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Valora Group reports growth in its core business, a comprehensive transformation process under way at Valora Trade and the successful sale of its press distribution unit

- Net revenues increased at Valora Retail (+2.7%) and Ditsch/Brezelkönig (+13%)
- Restructuring at Valora Trade requires impairment charges of CHF -17.3 million
- Reported EBIT from continuing operations of CHF 0.5 million in line with H1 2013 before one-off factors
- Valora Services sale generates book gain of CHF 34 million and cash inflow of CHF 63 million after transaction costs, which will be reflected in full-year 2014 results

The Valora Group displayed contrasting trends during the first half of 2014. External sales from continuing operations of CHF 1 541.4 million, corresponding net revenues of CHF 1 248.9 million. Portfolio streamlining and modifications to the business model, switching from a title-transfer to a commission-based distribution model at Valora Trade all had an adverse effect on turnover performance. This was reflected in declines in external sales of CHF -53.5 million and in net revenues of CHF -64.8 million at Group level compared to first-half 2013. The Retail and Ditsch/Brezelkönig divisions reported noteworthy increases in net revenues of CHF +22.0 million (+2.7%) and CHF +12.1 million (+13.0%) respectively, thus enabling Valora to achieve a pleasing expansion of its core business.

Valora's consolidated gross-profit margin amounted to 36.7% (+1.6 percentage points up on first-half 2013). This improvement is mainly attributable to the greater proportion of high-margin Ditsch/Brezelkönig and Valora Retail revenues in the overall sales mix.

Net operating costs for the first six months of 2014 were CHF -458.4 million, an increase of CHF -24.9 million on first-half 2013. This increase largely relates to the impairment charges of CHF -17.3 million at Valora Trade. It should also be noted that first-half 2013 operating costs benefited from one-off pension-cost savings of CHF 9.4 million relating to IAS19, whereas first-half 2014 results incurred IAS19 charges of CHF -1.2 million.

Group EBIT from continuing operations for the first six months of 2014 was CHF 0.5 million, compared to CHF 28.0 million in the same period of 2013. This CHF -27.5 million difference is principally due to a CHF -26.1 million decline in EBIT at Valora Trade. Valora's consolidated first-half 2014 EBITDA came in at CHF 49.4 million. The growth achieved in the Group's core business was sufficient fully to offset the adverse effects of Valora Trade's results and the decline in press revenues due to the contraction of the overall press market and Valora's implementation of the press retail-margin model. After adjusting for one-off factors, Valora's first-half 2014 operating profit was in line with that achieved in first-half 2013.

The Group's first-half 2014 net result was CHF -8.9 million, comprising a net loss from continuing operations of CHF -10.4 million and a net profit from discontinued operations of CHF 1.5 million.

Free cash flow for the period was CHF -1.7 million, a CHF +3.7 million improvement on first-half 2013. This positive performance essentially reflects reductions in net working capital deployed for operational purposes and lower interest and tax costs compared to the same period of 2013. Investment expenditure, conversely, was higher than in first-half 2013, largely as a result of payments made in first-half 2014 in respect of 2013 capital expenditure.

Valora Holding AG's shareholders' equity at June 30, 2014 amounted to 42.8% of total assets. At the end of June 2014, Valora replaced the CHF 100 million revolving credit facility portion of its previous syndicated loan arrangement with a new CHF 200 million syndicated facility on more attractive terms. In line with its sustainable financing strategy, the Group was thus able to strengthen its balance sheet and enhance its financial flexibility by restructuring its liability maturity profile and optimising its borrowing costs.

Valora Retail offsets effect of lower press revenues

Valora Retail increased its first-half 2014 external sales by +3% to CHF 1 138.4 million, compared to first-half 2013, while net revenues advanced CHF +22.0 million to CHF 846.0 million (+2.7%). The division's EBIT was CHF 12.9 million (CHF 15.8 million in first-half 2013). After adjusting for one-off factors, Valora Retail's first-half 2014 EBIT was in line with that achieved in the same period of 2013, thus offsetting the market-induced decline in press revenues in Switzerland (-7.9%) and Germany (-7.8%). Thanks to increased levels of cost efficiency and the sales growth achieved in other product lines, Valora Retail Switzerland was also able to compensate for the CHF -3.5 million impact arising from implementation of the press retail-margin model. The division's EBIT margin for first-half 2014 was 1.5%.

Substantial growth at Ditsch/Brezelkönig

Ditsch/Brezelkönig, the market leader in lye-bread products, increased its first-half 2014 net revenues by CHF +12.1 million to CHF 105.4 million, an increase of +13.0% on the same period of 2013. In addition to the growth generated thanks to higher sales at existing sites and planned expansion of the outlet network, the division's wholesale business also achieved above-average rates of turnover growth.

The division's EBIT for the period came in at CHF 15 million (CHF 10.2 million in first-half 2013), an advance of +46.5%. Ditsch/ Brezelkönig's EBIT margin was 14.3%, +3.3 percentage points up on first-half 2013.

Portfolio streamlining and new strategic direction enables Valora Trade to optimise its capital utilisation

Valora Trade is currently executing a comprehensive transformation process, restructuring its business portfolio and adopting a new strategic direction. This has also resulted in impairment charges of CHF -17.3 million. Net revenues for the period amounted to CHF 299.5 million, CHF -98.8 million lower than in first-half 2013. This decline in turnover is largely due to Valora Trade Switzerland's switch from a title-transfer to a commission-based distribution model, which reduced revenues by CHF -61.7 million compared to first-half 2013, and to ongoing streamlining of the division's business portfolio. Valora Trade's first-half 2014 EBIT came in at CHF -24.0 million (CHF 2.1 million in first-half 2013). After adjusting for the one-off effects arising from impairment charges to goodwill and intangible assets, restructuring costs of CHF -3.7 million and IAS19 factors, Valora Trade's first-half 2014 EBIT was CHF -4.3 million lower than in the same period of 2013. The division was able to reduce its net working capital for the period by CHF -52.2 million compared to first-half 2013.

Net profit from discontinued operations shows gratifying result

The Valora Services division was sold to Thomas Kirschner, the majority shareholder of PVG, the leading German press distributor, with effect from July 31, 2014. The first-half 2014 results from this division are reported under net profit from discontinued operations. The CHF 34 million profit from the sale and the cash inflow of CHF 63 million after transaction costs will be positively reflected in the Valora Group's full-year 2014 results.

Valora Services generated first-half 2014 net revenues of CHF 132.6 million, CHF -29.1 million lower than in the same period of 2013. This decline is principally attributable to the sales generated by the goods wholesale business (sold in March 2013) and the ongoing contraction of the overall press market, which reduced press revenues by -6.9% in Switzerland and -4.9% in Luxembourg. Net revenues from third-party logistics grew by +9.2%. The division's EBIT for the period was CHF 6.1 million (CHF 5.8 million in first-half 2013). After transaction costs, Valora's net profit from discontinued operations amounted to CHF 1.5 million.

Outlook: Valora Group's transformation process is creating platform for sustainable growth

Valora Retail Switzerland further expanded its network of modernised kiosks. Average sales growth at these modernised units is +5 percentage points higher than across the rest of the network, confirming the rationale for the new layout with its optimised press range and greater selection of food products. Now that the food product range has been strengthened, the next step will be the further expansion of the kiosks' service offering. In Germany, the integration of the Convenience Concept outlet network remains a significant organisational challenge, involving the reconfiguration of IT systems and the redesign of the outlets themselves. The initiatives required for this purpose demand a considerable amount of time and management resources. With new local management teams in place since spring 2014 and management resources now enhanced, Valora expects to achieve significant further milestones in this project from late 2014 onwards.

The integration of the Ditsch/Brezelkönig as part of the Valora Group has been successfully completed. Over the next few years, Valora plans to expand the Ditsch/Brezelkönig network further, as well as using continuous product innovation to extend and enrich the range of products on offer at its outlets. The division will build on the success of its wholesale business and its above-average growth rates to expand the scale of its operations

further. Opportunities to extend the geographic coverage of the network will also be evaluated as they present themselves.

Valora Trade is addressing the challenging conditions in its markets by streamlining its brand-owner portfolio and adapting its organisational structures. These measures are the foundation on which the turnaround now under way is based. That process will include an individual evaluation of all available options for the future strategic direction of each of its business units.

The successful sale of Valora Services has enabled the Valora Group to reduce its dependence on the press market to 11% of its current overall net revenues. The transaction has also freed up CHF 63 million in financial resources, thus increasing the Group's strategic flexibility and paving the way for potential future investments or acquisitions in its core business.

Given the impairment charges at Valora Trade in first-half 2014 and further extraordinary costs of CHF 10-15 million in the second half of the year, Valora expects to generate EBIT of some CHF 30 million for 2014 as a whole. In 2016, the Group expects to achieve EBIT of some CHF 80 million. Valora maintains its existing dividend policy.

In the words of Rolando Benedick, Valora's Board Chairman, "The transformation process in Valora's core business was carried out according to plan during the first half of 2014. Our entry into the market for immediate-consumption snacks made possible by the Ditsch/Brezelkönig acquisition is making a substantial contribution to these endeavours." Valora CEO Michael Mueller adds: "The successful sale of our Services division also provides us with the financial means to strengthen our core business."

Valora Group key financial metrics

Income statement	H1 2014	H1 2013
in CHF million		
External sales	1541.4	1594.9
Net revenues	1248.9	1313.7
Gross profit	458.9	461.5
<i>Gross-profit margin</i>	36.7%	35.1%
Operating costs, net	-458.4	-433.5
EBITDA	49.4	58.0
Operating profit (EBIT)	0.5	28.0
EBIT margin	0.0%	2.1%
Group net profit	-8.9	25.8
Liquidity, balance sheet		
	30.06.2014	31.12.2013
in CHF million		
Cash and cash equivalents	104.7	175.0
Shareholders' equity	661.5	730.3
<i>Equity cover</i>	42.8%	44.8%
Net debt	299.6	219.2

Key metrics for Valora divisions

Metric	Retail			Ditsch/ Brezelkönig			Trade		
	H1 2014	H1 2013	△	H1 2014	H1 2013	△	H1 2014	H1 2013	△
in CHF million									
External sales	1138.4	1 105.2	3.0%						
Net revenues	846.0	824.0	2.7%	105.4	93.3	13.0 %	299.5	398.3	-24.8%
Gross profit	303.7	301.8	0.6%	79.6	70.9	12.3 %	75.6	88.7	-14.7%
Operating costs, net	-290.8	-286.0	1.7%	-64.6	-60.7	6.5%	-99.6	-86.6	15.0%
EBITDA	35.6	36.7	-3.0%	21.6	17.3	24.8 %	-4.5	4.1	n.a.
Operating profit (EBIT)	12.9	15.8	-18.8%	15.0	10.2	46.5 %	-24.0	2.1	n.a.
EBIT margin	1.5%	1.9%	-0.4 pct pts	14.3 %	11.0 %	3.3 pct pts	-8.0%	0.5%	-8.5 pct pts

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The following documents are available for download on www.valora.com

Half-year report 2014

http://www.valora.com/media/documents/english/reports/2014/halbjahresbericht_2014_en.pdf

Media release

<http://www.valora.com/newsroom>

Presentation on first-half 2014 results

<http://www.valora.com/en/valoragroup/documents/presentations/index.php>

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Valora Telephone Conference – Half-Year Results 2014

Thursday, August 28, 2014, |15:00 CET English

Rolando Benedick, Chairman of the Board, Michael Mueller, CEO and Tobias Knechtle, CFO, will provide information about the Half-Year Results 2014 during a telephone conference.

To participate in the conference: call the following number (please call 10 to 15 minutes before the hour):

+41 (0) 58 310 50 00 (Europe)
+44 (0) 203 059 58 62 (UK)
+1 (1) 631 570 56 13 (USA)

The playback will be available one hour after the conference on the following homepage:
<http://valora.com/de/valoragroup/documents/multimedia/index.php>

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