

Valora Financial Report 2011

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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

	2011	2011 share in %	2010 Restated	2010 share in %	Change in %
in CHF million					
<i>External sales</i>					
Group total	2 961.9		2 946.5		0.5 %
<i>Net revenues</i>					
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.

	2011	2011 share in %	2010 Restated	2010 share in %
in CHF million				
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

	2011	2011 share in %	2010 Restated	2010 share in %
in CHF million				
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

	2011	2011 share in %	2010	2010 share in %
in CHF million				
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 individual 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

<i>Key financial data</i>	2011	2010
in CHF million		
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

<i>Valora Value Added</i>	2011	2010
in CHF million		
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.

CONSOLIDATED INCOME STATEMENT

	Note	2011	%	2010	%
<i>January 1 to December 31, in CHF 000 (except per-share amounts)</i>					
Net revenues	8	2 817 904	100.0	2 877 650	100.0
Cost of goods		- 1 941 531	- 68.9	- 2 002 436	- 69.6
Gross profit		876 373	31.1	875 214	30.4
Personnel expense	9	- 409 295	- 14.5	- 432 720	- 15.0
Other operating expenses	10	- 358 075	- 12.7	- 325 849	- 11.3
Depreciation and impairments	20, 21, 22	- 46 522	- 1.7	- 44 067	- 1.6
Other income, net	11	8 045	0.3	8 724	0.3
Operating profit (EBIT)	8	70 526	2.5	81 302	2.8
Financial expense	12	- 5 955	- 0.1	- 9 818	- 0.3
Financial income	13	2 220	0.0	1 945	0.1
Share of result from associates and joint ventures	25	255	0.0	728	0.0
Earnings before taxes		67 046	2.4	74 157	2.6
Income taxes	14	- 10 006	- 0.4	- 12 460	- 0.5
Net profit from continuing operations		57 040	2.0	61 697	2.1
Net profit from discontinued operations	7	317	0.0	1 931	0.1
Net Group profit		57 357	2.0	63 628	2.2
Attributable to shareholders of Valora Holding AG		56 328	2.0	63 392	2.2
Attributable to non-controlling interests		1 029	0.0	236	0.0
<i>Earnings per share (in CHF)</i>					
from continuing operations, diluted and undiluted	15	20.24		22.35	
from discontinued operations, diluted and undiluted	7	0.11		0.70	
from continued and discontinued operations, diluted and undiluted	15	20.35		23.05	

The accompanying notes from page 51 to page 103 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2011	2010
January 1 to December 31, in CHF 000			
Net Group profit		57 357	63 628
Actuarial gains/(losses) and pension asset recognition ceiling, before deferred income taxes	30	- 45 125	13 612
Deferred income taxes	30	9 091	- 2 711
Actuarial gains/(losses) and pension asset recognition ceiling, after deferred income taxes	30	- 36 034	10 901
Valuation gains/(losses) on financial investments available for sale before deferred income taxes		67	- 16
Deferred income taxes		- 17	4
Valuation gains/(losses) on financial investments available for sale, after deferred income taxes		50	- 12
Valuation losses on cash flow hedge	33	- 8 834	0
Currency translation adjustments		- 1 251	- 25 632
Total other comprehensive income		- 46 069	- 14 743
Total comprehensive income		11 288	48 885
Attributable to shareholders of Valora Holding AG		10 373	49 250
Attributable to non-controlling interests		915	- 365

The accompanying notes from page 51 to page 103 form an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

ASSETS

	Note	31.12.2011	%	31.12.2010	%
in CHF 000					
<i>Current assets</i>					
Cash and cash equivalents	16	109 562		130 461	
Derivative financial assets	33	166		232	
Trade accounts receivable	17	174 042		174 203	
Inventories	18	236 299		214 604	
Current income tax receivables		4 453		3 266	
Other current receivables	19	66 597		63 118	
Total current assets		591 119	53.6 %	585 884	53.4 %
<i>Non-current assets</i>					
Property, plant and equipment	20	219 302		217 706	
Goodwill, software and other intangible assets	22	232 788		190 733	
Investment property	21	5 752		5 939	
Investment in associates and joint ventures	25	4 291		5 022	
Financial assets	24	8 881		10 062	
Net pension asset	30	13 417		49 640	
Deferred income tax assets	14	27 570		31 154	
Total non-current assets		512 001	46.4 %	510 256	46.6 %
Total assets		1 103 120	100.0 %	1 096 140	100.0 %

LIABILITIES AND EQUITY

	Note	31.12.2011	%	31.12.2010	%
in CHF 000					
<i>Current liabilities</i>					
Short-term financial debt	26	141 869		2 155	
Derivative financial liabilities	33	9 056		929	
Trade accounts payable	27	293 056		263 442	
Current income tax liabilities		12 565		15 164	
Other current liabilities	28	144 846		144 871	
Current provisions	29	0		502	
Total current liabilities		601 392	54.5%	427 063	39.0%
<i>Non-current liabilities</i>					
Other non-current liabilities	26	3 644		148 546	
Long-term accrued pension cost	30	15 026		17 213	
Long-term provisions	29	6 121		9 265	
Deferred income tax liabilities	14	14 605		15 911	
Total non-current liabilities		39 396	3.6%	190 935	17.4%
Total liabilities		640 788	58.1%	617 998	56.4%
<i>Equity</i>					
Share capital	36	2 800		2 800	
Treasury stock		- 5 185		- 9 484	
Mark-to-market, financial instruments		- 8 788		- 4	
Retained earnings		510 585		521 275	
Cumulative translation adjustments		- 41 738		- 40 601	
Equity of Valora Holding AG shareholders		457 674	41.5%	473 986	43.2%
Non-controlling interests in shareholders' equity		4 658		4 156	
Total equity		462 332	41.9%	478 142	43.6%
Total liabilities and equity		1 103 120	100.0%	1 096 140	100.0%

The accompanying notes from page 51 to page 103 form an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

	Note	2011	2010
January 1 to December 31, in CHF 000			
Operating profit (EBIT)		70 526	81 302
<i>Elimination of non-cash transactions in operating profit (EBIT)</i>			
Depreciation and impairments on property, plant, equipment and investment properties	20, 21	28 435	28 804
Amortisation of intangible assets	22	18 087	15 263
Book gains on sale of property, plant and equipment, net	11	- 449	- 2 081
Book gains on sale of subsidiaries, net	6	0	- 501
Share-based remuneration	31	483	1 726
Release of provisions, net	29	- 2 195	- 956
Decrease in accrued pension cost		- 10 729	- 4 079
Decrease in other non-current liabilities		- 2 083	- 3 001
Other non-cash transactions		0	- 1 382
<i>Changes in net working capital, net of acquisitions and disposals of business units</i>			
Decrease (increase) in trade accounts receivable		3 574	- 13 170
(Increase) decrease in inventories		- 12 336	11 944
Increase in other current assets		- 2 525	- 3 670
Increase (decrease) in trade accounts payable		20 896	- 11 932
Provisions assigned	29	- 181	- 900
Decrease in other liabilities		- 3 523	- 8 667
Net cash provided by operating activities		107 980	88 700
Interest paid		- 6 273	- 4 991
Income taxes paid		- 7 250	- 7 870
Interest received		2 294	2 696
Dividend payments received		239	178
Total net cash provided by operating activities		96 990	78 713

	Note	2011	2010
<i>January 1 to December 31, in CHF 000</i>			
<i>Cash flow from investing activities</i>			
Investment in property, plant and equipment	20	- 38 055	- 32 917
Proceeds from sale of property, plant and equipment	20	9 485	2 571
Proceeds from sale of investment property	21	0	12 425
Acquisition of subsidiaries, net of cash acquired	6	- 40 263	-32 018
Purchase price reimbursements from acquisition of subsidiaries		0	395
Disposal of subsidiaries, net of cash sold	6	0	829
Share capital increase by associate company		- 54	0
Sales (purchases) of financial investments		176	- 1 441
Purchases of other intangible assets	22	- 17 006	- 20 889
Proceeds from sale of other intangible assets	22	179	850
Net cash used in investing activities		- 85 538	- 70 195
<i>Cash flow from financing activities</i>			
Payment of short-term financial liabilities		- 1 476	- 5 472
(Payment) increase of long-term financial liabilities	26	- 2 230	59
Treasury stock purchased		- 10 383	- 1 664
Treasury stock sold		15 267	2 818
Dividends paid to shareholders of Valora Holding AG		- 31 893	- 27 460
Dividends paid to non-controlling interests		- 413	- 630
Net cash used in financing activities		- 31 128	- 32 349
Net decrease in cash and cash equivalents		- 19 676	- 23 831
Translation adjustments on cash and cash equivalents		- 1 223	- 7 273
Cash and cash equivalents at beginning of year		130 461	161 565
Cash and cash equivalents at year end	16	109 562	130 461

The accompanying notes from page 51 to page 103 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equity

	Equity of Valora Holding AG							
	Share capital	Treasury stock	Mark-to-market, financial instru- ments	Retained earnings	Cumulative translation adjustments	Total equity of Valora Holding AG share- holders	Non-controlling interests	Total equity
in CHF 000								
Balance at December 31, 2009	2 800	- 10 323	8	472 962	- 15 570	449 877	3 841	453 718
Net Group profit				63 392		63 392	236	63 628
Total other comprehensive income			- 12	10 901	- 25 031	- 14 142	- 601	- 14 743
Total comprehensive income			- 12	74 293	- 25 031	49 250	- 365	48 885
Share-based payments				686		686		686
Dividend paid				- 27 460		- 27 460	- 630	- 28 090
Treasury stock purchased		- 1 664				- 1 664		- 1 664
Decrease in treasury stock		2 503		794		3 297		3 297
Additions to non-controlling interests							1 310	1 310
Balance at December 31, 2010	2 800	- 9 484	- 4	521 275	- 40 601	473 986	4 156	478 142
Net Group profit				56 328		56 328	1 029	57 357
Total other comprehensive income			- 8 784	- 36 034	- 1 137	- 45 955	- 114	- 46 069
Total comprehensive income			- 8 784	20 294	- 1 137	10 373	915	11 288
Share-based payments				- 247		- 247		- 247
Dividend paid				- 31 893		- 31 893	- 413	- 32 306
Treasury stock purchased		- 10 383				- 10 383		- 10 383
Decrease in treasury stock		14 682		1 156		15 838		15 838
Balance at December 31, 2011	2 800	- 5 185	- 8 788	510 585	- 41 738	457 674	4 658	462 332

The accompanying notes from page 51 to page 103 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 INFORMATION REGARDING THE GROUP

Valora is a Swiss trading group, whose parent company, Valora Holding AG, is listed on the SIX Swiss Exchange. Valora's consolidated financial statements for the 2011 financial year were approved by the Board of Directors on March 21, 2012. These consolidated financial statements are subject to approval by the General Meeting of Shareholders to be held on April 19, 2012.

2 ACCOUNTING POLICIES

Basis of financial statement presentation. In preparing its consolidated financial statements Valora generally applies the historical cost principle. The exceptions to this are derivative financial instruments and financial assets available for sale, both of which are stated at fair value. Consolidation is based on the individual group companies' financial statements, which are prepared according to a uniform set of accounting principles. The Group consolidates its accounts in Swiss francs (CHF). Unless otherwise stated, all values stated in money terms have been rounded to the nearest thousand Swiss francs.

Compliance with IFRS, the Swiss Code of Obligations and Swiss Stock Exchange listing rules.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in compliance with the legal provisions of the Swiss Code of Obligations. They also meet all the listing regulations promulgated by the SIX Swiss Exchange.

Key accounting principles.

Consolidation. In addition to the accounts of Valora Holding AG, MuttENZ, Switzerland, the Valora Group's financial statements also encompass those of its subsidiaries and participations as follows:

Consolidated companies. Group companies which Valora Holding AG directly or indirectly controls are fully consolidated. In determining whether such control exists, any potential voting rights arising from shares which could currently be acquired through exercise or conversion are also taken into account. Group companies acquired are consolidated from the day Valora assumes control over them and deconsolidated from the day Valora ceases to exercise such control.

Consolidation method. All intra-Group assets, liabilities, revenues and expenditures, and all unrealised gains or losses in intra-Group transactions, are fully eliminated. Whenever companies are acquired, all identifiable assets, liabilities and contingent liabilities of the acquired entity are valued at the fair value prevailing at the time of the acquisition, and the difference between the purchase price paid and the fair value of the company's net assets at the time of the acquisition is recognised as goodwill. Non-controlling interests are defined as that part of the shareholders' equity of a subsidiary which are not directly or indirectly attributable to the shareholders of Valora Holding AG. These non-controlling interests are disclosed separately in the consolidated income statement, consolidated statement of comprehensive income and the balance sheet. In the Group balance sheet, non-controlling interests are shown in the shareholders' equity section, but are reported separately from the equity attributable to shareholders of Valora Holding AG. Purchases of non-controlling interests are treated as equity transactions, with the difference between the purchase price paid and the book value of the net assets acquired being allocated to the equity attributable to the shareholders of Valora Holding AG.

Non-consolidated participations (associated companies and joint ventures). Associated companies and joint ventures are treated according to the equity method. Associated companies are companies over which Valora exerts significant influence, but does not control. Significant influence is assumed to be exerted on companies in which Valora holds between 20% and 50% of the voting shares. Joint ventures are defined as joint undertakings which are managed with one partner under a contractual agreement. Participations treated under the equity method are recorded on the balance sheet at purchase cost and reported under "Investments in associates and joint ventures". In the reporting periods following acquisition, the value of this item is adjusted to reflect Valora's share of the changes in shareholders' equity of the associated companies and joint ventures. Any valuation gains or losses not affecting net income of associated companies and joint ventures are credited or debited directly to Valora's other comprehensive income. Dividends received by Valora reduce the value of its investments.

Scope of consolidation. Note 38 provides an overview of the Valora Group's significant subsidiaries.

Changes in consolidation scope. As of January 1, 2011, the Valora Group acquired 100% of the two economically linked companies Delvita Delikatessen GmbH and Salty Snacks GmbH, both with registered offices in Nettetal, Germany. As of August 23, 2011, the Valora Group acquired 100% of Scandinavian Cosmetics AB, a Swedish company with registered offices in Malmö.

As of May 29, 2010, the Valora Group sold its 100% interest in Melisa SA, a Swiss company with registered offices in Lugano. As of October 1, 2010, the Valora Group acquired 80% of Engelsen Marwell Hauge AS, a Norwegian company with registered offices in Oslo. As of October 1, 2010, the Valora Group acquired 100% of tabacon Franchise GmbH & Co. KG, a German company with registered offices in Nuremberg.

Additional information on these transactions is presented in note 6 below.

Consolidation period. The consolidation period applied to all Group companies is the calendar year. The financial statements are presented as of December 31.

3 CHANGES TO ACCOUNTING POLICIES

Implementation of new International Financial Reporting Standards (IFRS) and interpretations thereof. Adoption of the following changes to International Financial Reporting Standards (IFRS) and interpretations thereof was first required for the Group's 2011 accounts:

IAS 24 (revised) "Related Party Disclosures"

The changes to IAS 24 relate to clarifications regarding the identification of related parties and do not have any material effect on the Valora Group.

IAS 32 (revised) "Classification of Rights Issues"

Since Valora has not issued any such rights, this amendment does not affect the Valora Group.

IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"

No changes have been necessary as a result of this interpretation, since no equity instruments have been used to extinguish any financial liabilities.

Annual Improvements 2010 (annual modification process)

The Annual Improvements 2010, which apply with effect from January 1, 2011, relate to the elimination of inconsistencies in a number of standards and to the clarification of certain formulations relating to them. These changes do not have any material effect on the Valora Group.

Future implementation of International Financial Reporting Standards (IFRS) and interpretations thereof. These consolidated financial statements have not yet adopted the following new standards or modifications to existing standards and their interpretation, all of which the Valora Group will be required to apply in its accounts for 2012 or thereafter:

The changes to IAS 12 relating to "Recovery of Underlying Assets" which will become applicable with effect from January 1, 2012 do not affect the Valora Group's consolidated accounts.

The changes to IFRS 7 "Transfers of Financial Assets" which will become applicable with effect from January 1, 2012 will affect disclosures made in the Notes to the Consolidated Financial Statements only. They do not have any financial effects on the Valora Group.

In June 2011, a revised version of IAS 19 "Employee Benefits" was published. Application of this new version of IAS 19 will be mandatory for all financial years starting on or after January 1, 2013. The new standard no longer permits actuarial gains and losses on defined benefit employee schemes to be reported under the so-called corridor method. The Valora Group does not avail itself of this method, reporting such gains and losses under total other comprehensive income instead. Since the approach that the revised standard will require in this matter is already used by the Valora Group, these changes will not have any effect on its consolidated accounts. The revised standard also requires that the current method of basing expected returns from plan assets on an expected net return be replaced by a method which applies the discount rate used to calculate the net present value of a defined benefit plan's projected benefit obligation. At present, it is not possible to estimate the effects of this change on the Group's future income statements and balance sheets. Based on the data for 2011, premature application of this change to the standard would have resulted in an increase in the pension costs calculated under IAS 19 and, after taking a deferred tax rate of 20% into account, would have transferred an estimated CHF 6.2 million from annual profit to other comprehensive income. The effect on the Group's overall comprehensive income would have been neutral.

The following new standards and future changes to existing IFRS standards are currently being analysed: with effect from January 1, 2013, the changes to IAS 1 "Presentation of Items of Other Comprehensive Income" will become applicable, as will IAS 27 "Separate Financial Statements", IAS 28 "Investments in Associates and Joint Ventures" and IFRS 7 "Offsetting of Financial Assets and Financial Liabilities", as well as the following new standards: IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IFRS 12 "Disclosure of Involvement in Other Entities" and IFRS 13 "Fair Value Measurement". With effect from January 1, 2014, the changes to IAS 32 relating to Offsetting of Financial Assets and Financial Liabilities" will become applicable. With effect from January 1, 2015, the new IFRS 9 "Financial Instruments" standard will become applicable.

4 GENERAL ACCOUNTING POLICIES

Conversion of foreign currencies. Transactions in foreign currencies are converted into Swiss francs at the exchange rate applicable on the transaction date. At the balance sheet date, amounts receivable and payable in foreign currencies are converted into Swiss francs at the exchange rate applicable on that date, and any exchange rate differences so arising are booked to the income statement.

Upon consolidation, the assets and liabilities of subsidiaries whose operating currency is not the Swiss franc are converted into Swiss francs at the exchange rate prevailing on the balance sheet date. Income statement, cash flow statement and other movement items are converted into Swiss francs at average exchange rates for the period, provided such presentation sufficiently approximates the figures which would result from the application of transaction date rates. If not, movement items are converted at effective transaction rates. Exchange rate gains and losses arising from the translation of annual financial statements of non-Swiss-franc subsidiaries are booked to other comprehensive income and reported separately as currency translation adjustments.

Exchange rates applied for key foreign currencies

	Average rate for 2011	Rate at December 31, 2011	Average rate for 2010	Rate at December 31, 2010
Euro, 1 EUR	1.234	1.214	1.382	1.250
Swedish krona, 100 SEK	13.68	13.64	14.47	13.91
Danish krone, 100 DKK	16.52	16.33	18.55	16.77
Norwegian krone, 100 NOK	15.83	15.67	17.26	16.04

Net revenues and revenue recognition. Net revenues include all proceeds from the sale of goods and services, net of any deductions including rebates, discounts and other agreed concessions. Retail sales by the Valora Retail division are recognised upon sale to the customer. Payment is made in cash or by credit card. The sales value recorded is the amount received net of credit card fees. Wholesale revenues are recognised when the goods have been delivered, the customer has accepted them and there is sufficient certainty of the amount being received. Goods sold wholesale may be supplied on a sale-or-return basis. Where this applies, net revenues will be reduced by estimated return rates based on experience and other appropriate assumptions. In the case of sales for third parties, the commission due to Valora is recognised in net revenues.

Equity-based remuneration. The Valora Group pays some of the remuneration it grants in the form of Valora shares. The expense from this recorded in the income statement is calculated by multiplying the number of shares granted by the market price prevailing on the grant date (minus any amount payable by the recipients). The expense arising from schemes which will definitely be paid out in shares (equity settled schemes) is accrued against shareholders' equity. The expense from schemes where payment in shares is not certain is accrued as a liability. If the conditions for the allocation of shares extend over several years, the relevant expenses are accrued in appropriate proportions to the years concerned, based on the degree to which the targets are expected to be achieved.

Net financial results. Net gains and losses on the valuation of financial instruments at balance sheet dates which are credited or debited to the income statement do not include any dividend or interest payments. Dividend and interest income is reported separately (see notes 12 and 13).

Income tax. Income tax is calculated based on the tax laws of each applicable sovereign jurisdiction and is charged to the income statement for the accounting period in which the net income in question arose. The applicable effective tax rates are applied to net income.

Deferred taxes which arise as a result of timing differences between the values of assets and liabilities reported on the balance sheet and their applicable tax values are shown as deferred tax assets or deferred tax liabilities. Deferred tax assets are recognised when there is a probability that sufficient taxable income will be available to offset against them. Deferred income taxes are calculated based on the rates of tax which are expected to apply in the tax period in which the deferred tax asset or liability concerned will be realised or settled. Deferred tax liabilities on temporary differences are generally recorded. Deferred tax assets are recognised only when there is a probability that there will be sufficient taxable income available to offset against them. Taxes receivable are offset against taxes payable if they relate to the same taxable entity and there is an enforceable legal basis for them to be offset against each other. Changes to deferred tax liabilities or assets are reported as tax expense or income in the income statement. This does not apply to deferred taxes relating to positions which are either shown under other income or are accrued directly to shareholders' equity.

Disposals of business units. When business units which are not classified as discontinued operations are sold, their operating results until the date of their sale are included under the appropriate line items in the income statement and cash flow statement.

Net profit/loss from discontinued operations. When business segments or significant business areas are sold, all the income statement items relating to these units are aggregated and shown in a separate income statement line as results from discontinued operations. The cash flow statement shows detailed cash flows from continuing operations only. The net cash flows from discontinued operations generated by operating, investing and financing activities are disclosed in one line each.

Earnings per share. Earnings per share are calculated by dividing the net profit from continuing operations attributable to shareholders of Valora Holding AG by the average number of shares of the Valora Holding AG parent company outstanding. Diluted earnings per share take account of potentially dilutive effects such as those arising from convertible bond issues or option schemes. These shares are included in the calculation of the number of outstanding shares and the diluted earnings per share figures are reported accordingly.

Cash and cash equivalents. Cash and cash equivalents comprise cash balances, sight deposits with banks and short-term money market investments with a maturity not exceeding 3 months.

Trade accounts receivable. Trade accounts receivable are recorded at amortised costs minus any necessary adjustments for doubtful accounts. Adjustments are made if there is objective evidence that the amount may not be received in full.

Inventory. Inventory is carried at the lower of purchase cost or net realisable value. For Valora's Retail division, inventory is valued at average purchase cost, based on a moving average method. The Valora Services and Valora Trade divisions use the first-in, first-out method (FiFo). Slow-moving or obsolete inventory items are valued according to standard business practices, with the items in question being partially or wholly written off.

Non-current assets held for sale. Non-current assets are classified as held for sale and valued at the lower of book or fair value minus selling costs, if their book value is expected to be realised principally from their sale rather than from their continued operational use. The assets in question must be immediately saleable and there must be a high probability that their sale will occur. If entire business units are held for sale, all their non-current assets and all their directly attributable liabilities are recorded in the balance sheet separately as assets held in, or liabilities from, disposal groups.

Property, plant and equipment. Property plant and equipment, excluding property held for investment, is recorded at cost minus accumulated depreciation. Subsequent expenditure for renovation is capitalised only if the costs can be reliably determined and an economic benefit results from them. If these conditions are met, the renovation costs so capitalised are depreciated over the economically useful life of the property. All other renovation and maintenance costs are expensed directly to the income statement. Capitalised extensions and installations in rented premises are depreciated over their estimated economically useful life or the remaining term of the rental lease, if this is shorter. The interest costs relating to facilities which have been under construction for longer periods of time are capitalised.

A straight line amortisation schedule is used, based on the following estimates of economically useful life:

	Years
Land for operational use	no depreciation
Buildings and building components, operational	15–96
Machinery, equipment, fixtures and fittings	6–10
Vehicles	5
IT hardware	3–5

Investment property. Investment property is recorded at purchase or construction cost minus accumulated depreciation. The fair values reported in these notes are based on current estimates of their income-generating capacity. Subsequent expenditure for renovation is capitalised only if the costs can be reliably determined and an economic benefit results from them. If these conditions are met, the renovation costs so capitalised are depreciated over their useful economic life. All other renovation and maintenance costs are expensed directly to the income statement.

The depreciation method is straight line, based on the following estimates of economically useful life:

	Years
Land	no depreciation
Buildings	20–60

Impairments to property, plant and equipment. The current values of property, plant and equipment are reviewed whenever changing circumstances or specific events suggest that their current book values might be too high. If the current book value of an asset exceeds its realisable value, which is defined as the higher of its current fair value minus selling costs or its value in use, the asset will be written down to its realisable value. Once made, an impairment may be reversed only if the assumptions previously used in determining the realisable value of the asset concerned have been subject to change. If such a change has occurred, the book value of the asset in question will be raised to its current realisable value. This new realisable value may not, however, exceed the value at which the asset would have been carried if no previous impairments had occurred and it had simply been subject to regular straight-line depreciation. Any increase in value resulting from such a reversal is recorded in the income statement immediately.

Leases. Assets acquired under leasing agreements which transfer the benefits and risk of ownership from the lessor to the lessee are classified as non-current assets of the relevant category. Assets acquired under finance leases are initially capitalised at the lower of their market value or the net present value of all binding future leasing payments contracted at the beginning of the lease. On the liabilities side this same amount is recognised as a finance lease liability. Leased assets are amortised over their anticipated economically useful lives or the life of the lease if this is shorter and transfer of ownership at the end of the lease is not certain.

Similarly, fixed assets leased to third parties under agreements transferring substantially all the benefits and risks of ownership to the lessee are classified not as property, plant and equipment but as financial assets, recorded at the present value of the future leasing payments receivable.

Expenditure or revenue arising from operating leases is credited or charged to the income statement on a straight line basis over the life of the leases.

Intangible assets, excluding goodwill. Intangible assets are classified into one of the following three categories: software, intangible assets of limited duration or intangible assets of unlimited duration. All intangible assets, excluding goodwill, are carried at historical purchase or production cost minus accumulated depreciation.

Software. The purchase or production costs of software are recognised on the balance sheet if Valora expects to derive future economic benefit from the software concerned. Straight-line depreciation is applied over the expected economically useful life of the software.

Intangible assets of limited duration. These are depreciated according to the straight-line method.

Intangible assets of unlimited duration. Intangible assets of unlimited duration are not subject to scheduled depreciation charges. They are subjected to an impairment test at least once a year, with impairment charges being recorded against them as required. Valora does not currently own any assets in this category.

Amortisation is carried out based on the following estimates of economically useful life:

	Years
Software	3 – 5
Intangible assets of limited duration	3 – 20

Impairments to intangible assets. The current values of intangible assets excluding goodwill are reviewed whenever changing circumstances or specific events suggest that their current book values might be too high. If the current book value of an asset exceeds its realisable value, which is defined as the higher of its current fair value minus selling costs or its value in use, the asset will be written down to its realisable value. Once made, an impairment (other than one made to goodwill) may be reversed only if the assumptions previously used in determining the realisable value of the asset concerned have been subject to change. If such a change has occurred, the book value of the asset in question will be raised to its current realisable value. This new realisable value may not, however, exceed the value at which the asset would have been carried if no previous impairments had occurred and it had simply been subject to regular depreciation. Any increase in value resulting from such a reversal is recorded in the income statement immediately.

Goodwill. Goodwill is the amount by which the purchase price which the Group paid for a company it acquired exceeds the fair value of that company's net assets. Goodwill is recognised on the balance sheet in accordance with IFRS 3, and is attributed to the appropriate cash generating unit (CGU). The CGU is then subjected to an impairment test, which is carried out at least once a year, and more frequently should there be evidence suggesting possible impairment. This involves comparing the book value of the CGU to which the goodwill was assigned with the CGU's current realisable value. This realisable value is defined as the higher of the fair value of the CGU minus selling costs and its value in use. The fair value minus selling costs is defined as the amount which could be obtained for its disposal in an arm's length transaction on current market terms between willing and knowledgeable transacting parties after deduction of selling costs. If the book value of the cash generating unit exceeds this realisable value, the goodwill is impaired and the amount of the impairment will be charged to the income statement. No increases in the carrying value of goodwill are permitted.

Financial assets. Financial assets are classified according to one of the following categories:

- at fair value through profit or loss
- loans and receivables
- held to maturity
- available for sale

Classification depends on the purpose for which the financial assets were acquired and is determined when the assets are first recognised.

Financial assets at fair value through profit or loss. These include financial assets and derivative financial instruments held for trading purposes, as well as other assets assigned to this category on initial recognition. Financial assets are assigned to this category if they are acquired with a view to short-term sale. Financial assets in this category are recorded as current financial assets if they are held for trading purposes or are intended to be sold within 12 months.

Loans and receivables. Loans and receivables are financial assets whose payment dates and amounts are either fixed or can be determined and which are not traded in a market. They include the trade accounts receivable and other receivables which are shown separately on the balance sheet. They are classified as current assets unless their maturity is more than 12 months after the balance sheet date.

Held to maturity. This category covers financial assets which the company has the intention and the ability to hold until they mature. They are classified as current assets if they mature within 12 months of the balance sheet date or non-current assets if they mature thereafter.

Available for sale. This category covers minority interests (i.e. shareholdings of less than 20%) and financial assets not assigned to any other category. Financial assets available for sale are classified as non-current assets.

All purchases and sales of financial assets are recorded on the trade date. Financial assets, except those held at fair value through profit and loss, are initially recorded at fair value plus transaction costs. Financial assets held for trading purpose are initially recorded at market value excluding transaction costs and thereafter, like all other "at fair value through profit or loss" assets, at their market value. Loans and receivables and financial assets held to maturity are recorded at their amortised value calculated by the effective yield method. Financial assets available for sale are carried at market value, using market offered prices where available or model-based valuations where no market exists. Equity participations which are not traded in a market and for which insufficient data is available to perform a valuation are carried at cost. Unrealised gains and losses are credited or debited to other comprehensive income. Enduring or significant impairments are recorded and charged to the income statement. When an available for sale financial asset is sold, the valuation adjustments which have been accumulated against shareholders' equity in respect of it are passed to the income statement.

Interest-bearing debt. Interest-bearing liabilities are carried at their amortised value, with differences between their initial and maturity values being determined by the effective yield method and charged to financial expense.

Provisions. Provisions are recorded when, as a result of a past event, a liability has arisen whose amount can be reliably estimated and for whose settlement an outflow of cash is probable.

Liabilities from employee pension schemes. Valora pays employer contributions to various pension schemes established according to local legislation. For defined benefit schemes, the present value of the benefit obligation is determined by an annual actuarial assessment under the projected unit credit method. These assessments take account of the contribution years accumulated by employees at the assessment date as well as their expected future remuneration trajectories. The employer's pension expense, interest costs and expected investment returns are booked to the income statement in the period in which they occur. Actuarial gains and losses and the effect of any ceiling applied to the net pension fund assets are accumulated under other comprehensive income.

Expenses for defined contribution pension schemes are charged to the income statement in the period in which they are incurred.

Accounting for derivative financial instruments and hedging transactions. Derivative financial instruments are recorded at their market value prevailing on the balance sheet date. Recognition methods for gains or losses depend on whether the instrument was used to hedge an identifiable risk and whether the conditions for hedge accounting are met. The objective of recognising a transaction as a hedge is to ensure that changes in value of the item being hedged and those in the hedging instrument cancel each other out in the income statement. If a derivative financial instrument is not designated as a hedge or if it does not meet hedge accounting criteria, gains and losses arising from changes in its market value are recognised in the income statement. To qualify for hedge accounting treatment, a hedging transaction must meet a number of strict criteria relating to transaction documentation, probability, hedge effectiveness and valuation reliability. When engaging in a hedging transaction, the Group documents the relationship between the hedging instrument and the hedged item and the purpose and strategy of the hedge. This process also requires that all derivatives used for hedging purposes be linked to specific assets or liabilities, or to firm commitments and expected future transactions. Both when a hedge is set up and during its life the Group documents the extent to which changes in the fair value of the derivative financial instrument offset changes in the value of the item it hedges. When hedges which qualify for hedge accounting treatment are initially transacted, they are classified either as a) hedging the fair value of a specific asset or liability (fair value hedges), b) hedging future cash flows arising from an expected future transaction or a firm commitment (cash flow hedges), or c) hedging a net investment in a foreign subsidiary.

Any gains or losses from hedging instruments classified as cash flow hedges which effectively offset changes in the value of future cash flows are booked to other comprehensive income. Gains or losses which do not meet this effectiveness requirement are immediately recorded in the income statement. The amounts recorded under other comprehensive income are then transferred to the income statement when the cash flows they hedge are booked.

When a derivative financial instrument held for hedging purposes matures, is sold or no longer meets hedge accounting criteria, any unrealised gains or losses accumulated to other comprehensive income up to that time are not transferred to the income statement until the expected transaction for which the hedge was established is recognised in the income statement. However, if a previously anticipated transaction is no longer expected to occur, any such gains or losses previously accumulated to other comprehensive income are transferred to the income statement immediately.

5 MANAGEMENT'S ESTIMATIONS, ASSUMPTIONS AND EXERCISE OF DISCRETION

Significant assumptions in the application of accounting principles. The application of accounting principles to the Group requires assessments by management which – while no estimates are used to this end – may have a significant influence on the figures reported in the consolidated financial statements. Management assessments are needed in the analysis of the substance of complex transactions. In the opinion of management, these financial statements do not contain any assumptions regarding the application of accounting principles which have a material effect on the figures reported.

Significant estimations. Preparation of the consolidated financial statements under IFRS requires the use of estimations regarding the future and may have an influence on the amount of certain items reported in the income statement, the statement of comprehensive income, the balance sheet and their explanatory notes. Any estimations underlying the figures reported in the consolidated financial statements are based on experience and the information available at the time the statements were prepared. Estimations and assumptions are reviewed regularly and adapted where necessary. Nevertheless, subsequent actual outcomes may diverge from earlier estimations. Any changes resulting from modifications of estimated values are recognised in the consolidated financial statements in the year in which such modifications are made. Estimations and assumptions bearing significant risks of substantial future changes to book values are listed below:

Property, plant and equipment. The useful life of property, plant and equipment is determined based on experience and the current technical characteristics of the assets concerned. The actual useful life of a specific asset may deviate from that initially determined due to changes in technology and market conditions. In the event of such a deviation, the remaining useful life of the asset concerned is adjusted. The value of fixed assets is always re-assessed whenever changes in circumstances indicate that their current book value may exceed their fair value. Fair value is determined on the basis of estimates and management's assumptions about the economic utility of the assets concerned. Values subsequently realised can deviate from these estimates (see note 20).

Goodwill. The consolidated balance sheet carries goodwill from continuing operations at CHF 124.7 million (see note 22). As explained above, this goodwill is subjected to an impairment test whenever evidence suggests that its realisable value may have diminished and in any event at least once annually.

The impairment tests are based on estimated future free cash flows, using discounted cash flow analysis, for each of the cash generating units concerned. The principal factors affecting these valuations are the estimated net revenues, estimated operating margins and the discount rate applied.

Net pension asset. The Group maintains occupational pension schemes of its own which are classified as defined benefit schemes for IFRS purposes. IFRS requires an annual comparison of the pension plans' assets with the dynamically calculated net present value of their benefit obligations. These valuations showed a pension plan surplus for the Swiss schemes which is capitalised in the consolidated balance sheet and which corresponds to that portion of the surplus which the Group is entitled to offset against its benefit obligations under the plans concerned. These valuations are based on a number of assumptions, principal among which are the discount rate applied to future benefits, the expected rate of return on the invested capital, and the expected future pensions and salaries of the plan participants (see note 30). Actual outcomes may diverge considerably from the assumptions made.

Deferred income tax assets. Under IFRS rules, that portion of any tax loss carry forwards which can be expected to result in future tax savings should be recognised as a deferred tax asset. The amount of tax savings which are then actually achieved will depend on the level of income generated before the tax loss carry forwards expire. This means that future net income may be impacted by impairments on deferred tax assets if the profits the Group generates during the relevant

period are below initial expectations. Conversely, additional net income may be recognised if the profits the Group generates exceed expectations and previously unrecognised tax loss carry forwards can be drawn on.

Provisions. Provisions are established for liabilities whose amount and/or due date cannot be determined with certainty, provided that expert opinion confirms that a future disbursement in respect of the matter in question is probable. A further prerequisite for the creation of such provisions is that the amount of the potential loss can be reliably estimated. In assessing whether a provision is appropriate and what its amount should be, the best available estimates and assumptions are made with regard to the situation as of the balance sheet date. Since new evidence and unfolding events can have a significant effect on subsequent outcomes, earlier estimates and assumptions may be revised in the light of later evidence and events, if their effect on these estimates and assumptions is substantial (see note 29).

6 ACQUISITIONS AND DISPOSALS OF BUSINESS UNITS

Transactions completed in 2011.

Acquisitions

Net assets purchased, purchase price paid, net cash used

in CHF 000	Delvita and Salty Snacks Fair Value	Scandinavian Cosmetics Fair Value
Current assets	3 092	17 915
Intangible assets	1 751	11 702
Other non-current assets	79	105
Current liabilities	- 1 277	- 13 572
Deferred income tax liabilities	- 560	- 4 127
= Net assets acquired	3 085	12 023
Goodwill from acquisition	1 409	26 031
= Purchase price	4 494	38 054
Outstanding contingent consideration	- 873	0
= Purchase price paid	3 621	38 054
Cash and cash equivalents acquired	- 647	- 765
= Cash used in acquisition of subsidiaries	2 974	37 289

Acquisition of Delvita and Salty Snacks. As of January 1, 2011, the Valora Group acquired 100% of Delvita Delikatessen GmbH and 100% of SaltySnackS GmbH, both with registered offices in Nettetal, Germany. Following the acquisition, the two companies were merged to form Salty Snacks Delikatessen GmbH and the new entity's registered offices were established in Mühlheim an der Ruhr, Germany. The company is a traditional trading firm whose principal activities are the distribution of savoury snacks and specialised novelty products to medium-sized suppliers and principals. In the Valora Group's segment reporting, Delvita and Salty Snacks are incorporated in the results of Valora Trade.

The capitalised goodwill of CHF 1.4 million represents the portions of the purchase price which were not recognisable. These relate to synergies arising from the acquisition, the extent to which the acquired company's products complement and extend Valora Trade Germany's product mix and the strengthening of Valora Trade Germany's market position vis-à-vis its trade partners. Valora does not expect the capitalised goodwill to be tax deductible.

The purchase price of the acquisition was CHF 4.5 million, of which CHF 3.6 million has been paid and CHF 0.9 million is currently outstanding under the terms of a contingent consideration arrangement. Payment of this contingent consideration depends on the attainment of two separate performance-related milestones. If these are achieved, the related payments will fall due in 2012 and 2013. The amount of the potential undiscounted disbursements associated with this arrangement is between zero and EUR 0.7 million (CHF 0.9 million). Since there is every probability that these milestones will be achieved, a liability equal to the maximum possible amount has been recognised.

Current assets comprise accounts receivable with a market value of CHF 1.7 million. No impairment charge has been applied to these receivables and Valora expects that the contractually agreed amounts will be paid in their entirety.

Since being acquired by Valora, Delvita and Salty Snacks have contributed net revenues of CHF 12.2 million and net profit of CHF 0.9 million to the Group's consolidated results.

Acquisition of Scandinavian Cosmetics. As of August 23, 2011, the Valora Group acquired 100% of the Swedish company Scandinavian Cosmetics, whose registered offices are in Malmö. The company is Sweden's leading cosmetics distributor. Scandinavian Cosmetics has been integrated into the operations of Valora's Trade division.

The capitalised goodwill of CHF 26.0 million represents the portions of the purchase price which were not recognisable. These relate to the benefits to Valora of gaining access to new geographic markets and synergies which Valora expects to achieve from the creation of a cross-border Scandinavian cosmetics platform. Valora does not expect the capitalised goodwill to be tax deductible.

The total purchase price for this acquisition was CHF 38.1 million (SEK 308 million), one quarter of which - CHF 9.5 million (SEK 77 million) - has been paid into an escrow account as a contingent consideration. After 3 years, this amount will be released to the vendor in full (including accrued interest) provided that the 5 most important contractual relationships the company currently has in place remain unchanged and in force at that time. Since there is every probability that this condition will be met, the total purchase price has been recorded as the purchase price paid.

Current assets comprise accounts receivable with a market value of CHF 4.3 million. No impairment charge has been applied to these receivables and Valora expects that the contractually agreed amounts due will be paid in their entirety.

Since being acquired by Valora, Scandinavian Cosmetics has contributed net revenues of CHF 31.5 million and net profit of CHF 2.0 million to the Group's consolidated results. Had the acquisition taken place with effect from January 1, 2011, net revenues would have been CHF 69.9 million and net profit CHF 2.4 million.

Transaction costs. The total transaction costs attributable to these acquisitions amounted to CHF 0.7 million. These have been recorded in the income statement under "Other operating expenses".

Transactions completed in 2010.

Sale of Melisa. The sale of 100% of Melisa SA, a Swiss company with registered offices in Lugano, took place on May 29, 2010.

Net assets sold, profit from sale, net cash from sale

	Book values
in CHF 000	
Current assets	4 265
Non-current assets	598
Current liabilities	- 4 378
= Net assets sold	485
Net proceeds of sale	986
= Profit from sale of company	501
Net sales proceeds received	986
Cash and cash equivalents sold	- 157
= Net cash from sales of subsidiaries	829

Acquisitions

Net assets purchased, purchase price paid, net cash used

	EMH Fair Value	tabacon Fair Value
in CHF 000		
Current assets	23 692	4 661
Intangible assets	3 279	0
Other non-current assets	105	1 809
Deferred income tax receivables	0	226
Current liabilities	- 17 713	- 4 797
Deferred income tax liabilities	- 91	0
Other non-current liabilities	- 2 724	- 1 143
= Net assets acquired	6 548	756
Non-controlling interests (EMH: 20% / tabacon: 0%)	- 1 310	0
Goodwill from acquisition	10 645	17 524
= Purchase price	15 883	18 280
Outstanding purchase price	0	- 1 526
= Purchase price paid	15 883	16 754
Cash and cash equivalents acquired	- 236	- 383
= Cash used in acquisition of subsidiaries	15 647	16 371

EMH acquisition. As of October 1, 2010, the Valora acquired 80% of Engelschiön Marwell Hauge AS (EMH), a Norwegian company with registered offices in Oslo. The company, which distributes cosmetic products in Norway, has been integrated into Valora's Trade division. Valora has decided to value the non-controlling interests in the company it has not acquired proportionately to the share of the company's equity which they represent.

The capitalised goodwill of CHF 10.6 million represents the portions of the purchase price which were not recognisable. These relate to synergies arising from the acquisition and to the potential for expanding into new categories and distribution channels. Valora does not expect the capitalised goodwill to be tax deductible.

The current assets comprise receivables with a total fair value of CHF 10.8 million. Of this, a gross CHF 10.1 million relates to trade receivables, with CHF 0.1 million recorded for impairments. No impairments have been recorded against the other receivables and their full contractual amount is expected to be realisable.

Following its acquisition, EMH contributed CHF 24.2 million to Group 2010 net revenues and CHF 1.3 million to Group 2010 net income. Had the acquisition been made on January 1, 2010, the contribution to 2010 Group net revenues would have been CHF 75.6 million and the net income contribution CHF 3.0 million.

Tabacon acquisition. As of October 1, 2010, the Valora Group acquired 100% of tabacon Franchise GmbH & Co. KG, a German company with registered offices in Nuremberg. The company was acquired by Valora Retail Kiosk GmbH with effect from October 1, 2010, and absorbed into its operations. The company operates in Germany as a tobacco retail franchiser and has been integrated into Valora's Retail division.

The capitalised goodwill of CHF 17.5 million represents the portions of the purchase price which were not recognisable. These relate to Valora's expansion of its non-travel retail operations in Germany, to the purchasing power arising from the acquisition and to savings arising from combining and integrating the company's purchasing and category management into Valora's operations. The capitalised goodwill will not ordinarily be tax deductible. Subsequent tax deductibility may be possible under certain circumstances.

The company's current assets comprise receivables with a total fair value of CHF 3.8 million. Of this, a gross CHF 0.9 million relates to trade receivables, for which an impairment of CHF 0.1 million has been recorded. No impairments have been recorded against the other receivables and their full contractual amount is expected to be realisable.

Following its acquisition, tabacon contributed CHF 7.2 million to Group 2010 net revenues and CHF 0.4 million to Group 2010 net income. Had the acquisition been made on January 1, 2010, the contribution to 2010 Group net revenues would have been CHF 26.3 million and the net income contribution CHF 1.6 million.

As of December 31, 2011, CHF 1.5 million of the purchase price remained outstanding.

Transaction costs. The transaction costs directly attributable to these acquisitions amount to CHF 0.8 million. These are included in the 2010 income statement under "Other operating expenses".

7 DISCONTINUED OPERATIONS

In 2010, a guarantee made in connection with the disposal of Sørlandchips AS expired. Accordingly, CHF 1.9 million of provisions made in connection with this were released.

The remaining guarantees made in respect of Sørlandchips AS expired during 2011. As a result, the remaining provisions, amounting to CHF 0.3 million, were released in their entirety.

Income statement for discontinued operations

	2011	2010
<i>January 1 – December 31, in CHF 000</i>		
Net revenues	0	0
Gross profit	0	0
Operating expenses	0	0
Other income, net	317	1 931
Operating profit (EBIT)	317	1 931
Financial result	0	0
Profit before taxes	317	1 931
Income taxes	0	0
Operating profit	317	1 931
Accumulated currency translation differences	0	0
Net profit from discontinued operations	317	1 931

Earnings per share from discontinued operations amounted to CHF 0.11 in 2011 (CHF 0.70 in 2010). There were no dilutive effects in 2011 and 2010.

8 SEGMENT REPORTING

The Valora Group is a trading company operating on a Europe-wide scale, with business activities carried out in the following three reportable business segments:

Valora Retail: Valora Retail operates small retail outlets at heavily frequented locations in Switzerland, Germany, Luxembourg and Austria. The division operates country-wide marketing and distribution systems for press, tobacco and consumer products for daily use and the impulse buyer's market. Valora Retail's market presence comprises the k kiosk, avec., P & B and Caffè Spettacolo formats.

Valora Services: Valora Services is engaged in the distribution of press products as well as carrying out wholesaling activities. The division is the leading press distributor to Valora-operated units and retail partners in Switzerland, Austria and Luxembourg, both with regard to physical distribution and other services. In Switzerland, Valora Services also distributes food and non-food articles to the retail trade.

Valora Trade: Valora Trade deploys a range of customer-specific distribution and marketing solutions to supply fast-moving consumer goods to the organised and independent retail sectors in seven European national markets.

Other: The Valora Group's corporate support functions in finance, human resources, business development, legal services and communications, as well as its IT services and the central logistics functions for Valora Retail Switzerland and Valora Services Switzerland are all classified under "Other". The net revenues shown for this division are those arising from the logistics services it provides. The assets for this segment predominantly consist of loans to Group companies, cash and cash equivalents and short-term receivables. Its liabilities essentially consist of the bond issue detailed in note 26 and short-term liabilities.

Reportable segments are identified on the basis of the type of products each segment deals in and the way in which these are distributed. At Valora, these segments comprise a variety of retail formats and geographical regions. The net revenues generated by these segments relate to the sale of goods. Their non-current assets comprise property, plant and equipment, investment property and intangible assets (additions to which are shown without changes in consolidation scope). Valora's internal and external reporting is based on the same valuation principles as its external reporting.

Segment data by division

2011

	Valora Retail	Valora Services	Valora Trade	Other	Intersegment elimination	Total Group
in CHF 000						
<i>Net revenues</i>						
Total	1 613 174	599 742	744 522	10 829	- 150 363	2 817 904
From third parties	1 611 226	456 665	739 184	10 829	0	2 817 904
From other divisions	1 948	143 077	5 338	0	- 150 363	0
<i>Operating profit (EBIT)</i>						
Total	41 793	19 954	16 335	- 7 556	0	70 526
Depreciation, net	24 575	4 511	3 222	14 214	0	46 522
Increase of provisions established for litigation	0	0	0	753	0	753
Release of provisions established for litigation	- 2 948	0	0	0	0	- 2 948
<i>Additions to long-term assets</i>						
Total	29 386	1 505	1 755	22 032	0	54 678
<i>Segment assets</i>						
Total	574 325	213 394	361 858	337 590	- 384 047	1 103 120
Investment in associates and joint ventures	0	2	4 289	0	0	4 291
<i>Segment liabilities</i>						
Total	463 760	132 084	204 605	224 386	- 384 047	640 788

Net revenues from third parties comprise CHF 2753 million for sales of goods and CHF 65 million for services provided. The net depreciation at Valora Retail includes impairments amounting to CHF 814 thousand.

2010 Restated

	Valora Retail	Valora Services	Valora Trade	Other	Intersegment elimination	Total Group
in CHF 000						
Net revenues						
Total	1 606 528	705 110	721 801	9 708	- 165 497	2 877 650
From third parties	1 604 997	547 317	715 628	9 708	0	2 877 650
From other divisions	1 531	157 793	6 173	0	- 165 497	0
Operating profit (EBIT)						
Total	41 702	28 326	17 745	- 6 471	0	81 302
Depreciation, net	23 673	4 801	2 659	12 934	0	44 067
Release of provisions established for litigation	0	0	0	- 956	0	- 956
Additions to long-term assets						
Total	28 987	4 990	2 787	20 765	0	57 529
Segment assets						
Total	590 503	234 465	298 782	372 139	- 399 749	1 096 140
Investment in associates and joint ventures	0	169	4 853	0	0	5 022
Segment liabilities						
Total	459 158	153 031	175 718	229 837	- 399 746	617 998

Net revenues from third parties comprise CHF 2 815 million for sales of goods and CHF 63 million for services provided. The net depreciation at Valora Retail includes impairments amounting to CHF 294 thousand.

In order to reflect changes to the Group's internal organisational structures, the composition of Valora's segment reporting was modified with effect from January 1, 2011. To ensure comparability, the 2010 segment reporting information has also been modified accordingly. These modifications essentially relate to the transfer of the Group's book business in Switzerland and Luxembourg from Valora Services to Valora Retail. The resulting change in net revenues from third parties is CHF - 59 thousand for Valora Services and CHF + 59 thousand for Valora Retail. The change in net revenues from other divisions amounts to CHF - 13 222 thousand for Valora Services. The change in operating profit amounts to CHF - 1936 thousand for Valora Services and CHF + 1936 thousand for Valora Retail.

Segment data by region

2011

	Switzerland	Europe	Total Group
in CHF 000			
Net revenues from third parties	1 731 815	1 086 089	2 817 904
Long-term assets	245 275	212 567	457 842

2010

	Switzerland	Europe	Total Group
in CHF 000			
Net revenues from third parties	1 779 739	1 097 911	2 877 650
Long-term assets	239 366	175 012	414 378

Within Europe, net revenues of CHF 324.4 million (CHF 310.5 million in 2010) are attributable to Germany, which accounts for the largest share of revenues shown in the Europe column. The largest portion of long-term assets in Europe is also attributable to Germany, with CHF 50.7 million (CHF 49.4 million in 2010).

The information shown regarding revenues and non-current assets (property, plant and equipment, investment property and intangible assets) is based on the location of the subsidiaries concerned. No single customer accounts for more than 10% of net revenues from third parties.

9 PERSONNEL EXPENSES

	2011	2010
in CHF 000		
Salaries and wages	348 162	363 628
Social security payments	47 063	52 842
Share-based payments	483	1 726
Other personnel expenses	13 587	14 524
Total personnel expenses	409 295	432 720
Number of employees (full-time equivalent basis) at December 31	5 801	6 455

Social security payments include CHF 3664 thousand (CHF 3321 thousand in 2010) in respect of defined contribution pension plans. Other personnel expenses notably include wages for temporary staff paid to employment agencies, training and personnel recruitment costs and changes in pension plan arrangements.

The reduction in the number of employees is largely due to the expansion of the network of outlets operated on an agency basis.

10 OTHER OPERATING EXPENSES

	2011	2010
in CHF 000		
Rent	127 410	127 216
Real-estate expenses	6 359	7 254
Energy	22 333	21 507
Insurance	1 707	1 964
Communications and IT	20 641	16 822
Advertising and sales	59 643	48 885
Shipping and dispatch	61 720	62 187
General administration	28 542	22 447
Capital and other taxes	1 320	350
Miscellaneous	28 400	17 217
Total other operating expenses	358 075	325 849

Other operating expenses include operating lease payments of CHF 3.6 million (CHF 3.5 million in 2010) and agency fees of CHF 11.8 million (CHF 0.5 million in 2010).

11 OTHER INCOME, NET

	2011	2010
in CHF 000		
Rental income	2 510	2 657
Gains from disposal of non-current assets	1 033	3 497
Losses from disposal of non-current assets	- 584	- 915
Miscellaneous income, net	5 086	3 485
Total other income, net	8 045	8 724

The book gains from disposal of non-current assets are principally due to sales of real estate. Miscellaneous income, net includes CHF 2.9 million in respect of pending litigation (see note 29).

12 FINANCIAL EXPENSE

	2011	2010
in CHF 000		
Interest on bank debt and liabilities	1 966	1 014
Interest on bonds issued	4 352	4 342
Interest on finance leases	115	110
Fair value adjustments on long-term provisions / interest effect	- 899	341
Currency translation losses, net	421	4 011
Total financial expense	5 955	9 818

13 FINANCIAL INCOME

	2011	2010
in CHF 000		
Interest earned on cash, cash equivalents, loans and receivables	653	380
Interest income from finance leases	334	357
Net gains from derivative financial instruments	1 217	1 199
Dividend income from financial investments available for sale	16	9
Total financial income	2 220	1 945

14 INCOME TAXES

Income tax expense was as follows:

	2011	2010
in CHF 000		
Expense on current income taxes	3 939	8 295
Expense (income) from deferred taxes	6 067	4 165
Total income tax	10 006	12 460

The differences between reported Group income tax expense and the expected tax expenses of the individual Group companies based on their applicable tax rates can be reconciled as follows:

	2011	2010
in CHF 000		
Profit before income taxes	67 046	74 157
Expected average Group tax rate	20.44 %	21.31 %
Income taxes at expected Group tax rate	13 704	15 800
Non-tax-deductible tax expense	1 267	1 783
Utilisation of losses not previously recognised	- 786	- 6 023
Out-of-period effects on current income taxes	- 3 054	639
Impairments recognised against deferred income tax assets	2 652	5 281
Release of previous impairments against deferred income tax assets	- 3 985	- 7 967
Changes in tax rates	0	1 819
Other effects	208	1 128
Total reported income taxes	10 006	12 460
Effective tax rate	14.9 %	16.8 %

Expected average Group tax rates take account of the tax rates applying to individual entities on a weighted basis. The expected average Group tax rate for 2011 is lower than the previous year, because entities with comparatively lower tax rates generated a higher proportion of Group pre-tax earnings than in 2010.

Changes to deferred income taxes were as follows:

<i>Changes to deferred tax assets and liabilities</i>	Deferred tax assets	Deferred tax liabilities	Net assets (+)/ Net liabilities(-)
in CHF 000			
Balance at December 31, 2009	38 215	- 14 819	23 396
Deferred taxes recorded in the income statement	- 5 157	992	- 4 165
Deferred taxes recorded in other comprehensive income	0	- 2 711	- 2 711
Additions to consolidation scope	232	- 94	138
Currency translation differences	- 2 136	721	- 1 415
Balance at December 31, 2010	31 154	- 15 911	15 243
Deferred taxes recorded in the income statement	- 3 307	- 2 760	- 6 067
Deferred taxes recorded in other comprehensive income	19	9 055	9 074
Additions to consolidation scope	0	- 4 687	- 4 687
Currency translation differences	- 296	- 302	- 598
Balance at December 31, 2011	27 570	- 14 605	12 965

The composition of the capitalised deferred income tax assets and liabilities is as follows:

<i>Deferred tax assets by source of difference</i>	2011	2010
in CHF 000		
Current assets	590	1 805
Property, plant and equipment	82	105
Goodwill, software and other intangible assets	19 208	21 861
Other non-current assets	0	7
Liabilities and provisions	2 102	3 458
Tax loss carry forwards	8 123	9 027
Total	30 105	36 263
<i>Deferred tax liabilities by source of difference</i>		
Current assets	- 1 546	- 2 396
Property, plant and equipment	- 3 833	- 4 002
Goodwill, software and other intangible assets	- 7 512	- 3 239
Net pension asset	- 2 723	- 9 968
Other non-current assets	- 938	- 1 157
Liabilities and provisions	- 588	- 258
Total	- 17 140	- 21 020
<i>Reported in the balance sheet</i>		
Deferred income tax assets	27 570	31 154
Deferred income tax liabilities	- 14 605	- 15 911
Total deferred income tax assets, net	12 965	15 243

Tax loss carry forwards are as follows: CHF 218.8 million (CHF 210.8 million in 2010). In 2011, CHF 58.8 million of the CHF 193.4 million available was not recognised as a deferred tax asset, since it is unlikely that this will be realised. In 2010, CHF 55.2 million of the CHF 179.3 million available was not recognised as a deferred tax asset for the same reason. These tax loss carry forwards will mature as follows:

	2011	2010
in CHF 000		
Within one year	0	0
Within 2 years	0	0
Within 3 years	0	0
Within 4 years	0	0
Within 5 years	0	0
After more than 5 years and with no fixed maturity	193 366	179 267
Total	193 366	179 267

There are temporary differences amounting to CHF 210.4 million (CHF 204.1 million in 2010) for which no deferred tax assets were capitalised.

15 EARNINGS PER SHARE

Earnings per share are calculated by dividing the net profit attributable to shareholders of Valora Holding AG by the weighted average number of shares outstanding.

	2011	2010
in CHF 000		
Net profit from continuing operations	57 040	61 697
Net profit attributable to non-controlling interests	- 1 029	- 236
Net profit from continuing operations attributable to Valora Holding AG shareholders	56 011	61 461
Net profit from discontinued operations	317	1 931
Net profit from continuing and discontinued operations attributable to Valora Holding AG shareholders	56 328	63 392
Average number of shares outstanding	2 767 795	2 750 735
Earnings per share from continuing operations (in CHF)	20.24	22.35
Earnings per share from continued and discontinued operations (in CHF)	20.35	23.05

There were no dilutive effects in 2011 or 2010.

16 CASH AND CASH EQUIVALENTS

	2011	2010
in CHF 000		
Petty cash and bank sight deposits	109 180	130 079
Bank term deposits and money market investments < 3 months	382	382
Total cash and cash equivalents	109 562	130 461
of which pledged	9 826	15 060

17 TRADE ACCOUNTS RECEIVABLE

	2011	2010
in CHF 000		
Trade accounts receivable, gross	177 811	177 137
Allowance for bad and doubtful debts	- 3 769	- 2 934
Total trade accounts receivable, net	174 042	174 203

Allowances for trade accounts receivable are shown in the table below:

	2011	2010
in CHF 000		
Position at January 1	2 934	2 669
Removal from consolidation scope	0	- 13
Allowance creation charged to income	2 133	2 027
Allowances released to income	- 321	- 1 005
Allowances utilised	- 960	- 557
Currency translation differences	- 17	- 187
Position at December 31	3 769	2 934

The year-end composition, by vintage, of overdue trade accounts receivable which have not been subjected to allowance is as follows:

	2011	2010
in CHF 000		
Up to 10 days overdue	9 552	9 762
More than 10 days, but less than one month overdue	10 027	4 885
More than one month, but less than two months overdue	2 767	2 767
More than two months, but less than four months overdue	1 121	1 763
More than four months overdue	399	1 929

The breakdown of trade accounts receivable by currency is as follows:

	2011	2010
in CHF 000		
CHF	69 636	82 157
DKK	29 467	26 025
EUR	39 792	36 480
NOK	12 169	12 597
SEK	22 957	16 843
Others	21	101
Total trade accounts receivable, net	174 042	174 203

18 INVENTORIES

	2011	2010
in CHF 000		
Merchandise	236 189	214 424
Other inventories	110	180
Total inventories	236 299	214 604

In 2011, write-downs of CHF 5.7 million were charged to cost of goods (CHF 4.9 million in 2010). There are no inventory book values which are recognised at fair value less cost to sell (2010: none).

19 OTHER CURRENT RECEIVABLES

	2011	2010
in CHF 000		
Value-added tax, withholding tax and other taxes recoverable	6 183	5 236
Prepaid expenses and accrued income	19 875	17 040
Short-term receivables from finance leases	621	621
Miscellaneous receivables	39 918	40 221
Total other current receivables	66 597	63 118

The miscellaneous receivables above principally comprise cost reimbursement receivables and payments receivable from social security agencies and insurers.

Additional information relating to receivables from finance leases can be found in note 23.

20 PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and equipment	Projects in progress	Total
in CHF 000					
<i>At cost</i>					
Balance at December 31, 2009	19 945	149 490	365 387	5 890	540 712
Consolidation scope additions	0	0	1 904	0	1 904
Consolidation scope removals	0	0	- 2 825	0	- 2 825
Additions	0	26	26 928	7 902	34 856
Disposals	- 167	- 2 371	- 32 218	- 338	- 35 094
Transfers	0	0	5 216	- 5 367	- 151
Translation adjustments	- 1 188	- 2 749	- 11 367	- 146	- 15 450
Balance at December 31, 2010	18 590	144 396	353 025	7 941	523 952
Consolidation scope additions	0	0	184	0	184
Additions	0	11	24 106	13 790	37 907
Disposals	- 2 193	- 4 584	- 18 756	0	- 25 533
Transfers	0	0	4 461	- 5 121	- 660
Translation adjustments	- 179	- 378	- 1 886	- 32	- 2 475
Balance at December 31, 2011	16 218	139 445	361 134	16 578	533 375
<i>Accumulated depreciation</i>					
Balance at December 31, 2009	0	- 58 080	- 262 898	0	- 320 978
Consolidation scope removals	0	0	2 295	0	2 295
Additions	0	- 3 483	- 24 878	0	- 28 361
Impairment	0	0	- 294	0	- 294
Disposals	0	1 537	30 792	0	32 329
Transfers	0	0	0	0	0
Translation adjustments	0	1 109	7 654	0	8 763
Balance at December 31, 2010	0	- 58 917	- 247 329	0	- 306 246
Additions	0	- 2 584	- 24 908	0	- 27 492
Impairment	0	0	- 814	0	- 814
Disposals	0	1 948	17 075	0	19 023
Transfers	0	0	0	0	0
Translation adjustments	0	172	1 284	0	1 456
Balance at December 31, 2011	0	- 59 381	- 254 692	0	- 314 073
<i>Net book value</i>					
at December 31 2010	18 590	85 479	105 696	7 941	217 706
at December 31, 2011	16 218	80 064	106 442	16 578	219 302

Property, plant and equipment includes finance leases on machinery and equipment with a book value of CHF 1.1 million (CHF 2.1 million in 2010).

<i>Fire insurance values of property, plant and equipment</i>	2011	2010
in CHF 000		
Property (including investment property)	171 544	199 445
Plant and equipment	408 044	377 965
Total	579 588	577 410

21 INVESTMENT PROPERTY

The acquisition costs and book values for the investment property portfolio were as follows:

<i>Investment property</i>	2011	2010
in CHF 000		
<i>At cost</i>		
Balance at January 1	10 317	16 880
Disposals	0	- 5 438
Translation adjustments	- 171	- 1 125
Balance at December 31	10 146	10 317
<i>Accumulated depreciation</i>		
Balance at January 1	- 4 378	- 6 800
Additions	- 129	- 149
Disposals	0	1 842
Translation adjustments	113	729
Balance at December 31	- 4 394	- 4 378
Total net book value	5 752	5 939

The estimated market value (based on yield value assessments) of the investment properties was CHF 7.8 million (CHF 7.8 million in 2010). The rental income from the investment properties was CHF 1.1 million (CHF 1.1 million in 2010) and the associated maintenance and operational costs were CHF 0.2 million (CHF 0.4 million in 2010).

22 GOODWILL, SOFTWARE AND INTANGIBLE ASSETS WITH LIMITED USEFUL LIFE

	Goodwill from acquisitions	Software and intangible assets with limited useful life	Projects in progress	Total
in CHF 000				
<i>At cost</i>				
Balance at December 31, 2009	101 127	115 450	9 411	225 988
Consolidation scope additions	28 169	3 279	0	31 448
Consolidation scope removals	0	- 63	0	- 63
Additions	0	16 823	5 850	22 673
Disposals	- 395	- 7 153	0	- 7 548
Transfers	0	8 418	- 8 267	151
Translation adjustments	- 4 227	- 8 643	- 731	- 13 601
Balance at December 31, 2010	124 674	128 111	6 263	259 048
Consolidation scope additions	27 440	13 453	0	40 893
Consolidation scope removals	0	0	0	0
Additions	0	7 256	9 515	16 771
Disposals	0	- 6 601	0	- 6 601
Transfers	0	4 594	- 3 934	660
Translation adjustments	1 521	- 350	- 76	1 095
Balance at December 31, 2011	153 635	146 463	11 768	311 866
<i>Accumulated depreciation</i>				
Balance at December 31, 2009	0	- 64 503	0	- 64 503
Consolidation scope removals	0	34	0	34
Additions	0	- 15 263	0	- 15 263
Disposals	0	6 232	0	6 232
Transfers	0	0	0	0
Translation adjustments	0	5 185	0	5 185
Balance at December 31, 2010	0	- 68 315	0	- 68 315
Consolidation scope removals	0	0	0	0
Additions	0	- 18 087	0	- 18 087
Disposals	0	6 423	0	6 423
Transfers	0	0	0	0
Translation adjustments	0	901	0	901
Balance at December 31, 2011	0	- 79 078	0	- 79 078
<i>Book value</i>				
at December 31, 2010	124 674	59 796	6 263	190 733
at December 31, 2011	153 635	67 385	11 768	232 788

Software and intangible assets with limited useful life. Software and intangible assets with limited useful life include CHF 40.7 million (CHF 44.8 million in 2010) for software and CHF 26.7 million (CHF 15.0 million in 2010) for intangible assets with limited useful life, of which CHF 6.1 million (CHF 8.6 million in 2010) relate to capitalised delivery entitlements in favour of Valora Services.

Goodwill impairment test. Goodwill is assigned to the Group's cash-generating units. It is initially allocated to business segments and then, within these, to geographically related markets. The composition of the goodwill positions is as follows:

	Segment	Erwerbsjahr	2011	2010
in CHF 000				
Valora Trade Nordics Denmark	Trade	2001	14 028	14 028
Valora Trade Nordics Sweden	Trade	2001	2 294	2 294
Scandinavian Cosmetics	Trade	2011	28 733	0
EMH Norway	Trade	2010	9 975	10 209
Valora Trade Austria	Trade	1995	9 312	9 312
Valora Trade Germany	Trade	1997 / 2011	4 076	2 754
Valora Services Luxembourg (MPK)	Services	2000	43 342	43 342
Valora Services Austria (PGV)	Services	2004	3 850	3 964
Valora Retail Switzerland	Retail	2002	12 774	12 774
Valora Retail Kiosk Germany	Retail	2008 / 2010	17 947	18 477
Konrad Wittwer Germany	Retail	2009	7 304	7 520
Total book value at December 31			153 635	124 674

The impairment tests for the goodwill established in connection to the acquisition of Delvita and Salty Snacks in 2011 were conducted as part of the evaluations carried out for the Valora Trade Germany cash-generating unit. The impairment tests for the goodwill established in connection with the acquisitions of Media Center in 2008 and Tabacon in 2010 were conducted as part of the evaluations carried out for the Valora Retail Kiosk Germany cash-generating unit, since it is with that unit that these two entities have now been merged from both a legal and a business standpoint.

Impairment tests are carried out at least once a year or in case of evidence of impairment. Each unit's realisable value is determined on the basis of its value in use and then compared to its book value. An impairment adjustment will be made only if the book value of the cash-generating unit exceeds its realisable value. Valuation is carried out on the basis of projected future free cash flows from cash-generating units to which goodwill has been allocated, using the discounted cash flow (DCF) method. These projected cash flows are discounted at a rate equal to the pre-tax weighted average cost of capital.

These projected cash flows are derived from the business plans for the next three years, which reflect management's expectations and have been approved by the Board of Directors. The principal assumptions used are as follows:

Valora Trade Nordics, Scandinavian Cosmetics, EMH Norway. Average sales growth for the next three planning years will be between 3 and 5 % while margins will remain unchanged.

Valora Trade Austria. Average sales growth for the next three planning years will be 13 % and margins will improve.

Valora Trade Germany. Average sales growth for the next three planning years will be 14 % and margins will improve slightly.

Valora Services Luxembourg (MPK). There will be a slight increase in sales over the next three planning years while margins will remain unchanged.

Valora Services Austria (PGV). Average sales growth for the next three planning years will be around 2 % and margins will improve slightly.

Valora Retail Switzerland. Average sales growth for the next three planning years will be 4 % and margins will improve slightly.

Valora Retail Kiosk Germany, Konrad Wittwer. Average sales growth for the next three planning years will be between 1 and 2% and margins will improve slightly.

Cash flows after this three-year period are modelled by using a residual value based on projections for the third planning year and assume zero growth thereafter. The discount rates applied are based on data observed in Swiss financial markets which is then adjusted to reflect currency and country-specific risks. The discount rates used (pre tax) are as follows:

	currency	2011	2010
in CHF 000			
Valora Trade Nordics Denmark	DKK	7.7 %	8.6 %
Valora Trade Nordics Sweden	SEK	7.1 %	8.7 %
Scandinavian Cosmetics	SEK	8.0 %	–
EMH Norway	NOK	8.1 %	8.8 %
Valora Trade Austria	EUR	7.6 %	8.7 %
Valora Trade Germany	EUR	7.1 %	8.2 %
Valora Services Luxembourg (MPK)	EUR	7.9 %	9.2 %
Valora Services Austria (PGV)	EUR	7.2 %	8.4 %
Valora Retail Switzerland	CHF	6.2 %	6.7 %
Valora Retail Kiosk Germany	EUR	7.2 %	7.2 % – 8.1 %
Konrad Wittwer Germany	EUR	6.7 %	7.7 %

No impairments to goodwill were charged to the income statements for 2011 or 2010. The impairment tests for 2011 and 2010 show that in the event of a 1.5 percentage point increase in the discount rate (which is regarded as being within the realms of the possible) all these units' realisable values would still be higher than their book values. Even assuming zero sales growth from 2011 onwards, the goodwill ascribed to these units would remain intact. In the event of both of these events occurring together all these units' realisable values would remain higher than their book values, except in the case of Valora Trade Austria, whose goodwill would be impaired by CHF 0.7 million in the event of stagnating sales and a 0.5 percentage point increase in the discount rate applied.

23 RECEIVABLES FROM REAL ESTATE AND FINANCE LEASE

<i>Receivables from real estate leases</i>	2011	2010
in CHF 000		
Rental payments received during period	4 896	3 644
<i>Future rental receivables</i>		
Within one year	3 946	4 535
Within 1 – 2 years	3 358	3 653
Within 2 – 3 years	3 104	3 032
Within 3 – 4 years	2 719	2 505
Within 4 – 5 years	2 508	2 054
After more than 5 years	7 020	2 989
Total future receivables from current real estate leases	22 655	18 768

<i>Receivables from other operating leases</i>	2011	2010
in CHF 000		
Payments received during period	373	149
<i>Future rental receivables</i>		
Within one year	361	455
Within 1 – 2 years	280	445
Within 2 – 3 years	206	334
Within 3 – 4 years	133	231
Within 4 – 5 years	38	144
After more than 5 years	0	40
Total future receivables from other operating leases	1 018	1 649

Other operating leases concern retail shop equipment rented to franchisees in Germany.

<i>Receivables from finance leases</i>	2011	2010
in CHF 000		
Payments received during period	643	643
<i>Maturity of receivables</i>		
Within one year	643	643
Within 1 – 2 years	643	643
Within 2 – 3 years	643	643
Within 3 – 4 years	643	643
Within 4 – 5 years	643	643
After more than 5 years	3 975	4 618
Total future receivables from finance leases	7 190	7 833
less future interest charges	- 2 100	- 2 439
Total future receivables from finance leases (present value)	5 090	5 394
less current portion (see note 19)	- 621	- 621
Non-current receivables from finance leases (see note 24)	4 469	4 773

<i>Present value of minimum future finance lease revenues</i>	2011	2010
in CHF 000		
Within one year	621	621
Within 1 – 2 years	582	582
Within 2 – 3 years	546	546
Within 3 – 4 years	512	512
Within 4 – 5 years	480	480
After more than 5 years	2 349	2 653
Total present value of minimum future finance lease revenues	5 090	5 394

The finance leases cover extensions to the former headquarters in Berne made during Valora's tenancy, which the new tenant is using.

24 FINANCIAL ASSETS

	2011	2010
in CHF 000		
Loans and receivables	2 094	2 919
Receivables from finance leases	4 469	4 773
Financial assets available for sale	2 318	2 370
Total financial assets	8 881	10 062

Note 23 provides further information on receivables from finance leases.

The financial assets available for sale include CHF 647 thousand (CHF 647 thousand in 2010) of unlisted shareholdings for which there is no active market and about which insufficient information is available to form the basis for a valuation. These items are therefore carried at cost minus an impairment for enduring loss in value. There were no disposals of such financial assets in 2011 (2010: CHF 39 thousand).

25 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

<i>Summary balance sheet of associates and joint ventures</i>	2011	2010
in CHF 000		
Current assets	1 231	4 112
Non-current assets	20 652	22 034
Current liabilities	- 10 058	- 11 842
Non-current liabilities	- 2 328	- 3 409
Equity	9 497	10 895
Equity attributable to Valora	4 291	5 022

<i>Summary income statement of associates and joint ventures</i>	2011	2010
in CHF 000		
Net revenues	24 339	32 059
Operating profit (EBIT)	1 268	2 135
Net profit	600	1 418
Net profit attributable to Valora	255	728

Investments in associates comprise 45% of Borup Kemi A/S, Denmark (Valora Trade) and 22% of Karl Schmelzer – J. Bettenhausen bookshops, OHG, Vienna, Austria (Valora Services). Investments in joint ventures relate to 50% of Kaumy S.r.o., Czech Republic (Valora Trade), a position which was sold in December 2011.

26 SHORT-TERM FINANCIAL DEBT AND OTHER LONG-TERM LIABILITIES

<i>Short-term financial debt</i>	2011	2010
in CHF 000		
Current bank debt	1 651	1 407
Bonds	139 844	0
Current portion of finance lease obligations	374	748
Total short-term financial debt	141 869	2 155

<i>Other non-current liabilities</i>	2011	2010
in CHF 000		
Bank loans	- 1 737	- 276
Bonds	0	139 532
Finance lease obligations	667	1 089
Other long-term liabilities	4 714	8 201
Total other non-current liabilities	3 644	148 546

Note 32 provides further information on liabilities arising from finance leases.

The bank loans relate to the syndicated loan taken out by Valora Holding AG, which is a floating rate facility. A new CHF 300 million syndicated loan facility has been in place since November 30, 2011, replacing the previous CHF 200 million arrangement. The transaction costs arising from the new facility will be amortised over its 5 year life. Under the syndicated loan agreement, the Valora Group has covenanted to maintain its equity ratio and indebtedness within certain parameters during the life of the facility.

The other long-term liabilities consist of financial debt amounting to CHF 690 thousand (CHF 2075 thousand in 2010) and other liabilities of CHF 4024 thousand (6126 thousand in 2010).

<i>Bonds</i>	Gross	Discount	2011 net	2010 net
in CHF 000				
2.875% bond 2005–2012	140 000	156	139 844	139 532

The effective yield on the bond is 3.1%.

Maturities at year end were as follows:

	2011	2010
in CHF 000		
Within one year	141 869	2 155
Within 1 – 2 years	518	142 016
Within 2 – 3 years	– 148	291
Within 3 – 4 years	– 217	– 65
Within 4 – 5 years	– 312	137
After more than 5 years	– 221	41
Total financial debt	141 489	144 575
Current portion of long-term financial debt	– 141 869	– 2 155
Total long-term financial debt	– 380	142 420

During 2011 non-current bank loans were neither taken up nor redeemed (2010: none). The negative values shown for some of the maturity bands are attributable to the effect of the capitalised transaction costs of the syndicated loan facility.

The interest rates paid ranged between 2.2% and 4.0% (vs 1.8% and 4.0% in 2010). The weighted average interest rate on Valora's financial debt was 3.1% (2.5% in 2010).

The currency composition of the Group's long-term financial debt is as follows:

	2011	2010
in CHF 000		
CHF	– 1 629	139 551
DKK	586	602
EUR	663	2 267
Total long-term financial debt	– 380	142 420
Other long-term liabilities (CHF)	4 024	6 126
Total other non-current liabilities	3 644	148 546

27 TRADE ACCOUNTS PAYABLE

The currency composition of the Group's trade accounts payable is as follows:

	2011	2010
in CHF 000		
CHF	163 029	141 070
DKK	23 963	22 487
EUR	77 894	79 121
NOK	5 065	4 105
SEK	22 650	16 585
Other	455	74
Total trade accounts payable	293 056	263 442

28 OTHER CURRENT LIABILITIES

	2011	2010
in CHF 000		
Value-added tax and other taxes owed	20 215	17 128
Social security contributions payable	1 255	2 639
Accruals for overtime, unused vacation and variable elements of remuneration	13 642	12 289
Pension cost payable	1 781	2 066
Accrued expenses	74 659	75 396
Other current liabilities	33 294	35 353
Total other current liabilities	144 846	144 871

29 PROVISIONS

	Guarantees	Litigation	Restructuring	Total
in CHF 000				
Balance at December 31, 2009	7 448	4 722	1 081	13 251
Utilised	0	0	- 900	- 900
Amounts released to income	- 1 856	- 956	0	- 2 812
Fair value adjustment / interest effect	105	236	0	341
Currency translation differences	- 113	0	0	- 113
Balance at December 31, 2010	5 584	4 002	181	9 767
Created	0	753	0	753
Utilised	0	0	- 181	- 181
Amounts released to income	- 317	- 2 948	0	- 3 265
Fair value adjustment / interest effect	104	- 1 003	0	- 899
Currency translation differences	- 3	- 51	0	- 54
Balance at December 31, 2011	5 368	753	0	6 121
Current provisions	0	0	0	0
Long-term provisions	5 368	753	0	6 121
Total provisions	5 368	753	0	6 121

Guarantees. At December 31, 2011, these comprised contractual guarantees issued in connection with the sales of Fotolabo and the Own Brands unit.

Changes in 2011: Due to the final expiration of the remaining portions of a guarantee, provisions of CHF 0.3 million were released to income.

Changes in 2010: Due to expiration of a guarantee period provisions of CHF 1.9 million were released to income.

Claims relating to the guarantees issued in connection with the sale of Fotolabo can be lodged until 2013.

Litigation. The provisions established in 2003 in relation to a fraud case in Germany and to Valora Retail cases were fully released to income during 2011. Disbursements in connection with these cases are now no longer deemed probable.

During 2011, a provision of CHF 0.8 million was established in connection with litigation in Switzerland.

Restructuring. Provisions utilised in respect of restructuring measures in the Group's Swiss operations amounted to CHF 0.9 million in 2011. In 2010 a total of CHF 0.9 million was utilised.

30 RETIREMENT BENEFIT LIABILITIES

Current legislation requires most employees to be covered by pension schemes financed by contributions from the Valora Group and its employees. These schemes take the form of state and employer-sponsored plans, contracts with private insurers and independent foundations or welfare plans. While the benefits paid by these schemes vary according to the legislative provisions and economic circumstances of the countries in which they are established, they are generally based on years of service and average remuneration of the employees and cover the risks of old age, death and disability in accordance with applicable local occupational pension plan law.

The most recent actuarial assessment of these schemes was conducted as of December 31, 2011. The assumptions used were based on the economic circumstances prevailing in the countries in which the plans operate. The plans' assets are invested according to the guidelines laid down by local legislation. Valora pays its contributions in accordance with the various plans' rules.

<i>Plan liabilities and assets</i>	2011	2010
in CHF 000		
Present value of benefit obligation at January 1	594 074	575 658
Current service cost to employer	16 168	14 870
Contributions by plan participants	9 138	9 664
Past service cost	0	1 520
Interest cost	16 481	17 563
Plan curtailments, settlements and modifications	- 24 989	0
Benefits paid	- 39 781	- 36 580
Business combinations	0	6 161
Actuarial loss/(gain) on benefit obligation	24 483	7 010
Exchange rate losses/(gains)	- 402	- 1 792
Present value of benefit obligation at December 31	595 172	594 074
Plan assets at fair value at January 1	625 578	598 069
Expected net return on plan assets	24 930	23 955
Employer contributions	13 533	14 144
Contributions by plan participants	9 138	9 664
Plan curtailments, settlements and modifications	- 20 552	0
Benefits paid	- 38 380	- 35 657
Business combinations	0	3 349
Actuarial gain/(loss) on plan assets	- 20 642	12 302
Exchange rate (losses)/gains	- 42	- 248
Plan assets at fair value at December 31	593 563	625 578

Changes made in 2011 with regard to the assumed discount rate decrease resulted in an actuarial loss on the Group's pension obligations. The actuarial loss on plan assets resulted from investment returns which were higher than anticipated.

For 2012, the Group expects to make employer's contributions of CHF 12.3 million to its funded plans.

The surplus on funded plans decreased by CHF 32.8 million during 2011 (2010: increase CHF 8.8 million). This is principally due to changes made to actuarial assumptions and modifications made to plan assets based on prior experience.

<i>Balance sheet data</i>	2011	2010
in CHF 000		
Present value of funded benefit obligations	- 580 146	- 579 327
Plan assets at fair value	593 563	625 578
Surplus on fund-based plans	13 417	46 251
Unrecognised past service cost	0	923
Present value of unfunded pension liabilities	- 15 026	- 14 747
Total net pension position	- 1 609	32 427
of which capitalised as net pension asset	13 417	49 640
of which capitalised as long-term accrued pension cost	- 15 026	- 17 213

The long-term pension fund liabilities relate to unfunded benefit obligations of CHF 15.0 million (CHF 14.7 million in 2010). There are no longer any long-term liabilities relating to funded benefit obligations (CHF 2.5 million in 2010).

<i>Income statement</i>	2011	2010
in CHF 000		
Current service cost to employer	- 16 168	- 14 870
Interest cost	- 16 481	- 17 563
Plan curtailments, settlements and modifications	4 437	0
Expected net return on plan assets	24 930	23 955
Past service cost recognised in period	- 923	- 2 443
Net pension cost for period	- 4 205	- 10 921

<i>Actuarial gains/losses and pension asset recognition ceiling recorded in other comprehensive income</i>	2011	2010
in CHF 000		
January 1	- 41 531	- 52 432
Actuarial gains/(losses)	- 45 125	5 369
Pension asset recognition ceiling	0	8 243
Deferred taxes	9 091	- 2 711
December 31	- 77 565	- 41 531

<i>Key actuarial assumptions</i>	2011	2010
Discount rate	2.25 %	2.75 %
Expected net return on plan assets	3.75 %	4.00 %
Expected rate of increase in future salary levels	1.50 %	2.00 %
Expected rate of increase in future pension levels	0.25 %	0.25 %

The calculations for Switzerland were based on the BVG 2010 mortality table.

<i>Asset allocation</i>	2011	Expected long-term return	Contribution to pension plan income	2010
Cash and cash equivalents	8.10 %	1.25 %	0.10 %	9.60 %
Fixed income	28.10 %	2.50 %	0.70 %	26.70 %
Equity	23.40 %	6.25 %	1.46 %	24.20 %
Real estate	36.40 %	4.00 %	1.46 %	35.50 %
Other	4.00 %	4.00 %	0.16 %	4.00 %
Total	100.00 %		3.88 %	100.00 %
Costs			- 0.13 %	
Net return			3.75 %	

The amount of the effective net return from plan assets was CHF 4.3 million (CHF 36.3 million in 2010). The effective total return generated in 2011 was 0.7% (6.1% in 2010). The pension plans hold no securities issued by Valora Holding AG and do not let any significant portion of their real estate to the Valora Group.

<i>Surpluses/Deficits</i>	2011	2010	2009	2008	2007
in CHF 000					
Present value of pension liabilities	- 595 172	- 594 074	- 575 658	- 539 310	- 585 515
Pension assets at fair values	593 563	625 578	598 069	569 500	697 786
Pension asset recognition ceiling	0	0	- 8 243	0	0
Unrecognised past service cost	0	923	1 846	0	0
Net pension plan position	- 1 609	32 427	16 014	30 190	112 271
<i>Adjustments based on past experience</i>					
Adjustments to pension plan liabilities based on past experience	3 785	6 343	8 078	17 091	43 100
Adjustments to pension plan liabilities based on modified assumptions	- 28 268	- 13 328	- 33 147	29 044	40 107
Adjustments to pension plan assets based on past experience	- 20 642	12 354	9 489	- 127 445	- 16 868
Actuarial gains/(losses)	- 45 125	5 369	- 15 580	- 81 310	66 339

31 SHARE-BASED PAYMENTS

Employees. Valora operates the following share-based remuneration plans for its Board of Directors, management and staff.

LTP share-based programme for the Board of Directors and Group Executive Management. Since January 2009, the overall remuneration paid to the Board of Directors and Group Executive Management has included a share-based, long-term oriented remuneration plan, the Long Term Plan or LTP. This plan forms an integral part of the overall remuneration of the Board of Directors and Group Executive Management.

The LTP offers its participants the opportunity of buying a specific number of shares, which the Nomination and Compensation Committee determines for each participant individually in accordance with the procedure described below. Under the plan, each participant may purchase two tranches of shares, each tranche having a lock-up period which begins and ends on a different date. As a rule, the lock-up period is between 27 and 45 months.

The purchase price for the shares in the plan is the average closing price recorded on SIX Swiss Exchange over the 20 trading days preceding the commencement of the LTP. Participants finance the purchase of their shares individually through a bank loan, with the shares being pledged to the bank as collateral.

On the last day of each lock-up period, Valora will offer to buy back the shares in the relevant tranche from the plan participants at that day's SIX Swiss Exchange closing price. Participants wishing to avail themselves of this offer must advise Valora on the last day of the lock-up period how many of their shares they wish to sell back in this way. Once the lock-up period is over, participants have free access to any shares they elect not to sell. Should the price at which the shares are sold at the end of a lock-up period be lower than that which they were purchased at the beginning of the period, Valora undertakes to reimburse the amount of any shortfall to the bank and the participants. Valora's share price guarantee to the bank will expire no later than the final day of the second lock-up period. The financing costs incurred by Valora are limited to the interest it pays on the loans.

In the event of a plan participant's employment being terminated by Valora before the end of either the first or the second lock-up period, the participant is required to sell a pro rata portion of the shares back to Valora at the original purchase price and the bank loan must be repaid in full. Should a plan participant resign from Valora, all the shares in any tranche whose lock-up period has not expired must be sold back to Valora at the original purchase price, and the participant has no pro rata entitlement to any shares in the plan. For Board members, stepping down from the Board or not standing for re-election to the Board is regarded as tantamount to resignation.

The Board of Directors has granted cash-exercised options instead of shares¹⁾ to Conrad Löffel. Otherwise, his participation is subject to all the other terms and conditions of the plan. The total costs of the LTP programme for 2011 amounted to CHF 362 thousand (CHF 438 thousand in 2010).

¹⁾ The exercise price of the options was CHF 148.05 for the second tranche of the 2009 LTP and CHF 301.75 for the first tranche of the 2011 LTP, which is the average trading price of the shares during the twenty trading days prior to the commencement of the LTP. The market price at the time the options were awarded was CHF 161 for the second tranche of the 2009 LTP and CHF 291 for the first tranche of the 2011 LTP. The value of the options determined using the Black Scholes model was based on the following key parameters:

Plan	LTP 2009	LRP 2011
Number of options	1 347	1 850
Expiration date	31.01.2012	30.10.2013
Implied volatility	38%	35%
Risk-free rate of interest	0.175%	0.523%
Fair value per option	CHF 48.50	CHF 11.65

The book value of the liability arising from the cash exercise options was CHF 87 thousand at 31.12.11 (31.12.2010: CHF 479 thousand).

Employee share ownership plan. Provided specific criteria are fulfilled and based on their function or management position, employees in Switzerland (other than members of Group Executive Management) are entitled to acquire shares at the beginning of each year on preferential terms. Shares may be purchased at 60% of the average market price for the shares during the previous November. Shares so acquired enjoy all usual shareholder rights, but may not be sold during the 3 years immediately following purchase. The proceeds of these share sales to employees are credited directly to shareholders' equity.

Suppliers. No goods or services were paid for with Valora shares, nor were the prices paid for any goods or services linked to the Valora share price.

<i>Personnel costs for share-based remuneration plans</i>	2011	2010
in CHF 000		
Expenses related to Valora Group share-based plans for employees and management (equity settled)	426	1 674
Expenses related to Valora Group share-based plans for employees and management (cash settled)	57	52
Total share-based plan expenses charged to income	483	1 726

32 CONTINGENT LIABILITIES, COMMITMENTS FROM LEASING AND OTHER CONTRACTS

<i>Contingent liabilities</i>	2011	2010
in CHF 000		
Sureties	152	160
Other contingent liabilities	14 470	3 641
Total contingent liabilities	14 622	3 801

The probability of any of these contingent liabilities triggering a cash outflow is estimated not to exceed 25%.

<i>Future commitments from operating leases and other contracts</i>	2011	2010
in CHF 000		
Long-term rental commitments	264 543	262 044
Other operating lease commitments	6 279	7 308
Future commitments from other contracts	106 637	0
Total commitments	377 459	269 352

<i>Long-term rental commitments</i>	2011	2010
in CHF 000		
Minimum rental expense in period	47 990	46 947
Conditional rental expense in period	79 420	80 269
Total rental expense in period	127 410	127 216

<i>Leases maturing</i>		
Within one year	65 147	62 635
Within 1–2 years	55 138	59 153
Within 2–3 years	44 868	44 384
Within 3–4 years	31 892	36 616
Within 4–5 years	23 636	23 889
After more than 5 years	43 862	35 367
Total long-term rental commitments	264 543	262 044

The majority of the long-term rental agreements serve to secure kiosk sites for the long term. Some of the rents under these agreements are linked to turnover.

<i>Other operating leases</i>	2011	2010
in CHF 000		
Total expenses for other operating leases in period	3 643	3 526
<i>Leases maturing</i>		
Within one year	3 220	3 690
Within 1–2 years	2 039	2 068
Within 2–3 years	898	1 205
Within 3–4 years	119	338
Within 4–5 years	3	7
After more than 5 years	0	0
Total future commitments from other operating leases	6 279	7 308

The other operating lease liabilities principally relate to leased vehicles.

<i>Other contracts</i>	2011	2010
in CHF 000		
Total expenditure on other contracts during year	2 664	0
<i>Leases maturing</i>		
Within one year	23 790	0
Within 1–2 years	13 242	0
Within 2–3 years	12 829	0
Within 3–4 years	12 496	0
Within 4–5 years	12 165	0
After more than 5 years	32 115	0
Total future commitments from other contracts	106 637	0

The Group's future commitments from other contracts mostly relate to IT outsourcing agreements.

<i>Finance lease commitments</i>	2011	2010
in CHF 000		
Total payments (interest and amortisation) in year	578	561
<i>Leases maturing</i>		
Within one year	439	851
Within 1–2 years	320	463
Within 2–3 years	226	338
Within 3–4 years	140	231
Within 4–5 years	39	144
After more than 5 years	0	39
Total financial lease commitments	1 164	2 066
Less future interest charges	– 123	– 229
Total finance lease obligation (present value)	1 041	1 837
Less current portion of finance lease obligation (see note 26)	– 374	– 748
Long-term finance lease obligation (see note 26)	667	1 089

<i>Present value of future minimum payments under finance leases</i>	2011	2010
in CHF 000		
Within one year	374	748
Within 1–2 years	289	402
Within 2–3 years	206	300
Within 3–4 years	134	211
Within 4–5 years	38	137
After more than 5 years	0	39
Total present value of future minimum lease payments	1 041	1 837

The finance leasing obligations relate both to leased vehicles and retail shop equipment.

33 RISK MANAGEMENT AND DERIVATIVE FINANCIAL INSTRUMENTS

The international scale of its business operations and its financing structure both expose the Valora Group to a variety of financial risks. These not only include market risks such as foreign exchange and interest rate risk, but also encompass liquidity and credit risks. Valora's financial risk management activities aim to limit these risks. Valora's fundamental financial policies are promulgated by Group Executive Management and overseen by the Board of Directors. Responsibility for implementing Group financial policy and for financial risk management lies with the central Corporate Treasury.

In order to visualise market risks, sensitivity analyses are conducted which show the effects which hypothetical changes in relevant risk variables would have on pre-tax net income and other comprehensive income. These potential effects are determined by applying the assumed changes in risk variables to the valuation of the Group's positions in financial instruments. The interest rate scenarios used show differences between the current level of interest rates and those assumed to prevail at the end of the following year. The hypothetical changes in currencies are based on 1-year volatility levels prevailing at the balance sheet date.

Exchange rate risks. Transaction risks arise from the fact that the local currency value of payments whose amounts have been fixed in another currency can increase or decrease as a result of fluctuations in the exchange rate between the two currencies. For Valora, transaction risks arise as a result of its purchasing goods and services from suppliers abroad and on intra-Group transactions. Most Group companies transact the majority of their business in their local currency. In order to limit transaction risk, currency derivatives are used from time to time. Currency translation risks, on the other hand, arise when the balance sheets of subsidiaries outside Switzerland are converted into Swiss francs for consolidation.

The table below shows the main effects on pre-tax earnings and other comprehensive income which would result from hypothetical changes in key exchange rates.

<i>FX rate sensitivity</i>	Hypothetical change (in percent) 2011	Impact on 2011 pre-tax earnings	Impact on 2011 other comprehensive income	Hypothetical change (in percent) 2010	Impact on 2010 pre-tax earnings	Impact on 2010 other comprehensive income
in CHF 000						
CHF / DKK	+/- 16.3 %	+/- 2 467	+/- 0	+/- 9.0%	+/- 1 733	+/- 0
CHF / EUR	+/- 16.3 %	+/- 7 875	+/- 14 615	+/- 8.9%	+/- 2 053	+/- 8 231
CHF / NOK	+/- 19.1 %	+/- 1 133	+/- 2 390	+/- 10.9%	+/- 615	+/- 2 272
CHF / SEK	+/- 19.9 %	+/- 837	+/- 12 698	+/- 11.3%	+/- 50	+/- 1 588
EUR / NOK	+/- 7.8 %	+/- 96	+/- 0	+/- 7.8%	+/- 607	+/- 0
EUR / SEK	+/- 8.3 %	+/- 96	+/- 0	+/- 7.6%	+/- 681	+/- 0

Net investments in subsidiaries outside Switzerland are also analysed periodically and the risks are assessed in the light of the volatility of the currencies concerned. These analyses show that the currency translation risk is modest compared to available shareholders' equity. Translation risks are not hedged.

Interest rate risks. Cash and cash equivalents are the Group's principal interest-bearing assets. Since the interest rates applicable to these assets are floating, the interest earnings derived from them are directly affected by market interest rates. Under normal circumstances, the Group's principal interest rate risk relates to the interest paid on its financial liabilities. Floating rate financial liabilities expose the Group to net interest income or expense risk. Financial liabilities with fixed interest rates, on the other hand, expose the Group to the risk of shifts in the current market value of its liabilities. In order to achieve the target mix between fixed and floating interest rate exposure, interest rate hedging transactions are entered into where necessary. The Group's main liabilities with fixed effective interest rates are the 2.875% bond issue, which matures in July 2012 (see note 26).

In the sensitivity analysis of the interest rate risk, impacts arise only on positions with variable interest rates. The table below shows the principal changes in pre-tax earnings which would result from hypothetical shifts in the level of interest rates in the main currencies in which Valora operates. There are no impacts on other comprehensive income.

<i>Interest rate sensitivity</i>	Hypothetical change (in basis points) 2011	Impact on 2011 pre-tax earnings	Hypothetical change (in basis points) 2010	Impact on 2010 pre-tax earnings
in CHF 000				
CHF	+/- 47	+/- 39	+/- 2	+/- 9
DKK	+/- 12	+/- 5	+/- 71	+/- 67
EUR	+/- 131	+/- 355	+/- 5	+/- 18
NOK	+/- 36	+/- 13	+/- 73	+/- 53
SEK	+/- 204	+/- 72	+/- 37	+/- 29

The table above does not include a CHF 100 million forward-starting interest rate swap (see Tools for hedging and risk management). As of December 31, 2011, the impact on other comprehensive income which would have arisen from a +/- 25 basis point shift in 6-year swap rates would have been CHF +/- 1.7 million.

Liquidity risks. Liquidity risk management aims to ensure the Group is always able to meet its payment obligations in full and on time. The Valora Group continually monitors its liquidity position and uses cash pool structures to optimise it. Additional liquidity reserves in the form of credit lines and cash ensure that the Group remains both solvent and financially flexible.

The table below shows the nominal interest and redemption payments arising from the Group's financial obligations. It takes account of all instruments in which the Group held positions at December 31 of the two years shown. Interest amounts payable on floating rate instruments have been determined based on the most recent fixing preceding year end.

	up to 1 month	from 1 to 3 months	from 3 months to 1 year	from 1 to 5 years	more than 5 years
in CHF 000					
At December 31, 2011					
Short-term financial liabilities	1 397	630	144 039	0	0
Derivative financial liabilities	122	8 856	56	22	0
Trade accounts payable	252 784	40 259	13	0	0
Other short-term financial liabilities (financial instruments portion)	48 695	42 468	11 059	0	0
Long-term financial liabilities	0	0	0	1 357	0
Total	302 998	92 213	155 167	1 379	0
At December 31, 2010					
Short-term financial liabilities	1 848	58	584	0	0
Derivative financial liabilities	65	206	658	0	0
Trade accounts payable	234 022	29 146	274	0	0
Other short-term financial liabilities (financial instruments portion)	76 430	11 239	12 282	0	0
Long-term financial liabilities	0	0	4 039	145 423	0
Total	312 365	40 649	17 837	145 423	0

The Valora Group has at its disposal a number of committed and uncommitted credit lines, enabling it to optimise its liquidity management at all times.

Credit risks. Credit risks arise when a contractual partner is not in a position to meet its obligations as agreed. Valora constantly reviews its accounts receivable and manages them so as to avoid the formation of significant credit or concentration risks. At year end 2011 and year end 2010, the Valora Group had no accounts receivable from individual customers which accounted for more than 8.0% of its total accounts receivable.

The Valora Group conducts its financial transactions with a selected number of first-class financial institutions. Specific situations may require subsidiaries to transact business with other banks. The establishment and discontinuation of banking relationships is subject to approval by the Group's corporate treasury, which regularly reviews all banking relationships on the basis of external ratings and sets exposure limits for all counterparties.

The maximum default risk of CHF 347 million on the Group's financial assets (CHF 370 million in 2010) is equal to the book value of these instruments (see note 34).

The table below shows the Group's sight deposits and fixed maturity deposits with maturities of 3 months or less by rating of the banking counterparties with whom they are placed. The table uses Standard & Poor's ratings.

<i>Sight deposits and fixed maturity deposits maturing in < 3 months placed with banks</i>	2011	2010
in CHF 000		
AAA and/or state guarantee (AAA states)	3 808	22 342
AA	25 755	40 481
A	48 689	38 774
No Rating	2 018	864
Total sight deposits and fixed maturity deposits maturing in < 3 months placed with banks ¹⁾	80 270	102 461

¹⁾ The remainder of the cash and cash equivalents position shown in the balance sheet relates to cash (including cash in transit).

Tools for hedging and risk management. The Valora Group uses FX forward contracts to mitigate its foreign exchange risk. Exposure arising from existing asset and liability items, as well as those arising from future commitments, is centrally managed.

In order to hedge 50% of the future interest expense arising from the bond issue launched on February 1, 2012 (see note 37), Valora entered into a forward-starting interest rate swap. This swap has been designated as a cash flow hedge for the interest payments on the bond issue. The fair value of this swap is equal to its negative replacement value of CHF 8.8 million, which has been recorded under other comprehensive income. The cash flows which this swap hedges will occur in the years from 2012 to 2018.

The share options in the table below were issued as part of LTP share programme established for the Board of Directors and Group Executive Management (see note 31).

The table below shows both the contract values, or nominal underlying amounts, of the Group's positions in derivative financial instruments as well as their aggregate replacement values. The information, which is presented by instrument type, relates to valuations at balance sheet dates. Contract values or underlying nominal amounts show the volume of the underlying transactions at the balance sheet dates. They do not contain any information about the market risk these positions involve. The replacement value of these positions has been determined by valuations provided by the counterparty, market prices at December 31, 2011 or through standard pricing model valuations using market data.

<i>Derivative financial instruments</i>	2011 Contract value	2010 Contract value	2011 Replacement value	2010 Replacement value
in CHF 000				
<i>Share options</i>				
Call options / Derivative financial liabilities	758	399	87	479
<i>Currency instruments</i>				
Forward contracts / Derivative financial assets	17 117	6 949	166	232
Forward contracts / Derivative financial liabilities	17 189	27 414	135	450
<i>Interest instruments</i>				
Interest swap / Derivative financial liabilities	100 000	0	8 834	0
Total derivative financial assets	17 117	6 949	166	232
Total derivative financial liabilities	117 947	27 813	9 056	929

<i>Notional contract values of derivative financial instruments by maturity band</i>	2011	2010
in CHF 000		
Within one year	134 506	34 762
Within 1–2 years	558	0
Within 2–3 years	0	0
Within 3–4 years	0	0
Within 4–5 years	0	0
After more than 5 years	0	0
Total notional value of derivative financial instruments	135 064	34 762

Capital management. The overarching objective of the Valora Group's capital management activities is to ensure that high credit quality and a sound shareholders' equity foundation are maintained so as to support the Group's business activities and maximise value for its shareholders.

The Valora Group manages its capital structure and modifies it in response to changes in economic circumstances. In order to maintain or adapt its capital structure, the Valora Group can elect to implement a number of measures, such as modifying the amount of dividends paid to shareholders, capital repayments to shareholders or the issuance of new shares.

The Group monitors its capital position by reference to its equity cover, which is calculated on the basis of the percentage of total assets represented by shareholders' equity (including non-controlling interests). The Group's capital and equity cover are shown in the table below:

	2011	2010
in CHF 000		
Equity attributable to shareholders of Valora Holding	457 674	473 986
Equity attributable to non-controlling interests	4 658	4 156
Total shareholders equity	462 332	478 142
Equity cover	41.9 %	43.6 %

The Valora Group is not subject to any regulatory capital requirements of the type prevalent in the financial services industry. The Group's required minimum equity cover is stipulated in the financial covenants governing its bank lending agreements (see note 26).

With shareholders' equity equal to 41.9% (43.6% in 2010) of total assets, Valora is convinced, given current market and other relevant factors, that its objective of optimal capital allocation is being met.

Risk assessment stipulated by Swiss Code of Obligations. In both 2010 and 2011, the Valora Group carried out a risk assessment with the Board of Directors and Group Executive Management during October and November. The objective of these assessments is to make the main risks to which Valora is exposed more transparent, to improve the quality of risk dialogue, and to define practical steps for addressing the key risks which Valora faces. The results of these assessments were reviewed at meetings with the Board of Directors and sets of planned measures were decided upon. Additional information regarding the risk assessment process and the risks identified can be found in section 3.6.1 of the corporate governance report.

34 FINANCIAL INSTRUMENTS

<i>Book values, fair values and valuation categories</i>	Valuation category	Book value 2011	Book value 2010	Fair Value 2011	Fair Value 2010
in CHF 000					
Assets					
Cash and cash equivalents	LaR	109 562	130 461	109 562	130 461
Derivative financial assets (hierarchy level 2)	FAHfT	166	232	166	232
Trade accounts receivable	LaR	174 042	174 203	174 042	174 203
Other short-term receivables (financial instruments portion)	LaR	54 548	54 954	54 548	54 954
Long-term interest-bearing investments	LaR	6 562	7 692	6 562	7 692
Financial assets available for sale valued at cost	AfS	647	647	n/a	n/a
Financial assets available for sale (hierarchy level 1) at fair value	AfS	1 671	1 723	1 671	1 723
Liabilities					
Short-term financial liabilities	FLAC	141 869	2 155	143 089	2 155
Derivative financial liabilities (hierarchy level 1)	FLHfT	87	479	87	479
Derivative financial liabilities (hierarchy level 2)	FLHfT	8 969	450	8 969	450
Trade accounts payable	FLAC	293 056	263 442	293 056	263 442
Other financial liabilities (financial instruments portion)	FLAC	104 107	101 826	104 107	101 826
Long-term financial liabilities	FLAC	- 380	142 420	- 380	146 068
Classified by category					
Loans and receivables (LaR)		344 714	367 310	344 714	367 310
Financial assets held for trading (FAHfT)		166	232	166	232
Financial assets available for sale (AfS)		2 318	2 370	n/a	n/a
Financial liabilities at cost (FLAC)		538 652	509 843	539 872	513 491
Financial liabilities held for trading (FLHfT)		9 056	929	9 056	929

The assumption made for all short-term financial instruments – other than the bond issue (see note 26) – is that book value represents a reasonable approximation of fair value, since the discounting effects are insignificant. The fair value of the bond issue is equal to its nominal value multiplied by its market price on the balance sheet date. Details of the valuations applied to derivative financial instruments and financial investments available for sale are contained in notes 4, 24 and 33. The fair values of long-term fixed income instruments were determined by applying market interest rates to their future projected cash flows.

35 TRANSACTIONS AND BALANCES OUTSTANDING WITH RELATED PARTIES

The consolidated financial statements encompass Valora Holding AG as the ultimate parent company along with all subsidiaries it directly or indirectly controls, as set out in note 38.

Transactions. Business was transacted with related individuals and companies as follows:

<i>Goods and services sold to related parties</i>	2011	2010
in CHF 000		
<i>Goods sold to</i>		
Joint ventures in which Valora is a partner	0	174
Associates	3 044	0
<i>Services to</i>		
Associates	278	234
Other related parties	160	0
Total goods and services sold	3 482	408

<i>Goods and services purchased from related parties</i>	2011	2010
in CHF 000		
<i>Goods purchased from</i>		
Other related parties	2 238	0
<i>Services purchased from</i>		
Other related parties	284	259
Total goods and services purchased	2 522	259

Management and Board remuneration. Remuneration paid to management and the Board of Directors includes all expenses shown in the consolidated financial statements directly relating to members of the Group Executive Committee and the Board of Directors.

<i>Management and Board remuneration</i>	2011	2010
in CHF 000		
Salaries and other short-term benefits ¹⁾	4 386	3 755
Post-employment benefits	365	288
Share-based payments	362	439
Total Management and Board remuneration²⁾	5 113	4 482

¹⁾ Including vehicle costs paid by the employer.

²⁾ Remuneration totalling CHF 628 thousand was paid to a former member of Group Executive Management in 2011.

Details of the remuneration paid to the Board of Directors and Group Executive Management, as well as details of their holdings of Valora Holding AG shares and of the shares held by significant shareholders (as required by Articles 663bbis and 663c of the Swiss Code of Obligations), can be found in notes 5 and 6 to the financial statements of Valora Holding AG.

Receivables and liabilities. The terms and conditions governing receivables and liabilities are those commonly used by the relevant companies. The Valora Group has neither received any sureties for receivables nor has it issued any guarantees for liabilities.

<i>Receivables from related parties and associate companies</i>	2011	2010
in CHF 000		
Receivables from joint ventures	0	33
Receivables from associates	299	0
Receivables from other related parties	362	0
Total receivables	661	33

<i>Liabilities towards related parties and associate companies</i>	2011	2010
in CHF 000		
Liabilities towards related parties and associate companies	184	0
Total liabilities	184	0

Contingent liabilities and guarantees. Apart from the guarantee issued in connection with the LTP share purchase programme, the Valora Group has entered into no other guarantees or contingent liabilities towards related parties or companies.

36 EQUITY

<i>Shares outstanding</i>	2011	2010
in number of shares		
Total registered shares	2 800 000	2 800 000
<i>of which treasury stock</i>		
Position at January 1	46 630	49 866
Market sales and sales to employees and management	- 61 364	- 12 340
Market purchases and purchases of employee shares	34 654	9 104
Total treasury stock at December 31	19 920	46 630
Total shares outstanding (after deduction of treasury stock) at December 31	2 780 080	2 753 370
Average number of shares outstanding (after deduction of treasury stock)	2 767 795	2 750 735

A dividend of CHF 11.50 per share was paid in 2011 relating to the year 2010 (CHF 10.00 per share was paid in 2010 relating to the year 2009). Dividend distributions are based on net income for the year and earnings carried forward by the Valora Holding AG parent company.

The company's issued share capital comprises 2 800 000 shares of CHF 1.00 nominal value each. A conditional share capital of 84 000 shares exists which the Board of Directors may use for existing or future management share plans. None of these shares had been issued at December 31, 2011.

At their Ordinary General Meeting held on April 15, 2011, Valora Holding AG shareholders granted the Board of Directors authority to raise up to CHF 840 000 of additional share capital through the issue of up to 840 000 shares of CHF 1.00 nominal value each at any time until April 15, 2013.

37 SUBSEQUENT EVENTS

These consolidated financial statements were approved by the Board of Directors of Valora Holding AG on March 21, 2012. The Board of Directors recommends that the Ordinary General Meeting of Shareholders to be held on April 19, 2012 approve these financial statements and approve the payment of a dividend of CHF 11.50 per share from the profits of Valora Holding AG available for distribution.

On February 1, 2012, Valora Holding AG issued CHF 200 million of 2.50% bonds running from March 2, 2012 till March 2, 2018. The transaction serves to redeem the existing bond issue and to provide long-term financing for the Group's business activities and expansion strategy.

As of January 1, 2012, Valora acquired the Austrian railway station bookseller K. Schmelzer- J. Bettenhausen GmbH & Co KG (Schmelzer-Bettenhausen). The transaction, in which Valora purchased the remaining 78% of the company's shares it did not already own, makes Valora the sole owner of the company. Under its "press&more" banner, Schmelzer-Bettenhausen operates 12 outlets at Austrian railway stations and Vienna airport selling press titles and travel literature. The company, which employs 70 staff, generated sales of some EUR 12 million in 2011. The effects of this transaction on the Valora Group's consolidated accounts are not material.

On January 30, 2012, Valora announced its acquisition of the Lekkerland subsidiary Convenience Concept GmbH, Germany's largest organised network of kiosks comprising some 1300 outlets. Valora expects to incorporate this company into its consolidated accounts with effect from April 1, 2012. The closing conditions of the transaction remain to be finalised between the two parties.

38 SIGNIFICANT SUBSIDIARIES OF THE VALORA GROUP

	Currency	Nominal capital in million	Shareholding in %	Corporate	Valora Retail	Valora Services	Valora Trade
<i>Switzerland</i>							
Valora Management AG, MuttENZ	CHF	0.5	100.0	•			
Valora International AG, MuttENZ	CHF	20.0	100.0	•	•		
Valora Schweiz AG, MuttENZ	CHF	5.2	100.0	•	•	•	•
<i>Germany</i>							
Valora Holding Germany GmbH, Hamburg	EUR	0.4	100.0	•			
Stilke Buch & Zeitschriftenhandels GmbH, Hamburg	EUR	3.8	100.0		•		
Sussmann's Presse & Buch GmbH, Hamburg	EUR	0.1	100.0		•		
BHG Bahnhofs-Handels-Vertriebs GmbH, Hamburg	EUR	0.5	100.0		•		
Salty Snacks Delicatessen GmbH, Mülheim a.d. Ruhr	EUR	0.1	100.0				•
Valora Retail Services GmbH, Hamburg	EUR	0.1	100.0		•		
Konrad Wittwer GmbH Bahnhofsbuchhandlungen, Hamburg	EUR	0.3	100.0		•		
Valora Retail Kiosk GmbH, Hamburg	EUR	0.1	100.0	•	•		
Valora Trade Germany GmbH, Mülheim a.d. Ruhr	EUR	0.2	68.0				•
<i>Luxembourg</i>							
Valora Europe Holding S.A., Luxembourg	EUR	0.1	100.0	•			
Valora Luxembourg S.à r.l., Luxembourg	EUR	7.0	100.0		•	•	
Messageries du livre S.à r.l., Luxembourg	EUR	1.5	100.0		•		
<i>United Kingdom</i>							
Valora Holding Finance Ltd., Guernsey	CHF	555.4	100.0	•			

	Currency	Nominal capital in million	Shareholding in %	Corporate	Valora Retail	Valora Services	Valora Trade
<i>Austria</i>							
Valora Holding Austria AG, Anif	EUR	1.1	100.0	•			
Valora Trade Austria GmbH + Co. KG, Neunkirchen	EUR	3.6	100.0				•
Plagemann Lebensmittelhandels GmbH + Co. KG, Neunkirchen	EUR	0.1	100.0				•
Valora Services Austria GmbH, Anif	EUR	0.7	100.0			•	
<i>Sweden</i>							
Valora Holding Sweden AB, Stockholm	SEK	0.5	100.0	•			
Valora Trade Sweden AB, Stockholm	SEK	12.0	100.0				•
Scandinavian Cosmetics AB, Malmö	SEK	0.5	100.0				•
<i>Norway</i>							
Valora Holding Norway AS, Røyken	NOK	10.0	100.0	•			
Valora Trade Norway AS, Røyken	NOK	2.0	100.0				•
Engelschiøn Marwell Hauge AS, Oslo	NOK	2.7	80.0				•
<i>Denmark</i>							
Valora Trade Denmark A/S, Herlev	DKK	43.0	100.0				•
Valora Trade Denmark Beverages A/S, Herlev	DKK	2.0	75.0				•
<i>Finland</i>							
Oy Valora Trade Finland AB, Helsinki	EUR	0.1	100.0				•

REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF VALORA HOLDING AG, MUTTENZ

REPORT OF THE STATUTORY AUDITOR ON THE CONSOLIDATED FINANCIAL STATEMENTS

As statutory auditor, we have audited the consolidated financial statements of Valora Holding AG, which comprise the income statement, comprehensive income statement, balance sheet, cash flow statement, statement of changes in equity and notes (pages 44 to 103), for the year ended 31 December 2011.

Board of Directors' responsibility. The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system.

An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion. In our opinion, the consolidated financial statements for the year ended 31 December 2011 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with IFRS and comply with Swiss law.

REPORT ON OTHER LEGAL REQUIREMENTS

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

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

Ernst & Young AG

Martin Gröli
Licensed audit expert
(Auditor in charge)

Stefanie Walter
Licensed audit expert

Zurich, 21 March 2012

INCOME STATEMENT

	2011	2010
<i>January 1 to December 31, in CHF 000</i>		
<i>Income</i>		
Dividend income	40 100	38 686
Interest income	619	610
Foreign exchange gains	685	959
Income from securities	301	3 934
Other income	4 001	2 151
Total income	45 706	46 340
<i>Expense</i>		
Interest expense	- 5 567	- 5 350
Foreign exchange losses	- 574	- 2 825
Losses on securities	- 3 161	- 180
General administration expense	- 3 897	- 3 822
Total expense	- 13 199	- 12 177
Net profit for the year	32 507	34 163

BALANCE SHEET BEFORE APPROPRIATION OF AVAILABLE EARNINGS

ASSETS

	2011	2010
<i>at December 31, in CHF 000</i>		
<i>Current assets</i>		
Cash and cash equivalents	550	1 544
Securities	3 741	14 837
Prepayments	117	122
Short-term receivables	197	141
	1 265	26
Total current assets	5 870	16 670
<i>Non-current assets</i>		
Investments	594 225	514 275
Loans and receivables from Group companies	16 902	14 841
Discounts and capitalised issuance cost on bond/syndicated loan	1 879	425
Total non-current assets	613 006	529 541
Total assets	618 876	546 211

LIABILITIES AND EQUITY

		2011	2010
<i>at December 31, in CHF 000</i>			
<i>Liabilities</i>			
Short-term bank debt/overdrafts		19	0
Current liabilities	towards third parties	456	611
	towards Group companies	105 263	48 506
Accrued expenses	towards third parties	2 719	2 723
Bond payable		140 000	140 000
Provisions		64 000	48 566
Total liabilities		312 457	240 406
<i>Equity</i>			
Share capital		2 800	2 800
General legal reserves		560	560
Reserve for treasury stock		5 185	9 484
Capital reserves ¹⁾		20 188	1 697
Unrestricted reserves		198 164	212 356
Earnings available for distribution	Earnings brought forward	47 015	44 745
	Net profit for the year	32 507	34 163
Total equity		306 419	305 805
Total liabilities and equity		618 876	546 211

¹⁾ Valora Holding AG's capital reserves position has been reported to the Swiss Federal tax authorities. Until confirmation has been received from them, this position may be subject to modification.

NOTES TO THE FINANCIAL STATEMENTS OF VALORA HOLDING AG

A BASIS OF PRESENTATION

Valora Holding AG's annual accounts are drawn up in accordance with the provisions of Swiss company law (Swiss Code of Obligations).

B NOTES

1 CONTINGENT LIABILITIES. At December 31, 2011 the Group's contingent liabilities in favour of subsidiaries – consisting of sureties, subordination, keep well agreements, guarantees and other contingencies – totalled CHF 210.1 million (2010: CHF 194.4 million) with a further CHF 1.0 million in favour of third parties (2010: CHF 1.0 million).

2 BOND OUTSTANDING

	Coupon	Maturity	At 31.12.2011	At 31.12.2010
in CHF 000				
Bond 2005–2012	2.875%	12.07.2012	140 000	140 000

3 TREASURY STOCK HELD BY THE COMPANY AND ITS SUBSIDIARIES

	2011 Number of shares	2011 Net book value	2010 Number of shares	2010 Net book value
in CHF 000				
Opening balance (at January 1)	46 630	14 819	49 866	12 519
Sales	– 61 364	– 18 319	– 12 340	– 3 298
Purchases	34 654	10 383	9 104	1 665
Value adjustments	–	– 3 161	–	3 933
Closing balance (at December 31)	19 920	3 722	46 630	14 819

The share purchases were made at market prices ranging from CHF 285.75 to CHF 321.05. In addition, during 2011, Valora Holding AG purchased a total of 34 654 shares at an average price of CHF 299.63 and sold a total of 61 364 shares at an average price of CHF 298.52.

At December 31, 2011, treasury shares held by Valora Holding AG represented 0.71% of the company's issued share capital (1.67% at year-end 2010).

4 NET RELEASE OF HIDDEN RESERVES. No net release of hidden reserves occurred during 2011 (CHF 2.0 million in 2010).

5 REMUNERATION AND SHAREHOLDINGS
Remuneration 2011

in CHF 000	Director's fee/ base salary	Short Term Plan (STP) ¹⁾	Long Term Plan (LTP) ²⁾	Emolument in kind	Termination payments	Other remuneration ⁴⁾	Total 2011
Board of Directors							
Rolando Benedick Chairman	450.0	–	49.5	–	–	32.3	531.8
Markus Fiechter Vice-Chairman	160.0	–	16.8	–	–	12.3	189.1
Bernhard Heusler Board member	110.0	–	11.2	–	–	8.4	129.6
Franz Julen Chairman of Nomination and Compensation Committee	120.0	–	13.2	–	–	9.3	142.5
Conrad Löffel ³⁾ Chairman of Audit Committee	120.0	–	87.5	–	–	24.8	232.3
Total remuneration to Board members	960.0	–	178.2	–	–	87.1	1 225.3
Group Executive Management							
Thomas Vollmoeller CEO	600.0	204.3	88.3	20.0	–	171.6	1 084.2
Total remuneration to current members of Group Executive Management, including CEO	2 080.7	432.8	146.5	80.0	–	519.2	3 259.2
Total remuneration to former members of Group Executive Management	400.8	100.0	37.6	15.0	–	74.7	628.1
Total remuneration to Group Executive Management (GEM), including CEO	2 481.5	532.8	184.1	95.0	–	593.9	3 887.3

¹⁾ These are the effective costs of the bonuses granted in respect of 2011, which will be paid out in April 2012.

²⁾ The total number of shares covered by the LTP is 81,863. The costs of running the LTP comprise interest payments to finance the LTP share purchases for members of the Board of Directors and Group Executive Management and the difference between the market price of the shares on the date they were allocated and their average closing price over the twenty trading days preceding the commencement of the LTP programme.

³⁾ Remuneration paid in respect of the 3,197 options in the option programme amounted to CHF 87.5 thousand. The exercise price of the options was CHF 148.05 for the second tranche of the 2009 LTP and CHF 301.75 for the first tranche of the 2011 LTP, which in each case is the average closing price of the shares for the twenty trading days preceding the commencement of the programmes concerned. The market price at the time the options were awarded was CHF 161 for the second tranche of the 2009 LTP and CHF 291 for the first tranche of the 2011 LTP. The value of the options determined using the Black Scholes model was based on the following key parameters:

Plan	LTP 2009	LTP 2011
Number of options	1,347	1,850
Expiration date	31.01.2012	30.10.2013
Implied volatility	38%	35%
Risk-free rate of interest	0.175%	0.523%
Value per option	CHF 48.50	CHF 11.65

⁴⁾ These amounts include payments to pension plans and other benefit schemes.

Remuneration 2010

	Director's fee/ base salary	Short Term Plan (STP) ¹⁾	Long Term Plan (LTP) ²⁾	Emolument in kind	Termination payments	Other remuneration ⁴⁾	Total 2010
in CHF 000							
Board of Directors							
Rolando Benedick Chairman	450.0	–	58.8	–	–	30.8	539.6
Markus Fiechter Vice-Chairman	150.0	–	19.7	–	–	10.9	180.6
Bernhard Heusler Board member	100.0	–	13.0	–	–	7.3	120.3
Franz Julen Chairman of Nomination and Compensation Committee	120.0	–	15.7	–	–	8.9	144.6
Conrad Löffel ³⁾ Chairman of Audit Committee	120.0	–	79.1	–	–	10.5	209.6
Total remuneration to Board members	940.0	–	186.3	–	–	68.4	1 194.7
Group Executive Management							
Thomas Vollmoeller CEO	600.0	253.5	117.7	20.0	–	159.2	1 150.4
Total remuneration to Group Executive Management (GEM), including CEO	1 933.3	565.6	252.2	75.0	–	460.8	3 286.9

In 2010, no remuneration was paid to former members of the Board of Directors or former members of Group Executive Management.

¹⁾ These are the effective costs of the bonuses granted in respect of 2010, which will be paid out in April 2011.

²⁾ The total number of shares covered by the LTP is 73 214. The costs of the LTP comprise interest expense for financing the LTP share programme for Board Directors and members of Group Executive Management and the difference between the market price of the shares when they were awarded on January 29, 2009 and the average trading price of the shares during the twenty trading days preceding the LTP's commencement on January 1, 2009.

³⁾ Remuneration paid in respect of the 2693 options in the option programme amounted to CHF 79.1 thousand. The options have an exercise price of CHF 148.05, which is the average trading price of the shares during the twenty trading days prior to the commencement of the LTP. The market price of the shares when the options were awarded was CHF 161. The value of the options determined using the Black Scholes model was based on the following key parameters:

Number of options	1346	1347
Expiration date	19.04.2011	31.10.2011
Implied volatility	35%	38%
Risk-free rate of interest	0.589%	0.876%
Value per option	CHF 178.28	CHF 179.00

⁴⁾ These amounts include payments to pension plans and other benefit schemes.

No payments were made to persons closely associated with current or former members of the Board of Directors or Group Executive Management which were not commensurate with market practice.

Remuneration paid to Board members is directly charged to Valora Holding AG. Remuneration paid to members of Group Executive Management is paid by their employer, Valora Management AG.

Loans and advances. At December 31, 2011 and 2010 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, 2011 and 2010, individual members of the Board and Group Executive Management (including persons associated with them) held the following numbers of shares of Valora Holding AG:

	2011	2011	2011	2010	2010	2010
	Number of shares	Share of total voting rights in %	of which subject to a lock-up period	Number of shares	Share of total voting rights in %	of which subject to a lock-up period
Board of Directors						
Rolando Benedick Chairman	22 709	0.81	5 049: 31.01.2012 6 937: 31.10.2013	15 788	0.56	5 049: 19.04.2011 5 049: 31.10.2011
Markus Fiechter Vice-Chairman	5 833	0.21	1 683: 31.01.2012 2 467: 31.10.2013	3 366	0.12	1 683: 19.04.2011 1 683: 31.10.2011
Bernhard Heusler Board member	3 940	0.14	1 122: 31.01.2012 1 696: 31.10.2013	2 244	0.08	1 122: 19.04.2011 1 122: 31.10.2011
Franz Julen Chairman of Nomination and Compensation Committee	4 993	0.18	1 346: 31.01.2012 1 850: 31.10.2013	3 143	0.12	1 347: 19.04.2011 1 346: 31.10.2011
Conrad Löffel Chairman of Audit Committee	0	0.00	none	0	0.00	none

	2011	2011	2011	2010	2010	2010
	Number of shares	Share of total voting rights in %	of which subject to a lock-up period	Number of shares	Share of total voting rights in %	of which subject to a lock-up period
Group Executive Management						
Thomas Vollmoeller CEO	22 269	0.80	10 098: 31.01.2012 12 171: 31.10.2013	20 196	0.72	10 098: 19.04.2011 10 098: 31.10.2011
Lorenzo Trezzini CFO	9 465	0.34	4 232: 31.01.2012 5 233: 31.10.2013	8 464	0.30	4 232: 19.04.2011 4 232: 31.10.2011
Andreas Berger Head, Valora Retail division (from 17.01.2011)	12 145	0.43	6 073: 30.04.2013 6 072: 30.04.2015	0	0.00	none
Kaspar Niklaus Head, Valora Retail division (until 16.01.2011)	0	0.00	none	11 220	0.40	5 610: 19.04.2011 5 610: 31.10.2011
Alexander Theobald Head, Valora Services division	7 315	0.26	3 658: 30.04.2012 3 657: 30.04.2013	7 315	0.26	3 658: 30.04.2012 3 657: 30.04.2013
Alex Minder Head, Valora Trade division	10 632	0.38	3 809: 31.01.2012 120: 21.03.2012 828: 28.03.2012 207: 03.04.2013 96: 22.04.2013 4 710: 31.10.2013 709: 02.04.2014	9 731	0.35	3 809: 19.04.2011 153: 01.07.2011 3 809: 31.10.2011 120: 21.03.2012 828: 28.03.2012 207: 03.04.2013 96: 22.04.2013 709: 02.04.2014
Total shares held by Board and GEM	99 301	3.55		81 467	2.91	

6 MAJOR SHAREHOLDERS. The Ordinary General Meeting of shareholders held in 2011 removed the statutory restriction (in German: "Vinkulierung") which prevented any shareholder from having voting rights recognised in respect of more than 5% of the share capital issued. At December 31, 2011 this 5% threshold was equivalent to 140 000 shares.

As of December 31, 2011, Credit Suisse Funds AG (formerly Credit Suisse Asset Management Funds AG), Zurich held 186 548 registered shares, which represents 6.66% of the company's issued share capital (4.50% in 2010). As a result of share disposals, the total number of registered shares of Valora Holding AG held by Credit Suisse Funds AG as of January 25, 2012 had been reduced to 139 029 shares, which represents 4.965% of the company's issued share capital.

At 31 December, 2011, Chase Nominees Ltd, London, had total fiduciary holdings, on behalf of other investors, amounting to 4.82% (2010: 11.18%) of the total outstanding shares of the company. None of these shares were recorded in the Share Register as having voting rights.

As of December 31, 2011, the aggregate number of registered shares held by funds managed by Pictet Funds S.A. was 171 122, which represents 5.67% of the company's issued share capital (4.60% in 2010).

As of December 31, 2011, UBS Fund Management (Switzerland) AG held 184 297 registered shares, which represents 6.58% of the company's issued share capital (5.20% in 2010).

7 SIGNIFICANT SUBSIDIARIES OF VALORA HOLDING AG

	31.12.2011 Holding in %	31.12.2010 Holding in %
<i>Schweiz</i>		
Valora International AG, MuttENZ	100.0	100.0
Valora Management AG, MuttENZ	100.0	100.0
<i>Germany</i>		
Valora Holding Germany GmbH, Hamburg	5.1	5.1
<i>United Kingdom</i>		
Valora Holding Finance Ltd, Guernsey	100.0	100.0

8 CURRENT LIABILITIES. Valora Holding AG's current liabilities towards Group companies include Valora Holding AG's portion of the Group's cash pool. The banking arrangements for the entire cash pool are managed by a subsidiary of Valora Holding AG.

9 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, 2011, none of these shares had been issued.

At their Ordinary General Meeting on April 15, 2011, Valora shareholders granted the Board of Directors authority to increase the company's share capital, at any time until April 15, 2013, by up to CHF 840 000 through the issue of up to 840 000 fully paid up new shares of CHF 1.00 nominal each.

10 RISK ASSESSMENT. Each year, the Valora Group carries out a risk assessment during October and November with the Board of Directors and Group Executive Management. The objective is to make the main risks to which Valora is exposed more transparent, to improve the quality of risk dialogue, and to define practical steps for addressing the key risks which Valora faces. The process begins with a series of structured interviews with individual members of Group Executive Management. A Group Executive Management workshop is then held which discusses the results, identifies the main risks, analyses and evaluates them, and plans appropriate action. The workshop results are then discussed with the Board of Directors and a set of planned measures is decided upon.

PROPOSED APPROPRIATION OF EARNINGS AVAILABLE FOR DISTRIBUTION

Proposal for the appropriation of earnings available for distribution

	2011	2010
in CHF 000		
Net profit for the year	32 507	34 163
+ Earnings brought forward ¹⁾	47 015	44 745
Earnings available for distribution	79 522	78 908
<i>The Board of Directors proposes</i>		
Dividend	- 32 200	- 32 200
Balance to be carried forward	47 322	46 708
<i>Dividend distribution (in CHF)</i>		
Gross dividend per share	11.50	11.50
- 35% withholding tax	- 4.03	- 4.03
Net dividend per share (in CHF)	7.47	7.47

¹⁾ For the 26 671 shares (2010: 54 024) held by the company itself at the distribution date no dividend was paid, thus increasing the earnings carried forward by CHF 307 thousand (CHF 541 thousand in 2010).

REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF VALORA HOLDING AG, MUTTENZ

REPORT OF THE STATUTORY AUDITOR ON THE FINANCIAL STATEMENTS

As statutory auditor, we have audited the financial statements of Valora Holding AG, Muttenz, which comprise the income statement, balance sheet and notes (pages 105 to 113), for the year ended 31 December 2011.

Board of Directors' Responsibility. The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system.

An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion. In our opinion, the financial statements for the year ended 31 December 2011 comply with Swiss law and the company's articles of incorporation.

REPORT ON OTHER LEGAL REQUIREMENTS

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young AG

Martin Gröli
 Licensed audit expert
 (Auditor in charge)

Stefanie Walter
 Licensed audit expert

Zurich, 21 March 2012

REPORT ON CORPORATE GOVERNANCE AND REMUNERATION

Valora is aware of the expectations placed on its corporate governance and is committed to meeting them. Our objective is to attain the highest levels of transparency commensurate with best practice standards. We believe that this applies particularly to the structure of our organisation and of the control and management infrastructure we have in place. Above all, this transparency should protect shareholders' interests and create value for all other stakeholders.

The principles and rules relating to Valora's corporate governance are most notably promulgated in the company's articles of incorporation, its bylaws and the regulations governing the Board committees, all of which are subject to regular review and updated where appropriate. In 2009, the Board of Directors approved the Valora Code of Conduct. The scope of this Code, which sets out the types of conduct Valora expects from its employees, goes beyond the simple adherence to applicable laws and directives.

The corporate governance and remuneration section of this annual report follows the structure set out in the applicable SIX Swiss Exchange guidelines:

1	Group structure and shareholders	p. 116
2	Capital structure	p. 119
3	Board of Directors	p. 121
4	Group Executive Management	p. 127
5	Remuneration, shareholdings and loans	p. 128
6	Shareholders' participation	p. 130
7	Changes of control and defence measures	p. 132
8	Auditors	p. 132
9	Information policy	p. 133

1 GROUP STRUCTURE AND SHAREHOLDERS

1.1 GROUP STRUCTURE. Valora Holding AG, the Group's parent company, is a limited company established under Swiss law. Either directly or indirectly, it holds stakes in 29 significant unlisted companies, all of which are fully consolidated in its accounts. The Group's operational structure is set out on page 9.

1.1.1 LISTED COMPANIES. The only listed company in the Valora Group is Valora Holding AG, which is domiciled in Muttenz. The company is listed on the main section of SIX Swiss Exchange and on the BX Berne eXchange (Swiss securities number 208897, Telekurs VALN, Reuters VALN.S, Bloomberg VALN.SW, ISIN number CH0002088976). The company itself holds 0.7% of the total of 2800000 issued shares. At December 31, 2011, the market capitalisation of Valora Holding AG amounted to CHF 546 million. The company's market capitalisation over the last 5 years is shown on page 138.

1.1.2 CONSOLIDATED COMPANIES. The significant companies within the Group are shown in the notes to the consolidated financial statements on pages 102 to 103, which list the name, domicile, total share capital and percentage of share capital held by Valora Holding AG.

1.2 SIGNIFICANT SHAREHOLDERS. The following shareholders or shareholder groups have reported holdings of registered shares in Valora Holding AG in excess of the 3% and 5% thresholds:

Shareholders	Receipt of report	Holdings
Ameriprise Financial Inc. (formerly Threadneedle Asset Management Holdings Ltd.)	09.09.2011	< 3 %
BlackRock Inc.	29.12.2011	< 3 %
Credit Suisse Funds AG	31.01.2012	> 3 %
Lombard Odier Darier Hentsch Fund Managers SA	01.04.2010	> 3 %
Pictet Funds S.A.	01.11.2011	> 5 %
UBS Fund Management (Switzerland) AG	26.01.2011	> 5 %

Detailed information regarding changes in shareholdings are set out in the separate section below. The shareholders are listed in alphabetical order.

The following significant shareholders have disclosed shareholdings to Valora Holding AG in accordance with article 20 of the Swiss Federal Stock Exchange Act (in German, "Börsengesetz" or "BEHG"):

Ameriprise Financial Inc. (formerly Threadneedle Asset Management Holdings Ltd.): On September 9, 2011 Ameriprise Financial Inc., 1099 Ameriprise Financial Center, Minneapolis, MN 55474, USA reported that as a result of share disposals its holdings of registered shares of Valora Holding AG as of September 7, 2011 had been reduced to 83 993 shares (equivalent to 2.99% of the company's issued share capital).

On February 21, 2011, Ameriprise Financial Inc., 1099 Ameriprise Financial Center, Minneapolis, MN 55474, USA reported that as a result of share disposals its holdings of registered shares of Valora Holding AG as of February 18, 2011 had been reduced to 137 769 shares (equivalent to 4.92% of the company's issued share capital).

On January 11, 2011, Ameriprise Financial Inc., 1099 Ameriprise Financial Center, Minneapolis, MN 55474, USA reported that as a result of share purchases its holdings of registered shares of Valora Holding AG as of January 10, 2011 had increased to 141 520 shares (equivalent to 5.05% of the company's issued share capital).

On December 21, 2010, Ameriprise Financial Inc, 1099 Ameriprise Financial Center, Minneapolis, MN 55474, USA reported that as a result of share disposals its holdings of registered shares of Valora Holding AG as of December 20, 2010 had been reduced to 138 977 shares (equivalent to 4.96% of the company's issued share capital).

On December 15, 2010, Ameriprise Financial Inc., 1099 Ameriprise Financial Center, Minneapolis, MN 55474, USA reported that as a result of share purchases its holdings of registered shares of Valora Holding AG as of December 14, 2010 had increased to 141 460 shares (equivalent to 5.05% of the company's issued share capital).

On December 10, 2010, Ameriprise Financial Inc, 1099 Ameriprise Financial Center, Minneapolis, MN 55474, USA reported that as a result of share disposals its holdings of registered shares of Valora Holding AG as of December 6, 2010 had been reduced to 139 866 shares (equivalent to 4.99% of the company's issued share capital).

BlackRock Inc.: On December 29, 2011, BlackRock Inc., 40 East 52nd Street, New York, 10022, USA reported that, through various subsidiaries, its aggregate direct and indirect holdings of registered shares of Valora Holding AG as of December 23, 2011 amounted to 82 516 shares (equivalent to 2.95% of the company's issued share capital). In addition, the company also held a short position in contracts for difference on 36 154 shares (equivalent to 1.29% of the company's issued share capital).

On December 6, 2011, BlackRock Inc., 40 East 52nd Street, New York, 10022, USA reported that, through various subsidiaries, its aggregate direct and indirect holdings of registered shares of Valora Holding AG as of November 30, 2011 amounted to 136 924 shares (equivalent to 4.89% of the company's issued share capital). In addition, the company also held a short position in contracts

for difference on 29 145 shares (equivalent to 1.04% of the company's issued share capital).

On February 2, 2011, BlackRock Inc., 40 East 52nd Street, New York, 10022, USA reported that, through various subsidiaries, its aggregate direct and indirect holdings of registered shares of Valora Holding AG as of January 27, 2011 amounted to 143 921 registered shares. The company also held a long position in contracts for difference on a further 1 817 shares. Altogether, these positions represented 5.20% of the company's issued share capital.

On December 20, 2010, BlackRock Inc., 40 East 52nd Street, New York, 10022, USA reported that, through various subsidiaries, its aggregate direct and indirect holdings of registered shares of Valora Holding AG as of December 14, 2010 amounted to 84 306 registered shares. The company also held a long position in contracts for difference on a further 1 058 shares. Altogether, these positions represented 3.05% of the company's issued share capital.

Credit Suisse Funds AG: On January 31, 2012, Credit Suisse Funds AG (formerly Credit Suisse Asset Management Funds AG), Kalandergasse 4, 8045 Zurich, Switzerland reported that as a result of share disposals its holdings of registered shares of Valora Holding AG as of January 25, 2012 had been reduced to 139 029 registered shares (equivalent to 4.965% of the company's issued share capital).

On May 9, 2011, Credit Suisse Asset Management Funds AG, Kalandergasse 4, 8045 Zurich, Switzerland reported that as a result of share purchases its holdings of registered shares of Valora Holding AG as of May 3, 2011 had increased to 140 146 registered shares (equivalent to 5.005% of the company's issued share capital).

On September 28, 2010, Credit Suisse Asset Management Funds AG, Kalandergasse 4, 8045 Zurich, Switzerland reported that as a result of share purchases its holdings of registered shares of Valora Holding AG as of September 22, 2010 had increased to 92 990 registered shares (equivalent to 3.32% of the company's issued share capital).

Lombard Odier Darier Hentsch Fund Managers SA: On April 1, 2010, Lombard Odier Darier Hentsch Fund Managers SA (LODHF), Avenue des Morgines 2, 1213 Petit-Lancy, Switzerland reported that as of March 31, 2010, the registered shares of Valora Holding AG held by investment funds under its control were as follows: LODH Swiss Cap (ex-SMI) (40 220 shares / 1.44% of the company's issued share capital), IF IST2 Actions Suisses Valeurs Complémentaires (42 462 shares / 1.52%), IS Valiant Swiss Equities SPI Index + (750 shares / 0.03%), IF IST2 Actions Suisses SPI Plus (683 shares / 0.02%) and IF IST2 European Small Mid Cap (1 135 shares / 0.04%). In aggregate, these holdings amounted to 85 250 registered shares of Valora Holding AG, which is equivalent to 3.04% of the company's issued share capital.

Pictet Funds S.A.: On November 1, 2011, Pictet Funds S.A., Route des Acacias 60, 1211 Geneva, Switzerland reported that as a result of share purchases the registered shares of Valora Holding AG held by investment funds under its control on October 31, 2011 were as follows: Pictet-Institutional Swiss Equities Segment (1.79%), Pictet (CH) Swiss Mid Small Cap (1.68%), Pictet (CH) Swiss Equities (0.43%), Pictet (CH) Enhanced Swiss Equities 130/30 (0.39%), Ethos Fondation Suisse pour un Développement Durable (0.25%), Pictet – Swiss Market Tracker (0.16%), Pictet – Ethos (CH) Swiss sustainable equities (0.15%), Pictet Institutional Swiss Equities Tracker (0.15%), Ethos (0.08%), Raiffeisen Index Fonds – SPI (0.02%), Pictet (CH) Swiss Equities Pool (0.02%), Subvenimus Institutional Fund (0.01%). In aggregate, these holdings amounted to 143 461 registered shares of Valora Holding AG, which is equivalent to 5.12% of the company's issued share capital.

On April 21, 2010, Pictet Funds S.A., Route des Acacias 60, 1211 Geneva, Switzerland reported that as a result of share purchases the registered shares of Valora Holding AG held by investment funds under its control on April 16, 2010 were as follows: Pictet-Institutional Swiss Equities Segment (1.22% of the company's issued share capital), Pictet (CH) Swiss Mid Small Cap (0.89%), Pictet (CH) Swiss Equities (0.25%), Pictet (CH) Enhanced Swiss Equities 130/30 (0.24%), Pictet – Swiss Market Tracker (0.14%), Ethos (0.13%), Pictet Institutional Swiss Equities Tracker (0.12%), Pictet (CH)

Swiss Equities Pool (0.02%) and Subvenimus Institutional Fund (0.01%). In aggregate, these holdings amounted to 84 568 registered shares of Valora Holding AG, which is equivalent to 3.02% of the company's issued share capital.

On January 25, 2010 Pictet Funds S.A., Route des Acacias 60, 1211 Geneva, Switzerland reported that as a result of share disposals the registered shares of Valora Holding AG held by investment funds under its control as of January 21, 2010 were as follows: Pictet-Institutional Swiss Equities Segment (1.21% of the company's issued share capital), Pictet (CH) Swiss Mid Small Cap (0.86%), Pictet (CH) Swiss Equities (0.24%), Pictet (CH) Enhanced Swiss Equities 130/30 (0.21%), Pictet – Swiss Market Tracker (0.14%), Ethos (0.09%), Pictet Institutional Swiss Equities Tracker (0.12%), Pictet (CH) Swiss Equities Pool (0.02%) and Subvenimus Institutional Fund (0.01%). In aggregate, these holdings amounted to 81 068 registered shares of Valora Holding AG, which is equivalent to 2.90% of the company's issued share capital.

UBS Fund Management (Switzerland) AG: On January 26, 2011, UBS Fund Management (Switzerland) AG, P.O. Box, CH – 4002 Basel, Switzerland reported that as a result of share purchases its holdings of registered shares of Valora Holding AG as of January 20, 2011 had increased to 145 724 shares (equivalent to 5.20% of the company's issued share capital).

1.3 CROSS SHAREHOLDINGS. There are no reportable cross shareholdings between Valora Holding AG and its subsidiaries and other companies.

2 CAPITAL STRUCTURE

2.1 CAPITAL STRUCTURE AT DECEMBER 31, 2011. The ordinary share capital of Valora Holding AG as of December 31, 2011 amounted to CHF 2 800 000, comprising 2 800 000 single-class registered voting shares of CHF 1.00 nominal value each, each entitled to dividends. All Valora Holding AG ordinary registered shares are fully paid up and listed on the main section of the SIX Swiss Exchange and BX Berne eXchange. Valora Holding AG has conditional capital of CHF 84 000, comprising 84 000 registered shares of CHF 1.00 nominal value each.

2.2 CONDITIONAL AND AUTHORISED CAPITAL. Conditional capital amounting to a maximum of CHF 84 000, comprising 84 000 registered shares of CHF 1.00 nominal value each, was approved by the Annual General Meeting of May 11, 2000. These shares can be used at any time by the Board of Directors to cover the exercising of options granted to employees of the company or Group companies within the overall framework laid down by the Board of Directors. Existing shareholders have no subscription rights for such shares. No time limits apply. None of this conditional capital had been issued by December 31, 2011. The conditional capital of CHF 84 000 remains unchanged.

At their Ordinary General Meeting on April 15, 2011, Valora Holding AG shareholders granted the Board of Directors authority to increase the company's share capital, at any time until April 15, 2013, by up to CHF 840 000 through the issue of up to 840 000 fully paid up new shares of CHF 1.00 nominal each. Share capital increases representing portions of this maximum are permitted. The Board of Directors has full discretion to determine the amount of share capital to be issued, the form of payment required for subscription, the date of issue, the conditions governing the exercise of subscription rights and the commencement of dividend entitlement. The Board of Directors is authorised to restrict or prohibit trading in the subscription rights to these shares. The detailed regulations governing these shares are set out in Article 3b of the company's Articles of Incorporation.

2.3 CHANGES IN CAPITAL STRUCTURE. At their Ordinary General Meeting on April 15, 2011, Valora Holding AG shareholders authorised the Board of Directors to reduce the company's issued share capital by repurchasing up to 280 000 registered shares. The Board of Directors is empowered to determine the modalities of the repurchase programme at its sole discretion.

In 2009, following completion of a share repurchase programme and authorisation being granted by the Ordinary General Meeting of shareholders, 500 000 repurchased shares were cancelled, thus reducing the company's issued share capital from 3 300 000 to 2 800 000 shares.

Changes in the reserves and overall shareholders' equity of Valora Holding AG are shown in the balance sheet (page 107) and in the notes to the financial statements of Valora Holding AG (page 108).

2.4 SHARES, PARTICIPATION CERTIFICATES AND DIVIDEND-RIGHT CERTIFICATES. All 2 800 000 registered shares each have a nominal value of CHF 1.00 and are fully paid up. Each share entitles its holder to a dividend, except the shares held in treasury by Valora Holding AG. There are no preferential shares. Valora holding AG has not issued any participation certificates or dividend right-certificates.

2.5 CONVERTIBLE BONDS AND OPTIONS. At December 31, 2011, Valora Holding AG had no convertible bonds or options outstanding.

2.6 LIMITATIONS ON TRANSFERABILITY AND NOMINEE REGISTRATIONS. Details of limitations on transferability and nominee registrations are shown in section 6.1 of this corporate governance report.

3 BOARD OF DIRECTORS

3.1 BOARD OF DIRECTORS. At December 31, 2011, the Board of Directors of Valora Holding AG comprised the following five members:



Rolando Benedick, 1946, Swiss citizen, Chairman
Previous activities: CEO of Innovazione, CEO of the Manor Group, Board Chairman of the Manor Group, Member of the Board of Directors of Jacobs Holding AG, Member of the Board of Barry Callebaut.
Current activities: Board Chairman of Manor Sud (since 1999), Member of the Boards of Directors of MCH Messe Schweiz AG (since 2001) and Galfa Group Paris (since 2009)



Markus Fiechter, 1956, Swiss citizen, Vice-Chairman
Master's degrees in Chemical Engineering from the Swiss Federal Institute of Technology and in Economics from the St. Gallen Business School.
Previous activities: Manager, Mettler Toledo AG, Manager, Boston Consulting Group, CEO, Minibar Group, CEO, Jacobs Holding AG.
Current activities: Member of the Boards of Directors of Barry Callebaut (since 2004) and Minibar AG (since 2005).



Bernhard Heusler, 1963, Swiss citizen,
Attorney-at-law, doctorate and master's degree in Law from the University of Basel and postgraduate studies at the University of California, Davis.
Previous activities: temporary associate at Davis Polk & Wardwell, New York, associate at Wenger Plattner, Attorneys-at-law in Bern, Basel and Zurich.
Current activities: Partner at Wenger Plattner, Attorneys-at-law (since 2000), Chairman and Board Delegate of the FC Basel 1893 AG football club (2012), member of various professional organisations, member of the Boards of Directors of various non-exchange-listed trading and service SMEs.



Franz Julen, 1958, Swiss citizen
Diploma in hotel and restaurant management from the Swiss Hotel Management School, Lucerne.
Previous activities: Deputy Managing Director, Marc Biver Development Sportmarketing, Chairman of the Management Committee, Völkl International AG, COO, INTERSPORT International Corporation.
Current activities: CEO, INTERSPORT International Corporation (since 2000).



Conrad Löffel, 1946, Swiss citizen
Federally qualified Swiss chartered accountant.
Previous activities: CFO, Intercontainer, CFO, Kuoni, CFO, Danzas and partner and Board director of Ernst & Young AG, Basel.
Current activities: Member of the Board of Directors of Adimmo AG (since 2006) and of Swiss Federal Railways (since 2008).

No member of the Board of Directors has any management mandate within the Valora Group or any significant business relations with the Group. Bernhard Heusler is a partner of the Wenger Plattner law practice, which has offices in Basel, Bern and Zurich. In 2011, Valora paid fees totalling CHF 197 thousand (CHF 36 thousand in 2010) to various members of the Wenger Plattner law practice. These related to notarisation services and advice in the fields of employment law, IT law, contract law and real-estate law.

3.2 OTHER ACTIVITIES AND VESTED INTERESTS. Some Board members engage in other business activities with major companies.

3.2.1 SUPERVISORY BOARD ACTIVITIES.

- Rolando Benedick: Board Chairman of Manor Sud, member of the Boards of Directors of MCH Messe Schweiz AG and Galfa Group Paris, Chairman of the governing body of the Freiwilliger Museumsverein, Basel, Chairman of the Leopard Club, Locarno, Chairman of the supervisory board of the Valora pension fund and the Valora employer's foundation, both of which have their registered offices in Muttenz.
- Markus Fiechter: member of the Boards of Directors of Barry Callebaut and Minibar AG. Member of the Supervisory Board of the Swiss Federal Foundation for the Furtherance of the Swiss Economy through Scientific Research (in German, "Eidgenössische Stiftung zur Förderung schweizerischer Volkswirtschaft durch wissenschaftliche Forschung"), Zurich
- Bernhard Heusler: member of various professional organisations, member of the Boards of Directors of various non-exchange-listed trading and service SMEs.
- Franz Julen: Vice-Chairman of the Supervisory Board of the Union of Groups of Independent Retailers of Europe (UGAL), a non-profit international organisation.
- Conrad Löffel: member of the Boards of Directors of Adimmo AG and Swiss Federal Railways

3.2.2 MEMBERSHIP OF EXECUTIVE COMMITTEES.

- Markus Fiechter: Member of the Advisory Board of Manres AG, Zollikon.
- Bernhard Heusler: Partner with Wenger Plattner, Attorneys-at-law, Basel, Chairman and Board Delegate of the FC Basel 1893 AG football club
- Franz Julen: CEO of INTERSPORT International Corporation, Bern

3.3 ELECTIONS AND TERMS OF OFFICE. The Board of Directors comprises at least three members who are elected by the General Meeting of Shareholders for a term of one year – one year being the period from one Ordinary General Meeting to the next. Each Board member is elected individually. Outgoing Board members may be re-elected. Members retire permanently from the Board on the date of the Ordinary General Meeting following their 70th birthday. Any exceptions to these rules must be recommended by the Board of Directors to the General Meeting and approved by the latter.

The Board of Directors is self-constituting. The Board names a Chairman and a Deputy Chairman and a Secretary. The Secretary need not be a Board member. With the exception of Franz Julen, who was first elected in 2007, all Board members were first elected in 2008.

3.4 INTERNAL ORGANISATIONAL STRUCTURE AND COMMITTEES. The Board of Directors discharges the duties required of it by law (article 716a of the Swiss Code of Obligations). The Board has supreme managerial responsibility for the company and the supervision of its conduct of business. It represents the company to the outside world and attends to all matters which the law, the company's Articles of Incorporation or the company's bylaws have not assigned to another executive body of the company. The Board of Directors may delegate powers and the management of the company or individual parts thereof to one or more persons, to members of the Board or to third parties who need not be shareholders, provided such affairs are not inalienably assigned to it by law or the articles of incorporation. The Board issues the company's bylaws and regulates the contractual relationships associated therewith.

There is no explicit allocation of responsibilities among Board members other than that arising from Board committee memberships. Board members are, however, selected so as to ensure that the Board as a whole has specific expertise in the fields of finance, retail, franchising, trade, IT and law.

Minutes are kept of Board meetings.

The composition of the Board committees is as follows:

- Audit Committee: Conrad Löffel (Chairman), Bernhard Heusler.
- Nomination and Compensation Committee: Franz Julen (Chairman), Markus Fiechter.

In addition, Roland Benedick is an ex officio member of these standing committees.

The Board of Directors held 9 meetings in 2011, as well as conducting 3 conference calls and making 4 resolutions by circular. The meetings generally lasted all day. The Audit Committee held 3 half-day meetings, while the Nomination and Compensation Committee held 5 half-day meetings, conducted 2 conference calls and made one resolution by circular. The Board of Directors and its committees may invite other persons – in particular members of management and representatives of the internal and external audit functions – to attend their meetings. The CEO and CFO attended all the meetings held by the Board of Directors and its committees, while the division heads presented the results achieved in their respective areas of responsibility at each of the Board meetings. Representatives of the internal and external audit functions attended all Audit Committee meetings.

3.4.1 AUDIT COMMITTEE DUTIES.

- a) To assess accounting practices and principles, financial reporting and other financial information and to report on these to the Board of Directors.
- b) To assess other financial information which is published or submitted to third parties.
- c) To assess the financial reporting for the annual and half-yearly reports and make appropriate recommendations to the Board of Directors.
- d) To monitor and discuss possible financial risks.
- e) To assess risk management principles and activities with regard to financial risk.
- f) To assess the quality of ICS (internal control system) processes within the company.
- g) To assess the Group's risk situation and report on it to the Board of Directors.
- h) To assess and finalise the internal audit function's budget, organisation and multi-year planning.
- i) To assess and finalise the internal audit function's annual audit plan.
- j) To decide on the appointment and dismissal of the head of internal audit.
- k) To assess the audit scope, performance and independence of the external auditors and the fees paid to them, and to propose nominations for the external audit function (for the financial statements of Valora Holding AG and the Valora Group) to the Board of Directors.
- l) To assess audit findings in the internal and external auditors' reports.
- m) To commission additional and follow-up audits with regard to specific issues or problems as needed.
- n) To assess the implementation of measures recommended in audit reports.
- o) To assess the collaboration between internal and external auditors.
- p) To assess financing and treasury policy.
- q) To assess the legal department's annual report on major, potential, pending and resolved legal issues whose financial consequences are significant.
- r) To assess tax planning, tax management and tax audits and their outcomes.
- s) To assess the evolution of corporate governance and to formulate appropriate recommendations to the Board of Directors.
- t) To carry out other tasks and projects as instructed by the Board of Directors.

For the duties specified in a), b), c), d), e), f), g) k), l), n), o), p), q), r), s) and t) above, the Audit Committee exercises a preparatory function. For the duties specified in h), i), j) and m) the Audit Committee exercises a decision-making function.

3.4.2 NOMINATION AND COMPENSATION COMMITTEE DUTIES.

- a) To prepare proposals on the remuneration of the Chairman of the Board and the other Board members and submit these to the Board.
- b) To determine the salaries and other terms and conditions of employment for the CEO and the other members of Group Executive Management.
- c) To assess general annual salary increases proposed by the CEO and to make recommendations on these to the Board.
- d) To review share programmes for management and employees and share option and profit-sharing programmes for the Board and Group Executive Management and to make recommendations on these to the Board.
- e) To approve general salary increases (wage round, in German, "Lohnrunde").
- f) To approve share, share option and profit-sharing programmes for management and employees.
- g) To prepare proposals for new candidate Board members for submission to the Board.
- h) To prepare proposals for submission to the Board on the appointment or dismissal of the CEO and other Group level executives (CFO, members of Group Executive Management).
- i) To approve the conditions of employment of the CEO and the other members of Group Executive Management.
- j) To remain informed of and monitor succession planning for the top two tiers of management.
- k) To discuss the performance appraisals of the CEO and the other members of Group Executive Management.
- l) To monitor the implementation of Board decisions within the scope of the Nomination and Compensation Committee's remit.
- m) To approve the principles governing the company's pension funds and to appoint the employer's representatives to serve on their supervisory boards.
- n) To resolve matters of principle relating to the company's dealings with trade unions.
- o) To carry out other tasks and projects as instructed by the Board of Directors.

For the duties specified in a), c), d), e), f), g), h), i), j), k), l), m), n) and o) above, the Nomination and Compensation Committee exercises a preparatory function. For the duties specified in b) above, the Nomination and Compensation Committee exercises a decision-making function.

3.5 DEFINITION OF AREAS OF RESPONSIBILITY. The Board of Directors meets as frequently as business demands, holding a minimum of four meetings each year. Board meetings are convened by the Chairman or, in his absence, by the Deputy Chairman or another Board member. The Chairman is also required to convene a Board meeting within 30 days of receiving a written request to do so from any of its members. The Board is quorate if a majority of its members are present. No quorum is required for the Board to approve reports on capital increases or on the subsequent paying in of shares not fully paid up, or for any resolutions which require notarisation. Board resolutions are passed and elections decided by a simple majority of the votes cast. In the event of a tie, the Chairman has the casting vote. Voting and elections are normally conducted by a show of hands, unless a Board member requests a secret ballot. Board resolutions on proposals submitted to it may also be passed by majority written approval (by letter, telegram or fax or in other written form), provided all Board members have been invited to vote and no member has requested that the issue concerned be discussed verbally. All Board resolutions must be recorded in a set of minutes, which the Chairman and the Secretary must jointly sign. Every Board member is entitled to information and access to documents, within the overall provisions of the law.

The Board of Directors has ultimate responsibility for the management of the Group, in particular determining the key attributes of the company's activities, maintaining an appropriate balance between entrepreneurial objectives and financial resources and promulgating such directives as this requires. The Board is also responsible for approving corporate strategy and specifying organisational structure, as well as defining the strategy and concept governing the internal control system and risk assessment and risk management activities. The Board also bears ultimate responsibility for personnel matters and determines the fundamental principles of the company's staff and salary policies. It is responsible for the appointment, dismissal and supervision of those charged with the management of the company, the Group and the individual divisions – in particular the CEO, CFO and divisional heads – and for defining their deputising arrangements and signatory powers. The Board also establishes the guidelines for financial and investment policy, and approves medium-term planning, annual budgets and investment schedules.

The Board of Directors delegates the entire management of ongoing operations and the representation of the company to Group Executive Management under the leadership of the CEO, to the extent that the law or the company's Articles of Incorporation or bylaws do not stipulate otherwise. Group Executive Management has the authority to decide on all matters relating to the business entrusted to it. Decisions on matters which are beyond the scope of regular business operations or which exceed the thresholds specified in the company's terms of reference (ToR) require approval by the Board of Directors. In essence, this applies to:

- the commencement of new business activities or the cessation of existing ones.
- the execution of significant contracts relating to areas outside the scope of Valora's normal business activities and the execution of consultancy contracts whose costs (either aggregate or annual) exceed CHF 2 million.
- the issuance of marketable debt securities or the contracting of long-term borrowing in amounts in excess of CHF 30 million.
- the granting of loans to third parties whose amount exceeds CHF 10 million.
- carrying out investments covered by the investment plan for amounts of more than CHF 5 million or carrying out non-budgeted investments for amounts of more than CHF 2 million.
- the granting of sureties or guarantees for amounts in excess of CHF 10 million.
- the acquisition or disposal of equity participations.
- the purchase or sale of real-estate properties for amounts in excess of CHF 5 million.
- the initiation or termination of legal disputes, including the agreement to court-ordered or out-of-court settlements for amounts in excess of CHF 2 million.

3.6 INFORMATION AND CONTROL INSTRUMENTS AVAILABLE TO THE BOARD OF DIRECTORS. The CEO keeps the Chairman of the Board informed about the business performance of the company and the Group. At Board meetings, the CEO informs the Board about the business performance of the company, the Group and the individual divisions and also reports on all major business events. The CEO notifies the Board immediately of any extraordinary events whose implications are substantial.

In addition, the Management Information System provides the Board of Directors with the following on a regular basis: monthly sales figures and monthly divisional and Group reporting based on the budget approved by the Board versus current and prior year's actual figures, information regarding major business events, data on the shareholder structure and the extent to which resolutions approved by the General Meeting or the Board of Directors have been implemented.

The Chairman of the Board of Directors is provided with copies of the minutes of all Group Executive Management meetings. Any member of the Board of Directors may demand information from management about the course of business and operations and, with the approval of the Chairman of the Board, on specific business transactions. Any Board member may also demand that company books and files be made available for their inspection.

3.6.1 RISK MANAGEMENT. The Board of Directors and Group Executive Management carry out a risk assessment once a year. The objective is to make the principal risks to which Valora is exposed more transparent, to improve the quality of risk dialogue and to define practical measures for addressing key risks to Valora. The results are reviewed at a joint meeting held with the Board of Directors at which a plan for implementing appropriate measures is approved.

The risk assessment is initiated by the head of internal audit and is then carried out jointly, with external assistance, by Group Executive Management and the Chairman of the Board. The risk assessment process comprises three phases. In phase 1, the catalogue of risks and the methodological parameters are defined, and structured interviews are held with the individual members of Group Executive Management. This phase also involves some 15 key Valora employees being questioned by internal audit about their assessment of the risk situation. In phase 2, the results of these interviews are discussed in a workshop held with Group Executive Management, the key risks are identified and measures for addressing them are defined, with responsibility for their execution being assigned to specific members of Group Executive Management. The implementation status of measures decided upon the previous year is also reviewed. The final phase involves documenting the key findings and potential consequences of each of the key risks identified, as well as the measures adopted to address them, in a risk report which is submitted to the Board of Directors for approval.

The principal risks identified in 2011 lie in the areas of product development in the Retail division, the firm's ability to respond to changes in market conditions, management capacity, the acquisition of new principals, and the quality of post-merger integrations.

3.6.2 INTERNAL AUDIT. Internal audit supports the Board of Directors, the Audit Committee and Group Executive Management in the execution of their supervisory and controlling duties. In order to ensure the greatest possible degree of independence, the internal audit function reports to the Chairman of the Board of Directors, with a functional reporting line to the Chairman of the Audit Committee. Internal audit's activities cover the entire Valora Group and all its subsidiaries in Switzerland and abroad. Internal audit may be tasked with examining processes and projects within the Group and provides technical support, within the Internal Control System (ICS) context, to the ICS head, obtains quarterly ICS status reports and subjects the ICS framework to an annual review.

A written report is compiled for every audit and every other mandate carried out by internal audit. These reports are discussed in detail with the organisational units which have been examined and each such unit is required to define a schedule of concrete steps for implementing the measures which have been determined. Internal audit then verifies the implementation of these measures within one year. The Chairman of the Board of Directors, the Chairman of the Audit Committee and the CEO each receive a copy of these reports, which include the comments of those concerned. The external auditors also have free access to these reports.

By mid-March of the following year, internal audit submits an activity report for each calendar year. In addition to summarising its audit work, this report also provides details of internal audit's mission and strategy and of the extent to which its goals were achieved. Internal audit also formulates a rolling, risk-oriented multi-year plan, from which its annual audit plan is derived. The annual internal audit plan is agreed with the external auditors. It is then submitted to the Audit Committee for approval and communicated to Group Executive Management.

Internal audit carried out 17 audits during 2011.

4 GROUP EXECUTIVE MANAGEMENT

4.1 MEMBERS OF GROUP EXECUTIVE MANAGEMENT. The CEO is responsible for managing the Group. He coordinates the activities of the individual divisions and chairs the Group Executive Management committee. The other members of Group Executive Management report to the CEO. The division heads run their divisions with a view to achieving sustainably profitable performance. They define the specific management tools their divisions require in addition to the Group-wide guidelines which are in place.



Dr. Thomas Vollmoeller, 1960, German citizen

Master's degree in Economics from the University of Stuttgart, doctorate in Economics from the University of St. Gallen.
Previous activities: consultant with McKinsey & Co. in Hamburg and Düsseldorf, Chief Executive of Tchibo direct GmbH, CFO, Head of Operations and Member of the Executive Committee of Tchibo. CEO of Valora since June 16, 2008.



Dr. Lorenzo Trezzini, 1968, Swiss citizen

Doctorate in Economics from the University of Zurich and Federally qualified Swiss chartered accountant.
Previous activities: Group CFO of the Valartis Group and member of the executive committees of the Valartis Group and Valartis Bank AG, venture capital and private equity manager at Invision AG, corporate finance manager at Ernst & Young, audit manager at Deloitte. CFO of Valora since December 4, 2008.



Andreas Berger, 1966, German citizen

Master's degree in Economics from the University of St. Gallen.
Previous activities: director of ALDI GmbH & Co. KG Weimar, assistant to the Board of Directors and the proprietor of ALDI Nord, dealership business advisor at BMW AG Munich.
Head of Valora's Retail division since January 17, 2011.



Alexander Theobald, 1964, Swiss citizen

Master of Arts degree from the University of Zurich.
Previous activities: various publishing and marketing posts and Member of Senior Management of Tamedia AG, head of Swiss magazine division, director of publishing activities for Hungary and Rumania and member of Group Executive Management of Ringier AG.
Head of Valora's Services division since May 1, 2010.



Alex Minder, 1957, Swiss citizen

Graduate in Business Administration, Executive MBA.
Previous activities: senior management positions at Bally International Ltd, client service director and executive committee member at Impuls Saatchi & Saatchi, Managing Director of Cadbury Switzerland, Board member of Cadbury Western Europe.
Head of Valora's Trade division since May 1, 2004.

Group Executive Management changes. The previous head of Valora's Retail division, Kaspar Niklaus, left Group Executive Management with effect from early 2011. On January 17, 2011, Andreas Berger joined the Group as head of the Valora Retail division.

None of the other members of Group Executive Management had previously worked for Valora.

4.2 FURTHER SIGNIFICANT ACTIVITIES AND VESTED INTERESTS. No member of Group Executive Management currently engages in any other activities in the management or supervisory boards of any listed companies in Switzerland or elsewhere. With the exception of the duties listed below, no member of Group Executive Management engages in any ongoing management or consultancy activities for companies outside the Valora Group, nor does any such member hold any public or political office.

The Valora Group is a founding member of the Swiss Retail Industry Group [Interessengemeinschaft Detailhandel Schweiz], where it is represented by Thomas Vollmoeller. Thomas Vollmoeller is a member of the Board of Directors of Conrad Electronic SE whose registered offices are in Hirschau, Germany. Lorenzo Trezzini is a member of the supervisory boards and of the investment committees of the Valora pension fund and the Valora employer's foundation, all of which have their registered offices in Muttenz.

4.3 MANAGEMENT CONTRACTS. There are no management contracts between Valora Holding AG and any companies or individuals outside the Valora Group.

5 REMUNERATION, SHAREHOLDINGS AND LOANS

5.1 COMPONENTS OF REMUNERATION AND SHAREHOLDING PROGRAMMES AND THEIR DETERMINATION.

The Board of Directors has determined a set of rules governing decision-making authority with regard to the remuneration of Board members and members of Group Executive Management. These are set out in section 3.4.2, Nomination and Compensation Committee Duties. The appropriateness of these duties is reviewed on an annual basis, with modifications being made as required.

The overall remuneration paid to each individual member of the Board of Directors and of Group Executive Management is authorised by the entire Board. Each Board member abstains from voting on his own remuneration. The Nomination and Compensation Committee exercises a preparatory function with regard to the remuneration guidelines for the Board and the remuneration paid to its members. With regard to Group Executive Management remuneration this Board Committee exercises a decision-making function.

5.1.1 GENERAL COMPONENTS OF REMUNERATION AND THEIR WEIGHTING.

Valora pays total remuneration packages which are in line with the market and individual performance. The remuneration system is designed to align management's interests with those of the Group. The fixed salaries determined by the Board of Directors for each member of Group Executive Management are based on the market value of the position concerned, the responsibilities associated with it and the effective scope of the activities it requires. The remuneration system is not linked to external benchmarks, nor is it based on a uniform job evaluation process. The overall remuneration paid to members of Valora's management comprises a fixed salary, a variable Short Term Plan and a share-based Long Term Plan. Beyond that, there are no contractual provisions for any payments extending beyond a maximum notice period of 12 months. Sections 5.1.2 and 5.1.3 provide detailed descriptions of the remuneration paid to the Board of Directors and Group Executive Management.

In 2009, the structure of the remuneration paid to the Board of Directors and Group Executive Management was modified and a share-based Long Term Plan was introduced. This plan, which forms an integral part of its participants' total remuneration, aims to align its participants' long-term interests with those of the company and to link their remuneration with its business performance.

The LTP offers its participants the opportunity of buying a specific number of shares, which the Nomination and Compensation Committee determines for each participant individually in accordance with the procedure described below. Under the plan, each participant may purchase two tranches of shares, the tranches having lock-up periods which begin and end on different dates. As a rule, the lock-up period is between 27 and 45 months. Participants are allocated a number of shares representing a fixed percentage of their overall remuneration. For Board members this percentage is 57% and for members of Group Executive Management it is between 45% and 57%.

The purchase price for the shares in the plan is the average closing price recorded on SIX Swiss Exchange over the 20 trading days preceding the commencement of the LTP. Participants finance the purchase of their shares individually through a bank loan, with the shares being pledged to the bank as collateral.

On the last day of each lock-up period, Valora will offer to buy back the shares in the relevant tranche from the plan participants at that day's SIX Swiss Exchange closing price. Participants wishing to avail themselves of this offer must advise Valora on the last day of the lock-up period how many of their shares they wish to sell back in this way. Once the lock-up period is over, participants have free access to any shares they elect not to sell. Should the price at which the shares are sold at the end of a lock-up period be lower than that which they were purchased at the beginning of the period, Valora undertakes to reimburse the amount of any shortfall to the bank and the participants. Valora's share price guarantee to the bank will expire no later than the final day of the second lock-up period. The financing costs incurred by Valora are limited to the interest it pays on the loans.

In the event of a plan participant's employment being terminated by Valora before the end of either the first or the second lock-up period, the participant is required to sell a pro rata portion of the shares back to Valora at the original purchase price and the bank loan must be repaid in full. Should a plan participant resign from Valora, all the shares in any tranche whose lock-up period has not expired must be sold back to Valora at the original purchase price, and the participant has no pro rata entitlement to any shares in such tranches. For Board members, stepping down from the Board or not standing for re-election to the Board is regarded as tantamount to resignation.

The Nomination and Compensation Committee based its determination of the structure of the remuneration paid to Board members and Group Executive Management on financial analysts' average projections of Valora's share-price performance over the periods covered by the individual lock-up periods in the programmes. These were between 18% and 30% for the 2009 LTP and 11% for the 2011 LTP.

Based on these average projected increases in the price of Valora shares, the Long Term Plan is expected to account for 55% of overall projected compensation, with the Short Term Plan contributing 12% and fixed salary 33%.

A detailed statement of the number of shares held under these plans can be found in note 5 to the financial statements of Valora Holding AG on page 111.

No external consultancy fees were paid in connection with the development of this plan.

5.1.2 BOARD OF DIRECTORS. The Board of Directors determines at its own discretion the nature and amount of the remuneration paid to its members, based on proposals made by the Nomination and Compensation Committee. Members of the Board receive graduated fixed fees, whose amount is determined by their Board function (Chairman, Vice-Chairman, member). An additional emolument is paid to the Chairmen of the two Board committees (Audit Committee and Nomination und Compensation Committee). These fees are paid out in cash each quarter. No performance-based

variable remuneration is paid to the Board of Directors. Board members also participate in the Long Term Plan (see 5.1.1 above). Conrad Löffel's participation in the Long Term Plan is options-based. No other modifying arrangements have been agreed.

No attendance fees are paid for Board meetings, though a fixed amount of travel expenses is reimbursed.

5.1.3 GROUP EXECUTIVE MANAGEMENT. Members of Group Executive Management receive an annual salary which comprises a fixed and a variable component (the Short Term Plan). In addition, they also participate in the Long Term Plan (see 5.1.1 above).

Depending on the extent to which agreed objectives are met, the variable component (Short Term Plan) can range from 0% to a maximum of 75% of fixed base salary. On average, a member of Group Executive Management achieving 100% of his agreed objectives would qualify for a Short Term Plan payment equal to 37% of fixed base salary. 70% of the variable, performance-based component of remuneration is based on the company's business performance, which is measured on the basis of economic value added, while the remaining 30% depends on the achievement of personal objectives.

Valora uses a measure of economic value added (VVA, or Valora Value Added) which is defined as EBIT minus calculated financing costs. The VVA achieved is measured by taking the VVA for a given year minus the VVA for the previous year and dividing this by the budgeted VVA minus the VVA for the previous year.

The Board of Directors determines applicable previous year's VVA and approves the VVA budgeted for the current year. VVA calculations for the CEO and CFO are made on the basis of Group figures, while those for the division heads are based on the data for the relevant division.

Each participant's personal objectives and the extent to which these have been achieved are determined on an annual basis by the participant's superior or, in the case of members of Group Executive Management, by the Nomination and Compensation Committee. Personal objectives are defined in terms of clearly measurable key performance indicators (KPIs). All individual objectives are individually weighted and the extent to which they are deemed to have been achieved can vary from 0% to 150%. Each participant's effective bonus is calculated by assigning a 70% weighting to the achievement of the VVA objective and a 30% weighting to key personal objectives and will range from 0% to a maximum of 150% of their target bonus.

The Board's Nomination and Compensation Committee determines, at its own discretion, the amount of the overall remuneration paid to each individual member of Group Executive Management taking account of the fixed and variable elements involved as well as deciding on the amount of any performance-related remuneration paid. This Committee informs the Board of its decisions on these matters at the meeting held immediately thereafter.

Details of the remuneration paid to the Board of Directors and Group Executive Management and of the Valora shares held by their members can be found in note 5 to the financial statements of Valora Holding AG on page 109.

6 SHAREHOLDERS' PARTICIPATION RIGHTS

6.1 VOTING RIGHT AND REPRESENTATION RESTRICTIONS. Each share entitles its holder to one vote at the General Meeting. Voting is limited to those individuals who are entered as shareholders with voting rights in the Share Register.

The Board of Directors may refuse acknowledgement and entry in the Share Register as a shareholder with voting rights of any shareholder who fail to confirm expressly, on request, that they have acquired the shares concerned in their own name and for their own account. The Board of Directors may also cancel – with retroactive effect to the date of original entry – the entry in the Share Register as a shareholder with voting rights of any shareholder who, on subsequent inquiry, is found to have had the voting rights concerned registered by making a false declaration,

and may have them entered instead as shares without voting rights. Any such cancellation must be communicated immediately to the shareholder concerned.

To enhance the tradability of Valora shares on the stock exchange, the Board of Directors may devise regulations or agreements which approve the fiduciary entry of registered shares with voting rights over and above the limits set out in the Articles of Incorporation for trustees who disclose the nature of their trusteeship (nominees, ADR banks). Such trustees must be overseen by banking or financial market regulators, however, or must otherwise provide the necessary guarantees that they are acting on behalf of one or several persons who are not linked to each other in any way, and must be able to provide the names, addresses and shareholdings of the beneficial owners of the shares concerned.

A shareholder may be represented at a General Meeting only by their legal representative, by another shareholder attending the General Meeting whose name is entered in the Share Register, by a proxy for deposited shares, by an executive body of the company or by the independent shareholders' representative.

Recognition of powers of attorney will be at the discretion of the Board members attending the General Meeting.

6.2 STATUTORY QUORUMS. Unless the law or the Articles of Incorporation require otherwise, the General Meeting passes its resolutions and conducts its elections by a simple majority of the share votes cast, irrespective of the number of shareholders attending or the number of shares represented. In the event of a tied vote, the Chairman of the Board of Directors holds the casting vote.

Under Article 12 of the Articles of Incorporation, the following resolutions require a majority of two thirds of the votes represented and an absolute majority of the nominal value of the votes represented:

- changing the object of the company;
- introducing shares with privileged voting rights;
- limiting or facilitating the transferability of registered shares;
- increases in authorised or conditional capital;
- capital increases from shareholders' equity, against non-cash payments or for acquisition purposes, and the granting of special benefits;
- limiting or suspending subscription rights;
- relocating the company's registered office;
- dissolving the company without liquidation or by merger

6.3 CONVOCATION OF THE GENERAL MEETING. Ordinary or Extraordinary General Meetings are formally called at least 20 days in advance by publication in the "Schweizerisches Handelsamtsblatt" (Swiss Official Gazette of Commerce). The holders of registered shares shown in the Share Register may also be invited by letter. Such publication and letters of invitation must indicate the venue, date and time of the meeting, the items on the agenda and the wording of any motions proposed by the Board of Directors or by shareholders who have requested the convening of a General Meeting or the inclusion of an item on the meeting's agenda.

The notice of an Ordinary General Meeting must also indicate that the Annual Report and the Report of the Auditors will be available for inspection at the company's registered office at least 20 days in advance of the meeting, and that any shareholder will immediately be sent a copy of these documents on request.

No resolution may be passed on any matters that are not announced in the way described above, except on a motion to convene an Extraordinary General Meeting or to conduct a special audit.

The Articles of Incorporation stipulate that the convening of a General Meeting may also be requested by one or more shareholders who together represent at least 10% of the company's share capital.

6.4 ADDITIONAL AGENDA ITEMS. Shareholders who together represent at least 3% of the company's share capital or shares with a total nominal value of at least CHF 1 million may request that an item be placed on the agenda of a General Meeting, provided they submit details thereof to the company in writing at least 50 days in advance of the General Meeting concerned..

6.5 REGISTRATIONS IN THE SHARE REGISTER. To attend the 2012 Annual General Meeting, a shareholder must submit their request for registration in the Share Register to the company no later than 4 p.m. on April 10, 2012.

7 CHANGES OF CONTROL AND DEFENCE MEASURES

7.1 DUTY TO MAKE AN OFFER. The company has no "opting out" or "opting up" clauses in its Articles of Incorporation.

7.2 CLAUSES ON CHANGE OF CONTROL. There are no change of control clauses in favour of any members of the Board of Directors, Group Executive Management or other members of management.

8 AUDITORS

The consolidated financial statements and the financial statements of Valora Holding AG and its subsidiaries are audited by Ernst & Young AG. The General Meeting appoints an individual or corporate body that satisfies the relevant legal requirements to act as Statutory Auditors, with the rights and obligations prescribed by the law. The Statutory Auditors are elected for a one-year term of office.

8.1 DURATION OF THE MANDATE AND TERM OF OFFICE OF THE LEAD AUDITOR. The audit mandate was first entrusted to Ernst & Young AG at the 2009 General Meeting. Ernst & Young AG were appointed as auditors for a further year at the 2010 and 2011 General Meeting. The lead auditor, Martin Gröli, first took on the mandate in 2009. Regulations on auditor rotation limit the terms which may be served by the same lead auditor to a maximum of seven years.

8.2 AUDIT FEES. The total cost to Valora Holding AG and its subsidiaries of the auditing conducted by Ernst & Young AG in 2011 in respect of the consolidated financial statements, the financial statements of Valora Holding AG and of its subsidiaries was CHF 1.2 million (CHF 1.0 million in 2010).

8.3 ADDITIONAL FEES. In addition, Ernst & Young AG invoiced the Valora Group for a further CHF 1.0 million (CHF 0.26 million in 2010) for other services related to tax advice and financial due diligence.

8.4 INFORMATION INSTRUMENTS AVAILABLE TO THE EXTERNAL AND INTERNAL AUDITORS. The Board of Directors' Audit Committee defines the audit mandates of the statutory auditors and has the responsibility of ensuring appropriate controls are carried out. Since January 1, 2009, internal auditing has been carried out by an internal audit unit. Both internal and external auditors attended all Audit Committee meetings. The Audit Committee meetings at which the interim and full-year financial results are reviewed are always attended by all members of the Board of Directors. Assessment of the external auditors takes account of a number of criteria, principal among which are deadline discipline, reporting quality, provision of additional information, availability

of designated contacts and cost effectiveness. The external auditors submit to the Audit Committee both their report on the financial statements for the year just completed as well as their audit plan for the current financial year. The internal auditors submit their audit plan for the current year to the Audit Committee and also provide it with a separate report on each audit they carry out.

9 INFORMATION POLICY

Valora Holding AG meets all legal requirements and strives to meet best practice standards. Valora Holding AG uses all appropriate communication channels to maintain contact with the financial community and the general public. The firm reports on important news items concerning it on an ad hoc basis. In addition, the Valora website provides comprehensive information on a range of topics, as well as publishing details of all matters whose disclosure is required by law.

The Investor Relations unit is responsible for managing all contacts with investors and financial analysts. Regular conferences covering important company topics are held for the media, institutional investors and analysts. Shareholders and other interested parties may dial into these events by telephone or log on via the Valora Holding AG website.

Valora Holding AG is committed to treating all interested parties equally. The Group ensures that information is not disclosed selectively by adhering to the relevant directives on ad hoc publicity and on blackout periods ahead of the publication of interim and full-year results. These blackout periods commence on dates before the official publication of results which are set in advance and end when the results are published. No meetings with financial analysts or investors take place during the blackout periods.

Every spring, the company holds a results press conference for the media and financial analysts. The invitation to the General Meeting sent to all shareholders includes a summary of the key figures in the full-year financial statements.

At the end of August each year, the company publishes consolidated interim results for the first six months of the year and sends these to all shareholders entered in the Share Register (these results are unaudited).

Every autumn, the company hosts a media and investors' day, which may focus on customers, markets, strategy or other subjects.

The Investors section of the Valora website displays a variety of information, including the corporate governance report, the company's Articles of Incorporation, a calendar of events, information on the General Meeting and on Valora shares as well as other key metrics. Ad hoc news and reports on potentially price-sensitive matters can be obtained rapidly and free of charge by e-mail by registering on the Valora e-mail distribution list (<http://www.valora.com/de/investors>).

Ongoing sources of information:

- The www.valora.com company website
- Group interim and annual reports
- Media releases

Media relations: *Stefania Misteli*

Investor relations: *Mladen Tomic*

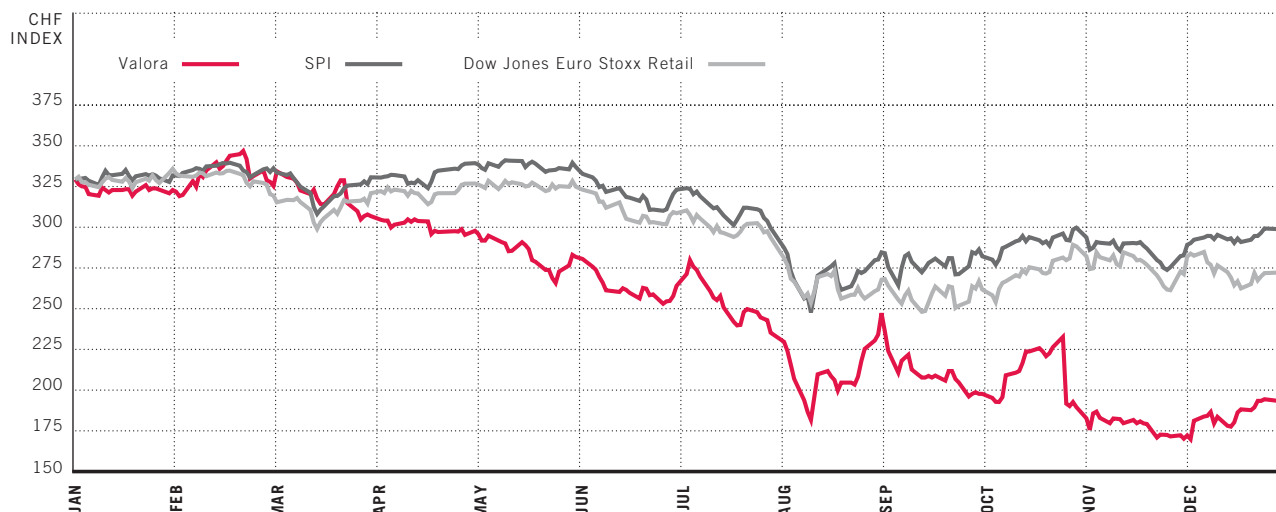
VALORA SHARES

1 SHARE PRICE TRENDS

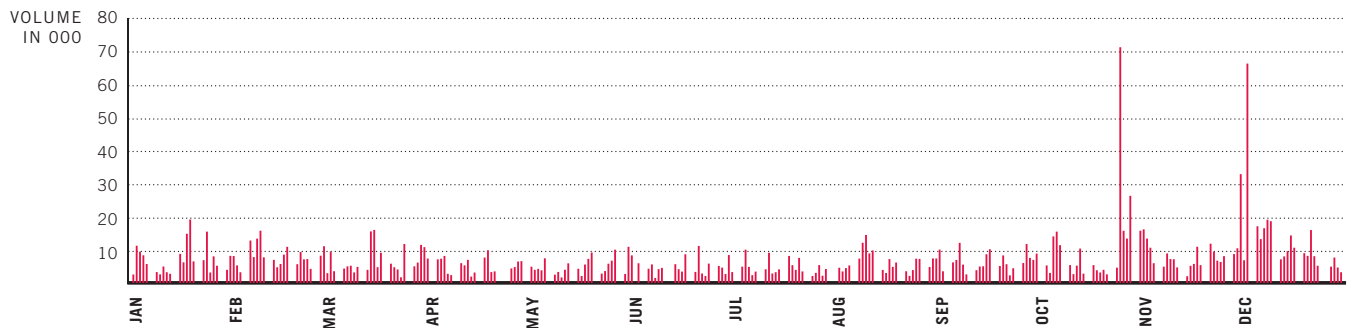
Overall Swiss equity market performance. Swiss equities got off to a positive start in 2011, though early gains had been reversed by the end of the first quarter, with the overall market down –0.9% as worldwide investor confidence diminished, notably due to the nuclear disaster in Japan. From then till late May, the broad Swiss Performance Index (SPI) staged a modest recovery, before the escalating European debt crisis clouded the general economic outlook. By the end of September, the combined effect of the financial assistance package for Portugal, the new austerity measures in Greece, the need to increase the European Financial Stability Fund and the downgrading of US sovereign debt by Standard & Poors had resulted in markedly weaker share prices, both in Switzerland and across the globe, with the SPI declining –14%. Thereafter, despite mounting concerns about the stability of the European Union and the significant continuing strength of the Swiss franc, the major Swiss equity indices had recovered slightly by the end of the year. 2011 closed with Switzerland’s blue-chip Swiss Market Index (SMI) down –8.6% on the year, while the broader SPI index declined by 8.5% over the period.

Valora share performance. In early 2011, Valora Holding shares eased somewhat, moving more or less in line with the overall market, before rising to a 4-year high of CHF 347 on February 22, 2011. Following the publication of the Group’s 2010 results and the 2011 Ordinary General Meeting of shareholders, the shares weakened significantly, trading at CHF 258 by June 30, a decline of –21.7% from their level at the beginning of the year. This decline reflected the noticeable deterioration in consumer confidence, the strength of the Swiss franc and the potential prospect of a share capital dilution – the Ordinary General Meeting of shareholders having authorised the Board of Directors to issue additional share capital as a means of enhancing the company’s financial flexibility should the need arise. The share price then rose somewhat in the run-up to the presentation of the Group’s first-half results in August, before declining to a 2011 low of CHF 170.20 on December 1, 2011, following the modifications made to 2011 earnings projections. Towards the end of the year, the Board’s statement that it intended to maintain a stable dividend and had no plans to issue additional shares lent the share price some support. Over 2011 as a whole, Valora Holding AG shares fell by –39.8%, closing at CHF 196.50 on December 31, 2011.

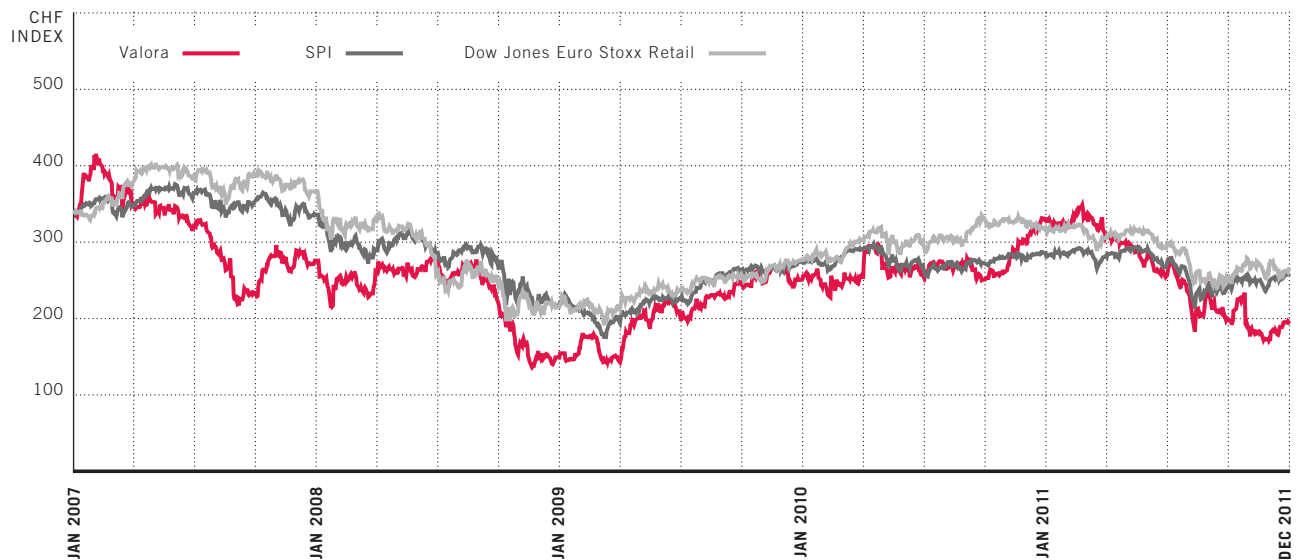
VALORA SHARE PRICE TREND 2011



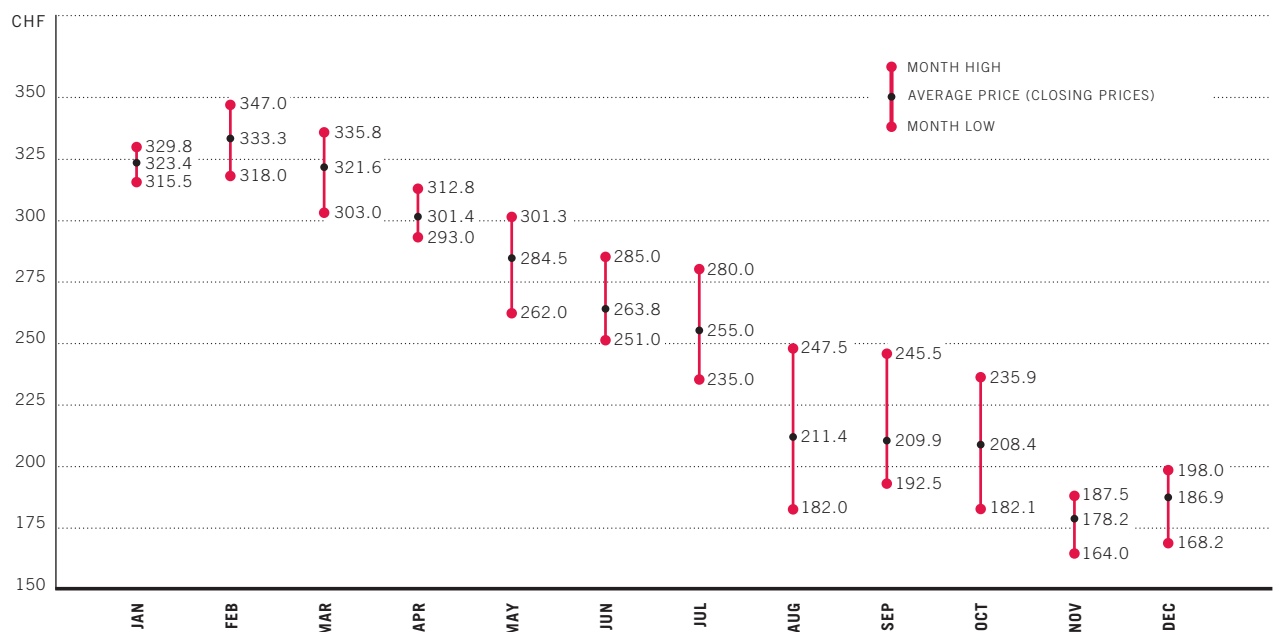
VALORA SHARE VOLUME 2011



VALORA SHARE PRICE TREND 2007-2011



MONTH HIGHS/LOWS IN 2011



2 SHAREHOLDER RETURNS

		2011	2010	2009	2008	2007
<i>Share price</i>						
Year end	CHF	196.50	326.25	255.00	154.00	274.75
<i>Distributions to shareholders</i>						
Dividends	CHF	¹⁾ 11.50	11.50	10	9	9
Dividend yield	%	5.9	3.5	3.9	5.8	3.3
<i>Annual returns</i>						
excluding dividends	%	- 39.8	27.9	65.6	- 43.9	- 17.9
including dividends	%	- 36.2	32.5	72.1	- 40.7	- 15.2
<i>Average returns</i>						
		2007-2011 5 years	2007-2010 4 years	2007-2009 3 years	2007-2008 2 years	2007 1 year
excluding dividends	%	- 10.1	- 0.6	- 8.7	- 32.2	- 17.9
including dividends	%	- 6.5	2.3	- 5.6	- 28.9	- 15.2

¹⁾ Proposed

3 KEY SHARE DATA

		2011	2010	2009	2008	2007
Operating profit (EBIT) per share ¹⁾	CHF	²⁾ 25.48	²⁾ 29.56	²⁾ 24.78	²⁾ 12.22	²⁾ 18.46
Free cash flow per share ^{1) 3)}	CHF	²⁾ 4.14	²⁾ 3.10	²⁾ 16.73	²⁾ 57.39	²⁾ 22.06
Earnings per share ¹⁾	CHF	²⁾ 20.24	²⁾ 22.35	²⁾ 18.94	²⁾ 7.74	²⁾ 14.08
Equity per share ¹⁾	CHF	167.04	173.82	165.00	146.32	187.20
P/E Ratio ¹⁾		31.12	²⁾ 9.71	²⁾ 14.6	²⁾ 13.5	²⁾ 19.9

¹⁾ Based on average number of shares outstanding

²⁾ Continuing operations (without Fotolabo Group and Own Brands)

³⁾ Free cash flow: net cash provided by operating activities less net cash used in investing activities

4 SHAREHOLDER DATA AND CAPITAL STRUCTURE

		31.12.2011	31.12.2010
<i>Registered shareholder data</i>			
Composition	Significant shareholders > 5%	19.3% of shares	11.2% of shares
	10 largest shareholders	36.4% of shares	39.1% of shares
	100 largest shareholders	57.8% of shares	58.3% of shares
Origin	Switzerland	81.9% of shares	71.4% of shares
	Elsewhere	18.1% of shares	28.6% of shares

Valora Holding AG's share capital of CHF 2.8 million comprises 2.8 million registered shares with a nominal value of CHF 1.00 each.

Conditional capital amounting to a maximum of CHF 84 000, comprising 84 000 registered shares of CHF 1.00 nominal value each, was approved by the Ordinary General Meeting of shareholders of May 11, 2000. These shares can be used at any time by the Board of Directors to cover existing or future management profit-sharing plans. Existing shareholders have no subscription rights for such shares. No time limit applies. None of this conditional capital has been issued by December 31, 2011.

At their Ordinary General Meeting on April 15, 2011, Valora Holding AG shareholders granted the Board of Directors authority to increase the company's share capital, at any time until April 15, 2013, by up to CHF 840 000 (30% of its issued share capital as of December 31, 2010) through the issue of up to 840 000 fully paid up new shares of CHF 1.00 nominal each. Share capital increases representing portions of this maximum are permitted. The Board of Directors has full discretion to determine the amount of share capital to be issued, the form of payment required for subscription, the date of issue, the conditions governing the exercise of subscription rights and the commencement of dividend entitlement. The Board of Directors is authorised to restrict or prohibit trading in the subscription rights to these shares. The detailed regulations governing these shares are set out in Article 3b of the company's Articles of Incorporation.

Swiss and non-Swiss shareholders are registered on the same terms in the Share Register. The company has distributed dividends to its shareholders without interruption since 1920.

5 SHARE CAPITAL

		2011	2010	2009	2008	2007
Total registered shares ¹⁾	Shares	2 800 000	2 800 000	2 800 000	3 300 000	3 300 000
Treasury shares ¹⁾	Shares	19 920	46 630	49 866	487 314	107 057
Number of shares outstanding ¹⁾	Shares	2 780 080	2 753 370	2 750 134	2 812 686	3 192 943
Market capitalisation ^{1) 2)}	CHF million	546	898	701	433	877
Average number of shares outstanding	Shares	2 767 795	2 750 735	2 749 815	3 078 254	3 201 312
Number of registered shareholders ¹⁾		6 964	6 586	6 739	7 090	7 385

¹⁾ At 31.12.

²⁾ Based on number of shares outstanding at 31.12.

6 TAX VALUES

	Securities no.	At 31.12.2011	At 31.12.2010	At 31.12.2009	At 31.12.2008	At 31.12.2007
Registered shares of CHF 1.00/	208 897	196.50	326.25	255.00	154.00	274.75
2.875% bond 2005–2012	2 189 351	100.76 %	102.25 %	102.80 %	97.00 %	93.70 %

FIVE-YEAR SUMMARY

		2011	2010	2009	2008	2007
Net revenues	CHF million	2 817.9	2 877.7	2 897.0	2 931.1	2 821.7
Change	%	- 2.1	- 0.7	- 1.2	+ 3.9	+ 2.6
Operating profit (EBIT)	CHF million	70.5	81.3	68.1	37.6	59.1
in % of net revenues	%	2.5	2.8	2.4	1.3	2.1
Net profit ¹⁾	CHF million	57.0	61.7	53.0	24.7	46.0
Change	%	- 7.5	+ 16.3	+ 115.0	- 46.3	- 15.9
in % of net revenues	%	2.0	2.1	1.8	0.8	1.6
in % of equity	%	12.3	12.9	11.7	5.5	7.7
Net cash provided by (used in)						
Operating activities	CHF million	97.0	78.7	106.2	86.6	93.6
Investing activities	CHF million	- 85.5	- 70.2	- 60.2	90.1	- 23.0
Free cash flow (used in)	CHF million	11.5	8.5	46.0	176.7	70.6
Financing activities	CHF million	- 31.1	- 32.3	- 44.5	- 160.7	- 126.8
Earnings per share ¹⁾	CHF	20.24	22.35	18.94	7.74	14.08
Change	%	- 9.4	+ 18.0	+ 144.7	- 45.0	- 16.6
Free cash flow per share	CHF	4.14	3.10	16.73	57.39	22.06
Change	%	+ 33.6	- 81.5	- 70.8	+ 160.2	+ 20.7
Cash and cash equivalents	CHF million	109.6	130.5	161.6	158.4	153.4
Equity	CHF million	462.3	478.1	453.7	450.4	599.3
Balance sheet equity ratio	%	41.9	43.6	41.3	42.5	45.2
Number of employees at December 31	FTE	5 801	6 455	6 522	6 692	6 532
Change	%	- 10.1	- 1.0	- 2.5	+ 2.4	- 1.7
Net revenues per employee	CHF 000	486	446	444	438	432
Change	%	+ 9.0	+ 0.4	+ 1.4	+ 1.4	+ 4.3
Number of outlets operated by Valora		1 364	1 390	1 405	1 410	1 404
Net sales per outlet ²⁾	CHF 000	1 183	1 156	1 133	1 113	1 186
Number of franchise outlets		166	191	25	21	-

All totals and percentages are based on unrounded figures from the consolidated financial statements

¹⁾ From continuing operations (without Fotolabo Group and Own Brands)

²⁾ Net sales of Valora Retail only

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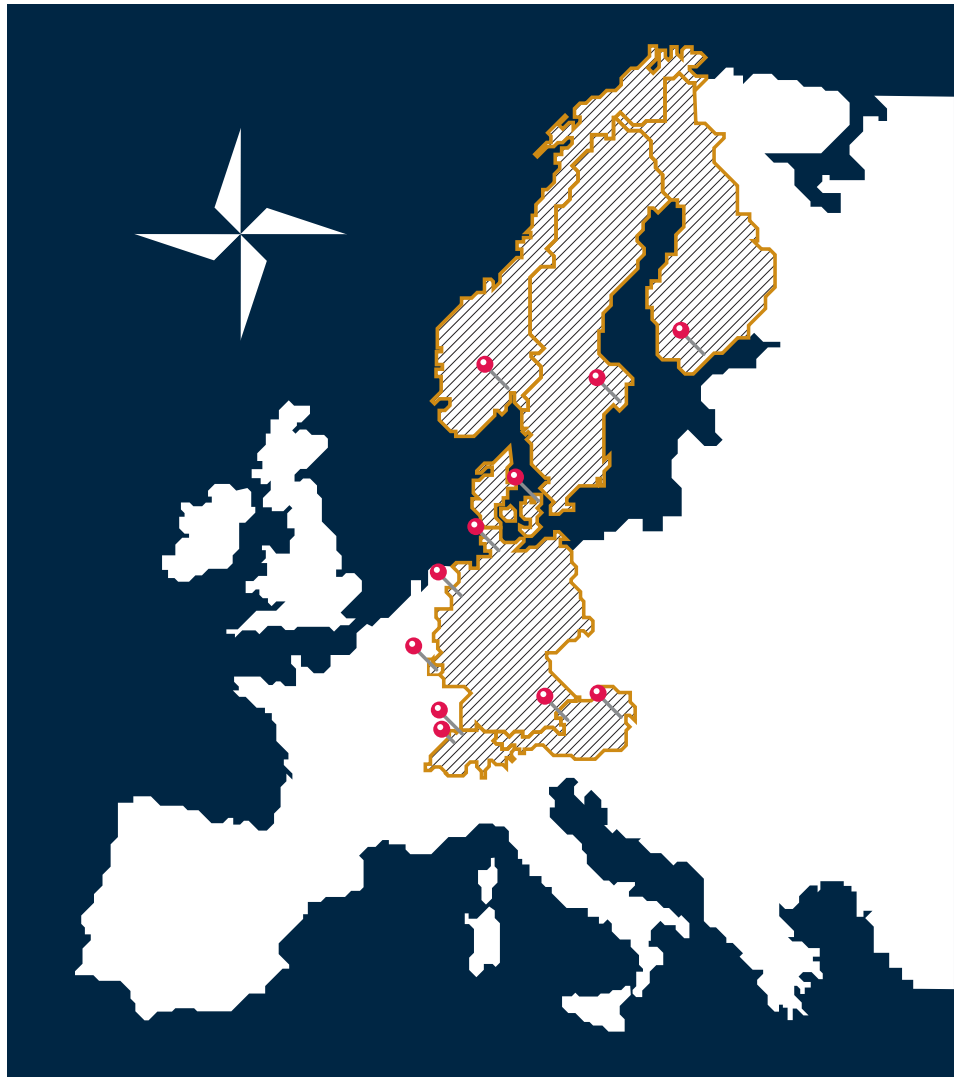
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Current details of press conferences and publications can be found
on the Valora website: www.valora.com.

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Editing/content/text Valora Corporate Communications
Concept/design hilda design matters, Zurich, www.hilda.ch
English translation Nicholas MacCabe, Zurich
Photography Portraits Jos Schmid, Zurich
Lithography eyescream, Zurich
Printed by Neidhart + Schön AG, Zurich

This annual report is published in German and English. The original version is in German.



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