presse

valora

Valora Holding AG
Hofackerstrasse 40
4132 Muttenz
Switzerland

Phone +41 61 467 20 20
Fax +41 61 467 29 08

info@valora.com
www.valora.com

Muttenz, March 25, 2011

**Media release - Medienmitteilung - Communiqué de presse**

**Valora Group reports 2010 operating profit up 19%, stage set for further expansion**

- **External sales stable, EBIT margin improves to 2.8%**
- **„Valora 4 Success" strategy largely completed**
- **„Valora 4 Growth" identifies expansion opportunities**
- **Board recommendations to 2011 General Meeting**
  - 15% dividend increase to CHF 11.50 per share
  - Flexibilisation of company's capital structure

**External sales stable, EBIT margin improves to 2.8%**
In 2010, the Valora Group increased its external sales (including sales by franchisees) by +0.3%, to CHF 2 947 million. As the volume of sales by franchisees within the Valora Group increases, this new external sales metric will become an increasingly important yardstick. The Group's 2010 net revenues were CHF 2 878 million (-0.7% down on 2009). This figure includes adverse exchange rate effects totalling CHF 81.2 million and sales of football World Cup collectible picture cards amounting to CHF 39.5 million. Stripping out these factors and the impact of acquisitions, the Valora Group's net revenues for 2010 came in roughly flat on the year, at CHF 2 885 million (-0.2% on 2009 levels). Valora raised its operating profit (EBIT) by 19.3%, to CHF 81.3 million, despite adverse exchange rate effects shaving CHF 4.0 million from this result. The Group achieved an operating profit margin of 2.8% in 2010, a substantial 40 basis point improvement on the result achieved in 2009. Further efficiency gains and cost-savings in 2010 contributed CHF 12.9 million to this pleasing outcome. From its launch in 2008 until 2010, the „Valora 4 Success" strategy programme has cut annual costs by some CHF 27 million in total. The improved results the Group achieved in 2010 were essentially attributable to the positive performance of its Retail and Services divisions. In the face of challenging market conditions, Valora Trade had the task of making up for the sales shortfall resulting from the previously announced expiration of a number of distribution contracts, as well as experiencing adverse foreign exchange effects.

**Divisions**
*Valora Retail* – This division increased its 2010 net revenues by 0.9% year-on-year, to CHF 1 606.5 million. After adjusting for currency fluctuations, World Cup picture card sales and acquisitions, Valora Retail's 2010 sales were 2.3% higher than a year earlier. This advance was largely due to the avec. format, whose network was expanded to some 100 units. The kiosk business in Switzerland also did well, with the ok.- private label product range adding more than CHF 30 million to net revenues. The new „@ k kiosk" modules, which have now been rolled out to about 300 sites, began to deliver initial growth impetus, and the extension of the P&B format to 10 locations also contributed to the increase in sales volumes. Caffè Spettacolo was the division's only business area with lower sales, experiencing a marginal decline in turnover as a result of outlet closures. Valora Retail Germany continued to perform very well. The 184 outlets operated by tabacon, which Valora acquired in the final quarter of 2010, added some CHF 40 million to external sales. Net revenues at the Luxembourg operation remained stable. Operating profit at Valora Retail rose significiantly in 2010, with EBIT increasing to CHF 39.8 million and the EBIT margin improving to 2.5%, versus 1.8% a year earlier. The Retail division is thus getting closer to its objective of generating EBIT margins of 3 – 4% by 2012.

*Valora Services* – The Group's Services division increased its 2010 net revenues by 0.8% year-on-year, to CHF 718.4 million. After adjusting for World Cup picture card sales and adverse exchange rate effects, the division's 2010 net revenues came in at CHF 708.5 million, -0.6% lower than in 2009. Given the decline of some 2.5% experienced by the overall press market in Switzerland, this represents a considerable achievement.

The division's operating profit for 2010 rose to CHF 30.3 million, thus raising its operating profit margin to 4.2% (2.3% in 2009), which is within its target range of 4 – 5%. This strong performance is the result of the division's new media strategy and the efficiency gains it has achieved in its logistics processes. Despite a decline of the overall Austrian press market, Valora Services Austria managed to maintain its net revenues at 2009 levels. Restructuring initiatives in Luxembourg have enabled this unit to streamline its processes, and the division as a whole is now well equipped to face the future.

*Valora Trade* – The Trade division generated net revenues of CHF 721.8 million in 2010, a 7.2% decline on 2009. After stripping out the effects of currency movements and the expiration of distribution contracts with former Own Brands companies, net revenues fell 1.1% in 2010, which is modest given the demanding market conditions. Norway and Germany were the markets where Valora Trade had the most pressing challenges to face. The acquisition of the cosmetics distributor EMH in the autumn of 2010 marks a major step forward in the Norwegian market, and is expected to contribute significantly to future net revenues and profitability. Valora Trade's operating profit for 2010 was CHF 17.7 million, which puts its operating profit margin at 2.5% (2.9% in 2009). This metric thus remains within the division's target range of 2 – 3%.

The Valora Group's net income rose CHF 8.7 million in 2010, to reach CHF 63.6 million, a year-on-year increase of 15.9%. Equity cover increased by 2.3 percentage points, with shareholders' equity accounting for 43.6% of total assets at year-end 2010. Despite spending CHF 32 million on acquisitions and raising its dividend pay-out in 2010, Valora's year-end net debt of CHF 14.1 million demonstrates that the Group remains soundly financed and very well placed for the future.

**„Valora 4 Success" strategy programme largely completed**

2010 was the decisive year for the „Valora 4 Success" fundamental strategy programme, which the Group initiated in 2008 for scheduled completion in 2012. A number of major milestones were reached and some 80 percent of the objectives the programme set out to achieve have now been accomplished. As part of its "competence" initiatives, Valora has improved its distribution management processes, introduced new product ranges, sharpened the profile of its outlet formats and tested new outlet business models. The "growth" initiatives have expanded the avec. and P&B outlet networks. The "efficiency" initiatives have seen substantial process streamlining following the relocation of Valora's logistics operations, as well as revamping the IT infrastructure and slimming down administrative overheads, all of which have helped to achieve major cost savings. Valora today projects professionalism, dynamism and success. The "people" initiatives have played a crucial part in this. In 2008, the Group centralised its various headquarters sites in Switzerland in one central location, thus facilitating and improving the management of the company. A new general contract of employment was introduced for sales staff in Switzerland. Customer focus is also now well established within the company. Valora will continue to build on these achievements, focusing its strategic attention on incremental growth.

**„Valora 4 Growth" identifies expansion opportunities**

The Group's „Valora 4 Growth" strategy was unveiled in November 2010. It is based on organic margin and revenue growth in all areas and on acquisition-led expansion at Retail/Services and Trade. The strategy's objective is to raise Group external sales by 10% per annum and Group operating profit by 15% per annum. By 2015, Valora intends to increase its external sales to some CHF 4.8 billion and to double its operating profit to CHF 160 – 180 million.

Organic margin and revenue growth
During 2010, Valora Retail successfully tested the agency model, which it will now rapidly implement over the next few years. By the end of 2011, the division intends to have some 100 k kiosk units operating as agent managed units. To achieve this, current regional group managers and individual outlet managers in the present kiosk sales structure will be given the opportunity of operating selected outlets with growth potential on an agency basis. Over the next few years, Valora Retail expects to have some 300 units operating on this basis. Additional growth initiatives are planned, relating to the extension of product ranges and the services on offer at outlets and the introduction of new promotions. The Services division will further enhance its offering by adding new logistics and distribution packages in order to make good the shortfall arising from the continuing erosion of press sales. Consistent adaptation of the division’s cost structure will be a further decisive factor here, especially as far as keeping up with market developments and maintaining profitability is concerned. Centralisation and outsourcing of administrative functions offer the main opportunities for further efficiency gains, and this may result in lower staff numbers. The relevant processes have been set in motion.

Acquisition-led growth
In autumn 2010, Valora Retail acquired the tabacon franchise company and Valora Trade acquired the cosmetics distributor EMH. Both companies have since been integrated into Valora’s organisational structure as planned and are performing well. The professional franchise system operated by tabacon also provides an appropriate platform for the further expansion of small-outlet retail formats in Germany.
The current 2011 financial year has already seen Valora complete its acquisition of Salty Snacks, a German trading company. Salty Snacks is a traditional distributor, with the majority of its activities focused on savoury snacks and specialised novelty food products. This acquisition provides Valora Trade Germany with an ideal means of expanding its product portfolio and of strengthening its position in the German market. In 2010, Salty Snacks generated revenues of some CHF 12 million and an above-average EBIT margins.

.

**Board recommendations to the 2011 General Meeting**
The Board of Directors will recommend that the General Meeting of shareholders to be held on April 15, 2011 approve a 15% increase in the dividend, to CHF 11.50 per share. The General Meeting will also vote on proposals to authorise the Board to carry out a share buy back programme covering a maximum of 280,000 shares and to increase Valora’s share capital by up to 840,000 new shares. The authorisation the Board is seeking to carry out a share buy back is designed to give it the necessary scope, should this prove necessary, to return excess funds to shareholders in the event of surplus cash being accumulated which is not required for operational purposes. The authorised capital increase proposal seeks to ensure that the company’s financial flexibility is maintained. The 2011 General Meeting will again provide shareholders with an opportunity of participating in a consultative vote on the annual remuneration report.

**Outlook for 2011**
Valora expects to increase its operating profit further in 2011, despite difficult market conditions. The ongoing decline of the overall press market, the continuing strength of the Swiss franc against other European currencies and non-recurrence of one-off events such as last year’s football World Cup are all weighing on the Group’s businesses. How current geopolitical uncertainties will affect consumer confidence is difficult to assess at present. Given this backdrop, Valora’s objectives are ambitious. As Thomas Vollmoeller, Valora’s CEO, puts it „We are convinced that we will be able to make the most of Valora’s favourable position and achieve the improvement in operating profit we are targeting. We maintain our objectives for 2012, assuming that there is no significant deterioration in the economic

climate." Rolando Benedick, Valora's Board Chairman, endorses this view, emphasising that „We will pursue our expansion with the necessary care, the prerequisite for any decisions in this regard always being that they create added value for our shareholders."

## Valora Group key financial data

| Income statement<br>in CHF million | 2010 | 2009 |
|---|---|---|
| **External sales** | **2,946.5** | **2,937.9** |
| **Net revenues** | **2,877.7** | **2,897.0** |
| Adjusted net revenues* | 2,884.7 | 2,891.0 |
| **Gross profit** | **875.2** | **867.6** |
| *Gross profit margin* | *30.4%* | *29.9%* |
| **Operating costs** | **-802.6** | **-815.5** |
| **Operating profit (EBIT)** | **81.3** | **68.1** |
| *EBIT margin* | *2.8%* | *2.4%* |
| Adjusted operating profit (EBIT)* | 77.4 | 68.6 |
| *Adjusted EBIT margin** | *2.7%* | *2.4%* |
| **Group net income** | **63.6** | **54.9** |

* Adjusted for acquisitions, currency fluctuations and World Cup 2010 picture cards

| Liquidity balance sheet<br>in CHF million | 31.12.2010 | 31.12.2009 |
|---|---|---|
| Cash and cash equivalents | 130.5 | 161.6 |
| Shareholders' equity | 478.1 | 453.7 |
| *Equity cover* | *43.6%* | *41.3%* |
| Net debt / (liquidity) | 14.1 | -15.8 |

## Valora divisions' key financial data

| Key metrics | Retail | | | Services | | | Trade | | |
|---|---|---|---|---|---|---|---|---|---|
| **in CHF million** | **2010** | **2009** | **△** | **2010** | **2009** | **△** | **2010** | **2009** | **△** |
| **Net revenues** | **1,606.5** | **1,592.1** | **+0.9%** | **718.4** | **712.9** | **+0.8%** | **721.8** | **777.6** | **-7.2%** |
| *Adjusted net revenues** | *1,622.2* | *1,586.1* | *+2.3%* | *708.5* | *712.9* | *-0.6%* | *725.8* | *777.6* | *-6.7%* |
| **Operating profit (EBIT)** | **39.8** | **28.3** | **+40.3%** | **30.3** | **16.2** | **+86.4%** | **17.7** | **22.3** | **-20.5%** |
| *Adjusted operating profit (EBIT)** | *38.6* | *28.8* | *+34.2%* | *27.6* | *16.2* | *+69.7%* | *17.5* | *22.3* | *-21.5%* |
| **EBIT margin** | **2.5%** | **1.8%** | **+0.7 pct pts** | **4.2%** | **2.3%** | **+1.9 pct pts** | **2.5%** | **2.9%** | **-0.4 pct pts** |
| *Adjusted EBIT margin** | *2.4%* | *1.8%* | *+0.6 pct pts* | *3.9%* | *2.3%* | *+1.6 pct pts* | *2.4%* | *2.9%* | *-0.5 pct pts* |

* Adjusted for acquisitions, currency fluctuations and World Cup 2010 picture cards

**The following documents are available on www.valora.com**

**Annual Report 2010**
http://www.valora.com/media/documents/english/reports/2010/valora_gb2010_en.pdf

**Press release**
http://www.valora.com/en/newsroom/newsinformation/news_00411.php

**2010 results**
http://www.valora.com/media/documents/english/presentations/2010/valora_gb2010_en_praesentation.pdf

**For further information on the above, please contact:**

**Media Relations:**
Stefania Misteli
Phone: +41 61 467 36 31
E-mail: stefania.misteli@valora.com

**Investor Relations:**
Mladen Tomic
Phone: +41 61 467 36 50
E-mail: mladen.tomic@valora.com

**Valora Telephone Conference – Analysts' and Media Conference 2010**
**Friday, March 25, 2011 | 15:00 CET**

Thomas Vollmoeller, CEO of Valora Holding AG, and Lorenzo Trezzini, CFO, will provide information about the Valora Group's 2010 results during a telephone conference. This dial-in conference call will be held in **English**.

To participate in the **conference**: please call the following number (please call 10 to 15 minutes before the stated starting time):

+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 for 24 hours till March 26th, 2011. To access the digital playback, please dial:

+41 (0) 91 612 43 30 (Europe)
+44 (0) 207 108 62 33 (UK)
+1 (1) 866 416 25 58 (USA)

When prompted, enter the code **12409** followed by the # sign

## Disclaimer

NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION IN OR INTO THE UNITED STATES
THIS DOCUMENT IS NOT BEING ISSUED IN THE UNITED STATES OF AMERICA AND SHOULD NOT BE DISTRIBUTED TO U.S. PERSONS OR PUBLICATIONS WITH A GENERAL CIRCULATION IN THE UNITED STATES. THIS DOCUMENT DOES NOT CONSTITUTE AN OFFER OR INVITATION TO SUBSCRIBE FOR OR PURCHASE ANY SECURITIES. IN ADDITION, THE SECURITIES OF VALORA HOLDING AG HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES LAWS AND MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO U.S. PERSONS ABSENT REGISTRATION UNDER OR AN APPLICABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE UNITED STATES SECURITIES LAWS

This document contains forward-looking statements about Valora which may incorporate an element of uncertainty and risk. The reader must therefore be aware that such statements may diverge from actual future events. These forward-looking statements are projections relating to future possible developments. All the forward-looking statements contained in this document are based on data available to Valora at the time this document was prepared. Valora makes no commitment whatsoever to update forward-looking statements in this document at a later date, or to adapt them to reflect new information, future events or the like.