valora annual report

2010

valora

Valora Annual Report 2010

Valora for a fast moving world

Valora is an economically robust, independent trading company operating on a Europe-wide scale. The increasing rapidity with which its environment is evolving means that the company is used to meeting a constantly changing set of challenges. Valora – for a fast moving world. This annual report provides an account of how the company is changing.

Key new aspects of this year's annual report are:

The Highlights section provides an overview of the results the Group and its divisions achieved in the context of the «Valora 4 Success» strategy programme in 2010.
The central part of the report presents the «Valora 4 Growth» strategy. Four sources of growth are being targeted: G1, organic margin growth; G2, organic revenue growth; G3, acquisition-led growth at Retail/Services; G4, acquisition-led growth at Trade.

This section describes the strategy in detail, by reference to specific examples.
Valora is aware of its responsibilities to its employees, its business partners and society, and acts accordingly. The separate sustainability report section provides further details.
The pictures used throughout this report represent the world in which Valora customers move. A world of inspiration and action. Fertile ground for the growth Valora intends to achieve.

Dear Shareholder

Rolando Benedick
Chairman

The year 2010 saw Valora already achieving most of the objectives set out in the «Valora 4 Success» strategy programme. Thanks to its unrelenting focus on implementing these strategic initiatives, Valora has become a much more professional organisation and one which is very well equipped to meet the challenges the future will bring. Between 2008 and 2010, the Group succeeded in increasing its operating profit by some 40 percent. This progress is all the more satisfying for having been achieved in the economically demanding climate which the financial crisis brought in its wake, with the increasingly adverse effect this had on consumer sentiment. In 2010, the Valora Group generated external sales, including the turnover of its franchise outlets, of CHF 2947 million, an increase of +0.3 percent.

Significant progress has been made in raising efficiency levels and reducing costs. By the end of 2010, Valora had already realised CHF 27 million (excl. extraordinary effects) of the CHF 36 million of annual cost savings which it has set out to implement by 2012. Operating profit rose to CHF 81.3 million in 2010, a year-on-year increase of nearly 20 percent. Valora Retail and Valora Services generated substantially higher operating profits in 2010 than in the previous year. The difficult market climate for branded goods and the anticipated departure of a number of its principals resulted in Valora Trade's operating profit falling by CHF 4.6 million from its 2009 level. The Group also performed well in bottom line terms, with consolidated net income advancing 15.9 percent to CHF 63.6 million in 2010. Equity cover rose, with shareholders' equity accounting for 43.6 percent of total assets, while the Group's net debt finished the year at a comfortable CHF 14.1 million.

These results and the efficiency milestones which have been reached underscore the importance to the company of the «Valora 4 Success» strategy programme. These initiatives have created a favourable platform for extending this strategy towards growth as the key focus area. The acquisition of tabacon and the Norwegian cosmetics distributor EMH in 2010 demonstrate that Valora has already reached some initial milestones along this new trajectory. The «Valora 4 Growth» strategy unveiled last autumn aims to develop the Group into a leading Europe-wide trading company by 2015. The excellent vantage points enjoyed by Valora's Retail/Services and Trade units should enable the Group to double its operating profit over the next five years. «Valora 4 Growth» is building on the achievements of the «Valora 4 Success» programme, continuing its progress with additional acquisition-led growth.

Valora Retail will continue to focus its efforts on further improving the profitability of its k kiosk operations in Switzerland and on expanding abroad, particularly in Germany. The division will push ahead with its initiatives to develop its range of products and services, while placing particular emphasis on exploiting such alternative business models as agency and franchise systems. Future acquisitions of new small-outlet travel formats offer the prospect of further exciting growth opportunities.

Valora Services will concentrate on leveraging its substantial press expertise to develop the range of services it offers in order to maintain its profitability and counteract the generally observable decline in the overall press market. These efforts will involve further increases in efficiency levels, the expansion of the division's current distribution capabilities and the development of additional logistics services for third-party customers. Valora Trade will expand its business with existing and new principals alike. The division also aims to strengthen its current position as a pan-European distributor by expanding into new product categories in its existing markets and acquiring leading distributors in new ones. The acquisition of EMH, Norway's leading cosmetics distributor, is an example of a successful investment in a new, rapidly growing and profitable segment of an attractive market, which has enabled Valora Trade to complement its existing portfolio of businesses to good advantage.

The objective of the «Valora 4 Growth» strategy is to secure sustainable and profitable growth, thus benefiting all Valora's stakeholders and further enhancing the motivation of the company's employees. Concerted efforts by all parties enabled Valora to achieve some significant milestones and reach a number of important objectives in 2010. We expect further successes in 2011, despite market conditions which remain difficult and levels of consumer confidence which continue to present challenges. We can expect considerable headwinds from political imponderables as well. Notwithstanding this, we believe that the years ahead will, above all, offer promising opportunities, and Valora has every intention of making the most of them.

Accordingly, the Board of Directors and Group Executive Management are focusing on the company's medium and long-term strategy, with the aim of making Valora increasingly attractive.

We maintain our key objective of achieving an EBIT margin of 3–4 percent by 2012. The exemplary commitment shown by our employees, further gains in efficiency and effectiveness and additional acquisition-led growth will enable us to reach this goal. I would like to take this opportunity of expressing the Board's heartfelt thanks to Group Executive Management and to all Valora's staff for their great commitment and unrelenting hard work during 2010. Working with them, it will be possible for us to accomplish the demanding growth objectives we have set ourselves for the years ahead.

At the forthcoming General Meeting of shareholders, your Board will propose an authorised share capital increase. This proposal serves to empower the Board to increase Valora's share capital by a maximum of CHF 840 000 through the issuance of up to 840 000 new registered shares with a nominal value of CHF 1 each at any time until April 15, 2013.

At the same time the Board will also seek approval for the repurchase of up to 280 000 registered shares for the purpose of reducing the company's issued share capital. The shares to be repurchased are intended for cancellation. This will mean that the Board will be able, if necessary, to meet its promise that in the event of Valora accumulating a high degree of liquidity, it will return the company's excess funds to its shareholders. The proposed authorised share capital increase, meanwhile, underscores the Board's intention of ensuring that Valora maintains a significant degree of financial flexibility.

In line with the practice introduced last year, the forthcoming General Meeting will again provide you with an opportunity of exercising a consultative vote on our remuneration report. The Board's remuneration system remains based on the same sustainable principle as before. Details of this are set out in the corporate governance chapter of this annual report on page 130.

The Board will also recommend that each of its members be individually re-elected to serve a further one-year term of office.

On behalf of the entire Board, I would like to thank you, our shareholders, for the confidence which you have displayed in us and in Valora. As shareholders, you will of course have an understandable interest in the total return generated by Valora. During 2010 the company's registered shares appreciated by some 28 percent, closing the year at CHF 326.25. At the ordinary General Meeting, I look forward to recommending that the dividend be increased by 15 percent to CHF 11.50.

Yours sincerely

Rolando Benedick
Chairman of the Board of Directors

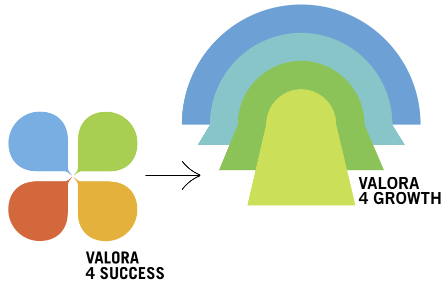
BASE CAMP REACHED – READY FOR THE ASCENT!

The Valora Group succeeded in accomplishing all the goals it had set itself for 2010. Implementation of a large part of the objectives in the «Valora 4 Success» programme, launched in 2008 and scheduled for completion by 2012, played a major part in this achievement. The Group's external sales, which include franchisee turnover, reached CHF 2947 million, a 0.3 percent increase on 2009. Reported net revenues for 2010 came in at CHF 2878 million, 0.7 percent lower than the year before. Net revenue growth was impeded by the overall exchange rate environment – and the weakness of the euro against the Swiss franc in particular – with adverse currency movements reducing Group revenues by CHF 81.2 million. After adjusting for currency fluctuations, Group net revenues for 2010 declined by 0.2 percent on their 2009 levels. The Retail division performed well, with revenues in all its national markets and nearly all its formats showing an increase on the year after adjusting for currency fluctuations. Sales at Valora Services largely held their own in an unremittingly daunting market. Valora Trade, conversely, saw its net revenues decline, as a result of the departures from its principal portfolio previously announced. The Valora Group's operating profit (EBIT) for 2010 amounted to CHF 81.3 million, a year-on-year increase of nearly 20 percent. After adjusting for currency fluctuations, Valora's EBIT for 2010 was CHF 84.3 million. The operating profit forecast for 2010 which Valora made in 2008 was adversely impacted by the decline in CHF/EUR exchange rate to the tune of some CHF 8 million. Despite this, the Group achieved a reported operating profit margin of 2.8 percent in 2010, inside its targeted corridor and within reach of its goal of 3–4 percent. Valora's net income for 2010 reached CHF 63.6 million, up nearly CHF 9 million, or 15.9 percent, on 2009. This equates to earnings per share of CHF 22.35. The Group continues to maintain a sound balance sheet, as demonstrated by shareholders' equity amounting to 43.6 percent of total assets and a moderate CHF 14.1 million of net debt. The good overall performance the Group achieved in 2010 was also helped by the business generated by the 2010 football World Cup. Sales of collectible picture cards brought in some CHF 39.5 million of net revenues and CHF 6.3 million of operating profit. The acquisitions Valora made in the late autumn of 2010 also made a positive contribution. The two companies acquired during the fourth quarter of 2010 – tabacon in Germany and EMH in Norway – added CHF 31.4 million to net revenues and CHF 1.6 million to operating profit. Valora's 2010 results are testimony to the consistency with which our strategic initiatives have been implemented and to the commitment of all the company's employees. I would like to take this opportunity of thanking all our staff for their hard work in 2010. I am also very grateful to our customers and business partners, on whose loyalty and positive co-operation I look forward to continuing to count in the future.

THE VALORA GROUP'S OPERATING PROFIT (EBIT) FOR 2010 AMOUNTED TO CHF 81.3 MILLION, A YEAR-ON-YEAR INCREASE OF NEARLY 20 PERCENT.

2010 was the year of truth

For Valora's management and all its stakeholders, 2010 was the year when the company was really put to the test. Ongoing implementation of our fundamental strategy programme was a top priority. The initiatives undertaken to strengthen our core business through extensions to our product ranges and the targeted acquisitions in Germany and Norway were also critical. Attention continued to be focused on our Group-wide cost structure, with additional annual cost savings being achieved versus 2009. As Valora pushed ahead with these initiatives, it encountered significant headwinds from the economic uncertainty in the EU and the



concomitant weakness of the euro. Despite the significant negative impact these factors had on the Group's net revenues and operating profit, Valora nevertheless largely succeeded in achieving its objectives.

Valora Retail

The Retail division increased its net revenues by 0.9 percent to CHF 1607 million. Stripping out the one-off effects of currency fluctuations, World Cup picture cards and acquisitions, Valora Retail's net revenues rose by 2.3 percent on their 2009 levels. Reported operating profit advanced to nearly CHF 40 million, and the division's EBIT margin reached 2.5 percent, up from 1.8 percent in 2009. All the national markets in which the division operates and all its retail formats achieved satisfactory sales growth, with net revenues up CHF 14 million on the year. The only exception was Caffè Spettacolo, where site closures depressed sales slightly, cut-

REPORTED OPERATING PROFIT ADVANCED TO NEARLY CHF 40 MILLION, AND THE DIVISION'S EBIT MARGIN REACHED 2.5 PERCENT, UP FROM 1.8 PERCENT IN 2009.

ting nearly CHF 2 million from net revenues. Valora Retail managed to open some 40 new avec. convenience stores during 2010, expanding this network to 95 units by the end of the year. A systematic plan for further co-ordinated development of this network is in place for the years ahead. The range of goods and services the division offers its customers through its network of nearly 1000 k kiosk outlets in Switzerland was extended in 2010. The planned roll-out of the «@ k kiosk» service module to some 600 locations was carried out on schedule, and these now provide a showcase for a range of attractive new services. The first offerings were travel packages, secure payment cards for online purchases, ok.- smartphones and pre-paid phone cards. These were followed in January 2011 by insurance products and worldwide money transfer facilities. The range of services on offer will be expanded continuously.

As tests with the new agency system proved successful, a decision to introduce this business model on a wider basis was made late last autumn. By the end of 2010, nine k kiosk outlets were being run by agent managers. Valora Retail intends to extend this to some 100 agent managed outlets by the end of 2011. The decision to import the press & books format from Germany to Switzerland is proving extremely successful. The 10 P&B stores Valora Retail opened in Switzerland during 2010 are performing very well, ideally complementing the existing format portfolio. Valora Retail intends steadily to expand its P&B network in Switzerland over the next few years, with the ultimate objective of having some 50 Swiss P&B outlets. The Swiss P&B concept, which was modified from its German original, is proving so successful with customers that plans are now under way to export it back to Germany. Valora Germany achieved extremely positive like-for-like performance, as in prior years. The 184 outlets acquired from tabacon in the autumn of 2010 have now been fully integrated, adding some CHF 40 million to the Group's external sales in the fourth quarter of the year. The German outlet network now covers some 400 sites, half being kiosk formats and the other half railway station bookstores. This impressive portfolio has enabled Valora to become one of Germany's largest small-outlet retailers. Structures at Retail Luxembourg have been further streamlined and the range of products on offer expanded. Valora's private label ok.- range was introduced at the Luxembourg kiosks, where it is meeting with a positive customer response.

Valora Services

The Valora Sevices division managed to increase its net revenues by 0.8 percent, to CHF 718 million. After adjusting for the effects of World Cup collectible picture cards and currency fluctuations, net revenues were down 0.6 percent on their 2009 levels. The division's operating profit reached CHF 30 million, thus raising its EBIT margin to 4.2 percent (versus 2.3 percent in 2009), bringing this metric back into its targeted range of 4 to 5 percent. Implemen-

VALORA SERVICES' NEW PRESS STRATEGY WAS WELL RECEIVED BY THIRD-PARTY CUSTOMERS, ENABLING THE FIRM TO DELIVER A MORE EFFICIENT, HIGHER-QUALITY SERVICE.

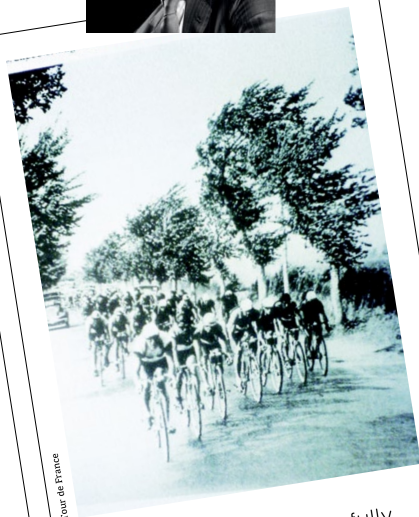
tation of the new media strategy in Switzerland played a significant part in this achievement, which was largely the result of more efficient logistics processes and a streamlined approach to press distribution to third-party customers. Valora Services' new press strategy was well received by third-party customers, enabling the firm to deliver a more efficient, higher-quality service. In order to exploit the potential of the highly dovetailed start-of-day logistics structures Valora now has in place in Switzerland more fully, spare capacity will in future be offered to third-party customers. Initial negotiations regarding this have taken place and have demonstrated that there is customer interest in services of this kind. Services Austria generated stable net revenues in a challenging market. The restructuring in Luxembourg is now complete. Valora Services is now well placed to face the future.

Thomas Vollmoeller
CEO, Valora

Mount Everest

Base camp reached –
ready for the ascent

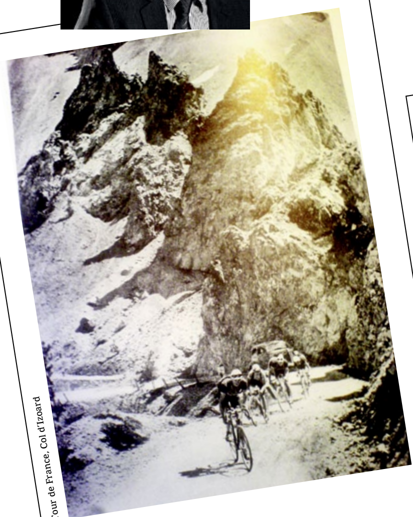
Lorenzo Trezzini
CFO, Valora



Tour de France

Co-operating successfully
in the field

Andreas Berger
CEO, Valora Retail



Tour de France, Col d'Izoard

Heading for
the next objective

Alex Minder
CEO, Valora Trade

Mount McKinley, Karstens Ridge

On our way
to new ventures

Alexander Theobald
CEO, Valora Services

Mount McKinley, Lower Ice Fall

We are climbing –
towards the summit

Valora Trade

In the face of extremely demanding market conditions, Valora's Trade division generated 2010 net revenues of CHF 722 million, just over 7 percent less than 2009. The shortfall is the combined result of the previously announced departures of its two principals Gille und Sørlandschips, adverse trading conditions and the decline of European currencies against the Swiss franc. Valora Trade's operating profit for 2010 came in at some CHF 18 million, putting its EBIT margin at 2.5 percent. While this is somewhat lower than the 2.9 percent achieved in 2009, it remains in the target range of 2 to 3 percent. The greatest challenges are those facing Valora Trade's units in Norway and Germany. In Norway, the acquisition of the cosmetics distributor EMH in the autumn of 2010 means that one major milestone on the road to higher net revenues and higher margins in the years ahead has already been achieved. The integration of EMH is well advanced and is proceeding on schedule. In Germany Valora Trade is currently engaged in promising negotiations with a number of potential new principals.

> VALORA HAS BEEN ABLE TO POSITION ITSELF MORE CONVINCINGLY AND TO SHARPEN ITS PROFILE. VALORA IS BACK ON A SUCCESSFUL TRAJECTORY.

Despite the currency market turbulence, 2010 was a good year in aggregate. It required a good deal of grit and perseverance from us all, but the effort has been worthwhile. Valora has been able to position itself more convincingly and to sharpen its profile. We are back on a successful trajectory. Valora's palpable confidence is also very motivating for all our employees, who obviously identify with the successes which have been achieved so far. This is reflected in the recently carried out employee survey which is now being evaluated. Customer feedback is also providing positive messages, as internal market research recently demonstrated.

Within two years, we have managed to complete 80 percent of the measures defined in our «Valora 4 Success» programme. In the autumn of 2010, the encouraging performance Valora is achieving and the substantial proportion of our strategy objectives which have been reached prompted the Board of Directors and Group Executive Management to turn their attention, figuratively speaking, from the base camp to the ascent. At the investors' and media day held in late November, the company presented its extended and ambitious «Valora 4 Growth» strategy.

Further expansion with «Valora 4 Growth»

Valora today is a more focused company which has gained momentum. The «Valora 4 Success» fundamental strategy programme has been implemented quicker than expected. The company's operating profit has grown at a compound annual rate of 12 percent. The objective now is to build on this with «Valora 4 Growth», extending our focus to encompass acquisition-led growth. Based on these two pillars, between 2011 and 2015, Valora intends to grow its external sales by some 10 percent each year and expand its operating profit by approximately 15 percent per year. The acquisition-led element of the strategy has four components. The first initiative involves expanding the kiosk network in Germany from its current level of 200 units to 1000 outlets. The second initiative aims to complement the existing four retail formats with a maximum of two new travel retail concepts. Third, Valora Trade will complement its existing portfolio with additional expanding categories. Finally, the Trade division will also extend the geographic reach of its business towards Eastern Europe and the Baltic states. The ultimate objective of this strategy is to increase Valora's external sales by 60 percent, and to double its operating profit, by 2015. Valora will also generate the majority of its net revenues outside Switzerland, thus assuming an increasingly visible role on the European stage. The details of this strategy, with its emphasis on growth, are set out on the following pages of this annual report.

Outlook

Although Valora will not benefit from any special factors such as a football World Cup this year, we expect to achieve positive performance in 2011.

Valora looks forward to an exciting and promising future. Focused commitment will be needed from us all in order to exploit the growth opportunities we have identified. Our goals for the next five years are ambitious. Nevertheless, the Board of Directors and Group Executive Management are convinced that Valora will be able to achieve the profitable and sustainable growth it has targeted.

Thomas Vollmoeller
CEO

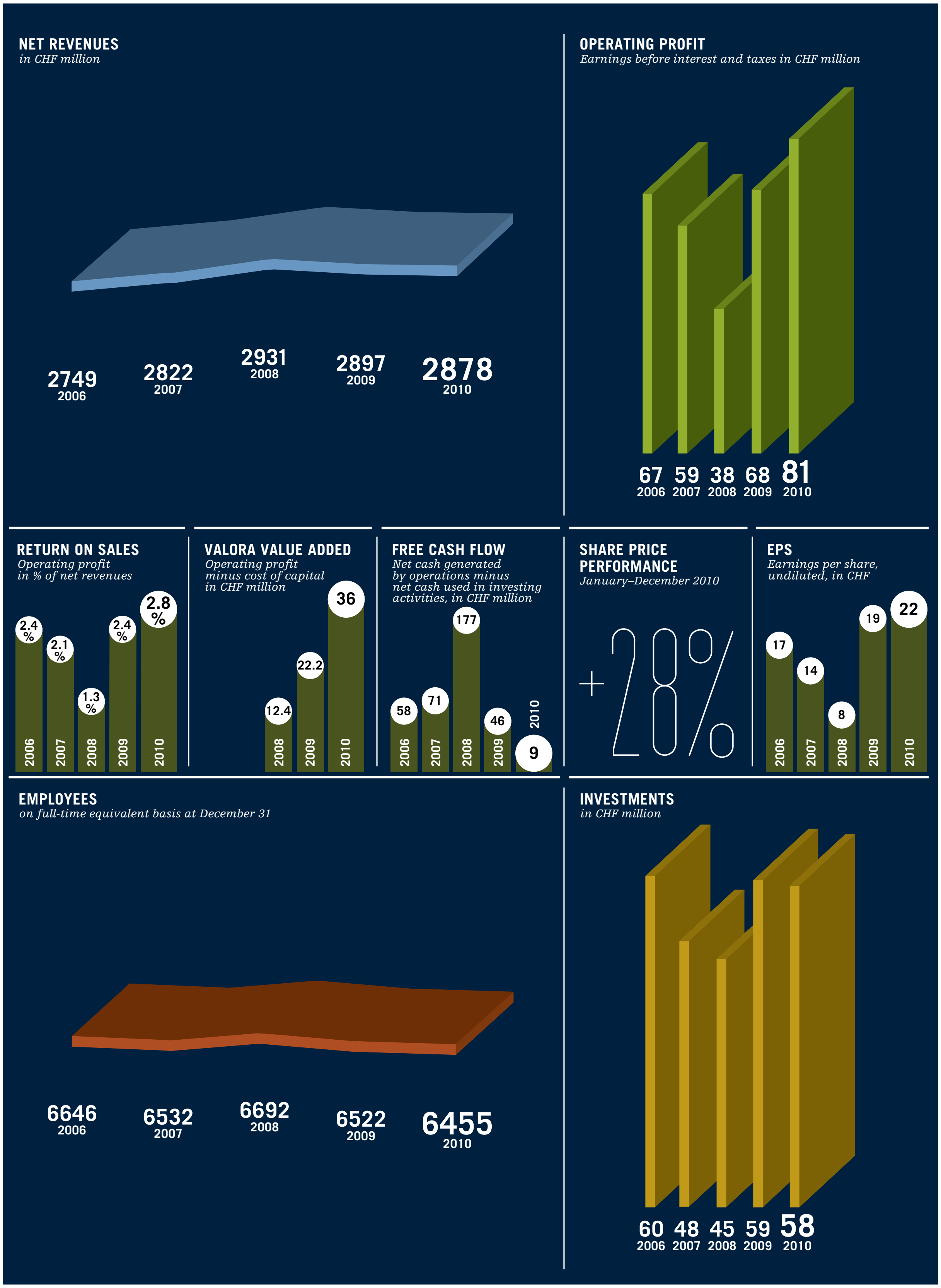
High-lights

During 2010, the Valora Group successfully completed some 80 percent of the «Valora 4 Success» strategy programme it launched in 2008, thus significantly raising its levels of efficiency and profitability. As a result, Valora's turnaround has now essentially been accomplished. The measures which the company successfully implemented in the context of its four key initiatives – Core Business, Growth, Efficiency and People – have produced some remarkable results. Building on its existing strategy, the Group is now implementing its «Valora 4 Growth» programme, which aims to achieve a significant increase in operating profit.

Key financial data

		31.12.2010 [1]	31.12.2009 [1]	31.12.2008 [1]
Net revenues	CHF million	**2 877.7**	**2 897.0**	**2 931.1**
Change	%	– 0.7	– 1.2	+ 3.9
Operating profit before restructuring costs	CHF million	**81.3**	**68.1**	**62.7**
in % net revenues	%	2.8	2.4	2.1
Operating profit (EBIT)	CHF million	**81.3**	**68.1**	**37.6**
in % of net revenues	%	2.8	2.4	1.3
Net income	CHF million	**61.7**	**53.0**	**24.7**
Change	%	+ 16.3	+ 115.0	– 46.3
in % of net revenues	%	2.1	1.8	0.8
in % of shareholders' equity	%	12.9	11.7	5.5
Net cash provided by (used in)				
operating activities	CHF million	78.7	106.2	86.6
investing activities	CHF million	– 70.2	– 60.2	90.1
Free cash flow	CHF million	**8.5**	**46.0**	**176.7**
from financing activities	CHF million	– 32.3	– 44.5	– 160.7
Earnings per share	CHF	**22.35**	**18.94**	**7.74**
Change	%	+ 18.0	+ 144.7	– 45.0
Free cash flow per share	CHF	**3.10**	**16.73**	**57.39**
Change	%	– 81.5	– 70.8	+ 160.2
Share price at December 31	CHF	**326.25**	**255.00**	**154.00**
Market capitalisation at December 31	CHF million	**898**	**701**	**433**
Cash and cash equivalents	CHF million	**130.5**	**161.6**	**158.4**
Interest-bearing debt	CHF million	**144.6**	**145.8**	**152.5**
Shareholders' equity	CHF million	**478.1**	**453.7**	**450.4**
Total liabilities and equity	CHF million	**1 096.1**	**1 099.0**	**1 060.0**
Number of employees at December 31	FTE	**6 455**	**6 522**	**6 692**
Change	%	– 1.0	– 2.5	+ 2.5
Net revenues per employee	CHF 000	**446**	**444**	**438**
Change	%	+ 0.4	+ 1.4	+ 1.4
Number of outlets operated by Valora		**1 390**	**1 405**	**1 410**
Turnover per outlet [2]	CHF 000	1 156	1 133	1 113
Number of franchise outlets		**191**	**25**	**21**

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



All figures are based on continuing operations. 2008 figures restated.

Our Divisions

As a retail trading company, Valora operates some 1600 sales outlets, distributes more than 6000 press titles and provides comprehensive distribution services to some 250 branded goods manufacturers (Principals) in 9 European national markets.

valoraretail

CLEARLY POSITIONED

Valora Retail operates some 1600 small-outlet retail units in Switzerland, Germany, and Luxembourg in heavily frequented locations. Every day, its geographically comprehensive marketing and distribution infrastructure provides more than 1 million customers with press products and other daily consumer staples. Valora Retail's market profile now encompasses four clearly positioned retail formats – k kiosk, avec., Press & Books/k presse + buch and Caffè Spettacolo. The divsion has introduced and developed a number of successful new product lines, such as the ok.-range and its new service offerings.

NET REVENUES BY BUSINESS AREA

in CHF million	2010	2009
Kiosk Switzerland	922	960
P & B Switzerland	52	12
Gastronomy and Caffè Spettacolo	40	44
Convenience and Tamoil	203	174
Retail Germany	293	301
Retail Luxembourg	95	99
Other	1	2
Total Valora Retail	1 606	1 592
OUTLETS BY COUNTRY		
Total operated by Valora Retail (incl. franchisees)	1 581	1 430
Switzerland (incl. franchisees)	1 126	1 157
Germany (incl. franchisees)	382	200
Luxembourg	73	73

valoraservices

INTERNATIONAL PRESS EXPERTISE

Valora Services has significant international expertise in press products. The division's efficient press distribution infrastructure supplies both its own and third-party retail outlets with over 6000 media products in Switzerland, Austria and Luxembourg. Valora Services also supplies retail partners in Switzerland with a range of food, non-food and tobacco articles. During 2010, the division implemented a major strategic overhaul of its business model aimed at counteracting the downturn in the overall press market.

NET REVENUES BY NATIONAL MARKET

in CHF million	2010	2009
Services Switzerland	504	497
Services Austria	158	150
Services Luxembourg	56	66
Total Valora Services	718	713

valoratrade

LEADING EUROPEAN DISTRIBUTOR

Valora Trade is an exclusive distributor of branded food and non-food products to the organised and independent retail sectors in eight European national markets. The division thus provides access to more than 130 million consumers to numerous renowned international branded goods manufacturers. In this way, Valora Trade acts as a key partner to producers and retailers alike, providing a range of highly specialised services and solutions to enable them to expand and develop their market positions in a sustainable and profitable manner.

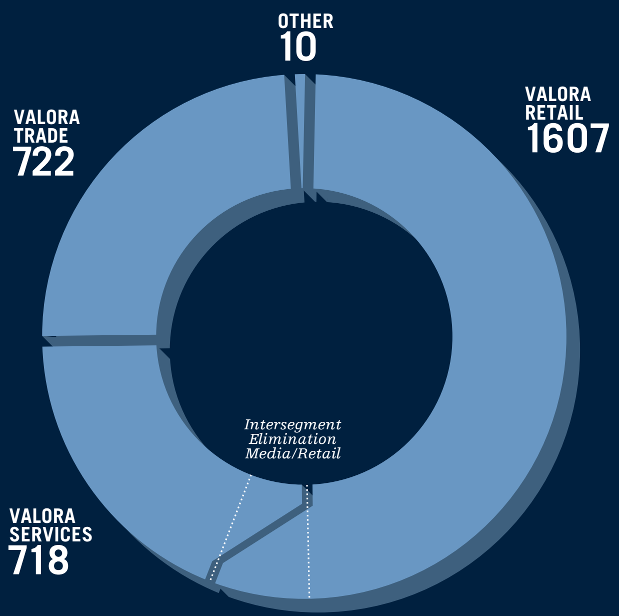
NET REVENUES BY BUSINESS AREA

in CHF million	2010*	2009*
Trade Switzerland	197	201
Trade Central Europe	48	70
Trade Nordic	477	507
Total Valora Trade	722	778

*from continuing operations

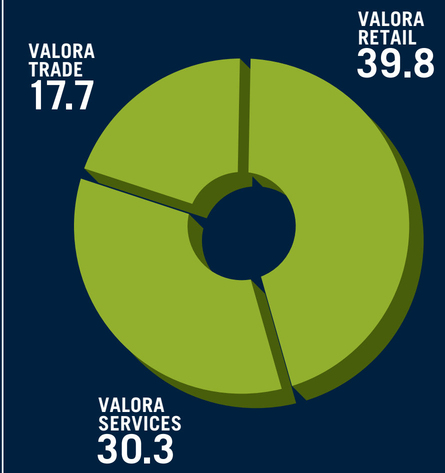
Divisions
at a glance

NET REVENUES
in CHF million



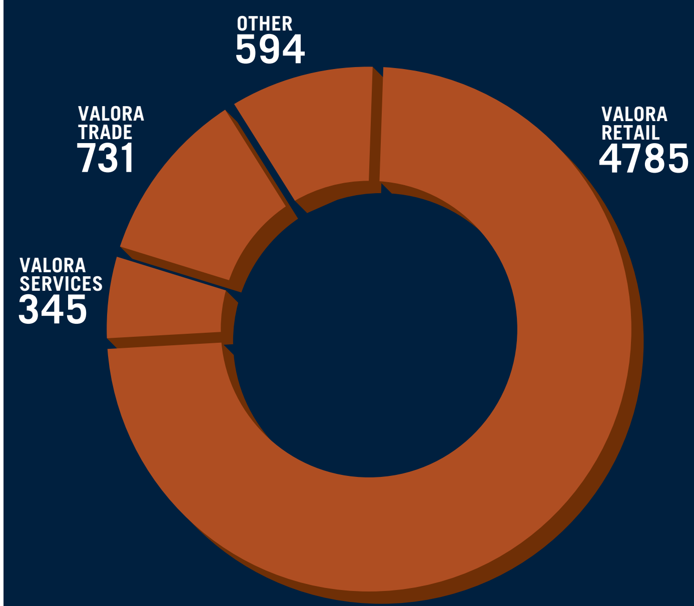
	2010	2009	2008
VALORA RETAIL	1607	1592	1569
VALORA SERVICES	718	713	766
VALORA TRADE	722	778	788
OTHER	10	11	14

OPERATING PROFIT (EBIT)
in CHF million



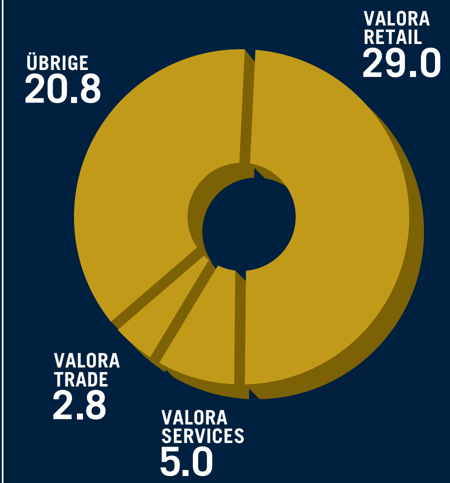
	2010	2009	2008
VALORA RETAIL	39.8	28.3	8.0
VALORA SERVICES	30.3	16.2	30.5
VALORA TRADE	17.7	22.3	18.0
OTHER	-6.5	1.2	-18.9

EMPLOYEES
Number of employees (FTE) at December 31



	2010	2009	2008
VALORA RETAIL	4785	4818	4952
VALORA SERVICES	345	381	428
VALORA TRADE	731	656	636
OTHER	594	667	676

INVESTMENTS
in CHF million



	2010	2009	2008
VALORA RETAIL	29.0	25.9	21.6
VALORA SERVICES	5.0	1.9	2.6
VALORA TRADE	2.8	5.9	4.5
OTHER	20.8	25.7	16.5

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

Valora 4 Success

All four initiatives in the «Valora 4 Success» strategy programme – Core Business, Growth, Efficiency and People – share one common objective: to identify the needs of Valora's millions of customers and all its other stakeholders.

Core Business

NEW OPERATING MODELS

In 2010, nine Valora employees took over their k kiosk oulets, setting up in business as independent agent managers. Valora is thus able to promote its employees' entrepreneurship and opportunities for success.

THE NEW @K KIOSK SERVICES

Today's consumers want quick, hassle-free, one-stop shopping. In response to this need, Valora is continuously developing its k kiosk outlets into service sales centres of the kind emerging in many other countries. In addition to its traditional service offerings, lottery products and phone cards, Valora now also provides worldwide money transfer services in co-operation with MoneyGram, one of the world's leading global funds transfer service providers, in addition to innovative and exclusive insurance packages from Zurich Insurance and travel offerings from Kuoni.

NEW PRODUCTS:
OK.– ENERGY DRINK WINS HANDS DOWN – PRODUCT RANGE TO BE EXTENDED

25 million cans of ok.- energy drink – the first product in Valora's ok.- line to be launched – were sold in 2010, making it the most successful private label energy drink in Switzerland.
After its successful debut in 2009, Valora's private label ok.- line was further expanded during 2010. The range of entry-level priced products now comprises some 100 articles. In December 2010 Valora entered the mobile telephony market, launching a pre-paid service in co-operation with Orange. The new ok.- mobile phones are generating record sales at k kiosks and avec. shops in Switzerland. As with all Valora's ok.- products, the emphasis is on simplicity and value for money.

INCREASED SHARE OF TOBACCO MARKET

Although the volume of Switzerland's tobacco market has been in steady decline for some years, Valora's tobacco sales have remained broadly stable, and in fact gained an additional 1.3% of the overall market in 2010. Valora is also the first retailer in Switzerland to stock the latest SuperSmoker electronic cigarettes – an alternative to traditional cigarettes – on a nationwide basis.

NEW TECHNOLOGY

By late 2010 all k kiosk-, avec.- and Press & Books outlets in Switzerland were equipped with the retail sector's most up-to-date payment terminals. This latest generation of devices is already set up for contactless payment transactions. For purchases worth CHF 40 or less, customers whose payment cards incorporate the latest contactless chips no longer need to insert their cards into the terminal and key in their PIN code, but merely touch the display with their cards instead. This more efficient form of payment has been enthusiastically welcomed by customers and sales staff alike.

Growth

PRESS & BOOKS –
IN THE GROWTH SWEET SPOT

By year-end 2010, Valora already had 10 Press & Books shops in Switzerland and a further two in Germany. Launched in 2009, the new format is delivering strong growth. The concept – based on a successful combination of press products, books and kiosk articles – has proved its worth, and will be extended to 50 shops over the next few years.

PRESS SALES PROMOTION

Valora's Services division is facing major challenges, as increasing digitalisation of the media continues to depress magazine and newspaper sales. To address this, Valora Services adopted a new business model in 2010. The new strategy aims to shift the focus of title range configuration towards the consumer as a means of promoting press sales. Tests were successfully carried out at Valora outlets and a further joint project was initiated with a major third-party customer in Switzerland. The range of titles on offer at various outlets was revamped, and new display and promotion racks were set up.

SIGNING UP NEW PRINCIPALS

Valora Trade continued to focus on acquiring new principals in 2010, with successful signings in all national markets. From Italian bakery goods to American ice cream, or confectionery to baby products, the range of articles and multiplicity of categories continues to grow. Developing new categories is a major driver of future growth. A prime example of this is Valora's recent acquisition of Norway's largest cosmetics distributor, Engelschiøn Marwell Hauge AS (EMH).

AVEC.

Valora's avec. format continues to develop. The network now extends to some 100 avec. shops, both operated by Valora itself and run as franchise outlets. The combined gastronomy and supermarket format is proving popular, with Valora's private label ok.- value for money line making up a significant proportion of the range on offer. Under a master agreement signed with Tamoil in 2010, 16 Tamoil filling station outlets have already been transformed into avec. shops. The layout has been refreshed, with a new look scheduled for 2011.

TABACON OUTLETS SMOOTHLY INTEGRATED

October 1, 2010 saw a new addition to the Valora family in Germany. The successful acquisition of tabacon Franchise GmbH & Co. KG has enabled Valora Retail to establish a firm presence in the German kiosk market, while at the same doubling the size of its German outlet network to nearly 400 units.

Efficiency

CENTRALISING
VALORA'S IT SYSTEMS

The centralisation of Valora's IT landscape is progressing according to plan. Target architectures have been defined for each business area and are now being set up as central platforms. The Retail platform is already up and running in Switzerland and will be rolled out to Luxembourg in 2011. The Valora Trade platform became fully operational in the Nordic countries in 2010 and will be gradually rolled out to Switzerland, Austria and Germany from 2011. Valora Services also established a centralised platform in 2010, starting with Luxembourg.
In order to be able to concentrate more fully on core processes and to provide optimal support to the «Valora 4 Growth» strategy, Corporate Information Systems is currently examining a number of outsourcing options for the operation of its computer centre and communication services with a third-party provider.

VALORA IS INVESTING IN LUXEMBOURG
AND MODERNISING ITS STRUCTURES

Since it was initially acquired some years ago, Valora Services Luxembourg (formerly «MPK – Messageries Paul Kraus») was originally run as an independent, decentralised business unit. Valora has now completely modernised its legacy processes and systems in Luxembourg, making them compatible with Group standards. This makes it possible for various synergies to be exploited. All the accounting systems, for example, were migrated to Muttenz and the entire Luxembourg infrastructure has now been adapted to the needs of Valora's new processes and systems.

EFFICIENT COMPANY MANAGEMENT

A trading company such as Valora, with its various different business areas, generates a wealth of figures and other data. The VALIS project, initiated in late 2009, aims to make all information which is relevant for management and controlling purposes available in one common environment, as a means of further enhancing Valora's trading expertise. Following the introduction of the first set of management reports, futher online analytic functions are constantly being developed.

LOGISTICS COSTS
REDUCED

In Switzerland, Valora has rationalised the transport itineraries from its logistics centre in Egerkingen to its retail outlets. Order deliveries have been more closely aligned with the storage capacities available at avec., k kiosk and Press & Books outlets. This will save CHF 2.8 million in transport costs each year, with vehicle kilometres cut by some 30 % since the system was introduced last summer.
As part of the «Valora 4 Success» purchasing rationalisation initiative, Valora Trade Nordic managed to cut its providers of inbound logistics services from 13 to 5, thus reducing costs by 13 %.

People

MARKET AND CONSUMER INTELLIGENCE

Over the last two years, Valora has increased its investment in consumer and market research, regularly carrying out a variety of differentiated analyses, as well as mystery shopping tests and customer surveys. The Group's monthly internal Market & Consumer Intelligence (MCI) report primarily serves to benchmark Valora's Services, Retail and Trade divisions against the market. In addition to international market data, the MCI report also includes the latest insights gained from analysis of consumer behaviour and other forms of market research. Mystery shopping, which is conducted in collaboration with a partner firm, is a very effective way of checking not only the quality of promotions and the adherence to safety directives, but also the friendliness of staff, so that rapid adjustments can be made where necessary. Valora's professionally managed complaints procedure, and the ok.- Facebook page launched in 2010, are two further sources of valuable and direct customer feedback.

TALENT MANAGEMENT

Valora re-engineered its talent management process during 2010. The new procedure aims to provide a systematic and transparent process for identifying and developing talent, so as to foster a targeted, forward-looking approach to succession planning across the Group. The identification of key positions at Valora and of suitable succession candidates for them is a critical part of the process.

IN THE TOP 20

With some 40 000 signed up users, the ok.- Facebook page launched by Valora in 2010 is one of the 20 most important social media forums in Switzerland.

Source: Swiss Social Media Survey

TRAINING FOR SALES STAFF

Trained staff are the key to a company's success. That is why Valora Retail Switzerland is intensifying the continuing education and training of its sales staff. During 2010, training sessions were held on 170 days and attended by some 1100 sales staff in total. Besides basic courses for new staff, whose important subjects include the restrictions on sales of tobacco and alcohol to minors, Valora also offers targeted development courses for outlet managers. These focus on subjects such as people management, communication and staff issues. In 2010, 84 employees successfully completed their training as qualified Valora Retail unit managers. Valora will develop new approaches to staff training in 2011. In addition to classroom lessons, Valora will also start using e-learning modules. This individualised and flexible form of computer-based learning will make it possible for a greater number of staff to receive professional instruction on a range of subjects in a shorter period of time.

2011
Group structure
(as of 25.3.2011)

DIVISIONS

VALORA RETAIL

Andreas Berger
CEO, Valora Retail

Andreas Berger
Valora Retail Switzerland

**Mathias Gehle/
Lars Bauer**
Valora Retail Germany

Lars Bauer
Valora Retail Luxembourg

Retail formats

Patrick Stäuble
k kiosk

Pascal Le Pellec
avec.

Hanspeter Büchler
P&B

Thomas Haupt
Caffè Spettacolo

VALORA SERVICES

Alexander Theobald
CEO, Valora Services

Andreas Balazs
Valora Services Switzerland

Robert Gehmacher
Valora Services Austria

Nicole Mrotzek
Valora Services Luxembourg

VALORA TRADE

Alex Minder
CEO, Valora Trade

John-Peter Strebel
Valora Trade Switzerland

Carsten Ørnbo
Valora Trade Nordic

Christine Schönowitz
(until 31.5.2011)
Claus Holzleitner
(as of 1.6.2011)
Valora Trade Austria

Heiner Kuroczik
Valora Trade Germany

SUPPORT DIVISIONS

FINANCE

Lorenzo Trezzini
CFO

IT

Markus Guggenbühler
CIO

CORPORATE FUNCTIONS

CORPORATE HUMAN RESOURCES

Susanne Berger

CORPORATE COMMUNICATIONS & STRATEGIC BRANDING

Stefania Misteli

CORPORATE BUSINESS DEVELOPMENT

Thomas Eisele

CORPORATE LEGAL SERVICES

Adriano Margiotta
General Counsel

GROUP EXECUTIVE MANAGEMENT

GROUP EXECUTIVE MANAGEMENT

Thomas Vollmoeller
CEO

Lorenzo Trezzini
CFO

Andreas Berger
CEO, Valora Retail

Alex Minder
CEO, Valora Trade

Alexander Theobald
CEO, Valora Services

Extended Group Executive Management

Markus Guggenbühler
CIO

BOARD OF DIRECTORS

BOARD OF DIRECTORS

Rolando Benedick
Chairman

Markus Fiechter
Vice-Chairman

Franz Julen
Conrad Löffel
Bernhard Heusler

Audit Committee

Conrad Löffel
Chairman

Bernhard Heusler
Rolando Benedick

Nomination and Compensation Committee

Franz Julen
Chairman

Markus Fiechter
Rolando Benedick

Strategy

Consistent implementation of its «Valora 4 Success» programme has enabled the Valora Group to execute a successful turnaround and to boost its profitability substantially. Building on these foundations, Valora is now extending its realisation of this strategy with «Valora 4 Growth».

Markets Trends Brands

Following years of diversification, Valora today clearly sees itself as a focused retail and trading company. Valora Retail is the leading small-outlet retailer in Switzerland and Luxembourg. It is also the number one railway station bookstore operator in Germany, where it has now also assumed a pre-eminent position in non-travel retail. Valora Services is a key press distributor in Switzerland, Luxembourg and Austria. Valora Trade is the leading distributor of renowned food and non-food brands in eight European national markets.

MARKETS

Valora concentrates its activities exclusively on consumer markets with significant sales potential. Its focus is on European markets where the lifestyle of modern, mobile consumers has gained prevalence over the years.

The majority of Valora's activities are carried out in saturated markets. The company also has new challenges to address in its core businesses. Declining sales of printed press media and diminishing tobacco consumption, for example, require fresh and innovative offerings which can exploit Valora's outstanding outlet network to appeal to millions of customers every day.

Today's markets are in constant evolution. They are influenced by rapid technological development, globalisation, demographic and societal changes, the waning influence of tradition, new social differentiations and the environment. Success in these markets critically depends on consciously influencing these changes rather than taking them as given. That is what creates new trading opportunities. At the same time, further consolidation is imminent in the markets in which Valora's Retail and Trade divisions operate. This constellation provides Valora with an ideal opportunity to extend and strengthen its position.

Germany, for example, has the largest kiosk market in Europe, but it is also a very fragmented one, thus offering exciting growth perspectives for Valora Retail. There is new scope for Valora Trade to extend its existing business portfolio to the Baltic states. Even highly developed, apparently saturated markets such as Scandinavia continue to provide Valora with attractive opportunities to generate additional growth in new segments such as body care, health, wellness and other luxury areas.

BRANDS

«VALORA – FOR A FAST MOVING WORLD»

B2C

Having previously tried to operate in a multitude of business areas, Valora is now concentrating on the essentials: developing its own expertise and focusing on its customers. One main reason this is so vital is that consumer behaviour is constantly evolving.

Today, Valora Retail is characterised by its clearly positioned brands and its product ranges which are tailored to its specific locations and customer needs. Given the plethora of alternatives confronting today's consumer, brands play an important part in directing buying decisions. By clearly positioning the brands its operates, Valora has further accentuated their identity.

B2C k kiosk

«Treat yourself»
The place for that daily indulgence

B2C avec.

«C'est la vie»
Switzerland's most refreshing convenience retailer

B2C Press P&B Books

«Thought for the journey»
For a wealth of enjoyable reading

TRENDS

DEMOGRAPHIC DEVELOPMENT

Today's partly global retail markets are markedly affected by demographic trends. Demographic shifts, such as the increased proportion of the population aged 50 plus who are keen to make life as enjoyable as possible but viscerally adverse to being treated as senior citizens, give rise to new customer needs. Service, safety and quality are key here. The large number of women who are well educated and enjoy increasing levels of disposable income and independence are also creating new standards and expectations. Immigrants and people from a wide variety of cultures are also vitalising the markets in which Valora operates, creating more options, niches and opportunities.

MOBILITY

People's greater mobility and the increased traffic volumes resulting from it are obvious attributes of today's city-oriented society. Over the last years, the number of passengers travelling on Swiss Federal Railways, for example, has sometimes shown a double-digit growth rate. Railway stations and airports now offer an increasingly wide range of goods and services to shoppers. Instead of having to travel long distances to do their shopping, today's consumers can cover more of their buying needs on the move, wherever shopping is convenient, quick and simple. Families, people at work, singles, commuters – all these categories of people represent a society which is trying to get as much done as possible while simultaneously maximising its free time.

URBAN LIVING

Humanity's future is urban. A UN study projects that by 2050 more than three quarters of the world's population will live in large cities. Today, that figure is around 50 percent. This trend will significantly change urban life. The structure of cities enables people to learn from each other more quickly. They are the ideal melting pot, especially for anyone working in an area – such as retail – which is driven by connectivity and innovation.

GROWING USE OF TECHNOLOGY

Optimising the use of technology has been hugely important in enabling the retail industry to boost its efficiency and productivity. Whereas simple supply chains used to be the key to ensuring goods were always available, standardised, modern logistics and IT systems are a now prerequisite for success in business. No company today can afford not to be using state-of-the-art controlling processes. Valora has made large investments to modernise its logistics, to centralise its Swiss IT operations and to develop its Trade division's Nordic platform.

NETWORKED COMMUNICATION

People today make extensive use of new communication media. They use social media to network with others and blogs to discuss the latest new products. They download mobile apps, ensure they can be reached on location-based-services such as Foursquare and tweet their thoughts to the world at large. The advent of the iPad, whose worldwide sales had reached some 15 million by early February 2011, will have a defining influence on reading habits, particularly among the young. Thanks to the instant dissemination of information and individual recommendations – and rejections – of products and services, today's consumers can change their behaviour and their opinions very rapidly, influencing the views of others in the process. Consumer decisions are becoming increasingly emotional rather than strictly objective.

INSTANT ENJOYMENT, EVERYDAY RITUALS

Enjoyment is often combined with other desirable and positive experiences such as joie de vivre, vitality, optimism, creativity and a sense of happiness. People's striving for these experiences is an important factor in modern society. Escaping from the hustle and bustle of everyday life, taking a little time out and indulging in instant enjoyment – these are needs which are characteristic of today's society. Having rapid and easy access to little daily indulgences is also a form of enjoyment in its own right, forming part of many people's everyday rituals.

BRANDS

«VALORA – FOR A FAST MOVING WORLD»

B2C – CAFFÈ SPETTACOLO

*«Il vero espresso»
Typical Italian coffee bar flair*

B2C – ok.–

Useful products and services which make everyday life more enjoyable

B2B – valoraservices

«Expanding quality and quantity in the press market»

B2B – valoratrade

«Leading European distributor of fast moving consumer goods»

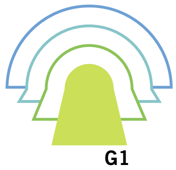
Vision

Through its ideally positioned Retail/Services and Trade business areas, Valora will develop into one of Europe's leading trading companies. Sustainably profitable organic and acquisition-led growth will benefit all stakeholders and keep employees motivated.

Valora today has strengthened its position and has excellent future prospects. It is now time to generate incremental value for all stakeholders through profitable growth.

Strategy programme

Since 2008, Valora has become a significantly more efficient and professional organisation. The Group as a whole and its individual divisions have gained profile and momentum. Our intention is to extend this development process and create further incremental value. The objective is to double operating profit by 2015.



ORGANIC MARGIN GROWTH

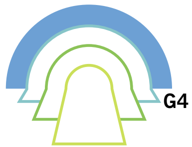
To create the necessary foundation for its future success, the entire Valora Group will increase its profitability by 0.2 percentage points annually. This will be achieved through further optimisations and efficiency improvements.

ORGANIC REVENUE GROWTH

By expanding its current core activities, Valora aims to generate like-for-like revenue growth of some two percent each year.

ACQUISITION-LED GROWTH AT RETAIL/ SERVICES

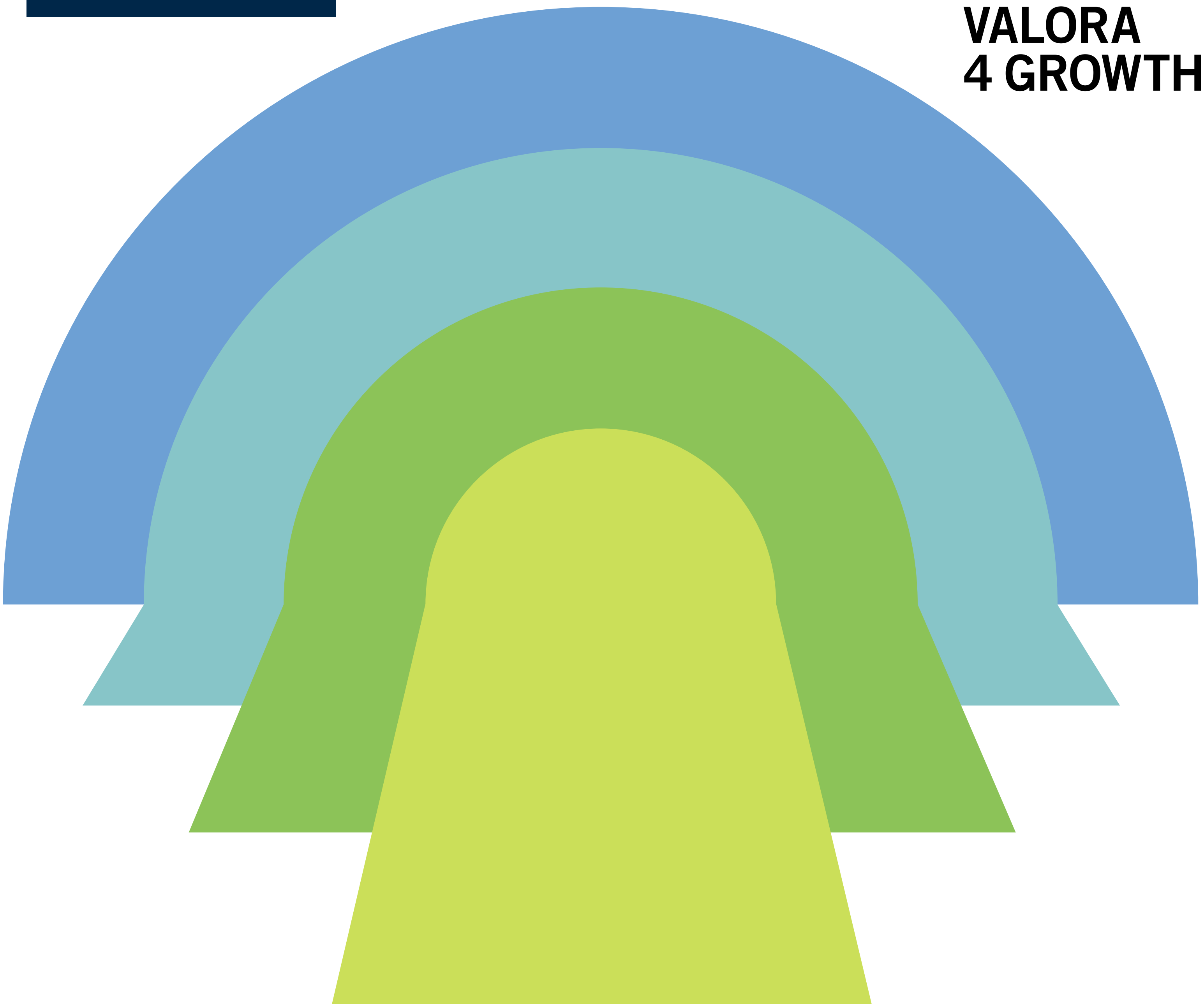
In selected European markets, Valora intends successfully to expand existing and new retail concepts with the objective of establishing the Group as a leading European micro-retailer.



ACQUISITION-LED GROWTH AT TRADE

By extending its category portfolio and raising its profile in new European markets, Valora Trade aims to become a pan-European distributor for strong brand products.

VALORA 4 GROWTH



«Growth requires movement and movement growth.»

Ulrich Wiegand-Laster

G1


für sie entdeckt!
Odol-med3
AKTION
4.80
statt
7.20
Fresh Mint
valora
valora

G1

ORGANIC MARGIN GROWTH

The «G1 – Organic margin growth» initiative mainly applies to Valora's Retail and Services divisions. Its objective is to implement a number of measures in order to increase the Group's EBIT margin by 0.2 percentage points each year, thus generating some CHF 15 million in additional operating profit by 2015.

Because they share the same fundamental product range – press products – the Retail and Services divisions are closely interlinked, complementing each other along the value chain. Valora's dense and extensive outlet network and its substantial press distribution expertise enable the Group to ensure that customers' daily needs are continuously and efficiently met. These structures also allow Valora to identify evolving market trends and to adapt rapidly to the new customer requirements these bring in their wake.

The «Valora 4 Success» strategy programme implemented appropriate and important measures to improve the Retail area's profitability. Particular attention was paid to the structure of operations in Switzerland with its more than 1000 outlets. Raising efficiency levels in press logistics, with the significant impact this is having on costs, has been another major initiative. The progress accomplished to date confirms that this approach is correct. The objective now is for the «Valora 4 Growth» programme to build on these achievements, so as to reach the margin growth targets Valora has set itself.

IMPROVING THE PROFITABILITY OF K KIOSK SWITZERLAND – *In order to bring about a sustainable improvement in Retail Switzerland's profitability, a number of initiatives are being implemented in 2011. The agency model being introduced at k kiosk formats is a very important project in this regard. Initial tests with this new form of business have delivered promising results, both in terms of revenues and costs. By year-end 2010, 9 managers had taken over their former places of employment as agent managers. During 2011, the plan is to expand the agency network to some 100 units. The medium-term objective is to have about 30 percent of the outlets, or some 300 kiosks, operating as agencies.*

A further initiative aims to expand the number of promotions run at Valora outlets and to make them more professional. The network of locations already in place is for use as a marketing channel, with designated sales areas being marketed to manufacturers for product promotion purposes. The deployment of new technologies and standardised systems significantly increases the potential scope of such endeavours.

Centralised purchasing of non-commercial goods enables orders to be aggregated, helping to achieve higher transaction volumes and significantly lower costs.

MAINTAINING PROFITABILITY AT VALORA SERVICES – *In recent years, increasing digitalisation of the media has meant that volumes of printed press titles (newspapers and magazines) have continued to decline. As one of the largest press wholesalers in Switzerland, Austria and Luxembourg, Valora has seen its business noticeably affected by these changes. During the last ten years, overall volumes of press sales have declined by an average of 3–4 percent each year. Newspapers have been worst hit, with annual declines of over 5 percent. Magazines have done comparatively better, declining by a moderate 1–2 percent per year on average, partly because some categories, such as women's magazines, glamour and hobby titles, have had stable, and in some cases growing, sales.*

Faced with this situation, the Services division must adapt its cost base and improve the efficiency of its processes. Logistics costs are being streamlined, and administrative functions for Switzerland, Austria and Luxembourg are being centralised in order to raise efficiency levels. These measures should make it possible to compensate for the approximate CHF 10 million decline expected in the overall market, thus enabling profitability to be maintained at current levels.

Conclusion

In aggregate, Valora expects the measures described above to improve operating profit (EBIT) by some CHF 15 million by 2015.

G1 Organic margin growth

THE AGENCY MODEL – GREATER SUCCESS FOR ALL CONCERNED

Valora operates some 1000 k kiosk outlets in Switzerland, nearly all of which are run as branches of the company. For many years, the Group's national and international competitors have been successfully using other business models to run parts of their networks. Among these various alternative approaches, the agency model is one of the most promising.

In March 2010, Valora launched its first pilot agency outlets in Switzerland. The objective was further to promote entrepreneurial practices and attitudes. Motivated employees are creative and always ready to implement new ideas enthusiastically. When things need to be improved, the entrepreneurially minded roll their sleeves up. They assume responsibility for their own staff and their own actions. This in turn makes for happier and more loyal customers, thus making their businesses more successful.

It was not long before the numbers being generated at the pilot sites began to indicate that the objectives Valora had set were being achieved. Sales rose by more than five percent. Staff rota planning was adapted to meet the needs of the local units and also made more efficient. In addition to their financial success, the new agent managers have come to appreciate the freedom of running their outlet as entrepreneurs, and being their own bosses. They are convinced that they made the right decision for their futures. Based on the success of this pilot phase and on its experience with running agency outlets in Luxembourg, Valora has set itself the objective of transforming one third of its Swiss outlets to the agency model by 2015.

INTERVIEW WITH SVETLA VIDENOVA

The first agent manager at k kiosk Switzerland, running an outlet in Affoltern near Zurich

WHAT WERE THE MAIN FACTORS WHICH ENCOURAGED YOU TO TAKE ON YOUR OWN AGENCY? *What really appealed to me was the idea of doing something new. I think the whole «project» of set up one's own agency is interesting and exciting. I also think that it can only benefit all concerned – the agents, their staff and Valora.*

WHAT CHANGES HAVE RESULTED FROM ADOPTING THIS NEW MODEL? *I am now self-employed, which means I employ my staff myself and have a great responsibility towards them. I can also now actively shape the business so as to make it perform well.*

WHY ARE YOUR MORE SUCCESSFUL AS AN AGENT THAN YOU WOULD BE IN A TRADITIONAL KIOSK? *Many of us have experienced the difference between being a tenant and owning your own home. You're bound to care more about what belongs to you. It's the same with the agency model and the independence it gives you. You can be much more flexible in what you think and do. That in turn makes you more committed personally and more motivated.*

HOW DO CUSTOMERS REACT TO THE KIOSK NOW BEING RUN AS AN AGENCY?
A number of customers who know me personally have congratulated me on my decision and and wished me all the best. Otherwise, not much that the customer can see has changed. You wouldn't know just by looking at a k kiosk whether it was run as an agency or not.

WHAT ADVICE WOULD YOU GIVE TO NEW AGENT MANAGERS? *They should have confidence in themselves and their team. They can look forward to interesting and varied work.*

CAN YOU IMAGINE RUNNING MORE THAN ONE AGENCY OUTLET?
Yes, certainly! In fact, I have already applied for a second unit.

YOU ARE NOW YOUR OWN BOSS. WHAT ABOUT YOUR STAFF? ARE YOU A GOOD BOSS TO THEM?
I certainly hope so. But you really need to ask them.

INTERVIEW WITH PATRICK STÄUBLE

Head, k kiosk Switzerland

AT VALORA, WHO CAN RUN A K KIOSK AS AN AGENT? *A future agent manager should already have some experience of running a kiosk. That is why our own kiosk managers are particularly suited to the agent role. Agents also need to think entrepreneurially and be prepared to roll their sleeves up. To achieve real success, they also have to have a reasonable level of sales skills and motivation. What also counts is enjoying managing your own staff every day, so that you can be successful together. Largely thanks to the balanced way in which risks are shared between Valora and the agent, an agency represents a genuine and worthwhile new career goal for established k kiosk employees.*

WHAT CRITERIA DO YOU APPLY WHEN DECIDING WHETHER A K KIOSK SHOULD BE RUN ON AN AGENCY BASIS? *To be viable as an agency, a kiosk needs to generate a specific annual turnover. The location also needs to have stable and reasonably high levels of customer footfall.*

WHAT LEVEL OF SUPPORT DOES VALORA PROVIDE TO AGENCIES?
Agencies continue to have all Valora's logistical and technical services at their disposal. The support Valora provides in terms of product ranges, branding, marketing and sales promotion is the same for agencies as for Valora-operated units. And of course Valora is also there to help agent managers with a whole range of other issues that crop up.

HAVE MANY PEOPLE SHOWN INTEREST IN THE AGENCY MODEL? *We currently have a few dozen agency agreements signed and we are working on numerous enquiries. We are well on the way to reaching our goal of having 100 agencies in place in 2011.*

«The only thing limiting growth is imagination.»

Günter Wille

G2


paysafecard:
Entdecke die Prepaid-Lösung fürs Internet.
@ k kiosk
Press P&B Books
ok.–
energy drink
energy drink mango
San Francisco
Zurich Hochzeitsversicherung
ZUVERLÄSSIGE GELDÜBERWEISUNGEN
GELD RUND UM DIE GANZE WELT IN NUR WENIGEN MINUTEN*
RELIABLE MONEY TRANSFERS
MONEY ACROSS THE WORLD IN JUST MINUTES*
MoneyGram Geldtransfer
@ k kiosk
pharma
Trockene Augen/Nase
Kopfweh
Muskelverspannung
Vitamine

G2

ORGANIC REVENUE GROWTH

All Valora divisions are actively targeting organic revenue growth. The goal is to increase sales by two percent per year by expanding the Group's current activities. That equates to some CHF 300 million of additional revenues and some CHF 20 million in extra operating profit (EBIT) by 2015. To achieve this, the Retail and Services divisions will continue to extend the scope of their offerings. Expansion of the outlet network will remain a priority. Greater professionalisation of its operations and enhanced effectiveness in the use of existing platforms will enable the Trade division to increase turnover generated with its current principals.

RETAIL TO EXPAND ITS SWISS OUTLET NETWORK – *By late 2010, the avec. network comprised 95 units at selected, heavily frequented sites. Over the next few years, the number of avec. convenience stores should rise to 150. This will be achieved partly through transformations of existing units and partly through opening new ones. Valora's partnerships will provide additional opportunities for expansion. Ever since its initial launch, the «P&B» format, which has been adapted for the Swiss market has proved extremely popular, both with customers and landlords. Over the next five years, the 10 units operating will be increased to some 50 stores.*

RETAIL TO BROADEN PRODUCT RANGE AND INNOVATE FURTHER AT K KIOSK – *Since late 2009, Valora has been testing new articles, product ranges and services at its 1 000 or so k kiosks. Since the successful roll out of its private label ok.- brand, the range of ok.- products has been constantly expanded and is proving particularly popular with new, young customers. The objective now is to use additional attractive offerings to enhance the appeal of Valora's outlets, thus increasing customer footfall. In future, k kiosk will also be offering a range of new services which will be groundbreaking for this format, some new, some already in existence elsewhere and some specially developed for k kiosk. To this end, some 600 k kiosk have been equipped with modern «@ k kiosk» modules. Currently, these offer customers insurance, attractive travel packages, international money transfer facilities and telecom and other services.*

Conclusion for Retail

In aggregate, Valora expects the measures outlined above to enable the Retail division to generate additional revenues of some CHF 200 million and additional operating profit (EBIT) of the order of CHF 15 million by 2015.

SERVICES TO OFFER ADDITIONAL LOGISTICS SERVICES – *The logistics structure Valora now operates is probably the most intricate and finely dovetailed in Switzerland. Daily deliveries of precise quantities of press products and other articles to some 1100 Valora-operated outlets and approximately 5000 third-party customers demand state-of-the-art systems and a high degree of process precision. Increasingly, these logistics capabilities are also being offered to third-party customers and efforts to market it as a service in its own right will be stepped up in the years ahead, thus enhancing capacity utilisation levels.*

SERVICES TO EXPAND DISTRIBUTION CAPABILITIES – *Valora Services today enjoys a sound press wholesaling position in three national markets, where it is the major distributor for the publishers of German-language titles. Valora also has the industry's only vertically integrated press distribution structure, giving it unique scope for market development collaboration with its publishing partners. For the last two years or so, the insights thus gained have been used to develop new solutions to compensate for declining outlet-based press sales. Measures have included streamlining the range of titles on offer and enhancements to store layout and shelf configuration - ensuring, for example, that individual titles are correctly raked for ease of access. Best-selling press titles are now also more visible. These services, as well as other specialised advice on category management and article presentation are now being offered to the 15 000 or so third-party customers the division serves in Switzerland, Austria and Luxembourg.*

Conclusion for Services

These initiatives by Valora Services serve to counteract the anticipated contraction of the overall market in the years to come.

TRADE TO GENERATE GROWTH WITH EXISTING AND NEW PRINCIPALS – *Valora Trade is already the leading pan-European branded goods distributor. The objective is to implement a number of targeted initiatives aimed at strengthening the divisions's strong market position in the eight European markets in which it currently operates, thus increasing its appeal to principals and retailers alike. The current principal portfolio numbers some 250 companies. These vary greatly with regard to size and international reach. Valora Trade's intention is to help principals with products which are distributed in one country only to establish their products in additional national markets, through the use of Valora Trade's regional platforms. The division's experience and intimate knowledge of European markets will be critical to this initiative. This expertise will also be directed towards acquiring new principals and developing new product categories. There is a growing trend among manufacturers to outsource their distribution service, and this provides promising opportunities for Valora Trade. The firm ties Valora Trade has established with individual local retailers are a key component of successful distribution, and for the division's service packages, which can also be provided supranationally if needed.*

Conclusion for Trade

The above measures should enable Valora Trade to raise sales by some CHF 100 million and EBIT by some CHF 5 million by 2015.

G2 Organic revenue growth

OPTIMISING THE VALORA SERVICES OFFERING TO PROMOTE PRESS SALES

Retail press sales have been facing major challenges for years. This continuous shrinkage, to which free sheets and the internet have greatly contributed, has particularly affected newspapers and periodicals. The «Valora 4 Success» programme already included in itiatives by the Media division, now Valora Services, aimed at establishing how the general decline in press sales could be slowed and eventually stabilised.

As a press wholesaler in Switzerland, Luxembourg and Austria, Valora is also keen to focus even more attention on the needs of retailers and consumers. To achieve this, initiatives are under way to expand the current range of sales and other services and to continue to professionalise them. The objective is to find an appropriate balance between the interests of the consumer, the retail sector and the publishers. In Switzerland, in order to make the most of the sales potential of the 1100 or so outlets Valora operates itself and of the roughly 5000 third-party retailers it serves, a number of new initiatives have been defined. At the same time, more focused marketing, additional sales promotion areas at outlets and an improved standard of product presentation should enable publishers to benefit from higher volumes of impulse purchases. To reach this objective, media product ranges on offer at outlets will be streamlined and they will be more prominently displayed.

This initiative thus concentrates on develping product ranges, improving product presentation, expanding promotions and developing expertise, both at Valora's own outlets and in third-party customers' networks.

Developing product ranges
The first step here is to identify the available press display space at each individual outlet and the proportions of it assigned to specific categories. On this basis, the product range can be adjusted with a view to defining quantities and appropriate title compositions for each outlet. Individual titles will be more prominently displayed, and the range complemented by seasonal, regional and new titles. Greater awareness of location characteristics and the availability of titles aimed at specific groups is intended to increase impulse purchases and overall sales. The press product ranges will also be complemented by press related articles, thus making the outlets more attractive to customers and generating additional sales for the retailer. These include collectible items, an area which Valora is currently developing with a number of publishers.

Product presentation
The wide range of press titles on offer at Valora's own outlets, coupled with the broad market research it carries out, have provided the company with a wealth of relevant expertise in product presentation. This knowledge enables Valora to provide its retail partners with a variety of tools and channel-specific display arrangements. In this way, current research insights can be used to develop display concepts which further enhance product visibility. Additional elements such as lighting, layout design and sales promotion tools are also being developed and implemented.

Expanding promotions
In order to meet market challenges, publishers for their part are keen to maintain a high level of innovation within their title ranges. This results in a large number of new launches, special editions and product reintroductions. To make the most of this constant evolution, designated promotion areas and additional forms of presentation for these titles are essential. Valora is working with its retail and publishing partners on the ongoing development of promotion displays, so as to present new products appealingly.

Developing expertise
Valora has substantial press sales expertise and innovations are continuously being introduced at its own retail outlets. Valora intends to share these insights with its trading partners. The company thus holds regular training courses aimed at improving general press sales skills. Valora sees the transfer of knowledge and experience as one of the most effective ways of actively influencing press sales. Valora's various sales organisations also provide retailers with support in their daily business, so as to create the best possible environment for successful sales results.

As part of the implementation of its new press strategy, Valora has launched a number of co-operative initiatives aimed at improving turnover in the various sales channels. New tools are constantly being developed and implemented for supermarkets, kiosks, convenience stores and for the specialist retail sector. One example of the successes which are being achieved in this area is Valora's co-operation with the Swiss Association of Kiosk Owners (in German, «Schweizerischer Kioskinhaber Verband», or «SKIV»). This project involved analysing more than 150 retail outlets, making improvements as appropriate. As a result of these efforts, press sales at these units have increased by six percent compared to their levels a year ago.

STATEMENT BY ANDREAS BALAZS
Managing Director Valora Services Switzerland

«Our new strategy aims to enable our retail partners to benefit from the substantial specialist expertise which has been developed at Valora's own retail units. We believe that by providing this active support to outlets and sales channels, we will be even better placed to meet the challenges ahead and to exert a positive influence on press turnover.»

STATEMENT BY HANSLUZ NUSSBAUM
Chairman of SKIV

«The stronger and closer co-operation and support which Valora has provided by launching its marketing initiatives has borne the fruit we had hoped for. The market is however placing new demands on us every day, and it is important that we continuously interpret and assess these, incorporating our evaluation into our common strategy. The results achieved so far are encouraging and give us confidence that we are taking the right approach.»

«Growth originates
in the power embedded
in its roots.»

Hans-Armin Weirich

G3


k kiosk
avec.
P&B
Press
Books
CAFFE
SPETTACOLO
ICE
BERLIN
POTSDAM
Brandenburg
Dessau
Cottbus
Zielona Gora

G3

ACQUISITION–LED GROWTH AT RETAIL / SERVICES

The essential focus of Valora's «G3 – acquisition-led growth at Retail / Services» initiative is on expanding the kiosk format in Germany. A further important element of this strategy is to acquire and develop additional small-outlet retail concepts, particularly in the travel retail field. Additional purchases in Germany and the extension of the range of retail formats will not only increase the size of the outlet network, but will also raise external sales by some CHF 900 million and add some CHF 30 million to operating profit (EBIT).

With the four strong brands in its current portfolio – k kiosk, avec., P&B and Caffè Spettacolo – Valora today operates some 1600 small outlets at heavily frequented locations. Consistent focus on the needs of a customer base on the move and with limited time its disposal is the basis of Valora's core business, and it is this which provides the company with its essential expertise with regard to location, store layout, product ranges and services.

Its success in operating small-scale stores in three different European markets makes Valora confident that it can achieve further growth in this area. Germany, with its intensely fragmented kiosk market, provides promising opportunities for making numerous acquisitions of existing individual sites and smaller chains of kiosks. The market in the Netherlands is also attractive and is growing. The objective is to acquire a variety of small outlet sites and systematically to consolidate them into a kiosk network. Valora also plans to benefit from the continuous expansion of public transport networks which has been in progress for many years. Store concepts at public transport nodes generally develop more dynamically and quickly than in other locations. Valora intends to use the particularly intense footfall at railway stations, airports and other public transport nodes to deploy new retail concepts and product ranges, in addition to its existing formats, as a means of meeting the needs of new customers.

This second growth trajectory within the «G3» initiative aims to provide an ideal complement to the current format portfolio, thus further strengthening Valora's expertise in small-outlet retail.

KIOSK EXPANSION IN GERMANY – *With a total of some 20000 kiosks, Germany is Europe's largest non-consolidated, non-system-based kiosk market. Countless small chains and individual outlets located at excellent sites with strong traffic are currently vying for customers. Valora now operates some 400 outlets, of which almost 200 are kiosks. Well over half of these are operated on a franchise basis. The layout and branding of the German outlets is constantly being developed to create a uniform, nationwide concept with clearly defined standards. Once it has integrated the chains or individual kiosks it has acquired, Valora sees significant potential synergies in the areas of purchasing, product range configuration and administration. In order to implement this strategy, the tabacon franchise network acquired in 2010 will be used as a nucleus, the objective being to acquire a further 800 units in Germany over the next five years.*

ACQUISITION/ROLL-OUT OF NEW (TRAVEL) FORMATS – *For many years now retail formats at major public transport nodes have been generating good or very good levels of sales growth. These have tended to exceed those achieved in city centre locations or at shopping centres, in some cases by a significant margin. Railway stations and airports are increasingly developing into small shopping centres. Small outlet formats in these locations (travel retail formats) are becoming ever more important sources of supply for the growing number of passengers passing through them. In order to save time, people are doing their shopping for smaller staple items, and making impulse purchases, on their way to and form work. The longer opening hours of the outlets in these locations are helping to encourage this trend. That is why Valora intends to extend its expertise and experience in small-outlet retail and to add one or two additional formats to its existing successful portfolio of k kiosk, avec., P&B and Caffè Spettacolo outlets. Small stationery shops, accessory boutiques or bakery outlets which can be developed on a module basis and integrated into the existing network, would all be potential candidates.*

Conclusion

Valora expects the initiatives listed above to generate additional sales of some CHF 900 million and additional operating operating profit (EBIT) of some CHF 25–35 million by 2015.

G3 Acquisition-led growth at Retail/Services

THE TABACON EXAMPLE

Analysis of the European retail market carried out for the «Valora 4 Growth» strategy programme identified significant expansion opportunities for Valora in micro and small-outlet retailing, particularly in Germany and the Netherlands. The markets in all other European countries are already dominated by other large-scale kiosk operators.

Germany's kiosk market numbers some 20 000 outlets and has an extremely fragmented structure. Smaller or medium-sized operators generally run networks of up to a few hundred units as part of one organised system. The remaining, and larger, portion of the market is made up of numerous very small networks and thousands of individual units. Given the structural constraints placed on them, these tend to generate operating profit margins of between roughly one and two percent. Consolidation and standardisation of these outlets has the potential to enable substantial advantages and synergy effects to be realised in the areas of purchasing, promtion capabilties and administration. A uniform profile would also make these units much more visible and recognisable. Valora's wealth of experience in Switzerland, where it operates a network of more than 1000 k kiosk outlets, is a major advantage in this regard.

EXPANDING THE KIOSK NETWORK IN GERMANY

In the autumn of 2010, Valora acquired tabacon, with its 184 successful franchise sites. The tabacon outlets enjoy excellent locations, mostly in the post check out area of cash and carry stores and shopping centres. Annual external sales per unit average some 600 000 euros. Currently, the range of goods on sale at these outlets is directed towards tobacco, the networks current core competence. There are historical reasons for this, since tobacco wholesalers in Germany have generally established outlet networks as a means of guaranteeing sales.

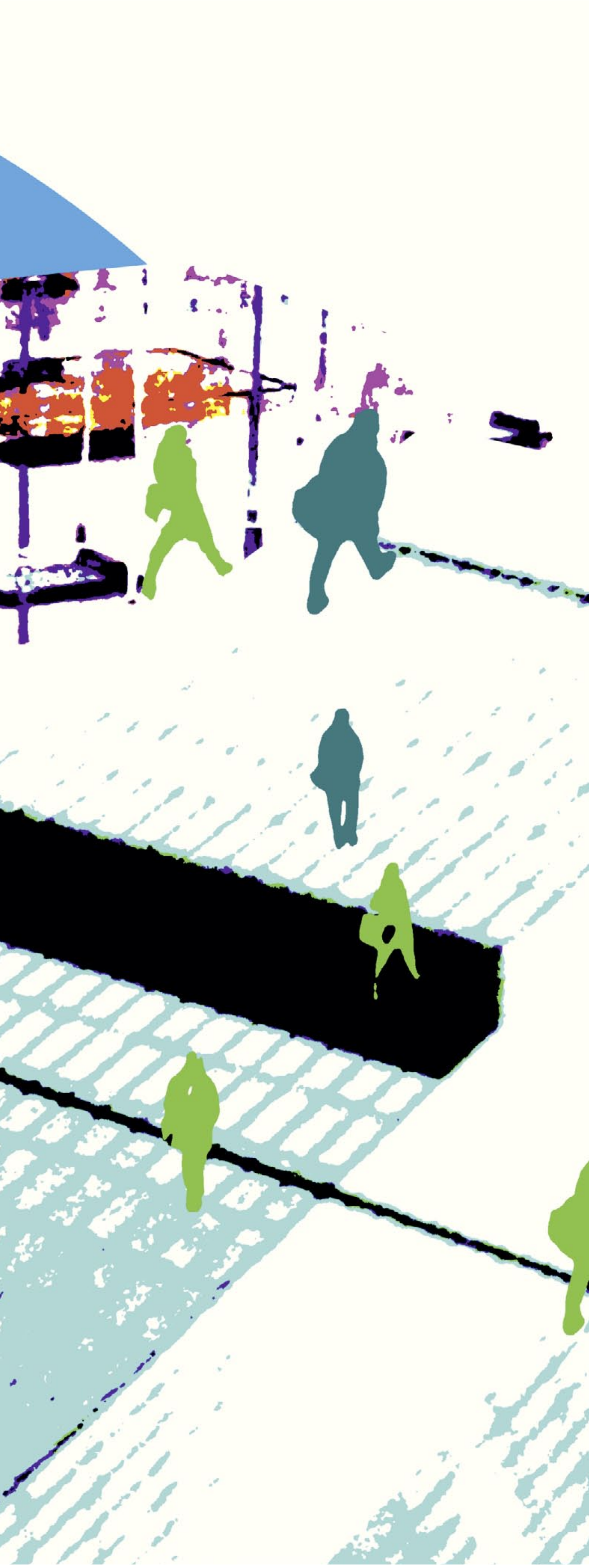
At the time of the tabacon purchase, Valora already had a small kiosk network in Germany, comprising some 30 units. Like the Group's outlets in Switzerland and Luxembourg, these sell a wider range of articles, comprising press, lottery, food and non-food products, in addition to tobacco. The tabacon acquisition enabled Valora to double its overall number of outlets in Germany and to become one of the country's leading small-outlet retailers. The transaction has meant that Valora Retail has increased its network of non-travel outlets to some 200 units. The tabacon network is also widely regarded as one of Germany's most professionally managed franchise systems. It is this nucleus which will form the basis for Valora's future planned expansion.

SUCCESSFUL INTEGRATION AND UTILISATION OF THE TABACON NETWORK

The acquisition of tabacon and its integration into the Valora Retail Germany structure makes an ideal starting point for Valora's growth strategy. The first step in this process was to link the new outlets to Valora's existing back office systems in Germany.

INTERVIEW WITH MATHIAS GEHLE AND LARS BAUER
Managing Directors, Valora Retail Germany

HOW HAS THE INTEGRATION OF TABACON PROCEEDED? *MG: When we are carrying out integration projects, our primary focus is always on the customer. The acquisition should not be in any way apparent to customers at the counter. That is why the know how of the staff on the ground and the continuing supply of goods to the outlet are absolute priorities. To achieve this, it is essential to have good internal and external communication, so that the numerous questions which arise in connection with the takeover of a company can be addressed appropriately. There are a fair number of other things involved too, which our experience of more than 25 acquisitions has taught us to deal with.*
LB: Obviously there were quite a few questions from staff, franchisees, landlords and suppliers as a result of the change in ownership. However, after many conversations and presentations, we managed to allay the various uncertainties expressed. Valora Retail's good reputation in the market, the Valora Group's sound financial position and the professional way in which our experienced teams completed the transaction all helped to bring about a satisfactory conclusion.
WHERE DO YOU SEE THE RISKS AND OPPORTUNITIES IN FURTHER ACQUISITIONS ? *LB: There are two key criteria. First, the quality and the potential of the sites must meet our requirements. Second, the chemistry has got to be right. By that, I mean that the company has got to be right for us and the vendor must be confident that his company is in safe hands with us. A key element in further acquisition-led growth will be the creation of appropriate structures, which will allow us to transfer acquired companies into our own organisation. We are now working on focusing our organisation even more towards the growth we intend to achieve in the kiosk market. We are setting up a Valora salesforce dedicated to kiosks and we will also establish an expansion group and a franchisee support team as new functions in our organisation.*
MG: In addition, we are also constantly reviewing our back office capabilities, to make sure they remain scalable and able to make the most of potential synergies.
WHAT WERE THE REACTIONS OF STAFF, CUSTOMERS, FRANCHISEES AND LANDLORDS?
LB: Our key objective was to ensure a smooth tenancy handover with the landlords, so that nothing out of the ordinary was apparent to customers. Of course, when a tenant company changes hands, there is bound to be a lot of speculation.
MG: Based on the calm reaction of the staff, who simply continued to focus on their customers, and on the steady sales figures, we were able to conclude that the integration had been smoothly executed despite new systems and a number of process changes.
LB: Many franchisees reacted very positively to the acquisition by Valora. They welcome the improved terms they now have and the extended product ranges they have been offered. One franchisee has just ordered our confectionery module for his fourth outlet, because he can see its turnover potential.



«To grow means to recognise opportunities when they present themselves and to develop them.»

Torsten Tomczak

G4

G4

ACQUISITION-LED GROWTH AT TRADE

The «G4» growth initiative targets acquisition-led growth at Valora's Trade division. By 2015, the objective is to expand revenues by some CHF 600 million and operating profit (EBIT) by roughly CHF 20 million through appropriate acquisitions. Valora Trade is already a leading pan-European distributor of branded goods. Over the next five years, the division intends to expand its activities further, thus strengthening its position.
Valora Trade is the largest distributor of fast moving branded goods in Europe's small and medium-sized markets and already has an attractive portfolio of businesses. The main components of its current product range are food (including confectionery) and non-food articles produced by numerous internationally renowned manufacturers. With distribution companies in eight European markets (Switzerland, Germany, Austria, Denmark, Norway, Sweden, Finland and the Czech Republic), Valora Trade has an efficient distribution network providing access to more than 130 million consumers. Valora Trade supports both manufacturers and the retail sector with a range of highly specialised services, working closely with retailers to develop effective programmes for turnover growth. Within its existing national markets, the division's objective is to extend its activities into new product categories, by means of acquisitions where appropriate. Valora Trade also intends to extend its geographic reach to new markets through the acquisition of leading local distributors. The platforms it currently has in place, which can be deployed on a supranational basis where necessary, will prove a major advantage in these endeavours.

NEW CATEGORIES IN EXISTING MARKETS – *Valora Trade's strategy here involves acquiring additional distributors in its existing markets. The focus will be on companies dealing with attractive principals operating in specific growth categories. Potential target categories include non-food (cosmetics, for example) functional food, health products or pet food. The objective is further diversification of the division's existing category portfolio as a means of generating additional turnover growth. A further advantage of pursuing this strategy is that the new categories will help the division to reduce the high proportion of its current turnover generated from confectionery. Valora Trade also anticipates that the new categories into which it intends to expand will be less exposed to own label insourcing by retailers. The «Valora 4 Growth» strategy envisages acquisitions being carried out at the rate of one or two each year. Expansion into new product categories should enable the division to generate some CHF 200 million of new sales and a further CHF 5–10 million in operating profit by 2015.*

ACQUIRING LEADING DISTRIBUTORS IN NEW MARKETS – *Geographically, Valora Trade's current activities are concentrated on Central Europe - through its companies in Switzerland, Austria, Germany and the Czech Republic – and on the Nordic countries – through its subsidiaries in Denmark, Sweden, Norway and Finland. Expansion into new European markets, particularly in the Baltic states, South East Europe and other smaller European countries is currently being evaluated. The increasing trend for international principals to outsource their distribution operations in smaller and medium-sized markets to third-party providers is one from which Valora Trade's strategy should benefit. The division's strong market position and the range of professional services it provides mean that it is ideally placed to make the most of this trend, opening up attractive opportunities for growth.*
In these new national markets, the division intends to acquire one to two distribution companies each year until 2015, with the objective of generating some CHF 400 million of additional sales and incremental operating earnings of CHF 10–15 million by that year.

Conclusion

In aggregate, Valora Trade expects the measures outlined above to add some CHF 600 million to sales and some CHF 20 million to operating profit (EBIT) by 2015.

G4 Acquisition-led growth at Trade

STRENGTHENING THE LARGEST PAN-EUROPEAN DISTRIBUTOR

Valora Trade is currently the largest distributor of fast-moving branded goods in Europe. The strong position the division now enjoys in the eight European national markets in which it operates was reached through targeted acquisition of new principals in those markets. In recent years, Valora Trade's expertise in the fields of distribution and trade marketing has constantly been developed and is now directed at meeting the most demanding requirements.

The «Valora 4 Growth» strategy aims to accelerate this process, with new growth being generated in new product categories and additional national markets. The objective is to place Valora Trade on a more diversified footing, to strengthen its market position and thus consolidate the division's status as a preferred distribution partner for major branded goods manufacturers for their sales in smaller and medium-sized markets. Valora Trade's acquisition of the Norwegian cosmetics distributor EMH was a first step in this direction.

THE EMH ACQUISITION – ENTRY INTO THE COSMETICS CATEGORY

In September 2010 Valora acquired the Norwegian operations of Engelschiøn Marwell Hauge (EMH). The company is Norway's leading cosmetics distributor with a 35 percent market share. The company's sound structure, its long history of success and the attractive growth of the cosmetics sector made EMH a perfect acquisition candidate for Valora. The transaction also ideally complements Valora Trade's existing product portfolio, with its strong focus on confectionery and food products, as well as enabling the division immediately to assume the leading position in cosmetics products distribution in the highly attractive Norwegian market.

INTERVIEW WITH ALEX MINDER
CEO, Valora Trade

WHAT SIMILARITIES AND DIFFERENCES DO YOU SEE BETWEEN EMH AND VALORA TRADE'S EXISTING BUSINESS PORTFOLIO? *The EMH distribution model is not significantly different from that we have been using for our existing distribution of confectionery, food and non-food products. There are a number of areas where the two companies can learn from each other. This should result in a further improvement in the quality of our services. In all our categories we are serving internationally renowned, highly successful manufacturers. EMH is now adding a number of premium brands to our portfolio. We will be working hard to combine the know how we are gaining with EMH with our existing expertise as advantageously as possible. We will be able to make further improvements along the value chain, from logistics processes to key accounts and category management, to point-of-sale initiatives. I see this as a real win/win situation, from which our principals and Valora Trade will benefit.*

WHAT ADDITIONAL BENEFITS ARE THERE FOR THE PRINCIPALS AND FOR VALORA AS A RESULT OF THE EMH ACQUISITION? *Valora gives the principals broad access to other European markets with 130 million consumers. Valora operates with state-of-the-art systems and maintains an excellent network of relationships in its markets. EMH will be integrated into Valora's existing platform structures, thus further raising the levels of process quality and efficiency.*

DOES VALORA HAVE SUFFICIENT KNOW HOW TO BE ABLE TO RUN A COSMETICS DISTRIBUTION BUSINESS EFFECTIVELY? *This poses no problem whatsoever, because Valora will be taking on the entire EMH staff with all their specific expertise. That is why we are confident of being well equipped for the future in this area.*

WILL YOU SOON BE DISTRIBUTING COSMETICS IN OTHER COUNTRIES? *We have not done so yet, though we do of course have plans to extend our cosmetics presence to other markets.*

WHAT ADDITIONAL CATEGORIES COULD VALORA TRADE ADD TO ITS PORTFOLIO IN FUTURE? *As set out in our strategy, we also intend to undertake efforts to establish ourselves in the areas of health and wellness products. We will also be looking at other areas, such as pet food, which are generating rapid growth in Western Europe. The opportunities for expansion are significant and there are exciting times ahead.*

QUESTION TO CARSTEN ØRNBO
Managing Director, Valora Trade Nordic

WHAT IS THE SIGNIFICANCE OF THE EMH ACQUISITION FOR VALORA TRADE'S BUSINESS AND ITS EMPLOYEES?
The knowledge sharing between staff at Valora Trade and EMH is certainly advantageous, also for our principals. In addition to the expertise we have in key accounts and category management, valuable new cosmetics industry know how is now also contributing to our planned activities for developing brands and promoting customer loyalty. This will be useful in Valora Trade's traditional sales channels. It really is true that strong brands help to generate strong brands. Certainly our client agenda will be further strengthened by having a fuller brand portfolio.

QUESTION TO PETER MADSEN
CEO, EMH AS

WHAT IMPRESSION DID YOU AND YOUR TEAM HAVE OF THE INTEGRATION OF EMH WITH VALORA?
It obviously takes a certain amount of time to understand how a new owner thinks and acts, how communication channels work and, of course, to get to know and understand one's new colleagues. We are now in the process of integrating ourselves into the new Nordic category organisation, and this will involve some changes to the roles and responsibilities of certain members of EMH staff. I can see, however, that everybody is willing to join the growing Valora Group.

RESPONSIBLE BEHAVIOUR TOWARDS EMPLOYEES, BUSINESS PARTNERS, THE ENVIRONMENT AND SOCIETY

To remain competitive over the long term, a company needs to act in a sustainable manner. Economic, ecological and social responsibility forms an important part of Valora's corporate policy. Throughout the Valora Group, employees at all levels combine their striving for economic success with responsible behaviour towards the environment, society and their colleagues. The following report provides a summary of the major activities and policies which have become a firmly established component of Valora's corporate culture.

EMPLOYEES

Valora sets great store by ensuring that its employees are contented, and that they are trained, encouraged and developed. The company is aware of its social responsibilities. Both the commitment of all its employees and an open and transparent dialogue with them are important parts of Valora's corporate culture, and they are constantly being fostered.

FAIR EMPLOYMENT CONDITIONS

Valora has had a general contract of employment in place for all its sales staff in Switzerland since 1.1.2009. This introduced a minimum wage for sales staff, which has since already been increased once. Staff aged over 50 are entitled to six weeks' annual paid holiday. In 2010, Valora also increased the duration of paid maternity leave from 14 to 16 weeks, thus improving the employment conditions for its female employees, who represent more than 80 % of its sales staff, beyond the legal minimum requirement.

TARGETED STAFF DEVELOPMENT AND SUCCESSION PLANNING

Continued development of the company on a sustainable basis requires a clear, forward-looking approach to staff development and succession planning. This has been an area of particular focus for Valora in recent months.

Talent management

During 2010, Valora overhauled its talent management process. The objective is to introduce transparent and systematic procedures for identifying and developing talent as the basis for targeted, forward-looking succession planning on a Group-wide basis. Defining key positions and appropriate succession candidates for them is part of this process. Evaluation of potential future high-performers is based on the annual assessment of each employee's performance and potential carried out by his or her superior. Newly promoted managers attend a special «Leadership Week» training programme which aims to develop leadership skills and enable its participants to establish networks with colleagues working in other business areas and other countries.

The Valora trainee programme – an exciting start to a professional career

Valora's trainee programme provides new graduate hires with an attractive introduction to professional life. The programme, which last 13 months, assigns these graduates to a variety of specific projects in the divisions, as well as providing them with additional training. In addition, five undergraduates attending dual work/study courses at German universities are offered training places at Valora in Switzerland or Germany.

Training the next generation

Valora's vocational training programmes are popular with apprentices and the firm offers places in a wide range of disciplines.

In 2010 Valora employed more than 170 apprentices at its retail and press and book outlets in Switzerland, Ger-

many and Luxembourg. The 150 apprentices Valora employs at its kiosks make it the largest provider of apprenticeship training in this retail sector in Switzerland. Valora also offers commercial, IT and logistics apprenticeships in Switzerland and at a number of its subsidiaries in other countries to some 30 young people. The number of apprentices joining Valora in Switzerland in 2010 was some 40 % up on the year before.

Vocational internships

In 2010, Valora also offered vocational internships, or pre-apprenticeships, to some 30 young people. These programmes, also called bridging offers, will make it easier for their participants to find an apprenticeship later on and to become integrated in the employment environment.

Valora companies outside Switzerland also support youth training, offering a variety of vocational internships. Valora Luxembourg, for example, made internship places available to seven young people, who were assigned to the company's external sales and finance departments.

Promoting entrepreneurship

Since early 2010, Valora Retail Switzerland has offered the managers of its k kiosk outlets the opportunity of taking on their unit as self-employed agent managers. In this way, Valora Retail is able to foster the entrepreneurship of its staff, enabling them to become self-employed and providing them with an opportunity to achieve business success. Valora supports these new entrepreneurs with significant specialist advice. Agent managers also maintain their membership of Valora's pension fund.

National Future Day

In November 2010, more than 90 children aged between 10 and 15 took part in Valora's National Future Day (formerly sons' and daughters' day), thus gaining an insight into their parents' and friends' working environment. For the first time, this year's event was organised and carried out entirely by two commercial apprentices, providing them with a good opportunity of accumulating worthwhile experience in project management. Valora Services Austria also fosters and promotes its apprentices' involvement in project work. In the spring of 2010, the company held its first open day, organised and carried out by its apprentices.

ETHICAL CONDUCT

Valora's Code of Conduct sets out the types of behaviour which Valora expects from all its employees. The Valora Code of Conduct demonstrates the company's intention to be measured not only by its economic performance but also by the way in which it achieves its results and the principles it applies to the conduct of its business.

Ethics hotline

Every employee is required to report any violations of the Valora Code of Conduct, the law or the principles of ethical conduct. Since late 2010, Valora employees can also now use the new Valora ethics hotline to report irregularities anonymously and at any time. In this way they are making an important contribution to the discovery of irregular practices and effectively provide an early warning system against unethical conduct. The ethics hotline service is provided in collaboration with an international partner firm.

Compliance – training on money laundering legislation

Prior to the launch of their new money transfer services, Valora and MoneyGram jointly carried out more than 100 days of targeted training for some 600 members of Valora staff. This money laundering legislation training serves to raise sales employees' awareness of the issues involved and to support them in their work selling the new services.

Protection of minors
Valora takes the legislation preventing the sale of tobacco and alcohol to minors seriously. Valora employees are regularly made aware of the issues involved. New staff joining Valora receive specific training on this matter, which is also an important subject in Valora's ongoing training for its staff. Notices are on display by the counter at each outlet, advising staff of the legislation applicable in the relevant canton. Outlets' adherence to the law is also monitored by sales heads and mystery shopping visits.

Valora is also committed to the protection of minors in electronic media. The company is a signatory to the «Movie Guide» code of conduct drawn up by the Swiss Video Association and Switzerland's retail industry.

OPEN DIALOGUE AS A LEADERSHIP PRINCIPLE
The leadership principle stating that «We communicate openly and respectfully» is one of the most important principles governing the daily interaction between Valora employees.

Information to employees
In addition to conferences and workshops organised monthly, semi-annually or annually at business area and Group level, employees also receive regular, near-time updates on the current course of business and planned changes.

CEO Breakfast
Open and honest dialogue is also a characteristic of the CEO Breakfasts. These regular, informal meetings between the CEO and employees at all levels of the company are a platform where burning issues and current projects can be discussed in an open, transparent manner – with no fixed agenda and no minutes.

2011 employee survey
For the first time in years, Valora conducted a survey of its staff's opinions with regard to leadership culture and employee satisfaction. The results will be taken as a base case and the survey will in future be repeated on an annual, Group-wide basis.

Employee ideas management – videa
In 2010, the company launched videa, a platform for managing employees' ideas. Good ideas crop up everywhere, but they will not be useful until committed employees put them forward and implement them. The videa platform provides everyone with an opportunity of making their own contribution to the ongoing development of Valora. In the seven months since the videa platform was launched, some 100 ideas have been submitted, including suggestions on sustainability issues. Some of these have already been put into practice and implementation of others is being planned.

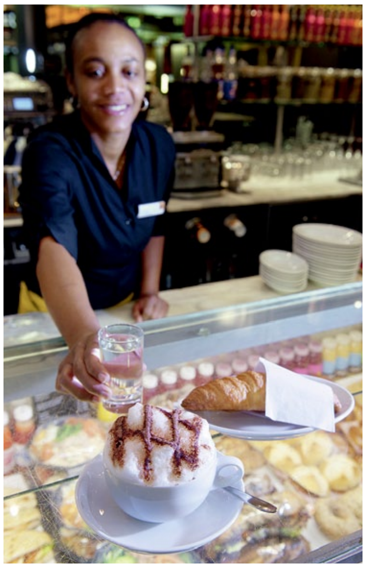
BUSINESS PARTNERS

Valora maintains partnership-based relations with its suppliers in all the countries in which it does business. Wherever possible, Valora will seek to choose suppliers who share its standards with regard to the environment, sustainability and social responsibility. This applies both to the manufacturers of products and to Valora's warehousing and logistics partners.

Product safety is the top priority. Only those products whose manufacture and intended use – as far as the current state of scientific and technological knowledge can determine – poses no significant risk to humans, animals or the environment are included in Valora's product ranges. In this connection Valora is committed, for example, to requiring suppliers and manufacturers to provide information regarding the use of nano-technologies.

Valora Switzerland is committed to Swiss manufacturing and production and obtains most of its products from Swiss suppliers. Particular attention is paid to fresh produce, most of which is supplied by Swiss producers. Most of the meat products Valora buys also come from Swiss producers.

Valora pays particular attention to ensuring that its private label ok.- product meet high Swiss quality standards. Many of these articles, such as cookies, pear pastries, plaited yeast loaves, pasta and other fresh products are made in Switzerland.



Valora Trade requires its suppliers to use environmentally friendly packaging materials and to keep packaging to a minimum. The objective is to generate as little packaging waste as possible.

SHOP CONSTRUCTION

When awarding contracts for new shops or rebuilds, managers at Valora Retail deal exclusively with contractors who adhere to current environmental standards. All suppliers are ISO certified (ISO 14001, ISO 9001-2008).

These contractors use the latest technologies and building techniques for wood, metal, plastics, electricity, lighting and glass, working to use and recycle materials in an ecologically sustainable way. These practices have made them Valora's expert partners for economically viable and ecologically sustainable shop concepts.

Some examples:

- The wood used in unlayered chipboard is solely derived from sustainable, certified forests in Europe. No tropical wood is used as matter of policy.
- Greater use is made of water-soluble lacquers and paints, so as to reduce the use of solvents.
- Suppliers use only untreated, recycled steel which can then be recycled again.
- For its shop lighting, Valora uses new technology light bulbs which generate less heat and use less energy.

Waste disposal

Valora's contractors are responsible for the proper disposal of all building waste. Old fixtures and fittings are dismantled and disposed of in their separate component categories, with other fittings being stored by the contractor and re-used where possible, in temporary shop facilities for example. All separable recyclable material (e.g. paper, aluminium, plastics, etc.) is recycled according to type.

Cooling equipment

In planning, choosing and installing cooling equipment, Valora always observes current norms and directives. Coolants used in Switzerland, for example, always comply with current Federal Office for the Environment guidelines.

All cooling cupboards and cooling equipment used by Valora is manufactured in the EU in accordance with applicable environmental guidelines. Most suppliers have ISO environmental certification. Particular attention is paid to keeping cooling loss to a minimum.

All new cooling equipment used in Switzerland is registered and approved by the official licensing authorities for refrigeration installations.

Valora applies a comprehensive servicing concept to its equipment and installations. This enables the company to ensure that these devices are used in a manner which is safe, energy efficient and environmentally friendly.

Disposal of cooling equipment

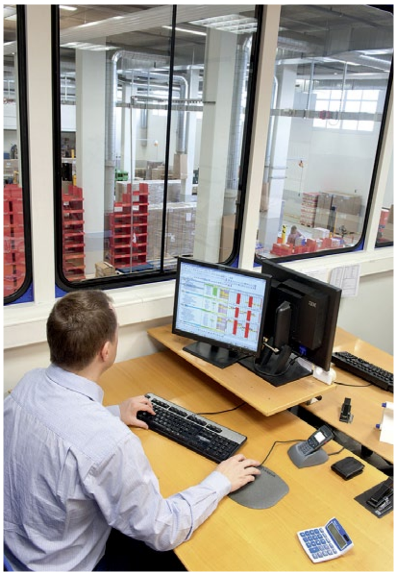
Valora entrusts the disposal of all cooling cupboards, insulating materials, coolants, refrigerants and all related materials to specialist Swiss recycling and disposal firms. No material is exported without proper controls.

ENVIRONMENT

Valora takes environmental concerns seriously. During 2010, the company achieved measurable environmental progress in its logistics and recycling operations.

REDUCING CO_2 EMISSIONS

Consumers and trading partners today expect a competitive company to be parsimonious in its use of raw materials and to pursue active environmental management policies. Valora Trade Switzerland mandated BSD Consulting to carry out an initial assessment and CO_2 screening of its operations and developed an environmental management policy according to the ISO 14001 standard.



From the date of its change of location in 2006 to the end of 2010, Valora Trade Switzerland was able to reduce its CO_2 emissions by some 14%. This was achieved by:
– relocating from Burgdorf to Neuendorf: (saving 48 tonnes of CO_2 or 53 million environmental impact points)
– adopting separate waste disposal channels (for paper, cardboard, PET and batteries)
– changes to its truck fleet (most vehicles now meet the Euro 4 norm)
– Promoting car-pooling for daily commutes after the relocation

EMPLOYEE CAMPAIGN

In the summer of 2010, Valora Trade Switzerland set up a dedicated CO_2 project team tasked with raising employee awareness of environmental issues. By the end of the year, the team, which included members from various departments, had made a range of useful findings and started several initiatives.

One of these initiatives was the employees' «Energy Saver» campaign, which covers issues relating to energy, mobility and health. The initiative involves a series of quarterly subject-specific campaigns (with flyers, roadshows etc.) which examine ways of saving energy and minimising damage to the environment. Each campaign shows practical examples for improvements and efficiency savings. The campaigns also include background information and pratical tips aimed at demonstrating the benefits of the actions recommended.

The idea is to make employees more sensitive to energy and climate protection issues, starting with the more effiicient use of latent energy guzzlers in the office and at home and extending to ecological forms of transport.

The first campaign dealt with the role of paper in climate change and the intelligent use of heating installations.

All Valora staff ensure that waste paper and cardboard are strictly separated and that machinery and office equipment is used with as little environmental impact as possible. Valora Trade Austria, for example, now has a rental contract for new «green IT» copiers which do not generate waste toner cartridges.

FREIGHT MILEAGE CUT

Relocation of the logistics infrastructure to Egerkingen, with its central location and excellent road and rail links, has significantly cut freight mileages. The total vehicle kilometres saved thanks to this move would be sufficient to encircle the entire globe. On their return trips from customer sites to the logistics centre, the trucks now carry reusable empty bottles and containers. Switching its waste paper transport from road to rail has also enabled Valora to reduce its vehicle kilometres significantly.

In 2010, Valora's logistics managers developed an environmentally friendly approach for delivering fresh produce to avec. outlet sites. A cross docking solution enables the logistics centre in Egerkingen to group all fresh fruit, vegetables, meat and dairy products together, so that individual deliveries of these products to each location are no longer necessary. This has helped to make fresh produce transport much more efficient.

COLLECT AND SORT BEFORE DISPOSAL

The Valora logistics centre in Egerkingen is responsible for disposing of waste material from all 1100 k kiosk, avec., Press & Books and Tamoil outlets in Switzerland. A comprehensive disposal concept has been developed for the processes themselves and for the necessary control and information activities. The objective is the ecological disposal of all recyclable material. Waste paper, cardboard, plastic sheeting, scrap wood, scrap metal, PET bottles and residual waste are all collected, sorted and appropriately recycled.

Waste paper: since the move to Egerkingen, the paper is transported away by Swiss Federal Railways. Every day, three 20-tonne containers are filled with waste paper, which represents the volume of one railway cargo carriage. During 2010, this environmentally friendly process was used to transport a total of 21 300 tonnes of waste paper to a paper mill, where it is mostly used to produce fresh newsprint.

PET bottles are collected in bins and then sent on for recycling into new PET shapes. 115 tonnes of PET bottles were recycled in this way in 2010. Valora

Retail Germany has joined the German nationwide bottle deposit system, collecting bottles at its outlets and sending them on for recycling.

Valora operates its own cardboard press, compacting the waste cardboard and delivering it to cardboard factories for recycling. Plastic sheeting is pressed into balls and used by the manufacturers to produce new sheeting. Scrap wood, such as the one-way pallets used for press sorting and packing, are disposed of ecologically by a specialised firm. Scrap metal is also sorted and collected before being recycled by specialist companies.

All the wood in the unlayered chipboard used by Valora comes from certified forests in Europe. Valora has a policy of not using tropical wood.

ECOLOGICAL VEHICLE USE

Since January 1, 2010, Valora has had a new company car policy in place. The objective is to reduce both total cost of ownership and CO_2 emissions per kilometre. Valora has a fleet of some 600 company cars in Switzerland.

The new policy requires that any new cars ordered must be in energy efficiency class A or B and must therefore have CO_2 emissions of less than 140 g per kilometre. The average for all new cars in Switzerland for 2009 was 179 g per kilometre. The objective is to reduce emissions to the EU target of less than 130 g of CO_2 per kilometre by 2015.

In conjunction with Ford Switzerland, Valora offers all employees driving company cars an Eco-Drive® driving course. The Eco-Drive® technique enables employees to drive more safely, more economically and with less harm to the environment. When consistently applied, this technique allows fuel savings of up to 10 %.

All Valora's trucks and commercial vehicles, which between them are driven nearly 30 000 kilometres every day, are in the Euro 5 energy category.

SOCIETY

Valora is constantly expanding the scope of its corporate social responsibility activities.

For some years now, all the Christmas cards sent out by Valora support the Swiss «Children in Need» charity. In 2009 and 2010, Valora also made its k kiosk outlets available for the sale of candle holders on behalf of the Swiss charity Caritas.

For one week each December, Valora allows the organisers of the Telethon campaign to sell their products to employees so as to collect funds to support research into rare diseases.

Valora donates residual food items which it can no longer sell to a number of charitable organisations. In Switzerland, for example, these donations go to «Tischlein deck dich», an organisation which distributes food to people on very low incomes in return for a symbolic payment, while in Austria they go to SOMA, which does similar work.

SUPPORTING YOUNG FAMILIES

Since the beginning of 2010, Valora offers employees with young children a child day care place at the Vitra nursery in Basel. The objective is to make it easier for parents to work. In this way, Valora can actively support young families, helping them to combine family life with work commitments.

RECOGNISING EVERYDAY CULTURE

Since November 2010, k kiosk has supported Real Fiction Cinema, a project focusing on everyday culture. As kiosks are part of everyday life, k kiosk is an ideal partner for this exciting project. Instead of a screen, the three cinemas have a window, showing scenes from peoples' daily lives. Though kiosks are an integral part of peoples' lives today, Real Fiction Cinema shows them in a new light, making us more aware of them. The project also shows the important social role which kiosk sales staff fulfill in their work, as representatives of everyday culture.

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Financial Report

CONSOLIDATED INCOME STATEMENT
CONSOLIDATED BALANCE SHEET

CONSOLIDATED INCOME STATEMENT

January 1 to December 31, in CHF 000 (except per share amounts)

	Page	Note	2010	2009
Net revenues	81	8	**2 877 650**	**2 896 995**
Cost of goods			– 2 002 436	– 2 029 360
Gross profit			**875 214**	**867 635**
Personnel expense	84	9	– 432 720	– 442 753
Other operating expenses	85	10	– 325 849	– 331 040
Depreciation	91	20, 21, 22	– 44 067	– 41 693
Other income, net	85	11	8 724	15 989
Operating profit (EBIT)			**81 302**	**68 138**
Financial expense	85	12	– 9 818	– 6 578
Financial income	86	13	1 945	1 275
Share of result from associates and joint ventures	97	25	728	600
Earnings before taxes			**74 157**	**63 435**
Income taxes	86	14	– 12 460	– 10 394
Net profit from continuing operations			**61 697**	**53 041**
Net profit from discontinued operations	80	7	1 931	1 868
Group net profit			**63 628**	**54 909**
Attributable to shareholders of Valora Holding AG			63 392	53 957
Attributable to non-controlling interests			236	952
Earnings per share				
from continuing operations, diluted and undiluted (in CHF)	88	15	22.35	18.94
from discontinued operations, diluted and undiluted (in CHF)	80	7	0.70	0.68
from continuing and discontinued operations, diluted and undiluted (in CHF)	88	15	**23.05**	**19.62**

CONSOLIDATED BALANCE SHEET

ASSETS

At December 31, in CHF 000	Page	Note	2010	2009
Current assets				
Cash and cash equivalents	89	16	130 461	161 565
Derivative assets	107	33	232	48
Trade accounts receivable	89	17	174 203	163 289
Inventories	90	18	214 604	230 218
Current income tax receivables			3 266	2 566
Other current receivables	90	19	63 118	64 734
Current assets			**585 884**	**622 420**
Assets held for sale	91	20, 21	0	968
Total current assets			**585 884**	**623 388**
Non-current assets				
Property, plant and equipment	91	20	217 706	219 734
Goodwill, software and other intangible assets	93	22	190 733	161 485
Investment property	92	21	5 939	10 080
Investments in associates and joint ventures	97	25	5 022	5 379
Financial assets	97	24	10 062	9 664
Net pension asset	101	30	49 640	31 077
Deferred income tax assets	86	14	31 154	38 215
Total non-current assets			**510 256**	**475 634**
Total assets			**1 096 140**	**1 099 022**

LIABILITIES

At December 31, in CHF 000	Page	Note	2010	2009
Current liablities				
Short-term financial debt	98	26	2 155	1 527
Derivative liabilities	107	33	929	727
Trade accounts payable	99	27	263 442	284 167
Current income tax liabilities			15 164	13 585
Other current liabilities	99	28	144 871	148 725
Current provisions	100	29	502	3 232
Total current liabilities			**427 063**	**451 963**
Non-current liabilities				
Other non-current liabilities	98	26	148 546	153 440
Long-term accrued pension cost	101	30	17 213	15 063
Long-term provisions	100	29	9 265	10 019
Deferred income tax liabilities	86	14	15 911	14 819
Total non-current liabilities			**190 935**	**193 341**
Total liabilities			**617 998**	**645 304**
Shareholders' equity				
Share capital	115	36	2 800	2 800
Treasury stock			– 9 484	– 10 323
Mark-to-market, financial instruments			– 4	8
Retained earnings			521 275	472 962
Cumulative translation adjustments			– 40 601	– 15 570
Equity of Valora Holding AG shareholders			**473 986**	**449 877**
Non-controlling interests			4 156	3 841
Total equity			**478 142**	**453 718**
Total liabilities and equity			**1 096 140**	**1 099 022**

Valora Financial Report 2010

REVIEW OF GROUP RESULTS

In the autumn of 2010, Valora announced its «Valora 4 Growth» strategy, which builds on the success of the existing «Valora 4 Success» programme by introducing additional initiatives in the area of non-organic growth. The first «Valora 4 Growth» milestones were already achieved in 2010, with the acquisitions of the cosmetics distributor Engelschiøn Marwell Hauge AS (EMH) and the retail firm tabacon Franchise GmbH & Co. KG.

Consistent implementation of its basic strategy enabled the Valora Group to increase its external sales by +0.3 % to CHF 2947 million, while reported net revenues declined by – 0.7 % to CHF 2878 million. The difference between these two figures is due to the higher growth rates achieved by franchisees, whose net revenues are not included in the Valora reported net revenue results. Exchange rate movements had an adverse impact on sales, reducing external sales by CHF 84.3 million, or – 2.8 %, and reducing reported net revenues by CHF 81.2 million, or – 2.7 %.

2010 saw Valora's efficiency and cost-saving programmes making significant advances. As a result, costs as a proportion of gross profits were reduced by 0.2 percentage points. Operating profit for 2010 rose CHF 13.2 million to CHF 81.3 million, an improvement of +19.3 %. A substantial CHF 6.3 million of this increase was generated by the distribution and sale of World Cup collectible football picture cards, despite intensive competition in this market in Switzerland. Both Valora Retail and Valora Services turned in marked improvements in their operating profits, with increases of 40.3 % and 86.4 %, respectively. Valora Trade, conversely, saw its EBIT fall by CHF 4.6 million, reflecting the challenging market conditions it faced and one-off effects stemming from discontinued contracts with principals previously owned by Valora which have since been sold.

The Group's net income for 2010 was CHF 63.6 million, +15.9 % higher than the year before. This positive performance is also reflected in shareholders' equity, which closed the year at 43.6 % of total assets, 2.3 percentage points higher than at the end of 2009. Despite the increased dividend paid out in the first half of 2010 and the cost of the acquisitions carried out in the second half of the year, the Group's net debt position at December 31, 2010 was a comfortable CHF 14.1 million.

A VALORA GROUP

in CHF million	**2010**	**2010 share in %**	2009	2009 share in %	Change in %
External sales					
Group total	**2 946.5**		**2 937.9**		0.3%
Net revenues					
Valora Retail	1 606.5	55.8%	1 592.1	55.0%	0.9%
Valora Services	718.4	25.0%	712.9	24.6%	0.8%
Valora Trade	721.8	25.1%	777.6	26.8%	– 7.2%
Other	9.7	0.3%	10.7	0.4%	– 9.3%
Intersegment elimination	– 178.7		– 196.3		
Group total	**2 877.7**	**100.0%**	**2 897.0**	**100.0%**	– 0.7%
Switzerland	1 779.8	61.9%	1 740.6	60.1%	2.3%
Elsewhere	1 097.9	38.1%	1 156.4	39.9%	– 5.1%

Given the increasingly important part played by franchising sales at Valora Retail, the 2010 financial statements have introduced external sales as an important new metric for comparison purposes. In addition to the net revenues of Valora, the external sales figures also include sales generated by franchisees. The external sales figures do not take account of Valora's franchise revenues or of net sales by Valora to its franchisees.

During 2010, the Valora Group's external sales rose by +0.3 % to CHF 2947 million, despite CHF 84.3 million being wiped out by adverse exchange rate movements. External sales received a notable boost from the acquisition of tabacon Franchise GmbH & Co. KG in Germany, since this transaction increased the number of franchisee outlets to nearly 200 during the fourth quarter of 2010.

Valora's reported net revenues declined a modest – 0.7 % in 2010, to 2877.7 million. After adjusting for the one-off effects relating to the distribution and sales of World Cup collectible picture cards (CHF +39.5 million), currency fluctuations (CHF – 81.2 million) and acquisitions/disposals (CHF +28.6 million) the decline in net revenues in 2010 was CHF 6.2 million. This is primarily the result of the discontinuation of distribution contracts resulting from the sale of Valora's production companies and the greater proportion of Valora Trade's business accounted for by commission-based transactions. Valora Retail and Valora Services both performed well, benefiting from their more precisely defined profiles and various innovative additions to their product ranges. Both Valora Retail and Valora Services thus managed to increase their reported net revenues on 2009 levels, by CHF +14.4 million and CHF +5.5 million respectively.

The proportion of net revenues generated outside Switzerland fell by 1.8 % during 2010, largely as a result of adverse currency effects amounting to CHF 81.2 million and lower net sales at the Trade division's non-Swiss subsidiaries. Germany continued to lead the field in foreign sales, accounting for 28.3 % of the Group's reported net revenues. The extended «Valora 4 Growth» strategy, which is aimed at acquisition-led growth outside Switzerland, will result in a noticeable increase in the proportion of the Group's sales generated abroad in the years ahead. Valora's plans in this area are primarily focused on the German retail market and on smaller, high-growth European markets which are attractive to the Trade division.

in CHF million	**2010**	**2010 share in %**	2009	2009 share in %
Net revenues	**2 877.7**	**100.0%**	**2 897.0**	**100.0%**
Gross profit	**875.2**	**30.4%**	**867.6**	**29.9%**
– Operating costs, net	– 793.9	– 27.6%	– 799.5	– 27.5%
Operating profit (EBIT)	**81.3**	**2.8%**	**68.1**	**2.4%**

The slight –0.7% decline in net revenues for 2010 was more than made up for by a marked, 0.5 percentage point increase in the Group's gross profit margin. This is mainly the result of Valora Retail's increased share in overall Group sales. This enabled gross profit to increase by +0.9% to CHF 875.2 million, despite CHF 24.1 million of adverse currency effects.

Performance on the operating costs front was also encouraging, as these fell by CHF 12.9 million, or –1.6%, to CHF 802.6 million. As a result, the Group's operating cost ratio fell by 0.2 percentage points in 2010, to 27.9% of gross profits. The main factors driving these improved efficiency levels were internal logistics operations in Switzerland, which benefited from the new distribution centre in Egerkingen, and lower Group finance costs. Front sales staff rota planning was further streamlined at Valora Retail, thus reducing staff costs. On the other hand, operating cost ratios deteriorated at Valora Trade, where cost savings were not sufficient to compensate fully for non-recurring revenues. It is thus all the more pleasing that Valora succeeded in acquiring the Norwegian cosmetic distributor Engelschiøn Marvell Hauge AS (EMH), since this has enabled the division to add a new product category to its portfolio, thus diminishing the volatility of its business.

Group operating profit rose by CHF 13.2 million on its 2009 level, to reach CHF 81.3 million. CHF 8.7 million of this was accounted for by other income (CHF 16.0 million in 2009). This fall in other income is principally due to lower earnings from real-estate sales and tenancy surrender payments. Valora's stated medium-term objective is to sell all its properties which are not used for operational purposes. Adjusting for the effects of the 2010 football World Cup (CHF +6.3 million), acquisitions and disposals (CHF +2.0 million) and currency fluctuations (CHF –4.0 million) the Valora Group increased its operating profit by CHF 8.9 million, or +12.9%, in 2010. The Group's reported EBIT margin for 2010, including the factors just listed, was 2.8%, a 0.4 percentage point improvement on 2009. This represents a further major step towards Valora's objective of generating an EBIT margin in the 3%–4% range by 2012.

B VALORA RETAIL

in CHF million	2010	2010 share in %	2009	2009 share in %
Net revenues	**1 606.5**	**100.0%**	**1 592.1**	**100.0%**
Gross profit	**562.4**	**35.0%**	**554.7**	**34.8%**
– Operating costs, net	– 522.6	– 32.5%	– 526.4	– 33.0%
Operating profit (EBIT)	**39.8**	**2.5%**	**28.3**	**1.8%**

The «Valora 4 Success» strategy has greatly benefited the Retail division, both sharpening its profile and accelerating its momentum. Valora Retail now presents itself to its customers with four clearly defined sales formats and the improvement measures which have been carried out are beginning to take effect. Compared to its 2009 performance, Valora Retail increased its net revenues by CHF 14.4 million, or +0.9%, to reach CHF 1606.5 million. Sales of collectible World Cup picture cards added CHF 9.8 million to turnover, while currency fluctuations shaved CHF 35.9 million from net revenues. After adjusting for acquisitions and disposals, the division achieved overall sales growth of CHF 36.1 million, a +2.3% increase. With the sole exception of gastronomy operations, all the division's outlet formats and national companies succeeded in increasing their sales, after adjusting for acquisitions, disposals, the 2010 World Cup effect and currency fluctuations. The largest increase in absolute terms was achieved by the convenience and filling station stores, which saw net revenues advance +6.3%, thanks, in particular, to the expansion of the avec. outlet network to 95 units by the end of 2010. New product range modules, such as the ok.- line, as well as additional service offerings, meant that the Swiss kiosks also grew their net revenues, which advanced +1.2%. Valora Retail's new offerings are bringing it ever closer to its objective of developing its small outlet formats into service sales centres. The P&B concept which has recently been extended to the Swiss market is also emerging as a most promising source of growth, with net revenues up by +6.1% in 2010. Gastronomy operations performed in line with expectations, with sales declining by –4.5%, as a result of network streamlining and the introduction of a public smoking ban in Switzerland. The division's Retail Germany unit continues to expand apace, having increased its sales by +3.8% net of acquisitions in 2010. The 2010 acquisition of tabacon Franchise GmbH & Co. KG, with its network of 184 outlets and external sales of some CHF 160 million annually, has enabled Retail Germany to secure an established and highly effective franchise model. In the future, Valora plans to make further targeted acquisitions in the German retail market in order further to strengthen its position there. The objective is to expand the outlet network in Germany to 1000 kiosk sites. Retail Luxembourg managed to expand its net revenues by +3.4% in 2010, with sales increasing in all areas except books.

In sales by product group, Valora Retail was able to increase its adjusted tobacco sales by +4.3% in the face of a declining overall market, the improvement being achieved partly through price rises and partly through increased sales volumes. The division's food sales also did well, advancing +7.2% on 2009 levels, largely thanks to the fashionable ok.- product range, which generated CHF 22.1 million in increased sales. Press products experienced a decline in sales (–2.6%) in line with the overall press market, and commission revenues also eased, due to lower revenues from lottery products. New service offerings, such as insurance products (Zurich Insurance), money transfer (MoneyGram), travel (Kuoni) and mobile telephony (Orange), point the way to a turnaround in commission revenues in 2011.

Positive sales performance and a modest 0.2 percentage point improvement in gross profit margins enabled the division to raise its gross profit for 2010 by CHF 7.7 million, or +1.4 %, on 2009 levels, to reach CHF 562.4 million. This improvement is mainly attributable to food products, which not only increased their gross profit margins by 0.6 percentage points, but also generated markedly better sales volumes.

Thanks to the steady streamlining of the outlet network, further professionalisation of staff rota planning and lower logistics costs in Switzerland, Valora Retail was able to cut its operating costs by a net CHF 3.8 million in 2010, to CHF 522.6 million. These efficiency gains are reflected in the division's lower operating cost ratios, which improved by 0.8 percentage points in 2010 on an adjusted basis. The positive volume effects and the costs savings it achieved in 2010 enabled Valora Retail to generate a very pleasing improvement in its reported operating profit, which rose from CHF 28.3 million in 2009 to CHF 39.8 million in 2010, an advance of +40.3 %. After adjusting for the effects of the distribution and sales of World Cup picture cards (CHF +2.0 million), acquisitions and disposals (CHF +1.0 million) and exchange rate changes (CHF – 1.5 million), Valora Retail's operating profit for 2010 was +34.2 % up on that achieved in 2009. The division's reported operating profit margin rose 0.7 percentage points from its 2009 level, to reach 2.5 %.

C VALORA SERVICES

in CHF million	**2010**	**2010 share in %**	2009	2009 share in %
Net revenues	**718.4**	**100.0%**	**712.9**	**100.0%**
Gross profit	**148.2**	**20.6%**	**146.8**	**20.6%**
– Operating costs, net	– 117.9	– 16.4%	– 130.6	– 18.3%
Operating profit (EBIT)	**30.3**	**4.2%**	**16.2**	**2.3%**

With the new strategy it is now implementing, which focuses on the needs of retailers and end consumers while at the same time developing the range of services the division offers, Valora Services is trying to counter the effects of the continuously declining press market and to develop new areas of business. In 2010, the division increased its net revenues by CHF 5.5 million, or +0.8 %, to CHF 718.4 million. Net revenues from the distribution and sales of World Cup picture cards amounted to CHF 29.7 million. Currency fluctuations had an adverse effect on net revenues, reducing them by CHF 19.8 million. In aggregate, adjusted net revenues fell by a modest – 0.6 % against the backdrop of a declining overall market. This decline was mainly attributable to lower press and book sales in Switzerland, which reduced net revenues at Media Services Switzerland by – 5.0 %. Conversely, third party distribution operations in Switzerland managed to increase their adjusted net revenues by +8.5 %, mainly thanks to increased tobacco sales, while sales at Services Austria fell only just short of 2009 levels, easing – 0.5 %. Ongoing restructuring and declining overall markets resulted in lower sales at Services Luxembourg, with overall net revenues down by CHF 5.4 million and sales in nearly all product groups lower.

The division's gross profit for 2010 came in CHF 1.4 million higher than in 2009, at CHF 148.2 million, mainly thanks to the distribution of World Cup picture cards and increased service revenues. Valora Services' gross profit margin for 2010 was 20.6 %, in line with 2009 levels and supported by margin improvements in all product categories except non food.

During 2010, Valora Services succeeded in cutting its operating costs by a net CHF 12.7 million, thus reducing them to CHF 117.9 million. This positive performance is principally due to efficiency gains in Valora logistics in Switzerland and to lower external logistics costs in Austria. Significant administrative cost savings were also achieved, which resulted in lower internal charges for finance services. The 1.9 % improvement in operating cost margins is reflected in the division's operating profit for 2010, which increased by CHF 14.1 million, or +86.4 %, on the levels achieved in 2009. After adjusting for the effects of currency fluctuations (CHF – 1.5 million) and the distribution of World Cup picture cards (CHF +4.3 million), the division's operating profit for 2010 was +69.7 % up on 2009, thanks to the efficiency savings achieved. Valora Services' reported operating margin for 2010 reached 4.2 %, a substantial 1.9 percentage point improvement on 2009.

D VALORA TRADE

in CHF million	**2010**	**2010 share in %**	2009	2009 share in %
Net revenues	**721.8**	**100.0%**	**777.6**	**100.0%**
Gross profit	**154.7**	**21.5%**	**155.4**	**20.0%**
– Operating costs, net	– 137.0	– 19.0%	– 133.1	– 17.1%
Operating profit (EBIT)	**17.7**	**2.5%**	**22.3**	**2.9%**

As the largest distributor of branded goods to the organised retail sector, Valora Trade succeeded in achieving an acceptable level of performance despite extremely difficult market conditions. The division's reported net revenues of CHF 721.8 million for 2010 came in – 7.2 % lower than those generated in 2009. It should be noted that the expiration of distribution contracts previously in place with the Own Brands production companies reduced the division's 2010 net revenues by 5.6 %. After adjusting for currency fluctuations and acquisitions, Valora Trade's 2010 net revenues were CHF 51.8 million down on 2009 levels. Stripping out the effect of the expired Gillebagaren AB und Sørlandchips AS (Own Brands) contracts, the decline in Valora Trade's net revenues between 2010 and 2009 came in at a relatively moderate CHF 8.2 million, which represents a shortfall of – 1.1%.

Due to the increased emphasis placed on commission-based transactions in the Nordic countries, Valora Trade saw its adjusted net revenues decline in every market in the region except Sweden, where adjusted net revenues rose 4.3 %, largely thanks to business developed with Reckitt & Benckiser. In most Nordic markets, increased commission income made good the shortfall in net revenues at the gross profit level. The exception to this was Trade Norway, whose gross profit did not match its 2009 level, due to the discontinuation of the Sørlandchips contract and a decline in the net revenues generated with existing principals. In Central Europe, the most noticeable fall in sales occurred at Trade Germany, where net revenues were down –42.8 % on 2009, following the departure of their Own Brands principal Gillebagaren. Net revenues at Trade Switzerland and Trade Austria also declined in 2010, by –2.1% and –7.0 % respectively, principally as a result of lower confectionery volumes. The Valora Trade division as a whole saw its 2010 gross profit ease slightly, to CHF 154.7 million, before adjustments for currency fluctuations and acquisitions. The gross profit margin improved significantly, rising 1.5 percentage points to 21.5 %.

Net adjusted operating costs rose by CHF 0.5 million on the year, with most of this increase being attributable to the ongoing development and expansion of the Nordic IT platform, which will put a uniform Nordic systems landscape in place, as well as creating a supranational, category-based organisational structure in the Nordic markets. Conversely, lower staff and logistics costs in Switzerland, Germany and Austria helped to reduce operating expense in those countries, thus partly making up for their lower turnover.

These factors resulted in operating profit, after adjusting for acquisitions and currency fluctuations, of CHF 17.5 million, a CHF 4.8 million shortfall compared to 2009. Including the effects of acquisitions (CHF +1.2 million) and adverse exchange rate movements (CHF –1.0 million), Valora Trade's reported EBIT came in at CHF 17.7 million. Notable success was however achieved by the division's two largest national companies, Trade Denmark and Trade Switzerland, both of which increased their operating profits to new, record levels. The division's overall EBIT margin of 2.5 % means that its profitability remains within its targeted range of 2 %–3 %.

E CORPORATE

The Corporate division – comprising Valora's Swiss logistics operations, corporate information services and Group support functions in finance, human resources, business development, legal services and corporate communications – saw its net revenues from logistics services to third parties decline by CHF 1.0 million, or –9.1%, to CHF 9.7 million. Corporate's objective over the medium term is to increase revenues from third parties by targeting the acquisition of new customers for start-of-day logistics packages. The relocation of the logistics facilities to Egerkingen and ongoing streamlining of logistics processes means that it is now possible to offer these additional services.

During 2010, the Corporate division managed to reduce its direct costs by CHF 11.5 million, a saving of 8.0 % versus 2009 levels. This improvement is mainly due to cost savings in logistics operations in Switzerland and in Group finance. Logistics costs were reduced despite significantly higher throughput, with beverage volumes, for example, increasing by +40 %. Valora has a policy of charging the net costs of the Corporate division – i.e. its operating costs minus the logistics revenues generated from third parties – to the invidual divisions on the basis of the use they make of them. Revenue and expense which is unrelated to the market divisions is reported under «other».

F FINANCIAL RESULT AND TAXES

The results the Group achieved from its financing activities in 2010 are characterised by interest rates remaining at historically low levels and by the volatility of exchange rates, with the Swiss franc appreciating significantly against the major currencies in which Valora does business. These factors resulted in a CHF 2.6 million deterioration in Valora's net results from its financing operations, most of which is due to exchange rates. Thanks to an early decision to hedge more than 70% of the currency risk on intra-Group loans, currency losses in 2010 were limited to CHF 2.6 million, after a CHF 0.2 million loss in 2009. Net interest expense came in at CHF 4.7 million, roughly in line with 2009, even though the need for new financing increased somewhat due to the acquisitions made during the year. The recently announced «Valora 4 Growth» strategy will make for greater financing requirements in the next few years, and active steps are already being taken now to address these future needs.

The Valora Group's overall tax rate for 2010 rose 0.4 percentage points on the year, to 16.8%, and is thus well below the expected long-run average level of 18%. Consolidated tax expense of CHF 12.5 million comprises CHF 8.3 million of current income tax expense and CHF 4.2 million of deferred income tax expense. Income tax payments made in 2010 amounted to CHF 7.9 million.

G LIQUIDITY, CASH FLOW AND KEY FINANCIAL DATA

Key financial data

in CHF million	**2010**	2009
Cash and cash equivalents [1]	130.5	161.6
Free cash flow [1]	**8.5**	**46.0**
Shareholders' equity	478.1	453.7
Shareholders' equity in % of total assets	**43.6%**	**41.3%**
Group net profit	63.6	54.9
Net debt [1]	14.1	– 15.8
Net working capital [1]	125.4	109.3
Net working capital in % net revenues [1]	4.4%	3.8%
Earnings per share [1]	**22.35**	**18.94**

[1] from continuing operations

Despite spending CHF 32.0 million on acquisitions and paying an increased dividend in 2010, the Group maintains a sound balance sheet, with net debt of CHF 14.1 million. Deadline-related investments of CHF 26.4 million in net working capital had an adverse impact on liquidity, thus reducing operating cash flow by CHF 27.5 million compared to its 2009 level. This negative effect on cash flow resulted from a marked increase in annual reimbursements due to Valora, which were not paid until January 2011, and a one-off increase in social security pre-payments. Further positive progress was made on the inventory front, with year-end inventory values being reduced by CHF 11.9 million versus 2009 levels. This was partly thanks to savings made possible by the new integrated inventory management system and partly due to enhanced purchasing processes.

Free cash flow for 2010, at CHF 8.5 million, was CHF 37.5 million lower than in 2009, though it should be noted that this includes the new acquisitions Valora made in Germany and Norway. The «Valora 4 Growth» strategy takes as its base case a normalised free cash flow, before acquisitions but after dividend payments, which will average CHF 40-50 million over the next 5 years. Assuming purchases are fairly evenly staged over time, the plans for acquisition-led expansion set out in the «Valora 4 Growth» strategy should be achievable with the financial resources Valora has available to it.

The Group's equity cover reached 43.6% of total assets at December 31, 2010, a 2.3% increase on its 2009 level. This brings it close to where it was at the end of 2007, before the share buy-back programme was initiated. Shareholders' equity was adversely affected by the appreciating Swiss franc, which resulted in curency translation losses of CHF 25.0 million. Return on equity rose to 12.9%, a 1.2 percentage point increase on 2009.

H VALORA VALUE ADDED

Valora Value Added in CHF million	**2010**	2009
Operating profit (EBIT)	81.3	68.1
Average invested capital	647.3	655.3
WACC	7.0%	7.0%
Capital costs	45.3	45.9
Valora Value Added	**36.0**	**22.2**

In order to measure the sustained return it earns over and above its cost of capital, the Valora Group introduced the concept of Valora Value Added (VVA) in 2008. VVA is based on the classical definition of economic value added. In order to ensure comparability between reporting periods, Valora Value Added is calculated on the basis of operating profit minus the Group's weighted average cost of capital (WACC), the weighted average of its equity and debt financing costs. The current calculations, which are based on industry comparisons and expected interest rate levels, put WACC at 7%. Valora regularly reviews its WACC assumptions, adjusting the WACC figure if it moves outside a defined range. Management's focus is on achieving a sustainable increase in VVA, thus ensuring that the value of the company increases in an enduring fashion. In 2010, the Valora Group generated VVA of CHF 36.0 million, CHF 13.8 million more than a year earlier. Stripping out the effect of World Cup products from the Group's 2010 operating profit shows that the sustainable increase in VVA achieved in 2010 amounted to CHF 7.5 million. This increase reflects both an improvement in operating profit and greater efficiency in capital deployment.

I OUTLOOK

Over the last 2 years, the Group's disciplined and consistent implementation of the «Valora 4 Success» strategy it launched in 2008 has enabled it to make substantial progress, especially with regard to efficiency and profitability. The main achievement of this fundamental strategic initiative, which is now already 80% complete, has been to create a sound platform for future development. Building on this, Valora's Board of Directors and Group Executive Management unveiled «Valora 4 Growth», the Group's new medium and long-term strategy, at the media and investors' day held in late November 2010. The new initiative will extend the «Valora 4 Success» strategy, widening the Group's focus to encompass both organic and acquisition-led growth, thus enabling it gradually to become a leading trading company in the pan-European arena. By 2015, Valora's objective is to increase its external sales by 60% to CHF 4.8 billion and double its operating profit.

The main task for 2011 is to build further on the progress which has already been made in the Group's existing businesses, so as to reach the margin and revenue targets Valora has set itself. To achieve this, Valora Retail will concentrate on the continuing development of the franchise and agency model its has already successfully introduced and on further initiatives to streamline its internal processes. Concerted efforts to develop its revenues from services and promotions will provide additional impetus for future organic growth. High expectations have been placed on the P&B and avec. formats, both of which can be expected to continue gaining momentum. Valora Retail's success over the last two years demonstrates that the division is on the right trajectory and that this should be consistently pursued. Valora Services will continue to have to contend with a declining overall press market in 2011. That is why it is essential that further progress be made on the costs front, with centralised processes and streamlined logistics enabling further cost savings to be achieved. To compensate for non-recurring revenues, Valora Services will continue to develop its distribution services and to open up new business areas. By expanding and continuing to professionalise its market-oriented services, Valora Trade is expected to generate significant growth from new and existing principals in 2011.

Valora intends to complement the development of its existing businesses with acquisition-led growth initiatives which will aim to generate some 8% of additional growth in the Group's external sales every year from now until 2015. To reach these sales growth objectives, Valora Retail's acquisition strategy will be directed towards the consolidation of Germany's currently fragmented kiosk market and on the purchase of up to two new retail formats. Valora Trade, for its part, aims further to strengthen its position as a pan-European distributor of branded goods by signing up new principals in growth categories in its existing markets and acquiring leading distributors in new markets.

The Board of Directors and Group Executive Management are confident that the «Valora 4 Growth» strategy will enable Valora to complete a further stage in its development which will be beneficial to all its stakeholders.

CONSOLIDATED INCOME STATEMENT

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

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

CONSOLIDATED BALANCE SHEET

ASSETS

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

LIABILITIES AND EQUITY

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

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

CONSOLIDATED CASH FLOW STATEMENT

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

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equity

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 INFORMATION REGARDING THE GROUP

Valora is a Swiss trading group, whose parent company, Valora Holding AG, is listed on the SIX Swiss Exchange. Valora's consolidated financial statements for the 2010 financial year were approved by the Board of Directors on March 21, 2011. These consolidated financial statements are subject to approval by the General Meeting of Shareholders to be held on April 15, 2011.

2 ACCOUNTING POLICIES

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

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

Key accounting principles.

Consolidation. In addition to the accounts of Valora Holding AG, Muttenz, Switzerland, the Valora Group's financial statements also encompass those of its subsidiaries and participations as follows:

Consolidated companies. Group companies which Valora Holding AG directly or indirectly controls are fully consolidated. In determining whether such control exists, any potential voting rights arising from shares which could currently be acquired through exercise or conversion are also taken into account. Group companies acquired are consolidated from the day Valora assumes control over them and deconsolidated from the day Valora ceases to exercise such control.

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

Non-consolidated participations (associated companies and joint ventures). Associated companies and joint ventures are treated according to the equity method. Associated companies are companies over which Valora exerts significant influence, but does not control. Significant influence is assumed to be exerted on companies in which Valora holds between 20 % and 50 % of the voting shares. Joint ventures are defined as joint undertakings which are managed with one partner under a contractual agreement. Participations treated under the equity method are recorded on the balance sheet at purchase cost and reported under «Investments in associates and joint ventures». In the reporting periods following acquisition, the value of this item is adjusted to reflect Valora's share of the changes in shareholders' equity of the associated companies and joint ventures. Any valuation gains or losses not affecting net income of associated companies and joint ventures are credited or debited directly to Valora's other comprehensive income. Dividends received by Valora reduce the value of its investments.

Scope of consolidation. Note 38 provides an overview of the Valora Group's significant subsidiaries.

Changes in consolidation scope. As of May 29, 2010, the Valora Group sold its 100 % interest in Melisa SA, a Swiss company with registered offices in Lugano. As of October 1, 2010, the Valora Group acquired 80 % of Engelschiøn Marwell Hauge AS, a Norwegian company with registered offices in Oslo. As of October 1, 2010, the Valora Group acquired 100 % of tabacon Franchise GmbH & Co. KG, a German company with registered offices in Nuremberg.

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

Additional information on these transactions is presented in note 6 below.

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

3 CHANGES TO ACCOUNTING POLICIES

Implementation of new International Financial Reporting Standards (IFRS) and interpretations thereof. Adoption of the following changes to International Financial Reporting Standards (IFRS) and interpretations thereof was first required for the Group's 2010 accounts:

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

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

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

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

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

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

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

Future implementation of International Financial Reporting Standards (IFRS) and interpretations thereof. These consolidated financial statements have not yet adopted the following new standards or modifications to existing standards and their interpretation, all of which the Valora Group will be required to apply in its accounts for 2011 or thereafter:

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

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

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

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

4 GENERAL ACCOUNTING POLICIES

Conversion of foreign currencies. Transactions in foreign currencies are converted into Swiss francs at the exchange rate applicable on the transaction date. At the balance sheet date, amounts receivable and payable in foreign currencies are converted into Swiss francs at the exchange rate applicable on that date, and any exchange rate differences so arising are booked to the income statement.

Upon consolidation, the assets and liabilities of subsidiaries whose operating currency is not the Swiss franc are converted into Swiss francs at the exchange rate prevailing on the balance sheet date. Income statement, cash flow statement and other movement items are converted into Swiss francs at average exchange rates for the period, provided such presentation sufficiently approximates the figures which would result from the application of transaction date rates. If not, movement items are converted at effective transaction rates. Exchange rate gains and losses arising from the translation of annual financial statements of non-Swiss-franc subsidiaries are booked directly to consolidated shareholders' equity and reported separately as accumulated currency translation differences.

Exchange rates applied for key foreign currencies

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

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

Equity-based remuneration. The Valora Group pays some of the remuneration it grants in the form of Valora shares. The expense from this recorded in the income statement is calculated by multiplying the number of shares granted by the market price prevailing on the grant date (minus any amount payable by the recipients). The expense arising from schemes which will definitely be paid out in shares (equity settled schemes) is accrued against shareholders' equity. The expense from schemes where payment in shares is not certain is accrued as a liability. If the conditions for the allocation of shares extend over several years, the relevant expenses are accrued in appropriate proportions to the years concerned, based on the degree to which the targets are expected to be achieved.

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

Income tax. Income tax is calculated based on the tax laws of each applicable sovereign jurisdiction and is charged to the income statement for the accounting period in which the net income in question arose. Taxes on capital are reported under «Other operating expenses». The applicable effective tax rates are applied to net income.
Deferred taxes which arise as a result of timing differences between the values of assets and liabilities reported on the balance sheet and their applicable tax values are shown as deferred tax assets or deferred tax liabilities. Deferred tax assets are recognised when there is a probability that sufficient taxable income will be available to offset against them. Deferred income taxes are calculated based on the rates of tax which are expected to apply in the tax period in which the deferred tax asset or liability concerned will be realised or settled. Deferred tax liabilities on temporary differences are generally recorded. Deferred tax assets are recognised only if it is expected that they will be used. Taxes receivable are offset against taxes payable if they relate to the same taxable entity and there is an enforceable legal basis for them to be offset against each other. Changes to deferred tax liabilities or assets are reported as tax expense or income in the income statement. This does not apply to deferred taxes relating to positions which are either shown under other income or are accrued directly to shareholders' equity.

Disposals of business units. When business units which are not classified as discontinued operations are sold, their operating results until the date of their sale are included under the appropriate line items in the income statement and cash flow statement.

Net profit / loss from discontinued operations. When business segments or significant business areas are sold, all the income statement items relating to these units are aggregated and shown in a separate income statement line as results from discontinued operations. The cash flow statement shows detailed cash flows from continuing operations only. The net cash flows from discontinued operations generated by operating, investing and financing activities are disclosed in one line each.

Earnings per share. Earnings per share are calculated by dividing the net profit from continuing operations attributable to shareholders of Valora Holding AG by the average number of shares of the Valora Holding AG parent company outstanding. Diluted earnings per share take account of potentially dilutive effects such as those arising from convertible bond issues or option schemes. These shares are included in the calculation of the number of outstanding shares and the diluted earnings per share figures are reported accordingly.

Cash and cash equivalents. Cash and cash equivalents comprise cash balances, sight deposits with banks and short-term money market investments with a maturity not exceeding 3 months.

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

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

Non-current assets held for sale. Fixed assets are classified as held for sale and valued at the lower of book or market value minus selling costs, if their book value is expected to be realised principally from their sale rather than from their continued operational use. The assets in question must be immediately saleable and there must be a high probability that their sale will occur. If entire business units are held for sale, all their fixed assets and all their directly attributable liabilities are recorded in the balance sheet separately as assets held in, or liabilities from, disposal groups.

Property, plant and equipment. Property plant and equipment, excluding property held for investment, is recorded at cost minus accumulated depreciation. Subsequent expenditure for renovation is capitalised only if the costs can be reliably determined and an economic benefit results from them. If these conditions are met, the renovation costs so capitalised are depreciated over the economically useful life of the property. All other renovation and maintenance costs are expensed directly to the income statement. Capitalised extensions and installations in rented premises are depreciated over their estimated economically useful life or the remaining term of the rental lease, if this is shorter. Interest payable on loans for facilities under construction is capitalised where incurred.

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

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

Investment property. Investment property is recorded at purchase or construction cost minus accumulated depreciation. The fair values reported in these notes are based on current estimates of their income-generating capacity. Subsequent expenditure for renovation is capitalised only if the costs can be reliably determined and an economic benefit results from them. If these conditions are met, the renovation costs so capitalised are depreciated over their useful economic life. All other renovation and maintenance costs are expensed directly to the income statement.

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

	Years
Land	no amortisation
Buildings	20–60

Impairments to property, plant and equipment. The current values of property, plant and equipment are reviewed whenever changing circumstances or specific events suggest that their current book values might be too high. If the current book value of an asset exceeds its realisable value, which is defined as the higher of its current fair value minus selling costs or its value in use, the asset will be written down to its realisable value. Once made, an impairment may be reversed only if the assumptions previously used in determining the realisable value of the asset concerned have been subject to change. If such a change has occurred, the book value of the asset in question will be raised to its current realisable value. This new realisable value may not, however, exceed the value at which the asset would have been carried if no previous impairments had occurred and it had simply been subject to regular straight-line depreciation. Any increase in value resulting from such a reversal is recorded in the income statement immediately.

Leases. Assets acquired under leasing agreements which transfer the benefits and risk of ownership from the lessor to the lessee are classified as non-current assets of the relevant category. Assets acquired under finance leases are initially capitalised at the lower of their market value or the net present value of all binding future leasing payments contracted at the beginning of the lease. On the liabilities side this same amount is recognised as a finance lease liability. Leased assets are amortised over their anticipated economically useful lives or the life of the lease if this is shorter and transfer of ownership at the end of the lease is not certain.

Similarly, fixed assets leased to third parties under agreements transferring substantially all the benefits and risks of ownership to the lessee are classified not as property, plant and equipment but as financial assets, recorded at the present value of the future leasing payments receivable.

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

Intangible assets, excluding goodwill. Intangible assets are classified into one of the following three categories: software, intangible assets of limited duration or intangible assets of unlimited duration. All intangible assets, excluding goodwill, are carried at historical purchase or production cost minus accumulated depreciation.

Software. The purchase or production costs of software are recognised on the balance sheet if Valora expects to derive future economic benefit from the software concerned. Straight-line depreciation is applied over the expected economically useful life of the software.

Intangible assets of limited duration. These are depreciated according to the straight-line method.

Intangible assets of unlimited duration. Valora does not currently own any assets in this category.

Amortisation is carried out based on the following estimates of economically useful life:

	Years
Software	3–5
Intangible assets of limited duration	3–20

Impairments to intangible assets. The current values of intangible assets excluding goodwill are reviewed whenever changing circumstances or specific events suggest that their current book values might be too high. If the current book value of an asset exceeds its realisable value, which is defined as the higher of its current fair value minus selling costs or its value in use, the asset will be written down to its realisable value. Once made, an impairment (other than one made to goodwill) may be reversed only if the assumptions previously used in determining the realisable value of the asset concerned have been subject to change. If such a change has occurred, the book value of the asset in question will be raised to its current realisable value. This new realisable value may not, however, exceed the value at which the asset would have been carried if no previous impairments had occurred and it had simply been subject to regular depreciation. Any increase in value resulting from such a reversal is recorded in the income statement immediately.

Goodwill. Goodwill is the amount by which the purchase price which the Group paid for a company it acquired exceeds the fair value of that company's net assets. Goodwill is recognised on the balance sheet in accordance with IFRS 3, and is attributed to the appropriate cash generating unit (CGU). The CGU is then subjected to an impairment test, which is carried out at least once a year, and more frequently should there be evidence suggesting possible impairment. This involves comparing the book value of the CGU to which the goodwill was assigned with the CGU's current realisable value. This realisable value is defined as the higher of the fair value of the CGU minus selling costs and its value in use. The fair value minus selling costs is defined as the amount which could be obtained for its disposal in an arm's length transaction on current market terms between willing and knowledgeable transacting parties after deduction of selling costs. If the book value of the cash generating unit exceeds this realisable value, the goodwill is impaired and the amount of the impairment will be charged to the income statement. No increases in the carrying value of goodwill are permitted.

Financial assets. Financial assets are classified according to one of the following categories:

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

Classification depends on the purpose for which the financial assets were acquired and is determined when the assets are first recognised.

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

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

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

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

All purchases and sales of financial assets are recorded on the trade date. Financial assets, except those held at fair value through profit and loss, are initially recorded at fair value plus transaction costs. Financial assets held for trading purpose are initially recorded at market value excluding transaction costs and thereafter, like all other «at fair value through profit or loss» assets, at their market value. Loans and receivables and financial assets held to maturity are recorded at their amortised value calculated by the effective yield method. Financial assets available for sale are carried at market value, using market offered prices where available or model-based valuations where no market exists. Equity participations which are not traded in a market and for which insufficient data is available to perform a valuation are carried at cost. Unrealised gains and losses are credited or debited to other comprehensive income. Enduring or significant impairments are recorded and charged to the income statement. When an available for sale financial asset is sold, the valuation adjustments which have been accumulated against shareholders' equity in respect of it are passed to the income statement.

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

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

Liabilities from employee pension schemes. Valora pays employer contributions to various pension schemes established according to local legislation. For defined benefit schemes, the present value of the benefit obligation is determined by an annual actuarial assessment under the projected unit credit method. These assessments take account of the contribution years accumulated by employees at the assessment date as well as their expected future remuneration trajectories. The employer's pension expense, interest costs and expected investment returns are booked to the income statement in the period in which they occur. Actuarial gains and losses and the effect of any ceiling applied to the net pension fund assets are accumulated under other comprehensive income.

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

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

Any gains or losses from hedging instruments classified as cash flow hedges which effectively offset changes in the value of future cash flows are booked to other comprehensive income. Gains or losses which do not meet this effectiveness requirement are immediately recorded in the income statement. The amounts recorded under other comprehensive income are then transferred to the income statement when the cash flows they hedge are booked.

When a derivative financial instrument held for hedging purposes matures, is sold or no longer meets hedge accounting criteria, any unrealised gains or losses accumulated to other comprehensive income up to that time are not transferred to the income statement until the expected transaction for which the hedge was established is recognised in the income statement. However, if a previously anticipated transaction is no longer expected to occur, any such gains or losses previously accumulated to other comprehensive income are transferred to the income statement immediately.

5 MANAGEMENT'S ESTIMATIONS, ASSUMPTIONS AND EXERCISE OF DISCRETION

Significant assumptions in the application of accounting principles. The application of accounting principles to the Group requires assessments by management which – while no estimates are used to this end – may have a significant influence on the figures reported in the consolidated financial statements. In particular, management assessments are needed in the analysis of the substance of complex transactions. In the opinion of management, these financial statements do not contain any assumptions regarding the application of accounting principles which have a material effect on the figures reported.

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

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

Goodwill. The consolidated balance sheet carries goodwill from continuing operations at CHF 124.7 million (see note 22). As explained above, this goodwill is subjected to an impairment test whenever evidence suggests that its realisable value may have diminished and in any event at least once annually.

The impairment tests are based on estimated future free cash flows, using discounted cash flow analysis, for each of the cash generating units concerned. The principal factors affecting these valuations are the estimated net revenues, estimated operating margins and the discount rate applied.

Net pension asset. The Group maintains occupational pension schemes of its own which are classified as defined benefit schemes for IFRS purposes. IFRS requires an annual comparison of the pension plans' assets with the dynamically calculated net present value of their benefit obligations. These valuations showed a pension plan surplus for the Swiss schemes which is capitalised in the consolidated balance sheet and which corresponds to that portion of the surplus which the Group is entitled to offset against its benefit obligations under the plans concerned. These valuations are based on a number of assumptions, principal among which are the discount rate applied to future benefits, the expected rate of return on the invested capital, and the expected future pensions and salaries of the plan participants (see note 30). Actual outcomes may diverge considerably from the assumptions made.

Deferred income tax assets. Under IFRS rules, that portion of any tax loss carry forwards which can be expected to result in future tax savings should be recognised as a deferred tax asset. The amount of tax savings which are then actually achieved will depend on the level of income generated before the tax loss carry forwards expire. This means that future net income may be impacted by impairments on deferred tax assets if the profits the Group generates during the relevant period are below initial expectations. Conversely, additional net income may be recognised if the profits the Group generates exceed expectations and previously unrecognised tax loss carry forwards can be drawn on.

Provisions. Provisions are created in respect of imminent litigation, if applicable expert opinion holds that the probability of a loss occurring is greater than that of its failing to materialise. A further prerequisite for the creation of such provisions is that the amount of the potential loss can be reliably estimated. In assessing whether a provision is appropriate and what its amount should be, the best available estimates and assumptions are made with regard to the situation as of the balance sheet date. Since new evidence and unfolding events can have a significant effect on subsequent outcomes, earlier estimates and assumptions may be revised in the light of later evidence and events, if their effect on these estimates and assumptions is substantial (see note 29).

6 ACQUISITIONS AND DISPOSALS OF BUSINESS UNITS

Transactions completed in 2010.

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

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

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

ACQUISITIONS

Net assets purchased, purchase price paid, net cash used

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

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

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

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

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

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

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

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

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

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

Transactions completed in 2009.

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

Net assets acquired, purchase cost, net cash used

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

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

7 DISCONTINUED OPERATIONS

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

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

Income statement for discontinued operations

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

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

8 SEGMENT REPORTING

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

Valora Retail: Valora Retail operates small retail outlets at heavily frequented locations in Switzerland, Germany and Luxembourg. The division operates country-wide marketing and distribution systems for press, tobacco and consumer products for daily use and the impulse buyer's market. Valora Retail's market presence comprises the k kiosk, avec., P & B and Caffè Spettacolo formats.

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

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

Other: This division comprises the Group support functions provided by finance, HR, business development, legal services and corporate communication. It also includes Group IT and the central logistics functions for Valora Retail Switzerland and Valora Services Switzerland. The net revenues shown for this division are those arising from the logistics services it provides. The assets for this segment predominantly consist of loans to Group companies, cash and cash equivalents and short-term receivables. Its liabilities essentially consist of the bond issue detailed in note 26 and short-term liabilities.

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

Segment data by division

2010

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

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

2009

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

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

Segment data by region

2010

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

2009

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

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

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

9 PERSONNEL EXPENSES

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

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

10 OTHER OPERATING EXPENSES

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

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

11 OTHER INCOME, NET

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

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

12 FINANCIAL EXPENSE

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

13 FINANCIAL INCOME

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

14 INCOME TAXES

Income tax expense was as follows:

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

The differences between reported Group income tax expense and the expected tax expenses of the individual Group companies based on their applicable tax rates can be reconciled as follows:

in CHF 000	2010	2009
Profit before income taxes	74 157	63 435
Expected average Group tax rate	21.3%	22.5%
Income taxes at expected Group tax rate	**15 800**	**14 273**
Non-tax-deductible tax expense	1 783	3 047
Utilisation of losses not previously recognised	– 6 023	– 2 237
Out-of-period effects on current income taxes	639	– 1 548
Impairments recognised against deferred income tax assets	5 281	6 035
Release of previous impairments against deferred income tax assets	– 7 967	– 8 047
Changes in tax rates	1 819	– 306
Other effects	1 128	– 823
Total reported income taxes	**12 460**	**10 394**
Effective tax rate	16.8%	16.4%

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

Changes to deferred income taxes were as follows:

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

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

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

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

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

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

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

15 EARNINGS PER SHARE

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

in CHF 000	2010	2009
Net profit from continuing operations	61 697	53 041
Net profit attributable to non-controlling interests	– 236	– 952
Net profit from continuing operations attributable to Valora Holding AG shareholders	61 461	52 089
Net profit from discontinued operations	1 931	1 868
Net profit from continuing and discontinued operations attributable to Valora Holding AG shareholders	**63 392**	**53 957**
Average number of shares outstanding	2 750 735	2 749 815
Earnings per share from continuing operations (in CHF)	22.35	18.94
Earnings per share from continued and discontinued operations (in CHF)	**23.05**	**19.62**

There were no dilutive effects in 2010 or 2009.

16 CASH AND CASH EQUIVALENTS

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

17 TRADE ACCOUNTS RECEIVABLE

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

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

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

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

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

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

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

18 INVENTORIES

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

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

19 OTHER CURRENT RECEIVABLES

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

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

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

20 PROPERTY, PLANT AND EQUIPMENT

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

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

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

21 INVESTMENT PROPERTY

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

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

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

22 GOODWILL, SOFTWARE AND INTANGIBLE ASSETS WITH LIMITED USEFUL LIFE

in CHF 000	Goodwill from acquisitions	Software and intangible assets with limited useful life	Projects in progress	Total
At cost				
Balance at December 31, 2008	**92 078**	**85 473**	**13 396**	**190 947**
Consolidation scope additions	9 061	0	0	9 061
Additions	0	20 376	6 367	26 743
Disposals	0	– 707	0	– 707
Transfers	0	10 292	– 10 292	0
Translation adjustments	– 12	16	– 60	– 56
Balance at December 31, 2009	**101 127**	**115 450**	**9 411**	**225 988**
Consolidation scope additions	28 169	3 279	0	31 448
Consolidation scope removals	0	– 63	0	– 63
Additions	0	16 823	5 850	22 673
Disposals	– 395	– 7 153	0	– 7 548
Transfers	0	8 418	– 8 267	151
Translation adjustments	– 4 227	– 8 643	– 731	– 13 601
Balance at December 31, 2010	**124 674**	**128 111**	**6 263**	**259 048**
Accumulated depreciation				
Balance at December 31, 2008	**0**	**– 47 298**	**– 5 237**	**– 52 535**
Additions	0	– 12 027	0	– 12 027
Disposals	0	26	0	26
Transfers	0	– 5 237	5 237	0
Translation adjustments	0	33	0	33
Balance at December 31, 2009	**0**	**– 64 503**	**0**	**– 64 503**
Consolidation scope removals	0	34	0	34
Additions	0	– 15 263	0	– 15 263
Disposals	0	6 232	0	6 232
Transfers	0	0	0	0
Translation adjustments	0	5 185	0	5 185
Balance at December 31, 2010	**0**	**– 68 315**	**0**	**– 68 315**
Book value				
at December 31, 2009	101 127	50 947	9 411	161 485
at December 31, 2010	**124 674**	**59 796**	**6 263**	**190 733**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

23 RECEIVABLES FROM REAL ESTATE AND FINANCE LEASE

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

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

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

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

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

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

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

24 FINANCIAL ASSETS

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

Note 23 provides further information on receivables from finance leases.

The financial assets available for sale include CHF 647 thousand (CHF 677 thousand in 2009) of unlisted shareholdings for which there is no active market and about which insufficient information is available to form the basis for a valuation. These items are therefore carried at cost minus an impairment for enduring loss in value. As a result of the sale of the Melisa SA subsidiary, unlisted equity participation rights valued at CHF 39 thousand were disposed of. There were no other disposals of financial assets in 2010 (2009: none).

25 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Summary balance sheet of associates and joint ventures

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

Summary income statement of associates and joint ventures

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

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

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

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

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

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

The bank loans relate to the syndicated loan taken out by Valora Holding AG, which is a floating rate facility. Under the syndicated loan agreement, the Valora Group has covenanted to maintain its equity ratio and indebtedness within certain parameters during the life of the facility.

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

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

The effective yield on the bond is 3.1%.

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

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

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

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

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

27 TRADE ACCOUNTS PAYABLE

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

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

28 OTHER CURRENT LIABILITIES

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

29 PROVISIONS

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

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

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

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

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

Litigation. A remaining CHF 4.0 million (EUR 3.2 million) of the provisions made in Germany in relation to a fraud case and to Valora Retail cases pending since 2003 are still in place.
The court proceedings relating to the fraud case in Germany are lasting longer than originally foreseen and it is therefore still classified as pending. The limitation period on this case will lapse no later than 2016.

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

30 RETIREMENT BENEFIT LIABILITIES

Current legislation requires most employees to be covered by pension schemes financed by contributions from the Valora Group and its employees. These schemes take the form of state and employer-sponsored plans, contracts with private insurers and independent foundations or welfare plans. While the benefits paid by these schemes vary according to the legislative provisions and economic circumstances of the countries in which they are established, they are generally based on years of service and average remuneration of the employees and cover the risks of old age, death and disability in accordance with applicable local occupational pension plan law.

The most recent actuarial assessment of these schemes was conducted as of December 31, 2010. The assumptions used were based on the economic circumstances prevailing in the countries in which the plans operate. The plans' assets are invested according to the guidelines laid down by local legislation. Valora pays its contributions in accordance with the various plans' rules.

Plan liabilities and assets in CHF 000	**2010**	2009
Present value of benefit obligation at January 1	575 658	539 310
Current service cost to employer	14 870	15 809
Contributions by plan participants	9 664	9 731
Past service cost	1 520	17 489
Interest cost	17 563	19 059
Plan curtailments, settlements and modifications	0	– 23 869
Benefits paid	– 36 580	– 27 734
Business combinations	6 161	231
Actuarial loss/(gain) on benefit obligation	7 010	25 069
Exchange rate losses/(gains)	– 1 792	563
Present value of benefit obligation at December 31	**594 074**	**575 658**
Plan assets at market value at January 1	598 069	569 500
Expected net return on plan assets	23 955	25 628
Employer contributions	14 144	10 599
Contributions by plan participants	9 664	9 731
Benefits paid	– 35 657	– 26 878
Business combinations	3 349	0
Actuarial gain/(loss) on plan assets	12 302	9 489
Exchange rate losses/(gains)	– 248	0
Plan assets at market value at December 31	**625 578**	**598 069**

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

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

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

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

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

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

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

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

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

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

The amount of the effective net return from plan assets was CHF 36.3 million (CHF 35.1 million in 2009). The effective total return generated in 2010 was 6.1% (6.2% in 2009). The pension plans hold no securities issued by Valora Holding AG and do not let any significant portion of their real estate to the Valora Group.

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

31 SHARE-BASED PAYMENTS

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

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

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

Valora Performance Shares (VPS) In 2008, a programme for middle and upper management (excluding Group Executive Management) was established. Individual participation is voluntary. The plan pays a portion of a manager's total remuneration in the form of Valora shares. The Valora per-

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

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

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

formance shares awarded on January 1, 2008 (or thereafter in the case of those joining during the year) vest on December 31, 2010, after which ownership passes to the individual participants. Participants leaving Valora before the end of the vesting period lose their entitlement to shares. The personnel expense arising from these awards, recognition of which will be spread over the entire vesting period, amounted to CHF 0.80 million in 2010 (CHF 0.78 million in 2009). Awards under this programme were discontinued as of December 31, 2008 and the programme was closed. Valora will continue to meet its existing obligations under the plan with regard to awards already made.

Employee share ownership plan. Provided specific criteria are fulfilled and based on their function or management position, employees in Switzerland (other than members of Group Executive Management) are entitled to acquire shares at the beginning of each year on preferential terms. Shares may be purchased at 60% of the average market price for the shares during the previous November. Shares so acquired enjoy all usual shareholder rights, but may not be sold during the 3 years immediately following purchase. The proceeds of these share sales to employees are credited directly to shareholders' equity.

Suppliers. No goods or services were paid for with Valora shares, nor were the prices paid for any goods or services linked to the Valora share price.

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

32 CONTINGENT LIABILITIES AND COMMITMENTS

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

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

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

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

Long-term rental commitments serve primarily to secure kiosk locations for the long term. Some of the rents under these agreements are linked to turnover.

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

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

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

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

33 RISK MANAGEMENT AND DERIVATIVE FINANCIAL INSTRUMENTS

The international scale of its business operations and its financing structure both expose the Valora Group to a variety of financial risks. These not only include market risks such as foreign exchange and interest rate risk, but also encompass liquidity and credit risks. Valora's financial risk management activities aim to limit these risks. Valora's fundamental financial policies are promulgated by Group Executive Management and overseen by the Board of Directors. Responsibility for implementing Group financial policy and for financial risk management lies with the central Corporate Treasury.

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

Exchange rate risks. Transaction risks arise from the fact that the local currency value of payments whose amounts have been fixed in another currency can increase or decrease as a result of fluctuations in the exchange rate between the two currencies. For Valora, transaction risks arise as a result of its purchasing goods and services from suppliers abroad and on intra-Group transactions. Most Group companies transact the majority of their business in their local currency. In order to limit transaction risk, currency derivatives are used from time to time. Currency translation risks, on the other hand, arise when the balance sheets of subsidiaries outside Switzerland are converted into Swiss francs for consolidation.

The table below shows the main effects on pre-tax earnings and other comprehensive income which would result from hypothetical changes in key exchange rates.

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

Net investments in subsidiaries outside Switzerland are also analysed periodically and the risks are assessed in the light of the volatility of the currencies concerned. These analyses show that the currency translation risk is modest compared to available shareholders' equity. Translation risks are currently not hedged.

Interest rate risks. Cash and cash equivalents are the Group's principal interest-bearing assets. Since the interest rates applicable to these assets are floating, the interest earnings derived from them are directly affected by market interest rates. Under normal circumstances, the Group's principal interest rate risk relates to the interest paid on its financial liabilities. Floating rate financial liabilities expose the Group to net interest income or expense risk. Financial liabilities with fixed interest rates, on the other hand, expose the Group to the risk of shifts in the current market value of its liabilities. In order to achieve the target mix between fixed and floating interest rate exposure, interest rate hedging transactions are entered into where necessary. The Group's main liabilities with fixed long-term effective interest rates are the 2.875% bond issue, which matures in July 2012, and the syndicated loan (see note 26).

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

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

Liquidity risks. Liquidity risk management aims to ensure the Group is always able to meet its payment obligations in full and on time. The Valora Group continually monitors its liquidity position and uses cash pool structures to optimise it. Additional liquidity reserves in the form of credit lines and cash ensure that the Group remains both solvent and financially flexible.

The table below shows the nominal interest and redemption payments arising from the Group's financial obligations. It takes account of all instruments in which the Group held positions at December 31 of the two years shown. Interest amounts payable on floating rate instruments have been determined based on the most recent fixing preceding year end.

in CHF 000	**up to 1 month**	**from 1 to 3 months**	**from 3 months to 1 year**	**from 1 to 5 years**	**more than 5 years**
At December 31, 2010					
Short-term financial liabilities	1 848	58	584	0	0
Derivatives not designated as hedges	65	206	658	0	0
Trade accounts payable	234 022	29 146	274	0	0
Other short-term financial liabilities (financial instruments portion)	76 430	11 239	12 282	0	0
Long-term financial liabilities	0	0	4 039	145 423	0
Total	**312 365**	**40 649**	**17 837**	**145 423**	**0**
At December 31, 2009					
Short-term financial liabilities	889	146	512	0	0
Derivatives not designated as hedges	0	0	426	301	0
Trade accounts payable	221 902	62 265	0	0	0
Other short-term financial liabilities (financial instruments portion)	92 227	35 593	3 815	0	0
Long-term financial liabilities	0	0	4 039	149 823	1 382
Total	**315 018**	**98 004**	**8 792**	**150 124**	**1 382**

The Valora Group has at its disposal a number of committed and uncommitted credit lines, enabling it to optimise its liquidity management at all times.

Credit risks. Credit risks arise when a contractual partner is not in a position to meet its obligations as agreed. Valora constantly reviews its accounts receivable and manages them so as to avoid the formation of significant credit or concentration risks. At year end 2010 and year end 2009, the Valora Group had no accounts receivable from individual customers which accounted for more than 8.0% of its total accounts receivable.

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

The maximum default risk of CHF 370 million on the Group's financial assets (CHF 395 million in 2009) is equal to the book value of these instruments (see note 34).

The table below shows the Group's sight deposits and fixed maturity deposits with maturities of 3 months or less by rating of the banking counterparties with whom they are placed. The table uses Standard & Poor's ratings.

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

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

Tools for hedging and risk management. The Valora Group uses FX forward contracts to mitigate its foreign exchange risk. Exposure arising from existing asset and liability items, as well as those arising from future commitments, is centrally managed.

The table below shows both the contract values, or nominal underlying amounts, of the Group's positions in derivative financial instruments as well as their aggregate replacement values. The information, which is presented by instrument type, relates to valuations at balance sheet dates.
Contract values or underlying nominal amounts show the volume of the underlying transactions at the balance sheet dates. They do not contain any information about the market risk these positions involve. The replacement values have been determined either by valuations made by the counterparty with whom the positions are held, market closing prices at December 31, 2010 and December 31, 2009, or by the use of standard pricing models.

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

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

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

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

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

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

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

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

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

Risk assessment stipulated by Swiss Code of Obligations. In both 2009 and 2010, the Valora Group carried out a risk assessment with the Board of Directors and Group Executive Management during October and November. The objective of these assessments is to make the main risks to which Valora is exposed more transparent, to improve the quality of risk dialogue, and to define practical steps for addressing the key risks which Valora faces. The results of these assessments were reviewed at meetings with the Board of Directors and sets of planned measures were decided upon. Additional information regarding the risk assessment process and the risks identified can be found in section 3.6.1 of the corporate governance report.

34 FINANCIAL INSTRUMENTS

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

The fair value of long-term fixed income instruments – with the exception of that of the Group's outstanding bond issue – was determined by discounting their expected future cash flows at prevailing market interest rates. The fair value of the bond issue corresponds to the nominal value of the outstanding amount multiplied by the market price prevailing on the balance sheet date. Details of the valuation methods applied to the derivative financial instrument positions and to the Group's financial assets available for sale can be found in notes 4, 24 and 33. All short-term financial instruments have been valued on the assumption that their book values constitute reasonable approximations of their fair value, since the effects of discounting them are negligible.

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

35 TRANSACTIONS AND BALANCES OUTSTANDING WITH RELATED PARTIES

The consolidated financial statements encompass Valora Holding AG as the ultimate parent company along with all subsidiaries it directly or indirectly controls, as set out in note 38.

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

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

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

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

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

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

Management and Board remuneration. Remuneration paid to management and the Board of Directors includes all expenses shown in the consolidated financial statements directly relating to members of the Group Executive Committee and the Board of Directors.

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

1) Including vehicle costs paid by the employer.

Details of the remuneration paid to the Board of Directors and Group Executive Management, as well as details of their holdings of Valora Holding AG shares and of the shares held by significant shareholders (as required by Articles 663bbis and 663c of the Swiss Code of Obligations), can be found in notes 5 and 6 to the financial statements of Valora Holding AG.

Receivables and liabilities. The terms and conditions governing receivables and liabilities are those commonly used by the relevant companies. The Valora Group has neither received any sureties for receivables nor has it issued any guarantees for liabilities.

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

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

36 EQUITY

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

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

Since the capital reduction in 2009, the share capital has consisted of 2 800 000 registered shares of CHF 1.00 nominal value each.

A conditional share capital of 84 000 shares exists which the Board of Directors may use for existing or future management share plans. None of these shares had been issued at December 31, 2010.

37 SUBSEQUENT EVENTS

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

38 SIGNIFICANT SUBSIDIARIES OF THE VALORA GROUP

	Currency	Nominal capital in million	Share-holding in %	Corporate	Valora Retail	Valora Services	Valora Trade
Switzerland							
Valora Management AG, Muttenz	CHF	0.5	100.0	•			
Valora Beteiligungen AG, Muttenz	CHF	29.4	100.0	•	•		
Valora Investment AG, Muttenz	CHF	0.3	100.0	•			
Merkur AG, Muttenz	CHF	20.0	100.0	•			
Valora AG, Muttenz	CHF	5.2	100.0	•	•	•	•
Germany							
Valora Holding Germany GmbH, Hamburg	EUR	0.4	100.0	•			
Stilke Buch & Zeitschriftenhandels GmbH, Hamburg	EUR	3.8	100.0		•		
Sussmann's Presse & Buch GmbH, Hamburg	EUR	0.1	100.0		•		
BHG Bahnhofs-Handels-Vertriebs GmbH, Hamburg	EUR	0.5	100.0		•		
HD Presse & Buch GmbH, Hamburg	EUR	0.1	100.0		•		
Media Center Gesellschaft für Presse und Tabakhandel mbH, Berlin	EUR	0.1	100.0		•		
Valora Retail City Operations GmbH, Hamburg	EUR	0.1	100.0		•		
Valora Retail Services GmbH, Hamburg	EUR	0.1	100.0		•		
Konrad Wittwer GmbH Bahnhofsbuchhandlungen, Stuttgart	EUR	0.3	100.0		•		
Valora Retail Kiosk GmbH, Hamburg	EUR	0.1	100.0		•		
Valora Trade Germany GmbH, Mülheim a.d.Ruhr	EUR	0.2	68.0				•
Benelux							
Valora Europe Holding S.A., Luxembourg	EUR	0.1	100.0	•			
MPK Shop S.à r.l., Luxembourg	EUR	3.0	100.0		•		
Valora Luxembourg S.à r.l., Luxembourg	EUR	7.0	100.0			•	
Messageries du livre S.à r.l., Luxembourg	EUR	1.5	100.0			•	
Transports et Garages Presse S.à r.l., Luxembourg	EUR	0.1	100.0			•	
United Kingdom							
Valora Holding Finance Ltd., Guernsey	CHF	475.4	100.0	•			

	Currency	Nominal capital in million	Share-holding in %	Corporate	Valora Retail	Valora Services	Valora Trade
Austria							
Valora Holding Austria AG, Anif	EUR	1.1	100.0	•			
Valora Trade Austria GmbH + Co. KG, Neunkirchen	EUR	3.6	100.0				•
Plagemann Lebensmittelhandels GmbH + Co. KG, Neunkirchen	EUR	0.1	100.0				•
Valora Services Austria GmbH, Anif	EUR	0.7	100.0			•	
Sweden							
Valora Holding Sweden AB, Stockholm	SEK	0.5	100.0	•			
Valora Trade Sweden AB, Stockholm	SEK	12.0	100.0				•
Norway							
Valora Holding Norway AS, Røyken	NOK	10.0	100.0	•			
Valora Trade Norway AS, Røyken	NOK	2.0	100.0				•
Engelschiøn Marwell Hauge AS, Oslo	NOK	2.7	80.0				•
Denmark							
Valora Trade Denmark A/S, Herlev	DKK	43.0	100.0				•
Valora Trade Denmark Beverages A/S, Herlev	DKK	2.0	75.0				•
Finland							
Oy Valora Trade Finland AB, Helsinki	EUR	0.1	100.0				•
Czech Republic							
Kaumy S.r.o., Fulnek	CZK	0.1	50.0				•

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

REPORT OF THE STATUTORY AUDITOR ON THE CONSOLIDATED FINANCIAL STATEMENTS

As statutory auditor, we have audited the consolidated financial statements of Valora Holding AG, which comprise the balance sheet, income statement, comprehensive income statement, cash flow statement, statement of changes in equity and notes (pages 60 to 117), for the year ended 31 December 2010.

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

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

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

Opinion. In our opinion, the consolidated financial statements for the year ended 31 December 2010 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with IFRS and comply with Swiss law.

REPORT ON OTHER LEGAL REQUIREMENTS

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

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

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

Ernst & Young AG

Martin Gröli Licensed audit expert (Auditor in charge)	Stefanie Walter Licensed audit expert

Zurich, 21. March 2011

INCOME STATEMENT

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

BALANCE SHEET BEFORE APPROPRIATION OF AVAILABLE EARNINGS

ASSETS

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

LIABILITIES AND EQUITY

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

NOTES TO THE FINANCIAL STATEMENTS OF VALORA HOLDING AG

A BASIS OF PRESENTATION

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

B NOTES

1 CONTINGENT LIABILITIES. At December 31, 2010 the Group`s contingent liabilities in favour of subsidiaries – consisting of sureties, subordination, keep well agreements, guarantees and other contingencies – totalled CHF 194.4 million (2009: CHF 222.5 million), with a further CHF 1.0 million in favour of third parties (2009: CHF 1.0 million).

2 BOND OUTSTANDING

in CHF 000	Coupon	Maturity	At 31.12.2010	At 31.12.2009
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	2010 Number of shares	2010 Net book value	2009 Number of shares	2009 Net book value
Opening balance (at January 1)	**49 866**	**12 519**	**487 314**	**72 045**
Share capital reduction	–	–	– 500 000	– 103 509
Sales	– 12 340	– 3 298	– 90 347	– 13 591
Purchases	9 104	1 665	152 899	24 695
Value adjustments	–	3 933	–	32 879
Closing balance (at December 31)	**46 630**	**14 819**	**49 866**	**12 519**

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

In addition, during 2010, Valora Holding AG purchased a total of 9104 shares at an average price of CHF 182.85 and sold a total of 12 340 shares at an average price of CHF 267.26.

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

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

5 REMUNERATION AND SHAREHOLDINGS

Remuneration 2010

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

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

[1] These are the effective costs of the bonuses granted in respect of 2010, which will be paid out in April 2011.
[2] The total number of shares covered by the LTP is 73 214. The costs of the LTP comprise interest expense for financing the LTP share programme for Board Directors and members of Group Executive Management and the difference between the market price of the shares when they were awarded on January 29, 2009 and the average trading price of the shares during the twenty trading days preceding the LTP's commencement on January 1, 2009.
[3] Remuneration paid in respect of the 2693 options in the option programme amounted to CHF 79.1 thousand. The options have an exercise price of CHF 148.05, which is the average trading price of the shares during the twenty trading days prior to the commencement of the LTP. The market price of the shares when the options were awarded was CHF 161. The value of the options determined using the Black Scholes model was based on the following key parameters:

Number of options	1346	1347
Expiration date	19.04.2011	31.10.2011
Implied volatility	35%	38%
Risk-free rate of interest	0.589%	0.876%
Value per option	CHF 178.28	CHF 179.00

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

Remuneration in 2009

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

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

1) These are the effective costs of the bonuses granted in respect of 2009, which will be paid out in April 2010.
2) The total number of shares covered by the LTP is 73 517. The costs of the LTP comprise interest expense for financing the LTP share programme for Board Directors and members of Group Executive Management and the difference between the market price of the shares when they were awarded on January 29, 2009 and the average trading price of the shares during the twenty trading days preceding the LTP's commencement on January 1, 2009.
3) Remuneration paid in respect of the 2693 options in the option programme amounted to CHF 76.9 thousand. The options have an exercise price of CHF 148.05, which is the average trading price of the shares during the twenty trading days prior to the commencement of the LTP. The market price of the shares when the options were awarded was CHF 161. The value of the options determined using the Black Scholes model was based on the following key parameters:

Number of options	1346	1347
Expiration date	01.01.2011	01.01.2012
Implied volatility	32%	33%
Risk-free rate of interest	0.638%	0.87%
Value per option	CHF 108.96	CHF 114.43

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

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

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

Loans and advances. At December 31, 2010 and 2009 there were no loans or advances outstanding to members of the Board or of Group Executive Management or to persons associated with them.

Shareholdings. At December 31, 2010 and 2009, individual members of the Board and Group Executive Management (including persons associated with them) held the following numbers of shares of Valora Holding AG:

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

	2010 Number of shares	2010 Share of total voting rights in %	2010 of which subject to a lock-period	2009 Number of shares	2009 Share of total voting rights in %	2009 of which subject to a lock-period
Group Executive Management						
Thomas Vollmoeller CEO	20 196	0.72	10 098: 19.04.2011 10 098: 31.10.2011	20 196	0.72	10 098: 31.12.2010 10 098: 31.12.2011
Lorenzo Trezzini CFO	8 464	0.30	4 232: 19.04.2011 4 232: 31.10.2011	8 464	0.30	4 232: 31.12.2010 4 232: 31.12.2011
Kaspar Niklaus Head, Valora Retail division	11 220	0.40	5 610: 19.04.2011 5 610: 31.10.2011	11 220	0.40	5 610: 31.12.2010 5 610: 31.12.2011
Alexander Theobald Head, Valora Services division	7 315	0.26	3 658: 30.04.2012 3 657: 30.04.2013	0	0.00	none
Christian Schock Head, Valora Services division (until 31.12.2009)	0	0.00	none	9 377	0.33	3 809: 31.12.2010 3 809: 31.12.2011 436: 28.03.2012 429: 03.04.2013 96: 22.04.2013 798: 02.04.2014
Alex Minder Head, Valora Services division	9 731	0.35	3 809: 19.04.2011 153: 01.07.2011 3 809: 31.10.2011 120: 21.03.2012 828: 28.03.2012 207: 03.04.2013 96: 22.04.2013 709: 02.04.2014	10 035	0.36	304: 06.04.2010 3 809: 31.12.2010 153: 01.07.2011 3 809: 31.12.2011 120: 21.03.2012 828: 28.03.2012 207: 03.04.2013 96: 22.04.2013 709: 02.04.2014
Total shares held by Board and GEM	**81 467**	**2.91**		**83 833**	**2.99**	

6 MAJOR SHAREHOLDERS. The Ordinary General Meeting of shareholders held in 2010 removed the statutory restriction (in German: «Vinkulierung») which prevented any shareholder from having voting rights recognised in respect of more than 5% of the share capital issued. At December 31, 2010 this 5% threshold was equivalent to 140000 shares.

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

At 27 January, 2011, BlackRock Inc. and its subsidiaries directly or indirectly held a total of 143921 registered shares and 1817 rights to purchase registered shares of Valora Holding AG, equivalent to 5.20% of the total outstanding shares of the company.

At 20 January, 2011 UBS Fund Management (Switzerland) AG increased its holdings to 145724 registered shares, equivalent to 5.20% of the outstanding shares of the company.

7 SIGNIFICANT SUBSIDIARIES OF VALORA HOLDING AG

	31.12.2010 Holding in %	31.12.2009 Holding in %
Switzerland		
Valora Beteiligungen AG, Muttenz	100.0	100.0
Valora Management AG, Muttenz	100.0	100.0
Valora Investment AG, Muttenz	100.0	100.0
Merkur AG, Muttenz	100.0	100.0
Germany		
Valora Holding Germany GmbH, Hamburg	5.1	5.1
United Kingdom		
Valora Holding Finance Ltd, Guernsey	100.0	100.0

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

9 APPROVED AND CONDITIONAL SHARE CAPITAL. The Annual General Meeting held on 11 May, 2000 approved the creation of additional conditional share capital of a nominal CHF 84 000. At December 31, 2010, none of these shares had been issued.

10 RISK ASSESSMENT. Each year, the Valora Group carries out a risk assessment during October and November with the Board of Directors and Group Executive Management. The objective is to make the main risks to which Valora is exposed more transparent, to improve the quality of risk dialogue, and to define practical steps for addressing the key risks which Valora faces. The process begins with a series of structured interviews with individual members of Group Executive Management. A Group Executive Management workshop is then held which discusses the results, identifies the main risks, analyses and evaluates them, and plans appropriate action. The workshop results are then discussed with the Board of Directors and a set of planned measures is decided upon.

PROPOSED APPROPRIATION OF EARNINGS AVAILABLE FOR DISTRIBUTION

Proposal for the appropriation of earnings available for distribution

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

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

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

REPORT OF THE STATUTORY AUDITOR ON THE FINANCIAL STATEMENTS

As statutory auditor, we have audited the financial statements of Valora Holding AG, Muttenz, which comprise the balance sheet, income statement and notes (pages 119 to 127), for the year ended 31 December 2010.

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

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

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

Opinion. In our opinion, the financial statements for the year ended 31 December 2010 comply with Swiss law and the company's articles of incorporation.

REPORT ON OTHER LEGAL REQUIREMENTS

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

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

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

Ernst & Young AG

Martin Gröli Licensed audit expert (Auditor in charge)	Stefanie Walter Licensed audit expert

Zurich, 21 March 2011

REPORT ON CORPORATE GOVERNANCE AND REMUNERATION

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

The principles and rules relating to Valora's corporate governance are most notably promulgated in the company's articles of incorporation, its bylaws and the regulations governing the Board committees, all of which are subject to regular review and updated where appropriate. In 2009, the Board of Directors approved the Valora Code of Conduct. The scope of this Code, which sets out the types of conduct Valora expects from its employees, goes beyond the simple adherence to applicable laws and directives.

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

1 GROUP STRUCTURE AND SHAREHOLDERS

1.1 GROUP STRUCTURE. Valora Holding AG, the Group's parent company, is a limited company established under Swiss law. Either directly or indirectly, it holds stakes in 41 significant unlisted companies, all of which are fully consolidated in its accounts. The Group's operational structure is set out on page 10.

1.1.1 LISTED COMPANIES. The only listed company in the Valora Group is Valora Holding AG, which is domiciled in Muttenz. The company is listed on the main section of SIX Swiss Exchange and on the BX Berne eXchange (Swiss securities number 208897, Telekurs VALN, Reuters VALN.S, Bloomberg VALN.SW, ISIN number CH0002088976). The company itself holds 1.67 % of the total of 2 800 000 issued shares. During 2009, the number of issued shares was reduced from 3 300 000 to 2 800 000, through a share repurchase programme and subsequent share cancellation approved by the General Meeting of shareholders. At December 31, 2010, the market capitalisation of Valora Holding AG amounted to CHF 898 million. The company's market capitalisation over the last 5 years is shown on page 150.

1.1.2 CONSOLIDATED COMPANIES. The significant companies within the Group are shown in the notes to the consolidated financial statements on pages 116 to 117, which list the name, domicile, total share capital and percentage of share capital held by Valora Holding AG.

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

Shareholders	Receipt of report	Holdings
Ameriprise Financial Inc. (formerly Threadneedle Asset Management Holdings Ltd)	21.02.2011	> 3%
BlackRock Inc.	02.02.2011	> 5%
Credit Suisse Asset Management Funds AG	28.09.2010	> 3%
GoldenPeaks Capital Management Ltd.	27.07.2010	< 3%
Growth Value Securities	10.12.2010	< 3%
Lombard Odier Darier Hentsch Fund Managers SA	01.04.2010	> 3%
Pictet Funds S.A.	21.04.2010	> 3%
State of New Jersey Common Pension Fund D	08.04.2010	< 3%
UBS Fund Management (Switzerland) AG	26.01.2011	> 5%

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

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

Ameriprise Financial Inc. (formerly Threadneedle Asset Management Holdings Ltd): On February 21, 2011, Ameriprise Financial Inc., 1099 Ameriprise Financial Center, Minneapolis, MN 55474, USA reported that as a result of share disposals its holdings of registered shares of Valora Holding AG as of February 18, 2011 had been reduced to 137 769 shares (equivalent to 4.92 % of the company's issued share capital).

On January 11, 2011, Ameriprise Financial Inc., 1099 Ameriprise Financial Center, Minneapolis, MN 55474, USA reported that as a result of share purchases its holdings of registered shares of Valora Holding AG as of January 10, 2011 had increased to 141 520 shares (equivalent to 5.05 % of the company's issued share capital).

On December 21, 2010, Ameriprise Financial Inc, 1099 Ameriprise Financial Center, Minneapolis, MN 55474, USA reported that as a result of share disposals its holdings of registered shares of Valora Holding AG as of December 20, 2010 had been reduced to 138 977 shares (equivalent to 4.96 % of the company's issued share capital).

On December 15, 2010, Ameriprise Financial Inc., 1099 Ameriprise Financial Center, Minneapolis, MN 55474, USA reported that as a result of share purchases its holdings of registered shares of Valora Holding AG as of December 14, 2010 had increased to 141 460 shares (equivalent to 5.05 % of the company's issued share capital).

On December 10, 2010, Ameriprise Financial Inc, 1099 Ameriprise Financial Center, Minneapolis, MN 55474, USA reported that as a result of share disposals its holdings of registered shares of Valora Holding AG as of December 6, 2010 had been reduced to 139 866 shares (equivalent to 4.99 % of the company's issued share capital).

On November 13, 2009, Threadneedle Asset Management Holdings Ltd, 60 St Mary Axe, London, EC3A 8JQ, UK reported that as a result of share purchases its holdings of registered shares of Valora Holding AG as of November 13, 2010 had increased to 141 484 shares (equivalent to 5.05 % of the company's issued share capital).

BlackRock Inc.: On February 2, 2011, BlackRock Inc., 40 East 52nd Street, New York, 10022, USA reported that, through various subsidiaries, its aggregate direct and indirect holdings of registered shares of Valora Holding AG as of January 27, 2011 amounted to 143 921 registered shares and a further 1817 rights to such shares (equivalent to a total of 5.20 % of the company's issued share capital). The nature of the agreement was reported as that arising from a group structure.

On December 20, 2010, BlackRock Inc., 40 East 52nd Street, New York, 10022, USA reported that, through various subsidiaries, its aggregate direct and indirect holdings of registered shares of

Valora Holding AG as of December 14, 2010 amounted to 84 306 registered shares and a further 1058 rights to such shares (equivalent to a total of 3.05 % of the company's issued share capital).

Credit Suisse Asset Management Funds AG: On September 28, 2010, Credit Suisse Asset Management Funds AG, Kalandergasse 4, 8045 Zurich, Switzerland reported that as a result of share purchases its holdings of registered shares of Valora Holding AG as of September 22, 2010 had increased to 92 990 registered shares (equivalent to 3.32 % of the company's issued share capital).

GoldenPeaks Capital Management Ltd: On July 27, 2010, GoldenPeaks Capital Management Ltd., Suite 7, Provident House, Havilland Street, St. Peter Port, GY1 2QE, Guernsey, acting as investment manager for GoldenPeaks Active Value Master Fund Ltd., Zephyr House, 122, Mary Street, Grand Cayman, K1 1107, Cayman Islands, reported that as a result of financial instruments not being exercised its holdings of registered shares of Valora Holding AG as of July 21, 2010 had been reduced to less than 3 % of the company's issued share capital.

Growth Value Securties: On December 10, 2010, a group comprising the following members reported that its aggregate holdings of registered shares of Valora Holding AG as of December 7, 2010 had been reduced to less than 3 % of the company's issued share capital: a) Georg von Opel, Altenbachstrasse 7a, 8832 Wollerau, b) Hansa Aktiengesellschaft, Blegistrasse 11a, 6340 Baar, c) Paramount-Finanz AG, Blegistrasse 11a, 6340 Baar, d) Growth Value Opportunities SA, route des Acacias 43, 1227 Carouge, e) Growth Value Securities Ltd., c/o Walkers SPV Limited, Walker House, 87 Mary Street, George Town, Grand Cayman, KYI-9002 Cayman Islands, f) Pelham Investments AG, Blegistrasse 11a, 6340 Baar, g) Athris Holding AG, Poststrasse 12, 6301 Zug.

Lombard Odier Darier Hentsch Fund Managers SA: On April 1, 2010, Lombard Odier Darier Hentsch Fund Managers SA (LODHFM), Avenue des Morgines 2, 1213 Petit-Lancy, Switzerland reported that as of March 31, 2010, the registered shares of Valora Holding AG held by investment funds under its control were as follows: LODH Swiss Cap (ex-SMI) (40 220 shares / 1.44 % of the company's issued share capital), IF IST2 Actions Suisses Valeurs Complémentaires (42 462 shares / 1.52 %), IS Valiant Swiss Equities SPI Index + (750 shares / 0.03 %), IF IST2 Actions Suisses SPI Plus (683 shares / 0.02 %) and IF IST2 European Small Mid Cap (1135 shares / 0.04 %). In aggregate, these holdings amounted to 85 250 registered shares of Valora Holding AG, which is equivalent to 3.04 % of the company's issued share capital.

Pictet Funds S.A.: On April 21, 2010, Pictet Funds S.A., Route des Acacias 60, 1211 Geneva, Switzerland reported that as a result of share purchases the registered shares of Valora Holding AG held by investment funds under its control on April 16, 2010 were as follows: Pictet-Institutional Swiss Equities Segment (1.22 % of the company's issued share capital), Pictet (CH) Swiss Mid Small Cap (0.89 %), Pictet (CH) Swiss Equities (0.25 %), Pictet (CH) Enhanced Swiss Equities 130/30 (0.24 %), Pictet – Swiss Market Tracker (0.14 %), Ethos (0.13 %), Pictet Institutional Swiss Equities Tracker (0.12 %), Pictet (CH) Swiss Equities Pool (0.02 %) and Subvenimus Institutional Fund (0.01%). In aggregate, these holdings amounted to 84 568 registered shares of Valora Holding AG, which is equivalent to 3.02 % of the company's issued share capital.

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

State of NJ Common Pension Fund D: On April 8, 2010, the State of NJ Common Pension Fund D, P.O. Box 290, Trenton, NJ 08625 – 0290, USA reported that as a result of share disposals its holdings in registered shares of Valora Holding AG on May 7, 2009 had been reduced to 95 421 registered shares (equivalent to 2.89 % of the company's issued share capital).

UBS Fund Management (Switzerland) AG: On January 26, 2011, UBS Fund Management (Switzerland) AG, P.O. Box, CH – 4002 Basel, Switzerland reported that as a result of share purchases its holdings of registered shares of Valora Holding AG as of January 20, 2011 had increased to 145 724 shares (equivalent to 5.20 % of the company's issued share capital).

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

2 CAPITAL STRUCTURE

2.1 CAPITAL STRUCTURE AT DECEMBER 31, 2010. The orrdinary share capital of Valora Holding AG as of December 31, 2010 amounted to CHF 2 800 000, comprising 2 800 000 single-class registered voting shares of CHF 1.00 nominal value each, each entitled to dividends. All Valora Holding AG ordinary registered shares are fully paid up and listed on the main section of the SIX Swiss Exchange and BX Berne eXchange. Valora Holding AG has conditional capital of CHF 84 000, comprising 84 000 registered shares of CHF 1.00 nominal value each.

2.2 CONDITIONAL AND AUTHORISED CAPITAL. Conditional capital amounting to a maximum of CHF 84 000, comprising 84 000 registered shares of CHF 1.00 nominal value each, was approved by the Annual General Meeting of May 11, 2000. These shares can be used at any time by the Board of Directors to cover the exercising of options granted to employees of the company or Group companies within the overall framework laid down by the Board of Directors. Existing shareholders have no subscription rights for such shares. No time limits apply. None of this conditional capital had been issued by December 31, 2010. The conditional capital of CHF 84 000 remains unchanged.

Valora Holding AG has no authorised capital.

2.3 CHANGES IN CAPITAL STRUCTURE. No changes in capital structure occurred in 2010. The Ordinary General Meeting of shareholders held on April 29, 2008 approved the Board's proposal that the company's share capital be reduced through the cancellation of 500 000 repurchased shares. As a result, the issued share capital of Valora Holding AG amounts to CHF 2 800 000, comprising 2 800 000 registered shares with a nominal value of CHF 1.00 each. No changes in capital structure occurred in 2006 or 2007. Changes in the reserves and overall shareholders' equity of Valora Holding AG are shown in the balance sheet (page 120) and in the notes to the financial statements of Valora Holding AG (page 122).

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

2.5 CONVERTIBLE BONDS AND OPTIONS. At December 31, 2010, Valora Holding AG had no convertible bonds or options outstanding.

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

3 BOARD OF DIRECTORS

3.1 BOARD OF DIRECTORS. At December 31, 2010, the Board of Directors of Valora Holding AG comprised the following five members:

Rolando Benedick, 1946, Swiss citizen, Chairman
Previous activities: CEO of Innovazione, CEO of the Manor Group, Board Chairman of the Manor Group, Member of the Board of Directors of Jacobs Holding AG.
Current activities: Board Chairman of Manor Sud (since 1999), Member of the Boards of Directors of Barry Callebaut (since 2001), of MCH Messe Schweiz AG (since 2001) and Galfa Group Paris (since 2009)

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

Bernhard Heusler, 1963, Swiss citizen, attorney-at-law, doctorate and master's degree in Law from the University of Basel and postgraduate studies at the University of California, Davis.
Previous activities: temporary associate at Davis Polk & Wardwell, New York, associate at Wenger Plattner, Attorneys-at-law in Bern, Basel and Zurich.
Current activities: Partner at Wenger Plattner, Attorneys-at-law (since 2000), Representative of the Board of Directors of the FC Basel 1893 AG football club (since 2005), member of various professional organisations, member of the Boards of Directors of various non-exchange-listed trading and service SMEs.

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

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

No member of the Board of Directors has any management mandate within the Valora Group or any significant business relations with the Group. Bernhard Heusler is a partner of the Wenger Plattner law practice, which has offices in Basel, Bern and Zurich. In 2010, Valora paid fees totalling CHF 36 k (CHF 245 k in 2009) to various members of the Wenger Plattner law practice. These related to notarisation services and advice in the fields of employment law, IT law, contract law and real-estate law.

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

3.2.1 MEMBERSHIP OF SUPERVISORY BOARDS.

- Rolando Benedick: Board Chairman of Manor Sud, member of the Boards of Directors of Barry Callebaut, MCH Messe Schweiz AG and Galfa Group.
- Markus Fiechter: member of the Boards of Directors of Barry Callebaut and Minibar AG. Member of the Supervisory Board of the Swiss Federal Foundation for the Furtherance of the Swiss Economy through Scientific Research (in German, «Eidgenössische Stiftung zur Förderung schweizerischer Volkswirtschaft durch wissenschaftliche Forschung»), Zurich
- Bernhard Heusler: member of various professional organisations, member of the Boards of Directors of various non-exchange-listed trading and service SMEs.
- Franz Julen: Vice-Chairman of the Supervisory Board of the Union of Groups of Independent Retailers of Europe (UGAL), a non-profit international organisation.
- Conrad Löffel: member of the Boards of Directors of Adimmo AG and Swiss Federal Railways

3.2.2 MEMBERSHIP OF EXECUTIVE COMMITTEES.

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

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

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

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

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

Minutes are kept of Board meetings.

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

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

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

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

The duties of the Nomination and Compensation Committee are as follows:
a) To prepare proposals on the remuneration of the Chairman of the Board and the other Board members and submit these to the Board.
b) To determine the salaries and other terms and conditions of employment for the CEO and the other members of Group Executive Management.
c) To assess general annual salary increases proposed by the CEO and to make recommendations on these to the Board.

d) To review share programmes for management and employees and share option and profit-sharing programmes for the Board and Group Executive Management and to make recommendations on these to the Board.
e) To approve general salary increases (wage round, in German, «Lohnrunde»).
f) To approve share, share option and profit-sharing programmes for management and employees.
g) To prepare proposals for new candidate Board members for submission to the Board.
h) To prepare proposals for submission to the Board on the appointment or dismissal of the CEO and other Group level executives (CFO, members of Group Executive Management).
i) To approve the conditions of employment of the CEO and the other members of Group Executive Management.
j) To remain informed of and monitor succession planning for the top two tiers of management.
k) To discuss the performance appraisals of the CEO and the other members of Group Executive Management.
l) To monitor the implementation of Board decisions within the scope of the Nomination and Compensation Committee's remit.
m) To approve the principles governing the company's pension funds and to appoint the employer's representatives to serve on their supervisory boards.
n) To resolve matters of principle relating to the company's dealings with trade unions.
o) To carry out other tasks and projects as instructed by the Board of Directors.

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

In 2010, the Board of Directors held 13 meetings and conducted one two-hour conference call. The meetings had an average duration of 5 hours. A further 5 Board resolutions were carried out by circular. The Audit Committee held 4 half-day meetings, while the Nomination and Compensation Committee held 7 half-day meetings, as well as passing one resolution by circular. The Board and its committees may also invite further persons, particularly members of management or representatives of the internal and external auditors, to attend their meetings. The CEO and the CFO took part in all meetings held by the Board and its committees, and the divisional heads presented the results of the individual divisions at Board meetings. Internal and external auditors attended all Audit Committee meetings.

3.5 DEFINITION OF AREAS OF RESPONSIBILITY. The Board of Directors meets as frequently as business demands, holding a minimum of four meetings each year. Board meetings are convened by the Chairman or, in his absence, by the Deputy Chairman or another Board member. The Chairman is also required to convene a Board meeting within 30 days of receiving a written request to do so from any of its members. The Board is quorate if a majority of its members are present. No quorum is required for the Board to approve reports on capital increases or on the subsequent paying in of shares not fully paid up, or for any resolutions which require notarisation. Board resolutions are passed and elections decided by a simple majority of the votes cast. In the event of a tie, the Chairman has the casting vote. Voting and elections are nomally conducted by a show of hands, unless a Board member requests a secret ballot. Board resolutions on proposals submitted to it may also be passed by majority written approval (by letter, telegram or fax or in other written form), provided all Board members have been invited to vote and no member has requested that the issue concerned be discussed verbally. All Board resolutions must be recorded in a set of minutes, which the Chairman and the Secretary must jointly sign. Every Board member is entitled to information and access to documents, within the overall provisions of the law.

The Board of Directors has ultimate responsibility for the management of the Group, in particular determining the key attributes of the company's activities, maintaining an appropriate balance between entrepreneurial objectives and financial resources and promulgating such directives as this requires. The Board is also responsible for approving corporate strategy and specifying organisational structure, as well as defining the strategy and concept governing the internal control system and risk assessment and risk management activities. The Board also bears ultimate responsibility for personnel matters and determines the fundamental principles of the company's staff and salary policies. It is responsible for the appointment, dismissal and supervision of those charged with the management of the company, the Group and the individual divisions – in particular the CEO, CFO and divisional heads – and for defining their deputising arrangements and signatory powers. The Board also establishes the guidelines for financial and investment policy, and approves medium-term planning, annual budgets and investment schedules.

The Board of Directors delegates the entire management of ongoing operations and the representation of the company to Group Executive Management under the leadership of the CEO, to the extent that the law or the company's Articles of Incorporation or bylaws do not stipulate otherwise. Group Executive Management has the authority to decide on all matters relating to the business entrusted to it. Decisions on matters which are beyond the scope of regular business operations or which exceed the thresholds specified in the company's terms of reference (ToR) require approval by the Board of Directors. In essence, this applies to:

- the commencement of new business activities or the cessation of existing ones.
- the execution of significant contracts relating to areas outside the scope of Valora's normal business activities and the execution of consultancy contracts whose costs (either aggregate or annual) exceed CHF 2 million.
- the issuance of marketable debt securities or the contracting of long-term borrowing in amounts in excess of CHF 30 million.
- the granting of loans to third parties whose amount exceeds CHF 10 million.
- carrying out investments covered by the investment plan for amounts of more than CHF 5 million or carrying out non-budgeted investments for amounts of more than CHF 2 million.
- the granting of sureties or guarantees for amounts in excess of CHF 10 million.
- the acquisition or disposal of equity participations.
- the purchase or sale of real-estate properties for amounts in excess of CHF 5 million.
- the initiation or termination of legal disputes, including the agreement to court-ordered or out-of-court settlements for amounts in excess of CHF 2 million.

3.6 INFORMATION AND CONTROL INSTRUMENTS AVAILABLE TO THE BOARD OF DIRECTORS. The CEO keeps the Chairman of the Board informed about the business performance of the company and the Group. At Board meetings, the CEO informs the Board about the business performance of the company, the Group and the individual divisions and also reports on all major business events. The CEO notifies the Board immediately of any extraordinary events whose implications are substantial.

In addition, the Management Information System provides the Board of Directors with the following on a regular basis: monthly sales figures and monthly divisional and Group reporting based on the budget approved by the Board versus current and prior year's actual figures, information regarding major business events, data on the shareholder structure and the extent to which resolutions approved by the General Meeting or the Board of Directors have been implemented.

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

3.6.1 RISK MANAGEMENT. The Board of Directors and Group Executive Management carry out a risk assessment once a year. The objective is to make the principal risks to which Valora is exposed more transparent, to improve the quality of risk dialogue and to define practical measures for addressing key risks to Valora. The results are reviewed at a joint meeting held with the Board of Directors at which a plan for implementing appropriate measures is approved.

The risk assessment is initiated by the head of internal audit and is then carried out jointly, with external assistance, by Group Executive Management and the Chairman of the Board. The risk assessment process comprises three phases. In phase 1, the catalogue of risks and the methodological parameters are defined, and structured interviews are held with the individual members of Group Executive Management. This phase also involves some 15 key Valora employees being questioned by internal audit about their assessment of the risk situation. In phase 2, the results of these interviews are discussed in a workshop held with Group Executive Management, the key risks are identified and measures for addressing them are defined, with responsibility for their execution being assigned to specific members of Group Executive Management. The implementation status of measures decided upon the previous year is also reviewed. The final phase involves documenting the key findings and potential consequences of each of the key risks identified, as well as the measures adopted to address them, in a risk report which is submitted to the Board of Directors for approval.

The principal risks identified in 2010 lie in the areas of product and service quality, supply chain expertise, alternative forms of press distribution, acquisitions metholodogy and related integration capabilities, and product development in the Retail division.

In addition, a one-day strategy meeting was held which was attended by the Board of Directors and representatives of both Group Executive Management and other levels of management and which examined the future direction of the Valora Group's growth and risk strategy.

3.6.2 INTERNAL AUDIT. Internal audit supports the Board of Directors, the Audit Committee and Group Executive Management in the execution of their supervisory and controlling duties. In order to ensure the greatest possible degree of independence, the internal audit function reports to the Chairman of the Board of Directors, with a functional reporting line to the Chairman of the Audit Committee. Internal audit's activities cover the entire Valora Group and all its subsidiaries in Switzerland and abroad. Internal audit may be tasked with examining processes and projects within the Group and provides technical support, within the Internal Control System (ICS) context, to the ICS head, obtains quarterly ICS status reports and subjects the ICS framework to an annual review.

A written report is compiled for every audit and every other mandate carried out by internal audit. These reports are discussed in detail with the organisational units which have been examined and each such unit is required to define a schedule of concrete steps for implementing the measures which have been determined. Internal audit then verifies the implementation of these measures within one year. The Chairman of the Board of Directors, the Chairman of the Audit Committee and the CEO each receive a copy of these reports, which include the comments of those concerned. The external auditors also have free access to these reports.

By mid-March of the following year, internal audit submits an activity report for each calendar year. In addition to summarising its audit work, this report also provides details of internal audit's mission and strategy and of the extent to which its goals were achieved. Internal audit also formulates a rolling, risk-oriented multi-year plan, from which its annual audit plan is derived. The annual internal audit plan is agreed with the external auditors. It is then submitted to the Audit Committee for approval and communicated to Group Executive Management.

Internal audit carried out 19 audits during 2010.

4 GROUP EXECUTIVE MANAGEMENT

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

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

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

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

Alexander Theobald, 1964, Swiss citizen, Master of Arts degree from the University of Zurich.
Previous activities: various publishing and marketing posts and Member of Senior Management of Tamedia AG, head of Swiss magazine division, director of publishing activities for Hungary and Rumania and member of Group Executive Management of Ringier AG.
Head of Valora's Services division since May 1, 2010.

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

Group Executive Management changes. The previous head of Valora's Retail division, Kaspar Niklaus, left Group Executive Management with effect from early 2011. On January 17, 2011, Andreas Berger joined the Group as head of the Valora Retail division. Andreas Berger, a German citizen, is 44 years old and studied Business Administration at the University of St. Gallen. Before joining Valora, he was responsible for managing two important regions for the Aldi Group.

On May 1, 2010, Alexander Theobald was appointed head of the Services division, replacing Thomas Vollmoeller, who had been running the division on an interim basis since January 1, 2010.

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

4.2 FURTHER SIGNIFICANT ACTIVITIES AND VESTED INTERESTS IN LISTED COMPANIES. None of the members of Valora's Group Executive Management currently engages in any further activities in any management or supervisory body of any listed Swiss or foreign company, has any long-term management or consultancy function for any company outside the Valora Group, has any public function or holds any political office. The Valora Group is a founding member of the Swiss Retail Industry Group [Interessengemeinschaft Detailhandel Schweiz], where it is represented by Thomas Vollmoeller. Rolando Benedick is Chairman of the supervisory boards of the Valora pension fund, the Valora executive pension fund and the Valora employer's foundation, all of which have their registered offices in Muttenz. Lorenzo Trezzini is a member of the supervisory boards and of the investment committees of the Valora pension fund, the Valora executive pension fund and the Valora employer's foundation, all of which have their registered offices in Muttenz.

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

5 REMUNERATION, SHAREHOLDINGS AND LOANS

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

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

5.1.1 GENERAL COMPONENTS OF REMUNERATION AND THEIR WEIGHTING. The remuneration paid to Valora's management is based on a fixed salary, a variable Short Term Plan and a share-based Long Term Plan which was established in January 2009. A detailed presentation of the various remuneration components applicable to the Board of Directors and Group Executive Management is shown in sections 5.1.2 and 5.1.3.

In 2009, the structure of the remuneration paid to the Board of Directors and Group Executive Management was modified and a share-based Long Term Plan was introduced. This plan, which forms an integral part of its participants' total remuneration, aims to align its participants' long-term interests with those of the company and to link their remuneration with its business performance.

In defining the remuneration structure, the Nomination and Compensation Committee took as its base case a 30 % average annual increase in the Valora share price over the following three years, based on analysts' forecasts. Based on this assumed annual average rate of increase in the share price, the average portion of LTP participants' total remuneration represented by the LTP amounts to 55 %, while the Short Term Plan accounts for 12 % and base salary 33 %.

Because the LTP runs for three years, it fosters a sustainable approach to managing Valora. Under the plan, each participant is able to purchase a given number of shares, the amount in each case being determined by the Nomination and Compensation Committee based on the overall remuneration structure described above.

The purchase price per share is the average closing price recorded on SIX Swiss Exchange during the 20 days preceding the commencement of the LTP plan. Each participant uses a bank loan to finance the shares he is entitled to purchase, and the shares are pledged as collateral for the loan.

Half the shares purchased by participants are subject to a 28-month lock-up period, with a 34-month lock-up period applying to the remainder. On the last day of each lock-up period, Valora will offer to buy back the shares in the relevant tranche at their closing price on SIX Swiss Exchange that day. On the last day of each lock-up period, participants wishing to avail themselves of this offer must notify Valora of the number of shares they wish to sell back in this way. Once the lock-up period ends, any shares not sold back to Valora are then freely available to the plan participants without further restrictions. Should the market price of Valora shares be lower than the participant's purchase price when the loan falls due, Valora guarantees to the bank making the loan and the participant that it will make good any shortfall. In any event, Valora's guarantee to the bank expires at the end of the second lock-up period. Valora's financing costs for the plan are limited to the interest expense relating to the initial purchase cost.

In the event of Valora terminating a plan participant's contract of employment before the end of the first or second lock-up periods, the participant will be required to sell a pro rata proportion of his shares in the plan back to Valora at their initial purchase price. The loan must be repaid in full. Should a plan participant himself elect to terminate his contract of employment prematurely, he will be required to sell all shares in the plan which are then subject to a lock-up period back to Valora at their initial purchase price. No pro rata entitlement to any shares subject to lock-up restrictions will apply. In the case of Board members, resignation from the Board or refraining to stand for re-election to the Board are deemed to constitute election by the plan participant to terminate his contract of employment

No external consultancy fees were paid in connection with the development of this plan.

5.1.2 BOARD OF DIRECTORS. The Board of Directors determines at its own discretion the nature and amount of the remuneration paid to its members, based on proposals made by the Nomination and Compensation Committee. Members of the Board receive graduated fixed fees, whose amount is determined by their Board function (Chairman, Vice-Chairman, member). An additional emolument is paid to the Chairmen of the two Board committees (Audit Committee and Nomination und Compensation Committee). These fees are paid out in cash each quarter. No performance-based variable remuneration is paid to the Board of Directors. Board members also participate in the Long Term Plan (see 5.1.1 above). Conrad Löffel's participation in the Long Term Plan is options-based. No other modifying arrangements have been agreed.

No attendance fees are paid for Board meetings, though a fixed amount of travel expenses is reimbursed.

5.1.3 GROUP EXECUTIVE MANAGEMENT. Members of Group Executive Management receive an annual salary which comprises a fixed and a variable component (the Short Term Plan). In addition, they also participate in the Long Term Plan (see 5.1.1 above).

Depending on the extent to which agreed objectives are met, the variable component (Short Term Plan) can range from 0 % to a maximum of 75 % of fixed base salary. On average, a member of Group Executive Management achieving 100 % of his agreed objectives would qualify for a Short Term Plan payment equal to 37 % of fixed base salary. 70 % of the variable, performance-based component of remuneration is based on the company's business performance, which is measured on the basis of economic value added, while the remaining 30% depends on the achievement of personal objectives.

Valora uses a measure of economic value added (VVA, or Valora Value Added) which is defined as EBIT minus calculated financing costs. The VVA achieved is measured by taking the VVA for a given year minus the VVA for the previous year and dividing this by the budgeted VVA minus the VVA for the previous year.

The Board of Directors determines applicable previous year's VVA and approves the VVA budgeted for the current year. VVA calculations for the CEO and CFO are made on the basis of Group figures, while those for the division heads are based on the data for the relevant division.

Each participant's personal objectives and the extent to which these have been achieved are determined on an annual basis by the participant's superior or, in the case of members of Group Executive Management, by the Nomination and Compensation Committee. Personal objectives are defined in terms of clearly measurable key performance indicators (KPIs). All individual objectives are individually weighted and the extent to which they are deemed to have been achieved can vary from 0% to 150%. Each participant's effective bonus is calculated by assigning a 70% weighting to the achievement of the VVA objective and a 30% weighting to key personal objectives and will range from 0% to a maximum of 150% of their target bonus.

The Board of Directors' Nomination and Compensation Committee determines total remuneration levels for the members of Group Executive Management and decides on the award of any performance-based remuneration, informing the Board of Directors of its decisions at the Board meeting immediately following their decision.

Details of the remuneration paid to the Board of Directors and Group Executive Management and of the Valora shares held by their members can be found in Note 5 to the financial statements of Valora Holding AG on page 123.

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 Ordinary General Meeting of shareholders held in 2010 approved the removal of the previous restriction which prevented any shareholder from having voting rights recognised in respect of more than 5% of the company's issued share capital, and Article 4 of the company's Articles of Incorporation was amended accordingly.

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

To enhance the tradability of Valora shares on the stock exchange, the Board of Directors may devise regulations or agreements which approve the fiduciary entry of registered shares with voting rights over and above the limits set out in the Articles of Incorporation for trustees who disclose the nature of their trusteeship (nominees, ADR banks). Such trusteees 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 must be able to provide the names, addresses and shareholdings of the beneficial owners of the shares concerned.

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

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

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

Under Article 12 of the Articles of Incorporation, the following resolutions require a majority of two thirds of the votes represented and an absolute majority of the nominal value of the votes represented:
- changing the object of the company;
- introducing shares with privileged voting rights;
- limiting or facilitating the transferability of registered shares;
- increases in authorised or conditional capital;
- capital increases from shareholders' equity, against non-cash payments or for acquisition purposes, and the granting of special benefits;
- limiting or suspending subscription rights;
- relocating the company's registered office;
- dissolving the company without liquidation or by merger.

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

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

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

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

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

6.5 REGISTRATIONS IN THE SHARE REGISTER. To attend the 2011 Annual General Meeting, a shareholder must submit their request for registration in the Share Register to the company no later than 4 p.m. on April 7, 2011.

7 CHANGES OF CONTROL AND DEFENCE MEASURES

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

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

8 AUDITORS

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

8.1 DURATION OF THE MANDATE AND TERM OF OFFICE OF THE LEAD AUDITOR. The audit mandate was first entrusted to Ernst & Young AG at the 2009 General Meeting. Ernst & Young AG were appointed as auditors for a further year at the 2010 General Meeting. The lead auditor, Martin Gröli, first took on the mandate in 2009. Regulations on auditor rotation limit the terms which may be served by the same lead auditor to a maximum of seven years.

8.2 AUDIT FEES. The total cost to Valora Holding AG and its subsidiaries of the auditing conducted by Ernst & Young AG in 2010 in respect of the consolidated financial statements, the financial statements of Valora Holding AG and of its subsidiaries was CHF 1.0 million (CHF 1.0 million in 2009).

8.3 ADDITIONAL FEES. In addition, Ernst & Young AG invoiced the Valora Group for a further CHF 0.26 million (CHF 0.02 million in 2009) for other services related to tax advice and financial due diligence.

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

9 INFORMATION POLICY

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

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

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

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

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

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

The Investors section of the Valora website displays a variety of information, including the corporate governance report, the company's Articles of Incorporation, a calendar of events, information on the General Meeting and on Valora shares as well as other key metrics. Ad hoc news and reports on potentially price-sensitive matters can be obtained rapidly and free of charge by e-mail by registering on the Valora e-mail distribution list (http://www.valora.com/de/investors).

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

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

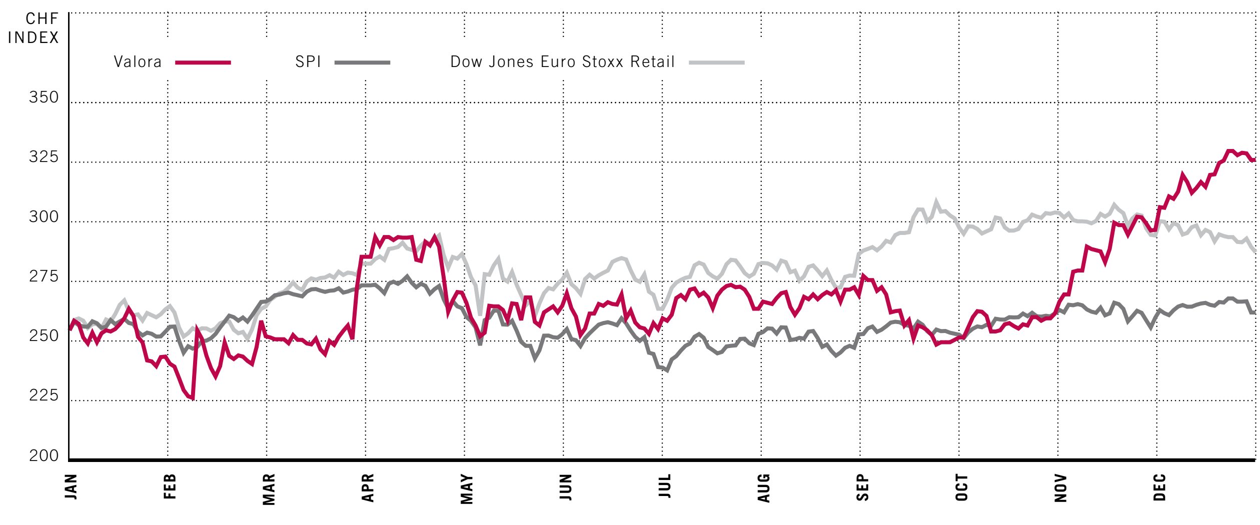
VALORA SHARES

1 SHARE PRICE TRENDS

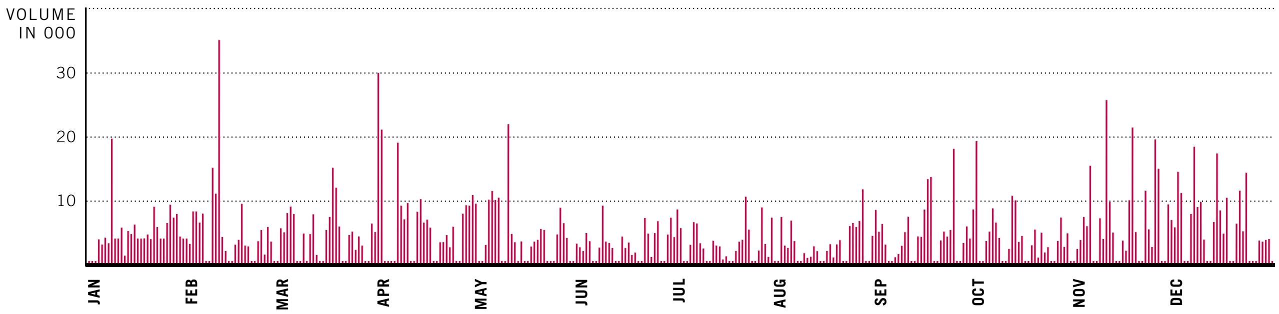
Overall Swiss equity market performance. In the early part of 2010, the Swiss equity market staged a relatively positive performance, with the SMI blue chip index up 5% and the SPI broad market index improving 6.8% by early spring. As the European debt crisis began to spread, Swiss shares suffered a marked decline across the board. The SMI and SPI indices reached their 2010 nadir around mid-year, as it became increasingly evident that the European Union would be obliged to provide financial assistance a number of its member states owing to the state of their public finances. For the remainder of the year, Swiss equities were substantially weighed down by the situation in Europe, general economic uncertainty and the strength of the Swiss franc against the euro. The SMI index of major Swiss shares closed 1.7% lower on the year, while the broader SPI did somewhat better, improving by 2.9% year-on-year.

Valora share performance. At the beginning of the year, Valora shares were trading at CHF 256.75. Having performed very well in 2009, the share price initially consolidated, falling to a 2010 low of CHF 226.70 in early February. The shares then recovered, making good their earlier losses by mid-March. Following the presentation of the company's 2009 results, the share price rose further, reaching CHF 294 on April 6 2010. As the financial crisis in Europe began to escalate, Valora shares then corrected downwards, in line with the broad market indices, before trading in a fairly narrow range till late October 2010. In the run-up to Valora's publication of its extended «Valora 4 Growth» strategy on November 25, 2010, the company's decoupled from the broad market. Positive analyst and investor comments on the company then lifted Valora shares further, enabling them to close the year more than 25% higher than they had started it. The performance of the overall market, conversely, was broadly flat. Over the year as a whole, Valora shares gained some 28%, closing at CHF 326.25 on December 31, 2010.

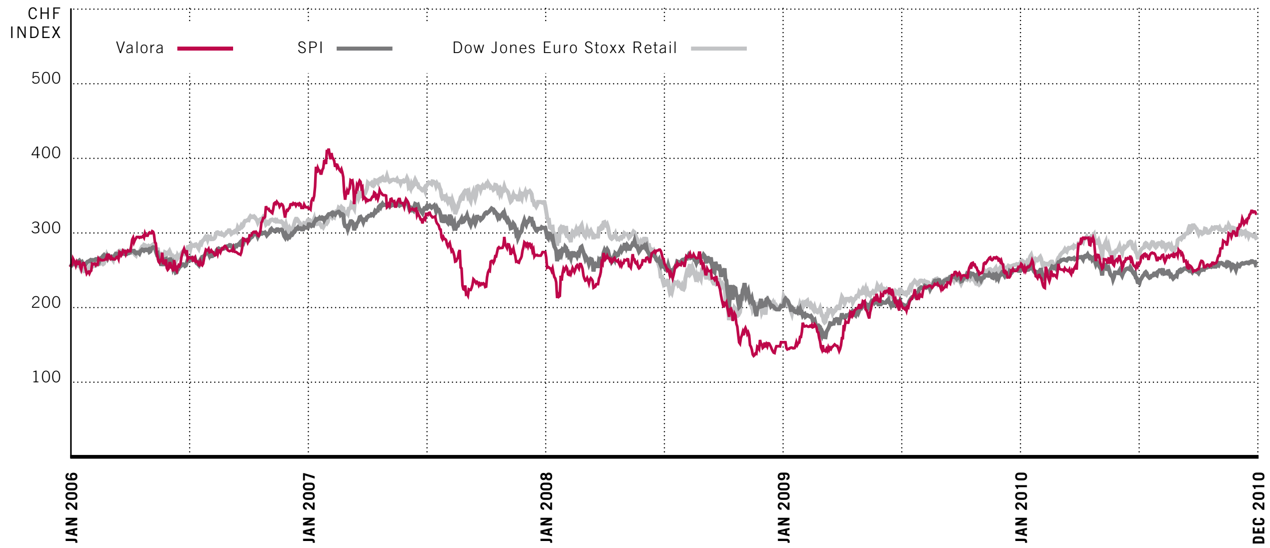
VALORA SHARE PRICE TREND 2010



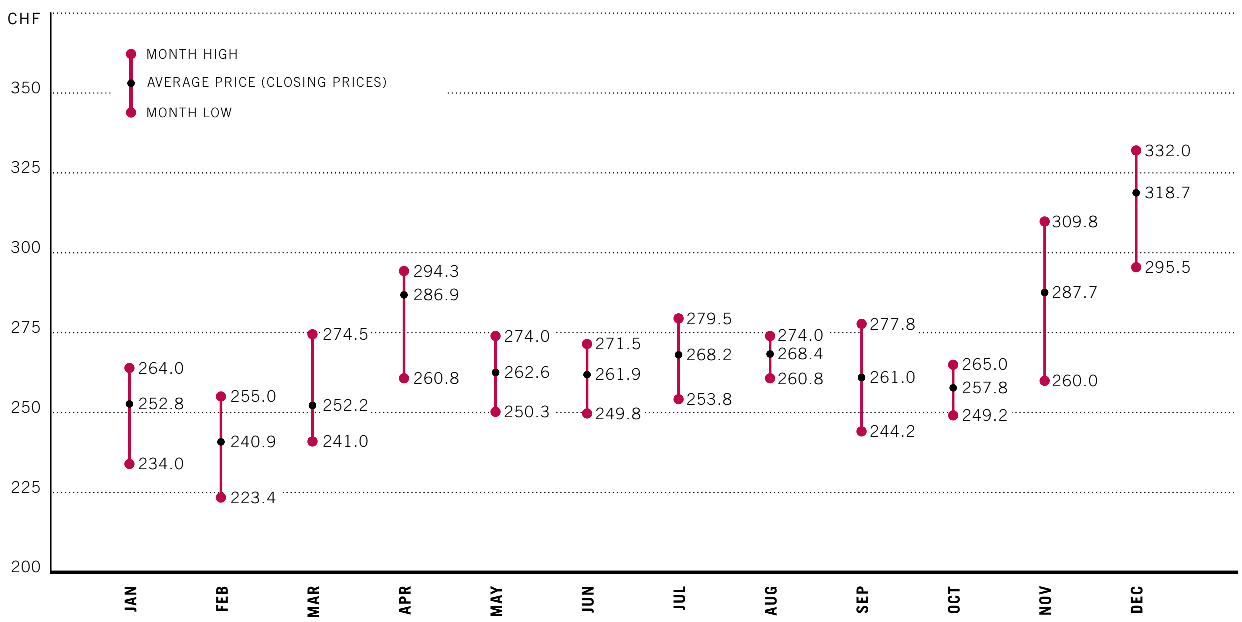
VALORA SHARE VOLUME 2010



VALORA SHARE PRICE TREND 2005-2010



MONTH HIGHS/LOWS IN 2010



2 SHAREHOLDER RETURNS

		2010	2009	2008	2007	2006
Share price						
Year end	CHF	326.25	255.00	154.00	274.75	334.75
Distributions to shareholders						
Dividends	CHF	[1] 11.50	10	9	9	9
Dividend yield	%	3.5	3.9	5.8	3.3	2.7
Annual returns						
excluding dividends	%	27.9	65.6	– 43.9	– 17.9	31.4
including dividends	%	32.5	72.1	– 40.7	– 15.2	34.9
Average returns		**2006–2010 5 Jahre**	**2006–2009 4 Jahre**	2006–2008 3 Jahre	2006–2007 2 Jahre	2006 1 Jahr
excluding dividends	%	5.1	0.0	– 15.4	3.9	31.4
including dividends	%	8.5	3.6	– 11.3	7.3	34.9

[1] Proposed

3 KEY SHARE DATA

		2010	2009	2008	2007	2006
Operating profit (EBIT) per share [1]	CHF	[2] 29.56	[2] 24.78	[2] 12.22	[2] 18.46	[2] 20.80
Free cash flow per share [1] [3]	CHF	[2] 3.10	[2] 16.73	[2] 57.39	[2] 22.06	[2] 18.28
Earnings per share [1]	CHF	[2] 22.35	[2] 18.94	[2] 7.74	[2] 14.08	[2] 16.89
Equity per share [1]	CHF	173.82	165.00	146.32	187.20	175.42
P/E Ratio [1]	31.12	[2] 14.6	[2] 13.5	[2] 19.9	[2] 19.5	[2] 19.8

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

4 SHAREHOLDER DATA AND CAPITAL STRUCTURE

		31.12.2010	31.12.2009
Registered shareholder data			
Composition	Significant shareholders > 5%	11.2% of shares	13.6% of shares
	10 largest shareholders	39.1% of shares	39.6% of shares
	100 largest shareholders	58.3% of shares	57.5% of shares
Origin	Switzerland	71.4% of shares	64.1% of shares
	Elsewhere	28.6% of shares	35.9% of shares

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

Conditional capital amounting to a maximum of CHF 84 000, comprising 84 000 registered shares of CHF 1.00 nominal value each, was approved by the Ordinary General Meeting of shareholders of May 11, 2000. These shares can be used at any time by the Board of Directors to cover existing or future management profit-sharing plans. Exisiting shareholders have no subscription rights for such shares. No time limit applies. None of this conditional capital has been issued by December 31, 2010.

Swiss and non-Swiss shareholders are registered on the same terms in the Share Register. The company has distributed dividends to its shareholders without interruption since 1920.

5 SHARE CAPITAL

		2010	2009	2008	2007	2006
Total registered shares [1]	Shares	2 800 000	2 800 000	3 300 000	3 300 000	3 300 000
Treasury shares [1]	Shares	46 630	49 866	487 314	107 057	106 791
Number of shares outstanding [1]	Shares	2 753 370	2 750 134	2 812 686	3 192 943	3 193 209
Market capitalisation [1] [2]	CHF million	898	701	433	877	1 069
Average number of shares outstanding	Shares	2 750 735	2 749 815	3 078 254	3 201 312	3 197 186
Number of registered shareholders [1]		6 586	6 739	7 090	7 385	7 789

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

6 TAX VALUES

	Securities no.	**At 31.12.2010**	At 31.12.2009	At 31.12.2008	At 31.12.2007	At 31.12.2006
Registered shares of CHF 1.00/CHF 10.00	208 897	326.25	255.00	154.00	274.75	334.75
2.875% bond 2005-2012	2 189 351	102.25%	102.80%	97.00%	93.70%	98.80%

FIVE-YEAR SUMMARY

		2010 [1]	2009 [1]	2008 [1]	2007 [1]	2006 [1]
Net revenues	CHF million	**2 877.7**	**2 897.0**	**2 931.1**	**2 821.7**	**2 749.3**
Change	%	– 0.7	– 1.2	+ 3.9	+ 2.6	– 3.4
Operating profit (EBIT)	CHF million	**81.3**	**68.1**	**37.6**	**59.1**	**66.5**
in % of net revenues	%	2.8	2.4	1.3	2.1	2.4
Net profit (net loss)	CHF million	**61.7**	**53.0**	**24.7**	**46.0**	**54.7**
Change	%	+ 16.3	+ 115.0	– 46.3	– 15.9	+ 1 055.5
in % of net revenues	%	2.1	1.8	0.8	1.6	2.0
in % of equity	%	12.9	11.7	5.5	7.7	9.8
Net cash provided by (used in)						
Operating activities	CHF million	78.7	106.2	86.6	93.6	84.8
Investing activities	CHF million	– 70.2	– 60.2	90.1	– 23.0	– 26.4
Free cash flow (used in)	CHF million	**8.5**	**46.0**	**176.7**	**70.6**	**58.4**
Financing activities	CHF million	– 32.3	– 44.5	– 160.7	– 126.8	– 83.0
Earnings per share	CHF	**22.35**	**18.94**	**7.74**	**14.08**	**16.89**
Change	%	+ 18.0	+ 144.7	– 45.0	– 16.6	+ 1 343.6
Free cash flow per share	CHF	**3.10**	**16.73**	**57.39**	**22.06**	**18.28**
Change	%	– 81.5	– 70.8	+ 160.2	+ 20.7	+ 5.0
Cash and cash equivalents	CHF million	**130.5**	**161.6**	**158.4**	**153.4**	**222.1**
Equity	CHF million	**478.1**	**453.7**	**450.4**	**599.3**	**560.9**
Balance sheet equity ratio	%	43.6	41.3	42.5	45.2	42.3
Number of employees at December 31	FTE	**6 455**	**6 522**	**6 692**	**6 532**	**6 646**
Change	%	– 1.0	– 2.5	+ 2.4	– 1.7	– 9.5
Net revenues per employee	CHF 000	**446**	**444**	**438**	**432**	**414**
Change	%	+ 0.4	+ 1.4	+ 1.4	+ 4.3	+ 7.0
Number of outlets operated by Valora		**1 390**	**1 405**	**1 410**	**1 404**	**1 414**
Net sales per outlet [2]	CHF 000	1 156	1 133	1 113	1 186	1 155
Number of franchise outlets		**191**	**25**	**21**	–	–

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

MAIN ADDRESSES

VALORA HOLDING AG

Hofackerstrasse 40
4132 Muttenz, Switzerland
Phone +41 58 789 11 11
Fax +41 58 789 12 12
www.valora.com
info@valora.com

VALORA CORPORATE COMMUNICATIONS
Hofackerstrasse 40
4132 Muttenz, Switzerland
Phone +41 58 789 12 01
Fax +41 61 467 29 08
stefania.misteli@valora.com

VALORA CORPORATE INVESTOR RELATIONS
Hofackerstrasse 40
4132 Muttenz, Switzerland
Phone +41 58 789 12 20
Fax +41 61 467 29 08
mladen.tomic@valora.com

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

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ADDRESSES

VALORA HOLDING AG
Hofackerstrasse 40
4132 Muttenz, Switzerland
www.valora.com

VALORA RETAIL

VALORA RETAIL SWITZERLAND
Hofackerstrasse 40
4132 Muttenz, Switzerland
www.valoraretail.com

VALORA RETAIL GERMANY
Danziger Strasse 35a
20099 Hamburg, Germany
www.valoraretail.de

VALORA RETAIL LUXEMBOURG
Rue Christophe Plantin 11
2339 Gasperich, Luxembourg
www.valoraretail.lu

VALORA SERVICES

VALORA SERVICES SWITZERLAND
Hofackerstrasse 40
4132 Muttenz, Switzerland
www.valoraservices.com

VALORA SERVICES AUSTRIA
St. Leonharder Strasse 10
5081 Salzburg-Anif, Austria
www.valoraservices.at

VALORA SERVICES LUXEMBOURG
Rue Christophe Plantin 11
2339 Gasperich, Luxembourg

VALORA TRADE

VALORA TRADE SWITZERLAND
Industriestrasse 9
4623 Neuendorf, Switzerland
www.valoratrade.ch

VALORA TRADE GERMANY
Rheinstrasse 46
45478 Mülheim, Germany
www.valoratrade.de

VALORA TRADE AUSTRIA
Lagergasse 5
2620 Neunkirchen, Austria
www.valoratrade.at

VALORA TRADE DENMARK
Transformervej 16
2730 Herlev, Denmark
www.valoratrade.dk

VALORA TRADE SWEDEN
Box 10034
Arenavägen 39
121 26 Stockholm-Globen,
Sweden
www.valoratrade.se

VALORA TRADE FINLAND
Kauppakeskus Malminotori
Malmin Kauppatie 18
00700 Helsinki, Finland
www.valoratrade.fi

VALORA TRADE NORWAY
Jon Leiras Vei 10
3440 Røyken, Norway
www.valoratrade.no

Engelschiøn Marwell Hauge AS
P.O. Box 93 Lilleaker
0216 Oslo, Norway
www.emh.no

KAUMY S.R.O
Jerlochovice 156
74245 Fulnek, Czech Republic
www.kaumy.cz

VALORA LOGISTICS SWITZERLAND
Riedstrasse 4
4622 Egerkingen, Switzerland

valora, valora, Ambition [*«The trend towards small-scale retail outlets in heavily frequented locations like railway stations, airports, filling stations and so on is unmistakable. Valora's retail operations are very well positioned. I believe it is perfectly reasonable to expect Valora's management to achieve the ambitious growth objectives they have set. Much will however depend on how the print and online media evolve, and how the convenience store concept develops. There is potential in small-outlet retail, provided the right formats can be combined with the right product ranges in the right locations. Those product ranges include services, which are now being sold in ever greater number through smart mobile devices.» David Bosshart, CEO, Gottlieb Duttweiler Institute.*] This publisher and observer of market trends expects considerable achievements from Valora with regard to growth. His main advice to Valora? Courage is good, but don't let it go to your head.

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valora, valora, Innovation [*«We are seeing a marked dynamism at Valora and are following this with interest. Our distribution partner is reinventing itself to some extent. This is a good prerequisite for our working together to meet the challenges arising from the structural changes the media industry is undergoing. What is essential for us, is that Valora constantly renews the offerings at its kiosks. The company's successful venture into energy drinks is a telling example of its zeal for innovation. Initiatives like this are important in ensuring that the kiosk remains an attractive sales point for our print products.» Marc Walder, CEO, Ringier Switzerland.*] The head of Switzerland's largest newspaper publisher takes a positive view of Valora's «new drive», but also expects Valora to remain a reliable, transparent and co-operative business partner.

valora, valora, Sustainable relationships [*«The people I meet are usually in a hurry. But there are also those who do have time. I remember the elderly lady who always rounded off her Friday afternoon shopping with a visit to our kiosk. She would buy her favourite magazine, fill in her lottery ticket and then ask us to order a taxi to take her home. She always insisted on paying for the call, and every so often she would give us a little chocolate heart as a thank you present. I find encounters like that moving. They show how important personal contact is to our customers and how much they appreciate it.» Rita Schilter, manager of the k kiosk at Schönbühl.*] This member of Valora's kiosk staff always has an eye for the person behind the passer by in a hurry. With honest feeling she prepares the ground on which sustainable relationships can grow and flourish.

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valora, valora, Quality [*«In its dealings with retail, Valora is a strong distribution partner. The company has a gift, not just for getting our products onto shelves, but for getting the values our brands stand for recognised in the markets. As independent international distribution organisations become ever rarer, we are certainly interested in seeing a strong Valora. We welcome the company's ambitions for further growth, and we hope that it will concentrate on quality growth. The growth focus, we believe, should be on a few brands, but on brands which are strong and can benefit from thorough professional marketing.» Markus Vogt, Head of Sales International, Ricola AG.*] The head of sales at Switzerland's leading manufacturer of herb sweets works with Valora in Austria, Denmark and Sweden. He sees the company as being both very international and very approachable.

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valora, valora, Mobility [*«If I had to describe Valora with characteristics attributable to a person, I would say it was spontaneous and flexible. I think the timing for initiating the growth strategy is right. Internal processes have been revamped, so that the company can now also handle the operational implications of expansion. The Retail division will certainly benefit from further increases in peoples' mobility and it is well positioned at heavily frequented locations. Launching new products and services is a good initiative, but the innovation must not stop there.» Alexander Galbiati, portfolio manager and financial analyst.*] This professional investor assesses Valora on strictly objective criteria. Like a typical impulse buyer, he does however allow himself the occasional treat from Valora's display.

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valora, valora, Imagination [*«Things are clearly happening at Valora. Management has done its homework and has created a sound platform on which to implement the ambitious growth strategy. There are some new ideas around. The Press & Books concept, for example, appears to have potential. The fruit in the convenience business is not hanging low (enough). As to acquisitions, it is important that Valora does not lose its focus. Any companies acquired must be suited to Valora.» Wolfgang Gamma, Editor, Finanz und Wirtschaft.*] This financial journalist has been following events at Valora for ten years or so. He acknowledges that the prerequisites are now in place for a new Valora to develop.

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valora, valora, Openness [*«Since Capri Sun was introduced in Switzerland we have seen sales grow steadily every year. Our continuing success in the Swiss market is largely due to Valora's distribution and marketing expertise. The company has outstanding market knowledge and excellent contacts at all levels and to all key accounts. Our Swiss distribution partner is open to new suggestions and sufficiently flexible to react quickly and decisively to changing market conditions. We have ambitious growth objectives in Switzerland as well, and we are convinced that we will be able to achive them with the help of a strong Valora.» Peter Böck, Sales Director Europe, Capri Sun.*] The head of international sales of the company producing these flavoursome fruit drinks finds in Valora a very human company. He appreciates the open, friendly and constructive spirit in which the two companies are working together.

VALORA HOLDING AG

Hofackerstrasse 40
4132 Muttenz, Switzerland
Phone +41 61 467 20 20
Fax +41 61 467 29 08
www.valora.com
info@valora.com

valora, valora, Credibility [*«I have known ‹my› Valora for more than 20 years and I have to say that it is a share I would now rely on. Management have succeeded in giving the company a new face. What they have announced, they have then gone on to deliver. They deserve a confidence premium for that. I think that their ambitious growth targets are realistic, provided they make the right acquisitions. The sound financial underpinning which the balance sheet demonstrates certainly gives them a good basis for expansion. We do now need to see some acquisitions in line with the strategy taking place in 2011. Valora has to show it means business. But I am confident.» René Weber, financial analyst, Bank Vontobel AG.*] With well over 20 years experience covering the consumer goods sector, this financial analyst has been following and commenting on Valora's evolution for many years.

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valora, valora, Personality [*«The critical factor for us is the people we are dealing with. At Valora we have got to know competent, smart people. People that you can have a decent conversation with. They don't only promise, they also deliver. My assessment of the growth strategy the company has set out is fundamentally positive. The objective of sticking to the same market niche internationally is certainly a good approach. The transfer of distribution expertise into the non-food area, as we experienced ourselves, has potential. We look forward to growing further with Valora.» Heinz Düring, Chairman of the Board of Directors, Düring AG.*] This successful entrepreneur's experience of Valora's distribution of the «Durgol®» brand in Austria has been positive. He sees a realistic chance of Valora's distribution mandate being extended to other European markets.