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Valora Group reports external sales up 6.5 percent – earnings adversely affected by persistent contraction of press market – retail expertise strengthened

- **External sales and gross profits increased thanks to successful acquisitions – Valora Retail outperforms local competitors**
- **Earnings adversely affected by persistent contraction of press market, challenging market environment and higher costs at Corporate division**
- **Sale of Valora Services Austria reduces Group's dependence on press market**
- **Agreement signed for sale of Muttenz facility, generating financing for future investments**
- **Outlook: focus on core areas of expertise with a view to strengthening retail activities**

External sales and gross profits increased thanks to successful acquisitions – Valora Retail outperforms local competitors
Pronounced press market contraction and Swiss consumers' enthusiasm for cross-border shopping continued to characterise business conditions in the first six months of 2012. Despite these challenges, the Valora Group generated external sales of CHF 1 568.8 million, a +6.5 percent increase on the same period of 2011. With external sales of some CHF 124 million generated through its network of more than 1 200 outlets, Convenience Concept GmbH, which Valora successfully acquired in early April 2012, made a positive contribution to Group performance.

The Valora Group's reported first-half 2012 net revenues came in at CHF 1 387.2 million, a modest -0.7 percent lower than a year earlier. The main adverse factors affecting the Group's performance were the weaker press market, which depressed sales by CHF -20.0 million, and the contraction of the Services division's relatively low-margin wholesale business, which reduced turnover by some CHF -40 million. Additional sales totalling CHF 18.6 million were generated from the distribution and sale of Euro 2012 collectible football picture cards, while adverse exchange-rate effects reduced revenues by CHF -28.9 million.

Valora raised its gross profits by CHF 12.1 million compared to their first-half 2011 level, thanks to the advances achieved by the Group's Retail and Trade divisions, both of which were able to capitalise on successful acquisitions. First-half 2012 also saw Valora Retail's sales grow faster than the local markets in which it operates.

Earnings adversely affected by persistent contraction of press market, challenging market environment and higher costs at Corporate division
The +5.6% increase in reported operating costs is essentially attributable to the acquisitions Valora successfully integrated into its operations in the first six months of 2012 and to costs incurred in evaluating additional options for potential expansion. The higher costs incurred by the Group's Corporate division resulted from the transition phase of the IT outsourcing project and the set-up arrangements required for new logistics customers. Valora Retail's extension of its agency business model contributed positively to operating profit.

The decline in the overall press market and the demanding conditions facing the retail sector resulted in the Valora Group generating a reported operating profit of CHF 22.4 million in the first six months of 2012, compared to CHF 33.4 million a year earlier. Operating profit generated from the distribution and sale of Euro 2012 picture cards amounted to CHF 3.2 million.

The Valora Group's net profit for the first six months of 2012 was CHF 15.1 million (CHF 26.3 million in first-half 2011). The financing requirements for the two acquisitions the Group made as part of its Valora 4 Growth strategy - Convenience Concept GmbH and Schmelzer & Bettenhaussen GmbH & Co. KG – amounted to approximately CHF 90 million. As a result, the Group's net debt rose to CHF 219 million at June 30, 2012 and its shareholders' equity accounted for 34.5 percent of total assets is still at a very sound level.

Divisions
Valora Retail
Thanks to its acquisitions of Convenience Concept in Germany and Schmelzer & Bettenhausen in Austria, Valora Retail was able to increase its external sales by +13.3 percent on their first-half 2011 levels, to reach CHF 991.0 million. Valora Trade Germany generated external sales of CHF 317 million (up +57.7 percent on

the same period of 2011), while those at the Luxembourg country unit reached CHF 43 million, up 10.5 percent, and Austria, which was consolidated into the division's results for the first time, contributed CHF 7.9 million. External sales at the division's Swiss unit declined -1.2 percent, principally due to lower sales at the Swiss kiosks. Valora Retail's reported net revenues rose by +1.3 percent between the two periods, reaching CHF 807.4 million. The division's overall operating profit in the first six months of 2012 was CHF 13.5 million, versus CHF 19.2 million a year earlier. Integration of the recently acquired companies is progressing according to plan.

Valora Services
The division remains adversely affected by the persistent deterioration of the press market in Switzerland, Austria and Luxembourg. Reported net revenues for the first six months of 2012 were CHF 258.8 million, CHF -51.5 million, or -16.6 percent, lower than in the same period of 2011. Stripping out the effects of the revenue contribution from Euro 2012 picture cards (CHF + 14.9 million) and negative exchange-rate effects (CHF -4.7 million), net revenues contracted by CHF -61.6 million between the two periods, the decline being attributable not only to lower press product sales, but also to a reduction in the scale of the division's less profitable wholesale activities. Valora Services first-half 2012 operating profit was CHF 7.5 million, compared to CHF 10.0 million in the same period of 2011.

Valora Trade
Valora Trade generated net revenues of CHF 385.1 million in the first half of 2012, a CHF +22.3 million increase on the first six months of 2011. In local currency terms, net revenues rose +9.8 percent. In Sweden, the successful acquisition of the cosmetics distributor ScanCo significantly contributed to this advance, while the German and Austrian units were able to raise their sales by signing up new principals. Valora Trade's expansion into new categories also enabled it to improve its gross profit margin. Although Valora Trade Switzerland succeeded in raising its net revenues slightly on their first-half 2011 levels – despite the effects of parallel imports and shopping tourism by Swiss consumers – it was not able fully to offset the downward pressure on margins caused by these two factors. Valora Trade's overall operating profit for the first six months of 2012 was CHF 4.3 million, compared to CHF 7 million a year earlier.

Sale of Valora Services Austria reduces Group's dependence on press market
Press sales, which have been in decline since 2011, also impinged on the Services division's profitability. Valora's decision to sell its Valora Services Austria subsidiary to its business partner Trunk Service GmbH is a deliberate move aimed at reducing the Group's dependence on the press market. The press distributor Hermann Trunk GmbH & Co. KG, whose headquarters are in Munich, is already a well-established player in the press distribution market, focusing on the Greater Munich area, Upper Bavaria and the administrative region of Swabia. The geographical area served by Valora Services Austria ideally complements the area of Southern Germany in which the purchaser currently operates, paving the way for expansion into neighbouring markets. Under the terms of the contract, Trunk Service GmbH will acquire 100% of the outstanding shares of Valora Services Austria, and the firm will continue to employ the former Valora employees on the same terms as before. In 2011, Valora Services Austria generated some CHF 120 million in net revenues and an operating profit of CHF 3.4 million. Both parties have agreed not to disclose the purchase price of this transaction. The transaction will be completed once the Bundeskartellamt, Germany's independent competition authority, and the Austrian Competition Authority have approved it.

Agreement signed for sale of Muttenz facility, generating financing for future investments
A letter of intent relating to the sale of Valora's Muttenz facility was signed on August 22, 2012. The parties have agreed not to disclose the proposed purchase price. Valora's sale of this property will enhance the financial flexibility available to the Group for the further implementation of its business strategy. The Valora Group will maintain its headquarters site in Muttenz, renting the floorspace required.

The Group expects its sale of Valora Services Austria to generate a book-value profit which would neutralise the effect of any potential book-value loss on the sale of the Muttenz facility.

Outlook: focus on core areas of expertise with a view to strengthening retail activities
Valora anticipates that conditions in the press market will remain very challenging and that the decline in net press revenues can be counteracted only through sales generated by other product ranges. Discontinuation of press wholesaling in Austria will also help to reduce the Group's dependence on the press market. Despite the CHF 1.20 floor which the Swiss National Bank has been upholding against the euro since September 2011, the Swiss franc remains very strong and the problems caused by the resulting parallel imports and shopping tourism by Swiss consumers will continue.

In order to continue pursuing the measures initiated in recent years and to adjust to changed market conditions, Valora will place greater emphasis on its retail activities. These initiatives will involve:

- optimising the Group's format structures and outlet portfolios in all its national markets
- expanding the product range through the addition of new and innovative items
- further extending the agency business model at k kiosk and P&B in Switzerland
- streamlining structures and processes in order to interact more closely with the market and accelerate business growth
- decentralising specific support functions along country and format lines
- shortening the implementation schedules for the measures now being implemented
- increasing profitability by streamlining cost structures
- further acquisitions in retail formats with strong growth prospects

These measures are expected to produce their first positive effects in the second half of 2012.

In the words of Rolando Benedick, Chairman of Valora's Board of Directors and interim Group CEO, „We have already made substantial achievements in the last four years. The measures we are taking now will further strengthen our retail expertise across the Valora Group. They underscore our vision of Valora as a lean retailer, focused on our market and our customers, operating an outstanding outlet network. We are confident that our costs will return to normal levels in the second six months of 2012, and that our sale of Valora Services Austria, our planned disposal of the Muttenz facility and the new distribution of the emphasis placed on our various activities will enable us to improve our profitability in the second half of this year."

Valora Group key financial data

Income statement in CHF million	**H1 2012**	**H1 2011**
External sales	**1 568.8**	**1 473.0**
Adjusted* external sales	**1 587.8**	**1 473.0**
Net revenues	**1 387.2**	**1 397.6**
Adjusted* net revenues	1 397.5	1 397.6
Gross profit	**441.7**	**429.6**
Gross profit margin	*31.8%*	*30.7%*
Operating costs, net	**-419.3**	**-396.2**
Operating profit (EBIT)	**22.4**	**33.4**
Adjusted operating profit (EBIT)*	*20.5*	*33.4*
EBIT margin	**1.6%**	**2.4%**
Adjusted EBIT margin*	*1.5%*	*2.4%*
Group net profit	**15.1**	**26.3**

* Adjusted for currency fluctuations and Euro 2012 picture cards

Liquidity, balance sheet in CHF million	**30.06.2012**	31.12.2011
Cash and cash equivalents	122.3	109.6
Shareholders' equity	423.1	462.3
Equity cover	*34.5%*	*41.9%*
Net debt	218.8	41.0

Valora divisions' key financial data

Key metrics	**Retail**			**Services**			**Trade**		
in CHF million	**H1 2012**	**H1 2011**	△	**H1 2012**	**H1 2011**	△	**H1 2012**	**H1 2011**	△
External sales	**991.0**	**874.6**	**+13.3%**						
Adjusted external sales*	**1 007.3**	**874.6**	**+15.2%**						
Net revenues	**807.4**	**797.4**	**+1.3%**	**258.8**	**310.3**	**-16.6%**	**385.1**	**362.9**	**+6.1%**
Adjusted net revenues*	*815.1*	*797.4*	*+2.2%*	*248.6*	*310.3*	*-19.9%*	*398.6*	*362.9*	*+9.8%*
Operating profit (EBIT)	**13.5**	**19.2**	**-29.4%**	**7.5**	**10.0**	**-24.8%**	**4.3**	**7.0**	**+38.2%**
Adjusted operating profit (EBIT)*	*13.6*	*19.2*	*-29.2%*	*5.2*	*10.0*	*-47.7%*	*4.7*	*7.0*	*-33.7%*
EBIT margin	**1.7%**	**2.4%**	**-0.7pP**	**2.9%**	**3.2%**	**-0.3pP**	**1.1%**	**1.9%**	**-0.8pP**
Adjusted EBIT margin*	*1.7%*	*2.4%*	*-0.7pP*	*2.1%*	*3.2%*	*-1.1pP*	*1.2%*	*1.9%*	*-0.7pP*

* Adjusted for currency fluctuations and Euro 2012 picture cards

The following documents are available on www.valora.com

Half-year report 2012
http://www.valora.com/media/documents/english/reports/2012/halbjahresbericht_2012_en.pdf

Press release
http://www.valora.com/en/media/newsinformation/news_00460.php

2012 half-year results presentation 2012
http://www.valora.com/media/documents/english/presentations/2012/praes_halbjahresabschluss_2012_en.pdf

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Valora Telephone Conference – Half-Year Results 2012
Thursday, August 23 | 15:00 CET German, 16:00 CET English

Rolando Benedick, CEO of Valora Holding AG, Lorenzo Trezzini, CFO and Andreas Berger, CEO Valora Retail, will provide information about the Group's first-half 2012 results during a telephone conference.
To participate in the **conference**: call the following number
(please call 10 to 15 minutes before the hour):

+41 (0) 91 610 56 00 (Europe)
+44 (0) 203 059 58 62 (UK)
+ 1 (1) 866 291 41 66 (USA - toll-free)

The playback will be available one hour after the conference on the following homepage: http://www.valora.com/en/investor/documents/multimedia/index.php

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