REVIEW OF GROUP RESULTS

Valora continues in the consistent pursuit of its declared Valora 4 Growth expansion strategy. The Group's recently announced acquisition of Convenience Concept GmbH, with its network of some 1300 kiosk outlets throughout Germany, represents a major milestone in the implementation of these plans. The add-on acquisitions the Trade division has already completed provided additional impetus to Valora's growth in 2011.

In a very challenging year, marked by substantial transformation, the Valora Group generated external sales which were up +0.5% in Swiss francs and +5.0% in local currency terms compared to their 2010 levels. Due to the larger proportion of overall turnover represented by franchisee operations and the adverse effect of exchange rate shifts, this success is not fully reflected in the Group's reported 2011 net revenues, which were –2.1% down on the year. Reported operating profit for 2011 came in at CHF 70.5 million, which, after adjusting for currency fluctuations and the absence of revenues from the distribution of football World Cup picture cards, was CHF +0.4 million ahead of the corresponding figure for 2010. While Valora Retail's reported operating profit of CHF 41.8 million is a marginal CHF +0.1 million above its 2010 level, after adjusting for foreign exchange and World Cup effects, the division's operating profit posted a noteworthy increase of +11.1%, or CHF 4.4 million. This advance is due in part to modifications made to the division's product range, but partly also to increased levels of cost-efficiency. Valora Services' results were impacted by the steepening decline of the overall press market, the effects of which the division was not fully able to offset through cost savings and new service offerings. The division's 2011 operating profit amounted to CHF 20.0 million, a CHF –8.3 million decline on the previous year. Valora Trade saw itself confronted with increased competition from parallel imports, particularly in Switzerland. This, coupled with adverse exchange rate effects, resulted in the division generating a reported operating profit of CHF 16.3 million in 2011. At constant exchange rates, this represents operating profit growth of CHF +0.2 million compared to 2010.

2011 saw the Valora Group generate a net profit of CHF 57.4 million, CHF –6.2 million less than the year before. Despite financing some CHF 40 million of the cost of acquisitions carried out during 2011, the Group's net debt level of CHF 41 million at year-end 2011 remains very comfortable. Having put in place a highly successful new syndicated loan facility and launched a new bond issue, the Group is also well placed to meet the financing needs of both its ongoing business operations and its Valora 4 Growth expansion strategy in the years ahead. With shareholders' equity accounting for 41.9% of total assets (–1.7 percentage points lower than at year-end 2010), Valora continues to maintain a very sound balance sheet structure.

A VALORA GROUP

in CHF million	**2011**	**2011 share in %**	2010 Restated	2010 share in %	Change in %
External sales					
Group total	**2 961.9**		**2 946.5**		0.5%
Net revenues					
Valora Retail	1 613.2	57.3%	1 606.5	55.8%	0.4%
Valora Services	599.7	21.3%	705.1	24.5%	– 14.9%
Valora Trade	744.5	26.4%	721.8	25.1%	3.1%
Other	10.8	0.4%	9.7	0.3%	11.5%
Intersegment elimination	– 150.3	– 5.4%	– 165.4	– 5.7%	
Group total	**2 817.9**	**100.0%**	**2 877.7**	**100.0%**	– 2.1%
Switzerland	1 731.8	61.5%	1 779.8	61.9%	– 2.7%
Elsewhere	1 086.1	38.5%	1 097.9	38.1%	– 1.1%

Valora's external sales encompass the Group's net revenues and the turnover generated by its franchisees, while excluding the revenues from goods supplied to franchisees and franchise earnings. External sales thus provide an accurate measure for comparing turnover performance over a number of years, despite changes in the distribution models the Group's Retail division uses.

Valora's 2011 external sales rose +0.5% compared to the previous year, which equates to an impressive +5.0% increase in local currency terms. The main factors driving these results were the acquisitions made over the last two years and the encouraging +2.3% growth which the Retail division achieved in its established businesses. Food and tobacco products were the main sources of Valora Retail's sales growth in 2011. The Group's Services and Trade divisions both saw their turnover adversely affected by the sharp decline in the overall press market. In local currency terms, Valora Trade's net revenues rose +11.0% year-on-year, a result to which the division's acquisitions in Norway and Sweden significantly contributed. The Valora Group's reported net revenues for 2011 were CHF –59.8 million lower than in 2010, which equates to year-on-year growth of +3.4% after adjusting for currency fluctuations and World Cup effects. Given the growing proportion of the Group's external sales generated by franchisees, it seems likely that external sales will continue to grow at a faster rate than net revenues in the years ahead. Profitability, meanwhile, defined as the proportion of the Group's reported net revenues represented by its operating profit, should continue to increase.

At 61.5% of total net reported revenues, Switzerland continues to account for the largest share of Group sales, followed by Germany with 11.5%. The proportion of external sales generated outside Switzerland will continue to grow in future, particularly following Valora's recently announced acquisition of Convenience Concept GmbH in Germany.

in CHF million	**2011**	**2011 share in %**	2010 Restated	2010 share in %
Net revenues	**2 817.9**	**100.0%**	**2 877.7**	**100.0%**
Gross profit	**876.4**	**31.1%**	**875.2**	**30.4%**
– Operating costs, net	– 805.9	– 28.6%	– 793.9	– 27.6%
Operating profit (EBIT)	**70.5**	**2.5%**	**81.3**	**2.8%**

Valora achieved a +0.7 percentage point increase in its gross profit margin, thanks to changes in product range composition in its core business, acquisitions and the expansion of its franchise activities. The Group's reported gross profit for 2011 was CHF 876.4 million, a CHF +1.2 million increase on 2010.

Reported operating costs, on the other hand, rose a net CHF +12.0 million to CHF 805.9 million, essentially reflecting the running costs of recently acquired companies and the expenses related to those transactions. The operating costs of the Group's core activities were notably impacted by one-off additional spending resulting from IT infrastructure outsourcing, which was not fully offset by savings in personnel costs. Consistent implementation of the agency business model in Switzerland during 2011 did however demonstrate that sustained staff cost productivity increases of some 6% are achievable, and Valora therefore expects to see a further substantial increase in the profitability of its core business 2012. Valora Services and the Corporate departments also took a number of initiatives which will further reduce costs and cut overheads, such as outsourcing a number of back office functions and introducing electronic data exchange procedures with suppliers.

Overall, Valora generated a reported EBIT of CHF 70.5 million in 2011, a CHF –10.8 million decline compared to 2010. After taking into account the non-recurrence of operating profits from World Cup picture cards (CHF –5.9 million) and adverse exchange rate movements (CHF –5.3 million), the Group's adjusted operating profit rose CHF +0.4 million on its 2010 level. After adjusting for these special factors, the Group achieved an EBIT margin of 2.6%, a +0.1 percentage point improvement on 2010.

B VALORA RETAIL

in CHF million	2011	2011 share in %	2010 Restated	2010 share in %
Net revenues	**1 613.2**	**100.0 %**	**1 606.5**	**100.0 %**
Gross profit	**570.5**	**35.4 %**	**566.1**	**35.2 %**
– Operating costs, net	– 528.7	– 32.8 %	– 524.4	– 32.6 %
Operating profit (EBIT)	**41.8**	**2.6 %**	**41.7**	**2.6 %**

Valora Retail, the leading small-outlet retailer in Switzerland, Germany, Luxembourg and Austria, successfully confronted current market difficulties, continuing to gain market share through a combination of organic growth and acquisitions. The division's network of some 1600 outlets situated in heavily frequented locations generated 2011 external sales of CHF 1760.8 million, a +4.9 % increase on their level in 2010. The division's reported net revenues rose CHF +6.7 million, or +0.4 %, to reach CHF 1613.2 million. Stripping out the effects of exchange rate movements (CHF –45.2 million) and the non-recurrence of World Cup picture card revenues (CHF –9.6 million), Valora Retail's net revenues rose an impressive +3.8 % on their 2010 levels.

At business unit level, Retail Germany achieved the largest revenue growth in absolute terms, with an increase of CHF +30.6 million, largely thanks to its successful acquisition record. The 180 tabacon outlets acquired in 2010 were smoothly integrated into the division's existing German structure. Valora Retail's Convenience Switzerland unit is also expanding, as reflected in the +11.5 % increase in net revenues achieved in 2011, mainly as a result of the ongoing development and strengthening of its avec. brand. The modern green and violet branding, the extended gastronomy offering and the enhanced product range are the key characteristics of the new direction avec. is taking. Kiosk Switzerland also turned in a convincing performance in 2011, raising its net revenues by CHF +9.2 million, an achievement partly due to its success in expanding its network of outlets operated on an agency basis. With 160 units operated by independent agent-managers by year-end, the speed at which outlet managers are transferring to agency status exceeded the targets set for 2011. By 2015, Valora Retail intends to have more than 300 outlets operating on an agency basis. The P&B format also did well, bucking the general press market trend by increasing its core revenues by +4.3 %. Valora is convinced that this successful format will also be able to generate significant added value at the 12 outlets the division acquired in Austria as of January 1, 2012. Caffè Spettacolo, conversely, was the only Valora Retail business unit with declining sales, posting a CHF –4.8 million fall in net revenues as a result of outlet closures. After successfully restructuring its operations during 2010, Retail Luxembourg achieved net revenue growth of +3.8 % in 2011. Net revenues for the division as a whole rose by CHF +23.3 million, or +4.1 %, after adjusting for currency and World Cup factors. Declining margins from press sales (CHF –5.4 million) were more than offset by increased revenues from tobacco products (CHF +14.6 million) and food (CHF +7.2 million).

The division's net operating costs, by contrast, turned in a marginally unfavourable performance, reflecting both turnover-related additional costs and one-off acquisition and outsourcing expenses. In aggregate, Valora Retail generated an operating profit of CHF 41.8 million, a +0.2 % improvement on 2010. After adjusting for currency fluctuations (CHF –2.3 million) and the non-recurrence of its World Cup picture card business (CHF –2.0 million), Valora Retail's 2011 operating profit was CHF +4.4 million up on its 2010 level, which equates to an adjusted operating profit margin of 2.7 %, +0.2 percentage points higher than a year earlier.

C VALORA SERVICES

in CHF million	2011	2011 share in %	2010 Restated	2010 share in %
Net revenues	**599.7**	**100.0 %**	**705.1**	**100.0 %**
Gross profit	**122.7**	**20.4 %**	**144.6**	**20.5 %**
– Operating costs, net	– 102.7	– 17.1 %	– 116.3	– 16.5 %
Operating profit (EBIT)	**20.0**	**3.3 %**	**28.3**	**4.0 %**

During the second six months of 2011, all three of the division's European country units saw an acceleration of the ongoing decline of their overall press markets, with the result that Valora Services' revenues declined sharply. Emphasis on more advantageous business activities, such as the profitable expansion of its logistics services, should substantially compensate for the ongoing contraction of the press market in 2012.

Valora Services' 2011 net revenues came in at CHF 599.7 million, compared to CHF 705.1 million a year earlier. Turnover was adversely affected both by the non-recurrence of revenues from the distribution and sale of World Cup picture cards – which had contributed CHF 27.6 million to 2010 revenues – and by the unfavourable exchange-rate constellation, which cut turnover by a further 19.2 million. Stripping out the effects of these two factors, Valora Services' adjusted net revenues declined by – 8.6 % from their 2010 levels. The principal cause of the decline in sales compared to the previous year was the sharp contraction in press revenues at all three country units, which reduced aggregate revenues by – 6.4 % on an adjusted basis. Services Luxembourg suffered the least, with adjusted net revenues down – 3.9 %. Besides the decline in press sales, the division also saw a CHF – 23.1 million decline in its low-margin tobacco business with third-party customers in Switzerland, though the effect of this on the division's gross profit was not material.

Given the change in market conditions, Valora Services is constantly evaluating the scope for streamlining its cost structures as a means of offsetting its falling press and wholesale revenues. In 2011, the division succeeded in cutting its net operating costs by CHF – 13.6 million, or – 11.7 %, to CHF 102.7 million. This was achieved through a number of initiatives to reduce its staff and logistics costs, such as outsourcing various back office functions. Exchange-rate fluctuations also contributed here, cutting operating costs by CHF – 4.8 million. While these cost-cutting measures enabled the division's Swiss wholesale operations to improve their operating profit by CHF + 0.4 million and the Luxembourg unit to raise its local operating profit by CHF + 2.2 million versus 2010 levels, Media Services Switzerland and Austria were not able to offset the effect of declining volumes and margins, despite consistent discipline in their cost management. As a result, Valora Services' reported operating profit for 2011 was CHF 20.0 million, CHF – 8.3 million lower than in 2010. After adjusting for the non-recurrence of earnings from the distribution and sale of World Cup picture cards (CHF – 3.9 million) and adverse exchange-rate effects (CHF – 1.5 million), Valora Services' adjusted operating profit for 2011 was down CHF 3.0 million from its 2010 level. The division's reported operating margin was 3.3 %, a – 0.1 percentage point decline after adjusting for World Cup and exchange-rate effects.

D VALORA TRADE

in CHF million	**2011**	**2011 share in %**	2010	2010 share in %
Net revenues	**744.5**	**100.0%**	**721.8**	**100.0%**
Gross profit	**172.2**	**23.1%**	**154.7**	**21.5%**
– Operating costs, net	– 155.9	– 20.9%	– 137.0	– 19.0%
Operating profit (EBIT)	**16.3**	**2.2%**	**17.7**	**2.5%**

In the face of demanding market conditions, Valora Trade, the Group's pan-European distributor of branded fast-moving consumer goods, turned in a satisfactory performance during 2011. In local currency terms, the division expanded its net revenues by CHF +79.4 million, or +11.0%. At CHF 744.5 million, reported net revenues were up +3.1% on the year. Thanks to their successful acquisitions of the cosmetics distributors EMH in Norway and ScanCo in Sweden, Valora Trade's units in those two countries managed to increase their local currency sales by CHF +48.5 million and CHF +21.4 million respectively, while Trade Germany benefited from its acquisition of Salty Snacks Delicatessen. Among the division's country units, Valora Trade Switzerland had the toughest challenges to face, as the strength of the Swiss franc resulted in a high volume of parallel imports by retailers, thus reducing its net revenues by –12.2% versus their 2010 levels. Trade Austria saw its net revenues decline by –5.9%, while Trade Denmark and Trade Finland both achieved organic sales growth in local currency terms. A strong Swedish krona meant that Trade Sweden also saw its non-cosmetics-related revenues decline by a significant –8.1%, largely thanks to lower food volumes.

With higher-margin products, particularly thanks to its expansion into cosmetics, now accounting for a larger proportion of its overall product mix, Valora Trade was able to improve its gross profit by CHF +17.5 million, or +1.6 percentage points, to CHF 172.2 million in 2011. In the Nordic countries, the new cosmetics category, after advertising costs, already accounted for nearly 29% of gross profit. Given the expanded scope of the division's activities, costs could not be maintained at their 2010 levels. Country units such as those in Switzerland and Austria did however succeed in offsetting some of their decline in gross profits through significant reductions in personnel costs.

In aggregate, Valora Trade's reported operating profit amounted to CHF 16.3 million, CHF –1.4 million lower than in 2010. In local currency terms, Valora Trade increased its operating profit by CHF +0.2 million, or +1.1%. At 2.2%, the division's reported operating profit margin for 2011 was –0.3 percentage points lower than a year earlier, thus remaining within its target range of 2–3%.

E CORPORATE

The Corporate division, which comprises the Group's Swiss logistics operations, its Corporate Information Services and its various corporate support functions – Finance, HR, Business Development, Legal Services and Communications – increased its net revenues by CHF +1.1 million in 2011. Valora benefited here from its initiative to extend the range of logistics services it offers by making the most of its competitive advantages in start-of-day logistics and by expanding its pick-up/drop-off service for e-commerce and mail order packages. Over the next few years, this range of services will be further expanded, with a view to offsetting the decline in press-related revenues. The logistics infrastructure Valora already has in place makes it possible to achieve this through optimum utilisation of current capacity without the need to make any significant investments.

The Corporate division's direct costs rose by CHF +4.2 million in 2011, largely due to increased acquisition-related activities and the costs of implementing the IT outsourcing agreement signed with T-Systems. This latter initiative, which includes modernising the Group's IT infrastructure, aims to ensure that Valora's own IT resources can be fully directed to supporting the business units in the implementation of their strategic initiatives.

Valora has a policy of charging the net costs of the Corporate division – i.e. its operating costs minus the logistics revenues generated from third parties – to the invidual divisions on the basis of the use they make of them. Revenue and expense which is unrelated to the market divisions is reported under "other".

F FINANCIAL RESULT AND TAXES

Financial market conditions during 2011 were characterised by renewed upward pressure on the value of the Swiss franc and very low interest rates. It was not until the Swiss National Bank set a minimum exchange rate against the euro in early September that the currency's value against other currencies stabilised. Against this backdrop, Valora was able to achieve a very pleasing net result from its financing operations of CHF –3.7 million. Thanks to an early decision to hedge its main foreign-exchange risks, the result of the Group's net FX operations improved by CHF +3.1 million to CHF 0.5 million. Valora also benefited from its strong credit quality and the low level of interest rates, as demonstrated by the fact that it was able to keep its net interest costs low – at a modest CHF –5.4 million – despite carrying a greater amount of interest-bearing debt. The Group's finalisation of a new CHF 300 million syndicated loan facility in early December and its successful placement of a new bond issue in February 2012 are further testimony to its attractiveness as a borrower, which will enable it to continue to make the most of favourable conditions to finance its Valora 4 Growth strategy in the years ahead.

At 14.9 %, the Group's overall tax rate for 2011 came in –1.9 percentage points below its 2010 level, significantly lower than its projected long-run rate of 17 %. Consolidated tax expense for 2011 of CHF 10.0 million comprises CHF 3.9 million of current income taxes and CHF 6.1 million of deferred income taxes. Income tax payments made during 2011 totalled CHF 7.3 million.

G LIQUIDITY, CASH FLOW AND KEY FINANCIAL DATA

Key financial data

in CHF million	**2011**	2010
Cash and cash equivalents [1]	109.6	130.5
Free cash flow [1]	**11.5**	**8.5**
Shareholders' equity	462.3	478.1
Shareholders' equity in % of total assets	**41.9 %**	**43.6 %**
Group net profit	57.4	63.6
Net debt [1]	41.0	14.1
Net working capital [1]	117.3	125.4
Net working capital in % of net revenues [1]	4.2 %	4.4 %
Earnings per share [1]	**20.24**	**22.35**

[1] from continuing operations

In 2011, the Valora Group's free cash flow before acquisitions rose by CHF +11.2 million to CHF 51.7 million, largely thanks to the various initiatives taken to achieve a sustainably optimal level of net working capital. The financing required for Valora Trade's acquisitions and the disbursement of the annual dividend, which was raised from CHF 10.00 to CHF 11.50 per share, resulted in a liquidity requirement of some CHF 20 million in 2011. Further improvements in cash pooling efficiency made it possible to achieve this by reducing the cash and cash equivalents position from CHF 130 million to CHF 110 million, without the need for additional borrowing. As a result, the Valora Group's net debt as of December 31, 2011 was CHF 41 million, CHF +27 million higher than a year earlier.

A number of measures are planned over the medium term to reduce net working capital further, such as a centralised inventory management system for tobacco products, and these are expected to release additional liquidity. Nevertheless, Valora's recently announced acquisition of Convenience Concept GmbH and its declared expansion strategy will result in a further increase in net debt in 2012. Thanks to the Group's new CHF 200 million bond issue in February 2012 and its arrangement of a new CHF 300 million syndicated loan facility, the funds required for financing Valora's expansion strategy and the redemption of its maturing bond issue in July 2012 have already been put in place over the last few months.

Shareholders' equity at December 31, 2011 accounted for 41.9 % of total assets, – 1.7 percentage points less than a year earlier. This modest decline principally reflects conditions on the financial markets, which resulted in negative currency translation adjustments to equity positions of CHF 1.3 million and actuarial losses of CHF 36.0 million.

H VALORA VALUE ADDED

Valora Value Added

in CHF million	**2011**	2010
Operating profit (EBIT)	70.5	81.3
Average invested capital	658.3	623.0
WACC	9.0 %	9.0 %
Capital costs	59.2	56.1
Valora Value Added	**11.3**	**25.2**

In order to measure the sustained return it earns over and above its cost of capital, the Valora Group introduced the concept of Valora Value Added (VVA) in 2008. VVA is based on the classical definition of economic value added. In order to ensure comparability between reporting periods, Valora Value Added is calculated on the basis of operating profit minus the Group's weighted average cost of capital (WACC), the weighted average of its equity and debt financing costs. The current calculations, which are based on industry comparisons and expected interest rate levels, put WACC at 9%. Valora regularly reviews its WACC assumptions, adjusting the WACC figure if it moves outside a defined range. Management's focus is on achieving a sustainable increase in VVA, thus ensuring that the value of the company increases in an enduring fashion.

In 2011, the Valora Group generated VVA of CHF 11.3 million. Stripping out the effect of exchange rate fluctuations and the non-recurrence of earnings from the distribution and sale of World Cup collectible picture cards, Valora's 2011 VVA was CHF –2.7 million lower than in 2010.

I OUTLOOK

The announcement, in January 2012, of the forthcoming acquisition of Convenience Concept GmbH marks a key milestone in the Retail division's acquisition-based expansion plans set out in the Valora 4 Growth strategy. The priority for 2012 is to complete the acquisition successfully and to integrate the new units into the Valora Group's existing organisational structure. Over the medium term, Valora expects to achieve a marked improvement in the newly acquired company's profitability, thanks to measures such as extending the range of products on sale at these outlets and exploiting synergies with its existing units. Valora is also evaluating the possible acquisition of additional formats which complement its existing small-outlet retail portfolio and can be deployed throughout its network in a modular fashion.

A key part of the Valora 4 Growth strategy is its "G4 – acquisition-led growth at Valora Trade" initiative. This has so far resulted in the acquisition of two highly attractive and profitable cosmetics distribution companies – EMH in Norway and ScanCo in Sweden. Valora will continue to pursue this policy of growth through the acquisition of distributors in high-growth product categories in future as well. The focus here will be on markets in geographical areas which the division already covers.

Economic conditions in European markets, particularly in Switzerland, will not be supportive of the Group's core business in 2012. The accelerating contraction of the press market and depressed consumer demand are factors on which Valora can exert little influence. Given this overall picture, the Group's original objective of 2% organic sales growth in 2012 will be difficult to achieve.

Valora's Board of Directors and Group Executive Management are however confident that the strategic direction the Group has taken with its Valora 4 Growth initiatives, with their emphasis on further developing the product mix towards high-growth categories, on promoting entrepreneurship and on acquisition-led expansion, will yield significant additional success over the medium term.