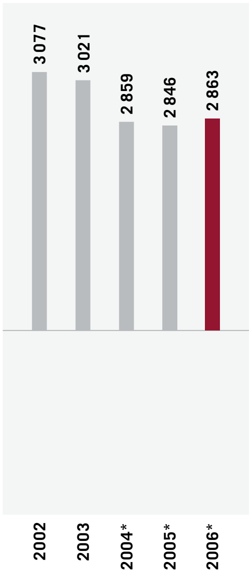
Financial Report Valora 2006

Key figures

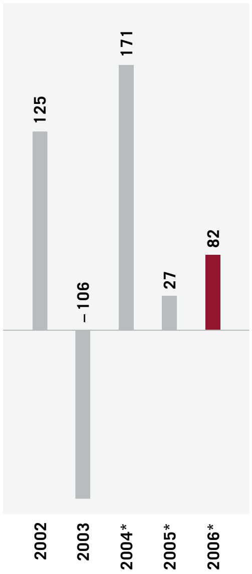
		31.12.2006 1)	31.12.2005 1)	31.12.2004 1)
Net revenues	**CHF million**	**2 862.5**	**2 846.4**	**2 858.5**
Change	%	+ 0.6	– 0.4	– 5.4
Operating profit	**CHF million**	**82.0**	**27.0**	**171.3**
in % of net revenues	%	2.9	0.9	6.0
Net profit	**CHF million**	**66.5**	**4.7**	**153.7**
Change	%	+ 1 304.5	– 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

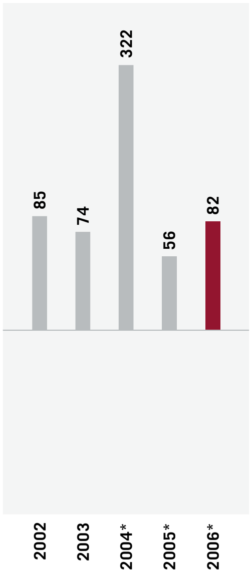
Net Revenues
In million CHF



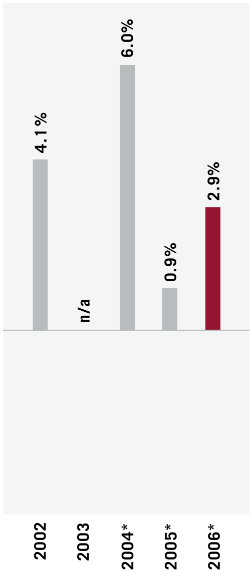
Operating Profit
Earnings before interest and taxes in million CHF



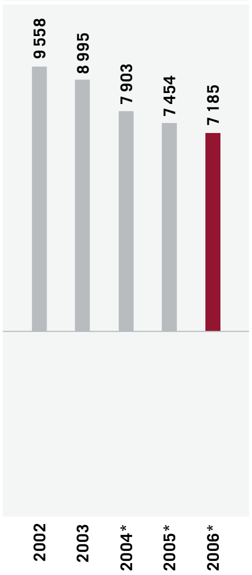
Free Cash Flow
Net cash provided by operating activities less net cash used in investing activities in million CHF



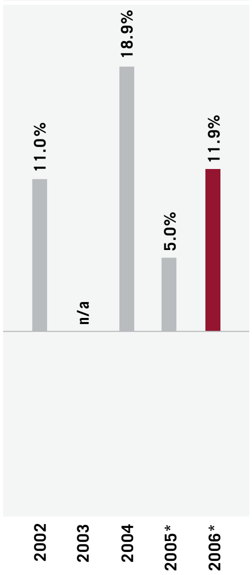
Return on Sales
Operating profit in % of net revenues



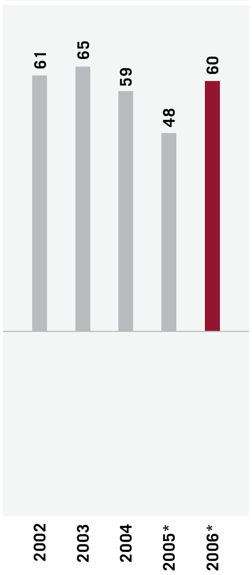
Employees
Average number of employees (full time equivalent)



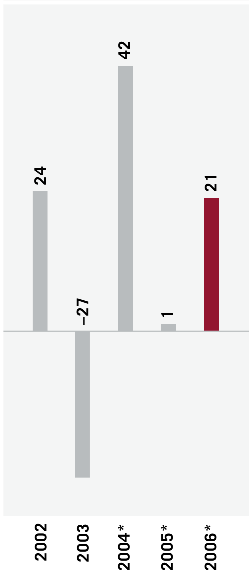
Return on Net Assets
Operating profit in % of average net capital employed



Investments
In million CHF



EPS
Earnings per share in CHF



*from continuing operations

Dear shareholder

In 2006, Valora demonstrated that the various measures it has taken to improve its core business are now beginning to bear fruit. The cost cutting which already helped to brighten results reported for the first half of 2006 has had a positive effect on the full year results as well.

The CHF 82.0 million of earnings before interest and taxes generated last year means that we reached our 2006 goal of a 2.8% - 3.0% operating profit margin. Sales growth at Valora Trade and Valora Press & Books more than compensated for the fall in Valora Retail's turnover following last year's outlet closures, with the result that Group sales rose slightly on the year to CHF 2 863 million.

With the refinancing projects (the bond issue and the syndicated loan facility) completed, and net debt reduced by CHF 53.1 million, the Group also improved its financial result by CHF 9.4 million to CHF 6.3 million. Another important milestone reached last year was the successful sale of Valora Imaging. Following a loss of CHF 56.3 in 2005, Group net income in 2006 rose to CHF 65.8 million or CHF 20.58 per share. Return on invested capital was more than doubled, from around 4% to more than 10%. The Board of Directors will therefore recommend to the Annual General Meeting that a dividend of CHF 9.00 per share be distributed.

Valora Retail – network streamlining and growth. The measures the division implemented in 2005 enabled it to cut costs by CHF 30 million in 2006. The closure of some 150 unprofitable outlets and lower staffing levels in administrative areas have clearly made a positive contribution. The division raised its same-outlet sales in all product categories bar press and services. Kiosk Switzerland's improved product mix in higher margin categories is also now beginning to show positive results. Having opened 16 new outlets in 2006, Valora Retail Germany has now entered an expansion phase enhanced by further gains in profitability. The division will now vigorously pursue growth, by expanding attractive product ranges and outlet formats in Switzerland and by increasing market coverage in Germany.

Valora Press & Books – improving operating margins. The division was able to maintain net revenues in a contracting overall market. The units in Austria and Luxembourg managed to raise turnover slightly, partly thanks to their success in distributing new products. Turnover at the Swiss unit, which was most affected by the shrinking market because of the high proportion of its sales accounted for by daily newspapers, declined 3%. Disciplined cost management enabled the division to raise its operating margin to an encouraging 5%.

Valora Trade – growth from new principals and innovation. The division increased sales by CHF 56.5 million in 2006, a result to which its two business areas, distribution and own brands, contributed equally. Most of the growth in distribution sales was achieved by the Nordics unit, which signed up a number of new principals. This confirms the new platform's potential for successful growth generation. Product innovations and the exploitation of new distribution channels helped to foster growth at the Own Brands unit.

Enhanced free cash flow. Improved net results and the sale of real estate not required for operations both helped to boost free cash flow. These additional funds were used for a further reduction in the Group's net debt position.

A healthy balance sheet with an excellent risk structure. The improvement in results achieved in 2006 has brought shareholders' equity back above 40% of total assets. The existing syndicated loan facility was refinanced on more favourable terms during 2006 and net working capital, at 4.9% of sales, is looking very healthy.

Outlook - clear focus on retail. Having reviewed and adapted its strategy, Valora is positioning itself clearly in the market. The Own Brands division will therefore be sold. With nearly CHF 3 billion in sales and an operating profit margin nudging 3%, the Group has realised some ambitious milestone achievements. Management's attention over the next one to two years will clearly focus on the IT-infrastructure projects now being carried out and on paving the way for future growth. The changes which will result from this strategy mean that the medium term goal of an operating profit margin of 4% will be achieved later than originally planned. Based on the Group's revised business strategy, the Board of Directors and Group Executive Management intend to harness organic and external growth to drive net sales to CHF 4 billion by 2012. Implementation of this strategy will be coupled with a consistent value-based approach to running the Group, focusing on achieving a sustainable improvement in economic value added. The aim is to maintain the return on invested capital above the Group's capital costs, thus creating lasting added value for shareholders and other stakeholders.

Peter Wüst
CEO

Markus Voegeli
CFO

Review of Group results

The turnaround initiated in the first half of 2006 continued throughout the rest of the year. By streamlining its outlet network and instituting cost cutting measures, the Retail division was able to stabilise operating earnings, while Valora Press & Books improved its operating results in a declining overall market. Valora Trade generated higher operating earnings on expanded turnover. These achievements, plus additional improvements in net financial results, enabled the Group to raise net income for the year to CHF 65.8 million.

A Valora Group

For the first time after three years of focusing and restructuring, Valora can look back on a successful financial year which was not burdened by significant extraordinary expense items. Measures taken in the Swiss retail business are beginning to show positive effects and both the Press & Books and Trade divisions achieved encouraging results.

Net revenues in CHF million	**2006**	**Portion**	2005	Portion	Change
Valora Retail	1 632.8	57.0%	1 688.4	59.3%	– 3.3%
Valora Press & Books	560.2	19.6%	555.3	19.5%	0.9%
Valora Trade	862.2	30.1%	805.7	28.3%	7.0%
Other	15.3	0.5%	15.2	0.5%	
Intersegment elimination	– 208.0		– 218.2		
Group total	**2 862.5**	**100.0%**	**2 846.4**	**100.0%**	0.6%
Switzerland	1 734.1	60.6%	1 804.3	63.4%	– 3.9%
Elsewhere	1 128.4	39.4%	1 042.1	36.6%	8.3%

Group net revenues rose by a modest 0.6 %, with a more differentiated picture at division level. Valora Trade posted notable turnover growth of 7.0 %, while the Valora Press & Books division's sales edged up by around 1 %. The profitability drive at Retail Switzerland, encompassing changes in the wholesale area and a streamlining of the outlet network, meant that the Retail division's aggregate sales fell 3.3 % on the year.

in CHF million	2006		2005	
Net revenues	**2 862.5**	**100.0%**	**2 846.4**	**100.0%**
Gross profit	**954.2**	**33.3%**	**942.4**	**33.1%**
– Operating costs, net	– 872.2	– 30.4%	–915.4	– 32.2%
Operating profit	**82.0**	**2.9%**	**27.0**	**0.9%**
+ Restructuring costs	0.0		31.2	
Operating profit before restructuring	**82.0**	**2.9%**	**58.2**	**2.0%**

Operating results before restructuring costs were improved by more than 40% to CHF 82 million. The 2.9% operating profit margin thus achieved is a significant milestone on the way to the sustained profitability we are targeting.

Concerted implementation of strategic projects aimed at introducing a modern and uniform systems architecture and infrastructure, supporting optimised processes, focused efforts throughout the Group, and management will continue to devote great attention to this over the next two years.

B Valora Retail

in CHF million	2006		2005	
Net revenues	**1 632.8**	**100.0%**	**1 688.4**	**100.0%**
Gross profit	**540.1**	**33.1%**	**546.4**	**32.4%**
– Operating costs, net	– 518.7	– 31.8%	– 566.0	– 33.5%
Operating profit	**21.4**	**1.3%**	**– 19.6**	**n/a**
+ Restructuring costs	0.0		26.2	
Operating profit before restructuring	**21.4**	**1.3%**	**6.6**	**0.4%**

The fall in net revenues at Valora Retail was principally due to the closure of unprofitable k kiosk retail outlets in Switzerland (shaving CHF 43 million from turnover) and the profitability drive in the Swiss wholesale business (cutting out a further CHF 43 million of sales). Turnover in Germany advanced CHF 14 million or 6.8% on the year, largely thanks to an expansion of the outlet network by 16 new units. Sales at Retail Luxembourg rose by 7.0%, a CHF 6 million increase.

Management continued to devote its attentions to enhancing the profitability of existing Swiss operations, while concerting efforts to pave the way for future growth. The roll-out of a uniform systems architecture with modern integrated cash registers at all retail outlets is progressing well and measures taken to improve the product mix of goods on sale are also proving successful. The first pilot shops placing greater emphasis on food articles for immediate consumption are demonstrating the potential of this concept, while new initiatives such as ‹take a break› and chill cabinets for soft drinks are beginning to have an impact on the composition of sales turnover by product category. These new approaches helped to counter the effect of declining sales of tobacco and press products.

Operating losses from wholesale operations in Switzerland were cut from some CHF 9 million in 2005 to CHF 2 million in 2006, thanks to a comprehensive series of measures to enhance profitability, and break even at operating level should be achieved next year. In 2007, the Retail division is continuing to implement initiatives already begun earlier and is generating further growth in specific areas (Germany, Caffè Spettacolo).

C Valora Press & Books

in CHF million	2006		2005	
Net revenues	**560.2**	**100.0%**	**555.3**	**100.0%**
Gross profit	**153.9**	**27.5%**	**149.4**	**26.9%**
– Operating costs, net	– 125.7	– 22.5%	– 127.3	– 22.9%
Operating profit	**28.2**	**5.0%**	**22.1**	**4.0%**
+ Restructuring costs	0.0		1.9	
Operating profit before restructuring	**28.2**	**5.0%**	**24.0**	**4.3%**

The modest CHF 4.9 million increase in net revenues for 2006, which was achieved despite a declining overall market in Switzerland, largely results from very encouraging success in distributing additional product types. Both PGV in Austria and MPK in Luxembourg managed to increase turnover significantly, with PGV raising sales by 9% to CHF 155 million, while MPK added 4% to CHF 77 million. Consistent cost discipline helped to boost operating profit by CHF 4.2 million, improving operating margins to a pleasing level of 5%.

D Valora Trade

in CHF million	2006		2005	
Net revenues	**862.2**	**100.0%**	**805.7**	**100.0%**
Gross profit	**245.2**	**28.4%**	**231.9**	**28.8%**
– Operating costs, net	– 213.6	– 24.7%	– 202.2	– 25.1%
Operating profit	**31.6**	**3.7%**	**29.7**	**3.7%**

Valora Trade turned in good growth in net revenues for 2006, which were up CHF 57 million on the year. Both the distribution unit, whose turnover rose 7.7% to CHF 748 million, and Own Brands operations, where sales rose 9.1% to CHF 165 million, contributed to this encouraging performance. Most of the sales growth on the distribution side was generated in the Nordics region. All Own Brands units, with the exception of Kägi, achieved significant sales growth. Increased sales of lower margin products have however slightly diluted gross margins. By reining in cost growth, the division managed to hold operating profit steady at 3.7% of net revenues, while in absolute terms operating earnings were raised CHF 2 million to CHF 31.6 million.

E Corporate

Corporate's net turnover consists solely of the sales generated by the Swiss TPS logistics unit, which are assigned to it. Since the effective net costs of this are charged on to the divisions, logistics operations have no effect on the operating results in the Corporate unit. The operating earnings of CHF 0.7 million include CHF 2.6 million of revenue arising partly from the non-utilisation of a guarantee issued previously and partly from the receipt of a trade account due to a unit now disposed of, against which an impairment had been recorded.

F Financial result and taxes

Despite a modest upward trend in interest rates, the Group managed to improve its net financial result by some CHF 10 million. A full year without coupon payments on the bond issue redeemed in 2005, lower net debt and favourable foreign exchange effects were the main factors contributing to this encouraging result. Measures to optimise financing capacity included the refinancing of the existing syndicated loan facility with a broadly diversified consortium of banks.

Thanks to special income tax effects, net income rose by a greater percentage than operating profit. By utilising loss carry forwards from prior years, it was possible to achieve a relatively low effective tax rate of 12.5 %, resulting in tax expense of CHF 9 million.

G Liquidity, cash flow and key financial data

Key financial data

in CHF million	**2006**	2005
Cash and cash equivalents	222.1	219.7
Free cash flow	**81.7**	**55.7**
Equity	560.9	513.6
Equity in % of total assets	**42.3%**	**37.8%**
Net profit/(loss)	65.8	– 56.3
Return on equity	**11.7%**	**n/a**
Net operating profit after taxes (NOPAT)	72.5	20.6
Average net capital employed (NCE)	686.8	537.0
Return on invested capital (ROIC)	**10.6%**	**3.8%**
Net debt	**60.6**	**113.7**
Net working capital	140.2	126.0
Net working capital in % of net revenues	4.9%	4.4%
Earnings per share (from continuing activities)	**20.58**	**1.17**

Cash flow from operations was increased CHF 12 million to CHF 108 million. Net working capital has shown encouraging growth since mid-2006 and is now at a healthy CHF 140 million or 4.9% of net revenues.

The sale of the Imaging division, real estate sales in Switzerland, Germany and Austria and a number of small scale disposals meant that net investment expenditure was reduced considerably, to CHF 26.6 million. New gross investments in property, plant and equipment and intangible assets totalled some CHF 60 million in 2006. Free cash flow was used to reduce interest bearing liabilities, so that net debt was reduced to CHF 60.6 million.

The comfortable liquidity, debt and leverage positions Valora now enjoys mean that it is well placed for the strategic developments planned for the years ahead.

H Outlook

With the improved first-half results now confirmed for the full year of 2006, and with its strong balance sheet ratios, Valora has reached a major milestone on its way to robust financial health and is well positioned to meet the strategic challenges of the years ahead. Given the current necessary focus on the product range enhancements now being carried out in Valora Retail's Swiss operations and on the creation of a sound systems and infrastructure environment, a rapid further improvement in operating margins over the next two years is not envisaged. The goal for 2007 is to maintain an operating margin of around 3%. Looking to the medium term, the Board and Group Executive Management intend, through a combination of organic and external growth, to increase net revenues to CHF 4 billion by 2012.
The implementation of this strategy will be accompanied by disciplined observance of value-based management, with a clear focus on the enduring enhancement of economic value added. The aim is to maintain the return on invested capital above Valora's capital costs, thus creating lasting added value for shareholders and other stakeholders.

Consolidated income statement

January 1 to December 31, in CHF 000 (except per-share amounts)	Note	**2006**	**%**	2005	%
Net revenues	4	**2 862 543**	**100.0**	**2 846 369**	**100.0**
Cost of goods		– 1 908 359	– 66.7	– 1 903 945	– 66.9
Gross profit		**954 184**	**33.3**	**942 424**	**33.1**
Personnel expense	5	– 478 688	– 16.7	– 496 558	– 17.4
Other operating expenses	6	– 362 947	– 12.7	– 368 563	– 13.0
Depreciation and amortisation of operating assets	16, 17, 18	– 49 108	– 1.7	– 49 694	– 1.8
Other income, net	7	18 521	0.7	– 585	0.0
Operating profit		**81 962**	**2.9**	**27 024**	**0.9**
Financial expense	8	– 12 984	– 0.5	– 19 286	– 0.6
Financial income	9	6 731	0.2	3 660	0.1
Share of result from associates and joint ventures		220	0.0	– 280	– 0.0
Earnings before taxes		**75 929**	**2.6**	**11 118**	**0.4**
Income taxes	10	– 9 454	– 0.3	– 6 385	– 0.2
Result from continuing operations		**66 475**	**2.3**	**4 733**	**0.2**
Result from discontinued operations	3	– 639	– 0.0	– 61 041	– 2.2
Net profit/(loss)		**65 836**	**2.3**	**– 56 308**	**– 2.0**
Attributable to shareholders of Valora Holding AG		65 153	2.3	– 57 316	– 2.0
Attributable to minority interests		683	0.0	1 008	0.0
Earnings per share					
from continuing operations (in CHF)	11	20.58		1.17	

The accompanying notes from page 17 to page 54 form an integral part of these consolidated financial statements.

Consolidated balance sheet

Assets					
At December 31, in CHF 000	Note	**2006**	**%**	2005	%
Current assets					
Cash and cash equivalents	12	222 100		219 655	
Trade accounts receivable	13	168 402		167 610	
Inventories	14	267 660		258 520	
Current income tax receivable		1 229		3 344	
Other current assets	15	47 092		51 091	
Current assets		**706 483**	**53.3**	**700 220**	**51.5**
Assets held in disposal groups	3	0		29 934	
Total current assets		**706 483**	**53.3**	**730 154**	**53.7**
Non-current assets					
Property, plant and equipment	16	318 574		322 483	
Goodwill, software and other intangible assets	18	159 845		155 665	
Investment property	17	19 083		32 301	
Investment in associates and joint ventures	21	13 055		12 717	
Long-term financial assets	20	11 602		7 516	
Net pension asset	25	54 574		54 574	
Deferred income tax assets	10	41 557		43 800	
Total non-current assets		**618 290**	**46.7**	**629 056**	**46.3**
Total assets		**1 324 773**	**100.0**	**1 359 210**	**100.0**

Liabilities and equity

At December 31, in CHF 000	Note	**2006**	**%**	2005	%
Current liabilities					
Short-term financial debt	22	2 198		51 424	
Derivative liabilities	28	619		0	
Trade accounts payable		295 848		300 174	
Current income tax liabilities		7 916		5 303	
Other current liabilities	23	116 327		105 660	
Current provisions	24	10 844		21 214	
Current liabilities		**433 752**	**32.8**	**483 775**	**35.6**
Liabilities from disposal groups	3	0		29 746	
Total current liabilities		**433 752**	**32.8**	**513 521**	**37.8**
Non-current liabilities					
Long-term financial debt	22	280 452		281 965	
Long-term accrued pension cost	25	9 905		8 870	
Long-term provisions	24	14 030		11 896	
Deferred income tax liabilities	10	25 778		29 361	
Total non-current liabilities		**330 165**	**24.9**	**332 092**	**24.4**
Total liabilities		**763 917**	**57.7**	**845 613**	**62.2**
Equity					
Share capital	30	3 300		3 300	
Additional paid-in capital		4 432		1 178	
Treasury stock		– 29 567		– 29 751	
Valuation reserves		– 518		15	
Retained earnings		568 764		532 396	
Cumulative translation adjustments		11 522		4 005	
Equity of Valora Holding AG shareholders		**557 933**	**42.1**	**511 143**	**37.6**
Minority interest in subsidiaries		2 923		2 454	
Total equity		**560 856**	**42.3**	**513 597**	**37.8**
Total liabilities and equity		**1 324 773**	**100.0**	**1 359 210**	**100.0**

The accompanying notes from page 17 to page 54 form an integral part of these consolidated financial statements.

Consolidated cash flow statement

January 1 to December 31, in CHF 000	Note	**2006**	2005
Operating profit from continuing operations		**81 962**	**27 024**
Elimination of non-cash transactions			
Depreciation on property, plant, equipment and investment property	16, 17	40 448	41 565
Amortisation of intangible assets	18	8 660	8 129
Loss on sale of fixed assets, net	7	334	1 379
Gains on disposals of business units, net	2	0	– 92
Impairment on financial assets		12	416
Share-based payments	26	4 425	2 901
(Release) creation of provisions, net	24	– 9 870	15 464
Changes in net working capital, net of acquisitions and disposals of business units			
Decrease in trade accounts receivable		3 173	16 078
Increase in inventories		– 5 123	– 5 252
Decrease (increase) in other current assets		5 524	– 7 049
(Decrease) increase in trade accounts payable		– 9 214	24 236
Increase in accrued pension cost		480	556
Provisions assigned	24	– 8 171	– 1 106
Increase (decrease) in other liabilities		8 675	– 6 377
Cash generated from operating activities for continuing operations		**121 315**	**117 872**
Interest paid		– 12 266	– 18 082
Income taxes paid		– 6 387	– 7 343
Interest received		5 556	3 910
Net cash provided by operating activities for continuing operations		**108 218**	**96 357**

January 1 to December 31, in CHF 000			
Cash flow from investing activities	Note	**2006**	2005
Investments in fixed assets	16	– 48 355	– 41 578
Proceeds from sale of fixed assets	16	5 686	4 982
Proceeds from sale of investment property	17	13 303	550
Disposal of business units, net of cash sold	3, 2	11 747	1 562
Acquisition of shares in joint ventures and associates		0	– 2 012
Disposal of non-current financial assets		2 141	1 680
Purchase of other intangible assets	18	– 11 366	– 6 655
Proceeds from sale of other intangible assets	18	291	778
Net cash used in investing activities for continuing operations		**– 26 553**	**– 40 693**
Cash flow from financing activities			
(Repayment of) increase in short-term financial debt, net		– 49 870	19 128
Increase in long-term financial liabilities	22	101 072	599
Repayment of long-term financial liabilities	22	– 103 780	– 3 914
Bonds issued	22	0	137 982
Bonds redeemed	22	0	– 220 000
Treasury stock purchased		– 1 841	– 28 657
Treasury stock sold		718	1 842
Dividends paid		– 28 785	0
Reduction in nominal value		0	– 29 700
Dividends paid to minorities		– 303	– 1 000
Net cash used in financing activities for continuing operations		**– 82 789**	**– 123 720**
Net decrease in cash and cash equivalents for continuing operations		**– 1 124**	**– 68 056**
Translation adjustments on cash and cash equivalents		3 569	8
Cash and cash equivalents at beginning of year for continuing operations		219 655	287 703
Cash and cash equivalents at end of year for continuing operations	12	222 100	219 655

The accompanying notes from page 17 to page 54 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

in CHF 000	Note	Equity of Valora Holding AG shareholders						
		Share capital	Other reserves	Retained earnings	Cumulative translation adjustments	Total equity of majority shareholders	Minority interest	Total equity
Balance at January 1, 2005		**35 700**	**– 75 194**	**657 547**	**3 387**	**621 440**	**2 438**	**623 878**
Fair value gain on available-for-sale financial assets			15			15		**15**
Translation adjustments					618	618	21	**639**
Income recognised directly in equity			**15**		**618**	**633**	**21**	**654**
(Net loss) net profit				– 57 316		– 57 316	1 008	**– 56 308**
Total profit (loss) reported			**15**	**– 57 316**	**618**	**– 56 683**	**1 029**	**– 55 654**
Share-based payments			2 901			2 901		**2 901**
Dividend paid on 2004 result						0	– 1 013	**– 1 013**
Treasury stock purchased			– 28 657			– 28 657		**– 28 657**
Treasury stock sold			1 842			1 842		**1 842**
Capital reduction		– 32 400	70 535	– 67 835		– 29 700		**– 29 700**
Balance at December 31, 2005		**3 300**	**– 28 558**	**532 396**	**4 005**	**511 143**	**2 454**	**513 597**
Fair value loss on available-for-sale financial assets			– 18			– 18		**– 18**
Fair value loss on cash flow hedges			– 515			– 515		**– 515**
Tax asset on share-based payments	10		96			96		**96**
Translation adjustments					7 517	7 517	89	**7 606**
Income (expense) recognised directly in equity			**– 437**		**7 517**	**7 080**	**89**	**7 169**
Net profit				65 153		65 153	683	**65 836**
Total profit (loss) reported			**– 437**	**65 153**	**7 517**	**72 233**	**772**	**73 005**
Share-based payments			3 158			3 158		**3 158**
Dividend paid on 2005 result				– 28 785		– 28 785	– 303	**– 29 088**
Treasury stock purchased			– 1 841			– 1 841		**– 1 841**
Treasury stock sold			2 025			2 025		**2 025**
Balance at December 31, 2006		**3 300**	**– 25 653**	**568 764**	**11 522**	**557 933**	**2 923**	**560 856**

The accompanying notes from page 17 to page 54 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 Summary of significant accounting policies

Basis of presentation. The Valora Group's annual consolidated financial statements have been prepared on the basis of historical cost (except for financial assets and liabilities, which are stated at fair value), in accordance with International Financial Reporting Standards (IFRS) and in compliance with the legal requirements of the Swiss Code of Obligations. The reporting currency is the Swiss franc (CHF). The most significant accounting policies are detailed below.

Scope of consolidation. Note 32 provides an overview of the most significant Group companies.

Consolidation principles. Valora's annual consolidated financial statements encompass Valora Holding AG and all its directly or indirectly held subsidiaries. Subsidiaries are defined as companies over which the Group is able to exert control. In determining whether such control exists, the voting rights from shares which are currently exercisable or convertible are taken into account.
Associated companies and joint ventures are treated according to the equity method. Associated companies are those over which Valora exerts significant influence, but does not control. Significant influence is assumed to be exerted on companies in which Valora holds between 20 and 50% of the voting shares. Joint ventures are joint undertakings which are managed with one partner under a contractual agreement. Participations treated under the equity method are recorded on the balance sheet at purchase cost and reported under ‹‹Investments in associates and joint ventures››. In the reporting periods following acquisition, the value of this item is adjusted to reflect Valora's share of the changes in shareholders' equity of the associated companies and joint ventures. Any valuation gains or losses impacting the equity of associated companies and joint ventures are also credited or debited directly to Valora's equity. Dividends received reduce the value of these investments.
Subsidiaries and investments are included in the consolidated financial statements from the day they are acquired (assumption of control) and are removed from the day they are sold (transfer of control).
All intercompany balances, transactions and unrealised gains these generate are eliminated on consolidation.
Balances and transactions with associated companies and joint ventures reported under the equity method are shown separately as items with associates.
Minority interests in shareholders' equity and net income are also disclosed as separate items.

Sale of business units. The operating results of units disposed of are reported in the regular income and cash flow statements up to the disposal date.

Adoption of new accounting standards. Adoption of the following International Financial Reporting Standards (IFRS) was first required for the 2006 annual financial statements:
IAS 19 ‹Employee Benefits› defines a new option for reporting over- or under-funding of defined benefit pension plans. As an alternative to the ‹‹corridor method››, IAS 19 allows

for changes in pension contribution assets or pension contribution liabilities to be booked to shareholders' equity rather than the income statement. The Valora Group has elected to continue using the ‹‹corridor method›› (see note on accounting treatment of pension liabilities). As a result, IAS 19 does not require any change in financial statement presentation compared to prior years. This also means that the IAS 19 related changes to IAS 1 ‹Presentation of Financial Statements› do not require any change compared to prior years. The new IFRS 6 ‹Exploration for and Evaluation of Mineral Assets› standard governs business activities in which Valora is not engaged and thus requires no changes in financial statement presentation.
Adjustments to IAS 21 ‹Effects of Changes in Foreign Exchange Rates› affecting the treatment of Group loans to subsidiaries as net investments in subsidiaires, whose application is mandatory from 1 January, 2006, were already implemented in 2005.

Future changes to accounting policies. Valora will adopt the IFRS 7 ‹Financial instruments: Disclosures› standard from its 2007 financial year onwards. This standard requires additional disclosures with regard to financial instruments and financial risks, but not does affect the classification or valuation of these instruments. The IFRS 7 related changes to IAS 1 ‹Presentation of Financial Statements› - concerning disclosure of the objectives, principles and processes of capital management - will also be adopted by the Group from 2007. IFRS 8 ‹Operating Segments›, whose adoption is required from 1 January, 2009, has also not been implemented ahead of time. This standard governs information to be disclosed about individual business areas, but has no effect on consolidated earnings or balance sheet valuations. Its possible effect on segment reporting cannot be fully determined at this stage.

Conversion of foreign currencies. Transactions in foreign currencies are converted into Swiss francs at the exchange rate applicable on the transaction date. At the balance sheet date, amounts receivable and payable in foreign currencies are converted into Swiss francs at the exchange rate applicable on that date, and any exchange rate differences so arising are booked to the income statement.
Upon consolidation, the assets and liabilities of subsidiaires whose operating currency is not the Swiss franc are converted into Swiss francs at the exchange rate prevailing on the balance sheet date. Income statement, cash flow statement and other movement items are converted into Swiss francs at average exchange rates for the period, provided such presentation sufficiently approximates the figures which would result from the application of transaction date rates. If not, movement items are converted at effective transaction rates. Exchange rate gains and losses arising from the translation of annual financial statements of non-Swiss-franc subsidiaries are booked directly to consolidated shareholders' equity and reported separately as accumulated currency translation differences.

Exchange rates applied for key foreign currencies

	Average rate for 2006	Rate at December 31, 2006	Average rate for 2005	Rate at December 31, 2005
Euro: EUR 1	1.573	1.608	1.548	1.557
Swedish krone: SEK 100	17.01	17.80	16.67	16.53
Danish krone: DKK 100	21.09	21.56	20.78	20.87

Net revenues and revenue recognition. Net revenues include all proceeds from the sale of goods and services, net of any deductions including rebates, discounts, other agreed concessions and losses from bad debts. Retail sales by the Valora Retail division are recognised upon sale to the customer. Payment is made in cash or by credit card. The sales value recorded is the amount received net of credit card fees. Wholesale revenues are recognised when the goods have been delivered, the customer has accepted them and there is sufficient certainty of the amount being received. Goods sold wholesale may be supplied on a sale-or-return basis. Where this applies, net revenues will be reduced by estimated return rates based on experience and other appropriate assumptions.

Equity based compensation. The Valora Group pays some of the compensation it grants to its senior management in the form of Valora shares. The expense from this recorded in the income statement is calculated by multiplying the number of shares granted by the market price prevailing on the grant date (minus any amount payable by the recipients). The expense arising from schemes which will definitely be paid out in shares (equity settled schemes) are accrued against shareholders' equity. The expense from schemes where payment in shares is not certain are accrued as a liability. If the conditions for the allocation of shares extend over several years, the relevant expenses are accrued in appropriate proportions to the years concerned, based on the degree to which the targets are expected to be achieved.

Expenses for services provided by third parties which are paid for with Valora shares are charged to the income statement at the market value of the services provided.

Income taxes. Current income taxes are based on the taxable net income of the current year and are charged to the income statement accordingly.

Deferred income taxes are calculated according to the liability method, which is applied comprehensively to all temporary differences between Group and taxable book values. The tax rates applied are those expected to prevail on the balance sheet date or at the time these temporary differences are realised. Tax loss carry forwards and other deferred tax credits are recognised as assets only if it is probable that they can be offset against future taxes.

Deferred taxes are not calculated on temporary book value differences on investments in subsidiaries or associates, unless it is likely that they will be realised in the foreseeable future or their realisation cannot be managed or controlled.

Results from discontinued operations. When segments or significant business areas are sold, all income statement items relating to them are reported separately in the income statement under results from discontinued operations. The cash flow statement covers continuing operations only.

Earnings per share. Earnings per share are calculated by dividing the net profit from continuing operations attributable to shareholders of Valora Holding AG by the average number of shares of the Valora AG parent company outstanding. Diluted earnings per share take account of potentially dilutive effects such as those arising from convertible bond issues or option schemes. These shares are included in the calculation of the number of outstanding shares and the diluted earnings per share figures are reported accordingly.

Cash and cash equivalents. Cash and cash equivalents comprise cash balances, sight deposits with banks and short-term money market investments with an initial maturity not exceeding 3 months.

Trade accounts receivable. Trade accounts receivable are recorded at their present value or their nominal value if the latter is not materially different, minus any necessary impairment adjustments for doubtful accounts. Impairment adjustments are made if there is objective evidence that the amount may not be received in full.

Inventories. Inventories are recorded at the lower of cost or net realisable value. For the Valora Retail division, cost price is determined according to the retail method, while the Valora Press & Books and Trade divisions apply the first in, first out (FIFO) method. Write-downs on slow moving or obsolete inventories are determined according to standard business practices. Non-matured forward purchases made by the various production companies are treated as off balance sheet items.

Non-current assets held for sale. Fixed assets are classified as held for sale and valued at the lower of book or market value minus selling costs, if their book value is expected to be realised principally from their sale rather than their continued operational use. If entire business units are held for sale, all their fixed assets and all liabilities directly attributable thereto are recorded in the balance sheet separately as assets or liablities from entities held for sale.

Property, plant and equipment. Property plant and equipment, excluding property held for investment, is recorded at cost minus accumulated depreciation. Subsequent expenditure for renovation is capitalised only if the costs can be reliably determined and an economic benefit results from them. If these conditions are met, the renovation costs so capitalised are depreciated over their useful economic life. All other renovation and maintenance costs are expensed directly to the income statement. Interest payable on loans for facilities under construction is charged directly to the income statement.

A straight line amortisation schedule is used, based on the following estimates of economically useful life:

	Years
Real estate used for operations	20-40
Machinery, equipment, installations and furnishings	6-10
Vehicles	5

Investment property. Investment property is recorded at cost minus accumulated depreciation. The fair values stated in the notes are based on capitalisations of current earnings value calculations. Increases in fair value are not capitalised. Subsequent expenditure for renovation is capitalised only if the costs can be reliably determined and an economic benefit results from them. If these conditions are met, the renovation costs so capitalised are depreciated over their useful economic life. All other renovation and maintenance costs are expensed directly to the income statement. Capitalised extensions and other installations on rented premises are amortised over their expected useful life or the remaining period of the lease, should this be shorter. Interest payable on loans for facilities under construction is charged directly to the income statement.

The depreciation method is straight line, based on the following estimates of economically useful life:

	Years
Investment property	20-60

Impairments to property, plant and equipment. The current values of property, plant and equipment are reviewed whenever changing circumstances or specific events suggest that their current book values might be too high. Assets whose current book value exceeds their realisable value are written down to the discounted value of the future cash flows the assets are expected to generate.

Leases. Assets acquired under leasing agreements which transfer the benefits and risks of ownership from the lessor to the lessee are classified as non-current assets of the relevant category. Assets acquired under finance leases are initially capitalised at the lower of their market value or the net present value of all binding future leasing payments contracted at the beginning of the lease. On the liabilities side this same amount is recognised as a finance lease liabilities. Leased assets are amortised over their anticipated economically useful lives or the life of the lease if this is shorter and transfer of ownership at the end of the lease is not certain.
Similarly, fixed assets leased to third parties under agreements transferring substantially all the benefits and risks of ownership to the lesssee are classified not as property, plant and equipment but as financial assets, recorded at the present value of the future leasing payments receivable.
Operating lease payments are charged - and operating lease payments received are credited - to the income statement linearly over the life of the leases.

Intangible assets excluding goodwill. Intangible assets excluding goodwill are carried at cost minus accumulated depreciation.

A straight line amortisation schedule is used, based on the following estimates of economically useful life:

	Years
Software	3-5
Other intangible assets	3-10

Impairments to intangible assets. The value of intangible assets excluding goodwill is reviewed whenever changing circumstances or specific events suggest that their book value might be too high. Assets whose current book value exceeds their realisable value are written down to the discounted value of the future cash flows the assets are expected to generate.

Goodwill from acquisitions. The difference between the purchase price paid for an acquired company and the market value of the net assets acquired at the date of purchase is recognised as goodwill from acquisitions according to the purchase method.

Impairments to goodwill. Goodwill is not systematically amortised, but is subjected to an impairment test at least annually at the end of each year or upon any indication of diminished value. Impairment tests are conducted at the level of the smallest cash generating unit to which goodwill was attributed on acquisition. If the book value exceeds the realisable value an impairment will be recorded to adjust the book value down to the realisable value.

Financial assets. Financial assets are classified as:

- at fair value through profit or loss
- loans and receivables
- held to maturity
- available for sale

Financial assets are classified according to the purpose for which they were acquired. Classification is determined when the assets are initially recognised.

Financial assets at fair value through profit or loss. These include securities held for trading purposes, other assets assigned to this category on initial recognition and derivatives. Financial assets are assigned to this category if they are acquired with a view to short-term sale. Financial assets in this category are recorded as current financial assets if they are held for trading purposes or are intended to be sold within 12 months.

Loans and receivables. Loans and receivables are financial assets with fixed payment dates and amounts which are not traded in a market and include the trade accounts receivable and other receivables which are shown separately on the balance sheet. They are classified as current assets unless their maturity is more than 12 months after the balance sheet date.

Held to maturity. This category covers financial assets which the company has the intention and the ability to hold until they mature. They are classified as current assets if they mature within 12 months of the balance sheet date or non-current assets if they mature thereafter.

Available for sale. This category covers minority interests (i.e. shareholdings of less than 20%) and financial assets not assigned to any other category. Financial assets available for sale are classified as non-current assets.

All purchases and sales of financial assets are recorded on the trade date.

Financial assets, except those held for trading purposes, are initially recorded at fair value plus transaction costs. Financial assets held for trading purposes are initially recorded at market value excluding transaction costs and thereafter, like all other ‹at fair value through profit or loss› assets, at their market value. Loans and receivables and financial assets held to maturity are recorded at their amortised value calculated by the effective yield method. Financial assets available for sale are carried at market value, using market offered prices where available or model-based valuations where no market exists. Equity participations which are not traded in a market and for which insufficient data is available to perform a valuation are carried at cost. Unrealised gains and losses are credited or debited directly to shareholders' equity. Enduring or significant impairments are recorded and charged to the income statement. Valuation adjustments accumulated against equity are passed to the income statement upon sale.

Interest-bearing debt. Interest-bearing liabilities are carried at their amortised value, with differences between initial and maturity values being determined by the effective yield method.

Provisions. Provisions are recorded when events in the past give rise to a liability whose amount can be reliably estimated and for whose settlement an outflow of cash is probable. Provisions are carried at fair value.

Liabilities from employee pension schemes. Valora pays employer contributions to various pension schemes established according to local legislation. For defined benefit schemes, the present value of the benefit obligation is determined by an annual actuarial assessment under the projected unit credit method. These assessments take account of the contribution years accumulated by employees at the assessment date as well as their expected future compensation trajectories. Years of service costs are charged to the income statement in the period in which they are incurred. The effect of changes in actuarial assumptions is distributed equally over the participants' assumed average remaining years of service and recorded in the income statement proportionately each year. Actuarial gains and losses exceeding 10% of the greater of the dynamically calculated present value of projected benefit obligations or the pension fund assets at market prices are systematically amortised over the scheme participants' average remaining years of service, using the so-called corridor method.
Expenses for defined contribution pension schemes are charged to the income statement in the period in which they are incurred.

Accounting for derivative financial instruments and hedging transactions. Derivative financial instruments are recorded at their market value prevailing on the balance sheet date.

Recognition methods for gains or losses depend on whether the instrument was used to hedge an identifiable risk and whether the conditions for hedge accounting are met.

The objective of recognising a transaction as a hedge is to ensure that changes in value of the item being hedged and those in the hedging instrument cancel each other out in the income statement. If a derivative financial instrument is not designated as a hedge or if it does not meet hedge accounting criteria, gains and losses arising from changes in its market value are recognised in the income statement. To qualify for hedge accounting treatment, a hedging transaction must meet a number of strict criteria relating to transaction documentation, probability, hedge effectiveness and valuation reliability. When engaging in a hedging transaction, the Group documents the relationship between the hedging instrument and the hedged item and the purpose and strategy of the hedge. This process also requires that all derivatives used for hedging purposes be linked to specific assets or liabilities, or to firm commitments and expected future transactions. Both when a hedge is set up and during its life the Group documents the extent to which changes in the fair value of the derivative offset changes in the value of the item it hedges. When hedges which qualify for hedge accounting treatment are intially transacted, they are classified either as a) hedging the fair value of a specific asset or liability (fair value hedges), b) hedging future cash flows arising from an expected future transaction or a fixed commitment (cash flow hedges), or c) hedging a net investment in a foreign subsidiary.
Any gains or losses from hedging instruments classified as cash flow hedges which effectively offset changes in value of future cash flows are credited or debited to shareholders' equity, while gains or losses which do not meet this effectiveness requirement are immediately recorded in the income statement. The amounts recorded in shareholders' equity are then transferred to the income statement when the cash flows they hedge are booked. When a derivative financial instrument held for hedging purposes matures, is sold or no longer meets hedge accounting criteria, any unrealised gains or losses accumulated against shareholders' equity up to that time are not transferred to the income statement until the expected transaction for which the hedge was established is recognised in the income statement. However, if a previously anticipated transaction is no longer expected to occur, any such gains or losses previously booked to shareholders' equity are released to the income statement immediately.
At present, Valora has no open fair value hedges in place against assets or liabilities, nor does it have any transactions hedging its net investment in a foreign subsidiary.

Fair value estimation. The fair value used for quoted derivatives and for securities held for trading or investment purposes is the market value on the balance sheet date; the fair value of interest rate swaps is the net present value of their future cash flows; the fair value of foreign exchange forward contracts is determined using quoted forward exchange rates at the balance sheet date.

Significant assumptions in the application of accounting principles. The application of accounting principles to the Group requires assessments by management which - while no estimates are used to this end - may have a significant influence on the figures reported in the consolidated financial statements. In particular, management assessments are needed in the analysis of the substance of complex transactions. In the opinion of management, these financial statements do not contain any assumptions concerning the application of accounting principles which have a material effect on the figures reported.

Signficant estimations. Preparation of the consolidated financial statements under IFRS requires the use of estimations regarding the future and may have an influence on the amount of certain items reported in the income statement, the balance sheet and their explanatory notes. Any estimations underlying the figures reported in the consolidated financial statements are based on experience and the information available at the time the statements were prepared. Estimations and assumptions are reviewed regularly and adapated where necessary. Nevertheless, subsequent actual outcomes may diverge from earlier estimations. Any changes resulting from modifications of estimated values are recognised in the consolidated financial statements in the year in which such modifications are made. Estimations and assumptions bearing significant risks of substantial future changes to book values are listed below:

Goodwill. The consolidated balance sheet carries goodwill at CHF 120 million (see Note 18). As explained above, this is subjected to an impairment test upon any evidence that stated book values might exceed realisable amounts, and at least once annually. The impairment tests are based on estimated future free cash flows, using discounted cash flow analysis, for each of the cash generating units concerned. The principal factors affecting these valuations are the estimated net revenues, estimated operating margins and the discount rate applied.

Net pension asset. The Group maintains occupational pension schemes of its own for many of its employees which are classified as defined benefit schemes for IFRS purposes. IFRS requires an annual comparison of the pension plans' assets with the dynamically calculated net present value of their benefit obligations. These valuations showed a pension plan asset surplus, which is capitalised in the consolidated balance sheet at CHF 55 million, representing the portion of the surplus from which the Group could derive future economic benefit. These valuations are based on a number of assumptions, principal among which are the the discount rate applied to future benefits, the expected return on the invested capital, and the expected future pensions and salaries of the plan participants (see Note 25). Actual outcomes may diverge considerably from the assumptions made and thus require an amortisation of the capitalised asset value shown.

Income taxes. Of the deferred tax assets shown, CHF 27.5 million relate to tax loss carry forwards of Valora AG which can be offset against future net earnings for income tax purposes in the years remaining until they lapse (the first expiration is in 4 years, the last in 6). IFRS requires deferred tax assets to be recorded for the amount of future tax savings expected to be realised from these carry forwards. The amount of these future tax savings depends on the level of net income which will be generated before the carry forwards lapse. Future net income may therefore be impacted by tax asset write-offs if future earnings are below current estimates, or may benefit from additional profits if future earnings exceed current estimates.

Financial risk factors and risk policy. Because of its international business activities and its financing structure, the Valora Group is exposed to a number of financial risks. These comprise market risks such as foreign exchange and interest rate risk, as well as risks relating to liquidity and to the solvency of business partners.

Foreign exchange risks. Foreign exchange risks arise because the local currency value of payments agreed in foreign currencies is subject to fluctuations in the exchange rate between the local and the foreign currency. For Valora foreign exchange risks arise from purchases of goods and services from foreign companies, exports from production facili-

ties and intra-Group transactions. Most Group companies conduct the majority of their business in their local currency. Aggregate foreign exchange exposure from these transactions is periodically analysed at Group level.
Currency translation risks arise from the conversion into Swiss francs of the balance sheets of non-Swiss-franc-based subsidiaries. Net investments in non-Swiss-franc-based subsidiaires are also analysed periodically, and the risk is assessed based on the volatility of the currencies concerned. These analyses show that the level of currency translation risk is modest in comparison to the Group's shareholders' equity.

Interest rate risk. Since the Group has no signfiicant interest-bearing assets, its revenues and cash flow from operations are largely independent of the level of interest rates in the market. The Group's interest rate risks arise principally from its financial liabilities. Floating rate liabilities constitute a cash flow risk for the Group, while fixed rate liablities harbour an element of market value risk. The Group pursues a policy of allocating at least 50% of its borrowings to fixed rate instruments whenever the risk of rising interest rates is deemed to be substantial. The Group's main long-term fixed rate liabilities are its 2.875% bond issue, maturing in July 2012, and its various syndicated loans (see Note 22).

Liquidity risks. The Group continuously monitors its liquidity position and uses cash pool structures to optimise it.

Credit risks. The Group's accounts receivable do not contain any major credit or concentration risks.

2 Acquisitions and disposals of business units

Transactions in 2006.

No business units were acquired or disposed of during 2006.
The Fotolabo Group, which had already been classified under discontinued operations in 2005, was sold in the spring of 2006 (see Note 3).

Transactions in 2005.

Disposals. Nuxo AG, Switzerland and Alimarca Kaumy d.o.o., Croatia (both Valora Trade entities) were sold during 2005.

Balance sheet data on business units disposed of

in CHF 000	
Current assets	4 275
Non-current assets	197
Current liabilities	– 2 650
Non-current liabilities	– 0
= Net assets disposed of	**1 822**
Cumulative translation adjustments for business units disposed of	– 28
Sale price	1 886
= Gains on disposals of business units	**92**
Purchase price payments received	1 886
Cash and cash equivalents sold	– 324
= Net cash inflow from disposals of business units	**1 562**

3 Discontinued operations

In the spring of 2006, the Group sold the Fotolabo Group, which had been classified under discontinued operations in 2005. The sale was completed in two separate transactions. One transaction covered the laboratory in Switzerland, its related service companies and the laboratory in Finland. These units were sold on March 16, 2006. The other transaction covered the laboratory in France and its related distribution companies. This sale was completed on April 19, 2006.
The results generated by the Fotolabo Group until transfer of control to the new owners are included in the consolidated financial statements under results from discontinued operations.

Income statement for discontinued operations

in CHF 000	**1.1. - 31.12.2006**	1.1. - 31.12.2005
Net revenues	14 975	118 296
Gross profit	**12 159**	**95 878**
Operating expenses	– 12 807	– 132 734
Goodwill amortisation	0	– 22 736
Operating profit	**– 648**	**– 59 592**
Financial result	– 46	– 331
Loss before taxes	**– 694**	**– 59 923**
Income taxes	130	– 1 118
Operating loss	**– 564**	**– 61 041**
Accumulated exchange rate differences	– 75	0
Result from discontinued operations	**– 639**	**– 61 041**

Loss per share in 2006 from discontinued operations amounted to CHF – 0.20 (CHF – 19.10 in 2005).

Net assets of discontinued operations

in CHF 000	**31.12.2006**	31.12.2005
Cash and cash equivalents	0	7 983
Trade accounts receivable	0	6 545
Inventories	0	2 879
Other current assets	0	12 527
Trade accounts payable	0	– 10 047
Other current liabilities	0	– 17 760
Long-term financial liabilities	0	– 590
Deferred income tax liabilities	0	– 1 349
Net assets	**0**	**188**

Cash flow from discontinued operations

in CHF 000	**1.1. - 31.12.2006**	1.1. - 31.12.2005
Net cash (used in) / provided by operating activities	– 4 205	9 140
Net cash provided by / (used in) investing activities	1 665	– 5 050
Net cash used in financing activities	– 129	– 764
Translation adjustments on cash and cash equivalents	146	41
Cash and cash equivalents sold	– 5 460	0
Total change in cash and cash equivalents	**– 7 983**	**3 367**

4 Segment reporting

The Valora Group is an international trading and services group, with operating activities carried out by the following divisions:

Valora Retail: Valora Retail operates small retail outlets at heavily frequented locations in Switzerland, Germany and Luxembourg. The division operates country-wide marketing and distribution systems for press, tobacco and consumer products for daily use and the impulse buyer's market.

Valora Press & Books: Valora Press & Books is a specialised wholesaler intermediating between publishers and the retail sector. The division supplies newspapers, magazines and books to the Group's own retail outlets and those of third parties in Switzerland, Austria and Luxembourg.

Valora Trade: Valora Trade acts as an exclusive distributor to the retail sector of both food and non-food branded goods and of the Own Brands products it manufactures.

Other: This includes the corporate functions for Finance, Human Resources and IT, the central logistic functions for Valora Retail Switzerland and Valora Press & Books Switzerland, together with the assets and earnings of discontinued operations for 2005. Sales represent the logistics services provided.

Segment data by division

in CHF 000	Valora Retail	Valora Press & Books	Valora Trade	Others	Intersegment elimination	Total Group
Net revenues for 2006						
From third parties	1 632 761	359 792	855 151	14 839	0	2 862 543
From other divisions	94	200 431	7 053	444	– 208 022	0
Total	**1 632 855**	**560 223**	**862 204**	**15 283**	**– 208 022**	**2 862 543**
Net revenues for 2005						
From third parties	1 688 225	345 019	798 244	14 881	0	2 846 369
From other divisions	121	210 253	7 483	349	– 218 206	0
Total	1 688 346	555 272	805 727	15 230	– 218 206	2 846 369
Change (%)	– 3.3	0.9	7.0			0.6
Operating profit for 2006						
Operating profit	**21 409**	**28 238**	**31 614**	**701**		**81 962**
Operating profit for 2005						
Operating profit	– 19 576	22 095	29 679	– 5 174		27 024
Restructuring costs	26 222	1 883	0	3 070		31 175
Operating profit before restructuring	6 646	23 978	29 679	– 2 104		58 199
Operating profit for 2006 included the following non-cash expenses						
Depreciation	20 306	5 600	12 967	10 617		49 490
Impairments	0	0	0	91		91
Value enhancement of previously impaired properties	0	0	0	– 473		– 473
Release of provisions, net	– 5 387	– 431	– 58	– 3 994		– 9 870
Operating profit for 2005 included the following non-cash expenses						
Depreciation	19 759	5 383	12 634	10 166		47 942
Impairments	0	752	0	1 000		1 752
Recognition (release) of provisions, net	14 207	274	– 571	1 554		15 464
Capital expenditure						
2006	**24 343**	**1 612**	**12 766**	**21 000**		**59 721**
2005	23 697	2 413	12 916	9 221		48 247
Segment assets						
At December 31, 2006	**522 577**	**211 715**	**455 730**	**494 114**	– 359 363	**1 324 773**
At December 31, 2005	539 215	203 905	444 761	520 017	– 348 688	1 359 210
Segment liabilities						
At December 31, 2006	**446 067**	**115 954**	**242 612**	**318 647**	– 359 363	**763 917**
At December 31, 2005	467 164	126 293	225 668	375 176	– 348 688	845 613

Segment data by region

Net revenues from third parties in CHF 000	Switzerland	Europe	Total Group
2006	**1 734 083**	**1 128 460**	**2 862 543**
2005	1 804 312	1 042 057	2 846 369
Change (%)	– 3.9	8.3	0.6
Capital expenditure			
2006	**41 925**	**17 796**	**59 721**
2005	30 557	17 690	48 247
Segment assets			
At December 31, 2006	**954 958**	**369 815**	**1 324 773**
At December 31, 2005	996 231	362 979	1 359 210

5 Personnel expenses

in CHF 000	**2006**	2005
Salaries and wages	401 128	420 728
Pension cost of defined benefit plans	13 767	13 244
Pension cost of defined contribution plans	1 124	1 539
Other social security payments	49 808	53 146
Share-based payments	4 425	1 671
Other personnel expenses	8 436	6 230
Total personnel expense	**478 688**	**496 558**
Average number of employees (full-time equivalents)	7 185	7 454

Personnel expenses for 2005 include restructuring costs of CHF 7.3 million.

6 Other operating expenses

in CHF 000	**2006**	2005
Rent	111 922	123 082
Real-estate expenses	8 376	8 727
Energy	19 433	18 662
Insurance	3 104	3 600
Communications and IT	16 331	15 914
Advertising and sales	66 298	62 280
Shipping and dispatch	72 724	71 202
General administration	26 930	30 251
Capital and other taxes	1 420	1 940
Miscellaneous	36 409	32 905
Total other operating expenses	**362 947**	**368 563**

In 2005 restructuring related outlet closures added CHF 8.5 million to overall rental costs. These closures resulted in lower rental costs for 2006.
Miscellaneous operating expenses include operating lease payments totalling CHF 5.8 million (CHF 6.2 million in 2005).

7 Other income, net

in CHF 000	2006	2005
Rental income	2 745	3 905
Losses on sales of non-current assets, net	– 334	– 1 286
Miscellaneous expenses	– 418	– 7 325
Miscellaneous income	16 528	4 121
Total other income, net	**18 521**	**– 585**

Miscellaneous income include CHF 7.4 million (CHF 2.3 million in 2005) arising from the release of provisions. Also included are the proceeds(CHF 2.2 million) from an account receivable arising from a prior disposal which had been subject to impairment.
Miscellaneous expenses in 2005 include CHF 6.7 million of restructuring provisions.

8 Financial expense

in CHF 000	2006	2005
Interest on bank debts and mortgages	8 176	7 933
Interest on bonds issued	4 307	10 861
Interest on finance leases	73	92
Fair value adjustments on long-term provisions	428	400
Total financial expense	**12 984**	**19 286**

9 Financial income

in CHF 000	2006	2005
Interest revenue	3 751	3 323
Foreign exchange gains, net	2 980	337
Total financial income	**6 731**	**3 660**

10 Income taxes

Income tax expense was as follows:

in CHF 000	2006	2005
Expense on current income taxes	11 077	3 500
(Income from) expense on deferred income taxes	– 1 623	2 885
Total income taxes	**9 454**	**6 385**

Temporary differences arising from the recognition of equity based compensation from share schemes resulted in CHF 96 000 of deferred tax assets being marked against shareholders' equity.

The differences between reported Group income tax expense and the expected tax expenses of the individual Group companies based on their applicable tax rates can be reconciled as follows:

in CHF 000	**2006**	2005
Profit before income taxes	75 929	11 118
Expected average group tax rate	20.8%	84.2%
Income taxes at expected Group tax rate	**15 781**	**9 359**
Non-tax-deductible tax expense	681	653
Tax-exempt income	– 6 882	– 6 123
Impariment of deferred income tax assets, net	0	3 103
Changes in tax rates, prior period and other effects, net	– 126	– 607
Total reported income taxes (as above)	**9 454**	**6 385**

The extraordinarily high average Group tax rate shown for 2005 result from the fact that Group companies with relatively low tax rates incurred a significant loss for the year, but that profits at other Group companies were somewhat greater in aggregate, so that the Group as a whole achieved a small profit before income taxes. However, since the profits were generated by companies with above-average tax rates, the average tax rate shown here resulted.

The 2006 results do not contain any significant losses and the average Group tax rate therefore returned to a normal level.

Changes to deferred income taxes were as follows:

Changes to deferred tax assets and liablities in CHF 000	**deferred tax assets**	**deferred tax liabilities**	**Net assets (+)/ Net liabilities(-)**
Balance at January 1, 2005	46 757	– 31 033	15 724
Of which from discontinued operations	0	1 772	1 772
Deferred taxes included in net income	– 2 937	52	– 2 885
Exchange rate differences	– 20	– 152	– 172
Balance at December 31, 2005	**43 800**	**– 29 361**	**14 439**
Deferred taxes included in net income	– 2 546	4 169	1 623
Deferred taxes included in shareholders' equity	96	0	96
Exchange rate differences	207	– 586	– 379
Balance at December 31, 2006	**41 557**	**– 25 778**	**15 779**

Tax deductible losses carried forward amount to CHF 572.4 million (CHF 567.4 million in 2005). These will lapse as follows:

in CHF 000	2006	2005
Within one year	4	0
Within 2 years	6	7
Within 3 years	5	6
Within 4 years	197 087	411
Within 5 years	65 256	207 210
After more than 5 years	310 042	359 740
Total tax-deductible losses carried forward	**572 400**	**567 374**

Deferred tax assets amounting to CHF 151.9 million (out of a total of CHF 455.3 million) were not capitalised, as it is unlikely that they can be offset against future tax expenses. Deferred tax liabilities on temporary valuation differences on investments carried at CHF 502.8 million were not capitalised as it is not intended to realise them in the foreseeable future.
The distribution of dividends by Valora Holding AG is of no relevance to the Group's income tax position.

11 Earnings per share

Earnings per share are calculated by dividing the net profit attributable to shareholders of Valora Holding AG by the weighted average number of shares outstanding.

	2006	2005
Profit from continuing operations (in CHF 000)	66 475	4 733
Net profit attributable to minority interests (in CHF 000)	– 683	– 1 008
Profit from continuing operations attributable to Valora Holding AG shareholders (in CHF 000)	**65 792**	**3 725**
Average number of shares outstanding	3 197 186	3 196 384
Earnings per share from continuing operations (in CHF)	**20.58**	**1.17**

There were no dilutive effects in 2006 or 2005.

12 Cash and cash equivalents

in CHF 000	2006	2005
Petty cash and bank sight deposits	218 800	190 044
Short-term deposits and money-market investments < 3 months	3 300	29 611
Total cash and cash equivalents	**222 100**	**219 655**

13 Trade accounts receivable

in CHF 000	**2006**	2005
Trade accounts receivable, gross	171 490	173 308
Allowance for bad and doubtful debts	– 3 088	– 5 698
Total trade accounts receivable, net	**168 402**	**167 610**

The values shown do not deviate from the receivables' fair values to any significant extent.

14 Inventories

in CHF 000	**2006**	2005
Raw materials and supplies	7 433	6 652
Finished goods	3 858	3 685
Merchandise	256 369	248 183
Total inventories	**267 660**	**258 520**

In 2006 inventory write-downs of CHF 16.5 million (CHF 18.1 million in 2005) were charged to cost of goods sold. No inventories were carried at their net realisable value (CHF 1.1 million in 2005).
As part of their normal business activities some production companies in the Valora Group purchase goods under forward contracts. These contracts are always physically settled at expiration. At the balance sheet date the total value of open forward contract positions amounted to CHF 1.5 million (CHF 3.0 million in 2005) and the longest contract maturity was 30 September, 2007.

15 Other current assets

in CHF 000	**2006**	2005
Value-added tax, withholding tax and other taxes recoverable	4 108	6 787
Prepaid expenses and accrued income	7 724	8 809
Short-term receivables from finance leases	265	0
Miscellaneous receivables	34 995	35 495
Total other current assets	**47 092**	**51 091**

16 Property, plant and equipment

At cost in CHF 000	Land	Buildings	Machinery & equipment	Projects in progress	Total
Balance at December 31, 2004	**32 636**	**236 411**	**545 339**	**4 513**	**818 899**
Adjustments for discontinued operations	– 607	– 31 416	– 79 183	– 2 035	– 113 241
Balance at January 1, 2005	**32 029**	**204 995**	**466 156**	**2 478**	**705 658**
Acquisitions and divestitures	0	0	– 2 243	0	– 2 243
Additions	0	870	37 347	3 375	41 592
Disposals	– 1 860	– 2 237	– 25 910	0	– 30 007
Reclassifications	0	54	3 080	– 3 239	[1] – 105
Reclassifications to investment property	– 2 963	– 5 447	0	0	– 8 410
Translation adjustments	92	– 140	– 343	– 2	– 393
Balance at December 31, 2005	**27 298**	**198 095**	**478 087**	**2 612**	**706 092**
Additions	25	1 104	41 008	6 218	48 355
Disposals	– 3 119	– 6 607	– 27 028	0	– 36 754
Reclassifications	0	309	1 595	– 2 640	[1] – 736
Translation adjustments	291	1 650	5 928	132	8 001
Balance at December 31, 2006	**24 495**	**194 551**	**499 590**	**6 322**	**724 958**
Accumulated depreciation					
Balance at December 31, 2004	**– 1 247**	**– 63 757**	**– 389 107**	**0**	**– 454 111**
Adjustments for discontinued operations	0	15 878	65 758	0	81 636
Balance at January 1, 2005	**– 1 247**	**– 47 879**	**– 323 349**	**0**	**– 372 475**
Acquisitions and divestitures	0	0	2 023	0	2 023
Additions	0	– 5 948	– 33 783	0	– 39 731
Disposals	506	1 162	21 569	0	23 237
Reclassifications to investment property	741	2 382	0	0	3 123
Translation adjustments	0	95	119	0	214
Balance at December 31, 2005	**0**	**– 50 188**	**– 333 421**	**0**	**– 383 609**
Additions	0	– 5 907	– 34 145	0	– 40 052
Impairments	0	0	– 188	0	– 188
Disposals	0	1 149	20 612	0	21 761
Translation adjustments	0	– 478	– 3 818	0	– 4 296
Balance at December 31, 2006	**0**	**– 55 424**	**– 350 960**	**0**	**– 406 384**
Net book value					
At December 31, 2005	27 298	147 907	144 666	2 612	322 483
At December 31, 2006	**24 495**	**139 127**	**148 630**	**6 322**	**318 574**

[1] Reclassified to intangible assets

Property, plant and equipment totalling CHF 7.6 million (CHF 99.9 million in 2005) was pledged to secure mortgage loans. Property, plant and equipment includes real estate held on finance leases amounting to CHF 1.2 million (CHF 1.2 million in 2005) and machinery and equipment held on finance leases amounting to CHF 1.9 million (CHF 1.8 million in 2005).

Fire insurance values of property, plant and equipment		
in CHF 000	**2006**	2005
Property (including investment property)	321 734	342 874
Plant and equipment	541 608	525 998
Total	**863 342**	**868 872**

17 Investment property

The acquisition costs and book values for the investment property portfolio were as follows:

Investment property		
in CHF 000	**2006**	2005
At cost		
Balance at January 1	**56 686**	**48 155**
Disposals	– 29 372	– 163
Reclassification from real estate for operations	0	8 410
Translation adjustments	590	284
Balance at December 31	**27 904**	**56 686**
Accumulated depreciation		
Balance at January 1	**– 24 385**	**– 19 304**
Additions	– 681	– 834
Impairments	473	– 1 000
Disposals	16 069	25
Reclassification from real estate for operations	0	– 3 123
Translation adjustments	– 297	– 149
Balance at December 31	**– 8 821**	**– 24 385**
Total net carrying amount	**19 083**	**32 301**

The estimated market value (based on capitalised income value calculations) amounted to CHF 25.6 million in 2006 (CHF 37.1 million in 2005).
Rental income from investment property was CHF 2.7 million (CHF 3.5 million in 2005) and the associated property costs were CHF 0.8 million (CHF 0.7 million in 2005). Investment properties amounting to CHF 2.5 million (CHF 2.6 million in 2005) were pledged to secure mortgages.
Sales of the former headquarters of Valora Trade Switzerland in Burgdorf and an industrial building in Germany were completed according to plan during the 3rd quarter of 2006. Following these sales, impairments totalling CHF 0.5 million made in the first half of 2006 were reversed.

18 Goodwill, Software and other intangible assets

At cost in CHF 000	Goodwill from acquisitions	Software and other intangible assets	Projects in progress	Total
Balance at December 31, 2004	**580 729**	**95 897**	**0**	**676 626**
Reclassification of goodwill as per IFRS 3, 79b	– 437 955	0	0	– 437 955
Adjustments for discontinued operations	– 22 736	– 8 191	0	– 30 927
Balance at January 1, 2005	**120 038**	**87 706**	0	**207 744**
Acquisitions and divestitures	0	– 1	0	– 1
Additions	0	6 655	0	6 655
Disposals	0	– 6 635	0	– 6 635
Reclassifications	0	105	0	[1] 105
Translation adjustments	43	357	0	400
Balance at December 31, 2005	**120 081**	**88 187**	**0**	**208 268**
Additions	0	9 896	1 469	11 365
Disposals	0	– 1 608	0	– 1 608
Reclassifications	0	341	395	[1] 736
Translation adjustments	161	1 411	9	1 581
Balance at December 31, 2006	**120 242**	**98 227**	**1 873**	**220 342**
Accumulated amortisation				
Balance at December 31, 2004	**– 437 955**	**– 55 852**	**0**	**– 493 807**
Reclassification of goodwill as per IFRS 3, 79b	437 955	0	0	437 955
Adjustments for discontinued operations	0	5 630	0	5 630
Balance at January 1, 2005	**0**	**– 50 222**	**0**	**– 50 222**
Additions	0	– 7 377	0	– 7 377
Impairments	0	– 752	0	– 752
Disposals	0	5 853	0	5 853
Translation adjustments	0	– 105	0	– 105
Balance at December 31, 2005	**0**	**– 52 603**	**0**	**– 52 603**
Additions	0	– 8 412	0	– 8 412
Impairments	0	– 248	0	– 248
Disposals	0	1 346	0	1 346
Translation adjustments	0	– 580	0	– 580
Balance at December 31, 2006	**0**	**– 60 497**	**0**	**– 60 497**
Net carrying amounts				
At December 31, 2005	120 081	35 584	0	155 665
At December 31, 2006	**120 242**	**37 730**	**1 873**	**159 845**

[1] Reclassified from property, plant and equipment

Software and other intangible assets comprise CHF 15.7 million for software and CHF 22.0 million for other intangible assets.

Goodwill Impairment Test. Fair value is calculated on the basis of value-in-use. Valuations were based on the discounted value of estimated future free cash flows of cash generating units to which goodwill has been attributed. Cash flows for the next 5 years, drawn from the business plans approved by division management, are taken into account, after which a residual value is assumed.

Valora Trade Nordics. Goodwill amounting to CHF 46.9 million has been assigned to Valora Trade's Scandinavian business units. The key assumptions used are a discount rate of 8% and the budgeted EBIT margin.

Valora Press & Books Luxembourg - MPK. Goodwill amounting to CHF 43.3 million has been assigned to the Luxembourg press whoelsale unit. The key assumptions here are a 7.5% discount rate and the budgeted EBIT margin.

Valora Retail Schweiz. Goodwill amounting to CHF 12.8 million has been assigned to the k kiosk unit. The key assumptions here are a 7.0% discount rate and the budgeted EBIT margin.

Impairment tests were also conducted for the other, smaller goodwill items.

19 Receivables from real estate and finance leases

Future receivables from real estate leases in CHF 000	**2006**	2005
Rental payments received during period	2 745	3 905
Future rental receivables from current real estate leases		
Within one year	1 452	2 386
Within 1-2 years	1 253	1 336
Within 2-3 years	1 014	1 218
Within 3-4 years	787	1 005
Within 4-5 years	685	787
After more than 5 years	1 570	2 255
Total receivables from current real estate leases	**6 761**	**8 987**

Future receivables from finance leases		
in CHF 000	**2006**	2005
Payments received during period	62	0
Future receivables from current finance leases		
Within one year	599	0
Within 1-2 years	599	0
Within 2-3 years	599	0
Within 3-4 years	599	0
Within 4-5 years	599	0
After more than 5 years	6 678	0
Total future receivables from finance leases	**9 673**	**0**
minus future interest credits	– 3 186	0
Total future receivables from finance leases (present value)	**6 487**	**0**
minus current portion (see Note 15)	– 265	0
Non-current receivables from finance leases (see Note 20)	**6 222**	**0**

Present value of minimum future finance lease revenues		
in CHF 000	**2006**	2005
Within one year	580	0
Within 1-2 years	550	0
Within 2-3 years	522	0
Within 3-4 years	495	0
Within 4-5 years	470	0
After more than 5 years	3 870	0
Total present value of minimum future finance lease revenues	**6 487**	**0**

Valora Holding AG moved its headquarters in Berne. The finance leases cover extensions to the former headquarters made during the Valora tenancy, which the new tenant is using.

20 Financial assets

Non-current financial assets		
in CHF 000	**2006**	2005
Loans and receivables	3 782	5 854
Receivables from finance leases	6 222	0
Financial assets available for sale	1 598	1 662
Total financial assets	**11 602**	**7 516**

The financial assets available for sale are predominantly unlisted shareholdings for which there is no active market and about which insufficient information is available to form the basis for a valuation. These items are therefore carried at cost minus an impairment for enduring loss in value.

21 Investments in associates and joint ventures

Summary balance sheet of associates and joint ventures		
in CHF 000	**2006**	2005
Current assets	10 143	7 457
Non-current assets	36 627	37 192
Current liabilities	– 12 264	– 8 196
Non-current liabilities	– 7 385	– 10 159
= Equity	**27 121**	**26 294**

Summary income statement of associates and joint ventures		
in CHF 000	**2006**	2005
Net revenues	44 858	43 015
Operating profit	1 599	509
Net profit / (loss)	**996**	**– 131**

Investments in associates and joint ventures comprise 50% (33.3% till 30 June, 2005) of Cevanova AG (Valora Retail), the operator of Avec outlets in Switzerland, 45% of Borup Kemi A / S, Denmark (Valora Trade), 50% of Kaumy S.r.o., Czech Republic (Valora Trade) and 22% of Karl Schmelzer - J. Bettenhausen bookshops, OHG, Vienna, Austria (Valora Press & Books).

22 Financial debt

Short-term debt		
in CHF 000	**2006**	2005
Current bank debts	1 039	20 815
Current portion of non-current bank debts	530	30 000
Current portion of finance lease obligations	629	609
Total short-term debt	**2 198**	**51 424**

Long-term debt		
in CHF 000	**2006**	2005
Bank loans	129 294	129 833
Mortgages	2 548	3 876
Bonds	138 373	138 105
Finance lease obligations	1 364	1 385
Other long-term debt	8 873	8 766
Total long-term debt	**280 452**	**281 965**

Bank loans relate solely to the syndicated credit facility totalling CHF 130 million taken out by Valora Holding AG. CHF 30 million of this facility is fixed rate and the remaining CHF 100 million is floating. Under the credit agreement, the Valora Group has covenanted to maintain its equity ratio and indebtedness within certain parameters during the life of the facility.

Bonds in CHF 000	Gross	Discount	2006 net	2005 net
2.875% bond, 2005–2012	140 000	1 627	138 373	138 105

The effective yield on the bond is 3.1%.

Maturities at year end were as follows in CHF 000	2006	2005
Within one year	1 159	30 609
Within 1-2 years	9 628	3 428
Within 2-3 years	2 207	1 231
Within 3-4 years	658	886
Within 4-5 years	29 948	79 752
After more than 5 years	238 011	196 668
Total	**281 611**	**312 574**
Current portion of long-term debt	– 1 159	– 30 609
Total long-term debt	**280 452**	**281 965**

Interest rates ranged from 4.20% to 1.77%. The weighted average rate of interest on financial liabilities was 3.25% (3.41% in 2005).

23 Other current liabilities

in CHF 000	2006	2005
Value-added tax and other taxes owed	9 379	13 772
Social security contributions payable	3 231	5 906
Accruals for overtime and unused vacation	12 960	12 111
Pension cost payable	1 019	320
Warranties and similar current accruals	845	775
Accrued expenses	61 603	40 887
Miscellaneous current liabilities	27 290	31 889
Total other current liabilities	**116 327**	**105 660**

24 Provisions

in CHF 000	Guarantees	Litigation	Restructuring	Total
Balance at January 1, 2005	**9 800**	**6 165**	**2 351**	**18 316**
Utilised	– 85	– 276	– 745	– 1 106
Amounts released to income	– 2 250	– 571	– 2	– 2 823
Recognised	0	0	18 287	18 287
Fair value adjustment	220	180	0	400
Translation adjustments	0	16	20	36
Balance at December 31, 2005	**7 685**	**5 514**	**19 911**	**33 110**
Utilised	– 520	– 29	– 10 046	– 10 595
Amounts released to income	– 1 015	– 1 506	– 4 849	– 7 370
Recognised	9 195	0	0	9 195
Fair value adjustment	231	197	0	428
Translation adjustments	0	52	54	106
Balance at December 31, 2006	**15 576**	**4 228**	**5 070**	**24 874**
Current provisions	5 653	121	5 070	10 844
Long-term provisions	9 923	4 107	0	14 030
Total provisions	**15 576**	**4 228**	**5 070**	**24 874**

Guarantees. These comprise contractual guarantees in connection with the sale of Slumberland, the Selecta IPO, the business units sold as part of the focusing strategy and the sale of Fotolabo.
Changes in 2006: During 2006 the last remaining guarantees from the Slumberland sale expired, as did some of those contracted in the sales of business units sold as part of the focusing strategy. The relevant unutilised portions of provisions were released. New risks necessitated the creation of CHF 9.2 million of new provisions, however.

Litigation. Provisions totalling CHF 6.5 million were made in Germany in 2003 in connection with a fraud case and for pending litigation involving Valora Retail. Some of the pending cases were settled in 2006, thus enabling CHf 1.5 million of provisions to be released. The remaining litigation is however taking longer than originally foreseen and will probably be concluded after 2007.

Restructuring. In 2005 provisions totalling CHF 18.3 million were created to cover restructuring in the Swiss retail and press & books operations. CHF 15.3 million of these related to Valora Retail, CHF 0.7 million to Valora Press & Books and CHF 2.3 million to Corporate. Restructuring was carried out as planned during 2006, after which the provisions were re-assessed. CHF 3.8 million of these had not been utilised, and were released as follows: CHF 2.9 million to Valora Retail, CHF 0.4 million to Valora Press & Books and CHF 0.5 million to Corporate. The final payments associated with this restructuring are expected to fall due during 2007.
In addition, CHF 1.0 million of unutilised provisions created for Valora Retail Germany were released.

25 Retirement benefit liabilities

Current legislation requires most employees to be covered by pension schemes financed by contributions from the Valora Group and its employees. These schemes take the form of state and employer-sponsored plans, contracts with private insurers and independent foundations or welfare plans. While the benefits paid by these schemes vary according to the legislative provisions and economic circumstances of the countries in which they are established, they are generally based on years of service and average remuneration of the employees and cover the risks of old age, death and disability in accordance with applicable local occupational pension plan law.
The most recent actuarial assessment of these schemes was conducted as of December 31, 2006. The assumptions used were based on the economic circumstances prevailing in the countires in which the plans operate. The plans' assets are invested according to the guidelines laid down by local legislation. Valora pays its contributions in accordance with the various plans' rules.

Plan liabilities and assets in CHF 000	**2006**	2005
Current present value of benefit obligation at 1 January	568 599	515 532
Benefit entitlements earned by participants	31 289	29 194
Interest costs	17 249	18 171
Curtailments, redemptions and modifications to plans	2 933	0
Benefits paid out	– 34 132	– 27 946
Actuarial loss on benefit obligation	64 696	33 851
Exchange rate losses / (gains)	693	– 203
Current present value of benefit obligation at December 31	**651 327**	**568 599**
Plan assets at market value at January 1	651 862	626 435
Expected net return on assets	29 975	28 808
Employer contributions	13 433	12 598
Employee contributions	10 597	9 535
Benefits paid out	– 33 753	– 27 844
Actuarial gain on plan assets	25 270	2 313
Exchange rate gains	65	17
Plan assets at market value at December 31	**697 449**	**651 862**

Balance sheet data in CHF 000	2006	2005
Present value of funded plan benefit obligations	– 640 556	– 558 899
Plan assets at market value	697 449	651 862
Surplus on founded plans	**56 893**	**92 963**
Present value of unfunded benefit obligations	– 10 771	– 9 700
Surplus not eligible for capitalisation under IAS 19.58	– 28 085	– 53 667
Unrecorded actuarial losses	26 632	16 108
Total surplus	**44 669**	**45 704**
of which capitalised as employer contribution surplus	54 574	54 574
of which capitalised as employer contribution liability	– 9 905	– 8 870

The surpluses on funded plans declined by CHF 36.1 million, principally as a result of pension increases granted and adjustments to end of service payments.

Income statement in CHF 000	2006	2005
Actuarial pension costs	– 31 289	– 29 194
Interest costs	– 17 249	– 18 171
Expected net return on assets	29 975	28 808
Adjustment for IAS 19.58	– 28 779	– 18 739
Changes in unrecorded plan assets	25 582	14 517
Losses from plan curtailments, redemptions and modifications	– 2 933	0
Net pension cost for period	**– 24 693**	**– 22 779**
Employee contributions	10 926	9 535
Actuarial net pension costs	**– 13 767**	**– 13 244**

Key actuarial assumptions	2006	2005
Discount rate	2.75%	3.00%
Expected net return on plan assets	4.50%	4.60%
Expected rate of increase in future salary levels	2.00%	2.00%
Expected rate of increase of future pension levels	0.50%	0.50%

The calculations for the Swiss plans used the EVK2000 mortality table.

Asset allocation	2006	Expected long-term return	Expected contribution to aggregate return	2005
Cash and cash equivalents	9.81%	2.00%	0.20%	9.94%
Fixed income	31.22%	3.50%	1.09%	29.23%
Equity	32.24%	7.00%	2.26%	34.00%
Real estate	24.87%	4.50%	1.12%	25.51%
Other	1.86%	2.00%	0.04%	1.32%
Total	**100.00%**		**4.71%**	**100.00%**
Costs			– 0.21%	
Net return			**4.50%**	

The effective return generated in 2006 was 6.64% (10.10% in 2005). The pension plans hold no securities issued by Valora Holding AG and do not let any significant portion of their real estate to the Valora Group.

For increased transparency, these disclosures now include details of foreign subsidiaires' plans for 2006 and 2005. The 2005 figures shown here will thus deviate from those in the 2005 annual report.

26 Share based payments

Employees. The following share based schemes exist for management and non-management employees:

Board Share Ownership Plan. Members of the Board of Directors are entitled to receive shares based on the year-on-year growth achieved in Valora earnings per share. Shares are allocated on a linear scale rising from zero to a fixed maximum amount, corresponding to a 10% year-on-year increase in earnings per share. The value of the shares allocated - based on their market value on the day of allocation - can reach a maximum of 133% of the basic director's fee paid in cash. The shares may not be sold during the 5 years following their initial allocation, and a cash payment in lieu is not possible. Directors leaving the Board may keep shares already allocated to them, but remain bound by the lock-up period.

Group Executive Share Ownership Plan. A new share based compensation agreement has been established with members of the Group Executive Committee. Under this agreement, 40% of bonuses paid in respect of the years from 2006 to 2008 will be in the form of Valora shares. Shares will be allocated on the basis of a share price of CHF 237 and the shares are subject to a 5-year lock-up period. In addition, provided growth targets for earnings per share in a given year are reached, participants in this plan will subseqently receive 30% of the number of shares allocated under the plan in prior years, provided that that their employment contracts remain unterminated on December 31 of the year in question. Cash payment in lieu is not possible. Unconditionally allocated shares remain in participants' possession upon cessation of employment, but the lock-up period continues to apply.

Management share ownership plan. Since 2003 higher management in Switzerland have been entitled to participate, on a voluntary basis, in a share plan under which shares are allocated on the basis of the year-on-year growth achieved in Valora earnings per share. Shares are allocated on a linear scale from zero to a fixed maximum amount - corresponding to a 10 % year-on-year increase in earnings per share. Participants may earn a maximum of 50 shares each year. The shares may not be sold during the 5 years immediately following their allocation and a cash payment in lieu is not possible. Allocated shares remain in the employee's possession upon cessation of employment, but the lock-up period continues to apply.

Employee share ownership plan. Provided specific criteria are fulfilled and based on their function, employees in Switzerland are entitled to purchase shares at the beginning of each year on preferential terms. Shares may be purchased at 40 % of the average market price for the shares during the previous November. Shares so acquired enjoy all usual shareholder rights, but may not be sold during the 5 years immediately following purchase. The proceeds of these share sales to employees are credited directly to shareholders equity.

Options on Valora shares granted under a management share option plan which was operated until 2002 remained outstanding until 2005. None of these options were exercised.

Options outstanding	**Number of options 2006**	**Weighted average exercise price in CHF**	Number of options 2005	Weighted average exercise price in CHF
Outstanding on January 1	0	0	4 470 866	350
Expired	0	0	– 4 470 866	350
Outstanding on December 31	**0**	**0**	**0**	**0**
Of which exercisable	0	–	0	–

Suppliers. In 2006 no goods or services were paid for with Valora shares, nor were the prices paid for any goods or services linked to the Valora share price.
In 2005 CHF 1.2 million of consultancy fees payable in connection with the restructuring were paid in the form of Valora shares. The expense charged to the income statement was based on the market value of the services received.

Share-based payment expense in CHF 000	**2006**	2005
Employee and executive share ownership plans reported as personnel expense (see Note 5)	4 425	1 671
Services reported as administration expense	0	1 230
Total share-based payment expense	**4 425**	**2 901**

27 Contingencies and commitments

Contingent liabilities in CHF 000	**2006**	2005
Sureties	516	459
Other contingent liabilities	695	551
Total contingent liabilities	**1 211**	**1 010**

Commitments in CHF 000	**2006**	2005
Long-term rental commitments	237 286	251 728
Operating lease commitments	13 444	15 099
Finance lease commitments	2 126	2 088
Total commitments	**252 856**	**268 915**

Long-term rental commitments in CHF 000	**2006**	2005
Minimum rental expense in period	54 443	67 537
Conditional rental expense in period	57 479	59 566
Total rental expense in period	**111 922**	**127 103**
Leases maturing		
Within one year	53 277	54 933
Within 1-2 years	49 514	45 104
Within 2-3 years	38 550	40 180
Within 3-4 years	35 161	30 010
Within 4-5 years	18 656	31 992
After more than 5 years	42 128	49 509
Total long-term rental commitments	**237 286**	**251 728**

Long-term rental commitments serve primarily to secure kiosk locations for the long term.

Operating lease commitments in CHF 000	**2006**	2005
Total expenses for operating leases in period	5 795	6 246
Leases maturing		
Within one year	5 801	5 897
Within 1-2 years	4 233	4 300
Within 2-3 years	2 274	3 088
Within 3-4 years	949	1 501
Within 4-5 years	172	313
After more than 5 years	15	0
Total operating lease commitments	**13 444**	**15 099**

Finance lease commitments		
in CHF 000	**2006**	2005
Total expenses for finance leases in period	663	605
Leases maturing		
Within one year	1 119	1 220
Within 1-2 years	922	663
Within 2-3 years	59	154
Within 3-4 years	26	28
Within 4-5 years	0	23
Total finance lease commitments	**2 126**	**2 088**
Less future interest charges	– 133	– 94
Total finance lease obligation (present value)	**1 993**	**1 994**
Less current portion of finance lease obligation (see Note 22)	– 629	– 609
Long-term finance lease obligation (see Note 22)	**1 364**	**1 385**

Present value of future minimum payments under finance leases		
in CHF 000	**2006**	2005
Within one year	1 051	1 164
Within 1-2 years	866	631
Within 2-3 years	53	148
Within 3-4 years	23	28
Within 4-5 years	0	23
Total present value of future minimum finance lease payments	**1 993**	**1 994**

28 Derivative financial instruments

Instruments for managing financial risk (hedging). The Valora Group uses interest rate swaps to hedge its interest rate risk. Risk positions arising from existing asset and liabliity items and from future commitments are managed centrally.

Management of interest rate risk. Group guidelines permit the use of interest rate hedges in order to achieve the desired balance between fixed and floating rate liabilities.

Management of counterparty risk. Counterparty risks comprise the default risk arising on derivative financial instruments and money market contracts.
Valora therefore limits its choice of counterparties to banks and financial institutions which have a rating of at least A. Transactions with these counterparties are subject to continuous and strict monitoring, and the Group does not therefore expect any significant default.

The table below shows the contract values (i.e. underlying nominal amounts) and replacement values of the Group’s various open derivatives positions at the balance sheet date, broken down by type of instrument.

Contract values or nominal underlying amounts show the notional amount of the transactions on the balance sheet date. They contain no information regarding their market risk. Replacement values are determined either from valuations by the counterparty, settlement prices at December 31, 2006 and 2005 or standard pricing models.

Derivative financial instruments in CHF 000	**2006 contract value**	2005 contract value	**2006 replacement value**	2005 replacement value
Interest rate instruments				
Swaps	30 000	0	– 515	0
Currency instruments				
Forward contracts	14 177	0	– 104	0
Total derivative financial instruments	**44 177**	**0**	**– 619**	**0**

Derivative financial instruments maturing in CHF 000	**2006**	2005
Within one year	14 177	0
Withing 1-2 years	0	0
Within 2-3 years	0	0
Within 3-4 years	0	0
Within 4-5 years	30 000	0
Total derivative financial isntruments	**44 177**	**0**

Market value of cash flow hedges in CHF 000	**2006**	2005
Contracts with negative replacement value		
Interest rate swap	**– 515**	**0**

The interest rate swap designated as a cash flow hedge serves to hedge part of the floating rate payments on Valora Holding AG’s syndicated loan facility. The hedged interest payments are payable quarterly and mature in 2013.

29 Transactions and balances outstanding with related parties

The consolidated financial statements encompass Valora Holding AG as the ultimate parent company along with all subsidiaries it directly or indirectly controls, as set out in Note 32.

Transactions. Business was transacted with related individuals and companies as follows:

Goods and services sold to related parties in CHF 000	2006	2005
Goods sold to		
Joint ventures in which Valora is a partner	159	169
Total goods and services sold	**159**	**169**

Goods and services purchased from related parties in CHF 000	2006	2005
Goods purchased from		
Associates	266	391
Services purchased from		
Other related parties	64	0
Total goods and services purchased	**330**	**391**

Leasing payments to related parties in CHF 000	2006	2005
Other related parties	3 261	2 135
Total leasing payments	**3 261**	**2 135**

This relates to rent paid on business premises occupied by a subsidiary.

Management and board compensation. Compensation paid to management and the Board of Directors includes all expenses shown in the consolidated financial statements directly relating to members of the Group Executive Committee and the Board of Directors.

Management and board compensation in CHF 000	2006	2005
Salaries and other short-term benefits [1)]	5 513	4 931
Post-employment benefits	258	143
Termination benefits [2)]	274	298
Share-based payments	2 012	675
Total management and board compensation	**8 057**	**6 047**

1) Including vehicle costs paid by the employer.

2) If a member of the Group Executive Committee leaves the Group, the Nomination and Compensation Committee decides on any leaving settlement.

Receivables and liabilties. The terms and conditions governing receivables and liabilties are those commonly used by the relevant companies. The Valora Group has not received any sureties for receivables nor has it issued any guarantees for liabilities.

Receivables for the sale of goods and services to related parties		
in CHF 000	**2006**	2005
Gross receivables from joint ventures	5	40
Impairments	0	0
Total receivables	**5**	**40**

Loans. The Cevanova AG joint venture has a relatively high level of loan financing given its equity base. These loans are therefore regarded as equity from an economic point of view and the Group's proportionate investment is recorded accordingly. The table below shows year-end balance and movements in these loans over the period, broken down by contract type.

Loans to related parties		
in CHF 000	**2006**	2005
Nominal loans to joint ventures on January 1	**10 000**	**6 225**
Loans granted to joint ventures	0	662
Loans assumed through share purchases	0	3 113
Nominal loans on December 31	**10 000**	**10 000**
Impairments on January 1	**–1 152**	**– 500**
Increase in impairments	– 387	– 652
Total impairments	**– 1 539**	**– 1 152**
Loans to joint ventures, net	**8 461**	**8 848**

Contingent liabilties and guarantees. No guarantees or other contingent liabilities exist towards related parties.

30 Shareholders' equity

Shares outstanding		
in number of shares	**2006**	2005
Total registered shares	3 300 000	3 300 000
of which treasury stock		
Position at 1 January	109 221	300 157
Share-based plans for employees and management	– 7 958	– 13 721
Payments to suppliers	0	– 4 510
Shares annihilated	0	– 270 000
Buy-back programme for employee share plan	5 528	5 209
Purchases in market	0	92 086
Total treasury stock	**106 791**	**109 221**
Total shares outstanding	**3 193 209**	**3 190 779**
Average number of shares outstanding	**3 197 186**	**3 196 384**

A dividend of CHF 9.00 per share was paid in 2006 (no dividend was paid in 2005, but a reimbursement of nominal value was made). Dividend distributions are based on net income for the year and earnings carried forward by the Valora Holding AG parent company. As part of the employee share plan 7 569 shares of treasury stock were sold to employees. In 2005, as decided by the Annual General Meeting of 27 April, 2005, share capital was reduced by the annihilation of 270 000 shares of treasury stock and a reduction in nominal value of CHF 9.00 per share. Since then the share capital has been composed of 3 300 000 shares of a nominal CHF 1.00 each.
A conditional share capital of 84 000 shares exists which the Board of Directors may use for existing or future management share plans. None of these shares had been issued at December 31, 2006.

31 Subsequent events

The consolidated financial statements were approved by the Board of Directors on 22 March 2007. The Board of Directors will recommend to the Annual General Meeting on 26 April, 2007 that the consolidated financial statements be approved and that a dividend of CHF 9.00 per share be paid from the net income of Valora Holding AG available for distribution.

At the Annual General Meeting, which will take place after publication of these consolidated financial statements, Valora Holding AG shareholders, as owners of the parent company, have the right to reject and alter these statements.

32 Significant subsidiaries of the Valora Group

in CHF 000	Currency	Nominal capital in million	Share-holding in %	Corporate	Valora Retail	Valora Press& Books	Valora Trade
Switzerland							
Valora Management AG, Berne	CHF	0.5	100.0	■			
Valora Finanz AG, Baar	CHF	0.2	100.0	■			
Valora Investment AG, Berne	CHF	0.3	100.0	■			
Ravita AG, Baar	CHF	0.1	100.0		■		
Merkur AG, Berne	CHF	20.0	100.0	■			
Kiosk AG, Muttenz	CHF	0.3	100.0		■		
Valora AG, Muttenz	CHF	29.4	100.0		■	■	■
Melisa SA, Lugano	CHF	0.4	100.0			■	
Kägi Söhne AG, Lichtensteig	CHF	4.0	100.0				■
Roland Murten AG, Murten	CHF	7.0	100.0				■
Cevanova AG, Berne	CHF	6.0	50.0		■		
France							
Merkur Holding France SA, St-Amarin	EUR	3.7	100.0	■			
Alimarca France SAS, St-Amarin	EUR	0.1	100.0				■
Cansimag France SA, St-Amarin	EUR	0.6	100.0				■
Germany							
Valora Holding Germany GmbH, Hamburg	EUR	0.4	100.0	■			
Stilke GmbH, Hamburg	EUR	3.8	100.0		■		
Sussmann's Presse & Buch GmbH, Munich	EUR	0.1	100.0		■		
BHG Bahnhofs-Handels GmbH, Berlin	EUR	0.5	100.0		■		
HD Presse & Buch GmbH, Hamburg	EUR	0.1	100.0		■		
Valora Retail Services GmbH, Hamburg	EUR	0.1	100.0		■		
Valora Trade Germany GmbH, Mühlheim a.d.Ruhr	EUR	0.2	68.0				■
Benelux							
Messageries Paul Kraus Shop S.à.r.l., Luxembourg	EUR	3.0	100.0		■		
Messageries Paul Kraus S.à.r.l., Luxembourg	EUR	3.0	100.0			■	
Messageries du livre S.à.r.l., Luxembourg	EUR	1.5	100.0			■	
Transports et Garages Presse S.à.r.l., Luxembourg	EUR	0.1	100.0			■	

United Kingdom in CHF 000	Currency	Nominal capital in million	Share-holding in %	Corporate	Valora Retail	Valora Press& Books	Valora Trade
Valora Holding Finance Ltd, Guernsey	CHF	573.9	100.0	■			
Merkur Finance Ltd, Guernsey	CHF	0.5	100.0	■			
Alimarca Finance Ltd, Guernsey	CHF	0.5	100.0	■			
Valora Treasury Center Ltd, Guernsey	CHF	0.5	100.0	■			
Austria							
Valora Holding Austria AG, Anif	EUR	1.1	100.0	■			
Valora Trade Austria GmbH + Co. KG, Neunkirchen	EUR	3.6	100.0				■
Plagemann Lebensmittel GmbH + Co. KG, Neunkirchen	EUR	0.1	100.0				■
Pressegrossvertrieb Salzburg GmbH, Anif	EUR	0.7	100.0			■	
Sweden							
Valora Holding Sweden AB, Stockholm	SEK	0.5	100.0	■			
Gillebagaren AB, Oerkelljunga	SEK	0.6	100.0				■
Valora Trade Sweden AB, Stockholm	SEK	12.0	100.0				■
Norway							
Valora Holding Norway AS, Royken	NOK	0.1	100.0	■			
Valora Trade Norway AS, Royken	NOK	5.7	100.0				■
Sørlandschips AS, Royken	NOK	0.1	100.0				■
Denmark							
Valora Trade Denmark A/S, Herlev	DKK	55.0	100.0				■
Finland							
Oy Valora Trade Finland AB, Helsinki	EUR	0.1	100.0				■
Other countries							
Kaumy S.r.o., Czech Republic	CZK	0.1	50.0				■

Report of the Group auditors

Report of the group auditors to the General Meeting of Valora Holding AG, Bern

As auditors of the group, we have audited the consolidated financial statements (income statement, balance sheet, cash flow statement, statement of changes in equity and notes, pages 11 to 54) of the Valora Group for the year ended December 2006.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession and with the International Standards on Auditing, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Hanspeter Gerber Andreas Aebersold
Lead Auditor

Bern, March 22, 2007

Income statement

January 1 to December 31, in CHF 000	**2006**	2005
Income		
Dividend income	31 600	29 950
Interest income	1 605	1 532
Foreign exchange gains	670	1
Income from securities	0	4 291
Income from royalties	10 510	11 192
Other income	0	431
Total income	**44 385**	**47 397**
Expense		
Interest expense	– 11 523	– 16 963
Foreign exchange losses	– 639	– 21
Losses on securities	– 429	– 6 074
General administration expense	– 4 255	– 2 980
Total expense	**– 16 846**	**– 26 038**
Net profit for the year	**27 539**	**21 359**

Balance sheet before appropriation of available retained earnings

Assets **At December 31,** in CHF 000		**2006**	2005
Current assets			
Cash and cash equivalents		1 060	1 216
Securities		27 205	27 825
Prepayments	From third parties	2	0
Short-term receivables	From third parties	238	206
	From Group companies	1 578	2 104
Loans receivable and advances made to Group companies		108	3 739
Total current assets		**30 191**	**35 090**
Non-current assets			
Investments		613 525	651 110
Loans receivable from Group companies		21 559	21 913
Discounts and capitalised issuance cost on bonds issued		1 557	1 840
Brands		111 025	111 025
Total non-current assets		**747 666**	**785 888**
Total assets		**777 857**	**820 978**

Liabilities and equity **At December 31,** in CHF 000		**2006**	2005
Liabilities			
Short-term bank debt / overdrafts		0	3 361
Current liabilities	Towards third parties	665	829
Accrued expenses	Towards third parties	3 177	2 271
Loans payable to Group companies		46 729	86 413
Syndicated credit loans		130 000	130 000
Bonds payable		140 000	140 000
Accrued liabilities		55 553	55 125
Total liabilities		**376 124**	**417 999**
Equity			
Share capital		3 300	3 300
Legal reserves	General reserves	140 664	140 664
	Reserve for treasury stock	29 725	30 073
Unrestricted reserves		128 933	128 585
Earnings available for distribution	Earnings brought forward	71 572	78 998
	Net profit for the year	27 539	21 359
Total equity		**401 733**	**402 979**
Total liabilities and equity		**777 857**	**820 978**

Notes to the financial statements

A Basis of Presentation

Valora AG's annual accounts are drawn up in accordance with the provisions of Swiss company law.

B Notes

1 Contingent liabilities. At December 31, 2006, the Group's contingent liabilities, consisting of sureties, subordination and keep well agreements, guarantees and other contingent liabilities in favour of subsidiaries totalled CHF 138.7 million, vs CHF 181.6 million at year-end 2005. None of these contingent liabililties covered obligations by third parties.

2 Bonds outstanding

in CHF 000	Coupon	Maturity	At 31.12.2006	At 31.12.2005
Bond 2005–2012	2.875%	12.07.2012	140 000	140 000

3 Treasury stock held by the company and its subsidiaries

in CHF 000	Number of shares 2006	Net book value 2006	Number of shares 2005	Net book value 2005
Opening balance (at January 1)	**109 221**	**27 824**	**300 157**	**77 057**
Disposals				
Employee/executive share ownership plans	– 7 958	– 2 031	– 13 721	– 3 842
Stockmarket purchases and sales				
Sales / capital reduction	0	0	– 274 510	– 71 469
Reduction in nominal value	–	0	–	– 955
Value adjustments	–	– 429	–	– 1 753
Purchases	5 528	1 841	97 295	28 786
Closing balance (at December 31)	**106 791**	**27 205**	**109 221**	**27 824**

Purchases were made at the then prevailing market prices.

4 Net release of hidden reserves. There were no net releases of hidden reserves in the 2006 or 2005 financial years.

5 Significant shareholders. Under Valora Holding AG's Articles of Association, no single shareholder may control more than 5% of the shares without the Board of Directors' approval. At December 31, 2006, 5% of the share capital comprised 165 000 registered shares. At December 31, 2006, Alpine Select AG held a total of 5.73% (or 189 048) shares, both directly and via its subsidiary, Sumara AG, of which total only 5% are registered as voting shares. The Board of Directors and the Group Executive Management hold 0.2% of the shares (2005: 0.1%).

6 Significant subsidiaries of Valora Holding AG

Switzerland	**At 31.12.2006** Holding in %	At 31.12.2005 Holding in %
Valora AG, Muttenz	100.0	100.0
Valora Management AG, Berne	100.0	100.0
Valora Investment AG, Berne	0	100.0
Merkur AG, Berne	100.0	100.0
Kiosk AG, Muttenz	100.0	100.0
Germany		
Valora Holding Germany GmbH, Hamburg	5.1	5.1
United Kingdom		
Valora Holding Finance Ltd, Guernsey	100.0	100.0

7 Approved and conditional share capital. The Annual General Meeting held on 11 May, 2000 approved the creation of additional conditional share capital of a nominal CHF 84 000. At December 31, 2006, none of these shares had been issued.

Proposed appropriation of earnings available for distribution

Proposal for the appropriation of earnings available for distribution

in CHF 000	2006	2005
Net profit for the year	**27 539**	**21 359**
+ Earnings brought forward	71 572	78 998
Earnings available for distribution	**99 111**	**100 357**
The Board of Directors proposes		
Payment of a dividend of CHF 9.00 per registered share entitled to dividend	– 28 808	– 28 785
Balance to be carried forward	**70 303**	**71 572**
Dividend distribution (in CHF)		
Gross dividend per share	9.00	9.00
– less 35% withholding tax	– 3.15	– 3.15
Net dividend per share (in CHF)	**5.85**	**5.85**

Report of the statutory auditors

Report of the statutory auditors to the General Meeting of Valora Holding AG, Bern

As statutory auditors, we have audited the accounting records and the financial statements (income statement, balance sheet and notes, pages 57 to 61) of Valora Holding AG for the year ended December 31, 2006.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records, the financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Hanspeter Gerber Andreas Aebersold
Lead Auditor

Bern, March 22, 2007

Corporate governance report

1 Group structure and shareholders

1.1 Group structure. The operational structure of the Valora Group is presented on Pages 18 and 19 of the Annual Report.

1.1.1 Listed companies within the scope of consolidation. The only listed company within the Valora Group is Valora Holding AG, which is domiciled in Berne. The company is listed in the main segment of the SWX Swiss Exchange and on the BX Berne Exchange (securities number 208 897, Telekurs VALN, Reuters VALZn). The company's market capitalisation for the last five years is presented on Page 78 of the Financial Report.

1.1.2 Non-listed companies within the scope of consolidation. These companies are set out on Pages 53 and 54 of the Financial Report, with the company name and domicile, total share capital and the percentage thereof held by Group companies.

1.2 Significant shareholders. At December 31, 2006, Alpine Select AG, both directly and through its subsidiary Sumara AG, had total holdings of 5.73% (or 189 048 shares) of Valora Holding AG, of which only 5% are registered as voting shares. On February 15, 2007, Bank Julius Bär & Co. Ltd reported holding 165 353 shares, equivalent to 5.01% of the voting rights, before announcing that its holdings were back below the 5% trigger level on March 9, 2007. On 17 May 2006, UBS Fund Management (Switzerland) Ltd reported holding below 5%, having previously exceeded this level with holdings of 187 629 shares, or 5.69%, reported on February 9, 2006.

1.3 Cross-shareholdings. There are no cross-shareholdings with any other companies.

2 Capital structure

2.1 Capital structure at December 31, 2006. Ordinary capital of Valora Holding AG: CHF 3 300 000, comprising 3 300 000 registered shares each of CHF 1.00 nominal value. Conditional capital of Valora Holding AG: CHF 84 000, comprising 84 000 registered shares each of CHF 1.00 nominal value.

2.2 Conditional capital. Conditional capital amounting to a maximum of CHF 84 000, comprising 84 000 registered shares each of CHF 1.00 nominal value, was approved by the Annual General Meeting of May 11, 2000. These shares can be used at any time by the Board of Directors to cover the exercising of options granted to employees of the company or Group companies within the overall framework laid down by the Board of Directors. Existing shareholders have no subscription rights for such shares. No time limits apply. None of this conditional capital had been issued by December 31, 2006.

2.3 Changes in capital structure. No changes in capital structure occurred during 2006.
Reductions in share capital and in the nominal value of each share resulted in share capital being decreased by a nominal CHF 32.4 million in 2005. In 2004, share capital was reduced by CHF 6.3 million. As a result, the number of shares in issue fell by 900 000 during

2004 and 2005, which represents 21.4% of the shares outstanding at December 31, 2003. These operations reduced nominal share capital by CHF 38.7 million or 92.1%.

The changes to the share capital of Valora Holding AG are summarised in the following table:

	No. of shares	Share capital
Share capital on December 31, 2003 (and since 1997)	**4 200 000**	**42 000 000**
Capital reduction through annihilation of repurchased shares on February 18, 2004	– 176 000	– 1 760 000
Capital reduction through annihilation of repurchased shares on December 28, 2004	– 454 000	– 4 540 000
Share capital on December 31, 2004	**3 570 000**	**35 700 000**
Capital reduction through annihilation of repurchased shares on July 5, 2005	– 270 000	– 2 700 000
Capital reduction through reduction in nominal value on July 5, 2005	0	– 29 700 000
Share capital on December 31, 2005 and December 31, 2006	**3 300 000**	**3 300 000**

The movements in the reserves and the equity of Valora Holding AG are shown in the balance sheet in the Financial Report (Page 59) and in the Notes to the annual financial statements of Valora Holding AG (Page 60).

2.4 Shares, participation certificates and dividend-right certificates. All 3 300 000 registered shares each have a nominal value of CHF 1.00, and are fully paid-up. Each share entitles its holder to a dividend, apart from the shares held in treasury by Valora Holding AG. There are no preferential shares.
Valora Holding AG has not issued any participation certificates or dividend-right certificates.

2.5 Convertible bonds and options. The company does not currently have any convertible bonds outstanding. Valora Holding AG had no options outstanding on December 31, 2006

3 Board of Directors

3.1 Members of the Board of Directors. Name, year of birth, nationality, education and professional background

Fritz Ammann, 1943, Swiss, Chairman, doctorate in economics from the University of St. Gallen, has held CEO posts in the retail (Metro Austria, Spar Germany), watchmaking (Omega and Swatch Switzerland) and fashion industries (Charles Jourdan France, Esprit USA, Carrera Eyewear Germany).

Andreas Gubler, 1957, Swiss, Deputy Chairman, doctorate in law, attorney at law, LL. M., has actively practised in law offices in Berne, Zurich and Washington D.C. and with Ernst & Young, Member of the Executive Committee of Asklia Holding. Partner in the law firm of Gubler Walther Leuch in Berne.

Peter Küpfer, 1944, Swiss, certified auditor, has held various senior management positions with CS Group. Independent management consultant.

Werner Kuster, 1941, Swiss, doctorate in engineering from the Swiss Federal Institute of Technology, has held CEO posts in retail with the Globus group and EPA. Independent management consultant since 2002.

Felix Weber, 1950, Swiss, doctorate in economics from the University of St. Gallen, CEO Alusuisse South Africa, partner with McKinsey & Co. Zurich, Executive Vice President and CFO of Adecco. Managing Director of Lehman Brothers (Europe), Zurich, since 2006.

Beatrice Tschanz Kramel, 1944, Swiss, journalist, head of corporate communication at Ringier AG, Jelmoli AG, SAir Group, and Member of the Executive Committee of Centerpulse. Independent communications consultant since 2003.

No member of the Board of Directors has any management mandate within the Valora Group or any significant business relations to the Group.

3.2 Other business activities and interests

A number of Board members engage in other business activities with major companies.

3.2.1 Membership of supervisory boards.

- Andreas Gubler: Chairman of the Board of Directors of Micro Value AG.
- Peter Küpfer: Member of the Board of Directors of Julius Bär Holding Ltd, Holcim Ltd, Metro AG.
- Felix Weber: Member of the Board of Directors of Syngenta AG, Publigroupe AG, Glacier Holdings GP SA.

3.2.2 Memberships of Executive Committees.

- Felix Weber: Managing Director, Lehman Brothers (Europe), Zurich

3.3 Reciprocal board memberships. There are no reciprocal board appointments in other publicly listed companies.

3.4 Elections and terms of office. The Board of Directors comprises at least three members. They are elected for a term of three years, after which they may be re-elected. To ensure rotation, the period of office as a Board member is limited: every member must retire at the latest after serving four full three-year terms. Members retire permanently from the Board on the date of the Annual General Meeting preceding their 70th birthday. This also applies to the Chairman of the Board. Any exceptions to the above are subject to the approval of the General Meeting. The election and re-election of Board members is staggered as much as possible.

Board members' terms of office:

	First elected	Current term ends
Fritz Ammann	2001	2007
Andreas Gubler	1999	2008
Peter Küpfer	1998	2007
Werner Kuster	2005	2008
Beatrice Tschanz Kramel	2000	2009
Felix Weber	2006	2009

3.5 Internal organisational structure and committees. There is no specific allocation of responsibilities among Board members. Board members are, however, elected to ensure that the Board as a whole has specific expertise in the finance, marketing, legal, trading, branded goods, communications and production fields.

The composition of the Board committees is as follows:

- Audit Committee: Felix Weber (Chairman), Fritz Ammann, Andreas Gubler and Peter Küpfer.
- Nomination and Compensation Committee: Beatrice Tschanz Kramel (Chairman), Fritz Ammann und Werner Kuster.

The duties and authorities of the above Board committees are specified in the company bylaws. The committees have both preparatory and decision-making functions.
In 2006, the Board met 6 times, holding five full-day meetings and one half-day meeting.

The Audit Committee held four half-day meetings, while the Nomination and Compensation Committee held six half-day meetings. The Board and its committees may also invite further persons, particularly the CEO, the CFO and representatives of the internal and external auditors, to attend their meetings.

3.6 Definition of areas of responsibility. The Board of Directors is responsible for approving corporate strategy and specifying the organisational structure, and bears overall responsibility for personnel matters. It establishes the guidelines for financial and investment policy, and approves long-term borrowings in excess of CHF 10 million, acquisitions and disposals of shareholdings and the purchase and sale of real estate whose transaction price exceeds CHF 2 million.
The CEO is responsible for the overall management of the Group. He coordinates the activities of the various divisions, chairs Group Executive Management and is the immediate superior of each Group Executive Management member. Group Executive Management is responsible for preparing all the Group's business activities which lie within the remit of the CEO or the Board of Directors. The heads of the divisions are responsible for managing their division with the aim of ensuring its profitable and sustainable development. They are also responsible for establishing the management tools required for their division in addition to those specified in the relevant Group-level guidelines.

3.7 Information and control tools of the Board of Directors. The Board of Directors is regularly provided, under the Valora Group's management information system, with monthly short-term income statements for the divisions and the Group, details of significant business events, internal auditors' reports, information on the shareholder structure and details of progress on the implementation of actions resolved by the General Meeting or itself. The Chairman of the Board is provided with a copy of the minutes of all Group Executive Management meetings. Any member of the Board of Directors may demand information from Group Executive Management on the Group's general business and operations and, with the approval of the Chairman of the Board, on specific business transactions. Any Board member may also demand the provision for their inspection of company books and files.

4 Group Executive Management

4.1 Members of Group Executive Management Name, year of birth, nationality, education and professional background

Peter Wüst, 1953, Swiss, graduate in business administration, senior management positions with Diethelm & Co. (international trading) and Jakob Rohner AG (textile trading), head of sales and marketing of the Nuance Group. From 1 March, 2003, Head of the Valora Sourcing & Marketing Division. CEO of the Valora Group since 11 June, 2003.

Markus Voegeli, 1961, Swiss, economics graduate, senior management positions in finance and controlling for Swissair in Switzerland. CFO of Nuance Group in Australia and Swissôtel Group in the US. CFO and then CEO of MediService AG, Zuchwil. CFO of the Valora Group since 15 August, 2004.

Manfred Zipp, 1955, German, graduate in retail business administration, various senior management positions at Warenhaus Breuninger GmbH, Harrods London, Nordsee GmbH Bremerhaven and the Wöhrl retail group in Nuremberg. Head of the Valora Retail division since 1 June, 2006.

Christian Schock, 1954, Luxembourg, graduate in mechanical engineering, INSEAD MBA, various management positions at Reuters in Luxembourg and Germany, Managing Director SES-Astra's multimedia subsidiary, CEO of Messageries Paul Kraus, Luxembourg. Head of Valora Press & Books division since 1 July, 2006.

Alex Minder, 1957, Swiss, graduate in business administration, Executive MBA, senior management positions at Bally International Ltd and Impuls Saatchi & Saatchi, Managing Director Cadbury Switzerland, board member Cadbury Western Europe. Head of Valora Trade division since 1 May, 2004.

Ruedi Keller, 1951, Swiss, SIB diploma in financial controlling, IFKS higher business diploma, various management positions at Swissair in and outside Switzerland, head of business administration at the Swissair Training Center, head of strategic business development at the Nuance Group. Head of the Valora Management Services division since 19 January, 2004.

Prior to his appointment to the Group Executive Committee, Christian Schock had been CEO of Messageries Paul Kraus (MPK) for 3 years and was thus responsible for Valora's press and book wholesale and kiosk activities in Luxembourg. None of the other members of the Group Executive Committee had previously worked for Valora.

4.2 Other major activities and vested interests in listed companies. None of the members of Group Executive Committee currently has any further activities in any management or supervisory body of any listed Swiss or foreign company, has any permanent management or consultancy function for any company outside the Valora Group, has any public function or holds any political office.

4.3 Management contracts. There are no management contracts between Valora Holding AG and any companies or individuals outside the Valora Group.

5 Compensation, shareholdings and loans

5.1 Componets of compensation and shareholding programmes and their determination

5.1.1 Board of Directors. A fixed director's fee is paid to each member of the Board of Directors. Additional emoluments are paid to the Chairman and the members of the Board Committees. A share scheme also exists which allocates shares on the basis of earnings per share growth versus the previous year. Only those Board members who were in office for one entire year, from AGM to AGM, are entitled to receive shares. Shares are allocated on a linear scale rising from zero to a fixed maximum amount, corresponding to a 10% year-on-year increase in earnings per share. The value of the shares allocated - based on their market value on the day of allocation - can reach a maximum of 133% of the basic director's fee paid in cash. The shares may not be sold during the 5 years following their initial allocation, and a cash payment in lieu is not possible. No attendance fees are paid for meetings, though travel expenses are reimbursed. The full Board of Directors determines the level of directors' emoluments and reviews them on a regular basis.

5.1.2 Group Executive Management. Members of Group Executive Management receive a fixed annual salary and a bonus based on results. Bonuses are based both on key financial indicators - Group net profit, EBITA of the division they manage or its return on invested capital - and on the achievement of specific objective goals. Since 2006, 40% of bonuses have been paid in Valora shares, based on a share price of CHF 237, and the shares so granted may not be sold for 5 years following their initial allocation. In addition, provided earnings per share targets are met in a given year, the next year a further 30% of the total number of shares granted under the scheme in prior years is allocated to those Executive Management members whose contract of employment remained unterminated at the end of the year in question. A cash payment in lieu is not possible. Members of the Group Executive Mangement are also eligible to buy shares on preferential terms as part of the employee share scheme. The number of shares so purchased depends on the Valora Group's consolidated net profit. The Board of Directors' Nomination and Compensation Committee sets the level of total compensation and decides on the award of results-based bonuses.

5.2 Compensation for acting Board and Executive Committee members. All such compensation relates to services performed in 2006. Part of this compensation – notably the variable components – will not be paid out until spring 2007.
Since no member of the Board of Directors has any executive function, all details relating to the Board of Directors refer to non-executive Board members.

5.2.1 Board of Directors. The six members of the Board of Directors were remunerated as follows:

	2006	2005
Emolument incl. social benefits (in CHF)	635 139	515 944
Shares (number)	1 906	1 972

5.2.2 Group Executive Management. The members of Group Executive Management were remunerated as follows:

	2006	2005
Salaries incl. results-related bonuses and social benefits (in CHF)	5 135 399	4 558 558
Shares (number)	4 838	389

5.2.3 Severance payments. In the event of a member of the Group Executive Committee leaving the Group, the Nomination and Compensation Committee decides on any severance payment. In additions to the amounts above, severance payments totalling CHF 0.3 million were made during 2006 (CHF 0.3 million in 2005).

5.3 Compensation for former members of governing bodies. No such compensation was paid.

5.4 Share allotments in respect of 2006.
Board of Directors: 1 906 shares Group Executive Management: 4 838 shares

5.5 Share ownership on December 31, 2006.
Board of Directors: 3 487 shares. Group Executive Management: 2 916 shares.

5.6 Options. This information is provided under Note 26 on Pages 45 and 46 of the Financial Report. Options held on December 31, 2006:
Board of Directors: none. Group Executive Management: none.

5.7 Additional fees and remuneration. No additional fees or remuneration were paid.

5.8 Loans granted to Board and Executive Committee members. There are no loans granted to Board or Executive Committee members.

5.9 Highest total compensation. The highest total compensation paid to a member of the Board of Directors amounted to:

	2006	2005
Emolument (in CHF)	180 000	150 000
Shares (number)	649	713

6 Shareholders' participation rights

6.1 Voting-right and representation restrictions. Each share entitles its holder to one vote at the General Meeting. Voting is limited to those individuals who are entered as shareholders with voting rights in the Share Register. The Board of Directors may refuse to acknowledge a holder of Valora shares as a shareholder with voting rights if the holder's new holding, together with the voting shares which they are already shown as holding in the Share Register, would exceed 5% of all Valora registered shares entered in the Commercial Register. (This limitation does not apply, however, in the case of the exercising of subscription rights.) In such an event, the holder will be entered in the Share Register as a shareholder without voting rights for the portion of shares held in excess of this 5% threshold. For the determination of this limit, a group clause shall apply. The Board of Directors may exceptionally acknowledge a shareholder as holding more than 5% of all registered shares with voting rights, in particular:

- if the shares are acquired following a merger or business combination;
- if the shares are acquired through a non-cash payment or a share exchange;
- if the shares are intended to underpin a long-term collaboration or strategic alliance.

No such exceptions were granted in 2006.

The Board of Directors may also refuse acknowledgement and entry in the Share Register as a shareholder with voting rights to any shareholder who fails to confirm expressly, upon request, that they have acquired the shares concerned in their own name and on their own account. The Board of Directors may also cancel – with retroactive effect to the date of original entry – the entry in the Share Register as a shareholder with voting rights of any shareholder who, upon subsequent inquiry, is found to have obtained the shares concerned by making a false declaration, and may have them entered instead as shares without voting rights. Any such cancellation must be communicated immediately to the shareholder concerned.

To enhance the tradability of Valora shares on the stock exchange, the Board of Directors may devise regulations or agreements which approve the fiduciary entry of registered shares with voting rights above the 5% limit for trustees who disclose the nature of their trusteeship (nominees, ADR banks). Such trustees must be subject to banking or financial market regulators, however, or must otherwise provide the necessary guarantees that they are acting on behalf of one or several persons who are not linked to each other in any way, and are able to provide the names, addresses and shareholdings of the owners of the shares concerned. No exceptions for the fiduciary entry of registered shares above the 5% threshold were granted in 2006.

A shareholder may be represented at a General Meeting only by their legal representative, by another shareholder attending the General Meeting whose name is entered in the Share Register, by a proxy for deposited shares, by an executive body of the company or by the independent shareholders' proxy.

6.2 Statutory quorums. As a rule, the General Meeting passes its resolutions and conducts its elections by a simple majority of the votes cast. Under Article 12 of the Articles of Incorporation (dated April 27, 2005), however, the following resolutions require a majority of two-thirds of the shares represented and an absolute majority of the nominal value represented:

- changing the object of the company
- introducing shares with privileged voting rights
- limiting or facilitating the transferability of registered shares
- increases in authorised or conditional capital
- capital increases from shareholders' equity, against non-cash payments or for acquisition purposes, and the granting of special benefits
- limiting or suspending subscription rights
- relocating the company's registered office
- dissolving the company without liquidation or by merger.

6.3 Convocation of the General Meeting. General Meetings are formally called at least 20 days in advance through corresponding publication in the ‹Schweizerisches Handelsamtsblatt› (Swiss Official Gazette of Commerce). The holders of registered shares shown in the Share Register may also be invited by letter.

6.4 Additional agenda items. Shareholders who represent shares with a total nominal value of CHF 100 000 or more may request that an item be placed on the agenda of a General Meeting, provided they submit details thereof to the company in writing at least 50 days in advance of the General Meeting concerned.

6.5 Registrations in the share register. To attend the 2007 Annual General Meeting, a shareholder must submit their request for registration in the Share Register to the company by April 19, 2007.

7 Changes of control and defence measures

7.1 Duty to make an offer. The company has no ‹opting out› or ‹opting up› clauses in its Articles of Incorporation.

7.2 Clauses on changes of control. There are no change of control clauses in favour of any members of the Board or Directors, the Group Executive Committee or other members of management.

8 Auditors

8.1 Duration of the mandate and term of office of the lead auditor. PricewaterhouseCoopers AG assumed the audit mandate at the 1942 Annual General Meeting. The lead auditor, Hanspeter Gerber, took over the mandate from Andreas Baur in 2006, as provided for by PriceWaterhouseCoopers rotation rules.

8.2 Auditing fees. The total costs of the auditing conducted by PricewaterhouseCoopers AG in 2006 amounted to CHF 1.6 million.

8.3 Additional fees. During 2006, the auditors invoiced a total of CHF 0.2 million to Group companies for additional services.

8.4 Supervisory and control instruments pertaining to the audit. The Audit Committee of the Board of Directors is responsible for supervising these activities.

9 Information policy

The company holds an annual results media conference every year for the media and financial analysts. All shareholders receive, together with the invitation to the Annual General Meeting, a summary of the key figures from the Annual Report.
The company publishes a consolidated report (unaudited) on the first half-year at the end of August and distributes this to all shareholders. Telephone conferences are conducted if warranted by major developments or events.

Permanent sources of information:

- the www.valora.com website
- the Valora Group Annual and Half-year Reports
- media releases

Media Relations: Stefania Misteli
Investor Relations: Stefan Knuchel

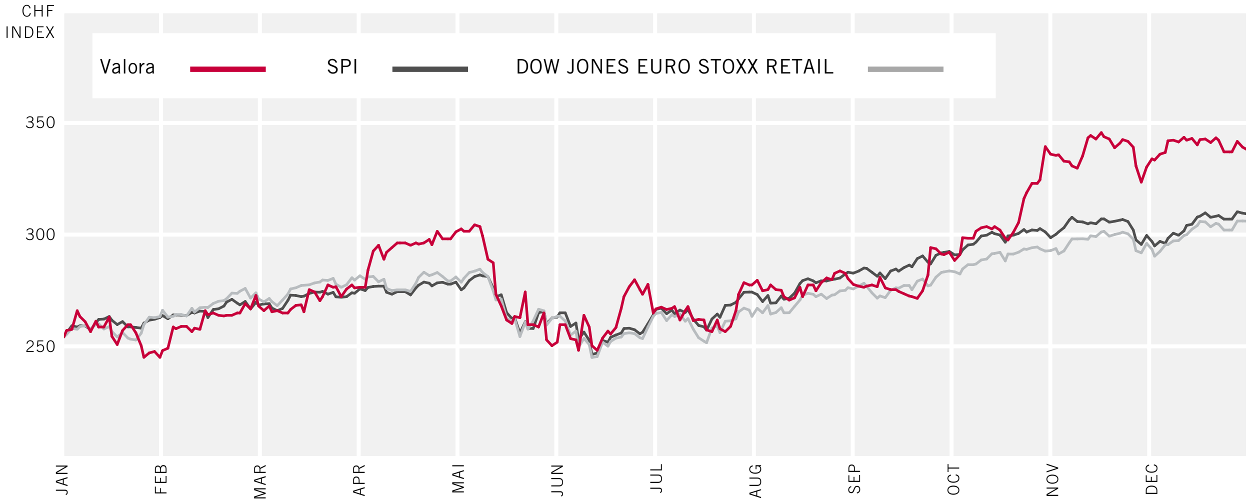
Valora shares

1 Share price trends

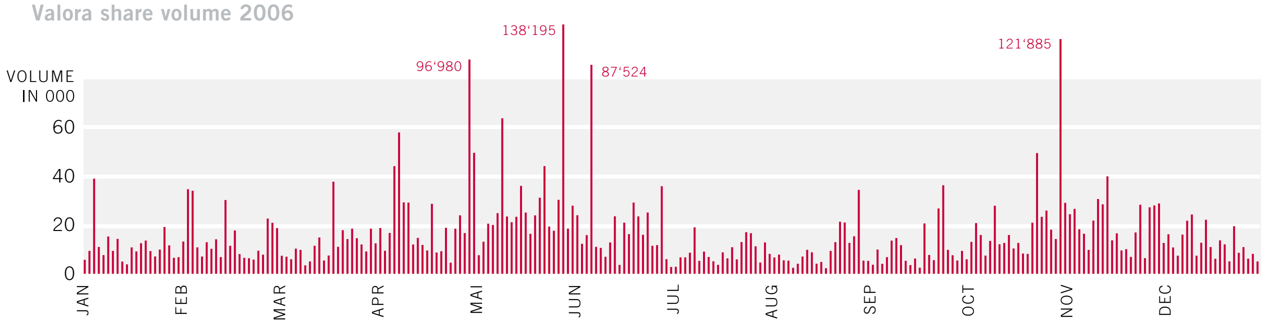
Valora shares convincingly outperformed the overall market during 2006. Beginning the year at CHF 253.50, they initially declined to CHF 238.00 on January 26, their lowest level for the whole year. They then rallied, reaching CHF 283.25 on 5 April, the day of the 2005 results media conference, and continuing on to CHF 302.00 on 9 May. Following MSCI's announcement on 10 May that Valora shares would be removed from the MSCI Switzerland Index at the end of May, the stock declined, falling to CHF 247.50 in early June. It then recovered, reaching CHF 279.25 on 24 August, the day the first-half 2006 results were published, continuing on to a high for the year of CHF 348.75, a surge fuelled in part by takeover speculation. The shares finished the year with a modest correction, closing at CHF 334.75.

2006 thus saw Valora shares rise 31% (having fallen 9% in 2005), which was well above the SPI's 2006 performance of +21% (+36% in 2005).

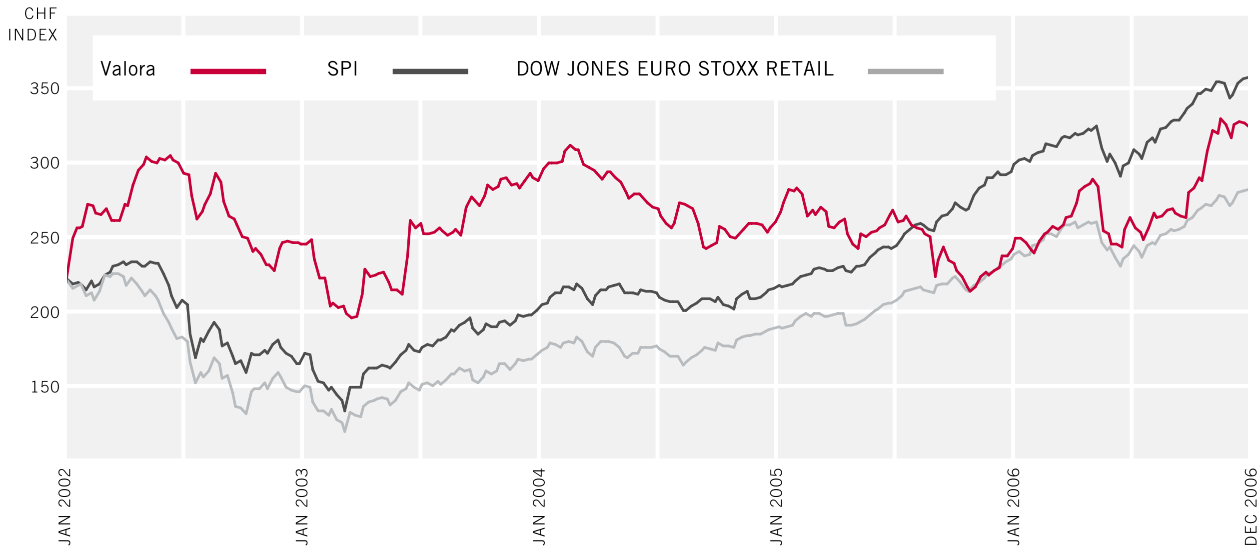
Valora share price trend in 2006



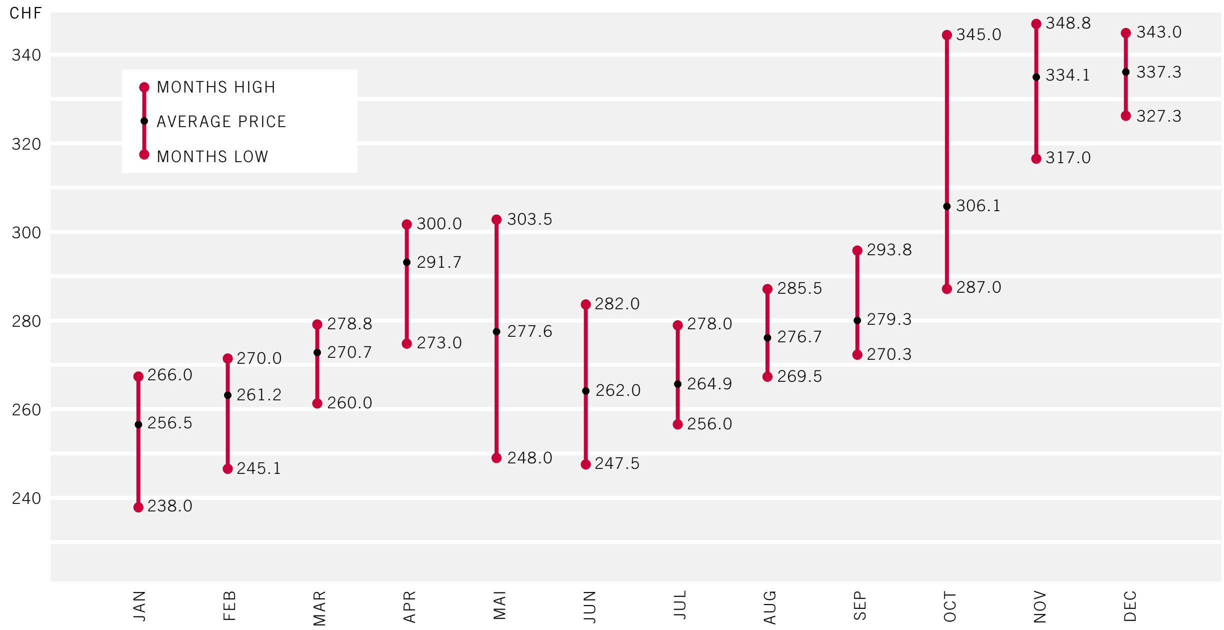
Valora share volume 2006



Valora share price trend 2002-2006



Month highs/lows in 2006



2 Shareholder returns

Share price		2006	2005	2004	2003	2002
Year end	CHF	334.75	254.75	280.00	308.00	265.00
Distributions to shareholders						
Dividends/Reimbursements of nominal value	CHF	[1] 9	9	[2] 9	9	9
Dividend yield	%	2.7	3.5	3.2	2.9	3.4
Annual returns						
excluding dividends	%	31.4	– 9.0	– 9.1	16.2	9.7
including dividends	%	34.9	– 5.8	– 6.2	19.6	13.5
Average return		2002-2006	2002-2005	2002-2004	2002-2003	2002
		5 years	4 years	3 years	2 years	1 Jahr
excluding dividends	%	6.7	1.3	5.1	12.9	9.7
including dividends	%	10.0	5.0	8.6	16.4	13.5

[1] Proposed
[2] Reimbursement of nominal value

3 Key share ratios

		2006	2005	2004	2003	2002
Operating profit per share [1]	CHF	[2] 25.64	[2] 8.45	[2] 46.76	– 26.95	31.47
Free cash flow per share [1] [3]	CHF	[2] 25.54	[2] 17.42	[2] 87.95	18.68	21.45
Earnings per share [1]	CHF	[2] 20.58	[2] 1.17	[2] 41.66	– 27.00	24.12
Equity per share [1]	CHF	175.42	160.68	170.27	196.70	239.75
P/E ratio [1]	31.12	[2] 16.3	[2] 217.9	[2] 6.7	n/a	11.0

[1] Based on average number of shares outstanding
[2] Continuing operations
[3] Free cash flow = net cash provided by operating activities less net cash used in investing activities

4 Shareholder data and capital structure

Structure of registered shareholders		At 31.12.2006	At 31.12.2005
Structure	Significant shareholders	5.73% of shares	None
	10 largest shareholders	29.8% of shares	22.3% of shares
	100 largest shareholders	47.6% of shares	38.8% of shares
Origin	Switzerland	69.8% of shares	65.8% of shares
	Elsewhere	30.2% of shares	34.2% of shares

Valora Holding AG's share capital of CHF 3.3 million comprises 3.3 million registered shares with a nominal value of CHF 1.00 each.

Conditional capital amounting to a maximum of CHF 84 000, comprising 84 000 registered shares each of CHF 1.00 nominal value, was approved by the Annual General Meeting of May 11, 2000. These shares can be used at any time by the Board of Directors to cover the exercising of options granted to employees of the company or Group companies within the overall framework laid down by the Board. Existing shareholders have no subscription rights for such shares. No time limits apply. None of this conditional capital had been issued by December 31, 2006.

The Articles of Incorporation limit the voting rights which may be held by individual shareholders or groups of shareholders to 5%. The Board of Directors may allow exceptions to this rule. No such exceptions were granted in 2006 . Non-Swiss shareholders are registered in the share register in the same way as Swiss shareholders. The company has made uninterrupted dividend payments or nominal value reimbursements since 1920.

5 Share capital

		2006	2005	2004	2003	2002
Total registered shares [1]	shares	3 300 000	3 300 000	3 570 000	4 200 000	4 200 000
Treasury shares [1]	shares	106 791	109 221	300 157	302 474	251 420
Number of shares outstanding [1]	shares	3 193 209	3 190 779	3 269 843	3 897 526	3 948 580
Market capitalisation [1] [2]	CHF million	1 069	813	916	1 200	1 046
Average number of shares outstanding	shares	3 197 186	3 196 384	3 664 006	3 935 088	3 976 107
Number of registered shareholders [1]		7 789	9 344	9 581	10 027	10 860

[1] At 31.12.
[2] Based on number of shares outstanding at 31.12.

6 Tax values

	Securities no.	At 31.12.2006	At 31.12.2005	At 31.12.2004	At 31.12.2003	At 31.12.2002
Registered shares of CHF 1.00 / CHF 10.00	208 897	334.75	254.75	280.00	308.00	265.00
2.875% bond 2005-2012	2 189 351	98.80%	98.90%	–	–	–

Development of the Valora Group

	Net revenues in CHF million	Number of employees	Operating cash flow [6] in CHF million	Depreciation in CHF million	Net profit in CHF million	Capital entitled to dividend in CHF million	Total Equity in CHF million	Dividend per share of CHF 10.00/ CHF 1.00 in CHF [1]
1905	0.1	72	–	–	–	0.5	–	–
1910	2.9	183	0.1	–	0.1	1.0	–	–
1920	10.0	255	0.3	0.1	0.2	3.0	3.3	1.00
1930	8.9	254	0.5	0.2	0.3	2.5	3.2	2.00
1940	10.8	293	0.5	0.1	0.4	2.5	3.6	1.75
1950	30.0	643	1.0	0.3	0.7	2.5	4.3	2.00
1960	47.3	970	1.2	0.3	0.9	4.0	6.9	2.50
1970	95.2	1 161	1.8	1.3	0.5	7.7	14.7	1.50
1980	196.9	1 068	5.6	4.6	1.0	10.0	21.4	2.00
1985	229.9	1 264	14.4	10.5	3.9	16.8	85.3	3.50
1990	1 706.7	7 602	110.1	60.4	44.3	76.7	548.0	5.80
1991	2 316.6	10 665	150.6	85.1	65.0	85.4	577.8	6.50
1992	2 527.6	11 111	168.4	94.3	70.7	91.6	636.0	7.00
1993	2 708.1	11 632	183.0	96.8	83.4	100.9	662.3	7.50
1994	2 917.5	13 353	202.3	103.8	93.6	102.1	707.9	8.00
1995	2 869.4	13 321	152.9	110.5	41.2	102.3	595.6	5.00
1996	2 895.6	13 266	183.0	109.8	72.1	102.6	589.5	6.00
1997	2 425.1	10 416	206.5	60.1	[4] 146.4	[5] 41.1	745.7	6.50
1998	2 551.2	10 145	155.5	63.1	92.5	41.2	775.5	7.00
Accounting policies revised to comply with International Financial Reporting Standards (IFRS) from 1999								
1999 [3]	2 290.9	8 117	172.5	56.0	82.0	41.2	841.3	8.00
2000 [3]	2 448.3	8 670	188.1	61.0	100.8	41.3	843.8	8.00
2001	2 633.6	9 206	213.3	64.0	118.6	40.9	927.6	9.00
2002	3 076.8	9 558	186.2	61.0	95.9	39.5	953.3	9.00
2003	3 021.4	8 995	164.4	69.5	– 106.3	39.1	774.0	9.00
2004 [3]	2 858.5	7 903	226.0	64.3	153.7	32.7	621.5	[7] 9.00
2005 [3]	2 846.4	7 454	54.4	49.7	4.7	[8] 3.2	513.6	9.00
2006 [3]	**2 862.5**	**7 185**	**115.6**	**49.1**	**66.5**	**3.2**	**560.9**	[2] **9.00**

[1] Unadjusted
[2] Proposal
[3] Continuing operations
[4] Includes CHF 63.3 million non-recurring gain from Selecta IPO
[5] After CHF 15.00 reduction in nominal value per share
[6] Operating cash flow = net profit + depreciation + amortisation of goodwill
[7] Reimbursement of nominal value
[8] After CHF 9.00 reimbursement of nominal value per share

Five-year summary

		2006[1]	2005[1]	2004[1]	2003	2002
Net revenues	**CHF million**	**2 862.5**	**2 846.4**	**2 858.5**	**3 021.4**	**3 076.8**
Change	%	+ 0.6	– 0.4	– 5.4	– 1.8	+ 16.8
Operating profit	**CHF million**	**82.0**	**27.0**	**171.3**	**– 106.0**	**125.1**
in % of net revenues	%	2.9	0.9	6.0	n/a	4.1
Net profit (net loss)	**CHF million**	**66.5**	**4.7**	**153.7**	**– 106.3**	**95.9**
Change	%	+ 1 304.5	– 96.9	n/a	n/a	– 19.2
in % of net revenues	%	2.3	0.2	5.4	n/a	3.1
in % of equity	%	11.9	0.9	24.6	n/a	10.0
Net cash provided by (used in)						
Operating activities	CHF million	108.2	96.4	173.3	137.3	154.4
Investing activities	CHF million	– 26.6	– 40.7	148.9	– 63.8	– 69.1
Free cash flow	**CHF million**	**81.7**	**55.7**	**322.2**	**73.5**	**85.3**
Financing activities	CHF million	– 82.8	– 123.7	– 232.2	– 108.1	– 72.7
Earnings (loss) per share	**CHF**	**20.58**	**1.17**	**41.66**	**– 27.00**	**24.12**
Change	%	+ 1 659.0	– 97.2	n/a	n/a	– 16.8
Free cash flow per share	**CHF**	**25.54**	**17.41**	**87.95**	**18.68**	**21.45**
Change	%	+ 46.7	– 80.2	+ 370.8	– 12.9	+ 43.7
Cash and cash equivalents	**CHF million**	**222.1**	**219.7**	**291.6**	**209.9**	**239.0**
Total equity	**CHF million**	**560.9**	**513.6**	**623.9**	**744.0**	**953.3**
Balance sheet equity ratio	%	42.3	37.8	41.4	45.3	50.4
Average number of employees		**7 185**	**7 454**	**7 903**	**8 995**	**9 558**
Change	%	– 3.6	– 5.7	– 12.1	– 5.9	+ 3.8
Net revenues per employee	**CHF 000**	**398**	**382**	**362**	**336**	**322**
Change	%	+ 4.2	+ 5.5	+ 7.7	+ 4.3	+ 12.6
Number of sales outlets at December 31		**1 414**	**1 464**	**1 531**	**1 615**	**1 660**
Net sales per sales outlet [2]	CHF 000	1 155	1 153	1 099	925	909

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

If there is any doubt or there are different interpretations, the German wording carries weight, not the English wording.

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