

## INCOME STATEMENT

	2010	2009
<b>January 1 to December 31, in CHF 000</b>		
<i>Income</i>		
Dividend income	38 686	31 300
Interest income	610	840
Foreign exchange gains	959	110
Income from securities	3 934	6 766
Other income	2 151	67
<b>Total income</b>	<b>46 340</b>	<b>39 083</b>
<i>Expense</i>		
Interest expense	- 5 350	- 5 672
Foreign exchange losses	- 2 825	- 30
Losses on securities	- 180	- 169
General administration expense	- 3 822	- 4 136
<b>Total expense</b>	<b>- 12 177</b>	<b>- 10 007</b>
<b>Net profit for the year</b>	<b>34 163</b>	<b>29 076</b>

## BALANCE SHEET BEFORE APPROPRIATION OF AVAILABLE EARNINGS

### ASSETS

	2010	2009
<i>at December 31, in CHF 000</i>		
<i>Current assets</i>		
Cash and cash equivalents	1 544	1 020
Securities	14 837	12 537
Prepayments	122	251
Short-term receivables	141	284
	26	985
<b>Total current assets</b>	<b>16 670</b>	<b>15 077</b>
<i>Non-current assets</i>		
Investments	514 275	515 075
Loans and receivables from Group companies	14 841	10 984
Discounts and capitalised issuance cost on bonds issued	425	708
<b>Total non-current assets</b>	<b>529 541</b>	<b>526 767</b>
<b>Total assets</b>	<b>546 211</b>	<b>541 844</b>

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**LIABILITIES AND EQUITY**

	2010	2009
<b>at December 31, in CHF 000</b>		
<i>Liabilities</i>		
Short-term bank debt/overdrafts	0	3
Current liabilities		
towards third parties	611	505
towards Group companies	48 506	48 207
Accrued expenses		
towards third parties	2 723	2 742
Bond payable	140 000	140 000
Provisions	48 566	51 286
<b>Total liabilities</b>	<b>240 406</b>	<b>242 743</b>
<i>Equity</i>		
Share capital	2 800	2 800
General legal reserves	560	140 664
Reserve for treasury stock	9 484	10 323
Capital reserves	1 697	0
Unrestricted reserves	212 356	73 110
Earnings available for distribution		
Earnings brought forward	44 745	43 128
Net profit for the year	34 163	29 076
<b>Total equity</b>	<b>305 805</b>	<b>299 101</b>
<b>Total liabilities and equity</b>	<b>546 211</b>	<b>541 844</b>

## 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, 2010 the Group's contingent liabilities in favour of subsidiaries – consisting of sureties, subordination, keep well agreements, guarantees and other contingencies – totalled CHF 194.4 million (2009: CHF 222.5 million), with a further CHF 1.0 million in favour of third parties (2009: CHF 1.0 million).

### 2 BOND OUTSTANDING

	Coupon	Maturity	At 31.12.2010	At 31.12.2009
in CHF 000				
Bond 2005–2012	2.875%	12.07.2012	140 000	140 000

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

	2010 Number of shares	2010 Net book value	2009 Number of shares	2009 Net book value
in CHF 000				
<b>Opening balance (at January 1)</b>	<b>49 866</b>	<b>12 519</b>	<b>487 314</b>	<b>72 045</b>
Share capital reduction	–	–	– 500 000	– 103 509
Sales	– 12 340	– 3 298	– 90 347	– 13 591
Purchases	9 104	1 665	152 899	24 695
Value adjustments	–	3 933	–	32 879
<b>Closing balance (at December 31)</b>	<b>46 630</b>	<b>14 819</b>	<b>49 866</b>	<b>12 519</b>

The share purchases were made at market prices ranging from CHF 148.05 to CHF 274.60.

In addition, during 2010, Valora Holding AG purchased a total of 9104 shares at an average price of CHF 182.85 and sold a total of 12340 shares at an average price of CHF 267.26.

At December 31, 2010, treasury shares held by Valora Holding AG represented 1.67% of the company's issued share capital (1.78% at year-end 2009).

**4 NET RELEASE OF HIDDEN RESERVES.** In 2010 net hidden reserves with a total amount of CHF 2 million were released. (2009: no release).

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**5 REMUNERATION AND SHAREHOLDINGS**

*Remuneration 2010*

in CHF 000	Director's fee/ base salary	Short Term Plan (STP) <sup>1)</sup>	Long Term Plan (LTP) <sup>2)</sup>	Emolument in kind	Termination payments	Other remuneration <sup>4)</sup>	Total 2010
<b>Board of Directors</b>							
Rolando Benedick Chairman	450.0	–	58.8	–	–	30.8	539.6
Markus Fiechter Vice-Chairman	150.0	–	19.7	–	–	10.9	180.6
Bernhard Heusler Board member	100.0	–	13.0	–	–	7.3	120.3
Franz Julen Chairman of Nomination and Compensation Committee	120.0	–	15.7	–	–	8.9	144.6
Conrad Löffel <sup>3)</sup> Chairman of Audit Committee	120.0	–	79.1	–	–	10.5	209.6
<b>Total remuneration to Board members</b>	<b>940.0</b>	<b>–</b>	<b>186.3</b>	<b>–</b>	<b>–</b>	<b>68.4</b>	<b>1 194.7</b>
<b>Group Executive Management</b>							
Thomas Vollmoeller CEO	600.0	253.5	117.7	20.0	–	159.2	1 150.4
<b>Total remuneration to Group Executive Management (GEM), including CEO</b>	<b>1 933.3</b>	<b>565.6</b>	<b>252.2</b>	<b>75.0</b>	<b>–</b>	<b>460.8</b>	<b>3 286.9</b>

In 2010, no remuneration was paid to former members of the Board of Directors or former members of Group Executive Management.

<sup>1)</sup> These are the effective costs of the bonuses granted in respect of 2010, which will be paid out in April 2011.

<sup>2)</sup> The total number of shares covered by the LTP is 73 214. 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 January 29, 2009 and the average trading price of the shares during the twenty trading days preceding the LTP's commencement on January 1, 2009.

<sup>3)</sup> Remuneration paid in respect of the 2693 options in the option programme amounted to CHF 79.1 thousand. 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	1346	1347
Expiration date	19.04.2011	31.10.2011
Implied volatility	35%	38%
Risk-free rate of interest	0.589%	0.876%
Value per option	CHF 178.28	CHF 179.00

<sup>4)</sup> These amounts include payments to pension plans and other benefit schemes.

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*Remuneration in 2009*

in CHF 000	Director's fee/ base salary	Short Term Plan (STP) <sup>1)</sup>	Long Term Plan (LTP) <sup>2)</sup>	Emolument in kind	Termination payments	Other remuneration <sup>4)</sup>	Total 2009
<b>Board of Directors</b>							
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 <sup>3)</sup> Chairman of Audit Committee	120.0	–	76.9	–	–	18.8	215.7
<b>Total remuneration to Board members</b>	<b>940.0</b>	<b>–</b>	<b>196.6</b>	<b>–</b>	<b>–</b>	<b>123.4</b>	<b>1 260.0</b>
<b>Group Executive Management</b>							
Thomas Vollmoeller CEO	600.0	202.8	131.3	20.0	–	165.5	1 119.6
<b>Total remuneration to Group Executive Management (GEM), including CEO</b>	<b>2 050.0</b>	<b>509.6</b>	<b>341.9</b>	<b>80.0</b>	<b>–</b>	<b>458.5</b>	<b>3 440.0</b>

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

<sup>1)</sup> These are the effective costs of the bonuses granted in respect of 2009, which will be paid out in April 2010.

<sup>2)</sup> 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 January 29, 2009 and the average trading price of the shares during the twenty trading days preceding the LTP's commencement on January 1, 2009.

<sup>3)</sup> Remuneration paid in respect of the 2693 options in the option programme amounted to CHF 76.9 thousand. 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	1346	1347
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

<sup>4)</sup> These amounts include payments to pension plans and other benefit schemes.

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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, 2010 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, 2010 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:

	2010	2010	2010	2009	2009	2009
	Number of shares	Share of total voting rights in %	of which subject to a lock-period	Number of shares	Share of total voting rights in %	of which subject to a lock-period
<b>Board of Directors</b>						
Rolando Benedick Chairman	15 788	0.56	5 049: 19.04.2011 5 049: 31.10.2011	15 788	0.56	5 049: 31.12.2010 5 049: 31.12.2011
Markus Fiechter Vice-Chairman	3 366	0.12	1 683: 19.04.2011 1 683: 31.10.2011	3 366	0.12	1 683: 31.12.2010 1 683: 31.12.2011
Bernhard Heusler Board member	2 244	0.08	1 122: 19.04.2011 1 122: 31.10.2011	2 244	0.08	1 122: 31.12.2010 1 122: 31.12.2011
Franz Julen Chairman of Nomination and Compensation Committee	3 143	0.12	1 347: 19.04.2011 1 346: 31.10.2011	3 143	0.12	1 347: 31.12.2010 1 346: 31.12.2011
Conrad Löffel Chairman of Audit Committee	0	0.00	none	0	0.00	none

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	2010	2010	2010	2009	2009	2009
	Number of shares	Share of total voting rights in %	of which subject to a lock-period	Number of shares	Share of total voting rights in %	of which subject to a lock-period
<b>Group Executive Management</b>						
Thomas Vollmoeller CEO	20 196	0.72	10 098: 19.04.2011 10 098: 31.10.2011	20 196	0.72	10 098: 31.12.2010 10 098: 31.12.2011
Lorenzo Trezzini CFO	8 464	0.30	4 232: 19.04.2011 4 232: 31.10.2011	8 464	0.30	4 232: 31.12.2010 4 232: 31.12.2011
Kaspar Niklaus Head, Valora Retail division	11 220	0.40	5 610: 19.04.2011 5 610: 31.10.2011	11 220	0.40	5 610: 31.12.2010 5 610: 31.12.2011
Alexander Theobald Head, Valora Services division	7 315	0.26	3 658: 30.04.2012 3 657: 30.04.2013	0	0.00	none
Christian Schock Head, Valora Services division (until 31.12.2009)	0	0.00	none	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
Alex Minder Head, Valora Services division	9 731	0.35	3 809: 19.04.2011 153: 01.07.2011 3 809: 31.10.2011 120: 21.03.2012 828: 28.03.2012 207: 03.04.2013 96: 22.04.2013 709: 02.04.2014	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: 28.03.2012 207: 03.04.2013 96: 22.04.2013 709: 02.04.2014
<b>Total shares held by Board and GEM</b>	<b>81 467</b>	<b>2.91</b>		<b>83 833</b>	<b>2.99</b>	

**6 MAJOR SHAREHOLDERS.** The Ordinary General Meeting of shareholders held in 2010 removed the statutory restriction (in German: «Vinkulierung») which prevented any shareholder from having voting rights recognised in respect of more than 5% of the share capital issued. At December 31, 2010 this 5% threshold was equivalent to 140 000 shares.

At 31 December, 2010, Chase Nominees Ltd, London, had total fiduciary holdings, on behalf of other investors, amounting to 11.18% (2009: 13.59%) of the total outstanding shares of the company. None of these shares were recorded in the Share Register as having voting rights.

At 27 January, 2011, BlackRock Inc. and its subsidiaries directly or indirectly held a total of 143 921 registered shares and 1817 rights to purchase registered shares of Valora Holding AG, equivalent to 5.20% of the total outstanding shares of the company.

At 20 January, 2011 UBS Fund Management (Switzerland) AG increased its holdings to 145 724 registered shares, equivalent to 5.20% of the outstanding shares of the company.

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**7 SIGNIFICANT SUBSIDIARIES OF VALORA HOLDING AG**

	<b>31.12.2010</b> Holding in %	31.12.2009 Holding in %
<i>Switzerland</i>		
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
<i>Germany</i>		
Valora Holding Germany GmbH, Hamburg	5.1	5.1
<i>United Kingdom</i>		
Valora Holding Finance Ltd, Guernsey	100.0	100.0

**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, 2010, none of these shares had been issued.

**10 RISK ASSESSMENT.** Each year, the Valora Group carries out a risk assessment during October and November with the Board of Directors and Group Executive Management. 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.

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**PROPOSED DIVIDEND**

(Page 128 in the Valora Annual Report)

PROPOSED APPROPRIATION OF EARNINGS  
 AVAILABLE FOR DISTRIBUTION

*Proposal for the appropriation of earnings available for distribution*

	2010	2009
in CHF 000		
<b>Net profit for the year</b>	<b>34 163</b>	<b>29 076</b>
+ Earnings brought forward <sup>1)</sup>	44 745	43 128
<b>Earnings available for distribution</b>	<b>78 908</b>	<b>72 204</b>
<i>The Board of Directors proposes</i>		
Dividend	- 32 200	- 28 000
<b>Balance to be carried forward</b>	<b>46 708</b>	<b>44 204</b>
<i>Dividend distribution (in CHF)</i>		
Gross dividend per share	11.50	10.00
- 35% withholding tax	- 4.03	- 3.50
<b>Net dividend per share (in CHF)</b>	<b>7.47</b>	<b>6.50</b>

<sup>1)</sup> For the 54 024 shares (2009: 54 986) held by the company itself at the distribution date no dividend was paid, thus increasing the earnings carried forward by CHF 541 thousand (CHF 494 thousand in 2009).

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REPORT OF THE STATUTORY AUDITOR

(Page 129 in the Valora Annual Report)

**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 119 to 127), for the year ended 31 December 2010.

*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 2010 comply with Swiss law and the company's articles of incorporation.

**REPORT ON OTHER LEGAL REQUIREMENTS**

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

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

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

Ernst & Young AG

Martin Gröli  
Licensed audit expert  
(Auditor in charge)

Stefanie Walter  
Licensed audit expert

Zurich, 21 March 2011