Consolidated income statement

January 1 to December 31, in CHF 000 (except per-share amounts)	Note	**2006**	**%**	2005	%
Net revenues	4	**2 862 543**	**100.0**	**2 846 369**	**100.0**
Cost of goods		– 1 908 359	– 66.7	– 1 903 945	– 66.9
Gross profit		**954 184**	**33.3**	**942 424**	**33.1**
Personnel expense	5	– 478 688	– 16.7	– 496 558	– 17.4
Other operating expenses	6	– 362 947	– 12.7	– 368 563	– 13.0
Depreciation and amortisation of operating assets	16, 17, 18	– 49 108	– 1.7	– 49 694	– 1.8
Other income, net	7	18 521	0.7	– 585	0.0
Operating profit		**81 962**	**2.9**	**27 024**	**0.9**
Financial expense	8	– 12 984	– 0.5	– 19 286	– 0.6
Financial income	9	6 731	0.2	3 660	0.1
Share of result from associates and joint ventures		220	0.0	– 280	– 0.0
Earnings before taxes		**75 929**	**2.6**	**11 118**	**0.4**
Income taxes	10	– 9 454	– 0.3	– 6 385	– 0.2
Result from continuing operations		**66 475**	**2.3**	**4 733**	**0.2**
Result from discontinued operations	3	– 639	– 0.0	– 61 041	– 2.2
Net profit/(loss)		**65 836**	**2.3**	**– 56 308**	**– 2.0**
Attributable to shareholders of Valora Holding AG		65 153	2.3	– 57 316	– 2.0
Attributable to minority interests		683	0.0	1 008	0.0
Earnings per share					
from continuing operations (in CHF)	11	20.58		1.17	

The accompanying notes from page 17 to page 54 form an integral part of these consolidated financial statements.

Consolidated balance sheet

Assets					
At December 31, in CHF 000	Note	**2006**	**%**	2005	%
Current assets					
Cash and cash equivalents	12	222 100		219 655	
Trade accounts receivable	13	168 402		167 610	
Inventories	14	267 660		258 520	
Current income tax receivable		1 229		3 344	
Other current assets	15	47 092		51 091	
Current assets		**706 483**	**53.3**	**700 220**	**51.5**
Assets held in disposal groups	3	0		29 934	
Total current assets		**706 483**	**53.3**	**730 154**	**53.7**
Non-current assets					
Property, plant and equipment	16	318 574		322 483	
Goodwill, software and other intangible assets	18	159 845		155 665	
Investment property	17	19 083		32 301	
Investment in associates and joint ventures	21	13 055		12 717	
Long-term financial assets	20	11 602		7 516	
Net pension asset	25	54 574		54 574	
Deferred income tax assets	10	41 557		43 800	
Total non-current assets		**618 290**	**46.7**	**629 056**	**46.3**
Total assets		**1 324 773**	**100.0**	**1 359 210**	**100.0**

Liabilities and equity

At December 31, in CHF 000	Note	2006	%	2005	%
Current liabilities					
Short-term financial debt	22	2 198		51 424	
Derivative liabilities	28	619		0	
Trade accounts payable		295 848		300 174	
Current income tax liabilities		7 916		5 303	
Other current liabilities	23	116 327		105 660	
Current provisions	24	10 844		21 214	
Current liabilities		**433 752**	**32.8**	**483 775**	**35.6**
Liabilities from disposal groups	3	0		29 746	
Total current liabilities		**433 752**	**32.8**	**513 521**	**37.8**
Non-current liabilities					
Long-term financial debt	22	280 452		281 965	
Long-term accrued pension cost	25	9 905		8 870	
Long-term provisions	24	14 030		11 896	
Deferred income tax liabilities	10	25 778		29 361	
Total non-current liabilities		**330 165**	**24.9**	**332 092**	**24.4**
Total liabilities		**763 917**	**57.7**	**845 613**	**62.2**
Equity					
Share capital	30	3 300		3 300	
Additional paid-in capital		4 432		1 178	
Treasury stock		– 29 567		– 29 751	
Valuation reserves		– 518		15	
Retained earnings		568 764		532 396	
Cumulative translation adjustments		11 522		4 005	
Equity of Valora Holding AG shareholders		**557 933**	**42.1**	**511 143**	**37.6**
Minority interest in subsidiaries		2 923		2 454	
Total equity		**560 856**	**42.3**	**513 597**	**37.8**
Total liabilities and equity		**1 324 773**	**100.0**	**1 359 210**	**100.0**

The accompanying notes from page 17 to page 54 form an integral part of these consolidated financial statements.

Consolidated cash flow statement

January 1 to December 31, in CHF 000	Note	**2006**	2005
Operating profit from continuing operations		**81 962**	**27 024**
Elimination of non-cash transactions			
Depreciation on property, plant, equipment and investment property	16, 17	40 448	41 565
Amortisation of intangible assets	18	8 660	8 129
Loss on sale of fixed assets, net	7	334	1 379
Gains on disposals of business units, net	2	0	– 92
Impairment on financial assets		12	416
Share-based payments	26	4 425	2 901
(Release) creation of provisions, net	24	– 9 870	15 464
Changes in net working capital, net of acquisitions and disposals of business units			
Decrease in trade accounts receivable		3 173	16 078
Increase in inventories		– 5 123	– 5 252
Decrease (increase) in other current assets		5 524	– 7 049
(Decrease) increase in trade accounts payable		– 9 214	24 236
Increase in accrued pension cost		480	556
Provisions assigned	24	– 8 171	– 1 106
Increase (decrease) in other liabilities		8 675	– 6 377
Cash generated from operating activities for continuing operations		**121 315**	**117 872**
Interest paid		– 12 266	– 18 082
Income taxes paid		– 6 387	– 7 343
Interest received		5 556	3 910
Net cash provided by operating activities for continuing operations		**108 218**	**96 357**

January 1 to December 31, in CHF 000	Note	**2006**	2005
Cash flow from investing activities			
Investments in fixed assets	16	– 48 355	– 41 578
Proceeds from sale of fixed assets	16	5 686	4 982
Proceeds from sale of investment property	17	13 303	550
Disposal of business units, net of cash sold	3, 2	11 747	1 562
Acquisition of shares in joint ventures and associates		0	– 2 012
Disposal of non-current financial assets		2 141	1 680
Purchase of other intangible assets	18	– 11 366	– 6 655
Proceeds from sale of other intangible assets	18	291	778
Net cash used in investing activities for continuing operations		**– 26 553**	**– 40 693**
Cash flow from financing activities			
(Repayment of) increase in short-term financial debt, net		– 49 870	19 128
Increase in long-term financial liabilities	22	101 072	599
Repayment of long-term financial liabilities	22	– 103 780	– 3 914
Bonds issued	22	0	137 982
Bonds redeemed	22	0	– 220 000
Treasury stock purchased		– 1 841	– 28 657
Treasury stock sold		718	1 842
Dividends paid		– 28 785	0
Reduction in nominal value		0	– 29 700
Dividends paid to minorities		– 303	– 1 000
Net cash used in financing activities for continuing operations		**– 82 789**	**– 123 720**
Net decrease in cash and cash equivalents for continuing operations		**– 1 124**	**– 68 056**
Translation adjustments on cash and cash equivalents		3 569	8
Cash and cash equivalents at beginning of year for continuing operations		219 655	287 703
Cash and cash equivalents at end of year for continuing operations	12	222 100	219 655

The accompanying notes from page 17 to page 54 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

in CHF 000	Note	Equity of Valora Holding AG shareholders Share capital	Other reserves	Retained earnings	Cumulative translation adjustments	Total equity of majority shareholders	Minority interest	Total equity
Balance at January 1, 2005		**35 700**	**– 75 194**	**657 547**	**3 387**	**621 440**	**2 438**	**623 878**
Fair value gain on available-for-sale financial assets			15			15		**15**
Translation adjustments					618	618	21	**639**
Income recognised directly in equity			**15**		**618**	**633**	**21**	**654**
(Net loss) net profit				– 57 316		– 57 316	1 008	**– 56 308**
Total profit (loss) reported			**15**	**– 57 316**	**618**	**– 56 683**	**1 029**	**– 55 654**
Share-based payments			2 901			2 901		**2 901**
Dividend paid on 2004 result						0	– 1 013	**– 1 013**
Treasury stock purchased			– 28 657			– 28 657		**– 28 657**
Treasury stock sold			1 842			1 842		**1 842**
Capital reduction		– 32 400	70 535	– 67 835		– 29 700		**– 29 700**
Balance at December 31, 2005		**3 300**	**– 28 558**	**532 396**	**4 005**	**511 143**	**2 454**	**513 597**
Fair value loss on available-for-sale financial assets			– 18			– 18		**– 18**
Fair value loss on cash flow hedges			– 515			– 515		**– 515**
Tax asset on share-based payments	10		96			96		**96**
Translation adjustments					7 517	7 517	89	**7 606**
Income (expense) recognised directly in equity			**– 437**		**7 517**	**7 080**	**89**	**7 169**
Net profit				65 153		65 153	683	**65 836**
Total profit (loss) reported			**– 437**	**65 153**	**7 517**	**72 233**	**772**	**73 005**
Share-based payments			3 158			3 158		**3 158**
Dividend paid on 2005 result				– 28 785		– 28 785	– 303	**– 29 088**
Treasury stock purchased			– 1 841			– 1 841		**– 1 841**
Treasury stock sold			2 025			2 025		**2 025**
Balance at December 31, 2006		**3 300**	**– 25 653**	**568 764**	**11 522**	**557 933**	**2 923**	**560 856**

The accompanying notes from page 17 to page 54 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 Summary of significant accounting policies

Basis of presentation. The Valora Group's annual consolidated financial statements have been prepared on the basis of historical cost (except for financial assets and liabilities, which are stated at fair value), in accordance with International Financial Reporting Standards (IFRS) and in compliance with the legal requirements of the Swiss Code of Obligations. The reporting currency is the Swiss franc (CHF). The most significant accounting policies are detailed below.

Scope of consolidation. Note 32 provides an overview of the most significant Group companies.

Consolidation principles. Valora's annual consolidated financial statements encompass Valora Holding AG and all its directly or indirectly held subsidiaries. Subsidiaries are defined as companies over which the Group is able to exert control. In determining whether such control exists, the voting rights from shares which are currently exercisable or convertible are taken into account.
Associated companies and joint ventures are treated according to the equity method. Associated companies are those over which Valora exerts significant influence, but does not control. Significant influence is assumed to be exerted on companies in which Valora holds between 20 and 50% of the voting shares. Joint ventures are joint undertakings which are managed with one partner under a contractual agreement. Participations treated under the equity method are recorded on the balance sheet at purchase cost and reported under ‹‹Investments in associates and joint ventures››. In the reporting periods following acquisition, the value of this item is adjusted to reflect Valora's share of the changes in shareholders' equity of the associated companies and joint ventures. Any valuation gains or losses impacting the equity of associated companies and joint ventures are also credited or debited directly to Valora's equity. Dividends received reduce the value of these investments.
Subsidiaries and investments are included in the consolidated financial statements from the day they are acquired (assumption of control) and are removed from the day they are sold (transfer of control).
All intercompany balances, transactions and unrealised gains these generate are eliminated on consolidation.
Balances and transactions with associated companies and joint ventures reported under the equity method are shown separately as items with associates.
Minority interests in shareholders' equity and net income are also disclosed as separate items.

Sale of business units. The operating results of units disposed of are reported in the regular income and cash flow statements up to the disposal date.

Adoption of new accounting standards. Adoption of the following International Financial Reporting Standards (IFRS) was first required for the 2006 annual financial statements:
IAS 19 ‹Employee Benefits› defines a new option for reporting over- or under-funding of defined benefit pension plans. As an alternative to the ‹‹corridor method››, IAS 19 allows

for changes in pension contribution assets or pension contribution liabilities to be booked to shareholders' equity rather than the income statement. The Valora Group has elected to continue using the ‹‹corridor method›› (see note on accounting treatment of pension liabilities). As a result, IAS 19 does not require any change in financial statement presentation compared to prior years. This also means that the IAS 19 related changes to IAS 1 ‹Presentation of Financial Statements› do not require any change compared to prior years. The new IFRS 6 ‹Exploration for and Evaluation of Mineral Assets› standard governs business activities in which Valora is not engaged and thus requires no changes in financial statement presentation.
Adjustments to IAS 21 ‹Effects of Changes in Foreign Exchange Rates› affecting the treatment of Group loans to subsidiaries as net investments in subsidiaires, whose application is mandatory from 1 January, 2006, were already implemented in 2005.

Future changes to accounting policies. Valora will adopt the IFRS 7 ‹Financial instruments: Disclosures› standard from its 2007 financial year onwards. This standard requires additional disclosures with regard to financial instruments and financial risks, but not does affect the classification or valuation of these instruments. The IFRS 7 related changes to IAS 1 ‹Presentation of Financial Statements› - concerning disclosure of the objectives, principles and processes of capital management - will also be adopted by the Group from 2007. IFRS 8 ‹Operating Segments›, whose adoption is required from 1 January, 2009, has also not been implemented ahead of time. This standard governs information to be disclosed about individual business areas, but has no effect on consolidated earnings or balance sheet valuations. Its possible effect on segment reporting cannot be fully determined at this stage.

Conversion of foreign currencies. Transactions in foreign currencies are converted into Swiss francs at the exchange rate applicable on the transaction date. At the balance sheet date, amounts receivable and payable in foreign currencies are converted into Swiss francs at the exchange rate applicable on that date, and any exchange rate differences so arising are booked to the income statement.
Upon consolidation, the assets and liabilities of subsidiaires whose operating currency is not the Swiss franc are converted into Swiss francs at the exchange rate prevailing on the balance sheet date. Income statement, cash flow statement and other movement items are converted into Swiss francs at average exchange rates for the period, provided such presentation sufficiently approximates the figures which would result from the application of transaction date rates. If not, movement items are converted at effective transaction rates. Exchange rate gains and losses arising from the translation of annual financial statements of non-Swiss-franc subsidiaries are booked directly to consolidated shareholders' equity and reported separately as accumulated currency translation differences.

Exchange rates applied for key foreign currencies

	Average rate for 2006	Rate at December 31, 2006	Average rate for 2005	Rate at December 31, 2005
Euro: EUR 1	1.573	1.608	1.548	1.557
Swedish krone: SEK 100	17.01	17.80	16.67	16.53
Danish krone: DKK 100	21.09	21.56	20.78	20.87

Net revenues and revenue recognition. Net revenues include all proceeds from the sale of goods and services, net of any deductions including rebates, discounts, other agreed concessions and losses from bad debts. Retail sales by the Valora Retail division are recognised upon sale to the customer. Payment is made in cash or by credit card. The sales value recorded is the amount received net of credit card fees. Wholesale revenues are recognised when the goods have been delivered, the customer has accepted them and there is sufficient certainty of the amount being received. Goods sold wholesale may be supplied on a sale-or-return basis. Where this applies, net revenues will be reduced by estimated return rates based on experience and other appropriate assumptions.

Equity based compensation. The Valora Group pays some of the compensation it grants to its senior management in the form of Valora shares. The expense from this recorded in the income statement is calculated by multiplying the number of shares granted by the market price prevailing on the grant date (minus any amount payable by the recipients). The expense arising from schemes which will definitely be paid out in shares (equity settled schemes) are accrued against shareholders' equity. The expense from schemes where payment in shares is not certain are accrued as a liability. If the conditions for the allocation of shares extend over several years, the relevant expenses are accrued in appropriate proportions to the years concerned, based on the degree to which the targets are expected to be achieved.
Expenses for services provided by third parties which are paid for with Valora shares are charged to the income statement at the market value of the services provided.

Income taxes. Current income taxes are based on the taxable net income of the current year and are charged to the income statement accordingly.
Deferred income taxes are calculated according to the liability method, which is applied comprehensively to all temporary differences between Group and taxable book values. The tax rates applied are those expected to prevail on the balance sheet date or at the time these temporary differences are realised. Tax loss carry forwards and other deferred tax credits are recognised as assets only if it is probable that they can be offset against future taxes.
Deferred taxes are not calculated on temporary book value differences on investments in subsidiaries or associates, unless it is likely that they will be realised in the foreseeable future or their realisation cannot be managed or controlled.

Results from discontinued operations. When segments or significant business areas are sold, all income statement items relating to them are reported separately in the income statement under results from discontinued operations. The cash flow statement covers continuing operations only.

Earnings per share. Earnings per share are calculated by dividing the net profit from continuing operations attributable to shareholders of Valora Holding AG by the average number of shares of the Valora AG parent company outstanding. Diluted earnings per share take account of potentially dilutive effects such as those arising from convertible bond issues or option schemes. These shares are included in the calculation of the number of outstanding shares and the diluted earnings per share figures are reported accordingly.

Cash and cash equivalents. Cash and cash equivalents comprise cash balances, sight deposits with banks and short-term money market investments with an initial maturity not exceeding 3 months.

Trade accounts receivable. Trade accounts receivable are recorded at their present value or their nominal value if the latter is not materially different, minus any necessary impairment adjustments for doubtful accounts. Impairment adjustments are made if there is objective evidence that the amount may not be received in full.

Inventories. Inventories are recorded at the lower of cost or net realisable value. For the Valora Retail division, cost price is determined according to the retail method, while the Valora Press & Books and Trade divisions apply the first in, first out (FIFO) method. Write-downs on slow moving or obsolete inventories are determined according to standard business practices. Non-matured forward purchases made by the various production companies are treated as off balance sheet items.

Non-current assets held for sale. Fixed assets are classified as held for sale and valued at the lower of book or market value minus selling costs, if their book value is expected to be realised principally from their sale rather than their continued operational use. If entire business units are held for sale, all their fixed assets and all liabilities directly attributable thereto are recorded in the balance sheet separately as assets or liablities from entities held for sale.

Property, plant and equipment. Property plant and equipment, excluding property held for investment, is recorded at cost minus accumulated depreciation. Subsequent expenditure for renovation is capitalised only if the costs can be reliably determined and an economic benefit results from them. If these conditions are met, the renovation costs so capitalised are depreciated over their useful economic life. All other renovation and maintenance costs are expensed directly to the income statement. Interest payable on loans for facilities under construction is charged directly to the income statement.

A straight line amortisation schedule is used, based on the following estimates of economically useful life:

	Years
Real estate used for operations	20-40
Machinery, equipment, installations and furnishings	6-10
Vehicles	5

Investment property. Investment property is recorded at cost minus accumulated depreciation. The fair values stated in the notes are based on capitalisations of current earnings value calculations. Increases in fair value are not capitalised. Subsequent expenditure for renovation is capitalised only if the costs can be reliably determined and an economic benefit results from them. If these conditions are met, the renovation costs so capitalised are depreciated over their useful economic life. All other renovation and maintenance costs are expensed directly to the income statement. Capitalised extensions and other installations on rented premises are amortised over their expected useful life or the remaining period of the lease, should this be shorter. Interest payable on loans for facilities under construction is charged directly to the income statement.

The depreciation method is straight line, based on the following estimates of economically useful life:

	Years
Investment property	20-60

Impairments to property, plant and equipment. The current values of property, plant and equipment are reviewed whenever changing circumstances or specific events suggest that their current book values might be too high. Assets whose current book value exceeds their realisable value are written down to the discounted value of the future cash flows the assets are expected to generate.

Leases. Assets acquired under leasing agreements which transfer the benefits and risks of ownership from the lessor to the lessee are classified as non-current assets of the relevant category. Assets acquired under finance leases are initially capitalised at the lower of their market value or the net present value of all binding future leasing payments contracted at the beginning of the lease. On the liabilities side this same amount is recognised as a finance lease liabilities. Leased assets are amortised over their anticipated economically useful lives or the life of the lease if this is shorter and transfer of ownership at the end of the lease is not certain.
Similarly, fixed assets leased to third parties under agreements transferring substantially all the benefits and risks of ownership to the lesssee are classified not as property, plant and equipment but as financial assets, recorded at the present value of the future leasing payments receivable.
Operating lease payments are charged - and operating lease payments received are credited - to the income statement linearly over the life of the leases.

Intangible assets excluding goodwill. Intangible assets excluding goodwill are carried at cost minus accumulated depreciation.

A straight line amortisation schedule is used, based on the following estimates of economically useful life:

	Years
Software	3-5
Other intangible assets	3-10

Impairments to intangible assets. The value of intangible assets excluding goodwill is reviewed whenever changing circumstances or specific events suggest that their book value might be too high. Assets whose current book value exceeds their realisable value are written down to the discounted value of the future cash flows the assets are expected to generate.

Goodwill from acquisitions. The difference between the purchase price paid for an acquired company and the market value of the net assets acquired at the date of purchase is recognised as goodwill from acquisitions according to the purchase method.

Impairments to goodwill. Goodwill is not systematically amortised, but is subjected to an impairment test at least annually at the end of each year or upon any indication of diminished value. Impairment tests are conducted at the level of the smallest cash generating unit to which goodwill was attributed on acquisition. If the book value exceeds the realisable value an impairment will be recorded to adjust the book value down to the realisable value.

Financial assets. Financial assets are classified as:

- at fair value through profit or loss
- loans and receivables
- held to maturity
- available for sale

Financial assets are classified according to the purpose for which they were acquired. Classification is determined when the assets are initially recognised.

Financial assets at fair value through profit or loss. These include securities held for trading purposes, other assets assigned to this category on initial recognition and derivatives. Financial assets are assigned to this category if they are acquired with a view to short-term sale. Financial assets in this category are recorded as current financial assets if they are held for trading purposes or are intended to be sold within 12 months.

Loans and receivables. Loans and receivables are financial assets with fixed payment dates and amounts which are not traded in a market and include the trade accounts receivable and other receivables which are shown separately on the balance sheet. They are classified as current assets unless their maturity is more than 12 months after the balance sheet date.

Held to maturity. This category covers financial assets which the company has the intention and the ability to hold until they mature. They are classified as current assets if they mature within 12 months of the balance sheet date or non-current assets if they mature thereafter.

Available for sale. This category covers minority interests (i.e. shareholdings of less than 20%) and financial assets not assigned to any other category. Financial assets available for sale are classified as non-current assets.

All purchases and sales of financial assets are recorded on the trade date.

Financial assets, except those held for trading purposes, are initially recorded at fair value plus transaction costs. Financial assets held for trading purposes are initially recorded at market value excluding transaction costs and thereafter, like all other ‹at fair value through profit or loss› assets, at their market value. Loans and receivables and financial assets held to maturity are recorded at their amortised value calculated by the effective yield method. Financial assets available for sale are carried at market value, using market offered prices where available or model-based valuations where no market exists. Equity participations which are not traded in a market and for which insufficient data is available to perform a valuation are carried at cost. Unrealised gains and losses are credited or debited directly to shareholders' equity. Enduring or significant impairments are recorded and charged to the income statement. Valuation adjustments accumulated against equity are passed to the income statement upon sale.

Interest-bearing debt. Interest-bearing liabilities are carried at their amortised value, with differences between initial and maturity values being determined by the effective yield method.

Provisions. Provisions are recorded when events in the past give rise to a liability whose amount can be reliably estimated and for whose settlement an outflow of cash is probable. Provisions are carried at fair value.

Liabilities from employee pension schemes. Valora pays employer contributions to various pension schemes established according to local legislation. For defined benefit schemes, the present value of the benefit obligation is determined by an annual actuarial assessment under the projected unit credit method. These assessments take account of the contribution years accumulated by employees at the assessment date as well as their expected future compensation trajectories. Years of service costs are charged to the income statement in the period in which they are incurred. The effect of changes in actuarial assumptions is distributed equally over the participants' assumed average remaining years of service and recorded in the income statement proportionately each year. Actuarial gains and losses exceeding 10% of the greater of the dynamically calculated present value of projected benefit obligations or the pension fund assets at market prices are systematically amortised over the scheme participants' average remaining years of service, using the so-called corridor method.
Expenses for defined contribution pension schemes are charged to the income statement in the period in which they are incurred.

Accounting for derivative financial instruments and hedging transactions. Derivative financial instruments are recorded at their market value prevailing on the balance sheet date.

Recognition methods for gains or losses depend on whether the instrument was used to hedge an identifiable risk and whether the conditions for hedge accounting are met.

The objective of recognising a transaction as a hedge is to ensure that changes in value of the item being hedged and those in the hedging instrument cancel each other out in the income statement. If a derivative financial instrument is not designated as a hedge or if it does not meet hedge accounting criteria, gains and losses arising from changes in its market value are recognised in the income statement. To qualify for hedge accounting treatment, a hedging transaction must meet a number of strict criteria relating to transaction documentation, probability, hedge effectiveness and valuation reliability. When engaging in a hedging transaction, the Group documents the relationship between the hedging instrument and the hedged item and the purpose and strategy of the hedge. This process also requires that all derivatives used for hedging purposes be linked to specific assets or liabilities, or to firm commitments and expected future transactions. Both when a hedge is set up and during its life the Group documents the extent to which changes in the fair value of the derivative offset changes in the value of the item it hedges. When hedges which qualify for hedge accounting treatment are intially transacted, they are classified either as a) hedging the fair value of a specific asset or liability (fair value hedges), b) hedging future cash flows arising from an expected future transaction or a fixed commitment (cash flow hedges), or c) hedging a net investment in a foreign subsidiary.
Any gains or losses from hedging instruments classified as cash flow hedges which effectively offset changes in value of future cash flows are credited or debited to shareholders' equity, while gains or losses which do not meet this effectiveness requirement are immediately recorded in the income statement. The amounts recorded in shareholders' equity are then transferred to the income statement when the cash flows they hedge are booked. When a derivative financial instrument held for hedging purposes matures, is sold or no longer meets hedge accounting criteria, any unrealised gains or losses accumulated against shareholders' equity up to that time are not transferred to the income statement until the expected transaction for which the hedge was established is recognised in the income statement. However, if a previously anticipated transaction is no longer expected to occur, any such gains or losses previously booked to shareholders' equity are released to the income statement immediately.
At present, Valora has no open fair value hedges in place against assets or liabilities, nor does it have any transactions hedging its net investment in a foreign subsidiary.

Fair value estimation. The fair value used for quoted derivatives and for securities held for trading or investment purposes is the market value on the balance sheet date; the fair value of interest rate swaps is the net present value of their future cash flows; the fair value of foreign exchange forward contracts is determined using quoted forward exchange rates at the balance sheet date.

Significant assumptions in the application of accounting principles. The application of accounting principles to the Group requires assessments by management which - while no estimates are used to this end - may have a significant influence on the figures reported in the consolidated financial statements. In particular, management assessments are needed in the analysis of the substance of complex transactions. In the opinion of management, these financial statements do not contain any assumptions concerning the application of accounting principles which have a material effect on the figures reported.

Signficant estimations. Preparation of the consolidated financial statements under IFRS requires the use of estimations regarding the future and may have an influence on the amount of certain items reported in the income statement, the balance sheet and their explanatory notes. Any estimations underlying the figures reported in the consolidated financial statements are based on experience and the information available at the time the statements were prepared. Estimations and assumptions are reviewed regularly and adapated where necessary. Nevertheless, subsequent actual outcomes may diverge from earlier estimations. Any changes resulting from modifications of estimated values are recognised in the consolidated financial statements in the year in which such modifications are made. Estimations and assumptions bearing significant risks of substantial future changes to book values are listed below:

Goodwill. The consolidated balance sheet carries goodwill at CHF 120 million (see Note 18). As explained above, this is subjected to an impairment test upon any evidence that stated book values might exceed realisable amounts, and at least once annually. The impairment tests are based on estimated future free cash flows, using discounted cash flow analysis, for each of the cash generating units concerned. The principal factors affecting these valuations are the estimated net revenues, estimated operating margins and the discount rate applied.

Net pension asset. The Group maintains occupational pension schemes of its own for many of its employees which are classified as defined benefit schemes for IFRS purposes. IFRS requires an annual comparison of the pension plans' assets with the dynamically calculated net present value of their benefit obligations. These valuations showed a pension plan asset surplus, which is capitalised in the consolidated balance sheet at CHF 55 million, representing the portion of the surplus from which the Group could derive future economic benefit. These valuations are based on a number of assumptions, principal among which are the the discount rate applied to future benefits, the expected return on the invested capital, and the expected future pensions and salaries of the plan participants (see Note 25). Actual outcomes may diverge considerably from the assumptions made and thus require an amortisation of the capitalised asset value shown.

Income taxes. Of the deferred tax assets shown, CHF 27.5 million relate to tax loss carry forwards of Valora AG which can be offset against future net earnings for income tax purposes in the years remaining until they lapse (the first expiration is in 4 years, the last in 6). IFRS requires deferred tax assets to be recorded for the amount of future tax savings expected to be realised from these carry forwards. The amount of these future tax savings depends on the level of net income which will be generated before the carry forwards lapse. Future net income may therefore be impacted by tax asset write-offs if future earnings are below current estimates, or may benefit from additional profits if future earnings exceed current estimates.

Financial risk factors and risk policy. Because of its international business activities and its financing structure, the Valora Group is exposed to a number of financial risks. These comprise market risks such as foreign exchange and interest rate risk, as well as risks relating to liquidity and to the solvency of business partners.

Foreign exchange risks. Foreign exchange risks arise because the local currency value of payments agreed in foreign currencies is subject to fluctuations in the exchange rate between the local and the foreign currency. For Valora foreign exchange risks arise from purchases of goods and services from foreign companies, exports from production facili-

ties and intra-Group transactions. Most Group companies conduct the majority of their business in their local currency. Aggregate foreign exchange exposure from these transactions is periodically analysed at Group level.
Currency translation risks arise from the conversion into Swiss francs of the balance sheets of non-Swiss-franc-based subsidiaries. Net investments in non-Swiss-franc-based subsidiaires are also analysed periodically, and the risk is assessed based on the volatility of the currencies concerned. These analyses show that the level of currency translation risk is modest in comparison to the Group's shareholders' equity.

Interest rate risk. Since the Group has no signfiicant interest-bearing assets, its revenues and cash flow from operations are largely independent of the level of interest rates in the market. The Group's interest rate risks arise principally from its financial liabilities. Floating rate liabilities constitute a cash flow risk for the Group, while fixed rate liablities harbour an element of market value risk. The Group pursues a policy of allocating at least 50% of its borrowings to fixed rate instruments whenever the risk of rising interest rates is deemed to be substantial. The Group's main long-term fixed rate liabilities are its 2.875% bond issue, maturing in July 2012, and its various syndicated loans (see Note 22).

Liquidity risks. The Group continuously monitors its liquidity position and uses cash pool structures to optimise it.

Credit risks. The Group's accounts receivable do not contain any major credit or concentration risks.

2 Acquisitions and disposals of business units

Transactions in 2006.

No business units were acquired or disposed of during 2006.
The Fotolabo Group, which had already been classified under discontinued operations in 2005, was sold in the spring of 2006 (see Note 3).

Transactions in 2005.

Disposals. Nuxo AG, Switzerland and Alimarca Kaumy d.o.o., Croatia (both Valora Trade entities) were sold during 2005.

Balance sheet data on business units disposed of

in CHF 000	
Current assets	4 275
Non-current assets	197
Current liabilities	– 2 650
Non-current liabilities	– 0
= Net assets disposed of	**1 822**
Cumulative translation adjustments for business units disposed of	– 28
Sale price	1 886
= Gains on disposals of business units	**92**
Purchase price payments received	1 886
Cash and cash equivalents sold	– 324
= Net cash inflow from disposals of business units	**1 562**

3 Discontinued operations

In the spring of 2006, the Group sold the Fotolabo Group, which had been classified under discontinued operations in 2005. The sale was completed in two separate transactions. One transaction covered the laboratory in Switzerland, its related service companies and the laboratory in Finland. These units were sold on March 16, 2006. The other transaction covered the laboratory in France and its related distribution companies. This sale was completed on April 19, 2006.
The results generated by the Fotolabo Group until transfer of control to the new owners are included in the consolidated financial statements under results from discontinued operations.

Income statement for discontinued operations

in CHF 000	**1.1. - 31.12.2006**	1.1. - 31.12.2005
Net revenues	14 975	118 296
Gross profit	**12 159**	**95 878**
Operating expenses	– 12 807	– 132 734
Goodwill amortisation	0	– 22 736
Operating profit	**– 648**	**– 59 592**
Financial result	– 46	– 331
Loss before taxes	**– 694**	**– 59 923**
Income taxes	130	– 1 118
Operating loss	**– 564**	**– 61 041**
Accumulated exchange rate differences	– 75	0
Result from discontinued operations	**– 639**	**– 61 041**

Loss per share in 2006 from discontinued operations amounted to CHF – 0.20 (CHF – 19.10 in 2005).

Net assets of discontinued operations

in CHF 000	**31.12.2006**	31.12.2005
Cash and cash equivalents	0	7 983
Trade accounts receivable	0	6 545
Inventories	0	2 879
Other current assets	0	12 527
Trade accounts payable	0	– 10 047
Other current liabilities	0	– 17 760
Long-term financial liabilities	0	– 590
Deferred income tax liabilities	0	– 1 349
Net assets	**0**	**188**

Cash flow from discontinued operations

in CHF 000	**1.1. - 31.12.2006**	1.1. - 31.12.2005
Net cash (used in) / provided by operating activities	– 4 205	9 140
Net cash provided by / (used in) investing activities	1 665	– 5 050
Net cash used in financing activities	– 129	– 764
Translation adjustments on cash and cash equivalents	146	41
Cash and cash equivalents sold	– 5 460	0
Total change in cash and cash equivalents	**– 7 983**	**3 367**

4 Segment reporting

The Valora Group is an international trading and services group, with operating activities carried out by the following divisions:

Valora Retail: Valora Retail operates small retail outlets at heavily frequented locations in Switzerland, Germany and Luxembourg. The division operates country-wide marketing and distribution systems for press, tobacco and consumer products for daily use and the impulse buyer's market.

Valora Press & Books: Valora Press & Books is a specialised wholesaler intermediating between publishers and the retail sector. The division supplies newspapers, magazines and books to the Group's own retail outlets and those of third parties in Switzerland, Austria and Luxembourg.

Valora Trade: Valora Trade acts as an exclusive distributor to the retail sector of both food and non-food branded goods and of the Own Brands products it manufactures.

Other: This includes the corporate functions for Finance, Human Resources and IT, the central logistic functions for Valora Retail Switzerland and Valora Press & Books Switzerland, together with the assets and earnings of discontinued operations for 2005. Sales represent the logistics services provided.

Segment data by division

Net revenues for 2006						
in CHF 000	**Valora Retail**	**Valora Press & Books**	**Valora Trade**	**Others**	**Intersegment elimination**	**Total Group**
From third parties	1 632 761	359 792	855 151	14 839	0	2 862 543
From other divisions	94	200 431	7 053	444	– 208 022	0
Total	**1 632 855**	**560 223**	**862 204**	**15 283**	**– 208 022**	**2 862 543**
Net revenues for 2005						
From third parties	1 688 225	345 019	798 244	14 881	0	2 846 369
From other divisions	121	210 253	7 483	349	– 218 206	0
Total	1 688 346	555 272	805 727	15 230	– 218 206	2 846 369
Change (%)	– 3.3	0.9	7.0			0.6
Operating profit for 2006						
Operating profit	**21 409**	**28 238**	**31 614**	**701**		**81 962**
Operating profit for 2005						
Operating profit	– 19 576	22 095	29 679	– 5 174		27 024
Restructuring costs	26 222	1 883	0	3 070		31 175
Operating profit before restructuring	6 646	23 978	29 679	– 2 104		58 199
Operating profit for 2006 included the following non-cash expenses						
Depreciation	20 306	5 600	12 967	10 617		49 490
Impairments	0	0	0	91		91
Value enhancement of previously impaired properties	0	0	0	– 473		– 473
Release of provisions, net	– 5 387	– 431	– 58	– 3 994		– 9 870
Operating profit for 2005 included the following non-cash expenses						
Depreciation	19 759	5 383	12 634	10 166		47 942
Impairments	0	752	0	1 000		1 752
Recognition (release) of provisions, net	14 207	274	– 571	1 554		15 464
Capital expenditure						
2006	**24 343**	**1 612**	**12 766**	**21 000**		**59 721**
2005	23 697	2 413	12 916	9 221		48 247
Segment assets						
At December 31, 2006	**522 577**	**211 715**	**455 730**	**494 114**	– 359 363	**1 324 773**
At December 31, 2005	539 215	203 905	444 761	520 017	– 348 688	1 359 210
Segment liabilities						
At December 31, 2006	**446 067**	**115 954**	**242 612**	**318 647**	– 359 363	**763 917**
At December 31, 2005	467 164	126 293	225 668	375 176	– 348 688	845 613

Segment data by region

Net revenues from third parties			
in CHF 000	Switzerland	Europe	Total Group
2006	**1 734 083**	**1 128 460**	**2 862 543**
2005	1 804 312	1 042 057	2 846 369
Change (%)	– 3.9	8.3	0.6
Capital expenditure			
2006	**41 925**	**17 796**	**59 721**
2005	30 557	17 690	48 247
Segment assets			
At December 31, 2006	**954 958**	**369 815**	**1 324 773**
At December 31, 2005	996 231	362 979	1 359 210

5 Personnel expenses

in CHF 000	2006	2005
Salaries and wages	401 128	420 728
Pension cost of defined benefit plans	13 767	13 244
Pension cost of defined contribution plans	1 124	1 539
Other social security payments	49 808	53 146
Share-based payments	4 425	1 671
Other personnel expenses	8 436	6 230
Total personnel expense	**478 688**	**496 558**
Average number of employees (full-time equivalents)	7 185	7 454

Personnel expenses for 2005 include restructuring costs of CHF 7.3 million.

6 Other operating expenses

in CHF 000	2006	2005
Rent	111 922	123 082
Real-estate expenses	8 376	8 727
Energy	19 433	18 662
Insurance	3 104	3 600
Communications and IT	16 331	15 914
Advertising and sales	66 298	62 280
Shipping and dispatch	72 724	71 202
General administration	26 930	30 251
Capital and other taxes	1 420	1 940
Miscellaneous	36 409	32 905
Total other operating expenses	**362 947**	**368 563**

In 2005 restructuring related outlet closures added CHF 8.5 million to overall rental costs. These closures resulted in lower rental costs for 2006.
Miscellaneous operating expenses include operating lease payments totalling CHF 5.8 million (CHF 6.2 million in 2005).

7 Other income, net

in CHF 000	**2006**	2005
Rental income	2 745	3 905
Losses on sales of non-current assets, net	– 334	– 1 286
Miscellaneous expenses	– 418	– 7 325
Miscellaneous income	16 528	4 121
Total other income, net	**18 521**	**– 585**

Miscellaneous income include CHF 7.4 million (CHF 2.3 million in 2005) arising from the release of provisions. Also included are the proceeds(CHF 2.2 million) from an account receivable arising from a prior disposal which had been subject to impairment.
Miscellaneous expenses in 2005 include CHF 6.7 million of restructuring provisions.

8 Financial expense

in CHF 000	**2006**	2005
Interest on bank debts and mortgages	8 176	7 933
Interest on bonds issued	4 307	10 861
Interest on finance leases	73	92
Fair value adjustments on long-term provisions	428	400
Total financial expense	**12 984**	**19 286**

9 Financial income

in CHF 000	**2006**	2005
Interest revenue	3 751	3 323
Foreign exchange gains, net	2 980	337
Total financial income	**6 731**	**3 660**

10 Income taxes

Income tax expense was as follows:

in CHF 000	**2006**	2005
Expense on current income taxes	11 077	3 500
(Income from) expense on deferred income taxes	– 1 623	2 885
Total income taxes	**9 454**	**6 385**

Temporary differences arising from the recognition of equity based compensation from share schemes resulted in CHF 96 000 of deferred tax assets being marked against shareholders' equity.

The differences between reported Group income tax expense and the expected tax expenses of the individual Group companies based on their applicable tax rates can be reconciled as follows:

in CHF 000	**2006**	2005
Profit before income taxes	75 929	11 118
Expected average group tax rate	20.8%	84.2%
Income taxes at expected Group tax rate	**15 781**	**9 359**
Non-tax-deductible tax expense	681	653
Tax-exempt income	– 6 882	– 6 123
Impariment of deferred income tax assets, net	0	3 103
Changes in tax rates, prior period and other effects, net	– 126	– 607
Total reported income taxes (as above)	**9 454**	**6 385**

The extraordinarily high average Group tax rate shown for 2005 result from the fact that Group companies with relatively low tax rates incurred a significant loss for the year, but that profits at other Group companies were somewhat greater in aggregate, so that the Group as a whole achieved a small profit before income taxes. However, since the profits were generated by companies with above-average tax rates, the average tax rate shown here resulted.

The 2006 results do not contain any significant losses and the average Group tax rate therefore returned to a normal level.

Changes to deferred income taxes were as follows:

Changes to deferred tax assets and liablities in CHF 000	**deferred tax assets**	**deferred tax liabilities**	**Net assets (+)/ Net liabilities(-)**
Balance at January 1, 2005	46 757	– 31 033	15 724
Of which from discontinued operations	0	1 772	1 772
Deferred taxes included in net income	– 2 937	52	– 2 885
Exchange rate differences	– 20	– 152	– 172
Balance at December 31, 2005	**43 800**	**– 29 361**	**14 439**
Deferred taxes included in net income	– 2 546	4 169	1 623
Deferred taxes included in shareholders' equity	96	0	96
Exchange rate differences	207	– 586	– 379
Balance at December 31, 2006	**41 557**	**– 25 778**	**15 779**

Tax deductible losses carried forward amount to CHF 572.4 million (CHF 567.4 million in 2005). These will lapse as follows:

in CHF 000	2006	2005
Within one year	4	0
Within 2 years	6	7
Within 3 years	5	6
Within 4 years	197 087	411
Within 5 years	65 256	207 210
After more than 5 years	310 042	359 740
Total tax-deductible losses carried forward	**572 400**	**567 374**

Deferred tax assets amounting to CHF 151.9 million (out of a total of CHF 455.3 million) were not capitalised, as it is unlikely that they can be offset against future tax expenses. Deferred tax liabilities on temporary valuation differences on investments carried at CHF 502.8 million were not capitalised as it is not intended to realise them in the foreseeable future.
The distribution of dividends by Valora Holding AG is of no relevance to the Group's income tax position.

11 Earnings per share

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

	2006	2005
Profit from continuing operations (in CHF 000)	66 475	4 733
Net profit attributable to minority interests (in CHF 000)	– 683	– 1 008
Profit from continuing operations attributable to Valora Holding AG shareholders (in CHF 000)	**65 792**	**3 725**
Average number of shares outstanding	3 197 186	3 196 384
Earnings per share from continuing operations (in CHF)	**20.58**	**1.17**

There were no dilutive effects in 2006 or 2005.

12 Cash and cash equivalents

in CHF 000	2006	2005
Petty cash and bank sight deposits	218 800	190 044
Short-term deposits and money-market investments < 3 months	3 300	29 611
Total cash and cash equivalents	**222 100**	**219 655**

13 Trade accounts receivable

in CHF 000	**2006**	2005
Trade accounts receivable, gross	171 490	173 308
Allowance for bad and doubtful debts	– 3 088	– 5 698
Total trade accounts receivable, net	**168 402**	**167 610**

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

14 Inventories

in CHF 000	**2006**	2005
Raw materials and supplies	7 433	6 652
Finished goods	3 858	3 685
Merchandise	256 369	248 183
Total inventories	**267 660**	**258 520**

In 2006 inventory write-downs of CHF 16.5 million (CHF 18.1 million in 2005) were charged to cost of goods sold. No inventories were carried at their net realisable value (CHF 1.1 million in 2005).
As part of their normal business activities some production companies in the Valora Group purchase goods under forward contracts. These contracts are always physically settled at expiration. At the balance sheet date the total value of open forward contract positions amounted to CHF 1.5 million (CHF 3.0 million in 2005) and the longest contract maturity was 30 September, 2007.

15 Other current assets

in CHF 000	**2006**	2005
Value-added tax, withholding tax and other taxes recoverable	4 108	6 787
Prepaid expenses and accrued income	7 724	8 809
Short-term receivables from finance leases	265	0
Miscellaneous receivables	34 995	35 495
Total other current assets	**47 092**	**51 091**

16 Property, plant and equipment

At cost in CHF 000	Land	Buildings	Machinery & equipment	Projects in progress	Total
Balance at December 31, 2004	**32 636**	**236 411**	**545 339**	**4 513**	**818 899**
Adjustments for discontinued operations	– 607	– 31 416	– 79 183	– 2 035	– 113 241
Balance at January 1, 2005	**32 029**	**204 995**	**466 156**	**2 478**	**705 658**
Acquisitions and divestitures	0	0	– 2 243	0	– 2 243
Additions	0	870	37 347	3 375	41 592
Disposals	– 1 860	– 2 237	– 25 910	0	– 30 007
Reclassifications	0	54	3 080	– 3 239	[1] – 105
Reclassifications to investment property	– 2 963	– 5 447	0	0	– 8 410
Translation adjustments	92	– 140	– 343	– 2	– 393
Balance at December 31, 2005	**27 298**	**198 095**	**478 087**	**2 612**	**706 092**
Additions	25	1 104	41 008	6 218	48 355
Disposals	– 3 119	– 6 607	– 27 028	0	– 36 754
Reclassifications	0	309	1 595	– 2 640	[1] – 736
Translation adjustments	291	1 650	5 928	132	8 001
Balance at December 31, 2006	**24 495**	**194 551**	**499 590**	**6 322**	**724 958**
Accumulated depreciation					
Balance at December 31, 2004	**– 1 247**	**– 63 757**	**– 389 107**	**0**	**– 454 111**
Adjustments for discontinued operations	0	15 878	65 758	0	81 636
Balance at January 1, 2005	**– 1 247**	**– 47 879**	**– 323 349**	**0**	**– 372 475**
Acquisitions and divestitures	0	0	2 023	0	2 023
Additions	0	– 5 948	– 33 783	0	– 39 731
Disposals	506	1 162	21 569	0	23 237
Reclassifications to investment property	741	2 382	0	0	3 123
Translation adjustments	0	95	119	0	214
Balance at December 31, 2005	**0**	**– 50 188**	**– 333 421**	**0**	**– 383 609**
Additions	0	– 5 907	– 34 145	0	– 40 052
Impairments	0	0	– 188	0	– 188
Disposals	0	1 149	20 612	0	21 761
Translation adjustments	0	– 478	– 3 818	0	– 4 296
Balance at December 31, 2006	**0**	**– 55 424**	**– 350 960**	**0**	**– 406 384**
Net book value					
At December 31, 2005	27 298	147 907	144 666	2 612	322 483
At December 31, 2006	**24 495**	**139 127**	**148 630**	**6 322**	**318 574**

[1] Reclassified to intangible assets

Property, plant and equipment totalling CHF 7.6 million (CHF 99.9 million in 2005) was pledged to secure mortgage loans. Property, plant and equipment includes real estate held on finance leases amounting to CHF 1.2 million (CHF 1.2 million in 2005) and machinery and equipment held on finance leases amounting to CHF 1.9 million (CHF 1.8 million in 2005).

Fire insurance values of property, plant and equipment		
in CHF 000	**2006**	2005
Property (including investment property)	321 734	342 874
Plant and equipment	541 608	525 998
Total	**863 342**	**868 872**

17 Investment property

The acquisition costs and book values for the investment property portfolio were as follows:

Investment property		
in CHF 000	**2006**	2005
At cost		
Balance at January 1	**56 686**	**48 155**
Disposals	– 29 372	– 163
Reclassification from real estate for operations	0	8 410
Translation adjustments	590	284
Balance at December 31	**27 904**	**56 686**
Accumulated depreciation		
Balance at January 1	**– 24 385**	**– 19 304**
Additions	– 681	– 834
Impairments	473	– 1 000
Disposals	16 069	25
Reclassification from real estate for operations	0	– 3 123
Translation adjustments	– 297	– 149
Balance at December 31	**– 8 821**	**– 24 385**
Total net carrying amount	**19 083**	**32 301**

The estimated market value (based on capitalised income value calculations) amounted to CHF 25.6 million in 2006 (CHF 37.1 million in 2005).
Rental income from investment property was CHF 2.7 million (CHF 3.5 million in 2005) and the associated property costs were CHF 0.8 million (CHF 0.7 million in 2005). Investment properties amounting to CHF 2.5 million (CHF 2.6 million in 2005) were pledged to secure mortgages.
Sales of the former headquarters of Valora Trade Switzerland in Burgdorf and an industrial building in Germany were completed according to plan during the 3rd quarter of 2006. Following these sales, impairments totalling CHF 0.5 million made in the first half of 2006 were reversed.

18 Goodwill, Software and other intangible assets

At cost in CHF 000	Goodwill from acquisitions	Software and other intangible assets	Projects in progress	Total
Balance at December 31, 2004	**580 729**	**95 897**	**0**	**676 626**
Reclassification of goodwill as per IFRS 3, 79b	– 437 955	0	0	– 437 955
Adjustments for discontinued operations	– 22 736	– 8 191	0	– 30 927
Balance at January 1, 2005	**120 038**	**87 706**	0	**207 744**
Acquisitions and divestitures	0	– 1	0	– 1
Additions	0	6 655	0	6 655
Disposals	0	– 6 635	0	– 6 635
Reclassifications	0	105	0	[1] 105
Translation adjustments	43	357	0	400
Balance at December 31, 2005	**120 081**	**88 187**	**0**	**208 268**
Additions	0	9 896	1 469	11 365
Disposals	0	– 1 608	0	– 1 608
Reclassifications	0	341	395	[1] 736
Translation adjustments	161	1 411	9	1 581
Balance at December 31, 2006	**120 242**	**98 227**	**1 873**	**220 342**
Accumulated amortisation				
Balance at December 31, 2004	**– 437 955**	**– 55 852**	**0**	**– 493 807**
Reclassification of goodwill as per IFRS 3, 79b	437 955	0	0	437 955
Adjustments for discontinued operations	0	5 630	0	5 630
Balance at January 1, 2005	**0**	**– 50 222**	**0**	**– 50 222**
Additions	0	– 7 377	0	– 7 377
Impairments	0	– 752	0	– 752
Disposals	0	5 853	0	5 853
Translation adjustments	0	– 105	0	– 105
Balance at December 31, 2005	**0**	**– 52 603**	**0**	**– 52 603**
Additions	0	– 8 412	0	– 8 412
Impairments	0	– 248	0	– 248
Disposals	0	1 346	0	1 346
Translation adjustments	0	– 580	0	– 580
Balance at December 31, 2006	**0**	**– 60 497**	**0**	**– 60 497**
Net carrying amounts				
At December 31, 2005	120 081	35 584	0	155 665
At December 31, 2006	**120 242**	**37 730**	**1 873**	**159 845**

[1] Reclassified from property, plant and equipment

Software and other intangible assets comprise CHF 15.7 million for software and CHF 22.0 million for other intangible assets.

Goodwill Impairment Test. Fair value is calculated on the basis of value-in-use. Valuations were based on the discounted value of estimated future free cash flows of cash generating units to which goodwill has been attributed. Cash flows for the next 5 years, drawn from the business plans approved by division management, are taken into account, after which a residual value is assumed.

Valora Trade Nordics. Goodwill amounting to CHF 46.9 million has been assigned to Valora Trade's Scandinavian business units. The key assumptions used are a discount rate of 8% and the budgeted EBIT margin.

Valora Press & Books Luxembourg - MPK. Goodwill amounting to CHF 43.3 million has been assigned to the Luxembourg press whoelsale unit. The key assumptions here are a 7.5% discount rate and the budgeted EBIT margin.

Valora Retail Schweiz. Goodwill amounting to CHF 12.8 million has been assigned to the k kiosk unit. The key assumptions here are a 7.0% discount rate and the budgeted EBIT margin.

Impairment tests were also conducted for the other, smaller goodwill items.

19 Receivables from real estate and finance leases

Future receivables from real estate leases in CHF 000	**2006**	2005
Rental payments received during period	2 745	3 905
Future rental receivables from current real estate leases		
Within one year	1 452	2 386
Within 1-2 years	1 253	1 336
Within 2-3 years	1 014	1 218
Within 3-4 years	787	1 005
Within 4-5 years	685	787
After more than 5 years	1 570	2 255
Total receivables from current real estate leases	**6 761**	**8 987**

Future receivables from finance leases		
in CHF 000	**2006**	2005
Payments received during period	62	0
Future receivables from current finance leases		
Within one year	599	0
Within 1-2 years	599	0
Within 2-3 years	599	0
Within 3-4 years	599	0
Within 4-5 years	599	0
After more than 5 years	6 678	0
Total future receivables from finance leases	**9 673**	**0**
minus future interest credits	– 3 186	0
Total future receivables from finance leases (present value)	**6 487**	**0**
minus current portion (see Note 15)	– 265	0
Non-current receivables from finance leases (see Note 20)	**6 222**	**0**

Present value of minimum future finance lease revenues		
in CHF 000	**2006**	2005
Within one year	580	0
Within 1-2 years	550	0
Within 2-3 years	522	0
Within 3-4 years	495	0
Within 4-5 years	470	0
After more than 5 years	3 870	0
Total present value of minimum future finance lease revenues	**6 487**	**0**

Valora Holding AG moved its headquarters in Berne. The finance leases cover extensions to the former headquarters made during the Valora tenancy, which the new tenant is using.

20 Financial assets

Non-current financial assets		
in CHF 000	**2006**	2005
Loans and receivables	3 782	5 854
Receivables from finance leases	6 222	0
Financial assets available for sale	1 598	1 662
Total financial assets	**11 602**	**7 516**

The financial assets available for sale are predominantly unlisted shareholdings for which there is no active market and about which insufficient information is available to form the basis for a valuation. These items are therefore carried at cost minus an impairment for enduring loss in value.

21 Investments in associates and joint ventures

Summary balance sheet of associates and joint ventures in CHF 000	**2006**	2005
Current assets	10 143	7 457
Non-current assets	36 627	37 192
Current liabilities	– 12 264	– 8 196
Non-current liabilities	– 7 385	– 10 159
= Equity	**27 121**	**26 294**

Summary income statement of associates and joint ventures in CHF 000	**2006**	2005
Net revenues	44 858	43 015
Operating profit	1 599	509
Net profit / (loss)	**996**	**– 131**

Investments in associates and joint ventures comprise 50% (33.3% till 30 June, 2005) of Cevanova AG (Valora Retail), the operator of Avec outlets in Switzerland, 45% of Borup Kemi A/S, Denmark (Valora Trade), 50% of Kaumy S.r.o., Czech Republic (Valora Trade) and 22% of Karl Schmelzer - J. Bettenhausen bookshops, OHG, Vienna, Austria (Valora Press & Books).

22 Financial debt

Short-term debt in CHF 000	**2006**	2005
Current bank debts	1 039	20 815
Current portion of non-current bank debts	530	30 000
Current portion of finance lease obligations	629	609
Total short-term debt	**2 198**	**51 424**

Long-term debt in CHF 000	**2006**	2005
Bank loans	129 294	129 833
Mortgages	2 548	3 876
Bonds	138 373	138 105
Finance lease obligations	1 364	1 385
Other long-term debt	8 873	8 766
Total long-term debt	**280 452**	**281 965**

Bank loans relate solely to the syndicated credit facility totalling CHF 130 million taken out by Valora Holding AG. CHF 30 million of this facility is fixed rate and the remaining CHF 100 million is floating. Under the credit agreement, the Valora Group has covenanted to maintain its equity ratio and indebtedness within certain parameters during the life of the facility.

Bonds in CHF 000	Gross	Discount	2006 net	2005 net
2.875% bond, 2005–2012	140 000	1 627	138 373	138 105

The effective yield on the bond is 3.1%.

Maturities at year end were as follows in CHF 000	2006	2005
Within one year	1 159	30 609
Within 1-2 years	9 628	3 428
Within 2-3 years	2 207	1 231
Within 3-4 years	658	886
Within 4-5 years	29 948	79 752
After more than 5 years	238 011	196 668
Total	**281 611**	**312 574**
Current portion of long-term debt	– 1 159	– 30 609
Total long-term debt	**280 452**	**281 965**

Interest rates ranged from 4.20% to 1.77%. The weighted average rate of interest on financial liabilities was 3.25% (3.41% in 2005).

23 Other current liabilities

in CHF 000	2006	2005
Value-added tax and other taxes owed	9 379	13 772
Social security contributions payable	3 231	5 906
Accruals for overtime and unused vacation	12 960	12 111
Pension cost payable	1 019	320
Warranties and similar current accruals	845	775
Accrued expenses	61 603	40 887
Miscellaneous current liabilities	27 290	31 889
Total other current liabilities	**116 327**	**105 660**

24 Provisions

in CHF 000	Guarantees	Litigation	Restructuring	Total
Balance at January 1, 2005	**9 800**	**6 165**	**2 351**	**18 316**
Utilised	– 85	– 276	– 745	– 1 106
Amounts released to income	– 2 250	– 571	– 2	– 2 823
Recognised	0	0	18 287	18 287
Fair value adjustment	220	180	0	400
Translation adjustments	0	16	20	36
Balance at December 31, 2005	**7 685**	**5 514**	**19 911**	**33 110**
Utilised	– 520	– 29	– 10 046	– 10 595
Amounts released to income	– 1 015	– 1 506	– 4 849	– 7 370
Recognised	9 195	0	0	9 195
Fair value adjustment	231	197	0	428
Translation adjustments	0	52	54	106
Balance at December 31, 2006	**15 576**	**4 228**	**5 070**	**24 874**
Current provisions	5 653	121	5 070	10 844
Long-term provisions	9 923	4 107	0	14 030
Total provisions	**15 576**	**4 228**	**5 070**	**24 874**

Guarantees. These comprise contractual guarantees in connection with the sale of Slumberland, the Selecta IPO, the business units sold as part of the focusing strategy and the sale of Fotolabo.
Changes in 2006: During 2006 the last remaining guarantees from the Slumberland sale expired, as did some of those contracted in the sales of business units sold as part of the focusing strategy. The relevant unutilised portions of provisions were released. New risks necessitated the creation of CHF 9.2 million of new provisions, however.

Litigation. Provisions totalling CHF 6.5 million were made in Germany in 2003 in connection with a fraud case and for pending litigation involving Valora Retail. Some of the pending cases were settled in 2006, thus enabling CHf 1.5 million of provisions to be released. The remaining litigation is however taking longer than originally foreseen and will probably be concluded after 2007.

Restructuring. In 2005 provisions totalling CHF 18.3 million were created to cover restructuring in the Swiss retail and press & books operations. CHF 15.3 million of these related to Valora Retail, CHF 0.7 million to Valora Press & Books and CHF 2.3 million to Corporate. Restructuring was carried out as planned during 2006, after which the provisions were re-assessed. CHF 3.8 million of these had not been utilised, and were released as follows: CHF 2.9 million to Valora Retail, CHF 0.4 million to Valora Press & Books and CHF 0.5 million to Corporate. The final payments associated with this restructuring are expected to fall due during 2007.
In addition, CHF 1.0 million of unutilised provisions created for Valora Retail Germany were released.

25 Retirement benefit liabilities

Current legislation requires most employees to be covered by pension schemes financed by contributions from the Valora Group and its employees. These schemes take the form of state and employer-sponsored plans, contracts with private insurers and independent foundations or welfare plans. While the benefits paid by these schemes vary according to the legislative provisions and economic circumstances of the countries in which they are established, they are generally based on years of service and average remuneration of the employees and cover the risks of old age, death and disability in accordance with applicable local occupational pension plan law.
The most recent actuarial assessment of these schemes was conducted as of December 31, 2006. The assumptions used were based on the economic circumstances prevailing in the countires in which the plans operate. The plans' assets are invested according to the guidelines laid down by local legislation. Valora pays its contributions in accordance with the various plans' rules.

Plan liabilities and assets in CHF 000	**2006**	2005
Current present value of benefit obligation at 1 January	568 599	515 532
Benefit entitlements earned by participants	31 289	29 194
Interest costs	17 249	18 171
Curtailments, redemptions and modifications to plans	2 933	0
Benefits paid out	– 34 132	– 27 946
Actuarial loss on benefit obligation	64 696	33 851
Exchange rate losses / (gains)	693	– 203
Current present value of benefit obligation at December 31	**651 327**	**568 599**
Plan assets at market value at January 1	651 862	626 435
Expected net return on assets	29 975	28 808
Employer contributions	13 433	12 598
Employee contributions	10 597	9 535
Benefits paid out	– 33 753	– 27 844
Actuarial gain on plan assets	25 270	2 313
Exchange rate gains	65	17
Plan assets at market value at December 31	**697 449**	**651 862**

Balance sheet data		
in CHF 000	**2006**	2005
Present value of funded plan benefit obligations	– 640 556	– 558 899
Plan assets at market value	697 449	651 862
Surplus on founded plans	**56 893**	**92 963**
Present value of unfunded benefit obligations	– 10 771	– 9 700
Surplus not eligible for capitalisation under IAS 19.58	– 28 085	– 53 667
Unrecorded actuarial losses	26 632	16 108
Total surplus	**44 669**	**45 704**
of which capitalised as employer contribution surplus	54 574	54 574
of which capitalised as employer contribution liability	– 9 905	– 8 870

The surpluses on funded plans declined by CHF 36.1 million, principally as a result of pension increases granted and adjustments to end of service payments.

Income statement		
in CHF 000	**2006**	2005
Actuarial pension costs	– 31 289	– 29 194
Interest costs	– 17 249	– 18 171
Expected net return on assets	29 975	28 808
Adjustment for IAS 19.58	– 28 779	– 18 739
Changes in unrecorded plan assets	25 582	14 517
Losses from plan curtailments, redemptions and modifications	– 2 933	0
Net pension cost for period	**– 24 693**	**– 22 779**
Employee contributions	10 926	9 535
Actuarial net pension costs	**– 13 767**	**– 13 244**

Key actuarial assumptions		
	2006	2005
Discount rate	2.75%	3.00%
Expected net return on plan assets	4.50%	4.60%
Expected rate of increase in future salary levels	2.00%	2.00%
Expected rate of increase of future pension levels	0.50%	0.50%

The calculations for the Swiss plans used the EVK2000 mortality table.

Asset allocation	2006	Expected long-term return	Expected contribution to aggregate return	2005
Cash and cash equivalents	9.81%	2.00%	0.20%	9.94%
Fixed income	31.22%	3.50%	1.09%	29.23%
Equity	32.24%	7.00%	2.26%	34.00%
Real estate	24.87%	4.50%	1.12%	25.51%
Other	1.86%	2.00%	0.04%	1.32%
Total	**100.00%**		**4.71%**	**100.00%**
Costs			– 0.21%	
Net return			**4.50%**	

The effective return generated in 2006 was 6.64% (10.10% in 2005). The pension plans hold no securities issued by Valora Holding AG and do not let any significant portion of their real estate to the Valora Group.

For increased transparency, these disclosures now include details of foreign subsidiaires' plans for 2006 and 2005. The 2005 figures shown here will thus deviate from those in the 2005 annual report.

26 Share based payments

Employees. The following share based schemes exist for management and non-management employees:

Board Share Ownership Plan. Members of the Board of Directors are entitled to receive shares based on the year-on-year growth achieved in Valora earnings per share. Shares are allocated on a linear scale rising from zero to a fixed maximum amount, corresponding to a 10% year-on-year increase in earnings per share. The value of the shares allocated - based on their market value on the day of allocation - can reach a maximum of 133% of the basic director's fee paid in cash. The shares may not be sold during the 5 years following their initial allocation, and a cash payment in lieu is not possible. Directors leaving the Board may keep shares already allocated to them, but remain bound by the lock-up period.

Group Executive Share Ownership Plan. A new share based compensation agreement has been established with members of the Group Executive Committee. Under this agreement, 40% of bonuses paid in respect of the years from 2006 to 2008 will be in the form of Valora shares. Shares will be allocated on the basis of a share price of CHF 237 and the shares are subject to a 5-year lock-up period. In addition, provided growth targets for earnings per share in a given year are reached, participants in this plan will subseqently receive 30% of the number of shares allocated under the plan in prior years, provided that that their employment contracts remain unterminated on December 31 of the year in question. Cash payment in lieu is not possible. Unconditionally allocated shares remain in participants' possession upon cessation of employment, but the lock-up period continues to apply.

Management share ownership plan. Since 2003 higher management in Switzerland have been entitled to participate, on a voluntary basis, in a share plan under which shares are allocated on the basis of the year-on-year growth achieved in Valora earnings per share. Shares are allocated on a linear scale from zero to a fixed maximum amount - corresponding to a 10 % year-on-year increase in earnings per share. Participants may earn a maximum of 50 shares each year. The shares may not be sold during the 5 years immediately following their allocation and a cash payment in lieu is not possible. Allocated shares remain in the employee's possession upon cessation of employment, but the lock-up period continues to apply.

Employee share ownership plan. Provided specific criteria are fulfilled and based on their function, employees in Switzerland are entitled to purchase shares at the beginning of each year on preferential terms. Shares may be purchased at 40 % of the average market price for the shares during the previous November. Shares so acquired enjoy all usual shareholder rights, but may not be sold during the 5 years immediately following purchase. The proceeds of these share sales to employees are credited directly to shareholders equity.

Options on Valora shares granted under a management share option plan which was operated until 2002 remained outstanding until 2005. None of these options were exercised.

Options outstanding	**Number of options 2006**	**Weighted average exercise price in CHF**	Number of options 2005	Weighted average exercise price in CHF
Outstanding on January 1	0	0	4 470 866	350
Expired	0	0	– 4 470 866	350
Outstanding on December 31	**0**	**0**	**0**	**0**
Of which exercisable	0	–	0	–

Suppliers. In 2006 no goods or services were paid for with Valora shares, nor were the prices paid for any goods or services linked to the Valora share price.
In 2005 CHF 1.2 million of consultancy fees payable in connection with the restructuring were paid in the form of Valora shares. The expense charged to the income statement was based on the market value of the services received.

Share-based payment expense in CHF 000	**2006**	2005
Employee and executive share ownership plans reported as personnel expense (see Note 5)	4 425	1 671
Services reported as administration expense	0	1 230
Total share-based payment expense	**4 425**	**2 901**

27 Contingencies and commitments

Contingent liabilities in CHF 000	**2006**	2005
Sureties	516	459
Other contingent liabilities	695	551
Total contingent liabilities	**1 211**	**1 010**

Commitments in CHF 000	**2006**	2005
Long-term rental commitments	237 286	251 728
Operating lease commitments	13 444	15 099
Finance lease commitments	2 126	2 088
Total commitments	**252 856**	**268 915**

Long-term rental commitments in CHF 000	**2006**	2005
Minimum rental expense in period	54 443	67 537
Conditional rental expense in period	57 479	59 566
Total rental expense in period	**111 922**	**127 103**
Leases maturing		
Within one year	53 277	54 933
Within 1-2 years	49 514	45 104
Within 2-3 years	38 550	40 180
Within 3-4 years	35 161	30 010
Within 4-5 years	18 656	31 992
After more than 5 years	42 128	49 509
Total long-term rental commitments	**237 286**	**251 728**

Long-term rental commitments serve primarily to secure kiosk locations for the long term.

Operating lease commitments in CHF 000	**2006**	2005
Total expenses for operating leases in period	5 795	6 246
Leases maturing		
Within one year	5 801	5 897
Within 1-2 years	4 233	4 300
Within 2-3 years	2 274	3 088
Within 3-4 years	949	1 501
Within 4-5 years	172	313
After more than 5 years	15	0
Total operating lease commitments	**13 444**	**15 099**

Finance lease commitments		
in CHF 000	**2006**	2005
Total expenses for finance leases in period	663	605
Leases maturing		
Within one year	1 119	1 220
Within 1-2 years	922	663
Within 2-3 years	59	154
Within 3-4 years	26	28
Within 4-5 years	0	23
Total finance lease commitments	**2 126**	**2 088**
Less future interest charges	– 133	– 94
Total finance lease obligation (present value)	**1 993**	**1 994**
Less current portion of finance lease obligation (see Note 22)	– 629	– 609
Long-term finance lease obligation (see Note 22)	**1 364**	**1 385**

Present value of future minimum payments under finance leases		
in CHF 000	**2006**	2005
Within one year	1 051	1 164
Within 1-2 years	866	631
Within 2-3 years	53	148
Within 3-4 years	23	28
Within 4-5 years	0	23
Total present value of future minimum finance lease payments	**1 993**	**1 994**

28 Derivative financial instruments

Instruments for managing financial risk (hedging). The Valora Group uses interest rate swaps to hedge its interest rate risk. Risk positions arising from existing asset and liabliity items and from future commitments are managed centrally.

Management of interest rate risk. Group guidelines permit the use of interest rate hedges in order to achieve the desired balance between fixed and floating rate liabilities.

Management of counterparty risk. Counterparty risks comprise the default risk arising on derivative financial instruments and money market contracts.
Valora therefore limits its choice of counterparties to banks and financial institutions which have a rating of at least A. Transactions with these counterparties are subject to continuous and strict monitoring, and the Group does not therefore expect any significant default.

The table below shows the contract values (i.e. underlying nominal amounts) and replacement values of the Group's various open derivatives positions at the balance sheet date, broken down by type of instrument.

Contract values or nominal underlying amounts show the notional amount of the transactions on the balance sheet date. They contain no information regarding their market risk. Replacement values are determined either from valuations by the counterparty, settlement prices at December 31, 2006 and 2005 or standard pricing models.

Derivative financial instruments in CHF 000	2006 contract value	2005 contract value	2006 replacement value	2005 replacement value
Interest rate instruments				
Swaps	30 000	0	– 515	0
Currency instruments				
Forward contracts	14 177	0	– 104	0
Total derivative financial instruments	**44 177**	**0**	**– 619**	**0**

Derivative financial instruments maturing in CHF 000	2006	2005
Within one year	14 177	0
Withing 1-2 years	0	0
Within 2-3 years	0	0
Within 3-4 years	0	0
Within 4-5 years	30 000	0
Total derivative financial isntruments	**44 177**	**0**

Market value of cash flow hedges in CHF 000	2006	2005
Contracts with negative replacement value		
Interest rate swap	**– 515**	**0**

The interest rate swap designated as a cash flow hedge serves to hedge part of the floating rate payments on Valora Holding AG's syndicated loan facility. The hedged interest payments are payable quarterly and mature in 2013.

29 Transactions and balances outstanding with related parties

The consolidated financial statements encompass Valora Holding AG as the ultimate parent company along with all subsidiaries it directly or indirectly controls, as set out in Note 32.

Transactions. Business was transacted with related individuals and companies as follows:

Goods and services sold to related parties in CHF 000	2006	2005
Goods sold to		
Joint ventures in which Valora is a partner	159	169
Total goods and services sold	**159**	**169**

Goods and services purchased from related parties in CHF 000	2006	2005
Goods purchased from		
Associates	266	391
Services purchased from		
Other related parties	64	0
Total goods and services purchased	**330**	**391**

Leasing payments to related parties in CHF 000	2006	2005
Other related parties	3 261	2 135
Total leasing payments	**3 261**	**2 135**

This relates to rent paid on business premises occupied by a subsidiary.

Management and board compensation. Compensation paid to management and the Board of Directors includes all expenses shown in the consolidated financial statements directly relating to members of the Group Executive Committee and the Board of Directors.

Management and board compensation in CHF 000	2006	2005
Salaries and other short-term benefits [1]	5 513	4 931
Post-employment benefits	258	143
Termination benefits [2]	274	298
Share-based payments	2 012	675
Total management and board compensation	**8 057**	**6 047**

[1] Including vehicle costs paid by the employer.

[2] If a member of the Group Executive Committee leaves the Group, the Nomination and Compensation Committee decides on any leaving settlement.

Receivables and liabilties. The terms and conditions governing receivables and liabilties are those commonly used by the relevant companies. The Valora Group has not received any sureties for receivables nor has it issued any guarantees for liabilities.

Receivables for the sale of goods and services to related parties		
in CHF 000	**2006**	2005
Gross receivables from joint ventures	5	40
Impairments	0	0
Total receivables	**5**	**40**

Loans. The Cevanova AG joint venture has a relatively high level of loan financing given its equity base. These loans are therefore regarded as equity from an economic point of view and the Group's proportionate investment is recorded accordingly. The table below shows year-end balance and movements in these loans over the period, broken down by contract type.

Loans to related parties		
in CHF 000	**2006**	2005
Nominal loans to joint ventures on January 1	**10 000**	**6 225**
Loans granted to joint ventures	0	662
Loans assumed through share purchases	0	3 113
Nominal loans on December 31	**10 000**	**10 000**
Impairments on January 1	**–1 152**	**– 500**
Increase in impairments	– 387	– 652
Total impairments	**– 1 539**	**– 1 152**
Loans to joint ventures, net	**8 461**	**8 848**

Contingent liabilties and guarantees. No guarantees or other contingent liabilities exist towards related parties.

30 Shareholders' equity

Shares outstanding		
in number of shares	**2006**	2005
Total registered shares	3 300 000	3 300 000
of which treasury stock		
Position at 1 January	109 221	300 157
Share-based plans for employees and management	– 7 958	– 13 721
Payments to suppliers	0	– 4 510
Shares annihilated	0	– 270 000
Buy-back programme for employee share plan	5 528	5 209
Purchases in market	0	92 086
Total treasury stock	**106 791**	**109 221**
Total shares outstanding	**3 193 209**	**3 190 779**
Average number of shares outstanding	**3 197 186**	**3 196 384**

A dividend of CHF 9.00 per share was paid in 2006 (no dividend was paid in 2005, but a reimbursement of nominal value was made). Dividend distributions are based on net income for the year and earnings carried forward by the Valora Holding AG parent company. As part of the employee share plan 7 569 shares of treasury stock were sold to employees. In 2005, as decided by the Annual General Meeting of 27 April, 2005, share capital was reduced by the annihilation of 270 000 shares of treasury stock and a reduction in nominal value of CHF 9.00 per share. Since then the share capital has been composed of 3 300 000 shares of a nominal CHF 1.00 each.
A conditional share capital of 84 000 shares exists which the Board of Directors may use for existing or future management share plans. None of these shares had been issued at December 31, 2006.

31 Subsequent events

The consolidated financial statements were approved by the Board of Directors on 22 March 2007. The Board of Directors will recommend to the Annual General Meeting on 26 April, 2007 that the consolidated financial statements be approved and that a dividend of CHF 9.00 per share be paid from the net income of Valora Holding AG available for distribution.

At the Annual General Meeting, which will take place after publication of these consolidated financial statements, Valora Holding AG shareholders, as owners of the parent company, have the right to reject and alter these statements.

32 Significant subsidiaries of the Valora Group

Switzerland in CHF 000	Currency	Nominal capital in million	Share-holding in %	Corporate	Valora Retail	Valora Press& Books	Valora Trade
Valora Management AG, Berne	CHF	0.5	100.0	■			
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	CHF	29.4	100.0		■	■	■
Melisa SA, Lugano	CHF	0.4	100.0			■	
Kägi Söhne AG, Lichtensteig	CHF	4.0	100.0				■
Roland Murten AG, Murten	CHF	7.0	100.0				■
Cevanova AG, Berne	CHF	6.0	50.0		■		
France							
Merkur Holding France SA, St-Amarin	EUR	3.7	100.0	■			
Alimarca France SAS, St-Amarin	EUR	0.1	100.0				■
Cansimag France SA, St-Amarin	EUR	0.6	100.0				■
Germany							
Valora Holding Germany GmbH, Hamburg	EUR	0.4	100.0	■			
Stilke GmbH, Hamburg	EUR	3.8	100.0		■		
Sussmann‘s Presse&Buch GmbH, Munich	EUR	0.1	100.0		■		
BHG Bahnhofs-Handels GmbH, Berlin	EUR	0.5	100.0		■		
HD Presse&Buch GmbH, Hamburg	EUR	0.1	100.0		■		
Valora Retail Services GmbH, Hamburg	EUR	0.1	100.0		■		
Valora Trade Germany GmbH, Mühlheim a.d.Ruhr	EUR	0.2	68.0				■
Benelux							
Messageries Paul Kraus Shop S.à.r.l., Luxembourg	EUR	3.0	100.0		■		
Messageries Paul Kraus S.à.r.l., Luxembourg	EUR	3.0	100.0			■	
Messageries du livre S.à.r.l., Luxembourg	EUR	1.5	100.0			■	
Transports et Garages Presse S.à.r.l., Luxembourg	EUR	0.1	100.0			■	

United Kingdom in CHF 000	Currency	Nominal capital in million	Share-holding in %	Corporate	Valora Retail	Valora Press& Books	Valora Trade
Valora Holding Finance Ltd, Guernsey	CHF	573.9	100.0	■			
Merkur Finance Ltd, Guernsey	CHF	0.5	100.0	■			
Alimarca Finance Ltd, Guernsey	CHF	0.5	100.0	■			
Valora Treasury Center Ltd, Guernsey	CHF	0.5	100.0	■			
Austria							
Valora Holding Austria AG, Anif	EUR	1.1	100.0	■			
Valora Trade Austria GmbH + Co. KG, Neunkirchen	EUR	3.6	100.0				■
Plagemann Lebensmittel GmbH + Co. KG, Neunkirchen	EUR	0.1	100.0				■
Pressegrossvertrieb Salzburg GmbH, Anif	EUR	0.7	100.0			■	
Sweden							
Valora Holding Sweden AB, Stockholm	SEK	0.5	100.0	■			
Gillebagaren AB, Oerkelljunga	SEK	0.6	100.0				■
Valora Trade Sweden AB, Stockholm	SEK	12.0	100.0				■
Norway							
Valora Holding Norway AS, Royken	NOK	0.1	100.0	■			
Valora Trade Norway AS, Royken	NOK	5.7	100.0				■
Sørlandschips AS, Royken	NOK	0.1	100.0				■
Denmark							
Valora Trade Denmark A/S, Herlev	DKK	55.0	100.0				■
Finland							
Oy Valora Trade Finland AB, Helsinki	EUR	0.1	100.0				■
Other countries							
Kaumy S.r.o., Czech Republic	CZK	0.1	50.0				■

Report of the Group auditors

Report of the group auditors to the General Meeting of Valora Holding AG, Bern

As auditors of the group, we have audited the consolidated financial statements (income statement, balance sheet, cash flow statement, statement of changes in equity and notes, pages 11 to 54) of the Valora Group for the year ended December 2006.

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

Hanspeter Gerber Andreas Aebersold
Lead Auditor

Bern, March 22, 2007