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Valora Group reports solid results as strategy programme yields first fruits

- **Adjusted[1] net revenues increased**
- **Determined cost discipline improves adjusted EBIT margin**
- **„Valora 4 Success“ strategy is on track and producing first results**
    - Swiss retail business showing positive trends
    - Media division’s initial measures to counteract market contraction inspire confidence
    - Logistics transformation on course for successful completion by year end
    - Additional scope for cost reductions identified
- **Projections for 2012 confirmed**

Adjusted[1] net revenues increased

Valora generated net revenues of CHF 1 414.6 million in the first six months of 2009, a 3.7% decline compared to the same period of 2008. After adjustment for the effects of acquisitions in Germany (+1.7%), the non-recurrence of collectible EURO 08 picture card sales in Austria and Switzerland (-3.2%) and exchange rate fluctuations in Europe, especially Scandinavia (-3.6%), Group net revenues for first-half 2009 amounted to CHF 1 442.3 million, 1.4% up on first-half 2008.

The **Retail**[2] division generated net sales of CHF 778.1 million, a 0.6% increase on first-half 2008 levels after the adjustments cited above. This result, a pleasing one in the current climate, was principally driven by the strong performance of Retail Germany, which achieved excellent like-for-like growth in sales. Adjusted net sales at the Swiss kiosks nearly matched first-half 2008 levels, registering a modest 0.4% decline. First-half 2009 sales at convenience stores and Tamoil filling station shops rose 3.5% on 2008 levels.

Valora **Media**[2] turned in first-half 2009 net sales of CHF 345.1 million. On an adjusted basis, this represents a 4.6% decline on the same period a year earlier. The division’s three national markets (Luxembourg, Austria and Switzerland) each saw overall press sales fall by more than 5%, in line with those elsewhere in Europe. For the first time, the ongoing structural decline of newspaper sales was accompanied by a fall in sales of magazines.

In the face of demanding market conditions, Valora **Trade** notched up net revenues of CHF 381.2 million in the first six months of 2009, a 6.5% increase on the corresponding adjusted figure for the same period of 2008. The division was particularly successful in Scandinavia, where sales rose by 11% in local currency terms.

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[1] excluding effects of currency fluctuations, acquisitions and EURO 08
[2] As of January 1, 2009, a sub-business area of Valora Retail was transferred to Valora Media

Consistent cost discipline improves adjusted (EBIT) margins
In the first six months of 2009, Valora generated operating profits of CHF 23.0 million (versus CHF 28.6 million a year earlier) achieving an operating margin of 1.6% (versus 2.0% in first-half 2008). After adjusting for EURO 08, acquisitions and currency effects, this equates to a 20% increase in operating profits and a 0.2 percentage point increase in adjusted EBIT margin (from 1.4% in first-half 2008 to 1.6% in first-half 2009). A key factor in this improvement in adjusted operating profit was that the proportion of sales accounted for by costs was cut by 0.8 percentage points. This improvement in cost efficiency exceeds the target set for first-half 2009, improving current operating margins by 0.1 percentage points.

The Retail division raised its operating profits to CHF 10.1 million (as against CHF 4.1 million in first-half 2008), which equates to an operating margin of 1.3% (versus 0.5% a year earlier). Valora Trade also improved its first-half operating profits – from CHF 7.1 million in 2008 to CHF 7.4 million in 2009 – raising its operating margin from 1.8% to 1.9%. Valora Media was the only division reporting lower operating profits, registering a marked decline from CHF 20.8 million in first-half 2008 to CHF 7.1 million in the same period of 2009.

Valora's net income for the first six months of 2009 was CHF 18.1 million. The balance sheet at June 30, 2009 remains sound, with shareholders' equity accounting for a substantial 43.4% of total assets. This modest 1.7% decline in equity cover since year-end 2008 is attributable to the costs of share buyback programme which was completed in late February 2009, after which the Group's outstanding share capital was reduced following the cancellation of 500 000 shares of treasury stock. With current net debt of CHF 37.6 million at June 30, 2009 (versus net cash of CHF 6 million at year-end 2008) - reflecting dividend disbursements, share buyback costs and acquisitions – the Valora Group maintains a comfortable liquidity position. Valora's objective is to reduce its net debt levels by year-end 2009.

„Valora 4 Success“ on track and achieving its first successes
The „Valora 4 Success“ strategy programme, launched in the autumn of 2008, is now being implemented and is progressing well. A number of sub-projects are nearing completion. All the initiatives are on schedule and on budget. During the first six months of 2009, the programme was focused on four key projects: improving the profitability of the kiosks, measures to enhance the Media division's performance, expansion of the convenience store sales channel and improved efficiency and effectiveness both in central processes and logistics.

Positive trends in Swiss retail
All the key adjustments planned for improving the kiosks' profitability were initiated during the first six months of 2009. These are now bearing their first fruits. The period from May to July has seen noticeable growth in sales, accompanied by improved profits.This is the direct result of the measures taken in the k kiosk area.

Changes to kiosk operations have included a concerted effort to test new product ranges and service offerings, the successful launch of the “ok.” product line, a range of attractively priced, own-label items, and a more professional approach to price management. The positive reaction of young and price-conscious kiosk customers to the first “ok.“ products has been particularly encouraging, setting the stage for further growth opportunities in the future. Valora also concluded a new, long-term tenancy agreement for some 200 outlets with Switzerland’s federal railways (SBB). This agreement will give Valora greater flexibility in the formats it uses on these sites and the product ranges on sale there. A streamlined sales organisation and the introduction of professional shift rota planning also enabled Valora Retail to achieve significant cost savings. Use of the newly implemented closed loop inventory management system will also help to improve goods throughput efficiency and to streamline processes at the sales outlets.

Expansion of the avec. convenience store network continues apace. During the spring of 2009, a new store layout offering a modified product range was successfully tested at outlets in Kloten and Richterswil. Working with its business partner Tamoil, a filling station operator, Valora Retail also launched three additional test sites. Through a combination of new outlet openings and conversions of existing facilities, the division will have implemented its plan of having more than 50 avec. shops up and running by the end of September 2009. Assuming appropriate sites are available, Valora Retail intends to have a network of some 100 avec. shops operating in Switzerland in the next six to nine months. Further impetus was lent to the convenience store growth strategy by the opening of Valora’s first avec. shop in Germany (in Gelsenkirchen). A second outlet will be opened in Essen in the second half of 2009.

Valora Media’s initial measures to counteract market contraction are inspiring confidence

Valora’s Media division has been hardest hit by the economic downturn. To address this, the division has launched an initiative to optimise its product range. The objective here is to counteract the decline in the press market by presenting its press offerings more attractively and expanding the range of services provided to third party sales channels. A number of first steps have already been taken towards this. Since March 2009, for example, selected k kiosk outlets have been devoting more sales space to the “top 50” press titles. Results from these tests have been very encouraging so far, with sales of top 50 titles rising by more than 6% compared to the same period of 2008. At the same time, the decline in overall press sales was reversed by nearly 6 percentage points to a level of +0.3% compared to the same period of 2008. Other initiatives include expanding and streamlining the range of services offered to other sales channels. Based on the results achieved so far, management is confident that a trend reversal in press sales can be achieved.

Logistics transformation to be successfully completed by year end

Of the various projects in the „Valora 4 Success“ programme, the transformation of the logistics operations is the furthest advanced. The move of Valora’s internal logistics functions from Muttenz to Egerkingen is now largely complete. Introduction of the

WAMAS operating system and the successfully tested switch to decentralised processes for picking, sorting and packing press products in the second quarter of 2009 are two further major steps towards improved levels of service quality and efficiency in Valora's logistics capability. Relocation of logistics operations and modernisation of the logistics systems will result in a significant improvement in efficiency and effectiveness. It is realistic to assume that the projected annual cost savings of CHF 11 million by 2010 will be achieved, as will the planned improvements in quality levels.

Additional scope for cost cutting identified

Overall, the efficiency-boosting measures now already implemented can be expected to reduce costs by the CHF 10 million planned for the second half of 2009.When the strategy programme was initiated, the total savings in recurring costs identified for 2010 (compared to 2008 levels) totalled CHF 23 million, some ¾ of the overall annual savings of CHF 30 million scheduled for realisation from 2012 onwards. Subsequent initiatives and new insights have made it possible to identify incremental scope for cutting costs. These further efficiency gains, principally relating to outlet costs and improved purchasing terms, should enable additional annual cost savings of at least CHF 6 million to be achieved. Detailed project planning for these additional measures will take place during the second half of 2009 and will be communicated in a timely fashion.

Projected results for 2012 confirmed

Valora's Board of Directors and Group Executive Management are convinced that the „Valora 4 Success" strategy has put the Group on the right course for the future. The greater stability of the management team will enhance Valora's ability to execute planned initiatives rapidly and effectively, thus maintaining a tight rein on costs. Given the challenges posed by the economic conditions prevailing this year, the targets Valora has set for its overall 2009 results are ambitious. "We nevertheless reaffirm our objective of achieving full-year EBIT of CHF 69-72 million and are confident that our 2009 results will exceed those for 2008." says Thomas Vollmoeller, the Valora Group's CEO. Valora's Board and management confirm their stated objective of generating an operating profit margin of 3% to 4% by 2012.

Key financial data for the Valora Group

Income statement in CHF million	**H1 2009**	**H1 2008**
Adjusted* net revenues	**1,442.3**	1,422.1
Net revenues	1,414.6	1,468.5
Gross profit	**428.3**	443.5
Gross profit margin	*30.3%*	*30.2%*
Operating expenses	**-408.9**	-420.2
Adjusted* operating profit (EBIT)	**23.6**	19.6
Adjusted EBIT margin*	*1.6%*	*1.4%*
Operating profit (EBIT)	*23.0*	*28.6*
EBIT margin	*1.6%*	*2.0%*
Net income from continuing operations	**18.1**	21.1
Net income from discontinued operations	-	5.5
Group net income	**18.1**	26.6

* excluding effects of currency fluctuations, acquisitions and EURO 08

Liquidity, balance sheet in CHF million	**30.06.2009**	31.12.2008
Cash and cash equivalents	146.5	158.4
Shareholders' equity	479.2	493.9
Equity cover	*43.4%*	*45.1%*
Net debt	37.6	-6.0
Net working capital	132.3	129.7
Net working capital in % of net revenues (annualised)	*4.7%*	*4.4%*

Key financial data for Valora's divisions

Key metrics	**Retail**			**Media**			**Trade**		
in CHF million	**H1 2009**	**H1 2008****	△	**H1 2009**	**H1 2008****	△	**H1 2009**	**H1 2008**	△
Adjusted* net revenues	**766.6**	**761.7**	**+0.6%**	**352.0**	**368.7**	**-4.6%**	**414.7**	**389.4**	**+6.5%**
Net revenues	*778.1*	*771.7*	*+0.8%*	*345.1*	*401.1*	*-14.0%*	*381.2*	*393.5*	*-3.1%*
Adjusted* operating profit (EBIT)	**9.6**	**0.1**	**n.a.**	**7.5**	**15.8**	**-52.4%**	**8.1**	**7.1**	**+14.3%**
Operating profit (EBIT)	*10.1*	*4.1*	*+150.3%*	*7.1*	*20.8*	*-65.7%*	*7.4*	*7.1*	*+4.7%*
Adjusted* EBIT margin	**1.3%**	**0.0%**	**+1.3pP**	**2.1%**	**4.3%**	**-2.2pP**	**2.0%**	**1.8%**	**+0.2pP**
EBIT margin	*1.3%*	*0.5%*	*+0.8pP*	*2.1%*	*5.2%*	*-3.1pP*	*1.9%*	*1.8%*	*+0.1pP*

* excluding effects of currency fluctuations, acquisitions and EURO 08
** restated: a sub-business area of Valora Retail was transferred to Valora Media with effect from 1.1.2009

The complete 2009 half-year report, the press release and the presentation may be downloaded from the www.valora.com website.

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