Consolidated income statement

January 1 to December 31, in CHF 000 (except per-share amounts)	Note	**2005**	**%**	2004	%
Net revenues	4	**2 846 369**	**100.0**	**2 858 546**	**100.0**
Cost of goods		– 1 903 945	– 66.9	– 1 883 286	– 65.9
Gross profit		**942 424**	**33.1**	**975 260**	**34.1**
Personnel expense	5	– 496 558	– 17.4	– 500 804	– 17.5
Other operating expenses	6	– 368 563	– 13.0	– 345 971	– 12.1
Depreciation and amortisation of operating assets	16, 17, 18	– 49 694	– 1.8	– 49 646	– 1.7
Other income, net	7	– 585	– 0.0	22 887	0.8
Goodwill amortisation	18	0	0.0	– 8 085	– 0.3
Gains on disposals of business units	2	0	0.0	22 482	0.8
Gains on disposals of real estate	2	0	0.0	67 729	2.3
Impairments and focus strategy costs	2	0	0.0	– 12 529	– 0.4
Operating profit		**27 024**	**0.9**	**171 323**	**6.0**
Financial expense	8	– 19 286	– 0.6	– 19 463	– 0.7
Financial income	9	3 660	0.1	2 271	0.1
Share of (loss)/profit from associates		– 280	– 0.0	564	0.0
Earnings before taxes		**11 118**	**0.4**	**154 695**	**5.4**
Income taxes	10	– 6 385	– 0.2	– 1 028	– 0.0
Result from continuing operations		**4 733**	**0.2**	**153 667**	**5.4**
Result from Consumer Imaging	3	– 61 041	– 2.2	– 119 040	– 4.2
Net (loss)/profit for the year		**– 56 308**	**– 2.0**	**34 627**	**1.2**
- Attributable to shareholders of Valora Holding AG		– 57 316	– 2.0	33 615	1.2
- Attributable to minority interests		1 008	0.0	1 012	0.0
Earnings per share					
Earnings per share from continuing operations (in CHF)	11	1.17		41.66	

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated balance sheet

Assets **At December 31,** in CHF 000	Note	**2005**	**%**	2004	%
Current assets					
Cash and cash equivalents	12	219 655		291 645	
Trade accounts receivable	13	167 610		192 780	
Inventories	14	258 520		260 208	
Current income tax receivable		3 344		4 716	
Other current assets	15	51 091		56 761	
Current assets		**700 220**	**51.5**	**806 110**	**53.5**
Assets held of disposal groups	3	29 934		0	
Total current assets		**730 154**	**53.7**	**806 110**	**53.5**
Non-current assets					
Property, plant and equipment	16	322 483		364 788	
Goodwill, software and other intangible assets	18	155 665		182 819	
Investment property	17	32 301		28 851	
Investment in associates and joint ventures	20	12 717		3 573	
Long-term financial assets	19	7 516		18 665	
Net pension asset	24	54 574		54 574	
Deferred income tax assets	10	43 800		46 757	
Total non-current assets		**629 056**	**46.3**	**700 027**	**46.5**
Total assets		**1 359 210**	**100.0**	**1 506 137**	**100.0**

Liabilities and equity

At December 31, in CHF 000	Note	**2005**	**%**	2004	%
Current liabilities					
Short-term bank debt		50 815		1 050	
Current bonds payable	21	0		219 501	
Trade accounts payable		300 174		288 275	
Current income tax liabilities		5 303		11 302	
Other current liabilities	22	104 359		123 818	
Current provisions	23	21 214		6 269	
Current liabilities		**481 865**	**35.5**	**650 215**	**43.2**
Liabilities from disposal groups	3	29 746		0	
Total current liabilities		**511 611**	**37.6**	**650 215**	**43.2**
Non-current liabilities					
Long-term debt	21	143 860		178 494	
Bond payable	21	138 105		0	
Long-term accrued pension cost		10 780		10 470	
Long-term provisions	23	11 896		12 047	
Deferred income tax liabilities	10	29 361		31 033	
Total non-current liabilities		**334 002**	**24.6**	**232 044**	**15.4**
Total liabilities		**845 613**	**62.2**	**882 259**	**58.6**
Equity					
Share capital	29	3 300		35 700	
Additional paid-in capital		1 178		2 491	
Retained earnings		532 396		657 547	
Treasury stock		– 29 751		– 77 685	
Cumulative translation adjustments		4 005		3 387	
Valuation reserves for sale of available financial assets		15		0	
Equity of Valora Holding AG shareholders		**511 143**	**37.6**	**621 440**	**41.3**
Minority interest in subsidiaries		2 454		2 438	
Total equity		**513 597**	**37.8**	**623 878**	**41.4**
Total liabilities and equity		**1 359 210**	**100.0**	**1 506 137**	**100.0**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated cash flow statement

January 1 to December 31, in CHF 000	Note	**2005**	2004
Operating profit from continuing operations		**27 024**	**171 323**
Elimination of non-cash transactions			
Depreciation on property, plant, equipment and investment property	16, 17	41 565	53 740
Amortisation of goodwill and other intangible assets	18	8 129	18 597
Loss (gains) on sale on fixed assets, net	7	1 379	– 67 926
Gains on disposals of business units, net	2	– 92	– 22 482
Impairment on financial assets		416	250
Share-based payments	25	2 901	2 370
Creation (release) of provisions, net	23	15 464	– 3 588
Changes in net working capital, net of acquisitions and disposals of business units			
Decrease in trade accounts receivable		16 078	16 395
(Increase) decrease in inventories		– 5 252	23 018
(Increase) decrease in other current assets		– 7 049	20 013
Increase in trade accounts payable		24 236	620
Increase in accrued pension cost		556	485
Provisions assigned	23	– 1 106	– 7 061
Decrease in other liabilities		– 6 370	– 6 548
Cash generated from operating activities for continuing operations		**117 879**	**199 206**
Interest paid		– 18 082	– 19 776
Income taxes paid		– 7 343	– 9 124
Interest received		3 910	3 054
Net cash provided by operating activities for continuing operations		**96 364**	**173 360**

January 1 to December 31, in CHF 000			
Cash flow from investing activities	Note	**2005**	2004
Investments in tangible fixed assets	16	– 41 578	– 41 783
Proceeds from sale of tangible fixed assets	16	4 982	15 827
Proceeds from sale of investment property	17	550	150 053
Acquisition of subsidiaries, net of cash acquired	2	0	– 30 508
Disposal of business units, net of cash sold	2	1 562	72 158
Acquisition of shares in joint ventures and associates		– 2 012	– 100
Disposal (acquisition) of minority interests and non-current financial assets		1 680	– 8 853
Purchase of other intangible assets	18	– 6 655	– 7 971
Proceeds from sale of other intangible assets	18	778	61
Net cash (used in) provided by investing activities for continuing operations		**– 40 693**	**148 884**
Cash flow from financing activities			
Increase in (repayment of) short-term bank debt, net		19 121	– 200 413
Increase in long-term financial liabilities	21	599	199 221
Repayment of long-term financial liabilities	21	– 3 914	– 46 003
Bond issues	21	137 982	0
Bond repayments	21	– 220 000	0
Treasury stock purchased	29	– 28 657	– 151 554
Treasury stock issued	29	1 842	1 089
Dividends paid	29	0	– 33 875
Reduction in nominal value	29	– 29 700	0
Dividends paid to minorities		– 1 000	– 678
Net cash used in financing activities for continuing operations		**– 123 727**	**– 232 213**
Net (decrease) increase in cash and cash equivalents for continuing operations		**– 68 056**	**90 031**
Translation adjustments on cash and cash equivalents		8	– 318
Cash and cash equivalents at beginning of year for continuing operations		287 703	197 990
Cash and cash equivalents at end of year for continuing operations	**12**	**219 655**	**287 703**
Cash and cash equivalents for discontinued operations		0	3 942
Cash and cash equivalents at end of year		**219 655**	**291 645**

The accompanying notes 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 December 31, 2003		**40 240**	**19 735**	**706 354**	**7 693**	**774 022**	**3 125**	**777 147**
Restatement of share-based payments according to IFRS 2			1 560	– 1 560		0		**0**
Balance at January 1, 2004		**40 240**	**21 295**	**704 794**	**7 693**	**774 022**	**3 125**	**777 147**
Translation adjustments					– 4 306	– 4 306	55	**– 4 251**
(Expense) income recognised directly in equity					**– 4 306**	**– 4 306**	**55**	**– 4 251**
Net profit				33 615		33 615	1 012	**34 627**
Total profit (loss) shown				**33 615**	**– 4 306**	**29 309**	**1 067**	**30 376**
Share-based payments	25		2 370			2 370		**2 370**
Dividend paid on 2003 result				– 33 875		– 33 875	– 678	**– 34 553**
Treasury stock purchased			– 151 554			– 151 554		**– 151 554**
Treasury stock issued			1 168			1 168		**1 168**
Capital reduction		– 4 540	51 527	– 46 987		0		**0**
Minority interest purchased							– 1 076	**– 1 076**
Balance at December 31, 2004		**35 700**	**– 75 194**	**657 547**	**3 387**	**621 440**	**2 438**	**623 878**
Valuation reserves for sale of available 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) shown			**15**	**– 57 316**	**618**	**– 56 683**	**1 029**	**– 55 654**
Share-based payments	25		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 issued			1 842			1 842		**1 842**
Capital reduction	29	– 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**

The accompanying notes 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 consolidated annual financial statements of the Valora Group have been compiled under the historical cost convention (except for financial assets and financial liabilities, which are stated at fair value), in accordance with the International Financial Reporting Standards (IFRS) and in compliance with the legal provisions of the Swiss Code of Obligations. The financial statements are prepared in Swiss francs (CHF). The most significant accounting policies are described below.

Scope of consolidation. An overview of all significant Group companies is provided in Note 31.

Consolidation principles. The consolidated annual financial statements of Valora include the operations of Valora Holding AG and all its direct and indirect subsidiaries. Subsidiaries are companies which the Group has the possibility of controlling. In determining whether such control is possible, potential voting rights which can currently be exercised or converted are also considered.
Companies and joint ventures in which Valora exercises significant influence but which it does not control are accounted using the equity method, under which investments are disclosed as investments in associates and presented at their fair value as of the date of acquisition, adjusted for Valora's share in retained earnings (losses) resulting since the date of acquisition.
Subsidiaries and investments acquired or disposed of during the year are included in the consolidated financial statements from the date of acquisition (assumption of control) and are removed from the date of sale (transfer of control).
All intercompany balances, transactions and profits are eliminated upon consolidation.
Balances and transactions with investments and joint ventures accounted using the equity method are separately disclosed as items with associates.
Minority interests in shareholders' equity and net income are also disclosed separately.

Adoption of new accounting standards. The new IFRS and modified IAS accounting standards which entered into effect on January 1, 2005 under the ‹stable platform› policy are explained individually below.
The accounting of share-based payments required by IFRS 2 resulted in a reassignment within equity at January 1, 2004 which reduced retained earnings by CHF 1.6 million and increased additional paid-in capital by the same amount. Personnel expense for 2004 was also increased by CHF 1.0 million as a result of the revised standard. Earnings per share were reduced accordingly by CHF 0.27.
The adoption of IFRS 3 eliminated the regular amortisation of goodwill for 2005. Prior-year figures were not restated here.
Under the new IFRS 5, results from discontinued operations must be shown separately in the income statement and must also be shown separately on the balance sheet under both assets and liabilities. The consolidated financial statements thus show only the results and financial situation of continuing operations, supplemented by the summarised and correspondingly-indicated results and balances of discontinued operations. Detailed information on Valora's discontinued operations is provided in Note 3.

IAS 1 now demands that minority interest in equity be included therein. This was retroactively applied from January 1, 2004, and increased equity at the beginning of 2004 by CHF 3.1 million.
The new provisions of IAS 17 relate largely to the treatment of leased real estate. No restatements of the consolidated financial statements were required here.
The modifications to IAS 24 demand a substantially more extensive presentation of transactions with related parties. The notes thereon have been modified accordingly. The comprehensive definition of management compensation contained in IAS 24, together with the new IFRS 2 (see above), resulted in an adjustment to the amounts shown for the prior year.
The revision of IAS 28 had no impact on the assets or earnings stated, but does demand more detailed declaration with regard to associates. The notes thereon have been modified accordingly.
Financial assets were assigned to the categories demanded by IAS 39. The items in the former ‹Securities› position have been reassigned, resulting in the elimination of all current financial assets. The prior-year balance sheet was restated accordingly.

Future changes to accounting principles. All announcements and publications of new and revised IFRS/IAS standards are closely and continually monitored, along with their impact on Group accounting policy.
IFRS 7, which was published in August 2005 and enters into effect on January 1, 2007, relates to the disclosure of financial instruments and does not contain any new or revised valuation requirements. Valora will adopt the standard from the 2007 business year onwards.
Valora will decide in 2006 whether to exercise the option added recently to IAS 19 of recognising actuarial gains or losses from defined-benefits pension schemes.
The various amendments to IAS 39 relating to the disclosure and valuation of derivative financial instruments are not expected to have any impact on the Group's asset and earnings situation, as the Group does not hold any such instruments and did not hold them in the relevant prior periods.
None of the other IFRS/IAS innovations either published or announced are expected to have any material impact on Valora's accounting practice and the resulting financial statements.

Foreign currency translation. Transactions denominated in foreign currencies are recorded at the rate of exchange prevailing on the date of the transaction. At the end of the accounting period, unsettled foreign-currency receivables and liabilities are valued at the rate of exchange prevailing on the balance sheet date, with resulting exchange-rate differences charged to the income statement.
The assets and liabilities of subsidiaries working in currencies other than the Swiss franc are translated at the rates of exchange prevailing on the balance sheet date. Income, expenses, cash flows and other movement items are translated at the average exchange rates for the period, as long as this provides a close-enough approximation of the result which would have been achieved using transaction-date rates. If this is not the case, movement items are translated at the actual transaction-date rates. Gains and losses from the translation of the annual financial statements of non-Swiss-franc subsidiaries are ac-

cumulated and separately disclosed within equity as cumulative translation adjustments. The amendment to IAS 21, whose adoption has been compulsory since January 1, 2006, was already adopted for the 2005 business year. The early adoption had no impact on the comparability of 2005 results with those of prior periods.

Translation rates applied for key foreign currencies

	Average rate for 2005	Rate at December 31, 2005	Average rate for 2004	Rate at December 31, 2004
Euro: EUR 1	1.548	1.557	1.544	1.543
Swedish krone: SEK 100	16.67	16.53	16.91	17.11
Danish krone: DKK 100	20.78	20.87	20.74	20.74

Net revenues and revenue recognition. Net revenues include all sales of goods and services, net of any revenue deductions including rebates, discounts and other agreed deductions as well as allowances for bad debts. Retail sales of the Valora Retail division are recognised upon sale to the customer. Payment is in cash or by credit card, where the sale amount recorded is the amount paid less the credit card fee. Wholesale revenues from the Valora Press & Books and Valora Trade divisions are recognised when the goods are delivered, the customer has accepted them and there is sufficient certainty that the amount will be received. Wholesale goods may also be provided on a sale-or-return basis. In such cases, the total revenue amount will be reduced by an estimated return rate based on experience and other appropriate assumptions.

Share-based payments. The Valora Group pays some of the compensation due to its own top managers in the form of company shares. In such cases, the market value of the shares concerned (less any price payable by the recipient) on the date of the corresponding agreement is charged as an expense to the income statement. Should the terms and conditions under which such shares are offered extend over several years, the expense involved is allocated in appropriate proportions to the business years concerned, paying due regard to the expected degree to which the targets set will be achieved.
Expenses paid in the form of shares for services provided by third parties are charged to the income statement at the market value of the service provided.

Gains on disposals of real estate. The gains deriving from the 2004 sale in two tranches of real estate no longer required for operations under the focus strategy are shown as ‹gains on disposals of real estate›. These gains consist of the sale price obtained less the carrying amounts on the properties at the time of their sale and the costs associated directly with their sale, excluding taxes.

Impairments and focus strategy costs. Impairments were effected in 2004 on real estate not yet disposed of and general costs arising from the implementation of the strategy resolved by the Board of Directors under which the Valora Group was to focus on its core business activities. These are summarised and separately presented in the 2004 income statement.

Income taxes. Current income taxes are based on taxable income of the current year and are charged to the income statement as incurred.
Deferred income taxes are determined using the liability method, which is applied to all temporary differences between Group and taxable book values. These amounts are calculated on the balance sheet date or at the time the temporary differences to the expected tax rate are realised. Tax savings resulting from tax losses carried forward applicable to future taxable income and other deferred income tax assets are only recognised to the extent that future realisation is probable.
Deferred taxes are not calculated on temporary differences from the book values of holdings in subsidiaries or associates unless they are likely to be realised in the foreseeable future or cannot be managed or controlled.

Earnings per share. Earnings per share are calculated by dividing the net income from continuing operations attributable to shareholders of Valora Holding AG by the average number of outstanding shares of the parent company, Valora Holding AG. For diluted earnings per share, all potential diluting effects, such as shares issuable through convertible bonds or option programmes, are also considered, and the earnings per share amount is reduced accordingly.

Cash and cash equivalents. Cash and cash equivalents include petty cash, bank sight deposits and short-term money-market investments with original maturity dates of three months or less.

Trade accounts receivable. Trade accounts receivable are recorded at cash value or, if the nominal invoice amount does not deviate substantially therefrom, at nominal value less any impairments required for doubtful accounts. Value reductions are effected if there is objective evidence that the amount due may not be received in full.

Inventories. Inventories are valued at the lower of cost and net realisable value. In the Valora Retail division, costs are determined using the retail method. In the Valora Press & Books and Valora Trade divisions, costs are determined using the first-in, first-out (FIFO) method. Allowances are made using standard business criteria for obsolete and slow-moving items. Unsettled commodity forward contracts relating to the inventory purchases of certain production companies are not capitalised.

Non-current assets held for sale. Fixed assets are classed as ‹held for sale› and stated at the lower of carrying amount and fairs value less costs to sell if their carrying amount is basically realised by their sale instead of their further operational use. If entire business units are offered for sale, all the associated assets and all directly-assignable liabilities are shown separately as ‹assets/liabilities of disposal groups› on the balance sheet.
In the case of disposals of business units, the unit’s operating profit are included in the ordinary positions on the income statement up to the date of disposal. For 2004, the difference is calculated between the sale proceeds and the net assets calculated on the sale date, less the direct costs associated with the sale, and are shown as ‹Gains on disposals of business units›.

Property, plant and equipment. Property, plant and equipment, excluding investment property, are recorded at cost less accumulated depreciation. Leasehold improvements are depreciated over the shorter of their estimated useful life and the remaining term of the lease. Repairs and maintenance are expensed as incurred, while major renovations and improvements are capitalised as property, plant and equipment and depreciated over their estimated useful lives. Borrowing costs incurred during the construction of property, plant and equipment are expensed as incurred.
Depreciation is effected using the straight-line method based on the following estimated useful lives:

	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 less accumulated depreciation. The fair values stated in the notes are based on current calculations of capitalised earnings values. Changes in fair value are not capitalised. Repairs and maintenance are expensed as incurred, while major renovations and improvements are capitalised and depreciated over their estimated useful lives. Borrowing costs incurred during construction are expensed as incurred.
Depreciation is effected using the straight-line method based on the following estimated useful life:

	Years
Investment property	20-60

Impairments to property, plant and equipment. The values of property, plant and equipment are reviewed whenever their carrying amounts appear to be excessively high in the light of changed circumstances or events. Assets whose carrying amount exceeds their recoverable amount are written down to an amount determined using the discounted net future cash flows expected to be generated by the asset.

Leases. Assets acquired under leasing agreements which effectively substantially transfer all the risks and benefits incidental to ownership from the lessor to the lessee are classified as finance leases. Finance leases are recorded at amounts equivalent to the estimated net present value of the future minimum lease payments, which approximate the market value or the lower cash value of the minimum lease payments at the inception of the lease. The estimated net present value of the future minimum lease payments is correspondingly recorded as a finance lease liability. Assets under finance leases are amortised over their estimated useful lives.
Operating lease payments are charged to income as incurred.

Intangible assets excluding goodwill. Intangible assets excluding goodwill are shown at cost less accumulated depreciation.
Depreciation is effected using the straight-line method based on the following estimated useful lives:

	Years
Software	3-5
Other intangible assets	3-10

Impairments to intangible assets. The values of intangible assets excluding goodwill are reviewed whenever their carrying amounts appear to be excessively high in the light of changed circumstances or events. Intangible assets whose carrying amount exceeds their recoverable amount are written down to an amount determined using the discounted net future cash flows expected to be generated by the asset.

Goodwill from acquisitions. Any difference between the purchase price of an acquisition and the market value of the net assets acquired at the time of the transaction is capitalised as goodwill from acquisitions using the purchase method.

Impairments to goodwill. Goodwill is not systematically amortised, but is subjected to an impairment test upon any indication that it may have diminished in value, and at least at the end of each year. The impairment test is effected on the smallest cash-generating unit to which goodwill was assignable upon acquisition. If the recoverable amount calculated is lower that the carrying amount, an impairment will be effected to bring the carrying amount down to the recoverable amount.

Financial assets. Financial assets are classified as:
- at fair value through profit or loss
- loans and receivables
- held to maturity or
- available for sale.

Financial assets are classified upon capitalisation according to the purpose for which they were acquired.

Financial assets at fair value through profit or loss. These include securities held for trading purposes and other financial assets placed in this category upon capitalisation. Financial assets are placed in this category if they are acquired with the intention of resale in the shorter term. Financial assets in this category are shown as short-term financial assets if they are held for trading purposes or are to be sold within 12 months.

Loans and receivables. Loans and receivables are financial assets with fixed payments which are not traded on markets, and include the trade accounts receivable and other receivables shown separately on the balance sheet. These financial assets are classified as short-term unless their maturity is more than 12 months after the balance sheet date.

Held to maturity. This category includes financial investments which can and are intended to be held until they mature. They are classified as short-term if they will mature within 12 months of the balance sheet date, or as long-term if they will mature more than 12 months after the balance sheet date.

Available for sale. This category contains minority interests (i.e. shareholdings of less than 20%) and financial assets that cannot be assigned to any other category. They are classified as long-term.

All purchases and sales of financial assets are recorded on the date of the transaction. Financial assets are valued at fair value including transaction costs when they are first capitalised. ‹At fair value through profit or loss› financial assets are valued at market value. ‹Loans and receivables› and ‹held to maturity› financial assets are shown at amortised cost using the effective interest method. ‹Available for sale› financial assets are shown at market value, which is calculated either from the market offer price or (if no market exists) through valuation methods. Shareholdings which are not traded on a market and for which insufficient information exists to permit a valuation are shown at purchase price. Unrealised gains and losses from market value adjustments are taken directly to equity. In the event of long-term or significant reductions in value, the values concerned are reduced by impairments charged to the income statement. In the event of a sale, the market value adjustments accumulated in equity are taken to the income statement.

Interest-bearing debt. Interest-bearing obligations are valued at amortised cost, with the difference between the purchase price and the repayment amount shown under financial expenses over the duration of the obligation on the basis of actual interest rates.

Provisions. Provisions are recorded when a present obligation resulting from a past event has been incurred, its amount can be reasonably estimated and it is probable that an outflow of resources will be required to settle the obligation. Provisions are effected at fair value.

Occupational pension plans. Valora contributes in accordance with local requirements to various defined benefits and defined contributions plans. The pension cost in each period is calculated on the basis of annual actuarial valuations which are conducted using the projected unit credit method. Any actuarial gains or losses exceeding the greater of 10% of the projected benefit obligation or the fair value of the plan assets are amortised using the corridor method, i.e. over the average remaining service lives of the insurees concerned.

Accounting for derivative financial instruments and hedging activities. All hedges are effected in accordance with Group hedging policy guidelines, are centrally effected and administered and are only concluded with top-quality financial institutions. No uncovered short transactions are executed.
Derivative financial instruments are initially recognised on the balance sheet at cost and are subsequently shown at fair value. The gains and losses resulting from the value adjustments entailed are recognised as income and expense.
Valora does not currently hold any hedges against interest or currency risks.

Fair value estimation. The fair value of publicly-traded derivatives and trading and available-for-sale securities is based on quoted market prices on the balance sheet date. The fair value of interest-rate swaps is calculated at the present value of the estimated future cash flows. The fair value of forward foreign-exchange contracts is determined using forward-exchange market rates on the balance sheet date.

Significant assumptions in the application of accounting principles. The application of the Group accounting principles demands certain assessments by the management which — while no estimations are effected to this end — may have a major influence on the amounts shown in the consolidated financial statements. Assessments by the management are required in particular when determining the substance of complex transactions. According to the assessments of the management, the present consolidated financial statements do not include any assumptions which have a major influence in terms of the application of the Group accounting principles.

Significant estimations. The compilation of the consolidated financial statements in accordance with IFRS requires the use of future estimations which may influence certain positions on the income statement, the balance sheet and the notes thereto. The estimations on which the figures shown in the consolidated financial statements are based are themselves based on experience and the information available at the time they are made. Estimations and assumptions are regularly reappraised and adjusted if necessary. Despite this, however, subsequent events may deviate from the estimations made. The results of the adjustments made to estimated values are taken to the consolidated financial statements in the year in which the adjustment is made.
Estimations and assumptions that include significant risks in terms of major future adjustments of carrying amounts are shown below:

Goodwill. The consolidated balance sheet includes goodwill of CHF 120 million (see Note 18). As stated above, this amount is tested for impairment upon any sign that its recoverable value may be less than that shown, and on at least a yearly basis. The evaluations involved are based on estimated future free cash flows (DCF evaluation) of the units (CGUs) concerned. The valuations are influenced primarily by estimated net revenues, estimated operating profit margins and the discount rates used.

Net pension asset. The Group maintains its own occupational pension plans for many of its personnel which are regarded as defined benefits plans for IFRS purposes. As a results, a yearly comparison must be made of the plans' assets and the dynamically-calculated cash value of their benefit obligations. These valuations produced an asset surplus of CHF 55 million which is capitalised on the consolidated balance sheet and which corresponds to the portion of the plans' surplus which the Group could derive benefit from at a future time. The result of these valuations depends on various assumptions. The most important of these are the discount rate used for interest rate calculations on future benefits, the expected return on invested plan capital, pension trends expected and the salary trends for the employees concerned (see Note 24). The actual developments may deviate substantially from the assumptions made and thus lead to an amortisation of the capitalised value shown.

Income taxes. Of the deferred tax assets shown, CHF 31 million are based on tax-deductible losses carried forward for Valora AG, which can be offset against future profits in the years remaining until they lapse (the first in five years, the last in seven years). Under IFRS, deferred tax assets may be accumulated to the extent to which future tax savings can be achieved. The amount of such future tax benefits depends on the extent of the future profits which are achieved in the period before such losses carried forward lapse. In the same way, future results may be depressed by impairments to tax assets if future results are below the estimates made or if additional profits are made because future results are above the amounts estimated.

Disposal groups. The assets and liabilities of disposal groups included on the balance sheet under discontinued operations and corresponding to net assets of CHF 0.2 million are based on assumptions in terms of their sale price and the cost of their disposal. Any deviations from the estimated sale proceeds and the estimate sale costs will have to be included in the 2006 accounts.

Financial risk factors and risk policy. The Valora Group's international activities and financing structure expose it to a variety of financial risks. These consist of market risks, such as foreign currency exchange rates and interest rate risks, and risks relating to liquidity and the solvency of its business partners.

Foreign exchange risks. Transaction risks occur because the local-currency value of a payment on a business transaction fixed in a foreign currency may increase or decrease as a result of fluctuations in the exchange rate of the currency concerned. For Valora, transaction risks arise from its procurement of services from non-Swiss-based business partners, from the exports of its production companies and from intragroup transactions. Most Group companies largely conduct their business in their local currency. The sum total of all such transactions is periodically assessed at the Group level. Valora does currently not use derivative financial instruments to hedge against transaction risks.

Currency translation risks arise from the translation of the balance sheets of non-Swiss subsidiaries for consolidation purposes. Net investments in non-Swiss subsidiaries are also periodically assessed and the associated risks are evaluated on the basis of the volatility of the currencies concerned. These analyses have so far revealed that currency translation risks are relatively low in comparison to Group equity, as a result of which no derivative financial instruments are currently used for hedging purposes.

Interest rate risks. The Group's income and operating cash flows are largely independent of changes in market interest rates. The Group has no significant interest-bearing assets. Long-term fixed-term interest-incurring debt consists mainly of the 2.875% bond redeemable in July 2012 and the syndicated credit facility (see Note 21).

Liquidity risks. The Group's liquidity is constantly monitored and optimised through cash pool structures.

Credit risks. The Group's receivables do not contain any significant individual credit risks or concentrations of credit risk.

2 Acquisitions and disposals of business units

Transactions in 2005.

Disposals. Nuxo AG of Switzerland and Alimarca Kaumy d.o.o. of Croatia (both from Valora Trade) were sold in the course of 2005.

Balance sheet values of 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**

Transactions in 2004.

Disposals. As part of its overall focus strategy to concentrate on its core business activities, the Valora Group pursued its previously-announced intention to dispose of business units and real estate not required for business operations in the course of 2004. The results of these transactions, which are shown separately on the consolidated income statement, are presented in more detail below:

Gains on disposals of business units

Business units disposed of under the focus strategy

Business unit, country	Date control ceased	Segment
Dolmetsch AG, Switzerland	01.01.2004	Corporate
BSV Buch Rack-Jobbing, Switzerland	01.01.2004	Valora Press & Books
Again Production AB, Switzerland	01.01.2004	Valora Trade
Merkur Confiserien, Switzerland	01.06.2004	Valora Retail
Merkur Kaffee, Switzerland	01.07.2004	Valora Trade
Schirmer Kaffee GmbH, Germany	01.10.2004	Valora Trade
Stutz FotoColor AG, Switzerland	01.10.2004	Valora Imaging
Color Media GmbH, Germany	01.10.2004	Valora Imaging
Kwadrant Sales Promotion BV, Netherlands	01.10.2004	Valora Imaging
Starfoto BV, Netherlands	01.10.2004	Valora Imaging
Dialab Oy, Finland	01.10.2004	Valora Imaging
Colorzenith S.r.l., Italy	01.10.2004	Valora Imaging
Distriforce Direct Mail, Switzerland	31.12.2004	Valora Press & Books
Nuxo Marketing, Switzerland	31.12.2004	Valora Trade

Balance sheet amounts of business units disposed of

in CHF 000	
Current assets	62 060
Non-current assets	33 449
Current liabilities	– 24 561
Non-current liabilities	– 11 889
= Net assets disposed of	**59 059**
Cumulative translation adjustments for business units disposed of	– 1 380
Sale price	80 161
= Gains on disposals of business units	**22 482**
Purchase price payments received	80 161
Cash and cash equivalents sold	– 6 903
Purchase price payments for discontinued operations	– 1 100
= Net cash inflow from disposals of business units	**72 158**

Gains on real estate disposals

in CHF 000	
Total carrying amount	93 896
Total sale price	161 625
Total gains on real estate disposals	**67 729**

Impairments and focus strategy costs

in CHF 000	
Impairments on buildings	11 606
Impairments on intangible assets	3 000
Project and consultancy costs	4 023
Of which included in prior-year accounts	– 6 100
Total impairments and focus strategy costs	**12 529**

The impairments on buildings related to real estate not required for business operations which was available for sale under the focus strategy but had not yet been sold by the end of 2004 and had been written down to its recoverable amount.

Acquisitions. Valora Press&Books acquired 100% of Pressegrossvertrieb Salzburg GmbH on October 1, 2004. The company, which is active in the press wholesale business and delivers magazines to retail outlets throughout Austria, was included in the scope of consolidation from October 1, 2004 onwards, and contributed CHF 33.3 million in net revenues and net profit of CHF 0.1 million to consolidated results for the year. If the acquisition had been effected on January 1, 2004 and the company's results had thus been consolidated for the full financial year, consolidated net revenues would have amounted to CHF 2 970.3 million (PGV: CHF 145.1 million) and consolidated net profit would have stood at CHF 41.8 million (PGV: CHF 7.3 million)

Balance sheet values of companies consolidated for the first time

in CHF 000	Fair value	Acquiree's carrying amount
Current assets	35 673	35 196
Non-current assets	50 638	36 342
Current liabilities	– 33 113	– 32 601
Non-current liabilities	– 26 911	– 22 357
= Net assets acquired / equity	**26 287**	**16 580**
Goodwill acquired	4 894	
= Purchase price of subsidiaries acquired	**31 181**	
Cash purchase price	30 860	
Direct costs of acquisition	321	
Cash and cash equivalents acquired	– 673	
= Cash used in acquisition of subsidiaries	**30 508**	

Capitalised goodwill consists of non-capitalisable portions of the purchase price paid for entry into the Austrian market, the experience of the management acquired and their personal relations with publishing houses.
Valora also increased its shareholding in Charles Pettersen AS of Norway – which is now Valora Trade Norway AS (in the Valora Trade division) – from 90% to 100% in 2004. This entailed the acquisition of net assets worth CHF 1.1 million at a purchase price of CHF 2.2 million, generating additional goodwill of CHF 1.1 million.

3 Discontinued operations

Valora announced on February 11, 2005 that the negotiations to transform the Fotolabo Group into a joint venture had failed. In the light of this, the Board of Directors resolved that the Fotolabo Group should be sold. As a result, the Fotolabo Group and its assets and results were reclassified as a ‹disposal group› effective June 30, 2005, because the conclusion of the sale of this entire business unit is regarded as likely within 12 months.
The sale process revealed that the most advantageous solution for Valora would be the sale of these interests in two tranches. One tranche consists of the photo processing laboratory in Switzerland with its associated service companies, together with the laboratory in Finland. These units were sold on March 16, 2006. The second tranche consists of the laboratory in France and its associated distribution companies.
The valuation of these assets at their fair value less costs to sell required a CHF 64.2 million impairment to their carrying amounts. CHF 22.7 million of this relates to the remaining goodwill.

Income statement of discontinued operations

in CHF 000	1.1. - 31.12.2005	1.1. - 31.12.2004
Net revenues	118 296	131 669
Cost of goods	– 22 418	– 21 361
Gross profit	**95 878**	**110 308**
Personnel expenses	– 30 404	– 29 832
Other operating expenses	– 59 414	– 65 245
Depreciation and amortisation of operating assets	– 40 185	– 5 008
Other income, net	– 2 731	1 612
Goodwill amortisation	– 22 736	– 130 017
Operating profit	**– 59 592**	**– 118 182**
Financial result	– 331	– 222
Loss before taxes	**– 59 923**	**– 118 404**
Income taxes	– 1 118	– 636
Net loss	**– 61 041**	**– 119 040**

Earnings per share on discontinued operations amounted to minus CHF 19.10 (2004: minus CHF 32.49).

Net assets of discontinued operations

in CHF 000	31.12.2005	31.12.2004
Cash and cash equivalents	7 983	4 616
Trade accounts receivable	6 545	9 044
Inventories	2 879	4 774
Other current assets	12 527	14 598
Property, plant and equipment	0	31 605
Goodwill	0	25 297
Other non-current assets	0	1 535
Trade accounts payable	– 10 047	– 12 802
Other current liabilities	– 17 760	– 15 940
Long-term financial liabilities	– 590	– 970
Deferred income tax liabilities	– 1 349	– 1 772
Net assets	**188**	**59 985**

Cash flow of discontinued operations

in CHF 000	1.1. - 31.12.2005	1.1. - 31.12.2004
Net cash provided by operating activities (cash flow)	9 140	25 652
Net cash used in investing activities	– 5 050	– 11 893
Net cash used in financing activities	– 764	– 23 152
Translation adjustments on cash and cash equivalents	41	– 82
Total change in cash and cash equivalents	**3 367**	**– 9 475**

4 Segment reporting

The Valora Group is an international trading and services group with operating activities in the following divisions:

Valora Retail: Valora Retail operates small retail outlets at heavily-frequented locations in Switzerland, Germany and Luxembourg and functions as a marketing and distribution system with comprehensive geographical coverage for press products, tobacco and consumer goods for daily use and the impulse buyer's market.

Valora Press & Books: Valora Press & Books is a specialist wholesaler which acts as an intermediary between publishers and the retail trade. The division supplies press and book products to Valora's own retail outlets and those of third-party customers in Switzerland, Austria and Luxembourg.

Valora Trade: Valora Trade serves as an exclusive sales representative distributing branded food and non-food products together with goods from its Own Brands production to retail customers.

Other: This includes the corporate functions of Finance, Human Resources and IT and the central logistics function for Valora Retail Switzerland and Valora Press & Books Switzerland, together with the assets and results of discontinued operations including (for 2004) the sales of Professional Imaging. Sales for 2005 consist of the logistics services provided.

Segment information by division

Net revenues for 2005						
in CHF 000	Valora Retail	Valora Press & Books	Valora Trade	Others	Intersegment elimination	Total Group
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**
Net revenues for 2004						
From third parties	1 682 249	254 916	885 276	36 105	0	2 858 546
From other divisions	563	213 426	12 574	408	– 226 971	0
Total	1 682 812	468 342	897 850	36 513	– 226 971	2 858 546
Change (%)	0.3	18.6	– 10.3			– 0.4
Operating profit 2005						
Operating profit	**– 19 576**	**22 095**	**29 679**	**– 5 174**		**27 024**
Gains on disposals of business units	0	0	– 92	0		– 92
Restructuring costs	26 222	1 883	0	3 070		31 175
Operating profit before focus strategy and restructuring	**6 646**	**23 978**	**29 587**	**– 2 104**		**58 107**
Operating profit 2004						
Operating profit	18 943	26 119	62 133	64 128		171 323
Goodwill amortisation	1 186	2 890	3 983	26		8 085
Net profit/loss from divested companies (including gains on disposals)	915	87	– 32 478	– 68 319		– 99 795
Impairments due to focus strategy	707	166	1 270	6 363		8 506
Focus strategy costs	0	0	0	4 023		4 023
Operating profit before focus strategy, restructuring and goodwill amortisation	21 751	29 262	34 908	6 221		92 142

in CHF 000	Valora Retail	Valora Press & Books	Valora Trade	Others	Intersegment elimination	Total Group
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
Operating profit for 2004 included the following non-cash expenses						
Depreciation	19 571	2 094	13 570	14 411		49 646
Increase (release) of provisions, net	– 3 460	200	5 440	– 5 768		– 3 588
Capital expenditure						
2005	**23 697**	**2 413**	**12 916**	**9 221**		**48 247**
2004	17 867	2 332	15 711	23 562		59 472
Segment assets						
At December 31, 2005	**539 215**	**203 905**	**444 761**	**520 017**	**– 348 688**	**1 359 210**
At December 31, 2004	505 468	201 234	471 666	640 038	– 312 269	1 506 137
Segment liabilities						
At December 31, 2005	**467 164**	**126 293**	**225 668**	**375 176**	**– 348 688**	**845 613**
At December 31, 2004	402 092	121 280	247 248	423 908	– 312 269	882 259

Intersegment transactions are basically effected at the same prices as those applicable to Valora's best third-party customers. Group companies are charged management fees in proportion to their gross profit.

The segments were modified in 2005. With the transformation of the former Valora Wholesale division into Valora Press & Books, the convenience wholesaling and logistics functions for Retail and Press & Books Switzerland (which had formerly been part of Valora Wholesale) were reassigned: convenience wholesaling is now part of Valora Retail, and the Swiss logistics activities are now accommodated within the Corporate function.

Segment information by region

Net revenues from third parties in CHF 000	Switzerland	Europe	Total Group
2005	**1 804 312**	**1 042 057**	**2 846 369**
2004	1 885 405	973 141	2 858 546
Change (%)	– 4.3	7.1	– 0.4
Capital expenditure			
2005	**30 557**	**17 690**	**48 247**
2004	37 496	21 976	59 472
Segment assets			
At December 31, 2005	**996 231**	**362 979**	**1 359 210**
At December 31, 2004	1 157 519	348 618	1 506 137

5 Personnel expense

in CHF 000	2005	2004
Salaries and wages	420 728	426 804
Pension cost of defined benefits plans	12 598	10 772
Pension cost of defined contributions plans	2 185	2 650
Other social security payments	53 146	51 800
Share-based payments	1 671	2 370
Other personnel expenses	6 230	6 408
Total personnel expense	**496 558**	**500 804**
Average number of employees (full-time equivalents)	7 454	7 903

Personnel expense for 2005 includes restructuring costs of CHF 7.3 million.

6 Other operating expenses

in CHF 000	2005	2004
Rent	123 082	115 795
Maintenance and repairs	7 254	6 422
Real-estate expenses	1 473	2 781
Energy	18 662	19 326
Insurance	3 600	4 858
Communications and IT	15 914	16 183
Advertising and sales	62 280	61 759
Shipping and dispatch	71 202	62 966
General administration	30 251	17 355
Capital and other taxes	1 940	1 644
Miscellaneous	32 905	36 882
Total other operating expenses	**368 563**	**345 971**

Restructuring-related retail outlet closures added a further CHF 8.5 million to rental costs. The sizeable year-on-year increase in shipping and dispatch costs was due largely to the fact that the Salzburg-based PGV Group, which had been acquired on October 1, 2004, was consolidated in 2005 for the full financial year.
The increase in general administration costs was due mainly to the consultancy services associated with the various restructuring projects.
‹Miscellaneous› includes CHF 6.2 million (2004: CHF 6.0 million) in payments on operating leases.

7 Other income, net

in CHF 000	2005	2004
Rental income	3 905	13 837
(Losses) gains on sales of non-current assets, net	– 1 286	59
Miscellaneous expenses	– 7 325	– 926
Miscellaneous income	4 121	9 917
Total other income, net	**– 585**	**22 887**

The substantial year-on-year decline in rental income was due to the loss of the income from real estate not required for operations which was sold in 2004.
‹Miscellaneous expenses› includes a restructuring provision of CHF 6.7 million.
‹Miscellaneous income› includes CHF 2.3 million (2004: CHF 8.0 million) deriving from the release of provisions no longer required.

8 Financial expense

in CHF 000	2005	2004
Interest on bank debts and mortgages	8 333	8 668
Interest on bonds issued	10 861	10 521
Interest on finance leases	92	25
Foreign exchange losses	0	249
Total financial expense	**19 286**	**19 463**

9 Financial income

in CHF 000	2005	2004
Interest income	3 323	2 271
Foreign exchange gains	337	0
Total financial income	**3 660**	**2 271**

The year-on-year increase in interest income was due to the higher levels of cash and cash equivalents held in the period between the issue of the CHF 140 million bond on July 14, 2005 and the redemption of the CHF 220 million bond on October 28, 2005.

10 Income taxes

Income tax expense was as follows:

in CHF 000	2005	2004
Expense on current income taxes	3 500	16 574
Expense on (income from) deferred income taxes	2 885	– 15 546
Total income taxes	**6 385**	**1 028**

The deviation of the income taxes reported from the theoretical income tax expense calculated using average income tax rates can be reconciled as follows:

in CHF 000	2005	2004
Profit before income taxes	11 118	154 695
Income taxes at companies' income tax rates	9 359	35 422
Non-tax-deductible tax expense	653	2 723
Tax-exempt income [1]	– 6 123	– 4 714
Tax-deductible losses not yet deducted	0	– 12 777
Writeback of valuation allowances on deferred income tax assets, net	3 103	0
Changes in tax rates, prior period and other effects, net	– 607	– 19 626
Total reported income taxes (as above)	**6 385**	**1 028**

[1] Largely income from subsidiaries on which the deduction for subsidiaries applies.

The high average tax rate applicable is a mathematical effect which derives from the fact that companies are reporting losses and have relatively low tax rates.

Changes to deferred income taxes are as follows:

Deferred income taxes in CHF 000	2005	2004
Deferred income tax liabilities	29 361	31 033
Deferred income tax assets	– 43 800	– 46 757
Total deferred income tax	**– 14 439**	**– 15 724**

Changes to deferred income taxes in CHF 000		
Balance at January 1	**– 15 724**	**– 2 196**
Of which from discontinued operations	– 1 568	– 1 611
Translation adjustments	– 32	– 448
Acquired through amalgamations	0	4 144
Deferred income tax expense (income)	2 885	– 15 613
Balance at December 31	**– 14 439**	**– 15 724**

Deferred income tax assets and liabilities relate to the following balance sheet items:

Deferred income tax assets in CHF 000	2005	2004
Trade accounts receivable	19	33
Inventories	370	450
Other current assets	88	667
Property, plant and equipment	171	471
Investments and loans receivable	93	2
Intangible and other long-term assets	12 027	15 098
Tax losses carried forward, net	31 802	33 321
Current liabilities	2 140	1 402
Non-current liabilities	306	202
Allocation of deferred income tax assets and income tax liabilities against same tax authorities	– 3 216	– 4 889
Total deferred income tax assets	**43 800**	**46 757**

Deferred income tax liabilities		
Trade accounts receivable	1 842	2 699
Inventories	2 069	3 264
Other current assets	58	362
Property, plant and equipment	12 988	13 348
Investments and loans receivable	16	0
Intangible and other long-term assets	5 102	3 713
Current liabilities	102	696
Non-current liabilities	9 638	10 412
Future profit distribution from subsidiaries	762	1 428
Allocation of deferred income tax assets and income tax liabilities against same tax authorities	– 3 216	– 4 889
Total deferred income tax liabilities	**29 361**	**31 033**

Tax-deductible losses carried forward amount to CHF 567.4 million (2004: CHF 578.5 million, including discontinued operations). These will lapse as follows:

in CHF 000	**2005**	2004
Within one year	0	1 623
Within two years	7	378
Within three years	6	196
Within four years	411	87
Within five years	96	579
After more than five years	566 854	575 632
Total tax-deductible losses carried forward	**567 374**	**578 495**

The distribution of dividends by Valora Holding AG is of no relevance in income-tax terms.

11 Earnings per share

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

	2005	2004
Profit from continuing operations (in CHF 000)	4 733	153 667
Net profit attributable to minority interests (in CHF 000)	– 1 008	– 1 012
Profit from continuing operations attributable to Valora Holding AG shareholders (in CHF 000)	**3 725**	**152 655**
Average number of shares outstanding	3 196 384	3 664 006
Earnings per share from continuing operations (in CHF)	**1.17**	**41.66**

There were no dilutive effects for 2005 or 2004.

12 Cash and cash equivalents

in CHF 000	**2005**	2004
Petty cash and bank sight deposits	190 044	170 768
Short-term deposits and money-market investments < 3 months	29 611	120 877
Total cash and cash equivalents	**219 655**	**291 645**

13 Trade accounts receivable

in CHF 000	**2005**	2004
Trade accounts receivable, gross	173 308	200 467
Allowance for bad and doubtful debts	– 5 698	– 7 687
Total trade accounts receivable, net	**167 610**	**192 780**

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

14 Inventories

in CHF 000	**2005**	2004
Raw materials and supplies	6 652	9 926
Finished goods	3 685	4 938
Merchandise	248 183	245 344
Total inventories	**258 520**	**260 208**

Impairments to inventories of CHF 18.1 million were required in 2005 (2004: CHF 16.6 million) and were charged to the cost of goods. The carrying amounts of inventories, calculated at their net realisable value, amounted to CHF 1.1 million for 2005 (2004: CHF 0.9 million).

Some production companies within the Valora Group purchase goods by means of forward contracts in the course of their normal business activities. Such contracts are always physically exercised. The Valora Group held open forward commodity contracts with a contractual value of CHF 3.0 million (2004: CHF 7.2 million) and a latest settlement date of October 31, 2006 on the balance sheet date.

15 Other current assets

in CHF 000	**2005**	2004
Value-added tax, withholding tax and other taxes recoverable	6 787	7 162
Prepaid expenses and accrued income	8 809	11 927
Miscellaneous receivables	35 495	37 672
Total other current assets	**51 091**	**56 761**

16 Property, plant and equipment

At cost in CHF thousand	Land	Buildings	Machinery & equipment	Construction in progress	Total
Balance at January 1, 2004	**29 029**	**251 767**	**580 019**	**14 880**	**875 695**
Acquisitions and divestitures	7 862	– 8 155	– 57 694	0	– 57 987
Additions	11	1 099	39 970	8 110	49 190
Disposals	– 4 255	– 15 649	– 20 943	– 415	– 41 262
Reclassifications	0	11 307	5 538	– 18 008	[1] – 1 163
Reclassifications to investment property	0	– 3 632	0	0	– 3 632
Translation adjustments	– 11	– 326	– 1 551	– 54	– 1 942
Balance at December 31, 2004	**32 636**	**236 411**	**545 339**	**4 513**	**818 899**
Of which from discontinued operations	– 607	– 31 416	– 79 183	– 2 035	– 113 241
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**

Accumulated depreciation					
Balance at January 1, 2004	**0**	**– 75 428**	**– 413 581**	**0**	**– 489 009**
Acquisitions and divestitures	0	7 196	44 548	0	51 744
Additions	0	– 6 669	– 38 445	0	– 45 114
Impairments	– 1 247	– 796	0	0	– 2 043
Disposals	0	8 332	17 225	0	25 557
Reclassifications to investment property	0	3 476	0	0	3 476
Translation adjustments	0	132	1 146	0	1 278
Balance at December 31, 2004	**– 1 247**	**– 63 757**	**– 389 107**	**0**	**– 454 111**
Of which from discontinued operations	0	15 878	65 758	0	81 636
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**
Net book value					
At December 31, 2004	31 389	172 654	156 232	4 513	364 788
At December 31, 2005	**27 298**	**147 907**	**144 666**	**2 612**	**322 483**

[1] Reclassified to software and other intangible assets

Property, plant and equipment amounting to CHF 34.3 million were pledged to secure mortgage loans in 2005 (2004: CHF 44.5 million). Property, plant and equipment includes real estate held on finance leases amounting to CHF 1.2 million (2004: CHF 1.2 million) and machinery and equipment held on finance leases amounting to CHF 1.8 million (2004: CHF 1.9 million).
The impairments effected on land and buildings in 2004 are explained in Note 2.

Fire insurance values of property, plant and equipment in CHF 000	2005	2004
Property (including investment property)	342 874	382 564
Plant and equipment	626 844	777 219
Total	**969 718**	**1 159 783**

17 Investment property

The acquisition costs and carrying amounts of investment property are as follows:

Investment property in CHF 000	2005	2004
At cost		
Balance at January 1	**48 155**	**155 489**
Disposals	– 163	– 110 527
Reclassification from real estate for operations	8 410	3 632
Translation adjustments	284	– 439
Balance at December 31	**56 686**	**48 155**
Accumulated depreciation		
Balance at January 1	**– 19 304**	**– 32 697**
Additions	– 834	– 1 814
Impairments	– 1 000	– 9 563
Disposals	25	28 203
Reclassification from real estate for operations	– 3 123	– 3 476
Translation adjustments	– 149	43
Balance at December 31	**– 24 385**	**– 19 304**
Total net carrying amount	**32 301**	**28 851**

The estimated market value (based on capitalised income value calculations) of investment property amounted to around CHF 37 million for 2005 (2004: CHF 33 million). Rental income from investment property totalled CHF 3.5 million (2004: CHF 12.6 million), and the corresponding expense on investment property amounted to CHF 0.7 million (2004: CHF 1.9 million). The properties disposed of under the focus strategy were sold at the end of 2004, so the full income and costs for these investment properties are included in the 2004 results.
Investment property amounting to CHF 1.3 million was pledged to secure mortgage loans in 2005 (2004: CHF 1.3 million).
Following the unit's relocation, the premises formerly occupied by Valora Trade Switzer-

land in Burgdorf are currently offered for sale. This property has been revalued to its recoverable amount, entailing an impairment of CHF 1.0 million. The impairments effected in 2004 are presented in Note 2.

18 Goodwill, software and other intangible assets

At cost in CHF 000	Goodwill from acquisitions	Software and other intangible assets	Total
Balance at January 1, 2004	**626 608**	**71 500**	**698 108**
Acquisitions and divestitures	4 894	23 591	28 485
Additions	1 554	10 281	11 835
Disposals	– 52 324	– 10 464	– 62 788
Reclassifications	0	1 163	[1] 1 163
Translation adjustments	– 3	– 174	– 177
Balance at December 31, 2004	**580 729**	**95 897**	**676 626**
Reclassification of goodwill as per IFRS 3, 79b	– 437 955	0	– 437 955
Balance at January 1, 2005	**142 774**	**95 897**	**238 671**
Of which from discontinued operations	– 22 736	– 8 191	– 30 927
Acquisitions and divestitures	0	– 1	– 1
Additions	0	6 655	6 655
Disposals	0	– 6 635	– 6 635
Reclassifications	0	105	[1] 105
Translation adjustments	43	357	400
Balance at December 31, 2005	**120 081**	**88 187**	**208 268**
Accumulated amortisation			
Balance at January 1, 2004	**– 351 314**	**– 56 869**	**– 408 183**
Acquisitions and divestitures	0	1 214	1 214
Additions	– 18 102	– 7 726	– 25 828
Impairments	– 120 000	– 3 000	– 123 000
Disposals	51 461	10 403	61 864
Translation adjustments	0	126	126
Balance at December 31, 2004	**– 437 955**	**– 55 852**	**– 493 807**
Reclassification of goodwill as per IFRS 3, 79b	437 955	0	437 955
Balance at January 1, 2005	**0**	**– 55 852**	**– 55 852**
Of which from discontinued operations	0	5 630	5 630
Additions	0	– 7 377	– 7 377
Impairments	0	– 752	– 752
Disposals	0	5 853	5 853
Translation adjustments	0	– 105	– 105
Balance at December 31, 2005	**0**	**– 52 603**	**– 52 603**
Net carrying amounts			
At December 31, 2004	142 774	40 045	182 819
At December 31, 2005	**120 081**	**35 584**	**155 665**

[1] Reclassified from property, plant and equipment

Software and other intangible assets include CHF 13.3 million of software and CHF 22.3 million of other intangible assets, of which CHF 21.1 million relate to the delivery rights capitalised following the acquisition of the PGV Group.
The impairment on software and other intangible assets in 2004 is explained in Note 2.
With the entry into effect of the new IFRS 3 on January 1, 2005, goodwill was frozen at its levels on December 31, 2004 and is now no longer amortised unless impairments are required.

Goodwill impairment test. Fair value is calculated on the basis of value-in-use. The valuation is based on the estimated future free cash flow (the DCF method) of the business units (CGUs) to which goodwill is assigned. The cash flows used are those extending over five years and deriving from the business plans approved by divisional management. After this period, a residual value is used.

Valora Trade Nordics. The Scandinavian business units of Valora Trade have goodwill assigned with a carrying amount of CHF 46.9 million. The key assumptions in valuations here are the discount rate of 8% and the underlying EBIT margin.

Valora Press & Books Luxembourg - MPK. The Luxembourg press wholesale business unit has goodwill assigned with a carrying amount of CHF 43.3 million. The key assumptions in valuations here are the discount rate of 7.5% and the underlying EBIT margin.

Valora Retail Switzerland. The k kiosks business unit has goodwill assigned with a carrying amount of CHF 12.8 million. The key assumptions in valuations here are the discount rate of 7% and the underlying EBIT margin.

Impairments to goodwill in 2004. In view of the decision by the Board of Directors to dispose of the Group's Consumer Imaging business, the goodwill assigned to this item can no longer be based on its value-in-use but is based on its expected net selling price, which was estimated on the basis of the prices paid in similar transactions in the past and on valuations of comparable companies (multiples).

Impairment tests were also conducted on the other smaller goodwill positions.

19 Financial assets

Long-term financial assets in CHF 000	**2005**	2004
Loans and receivables	5 854	14 016
Financial assets available for sale	1 662	4 649
Total financial assets	**7 516**	**18 665**

The financial assets available for sale include unlisted shareholdings for which no active market exists and for which insufficient information is available for a valuation to be performed. These assets are therefore capitalised at their acquisition cost less an impairment for permanent value reduction.
The decline in loans is due partly to the conversion of CHF 5.7 million in loans into investment in joint ventures in connection with the acquisition of further shares in Cevanova AG.

20 Investment in associates and joint ventures

Summary balance sheet of associates and joint ventures in CHF 000	2005	2004
Current assets	7 457	7 787
Non-current assets	37 192	33 047
Current liabilities	– 8 196	– 5 900
Non-current liabilities	– 10 159	– 27 083
= Equity	**26 294**	**7 851**

Summary income statement of associates and joint ventures in CHF 000	2005	2004
Net revenues	43 015	40 624
Operating profit	509	1 062
Net (loss) / profit	**– 131**	**258**

Investments in associates comprise a 50% shareholding (33.3% until June 30, 2005) in Cevanova AG (Valora Retail), the operator of the Avec outlets in Switzerland; a 45% holding in Borup Kemi of Denmark (Valora Trade); a 50% holding in Kaumy S.r.o., Czech Republic (Valora Trade); and a 22% shareholding in the Karl Schmelzer - J. Bettenhausen, OHG bookstore in Vienna (Valora Press & Books).

21 Debt

Bonds payable in CHF 000	Gross	Discount	2005 net	2004 net
4.5% bond, 1999–2005	0	0	0	219 501
2.875% bond, 2005–2012	140 000	1 895	138 105	0

Long-term debt in CHF 000	2005	2004
Bank loans	129 833	129 710
Mortgage loans	3 876	38 017
Finance lease obligations	1 385	2 244
Other long-term debt	8 766	8 523
Total long-term debt	**143 860**	**178 494**

Bank loans derive solely from the syndicated credit facility obtained by Valora Holding AG. Under the credit agreement, the Valora Group has covenanted to remain within certain parameters in terms of its equity ratio and gearing for the duration of the facility.

	Amount	Maturity	Effective interest rate
Facility A1	CHF 50 million	31.03.2009	3.3%
Facility A2	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.

Maturities at year-end were as follows: in CHF 000	**2005**	2004
Within one year	30 609	1 041
Within 1-2 years	3 428	37 521
Within 2-3 years	1 231	1 633
Within 3-4 years	886	976
Within 4-5 years	79 752	100 602
After more than 5 years	58 563	37 762
Total	**174 469**	**179 535**
Current portion of long-term debt	– 30 609	– 1 041
Total long-term debt	**143 860**	**178 494**

Interest rates ranged from 1.77% to 4.00%. The weighted average interest rate amounted to 3.41% (2004: 2.46%).

Credit lines in CHF 000	**2005**	2004
Used	15 020	440
Available	143 606	163 845
Total credit lines	**158 626**	**164 285**

22 Other current liabilities

in CHF 000	**2005**	2004
Value-added tax and other taxes owed	13 772	34 308
Social security payable	5 906	5 932
Accruals for overtime and unused vacation	5 021	6 445
Current portion of finance lease obligation	609	1 041
Pension cost payable	320	294
Warranties and similar accruals	775	866
Accrued expenses and deferred income	47 977	46 568
Miscellaneous current liabilities	29 979	28 364
Total other current liabilities	**104 359**	**123 818**

23 Provisions

in CHF thousand	Guarantees	Litigation	Restructuring	Total
Balance at January 1, 2004	**9 670**	**6 548**	**12 892**	**29 110**
Utilised	0	– 782	– 6 276	– 7 058
Amounts released to income	– 4 870	– 210	– 4 148	– 9 228
Recognised	5 000	640	0	5 640
Translation adjustments	0	– 31	– 117	– 148
Balance at December 31, 2004	**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**
Current provisions	1 665	436	19 113	21 214
Long-term provisions	6 020	5 078	798	11 896
Total provisions	**7 685**	**5 514**	**19 911**	**33 110**

Guarantees. These include contractual guarantees relating to the sale of the Slumberland business, the Selecta IPO and the disposals of business units under the focus strategy. These provisions are assigned to the Corporate business segment.
Changes in 2005: Further guarantees relating to the sales of business units expired in 2005. The corresponding provisions were released to income.
Changes in 2004: Guarantees relating to the sale of the Slumberland business and the Selecta IPO expired in 2004. The corresponding provisions were released to income. The disposals of business units resulted in new guarantees, for which new provisions were effected amounting to CHF 5.0 million.

Litigation. The Valora Trade division concluded two legal cases in 2005, permitting provisions to be released. A provision totalling CHF 6.5 million was effected in 2003 in Germany in connection with a fraud case and pending litigation in the Valora Retail division. The conclusion of certain lawsuits prompted the release to income of part of these provisions in 2004. But additional provisions were also effected in the light of new knowledge. The legal proceedings are taking longer than originally planned, and are now expected to extend beyond 2006.

Restructuring. Provisions totalling CHF 18.3 million were effected in 2005 for restructuring activities in the Swiss retail and press & books sectors. Of this, CHF 15.3 million was for Valora Retail, CHF 0.7 million for Valora Press & Books and CHF 2.3 million for Corporate. These restructuring projects are expected to be completed in 2006. CHF 0.7 million of the restructuring provisions effected in 2003 for German Valora retail operations was utilised to this end.

24 Retirement benefits

The majority of Valora’s employees are covered by occupational pension plans which are funded by the Group and by employee contributions. Such plans can be set up as state or company-controlled institutions, as contracts with private insurance companies or as independent trust or pension plans. The benefits provided by such entities vary from country to country depending on the local legal and economic parameters, but are primarily based on employees’ years of service and average compensation and generally cover the risks of old age, death and disability in accordance with local occupational pension plan law.
The pension expense of defined-contributions plans is charged to income as incurred. The net periodic pension cost and pension obligation of defined-benefits plans are calculated using actuarial methods and are accounted using the projected unit credit method. Such valuations consider the years of contributions made by the employees and assumptions about future salary increases. The latest actuarial valuation was performed as of December 31, 2005. Current service cost is accrued and charged to income as benefits are earned. Gains and losses from changes in actuarial assumptions are credited or charged to income in equal amounts over the estimated remaining service lives of the insurees. The underlying actuarial assumptions are based on the economic circumstances of the countries in which the benefit plans are located. Pension plan assets are invested in accordance with applicable local regulations. Valora contributes to occupational pension plans in accordance with the relevant plan regulations.

Balance sheet values in CHF 000	**2005**	2004
Fair value of plan assets	649 916	624 583
Defined-benefit obligations	– 557 317	– 504 468
Funding status	**92 599**	**120 115**
Unrecognised assets	– 53 667	– 68 183
Unrecognised actuarial losses	15 642	2 642
Net asset on balance sheet	**54 574**	**54 574**
Actual return on plan assets	52 221	37 369

Net periodic pension cost in CHF 000	**2005**	2004
Service cost	– 28 984	– 25 223
Interest cost	– 17 657	– 19 333
Expected return on plan assets	28 731	26 843
Net actuarial (loss) gain recognised	– 18 739	31 641
Adjustment due to IAS 19.58	14 516	– 32 885
Pension cost for the period	**– 22 133**	**– 18 957**
Less employees’ contributions	9 535	8 185
Net periodic pension cost of defined-benefits plans	**– 12 598**	**– 10 772**

Movements in net assets recognised on the balance sheet in CHF 000	2005	2004
Net pension asset at beginning of year	54 574	54 574
Net periodic pension cost of defined-benefits plans	– 12 598	– 10 772
Employer's contribution	12 598	10 772
Net pension assets at end of year	**54 574**	**54 574**

Principal actuarial assumptions	2005	2004
Discount rate	3.00%	3.50%
Expected rate of increase in future compensation levels	2.00%	2.00%
Expected long-term rate of return on plan assets	4.60%	4.60%
Expected rate of increase in future pension benefits	0.50%	0.50%

25 Share-based payments

Employees. The following share-based payment programmes exist for management and non-management staff:

Employee Share Ownership Plan. Swiss-based employees are entitled to acquire shares in Valora Holding AG at the beginning of each year at a preferential price, subject to certain criteria and in proportion to the function they hold. This preferential price amounts to 40% of the average stockmarket price for the previous November. These shares are acquired with all associated rights, but are subject to a vesting period of five years. The employees' payments for such shares are taken directly to equity with no impact on the income statement.

Executive Share Ownership Plan. Valora has, since 2003, provided an Executive Share Ownership Plan for the members of Group Executive Management and (on an optional basis) for other Swiss-based senior management staff under which members are entitled to a certain number of shares depending on the year-on-year increase achieved in earnings per share (EPS). The entitlement to such shares increases in direct proportion to the degree of such a year-on-year improvement, with the maximum number of shares awarded for an increase of 10%.

The shares awarded under this Executive Share Ownership Plan are subject to a vesting period of five years. Entitlements cannot be paid out in cash form.

For certain members of Group Executive Management, the Executive Share Ownership Plan has been supplemented by an allocation of shares based on the cumulative free cash flow achieved by the Valora Group for 2004 and 2005. The securities issued under this supplementary plan also include 1:1 options on Valora shares with an exercise price of CHF 306.00. The options expire on December 17, 2008. Participants are also required to remain with Valora until June 30, 2006 to qualify for such benefits. The supplementary plan further includes a clause stating that, in the event of a change of ownership by December 31, 2005, the maximum shares and options awardable would be awarded irrespective of the achievement of the targets set, and that the shares and options so issued would not be subject to any vesting period.

Board Share Ownership Plan. This programme is based on the rules and regulations of the Executive Share Ownership Plan. However, the shares concerned are issued immediately after the Annual General Meeting following the business year concerned.

Management share option plan. A management share option plan was maintained until 2002 for members of the Board of Directors and Group Executive Management and, on a voluntary basis, for second-tier management staff. The options issued entitled the holder to purchase one share of Valora Holding AG for every 50 options held at an exercise price of CHF 350.00 between April 17, 2005 and May 18, 2005. The option premiums received were taken directly to equity with no impact on the income statement.

Options outstanding	**Number of options 2005**	**Weighted average exercise price in CHF**	Number of options 2004	Weighted average exercise price in CHF
Outstanding on January 1	4 470 866	350	4 470 866	350
Expired	– 4 470 866	350	0	0
Outstanding on December 31	**0**	**0**	**4 470 866**	**350**
Of which exercisable	**0**		**0**	

Suppliers. CHF 1.2 million of a fee for consultancy provided in connection with restructuring activities was paid in the form of Valora shares in 2005. The fair value of the transaction was calculated on the basis of the market value of the services received.

Share-based payment expense in CHF 000	**2005**	2004
Employee and executive share ownership plans reported as personnel expense (see Note 5)	1 671	2 370
Services reported as administration expense	1 230	0
Total share-based payment expense	**2 901**	**2 370**

26 Contingencies and commitments

Contingent liabilities in CHF 000	2005	2004
Sureties	459	52
Other contingent liabilities	551	619
Total contingent liabilities	**1 010**	**671**

Commitments in CHF 000	2005	2004
Long-term rental commitments	251 728	219 838
Operating lease commitments	15 099	10 454
Finance lease commitments	2 088	3 475
Commitments for future capital expenditure	0	630
Total commitments	**268 915**	**234 397**

Long-term rental commitments in CHF 000	2005	2004
Payments made in the reporting period	127 103	125 474
Maturities		
Within one year	54 933	47 993
Within 1-2 years	45 104	43 107
Within 2-3 years	40 180	30 951
Within 3-4 years	30 010	27 399
Within 4-5 years	31 992	17 689
After more than 5 years	49 509	52 699
Total long-term rental commitments	**251 728**	**219 838**

Long-term rental commitments relate primarily to the long-term securing of kiosk locations.

Operating lease commitments in CHF 000	2005	2004
Payments made in the reporting period	6 246	5 991
Maturities		
Within one year	5 897	4 555
Within 1-2 years	4 300	3 293
Within 2-3 years	3 088	1 665
Within 3-4 years	1 501	655
Within 4-5 years	313	257
After more than 5 years	0	29
Total operating lease commitments	**15 099**	**10 454**

Finance lease commitments in CHF 000	2005	2004
Payments made in the reporting period	605	1 075
Maturities		
Within one year	1 220	1 470
Within 1-2 years	663	1 427
Within 2-3 years	154	441
Within 3-4 years	28	86
Within 4-5 years	23	28
After more than 5 years	0	23
Total finance lease commitments	**2 088**	**3 475**
Less future interest charges	– 94	– 190
Total finance lease obligation (present value)	**1 994**	**3 285**
Less current portion of finance lease obligation (see Note 22)	– 609	– 1 041
Long-term finance lease obligation (see Note 21)	**1 385**	**2 244**

27 Derivative financial instruments

There were no open transactions with derivative financial instruments at December 31, 2005 or December 31, 2004.

28 Transactions and amounts with related parties

The consolidated financial statements include Valora Holding AG as the group holding company and the subsidiaries which it directly or indirectly controls, as listed in Note 31.

Transactions. The following business was conducted with related parties:

Goods and services sold to related parties in CHF 000	2005	2004
Goods sold to		
Joint ventures in which Valora is a partner	169	315
Total goods and services sold	**169**	**315**

Goods and services purchased from related parties in CHF 000	2005	2004
Goods purchased from		
Associates	391	317
Total goods and services purchased	**391**	**317**

Leasing payments to related parties in CHF 000	2005	2004
Other related parties	2 135	2 135
Total leasing payments	**2 135**	**2 135**

This amount relates to the rental of business premises for a subsidiary.

Non-current assets sold to related parties in CHF 000	2005	2004
Real estate sold to		
Occupational pension plans	0	28 607
Total non-current assets sold	**0**	**28 607**

The Valora Group disposed of real estate not required for operations in 2004 as part of its focus strategy. This real estate was offered in a bidding procedure to a selected group of interested parties. Valora's occupational pension plans (the Valora company pension plan and the Valora Patronal Finance Foundation) were also entitled to participate in the bidding process, and were informed that they would be offered the assets concerned provided they bid at least as much as the highest of the outside bidders. The Valora occupational pension plans submitted their offers in line with their long-term investment strategy. While the first tranche of properties was sold to the Credit Suisse Group, the Valora occupational pension plans made the highest bid offer for the second such tranche.

Management and board compensation. The compensation of the management and the Board of Directors include all the expenses in the consolidated financial statements which are directly connected with members of Group Executive Management and the Board of Directors.

Management and board compensation in CHF 000	2005	2004
Salaries and other short-term benefits [1]	5 074	4 856
Settlements [2]	298	204
Share-based payments	675	895
Total management and board compensation	**6 047**	**5 955**

[1] Including vehicle costs paid by the employer.

[2] Any employee serving several years on Group Executive Management is entitled to a settlement if employment is terminated by the employer. For five years' service this leaving settlement amounts to 50%, for eight years' service 100% and for 12 years' service 150% of the average annual remuneration earned in the two preceding years.

Receivables and liabilities. The terms and conditions for such receivables and liabilities correspond to the usual business terms and conditions of the companies concerned. The Valora Group has not issued any guarantees or received any sureties for the receivables and liabilities concerned.

Receivables for the sale of goods and services to related parties in CHF 000	2005	2004
Gross receivables from joint ventures	40	31
Value adjustments	0	0
Total receivables	**40**	**31**

Loans. The Cevanova AG joint venture is financed by substantial loans in relation to its equity. In view of this, these amounts are regarded as part of the net investment in Cevanova. The balances of and movements in these loans by legal form are shown below.

Loans to related parties in CHF 000	2005	2004
Nominal loans to joint ventures on January 1	**6 225**	**5 925**
Loans granted to joint ventures	662	300
Assumptions through share purchases	3 113	0
Nominal loans on December 31	**10 000**	**6 225**
Value adjustments on January 1	**– 500**	**– 500**
Increase in value adjustments	– 652	0
Total impairments	**– 1 152**	**– 500**
Loans to joint ventures, net	**8 848**	**5 725**

Guarantees and contingent liabilities. There are no guarantees or other contingent liabilities towards related parties.

29 Equity

No dividend was distributed in 2005 (2004: CHF 9.00 per share). Dividend distributions are based on the net result for the year and the retained earnings of Valora Holding AG, the parent company.

A total of 7 529 shares of treasury stock were sold to employees under the Employee Share Ownership Plan.

Following a resolution of the Annual General Meeting of April 27, 2005, share capital was reduced through the deletion of 270 000 shares of treasury stock, and the nominal value of the Valora share was reduced by CHF 9.00 per share. Share capital thus now consists of 3 300 000 shares each of CHF 1.00 nominal value.

The company also holds conditional capital of 84 000 shares which the Board of Directors may issue in connection with current and future executive share ownership plans. No such shares had been issued by December 31, 2005.

30 Subsequent events

The consolidated financial statements were approved by the Board of Directors of Valora Holding AG on March 22, 2006. The Board will recommend to the Annual General Meeting of April 26, 2006 that the consolidated financial statements be approved and that a dividend of CHF 9.00 per share be paid from the earnings available for distribution at the Meeting’s disposal.

The contractual agreement on the sale of the Fotolabo companies Fotolabo Club SA of Switzerland and IFI Oy of Finland (see Note 3) was concluded on March 16, 2006.

31 Significant subsidiaries of the Valora Group

Switzerland in CHF 000	Currency	Nominal capital in million	Share-holding in%	Corporate	Valora Retail	Valora Press & Books	Valora Trade	Discon-tinued opera-tions
Valora Management AG, Bern	CHF	0.5	100.0	■				
Valora Finanz AG, Baar	CHF	0.2	100.0	■				
Valora Investment AG, Bern	CHF	0.3	100.0	■				
Ravita AG, Baar	CHF	0.1	100.0		■			
Merkur AG, Bern	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				■	
Fotolabo Club SA, Ropraz	CHF	3.0	100.0					■
Cevanova AG, Bern	CHF	6.0	50.0		■			
France								
Merkur Holding France SA, St-Amarin	EUR	3.7	100.0	■				
Alimarca France SAS, St-Amarin	EUR	0.0	100.0				■	
Cansimag France SA, St-Amarin	EUR	0.6	100.0				■	
Fotolabo Club SA, Algolsheim	EUR	6.3	100.0					■
Germany								
Valora MSS Holding 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				■	
Fotolabo Club GmbH, Breisach	EUR	4.0	100.0					■
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			■		
Fotolabo Club SA, Brussels	EUR	2.5	100.0					■

United Kingdom in CHF thousand	Currency	Nominal capital in million	Share-holding in%	Corporate	Valora Retail	Valora Press & Books	Valora Trade	Discon-tinued opera-tions
Valora Treasury Center Ltd., Guernsey	CHF	0.5	100.0	■				
Valora Holding Finance Ltd., Guernsey	CHF	638.9	100.0	■				
Merkur Finance Ltd., Guernsey	CHF	0.5	100.0	■				
Alimarca Finance Ltd., Guernsey	CHF	0.5	100.0	■				
Austria								
Plagalim Holding 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 Invest AB, Oerkelljunga	SEK	0.5	100.0	■				
Alimarca Sweden AB, Stockholm	SEK	0.1	100.0	■				
Gillebagaren AB, Oerkelljunga	SEK	0.6	100.0				■	
Valora Trade Sweden AB, Stockholm	SEK	12.0	100.0				■	
Norway								
Alimarca Norway AS, Royken	NOK	0.1	100.0	■				
Valora Trade Norway AS, Royken	NOK	5.7	100.0				■	
Sørlandschips A/S, 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				■	
IFI Oy, Kerava	EUR	0.3	100.0					■
Other countries								
Kaumy S.r.o., Fulnek, 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 (balance sheet, income statement, cash flow statement, statement of changes in equity and notes, pages 15 to 58) of the Valora Group for the year ended December 2005.

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

Andreas Baur Andreas Aebersold

Bern, March 22, 2006