

Letter to shareholders

Dear shareholders,

Over this last year, our business model has demonstrated that it can also hold its own in a challenging, fiercely competitive retail market, thus enabling us to achieve ambitious economic objectives.

During 2016, we completed the integration of Naville by incorporating some 180 Naville outlets into our Swiss retail network and successfully selling the company's logistics and distribution business. As a result, Valora is now a pure retailer, able to focus its attention solely on its core business and its future growth.

Last year, besides further optimising our excellent network of prime locations, we also added a number of new outlet sites. These improvements, coupled with the product-range and cost-cutting initiatives we also carried out, resulted in a marked improvement in our overall margins.

We are particularly pleased that by systematically implementing our strategy of focusing on our core business we have been able to regain the confidence of investors and analysts. Our policy of clearly communicating our ambitious objectives for profitability, growth and operational excellence, and then achieving those targets, has manifestly paid off. The CHF 72 million of EBIT we generated in 2016 enabled us to outreach our earnings goals. As projected in 2015, we also succeeded in raising our return on capital employed to more than 8%. In addition, 2016 saw a further improvement in our EBIT margin, and we are now making progress towards the 4% target we plan to achieve from 2018. This positive operational performance strengthens our capital base, thus enabling us to finance the additional growth we aim for in the years ahead. Given these growth plans, we expect future annual investment spending to be slightly higher than in recent years.

We plan to increase revenues by opening new outlets and further extending our food and services offerings. At Food Service we are investing in the expansion of both our pretzel produc-

tion capacity and our international network. By adding new service offerings, we also plan to raise our profile as a service provider, thus responding to the new customer needs and societal trends that characterise the digital age. This requires innovation, an area in which our Valora Lab is making an important contribution by developing digital solutions that are both simple and practical. Thanks to our digitalisation projects, we intend to focus our offerings more closely on the needs of our customers.

Every day, these major dynamic processes place considerable demands on our entire organisation. We, the Board of Directors and Group Executive Management, are well aware of this and would like to express our heartfelt thanks to our employees for the enormous commitment they bring to their work. We are delighted to see the energy that everyone involved is putting into these projects and the active part they are playing in shaping Valora's future. That energy is exactly what we need, because in order to compete successfully and to expand our business, we need to be both flexible and fast. Faster than our competitors.

Alongside all these initiatives to grow our existing business, we also regularly evaluate possible acquisitions. We were able to realise one such opportunity in early 2017, when we acquired Pretzel Baron in the United States. This aspiring young pretzel producer will further add to our output capacity in this growing business area, thus enabling us to focus more closely on the potential offered by the US market.

In 2016, we initiated numerous projects which will provide an excellent basis for our expansion plans over the medium and long term. With the strengthened organisational structures we now have in place, we are well placed to implement these plans, thus positioning ourselves as a powerful, agile retailer and convenience store operator. That is what keeps Valora attractive, both for our shareholders and our employees.

We would also like to take this opportunity of thanking our customers who visit us every day for their loyalty and to express my thanks to our business partners for their valuable collaboration with us. We appreciate your support and we will continue to do everything in our power to remain a reliable and committed partner in the years to come.

Our thanks also go to you, our esteemed shareholders, for your support and for the substantial trust you have placed in us. We are pleased to be able to recommend a dividend of CHF 12.50 per share at the 2017 Annual General Meeting.

We would also like to advise you of the forthcoming Board changes. As previously announced, Rolando Benedick will be relinquishing his office as Chairman. The Board of Directors recommends that Franz Julen, who has been a Board member since 2007, be elected as its new Chairman. His election, and that of a new Board member, will be recommended to the Annual General Meeting on March 30, 2017.



Rolando Benedick
Chairman of the Board of Directors



Michael Mueller
CEO