

valora

# Annual results 2007

# Agenda

valora

- Welcome & Introduction      Rolando Benedick
- Review of 2007      Peter Wüst
- 2007 financial results      Markus Voegeli
- Valora's strategy and outlook      Rolando Benedick
- Q&A      Rolando Benedick, Peter Wüst,  
Markus Voegeli



# Introduction

**Rolando Benedick**  
**Chairman of the Board of Directors**

## Current situation

valora

Introduction

- Positive impression gained from in-depth assessment of Valora's portfolio of businesses
  - Solid business areas in Switzerland and abroad provide excellent platform for further success
  - Strategic fundamentals are sound – ongoing focus on core businesses makes sense
- Structures will need further improvement to provide basis for further profitable growth
- 2008 objective: continue to build on very positive trend in H2 2007, which provides spur for ambitious long-term goals



# 2007 in review

**Peter Wüst**  
**CEO**

## 2007 in review

valora

Review

### **Pleasing results achieved in the second half of the year**

- Sales up 3%
- Kiosk business contributes to marked improvement in EBIT margins
- Sound and healthy balance sheet with low debt and 45% equity cover

# 2007 in review

## Valora Retail

valora

Review



### ■ k kiosk Switzerland

- EBIT boosted CHF 19 million between H1 and H2
- New till system rolled out
- Category management re-aligned
  - Food share up 7%
- Outlet network optimised
- Sales organisation improved
- Employee training

# 2007 in review

## Valora Retail

valora

Review



### ■ Convenience Retail

- avec. JV rollout doing well
- Tamoil raises profitability

### ■ Caffè Spettacolo

- Growth in line with plan

### ■ Valora Retail Germany

- Growth exceeds 13%
- Outlet network expanded as 17 new or transformed sites open



- Newspaper and magazine sales increased
- **Switzerland**
  - Co-operation with publishers intensified
  - New IT tools prove effective
  - Sales successfully boosted at 150 kiosk outlets
- **Austria**
  - New publishing clients Egmont Ehapa and Marquard Media to lift sales 10% from 2008
- **Luxembourg**
  - School book distribution now well established



- Leadership in European FMCG distribution extended
- **Switzerland**
  - New Kelloggs products and Ferrero listings successfully launched
- **Nordic**
  - 8% sales growth with existing principals
  - Nordic Platform strengthened
- **Central Europe**
  - Ricola sales grow in Austria
- **Own Brands**
  - Brands all growing well



# Annual results 2007

**Markus Voegeli**  
**CFO**

# Operating profit

2007 consolidated results



Annual results

in CHFm	2007	2006
Net revenues	2 822	2 749
Gross profit	859	856
Gross profit margin	30.4%	31.1%
Total operating expenses	- 817	- 808
Other income, net	14	19
<b>Operating profit (EBIT) from continuing operations</b>	<b>56</b>	<b>67</b>
EBIT margin from continuing operations	2.0%	2.4%
Operating profit Own Brands	10	15
<b>Operating profit (EBIT) incl. Own Brands</b>	<b>66</b>	<b>82</b>

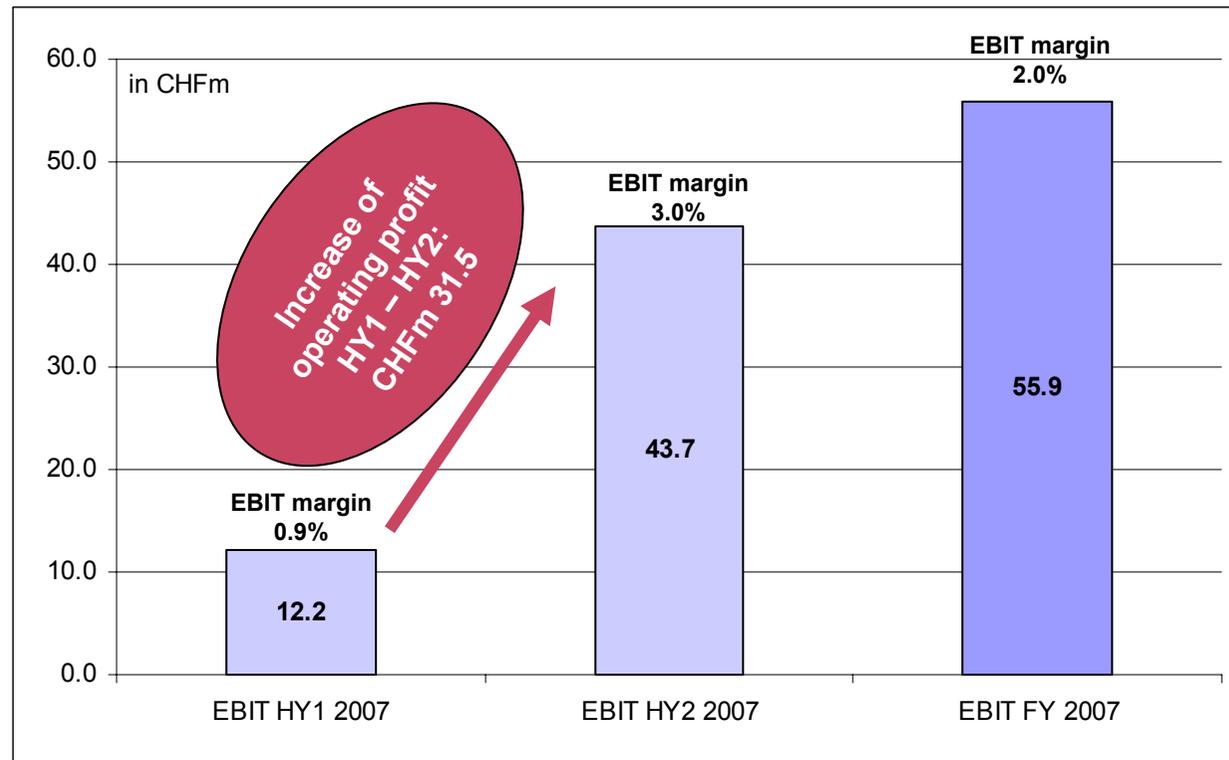
# Growth of operating profit

2007 consolidated results

valora

Annual results

## Continuing operations



- Growth mainly comes from Business Unit Kiosk Switzerland

# Net profit

2007 consolidated results

valora

Annual results

in CHFm	2007	2006
<b>Operating profit (EBIT)</b>	<b>56</b>	<b>67</b>
Financial income, net	- 2	- 6
Share of result from associates and joint ventures	2	0
<b>Earnings before taxes</b>	<b>55</b>	<b>61</b>
Income taxes	- 13	- 7
Tax ratio	22.7%	10.7%
<b>Result from continuing operations</b>	<b>43</b>	<b>55</b>
Result from discontinuing operations	9	11
<b>Net profit</b>	<b>52</b>	<b>66</b>
<b>Attributable to shareholders of Valora</b>	<b>51</b>	<b>65</b>
<b>Attributable to minority interests</b>	<b>1</b>	<b>1</b>

- again significant improvement of financial result
- significantly lower tax rate 2006 due to tax asset Germany

# Segment reporting

2007 consolidated results

valora

Annual results

in CHFm	Valora Retail	Valora Media	Valora Trade	Corporate	Intersegment Elimination	Total Group
<b>Net revenues 2007</b>						
from third parties	1 665	358	784	14		2 822
from other divisions		195	7		- 202	
<b>Total net revenues</b>	<b>1 665</b>	<b>553</b>	<b>791</b>	<b>14</b>	<b>- 202</b>	<b>2 822</b>
<b>Operating profit (EBIT)</b>	<b>17</b>	<b>25</b>	<b>17</b>	<b>-4</b>		<b>56</b>
<b>in % of net revenues</b>	<b>1.0%</b>	<b>4.6%</b>	<b>2.2%</b>			<b>2.0%</b>
<b>Net revenues 2006</b>						
from third parties	1 633	360	742	15		2 749
from other divisions		200	6		- 207	
<b>Total net revenues</b>	<b>1 633</b>	<b>560</b>	<b>748</b>	<b>15</b>	<b>- 207</b>	<b>2 749</b>
<b>Operating profit (EBIT)</b>	<b>21</b>	<b>28</b>	<b>20</b>	<b>-3</b>		<b>67</b>
<b>in % of net revenues</b>	<b>1.3%</b>	<b>5.0%</b>	<b>2.6%</b>			<b>2.4%</b>

- group costs for Own Brands remain unallocated in Corporate

# Key indicators

2007 consolidated results



Annual results

## Continuing operations

<b>in CHFm</b>	<b>2007</b>	<b>2006</b>
Cash and cash equivalents	153	222
Equity	588	561
Equity ratio	45.0%	42.3%
Return on invested capital	6.5%	7.9%
Net debt	46	61
Net working capital (NWC)	130	124
NWC in % of net revenues	4.6%	4.5%
Earnings per share in CHF	13.09	16.89

# Cash Flow

2007 consolidated results

valora

Annual results

## Continuing operations

in CHFm	2007	2006
Net cash provided by operating activities	94	85
Net cash used in investing activities	- 23	- 26
<b>Free Cash Flow</b>	<b>71</b>	<b>58</b>
Net cash used in financing activities	- 127	- 83
<b>Net decrease in cash and cash equivalents</b>	<b>-56</b>	<b>-25</b>

# Valora Retail

valora

Annual results

in CHFm	2007	2006
<b>Net revenues</b>	<b>1 665</b>	<b>1 633</b>
<b>Gross profit</b>	<b>537</b>	<b>540</b>
Gross profit margin	32.2%	33.1%
<b>Total costs</b>	<b>- 520</b>	<b>- 519</b>
<b>Operating profit (EBIT)</b>	<b>17</b>	<b>21</b>
EBIT margin	1.0%	1.3%

- Net revenue growth driven by increases in GER, LUX and Convenience
- Decline in kiosk CH margin (1st half year)

# Product range development k kiosk

valora

Annual results

	Food	Non-Food	Tobacco	Press & books	Services
Mix	~17%	~4%	~ 48%	~ 23%	~ 8%
Margin	> 50%	> 50%	~ 15%	~ 30 %	~ 100 %
Δ Mix	 + 2 ppt	 - 2 ppt	 + 2 ppt	 - 1 ppt	 - 1 ppt
Δ gross profit	 + 7 MCHF	 - 7 MCHF	 - 4 MCHF	 - 4 MCHF	 - 8 MCHF
Factors	<ul style="list-style-type: none"> <li>• Take a break modul</li> <li>• Beverages</li> </ul>	<ul style="list-style-type: none"> <li>• No world cup collectors cards</li> </ul>	<ul style="list-style-type: none"> <li>• tobacco tax increase</li> </ul>	<ul style="list-style-type: none"> <li>• Shrinking market</li> </ul>	<ul style="list-style-type: none"> <li>• Less attractive Jackpots (Euro-M)</li> <li>• Decrease in Telco and promotion services</li> </ul>

in CHFm	2007	2006
<b>Net revenues</b>	<b>553</b>	<b>560</b>
<b>Gross profit</b>	<b>154</b>	<b>154</b>
Gross profit margin	27.9%	27.5%
<b>Total costs</b>	<b>- 129</b>	<b>- 126</b>
<b>Operating profit (EBIT)</b>	<b>25</b>	<b>28</b>
EBIT margin	4.6%	5.0%

# Valora Trade

valora

Annual results

in CHFm	2007	2006
<b>Net revenues</b>	<b>791</b>	<b>748</b>
<b>Gross profit</b>	<b>153</b>	<b>147</b>
Gross profit margin	19.4%	19.6%
<b>Total costs</b>	<b>- 136</b>	<b>- 127</b>
<b>Operating profit (EBIT)</b>	<b>17</b>	<b>20</b>
EBIT margin	2.2%	2.6%

- growth especially with large key accounts (margin lower)
- one-off effects 2006 (several sales proceeds, CHF 3 Mio)
- start up costs Trade (Nordic Platform, new principals)

- Second half of 2007 clearly above second half of 2006
- Sales growth in Retail division
- Healthy profitability in Media division
- Trade division on growth path
- Healthy balance sheet structure
- Positive Free cash flow
  
- ▶ **Earnings potential not yet exploited to the full**
- ▶ **Sound financial footing for further development on own strength**

# Valora Strategy

**„Strategic approach confirmed – business focus and accelerated implementation“**

# Valora – our vision

valora

Strategy



*Valora is an economically sound, independent trading company operating across Europe*

In selected European regions, we are...



■ ... the market leader in **small outlet retail** operating a network of standard format sales points at heavily frequented locations

■ ... the market leader in **press distribution**



■ ... the prime distribution partner for **fast moving consumer goods**

## Valora – our mission & strategic cornerstones

valora

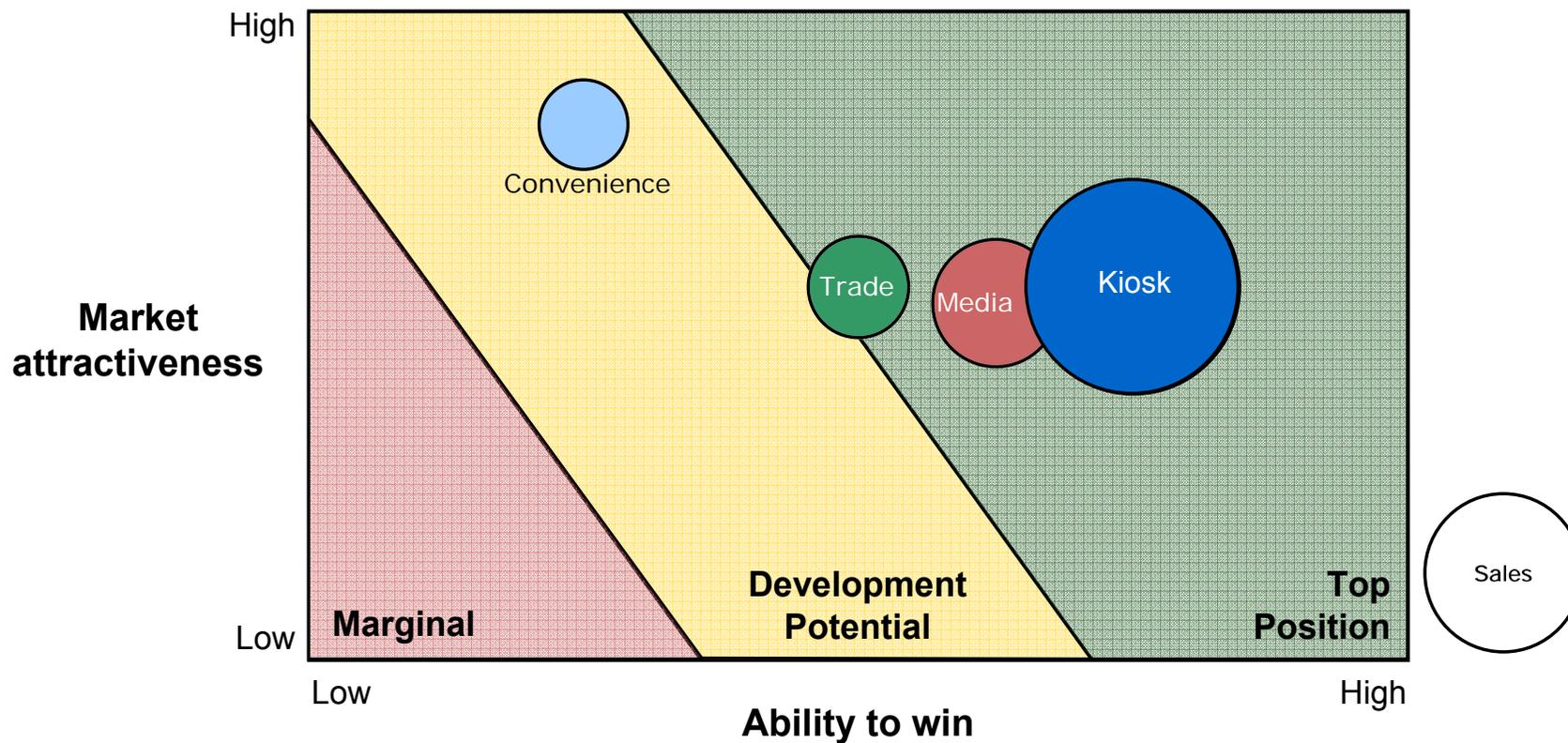
Strategy

*„Strategic approach confirmed – business focus and accelerated implementation “*

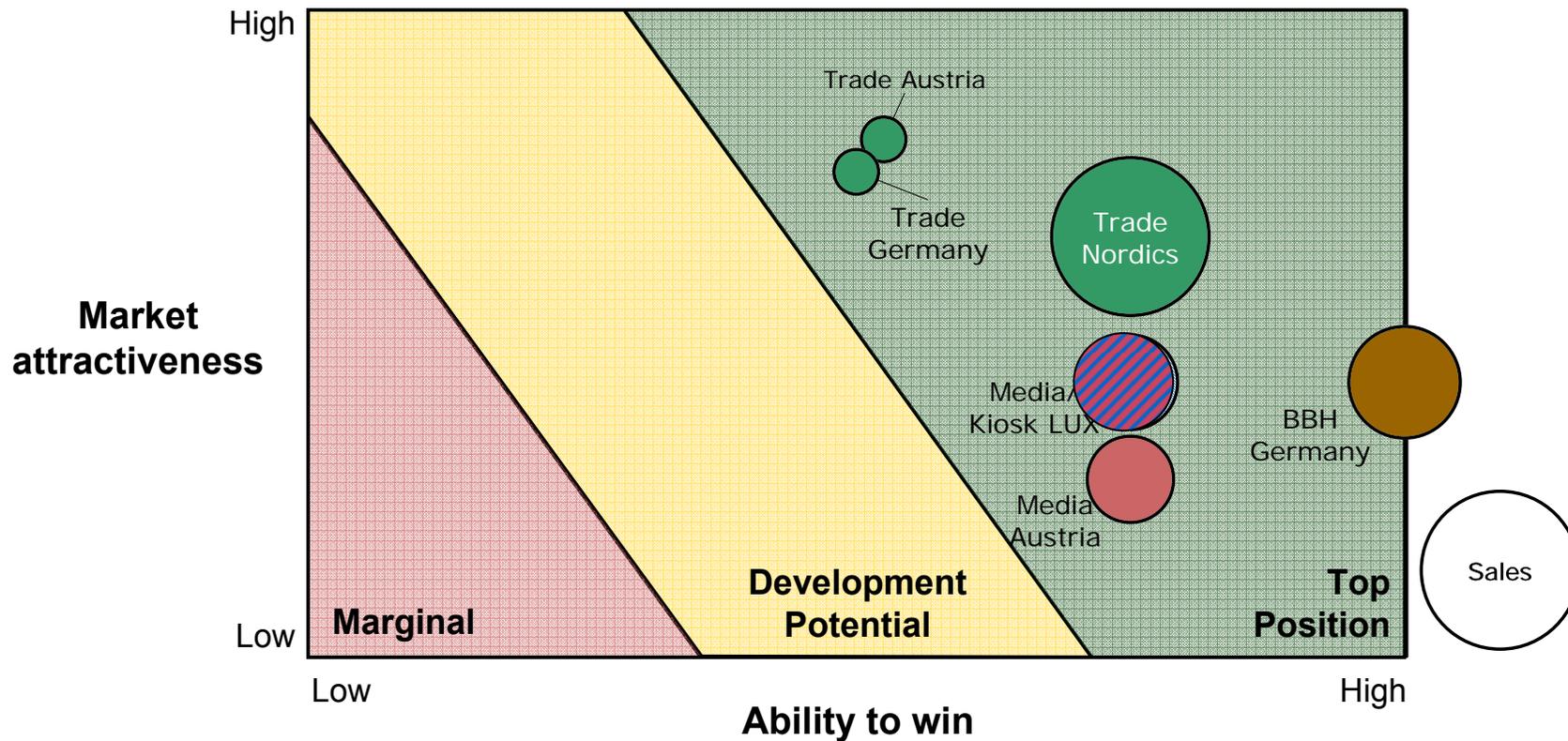
- **Focus –**  
Focus on core businesses Retail and Media; continue Trade strategy

- **Profitable growth –**  
Profitable growth through concentration of strengths and simplification of structures

# Core businesses in Top-Position in Switzerland ...



... as well as in other European countries



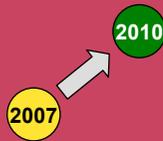
## Clear focus on core businesses

valora

Strategy



Retail



- Concentration and leadership position in small outlet retail in Switzerland and Europe
  - Kiosk business
  - Station bookstores
  - Convenience stores

Media



- Concentration and development of national leadership positions in press wholesale in selected European countries

Trade



- Consolidation and development of pan-European position in distributing Fast Moving Consumer Goods

# „Retail is Detail“

valora

Strategy



## ■ Excellent starting point in Kiosk business Switzerland

- Undisputed market leadership
- Large network with ~1'000 PoS
- Superior locations
- Broad and direct customer access

## ■ Success factors

- Customer-oriented category management
- Identification and implementation of new trends
- Innovative retail formats
- Rigorous financial transparency
- Efficient logistics and IT

# Divestment of „Own Brands“



Net revenue 2007

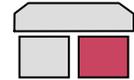
Retail	CHF	1'665 M
Media	CHF	553 M
Trade	CHF	791 M

Net revenue 2007

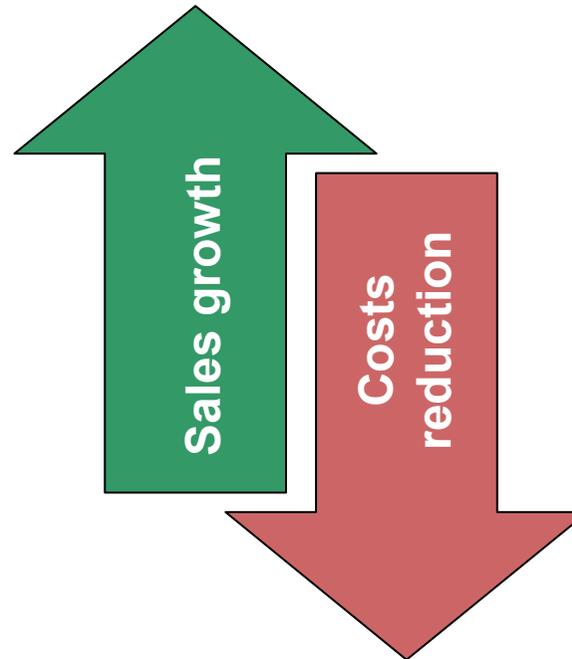
Own Brands	CHF	181 M
		
		
		
		
		

- **Board of Directors confirm** divestment of „Own Brands“
- **Selling process** running
- Board will communicate **status** when appropriate

# Top-line growth while increasing efficiency



- Penetration of existing core markets
- Expansion into new markets
- Development of new sources of growth (e.g. Convenience)



- Excellence in operational and administrative areas
- Outsourcing of non-core activities and structural adjustments
- Continuous improvement



Sustainable growth

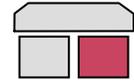


Competitive cost structure

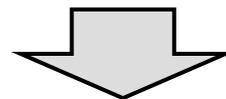
## Operational improvement for sustainable EBIT growth

valora

Strategy

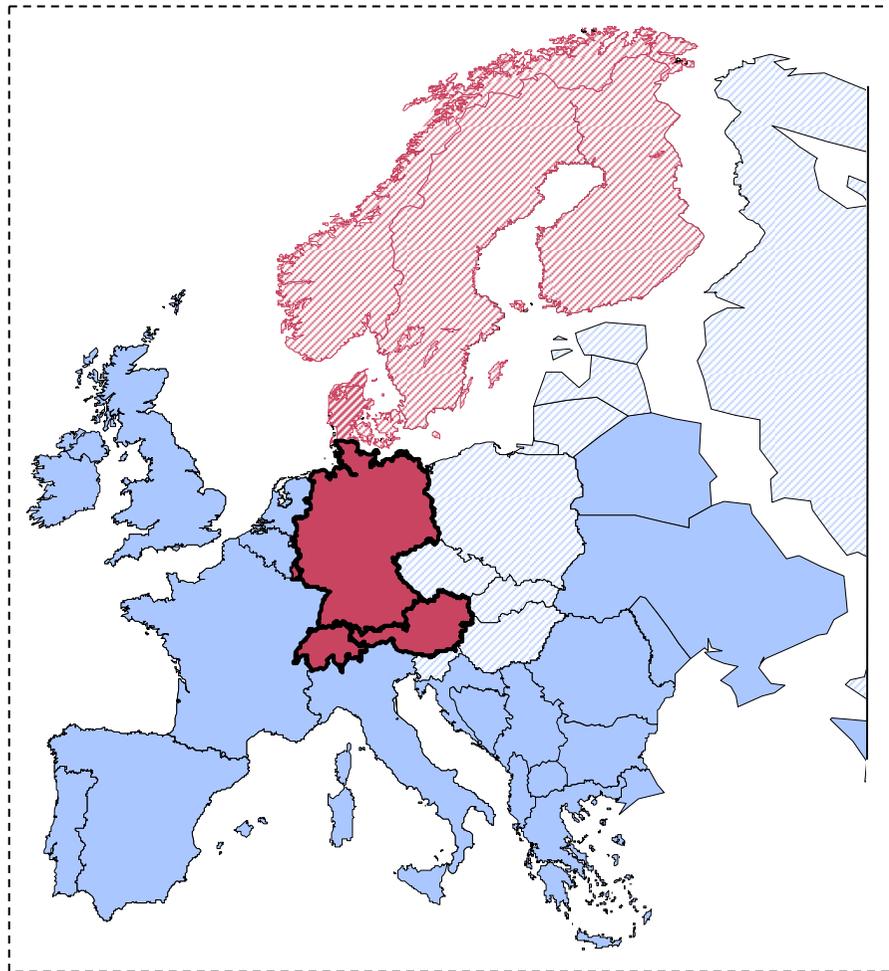
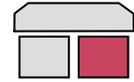


- Complexity reduction of Valora's business portfolio
- Development of lean structures
- Efficiency in central functions
- Centralization of headquarters in Muttenz
- Concentration of resources on core businesses



Sustainable sales growth of 3-5% p.a. and  
EBIT growth of 10-15% p.a. in the next 3 years

# Growth in core markets – further Expansion in Europe

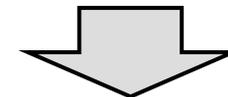


## ■ Retail & Media

- Increased growth in established core markets, Switzerland, Germany, Austria and Luxembourg
- Expansion into additional European countries
- Leading positions targeted

## ■ Trade

- Trade strategy confirmed and continued (pan-European)
- Organic, opportunity-driven growth



**Sales growth of 3-5% p.a.**

- **Strategy review** of Board of Directors and Executive Board in collaboration with a renowned consultancy firm
- Valora with **economically sound** and **future-oriented business portfolio**
- **Business strategies** in core divisions confirmed
- **Business focus** and **accelerated** implementation
- **Complexity reduction** and development of a **lean structure** required
- Increased **growth of core businesses** primarily in **established markets**, Switzerland, Germany, Austria and Luxembourg and expansion into additional European countries
- Growth in **Convenience**

## Change in top management

valora

Strategy

- Peter Wüst resigns as CEO at his own request
- Rolando Benedick was appointed **Executive Chairman** and will actively drive Valora's strategy and its organizational development
- Search for a new CEO and Head of Retail has started
- **Corporate function VMS** has been **dissolved**; IT and Logistics staffed and reporting directly to the CEO
  - IT: Markus Guggenbühler
  - Logistics: Stefan Gächter

# Proposal to General Assembly

valora

Strategy

- **Dividend pay out of CHF 9 per share**
- Authorization of **share buy-back** of max. 500'000 shares
- **Reduction of term** of Board members from three to one year
- Nominees of 2008 Board of Directors election:

<b>Person</b>	<b>Expertise</b>
■ Rolando Benedick	Retail
■ Markus Fiechter	IT, Processes
■ Franz Julen	Franchise, Retail
■ Conrad Löffel	Finance
■ Bernhard Heusler	Legal, M&A

- **Excellent start** into first two months as platform for successful business year 2008
- European Football Championship 2008 with clear **positive impact** for core businesses
- **Business Excellence in Retail** critical success factor
  - Improved and customer-oriented category management
  - Identification and implementation of new trends
  - Point of Sales network optimization and innovative retail formats
  - Financial transparency with **closed inventory control system**
  - „Best-in-class“ logistics and IT
- Sustainable **sales growth of 3-5% p.a.** and **EBIT growth of 10-15% p.a.** in the next 3 years

valora

**Q&A**

valora