

Annual Report
Valora 2006

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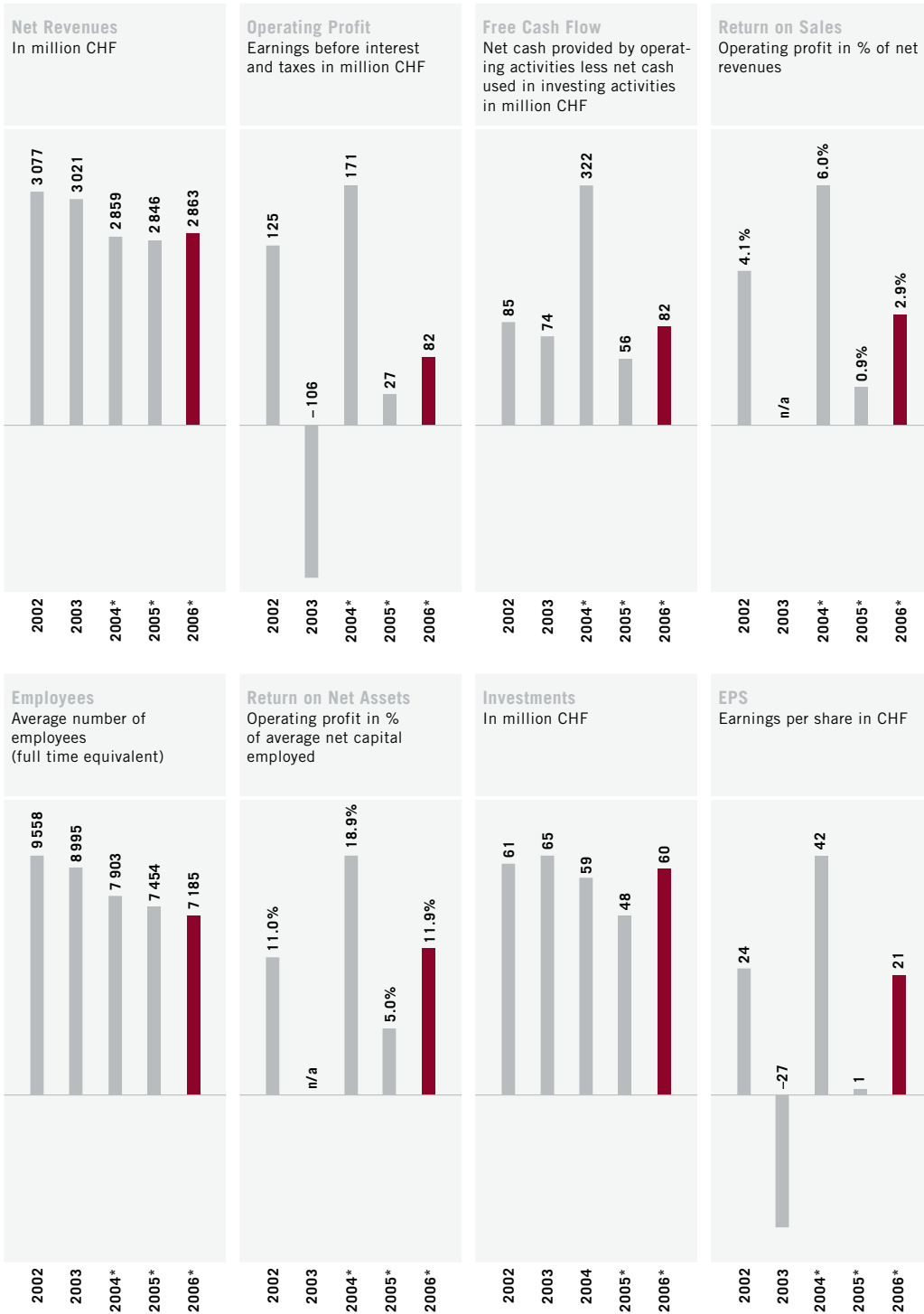
Key figures

		31.12.2006 ¹⁾	31.12.2005 ¹⁾	31.12.2004 ¹⁾
Net revenues	CHF million	2 862.5	2 846.4	2 858.5
Change	%	+ 0.6	- 0.4	- 5.4
Operating profit	CHF million	82.0	27.0	171.3
in % of net revenues	%	2.9	0.9	6.0
Net profit	CHF million	66.5	4.7	153.7
Change	%	+ 1 304.5	- 96.9	n/a
in % of net revenues	%	2.3	0.2	5.4
in % of equity	%	11.9	0.9	24.6
Net cash provided by (used in)				
Operating activities	CHF million	108.2	96.4	173.3
Investing activities	CHF million	- 26.6	- 40.7	148.9
Free cash flow	CHF million	81.7	55.7	322.2
Financing activities	CHF million	- 82.8	- 123.7	- 232.2
Earnings per share	CHF	20.58	1.17	41.66
Change	%	+ 1 659.0	- 97.2	n/a
Free cash flow per share	CHF	25.54	17.41	87.95
Change	%	+ 46.7	- 80.2	+ 370.8
Share price at 31.12.	CHF	334.75	254.75	280.00
Market capitalisation at 31.12.	CHF million	1 069	813	916
Cash and cash equivalents	CHF million	222.1	219.7	291.6
Interest-bearing liabilities	CHF million	282.7	333.4	399.0
Total equity	CHF million	560.9	513.6	623.9
Balance sheet total	CHF million	1 324.8	1 359.2	1 506.1
Average number of employees		7 185	7 454	7 903
Change	%	- 3.6	- 5.7	- 12.1
Net revenues per employee	CHF 000	398	382	362
Change	%	+ 4.2	+ 5.5	+ 7.7
Points of sale		1 414	1 464	1 531
Net sales per point of sale ²⁾	CHF 000	1 155	1 153	1 099

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

¹⁾ from continuing operations

²⁾ net sales of Valora Retail only



*from continuing operations

Location

Valora Retail

PEOPLE IN MOTION. URBAN NOMADS. IN TRANSIT BETWEEN INNUMERABLE POINTS. EACH POINT A BEGINNING AND AN END. STREAMS. MERGING, SWELLING, PARTING. LOOK AT WHERE THEY CONVERGE. THAT IS WHERE NEEDS EMERGE. TRENDS DEVELOP.

Valora Retail identifies these needs, these trends. Deploying the right kiosk concept for each location. Providing the products and services which suit each place best. Affording experiences to individuals, inviting them to linger. Journeys begin and end here. The location determines what is on offer. The products are chosen to meet its needs.

Valora Press & Books

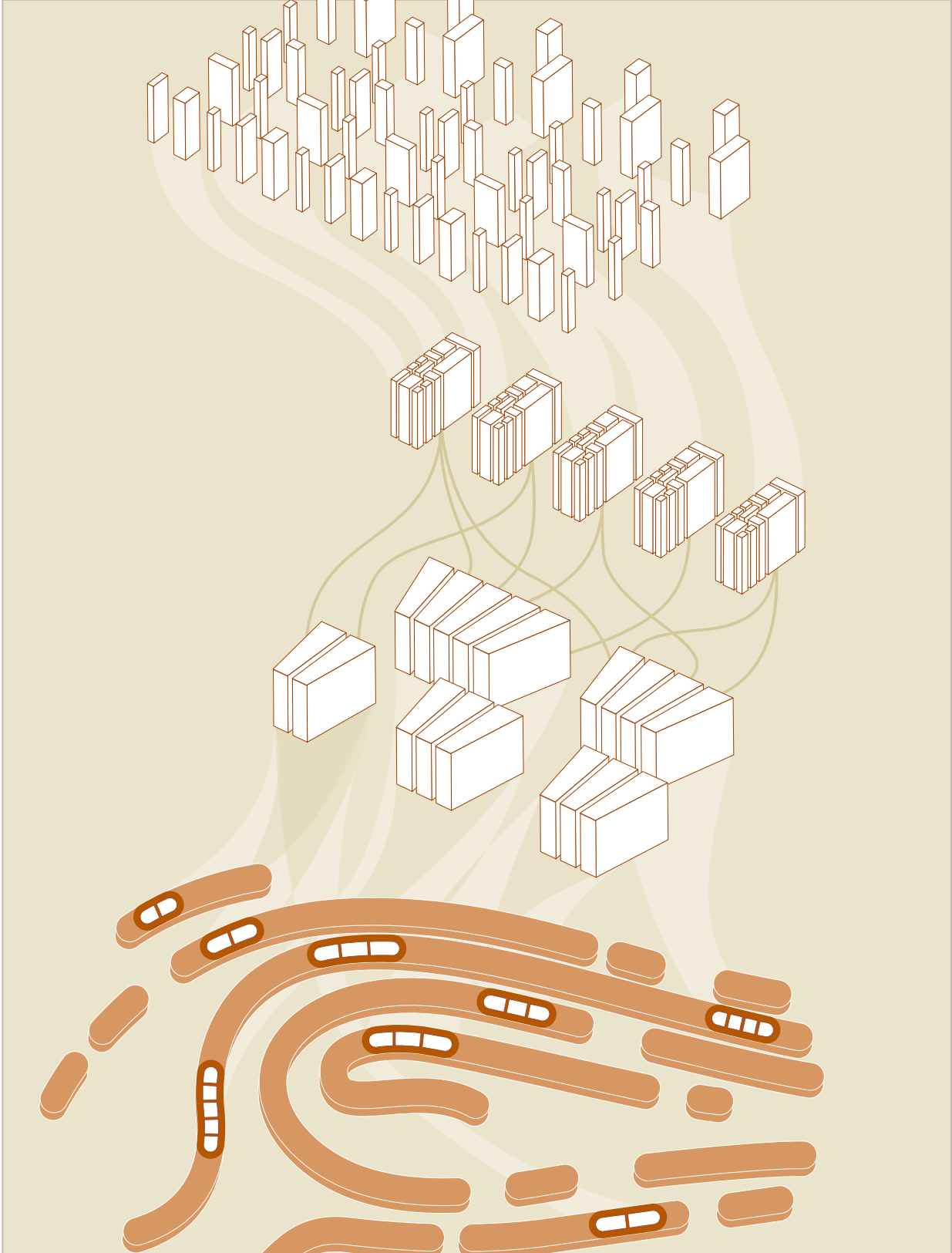
MEETING DEMAND WHERE IT ARISES. DEMAND FOR INFORMATION AND ENTERTAINMENT IN PRINTED FORM CONTINUES UNABATED. TO MEET THAT DEMAND, PRINT MEDIA NEED TO BE AVAILABLE WHERE PEOPLE ARE ON THE MOVE. AT ALL TIMES, EVERYWHERE, IMMEDIATELY. AND WITH THE RIGHT RANGE OF PRODUCTS IN THE RIGHT LOCATIONS.

Valora Press & Books knows which print media people want where. So it brings the newspapers, the magazines and the books straight to their readers, delivering the right quantities of the right title to the right place. Straight from the central distribution centre to the sales outlet. The public has a right to information, and Valora honours that right. Mission accomplished. Public duty fulfilled.

Valora Trade

CULTURAL DIVERSITY. EUROPE IS INTEGRATING, BUT THE DIFFERENCES REMAIN. IN LANGUAGE. IN CUSTOMS. IN SELF IMAGE. REGIONAL IDENTITY SHAPES CONSUMER BEHAVIOUR. WHICH DETERMINES DISTRIBUTION STRUCTURES. GO ELSEWHERE AND A LOT IS THE SAME. BUT MUCH IS QUITE DIFFERENT.

Valora Trade knows its way around regional markets. It knows what appeals to locals, and how each market's mechanisms work on the ground. It knows, because it connects the principal to the market. Transmitting information. Transforming customer needs into sales in one direction. Marketing effectively in the other.



Product range

Valora Retail

HOLDING UP A MIRROR TO SOCIETY. WISHES REFLECT CULTURES. ATTITUDES. DENOTE OCCUPATION OF A PHYSICAL OR MENTAL SPACE. MANY NEEDS ARE CONSTANT. OTHERS CHANGE. AND THEY DIFFER FROM PLACE TO PLACE.

Valora Retail uses product range modularity to meet diversified demands. Careful categorisation engenders flexibility. Logistical excellence speeds up supply. Bringing the right product to the right place at the right time. A fleeting experience. An identifying element. A piece of home. And always something new and unexpected.

EVERY AREA OF INTEREST GENERATES ITS MEDIA. OFTEN NOT FOR LONG. BUT MEDIA ALWAYS CONFER IDENTITY. THEY CONNOTE BELONGING. PROMOTE INTERACTION. THE PRINTED WORD BINDS.

Valora Press & Books takes the reading market's pulse. Supports the flow of information and interpretation. Channels. Selects. Stimulates supply by constantly observing demand. Product range configuration becomes a creative process, a process which will also encompass the increasing digitalisation of the media.

Valora Trade

THE BRAND AND ITS MESSAGE. STRONG BRANDS GO BEYOND BORDERS. PROVIDE FOCUS AND INSPIRE CONFIDENCE. THEY'RE THE STARS THAT GO ON SHINING. ABOVE THE CYCLES OF INNOVATION, THE SHORT-LIVED TRENDS, WHICH COME AND GO. STRONG BRANDS WILL UNLOCK

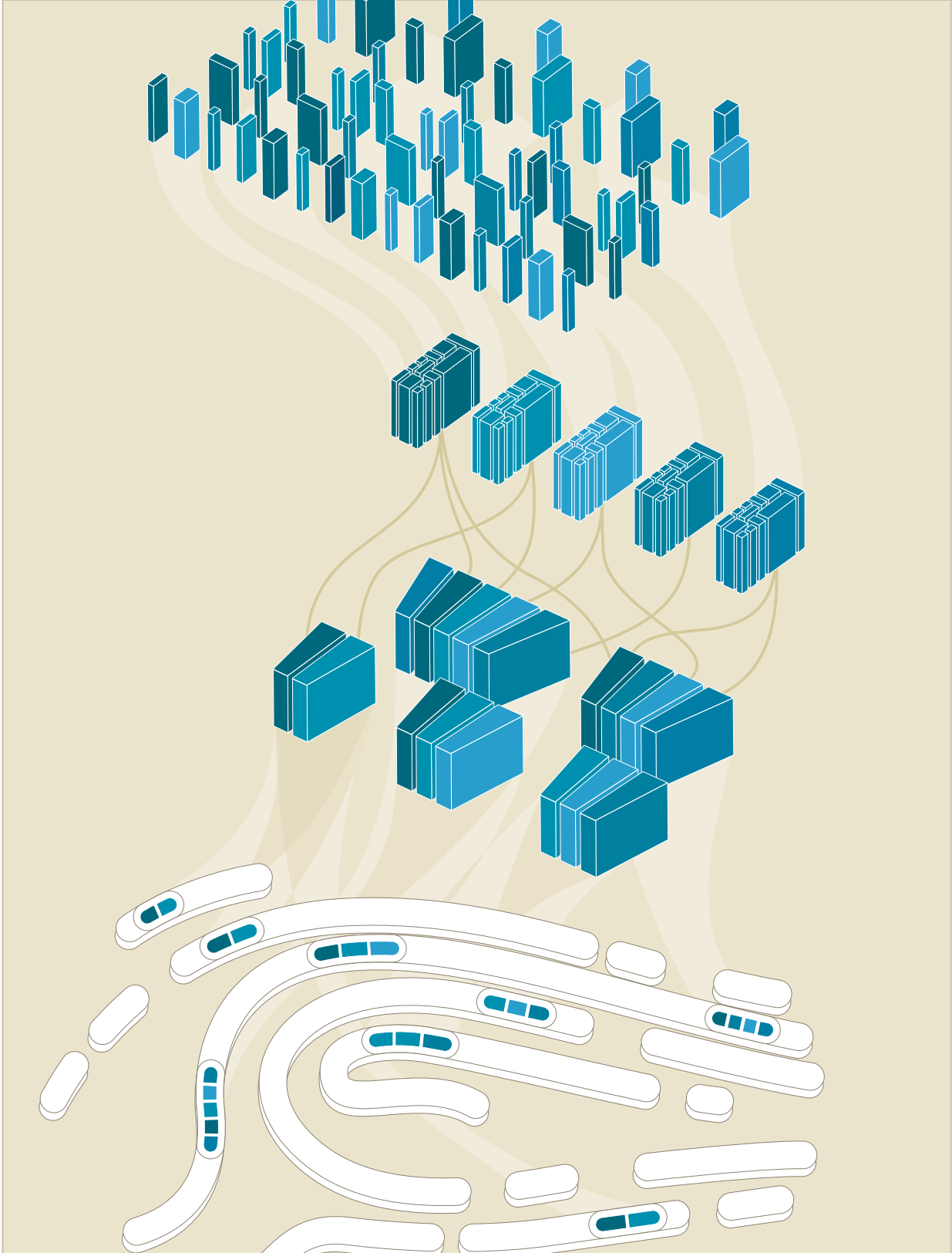
DOORS TO MARKETS AND THE HEARTS OF PEOPLE.

Valora Trade lets international brands unleash their magic. By establishing them in regional retail distribution. By placing them where the profits are. By deploying its skills in professional category management. A discipline which is both physical and mental. Comprehensive supply chain management is the physical side. Marketing honed to local conditions is the mental aspect.

Valora Press & Books

UNIQUENESS IN DIVERSITY. SUPPLY IS IMMEASURABLE. DEMAND IS SERENDIPITOUS.

EVERY AREA OF INTER-



Relationships

Valora Press & Books

GROWING TOGETHER WHEN THE PRESSURE IS ON. COMPETITION IS EVERYWHERE. ITS PRESSURE IS VISIBLE AMONG PUBLISHERS AND IN DISTRIBUTION. MEDIA MUST HOLD THEIR OWN AGAINST MEDIA. AND, AT THE

POINT OF SALE, THEY HAVE TO ASSERT THEMSELVES AGAINST HIGHER-MARGIN PRODUCTS.

Valora Press & Books identifies with publishers' concerns. It gives media a stage and an audience, where it counts, at the point of sale. Maintaining relationships at the interface between publisher and retail is all about performance. Performance based on distribution know-how, process efficiency, innovative marketing ideas. For the benefit of all parties involved.

Valora Retail

EXCHANGING EXPERIENCE TO EXPAND KNOWLEDGE. INTERACTION TAKES PLACE THROUGH MANY CHANNELS. IN MANY DIMENSIONS. IT IS COMPLEX. QUESTIONS AND ANSWERS EXIST ON SEVERAL LEVELS. INTERESTS AND INTENTIONS, ATTITUDES AND OPINIONS. PREDICTABILITY, CONSTANCY AND CREDIBILITY ARE THE CORNERSTONES OF RELATIONSHIPS.

Valora Retail maintains a dialogue with authorities, landlords, distribution partners, employees. Gleans current market information from ceaseless direct contact with end consumers. And feeds that know-how back to the supplier. Generates emotion. A million individual exchanges are no less individual for being numerous.

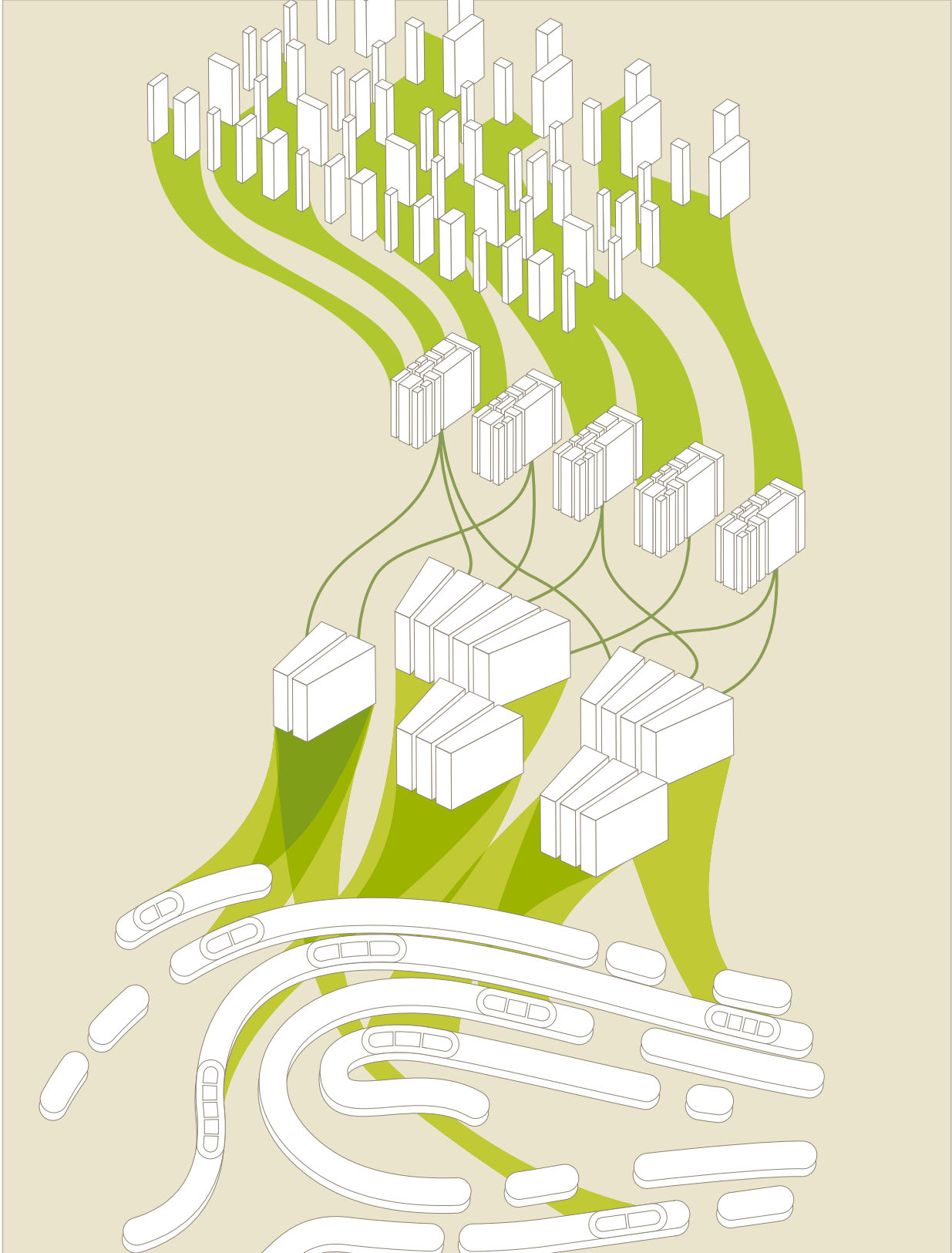
Valora Trade

BRINGING INDIVIDUAL INTERESTS TO-

GETHER. WE ALL NEED EACH OTHER. EVERYONE IN THE VALUE CHAIN HAS A ROLE TO PLAY. THE PRINCIPAL OWNS THE BRAND. VALORA TRADE OPENS THE DOOR TO THE

MARKET. LOCAL RETAIL PROVIDES THE VITAL LINK TO THE CONSUMER, WHOSE WISHES AND NEEDS ARE EVER CHANGING, AND MUST BE PROMPTLY MET.

Valora Trade holds the network of relationships together. It knows the interests of principals and retail alike, and it brings them together. With experience, know-how and the willingness and ability to get the job done. By building trust. Focused on one goal only: success for principal, retail and distributor.



Dear shareholder,

Change is an integral part of life for every company, and business as usual is not a viable option for Valora or any other firm. The necessary adaptations the Valora Group has made have been driven by both internal and external considerations. New customer needs, intense competition, digitalisation of the media, plus further simplification of the complexities born of earlier diversification. These are the key elements in Valora's repositioning of its business during 2006.

The strategic realignment which Valora began in 2003 can be summed up in three central ideas. Focus, restructuring and growth. As we sharpened our focus on the retail sector, we directed our attention to those parts of our core business where significant structural, operational and market related challenges needed to be met in order to achieve a sustained improvement in their profitability. The necessary restructuring initiatives resulting from this analysis were driven forward relentlessly during 2006, and a number of far-reaching improvements were made. These efforts already began bearing fruit in the first six months of the year, and progress since then has confirmed the positive trend. The sale of Fotolabo and the implementation of various other major initiatives mean that the Group has now largely completed its restructuring phase. Valora's strategic repositioning is thus entering its third and decisive phase, achieving sustained and profitable growth.

This intense and demanding period of restructuring has required management changes at all levels. The Group has assembled a team at its helm which is making the most of new growth opportunities and should in future enable the firm and all its employees a measure of stability.

In the autumn of 2006, this period of intense change was punctuated by a non-binding expression of interest by HDS-Lagardère. The speculative interest which this prompted raised the share price to new highs, which have since been maintained within a fairly stable range. This improved valuation also reflects the credibility of the Group's man-

agement, a team which delivers on its promises and perseveres on its course, even when unexpected extraneous events of this kind make it harder to focus on operational issues.

The Board of Directors has not altered its view on takeover initiatives from third parties. Its sole commitment is to the interests of current shareholders, and it therefore continues to regard a sustainable strengthening of Group's business activities and its successful future growth as its primary goal.

The Valora Group has major challenges to meet. The market sectors in which it operates are saturated and in some cases contracting, and the Group is therefore deploying strategies which address these issues. Consumer behaviour is changing and the compact retail outlet and print media markets can be expected to consolidate further. Since Valora's strategic focus is on the retail sector, with an emphasis on compact outlet retailing in high confluence locations, it is essential for the company to be able to monitor trends in customer demand closely, in order to respond to them quickly and deliver product ranges which meet current market needs.

Valora aims to achieve growth in two ways. Organic growth and appropriate acquisitions on the one hand, and adopting an active role in the wave of consolidation it anticipates in the European market on the other hand. Organic growth will come principally from increased sales volumes from the existing network, though the natural limits to growth in existing mature markets mean that geographic expansion into less developed markets is an objective too. The investments being considered are in countries or regions which are compatible with the Group's existing business model, and advances into new markets will not be undertaken before the sustained profitability of current operations it permits.

Last year saw the achievement of major and ambitious goals. The most publicly visible initiatives the Group has taken in the last few years are undoubtedly its focus on and restructuring of its core businesses. With these now largely completed, the Valora Group is well prepared for the next phase of development. We have identified the opportunities and the risks, we have a strong management team and dedicated employees. We have an international market presence and have returned to earnings growth during 2006. The hard work, integrity and dependability of our employees have made



The Board of Directors from left to right

Beatrice Tschanz Kramel

Felix Weber

Peter K pfer

Werner Kuster

Andreas Gubler

Fritz Ammann, Chairman of the board

this possible, and my especial thanks and respect go to them. I would also like to express my gratitude to our customers and business partners.

Our shareholders' and other stakeholders' expectations remain unchanged: Sustained operating performance and unrelenting focus on the bottom line. This can only mean a further streamlining of our activities. As part of its regular strategy review, the Board of Directors has decided to dispose of the Valora Trade division's own brands unit. The sale is the logical consequence of continuing focus on small-outlet retail, press wholesale and distribution of branded goods.

After an eventful recent past, marked by periods of acquisitions and divestitures, the Group aims to concentrate on the reliable execution of its declared strategy. We are convinced that Valora will be able to deliver sustained growth in earnings.

The Board of Directors will recommend to the next Annual General Meeting that an unchanged dividend of CHF 9 per share be distributed.

In closing, I would like to extend by warmest thanks to all our shareholders for the continuing trust which they have placed in the Group. Trust is a precious capital which we must earn anew each day. That is precisely what we intend to do.



Dr. Fritz Ammann
Chairman of the Board of Directors

Focusing on the essential – restructuring and stabilising – achieving profitable and sustainable growth.

Performance during 2006. For the Valora Group, 2006 was characterised by restructuring and the changes this required. Economy measures were implemented in every division and every business area. Organisational structures were streamlined, and there were personnel changes, too. These restructuring initiatives' first benefits were clearly visible in the results reported for the first half of 2006. The year also saw Valora achieve a leading position in a number of markets.

Despite the effects of disposals and the closure of individual retail outlets, the Group posted a modest 0.6% increase in net operating revenues on the year, from CHF 2 846 million to CHF 2 863 million. Gross margins were raised CHF 12 million, from 33.1% to 33.3%, while overall expenses were trimmed by CHF 24 million, or 2.6%. The resulting EBIT margin of 2.9% of net sales marked a further major step forward. There was notable success to report on the financing costs front, with financing result improved by roughly two thirds, from CHF – 16 million to CHF – 6 million, while tax costs rose only marginally. After the loss in 2005, resulting from write-downs following the sale of Valora Imaging, the Group is now back in the black, with a net profit of CHF 65.8 Mio. Free cash flow improved to CHF 81.7 Mio, while return on invested capital reached 10.6%.

Restructuring on track. We achieved our financial goals for 2006 thanks to a strategy of consistent business focus and to the necessary restructuring measures which we implemented. We are now demonstrably on track. A number of substantial initiatives have been completed and major projects launched:

- We have disposed of extraneous business areas and now operate in three clearly defined sectors which ideally fit our core competences: small outlet retail, press wholesale and the marketing and distribution of branded goods.
- A rigorous economy drive enabled us to cut costs substantially. Personnel expenses were reduced by CHF 18 million or 3.6%.
- Key strategic projects, essential to our future, are on track, most notably those aimed at stabilising and enhancing our IT structures.
- Further streamlining of our structures and simplification of our processes are progressing by leaps and bounds. The implementation of our new customer-focused sales organisation in our retail division is in full progress and the roll out of the

new electronic cash register systems is running according to plan.

- We have given kiosk a strong new market position and have styled it with a young and dynamic appearance.
- With the first hundred «take a break» modules now up and running, we are placing additional emphasis on standardised units with a specific convenience food focus.
- After years of hard and determined work, Valora Retail Germany has now achieved a successful turnaround.
- We have won back the confidence of publishers and have significantly improved our relationships with this key partner group.
- By optimising the services provided by Valora Trade, we have succeeded in winning new principals and raising turnover. The innovations we introduced for branded products earned positive market recognition.

After a phase devoted to focusing and then restructuring, our aim now is to consolidate our achievements while growing in those areas which we have already stabilised.

A strategy for sustainably profitable growth. Today, the Valora Group operates in the retail, press wholesaling and trade sectors. The Group dominates the kiosk market in Switzerland and holds a strong position in the railway station bookshop market in Germany. We are similarly well positioned in press distribution in Switzerland, Luxembourg and Austria. Valora is also advantageously placed in the distribution market for fast moving consumer goods and in the niche markets for snacks and biscuits in a number of European countries.

Two crucial challenges face Valora, today: changes in customer behaviour patterns and increasing market consolidation in Europe. Valora intends to assume a proactive, driving role in this consolidation process. Beyond this, new strategic business opportunities which complement the Group's core activities are constantly being reviewed.

We see the Valora Group as a small-outlet retail operator, a press distributor and a principal-contracted supplier to the retail sector. The Valora Group's concentration on retail has prompted the decision to dispose of the own brands portfolio, whose sale is now being prepared. For the years to come, our strategy is focused on organic growth, complemented by appropriate acquisitions.

We are now working on the following key strategic initiatives:

Stabilising retail operations in Switzerland. Sustainable stabilisation of the Swiss retail business followed by a growth phase based on the existing outlet portfolio, thus improving outlet productivity through:

- ongoing optimisation of retail floorspace
- extension of existing products and services, in line with changing customer needs
- additional product categories
- location-specific optimisation of product ranges on offer

Retail expansion in Germany. Implementing a retail growth strategy in Germany, by establishing additional station bookshop sites and expanding the number of compact retail outlets in city locations.

Transforming the press wholesale business. The market's established business model for physical distribution can be expected to last for some time to come. Nevertheless, we anticipate a number of changes to current logistics practices and systems, and we



Group Executive Management from left to right

Peter Wüst, CEO
Alex Minder, Valora Trade
Ruedi Keller, Valora Management Services
Manfred Zipp, Valora Retail
Christian Schock, Valora Press & Books
Markus Voegeli, CFO

expect these to open up new business opportunities. We also project a further migration of news distribution towards the internet, and we are convinced that Valora will be able to develop and implement profitable business models in this area as well. The division will therefore in future be called Valora Media.

Expanding the distribution business. Activities in the existing national markets will be intensified, skills in services will be further enhanced and coverage will be extended to new product categories. Valora Trade's marketing platforms also make it increasingly attractive to new principals. The aim is to structure operations for an increasing number of product categories on a supra-national basis and to provide a range of efficiently tailored service packages.

Outlook. The focusing and restructuring phases are now largely completed. Consistent and sustainable growth is the next objective, along with completing the major tasks under way in the kiosk business in Switzerland. To achieve this, we need competent and motivated employees, playing a dynamic and committed role in shaping the far-reaching changes which are taking place. We also need to prepare the Group and its structures for the growth ahead. We have carried out a comprehensive risk evaluation, addressing the key risks facing the Group and implementing appropriate measures to minimise them.

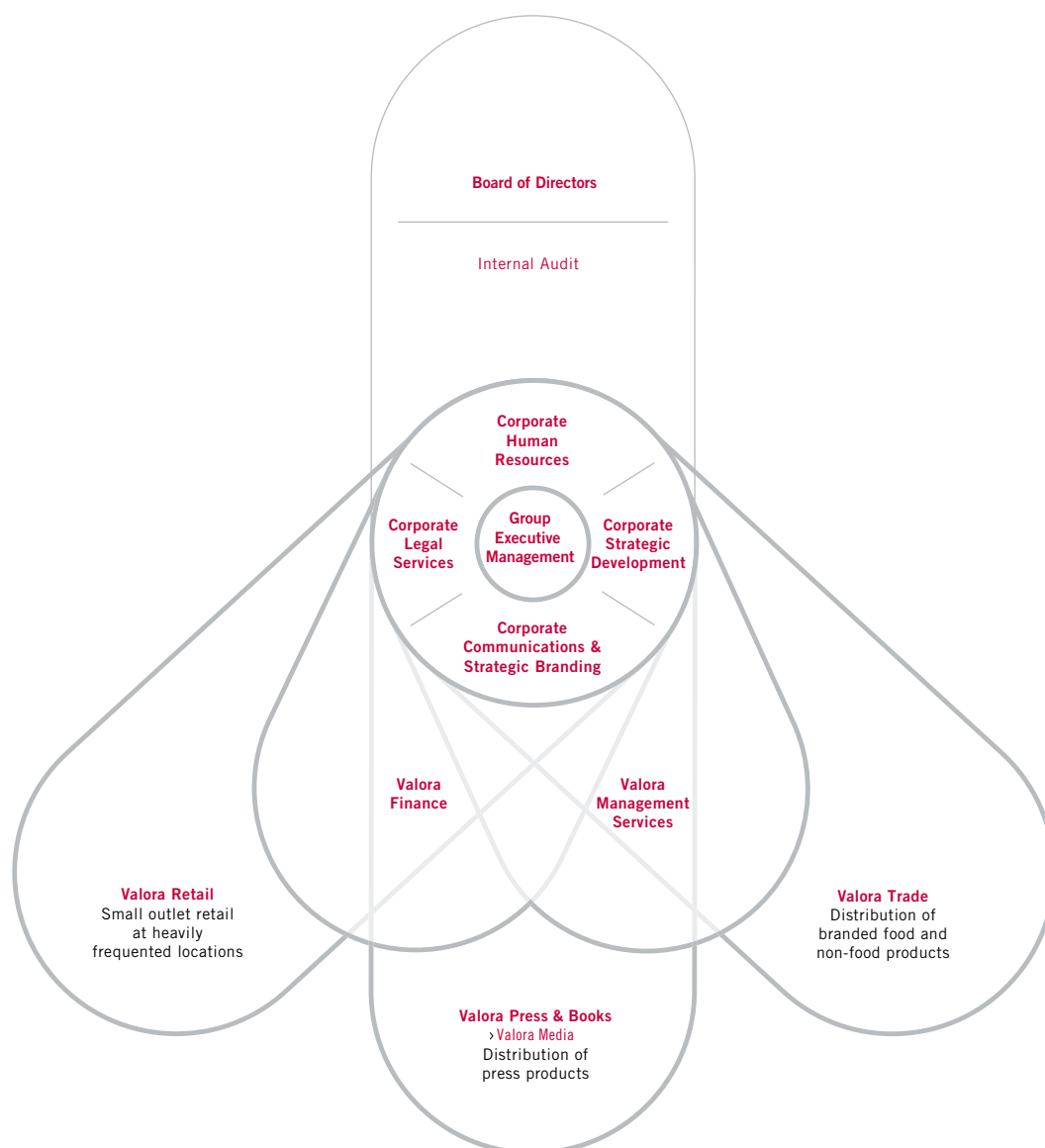
Having reviewed and adapted its strategy, Valora is positioning itself clearly in the market. Given the current focus on IT infrastructure projects, the forthcoming sale of the Own Brands unit and the preparatory work for future growth, we anticipate that the Group's operating margin for 2007 will be maintained at around 3%. Looking to the medium term, the Board of Directors and Group Executive Management intend, through a combination of organic and external growth, to raise net sales to CHF 4 billion by 2012. In so doing, we will maintain a consistent value-driven approach to running the Group, aimed at delivering enduring added value for our shareholders and other stakeholders.

This success critically depends on the continuing commitment of our employees, whom I would like to take this opportunity of thanking for the exemplary contribution they have made to date.



Peter Wüst
CEO

Group Structure 2007

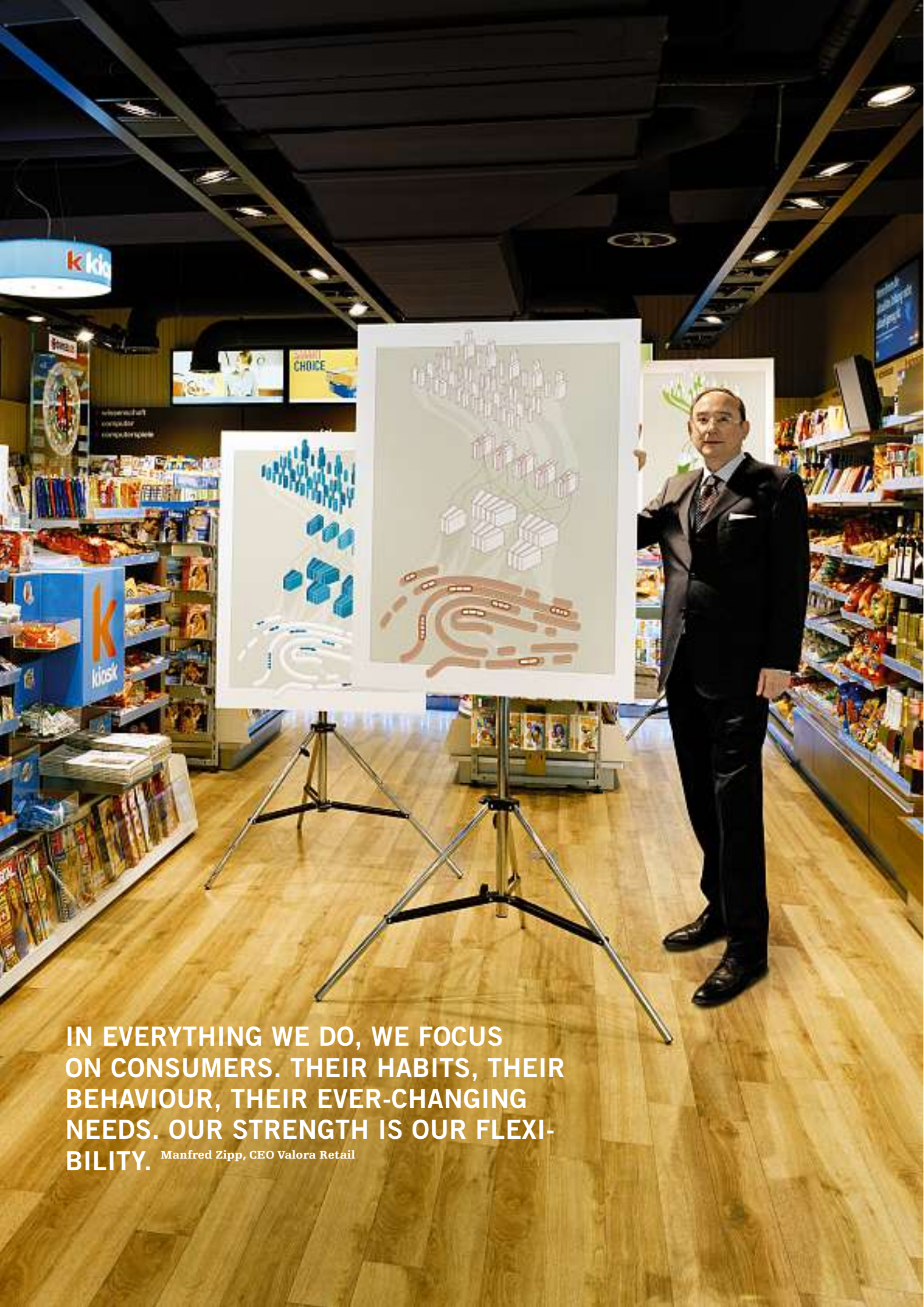


As of 01.04.2007

Board of Directors		Audit Committee	Compensation Committee
Fritz Ammann Chairman Andreas Gubler Peter Küpfer	Werner Kuster Beatrice Tschanz Kramel Felix Weber	Felix Weber Fritz Ammann Andreas Gubler Peter Küpfer	Beatrice Tschanz Kramel Fritz Ammann Werner Kuster

Group Executive Management			
Peter Wüst CEO Markus Voegeli CFO	Alex Minder Manfred Zipp	Ruedi Keller Christian Schock	
Corporate Communications & Strategic Branding			
Stefania Misteli			
Corporate Human Resources			
Giovanni Weber			
Corporate Legal Services			
Markus Dill			
Valora Management Services			
Ruedi Keller	Friedrich Baumann Corp. Information Services Stefan Gächter Logistics Muttenz	Romuald Scheiwiler Corp. Project Management Markus Peier Corp. Business Integration	
Valora Finance			
Markus Voegeli	Adrian Häslar Corporate Accounting a.i. Markus Voegeli Corporate Group Controlling Remo Gazzi Corporate Treasury	Beat Frey Corporate Tax Stefan Knuchel Corporate Investor Relations Michael Weinand Finance Valora Retail	Markus Nadig Finance Valora Press & Books Andreas Bühlmann Finance Valora Trade

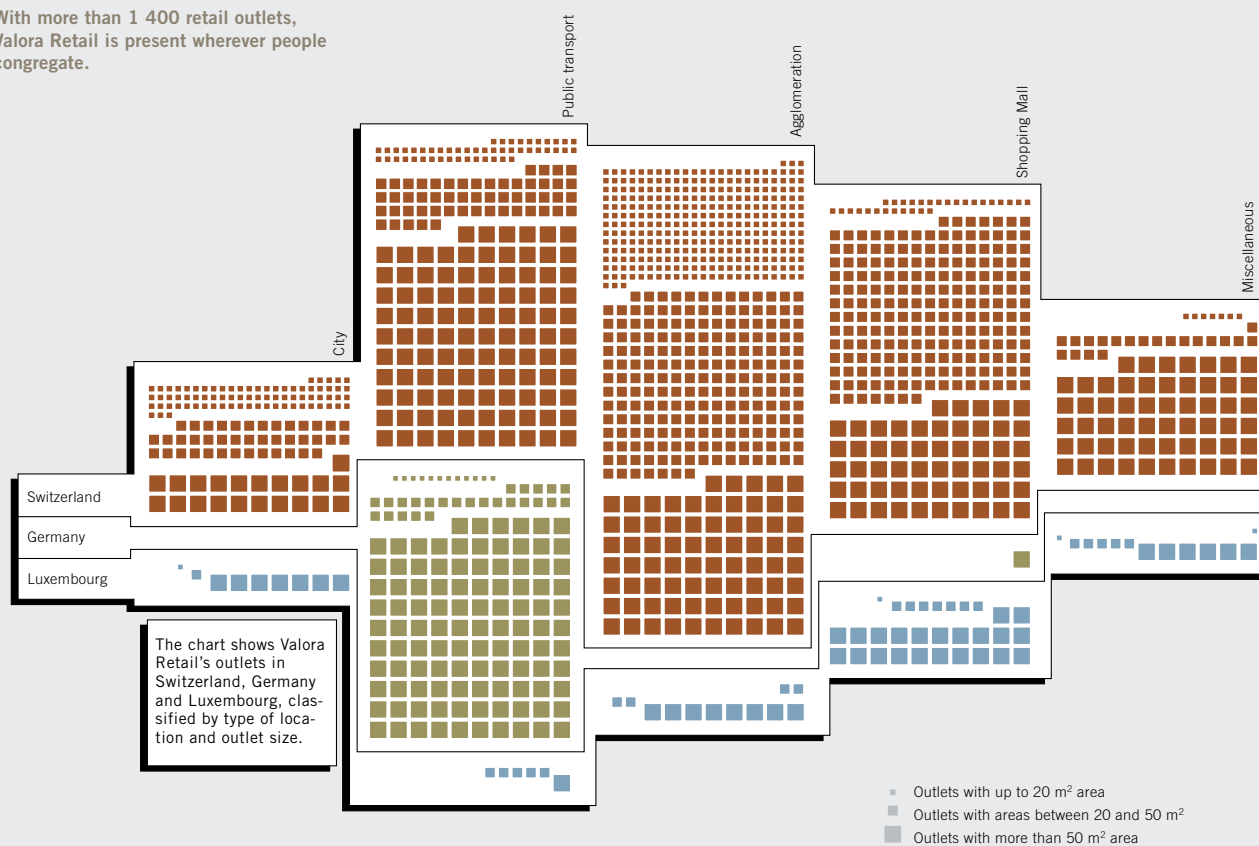
Valora Retail	Valora Press & Books > Valora Media	Valora Trade
Manfred Zipp Paul Misteli Retail Sales Ralf Manok Retail Marketing Dirk Otto Retail Purchasing/Category Management Michael Peters Convenience & Chain Gastronomy Paul Egger Retail Services Mathias Gehle/Lars Bauer Kiosk Germany Jérôme Trigano Retail Luxembourg Hans-Peter Oettli Gastronomy Pierre-André Konzelmann Convenience Wholesale	Christian Schock Wolfgang Schickli Press & Books Switzerland Sergio Mazzarella Press & Books Ticino Jérôme Trigano Wholesale Luxembourg Karl Oberleitner PGV Salzburg	Alex Minder a.i. Alex Minder Central Europe Carsten Ørnbo Northern Europe John-Peter Strebler Switzerland Romeo Sciaranetti Own Brands



IN EVERYTHING WE DO, WE FOCUS ON CONSUMERS. THEIR HABITS, THEIR BEHAVIOUR, THEIR EVER-CHANGING NEEDS. OUR STRENGTH IS OUR FLEXIBILITY. Manfred Zipp, CEO Valora Retail

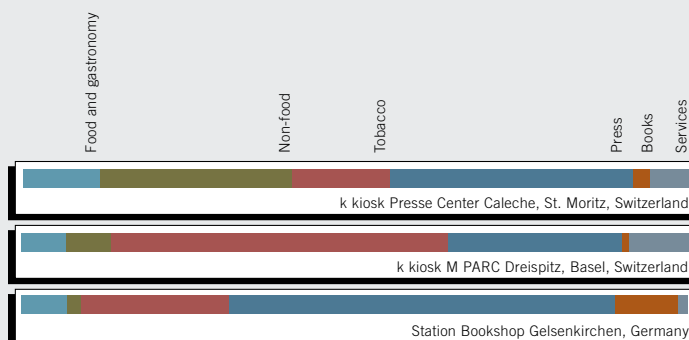
Valora Retail

With more than 1 400 retail outlets, Valora Retail is present wherever people congregate.



Valora Retail deploys its professional category management skills to provide the most appropriate range of products for each location.

The chart shows sales at three of Valora Retail's sales outlets, broken down by product group.



Key figures

		2006	2005	2004
Net revenues in million CHF	Total Valora Retail	1 633	1 688	1 683*
	in % of total Valora	57%	59%	59%
Operating profit** in million CHF	Total Valora Retail	21	7	22
	in % of total Valora	26%	11%	24%
	in % of net revenues	1.3%	0.4%	1.3%
Average number of employees	Total Valora Retail	4 852	5 066	5 275
	in % of total Valora	68%	68%	67%
Investments in million CHF	Total Valora Retail	24	24	18
	in % of total Valora	41%	49%	30%

*Net revenues including those from units since sold

**Operating profit = Operating profit before focus strategy, restructuring and goodwill amortisation

Sound foundations and new ideas are keeping the division successfully on track

Two years of intensive work on its core kiosk presence in Switzerland have enabled Valora Retail to stabilise its business and create a platform for future growth. In Germany, the station bookshop business is delivering encouraging growth. Fine-tuned, innovative concepts and the confidence Valora Retail derives from its core strengths set the stage for new growth in the division's other markets.

Location remains critical to success

Location is of paramount importance to the success of Valora Retail's business. The 1 414 sales outlets in the division's key Swiss, German and Luxembourg markets all occupy prime sites. These include not only hot spots with high volumes of passing trade such as stations and airports, but also attractive central city locations, shopping centres and neighbourhood focal points. It is in the relatively small space occupied by each of these locations that the Retail division brings its core skills to bear, providing quick and friendly service to people on the move. Customer needs vary over time and from location to location. Optimising its networks of k kiosk, convenience and gastronomy outlets is thus an ongoing process, on which the division concentrates relentlessly. The re-design of the k kiosk network in Switzerland was the final step towards a coherent brand presence in Switzerland. Now that this comprehensive renovation is complete, the k kiosk network, with some 1 050 prime locations, is well on the way to becoming a high-performance promotion platform. The network has become its own unique selling proposition. Numerous firms are now using the kiosks' new advertising platform, with the unmistakable blue design serving as the backdrop to showcase their own products and win them new customers. Valora Retail's many years' experience in selecting and managing sales locations is proving a real asset to the division, both for the further expansion of its existing operations and for future growth projects. By linking all its locations, and connecting them to intelligent IT systems, Valora Retail is well on the way to unleashing the full potential of its retail networks.

Relationships – a key element in ensuring smooth interaction along the value chain

Retail success also depends on maintaining good relationships. Whether it is at a k kiosk or a Caffè Spettacolo, at an avec. outlet or a press centre, at the point of sale it is the sales staff's friendly, competent and rapid service to the customer which counts. The sales staff are familiar with their regular customers' needs, and this daily, direct contact means that Valora Retail always has a very up-to-date picture of trends in customer demand. Relationships must work behind the scenes as well, of course, and category management, marketing, sales and logistics all have to be attuned to each other, in order to ensure smooth and efficient co-operation along the entire value

chain. Maintaining a good rapport with landlords is essential in ensuring a high quality of locations throughout the network. Suppliers are long term partners too, and Valora's good working relationships with them are vital when it comes to making the most of growth opportunities.

Competently designed and structured product ranges

Optimum utility to consumers requires that product ranges be thoroughly tailored to customer needs. Competence in product range configuration ensures that customers get what they want, when they want it. The particular challenge of operating in necessarily restricted retail space lies in the careful pre-selection of products. Customer tastes and needs are subject to ever faster change, so product life cycles are accelerating. This requires Valora Retail to be increasingly flexible in configuring its product ranges, and to continue to build on its ability to implement product innovations rapidly.

Promising new concepts and customer-oriented product ranges have stabilised the business, paving the way for future growth

Valora Retail's last two years of intensive restructuring have set a lot of wheels in motion. A lot has been changed and a lot has been achieved. A sound basis for stabilisation in the existing businesses has been created and, in a number of areas, this has provided a platform for expansion into new fields of business. The successes achieved in Germany amply demonstrate that Valora Retail possesses the necessary skills to realign its businesses and make them grow. Thanks to various new growth projects, the framework for future expansion in Switzerland is now in place.

Net revenues per business area		
in million CHF	2006	2005
Kiosk Switzerland	939	994
Gastronomy and Caffè Spettacolo	49	55
Kiosk Germany	218	204
Kiosk Luxembourg	91	85
Others	336	350
Total Valora Retail	1633	1688

Switzerland

k kiosk. Category management gears up to continued demand growth for immediate consumption products

Press, tobacco and confectionery remain the three key elements of the k kiosk product range driving customer purchase volumes. Valora Retail is building on these by focusing increasingly on food articles for immediate consumption on the one hand, and greater flexibility in its product range configuration on the other.

Press expertise. The specialised «presse» k kiosk outlets carry a very comprehensive range of press products, some 2 800 to 3 500 titles per location – a breadth of choice unrivalled in Switzerland. No other distributor can offer such a range and product



A filling station for people k kiosk

www.kkiosk.ch

The new, cool blue look which k kiosk adopted during 2006 has established it as an instantly recognisable retail brand. The «indulge yourself» slogan supports brand identification and consciously addresses consumers' need to give themselves a little treat every once in a while. Everyone deserves a little reward from time to time and, at kiosk, everyone can afford one: be it a newspaper, the dream of a big win on the lottery, a confectionery item, a cigarette, a little present for a friend or just a snack. Over 100 self service counters under the «take a break» banner now offer an impressive range of coffee and snacks for people on the move, who can in future look forward to an ever greater range of convenience products.

knowledge in newspapers and magazines. Valora Retail intends to enhance its position in this market considerably, opening new press centres of this kind and establishing a nationwide network.

Tobacco brands well positioned. Following the successful launch of the Batton brand last year, Valora Retail was able to position the Pepe brand of cigarettes advantageously during 2006.

Food – sales of immediate consumption goods and soft drinks rise, as the «take a break» formula generates added sales in over 100 locations. 2006 saw the positive trend in food products for immediate consumption and soft drinks continue, with both categories achieving above-average growth. Sales of fresh convenience products rose 28% on the year, while beverage turnover was up 12%.

Confectionery sales account for a large share of food turnover at k kiosks. k kiosk has been establishing itself as a trend setter in this area, with new, limited time only offers being launched each month, using the slogan «world renowned brands, new taste trends». Rebuilding of k kiosk locations made it possible to devote more space to the growing market for fruit flavoured chewing gum products. Attractive, new confectionery walls were set up at 80 k kiosk locations.

k kiosk met growing consumer demand for quick refreshments on the move by establishing over 100 self service counters offering coffee and snacks. Rollout continued throughout 2006, with some weeks seeing as many as 8 new counters opened. This idea enabled k kiosk to make significant progress in incorporating convenience refreshments into its standard product range, with sales of coffee, a high margin product, increasing by 15% during 2006. Aggregate turnover across all products rose 5% at the renovated sales outlets. The improved overall margins achieved by the new-look outlets are particularly encouraging, a trend from which the 25 locations scheduled for transformation during 2007 will also benefit.

Panini cards achieve record sales. The huge spectator interest generated by the FIFA Soccer World Cup in 2006, spurred on by the promotion of free Panini albums and cards in Blick, Switzerland's largest selling daily newspaper, unleashed unprecedented collecting fever among Panini enthusiasts. Sales of Panini cards surpassed all expectations, with Valora Retail selling ten times more cards than it did during the 2002 World Cup.

Lottery success continues. k kiosk customers' enthusiasm for lotteries continued unabated during 2006. The ongoing popularity of the Euro Millions lottery and the launch of various new lottery products made for an increase in lottery product sales of 6%. Sales of Euro Millions lottery tickets overtook those from Swisslos for the first time during 2006.

New sales organisation structure for k kiosk

Friendly, competent and rapid personal service is the key mission in retail. To enable this to be accomplished with greater focus on customer orientation and on actual sales, Valora re-aligned and simplified the organisation of all its 1 050 odd k kiosks, plus that of some 100 convenience stores and filling station outlets, with effect from October 1, 2006. Communication channels were shortened, a variety of new tools for

more effective planning were introduced, and processes were streamlined for increased efficiency. Now being largely relieved of administrative and organisational tasks, as well as receiving additional supervisory support, sales staff can devote more of their attention to their key tasks and have more time for their customers.

Concepts

A snack or a coffee while out and about, quickly buying a few essentials on the way home – these are the needs of ever-increasing numbers of people in heavily frequented and rapidly growing locations, and Valora Retail has the concepts and infrastructure in place to meet them. The division is carefully reviewing its activities in these growth areas, and will hone its structures to make the most of opportunities for increased sales.

«k kiosk growth» k kiosk's «k kiosk growth» strategy is testing new concepts and modules, designed to respond to new and emerging consumer trends. The idea is to combine gastronomy and convenience modules. During 2006, four test sites were chosen in Olten, Brugg, Aarau and Zurich, where the customary k kiosk backdrop was used to try out new ideas for immediate consumption food products, advertising and promoting spaces, and product range presentation. To gain additional experience with this concept ahead of a definitive launch, the scope of this pilot project will be broadened during 2007. In addition to a new store layout, these four test locations will offer a significantly wider range of food products for immediate consumption. In order to promote its sales of coffee and bakery products, k kiosk has decided to place increased emphasis on its successful «take a break» formula.

Gastronomy operations improve profitability – Caffè Spettacolo confirms its position as strong coffee bar chain brand. Valora re-examined the business case for each of its gastronomy outlets and made a number of far-reaching changes. Problematical operations which have the potential to succeed were revamped, while unprofitable units were closed. Although the closures resulted in lower turnover, the profitable Caffè Spettacolo locations, effective marketing measures and the results achieved from high-margin products meant that aggregate profits from gastronomy as a whole increased. The rationalisation process has strengthened Valora's gastronomy operations, which now count 26 Caffè Spettacolo locations and 18 espresso units.

Caffè Spettacolo has established itself as a clearly recognisable brand, providing high quality coffee products in an authentically styled Italian atmosphere. Attractive promotions, an exclusive selection of high end coffees and a range of other contemporary offerings, coupled with personalised and professional service, clearly continued to appeal to customers. With a marketing re-launch and a near doubling of the number of outlets over the next years, this popular coffee bar concept will build on its success during 2007.

Convenience. Increasing numbers of small households, the growing number of people working in each household and increasingly flexible working hours all foster greater consumer demand for convenient shopping outside traditional shop opening hours. Valora Retail's convenience outlets aim to meet this modern lifestyle need.

k kiosk bistro: k kiosk bistro combines the amenities of a k kiosk with an inviting, gastronomy area of compact dimensions. The principal benefits to customers are the



Caffè Spettacolo Italian flair in busy locations

Classic Italian coffee culture in authentically styled outlets with a genuine Italian atmosphere. These are the unmistakable attributes of Caffè Spettacolo. A compact format, easy to install at new sites, which is completely in tune with current fashion: trendy, atmospheric and appealing. The quality and originality of the exclusive range of coffees on offer rate highly with customers, as does the professional and personalised service. A marketing re-launch in 2007 continues to emphasise Caffè Spettacolo's Italian flair and is drawing considerable public attention.

high quality of the products on offer, a home made touch and a changing selection of food and drink adapted to the time of day. Initial experience gained during the test phase, which was carried out in 15 locations, enabled Valora Retail to further develop the concept during 2006, with preparation and serving processes being optimized and increased emphasis being placed on hot meals and combined food and drink packages.

avec.: avec. stands for quick, good value, one stop shopping and fresh products, available from morning to night, 365 days a year. After some initial delays while marketing, shop layout and product range were fine-tuned, implementation is now in full swing, with new locations being opened faster than originally planned. The aim of the avec. project remains the same: joint operation with Migros of a uniformly designed chain of convenience shops offering a standardised range of products. The aim is to have 130 avec. shops in operation by the end of 2007. Once the initial network of petrol station and railway station locations has been established, subsequent phases should see city centre locations being added to the network.

Presence at petrol stations. Valora Retail currently operates 43 Tamoil filling station shops as a franchisee.

Turnaround in convenience wholesaling in Switzerland

The restructuring of this sector made impressive progress during 2006. The significant loss incurred in 2005 was massively reduced, and the Group expects to reach breakeven point in 2007. The streamlining of the business saw a number of unprofitable customer relationships terminated, the product range slimmed down and processes re-engineered.

The convenience wholesaling business has now been turned around, and today supplies some 1 200 customers throughout Switzerland with a full range of products (food, non-food, tobacco and phone cards) delivered to 9 different sales regions. The avec. shops are being delivered too.

Efficient processes and modern closed loop systems to spur future growth

In a retail operation, all processes and systems must be focused on making sales to the end customer as simple and efficient as possible. This in turn requires that all data necessary for running the various key processes efficiently be available virtually instantaneously and without interruption. To help it manage its network of outlets effectively, Valora Retail has initiated various projects to modernise its processes and systems.

As part of its e@Pos project, Valora began equipping all its outlets with modern electronic cash registers in the autumn of 2006. The aim is to have all locations re-equipped by the middle of 2007. By linking all its tills to the group-wide data warehouse, Valora Retail will then have more rapid and comprehensive access to key supply chain data.

This project will provide the basis for creating a closed distribution network as well as providing a new retail ERP solution for Valora operations in Switzerland. The new infrastructure will also pave the way for e-loading, e-advertising and a number of other innovative applications.

Systems modernisation carried out in Germany has already begun to bear fruit. Re-

engineered processes and systems now in place in that market are already improving results, as well as providing very useful experience for the implementations planned for Switzerland.

Germany

Solid achievements and visible signs of accelerating growth after the first 10 years

Today, some 1 million people each week buy newspapers, magazines, tobacco products and convenience articles from the 150 station and airport bookshops operated by Valora Retail Germany. Currently, these outlets are operated under the k presse+buch brand.

It was exactly ten years ago that Valora began its activities in that country with the purchase of the renowned Hamburg firm of Stilke with its 70 branches. The results achieved since then have been impressive. In 2006 alone, a total of 16 new branches were opened, with sales and net earnings both being significantly increased. The key market targeted in 2006 was the city of Berlin and its surrounding area, where 44 sales outlets are now in operation. An important element in Valora Retail Germany's success is the long-standing excellent working relationships which the firm has established with publishers, landlords and convenience product suppliers.

In 2007 the firm will significantly further expand its activities. Apart from a new flagship bookstore at Frankfurt airport, it will also open its first sales outlets outside the railway station and airport arena it has concentrated on so far. Priority targets for this expansion are the pre-check out zones of cash and carry markets, as well as attractive shopping centres and central city and town locations.

Luxembourg

An attractive range of products keeps Messageries Paul Kraus successful

With its 66 sales outlets Messageries Paul Kraus is Luxembourg's leading wholesaler. During 2006 the firm embarked on a number of new initiatives, achieving marked increases in sales in some areas. The lottery business is booming, as witnessed by a 78% increase in sales. Beverages are turning in ever better performance, and 42 outlets have widened the range of drinks on offer in response to increasing demand. New approaches have been taken to book presentation, with the new shop in shop concept meeting immediate approval among book buyers.

Points of sale per country		
Number	2006	2005
Total Valora Retail	1 414	1 464
Switzerland	1 196	1 264
Germany	149	133
Luxembourg	69	67



MAINTAINING GOOD WORKING RELATIONSHIPS WITH PUBLISHERS ON THE ONE HAND AND THE RETAIL SECTOR ON THE OTHER IS THE PRINCIPAL FACTOR DRIVING GROWTH AND THE KEY TO OUR BUSINESS SUCCESS.

Christian Schock, CEO Valora Press & Books

Valora Press & Books > Valora Media

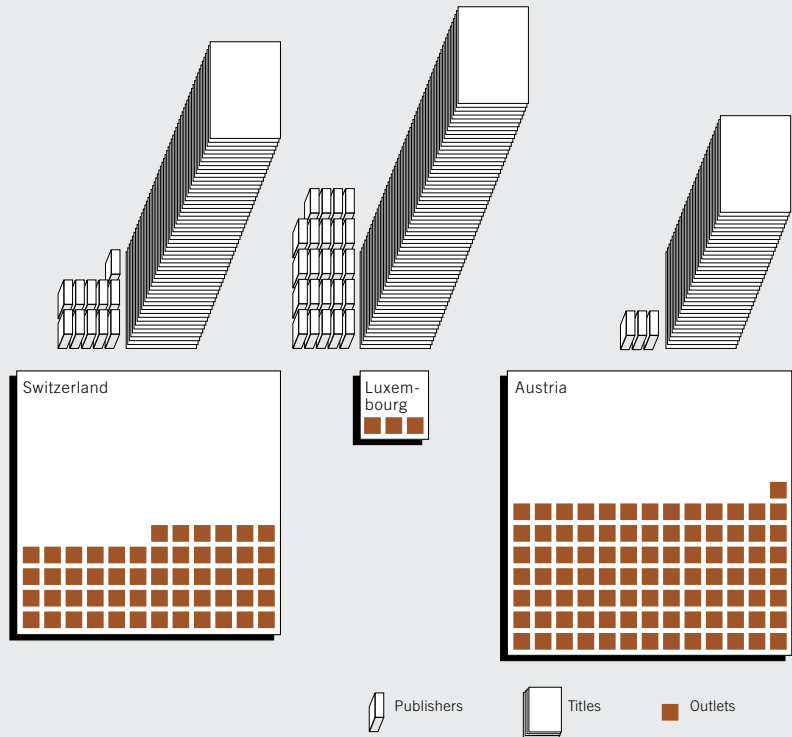
Valora Press & Books orders, sorts, packages and distributes more than 6 000 press titles in Switzerland, Austria and Luxembourg. By taking careful account of specific local conditions, the division ensures that the titles produced by the different publishers are optimally distributed among the individual outlets.

The chart shows the activities of Valora Press & Books' three major country operations, with details of the number of publishers under contract, the number of titles distributed and the number of outlets supplied.

Switzerland As press wholesaler in the German and Italian speaking parts of Switzerland, Valora Press & Books Switzerland supplies the country's press outlets with titles published in some 30 different countries.

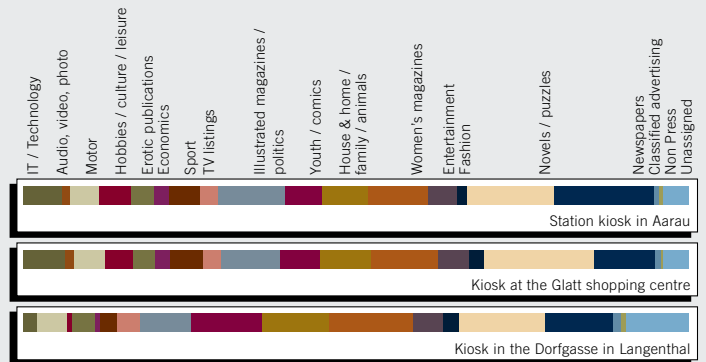
Austria PVG Salzburg is focusing on magazine distribution to the large number of press outlets in Austria.

Luxembourg The compact Luxembourg market has a notably international customer base, which Valora Press & Books supplies with a large number of titles published in no fewer than 13 different countries.



Fine-tuning individual daily press distribution to each individual outlet requires high levels of logistics competence and a sound knowledge of local conditions at the point of sale.

The chart shows the average mix of titles in different categories at three press outlets in Switzerland.



Key Figures

		2006	2005	2004
Net revenues in million CHF	Total Valora Press & Books	560	555	468*
	in % of total Valora	20%	20%	16%
Operating profit** in million CHF	Total Valora Press & Books	28	24	29
	in % of total Valora	34%	41%	32%
	in % of net revenues	5.0%	4.3%	6.2%
Average number of employees	Total Valora Press & Books	455	472	361
	in % of total Valora	6%	6%	5%
Investments in million CHF	Total Valora Press & Books	2	2	2
	in % of total Valora	3%	5%	4%

*Net revenues including those from units since sold

**Operating profit = Operating profit before focus strategy, restructuring and goodwill amortisation

Holding its own in declining markets

Valora Press & Books is maintaining sales in a declining market. By continually improving the quality of its services, the division has managed to hold its own. In Switzerland, the firm's domestic market, operating efficiency was increased thanks to the introduction of new press management software.

The right quantity in the right place at the right time. Valora Press & Books' key task is the punctual ordering, sorting, packaging and distribution of more than 6 000 newspaper and magazine titles to over 16 000 sales outlets in Switzerland, Austria and Luxembourg. Precisely calibrating the quantities of each title delivered to each outlet requires sophisticated IT systems and sound market knowledge.

As the hub between publishers and readers, Valora Press & Books ensures that both overall print runs and individual outlet deliveries meet actual levels of demand. Daily newspapers are the archetypical fresh product and have an extremely limited shelf life. Each outlet must therefore receive as many copies as it needs, but as few as possible over and above that number. Thus, while the volume of returns needs to be kept as low as possible, no outlet should ever run out of any title. The big challenge facing the innovative and service oriented press wholesaler is thus to get the right products (product range configuration), in the right quantity (supply control), to the right place (point of sale), at the right time (based on first day on sale for each title and outlet opening hours).

Net revenues per business area		
in million CHF	2006	2005
Press&Books Switzerland	328	339
Press&Books Austria	155	142
Press&Books Luxembourg	77	74
Total Valora Press&Books	560	555

Improved process orchestration. Ongoing dialogue between Valora Press & Books, publishers and customers has helped to bring about much more efficient co-operation. Simplifying the interfaces along the entire press sales value chain brought significant benefits. New information systems meant that the quality and timeliness of the data available was greatly improved. Rapidly available and reliable data now enable publishers to fine-tune their print runs more responsively and continually monitor how well specific titles sell under specific market conditions. The composition of location-specific

ranges for the 1 300 sales outlets in Switzerland and Luxembourg operated by Valora Retail are continuously being optimised, as are those for some 15 000-plus third party outlets.

PGV Salzburg is the first Valora company to provide online information to its publishing partners. The original online sales overview has been enhanced with a wealth of additional information and has been well received. A similar service will be provided to Swiss publishers in future.

Optimising services to customers. Acting as a link between publishers and the retail sector, Valora Press & Books must rise to the challenge of meeting a very disparate set of customer needs. A newly launched benchmarking initiative is now bringing together the business partners involved for an ongoing review and optimisation of key elements in the press wholesaling industry. The continuing dialogue this fostered noticeably enhanced co-operation during 2006. This groundwork also means that the division is now able to respond faster and more effectively to changes in customer requirements.

Marketing for press products gears up. As a press distributor, Valora Press & Books also sees itself as a promoter for the print media. This led to a number of marketing initiatives being launched during 2006, some of which were conducted jointly with publishers.

One such campaign deployed six «Swiss press bikes», touring the shores of the Lake of Zurich for two months during the summer of 2006. These cycling newspaper sellers provided passers-by with newspapers and magazines hot off the press. The campaign attracted considerable media and public attention.

Press sales management software successfully rolled out in Switzerland. On May 1, 2006, Valora Press & Books successfully introduced the new PVG+ sales management application. This can be used to make more precise forecasts of future press sales, right down to the level of individual outlets. The forecasts are based on past sales data and socio-demographic information.

The new software makes it possible to calibrate the print runs of individual titles more precisely, so that demand is met more efficiently, return volumes are cut and sell-outs are less frequent. Allocation to outlets is based on forecast individual demand. The data collected from individual outlets makes it possible to conduct more refined market analyses, which in turn support targeted, outlet-specific advertising campaigns and a better configured product range for each location.

A further advantage of the system is that it can help to meet seasonal demand more effectively: as visitor numbers fluctuate, newspaper and magazine selections delivered to tourist areas can be adjusted faster and much more efficiently, so that tourists from Germany, the UK, Japan and other countries can expect to find their customary daily newspaper at a kiosk.

This press sales management software has been in successful operation in Austria since 1999. The introduction of PVG+ in the German-speaking part of Switzerland marked a further step towards systems harmonisation and process standardisation across the entire division. The next step will be the integration of the smaller units in Luxembourg and the Italian-speaking part of Switzerland.

Stable magazine sales at PGV Salzburg. In a challenging market environment, the divi-

sion's Austrian subsidiary not only managed to maintain magazine sales volumes but actually to raise them slightly, principally by successfully signing up a number of new publishers.

Valora Press & Books Ticino inaugurates new press sorting and packaging centre. During 2006, Valora Press & Books Ticino's new press sorting and packaging facility commenced operations. Designed for single outlet packaging, the installation is scaled to the volumes handled by Valora Press & Books Ticino, and has markedly increased the efficiency of its press distribution. Investment in this new facility has strengthened the Ticino subsidiary's capacity and provides an ideal basis for meeting the future challenges of modern press distribution.

Meeting the demand for books at smaller retail locations. Valora Press & Books supplies both the Valora Group's kiosks and bookshops and third party retail outlets with a permanently updated range of books, selected to meet the needs of customers on the move. The division also runs its own bookshops at Zurich airport. A co-operation agreement with the Swiss Book Centre ensures that all books on sale in Switzerland are available for inclusion in the ranges the division sells in that market. In Luxembourg, the division has access to some 50 000 titles. Within these catalogues, Valora Press & Books experts then choose some 300 paperback titles, which form a core range of items suitable for sale in small retail locations. The emphasis is on new releases and best sellers.

MPK Luxembourg expands its book operations. During 2006, MPK Luxembourg raised its book sales by 7%. The growth was achieved principally through sales of secondary school set books, a new line for MPK. Thanks to an internet based ordering system, the firm was well prepared for the rapid peak in demand, and was able to achieve a very respectable market share in its first year in this market.

Messageries du Livre uses a system known in the industry as active rack jobbing to provide MPK shops with an assortment of books tailored to local needs. Since 2006, this service has also been successfully offered to Luxembourg's major retail chains.

Looking ahead – ready for the digital age

Valora Press & Books is faced with a continuing decline in retail sales of newspapers and magazines. Electronic media, free sheets and concerted subscription sales by publishers are the main reasons for this trend. Although newspapers have existed for 400 years and will doubtless exist for many years to come, Valora Press & Books has been carefully examining new electronic distribution channels and storage media. A first concrete step is to expand the subscription business. In Austria, the division is building on the 50 000 magazine subscriptions it already has and is expanding operations in this area. The initial key targets are foreign publishers and smaller national houses. The division is supplementing the administrative services it already provides with additional services and support in customer acquisition, address management and cross-selling. During 2007, this package of services will be adapted for roll out in Switzerland. Valora Press & Books can already report some initial successes in this area in Austria, where it has established a call centre and is devoting more resources to customer acquisition.

With its new electronic subscription management and book marketing operations, Valora Press & Books has taken a major first step in maintaining its position as a press

wholesaler in the future and in continuing to expand its franchise under changing market conditions. The division is playing an active role in shaping future markets. As the supply of information to the consumer grows ever larger, Valora Press & Books sees its future role as a platform providing media consumers with the products they demand, not only in physical but in electronic formats as well.

To reflect the course of its future business development, the division will in future use the name Valora Media.

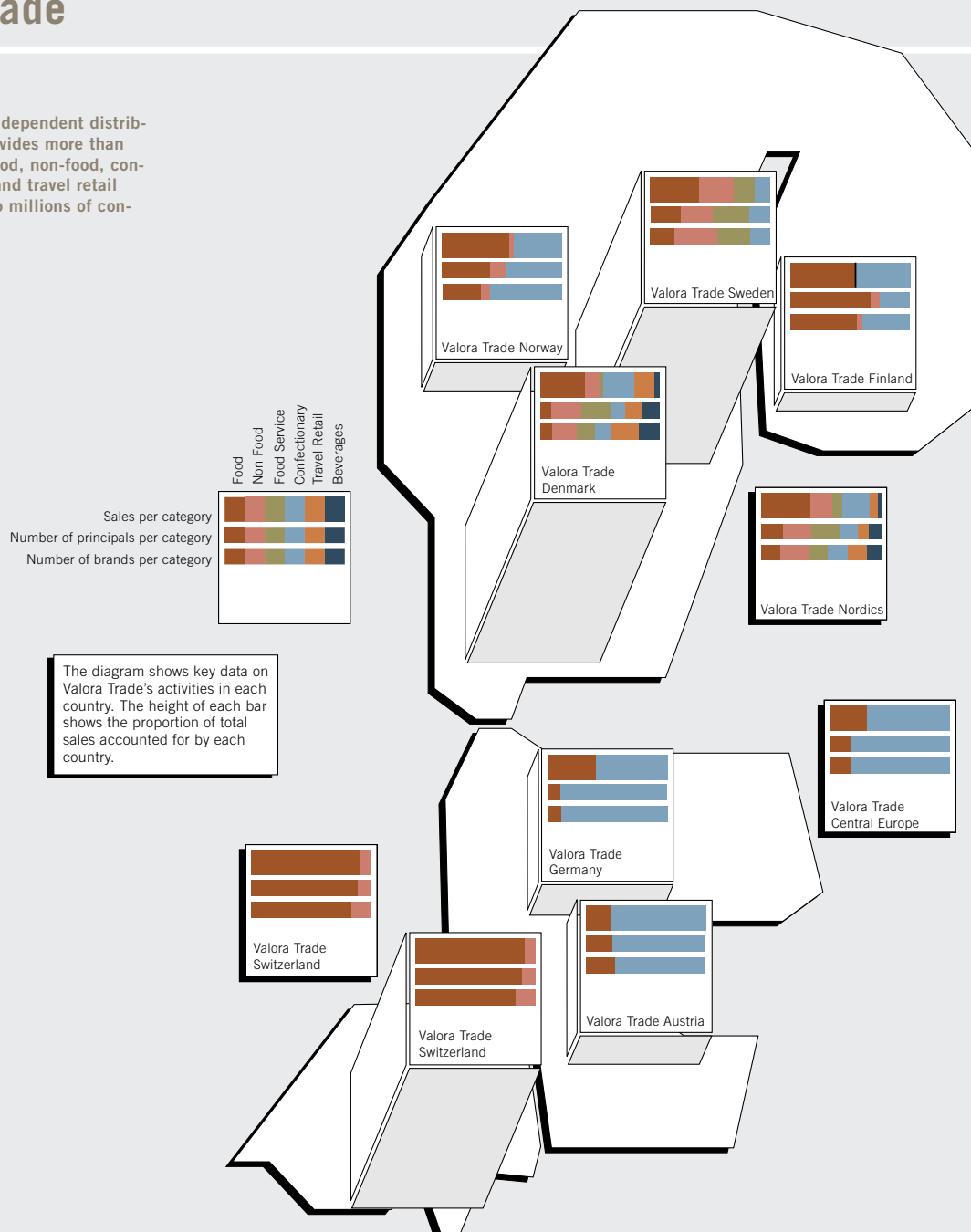


OUR PROFESSIONAL SERVICE MODULES HELP US STAND OUT IN TWO DISTINCT WAYS: THEY STRENGTHEN OUR POSITION IN THE RETAIL ARENA AND THEY MAKE US MORE ATTRACTIVE TO DEMANDING PRINCIPALS.

Alex Minder, CEO Valora Trade

Valora Trade

As Europe's largest independent distributor, Valora Trade provides more than 300 brands, in the food, non-food, confectionery, beverage and travel retail sectors with access to millions of consumers.



Key figures

		2006	2005	2004
Net revenues in million CHF	Total Valora Trade	862	806*	898*
	in % of total Valora	30%	28%	31%
Operating profit** in million CHF	Total Valora Trade	32	30	35
	in % of total Valora	39%	51%	38%
	in % of net revenues	3.7%	3.7%	3.9%
Average number of employees	Total Valora Trade	1 124	1 138	1 334
	in % of total Valora	16%	15%	17%
Investments in million CHF	Total Valora Trade	13	13	16
	in % of total Valora	21%	27%	26%

*Net revenues including those from units since sold

**Operating profit = Operating profit before focus strategy, restructuring and goodwill amortisation

Clear focus on core strengths and highly specialised services

Thanks to its competence and efficiency, Valora Trade has achieved an exclusive position in the distribution and marketing of fast moving consumer goods, and is constantly building on this franchise. In order to strengthen and develop its leadership in key European markets, the division is concentrating single-mindedly on its core business. It has therefore decided to dispose of its own brands operations.



Roland: the excitement in the aperitif

www.roland.ch

Quality, authenticity and variety are the key attributes with which Roland has positioned its biscuits and aperitif snacks in the market. Improved innovation processes enabled the firm to launch a number of exciting new products such as Flûtes de Morat and Swiss Flûtes during 2006. These successful products offer a wide range of completely new taste sensations appealing to every palate. The most recent innovation was vanilla rusks, an enticing new taste launched in January 2007. Further novelties can be expected soon.

Europe's largest independent distribution partner for branded goods. Valora Trade has clearly positioned itself as a prime modern provider of tailor-made, modular distribution solutions. In the value chain, the division fulfills a crucial hub function between manufacturers (or principals) and the retail sector, and has deliberately configured the set of highly specialised market services it offers to reinforce this role. The division's success is driven by strong brands, new principals and its unrelenting efforts to strengthen its presence in both the organised and independent retail sectors.

Valora Trade delivers highly specialised distribution and marketing expertise to its principals, providing them with access to its local distribution networks in individual national markets. The know-how which the division has accumulated enables it continually to improve the quality and breadth of the services it offers, thus further enhancing its overall competence.

A structured approach to distribution links the principal to the market. Valora Trade's national distribution companies actively share information and knowledge. This constant exchange of ideas supports a steady improvement in performance. By putting its category management skills to work for its principals, the firm can also help them identify and exploit new opportunities for growth.

Valora Trade's approach to markets is to segment them by country, product category and service module. The division aims to structure all its activities around the competent and concerted management of knowledge. Effective knowledge management not only delivers a comprehensive range of services to the principal, it also helps to catalyse growth for the retail partner.

Renowned principals and high quality brand products. Valora Trade's highly effective distribution concepts have earned it the loyalty of its principals. This is reflected in a portfolio of existing principals whose fluctuations are relatively modest by industry standards. Valora Trade's broadly based presence in eight European markets is a major competitive advantage in this respect. This presence is at the heart of a strong distribution network, connecting leading producers of both internationally recognised brands and successful niche products on the one hand, with international and national retail partners on the other. It is the coverage and strength of this network which has enabled Valora Trade to win principals such as Danone LU as new customers.

Michael Schiedel Commercial Manager, LU Scandinavia «Gaining access to a market of 23 million consumers – that was what prompted LU's decision to work with Valora Trade. The Scandinavian market is highly complex – commercially, financially and logistically. That is why it was critical for us to find a partner with a proven track record in this market.

Valora Trade's ability to provide a comprehensive range of distribution services is a critical factor in the long running and successful partnerships it enjoys. Examples include Heinz, Quaker, Reckitt Benckiser, Cloetta Fazer and Lofthouse, all of whom have been successfully working with Valora Trade for many years.

In the Swiss market, Valora Trade was able to achieve above-average rates of growth with the products of Ferrero, Kellogg's and GlaxoSmithKline.

Roberto Grasso General Director Ferrero (Switzerland) Ltd «Ferrero and Valora Trade have worked together successfully for many years. The high quality of Valora Trade's services and its excellent retail relationships make the firm an important business partner for Ferrero Switzerland. Valora Trade's continuous upgrading of its services and organisational structures will ensure that Ferrero achieves the ambitious volume growth it has budgeted for the next three years. Ferrero is very satisfied with the services Valora Trade provides and with the ever closer co-operation which has developed between the two companies.»

Roy Spinnler Managing Director Kellogg's «In the 10 years we have been working with them, Kellogg's position in the Swiss market has been noticeably strengthened thanks to Valora Trade Switzerland. We view Valora's flexible and tailor-made distribution model, its committed staff, their identification with our brand, the firm's excellent retail know-how and the efficiency and performance of its logistics as the key factors accounting for this success.»

In Austria, Valora Trade helped Ricola to extend its leading position in the market for boiled sweets, despite the fact that the aggregate boiled sweet volumes are in decline, with the overall market contracting 3 percent last year. In Denmark, major progress was made in establishing Ricola's market presence. In 2007, a new product concept will usher in a further chapter in the Ricola success story.

Adrian Kohler CEO Ricola «Valora Trade is a strong distribution partner for Ricola, because it has its own professional distribution organisations in various countries in Europe, so that we can use it as a single source for high-quality distribution services in several markets. This partnership is also a good solution for us, because it enables us to benefit from Valora Trade's long and wide experience in the confectionery market.»

Extending competence in selected categories. In the confectionery, food, beverage and non-food sectors, Valora Trade delivers a host of internationally and nationally reputed branded goods to its European markets – markets which are becoming ever more demanding. By maintaining a balanced portfolio, combining established brands and promising niche products in its chosen categories, the division can create a variety of



Sørlandschips:
genuine, original, honest and amusing

www.sorlandschips.no

If you enjoy life, you'll love the excellent quality of Sørlandschips. Sørlandschips deliberately describes itself as Norway's smallest potato chip factory, and this low-key, free thinking approach has met with a very positive market reception. Consumers perceive Sørlandschips as a cheerful and amiable brand, which effectively uses humour to distinguish itself from its larger competitors. «Kind Chilli & Lime», a new line launched for the 2006 summer season, is a great success and will be marketed this summer too. Sørlandschips has developed a characteristically unconventional and highly successful approach to promoting its potato chips on its chip packets, at the point of sale and at events.

supply concepts, driving growth initiatives in each product group. The objective is to structure more product offerings on a supra-national basis and to package services as efficiently as possible.

A modular supply concept supporting individually tailored solutions. Valora Trade offers its services based on a building block approach. This allows principals to choose between using all service modules, or only a specific combination of modules, configured according to their individual requirements.

Valora Trade's offerings encompass all the specific processes needed for the successful marketing of branded goods. The approach is based on comprehensive, locally conducted analysis of regional markets, their distribution structures and purchasing and consumption habits. The division's marketing experts then use this as the basis for formulating specific strategies for brands, distribution and promotion. In addition to classical marketing techniques, these encompass specific applications within category management projects, such as vendor's managed inventory, efficient consumer response and electronic data interchange. The aims here are point of sale volume growth and ever greater supply chain efficiency and responsiveness. Valora Trade drives strategy implementation, providing the principal with regular reports on the performance of the brand product and the key trends in the market concerned. In addition to marketing services, Valora Trade also handles diverse logistic functions, making it a competent, full service partner for its principals.

Extending the platform model. The trend towards greater concentration in European retail is continuing. This makes it advantageous for internationally active principals to entrust their smaller and medium-sized national markets to one single experienced distribution partner. Valora Trade has recognised this need and will thus continue to implement marketing platforms at a supra-national level. Information technology is a key driver of all the processes involved here. It is indispensable to increasing efficiency in back office processes and to the structured development and management of sales volumes.

The platform model which was successfully launched in the Nordic market last year will be extended to the Valora companies in Switzerland, Austria and Germany in the near future. Standardising IT-based processes in this way will increase cost efficiency and further improve the quality of the market services Valora Trade offers its customers.

The platform model enhances market transparency, broadens knowledge of market trends and facilitates access to the various distribution channels. It is a strategic asset which will make a decisive contribution to enhancing and maintaining Valora Trade's attractiveness to principals.

Successful innovations in the production and distribution of branded goods. With its own production facilities in Switzerland, France, Sweden and Norway, Valora Trade is also a successful producer and distributor of first class food speciality products. Carefully targeted new products, successfully brought to market, enabled the own brands area to achieve above-average rates of growth. A number of bestselling favourites were very effectively re-launched, and encouraging forays into new markets were undertaken.

Gille, the biscuit market leader in its native Sweden, again succeeded in boosting sales during 2006. The company has also enjoyed considerable success distributing its



Kägi / Toggenburger: Wafer and biscuits specialities from the Toggenburg

www.kaegi-ag.ch

Since its foundation in 1934, Kägi/Toggenburger has been producing wafers and biscuits with meticulous care, using traditional recipes. Only naturally pure ingredients of the highest quality are used. Since 2006, Kägi/Toggenburger has been presenting its entire Toggenburger of Switzerland range in freshly designed, uniform packaging, whose combination of modern and dynamic elements with the firm's traditional Toggenburg origin has instant appeal. The recipes used for Swiss wafers, Kägi/Toggenburger's speciality wafer range with its distinctive creamy, soft fillings, have been further refined. The most recent innovation was Kägi Hazelnut, a crispy, light hazelnut snack of the highest quality, launched on the Swiss market during 2006.

products in Germany. Gille products are also on sale in all countries where IKEA is present. In Sweden, Gille raised its market share to 44%, further reinforcing its leading position in its home market.

Kägi/Toggenburger adopted a new packaging design for its product range during 2006. Kägi Hazelnut, a crispy, light hazelnut snack of the highest quality, was launched in Switzerland, the firm's domestic market.

«Norway's smallest potato chip factory» is pushing to the top of its league. Above-average rates of sales growth during 2006 secured the firm a record market share of 18.9 percent, raising it to no. 3 in its domestic market. 2006 also saw the company venturing abroad for the first time as, with the assistance of Valora Trade Austria, it began selling in the Austrian market. Sørlandschips have since attained permanent listing status with the Merkur retail chain in Austria.

Roland undertook a concerted and comprehensive round of innovations during 2006, not only launching a whole range of attractive new products but also re-instating sales growth. Many of the products launched during 2006 are already being distributed in 8 countries, including China and Japan. Further innovations and increased emphasis on exports should ensure that Roland benefits from promising growth opportunities in the future as well.

Looking ahead: focus on further quality improvement in the core business. Although the «own brands» area is doing well, Valora has decided to dispose of its own production facilities. This will leave Valora Trade free to direct all its energies to its retail distribution businesses. Ambitious goals have been set. Through unrelenting enhancement of the quality and professionalism of its services, the division aims to sharpen its competitive edge and acquire further new principals as customers in existing and new markets. The emphasis will remain on the European markets, with their favourable price levels, healthy consumer purchasing power and sound, professionally managed distribution structures.



Gille: Wholesome biscuits from Sweden

www.gille.se

Gille is a traditional Swedish word for feast or festival. Many of Gille's popular products are made with oatmeal flakes, just like in the old days, and the firm uses traditional recipes which have been handed down from generation to generation. Use of only the best ingredients means that Gille products are tasty, healthy and wholesome. With its popular range of specialities such as its sweet oat crisps and double chocolate crisps, Gillebagaren is not only the world's leading producer of oat flake biscuits, it is also one of the largest producers of ginger snaps. In 2006 Gille launched the apple crisp, an oat crisp containing tasty apple chips.

Net revenues per business area		
in million CHF	2006	2005
Distribution	748	695
Trade Switzerland	204	197
Trade Central Europe	78	72
Trade Nordics	466	426
Own Brands	165	152
Elimination	-51	-41
Total Valora Trade	862	806

Social commitment

**Support, participation,
development**

Valora is aware of its social responsibilities and lives up to them, both towards its employees and society. Initiatives enabling employees to develop new skills and to deal with organisational change, along with improved pay conditions for retail sales staff, were the key ways in which Valora met its social commitments during 2006.

Change Management Workshops and enhanced counselling services. Comprehensive and individual employee support is a key objective of Valora's personnel and employee relations policies. At times of continuing change, the counselling and welfare support afforded to employees and their families is of increasing importance. Valora is addressing this need by extending the range of employee development, welfare and counselling initiatives it offers.

To assist management in dealing with recent and ongoing organisational changes, during 2006 Valora carried out a number of executive change management workshops involving professional facilitators. These courses gave participants the opportunity to reflect on their attitudes to change processes and to review methods for dealing with change.

Since January 2007, employees in MuttENZ, Berne, Wallisellen and Oensingen have access to external welfare counselling, in addition to the existing internal ombudsman and HR services. Employees with personal or work-related problems will in future be able to receive free, comprehensive and individual advice from a counsellor from ITERA GmbH.

Employee participation: staff representatives for office, logistics and sales functions. Valora Group employees have a number of ways of sharing concerns and initiatives. These include dialogue with immediate superiors, HR professionals, the neutral ombudsman service and team discussions with group heads. Valora created individual employee-elected staff representative posts in MuttENZ for the office, logistics and sales functions during 2006. Following the first elections, staff now have an effective additional channel for contributing their views.

Internal and external employee relations – declaration of intent signed with SYNA. Valora maintains regular contact with trade unions, informing them early of any major changes likely to have employee impact and seeking their involvement and co-operation. In August 2006, Valora initiated negotiations with the SYNA union regarding employment conditions for staff at kiosk facilities. These resulted in the signing of a joint declaration of intent. The purpose of this agreement is to review the working conditions of kiosk employees from both parties' points of view, with regular meetings being held in future to discuss employee-relevant topics and developments.

13th monthly salary for Valora Retail sales staff in Switzerland. With effect from January 1, 2007, Valora Retail sales staff will receive a 13th monthly salary, instead of the discretionary bonus which existed hitherto. This measure enables Valora to offer more attractive employment terms to its sales staff.

Personal security thanks to attractive benefits. Valora aims to provide its employees with a package of high quality benefits. In Switzerland, for example, group schemes have been negotiated with three large health insurers, enabling employees to benefit from premium rebates. The Valora pension fund is soundly financed. At year-end 2006, its current assets represented over 118% of its accumulated benefit obligation – based on a technical discount rate of 3.5%. Current pensions were raised by differing amounts. These increases partially compensate for inflation and were granted on a voluntary basis, not required by the fund rules. Pensions commencing before January 1, 2005 were subject to an overall increase of 2.5%. Low pensions were increased by larger amounts, up to a maximum of 960 francs per year, with the highest pensions being raised by 1.3%. Pensions were last increased on January 1, 2002.

Training campaign for sales staff. Valora aims to be an innovative and attractive employer, and sees employee development as a competitive strength. In addition to individual training initiatives, a key aspect of the training work carried out during 2006 was the preparation of sales staff for new duties arising from new organisational structures and systems. Four training centres were set up in Switzerland to train employees in the use of the new electronic tills.

The St. Gallen Retail Lab opens new perspectives for managers and entry-level professionals. The University of St. Gallen's Institute of Marketing and Retailing offers exciting new training possibilities for entry-level and experienced retail professionals. Valora makes a significant financial contribution to the Retail Lab programme, along with firms such as Migros, Metro Cash & Carry and Media Saturn Holding.

This partnership provides Valora's experienced and entry-level executives with new opportunities for vocational training. The programme encompasses research workshops reviewing the results of research carried out under the auspices of the Gottlieb Duttweiler Chair of International Retail Management, a Board Summit led by the CEO's of the partner firms, an internet platform offering internships to entry level professionals, as well as trainee programmes and career days for candidates with particularly high potential. In addition, senior managers can participate in a Certificate Programme carried out by the University of St. Gallen in co-operation with Oxford University's Saïd Business School and the ESADE Business School in Barcelona. Five Valora managers will have the opportunity of taking part in the first of these programmes during 2007.

Continuing support in combatting the scarcity of apprenticeships in Switzerland. Valora continues to ascribe prime importance to the development of young talent. Apprenticeships are offered for retail specialists, retail assistants, logistics assistants, retail commercial employees, IT professionals and food technologists. Further areas of vocational specialisation are planned. During 2006, Valora offered a total of 140 apprenticeships in Switzerland, 20 more than in 2005. 60% of the apprentices who successfully passed their final examinations were taken on in full-time posts with Valora.

Speranza 2000: helping to curb youth unemployment in Switzerland. Along with

other companies, the Swiss employers' association and the cantonal vocational training departments, Valora has, since the summer of 2006, been increasingly active in Speranza 2000, the initiative led by the Swiss parliamentarian Otto Ineichen to help create new apprenticeships.

The Speranza 2000 project aims to open up new career opportunities to young people with learning difficulties at school or from socially disadvantaged backgrounds – initially through a one-year internship and, in the medium term, through the creation of further traineeship places incorporating a two-year basic education culminating in a federal vocational certificate.

Valora is supporting this project by creating 40 traineeships, in addition to the 140-odd apprenticeships it currently sponsors. The objective is to be able to offer motivated and committed young people a retail apprenticeship with Valora after they complete their initial traineeship.

Commitment to help people in need. The «Schweizer-Tafeln» (Swiss tables) are a project initiated by the «Hoffnung für Menschen in Not» (Hope for People in Need) Foundation. They are inspired by the City Harvest projects in America and Berlin's «Berliner Tafel» and are organised along similar lines. Since December 2001, the Swiss Tables have been collecting food donated by large-scale food retailers, smaller shops and food producers and distributing it at no charge to organisations helping the needy, such as shelters, soup kitchens, advice centres and aid institutions. Only food which is still perfectly fresh is collected. While it has passed its sell by date, and can thus no longer be sold, it is still within its use by date. The Valora companies Roland, Kägi Söhne and Valora Trade Switzerland all participate in this project.

Environment

Sustainable use of resources

In all its business activities, Valora places considerable emphasis on the sustainable use of resources. The main practical steps the firm is taking are in the collection and environmentally sound disposal of recyclable materials, the parsimonious use of physical resources and the reduction of energy consumption.

PET-recycling – an ongoing concern. Recycling packaging made of PET helps to reduce consumption of finite natural resources such as oil and natural gas, as producing packaging from recycled PET uses some 60% less energy than would be used producing it from scratch. In 2005, over Switzerland as a whole, the percentage of drinks packaging recycled was raised from 74 to 75%. As a result, at the beginning of 2006, the percentage of packaging recycled just met the 75% quota required by law.

Working in close co-operation with the Swiss PET Recycling Association, Valora has been very active in its efforts to raise the proportion of PET bottles which are recycled, and has installed PET collection containers of its own at its sales outlets. The Group is now well on its way to exploiting the full recycling potential of its kiosks. After the Swiss Federal Railways took over the management of PET collection at their Rail City sites, the passenger zones in larger Swiss stations, the volume of PET collected by Valora declined by nearly 20%, however. Valora will therefore examine PET recycling at Rail City locations in detail during 2006, and will take whatever measures are necessary to make the return of PET packaging as convenient for consumers as possible.

Minimising use of packaging materials in press distribution. Every day, Valora's Muttenz centre packs several thousand bundles of magazines for delivery to its retail outlets. Since September 2005, this process has been carried out using a more ecological packing method, which avoids the use of comprehensive shrink wrapping. To promote the example it has thus initiated outside the firm, Valora Press&Books is currently negotiating with publishers to receive delivery of newspapers and magazines without shrink wrapping. Apart from reducing packaging costs, such a step would also cut the amount of shrink wrapping which would need to be recycled.

Ongoing projects for optimal energy efficiency. At all its locations, Valora makes the most of any opportunities to reduce environmental waste and resource utilisation. Cutting energy consumption plays a significant part in this.

Building technology has offered a number of alternative forms of energy supply for some time now. An example of this is the heating process which Gillebagaren in Sweden has been using for the last two years. This involves drawing naturally heated water from an underground lake, which, after its heat has been extracted, is then used as a coolant for cooling baked goods on the production line, before then being returned to

the natural water cycle.

At its largest facility, the MuttENZ centre, Valora is continuously working to optimise its energy use through various projects aimed at cutting electricity consumption. Taken together, the projects implemented over the last few years - which include a centralised light management system, new magazine packing procedures without shrink wrapping and a new air conditioning concept for the computer centre - have cut electricity consumption by 10%. Another contributory factor to these savings is the use made of energy from exhaust heat from the neighbouring gas-fired combined heat and power plant at Kriegacker. Generating electricity using combined heat and power plants is one of the most cost-effective means of cutting output of greenhouse gases, and has the potential to deliver a significant share of the reduction in CO₂ emissions required by the Kyoto Protocol. A building which re-uses exhaust heat from a nearby power plant and recycles the heat from its own air exhaust vents generally achieves 80 to 90% efficiency from its primary energy input, which can mean a saving in primary energy consumption of up to 40%.

Reducing the environmental impact of building work at sales outlets. The number of existing sales outlets which Valora Retail rebuilds and new sites it opens each year goes into double figures. To reduce the environmental impact of these activities to a minimum, Valora Retail Services, the divisional unit responsible for building work, has established a set of internal guidelines governing requests for proposals sent out to contractors. These guidelines include standards for the environmentally responsible execution of tasks ranging from building, painting and plastering to cleaning and waste disposal. The guidelines also make specific recommendations on the use of ecological building materials and systems, such as windows, doors, gates, and electrical, ventilation, air-conditioning and plumbing installations. These guidelines form an integral part of building contract specifications. The objective is to work together with the building specialists involved in order to produce buildings which do not damage the environment or have harmful side effects on those executing the building work or subsequently using the buildings.

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