Financial Report Valora 2003

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Dear Shareholders,
Ladies and Gentlemen.

The exceptional developments of the 2003 business year have left their mark on the consolidated income statement and balance sheet of the Valora Group. These documents demand discerning study and appraisal. But what can be said in summary is that, despite its first-ever net annual loss – and a sizeable one at that – the Group's operating performance remains intact, and its balance sheet is still in sound financial health.

Stagnant revenue trends. The Valora Group was unable to escape the generally muted consumer mood, the persistent pressure on prices and margins and the continuing trend towards lower-margin products. Given this difficult market environment, the slight 0.8-percent year-on-year decline in net revenues (net of divestitures) can be regarded as satisfactory. The fact that many consumers, faced with largely unchanged salaries and further-increasing costs, have little cash available for more optional spending items is reflected in the revenue trends recorded for all four corporate divisions.

Depressed but stable earnings. On the operational front – net of divestitures and exceptional costs – gross profit margin was maintained at its prior-year level, halting the previous margin deterioration that had prevailed for some time. Group earnings before interest, taxes and amortization of goodwill (EBITA) suffered a 14.9-percent decline from their prior-year equivalent, however – a clear indication that the above economic developments made their impact felt throughout the Valora Group. The CHF 172.4 million impairment of goodwill even produced a negative earnings before interest and taxes (EBIT) result of minus CHF 106.0 million.

Exceptional costs and unavoidable goodwill impairments. A series of systematic risk assessments were conducted by the Valora Group between autumn 2003 and March 2004. These activities resulted in the incurrence of sizeable exceptional costs totalling CHF 49.1 million and a goodwill impairment of CHF 172.4 million (in addition to ordinary annual amortization of CHF 28.8 million) for the 2003 business year. These two costs items dominated the Group's 2003 financial statements; but they have also helped lay a sound financial foundation for the Group's business future.

It was with this aim in mind that exceptional costs were incurred in respect of the financial repercussions of the fraud case in Germany, corporate restructuring activities and value adjustments effected. On top of this, some particularly painful decisions had to be taken with regard to the valuation of the goodwill at subsidiaries as stated on the balance sheet. The corresponding analysis and assessment revealed that, in many cases, the goodwill concerned was now worth less than the values stated, a state of affairs which could prove a burden to the Group in later years. By effecting the requisite goodwill impairments, the Group has now freed itself of any such burden, and can tackle unhindered the challenges ahead.

Balance sheet still solid. With the substantial assets it has built up over the years, Valora is more than able to withstand these balance sheet adjustments. The balance sheet total did decline some 10 per cent to CHF 1.7 billion as a result of the value adjustments effected to subsidiaries; but the balance sheet equity ratio remains high at 45 per cent. The five-percentage-point year-on-year decline does not in any way restrict the Group's freedom to make investment decisions while still maintaining its conservative accounting principles – particularly since the divestitures planned for 2004 should generate substantial inflows of funds.

A PROMISING OUTLOOK. Given the trends observed in both the economy as a whole and the Group's revenues in particular in the first few months, Valora can be reasonably optimistic that 2004 will prove a better business year. The Board of Directors and Executive Management are confident that the Group will see renewed success in 2004 in both revenue and earnings terms.

In view of the stable development of the Group's business operations and the current projections on the overall economic climate for 2004, the Board of Directors has resolved that a dividend be distributed for 2003 which is unchanged from its prior-year level. The Board has also resolved to continue the present share buyback programme. In taking these decisions, the Board is not only signalling to the market its confidence in Valora's future; it also aims to convince the shareholders, the providers of its risk capital, to remain committed to the company and its further business success.

Peter Wüst
CEO

Review of the Group's results

A year of transition in a difficult environment

2003 proved a year of transition for the Valora Group in a difficult environment of overall stagnating markets. The change of CEO prompted the Group to conduct a systematic identification and assessment of existing risks and opportunities – a move which resulted, among other things, in the incurrence of exceptional costs totalling CHF 49.1 million and an impairment of goodwill from former acquisitions of CHF 172.4 million. These balance-sheet adjustments, together with the implementation of the new focus strategy defined in summer 2003, have created a firm foundation for Valora's further business development.

A Net revenues

in CHF million	2003	2002	Change in CHF	Change in in local currency
Valora Retail	1493.7	1509.3	– 1.0%	– 1.7%
Valora Wholesale	651.1	706.5	– 7.8%	– 8.2%
Valora Trade	930.3	913.5	1.8%	– 0.5%
Valora Imaging	186.1	224.4	– 17.0%	– 19.0%
Corporate	787.9	793.7	– 0.7%	– 0.7%
Intersegment	– 1027.7	– 1070.6		
Group total	**3021.4**	**3076.8**	**– 1.8%**	**– 3.0%**
Switzerland	1983.1	2008.6	– 1.3%	– 1.3%
Elsewhere	1038.3	1068.2	– 2.7%	– 6.3%

The net Group revenues of CHF 3 021.4 million were a slight decline on 2002 of 1.8% in Swiss franc and 3% in local currency terms.

B Gross profit

Gross profit declined CHF 33.8 million to CHF 1 165.0 million. Gross profit margin slipped accordingly, from 39.0% to 38.6%. Net of divestitures and exceptional costs, however, gross profit margin rose from 38.7% to 38.8%.

C Earnings before interest and taxes (EBIT)

EBIT trends

in CHF million	2003	2002	Change	Change in %
Valora Retail	– 19.0	25.2	– 44.2	n/a
Valora Wholesale	28.5	35.4	– 6.9	– 19.4%
Valora Trade	14.5	36.0	– 21.5	– 59.7%
Valora Imaging	– 115.9	24.0	– 139.9	n/a
Corporate	– 14.1	4.5	– 18.6	n/a
Group EBIT	**– 106.0**	**125.1**	**– 231.1**	**n/a**

EBIT developments were strongly influenced by the goodwill impairments effected primarily in the Valora Imaging, Valora Retail and Valora Trade divisions. These are described in more detail below.

Personnel expenses decreased by CHF 14.7 million or 2.6%. All the Group's divisions contributed to the reduction.

Other operating expenses rose CHF 9.9 million or 2.2%, largely as a result of higher rental expenses at Valora Retail and increased administration costs at Valora Corporate.

Depreciation on operating assets increased by CHF 8.5 million or 13.9% in view of higher investments in the Valora Trade and Valora Corporate divisions and value adjustments in the IT field.

Other income declined substantially from its 2002 level, which had included income from the release of provisions no longer required and profits realised on fixed-asset sales.

While *currency movements* had a positive impact on net revenues (+CHF 36.9 million) and gross profit (+CHF 11.7 million) as a result of the strength of other currencies against the Swiss franc, these trends also added a further CHF 11.7 million to operating expenses. Currency movements thus had a net neutral impact on the EBIT result.

EXCEPTIONAL COSTS. Exceptional costs of CHF 49.1 million were incurred in 2003. Some of these costs were identified in the course of the systematic risk assessments conducted between autumn 2003 and March 2004 (see below).

These exceptional costs relate to expenses incurred in association with the fraud case in Germany (CHF 25.0 million), shutdown costs for the Group's Dolmetsch and Spettacolo outlets in Germany (CHF 5.4 million), value adjustments to IT facilities in Denmark (CHF 2.9 million), value adjustments to inventories in Switzerland, Denmark and Austria (CHF 4.4 million), additional liquidation costs for Valora Imaging in the USA and the Netherlands (CHF 5.4 million) and various other items (CHF 6.0 million).

IMPAIRMENT OF GOODWILL. The value of goodwill and other fixed assets must always be reassessed if there is any indication that such value has permanently diminished. In the assessment of such goodwill, current events or circumstances which have changed substantially and permanently since the previous assessment are of particular importance.

When Valora came to reassess the goodwill acquired through the acquisition of Fotolabo within its Valora Imaging division, the prime considerations were the decline in business volumes in the face of a muted consumer mood and the uncertainty over future business trends (given the current migration from traditional to digital photography). Depressed consumer demand was also the key factor in the assessment of the goodwill at Valora Retail Germany. And at Valora Trade in Scandinavia, the reassessment of goodwill was influenced first and foremost by a more conservative appraisal of the business's earnings potential.

These activities, combined with a reassessment of the discounted future revenues expected, resulted in downward adjustments to the value of the goodwill items shown on the consolidated balance sheet. The impairment required – in addition to the ordinary annual amortization of CHF 28.8 million – totalled CHF 172.4 million. As already mentioned, this amount consisted primarily of goodwill impairments at Valora Imaging (CHF 125.1 million), Valora Retail Germany (CHF 24.5 million) and Valora Trade (CHF 12.3 million).

D RISK ASSESSMENTS

Various separate systematic risk assessments were conducted between autumn 2003 and March 2004.

The supplementary audits conducted by PWC at certain Group member companies were performed in parallel to the compilation of the annual financial statements. These extra audits have given the Group greater certainty over current asset and valuation risks, especially in terms of receivables, central and sales outlet inventories and accrued and deferred items. The additional audits also resulted in the identification and valuation of some of the exceptional costs described above. As a further precaution, KPMG was commissioned to conduct risk assessments in the IT sector, among strategic projects and in the Group's treasury centre. These groupwide assessments provided an up-to-date overview of current risks together with various recommendations on special actions to take, and also resulted in some cases in the incurrence of exceptional costs. The risks identified and the Group's overall risk exposure were deemed to lie within wholly normal parameters.

E FINANCIAL RISKS

The impact of risks on the balance sheet and income statement demands a systematic and holistic analysis of all the risks to which a company is exposed and of its overall risk exposure. Valora consistently and systematically monitors and manages its financial risk items and produces a comprehensive annual analysis of all its financial risks. These comprise interest rate, currency and commodity risks and to the risks inherent in the Group's financial investments.

The latest assessment (as of June 30, 2003) was based on the following assumptions:

- The risk exposure is calculated for a 12-month period.
- Each risk is assessed at one standard deviation (STD), i.e. with a likelihood of occurrence of 68%. The interestrate risk, for example, means that Valora is likely to incur additional interest costs of up to CHF 2.3 million in 68% of all possible cases. Two STDs cover 95% of all likelihoods of occurrence and entail additional interest costs of up to CHF 4.6 million.
- The correlations between individual risk categories (certain risks can increase or diminish one another) are included in the analysis.

The impact of risks determined (at one STD) can be summarised as follows:

in CHF million	2003	2002
Interest-rate risks	2.3	5.1
Currency risks	22.5	24.0
Commodity risks	6.9	6.2
Financial investments (treasury shares)	25.4	17.2
Intercorrelations	– 10.2	– 9.7
Total	**46.9**	**42.8**
Impact on financial statement	17.0	17.4
Impact on balance sheet	57.1	54.1

The overall financial risk exposure of the Valora Group remains low at some 7 per cent of shareholders' equity.

F Financing and liquidity

The interest-bearing net debts of the Valora Group increased slightly in 2003 from CHF 234.5 million to CHF 241.6 million. Long-term financial liabilities and loans declined from CHF 353.4 million to CHF 256.0 million. Current bank liabilities and loans increased from CHF 122.7 million to CHF 199.3 million. Cash and cash equivalents and marketable securities declined from CHF 241.7 million to CHF 213.8 million but, with a solid operating cash flow, remained constantly high. It should also be pointed out in this respect that no refinancing was effected between the repayment of the CHF 100 million 4¾% bond in August 2003 and the end of the year. Further bank loans amounting to CHF 37.5 million were repaid after the end of the 2003 business year, and a long-term credit facility was also concluded with a consortium of banks. This credit facility extends to CHF 130 million at attractive interest rates, CHF 100 million with a duration of five years and CHF 30 million with a seven-year duration.

G Focus strategy, divestitures and share buyback programme

Following the change of CEO in June 2003, Executive Management defined a new "focus strategy" calling for the Valora Group to concentrate on its core business, raise its profitability and conduct a cost savings programme.

In further actions associated with the new focus strategy, existing legal structures are being simplified and all trading activities in Switzerland are being brought into a single parent company under the Valora brand.

In view of the newly-defined focus on the Group's core business, a number of its business units were subsequently earmarked for disposal by the end of 2005: the Merkur and Galerina confectionery businesses, Dolmetsch, the Merkur gastronomy business, Book Rack Jobbing (BSV), the Merkur and Schirmer coffee production businesses, the Again production company and the Professional Imaging companies.

In addition to the above, real estate no longer needed for the Group's operations is also being sold.

The share buyback programme saw a total of 176 000 shares of Valora Holding AG acquired and deleted in the course of 2003 to reduce share capital to CHF 40.240 million. The Extraordinary General Meeting of November 26, 2003 approved the additional purchase of up to 454 000 registered Valora shares by the date of the 2005 Annual General Meeting to further reduce share capital.

H Outlook

With the balance sheet adjustments effected in 2003 and with the implementation of its new focus strategy now well under way, the Valora Group has laid a firm foundation for its further business growth. In view of this, the Group is confident that the actions taken to date will deliver tangible benefits from 2004 onwards. Uncertainty persists, however, over future economic trends.

Consolidated income statement

January 1 to December 31

in CHF 000, except per share amounts	Note	2003	%	2002	%
Net revenues	27	**3 021 431**	**100.0**	**3 076 754**	**100.0**
Cost of goods		– 1 856 444	– 61.4	– 1 877 970	– 61.0
Gross margin		**1 164 987**	**38.6**	**1 198 784**	**39.0**
Personnel expenses	3	– 543 862	– 18.0	– 558 607	– 18.2
Other operating expenses	4	– 456 715	– 15.1	– 446 785	– 14.5
Depreciation and amortization of operating assets	15, 16	– 69 498	– 2.3	– 61 028	– 2.0
Other income, net	5	205	0.0	37 176	1.2
Amortization of goodwill	16	– 201 160	– 6.7	– 29 229	– 0.9
Loss on disposal of subsidiaries	2	0	0.0	– 15 174	– 0.5
Earnings before interest and taxes (EBIT)		**– 106 043**	**– 3.5**	**125 137**	**4.1**
Financial expenses	6	– 23 578	– 0.8	– 30 963	– 1.0
Financial income	7	5 973	0.2	19 192	0.6
Equity net loss of affiliated companies		– 133	0.0	– 300	0.0
Loss/income before income taxes and minority interest		**– 123 781**	**– 4.1**	**113 066**	**3.7**
Income taxes	8	17 934	0.6	– 18 403	– 0.6
Minority interest		– 405	0.0	1 233	0.0
Net loss/net income		**– 106 252**	**– 3.5**	**95 896**	**3.1**
Average number of shares outstanding	9	3 935 088		3 976 107	
Loss/earnings per share					
Basic loss/earnings per share (in CHF)		– 27.00		24.12	
Diluted loss/earnings per share (in CHF)		– 25.86		22.38	
Dividend proposal per share (in CHF)		9.00		9.00	

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

Consolidated balance sheet

At December 31
in CHF 000

Assets	Note	2003	%	2002	%
Current assets					
Cash and cash equivalents	10	209 928		239 010	
Securities available for sale	11	3 838		2 655	
Trade accounts receivable	12	211 929		203 453	
Inventories	13	304 709		268 004	
Current income tax receivable		7 896		7 778	
Other current assets	14	60 144		70 827	
Total current assets		**798 444**	**46.7**	**791 727**	**41.9**
Non-current assets					
Property, plant and equipment	15	509 479		517 602	
Goodwill, software and other intangible assets	16	289 925		487 012	
Other long-term assets	17	70 786		67 651	
Deferred income tax assets	23	42 121		26 160	
Total non-current assets		**912 311**	**53.3**	**1 098 425**	**58.1**
Total assets		**1 710 755**	**100.0**	**1 890 152**	**100.0**

At December 31
in CHF 000

Liabilities & Shareholders' Equity	Note	2003	%	2002	%
Current liabilities					
Short-term bank debt	18	199 314		22 870	
Current bonds payable	18	0		99 860	
Trade accounts payable		263 743		223 455	
Current income tax liabilities		4 920		18 707	
Other current liabilities	19	132 975		145 094	
Current provisions	20	6 967		4 800	
Total current liabilities		**607 919**	**35.5**	**514 786**	**27.2**
Long-term liabilities					
Long-term debt	18	37 104		135 114	
Bonds payable	18	218 903		218 304	
Long-term accrued pension cost		7 614		7 308	
Long-term provisions	20	22 143		9 370	
Deferred income tax liabilities	23	39 925		48 762	
Total long-term liabilities		**325 689**	**19.0**	**418 858**	**22.2**
Total liabilities		**933 608**	**54.5**	**933 644**	**49.4**
Minority interest in subsidiaries		**3 125**	**0.2**	**3 257**	**0.2**
Shareholders' equity					
Share capital		40 240		42 000	
Additional paid-in capital		75 439		126 451	
Retained earnings		706 354		848 143	
Treasury stock		– 55 704		– 57 994	
Cumulative translation adjustment		7 693		– 5 349	
Total shareholders' equity		**774 022**	**45.3**	**953 251**	**50.4**
Total liabilities and shareholders' equity		**1 710 755**	**100.0**	**1 890 152**	**100.0**

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

Consolidated cash flow statement

JANUARY 1 TO DECEMBER 31

in CHF 000	Note	2003	2002
(Loss)/income before income taxes, minority interest and equity in net loss of affiliated companies		**– 123 648**	**113 366**
ADJUSTMENTS TO RECONCILE INCOME TO CASH GENERATED FROM OPERATIONS			
Depreciation		59 077	53 225
Amortization of goodwill and other intangible assets		211 581	37 032
(Gain) on sale of fixed assets, net		– 676	– 3 205
(Gain) loss on disposal of subsidiaries, net		– 639	15 174
Allowances made for loans receivable		3 921	0
Financial expenses		23 578	30 963
Financial income		– 5 973	– 19 192
CHANGES IN OPERATING ASSETS AND LIABILITIES, NET OF EFFECTS OF ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES			
(Increase) in trade accounts receivable		– 5 477	– 4 008
(Increase) in inventories		– 33 284	– 2 436
Decrease in other current assets		3 589	1 449
Increase in trade accounts payable		31 722	3 117
(Decrease) increase in accruals pension cost		– 3 677	889
Increase (decrease) in accruals an other liabilities		13 559	– 34 383
Cash generated from operations		**173 653**	**191 991**
Interest paid		– 22 612	– 21 242
Income taxes paid		– 19 225	– 23 251
Interest received		5 500	6 873
Net cash provided by operating activities		**137 316**	**154 371**

January 1 to December 31

in CHF 000	Note	2003	2002
Cash flows from investing activities			
Capital expenditures		– 59 575	– 57 963
Proceeds from sale of fixed assets		12 467	9 609
Acquisition of subsidiaries, net of cash acquired	2	– 378	0
Disposal of subsidiaries, net of cash sold	2	– 123	5 128
Purchase of securities available for sale, net		– 945	0
Purchase of minorities and other long-term assets		– 9 314	– 23 223
Purchase of other intangible assets		– 5 971	– 2 619
Net cash used in investing activities		**– 63 839**	**– 69 068**
Cash flows from financing activities			
Increase (repayment) of bank debt, net		78 156	– 1 327
Repayment of bonds payable		– 100 000	0
Treasury stock purchased		– 68 143	– 43 278
Treasury stock re-issued		17 661	8 160
Dividends paid		– 35 537	– 35 850
Dividend payments by subsidiaries to minorities		– 216	– 432
Net cash used in financing activities		**– 108 079**	**– 72 727**
Net (decrease) increase in cash and cash equivalents		**– 34 602**	**12 576**
Translation adjustments on cash and cash equivalents		5 520	– 738
Cash and cash equivalents at beginning of year		239 010	227 172
Cash and cash equivalents at end of year		209 928	239 010

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

Consolidated statement of changes in shareholders' equity

in CHF 000	Share capital	Additional paid-in capital	Retained earnings	Treasury stock	Cumulative translation adjustment	Total shareholder's equity
Balance at January 1, 2002	**42 000**	**126 451**	**788 097**	**– 22 876**	**– 6 073**	**927 599**
Net income			95 896			95 896
Dividend Valora Holding AG			– 35 850			– 35 850
Treasury stock purchased				– 43 278		– 43 278
Issues of options and treasury stock				8 160		8 160
Translation adjustments					724	724
Balance at December 31, 2002	**42 000**	**126 451**	**848 143**	**– 57 994**	**– 5 349**	**953 251**
Net loss			– 106 252			– 106 252
Dividend Valora Holding AG			– 35 537			– 35 537
Treasury stock purchased				– 68 143		– 68 143
Issues of treasury stock				17 661		17 661
Reduction of share capital	– 1 760	– 51 012		52 772		0
Translation adjustments					13 042	13 042
Balance at December 31, 2003	**40 240**	**75 439**	**706 354**	**– 55 704**	**7 693**	**774 022**

The extraordinary shareholders meeting of Valora Holding AG approved on November 26, 2003, the reduction of share capital by annullation of 176 000 treasury shares. After the reduction, at December 31, 2003, share capital issued consisted of 4 024 000 fully paid registered shares with a par value of CHF 10 each. Consolidated shareholders' equity included legal reserves of CHF 415.9 million of which CHF 183.7 million are not available for distribution.

At the shareholders meeting on May 11, 2000, the proposal of the Board of Directors of Valora Holding AG for the creation of conditional capital of a maximum of 84 000 registered shares with a nominal value of CHF 10 each was approved. The conditional capital is intended as cover for existing Employee and Management Participation Plans. At December 31, 2003, no conditional capital had been issued.

The extraordinary shareholders meeting of Valora Holding AG of November 26, 2003, also approved the purchase of a maximum of 454 000 additional treasury shares until the shareholders meeting 2005 for further reduction of share capital.

In the wake of plans to modify the company's equity structure which were publicly announced in summer 2003, the company received a number of offers to purchase Valora shares. Valora consequently sold 60 000 shares from its own treasury stock to third parties. The transactions were effected at fair market prices.

The Board of Directors of Valora Holding AG proposes to the shareholders meeting of April 28, 2004, the payment of a dividend of CHF 9.00 per share (total distribution CHF 35.2 million). The amount available for dividend distribution is based on the shareholders' equity of the parent company, Valora Holding AG.

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

Notes to the consolidated financial statements

1 Summary of significant accounting policies

Description of business. Valora is an international distribution and convenience group with operating activities in the following business segments. Segment reporting of these business segments ist disclosed accordingly in note 27 (page 37). Transfer prices between subsidiaries and business segments are determined on an arm's length basis.

Valora Retail: Valora Retail operates small retail shops in heavily frequented locations throughout Europe (Switzerland, Germany, Luxembourg) and functions as marketing and distribution system with comprehensive geographic coverage for press products, tobacco, consumer goods for daily use and the impulse buyer's market.

Valora Wholesale: Valora Wholesale supplies small retail shops and other small outlets with newsprint, tobacco, food products and other convenience goods.

Valora Trade: Valora Trade distributes branded food and non-food products as exclusive sales representative together with goods from own production to retail customers.

Valora Imaging: Valora Imaging specialises in innovative services for private and business customers in the area of photo development and picture processing. It operates its own manufacturing sites for conventional and digital image processing.

Corporate: Central activities not attributable to individual business segments, including group-wide procurement and centrally managed real estate.

Basis of presentation. The consolidated financial statements of Valora have been prepared under the historical cost convention (except for securities available for sale carried at market as well as financial assets and financial liabilities stated at fair value) and in accordance with International Financial Reporting Standards (IFRS) and in conformity with the legal provisions of the Swiss Code of Obligations. The financial statements are prepared in Swiss francs (CHF). The summary of the significant accounting policies is explained below.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions Valora may undertake in the future, actual results ultimately may differ from such estimates. Certain prior year figures have been reclassified for comparability with the current year presentation.

Scope of consolidation. A list of all significant subsidiaries is disclosed in note 30.

Principles of consolidation. The consolidated financial statements of Valora include the operations of Valora Holding AG and all its direct and indirect subsidiaries which Valora Holding AG controls with more than 50% of votes.

Investments and joint ventures where Valora exercises significant influence but does not have control are accounted for using the equity method. Under the equity method, investments are disclosed as investments in affiliated companies and presented at their fair value as of the date of acquisition adjusted for Valora's share in retained earnings (losses) resulting after the date of acquisition.

Subsidiaries and investments acquired or disposed of during the year are included in the consolidated financial statements after the date of acquisition and excluded after the date of sale, respectively.

Investments in which Valora's interest is less than 20% are recorded at cost less appropriate allowances in the case of a permanent impairment in value.

All intercompany balances, transactions and intercompany profits are eliminated on consolidation.

Balances and transactions with investments and joint ventures accounted for using the equity method are separately disclosed as items with affiliated companies.

Minority interests in shareholders' equity and net income are also disclosed separately.

Goodwill from acquisitions and other intangible assets. Differences between the purchase price of acquisitions and the fair value of net assets acquired are capitalized as goodwill from acquisitions. Goodwill and other intangible assets are amortized on a straight-line basis over their estimated useful life, not exceeding 20 years.

Foreign currency translation. Transactions denominated in foreign currencies are recorded at the rate of exchange prevailing at the dates of transaction. At the end of the accounting period the unsettled balances in foreign currency receivables and liabilities are valued at the rate of exchange prevailing at balance sheet date, with resulting exchange rate differences charged to income.

Assets and liabilities of subsidiaries reporting in currencies other than Swiss francs are translated at the rates of exchange prevailing at balance sheet date. Income, expenses, cash flows and other movement items are translated at the average exchange rates for the period. Translation gains and losses are accumulated and separately disclosed as cumulative translation adjustments in shareholders' equity.

Cash and cash equivalents. Cash includes petty cash and cash in banks at sight. Cash equivalents include term deposits with banks and short-term money market investments carried at market, both with original maturity dates of three months or less.

Securities available for sale. Securities available for sale are carried at market and are comprised of marketable equity securities, bonds and short-term money market investments with maturity dates of more than three months. Unrealized gains and losses are recognized as income and expense as incurred.

Trade accounts receivable. Trade Accounts receivable are recorded at face value less an allowance for doubtful accounts.

Inventories. Inventories are valued at the lower of cost and net realizable value using either the weighted average method or the first-in, first-out (fifo) method. Allowances are made for obsolete and slow-moving items. Unsettled commodity forward contracts relating to inventory purchases of certain production companies are not capitalized.

Property, plant and equipment. Property, plant and equipment including 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 capitalized 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 computed using the straight-line method based on the following estimated useful lives:

	Years
Buildings, for own use	20-40
Investment property	20-60
Machinery, equipment, installations and tools	6-10
Vehicles	5
IT hardware and software	3-5

Leases. Assets acquired under leasing agreements which effectively transfers substantially 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 fair value at the inception of the lease. The estimated net present value of the future minimum lease payments are recorded correspondingly as a finance lease obligation. Assets under finance leases are amortized over their estimated useful lives.

Operating lease payments are charged to income as incurred.

Impairment of long-lived assets. Property, plant and equipment and other non-current assets, including goodwill and other intangible assets are reviewed for impairment losses at least annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets whose carrying values exceed their recoverable amount are written down to an amount determined using discounted net future cash flows expected to be generated by the asset.

Net revenues and revenue recognition. Net revenues include all sales of goods and services, net of any revenue deductions including rebates, discounts, other agreed deductions as well as value-added taxes, allowances for bad debts and inventory obsolescence. Revenues are recognized when goods are delivered or services are rendered.

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

Retirement benefits. Valora subsidiaries contribute in accordance with local requirements to various defined benefit and defined contribution pension plans. The pension cost in each period is calculated on the basis of a yearly actuarial valuation. Pension costs are accounted for using the projected unit credit method.

Income taxes. Current income taxes are based on taxable income of the current year and charged to income as incurred.

Deferred income taxes are determined using the liability method with the applicable current income tax rates applied on a comprehensive basis to all temporary differences. Tax savings resulting from tax losses carried forward applicable to future taxable income and other deferred income tax assets are only recognized to the extent that future realization is probable.

Financial risk factors. Valora Group's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. At the moment, the Group uses no derivative financial instruments to hedge certain exposures.

Foreign exchange risks. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to Euros. Valora Holding AG has a number of direct and indirect investments in foreign subsidiaries, whose net assets are exposed to currency translation risk.

Interest rate risks. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has neither significant interest-bearing assets nor long- and fixed-term debt, except for the 4 1/2% bond, payable in 2005.

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

Accounting for derivative financial instruments and hedging activities. Valora enters into hedging transactions using derivative financial instruments to manage underlying interest rate and foreign currency exposures. These hedging transactions are centrally executed and monitored in conformity with the applicable hedging policies of the group. Counterparties involved are top-quality financial institutions. No uncovered short transactions are executed. Derivative financial instruments are initially recognised in the balance sheet at cost and subsequently are remesured at their fair value. Gains and losses resulting from these re-measurements are recognized as income and expense.

Fair value estimation. The fair value of publicly traded derivatives and trading and available-for-sale securities is based on quoted market prices at 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 at the balance sheet date.

Earnings per share. Basic earnings per share are calculated by dividing net income by the weighted average number of outstanding shares of the parent company, Valora Holding AG. Diluted earnings per share also include all potentially dilutive effects.

2 Acquisitions and disposals of subsidiaries

Transactions in 2003

Acquisitions of subsidiaries. As of January 1, 2003, Valora acquired all shares of Negozio Stazione SA, Muralto (segment Valora Retail).

At the same date, the interest in Geschäftshaus Immobilien AG was increased from 63% to 100%. During the year, the interest in Charles Pettersen AS, Norway, changed from 80% to 90%. As of July 1, 2003, all remaining minority interests (24%) in Stilke GmbH, Hamburg were acquired.

These acquisitions are reflected in the following balance sheet amounts

in CHF 000	
Cash	17
Current assets	111
Non-current assets	316
Current liabilities	306
Long-term liabilities	128
Shareholders' equity (= net assets acquired)	**10**
+ Acquired goodwill	385
= Purchase price of subsidiaries acquired	**395**
– Cash acquired	17
= Cash used in acquisition of subsidiaries	**378**

Disposals of subsidiaries. As of January 1, 2003, all shares of Alimarca Dubai and as of July 1, 2003, the complete interest in Alimarca Spain SA (both segment Valora Trade) were sold.

These disposals of subsidiaries are reflected in the following balance sheet amounts

in CHF 000	
Cash	123
Current assets	1 075
Non-current assets	996
Current liabilities	1 398
Long-term liabilities	1 435
Shareholders' equity (= net assets disposed of)	**– 639**
Sale proceeds	0
Gain on disposal of subsidiaries	**639**
– Cash sold	– 123
Cash used in disposal of subsidiaries	**– 123**

Transactions in 2002. In 2002, the outstanding minority in Kiosk AG and the k Group Holding AG were acquired. Accordingly these subsidiaries are now 100%-owned by the Valora Group. The goodwill resulting from this acquisition amounted to TCHF 15 028. No further acquisitions were made in 2002. The Valora Imaging segment disposed of its subsidiary Mystic Color Lab. Inc. and the operations in the Netherlands, which led to the following loss on disposal of subsidiaries

in CHF 000	
Non-recoverable goodwill	14 252
Difference between sale proceeds and net assets	922
Total loss on disposal of subsidiaries	15 174

3 Personnel expenses

in CHF 000	2003	2002
Salaries and wages	464 091	475 737
Social security expenses and pension cost	72 380	73 570
Other personnel expenses	7 391	9 300
Total personnel expenses	**543 862**	**558 607**
Average number of employees in full-time equivalents	**8 995**	**9 558**

The decrease in the average number of employees in full-time equivalents mainly relates to own point-of-sales (Valora Retail) and corresponding reductions in logistics (Valora Wholesale) and administration (Valora Retail, Valora Wholesale and Corporate).

4 Other operating expenses

in CHF 000	2003	2002
Rent	132 116	125 506
Repairs and maintenance	6 292	6 868
Real estate expenses	2 429	3 111
Energy	19 702	17 431
Insurance	5 152	4 663
Communication and IT	15 356	16 886
Advertising and promotion	116 535	116 720
Shipping and dispatch	81 162	86 342
General and administration	32 112	27 387
Capital and other taxes	2 938	2 430
Miscellaneous operating expenses	42 921	39 441
Total other operating expenses	**456 715**	**446 785**

The year-on-year change in rental expenses include opposing trends. In addition to the net impact of currency movements, the creation of provisions for the fraud case in Germany and the planned closure of Dolmetsch and Caffè Spettacolo outlets in Germany resulted in a non-recurring charge of CHF 8.5 million. At the same time, expenditure in Switzerland was reduced by CHF 3.5 million by the closure of outlets and lower sales-based rentals. Expenditure on shipping and dispatch was reduced by CHF 5.4 million by the fact that the prior-year result had included expenses from Valora Imaging's Mystic Color Lab. activities, which were disposed of in the course of 2002. The increase in general administration costs was due largely to expenses, charges and consultancy fees incurred in Corporate in connection with financial transactions, and to the special audits commissioned.

Other operating expenses include payments for operating leases amounting to CHF 5.0 million (2002: CHF 5.4 million).

5 Other income, net

in CHF 000	2003	2002
Rental income	12 725	12 645
(Loss) gain on sale of fixed and other long-term assets, net	– 155	3 205
Miscellaneous expense	– 17 165	– 2 076
Miscellaneous income	4 800	23 402
Total other income, net	**205**	**37 176**

Miscellaneous expenses include primarily costs related to the fraud case in Germany.

6 Financial expenses

in CHF 000	2003	2002
Interest expense on bank debt and mortgages	8 212	7 307
Interest expense on bonds issued	13 065	14 696
Amortization of bond discount	739	812
Interest expense on financial leases	301	167
Foreign exchange losses, bank charges, commissions and other	1 025	7 712
Realized losses on sale of securities	5	212
Unrealized valuation losses of securities	231	57
Total financial expenses	**23 578**	**30 963**

7 Financial income

in CHF 000	2003	2002
Interest income	4 370	6 373
Realized gain on sale of securities	162	0
Foreign exchange gains and other	1 441	12 819
Total financial income	**5 973**	**19 192**

8 Income taxes

in CHF 000	2003	2002
Current income taxes	6 756	28 870
Deferred income taxes	– 24 690	– 10 467
Total income taxes	**– 17 934**	**18 403**
Income tax cumputation		
(Loss) income before income taxes	– 123 648	113 066
Applicable weighted average income tax rate (in %)	26.6%	23.7%
Income taxes at the weighted average income tax rate	– 32 841	26 836
Reconciliation to reported income taxes		
Non tax-deductible tax expenses	22 078	1 142
Tax-exempt income	– 1 345	– 7 450
Tax-deductible losses not yet decucted	– 49 581	0
Write-back of valuation allowances on deferred income tax assets, net	40 645	– 3 236
Changes in tax rates, prior period and other income tax effects, net	3 110	1 111
Total reported income taxes (as above)	**– 17 934**	**18 403**

9 Weighted average number of shares

The weighted average number of shares can be summarized as follows:

in CHF 000	2003	2002
For basic earnings per share	3 935 088	3 976 107
Average balance of treasury stock	264 912	223 893
Reduction of share capital	– 176 000	–
Conditional capital	84 000	84 000
For diluted earnings per share calculation	**4 108 000**	**4 284 000**

For purposes of calculating the diluted earnings per share it is assumed that all shares held as treasury stock and all conditional capital would be issued on the exercising of management options. On the other hand, the reduction of share capital approved on November 26, 2003 by annullation of 176 000 treasury shares (see consolidated statement of changes in shareholders' equity) accordingly is reducing potential dilution from re-issuing treasury stock in the future. There are no other instruments or factors which could actually or potentially dilute earnings.

10 Cash and cash equivalents

in CHF 000	2003	2002
Petty cash and banks at sight	207 142	194 383
Short-term deposits and money market investments	2 786	44 627
Total cash and cash equivalents	**209 928**	**239 010**

The original maturity dates of term deposits with banks and short-term money market investments are three months or less.

11 Securities available for sale

in CHF 000	2003	2002
Shares, options and participation rights	600	1 256
Fixed interest rate bonds and term deposits	3 238	1 399
Total securities available for sale	**3 838**	**2 655**

12 Trade accounts receivable

in CHF 000	2003	2002
Trade accounts receivable, gross	219 461	210 675
Allowance for bad and doubtful debts	– 7 532	– 7 222
Total trade accounts receivable, net	**211 929**	**203 453**

13 Inventories

in CHF 000	2003	2002
Raw material and supplies	23 795	38 901
Finished goods	6 451	27 597
Merchandise	274 463	201 506
Total inventories	**304 709**	**268 004**

There are no items in inventories stated at net realisable value.

The sizeable increase in merchandise is due to large purchases at the end of the year of items whose purchasing terms were changed in 2004.

A number of production companies purchase in the course of their normal business activities raw materials and other goods by means of forward contracts, which are always physically exercised. At balance sheet date there were open commodity forward contracts with a contract value totaling CHF 19.6 million (2002: CHF 20.8 million) and a maximum settlement date up to November 30, 2004.

14 Other current assets

in CHF 000	2003	2002
Sales, withholding and other taxes recoverable	7 285	8 819
Prepaid expenses and accrued revenue	12 562	3 828
Miscellaneous receivables and other	40 297	58 180
Total other current assets	**60 144**	**70 827**

15 Property, plant and equipment

in CHF 000

At cost	Land	Buildings	Machinery &	Construction equipment	Total in progress
Balance at January 1, 2002	**72 948**	**366 648**	**570 244**	**12 542**	**1 022 382**
Acquisitions and divestitures	– 3 240	– 6 981	– 24 822	– 7	– 35 050
Additions	2	2 662	44 989	10 310	57 963
Disposals	0	– 3 815	– 29 826	0	– 33 641
Transfers	0	7 614	6 666	– 14 280	0
Translation adjustments	– 137	– 975	– 2 479	– 18	– 3 609
Balance at December 31, 2002	**69 573**	**365 153**	**564 772**	**8 547**	**1 008 045**
Acquisitions and divestitures	0	0	– 27	0	– 27
Additions	0	4 177	38 272	16 762	59 211
Disposals	– 855	– 11 347	– 39 219	0	– 51 421
Transfers, reclassification	0	1 311	3 895	– 10 688	– 5 482
Translation adjustments	547	4 846	12 326	259	17 978
Balance at December 31, 2003	**69 265**	**364 140**	**580 019**	**14 880**	**1 028 304**

Accumulated depreciation

Balance at January 1, 2002	**0**	**– 91 502**	**– 400 825**	**0**	**– 492 327**
Acquisitions and divestitures	0	3 063	22 982	0	26 045
Charge for the year	0	– 9 188	– 44 037	0	– 53 225
Disposals	0	2 408	24 829	0	27 237
Translation adjustments	0	169	1 658	0	1 827
Balance at December 31, 2002	**0**	**– 95 050**	**– 395 393**	**0**	**– 490 443**
Acquisitions and divestitures	0	0	67	0	67
Charge for the year	0	– 8 899	– 46 340	0	– 55 239
Impairment write-down	– 410	– 3 428	0	0	– 3 838
Disposals	0	3 838	35 891	0	39 729
Reclassification	0	0	685	0	685
Translation adjustments	– 11	– 1 284	– 8 491	0	– 9 786
Balance at December 31, 2003	**– 421**	**– 104 823**	**– 413 581**	**0**	**– 518 825**

Net book value

At December 31, 2002	69 573	270 103	169 379	8 547	517 602
At December 31, 2003	**68 844**	**259 317**	**166 438**	**14 880**	**509 479**

Land and buildings include investment property with an estimated market value of approximately CHF 186.1 million (2002: approximately CHF 166.3 million, restated) as well as at cost and net book values as follows:

CHF in millions	At cost	Accumulated depreciation	Net book value
Balance at December 31, 2002	**135.3**	**– 29.2**	**106.1**
Additions	0.2	– 2.4	– 2.2
Disposals	– 5.2	0.8	– 4.4
Transfer from operational real estate	25.2	– 1.9	23.3
Balance at December 31, 2003	**155.5**	**– 32.7**	**122.8**

Rental income from investment property amounted to CHF 11.6 million (2002: CHF 12.2 million) and related direct operating expenses were CHF 1.7 million (2002: CHF 2.7 million).

Property, plant and equipment include investment property of CHF 66.8 million (2002: CHF 57.3 million) and other assets of CHF 159.6 million (2002: CHF 182.8 million) which are pledged to secure mortgage loans.

Land and buildings acquired under finance leases was CHF 1.2 million (2002: CHF 1.2 million) and machinery and equipment under finance leases was CHF 1.3 million (2002: CHF 1.2 million).

Fire insurance values of property, plant and equipment

in CHF 000	2003	2002
Buildings	471 106	480 631
Machinery and equipment	914 295	972 603
Total	**1 385 401**	**1 453 234**

16 Goodwill, software and other intangible assets

in CHF 000

At cost	Goodwill from acquisitions	Software and other intangible assets	Total
Balance at January 1, 2002	**623 774**	**67 189**	**690 963**
Acquisitions and divestitures	0	– 595	– 595
Additions	15 807	2 840	18 647
Disposals	– 17 728	– 1 623	– 19 351
Translation adjustments	– 20	– 328	– 348
Balance at December 31, 2002	**621 833**	**67 483**	**689 316**
Acquisitions and divestitures	0	– 810	– 810
Additions	4 775	5 512	10 287
Disposals	0	– 7 256	– 7 256
Reclassification	0	5 482	5 482
Translation adjustments	0	1 089	1 089
Balance at December 31, 2003	**626 608**	**71 500**	**698 108**

Accumulated amortization

Balance at January 1, 2002	**– 124 401**	**– 46 460**	**– 170 861**
Acquisitions and divestitures	0	569	569
Charge for the year	– 29 229	– 7 803	– 37 032
Disposals	3 476	1 402	4 878
Translation adjustments	0	142	142
Balance at December 31, 2002	**– 150 154**	**– 52 150**	**– 202 304**
Acquisitions and divestitures	0	90	90
Charge for the year	– 28 801	– 7 962	– 36 763
Impairment write-down	– 172 359	– 2 459	– 174 818
Disposals	0	7 157	7 157
Reclassification	0	– 685	– 685
Translation adjustments	0	– 860	– 860
Balance at December 31, 2003	**– 351 314**	**– 56 869**	**– 408 183**

Net book value

At December 31, 2002	471 679	15 333	487 012
At December 31, 2003	**275 294**	**14 631**	**289 925**

The current amortization period for goodwill amounts is not affected by the impairment effected. Future goodwill amortization will thus be reassigned on a straightline basis over the remaining amortization period (15 years for Fotolabo). With the revised IAS 22 expected to enter into effect on January 1, 2005, goodwill will be frozen at its levels on December 31, 2004. No further goodwill amortizations will be effected unless value adjustments are required.

The decline in demand – which seems to suggest longer-term changes in consumer behaviour – and the upheaval in the traditional photo development sector with the accelerated shift to digital photography resulted in a fall in volumes and a corresponding decline in gross profit at Valora Imaging. These developments, and the business's medium-term prospects, prompted Executive Management to reassess the value of the goodwill acquired with its Fotolabo acquisition. Based on the estimated future free cash flows expected to be generated by Valora Imaging, discounted with the weighted average cost of capital of the Valora Group of 7%, the goodwill concerned was deemed to have decreased in value from that previously stated. In view of this, the book value of goodwill was reduced to the utility value of the Consumer Imaging unit and the estimated sale price of the Professional Imaging unit through an goodwill impairment of CHF 125.1 million.

A review of the other goodwill stated for the business segments Valora Retail, Valora Trade, Valora Wholesale and Corporate, based on estimated future free cash flows, discounted with the weighted average cost of capital of the Valora Group of 7%, resulted in additional impairments of CHF 47.3 million down to the corresponding utility values. Some CHF 24.5 million of this amount relates to the activities of Valora Retail in Germany, in view of their future prospects in a difficult economic environment, and CHF 12.3 million relates to the trading activities of Valora Trade in Scandinavia, following a reassessment of future market perspectives.

17 Other long-term assets

in CHF 000	2003	2002
Net pension asset (see note 22)	54 574	54 574
Loans receivable	11 123	7 148
Investments in affiliated companies	3 323	4 349
Other investments	1 766	1 580
Total other long-term assets	**70 786**	**67 651**

Investments in affiliated companies include a 33% interest in Cevanova AG (Valora Retail), operator of the avec shops at railway stations in Switzerland, and a 45% interest in Borup Kemi Dänemark (Valora Trade), producer of household detergents.

18 Debt

Short-term bank debts comprise unsecured bank advances on current account of CHF 133.8 million and the current portion of long-term bank debt and mortgage loans of CHF 65.5 million, amounting to CHF 199.3 million in total (2002: CHF 22.9 million).

Credit lines

in CHF 000	2003	2002
Used	143 529	19 763
Available	47 373	140 418
Total credit lines	**190 902**	**160 181**

Long-term debt

in CHF 000	2003	2002
Unsecured bank loans	0	31 674
Mortgage loans	34 251	82 164
Finance lease obligation	2 334	2 540
Other long-term debt	519	18 736
Total long-term debt	**37 104**	**135 114**

At year end, maturities were as follows

in CHF 000	2003	2002
Within one year	65 546	7 807
Within 1-2 years	5 576	78 984
Within 2-3 years	28 302	19 364
Within 3-4 years	1 039	31 101
Within 4-5 years	1 334	1 119
Over 5 years	853	4 546
Total	**102 650**	**142 921**
Current portion of long-term debt	– 65 546	– 7 807
Total long-term debt	**37 104**	**135 114**

Interest rates range from 2.67% to 4.47% with the weighted average interest rate at 3.39% (2002: 4.43%).

Bonds payable

in CHF 000	Gross	Discount	2003 Net	2002 Net
4 3/4% bonds payable 1993-2003	0	0	0	99 860
4 1/2% bonds payable 1999-2005	220 000	– 1 097	218 903	218 304
Total bonds payable	**220 000**	**– 1 097**	**218 903**	**318 164**

The 4 3/4% bond issue 1993-2003 was repaid on August 27, 2003. The remaining bonds payables are fixed-term issues without any early repayment clauses.

19 Other current liabilities

in CHF 000	2003	2002
Sales, withholding and other taxes owed	21 599	12 104
Social security payable	7 512	15 056
Accrual for overtime and unused vacation	6 311	5 363
Current portion of finance lease obligation	836	882
Pension cost payable	1 387	3 854
Warranty and similar accruals	1 137	1 080
Accrued expenses and deferred income	53 364	48 861
Miscellaneous current liabilities and other	40 829	57 894
Total other current liabilities	**132 975**	**145 094**

20 Provisions

in CHF 000	Guarantees	Litigation	Restructuring	Total
Balance at January 1, 2002	**37 527**	**0**	**0**	**37 527**
Uses	– 2 076	0	0	– 2 076
Amounts released to income	– 21 281	0	0	– 21 281
Balance at December 31, 2002	**14 170**	**0**	**0**	**14 170**
Amounts released to income	– 4 800	0	0	– 4 800
Charges	300	6 548	12 892	19 740
Balance at December 31, 2003	**9 670**	**6 548**	**12 892**	**29 110**
Current provisions	0	1 646	5 321	6 967
Long-term provisions	9 670	4 902	7 571	22 143
Total provisions	**9 670**	**6 548**	**12 892**	**29 110**

Guarantees. This includes contractual guarantees related to the sale of the Slumberland business and the Selecta IPO. These provisions are attributable to the Corporate business segment. A provision of CHF 4.8 million relating to Slumberland guarantees no longer was necessary and could be released to income in 2003. It is expected that the remaining guaranty isssues can be resolved by 2005 at the earliest.

Litigation. As a result of the fraud case in Germany and for pending litigation in the Valora Retail business segment a provision of CHF 6.5 million was booked. These legal actions are expected to be largely conducted in 2005.

Restructuring. These provisions represent charges made in 2003 for various restructuring measures in the total amount of CHF 12.9 million which includes an amount of CHF 9.7 million for the Valora Retail business segment in Germany. Based on current estimates, it is assumed that the estimated restructuring costs will be covered by the provision made. Also, management will do everything possible that resulting effective cost ultimately even could be below the current estimate.

21 Management and directors' remuneration

Remuneration of members of the Board of Directors and the executive board is disclosed in detail under item 5.2 on page 56-57 of the Corporate Goverance section.

22 Retirement benefits

The majority of Valora's employees are covered by employee benefit plans which are funded by the group, by employee contributions and in certain countries by state authorities. Such plans can be set up as state or company-controlled institutions, as contracts with private insurance companies or as independent trust or pension funds. The benefits provided by such entities vary by country based on the legal and economic environment and primarily are based on employees' years of service and average compensation, generally covering the risks of old age, death and disability in accordance with legal requirements and the pension legislation in the respective countries. Pension expense of defined contribution plans is charged to income as incurred.

Net periodic pension cost and the pension obligation of defined benefit plans are calculated based on actuarial methods and accounted for using the projected unit credit method. Such valuations consider the years of service rendered by employees and assumptions about future salary increases. The latest actuarial valuation was performed as at December 31, 2003. Current service cost is accrued and charged to income as benefits are earned. Gains and losses from changes in actuarial assumptions are charged or credited to income in equal amounts over the estimated remaining service lives of participating employees.

The underlying actuarial assumptions are based on the economic circumstances of the countries where the benefit plans are situated. Pension plan assets are invested in accordance with applicable local regulations. Valora contributes to employee benefit plans in accordance with applicable laws and requirements.

Balance Sheet presentation

in CHF 000	2003	2002
Fair value of plan assets	583 545	547 281
Defined benefit obligation	– 515 537	– 474 722
Funded status	**68 008**	**72 559**
Unrecognised asset	– 35 298	– 33 761
Unrecognised actuarial loss	21 864	15 776
Net pension asset	**54 574**	**54 574**

Net periodic pension cost

in CHF 000	2003	2002
Service cost	– 25 242	– 27 537
Interest cost	– 17 802	– 18 990
Expected return on plan assets	25 175	29 708
Pension cost of the period	**– 17 869**	**– 16 819**
Less employer's contributions	8 079	8 263
Net periodic pension cost of defined benefit plans	**– 9 790**	**– 8 556**

Movement of the net pension asset during the period

in CHF 000	2003	2002
Net pension asset at beginning of year	54 574	54 574
Net periodic pension cost of defined benefit plans	– 9 790	– 8 556
Adjustment due to IAS 19.58	– 1 602	– 2 879
Employer's contributions	11 392	11 435
Net pension asset at end of year (see note 17)	**54 574**	**54 574**

Significant actuarial assumptions	2003	2002
Discount rate	3.75%	4.00%
Expected rate of increase in future compensation levels	2.00%	2.00%
Expected long-term rate of return on plan assets	4.60%	5.00%
Expected rate of increase in future pension benefits	0.50%	0.50%

23 Deferred income taxes

Deferred income tax assets and liabilities related to the following assets and liabilities

in CHF 000	2003	2002
Deferred income taxes assets		
Trade accounts receivable	177	15
Inventories	5	6
Other current assets	99	187
Property, plant and equipment	1 045	918
Investments and loans receivable	2	2 679
Intangible and other long-term assets	19 462	20 768
Tax loss carryforwards, gross	150 384	93 467
Valuation allowances on deferred income tax assets	– 130 780	– 91 880
Current liabilities	1 349	0
Long-term liabilities	378	0
Total deferred income tax assets	**42 121**	**26 160**
Deferred income tax liabilities		
Trade accounts receivable	581	3 725
Inventories	3 001	3 730
Other current assets	40	0
Property, plant and equipment	16 425	15 770
Investments and loans receivable	1 065	0
Intangible and other long-tem assets	288	5 015
Current liabilities	176	4 837
Long-term liabilities	16 989	14 364
Future profit distribution from subsidiaries	1 360	1 321
Total deferred income tax liabilities	**39 925**	**48 762**

Tax deductible losses carried forward amount to CHF 463 million. CHF 16 million of these will lapse within the next five years.

24 Employee and management participation plans

Employee shares. Under the rules covering employee share participations, employees after a specified number of years of service are entitled each year to purchase shares in Valora Holding AG at a reduced price which is 60% below the average market price quotation for the month of November. The allocation of share entitlements is determined according to functional levels within the business. The shares acquired remain non-transferable for a period of 5 years. In the year 2003, a total of 9 916 employee shares were issued at a price of CHF 105 each (2002: 11 233 employee shares at a price of CHF 106 each).

Management options and shares program. A management share option plan was established for members of the Board of Directors and Executive Management and, on a voluntary basis, secondtier management staff. Under this plan, options to purchase shares of Valora Holding AG could be acquired each year at market price, and formed part of the management bonus entitlement or the remuneration entitlement of Board members. The number of entitlements was also dependent on the increase in earnings per share of the Valora Group. The options were subject to a vesting period of three years, after which they could be exercised or sold.

Under this management share option plan, Valora issued 20 670 unlisted management options (VALOTC) in 2000 with an exercise price of CHF 575 at a price of CHF 70 each. These management options, which were subject to a vesting period, entitled the holder to acquire one registered share in Valora Holding AG between April 17, 2003 and May 17, 2003. None of these options were exercised during that period.

In 2002, the persons entitled to do so acquired a total of 4 470 866 listed VALUE options at a price of CHF 0.51 per option with an exercise price of CHF 350, with 50 options entitling the holder to acquire one registered share in Valora Holding AG. These management options are subject to a vesting period of three years, and can then be exercised or sold between April 17, 2005 and May 18, 2005. The option premiums received were taken directly to shareholders' equity with no impact on the income statement. A total of 97 000 treasury shares are held as cover for this option issue. This corresponds to 2.4% of total share capital.

No management options were issued in 2003 as earnings-per-share growth between 2001 and 2002 failed to meet the threshold required.

In place of the former option plan, the Board of Directors introduced a management share ownership programme for Board members, Executive Management and other senior management on April 23, 2003. Under this programme, the entitlement to obtain management shares is based on the earnings per share growth of the Valora Group, which must be positive in year-on-year terms. The entitlements deriving from such earnings per share growth are capped at a maximum of 10% EPS growth. The shares to be issued are taken from treasury stock. The new management share ownership programme is initially applicable as a profit-participation regulation for 2003, payable in 2004. No management shares will be issued in 2004, however, as the corresponding goals for EPS growth between 2002 and 2003 have not been met.

Coverage. Coverage of the required number of shares for the management shares program, the management option plan and the employee share participation plan is provided by the available treasury stock and the unissued conditional capital (see consolidated statement of shareholders' equity).

Severance allowances. After more than eight years of service in the executive board there is an entitlement to a severance allowance amounting to the average annual compensation for the final two years of service. In 2003 no severance allowance was paid.

Management insurance. For members of management there is a provident fund, whereby insurance cover is provided for old age, death and disability benefits in respect of salary elements not covered by compulsory benefit plans.

25 Commitments and contingencies

Contingent liabilities

in CHF 000	2003	2002
Sureties	702	1 151
Other contingent liabilities	640	2 456
Total contingent liabilities	**1 342**	**3 607**

Commitments

in CHF 000	2003	2002
Long-term rental commitments	270 319	228 145
Operating lease commitments	11 189	14 222
Finance lease commitments	3 589	4 021
Commitments for future capital expenditures	2 112	113
Contractual and other commitments	0	545
Total commitments	**287 209**	**247 046**

Long-term rental commitments

in CHF 000	2003	2002
Payments made in the reporting period	131 526	115 950
Maturities		
Within one year	64 258	58 607
Within 1-2 years	52 344	49 429
Within 2-3 years	45 985	38 615
Within 3-4 years	35 640	29 220
Within 4-5 years	31 694	23 058
Over 5 years	40 398	29 216
Total long-term rental commitments	**270 319**	**228 145**

Long-term rental contracts primarily concern the long-term security of small convenience shop locations.

Operating Lease commitments

in CHF 000	2003	2002
Payments made in the reporting period	5 045	5 440
Maturities		
Within one year	5 152	6 042
Within 1-2 years	2 932	4 292
Within 2-3 years	1 761	2 184
Within 3-4 years	945	1 144
Within 4-5 years	259	469
Over 5 years	140	91
Total operating lease commitments	**11 189**	**14 222**

Finance lease commitments

in CHF 000	2003	2002
Payments made in the reporting period	823	1 317
Maturities		
Within one year	1 309	1 218
Within 1-2 years	1 117	1 094
Within 2-3 years	582	943
Within 3-4 years	505	383
Within 4-5 years	26	308
Over 5 years	50	75
Total finance lease commitments	**3 589**	**4 021**
Less future interest charges	– 419	– 599
Total finance lease obligation (present value)	**3 170**	**3 422**
Less current portion of finance lease obligation (see note 19)	– 836	– 882
Long-term finance lease obligation (see note 18)	**2 334**	**2 540**

26 Derivative Financial instruments

At December 31, 2003 und 2002 there were no open transactions with derivative financial instruments.

27 Segment reporting

Segment information by business segments

in CHF 000

	Valora Retail	Valora Wholesale	Valora Trade	Valora Imaging	Corporate	Intersegment Elimination	Total Group
Net Revenues 2003							
To third parties	1 493 732	419 411	915 392	185 928	6 968	0	3 021 431
To other business segments	24	231 660	14 866	177	780 924	– 1 027 651	0
Total	1 493 756	651 071	930 258	186 105	787 892	– 1 027 651	3 021 431
Net Revenues 2002							
Total	1 509 308	706 510	913 512	224 355	793 718	– 1 070 649	3 076 754
Change (%)	– 1.0	– 7.8	+ 1.8	– 17.0	–		– 1.8
Earnings before interest and taxes (EBIT)							
2003	**– 19 070**	**28 547**	**14 512**	**– 115 885**	**– 14 147**		**– 106 043**
2002	25 206	35 431	36 002	23 957	4 541		125 137
Change (%)	n/a	– 19.4	– 59.7	n/a			n/a
Capital expenditures							
2003	**17 326**	**2 933**	**22 816**	**6 450**	**15 198**		**64 723**
2002	16 984	7 440	23 184	6 438	6 757		60 803
Segment asset							
December 31, 2003	**361 456**	**225 556**	**507 183**	**253 694**	**1 280 996**	**– 918 130**	**1 710 755**
December 31, 2002	360 211	232 878	513 638	405 877	1 514 522	– 1 136 974	1 890 152
Segment liabilities							
December 31, 2003	**261 834**	**134 369**	**425 052**	**385 205**	**645 278**	**– 918 130**	**933 608**
December 31, 2002	298 511	155 620	421 529	407 866	787 092	– 1 136 974	933 644

Transfer prices between subsidiaries and business segments are determined on an arm's length basis.

Subsidiaries are charged with management fees which are distributed on the basis of gross margins.

Compared with the prior business segment structure there is a substantial increase of net revenues in the Corporate business segment resulting from the centralization of procurement activities at group level.

In 2003 the following non-cash transactions were included in operating result (EBIT)

in CHF 000

	Valora Retail	Valora Wholesale	Valora Trade	Valora Imaging	Corporate	Total Group
Depreciation	17 739	4 002	14 724	8 067	18 669	63 201
Impairment write-down on fixed assets	0	0	2 459	0	3 838	6 297
Goodwill amortization	2 355	3 000	4 796	18 204	446	28 801
Goodwill impairment write-down	24 829	1 765	14 954	125 093	5 718	172 359
Increase of provisions, net	12 474	0	1 236	0	1 230	14 940

In 2002 the following non-cash transactions were included in operating result (EBIT)

	Valora Retail	Valora Wholesale	Valora Trade	Valora Imaging	Corporate	Total Group
Depreciation	16 854	5 237	13 722	9 429	15 786	61 028
Amortization	2 209	2 769	4 717	19 092	442	29 229
Release of provisions, net					– 21 281	– 21 281

Segment information by regions

in CHF 000

	Switzerland	EU	Other	Total Group
Net revenues by destination				
2003	**1 983 063**	**1 009 872**	**28 496**	**3 021 431**
2002	2 008 578	1 009 748	58 428	3 076 754
Change (%)	– 1.3	+ 0.0	– 51.2	– 1.8
Capital expenditures				
2003	**36 652**	**27 771**	**300**	**64 723**
2002	40 193	20 198	412	60 803
Segment assets				
December 31, 2003	**1 364 442**	**335 593**	**10 720**	**1 710 755**
December 31, 2002	1 449 913	438 766	1 473	1 890 152

28 Related party transactions and balances

There were no transactions or balances with related parties.

29 Subsequent events

In line with the Valora Group's focus on its core business activities, Dolmetsch AG, Again Production AB and the BSV book rack jobbing business (part of Distriforce AG) were sold with effect from January 1, 2004. In a further development, the sale of 41 of the 59 Merkur confectionery shops was concluded with effect from June 1, 2004.

Alimarca AG, Spiwag AG, Merkur Kaffee AG, TPS Transport und Presseservice AG and Pointafilor AG were merged with Valora AG (formerly k Kiosk AG) at the beginning of 2004. The restructuring organises all prime trading activities in Switzerland into one legal entity, i.e. Valora AG, Muttenz (formerly k Kiosk AG), permitting all future marketing to be performed under the shared Valora brand. The Group also expects the amalgamation to generate sizeable future cost savings.

This reorganization of legal and financial relationships within Valora group has no impact at group level and also the management organisation remains unchanged.

On March 16, 2004, Capital Group, Los Angeles, informed that it holds 5.61% of the capital of Valora Holding AG.

30 Significant subsidiaries of Valora group

	Currency	Nominal capital in millions	Interest in %	Corporate	Valora Retail	Valora Wholesale	Valora Trade	Valora Imaging
Switzerland								
Valora Management AG, Berne (formerly Valora AG, Berne)	CHF	0.5	100.0	[1]				
Valora Finanz AG, Baar	CHF	0.2	100.0	■				
Valora Investment AG, Berne	CHF	0.3	100.0	■				
Ravita AG, Baar	CHF	0.1	100.0	■				
Merkur AG, Berne	CHF	20.0	100.0	■				
Kiosk AG, Muttenz	CHF	0.3	100.0	■				
Valora AG, Muttenz (formerly k Kiosk AG, Muttenz)	CHF	20.0	100.0		■	■		
Dolmetsch AG, Wallisellen	CHF	0.5	100.0		■			
Negozio Stazione SA, Muralto	CHF	0.1	100.0		■			
Transport und Presseservice AG, Muttenz	CHF	0.4	100.0			■		
Distriforce AG, Wallisellen	CHF	0.1	100.0			■		
Melisa SA, Lugano	CHF	0.4	100.0			■		
Merkur Kaffee AG, Zollikofen	CHF	0.4	100.0				■	
Alimarca AG, Burgdorf	CHF	0.3	100.0				■	
Nuxo AG, Rapperswil	CHF	0.2	100.0				■	
Kägi Söhne AG, Lichtensteig	CHF	4.0	100.0				■	
Roland AG, Murten	CHF	0.6	100.0				■	
Spiwag AG, Schaffhausen	CHF	0.1	100.0				■	
Fotolabo Club SA, Ropraz	CHF	3.0	100.0					■
Stutz FotoColor AG, Bremgarten	CHF	0.2	100.0					■
Cevanova AG, Berne	CHF	6.0	33.0		■			
France								
Merkur Holding France SA, Roppentzwiller	EUR	3.7	100.0					■
Alimarca France SA, St-Amarin	EUR	0.6	100.0				■	
Cansimag France SA, St-Amarin	EUR	0.6	100.0				■	
Fotolabo Club SA, Algolsheim	EUR	2.3	100.0					■

[1] Management und support

At the end of 2003 Kägi Fret AG was merged with Valora Holding AG. In addition k Group Holding AG, Alimarca Holding AG and Fotolabo SA were merged with Valora AG (formerly k Kiosk AG).

	Currency	Nominal capital in millions	Interest in %	Corporate	Valora Retail	Valora Wholesale	Valora Trade	Valora Imaging
Germany								
Valora MSS Holding GmbH, Pleidelsheim	EUR	0.4	100.0	■				
Stilke GmbH, Hamburg	EUR	3.8	100.0		■			
Sussmann's Presse & Buch GmbH, München	EUR	0.1	100.0		■			
BHG Bahnhofs-Handels GmbH, Berlin	EUR	0.5	100.0		■			
Caffè Spettacolo GmbH, Berlin	EUR	0.3	100.0		■			
Kuroczik Alimarca GmbH, Dortmund	EUR	0.2	68.0				■	
Schirmer Kaffee GmbH, Dortmund	EUR	0.3	100.0				■	
Fotolabo Club GmbH, Breisach	EUR	0.1	100.0					■
Color Media GmbH, Hamburg	EUR	0.1	100.0					■
Benelux								
Messageries Paul Kraus Shop S.à.r.l., Luxemburg	EUR	3.0	100.0		■			
Messageries Paul Kraus S.à.r.l., Luxemburg	EUR	3.0	100.0			■		
Messageries du livre S.à.r.l., Luxemburg	EUR	1.5	100.0			■		
Transports et Garage Presse S.à.r.l., Luxemburg	EUR	0.1	100.0			■		
Fotolabo Club, Bruxelles, B	EUR	0.6	100.0					■
Kwadrant Sales Promotion BV, Bladel, NL	EUR	0.1	100.0					■
Starfoto BV, Bladel, NL	EUR	0.1	100.0					■
United Kingdom								
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	42.8	100.0	■				
Alimarca Finance Ltd, Guernsey	CHF	30.5	100.0	■				
Austria								
K. Schweigl Handels AG, Neunkirchen	EUR	3.6	100.0				■	
Plagemann Lebensmittel GmbH, Neunkirchen	EUR	0.1	100.0				■	
Plagalim Holding AG, Neunkirchen	EUR	1.1	100.0				■	

	Currency	Nominal capital in millions	Interest in %	Corporate	Valora Retail	Valora Wholesale	Valora Trade	Valora Imaging
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				■	
Adaco AB, Stockholm	SEK	12.0	100.0				■	
Again AB, Kungsbacka	SEK	10.0	100.0				■	
Again Produktion AB, Varberg	SEK	0.3	100.0				■	
Norway								
Alimarca Norway AS, Royken	NOK	0.1	100.0				■	
Charles Pettersen AS, Royken	NOK	5.7	90.0				■	
Denmark								
Consiva Holding A/S, Herlev	DKK	55.0	100.0				■	
Finland								
Oy Sunco AB, Helsinki	EUR	0.1	100.0				■	
IFI Oy, Kerava	EUR	0.3	100.0					■
Dialab Oy, Helsinki	EUR	0.1	100.0					■
Other Countries								
Kaumy S.r.o., Fulnek, Tschechien	CZK	0.1	50.0				■	
Kaumy Slovakia S.r.o., Piestany, Slowakei	SKK	0.2	50.0				■	
Colorzenith S.r.l., Milano, Italien	EUR	0.1	100.0					■

The consolidated financial statements of Valora Group were approved by the Board of Directors of Valora Holding AG on March 24, 2004. Their proposal to the shareholders' meeting of April 28, 2004 is that the consolidated financial statements be approved.

Report of group auditors

Report of the group auditors to the general meeting of Valora Holding AG, Berne

As auditors of the group, we have audited the consolidated financial statements (income statement, balance sheet, cash flow statement, statement of changes in shareholders' equity and notes, pages 9 to 42) of the Valora Group for the year ended December 31, 2003.

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

Berne, March 25, 2004

Income statement

in CHF 000	2003	2002
Income		
Dividend income	61 800	54 964
Interest income	7 675	10 658
Foreign exchange gains	947	0
Income from securities	9 320	950
Gain on sale of investments	22 450	12 220
Other income	6 000	0
Total income	**108 192**	**78 792**
Expenses		
Interest expenses	– 16 242	– 16 711
Foreign exchange losses	– 178	– 570
Losses on securities	– 497	0
Write-down of subsidiaries	– 35 313	0
General and administration	– 5 165	– 2 859
Other expenses	– 9 237	– 1 200
Total expenses	**– 66 632**	**– 21 340**
Net income	**41 560**	**57 452**

Balance sheet before appropriation of available retained earnings

Assets

in CHF 000		31.12.2003	31.12.2002
Current assets			
Cash and cash equivalents		44 245	9 896
Securities		111 257	55 938
Prepayments	Third parties	9	131
	Group companies	0	1 210
Short-term receivables	Third parties	202	241
	Group companies	1 975	50
Loans receivable and advances made to group companies		144 916	164 533
Total current assets		**302 604**	**231 999**
Non-current assets			
Investments		652 393	690 713
Loans receivable from third parties		0	4 797
Loans receivable from group companies		46 034	140 148
Discounts and capitalized issuance cost on bonds issued		1 097	1 836
Brands		118 925	0
Total non-current assets		**818 449**	**837 494**
Total assets		**1 121 053**	**1 069 493**

Liabilities & shareholders' equity

in CHF 000		31.12.2003	31.12.2002
Liabilities			
Short-term bank debt and overdrafts		118 500	6 500
Current liabilities	Third parties	571	90
	Group companies	16 107	15 735
Accrued expenses	Third parties	1	3 566
	Group companies	3 597	29
Loans payable to group companies		41 050	17 500
Bonds payable		220 000	320 000
Accrued liabilities		58 595	53 277
Total liabilities		**458 421**	**416 697**
Shareholders' equity			
Share capital		42 000	42 000
Legal reserves	General reserve	140 663	136 851
	Reserve for treasury stock	85 036	56 236
Unrestricted reserves		313 965	342 764
Available retained earnings	Income brought forward	39 408	17 493
	Net income	41 560	57 452
Total shareholders' equity		**662 632**	**652 796**
Total liabilities and shareholders' equity		**1 121 053**	**1 069 493**

Notes to the financial statements

A) Basis of presentation

The financial statements of Valora Holding AG comply with Swiss law and regulations.

B) Notes

1 Contingent liabilities

At December 31, 2003, contingent liabilities comprising sureties, subordination and comfort letters, guarantees and other contingencies relating to subsidiaries amounted to a total of CHF 301.2 million and CHF 0 relating to third parties (2002: total of CHF 345.3 million).

2 Bonds payable

in CHF 000	Interest rate	Due date	31.12.2003	31.12.2002
Bonds payable 1993–2003	4.75%	27.08.2003	0	100 000
Bonds payable 1999–2005	4.50%	28.10.2005	220 000	220 000
Total			**220 000**	**320 000**

The 4 3/4% bond issue 1993-2003 was repaid on August 27, 2003.

3 Treasury stock held by the company and its subsidiaries

in CHF 000	Number of shares 2003	Net book value 2003	Number of shares 2002	Net book value 2002
Opening balance (January 1)	**251 420**	**53 883**	**126 691**	**24 029**
Disposals				
Employees' shares	– 9 918	– 2 548	– 11 233	– 4 783
Stock Market purchases and sales				
Sales	– 182 031	– 36 795	– 15 853	– 5 736
Valuation adjustment		2 353		– 2 905
Purchases	243 003	68 143	151 815	43 278
Closing balance (December 31)	**302 474**	**85 036**	**251 420**	**53 883**

Purchases were made at prices between CHF 215 and 305. The selling prices realized were in a range between CHF 257 and CHF 277.

4 Net release of hidden reserves

There were no net releases of hidden reserves in the business years 2003 and 2002.

5 Significant shareholders

In accordance with the Statutes of Valora Holding AG, no shareholder can own more than 5% of the share capital without the approval of the Board of Directors. At December 31, 2003, 5% of the share capital comprised 210 000 registered shares. At December 31, 2003, no shareholder held more than 5% of the registered shares of Valora Holding AG. On March 16, 2004, Capital Group, Los Angeles, informed that it holds 5.61% of the capital of Valora Holding AG. Board members and management own 0.10% (2002: 0.16%) of the registered share capital.

6 Significant subsidiaries of Valora Holding AG

	31.12.2003 Anteil in %	31.12.2002 Anteil in %
Schweiz		
Valora Management AG, Berne (formerly Valora AG, Berne)	100.0	100.0
Valora Finanz AG, Baar	100.0	100.0
Valora Investment AG, Berne	100.0	100.0
Merkur AG, Berne	100.0	100.0
Ravita AG, Baar	100.0	100.0
Ravita International AG, Baar	100.0	100.0
Kiosk AG, Muttenz	100.0	100.0
Valora AG, Muttenz (formerly k Kiosk AG, Muttenz)	100.0	100.0
k Group Holding AG, Muttenz	0.0	100.0
Alimarca Holding AG, Burgdorf	0.0	100.0
SA Financière Séchaud, Montreux	0.0	99.9
Kägi Fret AG, Lichtensteig	0.0	100.0
Fotolabo SA, Ropraz	0.0	100.0
Germany		
Valora MSS Holding GmbH, Pleidelsheim	5.1	100
United Kingdom		
Valora Holding Finance Ltd., Guernsey	100	100

At the end of 2003 Kägi Fret AG was merged with Valora Holding AG. In addition k Group Holding AG, Alimarca Holding AG and Fotolabo SA were merged with Valora AG (formerly k Kiosk AG). The subsidiary SA Financière Séchaud and a 94.9% interest in Valora MSS Holding GmbH were sold to Merkur AG.

7 Authorized conditional capital, capital reduction. The shareholders' meeting of May 11, 2000 approved the creation of a conditional capital amounting to CHF 840 000. At December 31, 2003, no conditional capital had been issued.

The extraordinary shareholders meeting of Valora Holding AG approved on November 26, 2003, the reduction of share capital in the amount of CHF 1 760 000 by annullation of 176 000 treasury shares. The reduction of share capital became legally effective with public record of February 18, 2004 and was entered into the commercial register accordingly.

Proposed appropriation of available retained earnings

Proposal for the appropriation of available retained earnings

in CHF 000	2003	2002
Net income	**41 560**	**57 452**
+ Income brought forward	39 408	17 493
At the disposal of the shareholders' meeting	**80 968**	**74 945**
The Board of Directors proposes		
The payment of a dividend of CHF 9.– for each entitled registered share	– 35 159	– 35 537
Carried forward to new account	**45 809**	**39 408**
Dividend payment (in CHF)		
Subject to approval by the shareholders the gross dividend per share will amount to	9.00	9.00
– 35% withholding tax	– 3.15	– 3.15
Net payment (in CHF)	**5.85**	**5.85**

Report of statutory auditors

Report ot the statutory auditors to the general meeting of Valora Holding AG, Berne

As statutory auditors, we have audited the accounting records and the financial statements (income statement, balance sheet and notes, pages 45 to 49) of Valora Holding AG for the year ended December 31, 2003.

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

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

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

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

PricewaterhouseCoopers AG

Andreas Baur Andreas Aebersold

Berne, March 25, 2004

Corporate Governance

1. Group structure and shareholders

1.1 Group structure. The operational structure of the Valora Group is presented on Pages 16 to 17 of the main section of the Annual Report.

1.1.1 Listed companies within the scope of consolidation. The only listed company within the Valora Group is Valora Holding AG, securities number 208 897, which is domiciled in Berne. The company is listed on the Zurich and Berne exchanges (Telekurs VALN, Reuter VALZn). The company's market capitalisation for the last five years is presented on Page 61 of the Financial Report. No Valora Holding AG shares are held by subsidiary companies.

1.1.2 Non-listed companies within the scope of consolidation. These companies are set out on Pages 40 to 42 of the Financial Report, with the company name and domicile, their total share capital and the percentage thereof held by Valora Group.

1.2 Significant shareholders. The company has no knowledge at December 31, 2003 of any shareholder holding more than 5% of total share capital. There are no shareholders' agreements.

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

2. Capital structure

2.1 Capital
Ordinary capital: CHF 40 240 000, comprising 4.024 million registered shares each of CHF 10 nominal value.
Conditional capital: CHF 840 000, comprising 84 000 registered shares each of CHF 10 nominal value.

2.2 conditional capital. The conditional capital amounting to a maximum of CHF 840 000, comprising 84 000 registered shares of CHF 10 each, was approved by the Annual General Meeting of Shareholders of May 11, 2000. It is intended to be used in the event of the exercising of options granted to employees of the company or Group member companies within the overall framework laid down by the Board of Directors. Existing shareholders shall have no subscription rights. No time limits have been resolved. None of this conditional capital had been issued by December 31, 2003.

2.3 Changes in capital.
Share capital: creation of conditional capital by the Annual General Meeting of Shareholders of May 11, 2000 (see above).
Share buyback: The Board of Directors resolved on August 21, 2003 to buy back up to 15% of the company's current share capital to delete and thereby effect a capital reduction by the 2005 Annual General Meeting. By November 26, 2003, a total of 176 000 shares had been bought back via a second stock exchange trading line. The Extraordinary General Meeting of Valora Holding AG of November 26, 2003 resolved the deletion of these 176 000 shares and the corresponding capital reduction, which has been duly reflected in the 2003 consolidated financial statements. In view of the relevant legal requirements, the capital reduction could not yet be effected in the financial statements of Valora Holding AG valid under commercial law until February 18, 2004.

The company intends to buy back and delete up to 454 000 more of its own shares by the 2005 Annual General Meeting.

in CHF m	31.12.2003	31.12.2002	31.12.2001
Group reserves	781.8	974.6	914.5
Group net profit/loss	– 106.3	95.9	118.6

2.4 Shares and participation certificates. 4 024 000 registered shares each of CHF 10 nominal value. All shares entitle their holder to a dividend, apart from the shares held in treasury by Valora Holding AG. Each share entitles its holder to one vote. Shares currently unregistered in the share register do not carry voting rights. There are no preferential shares or similar entitlements. The share capital is fully paid up.

As mentioned under 2.3., the company's share capital for commercial law purposes will only be reduced by the 176 000 shares bought back and deleted in the first quarter of 2004. The new share volume amounts to 4 024 000 shares, and the new share capital to CHF 40 240 000.

2.5 Profit-sharing certificates. Valora has not issued any profit-sharing certificates.

2.6 Limitations on transferability and nominee registrations

2.6.1 Limitations on transferability. The Board of Directors is empowered to refuse to acknowledge the voting rights of a shareholder if the acquirer's holding, together with the voting shares already registered in their name, exceeds the limit of 5% of all registered shares. In such an event, the shares exceeding the 5% threshold will be entered in the share register as non-voting shares. The same rules shall apply to consortia of shareholders.
The Board of Directors may acknowledge the voting rights of an acquisition whose acquirer subsequently holds more than 5% of all registered shares, particularly in the following circumstances:

- Share acquisitions in the event of a merger or pooling of business.
- Share acquisitions as a result of a non-cash contribution or a share exchange.
- Share acquisitions effected to cement a long-term collaboration or strategic alliance.

2.6.2 Exceptions in the year under review. None of the above exceptions were made in the year under review.

2.6.3 Admissibility of nominee registrations. The Board of Directors can approve the registration of nominees to hold registered shares, by applying the relevant regulations or on the basis of agreements. The detailed provisions are specified in Article 4 of the Articles of Incorporation.

2.6.4 Procedure and conditions for cancelling statutory privileges and limitations on transferability. All such cancellations are subject to the approval of the General Meeting of Shareholders.

2.7 Convertible bonds and options. The company currently has no convertible bond issues outstanding. Apart from the employee options specified below, Valora Holding AG and its Group member companies had no options outstanding at December 31, 2003.

Details of outstanding employee options and of the employee share ownership plan are provided under Note 24 on Pages 33 and 34 of the Financial Report.

3. Board of Directors

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

- Peter Küpfer, Swiss national, Chairman of the Board, certified auditor, various management functions within the CS Group. Independent business consultant.
- Beatrice Tschanz Kramel, Swiss national, journalist, editor-in-chief, head of communications at Ringier AG, Jelmoli AG, SAir Group and Centrepulse.
- Fritz Ammann, Swiss national, doctorate in economics from St. Gallen University, Chairman of the Board of Spar Handels AG, Germany.
- Fritz Frohofer, Swiss national, businessman, active in

the food sector and IT, various functions within the Valora Group since 1968 including head of corporate planning, head of market divisions and company CEO from 1980 to 1998.

- Andreas Gubler, Swiss national, doctorate in law, attorney-at-law, active in legal practices in Berne, Zurich and Washington DC and at Ernst & Young, member of executive management at Asklia Holding. Partner in the Gubler, Walther, Leuch law firm in Berne.
- Hanne de Mora, Norwegian national, lic. oec. HEC, MBA IESE, served with Procter & Gamble and partner at McKinsey & Company. Co-founder and CEO of a-connect ag, Zurich.

None of the members of the Board of Directors has any operational management responsibility within or any significant business connections with the Group. Fritz Frohofer served as CEO of the Valora Group from 1980 to 1998.

3.2 Significant activities and interests in other publicly-listed companies

- Peter Küpfer: Member of the boards of directors of Swisscom, Julius Bär, Holcim, Unaxis.
- Andreas Gubler: Chairman of the board of directors of Micro Value AG.
- Hanne de Mora: Member of the boards of directors of Norwegian companies Telenor and Tomra.

3.3 Cross-involvements. There are no reciprocal Board appointments in other publicly-listed companies.

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

Board members' periods of office. (as of the 2003 General Meeting)

Board member	Initially elected	Next re-election
Peter Küpfer	1998	2004
Fritz Ammann	2001	2004
Fritz Frohofer	1998	2004
Andreas Gubler	1999	2005
Hanne de Mora	2003	2006
Beatrice Tschanz Kramel	2000	2006

3.5 Internal organisational structure. There is no specific allocation of responsibilities among Board members. Board members are, however, selected to ensure that the Board as a whole has specific expertise in the finance, marketing, legal, commercial, branding, communications and production fields. The Board of Directors meets five to six times a year.

The Board's committees are composed as follows:

- Audit Committee: Hanne de Mora (chair), Peter Küpfer, Fritz Frohofer and Andreas Gubler.
- Nomination und Compensation Commitee: Fritz Ammann (chair), Peter Küpfer and Beatrice Tschanz Kramel.

The duties and authorities of the above Board committees are specified in the Organisation Regulations. The committee have both preparatory and decision-making functions.

Board committees meet as required and at their chair's invitation, but at least once a year. They may also invite further persons, particularly the CEO and the CFO and the Auditors' representatives, to attend.

3.6 Definition of areas of responsibility. The Board of Directors is responsible for approving corporate strategy and specifying the organisational structure, and bears overall responsibility for personnel matters. It establishes the guidelines for financial and investment policy, and approves long-term borrowings in excess of CHF 10 million, acquisitions and disposals of shareholdings and the purchase and sale of real estate whose transaction price exceeds CHF 2 million.

The CEO is responsible for the overall management of the Group. He coordinates the activities of the various divisions, chairs Executive Management and is the immediate superior of each Executive Management member. Executive Management is responsible for planning all the Group's business activities which lie within the remit of the CEO or the Board of Directors.

The heads of the divisions are responsible for managing their division with the aim of ensuring its profitable and sustainable development. They are also responsible for establishing the management tools required for their division in addition to those specified in the relevant Group-level guidelines.

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

4. Executive Management

4.1 Members of Executive Management

- Peter Wüst, Swiss national, graduate in business management, senior management functions at Diethelm & Co. (international trade) and Jakob Rohner AG (textile trade), head of sales & marketing of The Nuance Group. Head of the Valora Sourcing & Marketing division from March 1, 2003. CEO of the Valora Group since June 11, 2003.
- Josef Jungo, Swiss national, graduate in humanities, senior management functions at IBM. Joined Valora in 1996, head of the K Group Switzerland division. Head of the Valora Retail division, Deputy CEO. CEO Valora Wholesale since April 1, 2004.
- Max Ehrsam, Swiss national, graduate in business management. Joined Valora in 1991, managing director of Selecta Switzerland, head of the Fotolabo division. Interim head of the Valora Trade division since January 1, 2003.
- André Hurter, Swiss national, doctorate in economics, senior management functions at Longines, IBM, Cap Gemini and Ernst & Young and executive vice president at TCS. Head of the Fotolabo Consumer division imaging. Head of the Valora Imaging division since January 1, 2003.
- Paul Egger, Swiss national, diploma in hotel management, real estate agent, head of gastronomy at Merkur AG. Head of real estate/expansion at the Valora Group, head of the Valora Location Management division since January 1, 2003.
- Ruedi Keller, Swiss national, SIB diploma in financial controlling, IFKS higher business diploma, various management positions with Swissair in and outside Switzerland from 1974 onwards, head of economics at the Swissair Training Center, executive vice president and member of executive management of The Nuance Group from March 1993. Head of the Valora Management Services division since January 19, 2004.
- Alex Minder, Swiss national, Executive MBA, senior

management positions at Bally International AG and at Impuls Saatchi & Saatchi, managing director of Cadbury Switzerland. Head of the Valora Trade division from May 1, 2004.

None of the members of Executive Management performed any function with any Group member company before assuming their duties with Valora Holding AG.

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

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

5. Compensations, shareholdings and loans

5.1 Content and method of determining the compensations and of the shareholding programmes

Board of Directors: The Members of the Board of Directors receive an agreed emolument (a special emolument is paid to the Chairman). In accordance with a resolution passed by the Board of Directors on April 23, 2003, 60 per cent of this emolument is paid out in cash and 40 per cent is paid out in the form of Valora shares under the management share ownership plan. The number of such shares awarded each year is determined by the growth in Valora earnings per share compared to the previous year. Each Board member may be awarded shares up to a maximum value of CHF 80 000. These shares are only awarded, however, provided the earnings-per-share result is an increase on the previous year (a special rate applies for the Chairman).

Board members receive no meeting attendance fees, and only have their actual travel expenses reimbursed. Board members' emoluments are set and regularly reviewed by the full Board of Directors.

Executive Management: The members of Executive Management are paid a fixed annual salary plus a results-related bonus. The latter is calculated on the basis of the EBITA result of their division, the direct costs of their division, the achievement of technical targets and Group results. A portion of the total results-related bonus, determined by the Board of Directors, is paid each year in the form of Valora shares under the management share ownership plan. These shares are only awarded, however, provided the earnings-per-share result is an increase on the previous year. A cap of 10% is placed on such earnings-per-share growth. Shares obtained in this way are subject to a vesting period of five years from the date they are awarded.

Members of Executive Management are also entitled to purchase Valora shares on favourable terms under the employee share ownership plan. The number of such shares which may be purchased is determined by the consolidated net profit of the Valora Group.

5.2 Compensations for acting members of governing bodies

5.2.1 Board of directors. The fees payable to the Board of Directors are based on the prior year's results. The six members of the Board were remunerated for the periods between General Meetings as follows:

	2003	2002
Emolument (in CHF)	402 000	153 000
Options (in units)	none	[1] 1 553 921

[1] Option VALUE OZ 2002, duration 3 years, expiration May 17, 2005, entitlement ratio 50:1, exercise price CHF 350.–.

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

	2003	2002
Salary including bonus (in CHF)	2 808 000	2 579 000
Options (in units)	none	none
Reduced-price employee shares (in units)	1 138	1 211

5.2.3 Severance payments. Any member of Executive Management serving for more than eight years is entitled to a leaving settlement amounting to the average of the annual remuneration earned in the two preceding years. No such payments were made in 2003.

5.3 Compensations for former members of governing bodies. No such compensations were paid.

5.4 Share allotments in the year under review
Board of Directors: none.
Executive Management: 1 138 shares.

5.5 Share ownership
Board of Directors and Executive Management:
4 039 (at December 31, 2003).

5.6 Options. This information is provided under Item 24 on Pages 33 and 34 of the Financial Report.

5.7 Additional fees and remunerations. Andreas Gubler has assumed legal advisory mandates for the Valora Group in his capacity as an attorney. His fees for these services amounted to less than half of the emolument paid to him for his services as a Board member. No further additional fees or remunerations were paid.

5.8 Loans granted by governing bodies. There are no loans granted by governing bodies.

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

	2003	2002
Fees (in CHF)	150 000	50 000
Options (in units)	none	[1] 588 236

[1] Option VALUE OZ 2002, duration 3 years, expiration May 17, 2005, entitlement ratio 50:1, exercise price CHF 350.–.

6. Shareholders' participation rights

6.1 Voting-rights and representation restrictions. The relevant details are specified in Article 4 on Page 3 of the Articles of Incorporation of Valora Holding AG of November 26, 2003.

6.2 Statutory Quorums. The relevant details are specified in Article 12 on Page 7 of the Articles of Incorporation of Valora Holding AG of November 26, 2003.

6.3 Convocation of the General Meeting of Shareholders. The General Meeting of Shareholders is convened in accordance with the relevant legal provisions. In addition to the public notice of the Annual General Meeting, shareholders can also be invited by letter.

6.4 Agenda. The Articles of Incorporation do not contain any rules for the inclusion of items on the agenda of a General Meeting. To ensure that shareholders are informed of such inclusion in good time, any item to be included on the agenda of such a General Meeting must be communicated to the company six weeks in advance of the General Meeting concerned.

6.5 Registrations in the share register. To participate at a General Meeting, a shareholder must submit their request for registration in the share register to the company at least three weeks in advance of the General Meeting concerned.

7. Changes of control and defence measures

7.1 Duty to make an offer. The company has no "opting-out" or "opting-up" clauses.

7.2 Clauses on changes of control. There are no change-of-control clauses in favour of members of the Board of Directors and/or Executive Management.

8. Auditors

8.1 Duration of the mandate and term of office of the lead auditor. PricewaterhouseCoopers AG accepted the mandate as the company's statutory auditors at the 1942 General Meeting of Shareholders. The lead auditor, Andreas Baur, has been responsible for the mandate since 1999.

8.2 Auditing fees. The total costs of the auditing conducted by PricewaterhouseCoopers AG in 2003 amounted to CHF 1 562 050.

8.3 Additional fees. PricewaterhouseCoopers AG charged the companies of the Valora Group a total of CHF 497 786 for additional services performed in 2003.

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

9. Information policy

The company holds an annual results press conference every year for the media and financial analysts.
All shareholders receive, together with the invitation to the Annual General Meeting, a summary of the key figures from the Annual Report.

The company publishes a consolidated report (unaudited) on the first half-year at the end of August, and distributes this to all shareholders. Telephone conferences are conducted if warranted by major developments or events.

Permanent sources of information:
- the Valora Group Annual Report
- the www.valora.com website
- company presentations
- regular media releases
- info@valora.com

Media Relations: Stefania Misteli
Investor Relations: Hanspeter Staub

Shareholder data and capital structure

Shareholder data		31.1.2004	31.1.2003
Structure	Significant shareholders	None	None
	10 largest shareholders	24.2% of all shares	21.6% of all shares
	100 largest shareholders	44.2% of all shares	35.5% of all shares
Origin	Switzerland	82.8% of all shares	87.9% of all shares
	Foreign countries	17.2% of all shares	12.1% of all shares

The share capital of Valora Holding AG amounts to CHF 40.24 million, divided into 4.024 million registered shares with a nominal value of CHF 10 each. At the end of August 2003 Valora announced a share buy-back program for up to 15% of the issued share capital. After that, a 176 000 Valora shares were purchased using a secondary trading line. The extraordinary shareholders meeting of Valora Holding AG approved on November 26, 2003, the proposal of the Board of Directors for the reduction of share capital by annullation of 176 000 treasury shares.

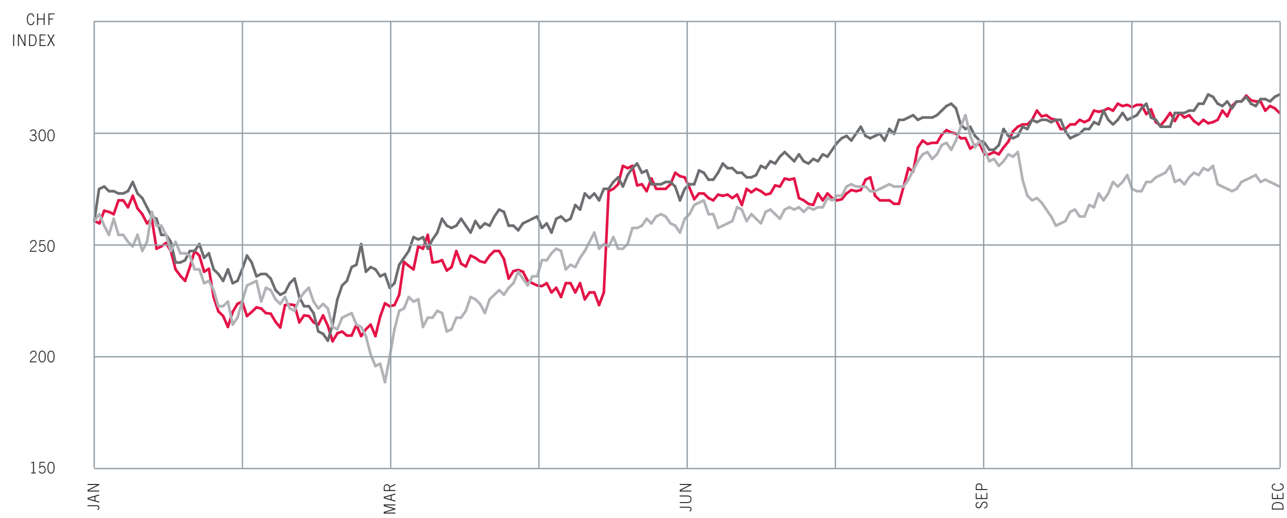
Since the shareholders meeting held in 2000, there is a conditional capital with a maximum amount of CHF 840 000. These shares are intented as cover for existing management option plans and the management and employee share participation plans. At December 31, 2003, no conditional capital had been issued.

The Statutes of Valora Holding AG include a restriction of the voting rights of individual or groups of shareholders to 5%. The Board of Directors is entitled to authorize exceptions. Identical registration rules apply to both foreign and Swiss shareholders. The dividend will be paid in the end of April. The company has continuously paid a dividend since 1920.

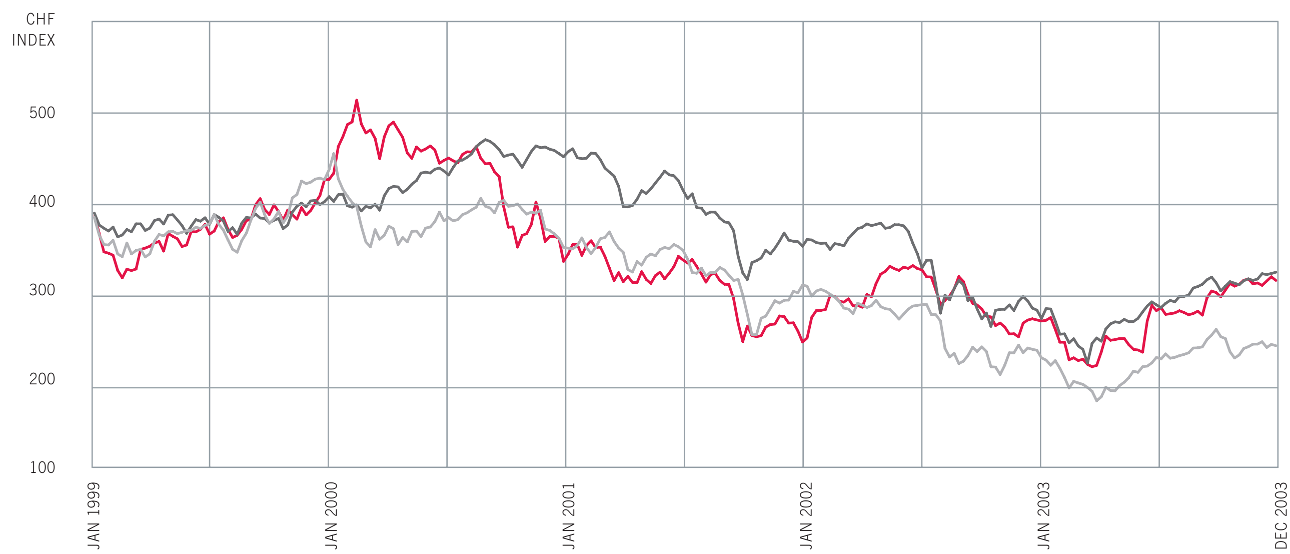
Valora share price development

The Valora share performed again positively in 2003. The opening market price in January was CHF 261. Share prices then declined to reach the low of the year on March 17 at CHF 204. After the half-year reporting and with the following share buy-back program, the share price increased noticeably to reach the full-year high on December 16 of CHF 316. The closing rate at year-end was CHF 308 representing an annual performance of 18%.

Share price Valora 2003



Share price Valora 1999–2003



Key share data and tax values

		2003	2002	2001	[3] 2000	[3] 1999
Key share data						
Share capital	CHF m	40	42	42	42	42
Total number of registered shares	Stück	4 024 000	4 200 000	4 200 000	4 200 000	4 200 000
Average number of shares outstanding	Stück	3 935 088	3 976 107	4 091 900	4 127 478	4 123 000
Payout ratio	%	n/a	37.1	30.2	60.1	28.5
Dividend per share	CHF	[1] 9.00	9.00	9.00	8.00	8.00
Number of shareholders		10 027	10 860	11 708	10 049	10 516
Share price (adjusted)						
High	CHF	316	336	366	530	428
Low	CHF	204	235	222	320	304
Share price at year end	CHF	308	265	241.50	346.50	426
Market capitalization	CHF m	1 212	1054	988	1430	1756
EBIT per share [2]	CHF	– 26.95	31.47	40.32	36.67	29.78
Free cash flow per share [2] [4]	CHF	18.68	21.45	14.93	42.47	– 6.53
Basic earnings per share [2]	CHF	– 27.00	24.12	28.99	24.41	19.89
Diluted earnings per share [2]	CHF	– 25.86	22.38	27.69	23.52	19.52
Equity per share [2]	CHF	196.70	239.75	226.70	204.43	204.05
P/E ratio [2]	31.12.	n/a	11.0	8.3	14.2	21.4

[1] Proposal
[2] Based on average number of shares outstanding
[3] Continuing operations
[4] Free cash flow: Cash provided by operating activities less cash used in investing activities.

	Val. Nr.	at 1.1.2004	at 1.1.2003	at 1.1.2002	at 1.1.2001	at 1.1.2000
Tax value of Valora titles						
Registered share of CHF 10.00	208 897	308.00	265.00	252.00	350.00	403.00
4 1/2% bond payable 1999-2005	1 007 578	104.25%	105.00%	100.75%	100.10%	103.15%

Development of the Valora Group

	Net revenues CHF millions	Number of employees	Operating cash flow [6] CHF millions	Depreciation CHF millions	Net income CHF millions	Capital entitled to dividend CHF millions	Shareholders' equity CHF millions	Dividend per share of CHF 10 each [1] CHF
1905	0.1	72	–	–	–	0.5		–
1910	2.9	183	0.1	–	0.1	1.0		–
1920	10.0	255	0.3	0.1	0.2	3.0	3.3	1.00
1930	8.9	254	0.5	0.2	0.3	2.5	3.2	2.00
1940	10.8	293	0.5	0.1	0.4	2.5	3.6	1.75
1950	30.0	643	1.0	0.3	0.7	2.5	4.3	2.00
1960	47.3	970	1.2	0.3	0.9	4.0	6.9	2.50
1970	95.2	1 161	1.8	1.3	0.5	7.7	14.7	1.50
1980	196.9	1 068	5.6	4.6	1.0	10.0	21.4	2.00
1981	135.5	909	6.2	5.0	1.2	10.0	22.0	2.30
1982	141.4	917	6.6	5.3	1.3	10.0	22.6	2.50
1983	146.0	884	7.2	5.8	1.4	10.0	23.3	2.70
1984	154.6	937	9.5	7.8	1.7	10.0	34.7	3.00
1985	229.9	1 264	14.4	10.5	3.9	16.8	85.3	3.50
1986	262.5	1 433	17.9	12.9	5.0	22.7	85.3	4.00
1987	287.1	1 563	21.6	14.4	7.2	29.2	172.2	4.20
1988	358.3	1 812	29.9	19.7	10.2	34.2	188.2	4.60
1989	450.7	2 103	40.1	24.5	13.4	50.1	220.6	5.20
1990	1 706.7	7 602	110.1	60.4	44.3	76.7	548.0	5.80
1991	2 316.6	10 665	150.6	85.1	65.0	85.4	577.8	6.50
1992	2 527.6	11 111	168.4	94.3	70.7	91.6	636.0	7.00
1993	2 708.1	11 632	183.0	96.8	83.4	100.9	662.3	7.50
1994	2 917.5	13 353	202.3	103.8	93.6	102.1	707.9	8.00
1995	2 869.4	13 321	152.9	110.5	41.2	102.3	595.6	5.00
1996	2 895.6	13 266	183.0	109.8	72.1	102.6	589.5	6.00
1997	2 425.1	10 416	206.5	60.1	[4] 146.4	[5] 41.1	745.7	6.50
1998	2 551.2	10 145	155.5	63.1	92.5	41.2	775.5	7.00

From 1999 accounting policies are in accordance with International Financial Reporting Standards (IFRS)

	Net revenues CHF millions	Number of employees	Operating cash flow [6] CHF millions	Depreciation CHF millions	Net income CHF millions	Capital entitled to dividend CHF millions	Shareholders' equity CHF millions	Dividend per share of CHF 10 each [1] CHF
1999 [3]	2 290.9	8 117	172.5	56.0	82.0	41.2	841.3	8.00
2000 [3]	2 448.3	8 670	188.1	61.0	100.8	41.3	843.8	8.00
2001	2 633.6	9 206	213.3	64.0	118.6	40.9	927.6	9.00
2002	3 076.8	9 558	186.2	61.0	95.9	39.5	953.3	9.00
2003	**3 021.4**	**8 995**	**164.4**	**69.5**	**– 106.3**	**39.1**	**774.0**	[2] **9.00**

[1] Unadjusted
[2] Proposal
[3] Continuing operations
[4] Including CHF 63.3 million special gain from Selecta IPO
[5] After nominal value reduction of CHF 15.00 per share
[6] Operating cash flow: net income + depreciation + goodwill amortization

5-year summary

		2003	2002	2001	2000 [1]	1999 [1]
Net Revenues	CHF m	**3 021.4**	**3 076.8**	**2 633.6**	**2 448.3**	**2 290.9**
Change	%	– 1.8	+ 16.8	+ 7.6	+ 6.9	– 10.2
Earnings before interest and taxes (EBIT)	CHF m	**– 106.0**	**125.1**	**165.0**	**163.8**	**122.8**
in % of net revenues	%	n/a	4.1	6.3	6.7	5.4
Net loss/net income	CHF m	**– 106.3**	**95.9**	**118.6**	**100.8**	**82.0**
Change	%	n/a	– 19.2	+ 17.7	+ 22.9	– 11.4
in % of net revenues	%	n/a	3.1	4.5	4.1	3.6
in % of shareholders' equity	%	n/a	10.0	12.8	11.9	9.7
Net cash provided by (used in)						
Operating activities	CHF m	137.3	154.4	153.8	230.1	130.7
Investing activities	CHF m	– 63.8	– 69.1	[1] – 92.7	– 54.8	– 157.6
Free cash flow		**73.5**	**85.3**	[1] **61.1**	**175.3**	**– 26.9**
Financing activities	CHF m	– 108.1	– 72.7	– 237.6	– 1.6	110.2
Net basic loss/earnings per share	CHF	**– 27.00**	**24.12**	**28.99**	**24.41**	**19.89**
Change	%	n/a	– 16.8	+ 18.8	+ 22.7	–
Net basic free cash flow per share	CHF	**18.68**	**21.45**	[1] **14.93**	**42.47**	**– 6.53**
Change	%	– 12.9	+ 43.7	– 18.5	n/a	–
Cash and cash equivalents	CHF m	**209.9**	**239.0**	**227.2**	**225.2**	**152.8**
Shareholders' equity	CHF m	**744.0**	**953.3**	**927.6**	**843.8**	**841.3**
Shareholders' equity quota	%	45.3	50.4	48.6	43.0	45.8
Number of employees		**8 995**	**9 558**	**9 206**	**8 670**	**8 117**
Change	%	– 5.9	+ 3.8	+ 6.2	+ 6.8	– 20.0
Net revenues per employee	in CHF 000	**336**	**322**	**286**	**282**	**282**
Change	%	+ 4.3	+ 12.6	+ 1.4	0.0	+ 12.2
Number of sales points at December 31		1 615	1 660	1 680	1 631	1 574
Net sales per sales point	in CHF 000	925	909	–	–	–

[1] Continuing operations, in accordance with IFRS

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