REVIEW OF GROUP RESULTS

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

A VALORA GROUP

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

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

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

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

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

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

Restructuring costs

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

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

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

B VALORA RETAIL

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

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

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

C VALORA MEDIA

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

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

D VALORA TRADE

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

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

E CORPORATE

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

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

F FINANCIAL RESULT AND TAXES

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

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

G LIQUIDITY, CASH FLOW AND KEY FINANCIAL DATA

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

[1] from continuing operations

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

H VALORA VALUE ADDED

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

[1] excluding discontinued operations

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

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

I OUTLOOK

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

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