Contents

At the end of the business year 2002, Valora presents a diverse balance sheet. The difficult economic situation required the Business Divisions to deal with a variety of problems. In addition, consolidated operating results were affected by adverse foreign exchange developments. Despite these difficulties, the Group continued to maintain strong net assets and cash flow.

Dear Shareholders,
Ladies and Gentlemen.

At the close of the year 2002, the Valora Group reported a net income of CHF 95.9 million. This figure was thus significantly below the splendid result reported in the prior year. It should, however, be borne in mind that the prior year's net income figure included the positive effect of realized gains on fixed asset disposals (real estate sales: CHF 14.9 million). Moreover, in the current year a disposal loss of practically the same amount (CHF 15.2 million) was incurred (disposal of the US subsidiary and the operations in the Netherlands of Fotolabo). Nevertheless, it is apparent that, on the whole, there was a decline in the earnings from operating activities.

The segmented analysis of the annual results for 2002 reflects various, in part adverse, developments. In the k Group and Alimarca Divisions the reported operating results were disappointing. On the other hand, Fotolabo maintained its high level very well and matched the prior year's results. Investment disposals in the prior year have on the whole effectively reduced the risk profile of the Group which has enabled us to reduce the level of some provisions. As compared with last year, foreign exchange effects on the international finance markets have contributed to a decline of CHF 29 million in the reported net revenues and of CHF 1 million in EBITA. These adverse foreign exchange effects were attributable to causes which were beyond the control of the Corporate Management.

An uneven result picture. The lower results of the Divisions k Group and Alimarca have similar causes: a subdued consumer market and changing consumer motivation leading to changes in the mix of sales and margins. Additionally, there were significant investment outlays in 2002, which entailed additional non-recurring start-up costs.

k Group, with higher net revenues of CHF 71.1 million – an increase of just 8% – reported an EBITA result which was 23% below the prior year figure. The decline was equally distributed both in Switzerland and abroad. This was attributable to the non-recurring start-up costs of introducing a new commissioning system and the centralizing of administrative functions in Germany. In addition, the trend to sales of lower-margin products caused a drop in gross margins without any corresponding reduction in operating costs. The increase in sales is almost entirely due to whole-sale business. These have increased in the current year by about CHF 150 million which of course produced much lower margins than those achieved by our own sales outlets.

Alimarca reported an increase of 53% in sales as compared with the prior year. Against this, there was a decline in EBITA of 10% to a figure of CHF 40.7 million. The trading companies which were acquired in the autumn of 2001 in Scandinavia were included for three months in the consolidated results for 2001. For the full-year consolidation in 2002, the sales increase relating to such acquisitions amounted to CHF 320 million. This, however, effectively reduced the EBITA margin. Expressed as a percentage, the business in trade-sourced merchandise is structurally weaker than business sourced from the production companies which up to now have supplied the major part of Alimarca's net revenues. The absolute decline in profit was incurred in the production centers where restructuring and expansion of production capacity entailed costs at levels above those included in the budget. The additional sales revenues of the newly-acquired trading companies in Northern Europe were noticeably reduced as a result of integration costs.

In 2002, Fotolabo was able to stabilize both its sales and earnings positions. Thanks to strict cost management, the decline of 8% in net revenues was largely offset so that EBITA declined by 2% only. Business operations in the Netherlands and the Baltic States were discontinued. The disposal of the business operations in the US in the autumn of 2002 resulted in a contribution of CHF 2 million to income, but on the other hand, a write-off of goodwill and tangible assets totaling CHF 15.2 million was incurred. The re-equipment of the laboratory handling digital technologies was continued in line with the prior year level of capital expenditures. In this respect, the free cash flow will not be affected by charges for exceptional costs.

Balance Sheet and Financial Structure. In the year under review, Valora has remained true to the principle of conservative balance sheet structures. The balance sheet total at CHF 1900 million is in line with the prior year total and the amount of shareholders' equity at over CHF 950 million represents 50%. This includes the offsets, announced in the prior year, covering the repurchase of own shares as cover for the Employees and Management Option Plans in the net amount of CHF 35 million. The ability of the Group to generate own funds, with net cash provided from operating activities of some CHF 154 million above the prior year figure, means that Valora can continue to make its strategic growth decisions independently and on a solid foundation. The cash and cash equivalents of about CHF 240 million was again this year securely invested in a conservative manner. The planned steering of cash flows from operations and investment programs (free cash flow) is being developed and refined with new instruments. It provides the basis for safety, independence and healthy growth.

Outlook. Valora continues to possess a solid foundation for successful development of the business. Solid revenue-generating capability strengthens liquidity. The available shareholders' equity permits the Group in the medium term to execute expansion projects. The currently weak economic environment will continue to affect our business in 2003. The main focus of our activity will be to secure our revenue-generating capacity (net revenues and gross margins) and to continue the optimization of our cost structures. In the future too, Valora will be able to make all required decisions independently, free of third-party influences and based on strong equity resources.

Detailed comments on the annual closing for 2002 are included in the review of the group's results.

The Board of Directors and Corporate Management convey their sincere thanks to all those who in a recessive period have contributed to our success: To our employees for their tremendous commitment, to our business partners for their successful and fruitful co-operation and to our shareholders for their confidence in Valora.

Reto Hartmann
CEO

Urs Meier
CFO

Review of the Group's results

A Major events and developments

- Increase in net revenues of 16.8% in CHF (17.6% in local currencies) for the year 2002 to a total of CHF 3077 million. Excluding revenues from new acquisitions, the increase in CHF amounted to 5.1%.
- A decline in operating income (EBITA) by 13.4% to CHF 169.5 million.
- A decline in net income of 19.2% to CHF 95.9 million.
- A small increase in net cash provided by operating activities (operating cash flow) to CHF 154.4 million.
- A reduction of provisions totaling CHF 23.4 million as a result of a more favorable estimate of pending risks following the divestments made in prior periods.

B Summary of net revenues

in CHF m

Division	2002	2001	Changes in CHF	Changes in local currencies
k Group	1949.7	1808.8	7.8%	8.7%
Alimarca	913.5	596.6	53.1%	56.1%
Fotolabo	224.4	244.7	– 8.3%	– 6.2%
Group Total	**3076.8**	**2633.6**	**16.8%**	**17.6%**
Switzerland	2008.6	1875.7	7.1%	7.1%
Abroad	1068.2	757.9	40.9%	44.6%
Internal growth	5.1%	2.3%		

Of the strong upward movement in group net revenues, some two-thirds is attributable to acquisitions. Almost all of the total increase at Alimarca is due to the full-year consolidation of the Consiva Group acquired in the fall of 2001, in which only a period of three months was consolidated, whereas the improved sales turnover of k Group was essentially attributable to the new wholesale trading business in Switzerland. The branches of Stirnberg in the German railway station bookshop business, which were acquired as an asset deal in 2002, were included in consolidated income for 6 months.

C Operating results (EBITA)

The detailed results of the business segments are included in segment reporting (Note 27). On the whole, the operating results, as compared with the prior year, were disappointing. Whereas in the prior year there were significant gains through sale of fixed assets (CHF 18 million) which contributed to the overall result, in the current year under review we were able to release provisions and other liabilities aggregating CHF 22.2 million which were no longer required. Individual non-recurring elements improved the 2001 results and in addition, there were exceptional charges in 2002 which adversely affected the comparison with the prior year. In conclusion, currency effects (year-end exchange rate differences) reduced the net results by a further CHF 1.0 million. In the overall summary, after allowing for these effects, the normalized EBITA for 2002 declined by 8% as compared with the prior year.

The decline in EBITA of the market divisions essentially arises from the following elements of operational activities. In the case of k Group, there was a surprisingly strong cooling of customer interest in the product range which has moved to less profitable merchandise groups and in the case of Alimarca, start-up difficulties following major investments in the production units have been dealt with.

D Net working capital

The working capital declined during the year under review by CHF 25.8 million. This change reflects the reclassification of the bond issue of CHF 100 million repayable in 2003. Leaving this factor aside, the increase in net working capital compared with the prior year amounts to some CHF 74 million, which can be mostly attributed to the following sources:

Increase of other current assets (Mainly prepayments to suppliers and accrual of future marketing and promotional costs)	CHF 10.9 million
Increase in cash and cash equivalents (For further details, see consolidated cash flow statement)	CHF 11.8 million
Repayment of bank debt (Principally to optimize future interest payments)	CHF 22.1 million
Reduction of provisions (Decline in various risks, expiry of guarantees and warranties relating to prior year disinvestments)	CHF 23.4 million

E Risk Management

The regular overall assessment of financial, credit and operational risks enables management to assess and determine its risks policy. This sets out the guidelines, objectives, procedures and responsibilities. Financial risks are a significant cost factor. The increasing impact of risks on the balance sheet and income statement necessitate an overall analysis of external risks and of our own risk exposure, in order to arrive at purposeful risk decisions. The risks strategy serves to focus and optimize our risk assessment position, in line with the risks policy.

Valora monitors and controls its risk exposures in an objective and systematic manner. On an annual basis a comprehensive evaluation of all financial risks is made. This comprises interest, foreign exchange and commodity risks, together with financial investment risks with the aim of limiting risk exposures to 12 months. The current assessment has established the following overall perception (cut-off date: June 30, 2002):

- The amounts to be analyzed are those which exceed a standard deviation probability equivalent to 68% (= 1 STD).
- The inter-correlations between individual risk categories are included in the analysis (certain risks can intensify or offset each other).
- The overall financial risks amount to CHF 562 million and the effects (based on 1 STD) totaling CHF 42.8 million are summarized below:

Effect of interest risks	CHF	5.1 million
Effect of foreign exchange risks, net	CHF	24.0 million
Effect of commodity risks	CHF	6.2 million
Effect of risks in financial assets	CHF	17.2 million
Inter-correlation of risks	CHF	– 9.7 million
TOTAL	CHF	42.8 million

- The estimated effects on the income statement amount to some CHF 17.4 million and on the balance sheet CHF 54.1 million (using 1 STD).
- The risk ability of Valora in the overall review procedure has been assessed as "excellent".
- The analysis permits the management of selected current assets and liabilities using specific risk criteria.

F Value Management

Corporate Management as part of its financial management responsibilities reviews the effects of alternative strategies and the actual course of business activities using the Economic Value Added (EVA) concept. Using this procedure, the operating results of the Divisions are measured against the corresponding assets employed. Only the profit margins which remain after deduction of an interest charge for the Weighted Average Cost of Capital (WACC) represents genuine added value. With their diversified range of business operations, the Divisions are exposed to a variety of volatilities and the WACC rate for 2002 has been calculated for use throughout the Group on a weighted basis, at 8%. Valora makes use of very simplified procedures which permit communication and discussion of the results within the organization. Possible inaccuracies inherent in this method are offset by the wider understanding it permits. The basic items are the two key figures "EBITA" and "Segment assets". Management freely accepts that the results of a single business year by no means permit a final decision on the sustainability of positive or negative EVA, but the annual analysis does provide valuable indications of optimization potential. The results compared with the prior year were as follows:

Description	k Group	Alimarca	Fotolabo	Total
EBITA 2002	71.1	40.7	43.0	169.5
EBITA 2001	92.6	45.1	43.9	195.7
Segment assets 2002	778.8	513.6	405.9	1890.2
Segment assets 2001	720.8	490.6	461.4	1908.3
Interest in % 2002	9.1	7.9	10.6	9.0
Interest in % 2001	12.8	9.2	9.5	10.3
WACC in %	**8.0**	**8.0**	**8.0**	**8.0**

It is apparent that in the report year, all Valora Divisions were able to cover the cost of invested capital but in comparison with the prior year the ability of the Group to generate added value has declined. Whereas in the prior year the overall return on invested capital was 2.3% higher than the WACC rate, the excess in the year 2002, due to the lower level of operating income, has declined to 1%. Steps have been taken in the year 2003 to introduce remedial action (stabilization and improvement of operating income, stricter control of the assets employed in the Divisions).

Consolidated income statement

January 1 to December 31

in CHF 000, except per share amounts	Note	2002	%	2001	%
Net revenues	27	**3 076 754**	**100.0**	**2 633 584**	**100.0**
Cost of goods	2	– 1 877 970	– 61.0	– 1 514 255	– 57.5
Gross margin		**1 198 784**	**39.0**	**1 119 329**	**42.5**
Personnel expenses	3	– 558 607	– 18.2	– 508 814	– 19.3
Other operating expenses	4	– 446 785	– 14.5	– 389 182	– 14.8
Depreciation and amortization of operating assets	15, 16	– 61 028	–2.0	– 64 018	– 2.4
Other income, net	5	37 176	1.2	38 358	1.5
EBITA		**169 540**	**5.5**	**195 673**	**7.4**
Amortization of goodwill	16	– 29 229	–0.9	– 30 702	– 1.2
Loss on disposal of subsidiaries	1	– 15 174	–0.5	0	0.0
EBIT		**125 137**	**4.1**	**164 971**	**6.3**
Financial expenses	6	– 31 263	– 1.0	– 29 702	– 1.1
Financial income	7	19 192	0.6	17 436	0.7
Income before income taxes and minority interest		**113 066**	**3.7**	**152 705**	**5.8**
Income taxes	8	– 18 403	– 0.6	– 30 712	– 1.2
Minority interest		1 233	0.0	– 3 379	– 0.1
Net income from continuing operations		**95 896**	**3.1**	**118 614**	**4.5**
Average number of shares outstanding	9	3 976 107		4 091 900	
Earnings per share					
Basic earnings per share (in CHF)		24.12		28.99	
Diluted earnings per share (in CHF)		22.38		27.69	
Dividend proposal per share (in CHF)		9.00		9.00	

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

Consolidated balance sheet

AT DECEMBER 31
in CHF 000

ASSETS	Note	2002	%	2001	%
Current assets					
Cash and cash equivalents	10	239 010		227 172	
Securities available for sale	11	2 655		3 079	
Trade accounts receivable	12	203 453		200 259	
Inventories	13	268 004		265 941	
Current income tax receivable		7 778		8 147	
Other current assets	14	70 827		59 957	
Total current assets		**791 727**	**41.9**	**764 555**	**40.1**
Non-current assets					
Property, plant and equipment	15	517 602		530 055	
Goodwill, software and other intangible assets	16	487 012		520 102	
Other long-term assets	17	67 651		66 457	
Deferred income tax assets	23	26 160		27 128	
Total non-current assets		**1 098 425**	**58.1**	**1 143 742**	**59.9**
Total assets		**1 890 152**	**100.0**	**1 908 297**	**100.0**

AT DECEMBER 31
in CHF 000

LIABILITIES & EQUITY	Note	2002	%	2001	%
Current liabilities					
Short-term bank debt	18	22 870		44 963	
Current bonds, repayable	18	99 860		0	
Trade accounts payable		223 455		220 794	
Current income tax liabilities		18 707		13 457	
Other current liabilities	19	145 094		154 439	
Provisions	20	14 170		37 527	
Total current liabilities		**524 156**	**27.7**	**471 180**	**24.7**
Long-term liabilities					
Long-term debt	18	135 114		114 348	
Bonds, payable	18	218 304		317 352	
Long-term accrued pension cost		7 308		6 419	
Deferred income tax liabilities	23	48 762		59 262	
Total long-term liabilities		**409 488**	**21.7**	**497 381**	**26.1**
Total liabilities		**933 644**	**49.4**	**968 561**	**50.8**
Minority interest in subsidiaries		**3 257**	**0.2**	**12 137**	**0.6**
Shareholders' equity					
Share capital		42 000		42 000	
Additional paid-in capital		126 451		126 451	
Retained earnings		848 143		788 097	
Treasury stock		– 57 994		– 22 876	
Cumulative translation adjustment		– 5 349		– 6 073	
Total shareholders' equity		**953 251**	**50.4**	**927 599**	**48.6**
Total liabilities and shareholders' equity		**1 890 152**	**100.0**	**1 908 297**	**100.0**

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

Consolidated cash flow statement

January 1 to December 31

in CHF 000	2002	2001
Income before income taxes and minority interest	**113 066**	**152 705**
Adjustments to reconcile income to cash generated from operations:		
Depreciation	53 225	54 630
Amortization of goodwill and other intangible assets	37 032	40 090
Gain on sale of fixed assets, net	– 3 205	– 17 799
Loss on disposal of subsidiaries, net	15 174	0
Financial expenses	31 263	29 702
Financial income	– 19 192	– 17 436
Changes in operating assets and liabilities, net of effects of acquisitions and disposals of subsidiaries:		
Increase in trade accounts receivable	– 4 008	– 6 919
(Increase) decrease in inventories	– 2 436	7 898
Decrease in other current assets	1 449	7 952
Increase (decrease) in trade accounts payable	3 117	– 26 946
Increase (decrease) in accrued pension cost	889	– 1 040
(Decrease) in accrued and other liabilities	– 34 383	– 32 908
Cash generated from operations	**191 991**	**189 929**
Interest paid	– 21 242	– 22 636
Income taxes paid	– 23 251	– 27 157
Interest received	6 873	13 679
Net cash provided by operating activities	**154 371**	**153 815**

January 1 to December 31

in CHF 000	2002	2001
Cash flows from investing activities:		
Capital expenditures	– 57 963	– 66 960
Proceeds from sale of fixed assets	9 609	25 446
Acquisition of subsidiaries, net of cash acquired	0	– 60 821
Disposal of subsidiaries	5 128	0
Sale of securities available for sale, net	0	11 360
Proceeds from sale (purchases) of other long-term assets, net	– 23 223	4 800
Purchases of other intangible assets, net	– 2 619	– 6 523
Net cash provided by investing activities of discontinuing operations	0	179 726
Net cash (used in) provided by investing activities	**– 69 068**	**87 028**
Cash flows from financing activities:		
Repayment of bank debt, net	– 1 327	– 51 216
Repayment of bonds payable	0	– 150 000
Treasury stock purchased	– 43 278	– 7 771
Treasury stock re-issued	8 160	4 447
Dividends paid	– 35 850	– 33 020
Dividend payments by subsidiaries to minorities	– 432	0
Net cash used in financing activities	**– 72 727**	**– 237 560**
Net increase in cash and cash equivalents	**12 576**	**3 283**
Translation adjustments on cash and cash equivalents	– 738	– 1 352
Cash and cash equivalents at beginning of year	227 172	225 241
Cash and cash equivalents at end of year	239 010	227 172

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

Consolidated statement of changes in shareholders' equity

in CHF 000	Share capital	Additional paid-in capital	Retained earnings	Treasury stock	Cumulative translation adjustment	Total shareholders' equity
Balance at January 1, 2001	**42 000**	**126 451**	**703 169**	**– 19 552**	**– 8 301**	**843 767**
Net income			118 614			118 614
Dividend Valora Holding AG			– 33 020			– 33 020
Dividend to minorities			– 666			– 666
Treasury stock purchased				– 7 771		– 7 771
Treasury stock re-issued				4 447		4 447
Translation adjustments					2 228	2 228
Balance at December 31, 2001	**42 000**	**126 451**	**788 097**	**– 22 876**	**– 6 073**	**927 599**
Net income			95 896			95 896
Dividend Valora Holding AG			– 35 850			– 35 850
Treasury stock purchased				– 43 278		– 43 278
Issues of options and treasury stock				8 160		8 160
Translation adjustments					724	724
Balance at December 31, 2002	**42 000**	**126 451**	**848 143**	**– 57 994**	**– 5 349**	**953 251**

At December 31, 2002, share capital issued consisted of 4 200 000 fully paid registered shares with a par value of CHF 10 each. The amount available for dividend distribution is based on the shareholders' equity of the parent company, Valora Holding AG. Consolidated shareholders' equity included legal reserves of CHF 387.0 million of which CHF 138.0 million are not available for distribution.

At the shareholders meeting on May 11, 2000, the proposal of the Board of Directors of Valora Holding AG for the creation of conditional capital of a maximum of 84 000 registered shares with a nominal value of CHF 10 each was approved. The conditional capital is intended as cover for existing Employee and Management Participation Plans. At December 31, 2002, no conditional capital had been issued.

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

Notes to the consolidated financial statements

A) Summary of significant accounting policies

Description of business

Valora is an international distribution and convenience group with operating activities in the following business segments:

k Group:
National and international distribution and sale of newspapers, magazines, books, tobacco, food and non-food products and other goods in small convenience shops. Retail and wholesale activities and services including distribution of merchandise through its own point-of-sale and logistics units. Specialized candy shops and restaurant operations.

Alimarca:
Distribution of branded goods and confectionery, manufacturing of coffee, confectionery and bakery products in the international market.

Fotolabo:
Mail-order photographic processing and providing professional imaging services as well as photographic services via the Internet.

Corporate:
Central activities not attributable to individual business segments, including centrally managed real estate.

Basis of presentation

The consolidated financial statements of Valora have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards (IFRS, formerly IAS) and in conformity with the legal provisions of the Swiss Code of Obligations. The financial statements are prepared in Swiss francs (CHF). The summary of the significant accounting policies is explained below.

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

Scope of consolidation

A list of all significant subsidiaries is presented on pages 59 to 61.

Principles of consolidation

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

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

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

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

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

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

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

Goodwill from acquisitions and other intangible assets

Differences between the purchase price of acquisitions and the fair value of net assets acquired are capitalized as goodwill from acquisitions for acquisitions effective on and after January 1, 1995. Goodwill from acquisitions prior to January 1, 1995, was directly written-off against retained earnings. Goodwill and other intangible assets are amortized on a straight-line basis over their estimated useful life, not exceeding 20 years.

Foreign currency translation

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

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

Cash and cash equivalents

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

Securities available for sale

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

Trade accounts receivable

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

Inventories

Inventories are valued at the lower of cost and net realizable value using either the weighted average method or the first-in, first-out (fifo) method. Allowances are made for obsolete and slow-moving items.

Property, plant and equipment

Property, plant and equipment including investment property are recorded at cost less accumulated depreciation. Leasehold improvements are depreciated over the shorter of their estimated useful life and the remaining term of the lease. Repairs and maintenance are expensed as incurred while major renovations and improvements are capitalized as property, plant and equipment and depreciated over their estimated useful lives. Borrowing costs incurred during the construction of property, plant and equipment are expensed as incurred.

Depreciation is computed using the straight-line method based on the following estimated useful lives:

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

Leases

Assets acquired under leasing agreements which effectively transfer substantially all the risks and benefits incidental to ownership from the lessor to the lessee are classified as finance leases. Finance leases are recorded at amounts equivalent to the estimated net present value of the future minimum lease payments which approximate the fair value at the inception of the lease. The estimated net present value of the future minimum lease payments are recorded correspondingly as a finance lease obligation. Assets under finance leases are amortized over their estimated useful lives.

Operating lease payments are charged to income as incurred.

Impairment of long-lived assets

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

Net revenues and revenue recognition

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

Provisions

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

Retirement benefits

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

Income taxes

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

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

Derivative financial instruments

The use of financial instruments for hedging purposes is based on common policy within the Valora group. Financial instruments are marked to market and recognized as assets and liabilities with resulting gains and losses normally recognized as income and expense.

Earnings per share

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

B) Notes to the consolidated financial statements

1 Acquisitions and disposals of subsidiaries

Transactions in 2002

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

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

Transactions in the year 2001

Distriforce AG, Wallisellen (Switzerland)

As of January 1, 2001, Valora acquired a 100% interest in Distriforce AG, Wallisellen. This company's mailings reach 360 000 households in the City of Zurich and 56 communities in the agglomeration. It is an associate member of "Swiss Mail, the private post". With its partner enterprises in Swiss Mail, Distriforce covers 2.2 million households throughout Switzerland. The core activity of the business is the delivery of indirect mail.

Einzelhandelsunternehmen Horndasch, Gütersloh (Germany)

Horndasch is engaged in the railway station bookshop business in Germany, serving 14 railway stations with 17 retail outlets. The company was 100% leased and consolidated as of May 1, 2001. This extends our existing book and press publications business in Germany and the resulting synergies will be exploited.

Charles Pettersen AS, Royken (Norway)

An 80% interest in this leading retailer of confectionery goods founded in 1951 was acquired as of May 1, 2001. It is well matched by the product range of Alimarca, for whom it provides a new sales channel.

Consiva Gruppen AB, Stockholm (Sweden)

This group was fully acquired from the Cloetta Fazer Group as of October 1, 2001. It comprises the retailing businesses of Adaco AB and Again AB in Sweden, Consiva Holding A/S in Denmark and Oy Sunco in Finland. In the food and near food sector it is the No. 1 in Scandinavia, selling exclusive well-known brands such as Heinz, Ferrero, Ricola, Bassett's, Katjes, Twining's, Fisherman's Friend, Nabisco, Ritter and latterly Quaker's. The Consiva Gruppen AB fits into the strategy of the Alimarca segment and will be an extension to the acquisition of Charles Pettersen AS. Together with the existing strategic brands of Alimarca (Gille, Kägi and Roland) additional market opportunities will be opened.

These acquisitions are reflected in the following balance sheet amounts:
in CHF 000

Cash	27 666
Current assets	118 970
Non-current assets	25 355
Current liabilities	102 802
Long-term liabilities	28 049
Shareholders' equity (= net assets acquired)	**41 140**
+ Acquired goodwill	47 347
– Cash acquired	– 27 666
= Acquisition cost of subsidiaries, net of cash acquired	**60 821**

The contribution of newly-acquired companies to net income in 2001 amounted to CHF 4.7 million.

2 Cost of goods

Cost of goods includes raw material and supplies, merchandise, allowances for inventory obsolescence and changes in inventories of CHF 0.1 million (2001: CHF 0.4 million).

3 Personnel expenses

in CHF 000	2002	2001
Salaries and wages	475 737	433 376
Social security expenses and pension cost	73 570	66 029
Other personnel expenses	9 300	9 409
Total personnel expenses	**558 607**	**508 814**
Average number of employees in full-time equivalents	**9 558**	**9 206**

4 Other operating expenses

in CHF 000	2002	2001
Rent	125 506	120 533
Repairs and maintenance	6 868	5 181
Real estate expenses	3 111	2 605
Energy	17 431	16 038
Insurance	4 663	4 993
Communication and IT	16 886	15 401
Advertising and promotion	116 720	87 690
Shipping and dispatch	90 342	84 039
General and administration	27 387	15 366
Capital and other taxes	2 430	2 228
Miscellaneous operating expenses	35 441	35 108
Total other operating expenses	**446 785**	**389 182**

Other operating expenses include payments for operating leases amounting to CHF 5.4 million (2001: CHF 2.5 million).

5 Other income, net

in CHF 000	2002	2001
Rental income	12 645	14 090
Gain on sale of fixed assets, net	3 205	17 799
Miscellaneous income, net	21 326	6 469
Total other income, net	**37 176**	**38 358**

6 Financial expenses

in CHF 000	2002	2001
Interest expense on bank debt and mortgages	7 307	7 179
Interest expense on bonds issued	14 696	15 457
Amortization of bond discount	812	1 612
Interest expense on finance leases	167	294
Foreign exchange losses, bank charges, commissions and other	8 012	4 868
Realized losses on sale of securities	212	0
Unrealized valuation losses of securities	57	292
Total financial expenses	**31 263**	**29 702**

7 Financial income

in CHF 000	2002	2001
Interest income	6 373	13 679
Realized gain on sale of securities	0	789
Miscellaneous financial income	12 819	2 968
Total financial income	**19 192**	**17 436**

8 Income taxes

in CHF 000	2002	2001
Current income taxes	28 870	15 431
Deferred income taxes	– 10 467	15 281
Total income taxes	**18 403**	**30 712**
Income tax computation:		
Income before income taxes	113 066	152 705
Applicable weighted average income tax rate (in %)	23.7%	23.1%
Income taxes at the weighted average income tax rate	26 836	35 274
Reconciliation to reported income taxes:		
Non tax-deductible tax expenses	1 142	1 720
Tax-exempt income	– 7 450	– 4 580
Write-back of valuation allowances on deferred income tax assets, net	– 3 236	– 783
Changes in tax rates, prior period and other income tax effects, net	1 111	– 919
Total reported income taxes (as above)	**18 403**	**30 712**

9 Earnings per share

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

	2002	2001
For basic earnings per share	3 976 107	4 091 900
Average balance of treasury stock	223 893	108 100
Conditional capital	84 000	84 000
For diluted earnings per share calculation	**4 284 000**	**4 284 000**

For purposes of calculating the diluted earnings per share it is assumed that all shares held as treasury stock and all conditional capital would be issued on the exercising of management options. There are no other instruments or factors which could actually or potentially dilute earnings.

10 Cash and cash equivalents

in CHF 000	2002	2001
Petty cash and banks at sight	194 383	161 193
Short-term deposits and money market investments	44 627	65 979
Total cash and cash equivalents	**239 010**	**227 172**

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

11 Securities available for sale

in CHF 000	2002	2001
Shares, option and participation rights	1 256	1 635
Fixed interest rate bonds and term deposits	1 399	1 444
Total securities available for sale	**2 655**	**3 079**

12 Trade accounts receivable

in CHF 000	2002	2001
Trade accounts receivable, gross	210 675	207 477
Allowance for bad and doubtful debts	– 7 222	– 7 218
Total trade accounts receivable, net	**203 453**	**200 259**

13 Inventories

in CHF 000	2002	2001
Raw material and supplies	38 901	38 873
Semi-finished goods and work in progress	1 811	1 447
Finished goods	27 597	25 849
Merchandise	206 518	206 918
Total inventories, gross	**274 827**	**273 087**
Allowance for obsolete and slow-moving items	– 6 823	– 7 146
Total inventories, net	**268 004**	**265 941**

A number of production companies purchase in the course of their normal business activities raw materials and other goods by means of forward contracts, which are always physically exercised. Per the balance sheet date there were open commodity forward contracts with a contract value totaling CHF 20.8 million (2001: CHF 26.2 million) and a maximum settlement date up to September 30, 2004. Any unrealized losses at the balance sheet date relating to these commodity forward contracts were charged directly to cost of goods.

14 Other current assets

in CHF 000	2002	2001
Sales, withholding and other taxes recoverable	8 819	9 841
Prepaid expenses and accrued revenue	3 828	18 446
Miscellaneous receivables and other	58 180	31 670
Total other current assets	**70 827**	**59 957**

15 Property, plant and equipment

in CHF 000

At cost	Land	Buildings	Machinery & equipment	Construction in progress	Total
Balance at January 1, 2001	**72 389**	**371 068**	**529 211**	**6 540**	**979 208**
Acquisitions and divestitures	1 555	11 085	3 526	0	16 166
Additions	10	2 243	49 890	14 817	66 960
Disposals	– 860	– 14 992	– 15 802	– 110	– 31 764
Transfers	0	0	8 643	– 8 643	0
Translation adjustments	– 146	– 2 756	– 5 224	– 62	– 8 188
Balance at December 31, 2001	**72 948**	**366 648**	**570 244**	**12 542**	**1 022 382**
Acquisitions and divestitures	– 3 240	– 6 981	– 24 822	– 7	– 35 050
Additions	2	2 662	44 989	10 310	57 963
Disposals	0	– 3 815	– 71 294	0	– 75 109
Transfers	0	7 614	6 666	– 14 280	0
Translation adjustments	– 137	– 975	– 2 479	– 18	– 3 609
Balance at December 31, 2002	**69 573**	**365 153**	**523 304**	**8 547**	**966 577**

Accumulated depreciation

Balance at January 1, 2001	**0**	**– 91 727**	**– 375 457**	**0**	**– 467 184**
Charge for the year	0	– 8 808	– 45 822	0	– 54 630
Disposals	0	8 315	15 802	0	24 117
Translation adjustments	0	718	4 652	0	5 370
Balance at December 31, 2001	**0**	**– 91 502**	**– 400 825**	**0**	**– 492 327**
Acquisitions and divestitures	0	3 063	22 982	0	26 045
Charge for the year	0	– 9 188	– 44 037	0	– 53 225
Disposals	0	2 408	66 297	0	68 705
Translation adjustments	0	169	1 658	0	1 827
Balance at December 31, 2002	**0**	**– 95 050**	**– 353 925**	**0**	**– 448 975**

Net book value

At December 31, 2001	72 948	275 146	169 419	12 542	530 055
At December 31, 2002	**69 573**	**270 103**	**169 379**	**8 547**	**517 602**

Land and buildings include investment property with an estimated market value of approximately CHF 190.1 million (2001: some CHF 188.6 million) as well as at cost and net book values as follows:

CHF in millions	At cost	Accumulated depreciation	Net book value
Balance at December 31, 2001	**133.2**	**– 27.3**	**105.9**
Additions	2.1	– 1.9	0.2
Balance at December 31, 2002	**135.3**	**– 29.2**	**106.1**

Rental income from investment property amounted to CHF 12.2 million (2001: CHF 13.9 million) and related direct operating expenses were CHF 2.7 million (2001: CHF 2.2 million).

Property, plant and equipment include investment property of CHF 57.3 million (2001: 45.5 million) and other assets of CHF 182.8 million (2001: CHF 202.6 million) which are pledged to secure mortgage loans.

Land and buildings acquired under finance leases was CHF 1.2 million (2001: CHF 1.3 million) and machinery and equipment under finance leases was CHF 1.2 million (2001: CHF 1.5 million).

Fire insurance values of property, plant and equipment:

in CHF 000	2002	2001
Buildings	480 631	408 219
Machinery and equipment	972 603	779 822
Total	**1 453 234**	**1 188 041**

16 Goodwill, software and other intangible assets

in CHF 000

At cost	Goodwill from acquisitions	Software and other intangible assets	Total
Balance at January 1, 2001	**576 190**	**61 387**	**637 577**
Acquisitions and divestitures	0	11 780	11 780
Additions	47 584	6 699	54 283
Disposals	0	– 12 418	– 12 418
Translation adjustments	0	– 259	– 259
Balance at December 31, 2001	**623 774**	**67 189**	**690 963**
Acquisitions and divestitures	0	– 595	– 595
Additions	15 807	2 840	18 647
Disposals	– 17 728	– 1 623	– 19 351
Translation adjustments	– 20	– 328	– 348
Balance at December 31, 2002	**621 833**	**67 483**	**689 316**

Accumulated amortization			
Balance at January 1, 2001	**– 93 699**	**– 38 834**	**– 132 533**
Acquisitions and divestitures	0	– 10 640	– 10 640
Charge for the year	– 27 476	– 9 388	– 36 864
Impairment write-down	– 3 226	0	– 3 226
Disposals	0	12 242	12 242
Translation adjustments	0	160	160
Balance at December 31, 2001	**– 124 401**	**– 46 460**	**– 170 861**
Acquisitions and divestitures	0	569	569
Charge for the year	– 29 229	– 7 803	– 37 032
Disposals	3 476	1 402	4 878
Translation adjustments	0	142	142
Balance at December 31, 2002	**– 150 154**	**– 52 150**	**– 202 304**

Net book value			
At December 31, 2001	499 373	20 729	520 102
At December 31, 2002	**471 679**	**15 333**	**487 012**

17 Other long-term assets

in CHF 000	2002	2001
Accrued pension surplus (see note 22)	54 574	54 574
Loans receivable	7 148	8 443
Other investments and joint ventures	5 929	3 440
Total other long-term assets	**67 651**	**66 457**

18 Debt

Short-term bank debt

Short-term bank debts comprise unsecured bank advances on current account and the current portion of bank debt including mortgage loans, amounting to CHF 22.9 million in total (2001: CHF 45.0 million).

Credit lines

in CHF 000	2002	2001
Used	19 763	20 304
Available	140 418	145 905
Total credit lines	**160 181**	**166 209**

Long-term debt

in CHF 000	2002	2001
Unsecured bank loans	31 674	47 383
Mortgage loans	82 164	63 186
Finance lease obligation	2 540	2 974
Other long-term debt	18 736	805
Total long-term debt	**135 114**	**114 348**

At year end, maturities were as follows:

in CHF 000	2002	2001
Within one year	7 807	33 573
Within 1–2 years	78 984	20 508
Within 2–3 years	19 364	72 802
Within 3–4 years	31 101	13 528
Within 4–5 years	1 119	1 269
Over 5 years	4 546	6 241
Total	**142 921**	**147 921**
Current portion of long-term debt	– 7 807	– 33 573
Total long-term debt	**135 114**	**114 348**

Interest rates range from 3.2% to 7.05% with the weighted average interest rate at 4.43% (2001: 4.13%). The weighted average interest rate has increased due to the full-year consolidation of Consiva Group adding higher interest-bearing debt to the Group.

Bonds, payable

in CHF 000	Gross	Discount	2002 Net	2001 Net
4 3/4% bonds, payable 1993–2003	100 000	– 140	99 860	99 647
4 1/2% bonds, payable 1999–2005	220 000	– 1 696	218 304	217 705
Total bonds, payable	**320 000**	**– 1 836**	**318 164**	**317 352**

The two payable bonds are fixed-term issues without any early repayment clauses.

19 Other current liabilities

in CHF 000	2002	2001
Sales, withholding and other taxes owed	12 104	14 397
Social security payable	15 056	6 290
Accrual for overtime and unused vacation	5 363	4 778
Current portion of finance lease obligation	882	1 191
Pension cost payable	3 854	2 856
Warranty and similar accruals	1 080	1 208
Accrued expenses and deferred income	48 861	60 639
Miscellaneous current liabilities and other	57 894	63 080
Total other current liabilities	**145 094**	**154 439**

20 Provisions

in CHF 000	2002	2001
Balance at January 1	**37 527**	**37 224**
– Uses	– 2 076	– 4 476
– Amounts released to income	– 21 281	– 2 685
+ Charges	0	7 464
Balance at December 31	**14 170**	**37 527**

The provisions are in respect to warranties relating to the divestments of Slumberland and the Selecta IPO.

21 Management and directors' remuneration

Remuneration of members of the Board of Directors and the executive board is stated in detail under item 5.2 on page 50 ot the Corporate Governance Report.

22 Retirement benefits

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

Pension expense of defined contribution plans is charged to income as incurred.

Net periodic pension cost and the pension obligation of defined benefit plans are calculated based on actuarial methods and accounted for using the projected unit credit method. Such valuations consider the years of service rendered by employees and assumptions about future salary increases. The latest actuarial valuation was performed as at December 31, 2002. Current service cost is accrued and charged to income as benefits are earned. Gains and losses from changes in actuarial assumptions are charged or credited to income in equal amounts over the estimated remaining service lives of participating employees.

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

The following weighted average assumptions were used for the actuarial calculations of defined benefit plans:	2002	2001
Discount rate	4.0%	4.0%
Expected rate of increase in future compensation levels	2.0%	2.5%
Expected employee turnover rate (age-related)	2.5% – 22.5%	2.5% – 22.5%
Expected long-term rate of return on plan assets	5.0%	5.0%
Expected rate of increase in future pension benefits	0.5%	1.0%

Net periodic pension cost includes the following components:

in CHF 000	2002	2001
Current service cost (net of employee contributions)	– 19 274	– 17 959
Interest cost	– 18 990	– 18 446
Expected return on plan assets	29 708	28 133
Net periodic pension cost of defined benefit plans	**– 8 556**	**– 8 272**

The status of the defined benefit plans is as follows:

Benefit obligation:

in CHF 000	2002	2001
At beginning of year	– 477 822	– 458 094
Current service cost (net of employee contributions)	– 19 274	– 17 959
Interest cost	– 18 990	– 18 446
Current service cost due to employee contributions	– 8 263	– 8 003
Pension benefits paid	20 600	24 680
Actuarial gains and losses	29 027	0
Benefit obligation at end of year	**– 474 722**	**– 477 822**

Plan assets at fair value:

in CHF 000	2002	2001
At beginning of year	[1)]619 609	539 236
Expected return on plan assets	29 708	28 133
Employer contributions	11 435	10 913
Employee contributions	8 263	8 003
Pension benefits paid	– 20 600	– 24 680
Actuarial gains and losses	– 101 134	– 25 596
Plan assets at fair value at end of year	**547 281**	**536 009**

Net pension surplus at end of year:

in CHF 000	2002	2001
Benefit obligation at end of year	**– 474 722**	**– 477 822**
Plan assets at fair value at end of year	547 281	536 009
Pension surplus	**72 559**	**58 187**
Unrecoverable surplus	– 33 761	– 19 389
Actuarial gains (–) and losses (+)	15 776	15 776
Accrued pension surplus	**54 574**	**54 574**

[1)] Plan assets with a fair value of CHF 83.6 million and with an expected return of CHF 4.2 million which were separately disclosed at December 31, 2001 have been integrated in the schedule above.

23 Deferred income taxes

Deferred income tax assets and liabilities relate to the following assets and liabilities:

in CHF 000	2002	2001
Trade accounts receivable	– 3 711	– 12 332
Inventories	– 3 724	– 4 948
Other current assets	187	– 42
Property, plant and equipment	– 14 851	– 14 759
Investments and loans receivable	2 679	– 369
Intangible and other long-term assets	14 432	21 627
Tax loss carryforwards, gross	11 113	7 122
Valuation allowances on deferred income tax assets	– 9 526	– 14 976
Current liabilities	– 4 837	– 2 061
Long-term liabilities	– 14 364	– 11 396
Total deferred income tax liabilities, net	**– 22 602**	**– 32 134**

Presentation of deferred income taxes in the balance sheet:

in CHF 000	2002	2001
Deferred income tax assets	26 160	27 128
Deferred income tax liabilities	– 48 762	– 59 262
Total, net (as above)	**– 22 602**	**– 32 134**

24 Employee and management participation plans

Employee shares

Under the rules covering employee share participations, employees after a specified number of years of service are entitled each year to purchase shares in Valora Holding AG at a reduced price which is 60% below the average market price quotation for the month of November. The allocation of share entitlements is determined according to functional levels within the business. The shares acquired remain non-transferable for a period of 5 years. In the year 2002, a total of 11 233 employee shares were issued at a price of CHF 106 each (2001: 11 224 employee shares at a price of CHF 150 each).

Management options

For members of the Board of Directors and the Corporate Management, and, on a voluntary basis second-tier management, a management option plan was established. Under this plan, options to purchase shares of Valora Holding AG can be acquired each year at market price, and form a part of the management bonus entitlement or the remuneration entitlement of board members. The number of entitlements also is dependent on the increase in share earnings of Valora group. The options remain non-transferable for a period of three years and can thereafter be exercised or sold.

Under this management option plan, Valora in the year 2000 issued 20 670 unlisted management options (VALOTC) with an exercise price of CHF 575 at a price of CHF 70 each. These management options, which are subject to a transfer restriction entitle the holder to acquire between April 17, 2003 and May 17, 2003 one registered share in Valora Holding AG.

Furthermore, in the year 2002, the entitled persons acquired a total of 4 470 866 listed VALUE-options at a price of CHF 0.51 per option with an exercise price of CHF 350, whereby 50 options entitle the holder to acquire one registered share in Valora Holding AG. These management options are subject to a transfer restriction for three years and can thereafter between April 17, 2005 and May 18, 2005 be exercised or sold. In addition, 379 134 VALUE-options are held by Valora Holding AG. The option premiums received have been credited directly to shareholders' equity and do not affect reported income.

A total of 117 670 shares are held as cover for the two option issues. This corresponds to 2.8% of the total share capital.

Coverage

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

Severance allowances

After more than eight years of service in the executive board there is an entitlement to a severance allowance amounting to the average annual compensation for the final two years of service.

Management insurance

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

25 Commitments and contingencies

Contingent liabilities:

in CHF 000	2002	2001
Sureties	1 151	1 149
Other contingent liablities	2 456	3 639
Total contingent liabilities	**3 607**	**4 788**

Commitments:

in CHF 000	2002	2001
Long-term rental commitments	228 145	306 238
Operating and finance lease commitments	18 243	11 887
Commitments for future capital expenditures	113	4 170
Contractual and other commitments	545	175
Total commitments	**247 046**	**322 470**

Long-term rental commitments:

in CHF 000	2002	2001
Payments made in the reporting period	115 950	109 956
Maturities:		
Within one year	58 607	72 767
Within 1–2 years	49 429	56 877
Within 2–3 years	38 615	47 642
Within 3–4 years	29 220	41 739
Within 4–5 years	23 058	33 856
Over 5 years	29 216	53 357
Total long-term rental commitments	**228 145**	**306 238**

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

26 Financial instruments

Valora enters into hedging transactions using derivative financial instruments to manage underlying interest rate and foreign currency exposures. These hedging transactions are centrally executed and monitored in conformity with the applicable hedging policies of the group. Counterparties involved are top-quality financial institutions. No uncovered short transactions are executed. The market values of assets and liabilities reported at the balance sheet date cannot be viewed in isolation but together with the applicable underlying transactions. Premiums received from options issued to acquire treasury stock are credited directly to shareholders' equity and do not affect reported income.

At December 31, 2002 there were no open financial instruments.

At December 31, 2001 the following unsettled hedging transactions existed:

in CHF 000	Contract value nominal, gross	Positive fair value	Negative fair value	Latest due date
Foreign exchange forward contracts	4 023	–	58	30.4.2002

27 Segment reporting

Segment information by business segments:

in CHF 000	k Group	Alimarca	Fotolabo	Corporate	Intersegment elimination	Total Group
Net revenues						
2002	**1 949 714**	**913 512**	**224 355**	**49 848**	**– 60 675**	**3 076 754**
2001	1 808 816	596 620	244 741	14 988	– 31 581	2 633 584
Change (%)	+ 7.8	+ 53.1	– 8.3			+ 16.8
EBITA						
2002	**71 146**	**40 719**	**43 049**	**14 626**	**0**	**169 540**
2001	92 599	45 123	43 899	14 052	0	195 673
Change (%)	– 23.2	– 9.8	– 1.9			– 13.4
EBITA in % of net revenues						
2002	**3.6**	**4.5**	**19.2**	**0**	**0**	**5.5**
2001	5.1	7.6	17.9	0	0	7.4
EBIT						
2002	**65 697**	**36 002**	**23 957**	**– 519**	**0**	**125 137**
2001	87 643	41 864	21 399	14 065	0	164 971
Change (%)	– 25.0	– 14.0	+ 12.0			– 24.1
Depreciation and amortization						
2002	**31 505**	**18 439**	**28 521**	**11 792**	**0**	**90 257**
2001	39 397	15 217	35 053	5 053	0	94 720
Capital expenditures						
2002	**25 091**	**23 184**	**6 438**	**6 090**	**0**	**60 803**
2001	38 735	23 550	8 952	2 422	0	73 659
Segment assets						
December 31, 2002	**778 774**	**513 638**	**405 877**	**2 897 487**	**– 2 705 624**	**1 890 152**
December 31, 2001	720 827	490 600	461 390	2 918 645	– 2 683 165	1 908 297
Segment liabilities						
December 31, 2002	**537 533**	**421 529**	**407 866**	**693 026**	**– 1 126 310**	**933 644**
December 31, 2001	483 711	410 614	451 238	753 135	– 1 130 137	968 561

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

Segment information by regions:

in CHF 000	Switzerland	EU	Other	Total Group
Net revenues by destination				
2002	**2 008 578**	**1 009 748**	**58 428**	**3 076 754**
2001	1 875 736	699 537	58 311	2 633 584
Change (%)	7.1	44.3	0.2	16.8
Capital expenditures				
2002	**40 193**	**20 198**	**412**	**60 803**
2001	49 332	22 210	2 117	73 659
Segment assets				
December 31, 2002	**1 449 913**	**438 766**	**1 473**	**1 890 152**
December 31, 2001	1 468 554	410 045	29 698	1 908 297

28 Related party transactions and balances

There were no transactions or balances with related parties.

29 Subsequent events

In a press notice of January 30, 2003, Valora announced that effective January 1, 2003, the corporate structure would be changed. With the focus on market segments, each with an operational business activity, together with a combination of marketing, procurement and IT at corporate level, the conditions for achieving additional synergy and growth objectives will be established. Valora will in 2003 be structured as follows:

- Valora Retail (retail business)
- Valora Wholesale (press and convenience wholesale)
- Valora Trade (formerly Alimarca)
- Valora Imaging (formerly Fotolabo)

The consolidated financial statements of Valora group were approved by the Board of Directors of Valora Holding AG on March 26, 2003. Their proposal to the shareholders meeting of April 23, 2003 is that the consolidated financial statements be approved.

Report of group auditors

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

As auditors of the group, we have audited the consolidated financial statements (income statement, balance sheet, cash flow statement, statement of changes in shareholders' equity and notes, pages 7 to 36 and 59 to 61) of the Valora Group for the year ended December 31, 2002.

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

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

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

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

PricewaterhouseCoopers AG

Andreas Baur Andreas Aebersold

Berne, March 27, 2003

Income statement

in CHF 000	2002	2001
Income		
Dividend income	54 964	41 160
Interest income	10 658	18 227
Income from securities	950	1 801
Gain on sale of investments	12 220	0
Other income	0	1 157
Total income	**78 792**	**62 345**
Expenses		
Interest expense	– 16 711	– 22 072
Foreign exchange losses	– 570	– 488
Losses on securities	0	– 4 165
General and administration	– 2 859	– 1 655
Other expenses	– 1 200	– 5 450
Total expenses	**– 21 340**	**– 33 830**
Net income	**57 452**	**28 515**

Balance sheet before appropriation of available retained earnings

in CHF 000

Assets		31.12.2002	31.12.2001
Current assets			
Cash and cash equivalents		9 896	5 948
Securities		55 938	19 576
Prepayments:	Third parties	131	4
	Group companies	1 210	412
Short-term receivables:	Third parties	241	626
	Group companies	50	62
Loans receivable and advances made to group companies		164 533	181 434
Total current assets		**231 999**	**208 062**
Non-current assets			
Investments		690 713	664 318
Loans receivable from third parties		4 797	4 199
Loans receivable from group companies		140 148	165 318
Discounts and capitalized issuance cost on bonds issued		1 836	2 648
Total non-current assets		**837 494**	**836 483**
Total assets		**1 069 493**	**1 044 545**

in CHF 000

Liabilities & equity		31.12.2002	31.12.2001
Liabilities			
Short-term bank debt and overdrafts		6 500	6 500
Current liabilities:	Third parties	90	167
	Group companies	15 735	27 838
Accrued expenses:	Third parties	3 566	3 446
	Group companies	29	0
Loans payable to group companies		17 500	2 122
Bonds, payable		320 000	320 000
Accrued liabilities		53 277	53 277
Total liabilities		**416 697**	**413 350**
Shareholders' equity			
Share capital		42 000	42 000
Legal reserves:	General reserve	136 851	136 851
	Reserve for treasury stock	56 236	24 029
Unrestricted reserves		342 764	374 972
Available retained earnings:	Income brought forward	17 493	24 828
	Net income	57 452	28 515
Total shareholders' equity		**652 796**	**631 195**
Total liabilities and shareholders' equity		**1 069 493**	**1 044 545**

Notes to the financial statements

A) Basis of presentation

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

B) Notes

1 Contingent liabilities

At December 31, 2002, contingent liabilities comprising sureties, subordination and comfort letters, guarantees and other contingencies relating to subsidiaries amounted to a total of TCHF 344 769 and TCHF 500 relating to third parties (2001: total of TCHF 289 527).

2 Bonds, payable

in CHF 000	Interest rate	Due date	31.12.2002	31.12.2001
Bonds, payable 1993–2003	4.75%	27.8.2003	100 000	100 000
Bonds, payable 1999–2005	4.50%	28.10.2005	220 000	220 000
Total			**320 000**	**320 000**

3 Treasury stock held by the company and its subsidiaries

in CHF 000	Number of shares 2002	Net book value 2002	Number of shares 2001	Net book value 2001
Opening balance (January 1)	**126 691**	**24 029**	**111 149**	**21 388**
Disposals:				
Employees' shares	– 11 233	– 4 783	– 11 224	– 3 983
Stock market purchases and sales:				
Sales	– 15 853	– 5 736	– 3 478	– 1 481
Valuation adjustment		– 2 905		334
Purchases	151 815	43 278	30 244	7 771
Closing balance (Dezember 31)	**251 420**	**53 883**	**126 691**	**24 029**

4 Net release of hidden reserves

There were no net releases of hidden reserves in the business years 2002 and 2001.

5 Significant shareholders

In accordance with the Statutes of Valora Holding AG, no shareholder can own more than 5% of the share capital without the approval of the Board of Directors. At December 31, 2002, 5% of the share capital comprised 210 000 registered shares. At December 31, 2002, no shareholder held more than 5% of the registered shares of Valora Holding AG.

Board members and management own 0.16% (2001: 0.13%) of the registered share capital.

6 Significant subsidiaries of Valora Holding AG

	31.12.2002	31.12.2001
Switzerland	Interest in %	Interest in %
Valora AG, Berne	100	100
Valora Finanz AG, Baar	100	100
Valora Investment AG, Berne	100	100
Ravita AG, Baar	100	100
Kiosk AG, Muttenz	100	95.5
k Group Holding AG, Muttenz	100	95.5
Merkur AG, Berne	100	100
Schweizerische Kaffeeröstereien AG, Zollikofen	100	100
SA Financière Séchaud, Montreux	99.9	99.9
Kägi Fret AG, Lichtensteig	100	100
Dolmetsch AG, Wallisellen 1)	–	100
Fotolabo Holding AG, Ropraz	100	100
Ravita International AG, Baar	100	100
Alimarca Holding AG, Burgdorf	100	100
Germany		
Valora MSS Holding GmbH, Pleidelsheim	100	100
United Kingdom		
Valora Holding Finance Ltd., St. Peter Port, Guernsey	100	100

1) From 2002 held by k Kiosk AG.

7 Authorized conditional capital

The shareholders meeting of May 11, 2000 approved the creation of a conditional capital amounting to CHF 840 000. At December 31, 2002, no conditional capital had been issued.

Proposed appropriation of available retained earnings

Proposal for the appropriation of available retained earnings

in CHF 000	2002	2001
Net income	**57 452**	**28 515**
+ Income brought forward	17 493	24 828
At the disposal of the shareholders meeting	**74 945**	**53 343**
The Board of Directors proposes:		
The payment of a dividend of CHF 9.00 for each entitled registered share	– 35 537	– 35 850
Carried forward to new account	**39 408**	**17 493**
Dividend payment (in CHF)		
Subject to approval by the shareholders the gross dividend per share will amount to	9.00	9.00
– less 35% withholding tax	– 3.15	– 3.15
Net payment (in CHF)	**5.85**	**5.85**

Report of statutory auditors

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

As statutory auditors, we have audited the accounting records and the financial statements (income statement, balance sheet and notes, pages 39 to 43) of Valora Holding AG for the year ended December 31, 2002.

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

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

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

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

PricewaterhouseCoopers AG

Andreas Baur Andreas Aebersold

Berne, March 27, 2003

Corporate Governance

1. Group Structure and Shareholders

1.1 Group Structure

The operational structure of the Group is presented on page 11 of the Annual Report.

1.1.2 All listed companies to be included in the consolidation scope of the issuer

The only listed company of the Group is Valora Holding AG, with the security registration number 208 897 and its registered domicile in Berne. The company is listed on the exchanges of Zurich and Berne (Telekurs VALN, Reuter VALZn). The market capitalization for the last 5 years is presented on page 55 of the Financial Section of the report. No Valora Holding AG shares are held by subsidiary companies.

1.1.3 Unlisted companies included in the consolidation scope

These companies are set out on pages 59 to 61 of the Financial Report, stating the company name and location, the amount of their share capital and the percentage participation therein held by group companies.

1.2 Significant shareholdings

At Dec. 31, 2002, the company has no knowledge of shareholders with participations exceeding 5% of the share capital. There are no shareholder transfer restriction agreements.

1.3 Cross-holdings

There are no cross-holdings with other companies.

2. Capital Structure

2.1 Capital structure at December 31, 2002

Issued share capital: CHF 42 000 000, comprising 4.2 million registered shares of nominal CHF 10 each.

Conditional capital: CHF 840 000, comprising 84 000 registered shares of nominal CHF 10 each.

2.2 Conditional capital

The conditional capital amounting to a maximum of CHF 840 000, comprising 84 000 registered shares of CHF 10 each, was approved by the General Meeting of shareholders of May 11, 2000. It serves as cover for option entitlements exercised by employees of the company and its subsidiaries, in accordance with the terms approved by the Board of Directors. There is no corresponding new issue entitlement of shareholders. No time limits are applicable. Up to December 31, 2002 no capital has been exercised.

2.3 Movements in capital

Share capital: Introduction of an conditional capital as approved by the General Meeting of Shareholders of May 11, 2000 (see above).

	Dec. 31, 2002	Dec. 31, 2001	Dec. 31, 2000
Reserves:	974.6 m	914.5 m	829.6 m
Net profit:	95.9 m	118.6 m	54.9 m

2.4 Shares and participation certificates

4 200 000 common registered shares of nominal CHF 10 each. All shares include a dividend entitlement, apart from the shares held in treasury by Valora Holding AG. Each share is entitled to one vote. Dispo stock is not eligible for voting purposes. There are no preference or similar entitlements. The capital is fully paid.

2.5 Dividend-right certificates
Valora has no dividend-right certificates.

2.6 Transfer restrictions and nominee registrations
2.6.1 Share transfers
The Board of Directors can decline to acknowledge the voting rights of a shareholder if the acquirer's holding, together with already registered voting shares, exceeds the limit of 5%. The excess will be entered in the share register as non voting holdings. The same rules apply to shareholder consortiums.

The Board of Directors may acknowledge the voting rights of an acquirer whose holding exceeds 5%, especially in the following circumstances:

- Purchase of shares due to a merger or business pooling.
- Purchase of shares as a result of an asset deal or share exchange.
- Participatory cementing of a permanent co-operation or a strategic alliance.

2.6.2 Exceptions during the report year
No exceptions of the above description arose.

2.6.3 Nominee registrations
By application of the regulations or on the basis of agreements, the Board of Directors can approve the registration of trustee holdings of registered shares. The applicable rules are included in Art. 4 of the statutes.

2.6.4 Withdrawal of statutory privileges and restrictions
These require the approval of the General Meeting of the Shareholders.

2.7 Convertible bonds and options
At present the company has no outstanding convertible bond issues. Apart from the employee share options referred to below, Valora Holding AG and its subsidiaries had no outstanding options at December 31, 2002.
Details of outstanding employee options and of the employee share participation plan are set out on pages 31 and 32, item 24 of the Financial Report.

3. Board of Directors

3.1 Members of the Board of Directors
Name, nationality, qualifications and career path
Peter Küpfer, Swiss, Chairman of the Board, Certified auditor, various management functions in the CS Group. Independent business consultant.
Beatrice Tschanz, Swiss, Journalist, Chief editor, Head of communications of Ringier AG, Jelmoli AG, Swissair. Member of Corporate management Centerpulse Ltd.
Fritz Ammann, Swiss, Dr. oec. HSG, Chairman of the Board of Spar Handels AG, Germany.
Fritz Frohofer, Swiss, Businessman, active in food trade and IT. Since 1968 with functions in the Valora Group: Head of business planning, Head of market divisions. 1980–1998 CEO Valora.
Andreas Gubler, Swiss, Doctor of Law, Attorney LL. M. Active in law offices in Berne, Zurich and Washington DC and at Ernst & Young. Member of the management of Asklia Holding. Partner in the law firm Gubler, Walther, Leuch in Berne.
Nico Issenmann, Swiss, various functions in the CS Group, Mars Group and Jacobs Suchard Group in Switzerland, Italy, Western Europe and the USA. Independent business consultant and entrepreneur.

The Board members have no operative management responsibilities in the Group and have no significant business relationships with it. From 1980 to 1998, Fritz Frohofer was CEO of the Valora Group.

3.2 Significant activities and interest relationships in other publicly-listed companies
Peter Küpfer: Board member of Swisscom, Julius Bär, Holcim, Unaxis, Swiss Steel.
Fritz Frohofer: Board member of the Berne Cantonal Bank.
Andreas Gubler: Board member of Micro Value AG.

3.3 Reciprocal appointments

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

3.4 Election and terms of office

The Board of Directors comprises at least three members. They are elected for a term of three years. Members retiring are eligible for re-election. To ensure rotation, the period of office as a Board member is limited. Each member must retire at the latest after the expiry of four full 3-year periods in office. The period in office terminates however finally at the date of the General Meeting after the age of 70 has been reached. This also applies to the Chairman of the Board. Possible exceptions require the approval of the General Meeting of the Shareholders.

To the extent possible, the reconstitution of the Board of Directors should be phased.

Period of office of Board Members (position at the GM 2002).

Board Member	Initially elected	Next re-election
Peter Küpfer	1998	2004
Beatrice Tschanz	2000	2003
Fritz Ammann	2001	2004
Fritz Frohofer	1998	2004
Andreas Gubler	1999	2005
Nico Issenmann	1997	2003

3.5 Internal organization and committees

There is no specific allocation of responsibilities among Board members. The selection of Board members is, however, made in a manner whereby the members together have specific experience in the areas of finance, marketing, law, commerce, branded products, communication and production.

The Board of Directors is convened at five or six meetings per year.

The committees are made up as follows:
Audit Committee: Peter Küpfer, Fritz Frohofer, Andreas Gubler.
Nomination and Compensation Committee: Peter Küpfer, Beatrice Tschanz, Fritz Ammann.

The duties and responsibilities entrusted to the Committees are described in the organization regulations. They have both presentational and decision-making functions.

The Committees meet as required and in response to the Chairman's invitation, at least once per annum. They may co-opt other persons, in particular the CEO and the CFO, as well as representatives of the independent auditors to participate at the meetings.

3.6 Regulation of responsibilities

The Board of Directors is responsible for approval of the corporate strategy, specifying the organizational structure and it carries the highest level of responsibility for personnel matters. It establishes the guidelines for financial and investment policy, approves long-term borrowings in excess of CHF 10 million, the acquisitions and disposals of participations and the purchase and sales of real estate where the amount thereof exceeds CHF 2 million.

The CEO is responsible for the management of the group. He co-ordinates the activities of the various Divisions. He is the head of the Corporate Management committee and chief of the Heads of Divisions.

The Corporate Management is responsible for the planning of all corporate business activities which fall within the competence of the CEO or the Board of Directors.

The Heads of Divisions are responsible for managing their Division with the object of a profitable and sustainable development. They establish the required management instruments for their Division which serve to supplement those specified in the applicable guidelines.

3.7 Information and control instruments of the Board of Directors

Within the management information system, the Board of Directors is provided regularly with the following information: A monthly short-term income statement for the Divisions and Group, details of significant business events, reports on internal operational audits, information relating to shareholder structure, the status of implementation of matters resolved upon by the General Meeting or the Board of Directors. The Chairman of the Board is to be provided with a copy of the minutes of management meetings. All members of the Board of Directors can request the management to provide information on business developments: also, after approval by the Chairman, details of individual transactions. All members can also require that the books and files be presented.

4. Corporate Management

4.1 Members of the Corporate Management (Position at January 1, 2003)

Reto Hartmann, Swiss, Law graduate, IBM: Systems-Engineer, Marketing manager and head of a business Division. Valora: Managing director of Kiosk AG, Switzerland, and Member of Corporate Management. CEO of the Valora Group since July 1, 1998.

Urs Meier, Swiss, HWV Diploma, Federal Accounting/Controlling Diploma. Holder of key positions in the Bon appétit Group: CFO of Usego, Chairman of the Board of LEKKERLAND (Switzerland), CFO of Passaggio. Head of regional finance and controlling of Autogrill Switzerland/Germany/Austria. CFO of the Valora Group since August 1, 2002.

Josef Jungo, Swiss, Philology graduate, IBM: Systems-Engineer and Marketing manager. Valora: Head of the Division k Group Switzerland. From January 1, 2003, Head of the Division Valora Retail.

Peter Rutishauser, Swiss, Federal Sales Management Diploma, Marketing studies INSEAD, Rediffusion AG, Salora AG, Director at Rüegg Nägeli, Managing Director of the Egmont Group, Head of the Division k Group International. From January 1, 2003, head of the Division Valora Wholesale.

Kurt Bucher, Swiss, Commercial school certificate, Federal Sales Management Diploma, Head of Sales department in various businesses, Head of the Divisions Merkur Kaffee and Alimarca. From January 1, 2003, Head of the Division Valora Trade.

André Hurter, Swiss, Dr. oec, Management functions at Longines, IBM, Cap Gemini, Ernst & Young and General Manager TCS, Head of the Fotolabo Division Consumer Imaging. From January 1, 2003, Head of the Division Valora Imaging.

Paul Egger, Swiss, Hotel Management Diploma, Real estate agent, Head of Gastronomy of Merkur AG, Head of Real Estate/Expansion of the Valora Group. From January 1, 2003, Head of the Division Valora Location Management.

Peter Wüst (from March 1, 2003), Swiss, Business Management Diploma, Management functions at Diethelm & Co. (international trade) and Jakob Rohner AG (textiles trade), Head of sales and marketing of the Nuance Group. From March 1, 2003, Head of the Division Valora Sourcing & Marketing.

The members of the Corporate Management team have not had any previous functions in Group companies before taking up their activities in the Valora Group.

4.2 Other significant activities and interest commitments in listed companies:

Reto Hartmann, CEO, is a member of the local committee of the Swiss National Bank in Berne. He and other members of the Corporate Management at present do not have any further engagements in management and supervisory bodies of listed Swiss and foreign Corporations. They also have no continuing management and advisory functions in companies outside the Group or in any public functions and political offices.

4.3 Management contracts

There are no management contracts between Valora Holding AG and companies or persons outside of the Group.

5. Compensations, Bonus', Fees and Loans

5.1 Contents and calculation relating to compensation and participation programmes

Board of Directors: Members of the Board of Directors are entitled to an agreed service fee (a special rate is applicable for the Chairman). Members are left to decide the percentage portion of the fee which is to be used for the acquisition of options or shares (minimum 20%, maximum 80% of the total fee). The number of shares or options thus acquired depends on the movement in the earnings per share figure between the report year and the preceding year.

No special meeting attendance fees are paid and only the effective expenses are reimbursed. The amount of the service fee is established by the full Board of Directors and is regularly reviewed.

Corporate Management: The members of Corporate Management are paid an agreed annual salary plus a bonus. The latter is calculated on the following basis: The EBITA results of their Division, the EBITA results of the Group and the actual target achievements of their Division. A portion of the total bonus as determined by the Board of Directors is applied each year to the obligatory purchase of options or shares. The number of such options or shares thus acquired depends on the movement in the earnings per share figure between the report year and the preceding year.

Members of the Corporate Management are also entitled to purchase shares on favorable terms under the Employee and management share plan. The number of such shares is based on the consolidated net profit of the Valora Group.

5.2 Compensation of active members of constituent bodies

5.2.1 Board of Directors

The fees payable to the Board of Directors are based on the prior year's results. The six members of the Board were compensated as follows (in CHF):

	2002	2001
Fees, CHF	153 000	153 000
Options, units	1) 1 553 921	none

1) Option VALUE / OZ 2002 / term of 3 years, entitlement ratio 50:1, exercise price CHF 350.–

5.2.2 Corporate Management

The seven members of the Corporate Management were compensated as follows:

	2002	2001
Salary and bonus, CHF	2 579 000	2 556 000
Options, units	none	1) 1 688 234
In the form of reduced price Employee shares, units	1 211	1 498

1) Option VALUE OZ 2002 / term of 3 years, entitlement ratio 50:1, exercise price CHF 350.–

5.2.3 After more than eight years of service as a member of Corporate Management a financial entitlement is granted amounting to the average of the annual compensation earned in the two preceding years. No applicable entitlements were paid in 2002.

5.3 Payments to former members of constituent bodies

No applicable entitlements were paid.

5.4 Share allocations in the year 2002

Board of Directors: None.

Corporate Management: 1211 shares (purchases made under the Employee and Management share plan).

5.5 Share ownership

Board of Directors and Corporate Management: Total 6957 Valora shares (Dec. 31, 2002).

5.6 Options

This information is provided in item 24 on page 31 of the Financial Report.

5.7 Supplementary fees and entitlements

In his function as a lawyer, Andreas Gubler has been engaged in an advisory capacity by the Valora Group. The fees for these services were less than one half of the regular fees paid to Andreas Gubler for his services as a Board member.

Furthermore no supplementary fees or entitlements were paid.

5.8 Loans to members of constituent bodies

None

5.9 Highest aggregate compensation

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

	2002	2001
Fees, CHF	50 000	50 000
Options, units	[1] 588 236	none

[1] Option VALUE OZ 2002 / term of 3 years, entitlement ratio 50:1, exercise price CHF 350.–

6. Participatory rights of shareholders

6.1 Limitation of voting rights and representation

The relevant details are set out on page 3, article 4 of the Statutes of Valora Holding AG of May 11, 2000.

6.2 Statutory Quorums

The relevant details are set out on page 7, article 12 of the Statutes of Valora Holding AG of May 11, 2000.

6.3 Notice of the Annual General Meeting

Notice is given in accordance with the requirements of Swiss law. In addition to the public notice of the Annual General Meeting, the shareholders can be invited by direct correspondence.

6.4 Items for the agenda

The statutes do not contain any rules for compiling the items for inclusion in the agenda of the Annual General Meeting. So that shareholders can be informed on a timely basis, proposed items for the agenda must be notified to the company 6 weeks prior to the date of the meeting.

6.5 Entry in the share register

To enable shareholders to participate at the General Meeting, a request for share registration must be lodged with the company at the latest three weeks prior to the date of the meeting.

7. Defensive measures and changes in control

7.1 Duty for offering

The company has no “opting-out” or “opting-up” clauses.

7.2 Clauses relating to changes in control

There are no control-changeover clauses which protect members of the Board of Directors and/or the Corporate Management.

8. Auditors

8.1 Duration of the mandate and period of office

PricewaterhouseCoopers AG accepted the mandate as independent auditors at the General Meeting in 1942.

The auditor-in-charge, Andreas Baur, has been responsible for the mandate since 1999.

8.2 Audit fees

Audit costs for the year 2002 amounted to a total of CHF 1 384 789.–.

8.3 Other fees

Other fees billed to group companies by the audit firm in the year 2002 amounted to CHF 358 080.

8.4. Supervisory and audit control measures

The Audit Committee of the Board of Directors is responsible for ensuring these functions.

9. Information policy

The company holds a press conference for the media and financial analysts on an annual basis.

All shareholders receive, together with the invitation to the Annual General Meeting, a summary of the key figures of the Annual Report. At the end of August, the company publishes a consolidated report (unaudited) for the first half-year, which is sent to all shareholders.

When important events arise, a telephone conference is called.

Permanent sources of information:
- Annual reports of the Group
- Internet: www.valora.com
- E-mail: info@valora.com
- Company presentations
- Regular press releases

Media Relations: Stefania Misteli
Investor Relations: Hanspeter Staub

In 2002, the Valora share performed very satisfactorily. The opening market price on January 3, 2002 was CHF 235, which was also the low for the year. On May 8, it had reached the full-year high of CHF 336. In line with the overall market trend, the price subsequently declined. The closing rate at the year-end of CHF 265 was 10% above the corresponding closing rate of CHF 241.50 at December 31, 2001. The applicable benchmark (SPI Mid- and Small-Caps) declined in the same period by 22%.

The share capital of Valora Holding AG amounts to CHF 42 million CHF, divided into 4.2 million registered shares with a nominal value of CHF 10 each.

Since the shareholders' meeting held in 2000, there is a conditional capital with a maximum nominal amount of CHF 840 000. These shares are intended as cover for existing management and employee share option plans. Up to the end of 2002, no conditional share capital was issued.

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

Shareholder data		At January 31, 2003	At January 31, 2002
Structure:	Significant shareholders:	None	None
	10 largest shareholders:	21.6% of all shares	26.3% of all shares
	100 largest shareholders:	35.5% of all shares	41.8% of all shares
	1000 largest shareholders:	82.1% of all shares	78.8% of all shares
Origin:	Switzerland:	87.9% of all shares	82.8% of all shares
	Foreign countries:	12.1% of all shares	17.2% of all shares

Key share data and tax values

		2002	2001	3) 2000	3) 1999	4) 1998
Key share data						
Share capital	CHF m	42	42	42	42	42
Total number of registered shares	Shares	4 200 000	4 200 000	4 200 000	4 200 000	4 200 000
Average number of shares outstanding	Shares	3 976 107	4 091 900	4 127 478	4 123 000	4 123 000
Payout ratio	%	37.1	30.2	60.1	28.5	31.2
Dividend per share	CHF	1) 9.00	9.00	8.00	8.00	7.00
Number of shareholders		10 860	11 708	10 049	10 516	10 029
Share price (adjusted):						
High	CHF	336	366	530	428	488
Low	CHF	235	222	320	304	252
Share price at year end	CHF	265	241.50	346.50	426	371.50
Market capitalization	CHF m	1053.67	988.19	1430.17	1756.40	1531.70
EBIT per share 2)	CHF	31.47	40.32	36.67	29.78	25.11
Cash flow per share 2) 5)	CHF	46.82	52.14	45.58	41.85	37.71
Basic earnings per share 2)	CHF	24.12	28.99	24.41	19.89	22.45
Diluted earnings per share 2)	CHF	22.38	27.69	23.52	19.52	22.02
Equity per share 2)	CHF	239.75	226.70	204.43	204.05	188.09
P/E ratio 2)	31.12	11.0	8.3	14.2	21.4	16.5

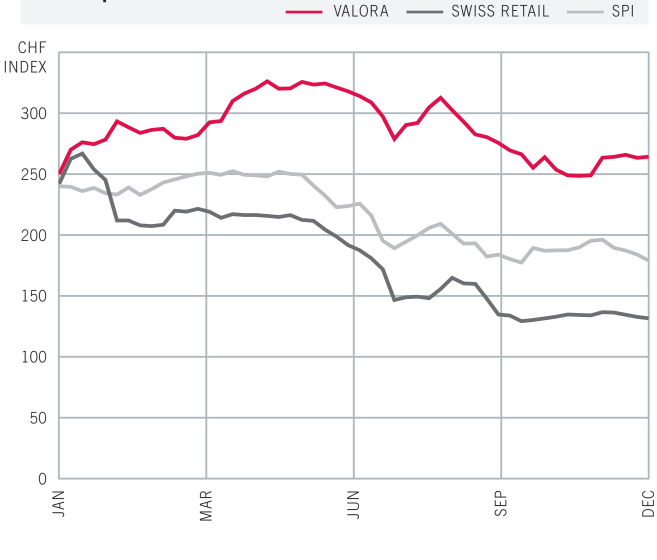
1) Proposal
2) Based on average number of shares outstanding
3) Continuing operations
4) Values based on Swiss FER accounting recommendations
5) Operating cash flow: net income + depreciation + goodwill amortization

Tax values of Valora titles	Val. No.	at 1.1.2003	at 1.1.2002	at 1.1.2001	at 1.1.2000	at 1.1.1999
Registered share of CHF 10.00	208 897	265.00	252.00	350.00	403.00	350.00
4 3/4% bond payable 1993–2003	106 251	102.00%	100.75%	101.60%	103.80%	106.00%
4 1/2% bond payable 1999–2005	1 007 578	105.00%	100.75%	100.10%	103.15%	–

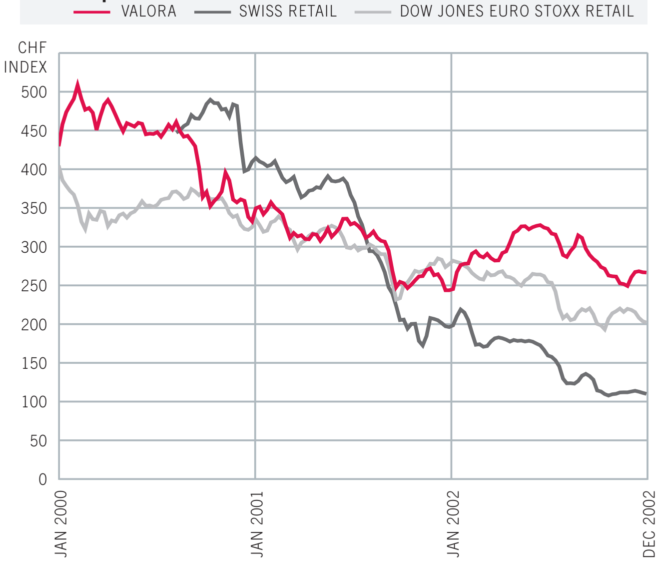
Value added statement / Share price

CHF in millions	2002	%	2001	%
Source				
Net revenues	3 076.8		2 633.6	
+ Revenue deductions	508.9		390.9	
+ Real estate income	15.8		18.7	
+ Investment income	17.4		17.1	
= Total performance	**3 618.9**		**3 060.3**	
./. Cost of goods including VAT	2 020.7		1 620.3	
./. Depreciation and amortization	90.2		94.7	
./. Other expenses including VAT	715.4		592.9	
= Value added, net	**792.6**		**752.4**	
Distribution				
To employees	558.6	70.5	508.8	67.6
To the state	105.6	13.3	92.2	12.3
To lending institutions	31.3	3.9	29.4	3.9
To shareholders	35.5	4.5	37.1	4.9
Retained in the company	61.6	7.8	84.9	11.3
= Value added, net	**792.6**	**100.0**	**752.4**	**100.0**

Share price Valora 2002



Share price Valora 2000–2002



Development of the Valora Group

	Net revenues CHF millions	Number of employees	Operating cash flow [6] CHF millions	Depreciation CHF millions	Net income CHF millions	Capital entitled to dividend CHF millions	Shareholders' equity CHF millions	Dividend per share of CHF 10.00 each [1] CHF
1905	0.1	72	–	–	–	0.5		–
1910	2.9	183	0.1	–	0.1	1.0		–
1920	10.0	255	0.3	0.1	0.2	3.0	3.3	1.00
1930	8.9	254	0.5	0.2	0.3	2.5	3.2	2.00
1940	10.8	293	0.5	0.1	0.4	2.5	3.6	1.75
1950	30.0	643	1.0	0.3	0.7	2.5	4.3	2.00
1960	47.3	970	1.2	0.3	0.9	4.0	6.9	2.50
1970	95.2	1 161	1.8	1.3	0.5	7.7	14.7	1.50
1980	196.9	1 068	5.6	4.6	1.0	10.0	21.4	2.00
1981	135.5	909	6.2	5.0	1.2	10.0	22.0	2.30
1982	141.4	917	6.6	5.3	1.3	10.0	22.6	2.50
1983	146.0	884	7.2	5.8	1.4	10.0	23.3	2.70
1984	154.6	937	9.5	7.8	1.7	10.0	34.7	3.00
1985	229.9	1 264	14.4	10.5	3.9	16.8	85.3	3.50
1986	262.5	1 433	17.9	12.9	5.0	22.7	85.3	4.00
1987	287.1	1 563	21.6	14.4	7.2	29.2	172.2	4.20
1988	358.3	1 812	29.9	19.7	10.2	34.2	188.2	4.60
1989	450.7	2 103	40.1	24.5	13.4	50.1	220.6	5.20
1990	1 706.7	7 602	110.1	60.4	44.3	76.7	548.0	5.80
1991	2 316.6	10 665	150.6	85.1	65.0	85.4	577.8	6.50
1992	2 527.6	11 111	168.4	94.3	70.7	91.6	636.0	7.00
1993	2 708.1	11 632	183.0	96.8	83.4	100.9	662.3	7.50
1994	2 917.5	13 353	202.3	103.8	93.6	102.1	707.9	8.00
1995	2 869.4	13 321	152.9	110.5	41.2	102.3	595.6	5.00
1996	2 895.6	13 266	183.0	109.8	72.1	102.6	589.5	6.00
1997	2 425.1	10 416	206.5	60.1	[4] 146.4	[5] 41.1	745.7	6.50
1998	2 551.2	10 145	155.5	63.1	92.5	41.2	775.5	7.00

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

1999 [3]	2 290.9	8 117	172.5	56.0	82.0	41.2	841.3	8.00
2000 [3]	2 448.3	8 670	188.1	61.0	100.8	41.3	843.8	8.00
2001	2 633.6	9 206	213.3	64.0	118.6	40.9	927.6	9.00
2002	**3 076.8**	**9 558**	**186.2**	**61.0**	**95.9**	**39.5**	**953.3**	[2] **9.00**

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

5-year summary

		2002	2001	2) 2000	2) 1999	3) 1998
Net revenues	CHF m	**3 076.8**	**2 633.6**	**2 448.3**	**2 290.9**	**2 551.2**
Change	%	+ 16.8	+ 7.6	+ 6.9	– 10.2	+ 5.2
Operating cash flow 1)	CHF m	**186.2**	**213.3**	**188.1**	**172.5**	**155.5**
Change	%	– 12.7	+13.4	+ 9.0	+ 10.9	– 24.7
in % of net revenues	%	6.1	8.1	7.7	7.5	6.1
Depreciation	CHF m	**61.0**	**64.0**	**61.0**	**56.0**	**63.1**
Change	%	– 4.7	+ 5.0	+ 8.9	– 11.3	+ 5.0
in % of net revenues	%	2.0	2.4	2.5	2.4	2.5
EBIT	CHF m	**125.1**	**165.0**	**163.8**	**122.8**	**103.5**
in % of net revenues	%	4.1	6.3	6.7	5.4	4.1
Net income	CHF m	**95.9**	**118.6**	**100.8**	**82.0**	**92.5**
Change	%	– 19.2	+ 17.7	+ 22.9	– 11.4	– 36.8
in % of net revenues	%	3.1	4.5	4.1	3.6	3.6
in % of shareholders' equity	%	10.0	12.8	11.9	9.7	11.9
Net cash provided by (used in) 4)						
Operating activities	CHF m	154.4	153.8	230.1	130.7	n. a.
Investing activities	CHF m	– 69.1	87.0	– 154.5	– 225.7	n. a.
Financing activities	CHF m	– 72.7	– 237.6	– 1.6	110.2	n. a.
Cash and equivalents	CHF m	**241.7**	**230.3**	**238.1**	**208.5**	**520.0**
Shareholders' equity	CHF m	**953.3**	**927.6**	**843.8**	**841.3**	**775.5**
Shareholders' equity quota	%	50.4	48.6	43.0	45.8	42.0
Number of employees		**9 558**	**9 206**	**8 670**	**8 117**	**10 145**
Change	%	+ 3.8	+ 6.2	+ 6.8	– 20.0	– 2.6
Net revenues per employee	in CHF 000	**322**	**286**	**282**	**282**	**251**
Change	%	+ 12.6	+ 1.4	0.0	+ 12.2	+ 8.0
Number of sales points at December 31		1 660	1 680	1 631	1 574	1 572
Net sales per sales point	in CHF 000	1 175	1 077	1 080	1 049	1 008

1) Operating cash flow: net income + depreciation + goodwill amortization
2) Continuing operations, in accordance with IFRS
3) Values based on Swiss FER accounting recommendations
4) Per consolidated cash flow statement

Significant subsidiaries of Valora Group

	Currency	Nominal capital in CHF m	Interest in %	Holding & finance companies	k Group	Alimarca	Fotolabo
Switzerland							
Valora AG, Berne	CHF	0.5	100.0	1)			
Valora Finanz AG, Baar	CHF	0.2	100.0	■			
Valora Investment AG, Berne	CHF	0.3	100.0	■			
Ravita AG, Baar	CHF	0.1	100.0	■			
Merkur AG, Berne	CHF	20.0	100.0		■		
Alimarca Holding AG, Burgdorf	CHF	9.0	100.0	■			
k Group Holding, Muttenz	CHF	0.1	100.0	■			
k Kiosk AG, Muttenz	CHF	20.0	100.0		■		
Kiosk AG, Muttenz	CHF	0.3	100.0		■		
Transport und Presseservice AG, Muttenz	CHF	0.4	100.0		■		
BSV AG, Obfelden	CHF	0.1	100.0		■		
Distriforce AG, Wallisellen	CHF	0.1	100.0		■		
Dolmetsch AG, Wallisellen	CHF	0.5	100.0		■		
Melisa SA, Lugano	CHF	0.4	100.0		■		
Merkur Kaffee AG, Zollikofen	CHF	0.4	100.0			■	
Cevanova AG, Berne	CHF	6.0	33.0		■		
Alimarca AG, Burgdorf	CHF	0.3	100.0			■	
Nuxo AG, Rapperswil	CHF	0.2	100.0			■	
Kägi Söhne AG, Lichtensteig	CHF	4.0	100.0			■	
Roland AG, Murten	CHF	0.6	100.0			■	
Spiwag AG, Schaffhausen	CHF	0.1	100.0			■	
Fotolabo Holding SA, Ropraz	CHF	18.0	100.0	■			
Fotolabo Club SA, Ropraz	CHF	3.0	100.0				■
Stutz FotoColor AG, Bremgarten	CHF	0.2	100.0				■
France							
Merkur Holding France SA, Roppentzwiller	EUR	3.7	100.0	■			
Alimarca France SA, St-Amarin	EUR	0.6	100.0			■	
Cansimag France SA, St-Amarin	EUR	0.6	100.0			■	
Fotolabo Club SA, Algolsheim	EUR	2.3	100.0				■

1) Management and Support

	Currency	Nominal capital in CHF m	Interest in %	Holding & finance companies	k Group	Alimarca	Fotolabo
Germany							
Valora MSS Holding GmbH, Pleidelsheim	EUR	0.4	100.0	■			
Stilke GmbH, Hamburg	EUR	3.8	76.0		■		
Sussmann’s Presse & Buch GmbH, Munich	EUR	0.1	100.0		■		
BHG Bahnhofs-Handels GmbH, Berlin	EUR	0.5	100.0		■		
Caffè Spettacolo GmbH, Berlin	EUR	0.3	100.0		■		
Kuroczik Alimarca GmbH, Dortmund	EUR	0.2	68.0			■	
Schirmer Kaffee GmbH, Dortmund	EUR	0.3	100.0			■	
Fotolabo Club GmbH, Breisach	EUR	0.1	100.0				■
Color Media GmbH, Hamburg	EUR	0.1	100.0				■
Benelux							
Messageries Paul Kraus S.à.r.l., Luxembourg	EUR	3.0	100.0		■		
Fotolabo Club, Bruxelles	EUR	0.6	100.0				■
Kwadrant Sales Promotion BV, Bladel, NL	EUR	0.1	100.0	■			
Starfoto B.V., Bladel, NL	EUR	0.1	100.0				■
United Kingdom							
Valora Treasury Centre Ltd, Guernsey	CHF	0.5	100.0	[1]			
Valora Holding Finance Ltd, Guernsey	CHF	750.0	100.0	■			
Merkur Finance Ltd, Guernsey	CHF	42.8	100.0	■			
Alimarca Finance Ltd, Guernsey	CHF	29.8	100.0	■			
Austria							
K. Schweigl Handels AG, Neunkirchen	EUR	3.6	100.0			■	
Plagemann Lebensmittel GmbH, Vienna	EUR	0.1	100.0			■	
Sweden							
Valora Invest AB, Oerkelljunga	SEK	0.5	100.0	■			
Alimarca Sweden AB, Stockholm	SEK	0.1	100.0	■			
Gillebagaren AB, Oerkelljunga	SEK	0.6	100.0			■	
Adaco AB, Stockholm	SEK	12.0	100.0			■	
Again AB, Kungsbacka	SEK	10.0	100.0			■	
Again Produktion AB, Varberg	SEK	0.3	100.0			■	

[1] Management and Support

	Currency	Nominal capital in CHF m	Interest in %	Holding & finance companies	k Group	Alimarca	Fotolabo
Norway							
Alimarca Norway AS, Royken	NOK	0.1	100.0	■			
Charles Pettersen AS, Royken	NOK	5.7	80.0			■	
Denmark							
Consiva Holding A/S, Herlev	DKK	55.0	100.0			■	
Finland							
Oy Sunco AB, Helsinki	EUR	0.1	100.0			■	
IFI Oy, Kerava	EUR	0.3	100.0				■
Dialab Oy, Helsinki	EUR	0.1	100.0				■
Other countries							
Kaumy S.r.o., Fulnek, Czech Republic	CZK	0.1	50.0			■	
Kaumy Slovakia S.r.o., Piestany, Slovakia	SKK	0.2	50.0			■	
Alimarca Spain SA, Denia, Spain	EUR	0.1	60.0			■	
Alimarca Dubai, Dubai	CHF	0.5	51.0			■	
Colorzenith S.r.l., Milano, Italy	EUR	0.1	100.0				■