valora

ANNUAL REPORT

TABLE OF CONTENTS

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 production 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

A message from the Chairman

Dear shareholders,

I took office as Chairman of Valora's Board of Directors in late January 2008. Back then, Valora was going through a turbulent time, both with regard to its people and its business. The company was a conglomerate and practically all its divisions were facing major challenges. The main problems were saturated markets which were often contracting, fundamental structural changes affecting the wholesale and retail sectors, a number of businesses operating at sub-critical mass and underinvestment in some business units. Meanwhile, consumer needs were evolving ever more quickly, partly as a consequence of increasingly widespread digital communication.

To address this situation, we decided to concentrate all our efforts on strengthening our core areas of expertise and enhancing our market position. That meant focusing on small-outlet retail at heavily frequented locations and adapting to the changing needs of our customers. To achieve that focus, we sold units such as press wholesale, the Trade division and, more recently, Naville Distribution, none of which were part of our core business. Conversely, we bought Convenience Concept in Germany, Ditsch and Brezelkönig and the Naville kiosk chain – acquisitions which have enhanced our opportunities for growth and have demonstrably improved our profitability. We are also, thanks to our own output, one of the world's leading pretzel producers. The production facility we acquired a few weeks ago in the United States will provide us with further potential for expansion in this exciting market. While this list is not exhaustive, it demonstrates the unmistakable direction our business has taken in recent years. Today, Valora has two clear attributes, a strong retail distribution network and increasing vertical integration.

In parallel to its decision to change the focus of the Group's business the Board also resolved to make the complex structure Valora then had fundamentally simpler. In order to achieve sustainable economic success, a lean, efficient organisation focused on its *customers is every bit as important as pursuing the right strategy. That was true in 2008 and it is equally true today. Over the years, the Board, our management and our many committed employees have worked together to change Valora, fundamentally and forever. Today, our company is more agile, more entrepreneurial and more innovative and it has a corporate culture which is both open and direct.*

During my time as Chairman I have been able to rely on very good managers. Every day, they and their teams have achieved impressive results, transforming Valora into a modern, customer-oriented company. Thanks to their efforts, Valora is now clearly focused, profitable and able to look forward to exciting prospects for future growth. Our persistent pursuit of business focus and the organisational changes we have made have proved worthwhile and I draw much satisfaction from that.

I have carried out my duties at Valora with great enjoyment and passion. Now, with this transformation complete, I am pleased to entrust the company to my designated successor at the forthcoming Annual General Meeting. This is the right time for me to leave the Valora Board and to observe its future business success as a shareholder. I am also convinced that with his substantial expertise in international retail and franchising, my designated successor Franz Julen will prove an excellent Chairman of Valora's Board of Directors. I wish him much success and satisfaction in his new duties. I would also like express my gratitude to my other Board colleagues. Over the years we have had many intense and constructive discussions and we have worked together very well, for which I am extremely grateful.

I would like to express my special thanks to you, our shareholders, for the continuing confidence you have displayed in me personally. My sincere thanks also go to all our employees, business partners and customers for their commitment, trust and loyalty. Valora is very well placed for the next phase of its expansion.

I wish you all the very best for the future. Above all, I wish you much joy in your company.

Yours sincerely,
Rolando Benedick

Key financial data

		31.12.2016	31.12.2015	Change
External sales [1]	**CHF million**	**2 573.6**	**2 550.2**	+0.9 %
Net revenues [1]	**CHF million**	**2 095.0**	**2 077.4**	+0.8 %
EBITDA [1]	**CHF million**	**127.6**	**117.6**	+8.5 %
in % of net revenues	%	6.1	5.7	
Operating profit (EBIT) [1]	**CHF million**	**72.3**	**55.1**	+31.1 %
in % of net revenues	%	3.4	2.7	
Net profit Group [1]	**CHF million**	**62.5**	**46.8**	+33.5 %
in % of net revenues	%	3.0	2.3	
in % of equity	%	11.8	9.2	
Net cash provided by (used in) [1]				
Operating activities	CHF million	113.0	125.5	−9.9 %
Ordinary investment activities	CHF million	−40.4	−43.2	−6.4 %
Free cash flow [1]	**CHF million**	**72.6**	**82.3**	−11.8 %
Earnings per share [1]	**CHF**	**17.27**	**12.51**	+38.0 %
Free cash flow per share [1]	**CHF**	**21.74**	**24.52**	−11.3 %
Number of outlets operated by Valora		**1 872**	**1 838**	+1.8 %
of which agencies		1 014	990	+2.4 %
Number of franchise outlets		**543**	**471**	+15.3 %
Net revenues per outlet	CHF 000	1 119	1 130	−1.0 %
Share price	**CHF**	**289.25**	**209.00**	+38.4 %
Market capitalisation	**CHF million**	**972**	**694**	+40.1 %
Cash and cash equivalents	**CHF million**	**159.4**	**116.3**	+37.0 %
Interest-bearing debt	**CHF million**	**361.9**	**368.1**	−1.7 %
Equity	**CHF million**	**530.9**	**506.0**	+4.9 %
Total liabilities and equity	**CHF million**	**1 167.2**	**1 220.2**	−4.3 %
Number of employees [1]	**FTE**	**4 228**	**4 349**	−2.8 %
Net revenues per employee [1]	CHF 000	495	478	+3.7 %

All totals and percentages are based on unrounded figures from the consolidated financial statements.
[1] From continuing operations

Key financial data

EBITDA

in CHF million

2015
117.6

2016
127.6

Free cash flow

in CHF million

2015
82.3

2016
72.6

EPS

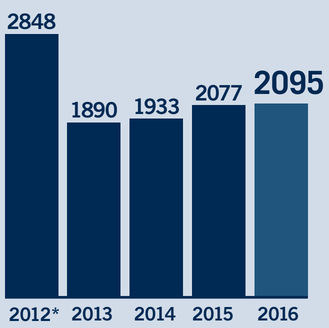
in CHF (from continuing operations)

2015
12.51

2016
17.27

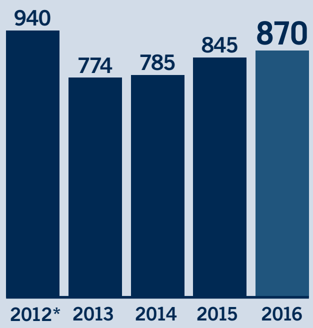
Net revenues

in CHF million



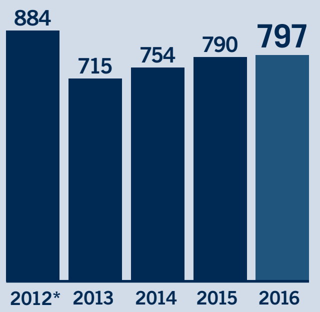
Gross profit

in CHF million



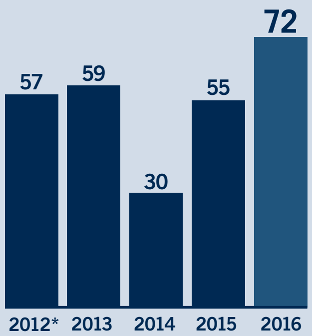
Operating expense (net)

in CHF million



EBIT

in CHF million



Investments

in CHF million

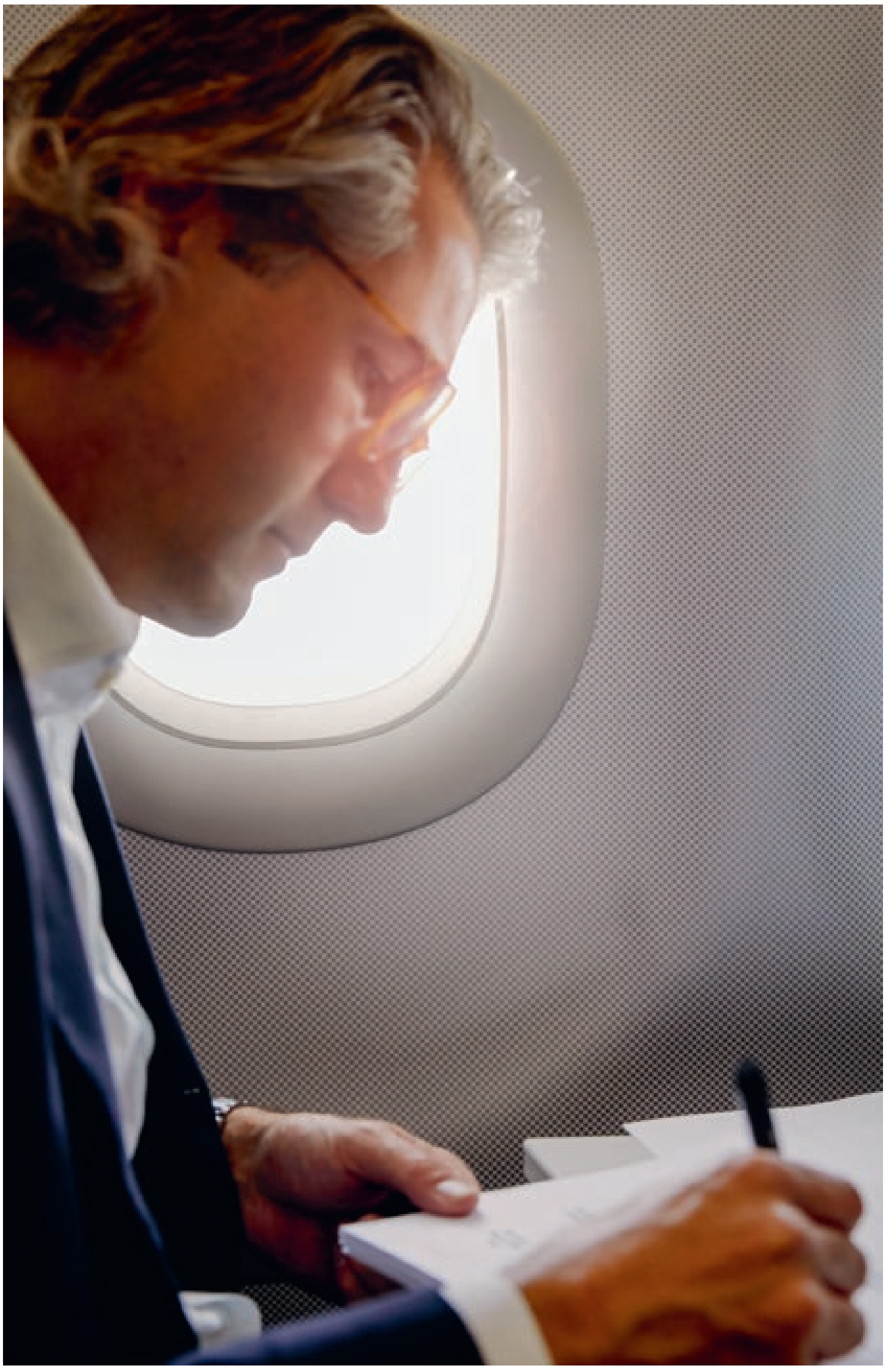
Employees

number of employees (FTE)

*The figures for 2012 include the results of the Services and Trade divisions.

"We have completed the process of transforming the Group into a focused convenience and food service provider."

Michael Mueller
CEO Valora



Michael Mueller, did Valora definitively complete its transformation process in 2016?

I am now convinced that the work we have done in recent years has created what from many points of view is an excellent basis on which we can now build for the future. The results we achieved last year already exceeded expectations. That reflects the substantial progress we made in implementing our focused business strategy and the fact that the transformation process at Valora is now largely complete. And, most importantly of all, during this period we have delivered what we promised. However, we will also need to continue developing in the year ahead, so that we can keep pace with the evolving needs of our customers.

So you are pleased with Valora's performance in 2016?

In an environment where all retailers are finding the going tough, we raised our external sales by +0.9% to CHF 2,574 million thanks to good operating performance in all our businesses. Retail Switzerland achieved a further significant increase in earnings, despite slightly lower Sales. Retail Germany again raised its earnings, partly thanks to a positive 2.3% increase in same-store sales. Our Food Service business also grew its revenues substantially, most notably at Brezelkönig. Given the adverse impact of increased factor cost, Food Service's operating results can also be seen as satisfactory.

What do you see as the milestones in 2016?

We measure our progress along four strategic dimensions; efficiency, growth, innovation and performance oriented culture. In 2016, we achieved progress in all four of those dimensions, most notably by raising our efficiency levels. By sell-

ing Naville Distribution we were able to complete the process of transforming the Group into a focused convenience and food service provider.
Last year, we focused on the further optimisation of our outlet network in Switzerland and Germany, the expansion of our Ditsch/Brezelkönig retail formats. At the same time we have strengthened our integrated value chain with our ok.– brand in Germany, our Caffè Spettacolo brand in Switzerland and Germany as well as the growing use we are making of our Ditsch bakery products at our convenience stores. We have also continued to expand our production capacity of pretzel and other bakery products for third-party customers. And that is not all. We have also enhanced our culture and our organisation significantly.

Has the Naville acquisition now definitively been completed?

On the one hand we have successfully incorporated Naville's retail business into our organisational structure. On the other hand by selling Naville Distribution to the 7Days Group and disposing of the Naville building in Geneva we have successfully completed the rest of the transaction. Given our focused business strategy, the sale of Naville's logistics and distribution unit was a logical step. Thanks to the Naville acquisition and the reorganisation of our existing Swiss retail business which we had already initiated in 2015, we were able to capitalise on useful synergies in 2016, such as operating from one single platform and being able to carry out the same promotions at significantly more outlets.

You often mention synergies and increased efficiency and synergies. Does that mean that Valora's principal focus in 2016 was on costs?

Obviously it is important for us to be very aware of costs. We aim for high levels of operating efficiency in all our businesses in order to perform successfully in the face of tough competition. To achieve that we also intend to make increasing use of a uniform platform for all our businesses. As an organisation, we want to combine our energies so that we can be more dynamic, decisive and innovative. An important observation for me has been that our employees are putting a lot of motivation and commitment into moving in this direction and that signs of positive change are already apparent. We have become more agile and are more open to new ideas.

In the past you have said that you would like Valora to be perceived more as a service provider. How exactly do you see that expressing itself?

In 2016, we already launched a number of new service offerings which will help us achieve that goal. These include the mobile phone battery rental service we operate with battere and the option we offer our customers of paying for Air Prishtina tickets at our kiosks. We are also expanding our existing offerings, such as our package service, and creating new loyalty programmes for our customers. Our objective is to enhance the Valora shopping experience and to use the direct contact we have with our customers to offer new services. As part of these endeavours, we are also focusing intensely on the possibilities opened up by digital communication. There is still plenty of potential in our other markets, particularly Germany, as not all the new services we currently offer in Switzerland are yet available elsewhere.

Can you give some examples of new digital offerings that have been introduced recently?

New digital solutions are always about generating added value for the customer. We have realised initial projects in a number of areas. There is a pilot project in Zurich analysing customer footfall, we introduced the Caffè Spettacolo app for remote ordering and payment, we have a scan&go pilot project running at some outlets, which speeds up transaction volumes during the rush hour, we have created a Retail analytics team and our bob Finance subsidiary now provides consumer loans.

How are Valora's new financial services performing?

In its first year of operation, bob Finance achieved positive life time value, which means that the present value of the projected interest payments on the loans it has granted is greater than its current operating costs. The other financial services we offer are also performing well. More than 220000 of our customers now use our ok.– prepaid Visa and Mastercard service. The possibility of being invoiced for services and paying for them at our kiosks is also very popular, because it meets a specific customer need. Currently, this service is available for providers such as Starticket and Air Prishtina.

How is the traditional kiosk business doing?

It is part of the core business of our Convenience and Food Services network. Over the last three years we have shown that we can achieve successful results with this business despite the pressure especially on our press products. That success is also demonstrated by the extremely positive margin trends we are achieving.

Where do you see the main potential for growth?

There is very clear potential in further expanding our food and beverage offering across our kiosk and convenience-store network. That is why we equipped some 100 outlets in Switzerland with Starbucks coffee machines last year and set up Caffè Spettacolo machines in some 650 outlets. The Caffè Spettacolo machines will be rolled out to German outlets in 2017.

"New digital solutions are always about generating added value for the customer."

Coffee at a kiosk? Does that work?

Although the roll out was not fully completed until the end of the year, in December alone we increased the quantity of coffee we sold by 27% and raised our coffee revenues by an even more impressive 35%. Moreover, as with all our other new offerings, the coffee attracts new customers, who generally buy something else as well.

What formats does the Retail division's market presence comprise?

Our five formats – k kiosk, avec, Press & Books, Service Store DB and Cigo – operate in four countries, with Germany and Switzerland being the most important markets. In Germany, we successfully launched our ok.– energy drinks in 2016, selling more than 6 million cans. Our private label ok.– brand is already well established in Switzerland, and we intend to deploy it more actively in Germany in future. We also fine-tuned our existing German formats. This included placing further emphasis on Cigo's role as a specialist tobacco retailer and introducing a new fresh-produce concept for our avec. convenience stores.

So, Valora is now growing again in Germany?

Both in terms of its results and its quality of organisation. We have strengthened the management team, our structure and processes are more clearly defined and our new financial controlling arrangements mean that we can steer the business more precisely and immediately. Our core food and tobacco ranges performed very successfully in 2016, thus more than compensating for the decline in press turnover on a same-store basis.

How are things in Switzerland?

With increased earnings and a +0.9% improvement in its EBIT margin, our Swiss business is well on track. This is principally attributable to increases in operational efficiency, lower cost, the improvement in gross margins resulting from the higher revenue generated by promotion campaigns.

Did the huge lottery jackpot in late 2016 help the Swiss business?

Lottery tickets are still an important part of our business, partly for the footfall they create and partly for their margins. The staff at our kiosks can always gauge how big a jackpot is. However, the record jackpot in late 2016 did also mean much more work for our staff and longer waiting times for our customers.

In Switzerland, Valora also encountered criticism last year, with the Syna trade union repeatedly describing kiosk staff pay as being too low.

Pay is only one of many factors contributing to employee satisfaction, as our employee survey clearly demonstrated. After Syna terminated our existing general employment contract at the end of 2016, we found a competent and constructive new partner in KV Schweiz, the Swiss Association of Commercial Employees.

Valora's agency partner model was also criticised by the trade union.

For many years, Valora has been operating a very successful agency and franchise system at many of its outlets in both Switzerland and Germany. We have long-term working relationships with a lot of agency and franchise partners and are attracting new partners to our network every year. Syna took the view that our independent agency partners as well as their collaborators should qualify as Valora employees. That contention was clearly refuted by an arbitration court in early 2016. We remain committed to this model, because it provides motivated people with an opportunity of becoming entrepreneurs and to establish a business of their own with the support of a strong partner.

Alongside Retail, Food Service is the second pillar of Valora's business. How did that perform in 2016?

We need to distinguish here between the B2C and B2B businesses. Our B2C business, where we sell directly to end customers, mainly comprises our Ditsch formats in Germany and our Brezelkönig and Caffè Spettacolo networks in Switzerland. In all, we opened 34 new outlets in 2016. In Switzerland, our food business expanded particularly well, so that we now have 36 Caffè Spettacolo and 56 Brezelkönig outlets. We believe there is scope for our Food Service networks to expand further in both countries. What is particularly pleasing is that our existing outlets achieved very positive performance in 2016, both in Germany and especially in Switzerland.

How important is the B2B business for Valora?

The B2B business is an important part of the Valora Group. It has achieved impressive growth over the last years. As a

OUTLET NETWORK

FORMAT	OUTLETS	
k kiosk	1’111	KIOSK & CONVENIENCE
cigo & Subformate / Partner	427	KIOSK & CONVENIENCE
P&B	210	KIOSK & CONVENIENCE
Naville	162	KIOSK & CONVENIENCE
avec	129	KIOSK & CONVENIENCE
SSDB / U-Store	141	KIOSK & CONVENIENCE
Ditsch	218	FOOD SERVICE
Brezelkönig	56	FOOD SERVICE
Brezelkönig International	6	FOOD SERVICE
Caffè Spettacolo	38	FOOD SERVICE
TOTAL	2’498	

result, some 90 % of our output now goes to third-party customers, principally in Germany, Austria and Switzerland, but also in the United States and Japan. Given the strong performance of our B2B business, we decided to expand our Oranienbaum production facility further in 2016. Production expertise has an important part to play in the enhanced value generation we plan to achieve through to increased vertical integration.

“Our strategy covers four dimensions: growth and expansion, efficiency, a performance oriented culture and innovation.”

International expansion is one of Valora’s key objectives. Were you able to make progress on that in 2016?

Pretzel production and the export business that goes with it are clear growth priorities. In January 2017 we announced our acquisition of Pretzel Baron, a young, aspiring pretzel producer in the United States. This not only adds to our output capacity but also means we can produce pretzels in the US. In future, that will enable us to be more focused in leveraging the potential offered to us by the US market. Beyond that, we now have six Brezelkönig outlets up and running in France and Austria. The Brezelkönig format is working very well at heavily frequented locations in those markets. Having thoroughly tested both the concept itself and the logistic chain supporting it, we are now looking for franchising partners. The foundations for a successful international expansion drive are thus in place for the years to come.

Are acquisitions still on the agenda?

We regularly evaluate possible acquisitions, both large and small, as a means of tapping into new markets or developing new formats. However, our future expansion will be driven by a combination of organic growth and acquisitions in our two existing business areas, Retail and Food Service.

No doubt you expect your international business to benefit from insights from the designated Board Chairman?

Certainly. He has significant international experience, an in-depth knowledge of franchising concepts and, of course, he knows Valora very well. Franz Julen was involved in developing our business focus strategy and has sustained its implementation in the Board over the years. He is also very receptive to new ideas and supports our growth strategy.

You mentioned earlier that Valora had achieved all its financial objectives in 2016. What do you find most pleasing about the results?

The performance of our two most important financial metrics. We raised our return on capital employed (ROCE) to 8.2 %. That shows that Valora generated significant value for its owners. Our free cash flow of CHF 72.6 million confirms that Valora is able to generate sufficient free cash to pay an attractive dividend while still maintaining adequate financial flexibility. I would also mention that our gross-profit margin rose to 41.5 % and our EBIT margin increased to 3.4 %, so that we are now closer to the targets of 42 % and 4 % which we plan to reach. Finally, the CHF 72.3 million of EBIT we generated in 2016 was actually slightly above our guidance target range of CHF 65 million to CHF 70 million.

And what about Valora's investment capabilities?

They are very good. On the one hand, with a leverage ratio of 1.6x we are in a strong position as far as financial stability is concerned, on the other hand our long-term liabilities are very well-balanced. We are thus well-placed to continue developing our existing business and to finance the growth we plan to achieve. Having invested just under CHF 50 million annually for the last two years, we now expect annual higher investment volumes. Our focus will be on expanding our pretzel and other bakery product output and on achieving further growth in Germany.

What do you think are the major challenges Valora will face in the future?

Competition is increasing across the board and factor costs are tending to rise. Our core product ranges continue to evolve. Food and beverages for immediate consumption are a major trend, as are fresh food offerings. Finally, customers have high expectations when it comes to quality, availability and transparency.

ROCE in %	
2015	6.1
2016	8.2

"My thanks go to all our staff for their commitment and motivation they have shown in helping to shape our transformation process."

How is Valora responding to all this?

We have a clear, focused strategy and we made significant progress last year in raising our efficiency levels. We have an excellent network of retail outlets at heavily frequented locations and we are concentrating our efforts on developing our convenience-store and food offering further and on making the best possible use of our platform. In so doing, we can ensure that our product ranges are better calibrated across formats, and achieve even greater cost efficiency. We will need to continue making major investments in gaining a better understanding of our customers and their needs, so that we can generate greater added value for them.

How, specifically, do you intend to expand your convenience business and where?

We have created an solid basis for growth in Germany, where we have a effective organisation. Thanks to the clearly defined profile of our tobacco retail specialist Cigo and the extended fresh-produce range we have introduced at avec, we are very well-positioned. We see plenty of opportunities for growth in Germany, because the market there is not yet as consolidated as it is in Switzerland. Competition for attractive locations has intensified further and we therefore see limited scope for organic growth there. That is why we are focussing on optimising and continuing to develop our existing outlets.

What are the prospects for the food business?

Here, we believe that consumer appetite for food and beverage on the go will continue to grow and that we will be able to develop our Food Service networks in our core markets further. Additional expansion of the Ditsch/Brezelkönig outlet networks, extending the food and fresh-produce offering at all our formats. Furthermore, continuing our expansion abroad with Brezelkönig International and increasing the production capacity of our pretzel and bakery products are key elements of our growth strategy for 2017.

So you look to the future with optimism?

Yes, I do. But we cannot afford to relax. The market is constantly evolving. That is a challenge for us all. My thanks go to all our staff for their commitment and motivation they have shown in helping to shape our transformation process and in keeping it moving forward. By systematically pursuing this path in the future, we will continue to achieve our objectives and deliver on the promises we make.

Group structure

Board of Directors

Rolando Benedick
Chairman
Markus Fiechter
Vice-Chairman
Franz Julen
Bernhard Heusler
Peter Ditsch
Cornelia Ritz Bossicard

Group Executive Management

Michael Mueller
CEO
Tobias Knechtle
CFO
Thomas Eisele
CEO Food Service

Extended Group Executive Management and Corporate Functions

Peter Obeldobel*
Retail Germany/Luxembourg
Jean-Yves Leroux*
Corporate Projects
Hilmar Scheel*
Valora Lab/bob Finance
Roberto Fedele*
Corporate Information Services
Adriano Margiotta*
Corporate Legal Services/
General Counsel
Jonathan Bodmer*
Corporate Human Resources
Stefania Misteli
Corporate Communications & Strategic Branding
Markus Nadig
Corporate Group Controlling

*Extended Group Executive Management

Market areas

RETAIL

SWITZERLAND & AUSTRIA

Michael Mueller
Head of the Executive Board
Marco Hocke
Member of the Executive Board/
Concepts & Category Management
Jean-Christophe Faré
Member of the Executive Board/
Sales & Expansion

GERMANY & LUXEMBOURG

Peter Obeldobel
Head of the Executive Board
Lars Bauer
Managing Director Distribution
Michael Paulsen
Managing Director Finance

FOOD SERVICE

SWITZERLAND

Michel Gruber
Managing Director
Food Service Switzerland

GERMANY

Thomas Eisele
Managing Director Ditsch
Andreas Klensch
Head Ditsch Retail/
Head Brezelkönig International
Björn Tiemann
Head of Wholesale Operations
Klaus Westerwelle
Head of Production/
Engineering/Logistics
Marc Kranz
Divisional CFO

USA

Gary Gottenbusch
President Pretzel Baron

Status at 28.2.2017

SUSTAINABILITY AT VALORA – LONG-TERM, FORWARD-LOOKING AND ENDURING

This report details the work carried out by Valora in 2016 to keep its activities sustainable. Given the many individual initiatives taken, it has only been possible to present a limited number of them here. In the field of social sustainability, Valora has focused its efforts on employee development and on nurturing its relationships with its customers and business partners. As far as economic sustainability is concerned, the emphasis has been on ethical behaviour, as exemplified by adherence to the Valora Code of Conduct, observance of the laws on the protection of minors and compliance with hygiene standards. In the case of environmental sustainability, particular attention has been paid to the careful husbandry of resources.

SOCIAL SUSTAINABILITY

FOCUSING ON EMPLOYEE SATISFACTION

An important objective for Valora is to ensure that it provides its employees with opportunities for ongoing development and that they feel happy and motivated in their work.

To gauge employee satisfaction, Valora commissioned an experienced external service provider to carry out an initial employee survey in the second quarter of 2016. These will be repeated at regular intervals in the future. The survey encompassed employees at Retail Switzerland, bob Finance, Brezelkönig, Ditsch in Mainz and the Group's head office in Muttenz. Topics covered included employee satisfaction and the organisational framework. In all, 59% of the 2 396 employees invited to give their views took part in the survey. Once evaluated, the responses were openly shared with all staff across the entire organisation.

The results showed that Valora employees set particular store by professional and personal development, a good flow of information and systematic customer focus.

A series of team discussions was then held, enabling their participants to work together on defining appropriate measures and initiating their implementation. One such measure involved the establishment of platforms to host regular exchanges of ideas across all hierarchical levels. To that end, in 2017 Valora organises so-called Inspiration Lunches for its employees. These provide an informal environment for identifying and discussing business topics currently relevant to Valora. The first Inspiration Lunch, which attracted some 150 registrations, was devoted to the digital developments at Valora Retail. Valora publishes details of the outcome of all these initiatives on its intranet site. In the spring of 2017, Valora Retail Germany will be using the same setup to conduct a survey among its employees. The next employee survey at Group level is planned for 2018.

SUPPORTING EMPLOYEE DEVELOPMENT

Valora offers a wide range of internal training and continuing education opportunities to further the development of its employees. In 2016, Valora Germany made coaching an important part of its leadership culture, with more than 20 managers attending a seminar on "The manager's role as a coach" over a period of several days.

To reinforce Valora Germany's team of trainers and to ensure that the courses are of high quality, in October 2016 ten Valora colleagues working in the company's specialised departments also enrolled for a five-month continuing-education course at the Hamburg Chamber of Commerce, attending classes alongside their regular working duties. In addition to introducing them to creative learning techniques and methods for managing group processes, the course focused on methodological and didactic aspects of seminar design.

> *"It is important for us that our employees have opportunities for ongoing development and that they feel happy and motivated in the work they do."*
>
> Jonathan Bodmer,
> Head of Human Resources Valora

"Well-trained employees are the key to our success. The coaching we provide, our "train the trainer" courses and the Valora Campus have enabled us to create an environment that supports the professional development of our employees, thus enabling them to gain additional qualifications in their specific disciplines, to learn new self-management skills or to progress in their management of others", explains Peter Obeldobel, Chairman of the Executive Board of Valora Retail Germany. In Switzerland, Valora holds regular management courses for sales staff and leadership weeks for experienced executives. These courses, which are taught by external specialists, make a significant contribution to their participants' ongoing personal and professional development. In addition, each of the Valora retail formats holds an annual conference for all its outlet managers. These kiosk, agency partner and franchise partner events provide their participants with an opportunity of finding out more about their business, sharing ideas with each other and, above all, developing and maintaining their own personal networks.

The dissemination of knowledge through e-learning is becoming an increasingly important part of Valora's training and continuing-education activities. This is a logical consequence of the Group's strategy of promoting the use of innovative platforms and implementing new digital initiatives. For its e-learning activities, Valora uses the Avendoo learning management system. The system makes it possible to provide all sales staff working at retail outlets with a uniform set of knowledge more or less simultaneously. Avendoo also helps to ensure that staff are aware of the statutory requirements relating to money transfer and the prevention of money laundering. This information can be made available to employees irrespective of where and when they work or whether they work full time or part time. Based on the substantial positive feedback it has received regarding these e-learning initiatives, Valora has decided to develop them further in the years ahead.

FIT FOR THE FUTURE

For more than 15 years, Valora has been committed to the development of young retail talent. In Switzerland alone, 20 apprentices are currently training with Valora. Of these, 13 are working towards their Federal certifications as retail assistants or as kiosk, food, beverage and tobacco professionals. Of the remaining seven, one apprentice is training as a system catering professional and six are engaged in commercial apprenticeships. The Ditsch pretzel bakery is equally committed to providing its staff with continuing training opportunities. Every year, more than 40 apprentices receive training at the company's Mainz and Oranienbaum facilities. The overarching objective is to ensure that these young people acquire the skills they need during their apprenticeships, so that they can find suitable employment with the company once they have successfully completed that phase of their careers.

2016 also saw a continuation of Valora's successful one-year trainee programme for university graduates in Switzerland. In addition, Valora also offers a twin-track programme for university students in both Switzerland and Germany. Once they have successfully graduated, participants in these programmes will have the opportunity of taking up attractive longer-term positions at Valora either in corporate management or as junior sales managers. "Both programmes have proven highly effective in attracting young talent to Valora and we therefore plan to continue with them in the years ahead", Christa Heinke, Head of Staff Development at Valora Switzerland, is keen to emphasise.

> *"In 2016, Valora Germany made coaching an important part of its leadership culture."*
>
> Peter Obeldobel,
> Head of Executive Board Valora Retail Germany/Luxembourg

WORKING SUCCESSFULLY WITH AGENCY AND FRANCHISE OUTLETS

Valora maintains collegial working relationships with its agency and franchise outlets. In Switzerland, the company holds regular committee and working-group meetings with outlet representatives to ensure that important issues can be discussed in detail. Valora and its agency and franchise partners work together to develop training courses on issues such as employment law, business administration and pension plans. The company also hosts a three-day introductory training course, which was held a total of four times during 2016. Valora offers these courses to all its new agency and franchise partners to familiarise them with key aspects of their future day-to-day duties. These include tasks such as business administration, stock taking, inventory discrepancy management, staff leadership and pension-plan arrangements. These courses are very much appreciated by Valora's future agency and franchise partners.

As Ankul Lal, who has been a Valora agency partner since 2014, puts it, "The support Valora gave me from day one has proved a huge help to me in getting my own business started". Baidullah Naroei, who has been running his own k kiosk since March 2015, takes a similar view. In his words, "Thanks to the professional introduction Valora provides, agency partners are well prepared for every aspect of their future work." He also appreciates the opportunity Valora has given him of running his own outlet, adding that "I think it is great that Valora enables people from outside the company, like myself, to set up their own business. Besides, working with a strong partner like Valora opens up a range of possibilities, as well as providing additional security."

Valora also maintains an active dialogue with its agency and franchise partners in Germany. Once a year, all agency and franchise partners are invited to attend a three-day conference. The theme of last year's conference, held in May 2016, was "Valora – A Customer Company". In addition to reviewing numerous industry trends, the meeting also focused on Valora's new strategic direction. Customer orientation was a common feature of all aspects of the programme. Having spent the day attending interesting presentations and workshops, the participants were then able to enjoy an attractive series of evening events which also gave them the opportunity of exchanging ideas with their peers, establishing new contacts and maintaining existing ones. These events are very popular with agency and franchise partners and Valora will be hosting a similar conference in 2017. The programme for this year's event, which will again take place in May, features a range of renowned external speakers who will be making presentations on "generating customer enthusiasm". An established part of each year's programme is the eagerly awaited announcement of the franchise partner or store manager of the year. This provides recognition to partners whose superb work and exemplary commitment has enabled them to excel.

Cooperation based on mutual trust and fair dealings between both parties are equally important to Ditsch, which now has more than 200 agency partners. Providing them with training courses to support their ongoing professional development is a key element of this collaboration.

To ensure an even more effective flow of information between its head office and the retail outlets, Valora will be introducing a new system for communicating with its outlets from the summer of 2017. Its objective is to help ensure that information can be shared more simply, more efficiently and in a more structured manner.

PROMOTING SAFETY AT WORK

The health and safety of its employees at their place of work is an important concern for Valora. That is why Valora Retail Germany regularly has its premises visited by safety-at-work professionals, company doctors and occupational physicians. An assessment is made of each individual workplace, requirements with regard to factors such as ergonomics and lighting are recorded and the necessary modifications made where possible.

Valora also sets great store by providing its employees in Switzerland with a healthy working environment. Since 2011, a group solution has been in place for Valora Schweiz AG to ensure that employees work in safe conditions and that their health is not put at risk. Swiss law requires that these group solutions are periodically reviewed and submitted to the authorities for recertification. Working in collaboration with a health-and-safety professional with extensive experience of the Swiss retail industry, Valora joined forces with occupational physicians, work hygiene experts and its own qualified specialists to prepare for the forthcoming group solution review. Recertification by the health-and-safety authorities is scheduled for March 2017.

> *"I very much enjoy working with Valora. That is because it offers its partners plenty of freedom while at the same time being there to lend them support."*
>
> Renata Habdija,
> Agency partner

Employee health is also a key priority for Ditsch. Through external partners, the company offers occupational health services to all its employees. Reintegration arrangements are also in place to help employees who have suffered from long-term illness to resume their working lives. In cases where an employee is not able to return to his or her original job, the company doctor, representatives of the relevant authorities and the employee's superior will determine alternative ways of enabling the employee to resume work with Ditsch.

PARTNERSHIPS FOR THE LONG-TERM

Long-term collaborations are important to Valora. Its partnership with Swiss Federal Railways goes back decades, as do those with Swisslos and the Loterie Romande, Switzerland's two main lottery operators, Selecta, Europe's premier vending-machine company, and the leading German wholesale supplier Lekkerland.

Valora's cooperation with Swiss Federal Railways takes the form of a professional partnership which goes beyond the usual ties linking tenant and landlord. While the two organisations' day-to-day dealings with each other generate focus on topics such as expansion and contract management, their shared and overarching goal is to meet customers' needs. The combination of Valora's retail know how with Swiss Federal Railways' expertise in station management generates substantial added value for the customers they both serve.

Selecta is Valora's chosen coffee partner for all its Swiss retail formats. The collaboration between the two companies is the result of their shared history. This is a partnership based on each party's substantial respect for the other's core areas of expertise, which enables them to communicate efficiently and openly with each other to ensure that their shared long-term objectives are achieved.

The close and successful partnership Valora has established with Swisslos began back in 1937, when Swisslos was founded. Valora's extensive retail distribution network makes a significant contribution to Swisslos's overall sales. The net profit generated by the Swisslos Federation flows back to the cantonal lottery and sports funds, enabling them to support some 12 000 projects in the fields of sport, culture, the environment and social welfare. By distributing lottery tickets through its Swiss retail network, Valora makes a substantial contribution to these efforts.

Valora has also been working with the Loterie Romande for over 30 years. With the enhanced presence in French-speaking Switzerland resulting from Valora's acquisition of Naville, that partnership has been significantly intensified. The two companies' numerous joint lottery projects are testimony to the long-term innovative vision they both share.

> *"Our staff have access to an ethics hotline, which enables them to contact the compliance officer anonymously to report any irregularities or criminal activities and to lodge complaints."*
>
> Alexia Bühler,
> Legal Counsel & Compliance Officer

In Germany, Lekkerland has been a trusted partner of Valora's for many years. In addition to supplying the company's German outlets, this wholesaler also shares valuable category management expertise with Valora. The success of this collaboration can be attributed to Lekkerland's high-quality door-to-door logistics and its lean administrative processes.

Long-standing cooperation also play an important part in Ditsch's business. The company sets particular store by establishing a high degree of trust with its business partners. It also places strong emphasis on ensuring that the companies it does business with provide their employees with working conditions that comply with all applicable legislation and that they adhere to recognised welfare and environmental standards.

VALORA PROVIDES HELP WHERE IT IS MOST NEEDED

At Caffè Spettacolo, food which is of perfectly acceptable quality but which can no longer be sold because it has passed its sell-by date is donated to Schweizer Tafel and Tischlein deck dich, two charitable organisations providing free meals to the disadvantaged.

As part of the charitable cooperation established between ok.– and the FC St. Pauli football club in Hamburg, Valora makes a charitable contribution of € 1 000 for every team plays in home matches and for every goal it scores during extra time. In 2016, recipients of such donations included the St. Pauli cold-weather protection scheme (Anti-Kälte-Hilfe St. Pauli) and the NoBorder-Kitchen in Hamburg.

> *"Large manufacturers and suppliers operating on an industrial scale must have certification from either the BRC, the IFS or the ISO, and preferably from more than one of these."*
>
> Michel Vaucher,
> Projects Manager Valora Retail Switzerland

ECONOMIC SUSTAINABILITY

RESPONSIBLE BEHAVIOUR BASED ON INTEGRITY

The Valora Code of Conduct sets out the standards of behaviour the company expects from its employees and other stakeholders. The Code is based on eleven principles which define the high standards of moral conduct and personal integrity which Valora expects all its partners to observe. To support this initiative, the company publishes a compliance handbook for its employees, providing them with guidance on how to conduct themselves correctly. Valora staff also have access to an ethics hotline, which enables them to contact the compliance officer anonymously to report any irregularities or criminal activities and to lodge complaints.

QUALITY ALWAYS COMES FIRST

Valora is constantly reviewing its processes for quality assurance, crisis management and product recall. The focus here is on verifying the manufacturers' own quality-assurance procedures, en-

"Additionally, every ok.– energy drink is subject to external analysis in a certified laboratory."

Michael Betschart,
Brand & Product Manager Valora Retail Switzerland

suring that product information and the products themselves comply with the law and checking delivery conditions. "Large manufacturers and suppliers operating on an industrial scale must have certification from either the BRC, the IFS or the ISO, and preferably from more than one of these. Their HACCP self-monitoring procedures must also be no more than two years old", explains Michel Vaucher, the projects manager at Valora Retail Switzerland. Smaller-scale regional suppliers and manufacturers must also comply with these same HACCP standards, which require a risk-analysis, the definition of critical monitoring points, a defined range of acceptable values for risk-monitoring results and a risk-monitoring system. Specific corrective actions and working instructions for adherence to good manufacturing practice also form an integral part of the HACCP concept.

Suppliers are required to provide product specifications for every item in the Valora product range. Swiss food producers must supply written confirmation that their products meet Swiss food-law requirements. Foreign food producers must submit a certificate of conformity issued by a specialised laboratory in Switzerland. Swiss package-labelling requirements, on matters such as sell-by dates, apply to both food and non-food articles. Sell-by dates and storage requirements must also be observed while goods are in transit.

Valora's private-label ok.– brand products also adhere to strict quality requirements. Every new ok.– product is tested for its conformity with all applicable regulations, with further tests being conducted for every packaging change. Suppliers are also required to carry out regular laboratory tests. "Additionally, every ok.– energy drink is also subject to regular internal and external testing in a certified laboratory", adds Michael Betschart, Brand & Product Management Retail Switzerland.

In order to ensure that it only accepts ingredients that have been produced in the most environmentally sustainable conditions possible, Ditsch became a member of the Roundtable on Sustainable Palm Oil (RSPO) back in February 2015. The RSPO organisation is committed to supporting sustainable palm-oil production across the globe. To that end, it ensures that palm-oil can be tested and certified at every stage of the supply chain.

In 2016, Brezelkönig again successfully obtained ISO 9001:2015 certification. "For a company producing and distributing bakery products, this certification guarantees that its processes are sound and reliable", as Michel Gruber, Brezelkönig's Managing Director, explains. As further proof of their quality, Brezelkönig pretzels have also earned the right to carry the SUISSE GARANTIE label. To qualify for this seal of approval, a product must be made from ingredients which have not only been produced in Switzerland but which have been processed there as well.

"Valora takes the protection of minors very seriously. That is why all our staff receive regular training to ensure that they are aware of the issues involved."

Jean-Christophe Faré,
Member of the Executive Board Valora Retail Switzerland

THE PROTECTION OF MINORS IS AN ADULT RESPONSIBILITY

SALES OF TOBACCO AND ALCOHOL

Valora takes its duty to protect minors very seriously. That is why all staff receive regular training to ensure that they are aware of the issues involved. An e-learning programme is carried out every year covering topics such as the sale of tobacco or alcohol to young people and employees' understanding of its content is tested. Participation in this programme is mandatory for all outlet staff, whether they are employed by Valora, an agency partner or a franchisee. Sales managers also work with their outlet sales staff to raise awareness both of the importance of protecting minors and of their statutory obligation to do so.

In addition, notices are displayed behind each counter in Germany and Switzerland to remind staff of the local rules. Management, sales managers and outlet staff are all aware of the importance of these checks and it is in their interest to ensure adherence to the law by improving the protection of minors and clamping down further on violations.

FINANCIAL SERVICES

Like any other organisation that lends money, bob Finance is assuming a responsibility towards its borrowers. bob Finance's services are designed for digitally adept customers looking for an ef-

> *"Caffè Spettacolo intends to reduce the waste generated by paper beakers. That is why, for the last two years, our coffee-bar chain has been serving hot drinks in multi-use mugs as well as single-use beakers."*
>
> Franziska Kaiser,
> Sales Director Caffè Spettacolo

ficient, online loan application process. bob Finance carries out comprehensive and detailed credit assessments based on information from the Centre for Credit Information (in German "Zentralstelle für Kreditinformation" or ZEK), the Consumer Credit Information Service (in German "Informationsstelle für Konsumkredit" or IKO), other credit reference platforms and the details supplied by the loan applicant. This enables it to ensure that the amount of the loans it grants is in line with the affordability parameters defined by Swiss consumer-finance legislation. With regard to the financial-markets legislation governing the prevention of money-laundering and terrorism, bob Finance is directly regulated by FINMA, the Swiss financial-market supervisory authority.

In the case of its ok.– cash product, Valora has deliberately and voluntarily chosen to require a minimum age of 25. Here too, the approval process involves information being obtained from a number of database sources, such as the Centre for Credit Information referred to above. In addition to excellent creditworthiness, applicants must also be resident in Switzerland and have both a private e-mail address and a mobile phone number.

Because security is of paramount importance to Valora, all data is protected by the most up-to-date security software. The data-transmission processes comply with a variety of certification standards, including EV SSL, the most stringent bank standard for the transmission of encrypted data.

ENVIRONMENTAL SUSTAINABILITY

REDUCING THE VOLUME OF RUBBISH

For a number of years, Valora has been a member of the Basel anti-littering working group, which brings together representatives of business and local government to develop initiatives aimed at curbing the incidence of littering.

Since 2014, all Valora outlets in Switzerland have been equipped with containers for collecting empty PET bottles. In the same spirit, all Valora outlets in Germany have a policy of systematically avoiding products with single-use packaging wherever possible. As an example of this, preference is always given to beverages in bottles on which a deposit is payable, so that these are returned and can thus be re-used. These bottles can be returned to any Valora outlet in Germany, where they are collected and returned to the bottlers. Valora outlets also collect and recycle all their scrap paper.

> *"We are proud that in the tests conducted by the German consumer organisation Stiftung Warentest Ditsch won first prize for both the baking aroma and the long-lasting crispness of its pretzels."*
>
> Thomas Eisele,
> CEO Food Service

For the last two years, Caffè Spettacolo has been serving its beverages in multi-use mugs as well as single-use beakers. In taking this initiative, this Valora-owned coffee-bar chain aims to reduce the amount of waste generated by paper beakers. To encourage adoption of the multi-use approach, Caffè Spettacolo now provides all customers who bring their own mugs with a free upgrade of their coffee order to 'Grande' size.

PROTECTING THE ENVIRONMENT BY USING ENERGY EFFICIENTLY

Since 2016, all Valora outlets in Switzerland have been supplied with electricity generated from renewable sources. At Valora Retail Germany in Hamburg, all electrical power used is now environmentally sustainable. At Group level, Valora has also formulated an action plan with specific energy-saving initiatives. These include timing systems which automatically switch off individual machines at the outlets at specific times overnight.

In order to achieve a constant reduction in its environmental impact, Ditsch is focusing its efforts on using resources as efficiently as possible. As part of that initiative, the company already installed heat pumps at its production facilities back in 2009. These enable the calorific energy generated by the production plants to be recycled for heating the premises and providing them with hot water.

Following a Group-wide inventory of all lighting installations, LEDs are now installed as a matter of course whenever outlets or other facilities are rebuilt. In Germany, for example, all rebuilds and new outlet installations use LEDs exclusively, thus reducing both energy usage and maintenance costs. Every outlet that is rebuilt is also being equipped with energy-efficient class A+ cooling cabinets, coffee machines and ovens. Because these generate less heat, the food and beverages in nearby chill cabinets do not require as much cooling.

Corporate Governance

REPORT ON CORPORATE GOVERNANCE

Valora is fully committed to meeting all its corporate governance obligations. Our objective is to attain the highest levels of transparency commensurate with best practice standards. We believe that this applies particularly to the structure of our organisation and of the control and management infrastructure we have in place. This transparency should protect shareholders' interests and create value for all other stakeholders.

The principles and rules relating to Valora's corporate governance are most notably promulgated in the company's articles of incorporation, its bylaws and the regulations governing the Board committees, all of which are subject to regular review and updated where appropriate. Furthermore, the Board of Directors approved the Valora Code of Conduct. The scope of this Code, which sets out the types of conduct Valora expects from its employees, goes beyond the simple adherence to applicable laws and directives.

The corporate governance report follows the structure set out in the applicable SIX Swiss Exchange guidelines:

1 GROUP STRUCTURE AND SHAREHOLDERS

1.1 GROUP STRUCTURE

Valora Holding AG, the Group's parent company, is a limited company established under Swiss law. Either directly or indirectly, it holds stakes in 22 significant unlisted companies, all of which are fully consolidated. The Group's operational structure is set out on page 11.

1.1.1 LISTED COMPANIES

The only listed company in the Valora Group is Valora Holding AG, which is domiciled in Muttenz. The company is listed on the main section of SIX Swiss Exchange (Swiss securities number 208897, Telekurs VALN, Reuters VALN.S, Bloomberg VALN.SW, ISIN number CH0002088976). The company itself holds 2.2% of the total of 3435599 issued shares. At December 31, 2016, the market capitalisation of Valora Holding AG amounted to CHF 972 million. The company's market capitalisation over the last 5 years is shown on page 157.

1.1.2 CONSOLIDATED COMPANIES

The significant companies within the Group are shown in the notes to the consolidated financial statements on pages 137 to 138, which list the name, domicile, listing, total share capital and percentage of share capital held by Valora Holding AG.

1.2 SIGNIFICANT SHAREHOLDERS

The following shareholders or groups of shareholders have reported holdings of Valora Holding AG shares in excess of the reporting thresholds defined by law:

Shareholders	Receipt of report	Holdings
Ditsch Ernst Peter	09.11.2012	>15 %
Dimensional Fund Advisors	17.04.2015	> 3 %
Norges Bank (the Central Bank of Norway)	11.06.2016	> 3 %
BlackRock Inc., New York, NY, USA	17.02.2017	> 3 %

Detailed information regarding changes in shareholdings are set out in the separate section below. The shareholders are listed in alphabetical order.

The following significant shareholders have disclosed shareholdings to Valora Holding AG in accordance with article 20 of the Swiss Federal Stock Exchange Act (in German, "Börsengesetz" or "BEHG"). Further details are available on the web page of SIX Exchange:
https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html

BlackRock Inc., New York, NY, USA: On February 17, 2017 Black Rock Inc., New York, NY, USA reported that as a result of share purchases, lending and comparable transactions in equity securities and changes in discretionary voting rights it had increased its holdings of registered shares of Valora Holding AG as of February 14, 2017 to 105 113 shares (equivalent to 3.06 % of the company's issued share capital).

On February 16, 2017 Black Rock Inc., New York, NY, USA reported that as a result of changes in its share holdings, lending and comparable transactions in equity securities, changes in discretionary voting rights and changes in derivative holdings it had decreased its holdings of registered shares of Valora Holding AG as of February 10, 2017 to 99 867 shares (equivalent to 2.91 % of the company's issued share capital).

On February 11, 2017 Black Rock Inc., New York, NY, USA reported that as a result of share purchases, lending and comparable transactions in equity securities, changes in discretionary voting rights and changes in derivative holdings it had increased its holdings of registered shares of Valora Holding AG as of February 07, 2017 to 105 102 shares (equivalent to 3.06 % of the company's issued share capital).

On February 8, 2017 Black Rock Inc., New York, NY, USA reported that as a result of changes in its share holdings, lending and comparable transactions in equity securities, changes in discretionary voting rights and changes in derivative holdings it had decreased its holdings of registered shares of Valora Holding AG as of February 3, 2017 to 102 122 shares (equivalent to 2.97 % of the company's issued share capital).

On February 7, 2017 Black Rock Inc., New York, NY, USA reported that as a result of changes in its share holdings, lending and comparable transactions in equity securities, changes in discretionary voting rights and changes in derivative holdings it had increased its holdings of registered shares of Valora Holding AG as of February 2, 2017 to 103 758 shares (equivalent to 3.02 % of the company's issued share capital).

On January 21, 2017 Black Rock Inc., New York, NY, USA reported that as a result of share disposals, lending and comparable transactions in equity securities, changes in discretionary voting rights and changes in derivative holdings it had decreased its holdings of registered shares of Valora Holding AG as of January 18, 2017 to 101 466 shares (equivalent to 2.95 % of the company's issued share capital).

On January 17, 2017 Black Rock Inc., New York, NY, USA reported that as a result of share purchases, lending and comparable transactions in equity securities, changes in discretionary voting rights and changes in derivative holdings it had increased its holdings of registered shares of Valora Holding AG as of January 11, 2017 to 103 326 shares (equivalent to 3.01 % of the company's issued share capital).

On January 14, 2017 Black Rock Inc., New York, NY, USA reported that as a result of changes in its share holdings, lending and comparable transactions in equity securities, changes in discretionary voting rights and changes in derivative holdings it had decreased its holdings of registered shares of Valora Holding AG as of January 10, 2017 to 98 926 shares (equivalent to 2.88 % of the company's issued share capital).

On December 20, 2016 Black Rock Inc., New York, NY, USA reported that as a result of share purchases, lending and comparable transactions in equity securities, changes in discretionary voting rights and changes in derivative holdings it had increased its holdings of registered shares of Valora Holding AG as of December 15, 2016 to 104 478 shares (equivalent to 3.04 % of the company's issued share capital).

On December 17, 2016 Black Rock Inc., New York, NY, USA reported that as a result of changes in its share holdings, lending and comparable transactions in equity securities, changes in discretionary voting rights and changes in derivative holdings it had decreased its holdings of registered shares of Valora Holding AG as of December 14, 2016 to 102 409 shares (equivalent to 2.98 % of the company's issued share capital).

On October 25, 2016 Black Rock Inc., New York, NY, USA reported that as a result of changes in lending and comparable transactions in equity securities, changes in discretionary voting rights and changes in derivative holdings it had increased its holdings of registered shares of Valora Holding AG as of October 20, 2016 to 105 738 shares (equivalent to 3.08 % of the company's issued share capital).

On October 22, 2016 Black Rock Inc., New York, NY, USA reported that as a result of changes in its share holdings, changes in lending and comparable transactions in equity securities, changes in discretionary voting rights and changes in derivative holdings it had reduced its holdings of registered shares of Valora Holding AG as of October 19, 2016 to 101 341 shares (equivalent to 2.95 % of the company's issued share capital).

On October 21, 2016 Black Rock Inc., New York, NY, USA reported that as a result of share purchases, changes in lending and comparable transactions, changes in discretionary voting rights and changes in derivative holdings it had increased its holdings of registered shares of Valora Holding AG as of October 18, 2016 to 104 763 shares (equivalent to 3.05 % of the company's issued share capital).

On October 15, 2016 Black Rock Inc., New York, NY, USA reported that as a result of changes in its share holdings, changes in lending and comparable transactions in equity securities, changes in discretionary voting rights and changes in derivative holdings it had reduced its holdings of registered shares of Valora Holding AG as of October 13, 2016 to 102 806 shares (equivalent to 2.99 % of the company's issued share capital).

On October 15, 2016 Black Rock Inc., New York, NY, USA reported that as a result of share purchases, lending and comparable transactions in equity securities, discretionary voting rights and derivative holdings its holdings of registered shares of Valora Holding AG as of October 12, 2016 amounted to 103 526 registered shares (equivalent to 3.01 % of the company's issued share capital).

Credit Suisse Funds AG: No reports were received from this shareholder during 2016.

On January 27, 2015 Credit Suisse Funds AG, Uetlibergstrasse 231, 8045 Zurich, Switzerland reported that as a result of share disposals its holdings of registered shares of Valora Holding AG as of January 21, 2015 had been reduced to below 3 % of the company's issued share capital.

On January 22, 2015 Credit Suisse Funds AG, Uetlibergstrasse 231, 8045 Zurich, Switzerland reported that as a result of share purchases its holdings of registered shares of Valora Holding AG as of January 16, 2015 had increased to 103 702 registered shares (equivalent to 3.02 % of the company's issued share capital).

On January 22, 2015 Credit Suisse Funds AG, Uetlibergstrasse 231, 8045 Zurich, Switzerland reported that as a result of share disposals its holdings of registered shares of Valora Holding AG as of January 15, 2015 had been reduced to 102 702 registered shares (equivalent to 2.99 % of the company's issued share capital).

Dimensional Fund Advisors LP: No reports were received from this shareholder during 2016.
On April 17, 2015, Dimensional Fund Advisors LP, 6300 Bee Cavo Road, TX 78746, Austin, USA reported that as a result of share purchases its holdings of registered shares of Valora Holding AG as of April 10, 2015, had been increased to 103 128 registered shares (equivalent to 3.0 % of the company's issued share capital).

Ditsch Ernst Peter: No reports were received from this shareholder during 2016.
On November 9, 2012, Ernst Peter Ditsch, 55131 Mainz, Germany reported that, as a result of Valora Holding AG's capital increase, the 635 599 registered shares he held on November 9 2012 were equivalent to 18.50 % of the company's issued share capital.

Ethenea Independent Investors S.A.: No reports were received from this shareholder during 2016.
On March 11, 2015, Ethenea Independent Investors S.A., rue Gabriel Lippmann, 5365 Munsbach, Luxembourg, reported that as a result of share disposals its holdings of registered shares of Valora Holding AG as of March 6, 2015 had been reduced to 99 000 registered shares (equivalent to 2.88 % of the company's issued share capital).
On February 14, 2015, Ethenea Independent Investors S.A., rue Gabriel Lippmann, 5365 Munsbach, Luxembourg, reported that as a result of share disposals its holdings of registered shares of Valora Holding AG as of February 12, 2015 had been reduced to 170 000 registered shares (equivalent to 4.95 % of the company's issued share capital).

Lombard Odier Asset Management (Switzerland) SA (formely Lombard Odier Darier Hentsch Fund Managers SA): No reports were received from this shareholder during 2016.
On June 17, 2015, Lombard Odier Darier Hentsch Fund Managers SA (LODHFM), Avenue des Morgines 2, 1213 Petit-Lancy, Switzerland reported that as of June 11, 2015, the registered shares of Valora Holding AG held by investment funds under its control were as follows: IF IST2 Actions suisses val. compl. (52 000 shares / 1.51 %), LOF (CH) Swiss Cap Ex SMI (47 000 / 1.37 %) and VF (CH) Valiant Actions suisses de petites et moyennes capitalisations (1 920 / 0.06 %). In aggregate these holdings amounted to 100 920 registered shares of Valora Holding AG, which is equivalent to 2.94 % of the company's issued share capital.

Norges Bank (the Central Bank of Norway): On June 11, 2016, Norges Bank (the Central Bank of Norway), Bankplassen 2, P. O. Box 1179 Sentrum, 0107 Oslo, Norway reported that as a result of share purchases its holdings of registered shares of Valora Holding AG as of June 6, 2016, had been increased to 114 887 registered shares (equivalent to 3.34 % of the company's issued share capital).
On December 18, 2015, Norges Bank (the Central Bank of Norway), Bankplassen 2, P. O. Box 1179 Sentrum, 0107 Oslo, Norway reported that as a result of share disposals its holdings of registered shares of Valora Holding AG as of December 15, 2015 had been reduced to below 2.99 % (102 580 registered shares) of the company's issued share capital.

Valora Holding AG: On May 5, 2016, Valora Holding AG reported that it held preferential purchasing rights covering 635 599 of its own registered shares, which is equivalent to 18.50 % of the company's issued share capital (see the report of September 27, 2012 below). In addition, Valora Holding AG held a further 101 656 of its own registered shares as treasury stock (equivalent to 2.96 % of the company's issued share capital). In aggregate, these holdings were equivalent to 21.46 % of the company's issued share capital (2.96 % in shares of treasury stock and 18.50 % in the form of preferential purchasing rights).

On November 6, 2015, Valora Holding AG reported that it held preferential purchasing rights covering 635 599 of its own registered shares, which is equivalent to 18.50% of the company's issued share capital (see the report of September 27, 2012 below). In addition, Valora Holding AG held a further 116 586 of its own registered shares as treasury stock (equivalent to 3.39% of the company's issued share capital). In aggregate, these holdings were equivalent to 21.89% of the company's issued share capital (3.39% in shares of treasury stock and 18.50% in the form of preferential purchasing rights).

On August 19, 2014, Valora Holding AG reported that it held preferential purchasing rights covering 635 599 of its own registered shares, which is equivalent to 18.50% of the company's issued share capital (see the report of September 27, 2012 below). In addition, Valora Holding AG held a further 61 941 of its own registered shares as treasury stock (equivalent to 1.80% of the company's issued share capital). In aggregate, these holdings were equivalent to 20.3% of the company's issued share capital (1.80% in shares of treasury stock and 18.50% in the form of preferential purchasing rights).

On April 25, 2013, Valora Holding AG reported that, following the end of the lock-up period to which the relevant shares are subject, it held preferential purchasing rights covering 635 599 of its own registered shares, which is equivalent to 18.50% of the company's issued share capital (see the report of September 27, 2012 below). In addition, Valora Holding AG held a further 51 011 of its own registered shares as treasury stock (equivalent to 1.48% of the company's issued share capital). In aggregate, these holdings were equivalent to 19.98% of the company's issued share capital (1.48% in shares of treasury stock and 18.50% in the form of preferential purchasing rights).

On September 27, 2012, Valora Holding AG, Hofackerstrasse 40, 4132 Muttenz, Switzerland reported that, under the terms of a contractual provision applicable in the event of the shares held by Ernst Peter Ditsch being offered for sale after the end of the lock-up period to which they are subject, it held preferential purchasing rights covering 635 599 of its own registered shares (equivalent to 22.70% of the company's issued share capital). As of September 27, 2012, Valora Holding AG held a further 53 130 of its own registered shares as treasury stock (equivalent to 1.90% of the company's issued share capital). In aggregate, these holdings were equivalent to 24.60% of the company's issued share capital (1.90% in shares of treasury stock and 22.70% in the form of preferential purchasing rights).

1.3 CROSS SHAREHOLDINGS

There are no reportable cross shareholdings between Valora Holding AG and its subsidiaries and other companies.

2 CAPITAL STRUCTURE

2.1 CAPITAL STRUCTURE AT DECEMBER 31, 2016

The ordinary share capital of Valora Holding AG as of December 31, 2016 amounted to CHF 3 435 599, comprising 3 435 599 single-class registered shares of CHF 1.00 nominal value each, each entitled to dividends and votes. All Valora Holding AG ordinary registered shares are fully paid up and listed on the main section of the SIX Swiss Exchange.

2.2 CONDITIONAL AND AUTHORISED CAPITAL

Conditional capital amounting to a maximum of CHF 84 000, comprising 84 000 registered shares of CHF 1.00 nominal value each, was approved by the Annual General Meeting of May 11, 2000. These shares can be used at any time by the Board of Directors to cover the exercising of options granted to employees of the company or Group companies within the overall framework laid down by the Board of Directors. Existing shareholders have no subscription rights for such shares. No time limits apply. None of this conditional capital had been issued at December 31, 2016. The conditional capital of CHF 84 000 remains unchanged.

At their Ordinary General Meeting held on April 14, 2016, Valora Holding AG shareholders granted the Board of Directors authority to raise CHF 250 000 of additional share capital through the issue of 250 000 shares of CHF 1.00 nominal value each at any time until April 14, 2018. The Board of Directors is authorised to determine the amount of share capital to be issued, the form of payment required for subscription, the date of issue, the conditions governing the exercise of subscription rights and the commencement of dividend entitlement. The Board is also authorised to restrict or prohibit trading in the subscription rights. The details and conditions relating to this share-capital authorisation are set out in Article 3b of the company’s Articles of Incorporation. No shares were issued on December 31, 2016.

At their Ordinary General Meeting held on April 19, 2013, Valora Holding AG shareholders granted the Board of Directors authority to raise CHF 250 000 of additional share capital through the issue of 250 000 shares of CHF 1.00 nominal value each at any time until April 18, 2015. No shares were issued on or before April 18, 2015.

2.3 SHARES, PARTICIPATION CERTIFICATES AND DIVIDEND-RIGHT CERTIFICATES

All 3 435 599 registered shares each have a nominal value of CHF 1.00 and are fully paid up. Each share entitles its holder to a dividend, except the shares held in treasury by Valora Holding AG. There are no preferential shares. Valora Holding AG has not issued any participation certificates or dividend right-certificates.

2.4 CONVERTIBLE BONDS AND OPTIONS

At December 31, 2016, Valora Holding AG had no convertible bonds or options outstanding.

2.5 LIMITATIONS ON TRANSFERABILITY AND NOMINEE REGISTRATIONS

Details of limitations on transferability and nominee registrations are shown in section 6.1 of this corporate governance report.

3 BOARD OF DIRECTORS

3.1 BOARD OF DIRECTORS

At December 31, 2016, the Board of Directors of Valora Holding AG comprised the following six members:

Rolando Benedick, 1946, Swiss citizen, Chairman
Previous activities: CEO of Innovazione, CEO of the Manor Group, Board Chairman of the Manor Group, Member of the Board of Directors of Jacobs Holding AG, Member of the Board of Barry Callebaut AG, Vice-Chairman of the Board of Directors of MCH Group AG.
Current activities: Board Chairman of Manor Sud (since 1999), and member of the Board of Directors of Galfa Group Paris (since 2009), member of the Supervisory Board and the Board Committee of the Chamber of Commerce of Basel-Stadt and Basel-Land.

Markus Fiechter, 1956, Swiss citizen, Vice-Chairman
Master's degrees in Chemical Engineering from the Swiss Federal Institute of Technology and in Economics from the University of St. Gallen.
Previous activities: Manager, Mettler Toledo AG, Manager, Boston Consulting Group, CEO, Minibar Group, CEO, Jacobs Holding AG, Member of the Board of Directors of Barry Callebaut AG, Member of the Board of Directors of W. Schmid AG.
Current activities: Member of the Board of Directors of Minibar AG (since 2005).

Bernhard Heusler, 1963, Swiss citizen
Attorney-at-law, doctorate and master's degree in Law from the University of Basle and postgraduate studies at the University of California, Davis.
Previous activities: Partner at Wenger, Plattner, Attorneys-at-law in Basle, Berne, Zurich, temporary associate at Davis Polk & Wardwell, New York.
Current activities: Legal adviser at Walder Wyss Attorneys-at-law, Chairman (since 2012) and Board Delegate (since 2009) of the FC Basel 1893 AG football club.

Franz Julen, 1958, Swiss citizen
Diploma in hotel and restaurant management from the Swiss Hotel Management School, Lucerne.
Previous activities: Deputy Managing Director, Marc Biver Development Sportmarketing, Chairman of the Management Committee, Völkl International AG, COO and CEO INTERSPORT International Corporation.
Current activities: Member of the Advisory Board of the Subgroup Aldi Süd (2016) and meber of the Board of Directors of Zermatt Bergbahnen AG (2016).

Ernst Peter Ditsch, 1956, German citizen
Qualified German insurance agent.
Previous activities: owner and Managing Director of Brezelbäckerei Ditsch GmbH and Brezelkönig GmbH & Co. KG, member of the Supervisory Board of Mainzer Volksbank, a registered cooperative under German law.
Current activities: partner and Managing Director of DV Verwaltungs GmbH.

Cornelia Ritz Bossicard, 1972, Swiss citizen
Swiss Certified Accountant, Certified Public Accountant (CPA), Master of Science in Business Administration, HEC Lausanne.
Previous activities: Audit Director at PricewaterhouseCoopers AG, Zurich and Lausanne and at PricewaterhouseCoopers LLP, San Jose (USA).Current activities: Member of the Board of Directors of Wolseley Finance (Switzerland) AG, Managing Partner and member of the board of 2bridge AG.

With the exception of Rolando Benedick, who held the position of CEO from May 2012 until February 2014, no members of the Board of Directors had any operational management duties within the Valora Group.

Board changes
Rolando Benedick will not stand for re-election at the 2017 Ordinary General Meeting, thus relinquishing his position as Chairman of the Board. The Board will recommend that Franz Julen be elected as its new Chairman. The election of Michael Kliger as a new Board member will also be recommended.

3.2 OTHER ACTIVITIES AND VESTED INTERESTS

Some Board members engage in other business activities with major companies.

3.2.1 SUPERVISORY BOARD ACTIVITIES

- Rolando Benedick: Board Chairman of Manor Sud, member of the Board of Directors of Galfa Group, Paris, President of the Supervisory Board of the Volunteers Museum Association, Basle, President of the Leopard Club, Locarno, President of the Board of Valora's pension fund and Valora's foundation-sponsored financing fund, both with registered offices in Muttenz, member of the Supervisory Board and the Board Committee of the Chamber of Commerce of Basel-Stadt and Basel-Land.
- Bernhard Heusler: Chairman of the Foundation for Sick Children in Basle.
- Markus Fiechter: member of the Boards of Directors of Minibar AG. Member of the Supervisory Board of the Swiss Federal Foundation for the Furtherance of the Swiss Economy through Scientific Research (in German, "Eidgenössische Stiftung zur Förderung schweizerischer Volkswirtschaft durch wissenschaftliche Forschung"), Zurich.
- Franz Julen: Member of the Advisory Board of the Subgroup Aldi Sud and member of the Board of Directors of Zermatt Bergbahnen AG, Zermatt.
- Cornelia Ritz Bossicard: Member of the Supervisory Board of the Swiss-American Society, Zurich, member of the Board of Directors of Wolseley Finance (Switzerland) AG, Zug and member of the Board of Directors of 2bridge AG, Uster.

3.2.2 MEMBERSHIP OF EXECUTIVE COMMITTEES

- Bernhard Heusler: Chairman and Board Delegate of the FC Basel 1893 AG football club, Basle.
- Cornelia Ritz Bossicard: Managing Partner of 2bridge AG, Uster.

3.3 ARTICLES OF INCORPORATION PROVISIONS ON THE NUMBER OF PERMISSIBLE ACTIVITIES

As required by Article 12, paragraph 1, section 1 of the Ordinance against Excessive Compensation, the Articles of Incorporation of Valora Holding AG state that members of the Board of Directors may not simultaneously hold more than ten mandates on the highest management or supervisory bodies of legal entities outside the Valora Group which are required to be registered in the Swiss commercial register or a similar register in another country. No more than four such mandates may be carried out for exchange-listed legal entities.

3.4 ELECTIONS AND TERMS OF OFFICE

The Board of Directors comprises at least three members. The Chairman and the other Board members are each elected individually by the General Meeting of shareholders for a term of office of one year – one year being the period from one Ordinary General Meeting to the next. Expiring mandates of the Board members may be prolonged.

Subject to the requirements placed upon it by law and the Articles of Incorporation, the Board of Directors is self-constituting. The Board names a Chairman, a Deputy Chairman and a Secretary. The Secretary need not be a Board member. Should the office of Board Chairman become vacant, the Board will appoint one of its members for the remaining duration of the Chairman's term of office as Interim Chairman. With the exception of Franz Julen (first elected in 2007), Ernst Peter Ditsch (first elected in 2013) and Cornelia Ritz Bossicard (first elected in 2014), all Board members were first elected in 2008.

3.5 INTERNAL ORGANISATIONAL STRUCTURE AND COMMITTEES

The Board of Directors assumes the responsibilities required of it by law (article 716a of the Swiss Code of Obligations). The Board has supreme managerial responsibility for the company and the supervision of its conduct of business. It is charged with the outward representation of the company and attends to all matters which the law, the company's Articles of Incorporation or the company's bylaws have not assigned to another executive body of the company. The Board of Directors may delegate powers and the management of the company or individual parts thereof to one or more persons, to members of the Board or to third parties who need not be shareholders, provided such affairs are not inalienably assigned to it by law or the articles of incorporation. The Board issues the company's bylaws and regulates the contractual relationships relating to them.

There is no explicit allocation of responsibilities among Board members other than that arising from Board committee memberships. Board members are, however, selected as to ensure that the Board as a whole has specific expertise in the fields of finance, retail, franchising, trade, IT, law and production. Minutes are kept of Board meetings.

The composition of the Board committees is as follows:
- Audit Committee: Cornelia Ritz Bossicard (Chairwoman), Rolando Benedick, Bernhard Heusler.
- Nomination and Compensation Committee: Franz Julen (Chairman), Markus Fiechter, Ernst Peter Ditsch.

The Board of Directors held 13 meetings in 2016, conducted 2 conference calls. Resolutions by circular have not been made in 2016. Apart from 4 half-day meetings, the other meetings all lasted one full day. The Audit Committee held 3 half-day meetings and conducted one conference call, while the Nomination and Compensation Committee held 3 half-day meetings. The Board of Directors and its committees may invite other persons – in particular members of management and representatives of the internal and external audit functions – to attend their meetings. The CEO and CFO attended all meetings of the Board of Directors and its Committees. Representatives of the internal and external audit functions attended all Audit Committee meetings.

3.5.1 AUDIT COMMITTEE DUTIES

a) To assess accounting practices and principles, financial reporting and other financial information and to report on these to the Board of Directors.
b) To assess the financial reporting for the annual and half-yearly reports and make appropriate recommendations to the Board of Directors.
c) To assess other financial information which is published or submitted to third parties.
d) To monitor and discuss possible financial risks.
e) To assess risk management principles and activities with regard to financial risk.
f) To formulate and, where appropriate, modify the strategy and concept for ICS (internal control system) processes within the company and to assess their functional viability.
g) To assess and finalise the internal audit function's audit plan, advisory activities and budget.
h) To assess the performance and independence of the internal audit function.
i) To appoint and dismiss the internal auditors.
j) To assess the audit plan, performance and independence of the external auditors and the fees paid to them, and to propose nominations for the external audit function (for the financial statements of Valora Holding AG and the Valora Group) to the Board of Directors.
k) To assess audit findings in the internal and external auditors' reports and to monitor the implementation of measures recommended therein.
l) To assess the collaboration between the internal and external auditors.
m) To commission additional and follow-up audits with regard to specific issues or problems as needed.
n) To assess financing and treasury policy.
o) To assess the legal department's annual report on major, potential, pending and resolved legal issues whose financial consequences are significant and to assess the Group's compliance with required standards.
p) To assess tax planning, tax management and tax audits and their outcomes.

q) To assess the evolution of corporate governance and to formulate appropriate recommendations to the Board of Directors.
r) To carry out other tasks and projects as instructed by the Board of Directors.

For the duties specified in a), b), c), d), e), f), h), j), k), l), n), o), p), q and r) above, the Audit Committee exercises a preparatory function. For the duties specified in g), i), and m) it exercises a decision-making function.

3.5.2 NOMINATION AND COMPENSATION COMMITTEE DUTIES

In accordance with the requirements placed on it by the law and the Articles of Incorporation, the Nomination and Compensation Committee primarily carries out the following duties to prepare the decision-making process by the Board of Directors and the decisions it ultimately makes:
(a) To support the Board in determining and assessing the remuneration strategy and guidelines.
(b) To support the Board in determining and assessing the qualitative and quantitative criteria applied to remuneration.
(c) To support the Board in the preparation of recommendations to the General Meeting of shareholders regarding the remuneration of the Board and of Group Executive Management.
(d) To formulate and submit recommendations to the Board regarding the remuneration of the Board Chairman and the other Board members.
(e) To submit proposals to the Board regarding the remuneration and other terms of employment (employment contracts) of the CEO and the other members of Group Executive Management.
(f) To assess and determine the extent to which the qualitative and quantitative performance criteria set by the Board for determining the variable short-term and long-term remuneration paid to Group Executive Management have been met.
(g) To assess general annual salary increases proposed by the CEO and to make recommendations on these to the Board.
(h) To assess share, share-option and profit-sharing programmes for the Board, Group Executive Management, managers and employees and to make recommendations on these to the Board.
(i) To monitor compliance with the remuneration principles set out in the law, the Articles of Incorporation and company regulations and with the resolutions on remuneration approved by the General Meeting of shareholders.
(j) To submit an appraisal of the remuneration report to the Board and to submit recommendations regarding the report to the Board.
(k) To prepare proposals for new candidate Board members for submission to the Board.
(l) To prepare proposals for submission to the Board on the appointment or dismissal of the CEO and other Group level executives (CFO, members of Group Executive Management).
(m) To remain informed of and monitor succession planning for the top two tiers of management.
(n) To discuss the performance appraisals of the CEO and the other members of Group Executive Management.
(o) To monitor the implementation of Board decisions within the scope of the Nomination and Compensation Committee's remit.
(p) To carry out other tasks and projects as instructed by the Board of Directors.

The duties carried out by the Nomination and Compensation Committee regarding the Board of Directors' remuneration guidelines and the financial remuneration paid to the Board are of a preparatory nature.

3.6 DEFINITION OF AREAS OF RESPONSIBILITY

The Board of Directors meets as frequently as business demands, holding a minimum of four meetings each year. Board meetings are convened by the Chairman or, in his absence, by the Deputy Chairman or another Board member. The Chairman is also required to call a Board meeting within 30 days of receiving a written request to do so from any of its members. The Board is quorate if a majority of its members are present. No quorum is required for the Board to approve reports on capital increases or on the subsequent paying in of shares not fully paid up, or for any resolutions which require notarisation. Board resolutions are passed and elections decided by a simple majority of the votes cast. In the event of a tie, the Chairman has the casting vote. Voting and elections are normally conducted by a show of hands, unless a Board member requests a secret ballot. Board resolutions on proposals submitted to the Board may also be made by video or telephone conference or in writing by circular, provided that a majority of Board members vote in favour of the proposal, that all members had the opportunity of casting their votes and that no member requested that a meeting be held to discuss the proposal. All Board resolutions must be recorded in a set of minutes, which the Chairman and the Secretary must jointly sign. Every Board member is entitled to information and access to documents, within the overall provisions of the law.

The Board of Directors has ultimate responsibility for the management of the Group, in particular determining the key attributes of the company's activities, maintaining an appropriate balance between entrepreneurial objectives and financial resources and promulgating such directives as this requires. The Board is also responsible for approving corporate strategy and specifying organisational structure, as well as defining the strategy and concept governing the internal control system and risk assessment and risk management activities. The Board also bears ultimate responsibility for personnel matters and determines the fundamental principles of the company's staff and salary policies. It is responsible for the appointment, dismissal and supervision of those charged with the management of the company, the Group and the individual divisions – in particular the CEO, CFO and divisional heads – and for defining their deputising arrangements and signatory powers. The Board also establishes the guidelines for financial and investment policy, and approves medium-term planning, annual budgets and investment schedules.

The Board of Directors delegates the entire management of ongoing operations and the representation of the company to Group Executive Management under the leadership of the CEO, to the extent that the law or the company's Articles of Incorporation or bylaws do not stipulate otherwise. Group Executive Management has the authority to decide on all matters relating to the business entrusted to it. Decisions on matters which are beyond the scope of regular business operations or which exceed the thresholds specified in the company's terms of reference (ToR) require approval by the Board of Directors.

In essence, this applies to:

- the commencement of new business activities or the cessation of existing ones.
- the execution of significant contracts relating to areas outside the scope of Valora's normal business activities and the execution of consultancy contracts whose costs (either aggregate or annual) exceed CHF 2 million.
- the issuance of marketable debt securities or the contracting of long-term borrowing in amounts in excess of CHF 30 million.
- the granting of loans to third parties whose amount exceeds CHF 10 million.
- carrying out investments covered by the investment plan for amounts of more than CHF 5 million or carrying out non-budgeted investments for amounts of more than CHF 2 million.
- the granting of sureties or guarantees for amounts in excess of CHF 10 million.
- the acquisition or disposal of equity participations.
- the purchase or sale of real-estate properties for amounts in excess of CHF 5 million.
- the initiation or termination of legal disputes, including the agreement to court-ordered or out-of-court settlements for amounts in excess of CHF 2 million.

3.7 INFORMATION AND CONTROL INSTRUMENTS AVAILABLE TO THE BOARD OF DIRECTORS

The CEO keeps the Chairman of the Board informed about the business performance of the company and the Group. At Board meetings, the CEO informs the Board about the business performance of the company, the Group and the individual divisions and also reports on all major business events. The CEO notifies the Board immediately of any extraordinary events whose implications are substantial.

In addition, the Management Information System provides the Board of Directors with the following on a regular basis: monthly sales figures and monthly divisional and Group reporting based on the budget approved by the Board versus current and prior year's actual figures, information regarding major business events, data on the shareholder structure and the extent to which resolutions approved by the General Meeting or the Board of Directors have been implemented.

The Chairman of the Board of Directors is provided with copies of the minutes of all Group Executive Management meetings. Any member of the Board of Directors may demand information from management about the course of business and operations and, with the approval of the Chairman of the Board, on specific business transactions. Any Board member may also demand that company books and files be made available for their inspection.

3.7.1 RISK MANAGEMENT

The Board of Directors and Group Executive Management carry out a risk assessment once a year. The objective is to make the principal risks to which Valora is exposed more transparent, to improve the quality of risk dialogue and to define practical measures for addressing key risks to Valora. The results are reviewed at a joint meeting held with the Board of Directors at which a plan for implementing appropriate measures is approved.

The risk assessment is initiated by the head of internal audit and is then carried out jointly, with external assistance, by Group Executive Management and the Chairman of the Board. The risk assessment process comprises three phases. In phase 1, the catalogue of risks and the methodological parameters are defined, and structured interviews are held with the individual members of Group Executive Management. This phase also involves some 15 key Valora employees being questioned by internal audit about their assessment of the risk situation. In phase 2, the results of these interviews are discussed with Group Executive Management, the key risks are identified and measures for addressing them are defined, with responsibility for their execution being assigned to specific members of Group Executive Management. The implementation status of measures decided upon the previous year is also reviewed. The final phase involves documenting the key findings and potential consequences of each of the key risks identified, as well as the measures adopted to address them, in a risk report which is submitted to the Board of Directors for approval.

3.7.2 INTERNAL AUDIT

Internal audit supports the Board of Directors, the Audit Committee and Group Executive Management in carrying out their oversight and controlling duties. The internal audit function's activities encompass the entire Valora Group and all its subsidiaries in Switzerland and abroad. Internal audit provides independent, objective audit and advisory services which are designed to generate added value and to improve business processes. The internal audit function supports the Valora Group in achieving its objectives by applying a systematic and targeted approach to evaluating the effectiveness and efficiency of risk management, internal controls, management processes and monitoring processes and by helping to improve them.

Internal audit is independent. It assumes no management responsibilities and makes no management decisions. On all audit matters it reports directly to the Audit Committee. Administratively, it reports to the Chief Financial Officer of the Valora Group.

Every year, internal audit develops a risk-based audit plan which it submits to the Audit Committee as a basis for determining the key areas of audit examination for the year. The annual audit plan is coordinated with the external auditors. It is adopted by the Audit Committee and communicated to Group Executive Management. In addition, the Chairman of the Board, the Audit Committee or its Chairman can instruct internal audit to carry out special assignments. Internal audit reports its planned audit activities to the Audit Committee and also prepares an annual report documenting its activities during the year.

Internal audit prepares a written report at the end of each audit and each assignment. In addition to its own audit findings and recommendations, these reports also contain a statement from management, which lists the measures planned and states the time which will be required for their implementation. Implementation of these measures is then verified by internal audit in a timely fashion. The Chairman of the Board, the members of the Audit Committee, the CEO, the CFO and the external auditors each receive a copy of these reports. Internal audit carried out 11 audits during 2016.

4 GROUP EXECUTIVE MANAGEMENT

4.1 MEMBERS OF GROUP EXECUTIVE MANAGEMENT

The CEO is responsible for managing the Group. He coordinates the activities of the individual divisions and chairs the Group Executive Management committee. The other members of Group Executive Management report to the CEO. The division heads run their divisions with a view to achieving sustainably profitable performance. They define the specific management tools their divisions require in addition to the Group-wide guidelines which are in place.

Michael Mueller, 1972, Swiss citizen
Master's degree in Law (lic. iur. HSG) from the Universities of St. Gallen and Lausanne.
Previous activities: CFO of Valora Holding AG, Managing Director of Rubus Capital Management AG, CEO, Board Delegate and Member of the Board of Directors of Jelmoli Holding AG, CEO of GVO Asset Management AG, merger and acquisitions advisor at Goldman Sachs, management consultant at Bain & Company advising on strategic transformation and restructuring programmes. CEO of Valora since March 1, 2014.

Tobias Knechtle, 1972, Swiss citizen,
Master's degree in Economics (lic. rer. pol.) from the University of Berne.
Previous activities: Senior Vice President, Finance at Kudelski Group, Principal and Managing Director at Cinven Private Equity, various consultancy positions at The Boston Consulting Group, Corporate Internal Auditor at Nestlé Group. CFO of Valora since March 1, 2014.

Thomas Eisele, 1974, Swiss citizen
Master's degree in Economics (lic. rer. pol.) from the University of Basel.
Previous activities: Managing Director Ditsch & Brezelkönig. Head of Business Development / M & A at Valora Group, Assistant Executive Chairman of Valora Holding AG, Assistant Executive Chairman of Manor Group, CFO / COO itheca Group, management consultant at MCS. Head of Division Food Services since April 1, 2014.

Group Executive Management changes.
There were no changes in the group's executive management in the financial year 2016.

4.2 FURTHER SIGNIFICANT ACTIVITIES AND VESTED INTERESTS

No member of Group Executive Management currently engages in any other activities in the management or supervisory boards of any listed companies in Switzerland or elsewhere. With the exception of the duties listed below, no member of Group Executive Management engages in any ongoing management or consultancy activities for companies outside the Valora Group, nor does any such member hold any public or political office.

Tobias Knechtle a member of the supervisory board of SwissHoldings, whose registered offices are in Berne. He is also a member of the supervisory boards and investment committees of the Valora pension fund and the Valora employer's foundation, both with registered offices in Muttenz.

4.3 ARTICLES OF INCORPORATION PROVISIONS ON THE NUMBER OF PERMISSIBLE ACTIVITIES

As required by Article 12, paragraph 1, section 1 of the Ordinance against Excessive Compensation, the Articles of Incorporation of Valora Holding AG state that members of Group Executive Management may not simultaneously hold more than four mandates on the highest management or supervisory bodies of legal entities outside the Valora Group which are required to be registered in the Swiss commercial register or a similar register in another country. No more than one such mandate may be carried out for an exchange-listed legal entity.

Mandates within the same corporate group and mandates closely linked to the same group (such as pension funds, joint ventures and significant participations) are considered as one mandate. All mandates require prior approval by the Board of Directors.

4.4 MANAGEMENT CONTRACTS

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

5 REMUNERATION, SHARE HOLDINGS AND LOANS

Full details of all remuneration, share holdings and loans (content of remuneration and share programmes, process for determining remuneration under those programmes, general remuneration components (and their weightings) for members of the Board of Directors and Group Executive Management) are set out in the separate remuneration report on pages 41 to 57, in Note 35 "Transactions and balances outstanding with related parties" to the consolidated financial statements of the Valora Group (page 133 and 134) and in Note 3.4 "Shareholdings" to the financial statements of Valora Holding AG (page 149).

6 SHAREHOLDERS' PARTICIPATION RIGHTS

6.1 VOTING RIGHT AND REPRESENTATION RESTRICTIONS

Each share entitles its holder to one vote at the General Meeting. Voting is limited to those individuals who are entered as shareholders with voting rights in the Share Register.

The Board of Directors may refuse acknowledgement and entry in the Share Register as a shareholder with voting rights of any shareholder who fail to confirm expressly, on request, that they have acquired the shares concerned in their own name and for their own account. The Board of Directors may also cancel – with retroactive effect to the date of original entry – the entry in the Share Register as a shareholder with voting rights of any shareholder who, on subsequent inquiry, is found to have had the voting rights concerned registered by making a false declaration, and may have them entered instead as shares without voting rights. Any such cancellation must be communicated immediately to the shareholder concerned.

To enhance the tradability of Valora shares on the stock exchange, the Board of Directors may devise regulations or agreements which approve the fiduciary entry of registered shares with voting rights over and above the limits set out in the Articles of Incorporation for trustees who disclose the nature of their trusteeship (nominees, ADR banks). However, such trustees must be overseen by banking or financial market regulators or must otherwise provide the necessary guarantees that they are acting on behalf of one or several persons who are not linked to each other in any way, and must be able to provide the names, addresses and shareholdings of the beneficial owners of the shares concerned.

A shareholder may be represented at a General Meeting only by their legal representative, by another shareholder attending the General Meeting whose name is entered in the Share Register, by a proxy for deposited shares, by an executive body of the company or by the independent shareholders' representative. The Board of Directors will ensure that shareholders can also send electronic proxy votes and voting instructions to the independent shareholders' representative, who can determine the specific arrangements required for this. Recognition of powers of attorney will be at the discretion of the Board members attending the General Meeting.

6.2 STATUTORY QUORUMS

Unless the law or the Articles of Incorporation require otherwise, the General Meeting passes its resolutions and conducts its elections by a simple majority of the share votes cast, irrespective of the number of shareholders attending or the number of shares represented. Voting abstention and invalid votes are considered as not submitted. In the event of a tied vote, the Chairman of the Board of Directors holds the casting vote.

Under Article 13 of the Articles of Incorporation, the following resolutions require a majority of two thirds of the votes represented and an absolute majority of the nominal value of the votes represented:
- changing the object of the company;
- introducing shares with privileged voting rights;
- limiting or facilitating the transferability of registered shares;
- increases in authorised or conditional capital;
- capital increases from shareholders' equity, against contributions in kind or for acquisition purposes, and the granting of special benefits;
- limiting or suspending subscription rights;
- relocating the company's registered office;
- dissolving the company

6.3 CONVOCATION OF THE GENERAL MEETING

Ordinary or Extraordinary General Meetings are formally called at least 20 days in advance by publication in the "Schweizerisches Handelsamtsblatt" (Swiss Official Gazette of Commerce). The holders of registered shares shown in the Share Register may also be invited by letter. Such publication and letters of invitation must indicate the venue, date and time of the meeting, the items on the agenda and the wording of any motions proposed by the Board of Directors or by shareholders who have requested the convening of a General Meeting or the inclusion of an item on the meeting's agenda.

The notice of an Ordinary General Meeting must also indicate that the Annual Report and the Report of the Auditors will be available for inspection at the company's registered office at least 20 days in advance of the meeting, and that any shareholder will immediately be sent a copy of these documents on request.

No resolution may be passed on any matters that are not announced in the way described above, except on a motion to convene an Extraordinary General Meeting or to conduct a special audit.

The Articles of Incorporation stipulate that the convening of a General Meeting may also be requested by one or more shareholders who together represent at least 10% of the company's share capital.

6.4 ADDITIONAL AGENDA ITEMS

Shareholders who together represent at least 3% of the company's share capital or shares with a total nominal value of at least CHF 1 million may request that an item be placed on the agenda of a General Meeting, provided they submit details thereof to the company in writing at least 50 days in advance of the General Meeting concerned.

6.5 REGISTRATIONS IN THE SHARE REGISTER

To attend the 2017 Annual General Meeting, shareholders must submit their requests for registration in the Share Register to the company no later than 4 p.m. on March 22, 2017.

7 CHANGES OF CONTROL AND DEFENCE MEASURES

7.1 DUTY TO MAKE AN OFFER

The company has no "opting out" or "opting up" clauses in its Articles of Incorporation.

7.2 CLAUSES ON CHANGE OF CONTROL

There are no change of control clauses in favour of any members of the Board of Directors, Group Executive Management or other members of management.

8 AUDITORS

The consolidated financial statements and the financial statements of Valora Holding AG and its subsidiaries are audited by Ernst & Young AG. The General Meeting appoints an individual or corporate body that satisfies the relevant legal requirements to act as Statutory Auditors, with the rights and obligations prescribed by the law. The Statutory Auditors are elected for a one-year term of office.

8.1 DURATION OF THE MANDATE AND TERM OF OFFICE OF THE LEAD AUDITOR

The audit mandate was first entrusted to Ernst & Young AG at the 2009 General Meeting. Ernst & Young AG were appointed as auditors for a further year from 2010 until 2016 General Meeting. The lead auditor, André Schaub, first took on the mandate in 2016. Regulations on auditor rotation limit the terms which may be served by the same lead auditor to a maximum of seven years.

8.2 AUDIT FEES

The total cost to Valora Holding AG and its subsidiaries of the auditing conducted by Ernst & Young AG in 2016 in respect of the consolidated financial statements, the financial statements of Valora Holding AG and of its subsidiaries was CHF 0.8 million (CHF 1.0 million in 2015).

8.3 ADDITIONAL FEES

In addition, Ernst & Young AG invoiced the Valora Group for a further CHF 0.1 million (CHF 0.1 million in 2015) for tax advisory services and CHF 0.3 million (CHF 0.0 million in 2015) for other services.

8.4 INFORMATION INSTRUMENTS AVAILABLE TO THE EXTERNAL AND INTERNAL AUDITORS

The Board of Directors' Audit Committee defines the audit mandates of the statutory auditors and has the responsibility of ensuring appropriate controls are carried out.

Internal auditing was carried out by an external audit company in 2016. Both internal and external auditors attended all Audit Committee meetings. All members of the Board of Directors are invited to the Audit Committee meetings at which the interim and full-year financial results are reviewed. Assessment of the external auditors takes account of a number of criteria, principal among which are deadline discipline, reporting quality, provision of additional information, availability of designated contacts and cost effectiveness. The external auditors submit to the Audit Committee both their report on the financial statements for the year just completed as well as their audit plan for the current financial year. The internal auditors submit their audit plan for the current year to the Audit Committee and also provide it with a separate report on each audit they carry out.

9 INFORMATION POLICY

Valora Holding AG meets all legal requirements and strives to meet best practice standards. Valora Holding AG uses all appropriate communication channels to maintain contact with the financial community and the general public. The firm reports on important news items concerning it on an ad hoc basis. In addition, the Valora website provides comprehensive information on a range of topics, as well as publishing details of all matters whose disclosure is required by law.

The Investor Relations unit is responsible for managing all contacts with investors and financial analysts. Regular conferences covering important company topics are held for the media, institutional investors and analysts. Shareholders and other interested parties may dial into these events by telephone or log on via the Valora Holding AG website.

Valora Holding AG is committed to treating all interested parties equally. The Group ensures that information is not disclosed selectively by adhering to the relevant directives on ad hoc publicity and on blackout periods ahead of the publication of interim and full-year results. These blackout periods commence on dates before the official publication of results which are set in advance and end when the results are published. No meetings with financial analysts or investors take place during the blackout periods.

Every spring, the company holds a results press conference for the media and financial analysts. The invitation to the General Meeting sent to all shareholders includes a summary of the key figures in the full-year financial statements.

In July of each year, the company publishes consolidated interim results for the first six months of the year on the Valora Group website (these results are unaudited).

The Investors section of the Valora website displays a variety of information, including the corporate governance report, the company's Articles of Incorporation, a calendar of events, information on the General Meeting and on Valora shares as well as other key metrics. Ad hoc news and reports on potentially price-sensitive matters can be obtained rapidly and free of charge by e-mail by registering on the Valora e-mail distribution list (http://www.valora.com/en/investors).

Ongoing sources of information:
- The www.valora.com company website
- Group interim and annual reports
- Media releases

Media relations: *Stefania Misteli*
Investor relations: *Annette Martin*

Remuneration report

INTRODUCTORY REMARKS BY THE CHAIRMAN OF THE NOMINATION AND COMPENSATION COMMITTEE

Dear Shareholders

On behalf of the Board of Directors and the Nomination and Compensation Committee (NCC), I am glad to present the Remuneration Report for 2016 and explain its key details.

The NCC implemented a comprehensive set of changes to the remuneration system for **Group Executive Management** which came into effect at the end of 2015. The key objectives of the new system are simplicity, transparency, a greater performance-based component and close alignment with the interests of shareholders. Accordingly, a key attribute of the new system is that the portion of total remuneration paid in the form of blocked shares is as high as possible. Conversely, the portion represented by fixed salary after taxes has been kept within manageable parameters. This constellation provides an incentive for Group Executive Management to focus on increasing the Valora Group's value over the long term. The level of remuneration is essentially determined by the achievements of Group Executive Management, the financial performance of the company and the external market value of each function.

Overall remuneration comprises an annual fixed salary, a Short Term Bonus, generally paid in shares, and a share-based Share Participation Program.

The long-term-oriented **Share Participation Program** (SPP), which replaced the Long Term Plan (LTP) with effect from October 31, 2015, is focused on generating long-term, sustainable and performance-oriented value. Under the SPP, a significant proportion of overall remuneration is paid in the form of blocked shares. In the case of the CEO, the SPP represents 35% of target overall remuneration, while in the case of the other members of Group Executive Management it accounts for between 20% and 30%. The shares are allocated in the year they are awarded, thus giving rise to a tax liability. From an after-tax perspective, this means that the SPP accounts for more than 50% of the CEO's overall remuneration. Because the shares awarded under the SPP are subject to a lock-up period, the net worth of the members of Group Executive Management is closely linked to the long-term performance of the company's shares.

The short-term-oriented variable **Short Term Bonus** (STB) links the success of the company with individual performance, thus incentivising its participants to think and act entrepreneurially. 70% of the STB depends on the achievement of pre-determined profitability objectives, with the remaining 30% determined by the attainment of individual performance goals. The STB accounts for between 10% (in the case of the CEO) and 15% of target overall remuneration. The STB awarded to the CEO and CFO also takes the form of blocked shares. As a result, between 64% and 69% of the target overall remuneration paid to the CEO and CFO is in the form of shares and is thus linked to future performance.

This remuneration system allows Valora to pursue a sustainable, long-term development policy aimed at achieving the strategic objectives set by the Board of Directors. Through their blocked shares, the members of Group Executive Management are able to participate both in the value generated by the company and the performance of its share price. In this way, the interests of the executives managing the company are very closely linked to those of its shareholders.

Compared to 2015, the new pay mix has reduced the after-tax target overall remuneration of the CEO and CFO by 6% and 9% respectively. The increase in overall remuneration shown in the remuneration report is principally attributable to the introduction of the SPP, under which share awards are valued at the market price prevailing at the time the shares are allocated. In contrast, the purpose of the previous LTP scheme was to generate a capital gain which was income-neutral for the company. Moreover, since Valora performed very successfully in 2016, both in terms of its operational results and its share price, the effective remuneration for Group Executive Management is at the upper end of the approved range. We are convinced that our remuneration system is fair, sustainable and performance-oriented and that it is thus congruent with the interests of our shareholders.

The structure of the remuneration paid to **members of the Board of Directors** has remained unchanged since the 2015 AGM. In accordance with best practice, the fees paid to Board members are fixed. However, 20% of directors' fees are paid in the form of blocked shares, so that Board members' remuneration is also linked to the performance of the company's shares.

We will continue to review our remuneration system in the future, adapting it where necessary to ensure that the sustainable performance, loyalty and commitment of the Board, Group Executive Management and staff are appropriately incentivised. We also intend to make continuous improvements to our remuneration disclosure, so that the links between remuneration paid and performance achieved are as transparent as possible for all stakeholders.

As in previous years, shareholders can express their views on the remuneration system by participating in the consultative vote on the 2016 remuneration report at the forthcoming Ordinary General Meeting. At that meeting, your approval will also be sought for the proposed maximum overall remuneration for the Board of Directors during the period from the 2017 Ordinary General Meeting to the 2018 Ordinary General Meeting and for Group Executive Management for 2018.

Yours sincerely

Franz Julen
Chairman of the Nomination and Compensation Committee

REMUNERATION POLICY

1 INTRODUCTION

The Valora Holding AG remuneration report has been prepared in accordance with the Ordinance against Excessive Compensation (OaEC) and the SIX Directive on Corporate Governance (DCG).

As required by Valora's Articles of Incorporation, the Remuneration Report is submitted to the Ordinary General Meeting of shareholders for approval by a consultative vote. Each year since 2015, the Ordinary General Meeting of shareholders has had binding votes on the maximum remuneration paid to members of the Board of Directors during the period till the next Ordinary General Meeting and on the maximum remuneration, comprising both fixed and variable components, payable to members of Group Executive Management for the following year.

Details of the General Meeting's vote on remuneration and the Remuneration Report are set out in Article 27 of the Articles of Incorporation and can be accessed via this link:
http://www.valora.com/media/group/documents/en/documents/2016/20160414_statuten_valora_en.pdf

2 COMPENSATION GOVERNANCE

The Nomination and Compensation Committee (hereinafter "the NCC") is a permanent Committee of the Board of Directors (hereinafter "the Board") of Valora Holding AG. It deals with those matters relating to the financial remuneration of members of the Board, the CEO and Group Executive Management and to personnel planning at the Board and Group Executive Management level which have been assigned to it by law, the Articles of Incorporation and current regulations. The NCC comprises at least three members of the Board who have no management duties in the company and have no material conflicts of interest which would prevent them from exercising their duties with the requisite independence. The members of the NCC are elected by the Ordinary General Meeting for a one-year term of office, ending at the next Ordinary General Meeting. Members of the NCC may be re-elected by the General Meeting. The Board appoints one of the members of the NCC as its Chairman. In 2016, the NCC comprised Franz Julen (Chairman), Markus Fiechter and Ernst Peter Ditsch.

In accordance with the requirements placed on it by the law and the Articles of Incorporation, the NCC primarily carries out the following duties to prepare the decision-making process by the Board of Directors and the decisions it ultimately makes:

a) To support the Board in determining and assessing the remuneration strategy and guidelines.
b) To support the Board in determining and assessing the qualitative and quantitative criteria applied to remuneration.
c) To support the Board in the preparation of recommendations to the General Meeting of shareholders regarding the remuneration of the Board and of Group Executive Management.
d) To formulate and submit recommendations to the Board regarding the remuneration of the Board Chairman and the other Board members.
e) To submit proposals to the Board regarding the remuneration and other terms of employment (employment contracts) of the CEO and the other members of Group Executive Management.
f) To assess and determine the extent to which the qualitative and quantitative performance criteria set by the Board for determining the variable remuneration to Group Executive Management have been met.
g) To assess general annual salary increases proposed by the CEO and to make recommendations on these to the Board.
h) To assess share and profit-sharing programmes for the Board, Group Executive Management, managers and employees and to make recommendations on these to the Board.

i) To monitor compliance with the remuneration principles set out in the law, the Articles of Incorporation and company regulations and with the resolutions on remuneration approved by the General Meeting of shareholders.
j) To submit an appraisal of the remuneration report to the Board and to submit recommendations regarding the report to the Board.
k) To prepare proposals for new candidate Board members for submission to the Board.
l) To prepare proposals for submission to the Board on the appointment or dismissal of the CEO and other Group level executives (CFO, members of Group Executive Management).
m) To remain informed of and monitor succession planning for the top two tiers of management.
n) To discuss the performance appraisals of the CEO and the other members of Group Executive Management.
o) To monitor the implementation of Board decisions within the scope of the Nomination and Compensation Committee's remit.
p) To carry out other tasks and projects as instructed by the Board of Directors.

The duties carried out by the NCC regarding the Board of Directors' remuneration guidelines and the financial remuneration paid to the Board are of a preparatory nature.

The NCC meets as often as business requires, but at least three times each year. Meetings are called by the NCC Chairman or at the request of an NCC member. In special cases, they may also be called by Board resolution. The NCC held 3 meetings in 2016. NCC meetings are generally attended, in an advisory capacity and without voting rights, by the CEO and the CFO and by the Board Secretary, who also takes minutes of the meetings. The CEO and CFO are not present when their own performance is being assessed and their remuneration is being discussed. During the meetings, each Board member refrains from voting on decisions on his own remuneration.

Minutes of the meetings are taken. At Board meetings, the NCC Chairman reports on the activities of the NCC and informs the Board of the NCC's views and recommendations on substantive matters requiring a Board decision. Every Board member receives a copy of the minutes of NCC meetings.

Subject to the binding authority vested in the General Meeting of Shareholders, the aggregate remuneration awarded to each individual member of the Board of Directors and of Group Executive Management is determined each year by the entire Board of Directors.

3 REMUNERATION PRINCIPLES

Valora pays overall remuneration which is commensurate with performance. The remuneration system is designed in a way which ensures that the interests of the Board of Directors and the management coincide with the interests of the Valora Group and its shareholders.

Members of the Board of Directors receive a fixed director's fee, 80% of which is usually paid in cash, with the remaining 20% being in the form of blocked Valora Holding AG shares. The chairpersons and members of the Board Committees (the Audit Committee and the Nomination and Compensation Committee) receive additional remuneration. No pension-fund contributions are made on behalf of members of the Board of Directors.

The amount of the fixed remuneration determined by the Board for members of Group Executive Management is based on the market value of the position concerned, its responsibilities and the effective scope of the activities it requires. These market values were determined on the basis of publicly available information.

The overall remuneration paid to members of Group Executive Management comprises a fixed salary, a variable Short Term Bonus and a share-based management award. Like other Valora employees, members of Group Executive Management are covered by the Valora pension fund.

Article 27 (4) of the Articles of Incorporation states that where new members of Group Executive Management are appointed subsequently to the General Meeting granting approval of the remuneration for members of Group Executive Management, the additional amount available for each new member of Group Executive Management shall be 120% of the highest remuneration paid to a member of Group Executive Management in the financial year preceding the last Ordinary General Meeting. The approval of the General Meeting for this additional remuneration is not required. The rules in the Articles of Incorporation governing these additional amounts can be accessed via this link:
http://www.valora.com/media/group/documents/en/documents/2016/20160414_statuten_valora_en.pdf

Details of the specific remuneration paid to members of the Board and Group Executive Management are disclosed in sections 5.3 and 6.2.

4 BOARD MANDATES AND EMPLOYMENT CONTRACTS

Board mandates and Group Executive Management employment contracts comply with the provisions of the OaEC and can be for a fixed or indefinite term. The maximum duration of a fixed-term contract is one year. Fixed-term contracts can be renewed. Continuation of a Board mandate requires re-election by the Ordinary General Meeting of shareholders. The employment contracts for Group Executive Management stipulate a 12-month notice period and a non-competition provision which applies throughout the notice period. No severance pay is awarded. The provisions governing these arrangements are set out in Article 19 of the Articles of Incorporation, which can be accessed via this link:
http://www.valora.com/media/group/documents/en/documents/2016/20160414_statuten_valora_en.pdf

REMUNERATION STRUCTURE

5 GROUP EXECUTIVE MANAGEMENT REMUNERATION STRUCTURE IN 2016

The remuneration paid to members of Group Executive Management in 2016 comprised a fixed salary, a variable Short Term Bonus and a share-based management award (the Share Participation Program – SPP), which replaced the previous Long Term Plan (LTP) with effect from October 31, 2015.

The fixed base remuneration comprises a fixed salary, a car allowance or company car (which can also be used privately) and the employer's social-security and pension-fund contributions required by law. The individual fixed salary is based on the area of responsibility of each member of the Group Executive Management. Like other Valora employees, members of Group Executive Management participate in the Valora pension fund plan.

The variable remuneration comprises a Short Term Bonus (STB) based on performance criteria defined by the Board of Directors. The STB is paid either in cash or blocked shares.

Under the Share Participation Program (SPP) a portion of overall remuneration is paid in the form of Valora Holding AG registered shares. These shares are subject to a three-year lock-up period commencing on the date they are awarded and are fully included in the recipient's taxable income in the award year. SPP participants enjoy dividend and voting rights on the shares during the lock-period and are fully exposed to all price risk.

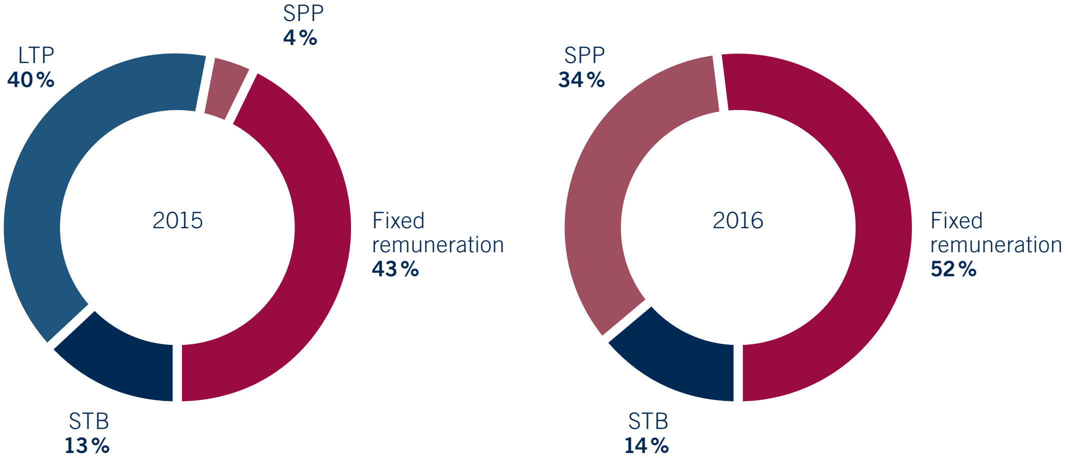
The table below shows the percentages of the overall remuneration paid to Group Executive Management attributable to its three component elements assuming defined objectives are 100% achieved:

Component	Plan	Percentage		Purpose	Form of payment
		CEO	Other GEM		
Fixed remuneration	Annual salary	55%	60–65 %	To attract and retain highly qualified staff	Monthly cash payment
Variable remuneration	STB	10%	10–15 %	Participation in the short-term performance of the company	One-time choice between cash or shares
Management award	SPP	35%	20–30 %	Alignment with shareholder interests, incentivising sustainable company performance and staff development	Share award (with 3-year lockup period)
Retirement provision	Pension fund			To provide for the risks of old age, survivorship and invalidity	Contributions as defined in pension-fund regulations, statutory social-security contributions
Additional benefits	Company car, expense allowance			Reimbursement of expenses	Defined in company-car regulations and expense guidelines

The provisions governing these arrangements are set out in Article 25 of the Articles of Incorporation, which can be accessed via this link:
http://www.valora.com/media/group/documents/en/documents/2016/20160414_statuten_valora_en.pdf

The composition of the overall remuneration paid to the Group Executive Management (incl. CEO) as a whole in 2016 is set out below. Under this system, a 100% achievement of all performance targets results in variable remuneration equal to 19% of fixed remuneration for the CEO and an average variable remuneration equal to 23% of fixed remuneration for the other members of Group Executive Management.

GROUP EXECUTIVE MANAGEMENT REMUNERATION



No fees were paid to external advisors for developing the remuneration system.

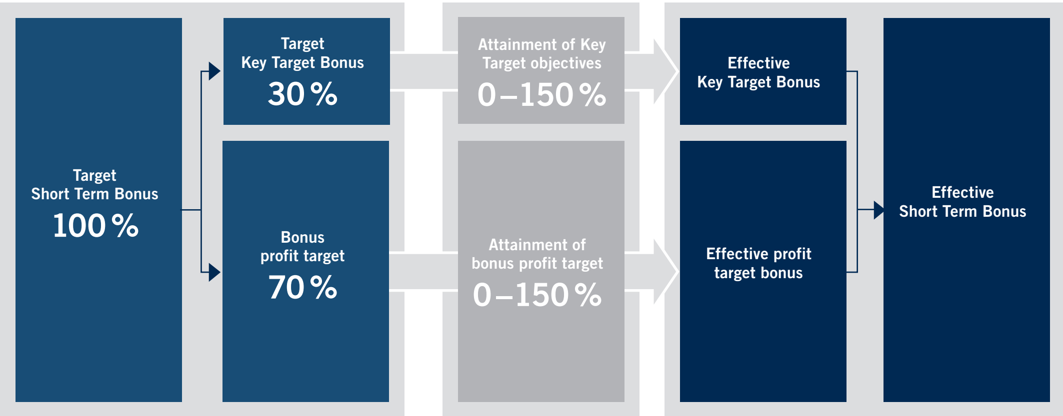
5.1 SHORT TERM BONUS (STB)

The revised regulations governing the Short Term Bonus (STB) came into effect on January 1, 2016. The STB provides members of Group Executive Management with a remuneration component which reflects Valora's short-term performance and the achievement of their own individual performance goals. 70 % of the STB is determined on the basis of a profit target defined in advance (in terms of EBIT, EBITDA or some similar metric) while the remaining 30 % is dependent on the achievement of individual performance objectives (key targets).

Each year, the profit target is defined in the annual budget, with the actual performance of the relevant metric being reported monthly. The profit target for each year is approved by the Board. Actual performance against this target for a completed bonus-measurement year is calculated by Corporate Group Controlling and submitted to the NCC for approval. For this purpose, actual attainment of the profit target can range between a minimum of 0 % and a maximum of 150 %. At least 85 % of the defined profit target must be achieved before a profit-target-related bonus becomes payable. If the profit target is exceeded by more than 115 %, 150 % of the bonus is payable. For the CEO and the CFO, actual performance of the applicable profit metric is based on the performance of the Valora Group. For the other members of Group Executive Management, the applicable profit metric of the unit for which they are responsible is taken into account. In special cases, the NCC has the option of deviating from this procedure and instituting a special solution, such as determining a target bonus which is independent of the profit target of the unit concerned. For 2016, the defined profit target was EBIT (earnings before interest and taxes). In 2016, actual EBIT performance was equivalent to 126 % of the target for the CEO and 100 %, on average, for the other members of Group Executive Management. The extent to which individual members of Group Executive Management reached their EBIT targets varied due to the differing EBIT performance of the various units concerned.

The NCC measures the attainment of key targets based on the extent to which operational objectives defined during the budget process were reached and on a general performance assessment. Actual attainment of key targets can range from a minimum of 0 % to a maximum of 150 %. In 2016, actual individual key target performance was 125 % for the CEO and 111 %, on average, for the other members of Group Executive Management.

In determining the effective Short Term Bonus, achievement of the EBIT target has a weighting of 70 % and achievement of Key Targets has a weighting of 30 %, as shown in the diagram below:



BONUS PROFIT TARGET	
Attainment of bonus profit target	Effective attainment of objectives
< 85 %	0 %
85 – 115 %	50 % to 150 % in linear increments[1]
> 115 %	150 %

\+

KEY TARGET	
Attainment rate per Key Target	Effective attainment of objectives
< 50 %	0 %
70 – 74 %	50 %
75 – 99 %	75 %
100 – 124 %	100 %
125 – 149 %	125 %
> 150 %	150 %

[1] For every additional percentage point by which the target is reached, the effective target achievement rate increases by 3 ⅓ percentage points.

Depending on the extent to which defined objectives are achieved, the effective STB can vary between a minimum of 0 % and a maximum of 32 % of fixed salary. Based on 100 % effective achievement of all performance objectives, the Short Term Bonus would, on average, be equal to 19 % of the fixed salary paid to members of Group Executive Management. In 2016, the Short Term Bonus paid to the CEO was 28 % of fixed salary and 25 % on average for the remaining members of Group Executive Management.

The STB for the CEO and CFO is entirely paid in blocked shares, while the other members of Group Executive Management receive their STB in cash. Shares are allocated on March 31 of the year following the bonus-measurement year (i.e. the year to which the bonus relates) and placed in a custody portfolio which is maintained in the Valora share register in the name, and for the account, of the plan participant concerned. The number of shares allocated is determined in accordance with the same regulations as those set out in section 5.2 for the SPP management award below. The share price used for determining the number of shares allocated is that applying on March 31 of the bonus-measurement year, thus ensuring that the STB also allows CEO and CFO to participate in the performance of the share price during the bonus-measurement year. Should an STB participant leave Valora during a given year, the Short Term Bonus will be fully paid in cash, rather than shares. Cash payment of the effective Short Term Bonus takes place in April of the year following the bonus-measurement year, once the financial results for the Group and the relevant sub-units have been determined and the Board of Directors has approved the bonus payments.

New members of Group Executive Management who take up their posts during a bonus-measurement year can receive a pro rata Short Term Bonus payment provided that they have an indefinite employment contract which has not been terminated and have achieved appropriate performance.

5.2 SHARE PARTICIPATION PROGRAM (SPP)

With effect from November 1, 2015, Valora established a management award scheme in the form of a share participation plan (the Share Participation Program or SPP). Within the overall remuneration paid to members of Group Executive Management, the SPP aims to provide incentives for them to further the sustainable, long-term success of Valora Holding AG through participation in the appreciation of its market value. The SPP also has the objective of aligning the interests of Valora's top management with those of its shareholders. Under the SPP, participants receive part of their contractual remuneration in the form of Valora Holding AG shares. Accordingly, they are not required to make any payment, in cash or other assets, for the shares thus allocated to them. While SPP participants are granted all the usual ownership rights associated with these shares, they are subject to the restrictions applicable during the three-year lock-up period. During that time, the price risk associated with the shares is fully borne by the SPP participants.

50% of the shares allocated to SPP participants as part of their remuneration in each calendar year are granted on March 31 of that year, with the remaining 50% being granted on September 30.

The Swiss franc value of the shares to be granted to the individual participants is specified in their employment contracts. The number of shares ultimately allocated is determined on the basis of the volume-weighted average trading price of the shares during a specified reference period (the reference-period ØVWAP) minus a discount of 16.038%, to compensate for the three-year-lock-up period. The reference period comprises the 10 consecutive trading days ending on March 31 of the year in which the allocations are made. Where necessary, the resulting number of shares is rounded up to the next whole share.

$$\text{Number of shares} = \frac{\text{Value in CHF}}{0.83962 \times \text{reference-period ØVWAP}}$$

Participants joining the SPP during a calendar year receive a pro rata allocation for that year based on the duration of their participation in that year. Participants leaving Valora during a calendar year generally receive a pro rata share grant corresponding to the duration of their employment during that year. This means that participants leaving Valora in a given year will either receive a pro rata allocation or have a pro rata portion of their allocated shares clawed back (in cases where too many shares have been allocated).

An exception to this rule applies in cases where a participant's employment is terminated for cause under the terms of Article 337 of the Swiss Code of Obligations by Valora. In such cases, the shares granted during the year in which the participant left Valora – whether as a result of immediate or regular termination or as a consequence of his employment contract being rescinded – revert to Valora. The participant is thus required to return these shares to Valora free of charge. Any shares not yet granted during that year are withheld.

Shares allocated under the SPP are subject to a lock-period of three years from the grant date. During this time, participants are prohibited from selling, pledging or otherwise transferring the shares. Both before and during the lock-up period, participants are also prohibited from hedging the price risk on the shares, be it by buying put options, writing call options or by other means. During the lock-up period, the shares are lodged in a custody account maintained in the name, and for the account, of the participant, in whose name the shares are also recorded in the company share register. At the end of the lock-up period the shares become freely available to the participants and are no longer subject to any selling restrictions.

When a participant's employment with Valora ends, the NCC has full discretion to curtail or waive the lock-up period. In such cases, participants are generally entitled to have the duration of any remaining lock-up periods reduced to one year.

In the event of a change of control (including the announcement of a public purchase offer), a delisting of the shares or any similar such occurrence, any lock-up periods still in force at that time will be lifted immediately.

The Share Participation Program is administered by the NCC. All allocations and grants of shares under the SPP are made by the NCC. The value of any shares granted under the NCC must be within the maximum remuneration ceilings approved by the Ordinary General Meeting of Shareholders.

5.3 REMUNERATION IN 2016

The maximum overall remuneration for members of Group Executive Management in 2016 approved by shareholders at the 2015 Ordinary General Meeting was CHF 7.4 million. The overall remuneration effectively paid to members of Group Executive Management in 2016 amounted to CHF 6 722 thousand (CHF 5 979 thousand in 2015). The increase in overall remuneration between the two years is essentially attributable to the introduction of the SPP, under which allocated shares are valued at the relevant VWAP. In contrast, the purpose of the previous LTP scheme was to generate a capital gain which was income-neutral for the company. As a result of the introduction of the SPP, the target overall remuneration for Group Executive Management as a whole has diminished.

Table 1
Group Executive Management 2016

in CHF thousand	Fixed base salary	Short Term Bonus (STB) 1)	Long Term Plan (LTP) 2)	Share Partici-pation Program (SPP) 3)	Other fixed rem-uneration 4)	Total 2016
Michael Mueller CEO and highest-paid member of Group Executive Management	1 180.0	328.4	–	942.0	294.2	2 744.6
Other members 5)	1 189.2	281.4	–	619.6	524.7	2 614.9
Former members	544.9	148.3	–	306.5	362.9	1 362.6
Total Group Executive Management remuneration	**2 914.1**	**758.1**	–	**1 868.1**	**1 181.8**	**6 722.1**

1) These figures relate to the effective cost of the bonuses granted in respect of 2016, which will be paid in 2017. The STB bonuses for the CEO and CFO, with an aggregate value of CHF 408.6 thousand, will be converted into shares at the VWAP of CHF 321.85 applying on March 31, 2016 in accordance with the formula described above.
2) The LTP for Group Executive Management was closed on October 31, 2015.
3) The lock-up period for the shares allocated in 2016 is 3 years. Their valuation complies with IFRS rules.
4) Other fixed remuneration comprises payments the employer is required to make by law, a contractually agreed car allowance or company car and other individual contractually agreed benefits.
5) Thomas Eisele has two employment contracts. The first, with Valora Management AG, relates to his function as a member of Group Executive Management and as Managing Director of Brezelkönig AG, Emmen. The second employment contract relates to his function as operating Managing Director of Brezelbäckerei Ditsch GmbH, Mainz (BBD) and has been concluded directly between BBD and Thomas Eisele. Thomas Eisele remains fully covered by the Valora pension fund, where his insured salary comprises his remuneration from his employment contracts with BBD and Valora Management AG.

Table 2
Group Executive Management 2015

in CHF thousand	Fixed base salary	Short Term Bonus (STB) 1)	Long Term Plan (LTP) 2)	Share Partici-pation Program (SPP) 3)	Other fixed rem-uneration 4)	Total 2015
Michael Mueller CEO and highest-paid member of Group Executive Management	796.7	408.5	239.5	128.4	229.8	1 802.9
Total Group Executive Management remuneration 5) 6)	**2 334.4**	**880.3**	**1 566.2**	**213.0**	**985.5**	**5 979.4**

1) These figures represent the effective costs for the bonuses granted in respect of 2015, which were paid in April 2016.
2) The LTP for Group Executive Management was closed on October 31, 2015. The LTP remuneration shown here comprises the interest costs of financing the plan and the costs of the one-off tax settlement arising from its termination.
3) The SPP for Group Executive Management came into force on November 1, 2015. Participants were allocated pro rata share grants for November and December. These shares are subject to a lock-up period of three years. These grants are reported here at the taxable value of the shares concerned.
4) Other fixed remuneration comprises payments the employer is required to make by law, a contractually agreed car allowance or company car and other individual contractually agreed benefits.
5) Thomas Eisele has two employment contracts. The first, with Valora Management AG, relates to his function as a member of Group Executive Management and as Managing Director of Brezelkönig AG, Emmen. The second employment contract relates to his function as operating Managing Director of Brezelbäckerei Ditsch GmbH, Mainz (BBD) and has been concluded directly between BBD and Thomas Eisele. Thomas Eisele remains fully covered by the Valora pension fund, where his insured salary comprises his remuneration from his employment contracts with BBD and Valora Management AG.
6) Inclusive former members of Group Executive Management.

The aggregate maximum remuneration payable to members of Group Executive Management in respect of 2017 was fixed at CHF 6.6 million by the Ordinary General Meeting of Shareholders held in 2016.

6 REMUNERATION STRUCTURE FOR THE BOARD OF DIRECTORS IN 2016

The members of the Board of Directors receive a director's fee which is graduated according to their Board function (Chairman, Vice-Chairman, Board member). 80% of this fee is paid in cash, with the remainder being paid in shares. The Chairperson and members of the Board Committees (the Audit Committee and the Nomination and Compensation Committee) receive additional remuneration. Other than the statutory social-security contributions, no other retirement-related payments are made for Board members.

For the period from the 2016 Ordinary General Meeting to the 2017 Ordinary General Meeting the annual remuneration paid to Board members remains unchanged:

Annual remuneration	in CHF	Form of payment
Chairman	500 000	80% in cash and 20% in blocked shares
Vice-Chairman	200 000	
Board member	140 000	
Chairman of NCC / Audit Committee	30 000	
Member of NCC / Audit Committee	15 000	

Fees are paid each quarter, with the fees paid in the quarter following the General Meeting being largely in the form of shares, since the entire 20% share portion is paid in that quarter.

6.1 REGULATIONS GOVERNING THE PORTION OF FEES PAID IN SHARES

Under the remuneration regulations for the Board of Directors, as a rule 20% of the overall remuneration paid to individual Board members is in the form of blocked registered shares. Where appropriate, the Board may decide to increase or decrease the proportion of overall remuneration Board members receive as blocked shares. The shares are subject to a general lock-up period of three years. The date on which the lock-up period begins is not affected by any transfer of shares which may subsequently occur at the General Meeting which marks the beginning of the term of office for which the remuneration is awarded. During the lock-up period, the shares remain in a Valora custody account. During this time, Board members are not permitted to sell, pledge or otherwise transfer their shares. Once the lock-up period has ended, Board members have free access to their shares.

The proportion of the fees paid in the form of shares is calculated on the basis of the volume-weighted average price (VWAP) of Valora shares during a period of twenty trading days beginning on the trading day following the Ordinary General Meeting. This figure is then reduced by 20%, to compensate for the lock-up period.

The number of shares paid to each Board member is then determined by dividing 20% of the Board member's overall remuneration for the relevant term of office by the figure described in the paragraph above.

$$\text{Number of shares} = \frac{\text{Overall remuneration (CHF)}}{5} \Big/ \frac{\text{VWAP (CHF)} \times 4}{5}$$

Based on the requirements of the law, the Articles of Incorporation and Valora Holding AG's organisational regulations, the Board then decides how and on what terms the required shares will be acquired.

If a member of the Board of Directors of Valora Holding AG retires, does not stand for re-election or is not re-elected despite having stood for re-election, any lock-up period of more than one year's duration then applicable are generally reduced to one year. This remaining one-year period will begin on the last day of the Board member's last term of office. If a Board member leaves the Board as a result of death, invalidity or comparable circumstances, any lock-up period then in force will come to an end immediately.

In the event of a change of control, of Valora shares being delisted or of any similar occurrence, any lock-up period then in force will be lifted immediately.

In 2016, an allocation amounting to 20% of overall remuneration was granted to all Board members in the quarter following the General Meeting.

6.2 REMUNERATION IN 2016

The maximum remuneration authorised for members of the Board of Directors for the period from the 2016 Ordinary General Meeting to the 2017 Ordinary General Meeting was CHF 1.6 million. The remuneration paid to the Board of Directors in 2016 amounted to CHF 1435 thousand (CHF 1583 thousand in 2015). The reduction in overall remuneration between the two years is attributable to the discontinuation of the consultancy fee paid to Ernst Peter Ditsch.

Table 3
Board of Directors 2016

in CHF thousand	Fixed fee (cash)	Committee fee	Portion paid in blocked shares [1]	Consultancy fee	Other remuneration [2]	Total 2016
Rolando Benedick Chairman	397.0	15.0	128.8		62.4	603.2
Markus Fiechter Vice-Chairman	157.0	15.0	53.8		31.3	257.1
Bernhard Heusler Board member	109.0	15.0	38.9		5.0	167.9
Franz Julen Chairman of Nomination and Compensation Committee	106.0	30.0	42.7		25.1	203.8
Ernst Peter Ditsch [3] Board member	–	–	–	–	–	–
Cornelia Ritz Bossicard Chairwoman of Audit Committee	106.0	30.0	42.7		25.1	203.8
Total remuneration paid to Board of Directors	**875.0**	**105.0**	**306.9**	**–**	**148.9**	**1435.8**

[1] In 2016, Board members received 20% of their overall remuneration in blocked shares, subject to a 3-year lock-up period. These have been valued at the VWAP applicable when the shares were allocated.
[2] These amounts include employer contributions required by law.
[3] Ernst Peter Ditsch waived his Board Director's fee in 2016.

Table 4
Board of Directors 2015

in CHF thousand	Fixed fee (cash)	Committee fee	Portion paid in blocked shares 1)	Consultancy fee	Other remuneration 2)	Total 2015
Rolando Benedick Chairman	397.0	15.0	114.3	–	65.8	592.1
Markus Fiechter Vice-Chairman	157.0	15.0	47.9	–	31.1	251.0
Bernhard Heusler Board member	109.0	15.0	34.5	–	5.1	163.6
Franz Julen Chairman of Nomination and Compensation Committee	106.0	30.0	37.8	–	24.9	198.7
Ernst Peter Ditsch 3) Board member	–	–	–	178.3	–	178.3
Cornelia Ritz Bossicard Chairwoman of Audit Committee	106.0	30.0	37.8	–	25.1	198.9
Total remuneration paid to Board of Directors	**875.0**	**105.0**	**272.3**	**178.3**	**152.0**	**1 582.6**

1) The members of the Board of Directors received 20 % of their aggregate remuneration in blocked shares. These shares are subject to a 3-year lock-up period. The amounts shown here are based on the taxable value of the shares.
2) These amounts include employer contributions required by law.
3) Under the terms of a non-competition agreement, Ernst Peter Ditsch received a total of EUR 200 thousand, payable in monthly instalments during a period commencing on November 1 2014 and ending no later than October 31, 2015. He waived his Board Director's fee in 2015.

7 LOANS AND CREDITS

No loans or credits to Board members or parties related to them were outstanding at December 31, 2016 or December 31, 2015.

Valora Holding AG does not grant any loans or other credits and does not therefore have any statutory regulations on such matters.

8 SHAREHOLDINGS

At December 31, 2016 and 2015, individual members of the Board and Group Executive Management (including parties related to them) held the following numbers of shares of Valora Holding AG:

Table 5

	2016 Number of shares	**2016 Share of total voting rights in %**	**2016 of which subject to a lock-up period**	2015 Number of shares	2015 Share of total voting rights in %	2015 of which subject to a lock-up period
Board of Directors						
Rolando Benedick Chairman	17 485	0.51	1 697	16 939	0.49	1 151
Markus Fiechter Vice-Chairman	2 800	0.08	709	3 981	0.12	481
Bernhard Heusler Board member	512	0.01	512	347	0.01	347
Franz Julen Chairman of Nomination and Compensation Committee	1 012	0.03	562	831	0.02	381
Ernst Peter Ditsch Board member	635 599	18.50	none	635 599	18.50	none
Cornelia Ritz Bossicard Chairwoman of Audit Committee	562	0.02	562	381	0.01	381
Total Board of Directors	**657 970**	**19.15**		**658 078**	**19.15**	
Group Executive Management						
Michael Mueller CEO	4 754	0.14	4 754	798	0.02	798
Tobias Knechtle CFO	1 993	0.06	1 993	335	0.01	335
Andreas Berger Head Valora Retail (until 30 June 2015)	n.a.	–	none	–	–	none
Thomas Eisele Head Food Service	1 189	0.03	1 135	245	0.01	191
Alex Minder Head Valora Trade (until 31 December 2015)	n.a.	–	none	2 113	0.06	none
Total Group Executive Management	**7 936**	**0.23**		**3 491**	**0.10**	
Total shares held by Board and GEM	**665 906**	**19.38**		**661 569**	**19.25**	

REPORT OF THE STATUTORY AUDITOR ON THE REMUNERATION REPORT OF VALORA HOLDING AG, MUTTENZ

REPORT OF THE STATUTORY AUDITOR ON THE REMUNERATION REPORT

We have audited the remuneration report of Valora Holding AG for the year ended 31 December 2016.The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables 1–4 and section 7 on pages 52 to 55 of the remuneration report.

Board of Directors' responsibility. The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility. Our responsibility is to express an opinion on the remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance. An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion. In our opinion, the remuneration report for the year ended 31 December 2016 of Valora Holding AG complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young Ltd

André Schaub Licensed audit expert (Auditor in charge)	Ina Braun Licensed audit expert

Basle, 27 February 2017

Enclosure
- Remuneration report 31 December 2016

Financial Report

VALORA FINANCIAL REPORT 2016

REVIEW OF GROUP RESULTS

With EBIT above its previously announced guidance, at CHF 72.3 million, and a good overall performance, Valora can look back on 2016 as a positive year. Consolidated EBIT was +31.1% ahead of its 2015 level, enabling the Valora Group to raise its EBIT margin by +0.8 percentage points to 3.4%. This brings Valora significantly closer to the goals it has set itself for the medium term. Net revenues increased by +0.8%, to CHF 2095.0 million. Group net profit came in at CHF 63.4 million, compared to CHF –28.8 million in 2015, when results were overshadowed by the goodwill-impairment charges arising from the sale of the Trade division. A +2.1 percentage-point increase in ROCE and free cash flow of CHF 72.6 million complete the picture of what has been a positive year for Valora.

At Retail Switzerland/Austria, the organisational efficiencies achieved and the synergies resulting from the integration of Naville Retail enabled the unit to achieve strong earnings growth in a market environment which remains challenging. Revenues from the record lottery jackpot which accumulated in Switzerland during November and December 2016 lent additional momentum to the business. Retail Germany/Luxembourg continued to grow. Having now largely streamlined its distribution network and operating models, and with its operational processes further enhanced, this unit has created a sound basis for further success in 2017.

Food Service grew through expansion, particularly at its Brezelkönig format in Switzerland, and maintained its excellent floor space productivity. The division also improved its gross-profit margin, especially in its B2B operations. Thanks to the investments made in its format, logistics and operations, Brezelkönig International is well placed to implement its franchise concept in 2017. Caffè Spettacolo has now been reassigned to Food Service Switzerland (for both 2015 and 2016). In the 2015 annual report its results were included in those for Retail Switzerland/Austria.

Bob Finance completed its first year of business with pleasing results. The projected interest income from loans granted exceeded the company’s operating costs, so that it was already able to report positive lifetime value in 2016.

Having sold Naville Distribution in August 2016 and the Naville building in Geneva in February 2017, Valora is now fully focused on its core business. The Group has begun 2017 with plenty of expansion and innovation initiatives in the pipeline. Through its purchase of Pretzel Baron, a young and aspiring pretzel producer in the US state of Ohio, Valora has paved the way for further international expansion of its core business and the enhancement of its position as one of the leading producers in the pretzel market. Furthermore, by replacing one of its production lines in Germany, Ditsch is also set to increase its output capacity.

A NET REVENUES

Net revenues (NR)	**2016**	**2016 share in %**	2015	2015 share in %	Change	
in CHF million						in local currency
Retail Switzerland / Austria	1 309.3	62.5 %	1 328.1	63.9 %	–1.4 %	–1.4 %
Retail Germany / Luxembourg	486.4	23.2 %	452.4	21.8 %	+7.5 %	+5.4 %
Naville Distribution	63.2	3.0 %	82.6	4.0 %	–23.4 %	–23.4 %
Elimination of intrasegment revenues	–25.2	–1.2 %	–28.2	–1.4 %	n.a.	n.a.
Valora Retail	1 833.8	87.5 %	1 834.9	88.3 %	–0.1 %	–0.6 %
Food Service	259.4	12.4 %	242.4	11.7 %	+7.0 %	+5.6 %
Other	1.9	0.1 %	0.1	0.0 %	n.a.	n.a.
Total Group	**2 095.0**	**100.0 %**	**2 077.4**	**100.0 %**	**+0.8 %**	**+0.2 %**
Switzerland	1 429.7	68.2 %	1 452.9	69.9 %	–1.6 %	–1.6 %
Elsewhere	665.3	31.8 %	624.6	30.1 %	+6.5 %	+3.8 %

Valora increased its net revenues by +0.8 % in 2016, to CHF 2 095.0 million. While Retail Germany / Luxembourg and Food Service achieved strong growth, the deconsolidation of Naville Distribution reduced revenues in the final months of the year.

Retail Switzerland / Austria generated net revenues of CHF 1 309.3 million in 2016, compared to CHF 1 328.1 million a year earlier. This modest decline reflects the closure of a net 39 outlets, primarily at sites with low footfall. In the last six months of 2016, same-store performance improved by +0.8 percentage points, but continues to be impeded by the ongoing challenges facing the Swiss market, where same-store revenues for 2016 as a whole were –2.2 % lower than in 2015. These two effects were partially offset by the January and February 2016 revenue contribution from the Naville Retail business, which was not consolidated into the 2015 results until March.

Retail Germany / Luxembourg grew its net revenues by +7.5 %, or +5.4 % in local currency, to CHF 486.4 million. This improvement principally reflects the greater number of outlets operated by the company itself and an increase in same-store net revenues of +2.0 %. Press sales in Germany remained comparatively stable for the year as a whole, while the second six months did not quite match the strong performance seen in the second half of 2015. On a same-store basis, sales of tobacco (+5.9 %) and food (+9.5 %) performed best, with food sales also benefiting from concerted efforts to promote Valora's private-label ok.- brand.

Until it was sold at the end of August, Naville Distribution generated 2016 net revenues of CHF 63.2 million, compared to CHF 82.6 million for 2015, the decline between the two years being attributable to the shorter 2016 reporting period. The net revenues shown here include intercompany sales of CHF 25.2 million.

Food Service increased its net revenues by +7.0 %, or +5.6 % in local currency, to CHF 259.4 million. All business areas contributed to this positive performance, with Ditsch in Germany raising its same-store net revenues by +0.4 %, while those at the Swiss formats advanced +1.9 %. In Switzerland, Brezelkönig also expanded its network considerably, adding +11 new outlets (net) during 2016, a +24 % increase on year-end 2015. In Ditsch's wholesale (B2B) business, net revenues rose a further +1.6 % on the impressive levels reached in 2015, despite a streamlining of the sales portfolio and preparations for the production-line upgrade at the Oranienbaum facility.

B GROSS PROFIT

Gross profit in CHF million	**2016**	**2016 share in %**	**2016 % of NR**	2015	2015 share in %	2015 % of NR	Change	Change in local currency
Retail Switzerland / Austria	473.5	54.4 %	36.2 %	473.3	56.0 %	35.6 %	+0.0 %	+0.0 %
Retail Germany / Luxembourg	171.3	19.7 %	35.2 %	156.9	18.6 %	34.7 %	+9.2 %	+7.0 %
Naville Distribution	23.1	2.7 %	36.6 %	29.8	3.5 %	36.1 %	–22.4 %	–22.4 %
Valora Retail	667.9	76.8 %	36.4 %	660.0	78.1 %	36.0 %	+1.2 %	+0.7 %
Food Service	199.8	23.0 %	77.0 %	185.1	21.9 %	76.4 %	+7.9 %	+6.6 %
Other	1.9	0.2 %	n.a.	0.1	0.0 %	n.a.	n.a.	n.a.
Total Group	**869.7**	**100.0 %**	**41.5 %**	**845.3**	**100.0 %**	**40.7 %**	**+2.9 %**	**+2.2 %**

Valora raised its gross profit by +2.9 % in 2016, to CHF 869.7 million, thus enhancing its gross-profit margin by +0.8 percentage points to 41.5 %.

Retail Switzerland / Austria generated a gross profit of CHF 473.5 million in 2016, matching its 2015 performance despite the revenue constraints outlined in section A above. This reflects the unit's +0.5 percentage-point improvement in its gross-profit margin, to 36.2 %, achieved thanks to increased promotional activities and more advantageous purchasing terms. The record lottery jackpot which accumulated in late 2016 also had a positive effect.

Gross profit at Retail Germany / Luxembourg advanced +9.2 %, or +7.0 % local currency, to reach CHF 171.3 million. The gross-profit margin was 35.2 %, +0.5 % higher than in 2015.

Until its sale at the end of August 2016, Naville Distribution generated a gross profit of CHF 23.1 million, versus CHF 29.8 million for 2015.

Food Service achieved a gross profit of CHF 199.8 million in 2016, which represents a +7.9 % increase on the 2015 figure, or +6.6 % in local currency. In addition to the revenue growth mentioned above, this also reflects a +0.7 percentage-point improvement in this unit's gross-profit margin, which reached 77.0 % in 2016. This positive performance is essentially attributable to optimisations to the B2B sales portfolio and enhanced purchasing terms.

C OPERATING COSTS, NET

Net operating costs in CHF million	**2016**	**2016 share in %**	**2016 % of NR**	2015	2015 share in %	2015 % of NR	Change	Change in local currency
Retail Switzerland/Austria	–434.0	54.4 %	–33.2 %	–445.0	56.3 %	–33.5 %	–2.5 %	–2.5 %
Retail Germany/Luxembourg	–154.9	19.4 %	–31.9 %	–145.4	18.4 %	–32.1 %	+6.6 %	+4.5 %
Naville Distribution	–19.3	2.4 %	–30.5 %	–25.3	3.2 %	–30.7 %	–23.9 %	–23.9 %
Valora Retail	–608.3	76.3 %	–33.2 %	–615.7	77.9 %	–33.6 %	–1.2 %	–1.7 %
Food Service	–173.0	21.7 %	–66.7 %	–159.9	20.2 %	–66.0 %	+8.2 %	+6.9 %
Other	–16.2	2.0 %	n.a.	–14.6	1.9 %	n.a.	+10.5 %	+10.5 %
Total Group	**–797.4**	**100.0 %**	**–38.1 %**	**–790.2**	**100.0 %**	**–38.0 %**	**+0.9 %**	**+0.3 %**

While the Group's total net operating costs rose by +0.9 % in 2016, due to higher output volumes and the expansion in Food Service activities, their share of overall net revenues remained stable, at –38.1 %. The organisational efficiencies achieved in 2016 and the synergies resulting from the integration of Naville Retail into Retail Switzerland/Austria both had a positive impact on net operating costs.

In 2016, Retail Switzerland/Austria cut its net operating costs by CHF –10.9 million or –2.5 %. Expressed as a proportion of net revenues, net operating costs were thus reduced by +0.4 percentage points compared to their 2015 levels. These savings were mainly achieved through increased organisational efficiency and the integration of Naville Retail, while the lower number of outlets also played a part. These factors more than offset the CHF –1.4 million increase in corporate cost allocations resulting from the sale of the Trade division.

Retail Germany/Luxembourg incurred net operating costs of CHF –154.9 million in 2016, a +6.6 % increase on the 2015 figure of CHF –145.4 million. While part of this increase is attributable to exchange rates (these same costs rose by +4.5 % in local currency), the greater number of outlets operated by this unit itself also played their part. Net operating costs as a percentage of net revenues improved by +0.3 percentage points in 2016.

Net operating costs at Naville Distribution amounted to CHF –19.3 million between January and August 2016, compared to CHF –25.3 million for 2015.

At Food Service, net operating costs for 2016 came in at CHF –173.0 million, up from CHF –159.9 million a year earlier. This equates to a +6.9 % increase in local currency terms, which is essentially attributable to expansion initiatives, both at home and internationally, and higher rates of output. These higher costs also reflect increased agency fees following the introduction of a minimum wage, higher maintenance expenses and the costs incurred in preparing for the production-line upgrade at the Oranienbaum site.

D OPERATING PROFIT (EBIT)

Operating profit (EBIT) in CHF million	**2016**	**2016 share in %**	**2016 % of NR**	2015	2015 share in %	2015 % of NR	Change	in local currency
Retail Switzerland / Austria	39.4	54.6 %	3.0 %	28.4	51.5 %	2.1 %	+ 38.9 %	+ 39.1 %
Retail Germany / Luxembourg	16.4	22.7 %	3.4 %	11.5	20.9 %	2.6 %	+ 41.9 %	+ 38.4 %
Naville Distribution	3.8	5.3 %	6.1 %	4.4	8.1 %	5.4 %	– 13.6 %	– 13.6 %
Valora Retail	59.6	82.5 %	3.3 %	44.4	80.5 %	2.4 %	+ 34.5 %	+ 33.7 %
Food Service	26.9	37.2 %	10.4 %	25.2	45.8 %	10.4 %	+ 6.4 %	+ 4.9 %
Other	– 14.2	– 19.7 %	n.a.	– 14.5	– 26.3 %	n.a.	– 1.8 %	– 1.8 %
Total Group	**72.3**	**100.0 %**	**3.4 %**	**55.1**	**100.0 %**	**2.7 %**	**+ 31.1 %**	**+ 29.7 %**

The Valora Group generated EBIT of CHF 72.3 million in 2016. This is CHF + 17.1 million, or + 31.1 %, better than its 2015 result, which was burdened by adverse one-off effects. This improved performance is largely due to the organisational efficiencies and synergies realised at Retail Switzerland / Austria and the operational achievements at Retail Germany / Luxembourg. The Group's EBIT margin for 2016 was 3.4 %, + 0.8 percentage points up on 2015.

EBIT at Retail Switzerland / Austria rose + 38.9 % in 2016, to CHF 39.4 million. This CHF + 11.0 million advance essentially reflects the synergies and organisational efficiencies this unit achieved in 2016. The 2016 EBIT result also benefited from increased promotional activities and the record lottery jackpot that accumulated in November and December 2016. The 2015 EBIT figure includes one-off restructuring costs and an impairment charge in Austria. 2016 also saw an improvement in this unit's EBIT margin, which rose + 0.9 percentage points to 3.0 %.

Thanks to a generally positive business performance, Retail GermanywLuxembourg managed to raise its EBIT by CHF + 4.8 million, or + 41.9 %, to CHF 16.4 million. The 2015 EBIT result included one-off costs arising from press inventory adjustments. The 2016 EBIT margin came in at 3.4 %, + 0.8 percentage points better than in 2015.

Until its sale at the end of August 2016, Naville Distribution contributed CHF 3.8 million to Group EBIT, versus CHF 4.4 million for 2015.

Food Service generated EBIT of CHF 26.9 million in 2016, a CHF + 1.6 million advance on 2015. The 2016 result includes one-off cost reimbursements of CHF 1.0 million. Higher sales and an enhanced gross-profit margin account for the increase. Profitability remains high, with a stable EBIT margin of 10.4 %.

Other EBIT amounted to CHF – 14.2 million. This includes a CHF 0.5 million book-value gain from the sale of Naville Distribution.

E FINANCIAL RESULT, TAXES AND NET RESULT

The net result achieved by the Valora Group in 2016 was CHF 63.4 million. This compares to CHF –28.8 million in 2015, when the net result was impacted by the goodwill-impairment charges arising from the sale of the Trade division.

The Valora Group's net financing result for 2016 came in at CHF –15.2 million, a CHF +2.0 million improvement on the figure for 2015. These lower costs are principally attributable to a CHF +4.7 million reduction in currency losses compared to 2015, when results were adversely affected by the Swiss National Bank's decision to abandon its EUR/CHF floor. The cost of bank loans and other interest-bearing liabilities rose by CHF –2.6 million in 2016. This increase reflects the one-off costs of unwinding the EUR 72 million interest-rate swap in connection with the early refinancing of the floating-rate tranche of the outstanding bonded-loan issue.

In 2016, Valora generated consolidated tax revenues of CHF 5.4 million (CHF 8.9 million in 2015). This reflects an increase in the amount of tax-loss carry forwards recognised on the balance sheet. Current income tax expense for 2016 amounted to CHF –2.2 million.

The Group's net result from continuing operations rose to CHF 62.5 million in 2016, up from CHF 46.8 million a year earlier.

The net result from discontinued operations was CHF 0.9 million in 2016. The CHF –75.6 million net result from discontinued operations for 2015 includes goodwill-impairment charges arising from the sale of the Group's former Trade division.

In aggregate, the Group thus achieved a net result of CHF 63.4 million in 2016, compared to CHF –28.8 million in 2015.

F LIQUIDITY, CASH FLOW AND KEY FINANCIAL DATA

Key financial data in CHF million	2016	2015
EBITDA[1]	**127.6**	**117.6**
Cash flow from operations[1]	113.0	125.5
Free cash flow/ before purchase/sale of subsidiaries[1]	**72.6**	**82.3**
Shareholder's equity	530.9	506.0
Total equity in % of total assets	45.5 %	41.5 %
Group net profit	**63.4**	**–28.8**
Net debt	202.0	251.1
Earnings per share in CHF[1]	**17.27**	**12.51**
Free cash flow per share in CHF[1]	**21.74**	**24.52**

[1] from continuing operations

Free cash flow was maintained at a substantial CHF 72.6 million. The non-recurrence of the positive one-off net working capital effect which occurred in 2015 was largely offset by the CHF +10.0 million year-on-year increase in Group EBITDA. Equity cover, at 45.5%, and consolidated net debt, at 1.6x EBITDA, both improved.

The Valora Group generated free cash flow of CHF 72.6 million in 2016, compared to CHF 82.3 million a year earlier, once again demonstrating its substantial cash-generating capabilities. Earnings before interest, tax, depreciation and amortisation (EBITDA) rose CHF +10.0 million, or +8.5%, to CHF 127.6 million. Net working capital was maintained at a low level, despite the non-recurrence of the one-off positive effect experienced in 2015 and the adverse effect this had on 2016 free cash flow.

Shareholders' equity at year-end 2016 was equivalent to 45.5% of total assets, a +4.0 percentage-point increase on its year-end 2015 level. Consolidated net debt fell to CHF 202.0 million, compared to CHF 251.1 million on December 31, 2015. This resulted in an improved debt ratio of 1.6x EBITDA, down from 2.1x EBITDA at year-end 2015.

G RETURN ON CAPITAL EMPLOYED

ROCE [1] in %	**31.12.2016**	31.12.2015	Percentage-point change
Retail Switzerland / Austria	17.5 %	11.7 %	+5.8 %
Retail Germany / Luxembourg	11.5 %	7.7 %	+3.8 %
Valora Retail	15.4 %	10.3 %	+5.2 %
Food Service	6.9 %	6.6 %	+0.4 %
Total Group [2]	**8.2 %**	**6.1 %**	**+2.1 %**

[1] Capital employed is the average measured over the preceding five quarters. EBIT is the aggregate operating profit for the preceding twelve months.
[2] Consolidated EBIT includes Corporate costs and consolidated capital employed includes operating cash and cash equivalents relating to continuing operations.

The Group's ROCE for 2016 reflects the positive performance achieved by all Valora's operating businesses. As projected in 2015, it is now over 8 %, having increased by +2.1 percentage points to 8.2 %.

Return On Capital Employed (ROCE) is the key internal profitability metric used by the Valora Group. It is the ratio of the EBIT generated by the Group over the last 12 months to its average invested capital during the same period.

In 2016, the ROCE generated by Valora rose to 8.2 %, thus exceeding its weighted average cost of capital (WACC). The +2.1 percentage-point improvement in ROCE recorded in 2016 was essentially attributable to the improved EBIT performance of all business areas. The most notable advances were those achieved at Retail Switzerland / Austria (+5.8 percentage points) and Retail Germany / Luxembourg (+3.8 percentage points).

CONSOLIDATED INCOME STATEMENT

January 1 to December 31, in CHF 000 (except per-share amounts)	Note	2016	%	2015	%
Net revenues	8	**2 094 956**	**100.0**	**2 077 425**	**100.0**
Cost of goods and materials		– 1 225 298	– 58.5	– 1 232 146	– 59.3
Personnel expenses	9	– 261 091	– 12.5	– 277 061	– 13.3
Other operating expenses	10	– 487 688	– 23.3	– 457 553	– 22.0
Depreciation, amortisation and impairments	20, 21, 22	– 55 358	– 2.6	– 62 468	– 3.0
Other income	11	10 977	0.5	8 176	0.4
Other expenses	11	– 4 235	– 0.2	– 1 259	– 0.1
Operating profit (EBIT)	8	**72 263**	**3.4**	**55 114**	**2.7**
Financial expenses	12	– 16 733	– 0.8	– 18 853	– 0.9
Financial income	13	1 509	0.1	1 619	0.1
Earnings before taxes		**57 040**	**2.7**	**37 880**	**1.8**
Income taxes	14	5 439	0.3	8 922	0.4
Net profit from continuing operations		**62 479**	**3.0**	**46 802**	**2.3**
Net profit / (loss) from discontinued operations	7	924	0.0	– 75 597	– 3.6
Net profit / (loss)		**63 402**	**3.0**	**– 28 795**	**– 1.4**
Attributable to shareholders of Valora Holding AG		58 602	2.8	– 34 394	– 1.7
Attributable to providers of hybrid capital		4 800	0.2	4 800	0.2
Attributable to providers of Valora Holding AG equity		**63 402**	**3.0**	**– 29 594**	**– 1.4**
Attributable to non-controlling interests		**0**	**0.0**	**799**	**0.0**
Earnings / (loss) per share					
from continuing operations, diluted and undiluted (in CHF)	15	17.27		12.51	
from discontinued operations, diluted and undiluted (in CHF)	15	0.28		– 22.75	
from continuing and discontinued operations, diluted and undiluted (in CHF)	**15**	**17.55**		**– 10.24**	

The accompanying notes from page 77 to page 138 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

January 1 to December 31, in CHF 000	Note	2016	2015
Net profit / (loss)		**63 402**	**–28 795**
Actuarial losses before taxes	29	–687	–21 125
Income taxes	29	–334	4 232
Positions not subject to reclassification affecting the income statement		**–1 021**	**–16 893**
Cash flow hedge		5 095	2 261
Currency translation adjustments		–5 187	–19 297
Fair value changes on available for sale investments before income taxes		0	–7
Income taxes		0	2
Positions whose reclassification potentially affects the income statement		**–92**	**–17 041**
Other comprehensive income		**–1 114**	**–33 934**
Total comprehensive income		**62 288**	**–62 729**
Attributable to shareholders of Valora Holding AG		57 488	–68 214
Attributable to providers of hybrid capital		4 800	4 800
Attributable to providers of Valora Holding AG equity		**62 288**	**–63 414**
Attributable to non-controlling interests		**0**	**685**

The total comprehensive income attributable to shareholders of Valora Holding AG comprises the following elements:

Attributable to shareholders of Valora Holding AG from continuing operations	58 460	–7 098
Attributable to shareholders of Valora Holding AG from discontinued operations	–972	–61 116
Attributable to shareholders of Valora Holding AG	**57 488**	**–68 214**

The accompanying notes from page 77 to page 138 form an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

ASSETS

in CHF 000	Note	31.12.2016	%	31.12.2015	%
Current assets					
Cash and cash equivalents	16	159 381		116 308	
Derivative financial assets	32	0		61	
Trade accounts receivable	17	45 256		56 278	
Inventories	18	146 698		147 772	
Current income tax receivables		2 131		1 718	
Other current receivables	19	52 764		48 420	
Current assets		**406 230**	**34.8 %**	**370 557**	**30.4 %**
Assets held for sale	7	0	0.0 %	5 655	0.4 %
Total current assets		**406 230**	**34.8 %**	**376 212**	**30.8 %**
Non-current assets					
Property, plant and equipment	20	221 514		233 373	
Goodwill, software and other intangible assets	22	469 010		513 172	
Investment property	21	0		622	
Investment in associates and joint ventures		50		50	
Financial assets	24	31 809		42 259	
Pension asset	29	0		13 633	
Deferred income tax assets	14	38 624		40 855	
Total non-current assets		**761 008**	**65.2 %**	**843 964**	**69.2 %**
		1 167 238	**100.0 %**	**1 220 176**	**100.0 %**

LIABILITIES AND EQUITY

in CHF 000	Note	31.12.2016	%	31.12.2015	%
Current liabilities					
Short-term financial debt	25	726		1 651	
Derivative financial liabilities	32	0		3 394	
Trade accounts payable	26	136 557		143 962	
Current income tax liabilities		9 854		10 532	
Other current liabilities	27	87 737		116 189	
Current liabilities		**234 874**	**20.1 %**	**275 728**	**22.6 %**
Liabilities held for sale	7	0	0.0 %	5 603	0.4 %
Total current liabilities		**234 874**	**20.1 %**	**281 331**	**23.0 %**
Non-current liabilities					
Other non-current liabilities	25	363 927		368 992	
Long-term accrued pension cost	29	310		18 288	
Long-term provisions	28	10 562		11 412	
Deferred income tax liabilities	14	26 689		34 138	
Total non-current liabilities		**401 488**	**34.4 %**	**432 830**	**35.5 %**
Total liabilities		**636 362**	**54.5 %**	**714 161**	**58.5 %**
Equity					
Share capital	36	3 436		3 436	
Treasury stock		–18 345		–26 849	
Hybrid capital		119 098		119 098	
Fair-value changes on financial instruments		–1 988		–7 083	
Retained earnings		520 220		503 745	
Cumulative translation adjustments		–91 546		–86 359	
Equity of Valora Holding AG		**530 875**	**45.5 %**	**505 988**	**41.5 %**
Non-controlling interests		0		27	
Total equity		**530 875**	**45.5 %**	**506 015**	**41.5 %**
Total liabilities and equity		**1 167 238**	**100.0 %**	**1 220 176**	**100.0 %**

The accompanying notes from page 77 to page 138 form an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

January 1 to December 31, in CHF 000	**Note**	**2016**	2015
Operating profit (EBIT)		**72 263**	**55 114**
Elimination of non-cash transactions in operating profit (EBIT)			
Depreciation and impairments on property, plant, equipment and investment properties	20, 21	42 950	45 428
Amortisation of intangible assets	22	12 407	17 040
(Gains)/losses on sales of fixed assets, net	11	–447	961
Share-based remuneration	30	1 983	883
Release of provisions	28	–361	0
Increase in pension liability		3 427	2 221
Other non-cash transactions		2 767	1 953
Increase/(decrease) in other non-current liabilities		58	–289
Changes in net working capital, without the effects arising from acquisitions and disposals of business units			
Increase in trade accounts receivable		–4 132	–7 457
(Increase)/decrease in inventories		–3 151	7 324
Decrease in other current assets		764	10 919
Increase/(decrease) in trade accounts payable		624	–3 597
(Decrease)/increase in other liabilities		–556	13 297
Net cash provided by operating activities		**128 596**	**143 797**
Interest paid		–14 877	–14 903
Income taxes paid		–2 391	–4 126
Interest received		1 607	673
Dividends received		55	33
Total net cash provided by operating activities from continuing operations		**112 990**	**125 474**
Total net cash used in operating activities from discontinued operations		–459	–4 369
Total net cash provided by operating activities		**112 531**	**121 105**
Cash flow from investing activities			
Investment in property, plant and equipment	20	–39 306	–40 339
Proceeds from sale of property, plant and equipment	20	5 807	2 224
Proceeds from sale of investment property	21	525	2 963
Acquisition of subsidiaries, net of cash acquired	6	–948	–86 020
Proceeds from subsidiaries, net of cash disposed	6, 7	12 597	–3 616
Sales of financial investments		1 502	1 498
Purchases of other intangible assets	22	–7 447	–8 171
Proceeds from sale of other intangible assets	22	24	193
Net cash used in investing activities from continuing operations		**–27 247**	**–131 268**
Net cash used in investing activities from discontinued operations		0	–384
Net cash used in investing activities		**–27 247**	**–131 652**

January 1 to December 31, in CHF 000	Note	2016	2015
Cash flow from financing activities			
Change in short-term financial liabilities, net		–3 244	582
Proceeds from long-term financial liabilities	25	79 001	274
Repayment of long-term financial liabilities	25	–79 287	–326
Purchase of treasury stock		–9 629	–23 202
Proceeds from sale of treasury stock		16 681	9 449
Distributions to providers of hybrid capital		–4 800	–4 800
Dividends paid to Valora Holding AG shareholders		–41 636	–42 184
Net cash used in financing activities from continuing operations		**–42 914**	**–60 207**
Net cash provided by / (used in) financing activities from discontinued operations		459	–4 599
Net cash used in financing activities		**–42 455**	**–64 806**
Net increase / (decrease) in cash and cash equivalents		**42 829**	**–75 353**
Exchange differences on cash and cash equivalents		–434	–8 766
Cash and cash equivalents at beginning of year		116 985	201 104
Cash and cash equivalents at year end per balance sheet	**16**	**159 381**	**116 308**
Cash and cash equivalents at year end included in disposal group	7	0	677
Cash and cash equivalents at year end		**159 381**	**116 985**

The accompanying notes from page 77 to page 138 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equity

	Equity of Valora Holding AG								
in CHF 000	Share capital	Treasury stock	Hybrid capital	Fair value changes on financial instru-ments	Retained earnings	Cumulative translation adjustments	Total equity of Valora Holding AG	Non-controlling interests	Total equity
Balance at December 31, 2014	**3 436**	**–15 701**	**119 098**	**–9 339**	**599 272**	**–67 176**	**629 590**	**1 011**	**630 601**
Net loss					–29 594		–29 594	799	–28 795
Other comprehensive income				2 256	–16 893	–19 183	–33 820	–114	–33 934
Total comprehensive income				**2 256**	**–46 487**	**–19 183**	**–63 414**	**685**	**–62 729**
Share-based remuneration					883		883		883
Dividend paid to shareholders					–42 184		–42 184	–529	–42 713
Increase in treasury stock		–23 202					–23 202		–23 202
Decrease in treasury stock		12 054			–2 939		9 115		9 115
Distributions to providers of hybrid capital					–4 800		–4 800		–4 800
Disposal of non-controlling interests								–1 140	–1 140
Balance at December 31, 2015	**3 436**	**–26 849**	**119 098**	**–7 083**	**503 745**	**–86 359**	**505 988**	**27**	**506 015**
Net profit					63 402		63 402	0	63 402
Other comprehensive income				5 095	–1 022	–5 187	–1 114	0	–1 114
Total comprehensive income				**5 095**	**62 380**	**–5 187**	**62 288**	**0**	**62 288**
Share-based remuneration					1 983		1 983		1 983
Dividend paid to shareholders					–41 636		–41 636		–41 636
Increase in treasury stock		–9 629					–9 629		–9 629
Decrease in treasury stock		18 133			–1 452		16 681		16 681
Distributions to providers of hybrid capital					–4 800		–4 800		–4 800
Disposal of non-controlling interests								–27	–27
Balance at December 31, 2016	**3 436**	**–18 345**	**119 098**	**–1 988**	**520 220**	**–91 546**	**530 875**	**0**	**530 875**

The accompanying notes from page 77 to page 138 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 INFORMATION REGARDING THE GROUP

Valora is an internationally active retail group. Valora Holding AG is incorporated in Muttenz, Switzerland and its shares are listed on SIX Swiss Exchange. Valora's consolidated financial statements for the 2016 financial year were approved by the Board of Directors on February 27, 2017. These consolidated financial statements are subject to approval by the General Meeting of Shareholders to be held on March 30, 2017.

2 ACCOUNTING POLICIES

Basis of preparation. In preparing its consolidated financial statements Valora generally applies the historical cost principle. The exceptions to this are derivative financial instruments and financial assets available for sale, both of which measured at fair value. Consolidation is based on the individual group companies' financial statements, which are prepared according to a uniform set of accounting principles. The Group presents its accounts in Swiss francs (CHF). Unless otherwise stated, all values are stated in thousand Swiss Francs.

Compliance with IFRS, the Swiss Code of Obligations and Swiss Stock Exchange listing rules. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in compliance with the legal provisions of the Swiss Code of Obligations. They also meet all the listing regulations promulgated by the SIX Swiss Exchange.

Key accounting principles. In addition to the accounts of Valora Holding AG, Muttenz, Switzerland, the Valora Group's financial statements also comprise those of its subsidiaries and non-consolidated investments as follows:

Consolidated companies. Subsidiaries controlled by Valora Holding AG are fully consolidated. In determining whether control exists, the contractual provisions governing Valora's interest in such companies are considered as are Valora's other rights. Subsidiaries acquired are consolidated from the day Valora assumes control and deconsolidated from the day Valora ceases to exercise such control.

Consolidation method. All intra-Group assets, liabilities, income and expenses, and all unrealised gains or losses in intra-Group transactions, are fully eliminated. Whenever companies are acquired, all identifiable assets, liabilities and contingent liabilities of the acquired entity are recognised at fair value at the acquisition date, and the difference between the purchase price paid and the fair value of the company's net assets at the time of the acquisition is recognised as goodwill. Non-controlling interests are defined as that part of the equity of a subsidiary which is not directly or indirectly attributable to the shareholders of Valora Holding AG. Non-controlling interests are presented separately in the consolidated income statement, consolidated statement of comprehensive income and the balance sheet. In the Group balance sheet, non-controlling interests are shown in the equity section, but are reported separately from the equity attributable to shareholders of Valora Holding AG. Acquisitions of non-controlling interests are treated as equity transactions, with the difference between the consideration paid and the carrying amount of the net assets acquired being allocated to the equity attributable to the shareholders of Valora Holding AG.

Non-consolidated investments (associated companies and joint ventures). Associated companies and joint ventures are accounted using the equity method. Associated companies are companies over which Valora has significant influence, but does not control. Significant influence is assumed to exist when Valora holds between 20 % and 50 % of the voting shares.

Scope of consolidation. Note 38 provides an overview of the Valora Group's significant subsidiaries.

Changes in consolidation scope. On December 31, 2015, Valora completed the sale of its Trade division to the Aurelius Group. The purchase agreement encompassed all Valora Trade companies in Switzerland, Austria, Denmark, Sweden, Norway and Finland. The sale of Trade Germany was completed in January 2016. Further details of this transaction are set out in Note 7.

On June 30, 2016, Valora acquired 100% of the shares of CDM Buffet SA, which had its registered offices in Lausanne. Further details of this transaction are set out in Note 6.

On August 30, 2016, Valora completed the sale of Naville's logistics and distribution business. Note 6 provides further details.

3 CHANGES TO ACCOUNTING POLICIES

Implementation of new International Financial Reporting Standards (IFRS) and Interpretations thereof. The Annual Improvements 2012–14 Cycle (annual improvement process) became effective on January 1, 2016. This did not have any material effect on the financial statements of the Valora Group.

Future implementation of International Financial Reporting Standards (IFRS) and Interpretations thereof. The following changes arising from new standards and interpretations which the Valora Group will be required to adopt with effect from January 1, 2018 have not yet been applied and are currently being analysed. IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments will come into effect on January 1, 2018.

IFRS 15 defines new rules for the treatment of revenue from contracts with customers. The Valora Group generates a significant proportion of its revenues in cash. The Group also has a small number of multi-component and service agreements in place, which are currently being analysed in greater detail. An initial assessment indicates that the adoption of IFRS 15 will not have any material effects on the Group's financial statements other than the fulfilment of additional reporting requirements.

IFRS 9 redefines the accounting treatment of financial instruments. The standard will introduce a new classification model for financial instruments. The Valora Group does not anticipate that application of these new classification requirements will have any significant effect on its balance sheet or shareholders' equity. IFRS 9 also introduces a new impairment model for certain financial instruments that are either valued at amortised cost or whose changes in market value are recognised in shareholders' equity. The Valora Group will be required to apply the new impairment model to these types of financial instruments, with the result that any anticipated loss on these positions will have to be recorded as an impairment when the instruments are first recognised. This change is currently being analysed and its effects assessed. Because IFRS 9 will not alter the general principles governing the application of hedge accounting, Valora does not anticipate that the adoption of this new standard will have any material impact.

IFRS 16 replaces IAS 17 and sets out the principles applying to the recognition, measurement, presentation and disclosure of lease contracts. For Valora, the main impact of IFRS 16 is that it requires the lessee to recognise the liabilities and assets arising from nearly all its lease contracts. This will increase Valora's overall assets and liabilities. Valora draws a distinction between rental leases and other leasing contracts. In the case of rental leases, only the present value of the fixed rental payments are recognised as liabilities, while variable rental payments are not recognised. Valora is currently evaluating the precise effects of this new standard, whose implementation will first be required for the reporting period commencing on January 1, 2019.

4 GENERAL ACCOUNTING POLICIES

Translation of foreign currencies. Transactions in foreign currencies are converted into Swiss francs at the exchange rate applicable on the transaction date. At the balance sheet date, amounts receivable and payable in foreign currencies are converted into Swiss francs at the exchange rate applicable on that date, and any exchange rate differences are recorded in the income statement.

Upon consolidation, the assets and liabilities of subsidiaries whose functional currency is not the Swiss franc are converted into Swiss francs at the exchange rate prevailing on the balance sheet date. Income statement, cash flow statement and other movement items are converted into Swiss francs at average exchange rates for the period, provided they approximate the figures which would result from the application of transaction date rates. If not, transactions are converted at effective transaction rates. Exchange gains and losses arising from the translation of foreign operations are recognised in other comprehensive income and reported separately as currency translation adjustments.

Exchange rates applied to key foreign currencies

	Average rate for 2016	**Rate at 31.12.2016**	Average rate for 2015	Rate at 31.12.2015
Euro, 1 EUR	1.090	1.072	1.068	1.084

Rounding. Due to rounding approximations, this report may contain minor discrepancies between totals and percentages and their component elements.

Net revenues and revenue recognition. Net revenues include proceeds from the sale of goods, services and products manufactured by Valora itself, net of any deductions including rebates, discounts and other agreed concessions. Retail sales by the Valora Retail division are recognised upon sale to the customer. Payment is made in cash or by credit card. The sales value recorded is the amount received net of credit card fees. Wholesale revenues are recognised when the goods have been delivered, the customer has accepted them and there is sufficient certainty of the amount being received. Goods sold in the wholesale business may be sold on a return basis. In this case, net revenues will be reduced by estimated return rates based on experience and other appropriate assumptions. The commission Valora received from the sale to third parties is recognised in net revenues. Revenues generated from the granting and intermediation of credit are also recognised in net revenues.

Share-based remuneration. The Valora Group pays some of the remuneration it grants in the form of Valora shares. The expense from this is recorded in the income statement and is calculated by multiplying the number of shares granted by the applicable market price (minus any amount payable by the recipients). The expense arising from schemes which will definitely be paid out in shares (equity settled schemes) is accrued against equity. The expense from schemes where payment in shares is not foreseen is accrued as a liability. If the conditions for the allocation of shares extend over several years, the relevant expenses are accrued in appropriate proportions to the years concerned, based on the degree to which the targets are expected to be achieved. Equity settled share-based remunerations are credited to retained earnings. For cash-settled share-based payments a liability is recognised and remeasured at fair value at each reporting date until settlement.

Net financial results. Net gains and losses on the valuation of financial instruments at balance sheet dates which are credited or debited to the income statement do not include any dividend or interest payments. Dividend and interest income is reported separately (see note 13).

Income tax. Income tax is calculated based on the tax laws of each applicable jurisdiction and is charged to the income statement for the accounting period in which the net income arises. The applicable effective tax rates are applied to net income.

Deferred taxes which arise as a result of temporary differences between the values of assets and liabilities reported on the balance sheet and their applicable tax values are shown as deferred tax assets or deferred tax liabilities. Deferred tax assets are recognised when it is probable that future taxable income will be available to offset against them. Deferred income taxes are calculated based on the tax rates which are expected to apply in the period in which the deferred tax asset or liability is expected to be realised or settled. Deferred tax liabilities on temporary differences are generally recorded. Taxes receivable are offset against taxes payable if they relate to the same taxable entity and there is an enforceable legal basis for them to be offset against each other. Changes to deferred tax liabilities or assets are reported as tax expense or income in the income statement. This does not apply to deferred taxes relating to positions which are either shown under other comprehensive income or are accrued directly to equity.

Disposals of business units. When control over business units included in continuing operations ceases because they are sold, the operating results until that date are included under the appropriate line items in the income statement and cash flow statement.

Net profit / loss from discontinued operations. When business segments or significant business areas are sold, all the income statement items relating to these units are aggregated and shown in a separate income statement line as results from discontinued operations. The cash flow statement shows detailed cash flows from continuing operations only. The net cash flows from discontinued operations generated by operating, investing and financing activities are disclosed separately in one line each.

Earnings per share. Earnings per share are calculated by dividing the net profit (or loss) of Valora Holding AG attributable to its shareholders (which, in this report, have been subdivided into the portions attributable to continuing and discontinued operations as required by IAS 33) by the average number of outstanding shares of the Valora Holding AG parent company. Diluted earnings per share take account of the dilutive effects of potential changes to the number of outstanding shares and adjust earnings per share accordingly.

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

Trade accounts receivable. Trade accounts receivable are recorded at amortised costs minus any necessary adjustments for doubtful accounts. Adjustments are made if there is objective evidence that the amount may not be received in full.

Inventory. Inventory is carried at the lower of purchase or manufacturing cost and their net realisable value. For Valora's Retail division, inventory is valued at average purchase cost, based on a moving average method. Ditsch/Brezelkönig values both its finished and unfinished products at their production cost, while all other inventory items are valued at average purchase cost based on a moving average method. Slow-moving or obsolete inventory items are valued according to standard business practices, with the items in question being partially or wholly written off.

Property, plant and equipment. Property plant and equipment is recorded at cost minus accumulated depreciation. Subsequent expenditure for renovation is capitalised only if the costs can be reliably determined and an economic benefit results from them. If these conditions are met, the renovation costs so capitalised are depreciated over the useful life of the property. All other repair and maintenance costs are expensed directly to the income statement. Capitalised extensions and installations in rented premises are depreciated over their estimated economically useful life or the remaining rental lease term, if this is shorter.

Depreciation is charged on a linear basis over the estimated useful life as follows:

	Years
Land for operational use	no depreciation
Buildings and building components, operational	20–40
Machinery, equipment, fixtures and fittings	6–10
Vehicles	5
IT hardware	3–5

Investment property. Investment property is recorded at purchase or construction cost less accumulated depreciation. The fair values reported in these notes are based on current estimates of their income-generating capacity. Subsequent expenditure for renovation is capitalised only if the costs can be reliably determined and an economic benefit results from them. If these conditions are met, the renovation costs so capitalised are depreciated over their useful economic life. All other repair and maintenance costs are expensed directly to the income statement.

Depreciation is calculated and charged on a linear basis over the estimated useful life as follows:

	Years
Land	no depreciation
Buildings	20–60

Impairments of property, plant and equipment. The carrying amount of property, plant and equipment are reviewed whenever changing circumstances or specific events suggest that their carrying amounts might be too high. If the carrying amount of an asset exceeds its recoverable fair value, which is defined as the higher of fair value less costs of disposal and value in use, the asset will be written down to its recoverable value. An impairment may be reversed only if the assumptions previously used in determining the recoverable value of the asset concerned have been subject to change. If such a change has occurred, the carrying amount of the asset in question will be raised to its current recoverable value. This new recoverable value may not, however, exceed the value at which the asset would have been carried if no previous impairments had occurred and it had simply been subject to regular straight-line depreciation. Any increase in value resulting from such a reversal is recorded in the income statement immediately.

Government grants. Government grants are recognised at their fair value provided the Group meets the conditions for receiving them. Grants which do not relate to investments are recognised in the income statement under other income in the period in which the expense to which the grant relates was incurred. Investment grants are recognised as reductions in the purchase or production cost of the asset concerned and result in a corresponding reduction of the scheduled depreciation charges applied to it in subsequent periods.

Leases. Assets acquired under lease agreements which substantially transfer the benefits and risk of ownership from the lessor to the lessee are classified as non-current assets of the relevant category. Assets acquired under finance leases are initially capitalised at the lower of fair value or the net present value of all binding future lease payments contracted at the beginning of the lease. On the liabilities side this same amount is recognised as a finance lease liability. Leased assets are depreciated over their anticipated economically useful lives or the life of the lease if this is shorter and transfer of ownership at the end of the lease is not certain.

Similarly, non-current assets leased to third parties under agreements transferring substantially all the benefits and risks of ownership to the lessee are classified not as property, plant and equipment but as financial assets, recorded at the present value of the future lease payments to be received. Expense and income arising from operating leases is recognised in the income statement in a linear fashion over the life of the leases.

Intangible assets, excluding goodwill. Intangible assets are classified into one of the following three categories: software, intangible assets with finite useful life or intangible assets with indefinite useful life. All intangible assets, excluding goodwill, are carried at historical costs less accumulated amortisation. Amortisation is applied using the straight line method over the estimated useful life of the intangible asset concerned.

Software. The purchase or production costs of software are recognised on the balance sheet if Valora expects to derive future economic benefit from the software concerned.

Intangible assets with indefinite useful life. Intangible assets with indefinite useful life are not subject to scheduled amortisation charges. They are subject to an impairment test at least once a year, with impairment charges being recorded against them as required.

Amortisation is charged on a linear basis over the estimated useful life as follows:

	Years
Software	3 – 5
Intangible assets with finite useful life	3 – 20
Intangible assets with indefinite useful life	no amortisation

Impairments to intangible assets. The carrying amounts of intangible assets excluding goodwill are reviewed whenever changing circumstances or specific events suggest that their carrying amounts might be too high. If the current carrying amount of an asset exceeds its recoverable value, which is defined as the higher of its current fair value minus costs of disposal or its value in use, the asset will be written down to its recoverable value. An impairment (other than one made to goodwill) may be reversed only if the assumptions previously used in determining the recoverable value of the asset concerned have been subject to change. If such a change has occurred, the carrying amount of the asset in question will be raised to its current recoverable value. This new recoverable value may not, however, exceed the value at which the asset would have been carried after regular amortisation and if no previous impairments had occurred. Any increase in value resulting from such a reversal is recorded in the income statement immediately.

Goodwill. Goodwill is the amount paid by the Group when acquiring a company which exceeds the fair value of that company's net assets at the time of purchase. Goodwill is recognised on the balance sheet in accordance with IFRS 3, and is attributed to the appropriate cash generating unit (CGU). The CGU is then subjected to an impairment test, which is carried out at least once a year, and more frequently should there be evidence suggesting possible impairment. This involves comparing the carrying amount of the CGU to which the goodwill was assigned with the CGU's current recoverable value. This recoverable value is defined as the higher of the fair value of the CGU less costs of disposal and its value in use. Fair value less costs of disposal is the price which would be received from the sale of an asset in an orderly transaction between market participants at the measurement date or which would be payable when a liability is transferred. If the carrying amount of the cash-generating unit exceeds this recoverable amount, an impairment of the goodwill will be recorded. Goodwill impairments cannot be reversed.

Financial assets. Financial assets are classified according to one of the following categories:
- at fair value through profit or loss
- loans and receivables
- available for sale

Classification depends on the purpose for which the financial assets were acquired and is determined when the assets are first recognised.

Financial assets at fair value through profit or loss. These include financial assets and derivative financial instruments held for trading purposes, as well as other assets designated to this category on initial recognition. Financial assets are designated to this category if they are acquired with a view to short-term sale. Financial assets in this category are either held for trading purposes or sold within 12 months of purchase.

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

One Valora Group company sells its loan receivables to a bank. Since these sales transfer all principal risks associated with these loans to the bank, these positions have been derecognised of the balance sheet. Under certain contractually defined circumstances, which would arise in the event of a non-conforming loan agreement been signed with the borrower, the bank is entitled to reverse the sale of the loan concerned. The risk in such an event is limited to the value of the loan receivable.

Financial assets available for sale. This category covers investments in equity securities of less than 20% and financial assets not assigned to any other category. Financial assets available for sale are classified as non-current assets unless they are intended to be sold within 12 months.

All purchases and sales of financial assets are recorded on the trade date. Financial assets, except those held at fair value through profit and loss, are initially recorded at fair value plus transaction costs. Financial assets held for trading purposes are initially recorded at fair value excluding transaction costs and thereafter, like all other "at fair value through profit or loss" assets, at their fair value. Loans and receivables are recorded at amortised costs calculated by the effective interest rate method. Financial assets available for sale are carried at fair value, using market prices where available or model-based valuations where no market exists. Investments in unquoted equity securities which are not traded in a market and for which insufficient data is available to perform a valuation are carried at cost (minus any impairments). Unrealised gains and losses of available for sale instruments are credited or debited to other comprehensive income. A significant or prolonged decrease in fair value below costs represents an impairment loss and is charged to the income statement. When an available for sale financial asset is sold, the valuation adjustments which have been accumulated against equity in respect of it are passed on to the income statement.

Interest-bearing debt. Interest-bearing liabilities are valued at amortised costs, any differences between such cost and the amounts repayable at maturity are recognised as financial expense over the lifetime of the liability according to the effective interest method.

Accounting for derivative financial instruments and hedging transactions. Positions in derivative financial instruments are recorded at their value when established and adjusted thereafter to reflect changes in fair value. Recognition methods for gains or losses depend on whether the instrument was used to hedge an identifiable risk and whether the conditions for hedge accounting are met. The objective of recognising a transaction as a hedge is to ensure that changes in the value of the item being hedged and those in the hedging instrument offset each other during the time the hedge is in place. If a derivative financial instrument is not designated as a hedge or if it does not meet hedge accounting criteria, gains and losses arising from changes in its fair value are recognised in the income statement. To qualify for hedge accounting, a hedging transaction must meet a number of strict criteria relating to transaction documentation, probability, hedge effectiveness and valuation reliability. When engaging in a hedging transaction, the Group documents the relationship between the hedging instrument and the hedged item and the purpose and strategy of the hedge. This process also requires that all derivatives used for hedging purposes be linked to specific assets or liabilities, or to firm commitments and expected future transactions. Both when a hedge is set up and during its life the Group documents the extent to which changes in the fair value of the derivative financial instrument offset changes in the value of the item it hedges.

When the contract governing it is concluded, any derivative financial instrument which qualifies as a hedging transaction will be classified either as a) hedging the fair value of a specific asset or liability (a fair value hedge), b) hedging future cash flows arising from an expected future transaction or a firm commitment (a cash flow hedge), or c) hedging a net investment in a foreign subsidiary.

Any gains or losses from hedging instruments which effectively offset changes in the value of future cash flows, and thus qualify as cash flow hedges, are booked to other comprehensive income. Gains or losses which do not meet this effectiveness requirement are immediately recorded in the income statement. The amounts recorded under other comprehensive income are then transferred to the income statement when the underlying transaction affects profit or loss.

If the requirements for hedge accounting treatment are no longer met, any gains and losses accumulated under other comprehensive income will remain in equity until the underlying transaction for which the hedge was established has occurred. If the underlying transaction is no longer expected to occur, these accumulated gains and losses will immediately be passed to the income statement.

Provisions. Provisions are recorded when, as a result of a past event, an obligation has arisen whose amount can be reliably estimated and for whose settlement an outflow of cash is probable. Provisions are recorded at the net present value, as of the balance-sheet date, of the estimated future cash outflow.

Liabilities from employee pension schemes. Valora pays employer contributions to various pension schemes established according to local legislation. For defined benefit schemes, the present value of the benefit obligation is determined by an annual actuarial assessment under the projected unit credit method. These assessments take account of the contribution years accumulated by employees at the assessment date as well as the expected evolution of their future remuneration. The pension cost to the employer and the net interest cost or net interest income relating to the net pension liability or net pension asset will be recognised in the income statement in the period in which it occurs. Actuarial gains and losses and the effect of any ceiling applied to the net pension fund assets (IFRIC 14) are accumulated under other comprehensive income.

Expenses for defined contribution pension schemes are charged to the income statement in the period in which they are incurred.

5 MANAGEMENT'S ESTIMATIONS, ASSUMPTIONS AND EXERCISE OF DISCRETION

Significant judgements in the application of accounting principles. The application of accounting principles requires judgement by management which – while no estimates are used to this end – may have a significant influence on the figures reported in the consolidated financial statements. Management assessments are needed in the analysis of the substance of complex transactions

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

Property, plant and equipment. The useful life of property, plant and equipment is determined based on experience and the current technical characteristics of the assets concerned. The actual useful life of a specific asset may deviate from that initially determined due to changes in technology and market conditions. In the event of such a deviation, the remaining useful life of the asset concerned is adjusted. The value of non-current assets is always re-assessed whenever changes in circumstances indicate that their current carrying amount may exceed their fair value. Fair value is determined on the basis of estimates and management's assumptions about the economic utility of the assets concerned. Values subsequently realised can deviate from these estimates (see note 20).

Goodwill and brand rights. The consolidated balance sheet carries goodwill at CHF 377.4 million (see note 22). This goodwill is subjected to an impairment test whenever there are indications that the recoverable amount of the cash generating unit to which it has been allocated may have diminished and in any event at least once annually.
The impairment tests are based on estimated future free cash flows, using discounted cash flow analysis, for each of the cash generating units concerned. The principal factors affecting these valuations are the estimated net revenues, estimated operating margins and the discount rate applied.

Net pension asset and liability. The Group maintains occupational pension schemes of its own which are classified as defined benefit schemes for IFRS purposes. IFRS requires an annual comparison of the pension plans' assets and liabilities with the dynamically calculated net present value of their benefit obligations. These valuations showed a pension plan surplus for the Swiss schemes which is capitalised in the consolidated balance sheet and which corresponds to that portion of the surplus / deficit which the Group is entitled to offset against its benefit obligations under the plans concerned. These valuations are based on a number of assumptions, most important are the discount rate applied to future benefits and the expected future salaries of the plan participants (see note 29). Actual outcomes may diverge considerably from the assumptions made.

Deferred income tax assets. Under IFRS rules, that portion of any tax loss carry forwards which can be expected to result in future tax savings should be recognised as a deferred tax asset (see note 14). The amount of tax savings which are then actually achieved will depend on the level of income generated before the tax loss carry forwards expire. This means that future net income may be impacted by impairments on deferred tax assets if the taxable income the Group generates during the relevant period are below initial expectations. Conversely, additional net income may be recognised if the profits the Group generates exceed expectations and previously unrecognised tax loss carry forwards can be used.

Provisions. Provisions are established for obligations whose amount and / or due date cannot be determined with certainty and a future cash flow is probable. A further prerequisite for the creation of such provisions is that the amount of the potential loss can be reliably estimated. In assessing whether a provision is appropriate and what its amount should be, the best available estimates and assumptions are made with regard to the situation as of the balance sheet date. Since new evidence and unfolding events can have a significant effect on subsequent outcomes, earlier estimates and assumptions may be revised in the light of later evidence and events, if their effect on these estimates and assumptions is substantial (see note 29).

6 ACQUISITIONS OF BUSINESS UNITS

Transactions completed in 2016.

Acquisition of CDM Buffet SA. On June 30, 2016, Valora completed its purchase of CDM Buffet SA, a company with registered offices in Lausanne. The company operates two retail outlets, which have been absorbed into Valora's Food Service operations.

Net assets purchased, purchase price, net cash used

in CHF 000	CDM Buffet SA Fair Value
Current assets	1 544
Non-current assets	1 669
Current liabilities	– 432
Deferred income tax liabilities	– 369
= Net assets acquired	**2 412**
Goodwill from acquisition	0
= Purchase price	**2 412**
Cash and cash equivalents acquired	– 1 464
= Cash used in acquisition of subsidiaries	**948**

From the time of its acquisition by Valora till December 31, 2016, CDM contributed CHF 1.3 million to Group net revenues and CHF 0.3 million to Group net profit. If the acquisition had taken place on January 1, 2016, CDM's net-revenue contribution would have been CHF 2.6 million and its contribution to Group net profits would have been CHF 0.7 million.

Following the acquisition, CDM Buffet SA was merged with Valora Switzerland AG.

Sale of Naville Distribution. Valora completed its divestment of the Naville logistics and distribution business on August 30, 2016. Valora's transaction partner is 7Days Media Services GmbH.

Net assets sold, net sale price, net cash generated

in CHF 000	**30.08.2016**
Current assets	37 760
Intangible assets	38 259
Other non-current assets	3 511
Current liabilities	– 37 087
Non-current liabilities	– 12 460
= Net assets sold	**29 983**
Gain on sale of subsidiary	2 138
= Net sale price	**32 121**
Cash and cash equivalents sold	– 11 754
= Net cash from sales of subsidiaries	**20 367**

Intangible assets include goodwill of CHF 37 562 thousand attributable to the distribution business.

Transactions completed in 2015.

Acquisition Naville. On February 27, 2015, Valora acquired 100 % of the shares of Naville (LS Distribution Suisse SA), a leading small-outlet retailer in French-speaking Switzerland, from Lagardère Services and Tamedia Publications Romandes. Naville, whose registered offices are in Geneva, operates a network of more than 175 outlets. It also has one of the most important logistics platforms in French-speaking Switzerland. Naville is being integrated into Retail Switzerland.

Net assets purchased, purchase price, net cash used

in CHF 000	**Naville Fair Value**
Current assets	69 297
Non-current assets	38 913
Deferred income tax assets	4 820
Current liabilities	– 52 071
Deferred income tax liabilities	– 7 758
Other non-current liabilities	– 19 838
= Net assets acquired	**33 363**
Goodwill from acquisition	78 518
= Purchase price	**111 881**
Cash and cash equivalents acquired	– 25 861
= Cash used in acquisition of subsidiaries	**86 020**

The goodwill of CHF 78.5 million reflects the synergies the acquisition is expected to generate. Goodwill is not tax deductible. When Naville Distribution SA was sold, the CHF 37.6 million of goodwill attributed to the distribution business was derecognised.

Current assets include accounts receivable valued at CHF 15.8 million. No allowance has been recorded against this position and the entire contractually agreed amount is expected to be recoverable.

In 2015 Naville contributed CHF 240.0 million to Group net revenues and CHF 10.7 million to Group net profit. If the acquisition had taken place on January 1, 2015, Naville's net-revenue contribution would have been CHF 296.3 million and its contribution to Group net profits would have been CHF 11.6 million.

The goodwill position was fully attributed to the Retail segment. The total transaction costs directly attributable to the acquisition amount to CHF 3.3 million.

7 DISCONTINUED OPERATIONS

Transactions completed in 2016.

Valora Trade. The final purchase price based on the closing balance sheets at 31.12.2015 resulted in CHF 7 146 thousand of the purchase price being reimbursed.

Valora Trade Germany. On December 31, 2015, Valora completed the sale of its Trade division to the Aurelius Group. Aurelius is an exchange-listed group, specialising in the acquisition and strategic realignment of companies. The purchase agreement encompasses all Valora Trade companies in Switzerland, Austria, Germany, Denmark, Sweden, Norway and Finland. The sale of Trade Germany was completed on January 1, 2016.

Disposal of net assets (Trade Germany)

in CHF 000	01.01.2016
Cash and cash equivalents	677
Other current assets	4 866
Other non-current assets	112
Total assets	**5 655**
Trade accounts payable	1 157
Other current liabilities	4 446
Total liabilities	**5 603**
Total net assets	**52**

Profit from disposal (Trade Germany)

in CHF 000	2016
Net revenues	52
Disposal of net assets	– 52
Write-off non-controlling interests	27
Recycling of cumulative translation adjustment	1 896
Profit from disposal	**1 923**

Cash and cash equivalents used (Trade Germany)

in CHF 000	2016
Cash and cash equivalents received	52
Cash and cash equivalents sold	–677
Net cash and cash equivalents	**–625**

Income statement for discontinued operations 2016

January 1 to December 31, in CHF 000	2016
Expenses	–1 488
Other income	489
Operating profit (EBIT)	**–999**
Net loss from operating activities	**–999**
Profit from disposal	1 923
Net profit from discontinued operations	**924**
Attributable to shareholders of Valora Holding AG	924

The expenses recorded above essentially relate to costs from the Trade division sale and to contractual obligations associated with the sale recorded in 2016. Other income includes income resulting from the release of a provision established in connection with a guarantee (see Note 28).

Transactions completed in 2015.

Valora Warenlogistik AG. Valora sold its goods logistics unit (Valora Warenlogistik AG) to 7Days Media Services GmbH on May 30, 2015. The two companies signed a number of contracts in connection with this transaction governing the transfer of warehousing and transport services for Valora Retail to 7Days Media Services GmbH and the sale of the operational infrastructure on which those services are based.

Disposal of net assets of Valora Warenlogistik AG

in CHF 000	30.05.2015
Cash and cash equivalents	2 003
Other current assets	2 784
Intangible assets	144
Other non-current assets	3 301
Total assets	**8 232**
Trade accounts payable	1 212
Other current liabilities	796
Other non-current liabilities	100
Total liabilities	**2 108**
Total net assets	**6 124**

Loss from disposal of Valora Warenlogistik AG

in CHF 000	2015
Consideration received	6 166
Disposal of net assets	– 6 124
Transaction costs	– 237
Loss from disposal	**– 195**

Cash and cash equivalents generated from disposal of Valora Warenlogistik AG

in CHF 000	2015
Cash and cash equivalents received	5 929
Cash and cash equivalents disposed	– 2 003
Net cash inflow from disposal	**3 926**

Valora Trade. On December 31, 2015, Valora completed the sale of its Trade division to the Aurelius Group. Aurelius is an exchange-listed group, specialising in the acquisition and strategic realignment of companies. The purchase agreement encompasses all Valora Trade companies in Switzerland, Austria, Germany, Denmark, Sweden, Norway and Finland. The sale of Trade Germany was expected to be completed during January 2016.

Disposal of net liabilities of Valora Trade

in CHF 000	31.12.2015
Cash and cash equivalents	4 502
Other current assets	135 456
Intangible assets	2 090
Other non-current assets	9 413
Total assets	**151 461**
Trade accounts payable	81 554
Other current liabilities	30 732
Other non-current liabilities	57 712
Total liabilities	**169 998**
Total net liabilities	**– 18 537**

Loss from disposal of Valora Trade

in CHF 000	2015
Consideration received	20 881
Disposal of net liabilities	18 537
Derecognition of loans, cash pool, receivables and other positions	– 59 145
Derecognition of non-controlling interests	1 140
Provision for guarantees	– 4 000
Transaction costs	– 3 574
Recycling of cumulative translation adjustment	– 18 532
Loss from disposal	**– 44 693**

Cash and cash equivalents generated from disposal of Valora Trade

in CHF 000	2015
Cash and cash equivalents received	534
Transaction costs	– 3 574
Cash and cash equivalents disposed	– 4 502
Net cash outflow from disposal	**– 7 542**

Result from discontinued operations 2015

January 1 to December 31, in CHF 000	**2015 Trade**	**2015 Warenlogistik (01.01. – 30.05.)**	**2015 Total**
Net revenues	463 949	0	463 949
Expenses [1]	– 464 035	930	– 463 105
Other income	248	378	626
Operating profit (EBIT)	**162**	**1 308**	**1 470**
Financial result	– 1 143	0	– 1 143
Share of result from associates and joint ventures	604	0	604
Earnings before taxes	**– 377**	**1 308**	**931**
Income taxes	1 785	– 294	1 491
Net profit from operating activities	**1 408**	**1 014**	**2 422**
Loss from disposal	– 44 693	– 143	– 44 836
Loss on remeasurement to fair value less transaction costs	– 33 183	0	– 33 183
Net (loss) / profit from discontinued operations	**– 76 468**	**871**	**– 75 597**
Attributable to shareholders of Valora Holding AG	– 77 267	871	– 76 396
Attributable to non-controlling interests	799	0	799

[1] The expenses of Valora Warenlogistik AG include a profit arising from plan changes under IAS 19 of CHF 1472 thousand.

8 SEGMENT REPORTING

The Valora Group is an internationally active retail group, with business activities carried out in the following reportable business segments:

Valora Retail: Valora Retail operates small retail outlets at heavily frequented locations in Switzerland, Germany, Luxembourg and Austria. The division operates country-wide marketing and distribution systems for press, tobacco and consumer products for daily use and the impulse buyer's market. Valora Retail's market presence comprises the k kiosk, k presse+buch, avec, P&B, ServiceStore DB and CIGO formats, among others.

Food Service: Through its Ditsch/Brezelkönig unit, Food Service produces lyebread and other bakery products in Germany and Switzerland. These are sold at the division's own (agency) outlets in Germany, France, Austria and Switzerland and to the wholesale market. This segment also includes Caffè Spettacolo, one of Switzerland's leading coffee-bar chains.

Other: The Group support functions in the areas of Finance, Human Resources, Business Development, Legal Services and Communications as well as bob Finance are reported under "Other". The assets attributable to these support functions represent principally loans to Group companies, cash and cash equivalents, and short-term receivables. The liabilities attributable to this segment essentially relate to the financing instruments listed in note 25.

At Valora, these segments comprise a variety of retail formats and geographical regions. The net revenues generated by these segments mainly relate to the sale of goods. Their non-current assets comprise property, plant and equipment and intangible assets (additions to which are shown without changes in consolidation scope). Valora's internal reporting is based on the same valuation principles as its external reporting.

Segment data

2016

in CHF 000	Valora Retail	Food Service	Others	Elimination	Total Group continuing operations
Net revenues					
Total	**1 833 763**	**259 279**	**1 914**	**0**	**2 094 956**
From third parties	1 833 763	259 279	1 914	0	2 094 956
Operating profit (EBIT)					
Total	**59 646**	**26 854**	**–14 237**	**0**	**72 263**
Depreciation, amortisation and impairment charges	34 793	15 604	4 960	0	55 358
Additions to long-term assets					
Total	**24 804**	**19 582**	**4 566**	**0**	**48 952**
Segment assets					
Total	**659 105**	**431 306**	**421 091**	**–344 265**	**1 167 238**
Investment in associates and joint ventures	50	0	0	0	50
Segment liabilities					
Total	**317 961**	**165 619**	**497 047**	**–344 265**	**636 362**

Net revenues from third parties comprise CHF 1 753 million from the sale of goods, CHF 128 million from the provision of services and CHF 213 million from the sale of products produced by Valora. Depreciation, amortisation and impairment charges include impairments relating to the Valora Retail segment of CHF 2 417 thousand and impairments relating to the Food Service segment of CHF 542 thousand.

2015 (revised)

in CHF 000	Valora Retail	Food Service	Others	Elimination	Total Group continuing operations
Net revenues					
Total	**1 834 931**	**242 383**	**111**	**0**	**2 077 425**
From third parties	1 834 931	242 383	111	0	2 077 425
Operating profit (EBIT)					
Total	**44 363**	**25 245**	**– 14 493**	**0**	**55 114**
Depreciation, amortisation and impairment charges	36 995	16 707	8 766	0	62 468
Additions to long-term assets					
Total	**23 912**	**14 474**	**7 044**	**0**	**45 430**
Segment assets					
Total	**787 877**	**449 217**	**632 509**	**– 655 082**	**1 214 521**
Investment in associates and joint ventures	50	0	0	0	50
Segment liabilities					
Total	**718 589**	**190 929**	**454 122**	**– 655 082**	**708 558**

Food Service includes now Ditsch/Brezelkönig and Caffè Spettacolo. As part of the adjustments to the Group's segment structure and the assignment of food activities to one dedicated segment, Caffè Spettacolo was reassigned from the Retail to the Food Service segment. These adjustments also resulted in the retail activities of Valora Holding Germany GmbH being reassigned from the Other to the Retail segment.

Net revenues from third parties comprise CHF 1,757 million from the sale of goods, CHF 119 million from the provision of services and CHF 201 million from the sale of products produced by Valora. Depreciation, amortisation and impairment charges include impairments relating to the Valora Retail segment of CHF 3,371 thousand and impairments relating to the Food Service segment of CHF 2,777 thousand.

Segment data by region

2016

in CHF 000	Switzerland	Germany	Other Europe	Total Group
Net revenues from third parties	1 429 682	567 107	98 166	2 094 956
Long-term assets	338 318	347 710	4 496	690 524

2015

in CHF 000	Switzerland	Germany	Other Europe	Total Group
Net revenues from third parties	1 452 860	529 002	95 563	2 077 425
Long-term assets	396 837	345 699	4 631	747 167

The information shown regarding revenues and non-current assets (property, plant and equipment and intangible assets) is based on the location of the subsidiaries concerned. No single customer accounts for more than 10 % of net revenues from third parties.

9 PERSONNEL EXPENSES

in CHF 000	**2016**	2015
Salaries and wages	206 445	222 923
Social security expenses	38 748	39 774
Share-based remuneration	1 983	883
Other personnel expenses	13 914	13 481
Total personnel expenses	**261 091**	**277 061**
Number of employees (full-time equivalent basis) at December 31	4 228	4 349

Social security expenses include CHF 184 thousand (CHF 457 thousand in 2015) in respect of defined contribution pension plans. Other personnel expenses essentially comprise remuneration for temporary staff paid to employment agencies, staff training costs and personnel recruitment costs. The sale of Naville Distribution resulted in a reduction in the total number of employees.

10 OTHER OPERATING EXPENSES

in CHF 000	2016	2015
Rental expenses	166 059	165 138
Real-estate expenses	7 933	7 625
Ancillary rental expenses	28 356	27 628
Agency fees	153 438	133 193
Insurance	1 338	1 216
Communications and IT	27 296	25 209
Advertising and sales	15 076	13 296
Shipping and freight	33 398	24 299
General administration	24 157	26 200
Capital and other taxes	1 212	1 229
Other operating leases	2 386	3 100
Other operating expenses	27 038	29 420
Total other operating expenses	**487 688**	**457 553**

The increase in total other operating expenses is partly attributable to outlets adopting the agency model (and the resulting increase in agency-fee costs) and partly to the higher shipping and freight costs arising after the sale of the logistics unit.

11 OTHER INCOME AND OTHER EXPENSES

in CHF 000	2016	2015
Rental income	954	713
Gains from disposal of non-current assets	796	161
Other income	9 227	7 302
Total other income	**10 977**	**8 176**

Other income for 2016 includes service income of CHF 3 360 thousand (2015: CHF 3 967 thousand) generated by Valora for the ongoing provision of administrative services to the successor organisations of its Trade and Services divisions, which have been sold. The remaining items essentially relate to the derecognition of non-current liabilities, reimbursements and payments received from insurance policies.

in CHF 000	2016	2015
Losses from disposal of non-current assets	–2 014	–1 122
Other expenses	–2 221	–137
Total other expenses	**–4 235**	**–1 259**

12 FINANCIAL EXPENSES

in CHF 000	2016	2015
Cost of bank loans and liabilities	9376	6752
Interest on bonds issued	6779	6779
Interest on finance leases	39	84
Foreign exchange losses, net	539	5238
Total financial expense	**16733**	**18853**

On May 3, 2016, the bonded loan issue was refinanced and the interest-rate swap was completely unwound. The negative replacement value of the swap, amounting to CHF 3497 thousand, was charged to the income statement.

13 FINANCIAL INCOME

in CHF 000	2016	2015
Interest earned on cash, cash equivalents, loans and receivables	731	189
Interest income from finance leases	223	249
Net gains from derivative financial instruments	501	1148
Dividend income from financial investments available for sale	55	33
Total financial income	**1509**	**1619**

14 INCOME TAXES

Income tax expenses were as follows:

in CHF 000	2016	2015
Current income tax expenses	2235	4904
Deferred income tax income	–7674	–13826
Total income tax	**–5439**	**–8922**

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

in CHF 000	**2016**	2015
Profit before income taxes	57 040	37 880
Expected average Group tax rate	23.4 %	13.5 %
Income taxes at expected Group tax rate	**13 376**	**5 115**
Expenses not recognised for tax purposes / non-taxable revenues	– 4 601	3 044
Use of previously unrecognised tax loss carry forwards	– 3 760	– 19 791
Effects on current income taxes for prior periods	– 1 677	440
Increase of allowances on deferred tax assets	2 392	7 509
Release of previous allowances against deferred income tax assets	– 10 009	– 2 851
Changes in tax rates	– 19	– 588
Other effects	– 1 141	– 1 800
Total reported income taxes	**– 5 439**	**– 8 922**
Effective tax rate	– 9.5 %	– 23.6 %

Expected average Group tax rates take account of the tax rates applying to individual entities on a weighted basis. Compared to 2015, the expected average Group tax rate rose significantly. This is due to the higher proportion of pre-tax profits attributable to the Group's operating companies.

Changes to deferred income taxes were as follows:

Changes to deferred tax assets and liabilities in CHF 000	**Deferred tax assets**	**Deferred tax liabilities**	**Net assets (+) / Net liabilities (–)**
Balance at December 31, 2014	**24 336**	**– 32 387**	**– 8 051**
Deferred taxes recorded in the income statement	13 207	619	13 826
Deferred taxes recorded in other comprehensive income	0	3 262	3 262
Changes in consolidation scope	4 820	– 7 758	– 2 938
Currency translation differences	– 1 508	2 126	618
Balance at December 31, 2015	**40 855**	**– 34 138**	**6 717**
Deferred taxes recorded in the income statement	– 389	8 063	7 674
Deferred taxes recorded in other comprehensive income	0	– 334	– 334
Changes in consolidation scope	– 1 691	– 369	– 2 060
Currency translation differences	– 151	89	– 62
Balance at December 31, 2016	**38 624**	**– 26 689**	**11 935**

The deferred taxes recorded in other comprehensive income relate to continuing operations.

The composition of deferred income tax assets and liabilities is as follows:

Deferred tax assets by source of differences in CHF 000	**2016**	2015
Current assets	0	153
Property, plant and equipment	297	1 356
Goodwill, software and other intangible assets	22 286	18 165
Pension liabilities	0	4 195
Liabilities and provisions	107	737
Tax loss carry forwards	16 435	16 752
Total	**39 125**	**41 358**
Deferred tax liabilities by source of difference		
Current assets	–3 409	–1 556
Property, plant and equipment	–3 580	–8 805
Goodwill, software and other intangible assets	–18 440	–19 304
Other non-current assets	–680	–2 762
Liabilities and provisions	–1 081	–2 214
Total	**–27 190**	**–34 641**
Reported in the balance sheet		
Deferred income tax assets	38 624	40 855
Deferred income tax liabilities	–26 689	–34 138
Total deferred income tax assets, net	**11 935**	**6 717**

Tax loss carry forwards amounted to CHF 492.4 million in 2016, excluding the disposal group (CHF 247.0 million in 2015). In 2016, CHF 87.0 million deferred tax assets on tax loss carry forwards of CHF 440.7 million were not recognized, since it was not probable that they could be utilised. In 2015, CHF 53.9 million of the CHF 188.4 million tax loss carry forwards were not recognised as a deferred tax asset for the same reason. These tax loss carry forwards either cannot expire or have expiration dates more than 5 years in the future. The increase in tax loss carry forwards recognised as deferred tax assets is principally attributable to tax losses at holding companies, for which no future tax benefit will be realisable as participation exemptions are applicable.

15 EARNINGS PER SHARE

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

in CHF 000	**2016**	2015
Net profit from continuing operations	62 479	46 802
Interest attributable to perpetual hybrid bond holders	– 4 800	– 4 800
Net profit from continuing operations attributable to Valora Holding AG shareholders	57 679	42 002
Net profit / (loss) loss from discontinued operations	924	– 76 396
Net profit / (loss) from continuing and discontinued operations attributable to Valora Holding AG shareholders	**58 604**	**– 34 394**
Average number of shares outstanding	3 339 499	3 358 171
Earnings per share from continuing operations (in CHF)	17.27	12.51
Earnings per share from continuing and discontinued operations (in CHF)	**17.55**	**– 10.24**

There were no dilutive effects in 2016 or 2015.

16 CASH AND CASH EQUIVALENTS

in CHF 000	**2016**	2015
Petty cash and on demand deposits	159 381	116 308
Total cash and cash equivalents	**159 381**	**116 308**
thereof restricted cash	2 986	3 009

17 TRADE ACCOUNTS RECEIVABLE

in CHF 000	**2016**	2015
Trade accounts receivable, gross	49 235	61 934
Allowance for bad and doubtful debts	– 3 979	– 5 656
Total trade accounts receivable, net	**45 256**	**56 278**

Allowances for trade accounts receivable are shown in the table below:

in CHF 000	**2016**	2015
Position at January 1	**5 656**	**7 105**
Increase in allowance charged to income statement	1 069	2 581
Release of allowances credited to income statement	– 1 080	– 2 863
Allowances used	– 1 591	– 778
Foreign exchange differences	– 75	– 389
Position at December 31	**3 979**	**5 656**

The year-end composition, by age, of overdue trade accounts receivable which have not been subjected to allowance is as follows:

in CHF 000	**2016**	2015
Up to 10 days overdue	5 079	2 362
More than 10 days, but less than one month overdue	3 770	1 066
More than one month, but less than two months overdue	565	60
More than two months, but less than four months overdue	682	131
More than four months overdue	919	671

The breakdown of trade accounts receivable by currency is as follows:

in CHF 000	**2016**	2015
CHF	33 141	45 224
EUR	12 115	11 054
Total trade accounts receivable, net	**45 256**	**56 278**

18 INVENTORIES

in CHF 000	**2016**	2015
Merchandise	142 053	142 666
Finished and semi-finished goods	2 627	2 916
Other inventories	2 018	2 190
Total inventories	**146 698**	**147 772**

In 2016, write-downs of CHF 6.2 million were charged to cost of goods (CHF 6.2 million in 2015).

19 OTHER CURRENT RECEIVABLES

in CHF 000	**2016**	2015
Value-added tax and other taxes	2 013	2 843
Prepaid expenses and accrued income	15 207	17 935
Short-term receivables from finance leases	621	621
Miscellaneous receivables	34 924	27 021
Total other current receivables	**52 764**	**48 420**

The miscellaneous receivables above comprise mainly cost reimbursement receivables and payments receivable from social security agencies and insurers. Additional information relating to short-term receivables from finance leases can be found in note 23.

20 PROPERTY, PLANT AND EQUIPMENT

in CHF 000	Land	Buildings	Machinery and equipment	Projects in progress	Total
At cost					
Balance at December 31, 2014	**7 292**	**31 398**	**416 146**	**6 751**	**461 587**
Consolidation scope additions	0	18 007	12 586	0	30 593
Additions	12	240	27 323	9 512	37 087
Disposals	0	–1 389	–22 318	0	–23 707
Transfers	0	1 401	7 484	–8 885	0
Foreign exchange differences	–273	–1 401	–12 704	–272	–14 650
Balance at December 31, 2015	**7 031**	**48 256**	**428 517**	**7 106**	**490 910**
Consolidation scope disposals	0	–541	–2 824	0	–3 365
Additions	1 151	347	22 206	17 719	41 423
Disposals	–440	–392	–46 125	0	–46 957
Transfers	0	18	10 932	–10 950	0
Foreign exchange differences	–45	–139	–1 481	–173	–1 838
Balance at December 31, 2016	**7 697**	**47 549**	**411 225**	**13 701**	**480 173**
Accumulated depreciation / impairment					
Balance at December 31, 2014	**0**	**–5 235**	**–232 090**	**0**	**–237 325**
Additions	0	–2 066	–38 461	0	–40 527
Impairment	0	0	–4 864	0	–4 864
Disposals	0	266	20 227	0	20 493
Foreign exchange differences	0	137	4 549	0	4 686
Balance at December 31, 2015	**0**	**–6 898**	**–250 639**	**0**	**–257 537**
Consolidation scope disposals	0	492	1 055	0	1 547
Additions	0	–2 156	–38 090	0	–40 245
Impairment	0	0	–2 702	0	–2 702
Disposals	0	204	39 388	0	39 592
Transfers	0	0	0	0	0
Foreign exchange differences	0	28	659	0	687
Balance at December 31, 2016	**0**	**–8 330**	**–250 328**	**0**	**–258 658**
Net carrying amount					
at December 31, 2015	7 031	41 358	177 878	7 106	233 373
at December 31, 2016	**7 697**	**39 219**	**160 898**	**13 701**	**221 514**

Property, plant and equipment includes machinery and equipment held on finance leases with a carrying amount of CHF 0.1 million (CHF 1.0 million in 2015). The impairments recorded against machinery and equipment predominantly relate in both years to outlet infrastructure.

21 INVESTMENT PROPERTY

The acquisition costs and carrying amounts for the investment property portfolio were as follows:

Investment property in CHF 000	**2016**	2015
At cost		
Balance at January 1	**823**	**4 156**
Disposals	–823	–3 333
Balance at December 31	**0**	**823**
Accumulated depreciation		
Balance at January 1	**–201**	**–576**
Additions	–3	–37
Disposals	204	412
Balance at December 31	**0**	**–201**
Total net carrying amount	**0**	**622**

In June 2016, an investment property in Fribourg was sold for CHF 525 thousand, generating a book-value loss of CHF 94 thousand.

On July 1, 2015, an investment property in Interlaken was sold for CHF 2 963 thousand, generating a book gain of CHF 42 thousand.

22 GOODWILL, SOFTWARE AND OTHER INTANGIBLE ASSETS

in CHF 000	Goodwill	Intangible assets with indefinite useful life	Software and intangible assets with finite useful life	Projects in progress	Total
At cost					
Balance at December 31, 2014	**362 554**	**48 657**	**153 162**	**8 889**	**573 262**
Consolidation scope additions	78 517	0	824	5	79 346
Additions	0	0	5 718	2 625	8 343
Disposals	0	0	–4 516	0	–4 516
Transfers	0	0	8 033	–8 033	0
Foreign exchange differences	–22 741	–2 450	–7 420	2	–32 610
Balance at December 31, 2015	**418 330**	**46 207**	**155 800**	**3 488**	**623 825**
Consolidation scope additions	0	0	1 669	0	1 669
Consolidation scope disposals	–37 562	0	–1 100	–91	–38 753
Additions	0	0	4 519	3 010	7 530
Disposals	0	0	–21 443	0	–21 443
Transfers	0	0	3 089	–3 089	0
Foreign exchange differences	–2 171	–234	–411	–18	–2 834
Balance at December 31, 2016	**378 597**	**45 973**	**142 125**	**3 300**	**569 994**
Accumulated amortisation / impairment					
Balance at December 31, 2014	**0**	**0**	**–101 507**	**0**	**–101 507**
Additions	0	0	–14 737	0	–14 737
Impairment	–1 173	0	–1 130	0	–2 303
Disposals	0	0	4 309	0	4 309
Foreign exchange differences	–16	0	3 601	0	3 585
Balance at December 31, 2015	**–1 189**	**0**	**–109 464**	**0**	**–110 653**
Consolidation scope disposals	0	0	494	0	494
Additions	0	0	–11 219	0	–11 219
Impairment	0	0	–1 188	0	–1 188
Disposals	0	0	21 415	0	21 415
Transfers	0	0	0	0	0
Foreign exchange differences	13	0	155	0	168
Balance at December 31, 2016	**–1 177**	**0**	**–99 807**	**0**	**–100 984**
Net carrying amount					
at December 31, 2015	417 141	46 207	46 337	3 488	513 172
at December 31, 2016	**377 420**	**45 973**	**42 317**	**3 300**	**469 010**

Intangible assets at December 31, 2015 include leased software with a book value CHF 0.5 million, for which an impairment charge was recorded in 2016.

Intangible assets with indefinite useful life. The intangible assets with indefinite useful life are the Ditsch brand (CHF 22.0 million) and the Brezelkönig brand (CHF 24.0 million). Valora's brand rights were tested as part of the impairment tests for the cash generating unit Ditsch/Brezelkönig. These are based on the revenues projected in the relevant three-year business plans. Thereafter an annual revenue growth of 1.0% (1.0% in 2015) has been assumed. The pre-tax discount rates applied are 7.9% for Ditsch and 5.9% for Brezelkönig (7.7% and 5.6%, respectively, in 2015).

Software and intangible assets with finite useful life. Software and intangible assets with finite useful life include CHF 14.3 million (CHF 15.1 million in 2015) for software and CHF 28.1 million (CHF 31.2 million in 2015) for intangible assets with finite useful life, of which CHF 19.7 million (CHF 23.3 million in 2015) relate to customer relationships of Ditsch/Brezelkönig.

Goodwill impairment test. Goodwill is assigned to the Group's cash-generating units. It is initially allocated to business segments and then, within these, to geographically related markets. The composition of the goodwill positions is as follows:

in CHF 000	**Segment**	**Year acquired**	**2016**	2015
Valora Retail Switzerland	Retail	2002–2015	53 730	91 292
Valora Retail Germany	Retail	2008–2012	86 816	87 740
Ditsch Germany and Brezelkönig Switzerland	Food Service	2012	236 874	238 109
Total carrying amount at December 31			**377 420**	**417 141**

Impairment tests are carried out at least once a year or in case of evidence of a possible impairment. Each unit's recoverable amount is determined on the basis of its value in use and then compared to its carrying amount. An impairment adjustment will be made only if the carrying amount of the cash-generating unit exceeds its value in use. Valuation is carried out on the basis of projected future free cash flows from cash-generating units to which goodwill has been allocated, using the discounted cash flow (DCF) method. These projected cash flows are discounted at a rate equal to the pre-tax weighted average cost of capital.

These projected future cash flows are taken from the business plans of the companies concerned for the next three years based on management projections. The following key assumptions are applied:

Valora Retail Switzerland. For the three years covered by the business plan, revenues are expected to decrease slightly and margins are expected to increase slightly.

Valora Retail Germany. Revenue growth over the planning period is expected to average just under 7.0% and margins are expected to increase.

Ditsch/Brezelkönig. Revenue growth over the planning period is expected to average 6.0% and margins are expected to remain stable.

Cash flows after this three-year period are modelled by using a residual value based on projections for the third planning year and assume zero growth thereafter, except in the case of Ditsch/Brezelkönig, whose subsequent growth rates are assumed to be 1.0% (1.0% in 2015). The discount rates applied are based on data observed in Swiss financial markets which are then adjusted to reflect currency and country-specific risks.

The discount rates used (pre tax) are as follows:

in CHF 000	Currency	**2016**	2015
Valora Retail Switzerland	CHF	6.5%	5.5%
Valora Retail Germany	EUR	8.0%	7.2%
Ditsch/Brezelkönig (Germany/Switzerland)	EUR	7.0%	5.9%

No impairment charges relating to continuing operations were recorded in 2016.

In 2015, because the sales and revenues projected for Valora Retail Austria failed to meet their expected targets, the goodwill for this business area was written down to zero, resulting in an impairment charge of CHF 1189 thousand.

Sensitivities. The impairment tests carried out on all goodwill positions for 2016 show that even in the event of a possible increase in the discount rate of 1.5 percentage points or of sales growth rates being zero, all values in use would exceed the relevant book values.

23 RECEIVABLES FROM RENTAL LEASES AND LEASE AGREEMENTS

Receivables from rental leases in CHF 000	**2016**	2015
Rental payments received during period	17 101	18 437
Future rental receivables		
Within one year	16 487	14 891
Within 1–2 years	12 973	11 110
Within 2–3 years	9 896	8 192
Within 3–4 years	8 640	5 719
Within 4–5 years	6 770	4 256
After more than 5 years	16 768	4 705
Total future receivables from current rental leases	**71 533**	**48 873**

Receivables from other operating leases in CHF 000	**2016**	2015
Payments received during period	3 998	4 067
Future rental receivables		
Within one year	1 645	2 023
Within 1–2 years	1 245	1 544
Within 2–3 years	1 186	1 149
Within 3–4 years	1 135	860
Within 4–5 years	1 023	730
After more than 5 years	939	926
Total future receivables from other operating leases	**7 172**	**7 232**

Other operating leases concern retail shop equipment rented to franchisees in Germany.

Receivables from finance leases in CHF 000	**2016**	2015
Payments received during period	643	643
Maturity of receivables		
Within one year	643	643
Within 1–2 years	624	642
Within 2–3 years	571	625
Within 3–4 years	571	571
Within 4–5 years	570	570
After more than 5 years	999	1 569
Total future receivables from finance leases	**3 978**	**4 620**
Less future interest charges	–741	–964
Total future receivables from finance leases (present value)	**3 237**	**3 656**
Less current portion (see note 19)	–621	–621
Non-current receivables from finance leases (see note 24)	**2 616**	**3 035**

Present value of minimum future finance lease revenues in CHF 000	**2016**	2015
Within one year	621	621
Within 1–2 years	566	582
Within 2–3 years	485	531
Within 3–4 years	455	455
Within 4–5 years	426	426
After more than 5 years	684	1 041
Total present value of future minimum finance lease revenues	**3 237**	**3 656**

The finance leases cover extensions to the former headquarters in Bern made during Valora's tenancy, which the new tenant is using.

24 FINANCIAL ASSETS

in CHF 000	**2016**	2015
Loans	4 958	5 812
Receivables from finance leases	2 616	3 035
Other long-term receivables	23 593	32 739
Financial assets available for sale	643	673
Total financial assets	**31 809**	**42 259**

Note 23 provides further information on receivables from finance leases.

Other long-term receivables essentially relate to the outstanding balance of the purchase price due to Valora from its sale of the Muttenz facility in 2012 (which has been offset against the amounts payable by Valora over the next six years to 2022 under the usufruct agreement which grants Valora occupancy of the facility during that period and is secured by a lien on the property), earn-out payments to Valora from its sale of the Trade division (see note 34) and a guarantee payment.

The financial assets available for sale include CHF 643 thousand (CHF 673 thousand in 2015) of unlisted securities for which there is no active market and about which insufficient information is available to determine a fair value. These items are therefore carried at cost less impairment, if there were any.

25 SHORT-TERM FINANCIAL DEBT AND OTHER LONG-TERM LIABILITIES

Short-term financial debt in CHF 000	**2016**	2015
Current bank debt	37	226
Current portion of finance lease obligations	689	1 425
Total short-term financial debt	**726**	**1 651**

Other non-current liabilities in CHF 000	**2016**	2015
Bank loans	0	–697
Bonded-loan	160 459	162 050
Bonds	199 932	199 874
Long-term finance lease obligations	0	689
Other long-term liabilities	3 536	7 076
Total other non-current liabilities	**363 928**	**368 992**

Note 31 provides further information on commitments arising from finance leases.

The CHF 200 million syndicated loan facility is not currently being utilised. The change in carrying amount of the bonded-loan issue is essentially due to the foreign-exchange gain of CHF 1 712 resulting from the conversion of its EUR value into CHF.

The other long-term liabilities consist of financial debt amounting to CHF 741 thousand (CHF 4 492 thousand in 2015) and other liabilities of CHF 2 795 thousand (CHF 2 584 thousand in 2015).

Bonds in CHF 000	Nominal value	2016 Carrying amount	2015 Carrying amount
2.50 % bond 2012 – 2018	200 000	199 932	199 874

Maturities at year end are as follows in CHF 000	2016	2015
Within one year	726	1 651
Within 1 – 2 years	199 578	– 110
Within 2 – 3 years	83 623	199 648
Within 3 – 4 years	0	162 378
Within 4 – 5 years	77 190	0
After more than 5 years	741	4 492
Total financial debt	**361 858**	**368 059**
Current portion of long-term financial debt	– 726	– 1 651
Total long-term financial debt	**361 132**	**366 408**

The interest rates paid ranged between 0.9 % and 4.0 % (vs 1.0% and 4.0 % in 2015). The weighted average interest rate on Valora's financial debt was 3.4 % (3.3% in 2015). The currency composition of the Group's long-term financial debt is as follows:

in CHF 000	2016	2015
CHF	200 673	204 358
EUR	160 459	162 050
Total long-term financial debt	**361 132**	**366 408**
Other long-term liabilities	2 795	2 584
Total other non-current liabilities	**363 927**	**368 992**

26 TRADE ACCOUNTS PAYABLE

The currency composition of the Group's trade accounts payable is as follows:

in CHF 000	2016	2015
CHF	103 115	109 434
EUR	33 345	34 425
Other	97	103
Total trade accounts payable	**136 557**	**143 962**

27 OTHER CURRENT LIABILITIES

in CHF 000	**2016**	2015
Value-added tax and other taxes	1 876	3 680
Social security contributions payable	1 460	1 065
Accruals for overtime, unused vacation and variable elements of remuneration	8 717	10 586
Pension cost payable	1 794	1 735
Accrued expenses	43 597	61 480
Other current liabilities	30 292	37 643
Total other current liabilities	**87 737**	**116 189**

Accrued expenses essentially relate to accruals for agency fees, goods and services received and interest expense. Other current liabilities principally relate to liabilities for rental and rental-related costs and liabilities arising from investments in non-current assets and intangible assets. The significant decline in total other current liabilities is attributable to the sale of Naville Distribution SA.

28 PROVISIONS

in CHF 000	Guarantees	Litigation	Total
Balance at December 31, 2014	**0**	**398**	**398**
Reclassifications	7 053	0	7 053
Creations	4 000	0	4 000
Foreign exchange differences	0	–39	–39
Balance at December 31, 2015	**11 053**	**359**	**11 412**
Reclassifications	0	0	0
Creations	0	0	0
Release	–491	–355	–846
Usage	0	0	0
Foreign exchange differences	0	–4	–4
Balance at December 31, 2016	**10 562**	**0**	**10 562**
Current provisions	0	0	0
Long-term provisions	10 562	0	10 562
Total provisions	**10 562**	**0**	**10 562**

Guarantees: The provision of CHF 11 053 thousand was established in connection with the contractual arrangements for the sale of the Trade division. Provisions totalling CHF 491 thousand were released in 2016, because the guarantee payments to which they relate are no longer deemed likely to materialise.

Litigation: Provisions for pending litigation had been reduced to zero at December 31, 2016 (CHF 359 thousand in 2015). The case which had been pending was successfully resolved in 2016.

29 RETIREMENT BENEFIT LIABILITIES

Current legislation requires most employees to be covered by pension schemes financed by contributions from the Valora Group and its employees. These schemes take the form of state and employer-sponsored plans, contracts with private insurers and independent foundations or welfare plans. While the benefits paid by these schemes vary according to the legislative provisions and economic circumstances of the countries in which they are established, they are generally based on years of service and average remuneration of the employees and cover the risks of old age, death and disability in accordance with applicable local occupational pension plan law.

The majority of Valora employees in Switzerland are covered by Valora's independent pension fund against the risks associated with old age, death and disability. The regular contributions paid into this fund by the employer include age-based risk premiums of 1.0–3.0% of insured salary and savings contributions of 4.0–11.0% of insured salary. These amounts are credited to the individual employee's retirement savings. The benefits payable by the Valora pension fund are governed by its rules and regulations, with certain minimum benefits being required by law. The regular retirement age is 65 for men and 64 for women. On or after their 58th birthday, Valora employees are entitled to take early retirement. For those electing to do this, the annuity rate applied to their accumulated retirement savings is reduced to reflect the anticipated increase in the period during which they will draw a pension. The amount of the pension paid to each retired employee is based on the annuity rate applied to his or her individual accumulated retirement savings. For male employees retiring at 65 and female employees retiring at 64, this annuity rate is currently set at 6.50% (6.60% in 2015). Between now and 2020 this annuity rate will be reduced by 0.10% per annum, to reach 6.20% in 2020. An employee's accumulated retirement savings comprise the savings contributions made by the employer and the employee and the interest payments made in respect thereof. The interest rate is fixed by the board of trustees of the Valora pension fund each year. The Valora pension fund has the legal status of a foundation. Management of the foundation is the responsibility of a board of trustees comprising equal numbers of representatives of both the employer and the employees. The duties of the board of trustees are laid down by the Swiss Federal Law on Occupational Old-age, Survivors' and Invalidity Insurance and the rules and regulations of the Valora pension fund. Temporary shortfalls in the pension fund's assets versus its projected obligations are permitted under Swiss law. In order to restore any such shortfall within a reasonable period of time, the board of trustees is required to put recovery measures into effect. In the event of a significant shortfall, additional contributions by the employer and the employees could be required under Swiss law.

The day-to-day business of the pension fund is carried out by the management unit under the supervision of the board of trustees. The management unit provides the board of trustees with periodic reports on the course of business. All actuarial risks associated with pension fund are borne by the foundation. These risks comprise both demographic elements (particularly relating to changes in life expectancy) and financial elements (particularly relating to changes in the discount rate, salary progression and the returns generated by the plan assets). The supervisory board reviews these risks on a regular basis. To that end, an actuarial assessment is carried out once a year in accordance with the requirements of the relevant Swiss law. This assessment is not carried out according to the projected-unit-credit method. The board of trustees is responsible for the asset allocation of the fund. Where necessary, the board of trustees revises the investment strategy, particularly in the event of significant changes in market conditions or the age structure of the plan participants. The investment strategy takes account of the foundation's risk-bearing capacity and its benefit obligations under the plan. The investment strategy is formulated as an asset structure which the foundation aims to achieve over the long term. The objective is to achieve congruence between the plan's assets and its projected obligations over the medium and long term.

The most recent actuarial calculation was obtained of December 31, 2016. The assumptions used were based on the economic circumstances prevailing in the countries in which the plans operate (currently only Switzerland). The plans' assets are invested according to the guidelines laid down by local legislation. Valora pays its contributions in accordance with the various plans' rules.

Other employees in Germany and Austria are also covered by a number of smaller, unfunded pension plans.

Plan liabilities and assets

in CHF 000	**2016**	2015
Present value of benefit obligation at January 1	600 721	551 337
Current service cost	11 057	13 008
Contributions by plan participants	5 399	6 161
Interest cost	4 147	5 707
Plan curtailments, settlements and amendments	–7 581	–18 123
Consolidation scope disposals	–59 826	0
Consolidation scope additions	3 462	73 019
Benefits paid	–29 188	–39 313
Actuarial (gain)/loss on benefit obligation	–4 063	8 963
Exchange rate gains	–3	–38
Present value of benefit obligation at December 31	**524 125**	**600 721**
Plan assets at fair value at January 1	596 066	580 301
Interest income	4 116	5 897
Employer contributions	7 545	8 771
Contributions by plan participants	5 399	6 161
Plan curtailments, settlements and amendments	–7 367	–15 526
Consolidation scope disposals	–50 782	0
Consolidation scope additions	3 028	61 817
Benefits paid	–29 142	–39 261
Actuarial gain/(loss) on plan assets	2 293	–11 271
Other plan costs	–732	–823
Plan assets at fair value at December 31	**530 424**	**596 066**

In 2016, experience-based adjustments to pension obligations resulted in an actuarial gain on the plan's projected benefit obligations. The actuarial gain on plan assets resulted from investment returns which were higher than anticipated.

The plan assets at fair value are fully allocated to Swiss pension schemes.

The Group expects to make employer's contributions of CHF 6.8 million to its funded plans in 2017.

Balance sheet data in CHF 000	**2016**	2015
Present value of funded benefit obligations	–523 814	–600 367
Plan assets at fair value	530 424	596 066
Surplus/(deficit) on funded plans	**6 610**	**–4 301**
Effect of asset ceiling	–6 610	0
Present value of unfunded pension liabilities	–309	–354
Total net pension position	**–309**	**–4 655**
of which capitalised as net pension asset	0	13 633
of which capitalised as long-term pension	–309	–18 288

After adjusting for the effects of the asset ceiling, the net pension position constitutes a net liability, which diminished by CHF 4.3 million in 2016 (the change in 2015 amounted to CHF 33.7 million, transforming a net pension asset into a net pension liability of CHF –4.7 million).

The weighted average maturity of the present value of the pension plan's liabilities is 13.0 years (14.1 years in 2015).

The net pension asset evolved as follows:

in CHF 000	**2016**	2015
January 1	–4 655	28 964
Consolidation scope disposals	9 044	0
Consolidation scope additions	–434	–11 202
Net pension expense	–11 606	–11 044
Employer contributions	7 591	8 824
Actuarial losses	–254	–20 235
Exchange rate gains	3	38
December 31	**–309**	**–4 655**

Income statement in CHF 000	**2016**	2015
Current service cost to employer	–11 057	–13 008
Interest cost	–4 147	–5 707
Plan curtailments, settlements and amendments	213	2 597
Interest income	4 116	5 897
Other pension costs	–732	–823
Net pension cost for period	**–11 606**	**–11 044**

The 2016 income from plan curtailments of CHF 213 thousand is attributable to the transfer of Valora-operated outlets to agent managers (CHF 2 597 thousand in 2015).

Actuarial gains / losses in CHF 000	**2016**	2015
Changes to demographic assumptions	71	0
Changes to financial assumptions	–7 314	–21 156
Experience-based adjustment to pension obligations	10 872	12 192
Gain / (loss) on plan assets (excluding interest income based on discount rate)	2 293	–11 271
Effect of asset ceiling	–6 610	0
Actuarial losses	**–688**	**–20 235**

Actuarial gains / losses recorded in other comprehensive income in CHF 000	**2016**	2015
January 1	–88 455	–71 562
Actuarial losses	–688	–21 125
Deferred taxes	–334	4 232
December 31	**–89 477**	**–88 455**

Key actuarial assumptions in CHF 000	**2016**	2015
Discount rate (Switzerland only)	0.55 %	0.70 %
Expected rate of increase in future salary levels (Switzerland only)	1.00 %	1.00 %

The calculations for Switzerland were based on the BVG 2015 (generation table).

Sensitivity analysis in CHF 000	**2016**	2015
Discount rate (+0.25 %)	–15 681	–19 000
Discount rate (–0.25 %)	14 846	17 960
Salary progression (+0.50 %)	801	1 491
Salary progression (–0.50 %)	–837	–1 581

Only one assumption is changed in each analysis, with the others remaining unchanged.

Asset allocation in CHF 000	**2016**	2015
Cash and cash equivalents	3.60 %	4.80 %
Fixed income	31.40 %	31.40 %
Equity	30.80 %	30.60 %
Real estate	31.80 %	30.80 %
Other	2.40 %	2.40 %
Total	**100.00 %**	**100.00 %**

With the exception of the real-estate assets, all assets are quoted.

The amount of the effective return from plan assets was CHF 5.7 million (CHF –6.2 million in 2015). The effective return generated in 2016 was 1.0 % (–1.1% in 2015). The pension plans hold no securities issued by Valora Holding AG and do not let any significant portion of their real estate to the Valora Group.

30 SHARE-BASED PAYMENTS

Valora operates the following share-based remuneration plans for its Board of Directors, management and staff:

Share-based programme for the Board of Directors. Under the remuneration regulations for the Board of Directors, 20% of the overall remuneration paid to individual Board members is in the form of blocked registered shares. Where appropriate, the Board may decide to increase or decrease the proportion of overall remuneration Board members receive as blocked shares. The shares are subject to a general lock-up period of three years. During the lock-up period, the shares remain in a Valora custody account. During this time, Board members are not permitted to sell, pledge or otherwise transfer their shares. Once the lock-up period has ended, Board members have free access to their shares.

In 2015, an allocation amounting to 20% of total remuneration was granted to the members of the Board of Directors in the quarter following the General Meeting.

SPP share-based programme for Group Executive Management. For the members of Group Executive Management and selected members of Extended Group Executive Management, a new share-based management incentive plan, the Share Participation Program (SPP), came into effect on November 1, 2015. Under the SPP, participants receive part of their contractual remuneration in the form of Valora Holding AG shares. While SPP participants are granted all the ownership rights associated with these shares, they are subject to certain restrictions during a 3-year lock-up period. Share allocations are not contingent on any other service-related requirements. 50% of the shares allocated to SPP participants as part of their remuneration in each calendar year are granted on March 31 of that year, with the remaining 50% being granted on September 30. SPP participants joining or leaving during a given year will either receive a pro rata allocation or be required to return shares on a pro rata basis, depending on the duration of their employment in that year.

The fair value of the shares allocated is equal to their market value on the grant date (March 31) and represents the expense charged to the income statement for the relevant calendar.

Employee share ownership plan. Provided specific criteria are fulfilled and based on their function or management position, employees in Switzerland (other than members of Group Executive Management) are entitled to acquire shares of Valora Holding AG at the beginning of each year on preferential terms. Shares may be purchased at 60 % of the average market price for the shares during the previous November. Shares so acquired enjoy all usual shareholder rights, but may not be sold during the 3 years immediately following purchase. The proceeds of these share sales to employees are credited directly to equity.

ISPP share programme for specific executive-level employees. In 2012, an equity settled programme was established under which certain executive-level employees (other than members of Group Executive Management) can receive a portion of their total remuneration in the form of Valora shares. On April 1, 2012 shares were allocated under this International Share Participation Programme (ISPP). They were either subject to a first vesting period until March 31, 2014 (for the first retention period) or a second vesting period until March 31, 2016 (for the second retention period), after which ownership is transferred to the plan participants. The personnel expenses relating to the ISPP are recognised over the length of the vesting periods. In 2016, it amounted to CHF 0.0 million (CHF 0.1 million in 2015). This programme has expired and will not be renewed.

LTP share-based programme for the Board of Directors and Group Executive Management. For Board members, the LTP was terminated at the 2014 General Meeting. In the case of Group Executive Management, the Board decided to phase out the existing LTP on October 31, 2015 and to replace it with a new share-based management programme, the Share Participation Programme (SPP). All LTP grants outstanding on October 31, 2015 were terminated and the shares were repurchased.

Personnel costs for share-based remuneration plans for employees and the members of the Board of Directors in CHF 000	**2016**	2015
Expenses related to Valora Group share-based plans for employees and management (equity settled)	1 983	883
Total share-based plan expenses charged to income	**1 983**	**883**

31 CONTINGENT LIABILITIES, COMMITMENTS FROM LEASE AND OTHER CONTRACTS

Contingent liabilities in CHF 000	**2016**	2015
Other contingent liabilities	140	3 929

Unrecognised commitments from operating leases and other contracts in CHF 000	**2016**	2015
Long-term rental commitments	725 336	693 824
Other operating lease commitments	2 192	4 465
Future commitments from other contracts	41 472	57 580
Total commitments	**768 999**	**755 859**

Long-term rental commitments in CHF 000	**2016**	2015
Minimum rental expense in period	139 578	127 860
Variable rental expense in period	26 479	37 278
Total rental expense in period	**166 058**	**165 138**
Leases maturity		
Within one year	148 985	142 423
Within 1 – 2 years	137 839	130 654
Within 2 – 3 years	124 009	119 334
Within 3 – 4 years	109 534	103 987
Within 4 – 5 years	67 458	86 868
After more than 5 years	137 511	110 558
Total long-term rental commitments	**725 336**	**693 824**

The long-term rental contracts have been concluded in order to secure long-term access to the sites concerned. Some of the rents under these agreements are linked to turnover.

Other operating leases in CHF 000	**2016**	2015
Total expenses for other operating leases in period	2 386	3 100
Leases maturity		
Within one year	1 248	2 155
Within 1 – 2 years	661	1 549
Within 2 – 3 years	239	604
Within 3 – 4 years	24	147
Within 4 – 5 years	10	10
After more than 5 years	9	0
Total unrecognised commitments from other operating leases	**2 192**	**4 465**

The other unrecognised operating lease commitments principally relate to leased vehicles.

Other contracts in CHF 000	**2016**	2015
Leases maturity		
Within one year	24 140	26 366
Within 1 – 2 years	9 827	11 656
Within 2 – 3 years	7 287	11 135
Within 3 – 4 years	218	8 221
Within 4 – 5 years	0	202
Total unrecognised commitments from other contracts	**41 472**	**57 580**

The Group's unrecognised commitments from other contracts mostly relate to IT outsourcing agreements.

Finance lease commitments in CHF 000	**2016**	2015
Total payments (interest and amortisation) during reporting period	1 180	1 555
Leases maturity		
Within one year	698	1 461
Within 1 – 2 years	0	698
Total finance lease commitments	**698**	**2 159**
Less future interest charges	– 9	– 45
Total finance lease obligation (present value)	**689**	**2 114**
Less current portion of finance lease obligation (see note 25)	– 689	– 1 425
Long-term finance lease obligation (see note 25)	**0**	**689**

Present value of future minimum lease payments in CHF 000	**2016**	2015
Within one year	689	1 425
Within 1 – 2 years	0	689
Total present value of future minimum finance lease payments	**689**	**2 114**

The finance lease obligations relate both to leased computer hardware and software.

32 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The international scale of its business operations and its financing structure both expose the Valora Group to a variety of financial risks. These not only include market risks such as foreign exchange and interest rate risk, but also encompass liquidity and credit risks. Valora's financial risk management activities aim to limit these risks. Valora's fundamental financial policies are set by Group Executive Management and overseen by the Board of Directors. Responsibility for implementing Group financial policy and for financial risk management lies with the central Corporate Treasury.

In order to visualise market risks, sensitivity analyses are conducted which show the effects which hypothetical changes in relevant risk variables would have on pre-tax net income and other comprehensive income. These potential effects are determined by applying the assumed changes in risk variables to the valuation of the Group's positions in financial instruments. The interest rate scenarios used show differences between the current level of interest rates at balance sheet date and those assumed to prevail at the end of the following year. The hypothetical changes in exchange rates are based on 1-year volatility levels prevailing at the balance sheet date.

Exchange rate risks. Transaction risks represent the risk that the recognised assets and liabilities completed in foreign currencies will fluctuate as a result of changes in the exchange rate. For Valora, transaction risks arise as a result of its purchasing goods and services from suppliers abroad and on intra-Group transactions. Most Group companies transact the majority of their business in their functional currency. In order to limit transaction risks, currency derivatives are used from time to time.

Currency translation risks, on the other hand, relate to changes in shareholders' equity arising when the balance sheets of subsidiaries outside Switzerland are converted into Swiss francs.

The table below shows the main effects on pre-tax earnings and other comprehensive income which would result from hypothetical changes in key exchange rates.

FX rate sensitivity in CHF 000	**Hypothetical change (in percent) 2016**	**Impact on 2016 pre-tax earnings**	**Impact on 2016 other comprehensive income**	Hypothetical change (in percent) 2015	Impact on 2015 pre-tax earnings	Impact on 2015 other comprehensive income
CHF / EUR	+/– 10.0 %	+/– 764	+/– 16 457	+/– 20.0 %	+/– 8 592	+/– 33 263

Net investments in subsidiaries outside Switzerland are also analysed periodically and the risks are assessed in the light of the volatility of the currencies concerned. These analyses show that the currency translation risk is modest compared to available equity. The currency translation risk is not hedged and is not included in the FX rate sensitivity figures shown above.

Interest rate risks. Cash and cash equivalents are the Group's principal interest-bearing assets. Since the interest rates applicable to these assets are variable, the interest income derived from them are directly affected by market interest rates. Under normal circumstances, the Group's principal interest rate risk relates to the interest paid on its financial liabilities. Floating-rate financial liabilities expose the Group to interest-rate cash-flow risks. Financial liabilities with fixed interest rates, on the other hand, expose the Group to the risk of shifts in the fair value of its liabilities. In order to achieve the target mix between fixed and floating interest rate exposure, interest rate hedging transactions are entered into where necessary. Interest-bearing liabilities essentially comprise the bond issued and the bonded loan (see note 25).

In the sensitivity analysis of the interest rate risk, impacts arise only on positions with variable interest rates. The table below shows the principal changes in pre-tax earnings which would result from hypothetical shifts in the level of interest rates in the main currencies in which Valora operates.

FX rate sensitivity in CHF 000	**Hypothetical change (in basis points) 2016**	**Impact on 2016 pre-tax earnings**	Hypothetical change (in basis points) 2015	Impact on 2015 pre-tax earnings
CHF	+/– 8	+/– 42	+/– 5	+/– 26
EUR	+/– 8	+/– 43	+/– 4	+/– 13

On May 3, 2016, the bonded loan issue was refinanced and the interest-rate swap was completely unwound. The negative replacement value of the swap, amounting to CHF 3.5 million, was charged to the income statement.

The table for 2015 does not include data for the interest rate swap position established to hedge the interest-rate risk on the bonded loan (see Tools for hedging and risk management). Assuming a hypothetical change to the swap rate of the same maturity of +/– 94 basis points, the change in the value of this hedge, at December 31, 2015, would have impacted other comprehensive income by +/– CHF 2.3 million.

Liquidity risks. Liquidity risk management aims to ensure that the Group is always able to meet its payment obligations in full and on time. The Valora Group continually monitors its liquidity position and uses cash pool structures to optimise it. Additional liquidity reserves in the form of credit lines and cash ensure that the Group remains both solvent and financially flexible.

The table below shows the nominal interest and principal repayments arising from the Group's financial obligations. It takes account of all instruments in which the Group held positions at December 31 of the two years shown. Interest amounts payable on floating rate instruments have been determined based on conditions existing at year end.

in CHF 000	up to 1 month	from 1 to 3 months	from 3 months to 1 year	from 1 to 5 years	more than 5 years
At December 31, 2016					
Short-term financial liabilities	45	0	689	0	0
Trade accounts payable	128 848	7 369	339	0	0
Other short-term financial liabilities (financial instruments only)	44 430	12 028	8 383	0	0
Long-term financial liabilities	0	5 020	3 323	372 851	741
Total	**173 323**	**24 418**	**12 734**	**372 851**	**741**
At December 31, 2015					
Short-term financial liabilities	306	30	1 351	0	0
Derivative financial liabilities	0	0	3 394	0	0
Trade accounts payable	129 135	14 363	463	0	0
Other short-term financial liabilities (financial instruments only)	57 280	15 988	15 306	0	0
Long-term financial liabilities	0	5 020	5 059	385 910	4 492
Total	**186 721**	**35 401**	**25 573**	**385 910**	**4 492**

In order to manage its liquidity in an optimal way, the Valora Group has various credit facilities in place, both at fixed and floating rates of interests, which have not been fully drawn down.

Credit risks. Credit risks arise when a counterparty is not in a position to meet its obligations as agreed. Valora constantly reviews its accounts receivable and manages them so as to avoid significant credit or concentration risks. At year end 2016 and year end 2015, the Valora Group had no accounts receivable from individual customers which accounted for more than 7 % of its total accounts receivable.

The Valora Group conducts its financial transactions with a selected number of respected financial institutions. Specific situations may require subsidiaries to transact business with other banks. The establishment and discontinuation of banking relationships is subject to approval by the Group's corporate treasury, which regularly reviews all banking relationships on the basis of external ratings and sets exposure limits for all counterparties. The maximum default risk of CHF 284 million on the Group's financial assets (CHF 259 million in 2015) is equal to the carrying amount of these instruments (see note 33).

The table below shows the Group's demand deposits and fixed term deposits with maturities of 3 months or less by rating of the banking counterparties with whom they are placed. The table uses Standard & Poor's ratings.

Sight deposits and fixed maturity deposits maturing in < 3 months placed with banks in CHF 000	**2016**	2015
AAA and / or state guarantee (AAA states)	617	39
AA	13 980	6 064
A	70 560	53 875
BBB	34 550	24 602
No Rating	2 890	1 846
Total sight deposits and fixed maturity deposits maturing in < 3 months placed with banks [1]	**122 597**	**86 426**

[1] The remainder of the cash and cash equivalents position shown in the balance sheet relates to cash in hand (including cash in transit).

Tools for hedging and risk management. The Valora Group uses FX forward contracts to mitigate its foreign exchange risk. Interest rate swaps are also used to hedge interest rate risks. Exposure arising from existing asset and liability items, as well as that arising from future commitments, is centrally managed.

In order to hedge the interest payments on its bonded loan, which has a nominal value of EUR 72 million, Valora entered into an interest rate swap on October 30, 2013 which qualified as a cash flow hedge. The fair value of the swap on December 31, 2015 was CHF 3.4 million, which offsets the negative replacement value of the bonded loan and its change of fair value was allocated to other comprehensive income. On May 3, 2016, the bonded loan issue was refinanced and the interest-rate swap was completely unwound. The negative replacement value of the swap, amounting to CHF 3.5 million, was charged to the income statement.

In order to hedge 50 % of the interest expense on the bonds issued on February 1, 2012 (see note 25) Valora entered into a forward-starting interest rate swap in the first half of 2011. This swap has been designated as a cash flow hedge for the interest payments on the bond. This position was closed on February 1, 2012, with a negative replacement value of CHF 10.4 million. In 2016, CHF 1.7 million was reclassified from equity to financing expense (CHF 1.7 million in 2015). The cash flows hedged by this swap will occur in the years from 2012 to 2018, during which time they will have an income statement impact.

The table below shows both the notional amounts of the Group's positions in derivative financial instruments as well as their aggregate replacement values. The information, which is presented by instrument type, relates to valuations at balance sheet dates.

Notional amounts show the volume of the underlying transactions at the balance sheet dates. They do not contain any information about the market risk these positions involve. The replacement value of these positions has been determined by valuations provided by the counterparty, market prices at December 31, 2015 and 2016 or through standard pricing model valuations using market data.

Derivative financial instruments in CHF 000	**2016 Contract value**	**2016 Replacement value**	2015 Contract value	2015 Replacement value
Currency instruments				
Forward contracts/ Derivative financial assets	0	0	26 004	61
Interest instruments				
Interest rate swap/ Derivative financial liabilities	0	0	78 012	3 394
Total derivative financial assets	**0**	**0**	**26 004**	**61**
Total derivative financial liabilities	**0**	**0**	**78 012**	**3 394**

Notional amounts of derivative financial instruments by maturity band in CHF 000	**2016**	2015
Within one year	0	26 004
Within 3 – 4 years	0	78 012
Total contract value of derivative financial instruments	**0**	**104 016**

Capital management. The overarching objective of the Valora Group's capital management is to achieve a strong credit rating and a good level of equity cover. Achieving those goals helps to support the Group's business activities and to maximise its value to its shareholders.

The Valora Group manages its capital structure and modifies it in response to changes in economic circumstances. In order to maintain or adapt its capital structure, the Valora Group can elect to implement a number of measures, such as modifying the amount of dividends paid to shareholders, capital repayments to shareholders or the issuance of new shares.

The Group monitors its capital position by reference to its equity cover, which is calculated on the basis of the percentage of total assets represented by equity (including non-controlling interests). The Group's capital and equity cover are shown in the table below:

in CHF 000	**2016**	2015
Equity attributable to Valora Holding AG	530 875	505 988
Equity attributable to non-controlling interests	0	27
Total equity	**530 875**	**506 015**
Equity ratio	**45.5 %**	**41.5 %**

With the exception of bob Finance AG, Zurich, the Valora Group is not subject to any regulatory capital requirements of the type prevalent in the financial services industry. The Group's required minimum equity cover is stipulated in the financial covenants governing its bank lending agreements (see note 25).

bob Finance AG is required to adhere to the shareholders' equity regulations set out in article 5 of Switzerland's Consumer Credit Ordinance. Accordingly, bob Finance AG must maintain shareholders' equity equal to at least CHF 250 000 or 8 % of its outstanding consumer loans.

33 FINANCIAL INSTRUMENTS

Carrying amounts, fair values and valuation categories in CHF 000	Valuation category	**Carrying amount 2016**	**Fair Value 2016**	Carrying amount 2015	Fair Value 2015
Assets					
Cash and cash equivalents	LaR	159 381	159 381	116 308	116 308
Derivative financial assets (hierarchy level 2)	FAHfT	0	0	61	61
Trade accounts receivable	LaR	45 256	45 256	56 278	56 278
Other current receivables (financial instruments only)	LaR	47 256	47 256	44 071	44 071
Long-term interest-bearing investments	LaR	7 574	7 574	8 847	8 847
Other long-term receivables	LaR	23 593	23 593	32 739	32 739
Financial assets available for sale valued at cost	AfS	643	n/a	673	n/a
Liabilities					
Short-term financial liabilities	FLAC	726	726	1 651	1 651
Derivative financial liabilities (hierarchy level 2)	FLHfT	0	0	3 394	3 394
Trade accounts payable	FLAC	136 557	136 557	143 962	143 962
Other financial liabilities (financial instruments only)	FLAC	64 840	64 840	88 575	88 575
Long-term financial liabilities	FLAC	361 132	366 020	366 408	371 834
Classified by category					
Loans and receivables	LaR	283 059	283 059	258 243	258 243
Financial assets held for trading	FAHfT	0	0	61	61
Financial assets available for sale	AfS	643	n/a	673	n/a
Financial liabilities at amortised cost	FLAC	563 255	568 143	600 596	606 022
Financial liabilities held for trading	FLHfT	0	0	3 394	3 394

LaR Loans and receivables
FAHfT Financial assets held for trading
AfS Financial assets available for sale
FLAC Financial liabilities at amortised cost
FLHfT Financial liabilities held for trading

The carrying amounts of all short-term financial instruments represent reasonable approximations of their fair value. Any discounting effects are immaterial. The fair value of the bond issue is equal to its nominal value multiplied by its market price on the balance sheet date. Details of the valuations applied to derivative financial instruments and financial assets available for sale are contained in notes 4, 24 and 32. The fair values of the other long-term interest-bearing financial instruments were determined by discounting their expected future cash flows using market interest rates.

34 FAIR VALUES

Hierarchy levels applied to fair values. All the fair values shown below are allocated to one of the following three hierarchy levels:

- Level 1: Prices are based on quotes in active markets for identical assets and liabilities;
- Level 2: Fair values are calculated on the basis of observable market parameters. For these purposes either quoted prices in non-active markets or unquoted prices are used. These fair values can also be derived indirectly from other prices;
- Level 3: Fair values are calculated on the basis of significant unobservable parameters and are thus based on estimates.

The tables below show the fair value of assets and liabilities by hierarchy level:

2016

in CHF 000	Level 1	Level 2	Level 3	Total
Measured at fair value				
Assets				
Contingent consideration	0	0	16 295	16 295
Disclosed at fair value				
Liabilities				
Bonds	204 820	0	0	204 820

2015

in CHF 000	Level 1	Level 2	Level 3	Total
Measured at fair value				
Assets				
Derivative financial assets	0	61	0	61
Contingent consideration	0	0	16 295	16 295
Assets from disposal group	0	0	5 655	5 655
Liabilities				
Derivative financial liabilities	0	3 394	0	3 394
Liabilities from disposal group	0	0	5 603	5 603
Disclosed at fair value				
Assets				
Investment property	0	0	505	505
Liabilities				
Bonds	205 300	0	0	205 300

The fair values reported at hierarchy level 2 are calculated using valuation models based on observable market parameters such as interest rates, yield curves and foreign-exchange rates on the valuation date.

No assets or liabilities were transferred between hierarchy levels 1 and 2 in 2015 and 2016.

Hierarchy level 3 fair values. The table below shows the changes which occurred between the opening and closing balances for fair values at hierarchy level 3:

in CHF 000	**2016**	2015
Balance on January 1 (Asset)	**16 295**	**0**
Additions	0	16 295
Balance on December 31 (Asset)	**16 295**	**16 295**

Contingent consideration arrangements. The additions to hierarchy level 3 fair values in 2015 relate to the contingent consideration which forms part of the sale price of the Trade Division.

The fair value of this contingent consideration is based on the present value of the unit's projected cash flows. The principal non-observable parameters in this calculation are the projected operating results and the discount rate applied to them. Depending on the operating results achieved, the projected cash flows are expected to range between zero and a maximum of CHF 20.0 million. In the December 31, 2015 balance sheet, the present value of these projected cash flows was recorded at CHF 16.3 million.

No information regarding the operational results of the companies which have been sold was available at the time the balance sheet was drawn up. There are no indications than an impairment will be necessary.

35 TRANSACTIONS AND BALANCES OUTSTANDING WITH RELATED PARTIES

The consolidated financial statements encompass Valora Holding AG as the ultimate parent company along with all subsidiaries it directly or indirectly controls, as set out in note 38.

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

Goods and services sold to related parties in CHF 000	**2016**	2015
Goods sold to		
Other related parties	0	218
Services to		
Associates	129	337
Other related parties	154	169
Total goods and services sold	**283**	**724**

Goods and services purchased from related parties in CHF 000	**2016**	2015
Goods purchased from		
Other related parties	9	2 993
Services purchased from		
Associates	914	399
Other related parties	621	474
Total goods and services purchased	**1 544**	**3 866**

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

Management and Board remuneration in CHF 000	**2016**	2015
Salaries and other short-term benefits	5 612	5 196
Post-employment benefits	371	315
Share-based payments	2 175	2 051
Total Management and Board remuneration	**8 158**	**7 562**

Details of the remuneration paid to the Board of Directors and Group Executive Management, as well as details of their holdings of Valora Holding AG shares and of the shares held by significant shareholders (as required by Articles 663c of the Swiss Code of Obligations and VegüV), can be found in the financial statements of Valora Holding AG and the Remuneration Report.

Receivables and liabilities. The terms and conditions governing receivables and liabilities are those commonly used by the relevant companies. The Valora Group has neither received any collateral for receivables nor has it issued any guarantees for liabilities.

Receivables from related parties in CHF 000	**2016**	2015
Receivables from associates	635	635
Receivables from other related parties	0	17
Total receivables	**635**	**652**

Liabilities towards related parties in CHF 000	**2016**	2015
Liabilities to associates	35	3
Liabilities towards other related parties	1 551	1 595
Total liabilities	**1 586**	**1 598**

Contingent liabilities and guarantees. There are no guarantees or contingent liabilities towards related parties.

36 EQUITY

Shares outstanding in number of shares	**2016**	2015
Total registered shares	**3 435 599**	**3 435 599**
of which treasury stock		
Position at January 1	115 915	61 869
Increases in treasury stock	39 732	103 280
Decreases in treasury stock	–78 569	–49 234
Total treasury stock at December 31	**77 078**	**115 915**
Total shares outstanding (after deduction of treasury stock) at December 31	**3 358 521**	**3 319 684**
Average number of shares outstanding (after deduction of treasury stock)	**3 339 499**	**3 358 171**

A dividend of CHF 12.50 per share was paid in 2016 relating to the year 2015 (CHF 12.50 per share was paid in 2015 relating to the year 2014). Dividend distributions are based on net income for the year and retained earnings by the Valora Holding AG parent company.

The company's issued share capital comprises 3 435 599 shares of CHF 1.00 nominal value each. A conditional share capital of 84 000 shares exists which the Board of Directors may use for existing or future management share plans. None of these shares had been issued at December 31, 2016.

At their Ordinary General Meeting held on April 14, 2016, Valora Holding AG shareholders granted the Board of Directors authority to raise CHF 250 000 of additional share capital through the issue of 250 000 shares of CHF 1.00 nominal value each at any time until April 14, 2018.

On April 9, 2013, Valora Holding AG issued CHF 120 million of perpetual, subordinated hybrid bonds. The first date at which the issuer may call these bonds for redemption is October 30, 2018. Until October 30, 2018, the annual coupon will be 4 %. For subsequent five-year periods, the coupon will be determined on the basis of the mid-market rate for 5-year interest-rate swaps, plus a 500 basis-point spread, plus the original credit margin. The issuer's obligation to pay coupons on the bonds essentially depends on the dividend resolutions passed by the Ordinary General Meeting of Shareholders. The proceeds of the bond, minus CHF 902 thousand in transaction costs, qualify as equity.

37 SUBSEQUENT EVENTS

On January 26, 2017, Valora acquired Pretzel Baron, a pretzel producer based in Cincinnati Ohio / USA. Pretzel Baron produces frozen pretzels of very high quality at its own facility, which has scope for expansion.

On February 3, 2017, Valora announced the sale of the La Praille building in Geneva. The existing tenancy agreement with Naville Distribution will also be transferred to the new owner. Valora originally acquired the building through its purchase of Naville.

These consolidated financial statements were approved by the Board of Directors of Valora Holding AG on February 27, 2017. The Board of Directors recommends that the Ordinary General Meeting of Shareholders to be held on March 30, 2017 approve these financial statements.

38 SIGNIFICANT SUBSIDIARIES OF THE VALORA GROUP

	Currency	Nominal capital in million	Share-holding in %	Corporate	Valora Retail	Food Service
Switzerland						
Valora Management AG, Muttenz	CHF	0.5	100.0	•		
Valora International AG, Muttenz	CHF	20.0	100.0	•	•	
Valora Schweiz AG, Muttenz	CHF	5.2	100.0	•	•	•
Brezelkönig AG, Emmen	CHF	1.0	100.0			•
Alimarca AG, Muttenz	CHF	0.1	100.0			•
bob Finance AG, Zürich	CHF	9.1	100.0	•		
Valora Lab AG, Muttenz	CHF	0.1	100.0	•		
Brezelkönig International AG, Muttenz	CHF	0.1	100.0			•
Germany						
Valora Holding Germany GmbH, Hamburg	EUR	0.4	100.0	•	•	
Stilke Buch & Zeitschriftenhandels GmbH, Hamburg	EUR	3.8	100.0		•	
BHG Bahnhofs-Handels-Vertriebs GmbH, Hamburg	EUR	0.5	100.0		•	
Valora Retail Kiosk GmbH, Hamburg	EUR	0.1	100.0		•	
Convenience Concept GmbH, Hamburg	EUR	0.1	100.0		•	
Brezelbäckerei Ditsch GmbH, Mainz	EUR	0.1	100.0			•
Prisma Backwaren GmbH, Oranienbaum-Wörlitz	EUR	0.1	100.0			•
Luxembourg						
Valora Europe Holding S.A., Luxembourg	EUR	0.1	100.0	•		
Valora Luxembourg S.à r.l., Luxembourg	EUR	7.0	100.0		•	

	Currency	Nominal capital in million	Share-holding in %	Corporate	Valora Retail	Food Service
Guernsey						
Valora Holding Finance Ltd., Guernsey	CHF	0.3	100.0	•		
Austria						
Valora Holding Austria AG, Linz	EUR	1.1	100.0	•		
Brezelkönig GmbH, St. Pölten	EUR	0.1	100.0			•
Valora Retail Austria GmbH + Co. KG, St. Pölten	EUR	0.1	100.0		•	
France						
Brezelkönig S.à r.l., Paris	EUR	0.1	100.0			•

REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF VALORA HOLDING AG, MUTTENZ

REPORT OF THE STATUTORY AUDITOR ON THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion. We have audited the consolidated financial statements of Valora Holding AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as of 31 December 2016 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements (pages 70 – 138), including a summary of significant accounting policies.

In our opinion the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as of 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion. We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

VALUATION OF GOODWILL AND OTHER INTANGIBLES WITH INDEFINITE USEFUL LIFE

Area of focus. As of the balance sheet date, goodwill and other intangibles with indefinite useful life represent 36 % of Valora Group's total assets and 80 % of equity.

Key assumptions for the impairment test are disclosed in the notes (notes 5 and 22). Due to the significance of the carrying amounts and the judgment involved in performing the impairment test, this matter was considered significant to our audit.

Our audit response. We examined Valora's valuation model and analysed the underlying key assumptions, including future revenues and margins, long-term growth and discount rates. We also assessed the historical accuracy of the Company's estimates and considered its ability to produce accurate long-term forecasts. Further, we evaluated the sensitivity in the valuation resulting from changes to the key assumptions applied and compared these assumptions to corroborating information, including expected inflation rates and market growth.

NAVILLE INTEGRATION

Area of focus. Throughout the reporting period, the operations and accounting of the legacy Naville points of sale were integrated into the organization and systems of Valora Schweiz AG The integration took place at a specific date for each point of sale. At the time of integration, a closing and an opening inventory stock count was conducted for each point of sale.

Due to the significance of the integrated transactions and the number of integration dates, this matter was considered significant to our audit.

Our audit response
We gained an understanding of the integration process, implemented controls and how management ensured that no transactions, assets or liabilities were recorded twice. We re-performed management's controls on a sample basis and performed additional substantive procedures. In addition, on a sample basis, we observed the closing and opening inventory stock counts at points of sales being integrated.

OTHER INFORMATION IN THE ANNUAL REPORT

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITY OF THE BOARD OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://www.expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

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

Ernst & Young AG

André Schaub	Ina Braun
Licensed audit expert	Licensed audit expert
(Auditor in charge)	

Basle, 27 February 2017

Enclosure
- Consolidated financial statements

BALANCE SHEET

ASSETS

at December 31, in CHF 000	Note	2016	2015
Current assets			
Cash and cash equivalents		78 516	965
Securities		18	18
Other current receivables			
from third parties		158	165
from Group companies	2.2	21 535	1 353
Accruals			
from third parties		144	136
Total current assets		**100 371**	**2 637**
Non-current assets			
Loans and receivables from Group companies		675 685	156 975
Investments	2.1	224 882	979 555
Discounts and capitalised issuance cost on bond / syndicated loan		1 221	1 763
Total non-current assets		**901 788**	**1 138 293**
Total assets		**1 002 159**	**1 140 930**

LIABILITIES AND EQUITY

at December 31, in CHF 000	Note	2016	2015
Liabilities			
Other current liabilities			
towards third parties		627	377
towards Group companies	2.2	108 940	237 840
Accruals			
towards third parties		6 988	6 267
Total current liabilities		**116 555**	**244 484**
Non-current interest-bearing liabilities			
bond	2.3	320 000	320 000
bonded loan	2.4	171 277	180 450
Provisions		50 000	64 000
Total non-current liabilities		**541 277**	**564 450**
Total liabilities		**657 832**	**808 934**
Equity			
Share capital	2.5	3 436	3 436
Legal capital reserves			
General legal reserves		687	687
Reserve from capital contributions	2.6	527	14 683
Unrestricted reserves		204 379	203 302
Profit available for distribution			
Profit carried forward		109 257	105 297
Net profit for the year		44 386	31 440
Treasury stock	2.7	– 18 345	– 26 849
Total equity		**344 327**	**331 996**
Total liabilities and equity		**1 002 159**	**1 140 930**

INCOME STATEMENT

January 1 to December 31, in CHF 000	**Note**	**2016**	2015
Income			
Dividend income	2.8	20 475	50 100
Financial income	2.9	13 311	4 358
Other income	2.10	34 000	–
Total income		**67 786**	**54 458**
Expense			
Financial expenses	2.11	–18 782	–18 750
Personnel expenses		–1 434	–1 427
Other operating expenses	2.12	–3 016	–2 675
Direct taxes		–168	–166
Total expense		**–23 400**	**–23 018**
Net profit for the year		**44 386**	**31 440**

NOTES TO THE FINANCIAL STATEMENTS OF VALORA HOLDING AG

1. BASIS OF PRESENTATION

1.1 GENERAL. The annual financial statements of Valora Holding AG, whose registered offices are in Muttenz, have been prepared in accordance with current Swiss legislation on commercial accounting and financial reporting (as set out in Title 32 of the Swiss Code of Obligations). The key valuation principles applied in these statements which are not specifically required by law are described below.

1.2 NON-INCLUSION OF CASH-FLOW STATEMENT AND OTHER DATA IN THE NOTES. Valora Holding AG prepares a consolidated set of financial statements in accordance with IFRS standards. For that reason, these statements do not include a cash flow statement or appendices on interest-bearing liabilities and audit fees.

1.3 LOANS TO GROUP COMPANIES. Loans granted in foreign currencies are valued at the exchange rate applicable on the balance-sheet date. Unrealised losses on such loans are recognised in the income statement, while unrealised gains are not (in accordance with the imparity principle).

1.4 TREASURY STOCK. Shares of treasury stock are recognised, at acquisition cost, as negative-value entries against shareholders' equity and their valuations remain unchanged thereafter. Upon resale, the resulting gain or loss is booked directly to unrestricted reserves.

1.5 SHARE-BASED REMUNERATION. Where treasury shares are used for the share-based remuneration granted to members of the Board of Directors, the market value of the shares at the time of the share grant is recognised as a personnel expense.

1.6 NON-CURRENT INTEREST-BEARING LIABILITIES. Interest-bearing liabilities are recognised at their nominal value. Discounts and capitalised issuance costs for bond issues are recognised as assets and amortised linearly over the term of the bond. Premiums (minus capitalised issuance costs) are recognised as accrued liabilities and amortised linearly over the term of the bond. Interest-bearing liabilities in foreign currencies are recognised at the exchange rate applicable on the balance-sheet date. Unrealised losses on such liabilities are recognised, whereas unrealised gains are not.

2. INFORMATION ON INCOME-STATEMENT AND BALANCE-SHEET POSITIONS

2.1 SUBSIDIARIES

	Currency	**31.12.2016 Capital in CHF 000**	**31.12.2016 Holding in %**	31.12.2015 Capital in CHF 000	31.12.2015 Holding in %
Switzerland					
Valora International AG, Muttenz	CHF	20 000	100.0	20 000	100.0
Valora Management AG, Muttenz	CHF	500	100.0	500	100.0
Brezelkönig AG, Emmen	CHF	1 000	100.0	1 000	100.0
Alimarca AG, Muttenz	CHF	100	100.0	100	100.0
k Kiosk AG, Muttenz	CHF	50	100.0	50	100.0
Valora Lab AG, Muttenz	CHF	100	100.0	-	-
Germany					
Valora Holding Germany GmbH, Hamburg	EUR	400	5.1	400	5.1
Luxembourg					
Valora Europe Holding S.A., Luxembourg	EUR	31	100.0	31 000	100.0
Guernsey					
Valora Holding Finance Ltd., Guernsey	CHF	285	100.0	911 400	100.0

The significant direct and indirect subsidiaries of Valora Holding AG are listed in note 38 of the consolidated financial statements. The percentage holding in the table also corresponds to Valora Holding AG's voting shares in those companies.

2.2 OTHER CURRENT RECEIVABLES AND LIABILITIES. Other current receivables and liabilities in respect of Group companies essentially relate to receivables and liabilities of the Valora Holding AG cash pool attributable to participating subsidiaries. Valora Holding AG took over the management of all cash pool activities in 2016.

2.3 BONDS OUTSTANDING

in CHF 000	**Coupon**	**Maturity**	**31.12.2016**	31.12.2015
Bond 2012 – 2018	2.50%	02.03.2018	200 000	200 000
Perpetual hybrid bond issue	4.00%	30.10.2018[1]	120 000	120 000

[1] While the perpetual hybrid bond issue has no fixed maturity, it cannot be called by the issuer prior to October 30, 2018.

2.4 BONDED LOAN

in CHF 000	Coupon	Maturity	**31.12.2016**	31.12.2015
EUR 72 million. [1]	fixed / floating rate	29.04.2021	79 200	86 616
EUR 78 million	fixed rate	30.04.2019	92 077	93 834

[1] On April 29, 2016, Valora Holding AG prematurely renewed the floating-rate tranche of its existing EUR 72 million bonded loan.

2.5 SHARE CAPITAL. The company's issued share capital amounts to CHF 3436 thousand, comprising 3 435 599 registered shares of CHF 1.00 nominal value each.

Conditional share capital: At their Ordinary General Meeting held on May 11, 2000, Valora Holding AG shareholders authorised the creation of conditional share capital amounting to CHF 84 000. None of these shares had been issued at December 31, 2016.

Authorised share capital: At the General Meeting held on April 14, 2016, Valora Holding AG shareholders authorised the creation of up CHF 250 000 of additional share capital through the issuance of up to 250 000 registered shares with a nominal value of CHF 1.00 each at any time on or before April 14, 2018. None of these shares had been issued at December 31, 2016.

2.6 CAPITAL CONTRIBUTION. This includes the premiums generated on the share-capital increases carried out since January 1, 2000 minus dividend distributions effected to date.

2.7 TREASURY STOCK HELD BY THE COMPANY AND ITS SUBSIDIARIES

in CHF 000	**2016 Number of shares**	**2016 Net book value**	2015 Number of shares	2015 Net book value
Opening balance (at January 1)	**115 915**	**26 849**	**61 869**	**13 795**
Revaluation of treasury stock	–	–	–	1 906
Sales	– 78 569	– 18 133	– 49 234	– 12 054
Purchases	39 732	9 629	103 280	23 202
Closing balance (at December 31)	**77 078**	**18 345**	**115 915**	**26 849**

From January 1, 2015, the carrying value of treasury stock positions was adjusted to reflect their purchase cost. This resulted in a one-off revaluation gain of CHF 1.9 million.

In addition, during 2016, Valora Holding AG purchased a total of 39 732 shares at an average price of CHF 242.35 and sold a total of 78 569 shares at an average price of CHF 230.79.
At December 31, 2016, treasury shares held by Valora Holding AG represented 2.2 % of the company's issued share capital (3.4 % at year-end 2015).

2.8 DIVIDEND INCOME

January 1 to December 31, in CHF 000	**2016**	2015
Valora International AG	15 000	50 000
Valora Management AG	100	100
Valora Holding Finance Ltd.	5 375	–
Total dividend income	**20 475**	**50 100**

2.9 FINANCIAL INCOME

January 1 to December 31, in CHF 000	2016	2015
Interest income on loans to Group companies	3 012	2 258
Other interest income	415	1
Revaluation of treasury stock	–	1 906
Realized currency translation gains	9 884	193
Total financial income	**13 311**	**4 358**

2.10 OTHER INCOME

January 1 to December 31, in CHF 000	2016	2015
Adjustment to impairment charge on loans	20 000	–
Adjustment to impairment charge on equity participation	14 000	–
Total other income	**34 000**	**–**

2.11 FINANCIAL EXPENSES

January 1 to December 31, in CHF 000	2016	2015
Interest on bonds and syndicated loan	13 372	13 984
Discount (on bond, hybrid bond and syndicated loan)	751	564
Interest and fees paid to banks	1 125	981
Interest expense on loans to Group companies	1 235	1 551
Currency translation losses	2 299	1 670
Total financial expenses	**18 782**	**18 750**

2.12 OTHER OPERATING EXPENSES

January 1 to December 31, in CHF 000	2016	2015
Audit costs	137	249
Other advisory costs	214	209
Management fees	1 000	1 000
Other administrative costs	1 665	1 217
Total other operating expenses	**3 016**	**2 675**

3. ADDITIONAL INFORMATION

3.1 FULL-TIME POSTS. Valora Holding AG does not employ any staff.

3.2 SURETIES GRANTED IN RESPECT OF THIRD-PARTY LIABILITIES. At December 31, 2016 the Group's contingent liabilities in favour of subsidiaries – consisting of sureties, subordination, keep-well agreements, guarantees and other contingencies – totalled CHF 138.1 million (CHF 170.9 million in 2015). At December 31, 2016, the Group had no contingent liabilities in favour of third parties (none in 2015).

3.3 MAJOR SHAREHOLDERS. The Ordinary General Meeting of shareholders held in 2010 removed the statutory restriction (in German: "Vinkulierung") which prevented any shareholder from having voting rights recognised in respect of more than 5% of the share capital issued. At December 31, 2016 this 5% threshold was equivalent to 171 780 shares.

The share register shows that at December 31, 2016 Ernst Peter Ditsch held 635 599 registered shares, which is equivalent to 18.5% (18.5% in 2015) of the share capital issued.

3.4 SHAREHOLDINGS At December 31, 2016 and 2015, individual members of the Board and Group Executive Management (including persons associated with them) held the following numbers of shares of Valora Holding AG:

	2016 Number of shares	**2016 Share of total voting rights in %**	**2016 of which subject ot a lock-up period**	2015 Number of shares	2015 Share of total voting rights in %	2015 of which subject ot a lock-up period
Board of Directors						
Rolando Benedick Chairman	17485	0.51	1697	16939	0.49	1151
Markus Fiechter Vice-Chairman	2800	0.08	709	3981	0.12	481
Bernhard Heusler Board member	512	0.01	512	347	0.01	347
Franz Julen Chairman of Nomination and Compensation Committee	1012	0.03	562	831	0.02	381
Ernst Peter Ditsch Board member	635599	18.50	none	635599	18.50	none
Cornelia Ritz Bossicard Chairwoman of Audit Committee	562	0.02	562	381	0.01	381
Total Board of Directors	**657970**	**19.15**		**658078**	**19.15**	
Group Executive Management						
Michael Mueller CEO	4754	0.14	4754	798	0.02	798
Tobias Knechtle CFO	1993	0.06	1993	335	0.01	335
Andreas Berger Head Valora Retail (until 30 June 2015)	n.a.	–	none	–	–	none
Thomas Eisele Head Food Service	1189	0.03	1135	245	0.01	191
Alex Minder Head Valora Trade (until 31 December 2015)	n.a.	–	none	2113	0.06	none
Total Group Executive Management	**7936**	**0.23**		**3491**	**0.10**	
Total shares held by Board and GEM	**7955**	**19.38**		**661569**	**19.25**	

3.5 LOANS AND ADVANCES. At December 31, 2016 and 2015 there were no loans or advances outstanding to members of the Board or of Group Executive Management or to persons associated with them.

3.6 SHARES GRANTED TO BOARD DIRECTORS. 20% of the total remuneration paid to members of the Board of Directors is generally paid in the form of blocked registered shares. The proportion of total remuneration paid in the form of shares is calculated on the basis of the average volume-weighted price of Valora registered shares during the 20 trading days prior to the grant date, with a discount of 20% being applied to the resulting average share price.

3.7 NET RELEASE OF HIDDEN RESERVES. CHF 34.0 million of reserves were released in 2016 (none in 2015).

3.8 SUBSEQUENT EVENTS. No significant events occurred subsequent to the balance-sheet date.

PROPOSED APPROPRIATION OF EARNINGS AVAILABLE FOR DISTRIBUTION AND DISBURSEMENT FROM CAPITAL CONTRIBUTION

Proposal for the appropriation of earnings available for distribution

in CHF 000	**2016**	2015
Net profit for the year	**44 386**	**31 440**
+ Profit carried forward [1]	109 257	105 297
Earnings available for distribution	**153 643**	**136 737**
The Board of Directors proposes		
Dividend payable on shares entitled to dividend	– 42 945	– 28 344
Balance to be carried forward	**110 698**	**108 393**
Proposed distribution from the reserve from capital contributions within the legal capital reserves		
Reserve from capital contributions (before disbursement) [1]	527	14 683
Distribution	–	– 14 601
Reserve from capital contributions (after distribution)	**527**	**82**
Dividend distribution (in CHF)		
Distribution from reserve from capital contributions (exempt from withholding tax)	–	4.25
Dividend (gross)	12.50	8.25
– 35 % withholding tax	– 4.38	– 2.89
Net dividend per share (in CHF)	**8.12**	**9.61**

[1] For the 104 396 shares held by the company itself at the distribution date no dividend was paid, thus increasing the profit carried forward by CHF 864 thousand the capital contribution carried forward by CHF 445 thousand.

REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF VALORA HOLDING AG, MUTTENZ

REPORT OF THE STATUTORY AUDITOR ON THE FINANCIAL STATEMENTS

As statutory auditor, we have audited the accompanying financial statements of Valora Holding AG, which comprise the balance sheet, income statement and notes (pages 142 to 150), for the year ended 31 December 2016.

Board of Directors' responsibility. The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion. In our opinion, the financial statements for the year ended 31 December 2016 comply with Swiss law and the company's articles of incorporation.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

VALUATION OF INVESTMENTS IN AND LOANS TO SUBSIDIARIES

Area of focus. As of 31 December 2016, investments in and loans to Group companies represented 89.8% of the Company's total assets and amounted to CHF 901 million. Valora generally assesses the valuation of its investments and loans on an individual basis in accordance with the Swiss Code of Obligations. Under specific circumstances, certain investments in and loans to Group companies are combined for this assessment to the extent deemed appropriate.

Due to the significance of the carrying amount of the investments in and loans to Group companies and the judgment involved in the assessment of the valuation, this matter was considered significant to our audit.

Our audit response. We examined the Company's valuation model and analysed the underlying key assumptions, including future revenues and margins, long-term growth and discount rates. We also assessed the historical accuracy of the Company's estimates and considered its ability to produce accurate long-term forecasts. Further, we evaluated the sensitivity in the valuation resulting from changes to the key assumptions applied and compared these assumptions to corroborating information, including expected inflation rates and market growth.

Report on other legal requirements. We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young AG

André Schaub Licensed audit expert (Auditor in charge)	Ina Braun Licensed audit expert

Basle, 27 February 2017

Enclosures
- Financial statements (balance sheet, income statement and notes)
- Proposal regarding the appropriation of available earnings

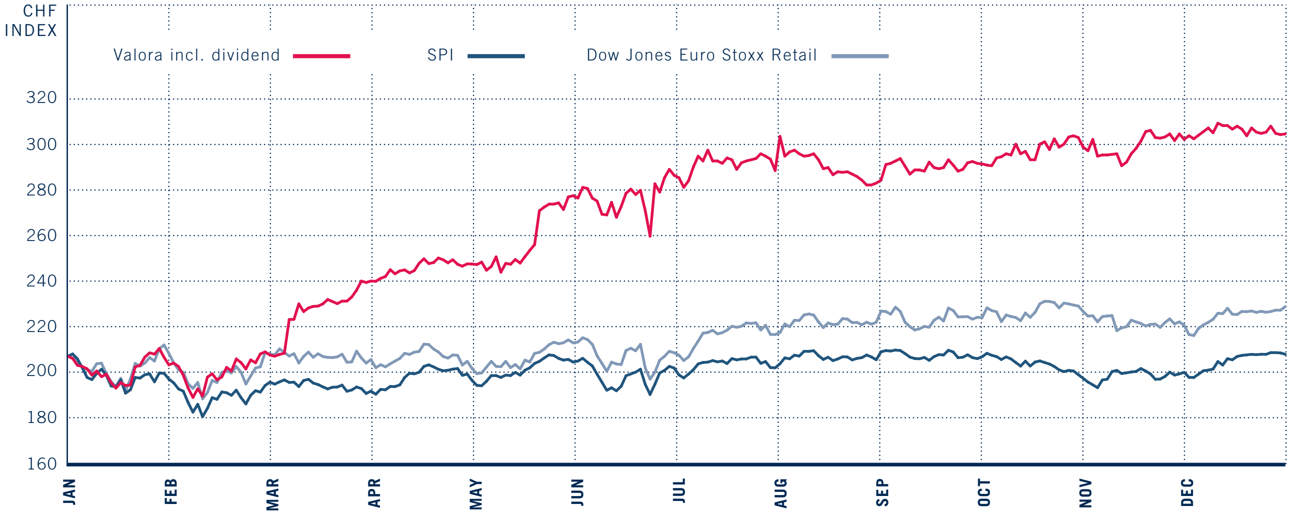
VALORA SHARES

1 SHARE PRICE TRENDS

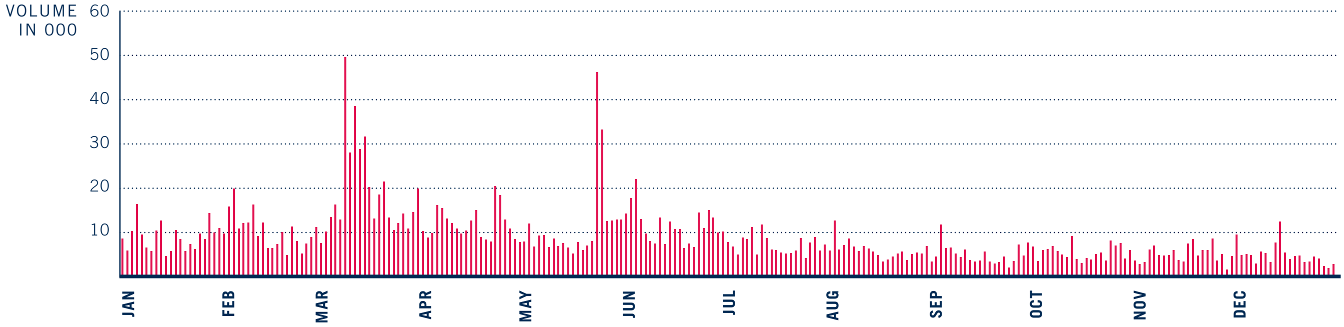
Overall Swiss equity-market performance. World equity markets were subject to recurring fluctuations in 2016, as a result of weaker economic performance in China, the collapse in the oil price, the Brexit referendum result and the presidential elections in the US. Thanks to a relatively robust economy and the first positive trend in company earnings since 2015, US equities posted gains, while their European counterparts lagged somewhat. In Switzerland, the broad SPI market index, which includes dividend payments, moved within a fairly narrow range, finishing 2016 unchanged on its level a year earlier.

Valora share performance. Valora shares initially performed in line with the overall market. Following publication of the company's 2015 results in March, which confirmed that Valora had succeeded in meeting its previously announced operational and financial objectives despite challenging retail-market conditions, the shares then outperformed their benchmark. On December 9, Valora shares closed at CHF 293.75, their high for both 2016 and the preceding 5 years. The lowest closing price for Valora shares in 2016 was CHF 188.90, recorded on February 9. Over the year 2016 as a whole, Valora shareholders achieved a total return, including the dividend payment, of 44 %.

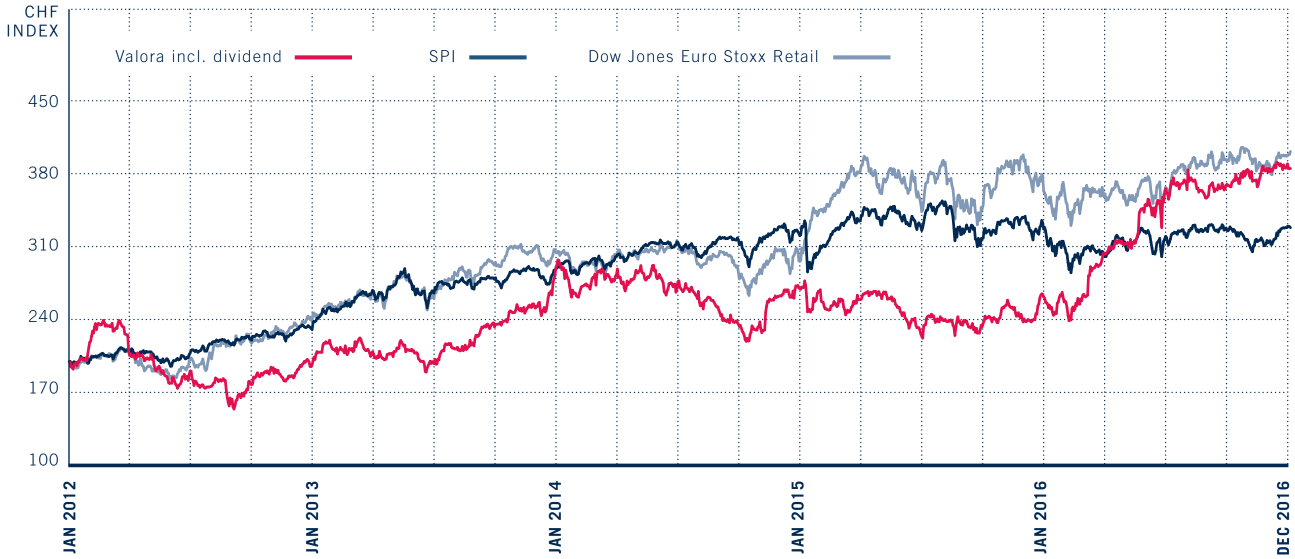
VALORA SHARE PERFORMANCE TREND 2016



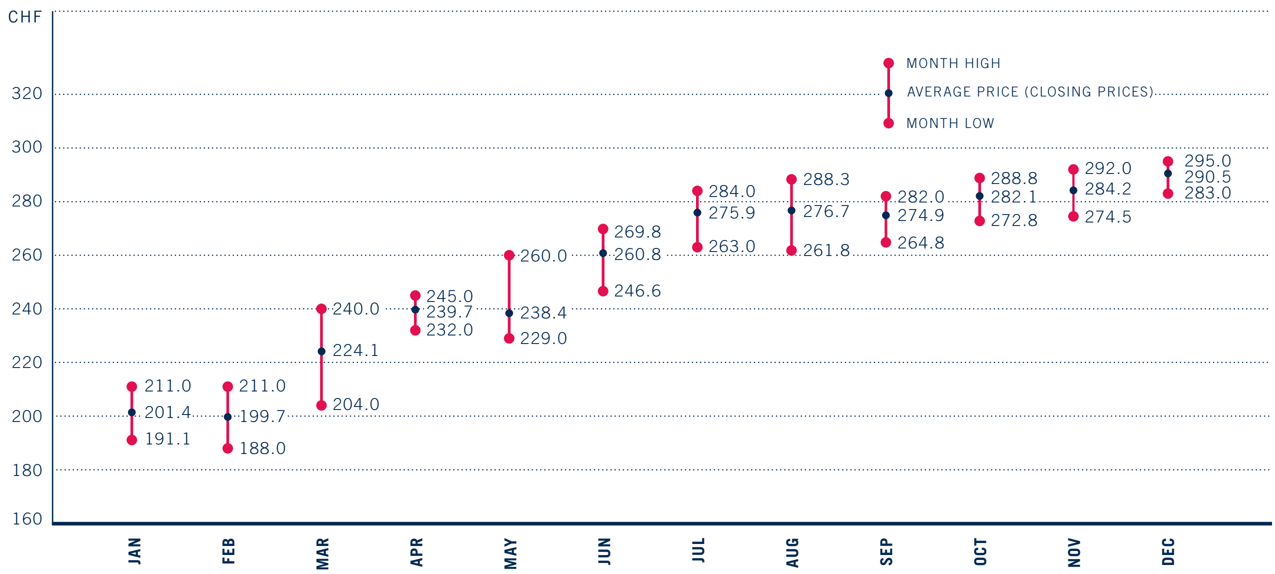
VALORA SHARE VOLUME 2016



VALORA SHARE PERFORMANCE TREND 2012–2016



MONTH HIGHS/LOWS IN 2016



2 SHAREHOLDER RETURNS

		2016	2015	2014	2013	2012
Share price						
Year-end	CHF	289.25	209.00	228.40	248.70	185.10
Distributions to shareholders						
Dividends	CHF	12.50	12.50	12.50	12.50	12.50
Dividend yield	%	4.3 %	6.0 %	5.5 %	5.0 %	6.8 %
Annual returns						
excluding dividends	%	38.4 %	−8.5 %	−8.2 %	34.4 %	[2] −5.8 %
including dividends	%	44.4 %	−3.0 %	−3.1 %	41.1 %	[2] 0.6 %
Average returns		2016 1 year	2015–2016 2 years	2014–2016 3 years	2013–2016 4 years	[2] 2012–2016 5 years
excluding dividends	%	38.4 %	12.5 %	5.2 %	11.8 %	8.0 %
including dividends	%	44.4 %	17.7 %	10.0 %	17.6 %	13.6 %

[1] Proposed
[2] Based on price 2011: CHF 196.50

3 KEY SHARE DATA

		2016	2015	2014	2013	2012
Operating profit (EBIT) per share [1] [2]	CHF	21.64	16.41	8.99	17.44	19.45
Free cash flow per share [1] [2] [3]	CHF	21.74	24.52	10.05	15.10	14.50
Earnings per share [1] [2]	CHF	17.27	12.51	3.13	7.69	13.09
Equity per share [1]	CHF	158.97	150.68	186.12	215.60	198.29
P / E Ratio [1] [2]	31.12.	16.75	16.71	72.93	32.35	14.14

[1] Based on average number of shares outstanding
[2] Continuing operations
[3] Free cash flow: net cash provided by operating activities less net cash used in ordinary investing activities

4 SHAREHOLDER DATA AND CAPITAL STRUCTURE

Registered shareholder data		31.12.2016	31.12.2015
Composition	Significant shareholders > 5 %	18.5 % of shares	18.5 % of shares
	10 largest shareholders	37.0 % of shares	32.7 % of shares
	100 largest shareholders	47.8 % of shares	44.2 % of shares
Origin	Switzerland	50.7 % of shares	65.0 % of shares
	Elsewhere	49.3 % of shares	35.0 % of shares

Valora Holding AG's share capital of CHF 3.4 million comprises 3.4 million registered shares with a nominal value of CHF 1.00 each.

Conditional capital amounting to a maximum of CHF 84000, comprising 84000 registered shares of CHF 1.00 nominal value each, was approved by the Ordinary General Meeting of shareholders of May 11, 2000. These shares can be used at any time by the Board of Directors to cover existing or future management profit-sharing plans. Existing shareholders have no subscription rights for such shares. No time limit applies. None of this conditional capital had been issued by December 31, 2015.

At their Ordinary General Meeting held on April 14, 2016, Valora Holding AG shareholders granted the Board of Directors authority to raise CHF 250000 of additional share capital through the issue of 250000 shares of CHF 1.00 nominal value each at any time until April 14, 2018.

Swiss and non-Swiss shareholders are registered on the same terms in the Share Register. The company has distributed dividends to its shareholders without interruption since 1920.

5 SHARE CAPITAL

		2016	2015	2014	2013	2012
Total registered shares [1)]	Shares	3435599	3435599	3435599	3435599	3435599
Treasury shares [1)]	Shares	77078	115915	61869	34014	51702
Number of shares outstanding [1)]	Shares	3358521	3319684	3373730	3401585	3383897
Market capitalisation [1))]	CHF million	972	694	771	846	626
Average number of shares outstanding	Shares	3339499	3358171	3388061	3387163	2913674
Number of registered shareholders [1)]		6990	8695	7889	7546	7745

1) At 31.12.
2) Based on number of shares outstanding at 31.12.

6 TAX VALUES

	Securities no.	**At 31.12.2016**	At 31.12.2015	At 31.12.2014	At 31.12.2013	At 31.12.2012
Registered shares of CHF 1.00	208897	289.25	209.00	228.40	248.70	185.10
2.5 % bond 2012–2018	14903902	102.41 %	102.65 %	104.30 %	103.75 %	104.65 %
4.0 % perpetual hybrid bond	21128255	102.85 %	105.60 %	104.55 %	101.05 %	–

FIVE-YEAR SUMMARY

		31.12.2016	31.12.2015	31.12.2014	31.12.2013	31.12.2012
Net revenues [1]	CHF million	**2 095.0**	**2 077.4**	**1 932.6**	**1 889.8**	**2 847.9**
Change	%	+0.8	+7.5	+2.3	−33.6	+1.1
EBITDA [1]	CHF million	**127.6**	**117.6**	**109.3**	**114.7**	**112.1**
Change	%	+8.5	+7.6	−4.7	+2.3	−4.2
in % of net revenues	%	6.1	5.7	5.7	6.1	3.9
Operating profit (EBIT) [1]	CHF million	**72.3**	**55.1**	**30.5**	**59.1**	**56.7**
in % of net revenues	%	3.4	2.7	1.6	3.1	2.0
Net profit Group [1]	CHF million	**62.5**	**46.8**	**15.4**	**29.2**	**38.5**
Change	%	+33.5	+203.7	−47.3	−24.0	−32.6
in % of net revenues	%	3.0	2.3	0.8	1.5	1.4
in % of equity	%	11.8	9.2	2.4	4.0	6.7
Net cash provided by (used in) [1]						
Operating activities	CHF million	113.0	125.5	91.9	89.9	54.5
Ordinary investment activities	CHF million	−40.4	−43.2	−57.9	−38.7	−12.3
Free cash flow [1]	CHF million	**72.6**	**82.3**	**34.0**	**51.2**	**42.2**
Earnings per share [1]	CHF	**17.27**	**12.51**	**3.13**	**7.69**	**13.09**
Change	%	+38.0	+299.7	−59.3	−41.3	−35.3
Free cash flow per share [1]	CHF	**21.74**	**24.52**	**10.05**	**15.10**	**14.50**
Change	%	−11.3	+144.0	−33.4	+4.1	−22.2
Cash and cash equivalents	CHF million	**159.4**	**116.3**	**129.0**	**107.8**	**147.2**
Equity	CHF million	**530.9**	**506.0**	**630.6**	**730.3**	**577.8**
Equity ratio	%	45.5	41.5	44.0	44.8	35.9
Number of employees at December 31 [1]	FTE	**4 228**	**4 349**	**4 435**	**4 613**	**5 962**
Change	%	−2.8	−1.9	−3.9	−22.6	+2.8
Net revenues per employee [1]	CHF 000	**495**	**478**	**436**	**410**	**478**
Change	%	+3.7	+9.6	+6.3	−14.2	−1.7
Number of outlets operated by Valora		**1 872**	**1 838**	**1 647**	**1 690**	**1 606**
of which agencies		1 014	990	702	649	598
Number of franchise outlets		**543**	**471**	**459**	**404**	**999**

All totals and percentages are based on unrounded figures from the consolidated financial statements.
[1] From continuing operations, in 2012 incl. the divisions Valora Services and Trade

Current details of press conferences and publications can be found
on the Valora website: www.valora.com

Editing/content/text Valora Corporate Communications and Valora Corporate Finance
Concept/design/illustration hilda design matters, Zurich, www.hilda.ch
English translation Nicholas MacCabe, Zurich
Printed by Neidhart + Schön AG, Zurich

This annual report is published in German and English. The original version is in German.
Online version www.valora.com/annualreport

MAIN ADDRESSES

VALORA HOLDING AG

Hofackerstrasse 40
4132 Muttenz, Switzerland
Fon +41 61 467 20 20
Fax +41 61 467 29 08
www.valora.com
info@valora.com

VALORA CORPORATE COMMUNICATIONS

Hofackerstrasse 40
4132 Muttenz, Switzerland
Fon +41 61 467 24 53
Fax +41 61 467 29 08
media@valora.com

VALORA CORPORATE INVESTOR RELATIONS

Hofackerstrasse 40
4132 Muttenz, Switzerland
Fon +41 61 467 21 23
Fax +41 61 467 29 08
annette.martin@valora.com

ADDRESSES

VALORA RETAIL

VALORA RETAIL SWITZERLAND
Hofackerstrasse 40
4132 Muttenz, Switzerland
www.valora.com

VALORA RETAIL GERMANY
Danziger Strasse 35a
20099 Hamburg, Germany
www.valoraretail.de

VALORA RETAIL LUXEMBOURG
24, rue de Strasbourg
2560 Luxembourg, Luxembourg
www.valoraretail.lu

VALORA RETAIL AUSTRIA
Daniel-Gran-Straße 48 / EG
3100 St. Pölten, Austria
www.valoraretail.at

FOOD SERVICE

BREZELKÖNIG SWITZERLAND
Neuenkirchstrasse 91
6020 Emmenbrücke, Switzerland
www.brezelkoenig.ch

CAFFÈ SPETTACOLO
Hofackerstrasse 40
4132 Muttenz, Switzerland
www.spettacolo.ch

BREZELBÄCKEREI DITSCH
Robert-Bosch-Str. 44
55129 Mainz, Germany
www.ditsch.de

BREZELKÖNIG AUSTRIA
Daniel-Gran-Straße 48 / EG
3100 St. Pölten, Austria
www.brezelkoenig.at

BREZELKÖNIG FRANCE
112 Avenue Kléber
75016 Paris, France
www.brezelkoenig.fr

PRETZEL BARON
311 Northland Boulevard
Cincinnati, Ohio 45246, USA
www.pretzelbaron.com

VALORA HOLDING AG
Hofackerstrasse 40
4132 Muttenz, Switzerland
www.valora.com