Half-year Report 2006

Key figures

		30.6.2006 [1]	30.6.2005 [1]
Net revenues	**CHF million**	**1 432.2**	**1 411.5**
Change	%	1.5	– 1.3
Operating profit	**CHF million**	**39.3**	**19.7**
Change	%	99.8	– 58.4
in % of net revenues		2.7	1.4
Net profit	**CHF million**	**26.6**	**8.4**
Change	%	217.5	– 75.4
in % of net revenues		1.9	0.6
in % of equity		5.2	1.4
Net cash provided by (used in)			
Operating activities	CHF million	– 7.6	11.4
Investing activities	CHF million	0.2	– 25.7
Free cash flow	**CHF million**	**– 7.5**	**– 14.3**
Financing activities	CHF million	– 46.1	– 31.0
Earnings per share	**CHF**	**8.36**	**2.13**
Change	%	292.5	– 75.0
Free cash flow per share	**CHF**	**– 2.33**	**– 4.47**
Points of sale		**1 429**	**1 534**
Net sales per point of sale [2]	CHF thousand	573	542
		At 30.6.2006	At 31.12.2005
Cash and cash equivalents	**CHF million**	**166.8**	**219.7**
Interest-bearing liabilities	**CHF million**	**314.7**	**332.8**
Total equity	**CHF million**	**515.2**	**513.6**
Balance sheet total	**CHF million**	**1 285.0**	**1 359.2**
Share price	**CHF**	**265**	**255**
Market capitalisation	**CHF million**	**846**	**814**
Average number of employees (full-time equivalents)		**7 157**	**7 454**
Change	%	– 4.0	– 5.7

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

[1] from continuing operations

[2] net sales of Valora Retail only

Business trends

The turnaround has been confirmed in the first half of 2006. Thanks to the vigorous implementation of the restructuring plan last year, Valora achieved substantial improvements in both its operating profit and its net result for the first half of 2006. These efforts – particularly the cost reduction program – generate an operating profit for the period of almost CHF 40 million. The Valora Retail division posted a positive operating result, though the Swiss retail and press business have yet to generate growth.

Valora Group

The Valora Group increased its sales by CHF 20.7 million, its operating profit by CHF 19.6 million and its net profit by CHF 18.2 million for the first half of 2006 compared to the same period a year ago. The results confirm that the cost savings initiated in 2005 and the restructuring of the Group's Swiss retailing activities are bearing fruit.

in CHF million	1.1. - 30.6.2006		1.1. - 30.6.2005	
Net revenues	**1 432.2**	**100.0%**	**1 411.5**	**100.0%**
Operating profit	**39.3**	**2.7%**	**19.7**	**1.4%**
+ Restructuring costs			3.3	
Operating profit before restructuring	**39.3**	**2.7%**	**23.0**	**1.6%**

The increase in net revenues is primarily attributable to the Valora Trade division. Valora Press & Books raised its sales by CHF 3.0 million or 1.1% for the period, while Valora Retail sustained a further net revenue decline of CHF 11.5 million or 1.4% following the closure of sales outlets. The encouraging increase in operating profit amounts to CHF 16.3 million on a like-for-like comparison, raising operating profit margin for the period to 2.7%. The increase in net profit to CHF 26.6 million results in an annualised return on equity of 10.4%.

The actions taken to date must be vigorously pursued to return k kiosk to growth and achieve the Group's operating profit margin objectives. With a view to further improving business control and logistics processes, the Board of Directors has approved substantial investments into modern POS tills and ERP systems. The projects to introduce the new technology are already under way.

Valora Retail

in CHF million	1.1. - 30.6.2006		1.1. - 30.6.2005	
Net revenues	**819.4**	**100.0%**	**830.9**	**100.0%**
Operating result	**10.8**	**1.3%**	**– 8.5**	**n/a**
+ Restructuring costs			2.0	
Operating result before restructuring	**10.8**	**1.3%**	**– 6.5**	**n/a**

First-half net revenues at Valora Retail showed a year-on-year decline, owing primarily to the closure of unprofitable kiosks and the reduction of the unprofitable wholesale business volume. Sales in Germany, where six new POS were aquired, were increased by CHF 7.1 million, while sales in Luxembourg could be further improved by CHF 4.3 million. Football stickers for the 2006 World Cup were a sales success exceeding expectations. The prime reason for the improved operating result, however, was the success of the division's cost-reduction programmes.

Valora Press & Books

in CHF million	1.1. - 30.6.2006		1.1. - 30.6.2005	
Net revenues	**283.6**	**100.0%**	**280.6**	**100.0%**
Operating profit	**13.5**	**4.8%**	**12.0**	**4.3%**
+ Restructuring costs			0.6	
Operating profit before restructuring	**13.5**	**4.8%**	**12.6**	**4.5%**

The year-on-year sales increases of CHF 6.7 million in Austria and CHF 0.6 million in Luxembourg offset the negative trends in the Swiss press and books business and helped the division post a slight CHF 3.0 million increase in net revenues for the period. Adverse market trends are depressing sales and operating results for the division's Swiss operations.

With the sales increases outside Switzerland and the cost savings effected, the division achieved a slight improvement in its operating result for the period and posted an encouraging operating profit margin of 4.8%.

Valora Trade

in CHF million	1.1. - 30.6.2006		1.1. - 30.6.2005	
Net revenues	427.4	100.0%	402.2	100.0%
Operating profit	13.0	3.1%	12.8	3.2%

The division's Distribution and Own Brands business units both contributed to the 6.3% increase in sales at Valora Trade. The higher turnover at Distribution was due primarily to the acquisition of new principals in the Nordic region, though sales were also up for the unit's Swiss operations. At the Own Brands unit, new launches of Roland and Kägi products delivered their first encouraging results.

Operating profit has not yet emulated the increase in net revenues. This is due partly to the costs of establishing and developing a consistent market appearance and standardised systems in the Distribution unit, and partly to non-recurring additional costs which were incurred with the introduction of new products at Roland and Kägi and with the launch of a new packaging design of the Kägi products.

Cash flow, liquidity, financing and equity

Cash flow before changes in net working capital was increased by CHF 16 million. The increase in net working capital through the expansion of Valora Trade's business activities, changed payment flows and the utilisation of restructuring provisions combined to produce a temporary negative operating cash flow.

The disposal of the Group's Valora Imaging division, the sale of real estate formerly belonging to PGV in Austria and the disposal of sales outlet furnishings offset the cash outflow as a result of investing activities.

With the repayment of CHF 18 million in interest-bearing liabilities and a CHF 53 million decline in cash and cash equivalents, net debts increased by CHF 35 million to CHF 148 million.

Consolidated equity remained virtually unchanged at CHF 515 million, despite a CHF 29 million dividend distribution. The balance sheet equity ratio increased from 37.8% to 40.1%.

Changes in Group Executive Management

Manfred Zipp commenced his new duties as Head of Valora Retail on June 1, and Christian Schock assumed overall responsibility for Valora Press & Books on July 1.

Sale of Imaging

The sale of the Valora Imaging division (Fotolabo) was concluded in the course of the first half-year. The difference between the sale price agreed and the net assets to be removed from the balance sheet was fully covered by the provisions previously recognised for disposal-related costs and warranties issued. As a result, the sale had no impact on the income statement.

Outlook

The improved results for the first half of 2006 are attributable primarily to efforts made in cost-savings terms. One of the key challenges of the second six months will be to continue to pursue the restructuring measures already taken, especially on the sales and earnings fronts, in a still far-from-easy market environment. The Board of Directors and Group Executive Management expect to report an operating profit margin of between 2.8% and 3% for 2006 as a whole, and will continue to pursue their objective of achieving an operating profit margin of 4% from 2007 onwards.

Valora Holding AG

Dr. Fritz Ammann
Chairman of the Board

Peter Wüst
CEO

Consolidated income statement

January 1 to June 30, in CHF thousand (except per-share amounts)	**2006** unaudited	%	2005 unaudited	%
Net revenues	**1 432 186**	**100.0**	**1 411 492**	**100.0**
Cost of goods	– 959 621	– 67.0	– 944 073	– 66.9
Gross profit	**472 565**	**33.0**	**467 419**	**33.1**
Personnel expense	– 238 682	– 16.7	– 248 627	– 17.6
Other operating expenses	– 176 149	– 12.3	– 178 299	– 12.6
Depreciation and amortisation of operating assets	– 23 614	– 1.7	– 24 123	– 1.7
Other income, net	5 171	0.4	3 296	0.2
Operating profit	**39 291**	**2.7**	**19 666**	**1.4**
Financial expense	– 6 741	– 0.4	– 8 939	– 0.7
Financial income	1 921	0.1	1 311	0.1
Share of loss from associates	– 217	0.0	– 469	0.0
Earnings before taxes	**34 254**	**2.4**	**11 569**	**0.8**
Income taxes	– 7 079	– 0.5	– 4 265	– 0.3
Result from continuing operations	**27 175**	**1.9**	**7 304**	**0.5**
Result from Consumer Imaging	– 564	0.0	1 078	0.1
Net profit	**26 611**	**1.9**	**8 382**	**0.6**
Attributable to shareholders of Valora Holding AG	26 155	1.9	7 883	0.6
Attributable to minority interest	456	0.0	499	0.0
Average number of shares outstanding	3 196 811		3 197 676	
Earnings per share				
Earnings per share from continuing operations (in CHF)	8.36		2.13	

Consolidated balance sheet

in CHF thousand Assets	At June 30, 2006 unaudited	%	At Dec 31, 2005	%
Current assets				
Cash and cash equivalents	166 848		219 655	
Trade accounts receivable	192 270		167 610	
Inventories	254 002		258 520	
Current income tax receivable	2 168		3 344	
Other current assets	51 111		51 091	
Current assets	**666 399**	**51.9**	**700 220**	**51.5**
Assets held of disposal groups	0		29 934	
Property held for sale	13 305		0	
Total current assets	**679 704**	**52.9**	**730 154**	**53.7**
Non-current assets				
Property, plant and equipment	312 963		322 483	
Goodwill, software and other intangible assets	156 553		155 665	
Investment property	19 127		32 301	
Investment in associates and joint ventures	12 456		12 717	
Long-term financial assets	7 484		7 516	
Net pension asset	54 574		54 574	
Deferred income tax assets	42 153		43 800	
Total non-current assets	**605 310**	**47.1**	**629 056**	**46.3**
Total assets	**1 285 014**	**100.0**	**1 359 210**	**100.0**

Liabilities and equity				
Current liabilities				
Short-term bank debt	32 877		50 815	
Trade accounts payable	270 616		300 174	
Current income tax liabilities	6 664		5 303	
Other current liabilities	109 782		104 359	
Current provisions	15 926		21 214	
Current liabilities	**435 865**	**33.9**	**481 865**	**35.5**
Liabilities from disposal groups	0		29 746	
Total current liabilities	**435 865**	**33.9**	**511 611**	**37.6**
Non-current liabilities				
Long-term debt	143 608		143 860	
Bond payable	138 237		138 105	
Long-term accrued pension cost	11 397		10 780	
Long-term provisions	12 123		11 896	
Deferred income tax liabilities	28 601		29 361	
Total non-current liabilities	**333 966**	**26.0**	**334 002**	**24.6**
Total liabilities	**769 831**	**59.9**	**845 613**	**62.2**
Equity				
Total equity	**515 183**	**40.1**	**513 597**	**37.8**
Total liabilities and equity	**1 285 014**	**100.0**	**1 359 210**	**100.0**

Consolidated cash flow statement (condensed)

January 1 to June 30, in CHF thousand	**2006** unaudited	2005 unaudited
Cash flow from continuing operations		
Operating profit	39 291	19 666
Elimination of non-cash transactions	21 345	25 111
Cash flow before changes in net working capital	**60 636**	**44 777**
Net changes in net working capital	– 62 004	– 26 853
Interest paid/received and taxes paid	– 6 273	– 6 483
Net cash (used in)/provided by operating activities	**– 7 641**	**11 441**
Net cash provided by/(used in) investing activities	179	– 25 720
Net cash used in financing activities	– 46 143	– 31 018
Net decrease in cash and cash equivalents from continuing operations	**– 53 605**	**– 45 297**
Translation adjustments on cash and cash equivalents	798	– 201
Cash and cash equivalents at beginning of period	219 655	287 703
Cash and cash equivalents at end of period	166 848	242 205

Consolidated statement of changes in equity

in CHF thousand	Equity of Valora Holding AG shareholders Share capital	Other reserves	Retained earnings	Cumulative translation adjustments	Total equity of majority share-holders	Minority interest	Total equity unaudited
Balance at January 1, 2005	**35 700**	**– 75 194**	**657 547**	**3 387**	**621 440**	**2 438**	**623 878**
Translation adjustments				– 1 230	– 1 230	9	**– 1 221**
(Expense)/income recognised directly in equity				**– 1 230**	**– 1 230**	**9**	**– 1 221**
Net profit for first half of 2005			7 883		7 883	499	**8 382**
Total profit/(loss) shown			**7 883**	**– 1 230**	**6 653**	**508**	**7 161**
Share-based payments		867			867		**867**
Dividend paid on 2004 result					0	– 999	**– 999**
Treasury stock purchased		– 27 626			– 27 626		**– 27 626**
Treasury stock issued		1 806			1 806		**1 806**
Balance at June 30, 2005	**35 700**	**– 100 147**	**665 430**	**2 157**	**603 140**	**1 947**	**605 087**
Valuation reserves available-for-sale financial assets		15			15		**15**
Translation adjustments				1 848	1 848	12	**1 860**
Income recognised directly in equity		**15**		**1 848**	**1 863**	**12**	**1 875**
(Net loss)/net profit for second half of 2005			– 65 199		– 65 199	509	**– 64 690**
Total profit/(loss) shown		**15**	**– 65 199**	**1 848**	**– 63 336**	**521**	**– 62 815**
Share-based payments		2 034			2 034		**2 034**
Dividend paid to minority interest					0	– 14	**– 14**
Treasury stock purchased		– 1 031			– 1 031		**– 1 031**
Treasury stock issued		36			36		**36**
Capital reduction	– 32 400	70 535	– 67 835		– 29 700		**– 29 700**
Balance at December 31, 2005	**3 300**	**– 28 558**	**532 396**	**4 005**	**511 143**	**2 454**	**513 597**
Translation adjustments				2 879	2 879	15	**2 894**
Income recognised directly in equity				**2 879**	**2 879**	**15**	**2 894**
Net profit for first half of 2006			26 155		26 155	456	**26 611**
Total profit shown			**26 155**	**2 879**	**29 034**	**471**	**29 505**
Share-based payments		– 260			– 260		**– 260**
Dividend paid on 2005 result			– 28 785		– 28 785	– 923	**– 29 708**
Treasury stock issued		2 049			2 049		**2 049**
Balance at June 30, 2006	**3 300**	**– 26 769**	**529 766**	**6 884**	**513 181**	**2 002**	**515 183**

Segment reporting

in CHF thousand	Valora Retail	Valora Press & Books	Valora Trade	Corporate	Intersegment elimination	Total Group unaudited
Net revenues 1.1. - 30.6.2006						
From third parties	819 373	181 855	423 495	7 463		1 432 186
From other divisions	5	101 739	3 936	0	– 105 680	0
Total	**819 378**	**283 594**	**427 431**	**7 463**	**– 105 680**	**1 432 186**
Net revenues 1.1. - 30.6.2005						
From third parties	830 921	174 667	398 436	7 468		1 411 492
From other divisions	28	105 930	3 793	126	– 109 877	0
Total	**830 949**	**280 597**	**402 229**	**7 594**	**– 109 877**	**1 411 492**
Change (%)	– 1.4	1.1	6.3			1.5
Operating profit 1.1. - 30.6.2006						
Operating profit	**10 827**	**13 530**	**13 040**	**1 894**		**39 291**
Operating profit 1.1. - 30.6.2005						
Operating profit	– 8 506	12 042	12 765	3 365		19 666
Restructuring costs	2 017	600	0	731		3 348
Operating profit before restructuring	– 6 489	12 642	12 765	4 096		23 014
Operating profit in % of net revenues						
1.1. - 30.6.2006	**1.3**	**4.8**	**3.1**			**2.7**
1.1. - 30.6.2005	n/a	4.3	3.2			1.4

Notes to the consolidated interim financial statements

1 Significant accounting policies

This half-year report is the interim financial report of Valora Holding AG and its subsidiary companies for the first six months of 2006. It was compiled using the same accounting principles as those used for the 2005 Annual Report and, being an updated version of the consolidated financial statements for 2005, should be read in connection therewith. This report has been compiled in accordance with IAS 34 of the International Financial Reporting Standards (IFRS) in compliance with the requirements of the SWX Swiss Exchange. With the exception of the balance sheet at December 31, 2005, the figures presented are unaudited.

New IFRS/IAS standards. The new and revised IFRS/IAS standards which entered into effect on January 1, 2006 have no significant effect on this interim report.

2 Discontinued operations

The Valora Group was able to dispose of its Consumer Imaging (Fotolabo) division, previously shown as a discontinued operation, in the first half of 2006. Results from these Consumer Imaging business activities are included in the consolidated income statement as results from Consumer Imaging business activities up until the transfer of their control to their new owners.

Income statement for Consumer Imaging

in CHF thousand	**1.1. - 30.6.2006** unaudited	1.1. - 30.6.2005 unaudited
Net revenues	14 975	57 317
Gross profit	**12 159**	**47 734**
Operating expenses	– 12 807	– 45 743
Operating result	**– 648**	**1 991**
Financial result	– 46	– 86
Result before income taxes	**– 694**	**1 905**
Income taxes	130	– 827
Net result	**– 564**	**1 078**

3 Property held for sale

For two properties no longer required for business operations, the sale negotiations reached a stage in the 2006 first-half period at which they must now be capitalised as “assets held for sale” in compliance with IFRS 5. The properties concerned are the former registered office of Valora Trade Switzerland in Burgdorf and an industrial facility in Germany.

These properties are shown at their net realisable value, with the reversal of previous impairments amounting to CHF 0.5 million.

The sale of these properties should be concluded in the third quarter of 2006.

4 Provisions

in CHF thousand	Guarantees	Litigation	Restructuring	Total unaudited
Balance at January 1, 2005	**9 800**	**6 165**	**2 351**	**18 316**
Utilised	0	– 275	– 741	– 1 016
Released to income	– 200	– 571	0	– 771
Fair value adjustment	111	0	0	111
Translation adjustments	0	6	8	14
Balance at June 30, 2005	**9 711**	**5 325**	**1 618**	**16 654**
Utilised	– 85	– 1	– 4	– 90
Released to income	– 2 050	0	– 2	– 2 052
Recognised	0	0	18 287	18 287
Fair value adjustment	109	180	0	289
Translation adjustments	0	10	12	22
Balance at December 31, 2005	**7 685**	**5 514**	**19 911**	**33 110**
Utilised	0	0	– 6 840	– 6 840
Released to income	– 700	0	– 956	– 1 656
Recognised	3 200	0	0	3 200
Fair value adjustment	214	0	0	214
Translation adjustments	0	10	11	21
Balance at June 30, 2006	**10 399**	**5 524**	**12 126**	**28 049**
Current provisions	4 165	439	11 322	15 926
Long-term provisions	6 234	5 085	804	12 123
Total provisions	**10 399**	**5 524**	**12 126**	**28 049**

Bern, August 17, 2006

The next Ordinary General Meeting of the shareholders of Valora Holding AG will be held in Bern on Thursday, April 26, 2007.

This Half-year Report is published in German and English. The original language is German.

Valora Management AG **Corporate Communications**	Valora Management AG **Corporate Investor Relations**
Bahnhofplatz 10 3011 Bern, Switzerland Stefania Misteli Phone +41 58 789 1201 Fax +41 58 789 1113 stefania.misteli@valora.com	Bahnhofplatz 10 3011 Bern, Switzerland Stefan Knuchel Phone +41 58 789 1220 Fax +41 58 789 1113 stefan.knuchel@valora.com

Valora Holding AG

Bahnhofplatz 10
3011 Bern, Switzerland
Phone +41 58 789 1111
Fax +41 58 789 1112
www.valora.com
info@valora.com