

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 K pfer, 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 Wöhrle 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 Components 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 Management 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 subscrip-

tion 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