REVIEW OF GROUP RESULTS

The Valora Group increased its external sales to CHF 3403.4 million in 2013, +2.5% higher than a year earlier, while net revenues for 2013 came in at CHF 2859.0 million, +0.4% ahead of their 2012 levels. Valora's reported operating profit for 2013 amounted to CHF 77.0 million, up from CHF 56.7 million in the previous year. This CHF +20.3 million year-on-year improvement reflects a total of CHF 9.1 million in positive effects from the IAS 19 accounting standard (which further reduced the Group's 2013 pension costs) and from realised book-value gains on the sale of Sales & Services Switzerland, as well as the adverse effect of CHF –4.7 million in one-off costs. The Valora Group's net profit increased by CHF +15.7 million from its 2012 level, to reach CHF 54.1 million, CHF +5.0 million of which relates to net profit from discontinued businesses. The Group generated CHF 85.5 million in free cash flow during 2013, CHF +43.3 million up on a year earlier.

Valora has taken a number of important initiatives to strengthen its leadership in small-outlet retail in Europe's German-speaking markets. With the integration of Ditsch/Brezelkönig now complete, Valora is focusing its attention on the collaboration between this recently acquired company, previously owned by one family, and the other businesses in the Valora Group. In Germany, implementation of the multi-faceted integration of the Convenience Concept kiosk network, which Valora acquired in April 2012, continues. In Switzerland, Valora successfully completed the modernisation of 111 k kiosk outlets, which now benefit from a streamlined layout and a significantly expanded food offering. The strategic redirection of the Group's Services division continues apace, and Valora expects to relinquish control of this division in the course of 2014. Management's objective is to focus the Group's activities on small-outlet retail and immediate-consumption food and beverages sold at heavily frequented locations, while simultaneously reducing its dependence on the press market. Valora Trade has initiated a reconfiguration of its business portfolio and is adjusting its organisational structure accordingly, with the objective of increasing profitability.

Valora has retroactively restated its 2012 accounts to reflect changes in the accounting rules governing the balance-sheet treatment of pensions. Under the new approach, the projected income generated by the pension-plan assets will be discounted using the same rate as that applied in the calculation of the net present value of the plans' projected defined-benefit obligations. The effect of this accounting-standard change has been a retroactive reduction in the Group's overall 2012 operating profit by CHF –9.1 million. Valora has also reorganised its central corporate functions, whose results are now allocated directly to the divisions. The figures presented in this report are based on Valora's restated 2012 results.

The Group's consolidated 2013 net revenues increased +0.4% on their 2012 levels, to CHF 2859.0 million, while external sales rose +2.5% to CHF 3403.4 million, reflecting the expansion of the number of franchisees. The higher rate of year-on-year increase in external sales is mainly due to the fact that 2013 was the first financial year in which the results generated by Convenience Concept and Ditsch/Brezelkönig were consolidated into Valora's overall results for the entire period. At the divisional level, Valora Retail and Valora Trade both increased their net revenues in 2013, while these declined on their 2012 levels at Valora Services, as a result of the non recurrence of revenues at the Services Austria and Sales & Services Switzerland units, which have both been sold, and the continuing contraction of the overall press market. These shortfalls were partly offset by the division's further expansion of its logistics business.

Reported operating profit for 2013 came in at CHF 77.0 million, +35.9% higher than in 2012. This result reflects both a CHF 7.8 million decline in pension costs, largely as a result of changes to the annuity conversion rate, and a book-value gain on the sale of the Sales & Services Switzerland unit. Conversely, the Group's 2013 operating costs also included one-off expenditure totalling CHF –4.7 million. This relates to the reorganisation at Valora Trade mentioned above, the integration of Convenience Concept and the preparatory work carried out ahead of the planned handover of control of the Services Division.

The Valora Group's net profit for 2013 was CHF 54.1 million, which is CHF +15.7 million or +40.8% higher than a year earlier. Consolidated net debt was cut by –39.4%, to CHF 219 million. This improvement reflects both the additional cash generated by the Group during 2013 and its successful placement of a CHF 120 million perpetual hybrid bond issue in April 2013 with a first call date on 30.10.18 to refinance existing liabilities. Under IFRS rules, the principal amount of the perpetual hybrid bond issue is recognised as equity. In October 2013, Valora also placed a EUR 150 million 5½ year bonded-loan issue. Both these transactions enabled the Group to secure attractive conditions at the lower end of their planned marketing ranges. The entire proceeds of both issues were directed towards the partial redemption of the CHF 400 million syndicated-loan facility taken out to finance the Ditsch/Brezelkönig acquisition. They also had the effect of increasing the Group's equity cover by +8.9 percentage points, to 44.8% of total assets. Free cash flow doubled, to reach CHF 85.5 million, principally due to a targeted reduction in net working capital and the cash-generative increase in the Group's operating profit.

A VALORA GROUP

in CHF million	**2013**	**2013 share in %**	2012 Restated	2012 share in %	Change
External sales [1]					
Group total	**3 403.4**		**3 320.2**		2.5%
Net revenues					
Valora Retail	1 694.5	59.3%	1 663.6	58.4%	1.9%
Ditsch/Brezelkönig	197.6	6.9%	50.1	1.8%	n.a.
Valora Services	294.7	10.3%	478.3	16.8%	– 38.4%
Valora Trade	798.2	27.9%	792.5	27.8%	0.7%
Other	0.1	0.0%	0.1	0.0%	n.a.
Intersegment elimination	– 126.1	– 4.4%	– 136.7	– 4.8%	
Group total	**2 859.0**	**100.0%**	**2 847.9**	**100.0%**	0.4%
Switzerland	1 581.1	55.3%	1 646.1	57.8%	– 3.9%
Elsewhere	1 277.9	44.7%	1 201.8	42.2%	6.3%

[1] External sales represent Valora's net revenues plus the turnover generated by outlets operated by third parties under contract to Valora. External sales do not, however, include revenues from deliveries by Valora to these outlets or the revenues Valora receives from the contracts binding these outlets to the Group. The external sales metric ensures that Valora Retail's sales data from different accounting periods are comparable, despite changes in the mix of distribution models being used.

Group external sales rose by +2.5% year-on-year in 2013, or +1.5% in local currency terms. This increase is principally attributable to the contributions made to the 2013 full-year results by Ditsch/Brezelkönig and Convenience Concept, which were first consolidated in October 2012 and April 2012, respectively.

The Valora Group's reported net revenues were CHF 2859.0 million in 2013, +0.4% up on their 2012 levels. Year-on-year growth in net revenues was lower than that in external sales, because the Group had more franchisees in 2013 than in 2012. This improved net-revenue performance reflects a CHF +30.9 million increase in 2013 net revenues at Valora Retail and a CHF +5.6 million advance at Valora Trade. The net revenues contributed by Ditsch/Brezelkönig, whose full-year results were consolidated for the first time in 2013, were also CHF +147.6 million up on the previous year. Net revenues at Valora Services declined between 2012 and 2013, reflecting the non recurrence of revenues from business units which have been sold (CHF –172.3 million) and a market-induced CHF –13.6 million shortfall in net press revenues from their 2012 levels. It is encouraging that Valora Services again substantially increased its logistics-services revenues in 2013, by +29.8% on 2012.

In national-market terms, Switzerland continues to generate the lion's share of the Group's net revenues, at 55.3 %. The contribution made by Germany increased by + 4.5 percentage points in 2013, to reach 19.0 %, thanks to the additional revenues from Ditsch and Convenience Concept. Following Valora's sale of its Austrian press distribution business, the proportion of Group net revenues generated in Austria fell to 1.7 % in 2013, compared to 4.8 % a year earlier.

in CHF million	2013	2013 share in %	2012 Restated	2012 share in %
Net revenues	**2 859.0**	**100.0 %**	**2 847.9**	**100.0 %**
Gross profit	**1 038.2**	**36.3 %**	**940.3**	**33.0 %**
– Operating costs, net	– 961.2	– 33.6 %	– 883.6	– 31.0 %
Operating profit (EBIT)	**77.0**	**2.7 %**	**56.7**	**2.0 %**

The Valora Group improved its gross-profit margin by + 3.3 percentage points in 2013, to 36.3 %. This reflects a CHF 97.9 million increase in gross profit to CHF 1038.2 million. This positive performance is mainly attributable to the effect of Ditsch/Brezelkönig's results being consolidated for the entire year in 2013 and to the shift in product-category revenues towards food items. The improvement is also due to the greater proportion of franchisee outlets in the wake of the Convenience Concept acquisition and increasing franchising volumes in Switzerland. Valora's disposal of its low-margin goods-wholesaling business in Switzerland also had a positive effect.

Net operating costs amounted to CHF – 961.2 million in 2013, CHF 77.6 million higher than a year earlier. Stripping out operating costs relating to acquisitions, disposals and one-off effects, the Group's 2013 net operating costs were in line with those incurred in 2012. The Ditsch/Brezelkönig acquisition, which was only partially included in Valora's 2012 results, resulted in higher operating costs in 2013. Convenience Concept, which was also included for the full year for the first time in 2013, also added to net operating costs, as did its costly and complex integration into Valora Retail Germany's operations. Net operating costs for 2013 declined, conversely, as a result of the Group's disposals of its Services Austria and Sales & Services Switzerland units, by CHF + 26.6 million and CHF + 6.0 million respectively. Valora's 2012 net operating costs included the loss on the sale of the Muttenz facility, though this was more than offset by the realised book-value gain on the Services Austria sale. Net operating costs for 2013 were reduced by CHF 7.8 million due to the IAS 19 accounting standard.

Valora generated a reported operating profit of CHF 77.0 million in 2013, + 35.9 % ahead of the CHF 56.7 million achieved a year earlier. The 2013 result benefited from a CHF 7.8 million decline in reported pension-fund costs, principally as a result of adjustments to the annuity conversion rate. The Group's reported operating margin for 2013 was 2.7 %, + 0.7 percentage points better than a year earlier.

B VALORA RETAIL

in CHF million	2013	2013 share in %	2012 Restated	2012 share in %
External sales	**2 242.9**		**2 139.7**	
Net revenues	**1 694.5**	**100.0 %**	**1 663.6**	**100.0 %**
Gross profit	**624.9**	**36.9 %**	**606.3**	**36.4 %**
– Operating costs, net	– 586.8	– 34.7 %	– 587.2	– 35.3 %
Operating profit (EBIT)	**38.1**	**2.2 %**	**19.1** [1]	**1.1 %**

[1] The 2012 operating profit includes the CHF 14.2 million loss incurred on the sale of the Muttenz facility.

Valora Retail, the leading small-outlet retailer in German-speaking Europe, increased its external sales by +4.8 % in 2013, to CHF 2242.9 million. The division's reported 2013 net revenues came in at CHF 1694.5 million, +1.9 % up on a year earlier.

Valora Retail's Swiss kiosk network generated –1.8 % less in net revenues than in 2012, –1.4 % of the decline being attributable to lower press sales in a contracting overall press market. Valora Retail also streamlined its Swiss kiosk portfolio in 2013, and thus had fewer outlets than in 2012. Individual kiosk sites were also transformed into other Valora formats. Despite these changes, food sales at Swiss kiosks achieved an encouraging +0.7 % increase on their 2012 levels. Through its modernisation of 111 k kiosks in 2013 and its extension of the range of food and beverage items sold for immediate consumption, Valora Retail Switzerland aims to develop its food expertise further.
P&B continued to extend its Swiss outlet network during 2013, raising its sales by +6.5 % year-on-year. The Swiss convenience-store business, comprising the avec. and Tamoil formats, increased its 2013 external sales by +3.6 %, while net revenues at Spettacolo were +4.8 % ahead of their 2012 levels despite the number of outlets remaining unchanged. External sales at Valora Retail Germany advanced +13.0 % thanks to the acquisition of Convenience Concept. Sales at the Luxembourg unit rose +1.0 % in 2013, as declining press volumes were more than offset by sales growth in tobacco, food and non-food items. Valora Retail Austria increased the net revenues generated by its P&B format by +4.8 % on their 2012 levels, thus further strengthening its Austrian market presence following the local P&B launch in 2012.

The division's gross profit for 2013 amounted to CHF 624.9 million, up CHF +18.6 million in 2012. This reflects the division's success in offsetting lower earnings from the contracting press-product category with higher gross profits on its food range. Valora Retail achieved a gross-profit margin of 36.9% in 2013, +0.5 percentage points up on the previous year. This improvement reflects structural changes in the mix of products distributed, mainly as a result of the increase in the number of franchisee-operated outlets, as well as ongoing enhancement of the division's purchasing terms.

Net operating costs were CHF –586.8 million in 2013, –0.1 % lower than in 2012. One positive factor here is the non recurrence of the CHF 14.2 million book-value loss on the sale of the Muttenz facility in 2012. Higher operating costs were incurred for Convenience Concept GmbH in 2013, as this unit's 2012 results were consolidated from April 2012 only the year before. Significant one-off integration costs also arose for Convenience Concept in 2013. The total proportion of the division's net revenues absorbed by personnel costs, including agency fees, was reduced by +0.5 percentage points compared to its 2012 level.

Valora Retail's reported operating profit for 2013 amounted to CHF 38.1 million, up from CHF 19.1 million a year earlier. Stripping out the effects of the book-value loss realised on the sale of the Muttenz facility in 2012 and the positive impact of IAS 19 on the division's 2013 results, operating profit remained stable between 2012 and 2013. The division's 2013 operating profit also reflects the benefits Valora Retail Switzerland derived from the various operational improvements made that year, thus demonstrating that the new k kiosk concept, in particular, is proving worthwhile. These advances enabled the division to offset the adverse effects of the delays to the Convenience Concept integration into its German operations and the one-off costs associated therewith. Valora Retail's operating-profit margin for 2013 was 2.2 %, + 1.1 percentage points ahead of its level in 2012.

C DITSCH/BREZELKÖNIG

in CHF million	2013	2013 share in %	2012	2012 share in %
Net revenues	**197.6**	**100.0 %**	**50.1**	**100.0 %**
Gross profit	**149.5**	**75.6 %**	**38.4**	**76.6 %**
– Operating costs, net	– 123.2	– 62.3 %	– 31.3	– 62.4 %
Operating profit (EBIT)	**26.3**	**13.3 %**	**7.1**	**14.2 %**

The contribution to the Valora Group's results made by the Ditsch and Brezelkönig business units was first consolidated in October 2012. As Europe's leading producer of lye-bread products with a fully integrated value chain, Ditsch/Brezelkönig provides its retail customers with a range of top-quality products through its network of outlets located at public-transport nodes with strong revenue-generating capacity, as well as supplying the wholesale trade.

In 2013, Ditsch/Brezelkönig generated net revenues of CHF 197.6 million. Like-for-like sales in 2013 were + 3.0 % up on their 2012 levels. In order to foster the development of new products and to develop new markets, Ditsch inaugurated an additional production line at its production facility in Oranienbaum in the first half of 2013. The outlet network was expanded by + 2.2 % in 2013 and a new, modernised shop design was also introduced. As part of this network re-configuration, 15 outlets were closed and 20 new ones opened.

Ditsch/Brezelkönig generated gross profits of CHF 149.5 million in 2013, which equates to a gross-profit margin of 75.6 %.

Net operating costs for 2013 came in at CHF – 123.2 million, which represents a + 0.1 percentage-point decrease in net operating costs as a proportion of net revenues compared to the fourth quarter of 2012.

Ditsch/Brezelkönig's reported operating profit for 2013 was CHF 26.3 million, in line with the Group's expansion plans. The unit's operating-profit margin was 13.3 % in the fourth quarter of 2013, which puts it ahead of the level achieved in the same period of 2012.

D VALORA SERVICES

in CHF million	2013	2013 share in %	2012 Restated	2012 share in %
Net revenues	**294.7**	**100.0 %**	**478.3**	**100.0 %**
Gross profit	**85.6**	**29.0 %**	**116.9**	**24.4 %**
– Operating costs, net	– 74.8	– 25.3 %	– 105.2	– 21.9 %
Operating profit (EBIT)	**10.8**	**3.7 %**	**11.7**	**2.5 %**

Valora's preparations for relinquishing control of its Services division are running at full tilt, and the Group expects to complete this process during 2014.

Valora Services generated reported net revenues of CHF 294.7 million in 2013, compared to CHF 478.3 million a year earlier. This CHF –183.6 million year-on-year decline principally reflects the non recurrence of sales from Services Austria (CHF –93.0 million) and Sales & Services Switzerland (CHF –79.3 million), which have both been sold. The division's net revenues from press distribution also declined by CHF –13.6 million from their 2012 levels, reflecting the contraction of the overall press market. The decrease in press volumes was less marked than in earlier years, however, with press turnover falling by –6.0% in Switzerland and by –1.9 % in local currency terms in Luxembourg. Valora Services' third-party logistics business performed well, further expanding its operations and increasing its net revenues by CHF 4.0 million year-on-year, a +29.8 % advance on 2012.

Valora Services achieved a gross-profit margin of 29.0 % in 2013, a +4.6 percentage-point improvement on 2012. This enhanced performance is largely the result of the shift in the product mix following the division's disposal of its low-margin wholesaling business in Switzerland and the expansion of its logistics activities. Gross profit for 2013 amounted to CHF 85.6 million, which is CHF –31.3 million lower than in 2012, reflecting both disposals and market conditions. The lower gross profits generated by Valora Services' press sales in Switzerland were more than offset by higher gross profits from its logistics activities.

Net operating costs were reduced by CHF +30.4 million from their 2012 levels, largely thanks to the non recurrence of costs from the business units the division has sold. The book-value gain the division realised on its sale of Sales & Services Switzerland was CHF 1.3 million, which helped to reduce its 2013 net operating costs. Conversely, one-off costs of CHF –2.8 million were incurred in connection with the preparations for relinquishing control of the division.

Valora Services closed 2013 with a reported operating profit of CHF 10.8 million. This equates to an operating-profit margin of 3.7 %, +1.2 percentage points ahead of its 2012 result.

E VALORA TRADE

in CHF million	2013	2013 share in %	2012 Restated	2012 share in %
Net revenues	**798.2**	**100.0 %**	**792.5**	**100.0 %**
Gross profit	**178.2**	**22.3 %**	**178.8**	**22.6 %**
– Operating costs, net	– 171.1	– 21.4 %	– 171.3	– 21.7 %
Operating profit (EBIT)	**7.1**	**0.9 %**	**7.5**	**0.9 %**

Valora Trade, the Group's distributor of fast-moving consumer goods and cosmetics, increased its 2013 net revenues by CHF +5.6 million on 2012, a +0.7 % increase. This reflects the division's success in holding its own in a highly competitive and structurally challenging market.

At the national-market level, the fastest rate of growth was achieved by Valora Trade Finland, which increased its net revenues by +40.1 %, largely thanks to its success in signing up new principals. Valora Trade Austria raised its net revenues by a noteworthy 8.9 %. Net revenues at Trade Denmark and Trade Norway also progressed well, while declining at Trade Germany, which shifted its focus towards higher-margin lines. In Switzerland, shopping tourism and parallel imports continued to weigh on performance.

Valora Trade generated an operating profit of CHF 178.2 million in 2013. This result, only a marginal –0.3 % below the level achieved in 2012, reflects challenging trading conditions in a market in which both manufacturers and retailers are pressing on margins. The gross-profit margin for 2013 as a whole was 22.3 %, in line with the division's performance in the first six months of the year. Valora Trade's reconfiguration of its principal portfolio towards higher-margin niche markets, initiated in 2012, already began to bear fruit in 2013. Pleasing results in this regard were achieved at Valora Trade Norway, which raised its gross-profit margin by +6.6 percentage points due to its success in signing up new principals on good margins. Thanks to an improved product mix, Engelschiøn Marwell Hauge (EMH), Valora's Norwegian cosmetics specialist, was able to improve its gross-profit margins by +2.1 percentage points on their 2012 levels. Valora Trade Germany and Valora Trade Switzerland also improved their gross margins, by +0.8 and +0.3 percentage points respectively.

Net operating costs for 2013 amounted to CHF –171.1 million, 0.3 percentage points lower than in 2012. The most notable progress in cutting costs was achieved at Valora Trade Germany, which cut operating expenditure by 30.5 %. This improvement reflects both a volume-related decline in variable costs and the lower personnel costs resulting from organisational changes. Valora Trade's net operating costs for 2013 include a number of one-off expenditures in connection with its reconfiguration of its principal portfolio and the organisational changes this required.

Valora Trade's reported operating profit for 2013 was CHF 7.1 million. This equates to an operating-profit margin of 0.9 %, which is in line with its 2012 performance. Margins at this level are below the division's expectations for the medium term. The measures Valora initiated in 2012 to streamline its business portfolio and its organisational structure are already beginning to produce positive results, and these are expected to have an increasingly beneficial effect on Valora Trade's profitability in 2014 and beyond.

F CORPORATE

Valora reorganised its Corporate division in 2013, directly assigning a number of functions to the market divisions. The Corporate division continues to encompass the Group's centralised functions in the fields of Finance, Business Development, Legal Services and Communications.

The Corporate division's net operating costs were CHF –14.0 million lower in 2013 than a year earlier, principally as a result of the CHF 22.9 million book-value gain realised from the sale of the press distribution business in Austria in October 2012. After stripping out the effects of that transaction, the main reason for the overall decrease in net operating costs in 2013 is the fact that other one-off effects were less pronounced in 2013 than they were in 2012.

Valora has a policy of charging the net operating costs of the Corporate division to its market divisions. Revenue and expense which is unrelated to the market divisions is reported under Other.

G FINANCIAL RESULT AND TAXES

The Valora Group achieved a net result from its financing operations of CHF –20.1 million in 2013, compared to CHF –12.6 million a year earlier. This year-on-year change is largely due to CHF –8.8 million in additional interest costs incurred in 2013, due to the fact that the liabilities assumed for the acquisitions made in 2012 were in place for the entire period, and to one-off transaction costs. The net result generated by the Group's other financing operations, including currency translation effects, improved by CHF +1.3 million compared to 2012.

The Group's overall tax rate came in at –14.5%, which is lower than the projected long-run rate of 17%. The reported overall tax rate for 2012 was –13.6%. Valora's consolidated tax expense for 2013 was CHF –8.3 million, comprising CHF –5.7 million in current income taxes and CHF –2.6 million in deferred tax provisions.

The Valora Group generated a net profit of CHF 54.1 million in 2013, compared to CHF 38.5 million a year earlier. The 2013 net profit includes CHF 5.0 million in net profit attributable to discontinued operations.

H LIQUIDITY, CASH FLOW AND KEY FINANCIAL DATA

Key financial data in CHF million	2013	2012 Restated
EBITDA	**141.3**	**112.1**
Cash and cash equivalents	175.0	147.2
Free cash flow	**85.5**	**42.2**
Total equity	730.3	577.8
Total equity in % of total assets	**44.8%**	**35.9%**
Group net profit [1]	49.1	38.5
Net debt	219.2	361.6
Net working capital	104.0	136.3
Net working capital in % of net revenues	3.6%	4.8%
Earnings per share [1]	**13.46**	**13.09**

[1] from continuing operations

Valora generated earnings before interest, taxes, depreciation and amortisation (EBITDA) of CHF 141.3 million in 2013, which is CHF +29.2 million more than in 2012. Cash flow from operations increased by CHF +74.7 million, to CHF 129.3 million. This improvement partly reflects the cash-generative increase in the Group's operating profit and is also partly due to the significant reduction achieved in capital utilisation, particularly as a result of the measures to reduce the net-working-capital required by Valora Trade's business operations. Net investment spending in 2013 was CHF 31.5 million higher than in 2012, principally due to the non recurrence of the proceeds from the sale of the Muttenz facility in 2012. The aggregate effect of these various factors was to increase the Group's free cash flow from CHF 42.2 million in 2012 to CHF 85.5 million in 2013, a rise of +102%.

The Valora Group reduced its net debt by –39.4% during 2013, to CHF 219 million. This was achieved largely thanks to the additional cash generated by the Group's businesses and the CHF 120 million perpetual hybrid bond issue Valora successfully placed in April 2013, whose proceeds are allocated to equity under current IFRS rules. In October 2013, the Group also successfully placed a EUR 150 million 5½ year bonded-loan issue on attractive terms at the lower end of its projected marketing range. The entire proceeds of both these issues were directed towards the partial redemption of the CHF 400 million syndicated loan facility Valora had taken out to finance the Ditsch/Brezelkönig acquisition. The proportion of the Group's total assets covered by total equity at December 31, 2013 was 44.8%, up from 35.9% a year earlier.

I VALORA VALUE ADDED

Valora Value Added in CHF million	**2013**	2012 Restated
Operating profit (EBIT)	77.0	56.7
Average invested capital (incl. goodwill)	1 176.7	818.3
WACC	8.0 %	8.0 %
Capital costs	94.1	65.5
Valora Value Added	**– 17.1**	**– 8.8**

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 pre-tax WACC at 8%. Valora regularly reviews its WACC assumptions, adjusting the WACC figure if it moves outside a defined range.

In 2013, the Valora Group generated VVA of CHF –17.1 million, which represents a decline of CHF – 8.3 million compared to 2012. This result principally reflects the Group's higher cost of capital in 2013, arising from the higher average rates of invested capital recorded in 2013. The 2013 VVA result includes the two acquisitions made during 2012 for the entire period. While EBIT increased in 2013, this was insufficient to cover the costs associated with the increase in invested capital resulting from the larger amount of goodwill carried on the balance sheet, so that the 2013 VVA outcome was lower than in 2012. Management's focus for 2014 will be on increasing the VVA generated by the Group, so as to achieve a sustainable increase in the value of the company.

J OUTLOOK

The Valora Group completed its 2013 financial year with a pleasing set of results and confident prospects for the years ahead. A number of key decisions were made in 2013, and implementation of the measures associated with them is on track.

Valora Retail has already transformed 111 k kiosk units, equipping them with a modernised layout and an extended range of food and beverage items. Initial analysis demonstrates that the newly designed outlets are on average achieving higher rates of net-revenue growth than the other k kiosk units. The increase in food sales at these re-designed outlets has been particularly noteworthy, and this has had a positive impact on operating-profit margins. Valora plans to transform more outlets to this new layout concept during 2014. From January 1, 2014, Valora has also been implementing its general press retail margin model inside the Group, as agreed with Switzerland's competition regulator. The effect of this will be to reduce the gross-profit margin at Valora Retail Switzerland, cutting its EBIT result by some CHF –5 million in subsequent years. Valora's objective is for the additional profitable food sales it is now generating to offset the market-induced decline in its press revenues. In Germany, the initiative to achieve the complete integration of Convenience Concept GmbH, which Valora acquired in April 2012, will continue. This is an extremely challenging and multi-faceted process, particularly given the large number of outlets which, having already adopted a franchise business model, now have to be modified to comply with Valora's uniform format design. Thorough implementation of this project is however essential in order to create a sustainable basis for future profitable growth.

The Ditsch/Brezelkönig unit is growing according to plan. In order to enable it to expand into new markets and to develop innovative new offerings, Ditsch/Brezelkönig opened a new, high-performance production line in 2013. Valora also plans to make greater use of the synergies between Ditsch/Brezelkönig and its other Group companies in the years ahead.

Intensive and detailed work is now under way to prepare to hand over control of the Services division. Initial negotiations have already commenced and a conclusive transaction is expected in 2014.

The various initiatives under way at Valora Trade to raise profitability levels and decrease capital utilisation are already beginning to yield positive results in specific areas. These initiatives will be pursued systematically so as to ensure that the positive effects of streamlining the principal portfolio and adapting organisational structures accordingly can be fully realised in 2014 and thereafter.

Valora's Board of Directors and Group Executive Management are convinced that the Group is advantageously positioned to face the future thanks to its market leadership and expertise in small-outlet retail in German-speaking Europe, its strong capabilities in food and beverages for immediate consumption and its excellent outlet network. The operational measures the Group has now initiated have enabled Valora to adapt successfully to a changing market environment. Management's clear focus on the profitable deployment of capital within the Group's individual business areas also provides a reliable foundation for further sustainable expansion.