Annual Report Valora 2007

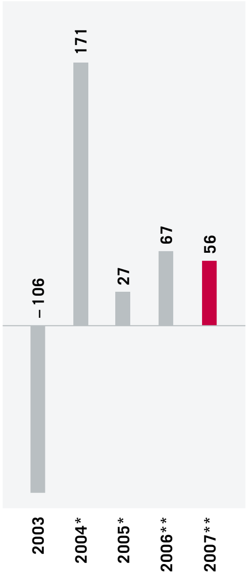
Key figures

		31.12.2007 2)	31.12.2006 2)	31.12.2005 1)
Net revenues	**CHF million**	**2 821.8**	**2 749.3**	**2 846.4**
Change	%	+ 2.6	– 3.4	– 0.4
Net revenues incl. Own Brands	CHF million	2 946.7	2 862.5	2 846.4
Operating profit	**CHF million**	**55.9**	**66.5**	**27.0**
in % of net revenues	%	2.0	2.4	0.9
Operating profit incl. Own Brands	CHF million	65.5	82.0	27.0
Net profit	**CHF million**	**42.8**	**54.7**	**4.7**
Change	%	– 21.7	+ 1 055.5	– 96.9
in % of net revenues	%	1.5	2.0	0.2
in % of equity	%	7.3	9.8	0.9
Net cash provided by (used in)				
Operataing activities	CHF million	93.6	84.8	96.4
Investing activities	CHF million	– 23.0	– 26.4	– 40.7
Free cash flow	**CHF million**	**70.6**	**58.4**	**55.7**
Financing activities	CHF million	– 126.8	– 83.0	– 123.7
Earnings per share	**CHF**	**13.09**	**16.89**	**1.17**
Change	%	– 22.5	+ 1 343.6	– 97.2
Free cash flow per share	**CHF**	**22.06**	**18.28**	**17.41**
Change	%	+ 20.7	+ 5.0	– 80.2
Share price at 31.12.	**CHF**	**274.75**	**334.75**	**254.75**
Market capitilsation at 31.12.	**CHF million**	**877**	**1 069**	**813**
Cash and cash equivalents	**CHF million**	**153.4**	**222.1**	**219.7**
Interest-bearing liabilities	**CHF million**	**199.4**	**282.7**	**333.4**
Total equity	**CHF million**	**587.9**	**560.9**	**513.6**
Balance sheet total	**CHF million**	**1 306.5**	**1 324.8**	**1 359.2**
Average number of employees		**6 495**	**6 707**	**7 454**
Change	%	– 3.2	– 10.0	– 5.7
Net revenues per employee	**CHF 000**	**434**	**410**	**382**
Change	%	+ 5.9	+ 7.3	+ 5.5
Points of sale		**1 404**	**1 414**	**1 464**
Net sales per point of sale 3)	CHF 000	1 186	1 155	1 153

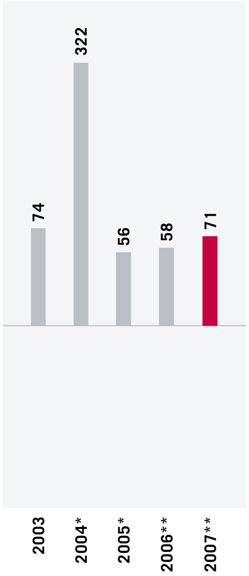
All totals and percentages are based on unrounded figures from the consolidated financial statements.
1) from continuing operations (without Fotolabo Group)
2) from continuing operations (without Fotolabo Group and Own Brands)
3) net sales of Valora Retail only

Net Revenues
in million CHF

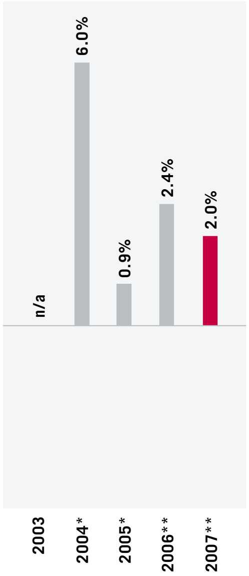
Operating Profit
Earnings before interest and taxes in million CHF



Free Cashflow
Net cash provided by operating activities less net cash used in investing activities in million CHF

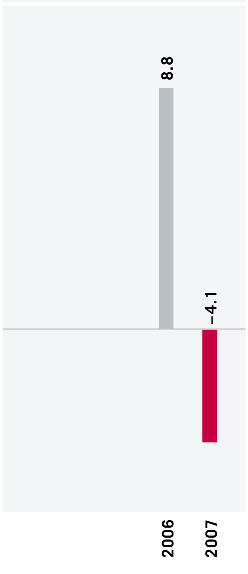


Return on Sales
Operating profit in % of net revenues



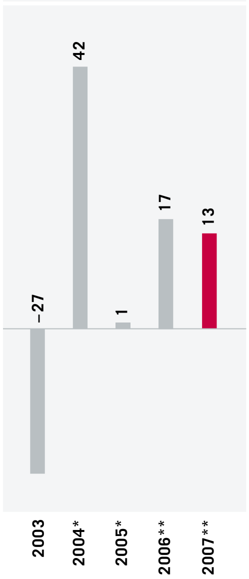
Employees
Average number of employees (full time equivalent)

Valora Value Added
Net operating profit after taxes less capital costs in million CHF



Investments
in million CHF

EPS
Earnings per share in CHF



* from continuing operations (without Fotolabo Group)
** from continuing operations (without Fotolabo Group and Own Brands)

Dear shareholder,

I have been Chairman of your Company since the end of January, 2008. I and all my Board colleagues look forward to addressing the challenges ahead with vigour, enthusiasm and commitment. We regard the trust which has been placed in us as both an honour and a duty – a duty to your Company, to its employees and to all its other stakeholders.

Valora has some major challenges ahead of it. The firm operates in a saturated market, parts of which are contracting, and which is currently undergoing profound structural evolution and change. Consumers' needs are becoming ever more individualised and ever more volatile. This makes for a highly dynamic market environment.

To make the most of this shifting market climate, to seize and exploit the opportunities for growth which it offers, we must focus more assiduously on our core area of expertise – small outlet retail in heavily frequented locations – and adapt to changing customer needs. The customer must be at the centre of everything we do. It is true that retail is detail. We need to identify with retail, experience it and live it in our daily work. In retail, it is a passion for detail which sets the truly successful apart from the mediocre.

In 2008, the Board also intends to focus on fundamentally simplifying Valora's complex structures. Valora's future commercial and economic success will be driven not only by having the right strategy, but also by an organisational structure which is simple, efficient and appropriate for its core skills. Our principle here is simple: structure follows strategy.

Valora's most valuable capital, however, lies in its staff of some 9 000 committed employees in Switzerland and throughout Europe. They are the heart of the firm. It is they that drive it forward. A strong management team is critical to our firm's sustained success, and we already have many excellent, talented people throughout Valora. We need to help them achieve the best performance they are capable of delivering. On behalf of the whole Board, I would like to thank our employees for the exemplary commitment they bring to bear in their everyday work.

I would also like to take this opportunity to thank our customers and our business partners for the loyalty they have shown us over the last year. I would like to assure them that we will continue to do our best to promote and maintain fruitful working relationships with them all.

With an eventful year and some turbulent recent months behind us, we shall now be devoting our attention to implementing our business reviewed strategy. I am convinced that Valora remains a strong and sound firm possessed of great earnings potential. Our task now is to realise that potential as quickly as possible.

As a shareholder, you have a natural interest in future value creation. A forward-looking growth strategy focused on the future, substantial innovative prowess, a focus on retail, operational excellence and reliable core values are all important prerequisites for recognising the opportunities which future challenges present and for transforming them into commercial success. These are the goals the Board espouses and it is against these that it would like its future performance to be measured. That is why particular emphasis will be placed on value-oriented management from 2008 onwards. At the forthcoming annual general meeting the Board will recommend that a dividend of CHF 9.00 per share also be paid this year.

In closing, I would like to thank you, our shareholder, for the continuing and renewed confidence which you place in our Company. We will do our utmost to prove ourselves worthy of that trust.

Rolando Benedick
Chairman

Extraordinary General Meeting of Shareholders
January 30, 2008 at the Kursaal in Berne

At the extraordinary general meeting held on January 30, 2008 in Berne, the composition of the Board of Directors was changed. Valora's shareholders elected Conrad Löffel, Roland Benedick and Markus Fiechter as new Board members. At the constitutive meeting of the new Board held immediately thereafter, Valora's Directors elected Rolando Benedick as their new Chairman.

Beatrice Tschanz Kramel

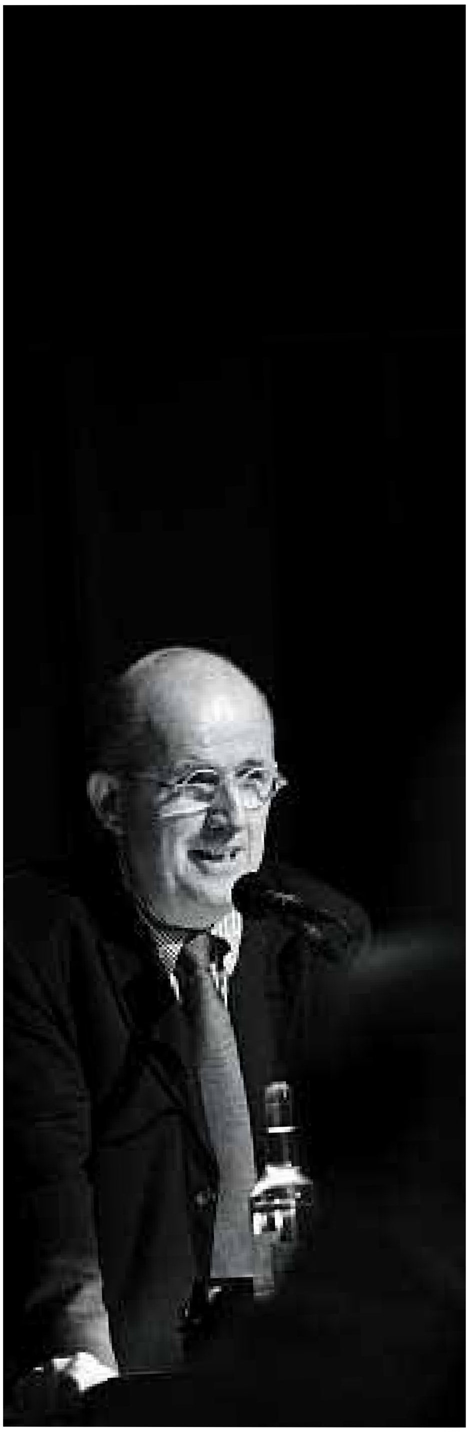
Andreas Gubler

Paul-Bernhard Kallen

Franz Julen

Werner Kuster

«Valora is a listed company with activities of international scope. That is my world. While there are many problems to solve, Valora has a sound and healthy balance sheet.»

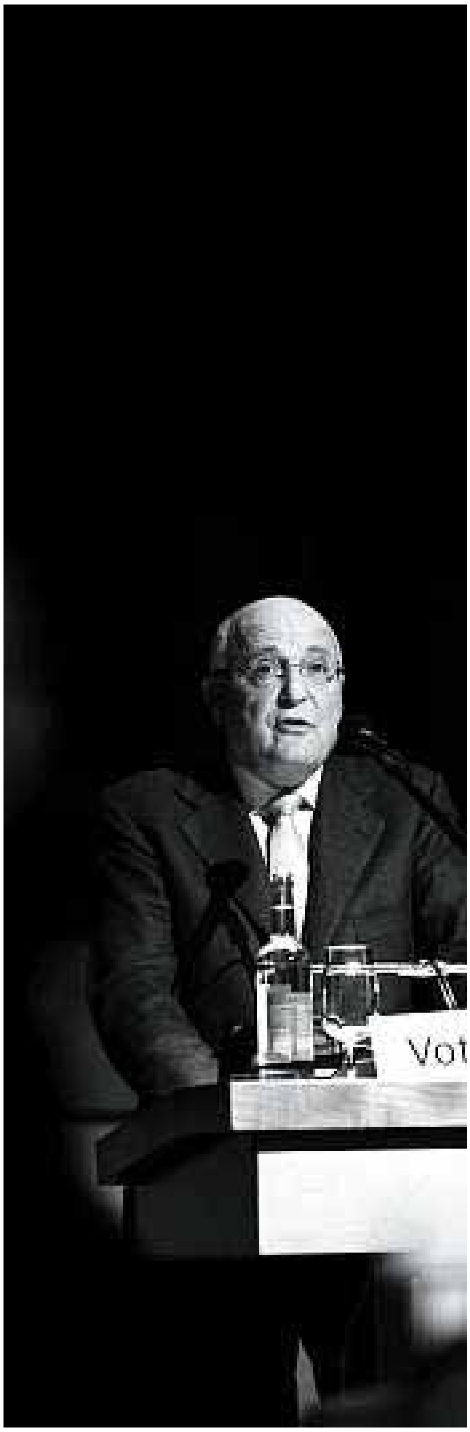


Conrad Löffel

«My objective as a member of the Board is to ensure that Valora fully realises the potential it possesses and rapidly assumes a leadership position in its key markets. The company's transformation and its focus on its core activities need to be accelerated.»

Markus Fiechter

«I love retail. It is in my blood. It is important that calm now be restored at Valora, so that we can concentrate on our essential task: systematically implementing the goals the company needs to pursue in order to achieve sustained profitability.»



Rolando Benedick Chairman

Performance ahead of expectations.

Performance during 2007

Results in the second half of the year, particularly those achieved in the last quarter, significantly exceeded expectations. The Group's Swiss kiosk operations managed to increase their sales. The measures taken to improve profitability are having a demonstrable effect. These improvements can be expected to bear additional fruit in 2008.

During 2007, Group net sales rose 2.6 % to CHF 2 822 million, or CHF 2 947 million with results from the production companies included. Valora Trade displayed the fastest growth in sales, while the kiosks held their net revenues steady at 2006 levels despite the contraction in the overall tobacco and press product markets.

With the contribution from the production companies now being sold stripped out, the Group generated 2007 EBIT of CHF 56 million, or CHF 65.5 million including Own Brands. Operating earnings at the Swiss kiosks in the second half of 2007 were up CHF 6.5 million on their levels a year earlier. This made it possible for Valora to make good a large proportion of the shortfall experienced in the first six months of 2007.

An eventful year

One year ago, we were able to report the first positive results generated by our restructuring measures. We were, however, somewhat too optimistic in our assessment of when the achievable profit goals we have set would be reached. For that reason, we had to revise our forecasts following the interim 2007 results. The complexities involved in realigning the Group and, in particular, the implementation of all the necessary measures to improve profitability, proved to demand more time than we had initially anticipated. The Group's performance in the second half of 2007 demonstrates that the measures we are putting into effect are producing results. A key aspect of these is our current project for the introduction of a uniform and streamlined IT architecture. Another major element is the planned roll-out of a closed loop inventory management system, whose realisation has moved a big step forward with the installation of modern, integrated, electronic till systems at all sales outlets in Switzerland. We will be able to complete this inventory management project at the end of 2008. We will continue to analyse, adjust and improve the kiosk business in Switzerland and are in the process of repositioning it – not only in terms of its outward appearance. The detailed analysis of customer needs which we will gain from the new inventory system will give us a decisive advantage in configuring our product ranges in line with market needs and keeping them right up to date.

A further measure, and one which is essential in an effective retail strategy, is the ongoing optimisation of our outlet network. In this connection we are also working on improving our sales organisation and running training courses for some 6 000 of our staff.

We will continue to focus our energies on the rapid implementation of measures to boost profitability, especially at our kiosks in Switzerland. The other businesses are performing positively. A number of areas achieved encouraging growth:

- At Retail Germany we have expanded our station bookstores' outlet network, extending it to non-station locations, thus building on our leadership position.
- Caffè Spettacolo continues to grow profitably.
- Both convenience wholesaling and retailing operations were expanded further.
- In Austria the Media division has successfully signed up new publishers.
- The expansion of our Nordic platform has consolidated Valora Trade's number one position as the Nordic region's most attractive distributor of branded goods.
- The scope of our distribution activities for major international principals has been enlarged.

Outlook – Focus on trading activities – sound balance sheet structure

Today, the Valora Group operates in the fields of retail, press wholesaling and trade. The Group dominates the kiosk market in Switzerland and has a strong position in the German station bookstore market. The same applies to its press wholesaling activities in Switzerland, Luxembourg and Austria. Valora is also very well positioned in the distribution market for consumer goods. The task now is to generate sustained growth and to clear the major hurdles still ahead of us in the Swiss kiosk business. Introducing new and innovative product ranges and sales concepts, and advancing into new markets, will be fundamental to our achieving lasting growth. We are fortunate in having skilled and motivated employees who are taking an active part in shaping the major changes our Group is making and are committed to them.

Valora remains a sound company. Our balance sheet with its modest levels of debt and its substantial equity cover of 45% is healthy. The results of our financing operations showed yet another year-on-year improvement in 2007. Earnings per share from continuing activities amounted to more than CHF 13.

Expectations will remain high for 2008. The admirable commitment shown by our employees will be critical to our achieving sustainable success, and I would like to take this opportunity of expressing my sincere gratitude to them.

Peter Wüst
CEO

Group Executive Management/Group Structure

Peter Wüst CEO / Valora Retail

Christian Schock Valora Media

Markus Voegeli CFO

Alex Minder Valora Trade

As of 1.4.2008

Board of Directors

Rolando Benedick
Chairman
Markus Fiechter
Andreas Gubler
Franz Julen
Paul-Bernhard Kallen
Werner Kuster
Conrad Löffel
Beatrice Tschanz Kramel
Felix Weber
leave of absence since October 2007

Audit Committee

Conrad Löffel
Chairman
Andreas Gubler
Werner Kuster
Rolando Benedick

Nomination & Compensation Committee

Franz Julen
Chairman
Markus Fiechter
Paul-Bernhard Kallen
Beatrice Tschanz Kramel
Rolando Benedick

Group of Executive Management

Peter Wüst CEO
Markus Voegeli CFO
Alex Minder
Christian Schock

Corporate Communications & Strategic Branding

Stefania Misteli

Corporate Human Resources

Giovanni Weber

Corporate Legal Services

Markus Dill

Logistics

Stefan Gächter

Information Technology

Markus Guggenbühler

Valora Finance

Markus Voegeli

Stefan Spiegel
Corporate Group Controlling
Remo Gazzi
Corporate Treasury
Stefan Knuchel
Coporate Investor Relations
Adrian Häsler
Corporate Accounting
Beat Frey
Corporate Taxes
Michael Weinand
Finance Valora Retail
Markus Nadig
Finance Valora Media
Andreas Bühlmann
Finance Valora Trade
Reinhard Hartmann
Business Development

Valora Retail

Peter Wüst a.i.

Paul Misteli
Kiosk Switzerland Sales
Hedwig Gerards
Kiosk Switzerland Marketing
Dirk Otto
Kiosk Switzerland
Purchasing / Category Management
Pierre-Olivier Haenni
Kiosk Switzerland Services
Hans-Peter Oettli
Gastronomy
Pierre-André Konzelmann
Convenience Wholesale
Michael Peter
Convenience & Chain Gastronomy
Mathias Gehle / Lars Bauer
Retail Germany
Jérôme Trigano
Retail Luxembourg

Valora Media

Christian Schock

Wolfgang Schickli
German-speaking Switzerland
Sergio Mazzarella
Tessin
Sergio Mazzarella / Robert Gehmacher
Austria
Jérôme Trigano
Luxembourg

Valora Trade

Alex Minder

Carsten Ørnbo
Skandinavia
John-Peter Strebel
Switzerland
Christine Schönowitz
Austria
Heiner Kuroczik / Dirk Kuroczik
Germany
Romeo Sciaranetti
Own Brands

Valora Retail

Regaining momentum at the close of a challenging year.

After an arduous first half, Valora's Retail division improved its results in the third quarter of 2007 and turned in an encouraging performance in the last three months of the year. Convenience wholesale, gastronomy, Retail Germany and Retail Luxembourg are all on track. Various projects are under way to sharpen the Swiss kiosks' competitive edge and are already showing success.

KEY FIGURES	2007	2006	2005
Net revenues in million CHF			
Total Valora Retail	1 665	1 633	1 688
Percent of total Valora	59%	59%	59%
Operating profit in million CHF			
Total Valora Retail	17	21	7*
Percent of total Valora	31%	32%	11%
Percent of net revenues	1.0%	1.3%	0.4%
ø Employees full time equivalent			
Total Valora Retail	4 672	4 852	5 066
Percent of total Valora	72%	72%	68%
Investments in million CHF			
Total Valora Retail	24	24	24
Percent of total Valora	51%	41%	49%

* Operating profit = Operating profit before restructuring

→ SWITZERLAND

Reorganising Swiss kiosk business, other areas on track

Although Valora's Swiss kiosk business is encountering challenges, its weaknesses have been identified and are being addressed. The roll-out of new and modern IT systems, the introduction of a closed loop inventory management infrastructure and a new category management strategy are the key elements in the reorganisation now under way. Optimising the outlet network remains a priority. These measures are producing real results, as growing sales show.

Modern IT systems for greater transparency and higher efficiency

The roll-out of new till systems to the division's 1 000-odd outlets in Switzerland is now complete. As a result, since the autumn of 2007 the division has had same-day access to detailed daily sales per item and outlet. This information is now being used to make a series of improvements to quality and quantity configurations, so as to make them more responsive to localised demand patterns. By the end of 2008, all inventory for the Swiss kiosks will be run in a closed loop system, providing management with total and continuous transparency with regard to sales, margins and stock, so that ordering and delivery processes can be precisely calibrated to meet outlet-specific demand.

Shift rotas throughout the outlet network have also been reorganised. Electronic input and processing of shift data has greatly reduced the kiosks' administrative workload.

k kiosk provides suppliers with an attractive advertising platform

To make the most of synergies between the division's kiosk, wholesaling and convenience businesses, category management in these areas was unified. This made it possible to concentrate greater volume on the best-performing suppliers, with whom the division has intensified its co-operation.

Closer partnerships with suppliers have enabled the division to run highly successful promotions, such as network-wide raffles for small cars and admission tickets for events. This has also helped to utilise a very high proportion of the advertising space available at the outlets. The dynamic exposure the kiosks provide means that they remain popular advertising venues for suppliers.

Systematically organised product range modules mean more flexibility

The wide range of products the compact k kiosks offer is both an opportunity and a challenge. Standardising sales modules while also providing a range of products meeting local needs is especially exacting.

In 2007, k kiosk developed a modular approach to its product range configuration. The modules vary according to kiosk size and target audience and are configured to meet location-specific patterns of customer demand. This modular concept allows great flexibility, so that individual outlets' product ranges can rapidly be reconfigured in response to changes in consumer behaviour or the competitive environment. Ensuring that the appropriate product range modules are on sale in the right locations remains the key aim.

k kiosk for quick and convenient refreshment on the move

Demand for snacks which can be consumed quickly and conveniently while on the move continues to grow. K kiosk is meeting this by extending its network of self-service units providing coffee, bakery articles and other snacks. During 2007, high-margin coffee sales were complemented by other drinks for which demand is strong. Fashionable energy drinks and near-water products were offered in chilled areas and lay-outs, generating significant additional turnover.

Product range extensions of this kind are being systematically rolled out at k kiosk outlets ahead of the forthcoming Euro 2008 soccer championships. They will provide fans from around the world with quick and simple refreshments at k kiosks.

k kiosk brings new products to market

2007 again saw k kiosk demonstrate its ideal qualifications as a launchpad for new products, particularly in the field of confectionery. Innovative chewing gum products saw sales rise more than 10% on 2006 levels. New products will continue to complement enduring favourites in 2008 as well, with notable emphasis being placed on items for children. In this segment as elsewhere, clear preference is given to strong brands.

k kiosk – the obvious choice for press, tobacco and lottery ticket purchases

Print media remain one of the main items attracting customers to kiosks. Although sales of daily newspapers continue to contract, demand for special interest titles is rising. In order to address these changes, k kiosk ran training courses for management and sales staff aimed at improving press inventory management and customer advisory skills.

Training exercises carried out during 2007 achieved measurable success, with sales at the 145 test sites chosen gaining on the year. Besides planned sales space optimisation initiatives, the transfer of know how will remain a key activity focus in 2008. Impressive results were achieved at the press centres which the division began developing in 2006. More of these will follow in 2008.

Growing numbers of smokers are switching from premium to less expensive cigarette brands. A gradual switch from carton to packet purchases is also observable. k kiosk succeeded in exploiting these trends to gain an additional 0.8% share of the overall cigarette market in Switzerland, where the total number of cigarettes sold declined by 4%.

k kiosk for card collectors

A number of initial measures were taken to reposition k kiosks' non-food activities. 2008 will be characterised by intense customer interest in collectible Panini cards.

"k growth" achieves encouraging results

Since 2006, k kiosk has been running a "k growth" project, deploying new concepts and modules attuned to the changing habits of consumers on the move. Seven test locations were selected, where new approaches to shop design, product range, shelving, advertising and various other retail-related matters were tried out. The insights thus gained helped to frame a new retail concept which successfully incorporates take away and fresh product ranges, as well as providing customers with a transparent, functional and convenient shopping experience.

Self-service provision of coffee and pastries has proved highly attractive to a clientele which is not inclined to wait to be served.

k kiosk continues to emphasise its traditional categories in press, tobacco, lottery ticket and food products. Alongside this, the division is broadening the range of fresh products it offers. During 2008, outlets' potential for sales of such products will be systematically reviewed, with the necessary agreements being reached with landlords for a greater range of fresh products to be offered.

Ongoing optimisation of outlet network

Ongoing review and optimisation of its outlet network is essential to k kiosk's business success. In addition to sales analysis, the evaluation of customer flows and local competition are key factors in determining an outlet's attractiveness. Additional insights are being gained from the degree of customer acceptance enjoyed by the location-specific product ranges launched during 2006.

Key current initiatives to optimise the outlet network are ensuring that k kiosk is present at busy transport nodes, investing adequately in outlets with promising sales growth potential and continually reconfiguring product ranges to reflect changes in customer demand. A number of tests with franchise concepts are also planned for 2008.

Optimising floor space and shelf configurations for improved results

The wealth of quantitative data now available provides valuable insights into how outlets' floor space and display shelves can best be configured. Optimisation measures taken aim primarily at getting the right product range modules to the right locations, with a secondary emphasis on initiatives to boost sales and the frequency of customer visits to the outlets. The goal is to get each location to achieve the best overall result in terms of absolute gross profits, inventory rotation and Valora Value Added.

New sales organisation helps outlets work more efficiently

The new sales organisation introduced in October 2006 has proved effective and was further refined during 2007. A more regionalised management structure enabled the division to make internal communication more direct, thus ensuring more immediate management attention for individual outlets. A new messaging system was also recently introduced, enabling information to be sent to front sales staff simply and instantaneously.

POINTS OF SALE PER COUNTRY

Number	2007	2006
Total Valora Retail	1 404	1 414
Switzerland	1 172	1 196
Germany	159	149
Luxembourg	73	69

Convenience retail sector doing well

Demand for convenience retail services continues to grow, as increasing numbers of people spend more time on the move. These are people for whom time is at a premium and who must therefore have quick access to the food and drink they consume while out and about. Valora Retail is catering to these peoples' needs in a number of ways. The k kiosk "bistro" concept, now operating in 16 locations, has been systematised and given a uniform appearance. Results at the Tamoil filling station outlets are excellent and the avec. network is also performing in line with expectations.

Tamoil filling station outlets raise profitability

2007 saw turnover at the Tamoil outlets advance markedly. Disciplined cost control and effective management helped profitability to increase markedly. Increased focus on leading products and a reduction in the overall number of articles carried has also paid off. Consistent emphasis on operational excellence is however probably the main success factor.

Valora Retail currently operates 41 outlets at Tamoil filling stations in Switzerland, of which seven are in the Ticino and eleven in Western Switzerland. Higher petrol prices in the countries bordering Switzerland are generating strong demand at frontier locations.

avec. achieves solid growth and continues to develop

After some initial teething troubles, the avec. joint venture concept Valora Retail is operating in conjunction with Migros is now running at full tilt. In 2007, it has expanded its network to more than 90 outlets. Last year, Valora transformed a further eight k snack locations into avec. outlets. Throughout Switzerland, avec. shops are now placing yet more emphasis on fresh produce. The product range has been widened and a number of new branded products added.

The avec. outlets generated consolidated 2007 sales of CHF 265 million. This represents an increase of some CHF 100 million on the year and an expansion of the network by some 44 outlets. On a like-for-like basis, sales from existing outlets grew by an impressive 14% in 2007.

Some 30 more avec. outlets will open or be transformed in 2008. Aggregate sales are expected to top CHF 375 million. These plans clearly demonstrate that the concept is on a rapid growth trajectory. The aim is to become Switzerland's convenience store market leader.

Convenience wholesaleing business posts good results

Earlier initiatives to streamline the customer portfolio at convenience wholesaling have paid off. The course adopted in 2006 has been consistently pursued, and sales of non–press products to third party customers using existing logistics infrastructure and inventory lists are being managed with a clear focus on margin improvement. A number of contracts with retail chains were extended during 2007 and various new customers have also been signed up. The division's convenience wholesaling operations currently supply some 1 100 customers throughout Switzerland, delivering a comprehensive range of products comprising food, non-food, tobacco and phone card items.

Gastronomy – Caffè Spettacolo's success continues, further spurred by make-over

Since 2007, this successful chain of coffee shops has been sporting a fresh image. The outlets' new appearance continues to emphasise Italian chic. The new contemporary design is evocative of an urban lifestyle and projects a readily identifiable profile. The four recently opened coffee bars in Biel, Thun, Baden and Bern have adopted a consistent style, not only in terms of their décor, but with regard to product range and staff dress as well. By the end of 2007, Caffè Spettacolo had a total of 30 outlets in operation, with a further two planned for March and August 2008.

→ GERMANY

Consolidating leadership in railway station book retail

Current industry surveys show that there are a total of 488 station bookstores in Germany. With well over 150 outlets, Valora Retail has a 30% market share. In December 2007, Valora Retail opened its 159th station outlet in Germany, this time at Jena's busiest station Jena-West in Thuringia.

New shop design concept

The establishment of a foothold in Thuringia successfully concluded a year of very positive results for 2007. During the year, a total of 17 new outlets were either built from scratch or transformed, with the result that about a quarter of the shops have adopted the division's new modern design. This broad-based and successful investment programme underscores the importance Valora Retail attaches to its press retail locations.

Centre of competence for press and book products

Valora Retail's press and book retail expertise is exemplified by the new k bookstore at Frankfurt airport's Terminal 1. The facility's 256 square metres of floorspace offer the widest range of national and international books available at this prime site. In 2008, Valora will build on its leading position in German station and airport book retail by opening a fifth “k presse + buch” shop at Hamburg airport.

A new, theme-based concept

In autumn 2008, Hamburg airport will unveil SkyWorld Plaza, a new shoppers’ paradise located between its Terminals 1 and 2. It is here that Valora Retail has chosen to build a 350 square metre media department store, based on a modular concept comprising a number of different subject areas. The new store will offer customers the opportunity of immersing themselves in areas devoted to particular themes, such as aviation, seafaring, travel, food and drink, house and home, comics or children’s articles. National and international books and glossy magazines will be displayed at special presentation tables, where related gift articles and accessories will also be showcased.

NET REVENUES PER BUSINESS AREA

in million CHF	2007	2006
Kiosk Switzerland	919	939
Gastronomy and Caffè Spettacolo	46	49
Convenience Retail	165	154
Kiosk Germany	246	218
Kiosk Luxembourg	98	91
Wholesale and others	191	182
Total Valora Retail	1 665	1 633

→ LUXEMBOURG

Messageries Paul Kraus: never far away

With four new shops set up during 2007, Messageries Paul Kraus (MPK) expanded its overall network to 73 shops, bringing it a step nearer to its ambition of “never being far away”. The firm’s new shop-in-shop concept aims to promote book sales. These shops in shops are clearly distinguishable from the press area of the outlets. They encourage customers to browse and take a closer look at books they find interesting.

Distribution of press and other products

The range of books on offer focuses on new publications, first day promotions and a number of regularly changing themes. The aim is to extend this concept to eight outlets in the medium term. Press distribution remains MPK’s principal activity, though market conditions provide a clear incentive to keep product ranges under review and extend them where appropriate, as evidenced by the adoption of book and packaged food lines, which are expected to complement the traditional press products very successfully.

Ambitious goals for 2008

Valora Retail Luxembourg has set a number of new objectives for 2008. These include opening new outlets (in the city of Luxembourg and in Belval), renovating existing outlets (both land and airside at the airport), new shop formats (in the form of Info-Cafés), new subject areas (specialist texts, wellness and diet nutrition) as well as new point-of-sale initiatives (customer cards and advertising campaigns).

Valora Media

From press wholesaler to integrated solutions provider for publishers.

Valora Media is transforming itself from a pure press wholesaler to an integrated solutions provider for media publishers, making the most of the opportunities arising from a changing market environment. During 2007, the division further extended the range of services it offers while continuing to raise quality standards. The subscription service which Valora Media launched in early 2008 brings it into contact with the end consumer.

KEY FIGURES	2007	2006	2005
Net revenues in million CHF			
Total Valora Media	553	560	555
Percent of total Valora	20%	20%	20%
Operating profit in million CHF			
Total Valora Media	25	28	24*
Percent of total Valora	45%	42%	41%
Percent of net revenues	4.6%	5.0%	4.3%
ø Employees full time equivalent			
Total Valora Media	446	455	472
Percent of total Valora	7%	7%	6%
Investments in million CHF			
Total Valora Media	2	2	2
Percent of total Valora	4%	3%	5%

* Operating profit = Operating profit before restructuring

→ SWITZERLAND

Market position held in a changing press environment

Valora Media succeeded in holding its own during 2007. Tests conducted with k kiosk demonstrated that targeted market initiatives can slow the decline in sales of daily newspaper titles. Growth continues to be achieved with high-margin special interest publications. The entire press market in Switzerland saw sales contract some 2.5% during 2007. Market volume growth continues, however, principally because of the increased share of the market taken by free sheets.

Closer co-operation with publishers and provision of tools for more active market management

Valora Media's response to changing market conditions has been to adopt a higher profile as an integrated solutions provider to its publisher clientele. By providing optimal overall distribution services, it is helping publishers to gain new readers, strengthen ties to their existing readership and deploy targeted initiatives to win back former customers. Working with its publishers as partners, Valora Media is continually improving the range of products on offer, optimising delivery quotas and opening up new distribution channels. A new information system for publishers provides them with the up-to-date data they need in order to fine tune their products.

New subscription services launched for international publishers in German-speaking Switzerland and Austria

Having completed its project phase, Valora Media has been offering publishers a range of new subscription services since early 2008. This puts the division in direct contact with the end customer, enabling them to provide publishers with a comprehensive range of services throughout this major distribution channel. A key element of these services is a call centre using an integrated customer relationship management system. The system stores all relevant customer information which is shared with publishers' distribution divisions. It also enables campaigns to be conducted on an integrated basis, with the outcome of all marketing and sales activities being reliably measured and information made available which can support ongoing product enhancement.

Closer retail ties forged through the promotion of active press sales

The introduction of uniform distribution processes throughout Valora Media Switzerland enabled retail services to be enhanced and higher levels of distribution quality to be achieved. In mid-2007, Valora Media Switzerland began actively managing press offerings at the retail division's 150 largest kiosks. By adjusting title ranges and improving product presentation at kiosks, it was possible to halt the slide in press sales, which then stabilised at 2006 levels. In 2008, Valora Media Switzerland will extend this active offering management initiative both to other kiosks and to book sales.

New press management systems chalk up initial successes

PVG's new press management process and the EHASTRA retail structure analysis system have brought about significant improvements in press quantity management. These systems use both historical sales data and ongoing input from current sales activities. EHASTRA characterises the socio-demographic attributes of individual sales regions. This is particularly useful in calibrating the range of titles provided to each outlet and to target sales promotions accurately, so that, for example, titles in specific languages can be allocated according to the population structure of a particular location. The objectives are to raise sales volumes and cut the number of returns and the costs these cause.

Successful book distribution for small outlet retail

Valora Media Switzerland managed to raise its book sales despite the stagnation of the overall market. The abolition of fixed book price legislation has also given room for manoeuvre on pricing. Valora Media is also engaging in the targeted marketing of books at the point of sale, an approach similar to that adopted with press products. The range of titles on offer at outlets has been improved, bestsellers have been more attractively displayed and promotion initiatives have helped to inject new life into the business.

Melisa posts encouraging book sales results in Italian-speaking Switzerland

2007 saw Melisa boost its book sales considerably, largely thanks to expanded wholesaling activities with chain outlet customers. Good sales growth was achieved in the retail operations as well, with the Grancia bookshop posting its best result since opening in 2005. The forthcoming opening of a further bookshop in the Ticino underscores Melisa's ongoing growth plans. This new facility, located right next to the Piazza Grande in Locarno, will boast 400 m² of floor space, offering not only books but also stationery, a new product line.

NET REVENUES PER COUNTRY

in million CHF	2007	2006
Valora Media Switzerland	321	328
Valora Media Austria	153	155
Valora Media Luxembourg	79	77
Total Valora Media	553	560

→ AUSTRIA

PGV Salzburg strengthens its market position

PGV Salzburg achieved notable success in 2007. Despite, or even because of, the further concentration of the Austrian press wholesale market, PGV succeeded in bucking the market trend and raising sales slightly on the year.

PGV signs up Egmont and Marquard Media as new customers

In late 2007, PGV Salzburg entered into new agreements with the publishers Egmont and Marquard Media. Their titles will ideally complement the current range distributed by PGV Salzburg. Based on these new customer acquisitions, PGV can expect to boost its 2008 sales, helping it to raise its profile in a number of specific interest areas. PGV is already Austria's market leader in the youth, computer and women's magazine markets.

Non-press products complement PGV Salzburg range

PGV Salzburg's non-press sales cover collectible picture cards and other novelty articles. Close cooperation with retail customers enabled the firm to generate significantly higher sales in 2007 than in recent years with no major international soccer competitions being staged.

Significant gain in magazine subscriptions market share

For a number of years now, the PGV Group and its subsidiary Leservice GmbH have sold and run magazine subscriptions in Austria, a business which they stepped up significantly during 2007, with the acquisition of both Styria Multi Media Holding GmbH and the publishers Sportmagazin as new customers. PGV's operations in Vienna opened a new subscriptions customer service centre to support further development of the full range of services PGV offers publishers in this area.

Streamlined processes boost quality and cut costs

PGV Salzburg places consistent emphasis on quality and innovation in all its operations. The firm's transparent logistic systems, its finely honed press quantity management and its smooth running complaints resolution and service operations all help it to stand out from ist competitors. Its efficiently structured processes not only helped to raise quality levels significantly during 2007, they also helped to reduce running costs.

Staff continuity underpins ongoing success for the future

In Robert Gehmacher and Sergio Mazzarella, PGV Salzburg has found successors to managing director Karl Oberleitner from within its own ranks. These new executives will ensure not only continuity, but continuing development which will build on and further strengthen the market positions PGV Salzburg has already achieved. The UEFA Euro soccer championship jointly hosted by Austria and Switzerland will be a defining characteristic of 2008.

→ LUXEMBOURG

Positive performance in a challenging market

In Luxembourg Valora managed to make good the erosion of press sales by generating higher revenues from all the other product groups. Press operations succeeded in increasing sales through its retail channels and its subscriptions business.

Book sales strategy rigorously implemented

2007 was the second year in which Valora Media Luxembourg sold school books, a field in which it has already gained recognition as a professional supplier. The outlets with extended book sections are becoming increasingly attractive to customers.

Contract for partial distribution of a second free sheet

Valora Media's logistics unit was awarded a contract for the distribution of part of the print run of Luxembourg's second free newspaper. The logistical challenge here is to deliver an increasing number of products to an ever-greater number of locations within a shorter time frame, while continuing to keep costs under control.

Valora Trade

Division builds on its no. 1 position as a competent and efficient distribution and marketing partner for fast moving consumer goods.

Despite rising raw material and energy prices, increasing retail concentration and impressive gains in market share by the retail sector's own label products, Valora Trade succeeded in achieving above-average rates of growth, further consolidating its leading market position in Europe. The distribution side of the business did particularly well in sales for existing principals.The division's Own Brands companies, now in the process of being sold, turned in higher than average revenue growth.

KEY FIGURES	2007*	2006*
Net revenues in million CHF		
Total Valora Trade	791	748
Percent of total Valora	28%	27%
Operating profit in million CHF		
Total Valora Trade	17	20
Percent of total Trade	31%	30%
Percent of net revenues	2.2%	2.6%
ø Employees full time equivalent		
Total Valora Trade	649	645
Percent of total Valora	10%	10%
Investments in million CHF		
Total Valora Trade	3	3
Percent of total Valora	6%	5%

* from continuing operations

Tailor-made, modular distribution and marketing solutions

Valora Trade is a modern, efficient provider of tailor-made, modular solutions in the field of fast moving consumer goods. The firm provides a smooth route to market for a whole range of international and national branded goods.

Valora Trade has taken a modular approach to structuring all the steps in the value chain leading to a branded product's marketing success. Depending on a principal's specific requirements, all theses modules can be used or specific services can be tailored to create an individual solution package.

All the division's activities aim to deliver competent, concerted knowledge management, both as a spur to sales growth and as a suite of services for the principal.

Valora Trade's marketing services are complemented by a range of logistics functions, enabling the firm to assume the role of a competent and comprehensive service provider to principals.

OVERVIEW OVER CATEGORIES AND DISTRIBUTION CHANNELS

Valora Trade		Categories				Channels				
		Confectionery	Food	Near / Non food	Beverages	Retail	Wholesale	Convenience	Foodservice	Travel Retail
Northern Europe	Valor Trade Denmark	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Valora Trade Sweden	✓	✓	✓		✓	✓	✓	✓	✓
	Valora Trade Norway	✓	✓	✓		✓	✓	✓	✓	✓
	Valora Trade Finland	✓	✓	✓		✓	✓	✓	✓	✓
Central- / Eastern Europe	Valora Trade Switzerland	✓	✓	✓	✓	✓	✓	✓		
	Valora Trade Austria	✓	✓			✓	✓	✓		
	Valora Trade Germany	✓	✓			✓	✓	✓		
	Valora Trade Czech Republic	✓	✓			✓	✓	✓		

Access to millions of consumers

As Europe's largest independent distributor, Valora Trade uses a variety of distribution channels to provide more than 300 principals from the food, confectionery, near/non food and beverage categories with access to millions of consumers. The relative importance of these categories varies according to the positioning of each national distribution company. Valora Trade's objective is to distribute more and more of these categories on a supra-national basis and to bundle its specific services as efficiently as possible. This gives rise to a lively exchange of information and data within the division, which is channelled through supra-national marketing and IT platforms.

→ SWITZERLAND

Valora Trade Switzerland posts positive results

The successful launch of new products, closer co-operation ties with commercial partners and record shares of the Swiss market all enabled Trade Switzerland to achieve a good result for the year. Intense focus on key customers and the integration of the new customer relationship management system have given the distribution firm a platform from which it will be able to strengthen its market position further.

New Kellogg's products successfully launched, record sales for Ferrero and co-operation projects with the Migros and Manor retail chains

In markets where competition is intense, such as breakfast cereals, Valora Trade managed to achieve significant category growth, with the successful launch of Kellogg's Day Vita and the Kellogg's Choco line. The firm also achieved record Swiss sales with Ferrero products, while closer category management co-operation with the Manor department store chain in food segments began to bear its first fruit.

Trade Switzerland also landed a logistics co-operation project with the Migros, Switzerland's largest retailer, paving the way for further efficiency gains in this area.

„Passion for customers" initiative and new CRM system set the stage for excellence in customer service

Significant advances were also made in the field of customer service. First, the integration project for the new customer relationship management system was successfully completed. This will also serve as a pilot for the Nordic platform. Second, with its "Passion for customers" initiative, Trade Switzerland successfully implemented a comprehensive customer focus programme covering every stage of the value chain. A sound basis for ongoing enhancement of the firm's co-operation with all its internal and external customers is thus now in place.

Demand for fast moving consumer goods in 2008 is expected to be stable to slightly higher compared to the levels witnessed in 2007. A key positive factor is the UEFA Euro soccer championship, which should be especially beneficial for the Swiss business of Ferrero, the official Euro 08 confectionery sponsor.

→ GERMANY

Valora Trade Germany advancing well

The German market also saw sharply higher commodity and energy prices spurring noticeable price increases both from suppliers and for logistics services. Germany's top five food retailers expanded their market share further during 2007, reaching nearly 70%, while discount retailers secured more than 40% of the overall market. The allocation of considerable resources to key customers enabled Valora Trade Germany to continue along its growth trajectory.

Sales doubled over the last 6 years

Valora Trade Germany turned in a positive performance for 2007, as evidenced by its increasing turnover. In the last 6 years, the distribution business has doubled its turnover. One factor accounting for this success is the focused manner in which the firm has concentrated on its existing key principals.

Bakery products, a category which was established 7 years ago, now accounts for nearly 40% of Trade Germany's turnover. On the product side, the very positive overall performance achieved in 2007 was considerably helped by the very successful introduction of a new fruit snack category, where Toggo Fruchtimbiss, a concept which is as yet unique in Europe and which is marketed under the motto "Naschen ohne Reue" (in English "snack without regret") was successfully launched. Another notable success was that achieved by Gille's Double Chocolate Oat Crisps, which secured shelf space throughout the German food retail market within just six months.

Through new listings, the acquisition of new confectionery and biscuit principals and the introduction of new and trendy products, Trade Germany intends to strengthen its market position in 2008.

NET REVENUES PER BUSINESS AREA

in million CHF	2007	2006
Switzerland	204	204
Central Europe	82	78
Scandinavia	505	466
Total Valora Trade	791	748
Own Brands*	181	165

* discontinued operations

→ AUSTRIA

Valora Trade Austria doing well

In a consolidating market characterised by rising prices, 2007 saw Valora Trade Austria successfully growing its sales with existing principals, latching onto new trends and extend its activities into the food category.

Sales with new principals increased, new products successfully introduced

Working its distribution markets assiduously and paying particular attention to key accounts enabled Valora Trade Austria to generate significant additional turnover for existing suppliers such as Kägi, Küchle, Mederer and Ricola, the firm's largest principal. When Küchle introduced a new confectionery line of hatching eggs for the 2007 Easter season, Valora Trade Austria found itself representing one of the industry's best-selling new products. In fruit gums, the firm managed to gain market share for its brands from Haribo, the number one in Austria. The introduction of Ricola's new soft herb lozenges in autumn 2007 met with enthusiastic consumer response, enabling Valora Trade Austria to follow through on the uptrend in Ricola sales achieved in 2006. Getting Ricola products into the number two slot in a number of additional market areas and actively involving sales people in campaigns enabled the firm to achieve double-digit percentage growth for Ricola's Austrian sales. Toggo's new fat-free fruit snacks, made entirely of natural ingredients, and their "snack without regret" marketing theme, are also gaining increasing market share in Austria. Toggo's new fruit'n'stones product, launched in May 2007, gained from this trend, to the benefit of principal and distributor alike.

Expanding the business with food as a second product area, ongoing principal acquisition

Given the increasingly stringent regulations governing product description and advertising in the confectionery market, Trade Austria decided to broaden the range of categories it covers. The firm intends to complement its confectionery activities by establishing a new food operation. A new key account manager has therefore been recruited to join the existing organisation. The objective is to extend the existing pasta product range, establish new product groups and food brands in the market and to develop skills in the growing organic product sector.

Trade Austria's efforts to sign up new principals have been rewarded with a new mandate for Mr. Lucky Bags products. Trial runs were also carried out for 14 defined Ferrero products, with further tests planned for 2008.

→ SCANDINAVIA

Expansion of its Nordic platform enables Valora Trade Nordic to consolidate and expand its leadership position

Trade Nordic made the most of the benign economic climate prevailing during 2007, raising its sales by an impressive 8%. The expansion of its Nordic platform – undertaken in response to the ongoing retail concentration in the region – has further strengthened the division's position as a leading European distributor of fast moving consumer goods. 2007 saw Trade Nordic take a major new step towards realising its ambition of becoming the region's most attractive distribution partner for fast moving consumer goods.

Trade Nordic sales up 8% - record growth in Denmark and Finland

2007 saw Valora Trade's Danish and Finnish units achieve excellent results, both reporting their highest rates of sales growth ever. This helped sales in the region as a whole to advance 8% on 2006 levels.

Trade Sweden adopted a new sales organisation structure. This enabled the firm to provide more focussed point-of-sale coverage to its key principals, including Fisherman's, Cloetta Fazer and Ritter, thus further strengthening its leading market position. Organic growth was mainly generated with key principals such as Quaker, Heinz, Perfetti Van Melle, Wrigley and LU. LU and Quaker both achieved record market shares with Trade Denmark in 2007, with Quaker outselling Kellogg's for the first time ever. Confectionery market shares were increased in all countries except Norway. In order to make the most of new opportunities, Trade Finland has set up a new distribution operation for the rapidly growing food service category.

The Nordic platform promotes integration, efficiency and co-operation in the region

Given the ongoing concentration of the European retail sector, implementation of the supra-national Nordic marketing platform remains a high priority. During 2007, co-operation between the four distribution companies in Finland, Norway, Denmark and Sweden was extended and significantly enhanced. Finance, IT and logistics now report to central functional heads, who are responsible for all the resources in their particular field in all 4 markets. This pan-regional structure gives greater scope to internationally active brand manufacturers to supply small and medium-sized national markets through one single expert distributor.

The acquisition of new principals will remain a crucially important task in the process of further assimilating the sales volumes of the individual national companies, 2008 should also see considerable potential synergies being exploited as IT structures and processes are further unified.

Following a two-year certification process, the efforts undertaken by all Valora Trade Nordic companies in developing, supporting and training their staff have been recognised by their being awarded the internationally renowned Investors in People quality certificate.

To meet the Investors in People standard, companies must define strategic personnel development policies which meet stringent standards, have implemented effective measures to support these policies and monitor their results on an ongoing basis. This award provides the Valora Trade Nordic companies with a sound foundation on which to build their common marketing platform.

IIP certification awarded to all Trade Nordic companies

Valora Trade continues to place emphasis on signing up new principals. The objective for 2008 is to continue the structured evaluation of potential new customers, to concentrate efforts on a limited number of attractive prospects and to work assiduously on closing new deals. The division will also analyse appropriate take-over targets as a means of gaining entry into new markets.

Acquisition of new principals remains a priority

→ OWN BRANDS

The Own Brands production companies

Despite the more difficult conditions arising as a result of negotiations for their sale, the division's production companies had a very successful year in 2007. The sales negotiations ran according to plan and will be concluded in 2008.

In aggregate, Own Brands repeated the strong sales performance seen in 2006, with their 2007 revenues again growing by 10%. All companies contributed to this positive result, and all maintained their shares of their various domestic markets - Switzerland (for Kägi and Roland), Sweden (Gille), France (Cansimag) and Norway (Sørlandschips). The production companies also made the most of opportunities which presented themselves in 2007 to achieve further growth in their export markets, with exports now accounting for more than 50% of aggregate sales. The only disappointment was that the unexpectedly large increases seen in raw material prices for dairy and wheat products meant that margins were generally lower than in 2006.

10% sales growth achieved for the second year running

Kägi Söhne AG's design relaunch was well received and its new Kägi Hazelnut product enjoyed a successful launch in the Swiss domestic market. Roland Murten AG's Flûtes de Morat savoury sticks gained a listing with Coop, Switzerland's second largest food retailer, and the firm also conducted a widespread advertising campaign in Switzerland. Both initiatives were big steps forward for the firm, helping to raise awareness of the Roland umbrella brand in its domestic market and paving the way for future growth. Gille celebrated its 40th birthday in its Swedish domestic market, an event it marked with a number of promotion campaigns. Sørlandschips' success was reflected in the impressive 20% share of the Norwegian potato crisp market it achieved in 2007.

Successful marketing activities

The Scandinavian companies Gille and Sørlandschips both expanded their production capacities during 2007 to meet continually growing demand for their products. With its new, fully automated production line for chocolate oat crisp biscuits, Gille is now well placed to venture into new markets.

Production lines expanded and modernised to meet unchecked growth in demand

Social Commitment

Sound benefits package and a modern HR policy.

Valora is conscious of its social obligations and ensures that it lives up to its responsibilities towards its employees and society generally. Given current demographic trends, employee recruitment and development are becoming increasingly important. The adoption of a new HR strategy, a comprehensive overhaul of staff training and development, and the maintenance of a sound employee benefits structure are the main steps Valora took during 2007 to prepare employees and the Group for the challenges of the years to come.

→ STAFF DEVELOPMENT

Valora for a fast moving world

Valora for a fast moving world – the phrase expresses well how increasingly rapid changes affecting the company and its markets, coupled with major shifts in population structure, are among the main challenges Valora now faces. New talent needs to be recruited and existing staff have to be equipped with the skills they need to carry out the new tasks they will face in future. The far-reaching reorganisation Valora's human resources function implemented during 2007 has given it the appropriate strategy and structures to add new momentum to the Group's staff development initiatives.

Staff development

Valora evolves into a learning organisation, redirecting staff development initiatives and expanding the range of training offered.

Recruiting high-calibre staff and retaining them over the long term, despite an ageing population and an increasingly acute lack of qualified younger staff. These will be testing challenges for Valora over the next few years, and the Group will be able to meet them only if it succeeds in recruiting and, crucially, retaining talent. Valora has taken a major step towards meeting these objectives with the redirection of staff development policies it implemented during 2007.

The central aim here is to ensure that each member of staff attains qualifications which are both appropriate to their individual circumstances and enable them to master their current and future assignments. The new strategy rests on four pillars:

1. Career-related training, which has now been organised at Group level, plans to implement a new trainee concept, a variety of internship programmes, and personalised Valora career counselling for employees.
2. Group-wide training courses.
3. Ongoing vocational training in fields specific to each division is organised at divisional level, as are individual coaching and division-specific team building exercises.
4. Active management development based on career path models, analysis of individual potential and targeted development initiatives, all aimed at talent retention.

Further increase in apprenticeships

Valora's vocational training initiatives continue to place considerable emphasis on recruiting and developing younger employees. Apprenticeships are offered for retail specialists, retail assistants, logistics specialists, retail commercial employees, IT professionals and food technologists. Further areas of vocational specialisation are currently being planned. During 2007, Valora increased the number of apprenticeships it offers in Switzerland by 11 to a total 155. 17 (or some 65%) of the 26 apprentices who passed the final examinations at the end of their training were taken on in full-time posts at Valora.

Speranza 2000 continues successfully, with 21 interns moving on to Valora apprenticeships

In conjunction with other companies, the Swiss employers' association and cantonal vocational training departments, Valora has – since the summer of 2006 - been playing an active part in supporting the "Speranza 2000" programme for apprentice placement and apprenticeship creation initiated by the Swiss parliamentarian Otto Ineichen.

The programme's objective is to open up new career perspectives to young people who experienced learning difficulties at school or are socially disadvantaged. Participants are first taken on for a one-year internship, with further traineeship places made available thereafter, which incorporate a two-year basic training course culminating in a federal vocational certificate.

Within the Speranza 2000 programme, Valora took on 40 young people for one-year internships during 2007, and was also able to offer Valora apprenticeships to 21 existing interns. The objective for 2008 is to maintain internship numbers and to take on as many of the interns as possible in subsequent 2 or 3 year apprenticeships.

Substantial increase in staff training

2007 saw Valora add significantly to the range of staff training courses it offers, with 25 new programmes being created. The courses cover three levels of competence; method optimisation, personality development and an enhanced leadership training programme. One-off supervision and coaching is also offered, and the scope of the entire range of training courses will be further expanded and refined during 2008.

→ EMPLOYEE BENEFITS

High standard and ongoing expansion

In 2007 the Group was also able to continue enhancing the benefits it offers its staff by negotiating special Valora discounts with many companies in a wide range of sectors.

Valora pension fund remains sound despite the credit crunch.

Equity market developments reduced the fund's net return to 2.8% in 2007 (vs around 6.5% in 2006). The Valora pension fund is nevertheless in a position to meet all its obligations in full and to pay interest on the various capital pools in line with their regulations and the relevant statutory requirements.

Due to the balanced asset allocation during 2007, with focus on medium and long-term optimisation the proportion of accumulated benefit obligation covered by its invested assets fell only slightly – to 119% vs 119.7% at the end of 2006 – and the fund maintains a healthy level of reserves with which to withstand potential fluctuations in portfolio value.

Swiss payroll to rise 2% on average in 2008

Although Valora has a number of challenges to face at present, the Group achieved good results in 2007 and succeeded in adhering to its planned trajectory. Compensation increases granted to employees for 2008 average 2%, which is in line with those elsewhere in the sector.

Modern profit sharing plan underpins sustainable value generation

Effective compensation packages are designed in a manner which aligns management's interests as closely as possible with those of a company's shareholders. Fluctuations in company value affecting shareholders should also have direct financial consequences for its executives. These are the principles on which the new compensation scheme which will come into effect at Valora at the beginning of 2008 is based. Executive performance will in future be measured on the basis of economic value added, thus providing both a strong incentive for sustainable value creation and a compensation scheme which rewards this. Participation in Valora's long-term economic performance also creates enduring employee ties to the company.

Company counselling services extended in Switzerland

Providing employees with comprehensive and individual support is a major objective of Valora's personnel and employee relations policies. The counselling and welfare support afforded to staff and their families is an important task at times of ongoing change. For that reason, during 2007 Valora extended the range of counselling initiatives it introduced in 2006.

Since January 2008, all Valora employees in Switzerland now have access to external welfare counselling, in addition to the established ombudsman function and existing HR resources already in place. Employees experiencing personal or work-related problems will be able to receive free, comprehensive and individual advice from a counsellor at Proitera GmbH.

→ EMPLOYEE RELATIONS

Declaration of intent signed with SYNA underscores Valora's internal and external employee relations objectives

Valora maintains regular contact with trade unions. In the event of important corporate changes which will affect employee numbers, Valora informs the unions ahead of time and seeks their involvement and cooperation. Since August of 2006, Valora has been holding a regular dialogue with the SYNA trade union with the objective of gaining an appreciation of kiosk employees' working conditions in which employee and employer interests are balanced. Co-operation between SYNA and Valora in this area has recently gained focus and momentum, with both parties having signed a declaration of intent to continue the good cooperation in 2008.

→ COMMITMENT TO HELP PEOPLE IN NEED

Support to charitable organisations

For many years, Valora has supported initiatives to help those who are socially disadvantaged and to combat poverty.

These efforts are exemplified by the regular donations of goods from excess production, delivery errors and stock liquidations which Valora companies make to charities operated by organisations such as the Migros, Ottos Radikal and Caritas, or to such non-profit organisations as Tischlein deck Dich (in English "The Wishing Table") or Schweizer Tafel (in English "Swiss tables"). Goods are often also donated for sports or cultural events. Only food which is still perfectly fresh is donated. The items are no longer being saleable but are safe to consume, since they are still within their "consume by" dates but have passed their "sell by" dates. Valora Group companies participating in these initiatives are Roland Murten AG, Kägi Söhne AG and Valora Trade Switzerland.

Environment

Ecologically sensitive use of resources.

In conducting its business Valora pays particular heed to using resources sustainably. The main areas where this can be achieved are in the collection and appropriate re-use of recyclable materials and in reduced energy consumption. In 2007, Valora put in place a number of initiatives for carrying out its disposal and recycling operations more sustainably.

Recycling valuable materials while cutting transport mileages by up to 20%

Valora's distribution centre and its railheads in Switzerland alone generate some 30 000 tonnes of waste paper, cardboard, plastic sheeting, PET bottles, waste wood, waste metal, batteries and electronic refuse. These quantities are rising, too, so it is all the more important to recycle as much of this material as possible and to design recycling and disposal processes which are less damaging to the environment.

Valora made decisive progress in these areas during 2007. Since last autumn, the Group has been centrally monitoring and directing all flows of recyclable material at its Muttenz distribution centre and railhead facilities, thus helping its suppliers to handle waste and recyclable material more sustainably. To this end, Valora now sorts all recyclable material in readiness for collection by its freight operators, so that they can make optimal use of any free capacity in their standard vehicle fleets, thus minimising their transport costs. This optimised vehicle loading makes it possible to handle the same volumes with up to 20% lower mileages. Additional measures to simplify material flows at the Muttenz centre and thus realise further freight mileage savings are planned for 2008.

PET recycling quotas raised

Recycling of PET packaging sustainably reduces the consumption of limited resources such as oil and gas. It is also some 60% less energy intensive than producing the same containers from scratch. As the beverage packaging statistics for 2006 show, the aggregate recycling volume achieved throughout Switzerland rose from 75 % to 76 %, making 2006 the first year in which the legally required minimum recycling quota of 75% was exceeded. For many years now, Valora has been working closely and actively with Switzerland's PET recycling association to raise PET recycling levels, equipping sales outlets with their own PET recycling containers. The Group is now well placed to exploit the recycling potential of its sales kiosks to the full. After a fall in volumes in 2006, Valora was able to raise the proportion of PET it recycles by 14%. In absolute terms, Valora recycled 237 tonnes of PET, 30 tonnes more than a year earlier.

Ongoing optimisation of energy sourcing

In all the locations where it operates, Valora makes the most of any opportunities for reducing environmental impact and using natural resources sparingly. Particular emphasis is placed on cutting energy consumption.

Building technology is one area where alternative forms of energy supply have been available for some time. An example of this is the heating process which Gillebagaren in Sweden has been using for the last three years. This involves drawing naturally heated water from an underground lake, which, after its heat has been extracted, is then used as a coolant for cooling baked goods on the production line, before then being returned to the natural water cycle.

At its largest facility, the Muttenz centre, Valora is continuously working to optimise its energy use through various projects aimed at cutting electricity consumption. Taken together, the projects implemented over the last three years - which include a centralised light management system, new magazine packing procedures without shrink wrapping and a new air conditioning concept for the computer centre - have cut electricity consumption by 10 percent. Another contributory factor to these savings is the use made of energy from exhaust heat from the neighbouring gas-fired combined heat and power plant at Kriegacker. Generating electricity using combined heat and power plants is one of the most cost-effective means of cutting output of greenhouse gases, and has the potential to deliver a significant share of the reduction in CO_2 emissions required by the Kyoto Protocol. A building which re-uses exhaust heat from a nearby power plant and recycles the heat from its own air exhaust vents generally achieves 80 to 90 percent efficiency from its primary energy input, which can mean a saving in primary energy consumption of up to 40 percent.

Financial Report Valora 2007

Review of Group results

Valora achieved encouraging results in the second half of 2007, following a disappointing first six months. Despite a declining overall market for press products, during the final six months of 2007 net sales at Valora's Swiss kiosks, the Group's largest business operation, were maintained at the levels seen in the same period of 2006, while operating income was raised by CHF 6.5 million. Group net sales for 2007 as a whole were up nearly 3%, with Valora Trade benefiting notably from the ongoing expansion of its network of internationally active principals, while the Retail division generated increased sales from its growing outlet network in Germany. Valora Media's net sales suffered from the absence of a major soccer picture card campaign of the kind seen during the 2006 World Cup. The Valora Group's net income for the year fell from CHF 66 million to CHF 52 million.

A Valora Group

Measures already under way to enhance profitability were accelerated and fine tuned during the second half of 2007. Particular emphasis was placed on driving the strategically important IT modernisation project forward. The second half of 2007 also saw the Group's Swiss kiosk business raise its sales by CHF 19 million compared to the the first six months of the year, while Group-wide net sales were up nearly 6% on the same period a year earlier. Consolidated operating earnings increased by CHF 10 million, or more than 30%, between the second half of 2007 and the second half of 2006.

Net revenues in CHF million	**2007**	**Portion**	2006	Portion	Change
Valora Retail	1 665.4	59.0%	1 632.9	59.4%	2.0%
Valora Media	553.2	19.6%	560.2	20.4%	– 1.3%
Valora Trade	791.0	28.0%	748.2	27.2%	5.7%
Other	14.4	0.5%	15.3	0.6%	
Intersegment elimination	– 202.2		– 207.3		
Group total	**2 821.8**	**100.0%**	**2 749.3**	**100.0%**	**2.6%**
Switzerland	1 696.2	60.1%	1 697.8	61.8%	– 0.1%
Elsewhere	1 125.6	39.9%	1 051.5	38.2%	7.0%

The Valora Group's net 2007 sales were up nearly 3% on the year, reaching CHF 2 822 million. The fastest sales growth was achieved by Valora Trade, whose turnover rose by almost

6%, while revenues at Valora Retail were up 2%. Overall market contraction and, above all, the absence of major soccer card promotions shaved just over 1% off sales. Noticeably higher turnover was generated by the production companies now in the process of being sold. Their sales rose from CHF 165 million in 2006 to CHF 181 million in 2007, representing a 9.6% increase. Valora Trade's intra-Group sales rose by a comparable percentage, reaching CHF 56 million. With the production companies' results included, the Valora Group's net sales rose from CHF 2 863 million in 2006 to 2 947 million in 2007.

in CHF million	2007		2006	
Net revenues	**2 821.8**	**100.0%**	**2 749.3**	**100.0%**
Gross profit	**858.5**	**30.4%**	**855.9**	**31.1%**
– Operating costs, net	– 802.6	28.4%	– 789.4	– 28.7%
Operating profit	**55.9**	**2.0%**	**66.5**	**2.4%**

Excluding production company results, Group operating earnings fell to CHF 55.9 million. This decline of CHF 10.6 million, or 16%, was mainly attributable to lower sales at Valora Media, the slide in profits at Valora Retail during the first half of 2007 and the non-recurrence of the extra revenue Valora Trade generated in 2006 from the brands it dispoed of that year. Including the CHF 9.6 million of 2007 operating earnings contributed by the Own Brands companies, the Valora Group's operating profit for 2007 was CHF 65.5 million, largely compensating for the dip in profits experienced in the first six months of the year.

B Valora Retail

in CHF million	2007		2006	
Net revenues	**1 665.4**	**100.0%**	**1 632.9**	**100.0%**
Gross profit	**536.6**	**32.2%**	**540.1**	**33.1%**
– Operating costs, net	– 519.4	31.2%	– 518.7	– 31.8%
Operating profit	**17.2**	**1.0%**	**21.4**	**1.3%**

In 2007, Valora's Retail division succeeded in increasing sales by some CHF 30 million to CHF 1 665 million. The expansion at Kiosk Germany enabled it to boost sales 13%, the fastest rate of growth in the division, while Kiosk Luxembourg and the division's convenience and filling station business in Switzerland both increased turnover by 7%. Wholesaling operations in Switzerland benefited from a broader distribution network encompassing more outlets and were able to increase revenues by CHF 8 million. Conversely, the kiosk operations in Switzerland saw their turnover decline by CHF 21 million on the year. Besides the absence of collectible soccer cards and a significant drop in the number of lottery tickets sold, lower press sales were a major factor contributing to decline in turnover, which was not fully offset by increased sales of food items, which rose 7% on the year. Gastronomy operations generated CHF 3 million less in overall sales, though with the results of outlets closed during the year stripped out, like-for-like sales increased by CHF 1 million between 2006 and 2007. Analysis of turnover by product group shows that most of the division's increase in revenues was generated by higher sales of tobacco products. These were up 5.2% or some CHF 37 million on the year, despite the fact that overall market volume declined in response to higher product prices as a result of increased tobacco duties. The division benefited from expanded floor space at new and existing outlets in Germany as well as from the broader distribution coverage achieved by wholesaling operations. It is also encouraging to note that the CHF 23 million fall in non-food sales mainly caused by the lack of a major soccer picture card campaign was nearly entirely made up for by higher sales of food items. These higher revenues were principally attributable to the successful roll out of new modules (such as the "mach mal Pause" or "Take a break" concept) or the new chilled drinks displays as well as to the significantly higher food turnover being achieved throughout the division's convenience store business. Lower sales of press products at the kiosks in Switzerland were compensated for by expanding operations in Germany and increased book sales. In aggregate, the Group's gross profits eased some CHF 3 million on the year, while operating profits fell by CHF 17 million, generating an operating margin of just over 1%.

In addition to completing the establishment of a uniform systems architecture incorporating modern, integrated till terminals at all outlets and the rapid implementation of measures to increase profitability at the kiosks in Switzerland, management will devote significant attention in the next few years to expansion-led growth in Germany and to optimising sales concepts in the division's fast-growing filling-station and convenience store operations.

C Valora Media

in CHF million	2007		2006	
Net revenues	**553.2**	**100.0%**	**560.2**	**100.0%**
Gross profit	**154.3**	**27.9%**	**153.9**	**27.5%**
– Operating costs, net	– 129.1	23.3%	– 125.7	– 22.5%
Operating profit	**25.2**	**4.6%**	**28.2**	**5.0%**

Despite the contraction of the overall market, sales of newspapers and periodicals were increased by just under CHF 1 million. This was achieved principally thanks to higher magazine sales in Austria and initiatives to increase volumes distributed to third-party customers in Switzerland. Book sales posted encouraging growth in Luxembourg. The 1.3 % decline in the division's overall sales is mainly due to the absence of revenues from selling collectible soccer picture cards. Continuing refinement of its press inventory management software enabled Valora Media to achieve further cuts in the number of returned items in 2007, while high paper recycling prices made it possible to generate a greater bottom line contribution from those items which still remained unsold. Costs rose on several fronts. Freight and fuel increased in price, logistics costs went up as the third-party customer network was expanded and rents and real estate costs also rose in line with prevailing market conditions. Operating profit for 2007 came in at just over CHF 25 million, slightly below the excellent result achieved during 2006, the soccer World Cup year. The recent addition of the magazine publishers Egmont Ehapa and Marquard Media to its client list in Austria, expansion of the division's subscription business and the imminent launch of the Euro 08 soccer picture card collection all point to significant growth for the division in 2008.

D Valora Trade

in CHF million	2007		2006	
Net revenues	**791.0**	**100.0%**	**748.2**	**100.0%**
Gross profit	**153.1**	**19.4%**	**146.9**	**19.6%**
– Operating costs, net	– 136.0	17.2%	– 127.2	– 17.0%
Operating profit	**17.1**	**2.2%**	**19.7**	**2.6%**

Valora's Trade division (the results table above covers the division's ongoing distribution activities) turned in another year of good sales growth, with revenues advancing nearly 6%. The fastest rates of sales growth were achieved in the Nordic region, where Denmark was up 15% and Finland advanced 13%, and in Central Europe, where Austrian sales increased by 9%. Sweden and Norway both suffered small declines in their sales volumes as a consequence of the departure of individual principal customers. Austria achieved some noticeable successes with its sales of herbal sweets manufactured by Ricola, which advanced to that market's number one slot for these products. Valora Trade Finland signed up significant numbers of new principals. In Switzerland, the division's domestic market, the Ferrero products it represents achieved above-average sales growth, partly thanks to new product listings. Growing volumes of business with internationally active principals placed increased downward pressure on margins. This, coupled with the greater proportion of deliveries now accounted for by the lower-margin discount segment, shaved 0.2 percentage points off the division's gross margins. The CHF 2.6 million fall in Valora Trade's operating earnings to CHF 17.1 million is the result of one-off effects in 2006, when the division not only sold its Kobbs and Ocean Food brands but also released provisions made earlier in connection with the sale of its Merkur coffee roasting operations. Stripping out the effect of these special items, which amount to some CHF 3.2 million in aggregate, the division improved its operating profit slightly and held margins steady.

E Corporate

The Corporate area, comprising the Swiss logistics organisation, Corporate Information Services and Group support functions such as finance, HR and corporate communication, experienced a modest CHF 1 million fall in net logistics services sales to third parties. Lower volumes, improvements to process efficiency and an optimisation of route planning made it possible to cut logistics costs by CHF 4.4 million. Implementation of the modern electronic retail platform (ERP) and the roll out of integrated electronic till systems increased IT costs by over CHF 6 million compared to 2006 levels. The first key milestones in the ERP project were reached when the migration of Media and finance systems to the new SAP platform was successfully completed at the end of 2007. The remainder of the project, which is focused on the Retail division, can be expected to be completed smoothly. The

Valora Group pursues a policy of charging the net costs of its corporate functions, i.e. the direct costs incurred minus logistics sales to third parties, directly to the divisions. Since the production companies are now presented in the accounts as discontinued operations, the corporate overhead costs incurred in connection with these entities were not allocated to their results, which explains the loss of some CHF 4 million shown for the Corporate area in 2007.

F Financial result and taxes

The first six months of 2007 saw interest rates in Switzerland generally tightening, as evidenced by the clear uptrend in 3-month CHF Libor. Rates eased slightly in the second half of the year in the wake of the sub-prime crisis. The hedging strategy adopted by Valora enabled it to keep net interest expense modest. The Group's net financing results improved by a further CHF 3.2 million on the year, principally as a result of a reduction in net debt, a partial redemption and refinancing of an existing syndicated loan facility, improved financing terms and the ongoing extension of cash pooling structures. The low effective tax rate seen in 2006 was due to special one-off circumstances. In 2007, the Group's tax burden fluctuated around its targeted level of 23% of pre-tax earnings.

G Liquidity, cash flow and key financial data

Key financial data

in CHF million	**2007**	2006
Cash and cash equivalents	153.4	222.1
Free cash flow	**70.6**	**58.4**
Equity	587.9	560.9
Equity in % of total assets	**45.0%**	**42.3%**
Net profit	52.3	65.8
Net debt	**46.0**	**60.6**
Net working capital [1]	129.6	123.6
Net working capital in % of net revenues	4.6%	4.5%
Earnings per share (from continuing activities)	**13.09**	**16.89**

[1] 2006 net working capital has been adjusted for discontinued operations, so that the net working capital in % of net sales ratio is comparable between the two years shown

As in 2006, the Valora Group made the most of the surplus liquidity it generated by repaying a portion of its outstanding syndicated loan, thus cutting its net debt to CHF 46 million. This outflow, coupled with the dividend paid in 2007, resulted in total financing-related expenditure of over CHF 100 million. The CHF 12.2 million increase in free cash flow is principally the result of the efficient management of working capital.

H Valora Value Added

Valora Value Added in CHF million	**2007**	2006
Net Operating Profit after Taxes (NOPAT)	56.6	71.3
Average invested capital [1)]	867.4	903.9
WACC	7.0%	7.0%
Capital costs	60.7	63.3
Valora Value Added	**– 4.1**	**8.8**

[1)] New formula which includes cash and cash equivalent assets

In 2008, the Valora Group will introduce the concept of Valora Value Added, or VVA, which is designed to measure the sustained return the Group generates over and above capital costs and is derived from the classic definition of economic value added. VVA consists, on the one hand, of net operating profits before taxes (NOPAT) and, on the other hand, a weighted average cost of capital which is set at 7%. This 7% WACC takes account of the costs of equity and debt capital and is based on benchmark figures for the industry as a whole and projected interest rate levels. Valora reviews the underlying WACC figures regularly and adjusts the capital costs used in VVA calculations if they exceed a defined range. The average invested capital figures used in the new VVA calculations differ from the net capital employed figures used previously, because, unlike these, they also include the cash positions in the balance sheet, which are essential to the Group's operations. By making VVA the basis for its incentive compensation, Valora intends to motivate its managers to create value which is sustainable over the longer term. In future, the emphasis will not be solely on sales growth and operating margins, but will take the efficiency of capital utilisation into account as well. Using this approach to compare 2007 results with those for 2006 shows that the lower operating profit generated in 2007, with its concomitant fall in NOPAT, resulted in VVA falling by some CHF 13 million. In the years to come, management's focus will be on achieving a sustained increase in VVA and therefore in creating an enduring increase in the company's value generation.

I Outlook

The key task for 2008 will be to pursue the path the company has taken and, above all, to continue implementation of Valora's new IT architecture. By the end of 2008, the planned closed loop inventory management system for the kiosk business in Switzerland should be fully operational. This will provide the basis for further enhancements to process efficiency and set the stage for modern enterprise management. By introducing new product ranges and sales concepts to the kiosks, the Retail division will increasingly be able to compensate for declining sales in categories whose overall market is shrinking, thus driving forward the turnaround of the Group's core business in Switzerland. In its other business areas, the Group's objective is to extend and strengthen the strong market positions it already enjoys. Thanks to Valora's sound financing and balance sheet structure, both targeted acquisitions and organic growth can be financed from internally generated resources.

Consolidated income statement

January 1 to December 31, in CHF 000 (except per-share amounts)	Note	**2007**	**%**	2006	%
Net revenues	4	**2 821 755**	**100.0**	**2 749 273**	**100.0**
Cost of goods		– 1 963 214	– 69.6	– 1 893 406	– 68.9
Gross profit		**858 541**	**30.4**	**855 867**	**31.1**
Personnel expense	5	– 454 915	– 16.1	– 452 543	– 16.5
Other operating expenses	6	– 320 048	– 11.3	– 316 261	– 11.5
Depreciation and amortisation of operating assets	16, 17, 18	– 42 137	– 1.5	– 39 237	– 1.4
Other income, net	7	14 417	0.5	18 685	0.7
Operating profit		**55 858**	**2.0**	**66 511**	**2.4**
Financial expense	8	– 10 377	– 0.4	– 12 847	– 0.5
Financial income	9	8 072	0.3	7 335	0.3
Share of result from associates and joint ventures		1 806	0.1	220	0.0
Earnings before taxes		**55 359**	**2.0**	**61 219**	**2.2**
Income taxes	10	– 12 551	– 0.5	– 6 530	– 0.2
Net profit from continuing operations		**42 808**	**1.5**	**54 689**	**2.0**
Net profit from discontinued operations	3	9 471	0.3	11 147	0.4
Net Group profit		**52 279**	**1.8**	**65 836**	**2.4**
Attributable to shareholders of Valora Holding AG		51 364	1.8	65 153	2.4
Attributable to minority interests		915	0.0	683	0.0
Earnings per share					
from continuing operations, diluted and undiluted (in CHF)	11	13.09		16.89	

The accompanying notes from page 49 to page 95 form an integral part of these consolidated financial statements.

Consolidated balance sheet

Assets **At December 31,** in CHF 000	Note	**2007**	**%**	2006	%
Current assets					
Cash and cash equivalents	12	153 426		222 100	
Derivative assets	29	286		0	
Trade accounts receivable	13	164 499		168 402	
Inventories	14	246 995		267 660	
Current income tax receivable		75		1 229	
Other short-term receivables	15	43 802		47 092	
Current assets		**609 083**	**46.6**	**706 483**	**53.3**
Assets held in disposal groups	3	178 053		0	
Total current assets		**787 136**	**60.2**	**706 483**	**53.3**
Non-current assets					
Property, plant and equipment	16	237 977		318 574	
Goodwill, software and other intangible assets	18	134 515		159 845	
Investment property	17	15 316		19 083	
Investment in associates and joint ventures	21	14 635		13 055	
Long-term financial assets	20	26 349		11 602	
Net pension asset	26	54 574		54 574	
Deferred income tax assets	10	36 041		41 557	
Total non-current assets		**519 407**	**39.8**	**618 290**	**46.7**
Total assets		**1 306 543**	**100.0**	**1 324 773**	**100.0**

Liabilities and equity

At December 31, in CHF 000	Note	**2007**	**%**	2006	%
Current liabilities					
Short-term financial debt	22	1 708		2 198	
Derivative liabilities	29	0		619	
Trade accounts payable	23	281 854		295 848	
Current income tax liabilities		9 696		7 916	
Other current liabilities	24	120 304		116 327	
Current provisions	25	250		10 844	
Current liabilities		**413 812**	**31.7**	**433 752**	**32.8**
Liabilities from disposal groups	3	69 963		0	
Total current liabilities		**483 775**	**37.0**	**433 752**	**32.8**
Non-current liabilities					
Long-term financial debt	22	197 740		280 452	
Long-term accrued pension cost	26	10 012		9 905	
Long-term provisions	25	8 812		14 030	
Deferred income tax liabilities	10	18 264		25 778	
Total non-current liabilities		**234 828**	**18.0**	**330 165**	**24.9**
Total liabilities		**718 603**	**55.0**	**763 917**	**57.7**
Equity					
Share capital	32	3 300		3 300	
Additional paid-in capital		3 986		4 432	
Treasury stock		– 28 481		– 29 567	
Valuation reserves		152		– 518	
Retained earnings		591 320		568 764	
Cumulative translation adjustments		14 239		11 522	
Equity of Valora Holding AG shareholders		**584 516**	**44.7**	**557 933**	**42.1**
Minority interest in shareholders' equity		3 424		2 923	
Total equity		**587 940**	**45.0**	**560 856**	**42.3**
Total liabilities and equity		**1 306 543**	**100.0**	**1 324 773**	**100.0**

The accompanying notes from page 49 to page 95 form an integral part of these consolidated financial statements.

Consolidated cash flow statement

January 1 to December 31, in CHF 000	Note	**2007**	2006
Operating profit from continuing operations		**55 858**	**66 511**
Elimination of non-cash transactions			
Depreciation on property, plant, equipment and investment property	16, 17	32 202	30 688
Amortisation of intangible assets	18	9 935	8 549
(Gains) losses on sale of fixed assets, net	7	– 14	331
Impairment of financial assets		0	12
Share-based payments	27	1 947	4 425
Release of provisions, net	25	– 7 694	– 9 870
Changes in net working capital, net of acquisitions and disposals of business units			
(Increase) decrease in trade accounts receivable		– 8 927	2 802
Decrease (increase) in inventories		12 297	– 4 412
Decrease in other current assets		4 208	6 795
Decrease in trade accounts payable		– 3 076	– 9 252
Increase in accrued pension cost		82	494
Provisions assigned	25	– 7 022	– 8 171
Increase in other liabilities		10 699	6 541
Cash generated from operating activities from continuing operations		**100 495**	**95 443**
Interest paid		– 10 095	– 12 026
Income taxes paid		– 3 014	– 4 734
Interest received		6 218	6 122
Net cash provided by operating activities from continuing operations		**93 604**	**84 805**
Net cash provided by operating activities from discontinued operations	3	14 564	19 209
Net cash provided by operating activities		**108 168**	**104 014**

January 1 to December 31, in CHF 000			
Cash flow from investing activities	Note	**2007**	2006
Investment in fixed assets	16	– 33 230	– 38 424
Proceeds from sale of fixed assets	16	1 361	5 664
Investment in investment property	17	– 23	0
Proceeds from sale of investment property	17	4 524	13 303
Disposal of business units, net of cash sold	3, 2	0	11 747
Sales (purchases) of long-term financial assets		19 002	– 7 644
Purchases of other intangible assets	18	– 14 792	– 11 306
Proceeds from sale of other intangible assets	18	169	291
Net cash used in investing activities from continuing operations		**– 22 989**	**– 26 369**
Net cash used in investing activities from discontinued operations	3	– 13 636	– 11 414
Net cash used in investing activities		**– 36 625**	**– 37 783**
Cash flow from financing activities			
Repayment of short-term financial debt, net		– 12 738	– 48 743
Increase in long-term financial liabilities	22	30 002	101 545
Repayment of long-term financial liabilities	22	– 111 925	– 105 589
Treasury stock purchased		– 6 556	– 1 841
Treasury stock sold		3 694	718
Dividends paid		– 28 808	– 28 785
Dividends paid to minorities		– 506	– 303
Net cash used in financing activities from continuing operations		**– 126 837**	**– 82 998**
Net cash (used in) provided by financing activities from discontinued operations	3	– 1 949	8 594
Net cash used in financing activities		**– 128 786**	**– 74 404**
Net decrease in cash and cash equivalents from continuing operations		**– 56 222**	**– 24 562**
Net (decrease) increase in cash and cash equivalents from discontinued operations		– 1 021	16 389
Net decrease in cash and cash equivalents		**– 57 243**	**– 8 173**
Translation adjustments on cash and cash equivalents		1 638	4 381
Cash and cash equivalents at beginning of year from continuing operations		218 643	217 344
Cash and cash equivalents at beginning of year from discontinued operations		3 457	8 548
Cash and cash equivalents at beginning of year		222 100	225 892
Cash and cash equivalents at year end from continuing operations	12	**153 426**	**218 643**
Cash and cash equivalents at year end from discontinued operations	3	13 069	3 457
Cash and cash equivalents at year end		**166 495**	**222 100**

The accompanying notes from page 49 to page 95 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

in CHF 000	Note	Equity of Valora Holding AG shareholders Share capital	Other reserves	Retained earnings	Cumulative translation adjustments	Total equity of majority shareholders	Minority interest	Total equity
Balance at January 1, 2006		**3 300**	**– 28 558**	**532 396**	**4 005**	**511 143**	**2 454**	**513 597**
Fair value loss on available-for-sale financial assets	20		– 18			– 18		**– 18**
Fair value loss on cash flow hedges	29		– 515			– 515		**– 515**
Creation of tax assets on share based payments	10		96			96		**96**
Translation adjustments					7 517	7 517	89	**7 606**
Income (expense) recognised directly in equity			**– 437**		**7 517**	**7 080**	**89**	**7 169**
Net profit				65 153		65 153	683	**65 836**
Total profit (loss) reported			**– 437**	**65 153**	**7 517**	**72 233**	**772**	**73 005**
Share-based payments	27		3 158			3 158		**3 158**
Dividend paid on 2005 result				– 28 785		– 28 785	– 303	**– 29 088**
Treasury stock purchased			– 1 841			– 1 841		**– 1 841**
Decrease in treasury stock [1]			2 025			2 025		**2 025**
Balance at December 31, 2006		**3 300**	**– 25 653**	**568 764**	**11 522**	**557 933**	**2 923**	**560 856**
Fair value loss on available-for-sale financial assets	20		– 50			– 50		**– 50**
Fair value gain on cash flow hedges	29		720			720		**720**
Release of tax assets on share-based payments	10		– 92			– 92		**– 92**
Translation adjustments					2 717	2 717	92	**2 809**
Income (expense) recognised directly in equity			**578**		**2 717**	**3 295**	**92**	**3 387**
Net profit				51 364		51 364	915	**52 279**
Total profit (loss) reported			**578**	**51 364**	**2 717**	**54 659**	**1 007**	**55 666**
Share-based payments	27		– 354			– 354		**– 354**
Dividend paid on 2006 result				– 28 808		– 28 808	– 506	**– 29 314**
Treasury stock purchased			– 6 556			– 6 556		**– 6 556**
Decrease in treasury stock [1]			7 642			7 642		**7 642**
Balance at December 31, 2007		**3 300**	**– 24 343**	**591 320**	**14 239**	**584 516**	**3 424**	**587 940**

[1] 2007: shares allocated to employees and Board members plus shares sold in market, 2006: shares allocated to employees and Board members

The accompanying notes from page 49 to page 95 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 Summary of significant accounting policies

Basis of presentation. The Valora Group's annual consolidated financial statements have been prepared on the basis of historical cost (except for financial assets and liabilities, which are stated at fair value), in accordance with International Financial Reporting Standards (IFRS) and in compliance with the legal requirements of the Swiss Code of Obligations. The reporting currency is the Swiss franc (CHF). The most significant accounting policies are detailed below.

Scope of consolidation. Note 34 provides an overview of the most significant Group companies.

Consolidation principles. Valora's annual consolidated financial statements encompass Valora Holding AG and all its directly or indirectly held subsidiaries. Subsidiaries are defined as companies over which the Group is able to exert control. In determining whether such control exists, the voting rights from shares which are currently exercisable or convertible are taken into account.

Associated companies and joint ventures are treated according to the equity method. Associated companies are those 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 joint undertakings which are managed with one partner under a contractual agreement. Participations treated under the equity method are recorded on the balance sheet at purchase cost and reported under «Investments in associates and joint ventures». In the reporting periods following acquisition, the value of this item is adjusted to reflect Valora's share of the changes in shareholders' equity of the associated companies and joint ventures. Any valuation gains or losses impacting the equity of associated companies and joint ventures are also credited or debited directly to Valora's equity. Dividends received reduce the value of these investments.

Subsidiaries and investments are included in the consolidated financial statements from the day they are acquired (assumption of control) and are removed from the day they are sold (transfer of control).

All intercompany balances, transactions and unrealised gains these generate are eliminated on consolidation.

Balances and transactions with associated companies and joint ventures reported under the equity method are shown separately as items with associates.

Minority interests represent the portion of the Group's net income and net assets which is not attributable to the Group. Minority interests are disclosed in separate entries in the Group income statement and the Group 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 Valora Holding AG shareholders. 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.

Adoption of new accounting standards. Adoption of the following significant changes to International Financial Reporting Standards (IFRS) or of interpretations thereof was first required for the Valora Group's 2007 annual financial statements:

IFRS 7 ‹Financial instruments: disclosures› requires certain additional disclosures to be made regarding financial instruments and financial risks. These additional disclosures, which are contained in these Group financial statements, do not affect the classification or valuation of positions in financial instruments held by the Group.

The amendment to IAS 1 ‹Presentation of financial statements - capital disclosures› requires companies to disclose their objectives, policies and processes for managing capital. These Group financial statements also comply with this requirement.

Future changes to accounting policies. The following IFRS requirements, all contained in revisions to existing standards or new standards and all of which will enter into force on or after January 1, 2009, have not yet been applied: IFRS 8 ‹Operating segments›, which will replace IAS 14 ‹Segment reporting›; IAS 23 ‹Borrowing costs›; IAS 27 ‹Consolidated and separate financial statements›; IFRS 3 ‹Business combinations›; IFRS 2 ‹Share-based payment›; and further modifications to IAS 1 ‹Presentation of financial statements›. The potential effect of these aforementioned modified or new standards on Group financial statements cannot yet be fully assessed. Changes to IAS 32 ‹Financial instruments: presentation›, which will enter into force on January 1, 2009, will have no effect on the Valora Group's consolidated financial statements.

IFRIC 14: This standard, which applies to financial reporting periods beginning on or after January 1, 2008, has also not been implemented ahead of time. The effect which IFRIC 14 will have on Valora's net pension asset is currently being evaluated.

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 2007	Rate at December 31, 2007	Average rate for 2006	Rate at December 31, 2006
Euro: EUR 1	1.643	1.656	1.573	1.608
Swedish krona: SEK 100	17.75	17.55	17.01	17.80
Danish krone: DKK 100	22.04	22.21	21.09	21.56

Net revenues and revenue recognition. Net revenues include all proceeds from the sale of goods and services, net of an 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 compensation. The Valora Group pays some of the compensation it grants to its senior management 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 8 and 9).

Income taxes. Current income taxes are based on the taxable net income of the current year and are charged to the income statement accordingly.

Deferred income taxes are calculated according to the liability method, which is applied comprehensively to all temporary differences between Group and taxable book values. The tax rates applied are those expected to prevail on the balance sheet date or at the time these temporary differences are realised. Tax loss carry forwards and other deferred tax credits are recognised as assets only if it is probable that they can be offset against future taxes.

Deferred taxes are not calculated on temporary book value differences on investments in subsidiaries or associates, unless it is likely that they will be realised in the foreseeable future or their realisation cannot be managed or controlled.

Disposals of business units. When business units 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 cash flow from continuing operations only.

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 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 an initial maturity not exceeding 3 months.

Trade accounts receivable. Trade accounts receivable are recorded at their present value minus any necessary impairment adjustments for doubtful accounts. Impairment adjustments are made if there is objective evidence that the amount may not be received in full.

Inventories. Inventories are recorded at the lower of cost or net realisable value. For the Valora Retail division, cost price is determined according to the retail method, while the Valora Media and Trade divisions apply the first in, first out (FIFO) method. Write-downs on slow moving or obsolete inventories are determined according to standard business practices. Non-matured forward purchases made by the various production companies are treated as off balance sheet items.

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 their continued operational use. If entire business units are held for sale, all their fixed assets and all liabilities directly attributable thereto are recorded in the balance sheet separately as assets or liabilities from entities held for sale.

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 their useful economic life. All other renovation and maintenance costs are expensed directly to the income statement. Interest payable on loans for facilities under construction is charged directly to the income statement.

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, installations and furnishings	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. Capitalised extensions and other installations on rented premises are amortised over their expected useful life or the remaining period of the lease, should this be shorter. Interest payable on loans for facilities under construction is charged 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. Assets whose current book value exceeds their realisable value are written down to the discounted value of the future cash flows the assets are expected to generate. Once made, a non-scheduled write-down may be reversed only if the estimated realisable value of the asset concerned has been subject to change since the date of its most recent non-scheduled write-down. If such a revised estimate has been made, the book value of the asset in question will be increased to its current realisable value. This realisable value may not, however, exceed the value at which the asset would have been carried if no previous non-scheduled write-downs had occurred and it had simply been subjected to regular straight-line depreciation. Any increase in value resulting from such an adjustment is recorded in the income statement immediately.

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

Intangible assets excluding goodwill. Intangible assets excluding goodwill are carried at cost minus accumulated depreciation.

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

	Years
Software	3-5
Other intangible assets	3-10

Impairments to intangible assets. The value of intangible assets excluding goodwill is reviewed whenever changing circumstances or specific events suggest that their book value might be too high. Assets whose current book value exceeds their realisable value are written down to the discounted value of the future cash flows the assets are expected to generate. Once made, a non-scheduled write-down to an intangible asset other than goodwill may be reversed only if the estimated realisable value of the asset concerned has been subject to change since the date of its most recent non-scheduled write-down.
If such a revised estimate has been made, the book value of the asset in question will be increased to its current realisable value. This realisable value may not, however, exceed the value at which the asset would have been carried if no previous non-scheduled write-downs had occurred and it had simply been subjected to regular straight-line depreciation. Any increase in value resulting from such an adjustment is recorded in the income statement immediately.

Goodwill from acquisitions. The difference between the purchase price paid for an acquired company and the market value of the proportionate net assets acquired at the date of purchase is recognised as goodwill from acquisitions according to the purchase method. Subsequent upward adjustments of such valuations are not permitted.

Impairments to goodwill. Goodwill is not systematically amortised, but is subjected to an impairment test at least annually at the end of each year or upon any indication of diminished value. Impairment tests are conducted at the level of the smallest cash generating unit to which goodwill was attributed on acquisition. If the book value exceeds the realisable value an impairment will be recorded to adjust the book value down to the realisable value.

Financial assets. Financial assets are classified as:

- at fair value through profit or loss
- loans and receivables
- held to maturity
- available for sale

Financial assets are classified according to the purpose for which they were acquired. Classification is determined when the assets are initially 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 or loss, are initially recorded at fair value plus transaction costs. Financial assets held for trading purposes are initially recorded at market value excluding transactions 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 directly to shareholders’ equity. Enduring or significant impairments are recorded and charged to the income statement. Valuation adjustments accumulated against equity are passed to the income statement upon sale.

Interest-bearing debt. Interest-bearing liabilities are carried at their amortised value, with differences between initial and maturity values being determined by the effective yield method and charged to financial expenses.

Provisions. Provisions are recorded when events in the past give rise to a liability whose amount can be reliably estimated and for whose settlement an outflow of cash is probable. Provisions are carried at fair value.

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 compensation trajectories. Years of service costs are charged to the income statement in the period in which they are incurred. The effect of changes in actuarial assumptions is distributed equally over the participants' assumed average remaining years of service and recorded in the income statement proportionately each year. Actuarial gains and losses exceeding 10 % of the greater of the dynamically calculated present value of projected benefit obligations or the pension fund assets at market prices are systematically amortised over the scheme participants' average remaining years of service, using the so-called corridor method.

Expenses for defined contribution pension schemes are charged to the income statement in the period in which they are incurred.

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

At present, Valora enters into cash flow hedges only.

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 concerning the application of accounting principles which have a material effect on the figures reported.

Significant estimations. Preparation of the consolidated financial statements under IFRS requires the use of estimations regarding the future and may have an influence on the amount of certain items reported in the income statement, the balance sheet and their explanatory notes. Any estimations underlying the figures reported in the consolidated financial statements are based on experience and the information available at the time the statements were prepared. Estimations and assumptions are reviewed regularly and adapted where necessary. Nevertheless, subsequent actual outcomes may diverge from earlier estimations. Any changes resulting from modifications of estimated values are recognised in the consolidated financial statements in the year in which such modifications are made. Estimations and assumptions bearing significant risks of substantial future changes to book values are listed below:

Goodwill. The consolidated balance sheet carries goodwill from continuing operations at CHF 90 million (see Note 18). As explained above, this is subjected to an impairment test upon any evidence that stated book values might exceed realisable amounts, and 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 for many of its employees 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 asset surplus, which is capitalised in the consolidated balance sheet at CHF 55 million, representing the portion of the surplus from which the Group could derive future economic benefit net of actuarial losses not recorded. These valuations are based on a number of assumptions, principal among which are the discount rate applied to future benefits, the expected return on the invested capital, and the expected future pensions and salaries of the plan participants (see Note 26). Actual outcomes may diverge considerably from the assumptions made and thus require an amortisation of the capitalised asset value shown.

Income taxes. Of the deferred tax assets shown, CHF 23.6 million relate to tax loss carry forwards of Valora AG which can be offset against future net earnings for income tax purposes in the years remaining until they lapse (the first expiration is in 3 years, the last in 5). IFRS requires deferred tax assets to be recorded for the amount of future tax savings expected to be realised from these carry forwards. The amount of these future tax savings depends on the level of net income which will be generated before the carry forwards lapse. Future net income may therefore be impacted by tax asset write-offs if future earnings are below current estimates, or may benefit from additional profits if future earnings exceed current estimates.

2 Acquisitions and disposals of business units

Transactions in 2007. No business units were acquired or disposed of during 2007.

Transactions in 2006. No business units were acquired or disposed of during 2006. The Fotolabo Group, which had already been classified under discontinued operations in 2005, was sold in the spring of 2006 (see Note 3).

3 Discontinued operations

In the spring of 2007, the Board of Directors announced its decision to sell the Own Brands operations which are part of Valora's Trade division. Accordingly, with effect from July 1, 2007, the balance sheet items concerned were classified as assets and liabilities relating to disposal groups, since completion of the sale of the entire business area within the next 12 months is regarded as probable. Valuation at realisable market prices net of selling costs made it necessary to write down goodwill by CHF 10.0 million.

In the income statement, the net income generated by Own Brands is shown as results from discontinued operations.

In the spring of 2006, the Group sold the Fotolabo Group, which had been classified under discontinued operations in 2005. The sale was completed in two separate transactions. One transaction covered the laboratory in Switzerland, its related service companies and the laboratory in Finland. These units were sold on March 16, 2006. The other transaction covered the laboratory in France and its related distribution companies. This sale was completed on April 19, 2006.

In 2007 it was possible to release provisions established for guarantees made in connection with the Fotolabo disposal which were no longer needed. In addition, a number of costs were reimbursed. These revenues are included in the results from discontinued operations shown in the consolidated income statement.

Income statement for discontinued operations

January 1 - December 31, in CHF 000	Own Brands 2007	Fotolabo 2007	Total 2007	Own Brands 2006	Fotolabo 2006	Total 2006
Net revenues	181 406	0	**181 406**	165 488	14 975	180 463
Gross profit	**102 615**	**0**	**102 615**	**98 484**	**12 159**	**110 643**
Operating expenses	– 86 032	0	**– 86 032**	– 82 868	– 12 807	– 95 675
Other income, net	3 044	991	**4 035**	– 165	0	– 165
Goodwill amortisation	– 10 000	0	**– 10 000**	0	0	0
Operating profit	**9 627**	**991**	**10 618**	**15 451**	**– 648**	**14 803**
Financial result	– 1 744	0	**– 1 744**	– 741	– 46	– 787
Profit/Loss before taxes	**7 883**	**991**	**8 874**	**14 710**	**– 694**	**14 016**
Income taxes	597	0	**597**	– 2 924	130	– 2 794
Operating profit/loss	**8 480**	**991**	**9 471**	**11 786**	**– 564**	**11 222**
Accumulated exchange rate differences	0	0	**0**	0	– 75	– 75
Net profit/loss from discontinued operations	**8 480**	**991**	**9 471**	**11 786**	**– 639**	**11 147**

Earnings per share from discontinued operations amounted to CHF 2.96 in 2007 (CHF 3.49 in 2006). There were no dilutive effects in 2007 or 2006.

Net assets of discontinued operations

in CHF 000	**31.12.2007**	31.12.2006
Cash and cash equivalents	13 069	3 457
Trade accounts receivable	21 537	21 625
Inventories	10 896	10 294
Other current assets	8 059	16 252
Property, plant and equipment	99 548	80 554
Goodwill	20 639	30 639
Other fixed assets	4 305	1 025
Trade accounts payable	–13 125	– 15 339
Other current liabilities	– 19 250	– 15 786
Long-term financial liabilities	– 29 081	– 35 755
Other long-term liabilities	– 8 507	– 8 149
Net assets	**108 090**	**88 817**

As part of their regular business operations, some Group companies enter into forward purchase contracts. Settlement of these positions at maturity is always carried out on a physical basis. At the balance sheet date the aggregate contract value of open forward contracts amounted to CHF 2.4 million (CHF 1.5 million in 2006) with a maximum maturity of September 30, 2008.

Cash flow from discontinued operations

in CHF 000	**1.1. - 31.12.2007**	1.1. - 31.12.2006
Net cash provided by operating activities	14 564	19 209
Net cash used in investing activities	– 13 636	– 11 414
Net cash (used in) provided by financing activities	– 1 949	8 594
Translation adjustments on cash and cash equivalents	– 32	860
Total change in cash and cash equivalents	**– 1 053**	**17 249**

Cash flow from discontinued operations for 2006 includes cash flow items from both Own Brands and the Fotolabo group.

4 Segment reporting

The Valora Group is an international trading and services group, with operating activities carried out by the following divisions:

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 Media: Valora Media is a specialised wholesaler intermediating between publishers and the retail sector. The division supplies newspapers, magazines and books to the Group's own retail outlets and those of third parties in Switzerland, Austria and Luxembourg.

Valora Trade: Valora Trade acts as an exclusive distributor to the retail sector of both food and non-food branded goods.

Other: This includes the corporate functions for Finance, Human Resources and IT, the central logistic functions for Valora Retail Switzerland and Valora Media Switzerland, together with the assets of discontinued operations. Sales represent the logistics services provided.

Segment data by division

Net revenues for 2007 in CHF 000	Valora Retail	Valora Media	Valora Trade	Others	Intersegment elimination	Total Group
From third parties	1 664 893	358 235	784 249	14 378	0	2 821 755
From other divisions	470	194 947	6 768	0	– 202 185	0
Total	**1 665 363**	**553 182**	**791 017**	**14 378**	**– 202 185**	**2 821 755**
Net revenues for 2006						
From third parties	1 632 761	359 792	741 881	14 839	0	2 749 273
From other divisions	94	200 431	6 369	444	– 207 338	0
Total	**1 632 855**	**560 223**	**748 250**	**15 283**	**– 207 338**	**2 749 273**
Change (%)	2.0	– 1.3	5.7			2.6
Operating profit for 2007						
Operating profit	**17 193**	**25 219**	**17 050**	**– 3 604**		**55 858**
Operating profit for 2006						
Operating profit	21 409	28 238	19 670	– 2 806		66 511

Valora Retail's share of the results generated by associates and joint ventures amounted to CHF 0.9 million (CHF – 0.4 million in 2006). For Valora Media the corresponding figures were CHF 0.1 million in 2007 (CHF 0.0 million in 2006) and for Valora Trade they were CHF 0.8 million in 2007 (CHF 0.6 million in 2006).

in CHF 000	Valora Retail	Valora Media	Valora Trade	Others	Intersegment elimination	Total Group
Operating profit for 2007 included the following non-cash expenses						
Depreciation	20 866	5 751	3 063	11 507		41 187
Impairments	0	48	0	902		950
Release of provisions, net	– 3 264	0	0	– 4 430		– 7 694
Operating profit for 2006 included the following non-cash expenses						
Depreciation	20 306	5 600	3 096	10 617		39 619
Impairments	0	0	0	91		91
Value enhancement of previously impaired properties	0	0	0	– 473		– 473
Release of provisions, net	– 5 387	– 431	– 58	– 3 994		– 9 870
Capital expenditure						
2007	**24 437**	**2 138**	**2 923**	**18 040**		**47 538**
2006	24 343	1 612	2 775	30 991		59 721
Segment assets						
At December 31, 2007	**541 222**	**211 823**	**320 984**	**564 187**	– 331 673	**1 306 543**
At December 31, 2006	522 577	211 715	298 948	657 957	– 366 424	1 324 773
Segment liabilities						
At December 31, 2007	**447 812**	**118 790**	**186 963**	**296 711**	– 331 673	**718 603**
At December 31, 2006	446 067	115 954	174 647	393 673	– 366 424	763 917

Valora Retail’s share of the book values attributable to associates and joint ventures amounted to CHF 9.3 million in 2007 (CHF 8.5 million in 2006). For Valora Media the corresponding figures were CHF 0.0 million in 2007 (CHF 0.0 million in 2006) and for Valora Trade they were CHF 5.3 million in 2007 (CHF 4.5 million in 2006).

Segment data by region

Net revenues from third parties			
in CHF 000	Switzerland	Europe	Total Group
2007	**1 696 177**	**1 125 578**	**2 821 755**
2006	1 697 818	1 051 455	2 749 273
Change (%)	– 0.1	7.0	2.6
Capital expenditure			
2007	**36 080**	**11 458**	**47 538**
2006	41 925	17 796	59 721
Segment assets			
At December 31, 2007	**882 581**	**423 962**	**1 306 543**
At December 31, 2006	954 958	369 815	1 324 773

5 Personnel expenses

in CHF 000	**2007**	2006
Salaries and wages	381 915	374 260
Pension cost of defined benefit plans	11 668	13 767
Pension cost of defined contribution plans	2 544	1 032
Other social security payments	40 850	43 119
Share-based payments	1 947	4 425
Other personnel expenses	15 991	15 940
Total personnel expense	**454 915**	**452 543**
Average number of employees (full-time equivalents)	6 495	6 707

In 2007, the Valora employer's pension fund assumed costs of CHF 2.5 million in connection with early retirements and additional premium payments.

6 Other operating expenses

in CHF 000	2007	2006
Rent	113 422	111 489
Real-estate expenses	7 439	7 415
Energy	18 476	19 289
Insurance	3 581	2 848
Communications and IT	19 312	16 073
Advertising and sales	50 847	50 956
Shipping and dispatch	68 828	68 905
General administration	24 387	25 947
Capital and other taxes	1 080	804
Miscellaneous	12 676	12 535
Total other operating expenses	**320 048**	**316 261**

Miscellaneous operating expenses include operating lease payments totalling CHF 4.8 million (CHF 5.8 million in 2006).

The higher communications and IT costs shown for 2007 are attributable to expenditure on modernising the IT infrastructure in Switzerland.

7 Other income, net

in CHF 000	2007	2006
Rental income	2 378	2 745
Gains (losses) of non-current assets, net	14	– 331
Miscellaneous expenses	– 86	– 244
Miscellaneous income	12 111	16 515
Total other income, net	**14 417**	**18 685**

Miscellaneous income includes CHF 7.7 million (CHF 7.4 million in 2006) arising from the release of provisions. Also included are proceeds of CHF 2.9 milion (CHF 2.2 million in 2006) from an account receivable arising from a prior disposal which had been subject to impairment.

8 Financial expense

in CHF 000	2007	2006
Interest on bank debt and mortgages	6 056	7 950
Interest on bonds issued	4 591	4 307
Interest on finance leases	162	62
Net (gains) losses on financial derivative instruments	– 185	100
Fair value adjustments on long-term provisions	– 247	428
Total financial expense	**10 377**	**12 847**

The fall in interest expense on bank debt and mortgages is principally due to the repayment of syndicated loans.

The fair value adjustments on long-term provisions in 2007 include CHF 0.7 million of released provisions.

9 Financial income

in CHF 000	**2007**	2006
Interest earned on cash, cash equivalents, loans and receivables	5 291	4 322
Interest income from finance leases	335	29
Dividend income from financial investments available for sale	17	8
Realised gains on financial investments available for sale	6	0
Foreign exchange gains, net	2 423	2 976
Total financial income	**8 072**	**7 335**

10 Income taxes

Income tax expense was as follows:

in CHF 000	**2007**	2006
Expense on current income taxes	7 020	8 402
Expense (revenue) from deferred taxes	5 531	– 1 872
Total income tax expense for continuing operations	**12 551**	**6 530**

In addition, temporary differences arising from the recognition of equity based compensation from share schemes resulted in CHF 92 thousand of deferred tax assets being marked against shareholders' equity (CHF 96 thousand in 2006).

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	**2007**	2006
Profit before income taxes	55 359	61 219
Expected average Group tax rate	21.7%	21.7%
Income taxes at expected Group tax rate	**12 010**	**13 289**
Non-tax-deductible tax expense	189	639
Utilisation of losses not previously recognised	– 3 027	– 6 996
Out-of-period effects on current income taxes	3 348	148
Tax rate changes and other effects, net	31	– 550
Total reported income taxes	**12 551**	**6 530**

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 January 1, 2006	**43 800**	**– 29 361**	**14 439**
Deferred taxes included in net income	– 2 546	4 169	1 623
Deferred taxes included in shareholders' equity	96	0	96
Exchange rate differences	207	– 586	– 379
Balance at December 31, 2006	**41 557**	**– 25 778**	**15 779**
Of which from discontinued operations	– 489	8 038	7 549
Deferred taxes included in net income	– 5 187	– 344	– 5 531
Deferred taxes included in shareholders' equity	– 92	0	– 92
Exchange rate differences	252	– 180	72
Balance at December 31, 2007	**36 041**	**– 18 264**	**17 777**

Tax deductible losses carried forward amount to CHF 541.4 million (CHF 561.6 million in 2006). These will lapse as follows:

in CHF 000	**2007**	2006
Within one year	8	4
Within 2 years	8	6
Within 3 years	181 614	6
Within 4 years	61 996	197 085
Within 5 years	51 914	61 995
After more than 5 years	245 848	302 496
Total tax-deductible losses carried forward from continuing operations	**541 388**	**561 592**

In 2007, deferred tax assets amounting to CHF 125.9 million (out of a total of CHF 432.1 million) from continuing operations were not capitalised, as it is unlikely that they can be offset against future tax expenses (in 2006, CHF 150.9 million out of a total of CHF 445.9 million were not capitalised for the same reason).

Deferred tax liabilities on temporary valuation differences on investments carried at CHF 514.2 million (CHF 502.8 million in 2006) 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.

11 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.

	2007	2006
Net profit from continuing operations (in CHF 000)	42 808	54 689
Net profit attributable to minority interests (in CHF 000)	– 915	– 683
Net profit from continuing operations attributable to Valora Holding AG shareholders (in CHF 000)	**41 893**	**54 006**
Average number of shares outstanding	3 201 312	3 197 186
Earnings per share from continuing operations (in CHF)	**13.09**	**16.89**

There were no dilutive effects in 2007 or 2006.

12 Cash and cash equivalents

in CHF 000	2007	2006
Petty cash and bank sight deposits	147 958	218 800
Short-term deposits and money-market investments < 3 months	5 468	3 300
Total cash and cash equivalents	**153 426**	**222 100**

13 Trade accounts receivable

in CHF 000	2007	2006
Trade accounts receivable, gross	166 613	171 490
Allowance for bad and doubtful debts	– 2 114	– 3 088
Total trade accounts receivable, net	**164 499**	**168 402**

Impairments to trade accounts receivable are shown in the table below:

in CHF 000	2007	2006
Position at January 1	**3 088**	**5 698**
Of which from discontinued operations	– 70	0
Impairment creation charged to income	390	655
Impairments released to income	– 1 072	– 3 144
Impairments utilised	– 239	– 145
Exchange rate differences	17	24
Position at December 31	**2 114**	**3 088**

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

in CHF 000	2007	2006
Total trade accounts receivable, net	**164 499**	**168 402**
Of which		
Not yet overdue	131 447	125 966
Up to 10 days overdue	13 455	24 043
More than 10 days, but less than one month overdue	16 053	10 070
More than one month, but less than two months overdue	1 563	3 950
More than two months, but less than four months overdue	1 267	2 799
More than four months overdue	714	1 574

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

in CHF 000	2007	2006
CHF	67 367	72 628
DKK	28 060	22 572
EUR	39 260	40 676
NOK	4 928	5 555
SEK	24 670	25 500
Others	214	1 471
Total trade accounts receivable, net	**164 499**	**168 402**

14 Inventories

in CHF 000	2007	2006
Raw materials and supplies	335	7 433
Finished goods	1 381	3 858
Merchandise	245 279	256 369
Total inventories	**246 995**	**267 660**

In 2007, inventory write-downs of CHF 20.0 million (CHF 16.5 million in 2006) were charged to cost of goods sold. No inventories were carried at their net realisable value (none in 2006). The fall in the carrying value of raw materials and supplies and of finished goods is mainly due to Own Brands inventories having been classified under disposal groups during 2007.

15 Other current receivables

in CHF 000	**2007**	2006
Value-added tax, withholding tax and other taxes recoverable	2 443	4 108
Prepaid expenses and accrued income	12 341	7 724
Short-term receivables from finance leases	278	265
Miscellaneous receivables	28 740	34 995
Total other current receivables	**43 802**	**47 092**

The differences between the 2006 and 2007 carrying values of other current receivables are mainly due to Own Brands receivables being classified under disposal groups during 2007.

16 Property, plant and equipment

At cost in CHF 000	Land	Buildings	Machinery & equipment	Projects in progress	Total
Balance at January 1, 2006	**27 298**	**198 095**	**478 087**	**2 612**	**706 092**
Additions	25	1 104	41 008	6 218	48 355
Disposals	– 3 119	– 6 607	– 27 028	0	– 36 754
Reclassifications	0	309	1 595	– 2 640	[1] – 736
Translation adjustments	291	1 650	5 928	132	8 001
Balance at December 31, 2006	**24 495**	**194 551**	**499 590**	**6 322**	**724 958**
Of which from discontinued operations	– 2 784	– 45 458	– 121 312	– 4 714	– 174 268
Additions	0	264	32 069	428	32 761
Disposals	0	0	– 55 257	0	– 55 257
Reclassifications	0	1 022	574	– 1 596	0
Translation adjustments	246	675	2 112	6	3 039
Balance at December 31, 2007	**21 957**	**151 054**	**357 776**	**446**	**531 233**
Accumulated depreciation					
Balance at January 1, 2006	**0**	**– 50 188**	**– 333 421**	**0**	**– 383 609**
Additions	0	– 5 907	– 34 145	0	– 40 052
Impairments	0	0	– 188	0	– 188
Disposals	0	1 149	20 612	0	21 761
Translation adjustments	0	– 478	– 3 818	0	– 4 296
Balance at December 31, 2006	**0**	**– 55 424**	**– 350 960**	**0**	**– 406 384**
Of which from discontinued operations	0	9 518	84 197	0	93 715
Additions	0	– 4 492	– 27 075	0	– 31 567
Impairments	0	0	– 266	0	– 266
Disposals	0	0	52 877	0	52 877
Translation adjustments	0	– 139	– 1 492	0	– 1 631
Balance at December 31, 2007	**0**	**– 50 537**	**– 242 719**	**0**	**– 293 256**
Net book value					
At December 31, 2006	24 495	139 127	148 630	6 322	318 574
At December 31, 2007	**21 957**	**100 517**	**115 057**	**446**	**237 977**

[1] Reclassified to intangible assets

No property, plant and equipment was pledged to secure mortgage loans (CHF 7.6 million in 2006). Property, plant and equipment at year end 2007 includes no real estate held on finance leases (CHF 1.2 million in 2006), but does include machinery and equipment held on finance leases amounting to CHF 3.0 million (CHF 1.9 million in 2006).

Fire insurance values of property, plant and equipment		
in CHF 000	**2007**	2006
Property (including investment property)	265 239	321 734
Plant and equipment	423 541	541 608
Total	**688 780**	**863 342**

17 Investment property

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

Investment property		
in CHF 000	**2007**	2006
At cost		
Balance at January 1	**27 904**	**56 686**
Additions	23	0
Disposals	– 4 380	– 29 372
Translation adjustments	231	590
Balance at December 31	**23 778**	**27 904**
Accumulated depreciation		
Balance at January 1	**– 8 821**	**– 24 385**
Additions	– 369	– 681
Impairments	0	473
Disposals	889	16 069
Translation adjustments	– 161	– 297
Balance at December 31	**– 8 462**	**– 8 821**
Total net carrying amount	**15 316**	**19 083**

The estimated market value (based on capitalised income value calculations) amounted to CHF 20.8 million in 2007 (CHF 25.6 million in 2006). The capitalised income value calculations were carried out by a suitably qualified expert who also undertakes valuations for the Valora Group's employee pension fund. Rental revenues from the investment properties amounted to CHF 2.2 million (CHF 2.7 million in 2006) and corresponding property expenses amounted to CHf 1.6 million (CHF 0.8 million in 2006). Properties with an aggregate value of CHF 2.4 million (CHF 2.5 million in 2006) were pledged to secure mortgages.

An industrial building in Germany was sold as planned during 2007. Sales of the former headquarters of Valora Trade Switzerland in Burgdorf and another industrial building in Germany were completed according to plan during the 3rd quarter of 2006. Following these sales, impairments totalling CHF 0.5 million made in the first half of 2006 were reserved.

18 Goodwill, software and other intangible assets

At cost in CHF 000	Goodwill from acqui-sitions	Software and other intangible assets	Projects in progress	Total
Balance at January 1, 2006	**120 081**	**88 187**	**0**	**208 268**
Additions	0	9 896	1 469	11 365
Disposals	0	– 1 608	0	– 1 608
Reclassifications	0	341	395	[1] 736
Translation adjustments	161	1 411	9	1 581
Balance at December 31, 2006	**120 242**	**98 227**	**1 873**	**220 342**
Of which from discontinued operations	– 30 639	– 1 319	0	– 31 958
Additions	0	11 493	3 261	14 754
Disposals	0	– 28 938	0	– 28 938
Reclassifications	0	115	– 115	0
Translation adjustments	154	1 395	16	1 565
Balance at December 31, 2007	**89 757**	**80 973**	**5 035**	**175 765**
Accumulated amortisation				
Balance at January 1, 2006	**0**	**– 52 603**	**0**	**– 52 603**
Additions	0	– 8 412	0	– 8 412
Impairments	0	– 248	0	– 248
Disposals	0	1 346	0	1 346
Translation adjustments	0	– 580	0	– 580
Balance at December 31, 2006	**0**	**– 60 497**	**0**	**– 60 497**
Of which from discontinued operations	0	1 061	0	1 061
Additions	0	– 9 251	0	– 9 251
Impairments	0	– 684	0	– 684
Disposals	0	28 769	0	28 769
Translation adjustments	0	– 648	0	– 648
Balance at December 31, 2007	**0**	**– 41 250**	**0**	**– 41 250**
Book value				
At December 31, 2006	120 242	37 730	1 873	159 845
At December 31, 2007	**89 757**	**39 723**	**5 035**	**134 515**

[1] Reclassified from property, plant and equipment

Software and other intangible assets comprise CHF 18.5 million for software and CHF 21.2 million for other intangible assets, of which CHF 17.1 million relate to delivery rights recognised as assets in the books of the PGV Group.

Goodwill Impairment Test. Fair value is calculated on the basis of value-in-use. Valuations were based on the discounted value of estimated future free cash flows of cash generating units to which goodwill has been attributed. Cash flows for the next 3 years, drawn from the business plans approved by division management, are taken into account, after which a residual value is assumed. The discount rate applied is based on weighted average cost of capital calculations, and also takes currency-specific risks into account. Since the calculations use after-tax cash flows, the discount rates are also adjusted for tax.

Valora Trade Nordics. Goodwill amounting to CHF 16.3 million has been assigned to Valora Trade's Scandinavian business units. The key assumptions used are a discount rate of 8 % and the budgeted operating margin.

Valora Media Luxembourg - MPK. Goodwill amounting to CHF 43.3 million has been assigned to the Luxembourg press wholesale unit. The key assumptions here are a 8.5 % discount rate and the budgeted operating margin.

Valora Media Austria - PGV. Goodwill amounting to CHF 5.3 million has been assigned to the press wholesaling unit in Austria. The key assumptions used are a discount rate of 8.5% and the budgeted operating margin.

Valora Retail Switzerland. Goodwill amounting to CHF 12.8 million has been assigned to the k kiosk unit. The key assumptions here are a 7.0 % discount rate and the budgeted operating margin.

Impairment tests were also conducted for the other, smaller goodwill items.

No impairments to goodwill on continuing operations were charged to the income statements for 2007 or 2006. The impairment tests carried out show that if the discount rate applied were raised by 1.5 percentage points, all book values would still be below the resulting realisable values.

19 Receivables from real estate and finance leases

Future receivables from real estate leases		
in CHF 000	**2007**	2006
Rental payments received during period	2 378	2 745
Future rental receivables from current real estate leases		
Within one year	1 801	1 452
Within 1-2 years	1 429	1 253
Within 2-3 years	1 197	1 014
Within 3-4 years	1 146	787
Within 4-5 years	1 098	685
After more than 5 years	1 588	1 570
Total receivables from current real estate leases	**8 259**	**6 761**

Future receivables from finance leases		
in CHF 000	**2007**	2006
Payments received during period	599	62

Future receivables from current finance leases		
Within one year	604	599
Within 1-2 years	604	599
Within 2-3 years	604	599
Within 3-4 years	604	599
Within 4-5 years	604	599
After more than 5 years	6 133	6 678
Total future receivables from finance leases	**9 153**	**9 673**
minus future interest credits	– 2 931	– 3 186
Total future receivables from finance leases (present value)	**6 222**	**6 487**
minus current portion (see Note 15)	– 278	– 265
Non-current receivables from finance leases (see Note 20)	**5 944**	**6 222**

Present value of minimum future finance lease revenues		
in CHF 000	**2007**	2006
Within one year	587	580
Within 1-2 years	556	550
Within 2-3 years	526	522
Within 3-4 years	499	495
Within 4-5 years	473	470
After more than 5 years	3 581	3 870
Total present value of minimum future finance lease revenues	**6 222**	**6 487**

Valora Holding AG moved its headquarters in Berne during 2006. The finance leases cover extensions to the former headquarters made during the Valora tenancy, which the new tenant is using.

20 Financial assets

Non-current financial assets		
in CHF 000	**2007**	2006
Loans and receivables	18 842	3 782
Receivables from finance leases	5 944	6 222
Financial assets available for sale	1 563	1 598
Total financial assets	**26 349**	**11 602**

The financial assets available for sale include CHF 677 thousand (CHF 690 thousand in 2006) 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. Sales of such assets during 2007 resulted in a realised profit of CHF 6 thousand.

21 Investments in associates and joint ventures

Summary balance sheet of associates and joint ventures in CHF 000	**2007**	2006
Current assets	11 333	10 143
Non-current assets	40 539	36 627
Current liabilities	– 13 821	– 12 264
Non-current liabilities	– 6 654	– 7 385
= Equity	**31 397**	**27 121**

Summary income statement of associates and joint ventures in CHF 000	**2007**	2006
Net revenues	49 659	44 858
Operating profit	4 182	1 599
Net profit	**3 438**	**996**

Investments in associates and joint ventures comprise 50% of cevanova AG (Valora Retail), the operator of Avec outlets in Switzerland, 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).

22 Financial debt

Short-term financial debt in CHF 000	**2007**	2006
Current bank debt	3	1 039
Current portion of non-current bank debt	740	530
Current portion of finance lease obligations	965	629
Total short-term financial debt	**1 708**	**2 198**

Long-term financial debt in CHF 000	**2007**	2006
Bank loans	49 545	129 294
Mortgages	0	2 548
Bonds	138 650	138 373
Finance lease obligations	1 882	1 364
Other long-term debt	7 663	8 873
Total long-term financial debt	**197 740**	**280 452**

Bank loans relate solely to the syndicated credit facility totalling CHF 50 million taken out by Valora Holding AG, all of which is floating rate. An interest rate swap was entered into as a hedge for the floating interest payments and this has been designated as a cash flow hedge (see Note 29). Under the syndicated credit agreement, the Valora Group has covenanted to maintain its equity ratio and indebtedness within certain parameters during the life of the facility.

Bonds in CHF 000	Gross	Discount	2007 net	2006 net
2.875% bond 2005–2012	140 000	1 350	138 650	138 373

The effective yield on the bond is 3.1%.

Maturities at year end were as follows in CHF 000	2007	2006
Within one year	1 705	1 159
Within 1-2 years	3 264	9 628
Within 2-3 years	0	2 207
Within 3-4 years	0	658
Within 4-5 years	194 208	29 948
After more than 5 years	268	238 011
Total	**199 445**	**281 611**
Current portion of long-term financial debt	– 1 705	– 1 159
Total long-term financial debt	**197 740**	**280 452**

During 2007 a nominal total of CHF 80.0 million in outstanding syndicated credits were redeemed.

Interest rates ranged from 1.77% to 5.50%. The weighted average rate of interest on financial liabilities was 3.14% (3.25% in 2006).

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

in CHF 000	2007	2006
CHF	190 379	270 122
EUR	6 013	7 284
SEK	1 348	3 046
Total long-term financial debt	**197 740**	**280 452**

23 Trade accounts payable

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

in CHF 000	2007	2006
CHF	130 213	161 548
DKK	15 849	12 449
EUR	101 853	89 361
NOK	4 437	4 212
SEK	28 756	26 453
Other	746	1 825
Total trade accounts payable	**281 854**	**295 848**

24 Other current liabilities

in CHF 000	2007	2006
Value-added tax and other taxes owed	11 530	9 379
Social security contributions payable	3 497	3 231
Accruals for overtime and unused vacation	19 377	19 638
Pension cost payable	763	1 019
Warranties and similar current accruals	17	845
Accrued expenses	65 165	54 925
Miscellaneous current liabilities	19 955	27 290
Total other current liabilities	**120 304**	**116 327**

25 Provisions

in CHF 000	Guarantees	Litigation	Restructuring	Total
Balance at January 1, 2006	**7 685**	**5 514**	**19 911**	**33 110**
Utilised	– 520	– 29	– 10 046	– 10 595
Amounts released to income	– 1 015	– 1 506	– 4 849	– 7 370
Recognised	9 195	0	0	9 195
Fair value adjustment	231	197	0	428
Translation adjustments	0	52	54	106
Balance at December 31, 2006	**15 576**	**4 228**	**5 070**	**24 874**
Utilised	– 5 092	– 124	– 1 806	– 7 022
Amounts released to income	– 5 978	0	– 3 264	– 9 242
Fair value adjustment	244	205	0	449
Translation adjustments	0	3	0	3
Balance at December 31, 2007	**4 750**	**4 312**	**0**	**9 062**
Current provisions	250	0	0	250
Long-term provisions	4 500	4 312	0	8 812
Total provisions	**4 750**	**4 312**	**0**	**9 062**

Guarantees. These comprise contractual guarantees in connection with the Selecta IPO, the business units sold as part of the focusing strategy and the sale of Fotolabo. Changes in 2007: as part of the Fotolabo sale, guarantees totalling CHF 5.1 million were issued, the provisions for CHF 0.9 million of which have since been released to income. A re-assessment of the provisions in relation to the Selecta IPO showed these to be no longer necessary, with the result that CHF 5.1 million of provisions were released to income.

Litigation. Provisions totalling CHF 6.5 million were made in Germany in 2003 in connection with a fraud case and for pending litigation involving Valora Retail.

The last pending item of litigation for Valora Retail was resolved in 2007. This used up CHF 0.1 million of the provisions set aside. The litigation relating to the fraud case in Germany is however taking longer than originally foreseen and will probably be concluded after 2008.

Restructuring. In 2005 provisions totalling CHF 18.3 million were created to cover restructuring in the Swiss Retail, Media and books operations. CHF 15.3 million of these related to Valora Retail, CHF 0.7 million to Valora Media and CHF 2.3 million to Corporate.

This restructuring programme was completed according to plan during 2007. Of the CHF 1.8 million utilised in 2007, CHF 1.3 million related to the Retail division and CHF 0.5 million to Corporate. This left a remaining provision for Retail of CHF 3.3 million which was released to income.

26 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, 2007.

The assumptions used were based on the economic circumstances prevailing in the countries in which the plans operate. The plans' assets are invested according to the guidelines laid down by local legislation. Valora pays its contributions in accordance with the various plans' rules.

Plan liabilities and assets in CHF 000	2007	2006
Current present value of benefit obligation at January 1	651 327	568 599
Benefit entitlements earned by participants	34 506	31 289
Interest costs	19 739	17 249
Curtailments, redemptions and modifications to plans	0	2 933
Benefits paid out	– 36 865	– 34 132
Actuarial (gain) loss on benefit obligation	– 83 207	64 696
Exchange rate losses	15	693
Current present value of benefit obligation at December 31	**585 515**	**651 327**
Plan assets at market value at January 1	697 449	651 862
Expected net return on assets	32 070	29 975
Employer contributions	10 990	13 433
Employee contributions	10 768	10 597
Benefits paid out	– 36 686	– 33 753
Actuarial (loss) gain on plan assets	– 16 868	25 270
Exchange rate gains	63	65
Plan assets at market value at December 31	**697 786**	**697 449**

Changes in the discount rates applied and in assumptions about the proportion of retiring staff likely to elect lump sum options, as well as modifications in the number of plan participants, resulted in an actuarial gain on the liability side. The actuarial losses on the assets were the result of portfolio performance being below expectations.

During 2007, the Valora employer's financing foundation assumed costs of CHF 2.5 million in connection with early retirements and additional premium payments.

Balance sheet data in CHF 000	2007	2006
Present value of funded plan benefit obligations	– 574 095	– 640 556
Plan assets at market value	697 786	697 449
Surplus on funded plans	**123 691**	**56 893**
Present value of unfunded benefit obligations	– 11 420	– 10 771
Surplus not eligible for capitalisation under IAS 19.58	– 75 081	– 28 085
Unrecorded actuarial losses	7 372	26 632
Total surplus	**44 562**	**44 669**
of which capitalised as employer contribution surplus	54 574	54 574
of which capitalised as employer contribution liability	– 10 012	– 9 905

The surpluses on funded plans increased by CHF 66.8 million. This was principally due to the higher discount rate applied, which reduced the value of pension obligations.
The sale of Own Brands will mean that a small number of employees will leave the pension plan in Switzerland. The effect of this on the net pension asset will be modest.

Income statement in CHF 000	2007	2006
Actuarial pension costs	– 34 506	– 31 289
Interest costs	– 19 739	– 17 249
Expected net return on assets	32 070	29 975
Adjustment for IAS 19.58	46 735	– 28 779
Changes in unrecorded plan assets	– 46 996	25 582
Losses from plan curtailments, redemptions and modifications	0	– 2 933
Net pension cost for period	**– 22 436**	**– 24 693**
Employee contributions	10 768	10 926
Actuarial net pension costs	**– 11 668**	**– 13 767**

Key actuarial assumptions	2007	2006
Discount rate	3.25%	2.75%
Expected net return on plan assets	4.50%	4.50%
Expected rate of increase in future salary levels	2.00%	2.00%
Expected rate of increase of future pension levels	0.50%	0.50%

The calculations for the Swiss plans used the EVK2000 mortality table.

Asset allocation	2007	Expected long-term return	Expected contribution to aggregate return	2006
Cash and cash equivalents	5.10%	2.00%	0.10%	9.81%
Fixed income	24.80%	3.50%	0.87%	31.22%
Equity	40.50%	7.00%	2.84%	32.24%
Real estate	27.60%	4.50%	1.24%	24.87%
Other	2.00%	2.00%	0.04%	1.86%
Total	**100.00%**		**5.09%**	**100.00%**
Costs			– 0.59%	
Net return			**4.50%**	

The effective return generated in 2007 was 2.80% (6.64% in 2006). The pension plans hold no securities issued by Valora Holding AG and do not let any significant portion of their real estate to the Valora Group.

Surpluses in CHF 000	2007	2006	2005
Present value of funded pension liabilities	– 574 095	– 640 556	– 558 899
Pension assets at market prices	697 786	697 449	651 862
Funded pension plans' surpluses	**123 691**	**56 893**	**92 963**
Adjustments based on past experience			
Adjustments to pension plan liabilities based on past experience	43 277	– 42 648	1 613
Adjustments to pension plan liabilities based on modified assumptions	40 138	– 21 835	– 35 665
Adjustments to pension plan assets based on past experience	– 16 868	25 270	2 313
Actuarial gains (losses) on funded pension plans	**66 547**	**– 39 213**	**– 31 739**

27 Share based payments

Employees. The following share based schemes exist for management and non-management employees:

Board share ownership plan. Members of the Board of Directors are entitled to receive shares based on the year-on-year growth achieved in Valora earnings per share. Shares are allocated on a linear scale rising from zero to a fixed maximum amount, corresponding to a 10 % year-on-year increase in earnings per share. The value of the shares allocated - based on their market value on the day of allocation - can reach a maximum of 100% of the basic director's fee paid in cash. The shares may not be sold during the 5 years following their initial allocation, and a cash payment in lieu is not possible. Directors leaving the Board may keep shares already allocated to them, but remain bound by the lock-up period. Based on the 2007 results, no shares were awarded.

Group Executive share ownership plan. A new share based compensation agreement was established with members of Group Executive Management in 2006. Under this agreement, 40% of bonuses paid in respect of the years from 2006 to 2008 will be in the form of Valora shares. Shares are allocated on the basis of a share price of CHF 237 and the shares are subject to a 5-year lock-up period. In addition, provided growth targets for earnings per share in a given year are reached, participants in this plan will subsequently receive 30% of the number of shares allocated under the plan in prior years. Cash payment in lieu is not possible. Unconditionally allocated shares remain in the participants' possession upon cessation of employment, but the lock-up period continues to apply. A total of 2 229 shares were allocated in respect of 2007. The market price prevailing for the shares at the time of their allocation was CHF 270.25.

Management share ownership plan. Since 2003, higher management in Switzerland (except, with effect from 2006, members of Group Executive Management) has been entitled to participate, on a voluntary basis, in a share plan under which shares are allocated on the basis of the year-on-year growth achieved in Valora earnings per share. Managers electing to join the scheme must commit to remain in it for the next three years and to purchase shares with a market value of CHF 6 000 for cash each year. Additional shares are then awarded on a linear scale from zero to a fixed maximum amount - corresponding to a 10% year-on-year increase in earnings per share. Participants may earn a maximum of 50 shares each year. Neither the purchased nor the awarded shares may be sold during the 5 years immediately following their acquisition and a cash payment in lieu is not possible. Allocated shares remain in the employee's possession upon cessation of employment, but the lock-up period continues to apply. Based on the 2007 results, no shares were allocated.

Employee share ownership plan. Provided specific criteria are fulfilled and based on their function or management position, employees in Switzerland are entitled to acquire shares at the beginning of each year on preferential terms. Shares may be purchased at 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 5 years immediately following purchase. The proceeds of these share sales to employees are credited directly to shareholders' equity.

Suppliers. In 2007, 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.

Share based payment expense in CHF 000	**2007**	2006
Employee and executive share ownership plans reported as personnel expense (see Note 5)	1 947	4 425
Total share-based payment expense	**1 947**	**4 425**

28 Contingencies and commitments

Contingent liabilities in CHF 000	**2007**	2006
Sureties	344	516
Other contingent liabilities	662	695
Total contingent liabilities	**1 006**	**1 211**

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

Commitments in CHF 000	**2007**	2006
Long-term rental commitments	285 904	237 286
Operating lease commitments	10 641	13 444
Finance lease commitments	3 000	2 126
Total commitments	**299 545**	**252 856**

Long-term rental commitments in CHF 000	2007	2006
Minimum rental expense in period	39 287	54 010
Conditional rental expense in period	74 135	57 479
Total rental expense in period	**113 422**	**111 489**
Leases maturing		
Within one year	62 855	53 277
Within 1-2 years	52 876	49 514
Within 2-3 years	47 882	38 550
Within 3-4 years	33 360	35 161
Within 4-5 years	30 677	18 656
After more than 5 years	58 254	42 128
Total long-term rental commitments	**285 904**	**237 286**

Long-term rental commitments serve primarily to secure kiosk locations for the long term.

Operating lease commitments in CHF 000	2007	2006
Total expenses for operating leases in period	4 776	5 788
Leases maturing		
Within one year	4 711	5 801
Within 1-2 years	3 026	4 233
Within 2-3 years	1 728	2 274
Within 3-4 years	845	949
Within 4-5 years	331	172
After more than 5 years	0	15
Total operating lease commitments	**10 641**	**13 444**

Finance lease commitments in CHF 000	2007	2006
Total expenses for finance leases in period	943	586

Leases maturing		
Within one year	1 566	1 119
Within 1-2 years	1 100	922
Within 2-3 years	310	59
Within 3-4 years	24	26
Within 4-5 years	0	0
Total financial lease commitments	**3 000**	**2 126**
Less future interest charges	– 153	– 133
Total finance lease obligation (present value)	**2 847**	**1 993**
Less current portion of finance lease obligation (see Note 22)	– 965	– 629
Long-term finance lease obligation (see Note 22)	**1 882**	**1 364**

Present value of future minimum payments under finance leases		
in CHF 000	**2007**	2006
Within one year	1 477	1 051
Within 1-2 years	1 044	866
Within 2-3 years	302	53
Within 3-4 years	24	23
Total present value of future minimum finance lease payments	**2 847**	**1 993**

29 Financial 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.

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, from the exports made by its production companies 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) 2007	**Impact on 2007 pre-tax earnings**	**Impact on 2007 shareholders' equity**	Hypothetical change (in percent) 2006	Impact on 2006 pre-tax earnings	Impact on 2006 shareholders' equity
CHF / DKK	+/– 3.6%	+/– 818	+/– 0	+/– 2.6%	+/– 568	+/– 0
CHF / EUR	+/– 3.7%	+/– 451	+/– 4 773	+/– 2.6%	+/– 279	+/– 4 056
CHF / NOK	+/– 7.3%	+/– 24	+/– 1 108	+/– 6.2%	+/– 4	+/– 935
CHF / SEK	+/– 6.9%	+/– 206	+/– 6 322	+/– 4.8%	+/– 183	+/– 4 545

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 credits 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 credit (see Note 22).

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) 2007	**Impact on 2007 pre-tax earnings**	**Impact on 2007 shareholders' equity**	Hypothetical change (in basis points) 2006	Impact on 2006 pre-tax earnings	Impact on 2006 shareholders' equity
CHF	+/– 20	+/– 35	+/– 330	+/– 50	–/+ 27	+/– 955
DKK	+/– 40	+/– 67	+/– 0	+/– 10	+/– 7	+/– 0
EUR	+/– 60	+/– 318	+/– 0	+/– 10	+/– 50	+/– 0
NOK	+/– 40	+/– 23	+/– 0	+/– 70	+/– 26	+/– 0
SEK	+/– 30	+/– 85	+/– 0	+/– 40	+/– 131	+/– 0

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. 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, 2007					
Short-term financial liabilities	62	198	1 553	0	0
Interest rate swaps	0	211	628	3 348	836
Trade accounts payable	213 671	67 984	199	0	0
Other short-term financial liabilities	95 803	13 836	10 665	0	0
Long-term financial liabilities	129	485	7 403	220 159	1 382
Total	**309 665**	**82 714**	**20 448**	**223 507**	**2 218**
at December 31, 2006					
Short-term financial liabilities	109	392	1 883	0	0
Interest rate swaps	0	148	439	2 348	1 175
Trade accounts payable	232 304	63 411	133	0	0
Other short-term financial liabilities	89 337	16 111	10 879	0	0
Long-term financial liabilities	83	1 066	8 896	71 689	248 328
Total	**321 833**	**81 128**	**22 230**	**74 037**	**249 503**

The Valora Group has at its disposal a variety of committed and committed credit lines whose purpose is to enable it to manage its liquidity position smoothly 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

2007 and year end 2006, the Valora Group had no accounts receivable from individual customers which accounted for more than 8.0% of its total accounts receivable.

The maximum default risk on the Group's financial assets is the book value of the instruments concerned.

The Valora Group works with a number of selected, first-class core banks. Corporate Treasury co-ordinates both the Group's banking relationships and its information policy vis-à-vis its core banks. The establishment of new banking relationships and the termination of existing ones takes place in consultation with Corporate Treasury.

Tools for hedging and risk management. The Valora Group enters into interest rate swaps in order to hedge the Group's interest rate exposure. Risk positions arising from existing asset and liability items, as well as those arising from future commitments, are 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 2007 or 2006, or by the use of standard pricing models.

Derivative financial instruments in CHF 000	**2007 contract value**	2006 contract value	**2007 replacement value**	2006 replacement value
Interest rate instruments				
Swaps	30 000	30 000	205	– 515
Currency instruments				
Forward contracts	10 370	14 177	81	– 104
Total derivative financial instruments	**40 370**	**44 177**	**286**	**– 619**

Derivative financial instruments maturing in CHF 000	**2007**	2006
Within one year	10 370	14 177
Within 1-2 years	0	0
Within 2-3 years	0	0
Within 3-4 years	0	0
Within 4-5 years	0	0
After more than 5 years	30 000	30 000
Total derivative financial instruments	**40 370**	**44 177**

Market value of cash flow hedges		
in CHF 000	**2007**	2006
Contracts with positive (negative) replacement value		
Interest rate swaps	**205**	**– 515**

The interest rate swap designated as a cash flow hedge serves to hedge part of the floating rate payments on Valora Holding AG's syndicated loan facility. The hedged interest payments are payable quarterly and mature in 2013.

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). Calculation of equity cover does not take account of any of the changes to shareholders' equity shown in the statement of changes in equity on page 48. The Group's capital and equity cover are shown in the table below:

in CHF 000	**2007**	2006
Equity attributable to shareholders of Valora Holding AG	584 516	557 933
Equity attributable to minority interests	3 424	2 923
Total shareholders' equity	**587 940**	**560 856**
Equity ratio	**45.0%**	**42.3%**

The Valora Group is not subject to any regulatory capital requirements of the type prevalent in the financial services industry.

30 Financial instruments

Book values, fair values and valuation categories in CHF 000	Valuation category	**2007** **book value**	2006 book value	**2007** **fair value**	2006 fair value
Assets					
Cash and cash equivalents	LaR	153 426	222 100	153 426	222 100
Derivatives not designated as hedges	FAHfT	81	0	81	0
Derivatives designated as hedges	n/a	205	0	205	0
Trade accounts receivable	LaR	164 499	168 402	164 499	168 402
Other short-term receivables	LaR	43 802	47 092	43 802	47 092
Long-term interest-bearing investments	LaR	24 786	10 004	24 786	10 004
Financial assets available for sale valued at cost	AfS	677	690	n/a	n/a
Financial assets available for sale valued at fair value	AfS	886	908	886	908
Liabilities					
Short-term financial liabilities	FLAC	1 708	2 198	1 708	2 198
Derivatives not designated as hedges	FLHfT	0	104	0	104
Derivatives designated as hedges	n/a	0	515	0	515
Trade accounts payable	FLAC	281 854	295 848	281 854	295 848
Other short-term liabilities	FLAC	120 304	116 327	120 304	116 327
Long-term financial liabilities	FLAC	197 740	280 452	190 192	280 783
Classified by category					
Loans and receivables (LaR)		386 513	447 598	386 513	447 598
Financial assets held for trading (FAHfT)		81	0	81	0
Financial assets available for sale (AfS)		1 563	1 598	n/a	n/a
Financial liabilities at cost (FLAC)		601 606	694 825	594 058	695 156
Financial liabilities held for trading (FLHfT)		0	104	0	104

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 1, 20 and 29. 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.

31 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 34.

Transactions. Business was transacted with related individuals and companies as follows:

Goods and services sold to related parties		
in CHF 000	**2007**	2006
Goods sold to		
Joint ventures in which Valora is a partner	191	159
Services to		
Associates	278	0
Total goods and services sold	**469**	**159**

Goods and services purchased from related parties		
in CHF 000	**2007**	2006
Goods purchased from		
Associates	0	266
Services purchased from		
Other related parties	174	64
Total goods and services purchased	**174**	**330**

Leasing payments to related parties		
in CHF 000	**2007**	2006
Other related parties	3 348	3 261
Total leasing payments	**3 348**	**3 261**

The leasing payments to subsidiaries shown here relate to rental payments for the business premises of a subsidiary in Luxembourg.

Leasing payments from related parties		
in CHF 000	**2007**	2006
Pension plan foundation and other related companies	167	0
Total leasing payments	**167**	**0**

Management and board compensation. Compensation 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 compensation in CHF 000	2007	2006
Salaries and other short-term benefits [1]	5 898	5 513
Post-employment benefits	289	258
Termination benefits [2]	0	274
Share-based payments	660	2 012
Total management and Board compensation [3]	**6 847**	**8 057**

[1] Including vehicle costs paid by the employer.
[2] If a member of Group Executive Management leaves the Group, the Nomination and Compensation Committee decides on any leaving settlement.
[3] Board member Paul-Bernhard Kallen elected not to receive his Director's fee. Valora Holding AG transferred an equivalent amount to a charitable foundation. The amount thus donated is not included in the total management and Board compensation figure shown here.

Details of emoluments 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 663b bis 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 not 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	2007	2006
Gross receivables from joint ventures	56	5
Impairments	0	0
Total receivables	**56**	**5**

Loans. The cevanova AG joint venture has a relatively high level of loan financing given its equity base. These loans are therefore regarded as equity from an economic point of view and the Group's proportionate investment is recorded accordingly. The table below shows year-end balances and movements in these loans over the period, broken down by contract type.

Loans to related parties in CHF 000	2007	2006
Nominal loans to joint ventures on January 1	**10 000**	**10 000**
Loans granted to joint ventures	0	0
Nominal loans on December 31	**10 000**	**10 000**
Impairments on January 1	**– 1 539**	**– 1 152**
Valuation increases/(Increased impairments)	874	– 387
Total impairments	**– 665**	**– 1 539**
Loans to joint ventures, net	**9 335**	**8 461**

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

32 Equity

Shares outstanding in number of shares	2007	2006
Total registered shares	3 300 000	3 300 000
of which treasury stock		
Position at January 1	106 791	109 221
Share-based plans for employees and management	– 16 852	– 7 958
Market sales	– 9 582	0
Buy-back programme for employee share plan	0	5 528
Purchases in market	26 700	0
Total treasury stock	**107 057**	**106 791**
Total shares outstanding	**3 192 943**	**3 193 209**
Average number of shares outstanding	**3 201 312**	**3 197 186**

A dividend of CHF 9.00 per share was paid in 2007 (CHF 9.00 per share was paid in 2006). Dividend distributions are based on net income for the year and earnings carried forward by the Valora Holding AG parent company.
As part of the employee share plan 7 661 shares of treasury stock were sold to employees.

Since the capital reduction in 2005, the share capital has consisted of 3 300 000 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, 2007.

33 Subsequent events

On January 30, 2008 an extraordinary general meeting of shareholders was held in Berne. The election of new Board members was the sole agenda item. The meeting elected Messrs. Conrad Löffel, Roland Benedick and Markus Fiechter. The newly constituted Board of Directors held its first meeting immediately following the general meeting and elected Rolando Benedick as its new Chairman.

The Group's consolidated financial statements were approved by the Board of Directors of Valora Holding AG on March 18, 2008. The Board of Directors recommends that the general meeting to be held on April 29, 2008 approve the Group financial statements and approve the payment of a dividend of CHF 9.00 per share from the profits of Valora Holding AG available for distribution. 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 Group financial statements back for modification.

34 Significant subsidiaries of the Valora Group

Switzerland in CHF 000	Currency	Nominal capital in million	Share-holding in %	Corporate	Valora Retail	Valora Media	Valora Trade	discon-tinued opera-tions
Valora Management AG, Berne	CHF	0.5	100.0	■				
Valora Finanz AG, Baar	CHF	0.2	100.0	■				
Valora Investment AG, Berne	CHF	0.3	100.0	■				
Ravita AG, Baar	CHF	0.1	100.0		■			
Merkur AG, Berne	CHF	20.0	100.0	■				
Valora AG, Muttenz	CHF	29.4	100.0		■	■	■	
Melisa SA, Lugano	CHF	0.4	100.0			■		
Kägi Söhne AG, Lichtensteig	CHF	4.0	100.0					■
Roland Murten AG, Murten	CHF	22.5	100.0					■
cevanova AG, Berne	CHF	6.0	50.0		■			
France								
Cansimag France SA, St-Amarin	EUR	0.6	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, Munich	EUR	0.1	100.0		■			
BHG Bahnhofs-Handels GmbH, Berlin	EUR	0.5	100.0		■			
HD Presse&Buch GmbH, Hamburg	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		■			
Valora Trade Germany GmbH, Mülheim a.d.Ruhr	EUR	0.2	68.0				■	
Benelux								
Messageries Paul Kraus Shop S.à.r.l., Luxembourg	EUR	3.0	100.0		■			
Messageries Paul Kraus S.à.r.l., Luxembourg	EUR	3.0	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 in CHF 000	Currency	Nominal capital in million	Share-holding in %	Corporate	Valora Retail	Valora Media	Valora Trade	discon-tinued opera-tions
Valora Holding Finance Ltd, Guernsey	CHF	573.9	100.0	■				
Valora Treasury Center Ltd, Guernsey	CHF	0.5	100.0	■				
Austria								
Valora Holding Austria AG, Anif	EUR	1.1	100.0	■				
Valora Trade Austria GmbH + Co. KG, Neunkirchen	EUR	3.6	100.0				■	
Plagemann Lebensmittel GmbH + Co. KG, Neunkirchen	EUR	0.1	100.0				■	
Pressegrossvertrieb Salzburg GmbH, Anif	EUR	0.7	100.0			■		
Sweden								
Valora Holding Sweden AB, Stockholm	SEK	0.5	100.0	■				
Gillebagaren AB, Oerkelljunga	SEK	0.6	100.0					■
Valora Trade Sweden AB, Stockholm	SEK	12.0	100.0				■	
Norway								
Valora Holding Norway AS, Royken	NOK	0.1	100.0	■				
Valora Trade Norway AS, Royken	NOK	5.7	100.0				■	
Sørlandschips AS, Royken	NOK	3.7	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 group auditors

As auditors of the group, we have audited the consolidated financial statements (income statement, balance sheet, cash flow statement, statement of changes in equity and notes, pages 43 to 95) of the Valora Group for the year ended December 2007.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession and with the International Standards on Auditing, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Hanspeter Gerber Moritz Oberli
Lead Auditor

Berne, March 18, 2008

Income statement

January 1 to December 31, in CHF 000	**2007**	2006
Income		
Dividend income	31 100	31 600
Interest income	1 264	1 605
Foreign exchange gains	735	670
Income from securities	1 528	0
Income from royalties	15 016	10 510
Other income	26	0
Total income	**49 669**	**44 385**
Expense		
Interest expense	– 11 720	– 11 523
Foreign exchange losses	– 676	– 639
Losses on securities	0	– 429
Write-down on majority shareholdings	– 5 000	0
General administration expense	– 6 000	– 4 255
Total expense	**– 23 396**	**– 16 846**
Net profit for the year	**26 273**	**27 539**

Balance sheet before appropriation of available retained earnings

Assets **at December 31,** in CHF 000		**2007**	2006
Current assets			
Cash and cash equivalents		3 609	1 060
Securities		27 033	27 205
Prepayments	from third parties	0	2
Short-term receivables	from third parties	156	238
	from Group companies	3 322	1 578
Loans, receivables and advances made to Group companies		0	108
Total current assets		**34 120**	**30 191**
Non-current assets			
Investments		608 875	613 525
Loans and receivables from Group companies		22 210	21 559
Discounts and capitalised issuance cost on bonds issued		1 274	1 557
Brands		111 025	111 025
Total non-current assets		**743 384**	**747 666**
Total assets		**777 504**	**777 857**

Liabilities and equity

at December 31, in CHF 000		**2007**	2006
Liabilities			
Short-term bank debt/overdrafts		50 106	0
Current liabilities	towards third parties	1 273	665
	towards Group companies	844	0
Accrued expenses	towards third parties	2 701	3 177
Loans payable to Group companies		77 380	46 729
Syndicated credit loans		50 000	130 000
Bonds payable		140 000	140 000
Accrued liabilities		56 002	55 553
Total liabilities		**378 306**	**376 124**
Equity			
Share capital		3 300	3 300
Legal reserves	General reserves	140 664	140 664
	Reserve for treasury stock	28 999	29 725
Unrestricted reserves		129 659	128 933
Earnings available for distribution	Earnings brought forward	70 303	71 572
	Net profit for the year	26 273	27 539
Total equity		**399 198**	**401 733**
Total liabilities and equity		**777 504**	**777 857**

Notes to the financial statements

A Basis of Presentation

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

B Notes

1 Contingent liabilities. At December 31, 2007 the Group's contingent liabilities, consisting of sureties, subordination and keep well agreements, guarantees and other contingent liabilities in favour of subsidiaries totalled CHF 149.6 million, vs CHF 138.7 million at year-end 2006. None of these contingent liabilities covered obligations by third parties.

2 Bonds outstanding

in CHF 000	Coupon	Maturity	At 31.12.2007	At 31.12.2006
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	Number of shares 2007	Net book value 2007	Number of shares 2006	Net book value 2006
Opening balance (at January 1)	**106 791**	**27 205**	**109 221**	**27 824**
Disposals				
Employee/executive share ownership plans	– 16 852	– 4 293	– 7 958	– 2 031
Stock market purchases and sales				
Sales	– 9 582	– 2 441	0	0
Value adjustments	–	0	–	– 429
Purchases	26 700	6 544	5 528	1 841
Closing balance (at December 31)	**107 057**	**27 015**	**106 791**	**27 205**

These purchases were made at prevailing market prices ranging from CHF 215.00 to CHF 288.00.

4 Net release of hidden reserves. There were no net releases of hidden reserves in the 2007 or 2006 financial years.

5 Compensation and shareholdings

Compensation

in CHF 000		Profit sharing: Cash payments [2]		Profit sharing: Board share plan		Profit sharing: Group Executive share plan						
	Director's fee/ base salary	**Regular bonus**	**Special bonus**	**No. of shares** allocated	**Value of shares**[3]	**No. of shares** allocated	**Value of shares**[4]	**Emolument in kind**	**Termination payments**	**Other compensation** [5]	**Total 2007**	**Total 2006**
Board of Directors [1]												
Beatrice Tschanz Kramel Chairwoman from Nov. 30, 2007. Also chairs Nomination and Compensation Committee.	120.0	–	–	0	0.0	–	–	0.0	0.0	15.2	**135.2**	**223.4**
Werner Kuster Vice-Chairman	100.0	–	–	0	0.0	–	–	0.0	0.0	8.6	**108.6**	**144.5**
Andreas Gubler Chairman of Audit Committee	110.0	–	–	0	0.0	–	–	0.0	0.0	14.0	**124.0**	**194.2**
Franz Julen Board member since 2007 AGM	100.0	–	–	0	0.0	–	–	0.0	0.0	12.7	**112.7**	–
Paul-Bernhard Kallen [7] Board member since 2007 AGM	0.0	–	–	0	0.0	–	–	0.0	0.0	0.0	**0.0**	–
Felix Weber Board member	110.0	–	–	0	0.0	–	–	0.0	0.0	14.0	**124.0**	**235.0**
Fritz Ammann Chairman till Nov. 30, 2007	175.0	–	–	0	0.0	–	–	0.0	0.0	21.4	**196.4**	**473.3**
Peter Küpfer Board member until 2007 AGM	0.0	–	–	0	0.0	–	–	0.0	0.0	0.0	**0.0**	**68.7**
Total Board compensation[7]	**715.0**	–	–	**0**	**0.0**	–	–	**0.0**	**0.0**	**85.9**	**800.9**	**1 339.1**
Group Management												
Peter Wüst, CEO and interim Head of Valora Retail division	600.0	261.0	225.0	–	–	735	198.6	50.1	0.0	219.8	1 554.5	1 983.9
Total for Group Management incl. CEO [6]	**2 666.7**	**871.3**	**881.2**	–	–	**2 229**	**602.4**	**222.6**	**0.0**	**802.1**	**6 046.3**	**6 717.4**

[1] Functions of Board members at December 31, 2007
[2] The amounts shown in the table represent the effective expenses booked for the 2007 (or 2006) financial year in relation to bonuses which will be paid in April 2008 (or were paid in April 2007). The regular bonus relates to reported financial results and the 2006 - 2008 bonus plan. The Nomination and Compensation Committee decided to award a special cash bonus in respect of 2007.
[3] Under IFRS 2 the market value of the shares at the time they were granted was CHF 351.75 per share. The shares are subject to a 5-year lock-up period. Based on 2007 results, no shares were awarded. Details of the Board of Directors' share ownership programme can be found in Note 27 to the consolidated financial statements.
[4] Under IFRS 2 the market value of the shares at the time they were granted was CHF 270.25 per share. The shares are subject to a 5-year lock-up period. Details of the Group Executive share ownership programme can be found in Note 27 to the consolidated financial statements.
[5] These amounts constitute payments made to pension plans and other benefit schemes as well as the discount granted by the employer as part of the employee share ownership programme.
[6] These amounts comprise compensation paid in respect of 2007 and ongoing compensation payments to Directors leaving the Board (these payments being in accordance with the relevant employment contracts).
[7] Board Director Paul-Bernhard Kallen elected not to receive his Director's fee. Valora Holding AG donated an equivalent amount to a charitable foundation. The amount donated is not included in the total Board compensation shown here.

No compensation was paid to former members of the Board of Directors or Group Executive Management. No compensation not corresponding to customary market practice was paid to current or former members of the Board of Directors or to persons associated with Group Executive Management. Compensation paid to Board members is charged directly to Valora Holding AG. Compensation paid to members of Group Executive Management is paid by their employer, Valora Management AG.

Loans and advances. At December 31, 2007 there were no loans or advances outstanding to members of the Board or of Group Executive Management or to persons associated with them.

Shareholdings. At December 31, 2007, individual members of the Board and Group Executive Management (including persons associated with them) held the following numbers of shares of Valora Holding AG:

	Number of shares	Share of total voting rights in %	of which subject to a lock-period till
Board of Directors [1]			
Beatrice Tschanz Kramel Chairwoman from Nov. 30 2007. Also chairs Nomination and Compensation Committee.	909	0.03	286: 27.04.2010 323: 25.04.2012
Werner Kuster Vice-Chairman	655	0.02	229: 27.04.2010 231: 25.04.2012
Andreas Gubler Chairman of Audit Committee	540	0.02	229: 27.04.2010 231: 25.04.2012
Franz Julen Board member	100	0.00	none
Paul-Bernhard Kallen Board member	2 500	0.08	none
Felix Weber Board member	324	0.01	323: 25.04.2012
Group Management			
Peter Wüst CEO and interim Head of Valora Retail division	3 286	0.10	63: 22.03.2010 1 200: 06.04.2010 29: 01.07.2011 120: 21.03.2012 1 874: 28.03.2012
Markus Voegeli CFO	1 869	0.06	190: 06.04.2010 180: 01.07.2011 120: 21.03.2012 1 249: 28.03.2012
Christian Schock Head of Valora Media division	436	0.01	436: 28.03.2012
Alex Minder Head of Valora Trade division	1 405	0.04	304: 06.04.2010 153: 01.07.2011 120: 21.03.2012 828: 28.03.2012
Ruedi Keller Head of Valora Management Services division	1 357	0.04	456: 06.04.2010 27: 01.07.2011 120: 21.03.2012 754: 28.03.2012

Total for Board and Group Management	**13 381**	**0.41**

[1] Board functions at December 31, 2007.

6 Significant shareholders. Valora Holding AG's articles of association state that no shareholder may hold more than 5% of its voting shares. At December 31, 2007, 5% of the outstanding shares equated to 165 000 registered shares. At December 31, the Pictet Group 1) held, through its subsidiaries a total of 219 211 registered shares of Valora Holding AG, which is equivalent to 6.64% of the votes, though the number of shares registered to vote represents only 5% of the outstanding voting shares.

In addition, on January 10, 2008, UBS Fund Management (Switzerland) Ltd, Basle held a total of 173 604 registered shares of Valora Holding AG, which is equivalent to 5.26% of the voting shares, though the number of shares registered to vote represents only 5% of the outstanding voting shares.

On December 31, 2006, Alpine Select AG held, either directly or via its subsidiary Sumara AG, a total of 5.73% of the registered shares of Valora Holding AG (corresponding to 189 048 shares), though the number of shares registered to vote represents only 5% of the outstanding voting shares.

1) Pictet Funds SA - Swiss Mid Small Cap, Geneva; The Alphanatics Funds Ltd, Grand Cayman; Pictet Funds (LUX) Sicav - Small Caps Europe, Luxembourg; Pictet Funds (Europe) - Pictet Funds (CH) - Swiss Equities, Geneva; Pictet Funds (LUX) Sicav - Pool Swiss Equities, Luxembourg; Pictet Funds SA - Pictet Institut. Swiss Equities, Geneva; Pictet Funds (LUX) Sicav - Continental European Equit., Luxembourg; Pictet Funds SA - Pictet Fund (CH) Enhanced, Geneva; Pictet Funds (LUX) Sicav - EAFE Pool Equities, Luxembourg; Pictet Funds SA - Swiss Market Tracker, Geneva; Pictet Funds (LUX) Sicav - EAFE Pool, Luxembourg; Pictet International Equity Fund, Wilmington; Pictet Funds SA - Institutional Swiss Equit. Tracker, Geneva; Pictet Funds SA - Swiss Equities Pool, Geneva; Pictet Funds SA - Subvenimus Institutional Fund, Geneva

7 Significant subsidiaries of Valora Holding AG

Switzerland	**31.12.2007** Holding in %	31.12.2006 Holding in %
Valora AG, Muttenz	100.0	100.0
Valora Management AG, Berne	100.0	100.0
Valora Investment AG, Berne	100.0	0
Merkur AG, Berne	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 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, 2007, none of these shares had been issued.

Proposed appropriation of earnings available for distribution

Proposal for the appropriation of earnings available for distribution

in CHF 000	**2007**	2006
Net profit for the year	**26 273**	**27 539**
+ Earnings brought forward	70 303	71 572
Earnings available for distribution	**96 576**	**99 111**
The Board of Directors proposes		
Payment of a dividend of CHF 9.00 per registered share entitled to dividend	– 28 801	– 28 808
Balance to be carried forward	**67 775**	**70 303**
Dividend distribution (in CHF)		
Gross dividend per share	9.00	9.00
– less 35% withholding tax	– 3.15	– 3.15
Net dividend per share (in CHF)	**5.85**	**5.85**

Report of the statutory auditors

Report of the statutory auditors to the General Meeting of Valora Holding AG, Berne

As statutory auditors, we have audited the accounting records and the financial statements (income statement, balance sheet and notes, pages 97 to 103) of Valora Holding AG for the year ended December 31, 2007.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records, the financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Hanspeter Gerber Moritz Oberli
Lead Auditor

Berne, March 18, 2008

Corporate governance report

1 Group structure and shareholders

1.1 Group structure. The operational structure of the Valora Group is presented on page 11.

1.1.1 Listed companies within the scope of consolidation. The only listed company within the Valora Group is Valora Holding AG, which is domiciled in Berne. The company is listed in the main segment of the SWX Swiss Exchange and on the BX Berne Exchange (Swiss securities number 208 897, Telekurs VALN, Reuters VALN.S, Bloomberg VALN.SW, ISIN CH 0002088976)). The company's market capitalisation for the last five years is presented on page 123.

1.1.2 Non-listed companies within the scope of consolidation. These companies are set out on pages 94 - 95, with the company name and domicile, total share capital and the percentage thereof held by Group companies.

1.2 Significant shareholders. Since January 1, 2007, the following significant shareholders reported their holdings in shares of Valora Holding AG as required by Article 20 of the Swiss Stock Exchange Act as follows:

On February 15, 2007, Bank Julius Bär & Co. Ltd, Zurich reported holding 165 353 registered shares, representing 5.01% of the outstanding share capital, subsequently reporting, on March 9, 2007, that its holdings had decreased below the 5% trigger level.

On July 16, 2007, Alpine Select AG, Zug reported that the aggregate number of registered shares jointly held by itself and its subsidiary Sumara AG, Zug had been reduced to less than 5% of Valora Holding AG's outstanding share capital on July 13, 2007.

On September 24, 2007, Deutsche Bank Ltd, Frankfurt reported that, at September 18, 2007, it held a total of 77 473 registered shares of Valora Holding AG as well as an aggregate long position of 5 610 500 call options and covered warrants on Valora Holding AG registered shares whose terms either required or permitted physical delivery of the underlying shares on exercise and that these instruments covered a further 92 593 registered shares. Deutsche Bank AG's aggregate position thus represented 5.15% of the company's outstanding voting shares. On October 11, 2007, Deutsche Bank Ltd, Frankfurt reported that it and its subsidiary DWS Investments Switzerland, Zurich, held a combined position amounting to 86 484 registered shares of Valora Holding AG and a further long position of 6 010 500 call options and covered warrants on Valora Holding AG registered shares whose terms either required or permitted physical delivery of the shares on exercise and that these instruments covered a further 100 592 shares. In aggregate, these holdings thus represented 5.67% of the outstanding voting shares of Valora Holding AG. On October 15, 2007, Deutsche Bank then reported that the aggregate position in Valora Holding AG registered shares held by it and its subsidiary, DWS Investments Switzerland, Zurich, had fallen below 5% of the outstanding share capital on October 10, 2007.

On October 18, 2007, a group of investors reported that, at October 15, 2007, it held a total of 363 291 registered shares of Valora Holding AG, equating to 11.01% of the outstanding voting shares. The group consisted of: a) GoldenPeaks Capital Management Ltd, Grand Cayman, as Investment Manager of GoldenPeaks Active Value Master Fund Ltd, b) Lombard Odier Darier Hentsch Fund Managers SA, Geneva, c) Pictet Funds SA, Geneva as

Administrators of Pictet (CH) - Swiss Equities and Pictet (CH) - Mid Small Cap, d) Pictet Funds (Lux) Absolute Return Global Diversified, Luxembourg, e) Pictet Funds (Lux) Small Cap Europe, Luxembourg, f) The Alphanatics Fund, Grand Cayman and g) 3V Asset Management AG, Zurich. The type of agreement was reported as non-binding and the person designated as representing all members of the group was Adriano Agosti, GoldenPeaks Capital Management Ltd, Grand Cayman.

On November 1, 2007, the following group members reported that on that date they held a total of 333 711 registered shares of Valora Holding AG, representing 10.11% of the outstanding voting shares: a) GoldenPeaks Capital Management Ltd, Grand Cayman, as Investment Manager of GoldenPeaks Active Value Master Fund Ltd, b) GoldenPeaks Capital Partners Ltd, Zug. c) Pictet Funds SA, Geneva as Administrators of Pictet (CH) - Swiss Equities and Pictet (CH) - Swiss Mid Small Cap, Pictet - Institutional Swiss Equities, Pictet (CH) Enhanced - Swiss Equities 130/130, d) Pictet Funds (Lux) - Absolute Return Global Diversified, Luxembourg, e) Pictet Funds (Lux) Small Cap Europe, Luxembourg, f) Pictet Funds (Lux) - Continental European Equities, Luxembourg, g) Pictet Funds (Europe) SA, Luxembourg - Pictet Strategy Fund - Global Strategy - (CHF), h) The Alphanatics Fund, George Town, Grand Cayman and i) 3V Asset Management AG, Zurich. The type of agreement was reported as non-binding and the person designated as representing all members of the group was Adriano Agosti, GoldenPeaks Capital Management Ltd, Grand Cayman. This November 1, 2007 report also stated that the composition of the group had changed as follows: Lombard Odier Darier Hentsch Fund Managers SA, Geneva had left the group, while GoldenPeaks Capital Partners Ltd, Zug, Pictet Funds (Lux) - Continental European Equities, Luxembourg and Pictet Funds (Europe) SA, Luxembourg had joined. On December 17, 2007, the above group reported its dissolution on that same date.

On December 4, 2007, Amber Capital LP, New York reported that in its capacity as Investment Manager of Amber Master Fund (Cayman), George Town, Grand Cayman - Amber Capital LP is mandated with the independent management of shares held by the beneficiary owner Amber Master Fund (Cayman) - reported that it held a total of 102 415 registered shares of Valora Holding AG, representing 3.10% of the outstanding voting shares.

On December 6, 2007, Richelieu Finance Gestion Privée, Société Anonyme, Paris reported that, at December 1, 2007, through its investment funds Richelieu Europe and Richelieu Evolution, it held a total of 134 000 registered shares of Valora Holding AG, representing 4.06% of the outstanding voting shares. On January 29, 2008, Richelieu Finance Gestion Privée reported that, as a result of sales by two public funds it manages, its aggregate holdings in Valora Holding AG registered shares at January 24, 2008, amounted to 97 628 shares, which equates to 2.96% of the outstanding voting shares.

On December 6, 2007, Lombard Odier Darier Hentsch Fund Managers SA (LODHFM), Geneva reported that, at December 3, 2007, it held a total of 132 092 registered shares of Valora Holding AG, representing 4.00% of the outstanding voting shares. These 132 092 shares were reported as being held as follows: 99 892 (or 3.03% of all voting shares) by LODH Swiss Cap (ex-SMI), 2 186 (or 0.07%) by LODH Opportunity Swiss Small and Mid Caps and 30 014 (or 0.91%) by IF IST2 - Actions Suisses Valeurs Complémentaires.

On January 28, 2008, Lombard Odier Darier Hentsch Fund Managers SA (LODHFM) reported that, at January 25, 2008, share sales had reduced the aggregate position held by its investment funds LODH Swiss Cap (ex-SMI) and LODH Opportunity Swiss Small and Mid Caps to 96 441 registered shares of Valora Holding AG, representing 2.92% of the outstanding voting shares.

Purchases of its own shares by Valora Holding AG resulted in its holding 107 057 shares of treasury stock at December 7, 2007, which equates to 3.24% of the company's outstanding voting shares.

On December 20, 2007, a group of investors acting in concert reported that, at December 17, 2007, they held a total of 147 916 registered shares of Valora Holding AG, representing 4.48% of the outstanding voting shares. The group comprised: a) GoldenPeaks Capital Management Ltd, Grand Cayman, as Investment Manager of GoldenPeaks Active Value Master Fund Ltd, and b) GoldenPeaks Capital Partners Ltd, Zug.

On January 14, 2008, UBS Fund Management (Switzerland) Ltd, Basle reported that at January 10, 2008 it held a total of 173 604 registered shares of Valora Holding AG, representing 5.26% of the outstanding voting shares.

On February 20, 2008, the State of New Jersey Common Pension Fund D, Trenton, NJ 08625 reported that, at December 1, 2007, it held a total of 150 000 registered shares of Valora Holding AG, representing 4.55% of the outstanding voting shares.

1.3 Cross-shareholdings. There are no cross-shareholdings with any other companies.

2 Capital structure

2.1 Capital structure at December 31, 2007. Ordinary capital of Valora Holding AG: CHF 3 300 000, comprising 3 300 000 registered shares each of CHF 1.00 nominal value. Conditional capital of Valora Holding AG: CHF 84 000, comprising 84 000 registered shares each of CHF 1.00 nominal value.

2.2 Conditional capital. Conditional capital amounting to a maximum of CHF 84 000, comprising 84 000 registered shares each of CHF 1.00 nominal value, 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, 2007.

2.3 Changes in capital structure. No changes in capital structure occurred during the years 2006 or 2007. Changes in capital structure which occurred in 2005 are reported on page 68 of the 2005 Financial Report.

The movements in the reserves and equity of Valora Holding AG are shown in the balance sheet (page 99) and in the notes to the annual financial statements of Valora Holding AG (page 100).

2.4 Shares, participation certificates and dividend-right certificates. All 3 300 000 registered shares have a nominal value of CHF 1.00 each and are fully paid up. Each share entitles its holder to a dividend, apart from the shares held as treasury stock by Valora Holding AG. There are no preferred rights.

Valora Holding AG has not issued any participation certificates or dividend-right certificates.

2.5 Convertible bonds and options. At December 31, 2007 Valora Holding AG did not have any convertible bonds or options outstanding.

2.6 Restrictions on share transferability and the registration of nominees. Details of these restrictions are set out in section 6.1 of this Corporate Governance Report.

3 Board of Directors

3.1 Members of the Board of Directors. Name, year of birth, nationality, education and professional background

3.1.1 Members of the Board of Directors at December 31, 2007.

Beatrice Tschanz Kramel, 1944, Swiss, Chairwoman, journalist, has held posts as head of corporate communications at Ringier AG, Jelmoli AG and SAir Group and as a Member of the Executive Committee of Centerpulse. Independent communications consultant since 2003.

Werner Kuster, 1941, Swiss, Deputy Chairman, doctorate in Engineering from the Swiss Federal Institute of Technology, has held CEO posts in retail with the Globus group and EPA. Independent management consultant since 2002.

Andreas Gubler, 1957, Swiss, doctorate in Law, attorney at law, LL. M., has actively practised in law offices in Berne, Zurich and Washington D.C. and with Ernst & Young, Former member of the Executive Committee of Asklia Holding. Partner in the law firm of Gubler Walther Leuch in Berne.

Franz Julen, 1958, Swiss, Swiss Federal diploma in hotel and restaurant management, has held posts as deputy director of MBD Sportmarketing, chairman of the management committee of Völkl International AG and COO of INTERSPORT International Corporation. CEO of INTERSPORT International Corporation since 2000.

Paul-Bernhard Kallen, 1957, German, doctorate in Political Economy, masters degree in Economics, former partner at McKinsey, has held various executive positions with the Hubert Burda Media Group, and has been a member of its management board since 1999.

Felix Weber, 1950, Swiss, doctorate in economics from the University of St. Gallen, has held posts as CEO of Alusuisse South Africa, partner with McKinsey & Co. Zurich and Executive Vice President and CFO of Adecco. Managing Director of Lehman Brothers (Europe), Zurich, since 2006.

Fritz Ammann stepped down as Chairman as of the end of November 2007, whereupon the Board of Directors elected Beatrice Tschanz Kramel to serve as interim Chairwoman. Felix Weber began a temporary leave of absence from his Board duties at the end of October 2007 in order to avoid any potential conflicts of interest.

No member of the Board of Directors has any management mandate within the Valora Group or any significant business relations to the Group.

3.1.2 Board members newly elected with effect from January 30, 2008.

An extraordinary general meeting of shareholders was held on January 30, 2008. Its sole agenda item was the election of new Board members. Following the extraordinary general meeting, the newly constituted Board of Directors held its first meeting, at which it elected Rolando Benedick as its new Chairman. Werner Kuster will remain Vice Chairman. The extraordinary general meeting elected the following new Board members:

Rolando Benedick, 1946, Swiss, has held posts as CEO of Innovazione and CEO of the Manor Group. Chairman of the Board of Directors of the Manor Group since 2000, Board member at Barry Callebaut, Jacobs Holding AG, MCH Messe Schweiz AG and Accarda AG.

Markus Fiechter, 1956, Swiss, masters degrees in Chemical Engineering from the Swiss Federal Institute of Technology and in Economics from the St. Gallen Business School, has previously held posts as a consultant with The Boston Consulting Group and as CEO of the Minibar group. CEO of Jacobs Holding AG since 2004, Board member at Barry Callebaut and Minibar AG.

Conrad Löffel, 1946, Swiss, Federally qualified Swiss auditor, has held posts as CFO of Intercontainer, CFO of Kuoni, CFO of Danzas and partner and member of the Board of Directors of Ernst & Young AG, Basle. Independent management consultant since 2006.

3.2 Other business activities and interests. A number of Board members engage in other business activities with major companies.

3.2.1 Membership of supervisory boards.

- Rolando Benedick: Chairman of the Board of Directors of the Manor Group, Board mem ber at Barry Callebaut, Jacobs Holding AG and MCH Messe Schweiz AG.
- Markus Fiechter: Chairman of the Board of Directors of Barry Callebaut and Minibar AG.
- Andreas Gubler: Chairman of the Board of Directors of Micro Value AG.
- Franz Julen: Vice Chairman of the Supervisory Board of the Union of Groups of Inde pendent Retailers of Europe (UGAL).
- Paul-Bernhard Kallen: Chairman of the Supervisory Board of Tomorrow Focus AG.
- Felix Weber: member of the Board of Directors of Syngenta AG, Vice-Chairman of the Board of Directors of Publigroupe AG.

3.2.2 Memberships of Executive Committees

- Markus Fiechter: CEO of Jacobs Holding AG, Zurich
- Franz Julen: CEO of INTERSPORT International Corporation, Berne
- Paul-Bernhard Kallen: member of the Management Board of the Hubert Burda Media Group, Munich
- Felix Weber: Managing Director of Lehman Brothers (Europe), Zurich

3.3 Elections and terms of office. The Board of Directors comprises at least three members. They are elected for a term of three years, after which they may be re-elected. To ensure rotation, the period of office as a Board member is limited: every member must retire at the latest after serving four full three-year terms. Members retire permanently from the Board on the date of the Annual General Meeting preceding their 70th birthday. This also applies to the Chairman of the Board. Any exceptions to the above are subject to the approval of the General Meeting. The election and re-election of Board members is staggered as much as possible.

Board members' terms of office:

	First elected	Current term ends
Rolando Benedick	2008	2011
Werner Kuster	2005	2008
Markus Fiechter	2008	2011
Andreas Gubler	1999	2008
Franz Julen	2007	2010
Paul-Bernhard Kallen	2007	2010
Conrad Löffel	2008	2011
Beatrice Tschanz Kramel	2000	2009
Felix Weber	2006	2009

3.4 Internal organisational structure and committees. There is no specific allocation of responsibilities among Board members. Board members are, however, selected so as to ensure that the Board as a whole has specific expertise in the finance, retail, media, publishing, franchising, trading, IT and legal fields.

Until the extraordinary general meeting of shareholders in January 2008, the composition of the Board committees was as follows:

- Audit Committee: Andreas Gubler (Chairman following Felix Weber's departure at the end of October, 2007), Franz Julen and Felix Weber (Chairman until the beginning of his leave of absence at the end of October, 2007).
- Nomination and Compensation Committee: Beatrice Tschanz Kramel (Chairwoman), Franz Julen (from the end of November, 2007) and Werner Kuster.

In addition, by virtue of their offices, Board Chairman Fritz Ammann was a member of the standing committees until the end of November, 2007, and Board Chairwoman Beatrice Tschanz Kramel was a member of them from the end of November, 2007.

Since the extraordinary general meeting of shareholders held on January 30, 2008 the composition of the Board committees has been as follows:

- Audit Committee: Conrad Löffel (Chairman), Andreas Gubler, Werner Kuster.
- Nomination and Compensation Committee: Franz Julen (Chairman), Markus Fiechter, Paul-Bernhard Kallen, Beatrice Tschanz Kramel.

By virtue of his office, Board Chairman Rolando Benedick is a member of the standing committees.

The duties of the Audit Committee are as follows:

a) To assess accounting practices and principles, financial control and financial planning on behalf of the Board of Directors.
b) To assess the risks to which the Valora Group is exposed on behalf of the Board of Directors.
c) To monitor the efficiency of management and information systems and other internal control mechanisms.
d) To define the mandates of the statutory and group auditors and monitor their work.
e) To appoint, commission and supervise the internal auditors and establish the annual auditing plan.
f) To conduct an annual discussion of the annual financial statements with the statutory and group auditors and with the internal auditors.
g) To assess the half-yearly and the annual financial statements of the Company and the Valora Group and the reports of the statutory and group auditors on behalf of the Board of Directors.
h) To assess the appropriateness of financial reporting on behalf of the Board of Directors.
i) To conduct a preliminary appraisal of the professional qualifications of specialised auditors on behalf of the Board of Directors.
k) To assess major modifications to the tax structure of the Valora Group on behalf of the Board of Directors.

For the duties specified in a), b), g), h), i) and k) above, the Audit Committee exercises a preparatory function. For the duties specified in c), d), e) and f) above, the Audit Committee exercises a decision-making function.

The duties of the Nomination and Compensation Committee are as follows:

a) To propose candidate new Board members to the Board of Directors.
b) To prepare proposals on the remuneration of the Chairman of the Board and the other Board members and submit these to the Board.
c) To prepare the appointment and dismissal of the individuals charged with conducting the business of Valora Holding AG, the Valora Group and its divisions (i.e. the CEO, the CFO and the other members of Group Executive Management) for submission to the Board of Directors.
d) To determine the salaries and other terms and conditions of employment for the CEO and the other members of Group Executive Management.
e) To prepare general salary increases (wage rounds) for submission to the Board of Directors.
f) To prepare management and employee share and option plans and results related bonus plans for submission to the Board of Directors.

For the duties specified in a), b), c), e) and f) above, the Nomination and Compensation Committee exercises a preparatory function. For the duties specified in d) above, the Nomination and Compensation Committee exercises a decision-making function.

In 2007, the Board of Directors held 14 meetings, of which seven were full-day and seven half-day sessions. A number of conference calls were also held. The Audit Committee held four half-day meetings, while the Nomination and Compensation Committee convened for eight half-day sessions. 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 were represented at all Audit Committee meetings.

3.5 Definition of areas of responsibility. The Board of Directors is responsible for approving corporate strategy and specifying the organisational structure, and bears overall responsibility for personnel matters. It establishes the guidelines for financial and investment policy, and approves long-term borrowings in excess of CHF 10 million, acquisitions and disposals of shareholdings and the purchase and sale of real estate whose transaction price exceeds CHF 2 million.

The CEO is responsible for the overall management of the Group. He coordinates the activities of the various divisions, chairs Group Executive Management and is the immediate superior of each Group Executive Management member. Group Executive Management is responsible for preparing all the Group's business activities which lie within the remit of the CEO or the Board of Directors. The heads of the divisions are responsible for managing their division with the aim of ensuring its profitable and sustainable development. They are also responsible for establishing the management tools required for their division in addition to those specified in the relevant Group-level guidelines.

3.6 Information and control tools of the Board of Directors. The Board of Directors is regularly provided, through the Valora Group's management information system, with monthly short-term income statements for the divisions and the Group, 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 on the overall course of business and operations and, with the approval of the Chairman of the Board, on specific business transactions. Any Board member may also demand that company books and files be made available for their inspection.

4 Group Executive Management

4.1 Members of Group Executive Management Name, year of birth, nationality, education and professional background

Peter Wüst, 1953, Swiss, graduate in business administration, has held senior management positions with Diethelm & Co. (international trading) and Jakob Rohner AG (textile trading), and as head of sales and marketing of the Nuance Group. From 1 March, 2003, Head of the Valora Sourcing & Marketing Division. CEO of the Valora Group since 11 June, 2003. Interim head of the Valora Retail division since August 27, 2007.

Markus Voegeli, 1961, Swiss, economics graduate, has held senior management positions in finance and controlling for Swissair in Switzerland, as CFO of the Nuance Group in Australia and Swissôtel Group in the US. CFO and then CEO of MediService AG, Zuchwil. CFO of the Valora Group since 15 August, 2004.

Christian Schock, 1954, Luxembourg, graduate in mechanical engineering, INSEAD MBA, has held various management positions at Reuters in Luxembourg and Germany, as Managing Director SES-Astra's multimedia subsidiary and as CEO of Messageries Paul Kraus, Luxembourg. Head of Valora Media division since 1 July, 2006

Alex Minder, 1957, Swiss, graduate in business administration, Executive MBA, has held senior management positions at Bally International Ltd and Impuls Saatchi & Saatchi, as Managing Director Cadbury Switzerland, and as a board member Cadbury Western Europe. Head of Valora Trade division since 1 May, 2004.

Ruedi Keller, 1951, Swiss, SIB diploma in financial controlling, IFKS higher business diploma, held various management positions at Swissair in and outside Switzerland, as head of business administration at the Swissair Training Center, and head of strategic business development at the Nuance Group. Head of the Valora Management Services division since 19 January, 2004.

Manfred Zipp, head of the Valora Retail division, left the company by mutual agreement on August 27, 2007. Ruedi Keller, head of the Valora Management Services division, left the company when the division was dissolved in March 2008.

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

4.2 Other major 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 permanent 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 Peter Wüst. Ruedi Keller is Chairman of the supervisory boards of the Valora pension fund, the Valora executive pension fund and the Valora employer's pension foundation, all of which have their registered offices in Berne.

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

5 Compensation, shareholdings and loans

5.1 Components of compensation and shareholding programmes and their determination

5.1.1 Board of Directors. A fixed director's fee is paid to each member of the Board of Directors. Additional emoluments are paid to the Chairman and the members of the Board Committees. A share scheme also exists which allocates shares on the basis of earnings per share growth versus the previous year. Only those Board members who were in office for one entire year, from AGM to AGM, are entitled to receive shares. Shares are allocated on a linear scale rising from zero to a fixed maximum amount, corresponding to a 10% year-on-year increase in earnings per share. The value of the shares allocated - based on their market value on the day of allocation - can reach a maximum of 100% of the basic Director's fee paid in cash. The shares may not be sold during the 5 years following their initial allocation, and a cash payment in lieu is not possible. No attendance fees are paid for meetings, though travel expenses are reimbursed. The full Board of Directors determines the level of directors' emoluments and reviews them on a regular basis.

5.1.2 Group Executive Management. Members of Group Executive Management receive an annual salary which comprises both a fixed and a variable portion, the latter constituting their ordinary bonus. The fixed and variable portions each represent 50% of target annual compensation. The compensation paid to members of the Group Executive Committee is reviewed periodically. The current compensation system was established in 2006. An independent external consultant carried out benchmark comparisons based on data for analogous economic sectors and job descriptions collected throughout Western Europe.

The variable compensation component is based on the following key figures (comparing final Group financial statements with budget targets): Group net income (40% weighting), EBITA of the market division managed by the member of Group Executive Management concerned, or return on invested capital for non-market divisions (30% weighting) and the extent to which specific personal objectives were reached (30% weighting). 40% of the variable portion of total compensation is paid in the form of Valora shares. Payment in shares is made on the basis of a share price of CHF 237. The shares may not be sold during the five years immediately following their initial allocation. In addition, provided an agreed target earnings per share growth of 3% is achieved in a given year, the next year a further 30% of the total number of shares granted under the scheme in prior years is allocated to members of Group Executive Management. A cash payment in lieu is not possible. Members of Group Executive Management are also eligible to buy shares on preferential terms as part of the employee share scheme. The number of shares which they can purchase under this scheme each year depends on the Valora Group's consolidated net income and is fixed at 1.8 shares per CHF 1 million of net income.

The Board of Directors' Nomination and Compensation Committee determines the level of total compensation paid and decides on the award of results-based bonuses. The Committee informs the Board of Directors of its decision at the next Board meeting. The Nomination and Compensation Committee has decided to pay a special cash bonus in respect of 2007.

Details of compensation paid to the Board of Directors and the Group Executive Committee 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 101.

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 which they are already shown as holding in the Share Register, 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. In such an event, the holder will be entered in the Share Register as a shareholder without voting rights for the portion of shares held in excess of this 5% threshold. For the determination of this limit, a group clause shall apply. 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 2007.

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, upon 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, upon subsequent inquiry, is found to have obtained the shares concerned 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 2007.

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.

6.2 Statutory quorums. As a rule, the General Meeting passes its resolutions and conducts its elections by a simple majority of the votes cast. Under Article 12 of the Articles of Incorporation (dated April 27, 2005), however, the following resolutions require a majority of two-thirds of the shares represented and an absolute majority of the nominal value 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. General Meetings are formally called at least 20 days in advance through corresponding 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.

6.4 Additional agenda items. Shareholders who represent shares with a total nominal value of CHF 100 000 or more 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 calendar days in advance of the General Meeting concerned.

6.5 Registrations in the share register. To attend the 2008 Annual General Meeting, a shareholder must submit their request for registration in the Share Register to the company by April 22, 2008.

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 changes of control. There are no change of control clauses in favour of any members of the Board or Directors, the Group Executive Committee or other members of management.

8 Auditors

8.1 Duration of the mandate and term of office of the lead auditor. PricewaterhouseCoopers AG assumed the audit mandate at the 1942 Annual General Meeting. The lead auditor, Hanspeter Gerber, took over the mandate from Andreas Baur in 2006, as provided for by PricewaterhouseCoopers rotation rules. These rotation rules also stipulate that the roles of both engagement manager and lead auditor may be carried out by the same persons for no longer than seven years.

8.2 Auditing fees. The total costs of the auditing conducted by PricewaterhouseCoopers AG in 2007 amounted to CHF 1.4 million.

8.3 Additional fees. During 2007, the auditors invoiced a total of CHF 0.2 million to Group companies for additional services.

8.4 Information instruments available to the external and internal auditors. The Board of Directors’ Audit Committee defines the audit mandates of the statutory and Group auditors and has the responsibility of ensuring appropriate controls are carried out. The internal audit mandate is carried out by Ernst & Young. 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. The external auditors submit to the Audit Committee both the report on the financial statements for the year just completed as well as an audit plan for the current financial year. The internal auditors submit the 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

The company holds an annual results media conference every year for the media and financial analysts. All shareholders receive, together with the invitation to the Annual General Meeting, a summary of the key figures from the Annual Report.
The company publishes a consolidated report (unaudited) on the first half-year at the end of August and distributes this to all shareholders. Telephone conferences are conducted if warranted by major developments or events.

Permanent sources of information:

- the www.valora.com website
- the Valora Group annual and half-year reports
- media releases

Media Relations: Stefania Misteli
Investor Relations: Stefan Knuchel

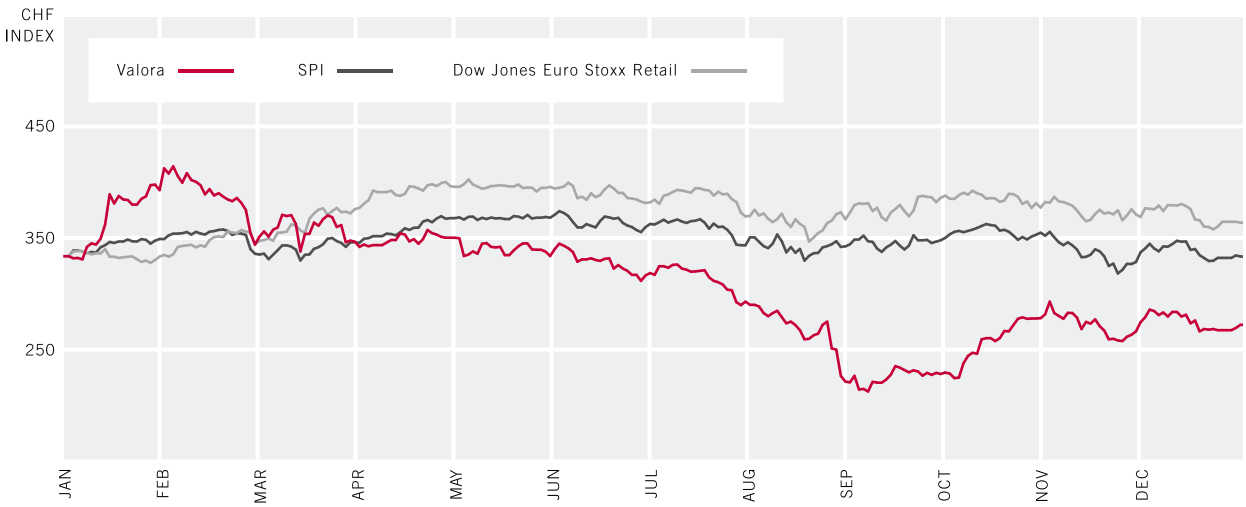
Valora shares

1 Share price trends

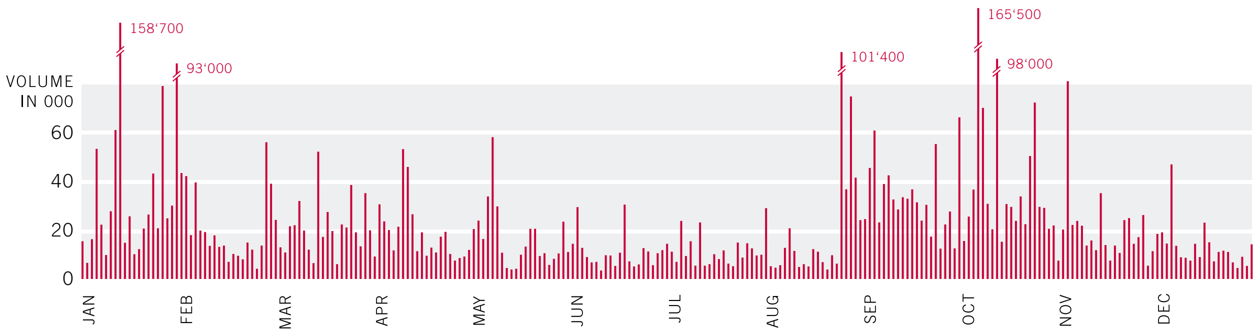
Valora shares underperformed the overall market during 2007. The shares started the year at CHF 338.50, before rising in response to speculative demand to reach a high for the year of CHF 416.00. The share price declined thereafter, closing at CHF 347.00, near its low for the day, when the 2006 full-year results were announced. A modest recovery to CHF 357.75 on April 23, 2007 was followed by lower prices in the wake of the general worsening of equity market valuations during the summer. Following the Group's announcement of an anticipated fall in first-half 2007 earnings on August 24, the share price slid to a low of CHF 239.00 before recovering to CHF 254.50 at the close that day. Interim 2007 results were reported on August 28 as was an assessment of the current business outlook and a description of new measures to improve future results. That day saw the shares tumble to an intra-day low of CHF 230.00. Subsequent weakness took the price to a low for the year of CHF 206.10 on September 4, retracing some of its losses that same day to close at CHF 218.60. Thereafter, the shares gained ground more or less continuously, principally driven by news that a group of investors acting in concert had assembled behind the Golden Peaks investment fund managed by Adriano Agosti. Valora shares closed the year at CHF 274.75.

The shares declined 18% during 2007, having risen 31% in 2006. This was well below the 2007 performance of the broad SPI index, which eased 1% on the year, having gained 21% in 2006.

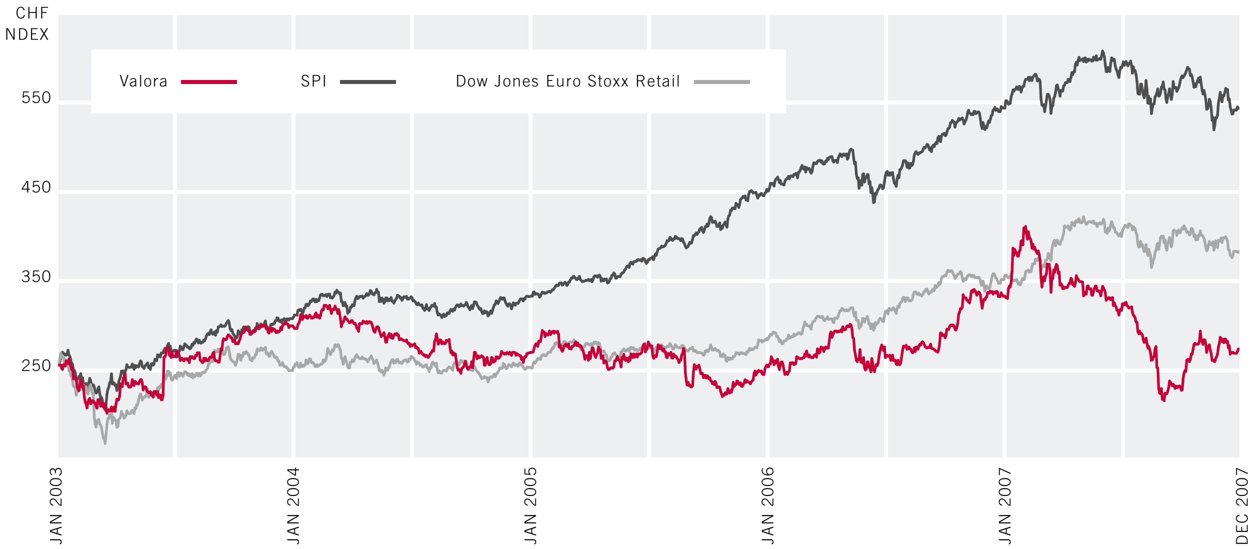
Valora share price trend 2007



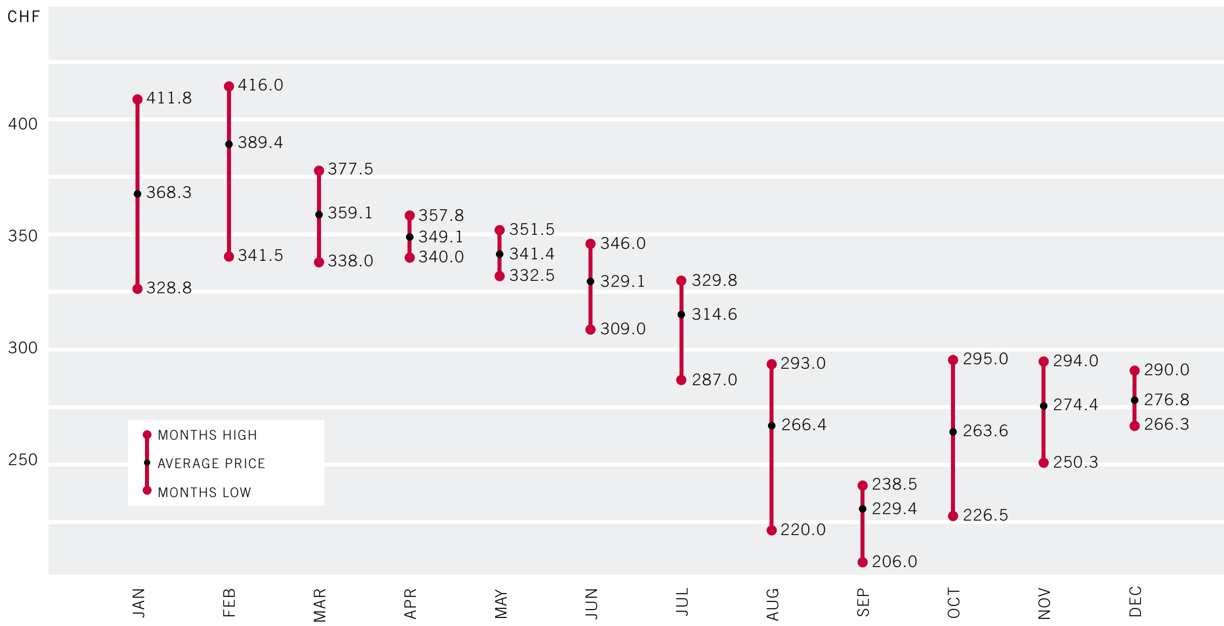
Valora share volume 2007



Valora share price trend 2003-2007



Month highs/lows in 2007



2 Shareholder returns

Share price		2007	2006	2005	2004	2003
Year end	CHF	274.75	334.75	254.75	280.00	308.00
Distributions to shareholders						
Dividends/Reimbursements of nominal value	CHF	[1] 9	9	9	[2] 9	9
Dividend yield	%	3.3	2.7	3.5	3.2	2.9
Annual returns						
excluding dividends	%	– 17.9	31.4	– 9.0	– 9.1	16.2
including dividends	%	– 15.2	34.9	– 5.8	– 6.2	19.6
Average return		2003-2007 5 Years	2003-2006 4 Years	2003-2005 3 Years	2003-2004 2 Years	2003 1 Year
excluding dividends	%	0.7	6.0	-1.3	2.8	16.2
including dividends	%	4.1	9.1	2.1	6.1	19.6

[1] Proposed
[2] Reimbursement of nominal value

3 Key share ratios

		2007	2006	2005	2004	2003
Operating profit per share [1]	CHF	[3] 17.45	[3] 20.80	[2] 8.45	[2] 46.76	– 26.95
Free cash flow per share [1] [4]	CHF	[3] 22.06	[3] 18.28	[2] 17.41	[2] 87.95	18.68
Earnings per share [1]	CHF	[3] 13.09	[3] 16.89	[2] 1.17	[2] 41.66	– 27.00
Equity per share [1]	CHF	183.66	175.42	160.68	170.27	196.70
P/E Ratio [1]	31.12	[3] 21.0	[3] 19.8	[2] 217.9	[2] 6.7	n/a

[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

Structure of registered shareholders		At 31.12.2007	At 31.12.2006
Structure	Significant shareholders > 5%	6.64% of shares	5.73% of shares
	10 largest shareholders	37.0% of shares	29.8% of shares
	100 largest shareholders	55.0% of shares	47.6% of shares
Origin	Switzerland	61.6% of shares	69.8% of shares
	Elsewhere	38.4% of shares	30.2% of shares

Valora Holding AG's share capital of CHF 3.3 million comprises 3.3 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 the exercising of options granted to employees of the company or Group companies within the overall framework laid down by the Board. Existing shareholders have no subscription rights for such shares. No time limits apply. None of this conditional capital had been issued by December 31, 2007.

The Articles of Incorporation limit the voting rights which may be held by individual shareholders or groups of shareholders to 5%. The Board of Directors may allow exceptions to this rule. No such exceptions were granted in 2007. Non-Swiss shareholders are registered in the share register in the same way as Swiss shareholders. The company has made uninterrupted dividend payments or nominal value reimbursements since 1920.

5 Share capital

		2007	2006	2005	2004	2003
Total registered shares [1]	Shares	3 300 000	3 300 000	3 300 000	3 570 000	4 200 000
Treasury shares [1]	Shares	107 057	106 791	109 221	300 157	302 474
Number of shares outstanding [1]	Shares	3 192 943	3 193 209	3 190 779	3 269 843	3 897 526
Market capitalisation [1] [2]	CHF million	877	1 069	813	916	1 200
Average number of shares outstanding	Shares	3 201 312	3 197 186	3 196 384	3 664 006	3 935 088
Number of registered shareholders [1]		7 385	7 789	9 344	9 581	10 027

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

6 Tax values

	Securities no.	**At 31.12.2007**	At 31.12.2006	At 31.12.2005	At 31.12.2004	At 31.12.2003
Registered shares of CHF 1.00 / CHF 10.00	208 897	274.75	334.75	254.75	280.00	308.00
2.875% bond 2005-2012	2 189 351	93.70%	98.80%	98.90%	–	–

Five-year summary

		2007[2]	2006[2]	2005[1]	2004[1]	2003
Net revenues	**CHF million**	**2 821.8**	**2 749.3**	**2 846.4**	**2 858.5**	**3 021.4**
Change	%	2.6	– 3.4	– 0.4	– 5.4	– 1.8
Operating profit	**CHF million**	**55.9**	**66.5**	**27.0**	**171.3**	**– 106.0**
in % of net revenues	%	2.0	2.4	0.9	6.0	n/a
Net profit (net loss)	**CHF million**	**42.8**	**54.7**	**4.7**	**153.7**	**– 106.3**
Change	%	– 21.7	+ 1 055.5	– 96.9	n/a	n/a
in % of net revenues	%	1.5	2.0	0.2	5.4	n/a
in % of equity	%	7.3	9.8	0.9	24.6	n/a
Net cash provided by (used in)						
Operating activities	CHF million	93.6	84.8	96.4	173.3	137.3
Investing activities	CHF million	– 23.0	– 26.4	– 40.7	148.9	– 63.8
Free cash flow	**CHF million**	**70.6**	**58.4**	**55.7**	**322.2**	**73.5**
Financing activities	CHF million	– 126.8	– 83.0	– 123.7	– 232.2	– 108.1
Earnings (loss) per share	**CHF**	**13.09**	**16.89**	**1.17**	**41.66**	**– 27.00**
Change	%	– 22.5	+ 1 343.6	– 97.2	n/a	n/a
Free cash flow per share	**CHF**	**22.06**	**18.28**	**17.41**	**87.95**	**18.68**
Change	%	+ 20.7	+ 5.0	– 80.2	+ 370.8	– 12.9
Cash and cash equivalents	**CHF million**	**153.4**	**222.1**	**219.7**	**291.6**	**209.9**
Equity	**CHF million**	**587.9**	**560.9**	**513.6**	**623.9**	**744.0**
Balance sheet equity ratio	%	45.0	42.3	37.8	41.4	45.3
Average number of employees		**6 495**	**6 707**	**7 454**	**7 903**	**8 995**
Change	%	– 3.2	– 10.0	– 5.7	– 12.1	– 5.9
Net revenues per employee	**CHF 000**	**434**	**410**	**382**	**362**	**336**
Change	%	+ 5.9	+ 7.3	+ 5.5	+ 7.7	+ 4.3
Number of sales outlets at December 31		**1 404**	**1 414**	**1 464**	**1 531**	**1 615**
Net sales per sales outlet [3]	CHF 000	1 186	1 155	1 153	1 099	925

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

If there is any doubt or there are different interpretations, the German wording carries weight, not the English wording.

Valora Holding AG

Belpstrasse 37
3007 Berne, Switzerland
Phone +41 58 789 11 11
Fax +41 58 789 11 12
www.valora.com
info@valora.com

Valora Management AG
Valora Corporate Communications

Belpstrasse 37
3007 Berne, Switzerland
Phone +41 58 789 12 01
Fax +41 58 789 12 12
stefania.misteli@valora.com

Valora Management AG
Valora Corporate Investor Relations

Belpstrasse 37
3007 Berne, Switzerland
Phone +41 58 789 12 20
Fax +41 58 789 12 12
stefan.knuchel@valora.com

Valora Management AG
Valora Finance

Belpstrasse 37
3007 Berne, Switzerland
Phone +41 58 789 11 11
Fax +41 58 789 12 12
www.valora.com
info@valora.com

Valora Management AG
Valora Retail

Hofackerstrasse 40
4132 Muttenz, Switzerland
Phone +41 61 467 20 20
Fax +41 61 467 29 70
www.valoraretail.com
info@valoraretail.com

Valora Management AG
Valora Media

Hofackerstrasse 40
4132 Muttenz, Switzerland
Phone +41 61 467 20 20
Fax +41 61 467 29 70
www.valoramedia.com
info@valoramedia.com

Valora Management AG
Valora Trade

Alte Winterthurerstrasse 14
8304 Wallisellen, Switzerland
Phone +41 58 789 44 00
Fax +41 58 789 44 12
www.valoratrade.com
info@valoratrade.com

The latest details of press conferences, publications and similar are available under ‹Investors› and ‹Media› on the www.valora.com website.

Editing/Content/Text Valora Corporate Communications **Concept/Design** hilda design matters, Zurich **Text Editorial** Walter Kern, Zurich **Photography Cover outside** Martina Meier, Zurich **Photography Cover inside** Peter Tillessen, Zurich **Reportage Board of Directors** Justin Hession, Zurich **Reportage Group Executive Management** Rita Palanikumar, Zurich **Lithography** Roger Bahcic, Zurich/Ronald Langauer, Zurich **Print** Stämpfli AG, Berne