 96: 22.04.2013	436	0.01	436: 28.03.2012
Alex Minder Head of Valora Trade division	1 708	0.05	304: 06.04.2010 153: 01.07.2011 120: 21.03.2012 828: 28.03.2012 207: 03.04.2013 96: 22.04.2013	1 405	0.04	304: 06.04.2010 153: 01.07.2011 120: 21.03.2012 828: 28.03.2012
Peter Wüst CEO and interim Head of Retail Division, left Valora in June 08	–	–	–	3 286	0.10	63: 22.03.2010 1 200: 06.04.2010 29: 01.07.2011 120: 21.03.2012 1 874: 28.03.2012
Markus Voegeli CFO, left Valora in September 08	–	–	–	1 869	0.06	190: 06.04.2010 180: 01.07.2011 120: 21.03.2012 1 249: 28.03.2012
Ruedi Keller Head of Valora Management Services Division, left Valora in March 08	–	–	–	1 357	0.04	456: 06.04.2010 27: 01.07.2011 120: 21.03.2012 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 subsidiaries²⁾, 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 %
<i>Switzerland</i>		
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
<i>Germany</i>		
Valora Holding Germany GmbH, Hamburg	5.1	5.1
<i>United Kingdom</i>		
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

	2008	2007
in CHF 000		
Net profit for the year	59	26 273
+ Earnings brought forward	67 775	70 303
Earnings available for distribution	67 834	96 576
<i>The Board of Directors proposes</i>		
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
<i>Dividend distribution (in CHF)</i>		
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
Audit expert
Auditor in charge

Moritz Oberli
Audit expert

Bern, 24 March 2009