

Income statement

January 1 to December 31, in CHF 000	2007	2006
Income		
Dividend income	31 100	31 600
Interest income	1 264	1 605
Foreign exchange gains	735	670
Income from securities	1 528	0
Income from royalties	15 016	10 510
Other income	26	0
Total income	49 669	44 385
Expense		
Interest expense	- 11 720	- 11 523
Foreign exchange losses	- 676	- 639
Losses on securities	0	- 429
Write-down on majority shareholdings	- 5 000	0
General administration expense	- 6 000	- 4 255
Total expense	- 23 396	- 16 846
Net profit for the year	26 273	27 539

Balance sheet before appropriation of available retained earnings

Assets		
at December 31, in CHF 000	2007	2006
Current assets		
Cash and cash equivalents	3 609	1 060
Securities	27 033	27 205
Prepayments from third parties	0	2
Short-term receivables from third parties	156	238
from Group companies	3 322	1 578
Loans, receivables and advances made to Group companies	0	108
Total current assets	34 120	30 191
Non-current assets		
Investments	608 875	613 525
Loans and receivables from Group companies	22 210	21 559
Discounts and capitalised issuance cost on bonds issued	1 274	1 557
Brands	111 025	111 025
Total non-current assets	743 384	747 666
Total assets	777 504	777 857

Liabilities and equity			
at December 31, in CHF 000		2007	2006
Liabilities			
Short-term bank debt/overdrafts		50 106	0
Current liabilities	towards third parties	1 273	665
	towards Group companies	844	0
Accrued expenses	towards third parties	2 701	3 177
Loans payable to Group companies		77 380	46 729
Syndicated credit loans		50 000	130 000
Bonds payable		140 000	140 000
Accrued liabilities		56 002	55 553
Total liabilities		378 306	376 124
Equity			
Share capital		3 300	3 300
Legal reserves	General reserves	140 664	140 664
	Reserve for treasury stock	28 999	29 725
Unrestricted reserves		129 659	128 933
Earnings available for distribution	Earnings brought forward	70 303	71 572
	Net profit for the year	26 273	27 539
Total equity		399 198	401 733
Total liabilities and equity		777 504	777 857

Notes to the financial statements

A Basis of Presentation

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

B Notes

1 Contingent liabilities. At December 31, 2007 the Group's contingent liabilities, consisting of sureties, subordination and keep well agreements, guarantees and other contingent liabilities in favour of subsidiaries totalled CHF 149.6 million, vs CHF 138.7 million at year-end 2006. None of these contingent liabilities covered obligations by third parties.

2 Bonds outstanding

in CHF 000	Coupon	Maturity	At 31.12.2007	At 31.12.2006
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	Number of shares 2007	Net book value 2007	Number of shares 2006	Net book value 2006
Opening balance (at January 1)	106 791	27 205	109 221	27 824
Disposals				
Employee/executive share ownership plans	– 16 852	– 4 293	– 7 958	– 2 031
Stock market purchases and sales				
Sales	– 9 582	– 2 441	0	0
Value adjustments	–	0	–	– 429
Purchases	26 700	6 544	5 528	1 841
Closing balance (at December 31)	107 057	27 015	106 791	27 205

These purchases were made at prevailing market prices ranging from CHF 215.00 to CHF 288.00.

4 Net release of hidden reserves. There were no net releases of hidden reserves in the 2007 or 2006 financial years.

5 Compensation and shareholdings

Compensation

in CHF 000	Director's fee/ base salary	Profit sharing						Emolument in kind	Termination payments	Other compensation ⁵⁾	Total 2007	Total 2006
		Cash payments ²⁾		Board share plan		Group Executive share plan						
		Regular bonus	Special bonus	No. of shares allocated	Value of shares ³⁾	No. of shares allocated	Value of shares ⁴⁾					
Board of Directors ¹⁾												
Beatrice Tschanz Kramel Chairwoman from Nov. 30, 2007. Also chairs Nomination and Compensation Committee.	120.0	–	–	0	0.0	–	–	0.0	0.0	15.2	135.2	223.4
Werner Kuster Vice-Chairman	100.0	–	–	0	0.0	–	–	0.0	0.0	8.6	108.6	144.5
Andreas Gubler Chairman of Audit Committee	110.0	–	–	0	0.0	–	–	0.0	0.0	14.0	124.0	194.2
Franz Julen Board member since 2007 AGM	100.0	–	–	0	0.0	–	–	0.0	0.0	12.7	112.7	–
Paul-Bernhard Kallen ⁷⁾ Board member since 2007 AGM	0.0	–	–	0	0.0	–	–	0.0	0.0	0.0	0.0	–
Felix Weber Board member	110.0	–	–	0	0.0	–	–	0.0	0.0	14.0	124.0	235.0
Fritz Ammann Chairman till Nov. 30, 2007	175.0	–	–	0	0.0	–	–	0.0	0.0	21.4	196.4	473.3
Peter K�pfer Board member until 2007 AGM	0.0	–	–	0	0.0	–	–	0.0	0.0	0.0	0.0	68.7
Total Board compensation⁷⁾	715.0	–	–	0	0.0	–	–	0.0	0.0	85.9	800.9	1 339.1
Group Management												
Peter W�st, CEO and interim Head of Valora Retail division	600.0	261.0	225.0	–	–	735	198.6	50.1	0.0	219.8	1 554.5	1 983.9
Total for Group Management incl. CEO ⁶⁾	2 666.7	871.3	881.2	–	–	2 229	602.4	222.6	0.0	802.1	6 046.3	6 717.4

¹⁾ Functions of Board members at December 31, 2007

²⁾ The amounts shown in the table represent the effective expenses booked for the 2007 (or 2006) financial year in relation to bonuses which will be paid in April 2008 (or were paid in April 2007). The regular bonus relates to reported financial results and the 2006 - 2008 bonus plan. The Nomination and Compensation Committee decided to award a special cash bonus in respect of 2007.

³⁾ Under IFRS 2 the market value of the shares at the time they were granted was CHF 351.75 per share. The shares are subject to a 5-year lock-up period. Based on 2007 results, no shares were awarded. Details of the Board of Directors' share ownership programme can be found in Note 27 to the consolidated financial statements.

⁴⁾ Under IFRS 2 the market value of the shares at the time they were granted was CHF 270.25 per share. The shares are subject to a 5-year lock-up period. Details of the Group Executive share ownership programme can be found in Note 27 to the consolidated financial statements.

⁵⁾ These amounts constitute payments made to pension plans and other benefit schemes as well as the discount granted by the employer as part of the employee share ownership programme.

⁶⁾ These amounts comprise compensation paid in respect of 2007 and ongoing compensation payments to Directors leaving the Board (these payments being in accordance with the relevant employment contracts).

⁷⁾ Board Director Paul-Bernhard Kallen elected not to receive his Director's fee. Valora Holding AG donated an equivalent amount to a charitable foundation. The amount donated is not included in the total Board compensation shown here.

No compensation was paid to former members of the Board of Directors or Group Executive Management. No compensation not corresponding to customary market practice was paid to current or former members of the Board of Directors or to persons associated with Group Executive Management. Compensation paid to Board members is charged directly to Valora Holding AG. Compensation paid to members of Group Executive Management is paid by their employer, Valora Management AG.

Loans and advances. At December 31, 2007 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, 2007, individual members of the Board and Group Executive Management (including persons associated with them) held the following numbers of shares of Valora Holding AG:

	Number of shares	Share of total voting rights in %	of which subject to a lock-period till
Board of Directors ¹⁾			
Beatrice Tschanz Kramel Chairwoman from Nov. 30 2007. Also chairs Nomination and Compensation Committee.	909	0.03	286: 27.04.2010 323: 25.04.2012
Werner Kuster Vice-Chairman	655	0.02	229: 27.04.2010 231: 25.04.2012
Andreas Gubler Chairman of Audit Committee	540	0.02	229: 27.04.2010 231: 25.04.2012
Franz Julen Board member	100	0.00	none
Paul-Bernhard Kallen Board member	2 500	0.08	none
Felix Weber Board member	324	0.01	323: 25.04.2012
Group Management			
Peter Wüst CEO and interim Head of Valora Retail division	3 286	0.10	63: 22.03.2010 1 200: 06.04.2010 29: 01.07.2011 120: 21.03.2012 1 874: 28.03.2012
Markus Voegeli CFO	1 869	0.06	190: 06.04.2010 180: 01.07.2011 120: 21.03.2012 1 249: 28.03.2012
Christian Schock Head of Valora Media division	436	0.01	436: 28.03.2012
Alex Minder Head of Valora Trade division	1 405	0.04	304: 06.04.2010 153: 01.07.2011 120: 21.03.2012 828: 28.03.2012
Ruedi Keller Head of Valora Management Services division	1 357	0.04	456: 06.04.2010 27: 01.07.2011 120: 21.03.2012 754: 28.03.2012

Total for Board and Group Management	13 381	0.41
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¹⁾ Board functions at December 31, 2007.

6 Significant shareholders. Valora Holding AG's articles of association state that no shareholder may hold more than 5% of its voting shares. At December 31, 2007, 5% of the outstanding shares equated to 165 000 registered shares. At December 31, the Pictet Group ¹⁾ held, through its subsidiaries a total of 219 211 registered shares of Valora Holding AG, which is equivalent to 6.64% of the votes, though the number of shares registered to vote represents only 5% of the outstanding voting shares.

In addition, on January 10, 2008, UBS Fund Management (Switzerland) Ltd, Basle held a total of 173 604 registered shares of Valora Holding AG, which is equivalent to 5.26% of the voting shares, though the number of shares registered to vote represents only 5% of the outstanding voting shares.

On December 31, 2006, Alpine Select AG held, either directly or via its subsidiary Sumara AG, a total of 5.73% of the registered shares of Valora Holding AG (corresponding to 189 048 shares), though the number of shares registered to vote represents only 5% of the outstanding voting shares.

¹⁾ Pictet Funds SA - Swiss Mid Small Cap, Geneva; The Alphanatics Funds Ltd, Grand Cayman; Pictet Funds (LUX) Sicav - Small Caps Europe, Luxembourg; Pictet Funds (Europe) - Pictet Funds (CH) - Swiss Equities, Geneva; Pictet Funds (LUX) Sicav - Pool Swiss Equities, Luxembourg; Pictet Funds SA - Pictet Institut. Swiss Equities, Geneva; Pictet Funds (LUX) Sicav - Continental European Equit., Luxembourg; Pictet Funds SA - Pictet Fund (CH) Enhanced, Geneva; Pictet Funds (LUX) Sicav - EAFE Pool Equities, Luxembourg; Pictet Funds SA - Swiss Market Tracker, Geneva; Pictet Funds (LUX) Sicav - EAFE Pool, Luxembourg; Pictet International Equity Fund, Wilmington; Pictet Funds SA - Institutional Swiss Equit. Tracker, Geneva; Pictet Funds SA - Swiss Equities Pool, Geneva; Pictet Funds SA - Subvenimus Institutional Fund, Geneva

7 Significant subsidiaries of Valora Holding AG

Switzerland	31.12.2007 Holding in %	31.12.2006 Holding in %
Valora AG, MuttENZ	100.0	100.0
Valora Management AG, Berne	100.0	100.0
Valora Investment AG, Berne	100.0	0
Merkur AG, Berne	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 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, 2007, none of these shares had been issued.

Proposed appropriation of earnings available for distribution

Proposal for the appropriation of earnings available for distribution

in CHF 000	2007	2006
Net profit for the year	26 273	27 539
+ Earnings brought forward	70 303	71 572
Earnings available for distribution	96 576	99 111
The Board of Directors proposes		
Payment of a dividend of CHF 9.00 per registered share entitled to dividend	- 28 801	- 28 808
Balance to be carried forward	67 775	70 303
Dividend distribution (in CHF)		
Gross dividend per share	9.00	9.00
- less 35% withholding tax	- 3.15	- 3.15
Net dividend per share (in CHF)	5.85	5.85

Report of the statutory auditors

Report of the statutory auditors to the General Meeting of Valora Holding AG, Berne

As statutory auditors, we have audited the accounting records and the financial statements (income statement, balance sheet and notes, pages 97 to 103) of Valora Holding AG for the year ended December 31, 2007.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records, the financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

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

PricewaterhouseCoopers AG

Hanspeter Gerber Moritz Oberli
Lead Auditor

Berne, March 18, 2008