Half-year Report 2004

Key figures

		30.06.04	30.06.03
Net revenues	CHF million	**1 500.9**	**1 472.3**
Change	%	+ 1.9	– 2.4
Earnings before interest and taxes (EBIT)	CHF million	**48.2**	**45.2**
Change	%	+ 6.5	– 32.1
as % of net revenues		3.2	3.1
Net income	CHF million	**33.4**	**31.3**
Change	%	+ 6.7	– 34.0
as % of net revenues		2.2	2.1
Net cash provided by (used in)			
Operating activities	CHF million	34.2	69.6
Investing activities	CHF million	– 11.1	– 29.4
Free cash flow	CHF million	**23.1**	**40.2**
Financing activities	CHF million	– 83.6	– 57.1
Net basic earnings per share	CHF	**8.73**	**7.97**
Change	%	+ 9.5	– 33.1
Net basic free cash flow per share	CHF	**6.04**	**10.24**
Change	%	– 41.0	+ 109.8
Share price at 30.6.	CHF	**288.50**	**275**
Market capitalisation	CHF million	**1 065**	**1 071**
Number of sales points		**1 546**	**1 640**
Net sales per sales point	CHF 000	483	446

		30.6.04	31.12.03
Cash and cash equivalents	CHF million	**147.1**	**209.9**
Liabilities with interest	CHF million	**465.6**	**455.3**
Shareholders' equity	CHF million	**704.6**	**774.0**
Total liabilities and shareholders' equity	CHF million	**1 604.0**	**1 710.8**
Number of employees		**8 459**	**8 995**
Change	%	– 6.0	– 5.9

The first six months of 2004 for the Valora Group were primarily characterised by a continuation of its current strategic realignment. The period saw the completion of a number of the divestitures previously announced, leaving primarily the Merkur gastronomy business, the Schirmer coffee-roasting operation and the Valora Imaging division's professional imaging activities still to be disposed of. The period also brought the acquisition of the Austrian-based Pressegrossvertrieb Salzburg (PGV). The purchase was a rare opportunity to acquire a successful company which fits excellently into the Valora Group's overall strategy and existing business activities and greatly strengthens the Group's market position in the press wholesale field. It is the Group's first major acquisition for two years.

Group earnings before interest and taxes (EBIT) totalled CHF 48.2 million for the period, a 6.5% increase on the same period last year. Earnings per share were up 9.5% on the prior-year period to CHF 8.73.

NET REVENUES. Net revenues for the first half of 2004 rose 1.9% on their prior-year equivalent to CHF 1 500.9 million. Net of the impact of currency movements and divestitures, the result was a 1.3% improvement on the previous year. All divisions contributed to the increase with the exception of Valora Imaging, which suffered a further volume decline.

GROSS MARGIN. The CHF 7.2 million decline in gross profit is attributable primarily to a change in the margin mix (Valora Imaging), a CHF 4.0 million loss incurred on a receivable from a key-account customer and the dilution of the tobacco margin following an increase in tax. Higher volumes and improved margins in key product groups could only partially offset these adverse influences.

EARNINGS BEFORE INTEREST AND TAXES (EBIT). The CHF 48.2 million EBIT result was a CHF 3.0 million (6.5%) improvement on its prior-year equivalent.

FREE CASH FLOW AND FINANCING. Free cash flow declined to CHF 23.1 million. Net cash provided by operating activities declined as a result of an increase in the funds committed to net working capital. But the period also saw a reduction in investments in tangible fixed assets and income of CHF 11.0 million from the sales of former Group business units.

With the share buyback programme continuing during the period, cash and cash equivalents and marketable securities declined CHF 65.2 million to CHF 148.6 million. A large portion of the substantial short-term bank debt held at the beginning of the year was successfully refinanced in the course of the period through the conclusion of a CHF 130 million long-term syndicated credit facility. The remaining short-term bank debts include mortgage loans on real estate no longer required for business operations. The disposal of these assets will reduce short-term bank debts by a further CHF 60 million.

VALORA RETAIL. Sales for the Valora Retail division were 2.1% up on the prior-year period (or 1.6% net of the impact of currency movements and divestitures) to CHF 746.2 million – an encouraging result, given the still-difficult general business environment. With the inclusion of the exceptional costs incurred in 2003, the division's relative gross margin remained largely at prior-year levels. But the CHF 13.3 million EBIT result was double its prior-year equivalent. The results incorporate the exceptional costs which were actually accounted in 2003.

As Switzerland's biggest distributor of phonecards, the division remains at the cutting edge of technology with its switch to electronic pin code distribution.

The division's kiosks should soon feature a more consistent look with the adoption of a new corporate design. The new appearance is intended to secure a clearer market position for the k kiosk network.

Sales remain favourable at the division's Luxembourg operation. And, while the general consumer mood remains largely muted, the restructuring in Germany is proceeding according to plan.

VALORA WHOLESALE. Sales of press products suffered a further year-on-year decline, especially on the newspaper front. But despite this, net revenues still increased by 3.2%, or 3.0% net of currency movement factors to CHF 625.7 million. Sales for the division's other product groups were substantially above prior-year levels, and sales of Euro 2004 soccer stickers in particular made a major contribution to the overall revenue increase. With the exclusion of the loss from receivables incurred, gross profit was virtually unchanged from the first half of 2003.

Valora Trade. Net revenues for the division were 4.5% up on the same period last year to CHF 463.8 million, or 2.9% excluding the impact of currency movements and divestitures. Gross profit rose by a smaller amount, largely as a result of a shift in the revenue mix. With cost economies successfully effected, the division's EBIT result was a slight improvement on the prior-year period.

Results from the division's coffee business suffered from the negative effect of the lower volumes involved.

The amalgamation of two companies each in Austria and Sweden had the desired beneficial impact on expenses.

By means of higher marketing investments in Scandinavia the distribution could be expanded.

Valora Imaging. The Valora Imaging division suffered a further 13.2% reduction in revenues, or a 15.4% decline in local-currency terms to CHF 77.1 million. But cost economies stemmed the EBIT decline for the period to CHF 2.6 million. The continued rapid growth in the digital photography field is currently unable to compensate for the decline in the traditional photographic business.

Focus on core business. The Valora Group continued to implement its focus strategy according to plan in the first six months of 2004. As a result, the Dolmetsch AG and Again Production AB companies and the Group's BSV book rack jobbing service and Merkur speciality shops were removed from the Group's consolidated results. The divestitures produced a profit on asset disposals of CHF 2.3 million.

The Group also concluded the sale of its Merkur coffee-roasting business in July 2004. This leaves Valora Trade's Schirmer coffee-roasting business in Germany, Valora Retail's Merkur gastronomy business, the professional imaging activities within Valora Imaging and the real estate no longer required for the Group's business operations to be disposed of. Negotiations are well advanced on all these fronts.

Joint venture with Spector. Valora and the Belgian-based Spector Group signed a letter of intent in May 2004 to establish a joint-venture company. The partners aim to integrate all their respective mail-order activities into the new joint company, and thereby exploit the sizeable synergic potential that the new arrangement should provide in what is currently a difficult market. The associated preparations are proceeding on schedule, and the new joint-venture company should be established by the end of the year.

Share buyback programme. The share buyback programme was continued as planned. We expect the second tranche of the programme, covering the repurchase of 454 000 shares, to be completed in the second half of the year.

Changes in Group Executive Management. Ruedi Keller, Head of the new Management Services division, joined Group Executive Management in January 2004. He was joined by Alex Minder, who has assumed overall management of Valora Trade, in May 2004. Group Executive Management saw a further change in August 2004 when Markus Voegeli assumed his new position as Group CFO. With the appointment of Jürg Arquint as Head of the Valora Retail division, Group Executive Management returns to full strength. Jürg Arquint will assume his Group Executive Management seat by January 2005.

Annual results projections. The second half of the year tends to produce a stronger business performance than the first. Annual operating results (EBIT and net income) for 2004 will be a substantial improvement on their 2003 equivalents (excluding exceptional costs). But net Group income will be influenced by the success of the Group's divestiture activities.

Collaboration with Migros. Valora and Migros have concluded a letter of intent to co-found a new joint-venture company. The new undertaking would see the partners collaborate in the provisioning and operation of convenience shops in Switzerland, and offers highly promising potential in a rapidly-growing market. The new company should also permit the partners to clearly establish themselves in the market concerned with a consistent corporate identity and a strong corporate brand.

Valora Holding AG

Peter Küpfer	Peter Wüst
Chairman of the Board	CEO

Consolidated income statement

January 1 to June 30

CHF 000, except where per share	2004 unaudited	%	2003 unaudited	%
Net revenues	**1 500 855**	**100.0**	**1 472 284**	**100.0**
Cost of goods	– 946 997	– 63.1	– 911 243	– 61.9
Gross margin	**553 858**	**36.9**	**561 041**	**38.1**
Personnel expenses	– 269 324	– 18.0	– 272 868	– 18.5
Other operating expenses	– 211 316	– 14.1	– 212 671	– 14.4
Depreciation of operating assets	– 27 055	– 1.8	– 28 848	– 2.0
Other income, net	8 771	0.6	12 966	0.9
Income from disposal of former Group business units	2 279	0.2		
Amortization of goodwill	– 9 051	– 0.6	– 14 384	– 1.0
Earnings before interest and taxes (EBIT)	**48 162**	**3.2**	**45 236**	**3.1**
Financial expenses	– 10 576	– 0.7	– 12 220	– 0.9
Financial income	997	0.1	5 523	0.4
Equity net income (loss) from affiliated companies	229	0.0	– 61	0.0
Income before income taxes and minority interests	**38 812**	**2.6**	**38 478**	**2.6**
Income taxes	– 4 919	– 0.3	– 7 399	– 0.5
Minority interests	– 519	– 0.1	187	0.0
Net income	**33 374**	**2.2**	**31 266**	**2.1**
Average number of shares outstanding	3 822 873		3 922 218	
Earnings per share				
Basic earnings per share (CHF)	8.73		7.97	
Diluted earnings per share (CHF)	8.12		7.30	

Consolidated balance sheet

CHF 000

Assets	30.06.2004 unaudited	%	31.12.2003	%
Current assets				
Cash and cash equivalents	147 137		209 928	
Marketable securities	1 415		3 838	
Trade accounts receivable	217 679		211 929	
Inventories	271 748		304 709	
Current income tax receivable	2 447		7 896	
Other current assets	72 809		60 144	
Total current assets	**713 235**	**44.5**	**798 444**	**46.7**
Non-current assets				
Property, plant and equipment	499 164		509 479	
Goodwill, software and other intangible assets	281 772		289 925	
Other long-term assets	67 748		70 786	
Deferred income tax assets	42 056		42 121	
Total non-current assets	**890 740**	**55.5**	**912 311**	**53.3**
Total assets	**1 603 975**	**100.0**	**1 710 755**	**100.0**

CHF 000

Liabilities and shareholders' equity	30.06.2004 unaudited	%	31.12.2003	%
Current liabilities				
Short-term bank debt	75 015		199 314	
Trade accounts payable	224 528		263 743	
Current income tax liabilities	4 535		4 920	
Other current liabilities	133 541		132 975	
Current provisions	2 370		6 967	
Total current liabilities	**439 989**	**27.4**	**607 919**	**35.5**
Non-current liabilities				
Long-term debt	171 419		37 104	
Bonds payable	219 202		218 903	
Long-term accrued pension cost	8 191		7 614	
Long-term provisions	19 655		22 143	
Deferred income tax liabilities	38 478		39 925	
Total non-current liabilities	**456 945**	**28.5**	**325 689**	**19.0**
Total liabilities	**896 934**	**55.9**	**933 608**	**54.5**
Minority interests	**2 424**	**0.2**	**3 125**	**0.2**
Shareholders' equity				
Share capital	40 240		40 240	
Additional paid-in capital	75 439		75 439	
Retained earnings	704 569		706 354	
Treasury stock	– 119 440		– 55 704	
Cumulative translation adjustment	3 809		7 693	
Total shareholders' equity	**704 617**	**43.9**	**774 022**	**45.3**
Total liabilities and shareholders' equity	**1 603 975**	**100.0**	**1 710 755**	**100.0**

Consolidated cash flow statement

January 1 to June 30 CHF 000	2004 unaudited	2003 unaudited
Cash and cash equivalents at beginning of period	**209 928**	**239 010**
Net cash provided by operating activities	**34 190**	**69 599**
Net cash provided by (used in) investment activities [1)]	**– 11 108**	**– 29 426**
Free cash flow	23 082	40 173
Net cash provided by (used in) financing activities	**– 83 624**	**– 57 086**
Subtotal: Net increase (decrease) in cash and cash equivalents	**– 60 542**	**– 16 913**
Translation adjustments on cash and cash equivalents	– 2 249	5 125
Cash and cash equivalents at end of period	147 137	227 222

[1)] The net cash used in investment activities includes CHF 11.0 million proceeds (net of cash sold) from the sale of non-core business activities in line with the focus strategy.

Consolidated statement of changes in shareholders' equity

CHF 000	Share capital	Additional paid-in capital	Retained earnings	Treasury stock	Cumulative translation adjustment	Total share-holders'equity (unaudited)
Balance at December 31, 2002	**42 000**	**126 451**	**848 143**	**– 57 994**	**– 5 349**	**953 251**
Net income first half-year 2003			31 226			31 266
Dividend Valora Holding AG			– 35 537			– 35 537
Treasury stock purchased				– 14 248		– 14 248
Treasury stock reissued				2 603		2 603
Translation adjustments					9 064	9 064
Balance at June 30, 2003	**42 000**	**126 451**	**843 872**	**– 69 639**	**3 715**	**946 399**
Net loss second half-year 2003			– 137 518			– 137 518
Treasury stock purchased				– 53 895		– 53 895
Treasury stock reissued				15 058		15 058
Reduction of stock capital	– 1 760	– 51 012		52 772		0
Translation adjustments					3 978	3 978
Balance at December 31, 2003	**40 240**	**75 439**	**706 354**	**– 55 704**	**7 693**	**774 022**
Net income first half-year 2004			33 374			33 374
Dividend Valora Holding AG			– 35 159			– 35 159
Treasury stock purchased				– 66 343		– 66 343
Treasury stock reissued				2 607		2 607
Translation adjustments					– 3 884	– 3 884
Balance at June 30, 2004	**40 240**	**75 439**	**704 569**	**– 119 440**	**3 809**	**704 617**

Segment report

in CHF 000	Valora Retail	Valora Wholesale	Valora Trade	Valora Imaging	Corporate	Intersegment elimination	Total Valora Group (unaudited)
Net revenues 01.01. - 30.06.2004							
From third parties	746 202	219 264	456 929	77 047	1 413		1 500 855
From other business segments		406 420	6 891	62	219	– 413 592	0
Total	**746 202**	**625 684**	**463 820**	**77 109**	**1 632**	**– 413 592**	**1 500 855**
Net revenues 01.01. - 30.06.2003							
From third parties	731 166	210 198	436 384	88 804	5 734		1 472 286
From other business segments		396 250	7 313	58	91	– 403 712	0
Total	**731 166**	**606 448**	**443 697**	**88 862**	**5 825**	**– 403 712**	**1 472 286**
Change (%)	+ 2.1	+ 3.2	+ 4.5	– 13.2			+ 1.9
Earnings before interest and taxes (EBIT)							
01.01. - 30.06.2004	**13 307**	**7 872**	**16 743**	**2 887**	**7 353**		**48 162**
01.01. - 30.06.2003	[1] 4 349	14 551	16 399	5 445	4 492		45 236
Change (%)	+ 206.0	– 45.9	+ 2.1	– 47.0			+ 6.5
EBIT as % of net revenues							
01.01. - 30.06.2004	**1.8**	**1.3**	**3.6**	**3.7**	**–**	**–**	**3.2**
01.01. - 30.06.2003	0.6	2.4	3.7	6.1	–	–	3.1

[1] Exceptional costs amounting to CHF 17.0 million were included in the first-half financial statements for 2003 solely for comparison purposes, since the results of previous years would have been affected.

The presentation of the business segments was restated to match the Group’s organisational and internal reporting structure. The main difference compared to the presentation for 2003 is the integration of the Group’s procurement activities into Valora Wholesale (these activities were shown under Corporate in 2003). The figures for 2003 have been restated accordingly for comparison purposes.

Notes to the consolidated financial statements

Basis of presentation. This Half-year Report is unaudited. It was produced in accordance with the principles stated in the 2003 Annual Report and complies with International Financial Reporting Standards (IFRS).

Certain prior-year figures have been reclassified to permit comparisons with the current year's presentation.

Financing. The syndicated credit facility secured to refinance short-term bank debts in the first half of 2004 was concluded on the following terms:

	Amount	Maturity	Interest rate
Facility A 1	CHF 50 million	31.03.2009	3.3 %
Facility A 2	CHF 50 million	31.03.2009	3.5 %
Facility B	CHF 30 million	31.03.2011	3.8 %

The total facility cannot be prematurely withdrawn by the creditor. Facility A can be repaid by Valora before maturity; Facility B cannot.

Provisions. Movements in provisions during the first half of 2004 were as follows:

in CHF million	
Total provisions at 1.1.2004	**29.1**
Provisions used	– 4.2
Provisions made	0.2
Provisions released to income	– 2.8
Translation differences	– 0.3
Total provisions at 30.06.2004	**22.0**

Changes to the scope of consolidation

Divestitures: Dolmetsch AG, Again Production AB (Valora Trade) and the BSV book rack jobbing business (part of Distriforce AG) were disposed of with effect from January 1, 2004 as part of the Group's strategy of focusing on its core business. In addition, 41 of the 59 Merkur speciality shops (part of Valora AG) were sold with effect from June 1, 2004.

Acquisitions: The Group increased its shareholding in Charles Pettersen AS, Norway (Valora Trade) from 90 % to 100 % with effect from January 1, 2004.

Subsequent events. The purchase agreement for the acquisition of Pressegrossvertrieb Salzburg GmbH (PGV) was formally signed at the beginning of July 2004. The agreement will enter into effect subject to the approval of the relevant competition authorities.

The sale of the Merkur coffee-roasting business in Zollikofen was concluded at the end of July 2004.

Berne, August 26, 2004

THE NEXT ORDINARY GENERAL MEETING OF VALORA HOLDING AG WILL BE HELD IN BERNE ON WEDNESDAY, APRIL 27, 2005.

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