



valora

Annual Results 2005

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Peter Wüst

Markus Voegeli

Peter Wüst

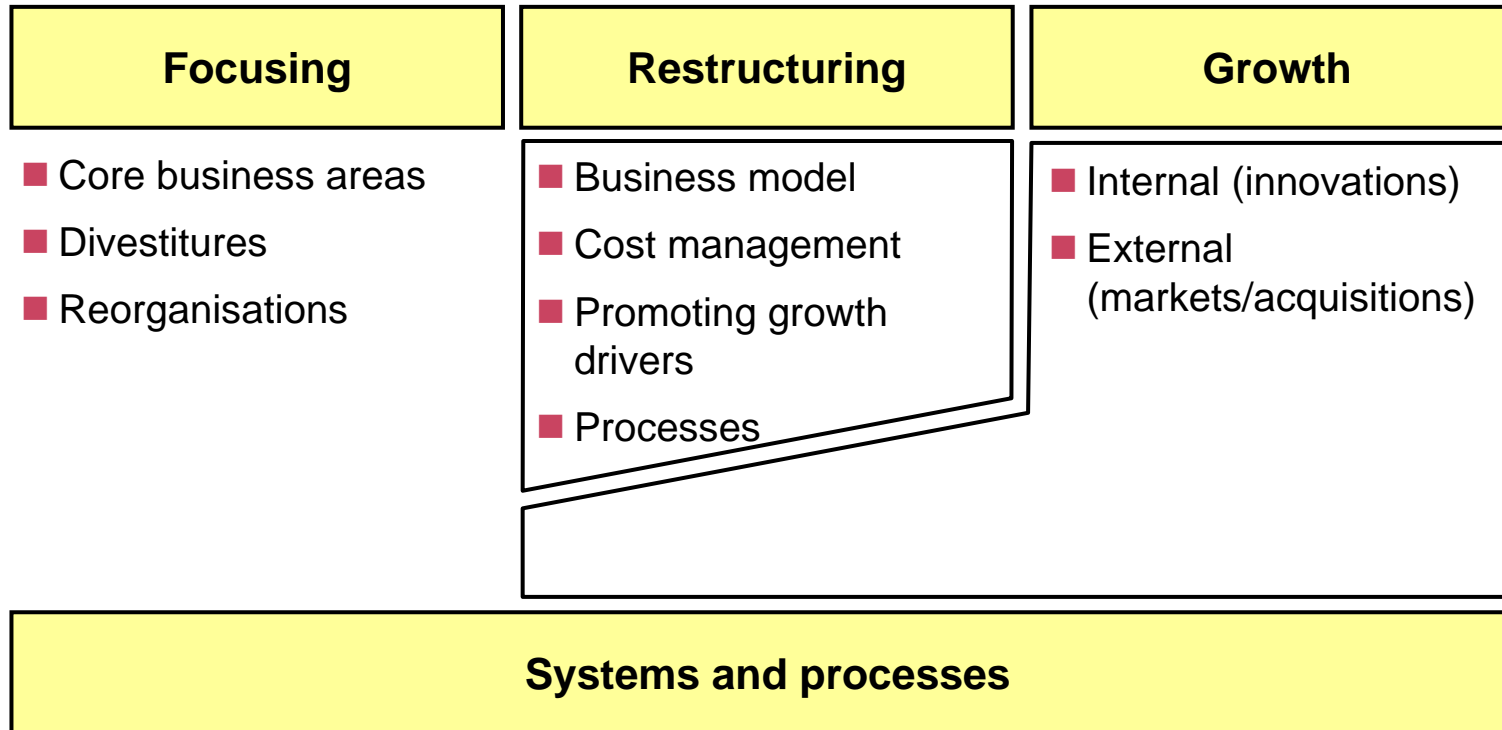
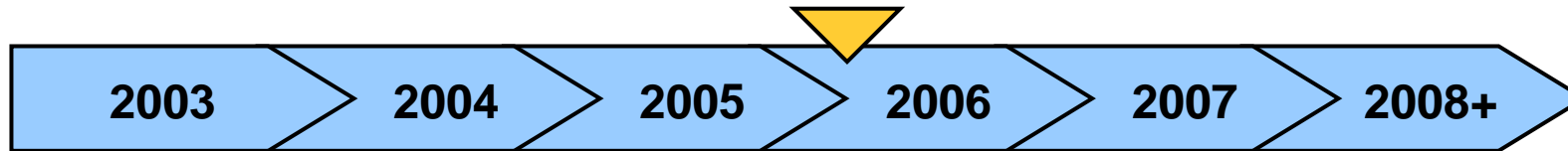
Peter Wüst



Introductory remarks

Peter Wüst
CEO

Starting points and overview



Business developments in 2005

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Introductory remarks

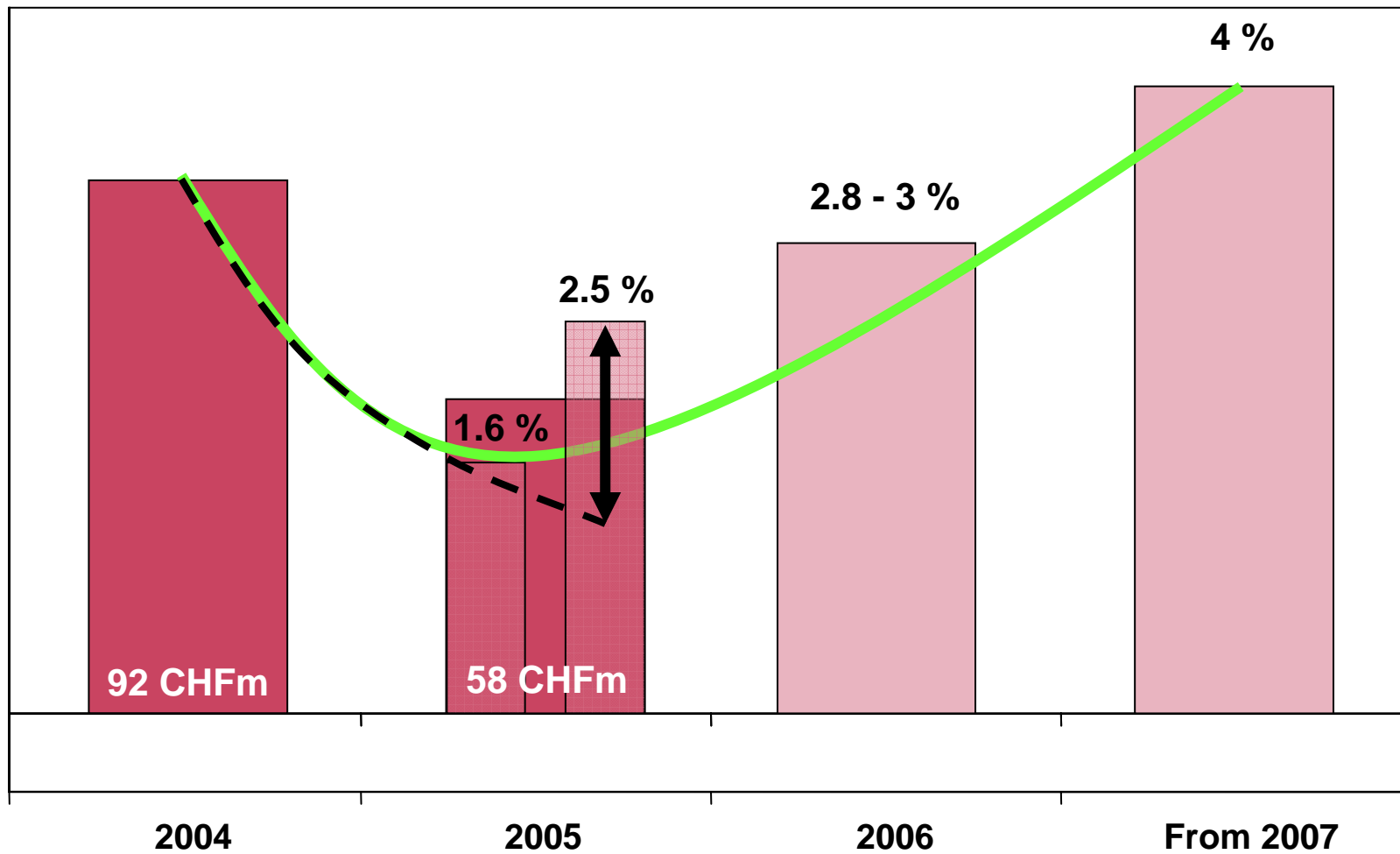
Q1 - Detailed restructuring programme defined and devised

Q2 - Cost-reduction measures
- Restructuring programme further refined
- Turnaround achieved at Valora Retail Germany
- Standardised market identity for Valora Trade Nordics

Q3 - Category management
- Tests and refinements to ranges carried

Q4 - k kiosk of the future
- Valora Trade Nordics: growth through new principals

EBIT trends: turnaround under way



Restructuring measures in 2005

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Introductory remarks

- Restructuring programme: actions initiated and in some cases implemented
- EBIT result 2005 improved by around CHF 22 million

Cost savings achieved of around CHF 12 million, through:

- closing unprofitable sales outlets
- renegotiating rental agreements
- reducing personnel overhead
- ...

Gross profit increased by around CHF 10 million, through:

- renegotiating with suppliers (for better purchasing terms)
- innovations (in goods and presentation)
- modifying the product mix (e.g. greater emphasis on drinks)
- ...



2005 annual results

Markus Voegeli
CFO

Overall remarks

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2005 annual results

Positive

- CHF 58 million EBIT exceeded expectations
- Restructuring actions implemented
- Fotolabo Club and IFI sold
- Bond loan refinanced on advantageous terms
- Positive free cash flow
- ROIC of 9% before restructuring/
4% after restructuring

Negative

- Net loss for the year
- Impairment required owing to sale of Fotolabo
- Difficult market conditions for major product groups
- Increase of total costs

2005 consolidated results

EBIT

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2005 annual results

in CHFm	2005	2004	variance abs.	variance in %
Net revenues	2 846	2 859	- 13	- 0.5%
Gross profit	942	975	- 33	- 3.4%
Gross profit margin	33.1%	34.1%	-1.0	
Total operating expenses	- 915	- 896	+ 19	+ 2.2%
Other income, net	0	23	- 23	- 100.0%
Goodwill amortisation	-	- 8	+ 8	+ 100.0%
Gains on disposals of business units	0	22		
Gains on disposals of real estate		68		
Focus strategy costs		- 13		
Operating profit (EBIT)	27	171	-144	-84.2%
EBIT margin	0.9%	6.0%	-5.1	

2005 consolidated results

Net profit

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2005 annual results

in CHFm	2005	2004	variance abs.	variance in %
Operating profit (EBIT)	27	171	- 144	- 84.2%
Financial income, net	- 16	- 17	+ 1	+ 5.9%
Share of (loss)/profit from associates	- 0	1	- 1	- 100.0%
Earnings before taxes	11	155	- 144	- 92.8%
Income taxes	- 6	- 1	+ 5	+ 521.3%
Tax ratio	57.4%	0.7%	56.8	
Result from continuing operations	5	154	- 149	- 96.9%
Result from Consumer Imaging	- 61	- 119	+ 58	+ 48.7%
Net (loss) profit	- 56	35	-91	-262.6%
Attributable to shareholders of Valora	- 57	34		
Attributable to minority interests	1	1		

2005 consolidated results

Key indicators



2005 annual results

in CHFm	2005	2004	variance abs.
Equity	513	624	- 111
Equity ratio	37.8%	41.4%	- 3.6
Net loss / Net profit	- 56	35	- 91
Return on equity (net profit/equity)	n/a	5.6%	
Net debt	113	110	3
Gearing (net debt/equity)	0.2	0.2	
Earnings per share in CHF *)	1.17	41.66	- 40
Net working capital (NWC)	126	164	- 38
NWC in % of net revenues	4.4%	5.7%	-1.3

*) from continuing operations

2005 consolidated results

Restructuring costs

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2005 annual results

in CHFm	before restr.costs 2005	restr. costs 2005	after restr.costs 2005
Net revenues	2'846		2'846
Gross profit	942		942
Personnel expense	-489	-8	-497
Other operating expenses	-403	-15	-418
Other income, net	8	-8	0
Operating profit (EBIT)	58	-31	27

Provisions of CHF 18.3 million were effected for restructuring purposes in 2005. CHF 12.9 million of these have already been incurred as costs.

2005 consolidated results

Cash flow

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2005 annual results

in CHFm	2005	2004
Net cash provided by operating activities	96	173
Net cash used in/prov. by investing activities	- 41	149
Free cash flow	55	322
Net cash used in financing activities	- 124	- 232
Net decrease/increase in cash and cash equivalents for continuing operations	- 69	90

- reduced profit
- reduced NWC
- negligible gains from disposals
- fewer share repurchases
- reduction of long term liabilities

Positive free cash flow recorded despite ongoing restructuring.

2005 consolidated results

Segment reporting



2005 annual results

in CHFm	Valora Retail	Valora Press & Books	Valora Trade	Corporate ³⁾	Intersegment elimination	Total Group
2005						
Net revenues						
from third parties	1 688	345	798	15		2 846
from other divisions		210	8		- 218	
Total Net revenues	1 688	555	806	15	- 218	2 846
Operating profit (EBIT) ¹⁾	7	24	30	- 3		58
in % of Net revenues	0.4%	4.3%	3.7%			2.0%
2004						
Net revenues ²⁾						
from third parties	1 682	255	885	37		2 859
from other divisions	1	213	13		- 227	
Total Net revenues	1 683	468	898	37	- 227	2 859
Operating profit (EBIT) ¹⁾	22	29	35	6		92
in % of Net revenues	1.3%	6.2%	3.9%			3.2%

¹⁾ Operating profit before focus strategy, restructuring, goodwill amortisation and divested business units

²⁾ Net revenues 2004: incl. divested business units

³⁾ Net revenues 2004, Corporate: incl. Net revenues Professional Imaging

Valora Retail

EBIT

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Jahresabschluss 2005

in CHFm	2005 Bereinigt	2004 Bereinigt	Delta absolut	Delta in %
Nettoerlös	1 688	1 659	+ 29	+ 1.8%
Bruttogewinn	546	546	+ 0	+ 0.0%
Bruttogewinn Marge	32.4%	32.9%	-0.5	
Total Kosten	- 539	- 524	+ 15	+ 2.9%
Betriebsergebnis (EBIT)	7	22	-15	-69.9%
Betriebsergebnis (EBIT) Marge	0.4%	1.3%	-0.9	

Valora Retail 2005 results

EBIT

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2005 annual results

in CHFm	2005 adjusted	2004 adjusted	variance abs.	variance in %
Net revenues	1 688	1 659	+ 29	+ 1.8%
Gross profit	546	546	+ 0	+ 0.0%
Gross profit margin	32.4%	32.9%	-0.5	
Total costs	- 539	- 524	+ 15	+ 2.9%
Operating profit (EBIT)	7	22	-15	-69.8%
Operating profit (EBIT) margin	0.4%	1.3%	-0.9	

Valora Retail 2005 results

Remarks

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2005 annual results

Positive

- Clear improvement in kiosk results in second half-year
 - k branding +3%
 - Food/non-food mix enhanced
 - Services revenues maintained
 - Cost reductions in second half-year / closure of 100 retail outlets
- Caffè Spettacolo
- Germany

Negative

- Tobacco goods decline
- Press products decline
- Loss in convenience wholesale
- Full-year costs still rising

Valora Press & Books 2005 results

EBIT

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2005 annual results

in CHFm	2005 adjusted	2004 adjusted	variance abs.	variance in %
Net revenues	555	458	+ 97	+ 21.1%
Gross profit	149	119	+ 30	+ 25.0%
Gross profit margin	26.9%	25.9%	1.0	
Total costs	- 126	- 90	+ 36	+ 40.1%
Operating profit (EBIT)	24	29	-5	-16.1%
Operating profit (EBIT) margin	4.3%	6.2%	-1.9	

Valora Press & Books 2005 results

Remarks

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2005 annual results

Positive

- PGV results trends
- Cost trends in the second half-year
- Profitability of Luxembourg operations

Negative

- Development Switzerland
 - Sales volume
 - Margin mix
 - Costs

Valora Trade 2005 results

EBIT

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2005 annual results

in CHFm	2005 adjusted	2004 adjusted	variance abs.	variance in %
Net revenues	806	835	- 29	- 3.5%
Gross profit	232	234	- 2	- 1.0%
Gross profit margin	28.8%	28.0%	0.8	
Total costs	- 202	- 199	+ 3	+ 1.6%
Operating profit (EBIT)	30	35	-5	-15.4%
Operating profit (EBIT) margin	3.7%	4.2%	-0.5	

Valora Trade 2005 results

Remarks

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2005 annual results

Positive

- Gross profit margin trends
- ROIC of over 10%
- Own Brands sales and profitability trends
- Profitability of distribution in Central Europe (Switzerland/Germany/Austria)
- Norway and Finland

Negative

- Distribution sales decline
 - Confectionery market trends in Sweden and Denmark
- Higher marketing costs

Valora Trade 2005 results

Distribution

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2005 annual results



Northern Europe

- Standardised market identity delivers first success: new principals
- Project Viking launched
 - to develop a distribution platform for Northern Europe
 - to enhance cost efficiency and service quality

Central Europe

- Standardised identity as Valora Trade Germany, Austria & Switzerland

Valora Trade 2005 results

Own Brands

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2005 annual results



Sørlands Chips

- Three advertising awards
- Record market share in Norway of 16.8%

Roland

- Four product innovations

Kägi

- Packaging relaunch imminent

Gille

- Record sales again



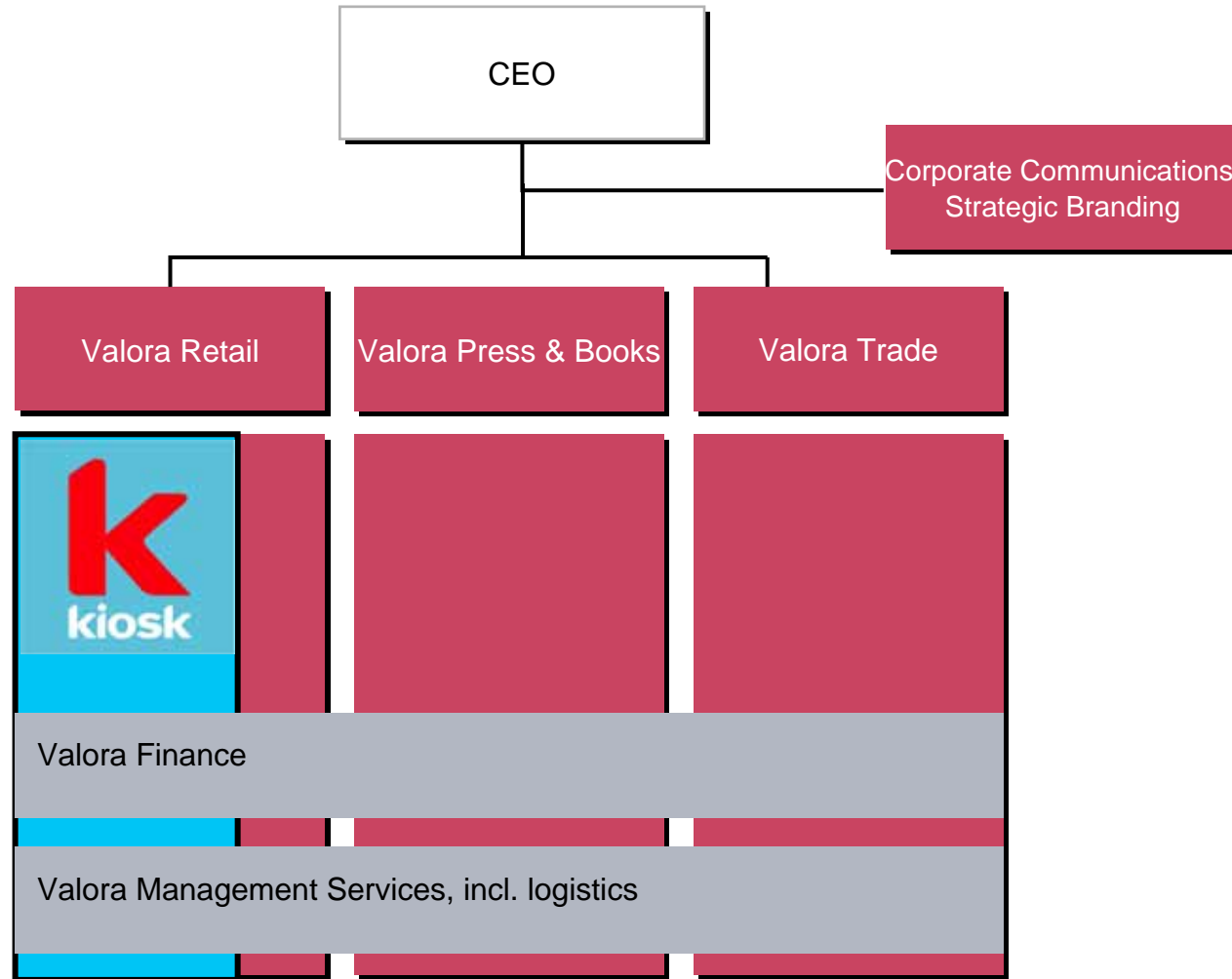
Restructuring

Peter Wüst
CEO

**Focus of restructuring:
k kiosk (Valora Retail Switzerland)**

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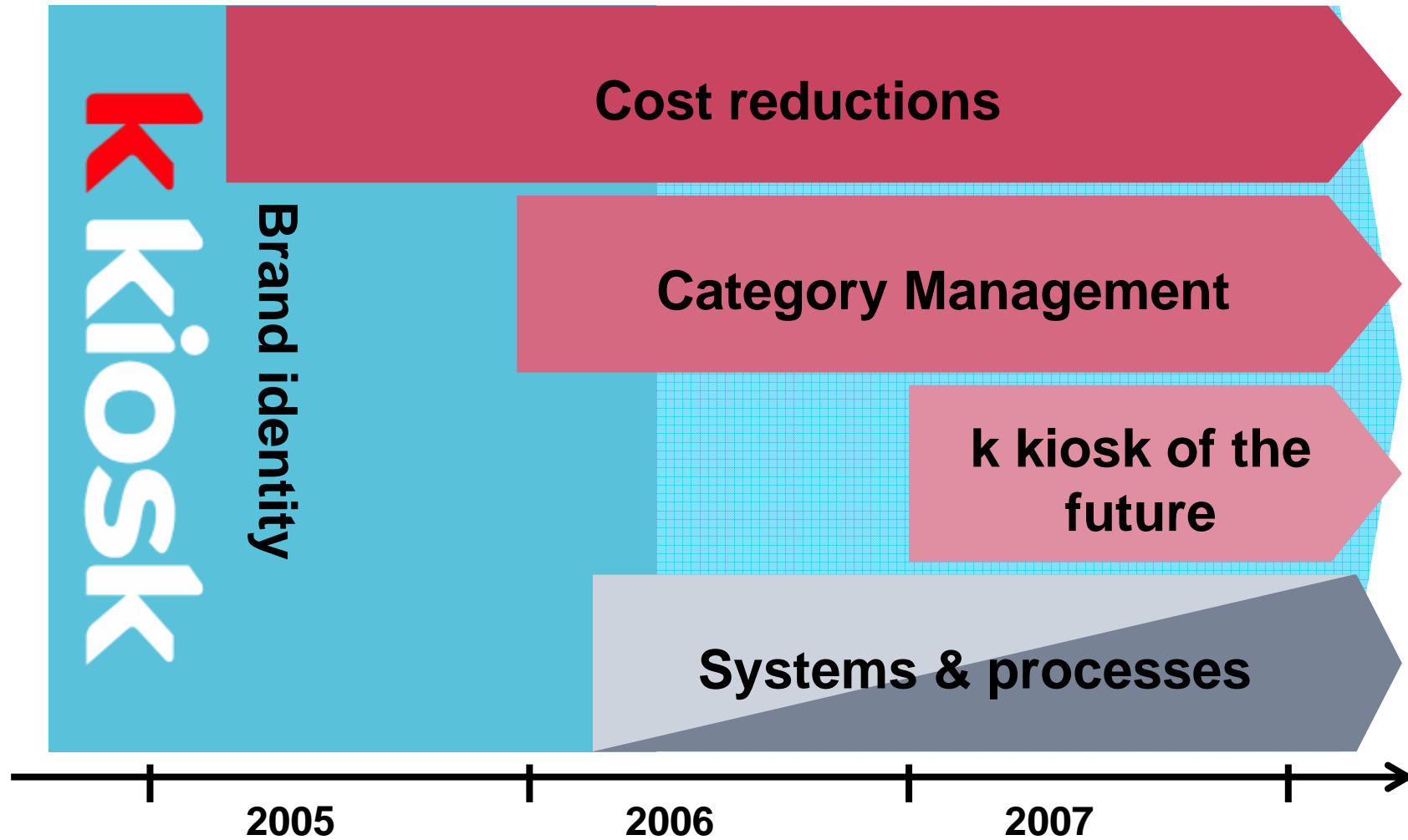
Restructuring



k kiosk restructuring

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Restructuring



Brand identity

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Restructuring


















Repositioning the k kiosk brand

- Project launched mid-2004
- Rebranding and redesigning 1001 sales outlets
- Project completion in early summer 2006
- Same consistent identity throughout Switzerland
- Clear positioning platform
- Exclusive offers and promotions
- Advertising framework and foundation

Category management kiosk

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Restructuring

	Food	Non-food	Tobacco	Press & books	Services
Sales	 +3.3%	 -1.2%	 +3.8%	 -2.1%	 +1.1%
Margins	 +6.0%	 +1.2%	 -1.6%	 -2.2%	 +1.1%
2005 share of range	Around 15%	Around 5%	Around 45%	Around 25%	Around 10%
Range share trend 04/05	 +0.2%	 -0.1%	 +1.0%	 -1.0%	 0.0%
Factors	<ul style="list-style-type: none"> • modified mix • innovations • presentation 	<ul style="list-style-type: none"> • assortments/ turnover ratio • new products (e.g. DVDs) 	<ul style="list-style-type: none"> • total market shrinking • tobacco tax • “Batton” range introduced 	<ul style="list-style-type: none"> • total market shrinking • growth in some sub-segments 	<ul style="list-style-type: none"> • attractive lottery products (e.g. Euro Millions) in 2005

Category management

Retail brand cigarettes

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Restructuring



- Objective
 - to raise k kiosk's share of the tobacco market
- Action
 - introduce retail brand "Batton" cigarette
- Status
 - most successful product launch for the last five years (in October 2005)
 - currently accounts for 2% of all tobacco sales
 - further own brands planned

Category management

Ready to consume

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Restructuring



- Objective
 - to promote high-margin product lines
- Actions
 - develop competence through “take a break!” module
 - top-quality coffee at market prices
- Status
 - trials successfully completed
 - outlet sales up 4%
 - rollout to around 100 outlets

Category management

Chilled drinks

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Restructuring



- Objective
 - to promote high-margin product lines
- Action
 - expand refrigeration facilities
- Status
 - already effected at around 200 sales outlets in 2005
 - drinks sales up around 20%
 - to be extended to some 200 further sales outlets in 2006

Systems and processes

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Restructuring



■ Objectives

- clear and current management information
- an efficient internal control system

■ Actions

- introduce standardised cash till systems
- closed goods management
- efficient category management

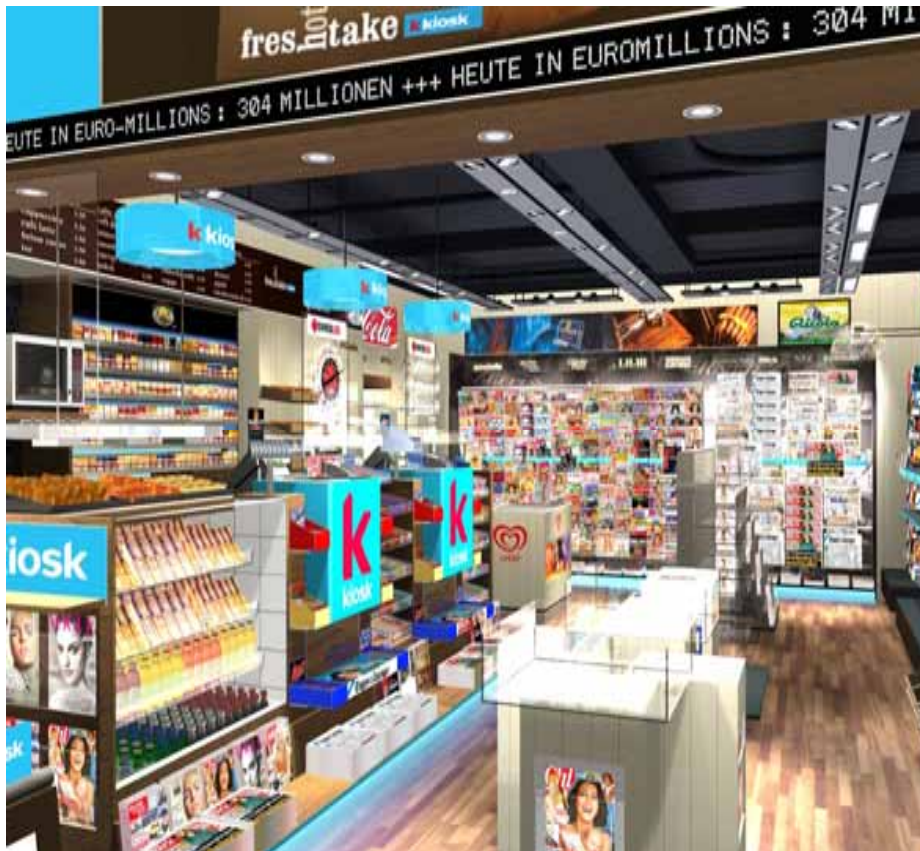
■ Status

- pilot cash till test completed
- new cash till system rollout between mid-2006 and mid-2007

k kiosk of the future

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Restructuring



- Objective
 - to give the k kiosk a sustainably successful market position
- Actions
 - module-based approach to address changing customer needs
 - customer-focused clustering of sales outlet network
- Status
 - pilot outlets and modules in the next few months
 - implementation in 2007

Outlook

Peter Wüst
CEO

Objectives for 2006/2007

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Outlook

Valora Retail

Valora
Press & Books

Valora Trade

Optimise core business

Emphases for 2006/2007



Outlook

Valora Retail

Valora Press & Books

Valora Trade

Switzerland

- k kiosk restructuring and innovation
- Caffè Spettacolo expansion
- Convenience retail rolling out avec
- Convenience wholesale achieving profitability

Germany

- Rail station bookstores expansion

Luxemburg

- Kiosks optimisation

Optimisation and expansion

Emphases for 2006/2007

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Outlook

Valora Retail

Valora Press & Books

Valora Trade

- Expansion into press-related areas

Switzerland

- stabilisation

Austria

- optimisation

Luxemburg

- optimisation

Stabilisation and optimisation

Emphases for 2006/2007

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Outlook

Valora Retail

**Valora
Press & Books**

Valora Trade

Distribution

- growth by acquiring principals
- regional distribution platforms

Own Brands

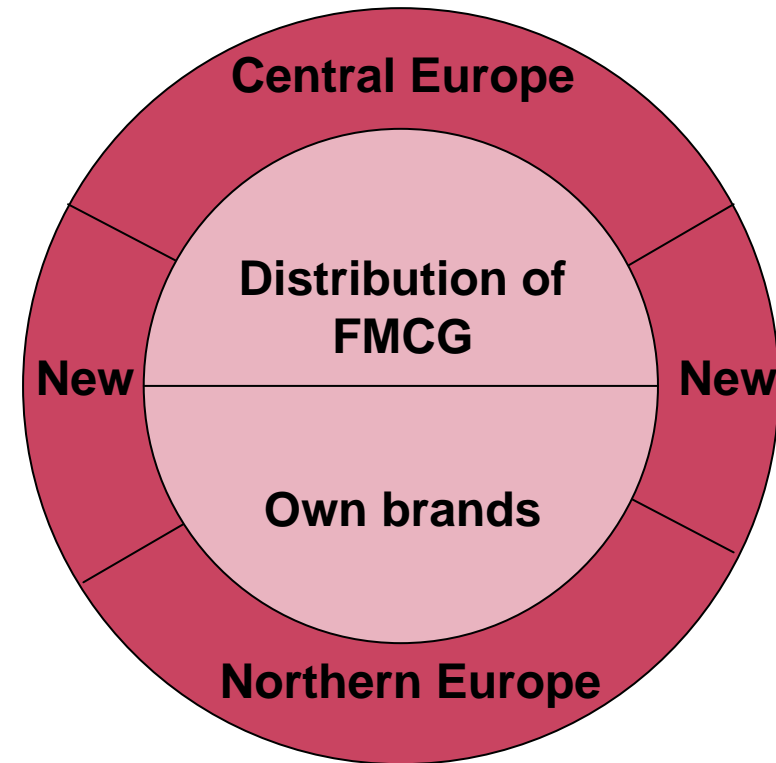
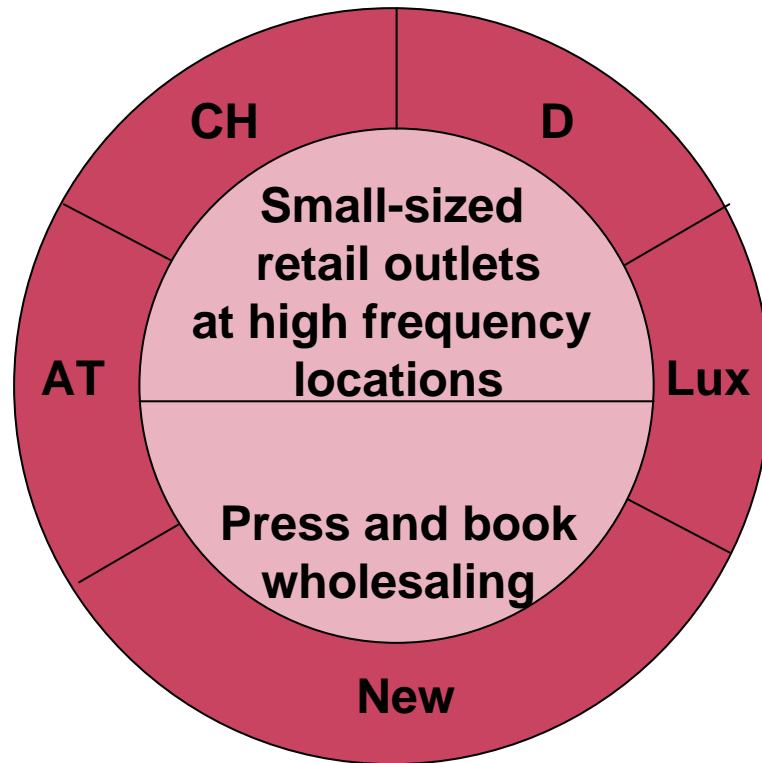
- product and packaging innovations
- expanding distribution

Growth and integration

Strategy from 2007/2008 onwards

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Outlook



Organic growth

Growth via collaborations and acquisitions within Europe

- **2006**
 - Exploit prime restructuring potential
 - Raise earnings power and potential

 - Net revenues of around CHF 2.8bn
 - EBIT margin of 2.8% to 3%
 - Capital spending of CHF 60-80m

- **From 2007** - EBIT margin of 4%