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Net revenues IN MILLION CHF

1999	2 291
2000	2 448
2001	2 634
2002	3 077

EBITA EARNINGS BEFORE INTEREST, TAX AND AMORTIZATION OF GOODWILL, IN MILLION CHF

1999	151
2000	190
2001	196
2002	170

Cash flow NET INCOME PLUS DEPRECIATION PLUS AMORTIZATION OF GOODWILL, IN MILLION CHF

1999	173
2000	188
2001	213
2002	186

Return on Sales EBITA IN % OF NET REVENUES

1999	6.6%
2000	7.8%
2001	7.4%
2002	5.5%

Turnover growth.

Consolidated turnover of the Valora Group exceeded the 3 billion figure for the first time in 2002.

Cash flow situation.

The company's cash flow in 2002 was CHF 186.2 million.

Unchanged dividend on Valora shares.

The share outperformed the Swiss Performance Index and the Dow Jones Retail Index in 2002. A recommendation will be made to the AGM to pay out an unchanged dividend.

k Group – now Valora Wholesale and Valora Retail – expansion of wholesale and specific own concepts.

THE REQUIRED LOGISTICS COMPETENCY FOR ARTICLES FROM THE PRESS, TOBACCO AND FOOD AREAS. k Group reported 900 new large accounts, and is consolidating its position in the Swiss convenience market.

GAINING GROUND IN THE SWISS COFFEE BAR SCENE, AND START OF EXPANSION IN GERMANY. Valora Group opens the 20th Caffè Spettacolo, and with another 10 franchise operations, it has taken the leadership position in Switzerland.

ANSWER TO THE REQUIREMENTS OF MODERN SOCIETY ALWAYS ON THE MOVE. First k fresh convenience shop opened at Berne railway station. Railway stations, petrol stations and airports are becoming increas-

ingly important as marketplaces. The long-term safeguard of heavily frequented locations remains one of Valora's key strategic goals.

EXPANSION IN THE GERMAN MARKET. Valora Group takes over the seven Stirnberg railway station bookshops (asset deal) and consolidates its position in Germany. Development in Luxembourg continues to be pleasing.

Alimarca – now Valora Trade – integration of the Scandinavian companies and increased capacity.

QUANTUM LEAP. Alimarca takes over Consiva in Northern Europe late autumn 2001. With this acquisition, 54% of the Division's sales are generated in Scandinavia.

Employees FULL TIME EQUIVALENT	
1999	8 117
2000	8 670
2001	9 206
2002	9 558

Return on Net Assets EBIT IN % OF AVERAGE NET CAPITAL EMPLOYED	
1999	10.2 %
2000	11.7 %
2001	12.4 %
2002	11.0 %

Investments IN MILLION CHF	
1999	72
2000	63
2001	74
2002	61

EPS DILUTED EARNINGS PER SHARE, IN CHF	
1999	19.9
2000	24.4
2001	29.0
2002	24.1

EXPANSION OF OUR OWN MANUFACTURING UNITS. In response to increasing demand, Kägi, Roland, Schirmer, Gille and Cansimag increase their capacity.

PROFIT SITUATION. The operating profit was weighed down by the extraordinary charges for integrating the Nordic companies and the expansion of production capacities.

Fotolabo – now Valora Imaging – sustainable profitability and good future prospects.

IN THE BLACK. In 2002, Fotolabo operated at a relatively high level of profitability.

CONCENTRATION ON GROWTH MARKETS. Fotolabo is focusing on highly profitable markets in Europe, and pulling out of the mail order

business in the USA, Holland and the Baltic States.

ON COURSE IN CHANGED MARKET CONDITIONS. The division has successfully completed the transition from traditional analogue photo-finishing to digital technology and is well prepared for further expansion.

NEW AREA OF BUSINESS. As part of the new strategic positioning of Fotolabo, the New Photographic Services (NPS) unit has been launched.

Strategic ambition: to exploit synergies even more fully.

Valora divisions each concentrate on an operational area of the business. At the same time, Sourcing & Marketing have been merged into a new division at Group level. This structure is

aimed at achieving improved synergy effects, creating greater transparency, facilitating management and increasing the Group's growth capability.

DEAR SHAREHOLDERS,

The past year will not go down as a glorious chapter in the annals of Swiss economic history. Rapidly rising unemployment, lay-offs in previously recession-resistant branches of the economy, bad news from supposedly “blue chip corporations”, excesses by top executives, inabilities of members of Boards of Directors as well as of auditing companies, and finally fears of war ensured that the third year of the “bear market” would only bring disappointment for investors. Yet there is still no sign of a ray of hope on the horizon.

Anyone who believed that, in the age of the information society, economic distortions could be detected early and corrected promptly now knows better. Despite intensive research activities by economics institutes and sophisticated risk management systems in companies, downturns can apparently not be avoided. Perhaps that is just as well. It is clear once again that managing a business is less of a science and more a question of intuition and sound common sense.

What does all that have to do with Valora? I think that even companies which are not or only marginally affected

by the adverse conditions have something to learn from them for the future:

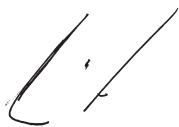
- Excess, in whatever relationship, does not pay off in the long run.
- In business life, it can be worthwhile resisting the herd instinct and choosing your own path carefully.
- The old rule “Don’t meddle with things you don’t understand” is becoming even more valid after the many failed adventures into diversification by large and medium-sized firms.

When reading this Annual Report, you will realize that Valora has also come through an unsatisfactory financial year, and did not reach the profit levels of the previous year. The general squeeze was clearly perceptible even for a more or less recession-resistant Group like ours. This mainly affected our margin situation, which is of decisive importance for our long-term growth.

In the current year, we will be focusing our attention primarily on improving of the profit situation at a series of companies in our Group in the trading and manufacturing field. Furthermore, the new Group organization, which has

been in effect since 1 January 2003, will provide a closer mesh between the wholesale and retail activities, which will have a positive influence on our cost base.

This year, I would like to thank you, our shareholders, most of all. Even in difficult times, you have remained loyal. I would also like to express my thanks to all of our employees for their commitment as well as to our business partners. We hope that the rampant global pessimism will soon be overcome, so that we can turn our attention more intensively to healthy, long-term growth.



Peter Küpfer



Peter Küpfer
CHAIRMAN OF THE
BOARD OF DIRECTORS

The difficult economic climate, and weak consumer confidence, left Valora a lot of work to do. Nevertheless, in 2002, for the first time ever, we succeeded in breaking through the barrier of CHF 3 billion in turnover. Valora continues to have a sound balance sheet structure and a high free cash flow.

DEVELOPMENT IN A DIFFICULT ENVIRONMENT. The economic trends in German-speaking Europe, where 75 % of the Group's activities are located, ranged from stagnant to recession and left Valora a lot of work to do. Extraordinary factors like the goodwill amortization after the sale of the Fotolabo company Mystic in the USA, the one-off additional costs for the integration process and the expansion of capacity in the manufacturing facilities at Alimarca, as well as currency differences, weighed on the accounts in the 2002 financial year. In addition, a shake-up in the target retail sales mix led to a weaker gross profits situation. Nevertheless, in relation to the development of the market, Valora is wellplaced in the race. Our Group turned in an above-average performance, has a sound balance sheet structure and a high free cash flow.

OPTIMIZATION OF THE GROUP STRUCTURE. Structural changes were due for Valora in this financial year. These included the streamlining of the diverse shop formats and the creation of a new Group strategy with a number of organizational changes. With each market division focusing on one operational area of the business, and sourcing, marketing and logistics being merged at Group level, the ideal conditions were created for exploiting potential synergies and achieving expansion targets.

STRATEGIC SUCCESS FACTORS. Valora will continue to develop both quantitatively and qualitatively through long-term, sustainable growth. Our business principles form the guideline for this:

■ **RECOGNISED MARKET LEADERSHIP.** Valora aspires to reach the leader position in European niche markets.

■ **SHAREHOLDER VALUE.** Valora generates sustainable growth through the expansion of proven, successful business concepts.

■ **PAN-EUROPEAN MARKET PENETRATION.** Valora supplies millions of consumers throughout Europe through thousands of its own and tens of thousands of its customers' outlets.

■ **MARKET-ORIENTED DISTRIBUTION.** Valora uses the opportunities offered by small-surface points of sales at top locations which it supplies through an ingenious capillary distribution system.

■ **EFFICIENT INNOVATION.** Valora is the ideal distribution partner for bringing new products and services quickly to market.

■ **CONSISTENT BRAND POLICIES.** Valora concentrates on a few strong product and service brands.

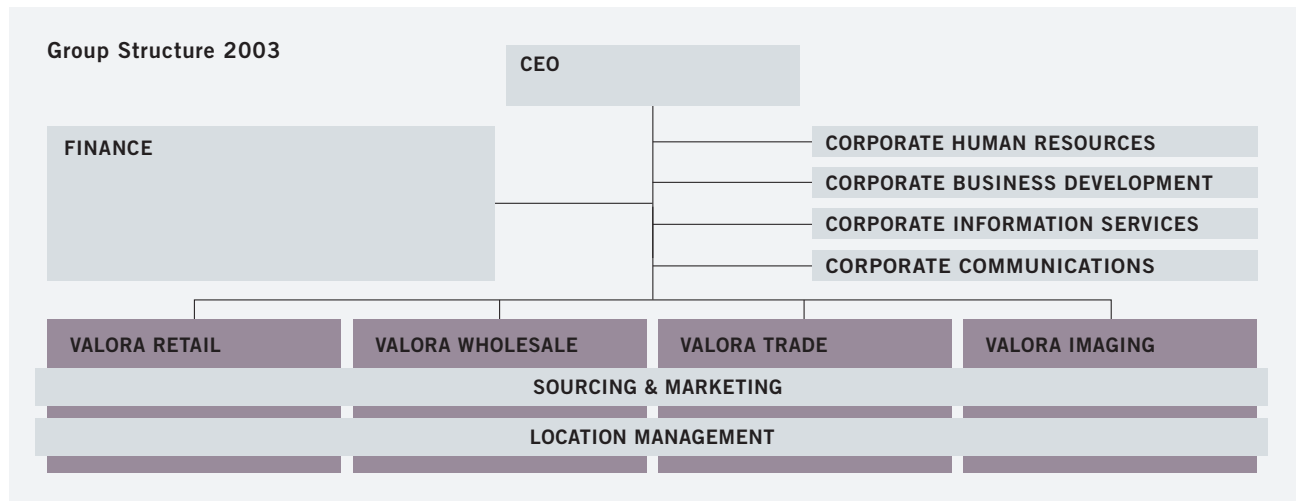
■ **GROUP-WIDE SYNERGIES.** Valora is distinguished by its Group-wide collaboration, facilitated by a coherent Group structure.

■ **CUSTOMER APPROACH PRINCIPLE.** Valora considers each stakeholder a customer whose interests deserve priority.

■ **SYSTEMATIC STAFF DEVELOPMENT.** Valora respects all its employees as individuals and promotes their career development.

■ **CONSCIOUS SIMPLICITY.** To the perfect and costly solutions, Valora prefers the sensible and workable solution at the right time.

RESULTS AND COURSE OF BUSINESS. Weak consumer confidence in Switzerland, Austria and particularly in Ger-



many has led to a widespread fall in retail sales. Despite this, we were able to further consolidate our market position in the kiosk business as well as in wholesale. Alimarca's results were disappointing. On the other hand, the Fotolabo division was able to maintain its result from the previous year thanks to the expansion of services for digital processing, and by concentrating on markets with high profit margins, despite a fall in turnover.

K GROUP CONTINUED TO EXPAND DESPITE LOWER PROFITS. In addition to losses owing to the poor economic climate, the k Group had to shift towards a product mix with lower-margin items. The implementation of a new newspaper and magazine dispatching system strengthened this important area, but the accounts for the financial year included considerable start-up costs. Last year's profit levels were not reached.

Business with large accounts increased owing to the expansion of our logistics capability. Our market position in the Swiss convenience market is becoming increasingly strong.

The opening of the first "k Fresh" convenience shop is a response to the needs of a society constantly on the move, and marks the start of contemporary location marketing which will focus on railway stations, petrol stations and airports. During the financial year, 36 contracts for appropriate sites were signed. In addition, Valora's head office will move to Berne main railway station by the end of 2003, which will further underline the importance of stations as an important location for our activities.

On the coffee bar scene in the Swiss market, the lead-

ing position was expanded to a healthy profit level with 20 of our own Caffè Spettacolo and 10 franchise operations.

In Germany, we succeeded in gaining market share in the kiosk business. The business activities in Luxembourg continued to develop satisfactorily.

HIGH INVESTMENT LEVELS AT ALIMARCA. In Switzerland and at Gille, good results were achieved. The manufacturing plants turned in lower profits, as they had to pay the start-up and project costs for renewal and expansion of the production capacities.

The trading turnover doubled after the acquisitions, but brought a reduction in profit margins. In addition, the profits from the newly-acquired trading companies in Northern Europe were markedly reduced by the costs of the integration process.

FOTOLABO EQUIPPED TO FACE THE FUTURE. The Division focused on markets with high profit margins, and as a consequence, pulled out of the mail order business in the USA, Holland and the Baltic States. The sale of Mystic in the USA required an amortization of goodwill of CHF 15 million. Fotolabo took account of the technological change in the market, with investments in digital image processing, and created a profitable new business field that is ripe for expansion.

AUDIT OF STRATEGIC ORIENTATION. At the beginning of 2002, the Executive Board decided that the strategy that had been pursued successfully since 1995 needed to be changed in a number of respects to adapt to important points in an altered environment. In particular, the Group structure, which was designed according to geographical

criteria, had become cumbersome and no longer appeared up-to-date and market-oriented.

A NEW, FLEXIBLE AND TRANSPARENT GROUP STRUCTURE. The most important structural changes occurred at the two former kiosk divisions k Group Switzerland and k Group International. They were replaced by the new Valora Retail Division (all our own sales outlets, including confectionery, convenience shops and gastronomy), and Valora Wholesale (newspaper and magazine distribution and convenience wholesale). In order to maintain consistency in naming conventions, the former Alimarca and Fotolabo Divisions were renamed Valora Trade and Valora Imaging. With the restructuring, four Divisions were created that each focus on their respective markets and areas of activity. To exploit potential synergies to the full, certain service functions were centralized. In this context, the new Valora Sourcing & Marketing Division and Valora Location Management (Real Estate/Contracts) were set up.

THE VALORA ORGANIZATION CHART AS A REFLECTION OF MARKET STRUCTURES. The organization designed to reflect the market requirements brings various advantages which will be profitable in the medium-term.

- Owing to the simpler and more comprehensible structure, Valora as a Group will be more transparent and easier to communicate.
- The divisions are clearly focused on one area of activity, and concentrate on one operational area of business.
- The exploitation of synergies between the divisions will become simpler.
- Owing to the centralization of overhead functions within

the Group, costs will be cut. In addition, the Group will be more manageable.

- The Group's ability to grow and react will be increased.

LOOKING TO THE FUTURE WITH CONFIDENCE. In view of the uncertain geopolitical and therefore economic situation, 2003 will also be demanding and challenging. Valora will take appropriate measures to increase efficiency, cut costs and further increase its competitiveness. I am convinced that the combination of commitment, capacity to innovate and lean structures are an essential condition for us to remain in control of the 2003 financial year.

ACKNOWLEDGEMENTS. Even in what was a very challenging 2002 for all of us, we could count on the tremendous commitment and loyalty of our employees, as well as our business partners. On behalf of the Executive Board, I would like to express my sincere thanks to everyone involved. That commitment makes it possible for us to achieve our ambitious goals, and face future challenges with optimism.



Reto Hartmann

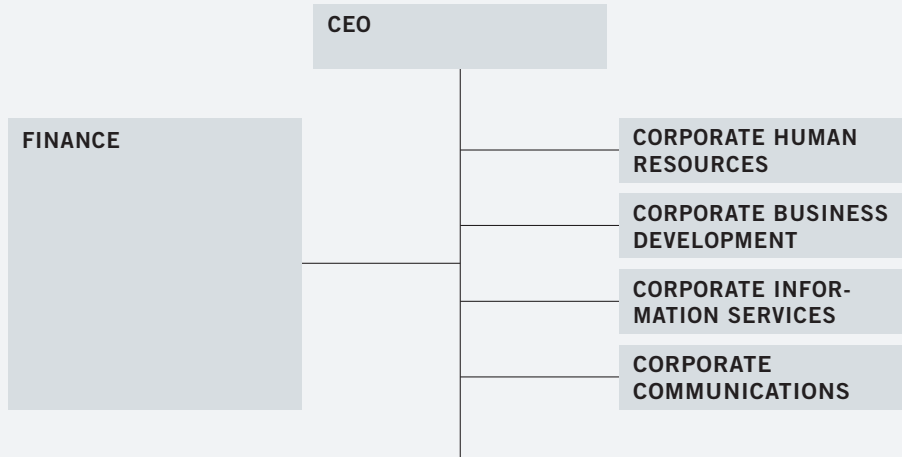


EXECUTIVE BOARD

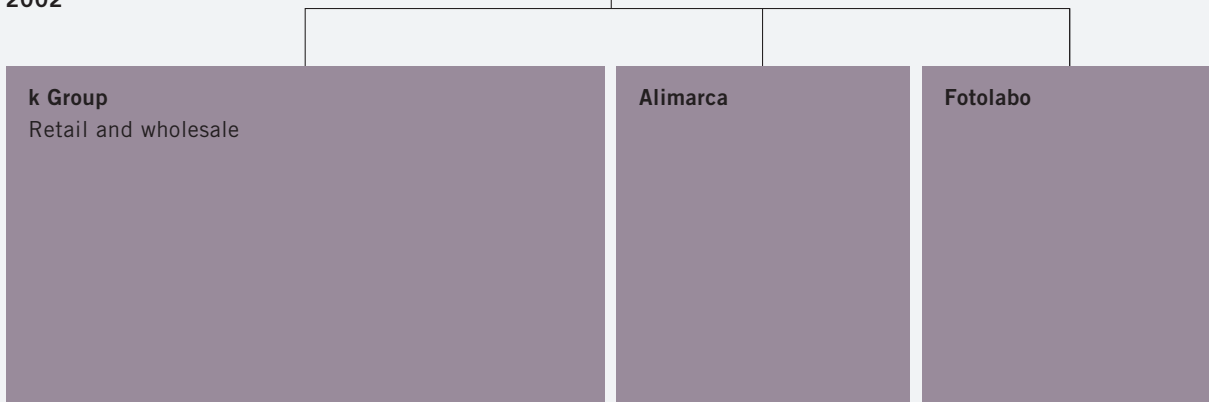
- I-r **Josef Jungo**
VALORA RETAIL
- Peter Rutishauser**
VALORA WHOLESALE
- Urs Meier**
FINANCE
- Paul Egger**
LOCATION MANAGEMENT
- Reto Hartmann**
CEO
- André Hurter**
VALORA IMAGING
- Kurt Bucher**
VALORA TRADE
- Peter Wüst**
SOURCING & MARKETING

Position at March 2003

Group Structure



2002



2003



BOARD OF DIRECTORS**Peter K pfer** CHAIRMAN

Beatrice Tschanz

Fritz Ammann

Fritz Frohofer

Andreas Gubler

Nico Issenmann

AUDIT COMMITTEE

Peter K pfer

Fritz Frohofer

Andreas Gubler

COMPENSATION COMMITTEE

Peter K pfer

Beatrice Tschanz

Fritz Ammann

EXECUTIVE BOARD**Reto Hartmann**

CEO

Urs Meier

Josef Jungo

Peter Rutishauser

Kurt Bucher

Andr  Hurter

Peter W st – as of 1.1.03

Paul Egger

Hansj rg Schwander*

Max Ehrsam*

* until 31.12.02

FINANCE**Urs Meier**Thomas Egger
CORPORATE CONTROLLING /
TREASURYAdrian H sler
CORPORATE ACCOUNTINGBeat Frey
CORPORATE TAXESHanspeter Staub
CORPORATE INVESTOR RELATIONS**GROUP SERVICES**Ursula Moser
CORPORATE HUMAN RESOURCESBeat Scheidegger
CORPORATE BUSINESS
DEVELOPMENTHeinz Hodel
CORPORATE INFORMATION
SERVICESStefania Misteli
CORPORATE COMMUNICATIONS**SOURCING & MARKETING****Peter W st**Ren  Corpataux
SOURCING SWITZERLANDFabian Stoffel
SOURCING LUXEMBOURGClaudio Tozzini
SALES PROMOTIONS AND
SERVICESRobert Wirichs
STRATEGIC MARKETING**LOCATION MANAGEMENT****Paul Egger**Rico Pajarola
REAL ESTATEMartin Haudenschild
ARCHITECTURE & CONSTRUCTIONRichard Stalder
EXPANSIONChristian Wehrly
TENANCY AGREEMENTS**VALORA RETAIL****Josef Jungo**Christof Biedermann
KIOSK SWITZERLANDDieter Eixler
KIOSK LUXEMBOURGDetlef Horndasch
KIOSK GERMANYJ rg Stauffer
CONVENIENCE / CONFECTIONERYYvo Locher
GASTRONOMYMichael Tschopp
SERVICESHanspeter Gehrig
CONTROLLING**VALORA WHOLESALE****Peter Rutishauser**Eduard Perret
PRESS + BOOKLuca Nussio
PRESS + BOOK TICINORuedi Suter
WHOLESALE SWITZERLANDDieter Eixler
WHOLESALE LUXEMBOURGMartin Messerli
LOGISTICSThomas Schenk
BUSINESS SUPPORTMarkus Nadig
CONTROLLING**VALORA TRADE****Kurt Bucher**Bruno Winiger
SWITZERLANDChristine Sch nowitz
NORTHERN EUROPE – until 31.12.02Hugo Rosendahl
NORTHERN EUROPE – as of 1.1.03Beat Allemann
CENTRAL EUROPE
MANUFACTURING UNITS COFFEEBeat Nydegger
MANUFACTURING UNITS BAKERYEsther Betschmann
SERVICESAdrian Gehri
CONTROLLING**VALORA IMAGING****Andr  Hurter**Pascal Ducry
SWITZERLANDPeter Riedm ller
GERMANY AND FRANCETero-Pekka H m l inen
SCANDINAVIANorbert M ller
PROFESSIONAL IMAGINGKim Kauffmann
NEW PHOTOGRAPHIC SERVICESSalvador Garcia
CONTROLLING

SEVIL ÜNAL, 37, IS A PERSONNEL ASSISTANT AT PRESS LOGISTICS, K KIOSK AG, VALORA WHOLESALÉ

At 6, I get up cheerfully and take a shower to wake myself up. I am a bit like Mr. Bean, who finishes getting dressed and brushes his teeth while driving along.

At work everyone knows that I have arrived, because I listen to music so loud in the car. I am not grumpy in the mornings, I can sing and dance as soon as I wake up and tease my two children so that they wake up.

At 7, I start work. On the 2nd floor, we deliver magazines to all the kiosks. They are dispatched by our department – on a brand new machine. Then the drivers deliver them.

I work in the office. I check whether all the staff are here, organise temporary staff and occasionally work on the machine myself, if someone is missing. Employees with problems are always coming to me. I listen to them and help wherever I can. Thank goodness, every day is different, otherwise I would not like it. Even first aid is part of my job. I once treated an employee whose finger was stuck in the machine.

Helping is like a hobby for me. In my time off, I go to a psychiatric clinic, and volunteer as an interpreter. In the beginning, I found these people's stories very distressing, because I translated things that I could almost not believe. On the other hand, this work is good for restoring a balance.

I eat dinner with my family. That is very important for me, because then I get to see the children. I don't have time for television. In the evening, I do a thousand things that nobody does during the day. My first quiet moment comes when I go to bed around one, and read a book. But at the moment, I don't get further than one page.

I know that these days, I am missing out on my beauty sleep. That is not a problem for me, but for the poor people who have to look at me.



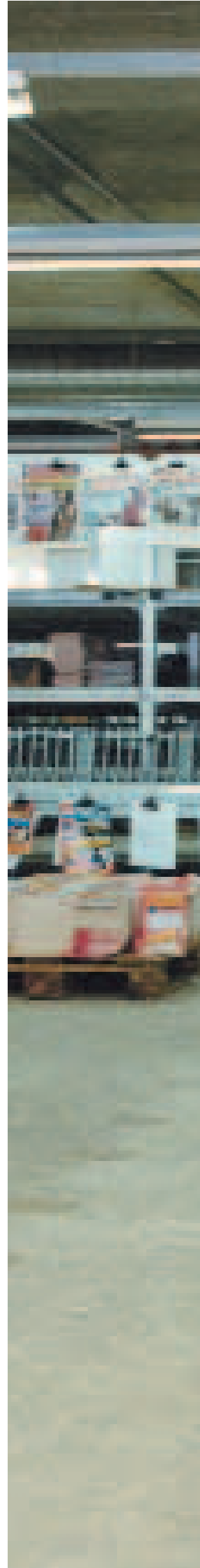
250 drivers of Transport + Presse-service (TPS) AG are on the road for k Kiosk AG throughout Switzerland. One of them is Alain Kremp.
Page 14



The machine for which Sevil Ünal is responsible serves 6000 points of sale throughout Switzerland day-by-day. Among them is the kiosk at which Patricia Koller works as Deputy Kiosk Manager.
Page 20

“I work in the office, entering invoices, making plans, producing statistics. But once I am outside, on the machine where the magazines are dispatched, then people come up to me and ask me this and that – and I never make it back to the office.”

“I don't like it if someone is treated unfairly. Then I cannot keep quiet about it. I live for other people. So I am straightforward. I have time for everyone, except for me. But I feel good when I can help someone.”





ALAIN KREMP, 44, IS A DRIVER FOR TRANSPORT + PRESSESERVICE (TPS) AG, VALORA WHOLESALE

On Monday, work starts at 3 a.m., and on other days at 2.15. I only need one alarm clock, so that I wake up at half past midnight. But it is ten meters away from my bed, so that if I want to turn it off, I have to get out of bed.

First I load the magazines into my truck. They arrive in the afternoon from k Kiosk AG. Then I get the newspapers and the books. I have between 20 and 30 customers, so I need to have my wits about me in the morning. At 4 a.m. I drive out and start delivering. At about 7 a.m., I bring back the returns and load up again: drinks, tobacco and the Italian-language press, which only comes in at 4. I don't have much time to listen to the radio on the road, because the kiosks are often located very close together.

At 11 a.m., I am finished for the day. First I eat what I cooked the day before, and lie down for an hour. In the past, I used to work normal working hours during the day, but I didn't like it. I need to have my leisure time in the afternoon. Then I can do things that other people can't – in the most varied fields.

For example, I built my little house myself. At least, three-quarters of it. So that it made progress faster, I left out certain things and built them in afterwards. Once I have finished building one corner, I start on another.

At about 5 or 6 p.m., the family comes home. Those two hours are when we spend most time together, and eat together too. After that, at 8 p.m., I go to bed, while others are watching TV. Which is the more intelligent way to spend that time?

I can just lie down and fall asleep. Occasionally in the summer, I find it more difficult to sleep, because there is so much noise going on outside. But I sleep well and deeply. I think that somebody could even take my bed away and I wouldn't notice.



The magazines that are distributed by Alain Kremp are dispatched at k Kiosk AG in MuttENZ. Employees like Sevil Ünal make sure that every day about 650 000 press items find their way to a kiosk.

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After the Italian-language press is unloaded at a kiosk, employees of k Kiosk AG unpack, check, highlight it and send it out. One of them is Patricia Koller. **Page 20**

“I drive six different rounds in the Basel area. I like the feeling of not being fenced-in, that I am on the road under my own control. Making deliveries is fun. I am very curious and look around me to see what's new. But mostly, of course, I look at the road.”

“I play football for a club in Alsace. Despite my age. But I never go to training. That would be too much. When my team-mates are training, I am already in bed.”





In line with the ever-increasing requirement for mobility and convenience, small-surface retail concepts in heavily frequented locations are becoming increasingly popular. Valora Retail is resolutely occupying this field. The successful sales network has been expanded still further, and supplemented with new targeted concepts.

k Group – Valora Retail

A CLOSE-KNIT NETWORK OF SALES OUTLETS. k Group (Valora Retail) operates kiosks and other small retail shops in heavily frequented locations in Switzerland, Germany and Luxembourg. It functions as a geographically broad-based marketing and distribution system for press products and consumer goods for daily use and also caters for the impulse buy market. Valora Retail focuses clearly on European niche markets as these have over the years developed in sync with the lifestyle of today's mobile generations. Valora's core advantage is its ability to make fast-selling products and services available, relying on highly developed logistics processes and close-knit distribution networks.

CONCENTRATION ON POWERFUL CONCEPTS. With the increasing number of kiosks, convenience shops and catering businesses, a diversity of concepts was created. This dynamic growth now needs to be transferred to a workable structure. Valora Retail will concentrate on a small number of powerful concepts, and pursue a clear brand strategy. With regard to further expansion, the positioning of the "k" and "Caffè Spettacolo" brands will be the key area. In this context, the key "k Outfit" project has been launched, positioning "k" as an umbrella brand, under which various customer-centric formats can be implemented.

EXPANSION OF THE LEADING MARKET POSITION IN THE KIOSK BUSINESS IN GERMANY. On 1 July 2002, Valora Retail strengthened its market leadership in Germany by taking over seven branches of Stirnberg station bookshops. Stirnberg fits in perfectly with the strategic orientation, and forms an ideal supplement to the Stilke station bookshops in Hamburg, Sussman's in Munich, BHG in Berlin, as well as the Horndasch franchise. The sharing of existing management and service structures leads to synergy effects, and enables know-how transfer between companies.

NEW, REFRESHING CONVENIENCE CONCEPT "K FRESH". Since the end of August 2002, passers-by at Berne main railway station have been able to buy their food quickly and conveniently. At the newly created take-away stand, fresh produce appropriate to the time of day and ready-meals are on sale. "k Fresh" stands for uncompromising freshness and impeccable quality.

CONSOLIDATION IN THE PETROL STATION BUSINESS. 2001 was a year of expansion. In the financial year, it was important to manage the growth, and consolidate the structures. An important step was the signature of a new master contract with our main partner, the oil company Tamoil. At the end of 2002, k Kiosk AG operated 39 petrol-station shops, 28 of them as a tenant of Tamoil.

"AVEC." JOINT VENTURE ON COURSE FOR FURTHER EXPANSION. Together with the Swiss Federal Railways and Migros, k Kiosk AG set up a joint venture, "cevanova ag".

		1999	2000	2001	2002
Net revenues IN MILLION CHF	Total k Group	1 650	1 742	1 809	1 950
	in % of total Valora	72 %	71 %	69 %	63 %
EBITA IN MILLION CHF	Total k Group	61	88	93	71
	in % of total Valora	40 %	46 %	47 %	42 %
Employees FULL TIME EQUIVALENT	Total k Group	6 426	6 676	6 969	7 002
	in % of total Valora	79 %	77 %	76 %	73 %
Investments IN MILLION CHF	Total k Group	45	27	39	25
	in % of total Valora	62 %	42 %	53 %	41 %

With its motto of “little big shopping”, this company operates “avec.” convenience stores under a franchise system in small and medium-sized railway stations. k Kiosk AG is participating in this sales network with the k Kiosk and Caffè Spettacolo modules, which consisted of 14 sales outlets at the end of 2002.

SPECTACULAR SUCCESS FOR CAFFÈ SPETTACOLO. At the end of August 2002, the 16th Caffè Spettacolo was opened at Zurich main railway station, and is the fourth to have an integrated k kiosk. In Germany, there are now four Caffè Spettacolo operations. Owing to its standardized market image and consistent management, the expansion of this unique coffee bar chain with its Italian atmosphere has made great steps forward. In Switzerland, it has carved out the leading position. In 2003, the expansion will be continued in Switzerland, Germany and probably Luxembourg – including use of the franchise system.

NEW AVENUES IN THE CONFECTIONERY BUSINESS. In order to counteract the difficult market situation, the concept for the approximately 70 Merkur confectionery shops has been adapted in a consumer-oriented way. The incorporation of a kiosk and a bakery module in suitable confectionery outlets proved its worth in trials, and will be continued. There were also impressive increases in sales to Merkur large accounts, with custom orders for companies.

PERSONNEL DEVELOPMENT. In the year 2002, k Group continued to encourage management development activi-

ties. After completing a pilot project in 2001, the internal course to become a qualified k Manager was institutionalized in the financial year. On 5 December 2002, 207 kiosk managers received their diploma.

The k Manager’s diploma is part of a personnel development concept for sales staff. The first sales staff who had the appropriate qualifications and showed ambition were included in the newly-launched development team, the so-called “Sprinter Team”. The “Sprinter Team” concept was carried out after the “Runner Team” concept had proved successful for middle management.

Vocational training by k Kiosk AG has been given a qualitative enhancement by the Federal Office for Professional Education and Technology (OPET), which has approved the 3rd year on the kiosk course. Work at the kiosk is now recognized as equivalent to other sales careers.

k Group – Valora Wholesale

TRADE AND DISTRIBUTION WITH THE FOCUS ON PRESS PRODUCTS. An important area of k Group (Valora Wholesale) is the supply of newsprint, tobacco products, food and other everyday articles to kiosks and other small sales outlets. Under the Valora Wholesale name, this unit has been an independent division since 1 January 2003 in Switzerland, Luxembourg and Germany. Valora Wholesale is a high-performance sales organisation, and fulfills an im-

	1999	2000	2001	2002
Net revenues per country IN MILLION CHF				
Total k Group	1 650	1 742	1 809	1 950
Switzerland	1 465	1 468	1 519	1 649
Germany	185	174	187	192
Luxembourg	0	100	103	109

portant turntable function between publishing houses and readers, as well as between suppliers and retailers.

LARGEST NEWSPAPER AND MAGAZINE DISPATCHING SYSTEM IN EUROPE. To continue meeting the market's requirements in future, a new dispatching system for newspapers and magazines was installed at the Commercial Center in Muttenz in summer 2002. The system made by Norwegian specialists HS News, is the largest, most modern of its kind in Europe, and enables newspapers and magazines to be processed even more flexibly and efficiently.

76 % OF NEWSPAPER AND MAGAZINE TURNOVER WITH 25 PARTNERS. In total, 750 publishers sell their products via k Kiosk AG. Of these, the 25 largest firms account for a 76 % market share. The importance of k Kiosk AG as the largest newspaper and magazine wholesaler in Switzerland contributed to the company being admitted as a member of the Swiss Press Federation. k Kiosk AG carries approximately 3 000 titles from 26 countries.

Wholesaling of newspapers and magazines outstripped the expansion of the market as a whole. The largest customer by far is Coop, with 600 sales outlets. And k Kiosk AG is one of Coop's largest partners.

EXCLUSIVE SUPPLY AGREEMENT FOR ITALIAN BOOKS IN THE SWISS MARKET. The newspaper, magazine and book selling company Melisa SA in Ticino was able to expand its market position both in the difficult newspaper and magazine business and in the book segment. A deliv-

ery agreement with the Swiss book centre in Hägendorf makes Melisa SA the sole supplier of Italian titles in Switzerland. End Customers can order online from Melisa SA (www.melisa.ch).

ONE-STOP FRESH PRODUCE SHOPPING. In Switzerland, k Kiosk AG has teamed up with two partners to create a national logistics solution for fresh produce (milk, meat, vegetables and fruit). k Kiosk AG is using it to supply its own sales outlets, in particular the convenience shops, as well as wholesale customers.

For heat-sensitive chocolate products, k Kiosk AG has re-designed the whole logistics chain. The chocolate, which is delivered in refrigerated vehicles by the supplier, is stored in a temperature-controlled unit at 16°-18° at the Commercial Center in Muttenz, and distributed in refrigerated vehicles to all POS.

Apart from some firms that deliver direct, sales outlets are only supplied by k Kiosk AG.

SUCCESS WITH RETAIL CUSTOMERS. The wholesale division succeeded during the financial year in gaining some large accounts with numerous branches, as well as significant retail customers. A decisive factor in this pronounced market success was the wide range of products with over 300 convenience articles, which were presented in a comprehensive product catalogue. With the newly-introduced fresh produce range, Valora Wholesale will be even better-placed to meet the demand for "one-stop shopping".

	1999	2000	2001	2002		1999	2000	2001	2002
Points of sale per country NUMBER					Points of sale per business area NUMBER				
Total k Group	1 574	1 631	1 680	1 660	Total k Group	1 574	1 631	1 680	1 660
Switzerland	1 457	1 465	1 488	1 460	Kiosks	1 432	1 474	1 467	1 441
Germany	117	111	134	144	Convenience shops	14	24	65	77
Luxembourg	0	55	58	56	Confectionery	74	78	78	68
					Gastronomy	54	55	70	74

REORGANIZATION AND OPTIMIZATION OF BUSINESS PROCESSES. Owing to the increasing importance of the convenience market, the Convenience unit has been split from the Kiosk unit. In order to cope with the intended rapid expansion, gastronomy has also been made an independent market unit. With the pronounced rise in the volume of business in recent years, internal and external logistics processes have become more and more complex. The new Logistics unit was created to meet the new requirements.

At k Kiosk AG, the “k Optima” project was launched during the financial year. This pursues the goal of optimizing business processes, reducing operating costs and simplifying the IT architecture. “k Optima” will be continued as a top priority in the Logistics/Systems unit during the financial year.

E-LOGISTICS FOR IMPROVED DATA QUALITY AND MORE EFFICIENT PROCESSES. TPS AG is using an Internet-based system to set a new customer-friendly standard which brings more transparency and security to the processing of shipping instructions: customers have the possibility of sending shipping instructions via the Internet, and can monitor the status of the shipment at all times. With the introduction of the system, TPS AG can reduce administrative costs considerably, and is able to react even faster and more flexibly to customer orders. The keystone for the project was laid jointly with inet-logistics GmbH. The concept was rewarded by the Swiss Logistics Association (SGL)

with the 3rd prize for innovative logistics projects.

SOURCING & MARKETING. MARKET SHARE INCREASE FOR TOTO/LOTTO, PRIZE DRAWS AND PHONE CARDS. In 2002, k Group succeeded once again in increasing its market share in the three most important service fields. It was the supplier with the highest sales in every segment of its business.

The uptake in the field of promotions shows that the Valora network is ideally suited for creating access to the market for its business partners and creating a strong presence at the POS. This advantage should, in future, be exploited to an even greater extent through the international network of sales outlets.

STRONG SUPPLIER PARTNERS. In 2002, the largest suppliers in the food/nonfood field were Philip Morris, the BAT Group, the Nestlé Group, our sister division Alimarca (now Valora Trade) and the Masterfoods AG company. The closer links between production and sales within the Valora Group will be an important issue in 2003. The new Sourcing & Marketing Division was created in order to sell products of strategic importance more via our own retail outlets.

PATRICIA KOLLER, 27, IS DEPUTY KIOSK MANAGER AT K PRESSECENTER SHOPVILLE, ZÜRICH, VALORA RETAIL

My alarm clock is like a police car: when it goes off shortly after 4 a.m., the whole house wakes up. I leap out of bed like a rocket, and don't have time for breakfast, because at 5.05, I have to be on my way. In the train, it is still too dark to see out of the window. So I read a lot. For example a guide about the art of motivating, or something by Tolstoy – all in Romanian.

The early shift at the Pressecenter starts at 6. First of all, I sort the newspapers that have been delivered. I don't have time to read them. But I can see from the front page what the main headlines are.

In the morning, everything has to go fast. Many customers have jumped out of bed at the last minute, and now have to hurry to avoid being late. However, it is amazing what can be achieved with friendliness, even under tremendous stress.

In Romania, I studied law for two years, and presented a TV show. Now I am doing something totally different. Many people think that anyone can work in a kiosk. But once they are here, they soon realize it is not as easy as it seems. You have to do so many different things – and every day is different. We put out the confectionery, prepare phone cards, do the paperwork, send in photobags or collect new goods from the storeroom.

At 1 p.m., we are finished. When my husband is home, we have lunch together. He has irregular working hours, just like me. So we have a lot of time together. I don't have much time for sport, but then I get a lot of exercise in the shop, running to and fro.

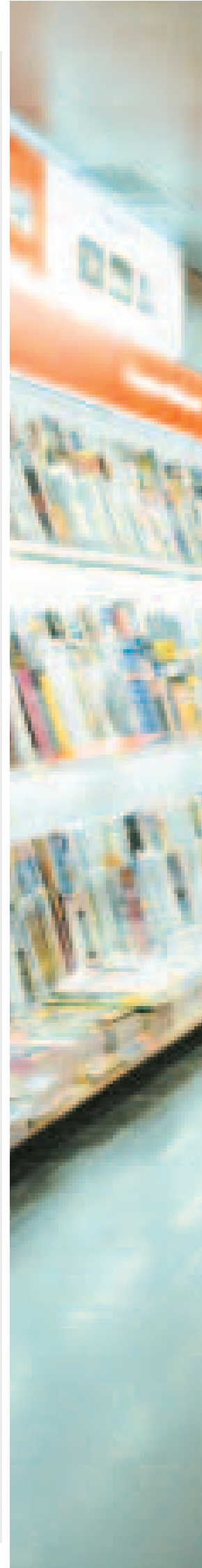
In the evenings, we like watching films or documentaries. At 10 p.m, I go to bed, put out the light and fall asleep immediately. It does not bother me that I have to go to sleep so early, because I adore sleeping.



The Italian-language press which only arrives in Switzerland at 4 a.m. is delivered to Patricia Koller directly by the drivers of Transport + Presseservice (TPS) AG. One of them is Alain Kremp. **Page 14**

“I couldn't just stand around and wait for the working day to finish. I do everything that occurs to me. And I enjoy the fact that I am always working with people. I am not an office person, who can work all day long behind a PC.”

“In Romania, I presented a TV show. Like “Arabella”, about young people's problems. A different subject every time. When I go to Romania, I always go to the TV station first. That is where my mother works – she has been there for over 30 years as an editor.”





ÖZLEM KECELI, 23, IS THE ASSISTANT TO THE MANAGER OF THE CAFFÈ SPETTACOLO (S-BAHNHOF), ZÜRICH, VALORA RETAIL

When I am working the late shift, my mobile phone gives me an alarm call at 9. Then I make a bee-line for the bathroom. I think it is important to have the right appearance at work. If I have had a good sleep, I want to arrive with a smile.

At breakfast, I listen to Turkish folk music, and often join in. I also sing in the shower, when I am washing up, or even while I am eating. Just because I enjoy it. At the weekend, I perform in a band at a Turkish restaurant. Just as a hobby.

Half an hour before starting work, I arrive at the Spettacolo and have a coffee. I think our coffee is great. That is why I am happy to tell our guests about our three roasts. Sometimes people turn around as they are leaving and say: "You serve the best coffee". That is nice to hear.

I really like being the host at the Spettacolo. I can contribute my own ideas, and I have to think about my work and enjoy implementing this concept. I find it delightful in here.

At 8 p.m., we close. I like to leave a clean start for my colleagues on the early shift. So I don't mind staying a little longer to clear up.

In the evenings, I often take away a pizza, or I buy Turkish food and invite my neighbours round. After dinner, I like to watch films. Recently, I saw "Braveheart", and went teary-eyed to work the next morning. In future, I will not be watching sad films.

I only go to bed after midnight. Before I go to sleep, I run through the day in my mind. If I notice that I have forgotten something at work, I go in half an hour earlier next day.

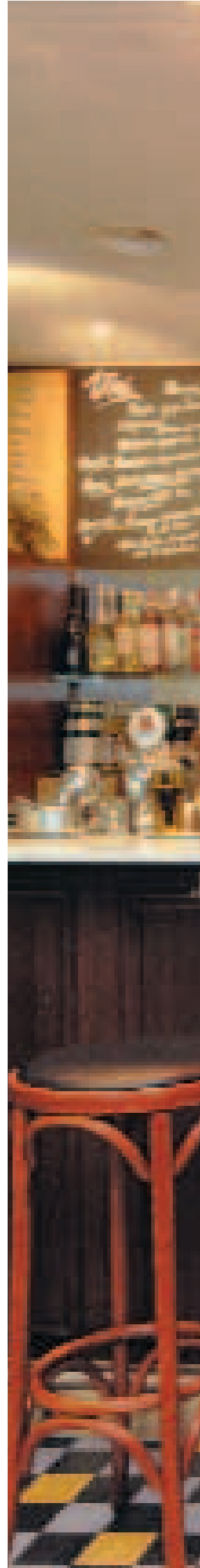


The coffee, adored and served by Özlem Keceli, is produced by Merkur Kaffee AG in Zollikofen. It is roasted and filled there – by employees like Josefina Weber.

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"I try to welcome new customers with a glance or a smile, so that they don't feel alone here. I know that I want to feel at ease when I go to a restaurant."

"In the morning on the bus, I like watching the people and imagining where they are going or what they do. Of course, not so obviously that they would notice. If a stressed passenger inadvertently drops something, I am often the one who draws their attention to it."





Successful European distribution and marketing of consumer goods requires extensive knowledge of local distribution structures and consumer habits. Valora Trade is present in all the most important European markets, and supports manufacturers with up-to-date total solutions for Category Management.

EUROPEAN DISTRIBUTION MARKET LEADER. With 16 trading companies in 13 countries and 9 manufacturing companies in 5 countries, Valora Trade is now the leading distribution company for food and nonfood products in Europe. About half (54 %) of Valora Trade's turnover is generated in Scandinavia, one-third (32 %) in its home market of Switzerland and the remaining proportion (14 %) in other countries. The focus of activities lies in trading and distribution of branded articles in the food, nonfood and beverages fields. These activities account for 77 % of the Division's turnover. The importance of the areas of business varies from one market to another. The focus in Scandinavia, besides wholesale and retail, lies on food service, on hotel and restaurant catering (HORECA) and the duty-free business. In Central Europe as well as in the Swiss domestic market, on the other hand, the main focus is on food retailing, wholesaling and retailing of impulse-purchase items.

OUR OWN SALES CHANNEL. One strength with a strategic dimension is Valora Trade's collaboration with the Valora Retail division, which operates a dense network of kiosks and small-surface shop concepts. This means that Valora Trade can give its partners and customers access to a retail sales channel that reaches millions of consumers all over Europe every day. Furthermore, Valora Trade also

operates in the new growth markets like Eastern Europe, and has the necessary market knowledge and contacts.

FOOD MANUFACTURING; A SECOND STRING TO OUR BOW. The manufacture of high-quality bakery products and coffee processing are other core businesses of Valora Trade. The manufacturing field, which generates 22 % of the turnover of the Division, has adopted a clear branded-article strategy. Our famous brands Roland, Kägi and Gille are each leaders in their own market segment, and have an international reputation. Coffee production, which reaches the consumer through the restaurant trade, was up 1.5 % on the previous year. This is even more remarkable when you consider that total coffee sales to the Swiss restaurant trade fell by about 10 %. It is good news that Merkur Kaffee's catering service was able to win market share and consolidate its leading position, despite a declining market.

WIN-WIN WITH CATEGORY MANAGEMENT. Structural changes in retail markets, which involve shorter and shorter innovation cycles for product ranges increasing unpredictability of consumer behaviour, are leading to a rethink of relationships and processes between manufacturers and the retail trade. Relationships that are often characterised by opposing interests are becoming more of a collaborative venture, in which the logistics and market-

		1999	2000	2001	2002
Net revenues IN MILLION CHF	Total Alimarcia	462	459	597	914
	in % of total Valora	20 %	19 %	23 %	30 %
EBITA IN MILLION CHF	Total Alimarcia	38	42	45	41
	in % of total Valora	25 %	22 %	23 %	24 %
Employees FULL TIME EQUIVALENT	Total Alimarcia	772	867	1 084	1 503
	in % of total Valora	10 %	10 %	12 %	16 %
Investments IN MILLION CHF	Total Alimarcia	11	14	24	23
	in % of total Valora	15 %	22 %	32 %	38 %

ing processes are interconnected. An important element in this new relationship structure is Category Management, where groups of goods that customers perceive as being related are treated as strategic entities. Category Management places the emphasis on the consumer's requirements and is based on substantiated, constantly-updated knowledge about consumers' behaviour at the point of sale. This know-how provides manufacturers with the opportunity to adapt the products and services they offer specifically to consumer behaviour.

MARKET AND CUSTOMER-ORIENTED SOLUTIONS. Category Management is crucially important for Valora Trade. The Division supports its partners with national and regional sales solutions, which involve both the logistical and technical market processes, and helps them to achieve a stronger position in their respective markets. The foundations of Valora Trade's business are, on the one hand, extensive knowledge of the market situation and developments in the sales markets in Europe, and on the other hand, thorough knowledge of the various cultures and their specific features in all their facets. Valora Trade has close relations with principals (producers, suppliers) and customers all over Europe. Thanks to its dense network of trading organizations, the Division is in a position to offer market-oriented and individual solutions. These are tai-

lored to country-specific requirements, and through integrated value creation, create optimal conditions for all parties concerned to increase their sales and profits.

IT AS A KEY DISCIPLINE. Valora Trade endeavours to be the outstanding Category Management specialist for its partners in each market. This requires not only product know-how and sales and marketing skills, but also a high degree of flexibility in information control and processing. Actually, fast and efficient data flows in both directions of the value-creation chain play a decisive role in Category Management. In order to meet this need, Valora Trade uses IT solutions that are geared to the requirements and objectives of partners. The emphasis is on, for example, inter-company data interchange, Electronic Data Interchange (EDI), or Efficient Consumer Response (ECR) for control and optimization of the goods and information flow.

HIGH CUSTOMER SATISFACTION. A professional market approach in the fiercely competitive markets for fast-moving consumer goods is among the core competencies of Valora Trade. In order to achieve lasting success, close collaboration is required with principals. The fact that Valora Trade adopts a customer-centric line is demonstrated by the good references that the Division regularly receives from principals. In the financial year, Consiva Holding A/S in Denmark and Adaco AB in Sweden received coveted

	1999	2000	2001	2002
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Net revenues per country IN MILLION CHF

Total Alimarca	462	459	597	914
Switzerland	279	289	292	291
Central Europe	153	137	135	131
Northern Europe	30	33	169	492

“Distributor of the Year” awards. The Danes received it from Perfetti Van Melle (Mentos), and the Swedes from the Heinz Company. A representative customer survey at Merkur Kaffee AG shows that compared with a 1997 survey, customer satisfaction has clearly risen in every respect. Official recognition of the performance of Valora Trade by principals and customers is a welcome indication that the Division is capable of meeting the multi-faceted requirements of its markets.

PROCESS IMPROVEMENTS IN THE PRODUCTION COMPANIES. In order to increase productivity and profitability in its own production plants, Valora Trade has significantly improved key processes in various areas. Investment policy tended in the direction of increasing production efficiency and adapting the capacities to increased demand.

KÄGI SÖHNE AG, SWITZERLAND. Capacity limitations and new customer requirements with regard to quantities and types of packaging required an expansion of production capacity at Kägi Söhne AG. This centered on new coating and packaging machinery for the Kägi Fret and Kägi Fretli products. At the same time, the expansion was seen as an opportunity to adapt production to the highest quality standards (EURO standards). The installation and start-up of the new machinery took place in March 2002.

ROLAND MURTEN AG, SWITZERLAND. Pretzel production is based on a complex manufacturing process, in which the pretzel dough is actually twisted in the same way as when it is hand-made. Through the integration of highly modern clusters of robots, it has been possible to optimise the process. These advanced technical solutions open the way for other product innovations.

GILLEGAREN AB, SWEDEN. Since the existing systems for oat crisp biscuits were working at full capacity, there was an urgent requirement to set up another production line, and CHF 3 million was invested for this purpose. The new line, which came into service at the end of July 2002, adds 700 kg/h to the production capacity. The expansion ensures that existing customers can be supplied promptly, and additional orders can be satisfied.

CANSIMAG FRANCE SA, FRANCE. The positive order position in Europe led to the decision to install an additional puff pastry machine which cost CHF 11 million. Production on the new machine started at the end of November 2002.

SCHIRMER KAFFEE GMBH, GERMANY. An expired lease and ageing machinery led Valora Trade to build a new, ultra-modern production plant, for which investment capital of CHF 16 million was set aside. The plant, which started operation in February 2002, has production capacity of 15 000 tonnes of coffee per year.

	1999	2000	2001	2002		1999	2000	2001	2002
Net revenues per business area IN MILLION CHF					EBITA per business area IN MILLION CHF				
Total Alimarca	462	459	597	914	Total Alimarca	38	42	45	41
Manufacturing units	230	206	211	201	Manufacturing units	28	27	28	24
Trade	232	253	386	713	Trade	10	15	17	17

With these investments, Valora Trade is ensuring that the production plants are state-of-the-art. They are a basic condition for meeting market requirements and customer needs in the future, while providing top quality at competitive prices.

INNOVATION AS A PERMANENT TASK. A continuous innovation process is essential for both the trading organizations and the production plants of Valora Trade, in order to survive in an extremely competitive market. Research and development are viewed as particularly important by Valora Trade, and are carried out systematically. Innovation teams formed in-house evaluate and assess innovation projects, and monitor the development and market launch of new products. The teams are deliberately cross-disciplinary, and in their work, they always bear the customer's viewpoint in mind.

During the financial year, the Valora Trade production plants came up with a whole series of novelties and varieties that were well accepted by the market. Roland Murten AG launched "Snack Pearls", a crispy, light snack. Kägi Söhne AG brought out their "Kägi-fret Coco", a light, airy wafer with a coconut filling. Gillebagaren AB also brought out a new coconut speciality, the "Coconut Crisps". This is a crispy pastry with a delicate coconut taste. In the snack field, Charles Pettersen AS (Sørlands-

chips AS) launched the new "Spanish Paprika with Parsley" kettle chips variety, which meets the demands of consumers who like something a little spicier. The new positioning of the export pack of Again Produktion AB emphasizes the origin of the product, with the motto "...from Sweden with Love".

JOSEFINA WEBER, 57, IS A MACHINE OPERATOR AT MERKUR KAFFEE AG, VALORA TRADE

When the alarm clock goes off at 5, the first thing I do is look out of the window. I want to find out what the weather is like, whether I need a hat or an umbrella. It is important to me to dress right because of my health.

At the same time as I am preparing breakfast, I prepare lunch – often the left-overs from last night. Most of my colleagues take their own food with them. Because they come from all sorts of different countries, it is quite fascinating to see who brings what.

I drink my first coffee with my work colleagues in the canteen. It is like one big family here. I always say: my first homeland is the Philippines, my second is Switzerland and my third Merkur Kaffee AG. I try to give my colleagues a good feeling, starting first thing in the morning, and give them a smile. And if people don't react when I say good morning, then I go closer and say it again.

My job starts at 6.30 I work on a packing machine. And I am always thinking about how I can arrange my work more efficiently. The question is: is the machine actually working for me? Admittedly it is an old machine. But I am older. So the machine has to obey me.

I owe what I am today to my parents. So I feel it is a moral duty to help my family in the Philippines. I want them to have what I have. And so I send them money regularly.

At 3.30 p.m., I finish work. At home, I eat something, read and cook. Then I take a bath and listen to music, preferably Latin music or oldies from the 'sixties. Before I go to bed at around 9 p.m. I prepare my clothes for the next day. I need to sleep eight hours every night. So I count backwards from 5 a.m.



The most varied types of coffee that Josefina Weber's machine packs are distributed by Valora Trade in Europe, and served in all Caffè Spettacolo outlets.

For example, by Özlem Keceli.

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“I enjoy working on a machine. I can organize my work myself, and develop my own system. I want to do a good job, so that I can have a good feeling when I go to bed at night.”

“It is important to spread a good atmosphere at work. I like entertaining people. It doesn't matter if they laugh at me. The only thing that matters to me is that they are happy.”





ROBERT WIRICHS, 34, IS HEAD OF STRATEGIC MARKETING, VALORA SOURCING & MARKETING

When I visit our companies abroad, I get up between 4 and 5 in the morning. Those are mainly one-day trips. I might be visiting a trade fair where our brands are on display. On trips lasting several days, I don't take an alarm clock with me, but rather my mobile phone which wakes me up in the morning. That keeps the baggage down to a minimum.

Breakfast is my most important meal. I can quite happily skip lunch or dinner, but I want a quality start to the day, to enjoy the peace and quiet, and take a look at the working day ahead with what you might call a bird's eye view.

When I am in the office, the first thing I do is to discuss the day with my assistant. I manage a small strategic marketing team, with one retail brand specialist, and a product brand specialist. We handle Valora's brands across all divisions – because people should have the same experience at a kiosk run by k Kiosk AG or a Caffè Spettacolo, whether it is in Berne or Berlin.

I don't want to step on everyone's toe in my horizontal function, without offering any real value-added. Therefore, I have to find out how we can best support our colleagues at the sharp end of the business. It is my job to break down barriers between the divisions – with the aim of ensuring that our own brands are marketed even more powerfully, and that people can think beyond their own division.

Usually, I am in the office until 7 p.m. I prefer to stay here until 9 rather than take work home. Otherwise, I will eventually have a home office, and I will no longer be able to switch off anywhere. I watch a little television, make some phone calls, and then the day is done. Between 11 and midnight, I go to bed, and fall asleep within seconds.



Robert Wirichs' tasks include handling the Caffè Spettacolo brand – a product that is packed by Josefina Weber of Merkur Kaffee AG. **Page 28**



The perception of the Caffè Spettacolo concept lies in the hands of people like Özlem Keceli. **Page 22**

“I regularly travel to the brand companies. I prefer doing that rather than meeting people solely at my office. I like to see things in their actual surroundings and talk to the people on the spot. I find it fascinating to get to know Valora in this manner, as a whole with all its facets.”

“I am a convinced Spettacolo drinker, often eat a Kägi-Fretli in the morning, and if I don't have any Gille biscuits at home, I like to drop into Ikea and buy some. I think our products are really good – which is just as well, because I work here.”



Various technical options, different requirements: millions of customers throughout Europe contact Valora Imaging with specific wishes and requirements. Valora Imaging responds to these complex demand situations with a highly diversified range of services.

INNOVATION DEPENDENT ON CONSUMER BEHAVIOUR. Technical development is advancing at lightning speed, and is always generating new possibilities, products and services. Almost anything is becoming feasible, and there is a potential technical solution for virtually any vision. However, the market has only limited readiness to adopt innovations that are brought out in ever-shorter cycles. The human imagination is not always able to keep pace with technical progress. Therefore, clusters of innovations are accelerated or curbed depending on individual consumer behaviour and the willingness to accept change.

A FAST-CHANGING MARKET. Valora Imaging is operating within this market environment, which is shaped by an innovative dynamic and differentiated demand. On the one hand, Valora Imaging is dealing with amateur photographers, who take family and holiday snapshots with a conventional camera, and want to have their prints as soon as possible. At the other end of the spectrum, we have the trend-conscious users of the latest technologies, who shoot pictures with their MMS mobile phone, and send the digital photos immediately. Between these two extremes, there are a multiplicity of amateur and professional photographers with individual requirements, who may be using analogue or digital photography. The different values

of today's consumers are reflected in the diversity of this broad range of customers. Everyone has his/her personal expectations, and thus contributes to constant expansion in the range of products and services.

TWO MARKET SEGMENTS WITH POTENTIAL. In order to exploit the opportunities offered by the analogue and the digital market segments, Valora Imaging is deliberately walking a tightrope between these two camps. This is based on the conviction that it is not possible to separate these two technologies in marketing. Both in the analogue and the digital world, there is demand for total solutions, and often, the same customer uses both. More and more users own an analogue as well as a digital camera, which they use depending on the requirements and the situation. This phenomenon of co-existence of two technologies and switching by consumers from one to the other is well known. The watch industry has been in this situation for a long time. For about the last 25 years, the market has been determined equally by mechanical watches and quartz technologies.

A DUAL STRATEGY. Reflecting technological change and in harmony with the simultaneous presence of two different technologies in the same market, Valora Imaging consistently applies a dual marketing strategy. On the one hand, every effort is being made to maintain our lead-

		1999	2000	2001	2002
Net revenues IN MILLION CHF	Total Fotolabo	193	262	245	224
	in % of total Valora	8 %	11 %	9 %	7 %
EBITA IN MILLION CHF	Total Fotolabo	41	52	44	43
	in % of total Valora	27 %	27 %	22 %	25 %
Employees FULL TIME EQUIVALENT	Total Fotolabo	822	1 012	1 014	842
	in % of total Valora	10 %	12 %	11 %	9 %
Investments IN MILLION CHF	Total Fotolabo	16	10	9	6
	in % of total Valora	22 %	16 %	12 %	11 %

Net revenues per business area IN MILLION CHF

Total Fotolabo	193	262	245	224
Consumer Imaging	173	223	206	189
Professional Imaging	20	39	39	35

ing position in the conventional analogue market segment in the most important mail order markets in Europe. On the other hand, the strategy is aimed at achieving the leading market position in the fast-growing digital photo processing business. With redoubled efforts in both fields, Valora Imaging can meet the diversified needs of today's customers, and allocate internal resources appropriately and promptly.

CONCENTRATION OF POTENTIAL. In order to retain our leadership in the most important markets and to focus our resources, Valora Imaging decided to pull out of the mail order markets in the USA, Holland and the Baltic States in 2002, and is now concentrating on eight main European markets: Switzerland, Germany, France, Belgium, Finland, Sweden, Norway and Denmark. With a view to a more efficient overall market approach, Valora Imaging has also formed a new area of business. Technology and marketing resources have been brought under the umbrella of "New Photographic Services". Valora Imaging's investment policy is focused on upgrading the photo lab systems and adapting them to changing market conditions. Our aim is to process analogue and digital orders from our customers in an integrated industrial process.

FIT FOR THE FUTURE. 2002 was a year of strategic repositioning. Valora Imaging has successfully completed the

technological change from conventional analogue to digital technology, without jeopardizing its leading market position in the conventional business. The division is well prepared for future developments, and will actively implement the appropriate changes to its products and services.

TREND TOWARDS A TOTAL SOLUTION. Today, around 6 % of turnover is derived from digital. This proportion will probably rise fast. Furthermore, a development similar to that in other sectors can be anticipated: demand for individual products will increasingly give way to a requirement for total solutions. So Valora Imaging will increasingly focus its offering on all-embracing services. This will benefit consumers who want to take advantage of professional photo processing and many other services.

ANDRÉ STUTZ, 36, IS THE GENERAL MANAGER OF STUTZ FOTO COLOR TECHNIK AG, VALORA IMAGING

If I want to do something quietly in the morning, I get up at 5, and drive into the office. That is the best time to get things done when you really need to think hard.

As long as the phone doesn't ring, I can work in peace. Once all the staff are here, I do a tour of the company. I see whether people are correctly assigned, check on ongoing orders or discuss what is coming up next. But there is also time for a private chat. For example, when I know that somebody has been doing something special at the weekend.

We make enlargements and large-format prints for professional photographers, advertising agencies or industrial customers. Every order is a custom order, which is carried out by hand. We have a printing department here too, and for example, we print all the advertising hoardings for the Hockey Club Berne ice-hockey stadium, for Kägi Söhne AG, Roland Murten AG or Kiosk AG.

If everything is going smoothly, I go home for lunch. That is my time with the family. I play with my 4 year-old son, at present mostly Lego, or we build traps.

In the afternoon, I am usually traveling to visit customers, suppliers and subsidiaries all over Switzerland. It is usually 8 or 9 at night before I get home. I come home when I want, and we have got used to that. Unless my wife has plans for the evening: then I am home on the dot.

I go to bed between 11 and midnight. If I read, it is mostly specialist literature – for example about model helicopters. For three years, I have been building a helicopter, fitted with a GPS system and a camera, so that my father and I can take panoramic photos. Often we go out into the countryside at the weekend, and take photos of the scenery. Photography is in our blood. But it is my wife who takes the family photos.

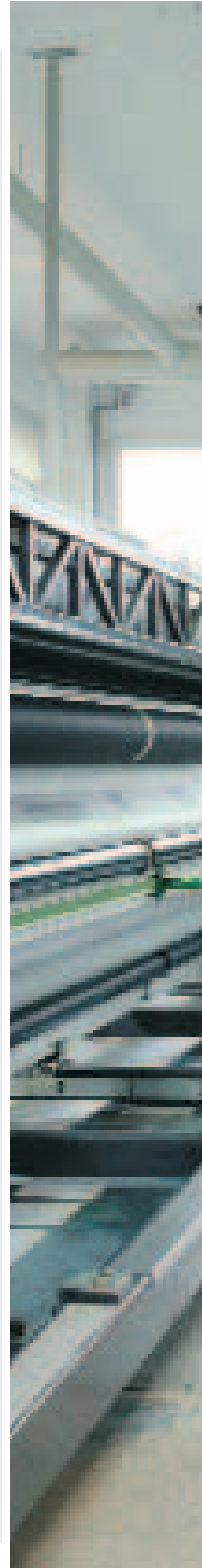


André Stutz prints advertising material for Valora's brands. Robert Wirichs and his strategic marketing team are responsible for a consistent worldwide brand policy.

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“Sometime we do the craziest things here. For example, the enormous enlargement of a train, where we cut out doors and built in hinges, so that you could actually open the doors.”

“At the age of 20, I wondered whether I wanted to be a photographer. But then I studied business economics. Because you can also do photography as a sideline – either it is in your blood or it isn't.”





CORNELIA BÜHLER, 30, IS HEAD OF CORPORATE HUMAN RESOURCES INTERNATIONAL

Usually my alarm clock goes off at 6.45 I take a shower, have breakfast and then I feel ready to start the day.

I spend 20 to 30 per cent of my working time abroad. I visit our companies and audit the Human Resources Standards and Guidelines: do they match the Valora norms? In order to be able to assess this, it is important to know a lot about the culture, law and society in the country concerned – information that I get mostly from the Internet and from technical literature.

Travelling takes up a lot of time. But it is very exciting. You get to meet a lot of new people, who all have something in common: they work for Valora. So you realize that Valora is not just Valora, everyone has their own interpretation of it.

On site, I gather information that I process in the office. For example, I clarify pension fund solutions, evaluate pay systems or draw up contracts. We also support recruitment of new employees abroad and carry out assessments.

Once a week, I go swimming at lunchtime – one kilometer. I feel in my element when I am in the water. Previously, I used to do synchronized swimming. I like the three-dimensional aspect of water – the floating effect and the peace and quiet.

When I am abroad, I am often invited to dinner in the evening. That is very interesting, because people usually want to show me something special about their town. In the evening, you get to know a different aspect of people, even if we mostly talk shop.

At home, I often cook with my partner. I go to bed before midnight. Before I go to sleep, I have to read at least ten pages of a riveting book. That is almost a ritual. But before I fall asleep doing so, I turn off the light.



Cornelia Bühler is the contact person for everyone who needs information on all Human Resources matters outside Switzerland. For example for Robert Wirichs. **Page 30**

“On my trips abroad, I learned that the way that we do things in Switzerland is right for us. But there are many other ways that work too, and they each have specific advantages and disadvantages. That expanded my personal horizons.”

“In my job, I deal with a lot of different people, and always have to adapt to new situations. This is fascinating, but it also means that sometimes, I have to take unpleasant decisions. I see that as a challenge.”





Continuous personnel development is a key management component at Valora. It comprises internal and external advanced training, the possibility of taking on a new challenge by changing jobs within the Group, and a specific Management Trainee Program.

Corporate Human Resources

THE MOST VALUABLE RESOURCE. At Valora, the majority of employees are in constant contact with customers. The technical and social skills of our employees, their level of training and their conduct in their daily work are of strategic importance for our market success. Basic and advanced training, a clear path in career development within the Group, and targeted promotion of management potential are the key features of personnel development.

MOTIVATION THROUGH SATISFACTION. As in the previous year, Valora employees had the opportunity in 2002 to express their views on subjects like management, personal growth, team work and workload, and to rate their level of satisfaction using scores from 1 (not satisfied at all) to 4 (very satisfied). The results were encouraging: for the Group as a whole, an average value of 3.00 was recorded for employee satisfaction. This rating matches approximately last year's results.

K GROUP AND CENTRAL SERVICES ABOVE AVERAGE. The employees of k Group Switzerland (now Valora Wholesale and Valora Retail) and Central Services (now Corporate and Finance) gave their working environment scores of 3.18 and 3.1 respectively. They shared this view for man-

agement, teamwork and their tasks and the associated responsibility.

RISING SCORES AT FOTOLABO (NOW VALORA IMAGING) AND K GROUP INTERNATIONAL (NOW VALORA RETAIL AND VALORA WHOLESALE). In these two divisions, the measures taken led to an improvement in employee satisfaction. Most progress was made in the categories of workload and information/communication (Fotolabo) as well as pay and further development (k Group International).

SLIGHT DECLINE AT ALIMARCA (NOW VALORA TRADE). Necessary changes to structures and processes in connection with acquisitions led, in accordance with forecasts, to a slight deterioration compared with the previous year's values. The areas that were below average were workload, workplace design and pay.

CONTINUING TO PROMOTE EMPLOYEE SATISFACTION. The results of the 2002 employee survey are positive. However, that is no reason for complacency. Now, the signals and indicators of the survey have to be interpreted correctly, and the appropriate measures taken to further increase employee satisfaction. In the year 2003, an analysis of the results will lead to the definition of appropriate strategies. From 2004 onward, surveys will be carried out every two years.

INTERNAL TRAINING. Promotion of technical and social

skills is very important to Valora. In addition to the support of individually useful personal advanced training through external courses, Valora offers internal courses, tailored to the needs of the Group. Imparting management skills at the established Valora Management School (VMS) is supplemented by courses in project management, and most recently by courses in conflict management. Analysis of feedback shows that the internal training modules have been given a positive reception by employees. For example, in the project management courses over the last two years, there was not a single participant who was dissatisfied with the course. Three-quarters stated that they were entirely satisfied. A similar picture emerges about the courses offered by the Valora Management School. The advanced training was perceived as extremely positive and useful. In the wake of the internationalization of the company, the VMS courses will also be given in English as from 2003.

TRAINEE PROGRAM. The international Management Trainee Program has proven its worth as an instrument in bringing forward the next generation of managers, and has proved very popular with this group. The program is divided into two phases: a 6-month introduction at Group and division level is followed by a 12-month project phase. Ambitious graduates from universities and technical col-

leges with high development potential are prepared for future management tasks with Valora. The management training model works: many former trainees now occupy management functions in various divisions of the Group.

WORK/LIFE BALANCE. The management mentality in the Valora Group is based on the shared values of hundreds of employees in management functions. It consists of a high level of entrepreneurial spirit and individual responsibility. But it also includes the acceptance that high performance at work is only possible in the long term if a fulfilling private life provides the necessary balance. Someone who is satisfied with their situation in life generally will perform better at work. Valora takes account of this requirement with flexible working hours models. These are particularly beneficial for women and families.

JOB ROTATION. Over and over again, Valora has been able to fill vacant posts with internal candidates. This is a sign that employees of the Group feel at ease, and it has advantages for both sides: while the employee can take on a new challenge in familiar surroundings, the Group is able to exploit internal potential and group-specific know-how for the company. At any rate, external applications have excellent prospects of recruitment, as well. They breathe new life into the Group, and ensure that there is no operational blindness.

Valora is aware of the corporate social responsibility that a large company has to assume, and devotes a great deal of energy to ensuring that its business processes are environmentally sustainable. In the production field, there are many ways of minimizing harmful effects and conserving resources.

PRODUCING IN HARMONY WITH THE ENVIRONMENT. In Valora's production plants, more and more practical measures to improve ecological sustainability are being piloted and implemented. Important goals, for example, are a reduction in energy consumption, choosing clean energy, optimizing packaging, and ecologically and economically sound waste recycling.

GREEN ENERGY AT MERKUR KAFFEE AG. The coffee roasting plant in Zollikofen buys 20 000 kWh of green energy each year from the BKW FMB Energie AG. That makes Valora one of the most important large customers to switch to environmentally-friendly energy "1 to 1 Energy" brand. Using green energy contributes considerably to reduce CO₂ emissions.

SCHIRMER KAFFEE GMBH WITH NEW BIOFILTER SYSTEM. At the beginning of 2002, the new production plant of Schirmer Kaffee GmbH in Dortmund was equipped with biocatalytic converters. These systems have filters that separate the particle mixture using various methods. The effect: compared to conventional catalytic converters, energy consumption is down by almost 95 %.

HEAT RECOVERY AT KÄGI SÖHNE AG. In connection with the extension and modernization of the factory building, a new holistic system for heat generation has been installed. This comprises a number of condensing gas boilers, which

achieve the highest level of efficiency feasible today: the waste heat from the refrigeration units is recovered and re-used for the heating and preparation of hot water. The hot water will be used for heating the chocolate pipes, for example.

ROLAND MURTEN AG WITH NEW PACKAGING MATERIALS. Owing to the use of an innovative, light material made of polypropylene, the weight of the "flutes" package has been grammes reduced from 16.3 to 12. The small difference has a big impact: with annual production of 7.5 million packages, 26 % savings in raw materials amount to 32 250 kg. The costs are reduced by 23 %. At Roland Murten, a new transport machine has been taken into service, which automatically puts the assortments together and transports them to the packing station. In this field, the material costs could be reduced by 35 %.

RECYCLING PROJECT AT GILLEGAGAREN AB. In the Swedish bakery factory, waste is systematically sorted at the production plant and sent to the appropriate disposal location. This concept is not only good for the environment, it also brought about a 45 % reduction of waste disposal costs.

Any human being can find themselves in difficulties from one day to the next, whether in their working or home life. The Ombudswoman's office at Valora Retail and Valora Wholesale supports employees in problem or crisis situations, and contributes to finding solutions. Strict confidentiality is a key feature.

CONFLICT SOLUTION AND ADVICE. In a company with thousands of employees, who are working in different locations there is a certain potential for problems and conflicts. Therefore, Valora Retail has had a helpdesk and contact number since 1999, and it is available to staff at every level. This is specially tailored to the requirements of employees in retail and logistics. The focus of work in the Ombudswoman's office is settling conflicts and personal advice on difficulties in working and home life. The Ombudswoman's office works independently of company management, but is firmly rooted in the company as a confidential point of contact. The Ombudswoman, who deals with these sensitive tasks, advises managers and their staff every day, and helps them solve problems and conflicts. The level of confidentiality is decided by the people seeking advice. Any measures are taken only by mutual agreement.

HELP FOR VICTIMS OF HOLD-UPS. Unfortunately, there are always hold-ups at sales outlets. In her function as a personnel counsellor, the Ombudswoman helps the employees concerned to mitigate traumatic experiences and cope with them. In the most serious cases, trained psychologists are brought in. Traumatized employees are given personal support and counselling, until they can start work again. In parallel, security measures for the sales out-

let are audited with the internal security manager, and if necessary, improved.

BENEFITS FOR EMPLOYEES. The option of turning to a neutral point of contact is greatly appreciated by staff. Conflicts in the workplace can be settled quickly and informally. If employees have the feeling that they are not being taken seriously by their boss, the Ombudswoman can intervene appropriately. If people have problems in their private life, a lot can already be achieved by someone listening.

BENEFITS FOR THE COMPANY. The professional, sensitive handling of staff promotes loyalty to the company. Management weaknesses are identified and can be corrected by training. Active intervention at the right time can avoid court cases and negative headlines. Shortcomings in procedures become apparent at an early stage. So it is possible to take appropriate corrective measures immediately.

The Ombudswoman's office obviously meets the requirements of our staff: it was used by over 100 employees during 2002.

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