

Annual Report  
Valora 2004

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Peter K upfer

Beatrice Tschanz Kramel

Fritz Ammann  
Chairman

## Dear shareholder

Valora can look back on a year of intensive restructuring activity. In adopting and implementing its focus strategy, the Valora Group has set a clear future course. We are moving in the right direction; but the last stages of the journey still lie ahead of us. Over the past few decades, Valora had evolved into a complex conglomerate which had become increasingly difficult to manage and control. Our Board of Directors recognised in summer 2003 that Valora would only remain sustainably competitive if a genuine change were effected in its overall corporate strategy. In electing to concentrate on our core Retail, Wholesale and Trade business segments, we took a landmark decision; and we have already made swift and substantial progress with the divestitures it entails. A further key concern of our current business activities is to unravel the complexities in our corporate structures which are largely the product of the acquisitions effected in the 1990s under the diversification strategy that was then being pursued. Here, too, we are striving to provide greater clarity for our corporate future by simplifying our structures and focusing on our Group's core competencies.

The changes we are effecting must be more vigorously pursued, however, especially within our Retail and Wholesale divisions; and further actions must be taken to more radically simplify our business activities. These take time. And, since we are unlikely to enjoy any economic tailwind during this difficult phase, it may be some while before we see the benefits of this process reflected in our financial results.

Valora Trade showed positive business trends in 2004. In this area of our activities, we now need to reconsider the strengths of our brands and revise our brand strategy accordingly. We have a number of independent brands which, after years of investing largely in our production, we now need to support in our markets, to ensure that they retain their appeal against those of our competitors.

On the Imaging front, 2004 brought an acceleration of the expected decrease in the analogue photographic business. Digital photography has now become a high-



Hanne de Mora

Fritz Frohofer

Andreas Gubler

growth market. And, thanks to its foresight in promoting its digital photo processing activities and its innovative services and products, Fotolabo is well positioned to deal with all future market developments. We have come to conclude, however, that there are no tangible synergies between Fotolabo and Valora's other divisions. So our planned sale of Fotolabo is a consistent and logical step.

Needless to say, the change in the strategic thrust and alignment of the Valora Group has also entailed adjustments in personnel terms. Our new Executive Management team led by Peter Wüst is well equipped to meet and master the challenges that are sure to lie ahead, and enjoys the full confidence and trust of our Board of Directors.

We have also kept our promise to you by completing our share buyback programme: part of the proceeds from our divestitures has been passed on to you, our shareholders, through the share buyback programme which we announced in 2003.

With the divestitures already effected and the reorganisations still ahead, we aim to establish the basic Valora Group structure for the next few years. Valora will now have to focus even more strongly on its commercial growth. And this growth should be primarily achieved internally, i.e. organically; external growth is only to be effected in the case of suitable opportunities.

Our prime operational priority is to achieve a sustainable improvement in our key economic indicators of EBIT and margin within our now clearly-defined core business. This next phase in our Group's development will be overseen by our new Chairman of the Board Fritz Ammann, with his fresh strength and energy and his extensive expertise within the retail sector.

In closing, we thank you for the confidence you continue to place in our company. Our gratitude goes also to our customers and our business partners. But first and foremost we offer our thanks and appreciation to our employees, whose personal commitment to change will be crucial to the future of the Valora Group and its continued business success.

**Peter Küpfer**

Chairman of the Board until 31.12.2004

**Dr. Fritz Ammann**

Chairman of the Board since 1.1.2005

## First milestones reached in implementing focus strategy; concentration on core business continues.

2004 was an important year for Valora in operating as well as strategic terms. We are well en route to our goal of a streamlined corporate structure, but further work remains ahead. We will continue to consistently pursue our focus strategy, reduce costs by taking adequate measures, and thus lay a viable foundation that will ensure the sustainable profitability of the Valora Group.

**Net revenues and EBIT meet expectations, but are not satisfactory yet.** Consolidated net revenues of the Valora Group for 2004 were influenced by the divestitures effected under the focus strategy. The CHF 2 990 million recorded was a one-per-cent decline on the prior-year result. The operating result was buoyed by gains from disposals, but was also burdened by costs incurred through the focus strategy.

Whereas Valora Retail achieved a successful turnaround in Germany, the kiosk business in Switzerland experienced a decline. This development also had an influence on the results of the division Valora Wholesale, Valora Retail's supplier. Valora Trade posted slight increases in both net revenues and gross margin, despite rising pressure on prices and margins in the production and trading sectors. Results at Valora Imaging were influenced primarily by the faster-than-expected migration among customers from analogue to digital photography. Furthermore, the abandonment of joint-venture negotiations with the Belgian-based Spector Group necessitated a CHF 120 million impairment. This impairment, however, had no cash impact. Generally speaking, the annual results meet our expectations. We must, however, continue to consistently pursue our focus strategy.

**Successful divestitures; focusing on course.** From a diversified conglomerate to a focused concern: this is the course that Valora took in 2003 by adopting its focus strategy. The first milestones have already been achieved: most of the units outside our defined core business have now been disposed of, generating the expected gains. The Merkur gastronomy businesses and Fotolabo are still to be sold.

On the organisational level, the most important services were pooled under Valora Management Services. The concentration of expertise has created synergies and led to a considerable increase in efficiency.

Substantial progress was also made in enhancing our internal control systems and our process security in the course of the year. The work here extended to reorganising our internal auditing with the enlistment of Ernst & Young as a neutral partner. In view of



#### Divestitures in 2004

Valora Retail	Dolmetsch AG (11 sales outlets in Zurich, Bern, Basel, Lucerne and Baden) sold to Niclas AG, Liestal, Switzerland
	BSV book rack jobbing business sold to Buch-Vertrieb GmbH (BVG), Wilen near Wollerau, Switzerland
Valora Trade	Management buyout at Again Produktion AB, Sweden
Valora Retail	41 of 59 Merkur speciality shops sold to Confiseur Läderach AG, Ennenda, Switzerland
Valora Trade	Merkur coffee roasting business in Zollikofen sold to Drie Mollen Holding B.V. of the Netherlands
Valora Retail	Extensive portfolio of real estate no longer required for business operations sold to Credit Suisse Group investment vehicles
Valora Imaging	Management buyout of the professional imaging business unit
Valora Trade	Management buyout of the Schirmer coffee roasting business in Dortmund, Germany
Valora Trade	Nuxo Marketing, part of Alimarca (Burgdorf), sold to the Hochdorf Group, Switzerland

the increased demands in the corporate governance field, all business processes and internal controls will be documented on the basis of internationally accepted standards.

**Reorientation of the Valora Group to continue.** The implementation of the focus strategy is proceeding according to plan. Extensive action will be required in our Valora Retail and Valora Wholesale divisions, which show a decline in margins. These divisions, however, have achieved an excellent market position in the kiosk and press wholesale business. This will allow us, after Valora's reorganisation, to successfully exploit this future market potential and to achieve profitable growth. To tackle the challenges ahead, further radical action is needed in terms of simplified structures and processes in order to be able to focus on the most important issues in our core businesses.

We must promote growth by enhancing our existing business with innovations. We can only achieve qualitative and quantitative growth through consistent cost manage-



Jürg Arcqint  
Valora Retail

Peter Wüst  
CEO

Ruedi Keller  
Valora Management Services

André Hurter  
Valora Imaging

ment and a clear focus on the core business. Three business segments constitute the main pillars of Valora's future development:

- small-shop retailing, i.e. kiosks and rail station bookstores
- press wholesaling
- the distribution of branded goods (fast-moving consumer goods).

**What are the challenges for 2005?** In the light of these conclusions, the management sees its prime task in establishing a solid basic structure for the next few years, built on the core competencies Retail, Press + Book Wholesale, and Trade. The key notes are stability, profitability, and growth. In line with the implementation of our focus strategy following measures need to be taken:

- completion of divestitures
- withdrawing from the imaging and convenience wholesale activities
- simplification of processes
- cost economies
- adaptation of organisation

In addition to these tasks within our Group, we must also respond to trends in the market itself. The change in consumer behaviour, the erratic sales levels in the retail sector and declining newspaper and tobacco sales are just some of the challenges to which we must rise. To these must be added official regulations such as tobacco tax and the intensified competition among retail outlets following the easing of legislation on shop opening hours.

**Share buyback programme completed according to plan – promise to shareholders kept.** Our Board of Directors will recommend to the 2005 General Meeting of Shareholders that, instead of the distribution of a dividend for the 2004 business year, the nominal value of the Valora share should be reduced by CHF 9 and this amount should be repaid to shareholders. The Valora Group has also fulfilled its earlier promise to repay the proceeds of its divestitures to its shareholders. Part of these proceeds was repaid to shareholders through the share buyback programme announced in 2003. The third tranche of this programme, covering a further 270 000 shares, was completed on February 11, 2005. The General Meeting of April 2005 will be asked to approve the deletion of these shares to effect the corresponding capital reduction.





Alex Minder  
Valora Trade

Josef Jungo  
Valora Wholesale

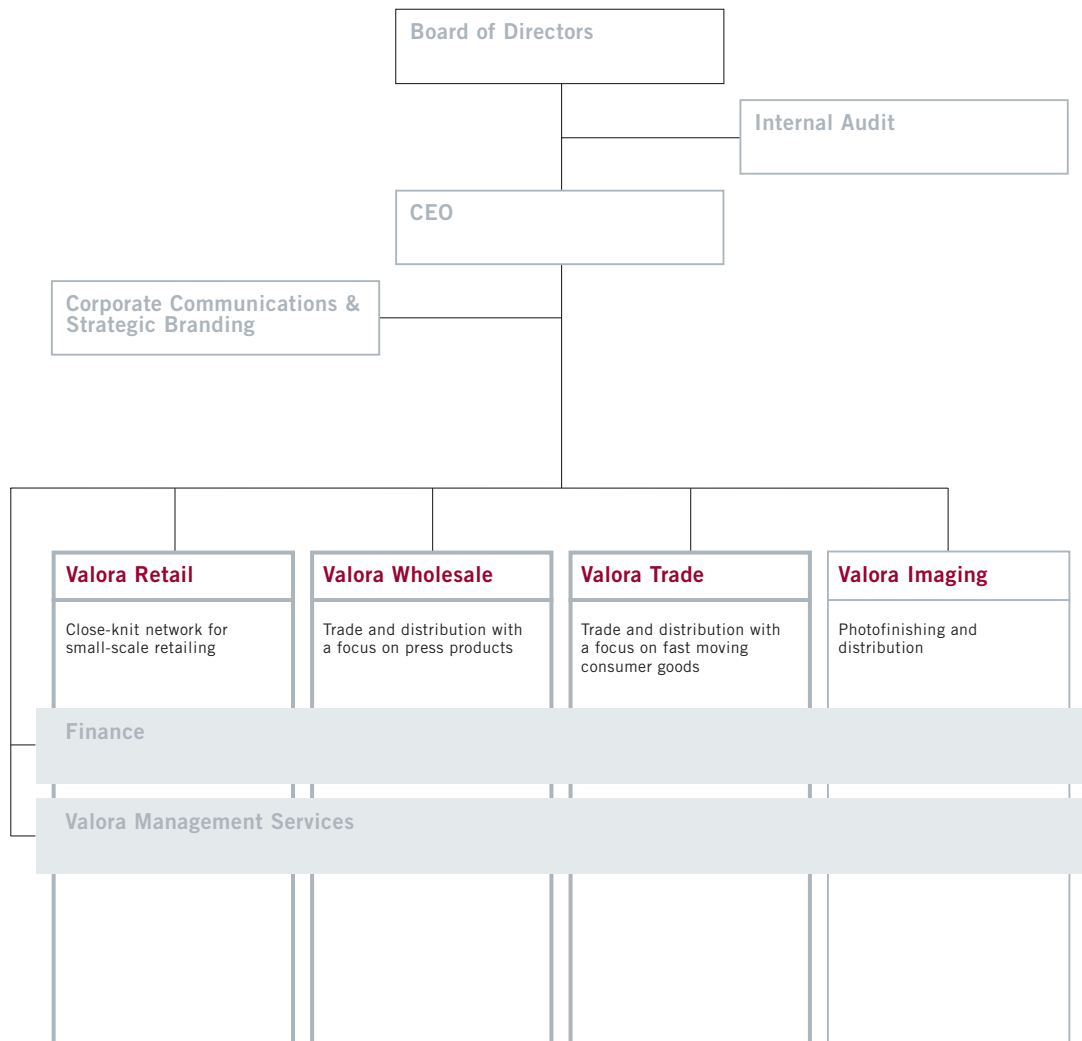
Markus Voegeli  
CFO

**Outlook.** The reorganisation of the Valora Group and the challenging situation in the markets will continue to influence the financial development in 2005. Our aim is to continue our journey and to establish a sound basis for future growth. The focus strategy will show first positive results in 2005. But clear improvement of profitability as well as first signs of growth, are only to be expected in 2006.

The reorientation of the Valora Group has made great demands on the energies, the dedication and the flexibility of all our employees. And I would like to offer them my deepest thanks for all their efforts and endeavours. We are well en route to our goal, but further work remains ahead. The coming year will again demand the full and unstinting commitment of everyone involved. I am confident, however, that, working together, we will achieve our objectives; and I look forward to the continuation of our exciting and challenging collaboration.

**Peter Wüst**  
CEO

## Group Structure 2005





Board of Directors		Audit Committee	Compensation Committee
<b>Fritz Ammann</b> Chairman Beatrice Tschanz Kramel Hanne de Mora	Peter Küpfer Andreas Gubler Fritz Frohofer until 27.04.	Hanne de Mora Fritz Ammann Peter Küpfer Andreas Gubler Fritz Frohofer until 27.04.	Beatrice Tschanz Kramel Fritz Ammann Peter Küpfer

#### Group Executive Management

<b>Peter Wüst</b> , CEO	Josef Jungo Markus Voegeli, CFO	Alex Minder Jürg Arquint	André Hurter Ruedi Keller
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#### Corporate Communications & Strategic Branding

**Stefania Misteli**

#### Management Services

<b>Ruedi Keller</b>	Michael Tschopp Corporate Human Resources Reinhard Hartmann/ Sascha Beer Corporate Business Development	Romuald Scheiwiler Corporate Project Management Friedrich Baumann Corporate Information Services	Patrick Häuptli Corporate Quality Management Markus Dill Corporate Legal Services
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#### Valora Finance

<b>Markus Voegeli</b>	Thomas Egger Corporate Controlling/Treasury	Adrian Häsler Corporate Accounting	Hanspeter Staub Corporate Investor Relations
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#### Valora Retail

**Jürg Arquint**  
 Jürg Arquint  
 Kiosks Switzerland  
**Mathias Gehle/  
 Lars Bauer**  
 Kiosks Germany  
**Pierre Leicht**  
 Kiosks Luxembourg  
**Urs Müller**  
 Retail Marketing  
**Markus Stark**  
 Controlling  
**Nicole Hirs**  
 Operations Management  
**Paul Egger**  
 Retail Location Management

#### Valora Wholesale

**Josef Jungo**  
 Wolfgang Schickli  
 Press + Book Switzerland  
**Luca Nussio**  
 Press + Book Ticino  
**Karl Oberleitner**  
 Press Wholesale Austria  
**Christian Schock**  
 Wholesale Luxembourg  
**Rudolf Suter**  
 Wholesale Switzerland  
**Valentin Hüsler**  
 Sourcing, Marketing & Services  
**Martin Messerli**  
 Logistics  
**Markus Nadig**  
 Controlling  
**Beat Scheidegger**  
 Operations Management

#### Valora Trade

**Alex Minder**  
 Bruno Winiger  
 Switzerland  
**Carsten Ørnbo**  
 Scandinavia  
**Beat Allemann**  
 Central Europe  
**Beat Nydegger**  
 Bakery Goods Production  
**Adrian Gehri**  
 Controlling  
**Max Ehrsam**  
 Business Development

#### Valora Imaging

**André Hurter**  
 Pascal Ducry  
 Central Europe  
**Tero-Pekka Hämäläinen**  
 Scandinavia  
**Kim Kauffmann**  
 Business Development  
**Urs Meier**  
 Finance

# All-rounder

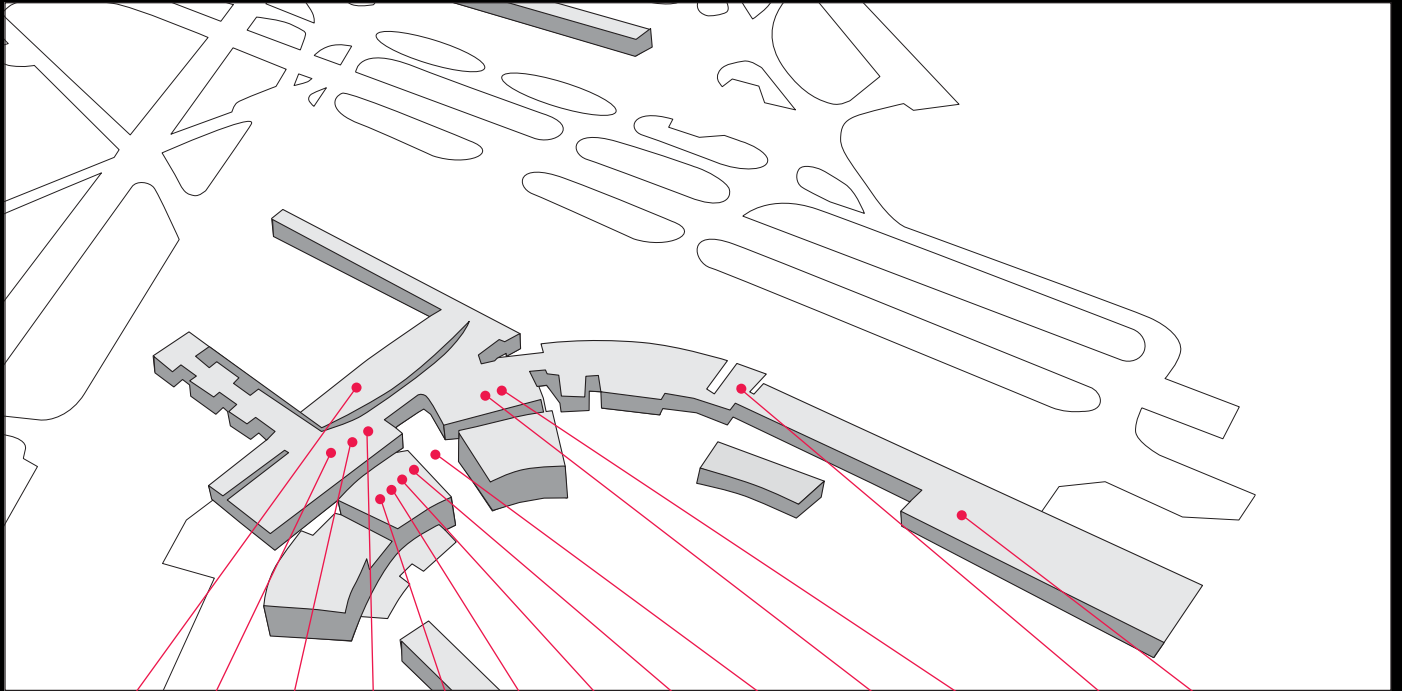












































































































# All-rounder

**It's the little treats that can sweeten our lives. Individual wishes, needs and hopes: today's mobile customers have broad and varied demands. Gifts, tobacco, magazines, drinks, sandwiches, a wide product selection and a full product range are all expected and assumed.**

kiosk is an all-rounder. With its expertise in selecting press products, tobacco goods, books and food and non-food items and services ranging from lottery sales to phonecards, kiosk offers customers on the move just what they want and need. But what products sell best? What else might the customer desire? What's still missing from the range? Valora's tireless quest for further fast-moving consumer goods and for ways to make even better use of its limited sales space means that the ranges carried are being constantly further developed and refined. Every retail outlet is different, too. The basic range is adapted and expanded to meet the particular needs of the customers who tend to frequent each kiosk location. And that same approach is adopted for every one of the more than 1 500 retail outlets that make up Valora Retail's network in Switzerland and beyond.

**Illustration >** The 13 kiosk retail outlets at Zurich Airport, which each offer a different product range for their particular customer group



<p>AIRSIDE CENTER TERMINAL 2</p>        	<p>ARRIVAL TERMINAL 2</p>         	<p>DEPARTURE TERMINAL 2 LEVEL 2</p>        	<p>DEPARTURE TERMINAL 2 LEVEL 1</p>        	<p>RAIL TRAVEL CENTER</p>        	<p>BUS STATION</p>        	<p>AIRPORT SHOPPING</p>        	<p>AIRPORT SHOPPING</p>        	<p>PASSAGE PARKING</p>        	<p>DEPARTURE TERMINAL 1</p>        	<p>ARRIVAL TERMINAL 1</p>         	<p>OPERATIONS CENTER</p>        	<p>AIR CARGO YARD</p>        
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# Valora Retail

Raising the profile of the k kiosk brand. A new and unmistakable corporate identity has already been applied to over 300 k kiosk sales outlets.

Well apace with the convenience trend. A comprehensive network of sales outlets with customer-friendly opening hours lays a sound foundation for further developing the k kiosk convenience goods range.

## Key Figures

		2004	2003
Net revenues in million CHF	Total Valora Retail	1 483	1 494
	in % of total Valora	50%	50%
Operating profit in million CHF*	Total Valora Retail	25	8
	in % of total Valora	22%	9%
Employees full time equivalent	Total Valora Retail	5 224	5 603
	in % of total Valora	62%	62%
Investments in million CHF	Total Valora Retail	16	17
	in % of total Valora	27%	27%

\*Operating profit = EBIT before goodwill amortisation and gain/expenses due to focussing strategy



**Jürg Arquint**, 47, CEO Valora Retail, married, one son, one daughter, sales management diploma, Globus, EPA, Movie-Box

“We are the front line.” With these simple words, Jürg Arquint, Head of Valora Retail, sums up his division. Arquint, who is 47 years old and a native of Switzerland’s Canton Grisons, assumed his duties in January 2005, making him the newest divisional head in the Executive Management team. But he has familiarised himself with his field – small-scale retailing – in record time.

This is not surprising. As a retail expert, he knows the business like the back of his hand. In his ten years at Globus as Chief Financial Officer and four years at EPA as Head of Sales, he was thoroughly acquainted with “the whole department store landscape”. He then spent the past three years turning an idea of his daughter’s into a flourishing business, developing and operating video rental machines. But he finally found he had had enough of these silent co-workers: “I wanted to deal with people again.”

With great enthusiasm, he describes his meetings to date with Valora’s kiosk personnel: “I’ve got to know some great people”. He has ample ideas of what he’d like to do – they almost bubble out of him and ambitious plans for his ‘front line’ in 2005. “The k outfit project is one of my biggest challenges,” he explains. He is a great admirer of the new light-blue look for Valora’s kiosks and shops, but would like to see more standardisation on the corporate identity front. By the end of the year, he hopes, “we’ll have really positioned the k kiosk brand”.

**“I want to make the k kiosk brand something special, by getting our kiosks to stand out from the others. Because when our customers come to our kiosks, they should have a special reason for doing so.”**

a new assortment strategy and new offers like CDs and DVDs – “things people are keen on having” – to attract even more customers.

Jürg Arquint sees especially strong prospects for the convenience product range. Convenience items are growing in popularity. But Arquint sees the potential here not in traditional convenience goods such as deep-frozen pizzas but in ready-to-eat products for people in a hurry. “The great thing about a kiosk is that customers can just pick things up as they’re passing,” he points out. “A kiosk is the ultimate in convenience: chocolate bars if you’re feeling peckish, but fresher goods, too – that’s an area where we could really grow. I don’t want anyone who’s hungry to walk past one of our kiosks without feeling the urge to ‘fill that hole’.”

And how does he intend to achieve all this? By using ‘best-practice’ methods, among other things. “Whatever we do, there’s always someone who’s best at it, and who everybody else can learn from. We want to find out who’s best at each of those things, and use them as our model for the rest of our activities.”



## Focus on core business small-scale retailing

Valora Retail puts a consistent focus on small-scale retail outlets in its business activities. The k kiosk brand has been given an unmistakable new look, and has been enhanced through appealing new products. Intensified activities in the convenience sector also offer attractive growth potential.

**Developing Valora's strengths in the kiosk and convenience sectors.** Valora Retail is responsible for over a million daily customer contacts. With its kiosk chain, the division occupies an excellent market position in Switzerland and Luxembourg and in the German and Luxembourg rail station bookstore sectors. Valora Retail also operates 98 convenience shops in Switzerland. While disposing of its Merkur Confectionery and Dolmetsch AG business units in 2004, the division put a clear focus on expanding its core activities of small-scale retailing in the kiosk and convenience fields.

Net revenues per country		
in million CHF	<b>2004</b>	<b>2003</b>
Total Valora Retail	1 483	1 494
Switzerland	1 204	1 225
Germany	195	192
Luxembourg	84	77

**k kiosks: a vital facility in an increasingly mobile world.** Friendly service, an up-to-the-minute range of goods and services and a convenient presence at well-frequented locations: these are the strengths of the k kiosk chain. Every customer at a k kiosk receives swift and immediate personal service. In short, k kiosks play a vital role in people's busy lives today.

Accessibility is one of the key determiners of a k kiosk location. That is why Valora Retail has sited its 1'250 sales outlets largely at busy locations which are well served by transport facilities such as rail stations, airports and shopping centres. Having secured a presence at the Railcities in Bern, Basel, Zurich, Lucerne and Winterthur, Valora Retail has now succeeded in placing further sales outlets at prime locations in Zurich Airport's new passenger facilities.

**k kiosk: a new appearance for a clear profile in an increasingly-contested market.** "Kioskisation" – the growth in the range of typical kiosk products in the cash till areas of supermarket chains, in fuel station shops, in shop-in-shop concepts and in convenience stores – has intensified the competition in the Swiss kiosk sector over the last three to four years. But Valora Retail has responded to the trend, and to the challenges it brings.

The division has done so by revising its shop concept and introducing new products. The overall aim of these endeavours is to sustainably raise the profile and appeal of the k kiosk brand and the concepts it stands for, by maintaining a single consistent

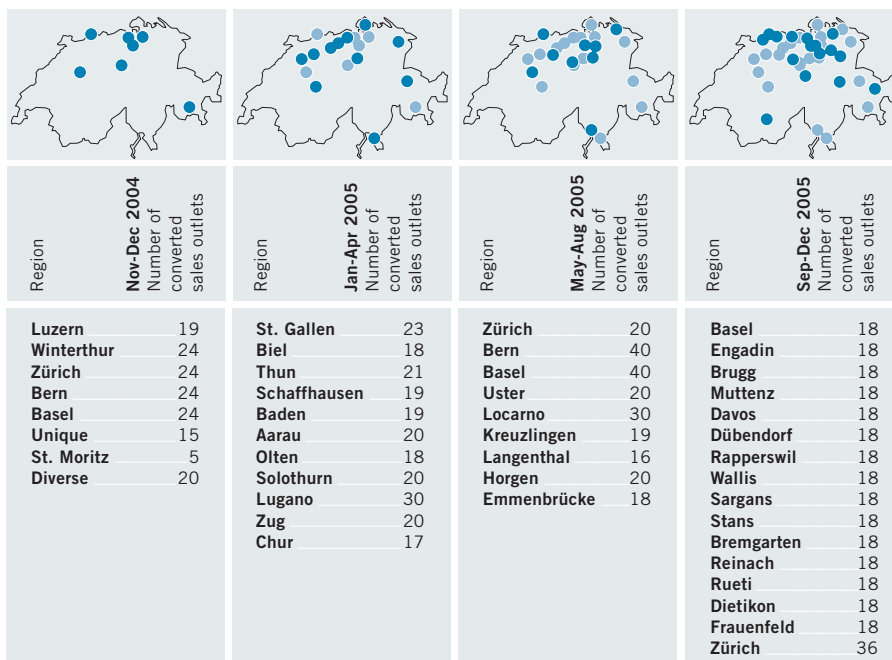
brand management approach that embraces advertising, shop design, personnel, point-of-sale communications, shops and layouts alike.

Having previously conducted a series of studies into the k kiosk brand, Valora Retail embarked on a comprehensive project named “k outfit” to develop a series of prototypes for the new look desired. The prototypes were then trialled at locations in Lucerne, Zurich and Winterthur in February 2004. The trials, the associated customer and public surveys and the findings therefrom provided a sound basis for a decision on the new k kiosk look.

The new branding is at the heart of the new concept. The k kiosk name, which is extremely well known, was retained. But the logo and corporate colour have been revised. The new house colour of light blue is a direct result of the market research conducted. It is also a colour that has not yet been used by any of Valora’s competitors in the retail field.

Other key innovations in the new k kiosk concept include enhanced interior and exterior communications at the point of sale. With their brighter, friendlier and simpler design, the new outlets make it easier for customers to take their bearings and find the products they desire.

The process is further enhanced by arranging products by type, in line with proven local requirements. So each k kiosk is now arranged with its own product emphases and with just the right mix of the “press”, “book”, “souvenirs” and “snacks & drinks” components to meet local needs. The new appearance reflects the k kiosk brand values: fast, up-to-date, personal, everywhere. As such, it offers an excellent foundation for differentiating the k kiosk product from those of its competitors in the kiosk and shop field.



k kiosk:  
meeting mobile needs

Wherever people come together, you’ll usually find a k kiosk offering almost everything you’re likely to need: today’s newspapers, the latest magazines, snacks and more, all readily available at convenient opening hours. Prompt and quick service and you’re on your way again – with a smile from the agent, who’s always friendly and helpful at even the busiest of times.



Caffè Spettacolo:  
il vero espresso

Caffè Spettacolo adapts Italy's coffee culture to the spirit of today. With its wide range of excellent coffees and its stylish interior design, Caffè Spettacolo has all the ingredients for a delightful coffee break and a new life experience. Offering service at the bar, Caffè Spettacolo is a simple and cheerful locale with a dash of "italianità". No wonder it's a popular meeting place for guests of all ages who truly appreciate that fabulous espresso feeling.

The first new blue k kiosk outlets were opened at Zurich Airport in September 2004. The new look was warmly received by the customers from the start. The entire Swiss k kiosk network of over 1'200 outlets should have been given the light-blue makeover by spring 2006. The process is already well under way, and started with 300 strategically-important outlets in Bern, Bale, Zurich, Zurich Airport, Lucerne, Winterthur and St. Moritz. The next phase will focus on revamping the busiest outlets which generate the highest sales volumes in medium-sized cities and towns.

**A unique differentiation through innovative individual offers.**

Valora Retail aims to align the ranges of products and services at its k kiosks to the lifestyles of customers today. Its category management activities constantly enhance the assortments offered at each k kiosk in the light of target groups and trends. The products on offer at the k kiosks on the arrivals concourse at Zurich Airport, for instance, are different from those in the departure zone, because arriving and departing travellers have different wishes and needs.

The division further enhanced the appeal of its k kiosk outlets in 2004 by adding various new products and services:

**E-loading completed to replace physical phonecards:** Valora Retail is well in step with technological advances. Customers can now buy their phonecards at any k kiosk electronically, using a PIN code. With the low investment required and the simple solutions adopted, the new facility was put rapidly into place and the whole process was completed by summer 2004. The simple procedure – the usual process with the PIN on the receipt – has helped ensure swift acceptance among customers, and the new system has now replaced its physical phonecard predecessor. Since it requires no storage or logistical operations within or outside Valora, the new system also permits substantial cost savings. As a further benefit, it reduces the risk of criminal break-ins at k kiosks outlets.

**Swisslos:** Valora's k kiosks are the clear market leader in the lottery sector, offering a wide range of opportunities for every budget: the cheapest tickets are available for as little as CHF 1. As a further innovation, all the k kiosks with toto/lottery facilities added the European "Euro Millions" lottery to their range on September 4, 2004. The new lottery offers a jackpot of at least CHF 15 million; and the highest jackpot in 2004 reached a record CHF 62 million. The appeal of the lottery business is maintained by the launch of two to four new products every year. The "Millionenlos", with a sale price of CHF 100, was available from all k kiosk outlets from November 2004, the fifth time this popular product has been offered.

**k Kaffee:** "Coffee-to-go" has become extremely popular in Switzerland a confirmed coffee-drinking nation over the last few years. Valora Retail has responded to the trend by launching a new coffee range at its k kiosk outlets. In a programme initiated in autumn 2004, the division's kiosks are being gradually equipped with advanced Nescafé coffee dispensers that offer the speediness of takeaway service and a quality coffee product. As a result, customers at over 700 k kiosks can now enjoy a coffee with their morning paper. The new product is an attractive additional business line for the Valora Retail division.

Points of sale per country		
Number	2004	2003
Total Valora Retail	1 531	1 615
Switzerland	1 339	1 419
Germany	130	137
Luxembourg	62	59

**The growing convenience market.** “Convenience” and the ease and comfort it provides are a cornerstone in the lives of today’s generation of modern and mobile individuals. People who are frequently (and often extensively) on the move have less and less time to shop in the various places they find themselves. And, well aware that time is money, they are often willing to pay more if they can save time in the process. Market research conducted by the IHA-GfK institute suggests that CHF 1.1 billion was spent on convenience goods in 2003. The figure is rising, too.

With its extensive network of easy-to-reach k kiosks offering smooth access at accommodating opening hours to a wide range of products and services all under a single roof, Valora Retail is well in tune with the convenience philosophy. With 98 further sales outlets, it is also a major player in the Swiss convenience sector. The division’s k Fresh, k Snack, k Shop, Tamoil, Avia, Aperto and Avec outlets have already secured some 10% of the convenience retail market.

The Caffè Spettacolo concept, which has been extremely successful in establishing itself in the Swiss market since it was launched five years ago, is also regarded as a convenience format. The Italian-style self-service coffee bars have proved a popular meeting point for groups of all ages, and remain one of Switzerland’s leading coffee bar chains. The concept was further expanded in August 2004 with the addition of “Caffè Spettacolo Mobile”, offering a flexible mobile solution to providing customers with top café products.

# Fresh Produce



# Fresh Pro

**What's interesting today may be forgotten tomorrow. In our information age, it's hard to keep control of the flood of input we receive every day and yet still obtain the most important news items. For all the new technologies, newspapers and magazines remain the prime communication channels, providing key news and background information that are credible, current and easily available, every single day.**

**Illustration >** The best-selling press products at the kiosk Presse-center Galeche in St. Moritz in the week of March 15-21, 2004

The press distribution operations performed by Valora Wholesale in collaboration with publishers and retail outlets ensure the high availability of newspaper and magazine products. Customer needs change daily, under the influence of a wide range of factors. So a successful press distribution service must constantly monitor the market. It should also be able to draw on years of experience, make full and effective use of the latest technologies and show a keen sense and awareness of local wishes and needs. Valora Wholesale can draw on a sophisticated and efficient system for managing its press product distribution, and uses this to serve over 19 000 retail outlets in Switzerland, Austria and Luxembourg.



**MONDAY**  
**15**  
MARCH

Blick  
Bild  
Spiegel  
Frankfurter Allgemeine  
Süddeutsche Zeitung

**TUESDAY**  
**16**  
MARCH

Blick  
Bild  
Frankfurter Allgemeine  
Engadiner Post  
Neue Zürcher Zeitung

**WEDNESDAY**  
**17**  
MARCH

Times  
Blick  
Bild  
Bunte  
Neue Zürcher Zeitung

**THURSDAY**  
**18**  
MARCH

Bild  
Blick  
Bunte  
Frankfurter Allgemeine  
Tages Anzeiger

**FRIDAY**  
**19**  
MARCH

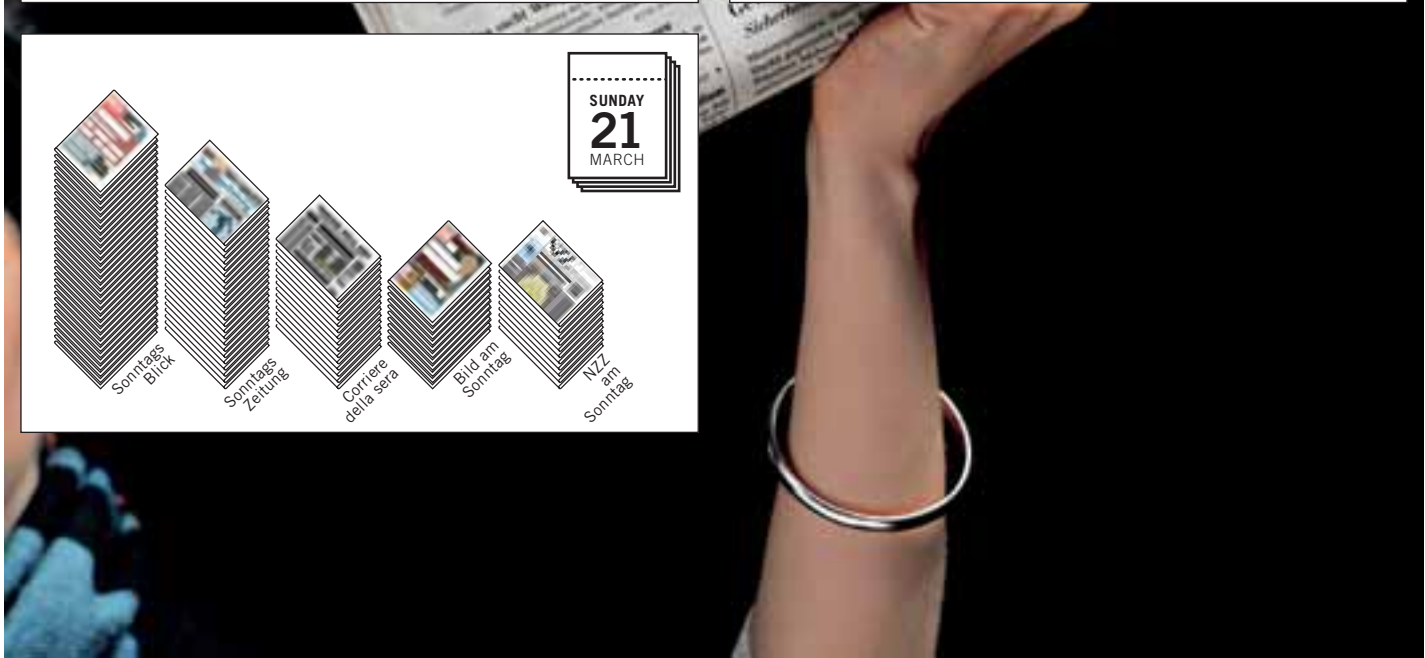
Blick  
Bild  
Tages Anzeiger  
Gala  
Frankfurter Allgemeine

**SATURDAY**  
**20**  
MARCH

Blick  
Bild  
Neue Zürcher Zeitung  
Tages Anzeiger  
Gala

**SUNDAY**  
**21**  
MARCH

Sonntags Blick  
Sonntags Zeitung  
Corriere della sera  
Bild am Sonntag  
NZZ am Sonntag



# Valora

## Wholesale

Outstanding press wholesale expertise. Valora's extensive knowledge, acquired over several years, ensures optimum daily provision of the "fresh" press product.

First step in expanding core business in Europe. The purchase of Salzburg-based Austrian press wholesaler PGV has strengthened Valora's position in the press wholesale sector. Even better aligned to the customer.

A new press product control system enhances processes and permits an even more flexible response to different customer needs.

### Key Figures

		2004	2003
Net revenues in million CHF	Total Valora Retail	1 267	1 242
	in % of total Valora	42%	41%
Operating profit in million CHF*	Total Valora Wholesale	17	26
	in % of total Valora	15%	27%
Employees full time equivalent	Total Valora Wholesale	949	866
	in % of total Valora	11%	10%
Investments in million CHF	Total Valora Wholesales	6	3
	in % of total Valora	10%	5%

\*Operating profit = EBIT before goodwill amortisation and gain/expenses due to focussing strategy



**Josef Jungo**, 47, CEO of Valora Wholesale, married, three children, Degree Fribourg University, Business Unit Manager IBM (Switzerland)

There is a bronze Mercury on the sideboard in his Muttenz office. It is a memento of yesteryear: Josef Jungo has been at Valora since 1996. In spring 2004, he passed on the Valora Retail division and took over Valora Wholesale. So what has changed for him? Sitting at his meeting table, he does not need to think too long: "I used to be responsible for retail sales. Now I'm a service provider."

In a nutshell: Josef Jungo and his team's job is to ensure that the right goods are delivered to the right place at the right time. "Press wholesaling has always been our core business," he explains. That is one of the reasons he checks out all the new titles that are distributed to Valora's retail outlets.

Ensuring that these products arrive in time at some 20'000 sales outlets demands a sophisticated logistics system. "Our drivers cover around 100'000 kilometres a day," Josef Jungo points out. He sees opportunities for improvement here as well – some of them on an international scale. "We want to introduce a 'best practice' philosophy," he explains. "We want to find out what we do well in Country A and apply it to Countries B and C." It is this networked thinking approach and the opportunities to identify synergies and possible partners that Josef Jungo finds so fascinating in his new division.

2004 was an eventful year for Valora Wholesale. The division took a key growth step in its core press wholesale business with the acquisition of Pressegrossvertrieb PGV

Salzburg in Austria. It was a deal to please the specialists, moving Valora substantially closer to its goal of extending its press wholesale activities to other countries and amalgamating these international operations. The acquisition offers a promising basis for knowledge transfers, too: the PGV press management system is being installed in the division's Swiss operations. "And that should be a huge benefit," Jungo confirms.

Josef Jungo also sees the growing convenience market as a potential opportunity for his division, whose expertise in distributing to small-scale retailers is second to none. The broad range of wholesale products includes tobacco goods, drinks, snacks and many other everyday items for the own retail channel as well as third-party customers.

But for all his activities and plans, the customer is always centrestage for this dyed-in-the-wool retailer. "It's our customers we must never lose sight of," he emphasises. "It's our job to find out what they need, what they want and what they dream of – preferably ahead of everyone else!"

**"If we want our innovations to be a success, we have to know our markets inside out, streamline our ranges and forge joint ventures. And the fact that Valora is active in both the wholesale and the retail sector is a huge advantage for us."**

## Strengthening of position in press and book wholesale market

By entering the Austrian press business, Valora Wholesale has secured itself a promising place in Europe's press and book wholesale market. The division has further strengthened its market position by raising process efficiency and putting more emphasis on the services sector.

**Integrated solutions for small-scale retailers.** Valora Wholesale provides daily supplies of press and convenience products for Valora's own and other small-scale retail outlets. Its core competence lies in its distribution to individual sales outlets of small volumes of goods. The division concluded the sale of its Swiss book rack jobbing business in 2004 and took further steps towards establishing itself as a leading provider of integrated press wholesale solutions in selected European countries.

Valora Wholesale can draw on international expertise in the press and book wholesale sector. The division supplies books and press products to both Valora's own sales outlets and those of third-party customers in Switzerland, Luxembourg and Austria. In doing so, it provides a vital logistics link between publishers and readers, and aligns all such activities to these two customer groups.

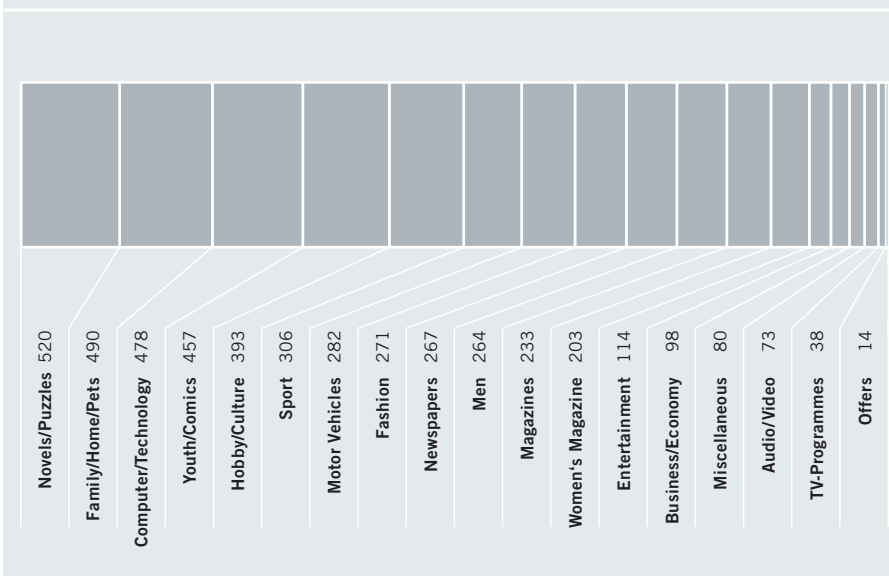
The division is also active in the wholesale sector, advising kiosks and convenience shops on their product ranges and supplying them with day-to-day consumer items. The above-average growth being seen in this market offers sizeable potential, especially for the further bundling of procurement and transport activities.

Net revenues per country		
in million CHF	<b>2004</b>	<b>2003</b>
Total Valora Wholesale	1267	1242
Switzerland	1162	1171
Luxembourg	72	71
Austria	33	–

**Extensive press wholesale expertise.** Getting the right volumes of the right titles to the right place at the right time and constantly aligning these activities to rapidly-changing needs: that is what Valora Wholesale's press wholesale business has to do, for Valora's own retail outlets and those of outside customers in Switzerland, Luxembourg and Austria. In its wholesaler role, the division manages all the quantities of the products delivered to these outlets.

That may sound simple, but it is a complex undertaking which demands a sophisticated press product management system. The division offers over 300 daily and weekly newspapers in Switzerland, along with some 3 500 magazines with varying publication frequencies from over 700 publishers in around 30 different countries. New titles are added every year; and Valora Wholesale arranges their delivery and their return if unsold, in full compliance with all the relevant legal provisions.

Number of publications per category distributed by Valora Wholesale



From this vast product range, the division prepares the daily press deliveries to each of over 8 500 sales outlets in Switzerland alone in line with their wishes and needs. These activities pay due and full regard to the peculiarities of each sales outlet, the publication day of each magazine, special sale promotions and local seasonal variations. During winter in Zermatt, for instance, Valora Wholesale delivers twice as many daily newspapers as in the summer months.

And preparing the deliveries is only half the story. Ensuring their timely execution is just as much of a challenge. But with today's press commissioning facilities, Valora Wholesale can swiftly deliver all its press products and offer flexible follow-up or replacement deliveries, too. Whether it's for a hundred copies or only five, to Zurich, Brissago or Arosa, at the start of the holiday season or a day like any other, Valora Wholesale ensures that every sales outlet can promptly offer its customers the publications they want.

The market leader in the Swiss press distribution sector, Valora Wholesale benefits from its close ties with the Group's retail channels. The division bears a key responsibility for the distribution of press products throughout German and Italian-speaking Switzerland and Luxembourg; and it now also supplies retail outlets in Austria with some 2 700 publications.

## Valora in action: a typical magazine distribution

<b>Monday</b>		Editing ends at the publishers, and is followed by production of the entire print run for the home and foreign markets.
<b>Tuesday</b>		
From	04:00	The fresh-off-the-press magazines are delivered by the publisher's forwarders to Valora in MuttENZ, where they are checked and examined.
From	10:00	All the customer delivery slips are produced. Some 200 to 250 different magazines are handled like this every day.
From	16:00	The magazines are loaded into the commissioning facility for packing the next day.
<b>Wednesday</b>		
From	07:00	Magazine deliveries are compiled and packed for each customer. The pre-printed delivery slips and information technology can define precisely which sales outlets should receive which quantities of which magazines.
	12:00 - 17:00	The packages are loaded onto pallets and into the delivery trucks. The trucks are then sent to Valora's ten regional distribution centres, which are located throughout Switzerland.
<b>Thursday</b>		
From	05:00	Delivery vans leave the regional distribution centres loaded with newspapers and magazines. Each van drives a predetermined route which will ensure that every retail outlet will have the latest publications ready for sale when it opens for business.

**A first step in expanding core business in Europe.** In purchasing Austrian-based Presse-grossvertrieb (PGV), the Valora Group exploited a unique opportunity in 2004 to strengthen Valora Wholesale's position in the European press wholesale market. Salzburg-based PGV, which was founded in 1947 and has enjoyed years of business success, deals mainly with German publishing houses – some 170 of them – and supplies all Austria's press sales outlets with press products, especially magazines. In acquiring PGV, Valora Wholesale added 11 000 new retailers to its customer base. PGV also has equity interests in 16 rail station bookstores and two airport sales outlets and records annual sales of some EUR 100 million, the vast majority from magazines. The activities of PGV fit superbly into Valora Wholesale's existing business and strategy. The acquisition offers sizeable potential for efficiencies in the division's press business in Switzerland, Austria, and Luxembourg. In addition to an exchange of experience and expertise, these synergies extend, for example, to utilising Valora Wholesale's network of connections to the benefit of PGV.

**Customer focus and cost leadership.** In view of the many market challenges in both the press and the convenience wholesale fields, Valora Wholesale has long valued the benefits of a strong customer alignment and of adopting more efficient processes to achieve a cost leader position. As a press and convenience wholesaler with its own logistics organisation, the division also aims to practise its quality and cost leadership in all areas of its activities and be one of Europe's most efficient press wholesalers.

Continuous enhancement of the division's business processes is essential if this goal is to be achieved. Measures already implemented here include consistently improving category management and the warehouse administration system at the division's Muttenz base. They also include the current introduction of a new press product administration and distribution management system that allows processes to be aligned more precisely to customer needs, optimising procurement and enhancing information flows. The first milestone in the introduction process has already been reached with the completion of the acceptance and trial phase. Indeed, the system is already in use for the division's Austrian operations.

**A detailed distribution specialist.** Distributing small volumes of goods in the business-to-business sector is a further core Valora Wholesale competence. All in all, the division transports some 290 tonnes of press products and 80 tonnes of convenience items every day. Thanks to a sophisticated internal and external logistics system that offers extensive geographical coverage throughout German and Italian-speaking Switzerland, it supplies not only Valora's own retail outlets but also some 6 000 third-party customers, mainly small-scale sales outlets and fuel station shops. And the division's reliable "overnight service", which is based on flexible travel routes and reaches every outlet every day, is one of the prime strategic factors in Valora Wholesale's continued business success.



# A matter of trust



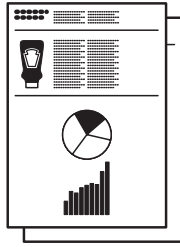
# A matter of trust

The collaboration between Valora Trade and the brand manufacturers or “principals” is based on reciprocal confidence and trust. The aim of both partners is to ensure a strong brand presence and high product availability. To do so, parts of the principal’s marketing activities are entrusted to Valora Trade. The principal can rest assured that their brand positioning will be consistently applied and adhered to in both trade and consumer contexts.

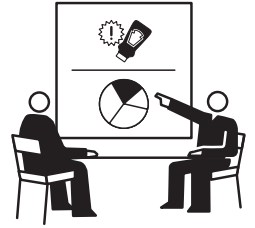
Valora Trade is Europe’s leading distributor of fast-moving consumer goods. The division’s portfolio embraces over 300 brands in the confectionery, food, near/non-food and beverages fields. The services offered by Valora Trade are organised in a series of modules that can be selected and combined to meet each principal’s needs. These modules cover the full range of brand and product marketing services including brand portfolio and trade marketing strategies, key account and category management, shelf space management, trade promotion, sales force support, warehousing & logistics, customer relationship management and reporting & sales administration.

**Everything changes, and changes rapidly, too. In the chaos of such change, the desire for clear points of orientation has never been so pronounced. This is something that strong brands can provide. A powerful brand serves as a guarantee, inviting customers to trust in a company’s ability and willingness to perform. Customer confidence is a huge competitive asset, and one that is amply rewarded in business results.**

**Illustration >** Overview of marketing services provided for Heinz Nordic by Valora Trade Denmark



BRAND PORTFOLIO/  
TRADE MARKETING STRATEGIES



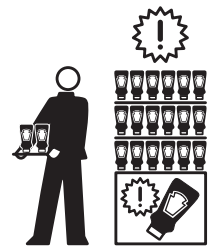
KEY ACCOUNT/  
CATEGORY MANAGEMENT



SHELF SPACE MANAGEMENT



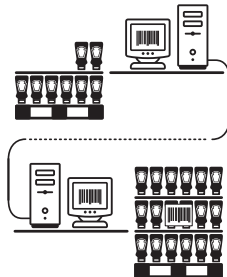
REPORTING &  
SALES ADMINISTRATION



TRADE PROMOTION



WAREHOUSING/LOGISTICS



CUSTOMER RELATION MANAGEMENT



SALES-FORCE SUPPORT

# Valora Trade

Positive development after focusing on core competencies. Distribution of branded fast-moving consumer goods and production and marketing Valora's own-brand items. Market position strengthened in Northern Europe. The distribution companies have pooled their resources by creating an integrated marketing platform.  $\beta$  High-value own-brand products. Specialities from the Kägi, Roland, Gille and Sørland Chips brands are all well established in their niche markets.

## Key Figures

		2004	2003	2002	2001
Net revenues in million CHF	Total Valora Trade	898	930	914	597
	in % of total Valora	30%	30%	30%	23%
Operating profit* in CHF. Mio	Total Valora Trade	39	34	41	45
	in % of total Valora	34%	36%	24%	23%
Employees full time equivalent	Total Valora Trade	1 334	1 423	1 503	1 084
	in % of total Valora	16%	16%	16%	12%
Investments in million CHF	Total Valora Trade	16	23	23	24
	in % of total Valora	26%	35%	38%	32%

\*Operating profit = EBIT before goodwill amortisation and gain/expenses due to focussing strategy



**Alex Minder**, 46, CEO of Valora Trade, married, two sons, Hochschule für Wirtschaft, Zurich, executive MBA, Bally International, Impuls, Saatchi & Saatchi, managing director of Cadbury Switzerland

Alex Minder's office is something of an Aladdin's Cave for anyone with a sweet tooth. On and next to the meeting table stand piles of Kägi Frets and Ferrero Rochers. Not for his private use, of course: this 46-year-old has been the CEO of the Valora Trade division since May 2004. Which makes him the "top dealer in the house" and "the man who sees to it that the Heinz Ketchup, the Kellogg's Cornflakes and the Ferrero Rochers end up on the shops' shelves," as he graphically puts it. He is an energetic individual, and working with such sweet temptations around him has clearly had little impact on his physique. "I get a lot of exercise: I jog, I play tennis and squash and I ski," he explains, before dashing off into an adjacent room.

The energy is infectious, and he's clearly enthusiastic about his new division. "Did you know that Valora is the biggest independent distributor in Europe?" he asks. "Only few people know that!" The division distributes no fewer than 330 brands – not just in Switzerland but in Denmark, Sweden, Norway, Finland, Germany, Austria and the Czech Republic, too. But each of these national subsidiaries currently trades under a different name.

It is an issue on which Alex Minder has relentlessly pursued his goals since he joined the Valora Group: "I want to integrate all these companies into Valora and exploit all the synergies that are presently untapped," he explains. It is a process that starts with adopting a common identity –

"We're currently giving them new Valora names," he adds – and continues with the creation of internal structures that will permit greater coordination of market cultivation activities in the various countries.

The restructuring process did make some progress last year in the Group's Scandinavian operations. But Alex Minder still sees unused potential here. "We can't have a situation," he asserts, a metaphorical fist hammering on the table, "where we only distribute a brand in one country because

its manufacturer is not aware that we have efficient organisations in various European markets and thus can provide efficient service packages."

The other area in which Alex Minder aims to strengthen the present operations is with the

division's own brands: Kägi and Roland in Switzerland, Sørland Chips in Norway, Gille in Sweden and Cansi in France. With extensive investments already made in the relevant production facilities, he now wants to step up the tempo on the marketing front. The measures planned here include new packagings, innovations with the products themselves, advertising and trading activities. "We don't make mass products," he maintains. "We make high-quality products that have their price. And we want to be successful with these in niche markets," he concludes, plucking a Mini Kägi Fretli out of the box on his desk.

**"If things go well, we can substantially expand our market position as Europe's leading distribution partner. The processes between our various national operations are well coordinated; and we now clearly present ourselves as Valora Trade to the outside world."**

## Fit for new growth after slimming process

Valora Trade raised its profile as an international distribution partner and a producer of attractive branded items in a difficult business environment. With its clearer focus on its core business, the division has also given itself further energies for future growth.

**Focus on core business for further business development.** Having disposed of its coffee roasting operations Merkur and Schirmer, its confectionery production Again and Nuxo Marketing operations and its trading activities in Spain and Dubai, the Valora Trade division can now devote all its energies to developing its two core pillars of distributing branded fast-moving consumer goods and producing and marketing its own brand items. In its distribution partner role, Valora Trade has 10 companies in 8 countries serving various reputed national and international corporate clients, making it one of Europe's leading independent distribution organisations. The division has responded effectively to the growing consolidation of the market by bundling its own resources and focusing on cementing and expanding its already-strong position.

Valora Trade has also earned itself a top name and reputation in the biscuit, snack and bakery goods sector through its internationally-known Kägi, Roland, Gille, and Sørland Chips brands. The division's operations manufacture some 75 tonnes of these high-value products every day. Its consumer goods business with its attractive branded products supplements its European trading activities. With its own branded goods, Valora Trade is well-to-excellently positioned in high-price niches of its operations' home markets and selected export markets. Brand management has become increasingly important as competition has intensified. As a result, it has never been more essential to send both the consumer and the trade a strong message for their purchase decision by carefully positioning the brand. So Valora Trade attaches top priority to giving each of its brands a clear and consistent profile at both the trade and the retail level.

Net revenues per country				
in million CHF	2004	2003	2002	2001
Total Valora Trade	898	930	914	597
Switzerland	280	301	291	292
Central Europe	126	127	131	135
Northern Europe	492	502	492	169

**Roland: new "real. good" brand positioning achieved.** A genuine experience for quality-minded connoisseurs who want to give themselves and their loved ones something good:



that's the Roland brand. Whether it's for breakfast zwieback or crispbread or for crunchy aperitif pretzels, flutes and sticks, Roland's authentic natural ingredients, clearly sourced and carefully processed, are a guarantee of top-quality products and strong confidence in the brand. The rye flour, for instance, comes freshly-ground every day from Roland's own mill. And the authentically-wound pretzels are manufactured using a unique technology that puts them well above rival products in both quality and enjoyment terms.

The principles devised at the beginning of 2004 to ensure clear brand leadership for Roland have also been translated into a new packaging design. And the new and consistent brand positioning will be a key factor in further consolidating Roland's position in both its home market and in Germany, its prime export market.

**Kägi: a leading producer of wafer specialities.** With their traditional use of top natural ingredients and their special manufacturing processes, especially of chocolate, these unique "Swiss-made" bakery products are a clear cut above their mass-produced alternatives and a firm guarantee of top-quality taste.

With its chocolate-covered wafers, its Toggenburg wafers and its biscuits, Kägi has long enjoyed the confidence and loyalty of consumers and retailers alike in its home Swiss market. But the product's fame and popularity have spread far further, too, to Germany, Austria, the Middle East and Japan. Responding to current taste trends and (especially) new packaging formats, Kägi has also launched various new products over the past two years; and Kägi-fret "Coco" and Kägi-fretli "mini" were followed by the new Kägi-fretli "Rum" product in 2004.

**Top positions for Gille and Sørland Chips.** Gille and Sørland Chips have also clearly positioned their brands over the past few years and have thus achieved a leading and highly competitive position in their respective markets.

Gille is the clear leader in the Swedish biscuit market. Its oat biscuits tend to be stocked in bakery sections in Sweden; and the products are also carried by IKEA stores all over the world. Gille further raised sales in 2004 through strong export activities. Germany, Denmark and Norway are among the key markets here.

The company also installed and activated a new totally automatic production and packaging line in August 2004 to further enhance productivity. The new line, which was completed on schedule, is primarily intended for smaller packaged items whose production had previously been highly labour-intensive. The new facility should help Gille exploit the greater growth potential now being offered by the development of its markets outside Sweden.

Sørland Chips has enjoyed sizeable success since its relaunch in 2000. With its extensive frying and packaging expertise, the Norwegian-based company offers a uniquely fresh and crispy potato-chip product. The unorthodox brand identity – in terms of its packaging and its communications – has also proved a key success factor alongside the product itself: when presenting its chips, the company deliberately portrays itself as Norway's smallest potato chip factory that uses a small budget, wit and courage to successfully hold its own against its bigger competitors. The concept is consistently applied: with alternative promotion channels, for example, and in an advertising campaign that has earned a Cannes award. The company's share of its home Norwegian market has doubled to 15% in the last four years.



Roland:  
real.good.

Roland has long been a byword for top-class quality, authenticity and a unique taste experience. All of which are just what's needed for that aperitif with friends or that fun family occasion. A friendly, reassuring and credible brand, Roland is a guarantee of a quality food experience among the vast range of products that are available today.



Kägi/Toggenburger:  
unbelievably tempting

Kägi's famous wafers and biscuit specialities are a delight to the palate and the heart alike. Only the finest natural ingredients are used in their production: Kägi/Toggenburger has a long and proud tradition of producing to the highest quality standards. So it's hardly surprising that Kägi Fret, with its inimitable delicate coating, has been Switzerland's favourite chocolate snack for the last 50 years.

Net revenues per business area		
in million CHF	2004	2003
Total Valora Trade	898	930
Production Own Brands	199	231
Trade	699	699

**A strong market position for distributing fast-moving consumer goods.** Despite the general pressure on prices and margins, the advance of the discounters and growing price sensitivity among consumers, Valora Trade continued to maintain its role and profile as an exclusive representative of branded food and non-food items and of the division's own products, and to use its international distribution network and its local distribution expertise to help its clients gain and retain a strong and competitive position in their various markets. The service offerings structures are flexible; in certain markets, the division offers a full range of fast-moving consumer goods, or it acts as a niche player in the categories "confectionery" and "food".

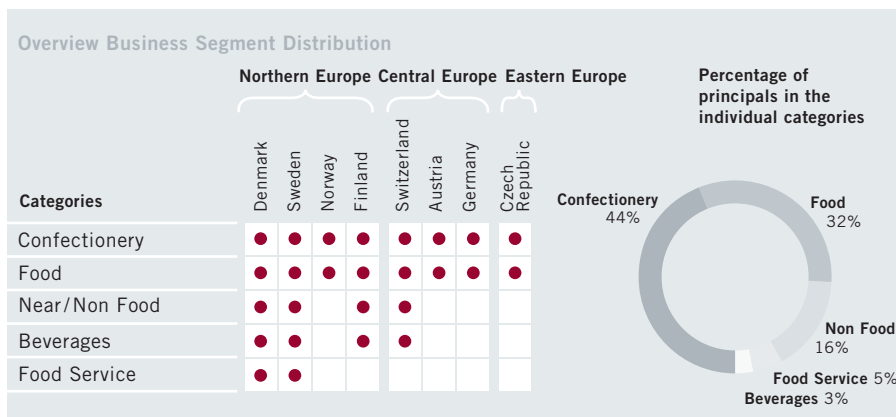
Valora Trade has a strong position in several key markets, and can draw on its particular skills in the trade marketing of various top brands to several major retailers. These activities extend to several goods categories including confectionery, food, near/non-food, food service and beverages, depending on the structure of the company concerned. In its category management activities, Valora Trade collaborates closely with various trade partners in and outside Switzerland.

**Strong distribution and marketing skills for individual needs-based market access.** Valora Trade not only boasts a comprehensive knowledge of the structures, trends and cultural peculiarities of its various sales markets; it also has strong contacts to the trading partners. With its extensive network of organisations in different countries, the division can devise and develop carefully-tailored distribution solutions that ideally meet the particular market requirements in each individual country. Valora Trade thus opens the door for its corporate customers to the various markets concerned. Access to these markets can be provided via wholesale or retail channels, depending on the customer's needs. It can, for example, be effected by involving the sister Valora Retail division, which offers a dense network of kiosks and further small-scale sales outlets. Whichever avenue is taken, Valora Trade's consistent adoption of a value-adding approach for all the market partners involved provides an ideal foundation for raising their sales and earnings results.

**Close partnerships: the key to success.** It is Valora Trade's close collaborations with leading food producers such as Ferrero and Kellogg's in Switzerland and Heinz in Scandinavia that are the key to the partners' shared success. These major principals are complemented by a portfolio of further branded products such as Ricola sweets and Ritter Sport chocolate.

**A marketing platform in response to current market trends.** Two tendencies currently dominate the retail trading sector. On the one hand, the business is seeing strong consolidation in Northern Europe, where three trading chains now account for some 85% of the total retail market. At the same time, the retailers – and the international principals in particular – are showing a growing interest in appointing a single competent

distribution partner to serve their entire market regions.



With its four distribution companies Consiva (in Denmark), OY Sunco (in Finland), Charles Petterson (in Norway) and Adaco (in Sweden), Valora Trade is excellently positioned to offer comprehensive distribution services to principals in Northern Europe. To further enhance the appeal of such services, the division is concentrating its distribution resources by creating an integrated marketing platform.

The new platform is intended to present a standardised competent market identity, optimise internal processes, achieve greater market penetration and to gain new international customers. The project is also designed to create new “service modules”, i.e. to divide the services offered into smaller individual packages which customers can select and combine according to their specific individual needs.

The marketing platform project was launched at the end of 2004 and is currently being implemented. Once the trial phase has been successfully completed in Northern Europe, the concept can be extended to other regions in which Valora Trade offers its distribution services.

**Simplified structures in Austria and Sweden to bundle available resources.** The division's two Austrian distribution companies of K. Schweigl and Plagemann Lebensmittelhandels GmbH have been amalgamated to simplify structures and workflows and better exploit the synergies available. The new merged company has also been under new management since October 2004. Resources have been similarly bundled in Sweden, with the total integration of the distribution company Again AB into Adaco AB.

**Warehousing processes optimised in Denmark.** With customer demands and expectations of delivery flexibility rising all the time, efficient logistics processes have never been more essential to a distribution organisation. Consiva, the division's Danish-based company, has enhanced its warehousing activities by adopting a new goods management system.

The new system, which came on line in September 2004, allows goods to be traced accurately and optimal regard to be paid to the expiry dates of the items stored. It also requires fewer personnel.



#### Gille – For good cookies

Gillebagaren's typical Swedish biscuits are made in Örkelljunga, a small town in the wooded north of the Schonen region. The biscuits are lovingly made to traditional Swedish recipes using top-class ingredients. Many Gillebagaren products contain oat flakes, and are thus well in tune with today's healthy eating trends. No wonder, then, that these classic Swedish oat cookies have found favour with young and old alike all over the world.

# Valora Imaging

Equipped to cope with technological change. With optimised processes and a new IT platform, Fotolabo is more than ready for digital photography and all its new demands. Stronger presence in digital film processing sector due to innovative products. The latest offering, Fotobook, has proved immensely popular.

Market position consolidated. Its partnership with Kodak Gold Club has provided Fotolabo with attractive synergies, an expanded customer base and 33% more sales.

## Key Figures

		2004	2003	2002	2001
Net revenues in million CHF	Total Valora Imaging	152	186	224	245
	in % of total Valora	5%	6%	7%	9%
Operating profit* in CHF. Mio	Total Valora Imaging	14	27	43	44
	in % of total Valora	12%	29%	25%	22%
Employees full time equivalent	Total Valora Imaging	648	714	842	1014
	in % of total Valora	8%	8%	9%	11%
Investments in million CHF	Total Valora Imaging	10	6	6	9
	in % of total Valora	17%	9%	10%	12%

\*Operating profit = EBIT before goodwill amortisation and gain/expenses due to focussing strategy



**André Hurter**, 47, CEO Valora Imaging, married, three daughters, St. Gallen University, Longines, IBM, Touring Club Schweiz, Cap Gemini Ernst & Young (CGEY)

'Keep at it' could be one of his life mottos: whether it is playing the piano, cycling or running Fotolabo, André Hurter never does things by halves. He wants to be one of the best. And he tackles his duty of getting Fotolabo fit for the future even in turbulent times with a sportsmanlike ambition. His aim: "To introduce new products, rationalise and optimise our digital production processes and make Fotolabo the market leader in the photo finishing sector." And he is well aware of the radical changes that such objectives entail.

A graduate of St. Gallen University, Hurter explains in clear and concrete terms why the photographic development sector is faring so badly. "Traditional photography using silver-based development methods is declining by up to 20 per cent a year, while digital photography is virtually doubling." Despite these trends, digital photography still only accounts for about 15 per cent of all photographic business. But the figure is rising: in three years, Hurter expects it to be around 50 per cent.

It is a revolution, and it is one that is prompting Fotolabo to make swift changes to its production. Re-equipping laboratories to handle digital photography costs millions of francs. And not only new machinery is required; the people involved also have to have different qualifications. "We used to need chemists," Hurter explains. "It's IT specialists now."

This native of Western Switzerland who has crossed the

Himalayas and the Sahara by mountain bike spent much of 2004 overseeing the realignment of Fotolabo's processing facilities to digital photography needs. The Online Prints unit was substantially upgraded and, as a result, achieved year-on-year growth of some 120 per cent. "If we want to be successful," Hurter explains, stretching his long legs under the table, "our innovations must always keep us a step ahead of our competitors."

An example? Fotolabo's "Fotobook" product, which enables customers to compile their own photo album on their computer screen, send it off and receive a bound print copy in return, was one of the hits of 2004. But it's another landmark that makes André Hurter particularly proud: Fotolabo's acquisition of Kodak's photo finishing laboratory. "I was very involved in that one," he says, in his fluent German with a French accent. Kodak benefited from the sale, too, gaining 2.5 million Fotolabo customers for its Kodak Paper products. "Just think," he exclaims, his finger raised. "That's over 5.5 million square metres of printed paper a year!"

André Hurter intends to further pursue his division's digital transformation in 2005. After all, Fotolabo is not yet out of the woods. "The environment may be difficult right now," he concludes, calmly finishing his tea, "but we'll continue to put our emphasis on our new IT track; and we'll keep on coming up with new products, too."

**"The photographic industry is being transformed. Up to 18 months ago, digital photography was only for freaks. Now it's a mass market: everyone has a digital camera. It's a challenge we're striving to rise to as effectively as we can."**



## On course for innovation in the digital photographic market

The photographic processing market is consolidating. After focusing on its core business, developing effective processes and forging new partnerships, Valora Imaging is now well placed, especially in the rapidly-growing digital photography market.

**A changing market.** The photography sector is currently undergoing radical change. Having been invented over 15 years ago and marketed (albeit on a small scale) for the last four to five years, digital photography is seeing a surge in popularity on an ever-broadening front.

The new technology made sizeable inroads into the popular photography sector in 2004. While the traditional photography business is on the retreat, digital photography has developed into a massive growth market. Sales of digital cameras are rapidly increasing, and the production of paper prints from digital photo files is witnessing a genuine boom.

**Two-track strategy and focus on individual customers continued.** For as long as traditional photography retains an adequate following, Valora Imaging will continue to pursue its current two-track business strategy. In the traditional photography field, the division will strive to maintain its present leading position in Europe's key mail-order markets; and in the rapidly-growing digital photo processing business, it aims to achieve a leading position in its existing markets and offer new digital products and services.

As previously announced, Valora Imaging disposed of its professional photo processing business in 2004. The sale will help the division maintain its prime position in its key markets by focusing resources exclusively on its individual customer business. The division now hopes to achieve a sizeable increase in the contribution of digital photography products and services to total sales: this stood at 15% in 2004.

**Synergies through partnerships.** In view of the consolidation in the photographic development market, Valora Imaging is also keen to bundle its resources and cement its market position through collaborations with partners. 2004 brought the conclusion of a long-term partnership with Kodak Switzerland under which Fitolabo Club assumed responsibility for the Kodak Gold Club brand in Switzerland at the end of the year. Fitolabo Club also acquired the Kodak Gold Club customer database under the accord. This unique opportunity should enable Fitolabo Club to raise both the production and the sales of its Montpreveyres laboratory by some 33%. The partners also aim to extend their collaboration to future digital photography technologies. Fitolabo Club further expanded its potential customer base through its acquisition of customer data files in Denmark (Apport) and France (True Foto), all of which have been integrated into its own customer database.

**Optimised processes in response to technological change.** With opposing trends currently being seen for the two technologies within the photographic processing market, a skilled approach is called for in handling the differing and ever-changing demand. Valora Imaging's response to this is its New Photographic Services programme, under which the division has gathered its technological and marketing resources to focus these consistently on renewing its photo processing laboratory systems and ensuring that they remain constantly aligned to changed and changing needs.

Highlights in these endeavours in 2004 included the establishment of the Open Processing Center, a facility that handles both analogue and digital orders in a single integrated industrial process from reception to dispatch. With its high adaptability, the new platform can be flexibly adjusted to accommodate both new technological developments and the rapidly-rising volumes of digital photo orders.

#### Products: digital

Digital Prints	Order of digital prints from digital files either online or offline. Can also be derivatives (e.g. "Fotobook").
CD/DVD	Digitalisation of silver-halide (analogue) 1st order negatives and burning of the pictures on CD.
Scanning Services	Digitalisation of old prints, negatives and slides as well as storage on CD.
Online Services	Range of Internet based services such as Online Album and Mobile Services.
Education Services	Training courses in the field of digital photography.
Digital Shop	Range of digital photography related products sold in mail-order and online shop.

**Attractive offers to raise Valora's digital photography profile.** In addition to traditional photo finishing, Valora Imaging offers various innovative digital services and products. Examples of these include online prints, internet photo albums and MMS-based photo services. The division continues to devise and develop further new products and services to add to the range.

One product line that has proved especially popular among corporate and private customers alike are personalised postage stamps featuring the user's own photo. The service was launched in collaboration with the Finnish Post Office in 2003, and was extended to private customers in 2004. The interest in such personalised stamps has now extended well beyond Finland: the Canadian Post Office has also incorporated them into its product range.

The "Fotobook" is a further new Valora Imaging digital product with strong success potential. The concept offers customers a software programme, available free from Fotolabo Club, that can be used to compile a personal album of digital photos. This can then be sent to Fotolabo to be printed to high quality and bound into a book. Launched in November 2004, the new service has been enthusiastically received, and its success to date has already exceeded expectations.



#### Fotolabo Club: your image solution company

With its innovative digital and analogue photography products, Fotolabo Club means professional photo quality for everyone. Its mail-order processing services offer excellent value for money. And its high reliability and quick delivery times are adding more and more satisfied people to its regular customer base.



# Lifestyle



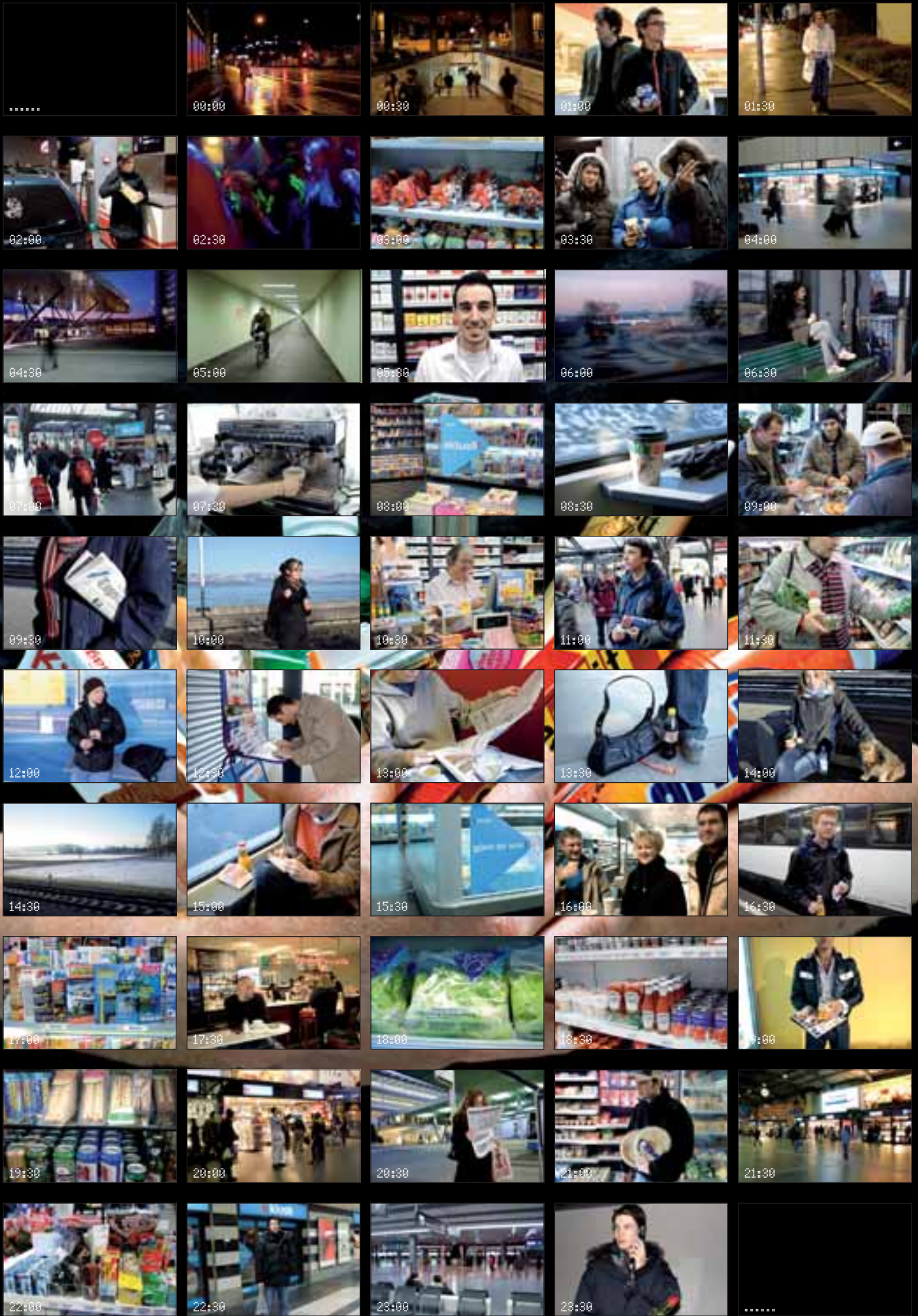
# Lifestyle

**As the years go by, it takes less and less time to traverse an ocean and more and more time to make the journey to work. Yet the mobility of people and goods are not only a consequence of our affluent society; they are also one of its foundations. Mobility has enabled new lifestyles to evolve. In all of those lifestyles, convenience plays a major part. Which, for the retail sector, means easy access to the shop and its products and services for people on the move.**

To Valora Retail, convenience means being close to the customer through existing and new formats such as kiosks, fuel station shops and smaller retail outlets at rail stations and airports. But alongside their closeness to their customers, these shops also owe their success to their flexible opening hours and (above all) the choice of products they offer, many of which can go virtually "off the shelf and into the mouth". Valora Wholesale is responsible for supplying these products, supporting both Valora's own small-scale outlets and those operated by other retailers.

**Pictures >** Close encounters with a selection of Valora retail outlets, all at half-hourly intervals





# Valora

## Management Services

**Groupwide service facilities.** Valora Management Services offers readily-available, efficient and cost-effective services throughout the Valora Group.

**Value added by bundling internal services.** Valora Management Services combines key central services to exploit internal synergies and ensure the continual enhancement of the Group's business processes.

**Attractive training opportunities.** The Group offers extensive training facilities with its Valora Management School for future executives, its varied apprenticeships and its comprehensive in-service training activities.





**Ruedi Keller**, 54, Executive Vice-President Valora Management Services, married, two daughters, laboratory technician, management and controller training, Swissair, The Nuance Group

'Valora' is written in white letters on the bright-red fist-sized ball that Ruedi Keller, Executive Vice-President Valora Management Services, has in front of him. It is something he squeezes when he is thinking up ideas. "Everyone should try it," he enthuses.

Ruedi Keller has seen a lot of the world. He spent long spells in Paris, Israel and India for Swissair. "I'm familiar with the flipside of life," he says. "I went through the Lebanon war, and I've helped at Mother Teresa's hospice. Those are formative experiences."

Since 2004 he has been busy developing Valora Management Services. His mission: to provide cost-effective services for all the Group's other divisions. "Those services have to be friendly, efficient and customer-focused," he explains, lighting a cigarette.

"Yes, I'm a smoker," he adds with a laugh.

The coloured files on his desk, all neatly ordered, testify to the diversity of Ruedi Keller's duties. Human Resources, IT, Business Development, Legal Services, Quality Management and Project Management: Ruedi Keller is a passionate supporter of all his various units. Legal Services and Quality Management are new arrivals; and Business Development now has a new cross-divisional function. His goals: to ensure that Valora maintains the same groupwide promotions policy, training concepts and regulations in the HR field. Or that the Group's IT services facilitate internal information flows.

**"Setting meaningful parameters can make a huge contribution to the value-adding process. That's why, wherever it's feasible and reasonable to do so, we strive to devise individual regulations and arrangements that fit into the countries and the strategies concerned and meet people's needs."**

Ruedi Keller spent the first three months in his new job travelling around, talking to the divisions. "I wanted to know what they expected and what their biggest problems were," he explains. "I got a lot of support, which was a huge help." That support is not self-evident: Keller's division issues regulations and directives that others have to observe. But it is also a source of experience that every employee can benefit from.

It is people who are important to Ruedi Keller. He wants to know what they like about working for Valora – such as the training opportunities, be they for apprentices, in the Runner-Up Team or at the Valora Management School, where career-minded employees can acquire skills to prepare them for a management position. "In all our training," Keller explains, "we want to show our commitment to helping our own people develop, and our belief in their abilities and potential."

Ruedi Keller is an advocate of direct communication: the door to his office is always open. All the key positions in his division have been occupied since November. It is a team of people who go out and say, "I am here to help you". But it is a team, too, that can make rules when it has to. "That's the hard part," Keller concludes, "being not just the helper, but the enforcer, too!"

## Process efficiency and synergies create added value

Efficient business processes are crucial to company success. By bundling the main internal services, Valora Management Services exploits synergies within the Valora Group. It also creates added value by constantly enhancing these business processes.

The Valora Management Services division was created to provide groupwide services at the beginning of 2004, and has been steadily developed since. The division comprises Corporate Human Resources, Corporate Information Services, Corporate Project Management, Corporate Business Development, Corporate Legal Services and Corporate Quality Management. With its focus on providing swiftly-available efficient and cost-effective services, Valora Management Services gives vital support to the Group's operating divisions. Corporate Project Management is the other divisions' partner for Valora's overall strategic intentions, supporting them in their various project endeavours. Corporate Quality Management monitors quality management activities throughout the Valora Group, and communicates the latest findings and developments in national and international quality standards. As an in-house IT service provider, Corporate Information Services professionally applies its expertise in the IT, retailing and press product fields to offer its customers state-of-the-art IT solutions that are aligned as closely as possible to their needs and make optimum use of all the synergies available. Corporate Business Development is charged with identifying business opportunities and risks and helping line units exploit or avoid them. And Corporate Legal Services assists and advises internal customers on all legal issues. In doing so, like its sister corporate units, Corporate Legal Services helps enhance business opportunities and lower business risks, and thus makes its own contribution to generating added value within the Valora Group.

**Our staff – a vital asset.** Through its Corporate Human Resources unit, Valora promotes and supports the groupwide development of its employees' professional and social skills, offering a wide range of internal and external development opportunities that are carefully tailored to their needs.

**Management training activities.** The cornerstone of Valora's management training is the well-established Valora Management School (VMS), which prepares employees with executive potential for their future management duties. The 2004 intake was the first to be drawn from various countries. The VMS not only offers initial and in-service management training that is specifically tailored to Valora Group needs; it also serves as a vital forum for an exchange of experience and perspectives among participants from various divisions, functions and countries, and thus also promotes intercultural understanding.



**Over 40 years of successful apprentice training.** Valora has been providing practical professional training for over 40 years and, in doing so, has also secured a large part of its own future skills needs. With the wide range of businesses in which it is active, the Group can offer impressive variety in the opportunities it provides to acquire practical professional expertise. To take just one example, the Kiosk Academy currently gives apprentices the chance to develop ideas for the Group's kiosk business and put these into practice, too. The Valora Group has steadily increased the number of apprenticeships it offers over the past four years. In doing so, it has made a concrete contribution to the current shortage of apprenticeships within Switzerland. The Group had about 120 apprentices in 2004. And it will be increasing this number to 150 in 2005 in Switzerland alone. 95% of final-year apprentices successfully completed their courses in 2004, and 80% of them were able to join the Valora workforce, ensuring that their skills and potential remained within the Group.

**State-of-the-art apprentice training.** Recent reforms in the Swiss education system, new professional training legislation and the changing demands for graduates' skills and abilities have all entailed modifications to the basic training offered in recent years. Valora has responded by revising its programmes and approaches. In line with the new requirements, specific clearly-defined and quantifiable performance targets have now been integrated into the various training courses, and the Group's entire training concept has been brought fully up-to-date.

Valora has also been actively involved in various reform projects since 1999. Switzerland's "KV" commercial training reforms, for example, have been applied at Valora since August 2003 following a pilot phase lasting around three years. These reforms will be extended to the sales field with the apprentice intake for 2005.

**Promoting sales personnel.** Valora Retail has the biggest payroll of all the Group's divisions, with a workforce of some 8 000 staff. Since most of these employees are involved in sales, the division has been working intensively on a new three-stage sales training concept over the last two years. Stage One, the basic training phase, familiarises personnel with current sales standards and their place of work. After completing this, career-minded employees can go on to Stage Two, which will equip them to act as deputy shop or kiosk managers. Stage Three serves as the division's in-house future management training programme. Employees showing particular development potential may also be invited to join the Sprinter Team, where they will be ideally prepared for future service as shop or kiosk managers.

The sales training concept is being constantly further refined. Since 2004, for instance, it has paid greater regard to the differing training needs of new managers promoted from within the Valora Group and those recruited from outside.

**Staff survey conducted.** Valora aims to remain fully abreast of its employees' wishes, needs and concerns. To do so, the Group conducts a survey on staff satisfaction every two years. One such survey was conducted in 2004; and the first results should be available by the end of May 2005. The previous survey revealed that staff satisfaction was highest in the "leadership" and "collaboration" fields. "Compensation", "training & development opportunities" and "information & communications" were also highly rated. A clear upward trend can be seen in these areas.

## Valora Finance

Internal financial services. Valora Finance works in close partnership with the operating divisions, assisting and advising them on key financial issues.

Effective control of increasingly complex business processes. With an improved internal controlling system Valora is preparing itself for the increasing exigencies of Corporate Governance.



**Markus Voegeli**, 43, CFO Valora, married, two daughters, Zurich University, Swissair Controlling, CFO of Nuance Global Traders, CFO of Swissôtel, CFO and CEO of Mediservice

Figures? Markus Voegeli punches them into his gold HP 12C calculator, a faithful companion since schooldays. "I can't do mental arithmetic," he confesses with a wink. "They're a necessary evil, all these numbers," he continues, "but they're a great way to get an insight into virtually any business." And the Valora Group – whose CFO this 43-year-old economist became in August 2004 is no different.

Markus Voegeli trained his keen eye for the relations between figures and business at Swissair, where he served as a controller. Subsequent appointments took him to Gate Gourmet, The Nuance Group and Swissôtel before he spent three years helping build up the Mediservice mail-order pharmacy business, which he ultimately headed as CEO. Throughout his career, he has always found figures a reliable guide. "Combining finance and business management does take some intellectual discipline," he concedes. "Castles in the air never earned much rent."

Hanging on the wall in his modern-style office with its view out over Bern's Bahnhofplatz is a photo of his four-year-old daughter, directly at eye level when he is sitting at his desk. He spends three days a week here, one in MuttENZ and one on his travels. When he joined the Valora Group Executive Management team, he found a concern in the midst of a radical transformation. "It was an exciting moment," he recalls. As virtually every division was headed

by a new appointee (or was still waiting for one), he was able to involve himself from the start and set fresh benchmarks and parameters with his new colleagues.

For someone like Markus Voegeli, who has led less well-endowed ventures in his time, Valora is something of a paradise with its equity ratio of over 40 per cent and its stable cash flow. Nevertheless, with the restructuring it has been negotiating and the present business environment, there have been some tricky situations to deal with that

**"One of the prime duties of a CFO, especially in the retail business, is to convey the company's financial rules and regulations. You have to be an outgoing organisation that communicates in a way that people understand."**

have posed interesting challenges for the new CFO. Last year saw the disposal of several non-core businesses and a focus on the Group's core competencies. So where to next?

Where does Valora intend to invest in the future? Voegeli feels duty-bound to let investors know: "I want to be able to say in clear and simple terms what path we aim to take."

External communication and contacts with investors are top Voegeli priorities. This CFO is not a deskbound operator. He wants to spread the word, at roadshows, at meetings with investors and in discussions with financial analysts. "A CFO should be out on the front line," he maintains. And, having spent many years in Australia and New York, he sees Valora's financial virtues in solidly Swiss terms: "stable", "reliable" and "sound".

## Internal controlling with risk-oriented approach

Valora Finance acts as an internal provider of accounting, controlling, financial risk management, treasury, tax and investor relations services within the Valora Group. The division further refined the professionalism of its business processes in 2004.

One of the prime duties of Valora Finance is to ensure the transparency of results. The division also provides decision-making documentation for internal customers, and assists them in implementing their strategies and supports them at various levels in their day-to-day business activities. Valora Finance thus assumes cash management duties for the operating divisions, imparts financial expertise through specific training events and its close daily collaborations with individual units, and is responsible for conducting inventories of the Group's own retail outlets. This last duty entails over 1 700 inventories a year, with the outlet remaining open throughout to prevent any inconvenience to customers. Valora Finance also devoted extensive resources to supporting the Valora Group in its implementation of the focus strategy in 2004. All these activities demand a comprehensive knowledge of the processes within all the Group's divisions along with a close and constructive collaboration with the various units involved. Valora Finance also conducts periodic assessments of financial and investment risks, and optimises financing arrangements to provide the Group with a sound, sustainable and fiscally attractive financial foundation. Last but not least, it maintains contacts with investors and financial analysts – a role that demands an extensive expertise in the various business processes, an expertise which is itself assured through its controlling and accounting activities within the Group's divisions.

**Internal auditing.** Given the rapid changes in the business environment today, with ever more complex processes, increasingly dynamic markets and growing stakeholder expectations, the need has never been greater to monitor company activities with due and full regard to all the risks involved. This also extends to continually reappraising, questioning and adjusting even tried-and-trusted business processes.

The Valora Group relies on having an effective internal auditing facility to identify, evaluate, manage and reduce the risks that may threaten further corporate success. In establishing its Internal Auditing unit, the Group has underlined its commitment to and its awareness of financial safety and security concerns. In Ernst & Young, the Group enlisted the services of a reliable neutral partner in 2004 to assist with its internal auditing activities.

**Internal control system established.** The need for an effective internal control system or ICS has grown steadily at Valora over the last few years. The increasing complexity

of the Group's business processes in particular has heightened the need for reliable and effective corporate controls. In view of this, and also of the extended corporate governance requirements and the associated expected new legislation in Switzerland and the European Union, the Valora Group resolved in 2004 to introduce a new group-wide internal control system. In doing so, the Group is also following the relevant guidelines issued by the SWX Swiss stock exchange authorities.

Valora defines its ICS as a process practised by its top management bodies, its middle and lower management and all the other corporate units involved which must ensure:

- the effectiveness and efficiency of core and support processes and value-adding chains
- the reliability of financial reporting
- the observance of applicable law and legal provisions and of internal and industry guidelines and standards.

The ICS extends to all levels of the Valora Group, and demands a high degree of individual responsibility from every employee.

Valora's new ICS strategy was approved by the Board of Directors and Group Executive Management in November 2004, has been in effect since January 1, 2005 and applies throughout the Valora Group. The appropriate priorities are specified in the ICS implementation plan, which also defines when the ICS strategy will be implemented in each unit, value-adding chain and process and in ICS-relevant projects.

## Social Commitment

## Social commitment: an attitude and an obligation

Even in a challenging economic environment, the Valora Group is determined to acknowledge and live up to its social responsibilities. And it fully intends to do so both in its own business activities and beyond these immediate areas of influence.

**Higher minimum salaries for sales staff.** In appreciation of their loyalty and commitment, the Valora Group granted its employees a general 1.5-per-cent salary increase in its 2004 salary negotiations. Despite the adverse business environment and in addition to these salary increases, Valora also raised the minimum salaries paid to its retail staff. This exceptional salary increase entailed rises of up to 8 per cent, and was warmly welcomed by the personnel concerned.

**A fair and socially acceptable focus strategy.** As part of its overall focus strategy, the Valora Group disposed of a number of businesses which were not among its core activities in the course of 2004. In putting this difficult decision into practice, Valora made every effort to seek fair and socially acceptable solutions for all the individuals affected. This included finding the most suitable purchasers possible for the businesses concerned. And this in turn entailed extensive assessments of various social considerations before any such sale was effected, including the security of the business location, job retention prospects and the candidate buyer's future business plans.

By adopting this approach, Valora was largely able to find buyers whose corporate portfolios would be meaningfully augmented by the acquisition and who would continue to operate the businesses concerned. With the sales of Again Produktion, Professional Imaging and the Schirmer coffee-roasting business, the goal was achieved by arranging a management buyout by the current top management teams. But Merkur Kaffeerösterei Zollkofen, the Merkur speciality shops, Dolmetsch and the BSV book rack jobbing businesses, too, were all sold to buyers who offered the best possible prospects of continuing to operate and further develop the businesses:

- Drie Mollen Holding B.V. is one of Europe's biggest coffee-roasting operations;
- Confiseur Läderach is a leading player in the manufacture of high-quality chocolate and confectionery specialities;
- Niclas AG is active throughout Europe in the duty-free and travel retail sector;
- Buch-Vertrieb GmbH Wilen has the book sector as one of its core business activities.

As a result of this approach, some ninety per cent of the personnel affected by the Valora Group's divestitures in 2004 were able to transfer to their new employers under the same terms of employment that they had enjoyed as Valora employees. For the others, individual solutions were found to transfer them to other areas within the Valora Group or place them with other companies.

**A 15-year involvement in a “direct aid” project in Guatemala.** Around half the population of Guatemala, the coffee-growing country in Central America, still live in great poverty – mostly indigenous families living in rural areas, who have difficulty meeting even basic subsistence needs. In view of this, the then Merkur Kaffee, now Valora, approached the Vivamos Mejor charity in Bern and Panajachel in Guatemala back in 1989 and asked them to design a specific development project to help the people concerned. Vivamos Mejor, which was founded in 1981, provides assistance for thousands of severely disadvantaged children, adolescents and families in Latin America every year, and thus seemed an ideal project partner.

The aim of this particular project was to engineer a permanent improvement in the quality of life for particularly underprivileged population groups. The poorest families were to be helped by building 30 to 40 safe and practical houses a year, suited to local conditions and needs, in which they could live a decent life. The house construction project was embedded in a complementary development programme by Vivamos Mejor which was based on the principle of “straight and direct aid”. Education, health, nutrition, small-scale business and better revenues from coffee production were as much a part of the overall project as getting the families for whom the new homes were intended to play an active part in their construction, with the help of specialist instruction and advice.

The results of this 15-year collaboration have been extremely impressive. A total of 516 houses have been built for the poorest rural families in the Atitlán region and in Gualán in Eastern Guatemala, with some 35 families helped every year. Around 1 650 youngsters and adults have been trained “on the job” during the construction of these homes, learning building, joinery, electrical, plumbing and brickmaking skills. In this sense, the housebuilding project has clearly achieved its goal of helping others to help themselves. As a result, now that the project is completed, these construction activities can continue independently under a local homebuilding association.

**A sponsorship contribution to a library for blind and sight-impaired children.** With public-sector spending under increasing cost pressures, many institutions are finding it increasingly difficult to ensure that essential projects receive the support they need. The School for Blind and Sight-Impaired Children in Zollikofen, Switzerland, is one such institution. The school, which provides vital services and facilities for a wide region and beyond, needed urgent assistance to refurbish its library.

Working together with the Swiss-Liechtenstein Kiwanis Society, Valora responded by agreeing to be the prime sponsor in financing the library project. The Kiwanis are an international organisation which is primarily concerned with supporting disadvantaged individuals or groups. Working under the motto of “Building Bridges for Kids”, the Swiss-Liechtenstein Kiwanis strive to help children and adolescents in need. Their 2004 campaign enabled the School for Blind and Sight-Impaired Children to fully finance its library refurbishment project.



## Environmental care

## Extension of logistic infrastructure for PET recycling

When it comes to caring for the environment, every effort helps. The Valora Group minimises the ecological impact of its activities wherever it can. And, in the disposal of recyclable drinks bottles, it plays a particularly active role.

A trading company can also contribute to the protection of the environment and resources. Valora has been involved with PET recycling for years. In the production sector, Valora takes every opportunity to use resources as sparingly as possible – by reducing energy consumption, optimising packaging and adopting ecofriendly waste management methods. Valora Imaging also produces a sizeable tonnage of chemicals each year. These are recycled wherever possible, or are disposed of as special waste. Regular checks by an independent laboratory confirm that these arrangements comply with all the relevant environmental legislation.

**PET recycling.** Over 1.2 billion PET bottles a year are in circulation nowadays in Switzerland alone, and the volumes are growing all the time. PET recycling produces no pollutant emissions, permits sustainable savings in non-renewable resources such as crude oil and natural gas, and saves 60 per cent of the energy that would be required to manufacture a new bottle.

PET recycling in Switzerland is governed by the official Ordinance on Beverage Packaging. Under this ordinance, every sales outlet that sells beverages in disposable PET packaging is obliged to accept back all types of empty PET drinks bottles. The goal of the Swiss Agency for the Environment, Forests and Landscapes – which is also prescribed by law – is to achieve a countrywide PET bottle return rate of at least 75 per cent. If this target is not met, a compulsory deposit may be introduced on every disposable bottle. This would entail both additional administrative work for the sector and costs for the consumer. With a return rate of 73 per cent for 2003, further efforts are required to meet the legal minima. Valora has been striving for years to help raise PET bottle return rates, in close collaboration with PET Recycling Schweiz, the Swiss PET recycling association.

**Intensified efforts to raise return rates.** As a partner of PET Recycling Schweiz, Valora Group member Transport- und Presseservice (TPS) has been collecting returned PET bottles not only from Valora Retail's sales outlets but also from those of third-party retailers. TPS delivers supplies to its customers and takes the empty PET bottles back on its return journey. The arrangement makes optimum use of the existing logistics flow, avoiding extra trips with their additional fuel consumption and associated pollutant emissions.

Valora marked a further milestone in expanding its collection network in 2004: a hundred more kiosk outlets have had their own PET containers since June of last year. The new facilities permit a thousand more disposable drinks bottles to be collected every day and sent for recycling. PET containers are also provided at fuel station shops, some of the most important collecting locations in PET recycling strategy. A further 28 fuel station shops were provided with such PET collection facilities in 2004. Valora has also been active above and beyond its legal obligations on the environmental front. Working with PET Recycling Schweiz, the Group wrote to 2'000 retailers which it supplies, urging them to actively collect empty PET bottles and make use of the logistics facilities that TPS provides.

**Valora Holding AG**

Bahnhofplatz 10  
 3011 Berne, Switzerland  
 Phone +41 58 789 11 11  
 Fax +41 58 789 11 12  
 www.valora.com  
 info@valora.com

**Valora Management AG  
Corporate Communications**

Bahnhofplatz 10  
 3011 Berne, Switzerland  
 Stefania Misteli  
 Phone+ 41 58 789 12 01  
 Fax + 41 58 789 11 13  
 stefania.misteli@valora.com

**Valora Management AG  
Corporate Investor Relations**

Bahnhofplatz 10  
 3011 Berne, Switzerland  
 Hanspeter Staub  
 Phone+41 58 789 13 42  
 Fax +41 58 789 11 13  
 hanspeter.staub@valora.com

**Valora Management AG  
Valora Management Services**

Bahnhofplatz 10  
 3011 Berne, Switzerland  
 Phone+41 58 789 11 11  
 Fax +41 58 789 11 13  
 www.valora.com  
 info@valora.com

**Valora Management AG  
Valora Finance**

Bahnhofplatz 10  
 3011 Berne, Switzerland  
 Phone+ 41 58 789 11 11  
 Fax + 41 58 789 11 13  
 www.valora.com  
 info@valora.com

**Valora AG  
Valora Retail**

Hofackerstrasse 40  
 4132 Muttentz, Switzerland  
 Phone+ 41 61 467 20 20  
 Fax + 41 61 467 29 70  
 www.valoraretail.com  
 info@valoraretail.com

**Valora AG  
Valora Wholesale**

Hofackerstrasse 40  
 4132 Muttentz, Switzerland  
 Phone+ 41 61 467 23 88  
 Fax + 41 61 467 29 46  
 www.valorawholesale.com  
 info@valorawholesale.com

**Valora Management AG  
Valora Trade**

Bahnhofplatz 10  
 3011 Berne, Switzerland  
 Phone+ 41 58 789 11 11  
 Fax + 41 58 789 44 12  
 www.valoratrade.com  
 info@valoratrade.com

**Valora Imaging**

1099 Montpreveyres, Switzerland  
 Phone+ 41 21 903 04 00  
 Fax + 41 21 903 04 70  
 www.valoraimaging.com  
 info@valoraimaging.com

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