Half-year Report 2005

Key figures

		30.06.2005	30.06.2004
Net revenues [1]	**CHF million**	**1 411.5**	**1 429.7**
Change	%	– 1.3	n/a
Operating profit [1]	**CHF million**	**19.7**	**47.2**
Change	%	– 58.4	n/a
in % of net revenues [1]		1.4	3.3
Net profit	**CHF million**	**5.7**	**28.3**
Change	%	– 79.8	n/a
in % of net revenues [1]		0.4	2.0
in % of equity		0.9	4.5
Net cash provided by (used in) [1]			
Operating activities [1]	CHF million	11.4	30.9
Investing activities [1]	CHF million	– 25.7	– 8.9
Free cash flow [1]	**CHF million**	**– 14.3**	**22.0**
Financing activities [1]	CHF million	– 31.0	– 84.1
Earnings per share	**CHF**	**1.63**	**7.25**
Change	%	– 77.5	n/a
Free cash flow per share [1]	**CHF**	**– 4.47**	**5.74**
Share price at June 30	**CHF**	**290.25**	**288.50**
Market capitalisation at June 30	**CHF million**	**927**	**1 065**
Number of sales points		**1 534**	**1 546**
Net sales per sales point [2]	in CHF 000	542	547
		30.06.2005	31.12.2004
Cash and cash equivalents	**CHF million**	**249.5**	**291.6**
Interest-bearing liabilities	**CHF million**	**395.8**	**399.0**
Total equity	**CHF million**	**605.1**	**623.9**
Total equity and liabilities	**CHF million**	**1 461.3**	**1 506.1**
Number of employees		**8 015**	**8 440**
Change	%	– 5.0	– 6.2

[1] excluding Consumer Imaging

[2] net sales of Valora Retail only

Business trends

The disappointing business development at Valora Retail had a greater adverse impact than expected on 2005 first-half results for the Valora Group. The restructuring projects initiated by the new Group Executive Management at the beginning of the year required comprehensive and fundamental action and extensive amounts of time which both exceeded original expectations. These additional demands on resources coincided with still-hesitant customer spending trends in the consumer goods markets. Swiss kiosk business suffered particularly severely from both a lack of revenue and earnings growth and continuing cost pressures.

Changes in presentation. In the income statement, the Consumer Imaging division, which is currently being offered for sale, is shown separately as a “result from discontinued activities” in accordance with IFRS 5. All previous items in the income statement contain and compare only continuing business activities.
In addition to this, in view of the retroactive application to January 1, 2005 of the new IFRS accounting standards which have now entered into effect, certain prior-year figures have been restated for comparison purposes (see also Note 1 in the Notes to the consolidated financial statements).
In accordance with the new IFRS accounting standards, goodwill has no longer been systematically amortised since January 1, 2005. The prior-year figures have not been restated.

Comments. For comparison purposes, net revenues and operating profit for the Valora Group and all its divisions are shown net of all effects deriving from the changes in accounting policy and from changes to the Group and divisional structures in the following sections.

Valora Group

in CHF million	1.01. - 30.06.2005		1.01. - 30.06.2004		
Net revenues including Consumer Imaging	1 468.8		1 500.9		
– Consumer Imaging (IFRS 5)	– 57.3		– 63.1		
– Restatement of sales discounts at Valora Trade Nordics			– 8.1		
Net revenues	**1 411.5**	**100.0%**	**1 429.7**	**100.0%**	
Eliminations for comparison purposes:					
– Disposals			– 88.7		
+ Acquisitions			74.2		
Net revenues (comparable)	**1 411.5**		**1 415.2**		**100.0%**
Operating profit including Consumer Imaging	21.7		48.2		
– Consumer Imaging (IFRS 5)	– 2.0		[1] – 1.2		
+ Restatement of share-based payments (IFRS 2)			0.2		
Operating profit	**19.7**	**1.4%**	**47.2**	**3.3%**	
– Profit from divested companies (including gains on disposals)	– 0.3		– 11.5		
+ Restructuring costs	3.3				
+ Goodwill amortisation (on continuing activities)			4.0		
Operating profit before focus strategy, restructuring and goodwill amortisation	**22.7**	**1.6%**	**39.7**		**3.0%**
+ Acquisitions			2.7		
Operating profit (comparable)	**22.7**	**1.6%**	**42.4**		**3.0%**

[1] including goodwill amortisation

On a like-for-like basis, the Valora Group sustained a slight decline in net revenues in the first half of 2005. While revenues increased by 0.7% at Valora Retail, they declined by 3.5% at Valora Press & Books and by 1.4% at Valora Trade.

Gross profit margin declined by 1.4 percentage points. Two-thirds of the decline can be attributed to the divestment of various business units in the course of 2004.

Operating profit declined to a less-than-satisfactory CHF 19.7 million, largely in the light of disappointing business developments in the Swiss retail sector. Comparable operating profit showed a CHF 19.7 million year-on-year decline.

The financial result was an improvement on its prior-year equivalent, thanks largely to more favourable currency movements. The financial result includes a total of CHF 2.5 million (2004: CHF 6.4 million) in losses from currency translations.

Income taxes are affected by numerous factors. With the decline in consolidated net profit, the taxes due on profits from individual group member companies resulted in a temporary increase in group tax rates.

Valora Retail

in CHF million	1.01. - 30.06.2005		1.01. - 30.06.2004		
Net revenues before restructuring			746.2		
+ Restructuring of convenience wholesale Switzerland (from Valora Wholesale)			99.9		
Net revenues	**830.9**	**100.0%**	**846.1**	**100.0%**	
Eliminations for comparison purposes:					
– Disposals			– 21.2		
Net revenues (comparable)	**830.9**		**824.9**		**100.0%**
Operating profit before restructuring			13.3		
– Restructuring of convenience wholesale Switzerland (from Valora Wholesale)			– 6.7		
– Restatement of share-based payments (IFRS 2)			– 0.1		
Operating profit	**– 11.8**	**n/a**	**6.5**	**0.8%**	
– Profit from divested companies (including gains on disposals)			– 0.2		
+ Restructuring costs	2.0				
+ Goodwill amortisation			0.6		
Operating profit before focus strategy, restructuring and goodwill amortisation	**– 9.8**	**n/a**	**6.9**		**0.8%**

The integration of Swiss convenience wholesaling into Swiss kiosk operations added CHF 99.9 million to the net revenues declared for 2004 and reduced operating profit by CHF 6.7 million. After elimination of the revenues from divested business units included in the 2004 results, net revenues showed a slight year-on-year increase for the first six months. Net revenues and operating profit for the division's German and Luxembourg operations remained largely at prior-year levels. Operating profit for these operations is showing encouraging trends.

The Swiss kiosk business, by contrast, is suffering from the continuing shrinkage of the press products market and the lack of growth drivers in other product categories. The loss-making convenience wholesale business also reduced operating profit by CHF 6.8 million (2004: CHF 6.7 million).

The cost-reduction measures initiated did not deliver any significant economies in the first half of 2005. The CHF 16.7 million decline in operating profit before focus strategy, restructuring and goodwill amortisation is attributable for the most part to an increase in costs: higher salary and rental costs were incurred for the retail sales outlets, while the reorganisation of marketing and category management led to a temporary increase in personnel expenses.

Valora Press & Books

in CHF million	1.01. - 30.06.2005		1.01. - 30.06.2004		
Net revenues before restructuring			625.7		
– Restructuring of convenience wholesale Switzerland and logistics (to Valora Retail and Corporate)			– 403.7		
Net revenues	**280.6**	**100.0%**	**222.0**	**100.0%**	
Eliminations for comparison purposes:					
– Disposals			– 5.4		
+ Acquisitions			74.2		
Net revenues (comparable)	**280.6**		**290.8**		**100.0%**
Operating profit before restructuring			7.9		
+ Restructuring of convenience wholesale Switzerland and logistics (to Valora Retail and Corporate)			4.6		
– Restatement of share-based payments (IFRS 2)			– 0.1		
Operating profit	**10.0**	**3.5%**	**12.4**	**5.6%**	
– Profit from divested companies (including gains on disposals)	– 0.2		0.3		
+ Restructuring costs	0.6				
+ Goodwill amortisation			1.4		
Operating profit before focus strategy, restructuring and goodwill amortisation	**10.4**	**3.7%**	**14.1**		**6.5%**
+ Acquisitions			2.7		
Operating profit (comparable)	**10.4**	**3.7%**	**16.8**		**5.8%**

The integration of Swiss convenience wholesaling into Valora Retail and of logistics into Corporate reduced the net revenues declared for 2004 by CHF 403.7 million and added CHF 4.6 million to the corresponding operating profit result. After elimination of the revenues of since-sold companies and the acquisition of PGV Salzburg, the division sustained a year-on-year decline of CHF 10.2 million or 3.5% in net revenue for the first half-year. The result reflects the continuing shrinkage of the Swiss press market.
The CHF 6.4 million decline in comparable first-half operating profit is due in equal measure to the reduction in gross profit from Swiss operations (itself the result of the lower revenues generated) and to an increase in the costs of IT and logistics for the division's Swiss operations. Business in Luxembourg and Austria showed encouraging trends.

Valora Trade

in CHF million	1.01. - 30.06.2005		1.01. - 30.06.2004		
Net revenues before restatement			463.8		
– Restatement of sales discounts at Valora Trade Nordics			– 8.1		
Net revenues	**402.2**	**100.0%**	**455.7**	**100.0%**	
Eliminations for comparison purposes:					
– Disposals			– 47.8		
Net revenues (comparable)	**402.2**		**407.9**		**100.0%**
Operating profit before restatement			16.7		
– Restatement of share-based payments (IFRS 2)			– 0.0		
Operating profit	**12.7**	**3.2%**	**16.7**	**3.7%**	
– Profit from divested companies (including gains on disposals)	– 0.1		– 5.6		
+ Goodwill amortisation			2.0		
Operating profit before focus strategy, restructuring and goodwill amortisation	**12.6**	**3.1%**	**13.1**		**3.2%**

The restatement of net revenues for the first half of 2004 relates to the revised presentation of discounts, which were previously shown as advertising costs and are now shown as trade discounts. After elimination of the revenues of since-sold business units from the prior-year results, first-half net revenues for the division showed a year-on-year decline of CHF 5.7 million or 1.4%. Operating profit excluding the production units sold was just within expectations. The reduction in gross profit as a result of the lower business volumes was largely offset by cost reductions.

Valora Imaging

The Valora Imaging division continues to face a difficult operating environment marked by the rapid shift from traditional to digital photo processing techniques. The decline in net revenues in the face of falling product prices could not be fully offset by cost economies. The division is currently in the process of being sold: see also Note 2 in the Notes to the consolidated financial statements.

Corporate

in CHF million	1.01. - 30.06.2005	1.01. - 30.06.2004
Net revenues before restructuring		1.6
+ Restructuring of logistics (from Valora Wholesale)		5.7
Net revenues	**7.6**	**7.3**
Eliminations for comparison purposes:		
– Disposals		– 0.2
Net revenues (comparable)	**7.6**	**7.1**
Operating profit before restructuring		7.4
+ Restructuring of logistics (from Valora Wholesale)		2.1
+ Restatement of share-based payments (IFRS 2)		0.5
Operating profit	**8.8**	**10.0**
– Profit from divested companies (including gains on disposals)		– 4.4
+ Restructuring costs	0.7	
+ Goodwill amortisation		0.0
Operating profit before focus strategy, restructuring and goodwill amortisation	**9.5**	**5.6**

The transfer of logistics from Swiss wholesale operations added CHF 5.7 million to Corporate net revenues and CHF 2.1 million to Corporate operating profit for the first half of 2004. Net of focus strategy, restructuring and goodwill amortisation, Corporate operating profit was CHF 3.9 million up on the prior-year result. The improvement was achieved largely through cost economies, though an increase was also seen in logistics revenues from third-party customers.

Cash flow, liquidity, financing and equity

The decline in the overall operating profit also had its impact in operating cash flow terms. Investments remained at their prior-year levels: the increase in net cash used in investing activities is due to the income from divestments included in the prior-year result. The substantial reduction in net cash used in financing activities is attributable to the reduced amounts spent on share buybacks and the fact that, while the 2004 result includes a dividend to shareholders, the reduction in nominal value (with repayment to shareholders) in place of a dividend for 2005 was not effected until July.
In view of the negative free cash flow and the conclusion of the share buyback programme, cash and cash equivalents declined CHF 42 million to CHF 249 million. The lower liquidity also resulted in CHF 41 million increase in net debt, to CHF 145 million.

The third tranche of the share buyback programme was completed with the repurchase of the remaining 92 000 shares for a total of around CHF 27 million. The Annual General Meeting of April 28, 2005 approved the deletion of 270 000 shares and a reduction (with subsequent repayment to shareholders) of CHF 9 in the nominal value of the Valora share. The corresponding capital reduction was effected in July 2005.
The inclusion of minority interests in equity prompted a corresponding increase in total equity. The other restatements resulted in only negligible changes. In view of the share repurchases, equity had been reduced to CHF 605.1 million by June 30, 2005. The balance sheet equity ratio (before the reduction in nominal value) remained high at 41.4%.

Restructuring

With the focus on core business through the sale of non-core businesses largely completed (except for the Consumer Imaging division and Merkur Gastronomie) in 2004, the Valora Group is now concentrating on restructuring its Swiss retail and press businesses. Restructuring costs of CHF 3.3 million had been incurred by June 30, 2005.

Management will continue to focus on the present restructuring over the coming 18 months. Actions here will be consistently concentrated on four key projects:
- enhancing results by raising productivity and adopting a new product range policy
- developing and implementing the new organisational structure
- conducting a comprehensive renewal of the currently-heterogeneous IT systems and
- devising actions for internal growth and laying the foundations for external growth.

The first such actions have already been successfully implemented, and the full benefits of these endeavours should be felt from 2007 onwards.

Changes in Group Executive Management

Jürg Arquint assumed his new duties as Head of Valora Retail on January 1, 2005; and Dr. Ida Maria Hardegger has been in charge of Valora Press & Books since May 1, 2005.

Outlook

We expect to report an operating profit of CHF 50 million for 2005 as a whole. The Board of Directors and Group Executive Management remain confident of achieving their medium-term objective of posting an annual operating profit margin of 4%.

Valora Holding AG

Dr. Fritz Ammann	**Peter Wüst**
Chairman of the Board	CEO

Consolidated income statement

January 1 to June 30, in CHF 000 (except per-share amounts)	**2005** unaudited	%	2004 unaudited [1]	%
Net revenues	**1 411 492**	**100.0**	**1 429 742**	**100.0**
Cost of goods	– 944 073	– 66.9	– 936 907	– 65.5
Gross profit	**467 419**	**33.1**	**492 835**	**34.5**
Personnel expenses	– 248 627	– 17.6	– 254 798	– 17.8
Other operating expenses	– 178 299	– 12.6	– 174 544	– 12.2
Depreciation and amortisation of operating assets	– 24 123	– 1.7	– 24 757	– 1.7
Other income, net	3 012	0.2	10 260	0.7
Goodwill amortisation	0	0.0	– 4 042	– 0.3
Gains on disposals of business units	284	0.0	2 279	0.1
Operating profit	**19 666**	**1.4**	**47 233**	**3.3**
Financial expenses	– 11 618	– 0.9	– 15 955	– 1.1
Financial income	1 311	0.1	946	0.1
Share of (loss)/profit of associates	– 469	0.0	229	0.0
Profit before income taxes	**8 890**	**0.6**	**32 453**	**2.3**
Income taxes	– 4 265	– 0.3	– 5 241	– 0.4
Profit from continuing operations	**4 625**	**0.3**	**27 212**	**1.9**
Result from Consumer Imaging	1 078	0.1	1 040	0.1
Net profit	**5 703**	**0.4**	**28 252**	**2.0**
Net profit attributable to shareholders of Valora Holding AG	5 204	0.4	27 733	2.0
Net profit attributable to minority interests	499	0.0	519	0.0
Average number of shares outstanding	3 197 676		3 822 873	
Earnings per share				
Earnings per share (in CHF)	1.63		7.25	
Earnings per share from continuing operations (in CHF)	1.29		6.98	

[1] restated; see also Note 1 in the Notes to the consolidated financial statements

Consolidated balance sheet

in CHF 000 Assets	At June 30, 2005 unaudited	%	At Dec 31, 2004 unaudited [1]	%
Current assets				
Cash and cash equivalents	249 484		291 645	
Securities available for sale	1 492		3 247	
Trade accounts receivable	196 860		192 780	
Inventories	252 155		260 208	
Current income tax receivable	6 323		4 716	
Other current assets	63 872		56 761	
Total current assets	**770 186**	**52.7**	**809 357**	**53.7**
Non-current assets				
Property, plant and equipment	389 005		393 639	
Goodwill, software and other intangible assets	180 786		182 819	
Other long-term assets	76 998		73 565	
Deferred income tax assets	44 360		46 757	
Total non-current assets	**691 149**	**47.3**	**696 780**	**46.3**
Total assets	**1 461 335**	**100.0**	**1 506 137**	**100.0**

Equity and liabilities				
Current liabilities				
Short-term bank debt	954		1 050	
Current bonds payable	219 800		219 501	
Trade accounts payable	257 694		288 275	
Current income tax liabilities	11 052		11 302	
Other current liabilities	133 457		123 819	
Current provisions	5 057		6 269	
Total current liabilities	**628 014**	**43.0**	**650 216**	**43.2**
Long-term liabilities				
Long-term debt	175 008		178 494	
Long-term accrued pension cost	10 986		10 470	
Long-term provisions	11 596		12 047	
Deferred income tax liabilities	30 645		31 033	
Total long-term liabilities	**228 235**	**15.6**	**232 044**	**15.4**
Total liabilities	**856 249**	**58.6**	**882 260**	**58.6**
Equity				
Total equity	**605 086**	**41.4**	**623 877**	**41.4**
Total equity and liabilities	**1 461 335**	**100.0**	**1 506 137**	**100.0**

[1] restated; see also Note 1 in the Notes to the consolidated financial statements

Consolidated cash flow statement (condensed)

January 1 to June 30, in CHF 000	**2005** unaudited	2004 unaudited
Cash flow from continuing operations		
Net cash provided by operating activities	11 441	30 868
Net cash used in investing activities	– 25 720	– 8 923
Net cash used in financing activities	– 31 018	– 84 075
Net decrease in cash and cash equivalents from continuing operations	**– 45 297**	**– 62 130**
Cash flow from Consumer Imaging		
Net cash (used in)/provided by operating activities	– 2 744	3 322
Net cash used in investing activities	– 486	– 2 185
Net cash provided by financing activities	6 538	451
Net increase in cash and cash equivalents from Consumer Imaging	**3 308**	**1 588**
Translation adjustments on cash and cash equivalents	– 172	– 2 249
Cash and cash equivalents at beginning of period	291 645	209 928
Cash and cash equivalents at end of period	249 484	147 137

Consolidated statement of changes in equity

in CHF 000	Shareholders' equity Share capital	Treasury stock	Additional paid-in capital	Cumulative translation adjustments	Retained earnings	Total	Minority interest	Total equity unaudited [1]
Balance at January 1, 2004	**40 240**	**– 55 704**	**76 999**	**7 693**	**704 794**	**774 022**	**3 125**	**777 147**
Net profit for first half of 2004					27 733	27 733	519	**28 252**
Translation adjustments				2 003		2 003	– 48	**1 955**
Gains and losses directly recognised in equity, net				**2 003**	**27 733**	**29 736**	**471**	**30 207**
Share-based payments			– 311			– 311		**– 311**
Dividends paid					– 33 875	– 33 875	– 96	**– 33 971**
Treasury stock purchased		– 66 343				– 66 343		**– 66 343**
Treasury stock issued		2 607				2 607		**2 607**
Minority interest purchased						0	– 1 076	**– 1 076**
Balance at June 30, 2004	**40 240**	**– 119 440**	**76 688**	**9 696**	**698 652**	**705 836**	**2 424**	**708 260**
Net profit for second half of 2004					3 766	3 766	493	**4 259**
Translation adjustments				– 4 194		– 4 194	103	**– 4 091**
Gains and losses directly recognised in equity, net				**– 4 194**	**3 766**	**– 428**	**596**	**168**
Share-based payments			1 242			1 242		**1 242**
Dividends paid						0	– 582	**– 582**
Treasury stock purchased		– 85 211				– 85 211		**– 85 211**
Capital reduction	– 4 540	126 966	– 75 439		– 46 987	0		**0**
Balance at December 31, 2004	**35 700**	**– 77 685**	**2 491**	**5 502**	**655 431**	**621 439**	**2 438**	**623 877**
Net profit					5 204	5 204	499	**5 703**
Translation adjustments				1 449		1 449	9	**1 458**
Gains and losses directly recognised in equity, net				**1 449**	**5 204**	**6 653**	**508**	**7 161**
Share-based payments			867			867		**867**
Dividends paid						0	– 999	**– 999**
Treasury stock purchased		– 27 626				– 27 626		**– 27 626**
Treasury stock issued		1 806				1 806		**1 806**
Balance at June 30, 2005	**35 700**	**– 103 505**	**3 358**	**6 951**	**660 635**	**603 139**	**1 947**	**605 086**

[1] restated; see Note 1 in the Notes to the consolidated financial statements

Segment reporting

in CHF 000	Valora Retail	Valora Press & Books	Valora Trade	Valora Imaging (excluding Consumer Imaging) [1]	Corporate	Intersegment elimination	Total Group unaudited
Net revenues 1.01 - 30.06.2005							
From third parties	830 921	174 667	398 436	0	7 468		1 411 492
From other divisions	28	105 930	3 793	0	126	– 109 877	0
Total	**830 949**	**280 597**	**402 229**	**0**	**7 594**	**– 109 877**	**1 411 492**
Net revenues 1.01 - 30.06.2004							
From third parties	845 839	113 886	448 829	14 092	7 096		1 429 742
From other divisions	297	108 136	6 891	4	219	– 115 547	0
Total	**846 136**	**222 022**	**455 720**	**14 096**	**7 315**	**– 115 547**	**1 429 742**
Change (%)	– 1.8	26.4	– 11.7	n/a			– 1.3
Operating profit/loss							
1.01. - 30.06.2005							
Operating profit/loss	**– 11 809**	**9 953**	**12 724**	**0**	**8 798**		**19 666**
Gains on disposals of business units	0	– 200	– 84	0	0		– 284
Restructuring costs	2 017	600	0	0	731		3 348
Operating profit/loss before focus strategy and restructuring	**– 9 792**	**10 353**	**12 640**	**0**	**9 529**		**22 730**
1.01. - 30.06.2004							
Operating profit	6 457	12 362	16 749	1 665	10 000		47 233
Goodwill amortisation	593	1 446	1 990	0	13		4 042
Net profit/loss from divested companies (including gains on disposals)	– 205	315	– 5 581	– 1 665	– 4 399		– 11 535
Operating profit before focus strategy, restructuring and goodwill amortisation	6 845	14 123	13 158	0	5 614		39 740
Operating profit in % of net revenues							
1.01. - 30.06.2005	**n/a**	**3.5**	**3.2**	**n/a**			**1.4**
1.01. - 30.06.2004	0.8	5.6	3.7	11.8			3.3

[1] Consumer Imaging is presented as a discontinued operation in accordance with IFRS 5 and is thus no longer included in segment reporting. A condensed income statement and balance sheet are provided for the Group’s Consumer Imaging activities in Note 2 of the Notes to the consolidated financial statements.

Segment reporting has been adjusted to reflect the new management structure adopted for 2005. The new Valora Press & Books division includes the press and book wholesaling activities previously presented under the Valora Wholesale division. As a wholesale specialist, Valora Press & Books supplies the Group’s own retail outlets and third-party customers in Switzerland, Austria and Luxembourg with press and book products.
The convenience wholesale and logistics activities previously presented under the Valora Wholesale division have been reassigned to Valora Retail and Corporate respectively.
The prior-year results for Valora Retail, Valora Press & Books and Corporate have been restated accordingly for comparison purposes.

Notes to the consolidated financial statements

1 Key accounting principles

With the exception of the changes required to comply with the new IFRS/IAS accounting standards specified below, the accounting principles applied in the compilation of this Half-Year Report correspond to the consolidated accounting principles applied in the compilation of the 2004 Annual Report and comply with IAS 34 of the International Financial Reporting Standards (IFRS). This Half-Year Report has not been audited by the Group Auditors.

New IFRS/IAS standards. The new IFRS accounting standards which entered into effect on January 1, 2005 have been applied with retroactive effect to January 1, 2004. Prior-year figures have been restated to comply with the new accounting standards. The effects of the individual restatements on consolidated results are explained below.

IFRS 2. The revised presentation of share-based payments resulted in a shift within equity at January 1, 2004, with a CHF 1.6 million reduction in retained earnings and a corresponding increase in additional paid-in capital. Personnel expenses were reduced by CHF 0.2 million from those originally stated for the first six months of 2004 (and were increased by CHF 1.0 million for the full business year).

IFRS 3. The new IFRS 3 abolishes the systematic amortisation of goodwill. Goodwill may now only be written down in the form of an impairment, following the determination of a permanent reduction in value. Prior-year figures have not been restated here.

IFRS 5. Under IFRS 5, profit/loss from discontinued operations must be stated as a separate item in the income statement. As a result, only Valora's continuing operations are presented in detail in the income statement, and only the net profit from Consumer Imaging is included in the consolidated results. The corresponding prior-year restatements reduced net revenues for the first half of 2004 by CHF 63.1 million. Operating profit for Consumer Imaging is also shown separately for the prior-year period. Consumer Imaging is included, however, in the consolidated balance sheet. A condensed income statement and balance sheet for Consumer Imaging are provided below for information purposes.

IAS 1. The shares of third parties in the profit/loss and equity of fully-consolidated subsidiaries are now included in net profit and thus in consolidated equity. Consolidated equity at January 1, 2004 was therefore increased by the minority interest of CHF 3.1 million.

IAS 21. New rules now apply for recognising translation adjustments on Group loans directly in equity. In view of these, translation adjustments amounting to CHF 5.9 million which had been recognised in equity for the first half of 2004 were newly recognised as a loss in the income statement (the corresponding full-year charge for 2004 amounts to CHF 2.1 million).

Other adjustments. For ease of comparison, the adjustment effected to the recognition of sales discounts at Valora Trade Nordics in the 2004 annual consolidated financial statements was also effected to results for the first six months of the year.

The individual effects of the above restatements on net profit for 2004 are as follows:

in CHF million	1.01. - 30.06. 2004	1.01. - 31.12.2004
Net profit before restatement	**33.4**	**34.6**
Adjustment to personnel expenses for share-based payments (IFRS 2)	0.2	– 1.0
Increase in financial expenses through currency losses (IAS 21)	– 5.9	– 2.1
Net profit attributable to minority interests (IAS 1)	0.5	1.0
Net profit after restatement	**28.2**	**32.5**

2 Discontinued operations

Valora announced on February 11, 2005 that the negotiations to integrate its Valora Imaging division into a joint venture had been abandoned. In view of this, the Board of Directors resolved to dispose of this business in 2005. This discontinued operation comprises the Consumer Imaging activities of the Valora Imaging division. Consumer Imaging is active in the mail order business in Switzerland, Germany, France, Belgium and Scandinavia. Since the disposal of the division's Professional Imaging activities effective October 1, 2004 as part of the overall strategy of focusing on the Group's core business, Valora Imaging has consisted solely of these Consumer Imaging activities.

Income statement for Consumer Imaging

in CHF 000	1.01. - 30.06.2005	1.01. - 30.06.2004
Net revenues	57 317	63 013
Gross profit	**47 734**	**52 923**
Operating expenses	– 45 743	– 51 747
Operating profit	**1 991**	**1 176**
Financial result	– 86	– 458
Profit before income taxes	**1 905**	**718**
Income taxes	– 827	322
Net profit	**1 078**	**1 040**

Net assets of Consumer Imaging

in CHF 000	**30.06.2005**	31.12.2004
Current assets	38 792	33 032
Non-current assets	57 759	58 437
Current liabilities	– 25 702	– 28 682
Long-term liabilities	– 3 071	– 2 742
Net assets	**67 778**	**60 045**

3 Provisions

Provisions showed the following changes:

in CHF million	**2005**	**2004**
Total provisions at January 1	**18.3**	**29.1**
Application	– 1.0	– 4.2
Amounts released to income	– 0.8	– 2.8
New provisions effected	0.1	0.2
Translation adjustments	0.0	– 0.3
Total provisions at June 30	**16.6**	**22.0**

4 Changes in the scope of consolidation

Divestments. Nuxo AG (formerly of Valora Trade) was sold effective March 31, 2005 as part of the overall strategy of focusing on the Group's core business.

5 Subsequent events

Valora Holding AG issued a CHF 140 million bond on July 12, 2005. The bond, which is traded on the SWX Swiss exchange (Securities No. 2 189 351) has a maturity of seven years and an interest rate of 2.875%.
The capital reduction through the deletion of 270 000 shares of treasury stock and the reduction of the nominal value of the Valora share by CHF 9, both of which were resolved by the Annual General Meeting of April 28, 2005, were entered in the Bern-Mittelland Commercial Register on July 7, 2005. The nominal value reduction amount was repaid to shareholders on July 14, 2005.

Bern, August 18, 2005

The next Ordinary General Meeting of Valora Holding AG will be held in Bern on Wednesday, April 26, 2006.

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