valora

HALF-YEAR REPORT

17

GROUP PERFORMANCE

The Valora Group had a successful first half of 2017 and posted EBIT growth of +14.1% or CHF +4.3 million to CHF 34.7 million. The EBIT margin improved by +0.5 percentage points to 3.5%, allowing Valora to make further progress in achieving its medium-term objectives. The increase of +0.7 percentage points to 9.0% in ROCE reflects this positive development.

Following the sale of Naville Distribution, net revenues at CHF 1 005.1 million were down slightly on the previous year (CHF 1 037.8 million). Group net profit increased by +35.3% to CHF 24.1 million. At CHF 8.9 million, free cash flow is below the previous year (CHF 17.6 million) because of higher investments in expansion and temporarily higher levels of net working capital. The equity ratio improved to 46.6%, compared to 45.5% on 31 December 2016.

After the sale of the Naville property in Geneva in February 2017 and the conclusion of the process of fully shifting its focus to its core business, Valora managed to further increase its profitability in the first half of 2017 through process improvements, network streamlining and selective expansion. In doing so, the Group held its own in a persistently challenging market environment characterised by the strong decline in the press market in Germany, historically high prices for dairy raw materials and a decline in the frequency of visits to shopping centres as well as increased competitive pressure in Switzerland.

In the first half of the year, Valora expanded its capacity for pretzel production by successfully replacing a production line at the Ditsch pretzel bakery in Germany. Valora also laid the foundation for further international growth and the expansion of its market position as one of the leading pretzel producers with the acquisition of the US company Pretzel Baron at the end of January 2017.

A NET REVENUES

Net revenues (NR) in CHF million	**2017**	**2017 share in %**	2016	2016 share in %	Change	Change in local currency
Retail Switzerland / Austria	629.1	62.6 %	645.6	62.2 %	–2.6 %	–2.5 %
Retail Germany / Luxembourg	244.2	24.3 %	238.1	22.9 %	+2.6 %	+4.5 %
Naville Distribution	0.0	0.0 %	48.5	4.7 %	–100.0 %	–100.0 %
Elimination of intrasegment revenues	0.0	0.0 %	–19.2	–1.9 %	n.a.	n.a.
Valora Retail	873.3	86.9 %	912.9	88.0 %	–4.3 %	–3.9 %
Food Service	130.4	13.0 %	124.3	12.0 %	+4.9 %	+6.1 %
Other	1.4	0.1 %	0.6	0.1 %	n.a.	n.a.
Total Group	**1 005.1**	**100.0 %**	**1 037.8**	**100.0 %**	**–3.2 %**	**–2.6 %**
Switzerland	670.8	66.7 %	714.4	68.8 %	–6.1 %	–6.1 %
Elsewhere	334.3	33.3 %	323.4	31.2 %	+3.4 %	+5.2 %

The Valora Group posted net revenues in the first half of 2017 of CHF 1 005.1 million, compared to CHF 1 037.8 million in the previous year. This slight contraction is explained by the deconsolidation of Naville Distribution, whose revenues were included in the prior-year figures; adjusted for the divested Naville Distribution, revenues remained stable (+ 0.2 % in currency-adjusted terms).

Retail Switzerland / Austria posted net revenues for the first half of 2017 of CHF 629.1 million, compared to CHF 645.6 million in the prior-year period. The closure of a net number of 25 outlets (mostly kiosk sites with low footfall) since June 2016 had a negative impact on revenues. Because of persistently strong competitive pressure and a decline in the frequency of visits to shopping centres, same-store revenues were down slightly on the previous year (– 1.4 %).

Retail Germany / Luxembourg grew its sales revenues by + 2.6 % (+ 4.5 % in local currency) to CHF 244.2 million. This positive development derives from the greater number of outlets operated by the company itself (+ 37 compared to the first half of 2016). In spite of the severe market pressure suffered by the print media, same-store revenues were on a par with the previous year's strong performance (+ 0.0 % in Germany and – 0.3 % for Retail Germany / Luxembourg consolidated, compared with + 4.7 % growth in the prior-year period). Food sales in Germany again saw impressive same-store growth of + 12.6 %, while sales of services as well as tobacco also improved.

Naville Distribution which was sold at the end of August 2016 had posted net revenues of CHF 48.5 million for the first half of 2016. This included sales to other companies within the Retail division of CHF 19.2 million.

The **Food Service** division grew its net revenues by + 4.9 % (+ 6.1 % in local currency) to CHF 130.4 million. Same-store revenues were good, both for the retail outlets in Switzerland (+ 1.9 %) and for Ditsch in Germany (+ 1.1 %). Sales were also boosted by expansion activities, in particular in Germany, where Ditsch expanded its network of sales outlets by +9 since the first half of 2016. In the wholesale business (B2B), revenues rose by + 5.6 % in local currency, in spite of the production-line replacement and resulting challenges at the Oranienbaum facility.

B GROSS PROFIT

Gross profit in CHF million	**2017**	**2017 share in %**	**2017 % of NR**	2016	2016 share in %	2016 % of NR	Change	in local currency
Retail Switzerland / Austria	228.7	54.9 %	36.3 %	230.8	53.8 %	35.8 %	– 0.9 %	– 0.9 %
Retail Germany / Luxembourg	85.7	20.6 %	35.1 %	83.2	19.4 %	35.0 %	+ 3.1 %	+ 4.9 %
Naville Distribution	–	0.0 %	n.a.	17.9	4.2 %	36.8 %	– 100.0 %	– 100.0 %
Valora Retail	314.4	75.5 %	36.0 %	331.9	77.3 %	36.4 %	– 5.3 %	– 4.8 %
Food Service	100.6	24.2 %	77.1 %	96.7	22.5 %	77.8 %	+ 4.0 %	+ 5.2 %
Other	1.4	0.3 %	n.a.	0.6	0.1 %	n.a.	n.a.	n.a.
Total Group	**416.4**	**100.0 %**	**41.4 %**	**429.1**	**100.0 %**	**41.4 %**	**– 3.0 %**	**– 2.4 %**

Gross profit was down to CHF 416.4 million from CHF 429.1 million in the first half of 2016; adjusted for the divested Naville Distribution in the previous year, gross profit increased by + 1.9 % or CHF + 7.7 million in currency-adjusted terms. This was due to the growth posted by Retail Germany / Luxembourg and Food Service. The adjusted gross profit margin improved by + 0.6 percentage points to 41.4 %.

Retail Switzerland / Austria reported a gross profit for the first half of 2017 of CHF 228.7 million, compared to CHF 230.8 million in the first half of 2016. The improvement in the gross profit margin of + 0.6 percentage points to 36.3 % partially compensated for the aforementioned revenue constraints. This improvement was largely due to the reduction in the attrition rate and the increase in promotional activities.

Retail Germany / Luxembourg raised its gross profit by + 3.1 % (+ 4.9 % in local currency) to CHF 85.7 million. This growth was supported not only by an increase in revenues, but also by a margin improvement of + 0.2 percentage points to 35.1 %.

In the first half of 2016, the deconsolidated **Naville Distribution** contributed CHF 17.9 million to the Group's gross profit.

The **Food Service** division raised its gross profit by + 4.0 % (+ 5.2 % in local currency) to CHF 100.6 million. This improvement was supported by the aforementioned growth in sales revenues.
As the historically high prices for dairy raw materials had a negative impact of CHF – 1.0 million, the gross profit margin dropped to 77.1 % from 77.8 % in the first half of 2016.

C OPERATING COSTS, NET

Net operating costs in CHF million	**2017**	**2017 share in %**	**2017 % of NR**	2016	2016 share in %	2016 % of NR	Change	Change in local currency
Retail Switzerland / Austria	–205.7	53.9 %	–32.7 %	–217.2	54.5 %	–33.6 %	–5.3 %	–5.3 %
Retail Germany / Luxembourg	–78.8	20.6 %	–32.2 %	–76.2	19.1 %	–32.0 %	+3.3 %	+5.1 %
Naville Distribution	-	0.0 %	n.a.	–15.0	3.8 %	–30.9 %	–100.0 %	–100.0 %
Valora Retail	–284.4	74.5 %	–32.6 %	–308.4	77.3 %	–33.8 %	–7.8 %	–7.4 %
Food Service	–90.1	23.6 %	–69.1 %	–85.0	21.3 %	–68.4 %	+6.1 %	+7.2 %
Other	–7.2	1.9 %	n.a.	–5.4	1.4 %	n.a.	+31.6 %	+31.7 %
Total Group	**–381.7**	**100.0 %**	**–38.0 %**	**–398.8**	**100.0 %**	**–38.4 %**	**–4.3 %**	**–3.7 %**

Thanks to the sale of Naville Distribution and the implementation of measures to enhance efficiency, net operating costs were down on the previous year at CHF –381.7 million and the cost ratio improved by +0.4 percentage points.

Retail Switzerland / Austria cut its net operating costs by CHF –11.5 million or –5.3 %. This includes the book profit on the sale of the property in Geneva (CHF 2.9 million). The operating savings of CHF –8.6 million significantly resulted from measures to improve efficiency and processes. The smaller number of sales outlets also had a positive effect. This helped to improve the cost ratio by +0.9 percentage points to –32.7 %.

Retail Germany / Luxembourg incurred net operating costs for the first half of 2017 of CHF –78.8 million, compared to CHF –76.2 million in the first half of 2016 (+3.3 %). While this increase is mostly due to the greater number of outlets operated by the division itself, the increase in the minimum wage in Germany on 1 January 2017 also played a role.

Naville Distribution, which was sold at the end of August 2016, incurred costs of CHF –15.0 million in the prior-year period.

Net operating costs for the **Food Service** division amounted to CHF –90.1 million, compared with CHF –85.0 million in the first half of 2016. In addition to the volume-driven increase, the operating costs incurred for the production-line upgrade at Oranienbaum (CHF –0.5 million) and the expenses related to the acquisition and integration of Pretzel Baron in the US (CHF –0.5 million) also affected the result. These special costs led to an increase in the cost ratio by –0.7 percentage points to –69.1 %.

Operating costs for the **Other** segment (CHF –7.2 million) were up from the previous year due to further measures to expand digitalisation, including the development of the successfully launched k Kiosk app and Retail Analytics, as well as due to bob Finance.

D OPERATING PROFIT (EBIT)

Operating profit (EBIT) in CHF million	**2017**	**2017 share in %**	**2017 % of NR**	2016	2016 share in %	2016 % of NR	Change	Change in local currency
Retail Switzerland / Austria	23.0	66.3 %	3.7 %	13.6	44.9 %	2.1 %	+ 68.6 %	+ 68.5 %
Retail Germany / Luxembourg	7.0	20.2 %	2.9 %	7.0	22.9 %	2.9 %	+ 0.3 %	+ 2.6 %
Naville Distribution	–	0.0 %	n.a.	2.9	9.5 %	5.9 %	– 100.0 %	– 100.0 %
Valora Retail	30.0	86.4 %	3.4 %	23.5	77.3 %	2.6 %	+ 27.7 %	+ 28.5 %
Food Service	10.5	30.2 %	8.0 %	11.7	38.6 %	9.4 %	– 10.7 %	– 9.8 %
Other	– 5.8	– 16.6 %	n.a.	– 4.8	– 15.9 %	n.a.	n.a.	n.a.
Total Group	**34.7**	**100.0 %**	**3.5 %**	**30.4**	**100.0 %**	**2.9 %**	**+ 14.1 %**	**+ 15.1 %**

The Valora Group raised its operating profit by CHF +4.3 million or + 14.1 % to CHF 34.7 million in the first half of the year. This improvement is largely due to improvements in efficiency realised by Retail Switzerland / Austria. The EBIT earned in the previous year by the divested Naville Distribution is compensated in the first half of 2017 by the book profit on the sale of the Geneva property. The EBIT margin improved by + 0.5 percentage points to 3.5 %.

Retail Switzerland / Austria posted an increase in EBIT of CHF + 9.4 million or + 68.6 % to CHF 23.0 million in the first half of 2017. This includes the book profit on the sale of the property in Geneva (CHF 2.9 million). The operating growth of CHF + 6.5 million was mostly due to the successful implementation of measures to improve efficiency and processes. The EBIT margin improved by + 1.5 percentage points to 3.7 %, or 3.2 % without the book profit from the sale of the Geneva property.

At CHF 7.0 million, the EBIT for **Retail Germany / Luxembourg** is on a par with the previous year. Growth in local currency was + 2.6 %, thanks to higher sales revenues and an improved gross profit margin, the latter compensated for the higher costs caused by the increase in the minimum wage in Germany. The EBIT margin was constant at 2.9 %.

Naville Distribution, which was sold at the end of August 2016, contributed CHF 2.9 million to the operating profit of the Valora Group in the first half of 2016.

The **Food Service** division posted an operating profit for the first half of 2017 of CHF 10.5 million, compared to CHF 11.7 million in the prior-year period. The result was affected by historically high prices for dairy raw materials (CHF – 1.0 million) as well as special costs incurred for the production-line upgrade at Oranienbaum (CHF – 0.5 million) and for the acquisition and integration of Pretzel Baron in the US (CHF – 0.5 million). Thanks to positive trends in sales revenues in all areas, the division reached an operating growth of CHF + 0.7 million. The EBIT margin, influenced by all of these effects, was 8.0 %.

The operating profit of CHF – 5.8 million for the **Other** segment includes the costs for further measures to expand digitalisation.

E FINANCIAL RESULT, TAXES AND NET PROFIT

Valora raised its Group net profit in the first half of 2017 from CHF 17.8 million to CHF 24.1 million (+35.3 %), thanks to encouraging EBIT growth and lower financing costs.

The financial result improved by CHF +5.0 million to CHF –4.7 million in the first half of 2017. The cost reduction is largely explained by the one-off costs incurred in the previous year for the unwinding of the EUR 72 million interest rate swap relating to the early refinancing of the floating-rate tranche of the outstanding bonded loan issue at better conditions. The currency result is also better than in the prior-year period.

Tax expenses amounted to CHF –6.1 million, compared to CHF –3.1 million in the prior-year period. The tax rate is 20.2 %.

In total, Group net profit increased by CHF +6.3 million to CHF 24.1 million for the first half of 2017.

F LIQUIDITY, CASH FLOW AND KEY FINANCIAL DATA

At CHF 8.9 million, Valora's free cash flow was down on the previous year (CHF 17.6 million) because of business-related fluctuations in net working capital and higher investments in expansion. The equity ratio increased from 45.5% at the beginning of the year to 46.6%. The debt ratio improved from 2.2x EBITDA on 30 June 2016 to 1.9x EBITDA.

The Valora Group generated free cash flow in the first half of 2017 of CHF 8.9 million, compared to CHF 17.6 million in the previous year. Earnings before interest, taxes, depreciation and amortisation (EBITDA) rose by CHF +2.8 million or +4.9% to CHF 60.6 million. Lower interest payments and the inflow of cash from the sale of the Geneva property also had a positive effect on the prior-year comparison. On the other hand, free cash flow was reduced by higher investments, in particular in the expansion of capacity for pretzel production, and an increase in net working capital due to the usual fluctuations in business and a greater number of outlets operated by Retail Germany itself.

The Group's equity ratio improved by +1.1 percentage points to 46.6%. Following the payment of the dividend for the 2016 financial year during the first half of 2017, net debt of CHF 250.4 million is higher than on 31 December 2016 (CHF 202.0 million), but lower than on 30 June 2016 (CHF 286.4 million). The debt ratio also improved from 2.2x EBITDA on 30 June 2016 to 1.9x EBITDA (31 December 2016: 1.6x EBITDA).

G RETURN ON CAPITAL EMPLOYED

ROCE[1] in %	**30.06.2017**	31.12.2016	Percentage-point change
Retail Switzerland / Austria	23.8 %	17.5 %	+6.3 %
Retail Germany / Luxembourg	11.1 %	11.5 %	−0.4 %
Valora Retail	18.6 %	15.4 %	+3.1 %
Food Service	6.5 %	6.9 %	−0.5 %
Total Group[2]	**9.0 %**	**8.2 %**	**+0.7 %**

[1] Capital employed is the average measured over the preceding 13 months. 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 reflects the positive EBIT development and rose from 8.2 % to 9.0 %.

Return on capital employed (ROCE) is a key internal indicator for measuring the profitability of the Valora Group and expresses the ratio of the EBIT generated by the Group in the past 12 months to its average invested capital over the same period.

The ROCE of the Valora Group improved by +0.7 percentage points to 9.0 % on 30 June 2017. This improvement was largely supported by the Retail division (+3.1 percentage points) where the profitability of Retail Switzerland / Austria increased by +36.1 % or +6.3 percentage points to 23.8 %. This positive development was mostly the result of the measures that were implemented to enhance efficiency, with the sale of the Geneva property making a smaller contribution.

Valora Holding AG

Franz Julen
Präsident des Verwaltungsrates

Michael Mueller
CEO

KEY FINANCIAL DATA

		30.06.2017	30.06.2016	Change
External sales	**CHF million**	**1 224.7**	**1 278.1**	–4.2 %
Net revenues	**CHF million**	**1 005.1**	**1 037.8**	–3.2 %
EBITDA [1]	**CHF million**	**60.6**	**57.8**	+4.9 %
in % of net revenues		6.0	5.6	
Operating profit (EBIT) [1]	**CHF million**	**34.7**	**30.4**	+14.1 %
in % of net revenues		3.5	2.9	
Net profit Group [1]	**CHF million**	**23.9**	**17.6**	+35.8 %
in % of net revenues		2.4	1.7	
in % of equity [2]		9.1	7.2	
Net cash provided by (used in) [1]				
Operating activities	CHF million	11.6	31.7	–63.6 %
Investment in property, plant, equipment and intangible assets	CHF million	–23.7	–15.6	+51.2 %
Proceeds from sales of property, plant, equipment and intangible assets	CHF million	20.9	1.5	+1 337.4 %
Free cash flow [1]	**CHF million**	**8.9**	**17.6**	–49.1 %
Earnings per share [1]	**CHF**	**6.40**	**4.57**	+40.1 %
Number of outlets operated by Valora		**1 886**	**1 862**	+1.3 %
of which agencies		1 028	1 013	+1.5 %
Number of franchise outlets		**532**	**510**	+4.3 %
		30.06.2017	31.12.2016	
Share price	**CHF**	**306.50**	**289.25**	+6.0 %
Market capitalisation	**CHF million**	**1 032.3**	**972.0**	+6.2 %
Cash and cash equivalents	**CHF million**	**120.1**	**159.4**	–24.6 %
Interest-bearing debt	**CHF million**	**370.5**	**361.9**	+2.4 %
Equity	**CHF million**	**518.7**	**530.9**	–2.3 %
Total liabilities and equity	**CHF million**	**1 112.8**	**1 167.2**	–4.7 %
Number of employees	**FTE**	**4 127**	**4 228**	–2.4 %

All totals and percentages are based on unrounded figures from the consolidated financial statements.
[1] From continuing operations
[2] Annualised net profit as % of the average equity

VALORA HALF-YEAR FINANCIAL STATEMENTS 2017

CONSOLIDATED INCOME STATEMENT

January 1 to June 30, in CHF 000 (except per-share amounts)	**2017**	%	2016	%
Net revenues	**1 005 078**	**100.0 %**	**1 037 784**	**100.0 %**
Cost of goods and materials	– 588 704	– 58.6 %	– 608 639	– 58.6 %
Personnel expenses	– 123 993	– 12.3 %	– 133 277	– 12.8 %
Other operating expenses	– 236 529	– 23.5 %	– 240 594	– 23.2 %
Depreciation, amortisation and impairments	– 25 915	– 2.6 %	– 27 408	– 2.6 %
Other income	4 992	0.5 %	3 644	0.4 %
Other expenses	– 249	– 0.0 %	– 1 128	– 0.1 %
Operating profit (EBIT)	**34 680**	**3.5 %**	**30 383**	**2.9 %**
Financial expenses	– 5 976	– 0.6 %	– 10 347	– 1.0 %
Financial income	1 276	0.1 %	688	0.1 %
Earnings before taxes	**29 981**	**3.0 %**	**20 723**	**2.0 %**
Income taxes	– 6 057	– 0.6 %	– 3 110	– 0.3 %
Net profit from continuing operations	**23 923**	**2.4 %**	**17 613**	**1.7 %**
Net profit from discontinued operations	146	0.0 %	176	0.0 %
Net profit	**24 069**	**2.4 %**	**17 789**	**1.7 %**
Attributable to shareholders of Valora Holding AG	21 669	2.2 %	15 389	1.5 %
Attributable to providers of hybrid capital	2 400	0.2 %	2 400	0.2 %
Attributable to providers of Valora Holding AG equity	**24 069**	**2.4 %**	**17 789**	**1.7 %**
Earnings per share				
from continuing operations, basic and diluted (in CHF)	6.40		4.57	
from discontinued operations, basic and diluted (in CHF)	0.04		0.05	
from continuing and discontinued operations, basic and diluted (in CHF)	**6.44**		**4.62**	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

January 1 to June 30, in CHF 000	**2017**	2016
Net profit	**24 069**	**17 789**
Actuarial losses before income taxes	–95	–11 174
Income taxes	19	1 727
Positions not subject to reclassification affecting the income statement	**–76**	**–9 447**
Cash flow hedge	851	4 245
Currency translation adjustments	5 294	–1 805
Positions whose reclassification potentially affects the income statement	**6 145**	**2 440**
Other comprehensive income	**6 069**	**–7 007**
Total comprehensive income	**30 139**	**10 782**
Attributable to shareholders of Valora Holding AG	27 739	8 382
Attributable to providers of hybrid capital	2 400	2 400
Attributable to providers of Valora Holding AG equity	**30 139**	**10 782**

CONSOLIDATED BALANCE SHEET

ASSETS

in CHF 000	30.06.2017	%	31.12.2016	%
Current assets				
Cash and cash equivalents	120 134		159 381	
Trade accounts receivable	47 020		45 256	
Inventories	157 221		146 698	
Current income tax receivables	307		2 131	
Other current receivables	59 007		52 764	
Total current assets	**383 688**	**34.5 %**	**406 230**	**34.8 %**
Non-current assets				
Property, plant and equipment	211 075		221 514	
Goodwill, software and other intangible assets	474 678		469 010	
Investment in associates and joint ventures	50		50	
Financial assets	30 657		31 809	
Deferred income tax assets	12 656		38 624	
Total non-current assets	**729 115**	**65.5 %**	**761 008**	**65.2 %**
Total assets	**1 112 803**	**100.0 %**	**1 167 238**	**100.0 %**

LIABILITIES AND EQUITY

in CHF 000	30.06.2017	%	31.12.2016	%
Current liabilities				
Short-term financial debt	203 946		726	
Trade accounts payable	110 047		136 557	
Current income tax liabilities	7 126		9 854	
Other current liabilities	87 007		87 737	
Total current liabilities	**408 127**	**36.7 %**	**234 874**	**20.1 %**
Non-current liabilities				
Other non-current liabilities	169 433		363 927	
Pension liabilities	326		310	
Long-term provisions	10 562		10 562	
Deferred income tax liabilities	5 698		26 689	
Total non-current liabilities	**186 019**	**16.7 %**	**401 488**	**34.4 %**
Total liabilities	**594 145**	**53.4 %**	**636 362**	**54.5 %**
Equity				
Share capital	3 436		3 436	
Treasury stock	– 17 745		– 18 345	
Hybrid capital	119 098		119 098	
Fair value changes on financial instruments	– 1 138		– 1 988	
Retained earnings	501 258		520 220	
Cumulative translation adjustments	– 86 251		– 91 546	
Total equity	**518 658**	**46.6 %**	**530 875**	**45.5 %**
Total liabilities and equity	**1 112 803**	**100.0 %**	**1 167 238**	**100.0 %**

CONSOLIDATED CASH FLOW STATEMENT (CONDENSED)

January 1 to June 30, in CHF 000	**2017**	2016
Operating profit (EBIT)	**34 680**	**30 383**
Elimination of non-cash transactions	25 621	31 613
Cash flow before changes in net working capital	**60 301**	**61 996**
Changes in net working capital	–41 632	–16 881
Net cash provided by operating activities	**18 669**	**45 115**
Interest and taxes paid	–7 047	–13 368
Total net cash provided by operating activities from continuing operations	**11 621**	**31 747**
Total net cash provided by/(used in) operating activities from discontinued operations	146	–446
Total net cash provided by operating activities	**11 767**	**31 301**
Acquisition of subsidiaries, net of cash acquired	–10 049	0
Proceeds from subsidiaries, net of cash disposed	0	–7 672
Investment in property, plant, equipment and intangible assets	–23 653	–15 644
Proceeds from sales of property, plant, equipment and intangible assets	20 923	1 456
Sales/(purchases) of financial investments	137	–1 838
Net cash used in investing activities	**–12 642**	**–23 699**
Increase/(decrease) in financial liabilities	95	–3 119
Treasury stock sold	2 893	3 658
Dividends paid	–42 047	–41 636
Net cash used in financing activities from continuing operations	**–39 059**	**–41 097**
Net cash provided by financing activities from discontinued operations	0	446
Net cash used in financing activities	**–39 059**	**–40 651**
Net decrease in cash and cash equivalents	**–39 934**	**–33 049**
Exchange differences on cash and cash equivalents	686	34
Cash and cash equivalents at January 1	159 381	116 985
Cash and cash equivalents at June 30 per balance sheet	**120 134**	**83 969**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equity

in CHF 000	Share capital	Treasury stock	Hybrid capital	Fair value changes on financial instruments	Retained earnings	Cumulative translation adjustments	Total equity of Valora Holding AG	Non-controlling interests	Total equity
	Equity of Valora Holding AG								
Balance at December 31, 2015	**3 436**	**–26 849**	**119 098**	**–7 083**	**503 745**	**–86 359**	**505 988**	**27**	**506 015**
Net profit					17 789		17 789		17 789
Other comprehensive income				4 245	–9 447	–1 805	–7 007		–7 007
Total comprehensive income				**4 245**	**8 342**	**–1 805**	**10 781**		**10 781**
Share-based remuneration					1 032		1 032		1 032
Dividend paid to shareholders					–41 636		–41 636		–41 636
Purchase of treasury stock		–5 862					–5 862		–5 862
Sale of treasury stock		11 379			–1 593		9 786		9 786
Distributions to providers of hybrid capital					–3 200		–3 200		–3 200
Disposal of non-controlling interests								–27	–27
Balance at June 30, 2016	**3 436**	**–21 332**	**119 098**	**–2 838**	**466 690**	**–88 164**	**476 890**	**0**	**476 890**
Balance at December 31, 2016	**3 436**	**–18 345**	**119 098**	**–1 988**	**520 220**	**–91 546**	**530 875**	**0**	**530 875**
Net profit					24 069		24 069		24 069
Other comprehensive income				851	–76	5 294	6 069		6 069
Total comprehensive income				**851**	**23 993**	**5 294**	**30 139**	**0**	**30 139**
Share-based remuneration					1 690		1 690		1 690
Dividend paid to shareholders					–42 047		–42 047		–42 047
Purchase of treasury stock		–7 740					–7 740		–7 740
Sale of treasury stock		8 340			603		8 943		8 943
Distributions to providers of hybrid capital					–3 200		–3 200		–3 200
Balance at June 30, 2017	**3 436**	**–17 745**	**119 098**	**–1 138**	**501 258**	**–86 251**	**518 658**	**0**	**518 658**

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

1 INFORMATION REGARDING THE GROUP

Valora is an international retail group. The parent company, Valora Holding AG with its registered office in Muttenz, Switzerland is listed on the SIX Swiss Exchange. The Retail business segment of Valora runs small-outlet convenience retail units at heavily frequented sites. Its Food Service segment boasts an integrated value chain covering all phases from the production of pretzels to sales to wholesalers (B2B) and the operation of takeaway concepts (B2C).

2 SIGNIFICANT ACCOUNTING POLICIES

These half-year financial statements comprise the consolidated financial statements of Valora Holding AG and its subsidiaries for the first six months of 2017. The statements are based on the set of uniformly prepared individual financial statements of the Valora Group companies. With the exception of the changes to International Financial Reporting Standards (IFRS) and their interpretation detailed in Note 3 below, these statements have been prepared according to the same accounting policies and valuation principles as those used for the Group's 2016 annual report. The reporting currency is the Swiss franc (CHF). These half-year financial statements have been compiled in accordance with SIX Swiss Exchange requirements in line with International Accounting Standard 34 (IAS 34) "Interim Financial Reporting". These statements do not include all the information contained in the consolidated annual report for 2016 and should therefore be read in conjunction with that document.

Changes in consolidation scope. On January 26, 2017, Valora acquired Pretzel Baron, a pretzel producer based in Cincinnati Ohio/USA. Pretzel Baron produces frozen pretzels of high quality at its own facility, which has scope for expansion. Further details of this transaction are set out in Note 5.

Consolidation period. These half-year financial statements cover the period from January 1 to June 30.

3 CHANGES TO ACCOUNTING POLICIES

Implementation of new International Financial Reporting Standards (IFRS). Since 1 January 2017, the amendments contained in the Annual Improvements to IFRS Standards 2014-2016 Cycle to IFRS 12 (clarification of the scope of the disclosure requirements regarding interests in other entities) as well as the amendments to IAS 12 (recognition of deferred tax assets for unrealised losses) and IAS 7 (additional disclosure requirements for financial liabilities reported in the cash flow statement) have to be applied. These amendments do not have any material impact on the results or financial position of the Group.

4 GENERAL ACCOUNTING POLICIES

Conversion 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 so arising are booked to the income statement.

Upon consolidation, the assets and liabilities of subsidiaries whose reporting 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 such presentation sufficiently approximates the figures which would result from the application of transaction date rates. If not, movement items are converted at effective transaction rates. Exchange rate gains and losses arising from the translation of half-year financial statements of non-Swiss-franc subsidiaries are booked to other comprehensive income and reported separately as currency-translation adjustments.

Exchange rates applied to key foreign currencies

	Average rate for 6 months to 30.06.2017	**Rate at 30.06.2017**	Average rate for 6 months to 30.06.2016	Rate at 30.06.2016	Rate at 31.12.2016
Euro, 1 EUR	1.076	1.095	1.096	1.084	1.072
US Dollar, 1 USD	0.995	0.958	0.983	0.976	1.019

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

5 ACQUISITIONS OF BUSINESS UNITS

Transactions in 2017.

Acquisition Pretzel Baron. On January 26, 2017, Valora acquired Pretzel Baron, a pretzel producer based in Cincinnati Ohio / USA.

Net assets purchased, purchase price, net cash used

in CHF 000	Pretzel Baron Fair Value (preliminary)
Current assets	157
Non-current assets	7 419
= Net assets acquired	**7 576**
Goodwill from acquisition	4 451
= Purchase price	**12 027**
Outstanding consideration	1 978
Cash and cash equivalents acquired	0
= Cash used in acquisition of subsidiaries	**10 049**

The goodwill of CHF 4.5 million is derived from the components of the purchase price that cannot be capitalised. It is assumed that the goodwill is fully deductible for tax purposes.

The purchase price for the acquisition was CHF 12.0 million, of which CHF 10.0 million was paid and CHF 2.0 million is outstanding in a contingent consideration arrangement. The contingent payment is dependent on the achievement of projected sales figures and will fall due in 2018. The non-discounted outflow of funds that is likely is between zero and a maximum of CHF 3.0 million. The recognised liability of CHF 2.0 million is based on a best-possible estimate of the sales for 2017.

6 DISCONTINUED OPERATIONS

Transactions in the first six months of 2016.

Valora Trade Germany. 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, Germany, Denmark, Sweden, Norway and Finland. The sale of Trade Germany was completed during January 2016.

Disposal of net assets of 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 of Trade Germany

in CHF 000	2016
Consideration received	52
Disposal of net assets	– 52
Derecognition of non-controlling interests	27
Recycling of cumulative translation adjustment	1 896
Profit from disposal	**1 923**

Cash and cash equivalents generated from disposal of Valora Trade Germany

in CHF 000	2016
Cash and cash equivalents received	52
Cash and cash equivalents disposed	– 677
Net cash outflow from disposal	**– 625**

Result from discontinued operations 2017

January 1 to June 30, in CHF 000	**2017**
Expenses	–15
Other income	161
Operating profit (EBIT)	**146**
Net profit from discontinued operations	**146**

The other revenues include a dividend received from an associated company.

Result from discontinued operations 2016

January 1 to June 30, in CHF 000	**2016**
Expenses	–1 836
Other income	90
Operating profit (EBIT)	**–1 746**
Net loss from operating activities	**–1 746**
Profit from disposal	1 922
Net profit from discontinued operations	**176**

The expenses shown above essentially relate to Trade division disposal costs and other contractual obligations relating to this sale incurred during the first six months of 2016.

7 SEGMENT REPORTING

Segment data by division

in CHF 000	Valora Retail	Food Service	Others	Intersegment elimination	Total Group continuing operations
Segment information for the six months to 30.06.2017					
Net revenues					
Total	**873 290**	**130 397**	**1 390**	**0**	**1 005 078**
From third parties	873 290	130 397	1 390	0	1 005 078
Operating profit (EBIT)					
Total	**29 977**	**10 465**	**– 5 762**	**0**	**34 680**
Operating profit (EBIT) in % of net revenues	3.4	8.0			3.5
Segment assets					
Total	**655 145**	**450 254**	**387 579**	**– 380 174**	**1 112 803**
Segment liabilities					
Total	**270 700**	**196 201**	**507 419**	**– 380 174**	**594 145**
Segment information for the six months to 30.06.2016					
Net revenues					
Total	**912 897**	**124 274**	**614**	**0**	**1 037 784**
From third parties	912 897	124 274	614	0	1 037 784
Operating profit (EBIT)					
Total	**23 484**	**11 717**	**– 4 817**	**0**	**30 383**
Operating profit (EBIT) in % of net revenues	2.6	9.4			2.9
Segment assets					
Total	**761 505**	**441 710**	**428 230**	**– 469 163**	**1 162 283**
Segment liabilities					
Total	**493 474**	**192 920**	**468 162**	**– 469 163**	**685 393**

8 SEASONAL EFFECTS

Past experience has shown that some 40–45% of EBIT is usually generated in the first half of the year, with the remaining 55–60% being generated in the second six months. While costs are fairly evenly distributed across both halves of the year, Retail and Food Service generate greater turnover in the second half of the year, with the result that this is a more profitable period than the first six months.

9 FINANCIAL INSTRUMENTS AND FAIR VALUES

The carrying amount of the financial assets and liabilities governed by IFRS 7 and IFRS 13 are generally stated at fair value. The only exception to this practice relates to short- and long-term financial liabilities.

in CHF 000	**Carrying amount 30.06.2017**	**Fair value 30.06.2017**	Carrying amount 31.12.2016	Fair value 31.12.2016
Short-term financial liabilities	203 946	207 125	726	726
Long-term financial liabilities	166 597	166 597	361 132	366 020

The market value relates to the closing price of Valora's bond issue (Swiss securities code: 14903902, ISIN: CH0149039023) on SIX Swiss Exchange at the relevant balance-sheet dates. As this bond will mature in spring 2018, it was reclassified from non-current to current in the first half of 2017.

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 non-observable parameters and are thus based on estimates.

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

30.06.2017

in CHF 000	**Level 1**	**Level 2**	**Level 3**	**Total**
Valued at fair value				
Assets				
Contingent consideration	0	0	16 295	16 295
Liabilities				
Contingent consideration	0	0	1 978	1 978

31.12.2016

in CHF 000	Level 1	Level 2	Level 3	Total
Valued at fair value				
Assets				
Contingent consideration	0	0	16 295	16 295

10 DIVIDENDS PAID

On April 5, 2017 a dividend of CHF 12.50 per registered share was paid in respect of 2016 (CHF 12.50 per registered share for the previous year).

11 SUBSEQUENT EVENTS

This half-year report was approved by the Board of Directors of Valora Holding AG on July 25, 2017.

Muttenz, July 26, 2017

The next Ordinary General Meeting of shareholders of Valora Holding AG
will be held on Friday, April 13, 2018.

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