valora

Annual Report 2009

Valora Annual Report 2009

01 Letter from the Chairman

03 CEO's introduction

07 High-lights
Key financial data
Overview by division
Division highlights

11 Strategic programme report
12 Competence
18 Growth
24 Efficiency
30 People

36 Interview Rolando Benedick Thomas Vollmoeller

41 Financial report
44 Review of group results
52 Consolidated financial statements
109 Financial statements
122 Corporate governance report
136 Information for investors

142 Addresses

Valora for a fast moving world

Valora is an economically robust, independent trading company operating on a Europe-wide scale. The Group meets the rapidly evolving challenges posed by this environment accordingly.
Valora is operating in a world subject to continuous change, Valora – for a fast moving world. This annual report demonstrates how the company has changed and continues to change. The structure and content of the report have therefore been adjusted – to focus on the key strategic issues.

The main changes to the report's structure: the Highlights focus on key developments at the three divisions. Clarity and direction are key here. Greater emphasis is placed on presenting corporate strategy and its implementation. Illustrative examples show the company's progress in its four areas of strategic emphasis – competence, growth, efficiency and people. The pictures throughout the report show what Valora has to offer its customers. The reader can thus easily follow Valora's activities. The reader is right there in the middle of the action.

Dear Shareholder

Rolando Benedick
Chairman

The 2009 financial year was marked by a severe global economic crisis which has left deep scars in its wake. The recession affected Europe's economies too, thus adding to the demands placed on Valora in the midst of its ambitious restructuring programme. In spite of this, your company succeeded in achieving major milestones. The relocation of our logistics operations to Egerkingen was carried out according to plan. Logistics are now run from a geographically ideal vantage point, as well as being housed in a modern facility which is much easier to manage efficiently. IT systems have been modernised, processes streamlined, product ranges refreshed and the non-recurring EURO 08 sales we enjoyed in 2008 replaced. The avec. convenience format has also been redesigned and directed towards growth. Targeted initiatives taken by Valora Media and a general improvement in consumer sentiment in the latter half of 2009 enabled that division to reverse a significant portion of the setbacks it experienced earlier in the year.

Adverse foreign exchange trends did however impinge on Valora's overall results. In aggregate, the Group generated net revenues of CHF 2 897 million and improved its operating profit by 81.1 % to CHF 68.1 million. 2009 thus saw Valora achieve a good result, commensurate with expectations. The positive turnaround at Valora Retail is particularly encouraging. The clear profiles established by the four k kiosk, avec., P&B and Caffè Spettacolo brands and the launch of the division's own ok.– product line represent a major step forward in making our product ranges and our formats more attractive and broadening our appeal to embrace a younger clientele. These ambitious milestones and the major successes they represent could not have been achieved without determined commitment throughout Valora. The path we have embarked on with our strategy programme is proving to be well-chosen and its implementation is on track. We have a competent and complete management team in place, our organisational structure is lean and efficient and we have set forth a new and binding Code of Conduct which applies to all staff. Valora is definitely shaping up.

We expect to achieve further tangible successes in 2010. We are however also aware that the environment in which we operate will undergo significant changes in the years ahead. Consumers' buying and reading habits are changing, we can expect to face new demands in terms of quality and efficiency, technological development will continue to accelerate and competitive pressures will increase. We believe that these challenges also present major new growth opportunities for Valora. Our clear commitment to the customer will remain our guiding principle.

Your Board and Group Executive Management are directing Valora's medium and long-term strategy to achieving growth and increasing profitability. Our objective is to create lasting value, thus making Valora more attractive to all its stakeholders. In this context we evaluated the possibility of initiating an additional share repurchase programme. Having carefully considered the issues involved, and in the light of a number of strategically interesting potential projects, we decided that we would prefer to maintain Valora's financial flexibility with a view to pursuing possible acquisitions. Should funds not have been deployed in this way by the autumn of 2011, we will again evaluate buying back shares or returning capital to shareholders by other means.

During the first half of 2010 we will be actively engaged in reviewing our medium and long-term strategy for Valora and we will present the results of this analysis to you along with the interim 2010 results. We maintain our objective of achieving an EBIT margin of 3-4% by 2012 and we will continue with the consistent implementation of our strategy programme. I am sure that with the support of our highly committed employees, Valora will achieve its objectives. On behalf of my fellow Board directors, I would like to take this opportunity of thanking all our staff for the exemplary commitment they have shown in meeting the challenges Valora has faced.

This year's increases to our lowest salaries, the improved retirement provisions for a significant majority of the roughly 6 500 people employed at Valora in Switzerland and the longer maternity leave we now grant represent a conscious effort on our part to provide enhanced contractual and financial benefits to staff earning lower remuneration. This is a gesture of solidarity in difficult economic times. Last year we also decided to tailor the contracts of our management towards long-term objectives and to adjust our remuneration and incentive systems accordingly. The remuneration paid to the Board is based on the same principles of sustainability. Details of our remuneration and incentive system are set out in the Corporate Governance section of this report on page 130.

At the forthcoming Ordinary General Meeting of shareholders, the Board will recommend that the remuneration report be subject to consultative approval in future. If approved, this proposal will mean that this report will be presented for separate consultative approval to each future year's Ordinary General Meeting, in line with the recommendations of the «Swiss Code of Best Practice for Corporate Governance». We will also recommend that the current restriction in our articles of incorporation which prevents any shareholder from having voting rights recognised in respect of more than 5% of the company's issued share capital be abolished. If approved, this proposal will mean that today's widespread principle of «one share, one vote» will apply to all Valora's shareholders.

On behalf of the entire Board, I would like to thank you, our shareholders, for the confidence which you have displayed in us and in Valora. Of course, I appreciate that, as shareholders, you also have an understandable interest in the total return generated by Valora. During 2009 the company's shares appreciated by some 66%, closing the year at CHF 255. I am very pleased that, in view of our comfortable liquidity position, the Board will also be able to recommend that the forthcoming General Meeting approve an 11% increase in the dividend, to CHF 10.

Yours sincerely

Rolando Benedick
Chairman of the Board of Directors

GOOD RESULTS – AND AN EVEN BETTER OUTLOOK

In a tough economic environment, the Valora Group achieved the objectives it had set itself for 2009. There was clear evidence that the strategic direction the firm has taken was correct and is already bearing fruit. Consolidated net revenues totalled CHF 2 897 million, a decline of 1.2% on 2008. On a comparable basis, however – i.e. after adjusting for one-off factors – net revenues rose 1.6%. Currency fluctuations alone reduced net sales by 2.7%. Particularly encouraging performance was achieved by Valora Retail and Valora Trade. Both divisions succeeded in increasing their adjusted net revenues. In the second half of the year, Valora Media managed to reverse the setbacks it experienced in the first six months. The Valora Group's operating profit (EBIT) for 2009 totalled CHF 68.1 million. After adjusting, operating profits were CHF 69.3 million. This marked improvement on the year before (operating profit 2008: CHF 37.6 million) is principally due to the CHF 25 million in one-off restructuring costs which were charged to income in 2008. The 2009 EBIT margin, at 2.4%, is slightly above the target we had set. As a result, despite a worldwide economic downturn, non-recurrence of additional revenues from collectible soccer picture cards, the marked setback experienced by the Media division in the first half of the year and an ongoing restructuring programme, Valora succeeded in generating a higher consolidated operating profit in 2009 than in 2008. This result provides an impressive endorsement of the new strategic direction the company is taking. This improvement was further boosted by higher-than-expected real-estate earnings, an increase which roughly offsets the restructuring costs for Valora's Luxembourg units. The Valora Group's consolidated net income for 2009 amounted to CHF 54.9 million, a CHF 15.5 million increase on the year before. This puts earnings per share for 2009 at CHF 18.94. With year-end net liquidity of CHF 15.8 million and shareholders' equity equal to 41.3% of total assets, Valora maintains an extremely sound and healthy balance sheet. This pleasing outcome is the result of excellent co-operation throughout the Valora Group. In all divisions, national markets and retail formats, and across all ranks of the organisation, Valora employees have worked with single-minded dedication to ensure the Group's economic success and continuing progress. That is something for which I would like to express my heartfelt gratitude and that of my Group Executive Management colleagues to all Valora's employees. Particular thanks also go to our loyal customers and business partners with whom we look forward to continue working harmoniously in future.

> DESPITE A WORLDWIDE ECONOMIC DOWNTURN, NON-RECURRENCE OF ADDITIONAL REVENUES, THE MARKED SETBACK EXPERIENCED BY THE MEDIA DIVISION AND AN ONGOING RESTRUCTURING PROGRAMME, VALORA SUCCEEDED IN GENERATING A HIGHER CONSOLIDATED OPERATING PROFIT.

We expect to achieve significant profit growth this year. We maintain our 2010 EBIT objective of CHF 85 to 90 million, an increase of some 30 percent on the CHF 68 million of operating profit we generated in 2009.

2009: THE YEAR OF CHANGE Throughout the world and in practically every field of economic activity, 2009 got off to a difficult start. The first few months of the year were marked by sharp falls in share prices worldwide and mounting concern about the economic outlook. Looking back now, we can see that the crisis had its most profound effect in the spring of 2009, when consumer sentiment hit its lowest point. Despite this, management was undeterred in its implementation of the «Valora 4 Success» strategy programme. The projects which had been decided on and initiated were driven ahead with focus and determination, rapidly adding impetus to the Valora Group's turnaround.

Major milestones were achieved according to plan. The relocation of Valora's logistics operations from Muttenz to Egerkingen was a decisive step towards enhanced efficiency levels. The move also paves the way for future growth. The project was completed to an ambitious schedule, in both time and cost terms. Further progress has also been made in upgrading and renewing Valora's IT infrastructure. Besides implementing the closed loop inventory management system in early 2009, we also rolled out WAMAS, a major new logistics software application.

In addition to these fundamental adaptations at Group level, the individual divisions also carried out some major innovations and changes.

Valora Retail

The Retail division raised its net revenues by 1.4% to CHF 1 592 million in 2009. Attention at the division was focused on the profitability of the Swiss operations. This enabled Valora Retail to raise its EBIT by some CHF 7.3 million (before restructuring cost of CHF 13 million in 2008) to CHF 28.3 million. 2009 also saw the division initiate various strategic projects, some of which have now been completed.

ATTENTION AT THE DIVISION RETAIL WAS FOCUSED ON THE SWISS OPERATIONS AND RAISED ITS EBIT.

Formats were streamlined, providing the outlets with more focused profiles attuned to customer requirements specific to each location. Oversized k kiosk outlets, for example, were transformed into avec. convenience stores or rented out to third parties. Today, Valora has a network of some 60 avec. units. Major progress was also made in re-configuring and streamlining product ranges. Following the success of its initial launch, Valora's own ok.– product line has now been extended to some 100 items. Development of the new «ready?» services is progressing according to plan. With pilot tests successfully completed at 55 outlets, a roll out to some 400 locations is planned for 2010. The new P&B brand emphasises Valora's press product expertise, which it is complementing with a selected range of books. P&B are the only shops in Switzerland to offer a «print on demand» service, thus meeting a new customer need. The four outlets now offering this service in Switzerland will be followed by other P&B locations in 2010. The press product range on offer at all units has been enhanced and more space devoted to the titles available.

Retail Germany turned in an excellent performance in 2009 and has now achieved an impressive 36% market share. Konrad Wittwer and Media Center Berlin, the division's two recent German acquisitions, have been successfully integrated into its overall network. In Luxembourg, all Valora's outlets operate under the uniform k kiosk banner.

Valora Media

During the first six months of 2009, the Media division was markedly affected by the recession in all its national markets. In contrast to prior years, its profitable magazine operations experienced a particularly steep fall in sales. Thanks to the recovery staged by the magazine market in the second half of the year, Valora Media's adjusted net sales for 2009 as a whole were down 6.9% on 2008 levels (half year 2009 down 14%). For 2009 as a whole, the division managed to halt the decline in operating profit reported for the first six months of the year. Valora Media's situation nevertheless remains unsatisfactory. To address this, our new media strategy aims to focus our press wholesaling more closely on the needs of the retail sector and of consumers.

The relocation and modernisation of press logistics marks an important and successful step towards improved efficiency and quality levels. In addition, product range configuration services and a variety of sales promotion measures (e.g. the targeted placement of the top 50 press products at 250 outlets) are being developed further, in order to stop the decline in press sales and return to a growth trajectory in the medium term. We intend to adopt the same strategy with our third party customers. Further initiatives are planned to make Valora more competitive and strengthen its position in the increasingly demanding press market. Press wholesalers across Europe are now engaged in boosting their efficency by grouping previously decentralised functions together at key node locations. The transfer of Valora' Melisa SA unit's press operations from Bedano in the canton of Ticino to Egerkingen is one element in the efficiency programme at Valora Media.

THE RELOCATION AND MODERNISATION OF PRESS LOGISTICS MARKS AN IMPORTANT AND SUCCESSFUL STEP TOWARDS IMPROVED EFFICIENCY AND QUALITY LEVELS.

Valora Trade

This division's main activity, the distribution of branded consumer goods, performed extremely well in the demanding economic climate seen in 2009. The division's Nordic businesses turned in a particularly strong performance. Thanks to advances of 75% in Finland and 30% in Norway, the recession-induced 21% drop in net sales in Sweden was offset. The division's positive

← Thomas Vollmoeller (CEO Valora)
↙ Lorenzo Trezzini (CFO Valora)
↓ Kaspar Niklaus (CEO Valora Retail)

→ Alex Minder (CEO Valora Trade)
↓ Stefan Gächter* (Head of Logistics)
↘ Markus Guggenbühler* (CIO)

[* *extended Group Executive Management*]

aggregate performance is testimony to its excellent product range and the high quality of the principals portfolio it has built up. The division also succeeded in signing up further new principals during the year (e.g. San Carlo in Switzerland, Düring in Austria, Storck in Denmark and Norway, Estrella in Denmark and Finland, Göteborg Kex in Germany and PrimeFood in Sweden). The division's operating profit in 2009 was up about a third on 2008 levels, reaching CHF 22.3 million.

THE TRADE DIVISION'S POSITIVE AGGREGATE PERFORMANCE IS TESTIMONY TO ITS EXCELLENT PRODUCT RANGE AND THE HIGH QUALITY OF THE PRINCIPALS PORTFOLIO IT HAS BUILT UP.

The major changes made during 2009 proved to be well-chosen. They are important elements in securing a promising future for Valora. They could not have been achieved without the commendable commitment displayed by every employee throughout the Valora Group.

Particularly during a restructuring phase, it is crucial to be able to count on motivated and reliable staff. That is why, in 2009, we started offering a range of targeted programmes such as the «Leadership Weeks» and other internal training modules. The new Code of Conduct we introduced in 2009 aims to demonstrate our desire not only to be measured by our economic performance, but also by the manner in which we achieve it and the principles by which we do business.

Our «People» strategic initiative focuses not only on our employees, but also on our customers. Through intensified market research and a variety of other targeted measures, we intend to strengthen our customer focus. As an example of our efforts in this area, all members of Group Executive Management and middle management spent at least two entire days working at one of our sales outlets (k kiosk, avec., P&B, Caffè Spettacolo), so that they could experience for the mselves our customers' needs and buying habits. The insights gained from this, which are now coupled with professional market research, form the basis for our decision-making. Our customers' needs will be the permanent focus of our activities.

2010 – THE YEAR OF TRUTH We intend to use 2010 to derive further benefit from the momentum we have now established.

> PARTICULARLY DURING A RESTRUCTURING PHASE, IT IS CRUCIAL TO BE ABLE TO COUNT ON MOTIVATED AND RELIABLE STAFF.

The successes we have achieved so far are motivating us to continue doing so.

As previously announced, we expect the relocation of our logistics operations to generate annual costs savings of CHF 11 million from 2010, with a further CHF 2 million to come in 2012. The improvements we have made in the Retail division (product range configuration, market intelligence, processes and organisation) can also be expected to bear fruit. In addition, the some 60 avec. shops we now operate should help to boost sales and profits considerably. We can also expect to benefit from the forthcoming soccer World Cup in South Africa. Timely and comprehensive distribution of the ever popular collectible soccer picture cards will be an additional challenge for our logistics operations, as indeed it is every two years.

Besides exploiting additional potential in its purchasing of retail and non-retail goods, Valora Retail will also be testing an agency model for its Swiss kiosks. This is a business model which has proved its worth in many other countries for some time now. Within Valora Retail, the kiosk network in Luxembourg already operates successfully on this basis. Suitable sites have already been identified for the first tests in Switzerland. Another focal point for the division in 2010 will be the expansion of the range of services it offers.

In press wholesaling we will work with our publishing partners to streamline our operations further and to develop services to promote press sales, not only for our own outlets but for third party customers as well. Accordingly, the division will in future operate under the Valora Services banner.

The Trade division will bring its extensive market expertise to bear on a supra-national level, as well as offering its services to additional principals and in other new markets.

The milestones we have reached in our strategy programme so far help us to look to the future with confidence. We are however aware that we have not reached our objective yet. In 2010 we will therefore continue to devote our efforts to our key strategic areas – competence, growth and efficiency, working with our employees to keep the customer at the centre of all we do.

I would like to take this opportunity of thanking all Valora's employees for the determination with which they have met the challenges facing us and the commitment they display in their daily work. In an environment marked by constant change they have single-mindedly contributed to making 2009 a successful year for Valora. That is not something that can be taken for granted and it rightly commands great respect. I am convinced that we can meet the challenges ahead with confidence and resolve and that our attention to detail will enable us to lead Valora on to a sustainable and promising future.

Thomas Vollmoeller
CEO

Key financial data

The Valora Group achieved the objectives it had set itself for 2009. The strategic direction the company has taken has shown itself to be well-chosen. This is convincingly illustrated by the fact that the operating profit was increased – despite a worldwide economic downturn, non-recurrence of key additional revenues, a contraction in the press market and an ongoing restructuring programme. Valora – value you can trust in difficult as in good times!

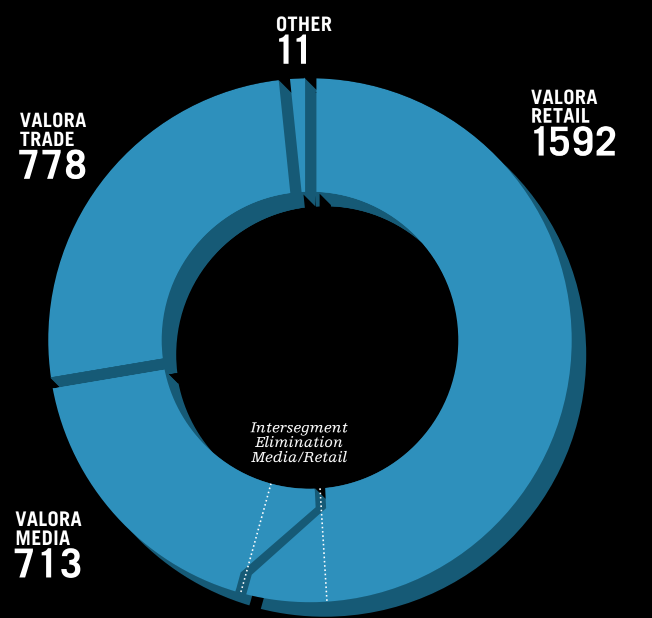
High-lights

		31.12.2009 [1]	31.12.2008 [1] Restated	31.12.2007 [1]
Net revenues	CHF million	**2 897.0**	**2 931.1**	**2 821.7**
Change	%	– 1.2	+ 3.9	+ 2.6
Operating profit before restructuring	CHF million	**68.1**	**62.7**	**59.1**
in % of net revenues		2.4	2.1	2.1
Operating profit (EBIT)	CHF million	**68.1**	**37.6**	**59.1**
in % of net revenues		2.4	1.3	2.1
Net income	CHF million	**53.0**	**24.7**	**46.0**
Change	%	+ 115.0	– 46.3	– 15.9
in % of net revenues		1.8	0.8	1.6
in % of shareholders' equity		11.7	5.5	7.7
Net cash provided by (used in)				
operating activities	CHF million	106.2	86.6	93.6
investing activities	CHF million	– 60.2	90.1	– 23.0
Free cash flow	CHF million	**46.0**	**176.7**	**70.6**
from financing activities	CHF million	– 44.5	– 160.7	– 126.8
Earnings per share	CHF	**18.94**	**7.74**	**14.08**
Change	%	+ 144.7	– 45.0	– 16.6
Free cash flow per share	CHF	**16.73**	**57.39**	**22.06**
Change	%	– 70.8	+ 160.2	+ 20.7
Share price at December 31	CHF	**255.00**	**154.00**	**274.75**
Market capitalisation at December 31	CHF million	**701**	**433**	**877**
Cash and cash equivalents	CHF million	**161.6**	**158.4**	**153.4**
Interest-bearing debt	CHF million	**145.8**	**152.5**	**199.4**
Shareholders' equity	CHF million	**453.7**	**450.4**	**599.3**
Total liabilities and equity	CHF million	**1 099.0**	**1 060.0**	**1 324.5**
Number of employees at Dec 31	FTE	**6 522**	**6 692**	**6 532**
Change	%	– 2.5	+ 2.4	– 1.7
Net revenues per employee	CHF 000	**444**	**438**	**432**
Change	%	+ 1.4	+ 1.4	+ 4.3
Number of outlets operated by Valora		**1 405**	**1 410**	**1 404**
Turnover per outlet [2]	CHF 000	1 133	1 113	1 186
Number of franchise outlets		**25**	**21**	**–**

Percentages and sums are based on the unrounded figures from the consolidated financial statements.
[1] from continuing operations (excluding Fotolabo Group and Own Brands)
[2] Valora Retail division turnover only

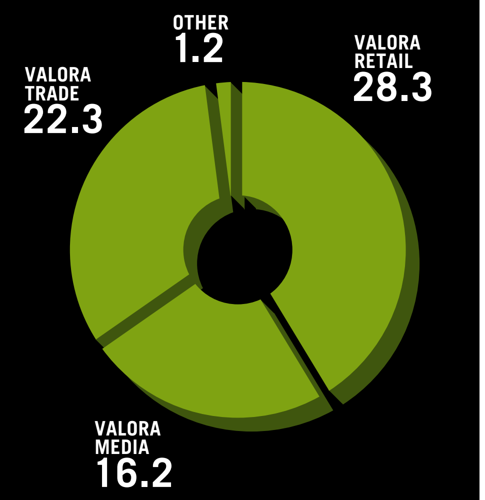
Overview by division

NET REVENUES
in CHF million



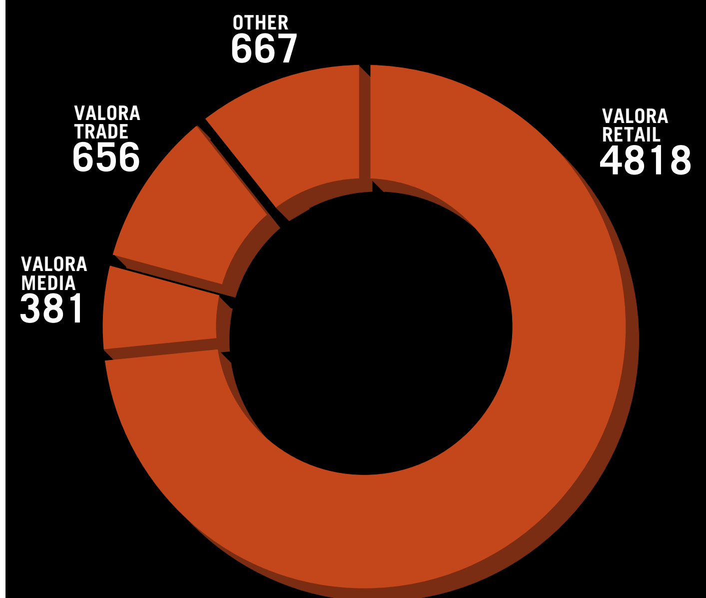
	2009	2008	2007
VALORA RETAIL	1592	1569	1665
VALORA MEDIA	713	766	553
VALORA TRADE	778	788	791
OTHER	11	14	14

OPERATING PROFIT (EBIT)
In CHF million



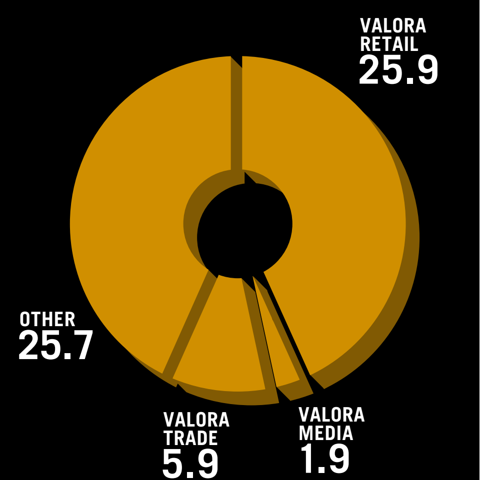
	2009	2008	2007
VALORA RETAIL	28.3	8.0	20.3
VALORA MEDIA	16.2	30.5	25.2
VALORA TRADE	22.3	18.0	17.1
OTHER	1.2	-18.9	-3.6

EMPLOYEES
Number of employees (FTE) at December 31



	2009	2008	2007
VALORA RETAIL	4818	4952	4744
VALORA MEDIA	381	428	454
VALORA TRADE	656	636	640
OTHER	667	676	694

INVESTMENTS
in CHF million



	2009	2008	2007
VALORA RETAIL	25.9	21.6	24.4
VALORA MEDIA	1.9	2.6	2.1
VALORA TRADE	5.9	4.5	2.9
OTHER	25.7	16.5	18.0

Other: these figures relate to the Group support functions in the areas of finance, human resources, business development, legal services and communication, as well as IT and central logistics services for Valora Retail Switzerland and Valora Media Switzerland. All figures are based on continuing operations. 2008: Restated.

Our divisions

valoraretail

A TRUMP CARD FOR EVERY LOCATION

Valora Retail operates more than 1 400 small-outlet retail sites in heavily frequented locations. The division acts as a geographically comprehensive marketing and distribution organisation, providing press and every day consumer products to over 1 million customers. The four main brands in its broad portfolio – k kiosk, avec., P&B / k presse + buch and Caffè Spettacolo – enables it to provide a highly attractive offering at each of its sites. The division's two new own-label brands ok.– (budget / entry level) and ready? (services) have further enhanced its strong portfolio.

NET REVENUES PER BUSINESS AREA

in CHF million	2009	2008
Kiosk Switzerland	972	981
Gastronomy and Caffè Spettacolo	44	48
Convenience and Tamoil	174	170
Retail Germany	301	262
Retail Luxembourg	99	105
Other	2	3
Total Valora Retail	1 592	1 569
OUTLETS PER COUNTRY		
Total Valora Retail	1 430	1 431
Switzerland (incl. Franchisee)	1 157	1 173
Germany	200	183
Luxembourg	73	75

valoramedia
valoraservices

FOCUS ON PRESS AND SERVICES

Valora Media has a high level of international press product and book expertise. Its efficient press management infrastructure enables it to supply more than 6 000 individual press products to Valora's own retail outlets and to third party customers in Switzerland, Austria and Luxembourg every day. Valora Media also supplies third party customers in Switzerland with a broad range of food, non-food and tobacco products, making the division a key partner to retail outlets such as filling-station convenience stores and independent kiosks.

NET REVENUES PER NATIONAL MARKET

in CHF million	2009	2008
Media Switzerland	497	506
Media Austria	150	185
Media Luxembourg	66	75
Total Valora Media / Services	713	766

valoratrade

LEADING EUROPEAN DISTRIBUTOR

Valora Trade is an exclusive distribution partner for branded food and non-food products, supplying retail groups and independent retailers in eight European markets. Valora Trade thus provides access to more than 130 million consumers to numerous renowned international branded goods manufacturers. The division is thus a key partner to producers and retailers alike, providing a range of highly specialised services and tailored solutions to enable them to expand and develop their market positions in a sustainable and profitable manner.

NET REVENUES PER BUSINESS AREA

in CHF million	2009	2008
Trade Switzerland	201	214
Trade Central Europe	70	73
Trade Nordic	507	501
Total Valora Trade	778	788

Our highlights

VALORA RETAIL

4 brands, each delivering small-outlet retail expertise
A critical objective of Valora's new management and the strategy programme it has initiated is to ensure clear identity and direction for the Retail division's various brand formats. P&B, a press and book specialist, was introduced to Switzerland as a fourth, new concept. These stores provide up-to-date infotainment reading material to the travelling public. The concept already operates in Germany under the k presse + buch banner. Through its convenience stores, the avec. brand offers consumers fresh products close to home 365 days a year, while the k kiosk outlets allow millions of consumers to indulge their small, every-day cravings. Caffè Spettacolo is the place to go for an espresso and a quick shot of Italian ambiente. All are testimony to Valora's expertise in small-outlet retail at heavily frequented locations.

Some 1 200 leading articles – a clear offering
For the first time, category management is being used to define a structured product range offering. By the end of 2010, every k kiosk outlet will carry a standardised basic product range, comprising the leading products in each category. These will then be complemented by additional products, selected according to the size and location of each outlet.

Ongoing tests
To complement its existing product range, k kiosk has been testing «ready?», its new service brand. This line comprises travel packages, telecom services and safety services. Further options are being examined and the line will be introduced to additional outlets in 2010.

Market leader in Germany

With its 178 outlets at railway stations and airports, Valora Retail is the leader in Germany's travel bookstore market. In addition, the firm operates a further 21 press outlets, mostly in shopping centres and department stores.

VALORA MEDIA IS NOW CALLED VALORA SERVICES

Strategic evolution
For quite some time, the press market has been subject to accelerating contraction. In recent years, due to competition from freesheets and the internet, this decline has affected newspapers more than magazines. In response, Valora redirected its strategy in 2009. In future, there will be greater focus on the requirements of the retail sector and its customers. To support this, the scope of current sales operations and services will be extended and accelerated.
To mark this change in strategic direction, Valora Media will be renamed Valora Services.

DECENTRALISED PICKING, SORTING AND PACKING INTRODUCED
A major innovation for Valora's press operations was the introduction of decentralised picking, sorting and packing. Instead of dispatching magazines from one central facility in Muttenz, Valora now operates 11 decentralised railhead sites. The drivers working from each of these logistics nodes prepare the bundles themselves, supplementing the prepacked items from Egerkingen with titles supplied directly by the publishers.

72 hours now cut to 21

The modernisation of its press logistics is a major investment in quality and efficiency by Valora. The interval between receipt of a magazine title at the depot and its being delivered to a retail outlet was previously between 48 and 72 hours. Average throughput time has now been cut to 21 hours. Smarter distribution management and shorter processing times make for much higher quality. In future, it should also be possible for foreign magazines to go on sale in Switzerland on the same day as in their home market.

VALORA TRADE

Durgol® clears the way into a new market segment
On June 1, 2009, Valora Trade Austria was granted exclusive distribution rights for the durgol® brand. Securing the right to distribute durgol®, the undisputed leader in the decalcifer market in Austria and Switzerland, was a double success for Valora Trade Austria, since it not only meant the acquisition of a substantial new principal, but also marked the firm's entry into a completely new market segment. As the Austrian team prepares for the future, it can now count on its additional expertise in near and non-food.

EXCLUSIVE DISTRIBUTION
Göteborgs Kex, Sweden's leading biscuit manufacturer, has granted exclusive German distribution rights to Valora Trade Germany. In the years ahead, Göteborgs Kex intends to work with Valora Trade Germany to achieve a rapid expansion of its market share, by deploying a range of proven and new concepts. An initial high point of this co-operation was the launch of the high-quality wholemeal Toggolino ABC biscuit line in January 2010. Toggolino is the main sponsor of Super RTL, the leading childrens' TV channel.

Spiwag integration
Spiwag, which is based in the Swiss town of Schaffhausen, was acquired by Valora on 1.10.1999. The firm markets and distributes confectionery to retailers throughout Switzerland. The business has performed well and the company's somewhat old infrastructure in Schaffhausen eventually reached capacity limits. To address this, a decision was made to share facilities with Valora Trade Switzerland by relocating to its Neuendorf site. From mid-2010 onwards, the move will allow Spiwag to continue growing its Swiss business in a modern, centrally located infrastructure setting.

Our brands

VALORA RETAIL

Lean sales organisation
Instead of the previous 180 regional group heads, 48 managers are now each directly responsible for 16–23 k kiosk outlets. These managers no longer run an outlet of their own, but concentrate solely on their management duties. This leaner structure helps information at all management levels to flow faster and more directly.

Expansion at avec.
During 2009, Valora focused on the expansion of avec.'s Swiss outlet network. Following the makeover of the concept, the avec. shops are attracting strong demand from customers. The brand is benefiting from the shops' excellent locations and long opening hours. Customers also appreciate the good mix of fresh products, take away, coffee, bistro and other services which avec. offers. Currently, Valora Retail operates some 60 avec. shops and a further 46 filling-station outlets.

P&B FOR READERS ON THE MOVE
SWITZERLAND'S FIRST «P&B» UNITS OPENED IN BASLE AND BERNE IN THE SPRING OF 2009. 9 MONTHS LATER, TWO FURTHER OUTLETS WERE SUCCESSFULLY OPENED AT ZURICH'S MAIN RAILWAY STATION AND AT THE SHOPPYLAND CENTRE IN SCHÖNBÜHL. WITH 2 500–3 000 PRESS PRODUCTS AND SOME 1 500–2 000 BOOK TITLES, THESE P&B FLAGSHIP STORES CELEBRATE MULTI-FACETED MEDIA EXPERTISE IN A STYLISH RETAIL SETTING.

Modern design and innovative store layout
The k presse + buch store at Hamburg's Airport Plaza is making a name for itself beyond Northern Germany. In the 15 months since it opened, it has established itself among Valora Retail's top three locations, exceeding all expectations. The k presse + buch store's 350 m² premises combine a comprehensive range of press products and books, complemented by an innovative media wall and a print-on-demand international newspaper service.

VALORA MEDIA

MELISA INTEGRATION
MELISA SA IN THE SWISS CANTON OF TICINO HAS BEEN PART OF THE VALORA GROUP SINCE 1999. WITH EFFECT FROM OCTOBER 1, 2009, MELISA'S ENTIRE PRESS OPERATIONS HAVE BEEN TRANSFERRED TO VALORA IN MUTTENZ. NUMEROUS FUNCTIONS IN THE AREAS OF PURCHASING, FINANCE, LOGISTICS AND IT WERE CENTRALISED UNDER ONE ROOF AT VALORA.

Customer focus in Austria
Mounting competition and the increasing demands placed on the business by its retail partners meant that structures and processes also had to adapt in Austria. Distribution control was split from publishers' key account management, helping to develop market-oriented product ranges more efficiently. Publisher accounts are now managed on a supra-national basis. There have also been innovations in customer services, sales and category management, with a view to improving customer focus and promoting the development of individualised solutions. The services offered to retail chains and independent retailers have been made more specific to theneeds of these two groups.

WHOLESALING CONSOLIDATED
Wholesaling to third party customers in Switzerland, which had previously been split by market, was consolidated with Valora Media in early 2009. This enables synergies to be exploited more efficiently and a more holistic approach to be taken to process development, both of which raise the level of service quality. New service packages are being developed and the ranges on offer are being reviewed and enhanced. In the years ahead, this will enable the division to acquire additional customers.

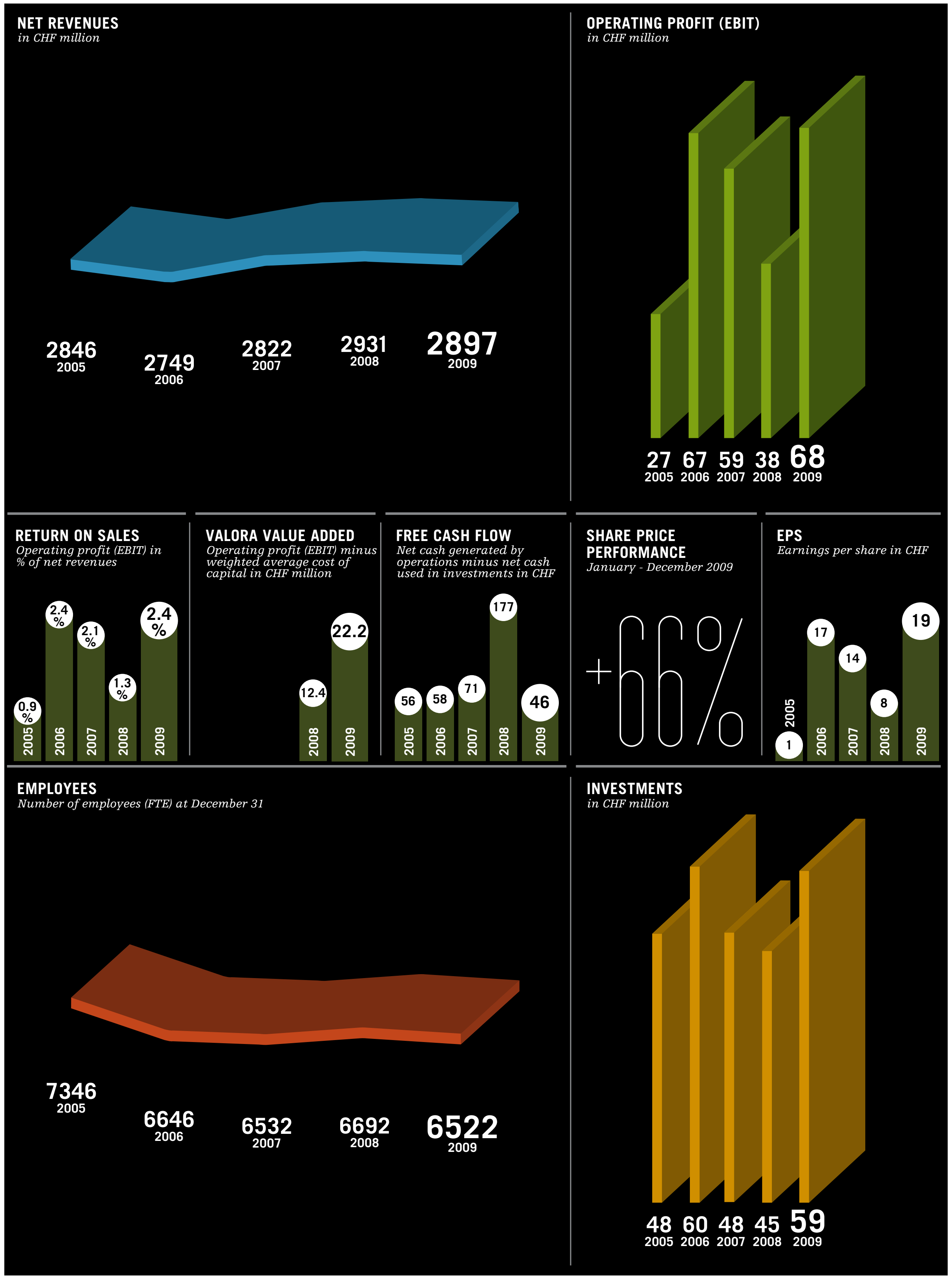
VALORA TRADE

New record for Ricola

Swiss alpine herbs are popular in Austria, too. 2008 was already a successful year for Ricola, with market share expanding by 1.5%. This trend continued in 2009, as Ricola continuously expanded both sales and market share, consolidating its leadership position. Valora Trade Austria and Ricola have been working together for more than 30 years. It is therefore particularly gratifying for both parties to see Ricola achieving yet more new records.

NORDIC CATEGORY ORGANISATION
WITH EFFECT FROM JANUARY 1, 2010, VALORA TRADE'S EXISTING COUNTRY ORGANISATION STRUCTURE IN SCANDINAVIA WAS REPLACED BY A SUPRA-NATIONAL OPERATING UNIT, ORGANISED ON CATEGORY LINES. THIS NEW ARRANGEMENT WILL MAKE IT EASIER FOR BEST PRACTICE EXPERTISE WITHIN THE ORGANISATION TO BE EFFICIENTLY SHARED. THIS WILL IMPROVE THE QUALITY OF THE SERVICES PROVIDED, THUS BENEFITING ALL VALORA TRADE NORDIC'S STAKEHOLDERS-PRINCIPALS, RETAIL PARTNERS AND STAFF.

Creating synergies
The successful introduction of the Valora Trade IT platform in Denmark is a major strategic milestone for the division's Nordic operations. This integrated, high-quality business application will make it possible to exploit synergies at a supra-national level. The information management functions the system provides will help the new category-based organisation to deliver its services more efficiently. In 2010, the system will be rolled out to Finland, Norway and Sweden. This marks a major step towards the implementation of the Nordic knowledge house, a data warehouse designed to support further enhancements to key account and category management support.



All figures are based on continuing operations. 2008: Restated

2010 Group structure

(as of 01.04.2010)

DIVISIONS

VALORA RETAIL

Kaspar Niklaus
CEO, Valora Retail

Kaspar Niklaus
Valora Retail Switzerland

Mathias Gehle/ Lars Bauer
Valora Retail Germany

Lars Bauer
Valora Retail Luxembourg

Retail formats

Patrick Stäuble
k kiosk

Jörg Brun
avec.

Hanspeter Büchler
P&B

Thomas Haupt
Caffè Spettacolo

VALORA MEDIA / SERVICES

Alexander Theobald
(as of 01.05.2010)
CEO Valora Services

Martina Stricker
Media Services Switzerland

Andreas Balazs
Sales & Services Switzerland

Robert Gehmacher
Valora Services Austria

Christian Schock
Valora Services Luxembourg

VALORA TRADE

Alex Minder
CEO, Valora Trade

John-Peter Strebel
Valora Trade Switzerland

Carsten Ørnbo
Valora Trade Nordic

Christine Schönowitz
Valora Trade Austria

Heiner Kuroczik/ Dirk Kuroczik
Valora Trade Germany

SUPPORT DIVISIONS

LOGISTICS

Stefan Gächter

IT

Markus Guggenbühler

FINANCE

Lorenzo Trezzini CFO

CORPORATE FUNCTIONS

CORPORATE COMMUNICATIONS & STRATEGIC BRANDING

Stefania Misteli

CORPORATE HUMAN RESOURCES

Susanne Berger

CORPORATE BUSINESS DEVELOPMENT

Thomas Eisele

CORPORATE LEGAL SERVICES

Georg Matiaska

GROUP EXECUTIVE MANAGEMENT

GROUP EXECUTIVE MANAGEMENT

Thomas Vollmoeller
CEO

Lorenzo Trezzini
CFO

Kaspar Niklaus
Alex Minder
Alexander Theobald
(as of 01.05.2010)

Extended Group Executive Management

Stefan Gächter
LOGISTICS

Markus Guggenbühler
CIO

BOARD OF DIRECTORS

BOARD OF DIRECTORS

Rolando Benedick
Chairman

Markus Fiechter
Vice-Chairman

Franz Julen
Conrad Löffel
Bernhard Heusler

Audit Committee

Conrad Löffel
Chairman

Bernhard Heusler
Rolando Benedick

Nomination and Compensation Committee

Franz Julen
Chairman

Markus Fiechter
Rolando Benedick

Strategy programme report

The milestones achieved in the «Valora 4 Success» strategy programme allow the Group to look to the future with confidence. Customer focus is the key objective of the programme. In 2009, Valora responded to its customers' needs by launching its own-label ok.– brand, strengthening its avec. operations and structuring its press business more efficiently. A new leadership culture is being developed. The following pages provide illustrative examples of the progress Valora is making in its four areas of strategic emphasis – competence, growth, efficiency and people.

COMPETENCE

We are a force to be reckoned with in small-outlet retail. Every day, we put our sites, product ranges, services and relationships to work for millions of customers. Competence creates credibility. It provides a solid basis for our business success.


POP/ROCK
TIERE
KOCHEN/ESSEN


ok.

COMPETENCE

NEW PRESS AND BOOK SHOPS

IN EARLY SPRING 2009 TWO NEW P&B PRESS AND BOOK SHOPS WERE OPENED AT THE RAILCITY SHOPPING CENTRES IN BASLE AND BERNE. THIS NEW VALORA RETAIL FORMAT PROVIDES CURRENT DAY INFOTAINMENT AND AN APPEALING BOOK RANGE IN ATTRACTIVE SURROUNDINGS. THE PRINT ON DEMAND SERVICE PROVIDES SWITZERLAND WITH ITS FIRST RANGE OF WORLDWIDE DAILY NEWSPAPERS PRINTED WHILE YOU WAIT. FIRST-YEAR RESULTS MET EXPECTATIONS. THE CONCEPT – COMBINING A BOOK AND PRESS PRODUCT RANGE – HAS PROVEN EFFECTIVE AND HAS BEEN FURTHER ENHANCED AHEAD OF ITS ROLL-OUT TO OTHER OUTLETS IN 2010.

ready? the new service brand

Valora intends to develop its outlets into service centres for its customers, which is why it developed its new «ready?» brand. The service micro-retails contemporary, innovative take-away offers which are good value, peerless and always available everywhere. October 1, 2009 saw the launch of «ready?» travel: every week, in conjunction with TUI, 50 k kiosk pilot outlets now market a new holiday package snip for two. Other services include fixed line TalkEasy, TCS travel insurance and an emergency call device. The services offered will be developed further during 2010.

ok.– is more than just OK! The ok.– items are a new line of private label food and non-food products which are of high quality and sold at very fair prices. A first for Valora and one which has been enthusiastically received in the market.

AWARDED

For the first time ever, Valora has launched a line of daily consumer products under its own brand label. Bearing the simple name ok.–, these are intended to extend and deepen the product range offered at k kiosk and avec. outlets. While Valora stands firmly by the established brand products it sells, the ok.– line enables it to offer a reasonably priced range of good quality alternatives. This provides customers with a wider range of products and price categories to choose from. Currently, the avec. shops carry some 100 attractively priced ok.– items, while k kiosk and P&B offer about 20.

The launch of the first product, the ok.– energy drink, was a great success. The initial consignment was sold out in two days and by the end of the year more than six million cans had been sold. This also significantly increased the number of new, younger customers visiting Valora outlets. Given the current difficult economic situation, the new brand was launched at just the right time. Since the worldwide recession began, customers have generally been showing greater interest in attractively priced alternatives.

Besides the ok.– energy drink, customers are also finding other ok.– drinks such as mineral water, fruit juices, ok.– beer and the recently introduced latte macchiato particularly appealing. On the confectionery side, chocolate bars and chewing gum are the most popular lines. In the non-food segment, the recently introduced ok.– umbrella will be followed by other non-food items.

Valora's ok.– product line is proving to be a great overall success, enjoying noticeable popularity across the consumer spectrum. The products' high quality and reasonable prices are widely appreciated. This innovation was not only endorsed by the record volume of sales to customers, but has also attracted the attention of design and branding specialists, as evidenced by the ADC prize for packaging design which was awarded to the ok.– product line in February 2010. ●

THE CONCEPT BEHIND THE NEW «OK.–» BRAND

The new brand is intended to offer a particularly attractive value-for-money proposition which can be registered and deployed throughout Europe in all categories (food, non-food, near-food). This Valora private label brand aims to stand out against other low-price competitors, both in its immediate proximity to them and by attracting attention to its shelf location, thus ensuring recognisability vis-à-vis other product types. The brand name is designed to be accessible and readily understood throughout Europe's linguistic regions.

THE LAUNCH

The first product to launch was the energy drink, which attracted attention to the brand. Initially, the campaign focused on the energy drink, before moving on to introduce further ok.– products. New products are constantly being added to the range, with some 100 scheduled to be on sale by spring 2010.

SPECIAL WEF DEPLOYMENT
During the World Economic Forum (WEF) in Davos, Valora's staff at the Zizers railhead had a number of special assignments and extra deliveries to carry out. On day one of the conference, they picked, sorted and packed 9 tonnes of domestic and international press products (vs 800 kg on normal days), delivering these to hotels in Davos and Klosters. The publishers greatly appreciated this excellent level of service.

Successful attendance
Valora Trade again attended the International Confectionery Trade Fair (ISM) in Cologne. The ISM is the world's leading trade exhibition for confectionery and savoury snack products, with 32 000 visitors from more than 140 countries attending in 2009. The event enabled Valora Trade staff to discuss future strategy plans with business partners, as well as marketing the division's services and expertise to potential new customers.

ok.–'s own Facebook page
In line with the times, Valora's ok.– brand is now also on Facebook. Click on www.facebook.com/okPunktStrich to chat with others from the ok.– fan community and witness Valora's first foray into social media. This popular platform provides a direct, up-to-date indicator of interest in the range, helping it to respond to customer needs.

«WE KNEW IT WOULD GO WELL, BUT THE SURGE IN DEMAND WHICH BUILT UP AFTER SUCH A SHORT TIME WAS WAY BEYOND OUR EXPECTATIONS. IT JUST SHOWS THE FOOTFALL WE GET AT OUR SITES – AND HOW QUICKLY A NEW PRODUCT CAN BE LAUNCHED.»

INTERVIEW
WITH JÖRG BRUN, HEAD OF CATEGORY MANAGEMENT VALORA RETAIL

How did the ok.–launch go?
It was spectacular. We started with 250 000 cans of ok.–energy drink in early July and were sold out in two days. By late August we were selling 1 million cans a month.

How did your organisation cope with all the hype?
Of course there were delivery bottlenecks at the beginning. We first had to optimise the processes needed to handle these huge volumes, but our logistics people soon had everything organised.

The sales staff had never carried own-label items before. How did they take to ok.–?
Very well. The sales staff were extremely motivated and fully supported the product. That is one of the main factors contributing to the strong launch and the success which followed it.

What did you focus your marketing on?
At first we concentrated on imaginative presentation at the outlets. Things like piling the cans up high to catch peoples' eye. We first advertised in September.

Had you expected this kind of success?
We knew it would go well, but the surge in demand which built up after such a short time was way beyond our expectations. It just shows the footfall we get at our sites – and how quickly a new product can be launched.

How did the brand develop?
We analysed customer needs and then launched mineral water, fruit juices and beer – plus sugarless and exotic energy drinks – shortly after the initial energy drink launch. Then came chocolate bars, chewing gum, ice tea and other food products. The first non-food item was the umbrella.

Based on what criteria do you choose new products?
For the k kiosk range we've concentrated on key products with the highest sales potential. We intend to keep the current 20-item range at the kiosks, whereas we have a wider range of daily staples on offer at the avec. shops.

Why did you wait six months before launching the first ok.– fresh products?
We took a pragmatic approach. We wanted to gain experience with fresh products before we started developing our own lines. Fresh products are perishable, which makes them more difficult to handle.

Is Valora sticking to its brand strategy despite this success?
Our own-label range is unlikely ever to account for more than 5% of our sales. We are the small outlet retail channel for branded goods and we intend to remain so.

Did you meet your objectives with the ok.– launch?
Yes. The sales figures for most ok.– products demonstrate that the brand is gaining good acceptance. Not only did we increase footfall, we also established a name for ourselves with a younger clientele. A lot of young people are familiar with the ok.– label today. Its brand recognition got off to a very rapid start. ●

>1000x

Around the world: At 11 Valora sites in Germany and Switzerland, a print on demand service enables 1 000 current day newspaper titles from more than 80 countries to be chosen from, printed and read more or less immediately – all at the touch of a button.

CO-OOPERATION WITH TAMOIL
Valora's successful co-operation with Tamoil moved up another gear in 2009. At three pilot sites the Tamoil service station outlets which Valora had operated hitherto were converted into avec. shops. In the autumn, a brand new avec. shop opened for business at a Tamoil filling station in Oppligen in the Swiss canton of Berne. Customers liked the fresh produce concept and the product range on offer. Results exceeded Valora's and its partner's expectations. Further expansion is planned for 2010.

Summit meeting
Once again, the annual hiking day Valora organises for its publishing partners in the Swiss mountains was a great success in 2009. Valora Media staff and guests from various publishing houses in Switzerland and beyond made the most of the June day to discuss strategy, renew acquaintances and exchange information.

Top 50 products: showing our customers an attractive offering in the right light.

EYE-CATCHER

Valora is the largest press distributor in Switzerland, Luxembourg and Austria, delivering more than 6 000 press titles every day. In Switzerland half of its overall press sales are generated by the Group's own k kiosk, avec. and P&B channels, with the remainder going to a further 3 500 third party customers. Magazines and periodicals make up 75% of the range, with daily press titles accounting for the remaining 25%.

The development of new media and the rise of the freesheet have brought about major changes in end consumers' reading habits over the last 10 years. Daily current affairs news is now seen as a basic requirement, which people expect to be able to meet at no charge, on the move and without constraints on time or place.

This widespread change has brought in its wake a steady contraction of the newspaper market. Magazines, conversely, have enjoyed stable sales so far, with modest uptrends in some areas. Special interest titles such as illustrated periodicals, hobby, sport and science publications have done well, irrespective of the economic climate.

The first six months of 2009, however, saw the first signs of magazines falling prey to the general economic downturn, and sales began to fall. This situation stabilised during the second half of the year. In Switzerland, overall press sales in 2009 showed only a modest year-on-year decline. In Austria some growth was achieved, particularly with magazines. Both countries saw magazine sales recover faster than those for newspapers. In Switzerland this was particularly evident in youth/comics titles (+11.4%), while in Austria the home/family/animals segment did best (+8.0%).

IN THE THREE MONTHS AFTER THE CONCEPT WAS ADOPTED, NEARLY 50% OF THE DECLINE IN OVERALL PRESS SALES HAD BEEN REVERSED.

«TOP 50» PROJECT. Press products continue to enjoy a special status for Valora. The Group's dense sales network and the over one million daily customer exchanges this generates in Switzerland, Luxembourg and Germany enable Valora to identify market trends quickly. It is always the end consumer who sets the pace. The goal is to configure the multi-faceted catalogue in such a way that the range delivered to each outlet best meets its individual requirements. Press displays are also being improved as a means of promoting impulse purchases.

That was the objective of the recently launched «Top 50» project. At 250 outlets, the 50 best-selling titles were displayed to customers more prominently and visibly. These top 50 titles are now presented on central so-called rack islands. The idea is to use this greater visibility to drive press sales and thus significantly increase floorspace productivity.

POSITIVE RESULTS. The first tests were carried out at Valora's own sites and showed encouraging results. These new displays for top 50 titles were soon reflected in sales revenues. In the first three months, nearly 50% of the decline in overall press sales had been reversed, while sales of the top 50 titles themselves rose almost 5%.

In the second half of 2009, these top 50 press title displays were extended throughout the Valora network. As a result, press sales during that period showed a slight increase, the first such improvement in years.

The next phase in this project will see Valora offering this optimised press presentation to its 3 500 third party customers. In addition to new display shelves and an enhanced press offering, additional services and consultancy will also be provided.

Valora is convinced that this heightened focus on customer-oriented offerings and improved visibility for best-selling titles will open up new opportunities for its press sales. ●

GROWTH

We continue to grow. Under our own steam. With new product ideas. By maintaining our commitment to the dynamic convenience market. Growth propels us forward and strengthens our company for the future.


avec.

Increasing mobility
Switzerland is forecast to see further traffic volume growth in the years to 2020. Road traffic as a share of overall volume is expected to shrink, with the railways' share rising from 15% to over 26%. In the EU, public transport traffic volumes should rise somewhat less than in Switzerland.* Since late 2004, total daily Swiss rail passenger numbers have risen 30% to 900 000, thus giving Switzerland the most intensively used rail network on the planet. With its network of outlets in prominent railway station locations, Valora Retail is drawing full benefit from this booming trend.

* *Bundesamt für Raumentwicklung (2002): Aggregate traffic volume projections for Switzerland and the EU*

Public transport champions league
According to Switzerland's Public Transport Association (in German, «Verband Öffentlicher Verkehr»), the countries in the world with the highest proportion of the population holding public transport season tickets are Switzerland and the city-states of Hong Kong and Singapore. In August 2007, more than 3.56 million season tickets were in issue in Switzerland, a number which is rising. Valora aims to make the most of that customer loyalty.

Strong tobacco
Valora's tobacco sales are gaining a rapidly growing share of a shrinking market. Overall, Valora sold 78 918 008 packets of cigarettes in 2009. That works out at 1.6 billion individual cigarettes. The unit with the highest sales was k kiosk, selling 1.4 billion cigarettes.

Valora's avec. brand is ideally positioned within the growing convenience store market.

IN MOTION

The word «convenience» is now the happening concept in the retail industry. In Switzerland, practically every major retailer is trying to gain a foothold in this exciting and lucrative market sector. The same applies in many other European countries, with the UK as the established pioneer. There are however significant differences in the ways in which this «new» form of retail has taken shape and developed in the various national markets. Within a limited space and at a central location, these outlets offer a selected range of products with an emphasis on freshness and efficiency.

In recent years, a significant, and growing, number of consumers have turned their attention to small retail formats which they find convenient, hence the eponymous generic term. An increasing number of consumers, especially those living in smaller households, have substituted spontaneous, day-to-day shopping for the planned weekly shopping trip aimed at stocking up on a whole range of products. This trend reflects both individual needs and the changing expectations of today's consumers.

The key idea behind the convenience concept is to simplify laborious and repetitive tasks and processes. A good example of such tasks is shopping for foods and daily consumer staples. For many customers today, achieving an optimal balance between work and leisure is a key objective. This in turn means that shopping has to be both as efficient – and as unconstrained by time and place - as possible. The result is that shops which take a long time to get to and have limited opening hours no longer meet the needs of all consumers.

BROAD CONSUMER DEMAND FOR SMALL RETAIL FORMATS WHICH ARE EASY TO USE, AND THUS 'CONVENIENT' HAS SEEN CONSIDERABLE GROWTH IN RECENT YEARS.

A number of studies have also shown that, when shopping for their daily needs, consumers prefer a simplified product range with an emphasis on fresh, healthy produce. Changes in lifestyle, longer working hours and increasing mobility are other important factors here. The growing number of small or single-person households is also contributing to this trend. Another factor is that in many two-person households, both partners work. This shifts grocery shopping trips to coincide with the journey to work or other activities, such as buying petrol.

Valora's «avec.» convenience stores have been designed to meet just these needs. With some 60 outlets in Switzerland as of March 31, 2010, avec. operates Switzerland's third-largest network of convenience stores. The sector as a whole, which includes more than a dozen other players (including the operators of filling stations and neighbourhood store chains) now generates overall annual sales of CHF 4.5 billion, a figure which is rising.

Against the backdrop of the huge shopping temples which are being built and the gradual demise of the family-run corner shop, the convenience stores have become a major source of growth in the retail sector. avec.'s cur-

rent focus is mainly directed towards expanding its outlet network. This also provides an opportunity for utilising existing sites more profitably, by, for example, transforming some k kiosk outlets into avec. shops. Co-operations with strategic partners aim to complement these with additional sites.

Growth in the number of locations in the two strategic categories (public transport nodes and filling stations) is excellent. Swiss Federal Railways have seen the number of passengers at their stations grow by 40% in the last eight years, while the number of large-scale filling stations has nearly doubled. These trends have enabled the convenience sector to achieve significant sales growth in the last decade. With over 90% of its outlets located at railway stations, the avec. brand is well positioned for the future.

Avec. shops carry a compact range of products, selected to meet the needs of the customers mentioned above. The focus is on fresh, healthy produce and products which are ready to eat or ready to heat up for immediate consumption. Meals which can be quickly heated up at home or require little additional preparation are much in demand with today's consumers. The avec. product range covers a number of price categories, offering the customer the choice between branded products and Valora's own-label ok.– range. Compared to other convenience store operators, avec.'s status as a Valora Group company gives it the advantage of press product expertise to complement its portfolio of well-chosen outlet sites. The range of press products on sale at avec. is much wider than that offered by its competitors. In addition, tobacco products, services and the coffee / bistro areas all complement the stores' varied but focused product range.

Changing lifestyles suggest that the basic demand for convenience stores will show further growth in the next few years. Thanks to its avec. network, Valora is very well positioned here and will be able to continue benefiting from this trend. The Group's well-designed format concept, with its fo-

AVEC.'S CURRENT NETWORK OF SOME 60 CONVENIENCE STORES IS THE THIRD LARGEST OPERATED BY A PURE RETAILER IN SWITZERLAND.

A wealth of water

Between the launch of ok.– mineral water in July 2009 and the end of the year, Valora's total mineral water sales rose more than 15.5%. In the second half of the year, more than 630 000 half-litre PET bottles of ok.– mineral water were sold, amounting to 315 000 litres altogether.

k kiosk, the chewing gum specialist

With more than 200 chewing gum products (209), k kiosk offers a wide choice to chewing gum lovers. In 2009, k kiosk sold a total of 9 921 152 packets of chewing gum. That works out at 1.3 packets for every man, woman and child in Switzerland, so that on average, everyone living in Switzerland bought at least one packet of chewing gum from k kiosk during 2009.

New principals

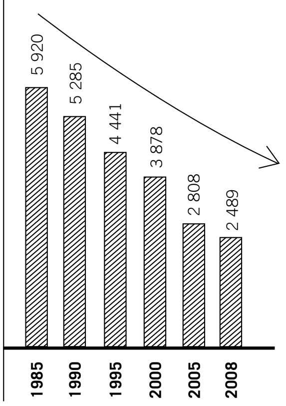
Valora Trade succeeded in signing up a number of new principals in 2009, with new partnerships entered into in all markets. New principals included Storck (Denmark and Norway), Estrella (Denmark and Finland), Düring (Austria), Göteborgs Kex (Germany) San Carlo (Switzerland) and Prime Food (Sweden).

Essen Main station

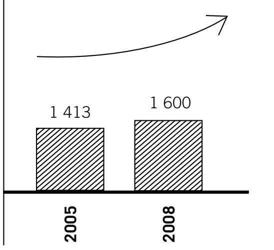
Just ahead of the 2009 Christmas rush, five k presse + buch shops (three reformatted units and two new ones) opened their doors for the first time. The shops offer some 8 000 book titles and 5 800 different press products on 240 m²

cus on heavily frequented railway station and filling station locations, coupled with its coherent, customer-focused product range, make the convenience sector the primary growth driver for Valora's future. ●

INDEPENDENT RETAIL SHOPS (excluding specialist retail)[1]

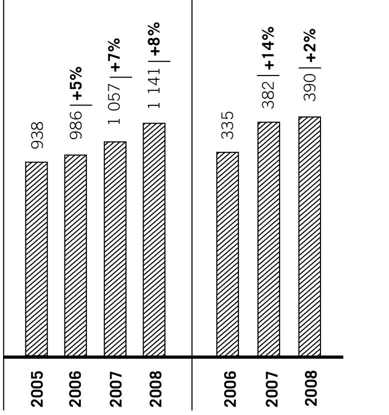


FILLING STATION & CONVENIENCE STORES (excluding kiosks)[1]

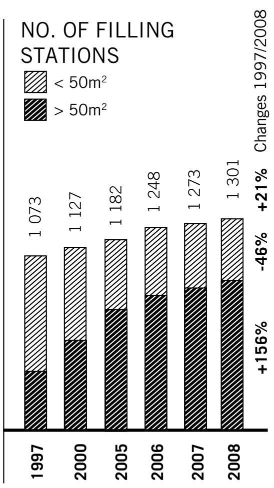


RAIL CITY[1]

Railway stations offering extended shopping



NO. OF FILLING STATIONS



The decline of family-run neighbourhood shops is clearly evident between 1985 and 2008. Conversely, the number of fillling station outlets and convenience stores has seen a marked rise in recent years.

1 2009 Swiss retail survey, GfK Switzerland

avec. facts

NUMBER OF OUTLETS
BY MARCH 31, 2010, **58** AVEC. SHOPS

OUTLET LOCATIONS:
52 AT RAILWAY STATIONS, **4** AT FILLING STATIONS, **2** IN CITY-CENTRES
25 OF THESE ARE FRANCHISEE-OPERATED

AVERAGE SALES PER SHOP:
CHF **2.3 MILLION**

NUMBER OF FOOD ARTICLES:
1 500–2 000

* in addition, Valora operates a further 46 filling station and convenience store outlets carrying a range of avec. products.

KEY FACTORS EXPLAINING SUCCESS OF AVEC. SHOPS

LOCATION
- Easy of access for people on the move
  > railway stations/public transport nodes, filling stations, city centres
- Parking

FOOTFALL
- Daily location footfall over 4 000

FLOORSPACE
- Depends on location
- 60 m²–200m²
- Storage space should equal 25% to 30% of sales floorspace

PROFILE
- Open 365 days per year, offering necessities and staples
  > unconstrained availability of daily shopping staples outside «regular» shopping hours

of floorspace. Essen's main station attracts 135 000 commuters and long-distance travellers every day.

Marked increase in volume
Valora logistics now has the reserve capacity it needs for expansion and was able to handle significantly higher volumes in 2009. The volumes (incl. Beverage volumes) were up 6%. Valora logistics now also handles fresh products.

Full of energy
Sales of energy drinks rose 153% in 2009. 65% of this was accounted for by the new ok.– energy drink range. That means that Valora outlets sold more than 6.4 million cans of ok.– energy drink last year. Lined up end to end, they would reach from Basle to Barcelona.

Coffee consumption unabated
Total sales for the five most popular coffee beverages at Caffè Spettacolo and Espresso came to 4 483 402 cups. This equates to about 220 million coffee beans, or 32 tonnes of ground coffee.

The Konrad Wittwer integration, one year on. The 19 stores acquired from the old-established firm of Konrad Wittwer have now been part of Valora Retail's network for 12 months. Time for an initial assessment.

EXPANSION

The Konrad Wittwer railway bookshop firm, with registered offices in Stuttgart, was founded in 1867. It had been managed by no fewer than five generations of the founding family by the time Valora acquired it. The firm also ran city-centre bookshops in addition to its railway station stores. For years, Konrad Wittwer has been one of the great names in German book retailing. It was an ideal partner for Valora Retail in Germany.

A total of 19 Konrad Wittwer railway station outlets were added to Valora Retail's German store portfolio. This transaction increased the division's German sales by 13% in 2009, raising its total number of German outlets to 200. Valora is now represented at major railway stations in all 16 Federal German states. It has also raised its share of the German railway station bookstore market to around 36%.

After a smooth start on January 1, 2009, the new units have performed well. The «Pressecenter» at Stuttgart's main station now has the fourth highest sales among Valora Retail outlets in Germany. Based on press sales alone, it actually outsells all the other units. Initially, the 160 or so former Konrad Wittwer employees had to familiarise themselves with Valora and the 19 outlets had to be adjusted to the familiar «k presse + buch» format. Thanks to the active suppport of all concerned and a real tour de force by Valora's logistics staff, Konrad Wittwer metamorphosed into «k presse + buch» virtually overnight.

Every acquisition is a challenge. However, the experience which Valora Retail Germany has acquired during the 21 such transactions it has now completed is of great benefit to each individual integration. These integrations involve the total incorporation of the new units acquired into Valora Retail's infrastructure, complete with their inventory catalogue, cash till and inventory management systems.

Quite a lot has happened at these units since they were integrated into Valora. «We were excitedly waiting to see what would happen here. There have been quite few changes», says Evi La Porte. «Many IT and other systems were replaced and updated.» Kerstin Omacis, an employee at the Pressecenter in Stuttgart, adds: «Of course, we first had to get used to working under the new system, but we had plenty of support in those early days from experienced Valora staff who showed great commitment and patience in showing us what to do.»

Changes during this first year have not only happened behind the scenes. The appearance and layout of the shops have also been given a makeover. Till counters were rebuilt at a number of units, including Ravensburg, Esslingen, Heidenheim, Aalen and Reutlingen. As Wieslaw Cichy, the team leader of the k presse + buch store in Reutlingen, confirms, the effect of this building work has been positive. «In itself, just the new and more open design of the store improves our contact with our customers, making it more direct and immediate.» Further modifications and improvements are already being planned. ●

Following its integration into Valora Retail Germany, the Konrad Wittwer railway station bookstore in Ulm was re-branded using the k press + buch format.

In Germany, 21 non-travel retail outlets have been rebranded from k presse + buch to k kiosk.

EFFICIENCY

We are constantly improving our performance. Identifying potential for efficiency improvements enables us to cut costs significantly – in logistics, in staff deployment, in processes and systems. Efficiency boosts earnings power. Efficiency makes us fit for the market.

SWITCHING FROM ROAD TO RAIL

The waste paper recycling process at Valora's logistics facility in Egerkingen is highly automated. Once the returned newspapers and magazines have been processed for returns accounting, a conveyor belt takes them to designated goods carriages. An ultrasound device is used to ensure that the carriages are properly and evenly filled. Once loading is complete, a text message is sent to Swiss Federal Railways' cargo division. The consignment is then taken to a paper mill located some 65 kilometres away. This enable Valora to eliminate 5 return journeys by road haulage truck each day, thus reducing road traffic and promoting railway transport.

175

RAIL GOODS CARRIAGES WERE DISPATCHED FROM THE EGERKINGEN LOGISTICS CENTRE BETWEEN 1.6. AND 31.12.2009 TAKING WASTE PAPER FOR RECYCLING.

The press market is facing major challenges. The paradigm shift brought about by the rapid development of electronic media has caused sales of newspapers and magazines to contract. To compensate for lost turnover, Valora must achieve lasting improvements in efficiency. Measures within individual business areas are not enough. A major transformation is required.

EVOLUTION

The retail press market has seen sales volumes contract continuously for years. This trend has been particularly pronounced for daily newspapers, which have been most affected by the public's changing media usage which the internet and freesheets have brought in their wake. Valora Media also saw its 2009 press sales decline on their 2008 levels. This was partly due to the price increases newspaper publishers in other countries implemented during 2009 to compensate for lower sales, some of which were substantial. Price increases in Switzerland, conversely, were more modest.

One element of Valora's strategy programme is to focus its press wholesaling activities more assiduously on the requirements of its retail partners and their end consumers. To support this initiative, the present sales and service offerings will be extended and speeded up. A number of further streamlining measures are intended to facilitate the transition to a new era in press market history. Valora Media's new strategic direction in this area is designed to achieve an optimal balance between the interests of consumers, publishers and retail outlets.

The division will mark this change by renaming itself Valora Services. This new name is already in use in Austria and will now be introduced in Switzerland.

WHEREAS THE PERIOD FROM DEPOT DELIVERY TO FINAL DISTRIBUTION FOR MAGAZINES WAS PREVIOUSLY BETWEEN 48 AND 72 HOURS, THIS HAS NOW BEEN CUT TO 21, AN IMPROVEMENT OF MORE THAN 50%.

IMPROVED PRODUCT MANAGEMENT – MORE EFFICIENT SYSTEM USE. Improved product management techniques will be used to ensure, based on all relevant point-of-sale data, that each outlet is supplied with a range of products optimally attuned to its requirements. Further developments of Valora's press-specific IT systems will help to ensure that the press titles delivered to individual outlets are more appropriate and attractive, thus enabling them to increase turnover and customer loyalty. Currently, 22 wholesalers in Germany, Austria and Switzerland, who in turn supply some 55 000 outlets, are working with the PVG software. In addition to the usual standard industry data, this system supports a number of special applications, such as daily analysis of till scanner data.

Additional development investments in the software will enable improved market coverage through the integration of a data warehouse and interfaces to a geographical map system. Regional newspaper and magazine sales data will be linked to socio-demographic statistics with a view to identifiying additional sales potential.

IMPROVED LOGISTICS QUALITY DRIVES SIGNIFICANT COST SAVINGS. Valora's modernisation of its press logistics already represents a major investment in higher quality, more efficient processes. More intelligent distribution management and shorter press throughput times have made for significant improvements in quality. Whereas the period from depot delivery to final distribution for magazines was previously between 48 and 72 hours, this has now been cut to 21, an improvement of more than 50%. In future it should also be possible to deliver foreign magazines to Swiss retail outlets the same day they first go on sale in their home market.

These more efficient, higher-quality processes pave the way for stronger growth.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SCHWEIZER ILLUSTRIERTE
Die 16 Schönsten oben
Mister Schweiz
FINANCIAL TIMES
Pentagon redrawn How US military is adapting to challenges of 21st century
Analysis, Page 7
Deal close on global
Berlin and Paris to promise backing for Greece in move to calm markets
bike
DAS MOUNTAINBIKE-MAGAZIN
EUROPAS NR.1
3.2010
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Wirtschaftsmagazin

Enhanced quality and efficiency

For Valora staff, the new systems and the relocation of logistics operations to Muttenz have brought many changes. These are some examples:

- New «pick by voice» technology is used for picking, sorting and packing. Orders no longer have to be read, but are announced to staff by a public address system.
- Incoming deliveries are directly logged and booked into a mobile terminal.
- Data used in palette stacking and dispatch functions is now entered using mobile devices.
- Staff now use modern packing vehicles of up to 2.80 m in length (in Muttenz they used shopping carts).
- The introduction of a multi-customer picking, packing and sorting system means that up to 12 customer orders can be prepared simmultaneously.

CENTRALISED PURCHASING
SINCE JUNE 2009, PURCHASING OF ALL NON-COMMERCIAL GOODS IS CO-ORDINATED BY ONE SINGLE TEAM. THE OBJECTIVE IS TO EXPLOIT SYNERGIES, ENHANCE TRANSPARENCY AND REDUCE COSTS. A NUMBER OF AREAS HAVE ALREADY ACHIEVED COST SAVINGS IN THIS WAY.

MORE FLEXIBLE PICK, SORT AND PACK ROUTINES. Another major innovation was the switch to decentralised picking, packing and sorting for press products. Whereas all deliveries were previously centralised at Muttenz, Valora has now set up eleven decentralised railheads where these processes can now be carried out locally.

At each of these logistics nodes, each driver compiles the combination of packages he needs for each delivery tour. This enables him to complement packages which have already been prepared in Egerkingen with direct deliveries from publishers.

The transition to the new «put by light» technology used in this system has not only modified the processes at each railhead, but those higher up the chain as well.

ATTRACTIVE PRODUCT RANGES APPEALINGLY DISPLAYED. To complement these initiatives, Valora is working closely with its strategic retail partners to find new ways of appealing to customers. Work is under way to improve shelf displays, so that press titles can be more appealingly presented at retail outlets. A range of tests are being carried out to enhance this infrastructure further, paying due heed to the specific characteristics of the various sales channels concerned.

Targeted sales promotion campaigns are aimed at making product ranges more attractive and thus expanding turnover. Standardised promotion displays are being developed along with appropriate campaign concepts. This should help to ensure that consumers are more aware of new products when they are launched on the Swiss market, thus enhancing their sales potential.

The support and advice provided to sales staff at major press retail outlets is being intensified, with added value being generated by offering proven training concepts. ●

Key data on Valora's new logistics system

AROUND **1 000 000** COPIES OF MAGAZINES AND NEWSPAPERS ARE PROCESSED EACH DAY

3 000 ARTICLES, **500** TROLLEYS AND **2 500** TRANSPORT BOXES LEAVE THE FACILITY EACH DAY

VALORA SUPPLIES SOME **6 100** CUSTOMERS WITH PRESS AND OTHER PRODUCTS (TOBACCO, CONFECTIONERY, BEVERAGES), INCLUDING DELIVERIES TO MORE THAN **1 100** VALORA OUTLETS (E.G. K KIOSK, AVEC.)
350 PALETTES OR **100 TONNES** OF PRESS PRODUCTS ARE RETURNED EACH DAY

ON AVERAGE, VALORA SUPPLIES **220 MILLION** COPIES OF NEWSPAPERS AND MAGZINES TO RETAILERS EACH YEAR. THIS COMPRISES **4 775** MAGAZINE TITLES AND **241** NATIONAL AND INTERNATIONAL NEWSPAPER TITLES

INTEGRATED, CLOSED LOOP INVENTORY MANAGEMENT
Since early 2009, Valora's k kiosk network, comprising some 1 000 outlets, now has access to daily, transparent, article and outlet specific data on the three key metrics of turnover, margin and inventory. The project was initially launched in late 2006 as «Platform 2008». This was the concept on which all subsequent projects to replace legacy systems and create a modern inventory management infrastructure were based. In 2009, for example, major projects were undertaken to extend the basic inventory management system (order management, product range configuration, press & books, third party distribution, electronic data interchange rollout etc.) as well as to modernise processes (pricing and forecasting systems). This was a far-reaching and important project for Valora, on which more than 100 specialists from many parts of the Group have worked for the last two years. By transfering key processes to the new platform, this project has greatly helped to streamline the work of Valora's frontline staff.

Melisa integration project: How process analysis beyond business areas and geographical boundaries can harness new synergies and point the way ahead.

INTEGRATION

Operating from its facility in Bedano in the Swiss canton of Ticino, Melisa SA supplies newspapers and magazines to the Italian-speaking part of Switzerland, while deliveries to the rest of the country are controlled from Valora's headquarters in Muttenz. Since it was acquired by Valora in 1999, Melisa has been managed on a decentralised basis. The purpose of the Melisa integration project was to merge the two organisations' press activities with a view to achieving significantly higher efficiency levels.

Implementation started at the beginning of 2009 and the project went live on schedule on October 1, 2009. By then, Melisa SA's press operations had been fully transferred to Valora in Muttenz. A number of purchasing, finance, logistics and IT functions were centralised under one roof at Valora.

PURCHASING. Press purchasing was centralised with Valora Media Switzerland. The new approach involves ensuring that any single title is now purchased centrally from one Valora site only. In order to maintain geographical proximity to the publishers and core distribution areas concerned, that site need not be Muttenz. As a result, all German-language press purchasing is handled in Muttenz, while all Italian-language titles are handled from Bedano, where a small and efficient team now handles all the product and key account management for all Valora's Italian-language titles and publishers.

THE PURPOSE OF THE MELISA INTEGRATION PROJECT WAS TO MERGE THE TWO ORGANISATIONS' PRESS ACTIVITIES WITH A VIEW TO ACHIEVING SIGNIFICANTLY HIGHER EFFICIENCY LEVELS.

FINANCE. All financial operations were centralised at Valora's shared service centre in Muttenz. Whereas publishers dealing with Valora previously had to send separate invoices to the two locations, one global invoice can now be used instead, which is verified and booked in Muttenz. Billing and accounts receivable are also centralised at Muttenz, as are all money transfer, liquidity management and accounting operations.

LOGISTICS. The Bedano facility was kept as a logistics clearing house for the rapid distribution of newspapers from Italy and other titles. The previous «put by light» system used for picking, sorting and packing customer bundles was completely replaced by Valora's standard HS News system, which enables these tasks to be carried out much faster. Returns processing was shifted to the Valora logistics centre in Egerkingen precisely on schedule. Free capacity on the daily shuttle between Egerkingen and Bedano is now used for transporting returns in a timely fashion for processing.

IT. Melisa's old press product management system was replaced with Valora's strategic PVG standard platform. This provides a number of additional functions which can be used to supply the local market more efficiently than hitherto. Finance-related IT functions are now handled by the modern SAP ERP 6.0 system at the shared service centre in Muttenz, which was easily able to take the additional volume in its stride.

The successful completion of the Melisa integration project has enabled capacity at Bedano to be reduced, thus boosting efficiency levels. Operating profits from the Ticino distribution area were nearly doubled thanks to the synergies the project was able to harness. For Valora Media (now to be renamed Valora Services) this project will also serve as a pilot for other initiatives planned for the future at other business units. ●

PEOPLE

Our focus is on our staff and our customers, because we know that business doesn't just involve the mind, it engages the heart, too. It is people that enable concepts like competence, growth or efficiency to take shape. It is people that make things happen. It is people that make Valora.

PEOPLE

VALORA CODE OF CONDUCT
In addition to the seven principles of leadership, Valora's Group Executive Management also promulgated a Code of Conduct. Today, companies are not judged solely on their economic performance. Increasing attention is also paid to the way in which they generate their results and the principles they apply to their activities. The Code of Conduct defines a set of ethical values which all Valora employees are expected to follow. «Our customers, suppliers, shareholders and staff, as well as institutional bodies and the media, are entitled to expect that we conduct our business with integrity. Our employees should also be able to take pride not only in what they have achieved, but also in the way in which they have achieved it», says Valora CEO, Thomas Vollmoeller.

Showing solidarity
In 2009, Valora supported the campaign carried out by the Swiss charity Caritas by selling its star-shaped candleholders at Valora outlets. «Our support demonstrates that our objectives are not purely economic and that we honour our responsiblity to society», says Kaspar Niklaus, CEO of Valora Retail.

Motivation and leadership. Encouraging and expecting initiative. Valora's employees are critical to its success. It is their daily work, their motivation and their unflagging commitment to millions of customers all over Europe that make the goals of Valora's competence, growth and efficiency initiatives reachable in the first place. That is why training its employees, developing their skills and establishing a common understanding of the principles of leadership are top priorities for Valora.

LEADERSHIP

The appointment of a new CEO, the relocation of all Swiss offices to the new headquarters in Muttenz and the launch of the new «Valora 4 Success» stratregy programme all occurred during the summer and autumn of 2008, providing an ideal opportunity to review and improve the working relationship between managers and the staff reporting to them. In early 2009, Group Executive Management therefore developed a set of seven key leadership principles. «The seven leadership principles serve to guide us in our daily work and set out the values and conduct we aim to apply in working with each other. These are values which will also shape the culture of our company over the medium and longer term», as Valora's CEO, Thomas Vollmoeller, explains.

Right from the start, targeted measures were taken to bring these leadership principles to bear as and where required. The objective was to establish a common understanding of the principles, with a view to bringing about lasting change to Valora's management and corporate culture. This initative applied equally to all – throughout the company's hierarchy and in all countries in which Valora operates.

For that reason, there was an ongoing emphasis on dialogue and on practice-based, active analysis of each of the principles. Throughout Valora, be it at the workshop held by Valora Media's management or the outlet management diploma course for k kiosk managers, there was a consensus that the first principle, «Our thinking and actions are focused on the customer» was the most important. That is hardly suprising. As a retail company, Valora must be able to respond to customer requirements with speed and agility in order to remain successful in future.

Vidane Hasani
Shop manager avec., Kloten

«The leadership principles are a good thing. They help me to apply clear guidelines to managing my staff, as well as letting them know what they can expect from me. That is helpful and important to us in working together every day. Good leadership helps to motivate employees. When they are motivated, the customers quickly notice. Ultimately, we all want to serve our customers cheerfully and politely.»

Icons and pictures are used to illustrate each principle graphically. A poster campaign was launched, putting the principles on display at all Valora locations. In addition, every workshop participant is given a special set of playing cards illustrating the principles.

ENCOURAGING AND EXPECTING INITIATIVE.
Leadership means setting an example. The changes resulting from the «Valora 4 Success» strategy programme and the introduction of the leadership principles are a challenge for managers. Corporate Human Resources is helping managers to become better leaders. As Susanne Berger, Head of Corporate Human Resources puts it, «Our most important task at HR is undoubtedly to help managers evolve from bosses to leaders». Managers cannot just demand performance, they also have to promote it by motivating their staff. Valora's employees are its capital and an essential component of its long-term success.

When logistics were moved from Muttenz to Egerkingen, a critical task facing managers was to motivate their staff to embrace the change. Employees not only had to identify with the new location, frequently they also had to adapt to new processes, workflows or duties. Today, despite all the disruption caused by the move itself, there is a highly motivated team at work in Egerkingen. This is partly because, right from the start, dialogue was established with all concerned. In all, managers held some 1 220 individual conversations with their staff.

SUCCESSION PLANNING. An important attribute of any successful company to-

173

EMPLOYEES IN SWITZERLAND CELEBRATED 20, 25, 30 OR EVEN 40 YEARS OF SERVICE WITH VALORA IN 2009.

In dialogue – CEO Breakfast and Ladies' Lunches
Regular CEO Breakfasts have been held since November 2008. These informal morning get-togethers are an opportunity for employees from all areas of Valora and at all hierarchical levels to talk to CEO Thomas Vollmoeller about issues of current interest. In addition, regular «Ladies' Lunches» enable top management to exchange ideas with sales staff working at Valora's various retail formats.

44

In September 2009, 44 Valora Retail employees successfully completed the outlet management diploma course.

day is that it carries out purposeful, long-term succession planning and fills critical vacancies with qualified internal talent wherever possible. In order to identify potential higher achievers early on, and to provide targeted support to their development, Leadership Week I was introduced, a management development programme specific to Valora. Those selected to take part are provided with a revealing insight into overarching organisational and entrepreneurial issues. Besides focusing on developing leadership qualities, the course places great emphasis on dialogue and exchange of ideas, not only between the participants, but with Group Executive Management as well.

Christian Herb
CFO Valora Trade Austria

«Leadership Week 1 was tailored to address Valora's complex needs. Networking with the other participants enabled me to establish excellent contacts with colleagues from other business areas and countries. These exchanges are very useful for my daily work.»

OUTLOOK FOR 2010. Helping the leadership principles take deeper root and incorporating them into all internal processes, such as performance evaluations and internal training courses, remains a priority for Valora in 2010. Regular surveys will be carried out to ascertain how well the principles are being applied and to assess managers' leadership qualities. Valora will also continue to promote dialogue between Group Executive Management, line managers and employees at all levels.

Although developing a new leadership culture takes time, Valora is convinced that this is an investment worth making. A consistent quality of leadership not only helps employees to perform better, it also fosters the company's success. ●

People Managment
The «people» element in our strategy programme encompasses employees, customers, business partners, shareholders, trade unions and other stakeholders. In this part of our strategy, all these groups are equal partners, linked by their common bond to Valora. Our employees' customer focus, for example, helps to provide the firm with a sound economic foundation, as well fostering co-operation based on partnership principles. Modern human capital management includes having a competitive, up-to-date, transparent and attractive remuneration system for employees at every level of Valora. Since the introduction of the «Valora 4 Success» programme, this has been demonstrated by a general contract of employment with increased minimum salary levels for all sales staff in Switzerland, a long-term oriented remuneration programme for management and the switch to a defined contribution pension plan. Valora has set itself the objective of strengthening this network of equal partners, thus taking a decisive step towards a more sustainable future. Be it through modern remuneration models, up-to-date conditions of employment or close co-operation between the company and its social partners – Valora is willing to work with all stakeholders, in accordance with the economic expectations placed on the company, to achieve satisfactory and fair arrangements for all parties concerned.

Sales staff	**Management level employees**	**Group Executive Management and Board of Directors**
GENERAL EMPLOYMENT CONTRACT	TERMS OF EMPLOYMENT	TOTAL REMUNERATION PACKAGE
– Minimum salaries raised – 13th monthly salary paid – 5 weeks' holiday for all staff (6 weeks from age 51)	– 6 weeks' holiday – Job levelling introduced – Leadership principles developed	– Board: Fixed and variable element (Long Term Plan) – GEM: Fixed and variable element (Short/Long Term Plan)
PENSIONS	PENSIONS	LONG TERM PLAN CONCEPT
– Simple, transparent structure – Improved terms for those on lower incomes – Harmonised plans	– Switch to defined contribution – Greater flexiblity – Ceiling on insured salary essentially removed	– Share-based component of remuneration – Rewards for measurable performance – Sustained, long-term focus over 3-year horizon – Total package in line with industry

OBJECTIVE:
To align the interests of all parties: employees, management, Board and shareholders

Uniform complaints management
It is much easier to keep an existing customer than to gain a new one. That is why a professional approach to managing complaints is an important element in securing customer loyalty. Every complaint contains valuable information. It also provides Valora with an opportunity to improve how it is perceived by the customer making the complaint. That is why Valora Retail established a uniform complaints management system for all its end consumers in the summer of 2009.

Number 1
A SURVEY OF CONVENIENCE RETAILERS BY FACTUM, A TRADE RESEARCH COMPANY, IN EARLY 2009 AWARDED HIGH MARKS TO VALORA TRADE DENMARK, NOMINATING IT «MOST ATTRACTIVE CONFECTIONERY SUPPLIER» AND TOP IN ITS CATEGORY.

Targeted market and consumer research
Since late 2008, Valora's new strategic marketing department has been conducting market and consumer research for the Group across all relevant markets. At the same time, Valora Retail's category management function was also redesigned, with a view to further enhancing its focus on Valora's customers.

Valora Trade Nordic - consistent customer orientation and targeted knowledge management.

ENGAGEMENT

Clearly distinguishing oneself from one's competitors and achieving growth are decisive prerequisites for success in demanding, saturated markets. «A well developed customer focus helps to understand the market better. If Valora understands the market and its customers correctly, and acts accordingly, it will take the right approach to developing its services and the range of products it offers. That is an essential prerequisite for our future success.», says Alex Minder, Valora Trade's CEO. A permanent objective for the division is therefore to gain a better understanding of the needs and requirements of its customers – be they principals, trading partners or end consumers – to analyse market conditions precisely and to identify emerging trends early. Targeted offerings, innovation and a high level of service make it possible for Valora Trade to achieve sustained and profitable growth, even in demanding market conditions. To do this, Valora Trade has placed deliberate emphasis on knowledge management, in the form of market and consumer intelligence, as well as on professional category management. These knowledge management initiatives are underpinned by a business intelligence IT infrastructure, capable of processing large quantities of data to deliver action-oriented insights.

«Our internal processes must also demonstrate a clear customer focus. This enables them to remain focused on the market, thus enabling them to generate added value», Alex Minder adds. By launching the supra-national Nordic category and IT platform, Valora Trade has been able to concentrate more consistently on the Scandinavian market and the needs of its customers there, with a view to delivering growth and efficiency for its retail customers and its principals. The Nordic organisation's unflagging focus on categories enables it to achieve greater client proximity and identify client needs more readily. This new structure makes it easier to share the organisation's best practice knowledge more efficiently and derive greater benefit from it. The result is further improvements in service quality. Principals operating in several Nordic markets can thus benefit from Valora Trade's supra-national processes – when devising promotion campaigns, for example. This also helps to implement promotions aimed at specific target groups more efficiently. Insights and applications which were previously used at individual country level only can now be deployed across several national markets. By sharing knowledge between its national teams and markets, Valora Trade can help to ensure that only the most promising promotion formats are used in the countries targeted. This adds value for principals and trade partners alike, since the promotions are better tailored to specific consumer needs.

TARGETED OFFERINGS, INNOVATION AND A HIGH LEVEL OF SERVICE MAKE IT POSSIBLE FOR VALORA TRADE TO ACHIEVE SUSTAINED AND PROFITABLE GROWTH, EVEN IN DEMANDING MARKET CONDITIONS.

The Nordic IT platform has also made it possible to run all back office functions such as finance, logistics and human resources on one common infrastructure, thus simplifying processes and increasing cost efficiency. This new organisational structure will help to make both Valora Trade Nordic and the brands it represents more competitive in every national market and in every product category in which they operate. Valora Trade Nordic will thus be able to devote more attention to its customers' needs in future, and it will be possible to incorporate new insights and trends more rapidly and comprehensively into market coverage concepts. ●

Interview with Rolando Benedick (Chairman) and Thomas Vollmoeller (CEO)

CONFIDENCE IN THE FUTURE

How has Valora started the new year?
Rolando Benedick: Satisfactorily at Retail and well at Media. It has been a tougher start for Trade. The exchange rate turbulence in the Nordic countries has given us some headwind to contend with, but we have already found solutions to these problems.
Thomas Vollmoeller: Of course, we are talking about just three months and you can't always extrapolate from spring to summer, but we have had some very pleasing successes. For me, the best was the opening of the new «P&B» press and books shop at Zurich's main railway station. Since we opened we have managed to increase our sales there by some 20 percent. Everyone is pleased – our customers, the railways and ourselves.

Apart from the exchange rate turbulence in Scandinavia, how else have you experienced the effects of the economic crisis in 2009 and 2010?
Rolando Benedick: Switzerland has weathered the downturn well over the last 18 months. Indeed, Swiss retail sales have actually increased, and things are now progressing well in Austria and Germany, too. We operate in countries which have not experienced really major crises. Our business is also in a part of the economy which has not been affected all that much by the downturn. However, that also means that we wouldn't benefit enormously from an upturn.
Thomas Vollmoeller: The downturn has certainly affected our magazine sales. Interestingly, newspapers have done fairly well. Newspapers are in demand during a crisis, because people want to stay informed. The negative performance we saw with magazines in the first six months was due to publishers saving money by withdrawing a number of key titles from circulation because of falling advertising revenues. We certainly felt that. Fortunately, things evened out in the second half of the year.

WE KNOW WHERE WE WANT TO GO. WE HAVE THE RIGHT TEAM FOR THE JOB AND WE HAVE NEW SYSTEMS AVAILABLE TO US. NOW WE HAVE TO SHOOT THE BALL INTO THE GOAL. I AM VERY CONFIDENT THAT WE WILL SUCCEED.

If the downturn isn't a major issue for Valora, what is the main challenge you are facing now?
Thomas Vollmoeller: In the Retail division, we certainly have to make further improvements to the kiosks' profitability. That has always been a major challenge for Valora. We are addressing it with new product ranges, new systems and optimised pricing. The 100 avec. units we are planning are another challenge. We have some 60 now and they are working very well. That is why we are confident we will reach the 100 mark. At the Media / Services division, we will have to work with our publishers to ensure that we return to a growth trajectory and stop the downtrend in newspaper and magazine sales. At Trade we are constantly working to demonstrate the quality of our services, and these efforts include potential new principals, too.

Can you be specific? What new systems do you intend to introduce at the kiosks?
Thomas Vollmoeller: We have over 1 000 k kiosk outlets and we operate them ourselves. Franchise and agency models would be a further possible approach. This is something we will be testing. It is too early to be more precise at this stage, because we only started in March 2010. We are investigating whether these approaches will enable us to achieve further sales growth and work more cost-effectively.
Rolando Benedick: What Mr. Vollmoeller is referring to is important. We have to grow now. Two years ago we sold our production operations (Own Brands) and last year we streamlined and organised things. By that I mean that we established new structures and brought

new people in. Of course, we had to get our new people acquainted with Valora. This year we have to achieve organic growth and try to make an acquisition–provided of course that it offers a suitable potential yield and is fully compatible with our core Retail, Services and Trade businesses.

How do you view the changes in the press market? First you had freesheets to confront, now it is the iPad and Kindle. Do press products have a future at your kiosks?
Thomas Vollmoeller: I think newspapers are going to be increasingly challenging. For the publishers themselves, but also for us. Newspapers account for 25 percent of our press sales. For magazines, the remaining 75 percent, we expect a degree of stability, though there will be differences between segments. There are areas which are shrinking because of the internet. These include computer magazines, erotic publications and the classical news magazines. Conversely, there are segments of the magazine market which are showing strong growth. For example, special interest areas such as hobby and glamour titles and magazines for women and

WE NEED TO IDENTIFY WHAT ADDITIONAL ATTRACTIONS MAGAZINES OFFER, APART FROM JUST BEING DISPLAYABLE ON A SCREEN. I THINK THIS CAN BE AN OPPORTUNITIY FOR US.

children. I am convinced that the rules for entertainment media are fundamentally different from those for news media. Whereas obtaining news is a basic need which can be met by the internet, radio, television or newspapers, entertainment and in-depth focus on an area of special interest are complementary. Thus while news is substitutive, entertainment can be additive. That is why I believe in magazines. As far as the iPad and Kindle are concerned, I am not worried for magazines' sake. I am more reserved about the outlook for newspapers.
Rolando Benedick: We have to make sure we benefit from this trend by offering new services at our kiosks and avec. shops. We need to identify what additional attractions magazines offer, apart from just being displayable on a screen. That they can be read together, for example, rather than alone, that they inspire fantasy, open up new worlds, and so on. I think this can be an opportunity for us.

Could you also imagine offering digital media at the kiosks?
Thomas Vollmoeller: Obviously, we are not going to turn our backs on digital media. We are going to run digital media projects at individual k kiosk outlets in Switzerland. Possible approaches include a new media kiosk, and range from digital communities to different forms of news gathering. A joint project we ran with a team from Zurich's Federal Institute of Technology gave rise to our new ok.– fan page on Facebook. The only way we can develop mass scale, however, is by delivering something physical. For example, at some outlets we provide print on demand services. So, while we obviously need the internet for that, what we are actually delivering is a physical product. Downloading of e-reading material isn't going to be limited to static locations. We need to be clear about that.

So what should a kiosk offer in future?
Thomas Vollmoeller: I believe in a kiosk which is present throughout Switzerland and will become more and more of a service centre. We are increasingly offering services which you normally have to go somewhere else to get. We have already tested our first service wall, which we call «ready?». This year we will be rolling this out to between 300 and 400 outlets. Today, we use it to sell insurance and travel packages, and we are planning further services. An important point here is that the individual products and services must be readily understandable and rapidly available, so that customers at our k kiosk can take them away with them.

THIS YEAR WE HAVE TO ACHIEVE ORGANIC GROWTH AND TRY TO MAKE AN ACQUISITION – PROVIDED OF COURSE THAT IT OFFERS A SUITABLE POTENTIAL YIELD AND IS FULLY COMPATIBLE WITH OUR CORE RETAIL, SERVICES AND TRADE BUSINESSES.

Let's turn to employment policy. In 2009 Valora negotiated a general employment contract. Are there further plans for this year? Will new jobs be created?
Thomas Vollmoeller: At the moment we have no plans to add jobs. Rather the opposite, in fact. In Switzerland we intend to work more cost-effectively. But we also want our k kiosk staff to be more contented, as that will help them to sell more. That is why we want them to be able to contribute their own ideas. This is something we are working on.
Rolando Benedick: This year we have again adjusted our lowest rates of pay and we have also modernised our pension fund benefits in a way which means improved pension conditions for most of our staff, particularly those in sales.

In 2009 you opened a new logistics centre in Egerkingen. You are also investing in new formats. What other investments are being made?
Thomas Vollmoeller: The main investments are in the Retail area, especially the avec. shops. This year we will also open some ten new P&B outlets and a number of Caffè Spettacolo units, as well as reconfiguring further k kiosk sites. IT remains a big area of investment. This year we are in the process of completing the last 30 percent of a major project to establish a state-of-the-art IT platform which will enable us to work very efficiently.
Rolando Benedick: As part of our management and Board responsibilities, we also want to have good corporate governance. We will be making some recommendations on this to our General Meeting. We intend to publish our remuneration system. We will also recommend that the 5 percent threshold on voting rights be lifted. In 2010 we intend to do for our shareholders what we did for our staff in 2009. Profitability will be increased and our dividend will be raised.

Valora shares have done well over the last 12 months. Why is that?
Rolando Benedick: That's true. Our shares rose by more than 60 percent last year. This valuation reflects renewed confidence in our company. Valora's management and Board are delivering on their promises and implementing their decisions. It is important for shareholders to see that we are making progress. We now have the right people in the right places. We also have the will to grow rather than act defensively.
Thomas Vollmoeller: Having our strategy understood and its implementation seen to be going ahead means confidence in the future. The share price reflects that. Whether it reflects it sufficiently is not for us to say. That is for investors, analysts and financial journalists to judge.

Would you like to expand into other markets? At the moment, your operations are mainly in Northern and Central Europe? Is Eastern Europe a possibility?
Thomas Vollmoeller: We will examine this division by division. In the Media area, it makes sense for us to expand into those markets where we have our German publishers as customers. I am completely relaxed about Retail. All european markets are theoretically possible there. First, however, we need to prove that we have developed our small outlet retail expertise in our current markets, so that we can then cross new borders. For Valora Trade, we tend to prefer smaller markets. We can also increasingly offer our Trade services, which are based on substantial market know how, through regional platforms. This potentially includes Eastern European markets like Slovakia, Slovenia, the Czech Republic and across the Bal-

tic states to Scandinavia, not to mention Holland and Belgium. At the moment, Trade operates in eight national markets. If we had a good opportunity of adding a ninth, tenth or eleventh national market, we would certainly do that.
Rolando Benedick: In Retail, we are operating in Switzerland, Germany and Luxembourg. If we expand, we need to do so intelligently. Our focus here is on German-speaking Europe and that certainly offers potential for expansion.

How sure can you be of continuing to implement your strategy in 2010 and delivering the results that implies?
Rolando Benedick: We are convinced that we can implement 100 percent. The will is there and the objectives have been clearly defined.
Thomas Vollmoeller: We know where we want to go. We have the right team for the job and we have new systems available to us. Now we have to shoot the ball into the goal. I am very confident that we will succeed. We want to achieve a significant increase in profit this year, drawing on our own resources. This is the beginning of a promising future for Valora.

What is a significant increase in profit?
Thomas Vollmoeller: This year we intend to generate 85 to 90 million in EBIT. Compared to the 68 million we made last year, that is a 30 percent increase. Half of this will come from improved logistics, with the other half coming from further cost reductions and also new branded products, such as ok.–, as well as collectible soccer picture cards for the World Cup in South Africa.

And what happens in three years when Valora is fit and profitable?
Rolando Benedick: When a company is doing well and growing, you cannot predict what will happen two or three years down the road. The important thing is to get the company back onto a sound footing, to achieve the results we aim for and to strive for growth. Our core costs will remain in place, all we can do is bring in additional profitable business. We are sure that we will be able to achieve our 2012 goal of a three to four percent EBIT margin on sales. Our whole team is working towards that.
Thomas Vollmoeller: Of course we have a lot of good ideas about what could come next. But for the time being the key thing is to concentrate on the job in hand. We will certainly be thinking more about the future in the course of this year. It was certainly right to take these two or three years to get the firm back onto a really sound footing.

WE CAN ONLY BE A GOOD RETAIL TRADING GROUP WHEN WE LEARN WHAT OUR CUSTOMERS WANT FROM US. THAT MEANS LISTENING, TESTING AND CHANGING THINGS.

What can the customer expect from Valora?
Rolando Benedick: We have to adapt our product range to our customers, not dictate what they should want. That is why we have set up our strategic marketing department.
Thomas Vollmoeller: We can only be a good retail trading group when we learn what our customers want from us. That means listening, testing and changing things. We have now done quite a bit of that in a number of areas. We have carried out market research, we have professionalised that research and we are also canvassing the views of our k kiosk sales staff. It was also very important, after years of uncertainty here at Valora, that our staff rediscover a pioneering spirit, and that they regain their confidence in the company. There have been some staff changes, but we also have many long-serving employees who can now see that things are moving in the right direction. My great ambition is for Valora gradually to develop a new culture of its own, dynamic, hands-on and optimistic. There is still a long way to go. Cultures do not change from one day to the next. We have planted some seeds and the shoots are now appearing. It is very important to get this sense of pride in the new Valora firmly established in the minds of our employees. ●

Interview: Anja Grünenfelder, freelance journalist, master's graduate of the Hamburg Media School and the MAZ, Lucerne

*Photos Interview:
Daniel Wahl, Telebasel*

Financial Report

CONSOLIDATED INCOME STATEMENT
CONSOLIDATED BALANCE SHEET

CONSOLIDATED INCOME STATEMENT

January 1 to December 31, in CHF 000 (except per share amounts)	page	Note	2009	2008 Restated
Net revenues	72	8	**2 896 995**	**2 931 067**
Cost of goods			– 2 029 360	– 2 038 374
Gross Profit			**867 635**	**892 693**
Personnel expense	75	9	– 442 753	– 463 968
Other operating expenses	76	10	– 331 040	– 336 587
Depreciation	82	20, 21, 22	– 41 693	– 61 853
Other income, net	76	11	15 989	7 336
Operating profit (EBIT)			**68 138**	**37 621**
Financial expense	76	12	– 6 578	– 12 202
Financial income	77	13	1 275	4 595
Share of result from associates and joint ventures	88	25	600	1 131
Earnings before taxes			**63 435**	**31 145**
Income taxes	77	14	– 10 394	– 6 475
Net profit from continuing operations			**53 041**	**24 670**
Net profit from discontinued operations	71	7	1 868	14 727
Net Group profit			**54 909**	**39 397**
Attributable to shareholders of Valora Holding AG			53 957	38 558
Attributable to minority interests			952	839
Earnings per share				
from continuing operations, diluted and undiluted (in CHF)	79	15	18.94	7.74
from discontinued operations, diluted and undiluted (in CHF)	71	7	0.68	4.78
from continued and discontinued operations, diluted and undiluted (in CHF)	79	15	**19.62**	**12.52**

CONSOLIDATED BALANCE SHEET

ASSETS

At December 31, in CHF 000

	Page	Note	2009	2008 Restated
Current assets				
Cash and cash equivalents	80	16	161 565	158 436
Derivative assets	97	33	48	712
Trade accounts receivable	80	17	163 289	153 728
Inventories	81	18	230 218	228 977
Current income tax receivable			2 566	796
Other current receivables	81	19	64 734	47 118
Current assets			**622 420**	**589 767**
Assets held for sale	82	20, 21	968	0
Total current assets			**623 388**	**589 767**
Non-current assets				
Property, plant and equipment	82	20	219 734	219 124
Goodwill, software and other intangible assets	84	22	161 485	138 412
Investment property	83	21	10 080	14 662
Investment in associates and joint ventures	88	25	5 379	4 931
Financial assets	87	24	9 664	10 588
Net pension asset	91	30	31 077	43 824
Deferred income tax assets	77	14	38 215	38 737
Total non-current assets			**475 634**	**470 278**
Total assets			**1 099 022**	**1 060 045**

LIABILITIES AND EQUITY

At December 31, in CHF 000

	Page	Note	2009	2008 Restated
Current liabilities				
Short-term financial debt	88	26	1 527	1 447
Derivative liabilities	97	33	727	617
Trade accounts payable	90	27	284 167	252 988
Current income tax liabilities			13 585	8 834
Other current liabilities	90	28	148 725	136 095
Current provisions	90	29	3 232	7 652
Total current liabilities			**451 963**	**407 633**
Non-current liabilities				
Other non-current libilities	88	26	153 440	160 181
Long-term accrued pension cost	91	30	15 063	13 634
Long-term provisions	90	29	10 019	12 770
Deferred income tax liabilities	77	14	14 819	15 422
Total non-current liabilities			**193 341**	**202 007**
Total liabilities			**645 304**	**609 640**
Equity				
Share capital	105	36	2 800	3 300
Treasury stock			– 10 323	– 108 180
Mark-to-market, financial instruments			8	– 17
Retained earnings			472 962	569 401
Cumulative translation adjustments			– 15 570	– 17 424
Equity of Valora Holding AG shareholders			**449 877**	**447 080**
Minority interest in shareholders' equity			3 841	3 325
Total equity			**453 718**	**450 405**
Total liabilities and equity			**1 099 022**	**1 060 045**

Valora Financial Report 2009

44 REVIEW OF GROUP RESULTS

52 CONSOLIDATED FINANCIAL STATEMENTS
52 Consolidated income statement
53 Consolidated statement of comprehensive income
54 Consolidated balance sheet
56 Consolidated cash flow statement
58 Consolidated statement of changes in equity
59 Notes to the consolidated financial statements
108 Report of the statutory auditor

109 FINANCIAL STATEMENTS OF VALORA HOLDING AG
109 Income statement
110 Balance sheet before appropriation of available retained earnings
112 Notes to the financial statements
118 Proposed appropriation of earnings available for distribution
119 Report of the statutory auditor

120 CORPORATE GOVERNANCE REPORT

136 INFORMATION FOR INVESTORS
136 Valora shares
140 Five-year summary

142 ADDRESSES

REVIEW OF GROUP RESULTS

Despite a demanding economic environment, Valora can look back on 2009 as a successful financial year. Challenging intitial milestones in the strategy programme launched in 2008 were achieved and the Valora Group generated operating earnings of CHF 68.1 million. This result surpassed the 2008 figure by CHF 30.5 million, or CHF 5.4 million before restructuring costs. Special factors brought about a 1.2% fall in net revenues, which totalled CHF 2 897 million. After adjusting for currency fluctuations, the EURO 08 soccer championship and acquisitions, Valora's turnover increased by CHF 45.5 million, a 1.6% increase on 2008. This encouraging performance was driven by the Retail and Trade divisions. Although Valora Media succeeded in turning its sales around in the second six months of the year, its overall 2009 net revenues were below those for 2008. The Group's net earnings from continuing operations rose by CHF 28.4 million to reach CHF 53.0 million, a 115% year-on-year increase. Net profits including discontinued operations were CHF 54.9 million. Thanks to the additional CHF 19.6 million in operating cash flow generated from continuing operations during 2009, the Group succeeded in closing the year with no net debt. Shareholders' equity amounts to 41.3% of total assets, underscoring the very sound financial ratios Valora continues to enjoy.

A VALORA GROUP

Net revenues in CHF million	**2009**	**2009 share in %**	2008	2008 share in %	Change in %
Valora Retail	1 592.1	55.0%	1 569.5	53.5%	1.4%
Valora Media	712.9	24.6%	766.0	26.1%	– 6.9%
Valora Trade	777.6	26.8%	788.0	26.9%	– 1.3%
Other	10.7	0.4%	14.3	0.5%	
Intersegment elimination	– 196.3		– 206.7		
Group total	**2 897.0**	**100.0%**	**2 931.1**	**100.0%**	– 1.2%
Switzerland	1 740.6	60.1%	1 770.8	60.4%	– 1.7%
Elsewhere	1 156.4	39.9%	1 160.3	39.6%	– 0.3%

After adjusting for one-off factors, Valora's net sales rose CHF 45.5 million or 1.6%. Inclusion of these factors – EURO 08 (CHF -46.1 million), currencies (CHF -77.4 million) and acquisitions (CHF +43.9 million – reduced the Group's net sales by CHF 34.1 million to CHF 2 897 million.

In the face of difficult economic circumstances, with Europe's economies mired in recession, Valora Trade made the greatest contribution to the Group's increased turnover, boosting its net sales by CHF 41.4 million, a 5.3% increase. In the first half of 2009, Valora Media was severely affected by the general economic torpor, with adjusted net sales down 4.6% on the same period of 2008. A number of measures helped sales to recover in the final half of the year, matching second-half 2008 levels. Overall, the Media division's 2009 adjusted net sales for 2009 fell CHF 10.7 million, or 1.5%. At Valora Retail, the restructuring measures initiated in 2008 created the platform needed for future success. Adjusted for one-off factors, the division's sales rose 0.6% (+1.4% including special factors), in line with expectations for this pivotal year. The other net revenues line represents logistics services provided to third party customers, which fell CHF 3.6 million after adjusting for one-off factors.

Although the ratio between net revenues generated in Switzerland and elsewhere experienced no significant change, it should be remembered that adverse exchange rate effects reduced 2009 net sales by CHF 77.4 million. Thanks to acquisitions made by the Retail division and organic growth, Germany was the country which saw the greatest increase in adjusted net sales, with an increase of CHF 54.7 million.

in CHF million	2009	2009 share in %	2008	2008 share in %
Net revenues	**2 897.0**	**100.0%**	**2 931.1**	**100.0%**
Gross profit	**867.6**	**29.9%**	**892.7**	**30.5%**
– Operating costs, net	– 799.5	– 27.5%	– 855.1	– 29.2%
Operating profit (EBIT)	**68.1**	**2.4%**	**37.6**	**1.3%**
+ Restructuring costs	0.0	0.0%	25.1	0.8%
Operating profit before restructuring costs	**68.1**	**2.4%**	**62.7**	**2.1%**

Operating profit before restructuring costs improved by CHF 5.4 million to CHF 68.1 million. After adjusting for the one-off effects of currency fluctuations (CHF -2.2 million), EURO 08 (CHF -9.0 million) and acquisitions (CHF +0.7 million), operating profit was increased by CHF 16.0 million, a 30% improvement. This is largely the result of increased cost efficiency throughout the Group. Net operating costs as a percentage of net revenues were cut by 1.7 percentage points. After adjusting for one-off factors, this improvement amounted to 1.4 percentage points. Net operating costs include earnings from investment properties, which are roughly equivalent in amount to the restructuring costs incurred in Luxembourg in 2009. Valora Retail made the largest contribution to the Group's improved operating profit, increasing its EBIT by CHF 10.9 million. Operating profit at Valora Trade reached CHF 22.3 million, a new record. Valora Media was the only division with lower operating earnings, falling short of 2008 levels by CHF 8.9 million.

The Group's 2009 operating profit reflects the fall in value, in Swiss franc terms, of Valora's earnings in other currencies, which depressed earnings by CHF 19.8 million. Results were also adversely affected by the economic slump, which prompted the Retail and Media divisions' customers to favour lower-margin products. These shifts in the mix of products sold reduced gross profit margins from 30.5% to 29.9%. Valora has taken a number of initiatives in its service offerings (through PaySafe cards, for example), in product range configuration and in sales promotion (e.g. by introducing a new top 50 product range) which aim to halt this trend in 2010 and increase margins again.

Valora's operating margin for 2009 was 2.4%. This is 1.1 percentage points better than the year before, or 0.3 percentage points better before restructuring costs. After adjusting for the one-off effects of currency fluctuations, EURO 08 and acquisitions, the Group's operating margin was up 0.5 percentage points on the year. Valora maintains its objective of raising its EBIT margin to 3-4% by 2012.

B VALORA RETAIL

in CHF million	2009	2009 share in %	2008	2008 share in %
Net revenues	**1 592.1**	**100.0%**	**1 569.5**	**100.0%**
Gross profit	**554.7**	**34.8%**	**552.1**	**35.2%**
– Operating costs, net	– 526.4	– 33.0%	– 544.1	– 34.7%
Operating profit (EBIT)	**28.3**	**1.8%**	**8.0**	**0.5%**
+ Restructuring costs	0.0	0.0%	13.0	0.8%
Operating profit before restructuring costs	**28.3**	**1.8%**	**21.0**	**1.3%**

Restructuring at Valora's Retail division was driven forward enthusiastically during 2009, and these efforts bore fruit both externally and internally. A year marked by innovation saw Valora Retail increase its net revenues by CHF 22.6 million or 1.4% to reach CHF 1 592 million. After adjusting for the one-off effects of currency fluctuations (CHF -20.4 million), EURO 08 (CHF -10.6 million) and acquisitions (CHF +43.9 million), the division's net sales advanced CHF 9.8 million or 0.6% on the year. After adjusting for the EURO 08 effect, the Swiss kiosks maintained their net sales at 2008 levels (+0.0%), making up for declining turnover in the first half of the year with increased sales in the final six months of 2009. Kiosk Switzerland's net revenues include those generated by the new Press and Books format, which has been operating as an independent business unit from the beginning of 2010. The highest rate of sales growth was achieved by Retail Germany, whose same store net revenues rose 5.2%, with a further CHF 40.5 million being contributed by new acquisitions. The acquisitions were Konrad Wittwer GmbH Bahnhofsbuchhandlungen in Stuttgart (from January 1, 2009) and Media Center GmbH in Berlin (from December 1, 2008). Between them, these operate a total of 26 outlets. Convenience store and filling station sales also did well, rising by 1.1% on a same store basis. Sales in this business unit were further increased by the acquisition of avec. franchisee operations in 2008, which was recorded as a separate item. The avec. network, with its planned expansion to some 100 shops in 2010, is expected to deliver turnover growth. Sales in the gastronomy unit, conversely, fell 9.2%, as a result of 6 units being closed and the introduction of smoking bans in a number of cantons.

The Retail division's CHF 9.8 increase in adjusted net revenues was driven by increased sales of tobacco products (+3.6%) and food (+2.5%). These higher food sales were mainly the result of the very successful launch of Valora Retail's new ok. product line. Falling net sales were mainly experienced in press products (-3.8%) and non-food (-7.7%). In line with the overall market, press sales were adversely affected by the depth of the recession, particularly in the first half of the year.

Higher net sales enabled Valora Retail to raise its operating profit by CHF 2.5 million to CHF 554.7 million. This lower EBIT margin is mainly due to the general mix of products sold, with lower-margin items being in greater demand at times of economic weakness.

Net operating costs for 2009 came in at CHF 526.4 million, CHF 17.7 million lower than in 2008. Expressed as a percentage of net sales, net operating expense (before restructuring costs) was 0.8 percentage points lower in 2009 than in 2008. This was principally due to lower staff and administrative costs.

Valora Retail's operating profit for 2009 was CHF 28.3 million, a CHF 7.3 million improvement on the 2008 figure before restructuring costs are taken into account. After adjusting for the one-off effects of currency fluctuations, EURO 08 and acquisitions, Valora Retail's operating profit rose CHF 10.9 million or 65.4% in 2009. The division's operating profit margin, at 1.8%, is thus 0.5 percentage points higher than in 2008, reflecting the initial benefits from the strategy programme. In 2010, Valora Retail will continue to concentrate on the systematic implementation of the various initiatives which are now under way, including developing the convenience store format, product range optimisation and floorspace expansion in Switzerland and Germany. In so doing, the division will be pursuing its objective of further growth and improved profitability.

C VALORA MEDIA

in CHF million	2009	2009 share in %	2008	2008 share in %
Net revenues	**712.9**	**100.0%**	**766.0**	**100.0%**
Gross profit	**146.8**	**20.6%**	**168.4**	**22.0%**
– Operating costs, net	– 130.6	– 18.3%	– 137.9	– 18.0%
Operating profit (EBIT)	**16.2**	**2.3%**	**30.5**	**4.0%**
+ Restructuring costs	0.0	0.0%	0.3	0.0%
Operating profit before restructuring costs	**16.2**	**2.3%**	**30.8**	**4.0%**

Valora Media was markedly affected by the recession in all its national markets during the first six months of 2009. Thanks to improving conditions in the press products market in the second half of the year, Valora Media's net sales for the whole of 2009, adjusted for one-off factors, fell by a relatively moderate CHF 10.7 million or 1.5% from 2008 levels. The unadjusted headline figure for net sales of CHF 712.9 million, a CHF 53.1 million decline on 2008, includes a CHF 31.4 million decrease for EURO 08 sales not repeated in 2009 and a CHF 11 million decrease due to lower exchange rates.

The largest decline in adjusted net sales occurred at Media Switzerland, where net revenues were down CHF 12.0 million or 3.9%. Largely due to a weak first six months, this unit's press and book sales for the entire year were both down on 2008. In the second half of 2009, an expanded service offering and a variety of product range and sales promotion initiatives helped to break the downtrend, and net sales for that period were CHF 0.4 million up on second-half 2008 levels. Media Austria and Media Luxembourg presented a similar picture, though, here too, the improvement in the second half of the year did not fully compensate for the fall in sales in the first six months. Adjusted net sales for the year as a whole were down 1.4% at Media Austria and 6.6% at Media Luxembourg. Third party distribution in Switzerland (excluding the Retail division's wholesaling operations) boosted its net sales by 4.5% on 2008 levels, largely thanks to increased turnover from tobacco products (CHF +7.3 million).

At CHF 146.8 million, Valora Media's gross profit was CHF 21.6 million lower than 2008. This 1.4% decline in gross profit margin is principally due to lower revenue from scrap paper, the higher portion of sales represented by lower-margin items (e.g. tobacco products) and the non-recurrence of EURO 08 related sales.

A disciplined approach to cost management enabled the division to cut its net operating costs by CHF 7.3 million or 5.3% from 2008 levels, mainly through reductions in staff costs. These savings compensated only partially for the effects of lower volumes and margins, so that adjusted gross profit fell by CHF 8.9 million relative to 2008. Operating profit before restructuring costs, the headline figure, was CHF 16.2 million in 2009 and thus CHF 14.3 million lower than the corresponding figure for 2008. This includes the effect of non-recurring EURO 08 sales (CHF -5.0 million) and currency fluctuations (CHF -0.8 million).

D VALORA TRADE

in CHF million	**2009**	**2009 share in %**	2008	2008 share in %
Net revenues	**777.6**	**100.0%**	**788.0**	**100.0%**
Gross profit	**155.4**	**20.0%**	**157.8**	**20.0%**
– Operating costs, net	– 133.1	– 17.1%	– 139.8	– 17.7%
Operating profit (EBIT)	**22.3**	**2.9%**	**18.0**	**2.3%**
+ Restructuring costs	0.0	0.0%	0.1	0.0%
Operating profit before restructuring costs	**22.3**	**2.9%**	**18.1**	**2.3%**

Valora Trade's main business, the distribution of branded consumer goods, performed extremely well in 2009, despite the economic challenges the division faced. After adjusting for currency fluctuations (CHF -47.8 million) and EURO 08 effects (CHF -4.0 million) the division raised its net revenues by CHF 41.4 million or 5.3%. Without these adjustments, net sales came in at CHF 777.6 million, a CHF 10.4 million decline on 2008. This increase in net revenues in local currency terms was mainly achieved in the Nordic markets, where the division continued to expand its business with new principals, raising net sales by 10.1%. The acquisition of new principals such as Estrella, Storck and McNeil enabled Valora Trade to boost its net sales in Finland (+84.2%), Norway (+45.4%) and Denmark (+3.3%). Valora Trade Sweden was unable to compensate fully for the defection of some important principals, and its net revenues declined by 8.5%. In Central Europe, Valora Trade's Swiss operations beat expectations, making up for more than 50% of revenues lost through the defection of Roland Murten. Trade Austria's net revenues declined 1.2%, while those at Trade Germany rose 1.8%.

Gross profit came in at CHF 155.4, a CHF 2.4 million decline on 2008, but a CHF 7.7 million increase at constant exchange rates. The division's gross profit margin, at 20.0%, was maintained at a high level.

Valora Trade's systematic control of its operating costs meant that the proportion of net sales they represent was cut 0.6 percentage points to 17.1%. The fact that operating costs at constant exchange rates rose by a net CHF 2.6 million is mainly due to the expansion of Valora Trade's Nordic businesses and the resulting organisational changes, plus the development of a new IT platform. Units reporting lower sales growth, such as Switzerland, achieved efficiency savings mainly in the areas of staff and transport costs.

Operating profit for 2009 was CHF 22.3 million, a CHF 4.3 million improvement on 2008 levels after adjusting for restructuring costs in that year. After adjusting for currency fluctuations, this represents a CHF 5.5 million or 30.1% increase on 2008. All national market units generated higher operating profits in local currency terms. The division's gross profit margin of 2.9% in 2009 was 0.6 percentage points higher than in 2008.

E CORPORATE

The Corporate area, comprising the logistics organisation in Switzerland, Corporate Information Services and Group corporate functions such as finance, human resources, business development, legal services and communications, saw its net sales from logistics services provided to third party customers decline by CHF 3.6 million or 25.3% to CHF 10.7 million.

Adjusted direct costs for Group corporate functions were cut by CHF 3.9 million, despite the fact that the restructuring process has not yet been entirely completed. Major restructuring milestones have however already been successfully completed, and greater cost savings can therefore be expected in 2010.

Valora's general policy is to charge the net costs of the Corporate division – i.e. its operating costs minus the logistics revenues generated with third parties – to the individual divisions on the basis of the use they make of them. Revenue and expense which is unrelated to the market divisions is reported under «other».

F FINANCIAL RESULT AND TAXES

Following the turbulence experienced on financial markets, interest rates declined further during the year and foreign currencies consolidated at low levels against the Swiss franc. Against this backdrop, the Valora Group succeeded in improving the net result from its financing activities by CHF 2.3 million. This improvement is solely due to improved net results from foreign currency transactions (CHF +5.0 million), which had suffered losses in 2008, largely due to translation adjustments on intra-Group loans. Conversely, the lower interest rates paid on short-term deposits meant that net interest earnings did not improve further, despite the fact that average borrowings over the year were lower than in 2008. In making its short-term placements, Valora has a policy of dealing mainly with counterparties with an S&P rating of at least A.

The Valora Group's overall tax rate declined by 4.4 percentage points to 16.4%, resulting in income tax expense of CHF 10.4 million. Current income tax costs were reduced by CHF 1.6 million, while deferred tax expense increased by CHF 5.5 million.

G LIQUIDITY, CASH FLOW AND KEY FINANCIAL DATA

Key financial data in CHF million	**2009**	2008
Cash and cash equivalents [1]	161.6	158.4
Free cash flow [1]	**46.0**	**176.7**
Shareholders' equity	453.7	450.4
Shareholders' equity in % of total assets	**41.3%**	**42.5%**
Group net profit	54.9	39.4
Net debt [1]	**– 15.8**	**– 6.0**
Net working capital [1]	109.3	129.7
Net working capital in % of net revenues [1]	3.8%	4.4%
Earnings per share [1]	**18.94**	**7.74**

[1] from continuing operations

Active management enabled Valora to reduce its net working capital by CHF 20.4 million to CHF 109.3 million. This improvement is partly the result of improved management of accounts payable and receivable and partly due to enhanced inventory flexibility, which made it possible to cut inventories, after adjusting for acquisitions, by CHF 2.0 million. Operating cash flow from continuing operations was raised by CHF 19.6 million.

After adjusting for cash used in investing activities, free cash flow amounted to CHF 46.0 million, CHF 130.7 million lower than in 2008. This should be viewed in the light of oneoff CHF 118.2 million of additional cash generated by the sale of Valora's Own Brands units in 2008, which was used to carry out the share repurchase programme.

The share repurchase programme was successfully completed at the end of February 2009, with 500 000 shares repurchased. The slight, 1.2% decrease to 41.3% in shareholders' equity as a percentage of total assets is due to this. Following the decision approved by the Ordinary General Meeting of shareholders on April 29, 2009 to reduce the company's issued share capital, this now amounts to CHF 2.8 million, with some 50 000 shares being held as treasury stock by Valora Holding AG. Thanks to the marked improvement in net income from continuing operations (CHF 53.0 million vs CHF 24.7 million in 2008) and the reduced number of issued shares, earnings per share increased by 145% to CHF 18.94.

H VALORA VALUE ADDED

Valora Value Added in CHF million	**2009**	2008
Operating profit (EBIT)	68.1	62.7[1]
Average invested capital	655.3	718.9
WACC	7.0%	7.0%
Capital costs	45.9	50.3
Valora Value Added	**22.2**	**12.4**

[1] before restructuring

In order to measure the sustained return it earns over and above its cost of capital, the Valora Group introduced the concept of Valora Valued Added (VVA) in 2008. VVA is based on the classical definition of economic value added. In order to ensure comparability between reporting periods, Valora Value Added is now calculated on the basis of operating profit minus the Group's weighted average cost of capital (WACC), the weighted average of its equity and debt financing costs. The current calcualtions, 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.

In 2009, Valora generated CHF 22.2 million in VVA, a CHF 9.8 million on its performance in 2008. After adjusting for non-recurring EURO 08 effects, the Group improved its VVA by CHF 18.8 million in 2009, a result to which both improved net income and more efficient capital utilisation both contributed.

I OUTLOOK

Valora looks forward to noticeable successes in 2010. The Group aims to continue implementing the restructuring process in a consistent manner and to reap increasing benefits from the improvements it has made.

There is substantial scope for savings in logistics operations, whose transformation was successfully completed on schedule at the end of 2009 with the relocation to Egerkingen, the new IT infrastructure and the state-of-the-art press logistics system. As previously announced, annual savings in this area should total CHF 11 million in 2010 with a further CHF 2 million in 2012. This transformation is also a key prerequisite for the growth which the Retail division intends to achieve.

Growth at Valora's Retail division will be driven principally by the new avec. and P&B formats, which will be further extended in 2010. The Swiss kiosk unit will test the agency model, which has already been successfully deployed in other countries. The objective is to achieve further improvements in profitability. A promising contribution can also be expected from the soccer World Cup championships which will be held later this year in South Africa. Sales of the popular collectible picture cards should give a significant boost to both sales and earnings.

Valora's Board of Directors and its management team are convinced that 2010 will be a successful year for the Group and maintain their objective of achieving an EBIT margin of 3-4% by 2012.

CONSOLIDATED INCOME STATEMENT

January 1 to December 31, in CHF 000 (except per-share amounts)	**Note**	**2009**	**%**	2008 Restated	%
Net revenues	8	**2 896 995**	**100.0**	**2 931 067**	**100.0**
Cost of goods		– 2 029 360	– 70.1	– 2 038 374	– 69.5
Gross profit		**867 635**	**29.9**	**892 693**	**30.5**
Personnel expense	9	– 442 753	– 15.3	– 463 968	– 15.8
Other operating expenses	10	– 331 040	– 11.4	– 336 587	– 11.5
Depreciation	20, 21, 22	– 41 693	– 1.4	– 61 853	– 2.1
Other income, net	11	15 989	0.6	7 336	0.2
Operating profit (EBIT)		**68 138**	**2.4**	**37 621**	**1.3**
Financial expense	12	– 6 578	– 0.2	– 12 202	– 0.4
Financial income	13	1 275	0.0	4 595	0.2
Share of result from associates and joint ventures	25	600	0.0	1 131	0.0
Earnings before taxes		**63 435**	**2.2**	**31 145**	**1.1**
Income taxes	14	– 10 394	– 0.4	– 6 475	– 0.3
Net profit from continuing operations		**53 041**	**1.8**	**24 670**	**0.8**
Net profit from discontinued operations	7	1 868	0.1	14 727	0.5
Net Group profit		**54 909**	**1.9**	**39 397**	**1.3**
Attributable to shareholders of Valora Holding AG		53 957	1.9	38 558	1.3
Attributable to minority interests		952	0.0	839	0.0
Earnings per share (in CHF)					
from continuing operations, diluted and undiluted	15	18.94		7.74	
from discontinued operations, diluted and undiluted	7	0.68		4.78	
from continued and discontinued operations, diluted and undiluted	**15**	**19.62**		**12.52**	

The accompanying notes from page 59 to page 107 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

January 1 to December 31, in CHF 000	**2009**	2008 Restated
Net Group profit	**54 909**	**39 397**
Actuarial gains/(losses) and pension asset recognition ceiling, before tax	– 23 823	– 81 310
Deferred taxes	4 807	16 318
Actuarial gains/(losses) and pension asset recognition ceiling, after tax	**– 19 016**	**– 64 992**
Valuation gains on financial investments available for sale	33	46
Deferred taxes	– 8	– 10
Valuation gains on financial investments available for sale	**25**	**36**
Fair value losses on cash flow hedge	0	– 130
Income statement reclassification following removal of cash flow hedge	0	– 75
Fair value losses on cash flow hedge	**0**	**– 205**
Taxes on share-based remuneration	**0**	**– 4**
Currency translation adjustments	**1 845**	**– 32 028**
Total other comprehensive income	**– 17 146**	**– 97 193**
Total comprehensive income	**37 763**	**– 57 796**
Attributable to shareholders of Valora Holding AG	36 820	– 58 270
Attributable to minority interests	943	474

CONSOLIDATED BALANCE SHEET

ASSETS

in CHF 000	Note	31.12.2009	%	31.12.2008 Restated	%	01.01.2008 Restated	%
Current assets							
Cash and cash equivalents	16	161 565		158 436		153 426	
Derivative assets	33	48		712		286	
Trade accounts receivable	17	163 289		153 728		164 499	
Inventories	18	230 218		228 977		236 564	
Current income tax receivable		2 566		796		75	
Other current receivables	19	64 734		47 118		43 802	
Current assets		**622 420**	**56.6%**	**589 767**	**55.6%**	**598 652**	**43.7%**
Assets held in disposal groups		0		0		178 053	
Assets held for sale	20, 21	968		0		0	
Total current assets		**623 388**	**56.7%**	**589 767**	**55.6%**	**776 705**	**56.7%**
Non-current assets							
Property, plant and equipment	20	219 734		219 124		237 977	
Goodwill, software and other intangible assets	22	161 485		138 412		134 515	
Investment property	21	10 080		14 662		15 316	
Investment in associates and joint ventures	25	5 379		4 931		14 635	
Financial assets	24	9 664		10 588		28 676	
Net pension asset	30	31 077		43 824		123 279	
Deferred income tax assets	14	38 215		38 737		38 134	
Total non-current assets		**475 634**	**43.3%**	**470 278**	**44.4%**	**592 532**	**43.3%**
Total assets		**1 099 022**	**100.0%**	**1 060 045**	**100.0%**	**1 369 237**	**100.0%**

LIABILITIES AND EQUITY

in CHF 000	Note	31.12.2009	%	31.12.2008 Restated	%	01.01.2008 Restated	%
Current liabilities							
Short-term financial debt	26	1 527		1 447		1 708	
Derivative liabilities	33	727		617		0	
Trade accounts payable	27	284 167		252 988		281 854	
Current income tax liabilities		13 585		8 834		9 696	
Other current liabilities	28	148 725		136 095		122 170	
Current provisions	29	3 232		7 652		250	
Current liabilities		**451 963**	**41.1%**	**407 633**	**38.5%**	**415 678**	**30.4%**
Liabilities from disposal groups		0		0		69 963	
Total current liabilities		**451 963**	**41.1%**	**407 633**	**38.5%**	**485 641**	**35.5%**
Non-current liabilities							
Other non-current liabilities	26	153 440		160 181		207 047	
Long-term accrued pension cost	30	15 063		13 634		15 073	
Long-term provisions	29	10 019		12 770		8 812	
Deferred income tax liabilities	14	14 819		15 422		31 721	
Total non-current liabilities		**193 341**	**17.6%**	**202 007**	**19.0%**	**262 653**	**19.2%**
Total liabilities		**645 304**	**58.7%**	**609 640**	**57.5%**	**748 294**	**54.7%**
Equity							
Share capital	36	2 800		3 300		3 300	
Treasury stock		– 10 323		– 108 180		– 28 481	
Mark-to-market, financial instruments		8		– 17		152	
Retained earnings		472 962		569 401		628 309	
Cumulative translation adjustments		– 15 570		– 17 424		14 239	
Equity of Valora Holding AG shareholders		**449 877**	**40.9%**	**447 080**	**42.2%**	**617 519**	**45.1%**
Minority interest in shareholders' equity		3 841		3 325		3 424	
Total equity		**453 718**	**41.3%**	**450 405**	**42.5%**	**620 943**	**45.3%**
Total liabilities and equity		**1 099 022**	**100.0%**	**1 060 045**	**100.0%**	**1 369 237**	**100.0%**

The accompanying notes from page 59 to page 107 form an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

January 1 to December 31, in CHF 000	**Note**	**2009**	2008 Restated
Operating profit (EBIT) from continuing operations		**68 138**	**37 621**
Elimination of non-cash transactions in operating profit (EBIT)			
Depreciation on property, plant, equipment and investment property	20, 21	29 666	45 609
Amortisation of intangible assets	22	12 027	16 244
(Book gains) book losses on sale of fixed assets, net	11	– 8 120	956
Share-based remuneration	31	1 812	1 404
(Release) creation of provisions, net	29	– 1 415	5 873
Decrease in accrued pension cost		– 10 514	– 842
Changes in net working capital, net of acquisitions and disposals of business units			
Increase in trade accounts receivable		– 7 426	– 2 051
Decrease (increase) in inventories		2 021	– 4 503
Increase in other current assets		– 7 925	– 4 787
Increase (decrease) in trade accounts payable		28 461	– 11 851
Provisions assigned	29	– 4 377	– 501
Increase in other liabilities		10 511	16 422
Net cash provided by operating activities from continuing operations		**112 859**	**99 594**
Interest paid		– 6 577	– 10 429
Income taxes paid		– 2 998	– 9 199
Interest received		2 452	6 245
Dividend payments received		430	370
Total net cash provided by operating activities from continuing operations		**106 166**	**86 581**
Total net cash provided by operating activities from discontinued operations	7	0	4 917
Total net cash provided by operating activities		**106 166**	**91 498**

January 1 to December 31, in CHF 000	**Note**	**2009**	2008 Restated
Cash flow from investing activities			
Investment in fixed assets	20	– 29 258	– 26 025
Proceeds from sale of fixed assets	20	3 706	643
Proceeds from sale of investment property	21	2 924	0
Acquisition of subsidiaries, net of cash acquired	6	– 10 562	– 3 556
Disposal of business units, net of cash sold	7, 6	0	118 238
Sale of financial investments		664	18 524
Purchases of other intangible assets	22	– 27 972	– 17 889
Proceeds from sale of other intangible assets	22	333	158
Net cash (used in)/provided by investing activities from continuing operations		**– 60 165**	**90 093**
Net cash used in investing activities from discontinued operations	7	0	– 17 598
Net cash (used in)/provided by investing activities		**– 60 165**	**72 495**
Cash flow from financing activities			
Repayment of short-term financial liabilities		– 1 188	– 1 743
Increase in long-term financial liabilities	26	32 503	43 506
Repayment of long-term financial liabilities	26	– 38 624	– 89 798
Treasury stock purchased		– 24 695	– 84 661
Treasury stock sold		12 612	1 140
Dividends paid		– 24 705	– 28 606
Dividends paid to minorities		– 427	– 573
Net cash used in financing activities from continuing operations		**– 44 524**	**– 160 735**
Net cash provided by financing activities from discontinued operations	7	0	1 046
Net cash used in financing activities		**– 44 524**	**– 159 689**
Net increase in cash and cash equivalents from continuing operations		**1 477**	**15 939**
Net decrease in cash and cash equivalents from discontinued operations		0	– 11 635
Net increase in cash and cash equivalents		**1 477**	**4 304**
Translation adjustments on cash and cash equivalents		1 652	– 12 363
Cash and cash equivalents at beginning of year from continuing operations		158 436	153 426
Cash and cash equivalents at beginning of year from discontinued operations		0	13 069
Cash and cash equivalents at beginning of year		158 436	166 495
Cash and cash equivalents at year end from continuing operations	16	**161 565**	**158 436**
Cash and cash equivalents at year end from discontinued operations		0	0
Cash and cash equivalents at year end		**161 565**	**158 436**

The accompanying notes from page 59 to page 107 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equity

		Equity of Valora Holding AG							
in CHF 000	Note	Share capital	Treasury stock	Mark-to-market, financial instruments	Retained earnings	Cumulative translation adjustments	Total equity of majority shareholders	Minority interest	Total equity
Balance at December 31, 2007		**3 300**	**– 28 481**	**152**	**606 637**	**14 239**	**595 847**	**3 424**	**599 271**
IAS 19 restatement, change in accounting method					31 576		31 576		**31 576**
Restatement, IAS 19 error					– 7 214		– 7 214		**– 7 214**
Restatement, VAT liabilities error					– 2 690		– 2 690		**– 2 690**
Balance at January 1, 2008		**3 300**	**– 28 481**	**152**	**628 309**	**14 239**	**617 519**	**3 424**	**620 943**
Total comprehensive income				– 169	– 26 438	– 31 663	– 58 270	474	**– 57 796**
Share-based remuneration	31				– 1 893		– 1 893		**– 1 893**
Dividend paid on 2007 result					– 28 606		– 28 606	– 573	**– 29 179**
Treasury stock purchased			– 84 661				– 84 661		**– 84 661**
Decrease in treasury stock			4 962		– 1 971		2 991		**2 991**
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	31				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**

The accompanying notes from page 59 to page 107 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 Swiss Stock Exchange. Valora's consolidated financial statements for the 2009 financial year were approved by the Board of Directors on March 24, 2010. These consolidated financial statements are subject to approval by the General Meeting of Shareholders to be held on April 22, 2010.

2 ACCOUNTING POLICIES

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

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

Key accounting principles.
Consolidation. In addition to the accounts of Valora Holding AG, 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 on intra-Group transactions, are fully eliminated. The shareholders' equity of consolidated Group companies matches and offsets the book value of the parent company's participation in them at the time these companies are acquired or established. Once initial consolidation has taken place, profit or loss attributable to each accounting period is passed to the subsidiaries' retained earnings. Minority interests are defined as that part of subsidiaries' net profit and net equity which are not attributable to the Valora Group. These minority interests are disclosed separately in the consolidated income statement, consolidated statement of comprehensive income and the balance sheet. In the Group balance sheet, minority interests are shown in the shareholders' equity section, but are reported separately from the equity attributable to shareholders of Valora Holding AG. Valora's purchases of minority interests are treated according to the purchase method, with the difference between the purchase price paid and the book value of net assets acquired being recognised as goodwill.
Non-consolidated participations (associated companies and joint ventures). Associated companies and joint ventures are treated according to the equity method. Associated companies are companies over which Valora exerts significant influence, but does not control. Significant influence is assumed to be exerted on companies in which Valora holds between 20 % and 50 % of the voting shares. Joint ventures are defined as joint undertakings which are managed with one partner under a contractual agreement. Participations treated under the equity method are recorded on the balance sheet at purchase cost and reported under «Investments in associates and

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 January 1, 2009, the Valora Group acquired 100% of Konrad Wittwer GmbH Bahnhofsbuchhandlungen, a German company with registered offices in Stuttgart. In 2008, Valora acquired Media Center Gesellschaft für Presse- & Tabakhandel mbH, a German company with registered offices in Berlin. Cevanova AG, which originally operated the avec. retail chain in Switzerland, was a joint venture between Valora and Migros which was dissolved with effect from July 1, 2008. Valora's Own Brands companies, which had already been classified as discontinued operations in 2007, were sold during the first half of 2008. Additional information on these transactions is presented in notes 6 and 7 below.

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

3 CHANGES TO ACCOUNTING POLICIES

Implementation of new International Financial Reporting Standards (IFRS) and interpretations thereof. Adoption of the following changes to International Financial Reporting Standards (IFRS) and interpretations thereof was first required for the Group's 2009 accounts:
IFRS 8 'Operating Segments' came into effect on January 1, 2009, replacing the previous IAS 14 'Segment Reporting' standard. This new standard requires that the definition of segments be made according to the management approach. Application of IFRS 8 did not result in any material changes in presentation, since the previous business segments used under IAS 14 were largely in line with those now required under IFRS 8. Operating segments are identified on the basis of the type of product and the way in which it is distributed. The reporting segments used in these financial statements cover a number of formats and geographical regions as explained and presented in note 8 below.

The revised IAS 1 'Presentation of Financial Statements' standard came into effect on January 1, 2009. This revised standard provides for new designations for individual sections of the financial statements. The use of these new designations is not compulsory, however, and Valora has not adopted them.The standard also requires a comprehensive statement of income, either in the form of a comprehensive presentation of all income components or as a separate statement. Valora has elected to present two separate statements (a consolidated income statement and a consolidated statement of comprehensive income).

The revised IAS 23 'Borrowing Costs', IAS 32 'Financial instruments: Presentation' and IFRS 2 'Share-based Payment' standards all came into effect on January 1, 2009 and did not result in any changes to the consolidated financial statements of the Valora Group.

IFRIC 15 'Agreements for the Construction of Real Estate', which came into effect on January 1, 2009, and IFRIC 16 'Hedges of Net Investment in a Foreign Operation', which came into effect on October 1, 2008, do not have any effect on the Valora Group's consolidated financial statements, since no transactions or positions of the type covered by these standards exist. The effects of IFRIC 13 'Customer Loyalty Programmes' are not material, since Valora operates short-term oriented loyalty programmes only to a very limited extent. These programmes are subject to ongoing assessment in this regard.

The changes to IFRIC 14 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' set out by the International Accounting Standards Board (IASB) in November 2009, have already been taken into account. Their retro-active application as of January 1, 2008 did not result in any changes.

Neither the changes to IFRS 7 'Liquidity Risk and Fair Value Disclosures', nor the Annual Improvements (2008) which came into effect on January 1, 2009 had any material effect on Valora's accounts.

In addition the treatment of actuarial gains and losses on defined-benefit pension plans was changed. In accordance with IAS 19, Valora switched from the corridor method to the direct recognition in equity approach (Comprehensive Income Method). As required by IAS 8, this change in accounting method was applied retro-actively as of January 1, 2008.

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 2010 or thereafter:

The changes to IAS 27 'Consolidated and Separate Financial Statements' and IFRS 3 'Business Combinations' will not have any financial consequences for the Valora Group. Future business combinations will be affected.

The new IFRIC 17 interpretation 'Distribution of Non-cash Assets to Owners' will not have any effect on the Valora Group's accounts.

The effects of IFRIC 18 'Transfer of Assets from Customers' are not material.

The changes to IAS 39 'Exposures Qualifying for Hedge Accounting' will not have any effect on the Valora Group's accounts. The effects of the changes in IFRS 2 'Group Cash-settled Share-based Payments' are not material.

The changes to IFRIC 9 'Reassessment of Embedded Derivatives', IAS 32 'Classification of Rights Issues' and IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' will not have any effect on the Valora Group.

The changes to IAS 24 'Related Party Disclosures', IFRS 9 'Financial Instruments' and the Annual Improvements (2009) which will come into effect on January 1, 2010 or thereafter will not have any material effect on the Valora Group.

Restatement of the consolidated financial statements. In accordance with IAS 19, the Valora Group switched from the corridor method to the direct recognition in shareholders' equity method for actuarial gains and losses (Comprehensive Income Method). As stipulated in IAS 8, this change in accounting method was applied retro-actively with effect from January 1, 2008. This resulted in an increase in the valuation of the pension fund asset by CHF 40 359 thousand and an increase in the long-term pension obligations by CHF 996 thousand. The opening balance of the retained earnings account was therefore increased by a correponding amount, which was reduced by the effect of the CHF 7 787 thousand adjustment in deferred taxes.

In addition, pension reinsurance contracts concluded abroad did not meet the criteria required for recognition as pension plan assets, and long-term pension obligations had been recognised as short-term liabilities. Contrary to IAS 19 requirements, no accruals had historically been recognised in respect of employment annniversary awards to employees. These errors from prior accounting periods were corrected retro-actively with effect from January 1, 2008, in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. This resulted in an increase in financial investments of CHF 2 327 thousand, an increase in other current liabilities of CHF 1 738 thousand, an increase in long-term pension obligations of CHF 4 065 thousand, an increase in other non-current liabilities of CHF 9 307 thousand and an increase in deferred income tax assets of CHF 2 093 thousand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As a result of errors in VAT returns, VAT liabilities abroad had not been fully recognised. In accordance with IAS 8, this error was corrrected retro-actively as of January 1, 2008 and resulted in an increase of CHF 2 690 in other current liabilities.

The effects of these restatements are shown in the table below:

in CHF 000	January 1, 2008 before restatement	**January 1, 2008 restated**
Net pension asset	82 920	**123 279**
Deferred income tax assets	36 041	**38 134**
Financial investments	26 349	**28 676**
Other current liabilities	121 218	**122 170**
Long-term accrued pension cost	10 012	**15 073**
Other non-current liabilities	197 740	**207 047**
Deferred income tax liabilities	23 934	**31 721**
Total equity	599 271	**620 943**

in CHF 000	Decembe 31, 2008 before restatement	**December 31, 2008 restated**
Net pension asset	83 997	**43 824**
Deferred income tax assets	36 677	**38 737**
Financial investments	8 458	**10 588**
Other current liabilities	134 522	**136 095**
Long-term accrued pension cost	8 335	**13 634**
Other non-current liabilities	151 022	**160 181**
Deferred income tax liabilities	23 952	**15 422**
Total equity	493 889	**450 405**
Net revenues	2 931 656	**2 931 067**
Personnel expenses	– 464 077	**– 463 968**
Income taxes	– 6 451	**– 6 475**
Net Group profit	39 901	**39 397**
Earnings per share	7.91	**7.74**

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 2009	**Rate at December 31, 2009**	Average rate for 2008	Rate at December 31, 2008
Euro, 1 EUR	1.510	1.486	1.587	1.487
Swedish krona, 100 SEK	14.23	14.49	16.49	13.72
Danish krone 100 DKK	20.28	19.97	21.29	19.97
Norwegian krone, 100 NOK	17.31	17.89	19.32	15.31

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

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

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

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

Deferred taxes which arise as a result of timing differences between the values of assets and liabilities reported on the balance sheet and their applicable tax values are shown as deferred tax assets or deferred tax 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 Media 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.

Non-current assets held for sale. Fixed assets are classified as held for sale and valued at the lower of book or market value minus selling costs, if their book value is expected to be realised principally from their sale rather than from their continued operational use. If entire business units are held for sale, all their fixed assets and all their directly attributable liabilities are 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
Real estate used for operations	20-40
Machinery, equipment, fixtures and fittings	6-10
Vehicles	5
IT hardware	3-5

Investment property. Investment property is recorded at cost minus accumulated depreciation. The fair values stated in the notes are based on capitalisations of current earnings value calculations. Increases in fair value are not capitalised. Subsequent expenditure for renovation is capitalised only if the costs can be reliably determined and an economic benefit results from them. If these conditions are met, the renovation costs so capitalised are depreciated over their useful economic life. All other renovation and maintenance costs are expensed directly to the income statement.

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

	Years
Investment property	20-60

Impairments to property, plant and equipment. The current values of property, plant and equipment are reviewed whenever changing circumstances or specific events suggest that their current book values might be too high. If the current book value of an asset exceeds its realisable value, which is defined as the higher of its current fair value minus selling costs or its value in use, the asset will be written down to its realisable value. Once made, 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 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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	3-10

Impairments to intangible assets. The current values of intangible assets excluding goodwill are reviewed whenever changing circumstances or specific events suggest that their current book values might be too high. If the current book value of an asset exceeds its realisable value, which is defined as the higher of its current fair value minus selling costs or its value in use, the asset will be written down to its realisable value. Once made, 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 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.

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

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

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

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

All purchases and sales of financial assets are recorded on the trade date. Financial assets, except those held at fair value through profit and loss, are initially recorded at fair value plus transaction costs. Financial assets held for trading 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 the result from the past event can be reliably estimated and for whose settlement an outflow of cash is probable. Provisions are carried at the present value, as of the balance sheet date, of the estimated future disbursement due.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Any gains or losses from hedging instruments classified as cash flow hedges which effectively offset changes in 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 regardig 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 consoldiated financial statements in the year in which such modifications are made. Estimations and assumptions bearing significant risks of substantial future changes to book values are listed below:

Goodwill. The consolidated balance sheet carries goodwill from continuing operations at CHF 101.1 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.

Income tax. Under IFRS rules, that portion of any tax loss carry forwards which can be expected to result in future tax savings should be recognised as a deferred tax asset. The amount of tax savings which are then actually achieved will depend on the level of net income generated before the tax loss carry forwards expire. This means that future net income may be impacted by 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 ACQUISITIONS AND DISPOSALS OF BUSINESS UNITS

Transactions completed in 2009. 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.

Balance sheet values of the company initially consolidated during the period

in CHF 000	Fair Value	Book values in the acquired entity's books
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 detailed above 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, Konrad Wittwer GmbH railway station bookstores have generated turnover of CHF 30.5 million and net profit of CHF 0.9 million.

Transactions completed in 2008. In Germany, the Valora Group purchased 100% of the shares of Media Center Gesellschaft für Presse- & Tabakhandel mbH, Berlin, assuming control on December 1, 2008. This company operates 12 non-travel retail outlets. Goodwill capitalised from this purchase was CHF 3.0 million and the purchase price was CHF 3.6 million. The capitalised goodwill results from the portions of the purchase price which were not recognisable for developing Valora's market presence in Berlin, for the improvement in its purchasing terms in the convenience store sector and for the establishment of a strategic negotiating position vis-à-vis the landlord.

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

The assets and liabilities assumed as a result of these transactions are recorded in the consolidated balance sheet under the relevant headings.

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

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

7 DISCONTINUED OPERATIONS

During the first half of 2008, the Group sold its Trade division's Own Brands companies, which had already been classified as discontinued operations. Roland Murten AG, Kägi Söhne AG and Cansimag France SA were sold as a single package. Sale of these three units was backdated to February 29, 2008, while that of Gillebagaren AB was backdated to April 30, 2008 and the sale of Sørlandschips AS was backdated to May 31, 2008. The results generated by the units sold until control over them was transferred to their new owners, including net book profits arising from their sale, are shown as net profit from discontinued operations in the consolidated financial statements.
In 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 SA which were no longer needed.

Income statement for discontinued operations

January 1 – December 31, in CHF 000	**2009**	2008
Net revenues	0	42 018
Gross profit	**0**	**22 954**
Operating expenses	0	– 18 248
Other income, net	1 868	2 919
Operating profit (EBIT)	**1 868**	**7 625**
Financial result	0	– 387
Profit before taxes	**1 868**	**7 238**
Income taxes	0	– 330
Operating profit	**1 868**	**6 908**
Accumulated currency translation differences	0	7 819
Net profit from discontinued operations	**1 868**	**14 727**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Earnings per share from discontinued operations amounted to CHF 0.68 in 2009 (CHF 4.78 in 2008). There were no dilutive effects in 2009 and 2008.

Cash flow from discontinued operations

in CHF 000	**1.1.–31.12.2009**	1.1.–31.12.2008
Net cash generated by operating activities	0	4 917
Net cash used in investing activities	0	– 17 598
Net cash from financing activities	0	1 046
Currency translation adjustments on cash and cash equivalents	0	– 270
Total change in cash and cash equivalents	**0**	**– 11 905**

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 Media: Valora Media is a specialised wholesaler intermediating between book and press publishers and the retail sector. The division supplies press products, books, food, non-food and tobacco products to the Group's own retail outlets and those of third parties in Switzerland, Austria and Luxembourg.

Valora Trade: Valora Trade deploys a variety of customer-specific distribution and marketing solutions to supply fast moving consumer goods to the organised retail sector in eight European 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 Media 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).

Segment data by division

2009

in CHF 000	Valora Retail	Valora Media	Valora Trade	Others	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**		**68 138**
Depreciation, net	22 969	5 391	2 390	10 943		41 693
Restructuring provisions released	– 71	– 129	0	– 215		– 415
Guarantee provisions released in operating profit (EBIT)	0	0	– 1 000	0		– 1 000
Additions to long-term assets						
Total	**25 867**	**1 850**	**5 884**	**25 732**		**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		5 379
Segment liabilities						
Total	**443 986**	**166 113**	**178 357**	**235 163**	**– 378 315**	**645 304**

The net depreciation shown for Valora Retail includes impairment reversals of CHF 856 thousand (none in 2008).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2008 Restated

in CHF 000	Valora Retail	Valora Media	Valora Trade	Others	Intersegment elimination	Total Group
Net revenues						
Total	**1 569 479**	**766 047**	**787 990**	**14 291**	**– 206 740**	**2 931 067**
From third parties	1 567 403	568 567	780 806	14 291	0	2 931 067
From other divisions	2 076	197 480	7 184	0	– 206 740	0
Operating profit (EBIT)						
Total	**7 982**	**30 547**	**17 997**	**– 18 905**		**37 621**
Depreciation	23 886	6 914	2 487	10 195		43 482
Restructuring costs	13 020	316	109	11 619		25 064
of which impairments	10 436	0	0	5 878		16 314
of which restructuring provisions	1 772	896	0	3 205		5 873
Impairments (excluding restructuring)	0	0	0	2 057		2 057
Additions to long-term assets						
Total	**21 586**	**2 649**	**4 540**	**16 478**		**45 253**
Segment assets						
Total	**519 717**	**292 033**	**271 260**	**386 013**	**– 408 978**	**1 060 045**
Investment in associates and joint ventures	0	42	4 889	0		4 931
Segment liabilities						
Total	**405 029**	**221 207**	**170 537**	**221 845**	**– 408 978**	**609 640**

Internal organisational changes at the beginning of 2009 resulted in changes to the composition of reporting segments. These changes are principally due to a portion of Valora Retail's wholesaling activities being transferred to Valora Media and the transfer of a number of bookshops from Valora Media to Valora Retail. The resulting changes in net revenues from third parties amount to CHF -178.9 million for Valora Retail and CHF +178.9 for Valora Media. The changes in operating profit amount to CHF -2.7 million for Valora Retail, CHF +3.2 million for Valora Media, CHF +0.2 million for Valora Trade and CHF -0.8 million for Others. In addition, as a result of the restatement detailed in note 3, the following adjustments have also been made to the figures shown for the individual reporting segments: Valora Retail CHF -0.5 million in net revenues from third parties and CHF -0.3 million in operating profit; Valora Media CHF -0.1 million in net revenues from third parties and CHF -0.2 million in operating profit.

Segment data by region

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

2008 Restated

in CHF 000	Switzerland	Europe	Total Group
Net revenues from third parties	1 770 761	1 160 306	2 931 067
Long-term assets	223 221	148 977	372 198

Within Europe, net revenues of CHF 333.6 million (CHF 296.3 million in 2008) 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	**2009**	2008 Restated
Salaries and wages	380 794	388 530
Social security payments	53 267	56 048
Share-based payments	1 812	1 404
Other personnel expenses	6 880	17 986
Total personnel expenses	**442 753**	**463 968**
Number of employees at December 31 (full-time equivalent basis)	6 522	6 692

Social security payments include CHF 2 701 thousand (CHF 2 834 thousand in 2008) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 OTHER OPERATING EXPENSES

in CHF 000	2009	2008
Rent	126 602	120 904
Real-estate expenses	8 079	7 934
Energy	20 760	20 881
Insurance	2 379	2 878
Communications and IT	18 495	18 773
Advertising and sales	47 596	51 900
Shipping and dispatch	65 173	69 507
General administration	24 559	26 125
Capital and other taxes	1 706	1 639
Miscellaneous	15 691	16 046
Total other operating expenses	**331 040**	**336 587**

Miscellaneous operating expenses include operating lease payments totalling CHF 4.8 million (CHF 5.0 million in 2008).

11 OTHER INCOME, NET

in CHF 000	2009	2008
Rental income	3 591	2 671
Gains from disposal of non-current assets	8 723	198
Losses from disposal of non-current assets	– 603	– 1 154
Miscellaneous expenses	– 73	– 69
Miscellaneous income	4 351	5 690
Total other income, net	**15 989**	**7 336**

The book gains from disposal of non-current assets are principally due to sales of real estate. During 2008, Valora reached a settlement with regard to Selecta. This resulted in the Group receiving a payment of CHF 3.5 million which is included under miscellaneous income above.

12 FINANCIAL EXPENSE

in CHF 000	2009	2008
Interest on bank debt and mortgages	1 235	3 652
Interest on bonds issued	3 774	4 609
Interest on finance leases	146	154
Net losses (gains) on financial derivative instruments	1 104	– 1 161
Fair value adjustments on long-term provisions	310	205
Losses on sales of financial assets available for sale	9	0
Currency translation losses, net	0	4 743
Total financial expense	**6 578**	**12 202**

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

13 FINANCIAL INCOME

in CHF 000	**2009**	2008
Interest earned on cash, cash equivalents, loans and receivables	616	4 257
Interest income from finance leases	375	329
Dividend income from financial investments available for sale	37	9
Foreign exchange gains, net	247	0
Total financial income	**1 275**	**4 595**

14 INCOME TAXES

Income tax expense was as follows:

in CHF 000	**2009**	2008
Expense on current income taxes	5 985	7 552
Expense (income) from deferred taxes	4 409	– 1 077
Total income tax expense for continuing operations	**10 394**	**6 475**

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	**2009**	2008
Profit before income taxes	63 435	31 145
Expected average Group tax rate	22.5%	21.0%
Income taxes at expected Group tax rate	**14 273**	**6 540**
Non-tax-deductible tax expense	3 047	1 422
Utilisation of losses not previously recognised	– 2 237	– 4 377
Out-of-period effects on current income taxes	– 1 548	– 793
(Release) creation of impairments on deferred tax assets, net	– 2 012	3 930
Tax rate changes and other effects, net	– 1 129	– 247
Total reported income taxes	**10 394**	**6 475**
Effective tax rate	16.4%	20.8%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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, 2007	**36 041**	**– 23 934**	**12 107**
Restatement of deferred taxes	2 093	– 7 787	– 5 694
Balance at January 1, 2008	**38 134**	**– 31 721**	**6 413**
Deferred taxes recorded in the income statement	1 619	– 542	1 077
Deferred taxes recorded in other comprehensive income	– 4	16 308	16 304
Exchange rate differences	– 1 012	533	– 479
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**

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

Deferred tax assets by source of difference in CHF 000	**2009**	2008
Current assets	595	411
Property, plant and equipment	38	64
Goodwill, software and other intangible assets	25 853	31 697
Other non-current assets	9	511
Provisions	0	22
Liabilities	2 327	4 736
Tax loss carry forwards	9 913	5 743
Total	**38 735**	**43 184**
Deferred tax liabilities by source of difference		
Current assets	– 1 192	– 1 845
Property, plant and equipment	– 3 435	– 3 704
Goodwill, software and other intangible assets	– 3 383	– 2 465
Net pension asset	– 6 215	– 8 765
Other non-current assets	– 1 034	– 2 342
Provisions	– 44	– 218
Liabilities	– 36	– 530
Total	**– 15 339**	**– 19 869**
Reported in the balance sheet		
Deferred income tax assets	38 215	38 737
Deferred income tax liabilities	– 14 819	– 15 422
Total deferrred income tax assets, net	**23 396**	**23 315**

Tax loss carry forwards from continuing operations are as follows: CHF 264.1 million (CHF 397.7 million in 2008). In 2009, CHF 70.7 million of the CHF 232.9 million available was not recognised as a deferred tax asset, since it is unlikely that this will be realised. In 2008, CHF 103.8 million of the 377.2 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	**2009**	2008
Within one year	0	4
Within 2 years	0	10 383
Within 3 years	1	61 991
Within 4 years	198	51 035
Within 5 years	941	1
After more than 5 years and with no fixed maturity	231 710	253 797
Total	**232 850**	**377 211**

There are temporary differences amounting to CHF 105.0 million (CHF 103.0 million in 2008) for which no deferred tax assets were capitalised. In addition, deferred tax liabilities on temporary valuation differences on investments carried at CHF 323.0 million (CHF 345.0 million in 2008) were not capitalised, as it is not intended to realise them in the foreseeable future.

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

15 EARNINGS PER SHARE

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

in CHF 000	**2009**	2008
Net profit from continuing operations	53 041	24 670
Net profit attributable to minority interests	– 952	– 839
Net profit from continuing operations attributable to Valora Holding AG shareholders	52 089	23 831
Net profit from discontinued operations	1 868	14 727
Net profit from continuing and discontinued operations attributable to Valora Holding AG shareholders	**53 957**	**38 558**
Average number of shares outstanding	2 749 815	3 078 254
Earnings per share from continuing operations (in CHF)	18.94	7.74
Earnings per share from continued and discontinued operations (in CHF)	**19.62**	**12.52**

There were no dilutive effects in 2009 or 2008.

The Ordinary General Meeting of shareholders held on April 29, 2009 approved the cancellation of 500 000 registered shares of Valora Holding AG. In connection with this, some 350 000 shares had been repurchased by year-end 2008. These shares are included in the calculation of the average number of shares outstanding. By the end of February, 2009, the remaining 150 000 registered shares had been repurchased. All these shares were cancelled on July 9, 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 CASH AND CASH EQUIVALENTS

in CHF 000	2009	2008
Petty cash and bank sight deposits	158 148	157 865
Bank term deposits and money market investments < 3 months	3 417	571
Total cash and cash equivalents	**161 565**	**158 436**
of which pledged	13 614	0

17 TRADE ACCOUNTS RECEIVABLE

in CHF 000	2009	2008
Trade accounts receivable, gross	165 958	156 011
Allowance for bad and doubtful debts	– 2 669	– 2 283
Total trade accounts receivable, net	**163 289**	**153 728**

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

in CHF 000	2009	2008
Position at January 1	**2 283**	**2 114**
Allowance creation charged to income	1 239	1 236
Allowances released to income	– 620	– 877
Allowances utilised	– 237	– 139
Currency translation differences	4	– 51
Position at December 31	**2 669**	**2 283**

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

in CHF 000	2009	2008
Total trade accounts receivable, net	**163 289**	**153 728**
Of which		
Not yet overdue	128 024	122 319
Up to 10 days overdue	16 266	14 785
More than 10 days, but less than one month overdue	10 043	12 535
More than one month, but less than two months overdue	4 742	2 639
More than two months, but less than four months overdue	2 220	1 062
More than four months overdue	1 994	388

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

in CHF 000	2009	2008
CHF	70 955	69 457
DKK	26 161	29 518
EUR	40 377	32 219
NOK	9 439	5 071
SEK	16 318	17 066
Others	39	397
Total trade accounts receivable, net	**163 289**	**153 728**

18 INVENTORIES

in CHF 000	2009	2008
Ancillary material and other inventories	117	244
Merchandise	230 101	228 733
Total inventories	**230 218**	**228 977**

There are no inventory book values which are recognised at fair value less cost to sell (2008: none).

19 OTHER CURRENT RECEIVABLES

in CHF 000	2009	2008
Value-added tax, withholding tax and other taxes recoverable	3 948	3 403
Prepaid expenses and accrued income	21 358	11 752
Short-term receivables from finance leases	308	290
Miscellaneous receivables	39 120	31 673
Total other current receivables	**64 734**	**47 118**

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 PROPERTY, PLANT AND EQUIPMENT

in CHF 000	Land	Buildings	Machinery and equipment	Projects in progress	Total
At cost					
Balance at January 31, 2008	**21 957**	**151 054**	**357 776**	**446**	**531 233**
Changes in consolidation scope	0	0	8 400	83	8 483
Additions	0	1 897	20 598	2 232	24 727
Disposals	– 10	– 108	– 9 808	0	– 9 926
Transfers	0	0	410	– 410	0
Translation adjustments	– 857	– 2 052	– 9 373	– 23	– 12 305
Balance at December 31, 2008	**21 090**	**150 791**	**368 003**	**2 328**	**542 212**
Changes in consolidation scope	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**
Accumulated depreciation					
Balance at January 31, 2008	**0**	**– 50 537**	**– 242 719**	**0**	**– 293 256**
Additions	0	– 4 439	– 27 680	0	– 32 119
Impairments	0	0	– 13 134	0	– 13 134
Disposals	0	56	8 271	0	8 327
Translation adjustments	0	638	6 456	0	7 094
Balance at December 31, 2008	**0**	**– 54 282**	**– 268 806**	**0**	**– 323 088**
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**
Net book value					
at December 31, 2008	21 090	96 509	99 197	2 328	219 124
at December 31, 2009	**19 945**	**91 410**	**102 489**	**5 890**	**219 734**

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

No property, plant and equipment was pledged to secure mortgage loans (none in 2008). Property, plant and equipment at year end 2009 includes no real estate held on finance leases (none in 2008), but does include machinery and equipment held on finance leases amounting to CHF 1.5 million (CHF 2.4 million in 2008). The reclassifications to non-current assets held for sale relate to Valora Retail.

Fire insurance values of property, plant and equipment in CHF 000	**2009**	2008
Property (including investment property)	196 683	200 164
Plant and equipment	411 420	418 210
Total	**608 103**	**618 374**

21 INVESTMENT PROPERTY

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

Investment property in CHF 000	**2009**	2008
At cost		
Balance at January 1	**22 976**	**23 778**
Disposals	– 5 282	0
Reclassification to non-current assets held for sale	– 808	0
Translation adjustments	– 6	– 802
Balance at December 31	**16 880**	**22 976**
Accumulated depreciation		
Balance at January 1	**– 8 314**	**– 8 462**
Additions	– 323	– 356
Disposals	1 701	0
Reclassification to non-current assets held for sale	130	0
Translation adjustments	6	504
Balance at December 31	**– 6 800**	**– 8 314**
Total net book value	**10 080**	**14 662**

The estimated market value (based on yield value assessments) of the investment properties was CHF 11.3 million (CHF 20.4 in 2008). These assessments took account of market conditions prevailing at the balance sheet date. The rental income from the investment properties was CHF 2.6 million (CHF 2.5 million in 2008) and the associated maintenance and operational costs were CHF 1.3 million (CHF 1.4 million in 2008). No mortgage liens were in place on these investment properties (none in 2008). The reclassifications to non-current assets held for sale relate to Valora Retail.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 January 1, 2008	**89 757**	**80 973**	**5 035**	**175 765**
Changes in consolidation scope	2 856	4	0	2 860
Additions	0	11 097	9 429	20 526
Disposals	0	– 2 279	0	– 2 279
Transfers	0	828	– 828	0
Translation adjustments	– 535	– 5 150	– 240	– 5 925
Balance at December 31, 2008	**92 078**	**85 473**	**13 396**	**190 947**
Changes in consolidation scope	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**
Accumulated depreciation				
Balance at January 1, 2008	**0**	**– 41 250**	**0**	**– 41 250**
Additions	0	– 11 007	0	– 11 007
Impairments	0	0	– 5 237	– 5 237
Disposals	0	2 121	0	2 121
Translation adjustments	0	2 838	0	2 838
Balance at December 31, 2008	**0**	**– 47 298**	**– 5 237**	**– 52 535**
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**
Net book value				
at December 31, 2008	92 078	38 175	8 159	138 412
at December 31, 2009	**101 127**	**50 947**	**9 411**	**161 485**

Software and intangible assets with limited useful life. Software and intangible assets with limited useful life include CHF 34.7 million (CHF 18.9 in 2008) for software and CHF 16.3 million (CHF 19.3 in 2008) for intangible assets with limited useful life, of which CHF 11.3 million (CHF 13.7 in 2008) relate to capitalised delivery entitlements in favour of Valora Media. The impairment of CHF 5.2 million relates to the 2008 IT platform. Of this total, CHF 3.2 million is attributable to restructuring measures and the implementation of the Valora 4 Success strategy programme. The remaining CHF 2.0 million are not related to the restructuring programme. Because additional costs arose which were not attributable to any extension of the project's scope, the criteria for continued recognition of these CHF 2.0 million of capitalised costs were no longer met. The capitalised cost (value in use) of the 2008 platform amounted to CHF 11.7 million at December 31, 2008.

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	2009	2008
Valora Trade Nordics Denmark	Trade	2001	14 028	14 028
Valora Trade Nordics Sweden	Trade	2001	2 294	2 294
Valora Trade Austria	Trade	1995	9 312	9 312
Valora Trade Germany	Trade	1997	2 754	2 754
Valora Media Luxembourg MPK	Media	2000	43 342	43 342
Valora Media Austria PGV	Media	2004	4 715	4 718
Valora Retail Switzerland	Retail	2002	12 774	12 774
Media Center Germany	Retail	2008	2 854	2 856
Konrad Wittwer Germany	Retail	2009	9 054	0
Total book value at December 31			**101 127**	**92 078**

Impairment tests are carried out at least once a year. 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 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 – Distribution. Average sales growth for the next three planning years will be between 2 and 5 % while margins will remain unchanged.

Valora Trade Austria, Valora Trade Germany. Average sales growth for the next three planning years will be between 7 and 13 % and margins will decline slightly.

Valora Media Luxembourg – MPK. Average sales growth for the next three planning years will be around 3 % and margins will decline slightly.

Valora Media Austria – PGV. Average sales growth for the next three planning years will be around 3.5 % while margins will remain unchanged.

Valora Retail Switzerland. Average sales growth for the next three planning years will be around 2.8 % and margins will improve.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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	**2009**	2008
Valora Trade Nordics Denmark	DKK	7.5 %	7.0 %
Valora Trade Nordics Sweden	SEK	7.5 %	6.0 %
Valora Trade Austria	EUR	7.5 %	7.0 %
Valora Trade Germany	EUR	7.5 %	7.0 %
Valora Media Luxembourg MPK	EUR	7.5 %	7.0 %
Valora Media Austria PGV	EUR	7.5 %	7.0 %
Valora Retail Switzerland	CHF	6.0 %	6.0 %
Media Center Germany	EUR	7.5 %	–
Konrad Wittwer Germany	EUR	7.5 %	–

No impairments to goodwill on continuing operations were charged to the income statements for 2009 or 2008. The impairment tests for 2009 and 2008 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 2009 onwards, the goodwill ascribed to these units would remain intact.

23 RECEIVABLES FROM REAL ESTATE AND FINANCE LEASE

Future receivables from real estate leases in CHF 000	**2009**	2008
Rental payments received during period	3 591	2 671
Future rental receivables from current real estate leases		
Within one year	870	1 710
Within 1-2 years	951	1 514
Within 2-3 years	909	1 550
Within 3-4 years	874	1 513
Within 4-5 years	846	1 140
After more than 5 years	1 212	1 629
Total future receivables from current real estate leases	**5 662**	**9 056**

Future receivables from finance leases in CHF 000	**2009**	2008
Payments received during period	643	604
Future receivables from current finance leases		
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	5 261	5 906
Total future receivables from finance leases	**8 476**	**9 121**
less future interest charges	– 2 796	– 3 173
Total future receivables from finance leases (present value)	**5 680**	**5 948**
less current portion (see Note 19)	– 308	– 290
Non-current receivables from finance leases (see Note 24)	**5 372**	**5 658**

Present value of minimum future finance lease revenues in CHF 000	**2009**	2008
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	2 939	3 207
Total present value of minimum future finance lease revenues	**5 680**	**5 948**

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

Non-current financial assets in CHF 000	**2009**	2008 Restated	01.01.2008 Restated
Loans and receivables	1 502	1 389	18 842
Receivables from finance leases	5 372	5 658	5 944
Financial assets available for sale	2 790	3 541	3 890
Total financial assets	**9 664**	**10 588**	**28 676**

Note 23 provides further information on receivables from finance leases.

The financial assets available for sale include CHF 677 thousand (CHF 676 thousand in 2008) of unlisted shareholdings for which there is no active market and about which insufficient information is available to form the basis for a valuation. These items are therefore carried at cost minus an impairment for enduring loss in value. None of these financial assets were sold in 2009 (2008: none).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Summary balance sheet of associates and joint ventures in CHF 000	**2009**	2008
Current assets	6 395	5 747
Non-current assets	24 746	23 704
Current liabilities	– 13 749	– 10 508
Non-current liabilities	– 4 183	– 7 076
= Equity	**13 209**	**11 867**
Equity attributable to Valora	**5 379**	**4 931**

Summary income statement of associates and joint ventures in CHF 000	**2009**	2008
Net revenues	36 278	38 118
Operating profit (EBIT)	2 232	1 899
Net profit	**1 194**	**933**
Net profit attributable to Valora	**600**	**1 131**

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

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

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

Short-term financial debt in CHF 000	**2009**	2008
Current bank debt	573	638
Current portion of finance lease obligations	954	809
Total short-term financial debt	**1 527**	**1 447**

Other non-current liabilities in CHF 000	**2009**	2008 Restated	01.01.2008 Restated
Bank loans	– 359	4 558	49 545
Bonds	139 229	138 935	138 650
Finance lease obligations	69	1 276	1 882
Other long-term liabilities	14 501	15 412	16 970
Total other non-current liabilities	**153 440**	**160 181**	**207 047**

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 consists of financial debt amounting to CHF 5 296 thousand (CHF 6 253 thousand in 2008) and other liabilities of CHF 9 205 thousand (9 159 thousand in 2008).

Bonds in CHF 000	Gross	Discount	2009 net	2008 net
2.875% bond 2005–2012	140 000	771	139 229	138 935

The effective yield on the bond is 3.1%.

Maturities at year end were as follows: in CHF 000	2009	2008
Within one year	1 527	1 447
Within 1-2 years	3 112	999
Within 2-3 years	140 644	539
Within 3-4 years	– 359	143 070
Within 4-5 years	0	4 558
After more than 5 years	838	1 856
Total financial debt	**145 762**	**152 469**
Current portion of long-term financial debt	– 1 527	– 1 447
Total long-term financial debt	**144 235**	**151 022**

During 2009, a nominal total of CHF 5.0 million (CHF 45.0 million in 2008) in outstanding syndicated loans was redeemed.

The interest rates paid ranged between 2.24% and 5.62% (vs 2.00% and 5.83% in 2008). The weighted average interest rate on Valora's financial debt was 3.10% (3.12% in 2008).

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

in CHF 000	2009	2008 Restated	01.01.2008 Restated
CHF	140 586	145 411	190 379
DKK	846	474	0
EUR	2 803	4 129	6 013
SEK	0	1 008	1 348
Total long-term financial debt	**144 235**	**151 022**	**197 740**
Other long-term liabilities (CHF)	9 205	9 159	9 307
Total other non-current liabilities	**153 440**	**160 181**	**207 047**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 TRADE ACCOUNTS PAYABLE

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

in CHF 000	**2009**	2008
CHF	155 143	125 470
DKK	20 022	6 300
EUR	84 045	98 395
NOK	6 546	5 847
SEK	17 355	16 057
Other	1 056	919
Total trade accounts payable	**284 167**	**252 988**

28 OTHER CURRENT LIABILITIES

in CHF 000	**2009**	2008 Restated	01.01.2008 Restated
Value-added tax and other taxes owed	17 090	18 694	14 220
Social security contributions payable	4 340	3 061	3 497
Accruals for overtime, unused vacation and variable elements of remuneration	12 657	22 647	19 377
Pension cost payable	7 168	733	763
Warranties and similar current accruals	0	0	17
Accrued expenses	77 561	69 660	66 079
Other current liabilities	29 909	21 300	18 217
Total other current liabilities	**148 725**	**136 095**	**122 170**

29 PROVISIONS

in CHF 000	**Guarantees**	**Litigation**	**Restructuring**	**Total**
Balance at January 1, 2008	**4 750**	**4 312**	**0**	**9 062**
Utilised	– 501	0	0	– 501
Amounts released to income	– 500	0	0	– 500
Created	6 230	0	5 873	12 103
Fair value adjustment	53	205	0	258
Balance at December 31, 2008	**10 032**	**4 517**	**5 873**	**20 422**
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**
Current provisions	2 290	0	942	3 232
Long-term provisions	5 158	4 722	139	10 019
Total provisions	**7 448**	**4 722**	**1 081**	**13 251**

Guarantees. At December 31, 2009, these comprised contractual guarantees issued in connection with the sales of Fotolabo and the Own Brands unit.

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.

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

Claims relating to the guarantees issued in connection with the sale of Fotolabo can be lodged until 2013. The guarantees issued in connection with the Own Brands sale have terms of between two and five years.

Litigation. A remaining CHF 4.7 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.

Restructuring. Provisions created in respect of restructuring measures in the Group's Swiss operations amounted to CHF 5.9 million in 2008. In 2009 a total of CHF 4.4 million was utilised and a further CHF 0.4 million was released to income.

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, 2009. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Plan liabilities and assets in CHF 000	2009	2008 Restated
Present value of benefit obligation at January 1	539 310	587 343
Current service cost employer	15 809	19 731
Contributions by plan participants	9 731	10 085
Past service cost	17 489	2 644
Interest cost	19 059	19 242
Plan curtailments, settlements and modifications	– 23 869	0
Benefits paid	– 27 734	– 51 391
Business combinations	231	0
Actuarial loss/(gain) on benefit obligation	25 069	– 46 135
Exchange rate losses/(gains)	563	– 2 209
Present value of benefit obligation at December 31	**575 658**	**539 310**
Plan assets at market value at January 1	569 500	695 549
Expected net return on plan assets	25 628	31 300
Employer contributions	10 599	10 453
Contributions by plan participants	9 731	10 085
Benefits paid	– 26 878	– 50 442
Actuarial gain/(loss) on plan assets	9 489	– 127 445
Plan assets at market value at December 31	**598 069**	**569 500**

Changes made in 2009 with regard to the assumed discount rate decrease resulted in an actuarial loss on the Group's pension liabilities. The actuarial gain on plan assets resulted from investment returns which were higher than anticipated.

For 2010, the Group expects to make employer's contributions of CHF 13.7 million to its funded plans.

The surplus on funded plans decreased by CHF 6.4 million during 2009 (CHF 79.5 million in 2008). This was principally due to changes in actuarial assumptions which resulted in higher pension obligations.

Balance sheet data in CHF 000	2009	2008 Restated	01.01.2008 Restated
Present value of funded benefit obligations	– 560 595	– 525 676	– 572 270
Plan assets at market value	598 069	569 500	695 549
Surplus on fund-based plans	**37 474**	**43 824**	**123 279**
Pension asset recognition ceiling	– 8 243	0	0
Unrecognised past service cost	1 846	0	0
Present value of unfunded pension liabilities	– 15 063	– 13 634	– 15 073
Total net pension position	**16 014**	**30 190**	**108 206**
of which capitalised as net pension asset	31 077	43 824	123 279
of which capitalised as long-term accrued pension cost	– 15 063	– 13 634	– 15 073

Income statement in CHF 000	**2009**	2008 Restated
Current service cost employer	– 15 809	– 19 731
Contributions by plan participants	– 9 731	– 10 085
Interest cost	– 19 059	– 19 242
Plan curtailments, settlements and modifications	23 869	0
Expected net return on plan assets	25 628	31 300
Past service cost recognised in period	– 15 643	– 2 644
Net pension cost for period	**– 10 745**	**– 20 402**

Expenses and income not recorded in the income statement in CHF 000	**2009**	2008
Restatement		39 363
Deferred taxes		– 7 787
January 1	– 33 416	31 576
Actuarial gains/(losses)	– 15 580	– 81 310
Pension asset recognition ceiling	– 8 243	0
Deferred taxes	4 807	16 318
December 31	**– 52 432**	**– 33 416**

Key actuarial assumptions	**2009**	2008
Discount rate	3.00%	3.50%
Expected net return on plan assets	4.00%	4.50%
Expected rate of increase in future salary levels	2.00%	2.00%
Expected rate of increase of future pension levels	0.25%	0.25%

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

Asset allocation	**2009**	**Expected long-term return**	**Contribution to pension plan income**	2008
Cash and cash equivalents	6.50%	2.00%	0.13%	4.10%
Fixed income	29.70%	2.50%	0.74%	31.20%
Equity	23.70%	6.50%	1.54%	25.80%
Real estate	33.30%	4.50%	1.50%	33.40%
Other	6.80%	4.50%	0.31%	5.50%
Total	**100.00%**		**4.22%**	**100.00%**
Costs			– 0.22%	
Net return			**4.00%**	

The effective total return generated in 2009 was 6.2% (-14.2% in 2008). The pension plans hold no securities issued by Valora Holding AG and do not let any significant portion of their real estate to the Valora Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Surpluses in CHF 000	**2009**	2008 Restated	2007	2006	2005
Present value of pension liabilities	– 575 658	– 539 310	– 585 515	– 651 327	– 568 599
Pension assets at market values	598 069	569 500	697 786	697 449	651 862
Pension asset recognition ceiling	– 8 243	0	0	0	0
Unrecognised past service cost	1 846	0	0	0	0
Net pension plan position	**16 014**	**30 190**	**112 271**	**46 122**	**83 263**
Adjustments based on past experience					
Adjustments to pension plan liabilities based on past experience	8 078	17 091	43 100	– 42 756	1 645
Adjustments to pension plan liabilities based on modified assumptions	– 33 147	29 044	40 107	– 21 940	– 35 496
Adjustments to pension plan assets based on past experience	9 489	– 127 445	– 16 868	25 270	2 313
Actuarial gains/(losses)	**– 15 580**	**– 81 310**	**66 339**	**– 39 426**	**– 31 538**

31 SHARE-BASED PAYMENTS

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

Share ownership plan for the Board and extended Group Executive Management. In 2008, no share-based remuneration was paid to the Board members or to members of Group Executive Management who took up office in that year.[1] In January 2009 a share-based, long-term remuneration component, the Long Term Plan (LTP) was introduced. Under the plan, which forms an integral part of its participants' total remuneration, each participant can purchase a number of shares which is fixed by the Nomination und Compensation Commitee on a case-by-case basis. The plan aims to incentivise contribution towards Valora's continued long-term economic success. Each participant uses a bank loan to finance the shares he is entitled to purchase, and the shares are pledged as collateral for the loan. Should the market price of Valora shares be lower than the participant's purchase price when the loan falls due, Valora guarantees the bank and the participant that it will make good any shortfall. Half the shares in the plan are subject to a 24-month lock-up period, with a 36-month lock-up period applying to the remainder. Should the market price of Valora share be below the initial purchase price of CHF 148.05 when the lock-up periods end, Valora will make good any shortfall. Valora's costs for the plan are related to the financing cost associated with the shares and the difference between the market price of the shares when they were allocated on January 29, 2009 and their lower initial purchase cost. The Board has allocated purely cash settled options to Conrad Löffel, instead of shares.[2] All other stipulations of the LTP apply to

[1] An exception was made in favour of two long-serving members of Group Executive Management who already held office in 2007. In their case, the remuneration system implemented in 2006 was continued until the end of 2008. Under this system, 40% of bonuses awarded in respect of the years 2006 to 2008 were paid out in the form of Valora shares. The price of these shares was fixed at CHF 237 and the shares are subject to a 5-year lock-up period from the date they are granted. Provided that earnings per share growth objectives are met, the participants will subsequently receive an additional 30% of the the number of shares previously granted under the plan. Cash payment in lieu is not possible. Unconditionally allocated shares remain in the participants' possession upon cessation of employment with Valora, but the lock-period continues to apply. A total of 1 182 shares were allocated in respect of 2008. The market price prevailing for the shares at the time they were granted was CHF 270.25.

[2] The options have an exercise price of 148.05, which is the average trading price of the shares during the

him as they do to the other participants. The overall 2009 cost of the LTP plan for the Board and Group Executive Management is limited to CHF 539 thousand.

Valora Performance Shares (VPS). In 2008, a programme for middle and upper management (excluding Group Executive Management) was established. Individual participation is voluntary. The plan pays a portion of a manager's total remuneration in the form of Valora shares. The Valora performance shares awarded on January 1, 2008 (or thereafter in the case of those joining during the year) vest on December 31, 2010, after which ownership passes to the individual participants. Participants leaving Valora before the end of the vesting period lose their entitlement to shares. The personnel expense arising from these awards, recognition of which will be spread over the entire vesting period, amounted to CHF 0.78 million in 2009 (1.12 million in 2008). Awards under this programme were discontinued as of December 31, 2008 and the programme was closed. Valora will continue to meet its existing obligations under the plan with regard to awards already made.

Employee share ownership plan. Provided specific criteria are fulfilled and based on their function or management position, employees in Switzerland (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% (2008: 40%) of the average market price for the shares during the previous November. Shares so acquired enjoy all usual shareholder rights, but may not be sold during the 3 years immediately following purchase (5 years for shares acquired in 2008). 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	**2009**	2008
Expenses related to Valora Group share-based plans for employees and management (equity settled)	1 761	1 404
Expenses related to Valora Group share-based plans for employees and management (cash settled)	51	0
Total share-based plan expenses charged to income	**1 812**	**1 404**

32 CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities in CHF 000	**2009**	2008
Sureties	647	292
Other contingent liabilities	1 873	360
Total contingent liabilities	**2 520**	**652**

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

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	01.01.2011	01.01.2012
Implied volatility	32%	33%
Risk-free rate of interest	0.638%	0.87%
Value per option	CHF 108.96	CHF 114.43

The book value of the liability arising from the cash exercise options was CHF 300.8 thousand at 31.12.09

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Commitments in CHF 000	**2009**	2008
Long-term rental commitments	329 333	282 421
Other operating lease commitments	7 240	12 631
Finance lease commitments	1 044	2 201
Future contractual obligations and other commitments	193	193
Total commitments	**337 810**	**297 446**

Long-term rental commitments in CHF 000	**2009**	2008
Minimum rental expense in period	53 815	46 472
Conditional rental expense in period	72 789	74 432
Total rental expense in period	**126 604**	**120 904**
Leases maturing		
Within one year	69 428	60 356
Within 1-2 years	57 983	57 038
Within 2-3 years	53 230	41 449
Within 3-4 years	42 122	38 284
Within 4-5 years	35 489	28 684
After more than 5 years	71 081	56 610
Total long-term rental commitments	**329 333**	**282 421**

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 lease commitments in CHF 000	**2009**	2008
Total expenses for other operating leases in period	4 815	4 983
Leases maturing		
Within one year	3 572	4 721
Within 1-2 years	2 342	4 300
Within 2-3 years	1 080	2 379
Within 3-4 years	217	886
Within 4-5 years	16	345
After more than 5 years	13	0
Total future commitments from other operating leases	**7 240**	**12 631**

Finance lease commitments	**2009**	2008
in CHF 000		
Total payments (interest and amortisation) in year	719	840
Leases maturing		
Within one year	974	1 409
Within 1-2 years	48	689
Within 2-3 years	18	97
Within 3-4 years	4	6
Total financial lease commitments	**1 044**	**2 201**
Less future interest charges	– 21	– 116
Total finance lease obligation (present value)	**1 023**	**2 085**
Less current portion of finance lease obligation (see note 26)	– 954	– 809
Long-term finance lease obligation (see note 26)	**69**	**1 276**

Present value of future minimum payments under finance leases	**2009**	2008
in CHF 000		
Within one year	954	1 339
Within 1-2 years	47	648
Within 2-3 years	18	92
Within 3-4 years	4	6
Total present value of future minimum lease payments	**1 023**	**2 085**

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

33 RISK MANAGEMENT AND DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 shareholders' equity which would result from hypothetical changes in key exchange rates. Translation risks are not taken into account.

FX rate sensitivity in CHF 000	**Hypothetical change (in percent) 2009**	**Impact on 2009 pre-tax earnings**	**Impact on 2009 shareholders' equity**	Hypothetical change (in percent) 2008	Impact on 2008 pre-tax earnings	Impact on 2008 shareholders' equity
CHF / DKK	+/– 6.0%	+/– 664	+/– 0	+/– 8.7%	+/– 2 064	+/– 0
CHF / EUR	+/– 6.0%	+/– 10 557	+/– 5 484	+/– 8.7%	+/– 260	+/– 9 259
CHF / NOK	+/– 14.1%	+/– 25	+/– 883	+/– 15.5%	+/– 139	+/– 356
CHF / SEK	+/– 15.8%	– /+ 1 783	+/– 1 854	+/– 13.9%	+/– 72	+/– 1 544

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

Interest rate risks. Cash and cash equivalents are the Group's principal interest-bearing assets. Since the interest rates applicable to these assets are floating, the interest earnings derived 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. Group financial policy stipulates that at least 50% of its interest-bearing liabilities should be at fixed interest rates. In order to achieve the target mix between fixed and floating interest rate exposure, interest rate hedging transactions are entered into where necessary. The Group's main liabilities with fixed long-term effective interest rates are the 2.875% bond issue, which matures in July 2012, and the syndicated loan (see note 26).

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

Interest rate sensitivity in CHF 000	**Hypothetical change (in basis points) 2009**	**Impact on 2009 pre-tax earnings**	Hypothetical change in (basis points) 2008	Impact on 2008 pre-tax earnings
CHF	+/– 45	+/– 346	+/– 15	+/– 80
DKK	+/– 115	+/– 39	+/– 105	+/– 112
EUR	+/– 125	+/– 519	+/– 80	+/– 400
NOK	+/– 150	+/– 49	+/– 35	+/– 15
SEK	+/– 125	+/– 130	+/– 125	+/– 185

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, 2009					
Short-term financial liabilities	889	146	512	0	0
Derivatives not designated as hedges	0	0	0	301	0
Trade accounts payable	221 902	62 265	0	0	0
Other short-term financial liabilities (excluding VAT and other taxes)	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**	**8 366**	**150 124**	**1 382**
At December 31, 2008					
Short-term financial liabilities	708	159	649	0	0
Trade accounts payable	183 503	69 428	57	0	0
Trade accounts payable (excluding VAT and other taxes)	94 395	15 358	7 648	0	0
Long-term financial liabilities	122	0	6 001	162 110	1 382
Total	**278 728**	**84 945**	**14 355**	**162 110**	**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 2009 and year end 2008, the Valora Group had no accounts receivable from individual customers which accounted for more than 8.0% of its total accounts receivable.

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

The maximum default risk of CHF 395 million on the Group's financial assets (CHF 367 million in 2008) is equal to the book value of these instruments (see note 34).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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	**2009**	2008
AAA and/or state guarantee	38 053	31 335
AA	32 158	42 252
A	63 247	59 125
No Rating	1 492	2 382
Total sight deposits and fixed maturity deposits maturing in < 3 months placed with banks [1]	**134 950**	**135 094**

[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, 2009 and December 31, 2008, or by the use of standard pricing models.

Derivative financial instruments in CHF 000	**2009 Contract value**	2008 Contract value	**2009 Replacement value**	2008 Replacement value
Share options				
Call options	687	0	– 301	0
Currency instruments				
Forward contracts	12 199	15 182	– 378	95
Total derivative financial instruments	**12 886**	**15 182**	**– 679**	**95**

Open FX forward positions at year-end 2009 had positive replacement values of CHF 48 thousand (CHF 712 thousand in 2008) and negative replacement values of CHF 426 thousand (CHF 617 thousand in 2008).

Notional contract values of derivative financial instruments by maturity band

in CHF 000	2009	2008
Within one year	12 199	15 182
Within 1-2 years	0	0
Within 2-3 years	687	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	**12 886**	**15 182**

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

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

The Group monitors its capital position by reference to its equity cover, which is calculated on the basis of the percentage of total assets represented by shareholders' equity (including minority interests). The Group's capital and equity cover are shown in the table below:

in CHF 000	2009	2008 Restated	01.01.2008 Restated
Equity attributable to shareholders of Valora Holding	449 877	447 080	617 519
Equity attributable to minority interests	3 841	3 325	3 424
Total shareholders equity	**453 718**	**450 405**	**620 943**
Equity cover	**41.3%**	**42.5%**	**45.3%**

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 41.3% 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 2008, the Valora Group carried out a risk assessment involving the Board of Directors and Group Executive Management. The objective was to make the main risks to which Valora is exposed more transparent, to improve the quality of risk dialogue, and to define practical steps for addressing the key risks which Valora faces. The process began with a series of structured interviews with individual members of Group Executive Management. A Group Executive Management workshop was then held which discussed the results, identified the main risks, analysed and evaluated them, and planned appropriate action. The workshop results were then discussed with the Board of Directors and a set of planned measures was decided upon.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 FINANCIAL INSTRUMENTS

Book values, fair values and valuation categories

in CHF 000	Valuation category	**Book value 2009**	Book value 2008 Restated	**Fair value 2009**	Fair value 2008 Restated
Assets					
Cash and cash equivalents	LaR	161 565	158 436	161 565	158 436
Derivatives not designated as hedges	FAHfT	48	712	48	712
Trade accounts receivable	LaR	163 289	153 728	163 289	153 728
Other short-term receivables (excluding sales and withholding tax receivables)	LaR	60 786	43 715	60 786	43 715
Long-term interest-bearing investments	LaR	6 874	7 047	6 874	7 047
Financial assets available for sale valued at cost	AfS	677	676	n/a	n/a
Financial assets available for sale valued at fair value	AfS	2 113	2 865	2 113	2 865
Liabilities					
Short-term financial liabilities	FLAC	1 527	1 447	1 527	1 447
Derivatives not designated as hedges	FLHfT	727	617	727	617
Trade accounts payable	FLAC	284 167	252 988	284 167	252 988
Other short-term liabilities (excluding VAT and other taxes)	FLAC	131 635	117 401	131 635	117 401
Long-term financial liabilities	FLAC	144 235	151 022	149 013	147 969
Classified by category					
Loans and receivables (LaR)		392 514	362 926	392 514	362 926
Financial assets held for trading (FAHfT)		48	712	48	712
Financial assets available for sale (AfS)		2 790	3 541	n/a	n/a
Financial liabilities at cost (FLAC)		561 564	522 858	566 342	519 805
Financial liabilities held for trading (FLHfT)		727	617	727	617

The fair value of long-term fixed income instruments – with the exception of that of the Group's outstanding bond issue – was determined by discounting their expected future cash flows at prevailing market interest rates. The fair value of the bond issue corresponds to the nominal value of the outstanding amount multiplied by the market price prevailing on the balance sheet date. Details of the valuation methods applied to the derivative financial instrument positions and to the Group's financial assets available for sale can be found in notes 4, 24 and 33. All short-term financial instruments have been valued on the assumption that their book values constitute reasonable approximations of their fair value, since the effects of discounting them are negligible.
The Valora Group does not own any financial investments classified as held to maturity (HtM).

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	2009	2008
Goods sold to		
Joint ventures in which Valora is a partner	256	162
Services to		
Associates	204	268
Total goods and services sold	**524**	**430**

Goods and services purchased from related parties in CHF 000	2009	2008
Services purchased from		
Other related parties	245	214
Total goods and services purchased	**245**	**214**

Rental payments to related parties in CHF 000	2009	2008
Other related parties	3 745	4 059
Total rental payments	**3 745**	**4 059**

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

Rental payments from related parties in CHF 000	2009	2008
Pension plan foundation and other related companies	31	168
Total rental payments received	**31**	**168**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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	**2009**	2008
Salaries and other short-term benefit [1]	4 161	7 410
Post-employment benefits	0	341
Termination benefits [2]	0	2 505
Share-based payments	539	399
Total Board and management remuneration	**4 700**	**10 655**

[1] Including vehicle costs paid by the employer.
[2] If a member of Group Executive Management leaves Valora, the Nomination and Compensation Committee will decide on any severance payment which might be granted, inasfar as this is not governed by the employment contract in question. As of January 1, 2009, there is no longer any contractual provision for any severance payments or termination benefits to members of Group Executive Management. The termination benefits shown above include payments beyond those arising from a 12-month notice period.

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	**2009**	2008
Receivables from joint ventures	39	24
Total receivables	**39**	**24**

Loans. No loans to related parties were outstanding during 2009.

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

Loans to related parties in CHF 000	2009	2008
Nominal loans to joint ventures on January 1	**0**	**10 000**
Loans granted to joint ventures	0	0
Sale of cevanova AG	0	–10 000
Nominal loans on December 31	**0**	**0**
Impairments on January 1	**0**	**– 665**
Valuation increases	0	665
Total impairments	**0**	**0**
Loans to joint ventures, net	**0**	**0**

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

36 EQUITY

Shares outstanding in number of shares	2009	2008
Total registered shares	2 800 000	3 300 000
of which treasury stock		
Position at January 1	487 314	107 057
Market sales and sales to employees and management	– 90 347	– 11 550
Market purchases and purchases of employee shares	152 899	391 807
Share capital reduction	– 500 000	0
Total treasury stock	**49 866**	**487 314**
Total shares outstanding	**2 750 134**	**2 812 686**
Average number of shares outstanding	**2 749 815**	**3 078 254**

A dividend of CHF 9.00 per share was paid in 2009 relating to the year 2008 (CHF 9.00 per share was paid in 2008 relating to the year 2007). 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, 2009.

37 SUBSEQUENT EVENTS

These consolidated financial statements were approved by the Board of Directors of Valora Holding AG on March 24, 2010. The Board of Directors recommends that the Ordinary General Meeting of Shareholders to be held on April 22, 2010 approve these financial statements and approve the payment of a dividend of CHF 10.00 per share from the profits of Valora Holding AG available for distribution.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

38 SIGNIFICANT SUBSIDIARIES OF THE VALORA GROUP

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

	Currency	Nominal capital in million	Share-holding in %	Corporate	Valora Retail	Valora Media	Valora Trade
Austria							
Valora Holding Austria AG, Anif	EUR	1.1	100.0	•			
Valora Trade Austria GmbH + Co. KG, Neunkirchen	EUR	3.6	100.0				•
Plagemann Lebensmittelhandels GmbH + Co. KG, Neunkirchen	EUR	0.1	100.0				•
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				•
Denmark							
Valora Trade Denmark A/S, Herlev	DKK	43.0	100.0				•
Valora Trade Denmark Beverages A/S, Herlev	DKK	2.0	75.0				•
Finland							
Oy Valora Trade Finland AB, Helsinki	EUR	0.1	100.0				•
Other countries							
Kaumy S.r.o., Fulnek, Czech Republic	CZK	0.1	50.0				•

REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF VALORA HOLDING AG, 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 52 to 107), for the year ended 31 December 2009. The prior period financial statements were audited by another auditor whose report dated 24 March 2009, expressed an unqualified opinion on those financial statements.

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 2009 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 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, 24 March 2010

INCOME STATEMENT

January 1 to December 31, in CHF 000	**2009**	2008
Income		
Dividend income	31 300	28 200
Interest income	840	2 980
Foreign exchange gains	110	1 249
Income from securities	6 766	1 042
Income from royalties	0	420
Other income	67	18 948
Total income	**39 083**	**52 839**
Expense		
Interest expense	– 5 672	– 8 457
Foreign exchange losses	– 30	– 2 932
Losses on securities	– 169	– 36 621
General administration expense	– 4 136	– 4 770
Total expense	**– 10 007**	**– 52 780**
Net profit for the year	**29 076**	**59**

BALANCE SHEET BEFORE APPROPRIATION OF AVAILABLE EARNINGS

ASSETS

at December 31, in CHF 000		**2009**	2008
Current assets			
Cash and cash equivalents		1 020	2 711
Securities		12 537	72 063
Prepayments	from third parties	251	0
Short-term receivables	from third parties	284	352
	from Group companies	985	591
Total current assets		**15 077**	**75 717**
Non-current assets			
Investments		515 075	514 375
Loans and receivables from Group companies		10 984	17 969
Discounts and capitalised issuance cost on bonds issued		708	991
Total non-current assets		**526 767**	**533 335**
Total assets		**541 844**	**609 052**

LIABILITIES AND EQUITY

at December 31, in CHF 000		2009	2008
Liabilities			
Short-term bank debt/overdrafts		3	577
Current liabilities	towards third parties	505	3 624
	towards Group companies	48 207	35 716
Accrued expenses	towards third parties	2 742	2 403
Syndicated credit loans		0	5 000
Bonds payable		140 000	140 000
Provisions		51 286	51 081
Total liabilities		**242 743**	**238 401**
Equity			
Share capital		2 800	3 300
General legal reserves		140 664	140 664
Reserve for treasury stock		10 323	108 180
Unrestricted reserves		73 110	50 673
Earnings available for distribution	Earnings brought forward	43 128	67 775
	Net profit for the year	29 076	59
Total equity		**299 101**	**370 651**
Total liabilities and equity		**541 844**	**609 052**

NOTES TO THE
FINANCIAL STATEMENTS OF
VALORA HOLDING AG

NOTES TO THE FINANCIAL STATEMENTS OF VALORA HOLDING AG

A BASIS OF PRESENTATION

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

B NOTES

1 CONTINGENT LIABILITIES. At December 31, 2009 the Group's contingent liabilities, consisting of sureties, subordination and keep well agreements, guarantees and other contingent liabilities in favour of subsidiaries totalled CHF 222.5 million (CHF 199.20 in 2008), plus a further CHF 1.0 million in favour of third parties (none in 2008). In 2008, keep well agreements for rental liabilities of German subsidiaries amounting to EUR 51 million were not disclosed.

2 BONDS OUTSTANDING

in CHF 000	Coupon	Maturity	At 31.12.2009	At 31.12.2007
Bond 2005–2012	2.875%	12.07.2012	140 000	140 000

3 TREASURY STOCK HELD BY THE COMPANY AND ITS SUBSIDIARIES

in CHF 000	2009 Number of shares	2009 Net book value	2008 Number of shares	2008 Net book value
Opening balance (at January 1)	**487 314**	**72 045**	**107 057**	**27 015**
Share capital reduction	– 500 000	– 103 509		
Sales	– 90 347	– 13 591	– 11 550	– 2 812
Purchases	152 899	24 695	391 807	84 629
Value adjustments	–	32 879	–	– 36 787
Closing balance (at December 31)	**49 866**	**12 519**	**487 314**	**72 045**

The Ordinary General Meeting of shareholders held on April 29, 2008 approved a share buy-back programme proposed by the Board. This programme covered a maximum of 500 000 registered shares to be repurchased through a second trading line on SIX Swiss Exchange, and provided for these shares to be cancelled and the company's issued share capital reduced accordingly. This was successfully executed between July 1, 2008 and February 27, 2009, at a total amount of CHF 99.9 million. The average price paid for the shares so repurchased was CHF 199.9. The Ordinary General Meeting of shareholders held on April 29, 2009 approved the Board's proposal that these shares be destroyed and the company's share capital reduced accordingly. The repurchased shares were then cancelled on July 9, 2009. As a result, the company's issued share capital is now CHF 2 800 000, comprising 2 800 000 registered shares of CHF 1.- nominal value each.

The share purchases were made at market prices ranging from CHF 144.59 to CHF 186.75. In addition, during 2009, Valora Holding AG purchased a total of 152 899 shares at an average price of CHF 161.51 and sold a total of 90 347 shares at an average price of CHF 150.43.

At December 31, 2009, treasury shares held by Valora Holding AG represented 1.78% of the company's issued share capital (14.77% at year-end 2008).

4 NET RELEASE OF HIDDEN RESERVES. There were no net releases of hidden reserves in the 2009 or 2008 financial years.

5 REMUNERATION AND SHAREHOLDINGS

Remuneration in 2009

in CHF 000	Director's fee/ base salary	Short Term Plan (STP) [1]	Long Term Plan (LTP) [2]	Emolument in kind	Termination payments	Other remuneration [4]	Total 2009
Board of Directors							
Rolando Benedick Chairman	450.0	–	65.7	–	–	55.4	571.1
Markus Fiechter Vice-Chairman	150.0	–	21.9	–	–	19.9	191.8
Bernhard Heusler Board member	100.0	–	14.6	–	–	13.2	127.8
Franz Julen Chairman of Nomination and Compensation Committee	120.0	–	17.5	–	–	16.1	153.6
Conrad Löffel [3] Chairman of Audit Committee	120.0	–	76.9	–	–	18.8	215.7
Total remuneration to Board members	**940.0**	**–**	**196.6**	**–**	**–**	**123.4**	**1 260.0**
Group Management							
Thomas Vollmoeller CEO	600.0	202.8	131.3	20.0	–	165.5	1 119.6
Total remuneration to Group Executive Management (GEM), including CEO	**2 050.0**	**509.6**	**341.9**	**80.0**	**–**	**458.5**	**3 440.0**

In 2009, no remuneration was paid to former members of the Board of Directors or former members of Group Executive Management.

[1] These are the effective costs of the bonuses granted in respect of 2009, which will be paid out in April 2010.
[2] The total number of shares covered by the LTP is 73 517. The costs of the LTP comprise interest expense for financing the LTP share programme for Board Directors and members of Group Executive Management and the difference between the market price of the shares when they were awarded on Juanuary 29, 2009 and the average trading price of the shares during the twenty trading days preceding the LTP's commencement on January 1, 2009.
[3] Remuneration paid in respect of the 2 693 options in the option programme amounted to CHF 76.9 thousands. The options have an exercise price of CHF 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	01.01.2011	01.01.2012
Implied volatility	32 %	33 %
Risk-free rate of interest	0.638 %	0.87 %
Value per option	CHF 108.96	CHF 114.43

[4] These amounts include payments to pension plans and other benefit schemes.

NOTES TO THE FINANCIAL STATEMENTS OF VALORA HOLDING AG

Remuneration in 2008

in CHF 000	Director's fee/ base salary	Short Term Plan (STP) 4)	Long Term Plan (LTP)	Share plan 2006 5)	Emolument in kind	Termination payments 6)	Other remuneration 7)	Total 2008
Board of Directors 1)								
Rolando Benedick Chairman	387.5	–	–	–	–	–	46.0	433.5
Markus Fiechter Vice-Chairman	129.2	–	–	–	–	–	16.8	146.0
Bernhard Heusler Board member	75.0	–	–	–	–	–	9.5	84.5
Franz Julen Chairman of Nomination and Compensation Committee	120.0	–	–	–	–	–	11.6	131.6
Conrad Löffel Chairman of Audit Committee	110.0	–	–	–	–	–	14.1	124.1
Total remuneration to present Board members	**821.7**	**–**	**–**	**–**	**–**	**–**	**98.0**	**919.7**
Beatrice Tschanz Kramel Chairwoman till January 30, 2008	80.0	–	–	–	–	–	12.1	92.1
Charges arising from early share allocations 2)	–	–	–	–	–	–	15.0	15.0
Total remuneration to former Board members	**80.0**	**–**	**–**	**–**	**–**	**–**	**27.1**	**107.1**
Total Board compensation	**901.7**	**–**	**–**	**–**	**–**	**–**	**125.1**	**1 026.8**
Group Management								
Thomas Vollmoeller 3) CEO	327.0	193.0	–	–	10.7	–	72.2	602.9
Total remuneration to current Group Executive Management (GEM), including CEO 6)	**1 408.8**	**767.4**	**–**	**319.4**	**51.3**	**–**	**330.7**	**2 877.6**
Total remuneration to former members of Group Executive Management	2 068.3	1 552.6	–	–	57.5	2 504.6	628.0	6 811.0
Total GEM compensation, including CEO 6)	**3 477.1**	**2 320.0**	**–**	**319.4**	**108.8**	**2 504.6**	**958.7**	**9 688.6**

In 2008, the Board of Directors elected not to institute a Long Term Plan (LTP).

1) Remuneration paid to Board Directors is based on their effective terms of office since being elected. Messrs. Roland Benedick, Markus Fiechter and Conrad Löffel were elected at the Extraordinary General Meeting of Shareholders held on January 31, 2008. Bernhard Heusler was elected at the Ordinary General Meeting of Shareholders held on April 29, 2008. Franz Julen held office throughout 2008 and received a full annual fee.
2) A number of former Board Directors elected to draw their restricted shares before the end of the lock-up period. The social security contributions which became payable as a result of this were borne by Valora Holding AG.
3) Thomas Vollmoeller has been CEO of the Valora Group since June 2008.
4) The amounts shown in this table represent the effective cost of the bonuses awarded in respect of 2008, which were paid out to the current members of Group Executive Management in April 2009.

5) Under IFRS 2 the market value of the shares at the time they were awarded was CHF 270.25 per share. The shares are subject to a 5-year lock-up period. Details of the Group Executive share ownership programme can be found in note 31 to the consolidated financial statements. The total number of shares covered by the plan is 1 182.

6) In addition to remuneration for the 2008 financial year, these amounts also include continuing salary payments to former members of Group Executive Management (continuing salary payments under employment contracts or termination agreements or those paid for a maximum of 12 months are shown as base salary and profit-sharing for 2008. Any further payments are shown as termination payments).

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

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

Remuneration paid to Board members is directly charged to Valora Holding AG. Remuneration paid to members of Group Executive Management is paid by their employer, Valora Management AG.

Loans and advances. At December 31, 2008 and 2009 there were no loans or advances outstanding to members of the Board or of Group Executive Management or to persons associated with them.

Shareholdings. At December 31, 2008 and 2009, individual members of the Board and Group Executive Management (including persons associated with them) held the following numbers of shares of Valora Holding AG:

	2009 Number of shares	**2009** Share of total voting rights in %	**2009** of which subject to a lock-period	2008 Number of shares	2008 Share of total voting rights in %	2008 of which subject to a lock-period
Board of Directors						
Rolando Benedick Chairman	15 788	0.56	5 049: 31.12.2010 5 049: 31.12.2011	5 690	0.17	keine
Markus Fiechter Vice-Chairman	3 366	0.12	1 683: 31.12.2010 1 683: 31.12.2011	1 000	0.03	keine
Bernhard Heusler Board member	2 244	0.08	1 122: 31.12.2010 1 122: 31.12.2011	0	0.00	keine
Franz Julen Chairman of Nomination and Compensation Committee	3 143	0.12	1 347: 31.12.2010 1 346: 31.12.2011	450	0.02	keine
Conrad Löffel Chairman of Audit Committee	0	0.00	keine	0	0.00	keine

NOTES TO THE FINANCIAL STATEMENTS OF VALORA HOLDING AG

	2009 Number of shares	2009 Share of total voting rights in %	2009 of which subject to a lock-period	2008 Number of shares	2008 Share of total voting rights in %	2008 of which subject to a lock-period
Group Management						
Thomas Vollmoeller CEO	20 196	0.72	10 098: 31.12.2010 10 098: 31.12.2011	0	0.00	keine
Lorenzo Trezzini CFO	8 464	0.30	4 232: 31.12.2010 4 232: 31.12.2011	0	0.00	keine
Kaspar Niklaus Head, Valora Retail division	11 220	0.40	5 610: 31.12.2010 5 610: 31.12.2011	0	0.00	keine
Christian Schock Head, Valora Media division	9 377	0.33	3 809: 31.12.2010 3 809: 31.12.2011 436: 28.03.2012 429: 03.04.2013 96: 22.04.2013 798: 02.04.2014	961	0.03	436: 28.03.2012 429: 03.04.2013 96: 22.04.2013
Alex Minder Head, Valora Trade division	10 035	0.36	304: 06.04.2010 3 809: 31.12.2010 153: 01.07.2011 3 809: 31.12.2011 120: 21.03.2012 828: 28.03.2010 207: 03.04.2013 96: 22.04.2013 709: 02.04.2014	1 708	0.05	304: 06.04.2010 153: 01.07.2011 120: 21.03.2012 828: 28.03.2012 207: 03.04.2013 96: 22.04.2013
Total shares held by Board and GEM	**83 833**	**2.99**		**9 809**	**0.30**	

6 MAJOR SHAREHOLDERS. Valora Holding AG's articles of incorporation stipulate that no shareholder may hold more than 5% of the issued voting share capital without Board approval. At December 31, 2009, this 5% threshold was equivalent to 140 000 registered shares.

At December 31, 2009, Chase Nominees Ltd, London had total fiduciary holdings, on behalf of other investors, amounting to 13.59% of the total outstanding shares of the company (2.73% in 2008). None of these shares were recorded in the Share Register as having voting rights. Threadneedle Asset Management Holdings Ltd reported that, at November 13, 2009, a total of 141 484 registered shares, representing 5.05% of the outstanding voting shares, were held on its behalf by Chase Nominees Ltd, London.

At December 31, 2008, the Pictet Group, through its subsidiaries,[1] held a total of 220 272 registered shares of Valora Holding AG, equivalent to 6.67% of the total outstanding shares of the company. Of these, the shares recorded in the Share Register as having voting rights amounted to only 4.16% of the outstanding voting shares. At December 31, 2008, UBS Fund Management (Switzerland) Ltd, Basle held a total of 197 989 registered shares of Valora Holding AG, equivalent to 6.00% of the total outstanding shares of the company. Of these, the shares recorded in the Share Register as having voting rights amounted to only 5% of the outstanding voting shares.

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

7 SIGNIFICANT SUBSIDIARIES OF VALORA HOLDING AG

	31.12.2009 Holding in %	31.12.2008 Holding in %
Switzerland		
Valora Beteiligungen AG, Muttenz	100.0	100.0
Valora Management AG, Muttenz	100.0	100.0
Valora Investment AG, Muttenz	100.0	100.0
Merkur AG, Muttenz	100.0	100.0
Germany		
Valora Holding Germany GmbH, Hamburg	5.1	5.1
United Kingdom		
Valora Holding Finance Ltd, Guernsey	100.0	100.0

8 CURRENT LIABILITIES. Valora Holding AG's current liabilities towards Group companies include Valora Holding AG's portion of the Group's cash pool. The banking arrangements for the entire cash pool are managed by a subsidiary of Valora Holding AG.

9 APPROVED AND CONDITIONAL SHARE CAPITAL. The Annual General Meeting held on 11 May, 2000 approved the creation of additional conditional share capital of a nominal CHF 84 000. At December 31, 2009, none of these shares had been issued.

10 RISK ASSESSMENT. Each year, the Valora Group carries out a risk assessment during October and November. The objective 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 process begins with a series of structured interviews with individual members of Group Executive Management. A Group Executive Management workshop is then held which discusses the results, identifies the main risks, analyses and evaluates them, and plans appropriate action. The workshop results are then discussed with the Board of Directors and a set of planned measures is decided upon.

PROPOSED APPROPRIATION OF EARNINGS AVAILABLE FOR DISTRIBUTION

Proposal for the appropriation of earnings available for distribution

in CHF 000	**2009**	2008
Net profit for the year	**29 076**	**59**
+ Earnings brought forward[1)]	43 128	67 775
Earnings available for distribution	**72 204**	**67 834**
The Board of Directors proposes		
Dividend	– 28 000	– 25 200
Balance to be carried forward	**44 204**	**42 634**
Dividend distribution (in CHF)		
Gross dividend per share	10.00	9.00
– 35% withholding tax	– 3.50	– 3.15
Net dividend per share (in CHF)	**6.50**	**5.85**

[1)] No dividends were paid on treasury shares held by the company. As a result, earnings brought forward increased by CHF 494k.

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

REPORT OF THE STATUTORY AUDITOR ON THE FINANCIAL STATEMENTS

As statutory auditor, we have audited the financial statements of Valora Holding AG, Muttenz, which comprise the balance sheet, income statement and notes (pages 109 to 117), for the year ended 31 December 2009. The prior period financial statements were audited by another auditor whose report dated 24 March 2009, expressed an unqualified opinion on those financial statements.

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

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

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

Opinion. In our opinion, the financial statements for the year ended 31 December 2009 comply with Swiss law and the company's articles of incorporation.

REPORT ON OTHER LEGAL REQUIREMENTS

We confirm that we meet the legal requirements on licensing according to the Auditor 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 financial statements according to the instructions of the Board of Directors.

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

Ernst & Young Ltd

Martin Gröli
Licensed audit expert
(Auditor in charge)

Stefanie Walter
Licensed audit expert

Zurich, 24 March 2010

REPORT ON CORPORATE GOVERNANCE AND REMUNERATION

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

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

1 Group structure and shareholders, p. 120
2 Capital structure, p. 124
3 Board of Directors, p. 125
4 Group Executive Management, p. 129
5 Remuneration, shareholdings and loans, p. 130
6 Shareholders' participation, p. 132
7 Changes of control and defence measures, p. 133
8 Auditors, p. 134
9 Information policy, p. 134

1 GROUP STRUCTURE AND SHAREHOLDERS

1.1 GROUP STRUCTURE. Valora Holding AG, the Group's parent company, is a limited company established under Swiss law. Either directly or indirectly, it holds stakes in 43 significant unlisted companies, all of which are fully consolidated in its accounts. The Group's operational structure is set out on page 10.

1.1.1 LISTED COMPANIES. The only listed company in the Valora Group is Valora Holding AG, which is domiciled in Muttenz. The company is listed on the main section of SIX Swiss Exchange and on the BX Berne eXchange (Swiss securities number 208 897, Telekurs VALN, Reuters VALN.S, Bloomberg VALN.SW, ISIN number CH0002088976). The company itself holds 1.78% of the total of 2 800 000 issued shares. During 2009, the number of issued shares was reduced from 3 300 000 to 2 800 000, through a share repurchase programme and subsequent share cancellation approved by the General Meeting of shareholders.

At December 31, 2009 the market capitalisation of Valora Holding AG amounted to CHF 701 million. The company's market capitalisation over the last 5 years is shown on page 139.

1.1.2 CONSOLIDATED COMPANIES. The significant companies within the Group are shown in the notes to the consolidated financial statements on pages 106 to 107, which list the name, domicile, total share capital and percentage of share capital held by Valora Holding AG.

1.2 SIGNIFICANT SHAREHOLDERS. The following shareholders or shareholder groups have reported holdings of registered shares in Valora Holding AG in excess of the 3% and 5% thresholds.

Shareholders	Receipt of report	Holdings
Threadneedle Asset Management Holdings Ltd	13.11.2009	> 5%
UBS Fund Management (Switzerland) AG	19.11.2009	< 5%
State of New Jersey Common Pension Fund D	20.02.2008	< 5%
Growth Value Securities	14.07.2009	> 3%
GoldenPeaks Capital Management Ltd	23.01.2009	> 3%
Pictet Funds S.A.	25.01.2010	< 3%
Lombard Odier Darier Hentsch Funds	10.11.2009	< 3%

Detailed information regarding changes in shareholdings are set out in the separate section below. The shareholders are listed in alphabetic order.

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

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

Growth Value Securities (acting in concert): On July 14, 2009, a group comprising the following members reported that its aggregate holdings of registered shares of Valora Holding AG as of that date amounted to 93 429 shares (equivalent to 3.37% of the company's issued share capital): a) Georg von Opel, Altenbachstrasse 7a, 8832 Wollerau, Switzerland, b) Hansa Aktiengesellschaft, Blegistrasse 11a, 6340 Baar, Switzerland, c) Paramount-Finanz AG, Blegistrasse 11a, 6340 Baar, Switzerland, d) Growth Value Opportunities SA, route des Acacias 43, 1227 Carouge, Switzerland, e) Growth Value Securities Ltd, c/o Walkers SPV Limited, Walker House, 87 Mary Street, George Town, Grand Cayman, KYI-9002 Cayman Islands, f) Pelham Investments AG, Blegistrasse 11a, 6340 Baar, Switzerland, g) Athris Holding AG, Poststrasse 12, 6301 Zug, Switzerland. The group acts in concert, based on majority voting.

Lombard Odier Darier Hentsch Fund Managers SA: On July 14, 2009, Lombard Odier Darier Hentsch Fund Managers SA (LODHFM), Avenue des Morgines 2, 1213 Petit-Lancy, Switzerland reported that on July 9, 2009, the registered shares of Valora Holding AG held by investment funds under its control were as follows: LODH Swiss Cap (ex-SMI) (49 982 shares / 1.51% of issued share capital), CIFOPI Actions Suisses (4 045 shares / 0.12%), IF IST2 Actions Suisses Valeurs Complémentaires (41 962 shares / 1.27%), IS Valiant Swiss Equities SPI Index + (800 shares / 0.02%), IF IST2 Actions Suisses SPI Plus (650 shares / 0.02%) and LODH Opportunity Swiss Small & Mid Cap (940 shares / 0.03%). In aggregate, these holdings amounted to 98 379 registered shares of Valora Holding AG, which is equivalent to 2.98% of the company's issued share capital.

On July 15, 2009, Lombard Odier Darier Hentsch Fund Managers SA (LODHFM), Avenue des Morgines 2, 1213 Petit-Lancy, Switzerland reported that on July 14, 2009 the registered shares of Valora holding AG held by investment funds under its control were as follows: LODH Swiss Cap (ex-SMI) (49 982 shares / 1.79% of issued share capital), CIFOPI Actions Suisses (3 834 shares / 0.14%), IF IST2 Actions Suisses Valeurs Complémentaires (41 962 shares / 1.50%), IS Valiant Swiss Equities SPI Index + (1 157 shares / 0.04%), IF IST2 Actions Suisses SPI Plus (650 shares / 0.02%) and LODH Opportunity Swiss Small & Mid Cap (940 shares / 0.03%). In aggregate, these holdings amounted to 98 525 registered shares of Valora Holding AG, which is equivalent to 3.52% of the company's issued share capital.

On November 10, 2009, Lombard Odier Darier Hentsch Fund Managers SA (LODHFM), Avenue des Morgines 2, 1213 Petit-Lancy, Switzerland reported that on November 9, 2009, the registered shares of Valora Holding AG held by investment funds under its control were as follows: LODH Swiss Cap (ex-SMI) (39 864 shares / 1.42% of issued share capital), CIFOPI Actions Suisses (1 944 shares / 0.07%), IF IST2 Actions Suisses Valeurs Complémentaires (38 962 shares / 1.39%), IS Valiant Swiss Equities SPI Index + (876 shares / 0.03%) and IF IST2 Actions Suisses SPI Plus (650 shares /

0.02%). In aggregate, these holdings amounted to 82 296 registered shares of Valora Holding AG, which is equivalent to 2.94% of the company's issued share capital.

Pictet Funds S.A.: On March 4, 2009, Pictet Funds S.A., Route des Acacias, 1211 Geneva, Switzerland reported that, following sales of shares, the registered shares of Valora Holding AG held on February 26, 2009 by investment funds under its control were as follows: Pictet (CH) Enhanced (0.21% of issued share capital), Pictet (CH) Swiss Market Tracker (0.09%), Pictet (CH) Swiss Mid Small Cap (0.82%), Pictet (CH) Swiss Equities (0.51%), Pictet Institutional Swiss Equities (1.06%), Pictet Institutional Swiss Equities Tracker (0.07%), Pictet Institutional - Pool Swiss Equities (0.02%), Ethos - Equities CH Indexed Corporate Governance (0.08%), Subvenimus Institutional Fund (0.02%). As a result, its aggregate holdings of registered shares of Valora Holding AG as of that date had fallen below 3% of the company's issued share capital.

On August 10, 2009 Pictet Funds S.A., Route des Acacias 60, 1211 Geneva, Switzerland reported that, following purchases of shares, the registered shares of Valora Holding AG held on August 7, 2009 by investment funds under its control were as follows: Pictet (CH) Enhanced (0.14% of issued share capital), Pictet (CH) Swiss Market Tracker (0.14%), Pictet (CH) Swiss Mid Small Cap (0.86%), Pictet (CH) Swiss Equities (0.50%), Pictet Institutional Swiss Equities (1.25%), Pictet Institutional Swiss Equities Tracker (0.10%), Pictet Institutional - Pool Swiss Equities (0.02%), Ethos - Equities CH Indexed Corporate Governance (0.10%), Subvenimus Institutional Fund (0.01%). As a result, its aggregate holdings of registered shares of Valora Holding AG as of that date amounted to 87 256 shares, which is equivalent to 3.12% of the company's issued share capital.

On August 31, 2009, Pictet Funds S.A., Route des Acacias 60, 1211 Geneva, Switzerland reported that, following sales of shares, the registered shares of Valora Holding AG held on August 27, 2009 by investment funds under its control were as follows: Pictet (CH), Ethos - Equities CH indexed Corporate Governance (0.10% of issued share capital), Subvenimus Swiss Equities (0.01%), Pictet (CH) Enhanced (0.13%), Pictet (CH) Swiss Market Tracker (0.14%), Pictet (CH) Swiss Mid Small Cap (0.84%), Pictet (CH) Swiss Equities (0.41%), Pictet Institutional Swiss Equities (1.25%), Pictet Institutional Fund - Swiss Equities Tracker (0.10%) and Pictet Institutional - Pool Swiss Equities (0.02%). As a result, its aggregate holdings of registered shares of Valora Holding AG as of that date had fallen to 83 756 shares, which is equivalent to 2.99% of the company's issued share capital.

On September 14, 2009, Pictet Funds S.A., Route des Acacias 60, 1211 Geneva, Switzerland reported that, following purchases of shares, the registered shares of Valora Holding AG held on September 10, 2009 by investment funds under its control were as follows: Pictet (CH) Enhanced (0.13% of issued share capital), Pictet (CH) Swiss Market Tracker (0.14%), Pictet (CH) Swiss Mid Small Cap (0.93%), Pictet (CH) Swiss Equities (0.41%), Pictet Institutional Swiss Equities (1.25%), Pictet Institutional Swiss Equities Tracker (0.10%), Pictet Institutional - Pool Swiss Equities (0.02%), Ethos - Equities CH Indexed Corporate Governance (0.10%) and Subvenimus Institutional Fund (0.01%). As a result, its aggregate holdings of registered shares of Valora Holding AG as of that date amounted to 84 322 shares, which is equivalent to 3.01% of the company's issued share capital.

On October 16, 2009, Pictet Funds S.A., Route des Acacias 60, 1211 Geneva, Switzerland reported that, following sales of shares, the aggregate number of registered shares of Valora Holding AG held on October 14, 2009 by investment funds under its control had fallen to 82 325 shares, which is equivalent to 2.94% of the company's issued share capital.

On December 7, 2009, Pictet Funds S.A., Route des Acacias 60, 1211 Geneva, Switzerland reported that, following purchases of shares, the registered shares of Valora Holding AG held on December 7, 2009 by investment funds under its control were as follows: Pictet - Institutional Swiss Equities Segment (1.30% of issued share capital), Pictet (CH) Swiss Mid Small Cap (0.89%), Pictet (CH) Swiss Equities (0.23%), Pictet (CH) Enhanced Swiss Equities 130/30 (0.23%), Pictet - Swiss Market Tracker (0.13%), Ethos (0.10%), Pictet Institutional Swiss Equities Tracker (0.10%), Pictet (CH) Swiss Equities Pool (0.02%) and Subvenimus Institutional Fund (0.01%). As a result, its aggregate holdings of registered shares of Valora Holding AG amounted to 84 694 shares, which is equivalent to 3.02% of the company's issued share capital.

On January 25, 2010, Pictet Funds S.A., Route des Acacias 60, 1211 Geneva, Switzerland reported that, following sales of shares, the registered shares of Valora Holding AG held on January 21, 2010 by investment funds under its control were as follows: Pictet - Institutional Swiss Equities Segment (1.21% of issued share capital), Pictet (CH) Swiss Mid Small Cap (0.86%), Pictet (CH) Swiss Equities (0.24%), Pictet (CH) Enhanced Swiss Equities 130/30 (0.21%), Pictet - Swiss Market Tracker (0.14%), Ethos (0.09%), Pictet Institutional Swiss Equities Tracker (0.12%), Pictet (CH) Swiss Equities Pool (0.02%) and Subvenimus Institutional Fund (0.01%). As a result, the aggregate number of registered shares of Valora Holding AG held by investment funds under its control had fallen to 81 068 shares, which is equivalent to 2.90% of the company's issued share capital.

UBS Fund Management (Switzerland) AG: On November 19, 2009, UBS Fund Management (Switzerland) AG, P.O. Box, 4002 Basle, Switzerland reported that, following sales of shares, its aggregate holdings of registered shares of Valora Holding AG on November 13, 2009 had fallen to 136 249 shares, which is equivalent to 4.87% of the company's issued share capital.

Threadneedle Asset Management Holdings Ltd: On November 11, 2009, Threadneedle Asset Management Holdings Ltd, 60 St Mary Axe, London, EC3A 8JQ, United Kingdom reported that, following purchases of shares, its aggregate holdings of registered shares of Valora Holding AG on November October 21, 2009 had risen to 89 931 shares, which is equivalent to 3.21% of the company's issued share capital.

On November 13, 2009, Threadneedle Asset Management Holdings Ltd, 60 St Mary Axe, London, EC3A 8JQ, United Kingdom reported that, following purchases of shares, its aggregate holdings of registered shares of Valora Holding AG on November 12, 2009 had risen to 141 484 shares, which is equivalent to 5.05% of the company's issued share capital.

Valora Holding AG: On January 5, 2009, Valora Holding AG, Hofackerstrasse 40, 4132 Muttenz, Switzerland, reported that, following purchases of shares, it held a total of 15.36% of its own issued share capital and thus of its issued voting shares. This resulted from holdings of 499 214 registered shares (15.13% of issued share capital) and a short position in put options amounting to a further 0.23% of issued share capital. The options (European puts expiring on January 31, 2013, each of which entitles its holder to sell one registered sahre at the average closing price recorded during the first week after the options vest) are an obligation which arose from employee share participation programmes.

With regard to its reporting requirements relating to the purchase or sale of shares under the Swiss Federal Stock Exchange Act, Valora Holding AG, Hofackerstrasse 40, 4132 Muttenz, Switzerland reported that its aggregate holdings of its own registered shares on July 14, 2009 had fallen below the 3% reporting threshold.

The Ordinary General Meeting of shareholders held on April 28, 2009 approved a proposal made by the Board of Directors that the 500 000 registered shares purchased by Valora Holding AG via a second trading line on SIX Swiss Exchange in the context of its share repurchase programme be destroyed and the company's issued share capital reduced accordingly. These shares were cancelled on July 9, 2009.

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

2 CAPITAL STRUCTURE

2.1 CAPITAL STRUCTURE AT DECEMBER 31, 2009. Ordinary capital of Valora Holding AG: CHF 2 800 000, comprising 2 800 000 single-class registered voting shares of CHF 1.00 nominal value each, each entitled to dividends. All Valora Holding AG ordinary registered shares are fully paid up and listed on the main section of the SIX Swiss Exchange and BX Berne eXchange. Valora Holding AG has conditional capital of CHF 84 000, comprising 84 000 registered shares of CHF 1.00 nominal value each.

2.2 CONDITIONAL AND AUTHORISED CAPITAL. Conditional capital amounting to a maximum of CHF 84 000, comprising 84 000 registered shares of CHF 1.00 nominal value each, was approved by the Annual General Meeting of May 11, 2000. These shares can be used at any time by the Board of Directors to cover the exercising of options granted to employees of the company or Group companies within the overall framework laid down by the Board of Directors. Existing shareholders have no subscription rights for such shares. No time limits apply. None of this conditional capital had been issued by December 31, 2009. The conditional capital of CHF 84 000 remains unchanged.

Valora Holding AG has no authorised capital.

2.3 CHANGES IN CAPITAL. The Ordinary General Meeting of Shareholders of Valora Holding AG held on April 29, 2008, approved the Board's proposal to initiate a share buyback programme covering a maximum of 500 000 shares (which rounds to 15.2% of the outstanding share capital) and lasting 18 months (till the end of 2009) to be conducted through a second trading line on the SIX Swiss Exchange for the purpose of permanently cancelling the shares so repurchased and reducing the issued share capital accordingly. The programme commenced on July 1, 2008 and was successfully completed on February 27, 2009, at a cost of CHF 99.9 million. The shares were repurchased at an average price of CHF 199.90. The Ordinary General Meeting of shareholders held on April 29, 2009 approved the Board's proposal that the shares so repurchased be destroyed and the company's share capital be reduced accordingly. The repurchased shares were cancelled on July 9, 2009. As a result, the company's issued share capital is now CHF 2 800 000, comprising 2 800 000 registered shares with a nominal value of CHF 1.00 each. No changes in capital structure occurred in 2006 or 2007. Details of the changes in capital structure made in 2005 are contained in the 2005 Financial Report in the changes in capital structure section of the corporate governance report on page 68.

Changes in the reserves and overall shareholders' equity of Valora Holding AG are shown in the balance sheet (on page 111) and the notes to the financial statements of Valora Holding AG (on page 112).

2.4 SHARES, PARTICIPATION CERTIFICATES AND DIVIDEND-RIGHT CERTIFICATES. All 2 800 000 registered shares each have a nominal value of CHF 1.00 and are fully paid up. Each share entitles its holder to a dividend, except the shares held in treasury by Valora Holding AG. There are no preferential shares.Valora holding AG has not issued any participation certificates or dividend right-certificates.

2.5 CONVERTIBLE BONDS AND OPTIONS. At December 31, 2009, Valora Holding AG had no convertible bonds or options outstanding.

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

3 BOARD OF DIRECTORS

3.1 BOARD OF DIRECTORS . At December 31, 2009, the Board of Directors of Valora Holding AG comprised the following five members:

Rolando Benedick, 1946, Swiss citizen, Chairman
Previous activities: CEO of Innovazione, CEO of the Manor Group, Board Chairman of the Manor Group, Member of the Board of Directors of Jacobs Holding AG.
Current activities: Board Chairman of Manor Sud (since 1989), Member of the Boards of Directors of Barry Callebaut (since 2001), of MCH Messe Schweiz AG (since 2001) and Galfa Group Paris (since 2009)

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

Bernhard Heusler, 1963, Swiss citizen, Master's degree and doctorate from the University of Basle and postgraduate studies at the University of California, Davis.
Previous activities: Temporary Associate at Davis Polk & Wardwell, New York, associate at Wenger Plattner, Attorneys-at-law.
Current activities: Partner with Wenger Plattner, Attorneys-at-law (since 2000), Representative of the Board of Directors of the FC Basel 1893 AG football club (since 2005), member of various professional associations, Member of the Boards of Directors of various trading and service companies.

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

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

No member of the Board of Directors has any management mandate within the Valora Group or any significant business relations with the Group. Bernhard Heusler is a partner of the Wenger Plattner law practice, which has offices in Basle, Berne and Zurich. In 2009, Valora paid fees totalling CHF 245 k to various members of the Wenger Plattner law practice. These related to notarisation services and advice in the fields of employment law, IT law, contract law and real-estate law.

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

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

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

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

The Board of Directors is self-constituting. The Board names a Chairman and a Deputy Chairman and a Secretary. The Secretary need not be a Board member. With the exception of Franz Julen, who was first elected in 2007, all Board members were first elected in 2008.

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

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

Minutes are kept of Board meetings.

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

In addition, Roland Benedick is an ex officio member of these standing committees.

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

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

The duties of the Nomination and Compensation Committee are as follows:
a) To prepare proposals on the remuneration of the Chairman of the Board and the other Board members and submit these to the Board.
b) To determine the salaries and other terms and conditions of employment for the CEO and the other members of Group Executive Management.
c) To assess general annual salary increases proposed by the CEO and to make recommendations on these to the Board.
d) To review share programmes for management and employees and share option and profit-sharing programmes for the Board and Group Executive Management and to make recommendations on these to the Board.
e) To approve general salary increases (wage round, in German, «Lohnrunde»).
f) To approve share, share option and profit-sharing programmes for management and employees.

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

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

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

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

The Board of Directors is responsible for approving corporate strategy and specifying organisational structure, and bears ultimate responsibility for personnel matters. It establishes the guidelines for financial and investment policy, and approves long-term borrowings in excess of CHF 30 million, acquisitions and disposals of shareholdings and the purchase and sale of real estate whose transaction price exceeds CHF 5 million.

3.6 INFORMATION AND CONTROL INSTRUMENTS AVAILABLE TO THE BOARD OF DIRECTORS. In 2009, The Board of Directors held 15 meetings. Of these, 7 were full-day sessions, 7 were half-day sessions and 1 was a short briefing. One Board resolution was carried out by circular. The Audit Committee held 4 half-day meetings, while the Nomination and Compensation Committee convened for 5 half-day sessions, as well as passing one resolution by circular. The Board and its committees may also invite further persons, particularly the CEO, the CFO and representatives of the internal and external auditors, to attend their meetings. Internal and external auditors took part in all Audit Committee meetings in 2009.

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

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

The Board of Directors and Group Executive Management carry out a regular risk assessment. The objective is to make the principal risks to which Valora is exposed more transparent, to improve the quality of risk dialogue and to define practical measures for addressing key risks to Valora. The results are reviewed at a joint meeting held with the Board of Directors at which decisions on appropriate measures are taken.

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

4 GROUP EXECUTIVE MANAGEMENT

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

Dr. Thomas Vollmoeller, 1960, German citizen
Master's degree in Economics from the University of Stuttgart, doctorate in Economics from the University of St. Gallen.
Previous activities: consultant with McKinsey & Co. in Hamburg und Düsseldorf, Chief Executive of Tchibo direct GmbH, CFO, Head of Operations and Member of the Executive Committee of Tchibo.
CEO of Valora since June 16, 2008 and interim Head of Valora Media division since January 1, 2010.

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

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

Christian Schock, 1954, Luxembourg citizen
Graduate in Mechanical Engineering, INSEAD MBA.
Previous activities: various management positions at Reuters in Luxembourg and Germany, Managing Director of SES-Astra's multimedia subsidiary and CEO of Messageries Paul Kraus, Luxembourg.
Head of Valora Media division from July 1, 2006 to December 31, 2009.

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

Group Executive Management changes. No Group Executive Management changes took place in 2009.

Prior to his appointment to the Group Executive Committee, Christian Schock had been CEO of Messageries Paul Kraus (MPK) for 3 years and was thus responsible for Valora's press and book wholesale and kiosk activities in Luxembourg. With effect from January 1, 2010, Christian Schock assumed management responsibility for Valora's Luxembourg business, thus relinquishing his Group Executive Management post. The Valora Media division is being managed on an interim basis by Thomas Vollmoeller, CEO.

None of the other members of Group Executive Management had previously worked for Valora.

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

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

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

5 REMUNERATION, SHAREHOLDINGS AND LOANS

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

The remuneration paid to each individual member of the Board of Directors and of Group Executive Management is authorised by the entire Board. Each Board member abstains from voting on his own remuneration. The Nomination and Compensation Committee exercises a preparatory function with regard to remuneration guidelines for the Board and remuneration paid to the Board. With regard to Group Executive Management remuneration this Board Committee exercises a decision-making function (see description of the duties of the Nomination and Compensation Committee in section 3.4).

5.1.1 GENERAL COMPONENTS OF REMUNERATION AND THEIR WEIGHTING.
The remuneration paid to Valora's management is based on a fixed salary, a variable Short Term Plan and a new Long Term Plan established in January 2009. The total remuneration package was determined on the basis of comparisons with companies of comparable size and in comparable industries. The various remuneration components applicable to the Board of Directors and Group Executive Management are presented in sections 5.1.2 and 5.1.3 below.

In January, 2009, the share-based Long Term Plan (LTP) referred to above was established. This plan, which forms an integral part of its participants' total remuneration, aims to incentivise contribution towards Valora's continued long-term economic success.

Because the LTP runs for three years, it fosters a long-term approach to managing Valora. Under the plan, each participant can purchase a number of shares which is fixed by the Nomination and Compensation Committee on a case-by-case basis. Each participant uses a bank loan to finance the shares he is entitled to purchase, and the shares are pledged as collateral for the loan. Should the market price of Valora shares be lower than the participant's purchase price when the loan falls due, Valora guarantees the bank and the participant that it will make good any shortfall. Half the shares in the plan are subject to a 24-month lock-up period, with a 36-month lock-up period applying to the remainder. Should the market price of Valora shares be below the initial purchase price when the lock-up periods end, Valora will make good any shortfall. Valora's financing costs for the plan are limited to the interest expense relating to the initial purchase cost. No external consultancy fees were paid in connection with the development of this plan.

5.1.2 BOARD OF DIRECTORS. A fixed director's annual fee is paid to each member of the Board of Directors. This fee is paid in cash in four equal quarterly portions. No performance-based variable compensation is paid to the Board of Directors. Board Directors also participate in the Long Term Plan (see 5.1.1 above).
Conrad Löffel's participation in the Long Term Plan is options-based. No other modifying arrangements have been agreed.

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

5.1.3 GROUP EXECUTIVE MANAGEMENT. Members of Group Executive Management receive an annual salary which comprises a fixed and a variable component (the Short Term Plan). The fixed base salary is determined by the nature of the duties and responsibilities carried out by each individual member of Group Executive Management. Depending on the extent to which agreed objectives are met, the variable component (Short Term Plan) can range from 0% to a maximum of 75% of fixed base salary. On average, a member of Group Executive Management achieving 100% of his agreed objectives would qualify for a Short Term Plan payment equal to 37% of fixed base salary. The variable, performance-based component of remuneration is based on a range of quantitative and qualitative elements, 70% of which are determined by business performance measured by economic value-added, while the remaining 30% depend on the achievement of personal objectives. Members of Group Executive Management also participate in the Long Term Plan (see 5.1.1 above).

The Board's Nomination and Compensation Committee determines total remuneration levels and decides on the award of any performance-based remuneration, informing the Board of Directors of its decisions at the next Board meeting. Group Executive Management remuneration is subject to periodic review.

Details of the remuneration paid to the Board of Directors and Group Executive Management and of the Valora shares held by their members can be found in note 5 to the financial statements of Valora Holding AG on page 113.

6 SHAREHOLDERS' PARTICIPATION RIGHTS

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

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

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

No such exceptions were granted in 2009.

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

To enhance the tradability of Valora shares on the stock exchange, the Board of Directors may devise regulations or agreements which approve the fiduciary entry of registered shares with voting rights above the 5% limit for trustees who disclose the nature of their trusteeship (nominees, ADR banks). Such trustees must be overseen by banking or financial market regulators, however, or must otherwise provide the necessary guarantees that they are acting on behalf of one or several persons who are not linked to each other in any way, and are able to provide the names, addresses and shareholdings of the owners of the shares concerned. No exceptions for the fiduciary entry of registered shares above the 5% threshold were granted in 2009.

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

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

6.2 STATUTORY QUORUMS. Unless the law or the Articles of Incorporation require otherwise, the General Meeting passes its resolutions and conducts its elections by a simple majority of the share votes cast, irrespective of the number of shareholders attending or the number of shares represented. In the event of a tied vote, the Chairman of the Board of Directors holds the casting vote.

Under Article 12 of the Articles of Incorporation, the following resolutions require a majority of two thirds of the votes represented and an absolute majority of the nominal value of the votes represented:

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

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

The notice of an Ordinary General Meeting must also indicate that the Annual Report and the Report of the Auditors will be available for inspection at the company's registered office at least 20 days in advance of the meeting, and that any shareholder will immediately be sent a copy of these documents on request.

No resolution may be passed on any matters that are not announced in the way described above, except on a motion to convene an Extraordinary General Meeting or to conduct a special audit.

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

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

6.5 REGISTRATIONS IN THE SHARE REGISTER. To attend the 2010 Annual General Meeting, a shareholder must submit their request for registration in the Share Register to the company no later than 4 p.m. on April 15, 2010.

7 CHANGES OF CONTROL AND DEFENCE MEASURES

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

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

8 AUDITORS

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

8.1 DURATION OF THE MANDATE AND TERM OF OFFICE OF THE LEAD AUDITOR. The audit mandate was first awarded to Ernst & Young AG by the 2009 Ordinary General Meeting of shareholders. The lead auditor's mandate was taken on by Martin Gröli in 2009. Regulations on auditor rotation limit the terms which may be served by the lead auditor to a maximum of seven years. Substantial strategic changes within the Group prompted Valora Holding AG to put the audit mandate out to tender in November 2008. Submissions were received from the four major accounting firms. The award decision was based on a set of criteria which had previously been disclosed to all four candidate firms. These criteria include such elements as the composition of the audit team, knowledge of the retail sector and differentiation vis-à-vis other candidate firms. The ultimate decision was made on the basis of general best practice principles. The Board was granted 65% of the votes, with the remaining 35% being allocated to management.

8.2 AUDIT FEES. The total cost to Valora Holding AG and its subsidiaries of the auditing conducted by its external auditors in 2009 in respect of the consolidated fiancial statements, the financial statements of Valora Holding AG and its subsidiaries amounted CHF 1.0 million (CHF 1.5 million in 2008).

8.3 ADDITIONAL FEES. During 2009, the external auditors invoiced Valora Holding AG and its subsidiaries for a further CHF 0.02 million related to tax services. The corresponding figure for 2008 was CHF 0.07 million.

8.4 INFORMATION INSTRUMENTS AVAILABLE TO THE EXTERNAL AND INTERNAL AUDITORS. The Board of Directors' Audit Committee defines the audit mandates of the statutory auditors and has the responsibility of ensuring appropriate controls are carried out. Since January 1, 2009, internal auditing has been carried out by an internal audit unit. Both internal and external auditors attended all Audit Committee meetings. The Audit Committee meetings at which the interim and full-year financial results are reviewed are always attended by all members of the Board of Directors. Assessment of the external auditors takes account of a number of criteria, principal among which are deadline discipline, reporting quality, provision of additional information, availability of designated contacts and cost effectiveness. The external auditors submit to the Audit Committee both their report on the financial statements for the year just completed as well as their audit plan for the current financial year. The internal auditors submit their audit plan for the current year to the Audit Committee and also provide it with a separate report on each audit they carry out.

9 INFORMATION POLICY

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

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

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

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

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

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

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

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

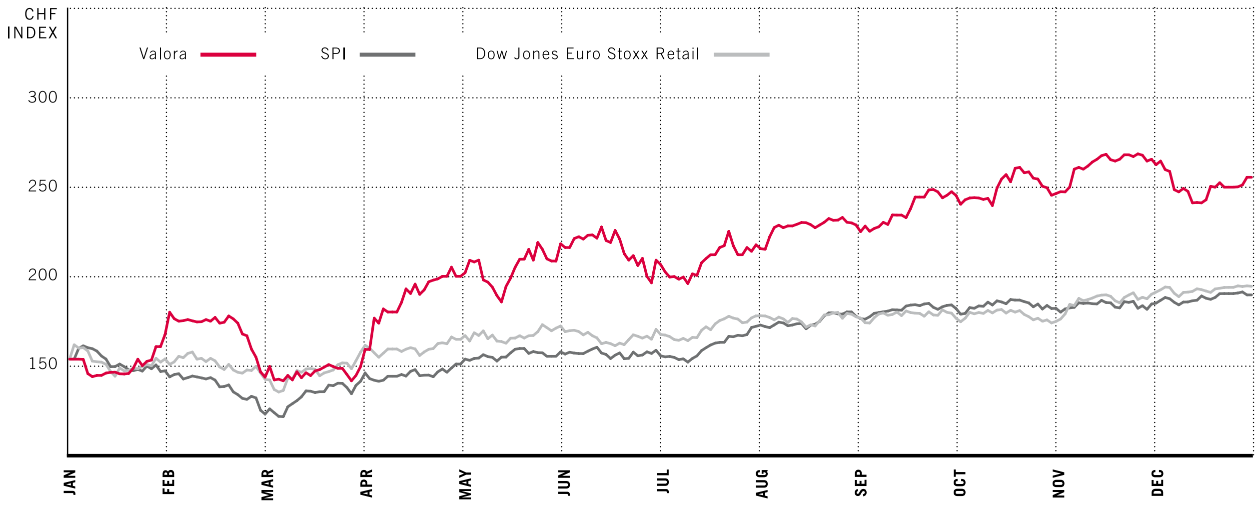
VALORA SHARES

1 SHARE PRICE TRENDS

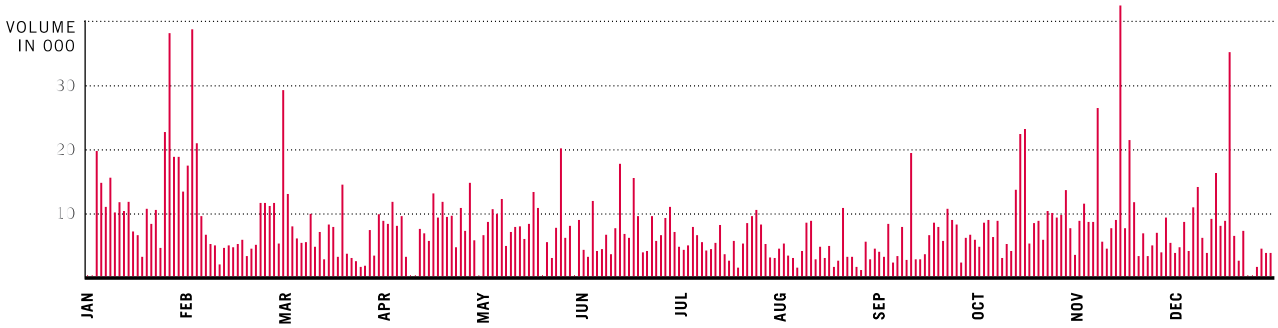
Global equity markets. 2009 will go down in the annals of stock exchange history as a good and very pleasing year. While the Swiss Market Index advanced some 18%, it was outshone by the broader overall market, as measured by the Swiss Performance Index, which gained over 23%. The year was however marked by two quite distinct phases. In the wake of the global financial crisis and the overall economic downturn it went on to unleash, the two main Swiss equity market indices initially fell steeply, reaching lows 20% before their year-end 2008 levels by mid-March. The massive liquidity injections and economic stimulus programmes carried out across the globe then ushered in a strong recovery, which saw prices rising steadily for the next ten months. This upturn was lent further impetus by a general improvement in the economic climate and a more positive outlook for 2010.

Valora share performance. At the beginning of 2009, Valora shares were trading at CHF 154.10. Measured over the entire year, they gained some 66%, closing at CHF 255.00 on December 31, 2009. Despite some fluctuations, Valora's share price remained relatively stable during the initial market downturn, slipping 8% by mid March and reaching a 2009 low of CHF 138.50 on March 30, thus lagging its benchmarks somewhat. Valora's publication of its 2008 results on April 2, 2009 marked the turning point for its share price, which went on to recover nearly 80%, helped along by positive assessments from the financial community. During this time, the shares also benefited from Valora's consistent implementation of its new strategic plan and the encouraging interim results it published in August 2009. These factors enabled Valora shares to outperform the Swiss equity market's two main benchmarks by 47% and 42% respectively.

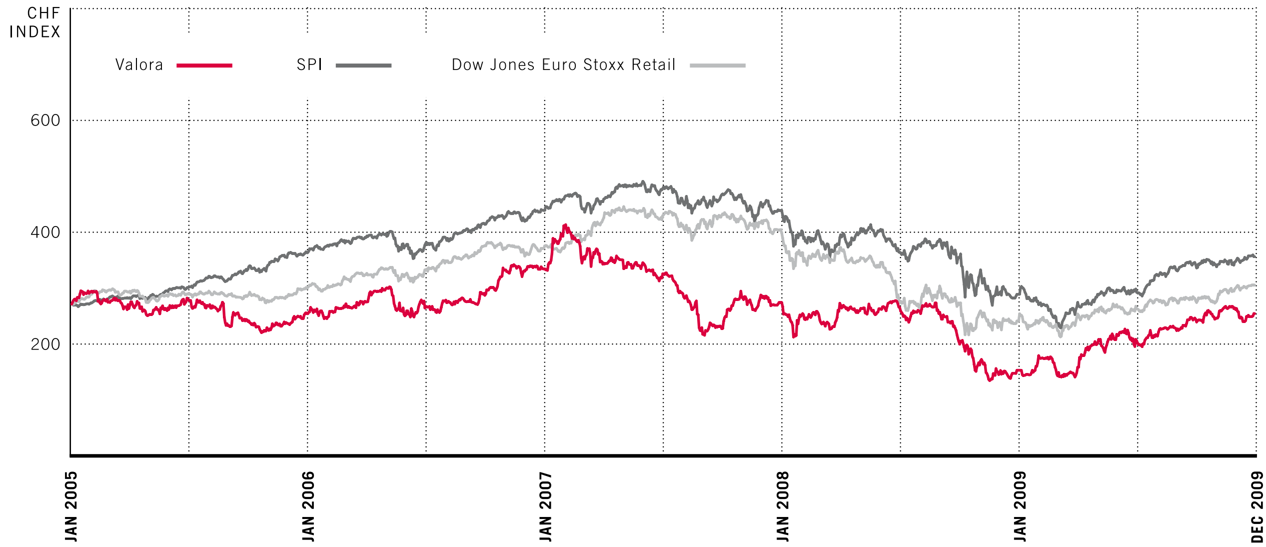
VALORA SHARE PRICE TREND 2009



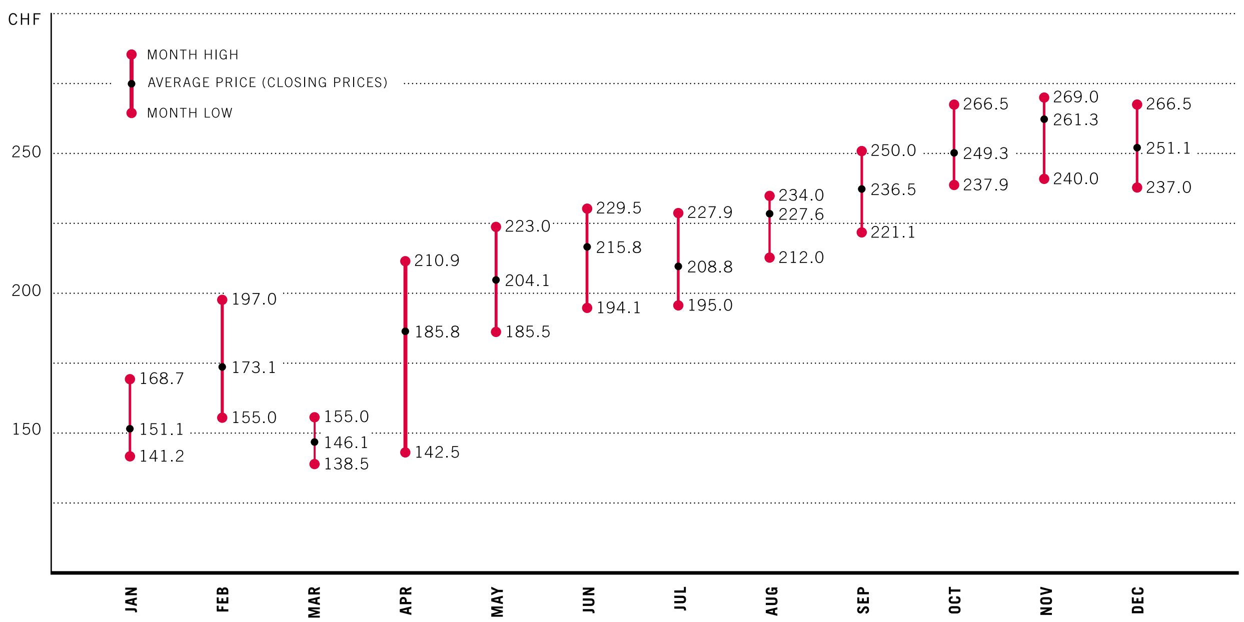
VALORA SHARE VOLUME 2009



VALORA SHARE PRICE TREND 2005-2009



MONTH HIGHS/LOWS IN 2009



2 SHAREHOLDER RETURNS

		2009	2008	2007	2006	2005
Share price						
Year end	CHF	255.00	154.00	274.75	334.75	254.75
Distributions to shareholders						
Dividends/reimbursements of nominal value	CHF	[1] 10	9	9	9	9
Dividend yield	%	3.9	5.8	3.3	2.7	3.5
Annual returns						
excluding dividends	%	65.6	– 43.9	– 17.9	31.4	– 9.0
including dividends	%	72.1	– 40.7	– 15.2	34.9	– 5.8
Average return		**2005–2009 5 Years**	2005–2008 4 Years	2005–2007 3 Years	2005–2006 2 Years	2005 1 Year
excluding dividends	%	– 1.9	– 13.9	– 0.6	9.3	– 9.0
including dividends	%	1.6	– 9.8	2.6	12.4	– 5.8

[1] Proposed

3 KEY SHARE RATIOS

		2009	2008 Restated	2007	2006	2005
Operating profit (EBIT) per share [1]	CHF	[3] 24.78	[3] 12.22	[3] 18.46	[3] 20.80	[2] 8.45
Free cash flow per share [1] [4]	CHF	[3] 16.73	[3] 57.39	[3] 22.06	[3] 18.28	[2] 17.41
Earnings per share [1]	CHF	[3] 18.94	[3] 7.74	[3] 14.08	[3] 16.89	[2] 1.17
Equity per share [1]	CHF	165.00	146.32	187.20	175.42	160.68
P/E Ratio [1]	31.12	[3] 13.5	[3] 19.9	[3] 19.5	[3] 19.8	[2] 217.9

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

4 SHAREHOLDER DATA AND CAPITAL STRUCTURE

Registered shareholder data		At 31.12.2009	At 31.12.2008
Composition	Significant shareholders > 5%	13.6% of shares	12.7% of shares
	10 largest shareholders	39.6% of shares	46.9% of shares
	100 largest shareholders	57.5% of shares	63.2% of shares
Origin	Switzerland	64.1% of shares	76.5% of shares
	Elsewhere	35.9% of shares	23.5% of shares

Valora Holding AG's share capital of CHF 2.8 million comprises 2.8 million registered shares with a nominal value of CHF 1.00 each.

Conditional capital amounting to a maximum of CHF 84 000, comprising 84 000 registered shares of CHF 1.00 nominal value each, was approved by the Annual General Meeting of May 11, 2000. These shares can be used at any time by the Board of Directors to cover existing or future management profit-sharing plans. Existing shareholders have no subscription rights for such shares. No time limits apply. None of this conditional capital had been issued by December 31, 2009.

Valora's articles of incorporation limit the number of votes which may be exercised by a single shareholder or by a group of shareholders acting in concert to 5% of the company's issued voting shares. The Board of Directors may, at its discretion, grant exceptions to this rule. No such exceptions were granted in 2009. Swiss and non-Swiss shareholders are registered on the same terms in the Share Register. The company has distributed dividends to its shareholders without interruption since 1920.

5 SHARE CAPITAL

		2009	2008	2007	2006	2005
Total registered shares [1]	Shares	2 800 000	3 300 000	3 300 000	3 300 000	3 300 000
Treasury shares [1]	Shares	49 866	487 314	107 057	106 791	109 221
Number of shares outstanding [1]	Shares	2 750 134	2 812 686	3 192 943	3 193 209	3 190 779
Market capitalisation [1] [2]	CHF million	701	433	877	1 069	813
Average number of shares outstanding	Shares	2 749 815	3 078 254	3 201 312	3 197 186	3 196 384
Number of registered shareholders [1]		6 739	7 090	7 385	7 789	9 344

[1] At 31.12.
[2] Based on number of shares outstanding at 31.12

6 TAX VALUES

	Securities no.	At 31.12.2009	At 31.12.2008	At 31.12.2007	At 31.12.2006	At 31.12.2005
Registered shares of CHF 1.00	208 897	255.00	154.00	274.75	334.75	254.75
2.875% bond 2005-2012	2 189 351	102.80%	97.00%	93.70%	98.80%	98.90%

FIVE-YEAR SUMMARY

		2009 2)	2008 2) Restated	2007 2)	2006 2)	2005 1)
Net revenues	**CHF million**	**2 897.0**	**2 931.1**	**2 821.7**	**2 749.3**	**2 846.4**
Change	%	– 1.2	+ 3.9	+ 2.6	– 3.4	– 0.4
Operating profit (EBIT)	**CHF million**	**68.1**	**37.6**	**59.1**	**66.5**	**27.0**
in % of net revenues	%	2.4	1.3	2.1	2.4	0.9
Net profit (net loss)	**CHF million**	**53.0**	**24.7**	**46.0**	**54.7**	**4.7**
Change	%	+ 115.0	– 46.3	– 15.9	+ 1 055.5	– 96.9
in % of net revenues	%	1.8	0.8	1.6	2.0	0.2
in % of equity	%	11.7	5.5	7.7	9.8	0.9
Net cash provided by (used in)						
Operating activities	**CHF million**	106.2	86.6	93.6	84.8	96.4
Investing activities	**CHF million**	– 60.2	90.1	– 23.0	– 26.4	– 40.7
Free cash flow (used in)	**CHF million**	**46.0**	**176.7**	**70.6**	**58.4**	**55.7**
Financing activities	**CHF million**	– 44.5	– 160.7	– 126.8	– 83.0	– 123.7
Earnings per share	**CHF**	**18.94**	**7.74**	**14.08**	**16.89**	**1.17**
Change	%	+ 144.7	– 45.0	– 16.6	+ 1 343.6	– 97.2
Free cash flow per share	**CHF**	**16.73**	**57.39**	**22.06**	**18.28**	**17.41**
Change	%	– 70.8	+ 160.2	+ 20.7	+ 5.0	– 80.2
Cash and cash equivalents	**CHF million**	**161.6**	**158.4**	**153.4**	**222.1**	**219.7**
Equity	**CHF million**	**453.7**	**450.4**	**599.3**	**560.9**	**513.6**
Balance sheet equity ratio	%	41.3	42.5	45.2	42.3	37.8
Number of employees at December 31	**FTE**	**6 522**	**6 692**	**6 532**	**6 646**	**7 346**
Change	%	– 2.5	+ 2.4	– 1.7	– 9.5	–3.4
Net revenues per employee	**CHF 000**	**444**	**438**	**432**	**414**	**387**
Change	%	+ 1.4	+ 1.4	+ 4.3	+ 7.0	+ 2.9
Number of outlets operated by Valora		**1 405**	**1 410**	**1 404**	**1 414**	**1 464**
Net sales per outlet 3)	CHF 000	1 133	1 113	1 186	1 155	1 153
Number of franchise outlets		**25**	**21**	–	–	–

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

1) From continuing operations (without Fotolabo Group)

2) From continuing operations (without Fotolabo Group and Own Brands)

3) Net sales of Valora Retail only

This Annual Report is published in German and English. In the event of discrepancies, the German original shall prevail.

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Current details of press conferences and publications can be found on the Valora website: www.valora.com.

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