



# 2007 Interim Results

# Agenda

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- Introduction Peter Wüst
- 2007 interim results Markus Voegeli
- Initiatives / Outlook Peter Wüst
- Q&A Peter Wüst



# Introduction

**Peter Wüst**  
**CEO**

## 2007 interim results

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Introduction

- **Kiosk business in Switzerland depressed interim results**
- **Other business areas on track**
- **Kiosk Switzerland**
  - **Product range strategy is right**
  - **Overall expenditure steady despite additional costs (minimum wage adjustments, infrastructure projects)**
  - **Measures to improve Swiss kiosk earnings are taking effect, but must be accentuated (given market conditions)**
- **Operating cash flow markedly raised**
- **Sound balance sheet**
- ▶ **Improvement in operating results in the second six months of 2007 – it is not possible to make up for the shortfall in earnings in the first half of this year**

## 2007 interim results

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Introduction

- Kiosk Switzerland (k kiosk)
  - Higher food sales made up for lower press & tobacco turnover
  - Service revenues (from lottery tickets) down significantly
  - Lower picture card sales not made good elsewhere
  - Systems upgrade time-consuming and cost-intensive
- Valora Retail's other areas
  - Retail Germany's growth > 10%
  - Caffè Spettacolo and convenience did well
  - Wholesaling reached breakeven after several years of losses
  - Retail Luxembourg produced good results

## 2007 interim results

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Introduction

- Valora Media
  - successfully countering an adverse market
- Valora Trade
  - Distribution
    - Strong sales growth
    - Higher gross profits
    - EBIT improving
  - Own Brands
    - Gross margins depressed by marked rise in raw material costs
    - Sales process on track, numerous expressions of interest

# 2007 interim results

**Markus Voegeli**  
**CFO**

# EBIT

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2007 interim results

in CHFm	2007	2006	variance abs.	variance in %
<b>Net revenues</b>	<b>1 433</b>	<b>1 432</b>	<b>1</b>	<b>0.0%</b>
<b>Gross profit</b>	<b>468</b>	<b>473</b>	<b>- 5</b>	<b>- 0.9%</b>
Gross profit margin	32.7%	33.0%	-0.3	
<b>Total operating expenses</b>	<b>- 454</b>	<b>- 438</b>	<b>16</b>	<b>3.5%</b>
<b>Other income, net</b>	<b>2</b>	<b>5</b>	<b>- 3</b>	
<b>Operating profit (EBIT)</b>	<b>17</b>	<b>39</b>	<b>-22</b>	<b>-57.4%</b>
<b>EBIT margin</b>	<b>1.2%</b>	<b>2.7%</b>		

- **Higher operating costs (due to growth at Trade, strategic projects)**



# Net income

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in CHFm	2007	2006	variance abs.	variance in %
<b>Operating profit (EBIT)</b>	17	39	- 22	- 57.4%
Financial income net	- 2	- 5	3	60.4%
Share of result from associates & joint ventures	1	- 0	1	
<b>Earnings before taxes</b>	16	34	- 18	- 54.7%
<b>Income taxes</b>	- 4	- 7	- 3	- 48.9%
Tax ratio	23.3%	20.7%	2.6	
<b>Result from continuing operations</b>	12	27	- 15	- 56.3%
<b>Result from Consumer Imaging</b>	0	- 1	1	
<b>Net profit</b>	12	27	- 15	- 55.3%
Attributable to shareholders of Valora	11	26		
Attributable to minority interests	0.4	0.5		

- **Good progress on finance side (debt cut, favourable FX trends)**

# Segment reporting













2007 interim results

in CHFm	Valora Retail	Valora Media	Valora Trade	Corporate	Intersegment Elimination	Total Konzern
<b>Net revenues 30.06.2007</b>						
from third parties	809	174	442	7		1 433
from other divisions		97	4	0	- 100	
<b>Total net revenues</b>	809	271	446	7	- 100	1 433
<b>Operating profit (EBIT)</b>	<b>- 6</b>	<b>12</b>	<b>11</b>	<b>0</b>		<b>17</b>
<b>in % of net revenues</b>	<b>n/a</b>	<b>4.6%</b>	<b>2.4%</b>			<b>1.2%</b>
<b>Net revenues 30.06.2006</b>						
from third parties	819	182	423	7		1 432
from other divisions		102	4	0	- 106	
<b>Total net revenues</b>	819	284	427	7	- 106	1 432
<b>Operating profit (EBIT)</b>	<b>11</b>	<b>14</b>	<b>13</b>	<b>2</b>		<b>39</b>
<b>in % of net revenues</b>	<b>1.3%</b>	<b>4.8%</b>	<b>3.1%</b>			<b>2.7%</b>

# Product range development kiosk

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	Food	Non-Food	Tobacco	Press & Books	Services
Mix	~16%	~4%	~ 48%	~ 24%	~ 8%
Margin	> 50%	> 50%	~ 15%	~ 30 %	~ 100 %
Δ Mix	 + 2 ppt	 - 2 ppt	 + 2 ppt	 - 1 ppt	 - 1 ppt
Δ Gross profit	 + 4 MCHF	 - 6 MCHF	 - 2 MCHF	 - 3 MCHF	 - 6 MCHF
Factors	<ul style="list-style-type: none"> <li>• Take a break modules</li> <li>• Beverages</li> </ul>	<ul style="list-style-type: none"> <li>• lower revenues from sales of collectible picture cards (Panini)</li> </ul>	<ul style="list-style-type: none"> <li>• Slight volume decrease due to Tobacco tax increase</li> </ul>	<ul style="list-style-type: none"> <li>• Slight market gain in 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>

Comment

Total net revenues ~ CHF 450 Mio. (LY: ~ CHF 470 Mio.)

Closure effect on gross sales ~ CHF 7 Mio. for all categories

## Key balance sheet data

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2007 interim results

in CHFm	2007 30.06.	2006 31.12.	variance abs.	2006 30.06.
Cash and cash equivalents	196	222	- 26	167
Equity	553	561	- 8	515
Equity ratio	41.5%	42.3%	-0.8	40.1%
Net profit	12	66	-	138
Return on equity (Net profit/equity)	2.2%	11.7%	-	5.2%
Net debt	77	61	16	147
Net working capital (NWC)	161	140	21	176
NWC in % of net revenues (annualised)	5.6%	4.9%	0.7	6.1%

### ■ Balance sheet remains strong

## Cash flow

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in CHFm	2007	2006
Net cash provided by operating activities	40	- 8
Net cash used in investing activities	- 29	0
<b>Free cash flow</b>	<b>11</b>	<b>- 8</b>
Net cash used in financing activities	- 39	- 46
<b>Net decrease in cash and cash equivalents</b>	<b>- 28</b>	<b>- 54</b>
Translation adjustments on cash and cash equivalents	3	1
<b>Changes in cash and cash equivalents</b>	<b>- 25</b>	<b>- 53</b>

- Free cash flow positive (NWC)

# Valora Group - Conclusions

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- Disappointing result – expectations not met
- Financial footing remains sound
- Initiatives

# Outlook / Initiatives

## Measures to boost profitability / earnings

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Outlook / Initiatives

- Concentration on trading businesses makes sense
- Growth strategy correct
- Sale of production companies off to a good start
- Innovation management will be pushed ahead (vending)
- Retail Switzerland: P. Wüst



## Growth initiatives at Valora Trade

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Outlook / Initiatives

- Various acquisitions under review
- Nordic Platform implemented
- Germanics distribution platform under construction
- Considering strategic alliances

# Growth initiatives at Valora Media

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Outlook / Initiatives

- Valora Media Switzerland
  - Optimising services (to publishers, retail)
  - Enhanced POS management for Press & Books
- Valora Media Austria
  - Raising market share in press distribution
  - Expanding service logistics
- Valora Media Luxembourg
  - Expanding book supplies to schools and universities

# Growth initiatives at Valora Retail

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Outlook / Initiatives

- Germany
  - Expansion
  - Growth target > 10% per annum
- Caffè Spettacolo
  - Growing operations in Switzerland
  - Preparing expansion beyond Switzerland
- avec.
  - Over 100 POS by year-end 2007
  - Revenue growth > 10%
- Wholesale
  - Return to growth trajectory

# Growth initiatives at Valora Retail

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Outlook / Initiatives

- k kiosk Switzerland
  - Roll out the k growth format to some 120 POS
  - Food sales to 25% of turnover
  - Increasing non-food sales share
  - Using technology to increase efficiency
  - Cost management
  - Innovations
  - Own label concept
  - Analysis of POS network
  - Kiosk organisation

## To sum up ...

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Outlook / Initiatives

- Internal and external expectations not met
- Strategy and measures implemented correct
- Implementation must be more rapid and more radical, given headwinds in current market

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**Q&A**

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