(Page 60 in the Valora Annual Report)

CONSOLIDATED INCOME STATEMENT

January 1 to December 31, in CHF 000 (except per-share amounts)	**Note**	**2010**	**%**	2009	%
Net revenues	8	**2 877 650**	**100.0**	**2 896 995**	**100.0**
Cost of goods		– 2 002 436	– 69.6	– 2 029 360	– 70.1
Gross profit		**875 214**	**30.4**	**867 635**	**29.9**
Personnel expense	9	– 432 720	– 15.0	– 442 753	– 15.3
Other operating expenses	10	– 325 849	– 11.3	– 331 040	– 11.4
Depreciation	20, 21, 22	– 44 067	– 1.6	– 41 693	– 1.4
Other income, net	11	8 724	0.3	15 989	0.6
Operating profit (EBIT)		**81 302**	**2.8**	**68 138**	**2.4**
Financial expense	12	– 9 818	– 0.3	– 6 578	– 0.2
Financial income	13	1 945	0.1	1 275	0.0
Share of result from associates and joint ventures	25	728	0.0	600	0.0
Earnings before taxes		**74 157**	**2.6**	**63 435**	**2.2**
Income taxes	14	– 12 460	– 0.5	– 10 394	– 0.4
Net profit from continuing operations		**61 697**	**2.1**	**53 041**	**1.8**
Net profit from discontinued operations	7	1 931	0.1	1 868	0.1
Net Group profit		**63 628**	**2.2**	**54 909**	**1.9**
Attributable to shareholders of Valora Holding AG		63 392	2.2	53 957	1.9
Attributable to non-controlling interests		236	0.0	952	0.0
Earnings per share (in CHF)					
from continuing operations, diluted and undiluted	15	22.35		18.94	
from discontinued operations, diluted and undiluted	7	0.70		0.68	
from continued and discontinued operations, diluted and undiluted	**15**	**23.05**		**19.62**	

The accompanying notes from page 67 to page 117 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

January 1 to December 31, in CHF 000	**Note**	**2010**	2009
Net Group profit		**63 628**	**54 909**
Actuarial gains/(losses) and pension asset recognition ceiling, before deferred income taxes	30	13 612	– 23 823
Deferred income taxes	30	– 2 711	4 807
Actuarial gains/(losses) and pension asset recognition ceiling, after deferred income taxes	30	**10 901**	**– 19 016**
Valuation gains/(losses) on financial investments available for sale before deferred income taxes		– 16	33
Deferred income taxes		4	– 8
Valuation gains/(losses) on financial investments available for sale, after deferred income taxes		**– 12**	**25**
Currency translation adjustments		**– 25 632**	**1 845**
Total other comprehensive income		**– 14 743**	**– 17 146**
Total comprehensive income		**48 885**	**37 763**
Attributable to shareholders of Valora Holding AG		49 250	36 820
Attributable to non-controlling interests		– 365	943

The accompanying notes from page 67 to page 117 form an integral part of these consolidated financial statements.

(Page 62 in the Valora Annual Report)

CONSOLIDATED BALANCE SHEET

ASSETS

in CHF 000	Note	31.12.2010	%	31.12.2009	%
Current assets					
Cash and cash equivalents	16	130 461		161 565	
Derivative assets	33	232		48	
Trade accounts receivable	17	174 203		163 289	
Inventories	18	214 604		230 218	
Current income tax receivables		3 266		2 566	
Other current receivables	19	63 118		64 734	
Current assets		**585 884**	**53.4%**	**622 420**	**56.6%**
Assets held for sale	20, 21	0		968	
Total current assets		**585 884**	**53.4%**	**623 388**	**56.7%**
Non-current assets					
Property, plant and equipment	20	217 706		219 734	
Goodwill, software and other intangible assets	22	190 733		161 485	
Investment property	21	5 939		10 080	
Investment in associates and joint ventures	25	5 022		5 379	
Financial assets	24	10 062		9 664	
Net pension asset	30	49 640		31 077	
Deferred income tax assets	14	31 154		38 215	
Total non-current assets		**510 256**	**46.6%**	**475 634**	**43.3%**
Total assets		**1 096 140**	**100.0%**	**1 099 022**	**100.0%**

(Page 63 in the Valora Annual Report)

LIABILITIES AND EQUITY

in CHF 000	Note	31.12.2010	%	31.12.2009	%
Current liabilities					
Short-term financial debt	26	2 155		1 527	
Derivative liabilities	33	929		727	
Trade accounts payable	27	263 442		284 167	
Current income tax liabilities		15 164		13 585	
Other current liabilities	28	144 871		148 725	
Current provisions	29	502		3 232	
Total current liabilities		**427 063**	**39.0%**	**451 963**	**41.1%**
Non-current liabilities					
Other non-current liabilities	26	148 546		153 440	
Long-term accrued pension cost	30	17 213		15 063	
Long-term provisions	29	9 265		10 019	
Deferred income tax liabilities	14	15 911		14 819	
Total non-current liabilities		**190 935**	**17.4%**	**193 341**	**17.6%**
Total liabilities		**617 998**	**56.4%**	**645 304**	**58.7%**
Equity					
Share capital	36	2 800		2 800	
Treasury stock		– 9 484		– 10 323	
Mark-to-market, financial instruments		– 4		8	
Retained earnings		521 275		472 962	
Cumulative translation adjustments		– 40 601		– 15 570	
Equity of Valora Holding AG shareholders		**473 986**	**43.2%**	**449 877**	**40.9%**
Non-controlling interests in shareholders' equity		4 156		3 841	
Total equity		**478 142**	**43.6%**	**453 718**	**41.3%**
Total liabilities and equity		**1 096 140**	**100.0%**	**1 099 022**	**100.0%**

The accompanying notes from page 67 to page 117 form an integral part of these consolidated financial statements.

(Page 64 in the Valora Annual Report)

CONSOLIDATED CASH FLOW STATEMENT

January 1 to December 31, in CHF 000	**Note**	**2010**	2009
Operating profit (EBIT)		**81 302**	**68 138**
Elimination of non-cash transactions in operating profit (EBIT)			
Depreciation on property, plant, equipment and investment property	20, 21	28 804	29 666
Amortisation of intangible assets	22	15 263	12 027
(Book gains) book losses on sale of fixed assets, net	11	– 2 081	– 8 120
(Book gains) book losses on sale of subsidiaries, net	6	– 501	0
Share-based remuneration	31	1 726	1 812
(Release) creation of provisions, net	29	– 956	– 1 415
Decrease in accrued pension cost		– 4 079	– 10 514
Decrease in other non-current liabilities		– 3 001	0
Other non-cash transactions		– 1 382	0
Changes in net working capital, net of acquisitions and disposals of business units			
Increase in trade accounts receivable		– 13 170	– 7 426
Decrease in inventories		11 944	2 021
Increase in other current assets		– 3 670	– 7 925
(Decrease) increase in trade accounts payable		– 11 932	28 461
Provisions assigned	29	– 900	– 4 377
(Decrease) increase in other liabilities		– 8 667	10 511
Net cash provided by operating activities		**88 700**	**112 859**
Interest paid		– 4 991	– 6 577
Income taxes paid		– 7 870	– 2 998
Interest received		2 696	2 452
Dividend payments received		178	430
Total net cash provided by operating activities		**78 713**	**106 166**

(Page 65 in the Valora Annual Report)

January 1 to December 31, in CHF 000	Note	2010	2009
Cash flow from investing activities			
Investment in fixed assets	20	– 32 917	– 29 258
Proceeds from sale of fixed assets	20	2 571	3 706
Proceeds from sale of investment property	21	12 425	2 924
Acquisition of subsidiaries, net of cash acquired	6	– 32 018	– 10 562
Purchase price reimbursements from acquisition of subsidiaries		395	0
Disposal of business units, net of cash sold	6	829	0
Sale of financial investments		– 1 441	664
Purchases of other intangible assets	22	– 20 889	– 27 972
Proceeds from sale of other intangible assets	22	850	333
Net cash (used in)/provided by investing activities		**– 70 195**	**– 60 165**
Cash flow from financing activities			
Repayment of short-term financial liabilities		– 5 472	– 1 188
Increase in long-term financial liabilities	26	59	32 503
Repayment of long-term financial liabilities	26	0	– 38 624
Treasury stock purchased		– 1 664	– 24 695
Treasury stock sold		2 818	12 612
Dividends paid to shareholders of Valora Holding AG		– 27 460	– 24 705
Dividends paid to non-controlling interests		– 630	– 427
Net cash used in financing activities		**– 32 349**	**– 44 524**
Net (decrease)/increase in cash and cash equivalents		**– 23 831**	**1 477**
Translation adjustments on cash and cash equivalents		– 7 273	1 652
Cash and cash equivalents at beginning of year		161 565	158 436
Cash and cash equivalents at year end	16	**130 461**	**161 565**

The accompanying notes from page 67 to page 117 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equity

	Equity of Valora Holding AG							
in CHF 000	**Share capital**	**Treasury stock**	**Mark-to-market, financial instruments**	**Retained earnings**	**Cumulative translation adjustments**	**Total equity of Valora Holding AG shareholders**	**Non-controlling interests**	**Total equity**
Balance at December 31, 2008	**3 300**	**– 108 180**	**– 17**	**569 401**	**– 17 424**	**447 080**	**3 325**	**450 405**
Total comprehensive income			25	34 941	1 854	36 820	943	**37 763**
Share-based payments				339		339		339
Dividend paid on 2008 result				– 24 705		– 24 705	– 427	– 25 132
Treasury stock purchased		– 24 695				– 24 695		– 24 695
Decrease in treasury stock		19 043		– 4 005		15 038		15 038
Share capital reduction	– 500	103 509		– 103 009		0		0
Balance at December 31, 2009	**2 800**	**– 10 323**	**8**	**472 962**	**– 15 570**	**449 877**	**3 841**	**453 718**
Total comprehensive income			– 12	74 293	– 25 031	49 250	– 365	48 885
Share-based payments				686		686		686
Dividend paid on 2009 result				– 27 460		– 27 460	– 630	– 28 090
Treasury stock purchased		– 1 664				– 1 664		– 1 664
Decrease in treasury stock		2 503		794		3 297		3 297
Additions to non-controlling interests							1 310	1 310
Balance at December 31, 2010	**2 800**	**– 9 484**	**– 4**	**521 275**	**– 40 601**	**473 986**	**4 156**	**478 142**

The accompanying notes from page 67 to page 117 form an integral part of these consolidated financial statements.

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 SIX Swiss Exchange. Valora's consolidated financial statements for the 2010 financial year were approved by the Board of Directors on March 21, 2011. These consolidated financial statements are subject to approval by the General Meeting of Shareholders to be held on April 15, 2011.

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 (CHF). 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 SIX Swiss Exchange.

Key accounting principles.

Consolidation. In addition to the accounts of Valora Holding AG, Muttenz, Switzerland, the Valora Group's financial statements also encompass 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 in intra-Group transactions, are fully eliminated. Whenever companies are acquired, all identifiable assets, liabilities and contingent liabilities of the acquired entity are valued at the fair value prevailing at the time of the acquisition, and the difference between the purchase price paid and the fair value of the company's net assets at the time of the acquisition is recognised as goodwill. Non-controlling interests are defined as that part of the shareholders' equity of a subsidiary which are not directly or indirectly attributable to the shareholders of Valora Holding AG. These non-controlling interests are disclosed separately in the consolidated income statement, consolidated statement of comprehensive income and the balance sheet. In the Group balance sheet, non-controlling interests are shown in the shareholders' equity section, but are reported separately from the equity attributable to shareholders of Valora Holding AG. Purchases of non-controlling interests are treated as equity transactions, with the difference between the purchase price paid and the book value of the net assets acquired being allocated to the equity attributable to the shareholders of Valora Holding AG.

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 not affecting net income of associated companies and joint ventures are credited or debited directly to Valora's other comprehensive income. Dividends 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. As of May 29, 2010, the Valora Group sold its 100% interest in Melisa SA, a Swiss company with registered offices in Lugano. As of October 1, 2010, the Valora Group acquired 80% of Engelschiøn Marwell Hauge AS, a Norwegian company with registered offices in Oslo. As of October 1, 2010, the Valora Group acquired 100% of tabacon Franchise GmbH & Co. KG, a German company with registered offices in Nuremberg.

As of January 1, 2009, the Valora Group acquired 100% of Konrad Wittwer GmbH Bahnhofsbuchhandlungen, a German company with registered offices in Stuttgart.

Additional information on these transactions is presented in note 6 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 changes to International Financial Reporting Standards (IFRS) and interpretations thereof was first required for the Group's 2010 accounts:

IFRS 2 (revised) «Group cash-settled share-based payment transactions»
The changes to IFRS 2 relate to clarifications which do not have any effect on the share-based payments made by Valora.

IFRS 3 (revised) «Business combinations»
The changes to IFRS 3 relate to the treatment of acquisition-related costs, contingent considerations, business combinations achieved in stages and alternative methods of treating non-controlling interests. Implementation of these changes is required on a forward-looking basis. The transaction costs relating to the acquisitions made in 2010 were charged to income. The changes to IFRS 3 will not have any other effect on these financial statements.

IAS 27 (revised) «Consolidated and separate financial statements»
The changes to IAS 27 relate to the treatment of the acquisition and sale of non-controlling interests and the effects of a loss of control resulting from the partial sale of a subsidiary. Implementation of these changes is required on a forward-looking basis. These changes do not have any effect on the Valora Group's 2010 results, because no purchases or sales of non-controlling interests and no partial sales of subsidiaries took place in the period.

IAS 39 (revised) «Exposures qualifying for hedge accounting»
Since Valora does not use hedge accounting, the changes to this standard do not have any affect on its accounts.

IFRIC 17 «Distribution of non-cash assets to owners»
Since Valora does not distribute any non-cash dividends, this new interpretation does not have any effect on the Group's accounts.

IFRIC 18 «Transfers of assets from customers»
No changes to the Valora Group's accounts were required as a result of this new interpretation.

Annual Improvements 2009 and 2008 (yearly modification process)
The 2008 and 2009 Annual Improvements, which are applicable with effect from January 1, 2010, relate to the removal of inconsistencies and the clarification of formulations contained in various standards. These changes do not have any material effect on the Valora Group.

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 the Valora Group will be required to apply in its accounts for 2011 or thereafter:

The new IFRIC 19 interpretation «Extinguishing liabilities with equity instruments» is applicable from January 1, 2011. It will not have any effect on the Valora Group.

The revised version of IAS 32 «classification of rights issues» is applicable from January 1, 2011. It will not have any effect on the Valora Group's accounts.

The changes to IAS 24 «Related party disclosures» and the 2010 Annual Improvements, both of which are applicable from January 1, 2011, have no material effects on the Valora Group.

The changes to IFRS 7 «Transfers of financial assets» and to IAS 12 «Recovery of underlying assets», both of which are applicable from January 1, 2012, and the new IFRS 9 «Financial instruments» standard, which is applicable from January 1, 2013, are currently being evaluated. It is anticipated that they will not have any material effect on the Valora Group's accounts, though they will require additional information to be reported.

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 2010	**Rate at December 31, 2010**	Average rate for 2009	Rate at December 31, 2009
Euro, 1 EUR	1.382	1.250	1.510	1.486
Swedish krona, 100 SEK	14.47	13.91	14.23	14.49
Danish krone 100 DKK	18.55	16.77	20.28	19.97
Norwegian krone, 100 NOK	17.26	16.04	17.31	17.89

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. In the case of sales for third parties, the commission due to Valora is recognised in net revenues.

Equity-based remuneration. The Valora Group pays some of the remuneration 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.

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 liabilities. 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 tax liabilities on temporary differences are generally recorded. Deferred tax assets are recognised only if it is expected that they will be used. 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 liabilities or assets are reported as tax expense or income in the income statement. This does not apply to deferred taxes relating to positions which are either shown under other income or are accrued directly to shareholders' equity.

Disposals of business units. When business units which are not classified as discontinued operations 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 detailed cash flows from continuing operations only. The net cash flows from discontinued operations generated by operating, investing and financing activities are disclosed in one line each.

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 a maturity not exceeding 3 months.

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

Inventory. Inventory is carried at the lower of purchase cost or net realisable value. For Valora's Retail division, inventory is valued at average purchase cost, based on a moving average method. The Valora Services and Valora Trade divisions use the first-in, first-out method (FiFo). Slow-moving or obsolete inventory items are valued according to standard business practices, with the items in question being partially or wholly written off.

(Page 72 in the Valora Annual Report)

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. The assets in question must be immediately saleable and there must be a high probability that their sale will occur. If entire business units are held for sale, all their fixed assets and all their directly attributable liabilities are recorded 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 the economically useful life of the property. All other renovation and maintenance costs are expensed directly to the income statement. Capitalised extensions and installations in rented premises are depreciated over their estimated economically useful life or the remaining term of the rental lease, if this is shorter. Interest payable on loans for facilities under construction is capitalised where incurred.

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

	Years
Land for operational use	no amortisation
Buildings and building components, operational	15–105
Machinery, equipment, fixtures and fittings	6–10
Vehicles	5
IT hardware	3–5

Investment property. Investment property is recorded at purchase or construction cost minus accumulated depreciation. The fair values reported in these notes are based on current estimates of their income-generating capacity. 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.

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

	Years
Land	no amortisation
Buildings	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, an impairment may be reversed only if the assumptions previously used in determining the realisable value of the asset concerned have been subject to change. If such a change has occurred, the book value of the asset in question will

(Page 73 in the Valora Annual Report)

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 impairments had occurred and it had simply been subject to regular straight-line depreciation. Any increase in value resulting from such a reversal is recorded in the income statement immediately.

Leases. Assets acquired under leasing agreements which transfer the benefits and risk 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.

Expenditure or revenue arising from operating leases is credited or charged to the income sattement on a straight line basis over the life of the leases.

Intangible assets, excluding goodwill. 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	3–20

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, an impairment (other than one made to goodwill) may be reversed only if the assumptions previously used in determining the realisable value of the asset concerned 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 impairments had occurred and it had simply been subject to regular depreciation. Any increase in value resulting from such a reversal 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 according to one of the following categories:
- 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 acquired 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 purpose 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 to other comprehensive income. 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 their initial and maturity values being determined by the effective yield method and charged to financial expense.

Provisions. Provisions are recorded when, as a result of a past event, a liability has arisen whose amount can be reliably estimated and for whose settlement an outflow of cash is probable.

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 remuneration trajectories. The employer's pension expense, interest costs and expected investment returns are booked to the income statement in the period in which they occur. Actuarial gains and losses and the effect of any ceiling applied to the net pension fund assets are accumulated under other comprehensive income.

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 initially 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 the value of future cash flows are booked to other comprehensive income. Gains or losses which do not meet this effectiveness requirement are immediately recorded in the income statement. The amounts recorded under other comprehensive income are then transferred to the income statement when the cash flows they hedge are booked.

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 to other comprehensive income 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 accumulated to other comprehensive income are transferred 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 regarding 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 statement of comprehensive income, 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:

Property, plant and equipment. The useful life of property, plant and equipment is determined based on experience and the current technical characteristics of the assets concerned. The actual useful life of a specific asset may deviate from that initially determined due to changes in technology and market conditions. In the event of such a deviation, the remaining useful life of the asset concerned is adjusted. The value of fixed assets is always re-assessed whenever changes in circumstances indicate that their current book value may exceed their fair value. Fair value is determined on the basis of estimates and management's assumptions about the economic utility of the assets concerned. Values subsequently realised can deviate from these estimates (see note 20).

Goodwill. The consolidated balance sheet carries goodwill from continuing operations at CHF 124.7 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 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 surplus for the Swiss schemes which is capitalised in the consolidated balance sheet and which corresponds to that portion of the surplus which the Group is entitled to offset against its benefit obligations under the plans concerned. These valuations are based on a number of assumptions, principal among which are the discount rate applied to future benefits, the expected rate of 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.

Deferred income tax assets. 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 deferred tax asset. The amount of tax savings which are then actually achieved will depend on the level of income generated before the tax loss carry forwards expire. This means that future net income may be impacted by impairments on 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 in respect of imminent litigation, 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 (see note 29).

(Page 78 in the Valora Annual Report)

6 ACQUISITIONS AND DISPOSALS OF BUSINESS UNITS

Transactions completed in 2010.

Sale of Melisa. The sale of 100% of Melisa SA, a Swiss company with registered offices in Lugano, took place on May 29, 2010.

Net assets sold, profit from sale, net cash from sale

in CHF 000	Book values
Current assets	4 265
Non-current assets	598
Current liabilities	– 4 378
= Net assets sold	**485**
Net proceeds of sale	986
= Profit from sale of company	**501**
Net sales proceeds received	986
Cash and cash equivalents sold	– 157
= Net cash from sales of subsidiaries	**829**

ACQUISITIONS

Net assets purchased, purchase price paid, net cash used

in CHF 000	EMH Fair value	tabacon Fair value
Current assets	23 692	4 661
Intangible assets	3 279	0
Other non-current assets	105	1 809
Deferred income tax receivable	0	226
Current liabilities	– 17 713	– 4 797
Deferred income tax liabilities	– 91	0
Other non-current liabilities	– 2 724	– 1 143
= Net assets acquired	**6 548**	**756**
Non-controlling interests (EMH: 20% / tabacon: 0%)	– 1 310	0
Goodwill from acquisition	10 645	17 524
= Purchase price	**15 883**	**18 280**
of which paid in cash	15 883	16 754
of which outstanding	0	1 526
Purchase price paid	15 883	16 754
Cash and cash equivalents acquired	– 236	– 383
= Cash used in acquisition of subsidiaries	**15 647**	**16 371**

EMH acquisition. As of October 1, 2010, the Valora aquired 80% of Engelschiøn Marwell Hauge AS (EMH), a Norwegian company with registered offices in Oslo. The company, which distributes cosmetic products in Norway, has been integrated into Valora's Trade division. Valora has decided to value the non-controlling interests in the company it has not acquired proportionately to the share of the company's equity which they represent.

The capitalised goodwill of CHF 10.6 million represents the portions of the purchase price which were not recognisable. These relate to synergies arising from the acquisition and to the potential for expanding into new categories and distribution channels. Valora does not expect the capitalised goodwill to be tax deductible.

The current assets comprise receivables with a total fair value of CHF 10.8 million. Of this, a gross CHF 10.1 million relates to trade receivables, with CHF 0.1 million recorded for impairments. No impairments have been recorded against the other receivables and their full contractual amount is expected to be realisable.

Following its acquisition, EMH contributed CHF 24.2 million to Group 2010 net revenues and CHF 1.3 million to Group 2010 net income. Had the acquisition been made on January 1, 2010, the contribution to 2010 Group net revenues would have been CHF 75.6 million and the net income contribution CHF 3.0 million.

Tabacon acquisition. As of October 1, 2010, the Valora Group acquired 100% of tabacon Franchise GmbH & Co. KG, a German company with registered offices in Nuremberg. The company was acquired by Valora Retail Kiosk GmbH with effect from October 1, 2010, and absorbed into its operations. The company operates in Germany as a tobacco retail franchiser and has been integrated into Valora's Retail division.

The capitalised goodwill of CHF 17.5 million represents the portions of the purchase price which were not recognisable. These relate to Valora's expansion of its non-travel retail operations in Germany, to the purchasing power arising from the acquisition and to savings arising from combining and integrating the company's purchasing and category management into Valora's operations. The capitalised goodwill will not ordinarily be tax deductible. Subsequent tax deductibility may be possible under certain circumstances.

The company's current assets comprise receivables with a total fair value of CHF 3.8 million. Of this, a gross CHF 0.9 million relates to trade receivables, for which an impairment of CHF 0.1 million has been recorded. No impairments have been recorded against the other receivables and their full contractual amount is expected to be realisable.

Following its acquisition, tabacon contributed CHF 7.2 million to Group 2010 net revenues and CHF 0.4 million to Group 2010 net income. Had the acquisition been made on January 1, 2010, the contribution to 2010 Group net revenues would have been CHF 26.3 million and the net income contribution CHF 1.6 million.

Transaction costs. The transaction costs directly attributable to these acquisitions amount to CHF 0.8 million. These are included in the 2010 income statement under «Other operating expenses».

Transactions completed in 2009.

Acquisition Konrad Wittwer. As of January 1, 2009, Valora acquired a 100% stake in Konrad Wittwer GmbH railway station bookstores, a German company with registered offices in Stuttgart. The company owns a total of 19 railway station bookstores, of which 16 are in Baden-Wurttemberg and 3 are in Saxony.

Net assets acquired, purchase cost, net cash used

in CHF 000	Fair Value	Book values
Current assets	3 583	2 601
Non-current assets	521	521
Current liabilities	– 1 422	– 1 422
Non-current liabilities	– 544	– 227
= Net assets/shareholders' equity acquired	**2 138**	**1 473**
Goodwill	9 061	
= Purchase cost	**11 199**	
Cash purchase price paid	11 066	
Direct acquisition costs	133	
Cash and cash equivalents acquired	– 792	
Cumulative translation adjustments	155	
= Cash flow from acquisition of new Group companies	**10 562**	

The capitalised goodwill of CHF 9.1 million results from the portions of the purchase price which were not separately recognisable for developing and strengthening Valora's leadership position in the German railway station bookstore market, for establishing a market presence in Baden-Wurttemberg, for the improvement in its purchasing terms resulting from higher sales volumes and from the enhancement to Valora's marketing stance vis-à-vis publishers. Since their acquisition by Valora in 2009, Konrad Wittwer GmbH railway station bookstores have generated turnover of CHF 30.5 million and net profit of CHF 0.9 million.

7 DISCONTINUED OPERATIONS

In 2010, a guarantee made in connection with the disposal of Sørlandchips AS expired. Accordingly, CHF 1.9 million of provisions made in connection with this were released.

In 2009, it was possible to release provisions established for guarantees made in connection with the disposal of Sørlandchips AS, Roland Murten AG, Kägi Söhne AG and Cansimag France, all of which were sold in 2008.

Income statement for discontinued operations

January 1 – December 31, in CHF 000	**2010**	2009
Net revenues	0	0
Gross profit	**0**	**0**
Operating expenses	0	0
Other income, net	1 931	1 868
Operating profit (EBIT)	**1 931**	**1 868**
Financial result	0	0
Profit before taxes	**1 931**	**1 868**
Income taxes	0	0
Operating profit	**1 931**	**1 868**
Accumulated currency translation differences	0	0
Net profit from discontinued operations	**1 931**	**1 868**

Earnings per share from discontinued operations amounted to CHF 0.70 in 2010 (CHF 0.68 in 2009). There were no dilutive effects in 2010 and 2009.

8 SEGMENT REPORTING

The Valora Group is a trading company operating on a Europe-wide scale, with business activities carried out in the following three reportable business segments:

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., P & B and Caffè Spettacolo formats.

Valora Services: Valora Services distributes press products and engages in wholesaling activities. The division is the leading distributor of press products to Valora-operated outlets and third-party retailers in Switzerland, Austria and Luxembourg, providing a classical press distribution infrastructure in those countries as well as providing other services. In Switzerland, Valora Services also distributes food and non-food products to the retail sector.

Valora Trade: Valora Trade deploys a range of customer-specific distribution and marketing solutions to supply fast-moving consumer goods to the organised and independent retail sectors in eight European national markets.

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 Services Switzerland. The net revenues shown for this division are those arising from the logistics services it provides. The assets for this segment predominantly consist of loans to Group companies, cash and cash equivalents and short-term receivables. Its liabilities essentially consist of the bond issue detailed in note 26 and short-term liabilities.

Reportable segments are identified on the basis of the type of products each segment deals in and the way in which these are distributed. At Valora, these segments comprise a variety of retail formats and geographical regions. The net revenues generated by these segments relate to the sale of goods. Their non-current assets comprise property, plant and equipment, investment property and intangible assets (additions to which are shown without changes in consolidation scope). Valora's internal reporting is based on the same valuation principles as its external reporting.

(Page 82 in the Valora Annual Report)

Segment data by division

2010

in CHF 000	Valora Retail	Valora Services	Valora Trade	Other	Intersegment elimination	Total Group
Net revenues						
Total	**1 606 469**	**718 391**	**721 801**	**9 708**	**– 178 719**	**2 877 650**
From third parties	1 604 938	547 376	715 628	9 708	0	2 877 650
From other divisions	1 531	171 015	6 173	0	– 178 719	0
Operating profit (EBIT)						
Total	**39 766**	**30 262**	**17 745**	**– 6 471**	**0**	**81 302**
Depreciation, net	23 673	4 801	2 659	12 934	0	44 067
Release of provisions established for litigation	0	0	0	– 956	0	– 956
Additions to long-term assets						
Total	**28 987**	**4 990**	**2 787**	**20 765**	**0**	**57 529**
Segment assets						
Total	**590 503**	**234 465**	**298 782**	**372 139**	**– 399 749**	**1 096 140**
Investment in associates and joint ventures	0	169	4 853	0	0	5 022
Segment liabilities						
Total	**459 158**	**153 031**	**175 718**	**229 837**	**– 399 746**	**617 998**

Net revenues from third parties comprise CHF 2815 million for sales of goods and CHF 63 million for services provided. The net depreciation at Valora Retail includes impairments amounting to CHF 294 thousand.

(Page 83 in the Valora Annual Report)

2009

in CHF 000	Valora Retail	Valora Services	Valora Trade	Other	Intersegment elimination	Total Group
Net revenues						
Total	**1 592 111**	**712 900**	**777 578**	**10 674**	**– 196 268**	**2 896 995**
From third parties	1 590 387	525 199	770 735	10 674	0	2 896 995
From other divisions	1 724	187 701	6 843	0	– 196 268	0
Operating profit (EBIT)						
Total	**28 342**	**16 239**	**22 319**	**1 238**	**0**	**68 138**
Depreciation, net	22 969	5 391	2 390	10 943	0	41 693
Restructuring provisions released	– 71	– 129	0	– 215	0	– 415
Guarantee provisions released in operating profit (EBIT)	0	0	– 1 000	0	0	– 1 000
Additions to long-term assets						
Total	**25 867**	**1 850**	**5 884**	**25 732**	**0**	**59 333**
Segment assets						
Total	**579 245**	**228 532**	**283 568**	**385 992**	**– 378 315**	**1 099 022**
Investment in associates and joint ventures	0	284	5 095	0	0	5 379
Segment liabilities						
Total	**443 986**	**166 113**	**178 357**	**235 163**	**– 378 315**	**645 304**

Net revenues from third parties comprise CHF 2828 million for sales of goods and CHF 69 million for services provided. The net depreciation at Valora Retail includes impairments amounting to CHF 856 thousand.

Segment data by region

2010

in CHF 000	Switzerland	Europe	Total Group
Net revenues from third parties	1 779 739	1 097 911	2 877 650
Long-term assets	239 366	175 012	414 378

2009

in CHF 000	Switzerland	Europe	Total Group
Net revenues from third parties	1 740 595	1 156 400	2 896 995
Long-term assets	232 166	159 133	391 299

Within Europe, net revenues of CHF 310.5 million (CHF 333.6 million in 2009) are attributable to Germany, which accounts for the largest share of revenues shown in the Europe column.

The information shown regarding revenues and non-current assets (property, plant and equipment, investment property and intangible assets) is based on the location of the subsidiaries concerned. No single customer accounts for more than 10 % of net revenues from third parties.

9 PERSONNEL EXPENSES

in CHF 000	**2010**	2009
Salaries and wages	363 628	380 794
Social security payments	52 842	53 267
Share-based payments	1 726	1 812
Other personnel expenses	14 524	6 880
Total personnel expenses	**432 720**	**442 753**
Number of employees (full-time equivalent basis) at December 31	6 455	6 522

Social security payments include CHF 3321 thousand (CHF 2701 thousand in 2009) in respect of defined contribution pension plans. Other personnel expenses notably include wages for temporary staff paid to employment agencies, training and personnel recruitment costs and changes in pension plan arrangements.

(Page 85 in the Valora Annual Report)

10 OTHER OPERATING EXPENSES

in CHF 000	**2010**	2009
Rent	127 216	126 602
Real-estate expenses	7 254	8 079
Energy	21 507	20 760
Insurance	1 964	2 379
Communications and IT	16 822	18 495
Advertising and sales	48 885	47 596
Shipping and dispatch	62 187	65 173
General administration	22 447	24 559
Capital and other taxes	350	1 706
Miscellaneous	17 217	15 691
Total other operating expenses	**325 849**	**331 040**

Miscellaneous operating expenses include operating lease payments totalling CHF 3.5 million (CHF 4.8 million in 2009).

11 OTHER INCOME, NET

in CHF 000	**2010**	2009
Rental income	2 657	3 591
Gains from disposal of non-current assets	3 497	8 723
Losses from disposal of non-current assets	– 915	– 603
Miscellaneous expenses	0	– 73
Miscellaneous income	3 485	4 351
Total other income, net	**8 724**	**15 989**

The book gains from disposal of non-current assets are principally due to sales of real estate.

12 FINANCIAL EXPENSE

in CHF 000	**2010**	2009
Interest on bank debt and mortgages	1 014	1 235
Interest on bonds issued	4 342	3 774
Interest on finance leases	110	146
Net losses on financial derivative instruments	0	1 104
Fair value adjustments on long-term provisions	341	310
Losses on sales of financial assets available for sale	0	9
Currency translation losses, net	4 011	0
Total financial expense	**9 818**	**6 578**

13 FINANCIAL INCOME

in CHF 000	**2010**	2009
Interest earned on cash, cash equivalents, loans and receivables	380	616
Interest income from finance leases	357	375
Net gains from derivative financial instruments	1 199	0
Dividend income from financial investments available for sale	9	37
Foreign exchange gains, net	0	247
Total financial income	**1 945**	**1 275**

14 INCOME TAXES

Income tax expense was as follows:

in CHF 000	**2010**	2009
Expense on current income taxes	8 295	5 985
Expense (income) from deferred taxes	4 165	4 409
Total income tax	**12 460**	**10 394**

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	**2010**	2009
Profit before income taxes	74 157	63 435
Expected average Group tax rate	21.3%	22.5%
Income taxes at expected Group tax rate	**15 800**	**14 273**
Non-tax-deductible tax expense	1 783	3 047
Utilisation of losses not previously recognised	– 6 023	– 2 237
Out-of-period effects on current income taxes	639	– 1 548
Impairments recognised against deferred income tax assets	5 281	6 035
Release of previous impairments against deferred income tax assets	– 7 967	– 8 047
Changes in tax rates	1 819	– 306
Other effects	1 128	– 823
Total reported income taxes	**12 460**	**10 394**
Effective tax rate	16.8%	16.4%

Expected average Group tax rates take account of the tax rates applying to individual entities on a weighted basis. The expected average Group tax rate for 2010 is lower than the previous year, because entities with comparatively lower tax rates generated a higher proportion of Group pre-tax earnings than in 2009.

(Page 87 in the Valora Annual Report)

Changes to deferred income taxes were as follows:

Changes to deferred tax assets and liabilities in CHF 000	Deferred tax assets	Deferred tax liabilities	Net assets (+)/ Net liabilities(-)
Balance at December 31, 2008	**38 737**	**– 15 422**	**23 315**
Deferred taxes recorded in the income statement	– 617	– 3 792	– 4 409
Deferred taxes recorded in other comprehensive income	0	4 799	4 799
Additions to consolidation scope	0	– 317	– 317
Currency translation differences	95	– 87	8
Balance at December 31, 2009	**38 215**	**– 14 819**	**23 396**
Deferred taxes recorded in the income statement	– 5 157	992	– 4 165
Deferred taxes recorded in other comprehensive income	0	– 2 711	– 2 711
Additions to consolidation scope	232	– 94	138
Currency translation differences	– 2 136	721	– 1 415
Balance at December 31, 2010	**31 154**	**– 15 911**	**15 243**

The composition of the capitalised deferred income tax assets and liabilities is as follows:

Deferred tax assets by source of difference in CHF 000	**2010**	2009
Current assets	1 805	595
Property, plant and equipment	105	38
Goodwill, software and other intangible assets	21 861	25 853
Other non-current assets	7	9
Provisions	6	0
Liabilities	3 452	2 327
Tax loss carry forwards	9 027	9 913
Total	**36 263**	**38 735**
Deferred tax liabilities by source of difference		
Current assets	– 2 396	– 1 192
Property, plant and equipment	– 4 002	– 3 435
Goodwill, software and other intangible assets	– 3 239	– 3 383
Net pension asset	– 9 968	– 6 215
Other non-current assets	– 1 157	– 1 034
Provisions	– 58	– 44
Liabilities	– 200	– 36
Total	**– 21 020**	**– 15 339**
Reported in the balance sheet		
Deferred income tax assets	31 154	38 215
Deferred income tax liabilities	– 15 911	– 14 819
Total deferrred income tax assets, net	**15 243**	**23 396**

(Page 88 in the Valora Annual Report)

Tax loss carry forwards are as follows: CHF 210.8 million (CHF 264.1 million in 2009). In 2010, CHF 55.2 million of the CHF 179.3 million available was not recognised as a deferred tax asset, since it is unlikely that this will be realised. In 2009, CHF 70.7 million of the CHF 232.9 million available was not recognised as a deferred tax asset for the same reason. These tax loss carry forwards will mature as follows:

in CHF 000	**2010**	2009
Within one year	0	0
Within 2 years	1	0
Within 3 years	1	1
Within 4 years	1	198
Within 5 years	1	941
After more than 5 years and with no fixed maturity	179 263	231 710
Total	**179 267**	**232 850**

There are temporary differences amounting to CHF 204.1 million (CHF 105.0 million in 2009) for which no deferred tax assets were capitalised.

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	**2010**	2009
Net profit from continuing operations	61 697	53 041
Net profit attributable to non-controlling interests	– 236	– 952
Net profit from continuing operations attributable to Valora Holding AG shareholders	61 461	52 089
Net profit from discontinued operations	1 931	1 868
Net profit from continuing and discontinued operations attributable to Valora Holding AG shareholders	**63 392**	**53 957**
Average number of shares outstanding	2 750 735	2 749 815
Earnings per share from continuing operations (in CHF)	22.35	18.94
Earnings per share from continued and discontinued operations (in CHF)	**23.05**	**19.62**

There were no dilutive effects in 2010 or 2009.

(Page 89 in the Valora Annual Report)

16 CASH AND CASH EQUIVALENTS

in CHF 000	**2010**	2009
Petty cash and bank sight deposits	130 079	158 148
Bank term deposits and money market investments < 3 months	382	3 417
Total cash and cash equivalents	**130 461**	**161 565**
of which pledged	15 060	13 614

17 TRADE ACCOUNTS RECEIVABLE

in CHF 000	**2010**	2009
Trade accounts receivable, gross	177 137	165 958
Allowance for bad and doubtful debts	– 2 934	– 2 669
Total trade accounts receivable, net	**174 203**	**163 289**

Allowances for trade accounts receivable are shown in the table below:

in CHF 000	**2010**	2009
Position at January 1	**2 669**	**2 283**
Removal from consolidation scope	– 13	0
Allowance creation charged to income	2 027	1 239
Allowances released to income	– 1 005	– 620
Allowances utilised	– 557	– 237
Currency translation differences	– 187	4
Position at December 31	**2 934**	**2 669**

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

in CHF 000	**2010**	2009
Total trade accounts receivable, net	**174 203**	**163 289**
Of which		
Not yet overdue	153 097	128 024
Up to 10 days overdue	9 762	16 266
More than 10 days, but less than one month overdue	4 885	10 043
More than one month, but less than two months overdue	2 767	4 742
More than two months, but less than four months overdue	1 763	2 220
More than four months overdue	1 929	1 994

(Page 90 in the Valora Annual Report)

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

in CHF 000	**2010**	2009
CHF	82 157	70 955
DKK	26 025	26 161
EUR	36 480	40 377
NOK	12 597	9 439
SEK	16 843	16 318
Others	101	39
Total trade accounts receivable, net	**174 203**	**163 289**

18 INVENTORIES

in CHF 000	**2010**	2009
Ancillary material and other inventories	180	117
Merchandise	214 424	230 101
Total inventories	**214 604**	**230 218**

There are no inventory book values which are recognised at fair value less cost to sell (2009: none).

19 OTHER CURRENT RECEIVABLES

in CHF 000	**2010**	2009
Value-added tax, withholding tax and other taxes recoverable	5 236	3 948
Prepaid expenses and accrued income	17 040	21 358
Short-term receivables from finance leases	621	308
Miscellaneous receivables	40 221	39 120
Total other current receivables	**63 118**	**64 734**

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

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

(Page 91 in the Valora Annual Report)

20 PROPERTY, PLANT AND EQUIPMENT

in CHF 000	Land	Buildings	Machinery and equipment	Projects in progress	Total
At cost					
Balance at December 31, 2008	**21 090**	**150 791**	**368 003**	**2 328**	**542 212**
Consolidation scope additions	0	0	517	0	517
Additions	0	158	26 602	5 830	32 590
Disposals	– 950	– 1 293	– 32 256	– 68	– 34 567
Transfers	0	0	2 192	– 2 192	0
Reclassifications to non-current assets held for sale	– 189	– 157	0	0	– 346
Translation adjustments	– 6	– 9	329	– 8	306
Balance at December 31, 2009	**19 945**	**149 490**	**365 387**	**5 890**	**540 712**
Consolidation scope additions	0	0	1 904	0	1 904
Consolidation scope removals	0	0	– 2 825	0	– 2 825
Additions	0	26	26 928	7 902	34 856
Disposals	– 167	– 2 371	– 32 218	– 338	– 35 094
Transfers	0	0	5 216	– 5 367	– 151
Translation adjustments	– 1 188	– 2 749	– 11 367	– 146	– 15 450
Balance at December 31, 2010	**18 590**	**144 396**	**353 025**	**7 941**	**523 952**
Accumulated depreciation					
Balance at December 31, 2008	**0**	**– 54 282**	**– 268 806**	**0**	**– 323 088**
Additions	0	– 4 472	– 25 727	0	– 30 199
Impairment reversal	0	0	856	0	856
Disposals	0	597	31 039	0	31 636
Transfers	0	0	0	0	0
Reclassifications to non-current assets held for sale	0	56	0	0	56
Translation adjustments	0	21	– 260	0	– 239
Balance at December 31, 2009	**0**	**– 58 080**	**– 262 898**	**0**	**– 320 978**
Consolidation scope removals	0	0	2 295	0	2 295
Additions	0	– 3 483	– 24 878	0	– 28 361
Impairments	0	0	– 294	0	– 294
Disposals	0	1 537	30 792	0	32 329
Transfers	0	0	0	0	0
Translation adjustments	0	1 109	7 654	0	8 763
Balance at December 31, 2010	**0**	**– 58 917**	**– 247 329**	**0**	**– 306 246**
Net book value					
at December 31, 2009	19 945	91 410	102 489	5 890	219 734
at December 31, 2010	**18 590**	**85 479**	**105 696**	**7 941**	**217 706**

No property, plant and equipment was pledged to secure mortgage loans (none in 2009). Property, plant and equipment at year end 2010 includes no real estate held on finance leases (none in 2009), but does include machinery and equipment held on finance leases amounting to CHF 2.1 million (CHF 1.5 million in 2009).

Fire insurance values of property, plant and equipment	**2010**	2009
in CHF 000		
Property (including investment property)	199 445	196 683
Plant and equipment	377 965	411 420
Total	**577 410**	**608 103**

21 INVESTMENT PROPERTY

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

Investment property	**2010**	2009
in CHF 000		
At cost		
Balance at January 1	**16 880**	**22 976**
Disposals	– 5 438	– 5 282
Reclassification to non-current assets held for sale	0	– 808
Translation adjustments	– 1 125	– 6
Balance at December 31	**10 317**	**16 880**
Accumulated depreciation		
Balance at January 1	**– 6 800**	**– 8 314**
Additions	– 149	– 323
Disposals	1 842	1 701
Reclassification to non-current assets held for sale	0	130
Translation adjustments	729	6
Balance at December 31	**– 4 378**	**– 6 800**
Total net book value	**5 939**	**10 080**

The estimated market value (based on yield value assessments) of the investment properties was CHF 7.8 million (CHF 11.3 million in 2009). Of this, CHF 4.1 million relates to valuations made by an independent qualified surveyor. These assessments took account of market conditions prevailing at the balance sheet date. The rental income from the investment properties was CHF 1.1 million (CHF 2.6 million in 2009) and the associated maintenance and operational costs were CHF 0.4 million (CHF 1.3 million in 2009). No mortgage liens were in place on these investment properties (none in 2009).

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, 2008	**92 078**	**85 473**	**13 396**	**190 947**
Consolidation scope additions	9 061	0	0	9 061
Additions	0	20 376	6 367	26 743
Disposals	0	– 707	0	– 707
Transfers	0	10 292	– 10 292	0
Translation adjustments	– 12	16	– 60	– 56
Balance at December 31, 2009	**101 127**	**115 450**	**9 411**	**225 988**
Consolidation scope additions	28 169	3 279	0	31 448
Consolidation scope removals	0	– 63	0	– 63
Additions	0	16 823	5 850	22 673
Disposals	– 395	– 7 153	0	– 7 548
Transfers	0	8 418	– 8 267	151
Translation adjustments	– 4 227	– 8 643	– 731	– 13 601
Balance at December 31, 2010	**124 674**	**128 111**	**6 263**	**259 048**
Accumulated depreciation				
Balance at December 31, 2008	**0**	**– 47 298**	**– 5 237**	**– 52 535**
Additions	0	– 12 027	0	– 12 027
Disposals	0	26	0	26
Transfers	0	– 5 237	5 237	0
Translation adjustments	0	33	0	33
Balance at December 31, 2009	**0**	**– 64 503**	**0**	**– 64 503**
Consolidation scope removals	0	34	0	34
Additions	0	– 15 263	0	– 15 263
Disposals	0	6 232	0	6 232
Transfers	0	0	0	0
Translation adjustments	0	5 185	0	5 185
Balance at December 31, 2010	**0**	**– 68 315**	**0**	**– 68 315**
Book value				
at December 31, 2009	101 127	50 947	9 411	161 485
at December 31, 2010	**124 674**	**59 796**	**6 263**	**190 733**

Software and intangible assets with limited useful life. Software and intangible assets with limited useful life include CHF 44.8 million (CHF 34.7 in 2009) for software and CHF 15.0 million (CHF 16.3 in 2009) for intangible assets with limited useful life, of which CHF 8.6 million (CHF 11.3 in 2009) relate to capitalised delivery entitlements in favour of Valora Services.

(Page 94 in the Valora Annual Report)

Goodwill impairment test. Goodwill is assigned to the Group's cash-generating units. It is initially allocated to business segments and then, within these, to geographically related markets. The composition of the goodwill positions is as follows:

in CHF 000	Segment	Year acquired	2010	2009
Valora Trade Nordics Denmark	Trade	2001	14 028	14 028
Valora Trade Nordics Sweden	Trade	2001	2 294	2 294
EMH Norway	Trade	2010	10 209	0
Valora Trade Austria	Trade	1995	9 312	9 312
Valora Trade Germany	Trade	1997	2 754	2 754
Valora Services Luxembourg (MPK)	Services	2000	43 342	43 342
Valora Media Austria (PGV)	Services	2004	3 964	4 715
Valora Retail Switzerland	Retail	2002	12 774	12 774
Media Center Germany	Retail	2008	2 136	2 854
Konrad Wittwer Germany	Retail	2009	7 520	9 054
Tabacon Germany	Retail	2010	16 341	0
Total book value at December 31			**124 674**	**101 127**

Impairment tests are carried out at least once a year or in case of evidence of impairment. Each unit's realisable value is determined on the basis of its value in use and then compared to its book value. An impairment adjustment will be made only if the book value of the cash-generating unit exceeds its realisable value. Valuation is carried out on the basis of projected future free cash flows from cash-generating units to which goodwill has been allocated, using the discounted cash flow (DCF) method. These projected cash flows are discounted at a rate equal to the pre-tax weighted average cost of capital.

These projected cash flows are derived from the business plans for the next 3 years, which reflect management's expectations and have been approved by the Board of Directors. The principal assumptions used are as follows:

Valora Trade Nordics, EMH Norway. Average sales growth for the next three planning years will be between 2 and 3% while margins will remain unchanged.

Valora Trade Austria. Average sales growth for the next three planning years will be 9% and margins will remain unchanged.

Valora Trade Germany. Average sales growth for the next three planning years will be around 36% and margins will improve.

Valora Services Luxembourg (MPK). Average sales growth for the next three planning years will be around 2% and margins will improve.

Valora Services Austria (PGV). Average sales growth for the next three planning years will be around 2% and margins will decline slightly.

Valora Retail Switzerland. Average sales growth for the next three planning years will be 4.7% and margins will improve slightly.

Media Center, Konrad Wittwer, Tabacon. Average sales growth and margins for the next three planning years will remain unchanged.

(Page 95 in the Valora Annual Report)

Cash flows after this three-year period are modelled by using a residual value based on projections for the third planning year and assume zero growth thereafter. The discount rates applied are based on data observed in Swiss financial markets which is then adjusted to reflect currency and country-specific risks. The discount rates used are as follows:

in CHF 000	currency	**2010**	2009
Valora Trade Nordics Denmark	DKK	8.6 %	7.5 %
Valora Trade Nordics Sweden	SEK	8.7 %	7.5 %
EMH Norway	NOK	8.8 %	-
Valora Trade Austria	EUR	8.7 %	7.5 %
Valora Trade Germany	EUR	8.2 %	7.5 %
Valora Media Luxembourg (MPK)	EUR	9.2 %	7.5 %
Valora Services Austria (PGV)	EUR	8.4 %	7.5 %
Valora Retail Switzerland	CHF	6.7 %	6.0 %
Media Center Germany	EUR	7.2 %	7.5 %
Konrad Wittwer Germany	EUR	7.7 %	7.5 %
Tabacon Germany	EUR	8.1 %	-

No impairments to goodwill were charged to the income statements for 2010 or 2009. The impairment tests for 2010 and 2009 show that in the event of a 1.5 percentage point increase in the discount rate (which is regarded as being within the realms of the possible) all these units' realisable values would still be higher than their book values. Even assuming zero sales growth from 2010 onwards, the goodwill ascribed to these units would remain intact.

23 RECEIVABLES FROM REAL ESTATE AND FINANCE LEASE

Receivables from real estate leases in CHF 000	**2010**	2009
Rental payments received during period	3 644	3 591
Future rental receivables		
Within one year	4 535	870
Within 1-2 years	3 653	951
Within 2-3 years	3 032	909
Within 3-4 years	2 505	874
Within 4-5 years	2 054	846
After more than 5 years	2 989	1 212
Total future receivables from current real estate leases	**18 768**	**5 662**

The 2010 increase is mainly the result of acquired real estate rental agreements with franchisees in Germany.

(Page 96 in the Valora Annual Report)

Receivables from other operating leases	**2010**	2009
in CHF 000		
Payments received during period	149	0
Future rental receivables		
Within one year	455	0
Within 1-2 years	445	0
Within 2-3 years	334	0
Within 3-4 years	231	0
Within 4-5 years	144	0
After more than 5 years	40	0
Total present value of minimum future finance lease revenues	**1 649**	**0**

Other operating leases concern retail shop equipment rented to franchisees in Germany.

Receivables from finance leases	**2010**	2009
in CHF 000		
Payments received during period	643	643
Future receivables		
Within one year	643	643
Within 1-2 years	643	643
Within 2-3 years	643	643
Within 3-4 years	643	643
Within 4-5 years	643	643
After more than 5 years	4 618	5 261
Total future receivables from finance leases	**7 833**	**8 476**
less future interest charges	– 2 439	– 2 796
Total future receivables from finance leases (present value)	**5 394**	**5 680**
less current portion (see Note 19)	– 621	– 308
Non-current receivables from finance leases (see Note 24)	**4 773**	**5 372**

Present value of minimum future finance lease revenues	**2010**	2009
in CHF 000		
Within one year	621	621
Within 1-2 years	582	582
Within 2-3 years	546	546
Within 3-4 years	512	512
Within 4-5 years	480	480
After more than 5 years	2 653	2 939
Total present value of minimum future finance lease revenues	**5 394**	**5 680**

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

24 FINANCIAL ASSETS

in CHF 000	2010	2009
Loans and receivables	2 919	1 502
Receivables from finance leases	4 773	5 372
Financial assets available for sale	2 370	2 790
Total financial assets	**10 062**	**9 664**

Note 23 provides further information on receivables from finance leases.

The financial assets available for sale include CHF 647 thousand (CHF 677 thousand in 2009) 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. As a result of the sale of the Melisa SA subsidiary, unlisted equity participation rights valued at CHF 39 thousand were disposed of. There were no other disposals of financial assets in 2010 (2009: none).

25 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Summary balance sheet of associates and joint ventures

in CHF 000	2010	2009
Current assets	4 112	6 395
Non-current assets	22 034	24 746
Current liabilities	– 11 842	– 13 749
Non-current liabilities	– 3 409	– 4 183
Equity	**10 895**	**13 209**
Equity attributable to Valora	**5 022**	**5 379**

Summary income statement of associates and joint ventures

in CHF 000	2010	2009
Net revenues	32 059	36 278
Operating profit (EBIT)	2 135	2 232
Net profit	**1 418**	**1 194**
Net profit attributable to Valora	**728**	**600**

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

26 SHORT-TERM FINANCIAL DEBT AND OTHER LONG-TERM LIABILITIES

Short-term financial debt in CHF 000	**2010**	2009
Current bank debt	1 407	573
Current portion of finance lease obligations	748	954
Total short-term financial debt	**2 155**	**1 527**

Other non-current liabilities in CHF 000	**2010**	2009
Bank loans	– 276	– 359
Bonds	139 532	139 229
Finance lease obligations	1 089	69
Other long-term liabilities	8 201	14 501
Total other non-current liabilities	**148 546**	**153 440**

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

The bank loans relate to the syndicated loan taken out by Valora Holding AG, which is a floating rate facility. 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.

The other long-term liabilities consist of financial debt amounting to CHF 2075 thousand (CHF 5296 thousand in 2009) and other liabilities of CHF 6126 thousand (9205 thousand in 2009).

Bonds in CHF 000	**Gross**	**Discount**	**2010 net**	2009 net
2.875% bond 2005–2012	140 000	468	139 532	139 229

The effective yield on the bond is 3.1%.

Maturities at year end were as follows: in CHF 000	**2010**	2009
Within one year	2 155	1 527
Within 1-2 years	142 016	3 112
Within 2-3 years	291	140 644
Within 3-4 years	– 65	– 359
Within 4-5 years	137	0
After more than 5 years	41	838
Total financial debt	**144 575**	**145 762**
Current portion of long-term financial debt	– 2 155	– 1 527
Total long-term financial debt	**142 420**	**144 235**

During 2010 non-current bank loans were neither taken up nor redeemed (2009: redemption of CHF 5.0 million).

The interest rates paid ranged between 1.76% and 4.00% (vs 2.24% and 5.62% in 2009). The weighted average interest rate on Valora's financial debt was 2.46% (3.10% in 2009).

(Page 99 in the Valora Annual Report)

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

in CHF 000	**2010**	2009
CHF	139 551	140 586
DKK	602	846
EUR	2 267	2 803
Total long-term financial debt	**142 420**	**144 235**
Other long-term liabilities (CHF)	6 126	9 205
Total other non-current liabilities	**148 546**	**153 440**

27 TRADE ACCOUNTS PAYABLE

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

in CHF 000	**2010**	2009
CHF	141 070	155 143
DKK	22 487	20 022
EUR	79 121	84 045
NOK	4 105	6 546
SEK	16 585	17 355
Other	74	1 056
Total trade accounts payable	**263 442**	**284 167**

28 OTHER CURRENT LIABILITIES

in CHF 000	**2010**	2009
Value-added tax and other taxes owed	17 128	17 090
Social security contributions payable	2 639	4 340
Accruals for overtime, unused vacation and variable elements of remuneration	12 289	12 657
Pension cost payable	2 066	7 168
Accrued expenses	75 396	77 561
Other current liabilities	35 353	29 909
Total other current liabilities	**144 871**	**148 725**

(Page 100 in the Valora Annual Report)

29 PROVISIONS

in CHF 000	Guarantees	Litigation	Restructuring	Total
Balance at December 31, 2008	**10 032**	**4 517**	**5 873**	**20 422**
Utilised	0	0	– 4 377	– 4 377
Amounts released to income	– 2 875	0	– 415	– 3 290
Fair value adjustment	105	205	0	310
Currency translation differences	186	0	0	186
Balance at December 31, 2009	**7 448**	**4 722**	**1 081**	**13 251**
Utilised	0	0	– 900	– 900
Amounts released to income	– 1 856	– 956	0	– 2 812
Fair value adjustment	105	236	0	341
Currency translation differences	– 113	0	0	– 113
Balance at December 31, 2020	**5 584**	**4 002**	**181**	**9 767**
Current provisions	321	0	181	502
Long-term provisions	5 263	4 002	0	9 265
Total provisions	**5 584**	**4 002**	**181**	**9 767**

Guarantees. At December 31, 2010, these comprised contractual guarantees issued in connection with the sales of Fotolabo and the Own Brands unit.

Changes in 2010: Due to expiry of a guarantee period provisions of CHF 1.9 million were released to income.

Changes in 2009: As a result of guarantees relating to the Own Brands sale expiring, a number of provisions amounting to CHF 1.9 million in total were released to income. A provision of CHF 1.0 million for pension fund related claims relating to the sale of Merkur Kaffee in 2004 was released to income, since the period during which a claim could have been lodged if a liability had arisen had expired, and it therefore seems unlikely that the subsequent agreement will now be rescinded. Until that agreement expires in 2014, a contingent liability will be disclosed.

Claims relating to the guarantees issued in connection with the sale of Fotolabo can be lodged until 2013.

Litigation. A remaining CHF 4.0 million (EUR 3.2 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 it is therefore still classified as pending. The limitation period on this case will lapse no later than 2016.

Restructuring. Provisions utilised in respect of restructuring measures in the Group's Swiss operations amounted to CHF 0.9 million in 2010. In 2009 a total of CHF 4.4 million was utilised and a further CHF 0.4 million was released to income.

(Page 101 in the Valora Annual Report)

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 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, 2010. 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	**2010**	2009
Present value of benefit obligation at January 1	575 658	539 310
Current service cost to employer	14 870	15 809
Contributions by plan participants	9 664	9 731
Past service cost	1 520	17 489
Interest cost	17 563	19 059
Plan curtailments, settlements and modifications	0	– 23 869
Benefits paid	– 36 580	– 27 734
Business combinations	6 161	231
Actuarial loss/(gain) on benefit obligation	7 010	25 069
Exchange rate losses/(gains)	– 1 792	563
Present value of benefit obligation at December 31	**594 074**	**575 658**
Plan assets at market value at January 1	598 069	569 500
Expected net return on plan assets	23 955	25 628
Employer contributions	14 144	10 599
Contributions by plan participants	9 664	9 731
Benefits paid	– 35 657	– 26 878
Business combinations	3 349	0
Actuarial gain/(loss) on plan assets	12 302	9 489
Exchange rate losses/(gains)	– 248	0
Plan assets at market value at December 31	**625 578**	**598 069**

Changes made in 2010 with regard to the assumed discount rate decrease resulted in an actuarial loss on the Group's pension obligations. The actuarial gain on plan assets resulted from investment returns which were higher than anticipated.

For 2011, the Group expects to make employer's contributions of CHF 13.7 million to its funded plans.

The surplus on funded plans increased by CHF 8.8 million during 2010 (2009: decrease CHF 6.4 million). This was principally due to a higher than expected performance of the plan assets.

(Page 102 in the Valora Annual Report)

Balance sheet data	**2010**	2009
in CHF 000		
Present value of funded benefit obligations	– 579 327	– 560 595
Plan assets at market value	625 578	598 069
Surplus on fund-based plans	**46 251**	**37 474**
Pension asset recognition ceiling	0	– 8 243
Unrecognised past service cost	923	1 846
Present value of unfunded pension liabilities	– 14 747	– 15 063
Total net pension position	**32 427**	**16 014**
of which capitalised as net pension asset	49 640	31 077
of which capitalised as long-term accrued pension cost	– 17 213	– 15 063

Long-term accrued pension cost relate to funded plans of CHF 2.5 million (2009: none) and unfunded plans of CHF 14.7 million (2009: 15.1 million).

Income statement	**2010**	2009
in CHF 000		
Current service cost to employer	– 14 870	– 15 809
Interest cost	– 17 563	– 19 059
Plan curtailments, settlements and modifications	0	23 869
Expected net return on plan assets	23 955	25 628
Past service cost recognised in period	– 2 443	– 15 643
Net pension cost for period	**– 10 921**	**– 1 014**

Actuarial gains/losses and pension asset recognition ceiling recorded in other comprehensive income	**2010**	2009
in CHF 000		
January 1	– 52 432	– 33 416
Actuarial gains/(losses)	5 369	– 15 580
Pension asset recognition ceiling	8 243	– 8 243
Deferred taxes	– 2 711	4 807
December 31	**– 41 531**	**– 52 432**

Key actuarial assumptions	**2010**	2009
Discount rate	2.75%	3.00%
Expected net return on plan assets	4.00%	4.00%
Expected rate of increase in future salary levels	2.00%	2.00%
Expected rate of increase of future pension levels	0.25%	0.25%

The calculations for the Swiss plans, which use the EVK2000 mortality table, were adjusted to reflect increased longevity.

(Page 103 in the Valora Annual Report)

Asset allocation	**2010**	**Expected long-term return**	**Contribution to pension plan income**	2009
Cash and cash equivalents	9.60%	1.50%	0.14%	6.50%
Fixed income	26.70%	2.75%	0.73%	29.70%
Equity	24.20%	6.50%	1.57%	23.70%
Real estate	35.50%	4.25%	1.51%	33.30%
Other	4.00%	4.25%	0.17%	6.80%
Total	**100.00%**		**4.12%**	**100.00%**
Costs			– 0.12%	
Net return			**4.00%**	

The amount of the effective net return from plan assets was CHF 36.3 million (CHF 35.1 million in 2009). The effective total return generated in 2010 was 6.1% (6.2% in 2009). 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.

Surpluses in CHF 000	**2010**	2009	2008	2007	2006
Present value of pension liabilities	– 594 074	– 575 658	– 539 310	– 585 515	– 651 327
Pension assets at market values	625 578	598 069	569 500	697 786	697 449
Pension asset recognition ceiling	0	– 8 243	0	0	0
Unrecognised past service cost	923	1 846	0	0	0
Net pension plan position	**32 427**	**16 014**	**30 190**	**112 271**	**46 122**
Adjustments based on past experience					
Adjustments to pension plan liabilities based on past experience	6 343	8 078	17 091	43 100	– 42 756
Adjustments to pension plan liabilities based on modified assumptions	– 13 328	– 33 147	29 044	40 107	– 21 940
Adjustments to pension plan assets based on past experience	12 354	9 489	– 127 445	– 16 868	25 270
Actuarial gains/(losses)	**5 369**	**– 15 580**	**– 81 310**	**66 339**	**– 39 426**

(Page 104 in the Valora Annual Report)

31 SHARE-BASED PAYMENTS

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

LTP share-based programme for the Board of Directors and Extended Group Executive Management. In January 2009, a long-term, share-based scheme was introduced (the Long Term Plan, or LTP), which forms an integral part of the overall remuneration awarded to its participants. Under the LTP, each participant is entitled to buy a certain number of Valora shares, the amount allocated to each individual being determined by the Nomination and Compensation Committee. The objective is to create an incentive to contribute to the further sustainable success of the company and to its continuing economic development. Each participant finances the purchase of the shares himself, using a bank loan. The shares are pledged to the bank as security for the loan.

A maximum of 50 % of the shares purchased by participants are subject to a 28-month lock-up period, with a 34-month lock-up period applying to the remainder. On the last day of each lock-up period, Valora will offer to buy back the shares in the relevant tranche at their closing price on SIX Swiss Exchange that day. On the last day of each lock-up period, participants wishing to avail themselves of this offer must notify Valora of the number of shares they wish to sell back in this way. Once the lock-up period ends, any shares not sold back to Valora are then freely available to the plan participants without further restrictions. Should the market price of Valora shares be lower than the participant's purchase price when the loan falls due, Valora guarantees to the bank making the loan and the participant that it will make good any shortfall. In any event, Valora's guarantee to the bank expires at the end of the second lock-up period. Valora's financing costs for the plan are limited to the interest expense relating to the initial purchase cost plus the difference between the price at which the shares were initially allocated to participants and the somewhat higher price at which Valora purchased them. In the event of Valora terminating a plan participant's contract of employment before the end of the first or second lock-up periods, the participant will be required to sell a pro rata proportion of his shares in the plan back to Valora at their initial purchase price. The loan must be repaid in full. Should a plan participant himself elect to terminate his contract of employment prematurely, he will be required to sell all shares in the plan which are then subject to a lock-up period back to Valora at their initial purchase price. No pro rata entitlement to any shares subject to lock-up restrictions will apply. In the case of Board members, resignation from the Board or refraining to stand for re-election to the Board are deemed to constitute election by the plan participant to terminate his contract of employment. The Board of Directors has granted cash-exercised options instead of shares[1)] to Conrad Löffel. Otherwise, his participation is subject to all the other terms and conditions of the plan. The total costs of the LTP programme for 2010 amounted to CHF 566 thousand (CHF 539 thousand in 2009).

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 per-

[1)] The options have an exercise price of 148.05, which is the average trading price of the shares during the twenty trading days prior to the commencement of the LTP . The market price of the shares when the options were awarded was CHF 161. The value of the options determined using the Black Scholes model was based on the following key parameters:

Number of options	1 346	1 347
Expiration date	19.04.2011	31.10.2011
Implied volatility	35 %	38 %
Risk-free rate of interest	0.179 %	0.418 %
Fair value per option	CHF 178.28	CHF 179.00

The book value of the liability arising from the cash exercise options was CHF 479 thousand at 31.12.10 (31.12.2009: CHF 301 thousand).

formance 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. The personnel expense arising from these awards, recognition of which will be spread over the entire vesting period, amounted to CHF 0.80 million in 2010 (CHF 0.78 million in 2009). 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 (other than members of Group Executive Management) are entitled to acquire shares at the beginning of each year on preferential terms. Shares may be purchased at 60% 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 3 years immediately following purchase. The proceeds of these share sales to employees are credited directly to shareholders' equity.

Suppliers. 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.

Personnel costs for share-based remuneration plans in CHF 000	**2010**	2009
Expenses related to Valora Group share-based plans for employees and management (equity settled)	1 674	1 761
Expenses related to Valora Group share-based plans for employees and management (cash settled)	52	51
Total share-based plan expenses charged to income	**1 726**	**1 812**

32 CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities in CHF 000	**2010**	2009
Sureties	160	647
Other contingent liabilities	3 641	1 873
Total contingent liabilities	**3 801**	**2 520**

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

(Page 106 in the Valora Annual Report)

Commitments in CHF 000	2010	2009
Long-term rental commitments	262 044	329 333
Other operating lease commitments	7 308	7 240
Finance lease commitments	2 066	1 044
Future contractual obligations and other commitments	0	193
Total commitments	**271 418**	**337 810**

Long-term rental commitments in CHF 000	2010	2009
Minimum rental expense in period	46 947	53 815
Conditional rental expense in period	80 269	72 787
Total rental expense in period	**127 216**	**126 602**
Leases maturing		
Within one year	62 635	69 428
Within 1–2 years	59 153	57 983
Within 2–3 years	44 384	53 230
Within 3–4 years	36 616	42 122
Within 4–5 years	23 889	35 489
After more than 5 years	35 367	71 081
Total long-term rental commitments	**262 044**	**329 333**

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.

Other operating leases in CHF 000	2010	2009
Total expenses for other operating leases in period	3 526	4 815
Leases maturing		
Within one year	3 690	3 572
Within 1–2 years	2 068	2 342
Within 2–3 years	1 205	1 080
Within 3–4 years	338	217
Within 4–5 years	7	16
After more than 5 years	0	13
Total future commitments from other operating leases	**7 308**	**7 240**

(Page 107 in the Valora Annual Report)

Finance lease commitments in CHF 000	**2010**	2009
Total payments (interest and amortisation) in year	561	719
Leases maturing		
Within one year	851	974
Within 1–2 years	463	48
Within 2–3 years	338	18
Within 3–4 years	231	4
Within 4–5 years	144	0
After more than 5 years	39	0
Total financial lease commitments	**2 066**	**1 044**
Less future interest charges	– 229	– 21
Total finance lease obligation (present value)	**1 837**	**1 023**
Less current portion of finance lease obligation (see note 26)	– 748	– 954
Long-term finance lease obligation (see note 26)	**1 089**	**69**

Present value of future minimum payments under finance leases in CHF 000	**2010**	2009
Within one year	748	954
Within 1–2 years	402	47
Within 2–3 years	300	18
Within 3–4 years	211	4
Within 4–5 years	137	0
After more than 5 years	39	0
Total present value of future minimum lease payments	**1 837**	**1 023**

The other operating lease liabilities principally relate to leased vehicles. The finance leasing obligations relate both to leased vehicles and retail shop equipment.

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 other comprehensive income. 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 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 other comprehensive income which would result from hypothetical changes in key exchange rates.

FX rate sensitivity in CHF 000	**Hypothetical change (in percent) 2010**	**Impact on 2010 pre-tax earnings**	**Impact on 2010 other comprehensive income**	Hypothetical change (in percent) 2009	Impact on 2009 pre-tax earnings	Impact on 2009 other comprehensive income
CHF / DKK	+/– 9.0%	+/– 1 733	+/– 0	+/– 6.0%	+/– 664	+/– 0
CHF / EUR	+/– 8.9%	+/– 2 053	+/– 8 231	+/– 6.0%	+/– 10 557	+/– 5 484
CHF / NOK	+/– 10.9%	+/– 615	+/– 2 272	+/– 14.1%	+/– 25	+/– 883
CHF / SEK	+/– 11.3%	+/– 50	+/– 1 588	+/– 15.8%	– /+ 1 783	+/– 1 854
EUR / NOK	+/– 7.8%	+/– 607	+/– 0	+/– 11.3%	+/– 13	+/– 0
EUR / SEK	+/– 7.6%	+/– 681	+/– 0	+/– 12.8%	+/– 170	+/– 0

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. Translation risks are currently not hedged.

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 from 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. 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).

In the sensitivity analysis of the interest rate risk, impacts arise only on positions with variable interest rates. The table below shows the principal changes in pre-tax earnings which would result from hypothetical shifts in the level of interest rates in the main currencies in which Valora operates. There are no impacts on other comprehensive income.

(Page 109 in the Valora Annual Report)

Interest rate sensitivity

in CHF 000	**Hypothetical change (in basis points) 2010**	**Impact on 2010 pre-tax earnings**	Hypothetical change in (basis points) 2009	Impact on 2009 pre-tax earnings
CHF	+/– 2	+/– 9	+/– 45	+/– 346
DKK	+/– 71	+/– 67	+/– 115	+/– 39
EUR	+/– 5	+/– 18	+/– 125	+/– 519
NOK	+/– 73	+/– 53	+/– 150	+/– 49
SEK	+/– 37	+/– 29	+/– 125	+/– 130

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 of the two years shown. 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, 2010					
Short-term financial liabilities	1 848	58	584	0	0
Derivatives not designated as hedges	65	206	658	0	0
Trade accounts payable	234 022	29 146	274	0	0
Other short-term financial liabilities (financial instruments portion)	76 430	11 239	12 282	0	0
Long-term financial liabilities	0	0	4 039	145 423	0
Total	**312 365**	**40 649**	**17 837**	**145 423**	**0**
At December 31, 2009					
Short-term financial liabilities	889	146	512	0	0
Derivatives not designated as hedges	0	0	426	301	0
Trade accounts payable	221 902	62 265	0	0	0
Other short-term financial liabilities (financial instruments portion)	92 227	35 593	3 815	0	0
Long-term financial liabilities	0	0	4 039	149 823	1 382
Total	**315 018**	**98 004**	**8 792**	**150 124**	**1 382**

The Valora Group has at its disposal a number of committed and uncommitted credit lines, enabling it to optimise its liquidity management 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 2010 and year end 2009, the Valora Group had no accounts receivable from individual customers which accounted for more than 8.0% of its total accounts receivable.

(Page 110 in the Valora Annual Report)

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 370 million on the Group's financial assets (CHF 395 million in 2009) 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.

Sight deposits and fixed maturity deposits maturing in < 3 months placed with banks in CHF 000	**2010**	2009
AAA and/or state guarantee	22 342	38 053
AA	40 481	32 158
A	38 774	63 247
No Rating	864	1 492
Total sight deposits and fixed maturity deposits maturing in < 3 months placed with banks [1]	**102 461**	**134 950**

[1] The remainder of the cash and cash equivalents position shown in the balance sheet relates to cash (including cash in transit).

Tools for hedging and risk management. The Valora Group uses FX forward contracts to mitigate its foreign exchange risk. Exposure arising from existing asset and liability items, as well as those arising from future commitments, is 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, 2010 and December 31, 2009, or by the use of standard pricing models.

Derivative financial instruments in CHF 000	**2010 Contract value**	2009 Contract value	**2010 Replacement value**	2009 Replacement value
Share options				
Call options	399	399	– 479	– 301
Currency instruments				
Forward contracts	34 363	12 199	– 218	– 378
Total derivative financial instruments	**34 762**	**12 598**	**– 697**	**– 679**

Open FX forward positions at year-end 2010 had positive replacement values of CHF 232 thousand (CHF 48 thousand in 2009) and negative replacement values of CHF 450 thousand (CHF 426 thousand in 2009).

(Page 111 in the Valora Annual Report)

Notional contract values of derivative financial instruments by maturity band in CHF 000	**2010**	2009
Within one year	34 762	12 199
Within 1–2 years	0	399
Within 2–3 years	0	0
Within 3–4 years	0	0
Within 4–5 years	0	0
After more than 5 years	0	0
Total notional value of derivative financial instruments	**34 762**	**12 598**

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 non-controlling interests). The Group's capital and equity cover are shown in the table below:

in CHF 000	**2010**	2009
Equity attributable to shareholders of Valora Holding	473 986	449 877
Equity attributable to non-controlling interests	4 156	3 841
Total shareholders equity	**478 142**	**453 718**
Equity cover	**43.6%**	**41.3%**

The Valora Group is not subject to any regulatory capital requirements of the type prevalent in the financial services industry. The Group's required minimum equity cover is stipulated in the financial covenants governing its bank lending agreements.

With shareholders' equity equal to 43.6 % (41.3 % in 2009) of total assets, Valora is convinced, given current market and other relevant factors, that its objective of optimal capital allocation is being met.

Risk assessment stipulated by Swiss Code of Obligations. In both 2009 and 2010, the Valora Group carried out a risk assessment with the Board of Directors and Group Executive Management during October and November. The objective of these assessments is 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 results of these assessments were reviewed at meetings with the Board of Directors and sets of planned measures were decided upon. Additional information regarding the risk assessment process and the risks identified can be found in section 3.6.1 of the corporate governance report.

(Page 112 in the Valora Annual Report)

34 FINANCIAL INSTRUMENTS

Book values, fair values and valuation categories in CHF 000	Valuation category	**Book value 2010**	Book value 2009	**Fair value 2010**	Fair value 2009
Assets					
Cash and cash equivalents	LaR	130 461	161 565	130 461	161 565
Derivative assets (hierarchy level 2)	FAHfT	232	48	232	48
Trade accounts receivable	LaR	174 203	163 289	174 203	163 289
Other short-term receivables (financial instruments portion)	LaR	54 954	60 786	54 954	60 786
Long-term interest-bearing investments	LaR	7 692	6 874	7 692	6 874
Financial assets available for sale valued at cost	AfS	647	677	n/a	n/a
Financial assets available for sale (hierarchy level 1) at fair value	AfS	1 723	2 113	1 723	2 113
Liabilities					
Short-term financial liabilities	FLAC	2 155	1 527	2 155	1 527
Derivative liabilities (hierarchy level 1)	FLHfT	479	301	479	301
Derivative liabilities (hierarchy level 2)	FLHfT	450	426	450	426
Trade accounts payable	FLAC	263 442	284 167	263 442	284 167
Other financial liabilities (financial instruments portion)	FLAC	101 826	131 635	101 826	131 635
Long-term financial liabilities	FLAC	142 420	144 235	146 068	149 013
Classified by category					
Loans and receivables (LaR)		367 310	392 514	367 310	392 514
Financial assets held for trading (FAHfT)		232	48	232	48
Financial assets available for sale (AfS)		2 370	2 790	n/a	n/a
Financial liabilities at cost (FLAC)		509 843	561 564	513 491	566 342
Financial liabilities held for trading (FLHfT)		929	727	929	727

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

(Page 113 in the Valora Annual Report)

approximations of their fair value, since the effects of discounting them are negligible.

The Valora Group does not own any financial investments classified as held to maturity.

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 in CHF 000	**2010**	2009
Goods sold to		
Joint ventures in which Valora is a partner	174	256
Services to		
Associates	234	204
Total goods and services sold	**408**	**460**

Goods and services purchased from related parties in CHF 000	**2010**	2009
Services purchased from		
Other related parties	259	245
Total goods and services purchased	**259**	**245**

Rental payments to related parties in CHF 000	**2010**	2009
Other related parties	0	3 745
Total rental payments	**0**	**3 745**

The rental payments relate to business premises in Luxembourg made available to Valora subsidiaries by a member of local management.

(Page 114 in the Valora Annual Report)

Rental payments from related parties in CHF 000	**2010**	2009
Pension plan foundation and other related companies	0	31
Total rental payments received	**0**	**31**

Management and Board remuneration. Remuneration 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.

Management and Board remuneration in CHF 000	**2010**	2009
Salaries and other short-term benefits [1]	4 043	4 161
Share-based payments	439	539
Total Board and management remuneration	**4 482**	**4 700**

[1] Including vehicle costs paid by the employer.

Details of the remuneration 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 neither received any sureties for receivables nor has it issued any guarantees for liabilities.

Receivables for the sale of goods and services to related parties in CHF 000	**2010**	2009
Receivables from joint ventures	33	39
Total receivables	**33**	**39**

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

(Page 115 in the Valora Annual Report)

36 EQUITY

Shares outstanding in number of shares	2010	2009
Total registered shares	2 800 000	2 800 000
of which treasury stock		
Position at January 1	49 866	487 314
Market sales and sales to employees and management	– 12 340	– 90 347
Market purchases and purchases of employee shares	9 104	152 899
Share capital reduction	0	– 500 000
Total treasury stock	**46 630**	**49 866**
Total shares outstanding (after deduction of treasury stock)	**2 753 370**	**2 750 134**
Average number of shares outstanding (after deduction of treasury stock)	**2 750 735**	**2 749 815**

A dividend of CHF 10.00 per share was paid in 2010 relating to the year 2009 (CHF 9.00 per share was paid in 2009 relating to the year 2008). Dividend distributions are based on net income for the year and earnings carried forward by the Valora Holding AG parent company.

Since the capital reduction in 2009, the share capital has consisted of 2 800 000 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, 2010.

37 SUBSEQUENT EVENTS

These consolidated financial statements were approved by the Board of Directors of Valora Holding AG on March 21, 2011. The Board of Directors recommends that the Ordinary General Meeting of Shareholders to be held on April 15, 2011 approve these financial statements and approve the payment of a dividend of CHF 11.50 per share from the profits of Valora Holding AG available for distribution.

38 SIGNIFICANT SUBSIDIARIES OF THE VALORA GROUP

	Currency	Nominal capital in million	Share-holding in %	Corporate	Valora Retail	Valora Services	Valora Trade
Switzerland							
Valora Management AG, Muttenz	CHF	0.5	100.0	•			
Valora Beteiligungen AG, Muttenz	CHF	29.4	100.0	•	•		
Valora Investment AG, Muttenz	CHF	0.3	100.0	•			
Merkur AG, Muttenz	CHF	20.0	100.0	•			
Valora AG, Muttenz	CHF	5.2	100.0	•	•	•	•
Germany							
Valora Holding Germany GmbH, Hamburg	EUR	0.4	100.0	•			
Stilke Buch & Zeitschriftenhandels GmbH, Hamburg	EUR	3.8	100.0		•		
Sussmann's Presse & Buch GmbH, Hamburg	EUR	0.1	100.0		•		
BHG Bahnhofs-Handels-Vertriebs 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		•		
Konrad Wittwer GmbH Bahnhofsbuchhandlungen, Stuttgart	EUR	0.3	100.0		•		
Valora Retail Kiosk GmbH, Hamburg	EUR	0.1	100.0		•		
Valora Trade Germany GmbH, Mülheim a.d.Ruhr	EUR	0.2	68.0				•
Benelux							
Valora Europe Holding S.A., Luxembourg	EUR	0.1	100.0	•			
MPK Shop S.à r.l., Luxembourg	EUR	3.0	100.0		•		
Valora Luxembourg 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	•			

(Page 117 in the Valora Annual Report)

	Currency	Nominal capital in million	Share-holding in %	Corporate	Valora Retail	Valora Services	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				•
Valora Services Austria 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				•
Engelschiøn Marwell Hauge AS, Oslo	NOK	2.7	80.0				•
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				•
Czech Republic							
Kaumy S.r.o., Fulnek	CZK	0.1	50.0				•

(Page 118 in the Valora Annual Report)

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

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, comprehensive income statement, cash flow statement, statement of changes in equity and notes (pages 60 to 117), for the year ended 31 December 2010.

Board of Directors' responsibility. The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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 and 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 considers 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 2010 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with 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 Over-sight 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.

Ernst & Young AG

Martin Gröli
Licensed audit expert
(Auditor in charge)

Stefanie Walter
Licensed audit expert

Zurich, 21. March 2011